

Retail: Competing in the New World

J.P. Morgan UK Financials Conference
Wednesday, 8 December 2010

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Schroders

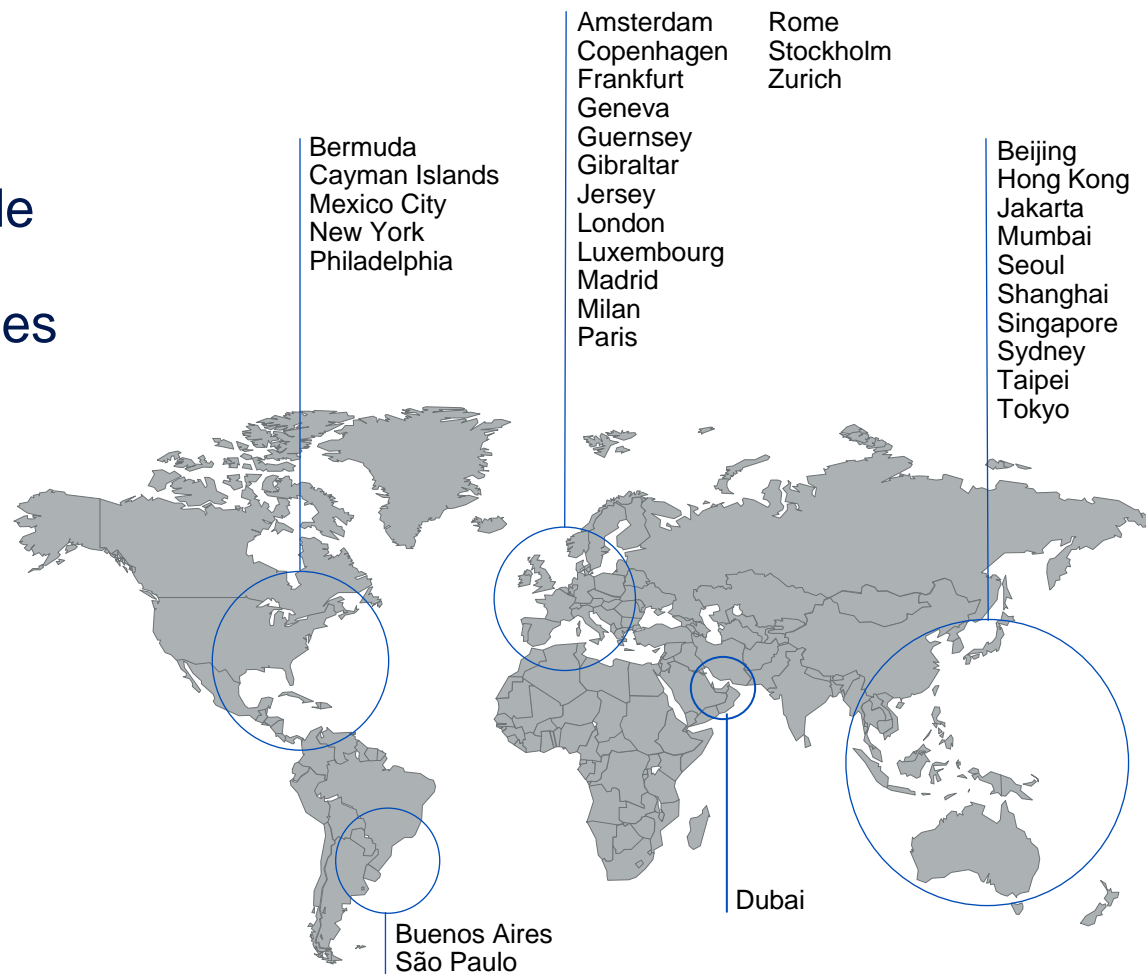
Agenda

- Schroders Global business
- Schroders UK intermediary business
- Challenge 1: regulatory change, and specifically the RDR
- Challenge 2: changing demands of our clients
- Summary and Q&A

Overview of Schroders

£181.5bn funds under management

- Founded in 1804
- Over 450 investment professionals worldwide
- 32 offices in 25 countries



