



Growth in a low return world

Morgan Stanley European financials conference

Massimo Tosato
Executive Vice-Chairman

19 March 2013



Schroders

Performance 2012

Investing for long-term growth

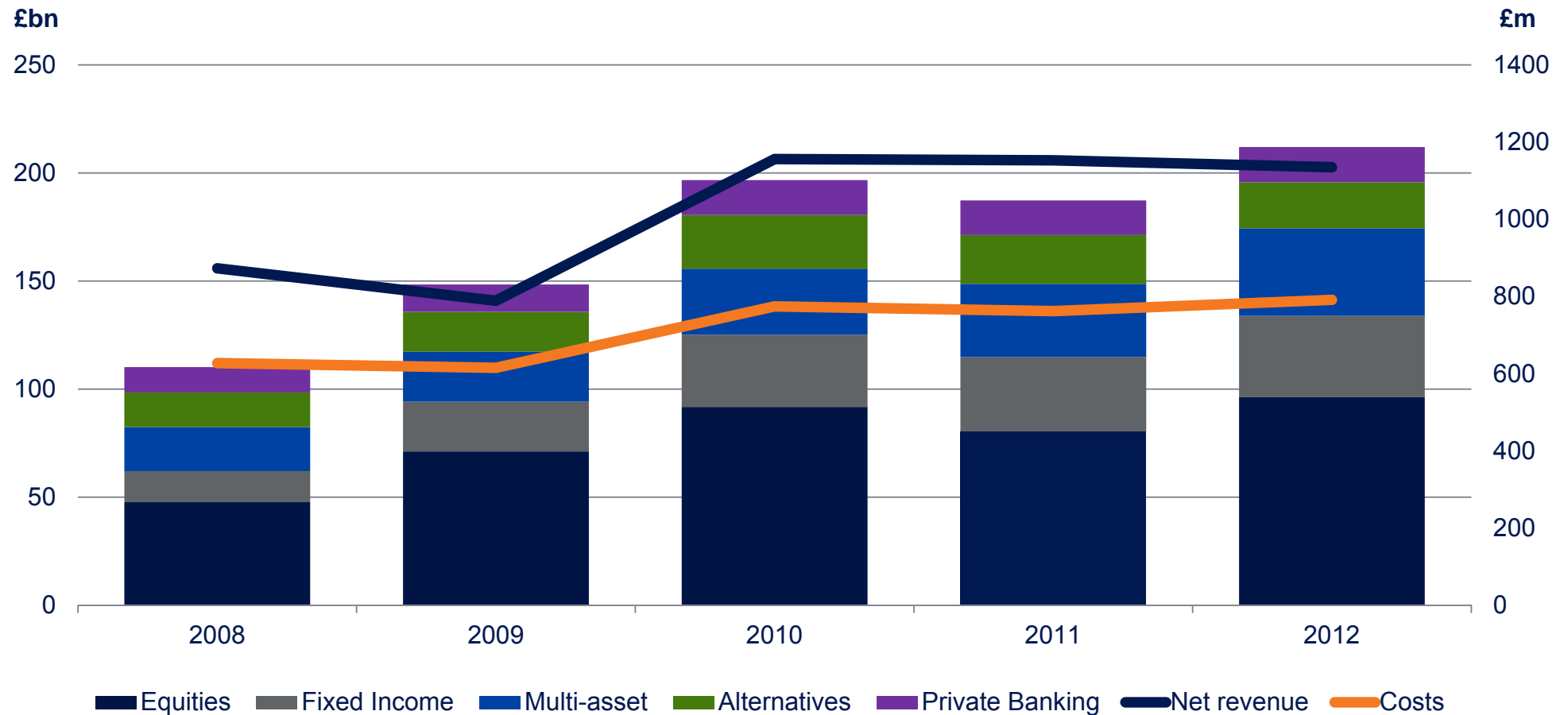
- Investment performance: 71% outperforming over three years
- Net new business: £9.4bn (2011: £3.2bn)
- Assets under management up 13% to £212.0bn (2011: £187.3bn)
- Acquisitions: Axis, STW
- Profit before tax £360.0m (2011: £407.3m)
- Earnings per share 104.7p (2011: 115.9p)
- Dividend increased 10%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

