

# Standard Life Aberdeen plc

**Creating a diversified world-class investment company**

**September 2017**



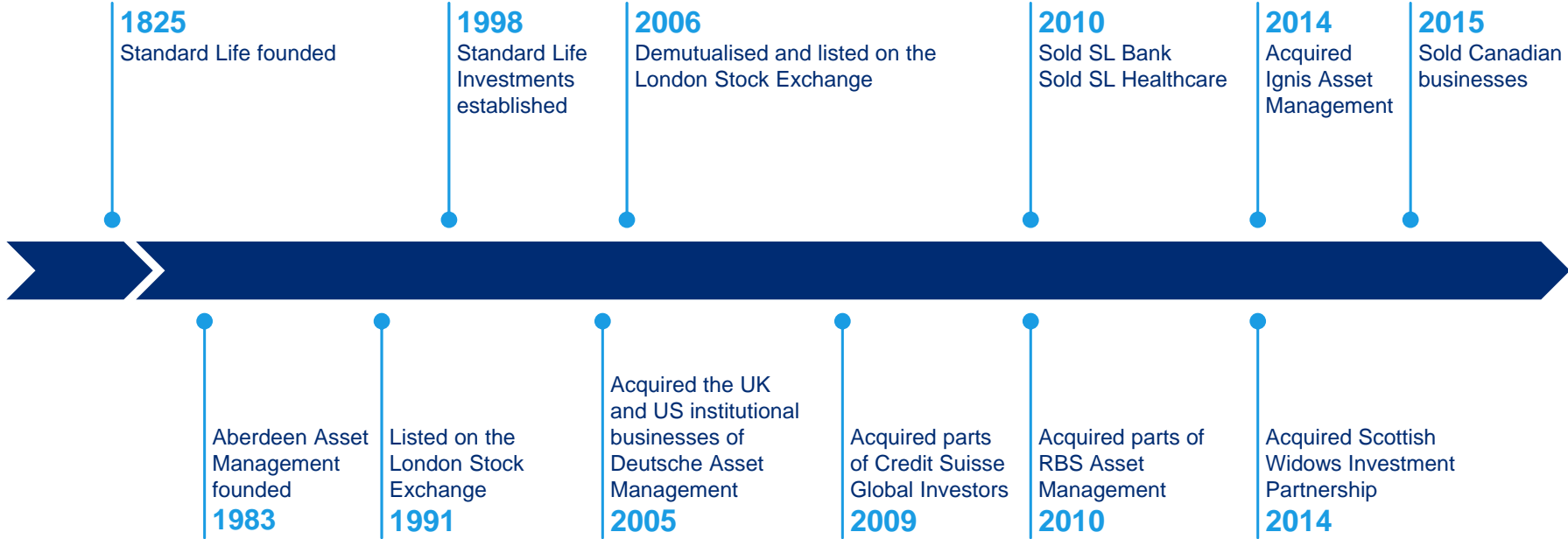
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# Creating a diversified world-class investment company

**Standard Life**



2017

**Standard Life Aberdeen**

**Aberdeen**

**Standard Life Aberdeen**

# Creating a diversified world-class investment company

## Global Investment Management



**Fee revenue £1,892m and operating profit £736m<sup>1</sup>**

**Global active asset manager** with total AUM of £583bn

### Truly global distribution platform:

- Serving clients in over 80 countries
- 50 offices<sup>2</sup> across Europe, the Americas, Asia and Australia

**Broad range of investment capabilities:** equities, fixed income, multi-asset, quantitative, real estate, private markets and funds-of-funds

## Pensions and Savings



**Fee revenue £861m and operating profit £362m<sup>1</sup>**

**Leading UK pensions and savings business** with £144bn in fee based products

### Including:

- **Workplace DC pensions** with AUA of £39.0bn and 1.8 million customers
- **Retail savings** and technology platforms to financial advisers with AUA of £69.5bn

**Securing additional assets and revenues** for Aberdeen Standard Investments

## India and China<sup>3</sup>



**Operating profit £36m<sup>1</sup>**

**35% stake in HDFC Life** a leading Indian life insurance business:

- 16% share of private market<sup>4</sup> and c20 million customers
- Proposed IPO

**40% stake in HDFC Asset Management<sup>3</sup>**, India's second largest mutual funds company<sup>5</sup>

**50% stake in Heng An Standard Life**

1. Based on revenue and operating profit data for 12 months to 31 December 2016 for Standard Life and for 12 months ended 30 September 2016 for Aberdeen. 2. Unique office locations. 3. The results of HDFC Asset Management are reported within Aberdeen Standard Investments. 4. Source: IRDAI. Measured as share of private market premiums for 3 months to 30 June 2017. 5. Source: AMFI. H1 2017 measured as share of average AUM for 3 months to 30 June 2017.