Our strategy

Investment led, organic growth

- Exclusive focus on asset management
- Organic growth
 - Bolt-on acquisitions
- Deliver superior performance for clients
- Highly diversified business model: growth and defensive characteristics
- Financial strength

Our focus

Key drivers of performance

- Client led
- Broad product range
- International diversification
- Strong distribution capability
- Financial strength

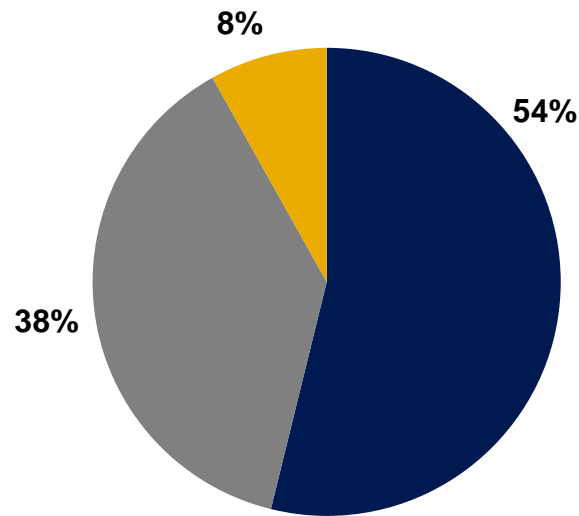
**9 months to end
September 2010
net inflows:
£21.5bn**

**of which £5.9bn
in Intermediary**

Putting our Intermediary business in context...

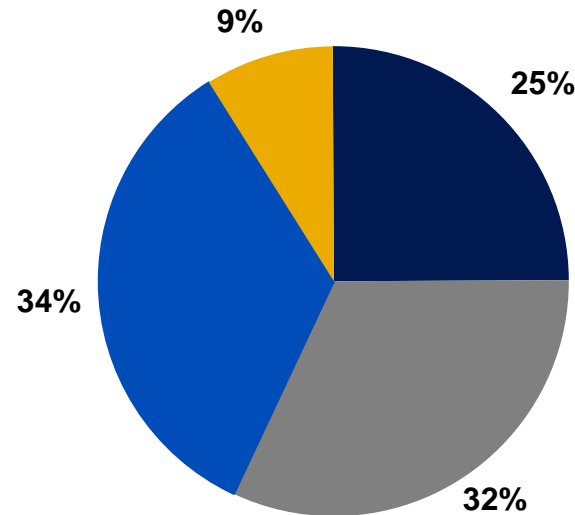
Total funds under management £181.5bn; Intermediary £68.5bn

Total: by channel



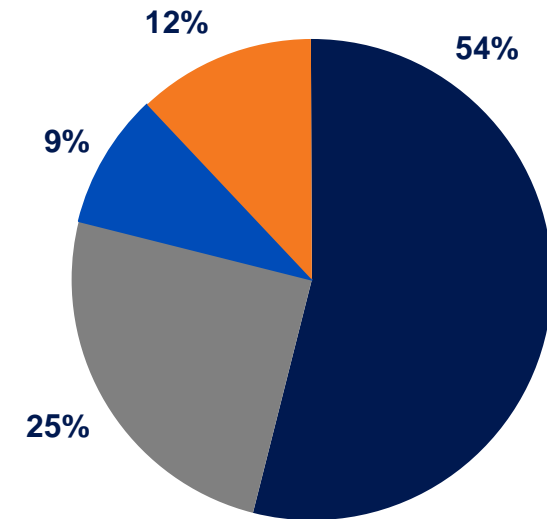
- Institutional
- Intermediary
- Private Banking

