Standard Life

2013 Q3 Interim Management Statement

David Nish – Chief Executive

Good morning to everyone on the call and thank you for joining us to discuss our Q3 IMS statement. I'm joined on the call today by Keith Skeoch, Chief Executive for Standard Life Investments, and Paul Matthews, Chief Executive of our UK and Europe business.

I'll briefly take you through the highlights of today's announcement and after that we'll be very happy to take your questions.

So, overall we've made good progress in the first nine months of the year, delivering substantial growth in net flows and assets, driving an increase of 15% in fee based revenue. Standard Life Investments has delivered excellent investment performance and strong net inflows, while continuing to grow revenue in the third quarter.

In the UK we've increased the number of corporate pension customers by 195,000 to 1.4m, as a direct result of supporting over 100 employers with auto enrolment implementations. Our retail business is showing increasing momentum, experiencing a substantial increase in the number of advisers working with us. We're capitalising on the opportunities the retail distribution review has created.

And in Canada we're continuing to make progress transforming our business. We're seeing continued growth in Asia and emerging markets as we begin to write new business in Singapore and Dubai, while our joint venture in India delivered another strong performance.

So, turning to assets, flows and sales. Group assets under administration at the end of September have increased by £20bn in the nine months to £238bn, helping to deliver 15% growth in fee based revenue over the first nine months of the year. Long-term savings net flows were £2.8bn; while new business sales were £17.3bn, an increase of 20% over the same period last year. Standard Life Investments continues to deliver strong performance with net flows of £1.2bn in the third quarter, including £1.1bn net flows into our multi-asset solutions.

In the UK, assets under administration in our fee retail new and corporate propositions increased by 20% to £64bn in the nine months. Our UK retail business continues to take advantage of the opportunities that the RDR has created, after providing a smooth transition for our customers to the new regulatory environment.

Our Wrap platform is now being used by over 5,000 users, an increase of 20% since the start of the year. And during the quarter we completed the acquisition of Newton Private Clients, increasing Standard Life Wealth assets by £3.2bn.

Our UK corporate business has successfully supported 105 clients with the implementation of auto enrolment since the start of the year. And we added 61,000 new employees across existing and new schemes over the quarter. We continue to see encouraging signs from the participation and contribution rates of the members being auto enrolled. And we're pleased that our packaged auto enrolment offering for small and medium employers is being adopted as the sole or preferred auto enrolment solution by a growing number of leading advisers.

In Standard Life Investments we continue to deliver excellent short and long-term investment performance. Ten of our mutual funds delivered top decile performance over the last 12 months; while 91% of third party funds over management outperformed their benchmark over five years. Third party assets under administration have increased in Standard Life Investments by £11.2bn since the start of the year to £94.2bn, with total assets under administration up to almost £180bn. We continue to attract good flows into our multi-asset solutions, while also continuing to expand our propositions and global reach with 52% of third party net flows now coming from outside of the UK.

In Canada our business continues to transform towards fee based propositions. Fee based assets under administration increased by 9% in constant currency to £16.9bn, helped by net flows of £309m. We expanded our range of mutual funds, leveraging the expertise of Standard Life Investments in global and multi-asset funds.

Asia and Emerging Markets, we continue to see growth as we transition our shared functions to Hong Kong, bringing more of our people closer to customers in the region. We have started to write new business in Singapore and Dubai, with assets under administration in our wholly owned businesses increasing by 27% to £274m. And our joint venture HDFC Life continues to be a leading force in the private market in India where we are very well positioned to take advantage of our brand strength.

So finally, before taking your questions, just some comments on outlook. In the UK the pipeline of secured new corporate business is strong, and further benefits are expected from auto enrolment for new and existing pension corporate clients going ahead. We are also seeing increasing demand for our retail platform of propositions, benefiting from our readiness for the RDR and strong position in the market.

Standard Life Investments continues to see good flows, and also remains focused on expanding its investment capabilities and geographic reach, while delivering excellent investment performance.

