Welcome to the Schroders investor day

Peter Harrison,
Group Chief Executive
October 2017

For professional investors only, not for retail clients
An industry at a crossroads

Scale
- £418bn of assets under management and administration
- £974m of net income

Diversification
- 41 offices across 27 countries
- Over 600 funds
- Over 50 investment desks

Financial strength
- £1bn of investment capital
- Over £400m of seed capital employed

Source: Schroders as at 30 June 2017
Adapting our business to the changing world

1. Exploiting new growth opportunities
2. Investing in technology across the firm
3. Focusing on specialist capabilities
4. Long term engagement with our clients
## Today’s agenda

<table>
<thead>
<tr>
<th>Start</th>
<th>End</th>
<th>Topic</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>08.55</td>
<td>09.00</td>
<td>Introduction and welcome</td>
<td>Peter Harrison</td>
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<tr>
<td>09.00</td>
<td>09.30</td>
<td>A global perspective &amp; continental Europe</td>
<td>John Troiano</td>
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<td>09.30</td>
<td>10.00</td>
<td>Asia Pacific</td>
<td>Lieven Debruyne</td>
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<td>10.00</td>
<td>10.30</td>
<td>North America</td>
<td>Karl Dasher</td>
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<td>10.30</td>
<td>10.50</td>
<td>Break</td>
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<td>10.50</td>
<td>11.05</td>
<td>Growth through product innovation</td>
<td>Richard Mountford</td>
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<td>11.05</td>
<td>11.20</td>
<td>Emerging Markets capabilities</td>
<td>Alan Ayres</td>
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<td>11.20</td>
<td>11.35</td>
<td>Income capabilities</td>
<td>Rupert Rucker</td>
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<td>11.35</td>
<td>11.45</td>
<td>Investing in data</td>
<td>Peter Harrison</td>
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<td>11.45</td>
<td>12.15</td>
<td>Channelling the data deluge</td>
<td>Mark Ainsworth &amp; Ben Wicks</td>
</tr>
<tr>
<td>12.15</td>
<td>12.45</td>
<td>Summary and Q&amp;A</td>
<td>Peter Harrison &amp; Richard Keers</td>
</tr>
</tbody>
</table>
Agenda

1. A diversified global business
2. Continued growth in continental Europe
3. Long-standing committed local presence
4. Key market trends
5. Drivers of future growth
A diversified global business

Assets and net operating revenue at H1 2017

Assets under management - £406.9bn

Net operating revenue* - £940.1m

Source: Schroders as at 30 June 2017. * Pre-exceptional net operating revenue.
Diversified inflows

Driving growth

- Cumulative net inflows of more than £55bn since 2012
- Strong contributions from Asia Pacific
- Turnaround in Americas

Source: Schroders as at 30 June 2017.
Diversified across asset classes

Assets and net operating revenue at H1 2017

Assets under management - £406.9bn

- Equities: 41%
- Fixed Income: 24%
- Multi-asset: 20%
- EMD, Comms and Real Estate: 11%
- Wealth Management: 4%

Net operating revenue* - £940.1m

- Equities: 53%
- Fixed Income: 17%
- Multi-asset: 13%
- EMD, Comms and Real Estate: 11%
- Wealth Management: 6%

Source: Schroders as at 30 June 2017. * Pre-exceptional net operating revenue
Net inflows across asset classes

- Multi-asset generated £38bn of net new business since 2012
- Significant contribution from Fixed Income

Source: Schroders as at 30 June 2017.
New global brand
In response to a changing world

- Evolution of global client demand
- As we move closer to the client, brand importance grows
- Necessity to evaluate all our capabilities:
  - What do we want to be known for?
Continental European diversification

Broad product range across local offices

Assets under management - £71bn

Source: Schroders as at 30 June 2017.
A consistent growth story

- £71bn Asset Management AUM
  - 63% Intermediary
  - 37% Institutional
- Cumulative 5 year net new business of £16.4bn
- Broad, diversified product range
- High margins, shorter longevity

Source: Schroders as at 30 June 2017. 5 year NNB as at 31 December 2016.
Continental Europe

Significant and established presence across the region

- Over 460 people across 10 offices
- Committed to local presence
- Growing investment presence
- Estimated £2.9trn available assets

