



The changing face of UK Retail Investment Distribution and implications for Fund Managers

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Managing Director, UK Intermediary business



Schrodgers

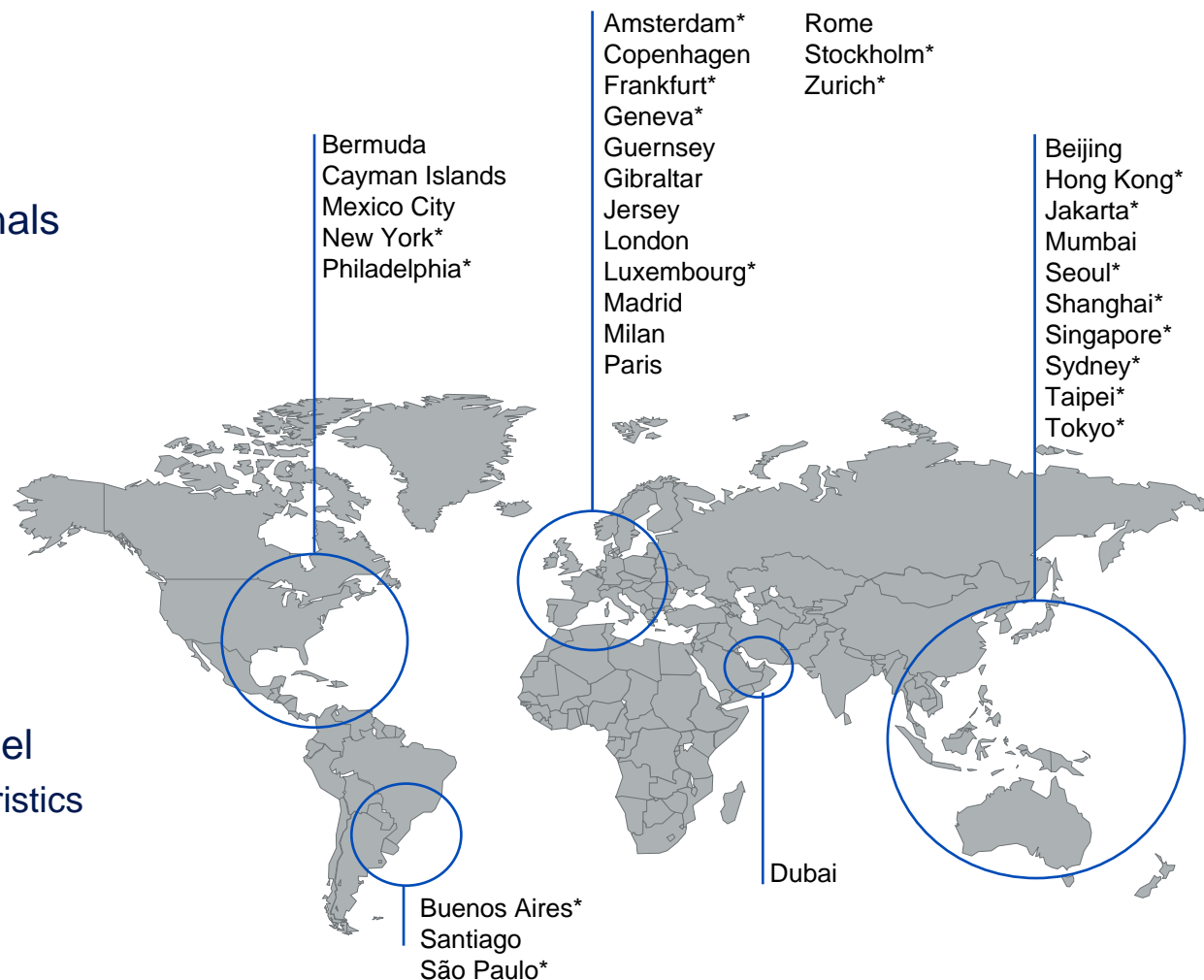
Agenda

- Schroders Global business
- Schroders UK intermediary business
- The Retail Distribution Review
- The changing distribution landscape
- Summary and Q&A

Overview

£199.6bn Assets under Management

- 33 offices in 26 countries
- 18 investment centres
- Over 350 investment professionals worldwide
- 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

