



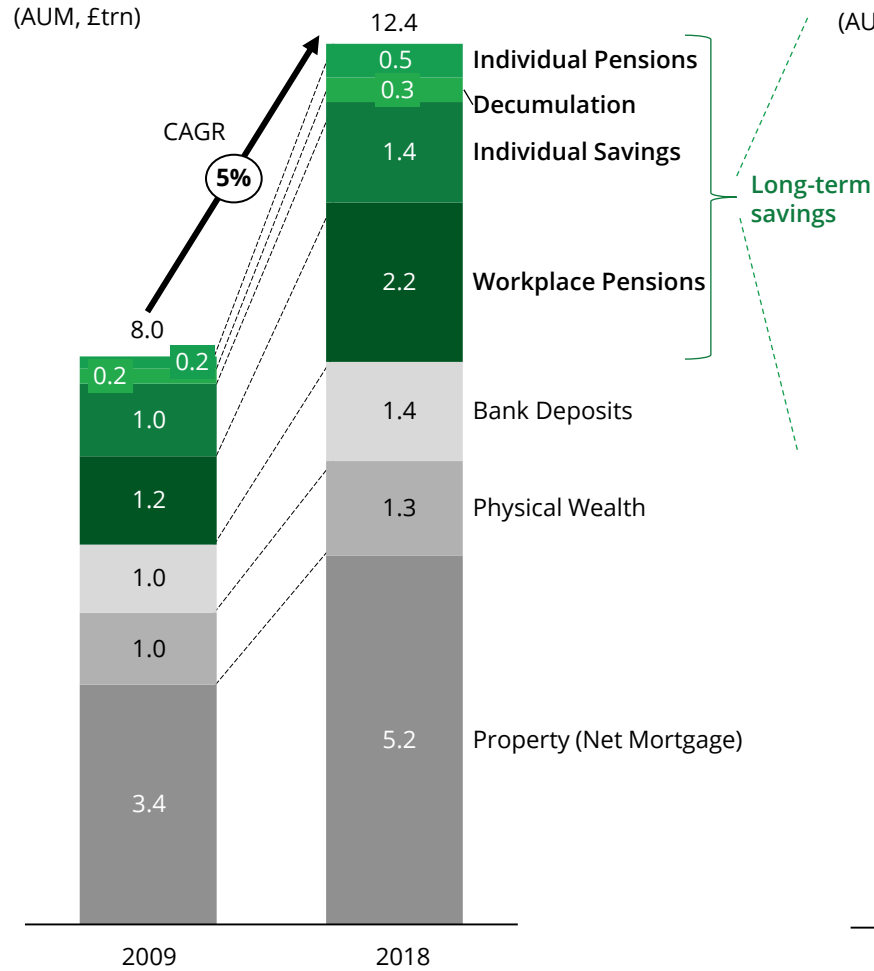
# UBS SA Financials: Disruption in UK financial services

Etienne Burger – Strategy Director  
*October 2019*

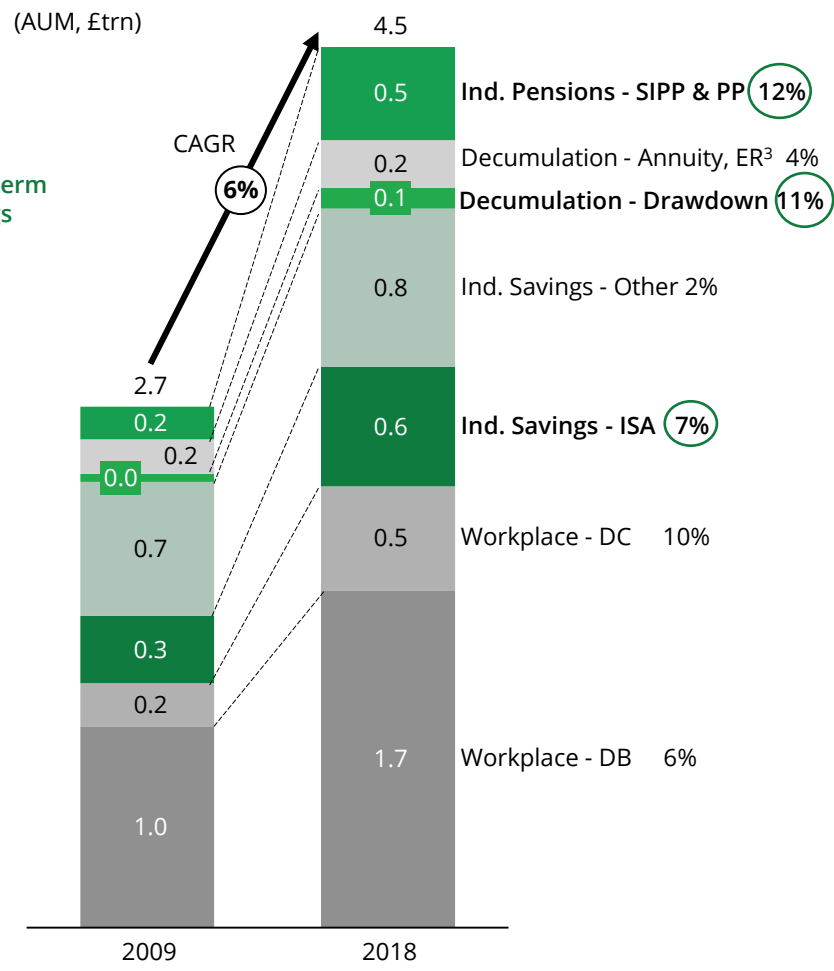
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# Large and growing UK wealth market