Confidence in long-term growth

Source: Schroders

Investing for growth

Growing Multi-asset and Fixed Income



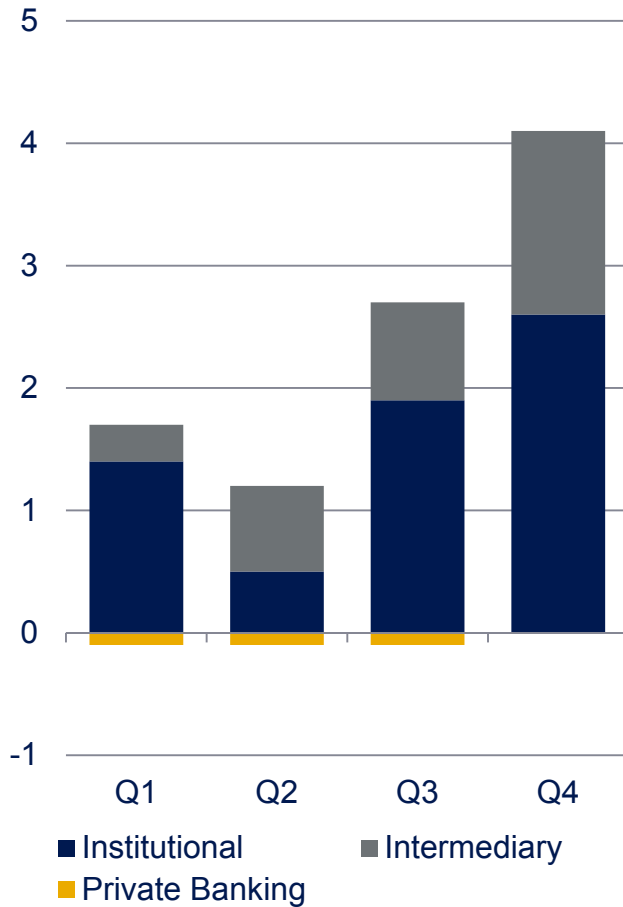
Source: Schroders at 31 December

Well-positioned across Morgan Stanley's 'axes of growth'

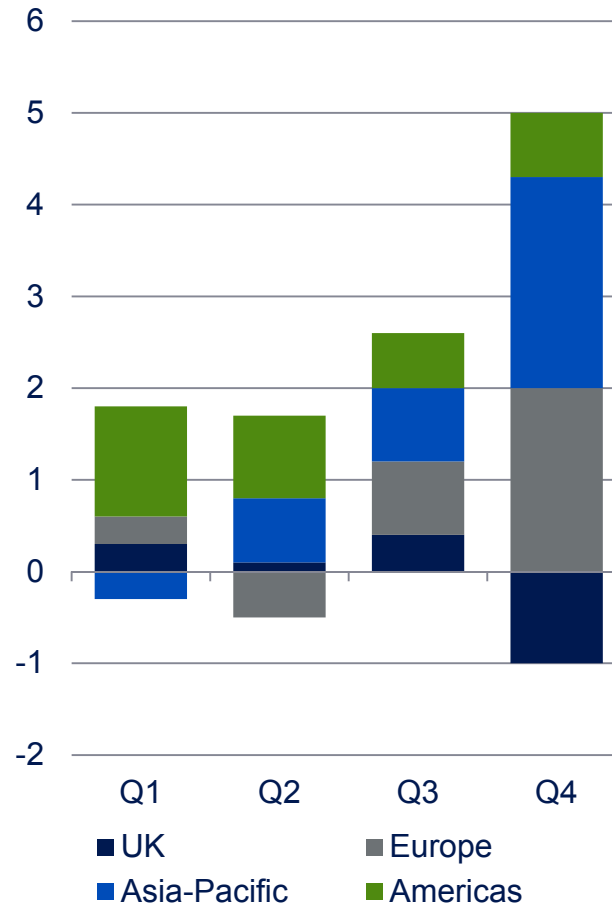
Proven benefit of diversity: net new business £9.4bn