- Schroders’ estimated market share:
  - 5% Intermediary
  - 1% Institutional

Source: Schroders as at 30 June 2017. Headcount is for asset management business only
Client longevity

- Lowest longevity across group, due to high proportion of Intermediary assets
- Steady improvement in longevity
- Important strategic objective

Source: Schroders as at 30 June 2017.
### Key market trends

#### Intermediary

**Trends**

1. **Changing position of asset managers**
   - Moving closer to the individual
   - Preferred partnerships
   - Shift from advisory to discretionary

2. **Shifting product demand**
   - Higher spend on marketing and brand
   - Continued investment in technology
   - High alpha products
   - Multi-asset demand

3. **Regulation**
   - Increased reporting requirements
   - Evolving market structures

**Consequences**

- Moving closer to the individual
- Preferred partnerships
- Shift from advisory to discretionary
- Higher spend on marketing and brand
- Continued investment in technology
- High alpha products
- Multi-asset demand
- Increased reporting requirements
- Evolving market structures
Key market trends

Institutional

Trends

Outsourcing by insurance companies

- Concentration of the pension funds market
- Demand for solutions, LDI and multi-asset

Changes in market demand

- Growth of passive and ETFs
- Need for high alpha alternatives
- Search for yield and private assets expansion
- Sustainable investments

Consequences
Key drivers for future growth

- Growing Institutional market share
- Insurance sub-channel
- Private assets
- Maximising existing Intermediary business
- Opportunities in new markets
Agenda

1. The opportunity for growth
2. Our business and achievements
3. Strategic initiatives and drivers for future growth
A growth region

The Asia Pacific growth opportunity in asset management is unparalleled.

- Three of world’s most populous, high-growth economies
- Generating 2/3rds of global economic growth
- Asia Pac markets 1/3rd of world economy
- China world’s 2nd largest equity market, 3rd largest bond market
- Asset management industry, at only 15% of global, is lagging
- Double digit industry growth increasingly driven by wealth and retirement savings

Source: Schroders as at 30 June 2017.
Asia Pacific business
Established and industry leading

- First office opened in 1965
- 850 people across 9 offices
- Complete footprint across the region
- Offices have investment, operational as well as distribution capabilities

Source: Schroders as at 30 June 2017. ¹ Includes Singapore, Malaysia and Thailand.
Asia Pacific business

Strong organic growth

- **£100bn** assets under management
  - 65% Institutional
  - 35% Intermediary

- Cumulative **5 year** net new business of **£19bn**

- **50%** growth in revenue since 2012

- Broad, diversified product range with Multi-asset driving growth

Source: Schroders as at June 30 2017. 5 year NNB as at December 2016.
## Market leading business
### Large market share in almost all markets

<table>
<thead>
<tr>
<th>Country</th>
<th>Schroders estimated size of market available to third parties £bn</th>
<th>Schroders Intermediary market share at 31.12.2016 %</th>
<th>Schroders Institutional market share at 31.12.2016 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>803</td>
<td>3.1</td>
<td>3.5</td>
</tr>
<tr>
<td>China¹</td>
<td>469</td>
<td>8.3</td>
<td>0.8</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>420</td>
<td>7.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Indonesia</td>
<td>25</td>
<td>14.0</td>
<td>18.8</td>
</tr>
<tr>
<td>Japan</td>
<td>3,041</td>
<td>1.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Korea</td>
<td>601</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Singapore²</td>
<td>129</td>
<td>9.8</td>
<td>5.2</td>
</tr>
<tr>
<td>Taiwan</td>
<td>197</td>
<td>2.7</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Sources for market size: Schroders as at 31 December 2016 estimates using various industry sources. To be used as representative only. Schroders AUM is shown excluding Joint Ventures. ¹ China data for offshore QDII funds. ² Includes Malaysia & Thailand.
China
BoCom JV
- Since start in 2006 AuM has grown rapidly to £56bn
- Strong cooperation across different business initiatives

India
Axis JV
- AuM increased fivefold in 5 years to £7bn
- 10th largest asset manager (from 16th 5 years ago)

Japan
Nippon Life (Nissay) JV
- Key strategic partnership with market leading institution in Asia’s largest market