## UK national wealth<sup>1</sup>



## Long-term savings market<sup>2</sup>



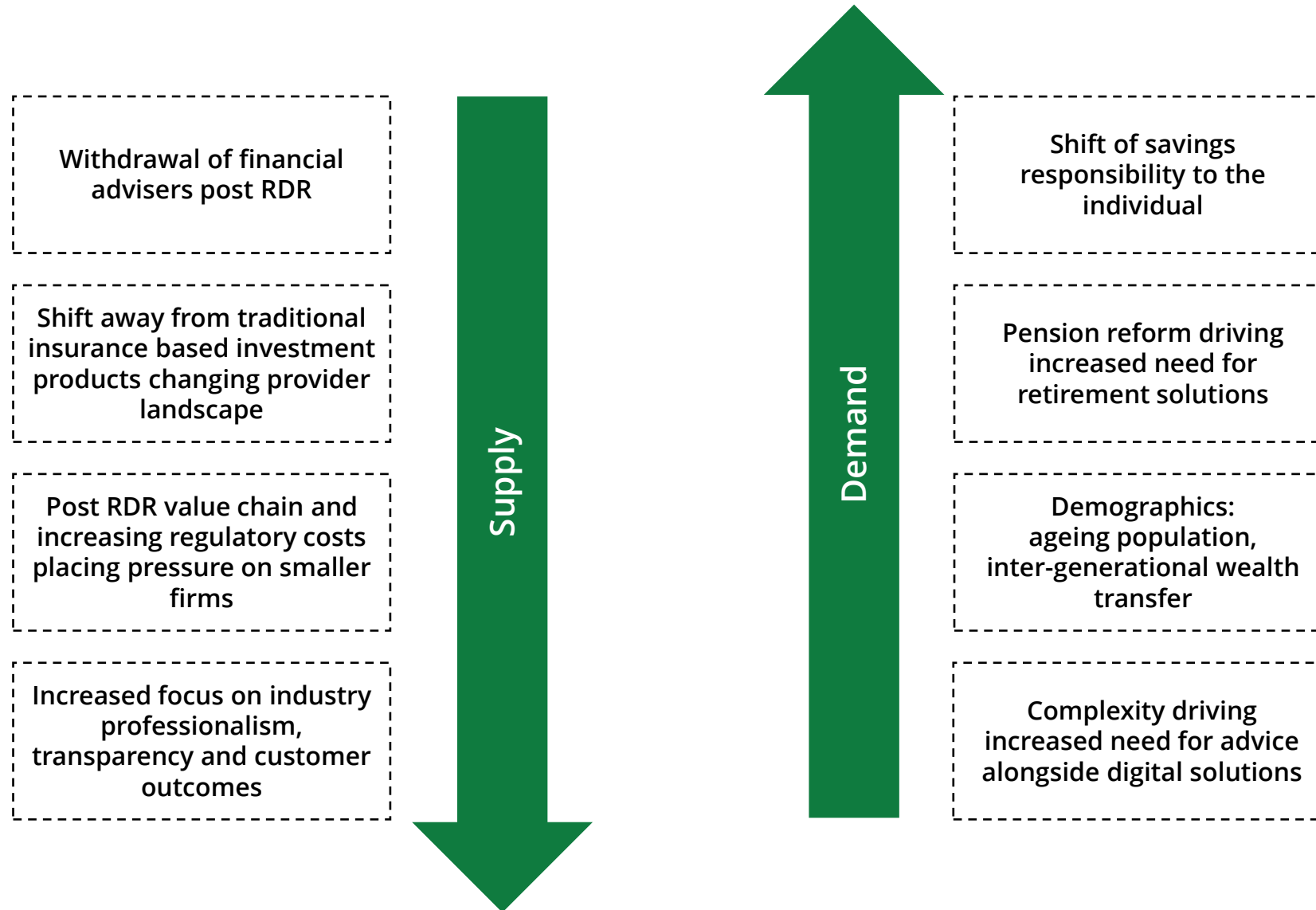
- Growth driven by structural trends, including:
  - Demographics
  - Need for financial advice
  - Strong growth in investment solutions
  - Pensions and investment consolidating onto Platforms
  
- Growing and changing market provides opportunity to support clients through their savings and investment life cycle

1. Source: ONS, NMG UK Stock & Flow Model.

2. Note: H1 2018 figures are based on estimates where half-year data sources are not available.

Note: Property Wealth is defined as any property owned, both main residence plus any other land or property owned in the UK or abroad, net of outstanding mortgage value. Physical Wealth is defined as household contents, possessions and valuables owned, such as antiques, artworks, collections and any vehicles owned by individuals. Pensions excludes retained rights in pension schemes and pensions expected from former spouse/partner. Ind. Savings - Other includes Onshore and Offshore bonds, endowments, direct shares and unwrapped funds. ER refers to Equity Release

# A decade of disruption: supply and demand



# Regulatory and fiscal changes driven disruption

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## Pension reform

- Provides customers with opportunity for **consolidation and flexibility** to manage retirement assets
- Demand and complexity driving **need for advice**
- Increased **longevity of client relationships** for wealth managers versus compulsory annuitisation

## Government initiatives

- **Auto-enrolment** increasing flows into pensions, albeit slowly – future customers for wealth managers
- Increase in **ISA allowances** and introduction of JISA and NISA and Junior SIPPS
- Continually **changing tax and allowances** on savings, pension and IHT driving need for advice

