Standard Life

2015 Q1 AUA and flows update

Wednesday 29th April 2015

Luke Savage – Chief Financial Officer
Good morning ladies and gentleman and welcome to this call to discuss our first quarter update for 2015. I am joined this morning by Keith Skeoch, the CEO of Standard Life Investments and by Paul Matthews the CEO of our UK and European business.

Now as we are no longer required to publish an Interim Management Statement, we will instead, going forwards provide a very brief update on a quarterly basis with a focus on assets and flows. Very much in line with what you are used to seeing from our peers in the asset management sector. So this morning I will start off by highlighting a few of the key themes before then opening up the call to take your questions.

So we made a good start to the year with buoyant financial markets helping to drive both strong demand for our propositions and excellent investment performance and in combination that has helped us to increase group assets under administration by 5% since the start of the year to £311.9 billion.

Within this Standard Life Investments has seen net inflows of £3.7 billion from across the UK, Europe, North America and increasingly Asia and the Middle East. We have seen demand across its full product offering which itself has increased in geographic reach, has been underpinned by continued good investment performance during the quarter.

On our UK business, we continue to benefit from being well positioned to respond to market and regulatory changes. Examples include our leading Wrap platform which saw record quarterly net inflows of over £1 billion, up 16% on the prior year and in our workplace business regular contributions are also up 16% year-on-year with continued demand for our auto enrolment solutions attracting 60,000 new savers in the quarter. Overall we saw our UK fee business assets under administration increase by 6% to £108.5 billion.

Other notable activity during the first quarter saw us complete the sale of our Canadian operations to Manulife with the subsequent return of £1.75 billion of capital to our shareholders. Our announcement that we are going to build out our advice business and we saw completion of our preparations for the changes to the pensions regime here in the UK.

These activities enable us to ensure we remain best positioned to help our customers and clients save and invest so they can look forward to their financial futures with confidence.

Now with that brief overview, I would like to hand back to Dan to open up the line to questions.

Question and Answer Session

Question 1 : Ashik Musaddi, J.P. Morgan Cazenove

Thank you and good morning. One question for Paul and one for you Luke. So I just want to hear your thoughts on the large schemes in UK. Recently we have heard that one of your competitors is winning a lot of these large schemes with the retailers. I mean what are your thoughts on that? Why are you not going for those schemes? So what are we missing there and is that something that worries you in the auto enrolment space?

And for Luke, any thoughts on Solvency II because we are like closing in the gap for 1 January 2016, where are you on the internal model approval process? Any thoughts on that? I know its an IMS but if you can throw out any colour? Thank you.

Luke Savage

Ok thanks Ashik, I will let Paul go first on the big corporate schemes.

Answer: Paul Matthews – Chief Executive, UK & Europe

Yes so Ashik we have said a number of times now the focus for us in the workplace is the quality of schemes and not the quantity of schemes. And we are positioned to attract the employers who are probably are in the slightly higher wage brackets. So if you look at the total assets we have in our workplace, something like £34 billion and you compare that with some other companies who may be focused on some high street brand names for example which may have lots of employees, but very little assets coming through. So we are quoting where we believe it is the right pricing structure and where it would be certain areas of employment where we think it is far more attractive for us. So that would be my response to that. It is not just getting a number of schemes, it is the price those schemes are prepared to pay, the amount of money that can go into Standard Life Investments that we tend to focus on.

Further question

But just to follow up, where do you see the maximum pressure for those schemes? Is it the revenue side or the cost side? i.e. is it the high churn on those employees that puts a bit of higher cost or is there big revenue pressure because the margins are too thin on those businesses and likelihood of getting a default, in-house default fund is very low as well?

Answer: Paul Matthews

Well what you'll tend to get with some of the largest employers, they will put a procurement process in and they will just be focused purely on price. What we tend to focus on is the quality of the scheme and actually where we can work with them on employee communications, the amount of bonus their employees, the length of service we are expecting the employees to have. So you will have a number of employers that have quite high flows of employees coming on and off. And therefore the cost of acquiring them, setting that scheme up, working with that employer with communications, and engagement programme is just for us becomes not a profitable business for us. So if you look at the, we look after a lot of the largest banks, a lot of the largest chartered accountancy firms. Typically in the FTSE 150, FTSE 350, we are dealing with a certain type of employer. Other employers quite frankly may have a different strategy so you will see a lot of the supermarkets, a lot of the high street brand companies, you know some providers are very focused on that. It is not a focus for us.