# Creating a diversified world-class investment company

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## Highly complementary with improved choice and service to clients

- Delivering more choice and better service for our clients
- Minimal overlap across our combined market-leading investment capabilities
- Complementary distribution strengths, global footprint and proximity to clients

## Positioned to meet global demand for next generation investment solutions

- Commitment to active management with expertise and scale in key areas of industry growth
- Breadth and depth of investment talent with over 1,000 investment professionals
- Evidenced by significantly enhanced breadth of consultant and Morningstar ratings

## Global distribution with enhanced proximity to clients

- 50 unique distribution centres globally with clients in 80 countries
- Minimal client overlap with strengths in institutional, wholesale, workplace and retail
- Broad range of powerful strategic relationships across the world

## Scale to invest, attract talent and deliver value for clients

- Scale to invest in technology to improve efficiency and service for clients
- Continued innovation in areas of next generation client demand
- Increased ability to deliver cost effective outcomes to clients

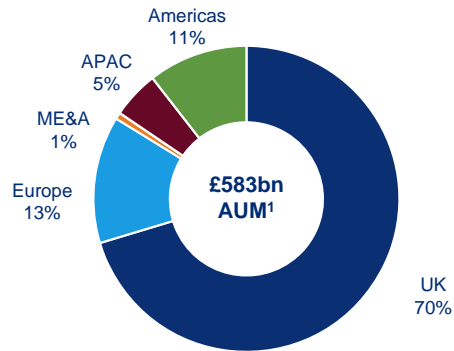
## Truly diversified business and compelling financial benefits

- Diversified by revenue, asset class, client type and geography
- Cost synergies of approx. £200m p.a., 75% of run-rate expected to be achieved by end of year 2
- Significant potential for further value from growth and revenue enhancement opportunities

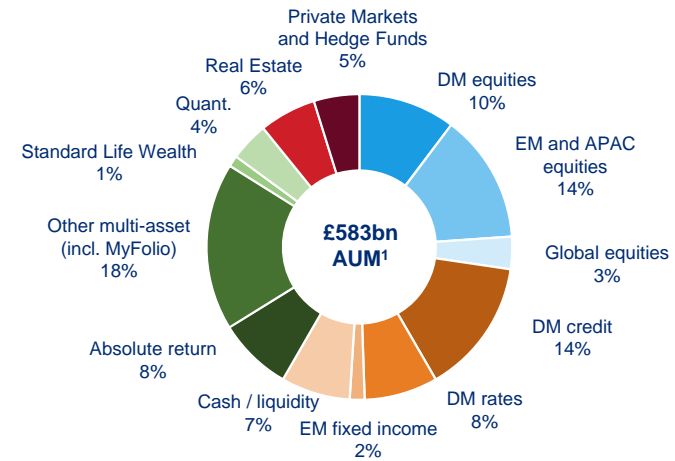
**Attractive returns and a sustainable progressive dividend for shareholders**

# Well diversified business with scale

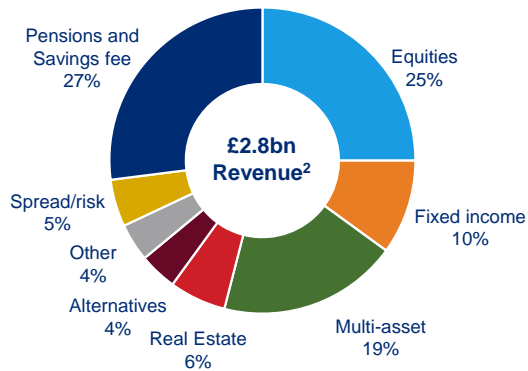
AUM by geography



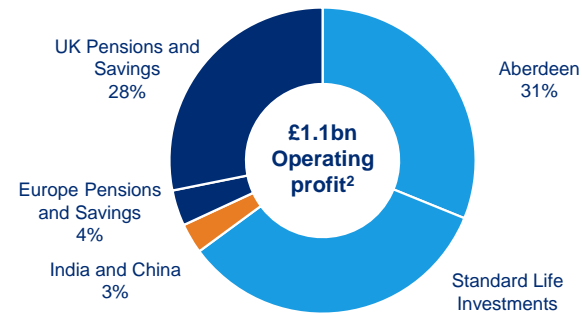
AUM by asset class



Revenue



Earnings



**Positioned for continued profitable growth with enhanced diversification and scale**

1. Standard Life AUM/AUA data as at 30 June 2017. Aberdeen AUM data as at 31 March 2017. 2. Source: Investor presentation dated 15 May 2017. Standard Life revenue and operating profit data for 12 months to 31 December 2016. For Aberdeen based on 12 months ended 30 September 2016.

**A broad and  
compelling client  
offering**



# Transformed breadth and depth of investment capabilities

Example areas of scale and/or franchise strength:

**Aberdeen**

**Standard Life**  
Investments

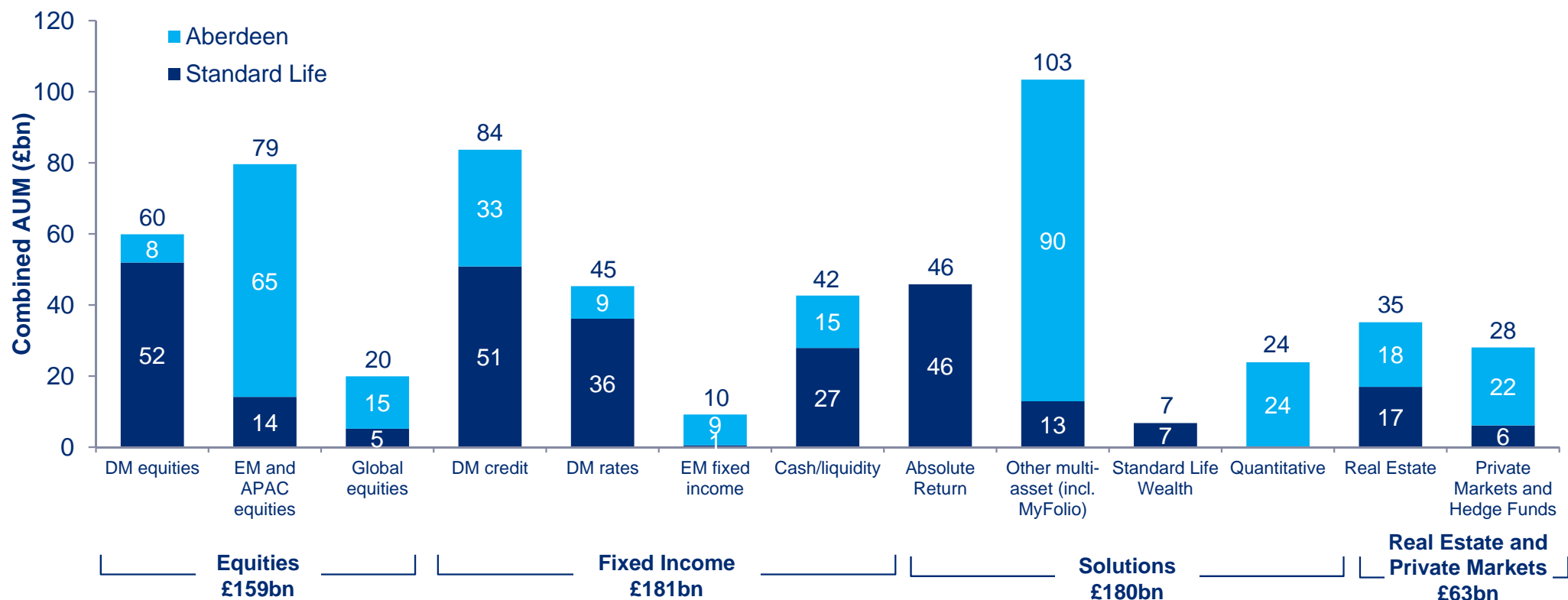
<ul style="list-style-type: none"> <li>Emerging Markets</li> <li>Asia Pacific</li> <li>Global</li> <li>Smaller Companies: US and EM</li> </ul>	<p><b>Equities</b> £159bn 27% of AUM</p>	<ul style="list-style-type: none"> <li>Developed Markets</li> <li>Global</li> <li>New Active Specialities</li> <li>Smaller Companies: UK, European and Global</li> </ul>
<ul style="list-style-type: none"> <li>Emerging Market Debt</li> <li>APAC Fixed Income</li> <li>Long-dated US Credit</li> </ul>	<p><b>Fixed Income</b> £181bn 31% of AUM</p>	<ul style="list-style-type: none"> <li>Developed Market Credit</li> <li>Global Unconstrained</li> <li>Inflation-linked</li> </ul>
<ul style="list-style-type: none"> <li>Quantitative Investment</li> <li>Balanced/Implemented Solutions</li> <li>Diversified Growth and Income</li> </ul>	<p><b>Solutions</b> £180bn 31% of AUM</p>	<ul style="list-style-type: none"> <li>Absolute Return</li> <li>Balanced/Implemented Solutions</li> <li>Liability Aware</li> <li>MyFolio</li> </ul>
<ul style="list-style-type: none"> <li>UK Core/ Core Plus</li> <li>European (incl. Residential)</li> </ul>	<p><b>Real Estate</b> £35bn 6% of AUM</p>	<ul style="list-style-type: none"> <li>UK Core/ Core Plus</li> <li>European Value Add</li> </ul>
<ul style="list-style-type: none"> <li>Private Equity (incl. Venture)</li> <li>Private Debt</li> <li>Infrastructure</li> <li>Hedge Fund Solutions</li> </ul>	<p><b>Private Markets and Hedge Funds</b> £28bn 5% of AUM</p>	<ul style="list-style-type: none"> <li>Private Equity</li> <li>Infrastructure Equity</li> <li>Hedge Fund Solutions</li> </ul>

With real strength, depth and scale across all asset classes to attract talent and meet client needs



# Highly complementary investment capabilities with aligned investment philosophies and processes

Overview of combined capabilities: Combined AUM of £583bn<sup>1</sup> (AUA of £670bn)



