Henderson Group plc

Q1 Trading Statement

Tuesday, 28th April, 08.45 BST

Andrew Formica, Chief Executive

Thanks for joining us on the call. This is our first announcement since UK regulations changed to make quarterly announcements voluntary. As I'm not a fan of quarterly numbers we have sought to get a balance by reducing the level of detail we'll give you at the quarters but which we still hope is useful. We plan to keep these calls in place to give you some colour around the numbers we present. If you have any feedback on the disclosure we've provided do get in touch with the IR team afterwards.

With me today are Roger Thompson, our CFO, Rob Gambi, our CIO, and Greg Jones, Head of European and Latin American Retail who is standing in for Phil Wagstaff.

I'm going to ask Rob to give you some colour on what's driving investment performance. Greg will talk about flows. And Roger will talk through our decision to sell our 40% stake in TH Real Estate which we announced today. Rob.

Rob Gambi, Chief Investment Officer

Thanks Andrew. Well as you can see from this morning's announcement our investment performance strengthened in the first quarter. The biggest improvements in the quarter were in Fixed Income, Alternatives, Multi Asset, and Global Equities - slightly better, and European Equities consistently strong. So I'll take each of these one at a time.

In Fixed Income the biggest driver of the quarter's improvement came from European Corporate Bonds where we're still seeing good inflows. It's also good to see positive performance from Diversified Fixed Income which draws on our capabilities from some of our newer teams such as Emerging Markets Credits, and these are already delivering value to clients. In fact we're continuing to see exceptional performance in some of the new areas such as US High Yield and Global High Yield which I think we've spoken about in the past.

In addition our UK Retail team is performing well and seeing good flows. In other words we're seeing positive performance and flows across a range of Fixed Income areas - Corporate Bonds, Diversified Fixed Income and UK Retail.

In the Alternative space we saw better performance from the UK Property Fund which Andrew mentioned at the full year had performance held back by high cash levels and transaction costs. We're seeing good performance here too from new teams such as the Henderson Global Commodity Funds.

On Multi Asset the story was simple - we had very good allocations in equities: European and Japan. And good FX exposures as well.

On Global Equities it was a mixed picture but better over one year. Matt Beasley's Global Equities Funds are doing better and are ahead on a year-to-date basis. The team stuck to their strategy and are now starting to see some of their initial stock picks come through. Across our Equity capabilities we employ strong stock pickers who are prepared to express strong conviction in their portfolios.

A quick word on what we're seeing in Geneva I think is appropriate. Small Cap performance there has improved and Mid Cap is recovering. It's what you'd expect with a quality growth style as we approach closer and closer to the time when US interest rates are going to rise. And I think also importantly, while it's early days, our new US All Cap Equity strategy, launched in December is also off to a good start.

Last but not least, European Equities are continuing to perform in a stellar fashion. Now on European Equities it would be easy to imagine that it's a fairly homogeneous approach, but in fact we have a diverse range of styles and viewpoints. So, for example, loosely speaking I'd describe John Bennett as style agnostic, combining a thematic approach with pragmatic stock picking: Stephen Peak as more opportunistic: Tim Stephenson as GARP focused and Nick Sheridan as more value-based.

One of our strengths as a house is that we're comfortable with having a range of styles under one roof and each of these capabilities are performing strongly, both in terms of performance and in terms of flows.

So at the moment we're enjoying a prolonged period of strong performance across a broad range of styles. Now of course it won't always be like this, but I think there are a few things about the way we operate which hopefully build in a bit of protection and I'll talk briefly about some of these.

The first is that we don't impose a house view on our managers. This means that we can sustain a diverse range of styles and viewpoints under one roof. As I've already discussed we tend to attract high conviction stock pickers with good track records at calling the turns. You need to give these kind of fund managers the room to express their style.

The big part of my job as CIO is to create an environment where managers can focus on generating alpha, with the right infrastructure in place to support them. I also work closely with my distribution colleagues to make sure we have a strong product pipeline to give our managers not only access to an expanding client base but an ability to apply their skills in a way to solve problems and objectives that our clients have.