## FCA thematic reviews

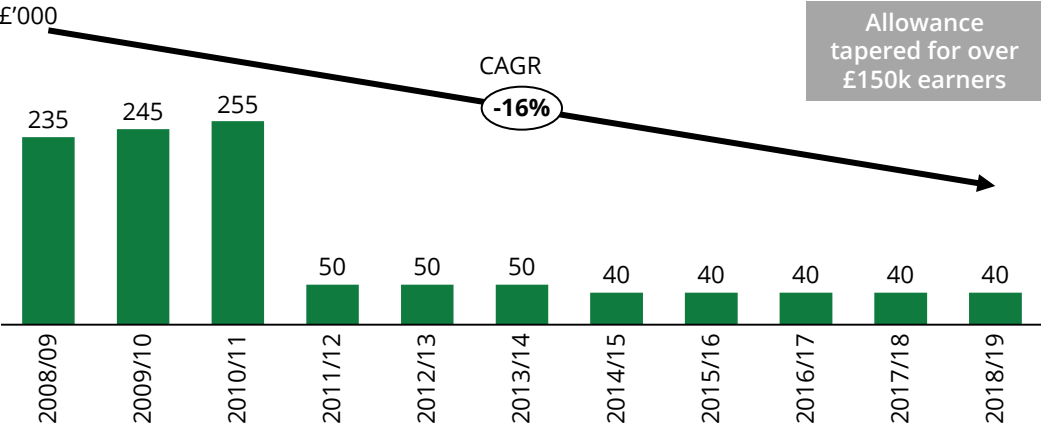
- **Asset management market study** remedies focussed on driving competitive pressure in asset management, investor value for money and effectiveness of intermediaries
- **Investment Platform study** focused on improving competition and better consumer outcomes
- **DB pension transfer advice** proposals designed to improve quality of advice and help consumers get better value for their pensions

## MiFID II, GDPR & SMCR

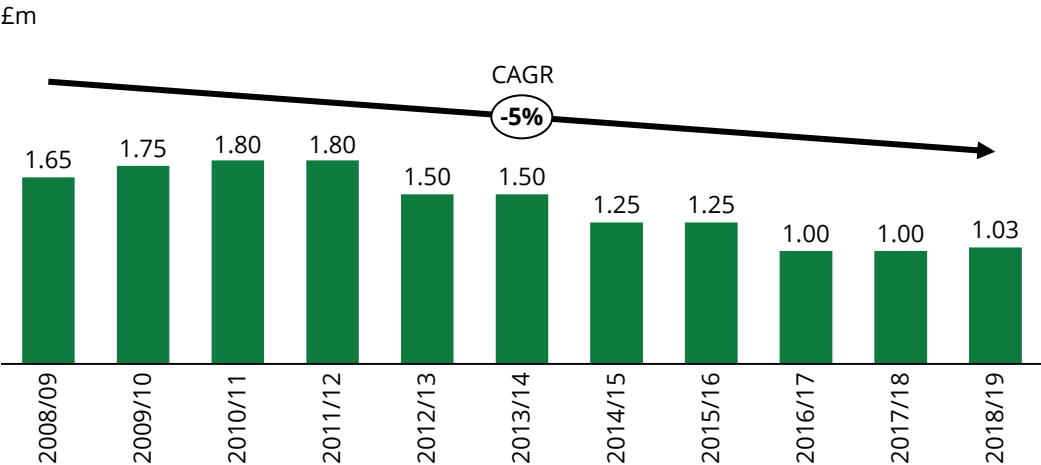
- Further **increase in regulatory burden** for advisers, particularly low scale players and new entrants
- MiFID II further **increase transparency** for customers
- GDPR clarifies existing requirements and **increases costs of non-compliance**
- SMCR strengthens individual accountability within the financial services industry