Further Question

Okay that's very clear, thank you. And Luke anything on Solvency II?

Answer: Luke Savage
So we are literally in the home straight of preparing our IMAP application. That should be going in in the next couple of weeks. That said both we and the industry still continue to see a lot of uncertainty as to where Solvency II will finally land. So for example, 22 April, the PRA are putting out guidance on things like ring-fenced funds. So we do remain confident that we will be getting our model application in and that will lead to subsequent approval and we remain confident we will be strongly capitalised off the back of that. But at this point in time, there are just still too many moving parts for us to want to start to put out numbers which we think will still bounce around between now and go live.

Ashik Musaddi
Okay, thank you that's very clear.

<u>Question 2 : Andrew Sinclair, Bank of America Merrill Lynch</u>
Morning everyone. Three questions please. Firstly, you have had a very strong quarter for multi asset, I just wondered if you could give us any indication of where those flows came from and what has been seen so far in Q2?

Secondly, could you give a wee update on whether you have seen any movement yet in customers, who have perhaps postponed their retirement decisions until after the Budget reforms came into force and what you have seen there so far?

And thirdly, again possibly you might not want to comment so much at an IMS, but just there has been quite a lot of press speculation recently since the FDI limit was increased in India, I just wondered if you could give us any update on your thoughts regarding the Indian JV? Thanks.

Answer: Luke Savage
Thanks Andrew. So if Keith takes the first one, multi asset, Paul on the budget and I will touch on India.

Answer: Keith Skeoch
Hi Andrew. Yes we did see a tick up in the first quarter in multi asset, helped I think by rising markets, but quite a lot of the flow in general is coming through from Europe and we saw quite strong flows into multi asset and in general I mean 70% of our flows are from overseas and of that 70% about 40% was coming from Europe. So I think it is partly buoyant markets and QE. As far as the second quarter is concerned, we are not even at the end of April yet, so I think that it would be very dangerous to say anything about how the second quarter looks with only 29 days gone.

Answer: Paul Matthews
Andrew, let me just touch on the pension reforms. Absolutely right. From April we have seen a little bit of a spike in customer calls of customers taking small pots so we have got about half a million customers who are over 55 and therefore eligible to access the cash in their pension funds. We have seen about 1%, less than 1% in fact of those customers try to do some type of action so far. Whether that's taking a small percentage of their money in cash and rolling the rest over or many small pots, just taking their cash. 80% of those customers, the small pots are less than £20,000. So these are customers that potentially may have bought a small annuity at some stage. It is still too early to tell. I think August will give you a feel. Certainly the calls have dropped dramatically from the first week where those people have been queuing up to get access to some cash. But it is small amounts of money that have left so far.

Answer: Luke Savage
Thanks Paul. And then on India, you are right, the Indian Government passed the Insurance Laws Amendment Bill, which does enable foreign investors to increase their stake up to 49%. And that has now received Presidential assent as well, after what I think has been a journey lasting more than six years. Now as you know we feel that HDFC Life is well positioned for further growth and we are in discussions on our shareholding position with our joint venture partner, but I am afraid there is no more I can say about it at this stage.

Andrew Sinclair
Thank you.

<u>Question 3 : Greig Paterson, KBW</u>
Morning everyone. Just in terms of mix, it looks like the net client cash flows were in a higher margin than your average third party fund. So I wonder if you could just talk about whether these are positive and give us some feel about the positive boost to margins from these numbers?

And the second question is I see that if you look at your beat versus benchmark on one year versus three year, one was in the 70s and the other was in the 90s. So there seems to be a drop in performance recently, asset performance. I was wondering if you could talk to that theme which particular mandates have held back the short term percentage?

Answer: Luke Savage
In terms of margins, I mean today's call is so much meant to be focusing on assets and flows and we would rather not get drawn into margin discussions. I think we will save those for the Interims in August if that is okay.

But then on the second point of the question, Keith.