We also have a very good investment risk team who generate challenging insights rather than just ticking boxes. I also look to opportunities for us to compare views across our investment teams and this process helps.

The last element I'd highlight is the time I spend looking at the shape of our business, identifying and filling gaps and upgrading teams where necessary. So, for example, on the last point of upgrading teams it's not something you do often but in the case of Emerging Markets we took the difficult decision last year that we had to make a change and we brought in Glen Finegan, which has been a great hire for us.

I hope that gives you an insight into why we're performing well and why we expect to continue to do so and I'll happily answer questions. For the time being I'll pass over to Greg to talk about flows.

Greg Jones, Head of EMEA Retail & Latin America

Thanks Rob. I'm delighted to report that Henderson delivered record quarterly net flows of £3.6bn in the first quarter and as Rob said I'll give you an overview on our client channels to add some sort of colour to that flow picture.

Starting with Retail where SICAVs were our top performing range with net inflows of £1.9bn, again a record quarter for that range. Just to remind you we sell our SICAVs to clients across Europe, including the UK, Latin America, US offshore, and Asia. And all four of those areas contributed to the growth of that SICAV over the first quarter.

As Rob said we've got excellent investment performance numbers right the way across our European Asset classes. So Equities, Fixed Income and Absolute Return and with QE we were well placed to benefit as clients increased their exposure to European assets generally.

In our UK Retail range we had a quieter start to 2015 which is consistent with the industry overall. Interest picked up with the announcement of QE and long-term trends in client demand remain intact. We still see clients in the UK searching for alternative sources of income, hence the continuing popularity of funds like Henderson UK Property OEIC and also the Henderson Strategic Bond Fund.

In addition we've seen increased interest in the UK Absolute Return Fund which has seen strong flows from clients who are a bit more nervous about choppier markets before and around the UK election.

Over to the US and our Mutual Fund range is doing extremely well and flows picked up significantly on the back of the announcement of QE backed by very strong investment performance for our three flagship funds which are European Focus, Global Equity Income and the International Opportunities Fund.

Our Retail distribution network is going from strength to strength, and in the last quarter of last year we were invited to join Morgan Stanley's Emerging Partners Programme and our funds became their top selling Mutual Fund family in the first quarter of this year, outstripping major household names, which is a great coup for us.

It's also great news that they've just cleared our US High Yield Opportunities Fund for sale across all of their platforms following a great two-year track record for that fund run by Kevin Loome and his team in Philadelphia. We believe this is a significant step towards us broadening our US offerings.

Last but not least Institutional where activity continues to be dominated by Fixed Income clients who are preparing for changes in the interest rate cycle. The £1.7bn UK Fixed Income mandate that Andrew announced at our full year results is now fully funded, but was offset by a UK Fixed Income mandate loss and the rebalance of an Enhanced Index mandate in Australia.

We also continued to see outflows from Geneva although at a more muted level than in Q4. As Rob has said Geneva performance has improved somewhat and we've now started to see some Small Cap RFPs coming in since the year end. So I believe there are some green shoots there. Mid Cap will take a bit longer to recover and while performance is good in a newly launched US All Cap strategy we'll need a couple of years to build a track record before we start getting client traction there.

More generally in our Institutional business, there were good levels of client interest in areas of strength for us - such as Absolute Return Bond, Unconstrained Bond and Multi Asset Credit. As Rob has said we're seeing good early progress with some new styles that we're developing but it is still very early days.

I'll be happy to take your questions shortly, but for now, I hope that's given you some colour on a record quarter of flows and I'll now hand over to Roger to talk about THRE.

Roger Thomson, Chief Financial Officer

Thanks Greg. We've announced today that we're going to sell our 40% interest in TH Real Estate to our joint venture partner TIAA-CREF in a transaction which is due to close on 1st June. So why are we doing this and why now?