# Fiscal changes driving complexity, client behaviour and need for advice

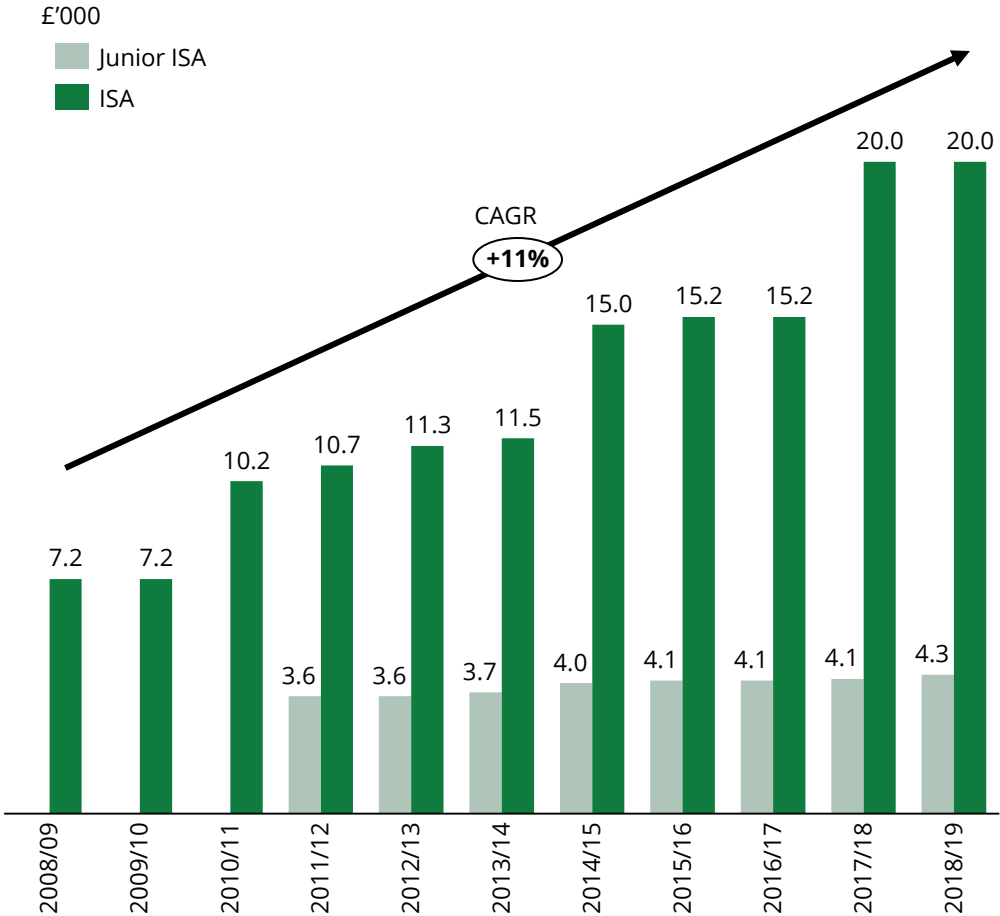
## Annual pension allowance



## Pension lifetime allowance



## ISA annual allowance

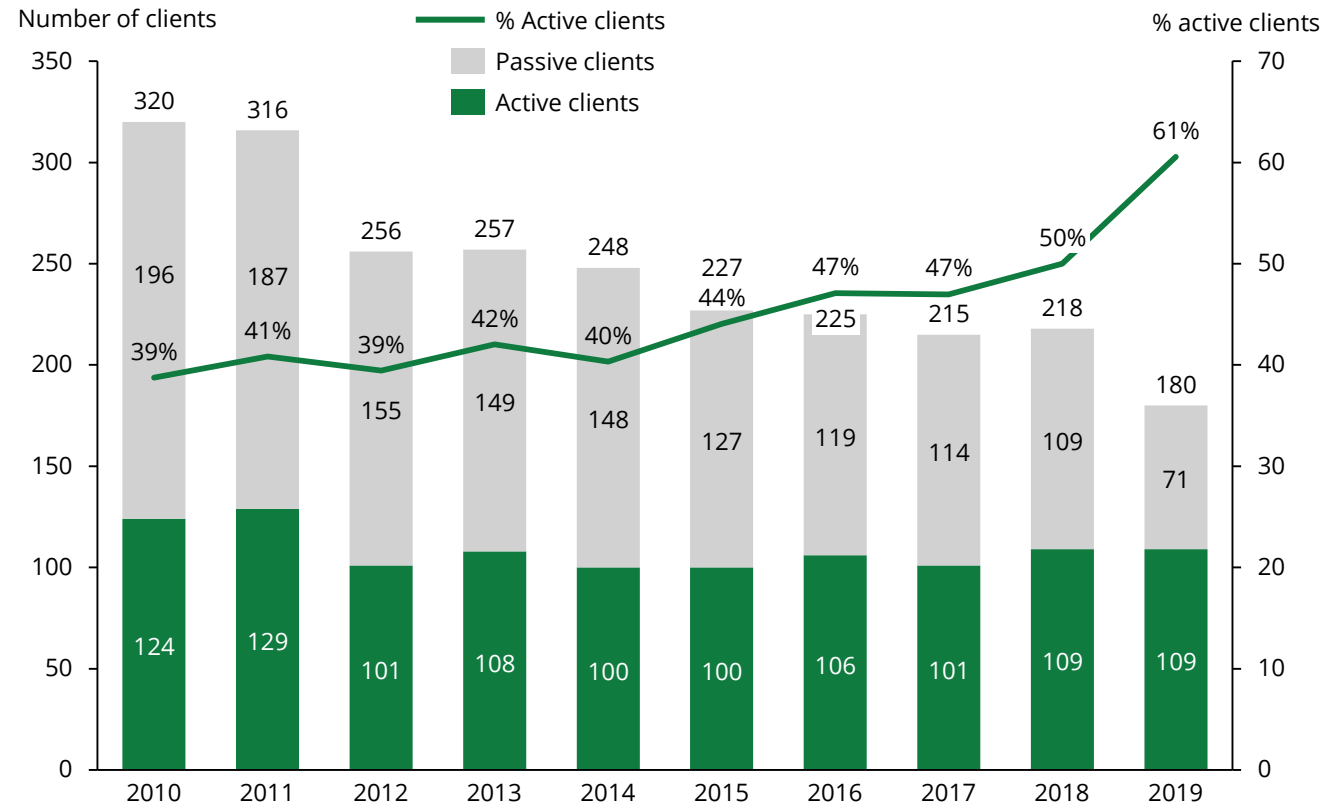


Source: HMRC

# Advice: shift in how advisers serve their clients

Regulatory and market changes driving better quality of advice for fewer clients

## Adviser average client portfolio<sup>1</sup>



- Adviser trend to serve fewer active clients:
  - Change in compensation model from commission to fees
  - Smaller number of those with higher investable assets
  - Opportunity to serve customers' wealth needs for longer
  
- Potentially more customers left without access to advice... at a time when the need for advice is increasing

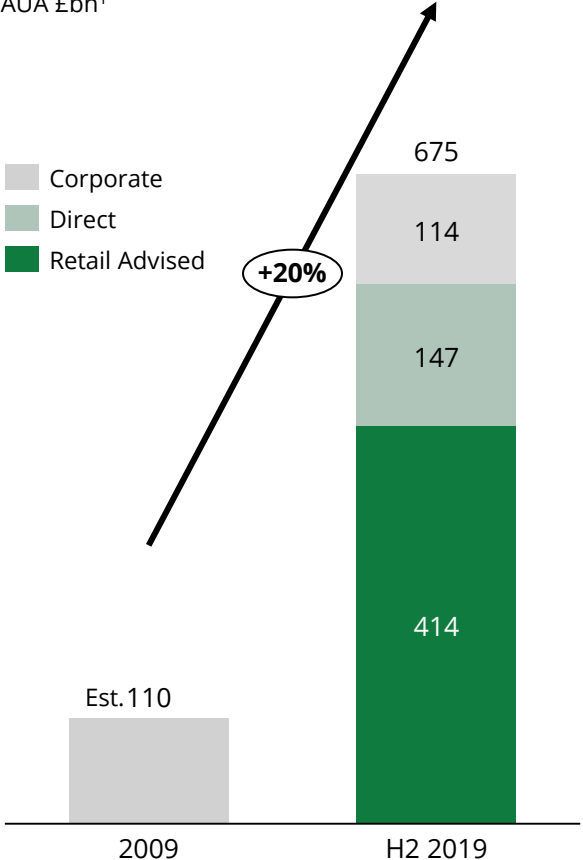
1. Source: Investment Trends, March 2019 UK Adviser Technology & Business Report: Industry Analysis  
 Passive clients considered to be those the adviser sees less than once a year; Active clients considered to be those the adviser sees as least annually. Based on annual survey of c.600-800 advisers