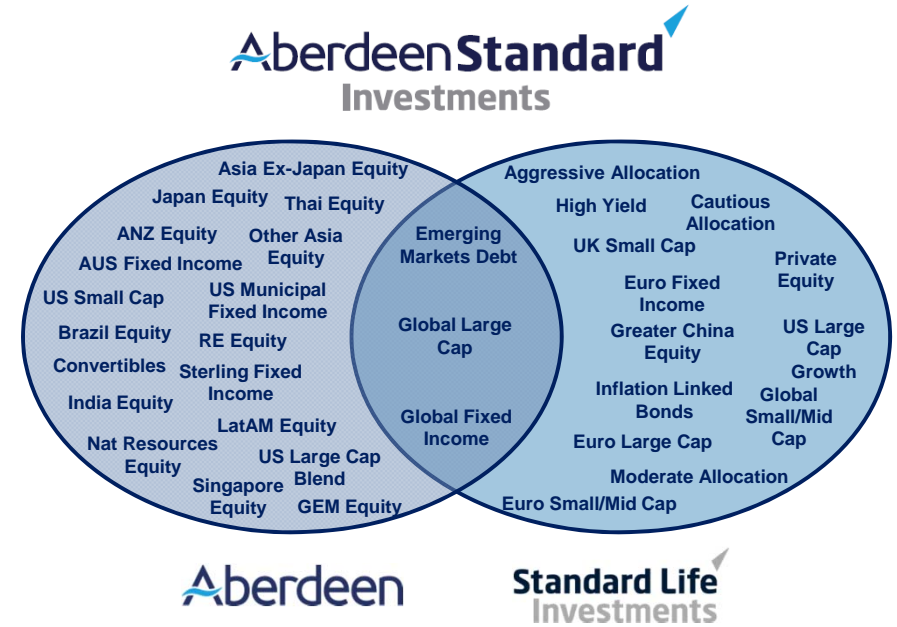
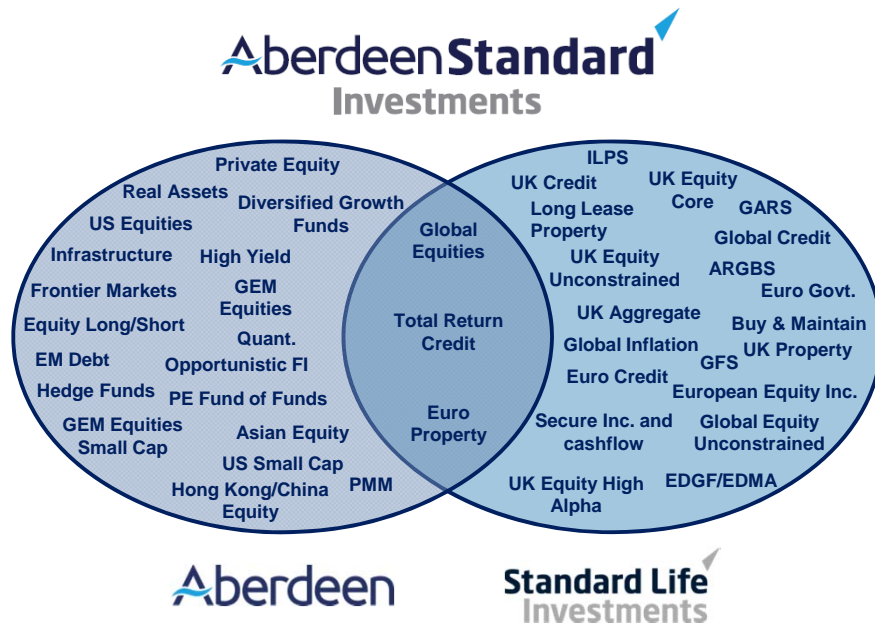
World-class breadth and depth of investment capabilities to meet evolving client needs

1. Standard Life AUM/AUA data as at 30 June 2017. Aberdeen AUM data as at 31 March 2017.

# With recognition across institutional and mutual funds

Consultant Recommendations<sup>1,2</sup>

£67bn in Morningstar 4/5 Star Rated Funds<sup>1,3</sup>



Minimal overlap across rated investment capabilities helps to ensure smooth integration and continuity of investment processes

Truly complementary investment expertise

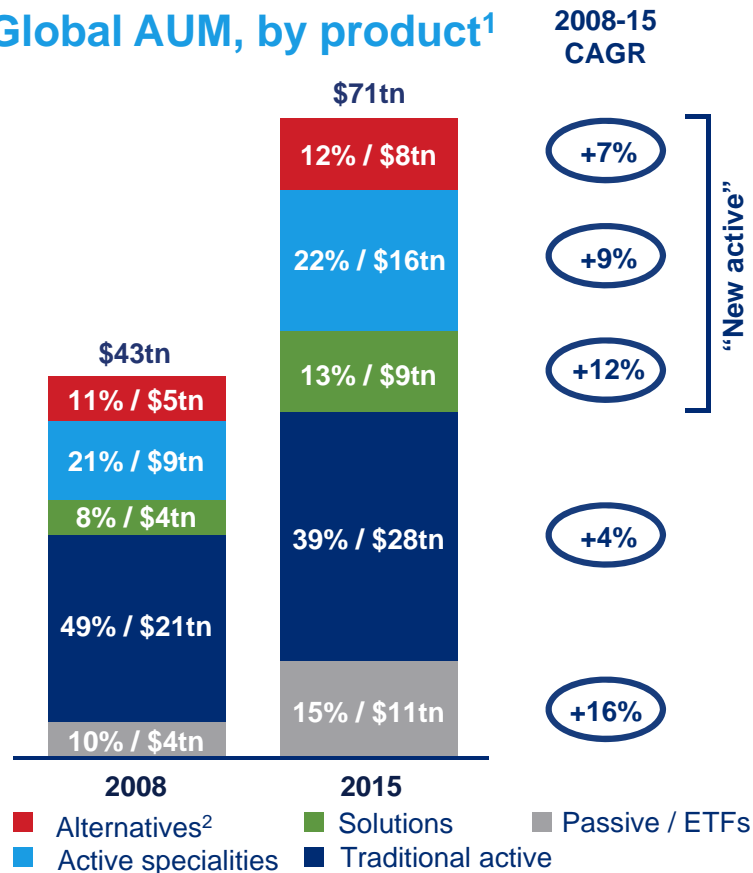
1. As at 15 May 2017. 2. Includes strategies with Buy/A/Positive/Recommended/1/Highest Conviction Buy/Soft Buy/B+ ratings from Global, US and UK consultants. 3. Overlap defined as Morningstar global categories where both companies have over £250m AUM in 4 or 5 Star rated funds.

