

News Release

The Schroders Global Investor Study 2016:

Unrealistic income expectations and short-term investing prominent amongst millennials

15 June 2016

The **Schroders Global Investor Study 2016**, which surveyed 20,000 end investors in 28 countries, has highlighted unrealistic expectations amongst global investors, which is exaggerated in millennials (those aged 18-35 years).

Inflated income expectations

The study found that investors' expectations for income and long-term returns appear to be significantly inflated. Globally the average level of desired income was 9.1% but with many countries' interest rates at historic lows, plenty of investors look set to be disappointed. Millennials expectations were even more unrealistic, with a minimum desired level of income of 10.2% per year, compared to 8.4% for investors aged 36+¹.

Short term investing bias

The study also highlighted investors' bias towards short-term investing. On average, global investors expect to hold their investments for a little over three (3.2) years. While this may be fine for cash and certain types of bonds, it will often prove too short a time period to counteract the volatility associated with equities. Less than a fifth (18%) of investors said they held investments for at least five years, the minimum realistic holding period for equity investments and around a third (31%) have a very short-term view, investing for less than a year. Again, this trend was pronounced in millennials who invest for over a year and a half less than investors aged 36+ (2.3 millennials vs 3.9 years investors aged 36+).

¹ This was echoed in last year's Schroders Global Investment Trend Survey which found investors were expecting returns of 12%.

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Investing for immediate financial requirements

Despite this apparent knowledge gap, the results demonstrated investors' demand for income is still prevalent. There were three main reasons respondents gave for investing, all based on current or future income, these were to supplement their pension, to re-invest income and grow their portfolio and to supplement their salary. However, the study showed millennials prefer to invest for immediate financial requirements, rather than long-term gains. Compared to older investors they were more likely to invest to supplement their salary (46% millennials vs 41% investors aged 36+), provide income for their children (30% millennials vs 19% investors aged 36+), buy something other than a home (28% vs 16%) and pay towards their children's education (26% millennials vs 16% investors aged 36+). On the other hand they were less likely to invest to supplement their pension (35% millennials vs 52% investors aged 36+) or re-invest income and grow their investment portfolio (41% vs 46%) than investors aged 36+.

Financial advisers still remain an important part of the investment decision-making process and half of all investors globally said they would consult a financial adviser the next time they make an investment decision. This was as evident amongst millennials as it was with investors aged 36+. However, 44% of global investors said that they would do their own research.

Gavin Ralston, Head of Thought Leadership at Schroders said:

"Investing is seen as an important contributor to meeting current and future financial goals. This is evident in the high demand for income. The survey showed that getting back the money invested and getting a return higher than inflation are what is most important to investors. However, investors' short-term outlook and unrealistically high return expectations raise concerns that investors could be left disappointed."

"We encourage investors to think long term when investing, as our fund managers do. We believe a realistic risk adjusted return can be achieved when investing over a period of at least five years. Speaking to a financial adviser can help investors align their investment portfolio with their needs and their financial goals."

For more information on the survey results please visit www.schroders.com/gis . To learn more about your behavioural biases when investing you can visit www.schroders.com/incomeIQ and complete our income IQ test.

To discuss the findings of the study in more detail with Gavin Ralston, Head of Thought Leadership please contact a member of the Schroders PR team.

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Notes to Editors

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About the Schroders Global Investor Study 2016

Schroders commissioned Research Plus Ltd to conduct, between 30 March and 25 April 2016, an independent online study of 20,000 investors in 28 countries around the world, including Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, the UK and the US. This research defines 'investors' as those who will be investing at least €10,000 (or the equivalent) in the next 12 months and who have made changes to their investments within the last five years. These individuals represent the views of investors in each country included in the study.

Schroders plc

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With one of the largest networks of offices of any dedicated asset management company, we operate from 38 offices in 28 countries across Europe, the Americas, Asia, Middle East and Africa. Schroders has developed under stable ownership for over 200 years and long-term thinking governs our approach to investing, building client relationships and growing our business.

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