Intermediary: by region



- UK
- Asia Pacific
- Continental Europe
- Americas

Intermediary: by product

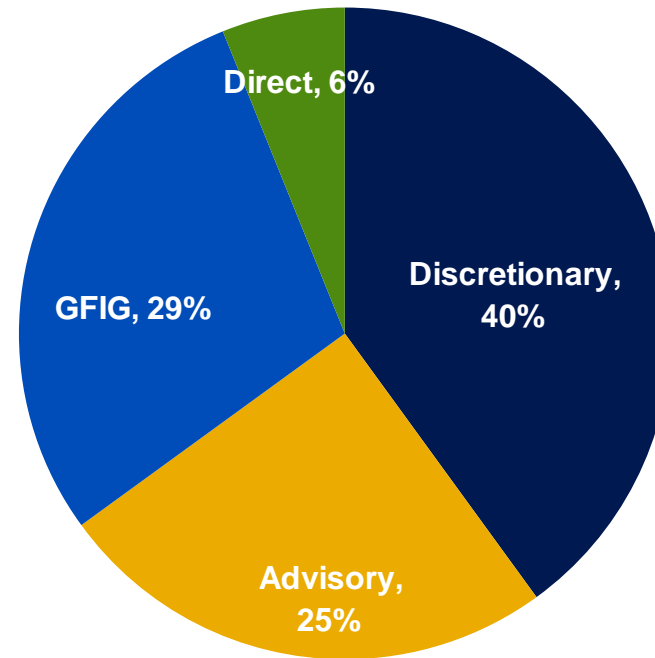
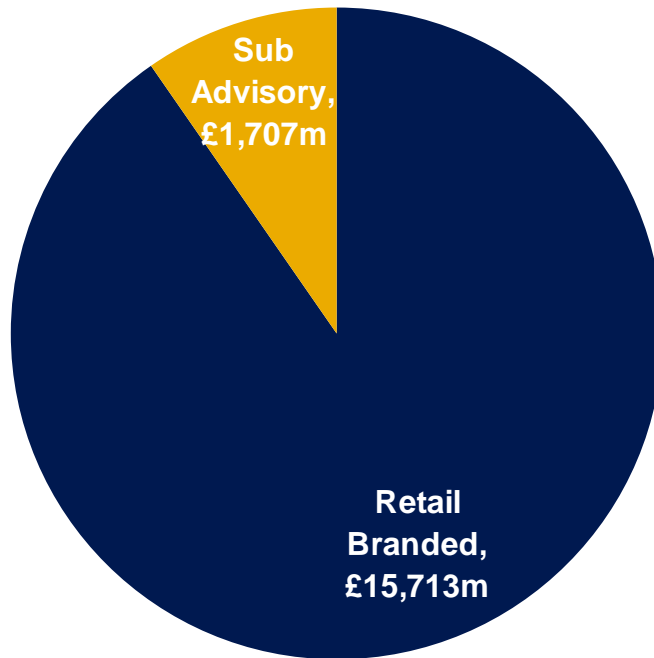


