Phoenix Group plc Investor Day

Monday 17th October 2011

Clive Bannister – Chief Executive Officer, Phoenix Group; Chairman, Ignis

Good afternoon ladies and gentlemen, and thank you very much indeed for being here. You had to run a gauntlet, either it was a gauntlet of policemen; a gauntlet of rioters; or, as I found it, a gauntlet of schoolchildren who were absolutely bottlenecked to get in. Anyway, thank you very much for being here.

My name is Clive Bannister. I'm the Group Chief Executive of the Phoenix Group. And the good news is I have precisely one slide. So I have one slide standing between you and the main meat of today's, this afternoon's presentation which is an in-depth analysis of Ignis, a fund manager, our fund manager, of which we are inordinately proud. And it's a very important part of our machinery.

I thought I would say for one minute we are in an enormously august place. So this building was completed in 1711, and it took 35 years to build. And just behind my right here in the crypt we have the bodies of Nelson and Wellington. I did say to my colleagues there'd be no bloodshed today but we do look forward to vigorous questions at the end of the presentation – which will take about an hour and ten minutes.

So let me just mention the Phoenix Group. The Phoenix Group publicly quoted, the child of the marriage of two very large closed life funds, created in autumn of 2008, and then restructured in 2009, the Phoenix Group publicly quoted just over a year ago. We have a head office, which is the purple part of that proscenium arch supported by two major columns. On the left-hand side the core of our business, the closed fund, closed life fund business, which is the Phoenix Life business. And that is the combination of Pearl and Resolution. And we have about £70 billion worth of closed life funds under administration. That's 6.2 million policy holders; it's the largest in the UK. I often refer to that as the tractor of our business, it's got immense power, generating enormous cashflows, and anybody who's been in any of our public presentation investor presentations, we talk about its capacity to generate cashflows, somewhere between £750 and £850 million; the ability to generate real net worth for the firm, our market consistent embedded value raising that by £100 million a year, which is our target; and we're deleveraging a business that had a lot of leverage which came out of a marriage of those funds two and a half years ago.

But it is the right-hand side that we want to talk about today, which is Ignis. We have no future as a Group, and the life company would not operate, without having a successful fund manager. And the success comes in three ways. The first way is we are focused upon consistent performance, investment performance, because that serves our policy holders. 52% of all of our closed life business is with profits. So if Ignis does a good and ever better job in serving those clients by way of investment performance then we as shareholders generate and get returns of about 10% of that uplift, which contributes to the net worth of our firm. So that's an immensely important contribution as well as making sure that the policy holders have happy endings when they receive their pensions which are bigger because of the quality of the investment performance done by Ignis. That's the first way Ignis helps us.

The second way is it produces IFRS profits. You'll see on the bottom there, a year ago they were 22, this year in the first half they were 18. Perfectly logical reasons for that, as Chris will say in a few minutes time, he's been investing in the business to raise the talent, the investment talent, the sales capability, and also the manufacturing effectiveness of Ignis so that it can more effectively compete. But those dividends, those profits, those IFRS profits are very important to us.

And then finally I absolutely believe that the Group is worth more than the sum of the parts. And it is that clever combination of having an in-house fund manager, that can leverage from the quality of the work that he does for us as a life company, to step outside and win third party mandates. And Chris and his colleagues, indeed our new Head of Sales, Claude, will talk about our ambitions to improve and strengthen our capabilities in the third party mandate winning business because about one in ten of our dollars, one in ten of our pounds, that £75 million that Chris referred to in his opening comments on television, come from external clients and we want to grow that all the time.

So Ignis is indispensable to our future because it is important as a fund manager, it gives us IFRS profits, and it can go out and win third party money.

So I have no more to add other than hand over to Chris. And Chris, the afternoon is yours. Thank you very much.

Chris Samuel – Chief Executive Officer, Ignis

Clive, thank you very much indeed. Can I add my own welcome to all of you and thanks also for braving the many disruptions that stood between you, your office and our session here today.

So what I'm going to try and do today is to paint a picture of the journey that we're on in Ignis. I said in that video that we were trying to do nothing less than transform Ignis into a leading asset management business. And I'll tell you what I mean about that a bit later. But the agenda for today is to set the scene, what is the vision that we have for this business, what is the journey that we're on, and then try and give you a picture of where we stand right now, two years into this journey. And many of you that will be familiar with asset management businesses, this is a long journey.

We'll then try and give you a sense of how we've done in each of our key investment capabilities. So Chris Fellingham is going to be talking about an overview of our progress, and then each of his investment colleagues will be drilling down into a bit more detail.

Claude, who has been here only for some two weeks, is then going to talk a little bit about the markets that we're going to be focusing on. But perhaps more importantly, more interesting for all of you, a bit of his first impressions, and importantly why is it that he was attracted to this journey and this opportunity before you have to put up with me summarising, and then hopefully having plenty of time for some questions and some answers.

I wanted though, just before we go through all of that, to reinforce one or two of the things in the video because I think if you've got a mental picture of what Ignis looks like today, it will be perhaps a little easier for you to relate and understand the comments you'll be hearing as we go through it.

So the first thing to take away is that it's got a broad range of investment capabilities; I guess almost inevitable because of the nature of the life company monies we manage. And we've sought to organise ourselves such that we can focus on each of those into these six business units that you see across the top, Ignis Fixed Income, Equities, Real Estate, Advisors, Solutions and Partners. And perhaps the only two of those that are not self-explanatory is Advisors – which is effectively our fund of funds operation; and Partners – which is the strap-line or the heading that we give to the various investments we've got in what were originally joint ventures, but are increasingly separate investment management businesses that we want to set free and grow and develop more quickly. And I will say more about each of those areas as we go through my presentation.

And then these on the left-hand side are the markets into which we are seeking to sell our products. Obviously a very important one being Insurance, which our life company clients are part of, but equally important going forward UK Institutional, UK Retail and International. And maybe I can just add why they are important, or why I think they are important, to some of the things that Clive said – which is that at the end of the day if we want to deliver great investment performance to Phoenix, to our life company clients, we've clearly got to attract the best talent. And we can only do that, I believe, if we give them the opportunity to compete in the third party market. And we also want them to do that, frankly, so that we're testing them against the market and we're learning from the market. So it seems to me that there's a loop here which says it's good economically to sell our services into these markets, but it's actually also good because we then will deliver a better product into the life companies as a result.

Other key statistics I'll just ask you to have in your head as we go through the presentation, just over 500 employees based in London and Glasgow, of which about 140 are investment professionals, and a total that's down there of about £77 billion of funds under management.

So the vision, I talked in the video I mentioned earlier that we're seeking to do no less than transform this business into a leading asset management business. I do not believe that leading asset management business means the biggest or it means the most profitable. What it means to us is a business that intellectual capital wants to come and work for, customers want to have their money managed by, and shareholders in the Phoenix Group look through Phoenix and see a valuable and important and growing asset in Ignis.

And you can see down here on the left-hand side how we seek those messages, and you'll see in the structure and the vision we've got how we've organised ourselves to be appealing to each of those different audiences. Goals and foundations – and these will not be frankly very different for a lot of asset managers. Job number one is to deliver great investment performance. Job number two, clearly we want to, through putting customers absolutely at the centre of what we do, amaze them, if you will, but impress them with our investment performance and our service. And having done that, we absolutely want to make sure that we support all of those activities with what we call a well controlled and efficient operating platform. And finally, we're not doing all of this for fun we're doing it to create value. And so what we want is we want to do those things in order to develop as a high quality and profitable company.

The foundations on which we do though are crucial. And what we've been doing a lot of over the last couple of years, if you will, is building those foundations. And as you will hear as we go through the presentation, we're now very much at the end of the beginning in that respect. But the first two foundations are people – these are talent management organisations. And what we're seeking to do is to attract top talent, get them very focused on their particular areas of responsibility, and you'll see that in the organisational model, the business unit. But we also want to make sure that they work collegiately together across business units, with customers, with shareholders. Clearly they need to be supported by great process and technology. And you'll hear as we go through these presentations reference to three or four examples of proprietary technology, which will probably surprise you. And you'll hopefully hear from a lot of my new colleagues that we've pulled together over the last two years a general sense of surprise at the quality of the people we've got and the quality of systems and processes. So processes and technology the next foundation.

And then stability. I said right at the beginning that these are businesses that are built over quite a long time period. And one of the huge advantages we have, in addition obviously to a parent that's very supportive of us, is a biggish block of assets which we have the pleasure of managing over a long period of time. And that gives us the opportunity to invest in talent, in systems and processes, with confidence for the long term. So that's our vision, those are the goals, those are the foundations.

Let me take you back now a couple of years to the second half of 2009 when this journey started, and what I was confronted with, and in truth a year earlier the Group was confronted with, two asset management businesses, one branded Ignis, that many of you will recognise as Britannic or Resolution Asset Management – in truth a reasonably standard insurance owned asset management business, with quite an innovative and exciting way of attacking the UK retail market on the side through the joint ventures we had. And also a business called Axial, which had been built after the acquisition of Pearl from Henderson, which had grown from a separate department into a separate subsidiary, and was focused very much on quite sophisticated ALM work, beginning to manage money in particular in the fixed income area, and doing fund of funds type work, manager selection type work.

