AMP Full Year Results 2020
Analyst Briefing
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Introduction

Jason Bounassif: Good afternoon, and welcome to AMP's Full Year 2020 Results Briefing. My name is Jason Bounassif and I'm the Group Treasurer, and I'm responsible for Investor Relations. To my left sits the CEO, Francesco De Ferrari, and the CFO, James Georgeson, who will take you through the presentation. Thereafter, we'll have time for questions. If we're ready, Francesco, can we begin?

Presentation from Francesco De Ferrari

Francesco De Ferrari: Yes, we can. So, thank you, Jason, and good luck on your first official results. And hello, everyone, also from me. I hope you're all well and staying safe. It's a shame we need to do this virtually again, but we'll ensure there's ample time for discussion and Q&A at the end.

Today, we're going to cover four key topics. I'll start with a brief introduction, covering my highlights for 2020. And then as usual, I'll hand over to James to cover full year financials. I'll then walk through the tangible progress that we've made against our strategic agenda. And finally, take you through what we're committing to deliver this year.

So let me start with a brief overview of last year on slide 4. 2020 has had the complexity and challenges of three years all packed into one for AMP. Now, it has been a year that's tested both our professional and personal resiliency. But notwithstanding this backdrop, I must say that I'm extremely proud of the commitment and dedication of our teams and how they've shown up. We've faced both internal and external headwind and haven't let this distract us. But let me take you through my key highlights.

As I'm sure you're all acutely aware, we've been working through a portfolio review in the second half of the year. Now, I know you're all eager to be updated, so let me touch on this in a moment. 2020 financials have been significantly impacted by the extraordinary market conditions, with earnings depressed across all business lines. Revenue has been impacted by lower AUM, loan loss provisions and lower transaction and performance fees. But with a number of these impacts to be considered as on-offs. Our balance sheet is robust with capital and liquidity positions remaining strong. But let me leave the detailed financials for James to cover in a moment.

While COVID has had a profound impact, it is not distracting us from making material progress and executing on our transformation. We have delivered 90% of the initiatives we committed to at the start of the year when COVID was not even in the picture. Most notably, we executed the AMP live transactions, including one of the largest SFTs in Australian history. We've returned $344 million to shareholders. We've completed the first phase of our super simplification, renovated our core banking platform. And taken the first steps towards pivoting AMP Capital to the private markets opportunity that lies ahead of us. In the second half, we've also importantly regained momentum on our cost program. And launched a broad suite of initiatives to strengthen our culture. And all of this while staying true to our purpose and investing in our clients, employees and the broader community.

Slide 5 would be easy to skip over in the context of full year results. But acknowledging the difficult year we've all had, it's even more important for us to anchor back on what AMP stands for and why we're all here. This year we've prioritised the health and wellbeing of our clients and the broader community. Having helped them through servicing their mortgage, providing early access to super and even repurposing AMP Capital assets to COVID-19 testing clinics. Equally important has been our commitment to continuing to invest in our employees.

Finally, before I hand over to James, I want to take a moment to touch on the portfolio review we announced in the second half. Which I know you're all eager to be updated on. First on behalf of the board, let me reassure you of our commitment to AMP's strategic transformation. We categorically believe the strategy is the right one for our portfolio of businesses. But given the level of interest in our assets across the market, it is in our shareholders best interest to determine if there is an optimal ownership structure to maximise value.

And with that in mind, we've explored a whole range of options including the publicly announced Ares offer. As you've no doubt read in today's announcement, Ares have advised us they will not proceed with their offer to acquire 100% of AMP. We are however continuing discussions with them in relation to AMP Capital. And reviewing all options with the ultimate aim of finding the right setup to drive value for clients and super charge AMP Capital's growth ambitions.

Over the course of the portfolio review, we've also reaffirmed that our own transformation strategy for our Australia and New Zealand businesses derives the most value for shareholders. So, as a result we've concluded the review of those assets and will continue to drive our own transformation agenda hard. Now, as you can appreciate our portfolio is unique and consists of a wide range of diversified assets. Therefore, the portfolio review has taken time, but I want to reassure you it is not distracting us from delivering on our strategic transformation. Now, with that, let me pass over to James to take you through our full year financial results. James?

Presentation from James Georgeson

James Georgeson: Thank you, Francesco, and good afternoon all. As you're aware, we're reporting the results today against the backdrop of what has been a challenging year of market volatility and economic headwinds as a result of COVID. Fortunately, market and economic conditions appear to be looking more favourable as we begin this year. Today, you'll also see we've made a number of enhancements to our investor report, which provide enhanced disclosures. And move towards a more simplified and detailed reporting of our performance. Turning to slide 8, we show the full year 2020 profit summary where underlying profit is down 33% to $295 million.

The fall in earnings was largely driven by the impacts of investment market volatility and weak economic conditions, which had four main impacts. Lower average AUM across all businesses. Loan loss provisions in AMP Bank. Lower AMP Capital performance in transaction fees. And valuation impacts on our seed and sponsor investments in AMP Capital. Our bottom line result includes a number of non-recurring items, including the final results of AMP Life, the accounting gain on sale, and the recognition of all the remaining AMP Life separation costs. Taking all these into account, the bottom-line statutory result for the year is $177 million.

Moving to the summary of position performance on slide 9. In our Australian Wealth Management business, in the face of significant market volatility, remained focused on supporting our clients, simplifying our product offering, continuing the reshape the advice network and passing on pricing benefits to customers. Operating earnings of $110 million for the year reduced substantially compared to full year 2019, reflecting the COVID-related impacts on AUM. As well as the planned transformation actions we are taking. Approximately, two thirds or $50 million of the earning variance year on year is driven by lower average AUM and ongoing in pricing and mix changes. The other one third or approximately $30 million relates to legislative and regulatory changes including the impacts of the 'Protecting Your Super' legislation and the removal of grandfathered commissions.

Average AUM was down 5% from full year 2019, reflecting lower markets, and $8.3 billion dollars of net cash outflows. The advice network reshape activities did not have a material impact on outflows. The net cash result, net cash outflow result of $8.3 billion for the year compared to $6.3 billion of outflows last year. However, the full year 2020 result includes $1.8 billion from the early release of super. And a further $1.8 billion of outflows from lost corporate super mandates. So adjusting for those large on-off impacts, underlying cashflow performance has improved period on period. However, we expect cashflows to continue to remain in net outflow in 2021.