Three successful joint ventures

Source: Schroders as at 30 June 2017.
Strategic growth initiatives

1. China
   Asia’s fastest growing market opening up

2. Japan
   Potential to grow market share in region’s largest market

3. Structural growth opportunities
   Maintain leading positions elsewhere
China

Growth in fastest growing major asset management market

The market

- Already region’s second largest market
- Further opening of market and capital account progressing rapidly
- Nascent asset management industry

Our strategy

- Build on our strong market position: # 1 in outbound business, # 5 in inbound flows*
- Accelerate development of wholly-owned business
- Further grow domestic investment capability
- Capture opportunity through Mutual Recognition approval
- Expand institutional QDII business, especially in insurance channel
- Grow the BoCom Schroder JV local to local business

*Source: Z-Ben Advisors
Japan
Grow market share in region’s largest market

The market
- Move into riskier assets continues under Abenomics
- JFSA focus on fiduciary responsibilities and customer-oriented business conduct
- Tax incentivised saving, especially around retirement, expanding

Our strategy
- Materially grow our relatively small market share by capturing both intermediary as well as institutional opportunity
- Expand our intermediary business by aligning our product, pricing and servicing model with the regulatory changes
- Grow institutional business with financial institutions and DB pensions
- Maintain position as a top three Japanese equity manager
Structural growth opportunities

Maintaining leading positions in other markets

- Well-designed active management platform best suited to meet regional demand
- Wealth and retirement trends drive growth in retail investments and changes in servicing
- Insurance and pensions segment in institutional market driving growth
- Strong demand for fixed income, multi-asset solutions and alternatives

Schroders
Growth will continue but drivers will change

- Asia Pacific offers unparalleled growth opportunities
- China and Japan offer transformational growth opportunities
- Investment capabilities to expand as capital markets develop further
- Joint Ventures important part of our regional strategy
North America

Key opportunity for significant growth

1. Size and nature of the opportunity

2. Our business today and progress we've made

3. Strategic initiatives and drivers of future growth
The prize
North America represents the largest market opportunity in the world

Headwinds
- Growth of passive
- Regulatory pressure and fee compression

Tailwinds
- Significant opportunity for growth given market share of 0.2%
- Ongoing demand for risk and liability management fits our capabilities in Fixed income, Multi-asset and Portfolio solutions
- Outlook for active management in International and EM equities remains robust

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Pension and retirement assets</td>
<td>15,101</td>
<td>+7.9%</td>
</tr>
<tr>
<td>Endowments and foundations</td>
<td>1,842</td>
<td>+8.7%</td>
</tr>
<tr>
<td>Retail assets</td>
<td>9,733</td>
<td>+9.1%</td>
</tr>
<tr>
<td><strong>Total professionally managed assets</strong></td>
<td><strong>26,676</strong></td>
<td><strong>+8.3%</strong></td>
</tr>
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</table>

Source: The future of the Money Management Industry (Michael Goldstein and Beth Segers, 2016) ¹. converted using exchange rate of $1.3: £1
The US Institutional market is approximately $21trn in AUM across all plan types
- Largest growth segments projected from Taft-Hartley and Defined Contribution