And what we decided to do was to set about merging those two businesses. And what I would stress at this point is this wasn't a conventional asset management merger where you had duplication of everything and you have to make a choice between one set of fund managers and another, one distribution team and another; these businesses were quite different but therefore quite complementary. So you had a predominantly Glasgow based business here, predominantly London here, quite a lot of people with investment banking backgrounds on the right-hand side, more traditional fund backgrounds on the left. And what we're very pleased with is that we sit here today with one business that feels exactly like one business, and one which has benefited from the sort of complementary skills of each other.

I mean, a good example will be something that Chris will talk about later, credit, for example where we had a relatively small team of portfolio managers in Ignis, but quite a big research capability in Axial. And pulling those two together and separating formally portfolio construction from research we've now obviously got a bigger credit team, one that's better organised, and one importantly that's actually translating those changes into much stronger investment performance of which we have high hopes over the coming months and years.

So this is, if you will, the report card for the last two years. We've tried to sort of summarise things under Integration, Rationalization, People – very much consistent, if you will, of trying to get the basics right over the last couple of years consistent with us coming to the end of the beginning, as it were.

So under the Integration side making sure that we'd got a very clear vision for the business. And one of the things that I'm most pleased with is that that vision for the business hasn't changed at all since we set it out two years ago. We use slightly different words, but broadly it's exactly the same vision that attracted all of my colleagues to the business, and that we've been pushing forward for the last couple of years. We've integrated Axial and Ignis. We've consolidated our London locations into that office block just at the end of Cheapside that you saw there on the video. We've been through a rebranding, really in two stages, just using

Ignis initially and then on the back of really quite a lot of work on our brand proposition, the brand identity, changing the brand identity to what you see in the top right-hand corner there – in fact this is the first time we've used it – so that we've got something that is slightly more of an institutional feel, if you will, but importantly focuses, or we think, will help in all of the channels across all of our capabilities. And in saying that – and I get this question a lot so let me stress it – that is not about not focusing on retail; it's about focusing on other markets as well as retail. We've also the operating platform that we've clearly been working on.

On Rationalization some really important changes here. We inherited a very large number of segregated mandates that we manage for the life companies. And we've moved away from what was well over 300 of those, all on different terms and conditions, to a smaller range of pooled vehicles. That makes it obviously much easier for us to manage the money. It also starts to enable the Group to manage money one way. But importantly, on a longer term, as we think about M&A, it means that the synergy benefits on the asset management side should be much greater, because as that extra money appears we can manage it fairly efficiently.

And then we've also revisited the terms and conditions under which we manage all of that money. And we've moved away from one what was effectively balanced mandate with a blended fee rate, to separate fee rates for each of the asset classes, suitable targets for each of those asset classes, and very importantly performance fees, such that if we do a good job for life companies we get suitably rewarded. And that, combined with the changes I'll speak about in a moment on remuneration, is one of the ways in which we've sought to make this an exciting business to be part of. In many ways it's a sort of combination of what you might see, or have seen in the hedge fund world with traditional asset management. So if we as a business can deliver great investment performance we get paid more, bonus pools go up, the amount of money that goes into equity schemes, Ignis equity schemes is greater, and therefore, if you will, if I were talking to intellectual capital I'd say there's an opportunity here to do something a bit entrepreneurial, if you will, but with all of the help of a stable block of assets to manage.

We've also been, as I said earlier, developing our joint venture strategy. And so we've been extremely keen to set those businesses free to grow. And when they're ready, when it's right for their clients so to do, we've been giving them their own distribution, their own infrastructure, if you will, and letting them get on and manage those businesses more independently of Ignis. So we've done that so far with Hexam and Argonaut; and we think that not only will that be good for those businesses, we actually think it will be good for, let me call it core Ignis as well, because that means that one, we can focus all of our own distribution skills and resources on our own products, but it also means that if we're trying to go in and hire talent into our European equities team, they don't feel as though they're competing, for example, for distribution time with Argonaut, which is the boutique we have which specialises in European equities. So good progress on that.

Then on the People side what you'll hear a lot about today is, and see a lot of, is the talent that we've recruited. So we've put a lot of time and effort into that but we've equally put a lot of time and effort into that merger and retaining the good people that we've already got. And as I said earlier we've now moved the remuneration arrangements for the business to the sort of arrangements you would find in any asset management firm in the City, so a percentage of profits going into a bonus pool, and suitable deferral of bonuses into an Ignis equity scheme. So good progress there.

We've also turned all of that into what we call investment-led multi-specialist business structure. So again what we're trying to capture here is the theme of very good people, focused on a particular area of responsibility, set free, if you will, to deliver good answers for their clients but working very collegiately together. In many ways you could summarise it around the question I was asked early on in my tenure, which is Chris, if you've got 77 billion of assets under management don't you have to make some choices on what to focus on, how can you do a good job on everything? And the answer is on that slide, which is you break it down into a series of capabilities, but you don't go, in my view, as far as putting them into separate legal entities, and therefore losing the opportunity to get them to work well together. So you can see that we have Ignis Fixed income which Chris Fellingham, in addition to his responsibilities as CIO, runs. And he'll tell you more about liquidity rates, credit and the progress we've made there. Mark Lovett who joined us, I guess, in about October last year running Ignis Equities, and we've got a range of capabilities there and he will talk a little bit about that. Gary Hutcheson running Real Estate, Michael Timmerman, Ignis Advisors, and Laura with Chris running Solutions.

And then over on the far side Ignis Partners, and maybe this is a good point for me just to say a few things about those businesses which you'll find in your appendix. So we have Argonaut, a business that's done enormously well in European equities, and which we've recently restructured to facilitate further growth, enable it to hire new people and build out its business. Cartesian UK Equities, with very strong short term performance, which again, for the avoidance of any doubt, we're absolutely committed to. Castle Hill, a credit business that has performed extremely well in credit markets, and which we have high hopes of over the coming years. And Hexam, which we restructured about a year ago, which is emerging market equities.

And those are all spaces that we would seek to cover internally as well. So let's take Hexam and emerging market equities, we already have a value based offering internally; we'd like to have a more growth based offering, and in addition we've got exposure through Hexam. So it also gives us an opportunity to participate in our various markets through a number of different offerings.

This is just an illustration of that talent point. I'm not going to dwell any more on the names because I've mentioned a lot of them as we've gone through here, but partly because you'll hear from them I might just pick out that it's been an enormous help to have Chris Fellingham join us getting on for two years ago now, with his background at BlackRock/MLIM/MAM over ten years, and then running Soros's office here. Tim Roberts joined about the same time, ran the asset management practice for McKinsey. And more recently Claude Chene, who many of you will know was chairman and chief executive of Alliance Bernstein's operations in Europe. And a wide range of other people who have joined us as well.

So, in summary, before we now move on and get into a bit more of the detail, this I view as the beginning of the end. We're on a long journey, we've got a clear strategy, I think we've made excellent progress. With that I'm going to invite Tim to tell you a little bit more about Ignis as it is today and then Chris and his investment teams to talk about the progress we've made there, before we wrap up with Claude talking about distribution. Tim.

Tim Roberts - Chief Operating Officer

Thanks very much Chris. I'm Tim Roberts, Chief Operating Officer. As Chris mentioned I joined at the beginning of last year from McKinsey, where I was a management consultant for 16 years, latterly leading the financial services practice in the UK, and I was one of the co-founders of McKinsey's global asset management practice. I'm responsible for all of our operations, support and control activities.

So Chris has talked to you about the journey Ignis is on and its vision. I'm going to tell you a bit about where we are today and specifically share some numbers, giving you a sense of progress, and then we'll starting peeling the onion further and you'll start getting more qualitative insight into how we generate those numbers.

So today, as Chris mentioned, we have group assets under management of £76.7 billion. That's the Group's total. As far as Ignis is concerned that's a total of assets under direct management, oversight and advice. I'll give you a breakdown of that in a moment. We've got more than 500 people, spread across London and Glasgow, and amongst them over 140 investment professionals, also spread across London and Glasgow, so we're a two centre firm.

And a stable and profitable business, increasingly diversified across revenue streams from our life company business and our other third party assets. And as we grow that third party business obviously those revenue streams increasingly become diversified.

If you look at the right hand side of the page then, just comparing the first half year results with the same period last year, revenue moved ahead, both in the life company side and in the third party side of our business, so we're pleased to see progress on both those areas. Although, as Chris also said, we're on a transformational journey and that doesn't come for free, so we've also been investing in the business. Investments we've made in the first half in people, in technologies, both in integrating the technologies we inherited on the two merger partners, Axial and Ignis, and trying to improve our systems to put better tools in the hands of the fund managers, and in new premises. So we've moved into a new building here in London, bringing all of our London-based staff into one location, properly located to serve clients etc in the City. So as a result of that costs rose slightly faster than revenues, half year to half year, and operating profit slightly down. But now we feel well set to try and drive operating profit forward and grow it faster in the future, obviously, than it has in the past.

