

# Chairman's statement

Welcome to our first Annual Report.



**Glyn Jones**  
Chairman

I am delighted to introduce Quilter's 2018 Annual Report and Accounts ("Annual Report"), our first as an independent quoted company. Our primary listing on the LSE and secondary listing on the JSE on 25 June 2018 represented a significant milestone for our business. We were pleased to attract a strong, high quality investor base from the shares offered through our IPO as well as enjoying ongoing support from the investors who came to us via the Managed Separation from Old Mutual plc.

## Overview

2018 was a year of strong financial performance for the Company. In a year characterised by increasingly challenging markets and weakening investor sentiment, we delivered year-on-year adjusted profit growth of 11% to £233 million and generated net client cash flow ("NCCF") of £4.7 billion (excluding Quilter Life Assurance), each ahead of, or consistent with, our guidance at the time of our IPO.

We achieved a number of milestones during 2018 including the Managed Separation from Old Mutual plc, the Listing of the Company, the sale of our Single Strategy asset management business, as well as successfully integrating a number of small distribution acquisitions. We also ended the year on a strong financial footing, with a prudent balance sheet.

As this is my first Chairman's letter for Quilter, I would like to highlight two important points in respect of where the Company is today. These points are important in terms of understanding the framework for the direction that Quilter will take as we seek to deliver robust returns for our shareholders.

First, capital discipline is very important to us. We have started public life in a prudent fashion with a well capitalised balance sheet. We do not apologise for this as we recognise that at times of market uncertainty, when we face specific business and market risks, having a robust capital position is a source of strength and opportunity. I am pleased that the feedback from our shareholders supports this position. However, the Board has no intention of hoarding excess capital for no good reason and, I believe, the return of the net surplus proceeds from the sale of our Single Strategy asset management business in September 2018 has demonstrated our commitment in this regard. We are excited about our growth potential over the next several years, both organically and through bolt-on acquisitions. If we find ourselves in a position where growth options become unattractive, we will, of course, accelerate the return of capital to shareholders.

Secondly, as our CEO, Paul Feeney, discusses later in this report, the Quilter that we brought to market was not "the finished article". We have more to do to reshape the business and to improve our levels of efficiency. Quilter has been built both organically and by acquisition over the last six years and was then brought to market in line with the timetable set by Old Mutual plc for their Managed Separation into demerged businesses. We see significant scope to optimise our business in terms of delivering efficiency initiatives in both the short and medium term, as well as periodically reviewing the operations within the Group to ensure that they are collectively contributing towards shareholder value creation.

## Dividends

Our dividend policy was set out in our Listing documentation (and is described on page 7). Following the special interim dividend of 12.0 pence per share which was paid on 21 September 2018, the Board is pleased to recommend a final dividend of 3.3 pence per Ordinary Share. The dividend will be paid, subject to shareholder approval at our 2019 Annual General Meeting on 20 May 2019, to shareholders on the register on 26 April 2019.

## Board

We spent 2017 ensuring that we had a Board that was fit for purpose to take Quilter forward as a public, listed company. We added breadth and depth to our existing expertise during 2018, including welcoming Ruth Markland as our Senior Independent Director at the time of our Listing. Ruth brings considerable FTSE 100 public company experience as a Senior Independent Director. In August 2018 we appointed Paul Matthews and Dr Suresh Kana to our Board. Paul brings relevant UK Wealth Management industry experience and Suresh brings a South African governance and business perspective, which is important given our shareholder register.

## Dividend policy

Key elements of our dividend policy are as follows:

<b>Dividend pay-out policy</b>	40-60% of post-tax adjusted profit
<b>Split:</b>	
- interim	One third
- final dividend	Two thirds

Our first dividend will be the final dividend in respect of 31 December 2018, and will be paid following the approval of the financial statements at the AGM.

### Recommended final dividend for 2018

# 3.3p/share

To be paid on 20 May 2019

### Special interim dividend

# 12.0p/share

As announced on 8 August 2018, we paid a special interim dividend on 21 September 2018 of 12.0 pence per share from the proceeds of the sale of our Single Strategy asset management business. The special interim dividend was equivalent to a return of capital to shareholders of £221 million representing the surplus capital proceeds from the transaction, after repayment of £300 million of debt.

