Schroders in Focus
Wealth Management

7 October 2021
Strategic rationale
and ambition

Schroders

Peter Harrison
Group Chief Executive
Wealth Management – a strategic priority

Further diversifying Group PBT¹

- Wealth Management: 16%
- Asset Management: 84%

Improving longevity of assets (years)

- Wealth Management: 10
- Asset Management: 4

Increasing margins on assets (bps)

- Wealth Management: 56 bps
- Asset Management: 37 bps

¹Profit before tax and exceptional items as at June 2021.
Wealth Management
Strong track record of acquisitions and partnerships

2016
Benchmark Capital
B2B service provider

2017
C. Hoare & Co.
Wealth business

2019
Lloyds JV SPW
Lloyds Mayfair team
Thirdrock
Wealth business

2020
Sandaire
Family Office business
Assets have more than doubled in 5 years
Targeted at +£115bn by end 2025

- £32bn in 2015
- Acquisitions: £29bn
- NNB: £8bn
- Markets/Performance: £8bn
- H1-21: £76bn
- 2025 target: +£115bn

5% NNB p.a. of assets over next five years and continued acquisitions and partnerships
What makes us different?

Peter Hall
Global Head of Wealth Management

Schroders
Four distinct franchises...

**High and Ultra High Net Worth**

- **United Kingdom**
  - HNW, UHNW, Family Offices and Charities

- **Continental Europe and Asia**
  - Booking centres in the Channel Islands, Switzerland, Hong Kong and Singapore

**Affluent**

- B2C
  - Individuals needing financial planning advice

- B2B
  - Advisers needing technology, investment and succession planning

Note: AUM data as at August 2021.
...all leveraging Schroders’ key strengths

**Private Assets offering**
- £48bn franchise with impact leadership in Blue Orchard

**Trusted global brand**
- Top five global brand¹

**Lloyds Bank Relationship**
- 50% of UK adults have relationship with Lloyds Banking Group

**Family ownership**
- 6th generation family ownership

**Sustainability leadership**
- Proprietary SustainEx tool

**Institutional investment expertise**
- 700 professionals across 30 countries

**Financial strength**
- Over £700bn AUM, £4bn of capital

**Technology**
- Scalable and efficient platforms
- Differentiated propositions

**Intermediary distribution channel**
- UK distribution team of 30 people

¹NMG consulting – Global asset management brand study 2020.
Key secular trends – underpinning opportunities...

Wealth creation in UK regions¹
- Over 60% of UK wealth located outside London and the South East
- North West and North East growing at 8.0% and 10.8%, respectively

Fragmentation in family office segment²
- Five largest independent multi-family offices represent less than 2% of the aggregate wealth for the EMEA UHNW market

Declining UK adviser numbers with many approaching retirement³
- Reduction from 220k+ advisers to 27.5k over the last 30 years
- Liquid wealth has grown to £1.8tn today
- Average age of advisers: 58 years

Holy grail of single picture of your financial affairs
- Emerging moves by challenger banks into Wealth
- Open Finance

Rise of the Moderate Green segment⁴
- 31% of investors are interested in a sustainable option

...creating five drivers accelerating growth

- Business owners across UK regions
- Global Family Office Service
- Deeper penetration of UK adviser market
- UK Affluent financial planning

- Personalised sustainable investment
Revenue and profit margins projected as stable while we deliver on growth initiatives

<table>
<thead>
<tr>
<th>Revenue margin</th>
<th>56bps</th>
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<tbody>
<tr>
<td>Interest income</td>
<td>+</td>
</tr>
<tr>
<td>Growth of affluent</td>
<td>+</td>
</tr>
<tr>
<td>Cross selling</td>
<td>+</td>
</tr>
<tr>
<td>Adviser platform pricing</td>
<td>-</td>
</tr>
<tr>
<td>Charities</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profit margin</th>
<th>31%</th>
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<tbody>
<tr>
<td>Scale economies</td>
<td>+</td>
</tr>
<tr>
<td>IT investment</td>
<td>+</td>
</tr>
<tr>
<td>Digitalisation</td>
<td>+</td>
</tr>
<tr>
<td>Cost of talent</td>
<td>-</td>
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As at June 2021.
Our leadership team