If I now look at the breakdown of our assets under management, if you start with the bottom right hand corner, £76.7 billion, first of all if you take off £9.1 billion of assets which we oversee but which are managed by other fund managers, and some other assets which are essentially under advice rather than directly managed in these six businesses, £67.6 is the total that we're directly managing. And if you go upwards, that's split into just under 90%, 89%, of life company money and 11% of third party money, as of the half year. So it's roughly a 90:10 split. And then if you go across the page coming back towards me, obviously the biggest chunk is fixed income money, as you would expect to see in a closed life business. But a significant chunk also of equities, another 15% of the total, about 17% of the directly managed assets, and then the remaining 12% of the directly managed assets spread across real estate, advisors and partners.

So that mix is obviously driven partly by the life company asset allocation, reflecting the nature of its business, but it's also driven by the assets we've managed to gather so far across that second row, the third party business. And you'll see the mix change over time as we succeed in gathering third party assets, dependant on the state of markets and what kind of products people are selling.

If you turn then to looking at how that breaks down in terms of revenue you'll see a slightly different mix. So if you remember I said it was roughly a 90:10 split between life company business and third party business. Actually the revenue split is different, 76% of revenue comes from the life company business and 24% comes from the combination of channels that address third party business, because the fee levels are different in those different markets. What we call margin here, that's revenue margin. So an average of 17 basis on points that we're earning on the life company money, but significantly more, in the region of two to five time the fee levels, on the third party business. So clearly we're seeking to boost the value of the business, boost our income stream and what we contribute to the group, by growing that third party business. So it's already, if you like, disproportionately valuable to us, compared to its share of assets under management.

And then over on the right hand side just showing a similar breakdown of revenue between the business lines that Chris has just described. The largest still being fixed income, clearly, but not quite so dominant because there was obviously attractive fee levels available from some of the other businesses. So in other words I guess the key point on the right hand side is that they're all making a significant contribution to our business and we're looking to grow across those different fronts, spreading our talent across different strategies as we address the market.

So now it's my pleasure to hand over to Chris Fellingham, who's going to tell you some more about how we actually do all of that.

Chris Fellingham - Chief Investment Officer and Managing Director of Fixed Income & Solutions

Good afternoon everybody. Can I first of all apologise for the quality of my presentation today, but I'm still a very disappointed Welsh fan, having watched it all and then got depressed over the last two days I still can't really quite focus on what happened, and there's a lot of blue on this screen as well!

I've been at Ignis for about 18 months, and I joined the firm from Soros Fund Management in February 2010. Before that I'd worked for 25 years in the fund management business, starting off at Royal Insurance but then heading to Mercury Asset Management, which was then taken over by Merrill Lynch Investment Managers, which was then merged with BlackRock, so I've been around a bit. The area of specific equities for me is fixed income, and aside from being the Chief Investment Officer I'm also head of fixed income and head of the solutions business.

My first slide today really regards the first of those hats, that of Chief Investment Officer. What I've tried to do here is to give my assessment of where we are in investment capabilities. The ones that I'm responsible for are the dark blue, with partners being light blue but not falling within my gambit. I have tried to adopt a key at the bottom of three ticks for ready, two ticks for good progress, one tick more work to be done. And when I think about those things I'm really talking about how ready are we to go to the third party market and try and win business.

So when we look at where the ticks are and what my ratings are, I'm going to start off with Fixed Income and Real Estate, I'll start with Fixed Income because that's what I look after – apologies Gary. Fixed Income has got great people, it's got great processes, and I'm going to talk a little bit more about that in detail in a moment.

Performance in the first half of the year in the rates space was a little bit disappointing but picked up nicely in the third quarter, and our other Fixed Income performance, as you can see to 30th September, is looking good, that's credit. So overall performance is good, long term performance is excellent, with good people, good process, that's the three ticks there.

The next one, which has got similar billing, is Real Estate. Gary's team have done a super job over the past few years; they have once again great performance, a strong team. And they've got that elusive thing that we're all looking for, which is a lot of third party money which they look after. And most of that's in the retail market, so their challenge for the next period will be to use the power of our distribution to widen the number of mandates and the type of mandates that we look after. But both of those, I think, are ready and able to go and try and win third party business now.

The second one, I think, is Advisors. Our Advisors' business, Michael will tell you more about it, it's our hedge fund to fund business. The life co's have a significant holding in that business, the numbers have been good, we're just now recruiting a few more people, we're just now making the vehicles investable by the third party market, and then we will be able to take advantage of that area.

The next area is Equities; we have a lot of money in Equities, you saw just now how important they are to us, and we have some great performance in Equities, and some of our regional performance is superb. We struggled a little bit more recently with our UK equity performance and Mark and I have been looking at that and trying to sort that out, and he will spend a little bit of time talking about that when he comes to speak to you.

Finally is our Solutions business, and it's only there as finally because we've only just brought it together. Myself and Laura run the business; what we've done is we've brought together a number of people from around the Ignis operation to try to see what we do in entirety for the life company and then try to repackage that and leverage that for the third party market. We're not finished yet but we've had some interesting developments, and when I talk about Fixed Income and Solutions we can come to that.

So performance for the life company you can see, for third party 46% of assets under management over one year have outperformed the peer group. 65% of assets under management over three years, it's okay but it's not good enough, and Mark and I know that in order for us to win more third party business we need to get those percentages higher and we're focusing quite heavily on that at the moment.

That's all I wanted to really say on the investment capabilities, and now I'm going to put my other hat on and talk about Fixed Income and the Solutions space. I talk about them together because they are very much intertwined. A lot of the Solutions business starts off with what do we do with our liabilities, which is usually a fixed income solution. And that is why we talk about them in the same breath, why I am looking after them both and why we find it quite difficult to distinguish sometimes in-house whether we're talking about Fixed Income or Solutions, but they both fit into this category.

Three boxes on this slide, assets under management 48 billion, third party assets under management four, and 38% of the revenue of Ignis. And let's start off on the left hand side and talk about the people and the talent.

We have very strong teams with very strong people. Within our rates team we have 13 people, managed by Russ Oxley, they manage in excess of £15 billion. In our credit team we have 11 people, managed by Chris Bowie and David Meade, and they run in excess of 15 as well. And the remainder is in our liquidity team, in which there are four people, run by Brian Jack, and they run about £15 billion as well.

So when we look at that we've got a very serious amount of fixed income and a very, very serious team. So our challenge, going forward, is to turn that into third party assets, it's to monetise what we have.

Now we are aiming to do that in two ways; the first way you'll see in the box in the middle under capability and product, proprietary ClearCurve technology. And Chris was talking earlier about the fact that we have proprietary technology. You may be surprised at that.

Over the past four or five years we've concentrated very heavily on how we want to run our government bond, our rates piece, and we have spent a lot of money on technology in order to look at rates in terms of forward rates rather than in terms of redemption yields. The advantage of that is a) it allows us to see very clearly what positions we're putting on in markets where they differ from what other people think, but just as importantly it helps us in our LDI, our liability driven approach, to actually offer something completely different from other people. What it allows us to offer is a very exact match for their liabilities and their exposure to those forward rates. A difference that most people miss out on when they use the swap approach is that the traditional market is used. We're very excited with this area and we've had some good news in that area as well, which I'll talk about when we get to Solutions.

The second part of growing our area is to think about where LDI takes you. Where LDI takes us in our view is towards a desire to have absolute return product. Because you've matched off your liabilities you now then have a target for what you want to achieve from your investment cash, and those targets are usually set in terms of absolute return. So it's vitally important that we turn what we've got at the moment which are our benchmark mandates into absolute return mandates and to build our business in that area.

We have just launched the absolute return government bond fund, the second point down under capability and product, we launched it at the end of March. It does what it says on the tin, to quote Ronseal, it's a government bond only fund, it deals just in the G7 major bond markets, so it offers full liquidity to clients, it's not gated, there's no problems like that where we've had problems in the past with absolute return… not we, the market has. And so far in the six months it's been running it's up 3% net of all fees, which includes a performance fee, which we're very impressed with and not only us being impressed, we've had our first third party client money in last week which is extremely positive for us and gives a lot of optimism as to where this product can go.

And let's not just talk about the absolute return government bond, we want to talk about performance highlights. At the right hand side we have our liquidity fund, it's the top performing cash fund, it has 150 outside investors, local authorities and pension funds, and so far this year it's taken in excess of a £1 billion worth of net new money. And of course on top of that we've also got our corporate bond performance which is good as well. So when we look at Fixed Income all is looking pretty good and we are heading where we want to be going.

Now in Solutions, as I've said it's a new business unit within Ignis, we are bringing together people from within Ignis who are doing lots for things for the life company, we're trying to bring it together so we can leverage our expertise to the third party market. This is our bread and butter, this is what we have been doing for five years for the life co, if not longer and if we can find a way to package this it's very, very good news as far as the third party market's concerned. What do we do in this area? Well, you can read as well as I can, liability hedging is extremely important, the asset liability modelling and risk reviews which are normal course of events for us are not normal course of events for most other people.

And to give you an example of why we're excited about this area, or a couple of examples, the bottom point, we won some extra money from the Group pension LDI scheme, they've given us another £430 million using this new LDI approach that we usually went through Aon who have us bi-rated in this area which is extremely positive. And the second thing is that we were asked to pitch three weeks ago to an insurance company looking for Fiducia Management of their assets and liabilities. These are just a small example of what we think we can bring to bear in this area and what makes us so excited about this particular piece of our business.