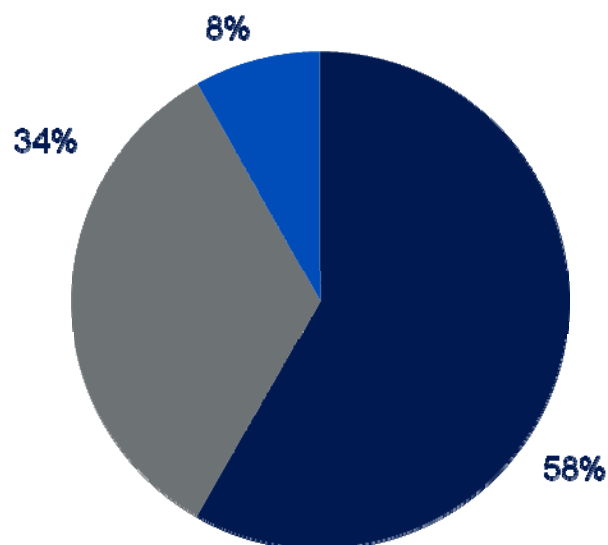


Source: Schroders. 31 March 2012. * Investment centres

Putting our Intermediary business in context...

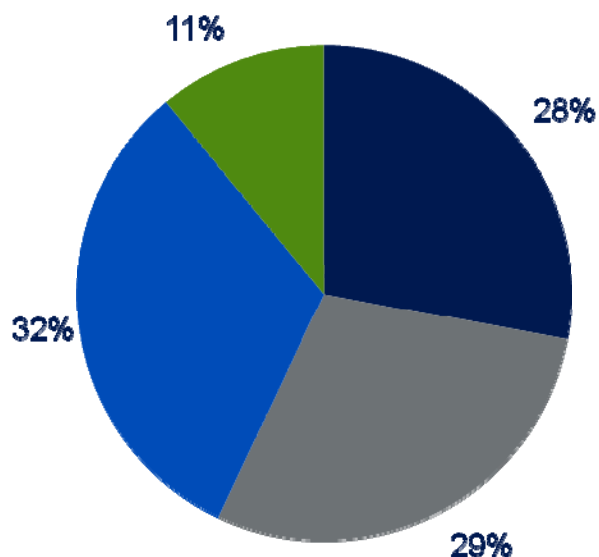
34% of AUM, 47% of net revenue

Total AUM by channel



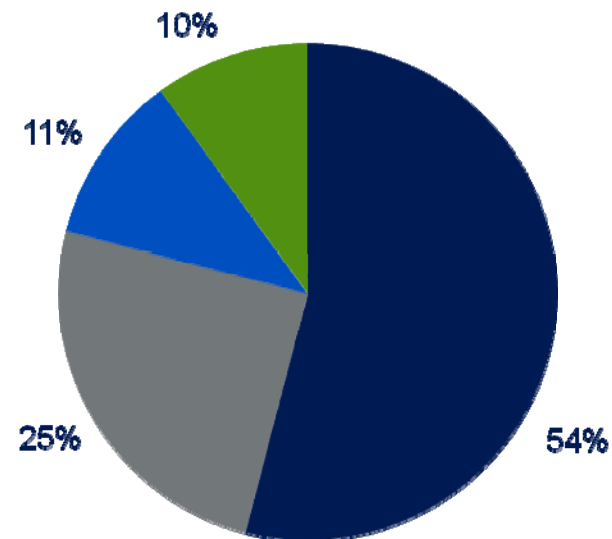
- Institutional
- Intermediary
- Private Banking

