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ST. JAMES'S PLACE WEALTH MANAGEMENT

NEW BUSINESS INFLOWS AND UPDATE ON DIVIDEND PAYMENTS

St. James's Place plc ("SJP"), the wealth management group, today issues an update on new business inflows and funds under management for the three months ended 31 March 2020, as well as an update on dividend payments and the impact of COVID-19 on the business.

	Q1 2020	Q1 2019
	£'Billion	£'Billion
Gross inflows	4.04	3.61
Net inflows	2.37	2.18
Closing funds under management	101.67	103.52
Funds under management retention rate (full year)	95.4%	95.9%
Net inflows/opening funds under management (full year)	8.1%	9.1%

Andrew Croft, Chief Executive, commented:

"At the time of our full-year results announcement I commented that improved investor sentiment, following the UK General Election outcome, had driven an increase in activity across the business. This in turn has translated into first quarter gross inflows increasing 12% to £4.04 billion. With retention remaining very strong, net inflows for the period were up 9% at £2.37 billion, representing annualised growth of 8.1% on opening funds under management.

With the escalation of the COVID-19 crisis during March there was a sharp decline in global markets and this negatively impacted our funds under management, which closed the period at £101.7 billion. Given the nature of our unit-linked business model, where we match client liabilities with corresponding assets, our balance sheet is largely protected from these steep market declines and therefore our solvency position remains strong.

Although gross and net flows in April have been robust, albeit below the same month last year, 2020 is shaping up to be another challenging year. Whilst our business is resilient, we are not immune to how the unprecedented level of uncertainty may impact the operating environment for the business and our clients for the foreseeable future. It is therefore imperative that we have the ability and flexibility to continue providing clients with the quality of service they need through the Partnership in scenarios that have the potential to become significantly more challenging.

For this reason, and acknowledging the heightened regulatory sensitivity at this time, the Board has decided to withhold 11.22 pence per share, or around one-third of the proposed 2019 final dividend, until such a time as the financial and economic impacts of COVID-19 become clearer. This prudent judgement will ensure we are able to deal with such scenarios and protect clients, the long-term value of the business, and our proven ability to benefit from the growth opportunity that will undoubtedly emerge on the other side of this crisis. As a result, we will pay 20.0 pence per share as a second 2019 interim dividend on 27 May 2020 to those shareholders on the register as at the close of business on 11 May 2020. In addition, the Board confirms that it will be making one dividend decision relating to the 2020 financial year and this will be made in February 2021 at the time of our full-year results.

We have seen from past crises that if we look after our clients, advisers and employees, as well as our wider community, we will be rewarded in the future with increased goodwill, loyalty and retention. Looking ahead, the fundamental financial planning requirements of individuals remain considerable with the need for trusted financial advice continuing to increase, arguably even faster now given the uncertainty that prevails. At the same time, the availability of high-quality professional financial advice continues to be limited. The strength and resilience of our business model means we are well-positioned to meet the challenges ahead and take advantage of the opportunities for continued growth over the medium term. The ‘can-do’ attitude with which the business has set about tackling the changes that have been forced upon us is a credit to everyone within the St. James’s Place community.”

Further details, including an update on how the business is responding to the COVID-19 crisis, are included below.

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1. COVID-19 update

Corporate / operational

The speed of change to all our lives in March was incredible, with people and businesses having very little time to react and adapt to the new conditions. St. James's Place and its global outsource providers have demonstrated operational agility made possible by a strong 'can-do' culture throughout the business. We have been able to leverage our consistent investment in technology, making full use, for example, of Bluedoor to process business electronically and enable enhanced self-serve capability to Partner practices. We have also increased the pace of our digital communications, hosting regular adviser and employee-focused webinars and making extensive use of video conferencing facilities. Processes have been streamlined and simplified, all while maintaining safety, in order to facilitate remote working. As soon as the nationwide lockdown came into force, almost our entire employee base was able to continue its role effectively whilst working remotely. Our few remaining UK office-based staff are able to exercise social distancing.

Given the circumstances, we are exercising further discipline around the pace of business investment through the delay, deferral or cancellation of discretionary expenditure wherever possible.

Considering the environment in which we are operating, we consider it helpful for shareholders that we provide additional updates to the market on new business activity for each of April and May, with these announcements intended to be made on 27 May and 23 June 2020 respectively, ahead of our reporting half-year new business and financial results on 28 July 2020 as planned.