Answer: Keith Skeoch
Actually if you look at the numbers Greig for the end of the year, in 2014 we had 69% of our funds ahead of benchmark at one year, that has risen to 73% in the first quarter and I am sure you can see from the screens that GARS in the first four months of the year has pretty much delivered its benchmark return. If there is a little bit of sogginess in our performance, it is in the short term in equities and that is largely because you know you had the equity market dominated by yield based stocks and so it has been very persistent. As a stock selection house we tend not to do so well in mass environment, but the three year and five year is really what your track records sell on and we have a long long-term history so you know markets, equity markets, stock selection, has been a little dominated by trend and fashion at the moment and to be honest over the long-term I think that provides us with good selection opportunities.

Further question:
Thank you. Just a follow-up question on Solvency II if you don't mind. You mentioned the PRA in terms of ring-fenced funds. In terms of Solvency II, in terms of being allowed to use your value of in-force as part of own funds at a group level, that is dependent on how solvent your with-profit fund is. Do you see any restrictions or fungibility issues that you would not be able to take full credit for your with-profit in group owned funds?

Answer: Luke Savage
That is the kind of thing that we are working to, now they have come out with the guidance and there is always a debate between our interpretation, the guidance and the PRAs. And that is what I really don't want to get drawn into that level of detail discussion at the moment.

Further question
Well to put it another way, just remind us, what was the surplus in the with-profit fund, at the year end?

Answer: Luke Savage
I don't have that number in front of me I am afraid, I am sorry.

Greig Paterson
No problem, we will pick it up later, thank you.

<u>Question 4 : Anasuya Iyer</u>
Hi there, I have two questions. So just thinking forward on post election regulatory risk. So the first one is where do you see regulation drawdown products going? Do you think there might be charge caps on these products or anything else in the pensions market?

And the second one is, you obviously have done well in workplace and you say you attract employers with higher pay brackets, what do you feel might be the impact on the business from the lower pensions tax relief on contributions? Do you think average opt-outs might increase? Thank you.

Luke Savage
Do you want to take those Paul.

Answer : Paul Matthews
Yes okay, I will take the last one first. So I don't think the tax relief situation will have a huge impact personally. Opt out rates so far is around 7% in our auto enrolment schemes. We do focus where traditionally Standard Life business comes from. We look after a large percentage around a third of the FTSE 350, so we do have a good track record of history with larger companies. We do have a lot of SME companies to be fair, but if you look at the revenues that come through onto our business, its predominantly around large businesses growing as more employees come in as wage rises increase, we are collecting a steady flow of premiums coming in and in many ways that is a machine we have built over many, many years now in the workplace space. So I think any tax free changes in the SME market I would have thought would have very little effect going forward.

The charge caps, we always have speculation around regulation. I think it is fair to say we have had huge changes over the last 4 to 5 years with auto enrolment, with RDR and each time we have seen regulation, Standard Life has been very well positioned. So in our view really there it is not worth speculating what might happen, we will find out pretty soon, but what I would say, if you look at the track record of all of the industry over the last 4 or 5 years with huge change, Standard Life has been really well positioned over virtually every single piece of legislation that has come through.

Answer : Luke Savage
The only thing I would add to that, I think importantly none of the manifestos contain any structural barriers to saving. And whoever wins, maybe issues facing whichever the incoming Government is, is the need to get more people saving.

Anasuya Iyer
Thank you.

<u>Question 5 : Abid Hussain, Societe Generale</u>
Hi, morning all. Just three questions if I can. Firstly can I just follow-up on the pensions tax relief question, the previous question. Are you suggesting that there is no impact to flows or revenues should for example Labour come in? I think in their current manifesto they are suggesting that they will lower the pensions tax relief for higher earners. It sounds like you are suggesting that there is no impact there to your business? That is the first question. And the second two questions are on flows.

Firstly, on Phoenix, can you just tell us what restrictions are imposed on Phoenix in terms of assets they can take away from SLI in any given year? I think they have taken around £300 million of assets away from you in Q1?

And the second question is around the run rate on the workplace savings business. I think a step up this quarter and I am just wondering how should I think about the sort of long-term run rate in workplace savings?

Luke Savage:
Paul if you could take the first and the third.

