

Schroders

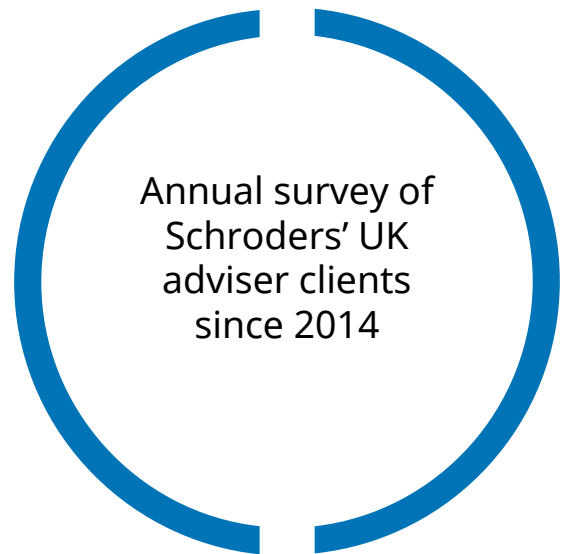
An aerial night view of London, England, featuring the River Thames and the Tower Bridge. A large, transparent glass sphere is superimposed over the city, reflecting the lights and architecture of the surrounding area. The sphere is positioned in the center of the frame, creating a focal point that captures the essence of the city's urban landscape.

Schroders UK Financial Adviser Survey 2020

November 2020

Marketing material for professional clients only.

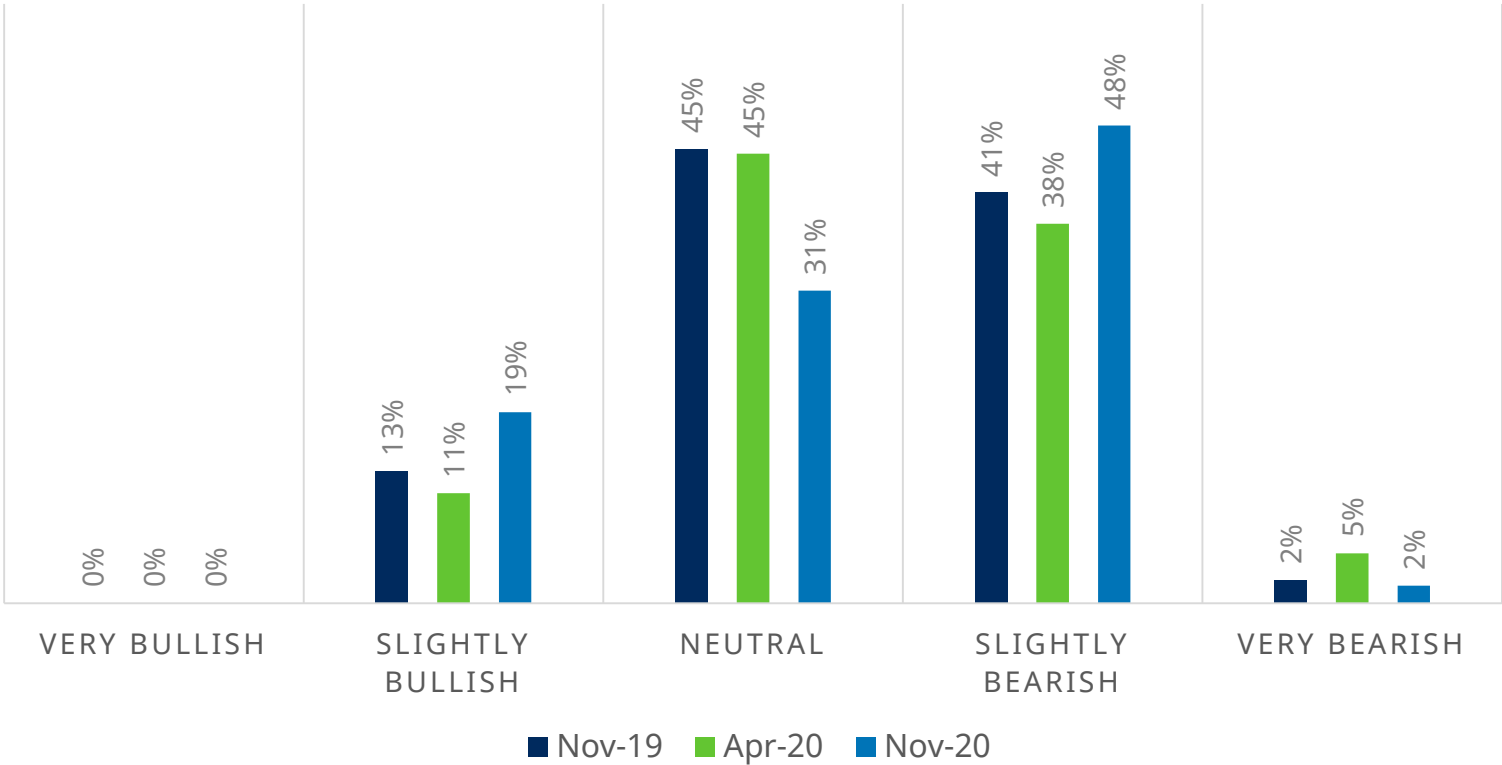
Schroders UK Annual Adviser Survey 2020



How would you describe the sentiment among most of your clients?

Client sentiment

- The balance of client sentiment has tilted towards slightly bearish. 48% of clients are now slightly bearish while 31% are neutral and 19% are slightly bullish.



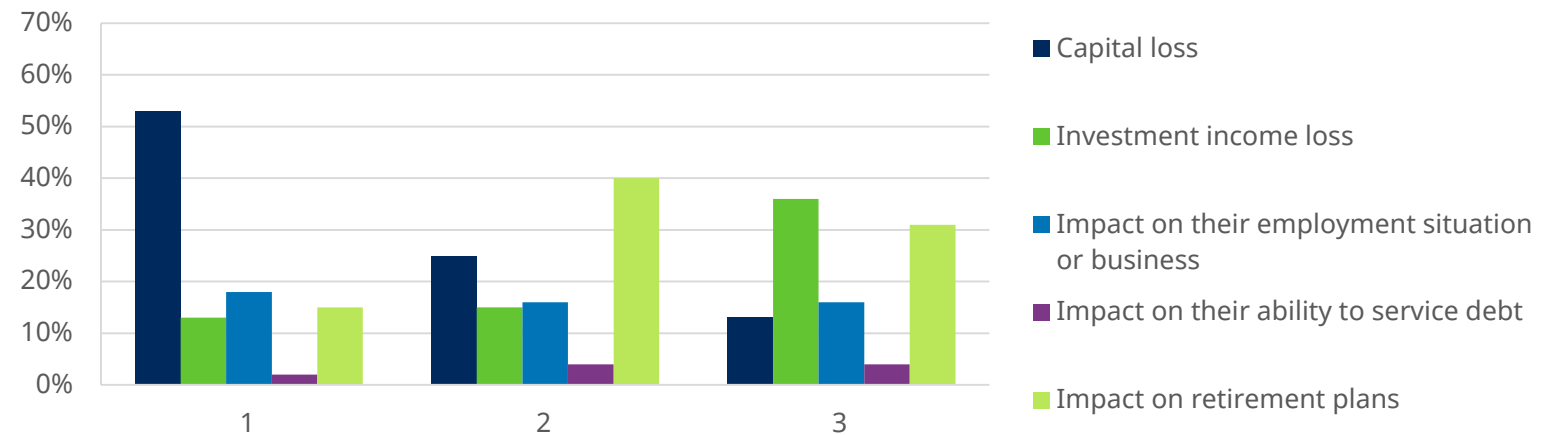
Source: Schroders Adviser Survey 2020

Client concerns

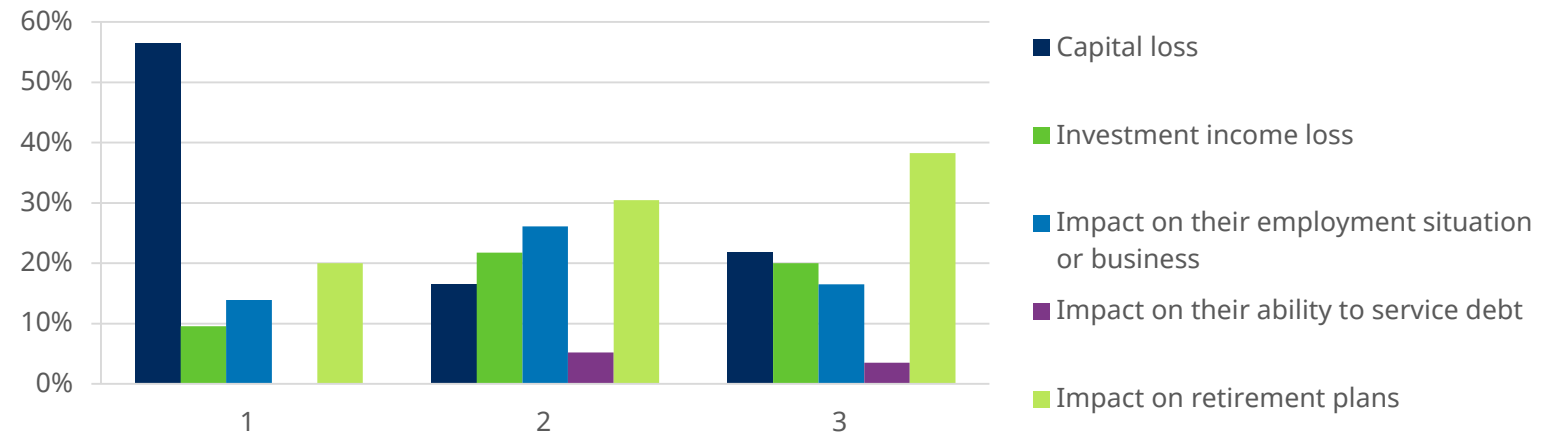
- In April as the first wave of the coronavirus crisis struck, advisers cited capital loss as the number one concern of their clients. This picture remains unchanged with 59% putting capital loss in first position.
- The second and third biggest concerns for clients are the impact on their retirement plans and the impact on their employment situation or business.

Top 3 financial concerns of advisers' clients in relation to the coronavirus crisis

April 2020



November 2020

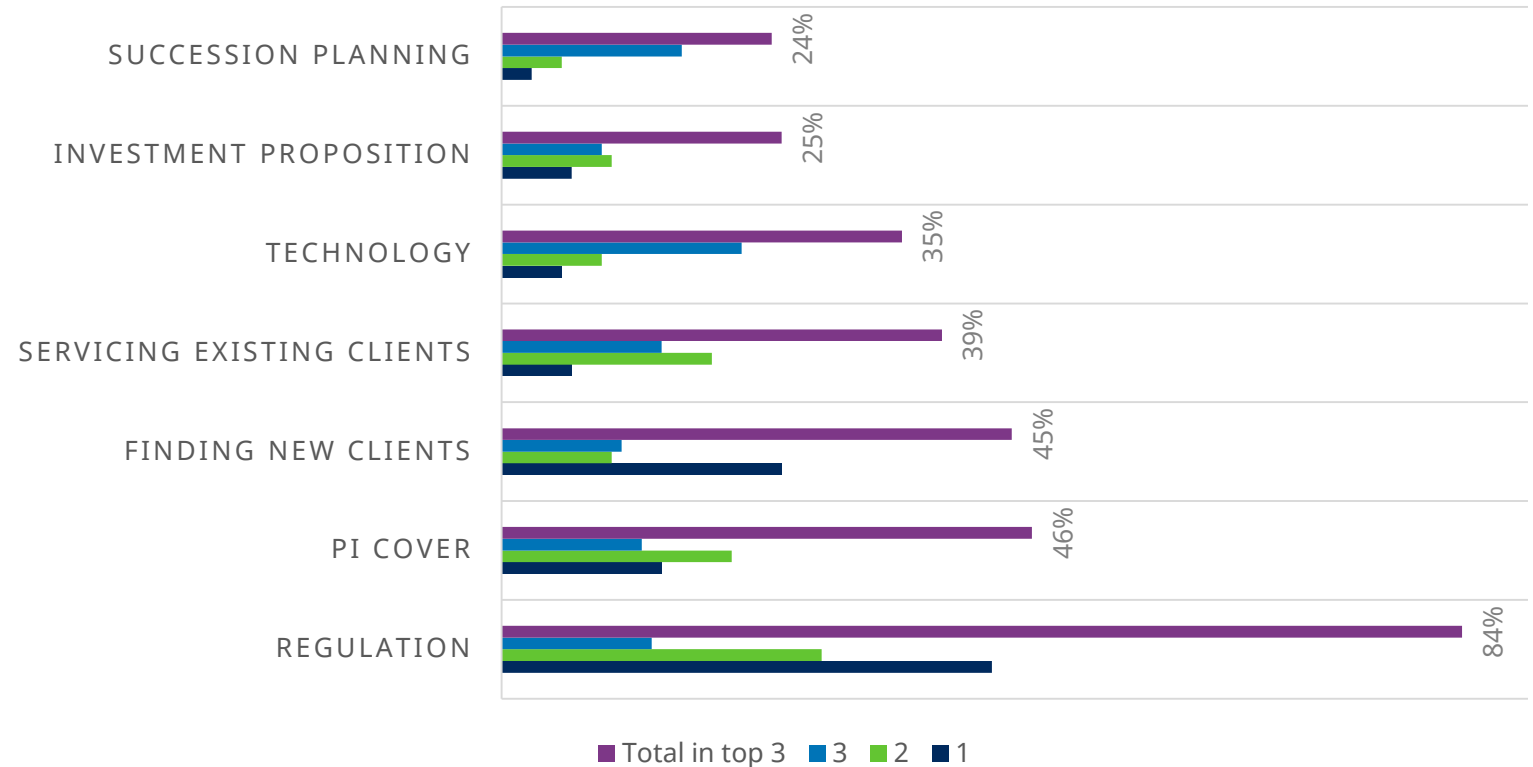


Source: Schroders Adviser Survey 2020

Adviser concerns

- Regulation is the number one business concern for 51% of advisers going into 2021, with 84% of advisers putting this in their top three concerns
- The next two areas of most concern to advisers in relation to their business are finding new clients and personal indemnity cover