In Canada we continue to see momentum in the fee based propositions and we continue to pursue the previously announced management actions of £75m.

Our Asia and Emerging Markets business is well positioned for future growth in the attractive international markets in which they operate.

So, overall our business model, propositions, distribution capability and strong balance sheet mean we are confident that we can continue to deliver ongoing improvements in value for our customers and shareholders.

I'll hand back to the operator and Keith, Paul and I will be very happy to take your questions.

Question 1

Andy Hughes, Exane BNP Paribas

I guess the first question is on the annuity sales in the UK. They look to be a little bit weaker than they've been in prior quarters. Could you perhaps give a bit of background as to what is going on there?

The second question was on SLI third party flows. I'm just wondering about the other segment in terms of money market funds. Are you including 100% of that; whereas the profit from that comes through in the JV segment and is only 40%? Has that bottomed out?

The final part of that question is the basis points fees for SLI third party - I would have thought they'd be increasing during the course of the year as a result of the changing mix towards GARS, which obviously has a much higher fee than the 43 basis points, but I couldn't see that from the nine month to H1. Is that actually what's happening?

Answer: Paul Matthews

The simple fact on the annuity question is the gender initiative of 2012. We've just had a number of people bring their retirement earlier to get some of those rates. I wouldn't read anything into it other than we had a few more retiring in 2012 that we would have possibly expected in 2013. That is the only reason we're slightly down on that.

Answer: Keith Skeoch

I think as far as the money market funds are concerned, Andy, those are Indian flows. So, we take our share, which is 40% of the flows, and those numbers are reflected. There has obviously been quite a lot of noise in the Indian market and the business did see some net outflows which was depressing the third quarter numbers.

On the point about the revenue yield, what you say is correct. And the release is slow over time as it feeds through into the money-weighted averages and the blended rate for the first three quarters. So, that revenue yield, and I think it's been there as a trend, is lifting through time as the business mix continues. I think that's quite an important message also that our redemption rates in the business remain, we believe, close to best in class. So, plenty of evidence that we're not only winning business here, but much more importantly for my business we're keeping it. So, I think you'll continue to see a gentle drift up in that revenue yield.

Question 2

Jon Hocking, Morgan Stanley

I've got two questions. On SLI I wonder Keith if you could comment on the equity flows? There are slight outflows I'm surprised given the strength of the UK equity market. I wonder if you could comment on that please?

Secondly on corporate pensions. Could you give a little bit of colour for the pipeline for Q4 please?

Answer: Keith Skeoch

Yes, we had in the mix that there was one UK equity mandate, institutional mandate we've known about for some time, which we lost – which wasn't due to performance issues; but was due to this general issue about switching from home to global bias and de-risking. We've got very, very strong equity performance. It's early days. I think we are starting to see much more interest in equity and equity mandates beginning to come through. So, I think that will be an increasing feature of our business as we look forward into 2014.

Question: Jon Hocking

Can you qualify how big the mandate was?

Answer: Keith Skeoch

I think that particular mandate was about £100m plus, but we'll get back to you with details. Also I just need to make sure that the client allows us to release it.

Answer: Paul Matthews

We've got a strong pipeline for 2013 and 2014. So, we've auto enrolled just under 100 or so in 2013 so far; we'll be doing another 200 in the last quarter. We'll be doing 3,000 of them in 2014. And we've got a number of DB to DC unbundling wins which we'll expect to see coming through in the next two quarters.

Question 3

Greig Paterson, KBW

Just remind me, you might have said this: can you update us on how much Newton cost you to purchase?

Also, I wonder if you can just give me a month by month, from July to October, in terms of the GARS performance relative to benchmark?

Also, there's been a lot of chat in the market about enhanced annuities, and you guys more recently said you were looking at whether you would get into it again or not. I wonder if you could give us an update on that? Thanks.

