



Interim Results 2022 Presentation Transcript

Tuesday 16th November 2021

Hendrik du Toit, Founder and Chief Executive Officer

Good morning ladies and gentlemen and welcome to the presentation of Ninety One's interim results for the six months ended 30 September 2021. This is our first results presentation with a physical audience since listing in March 2020, and it is great to see some of you here in our London office.

Thank you for joining us – wherever you may be, in the room or virtually. I will start the presentation with an update on the business, then Kim McFarland, our Finance Director, will present the financial review.

I will then cover the outlook, before we move to questions and answers. Those of you participating through the webcast can submit questions during the presentation via the link on the right-hand side of your screen.

Before I move into the first-half performance, I want to remind you of the key characteristics of our business model.

At Ninety One, clients come first. We build long-standing relationships with our professionally intermediated client base and we serve them locally through our offices across the world.

Over time, we have invested our own after-tax money alongside your capital and built a meaningful level of employee ownership. This aligns us with our stakeholders and encourages a long term approach to business and, of course, leadership stability.

I don't need to remind you of our emerging market heritage because you know about that. Since our inception in 1991 in South Africa, we have developed into a global business, offering a diversified range of specialist active strategies.

We are committed to a people-centric and capital-light business model. Ours is a business where talent and committed people trump capital.

All of this is underpinned by our purpose of investing for a better tomorrow. We do this by always striving to build a better firm, committing to better investing and contributing to a better world. Here is a familiar slide, which most of you have seen before.

It's a good representation of what Ninety One is about. Our business has been built organically and sustainably over more than three decades and our track record demonstrates the resilience of this firm.

Let's start with the key messages. It has been a record first half in terms of earnings and assets under management with positive business momentum.

As I mentioned back in May, our investment performance improved towards the end of the last financial year, which positioned us for growth. Six months later, our investment performance remains competitive.

We are pleased to see demand for active strategies converting into flows, across asset classes and regions. This proves the resilience of our business and the soundness of our strategy. We remain firmly focused on execution. This is about offering relevant, competitive specialist strategies and exceptional service to our clients.

It's been a busy period, with sustainability efforts intensifying across our business. We have participated in numerous events and advocacy efforts over the last six months.

Finally, we maintained our focus on our people and our culture. We are enjoying in-person interactions where possible, with our offices acting as the organisational centres of gravity for our firm.

Importantly, we continued to increase the staff shareholding in Ninety One, which now stands at 24.5%. Moving onto the figures for the first half.

Assets under management increased by 7% in the six months to £140 billion, driven by positive net inflows of £3.9 billion and, of course, portfolio growth. Average assets under management increased by 20% versus the same period last year.

Our investment performance remains competitive, with three-year firm-wide outperformance at 77%.

Our adjusted operating profit, which excludes the proceeds from the sale of Silica, increased by 20%. The interim dividend of 6.9p is up by 17% on the prior period. Kim will cover this in more detail.

Market conditions since the start of the year have been supportive and helped drive our assets under management growth.

As I mentioned earlier, this has been a period of increased client activity and improved sentiment. This translated into demand for active strategies and converted into positive net flows for us.

Fee pressure remains a feature of our industry, but let me remind you that we do not compete on price.

Finally, the last point on this slide remains a very important one. Getting sustainability right is now integral to future business success. The ability to demonstrate progress and implementing the right sustainability strategies is crucial. Before I move to the detailed analysis of our recent flows, I want to share an overview of the last four and a half years.

This shows our ability to navigate different market regimes and generate net inflows over a cycle. But it also shows how conditions can change in a relatively short period. Two years ago, we achieved strong inflows, then markets were hit by the onset of the COVID-19 pandemic and our overall assets under management dropped substantially in March 2020.

Asset levels rebounded strongly in the following year, but we reported small net outflows. The first half of 2022, of the financial year, has been more balanced. We benefited from both positive net inflows as well as positive markets, leading to a 20% increase in average assets under management.