Okay, so finally then, continuing the journey, what are our priorities? Number one, as Chris said, must be fund performance, we must make sure that our clients have a great experience of what we do for them and we must also make sure that we are meeting their expectations. Our second job is to continue with our LDI solution, taking it to the market, use our proprietary technologies, show where we're different from other people, and start to have those sort of holistic conversations with people about not just LDI but what their total solution might look like. That we think will lead us to this absolute return product range which we've started building, we have a number of other products which we are going to launch in probably the second half of this year, first half of next year, and they will provide the building blocks for our overall capability.

I'm sorry, I've rushed through that a bit, but what I would say is that we'll be here ready and able to take questions afterwards, I'd now like to introduce Mark who heads up Ignis Equities to talk a little bit about his area.

Mark Lovett - Chief Investment Officer, Equities

Thank you, Chris. Just a quick introduction, I'm Mark Lovett, CIO of the equity business. I joined in October of last year, having spent the previous nine years at Allianz RCM as CIO of European Equities.

What I want to do today is just give you a snapshot of the equity business, particularly focussing on where we are at the moment, the changes that we've put in place, and finally the capabilities and the particular areas of strength and opportunity that we see going forward.

In terms of where we are at the moment you can see at the top that we run just short of £12 billion of assets of AuM in the equity space, so a significant resource and backed with a significant number of investment professionals; we have 30 individuals, 30 investment professionals, responsible for the equity business. And just in terms of giving you some background of that AuM, the split is broadly just short of £7 billion in the UK, 1.6 in Europe, 1.4 in the US and just short of a billion in both global and Asia Pacific. So you can see a substantial base, a substantial infrastructure that supports the equity business.

In terms of the changes that we've put in place, Chris mentioned that I joined as CIO of equities in October of last year, I think recognising the desire and ambition of the Group to drive forward the equity business, and as you would expect I undertook a strategic review when I arrived, looking at the capabilities and the product set available within Ignis. We did make a number of changes; I will touch on those later on. Some major, some minor, but all very much focused in terms of trying to improve the performance track record and drive that metric that Chris talked about earlier on in terms of outperforming funds. And on top of that we've also been recruiting individuals to build on the talent that we had within the individual teams.

Now in terms of capability it's probably sensible for me to split it into two areas, and the reason is because I want to focus on some changes that took place, but also some very strong underlying performance that we have within the equity business that sometimes gets lost in the changes that I'll talk about.

Now the principal change that was undertaken was a restructuring of the UK equity team. By outlining the AuM, I've highlighted to you the size of assets under management in UK equities, and its relatively lacklustre performance over the last few years is one of the principal reasons that we don't have a higher percentage of funds outperforming the benchmark. And therefore it was a particular focus of mine and Chris when I arrived in

October of last year. We made some changes to it, we restructured the team quite significantly and reinvigorated both the teams with new hires but also the management of that team. And in terms of the new talent that we've brought on board, both Bilal Raja and Mark Holden who joined in the beginning of October are experienced investors who will provide strong, proven talent into that particular team.

In terms of the other change that took place we also did a full review of the retail products that Ignis offer and we worked very hard with each of the individual teams in terms of structuring those products to be fit for market and to reflect the distinctive nature and the higher alpha nature of those retail products to sell into that particular marketplace.

But as I said, it's important that those changes don't overshadow what were some very strong underlying performances within the equity business and performances which have continued on through this year. And on the right-hand side I've identified some of the areas of strength, we have a value based product based on the proprietary Massam screening methodology run by James Smith in Glasgow, has a long term track record, a long term history, and a long term performance track record which is very powerful. And in the global and emerging market space that's an important product that we want to develop going forward.

We also have a very strong franchise in Asia. Andrea McNee runs the Asian team, has been at Ignis for over 20 years and that team is a well resourced team, good stability, an excellent performance track record and have continued it this year with a very strong 2011 in what is proving to be a very tricky market. So a very strong franchise, as you can see in the retail space we have both the Asia Pac fund and the China fund in top decile over three years and very strong performance over one year as well.

So two good underlying franchises. And the on top of that individual areas of success which should be noted, including the UK Smaller Companies Fund which is top decile over one year and American Growth which is our top decile over one year as well. And it's also worth pointing out that our important and key client of the life company, the majority of the equity funds are delivering outperformance so far this year in what is a tremendously difficult investment environment. So full credit to those individuals in terms of delivering that.

So in terms of the journey there is little doubt that the equity team is a little bit behind in terms of the others in terms of the journey, Fixed Income and property have put in place the process changes and the developments about 12, 18 months ahead of us but we're making good progress, we have a large resource there, we have a focus in terms of improving the performance track record, and on the back of that we have a strategy to develop those products into the third party market. And as well as working with our core and important life company client we want to develop additional products into the market including the absolute return space.

So as I say, a good base to work on, we're at the early stage of that journey, there's tremendous positive energies going into that and some good initial success in terms of improving the performance and driving that forward. So on that basis I'd like to pass over to Gary Hutcheson who will talk about the real estate business.

Gary Hutcheson - Managing Director and Chief Investment Officer, Real Estate

Thank you, Mark. Good afternoon ladies and gentlemen, my name's Gary Hutcheson and I run the real estate business on behalf of Ignis. I'm probably the old lag I think is probably the best way to put it amongst the team. I've been with Ignis for 20 years, initially as a fund manager working on what was then the Alba fund, but more latterly, and this is roughly 2000, working on Britannic Funds, building up new life fund portfolios for them. And then from roughly 2004 onwards, helping the life companies develop what we see today in the real estate space which is the collectors which we currently manage and which I'll talk about in a little bit more detail as we run through the presentation.

Within Ignis the real estate is a small but profitable part of the wider Ignis asset management business and we set up as a business unit in late 2010. The aim of setting ourselves up as a business unit was to offer a more comprehensive service to our increasingly wide investor base which includes now a number of members of the wealth management community, a number of platforms who invest in our open ended product and institutional investors who are more focused on our closed end product in the form of UKCPT.

Europe has brought together a mixture of talents, not only including investment but also corporate finance, I'll talk a little bit more about that as we go through the presentation, co-sec services which we offer for our closed end trust, product development, really increasingly to meet the ever increasing demands of our two large property trusts, one of which is itself a FTSE 250 listed company.

In terms of AuM, we manage approximately £3.4 billion of AuM and the main thrust of that is through our property trusts and within the real estate business that is our primary focus. Both the trusts, both the closed end and open ended trusts owe their genesis to the cooperation and involvement of our life company clients who we work with very closely, initially in the creation of the IUKPF, Ignis UK Property Fund, which we launched at the end of 2004, and more latterly at the end of 2006, again with our life fund clients we worked on the genesis of what is now a UK Commercial Property Trust. And today both of those trusts represent approximately £2 billion of the £3.4 billion which we manage.

Within those vehicles third party investment is approximately 50%, is a little over 50%, but in terms of our revenue it represents two thirds of Ignis Real Estate's revenues, one third coming from our life fund clients. We're also currently completing a pooling exercise to effectively finish off the job that we've started with the life funds, bringing together the remaining direct assets into a separate pool, a linked property fund, which we think offers interesting commercial opportunities in the future, it being the genesis of both UKCPT and the IUKPF in the past.

In terms of performance, our performance has been very good and there's little doubt that a combination of a very focused retail sales team which we do have and good performance does lead to the creation of a significant third party investment.

The short run performance has been impaired, and I mean over a one year period, to some extent by the heavy friction costs of investing in property. We've taken in significant amounts of money through our open ended trust and really significant amounts of money through our closed ended trust. Of course that comes at a cost in property where friction costs tend to be in the order of 6%. But if you look at our standing investment performance, i.e. the assets we've owned at the beginning of the year and analysed the performance there, again we've been outperforming the market.

Over the medium term, and I mean by that the three year period and the five year period performance has been excellent, both against Lipper and the benchmark for our industry which is IPD, particularly top decile on a three year period and looking towards the five year period, top quartile in Ignis UK Property Fund, but within UKCPT which has just had its fifth birthday, we're just waiting for the final results, the final figures to come through from IPD and we anticipate being between the tenth and the fifteenth percentile. These trusts we adopt the same process, we generally speaking are getting the same performance coming back out the other end on the back of that.

So just turning to page 28, what about the future? Well, kind of extending the metaphor, I think we're a little bit further down the road in terms of our journey and perhaps other parts of the business. As you can see we're a long way down the road in creating a sustainable long term business model which has drawn on the strength and cooperation of our life company heritage.

Ignis Real Estates IUKPF is currently by way of example in the IMA sector taking 25% of net inward investment in property. Equally within the… we've got a number of major platforms who subscribe to and invest in and support the Ignis UK Property Fund, including Skandia and co funds to go with a whole range of IFA investors which our retail sales team work very hard to gain representation with. And over the course of year to date 2011 as a consequence of that we've gathered net investment of approximately £140 million into IUKPF which is all obviously third party money. But we've not been resting on our laurels in UKCPT either, UK Commercial Property Trust is the largest Guernsey based offshore property investment trust, it currently has a market cap of… Well, as of today had a market cap of £930 million is sitting in it now after today and it has assets under management of approximately £1.1 billion.