Answer: David Nish

As regards Newton, the final purchase price will be determined based upon the retention of the assets over a period of time. It's the typical type of structure you would have in this sort of deal. So, it will be somewhere in a range of about £80m to £90m in terms of final price that's there. But very much we look upon it as being a strongly enhancing deal. We're very pleased with the first month and the transition that has gone across. And the teams are now working very, very closely together. Standard Life Wealth is now a very strong wealth provider with nearly £6bn of assets that are there.

Keith, do you want to pick up how GARS is performing over the last quarter or so?

Answer: Keith Skeoch

As of close of play last night the gross return on the Unit Trust fund was about 4.75%, which means that it's 4.2% ahead of LIBOR and it continues to I think perform reasonably well. If we were having this conversation back in July the numbers would have been three and a bit ahead of benchmark and three and a bit ahead of gross performance. So the last six weeks or so has seen an improvement in GARS performance.

I think something that is quite important in terms of GARS is that performance is doing pretty much the same as the bulk of its close competitors in absolute return space. It has significantly outperformed the kind of risk parity funds over the summer, some of which have seen big negative numbers in front of their performance. And in terms of the relative competitive environment I think that's been quite important to making sure the flows, in particular from the United States, have continued.

Question: Greig Paterson

So, just to confirm: it dipped down for about four months or three months and then it's recently come back quite nicely?

Answer: Keith Skeoch

Yes so the gross return as of close of play last night, or actually the previous night, was 4.75%.

Answer: David Nish

But I suppose one of the key things in any time when evaluating GARS is remembering it's a three year performance period, it is a long-term asset etc, so I know the teams don't essentially react day-to-day as regards to the performance of it.

Question: Greig Paterson

So the numbers you're quoting me is a three year average or year-to-date performance?

Answer: Keith Skeoch

That was a year-to-date. Its three year performance, as David says, is pretty much in-line with its benchmark, and in particular its volatility characteristics over that three years remain significantly ahead of its peer group. And I think you must remember that one of the reasons people buy this particular fund is for the dampened volatility associated with the return. So the risk/return characteristics of the fund are doing exactly what it says, which is why redemptions remain reasonably modest.

Question: Greig Paterson

And just on the enhanced annuities?

Answer: Paul Matthews

Enhanced annuities/impaired lives, we currently don't offer that. We continue to look at it. We've been looking at it a bit closer recently. At the moment our stance is as customers come on we would refer them to another annuity provider that would offer that. But I think it's fair to say we're currently reviewing that.

Question: Greig Paterson

But I mean your cannibalisation theme, treating customers fairly, isn't it fair to say that if you launch a product in this space it's going to have a negative impact on your internal vesting annuity margins which are 15% EV which is very, very high. So does it actually even pay you to look at this space?

Answer: Paul Matthews

What we continually do is we look at what the customers are looking for from us and then what we can do which we think we can excel at, as opposed to what others can do, so we haven't entered that market to date but we continue to look at it. So I suppose that's all we're doing, we're continuing to see whether it's worth our while and whether it's the right thing for customers. To date we've felt it's best to stick to what we do, which is to offer our customers a range of annuities, and if they have ill health or other issues we refer them to another provider.

Question 4

Abid Hussain, Societe Generale

Two questions: one on SLI net flows. What is the run rate that we should be pencilling in now for SLI net flows and in particular on GARS given the recent slowdown there?

And the second question is on corporate pensions. What do you think is the likelihood of a cap on charges being applied to auto enrolment? I think a figure of 75bps has been suggested recently by the Pensions Minister. Is that going to put pressure on charges for general corporate pensions business?

Answer: David Nish

I suppose just before I hand over to Keith, you asked about our future run rate. I think what we'll do is we'll talk about the past run rate because obviously we're not going to forecast as regards to the run rates of product. But Keith, is there anything else you'd like to add to how GARS is essentially running at the moment?

Answer: Keith Skeoch

I think it's doing reasonably okay. Just on David's point, I think it's worth reminding people that if you look at our book of third party business it remains close to 70% institutional and about 30% wholesale, so I think it's dangerous to talk about run rates. Institutional business can be, as we saw in the first half of this year, occasionally very large and lumpy. Winning assets is obviously important, but what's really, really important in my business is keeping them, because it's keeping them that drives the revenue yield and that runs through to revenue.

