Janus Henderson
GROUP PLC

Janus Henderson Group plc – 1Q18 results conference call
Wednesday 9th May 2018

Operator: My name is Nicole and I will be your conference facilitator today. Thank you for standing by and welcome to the Janus Henderson First Quarter 2018 Earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer period. In the interest of time, questions will be limited to one initial and one follow-up question.

In today's conference call, certain matters discussed may constitute forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements due to a number of factors, including but not limited to those described in the forward-looking statements and risk factors sections of the company's most recent Form 10-K and other more recent filings made with the SEC. Janus Henderson assumes no obligation to update any forward-looking statements made during the call. Thank you. Now it is my pleasure to introduce Andrew Formica, Co-Chief Executive Officer of Janus Henderson. Mr. Formica, you may begin your conference.

Andrew Formica: Welcome, everyone to our First Quarter 2018 Earnings call for Janus Henderson. I am joined by Dick and Roger and today Roger will be taking you through the results for the quarter and then after his prepared remarks, we'll be happy to take your questions. Before we start, as you know, we take a long term view of our business, versus the short term view that is inherent in quarterly reporting. To that extent, going forward, Roger will be providing you with updates on the quarterly flow, performance and financial results on our first and third quarter calls and we will use the second and fourth quarter calls to address these same items along with a more detailed discussion on the business and our strategy from Dick and myself. We believe this change will help better align our calls with the way we manage our business. With that said, let me turn it over to Roger to walk you through the first quarter results.

Roger Thompson: Thanks, Andrew. And thank you everyone for joining us. The first quarter's results can be characterised by three points. First, investment performance continues to be strong. Second, we finished the quarter with slightly higher assets under management despite market volatility and net outflows experienced during the quarter and third, the financial results are strong and reflect the growing economies of scale in our business and our ongoing delivery of synergies. Investment performance as at 31st March remains solid, with 68% of firm-wide assets beating their respective benchmarks over the three year time period, improving slightly from the prior quarter. With the return of volatility and increased dispersion between stocks and sectors that we saw in the quarter, it was very encouraging to see our first quarter investment results be so strong.

Total company net outflows, whilst improved compared to the prior quarter, are still far away from where we want them to be. Despite the outflows, we remain optimistic about future prospects given our global distribution footprint, our range of product offerings and our good investment performance. Our financial performance remains strong with adjusted operating margins slightly above 40% reflecting AUM growth and the benefits of the merger. And finally, today we announce that the Board has declared a quarterly dividend of 36 cents per share which is an increase of 13% from the previous level.

Moving to investment performance, which is on slide 3. Overall, performance remains very good and importantly, as you'll see on the right hand side of the page, it's improved on a year-over-year basis across the one, three and five year time periods. Performance in the Quantitative Equity capability, which is the Intech business, is seeing the biggest gains as performance has been consistently strong since the end of 2016. Intech's strong one-year performance, with 91% of assets outperforming benchmark is helping drive a better three year number which while still low at 46% represents a significant improvement over the 12% of assets beating their benchmark a year ago.

We're pleased with these investment results as they provide the foundation for future growth in the business. As we approach the one year mark since the merger, these results are indicative of the high quality investment professionals Janus Henderson has working for our clients.

Now turning to total company flows. For the quarter, net outflows were US$2.7 billion compared to US$2.9 billion last quarter. Whilst the quarterly result is still not where we'd like it to be, the improvement quarter-over-quarter reflects positive flows into Intech and good Institutional sales in the Asia Pacific region. Partially offsetting these improvements were outflows in our intermediary business in both the US and Europe.

Moving to slide 5, which shows the breakdown of flows in the quarter by capability. Equity net outflows for the first quarter declined to US$1.8 billion as a result of increased outflows in our Retail channel which was driven predominately by outflows from our European Equity strategies. Flows into Fixed Income were negative in the quarter at US$300 million. This resulted from outflows in our US intermediary and EMEA Institutional clients offset by a good result in our Asia Pacific Institutional business.

Fixed Income flows include a mandate funding from TAL Life Limited, Australia's leading life insurance specialist. TAL is a wholly owned subsidiary of Dai-ichi Life and we're thankful to Dai-ichi Life for their strategic partnership and continued support of Janus Henderson.