TH Real Estate has been operating as a standalone business for just over a year, and in that time all parties have come to the conclusion that the best opportunity for THRE's growth would come from having TIAA-CREF as its sole owner.

The £80m sale price rewards Henderson and its shareholders for the contribution we've made to TH Real Estate before and after its establishment as a separate business. The cash proceeds of an estimated £110m, which includes the £80m sales proceeds, as well as the loan and debt repayments, and the sale of seed capital will significantly improve our cash position.

The natural time to pick up on the balance sheet and the beneficial impact of transaction is of course at our half-year results, when we'll be in receipt of the proceeds and are able to provide you with the June capital position and an update on how our thinking around capital is developing.

The last thing I'd like to mention and make clear is there is no change to our highly successful UK property OEIC, which is sub advised by TH Real Estate. It remains a core part of Henderson's product range.

And with that I'll hand you back to Andrew.

Andrew Formica

Thanks Roger. Just a few words in conclusion from me. I'm really pleased with the start we've made to the year, and we continue to be comfortable with how we're going so far in April. That said, I'm sure there's no need to warn you of the dangers of extrapolating in a straight line from here. We'll be very pleased to keep delivering flows within the 6% to 8% target range for new money growth that we've set out. And I'm delighted that we're running comfortably ahead of this so far this year.

One of my reasons to be cautious is that the outlook for markets remains pretty uncertain. I sense a lack of conviction around some of the crowded trades; there's a renewed focus on Greece in the coming weeks and also a lack of market friendly outcomes that we see from the UK election.

Closer to home, unrelenting regulatory pressures continue to be a concern and prey on our cost base. There's not a week that goes by without another regulatory intrusion. Apart from markets, regulations remains my greatest risk.

All of that said, we're clearly in a good place. We have strong business momentum, the investments we have made in our business are delivering good early progress and our flows remain comfortably ahead of the market.

I hope you've found it useful to hear some colour and context from Rob, Greg and Roger. And for now I'd like to open the call for any questions you have and one of us will be able to answer those for you.

Q&A session

Question 1

Simon Fitzgerald, Evans and Partners

Just really quickly I was wanting to get a little bit of an update in terms of the global equities capabilities, and more specifically in terms of inflows there. I understand that you've changed your disclosure there in terms of that but I was wondering if you could give a bit of an update there.

Greg Jones

In terms of the institutional flows they've been relatively static for Matt Beasley's offering. But global equities is a much bigger piece than that. So we've got things like global equity income where we are experiencing good flows, and global technology and global property securities where we're experiencing minor outflows year-to-date.

Simon Fitzgerald

But overall as an asset class in terms of European equities I was wondering if you could give us a bit of a sense of how that's going as well?

Greg Jones

Yes, European equities flows have been strong, I guess as you'd expect in a quarter with QE coming through. As Rob said, we've got strong performance in a variety of different investment styles here. So we're experiencing good flows in from the US into Steven Peak's European Focus Fund which is very different from the flows that we're experiencing in John Bennett's Pragmatic Fund or Tim Stevenson's Growth Based Fund or Nick Sheridan's Value Based Fund, which are coming from a variety of different sources. We're getting clients in South America, in US offshore, in the US mainland, in Asia, in Europe, all starting to increase their weightings to European equities. And this is against a backdrop of cash holdings on the continent itself still remaining at near 50% of liquid assets.

Simon Fitzgerald

Two other really quick ones. At the full year Henderson talked about the run rate being 55 basis points in terms of the mix change there. Any update to that?

Roger Thompson

That 55 was when we made the changes I talked about at the full year, things like the large fixed income mandate coming online, the property fund we bought. So most of that has now happened, so that 55 as a base will remain in place, as you've seen, with continuing strong retail flows, giving some upside risk to that number.

Simon Fitzgerald

Final question, just on the share scheme. Just given that the stock price has rallied so hard into this calendar year I wondered if you could give us just an update in terms of what impact that might have in terms of the cost line through the P&L?