So in that context, as well as looking into the inflows on our book and focusing on the net flows, I think it's quite important to look at the redemption rates, and if you look at the redemption rates across that third party book of business, whether it's for the whole of the first nine months or indeed just in the third quarter, our redemption rates are about 14%, which is pretty much best in class in the industry, and it's actually our ability to keep assets as well as win them that will drive the revenue. So certainly one of the things I look at very, very closely as well as the run rate, is the redemption rates.

Just on GARS, obviously post the news we saw some outflows. We are currently pitching and winning business, and we continue to see particularly importantly net inflows onto the GARS' book, and as we've got slightly away from the events in late July, confidence from consultants and clients has picked up and we're beginning to see flow return. But I think you need to remember that, as we were saying earlier, GARS has delivered a return over the last year of 5%, equities are delivering something about 20%, and I think the grain of client demand is beginning to shift. So that's something we'll have to take into account as we look forward.

Answer: David Nish

Thanks Keith. As regards corporate pensions, I think it's quite important maybe to reflect on the full consultation document when it comes out, because as I understand how the commentary has developed this morning there is a range of options that are being considered on the table. I think it's very important when looking at the pensions' market in the UK and I know that Steve Webb, the Pensions Minister, does appreciate this that the UK needs to become a nation of long-term savers again. Obviously that's got benefits for the individual, and secondly it's got benefits for the broader economy, and a key part of this is ensuring not only is there high quality provision, but there's good value for money, and also there is added capacity in the market and competition, and that's what the OFT review has looked at.

So in some ways the Pensions Minister's statement of yesterday I'm not surprised at, it's consistent with his language over a long period of time, and the industry has actually taken a lot of steps. I think the ABI has published statistics that show the average pension transactions are being done at 52bps today, so from that viewpoint the market has moved on.

Standard Life is very well positioned in the corporate pensions' market in the UK, we've got scale, we're a high quality offering, and also given we have not charged commission in eight years, I think it's very important to reflect on those who have charged commission over that period of time. 99% of our pensions' book is priced below 1%, so therefore I do believe very strongly in value for money for the customer. Paul, is there anything?

Answer: Paul Matthews

The only thing is this is quite an exciting time when you get so much focus on an industry where we have heavily invested for the future. It's a scale game now, whatever the Pension Minister decides to settle on what you've got to remember is you need capacity, you need capability and you need ability to be able to get volume. I think where we'll come into our own is we've got something like 35,000 schemes, we're looking after 50 of the top FTSE 100 companies, a third of the FTSE 350 companies, and very much I think some of the companies are going to struggle, particularly as David's just said, those that have been paying commission for quite some time, if there is a price gap, and I say if, it's going to be quite some time before they'll get their money back, and I'm just quite pleased we're out of it. So we're quite excited by all the focus on this industry.

Question 5

Alan Devlin, Barclays

Can I just follow up from the last question. Could you give the details of what the GARS' flows actually were in August and September, did you mention that you had some outflows?

And secondly, in the UK retail new business, the net flows in that business declined slightly from the second quarter. Is there anything going on there given the IMA data for July and August which suggests that we didn't see the usual seasonal slowdown in equity markets and it was pretty positive?

Then a final question on Canada. Is there any update on the management actions? Did you take any in the third quarter, or do you expect them all to come through like last year in the Q4?

Answer: David Nish

Why don't I start in reverse order, and also Keith I'm sure will reflect whether there's anything additional to his very comprehensive answer he just gave on GARS as regards to the flow of the business. In terms of the Canadian management actions, we're very comfortable, we're pursuing them, we've made continued progress during the quarter. This is not a profit statement today so I'm not confirming as regards whether things are in profit in September or in October, but we've confirmed that we're pursuing them as regards to the year end, there is third parties involved and we're transacting with certain people as we speak. So from that viewpoint we're comfortable that we're continuing to make progress on them. Keith, is there anything else you'd like to add to the GARS topic?

