# LGIM: An Investment Management business built for the future



June 2018







# A track record of proven delivery

Mark Zinkula
Chief Executive Officer



# Agenda

LGIM: An Investment

Management business
built for the future

A track record of proven delivery

Market context Mark Zinkula – Chief Executive Officer

LGIM today: Our competitive advantages

Driving financial performance Siobhan Boylan – Chief Financial Officer

Clear plans for continued growth Mark Zinkula – Chief Executive Officer

Broadening our investment capabilities

Active strategies

Real Assets

Bill Hughes – Head of Real Assets

Index

Chad Rakvin – Global Head of Index Funds

Solutions (including LDI and Multi-Asset)

ESG and Engagement

Anton Eser – Chief Investment Officer

Meryam Omi – Head of Sustainability

Break

Addressing the savings gap

Defined Contribution & Workplace Emma Douglas – Head of UK Defined Contribution

Retail Intermediary Honor Solomon – Head of EMEA Retail

Honor Solomon – Head of Livica Retail

Personal Investing Helena Morrissey – Head of Personal Investing

Internationalising our core institutional strengths

UK Defined Benefit Europe/Gulf/Asia

U.S.

Sarah Aitken – Head of Distribution

Aaron Meder – Chief Executive Officer (U.S.)



Closing remarks Q&A Closing remarks

Mark Zinkula - Chief Executive Officer







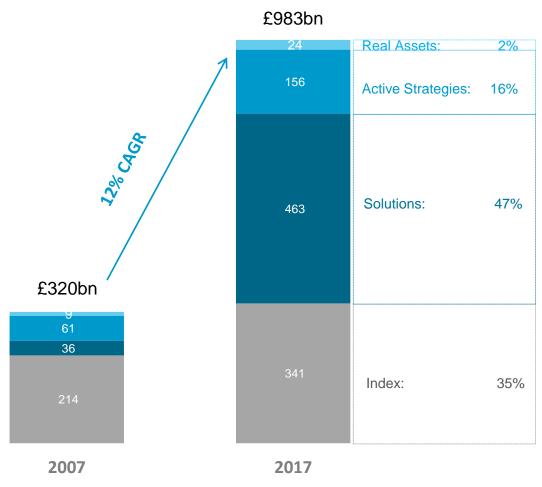






# A strong and diversified business

AUM (£bn)



2007 AUM include overlay assets of £24bn; Active Strategies include Active Fixed Income and Active Equities.







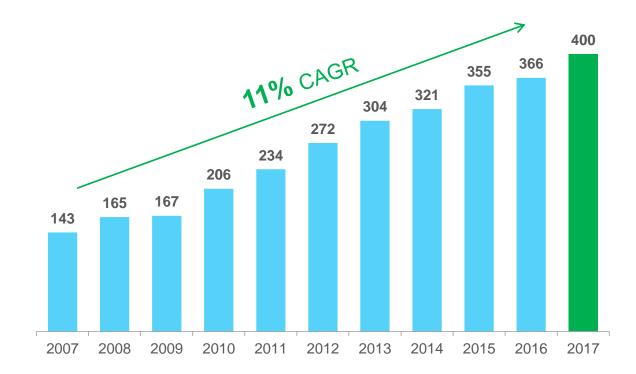


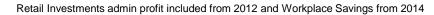




# Consistent profit growth over the last 10 years

Operating Profit (£m)









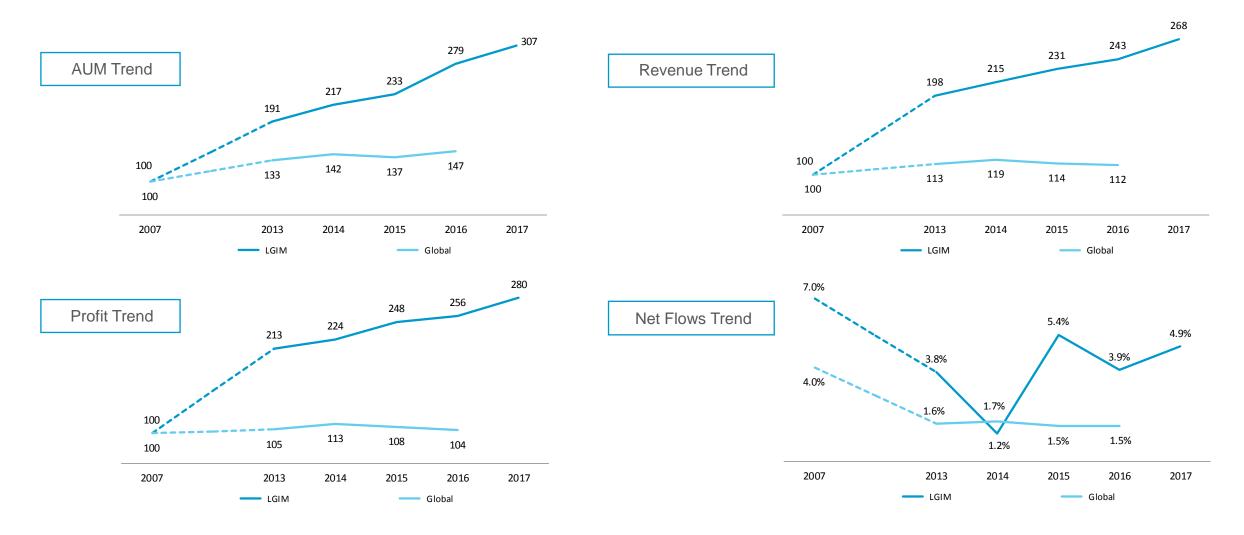








## Consistently outperforming the market



Source: Boston Consulting Group; "Global Asset Management 2017: The Innovator's Advantage". Note: Retail Investments admin included from 2012 and Workplace Savings from 2014. 2007 AUM include overlay assets of £24bn





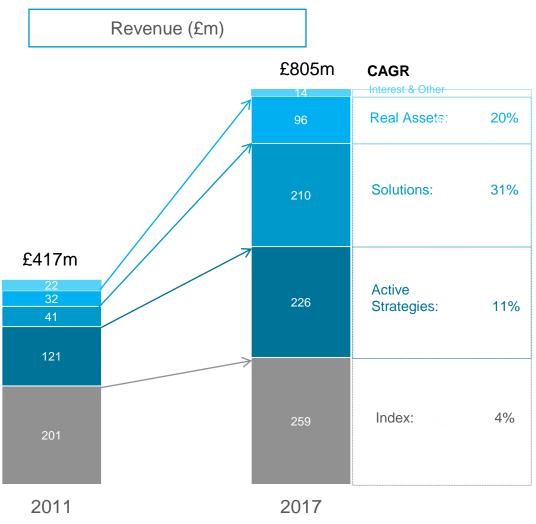








# Successfully transforming our investment capabilities



Retail Investments admin business was transferred into LGIM in 2013. Revenue from continuing products in 2011 is £49m. Discontinued products revenue in 2011 is £40m and includes box profits, structured products and legacy products switched into different share classes following the Retail Distribution Review.





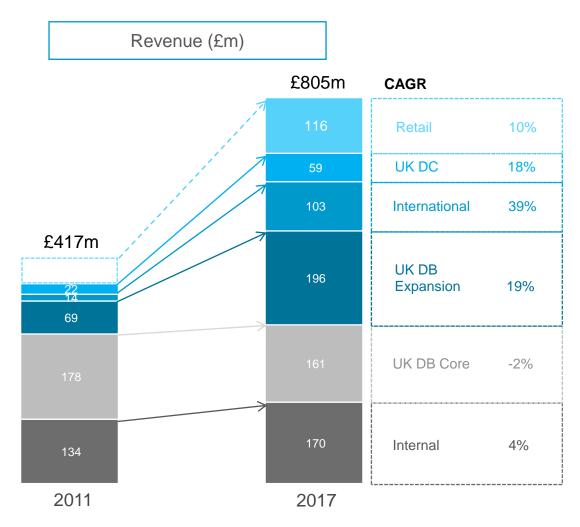








# Successfully expanding into new regions and channels



Retail Investments admin business was transferred into LGIM in 2013. Comparable total retail revenue in 2011 from continuing products is £64m, of which £49m relates to admin fees from continuing products and £15m is asset management income included in Internal in the chart above. Discontinued products excluded from the calculation include box profits, structured products and legacy products switched into different share classes following the Retail Distribution Review; Internal includes Interest and Other.















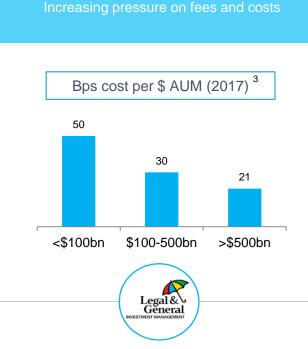


# **Market Context**

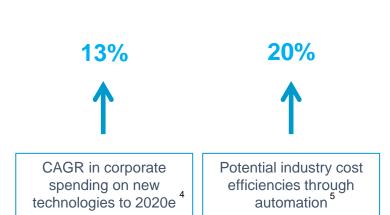


# Asset Management Challenges - Headwinds or Tailwinds?

# The Retirement Savings Gap Underfunding and risk transfer to individual 50% \$400trn 2050e decrease in workers-to-retiree ratio 1 2050e Global savings gap 2



**Scale Matters** 



**Digital Disruption** 

Customer and technology driving efficiency

#1 UK DB #1 UK DC 6

Growing global pension client base

Industry leading Cost: Income ratio

Harnessing the benefits of scale

Increasingly digitally enabled customer businesses

Proprietary investment technology

Source: 1. Berenburg, United Nations World Population Prospects (2017) for EU15 2. World Economic forum 2017 3. Morgan Stanley & Oliver Wymann Analysis 4. World Economic Forum 5. Oliver Wyman Analysis 6. DB: PPF - Source DC: Market Intelligence 2017 UK DC And Retirement Income, Broadridge 2017













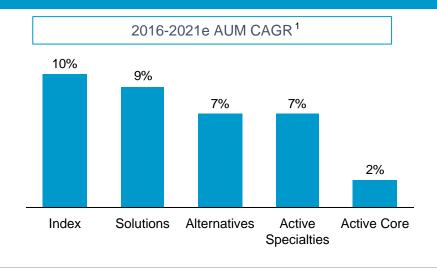
# Asset Management Challenges - Headwinds or Tailwinds?

#### Shift in Product Demand

For Solutions, Index, Real Assets

#### **Growing focus on ESG**

Increasing focus on stewardship and responsible investing



40% Likelihood of millennials wanting to invest Institutional investors looking to apply

Legal & General

Leading Solutions provider

**Growing Real Assets business** 

Largest non-US Index manager

Active Ownership leadership

Thought leader and market innovator in ESG products

Source: 1. Boston Consulting Group; "Global Asset Management 2017: The Innovator's Advantage" 2. The Financial Times 3. 2016 Global Sustainable Investment Review





responsibly versus older generations<sup>2</sup>



ESG to smart beta in the next 18 months <sup>3</sup>







# LGIM today: Our competitive advantages



# What sets us apart from our peers?

Investment capabilities for the future

Culture and client-focused solutions resonating globally

Leading cost efficiency underpinned by investment in technology

Increasingly scaled customer facing Workplace, Retail and Direct businesses

Market leaders in Active Ownership and ESG

Unique benefits from being part of L&G Group













## 1. Investment capabilities for the future

#### Evolving market demand

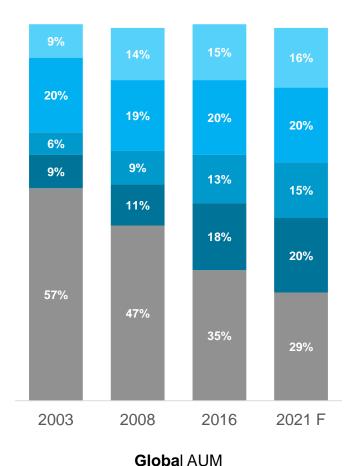
Alternatives

Active specialities

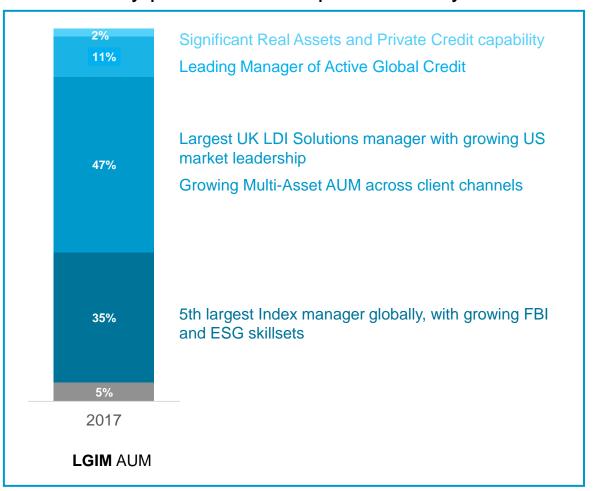
Solutions

Index

Active core



#### Structurally positioned to capture industry tailwinds



Source: Boston Consulting Group: "Global Asset Management 2017: The Innovator's Advantage"













# 2. Culture and client-focused solutions resonating globally

Culture and Client Service

Solutions based approach

Collaborative and team-driven

Consistently c.90% asset persistency rate

95% overall customer satisfaction

90% of new business comes from existing clients

In U.S. Active Fixed Income/LDI, 64% of clients who have been with us for at least 1 year have added incremental assets

#1 UK LDI manager<sub>1</sub> with over 40% market share

Nearly 50% AUM invested in Solutions

Growth in Multi-Asset, Active LDI, Pooled LDI, Fiduciary Management, FBI, ESG

Market leader in US Corporate DB Solutions



Source: KPMG LDI Survey 2017; Customer satisfaction: Core Client Survey, NMG 2017; International net flows comprises investments by client domicile; International AUM includes assets managed in the US on behalf of clients in other jurisdictions.













# 3. Leading cost efficiency underpinned by investment in technology



Optimisation, automation and simplification

#### Investment Process

- NEXUS investment management platform
- Digital analytics
- International manufacturing and trading

### Operating Model

- 'Digital first' focus across
  Workplace and Retail
  administration
- Robotic process and intelligent data automation

# **S** User Experience

- Improved experience in Personal Investing
- Client and customer journey enhancements in Workplace DC

Proprietary, in-house and agile

Source: Boston Consulting Group, "Global Asset Management 2017: The Innovator's Advantage"





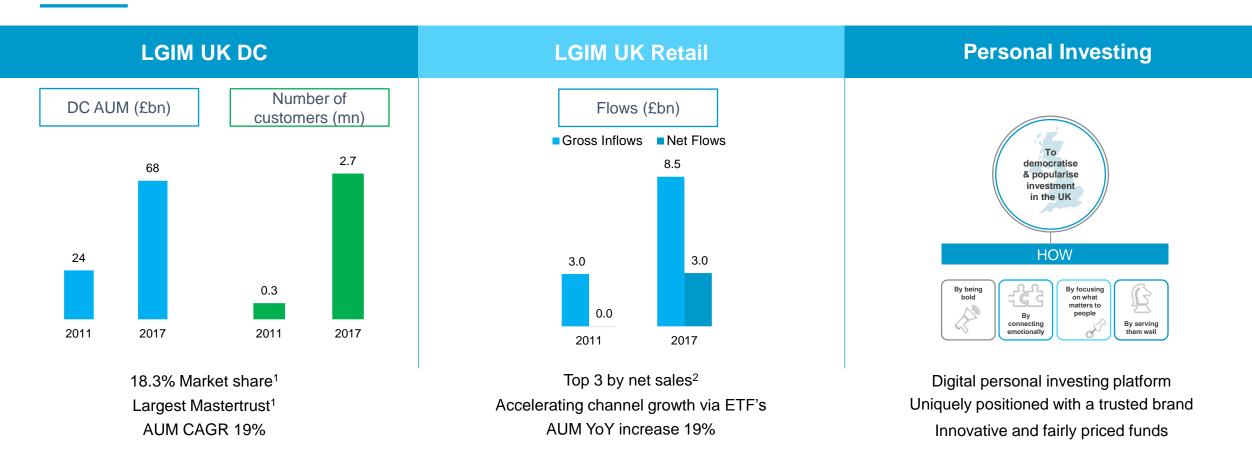








# 4. Increasingly scaled customer facing Workplace, Retail and Direct businesses



Source: 1. LGIM; Market Intelligence 2017 UK Defined Contribution And Retirement Income, Broadridge 2017; Hymans, April 2018, 'Mastering Master Trusts'. LGIM, external AUM and sales data. 2. Pridham Report Press release Feb 2018













## 5. Market leaders in Active Ownership and ESG

#### Governance

We collaborate with regulators and investors to enhance the whole market returns

#### **Engagement**

We engage to create positive change at the companies in which we invest

#### Voting

We hold companies to account and use no abstentions

#### **ESG integration into Investment Process**

Performance and impact







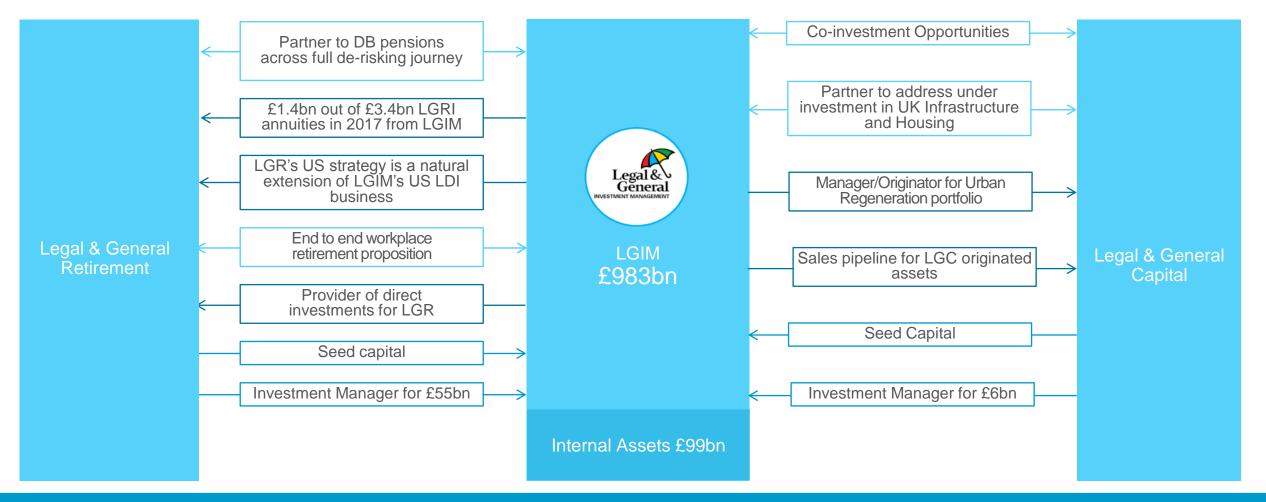








# 6. Unique benefits from being part of L&G Group



#### Driving group profitability through asset returns and credit

Internal AUM of £99bn include assets managed on behalf of LGR, LGC and Other L&G Group divisions

















# Driving Financial Performance

Siobhan Boylan Chief Financial Officer

# **Driving Financial Performance**

A global business delivering consistent operating profit growth, a market leading Cost: Income ratio while investing in the business and working in a changing regulatory environment.

