Growth in a low return world

Morgan Stanley European financials conference

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Performance 2012
Investing for long-term growth

- Investment performance: 71% outperforming over three years
- Net new business: £9.4bn (2011: £3.2bn)
- Assets under management up 13% to £212.0bn (2011: £187.3bn)
- Acquisitions: Axis, STW
- Profit before tax £360.0m (2011: £407.3m)
- Earnings per share 104.7p (2011: 115.9p)
- Dividend increased 10% to 43.0p (2011: 39.0p)
Investing for growth
Growing Multi-asset and Fixed Income

Source: Schroders at 31 December

Morgan Stanley Financials Conference| March 2013
Well-positioned across Morgan Stanley’s ‘axes of growth’

Proven benefit of diversity: net new business £9.4bn

Source: Schroders. 31 December 2012

Morgan Stanley Financials Conference| March 2013
**Global trends: how are we positioned?**

<table>
<thead>
<tr>
<th>Macro economic environment</th>
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<tr>
<td>- Uncertain, low growth environment, with potential for shocks ✓</td>
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<tr>
<td>- Potential for high inflation in certain markets ✓</td>
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<td>- Tighter capital and liquidity requirements ✓</td>
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<td>- Ageing population in developed economies ✓</td>
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<tr>
<th>Asset and Wealth Management landscape</th>
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<tr>
<td>- Greater government intervention ✓</td>
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<tr>
<td>- Higher transparency and client pressure on margins and costs ✗</td>
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<tr>
<td>- Changing distribution and brand dynamics ✗</td>
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<td>- Continued exits of banks and insurers ✓</td>
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<td>- Continued growth of client demand for passive, ETF &amp; low cost products ✗</td>
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<td>- US will remain the largest pool ✓</td>
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<td>- Growth is concentrated in emerging markets ✓</td>
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<td>- Continued consolidation as industry responds to financial pressures ✓</td>
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<td>- Increased support for specialist providers ✓</td>
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<th>Client behaviours</th>
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<td>- Demand for outcome-oriented and tailored products ✓</td>
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<td>- Continued shifts in the pension landscape ✓</td>
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<td>- Recent trends to shorter asset longevity are stabilising ✓</td>
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<td>- Demand for sustained alpha, reduced willingness to pay for undifferentiated active management ✓</td>
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<td>- Increasing sophistication of consultants in evaluating performance ✓</td>
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How we are positioned

Demand developments

**Channel Priorities**

- **Institutional**
  - Official Institutions
  - DC
  - Insurance
  - Revenue maximisation in mature DB Markets

- **Intermediary**
  - II Pillar, III Pillar, post-retirement pools
  - Increase higher longevity channels
  - Consolidate position in wealth management
  - US market share gains

**Demand Opportunities**

- Multi asset products, capturing demand for solutions
- Global, emerging market, and total return equities
- Fixed income: high yield, credit, multi-sector, and total return
- Outcome-oriented alternative products
- Consultative sales
How we are positioned
Asset class perspective: Multi-asset and Fixed Income

Multi-asset and Portfolio Solutions
- Positioned to benefit from structural changes in retirement industry
- Achieve scale, improved risk and operational systems
- Growth opportunities in outcome-orientated, Income products and GAIA

Fixed Income
- Positioned for growth: compelling new talent and products, redesign of existing range (global unconstrained, global macro, strategic bond, EMD, Asian bond)
- Grow ‘share of mind’ with consultants
How we are positioned
Asset class perspective: Equities and Alternatives

**Equities**
- Cyclical allocation and market share
- New product opportunities - growth in:
  - Global
  - QEP opportunities in US, Official Institutions and DC (global core)
  - Emerging Markets, Asia Pacific, Europe
- Development focus on total return and unconstrained

**EMD absolute return, commodities and Property**
- Developing ‘alternative’ strategies within core business (especially Fixed Income, Multi-asset)
- Opportunities in wealth preservation, gold and currency space
- Refocusing of property: greater European focus and building scale
Geographic opportunities

The US saving markets account for 48% of asset management revenues

- Build out organic strategy
- Deepen DC proposition in Intermediary
- Continue to upgrade talent in Distribution, Investment
- Diversify international range sold into US
- Develop domestic scale within focused strategies

Conclusions

Schroders: in a strong position and will continue to evolve

- Growth opportunities in core business
- Extensions to existing strategy
- Build Alternatives as part of the core business
- Expand in US – organically and by acquisition
- Avoid passive / ETFs and illiquid assets
- Acquisitions to accelerate organic growth
- Building industrial efficiencies
Schroders

Awards

Source: Schroders, as at 31 December 2012
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