- Equities
- Alternatives
- Private Banking
- Fixed Income
- Multi-asset

By client domicile

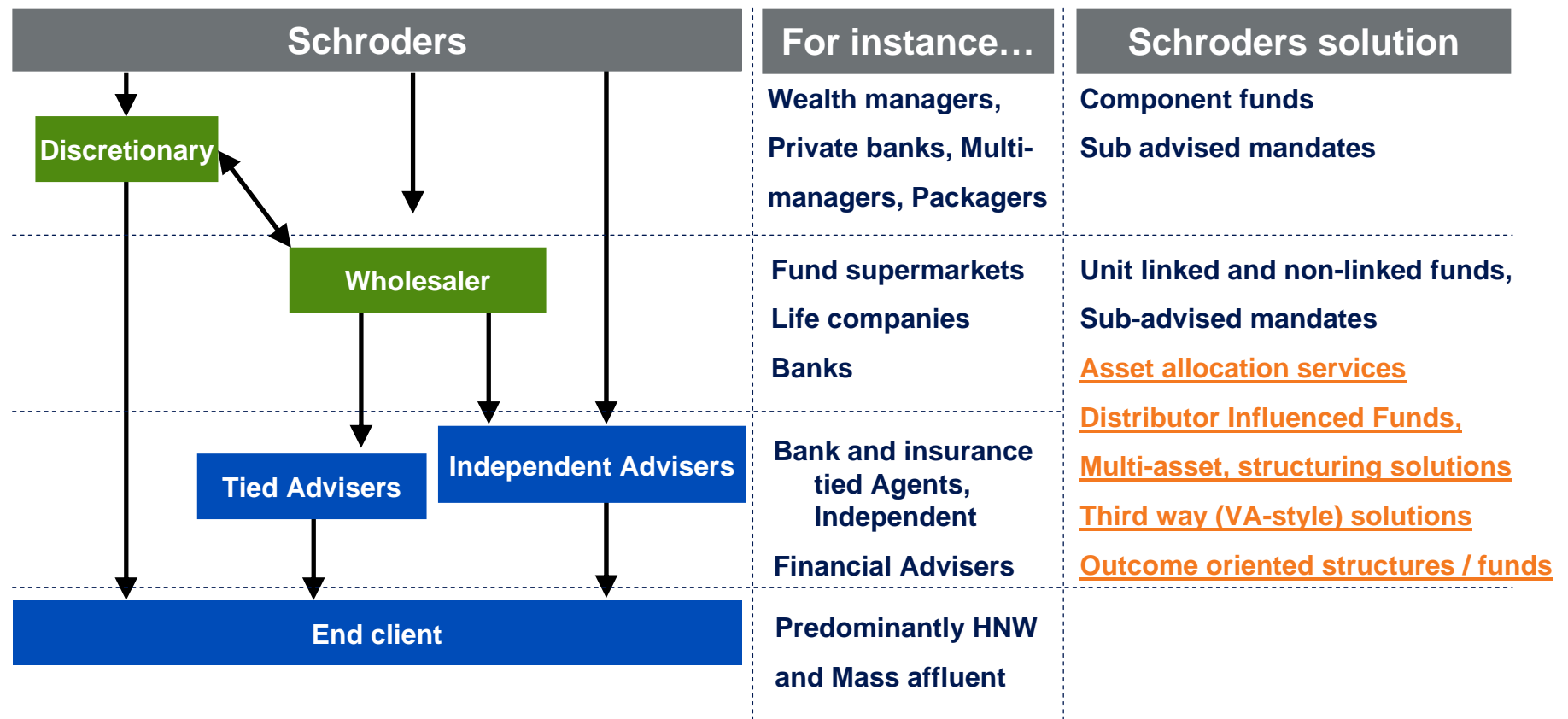
Schroders UK Intermediary assets: diverse by channel