Another area of positive results came from Intech. Net inflows of US$300 million during the quarter represented the first positive quarter of flows since Q1 2016. We understand that one quarter of good results is not a trend, nevertheless we remain optimistic about the future opportunities for this business. Multi-asset flows were US$100 million in the quarter, an improvement over the prior quarter. Finally, Alternative net flows were negative US$1 billion. This decline from the prior quarter was due to outflows from the UK Absolute Return Equity strategy mainly in Europe, and outflows from the Absolute Return Bond strategy, which was the result of the effect of a PM change last September, which we've discussed previously.

Slide 6 is our standard presentation of the US GAAP Statement of Income, which I won't spend any time on. Turning to slide 7 for a look at a few of the financial highlights. First quarter results are strong. Whilst down from the previous quarter, you'll see the improvement across the Board on a year-over-year basis, which reflects higher assets under management, cost synergies being realised and good financial discipline.

Average AUM in the first quarter increased 3% over the fourth quarter, primarily driven by positive markets, beneficial currency movements and alpha generation. Despite the increase in average assets, total adjusted revenues for the first quarter decreased 7% compared to Q4 as lower performance fees more than offset higher management fees.

Adjusted operating income in the first quarter of US$189 million was down 14% over the prior quarter, primarily as a result of the lower performance fees. Compared to the first quarter of last year, adjusted operating income improved by 31%.

First quarter adjusted operating margin was 40.1% compared to 43.6% in the prior quarter and 35.4% a year ago. Finishing up the financial highlights, adjusted diluted EPS was 71 cents for the first quarter compared to 73 cents for the prior quarter and up 42% from 50 cents a year ago.

On slide 8, we've outlined the revenue drivers for the quarter. Performance fees were the biggest driver of the quarterly change in adjusted total revenue. First quarter fees were negative US$4 million compared to positive US$34 million in the fourth quarter and a positive US$1 million in the same period last year. Compared to the prior quarter, performance fees were primarily impacted by weak quarterly performance of our UK Absolute Return strategy.

Regarding mutual fund performance fees, the first quarter improved to a negative US$8 million from a negative US$9 million in the prior quarter and more significantly, from negative US$13 million a year ago. The quarterly improvement was driven primarily by the Forty Fund. On a year-over-year basis, the improvement was from several funds, most notably the Forty, Research and Mid-Cap Value funds.

Management fees increased 1% from Q4, roughly in line with the increase we saw to average AUM which is partially offset by two fewer days in the quarter. Net management fee margin for the first quarter was 44.9% basis points, so relatively flat compared to Q4.

Before moving on, I wanted to point out a change in presentation of revenues and distribution expenses. Based on amended accounting guidance that went into effect in 2018, the presentation of distribution fees will be now be made on a gross basis. In doing so, the firm has re-classed certain prior year amounts to conform to the 2018 presentation. The financial results of the fourth quarter have been re-classed to conform to the new presentation and reflect the impact of the new revenue recognition guidance. That said, on an adjusted basis, the way we discuss the business, this change will not have an impact as distribution expenses are netted against revenue.

Moving to operating expenses on slide 9. First quarter had adjustments associated with non-deal costs as well as integration. There was approximately US$6 million of integration costs incurred during the quarter. So far, we've recognised approximately US$208 million of the US$250 million deal and integration costs we expect to incur. Non-deal costs adjusted out of operating expenses in the quarter were roughly US$7 million and mostly consisted of intangible amortisation of investment management contracts and contingent consideration.

Adjusted operating expenses for the first quarter were US$282 million compared to the fourth quarter amount of US$285 million - a 1% decrease quarter-over-quarter. Adjusted employee compensation, which includes fixed and variable staff costs was down 12% compared to the prior quarter. Usually first quarter compensation is seasonally higher however we didn't experience that this quarter for a few reasons.

First, there was the final adjustment to the 2017 bonus split between cash and non-cash compensation which led to a one-time reduction in the first quarter compensation of approximately US$12 million. Second, given the lack of performance fees earned in the quarter, there was considerably less compensation related to performance fees compared to Q4. Adjusted long-term incentive compensation was up 15%, primarily due to adjustments made in the prior quarter related to purchase price accounting.