Answer: Keith Skeoch

No, I think it was pretty comprehensive. We don't disclose overall monthly flows because I think it's actually very dangerous to extrapolate. The simple answer is, gross flows dipped after the news and have picked back up. The critical point is I just want to emphasise that we continue to see, and have always seen throughout this period, net inflows into the product across all of the books. Sorry Alan, I missed the second question, could you just repeat that?

Question: Alan Devlin

The second question was on the UK retail new fee business where the inflows in Q3 were £859m, which is down sequentially from Q2. But given the positive equity market sentiment and the IMA data suggesting flows were positive for the industry, so I'm wondering why that number actually dipped in the Q3 versus Q2?

Answer: Keith Skeoch

Certainly on our wholesale numbers we continue to hold up reasonably well. I think to be honest it was pretty erratic, and the summer I think if you actually look across the industry, was relatively slow. We'll get back to you if there's any more detail.

Question 6

Andrew Crean, Autonomous Research

Actually three questions. Firstly, I think you said that 99% of your corporate pensions business was below 100 basis points. How much of it is below 75 basis points, which I think is the more pertinent issue?

Secondly, you were talking about the likelihood of a switch in interest from GARS products to straight equity products. What are the connotations of that in terms of revenue margins, can you capture the same sort of revenue margin on your equity products?

And then thirdly, I think you said that your fee based revenues grew 15% in the nine months, I think that was 14% at the half year, so it's accelerating, and I assume with stronger markets in October that will only assist. Could you talk a little bit about your costs in the second half related to that?

Answer: David Nish

Why don't I essentially deal with one and three, and then Keith will do the middle. I'll do them in slightly the reverse order. In terms of costs, we're not updating specifically beyond what we talked about at the half year. You saw the trends there, we continue to work on the initiatives as we said, it's certainly our objective to keep driving down both the acquisition cost line and the maintenance cost line, and we'll update more fully at the year end. I think in terms of doing quarterly cost reviews, I think the team would probably find that a bit excessive of me if I continued to dig into that.

As regards to the pension number, I'm not going to give any further disclosure as regards the banding of our books or wherever they are, because obviously each scheme is reflective of the scale of the scheme, the type of offering that's there. And also as I did say earlier, I think the consultation is between 0.75 and 1, as I understand the announcement this morning. Now obviously we've all got to wait and see what the detail of the consultation is there, and then we'll reflect going ahead. Also we don't yet know what's the definition of charge. So I think we'll obviously learn a lot more over the next few days as regards that detail of the document and what happens over the next six weeks with the consultation process.

Question: Andrew Crean

Just coming back onto the cost side, I suppose what I was after is are there any sort of specific one-offs in the second half on cost which we ought to be aware of, or is it just generally grinding down on cost?

Answer: David Nish

The sort of things we talked about at the half year Andrew, obviously as the business gets bigger you'll see essentially things like transaction costs coming in, but obviously you'll see enhanced margin being driven. So everything we talk about as regards opening up of the jaws, we continue to essentially focus on very, very strongly. So there isn't anything that I can think of that's unusual compared to the first half, you'll see the investment in Standard Life Investments, you'll see the investment in Canada that we talked about. You'll also see, and obviously we will pull this out separately in the last quarter of the year, there will be the Newton costs coming in as the new acquisition but again you will end up seeing that coming through. Keith, do you want to pick up the second point?

Answer: Keith Skeoch

Yeah. I think it's a very good question, Andrew. The thing I think that's really quite important here is that whilst our book of business is 70% institutional, 30% wholesale, we have been increasing our share of wholesale, and wholesale has made up a reasonably big chunk of our flows. So if you look at the disclosure details, just under 50% of flows are actually coming from the wholesale market, and I think one of the things that we are focused on is making sure that we continue to sell, and we've got some very, very high performing equity funds into that wholesale channel.