We believe that success requires a segmented approach

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Corporate defined contribution</td>
<td>5,153</td>
<td>5,392</td>
<td>4.5%</td>
</tr>
<tr>
<td>401(k) plans</td>
<td>4,604</td>
<td>4,825</td>
<td>4.7%</td>
</tr>
<tr>
<td>State and local government defined benefit</td>
<td>3,212</td>
<td>3,289</td>
<td>2.0%</td>
</tr>
<tr>
<td>Corporate defined benefit</td>
<td>2,584</td>
<td>2,628</td>
<td>1.5%</td>
</tr>
<tr>
<td>Taft-Hartley</td>
<td>755</td>
<td>809</td>
<td>7.2%</td>
</tr>
<tr>
<td>Taft-Hartley defined benefit</td>
<td>531</td>
<td>562</td>
<td>5.9%</td>
</tr>
<tr>
<td>Taft-Hartley defined contribution</td>
<td>224</td>
<td>247</td>
<td>10.1%</td>
</tr>
<tr>
<td>Insurance general accounts*</td>
<td>5,864</td>
<td>6,044</td>
<td>3.1%</td>
</tr>
<tr>
<td>Not-for-profit / Governmental defined contribution</td>
<td>1,363</td>
<td>1,449</td>
<td>6.5%</td>
</tr>
<tr>
<td>403(b)</td>
<td>931</td>
<td>990</td>
<td>6.5%</td>
</tr>
<tr>
<td>457 plans</td>
<td>295</td>
<td>313</td>
<td>6.2%</td>
</tr>
<tr>
<td>401(a)</td>
<td>136</td>
<td>146</td>
<td>6.9%</td>
</tr>
<tr>
<td>Foundations</td>
<td>904</td>
<td>943</td>
<td>4.2%</td>
</tr>
<tr>
<td>Endowments</td>
<td>544</td>
<td>579</td>
<td>5.7%</td>
</tr>
<tr>
<td><strong>Total institutional markets</strong></td>
<td><strong>20,379</strong></td>
<td><strong>21,133</strong></td>
<td><strong>3.6%</strong></td>
</tr>
</tbody>
</table>

Source: Cerulli, 2016. *$1.6 trillion of Insurance general accounts are outsourced
- Active management still dominant AUM
- Outflows from active public equity markets fund passive and private asset growth
- Our share is low, gross flow matters the most

Source: ICI, Empirical Research, Callan DC Index, Intersec, Eager Davis, Cerulli, Greenwich Assoc., and Schroders estimate
Plan focus is shifting to meeting return targets

Still need a balance on risk and return

A tale of two cities...
Corporate DB de-risking at the margins; Govt. DB increasingly return-seeking

Source: FMMI, 2016
Private assets are in increasing demand

Most pronounced in public funds and endowments and foundations

Hedge Funds have been in net outflows and demand has slowed as returns were challenged

**Product gaps:**
- Private debt
- Real estate that is aligned with clients expectations for higher returns

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Source: Preqin, 2016

Investors’ plans for coming year
- Private Equity: 11% decrease, 6% increase
- Private Debt: 11% decrease, 8% increase
- Real Estate: 25% decrease, 10% increase
- Infrastructure: 12% decrease, 11% increase
- Natural Resources: 22% decrease, 23% increase

Investors’ allocation plans longer term
- Private Equity: 40% increase, 48% increase
- Private Debt: 57% increase, 62% increase
- Real Estate: 24% increase, 36% increase
- Infrastructure: 38% increase, 53% increase
- Natural Resources: 26% increase, 19% increase
While we have a broad palette of solutions, we tailor to each market
Each market has a sweet-spot that presents opportunity

<table>
<thead>
<tr>
<th>Public Plan DB</th>
<th>Corporate DB</th>
<th>Defined Contribution</th>
<th>Endowments &amp; Foundations</th>
<th>Insurance Gen Acct</th>
<th>Taft-Hartley</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Major market trends</strong></td>
<td><strong>Seeking higher returns, unique propositions</strong></td>
<td><strong>De-risking</strong></td>
<td><strong>Target Date gets all the flow and growth; Custom Target Date components</strong></td>
<td><strong>High embedded Alternatives</strong></td>
<td><strong>Sustained low rates, and threat of rising rates are both biggest concerns</strong></td>
</tr>
<tr>
<td></td>
<td><strong>High Alternatives allocation</strong></td>
<td>** Majority of plans closed or frozen**</td>
<td><strong>Natural audience for ESG</strong></td>
<td></td>
<td><strong>Largest allocation to US equities from plan types</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Open plans seeking higher returns</strong></td>
<td></td>
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<td></td>
<td><strong>Move towards Multi-Asset Solutions</strong></td>
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**Schroders strategy focus**

- Private Assets
- Multi-Asset
- Intl/EM Equities
- Credit-Focused FI
- Long-Duration/LDI
- Multi-Asset
- Intl/EM Equities
- ESG / Sustainability products
- Private Assets
- Credit-Focused FI
- US Small/SMID
- Credit-Focused FI
- Private Assets
- EMD
- Multi-asset
- US Small/SMID