**Key Messages** 

Revenue growth through asset evolution

Investment in operational performance

Absorbing regulatory changes within Cost: Income ratio

Benefitting from being part of the L&G Group

£983bn

£805m

Revenue

AUM

50%

Cost: Income ratio

All financials as at 31 December 2017 unless otherwise stated





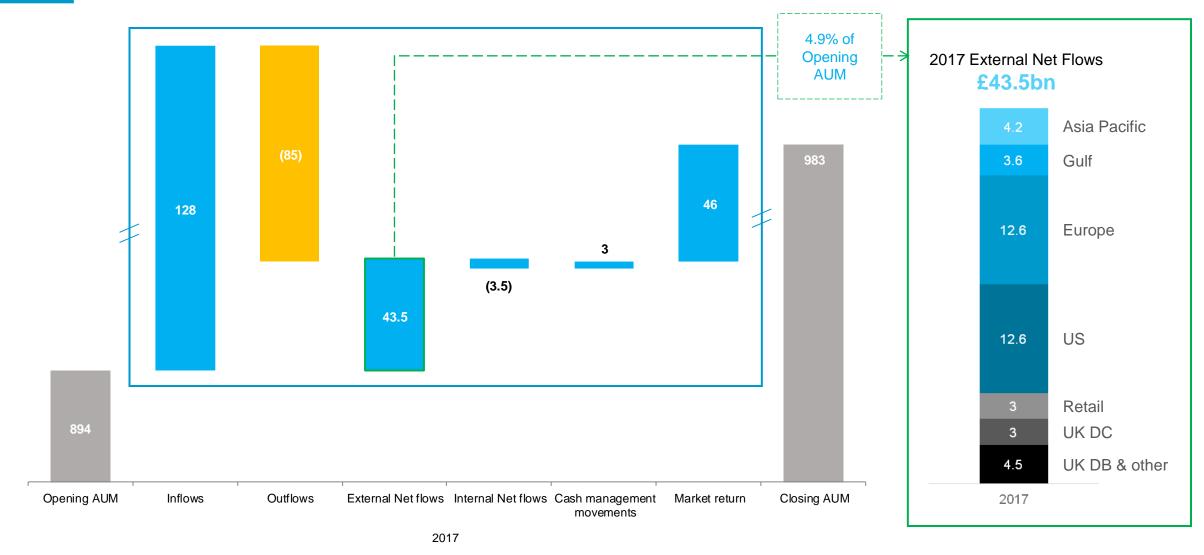








# External net flows driving strong AUM growth



Note: Annual persistency of AUM at ~ 90%







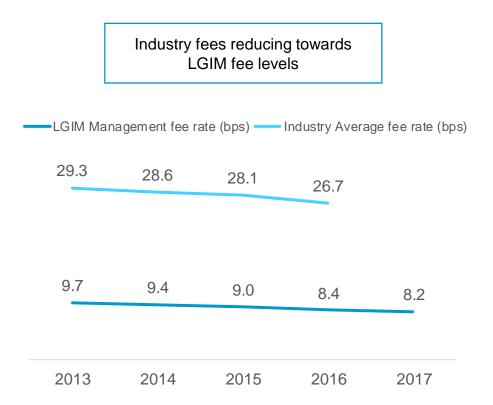




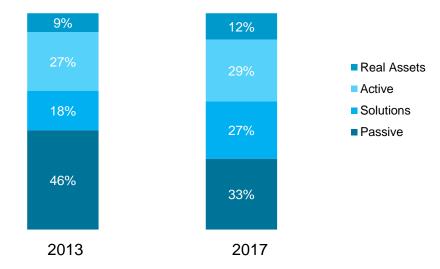


# Revenue growth driven by evolving asset mix

#### Focus on higher revenue margin products



LGIM revenue mix evolving



Source: Boston Consulting Group: "Global Asset Management 2017: The Innovator's Advantage"





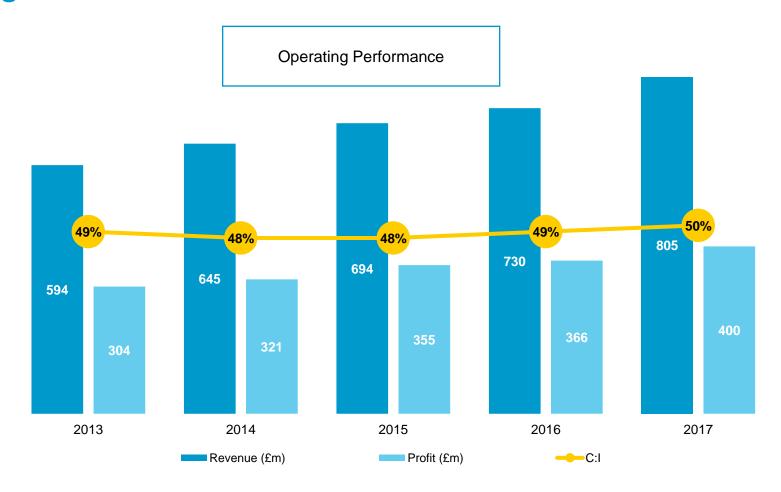








# Maintaining market-leading operational ratios while successfully transforming the business



Workplace Savings Profit included from 2014; C:I ratio excludes Workplace Savings













## Focused investment into growing the business

Channel

DB, DC & Direct Propositions, platforms and digital

#### Capability

Index, Multi-Asset, Real Assets
Investing in people and technology

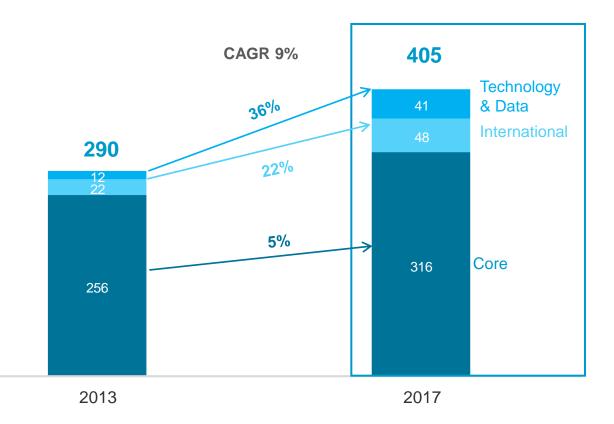
#### **Product**

ICAV, SICAV, ETF Offerings for wider geographical sales

#### Market

US, Europe & Asia
Distribution & Manufacturing

Expenses - £m



Automation and simplification

**Data Analytics** 

Digital client portals

Optimising our investment portfolio platforms













# Well positioned to meet new and emerging industry regulations

**Events** 

Increased reporting
MiFID II, EMIR

Increased transparency
Asset management study, PRIIPS

**Greater regulatory scrutiny** SMCR, GDPR

**Brexit** 

**Implications** 

**Higher costs** 

**Increased governance** 

Opportunities with the right product mix

Taken positive actions early while maintaining industry-leading Cost: Income ratio













# A workplace business administration platform breaks even

#### Workplace business

#### **ASSET MANAGEMENT** 1

DC AUM £68bn of which
WPS £28bn
DC revenue £59m
Cost income of LGIM of 50%

#### **ADMINISTRATION 2**

AUA £28bn Revenue £54m Cost income 100%



1. Includes bundled and unbundled. 2 Represents Workplace Savings admin only and excludes fund management profits.







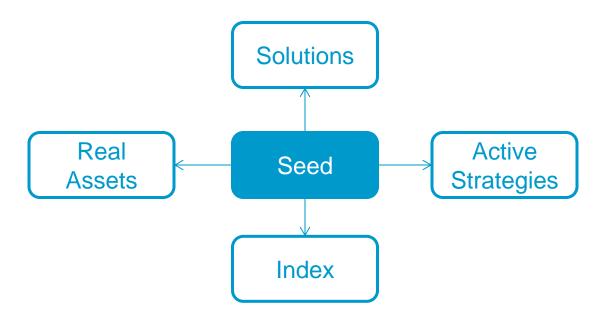






## Access to capital to build capabilities





New funds launched since 2014 contributing 20% of total revenue

Note: Future World funds to be seeded in 2018













# Commitment by Group being made for future business growth

**Organic** 

Investment into our customer facing businesses – creation of new digital capability

Investing up to £60 million over 3 years

Digital development of operating platform and customer experience

Delivery of unit cost reductions in Workplace and increased funds in Personal investing

**Inorganic** 

Acquisition of Canvas – development of new product and distribution capability

Complements our existing business, growth driver

Completed in March

Break even within 3 years













# Driving Financial Performance Forward

A global business delivering consistent operating profit growth, a market-leading Cost: Income ratio while investing in the business and working in a changing regulatory environment.

**Key Messages** 

Cost: Income ratio slightly above 50% in short term

Cost: Income ratio expected to be 50% in plan period

Operating profit of 8%-10% per annum over medium term

8-10%

Per annum operating profit growth over medium term

c.50%

Cost: Income ratio

















# Clear plans for continued growth

Mark Zinkula
Chief Executive Officer





- 1. Active Strategies: Expand Liability Aware whilst driving growth in High Yield and Emerging Market Debt
- 2. Real Assets: Expansion internationally whilst broadening our private credit franchise
- 3. Index: Innovating across Index e.g. Factor Based Investing and expanding ETF product range
- 4. Solutions: Enhancing our Multi-Asset and Fiduciary Management offerings
- 5. Active Ownership: Expand Future World range into Active and other areas















- Continuing to invest in member engagement and digital communications in Workplace DC
- 2. Becoming a leading provider for UK Retail investments
- 3. Launching our Personal Investing digital platform



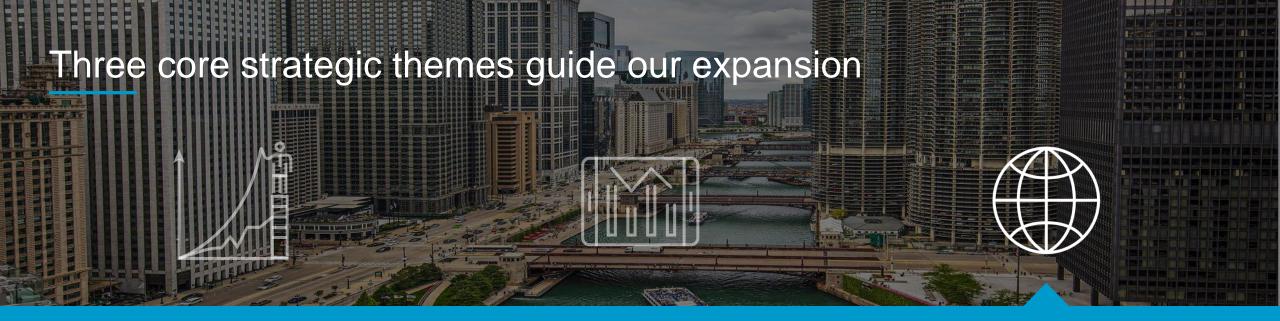












Broadening our investment capabilities

Addressing the savings gap

Internationalising our core institutional strengths

- Maintaining momentum within our UK DB business by defending and growing revenue streams
- Deploying our leading Solutions capabilities into the US and other target markets
- 3. Developing Multi-Asset and Real Asset capabilities in US to support distribution strategy and LGR's expansion
- 4. Expanding investment and distribution capabilities in Europe, including growth of our ETF platform
- 5. Growing client base and AUM in Asia













## LGIM: An Investment Management business built for the future

LGIM: An Investment
Management business
built for the future



Addressing the savings gap

Internationalising our core institutional strengths



Chief Executive Officer

Mark Zinkula



Chief Financial Officer Siobhan Boylan



Chief Investment Officer Anton Eser



Head of Real Assets Bill Hughes



Head of UK DC Emma Douglas



Head of EMEA Retail
Honor Solomon



Head of Distribution
Sarah Aitken



Chief Executive Officer (U.S.) Aaron Meder



Global Head of Index Funds
Chad Rakvin



Head of Sustainability Meryam Omi



Head of Personal Investing Helena Morrissey DBE













# Broadening our investment capabilities





# LGIM Investments - Business Summary

Our Investments platform is the high performing growth driver of our firm. We are a client-driven investment manager and are incredibly proud of the breadth of capabilities and expertise we are able to offer our clients globally across asset classes and investment styles.

£983bn



£805m

Revenue

Growth opportunity

Broadening our investment capabilities

Building long-term partnerships with our clients

Internationalising our capabilities

£43.5bn

**External Net Flows** 

All financials as at 31 December 2017 unless otherwise stated. 1. Actively Managed AUM: actively managed products measured against applicable benchmark or peer group performance. 2. Index Managed AUM: assets managed against benchmark within applicable tolerance. 3. Client solutions AUM: products managed against specific risk target or client outcome.



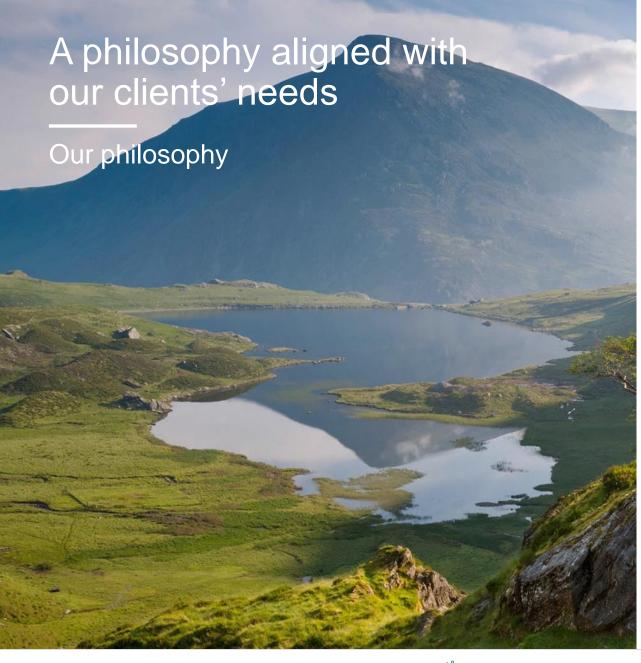












#### **Long-term Perspective**

We look beyond short-term distractions

We aim to protect and enhance our clients' assets over the long term

#### **Client Driven Results**

The majority of our assets are managed against clients' specific objectives

#### **Team-Based Approach**

We work together to make better decisions for our clients, breaking down the traditional silos

#### **Costs and Fees Matter**

We use our scale to reduce transaction costs and offer fair pricing

















# **Active Strategies**

Anton Eser Chief Investment Officer

### Active Strategies – Business Summary

Our active product offering has naturally evolved in line with our clients. There is a move away from traditional long-only benchmark funds, with investors seeking high conviction alternative credit strategies alongside low turnover liability aware credit, where LGIM is well placed to capture demand.

£156bn

ACTIVE STRATEGIES

REAL ASSETS

INDEX

SOLUTIONS

ACTIVE OWNERSHIP £226m

Revenue

Growth opportunity

Leading active credit capability

Liability aware credit solutions well positioned to capture further assets in the UK and export capability globally

Gathering momentum in high margin alternative asset classes

Focused, high conviction active equity strategies complementing our index equity capabilities

£9bn
External Net Flows

Active strategies comprises active equities and active fixed income





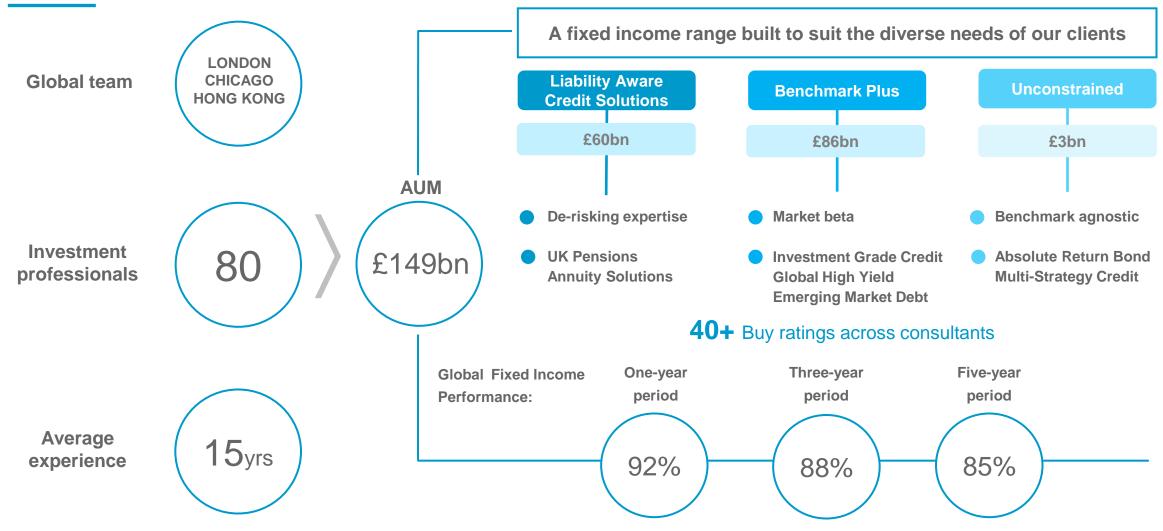








#### A Global Fixed Income business built for the future



<sup>1.</sup> Investment performance across our AUM as at 31 December 2017, which has been calculated internally by LGIM to provide general guidance as to how our AUM is performing. The data is aggregated and is not intended for clients or potential clients investing in our products. 2. Actively Managed Fixed Income AUM: actively managed fixed income products measured against applicable benchmark or peer group performance. 3. Performance is measured on a gross-of-fee basis for institutional accounts and net-of-fee for retail funds, and is measured against benchmarks, peer group performance or risk based metrics.