Also don't forget we've got MyFolio, which continues to generate quite good revenue yield, and I think very, very strong cooperation with Paul and his team as 40-odd % of his flows come into Standard Life Investments.

So I don't think you should simply assume that if GARS is a smaller chunk of our business going forward that the revenue yield falls away, because actually the revenue yield that is attached to wholesale flows is much, much better than the institutional market place. And it's an area we've been focused on for some time.

Question: Andrew Crean

Just picking up on that, Keith, I mean, you said 40% of flows from Paul's business are coming into you; is that new retail?

Keith Skeoch

New retail. Yeah.

Andrew Crean

New retail and corporate pensions?

Keith Skeoch

Certainly on the mutual funds side we are seeing quite a big chunk, and there's an increasing amount of corporate pensions business that comes our way, but I'll pass across to Paul to give you a number on that front.

Answer: Paul Matthews

Yeah, Andrew, I don't think we give a specific number, I think what we are saying, though, is virtually every scheme we're currently writing at the moment has an element of Standard Life Investments in it. I'm not sure we've given a breakdown, but I'll have a look at that and see if we can give you more figures. But I think virtually every single scheme we've written this year has had a percentage of its funds. I haven't got an exact figure, we'll have a look and see what we can do.

David Nish

Yeah, because I suppose the thing that's different, Andrew, across on the pension side it tends to be because of regular premium coming across. That's why we tend to focus more on how many schemes have got SLI content now. And that is growing rather than effectively a particular asset number, because we'll pick that up on a compounding basis. But we'll have a wee think about how we can maybe link the two together.

Question 7

Gordon Aitken, RBC

Yeah, three questions, please. Firstly on annuities; what proportion of the vesting pensions customers which you retained as annuity customers, what's that proportion for Q3 and how does that compare with Q1 and Q2? And if you can just talk about how that's been impacted by both the RDR and also the media noise around the open market?

The second question on GARS; you've told us in the release this morning that GARS net inflows has accounted for over 90% of the net inflow into the asset management business; just what's that proportion for the life and pensions business, please?

And third on this corporate pensions pricing point, I mean, you've made the point before that back in '01 you cut almost all corporate pensions charges back down to 1%, which was a stakeholder cap, so what I'm wondering is what proportion of corporate pensions mandates which you're administering now are still on '01 pricing?

Answer: Paul Matthews

Yeah, the first question, Gordon, morning, it's virtually no change, Gordon. I think we float around 31% to 33% of the customers who come up for maturity with us stay with us. I haven't looked at the exact figure, but the average has been pretty consistent, it's tax-free cash it's usually around £17,000, and I think the last time I did the figures about four weeks' ago the difference between a male of 65 retiring on a single pension was around £1.74. So I think there's no difference. The issue we've had this quarter is less people have retired with us, and we think that's primarily because the number falls by a year because of the changing rates of males and females.

You're right, we actually in 2001 we repriced our entire back book, and the range we repriced was between 0.4 and 0.825, actually. So all of our book pre-2001 would have stayed on those types of pricing. The pricing is different from 2001+. I think it's fair to say, certainly this year, because we've been auto enrolling the very large schemes, and since 2004 coming out of commission, then the majority of those schemes would have been written at a pretty competitive rate, below the cap, if there is a cap, or if a 75bps figure came in, around that figure. But I haven't got the exact breakdown. We can have a look. We're doing a lot more reviewing over the next six to eight weeks on this whole area. This has only just come out yesterday. But I think it's fair to say, if you were looking for some sort of comparisons, we'd be in a very good place compared with the market, because of what we did in 2001, because of what we did in 2004, and because we've been focused very heavily on some of the very large schemes, and then also because we've been focusing a lot on getting Standard Life Investments in. So I think, we've got an investment house, where we're pushing the MyFolio type corporate solutions, we're pushing the GARS, and we've focused on those companies that aren't paying commission. So our pricing is a lot lower, I would say, than most of the companies that continue to sell with commission. So I think if you're looking for a comparison, we'd be in a pretty good place.