From the following list, rank the 3 areas you are most concerned about relating to your business going into 2021



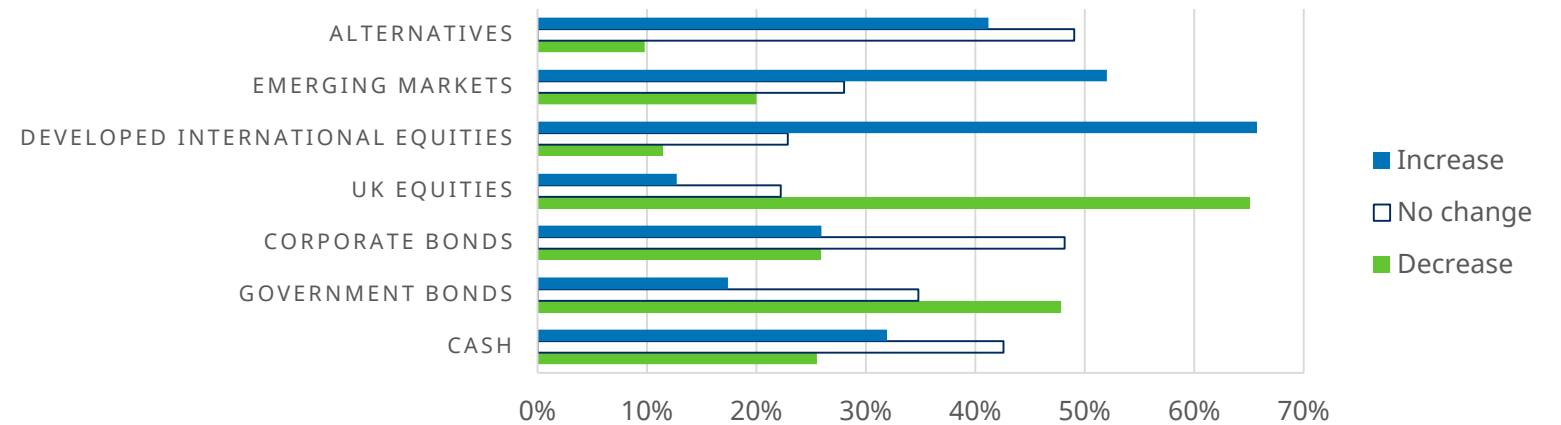
Source: Schroders Adviser Survey 2020

Asset allocation

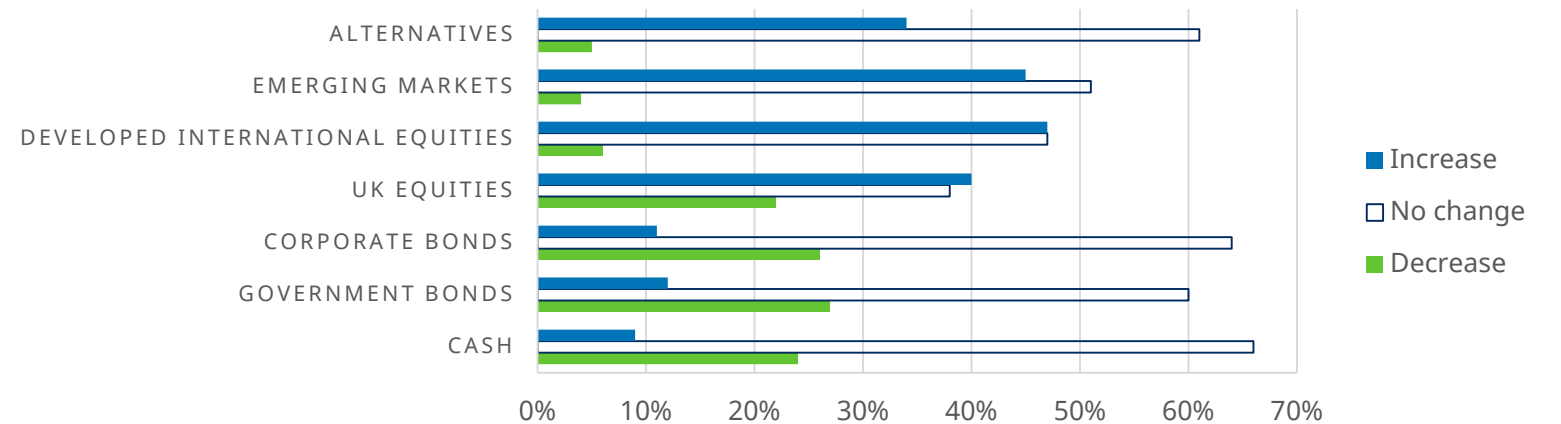
- The main areas where advisers have increased asset allocations over the past 12 months are developed international equities, emerging markets and alternatives
- The main areas where advisers have reduced asset allocations over the past 12 months are UK equities, government bonds and corporate bonds
- Over the next 12 months the trend of increased allocation to alternatives and equities and reduced allocation to bonds is expected to persist with advisers on balance expecting to begin to increase allocation to the UK equity market

Change in client asset allocation over the last 12 months and expectations for the next 12 months

Last 12 months



Next 12 months



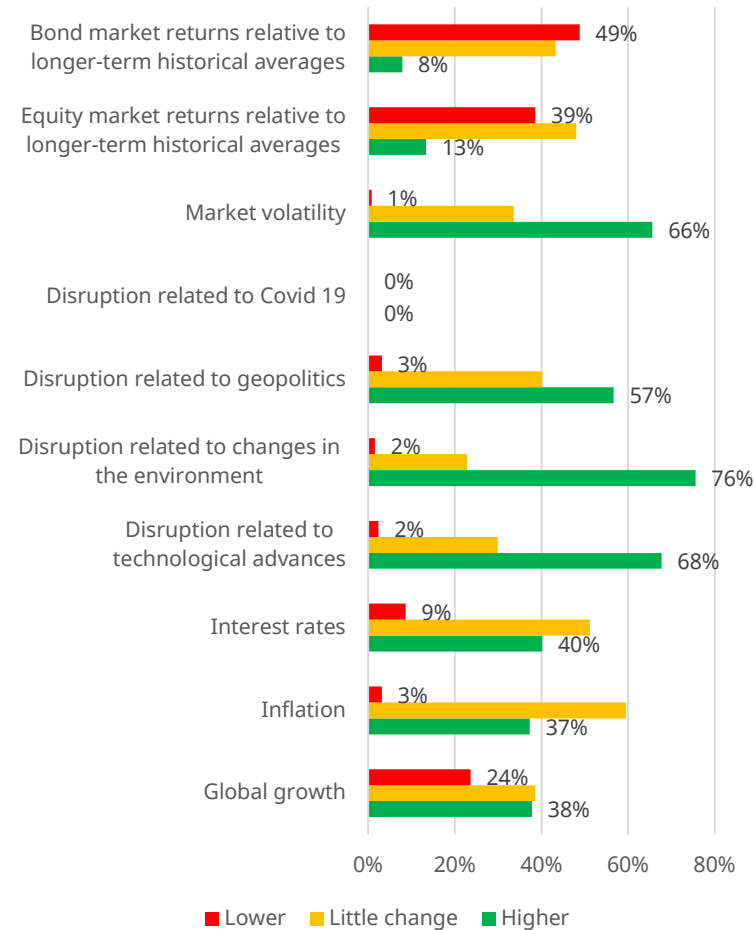
Source: Schroders Adviser Survey 2020

Inescapable truths

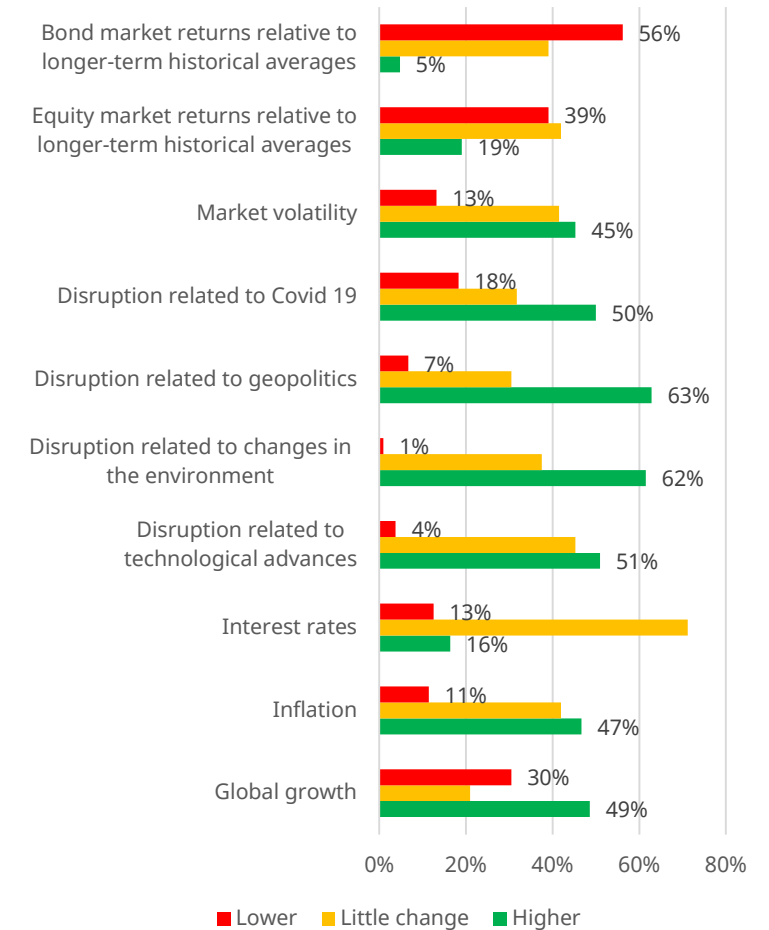
- Over half of advisers anticipate that disruption will remain a major theme for markets over the next five years
- The majority (71%) of advisers expect little change in interest rates
- 47% of advisers expect inflation to rise against 11% who expect it to fall
- 56% of advisers expect lower returns from bonds vs historical averages against 5% who expect higher returns
- 39% of advisers expect lower returns from equities against 19% who expect higher returns

What is your expectation for the following over the next 5 years?

November 2019



November 2020



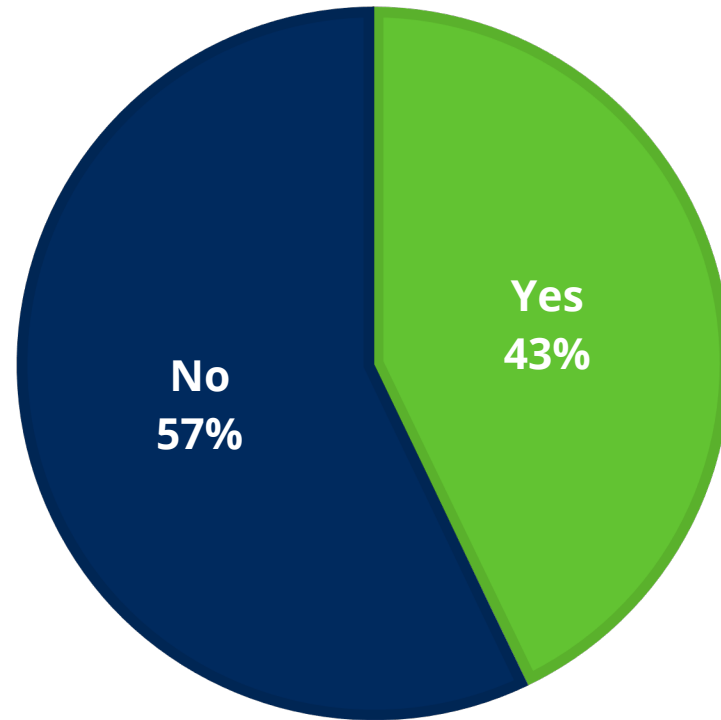
Source: Schroders Adviser Survey 2020

ESG

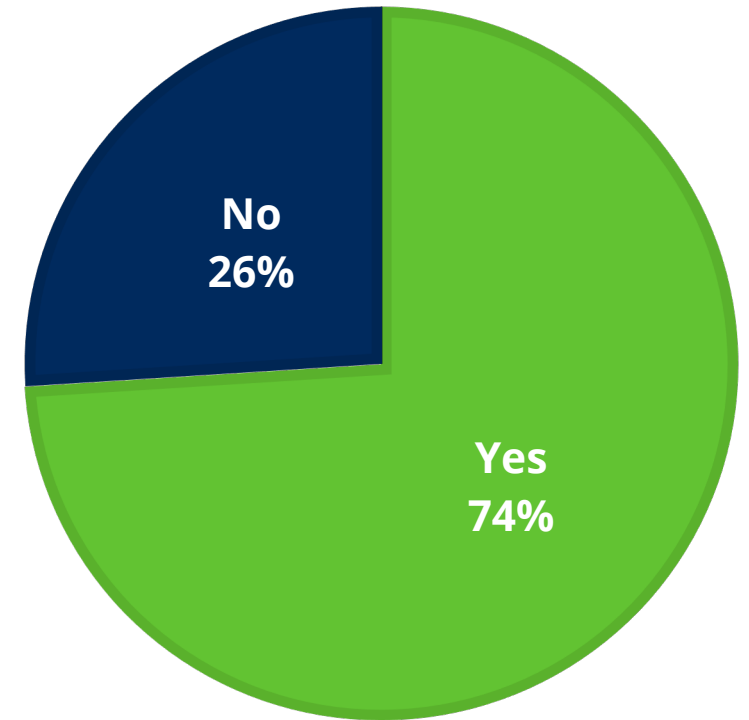
- 74% of the advisers surveyed now explicitly consider ESG factors as part of their fund selection process, a significant rise from 43% in 2019

Does your fund selection process explicitly consider ESG factors?