Our assets under management remain well diversified across asset class, client, region and client type. Indeed, this chart shows how we are constantly investing for a world of change.

Moving onto flow analysis by asset class. We are pleased to report net inflows across the asset class spectrum, with only multi-asset seeing net outflows in the period.

The flows were largely driven by equities and fixed income. In fixed income, we saw good inflows into emerging market (including Asia), corporate and sovereign strategies. Equities saw £1.9 billion of net inflows, largely from global and thematic strategies. We continue to build momentum in our sustainability and credit offerings.

Alternatives, while still relatively small, are focused on credit strategies, and this category also achieved net inflows in the period.

Multi-asset net outflows of £290 million were driven by redemptions from diversified growth strategies, related to past, rather than current, performance challenges. This offset the net inflows from our multi-asset income strategies, which are growing nicely. I am pleased to report that all regions delivered positive net inflows for the first half.

The Asia-Pac Client Group saw the biggest net inflows for the period driven by global equities. One of the strongest regions within this area was Australia. Europe, the UK and Americas showed a strong turnaround compared to the previous first half.

Our Europe Client Group had solid net inflows, principally driven by fixed income strategies and a large part of this was driven by our German clients. The UK Client Group achieved net inflows driven by global, including thematic equities. In the Americas Client Group, the turnaround was driven by North America.

Africa Client Group continued to see net inflows from various South African multi-asset strategies as well as in the South African fund platform.

We achieved strong inflows in both institutional and advisor channels. The advisor channel saw particularly strong net inflows from the Africa and UK Client Groups. Flows in the institutional channel were driven by the Europe and Asia Pacific Client Groups into fixed income and equity strategies. Again, we have also seen good traction in the North American institutional channel, including Canada. This explanation brings the diversified nature of our business to life.

Moving onto investment performance. Our firm-wide investment aggregate, asset-weighted performance remains competitive, with 77% of our strategies outperforming benchmarks over the three-year period.

Over five and ten years, our outperformance as at the end of September stood at 82% and 90% respectively, which leaves us well positioned for the future.

Given the stability and consistency of our investment teams, these long-term numbers create a solid base for future business production. Over one year, our first and second quartile position in the mutual funds reduced marginally, but improved significantly over the medium and longer-term periods.

We believe our performance remains competitive, but as I mentioned in May, these numbers are less important as an indicator of future net flows. For example, we are seeing good demand for our Quality equities strategies, which are currently in the lower quartiles of peer-relative performance, but are delivering the results that our investors expect in the current market regime.

Our focus, as ever, remains on delivering competitive long-term performance for our clients.

We have made good progress on the sustainability front. Invest, Advocate and Inhabit are the three pillars of our approach.

Invest covers the approach to investing on behalf of our clients. In this area, we have been busy embedding sustainability into the investment processes and decisions. And our investment professionals have received tailored sustainability education from Imperial College in London. And our risk processes are cognizant of ESG factors, which are embedded in investment decision-making.

We also continue to engage with our investee companies to encourage positive change, especially in relation to climate.

In addition, we have been busy classifying our investment strategies into the categories in line with regulations, such as the Sustainable Finance Disclosure Regulation, or SFDR in Europe.

Advocate relates, of course, to the initiatives we get involved in. Our membership of GFANZ or the Glasgow Financial Alliance for Net Zero, the Sustainable Markets Initiative or SMI, Climate 100 and The Impact Investing Institute evidences this effort. We have contributed to the discourse and specifically argued for a focus on transition rather than carbon intensity.

It is in our clients' interests to see an inclusive and pragmatic energy transition. We continue to argue for a just energy transition in which the emerging markets are active participants. No one should be left behind in this transition. Through this, we contribute to a better world, but we also pursue the interests of those who have entrusted us with their capital.

We are concerned that clients and regulators remain too focused on reported carbon intensity, instead of inclusive transition to net zero. You'll hear more about this in future.