David Nish

Okay. Keith, anything else you would like to add on GARS flows? And proportions, where they are?

Keith Skeoch

I think the question was about corporate pensions, so actually I think it was a question for Paul, David?

Answer: Paul Matthews

Of the flows into GARS? It's a mixture. What I would say is it's varied. A lot of the schemes today are choosing the MyFolio offering, which we've offered in the Corporate Solutions. So we've got a number of clients that will definitely use GARS, but what I would say is since we've launched Corporate Solutions at the end of last year, it's starting to behave similar to MyFolio in that the choice of five funds of defensive to very aggressive has been very well received by the market, so as GARS is more a philosophy of around 5% over three years, the Corporate Solutions, i.e. the same as MyFolio, gives the employer quite a lot more choice to choose themselves. And that seems to be going very well, but I haven't got the split of what percentage goes into each.

Question 8

Ashik Musaddi, JP Morgan Cazenove

Hi, morning everyone and thanks for this. A quick one; last year if I remember correctly you launched this global Absolute Bond Strategies Fund for John Hancock, so where should we expect that flow to go through? Is it in multi-asset numbers or John Hancock GARS Fund or how should I think about it?

Second is can you give us some colour on MyFolio lumpiness? Like should we expect this to be a stable growth or, because it is linked to your individual SIPPS, I mean the IFA market and individual pensions, should it be more stable and growing or should it be lumpy? So these are two questions. Thanks.

David Nish

Great, thanks, Ashik. Keith, do you want to pick up the first one about GCARS, etc.?

Answer: Keith Skeoch

Hi, Ashik. You will see GCARS, along with the other absolute return global bond suite of products coming through in the multi-asset products. GCARS is designed to counteract the impact of the rising rate environment, so I think there's about £60/70 million of seed capital in that. It'll take a while to build up, so again I would expect it to be a feature of '14, rather than the second half of '13.

And the MyFolio flows, a very good question. I think the flows that we've seen today have been pretty stable. And because of the offering certainly for the first nine months of the year the run rate's been pretty stable quarter to quarter and I would expect that to continue.

Supplementary Question: Greig Paterson, KBW

Sorry I do apologise. I feel that the question wasn't answered, in aggregate are the equity mandates higher or lower margin than GARS? Simple question.

Answer: David Nish

I don't think we're talking about margins today, I think we're talking about revenues and flows coming through, but Keith, is there anything else you want to add?

Answer: Keith Skeoch

Thanks, David. Greig, it's not that easy. So it depends on whether you are selling a plain vanilla institutional equity mandate or you're actually seeing flows into one of your high performing alpha retail products. So it's the mix of the flows that's important. My focus going forward, is obviously to drive both, but there's a rich vein of activity in the wholesale line, so the difference between the basis point charge could be very substantial. It'll depend on the type of mandate and the size of the mandate. The fees that come off wholesale are much closer to GARS. Institutional mandates are somewhat lower. So it'll all depend on the mix and blend of the business.

Question 9

Alan Devlin, Barclays

Just a quick question for both Paul and Keith, I'm interested in your view on the super clean discount debate first of all for Paul. What kind of discounts are you seeing for your platform-type business and if you do get a discount can you pass it on to your corporate pensions business as well? And then just for Keith, is SLI considering giving discounts on any of its funds? I would be interested in your views. Thanks.

Answer: Paul Matthews

Okay. So I think we've been reasonably public. We have focused primarily to start with on what we call the G12. These are 12 investment houses that we work quite closely with, of which Standard Life is one of those 12. And I think we've physically announced nine of those companies have now declared that they will give us a super clean share class, which basically means that the price that they show is the price the customer gets, so there'll be nothing else involved.

We would expect the other three to come in on the same basis, but you can understand there's some sensitivity that some of these investment houses want to make sure that when they time their announcement that they time it right, so some have been very happy. I think we've named nine of them.

This is a really exciting situation for the whole market, because this is the first time ever that you're being able to see the true price of what investment management is in the retail and corporate space, because typically you'll get a platform charge, sometimes a product charge, sometimes an advice charge, and then the investment charge. So we're quite excited about this, because we have rebated historically everything on our Wrap to be completely free of any other rebate or retrocession.