Intermediary AUM by region



- UK
- Continental Europe
- Asia
- Americas

Intermediary AUM by product

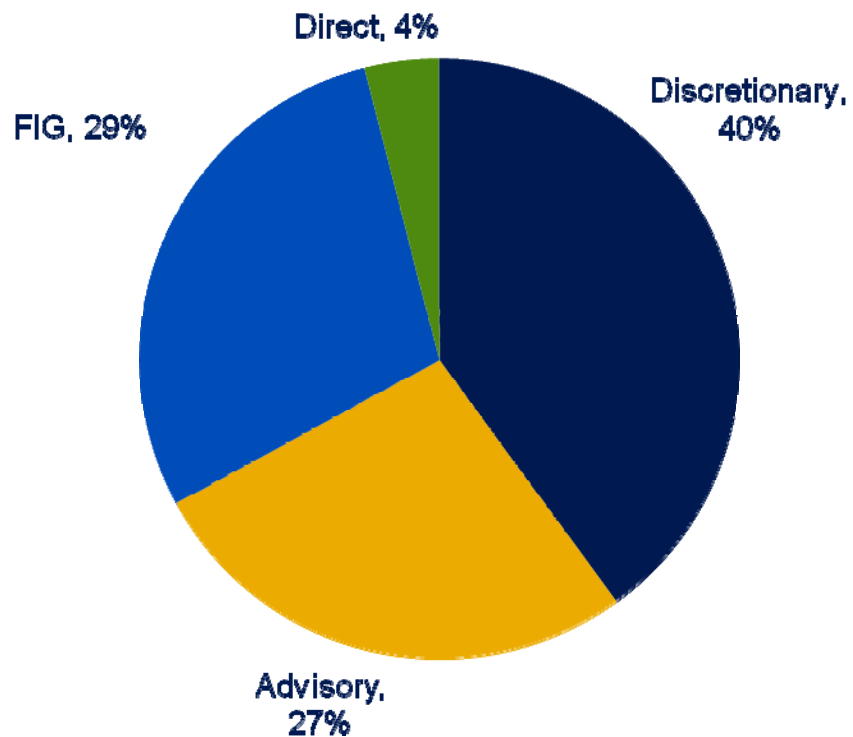
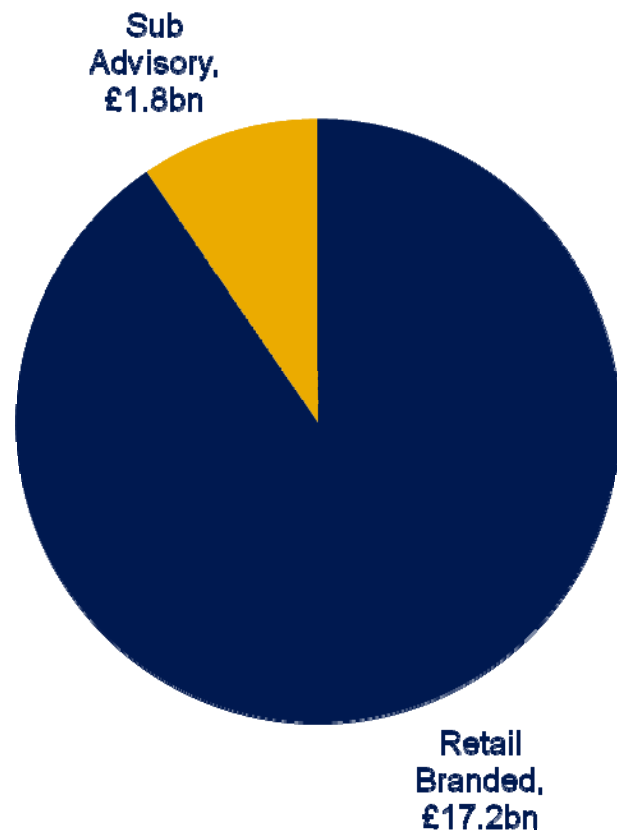