Inhabit covers our own sustainability impact as an organisation. We have promoted employee initiatives to enable our people to better understand their impact and make steps to reduce their own carbon footprint.

Earlier this year, we carefully articulated our position on what the approach to net zero means for us, namely, sustainability with substance.

As an organisation, we continue to develop our own thinking on the impact we make on the environment and, as part of that, are busy developing a transition plan for Ninety One. We will publish this after the financial year end.

Finally, I want to remind you that Ninety One is a people business and the results we present today are a testimony to the commitment and determination of our people. We welcomed the ability to engage with our people in person again and are pleased to see our offices buzzing with people.

Over the last six months, we have run various employee initiatives and events focusing on re-energising our people and further embedding our culture. This functions as the glue that binds us together. We remain focused on talent and on building a diverse, intergenerational business. Our owner culture underpins our long-term success.

I will now hand over to Kim McFarland, who will take you through the financial performance. Thank you very much.

Kim McFarland, Finance Director

Thank you, Hendrik, and good morning to you all.

So, we've completed a further 6 months as a listed company in more normal circumstances and I am pleased to present another set of strong financial results for Ninety One, which are as following:

Adjusted operating revenue increased by 14% to £328.4 million.

Adjusted operating expenses increased by a lesser figure of 10% to £212.8 million.

This has resulted in an adjusted operating profit of £115.6 million, an increase of 20%. A positive and widening jaws.

The adjusted operating profit margin increased from 33.3% at September 2020, 34.2% at March 2021 to now 35.2%. This positive trend is as a result of increasing management fees, fixed cost discipline as well the continuing impact of Covid-related cost savings. I will go into more detail on these figures over the next few slides.

So, taking into account adjusted net interest income, Ninety One profit before tax and the exceptional item increased by 20% to £117.2 million.

As per the prior results presentations, I have reported adjusted operating profit by removing the impact of Silica third-party

revenue and expenses for the prior year only, as well as the contra impact of the revaluation of the deferred employee benefit schemes in both reported years.

And to note, we have continued to recognise the interest expense on our lease liabilities for our office premises of £1.9 million for the half year 2022, in adjusted operating expenses. For the half year 2021 this figure was £1.8 million. Continuing from there, the beginning of this financial year we completed on the sale of the Silica business to FNZ. This disposal resulted in a one-off pre-tax profit of £14.9 million, which is the only figure being reflected as an exceptional item. We have maintained our outsourcing relationship with Silica which is now under FNZ. The prior year figure of £2.9 million was the final expense resulting from the demerger and rebranding of Ninety One. As such, all expenses are now reflected as ordinary business expenses in the financial year 2022.

The effective tax rate for the six months to 30 September 2021 was 23.2%, marginally down from March 2021 which was at 23.3%. This is against a headline UK corporate tax rate of 19% and a headline South African corporate tax rate of 28%.

The above factors result in a profit after tax increasing by 39% to £101.4 million. A basic EPS of 11.2 pence but more importantly a 21% increase in adjusted earnings per share to 9.7 pence, which reflects the operating strength of this business.

This slide provides further details on the adjusted operating revenue. Management fees were increased by 16% to £314.8 million, predominantly driven by a 20% increase in the average assets under management from £114.2 billion to £137.5 billion, offset by the decline in the average fee rate which fell by 1.5 bps to 45.7 bps.

We have analysed this fee reduction and it can be broadly explained by the following points:

- A number of large new client wins into fees below the average fee rate.
- Increase in the assets under management of a few large clients and fixed income strategies, which are also below the average fee rate.
- The move to performance fees on a number of US mandates which will reduce the base fee.

So, as we have said before the fee rate reduction reflects the change in the mix of strategies owned by our clients with flows to lower fee rate portfolios. It is not as a result of repricing the book or material fee discounting.

As noted on the prior slide and as previously flagged, there has been an expected decrease in performance fees to £13.6 million for the year. Performance fees were again as a result of outperformance in a selection of strategies, and in particular SA equities.