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North America strategy

Three strategic thrusts

1. Partner in Intermediary
   - Hartford partnership
   - Intermediated wealth management solutions
   - Offshore

2. Invest in Institutional direct
   - Meaningful increase in Institutional consultant advocacy
   - Segmented approaches to Taft Hartley, Canadian, Sub-advisory and Insurance
   - Developing deeper DC strategy

3. Deepen our US-domiciled capabilities
   - STW and Brookfield securitized credit acquisitions
   - Adveq integration
   - Organic build in EMDR and Solutions
Hartford partnership
The business case was compelling

The rationale

1. 10x distribution capability
2. P&L impact - partnership is immediately accretive
3. Significant product development opportunities

Progression of AUM since inception - including £1.1bn NNB over 8 months through June 2017

Source: Schroders as at 30 June 2017
Investing in Institutional

Focused, tailored approach

- Substantial increase in commitment to consultant relations
- Increasing success with specialist sales focus on insurance outsourcing and Taft-Hartley
- Evolving capacity to distribute less liquid assets
  - Hedge funds
  - Private equity (Schroder Adveq), debt, and real estate
- Opportunities in DC
  - Canadian DC in early stages, but growing at 10% p.a.
  - US opportunity in custom target date and Intermediated DC

Source: Schroders as at 30 June 2017
We are not just a distribution hub

Progression of our North America business

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment AUM ($bn)</th>
<th>Distribution AUM ($bn)</th>
<th>% Asset Management revenue manufactured by North America</th>
<th>% Asset Management revenue sourced by North America</th>
<th>Total number of North America employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>£19bn</td>
<td>£24bn</td>
<td>6%</td>
<td>8%</td>
<td>187</td>
</tr>
<tr>
<td>2017</td>
<td>£50bn</td>
<td>£48bn</td>
<td>10%</td>
<td>11%</td>
<td>289</td>
</tr>
</tbody>
</table>

Source: Schroders as at 30 June 2017
1. Investment AUM is assets manufactured by US Investment desks and sold to US and global clients.
2. Distribution AUM is assets sourced from US and Canada clients across a global product suite.
Quality growth

Broad, diversified product range with US Fixed Income increasingly driving growth

Source: Schroders as at 30 June 2017
Robust growth in North America Institutional. In Intermediary, Hartford is building momentum in Branded, offsetting loss of Prudential in sub-advisory.
Organic growth bolstered through acquisitions of STW and Brookfield’s US Securitized Credit team
Brand alignment and building collaboration

Our relocation to 7 Bryant Park is a significant leap forward

- Our new headquarters in New York
- We have high profile street level branding in iconic midtown location with high footfall
- Collaboration and enhanced cross-functional communication were integral to the design
- A light, bright and professional place of business will help to retain the best talent
Key actions looking forward

- Maintain momentum in Hartford partnership and further develop direct to UHNW advisor initiative
- Continue development of “market of markets” tailored approach to US Institutional market
- Continue to deepen our Private Asset offering with primary focus on Adveq integration with US business and corporate development pipeline
Growth through product innovation

Richard Mountford,
Global Head of Product Division

October 2017

For professional investors only, not for retail clients
Delivering valuable client outcomes

Using the power of active management

**Solutions generation**
- Outcome-based solutions
- Customised and bespoke solutions
- Asset allocation solutions

**Investment outperformance**
- Requires active management
- Generates significant alpha
- Inefficient markets

**Active engagement**
- Improving societal impact
- Supporting retirement provision
- Allocating capital effectively
Product strategy

Diverse pipeline, aligned with strategic goals

Solutions
- Income
- Absolute & total return
- Inflation
- Balance sheet
- Pension derisking
- Active ETF platform

Alpha generation
- GAIA range
- Emerging Markets
- China
- Credit
  - European
  - Global
  - Securitised

Requires active management
- Private Assets
  - Real Estate
  - Private Equity
- Infrastructure debt
- ILS
- Direct lending

Source: Schroders as at 30 June 2017.
Client demand changing quicker than ever

Commitment to investing for future growth

Seed capital employed (£m)

New products’ contribution to revenue* (%) -

Source: Schroders as at 30 June 2017. * Refers to the proportions of revenues generated from products launched within the preceding five year period.