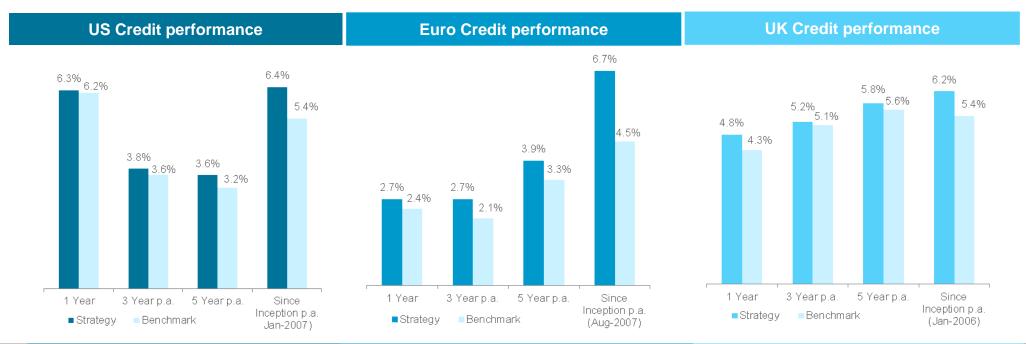








# Long-term track record of delivering value



Number of issues		USD	EUR	UK	Total
		Since 2007	Since 2008	Since 2006	
Downgrades to High Yield	LGIM	5	23	14	42
	Benchmark	201	343	261	805
Defaults	LGIM	1	0	1	2
	Benchmark	5	9	6	20





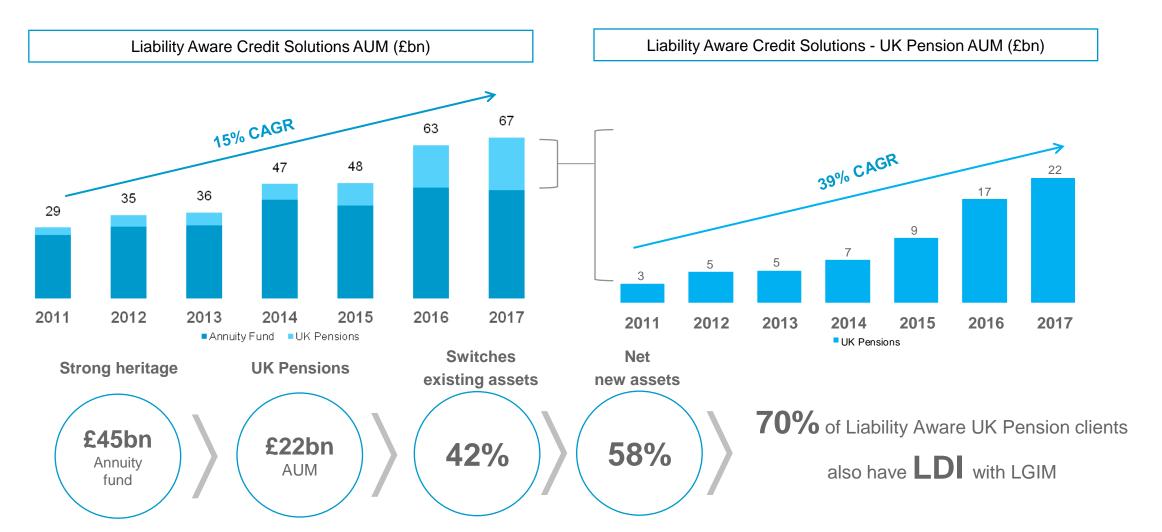








# Evolving with our clients' needs



Annuity fund asset value of £45bn reflects assets managed as liability aware credit solutions only, excludes Real Assets UK Pension AUM of £22bn includes £7bn Liability Aware Credit Solution capability reported as Solutions









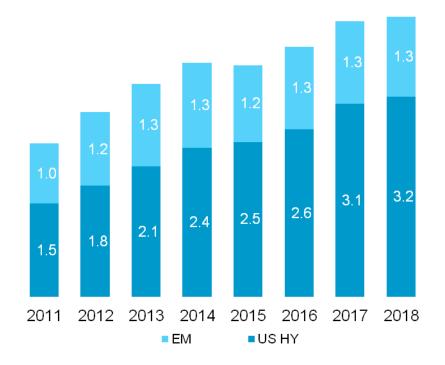




#### Broadening our capabilities into alternative asset classes

#### A growing alternative credit market

# Total market size (\$trn) US High Yield and Emerging Market Debt \$4.5trn



#### Meeting the client demand

#### **Global High Yield**

Team established **2012** 

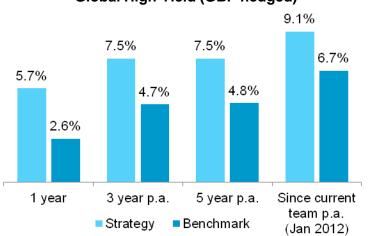
+2.4%
Since current team p.a.
versus benchmark

#### Emerging Market Debt

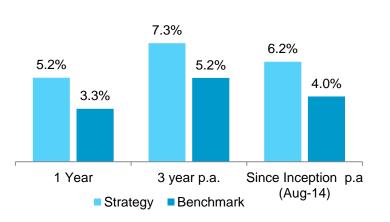
Team established **2014** 

+2.2%
Since inception p.a.
versus benchmark

#### Global High Yield (GBP hedged)



#### **Emerging Markets Short Duration**



Performance is shown gross of fees. Global High Yield returns are in GBP hedged terms. Global High Yield benchmark: ICE BofAML Global High Yield BB-B Rated (excluding financials) 2% Constrained Index. EMD returns are in USD terms. EMD benchmark Blended 50/50 benchmark comprising the JPMorgan EMBI Global Diversified Index (sovereign) 3-5yr and the JPMorgan CEMBI Broad Diversified 3-5yr Index (corporate). Market sizing: BAML and J.P. Morgan research













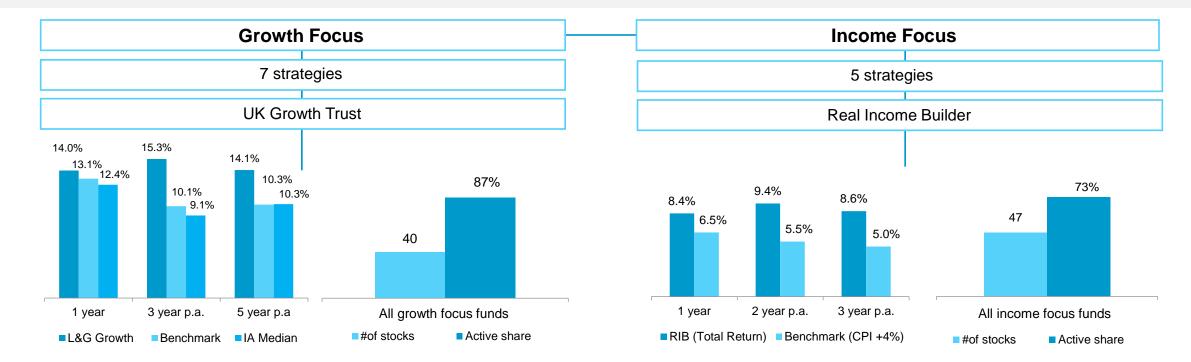
# Active Equities: Focused, high conviction and high active share

#### Delivering outcomes that are differentiated from passive solutions

£7bn

12
Investment professionals

**17yrs**Average experience



Performance is measured on a gross-of-fee basis for institutional accounts and net-of-fee for retail funds, and is measured against benchmarks, peer group performance or risk based metrics.

















# Real Assets

**Bill Hughes**Head of Real Assets

# LGIM Real Assets – Business Summary

Our Real Assets platform is a trusted long-term partner, creating assets that serve the needs of business and communities whilst delivering investment outcomes that serve the needs of our clients. Delivering growth to LGIM and the L&G Group.

£24bn

ACTIVE STRATEGIES

REAL ASSETS

INDEX

SOLUTIONS

ACTIVE OWNERSHIP £96m

Revenue

Growth opportunity

Growing investor demand for alternatives within real assets e.g. residential, later living, healthcare

Launch of external pooled funds in private credit areas of infrastructure, real estate and private corporate debt

Capital demand in U.S. for real assets in domestic and international markets

£1.8bn
Total Net Flows

Source: All financials as at 31 December 2017 unless otherwise stated





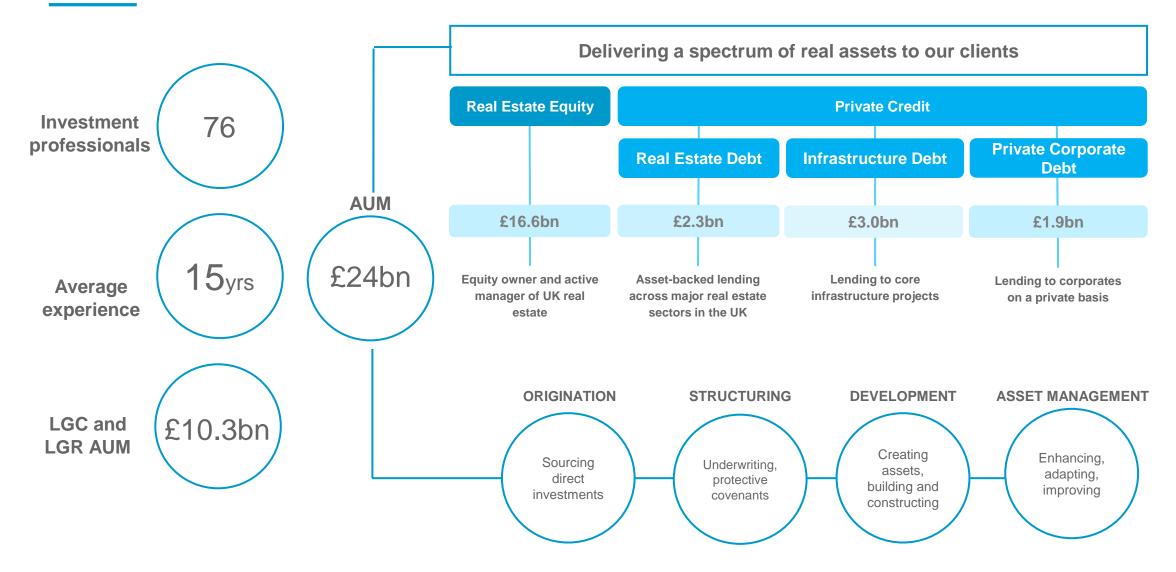








### One of the largest managers of UK real assets







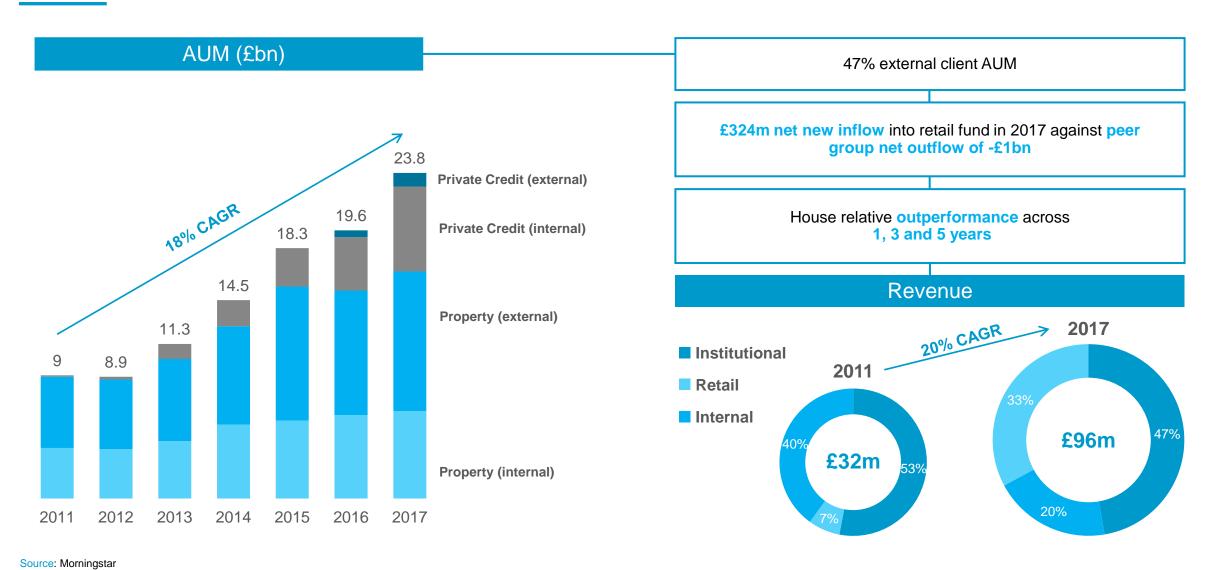








# Diverse and growing client base is a platform for strong growth















### Enduring international demand

#### UK **Europe** Strong track record with JV partners, **DB** pension schemes continue to look e.g. PGGM for sources of secure income, diversification and yield as they Recognised for best-in-class ESG de-risk credentials European **institutions** continue to seek diversification and yield from alternative assets **North America** Potential for **capital** to be exported Asia UK attractive legal system, transparency and relative returns to domestic markets Favourable currency movements have enhanced demand













### Delivering and managing direct investment for LGR, LGC and LGIM





#### Leading major urban regeneration in Salford

**2001:** English Cities Fund established – a £200m joint venture between L&G, Muse and the Homes & Communities Agency

**2014**: Development of One New Bailey pre-let to Salford Council, a matching asset for LGR

**2017**: The Slate Yard launches as first Build to Rent scheme, investment by LGC, PGGM and LGIM Build to Rent pooled fund

**2018**: Development of 2<sup>nd</sup> New Bailey car park let on a 35 year lease to Salford Council, a matching asset for LGR

LGIM	LGC	
LGIM	LGC	LGR
LGIM	LGC	
LGIM	LGC	LGR















# Delivering and managing direct investment for LGR and LGIM Clients

#### **Private Credit: Infrastructure Debt**

LGR investing alongside third party clients in UK infrastructure providing a source of renewable energy







# Walney Extension £300m Acquisition Finance

LGIM led the structuring of long-term acquisition debt of a 50% share

Will be the world's largest offshore wind farm providing power to over 500,000 homes in the UK

Matching eligible investment for LGR, providing long-term secure income to external clients













#### Using our scale to create assets we would choose to own

1

#### **LGIM**

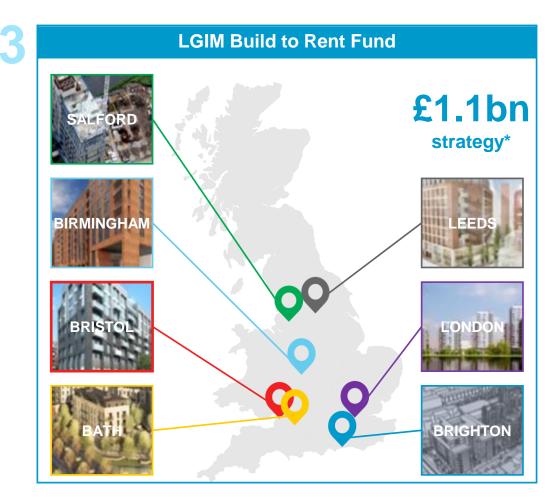
Sourcing, underwriting, transacting and developing build to rent residential in the UK



2

#### **LGC and PGGM**

Providing £300m capital to establish seed portfolio



Providing clients a diversified income stream with implicit inflation linkage, targeting 7-9% net total return over the long term

<sup>\*</sup> Total capital commitments including debt















**Enhancing real estate offering** 

**International markets** 

**Expanding into emerging sectors,** underpinned by long-term themes, including:

Student accommodation

Later living

Healthcare

**Expanding across additional** geographies and capabilities. Launch product for third party clients supported by seed capital:

Infrastructure debt

Real estate debt

Private corporate debt

Building out our franchise into the USA, complementing LGIMA's offering















# Index

#### **Chad Rakvin**

Global Head of Index Funds

### Index – Business Summary

The 5<sup>th</sup> largest Global Index manager, we've been managing index assets for our clients for over 30 years.

ACTIVE REAL ASSETS INDEX SOLUTIONS ACTIVE OWNERSHIP

#### Growth opportunity

Worldwide index AUM projected to more than double by 2025 to \$36.6 trillion

Our core business is moving into LDI and Multi-Asset as we diversify into new markets

We are index solutions providers – FBI, ESG, Index Plus, Self-Indexation

We pride ourselves on being the Responsible Index Manager, seeking to add value, and engaging with companies on behalf of our clients

Source: 5th Largest Global Index Manager: Pensions & Investments, The largest index managers survey 2018; Worldwide index AUM: PwC Report Asset & Wealth Management Revolution 2017

£341bn

£259m

Revenue

£-28bn

External Net UK DB Flows

£18bn

External Net Other Channel Flows





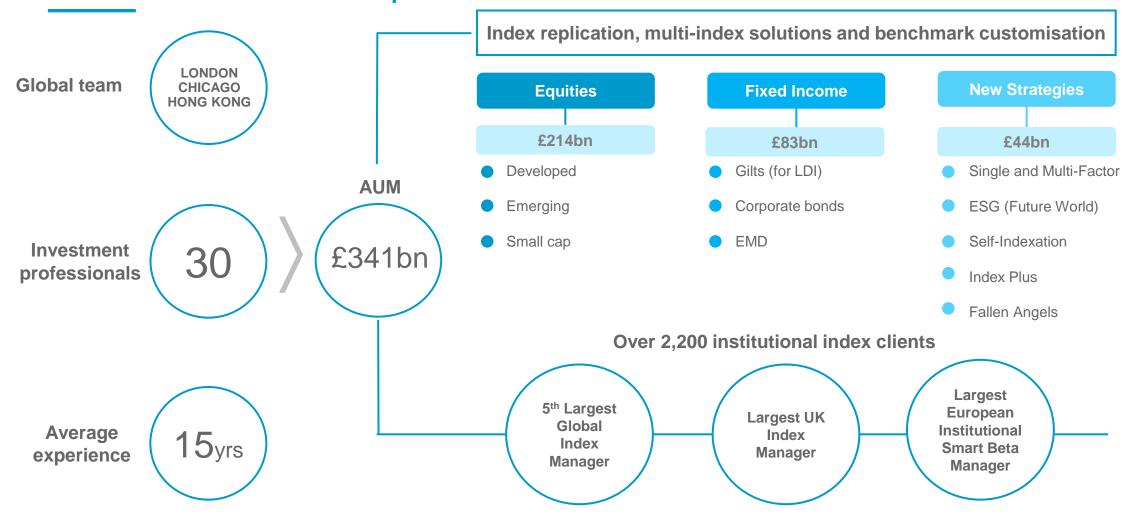








### Full suite of Index capabilities



Source: Largest Index Manager by country of domicile UK. Pension & Investment. The largest Index Manager Survey 2018. P&I/Willis Towers Watson "The World's 500 Largest Asset Managers" as of 2016. Largest European Institutional Smart Beta Manager: IPI Top 400 Asset Manager 2017





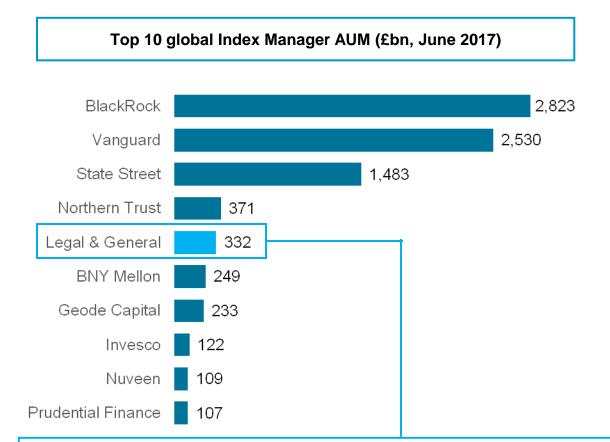


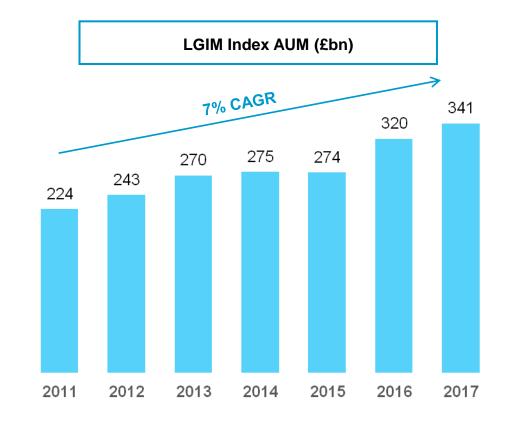






# 5<sup>th</sup> largest Global Index manager





We are the 5th largest index manager globally in a market dominated by the top three global providers.

This gives us a tremendous opportunity as clients globally seek to diversify their index providers and search for added value.

Source: Pension & Investment "The largest Index Manager Survey 2018", calculated as at 30 June 2017, converted from USD to GBP at 1.299. LGIM Index AUM shown as reported as at 30 June 2017.