Funds under management – September 2010



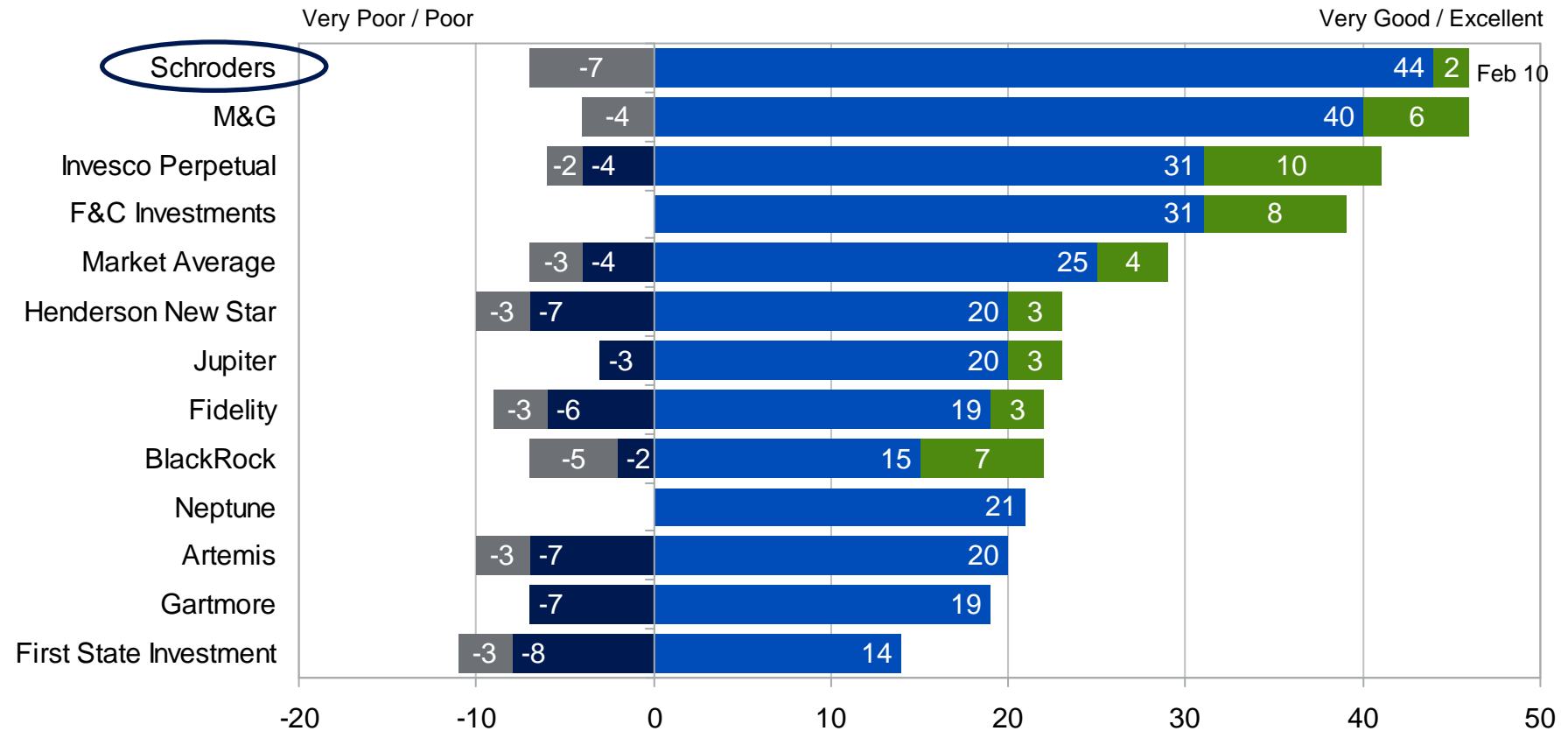
Intermediary channel – routes to market

Developing new propositions



A market leading position with Discretionary managers

Overall relationship with investment house



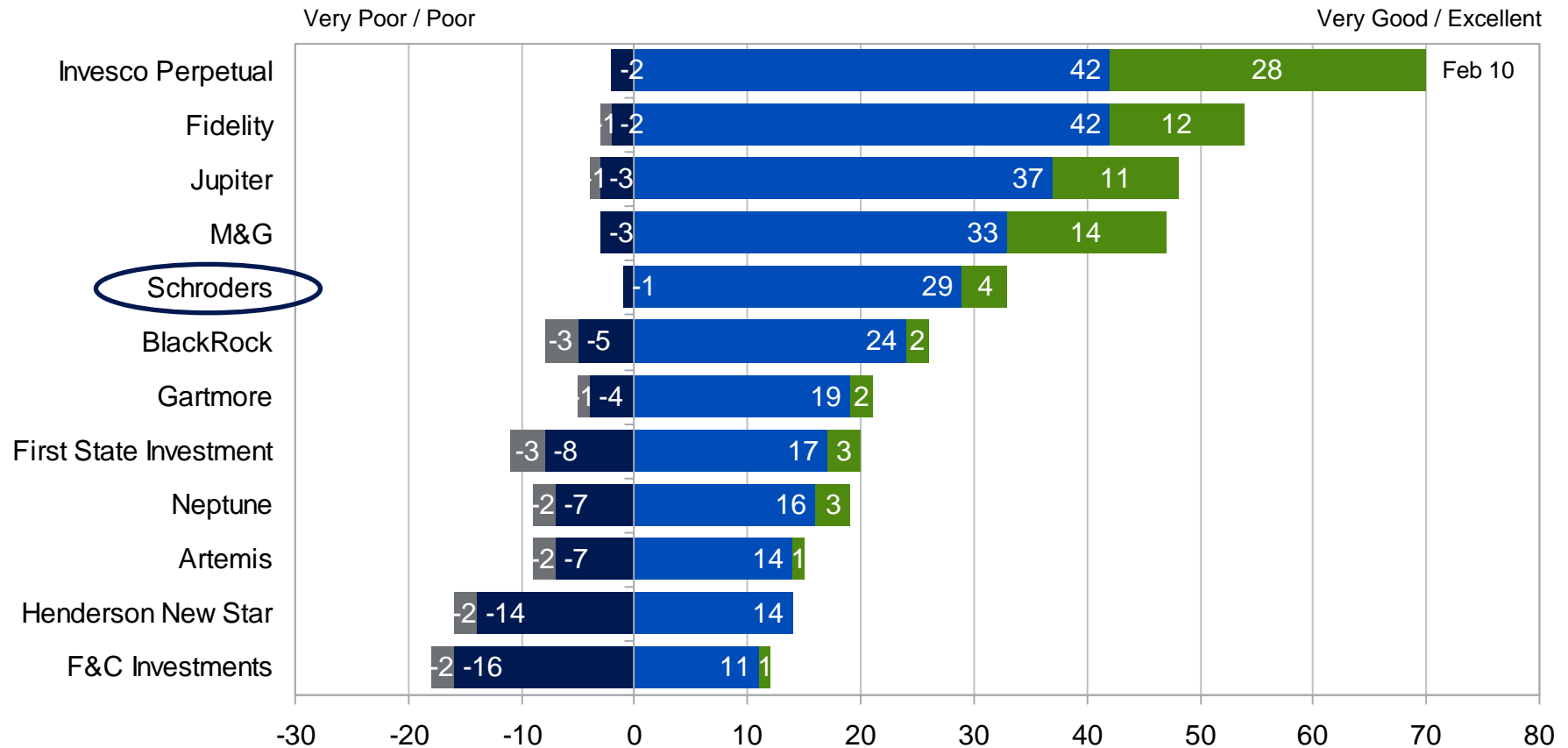
8 Q9e: How would you rate the following companies in terms of the overall relationship with investment house?