- Equities
- Fixed Income
- Multi-asset
- Alternatives

Source: Schroders Q1 results 2012

Schroders £19.0bn UK Intermediary business

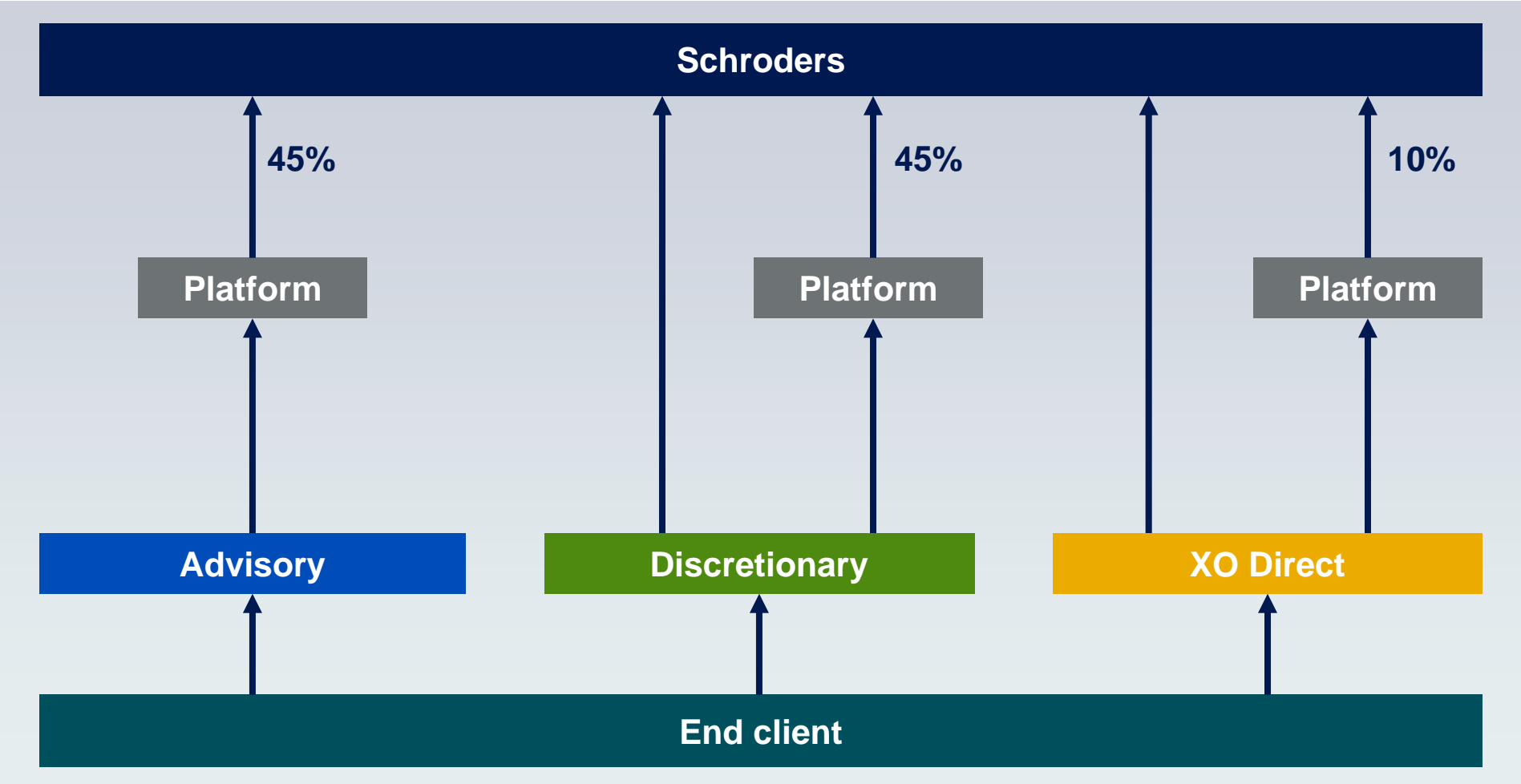
Channel diversity



Source: Schroders. March 2012

Intermediary channels

Routes to market



Source: Schrodgers May 2012

Schroders' UK Intermediary business

A market leading business development team

- Focus on discretionary asset managers (DAMs)
- Well resourced team comprises:
 - 5 regionally based Sales Professionals
 - 4 Telephone support managers
 - Dedicated investment trust business development resource
- Working closely with institutional & property business development teams
- Supported by specialist marketing team & award winning PR team
- High penetration of the advisory (IFA) market through a 14 strong advisory sales and tele-sales team