**We are well positioned to meet the current and future investment needs of our clients**



# The investments landscape has shifted since the financial crisis

## Global AUM, by product<sup>1</sup>



- Global investment management market has grown strongly helped by rising asset prices
- Demand for passive / ETFs has increased
- However, the market for next generation “new active” solutions has almost doubled 2008-2015
- “New active” stood at \$33tn (or 46% of global AUM) at the end of 2015
- Combined business brings together our respective strengths in “new active” to create a leader in the provision of next generation solutions

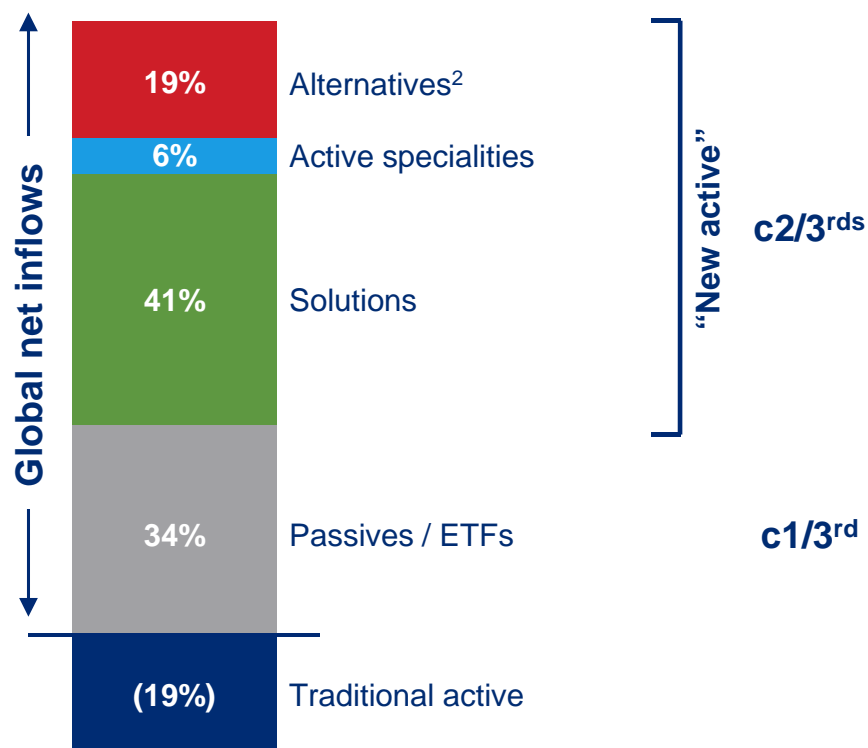
Positioned to benefit from strong growth in next generation “new active” investment solutions

1. Source: BCG, July 2016. 2. Includes hedge funds, private equity, real estate, infrastructure, commodity funds and liquid alternative mutual funds.



# And “new active” investment solutions set to be the main driver of client demand

## 2016-2020 Global estimated net flows<sup>1</sup>



## New active investment solutions set to be the main driver of global client demand

- Traditional active products will continue to see outflows
- Growth in passives set to continue with just over 1/3 of global net inflows into passives / ETFs
- However next generation “new active” investment solutions forecast to represent almost 2/3rds of global net inflows across:
  - Alternatives
  - Active specialities
  - Solutions

## Next generation “new active” investment solutions forecast to outstrip demand for passives

1. Source: BCG, July 2016. Percentages shown are as a proportion of global estimated net inflows into growth categories. 2. Includes hedge funds, private equity, real estate, infrastructure, commodity funds and liquid alternative mutual funds.

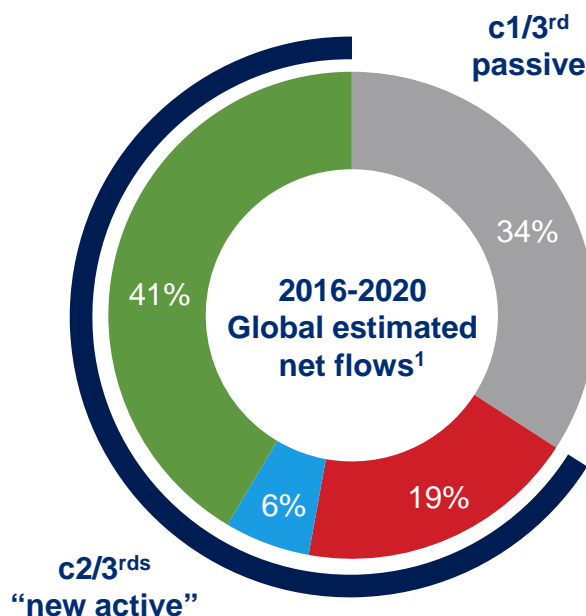
# We are well positioned in these four key areas of growing global client demand

## Solutions

- A UK leader in active solutions and absolute return
- Leading manager of outsourced insurance assets

## Active Specialities

- Fundamental driven investment approach geared toward expertise in active specialities
- Strengths in unconstrained, benchmark-agnostic and total return within credit and equities



## Passives/ETFs

- Quantitative strategies capability with £65bn<sup>2</sup> AUM
- Smart Beta multi-factor, minimum variance capability, enhanced index

## Real Estate and Private Markets

- UK's third largest player in alternatives with £28bn AUM including private equity and debt, secondaries, infrastructure, hedge funds
- A leading European real estate platform with £35bn in AUM and global ambitions

Over 1,000 investment professionals providing investment input globally

Scale and breadth across the asset classes facilitating recruitment and retention of leading talent

Merger enhances breadth and depth of our capabilities to create "new active" solutions for clients