# Platform: Savings and investments consolidating onto Platforms, particularly pensions

## Pensions and investments consolidating onto platforms

Total UK platform market

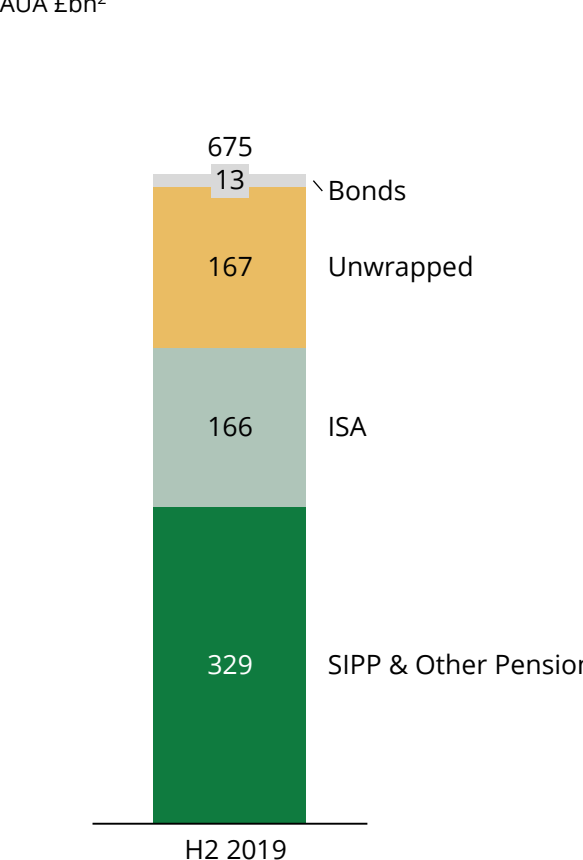
AUA £bn<sup>1</sup>



## Pension is the 'anchor' product

Fund platforms by product

AUA £bn<sup>2</sup>



## Platforms play an important role in modern wealth management

### For Advisers

- Tools and technical support
- Customer relationships in one place
- Deliver back office functionality
- Custody, settlement and reporting

### For Customers

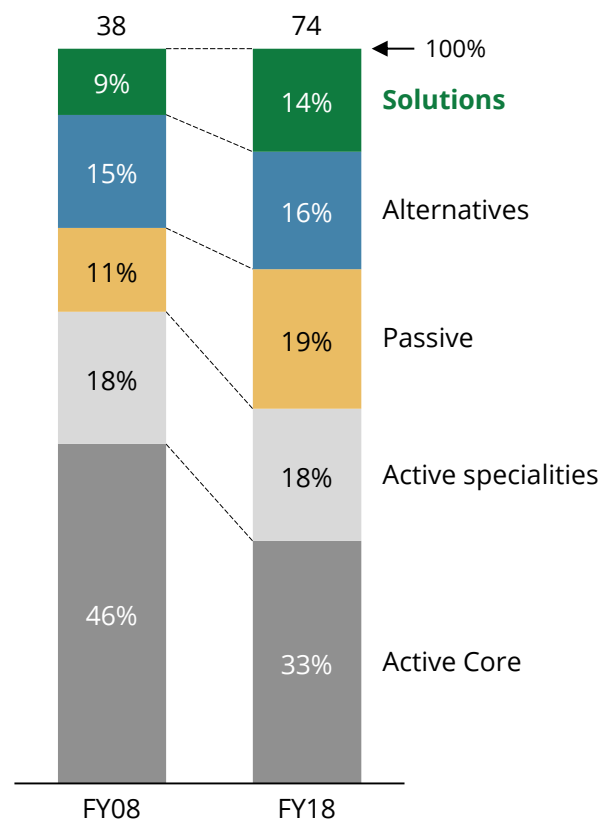
- Holdings in one place
- Tax-efficient wrappers
- Customer service including reporting and transactions

1. Source: Platformum 2009; Fundscape 2019 Q2

# Investment Solutions: continued growth in outcome-based, client-focussed solutions

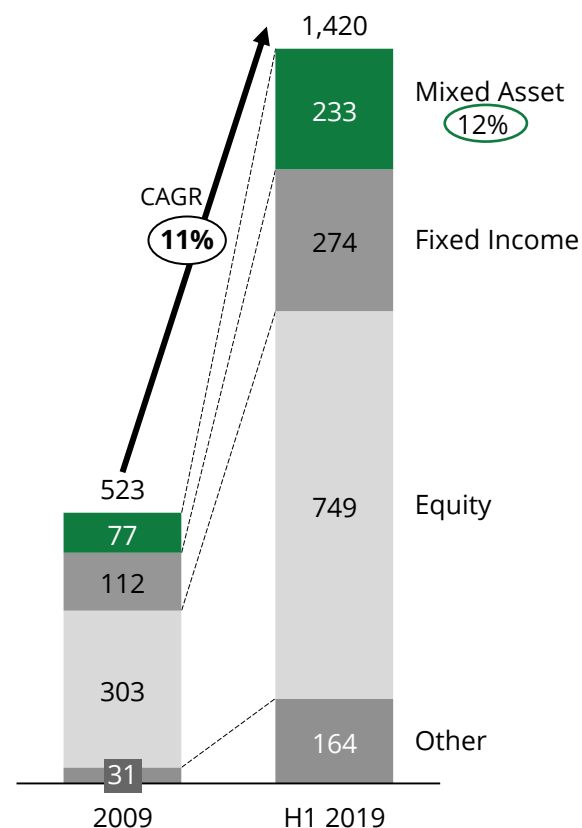
## Global AuM by product split<sup>1</sup>