Schroders
Innovative & entrepreneurial product development
To meet clients’ changing needs

- Opportunity to deliver a valuable outcome for our clients
- High or growing level of client need
- Current or future capabilities

- Areas of significant and growing client need
- Secular growth
- Persistent demand for active managers
- Existing areas of strength or those we aspire to be known for
What do we want to be known for?

Broad, diverse capabilities

Delivering whole of the firm

- High Alpha Equity
- Emerging Markets
- Income
- Multi-Asset
- Risk Management
- Sustainability
- Credit
- Absolute Return
- Private Assets
- Retirement
Agenda

1. Our footprint
2. Demand for Emerging Markets
3. Why active for Emerging Markets
4. Our track record
5. Next steps
Deep roots in emerging markets

118 investment professionals

Source: Schroders as at 30 June 2017
A traditional view of our capabilities

£50.9 billion as at 30 June 2017

Equity
£34.6bn

Fixed Income
£16.1bn

Multi Asset
£0.2bn

Source: Schroders as at 30 June 2017
An alternative view of our capabilities

<table>
<thead>
<tr>
<th>Volatility Level</th>
<th>Single Country</th>
<th>Regional</th>
<th>Global</th>
<th>Frontier Markets</th>
<th>Thematic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher volatility</td>
<td>6.3</td>
<td>1.0</td>
<td>0.6</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Medium volatility</td>
<td>1.3</td>
<td>2.3</td>
<td>24.2</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Low volatility</td>
<td>3.6</td>
<td>4.2</td>
<td>1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Downside protection</td>
<td>0.4</td>
<td></td>
<td>3.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

£50.9 billion as at 30 June 2017

Source: Schroders as at 30 June 17
Likely to remain in demand

Risk taking, assumed returns and assumed premia over riskless assets¹

Private pension investment, 2015²

Source: ¹Based on US pension fund data from Public Plans database. Calendar year treasury yields based on average of daily yields sourced from Bloomberg.
²OECD, Global Pension Statistics, Pension Markets in Focus, 2016. Private pension is defined as a pension plan administered by an institution other than general government (Source: Private pensions, OECD classification and glossary, 2005). Latest data available.
An active approach is the rational choice

**EM Equity ETFs**
Active vs passive EM Equity – Median trailing 5y excess return to benchmark (net of fees)¹

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Passive</th>
<th>Active</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Q4</td>
<td>-0.44%</td>
<td>0.29%</td>
</tr>
<tr>
<td>2016 Q1</td>
<td>-0.37%</td>
<td>0.63%</td>
</tr>
<tr>
<td>2016 Q2</td>
<td>-0.30%</td>
<td>0.73%</td>
</tr>
<tr>
<td>2016 Q3</td>
<td>-0.51%</td>
<td>0.65%</td>
</tr>
<tr>
<td>2016 Q4</td>
<td>-0.43%</td>
<td>0.57%</td>
</tr>
<tr>
<td>2017 Q1</td>
<td>-0.53%</td>
<td>0.23%</td>
</tr>
</tbody>
</table>

**EM Bond ETFs**
Cumulative underperformance of EMD ETFs vs. Stated Benchmarks²

<table>
<thead>
<tr>
<th>Period</th>
<th>ETF A</th>
<th>ETF B</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Year</td>
<td>-1.5%</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Three Year</td>
<td>-2.5%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Five Year</td>
<td>-5.9%</td>
<td>-6.4%</td>
</tr>
</tbody>
</table>

¹Source: Morningstar. US domiciled, mutual funds and ETFs (ex. FoF) benchmarked against the MSCI EM (USD) index. Returns are based on the cheapest share class per fund and are net of fees.

²Source: Bloomberg; as of 30 June, 2017; ETF A's benchmark is the JPM EMBI Global Core. ETF B's index is the DBIQ EM USD Liquid Balanced Index.