In UKCPT we've raised £150 million in 2010 by way of an equity placing which we raised at the 6% premium to NAV. We've also drawn down the balance of our Lloyds facility and invested that over the course of the last 12 months. And finally within UK Commercial we've entered into a new seven year facility with Barclays at what I think is pretty favourable terms with a margin over LIBOR of 1.58% which we've swapped out and we now have a cost of debt there just a shade under 4% which when you're investing property at between 6½ and 7% creates an immediate arbitrage advantage.

Within UK Commercial, the closed end trust, we tend to be supported more by the wealth management community and a number of institutions for whom the closed-end nature of the trust appeals more to them, the open-ended nature of IUKPF.

So given all of this I think it's implicit in our thinking but worth mentioning that we're obviously keen to support these two trusts and help develop them wherever possible and so within this space obviously there's legislation at the moment which might change the nature of at least one of them with property authorised investment funds being looked at, or PAIFs to give it its acronym, which we're looking at very closely in connection with IUKPF, but also in respect of UK Commercial Property Trust we're waiting, with baited breath I think is the best way to put it, for the government's initial findings on REITs legislation which may just be something which may change the nature of the game as far as we're concerned for our offshore trust given the proposals that are being made there by HMRC.

Going forward we're obviously looking to broaden our capabilities. We're keen to adopt and extend the processes which we've put in place to date which have been successful for us. We're looking at things such as global REITs as a product range, property is a global, in any market whilst you can have a global REITs, property is always local, you've always got to know what the local market's doing, no matter where you are and I think, as surveyors by background, I think we offer quite a lot in that regard in terms of being able to analyse local markets wherever they may be. So we're looking quite closely at that as a product development.

We're also looking at what the implications are of Solvency II for real estate as far as our life fund clients are concerned. As you know there's quite a lot on the go at the moment in terms of the capital efficiency of certain asset classes and there seems to be just a shift towards perhaps the old days, certainly for me they are the old days, where we used to run mortgage books on behalf of life companies and it looks as though in a revised format that seems to be offering more for life funds in terms of capital efficiency going forward where equity version of real estate might not be quite as efficient as has been under existing legislation for life companies.

And finally, from our perspective, with Claude Chene having joined us very recently we're keen obviously to develop and make use of his time and so from our perspective we've been speaking closely to Claude and I'm sure he'll go into a bit more depth in his own presentation. We are setting him a target on our behalf to take us and go along and speak to some of the gatekeepers in the segregated mandate space where we believe we've got a lot to offer but to date we've not managed to win any segregated mandates generally. And with that I'll hand over to Michael Timmerman.

Michael Timmerman - Managing Director and Chief Investment Officer, Advisors

Thank you and good afternoon. Ignis Advisors, as Chris Samuel mentioned earlier, is Ignis alternatives business and consists of hedge funds, private equity, funds of real estate investments and retail multi-asset funds. I joined in January this year from Aberdeen Asset Managers which bought the RBS Asset Management multi-manager business in 2010. I was Chief Investment Officer of this business since 2004 and I co-founded the business at Coutts all the way back in 1998. My team and I manage some $20 billion of assets in fund of hedge funds, funds of private equity and long only multi-manager funds.

The reason I joined is because I saw some real opportunities at Ignis which previous speakers have already alluded to. There's been significant change in the fund of funds and particularly fund of hedge fund industry after 2008 with investors looking for new and more transparent products and they challenge the fund of funds business to show how they can add value. And that creates some good opportunities for a nimble boutique fund of funds business which has the backing of the solid parent such as the Ignis Advisors business. Solid parent reassures investors and it gives us the opportunity to grow our business, both in terms of assets under management as well as in terms of hires of high quality new people, which is what we're doing.

When I joined Ignis Advisors we were a small but capable team with a strong fund of hedge fund product as well as fund of real estate, fund of property funds and private equity funds. We now have ten investment professionals. We made three investment hires this year and I expect to make one or two further hires in the next six to nine months. The other legs of the business have also been built out to reinforce the foundations which we have and we need to develop the third party business. The two prime examples are Mark Long who joined us as Chief Operating Officer from FRN which is a large institutional fund of hedge fund business and Aoifinn Devitt who joined us as the Head of Client Strategies. She founded an alternative advisory boutique called Clontarf Capital, after a career at Goldman Sachs and at Cambridge Associates. She decided she wanted to be part of a larger business because she felt that in today's environment you need a solid backer to be able to attract new clients.

The essential driver of long term success for us is performance and I've replicated the way I've run money at RBS and at Coutts by organising the team and focusing it on sectors. These sectors specialise in areas such as equities, fixed income, credit and macro strategies. The analysts who run these sectors need to spend all of their time focusing on their markets and finding the best managers in that space, whether they have managed hedge funds, usage funds or long only funds and wherever they are located because our job is to find the best fund managers around the world to make returns for our clients. The managers do migrate between firms and consequently we need to keep a track on what they are doing and where they're going.

We've got a strong capability in funds of hedge funds and in onshore regulated structures. We need to combine the delivery of our investment performance to the ability to put this into the investment structures which the clients require. And that's been one of the big changes in the industry since 2008 where most buyers were quite happy to buy standard fund products, we now need to develop, and are developing, the ability to create bespoke portfolios to manage accounts as segregated mandates as well as the more tradition fund of funds products.

On performance our flagship fund is the Systematic Strategies Fund or SSF for short. Historic performance has been very strong, it's above the client benchmark over one year, also since inception and it also demonstrates a very strong performance against hedge fund indices as well as against the peer group, including in the last quarter of this year.

So how do we go from here? Well as others have said it's critical that we maintain our strong investment performance because in the end that's how we will build a long term sustainable business. However the fallout of 2008 has meant that many of the smaller fund of funds businesses have closed down, or are in the process of doing so, and that's one of the ways that puts our business in a very strong position. We're actually moving in the opposite direction in that we're a boutique fund of funds alternatives business while at the same time we're hiring top quality new people into our business to sustain the performance and to grow our business. So on the one hand we're small enough to take such a boutique approach but we can actually focus on delivering alternative solutions and developing interesting niche products where we can compete effectively with the very much larger fund of funds businesses.

In terms of leveraging the existing funds we have a small offering at the moment consisting of the SSF product, and we can make use of that very strong track record to attract third party assets. We also have another fund, an event driven fund which is called Catalyst which currently has money from the Phoenix client but that fund takes a very differentiated approach and we're expecting to open it to third party investors in the first quarter of next year. The difference between this and most other offerings in the market is that we undertake our own hedging of the equity market exposure and we do that by leveraging Ignis Asset Management's wider portfolio hedging capabilities which, when we've test marketed that with a number of clients over the last couple of months, has actually attracted a lot of interest because it's a very differentiated approach and it leverages the wider strength of the Ignis capabilities.

So we only have two products and we need to expand our product range. What are we doing? Well we're taking a consulting led approach to working with clients and with prospective clients. Aoifinn's track record at Clontarf Capital and at Cambridge Associates has meant that she's developed very strong relationships with a number of the institutional clients and we're leveraging that client base to start to work with them to develop product.

Another area we're exploring as an opportunity is to leverage Ignis and the wider Phoenix Group Solvency II expertise to bring that to bear to structuring product which is regulatory capital efficient for other insurance companies and there are not many boutique managers who are in a position to do that.

And then finally having built out the investment team but also the operations and the client strategies legs we're now developing equity credit and diversified fund of hedge fund products which we can then deliver and which we're building the vehicles for to deliver through fund of funds, usage products, segregated accounts and bespoke portfolios, really focused on what the clients actually want.

So in summary we've got a strong team which is getting stronger. Performance has been solid and there are some very good opportunities for boutique alternatives businesses backed by a strong parent.

Now on that note I'm pleased to hand over Claude Chene our latest colleague.

Claude Chene - Director and Global Head of Distribution

So I realise that going last there's a few problems. First of all everyone has said everything I want to say already and secondly they all kept passing the buck down the chain to basically, “Claude will solve that problem,” so next time I'll hopefully go first or in the top part. But I wanted to change the shift a little bit because I have only been at the firm for two weeks and I wanted to take it from more of a personal observations as the new kid on the block of what I've found since I've joined Ignis and probably why I joined. So a few of the topics are first of all introduce myself, why I joined Ignis, what I found and what I think needs to be done to achieve what I've been asked to achieve.

So first of all just introducing myself, basically to provide you with my credentials. I've been 30 years in the business, the last 13 of which were spent at Alliance Bernstein building that business in Europe. I've been involved in all aspects of distribution. I've been a salesman, I've been a consultant relations director, I've headed up distribution at Alliance Bernstein and I've culminated my career there as the CEO of their business in Europe. So I've seen all different perspectives on how and what should be done. But during those 13 years at Alliance Bernstein, as many of you may know, starting out in 1998 we raised our AuM in Europe from zero basically to about $130 billion by 2007 with a clear focus on the institutional business.

And I learned a few things over those years at Alliance Bernstein. I learned that strategy and vision matter, that getting ahead of the curve is critical to success in this business. Consistency and reliability are also very important. You know you have to create expectations with clients and other stakeholders and then deliver on them. I found that distribution and investments have to work closely together. They must be coordinated forming a strong partnership to deliver the right messages and the right products to clients. And finally that time matters in this business. Time is critical. And the journey that Chris and a number of my colleagues I've spoken to is the right metaphor for what we're trying to do. It does all work in that way and one of the reasons why I joined Ignis was that I saw that a lot of the things that I thought really mattered are actually being embodied within this firm and I wanted to be part of building a business again. It was an important part and I think this is a building of a business.

