

**Standard Life Investments strengthens strategic position through acquisition of Ignis Asset Management**



26 March 2014



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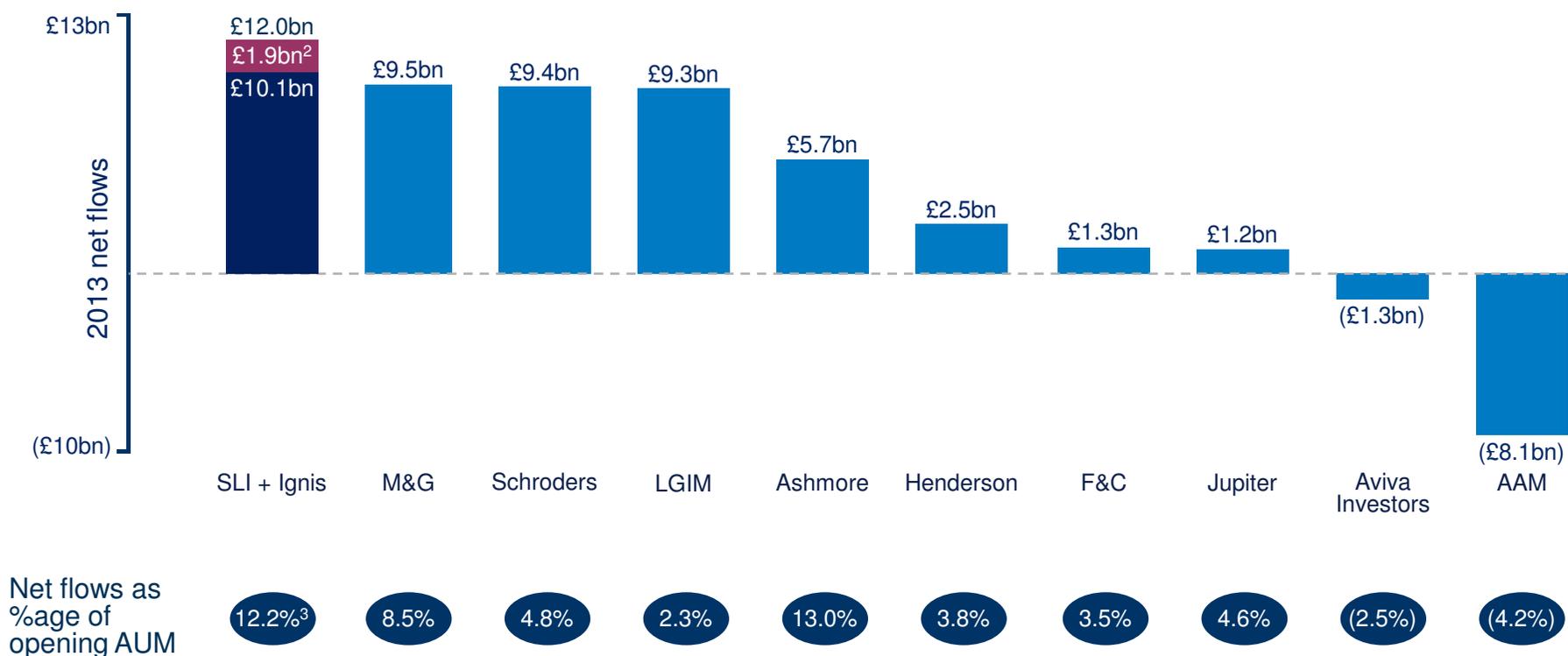
# Acquisition of Ignis Asset Management by Standard Life Investments from Phoenix Group<sup>1</sup>

- **Strengthens strategic positioning** of Standard Life Investments:
  - **Deepens** Standard Life Investments' capabilities
  - **Broadens** Standard Life Investments' third party client base
  - **Strengthens** strategic position in rapidly developing liability aware market
- Acquisition on **attractive financial terms**
- Total consideration of £390m with **price adjustment mechanism** in place to **protect value**
- Phased integration **focusing on client needs**
- Includes new long-term **strategic alliance with Phoenix**
- Subject to regulatory approval

1. Standard Life Investments (Holdings) Limited ("Standard Life Investments"), has entered into an agreement with a subsidiary of Phoenix Group Holdings ("Phoenix") to acquire its asset management business, Ignis Asset Management Limited ("Ignis Asset Management" or "Ignis")