% / US\$ trn



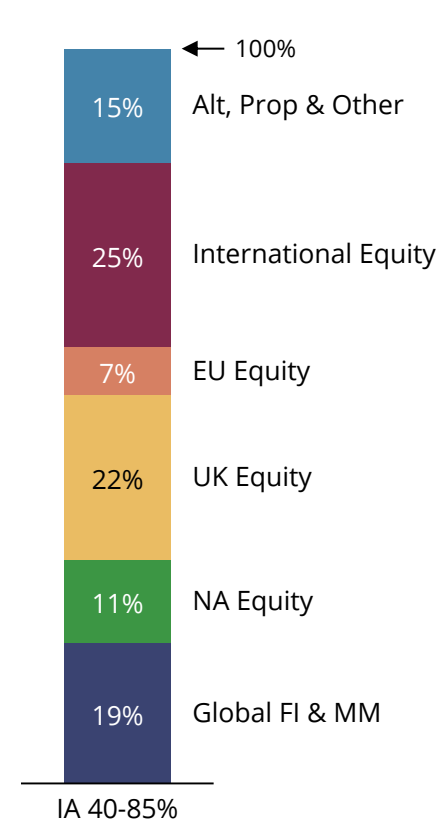
## UK Retail Funds growth<sup>2</sup>

£bn



## Typical 40-85% mixed asset fund<sup>3</sup>

Asset Allocation%



### Discretionary portfolio service

- Dedicated investment manager to design bespoke portfolios
- Consider each client's personal investment objectives, attitude and risk tolerance
- Service for clients with more than £200k to invest

### Managed portfolio service ("MPS")

- Outsourcing portfolio construction & management to Quilter's investment specialists
- Active management using risk-matched portfolios from Global Partner fund ranges

### Multi Asset funds

- Range of multi-asset funds including Active, Passive and blend
- Fund range differs in terms of breadth of investment proposition
- Customer needs include accumulation, decumulation & international

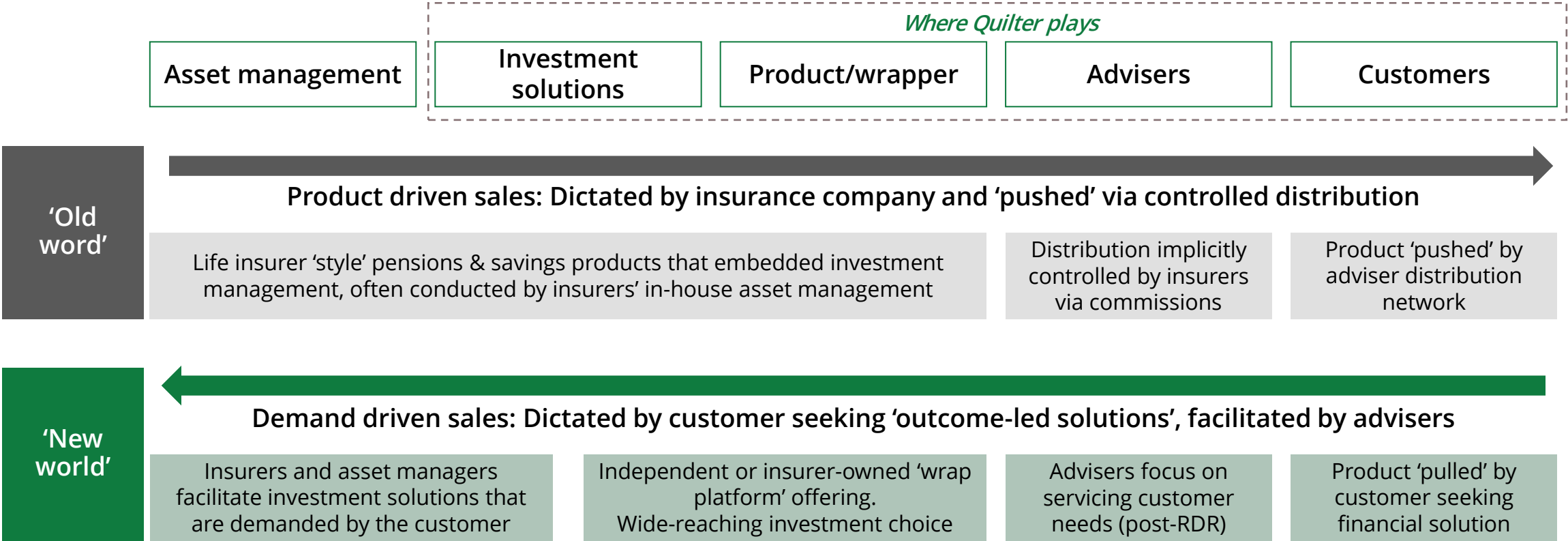
Source: 1. BCG Global Asset Management Benchmarking 2019; 2. Investment Association 3. Trustnet

Solutions includes target-dated, global asset allocation, flexible, income, liability-driven, and traditional balanced investments. Alternatives includes hedge funds, private equity, real estate, infrastructure, commodities, private debt, and liquid alternative mutual funds (such as absolute return, long and short, market-neutral, and trading-oriented); private equity and hedge fund revenues do not include performance fees. Active specialities includes equity specialities (foreign, global, emerging markets, small and mid caps, and sectors) and fixed-income specialities (emerging markets, global, high yield, and convertibles). Active core includes actively managed domestic large-cap equity, domestic government and corporate debt, money market, and structured products.



