

# Press release

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## Legal & General Investment Management announces strong half year to 30 June 2019

### *Business Highlights:*

- **AUM up 15% to £1,135bn (H1 2018: £985bn)**
- **External net flows of £60.3bn (H1 2018: £14.6bn), with significant index flows from Asian clients**
- **International assets up 50% to £343bn**
- **Continued commitment to enhancing customers' digital experience and optimising investment platforms**

**London, 07 August 2019** – Legal & General Investment Management (LGIM) has today announced a strong set of financial results for the six months to 30 June 2019. External net flows of £60.3bn (H1 2018: £14.6bn) including significant index flows from Asian clients drove AUM growth up by 15% to £1,135bn (H1 2018: £985bn).

LGIM continues to benefit from global trends in retirement saving and the structural shifts in demand being experienced by the asset management industry. This is driving an increase in customer appetite for LGIM's diverse range of products and broad investment capabilities spanning index, active, multi-asset and alternatives, underpinned with a thoughtful ESG approach. The strong customer and strategic alignment of Legal & General's business units will remain a positive source of funds for LGIM.

The business continues to grow in the UK, which has been the bedrock of the firm's success to date. LGIM is a leading player in providing DB de-risking solutions for global institutions and the market leader in UK DC with total assets of £86.4bn (H1 2018: £64.0bn). LGIM is planning for the future, by broadening its DC proposition and through further expansion in international markets.

LGIM's international AUM has grown by 50% to £343bn (H1 2018: £229.3bn). This was as a result of securing a £37bn passive mandate with the Japan Government Pension Investment Fund, providing a long term foundation for future growth in Japan and the region and establishing LGIM as a top three non-domestic manager in the Japanese institutional pension market.<sup>1</sup>

LGIM will continue to invest in a disciplined way in areas of the business where it expects to see future growth or where automation and simplification will generate operational leverage and efficiency. Enhancing customers' digital experience, optimising its investment platforms, and utilising data analytics are at the forefront.

Commenting on LGIM's results, **Michelle Scrimgeour, CEO of LGIM** who joined the firm in July of this year, says: "This set of results for the six months to June reflect a good first half of the year for LGIM. I look forward to continuing to build on these foundations in my role as CEO. We have continued to make great strides in growing our international business and have had some significant wins, not least securing the mandate with the Japan Government Pension Investment Fund.

"At the same time, we have invested in improving our operating platform and continue to invest in enhancing customers' digital experience. That work continues apace. The future will bring global regulatory, economic, technological and political change, and I will be working closely with the business and our clients to navigate what will be a challenging time for our industry."

**-Ends-**

### **LGIM H1 2019 results summary:**

LGIM's operating profit increased by 1% to £205m (H1 2018: £203m). Management fee revenues grew by 6% to £425m (H1 2018: £401m) LGIM has continued to invest in areas of the business that are experiencing strong growth or where increased automation and simplification will generate operational leverage which has seen the cost income ratio reach 53% (H1 2018: 51%).

### **International business**

LGIM's international assets are up 50% to £343bn having experienced net flows of £44.6bn (H1 2018: £9.9bn), as a result of securing a £37bn passive mandate with the Japan Government Pension Investment Fund, providing a long term foundation for future growth in Japan and the region. Total flows from Asia were £37.3bn (H1 2018: £2.5bn), £4.9bn in Europe (excluding UK) and £2.6bn in the US.

### **Defined Benefit**

The DB business had net flows of £10.7bn (H1 2018: -£0.3bn) owing to a strong uptake of LGIM's Solutions based investment strategies from new and existing clients aiming to de-risk and adapt their investment objectives. The rate of existing clients transitioning out of their index strategies slowed significantly from 2018.

### **Defined Contribution**

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<sup>1</sup> Japan Funds News Letter as at 31 March 2019

The DC business continues to grow rapidly in the UK with total UK DC AUM increasing by 35% to £86.4bn (H1 2018: £64.0bn) and total net flows of £3.6bn (H1 2018: £3.5bn), driven by the bundled business which provides administration and investment services to DC schemes. LGIM's workplace savings assets increased by 22% to £36.1bn (H1 2018: £29.7bn) with the number of customers on our pension platform rising by 10% to 3.4m. Contributions from customers increased as a result of changes to the minimum contribution for UK auto-enrolment pensions from 5% to 8%. The Legal & General Master Trust has over £7.4bn in AUM, reflecting the continued appeal of the structure for DC schemes outsourcing their governance, investment and administration.

#### Retail

The retail business experienced strong net flows of £1.7bn (H1 2018: £1.4bn) despite challenging market conditions. There has been strong demand for multi-asset and index products while the Legal & General UK Property Fund is the largest fund in the UK Direct Property sector. Retail AUM increased to £30.0bn (H1 2018: £25.1bn) as LGIM continues to develop its product range and client-service proposition in the UK and broaden its distribution strategy in Europe. LGIM was ranked second in both gross and net UK retail sales in H1 2019 (Pridham report).

LGIM continues to make progress in its Personal Investing business with further enhancements to its digital platform and the launch of the Legal & General Personal Pension. New customer applications increased by 84% at a lower cost per acquisition.

The ETF business has further supported LGIM's European retail distribution plans with additional launches in core equities and thematic ETFs, while ranking in the top 10 for pan-European mutual fund and ETF net flows with 64% of LGIM's ETF offering experiencing net inflows.<sup>2</sup>

#### Investment management solutions

**Solutions** external net flows were £24.9bn driven by DB pension schemes implementing a broad range of liability driven investment (LDI) strategies as customers manage their risk positions more proactively. **Multi-asset** strategies are in high demand from DC schemes and retail customers with net flows of £5.1bn. **Index** external net flows were £34.5bn and **Global Fixed Income** experienced external net flows of £0.9bn. **Real Assets** grew its AUM to £29.5bn (H1 2018: £25.3bn) with future growth supported by LGIM's build-to-rent business, which now has a pipeline of around 5,000 homes across the country, and its Private Credit business, which offers clients diversification of secure income and value protection solutions.

#### Further information:

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#### Notes to editors

##### Legal & General Investment Management:

Legal & General Investment Management is one of Europe's largest asset managers and a major global investor, with total assets under management of £1.1 trillion<sup>1</sup>. We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Throughout the past 40 years we have built our business through understanding what matters most to our clients and transforming this insight into valuable, accessible investment products and solutions. We provide investment expertise across the full spectrum of asset classes including fixed income, equities, commercial property and cash. Our capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

<sup>1</sup>LGIM internal data as at 30 June 2019. These figures include assets managed by LGIMA, an SEC Registered Investment Advisor. Data includes derivative positions.

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<sup>2</sup> Broadridge Pan-European mutual fund and ETF flows Q1 2019