To aid in understanding the LTI expense line, we've included a schedule in the Appendix that outlines long term incentive grants made each year and the expected amortisation of those grants over time. We hope you'll find this useful.

The first quarter adjusted compensation to revenue ratio was 39.1% which is abnormally low because of the one-off US$12 million adjustment that I previously mentioned. Adjusting for this one time item, the compensation ratio in the quarter was 41.6% which is in line with the low 40s that we've communicated previously.

Turning to adjusted non-comp operating expenses, collectively there was an increase of 12% quarter-over-quarter. The main drivers of the increase were higher G&A, partially offset by lower marketing costs. G&A was up US$13.8 million due to a US$12 million legal outcome and US$4.2 million accrual for the cost of research. The 20% decrease in marketing was primarily due to the completion of a targeted advertising campaign.

Lastly, I wanted to give an update on our progress against our cost synergies. As at the end of March, we had exceeded the US$90 million which we'd hoped to achieve by the end of May. We have US$96 million of annualised run rates cost synergies realised. This includes the impact of the expanded strategic relationship with BNP Paribas that closed at the end of the first quarter. This result is ahead of our original schedule and we're very pleased with the on-going execution. Our targeted annual cost synergies remain at US$125 million by the end of Year 3 post merger close.

Turning to slide 10 and a look at our profitability trends. We continue to generate strong operating profits and EPS. The first quarter adjusted operating income of US$189 million is down quarter-over-quarter, driven primarily by performance fees but up US$45 million on a year-over-year basis. I think it's important to note that even with the lower performance fees in the quarter, adjusted operating margin was 40.1% and represents an improvement of 470 basis points compared to the same period a year ago. This speaks to the growing economies of scale and our execution of synergies in our business.

Turning to EPS, the first quarter does include the impact of the US Tax Reform that went into effect on 1st January. For the quarter our adjusted effective tax rate was approximately 21% in the range of the 21% to 23% that we guided to on last quarter’s call and which is still the range we expect going forward. Slide 11 is a look at the balance sheet. Cash and investment securities totalled US$1.4 billion as at 31st March. Our total debt decreased 13% during the quarter as a result of US$48 million of convertible senior notes electing for early conversion which was settled in cash for US$82 million. Finally given the very strong liquidity position of the firm, I’m very pleased that the Board has approved a 36 cent per share quarterly dividend – an increase of 13% from our prior pay-out level.

Finally we wanted to provide a bit more colour around how management and the Board view returning capital to shareholders. We've just come through our seasonal low point in cash which takes place each year in the first quarter following the payment of annual bonuses. Additionally as we've discussed previously there's been an elevated period of cash need in the business over the last ten months with deal and integration costs as well as the conversation of the majority of our convertible notes. However looking forward, the firm is expected to generate excess cash over the rest of the year which is why we felt it's an appropriate time to discuss our philosophy around returning capital to our shareholders.

Our capital management philosophy is one that looks at cash in a hierarchy of needs. First we set aside cash for regulatory and liquidity needs, contractual obligations, near term debt maturities and a sustainable regular quarterly dividend. Second, we evaluate opportunity to strategically grow the business both organically and inorganically. And finally if excess cash exists we review ways to return that cash to shareholders. For Janus Henderson this capital return programme will be comprised of a regular quarterly progressive dividend, one that grows with the profits of our business which is supported by regular share repurchases.

As noted earlier, today we've increased our quarterly dividend payments which is indication of our confidence in the future cash flow generating capabilities of our business. And last week you will have seen that we received a renewed shareholder approval at the AGM to conduct a buy back. As such, our Board intends to utilise this authorisation from shareholders, and we are now in the process of working through the steps that are needed to initiate a programme. We will update you all in due course as we finalise those plans and it is approved by the Board.

Management and the Board take the responsibility of managing shareholder capital very seriously, and we believe the approach that I've laid out today will provide the framework for us to continue to be good stewards of this capital. With that said, I'd now like to turn it over to the operator for Q&A.