Roger Thompson

Like you say, it's the national insurance on the stock schemes that come through. The strong rally in the share price between the end of the year and the first quarter does drive a significant, but probably mid-single digit figure million pound cost rise to our cost base. But that's a one-time effect, so we would take the full amount for the price rise. So it's not something that would continue to come through. So when I give you a number like I say is mid-single digit that would take us to the stock price where it is now.

<u>Question 2</u>

Hubert Lam, Morgan Stanley

A couple of questions. Firstly on institutional flows. What is your expectation towards institutional flows now this year, given the probably larger than expected outflows you saw in Q1? Should we still expect a low single digit percentage growth?

Also, what do you think would drive the stronger flows in institutional? Would it be the performance picking up, capabilities coming through etc?

Greg Jones

I think really we should just remember that institutional business is a lumpy business. If we look at our UK institutional business it's roughly £25bn in size. We expect a certain percentage of that business to be at risk every year. We never know whether the business that is at risk is actually going to leave us or stay with us.

Similarly on the upside we're also pitching for several new mandates on a quarter by quarter basis but we never know whether they're going to come in this quarter, the next quarter or not at all.

The sort of colour I could give you as a backdrop is to say that if I took the start of Q1 and I take the start of Q2 I think we're pitching for more; and I think our chances of winning more are higher than they were at the start of Q1. I think the business at risk book is still the same as it was in Q1 for the remainder of the year. So flat from here to mildly positive would be a good result for us I think.

Hubert Lam

Secondly a question on capital. With the sale of the stake in TH Real Estate when do you expect to achieve a robust position to return more capital? I think previously you said you expect a robust capital position by the second half of 2016. I assume that comes sooner now; I'm just wondering how much sooner, probably a year or so. I just wonder if that makes sense.

Roger Thompson

Hubert, at the end of the year we announced we had a regulatory surplus against a capital minimum of £44m, and the improvement due to this deal would be somewhere between the sale price of £80m and the total cash proceeds of £110m. So that would be the capital effect. So it's a significant improvement on top of the organic capital generation through the business. As I said, we will update you at the half year on the first half's organic cash generation, as well as the effect of this more one-off piece of capital.

<u>Question 3</u>

Bryan Raymond, Macquarie

I just wanted to go back to performance of the funds briefly. You went through most of those, although I don't recall alternatives as an asset class being called out specifically. I recall in December performance levels had dropped off on a one-year basis to around 61%. I'm just wanting to know how they're tracking now and whether we're seeing any material changes there.

Rob Gambi

I think Andrew at the end of the year mentioned to you that the one primary driver of where performance was at the end of the year was the UK property fund. And I think I mentioned that's actually done better in the first quarter, so that's why the alternatives number is looking better. Because the rest of the alternatives business is actually looking pretty good. It's doing what it was designed to do.

Andrew Formica

The alternative one-year number has increased from where it was at the full year, although we obviously haven't given in the numbers a breakdown to make up the one and three-year numbers. We tend to give you that breakdown at the half-year and full-year now, but the old positioning has been one of the drivers of the one-year number improving.

Bryan Raymond

And then you talked generally around the target of 6-8% net new money growth, and basing it on April, we've seen, I think, European equity flows come back a little bit from very strong levels, and I just want to know if that's something you're experiencing on a short-term? And I know one month is not a trend necessarily, but I just want to get a feel for the overall outlook there, particularly in Europe, but more broadly as well, April maybe versus PPP, if you can give any sensitivity there?

Andrew Formica

A couple of things, Brian. Firstly, the 6-8% is obviously the target that we have for the five years and we're clearly ahead of that in the first quarter and we continue to be ahead of that in April. Actually, April is not over yet, so going to even the month of April when we haven't finished is a bit tough. But it's fair to say we've seen very strong flows, particularly focused on Europe, since the announcement of QE in mid-January. That's continued into February and March, and April has seen really no discernible difference from what we saw there. We still continue to see our support for European assets, whether it's fixed income, our long/short ranges, or our equity ranges, which are supported by the European backdrop. I think Greg mentioned in his comment, we still see very high cash weightings in a lot of private client portfolios and that seems to be the big driver of money coming into the market and April is nothing different. I don't know what statistics you're looking at but from our perspective there's no real discernible difference to what we'd seen for the earlier part of the year.