Pleasingly, AMP's flagship North platform continues to perform well with net inflows of $3.7 billion in 2020. And AUM surpassing $50 billion, up 9% on full year 2019. Total revenue margins declined as guided to 73 basis points. A nine basis points reduction from last year. The movements reflect approximately six basis points from normal business conditions. Being four basis points from product and mix and volume changes. And two basis points from pricing and SFT impacts. And three basis points from legislative and regulatory impacts. Being two from the 'Protecting Your Super' legislation, and one from grandfathered commissions. We expect revenue margins to decrease by approximately eight basis points in full year 2021. This reflects the Phase 2 of the simplification work to be implemented mid this year.

We're starting to see good traction on the cost out program with controllable costs for the year $22 million lower. This largely reflects the impact of the cost savings achieved as part of the overall work. As we continue to transform the business, full year 2021 operating earnings for Australian Wealth Management are expected to be at a similar level to full year 2020 as ongoing margin compression is offset by efficiency savings within the business.

Moving to AMP Bank, which has performed well given the backdrop of COVID and a period of intense competition. Despite the headwinds and challenges, we completed the Bank platform refresh at the end of 2020. A key strategic enabler for the Bank, positioning it for growth. Operating earnings of $119 million were down 16% on full year 2019, following the recognition of $24 million of after-tax additional loan loss provisions in the first half. Reflecting the macroeconomic outlook post-COVID. Given the market conditions through the most of 2020, we adopted a conservative lending and liquidity position. And as a result, we saw a slight reduction in the loan book as we focused on maintaining credit quality. Accordingly, variable and controllable costs were flat across 2020, after adjusting for the loan loss provision in the first half.

Pleasingly, arrears rates were favourable against full year 2019, across both the 30- and 90-day categories. We're continuing to monitor these as government support begins to unwind. And as at the end of January, 90% of our clients under the repayment pause had now resumed repayment. Pleasingly, deposits grew strongly, increasing $1.7 billion across the year. However NIM reduced 10 basis points from last year, reflecting the intense competition and higher funding costs.

Looking forward, we're seeing a more positive growth outlook into 2021, with a strong mortgage pipeline in Q1. And we also expect funding costs to improve into 2021, but for revenue margins to remain pretty competitive. Accordingly, the Bank continues to target double digit earnings growth over the medium term.

Turning to slide 10, AMP Capital results were down with full year operating earnings of $139 million. A reduction of 32% period on period. The main impacts were from lower average AUM, lower performance and transaction fees, and seed and sponsor evaluation impacts. Average AUM decreased $4.3 billion to $193.8 billion. AUM-based management fees reduced by four percent but proved resilient despite the challenging economic backdrop. Non-AUM-based fees decreased significantly in the year, reflecting infrastructure and real estate commitment fees, which decreased $34 million to $96 million.

Performance and transaction fees also reduced by $33 million, as one-off gains in the prior periods were not repeated. And the COVID related impacts affecting underlying asset exposures, particularly to international airports, had an impact this year. Performance fees are expected to be volatile as the business transitions towards closed-end funds. Seed and sponsor income was also impacted in 2020, with the revenue dropping from $39 million to $6 million. Much of the valuation losses in the first half have now reversed in the second half as the economic outlook has improved.

Controllable costs in AMP Capital were down 1% from lower employee-related costs. As well as a reduction in other expenses such as travel. Full year 2020 also includes retention and other actions we took to lock in key investment talent. Whilst this period was impacted by subdued performance fees, AMP Capital is well placed to take advantage of future market opportunities, with $4.1 billion of committed capital yet to be deployed, and a strong pipeline of future fundraisers, including our latest fund, which is currently in market.

External net cash outflows were $1.7 billion for the year, with positive flows across our infrastructure and debt capabilities of $2.4 billion, and real estate inflows at 0.7. This was offset by $4.8 billion of outflows across our public markets business.
New Zealand Wealth Management's operating earnings was down year on year, as average AUM levels fell from both market volatility and the closure of two legacy products. In addition, cost sharing arrangements with AMP Life ceased, which also had a small negative impact. We expect 2021 New Zealand operating earnings to be broadly in line with 2020.

Turning to controllable costs on slide 11. This chart outlines the controllable cost movements across the year, which shows an overall 18% decrease, adjusting for the removal of AMP Life and one off COVID costs, costs were down 2.5% on last year.
The key movements include $72 million of cost of that achieved in 2020, reflecting the flow-through of last year's activities, as well as in-year activities. This has been offset by $51 million of other cost increases, including $20 million related to regulatory and insurance costs. There was an $11 million one-off impact from COVID related items, including additional client servicing costs and technology infrastructure investments to support remote working. As I mentioned at the half year, the combination of COVID and the AMP Life sale meant the cost out program was slower in the first half, but we accelerated our activities into the second half, and have good momentum into 2021.

Over the page on slide 12, we outlined the progress on our cost out program. We continue to remain committed to delivering $300 million of gross annual cost savings by the end of full year 2022, the net benefit to flow-through is still expected to be $200 million, with $140 million emerging and controllable costs, and $60 million in variable costs. In 2021, we expect to deliver $130 million of incremental cost savings, $30 million in variable costs, and $100 million in controllable costs, ex-AMP Capital. We've already made good progress on this front, with approximately 50% of the 2021 year target already achieved. As a result, we expect overall controllable costs ex-AMP Capital to be approximately $775 million in 2021.

Turning to slide 13, which shows the key items reported below underlying profit. The key items of note include the completion of the AMP Life sale in the first half, which resulted in an after-tax gain of $299 million. There was a small net wash-up recognised in the second half. The AMP Life separation costs of $208 million, recognised at 30 June, represent all of the residual program costs as required by accounting standards. Accordingly, there was no change in the second half. The risk management governance and controls program continued with $15 million incurred in the second half, bringing the total spend for the year to $29 million. This brings us to the conclusion of this program, and any ongoing costs will appear in the operating earnings of the business lines.

Transformation cost outspend was $38 million in the second half, taking the total spend of the year to $51 million, relating to realise cost improvements and program related costs. As mentioned earlier, the cost-out program work was accelerated in the second half. As reported at the half year, there were impairments of $32 million recognised, which reflects the continuing advice network reshape activities. There were no further adjustments in the second half. Other items of $22 million in the second half, primarily reflect the cost associated with conducting the portfolio review.

On slide 14, we show the latest position on our client remediation program. Pleasingly, significant progress has been made through 2020, with the program hitting its 80% completion milestone by the end of the year. We continue to make good progress with the inappropriate advice component of the program 97% complete, and the fee for no service components 80% complete for active advisers, and 45% complete for inactive advisers. We now expect the program to be complete by the first half of this year. Changes to the provision in the second half reflect lost earnings of $14 million, which I recognised at each period end. There have been no other changes to the overall program estimate in the second half.

However, during the half, we did recognise $30 million for costs relating to isolated legacy advice matters, which do not relate to the broader fee for no service, and inappropriate advice programs of work. As previously disclosed, no insurance recoveries have yet been recognised, and we're continuing to progress all recovery options.