Our employees

The safety of our employees is paramount, so we have made significant effort to make sure we look after their wellbeing, focusing not on just their physical but also their emotional, social and financial wellbeing. We have therefore implemented several support initiatives, ranging from providing all staff and their families with access to a virtual GP 24/7, through to ensuring our Mental Health First Aiders are equipped to support our employees as required. We recognise that while the current crisis has necessitated physical distancing, this does not mean emotional distancing, so we have encouraged more frequent communication within our employee community as well as emphasised the importance of staying connected in these times.

The Partnership

The success and long-term value of our business lies in supporting strong long-term trusted relationships between advisers and clients. Advisers have also shown remarkable agility by using technology to ensure that engagement with clients has been constant, which is critically important during periods of extreme uncertainty and volatility. The intensity of this effort and the support and assurance that advisers are providing will continue to drive good outcomes and a positive experience for clients, the result of which should be continued strong retention. Supporting the Partnership of over 2,500 businesses and the more than 5,000 people they employ has therefore always been a priority, which is more important than ever given the operating headwinds that they may face.

The Academy and other recruitment activity

Our Academy operations have also adapted well. We have moved to online programme delivery and we are working closely with the Chartered Insurance Institute to try and ensure that participants have access to the professional examination sittings in the coming months. Given the current uncertainty and logistical challenges, we have deferred new entrants into the programme until later in the year.

In this environment, the pace of experienced recruitment activity will be impacted by social distancing measures, but we are working hard to adapt our practices accordingly. We have, for example, launched virtual insight sessions for prospective recruits, as well as an online Introduction to Wealth Management, which is an accreditation course for new joiners to the Partnership.

Clients

Across the UK and in Asia, our entire community of Partners, advisers and support staff have transitioned smoothly from routinely engaging in face-to-face relationships to those that can be maintained and cultivated remotely, with the use of technology and a wide range of support services provided by the Group. We have increased the pace of our client communications, whether direct or through the Partnership, providing relevant insights and information to help guide and reassure them in these uncertain times.

This focus on engagement is critical because our experience tells us that, amid such uncertainty, our clients draw great comfort from their relationship with their trusted adviser, through regular contact and communication.

Social Value

During these challenging times it is important that we remember the hundreds of individuals and small businesses with whom we have a relationship, including the charities that rely upon our support. The St. James's Place Charitable Foundation has been in discussion with the many charities it supports on how best it can help, either through advancing future commitments, allowing restricted funds to be used for unrestricted purposes, or providing further support.

It is important that we not only remember those charities who rely on our support through our Charitable Foundation, but also those who have such an important role to play in helping to support the response to COVID-19. Last week, the St. James's Place Charitable Foundation launched an appeal to support the efforts of two leading charities - National Emergencies Trust and NHS Charities Together - who are providing essential support to the front line. To support this appeal, the Board and Executive Board are donating 20% of their salaries or fees to the Charitable Foundation for the next three months. Coupled with the generosity of our community, this appeal has raised over £550,000 (including matched funding).

This fundraising will supplement the existing donation of £200,000 by the Charitable Foundation to the National Emergencies Trust and a donation of £50,000 to the Trussell Trust, which we have also supported through a £100,000 corporate donation.

Of equal importance to providing financial support, is providing the time and effort of our people, so during these unprecedented times the Company is allowing all employees unlimited volunteering days.

It is during such challenging times that the value of coming together as a community is most evident.

2. Financial position and dividend

St. James's Place operates with a prudent business model whereby client unit-linked liabilities are fully matched, meaning that we can honour our commitments to clients on an 'on-demand' basis in all circumstances. In addition, the relative simplicity of the business model results in a balance sheet and solvency position that is both prudent and robust, with the UK life company Solvency II ratio, following the planned payment of a £200 million intragroup dividend during the quarter, remaining strong in spite of market volatility. Group liquidity also remains strong. The net asset value on the European Embedded Value basis at 31 March 2020 was approximately 1,170 pence per share (cum div) and approximately 1,150 pence per share after allowing for the payment of the second interim dividend of 20.0 pence per share on 27 May 2020.

Our business is resilient, but we are not immune to how the unprecedented level of uncertainty may impact the operating environment for the business and our clients for the foreseeable future. It is therefore imperative that we have the ability and flexibility to continue providing clients with the quality of service they need through the Partnership in scenarios that have the potential to become significantly more challenging.

For this reason, and acknowledging the heightened regulatory sensitivity at this time, the Board has made a decision to withhold 11.22 pence per share, or around one-third of the proposed 2019 final dividend, until such a time when the financial and economic impacts of COVID-19 become clearer. This prudent judgement will ensure we are able to deal with such scenarios and protect clients, the long-term value of the business, and our proven ability to benefit from the growth opportunity that will undoubtedly emerge on the other side of this crisis.