But there were a few things that I thought were very important. First of all that you have to have the infrastructure in place and I have to thank Chris and my other colleagues for having spent the last two years, as Chris described in his journey, the last few years really building the framework under which we could be successful as a third party manager. We also have the AuM currently to support the resources we have and to add resources. And finally we have the, what I would call, effective scale or the right size, the right scale. We have the breadth of capabilities needed to be successful without losing the impact of the contribution of the individual within the firm. I think it’s one of the most important things, this is a people business and people have to matter to the business.

What I also found was a commitment to talent, the willingness to invest in talent and the ability to attract that talent. Look that drives our business as opposed to other businesses where financial capital matters, here human capital is probably the most important aspect of what we do.

Finally, well not finally but just before last, partnership environment is important and what I really enjoy about my colleagues that you've met and another range of colleagues is the fact that they're highly experienced individuals and they come from diverse backgrounds and what you find in our business is the ability to learn from a team and really come up to better answers because you do work together.

And then finally Chris and the other people I met with when I interviewed had a realistic vision of the business and realism is quite important in this business. They recognised the long journey that it would be to get to where we want to go, but they also recognised the diverse development levels of their capabilities. We're under no illusions about what we need to do and I think that's very important as a business in terms of delivering to your clients what really is what they're looking for.

So I joined two weeks ago as I said and so what have I found? And I have to say that I've found, I wouldn't say it's a positive surprise but I'm very enthused. Look the individuals that I've met at this firm are as good as I've met over my 30 years in the business, both on the investment side and the distribution side. And this stretches not only to the senior management of the organisation but it goes down to the levels below that management. What I've found is talent driven by both experience and expertise in key subject matters that you have to be good at to be successful. And I think that the individuals that I'm talking about have had a history of success at other firms or in other walks of life and they're bringing that all together here at Ignis which is very exciting for someone like me.

I've also found, and I think I'm supposed to change the page now to give you another slide - here we go I got it right this switching thing - existing relationships exist with a wide range of third party clients already on the books and I think Gary's spoken to that and Chris in terms of fixed income. So I was surprised to find hey there is business here already and we have significant market share in some segments, both in the real estate side and in our liquidity funds where we have over half the local authority market working with us. We also have, while it may not be clients, a wide range of what I describe as relationships that are very important to the asset management business, across retail and international allowing us to engage with clients as we build our product mix. As I understand, as I've seen over the last few weeks we have over 400 of these relationships in Europe and another 100 or 150 of them in the UK, certainly deep relationships with whom we can go out to and talk about our products and that really matters. And we've seen that, you know, we launched the Absolute Return Rates product six months ago, a six month track and we've already got our first piece of business and that's because we have those relationships built over the years.

And finally, and this will come as a surprise to many of you, Ignis has a proven track record engendering third party business, we have £7 billion of that business. So the question in my mind is not can we raise third party business but simply can we do more of it.

So what needs to be done to that more of it? What do we have to do? And look I don't want to mislead you - not everything is perfect that's why I'm here, we have to do certain things. The first thing we need to do I think Chris Samuel alluded to this we began that first part of our journey as building the foundations, we now have to externalise what we do. That means get the word out and even more importantly bring the information into the organisation.

Active engagement with the investment community on a more systematic basis is critical to success. What you find in our business is that this is about meeting people externally to deliver messages, to help understand what clients are looking for.

What's also happening in the market place is that most of the segments that we operate in are institutionalising in many formats, which means that more content driven sales matters more than it used to. And I think that the only way that you achieve content matter sales is really by being outside of your organisation talking to clients day in/day out. The other thing is we need to bring the internal perspective back into the organisation. I describe it as looking at the world from the outside in, and that helps drive our ability to create products that really meet the client's needs. And I think you heard a little bit about that from Chris Fellingham on solutions, a little bit about it from advisers about how we need to tailor things to client's needs.

The other thing we've got to get done better is improve product development to better appeal to third party investors. We have a lot of products, we have a lot of capabilities, we need to package them and deliver them in a way that clients will find attractive; distribution and investments working together can do that.

And finally we have to add the talent to our distribution area to more effectively bring that message to more effectively externalise. We're able to take advantage of some of the features of our parentage in terms of life company has experience and prospectus which are unique in working with pension fund clients. We can use that in delivering solution and helping what is basically a de-risking environment in the pension fund community do it better. We've got sophisticated client driven experience in advisers that can work with clients effectively to tailor make fund of hedge funds or fund of fund strategies. And finally we have fixed income capabilities that are really aligned with pension fund and institutional clients. All of these things are advantages that we can take benefit from.

But finally all of these needs to be done under the context of leadership, it's important in this distribution side, organisation, leadership, strength of ability to deliver to a market place and hopefully that's what I'm here to try to do although it has only been two weeks, so I appreciate your time and I think I'll pass it back onto Chris to wrap up.

Chris Samuel

Claude, thank you very much. Let's just get the right slide up here. So hopefully if I take you right back to the beginning you've heard that word journey as we went through this and that we've given you a pretty clear picture of the vision we have for this business, the aspirations we have and where we are right now, and the plans as we drill down into the investment capabilities, the business units and distribution to take us forward from here. And maybe I can leave you with just a few thoughts, I'm going to put these all up at once, which I think if there were any key messages these are they; that Ignis is absolutely an integral and important part, a crucial part I would say of the Phoenix Group and its strategy. It's already a significant business. We've heard a lot of statistics today, just about £77 billion of assets under management, it's one of the top 15 UK owned asset managers, I think last time I looked it's actually eleventh. And it's already got a broad range of investment capabilities and distribution capabilities. And when we talked about the different stages of development it's looking in on say that liquidity offering, in other words, part of fixed income or on real estate where we won significant amounts of AuM already that excites us and encourages us that we can do that with other parts of our business.

Clearly we need a clear strategy, we've got one of those both a vision and a road map, it's stood the test of time if you will over the last two years and I believe, I passionately believe, that we've made really excellent progress since 2009 down very much I would stress to what I tend to call internally this quasi partnership that we have amongst me and the rest of my colleagues here today in driving this business forward.

So I leave you with the thought or the question, if you will, of is asset management an exciting business to be in? I believe passionately it is. Do we have a clear strategy and a plan for our asset management business? I absolutely believe we do. Have we got a plan to get there? Absolutely. And then on the back of what we've achieved already the people you've seen here today, the judgement call we all have to make is will we realise those ambitions. And it's always difficult in asset management in my experience to say clearly when that will be, but if you've got the right calibre of people suitably organised, suitably led you will get there.

So we leave you with the thought that we're extremely excited about the opportunities for Phoenix and Ignis.

With that we would love to tell you some more about the business but leave it to you to tell us where you would like to go.

Question & Answers

Question 1

James Pearce - UBS

Could you talk about the cost/income ratio and how you're going to improve that and what your targets are for that?

And also could you talk about the investment philosophy, if you want to call it that, for the equities business and why you can get that performance out of those funds going forward? Is it a staff thing have you hired good stock pickers, what is it you're doing to reassure us that performance will improve?

Answer: Chris Samuel

Let me tackle myself the cost/income point and then maybe Mark and Chris can both say their bit about equities and what we're going there. So I think probably what you're looking at is a cost/income ratio for the first half of this year which I think from memory was high 20s, if I recall correctly. Typically Ignis has been mid 30s, in other words, it's been a business that has been extremely cost conscious, not least because a lot of the people were based up in Glasgow. If you were to ask me what I would expect it to be sort of this year, I think it will be closer to 30%, in other words pretty much an industry average for a broad business like this and going forward I would like to think that we can do better than that. The art for us is to realise that vision while maintaining, if you like, the level of profits and the cost/income ratio. So what I think we've achieved thus far is being able to pull together a great team, re-engineer a lot of the business and keep the cost/income ratio sensible.

Just one other thought on the half year which is implicit in your question is we are always going to have a bit of a problem as a business at the half year because so much of our income will be performance fees at the half year, we won't have much certainty around what those may be. So I think our profits are always going to be a back end loaded a bit, and that's what you're really seeing, what's implicit in your question.

Answer: Mark Lovett

I'll answer initially and then Chris perhaps can touch in. I think it's really a combination of two factors in terms of improving equity performance; one in terms of general and one in terms of specific. Generally there's been a very strong push really over the last 12 months even before that in terms of getting the organisation of the teams together, getting the incentivisation of the teams together and making sure that those are very clear focused on performance and performance is what will drive rewards across the teams. And I think that message has come through very clearly. That culture of performance has come through. One of the things I didn't mention in the presentation is each of the teams operate as individual teams but overlaid on that we do a lot of effort in terms of sharing information across teams. So that's what I would call the incentivisation and hard grunt work of really getting teams to work well together and getting the teams themselves to focus on delivering performance.

We have also brought in some investment talent as well, particularly in the UK which has been an area of performance weakness for us. We've had a lacklustre performance in the UK which, as I said, in the presentation has overshadowed some very good messages elsewhere. And there we have, as I said, we did do some reorganisation and we used that opportunity to bring in some additional investment talent. At the beginning of October Mark Holden, who I previously worked with before, joined and he has a very strong track record of running high alpha accounts and Bilal Raja, both of them are experienced investors with long term performance records. So it's a combination of bringing in investment talent and doing the sort of hard grunt work with the teams and they've responded incredibly well for that and they should take the credit for the performance pickup that they've seen in a lot of those products through 2011.