Strong relationships with the discretionary asset manager market

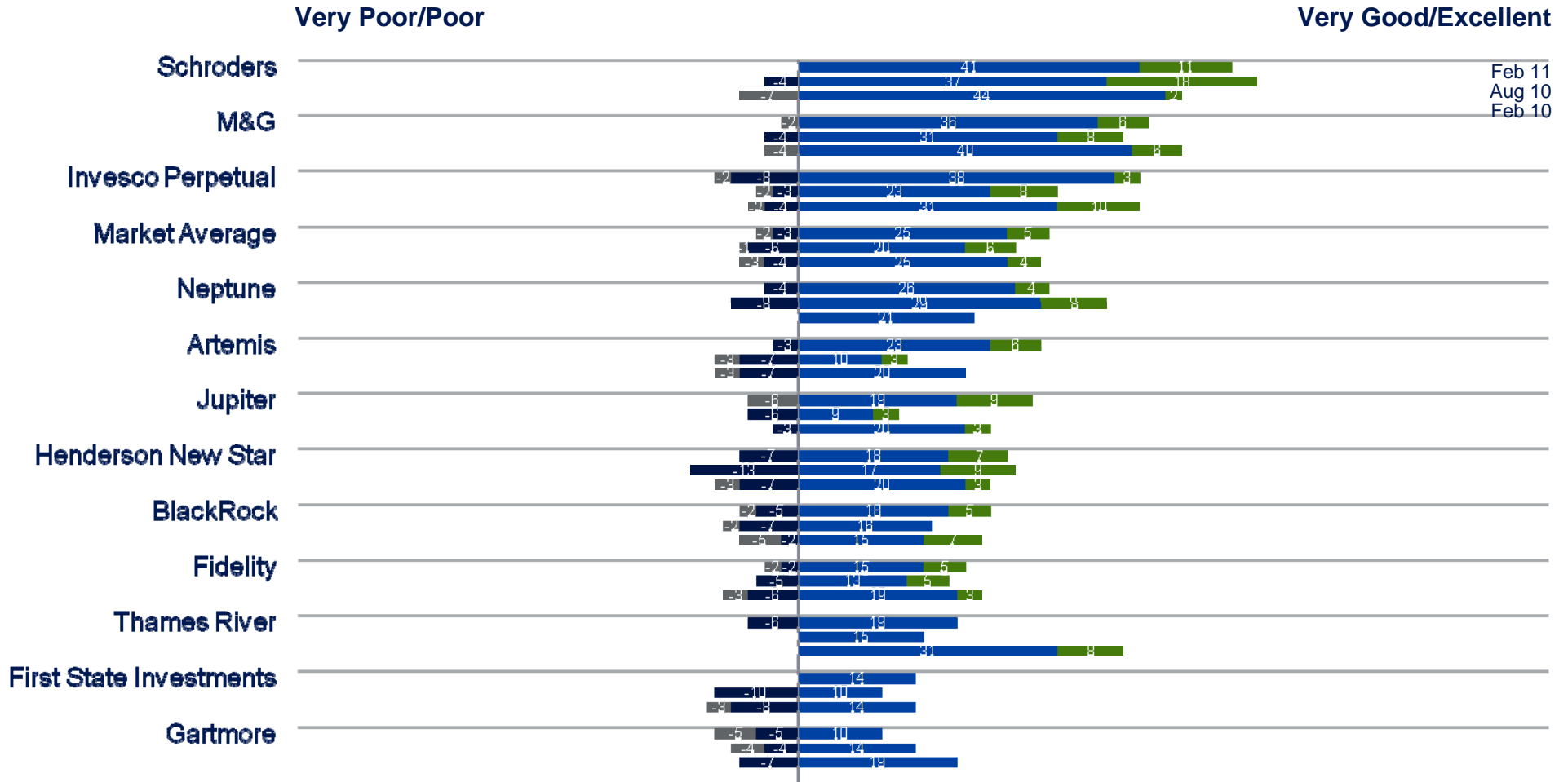
Results of the latest ORC Survey of DAM companies in August 2011

Category	Schroders position
Overall relationship with investment house	1st
Relationship with consultant/sales team	1st
Relationship/frequency and ease of contact with fund managers	1st
Overall marketing	1st
Best information gathering/educational events	1st
Staff understanding of client business	1st

Participating companies in the survey: Artemis, Blackrock, Fidelity, First State, Gartmore, Henderson New Star, Invesco Perpetual, Jupiter, M&G, Neptune, Schroders, Thames River, Aberdeen, JPM
Source: Schroders, ORC

Relationship management

Overall relationship with Investment House



Q9e: How would you rate the following companies in terms of the Overall relationship with Investment House? BASE : All DAM supporters

Source : Schroders, ORC

Our service remains highly rated

In the 14 marketing categories we are never ranked outside the top 3 firms

ORC Ranks us #1 for:

- Investment Bulletins
- Fund Factsheets
- Salesaids
- Product Brochures
- E-mail communications
- Newspaper articles / editorial
- Teleconferences
- Webcasts

Source: ORC Investrack September 2011

The Retail Distribution Review

Objectives

- To remove product and provider bias (fees replace commissions)
- To unbundle charging structures
- To improve advisory professional standards
- To improve consumer choice
- To reduce headline product charges



RDR: Implications for the marketplace I

- RDR to be introduced in stages
- 25% to 30% of IFAs could leave the industry (circa 8,000)
- Banks and insurance companies re-enter the lower end of the market vacated by the departure of IFAs through XO services
- Execution only business will significantly increase with more firms setting up web-based XO businesses



Source: Schroders estimates – May 2012

RDR: Implications for the marketplace II

- Demand will continue to increase for low cost passive (quasi-passive) products
 - Schroders and JP Morgan have already introduced low cost active ‘core’ funds in Q1 2011
- All parts of the cost chain will come under pressure
- Advisers will attempt to retain their own margin by reducing costs in other parts of the chain
 - Particular pressure on platform and fund management fees
- Some fund managers will re-enter the D to C (direct to consumer) market
 - JP Morgan have already launched a B to C fund supermarket in the UK

Schroders: our response and plans I

We support the main principles of the RDR

But we are concerned that:

- Many good IFAs will leave the industry
- Many consumers won't pay for advice
- XO platforms of mixed quality will spring up
- Many investors will be 'misguided' on XO platforms