Slide 15, we show the capital movements in the second half, the surplus capital is in a strong position at 31 December, with a $521 million surplus. Through the second half, surplus capital decreased by approximately $900 million, predominantly due to the payment of the Ten Cent special dividend, and reacquiring MUTB's 15% stake in AMP Capital. The previously announced $200 million buy-back remains on pause pending the completion of the portfolio review.

The remaining surplus capital will be used to invest in the transformation strategy over the next two years, and continuing to support the growth of AMP Capital and AMP Bank. We are currently holding additional capital above our requirements, and accordingly the board has resolved not to declare a final 2020 dividend. The Board is committed to restarting the Group's capital management initiatives, including the payment of dividends, share buy-back, and other capital initiatives in 2021. This is subject to the completion of the portfolio review, market conditions, and business performance.

On slide 16, we show the capital position as at the end of December. Shareholder equity has decreased by approximately $600 million since the full-year 2019, reflecting the impacts of the payment of the special dividend and the reacquisition of MUTB's 15% stake in AMP Capital. Undrawn facilities have reduced from $750 million to $450 million, following the completion of the AMP Life sale. Gearing is up in the year, however, we expect this to reduce in 2021, as we look to reduce corporate debt with the proceeds from the Life sale.

So recapping on the full-year 2020 results. This year saw an unprecedented environment with market volatility and challenging economic conditions impacting the performance of all business units. This impacted AUM-based revenue and Australian wealth management, and performance and transaction fees, and seed and sponsor valuations in AMP Capital. Loan loss provisions and intense competition has impacted AMP Bank. However, the loan deferrals are almost fully back to repayment terms, and the future economic outlook and mortgage growth opportunities look more promising into 2021.

We're making good progress on the cost out program, with good momentum heading into 2021, to achieve the $130 million of cost-out required this year. Our client remediation program has made significant progress, hitting its 80% completion milestone, and we now expect the program to finish mid this year. AMP's well capitalised, and remains in a strong position to continue investing in the three-year transformation strategy. I'll now hand back to Francesco, who will update you on the progress we're making on delivering the strategy.

Further Presentation from Francesco De Ferrari

Francesco De Ferrari: Thank you, James. Now while it's clear, as James illustrated, that the 2020 financials have been impacted by the extreme market conditions, moving on to this section, I must say, I'm really pleased with the execution momentum that we're generating. But before I jump into the actual progress of our strategic delivery, let me take a step back with an overview of the go-forward portfolio, and where we are in our overall three-year strategic journey. On slide 18, our ultimate goal of 2020 has been to refocus our portfolio of businesses to a higher growth and higher return profile for shareholders. We've divested AMP Life for New Zealand Wealth Management, and pivoted AMP Capital efforts more towards private markets.

On this slide, we illustrate for the first time our strategic partnerships, and the role these investments play in diversifying and enhancing shareholder returns, recognising we have around a billion of capital deployed in them. At a very high level, there are three levers on the bottom of the slide of long term shareholder value creation. First, will be the shifting of allocation of capital to higher returning assets. Second, disentangling the complex 170 year value chain of AMP, in order to enable operational efficiency and better management of costs, and third, building an inclusive and high-performing culture. Executing on these three levers in harmony is critical to the reinvention journey.

Now, we've always positioned this as a three-year endeavour, so let me remind you of where we are on this transformation journey on slide 19. With all transformations, there is a dynamic element. So we've evolved our strategy to adapt to the changing market environment. And we've slightly adjusted some of the deliverables for years two and three. But we're not slackening on the pace of change, 2020 our first year, has really been focused on laying the foundations and doing a lot of the operational heavy lifting behind the scenes, allowing us to truly simplify our portfolio. The benefit of these activities will emerge in future year P&Ls. This year, we'll be focusing on strengthening the individual businesses and making sure they're all set up to win in their respective markets.

And finally, 2022 will be the year where we can really start to see the transformation take shape. So we'll be focusing on scaling each business and driving momentum. So with that, let me report on how we fared against the commitments we made to you at the beginning of last year. Now you've heard me say this before, notwithstanding the challenges and distractions we experienced, we've delivered 90% of our in-year objective, which is a true testament to the resiliency and execution capacity of our teams. And we're making good headway on the two objectives, where we've only partially met our commitments. As flagged at the half given COVID, we had shifted our guidance on costs in order to support clients.

So while we overachieved on our revised targets, we did fall short of our original cost target. But we've made up ground in the second half, which gives me confidence, as you heard from

James, to reconfirm our three-year, $300 million cost out ambition. And we have more work to do to strengthen our corporate culture. Let me take you through the priorities one by one.

First, to Australian Wealth Management and an update on the four key commitments there. But we before we kick off, let me take a moment to welcome Scott Hartley to the team. Scott's an exceptional leader with significant experience in the wealth industry, having been the CEO of Sunsuper, where he drove a multi-channel strategy and grew the business to the fourth largest super player in Australia.

Scott has an ambitious agenda for the AMP Australia business, so we're really excited to have him on board. With that, let me turn to reinventing advice on slide 22. Now you're all aware of the significant challenges and disruption this industry is facing. Recognising the importance of our aligned adviser, we've been focused on supporting them through this transition, with the objective of arriving in a more productive and compliant business. Pleasingly, our advice reshape program is now 75% of the way through, and we aim to complete it in 2021. We're also happy to see our AUM per practice growth 42% year on year, which is a key metric for the sustainability of our business. The necessary migration of clients to annual agreement is also progressing at pace, and that's another objective we plan to deliver this year ahead of legislation.

Setting up for the future, we've begun a material restructure of our director-client channels through the establishment of a multi-channel client proposition, and launching inter-fund advice for super members. We'll continue to accelerate our efforts in the director-client space with the objective of ensuring affordable advice for all Australians. Moving to the best in class super business on slide 23. Now we fundamentally believe the Australian superannuation industry needs a retail super sector. And we're committed to redefining our proposition to take a leading position here. To do this, we've been working on ensuring our business is set up to thrive, having not just size but also scale, and the ability to meaningfully lower, therefore, the cost to serve.

Today we've delivered the first phase of our product simplification program, reducing master trust products from 70 to 11, and removing all grandfathered commissions returning $120 million of annualised benefit to members. The last piece of the puzzle here is finalising the end to end up business setup, with our transfer of our multi-asset group from AMP Capital to Wealth Management, which we aim to complete this year. Now we've made material strides forward in the super space and you'll continue to see further progress this year, as we face into compressing margins, as you've heard from James, and prepare for your future, your super legislation.