Strong track record of delivery

Peter Hall
Global Head of Wealth Management

Mary-Anne Daly
Chief Executive Officer, Cazenove Capital

David White
Chief Executive Officer, Benchmark Capital

Mark Duckworth
Chief Executive Officer, Schroders Personal Wealth

Kate Rogers
Global Head of Sustainability, Wealth Management

Giles Neville
Head of Wealth Management, Channel Islands

Adrian Noesberger
Head of Wealth Management, Switzerland

Jason Lai
Head of Wealth Management, Asia

Caspar Rock
Chief Investment Officer, Wealth Management

Mark Baker
Chief Operating Officer, Wealth Management

Helen Fitzgerald
Chief Financial Officer, Wealth Management

Ben Noah
Head of Compliance, Wealth Management

Mitesh Mistry
Global Head of Marketing, Wealth Management

Fahmida Afrin
HR Business Partner, Wealth Management
Accelerating growth

Mary-Anne Daly
Chief Executive Officer
What do clients look for?

- A personal, trusted relationship
- Continuity through time
- Quality advice and performance
- Risk control

Growth trajectory

Current year annualised NNB\(^1\) of 4% up from 2.5% in 2020

- £24.6bn (Dec 15)
- £45.4bn (Aug 21)

What sets us apart?

- Schroders’ financial strength and stability
- Sophisticated wealth planning advice
- Global out-performing\(^2\) investment reach
- Exceptional, stable talent
- Strong next-generation pool of advisers
- Deep client relationships
- Strong referral base: clients and their professional advisers
- Lloyds Business Bank: grow business-owners franchise throughout the UK

\(^1\)August 2021 year to date annualised.

\(^2\)Source: ARC at 31 December 2020. Performance vs. peer-group averages, all risk categories, £, € and $ over 1, 3 yrs.
Examples of continued strengthening of client proposition

Private Assets

Level of wealth

Level 4
Single Companies
- Schroder Adveq direct co-invest

Level 3
Single Funds
- Range of external managers via Schroders Capital

Level 2
Fund of Fund Solutions
- Partners Capital & Schroders Gaia

Level 1
Investment Trusts
- Diversified alternatives fund

Sustainable Reporting
- Informing all clients

Real example of client transferring-in legacy assets (with sub-optimal sustainability ratings)

Sustainability dashboard
Portfolio equities vs MSCI AC World

- Planet: Carbon Emissions
  - 4% higher than the benchmark
- People: Social Dividend
  - 0.9% vs 1.5%

Fund Manager Sustainability Ratings (% total portfolio)

Leaders
- Portfolio Rating: 3.5
Laggards
- Source: Cazenove Capital. The sustainability ratings are from 1 to 5 (1 being the worst and 5 the best) and are derived from the 2021 results of our proprietary annual ESG firm-level questionnaire.
Grow franchise with business owners across the UK

Hire regional top-talent, leverage Lloyds’ reach

The opportunity:
- 60% of UK Wealth located outside London and SE
- NW growing at 8.0%, NE at 10.8%
- Lloyds share of UK SME & Mid corporates¹: 20%
  (61k customers)
- Share of FTSE 100 and FTSE 250 corporates²: 60%

Regional headcount: 16 new hires

Lloyds new business pipeline: £1.2billion

¹Source: Lloyds Banking Group. Corporates with T/O of £3m-£100m: 61,000 customers.
²Source: Lloyds Banking Group. Corporates with T/O of £100m+: 4,000 customers.
Grow franchise in UHNW segment...
Sandaire acquisition: part of that strategic focus

Today: 285 clients with +£25m invested with us; 47 with +£100m

Combining the service of small family offices with the resources of a global FTSE 100 business
To conclude: A highly reputed, stable and profitable business...  
...on a trajectory of continued growth acceleration

A growing as well as fragmented market:
- 55% of clients today are current-generation wealth: 40% are or were business-owners, 20% come from the world of finance
- Strong track record of integrating carefully selected, accretive acquisitions

Longevity: multi-generational relationships – many clients span 20+ years
Strong referral flow from them and their networks of professional advisers

An employer of choice for top-quality experienced and next-generation talent...
Attracted as much by Cazenove’s client-centric, collaborative culture as our development ambitions

Two important growth acceleration opportunities:
- Expand regional business-owners franchise, leveraging Lloyds business bank
- UHNW market

Underpinned by Schroders’ financial strength, stability and investment reach
Growing our B2B adviser services franchise
A set of integrated solutions designed to simplify an adviser business

We do this in four ways:

- **Technology** – enabling advisers to improve the end-to-end client experience and transact through our proprietary platform and client portal.