HNW individuals will continue to get good advice

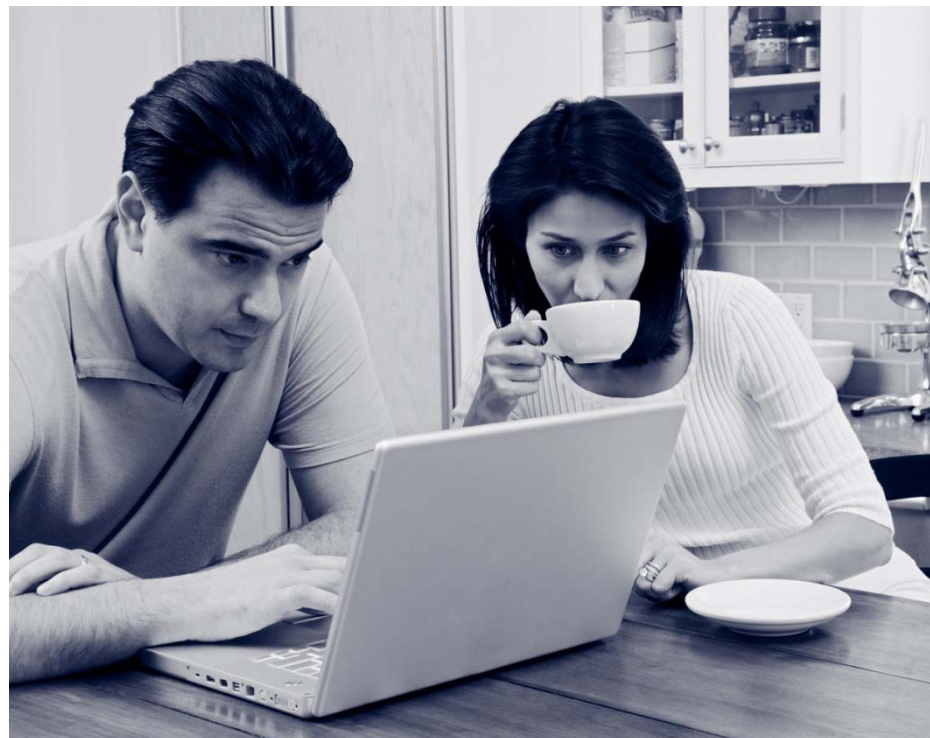
- But mass affluent and LNW individuals will struggle



Schroders: our response and plans II

We are concerned about the platform market

- There are too many
- They are generally unprofitable
- Their margins will come down
- Future capex will be enormous
- Auto re-registration could transform books of business



The platform market will change dramatically in the next five years

Source: Schroders – May 2012

Schroders: our response and plans III

Two fund unit classes

- 'A' Class: 150 bps AMC 170 bps TER, Legacy, XO and direct
- 'Z' Class: 75 bps AMC 90 bps TER, Platforms and discretionary
- No others planned – yet

Low cost, clean-fee funds

- 'Core' in approach
- Utilising institutional investment processes
- Competitive in price

The Schroder core range

Fund name	TER bps	Performance target p.a.	Tracking error/ volatility	Size
Schroder UK Core Fund	40	FTSE All share +1% net	1.5 - 3.5%	£38.4m
Schroder QEP Global Core Fund	40	MSCI World +1% net	1.1%	£528.7m
Schroder Dynamic Multi-Asset Fund	50	CPI +4% net	6.7%*	£9.5m

Source: Schroders, as at 12 March 2012

* Since DMAF does not have a benchmark, it has no tracking error. It has a target return of CPI+4% (net of institutional fees), with a volatility objective of between one half and two thirds of global equities

The absolute volatility of the fund as of 31 January 2012 is 6.7% p.a.

The changing distribution landscape I

Advisory business to decline

- RDR: harsher environment
outsourcing
- Scale: smaller but bigger advisors
- Platform solutions: platform owners increasing value share