#### **Unique business model**

Business model aligned with clients' interests

Minimise the impact of affiliated service providers

Philosophy of generating value for clients, not just providing index returns

#### **Corporate Responsibility**

L&G believes in a greater social purpose

Leading Corporate Governance team, recognized globally, with a reporting line directly to the CEO

Passive investors, but active shareholders

#### **Proprietary technology platform**

We have built a customised multi-asset index management system in-house

We can manage more index strategies for more client accounts and fund structures across our UK, US and Asia trading platforms, allowing us to expand internationally and into new strategies without significantly increasing costs











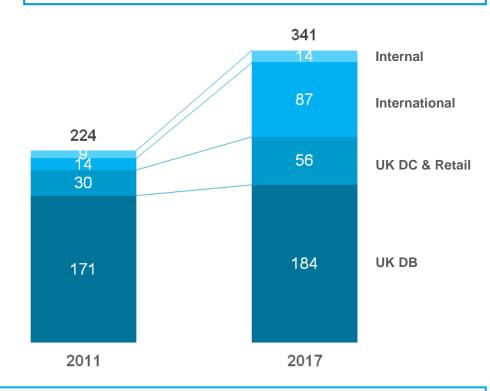


# Largest UK provider of index assets





#### Index AUM diversified by client (£bn)



As our core index business of DB pension schemes de-risk into LDI and Multi-Asset, we have seen strong growth in new client channels across UK DC & Retail and International

Source: Index AUM by channel is based on client domicile. Firm UK DB AUM includes overlay assets of £111bn in 2011





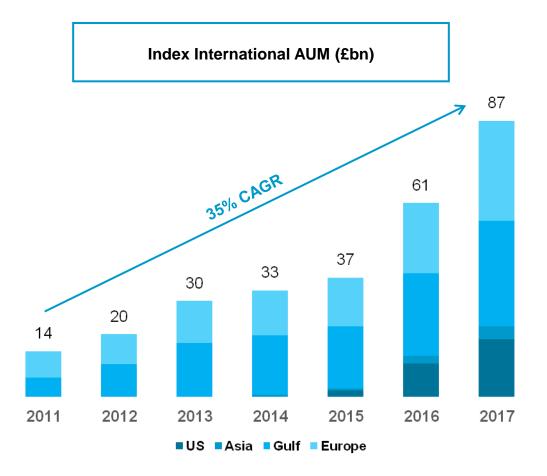








# Strong expansion internationally



#### **Europe and the Gulf**

Building on our UK business, we have focused on our Index Solutions offering, creating tailored index mandates and launching a range of pooled funds

#### Asia and the US

We have set up local fund management, trading, and sales in Chicago and Hong Kong to allow us to apply our market leading capabilities tailored to clients around the globe





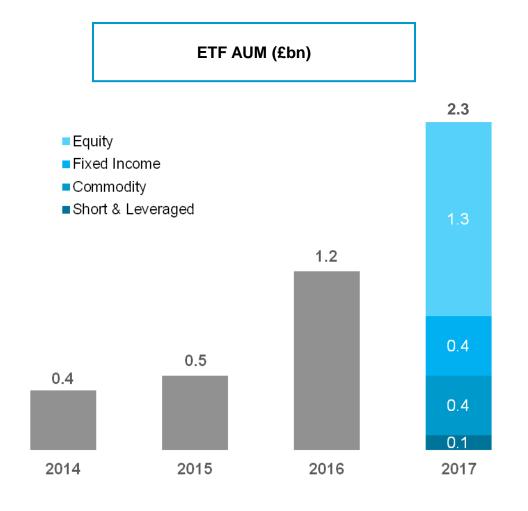








### Entry into the European ETF market with the acquisition of Canvas



The Canvas acquisition provides LGIM with 'out of the box' ETF capability, and an opportunity to bring the responsible indexer to a rapidly expanding channel

By the end of FY18, we will have launched a Core range of LGIM ETFs to target a portion of the c.\$800bn of ETF flows into Europe over the next five years, supplemented by new strategies in Factor Based Investing, Future World and Thematic funds

Core FBI Future World Thematic

Source: LGIM estimate, ETF Trends "Global ETF Assets to More Than Double in Five Years". Canvas historical performance prior to acquisition by LGIM. Acquisition completion date was 16 March 2018













### Growth opportunity for new higher margin index strategies

Factor Based Investing (Smart Beta)

ESG (Future World)

Index Plus

Self-Indexation

#### £26bn

Growing demand for factor based indexes

LGIM are the largest provider of institutional factor based investing index strategies in Europe

Higher fees associated with index selection, design, implementation and client service

#### £10bn

Investors are becoming more concerned with who they invest in and their ESG credentials

LGIM designed strategies integrate intellectual property and expertise of corporate governance team

Higher fees associated with index selection, design, implementation and client service

#### £8bn

Index plus allows LGIM to target enhanced index replication with the aim of outperforming the index within a stated risk budget

LGIM earns an asset management fee and a performance fee on any outperformance

#### 9 Strategies

LGIM has built self-indexation capabilities during 2018 with a number of funds launched or planned for 2018

LGIM designed funds with integrated IP to deliver innovative products to the market

Opens the door to collaborate with clients on new products

















# Solutions (including LDI and Multi-Asset)

Anton Eser
Chief Investment Officer

# Solutions (including LDI and Multi-Asset) - Business Summary

Our global solutions platform across LDI and Multi-Asset is set to grow as clients increasingly seek outcome-oriented investments that are managed across multiple asset classes. The solutions approach commands a fee premium and tends to lead to a higher share of client assets (e.g. Fiduciary) and higher client retention rates.

£463bn

ACTIVE STRATEGIES

REAL ASSETS

INDEX

**SOLUTIONS** 

ACTIVE OWNERSHIP

Growth opportunity

Continue to lead LDI (No. 1 UK, established US)

Deliver Holistic Portfolio Solutions

Expand internationally

Continue to grow Multi-Asset

All financial data as at 31 December 2017 unless otherwise stated

£210m

Revenue

£45bn
External Net Flows





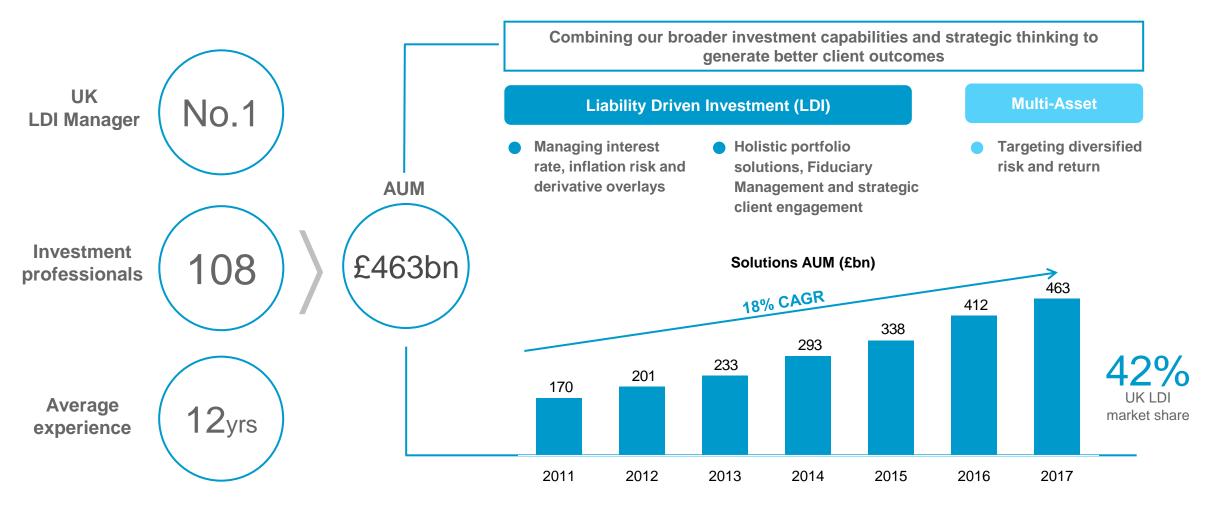








### Market-leading solutions provider



Solutions AUM include overlay assets of £111bn in 2011













#### Diversified UK LDI and derivative overlays business



No.1
In segregated LDI

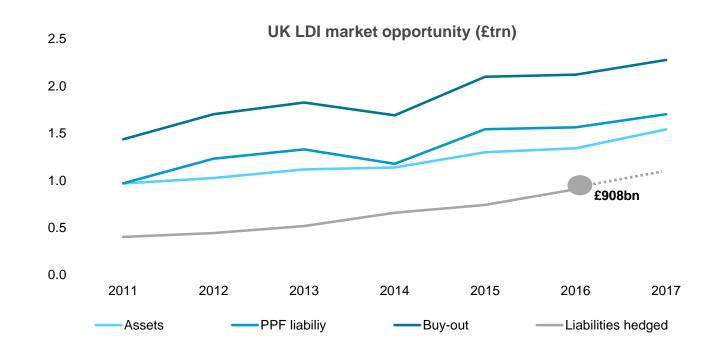
Pooled LDI £35bn

No.1
In pooled LDI

#### **Derivative Overlays £50bn**

Currency overlay mandates

Equity derivative mandates 38



23% annual growth in liabilities hedged

£908bn of liabilities hedged

1,808
pension schemes
using LDI

Source: LDI market data from KPMG LDI Survey 2017, Purple Book 2017, LGIM estimates







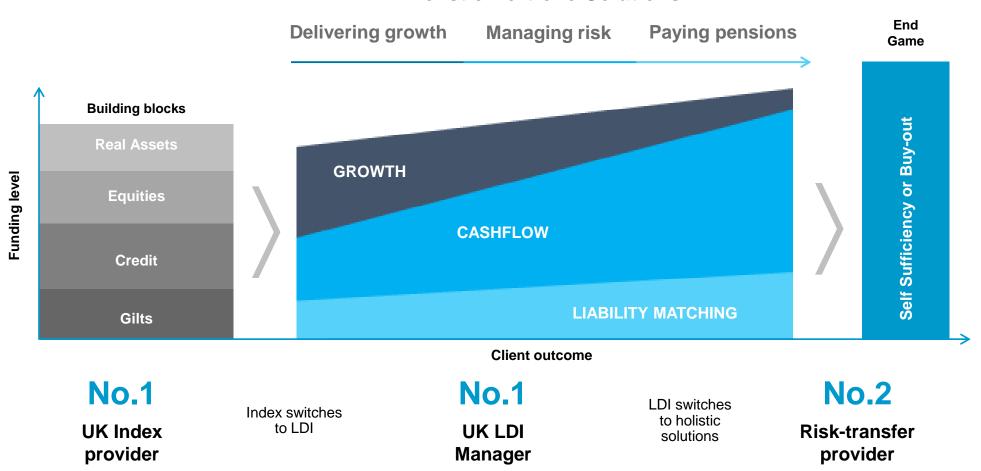






### Offering solutions at every stage of the DB pension lifecycle

#### **Holistic Portfolio Solutions**



Source: No. 2 risk transfer provider by buy-in and buy-out volumes 2017, LCP Pensions de-risking update - April 2018





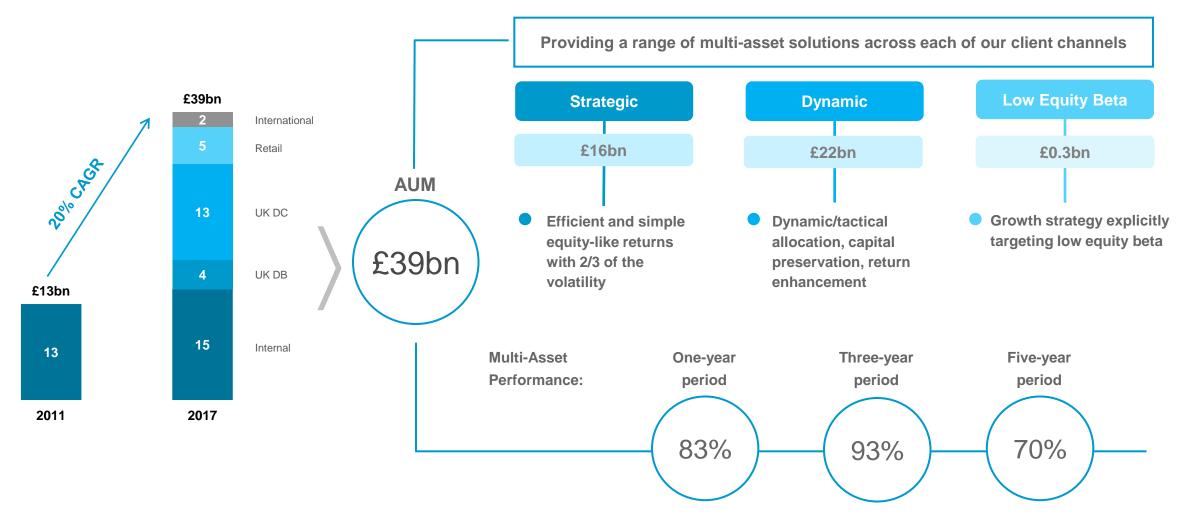








# Strong Multi-Asset growth across all client channels



Source: Internal Multi Asset AUM include assets reported in the underlying building blocks. Investment performance across our AUM as at 31 December 2017. This has been calculated internally by LGIM to provide general guidance as to how our AUM is performing. The data is aggregated and is not intended for clients or potential clients investing in our products. Multi-Asset Performance measured against applicable benchmark or peer group performance. Performance is measured on a gross-of-fee basis for institutional accounts and net-of-fee for retail funds, and is measured against benchmarks, peer group performance or risk based metrics.





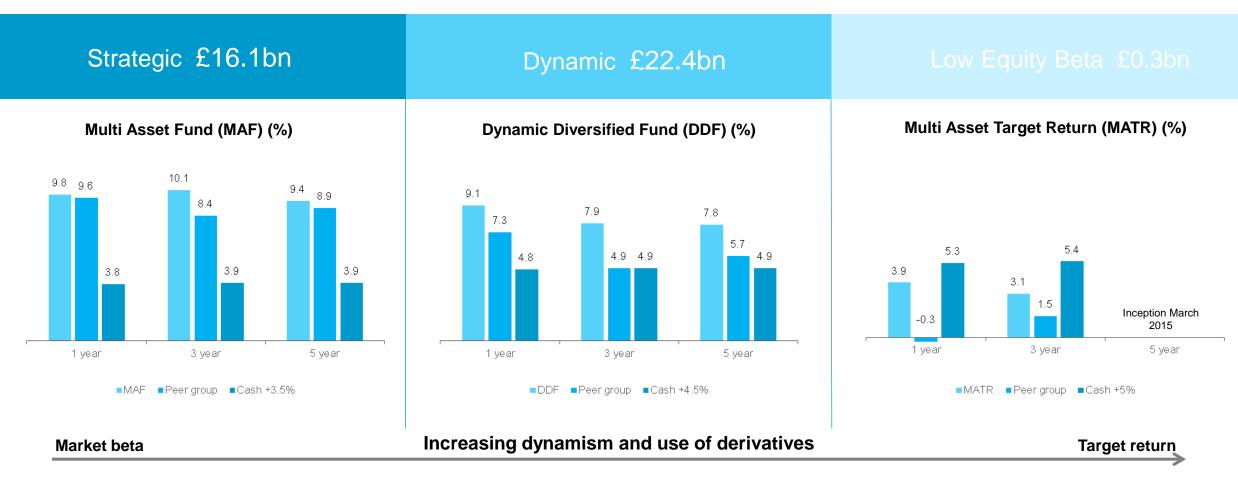








### Three strategies from simple diversified market beta to target return



Source: LGIM, Lipper for Investment Management and Bloomberg. All funds and peer group medians shown net of fees. Performance comparators (cash+) shown gross of fees. Performance numbers for Multi-Asset Fund (MAF) and Dynamic Diversified Fund (DDF) shown to 31/12/17, Multi-Asset Target Return Fund (MATR) shown to 31/03/18. For MAF L&G (PMC) Multi-Asset SH G17-Pen is used. For DDF performance is shown net of a 50bps fee. MATR L share class is shown with performance adjusted based on LGIM's understanding of the management fee of the peers. Peer group median for MAF is ABI Mixed Investment 40-85% Shares Sector. Criteria used for selecting peers for DDF and MATR available on request. MATR inception 20 March 2018.





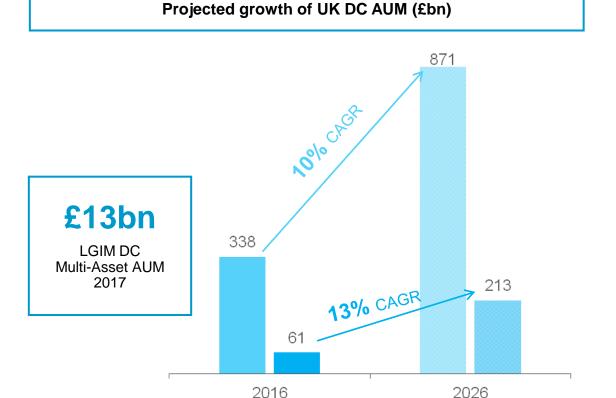




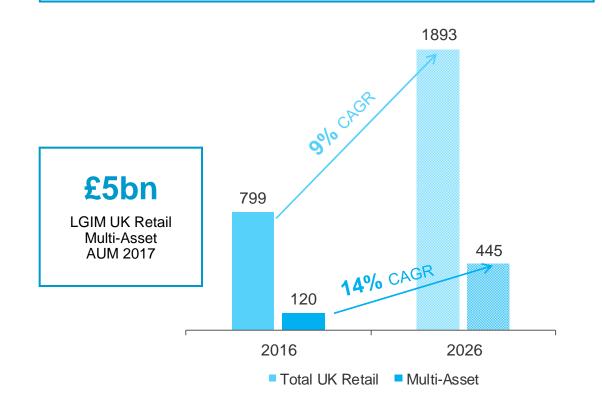




# Significant growth opportunities, particularly in UK DC and Retail



#### Projected growth of UK Retail AUM (£bn)



Source: DC: Market Intelligence 2017 UK Defined Contribution And Retirement Income, Broadridge 2017. Retail: LGIM estimates based on Morningstar data

■Total UK DC ■Multi-Asset













### Active Ownership - Business Summary

Active ownership means using our scale and influence to bring about real, positive change to create sustainable investor value.

Our clients trust us to manage, safeguard and help grow the value of their assets; effective corporate governance is integral to achieving this.