- **Network Services** – providing compliance oversight, training, regulatory support and financial advice supervision.

- **Investment** – offering index, active and sustainable options via the Schroder Investments Solutions Model Portfolio Service.

- **Succession Solutions** – helping advisers realise value in their business via an outright purchase or financing succession planning for their next generation.
Accelerating growth through differentiation

Current annualised NNB of 8%¹

What sets us apart?

- Breadth and depth of our offering across all of our four integrated solutions
- Proven Model Portfolio Solution (MPS) – 89% in the top quartile for investment performance over 5 years²
- Flexible succession planning offer – from start up to exit (over 35 deals completed), and very strong pipeline
- Access to all Schroders’ strengths, notably capital, distribution team and investment expertise
- Leading Adviser Business winner for 7 consecutive years and Best Wealth Management Platform 2021 winner at the UK Platforms Award

¹6% without associates as at August 2021 year to date annualised, excludes SPW.
²Source: Morningstar and Schroder Investment solutions, as at 30 June 2021.
Recent development: Strengthened our capability with new investment offering

A turnkey investment proposition:

- An extensive range of Active, Index and Sustainable Portfolios with the launch of Schroder Investment Solutions
- Competitive Model Portfolio Solution (MPS) Pricing at 15bps
- Strong investment performance with 89% in top quartile over five years
- £4bn in assets (top 10 player) and available on 12 leading platforms
- Post launch, monthly flows increased and now at an average of £51m, with momentum building
A segmented and targeted approach to accelerate our growth through 2025

<table>
<thead>
<tr>
<th>Segment</th>
<th>Description</th>
<th>Size of segment</th>
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<tbody>
<tr>
<td>Turnkey advisers</td>
<td>Requiring an out-of-the-box solution, aligned to a turnkey model meeting Benchmark’s standards</td>
<td>+2,900</td>
</tr>
<tr>
<td>Network switchers</td>
<td>Seeking to switch network in the next 1–5 years due to dissatisfaction</td>
<td>+1,800</td>
</tr>
<tr>
<td>‘Accelerate to exit’</td>
<td>Wanting to exit the industry in the next 2–5 years and looking for a credible partner to power this</td>
<td>+4,600</td>
</tr>
<tr>
<td>Breakaway advisers</td>
<td>15% of largest advisers (48 firms who have over 50 advisers) indicate desire to set up own practice within 1–5 years</td>
<td>+2,100</td>
</tr>
<tr>
<td>Investment only firms</td>
<td>83% of advisers use model portfolios, of which an estimated 30% outsource, and wish to remain with their preferred platform</td>
<td>+6,800</td>
</tr>
</tbody>
</table>

Source: NextWealth 2021.
Clear and proven opportunity to increase cross sell of services and raise margin

**Number of services used**
(number of advisers)

- 1 service: 54%
- 2 services: 21%
- 3 services: 19%
- 4 services: 6%

**Fees generated**
(blended in basis points)

- 1 service: 14
- 2 services: 12
- 3 services: 19
- 4 services: 73

Source: Schroders, as at August 2021, excludes SPW.
The next stage of growth

Mark Duckworth
Chief Executive Officer
Schroders Personal Wealth: Turning the corner

**Increasing number of referrals**

- **LBG**
  - 6,000
  - 4,000
  - 2,000
  - 0

- **Self generated**
  - 1,000
  - 750
  - 500
  - 250

- **Lloyds Banking Group referrals**
- **Self-generated referrals**

**Clients purchasing per week since 2020**

- 2020
- 2021 to August

**Improved productivity of advisers**

- Average number of meetings with clients per week
- **2020**
- **Aug-21**

**Current year annualised NNB\(^1\) running at 2%**

- **2020**
- **Aug-21**

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\(^1\)August 2021 year to date annualised. NNB for OpCo only, excludes ACD. (Solution Funds).
Capturing the opportunity offered by reducing adviser numbers