Operator: Thank you. Ladies and gentlemen at this time we will conduct a question and answer session. In the interest of time questions will be limited to one initial and one follow-up question. If you would like to ask a question, please press star 1 on your phone now and you will be placed in the queue in the order received. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, please press star 1 to ask a question, and we'll pause for just a moment to allow everyone an opportunity to signal for questions.

And we'll take our first question from Ken Worthington with JP Morgan.

Ken Worthington: Hi. Good morning and thank you for taking my questions. Maybe first, can you give us an update on the cross-selling of products between Henderson and Janus – where are you starting to see successes? And can you give us some numbers around maybe the gross dollars that have come from cross-selling either during the quarter or since the merger was closed?

Andrew Formica: Hi Ken. Andrew here. There is evidence coming through in the results here that include we mentioned – the TAL mandate win in Australia that also links through the relations with Dai-ichi. And that was into a historical Henderson capability. If we look at some of the success we're seeing in the US mutual fund space – intermediary space in the US – the old Henderson funds are doing extremely well and running at significantly higher run rates than they were prior to that. And actually, we're seeing the top ten funds an increase in growth in gross sales and in the top ten funds that we were seeing redeemed prior to the merger, redemption rates have fallen on those, so we're definitely see it.

In terms of giving you hard numbers, you know, on the call what we really want to do is just focus on the quarterly numbers in here. And at the half year we'll seek to spend a little bit more time on going into some of the details. But it's still very early days. We always said it would take a couple of years to get the cross-sale benefits but we are definitely seeing greater attraction and support from that. Clearly Intech's improvement in numbers. I think I've spoken to you once before saying Intech was one of the improved areas we wanted to see in the – in Europe – and the numbers there are meaning we're starting to get some greater traction with clients over there on that front.

So, you know, when you look at the products such as Life Sciences, the Balanced fund is doing well over in Europe as well, the 40 Fund for example which is Doug Rao representing North American Equities now for us in Europe, there's a number of key examples but we'll pick up in a bit more detail in the second half if that's okay - in the first half/second quarter numbers – if that's okay.

Ken Worthington: Okay fair enough. And then can you talk about the impact that FX had on the results this quarter, maybe what was the impact on revenue from FX and the weaker dollar, and what was the impact on Opex from FX and the weaker dollar?

Roger Thompson: Okay yes, the impact of FX is about US$3 billion on assets. We're about 2/3 US dollar, about 20% Sterling, so the residual split largely between Euro and, Euro and Aussie dollars. So that, as you say, that will drive revenues. But we're relatively well, naturally hedged on costs as well so, you know, we obviously do also have costs in Sterling, in Aussie and a smaller amount in Euro. So, you know, they, that drives both revenues and expenses up but the, I guess the easiest way to think about it is on an asset basis. And like I say, FX drove US$3 billion on our US$370 billion of assets.

Operator: And I'll move on to our next question from Kieren Chidgey with UBS.

Kieren Chidgey: Hi guys, two questions if I can. Roger, just keen to, following on from the framework you outlined around how you're thinking about capital on slide 12, you know, how would you advise we think about that in a more quantitative framework and how should we be thinking about excess cash where the business is today? Can you give us any numbers?

Roger Thompson: So, you know, as I said, you know, were we are at the moment is, you know, the Board has looked at this and has asked that we look at putting a programme in place, which means working through, you know – with a dual-listing – working through that on both markets is a bit of a process as you know to set up to get that in place. And then the Board will actually, and get the ASX to approve it. And then the Board will actually approve an amount so we will let you know that as and when the Board approve that.

But, you know, broadly as we said we talked about, you know, a very disciplined process of returning, you know, a decent proportion of excess cash. And when I say excess I mean, you know, in addition to anything the business uses or needs for future growth. And, you know, this is a deal that we've done for growth but, you know, we'll give you specifics as and when the Board approves that, relatively shortly.

Kieren Chidgey: Okay but in relation to the billion of net cash you've got today, you're not outlining sort of what the actual sort of requirement is that you would see against that and what the excess position today is?

Roger Thompson: No. Like I say, I mean, we, you know, we will come out and very clearly with how much the, how much any buyback would be when the Board have approved that.