Moving to our platform business on slide 24. I fundamentally believe North is an undervalued asset than our portfolio of businesses. It is a platform of over $52 billion, and growing at 20% over the last five years. North boasts a top three position in terms of market shares in the platform space. Our overarching strategy for North is clear, we're opening up from a captive business, to a business that's able to compete head-on with a new market entrance. And our significant tech investments are critical to supporting our growth ambitions. Now looking to the bank on slide 25. While this year's growth has been impacted by macro-economic factors and an increasingly competitive market landscape, our bank does show an enviable return on capital and cost to income ratio comparative to peers.

As a testament to our execution capability, the bank team has successfully completed this year the renovation of our core banking platform system, on time and on budget, which honestly is the first time I've seen such a major re-platforming tech exercise project hit these milestones in the banking industry. It's also comforting to see in our efforts to expand our direct client base, the success we've had in raising retail deposits, delivering 12% year on year growth. So I'm sure you'll all agree, the bank continues to be a great asset which we plan to return, as you've heard from James, to double digit earnings growth.

Turning to slide 27, on our New Zealand Wealth Management business. As you know, over the course of the first half, we decided to retain our New Zealand franchise which also has a competitive return on equity and cost to income. Since then we've been focused on taking the necessary steps to capitalise on our leading position and reset the business on a growth path. The New Zealand team are very focused on the key actions required to deliver this, which include completing the localisation of the end to end business, migrating to a new investment management setup, and seeking further consolidation opportunities through the acquisition of advice practices into our market leading advice first division.

Moving to AMP Capital. From a leadership perspective, we've welcomed David Atkin to the team at the end of last year. David joins us as deputy CEO of AMP Capital on an interim basis, and brings with him extensive experience in the investment management sector, having tripled funds under management during his time at Cbus. And with a proven ability to lead and implement cultural change. Before we drive into the detail of the AMP Capital section, it's really important to recognise the macro economic trends impacting the investment management industry today. The extraordinary level of government stimulus around $14 trillion, coupled with historically low interest rates, has led to a significant increase in money supply and market liquidity, a correlation of listed assets prompting the search for yield and defensive exposures, and real asset valuations remaining relatively buoyant.

At the same time, the focus on sustainability is an all-time high, as the world reflects on higher order issues. Recognising this, our strategy for AMP Capital to be a leader in private markets is absolutely the right one. Now, let me turn to the progress we've made starting with our flagship infrastructure division on slide 29. Despite the impacts of COVID, our private markets performance remain relatively resilient with our majority of our infrastructure, debt and equity from outperforming benchmark over three years. This year, we've committed and deployed over $5 billion of capital into high quality infrastructure assets, and importantly for the success of our closed end funds, we've also demonstrated our ability in divesting assets with exceptional returns realised for our investors on our three main divestments for the year.

We've also restructured our distribution arm, consolidating international teams into a single function to support capital raising in the future. Our real estate business has also proved resilient, with 72% of our assets outperforming benchmark. As you can all appreciate, it's been a really challenging year for the sector. And our teams have remained focused on supporting tenants through COVID, while sustaining our development pipeline and progressing our important sustainability agenda.

Turning to public markets on slide 30, and first on our multi-asset capability. As I've already spoken about in order to create an end to end super division, we will transfer a multi asset group to AMP Australia and renovate the function to improve efficiency.

This will provide our super division greater control over the required simplification activity, and is the last piece, big piece in disentangling the value chain across our top level of businesses. Our global equities and fixed income business have demonstrated exceptional performance, with 94% of our funds under management exceeding benchmark over three years.

Now, as we've said, in August, there is an opportunity to commercialise this great track record and investment management with the right strategic partner. And we'll continue to explore partnership opportunities in order to maximize shareholder value. Shifting now our focus from our P&L divisions to our overall Group. Getting to the right shareholder outcomes requires a rethink of how we operate.

Now you've heard me refer to this as disentangling the value chain to create a simpler and leaner business. On slide 32, you'll see that we're well advanced in establishing end to end businesses with discrete P&Ls. And as James pointed out, continuing to improve our financial disclosures. We remain focused on materially reshaping the cost base. And while we've fallen short of original cost-out target, I'm extremely confident in our ability given progress in the second half to deliver against our overall transformation commitment.

On risk management, we completed our two-year, $100 million investment to materially upgrade our ability to manage risk and embed internal controls. This one-off program is effectively complete and we're folding these activities and expenses back into BAU. Now, I've touched on the ambitious agenda we've set out for ourselves in 2021. But we won't be able to achieve this without strengthening our culture and fostering an inclusive high-performing environment.

Moving to slide 33. Acknowledging the events of last year, we've launched a broad-based set of initiatives to improve inclusion and diversity in service of high performance and strengthening accountability, and most importantly, ensuring AMP remains a destination for talent. Now, while we've made material progress, our transformation remains an ongoing journey. In the spirit of accountability and transparency as we did last year, let me be very clear on the 10 key deliverables that you can hold me and the executive accountable for this year.

On slide 35, in Australia, we are going to complete the advice reshape and the next phase of super simplification. We're going to double down on North and regain momentum in the Bank. In New Zealand, it's about localising our business and repositioning for growth. For asset management, we're accelerating the expansion of our leading infrastructure capabilities and working through the industry disruption faced both by real estate and public market businesses.

On a group side, we're going to deliver $250 million of cost savings and as James said, see more drop to the bottom line, continue our efforts on culture, and kick off the share buyback and paydown corporate debt. So we've set ourselves another ambitious agenda for 2021, and we'll keep you updated as usual on the progress.

So in summary, 2020 financials have been impacted by the extraordinary market conditions with depressed earnings across all business lines, but really impacted by a number of one-offs. Through this uncertainty, we've retained a strong capital and liquidity position. We've also generated execution momentum against our strategic transformation having delivered 90% of our priorities and laying the foundations for future growth.

2020 has been a huge year for our organisations. The way our business and teams responded in the face of all the adversity leaves me extremely confident in our ability to deliver on our broader transformation program. So with that, Jason, I had it back to you for Q&A. Thank you.

Q&A

Jason Bouassif: Thank you, Francesco. And, James, we have a number of questions, so if you can please limit your questions, and we will try and come back to you at the end. If we're ready, I think we'll begin.

Moderator: Thank you. Your first question comes from Andrei Stadnik from Morgan Stanley; please go ahead. Andrei, do you have yourself on mute? Please re-join the queue. Your next question comes from Matt Dunger from Bank of America; please go ahead.

Matt Dunger: Thank you very much for taking my question. If I could just ask about the remediation which you're talking to being 80% complete, but you made $77 million of payments in the half on the $603 million starting balance. Could you comment on why the payments are so slow and the potential that you don't fully utilise this provision?