Answer : Paul Matthews
Yes if you look at where flows will come from in the future. Regardless of the tax relief, people with money want to save money. And whether it is 40-45% tax relief or whether it is 25% tax relief, people will still invest money to put to one side for the future. And if you look at the makeup of the workplace market you have got defined benefit schemes that have been in existence for people that have been in their pension schemes for a long time. And for the last 7,8,9 years a lot of those schemes have now been DC pension schemes and there is a huge amount of DB money that will come into DC in the next 5,10,15,20 years. If you look at the auto enrolment space, we started off with contributions in the region of 2% and they are going to increase to 8% by 2018. So for the minimum contributions of people that's going through. And then if you look then just at average salaries of people and the economy strengthens, you are starting to see wage rises going up. So you are seeing more employers taking more employment on. So unemployment is dropping. So more people are coming into those schemes. And you are seeing salary increasing. So when you look at just tax relief in one element, it does not give you the full picture of where the market place is in the workplace in my view.

The second situation about the run rate. It is a real issue in itself. So you are right in that there will be a step up in contributions over the next two years from auto enrolment. But also we will continue to say that there are some lumpy premiums coming through at some stage from DB to DC and you will start to see also some of the companies consolidate some of the schemes they have got. So some companies run 5 or 6 different schemes and you will start to see some of those consolidate across. But it is very difficult to give you any theme on that because it tends to be lumpy when it comes.

Abid Hussain
That is useful colour on that.

Answer: Keith Skeoch
In terms of Phoenix, I would caution you again from extrapolating too much from a single quarter when you know some of these movements in these closed life funds can be kind of large and lumpy. So £1.3 billion was high in the context of I think what happened in 2014 but aren't high in the context of 2010, 2011 and 2012. It is certainly within our sort of overall expectations and is probably worth reminding you that if net outflows from these books are away from a prescribed path, there is a pricing adjustment mechanism that was put in place, but as far as I am aware, we are nowhere near triggering that and you know it is broadly in line with expectations and don't forget flows went out but markets went up.

Further question
Can I just follow-up on that last one please. My point is really, can Phoenix suddenly take away a quarter of the assets this year or half the assets this year? If not what are the restrictions?

Answer: Keith Skeoch
Not without an impact, not in a manner that will impact our revenue.

Further answer: Luke Savage
There is effectively a revenue underpin in place.

Abid Hussain
Okay, great thanks.

Question 6 : Andrew Crean, Autonomous Research
Good morning, could I follow up on a couple of questions. Firstly Paul you talked about large flows from DB to DC over the coming years. Could you put a bit of flesh on that in terms of numbers, in terms of what Standard Life's estimate of what is going to happen is?

And secondly can I loop back to this political risk question about lower pension tax relief. Forgetting the environmental factors which you actually discussed, just concentrating on that one issue. Are you saying that there will be no impact from lowering the tax relief?

Answer : Paul Matthews
I will take the first one, it's difficult to give you any figure. I mean if you take some market estimates of DB to DC, I think you are going to see there is a fall. The number of external commentators saying that the DC market will go from something like £130 billion to £280 billion between 2014 and 2018, that is somebody else's figures not ours. We have also had predictions in the next ten years the number of flows into DC will treble. Again these are market predictions not ours. It's difficult to put our position on that Andrew. We are a market leader in what we do, but how much of that will come to us, it is difficult to say at the moment. But we have always done pretty well there.

Further question
I was asking really about how much the flows from DB to DC at a market level? Presumably you do model these sorts of things given you are a key player?

Answer: Paul Matthews
What we will do is look at what is in DB and what would be forecast. We will use our own models, but we also use third parties. So all I can give you, I can give you a third party view, which is probably more accurate and you can check those out. And the figures that the market are saying is around £130 billion in DC at the moment and DB to DC will go from £130 to £280 billion, but I can't give you what percentage we are going to take of that.

The tax relief, it is just very difficult to say in that as I said to the last caller, what you have got to try and model is, will people stop putting pensions money away if their only tax relief is 25% rather than 45%? And I just don't see that. People are putting money away to take any advantage of any tax relief they can get.

Secondly, if they don't get any tax relief whatsoever what you are seeing is people still putting money aside and saving, because people have a certain income they will want to have in retirement and they will find one way of other of reaching that. If it can't go into a pension vehicle, it will go into OEICs, it goes into ISAs, it goes into international bonds. We have all of those products available. So I just don't see by just a change in the tax rates, why it would change. And again you need also to put into context, contributions in auto enrolment are going to go from 2% to 8% and you will have other flows coming in for most of them.