ACTIVE STRATEGIES REAL ASSETS INDEX SOLUTIONS ACTIVE OWNERSHIP

#### Key Messages

Bringing ESG into the mainstream

Building on established expertise and experience and our long-term perspective

Giving a voice to individual investors

Engaging with impact and consequences

Investing for the future

**ESG Data Integration** 

**Corporate Engagement** 

Thematic / Sustainable Investing

**Impact Investing** 















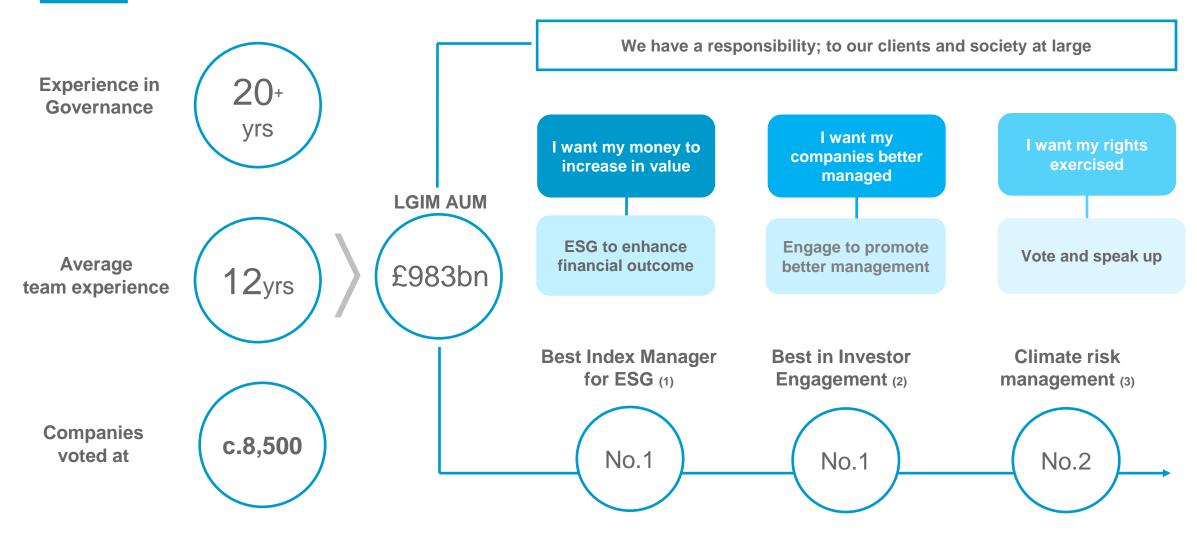


# ESG and Engagement

### Meryam Omi

Head of Sustainability

### Being responsible is good for business



Sources: 1. Lifting the Lid: Responsible Investment Performance of European Asset Managers, 2017 ShareAction Survey. 2. ICSA Awards for the last 3 years. 2015-2017 3. Asset Owner Disclosure Project Global Climate Index 2017 / Asset Managers





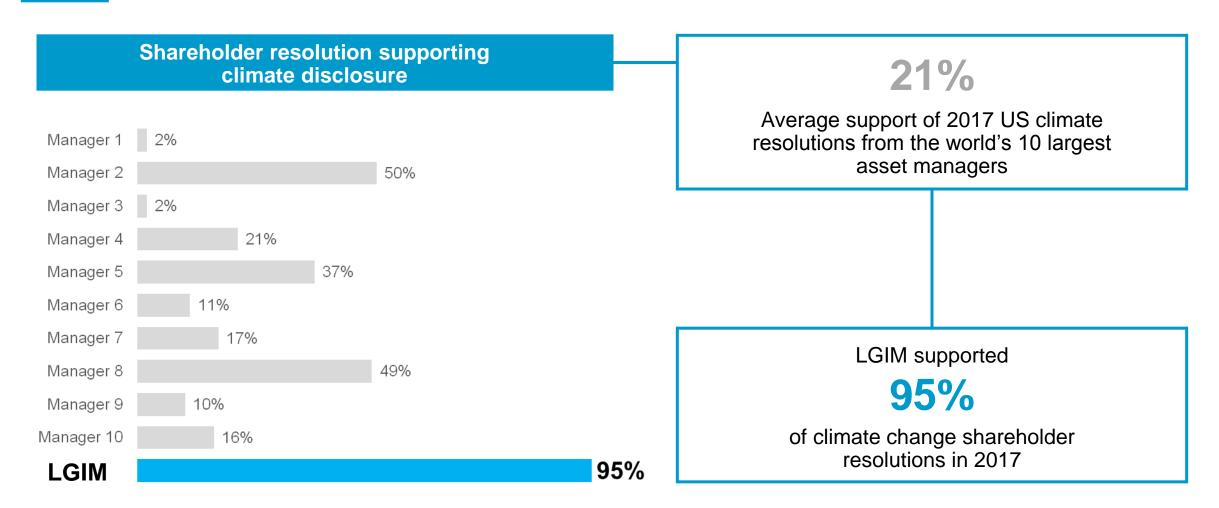








### Not all managers are made equal



Source: Ceres/FundVotes survey of US asset manager votes. LGIM were not included in the original survey. LGIM voting record was compared to the Ceres resolutions database Note: Top 10 fund managers by AUM displayed in no particular order.













### Engagement leading to real action

Climate change

Board accountability

Short termism

Diversity

Transparency

Cyber security

Executive remuneration



# Climate Impact Pledge

#### Industries

Energy, Transport, Finance and Agricultural



Policy on climate

Governance and Transparency

Strategy of resilience and innovation

Reputation/Public policy

Direct engagement with companies



Improvements made "name and fame"

Vote against & divest holding from within future world funds













### Accelerating global demand

**ESG/SRI** investment expressed in different ways

Exclusionary Screening

Environmental, Social and Governance (ESG) Data Integration

Factor based Screening

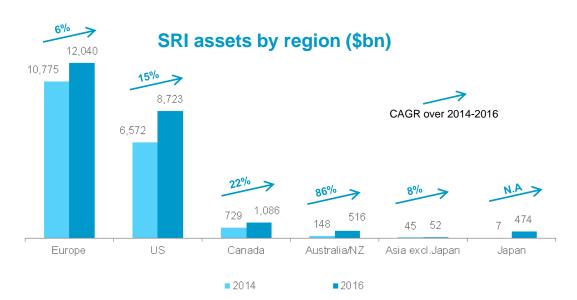
**Corporate Engagement** 

Thematic/ Sustainable Investing

Impact Investing

**Minimize Negative Impact** 

**Target Impact** 



**SRI AUM Growth by strategy (\$bn)** 10369 CAGR over 2014-2016 7527 5919 137 331 Best-in-class Norms-based Corporate Impact Sustainable Exclusionary Investing. Investing Screening Screening Engagement Integration Screening 2014 **2016** 

Source: Global Sustainable Investment Review 2016. Japan CAGR 724%













# Bringing ESG product into the mainstream

### **Future World**

**Global fixed Active** Index **Multi-asset** Real assets **Active equity** income opportunities **Future World Equity Factor Fund** LGIM's ambition is to create an ESG product range built for the Included seed future spanning: investment from £4.9bn L&G consultant **Asset classes** and external **Platforms** ratings in 12 clients months **Investor channels** Regions globally The blueprint for future success















We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction.

**Bill Gates** 











# Addressing the savings gap









# Defined Contribution and Workplace

### **Emma Douglas**

Head of UK Defined Contribution

## UK Defined Contribution & Workplace Savings - Business Summary

Our UK DC business provides DC investors with a choice of pension funds through a platform offering Investment Only, unbundled or bundled (including administration) investment propositions.

£68bn **AUM** 

10 **CONTRACT TRUST MASTERTRUST INDEX** 

£113m

Revenue

#### **Key Messages**

- Largest (#1) manager of UK DC assets with ~ 18.3% market share
- ~14,000 schemes and ~2.7m customers
- Largest (#1) and fastest growing Mastertrust in the UK by assets
- Well placed to take advantage of market trends
- Investing in technology

£3bn External Net Flows

All financials as at 31 December 2017 unless otherwise stated. Refer to appendix for further AUM detail. Revenue of £113m includes bundled administration revenue. Source: LGIM; Market Intelligence 2017 UK Defined Contribution And Retirement Income, Broadridge 2017; Hymans, April 2018, 'Mastering Master Trusts'.













# DC operating model

# DC investors access the same range of funds regardless of product

Unbundled Clients £40.5bn

#### Bundled Clients - £27.7bn

Contract-Based £19.3bn

Trust-Based £3.7bn

Master Trust £4.7bn

Administration Platform

#### **DC Investment Platform**

Investment Platform acts as funds engine: consistent funds and functionality regardless of point of access







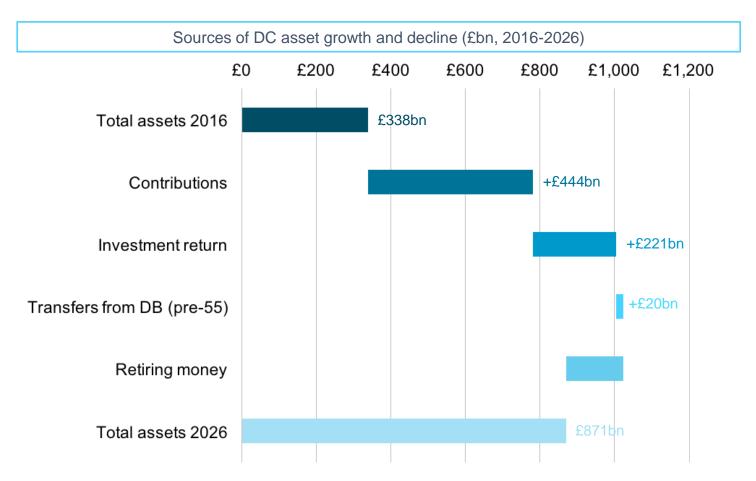






### Trends in the UK DC Market

#### **DC Asset Growth - 2016-2026**



- By 2026 total DC assets of £338bn will grow to £871bn
- Ongoing contributions are the biggest source of growth
- 97% retention rate for bundled schemes
- AE contribution increases
- 17% Share in Smart Pension









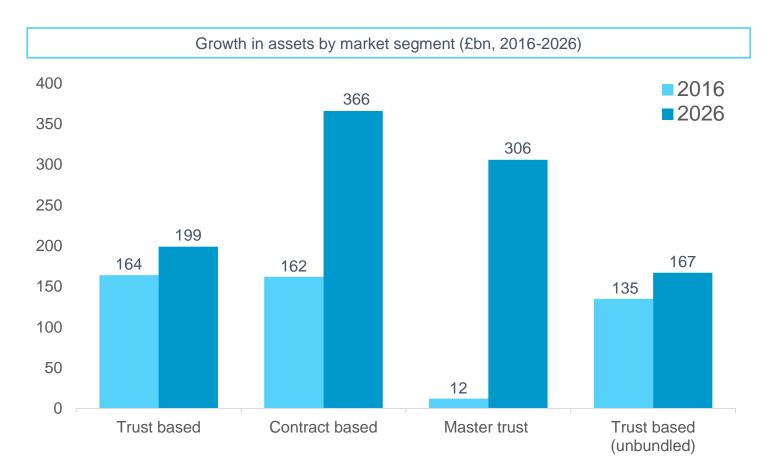






### Trends in the UK DC Market

#### Master trust expected to experience fast growth by 2026



Source: Market Intelligence 2017 UK Defined Contribution And Retirement Income, Broadridge 2017

### A fully outsourced solution: Legal & General Mastertrust



80
Participants

£4.7bn

**Assets** 

**C.730,000**Members







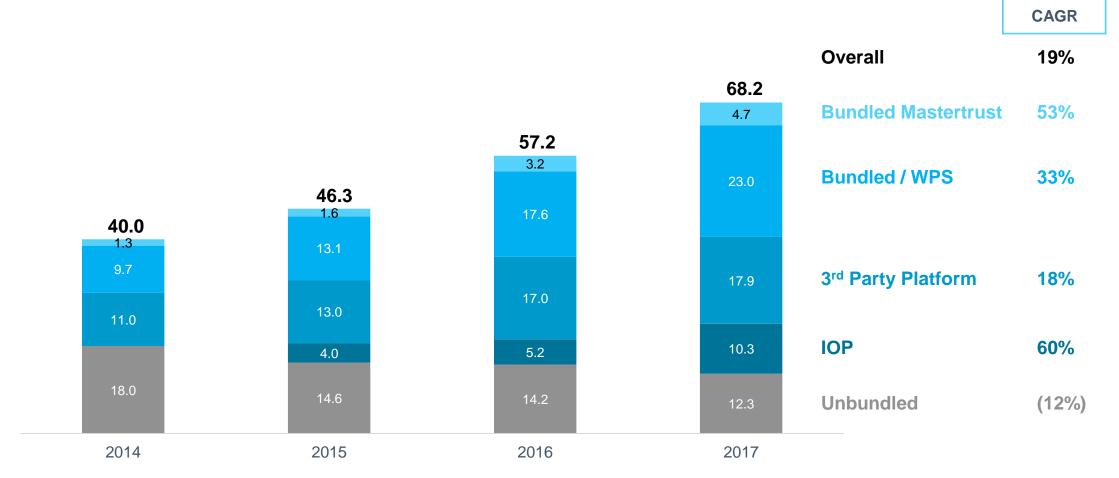






### How are our UK DC assets split?

#### **Bundled business CAGR of 36%**



IOP CAGR is based on growth from 2015







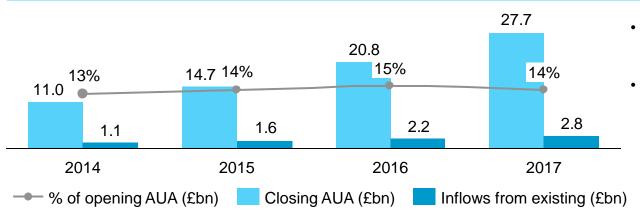






### Continued Growth of DC Business

#### Increasing cashflows from existing clients

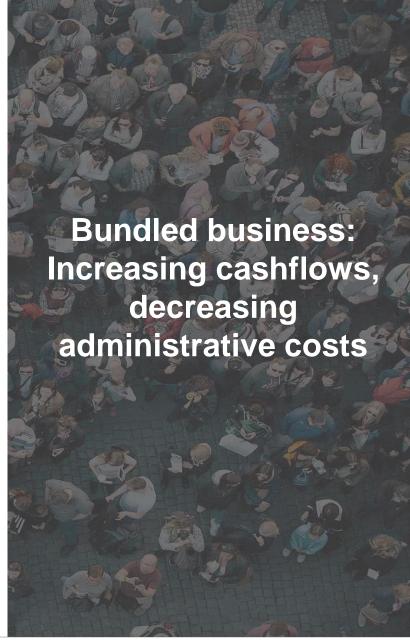


- Strong growth in yearon-year assets under administration
- Steadily increasing cashflows from existing clients

#### Decreasing costs of administration



 Increased investment into DC business has led to decreasing year-on-year administrative costs per member









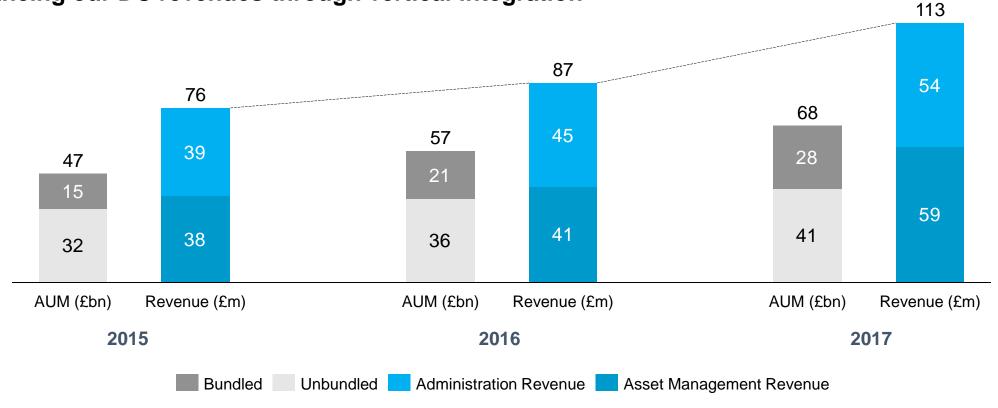






### Continued Growth of DC Revenue

#### **Enhancing our DC revenues through vertical integration**



Vertical integration allows LGIM the benefit of generating investment management revenues from our bundled business







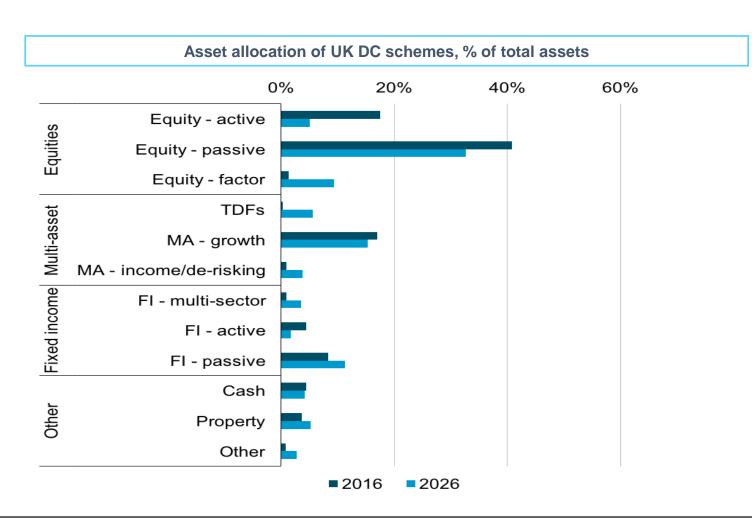






### Trends in the UK DC Market

#### Product/asset allocation in the DC space is evolving



- The largest asset allocation is to passive equities and fixed income as well as multi-asset funds
- Target date funds (TDFs) attracting more attention
- Consultants and millennials placing emphasis on ESG

LGIM is well placed to capture opportunities based on each of the DC trends described

Note: the data above on TDFs refers to closed architecture target date funds, rather than open-architecture strategies.

Source: Market Intelligence 2017 UK Defined Contribution And Retirement Income, Broadridge 2017







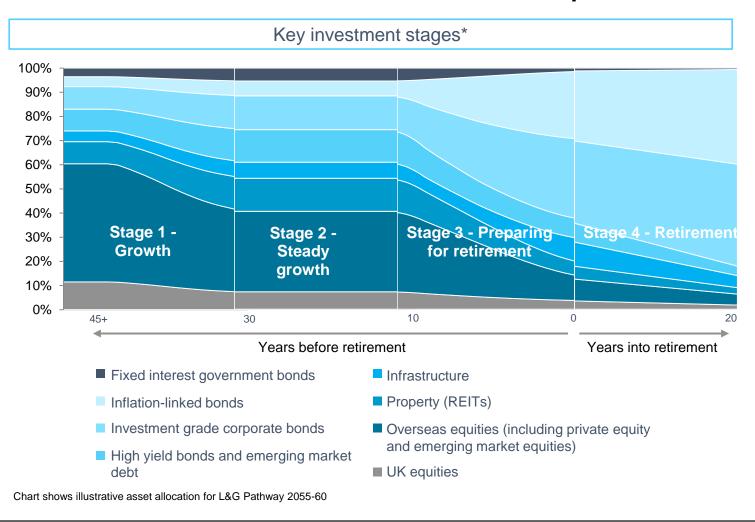






### Offering DC Solutions for Client Needs: L&G Pathway Funds

#### A diversified DC solution focused on customer experience



- The concept is easy to message
- To-and-through retirement ready for the new world of investment in retirement
- Investment strategy can be changed quickly and efficiently
- 5-year buckets are more suitable for flexible retirement patterns













### Investment in Technology

#### **User Experience (UX)**

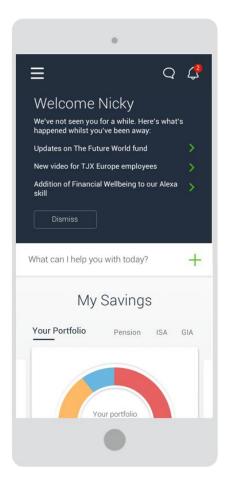
- Client
- End Customer

#### **Technology**

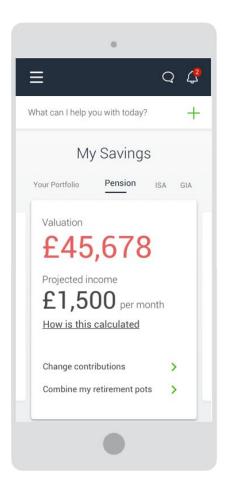
 Driving Operational Efficiency

#### **Operating Model**

Digital First



 $\equiv$ Q 4 What can I help you with today? My Savings Your Portfolio Pension ISA GIA Your portfolio £64,678 £45,678 Pension £17,500



Personalised messaging

How much do I have?

How much will I get?