Bryan Raymond

And then finally on Geneva, it's interesting to see more outflows in the first quarter, was that related to the same mandate, the same client that pulled the mandate in the fourth quarter? Because you did mention performance has improved a bit through those funds and I'm just interested in what the nature of the losses there in Geneva have been in the first quarter and is that of concern to you guys on a longer term basis?

Roger Thompson

You're right, Brian. In the fourth quarter we talked about one significant client who had redeemed, and we also said that there was a second part of that portfolio that we were retaining but was obviously at risk. That position is still there, and as we talked about, performance has improved, but obviously that's a decision that that client will make later this year. So the flows we've seen are more across the book, and, as Greg pointed out earlier, that is a slowing trend but we're still seeing outflows, but with performance improving we'd hope that that starts to turn.

Question 4

Peter Lenardos, RBC

Good morning gentlemen and two quick questions for you please.

First of all, what is the impact on the P&L of the disposal of the remaining 40% stake in the TIAA-CREF joint venture?

And the second question would be if there's any commentary you can give around the size, whether if it's a majority of the flows that were into UK equities in the first quarter? Thank you.

Roger Thompson

In terms of THRE contribution, we gave you a number at the end of last year, so for the nine months last year it was £2.6m contribution to our P&L. Obviously we'll own it for five months this year so it will be less than that number.

And then in terms of flows, the UK property fund remains significant, and as Greg's pointed out, that's a type of fund that is of significant interest to UK investors and is a pretty dominant part of UK flows into the OEIC range so far this year.

Greg Jones

Yes, and on UK equity flows more specifically, we're basically witnessing small outflows from our Alpha Fund and our Income and Growth Fund and we're getting quite significant inflows into our UK Absolute Fund, both in the OEIC structure and also the SICAV structure.

Peter Lenardos

Thanks, but in terms of European equities, was that the dominant asset class and would you say, it comprised over 50% of net inflows in Q1?

Greg Jones

Yes.

Andrew Formica

Or in total or in the UK equity range?

Peter Lenardos

No, I'm saying in total.

Greg Jones

Yeah.

<u>Question 5</u>

Anil Sharma, Morgan Stanley

Morning and thanks guys, two questions for me.

So the first one, just on the numbers on the finance line, I just wanted to try and understand, you've obviously got a debt instrument that's maturing in March next year and it's pretty expensive, from memory, over 7%. So I just want to get your view on that. If you were to retire that instrument, am I missing anything if I was to suggest/assume the finance cost goes to zero, or is there something else in there that I should be thinking about?

And then, Andrew, you mentioned about regulation and I just wondered if there was something new on the horizon which you're seeing or that we should be thinking about, or one or two topics in particular which you're focused on at the moment? Thank you.

Andrew Formica

I'll get Roger to answer the finance and debt piece and I'll pick up regulation after that.

Roger Thompson

So, as I said, at the year-end, we would expect to repay that debt when it falls due in March 2016 from cash resources. You're right, it's a 7.25% loan note and you should expect that to run to its expiry in March next year and then drop off and that cost would drop to zero.

Andrew Formica

And on regulation, is there anything new? No, it's just the constant stream that we keep seeing. I guess what you've seen since the full-year is continued discussion around whether asset managers are seeing this as systemically important. I'd hope that the discussion around that leads to particular asset classes or capabilities, such as direct lending, getting regulated differently rather than the asset management industry as a whole, but the discussion and debate is in infancy but isn't going away.

I guess the other big shift since the end of the year, as well, is the increased scrutiny by regulators on liquidity and markets, particularly in fixed income and credit markets. And again, I don't think there's any regulation formulated there at the moment, but it's definitely a topic for discussion and I think you're going to see that increase. Whilst we have a relatively small fixed income business relative to a lot of our competitors, it is clearly a big focus of regulators.