Answer: Chris Fellingham

Can I just add in that just for a second. I would also say Mark and I have reviewed all the investment teams and where we see people who have got genuine strengths, genuine skill we've left those people in place; where we haven't seen it we've made some replacements. So I can say that the teams that we've got are the teams we think and deliver the alpha that we've set them to deliver over the short, medium and long term.

Chris Samuel

It would be great actually if you could just mention your name and organisation before the question.

<u>Question 2</u>

Kevin Ryan - Investec

Could I ask two questions please? I note that nearly all the new joiners seem to be joining in London and you've still got guys in Glasgow. Could you talk a bit about where the future lies for that because it strikes me very strongly, leading off from James' question, that quite a lot of performance can be gained by having a low cost base and it would appear that you're gearing that up by having two locations.

The second question is I was a little confused about what you're chasing in terms of third party assets under management. Are you trying to get performance up across the board to attract third party funds anyway, or are you going to take a more focused approach because it seems that on the advisor side you've got some pretty high margins and it might be better to focus there. I don't know but it's not clear to me what your strategy is, whether you're doing across the waterfront looking for third party assets or whether you're going to try and pick and choose a bit.

Answer: Chris Samuel

On location so I think very often strategy is set by from where you start, and we started with two locations and what has evolved over time is a strategy which says, or an implementation which says we will have our marketing people, our sales people close to where the customers are, so the vast majority of those are and will continue to be in London. Our operational and support people we will put where most of them are which is a lower cost location for us which is Glasgow, so we will continue with that. And in truth and you can go all the way back to 2006 with the joint ventures and we all know other asset management businesses that do this, I think to get the best investment talent you're very often trying to give people the lifestyle that they want, and therefore they will tend to be based in either of those locations that suits them.

It is true that a lot of the senior people have been hired down in London, obviously the people here today have been, but actually if you were to drill down a level there's been just as many people hired up in Glasgow on the slide I showed about investment talent there was reference in Gary's slide to 12 people that we've added to the real estate business. The rates team which is up in Glasgow we've added to, so broadly the people we've hired have come wherever it is they want to work.

That actually though leads on to the cost/income ratio point you raised. We believe it would actually cost us money to operate through one bigger operation in London, which I think is the only realistic location you could use in the long run. So think if you will about taking 350 odd people and bringing that down to London, so that isn't something that we think we will do. I think it goes without saying and Tim uses this phrase that any business like ours needs to have a strategy for outsourcing, and so I think we are focused more on getting our minds round what we want to do internally, because a lot of our people up in Glasgow do in-house administration at the moment, rather than being prescript about where people will work.

The second part of your question was about should we be more focussed, or were we thinking of being focussed on generating third party assets. The point here is I think you need absolutely to have your distribution people focussed on a relatively small number of opportunities where you've got great confidence and those are picked out. But equally what you need to be doing, I think is also pushing out products so you're learning from the market even if you're not ready to win it now. So in our structure one of the things that's powerful is having, if you like, the horizontal part of distribution which is suitably focused so you do harvest in scale the opportunities that exist right now while because we've got those vertical business units you continue to push out product and develop your investment capabilities to the required strength. And what I think is key is that if you are going to attract the best investment talent they've got to believe that you're going let them sell their services to the third party market. And as I said earlier we want them to do that. We want them to compete with the best, we want them to learn from the best. So the answer is we will be pushing out and delivering messages across a broad front through that business unit structure while retaining a focus on the things which we can deliver on in scale now through the distribution arm.

<u>Question 3</u>

Oliver Steele - Deutsche Bank

I mean one of the things that strikes me from the presentation today is just how many of you are new or joined recently, that's very striking. So I'm surprised I suppose that you haven't talked more about the targets that you're aiming for over the next few years. Growing third party business that's fine, that's fairly obvious. But I wonder if you could give us a little bit more sort of definition around where you might want to be, or where you might aim to be in say three/five years time if you like?

And then linked to that again I mean you're all high calibre people if we bring it down to something as dirty as money, how should we think about your remuneration structure going forwards linked to those targets? Or perhaps if it's easier how should we expect the cost to income ratio to change as the lovely money flows in?

Answer: Chris Samuel

So I'm under a fairly clear brief on what I can say about the future. So let me confine myself to what I have said in the press before now, which is probably about a year ago, but what I alluded to was the fact that I took over a business that I think in 2009 made about £30 million if you did a proforma set of numbers across the two. And that what I thought was absolutely possible would be to make a significant increase over a three to five year period. I think I've said publicly seek to double to the profits of our business. But what I would stress is that we don't sit here, of course we have detailed financial plans, but as important as those detailed financial plans we have a high and a low because the reality is that, and if you could tell me how long it will take for us to have a top performing product in big demand pools, in other words, where I'm doing better than the competition and where customers are buying then I can tell you accurately whether it will take us three or five years. What I do know is that if we get talented people working well together, if we get the strategy right which Claude alluded to of identifying what people will want in three or four years time and where of those things we can beat the competition then we will have a great business at the end of the day. So that's probably the best I can do on that.

What was the second part of your question? Remuneration. Well I don't think we've covered this in public but I don't think there's any particular reason why we wouldn't say thematically how we've covered it. And I said earlier it is broadly consistent with what you would expect not going in perhaps to a traditional life company owned asset management business, but what you would expect going into a leading asset management business. So we have a percentage of profits that go into a bonus pool which started life at about 29% and goes down to 1% to a minimum of 26% over the next few years. And then a proportion of that remuneration gets deferred into Ignis Equity which is relatively simply valued as a multiple of our profits. So it can increase in value if we drive the value of the business.

So what I hope we've got is a model, if you took a step back from it which says if we can attract good people, if we can turn that into investment performance which of course is extremely valuable to the group, Ignis will have more profits, it'll have a bigger bonus pool, and because we then still allocate those bonuses on a discretionary basis and because everybody has equity in Ignis overall, we get that sort of collegiate behaviour we want as well as being able to pay people appropriately full remuneration. So that's the model.

<u>**Question 4**</u>

Duncan Russell - JP Morgan

Putting all of those questions slightly differently, based on what you said today, would it be fair to conclude that there is no reason why your previous public statements about doubling profits over a three to five year period wouldn't still stand today, given where markets are etc?

And then secondly one of the things which jumps out from the slides on the split of the revenue is that the partners are only 3% of the assets, but are 14% of the revenues, but you didn't really talk about that business very much in the presentation. Could you just highlight a bit more about what those businesses are, do they make profit, is there an asset there?

Answer: Chris Samuel

Yes, I think I'm fine with the doubling, I think we need to be very general on the timeframes, because I don't think it's something that is that easy to control in asset management, and I think everybody in this room knows enough about asset management to know it is a fairly binary outcome; we're either producing good investment performance that people want to buy or we're not. So thematically I'm happy with that but would want to avoid any particular dates or commitments on that front.

And in terms of the partners business, so just by way of reminder there are four businesses in there, three of them were originally joint ventures set up in 2005/2006 Argonaut that manages about £1 billion in European equities; Cartesian that's about £250 million on UK equities, and Hexam that's about £1 billion on emerging market equities. And then a business that we set up with a group of people who had previously been the fixed income desk in Axial, called Castle Hill that we set up in 2010.

Those are I think extremely valuable businesses for us, we're broadly been either setting them up, as we did with Castle Hill, or moving them to being more independent boutiques and the logic of that is that we don't want to constrain them by being too tied to Ignis. So if you take Argonaut for example, which we've recently renegotiated, what we wanted to do was to be able to facilitate and support a barrier, and Ollie's desire for greater resources, which is the reason we changed our equity share. And we wanted to get their distribution resource better aligned with the manufacturing capability by giving them their own distribution, and we felt that with that we should give them their own operational support just as we'd done with Hexam. And we think that will turn into a more valuable business, and because we've now got them structured better we have more optionality as a Group as to what we do with our equity stake than we did with a joint venture. But as important as that in terms of adding value it also means that as and when Adrian Darley who heads up our European equity desk wanted to strengthen his team; we don't have the constraint or the difficulty of talented people thinking twice about coming to us because they feel as though they're competing with another group of equity fund managers over here.

Further question

What percentage of the profit are they?

Answer: Chris Samuel

That's the figure I think we have said we won't give out at this stage.

Question 5

Greig Paterson - KBW

Two questions, one is just if I'm not mistaken there's still some money over at Henderson, I was wondering whether there's an opportunity there can you talk about that, bringing in-house, what the costs and benefits are?

And also I know I asked you the question at the last set of results about renegotiating JVs and the management because they had been successful you're in a strong position to renegotiate at your expense. And I see that three of the four now are renegotiated. I was wondering what's the strategy going forward? Are you going to take blocks of asset managers out of your in-house capacity and put them into JVs and then I'd be concerned about that risk; or is that whole strategy now going to move on?