# Business models have adapted to evolving value chain

Move from 'push' to 'pull' economics



Source: Goldman Sachs Global Investment Research.

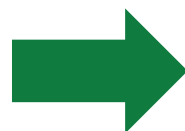
# Quilter adapted its business model

Our journey to deliver a modern UK focussed wealth manager

## UK & European Life Assurer

Italy
Switzerland
Austria
Poland
Germany
France
Liechtenstein
Luxembourg
Finland
OMGI
Heritage
Wealth Platforms

2012



## Modern UK-focussed wealth manager

Acquired and built Advice Network & National
Built multi-asset solutions business
Acquired Quilter Cheviot
Investing in Platform transformation  Growing UK & International platforms

Today

## Our transition to becoming 'one Quilter'

- Sold European life books, single strategy asset management business
- Acquired Intrinsic, Sesame, Caerus, Charles Derby and Lighthouse
- Acquired Quilter Cheviot and built Quilter Investors
- Initiated new UK Platform Transformation Programme and entered migration testing/delivery phases
- Announced and completed 'managed separation' from Old Mutual
- Listed as Quilter plc on LSE and JSE
- Largely re-branded businesses to 'Quilter'
- FCA investigation into Quilter Life Assurance closed and sale announced

# Key themes from last decade

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- UK remains a large and growing wealth market
- Regulatory and fiscal change has had a material impact
- Complexity driving continued and growing need for advice
- Platforms playing key role for advisers and customers
- Investment solutions growth and core to wealth management – it's all about asset allocation
- Customer benefiting through fee transparency, choice and focus on outcomes



# 2019 Interim results

John-Paul Crutchley – Head of IR

Quilter

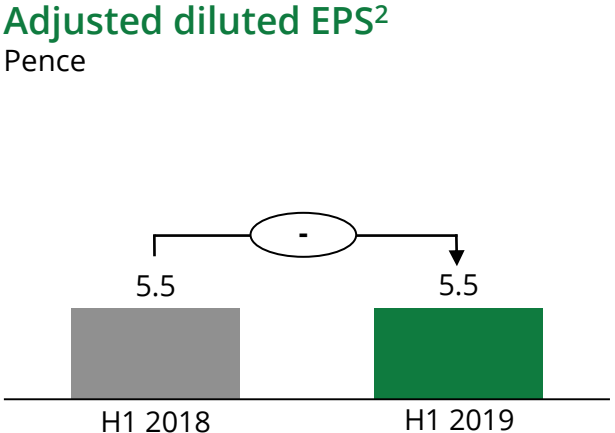
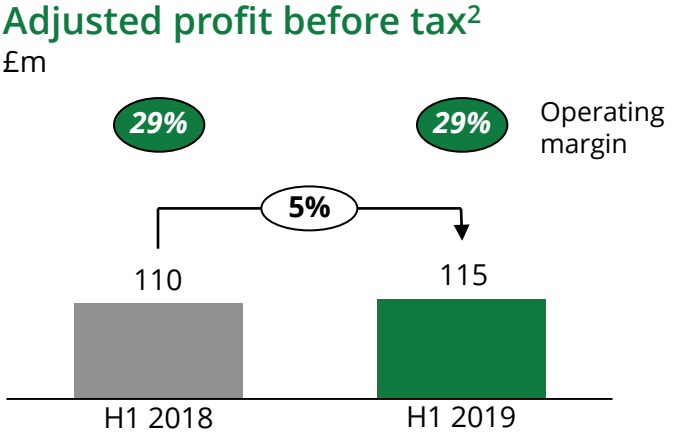
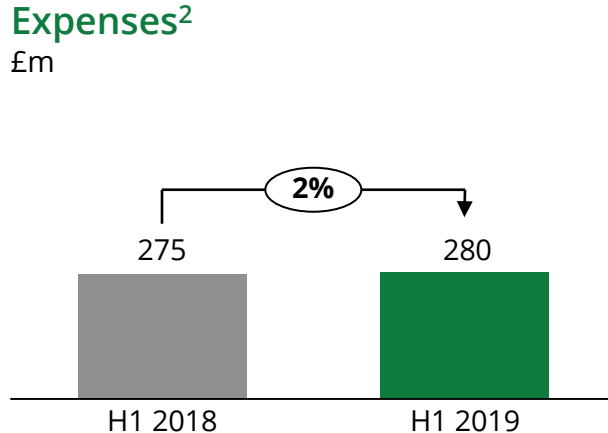
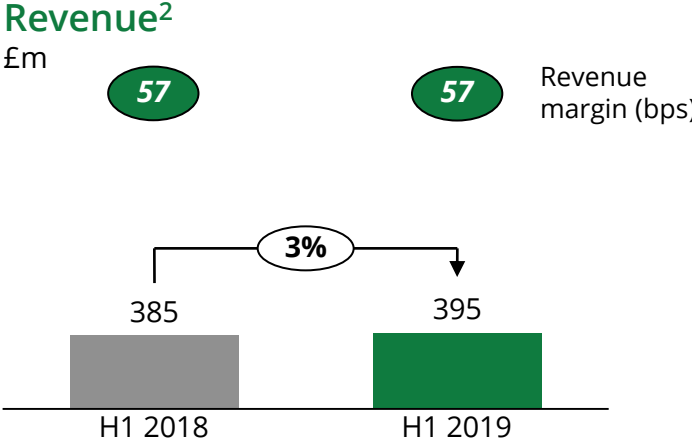
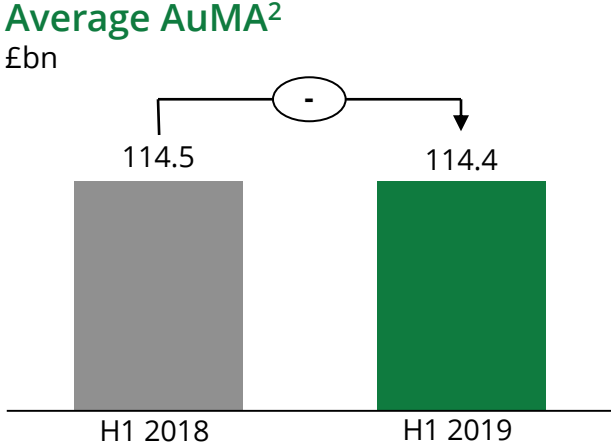
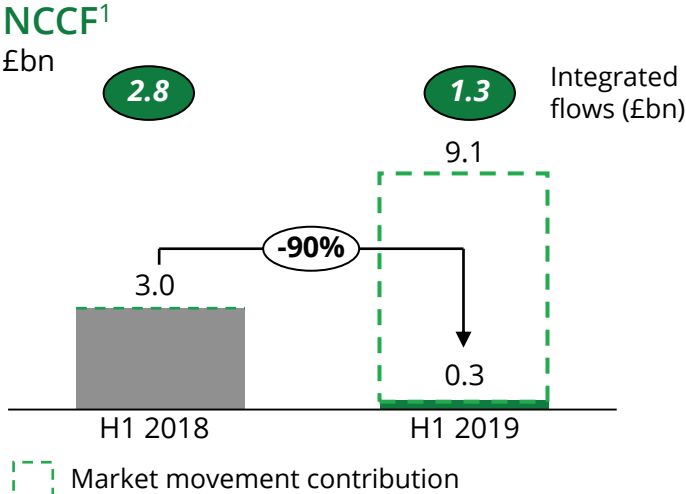
# Executive summary: solid performance in H1 2019