The small foreign exchange loss of 0.3 million pounds was mainly due to US dollar asset translation, where the pound sterling strengthened against the US dollar. The period end exchange rate moved from 1.38 at end of March 2021 to 1.34 at the end of September 2021.

Other income of 0.3 million pounds arose due to a decrease in the mark-to-market revaluations of seed capital.

My next slide shows the main items impacting the adjusted operating expenses year on year and the analysis of the 10% increase to £212.8 million. As you can see, our main expense is employee related. 69% of our total expense for the half year 2022 relates to employee remuneration and as in the past, over 50% of this is variable.

So, no surprise that our main operating expense increase was employee remuneration of £17.6 million – a 14% increase. This was primarily driven by the increase in variable remuneration, in line with the increase in adjusted operating profit. The average headcount increased by only 1% to 1,182. This, along with inflation and market-related adjustments, had a lesser impact on the overall expense increase. Absolute headcount grew by 2% in the comparable period to 1,186 people.

Client and retail fund administration expenses increased in line with higher average assets under management, increased activity and the impact of the stronger South African rand on our South African cost base.

There was no material change in systems and other similar business expenses. Accommodation costs are lower following the completion of office moves and the prior-year periods of having double rentals. The accommodation costs are now normalised. So, all in all, we believe our cost discipline has been maintained with the core investment going into our people.

As reflected in the pie graphs, business expenses, which are largely our fixed cost base, increased by 4% from £64.4 million to £67 million. There were largely immaterial shifts in the rest of our cost base year on year. We have continued to benefit from COVID related savings – or rather non-spend – in specifically the areas of travel. For this period, no expenses were regarded as exceptional and hence the slight increase in promotional spend in the business expenses from 9% to 10%.

We are, however, cognizant of the fact that travel expenses will start to increase in the next 6 months and into the future and this will have a direct impact on our operating margin. To be clear though, with almost 70% of the cost base being employee remuneration there would need to be a notable increase in business expenses to materially adjust the operating margin.

Looking back over the past ten years, our operating margin has fluctuated around 33% while assets under management have grown from £61.6 billion at the end of March 2012 to £140 billion as at the end September 2021 – more than doubled. There is therefore a point of both consistency here and scale challenges. At this point, there are no material movements

anticipated looking ahead.

So, to summarise here. This is a graphical representation of the absolute movement in our profit before tax for the half year 2021 to the half year 2022.

Our profit before tax and exceptional items for the half year 2021 was £97.7 million.

Management fees increased by £44.4 million.

Performance fees decreased by £4.4 million.

Employee-related expenses increased by £17.6 million.

Business expenses increased by only £2.6 million.

Then adjusting for other items (such as: FX losses, prior year Silica profit, adjusted net interest income) of £0.4 million.

The profit before tax and exceptional items was £117.2 million.

Adding the exceptional item of £14.9 million, resulted in the half year profits before tax 2022 of £132.1 million, as reflected in the earlier slide.

My final slide summarises the Ninety One balance sheet and the capital position of 30 September 2021. The Board has considered the resilience of the balance sheet and noted the qualifying capital of £274.5 million, an increase of 14% from March 2021. This was driven by the strong operating results for the 6 months and the exceptional profit arising from the sale of Silica.

In line with our stated dividend policy, the Board has declared an interim dividend of 6.9 pence per share. This comprises 4.9 pence per share which represents 50% of profit after tax, prior to the recognition of non-operating items (the sale of Silica) and a further 2 pence per share. This represents after-tax earnings available after ensuring that there is sufficient capital to meet current or expected changes in the regulatory capital requirements and investment needs.

Estimated regulatory capital will increase to £104.6 million. This provides Ninety One with an expected capital surplus of £106.2 million, which is a buffer of just over 100% of Ninety One's estimated regulatory requirements. This is consistent with our commitment to a capital-light balance sheet, whilst building a buffer.

No shares were issued in the period and there are no plans to do so, nor encumber the group balance sheet with debt.