In November 2018 we announced that Mark Satchel would succeed Tim Tookey as Chief Financial Officer in March of this year. I would like to express my thanks to Tim for the huge amount of work that he has done for the Company, first as a Non-executive Director and, over the last two years, as CFO. Tim's prior UK public company experience was critical in ensuring our Listing process went as smoothly as it did. I am also delighted that, in Mark, we are fortunate to have an internal candidate who was ready to step up to the role of CFO. Mark has been ably mentored by Tim over the last two years to help facilitate this transition. Mark was a Board member of Old Mutual Wealth prior to our Listing and so is well known to the Board, to the Executive team and to a number of our major shareholders. As well as supporting Paul Feeney with the development of Quilter over the last six years, Mark was also responsible for leading the sale of our Single Strategy asset management business in 2018, developing our Optimisation plans and was also very involved in the detailed mechanics of our Listing process and debt capital raise. I know that Mark has all the key skills and attributes to build on Tim's legacy and to be a highly effective public company CFO.

Our Board is comprised of a majority of Non-executive Directors and I am confident that it has the right balance of skills and experience to challenge and support the Executive team. More details on the Board and appointments can be found in the corporate governance section on pages 38 to 63.

### Corporate governance

The Board philosophy at Quilter is to ensure that the business is well governed with the Directors both supporting the executive and holding them accountable to robustly defined performance metrics. We want to ensure an inclusive, strong and supportive culture with clear lines of accountability throughout the organisation. We will operate in a safe and regulatory compliant manner and ensure that there is sufficient capital and liquidity, with appropriate buffers, to support the business in its day-to-day operations.

At Listing, Quilter became subject to the corporate governance requirements of the UK Listing Authority's Listing Rules, and the UK Corporate Governance Code (the "Code"). In the months leading up to the Listing, much work was carried out to ensure that the Board had constituted appropriate Committees and adopted relevant policies and procedures to support the development of a robust governance structure and our compliance with the Code at Listing. While the King Code IV in South Africa does not strictly apply to Quilter, the Board is satisfied that an appropriate account has also been

taken of its approach to South African corporate governance, given our secondary Listing on the JSE.

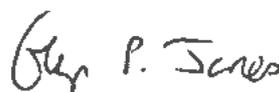
Our work in applying the code is described more fully in our corporate governance report on pages 38 to 63. The Board is satisfied that we have in place a robust governance structure, which is compliant with the Code and is fit for purpose. We have ensured that our governance arrangements continue to adapt, as appropriate, to achieve compliance with the 2018 version of the UK Corporate Governance Code which has applied to us since 1 January 2019.

### Odd-lot offer

As part of our drive for greater efficiency and in line with our desire to act in the best interests of all our shareholders, we are seeking shareholder and other requisite approvals to undertake an "odd-lot offer". An odd-lot offer entails Quilter making an offer to eligible registered shareholders (typically owners of under 100 shares subject to certain exclusions) to repurchase their shares at a modest premium to the market price. Quilter currently has nearly 460,000 shareholders, of which nearly half each hold less than 100 shares. These, principally South African, shareholders were originally granted their shares in Old Mutual plc from their interest as policyholders when that business demutualised in 1999. They have not actively chosen to invest in a UK-domiciled company and have become Quilter shareholders as a result of our Managed Separation from Old Mutual plc. The proposed odd-lot offer will reduce the complexity and cost to Quilter of managing our shareholder base and will allow investors holding small numbers of shares to dispose of their holdings in a timely and cost effective manner. Eligible shareholders can, of course, elect to retain their shareholding in Quilter, if they so choose.

### Conclusion

2018 has been a significant year in the Company's history and I feel privileged to be Chairman at this exciting time in Quilter's development. On behalf of the Board, I would like to thank our management team and all of our employees for their continued dedication and hard work.



**Glyn Jones**  
Chairman