Further question
So you are saying there is complete inelasticity of demand in relation to the level of tax relief on pensions?

Answer: Paul Matthews
Well it is not just me, this is what the market was saying.

Further answer: Luke Savage
We can't say there is complete inelasticity. I think what we can say is there has been no observed elasticity.

Andrew Crean
Thank you.

<u>Question 7: Ben Bathurst, Nomura</u>
Thanks. Morning everyone. Obviously we are a number of weeks past the go live dates on the pension freedoms, I wonder if you could just share with us what have been the biggest surprises to you about how things have gone in those days and weeks, be it related to customers, advisers or possibly even other providers?

Answer: Paul Matthews
I mean not huge surprises, we have had 12 months to prepare for this. So to be fair it is very difficult to try and model the amount of phone calls you physically get. So I suppose the surprise was how many people would ring us on day one when it was open. And I think we took something like 16,000 phone calls. Now on average we take 4 ½ thousand phone calls a day, so we had a lot more phones come through of people inquiring. What didn't surprise us, but you have to deal with is that most people are really confused, not sure what is going on. And a lot of the calls are about clarity, what does this mean for us? The third observation would be, is a lot of the small pots, people with small money. So 80% of the money that has left us has been for funds of less than £20,000. And what I suppose surprised us mostly was customers are very keen to tell you whether it is to pay a car off, to go on a holiday etc.

What we have been delighted with is we have built an online process and 50% of the customers that take money out have done that online. And again what was brilliant for us is we have got a Good to Go, auto enrolment process which we don't touch the seams on this, the employer does themselves. And we have built a process for online withdrawal of cash which again the customer can do themselves. So we have had really, really good feedback, the calls have dropped off, we have got over half a million customers over 55 and something around 1% of those customers have been in touch with us and less than 1% of the money available has gone. So it is probably too early to tell still and in August we will give you much better update.

Further question
Okay thanks. And just a quick follow-up, there is no surprises from what the advisers have been saying?

Answer : Paul Matthews
No the advisers, to be fair the advisers are very keen not to take the calls and pass them on. So no surprises there.

Ben Bathurst
Okay thanks very much.

<u>Question 8 : Ming Zhu, Canaccord Genuity</u>
Morning everyone. Just two questions on the pension reform and since April please. First question, on those calls that you've mentioned. How much of those customers are actually brand new customers to you, i.e. from the open market versus the remaining from your backbook or already got a corporate pension with you?

And second question is when do you expect this post retirement market to normalise, to settle down? Thank you.

Answer : Paul Matthews
So very few external customers new to us so far. Typically the customers are customers we have had with us for some time and they ring us as we are their provider. I think what you will start to see as things settle down a little bit is a lot of customers won't be able to get hold of their provider because many of those companies don't offer a phone service that we do, they are only dealing with you via the post and online. So I think we will probably start to see some customers who start to shop around. We are a market leader in drawdown. We are probably one of the few companies that can offer a completely flexible drawdown payment system. So I think you will start to see that at some stage, but at the moment it is just mostly customers that are existing customers with us, just checking where they are.

Further answer: Paul Matthews
I think it has settled down already actually, the calls have dropped off dramatically. It was the first three or four weeks of people wanting to check out, they are the ones that have the small pots and want to get their money out quite quickly. You have got to remember we are geared up, we are taking 4 ½ thousand phones calls every day as a company anyway and probably you know we are dealing with probably 20,000 calls monthly with people talking about retirement generally. I think what you will see now as we have seen more and more people will use our online capability. And for people who are in drawdown, they are on a plan already. So we have 60,000 drawdown customers. Life has not really changed for them, they will continue to manage their money as they have been doing.

Ming Zhu
Thank you.

<u>Question 9 : Greig Paterson, KBW [Follow-up]</u>
I was just wondering if you look at St James's Place, they had a pickup in pensions sales and when I discuss it with them, it seems to be clients worried that the cap, the £40,000 allowance for pension contributions and/or moving to the basic rate of tax relief has meant that people want to take advantage of their allowances now. I was wondering, did you see a similar surge in the first quarter, the last quarter or first quarter in those type of one off contributions?