# Complements Standard Life Investments' strong organic growth

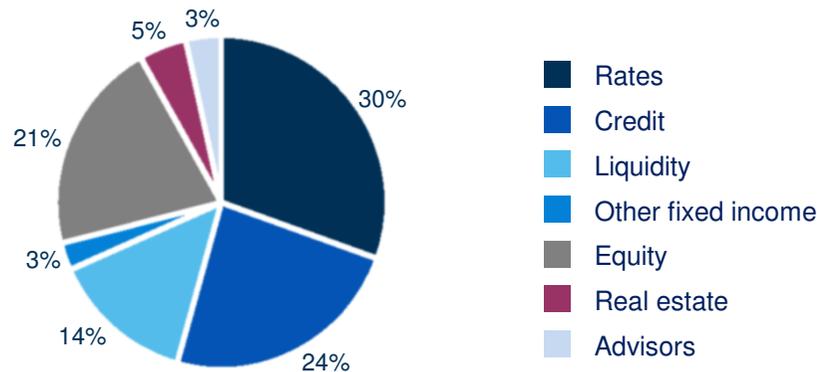
2013 third party net flows (total and as % of opening third party AUM)<sup>1</sup>



1. Source: Company reports and Standard Life Investments research  
 2. Including liquidity net inflows of £0.4bn  
 3. For Standard Life Investments only

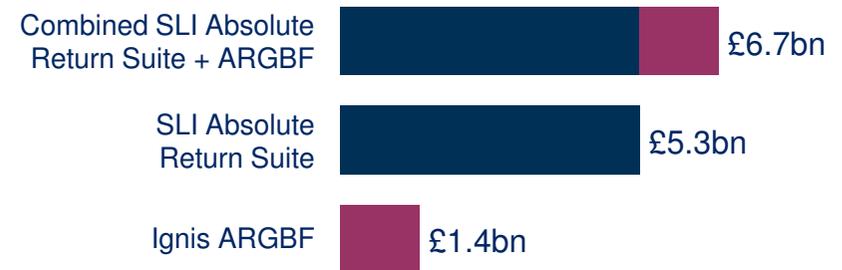
# Deepening investment capabilities

Ignis Asset Management AUM of £59bn by asset class<sup>1</sup>



- Enhanced capabilities particularly in government bonds and active management of liability overlays
- Complements Standard Life Investments' existing strengths in emerging market debt, credit and real estate
- Strong foundation for liability aware market offering
- Strong investment performance in 2013 with 85% of AUM above benchmark

2013 UK and Europe absolute return fund net inflows



- Ignis Absolute Return Government Bond Fund (ARGBF) complements Standard Life Investments' leading suite of absolute return funds:
  - Complementary investment process delivering above benchmark performance – annualised since inception 6.75%
  - Attracted £2.1bn of assets since launch in March 2011 to end of 2013
- Leveraging Standard Life Investments' global distribution capability

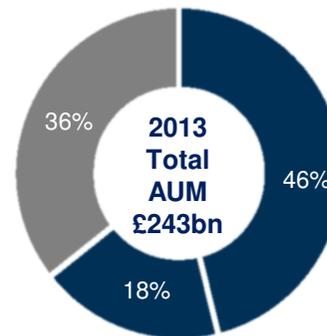
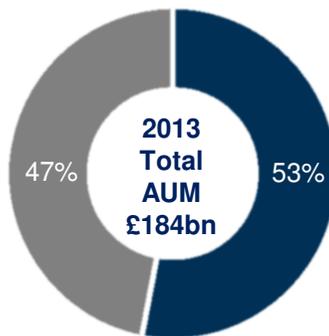
1. Source: Ignis management information as at 31 December 2013; excludes £6.8bn of securities lending collateral

# Broadening third party client base

## Standard Life Investments

## Combined with Ignis Asset Management<sup>1</sup>

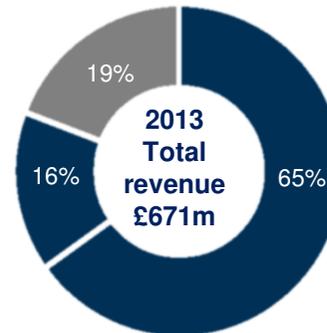
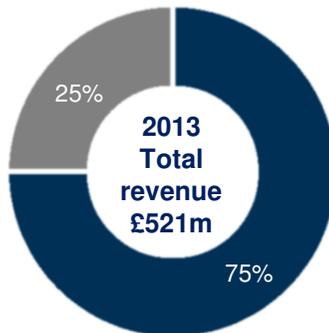
Third party AUM now  
64% of total



Third party AUM	2013 £bn	%	Change £bn
Third party	112	46	+15
Third party – Life books	44	18	+44
<b>Total third party</b>	<b>156</b>	<b>64</b>	<b>+59</b>