Francesco De Ferrari: So, thank you, Matt, for the question. In terms of the remediation activity, we've always quoted the completion as being the activity that's required to prove whether we effectively need to repay clients or not. And so when you look at inappropriate advice, and we talk about 97% completion, it is of the single instances where we believe there could've been inappropriate advice provided. If we look at fee for no service, it is on the total number of fee for service that we're analysing throughout a multiyear period.

Now, once all this activity is done, the files are reviewed and we reach a determination, that is when we effectively end up paying the clients. So we've said from the beginning the payments of a program like this tend to be back ended. And we aim to complete the program, and we're on track to complete it, by the first half of this year.

Matt Dunger: Great. Thank you very much. And if I could ask, on the dividends, you're flagging recommencement of dividends, potentially, in FY21, does this imply a look through the $320 to $460 million of investment that you've flagged, given your payout ratio is based on reported NPAT?

James Georgeson: So, Matt, on that point, I guess, some of the incremental – of the transformation spend that we highlight right at the back of the pack on slide 51, a range of that spend is already included in our, I guess, our operating earnings or our run rate numbers. And so it's not incremental to our, I guess, our P&L. We would see the investing for growth categories already baked into our control of costs and our earnings. And, similarly, the de-risking of business spend is either built into controllable costs or within our capital forecasts. And the realising cost improvement is that below the line spend which is the point you're making around the look through.

We'll review in the first half what is the best way to return the surplus capital we have to shareholders. We obviously have $520 million as at the end of the year, and 200 that was obviously put aside to recommence the buyback as soon as the portfolio review was completed. So I think you should think of the 320 to 640 as a range of that is already included in the earnings and capital numbers, and so wouldn't necessarily be a straight deduction from bottom line earnings.

Matt Dunger: Thank you very much.

Moderator: Thank you. Your next question comes from Kieren Chidgey from Jarden. Please go ahead.

Kieren Chidgey: Good afternoon, guys. A couple of questions if I can; firstly, Francesco, on the reshaping of the advice, you said you're 75% of the way through that. I'm just wondering if you can unpack that in a little bit more detail in terms of whether or not there's further practice exits to come, and also where you are in terms of investing into new owned advice business.

Francesco De Ferrari: I'm happy to, Kieren. You said you had a second question, or should I go now?

Kieren Chidgey: I've got a second question for James around some of the fee pressure, but I'll come back to that.

Francesco De Ferrari: So on the advice reshape, let me first state the objective. Our ultimate objective having gone through disruptions like this in similar industries before is really about having a resulting outcome where advice practices can be profitable, compliant, and professional. That requires practices to have a certain scale. And that's why as we looked at the reshape program, we've been really giving our smaller practices, typically, where you just have one authorised rep, the possibility to either sell our business back to us or to effectively merge with a larger practice.

Ultimately, we believe that the best sustainable business is for larger, better quality practices that can help coinvest with us in developing the business. And that's why we are now starting to track our average AUM per practice and how much that changes. And you would see, if you go to page 30 of our investor report, how effectively the number of practices has come down faster than the number of advisers.

When we talk about 75% of the way there, that is the fact that we've screened all the practices based on their current P&L, the quality of the advisers, and their implied sustainability to make it through a transition like this. And we've engaged them all in partnership on the choice that they could apply. And so as you can imagine, each one of these transactions is like doing a mini M&A. So we've gone through hundreds of these transactions last year. That's been a significant effort. When we say we have 25% to go, it's of the number of practices that are still in the pipeline to be executed on this year.

Again, we aim to close this activity this year, so we can start looking forward. Once we have a stable and professional advice, a network, and sustainable, we can start thinking about growing it.

Kieren Chidgey: The investments into new Advice business, has that been largely on hold until you're through that process?

Francesco De Ferrari: Yes. And I think they've been really marginal. We do take equity position in some advice practices as James would have said in the past. There's a way to help them transition. Sometimes, we buy the books, sometimes, we put equity in the practice. So we have a range of options in working with our advisers through some of this disruption.

James Georgeson: Yes. And, Kieren, you're right. It has been reasonably subdued through 2020. We have found that we've been able to on-sell more practices than we were expecting to buy, although, sometimes, we have taken part-stakes to partner with an adviser or a business in that way, but, generally, been more subdued than we were expecting.

Kieren Chidgey: Thanks. And a second question, James. Just on the Australian Wealth Management's fee outlook, you mentioned eight basis points of fee pressure for '21. I'm just wondering if you can give us a feel for the composition between mix and repricing. And on the repricing, I think you might have said that occurs midyear. So should we be thinking about a similar sort of eight basis point headwind into the '22 year.

James Georgeson: Well, that's right. So Kieren, of the eight that we're guiding to in 2021, a little over half is from relating to the simplification and pricing changes. And, you're right, as that hits in the middle of the year, we'll see some more of that in 2022. We don't expect there to be as much as eight basis points, because what, effectively – that deliberate product simplification, effectively, is dealing with the normal mix and squeeze impacts. So they start to get materially smaller. Normally, they've been trending at four or five basis points per year. They'll go much more towards one to two. So we'll see eight this coming year. And it'll be a number that'll be a bit less than that, given the simplification, we'll hit midyear, but the mix and volume stuff starts to get smaller going forward.

Kieren Chidgey: Thanks. Can I just sneak in one last question, just a quick one on AMP Capital, the non-AUM management fee is down significantly in the second half; how much of that was rental abatement, and do you see that bouncing back in '21?

James Georgeson: Kieren, I'll need to come back to you on the exact quantification of what the rent is. We see some of that coming through again in 2021. And we hope that conditions improve. We're probably still a little early to see. And some of the lockdowns that have happened over the last few months have probably pushed back some of our expectations around when that would happen. But let us come back to you on the detail.

It's an impact. It's more that we also had other one-off commitment fees as we closed the GIF II fund at the end of 2019. That was a fairly big kicker in the prior year, which wasn't repeated this year, given the next fund close will be in 2021. So I'd say that's probably a bigger impact than the rent relief. The rent relief would be probably under $10 million.

Kieren Chidgey: Thank you.

Francesco De Ferrari: So, I think, Kieren, if I can add, if you look at AMP Capital results, the AUM-based management fees were actually very resilient, being down only 3.8%. Most of the volatility, as James has explained, has come from the non-AUM. And that's where, as we see an increase in closed end funds, we put in [seed-in 00:52:34] sponsor, and so we are aligned to our clients. If they make returns, we make returns. And if they don't, we don't. And so that volatility that James referred to is from that.