Kieren Chidgey: All right, then secondly Andrew just on the Institutional fund flow comments you've made reference to TAL in Australia being a fairly significant contributor. Was it largely concentrated around that or are you seeing sort of broader mandate wins comes through and sort of any comments on how the pipeline is building from an Institutional point of view?

Andrew Formica: Thanks Kieren. You know, in terms of TAL and the size of it, we can't go into the details for that. But in terms of the Institutional success we're seeing out of Australia it's not just TAL. We're actually seeing quite good success in the Australia marketplace both with our domestic capabilities, for example our Fixed Income capabilities down there continue to do well and also some of our international capabilities, in particular Emerging Market Equities have seen some past success in the quarter from there. So it's quite broad-based. We're pleased to see it's both domestic and Institutional, international products, sort of gaining traction there. The Australian market is probably one of the areas where the business has done quite well through the merger because the mix of capabilities have really driven and increased our profile in the marketplace where both firms were probably outside the top 20 and we're just outside the top ten now as a combined group.

Operator: And we'll take our next question from Andrei Stadnik with Morgan Stanley.

Andrei Stadnik: Good morning. Can you hear me okay?

Andrew Formica: Yes we can Andrei.

Andrei Stadnik: Fantastic. I wanted to ask a couple of questions, one on base fee margins, the other one on compliance costs. In terms of base fee margins it's quite an impressive outcome for, you know, base fee margins to remain flat quarter on quarter despite, by the sound of it, you know, relatively more inflows into Insto and some outflows form Retail. And that's coming in addition to, you know, earlier comments of yours that in the Insto back book, clients are aggressively reviewing existing prices. And so, you know, kind of what's helping, you know, stabilise the base fee margins, you know, given some of these Insto headwinds?

Roger Thompson: Hi Andrei. It's Roger. I think, you know, it's a quarter on quarter but I don't think anything's really changed. You know, I've said before that, you know, we, we've talked about fee margin compression of around a basis point a year. I don’t think anything’s really changed in that. You know, like you say, we’re pleased to see margins remain relatively constant on that. It’s, you know, it is a mix of business. You know, we’re winning in some areas. You know, some of the Institutional money that Andrew’s just talked about, you know, emerging markets is obviously, you know, at a higher rate than, you know, sort of cash type products. So it is very much dependent on the mix of business coming through. So I don’t think there’s any change in the trajectory on fee margins so I think that’s the most important thing for, you know, that you should be thinking about going forward.

Andrei Stadnik: Thank you. And my other question just around compliance costs. You flagged recently that that was an area where, you know, you are seeing a little bit of pressure. And for example, you pointed to, you know, maybe, you know, needing, two senior risk leaders as opposed to just one. So like, could we get a feel for what percent of the cost base is related to compliance? And are you starting to see, are you thinking that now with, you know, different US administration perhaps the compliance cost growth will normalise?

Roger Thompson: I think, yes we talked about over the last few years, you know, both heritage organisations have talked about this being an area of, you know, increased needs. And that was part of the reason for the deal – the benefits of scale. So without a doubt we are seeing that. You know, there are some people out there saying we, the industry, are sort of over the hump. I'm not sure we would agree with that. There is a significant amount of work still to be done and the regulators all around the world, their expectations are higher than they were.

So we don't expect that to decrease. In terms of the overall percentage cost of the business, I guess it depends how you define it. It is a part of everyone's job. It is not just the good soles we have in the compliance function or the risk functions. There's a part of everyone's job. So I guess if you added it up, it's a large amount. The narrow proportion of people actually working in risk and compliance. It's obviously a smaller number.

Andrew Formica: The only thing I'd add to Roger's comments. I think we're probably past a lot of the regulation, new regulation coming in. So from the regulator's eyes, they may be saying their past the peak but the implementation phase carries on. So for example, this month we've got obviously GDPR over here in Europe to implement. We still have no idea of the final state for Brexit and that could be a significant cost for us, preparing for that. We just don't know the impact of it until we know the rules and what apply.

So it certainly doesn't feel like, from a cost side, that the compliance burden that we've faced is abating at this point.