BASE: All DAM supporters. * = Caution small base (n<50)



We have broken into the top 5 in the Advisory market

Overall rating – IFAs



Q4a: How would you rate the following companies as providers in the investment market?

9 BASE: All IFAs (188)



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Challenge 1: Regulation – not only a UK issue...

Operating in a more regulated environment

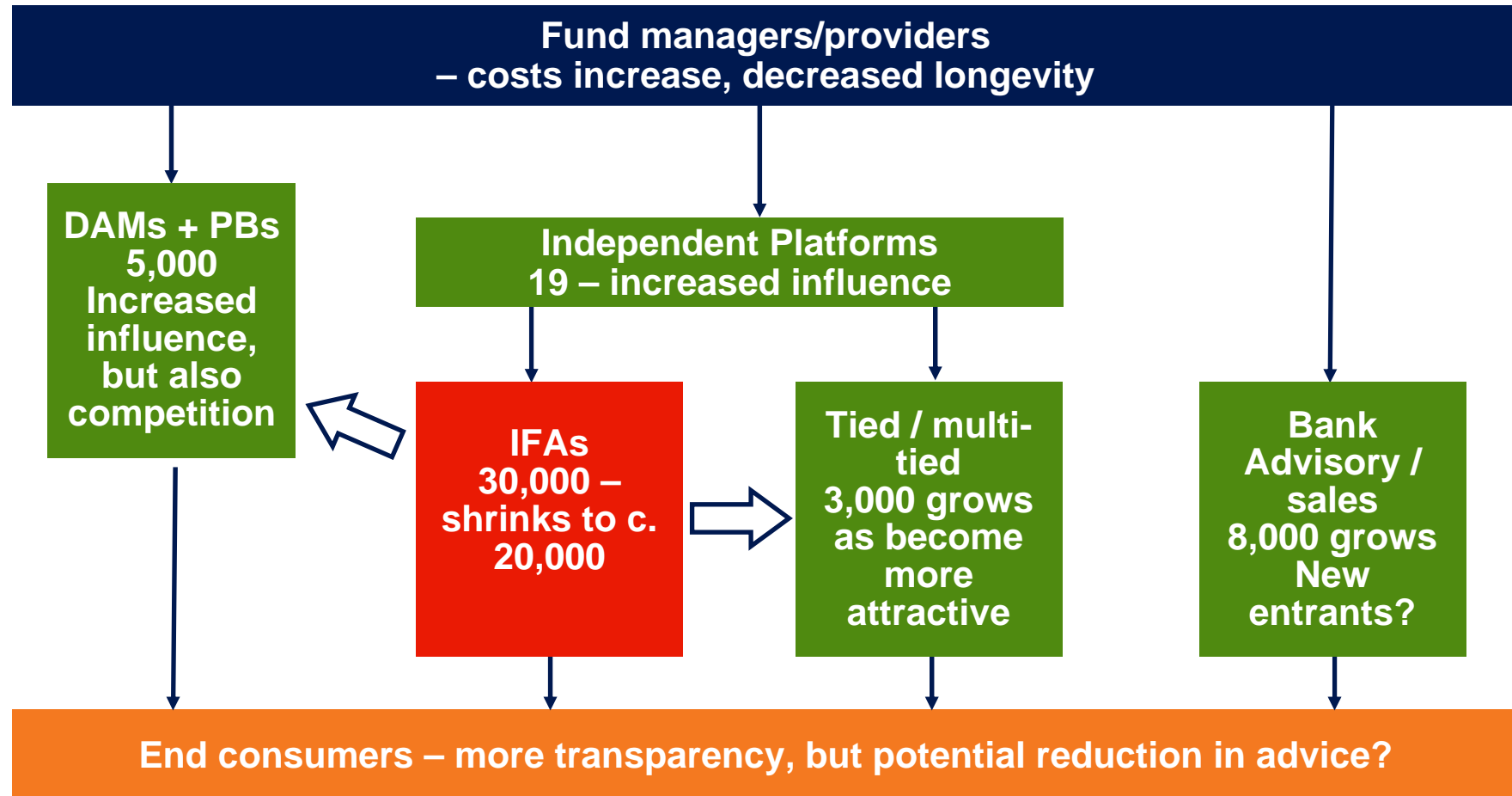
- Retail Distribution Review – UK
- Alternatives Investment Fund Management (AIFM) Directive
- Review of MiFID
- UCITS IV...and UCITS V
- Packaged Retail Investment Products (PRIPs)