	Now, we have large investment in airports and lots of other infrastructure which have been hit during the year. We, effectively, expect a lot of this to recover. And so, obviously, maybe, not as fast as this year, but definitely through the cycle.
Kieren Chidgey:	Thank you very much.
Moderator:	Thank you. Your next question comes from Laf Sotiriou from Bell Potter. Please go ahead.
Laf Sotiriou:	Good afternoon, everyone. I've got two questions, if I may. The first is in relation to the portfolio review. Given that it's already been six months, are you able to provide a little bit more detail around how the areas deal with AMP Capital may look around possible structure, price, and timing, and should we consider the price you paid for the 15% stake in AMP Capital as a baseline?
Francesco De Ferrari:	So let me take that, Laf. Thank you for your question. Yes, the portfolio review took a while, and we announced it in September. That's really linked to on one hand, we have a very complex group, on the other, we wanted to make sure that we would test each one of our businesses and each one of our assets' market interest versus our own strategic transformation agenda and what would be the best outcome for shareholders. And so as you can imagine, that does take time. Pleasingly, we have been able to close and reach a conclusion that we are the best owner for our Australian and New Zealand Wealth Management businesses. And as we announced, we are now looking at options for AMP Capital. On your more precise questions on structure, time, and consideration for AMP Capital, it's a little hard for me to answer right now. I can tell you in terms of structure as you would have seen in the announcement, we kept it very broad, leaving all options open for us to consider. We're basically looking at what is the right solution that can turbocharge our already existing strategy and deliver better value for clients and shareholders.
Laf Sotiriou:	And on timing, should we hear something before the AGM?
Francesco De Ferrari:	I think we put a sentence in there, "as soon as possible." So we're very cognisant of the fact that the sooner we reach a conclusion, the better.
Laf Sotiriou:	Okay. So the second question was –
Francesco De Ferrari:	Laf, it's just hard to call timing on these things. Whatever I say

now, I will get wrong, so –

Laf Sotiriou: Okay.

Francesco De Ferrari: We're all focused on getting to a conclusion of this –

Laf Sotiriou: Would you be disappointed if nothing is finalised one way or the other before the AGM?

Francesco De Ferrari: We are very focused on driving this as fast as possible.

Laf Sotiriou: Okay. The second question relates to the guidance that ANP Capital – sorry – Contemporary Wealth Management is expected to remain flat with lower margin said to be offset by the cost out. How should we think about how much of the gross $130 million cost savings to be seen across the Group will fall into this division?

James Georgeson: So, Laf, you're spot on the guidance. My comments today was that the margin compression we're seeing will be broadly offset by the cost out. We would see the majority, probably, of that cost out would sit in Wealth as we've guided previously. It's 60% of the number, with some of the rest of the residual sitting in the Group office as well as in Bank, but the majority of it would sit in the Wealth business, of that $100 million dropping through the controllable cost line.

Laf Sotiriou: Thank you.

Moderator: Thank you. Your next question comes from Andrew Buncombe from Macquarie. Please go ahead.

Andrew Buncombe: Good afternoon, guys. Thanks for taking my questions. Just the first one from me. You've mentioned a couple of times in the pack that you're interested in restarting the dividends again in FY 21. Can you just remind us on the payout range please, and what metric will be used to drive that? Thanks.

James Georgeson: So our previous guidance on dividend has been a 40 to 60% of bottom line profit adjusted for non-cash items. That's moved us away from the old underlying profit concept, which was more of a 70 to 90 range: so a 40 to 60% range at the bottom line. We normally think about that is that the Wealth business can generally generate a payout ratio that's closer to 80 to 100%, given it needs low capital intensity. Similarly, with AMP Capital, it would be probably a little lower than that given we want to continue to grow the business via seed and sponsor investments. And the Bank's probably at a payout ratio of more like 50%, given we want to continue to grow the mortgage book. So that gets us to around the 40 to 60% market, the total level.

Andrew Buncombe: Excellent. And then the only other one for me was just on the eight basis points reduction in Wealth IRR again, for next year, just making absolutely sure that that reduction is off the average FY20 number and not off the exit rates, please.

James Georgeson: That would be off the full year 2020 number. So there's – off the 73, that the eight would come off.

Andrew Buncombe: Perfect. That's it from me. Thank you.

Moderator: Thank you. Your next question comes from Andrei Stadnik from Morgan Stanley. Please go ahead.

Andrei Stadnik: Afternoon. Apologies, I was viewing your webcast earlier and might have missed my first attempt. I wanted to ask two questions. Firstly, on AMP Capital, what is some of your thoughts in terms of how you want to support that business? In particular, given in two of the most in demand categories, which are inflow equity and real estate. AMP Capital tilted from inflows in the first half to outflows in the second half; is anything more than on that? And if you're taking these questions in pairs; my other question was about the proposed reforms to super. What are your thoughts about stapling super to file numbers? Do you think this will increase the power of the industry funds, and do you need to reinvest in your corporate super business, given that they've seen $4.3 billion outflows in last year?

James Georgeson: So, Andrei, on the AMP Capital cashflows, we did have a weaker second half, particularly in the public markets area. That was related to a couple of fixed income mandates that were lost that flowed out. You've obviously got the public markets business is more impacted by the wealth outflows as well. And we did actually see, pleasingly, in our infrastructure fund series, we did start to divest some of the assets, which is the way to build a track record and those funds, and so they're actually quite good outflows because they're showing that we're getting money back to clients.

So we did have some weakness in public markets in the second half, but that was to do with a couple of fixed income mandates. They are quite low margins, so shouldn't have that material an impact on the AMP Capital earnings. I think that was where you were getting at with your question?

Andrei Stadnik: Yes, yes, particularly with the [unintelligible 01:00:10] equity and the real estate on that page 18 you've shown [unintelligible 01:00:17]. That piece was from realising investments, okay.

James Georgeson: Yes, that's right.

Francesco De Ferrari: I believe the second part of your question, I'm not sure I heard all of it, but it was around why should we continue to invest in corporate superannuation. I think that's a question that gets broken down in a number of pieces. As James flagged, we did have a few large corporate super outflows last year, that obviously impacted the overall result. These were mandates where we had lost the tender a while back, and so it does take time. So they're a product of some of the issues around the Royal Commission.

Obviously we'll need to see where legislation lands in terms of stapling your super, and that's why we're really very focused on building the best default retail super business, because having that base product allows you to effectively complete and offset some of the potential competitive tension that's going to come from the new legislation.

Andrei Stadnik: Thank you.

Moderator: Thank you. Your next question comes from Nigel Pittaway from Citi. Please go ahead.

Nigel Pittaway: Afternoon guys. Just first of all if I could follow up on that comment you've made on this commercially sustainable Advice business model by the end of 2021. I mean, will that mean that by then Advice will be profitable, and that you'll be broadly happy with the level of licence fees that you're charging, or will that still be to do post the end of '21?