1. Source: BCG. Excludes areas of negative growth. 2. Including assets classified as Other multi-asset.

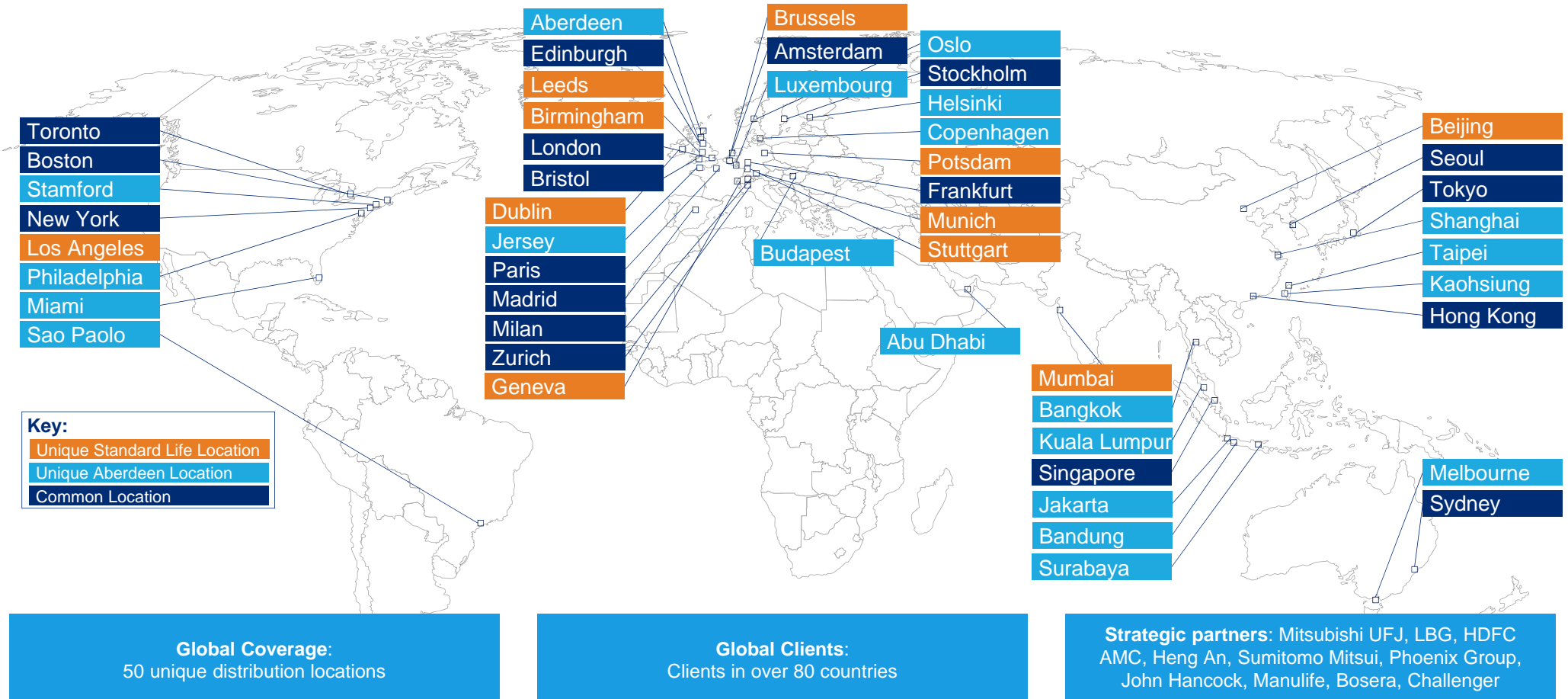


# Leveraging global distribution





# Truly global distribution platform with enhanced proximity to clients



**Powerful and truly global distribution reach with unique portfolio of strategic relationships**



# Clear opportunity to leverage the strength of existing client relationships



## Opportunity to leverage complementary distribution strengths:

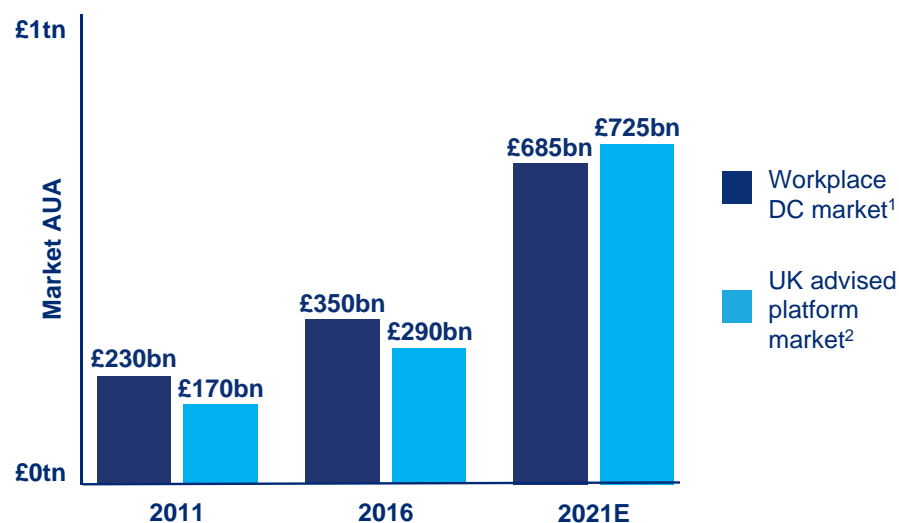
- Sovereign wealth funds and private banks
- Local presence across Asia
- US mutual funds and investment trusts
- China WFOE licence
- LBG and Mitsubishi UFJ relationships
- Global Institutional
- Luxembourg SICAVs
- Platforms: Wrap, Elevate, Parmenion
- Strong brands
- UK Wholesale
- Liability aware offering for insurers
- Global strategic partnerships
- HDFC AMC for global products into India
- Pension and Savings Retail and Workplace