# New communication methods bring pensions to life















### Working with the wider business - What's next for DC?

For our customers

#### **Advice Solutions**

Working with Personal Investing

#### **Digital First**

Working with wider Group

#### Post-retirement solution

Working with LGRR

For our business

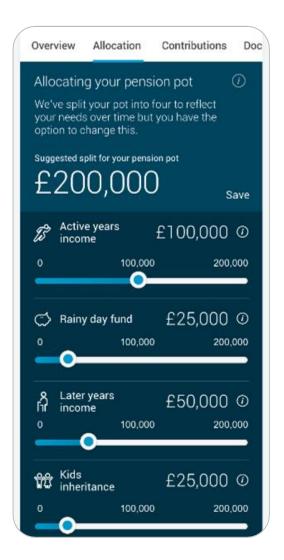
#### Rapidly growing, regular cashflows

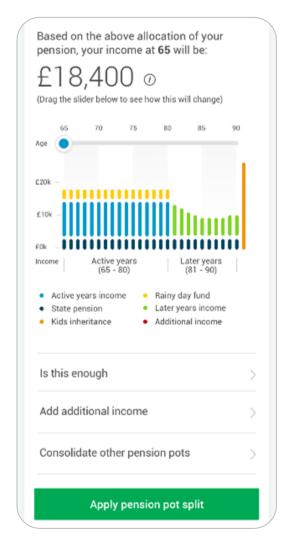
**Scale and technology** leading to profitable admin platform and further reduction in cost per member

#### **Robotics / Lean Processes**

Learning from wider Group

Consolidation of #1 position in the UK DC market





















# **Retail Intermediary**

Honor Solomon Head of EMEA Retail



### Retail Intermediary - Business Summary

Our Retail Intermediary business distributes our products to intermediaries buying funds on behalf of end customers. A growth story in the UK, we are now translating that success into Europe and beyond



**Key Messages** 

Delivered strong growth in recent years, establishing a market leading position in the UK with continued upside

Product range, pricing and service model matched to customer demands

Addition of ETFs is a key growth accelerant

Growth plan focused on exploiting opportunities in new geographies

All financials as at 31 December 2017 unless otherwise stated and are inclusive of personal investing.

£30bn

£116m

Revenue

£3bn
External Net Flows





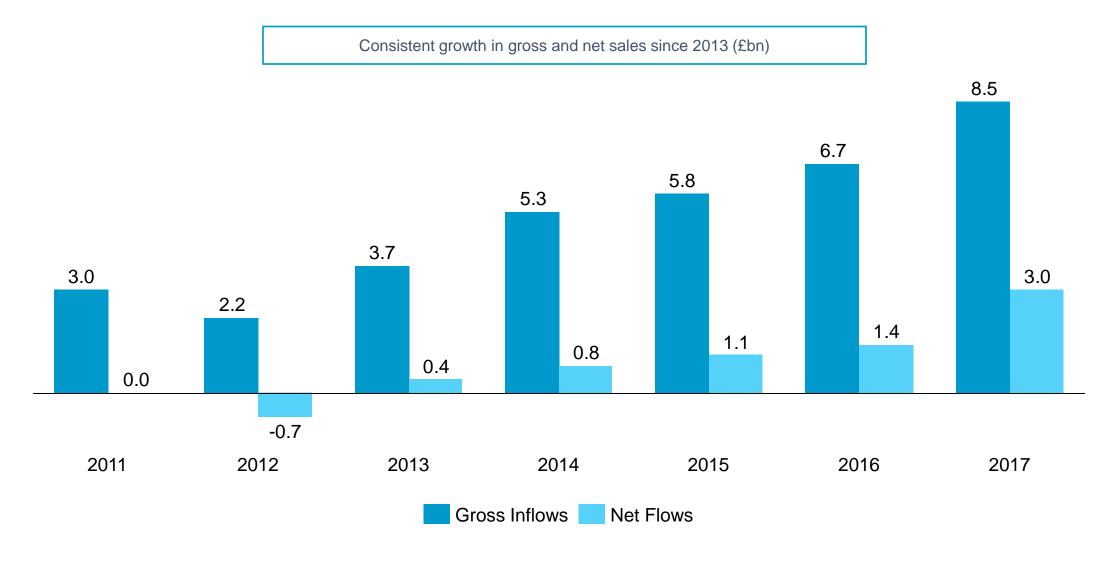








### From outside top 20 to top 3 ranking within 5 years







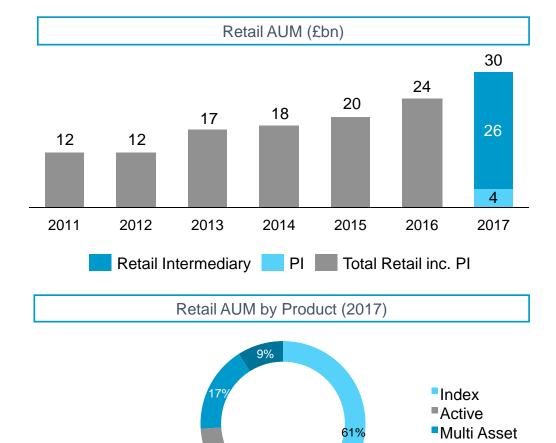








### Firmly established as a diversified, growth business in the UK



#### Retail Snapshot

- Ranked 3<sup>rd</sup> for gross and net sales in 2017
- Strong AUM growth and asset class diversification despite challenging market conditions
- Broadened product range
- Improved customer service proposition

TOP 10 GROSS RETAIL SALES 2017	£m
BlackRock	£16,390
Fidelity	£9,703
Legal & General IM	£8,404
Invesco Perpetual	£8,332
Old Mutual Glob. Inv.	£8,139
Schroders	£7,946
Stand Life Inv.	£6,707
JP Morgan	£6,471
Jupiter	£6,386
M&G	£6,260

TOP 10 NET RETAIL SALES 2017	£m
Old Mutual Glob. Inv.	£3,436
BlackRock	£3,358
Legal & General IM	£2,895
Fundsmith	£2,189
Ballie Gifford	£1,926
Schroders	£1,366
Jupiter	£1,061
Hargreaves Lansdown	£957
Royal London AM	£924
BMO	£924

Source: Pridham report press release February 2018. Pridham report figures are based on IA classification of Retail UK domiciled funds.





Real Assets









## Strong backdrop to Pan-European Growth

#### Focusing on scale markets with strong growth and existing relationships



Building Out Our European Franchise:

- Increasing sales presence
- Clients across 14 jurisdictions
- Targeting Germany, Italy, Ireland and Switzerland

Source: Broadridge, as of April 2018. Funds of Funds, Money Market funds, SIF and ETFs excluded throughout. Cross-border: offshore funds, representing the portion attributed to foreign funds that are distributed across multiple markets. Round trip: funds that are marketed primarily for a single market but which are not domiciled in that home country, e.g., Luxembourg domiciled fund primarily for distribution in Italy.





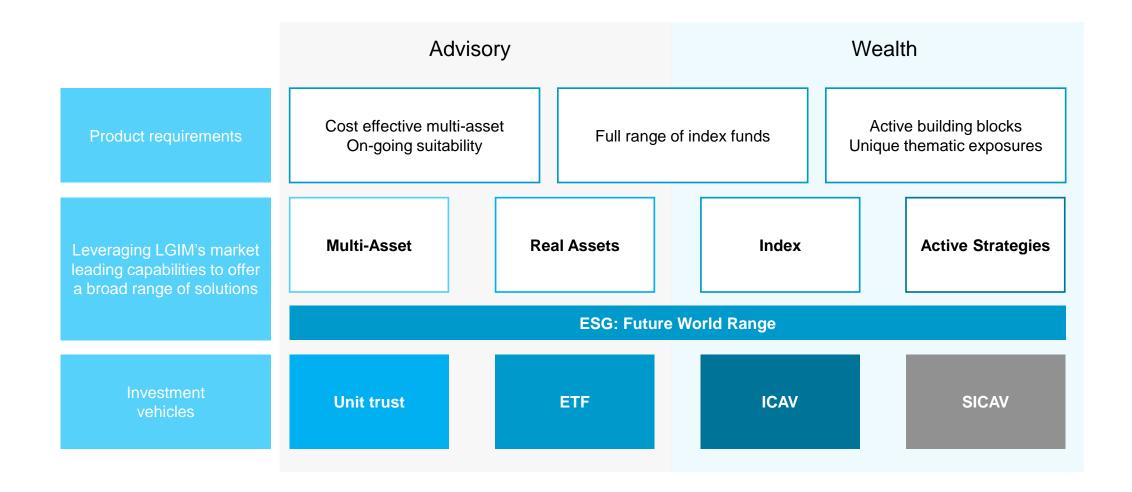








### Investment solutions tailored to our clients' requirements









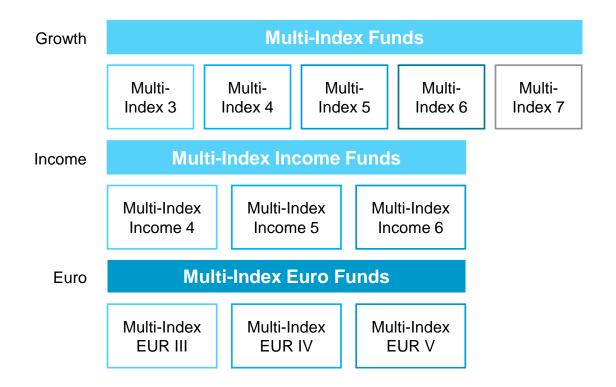


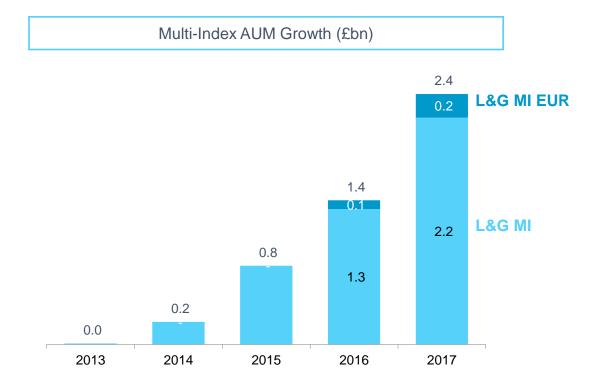




### Multi-Index Funds

Risk targeted solutions for every stage of the investment journey









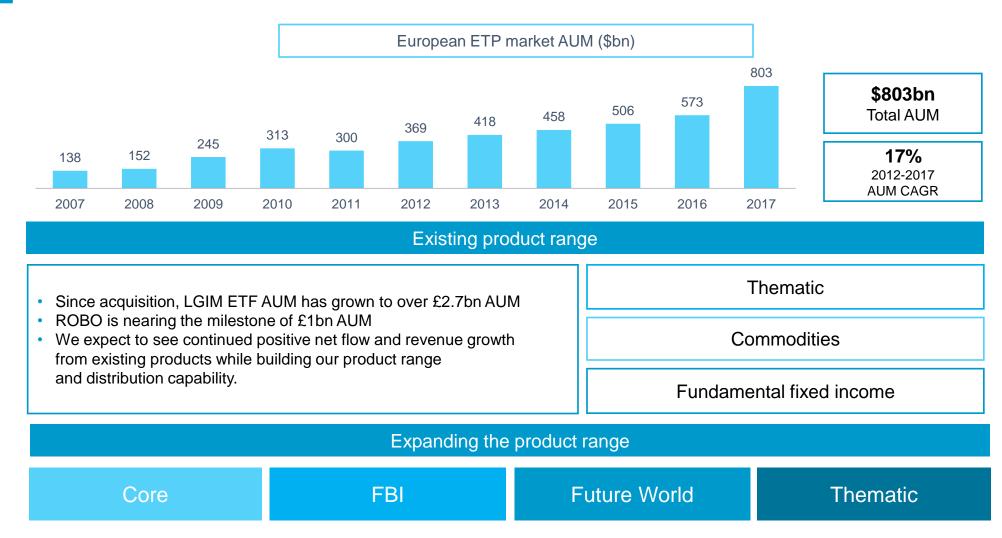








### LGIM ETF platform: Growth and product range



Source: ETF Market AUM Source: ETFGI







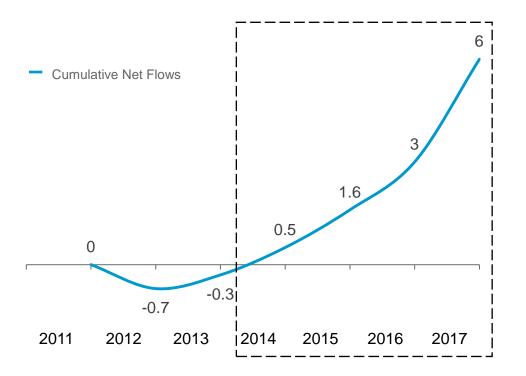






### **LGIM** Retail Intermediary

Cumulative Net Sales in the UK (£bn)



2017 metrics

£30bn

£116m

Revenue

£3bn
Net sales

#### LGIM Retail Intermediary:

- Delivered strong growth in recent years, establishing a market leading position in the UK with continued upside
- Product range, pricing and service model matched to customer demands
- Addition of ETFs is a key growth accelerant
- Growth plan focused on exploiting opportunities in new geographies

















# **Personal Investing**

**Helena Morrissey** Head of Personal Investing



### Personal Investing – Business Summary

Personal investing is a recent, strategically important focus for LGIM, as financial responsibility shifts from institution to individual and trends indicate customers prefer going direct.



**Key Messages** 

Fast growing market

We have or are creating all components of success

Our DC, DB and Retail Intermediary credentials provide a strong foundation

£4bn



All financials as at December 2017 unless otherwise stated













### Size of the UK's 'direct to customer' market is rapidly growing

D2C Assets (£bn) To be the number 1 asset manager in **Our Goal** Personal Investing in the UK 1500 1340 1250 1000 19% Increase 750 560 500 **Drivers for change** creating opportunity 250 0 2017 2016 2019 2020 2021 2022 2018 2011 **2017** <sup>2</sup> Institutional to individual **Pension freedoms** 10% 17% Tax allowances 26% Advice gap 17% 44% **Digital innovation DB** transfers 28% ■ Entirely self-directed Low interest rates ■ Mostly self-directed 28% 28% ■ Mostly advised ■ Entirely advised Source 1: Platforum September 2017 Source 2: Platforum, (May 2017 data). D2C AUM 2018-2022 is an LGIM forecast





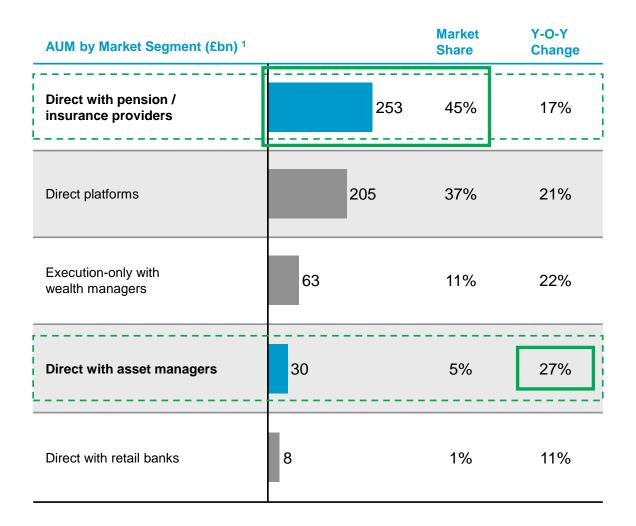








### Opportunity for LGIM in a fragmented UK market



- UK household aggregate cash £1.5trn <sup>2</sup>
- 9% of women in their 40s and 50s have a stocks and shares ISA 3
- 70% of Junior ISAs are invested in cash <sup>4</sup>

Top 3 factors selected by customers <sup>5</sup>		
A competitive price	58%	
A well-known and trustworthy company name	51%	
Access to a wide range of investments	48%	
A website that is easy to use	42%	
A service that helps me choose and manage my investments	40%	
Good customer service	36%	

Source 1: Platforum (September 2017) Source 2: Building Society Association March 2018 Source 3: Boring Money Source 4: HMRC ISA Statistics, April 2018 Source 5: Platforum Consumer Insights, January 2018





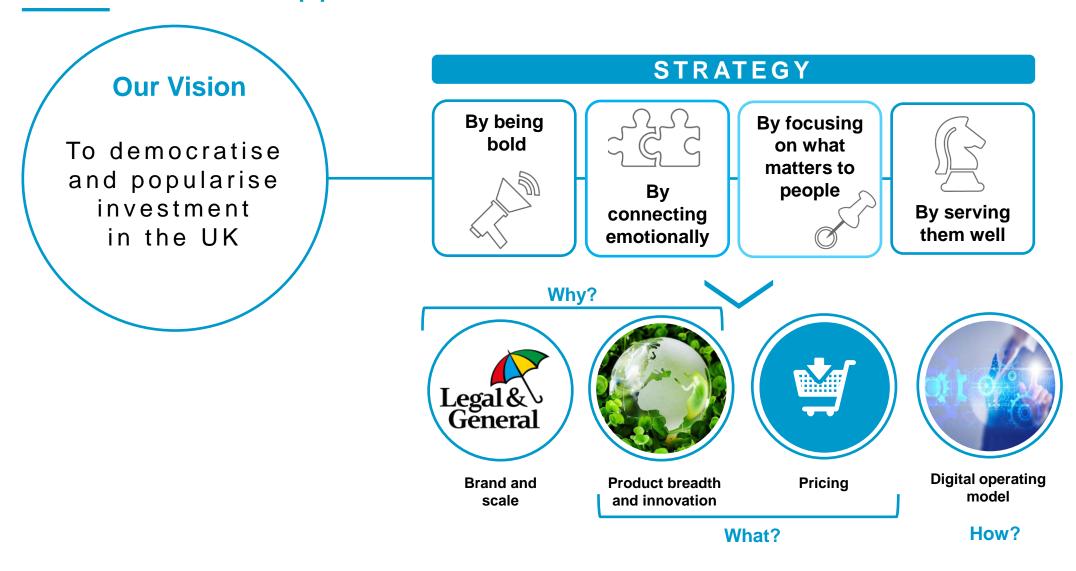








### LGIM's distinct approach















### LGIM has breadth and relevance in investment services

First time investor

Regular investor

Sophisticated investor

Core investment options below which can be supplemented with a wide range of actively managed funds, including property



- Preferred choice for customers
- Diversified funds serve as one-stop-shop
- ✓ Tactical asset allocation



#### **Future World**

- Focus on what customers care about
- Authenticity important to customers



#### **Index Funds**

- A leading provider across the market
- ✓ Low cost option



- Designed as an all weather strategy
- Good performance
- Priced competitively against market











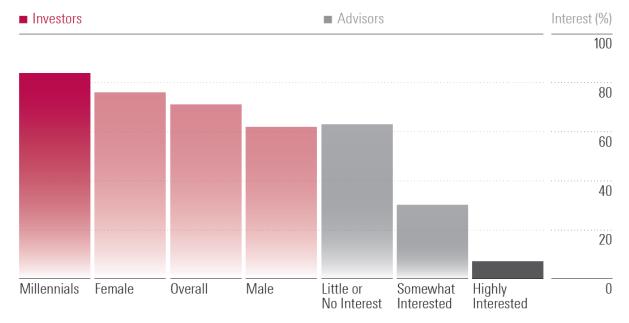


#### Why? Fund innovation to focus on what actually interests customers



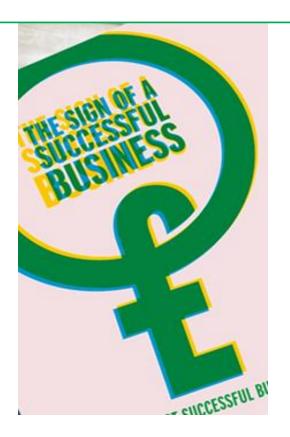
#### **Future World**

**Different Interests** A high percentage of millennials and women say they are interested in ESG investing. Financial advisors? Not so much.



Sources: Morgan Stanley Institute for Sustainable Investing, Cerulli Associates.