Answer: Chris Samuel

That strategy, I think I'd hopefully said this at the results presentation when you did ask that question; never say never to doing another JV, but that is not the way that we feel we need to attract talent now. So if you go back to 2005/2006 I think Ignis quite sensibly as a Glasgow based asset manager wanting to attack the external market said I need talented people, I've got to be able to do, offer them something that other people aren't offering in order to attract them. And so they didn't just do revenue shares, they offered separate LLPs, separate brands, separate location. My view is that that was a powerful model, and a model that was appropriate at the time. But I believe now that what we can do is attract talent into these business units where there's one brand, they're co-located and we own 100% of them. And there's a number of benefits from that. Not only do you get that collegiate working together but it also means that I can make sure that they don't focus on just one market, the retail market but they also focus on the insurance market, the life company assets. And so we get more benefit that way. So never say never, but we're going to focus very much on strengthening our internal teams.

Further question

So before you move on to Henderson, if they have done so well and there was obviously talent there, why... and you've introduced a new attractive model in-house in terms of remuneration, why didn't you bring them in-house, as opposed to pushing them out?

Answer: Chris Samuel

Well we didn't push them out, these are discussions that take place between people over a long period of time. In my experience fund managers fall into two very broad categories, there are some that see themselves as entrepreneurs and want to not only manage money but build businesses and the ones that we've restructured thus far fall into that category. And there are other very talented managers who actually don't want the hassle of running a business, they just want to live in-house, if I can call it like that. So I think the answer to your question is we didn't push anybody anywhere, we had long and detailed discussions about what was in the best interest of those businesses concluded that their clients, that they and we as a firm would be better off in a different model and then took an appropriate opportunity to restructure them that way.

On Henderson, this is not really in truth a question for me, it's for Mike Merrick and the life company. Suffice it to say that I think the group is clearly aware of that opportunity. I think in the public domain is the fact that there are some minimum fee arrangements on that book, and so that I suspect will be influential in deciding when and if there's any change to those management arrangements. Any other questions?

<u>Question 6</u>

Trevor Moss – Berenberg

One of the complaints I've had historically from a lot of life company asset management guys is an under investment in distribution and marketing being one of their primary causes of lack of third party assets. I wondered - well I look at the CVs of the guys who've been presenting, most people are not ex-life company; I wonder if their observations would be that the distribution angle is one of the key determinants of how they progress going forward?

Answer: Chris Samuel

Well maybe give you two perspectives on that; Chris I think I'm sure will have something to say, and then maybe Claude add something.

Answer: Chris Fellingham

I was clearly started off as an insurance company so just to make sure you can put my tick on that. But then I went to Mercury and to and to Merrill Lynch Asset Managers it's clearly vital that we have a great, a very good distribution platform in order to be able to sell our product. And that's why it's so important to us when we decided that we wanted to look for extra resource in that area, that we spent a considerable amount of time to find someone like Claude who has got that expertise and has got that credibility, in order to open those doors. Because it's an opening door thing. We've got a number of other people within the room who can open doors, but Claude can open them at the very top level. And it is extremely important for us if we're going to get people to buy things from us, if we're going to get people to trust us, then we need to have people with the right degree of credibility.

Chris Samuel

Claude, do you have anything to add?

Answer: Claude Chene

I just make a point. We have a lot of people look at distribution simply as pushing product out the door, which it is very important to do that, but as I mentioned in my remarks another important aspect of distribution is understanding what the market is looking for. I mean if you think about all the successful product launches that have led to significant raise in assets they've all come because the asset managers have understood what the market are looking for and been able to deliver on it. So distribution is really a two way street. If you think about the production end of the investment side, the partnership we're the eyes and ears as well as the mouths of the organisation, part of that strategy is or part of the key strategy is getting out there and being involved. And I think we have a group of people that I feel are very talented in that domain. We've seen the ability to raise assets, although not on the scale that we need to. I think the only area where we need to really build up on is our institutional which I described as the pension fund area, which is one of the areas that I think we'll look at more closely. Because I think we cover retail and the international segment reasonably well. So I hope that helps answer some, one of the questions about why it's important.

Answer: Chris Samuel

Absolutely. We view it as crucial. We have to invest in talent right the way across the organisation. Any other questions?

<u>Question 7</u>

Greig Paterson - KBW

Just leading on from the just to the number of questions. I also noted if you look at all the new people you've hired, they're all very senior people who've had very good careers etc. and have moved from large institutions down to smaller institutions. There must be some cherry at the end and looking at the cost structure and that it's gone up marginally and what you're saying it doesn’t seem to be a massively attractive cherry in the long run for these guys who could command I suspect millions in another place. So does this mean that you're actually building to an IPO down the road? The idea is you build it up, everybody ramps up the equity stakes. Sorry, I'm just being devil's advocate, but is this sort of implicit in this whole presentation. And can we expect a partial IPO in three years time?

Answer: Chris Samuel

Look, that is certainly not something that we're focused on at the moment. Actually as an aside, and I spent a lot of my career at Gartmore, I think you've got to have match between the ownership model and the nature of the business. We would have to be... have a much, much greater percentage in my view of our income from third parties before that would be sensible. And we can all think of well-known asset management businesses that don't attract great valuations because their income stream is too concentrated. And you can look at businesses that I've been part of in the past that had too concentrated an income, have a problem and then it leads to disaster. So I'm in truth not focused on that at all. If at some point in the future we have built value within Ignis, and we decide that as a Group we want to harvest that value then at that time we can talk about how we would do that. But that's not part of the thinking at all.

What is the case is that clearly there are some financial incentives which we talked about earlier in terms of the equity value for people to grow a business. In other words if we're successful in building value here, the management team will get a percentage of that. But, Greig, as much as anything I think it's about having a clear vision, having this quasi partnership; in other words this being a fun and exciting thing to do. And I would stress as well that while we've introduced you to the most senior people, it's not just senior people we've hired into the organisation, it's people at all levels. And I hope very much that they are all, if they were here today and they'd use their own words, they'd all be as enthused as I am, as this team is, about the opportunity that faces us.

Answer: Chris Fellingham

I think that you've got to understand that in the business that we are at the moment, although we run a lot of money for the life cos and we've got several successful areas in third party, this is a bit like building a business, as I think Claude identified, or he said. And certainly one of the reasons why I joined, from some of the organisations that I've come from, you were just one of the parts of the cog. You didn’t have any opportunity to really show your difference. You didn’t have an opportunity to build any more. Just in front of you is a lady called Helen Farrow who was my business manager at Mercury. We built a huge business, then we got taken over by Merrill Lynch Asset Managers then BlackRock. We weren't important anymore, in the bigger scheme of things. We're important here, we've got a chance to build something and to make a real difference to the Phoenix shareholders and clearly if we do well there then we will all do well as well. So that's where the excitement comes from all the people. I'm speaking for them but I don't think any of them would say that I wasn't explaining where that drive comes from.

Answer: Tim Roberts

Just to show we're singing from the same song sheets, Chris said something very similar but picking up a number of things that have come up in different question, we didn't come here, speaking a bit for the team, we didn't come here to run a good firm. We came here to try and build a great firm, and we trust that we're going to realise value from that obviously in one form or another if we build a great firm and we succeed. We think a great firm works together as a team, with proprietary skills that it takes to market working as one team across those business lines and channels. So we have this creative notion of the JVs, we don't want to do more of that because we think we work better as one team. So it's very much one team, hopefully that you're beginning to see here today. Also we believe that great fund managers work well together with sales and marketing and investment. That's what makes it work as a business, not just as an investment team. So we see us a powerful business with this talent working together to bring all of those products to all of those clients.

Chris Samuel

Great. I'm not going to ask everyone else to comment, but hopefully you'd hear in their own way the same thing.

<u>Question 8</u>

Nicholas Midgley - Schroders

In terms of the global consultants and the financial intermediaries, and their due diligence on Ignis, do the matters pending between the holding company and its lenders present any overhang and when those are resolved do you anticipate more doors will be opened?

Answer: Chris Samuel

Well, I'll get Claude to perhaps give you a general comment. Clearly stability is something that people do think about, and so certainly two years ago I got a lot of questions about would Ignis be sold, which I think for the most part we've answered. That particular issue doesn't tend to come up about the debt and stuff. So thematically absolutely we have to show that we've got stable ownership, stable management team, all of those good things. And I think it comes up less and less is the answer. So we need to I think, as Claude was saying, now tell the market generally more about Ignis, what we aspire to be, what we are today, and then as we deliver suitable product to meet their needs, I've no doubt at all that we will replicate what we've already achieved, say in liquidity and real estate. Claude, did you have anything else to add to that?

Answer: Claude Chene

Just I think certainly as you get to the investment consulting universe they both look at product and they look at organisation, any positive activities will of course enhance our ability to open those doors. As a whole the market's becoming more institutionalised, more professional even as you look into the what is called the retail space, it's been upgraded. So I would think that anything that adds to the stability, the consistency of what we talk about will be of benefit. So an interesting question and it's I think something that the consultants are always looking at organisation. And I think it would help to a great extent if some of the issues were resolved.

Chris Samuel

Any final questions? Well then it just leaves me to, if I may, thank my colleagues for all the effort they've put into this, and thank you for all your time. I hope this, which has been very much an introduction to Ignis, has been helpful and to the extent there are any questions, catch me or one of my colleagues afterwards, or of course get hold of us through Lorraine. Thank you very much.