November 2019



November 2020

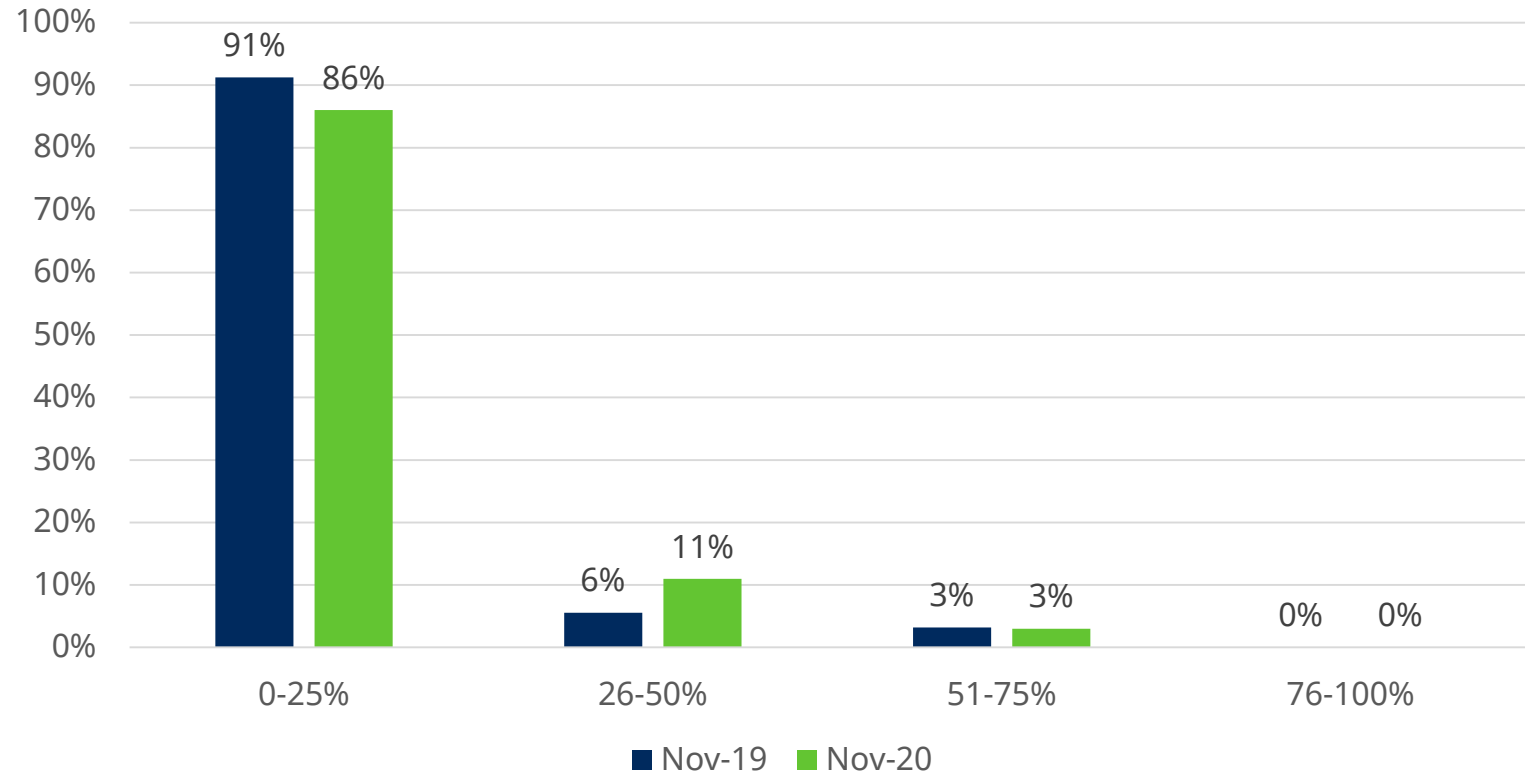


Source: Schroders Adviser Survey 2020

ESG

- The percentage of advisers reporting that more than a quarter of their clients explicitly specify that their investments should reflect ESG factors in some way has risen from 9% to 14% over the past year

What % of your client base explicitly specifies that their investments should reflect ESG factors in some way?

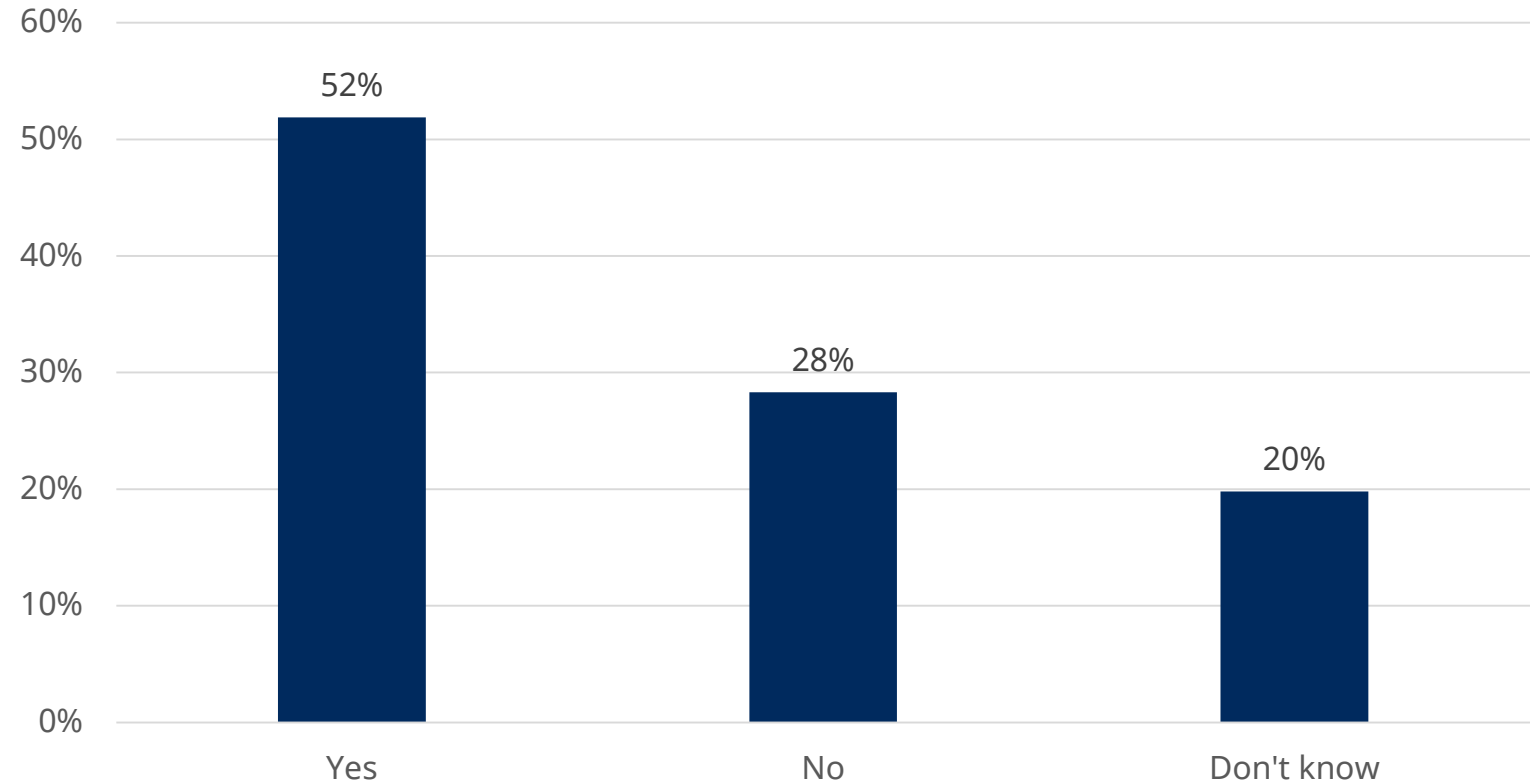


Source: Schroders Adviser Survey 2020

ESG

- More than half of the advisers surveyed expect that client attitudes to sustainable investing will change as a result of the coronavirus crisis
-

Do you expect the coronavirus crisis will impact client attitudes towards sustainable investing?

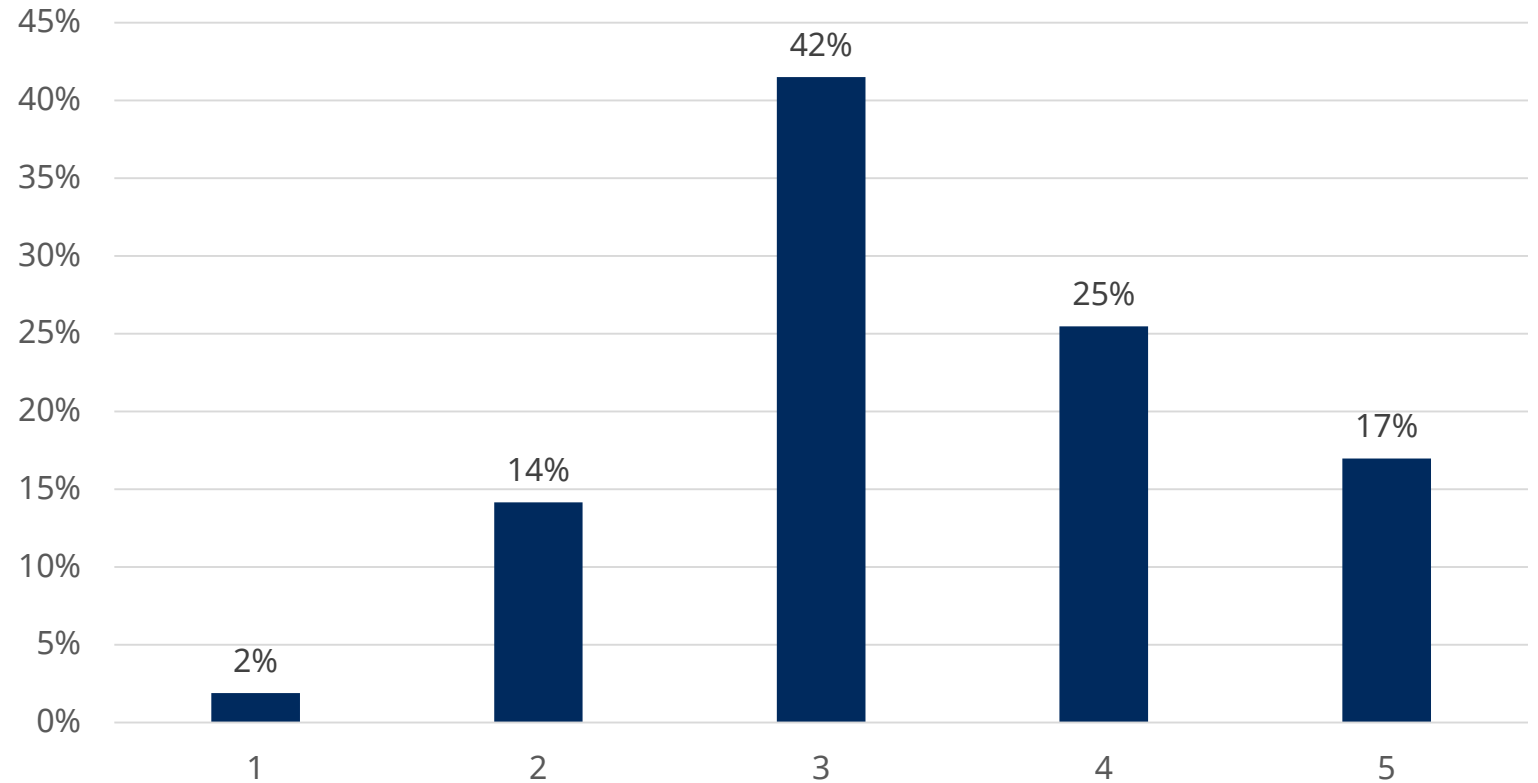


Source: Schroders Adviser Survey 2020

ESG

- 58% of the advisers surveyed rate their confidence in talking to clients about sustainable investing as middling or below on a scale of 1-5
- Only 17% of advisers rate their confidence in this area as very high