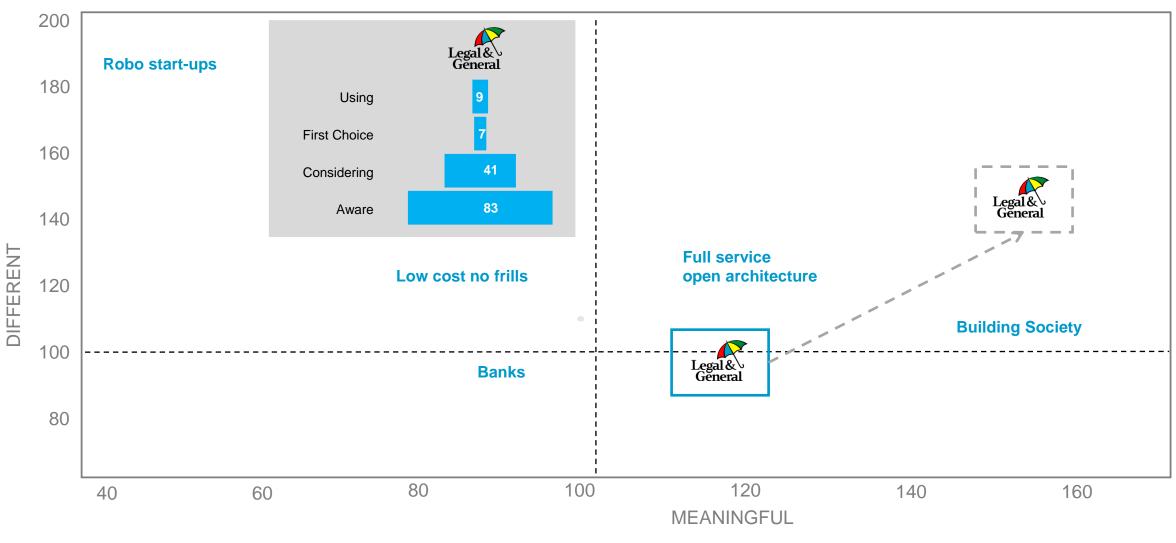








## Personal investors value the Legal & General brand



Source: \*Typologies based on Brandz™ data – study established in 1998 tracking consumer perceptions across 414 categories and 51 markets for over 120K brands. Interviews to date – 3.1m. Scores are taken from Crufts dip study













# Engaging the nation – the campaign



















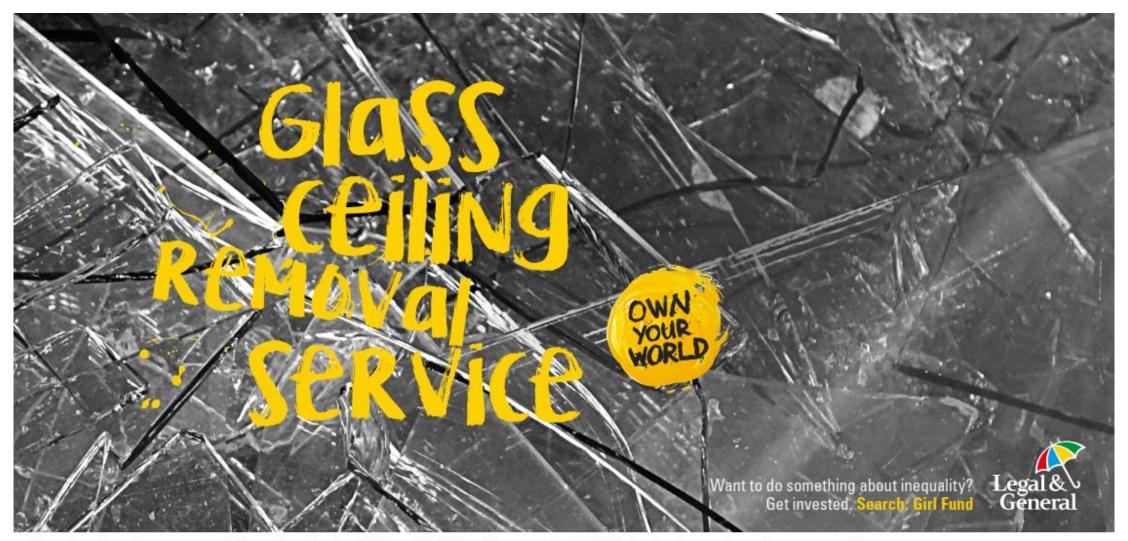












The value of your investment may fall as well as rise. Legal & General (Unit Trust Managers) Limited. Visit legalandgeneral.com/ownyourworld

















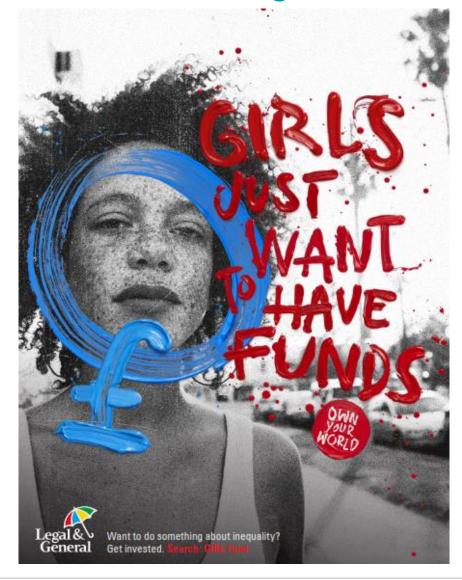
















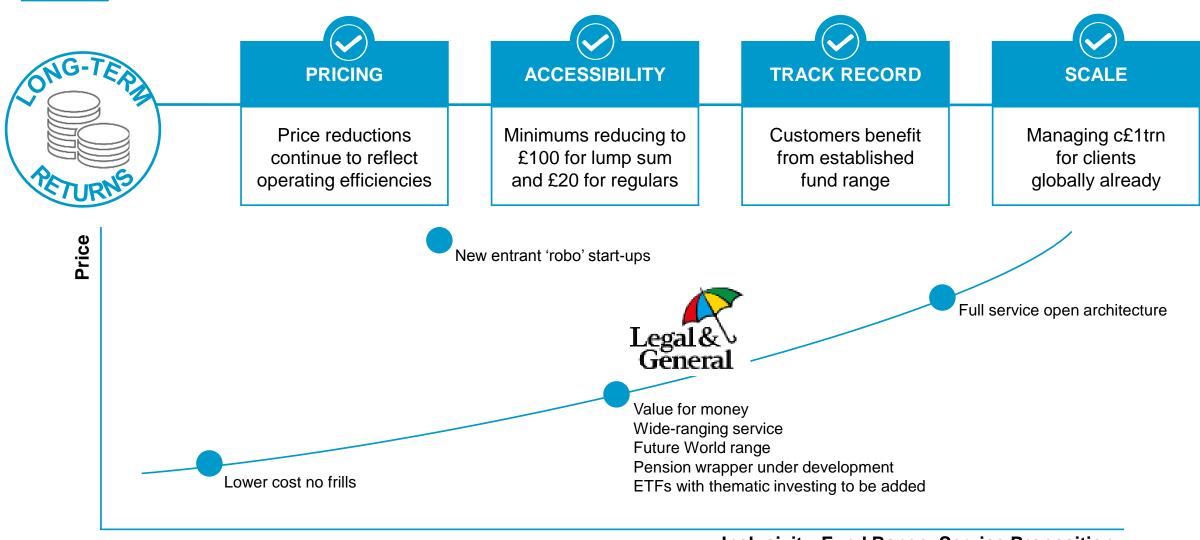








# A long-term strategy to leverage household name



Inclusivity, Fund Range, Service Proposition













#### Growth ambitions based on targeted approach



Source: Interview output combined with CACI's 50m UK consumer database to show dimensions for each segment e.g. new tech adoption, ethical consciousness, advice seeking, financial confidence and engagement







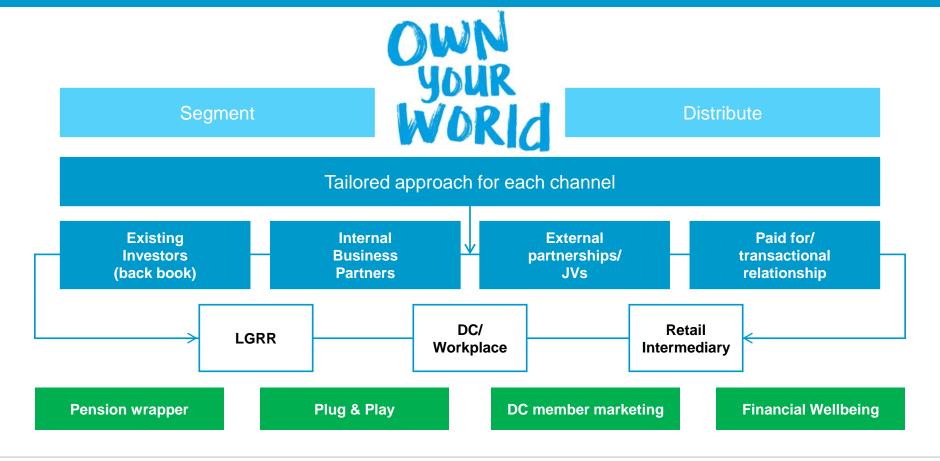






#### Distribution strategy

- 1 Build on strong foundations
- Expand customer base by harnessing internal partners & developing partnerships





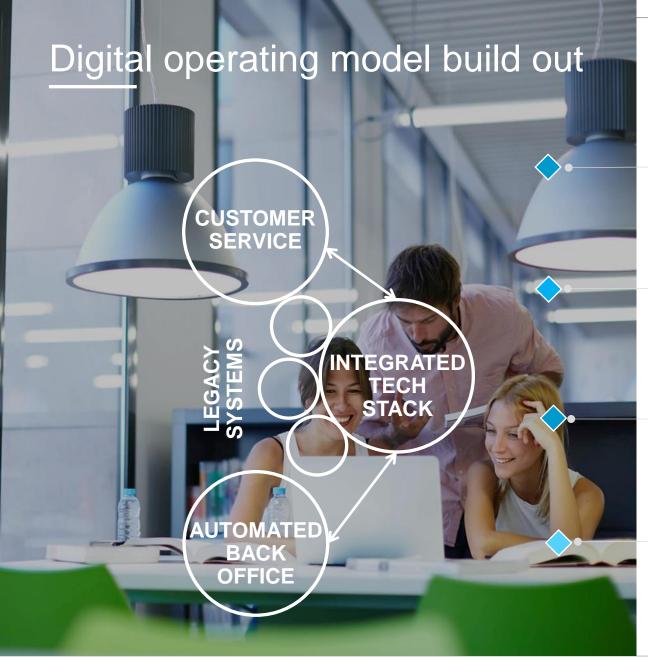














#### Mobile first approach

With robo style investment advice and monthly app style fee



#### An iterative staged innovation process

Enables rapid and robust improvements in our customer experience e.g. improved ISA apply journey



#### An integrated tech stack

With reusable services and interfaces allows rapid orchestration of new / legacy services and rich customer insights



#### Robotics and Al driven process automation

Will drive operating efficiencies which will be passed to our customers through lower charges













# Our ambition is to deliver a winning, mass market personal investing business



Scale and price

Value for money

enable by

established scale

Providing a frictionless

**Digital** 

**Investments** 

**Engage the nation** 

customer experience

Breadth and relevance of investment services

Focus on why customers should be invested leveraging brand





...that amplifies the Legal & General brand













# Internationalising our core institutional strengths









## UK DB – the bedrock of our business

Sarah Aitken

Head of Distribution



## UK Defined Benefit – Business Summary

Our UK DB business is our heritage and core strength. We deliver comprehensive client solutions utilising our class-leading capabilities.



#### **Key Messages**

- Market-leading business
- Experts in Institutional client management
- Well positioned in growth segments of the market
- Able to capture the full value chain as part of L&G Group

£634bn

£357m

Revenue

£4.5bn

External Net Flows

Source: All financials as at 31 December 2017 unless otherwise stated





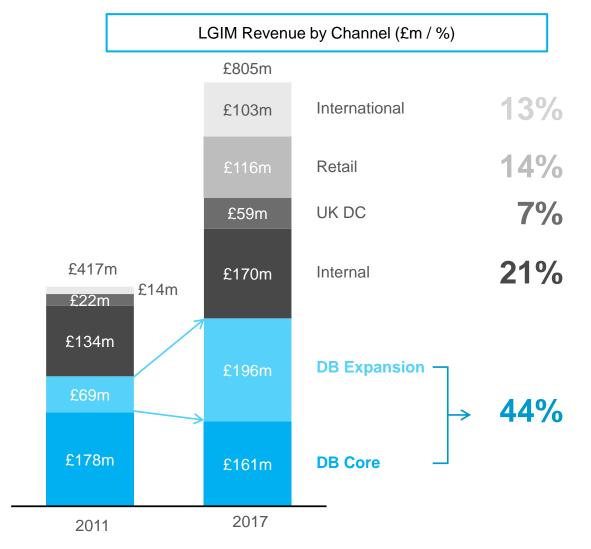








#### UK DB remains the bedrock of our business



LGIM UK DB at a glance

#1

UK DB Market Leader #1

LDI Manager

2.2k

**UK DB Clients** 

13

Average client tenure in years

£357m

2017 UK DB Revenue #1

Manager of LGPS Assets

DB Core includes Index and Sterling Investment Grade Fixed Income products; DB Expansion includes Solutions, Real Assets and Active Strategies (ex Sterling Investment Grade Fixed Income).





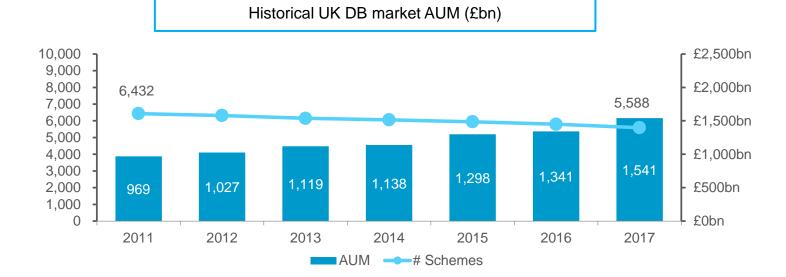








## UK DB market: still growing, yet consolidating



~£30bn

Annual company contributions

71%

UK market invested with the top 3 managers

£908bn

Liabilities hedged in LDI mandates

10-15 years

Average deficit contribution plan

Source: PPF, LGIM internal data, Spence Johnson, FT (DB concentration - 2015). Table data reflects ratings from top 6 consultants in the UK. Ratings conventions are not identical across consultants, and so this table is designed for illustrative purposes only.

#### Consultant ratings are crucial







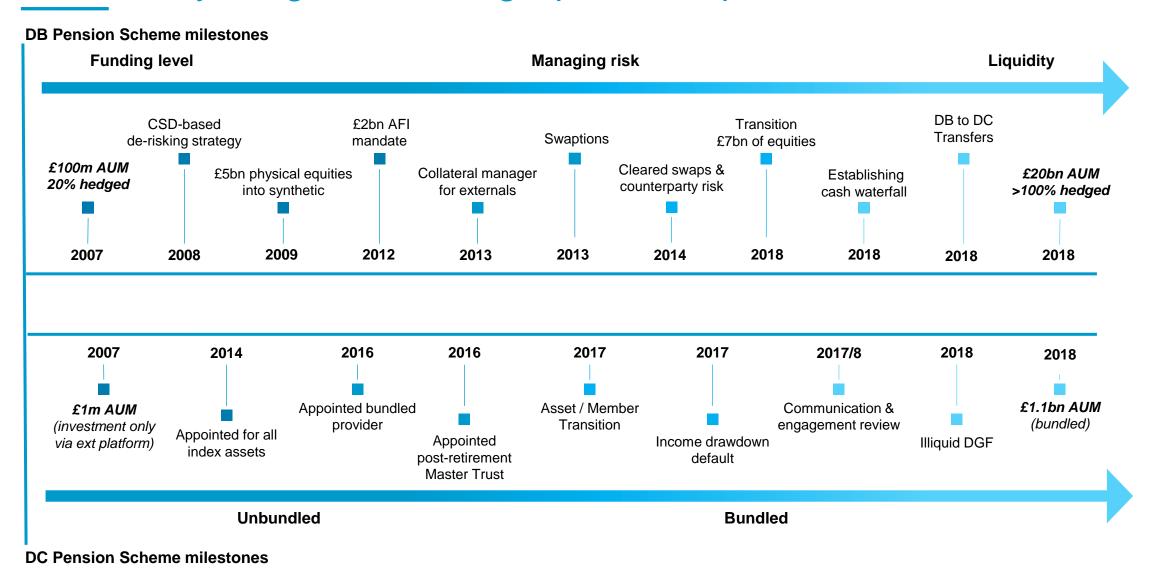








# Case Study: long-term strategic partnerships with our clients









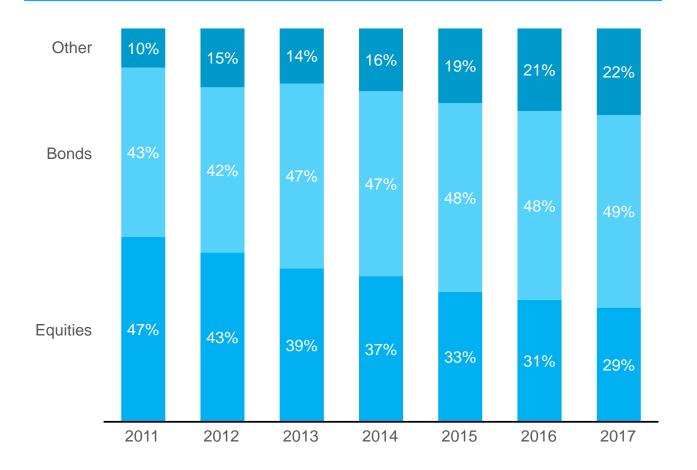






# LGIM is well-positioned to continue winning in a changing market

#### UK plans' broad asset allocation changes



# "LDI 2.0": Cashflow management and matching

- Higher revenue solutions
- Fixed income and secure income

# Fiduciary Management & small scheme consolidation

- Higher revenue solutions
- Multi-asset solutions

Source: Mercer. Other includes property, alternatives, other matching assets







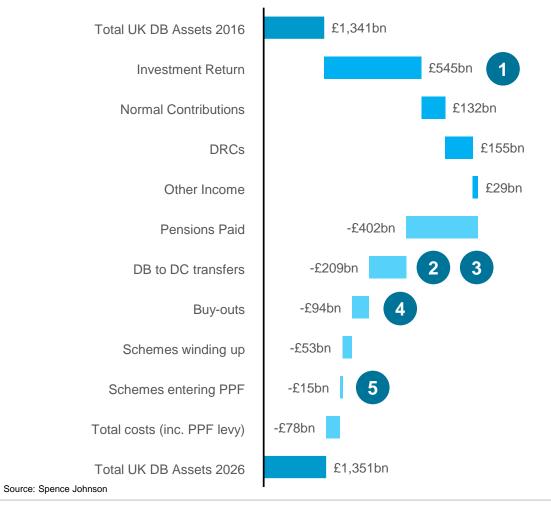






## Capturing the full value chain for L&G Group

#### Projected sources of private DB market growth and decline



Where L&G owns the value chain

- 1 Leading manager of UK DB assets
- 2 Market leader in UK DC
- Post-retirement solutions, L&G Annuity products
- L&G Pension Risk Transfer and innovative solutions LGIM clients did ~£1.4bn in PRT in 2017
- Manage assets for PPF

















# **Global Distribution**

Sarah Aitken Head of Distribution



#### Global distribution built around a core institutional franchise



142
Global Sales FTEs\*

29
Countries where we have clients

Local Sales Offices

Source: All financials as at 31 December 2017 unless otherwise stated \*Includes Salespeople, CRMs, CREs. Excludes client reporting and servicing and marketing

















# Europe ex-UK, The Gulf and Asia



# Europe ex-UK, The Gulf and Asia - Business Summary

AFI LDI INDEX / MULTI REAL ASSETS ESG

Key Messages

- · Building on UK Institutional heritage
- · Accessing growing markets
- · Playing to LGIM's investment strengths