To summarise, adjusted earnings per share grew 21% to 9.7 pence, broadly consistent with the growth in adjusted operating profit and more reflective of the core operating performance of Ninety One. The dividend per share increased from 5.9 pence to 6.9 pence, a 17% increase.

Thank you. And I'll hand back to you, Hendrik.

Hendrik du Toit

Thank you, Kim.

Ninety One is well-positioned and confident about the future. This is a diversified, global business with an owner culture, stable and experienced leadership. Our strategy is clear and our focus remains on disciplined execution. The big issue of our time is sustainability and Ninety One is fully committed to playing its part to make the transition to a net zero world inclusive, fair and successful.

It is appropriate to note that the market conditions we experience now may not remain the same. We are not complacent. But, irrespective of prevailing market conditions, we will invest in and build this business to become even better for our stakeholders. The strategic clarity of Ninety One allows us to focus our energy on execution and to think long term, as has been the case throughout our history.

Thank you for your support. We can now move to questions and answers.

Questions & Answers

Hubert Lam from Bank of America

Good morning, it's Hubert Lam from Bank of America. I'd first like to congratulate you on your 30th anniversary to you and the team, so congrats.

Three questions, firstly, can you discuss the investor appetite for merger market assets, near term, given uncertainty in China, potential for Fed rate hikes. Particularly just given that you have more exposure to merger markets than other players out there.

Hendrik du Toit

Can I deal with one question at a time?

Hubert Lam, Bank of America

Yeah, sure.

Hendrik du Toit

Ok, so, we've actually seen... We expected a bit more, but we've seen some good appetite for emerging market assets, particularly from yield-seeking investors. I think on the equity front, the reassertion of technology dominance in the second quarter. Remember the first quarter, it was kind of back to value and spreading assets around the world. The second quarter has slowed that down, we'll see where that goes from here, but the market is finally poised, but long-term investors have continued to hold their positions. I think the one part that if you were to talk to... If we were here three years ago, I would have expected a substantial reallocation towards China. That has obviously slowed down because of the geopolitical and other issues. Structurally, we believe that will resume at some point in time because there is no doubt that Asia will, in the next decades become, or remain, the growth centre of the world, but we can't predict that.

So, I would say, good demand, but not overly exuberant demand for emerging markets would probably be the right way to describe it.

Hubert Lam, Bank of America

My second question is on the dividend. I've noticed the payout ratio has fallen from 74% to 71%. Shall we look at 71% as the new guidance going forward, and any particular reason why it's fallen, for potential changes in capital, or other reasons?

Kim McFarland

No, I don't think one should, I think it's an interim dividend, it's our second interim dividend, and I think maybe in some ways we're learning how to set these dividends going forward.

In discussions with the board, we've decided to take a conservative approach at this point, not knowing where we are going forward. But, you know, our intention's always been to keep the balance sheet light, not to hold a lot of capital on it and we'll definitely reevaluate this at the end of the year. So, my answer would be no.

Hubert Lam, Bank of America

Thanks, and one last question. Going forward, any particularly new strategies you are currently investing in, or just looking at your business as a whole now, do you see any missing pieces you would like to grow more in, either organically or inorganically?

Hendrik du Toit

The two new areas we mentioned at the end of the year, at the full-year end of the previous financial year was an investment into credit and credit-related strategies, that has continued and we would expect to see, in our results in the coming years, but we're earlier stage. Some of our competitors are doing extremely well in that area, so we feel the strategy's right, we must get to execution, and we've really been in skill-building phase, outside the emerging markets.