Performance shown reflects past performance which is no guarantee of future results. Past performance is no guarantee of future results. Actual results will vary.
Our track record  
As at 30 June 2017

Emerging Markets assets

<table>
<thead>
<tr>
<th></th>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of assets which</td>
<td>83%</td>
<td>88%</td>
<td>92%</td>
</tr>
<tr>
<td>outperformed*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Luxembourg-domiciled mutual funds

<table>
<thead>
<tr>
<th></th>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of assets in 1st</td>
<td>80%</td>
<td>72%</td>
<td>77%</td>
</tr>
<tr>
<td>or 2nd quartile**</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Based on emerging market funds/portfolios which represent over 95% of total Emerging Markets capability AUM which have a complete track record over the time periods. Performance is calculated gross of fees relative to the relevant stated comparator for each fund or portfolio.
** Based on Morningstar and Lipper rankings. Includes 22 emerging market funds within the Luxembourg domiciled Schroder International Selection Fund range (A share class, net of fees).
Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.
Future plans

Growth drivers

01
Deliver our EM capabilities, not just our products

02
Expand product range

03
Build bespoke solutions to deliver client specific outcomes
Rupert Rucker,
Income product director
October 2017
For professional investors only, not for retail clients
Agenda

1. What is the client need?
2. Why Schroders for income?
3. Our diverse product range
What is the client need?

High income remains a priority for majority of investors

Source: Schroders, Global Investment Trends Survey, May 2016
And their expectations remain high

87% want at least 4% income

41% seek at least 8%

54% are looking for 6% or more

Source: Schroders, Global Investment Trends Survey, May 2016
The high return world we grew up in

Annualised real returns on equities and bonds (%)

Source: Elroy Dimson, Paul Marsh, and Mike Staunton, Triumph of the Optimists, Princeton University Press, 2002, and subsequent research. Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.
Those were the days

UK National Savings Certificate – issued in 1986

UK inflation in 1986 was 3.4%

Source: Schroders
Looking forward from 2017

Have expectations changed? We are still in a lower return world

Annualised real returns on equities and bonds (%)

Source: Elroy Dimson, Paul Marsh, and Mike Staunton, Triumph of the Optimists, Princeton University Press, 2002, and subsequent research. Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Any forecasts included are not guaranteed and are for information purposes only. Forecasts and assumptions may be affected by external economic or other factors.
What yield is ‘normal’?

300 years of UK bond yields

Source: Elroy Dimson, Paul Marsh, and Mike Staunton, Triumph of the Optimists, Princeton University Press, 2002, and subsequent research. Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.
How can Schroders help?

- **1st**: Innovation - Maximiser, Multi-Asset Income and fixed distribution share classes
- **30**: Income solutions across all asset classes including equity, fixed income, real estate, private assets and multi-asset funds
- **30+**: Years’ experience of investing in income producing assets
- **EXPERT**: Deriving regular, reliable income requires expert active management

Source: Schroders
Our diverse product range, with AUM of £25bn
Offering yields of 3% - 7%

Equities
- European Equity Yield
- Global Equity Yield
- Asia Equity Yield
- UK Dividend Maximiser
- Global Dividend Maximiser
- European Dividend Maximiser
- Asian Dividend Maximiser
- US Dividend Maximiser
- UK Alpha Income
- European Alpha Income

Real estate
- Global Cities
- Global Real Estate Income
- Asia Pacific Cities

Fixed Income
- Global High Income
- Global High Yield
- Global Credit Income
- High Yield Opportunities
- Euro High Yield
- Asian Credit Opportunities
- Emerging Market Bonds
- Global Bond Multi Sector

Multi-Asset
- Global Multi-Asset Income
- Emerging Multi-Asset Income
- Multi Manager Diversity Income
- Mixed Distribution Fund
- Asia Asset Income
- China Asset Income

Alternative Fixed Income
- Buy and Hold Debt
- Cat Bonds
- Infrastructure debt

Source: Schroders as at 30 June 2017. Income targets and returns are gross of fees, not guaranteed and subject to review and change dependent on market conditions.
Income targets not asset classes

Different journeys and risks

3-4%
- European Equity Yield
- Global Equity Yield
- Asia Equity Yield
- Cat Bond
- Global Cities
- Asia Pacific Cities
- Global Bond Multi sector

4-5%
- Global Multi-Asset Income
- Emerging Multi-Asset Income
- Asia Asset Income
- Global Credit Income
- Euro High Yield
- US Dividend Maximiser

6-7%
- Global High Income
- Global High Yield
- Emerging Market Bonds
- Global Dividend Maximiser
- Europe Dividend Maximiser
- Asia Dividend Maximiser

Source: Schroders as at 30 June 2017. Income targets and returns are gross of fees, not guaranteed and subject to review and change dependent on market conditions.
The Intent