Rate your level of confidence about talking to clients with consistency about the terminology, regulation, integration and behavioural implications of sustainable investing on a scale of 1 (very low) to 5 (very high)

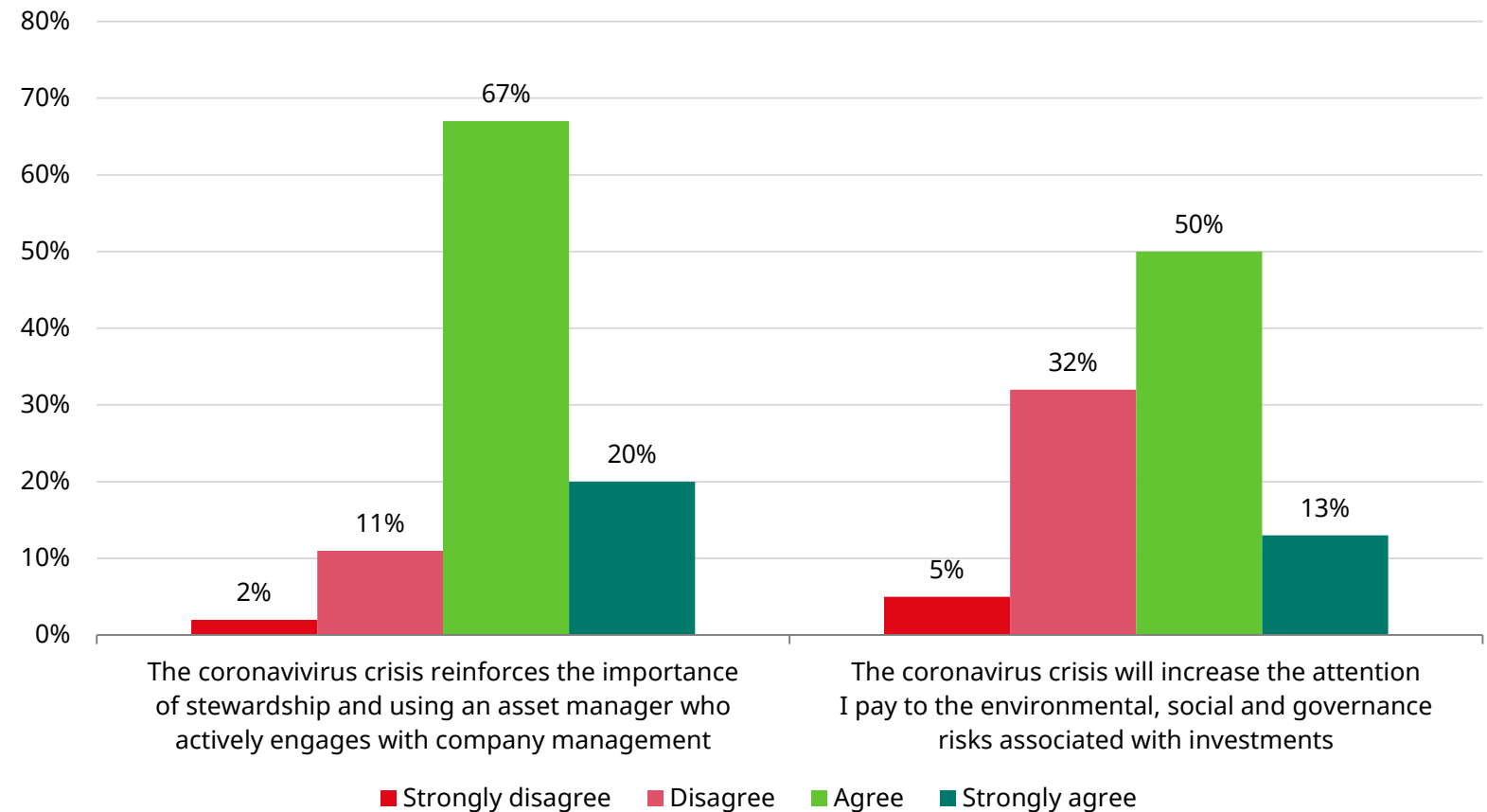


Source: Schroders Adviser Survey 2020

Changing attitudes towards sustainable investing

- 87% of advisers agree that the coronavirus crisis reinforces the importance of stewardship and using an asset manager who actively engages with company management (88% in April survey)
- 63% of advisers say the crisis will increase the attention they pay to the environmental, social and governance risks associated with investments (65% in April survey)

To what extent do advisers agree or disagree with the following statements?

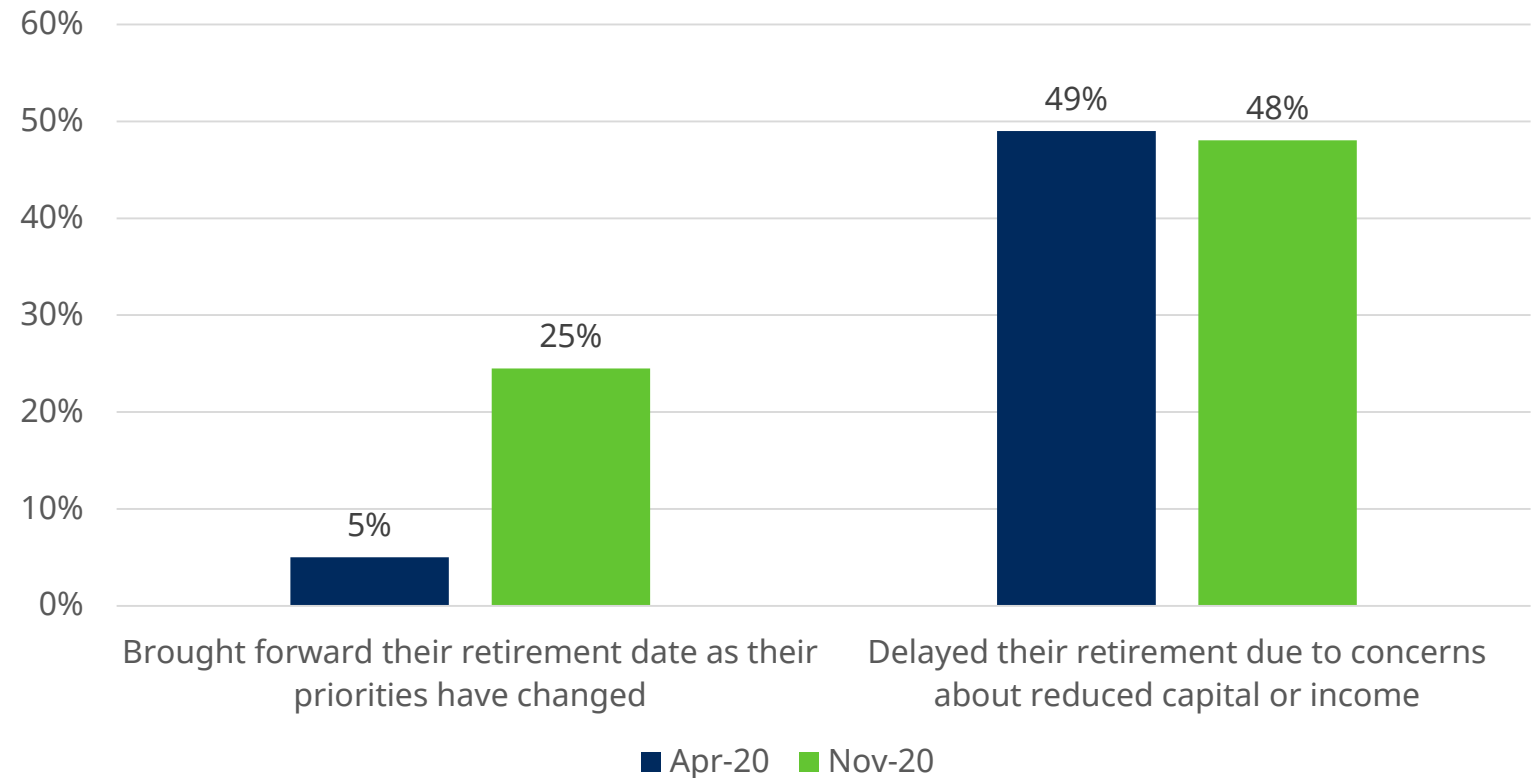


Source: Schroders Adviser Survey 2020

Retirement plans

- Almost half of advisers surveyed say they have clients who have delayed their retirement due to concerns about reduced capital or income due to the impact of the coronavirus crisis on markets
- 25% of advisers say that they have clients who have brought forward their retirement date as their priorities have changed, up from 5% in April

As a result of the impact of coronavirus on markets, have any of your clients who are approaching retirement:

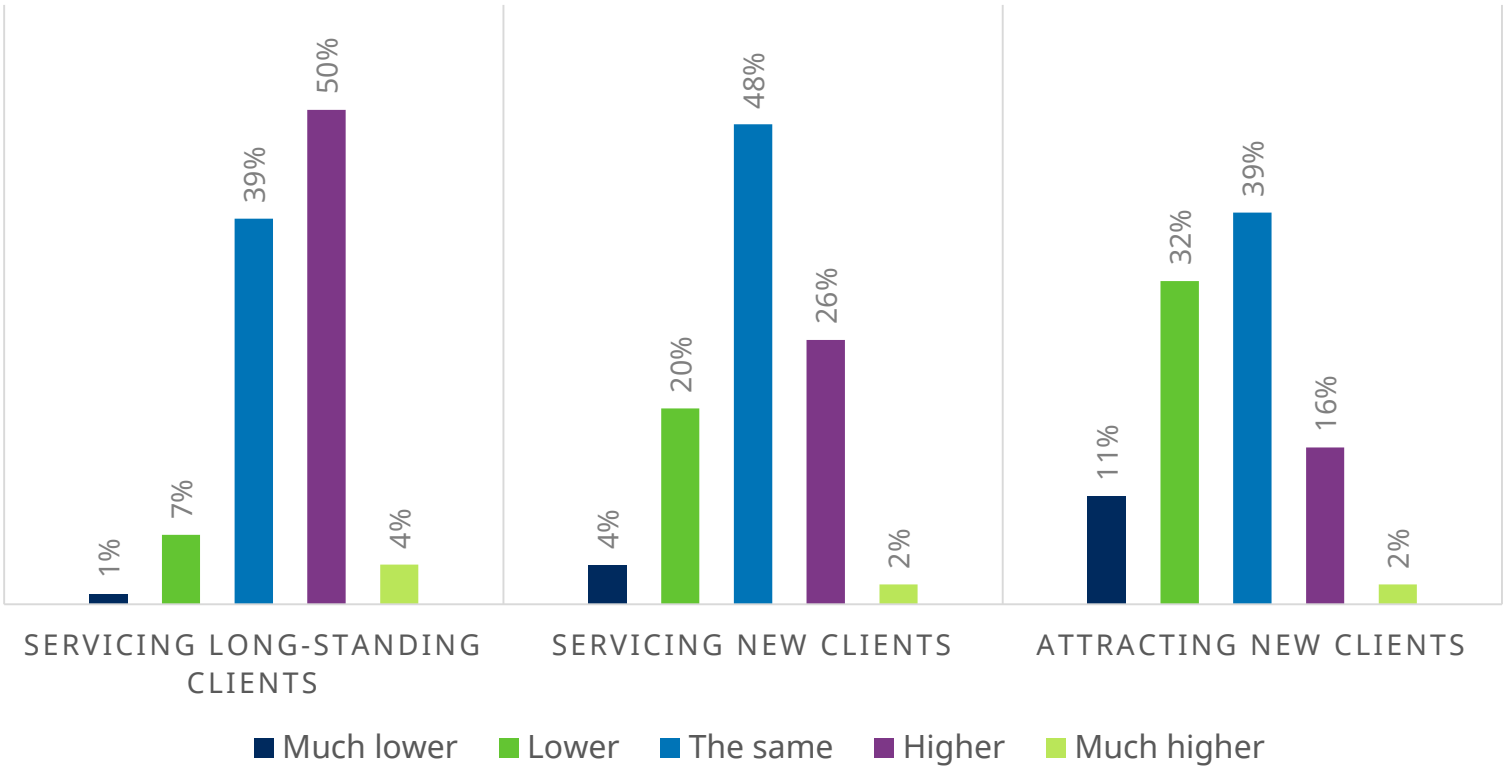


Source: Schroders Adviser Survey 2020

How has your level of activity relating to servicing clients and attracting new clients changed as a result of Covid 19?