Answer : Paul Matthews
It is difficult to tell. St James's Place are dealing as advisers so in many ways they are having the conversation as an adviser predominantly. The independent financial advisers who refer clients to us will probably have those conversations, they are probably better placed to say what those customers are thinking. I do think that a number of customers will have taken action in the first three months of the tax year, just to, if you are going to do a contribution, then you are going to do it over the year. It would have made sense to do it now early. But again we will have a bit more feel for that in August Greig as to what flows came through after Q1.

Further question
And I wondered if you could give us an update, thanks for that, on your direct tied distribution proposition? Are you going to purchase another one soon or where are we?

Answer: Paul Matthews
We are pretty much on track. We are in no rush in many ways. We started the academies, we started training our own people up to chartered advice level and we are working with the first acquisition of moving those people across from Pearson Jones from their previous owner to us. They haven't come over yet, only weeks away as such. I think as you said, we will continue to look to grow our business with the quality advisers. We are not in a rush to sort of get them. So as and when we are in the position I suppose to announce it then we will probably announce it. But we are pretty much on track.

Further question
So the Openwork new CEO was interviewed by Money Marketing and he said that he was struggling or it appeared in the commentary, there was a shortage of potential candidates out there to acquire for tied distribution because of the shrinking of the IFA community. Do you recognise that statement?

Answer: Paul Matthews
Well I think if it took the statistic that there are one adviser for every 1,400 people in the US and there is one for every 2,000 people in the UK and you look at the opportunities coming up with pensions freedom so you can save for the future for cash now rather than annuity, on our reckoning we think there is probably 12,000 advisers short in the UK for the next ten years. So that is one of the reasons why we made the announcement to start our own advice business and one of the reasons why we are starting to train advisers up now. There is a shortage, life has become more complicated, not simpler. There are lots of opportunities to get people out of bank accounts into investments that will give them a better return on their money. And that is one of the reasons why we are moving forward in this business.

Further question
Is there is shortage of the current pool of IFAs, is there a shortage of those who are sick and tired of all the regulation and want to find a steady home?

Answer: Paul Matthews
Well a good place they would look for, I think there are plenty of homes they would probably go to out there, but obviously a lot of opportunity, but not us because we are after chartered, qualified advisers who are continuing to improve their qualifications, so I don't think there is a shortage of people out there is quality people. So I don't think we will have a problem of both recruiting to train people up or to acquire other people who are like minded to us. But I think if you are fed up with the regulation, then you are probably be getting out of the industry rather than looking to stay in it.

Greig Paterson
Alright, thank you very much.

Question 10 : Ravi Tanna, Goldman Sachs
Good morning. Just one question please, and it is another one on the pension tax relief and political risk issue I suppose. My understand just from looking at the manifestos was that perhaps the actual allowances on personal pensions might come down and not just the rate of relief and so perhaps my question is perhaps it is not just the elasticity of demand, but also the capacity for individuals to save in pensions. And so particularly higher earners. So my question was, could you give us a sense in terms of the overall split or distribution of your pensioners by income? How many would fit into that higher income bracket who might perhaps whether under the Conservatives or Labour, be constrained from saving in pensions and might have to look to save in new other product offerings?

Answer: Paul Matthews
Unfortunately, I haven't got that split. I mean it might be worth giving just a bit of colour. I think it is quite important when you go and do calculations on this. So it is possible you might get tax relief come down from the higher rate tax band, 45% to 30%, 25%, that is possible. So anyone could do that. At the moment you will also be aware there is life cover allowances set and they have been around £1.5 million, they have come down to £1.25 million and coming down to £1 million as well.

And a third thing, then is we have an amount of money per annum you can maximise at the moment of £40,000 which might come down to £30,000. So there are lots of things that people could consider in Government.

The important point to get across here though is, if you are a higher earner and you have excess capital, you are not going to leave it just in a bank. So you will still look for a tax shelter for that, whether that goes into an OEIC, into an onshore bond or international bond. So I think you have got to look at, do you believe that people will stop spending money on securing a future? And it might be it does not go into a pension vehicle, i.e. they are capped. But people are capped already at £40,000 and capped on their lifetime allowances. So what you are seeing, some people are prepared to bust the lifetime allowance because the employer pays into that scheme as well and so it is worth paying the tax at 55% to get more money into your account. And others are simply taking, putting their money into bonds. So if you look across our business at our bond business, our OEICs business, our ISA business and our pension business, if you want offer of those products, then I think you are pretty well positioned going forward and we are.