Challenge 1: The Retail Distribution Review (RDR)

Objectives

- To remove product and provider bias (fees replace commissions)
- To improve professional standards
- To improve consumer choice

Challenge 1: Changing the shape of the advice market in the UK...



Challenge 1: The Retail Distribution Review (RDR)

Implications: Market

- 25% to 30% of IFAs could leave the industry
- Banks could re-enter the lower end of the advisory market
- We expect IFA's to continue the trend to outsource Investment Management
- We expect to see increasing demand for low cost passive / quasi-passive Funds
- We expect non-advised execution only business to significantly increase

Implications: Products / Strategy

- We will need to launch multiple unit classes to accommodate legacy assets, new business flows and advisory platforms
- We are launching a limited range of low cost core products
- We expect a reduction in longevity as a result of an increase in discretionary business
- We have increased our resources dealing with UK FIGs in the run up to RDR to maximise any opportunities arising

Challenge 2: The changing demands of clients

Drivers

- Demographics and ageing population
- Shift from Government and corporate risk to individual risk for retirement products
- Growth of Defined Contribution
- High correlations between markets
- Disappointment with strategic asset allocation
- Market volatility
- Lasting client risk aversion
- Lack of confidence in financial institutions/ active managers
- Rise of emerging markets
- Slower economic growth
- Globalisation
- Pricing pressure
- Inflation concerns

Implications

- New products don't drive net flows – track records very important
- Future of flows is global, across all asset classes
- Flexible, unconstrained products taking share from benchmark-relative strategies
- Demand for passive continues
- Outcome oriented products – i.e. income solutions
- Demand for diversifying strategies offering uncorrelated returns, selectively

Challenge 2: How has this impacted the UK?

Traditional 'favourites' less dominant

H1 2010			
Gross	%	Net	%
UK Equity Growth	10	£ Strategic Bonds	16
UK Corporate Bonds	10	Property	12
£ Strategic Bonds	7	Cautious Managed	11
Asia Pacific (ex Jpn)	6	Absolute Return	11
North America	6	Global Bonds	9
Global Growth	5	Global Growth	7
Absolute Return	5	North America	7
Property	5	Global Emerging Markets	6

2009			
Gross	%	Net	%
UK Corporate Bonds	17	UK Corporate Bonds	29
UK Equity Growth	11	Absolute Return	9
£ Strategic Bonds	6	£ Strategic Bonds	8
Asia Pacific (ex Jpn)	5	Asia Pacific	7