**To become an asset manager of choice for clients with global investment needs**

1. Source: Investor presentation dated 15 May 2017.

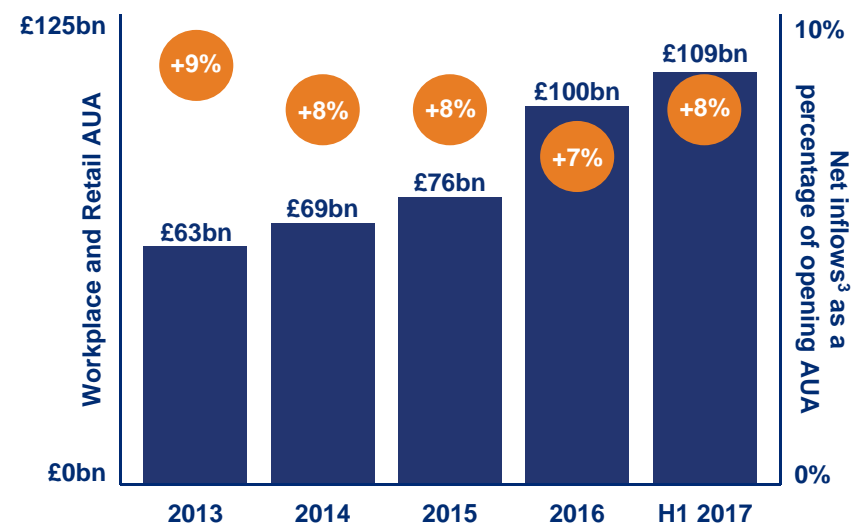
# Benefiting from structural asset growth and leading positioning in UK pensions and savings market

## Advised platform and DC pension market expected to grow strongly



- Financial advisers are using platforms to drive scalability and efficiency with growing need for advice
- Shift from DB to DC and auto enrolment driving growth in DC pensions

## Workplace and Retail attracting steady and resilient flows



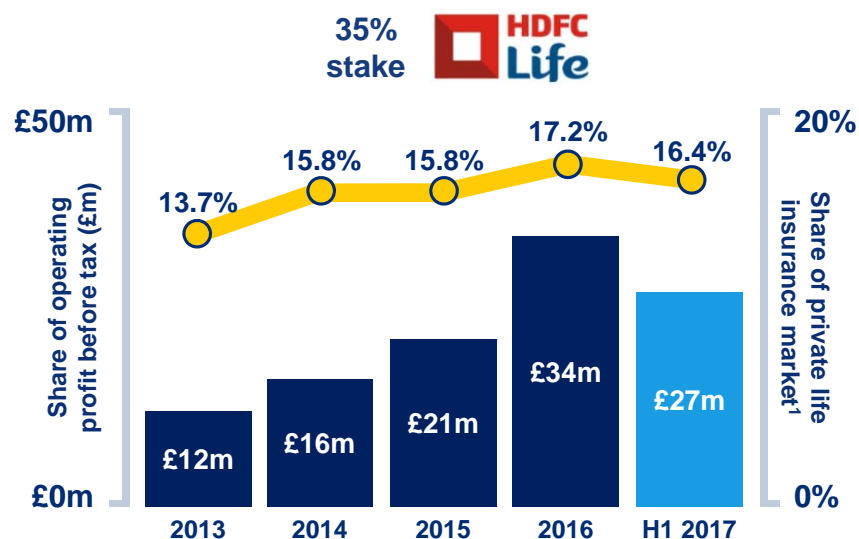
- Delivering steadily growing flows and assets
- Standard Life Investments manages c20% of Wrap AUA and over 70% of Workplace AUA
- Providing increased diversification and sources of flow

## Well-positioned to capture asset growth in pensions and savings market

1. Source: Spence Johnson. 2. Source: Fundscape. 3. Annualised for H1 2017.

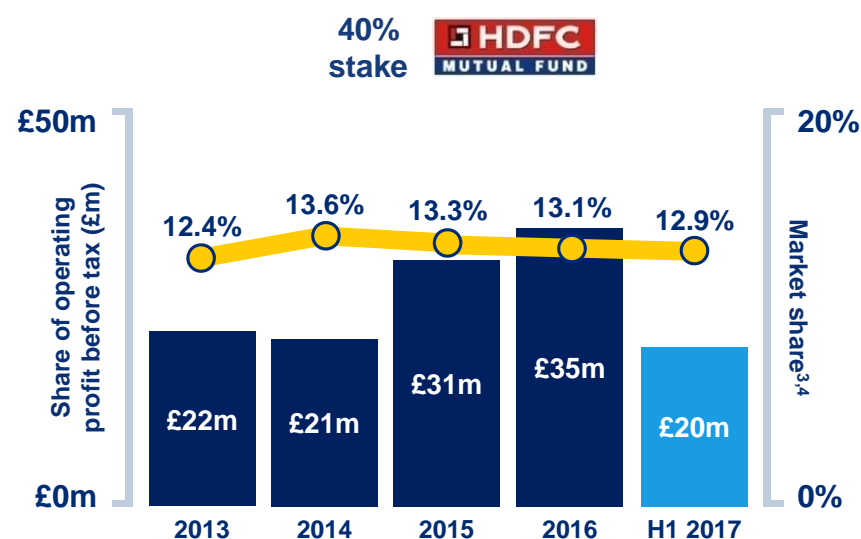
# Recognising the value of our Indian associates