Discretionary business to increase

- Outsourcing from IFA's
- Developing in-house distribution

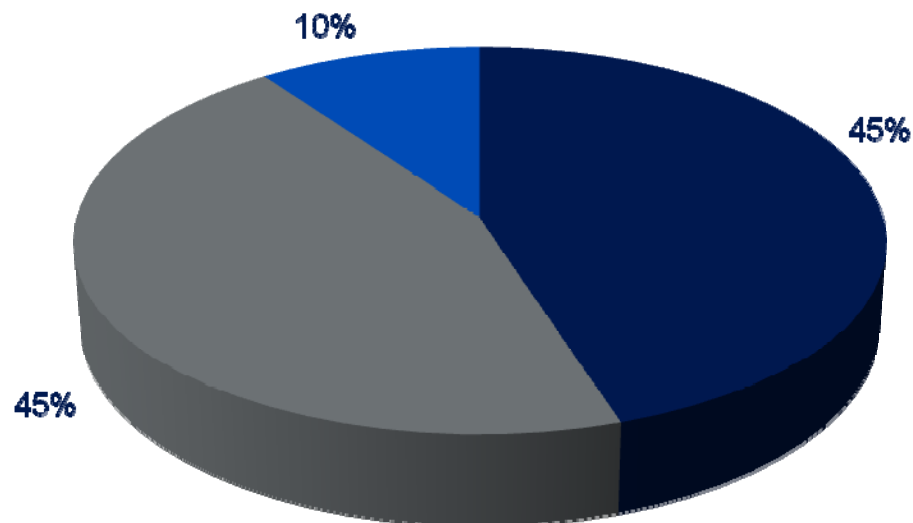
XO business to increase

- Lack of available advice
- Increasing number of participants
- Costs

The changing distribution landscape II

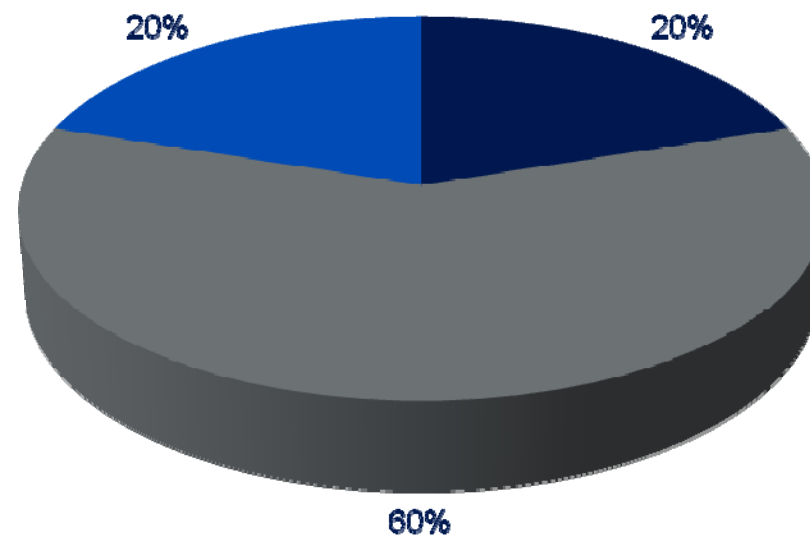
Schroders' UK Intermediary business

2012



■ Advisory ■ Discretionary ■ XO/Direct

2017



■ Advisory ■ Discretionary ■ XO/Direct

Source: Schroders estimates – May 2012

The changing distribution landscape III

Implications I

Product – Discretionary

- More component funds
- Increasing sophisticated investment strategies
- More sub-advised mandates
- Income generation

Product – Advisory

- Solutions based/outcome-orientated
- Income generation
- Managed/Multi-asset
- Decumulation