So I think when you do look at tax relief, it is very important to think about more of the picture than just that one element.

Further question
Thanks, that was very clear. Just one clarification. In terms of the personal allowance, my impression was that the Conservatives were talking about that coming down to potentially £10,000 for those earning over £150,000 per annum and that is where I was wondering to what extent that might be the biting constraint? I think it is clear as you say there are alternative products on offer where savings might be channelled. Okay thanks.

<u>Question 11 : Oliver Steel, Deutsche Bank</u>
Good morning. Two questions. One might actually follow on from what you were saying in answer to the last question which is you UK Retail new flows actually pushed up quite nicely versus last year. And I am sort of just wondering whether you had seen any impact at all negatively obviously from pensioner bonds and things like that or whether that just hasn't affected you? And if you have seen any impact why were the flows so strong?

The second question again I am afraid back to political risk. I know this is not in manifestos but I think Labour has talked about lowering the charge cap on DC pension funds. And I am just wondering what protections you have got in place against that if something were to happen?

Answer : Paul Matthews
A reasonable point to follow-up on. So I think it is fair to say that people have an element of money they want to save, so predominantly our business comes from independent financial advisers. And when they sit down with their clients, the clients tell us what they have got, what they have earned, what they have inherited and they will maximise where they can under the tax wrappers. So I think it is fair to say that we are getting more money into our retail products in places where they are maxed out on their pension contributions because they are at limits.

I do also think it is worth remembering though, there are people who are going above the limits. So you can go above the limits you are just paying tax at around 55%. But for some people particularly where there is an employer contribution here. Remember so higher earners, going through that limit is fine, you just pay that extra tax, but you are still getting a benefit that you would not have otherwise have had. So a number of our customers and other customers from other companies will continue to pay in even though they have gone through the limit.

The second thing then is on the retail space, there are two things happening here Oliver, there is money coming across into retail that would otherwise have gone into pensions for some earners as the adviser puts more money across to spread it. The second thing is consolidation. So if you look at our net flows, consistently now onto our Wrap platform, you know quarter after quarter after quarter, it is growing, I think it is something like 30% up on a year ago. And two reasons there. It is the best platform out there, it is a Wrap not a supermarket. The second thing is we have MyFolio and Standard Life Investments solutions that are really simplified tools for both the customer and the adviser. And I think there is a move to quality where people will continue to consolidate on platforms like ourselves and consolidate more assets to someone like Standard Life Investments who run really simply model portfolios.

Further question:
So just to follow-up quickly on that first question, have you actually seen any effect from pensioner bonds at all?

Answer: Paul Matthews
No.

<u>Question 12 : Ansuya Iyer, Jefferies</u>
Hi there, thanks for taking a question again. Unfortunately again on the pensioners tax relief. I get what you are saying about higher incomes, not receiving the money and going into other products like OEICs and bonds, but does that mean your flows go from higher margin to lower margin? Is there going to be a big margin difference there? Thank you.

Answer : Paul Matthews
It is totally the opposite actually. If you take some of the prices that we charge in some of our larger schemes, they are very competitive price and they are not down as low as a number of other companies in that market. So we tend to charge a slightly more premium price anyway for what we do. But our retail products actually can be much higher than our workplace products quite honestly so it varies. And what we tend to do also, it is worth considering, is when people come into our retail products they will get typically more into things like MyFolio and Standard Life Investments. When they are in large workplace schemes, quite often that money can be with third party investment houses as well as ourselves. So it is not a straight answer to give you on that one, but my view would be we are pretty agnostic whether it comes in via workplace or comes in via retail.

Anasuya Iyer
Okay thanks, very useful.

Operator
No further questions

Luke Savage
Okay thank you Dan. Well thanks again everybody for joining the call this morning. Just to summarise, we do think it has been a good start to the year and an excellent investment performance, strong financial markets. The drive and demand for what we believe are premium products. And we think we remain well positioned to deliver ongoing growth. We have got the products, expertise, the investment performance to help our customers and clients save and invest so that they can look forward to their financial futures with confidence.

Thank you.

End of Presentation