## HDFC Life – a leading private Indian life insurer



- Ranked 2<sup>nd</sup> for new business sales in the private life insurance market<sup>2</sup>
- Proposed IPO of HDFC Life with offer for sale of up to 15% of the paid up equity share capital including up to 5.43ppt of our 35% stake

## HDFC AMC – a profitable and fast growing business



- Second largest mutual funds company<sup>4</sup> in India with over 6 million accounts
- AUM of £29.5bn with CAGR of 21% over last 5 years<sup>5</sup>
- Opportunity for distribution of global products in India as the domestic mutual funds industry develops

### Two fast growing businesses leveraging one of India's most valuable brands<sup>6</sup>

1. Source: IRDAI. Measured as share of private market premiums. For years ended 31 March following the end of each Standard Life financial year. H1 2017 market share for 3 months to 30 June 2017. 2. Source: IRDAI, year to 31 March 2017. 3. Source: AMFI. 2013-16 measured as share of average AUM for final quarter of Standard Life financial year. 4. Source: AMFI. H1 2017 measured as share of average AUM for 3 months to 30 June 2017. 5. In constant currency. 6. Source: WPP, Kantar Millward Brown, 2017.



**Compelling financial  
benefits**



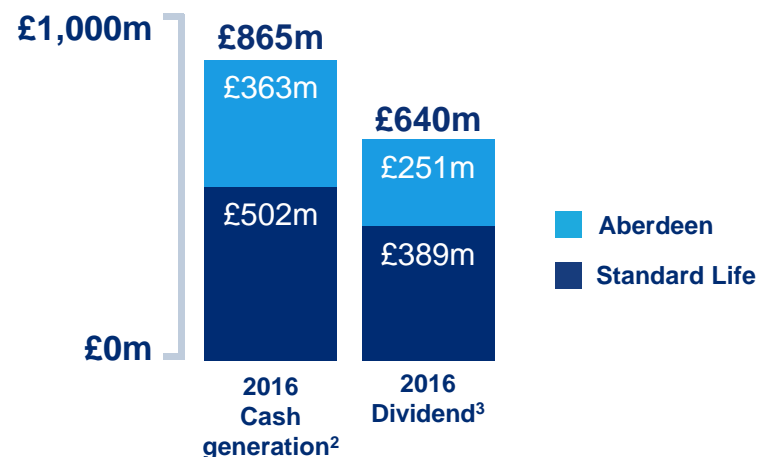


# Delivering integration whilst maintaining performance and client service

<b>Integration principles</b>	<ul style="list-style-type: none"><li>• Safeguard clients' interest and minimise disruption during integration process</li><li>• Focus on retaining key talent</li><li>• Operate as a global unified investment management business with regional hubs</li><li>• Take on the best of both organisations in terms of practices and capabilities</li></ul>
<b>Implementation and delivery</b>	<ul style="list-style-type: none"><li>• Highly experienced and dedicated integration team</li><li>• Led by Colin Walklin (COO) and Andrew Laing</li><li>• Track record of delivery</li></ul>
<b>Financial impacts</b>	<ul style="list-style-type: none"><li>• Approximately £200m annualised cost synergies on a pre-tax basis</li><li>• Cost synergies from: consolidating platforms, reducing third party suppliers, removing overlap in central functions, premises, investment management and distribution</li><li>• Minimising impact on investment professionals</li><li>• One-off integration cash costs of approximately £320m in aggregate</li></ul>
<b>Timing</b>	<ul style="list-style-type: none"><li>• Full benefit of synergies to be achieved within three years of completion</li><li>• 75% of run-rate cost synergies expected to be achieved at the end of year two</li></ul>

**Cost synergies driving material earnings accretion to both sets of shareholders**

# Strong balance sheet and cash generation supporting progressive per share dividend policy<sup>1</sup>



- More diversified sources of cash generation
- 2016 combined group cash generation of £865m<sup>2</sup>
- Further benefits from revenue and cost synergies

- Interim dividend of 7.00p will be the first dividend paid to shareholders of the combined group
- Supporting ability to invest in global growth opportunities
- Reduced pro-forma leverage
- Stable Solvency II position

## Strong cash generation supporting ongoing investment and shareholder returns

1. The Combined Group intends to adopt Standard Life's progressive dividend policy with the base dividend being the Standard Life full year dividend of 19.82 pence for the financial year ended 31 December 2016. 2. Based on Standard Life underlying cash generation of £502m for year to 31 December 2016 and Aberdeen core operating cash flow of £363m for year to September 2016. 3. Standard Life based on 2016 interim and final dividends for the year ending 31 December 2016. For Aberdeen, based on interim and final dividends on ordinary shares paid for the year ending 30 September 2016. 4. Implied final dividend based on 5.40p dividend for period from demutualisation to 31 December 2006.

# Creating a diversified world-class investment company

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## Delivering for clients, our people and shareholders

**Highly complementary with improved choice and service to clients**

**Positioned to meet global demand for next generation investment solutions**

**Global distribution with enhanced proximity to clients**

**Scale to invest, attract talent and deliver value for clients**

**Truly diversified business and compelling financial benefits**

**Attractive returns and a sustainable progressive dividend for shareholders**

**Standard Life Aberdeen – Looking to the future with confidence**



## Questions and answers