So we think this is quite attractive for us, because we'll be able to offer the same price to our direct customers and to our intermediary customers and to our corporate customers for the first time. We've not been able to do this up to now. And I think we'll have very attractive rates, but we also have very attractive platforms and a very attractive investment house and I don't see any other companies with those three distinct benefits, so we're quite excited about it, and it's April 2014, and it's looking quite exciting.

David Nish

Okay. Keith do you want to update anything from your side as regards SLI?

Answer: Keith Skeoch

Yes, we have made available clean institutional share classes on our products, but our push has always been to try and make sure that we generate a premium product through active management which we can charge a competitive premium price for. So on the products that I would expect us to drive flow where we're delivering strong performance, I don't see anything that's significant that will impact on our revenue yield going forward.

Question 10

Andy Hughes, Exane BNP Paribas

Hi guys, I'm feeling a bit better now, so probably a cheeky question this time. The first one is about the investor sessions you're planning later in the year obviously there's no mention of them in the press release and I'm just wondering if you're in a situation where you could maybe give us some hints on what kind of issues you might be considering?

And the second question is about Newton Wealth. Obviously the existing assets are invested in Newton's Funds, for example, the Absolute Return Funds, are you expecting some of that to move over to SLI, because some people might say that GARS is potentially a better alternative than maybe the option that they've had in the past, and what that's likely to do for SLI net flows in Q3? Thank you.

Answer: David Nish

Okay, thanks Andy. We haven't finalised our schedule over the next three or four months that we're going to do another one of our round tables, but it may well be, again maybe reflecting on the last 24 hours, one of the topics we might consider is the pensions market, because there is obviously quite a lot of significant things going on. There's the first year's experience, and then getting into Year 2, particularly when there's the big drop down in employer scale that's there. So it's those sorts of things and we'd rather, in some ways, focus on the components of the business, because obviously we recognise there is quite a lot of a degree of change going on that's there. But I'll give Lorraine and Jakub a little reminder as regards getting their diaries filled up. Do you want to pick up?

Answer: Paul Matthews

Yeah, Andy, I think it's fair to say that Standard Life Wealth and Newton both offer a discretionary fund management independent view to customers, so what they're generally doing is looking at what's the best return for customers. But you're quite right, Standard Life Investments offer, through things like MyFolio and through GARS and through other things some fantastic propositions, and I'm sure that sitting closer to Standard Life Investments and looking at the quality of what they've got, they probably will get a greater insight into some of the other opportunities that they can offer their clients. So I know if they were on the call, they'd want me to say they'll chose the right investment for their clients, but at the same time, usually when you're working closely together, I would say they'll get to see a lot more things than they would have seen before and I think their clients will definitely benefit. I know they're very excited to be working in the Standard Life Group, and particularly working very closely with Standard Life Investments.

Question: Andy Hughes

Have you any idea how big that might be?

Answer: David Nish

I think back to Paul's comment about Standard Life Wealth's total proposition has to be viewed as being the best quality independent solution that's there, but remembering where we're now starting from, there's another £3bn + of assets going into the Group. Also, one of the things we're really excited about in terms of what Newton brings is access to the Charities Sector that we've not had before, and they've probably got a higher net worth customer than maybe we've had through Standard Life Wealth in the past. So from our viewpoint, as well as being the conversion of the existing book, if the potential is there, there's also access to a broader wealth market which is really the exciting thing for us with the Newton acquisition.

Closing Comments: David Nish

First of all, thank you to everyone who has joined the call and I appreciate for some of you it might well be a school week down south. So just to recap, we certainly believe Standard Life has made good progress in the first nine months of the year. The outlook for our business is very positive in many areas, and I've said we're confident we can continue to deliver ongoing improvements and value for our customers and our shareholders. So thank you very much for the time today and I look forward to catching up over the next few months. Thank you.