The other one is thematic equities, which we believe is an area of growth. We've grown particularly in the sustainability of positive inclusion area, our global environment strategies have continued to grow and actually driven some of the equity growth you've seen, we'll see that continue. Again, some of the players in the industry have been there before us, earlier. So, those are two areas which we continue to invest. And I think the third one, which covers both our emerging market capability sets, or skillset, and our fixed income and credit commitment is, in the long run, there will be an opportunity in transition finance. As the world goes through its most profound change in economic structure since the industrial revolution, there will be opportunities to invest both along the credit and the equity parts of the capital structure, and we will be there, that'll probably be inside our thematic box, and inside our credit box, where you'll see it. But I think that's a big area for our industry to be active in. And I think, similarly, banks and insurance companies will be there as well. But there's no fundamental change in our architecture that, you know, for us, the architecture's there, the client reach is there, the active track records are there, we need to get them to scale and execute well for our clients to retain them in a very competitive market.

Any further questions?

Piers Brown, HSBC

Yeah, hi, it's Piers Brown from HSBC. Maybe just a couple from me. On the torque ratio, the flows, I mean that was an impressive number for the first half, 6% annualised. I think, thinking back to the full-year stage, we were talking about maybe

2-3% being, you know, the run-rate maybe 5%, being sort of a bull case scenario. Should we just think of this period as being a particularly strong one or is there anything which might suggest we're seeing more of a step in terms of the outlook for flows?

Hendrik du Toit

Piers, it's a very good question. I think what's important here, just to give you a sense, the torque ratio moved one percentage point north because an inflow happened a few days before the end of the six-month period. It's very sensitive to big institutional moves, even though ours was a diversified set of flows, and therefore we're quite confident that that number reflects the current market conditions. But even a few weeks could make a difference to the ratio, whether it's 4% or 6%. All we think, and looking at long-term numbers of our industry, the winners tend to operate at sort of 3 to 4%, not at 6 to 10%. And if you have a 10+, it's normally driven by one winning strategy that will at some point stop attracting attention. So, when you build a model, which is ultimately discounting a perpetuity, one must be careful to take account of that. So, I would say where we are now, we feel quite comfortable. I can't tell you whether it's going to be 4 or 6% or, you know, exactly what it is, but we still feel we're in a regime where clients are taking risks, where they're willing to transact and they're willing to deal with fund firms with good track records.

So, we wouldn't be seeing much of a change, and in fact, last year when we told you it's going to be better, we said it depends on, and we don't forward guide in the shop, but we said it depends on the performance platform from which you bat. We were batting off a very sticky wicket in April 2020. That clearly is not the case at the moment, but we live in volatile times. I would say, don't get overly exuberant, this is a good space for our industry, but we know our industry is cyclical, and we know clients change their mind. And numbers could be, you know, on a year end, or a last quarter, could look slightly better or slightly worse. I wouldn't get hung up by a 6% or a 4.5%. I really don't know what it would be, but it is a positive environment.

Piers Brown, HSBC

Excellent, that's very clear. Maybe just a follow-up on a different topic, sustainability. I wonder if you could just talk to how you see the competitive landscape and when you look at your peer group, your competitors, how close is the industry to being at some sort of homogenous standard in terms of, I guess, the labelling of sustainability products.

Hendrik du Toit

With my chairman in the room, I want to take liberty of also referring to just maybe what our industry does well and what it doesn't do so well.

I am concerned that both regulators and the industry are going for the easy metrics. In my 30+ years, 34 years in this industry, no regulator has ever come to check what the financial model of a firm looks like that we have valued and decided to buy or sell for a client. They've never told us how to do it. We've obviously done it properly, and that's why our results were ok. Now, they come in to say, well, I want a quantitative tool and I want to see what that tool looks like before you say something has a carbon externality or not. When we deal with very soft data, with very high-level data, I would say. So, to me, if we're going to turn the sustainability drive into a set of kind of easy-to-report metrics, and easy-to-regulate metrics, we're going to end up in a world where we will clean portfolios of carbon-heavy assets, we will have them in the wrong hands, and we won't have an energy transition in this world driven by the private sector and finance.

So, Ninety One will continue to argue for substance, we will do what is required by everyone, and we have a very active dialogue at the moment with particularly our institutional, and all our clients are professionally intermediated clients, or their intermediaries, to make sure people understand.