Growth drivers

01. Deliver income targets consistently through active management
02. Fit investors with the right investment journey, leading to increased longevity
03. Product development - new products, share classes, vehicles, etc.
Investments in technology across all areas of the business

**Investment**
- Established Data Insights
- Implementing Aladdin

**Distribution**
- Single web platform
- Client behaviour analytics

**Product**
- Marketing intelligence
- Data-led approach to product design

**Infrastructure**
- Global end-to-end processes
- Innovative approach to management data
Channelling the data deluge

Investor day

Mark Ainsworth,
Head of Data Insights and Analysis

Ben Wicks,
Head of Research Innovation

October 2017

For professional investors only, not for retail clients
The changing landscape of financial analysis

CFA finance exams to grill hopefuls on AI, big data and robo-advice

Institute is reshaping its course to meet employer demand for fintech skills

MAY 10, 2017 by: Cat Rutter Pooley

- Digitisation
- Transparency
- Computing Power
- Data Growth
- Insight Opportunity
The Data Insights Unit - mission statement

Evolution is not optional

Driving data for fundamental insights

- Going beyond what is currently available
- Making sense of data so our Investors can act
- Working in partnership with Investment teams
Schroders’ approach to data insights

Fast-growing and inspirational skillset

Data Insights Unit established October 2014
17-strong team of data scientists and engineers with >170 years data analytics experience

Psychology  Physics  Bioinformatics  Computer Science  Operations Research  Mathematics & Statistics
Motor Racing  Investment  Defence  Geospatial  Media  Machine Learning

Source: Schroders
Geodata: rapid insight into complex questions

Merger analytics - Ladbrokes/Coral

Investor question: How many stores will Ladbrokes and Coral have to divest post-merger?

Source: Schroders. Companies shown are for illustrative purposes only and are not a recommendation to buy or sell any security.
Geodata: rapid insight into complex questions

Merger analytics - Ladbrokes/Coral

Answer: Instant modelling of divestment potential post-merger based on store-by-store analysis

June 2015  Predicted stores to close (out of 4,000): 400
May 2016  Regulator’s judgement of required closures: 350–400

Investor question: How is the economy faring after the shock EU Referendum result?

BBC News on 30 June 2016 (one week after referendum):

“There may already have been an impact on the economy or the public finances but we do not yet have data showing that....

We're not going to get any reliable figures on that for a while. ...

although uncertainty linked to the fact that the referendum was happening at all, probably will make a difference.”

Source: Schroders
Consumer spending data

Brexit response

Answer: Alternative data, gathered daily and quickly, showed discretionary spending to be fine

Post Brexit Indicators

More headlines below from our tracking of Alternative Data sources for indications of the impact of Brexit. The key message is that UK consumer spending in some core discretionary areas remains (surprisingly) firm since Brexit, in our sample.

Schroders internal research, 25 July 2016

Britain's vote to leave the EU has had little immediate impact on the people's spending habits, according to new figures that suggest more money was splashed out on clothes, meals out and day trips in July

The Guardian, 8 August 2016

Source: Schroders
Investor question: How is corporate R&D spend impacting a company's technology portfolio?
Unique insight into industrial R&D

Turning documents to data

Answer: Patent evolution for an auto manufacturer

<table>
<thead>
<tr>
<th>Year</th>
<th>ADAS Components</th>
<th>ADAS obstacle detection &amp; steering</th>
<th>Battery components &amp; controllers</th>
<th>Fuel Cell Systems</th>
<th>Image capture &amp; analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2010</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2012</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2014</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Schroders
Question: Is a corporate brand managing to attract the demographic it is targeting?

Answer:
- 13 billion rows of data revealing attitudes towards brands across the globe updated daily
- Capability to dissect customers by demographic profile, purchase history and brand perception

Source: Schroders. Companies shown are for illustrative purposes only and are not a recommendation to buy or sell any security.
Conclusion

- Substantial investment in data science
- Focus on long-term alpha
- Deep, two-way integration
- Datasets multiplier effect
- Fundamental insights, not black-box signals
- Scale advantage
Global, diversified presence...

...with plentiful growth opportunities
Thank you
Important information

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