Product – XO/Direct

- All of the above

The changing distribution landscape IV

Implications II

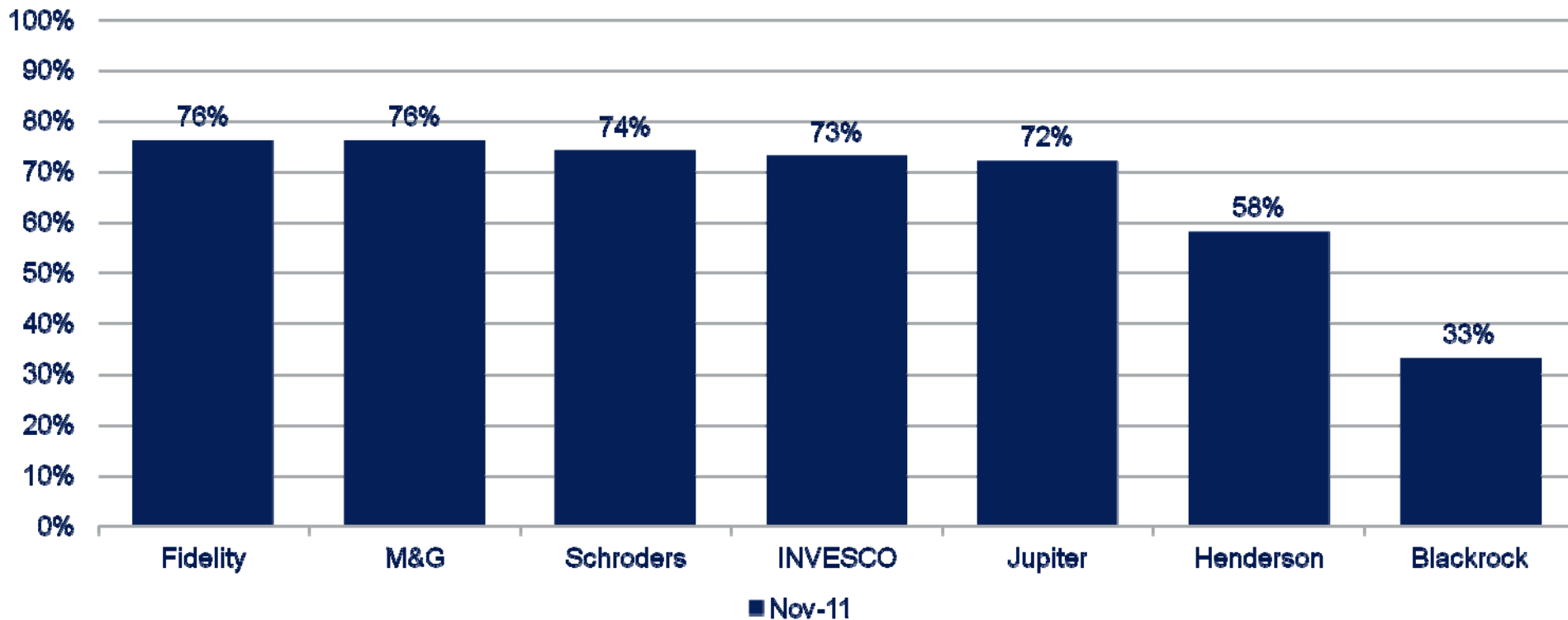
Service

- Resource shift from Advisory to Discretionary
- Greater focus on technical and consultative skills
- More fund manager/client interaction

Brand/PR

- XO/Direct significantly brand influenced
- Increase in consumer awareness spending
- Consumer influencing PR increasingly important

Consumers 'know' relatively few asset managers



- Question: Which, if any, of the following investment management companies are you aware of?
- Source: YouGov 511 UK Adults AB Age 40+ Financial assets of £50,000+

The changing distribution landscape V

Implications III

- Longevity
- Margin
- Costs

New Schroders fund managers

New additions in the last 12 months:

Bob Jolly	Head, Global Macro and Fund Manager, Schroder Absolute Return Bond
Gareth Isaac	Fund Manager, Schroder Strategic Bond
Rajeev De Mello	Head, Asian Fixed Income
Julia Ho	Fund Manager, Schroder Fixed Income
Aurore Blair	Senior Investment Strategist, Global Fixed Income
Alix Stewart	Will be joining the Schroder Fixed Income team
Kosta Leidman	Will be joining the Schroder Fixed Income team
James Barrineau	Co-Head, Schroder Emerging Markets Debt Relative
Alec Moseley	Portfolio Manager, Schroder Emerging Markets Debt Relative
Fernando Grisales	Senior Portfolio Manager, Schroder Emerging Markets Debt Relative
Chris Tackney	Will be joining the Schroder European Emerging Markets Debt Relative team
Duncan Owen	Head, Schroder Property Fund
Nick Montgomery	Fund Manager, Schroder Property Fund
Tony Smedley	Will be joining the Schroder European Property team
Nichollette MacDonald-Brown	Fund Manager, Schroder European equities
Matthias Scheiber	Fund Manager, Schroder UK & US New Balanced

New Schroders products

We are continuing to upgrade and enhance our product line up

Spring / Summer 2011	Core range launched
Autumn / Winter 2011	Revamped Absolute Return Bond Fund launched New US Alpha Plus Fund launched
Spring / Summer 2012	New Small Cap Discovery Fund launched New Strategic Bond Fund launched New Monthly Managed High Income Fund launching New Secure-Distribution Fund launching

Summary

Schroders: well placed in the New World

We should be a 'net gainer' from RDR

- No.1 Discretionary distribution capability
- Scale and resource
- Not conflicted
- Modern and versatile product range
- Strong brand

Awards



FUND OF HEDGE FUNDS
SPECIALIST OVER \$500M

[OPUS COMMODITIES FUND]



LIPPER
FUND AWARDS 2012
JAPAN



Asset Allocation
Schroders

Forward-Looking Statements

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