Adding on top of that, I think just the sheer amount of change we need to implement ahead of for MiFID II, I just think what you're seeing is not a let-up in regulatory environment but probably more an acceleration for the asset management industry, and I suspect it will be at elevated levels, not just for this year and next but probably for a prolonged period.

Anil Sharma

Okay, understood, and you guys gave pretty clear cost guidance at the full-year, and what you're saying, does this acceleration change any of that?

Andrew Formica

I think at this stage what we're trying to do on the first quarter is focus on the flows and investment performance and it's not a profit update. I can't answer that question today, because as I've mentioned, a lot of that regulation is just a discussion at this stage. If there is a change to what we've said we'll update you at the half-year. For now, I think our guidance remains pretty consistent with where it was. I'm just really flagging the two things that concern me from the business are market levels and regulatory costs that continue to be high.

<u>Question 6</u>

Arun Melmane, Canaccord

Thank you. I just have two questions. One on TIAA-CREF, could you just remind us what the AUM level is now? I had in mind sort of £3-4bn and I just wondered whether that would be the level of outflows that go out in H1 of this year?

And the other one was on UK flows, I just wondered are you getting a sense of how much of this is near term and how much of this is structural, given RDR and stuff in terms of how the flows are coming through, are we seeing just near term uncertainty in terms of the election actually reducing the level of allocation into the sector? Thank you.

Roger Thompson

Thanks, Arun. So the first one is quite easy. In terms of our 40% of the assets for THRE at the year-end was £5.6bn, so that is what we'll count as a disposal in our second quarter results. Obviously what will remain in our results is the slightly more than £3bn UK Property Fund, which is the Henderson Fund, so £5.6bn for our share in the joint venture.

Arun Melmane

And I should just take that off from institutional?

Roger Thompson

Correct.

Greg Jones

Arun, on UK flows it's difficult to say whether it's a trend or a short-term phenomenon. I think the anecdotal evidence is that uncertainty around the Election is slowing flows in the industry overall, so it's not just a Henderson issue, I think if you look at flows for the industry in January and February they were well down on the last quarter of last year. Part of that could be a subdued activity just because people are fearful of the Election outcome and are not sure about where to put their money. The other thing that's gone on which has sucked a big lump of liquidity out of the market is the Pensioner Bond, which I think has raised something like £7bn.

My reading on that is that if I look at our gross flows in the UK they're running at about the same level as last year, the turnover's been slightly higher, and the appetite is more towards absolute return strategies and income producing vehicles. I expect the absolute return bit and the income producing bit to continue. I think the other little bit of colour that we have there is in the UK we haven't benefitted as much from the QE experience into European equities because of Richard Pease's European Special Situations Fund which will be leaving us in June subject to a unit holder vote, and we've got some client uncertainty around whether they're staying with that fund or leaving that fund.

Arun Melmane

And can I just assume that margins are holding up in various things?

Andrew Formica

In UK Retail?

Roger Thompson

Revenue margins, you mean?

Arun Melmane

Yes.

Roger Thompson

Again, as we talked about at the year end there is obviously margin compression for the business. I don't think there is any change to our previous guidance of a basis point or so a year over the long run. We also talked about business mix in terms of working with more global distributors who obviously have pricing power, and the mix of business that we're selling, so we're selling products which generate lower fees because of the type of product they are. We need to take into consideration the mix of assets that we're adding. But in terms of fee compression then there is no change in the guidance of a basis point or so a year.

Question 7

Nigel Pittaway, Citigroup

Most of my questions have been answered, but just to pry a little bit more on the regulation. Andrew, you mentioned the amount of change required by MiFID II, just first of all checking that there's been no real change of what you expect the overall implication to be?

And then secondly, just more broadly on regulation, is that in any way sort of influencing what you're thinking about sheer capital target moving forward?