£bn

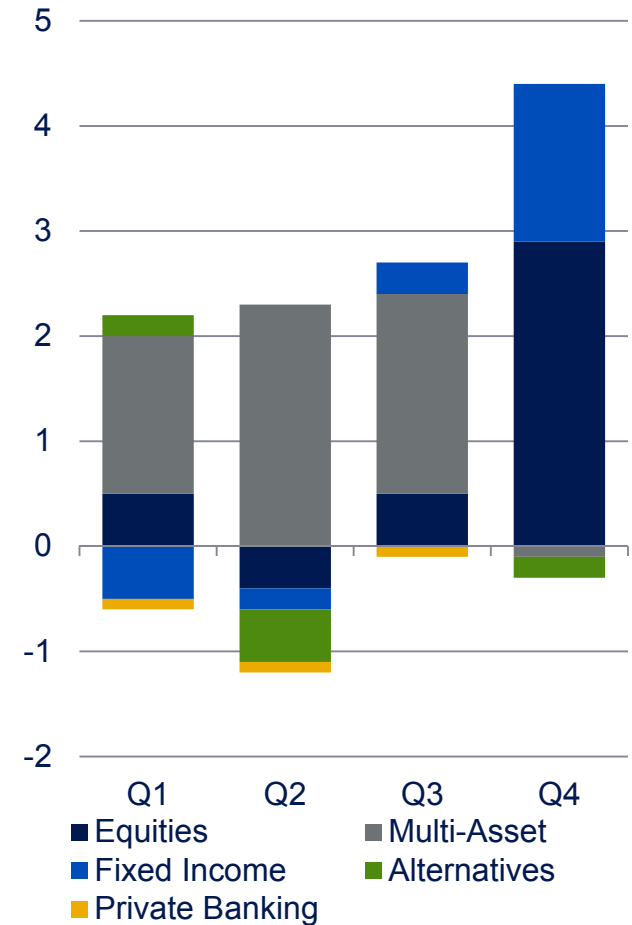
By channel



By region



By asset class



Source: Schroders. 31 December 2012

Global trends: how are we positioned?

Macro economic environment	<ul style="list-style-type: none"> ▪ Uncertain, low growth environment, with potential for shocks ▪ Potential for high inflation in certain markets ▪ Tighter capital and liquidity requirements ▪ Ageing population in developed economies 	<ul style="list-style-type: none"> (✓) (✓) (✓) (✓)
Asset and Wealth Management landscape	<ul style="list-style-type: none"> ▪ Greater government intervention ▪ Higher transparency and client pressure on margins and costs ▪ Changing distribution and brand dynamics ▪ Continued exits of banks and insurers ▪ Continued growth of client demand for passive, ETF & low cost products ▪ US will remain the largest pool ▪ Growth is concentrated in emerging markets ▪ Continued consolidation as industry responds to financial pressures ▪ Increased support for specialist providers 	<ul style="list-style-type: none"> (✓) x x ✓ x (✓) ✓ ✓ (✓)
Client behaviours	<ul style="list-style-type: none"> ▪ Demand for outcome-oriented and tailored products ▪ Continued shifts in the pension landscape ▪ Recent trends to shorter asset longevity are stabilising ▪ Demand for sustained alpha, reduced willingness to pay for undifferentiated active management ▪ Increasing sophistication of consultants in evaluating performance 	<ul style="list-style-type: none"> ✓ (✓) (✓) (✓) (✓)

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

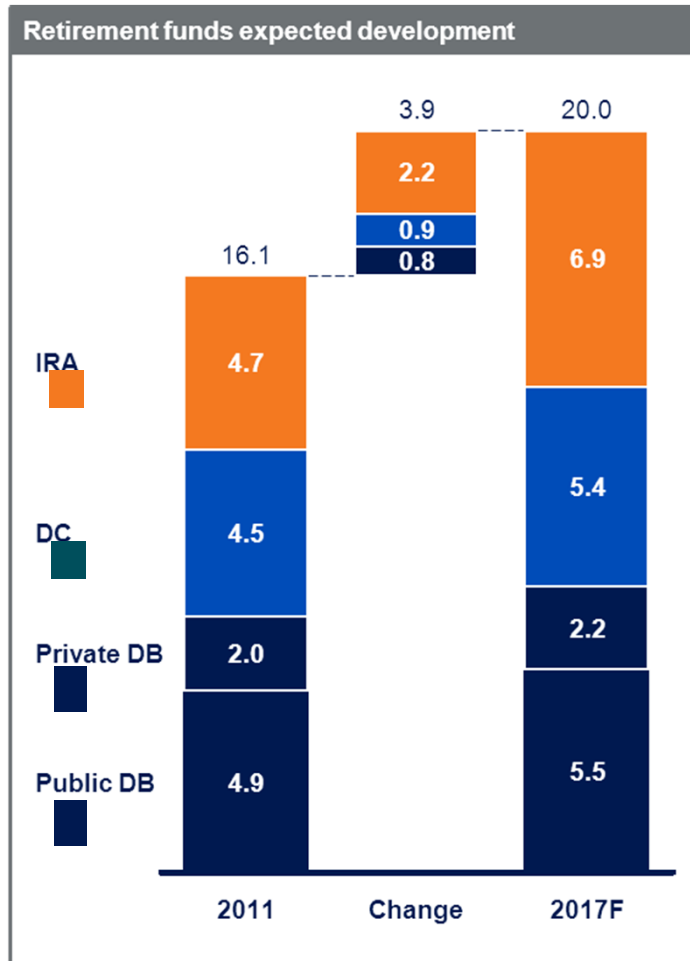
EMD absolute return, commodities and Property

- 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

AuM \$Trillions



- 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

Source: McKinsey Asset management survey 2011

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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