Francesco De Ferrari: So Nigel, I guess on the slide where we show the ambition, it says "'21 plus". So our first current ambition is to make sure that we can get the Advice business to arrive at a standalone profitability. Now that's combined, if you look at the Advice business, I guess in terms of profitability, there are two very different drivers. There are the advice practices, which are actually if you run a good advice practice quite profitable, and we do own a number of them through equity stakes, and then you have the licensee business, which in general across the industry is really hard to make good margins.

And so we are working on right sizing a lot of the services that we provide and making sure they're commercially fit for purpose. That's why also when James talks about where is the cost out going to emerge, a large chunk of it falls into Wealth, because we've been scaled to provide support for 2,500 advisers, we're now down to 1,500, and we still have 25% of the reshape to go. But really the first core objective is to get

Advice in its entirety, including the licensee business, to be profitable and not losing money.

Nigel Pittaway: Right, but it sounds that won't have occurred by the end of '21, that will still be to do at that stage, is that a reasonable –

James Georgeson: Yes, that's right Nigel, it's more into the back end of '22, '23, because there's a fair bit still to do there.

Nigel Pittaway: Yes, okay. Thanks for that. Then just on AMP Capital, I mean, obviously I know the revenue was depressed, so obviously that's part of the reason why the cost to income ratio's in the 70s. But you did also mention retention as being part of the contributing factors. I mean, obviously you do have this medium term 60 to 65% cost to income ratio target. I mean, is that still realistic, given what you've had to do in terms of that business over recent times?

James Georgeson: Nigel, I think we see those definitely in the medium term. We've had some pretty significant headwinds this year with the impacts of COVID on markets and the lower performance fees, and obviously the valuation losses in senior sponsors. So look, we won't get back there in 2021, but we think the medium term goal definitely is to head back towards 60 to 65% as the right level.

Nigel Pittaway: Okay. And then maybe just finally, in terms of the residual resolution stake, I think you had a reasonably sizeable target return for that. My calculation would suggest that probably hasn't been met this half. Can you give us any update on how you're thinking about that, moving forward?

James Georgeson: So Nigel, you're right, it didn't quite – we were hoping for an 8 to 10% return on our $500 mil stake. We're probably more in the 5 to 7% return for the half. I don't think we should judge that on the half's results, I think we always looked at the Life company as a longer term, you've got to look through the cycle a little. They are investing in that business to scale it for a run-off business, and so there is some additional costs and project activity going there. We have a lot of good dialogue with Resolution, we sit on joint steering committees to oversee both the performance of the business as well as the separation. We still have 18 months of separation work to go, which we provided for obviously at the half year. But look, it was a little weaker than the 8 to 10% return, but look, nothing that we're worried about in the shorter term, because I think we've got to look through the cycle.

Longer term with the Resolution stake, we do have an initial lock in period where we need to hold that investment, and we then are obviously free to look at what we want to do. It's obviously a very significant client base, and if Resolution builds further scale in the local market, there's obviously opportunities for us there from potentially an Advice and/or AMP Capital from a funds management perspective. So I think still a bit to see how that plays out over the next year or so.

Nigel Pittaway: Okay, great, thank you.

Moderator: Thank you. Your next comes from Shaun Ler from Morningstar. Please go ahead.

Shaun Ler: Hi Francesco and everyone. I've just got a couple of questions on AMP Capital. I guess my first concern is really on team stability more than anything. I mean, this [unintelligible 01:06:53] mandate we draw I guess on the back of concerns on team stability. First I was wondering if you guys mind just talking in detail what measures are you undertaking to hold this? Because I understand that you guys have got the good brand for listed assets, and AMP Capital, the real asset business being one of the top globally. But I'm just concerned if you continue to see attrition, will clients be more concerned about the brand, or actually the people that sit within the fund itself?

James Georgeson: So look Shaun, we're doing a range of activities in relation to retention of key staff. It's obviously an important thing. We realise it's a people, AMP Capital's a people business. We have put appropriate structures of retention in place for them. As I alluded to in my comments, we have seen a little bit of extra cost come through for that. That's a range of things around retention arrangements. And look, again, we know when we have great product with great return, we know clients are very happy. And you've seen us talk again positively today around the flows into the infrastructure, equity in debt series. So we definitely have a lot of great product there, and that obviously helps to keep people going as well when we're being successful from a fund raising perspective.

Francesco De Ferrari: I would say just generally, Shaun, a comment on talent. I mean, I think when you go through complex transformations like the one we're going through, it is normal that you do have talent rotation. Now we've been also, I think, positively have been able to attract really good talent, and I think Scott and David are good, more recent examples of senior talent joining us to help us with our transformation journey. If I look through the cycle, actually, our attrition rates have been pretty consistent over the last period.

Shaun Ler: Alright, thanks for that. My second question is during August last year, you guys spoke about, I guess, expanding the adjacencies within the AMP Capital offering. I was just wondering if you'd mind providing some colour around I guess the progress there, around making your offerings less siloed. That's where some of the focus in the next 12 months is.

Francesco De Ferrari: Yes, very happy to. Now that was, extending into adjacencies was part of our broad ambition to re-pivot the business towards more of the private markets opportunity. Right now, we are very focused on the fundraising that we're in the market for of our existing product range. And as I think the slide says, in private markets, we very much worked on one of the key elements that's necessary before we extend the product range, which is to be a powerhouse in distribution. And so we have reorganised the distribution teams of AMP Capital to be under one single international head. And you can appreciate that's critical before we effectively expand our product pipeline.

If I look at Infradebt, for example, where we have, we are probably one of the top three in the world in our niche Infradebt field. We are currently in the process of launching. So we have a global fund. We are now currently launching a fund that's only focused on Asia as the next wave. So that's one example of product range extension that we're going through right now.

Shaun Ler: Alright, thanks.

Moderator: Thank you. Your next question comes from Siddharth Parameswaran from JP Morgan. Please go ahead. Siddharth, do you have yourself on mute?

Siddharth Parameswaran: Sorry. I did, yes. Apologies. Can you hear me?

Francesco De Ferrari: We can hear you Sid.

Siddharth Parameswaran: Okay. Great. Sorry. Thanks. Just a couple of questions on Wealth Management. Firstly, just around the reduction in the adviser numbers, 25% down over the year. Can you just comment on when you think that might have an impact on flows? Obviously flows already seem to be being impacted. But is there likely to be a delayed impact from that, are we likely to see flows continue to be very, very weak into FY21? And also, if you could just comment on whether your guidance for contemporary wealth management in '21 [unintelligible 01:11:40] what are the [unintelligible 01:11:41] for flows?