■ Third party AUM  
■ In-house AUM

Third party revenue now  
81% of total



Third party revenue	2013 £m	%	Change £m
Third party	437	65	+45
Third party – Life books	105	16	+105
<b>Total third party</b>	<b>542</b>	<b>81</b>	<b>+150</b>

1. Ignis Asset Management AUM excludes £6.8bn of securities lending collateral assets

# Strengthens strategic position for rapidly developing liability aware market

## Growing global market for outsourcing of insurance assets

- US\$1 trillion expected to be outsourced in the near future<sup>1</sup>
- Over US\$13 trillion of life insurance assets across Europe, US and Asia
- Growing trend for outsourcing to specialist investment management providers

## DB pension schemes locking in funding levels and de-risking

- UK and US schemes funding levels average 95% with further improvements expected (DB assets across UK and US >US\$9 trillion)
- Percentage of pension funds using LDI expected to increase from 57% to 87% in the coming years<sup>2</sup>
- Significant de-risking expected in near future

*“...asset owners expect increased investments in fixed income and alternatives, mostly at the expense of benchmark-tracking domestic equities. Notably, in the aggregate, asset owners expect no substantial increase in their passive portfolio exposure.”<sup>3</sup>*

## Enhanced expertise and capability in liability aware investing

- Five companies under long-term contracts with AUM of £131bn
- Ten insurance company mandates across five countries with AUM over £7bn
- Around £90bn of assets managed against liability benchmarks
- Leveraging Standard Life Investments' global distribution capability across UK, Europe, US and Asia

1. Source: Cerulli Associates; March 2014

2. Source: SEI; December 2013

3. Source: A Tailored Approach: Positioning to Outcome-Oriented Global Investors; February 2014; eVestment and Casey Quirk

# Value creation for shareholders

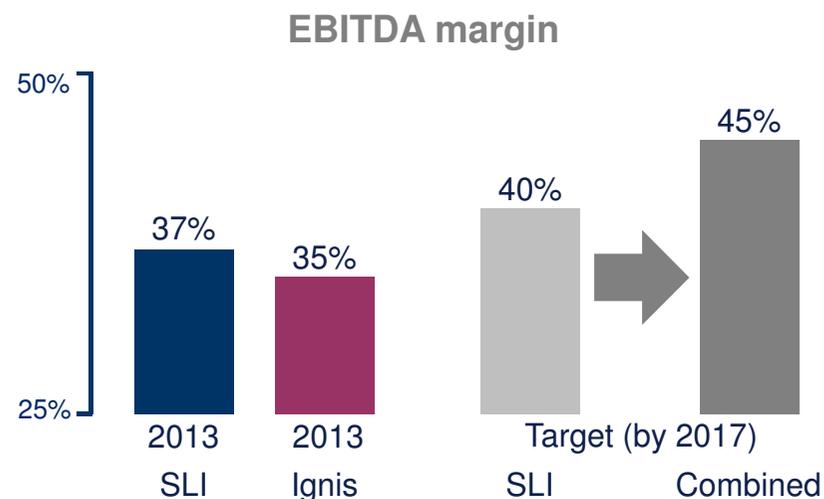
- Acquisition on attractive terms:

- Consideration for Ignis Asset Management of £390m including regulatory capital
- Consideration reflects a multiple of 2013 EBITDA (£52m) of 7.5x before synergies

- Material cost savings from integration:

- Expected to exceed £50m by third full year of ownership
- Will help accelerate Standard Life Investments towards new target EBITDA margin of 45%
- One-off costs of implementation c1.5x of ongoing annual cost savings

- Price adjustment mechanism provides additional protection



# Controlled integration focusing on client needs

- Business as usual for existing Standard Life Investments' business and clients
- Phased integration of Ignis Asset Management
- Protecting flows and maintaining strong client relationships

2014

Progressive migration into Standard Life Investments' brand and integration of investment teams

2016

# Strengthening strategic position of our global asset manager

	Total £303bn up £59bn	UK and Europe £261bn up £59bn	North America £35bn	Asia £8bn
<b>Standard Life Investments</b>	Strategic relationships	John Hancock, HDFC, Sumitomo Mitsui, <b>Phoenix</b>		
	Expanded client offering	Multi-asset, global, emerging markets, real estate, wealth, <b>liability aware offering for DB schemes and outsourcing of insurance assets</b>		
	Global reach	UK, Europe, US, Canada, India, Hong Kong, China, South Korea, Australia		
<b>Long-term savings distribution</b>	Standard Life	Standard Life	Standard Life	
	UK Multi-channel including retail, corporate and direct Germany and Ireland	Canada Retail Canada Corporate	Hong Kong Singapore Dubai	
			JVs HDFC Life Heng An SL	

# Summary

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