- ✓ Adjusted profit growth of 5% to £115m
- ✓ Adjusted diluted earnings per share of 5.5p in line with prior year
- ✓ Interim dividend of 1.7 pence per share<sup>1</sup>
- ✓ NCCF of £0.3bn<sup>2</sup>
- ✓ Integrated flows of £1.3bn<sup>2</sup>
- ✓ Good growth in RFPs

Key Performance Indicators from continuing operations including QLA		H1 2019	H1 2018	Δ
<b>Financial:</b>				
NCCF/opening AuMA <sup>2</sup>	%	1	6	(5pp)
Integrated flows <sup>2</sup>	£bn	1.3	2.8	(54%)
AuMA	£bn	118.4	116.5	+2%
- Of which QLA	£bn	12.1	14.5	(17%)
Adjusted profit before tax	£m	115	110	+5%
- Of which QLA	£m	26	27	(4%)
IFRS (loss)/profit after tax <sup>3</sup>	£m	(17)	342	
Operating margin	%	29	29	-
- Excl. QLA	%	26	25	+1pp
<b>Non-financial:</b>				
Restricted Financial Planners ('RFPs')	#	1,803	1,590	+13%
Investment Managers ('IMs')	#	163	168	(3%)

1. Inclusive of 0.43 pence per share in respect of QLA's first half profit contribution.  
 2. Excluding Quilter Life Assurance (QLA).  
 3. Represents total IFRS (loss)/profit including discontinued operations.

# Resilient performance in H1 2019



1. Excluding Quilter Life Assurance (QLA).  
 2. Including Quilter Life Assurance (QLA).

# H1 2019 highlights: financial, strategic and operational progress

Financial	Strategic	Operational
<p><b>Solid financial performance</b></p> <p>Adjusted profit up 5% to £115m in a challenging flow environment</p>	<p><b>Investing in advice</b></p> <p>Charles Derby Group &amp; Lighthouse plc acquisitions consolidate our position as the second largest advisory business in the UK</p>	<p><b>PTP progressing well</b></p> <p>UK Platform upgrade well advanced – confident in delivery</p>
<p><b>Strong capital</b></p> <p>Solvency II ratio 181% Recommended interim dividend of 1.7 pence per share<sup>1</sup></p>	<p><b>Focussing business perimeter</b></p> <p>Agreed sale of Quilter Life Assurance to ReAssure for £425m</p>	<p><b>Good optimisation progress</b></p> <p>Programme delivery driving operating margin improvement</p>

1. Including 0.43 pence per share in respect of QLA's first half profit contribution.

# Quilter investment case

A unique combination of capabilities, scale and market positions

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- 1 Full service wealth manager providing choice and delivering good customer outcomes
- 2 Leading positions across one of the world's largest wealth markets with strong structural growth drivers
- 3 Multi-channel proposition and investment performance driving integrated flows and long term customer and adviser relationships
- 4 Attractive top-line growth and the opportunity for operating leverage
- 5 Strong balance sheet with low gearing and improving cash generation to drive shareholder returns



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# Contacts

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## Investor enquiries

John-Paul Crutchley	UK	+44 207 002 7016 <a href="mailto:john-paul.crutchley@quilter.com">john-paul.crutchley@quilter.com</a>
Keilah Codd	UK	+44 207 002 7054 <a href="mailto:keilah.codd@quilter.com">keilah.codd@quilter.com</a>

## Media enquiries

Jane Goodland	UK	+44 77 9001 2066 <a href="mailto:jane.goodland@quilter.com">jane.goodland@quilter.com</a>
Tim Skelton-Smith	UK	+44 78 2414 5076 <a href="mailto:tim.skelton-smith@quilter.com">tim.skelton-smith@quilter.com</a>

## *Camarco*

Geoffrey Pelham-Lane	UK	+44 203 757 4985
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## *Aprio*

Julian Gwillim	SA	+27 11 880 0037
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