Europe ex-UK

Gulf

Asia

£44bn

AUM

\_\_\_

£36bn

AUM

£8bn

AUM

£12.6bn

External Net Flows £3.6bn

External Net Flows £4.2bn

External Net Flows

Source: All financials as at 31 December 2017 unless otherwise stated









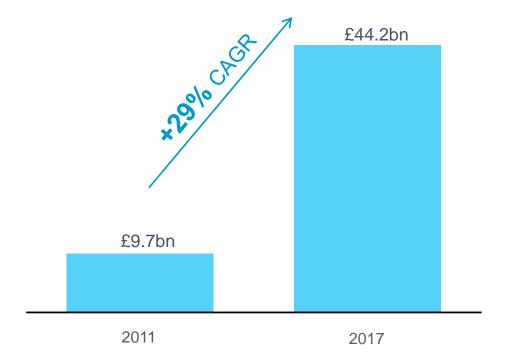




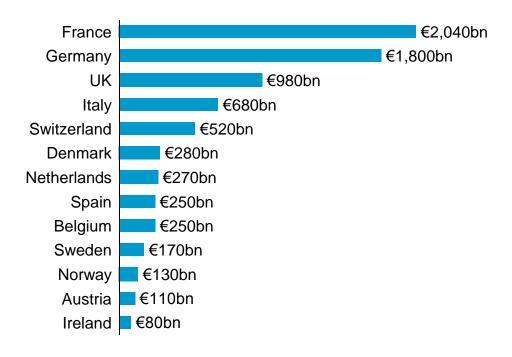
#### Europe ex-UK: where we are today

LGIM has delivered strong growth in Europe

LGIM Europe ex-UK AUM growth (£bn)



General Account Insurance Investments by country (€bn)



Source: Spence Johnson, European Insurance Asset Management 2017













## Trends supporting LGIM's growth in Europe

Market trends

How we will capture the opportunity

- Growing appetite for ESG strategies
- 2013-17 19% CAGR in European ESG

Broadening European footprint driving revenue growth

- 2 Search for yield supports growth in higher-margin mandates
- Fixed income now constitutes 24% of total European ETF market, up from 16% in 2011

Diversifying client base

Passive megatrend in its early stages

 Expanded pooled fund range and ETFs position LGIM well Launching a wider range of products

Source: Cerulli Associates – The Cerulli Edge, Morningstar February 2017









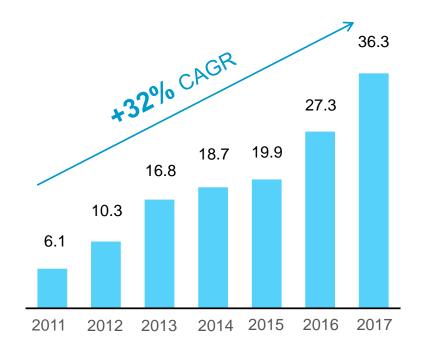




# The Gulf: Sovereign Wealth Fund-dominated, long-term relationships key

LGIM Gulf AUM growth (£bn)

LGIM's competitive advantages



Natural diversifying option

2 Opportunities in new pension segment

Growing interest in ESG

Growth rate has been restated to report on a constant currency basis







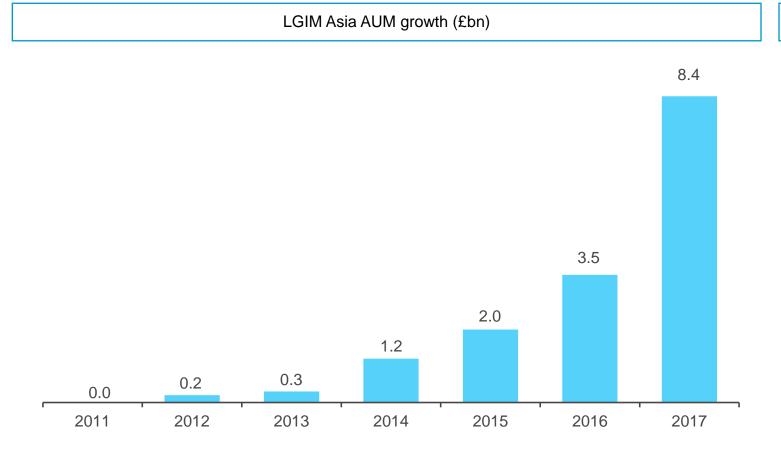




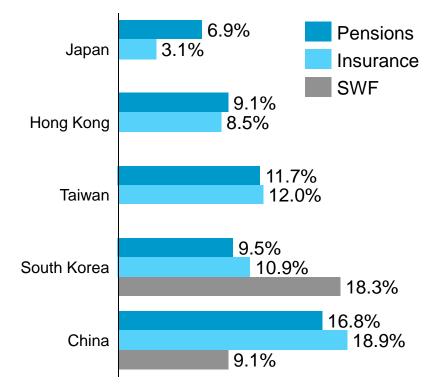


## Asia: where we are today

#### LGIM has seen strong AUM growth among a range of clients across the region



Growth rates of total market assets (%CAGR, 2012-16)



Source: Spence Johnson, Deeper Perspectives 2017













# A large opportunity in a fast-growing set of markets

Market trends

How we will capture the opportunity

1

Fast-growing "Mature Asia" segment with significant AUM

Sizeable addressable universe

Growing local presence and attractive product set

2

Wide range of institutional capital pools for LGIM to target

Global consultant ratings are a tailwind for targeting large institutions

Heritage that resonates in Asia

3

Unique opportunity in China

 Market predicted to grow by 17% CAGR from 2016-2021 ESG as an important differentiator

Source: McKinsey "Perspectives on Asia"

















# U.S. Significant growth opportunity ahead

#### **Aaron Meder**

Chief Executive Officer (U.S.)



#### U.S. - Business Summary

Our US business is rapidly growing and becoming a larger component of global revenue and profits. A market leader in U.S. Corporate DB, we are now focused on further expanding our presence in Public DB and DC.

£140bn AUM

Solutions Strategy Team: focusing on DB De-risking, Retirement Income and ESG **AFI** LDI **INDEX / FBI MULTI-ASSET REAL ASSETS** 

£13bn External Net Flows

#### **Key Messages**

Business differentiated by a client centric culture, investment excellence and a true solutions orientation Well positioned to expand into the U.S. Public DB and DC channels Market leader in Corporate DB derisking solutions Emerging force in Index/FBI

Source: All financials as at 31 December 2017 unless otherwise stated. AUM includes all mandates managed by LGIM America, including US domestic, UK and International (ex US) clients as well as L&G Group. External net flows relate to US domestic clients only.





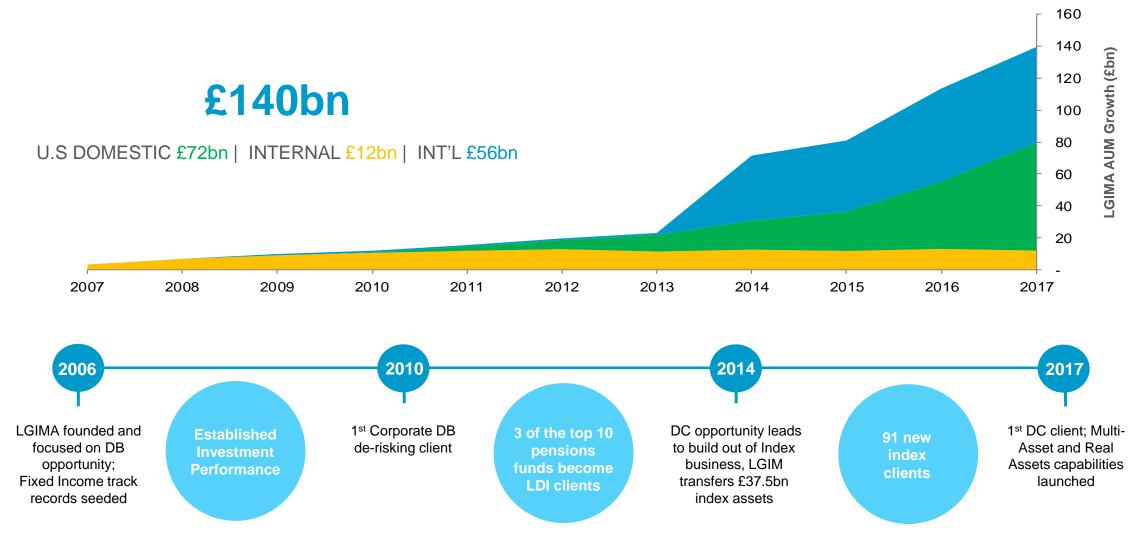








## U.S. history - A decade of strong growth



Source: Internal comprises assets managed on behalf of other Legal and General Group companies. International comprises assets managed on behalf of clients in other jurisdictions including the UK.







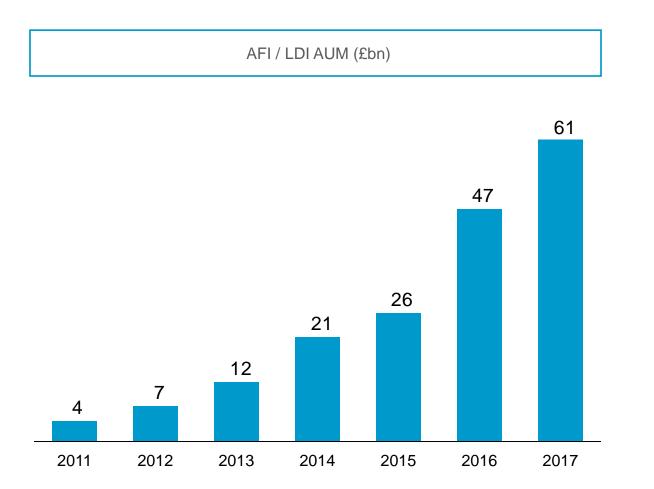


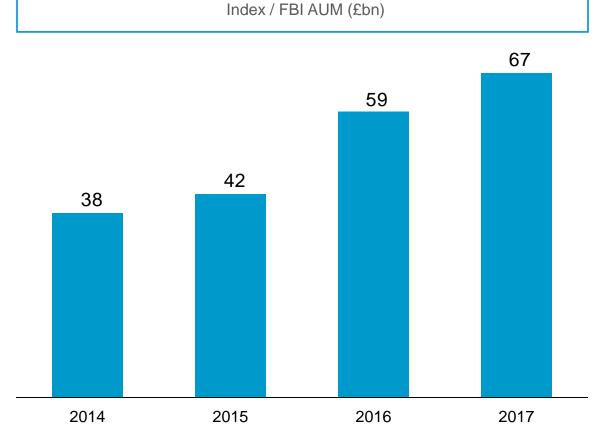




## An established solutions provider

LGIMA has grown to become a market leader in Corporate DB de-risking solutions and an emerging force in Index





Source: Figures exclude internal assets















#### Client-led and collaborative culture

# Total Clients 300 250 200 150 100 2010 2011 2012 2013 2014 2015 2016 2017

In AFI/LDI, **64%** of clients who have been with us for at least 1 year have added incremental assets

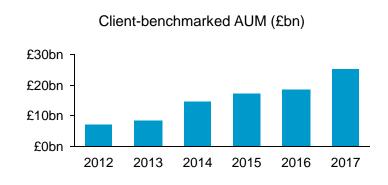
#### **Investment excellence**

U.S. Long Duration Credit

#1 risk adjusted return vs. peers

31 consultant BUY ratings

#### **Solutions focused**



34 Thought leadership articles published in 2017

Source: eVestment peer group. Total individual clients at YE17 were 247. This equated to 349 client investment













#### What we want to achieve

#### **Corporate DB**

Solidify market leading position across full spectrum of AFI/LDI solutions

#### DC

Be the market leader across full spectrum of "income-aware" solutions

#### **Public DB**

Be the market leader in AFI, ESG and factor-based solutions

#### **International**

Deliver client-led product strategy across all regions







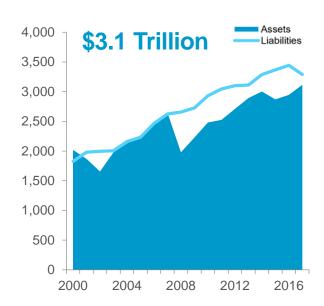






#### U.S. Institutional Retirement Market

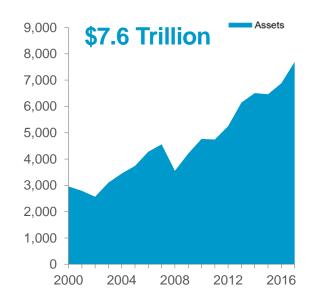
Corporate Defined Benefit
Corporate Defined Benefit Assets
(\$bn)



- De-risking is still a high-growth market
- The majority of return-seeking assets (approximately \$1.7T) will need to move into AFI/LDI solutions over the next 10-20 years

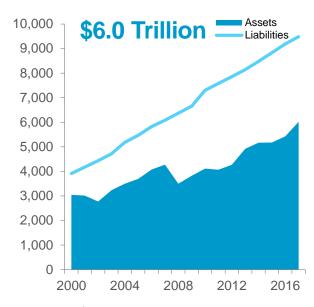
Source: ICI, Towers Watson, Cerulli, U.S. Census

Defined Contribution
Defined Contribution Assets
(\$bn)



- Target Date Fund assets as a % of 401k assets will increase from 29% in 2018 to 44% in 2021
- Over the next 10 years, the total U.S. population aged 65+ will grow 49% to 73 million people

Public Defined Benefit
Public Defined Benefit Assets
(\$bn)



- 40% of Public Plans intend to increase their allocation to ESG assets over the next 12 months
- Liability Aware solutions will become increasingly relevant but will take time to be adopted





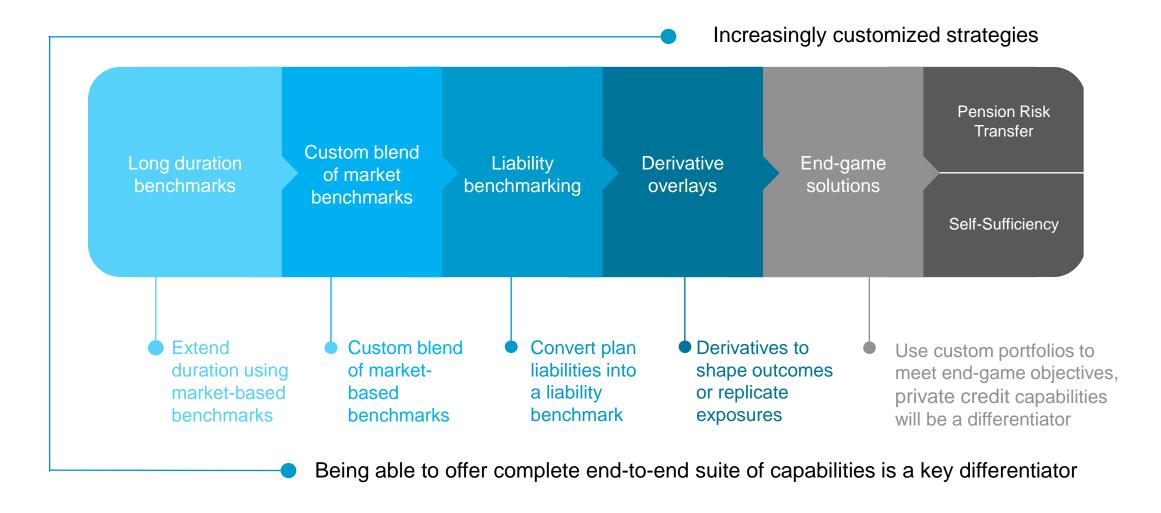








# Corporate DB - Solidify our market leading position















#### DC - Be market Leader across full spectrum of income-aware solutions

#### Leveraging our expertise in Liability Driven Investment and Customized Solutions

Solutions Type	LGIM Capability	Our Approach
Post-Retirement Innovator	Multi-Asset Solutions / LDI	Solutions focused on delivering income in retirement via investment only and guaranteed income solutions
Component Provider	AFI / Index / FBI / ESG	Deliver component solutions to DC plans on a stand- alone basis or as part of a target date fund
Redefining the Objective of TDFs	Multi-Asset Solutions / LDI	Refocusing the TDF design to align to an incomeaware objective













# Public DB - Be market leader in custom AFI, ESG and factor-based solutions

Why LGIM? Plan challenges LGIM Proposition Innovative liability aware approach incorporating IG credit, LIBOR+ and HY to increase return and Closing their funding gap Redefine the role of Fixed Income better match liabilities Established investment performance in U.S. credit Leading global corporate governance and Balancing their impact on society with stewardship team **Custom ESG Solutions** Ability to customize objectives in line with client financial objectives needs Customization based on plan objectives Ability to design a solution based on the custom Multi-Asset Solutions and Factor objectives of a plan while reducing costs and volatility without **Based Investing** Transparent index proposition sacrificing investment return













#### **Continuing Success**

**34%**AUM CAGR 2011-17

The first decade for our US business has been a great success

\$16.7trn

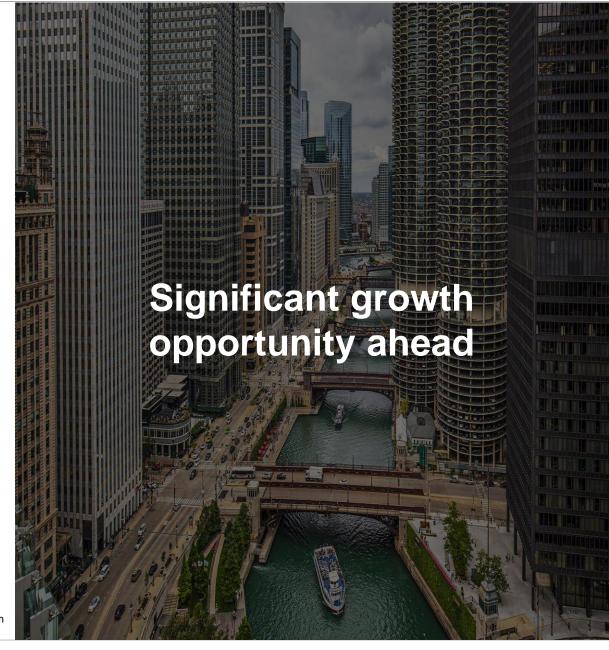
Market
Opportunity

Focused on broadening our competitive advantages so we can solve client problems in Corporate DB, DC and Public DB

5-year
planned
investment

To deliver this we are investing in our Investment Capabilities, Distribution and Operating Model

Source: ICI, AUM CAGR restated to report on a constant currency basis and excludes the impact of transferring index assets from the UK in 2014





















Clients first and foremost

Diverse set of expansion strategies

Investing for the future

Operating profit growth of 8-10% per annum over the medium term









# Appendix













## Appendix – Financial Disclosures

#### Investment capabilities

2017	Revenue £m	AUM £bn
Index	259	341
Active	226	156
Solutions	210	463
Real Assets	96	24
Interest & Other	15	
Total LGIM Asset management	805	983

#### Regions and Channels

2017	Client Revenue £m	Client AUM £bn	Reporting adjustments		Reported AUM
Internal	170	99			99
UK DB	357	634			634
International	103	160		68 <sub>1</sub>	228
DC	59	60	8,		68
Retail	116	30	2		30
Reporting Adjustments					(76)
Total LGIM Asset management	805	983			983

Revenue by 'Regions and Channels' is shown on the basis of client domicile. The equivalent 'Client AUM' is shown in the table above.

Two adjustments are made for reporting purposes to reflect the overall scale of AUM managed by business areas:

- 1. International AUM adjustment of £68bn includes assets managed in the US on behalf of UK clients.
- 2. DC AUM adjustment of £8bn includes workplace savings assets invested in 'Internal' Linked Pension funds alongside mature savings products.