Adviser activity during Covid 19 crisis

- 54% of advisers report spending more time than normal servicing long-standing clients as a result of Covid 19, with 8% spending less time
- 43% of advisers report spending less time than normal attracting new clients as a result of Covid 19, with 18% spending more time

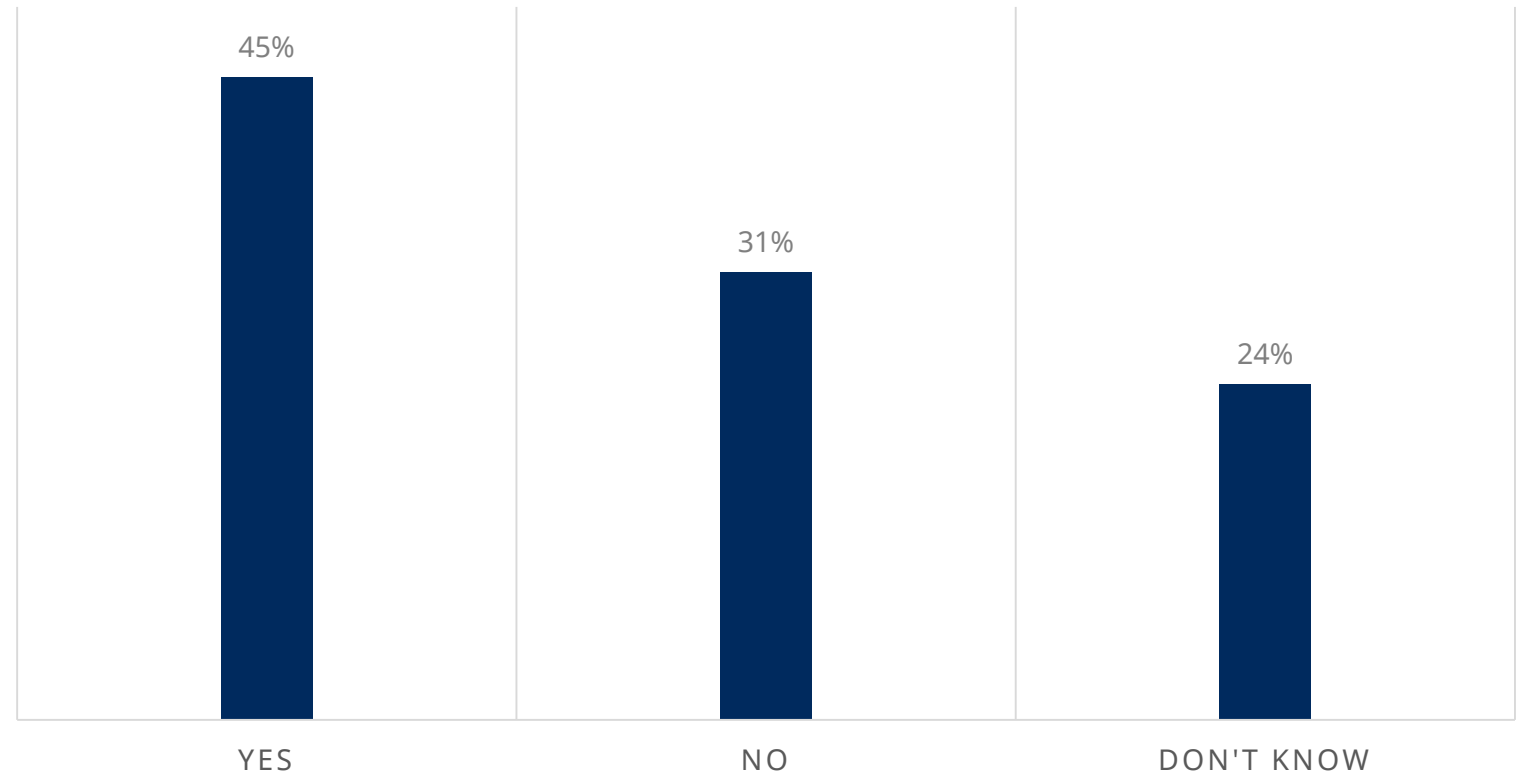


Source: Schroders Adviser Survey 2020

Covid 19 recovery opportunity

- 45% of advisers see 'Recovery from Covid 19' as a distinct, investable theme
- 31% of advisers do not see 'Recovery from Covid 19' as a distinct, investable theme, while 24% 'don't know'

Do you see 'Recovery from Covid 19' as a distinct, investable theme?

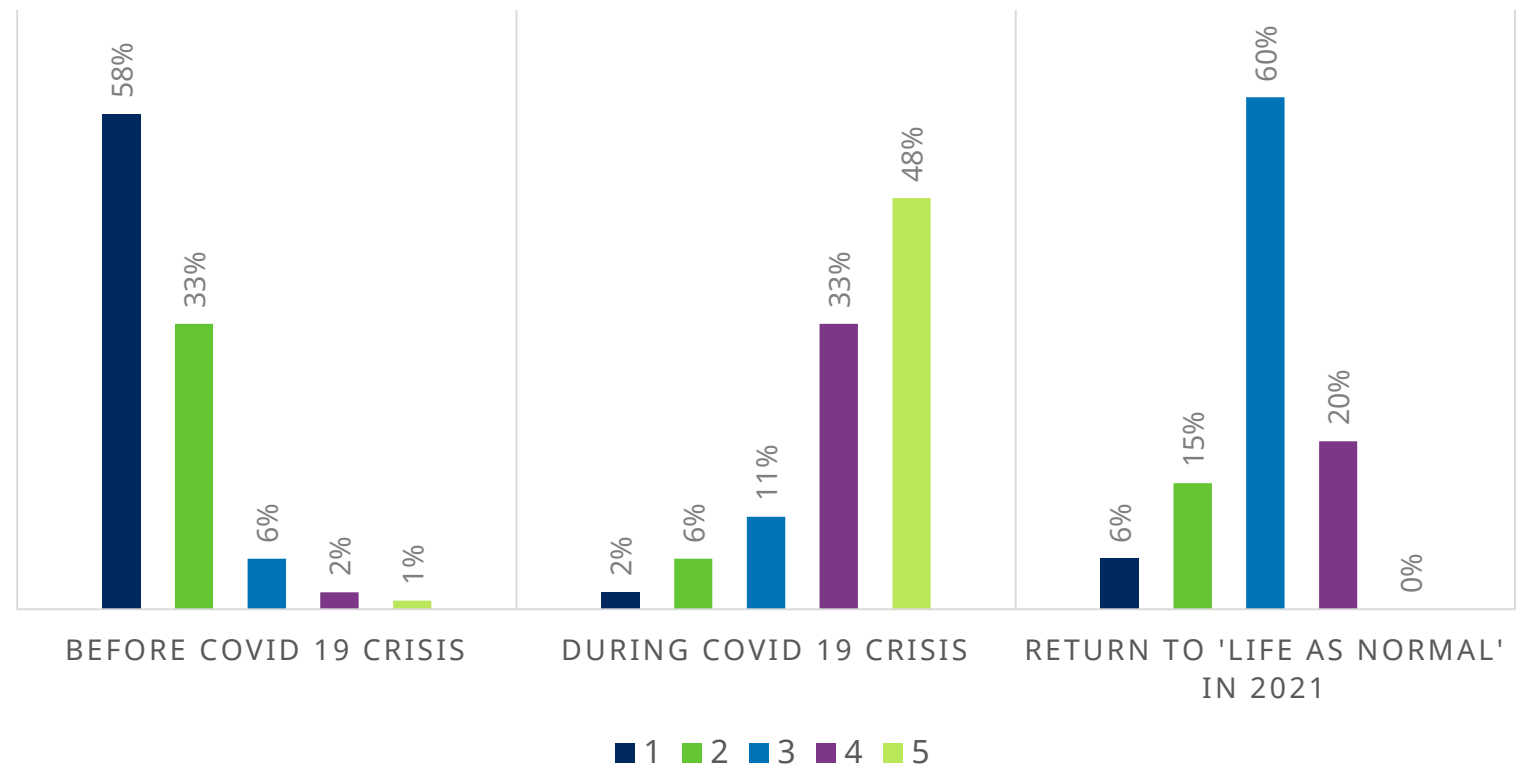


Source: Schroders Adviser Survey 2020

Impact of Covid 19 on client interactions

- Covid 19 has unsurprisingly had a massive impact on the way advisers conduct client meetings, with virtual meetings replacing face-to-face as the norm
- If there is a return to 'life as normal' in 2021 60% of the advisers surveyed expect to have an even balance between virtual and face-to-face meetings with only 6% expecting to conduct all meetings face-to-face, against 58% before Covid 19

On a scale of 1 (all face to face) to 5 (all virtual), how did you conduct client meetings before Covid, how do you conduct them now and how do you expect to conduct them if there is a return to 'life as normal' in 2021?

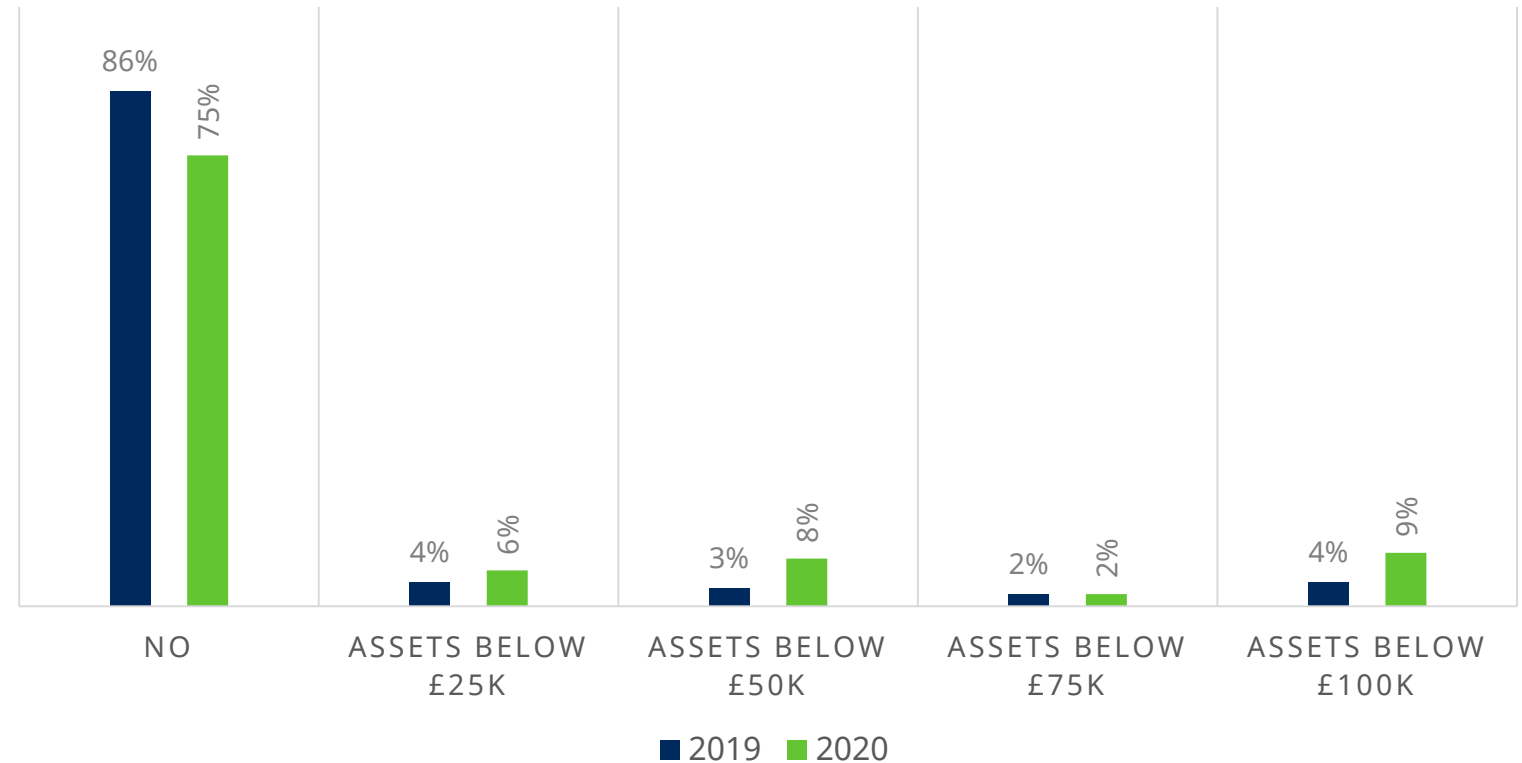


Source: Schroders Adviser Survey 2020

Existing client minimum AUM

- 25% of advisers will ask clients with limited assets to leave their practice, up from 14% in 2019
- 6% set their minimum client AUM threshold at £25k, 8% at £50k, 2% at £75k and 9% at £100k

Do you ask clients with limited assets to leave your practice and if so what is the cut off level?