Dick Weil: This is Dick. It's worth mentioning too, MiFID II is still very early days and could settle out either higher or lower over time.

Operator: And we'll take our next question from Alex Blostein with Goldman Sachs.

Ryan Bailey: Hi, good morning. This is actually Ryan Bailey filling in for Alex. I was wondering if we could dive into Intech a little bit more. Can you give us a sense of where the flows came from, how we should think about performance year to date instead of on a one-year basis, and how the products should operate in I guess a higher volatility environment.

Dick Weil: Yes, Ryan, thanks very much for the question. The first part of it was where did the flows come from, and for the first time in a while, we're happy to report that US large cap had some significant inflows. So one quarter is too short a time to draw big lines from, but that's an encouraging sign. Remind me again, what was your follow-up?

Ryan Bailey: I guess just around year to date performance and then if we have a pickup in volatility, what that would mean for the products.

Dick Weil: For the first part, year to date performance has been encouraging. As we've talked about too many times before, they put on a really rough six months in the back half of 2016 and they've been digging out since that point and they've been doing a really good job. And they continue to outperform through this year. So that's all encouraging, but it's fair to say that we're still looking forward to continued improvement to get back to full health and sort of erase the pain of the second half of 2016.

In terms of market volatility, Intech makes money from relative volatility of stocks. So it's not the traditional measure of overall market volatility. It's not the index volatility. It's the relative volatility of the pieces in the index that really drives success for Intech.

And so it's a little hard to predict with mathematical certainty, as they would want to do. But from a layman's point of view, I think non-trending markets with volatility are good for them. And we continue to be very optimistic about their future. But it's fair to say they've got to keep putting on the good numbers to fully overcome the pain of the second half of 2016.

Ryan Bailey: Got it. Thank you. And then if I could also just ask, the US$12 million that showed up in G&A from legal expenses, what drove that?

Roger Thompson: This is the segment of the legal case we had against an ex-employee that has been referred to as the Pease case.

Ryan Bailey: Thank you very much.

Operator: And we'll take our next question from Patrick Davitt with Autonomous Research.

Patrick Davitt: Thanks. Good morning, guys. Could you give us an update on how you're finding your positioning amid the pension consolidation process in the UK? Any notable anecdotes around keeping accounts as that plays account, winning new accounts as that plays out?

Andrew Formica: No real update I would give that's changed certainly on a quarterly basis. We're very well positioned in the UK Institutional marketplace, very well known, and get very high grades for not just the investment products we have, but also the service we give in that channel.

Obviously, as we went through the merger, of a number of key consultants sort of put us on watch while they looked through the merger and used the last quarter and this quarter as an update on how things are going, and they're going quite well.

So I certainly think the strengthening of the product line-up we have has only improved our position as the industry here, like other industries, sort of consolidates, and looks to more key detailed partnerships rather than fewer names, but deeper relationships. We see ourselves well positioned particularly through the merger and therefore, the capabilities we've got from that. And that's definitely coming out in some of the conversations I mentioned earlier, like Intech being, with their improved numbers, actually being quite strong in demand in terms of the some of the positions we're taking out. And that's definitely reflected in the UK marketplace.

Patrick Davitt: Great. Thanks. And then maybe for Dick, last week, we got I guess probably the most definitive comment from a US Retail manager that they needed to rationalise fees lower, noting tax reform as an opportunity to do that. Could you speak to the US business exposure to that kind of trend and if you've been through a similar review recently in the US?

Dick Weil: I would say we've been through a fairly constant set of reviews. If you look across our key partners in the industry, they've been in a fairly regular downsizing of the number of funds they have on their platforms and the number of partners they have, and a fairly regular drumbeat of conversations around fees, as well.

So I don't think this is some sort of a major step change, but it's a continuation of the pressures and conversations that have been ongoing for a long time.

Operator: And we'll take our next question from Nigel Pittaway with Citi.

Nigel Pittaway: Hi, guys. First question. Just back on that US$12 million in the general admin expenses. Presume you've given the nature of that, that's not - wasn't in your original 12% to 14% non-comp cost growth guidance for the full year. Is that a fair statement?

Roger Thompson: That is correct.

Nigel Pittaway: Yes, it wasn't in the guidance. Yes.