In order to give effect to this withholding, the Board is therefore declaring a second 2019 interim dividend of 20.0 pence per share, equivalent to around two-thirds of the previously proposed final dividend, and withdrawing its recommendation to pay a final dividend. The second 2019 interim dividend will be paid on 27 May 2020 to shareholders on the register at the close of business on 11 May 2020. As a consequence of the above, the Board intends that Resolution 2 will not be put to the Annual General Meeting. A Dividend Reinvestment Plan (DRIP) continues to be available for shareholders, with all such elections to be made by 13 May 2020.

In addition, the Board confirms that it will be making one dividend decision relating to the 2020 financial year and this will be made in February 2021 at the time of our full year results.

3. Annual General Meeting (“AGM”)

Further to our announcement on 7 April 2020, and having taken account of the Government’s extension of the lockdown period until 7 May 2020 at the earliest, the Board has decided that, in order to ensure the health and safety of our shareholders and employees, the AGM to be held on 7 May 2020 will be held as a closed meeting and shareholders and their proxies will not be able to attend in person. Shareholders will still be able to vote by proxy using the usual online and postal facilities. Shareholders who have questions on the business of the meeting are encouraged to submit them in advance of the AGM by emailing: shareholders@sjp.co.uk. The Board will also consider providing shareholders with an alternative opportunity to engage with them at a later stage in the year.

4. Funds under management

Three months ended 31 March 2020	Investment	Pension	UT/ISA & DFM	Total
	£’Billion	£’Billion	£’Billion	£’Billion
Opening funds under management	31.22	52.84	32.93	116.99
Gross inflows	0.54	2.23	1.27	4.04
Net investment return	(4.23)	(8.11)	(5.35)	(17.69)
Regular income withdrawals and maturities	(0.07)	(0.35)	-	(0.42)
Surrenders and part surrenders	(0.36)	(0.32)	(0.57)	(1.25)
Closing funds under management	27.10	46.29	28.28	101.67
Net inflows	0.11	1.56	0.70	2.37
Implied surrender rate as a percentage of average funds under management	5.0%	2.6%	7.4%	4.6%

Rowan Dartington Group FUM was £2.32 billion at 31 March 2020, gross inflows were £0.13 billion for the quarter and outflows were £0.05 billion. SJP Asia FUM was £0.83 billion at 31 March 2020, gross inflows were £0.08 billion for the quarter and outflows were £0.01 billion.

Three months ended 31 March 2019	Investment	Pension	UT/ISA & DFM	Total
	£'Billion	£'Billion	£'Billion	£'Billion
Opening funds under management	27.62	40.72	27.21	95.55
Gross inflows	0.50	2.02	1.09	3.61
Net investment return	1.44	2.65	1.70	5.79
Regular income withdrawals and maturities	(0.13)	(0.28)	-	(0.41)
Surrenders and part surrenders	(0.28)	(0.25)	(0.49)	(1.02)
Closing funds under management	29.15	44.86	29.51	103.52
Net inflows	0.09	1.49	0.60	2.18
Implied surrender rate as a percentage of average funds under management	3.9%	2.4%	6.9%	4.1%

Rowan Dartington Group FUM was £2.49 billion at 31 March 2019, gross inflows were £0.14 billion for the quarter and outflows were £0.04 billion. SJP Asia FUM was £0.71 billion at 31 March 2019, gross inflows were £0.06 billion for the quarter and outflows were £0.01 billion.

5. Analysis of funds under management

The following table provides an analysis of the funds under management at 31 March split by geography and asset type:

	31 March 2020		31 March 2019	
	£'Billion	% of total	£'Billion	% of total
North American Equities	21.6	21%	21.6	21%
Fixed Interest	18.5	18%	18.5	18%
UK Equities	15.7	16%	18.7	18%
Asia and Pacific Equities	11.8	12%	10.8	10%
European Equities	11.6	11%	11.3	11%
Alternative Investments	9.1	9%	8.1	8%
Cash	7.5	7%	6.9	7%
Property	2.8	3%	3.0	3%
Other	3.1	3%	4.6	4%
Total	101.7	100%	103.5	100%

6. Gross inflow figures

	Unaudited 3 months to 31 March		
	2020	2019	
	£'Billion	£'Billion	
Gross inflows			
Investment	0.54	0.50	
Pension	2.23	2.02	
Unit Trust/ISA & DFM	1.27	1.09	
	4.04	3.61	+12%