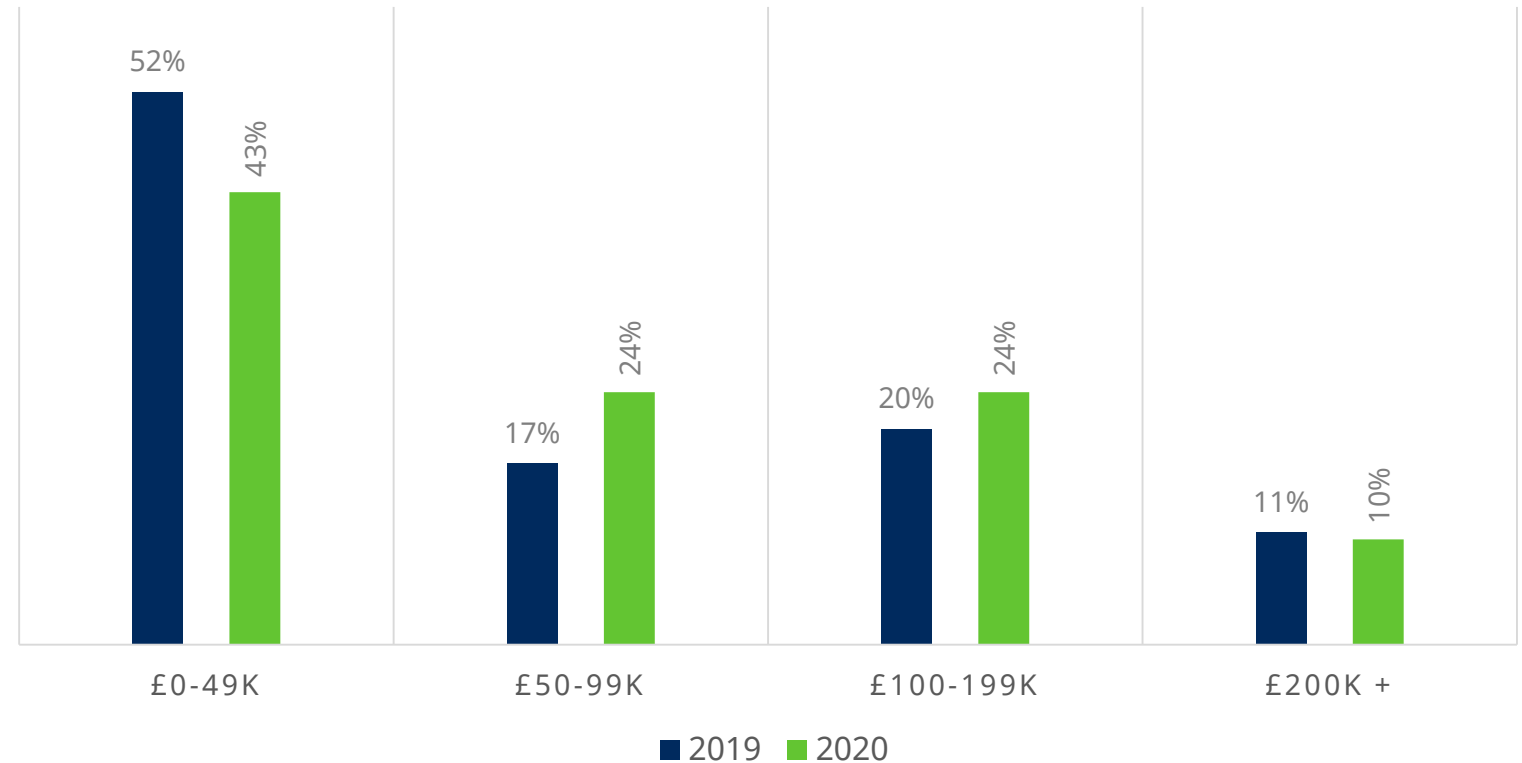


Source: Schroders Adviser Survey 2020

New client minimum AUM

- 43% of the advisers surveyed will accept new clients with assets of less than £50k, down from 52% of advisers in 2019
- 90% of the advisers surveyed will accept clients with less than £200k

What is your minimum asset size for new clients?

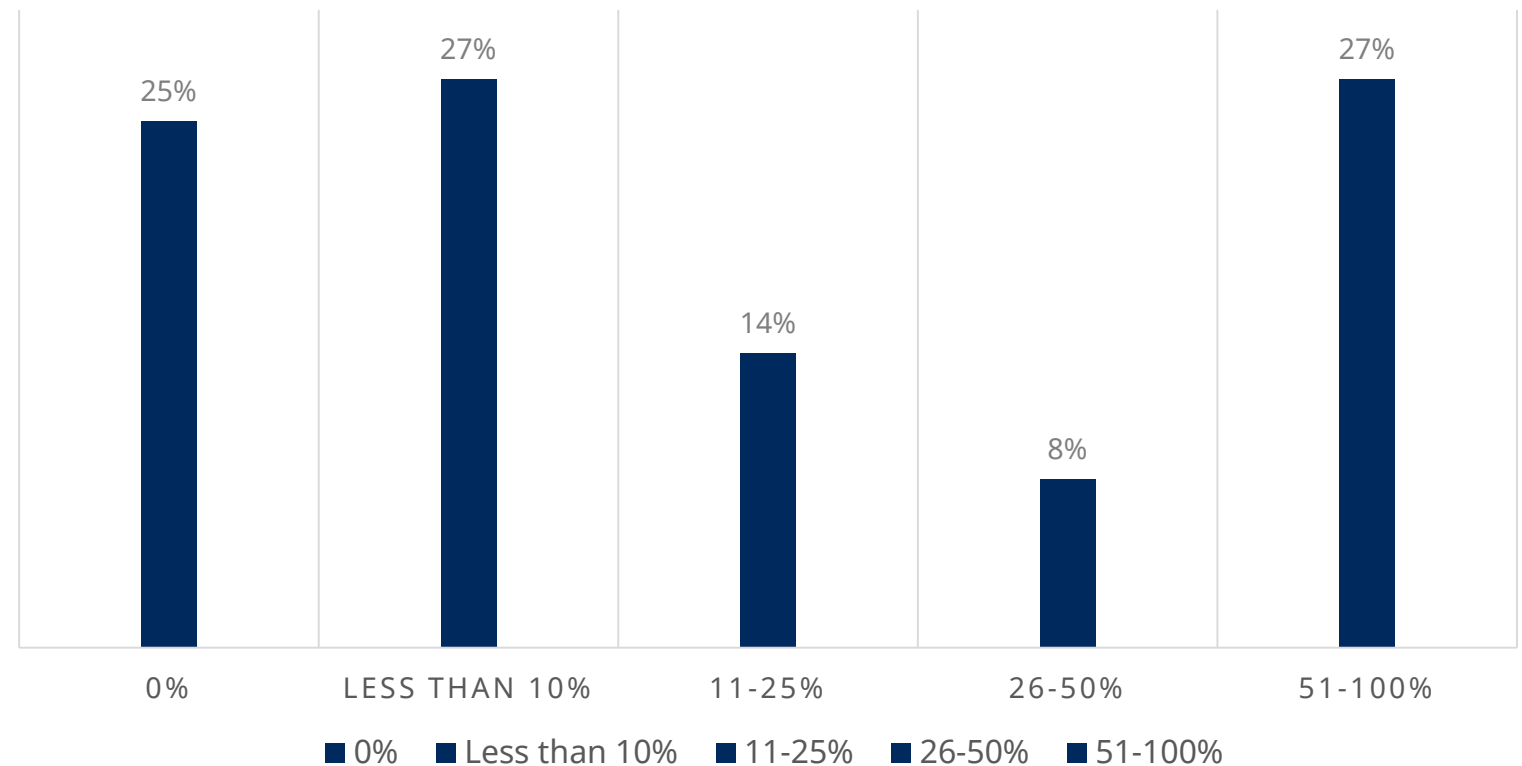


Source: Schroders Adviser Survey 2020

What percentage of your clients' assets are managed externally through outsourcing portfolio management?

Outsourcing portfolio management

- 75% of the advisers surveyed use outsourced portfolio management services
- 27% of advisers make minimal use of outsourced portfolio management services, outsourcing less than 10% of client assets
- 27% of advisers make extensive use of outsourced portfolio management services, outsourcing more than 50% of client assets

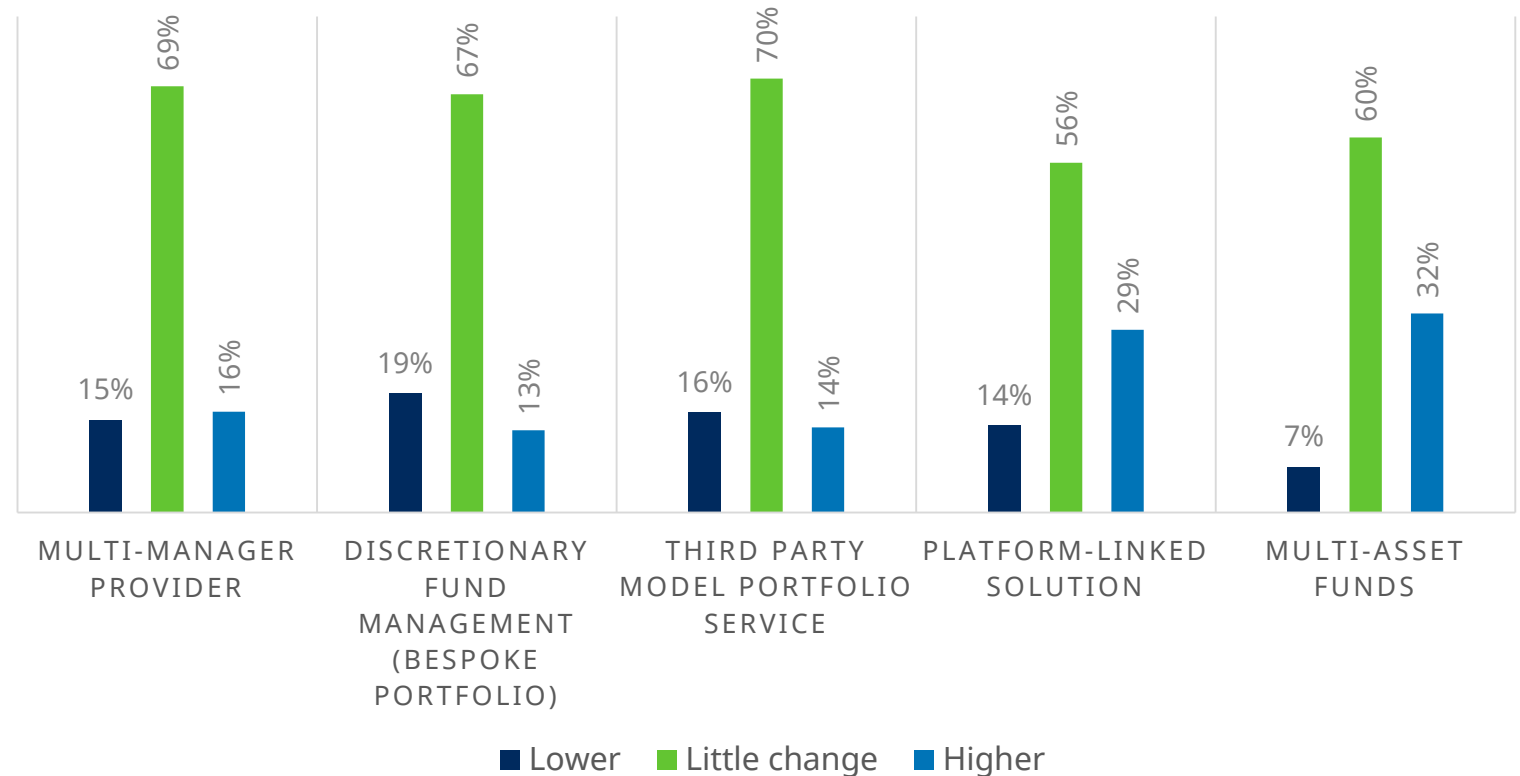


Source: Schroders Adviser Survey 2020

Outsourcing portfolio management

- The two areas where advisers expect to make the biggest changes are multi-asset funds and platform-linked solutions
- 32% of advisers expect to make a higher allocation to multi-asset funds in the next 12 months against 7% who expect to make a lower allocation
- 29% of advisers expect to make a higher allocation to platform-linked solutions in the next 12 months against 14% who expect to make a lower allocation

If you outsource portfolio management, how do you expect your allocation to the following services to change in the next 12 months?