90 advisers trained through the SPW Academy since launch

Number of advisers in the UK

- 1991: 221k
- 2021: 27.5k

Average UK wealth per adult

- 1991: £72k
- 2021: £213k

- Advisers are employed
- Accelerated Academy program & qualified hires
- Introductions from Lloyds Banking Group

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¹Polarisation and Financial Services Regulation, FSA 2000; Financial advice firms in 2020 - Platforum, 2020; ²SPW Analysis of London School of Economics – Is it Time for a Wealth Tax; Global wealth report 2021, Credit Suisse.
A business model with unique strengths...

Lloyds Banking Group

- £474bn of customers deposits
- 17.7m active users of digital banking
- 50% of UK adults have a relationship with Lloyds Banking Group

Schroders

- Access to Schroders Investment Performance
- Powered by Benchmark technology platform
- Sustainability

SPW

Sustainability

£474bn of customers deposits

17.7m active users of digital banking

50% of UK adults have a relationship with Lloyds Banking Group

Powered by Benchmark technology platform

Sustainability
### Unique client proposition

<table>
<thead>
<tr>
<th>Single picture of finances across banking and investments</th>
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<tr>
<td>Market leading propositions available and being developed e.g. 0% commission protection, ESG</td>
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<table>
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<tr>
<th>Customised proposition over lifetime by profession e.g. healthcare, professional services</th>
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<td>Better value for money than peers helping clients</td>
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</table>

Client with £150k investment and +£20k p.a. would be £22k–£49k better off over fifteen years vs. competitors
Sustainability: Our competitive edge

Kate Rogers
Global Head of Sustainability
What sets us apart?

01. Performance
Strong financial performance vs. peers

02. Impact
- Meaningful and measurable impact
- Engaging reporting

03. Personalisation
Designing portfolios to meet individual values – aligned to the UN SDGs

Source: Cazenove Capital and Lipper. Data to 30 June 2021.
The university is taking a further step in its commitment to sustainability after appointing investment manager Cazenove Capital to manage its £59.4 million endowment portfolio and £9.5 million medium-term investment fund.

Cazenove wins ESG investing Olympics

Wealth management arm of Schroders to launch new fund after public battle for £33.5m charities mandate

Nottingham investments to further the university’s commitment to sustainability

The university is taking a further step in its commitment to sustainability after appointing investment manager Cazenove Capital to manage its £59.4 million endowment portfolio and £9.5 million medium-term investment fund.
The growth opportunity

Growing Sustainable AUM

£bn

- 2018: 3.0
- 2019: 3.5
- 2020: 5.0
- Aug 2021: 6.1

14% total AUM

Rising client interest, increasing longevity

2020 UK Client Survey: Categorisation by attitude

- Impact
- Integrating ESG
- Sustainable
- Finance focused

42% clients

Growing new business

21% Sustainable Opportunities

Current Pipeline

Source: Cazenove Capital and Aon. Survey carried out online in October 2020. 1,382 respondents.
Closing remarks

Peter Hall
Global Head of Wealth Management
Proof points for growth acceleration

**Trajectory**
- 2020: 2.5% NNB
- YTD run rate: 4.0% NNB
- 2022–2025: 5.0% NNB

**Untapped potential**
- Low current share of target market e.g. B2B adviser services
- Opportunity to capture rapidly growing segment e.g. Moderate Greens

**Adviser hiring**
- 90 SPW advisers from the Academy
- 16 new experienced adviser hires in the regions for Cazenove Capital
Key takeaways

- Strong track record from £32bn to £76bn over past 5 years
- 5% organic growth p.a. target over the next 5 years
- Acquisitions and partnerships to boost organic growth >£115bn assets by 2025

Unique multi-brand franchise with strong competitive differentiation
Revenue and profit margins of 56bps and 31% projected to be maintained
Thank you