Where we don't want to go is a world of box ticking, because then we're going to sit here in ten years' time and talk about the fact that we're heading towards a four-degree or a three-and-a-half degree world. I'm very excited by the general drive of finance towards a greener, cleaner world, and I think your organisation, the leadership of your organisation has been very clear, they will stick to their clients and help them transition properly, rather than just divest from them and that's very much the Ninety One view. And given our emerging-market footprint, it is the right thing to do.

Piers Brown, HSBC

Thanks, Hendrik.

Hendrik du Toit

But this debate will be going on and on and on for a long time. Any other questions?

Facilitator

We've got some questions from our virtual attendees. First one is from Linda Cheng at IDG Capital, she asks: Why is there a change in strategies towards fixed income? And I think what she's referring to here is our AUM growth and fixed income

from £34 billion to £37 billion.

Hendrik du Toit

Yeah. Linda, that is a function of client demand rather than Ninety One pushing either, because we've actually been very constructive and optimistic, or positive about the prospects for equities, which we remain as long as they're obviously properly valued, but in a world awash with liquidity. So, this is not a strategy for Ninety One, it's actually client demand and it's largely driven by, or to an extent, by yield-seeking clients who are looking for quality yield and have been willing to take emerging market risks because of the liquidity conditions.

That may be affected if US interest rates go up faster, or developed market interest rates go up faster than anticipated by markets at this moment. And, you know, we have to keep an eye on the dollar, but most of the flows went into dollar-denominated, or dollar credit, rather than local. But it's not a Ninety One strategy, we look long-term and we think these are good markets and growing markets, and if I just think how the emerging-market debt sovereign and credit markets have grown since we started engaging, I see that as a continued growth opportunity for the firm.

Facilitator

We then have two questions from Rahim Karim at Investec, the first one is: Can you provide some additional colour on the shape of flows during H1 2022 and comment on the first month or so of H2?

Hendrik du Toit

Rahim, good effort, but we don't do forward-looking statements at Ninety One. Except to say we have not seen a change in regime, and therefore we see clients continuing to engage in what we have on offer.

And then also, we don't break down quarterly numbers, but I did mention, and Hubert asked me over coffee and I said I would answer it in public, we have not seen a change in client behaviour between the first quarter and the second quarter of the half-year we report on. We have seen a consistent set of behaviours and we see no change ... and we are almost two months, or a month and half post quarter end. But Christmas is coming, and that's normally a quiet period.

Facilitator

The second question from Rahim is: You have delivered another improvement in surplus capital, do you have a target for this, and at what level would you consider a special dividend?

Hendrik du Toit

Our finance director can answer that question. She holds the purse strings.

Kim McFarland

I don't think we're considering a special dividend per se, as I said earlier, I think we'll review, you know, our dividend-payout ratio for the finals, looking at sort of the strength, but we've purposefully kept it quite conservative at the interim point right now. We will continue to build up that particular buffer. We will potentially look at one or two seeding opportunities within the business as well. But again, this is under consideration and in discussion with the board right now.

Hendrik du Toit

And I think, Rahim, we're walking a fine balance between... I was looking at, one of the firms reported this morning that they've invested, great business, ICG, they've invested £115 million in new seed. Now, they have a balance sheet, they started with a balance sheet. We're trying to be balance-sheet light and people-centric, which has a cost, which has a discipline in terms of growth. But we'll hopefully, in the long run, secure a certain quality of earnings and a certain relationship with our client base. But it does definitely slow us down, and that's why we're conservative at the interim stage because we may have to back some of our initiatives. So, we'll report in full at the year end. I stand with Kim's comment.

Facilitator

We have no further questions.

Hendrik du Toit

Thank you very much, I really appreciate you all joining us physically and virtually, if there are any further questions, please contact our IR team. And all you should know is that the strategy remains consistent, the focus is execution, we'll try and do our best whatever the markets bring us. Thank you very much.

Kim McFarland

Thank you.