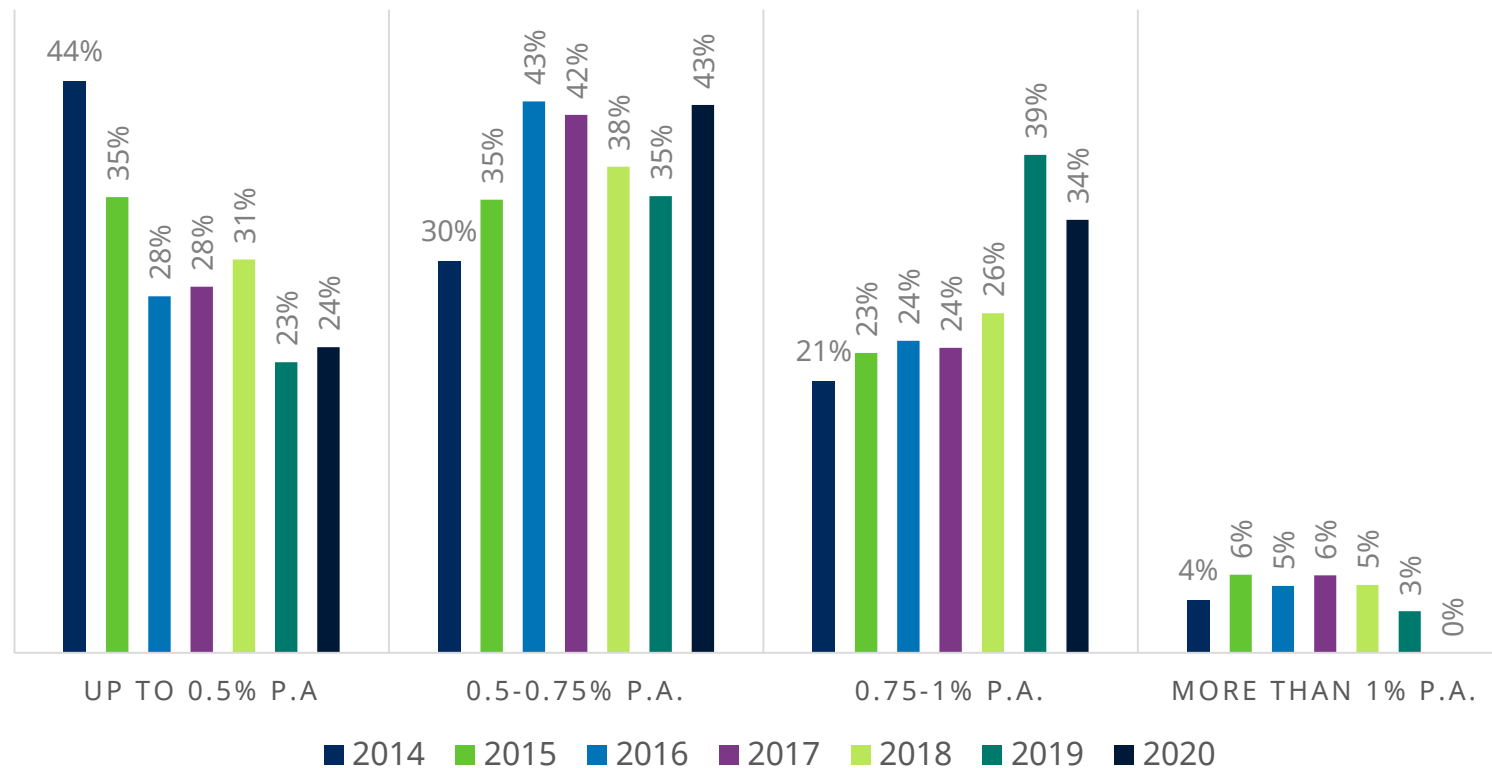


Source: Schroders Adviser Survey 2020

What is your average % fee based on assets (approximately)?

Fees

- 43% of advisers surveyed have an average percentage fee based on assets of between 0.5% and 0.75%
- 34% of advisers surveyed have an average percentage fee based on assets of between 0.75% and 1%
- No advisers surveyed reported an average percentage fee based on assets greater than 1%

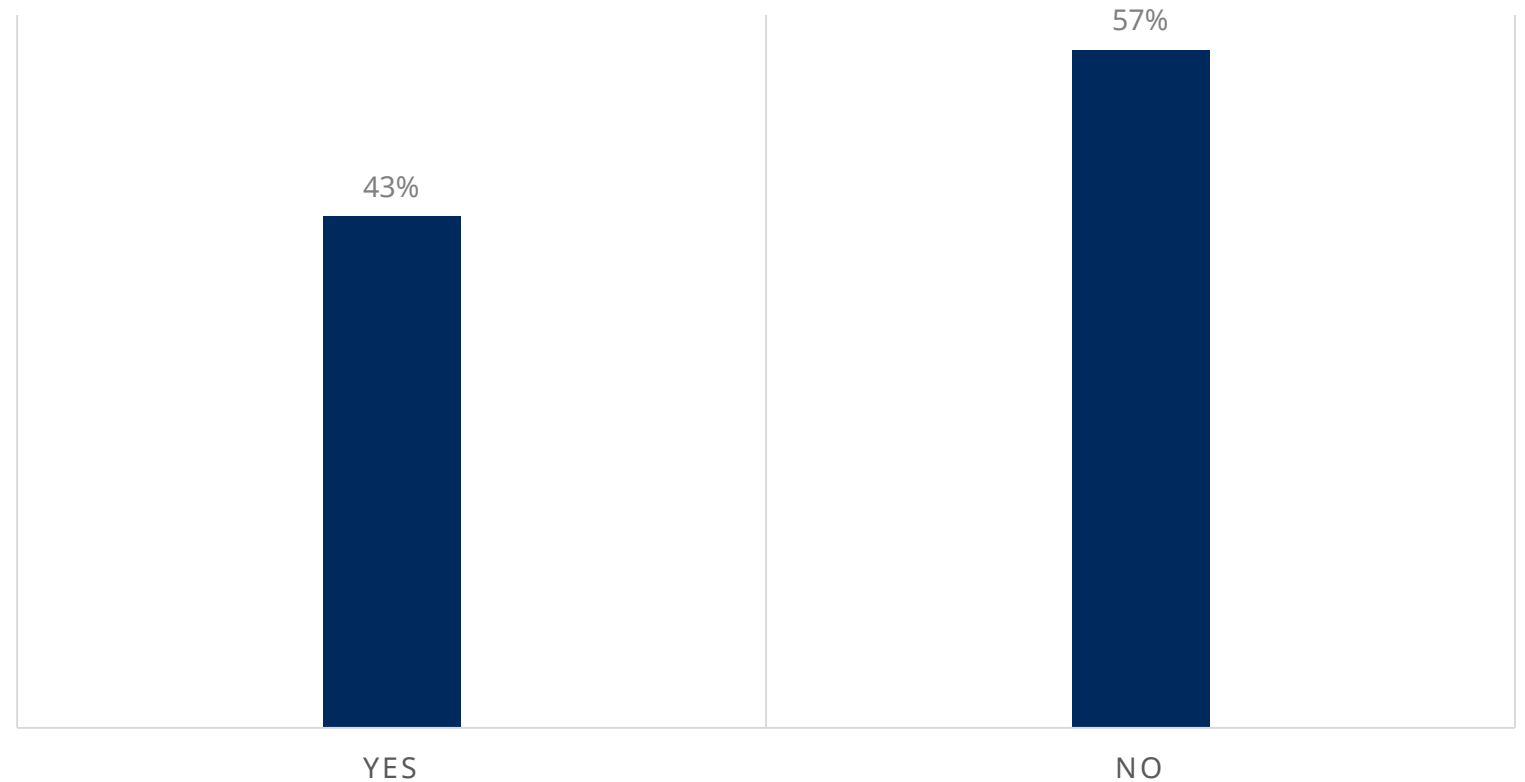


Source: Schroders Adviser Survey 2020

Fees

- 43% of advisers surveyed feel there is downward pressure on their advice charge while 57% do not

Do you feel that there is a downward pressure on your advice charge?



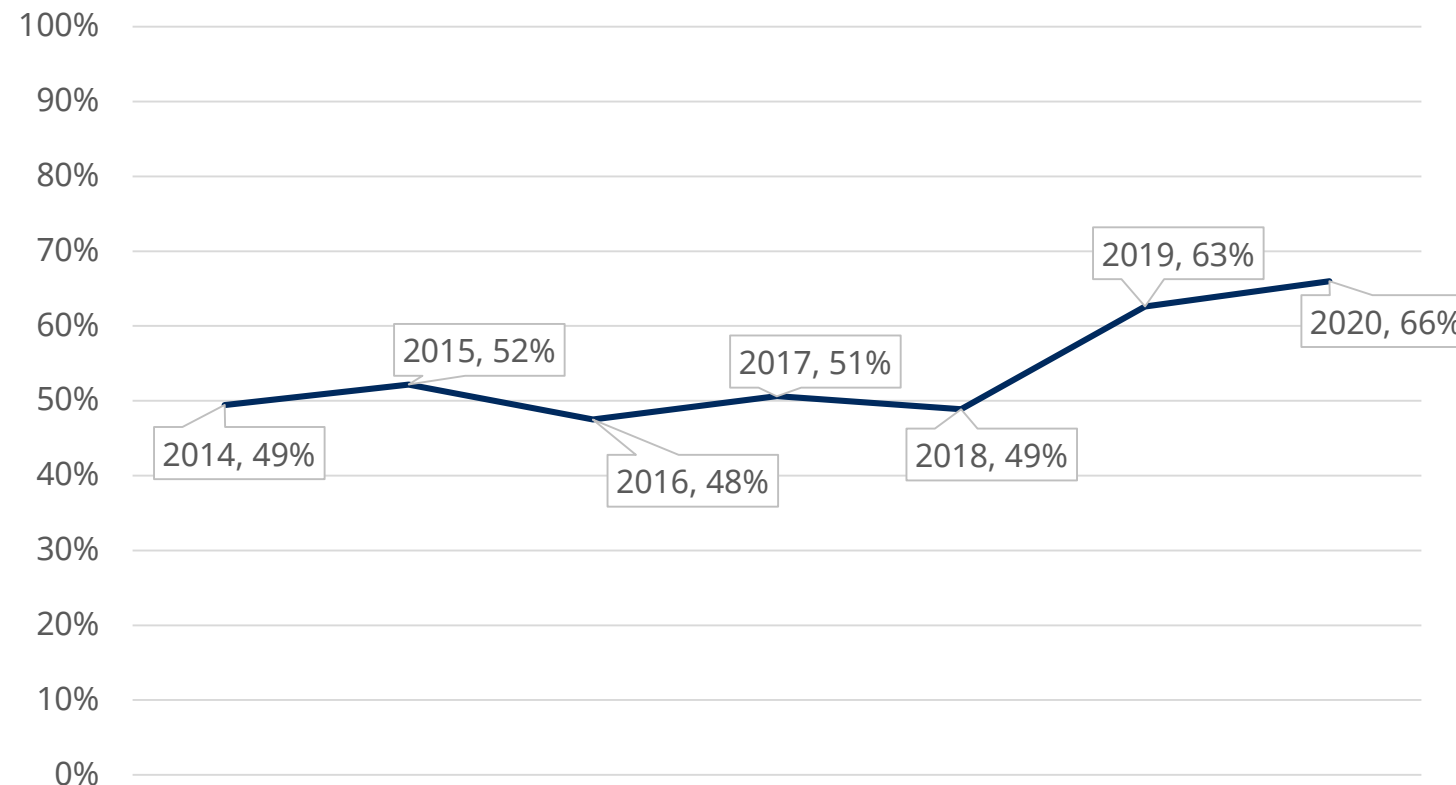
Source: Schroders Adviser Survey 2020

Client segmentation

- Since the PROD rules came into effect in January 2018, advisers have been required to 'identify the target market and their distribution strategy using 1) the information obtained from manufacturers and 2) information they have on their own clients'
- The number of advisers segmenting their client base has risen to 66% in 2020, up from 49% in 2018 and 63% in 2019

Do you segment your client base?

'Yes'

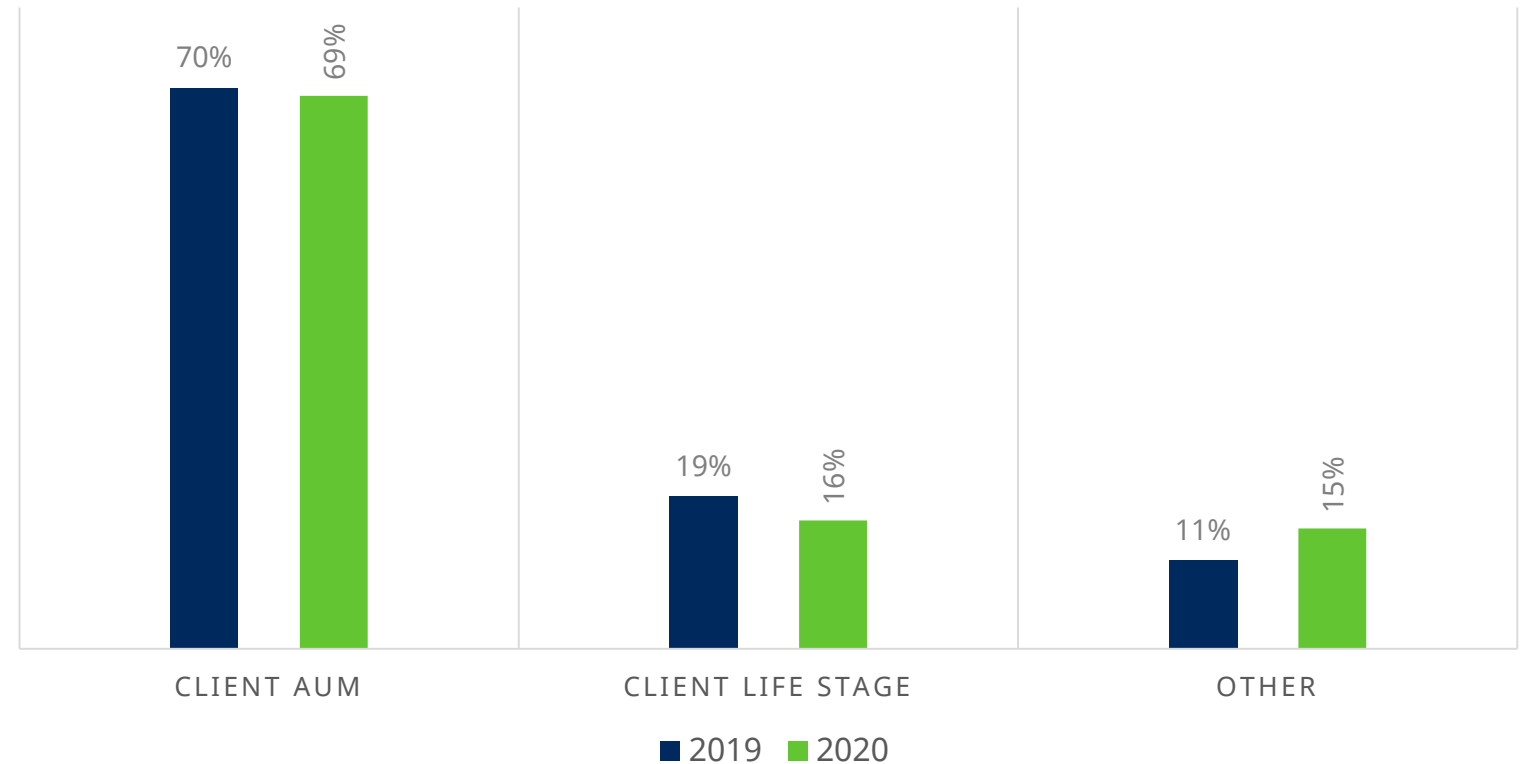


Source: Schroders Adviser Survey 2020

Client segmentation

- There has been little change in the way advisers segment their client base over the last year
- 69% of advisers surveyed who segment their client base do so on the simple basis of client AUM against 70% in 2019
- 16% of advisers segment their client base by life stage against 19% in 2019

If you segment your client base, what basis do you principally use?