2008			
Gross	%	Net	%
UK Equity Growth	15	UK Corporate Bonds	56
Property	12	Global Growth	19
UK Corporate Bonds	12	Property	14
UK Equity Income	10	North America	12

2007			
Gross	%	Net	%
UK Equity Growth	17	Property	20
Property	15	UK Equity Growth	17
UK Equity Income	13	Cautious Managed	12
UK Corporate Bonds	9	UK Equity Income	11

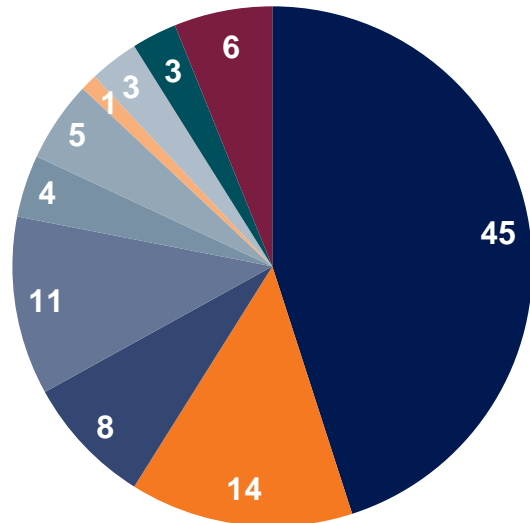
Source for industry data: Investment Management Association

Schroders & Industry funds under management

UK Bonds and multi-asset have grown significantly

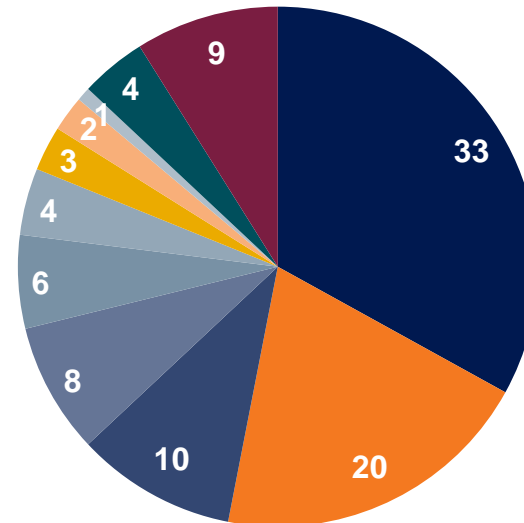
Industry AUM by sector

September 2005



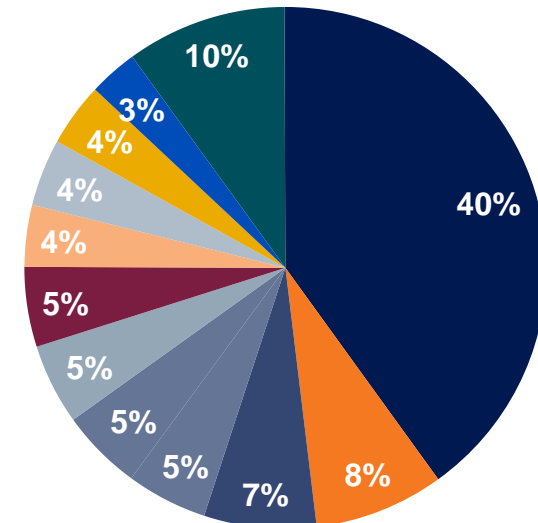
Industry AUM by sector

September 2010



Schroders AUM by sector

September 2010



- UK Equities ■ UK Bonds ■ US Equities ■ Global Equities ■ European Equities ■ Commodities ■ Structured
- Property ■ Other ■ Multi asset / Multi manager ■ Global Bonds ■ Japan Equities ■ Asia Pacific Equities

UK funds under management are dominated by Retail Branded Equity products

Source for industry data: Investment Management Association

In summary

Schroders: well placed for continued growth

- **UK RDR: viewed positively**
 - Strong brand
 - Established Discretionary relationships
- **Strength of International Distribution network**
- **Broad product range**
- **Range of long term growth opportunities**

funds europe
awards
2010

European Asset Management
Company of the Year

 **GLOBAL PENSIONS**
AWARDS 2010
WINNER
Investment manager
of the year

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