Andrew Formica

Firstly on MiFID II, I think when I was down in Australia I commented on the sheer volume of projects required to implement that fully. Nothing has changed on that. I guess one of the large debates has been the continued debate on whether our research can be paid through dealing commissions and that's still yet to be determined, we'll know more in June; but I'd say there remains a very strong risk that we're going to have to unbundle in that regard. Though if we do it's likely that there'll be an easier mechanism of how we can collect that through clients to have minimal impact for our own P&L. But that's still to be debated and something I think we're probably in a better position to give you guidance for at the half year.

In terms of looking at the regulation in a more general sense and what it might mean for capital, there's no change from what the regulator is doing at the moment, or in terms of how we would look at our ICAP and our regulatory requirement. Clearly they would be subject to change, but I don't see that happening in the short to medium-term. Some of the things I mentioned around systemically important or various types of asset classes, they're not even at consultation stages, they are just discussion in the industry, so if they were to come about they'd be quite a way down there. So it won't affect the regulatory capital base that we have to look at, though of course the regulator can put scalers on your capital position, we don't see anything changing our business that would cause us to think a significant change from where they already are.

And from a Board perspective, one of the reasons we have a buffer over any regulatory capital is to take account of where we see a situation, and nothing I'm saying today is anything different to what we saw or felt three months ago, so again I shouldn't expect the Board will be significantly changing its view when it actually debates formally the capital position they have.

Nigel Pittaway

Then maybe just on performance fees, I know you don't like talking too much about those that are quarterly, but obviously you've had this improvement in investment performance, the markets are up. Are there any other factors we should be thinking of when we think about performance fees?

Andrew Formica

We've seen the consensus numbers, I think that's as good or bad as anyone could hope, so they're quite sensible. I'd go with that.

<u>Question 8</u>

Scott Olsen, UBS

Just one question on the THRE sale. You commented earlier that both parties decided the best way to grow that business was just with the sole owner. Can you maybe elaborate in just a bit more detail on what the main impediments to growth were from that JV structure and why it was only given 12 months before you sold it down?

Andrew Formica

A couple of things on it. I think that one of the issues that we were seeing is the start-up cost then the ongoing cost of a separate business were higher than we probably anticipated a year ago, and you saw that in the numbers that we produced for last year and the guidance we've given for this year for that business. I think also TIAA have been a great partner to the business in terms of writing capital. From our perspective we've probably seen less of that capital driving growth with other clients, and we expect that that will come, but probably not in the short-term just given where clients are and the like. As you'll recall, they have the ability to purchase in the next couple of years 15% of the business, and as part of the discussions around that it really became apparent that the best for the business would be to wrap up exactly where the business would be for us to get a decent price, which we've got, and also for them to be able to integrate it more fully in other businesses. The North American business is quite separate at the moment, and as they started to work more closely together in terms of distribution agreements and working with their North American side, it was difficult with us being a reduced shareholder in there. So I guess in that sense it'll enable them to accelerate some of the plans they would have wanted to do that we may have felt were probably not in our interest in the medium-term but on a much longer-term perspective may be the right thing to do.

Concluding comments: Andrew Formica

Thank you all those who have taken the time to dial in today. In conclusion, the first quarter was a great quarter in terms of flows. We continue to be very comfortable with how the business is going. Notwithstanding some of the concerns over market deregulations I mentioned, Henderson is in a very strong position, as much fuelled by the investment performance which continues to strengthen at 86% for three years, is a fantastic position. Quantitative easing and the European position has clearly helped us as well. But we're starting to see the early signs that the new investments we made in teams and capabilities are at least contributing to investment performance and improving what we look at, and we anticipate that that will lead to flows in the quarters ahead. So it's a great place to be. We continue to work hard to deliver on our growth objectives and hopefully some of the questions that you had we'll be able to answer in more detail at the half year.

Finally, I did mention as well the reduced disclosure we've had as part of the trading update. If there are any comments on that feel free to pass them back to IR. Thanks a lot.