Francesco De Ferrari: So let me take the adviser, one maybe, and then you can take the flow one. Our focus on advice is really getting to professional and compliant network. We are mainly dealing with, as I said before, single AR practices or two AR practices, which means really more the marginal advisers in our network.

And so you would see, if you look historically at the last five years, our AUM to be relatively resilient vis a vis the number of advisers.

And so while there is a small negative impact, and obviously, when like this year you take out 600 roughly, that does have a marginal impact, but it is marginal, and you would see it, we had slightly weaker North inflows, for example. But the impact is not that material.

James Georgeson: Yeah, no, that that's exactly right. And Sid, we didn't make specific guidance comments on Wealth Management flows. I've said that we would expect to be in net outflow in 2021. I mean, a way to think about it was there was obviously two very large impacts in 2020, being the early release of super and the mandate losses, which were $1.8 billion each. So that's $3.6. So I think if you excluded those it's probably the run rate we're running out at the moment, looking into 2021.

Francesco De Ferrari: And I think we said from the beginning, I guess, when we launched the strategy that really, this was the hardest part to fix. And that it would really take three years to effectively see a turnaround in cash flows before we really started growing again, given all the clean up, the legacy products and the clean up and distribution that we're doing.

Siddharth Parameswaran: Okay, thank you for that clarity. Just a couple of more questions, just North, are you getting much in the way of external flows? I remember six months ago, I think you mentioned that you were starting to see some. Maybe you could just comment on what is actually coming through and how that initiative to get external flows is going?

James Georgeson: So Sid, we have still continued to push hard on the EFA space, which we talked about it the half year. Probably a little more subdued in the second half of the year, given we had the portfolio review announced, and obviously we continue to see, I guess as new EFAs come on, we see a spike in their activity. And then it subdues as they as they write and transition existing clients onto the platform. As I said, we had a slightly weaker second half compared to first half. But definitely it's a critical strategy we see opening up and continuing to talk to the broader market of advisers is definitely a way to grow the penetration of the platform into the market.

We are investing in 2021 in an SMA capability, or enhancing our SMA capability, which we think is a further uplift that advisers are really after. And so once we bring that online, we think we will be able to I guess increase some of that penetration across the broader market.

Siddharth Parameswaran: Okay, great. And let me just, just one final question, just on reshaping advice. Just trying to get the licensees back to break even or so, is pricing a part of your strategy, and how do your prices compare with what's out there in the market?

James Georgeson: So absolutely, pricing is part of the strategy. I guess it's a multifaceted strategy. I think Francesco alluded before to making sure the support we provide to the network is right sized now for the new size of the network, vis a vis where it's come from. It's also the level of services we provide, have we got the right, I guess, offering and services? And are we charging the right price for those services? So part of that goes to the cost to serve that we have internally, and some of it is the revenue and the pricing we charge to the practices.

It's hard to get, I guess, an accurate benchmark in the industry, because it just depends on the services that are packaged into that fee a licensee gets charged. So we're very cognisant that we need to be comparable to that as a licensee to attract advisers. So I think you should think about it that we're definitely competitive. But I think it's a multifaceted strategy to bring that profitability back to the aligned advice network.

Siddharth Parameswaran: Okay, great. Thank you.

Moderator: Thank you. Your next question comes from Brett Le Mesurier from Velocity Trade. Please go ahead.

Brett Le Mesurier: Thanks very much. I just wanted to check something about that eight basis points reduction. You said it was largely offset by the $100 million reduction in controllable costs, but the actual controllable costs you're saying are only forecast to fall by about $60 million from 2020 to 2021. So it's not really 100 that's available to be offset against the revenue reduction in Australian Wealth Management is it?

James Georgeson: So Brett, on the controllable costs, you're right, there is a reinvestment is going on. We always talked about in the broader cost out program, we would have $300 million of gross savings and $200 million in net savings. So some of that reinvestment is occurring next year.

The reduction in variable costs all hits the Wealth business. So we would be expecting that we'll be dropping variable costs as well in the Wealth business, which goes to offset the revenue margin. And it actually goes back to the point I was just making to Sid's question, was some of those activities to return or to get the Aligned Advice business to breakeven and profitability is to reshape some of those costs that we incur and pay to advisers. And so that is part of that reduction in variable costs. So you will see both a controllable and variable cost reduction in Wealth, which helps go to offset that revenue pressure.

Brett Le Mesurier: Is the movement of Mag out of AMP Capital into Australian Wealth Management part of the cost reduction strategy?

James Georgeson: No, that would be – any changes there we would obviously baseline those out of whatever numbers that we would be disclosing. So that would not be a cost activity per se, to go against the 300. As we merge and move it across, if there are opportunities to continue to operate that, or to operate that business in the new world in a different manner, we'd obviously look to take those opportunities. But at this stage, we wouldn't necessarily have put a big placemark around those for cost out.

Francesco De Ferrari: I mean, the bigger rationale behind the movement of Mag, as I called it, it's the one last big piece between our three big blocks of business and disentanglement of the value chain. So the multi-asset group essentially does investment manager selection, broadly mainly for the superannuation trustee. And so realigning that, and being able to build an end to end super business is going to be critical for us becoming best in class in super. And so that's the strategic rationale underpinning that transfer of activity.

Brett Le Mesurier: Is that therefore a threat to the assets under management of AMP Capital?

Francesco De Ferrari: Not necessarily, because actually the trustee has a fiduciary responsibility to continually benchmark the assets in terms of costs and performance. And this has been ongoing for a while. So per se that doesn't change the fiduciary responsibility that the trustee has had for a while. It does allow more control in the restructuring of a complex feeder fund system that we have to effectively repackage our funds, including a lot of third party funds, into products for our default superannuation business.

Brett Le Mesurier: Does it also make it easier for you to sell AMP Capital to Ares?

Francesco De Ferrari: It's really more about disentangling the value chain. The Mag business invests from memory, probably two thirds of its assets in external mandates, and awards a part of the business to the in-house product. It just sits better on the client side, in terms of I think what Commissioner Hayne said, 'try to design a business not that it manages conflict, but if possible, design it so that there is no conflict'. I think that's the one last piece that we're handling with this move. And to do this, as I explained before, we needed to control 100% of AMP Capital, therefore, we had to wait to buy the 15% stake of MUTB. And it falls into our three year sequencing of our transformation strategy and how each piece fits in line.

Brett Le Mesurier: Thank you. They're all the questions I have.

Moderator: Thank you. There are no further questions at this time. I will now hand back for closing remarks.

Jason Bounassif: In that case, thank you everyone for your questions and your time today. Please, if you do have any further questions, do reach out to either myself or my colleague, Michael Virko. Thank you, everyone.

Francesco De Ferrari: Thank you, Jason. You did very well. Thank you, everybody.

[End of recorded material at 01:22:12]