Nigel Pittaway: Okay. Next, if you take the LTIP projection sheet you referred to in the appendix, it does seem as if the first quarter was a relatively low number for LTIP relative to what you're expecting in the next three quarters. Firstly, is that the case and secondly, I guess what's the reason for that? Is there any guidance you can give on how that's likely to pan out quarter-on-quarter?

Roger Thompson: The first quarter is a light quarter because of the way that some of our schemes are maturing and rolling off. So we're adding - so effectively, we had a month off from a couple of our schemes in the accounting of them, Nigel. So the first quarter is a little bit light and that's part of the reason why we've given this page.

So you should expect, all other things being equal, there will be, as we've said, some moves in here because some of these grants are paid out into funds and therefore will be subject to movements et cetera. But the US$184 million is the number that you should be expecting for this year.

Nigel Pittaway: Okay. Fine. And then just maybe finally on your progressive dividend statement on the quarter, are you basically saying by progressive, it goes up every year? Is that basically what you're saying by using the word progressive? Or are you expecting actually on a quarterly basis that it moves up?

Andrew Formica: Certainly, and obviously, Nigel, it's a bit different to how Henderson would have been under the UK/Australian listing. So the quarterly figures are generally kept throughout the whole year, rather than move on a quarter-by-quarter basis. And what we mean by progressive, it should broadly match earnings but obviously, we also expect it to be stable. So earnings will fluctuate up and down, while we'd like to keep the dividend to be more stable than that. So it won't quite mirror earnings on a short-term basis, but on an earnings growth, but on a long-term basis, dividend growth should broadly match earnings growth.

Operator: We'll take our next question from Brendan Carrig with Macquarie.

Brendan Carrig: That's fine, Nigel asked my question.

Operator: Okay. And we'll take a question from Chris Harris with Wells Fargo.

Christopher Harris: Thanks, guys. A question on your Fixed Income platform. Data we track is showing a fair amount of outflow on the Retail side in the US. So just wondering if you could expand on that a little bit, maybe what's driving that, and I think the industry flows are actually pretty good. So maybe what you guys are seeing versus the industry.

Andrew Formica: Hi, Chris. It's Andrew here. We had one large client who's a long-term investor in some of our Fixed Income ranges. They do a sort of annual rebalance based on performance and where their reweighting is. That's done in January. That was pretty much the big impact there. When you actually strip that out and you look at the underlying trends month-on-month and over the quarter, we would actually believe that it appears that we're doing better than the industry. We're probably gaining share in that.

So I think the intermediary flow you're referring to really was predominantly one client who has an annual rebalance program to where they'd like to be for the rest of the year. And that's just sometimes you're a winner of that, sometimes you're a loser. In this case, it was taking money out. It's not performance related or even the asset class, it’s where they want to be, and their own asset allocation decision.

Christopher Harris: Very good. Thank you.

Operator: And there are no more questions in the queue at this time. I would like to turn the conference back over to our speakers for any closing remarks.

Dick Weil: Thank you, operator. This is Dick Weil. Thank you everyone for joining us today. Let me just offer some concluding thoughts for you. First, obviously, a key message that Andrew highlighted at the top, investment performance continues to be strong. As an active asset manager, the dynamics that we've seen in the first quarter allow us to demonstrate our value to clients as we help them achieve their long-term financial goals and help them understand the volatility that they're seeing. We're pleased with our outcome year to date.

Second, we finished the quarter with slightly higher AUM and while flows improved compared to the prior quarter, they're still not where we need them to be. Despite the net outflows in the quarter, we're seeing good early signs of revenue synergies and we're optimistic about the future prospects for our business given the global distribution footprint that we have and the range of excellent product offerings.

The third piece is obviously the financial results. They were strong. They reflect the growing economies of scale that we promised in our merger and that I believe we are delivering. And so I think that's in good shape.

As we approach the first anniversary of Janus Henderson, we're pleased with the pace of our integration. We remain disciplined in our financial investment and we're focused on building sustainable growth for you, our owners. Thank you for joining us today and we look forward to speaking with you again in August.

Operator: This concludes today's conference call. Thank you for attending.