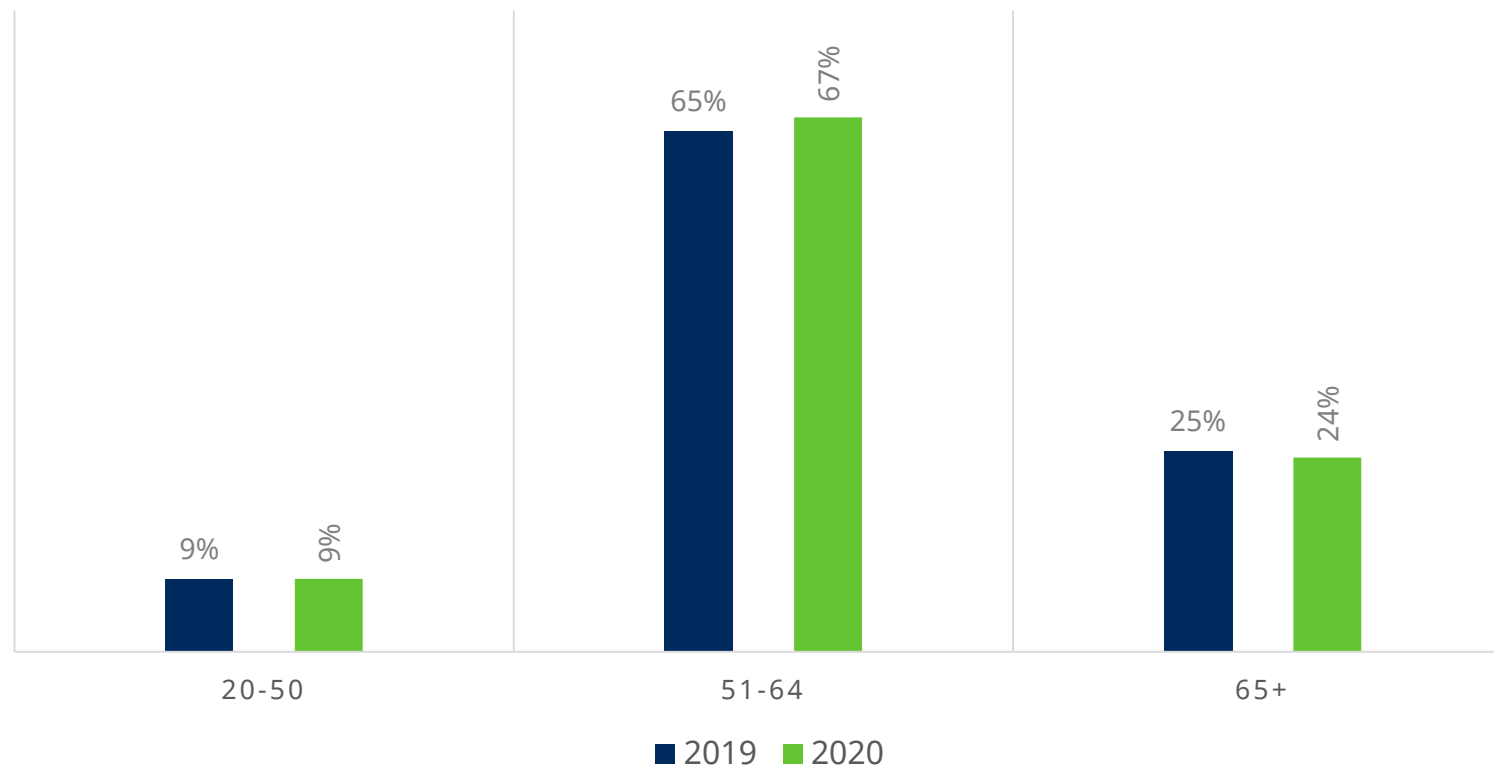


Source: Schroders Adviser Survey 2020

What is the average age of your client base?

Client age profile

- The age profile of clients has hardly changed over the past year
- 67% of advisers surveyed have clients with an average age of 50-65
- 24% of advisers surveyed have clients with an average age of 65+

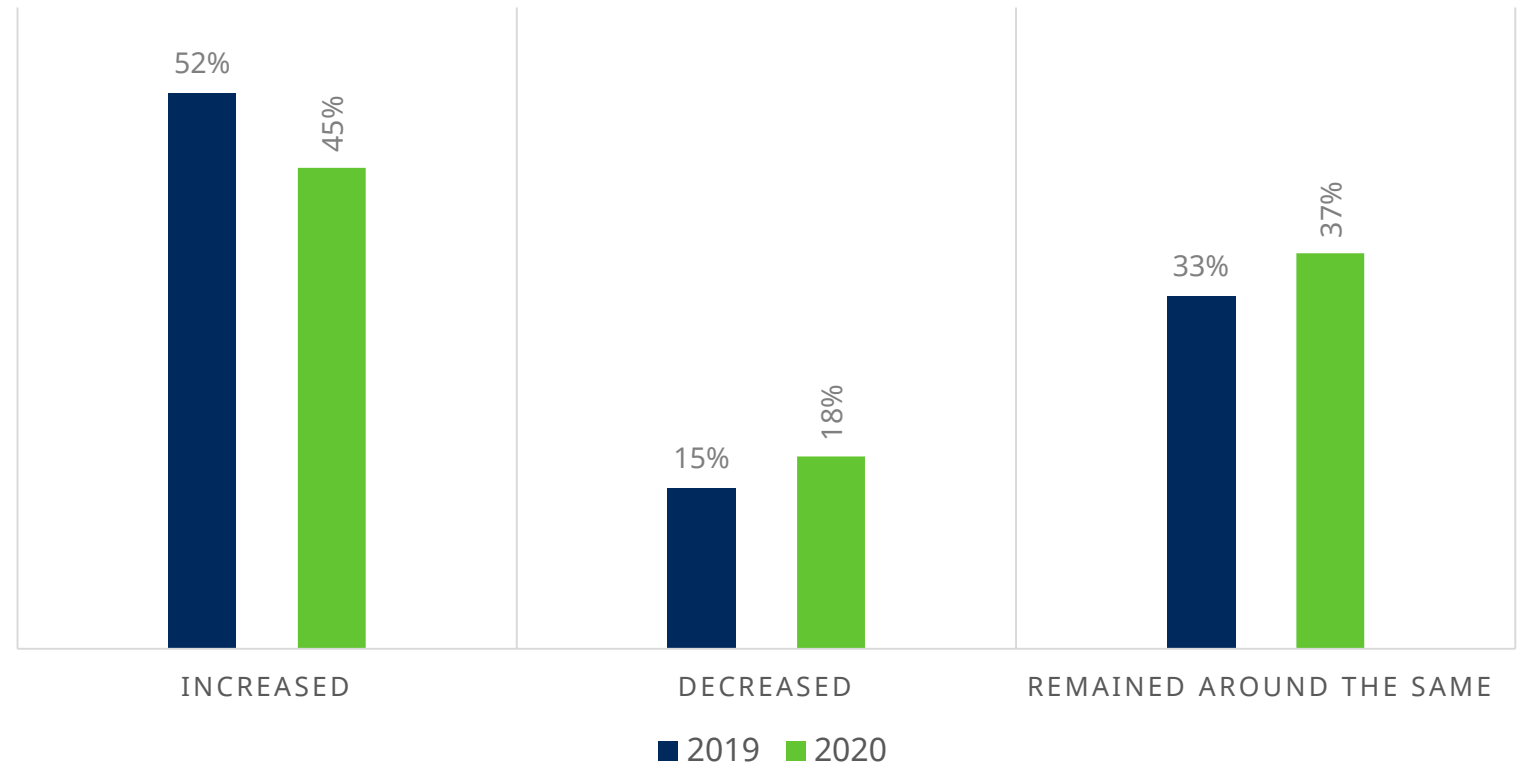


Source: Schroders Adviser Survey 2020

Client age profile

- 45% of advisers report that the average age profile of their clients has increased over the past five years. This implies that they are not attracting enough younger clients to keep the age profile of their client base stable
- Only 18% of advisers report that the average age profile of their clients has decreased, implying that they have been able to attract significant numbers of younger clients

How has the average age of your client base changed over the last five years?

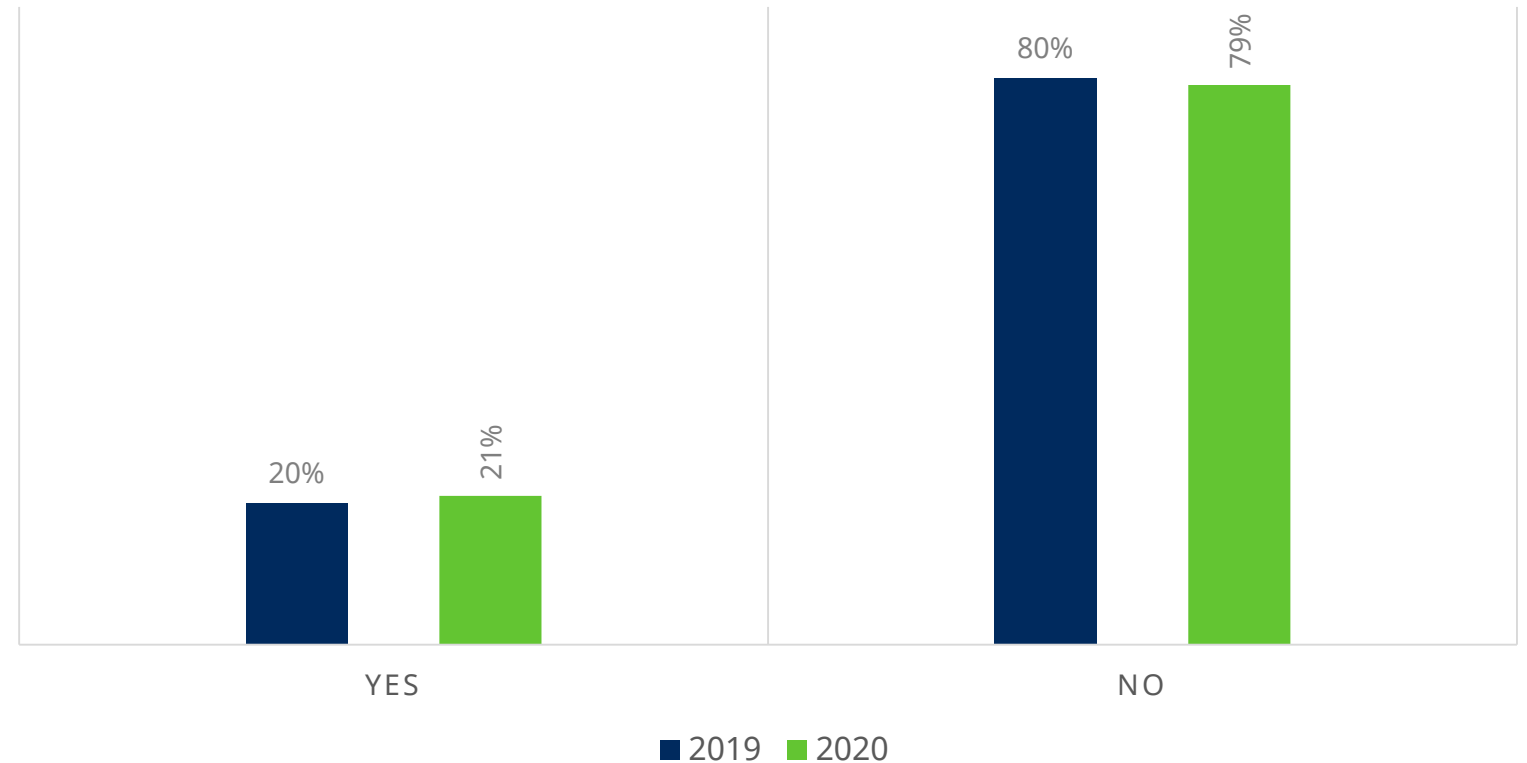


Source: Schroders Adviser Survey 2020

Client acquisition strategy

- Only 21% of advisers surveyed have a differentiated sales and marketing strategy targeting younger investors, almost the same as in 2019

Do you have a differentiated sales and marketing strategy targeting younger investors?

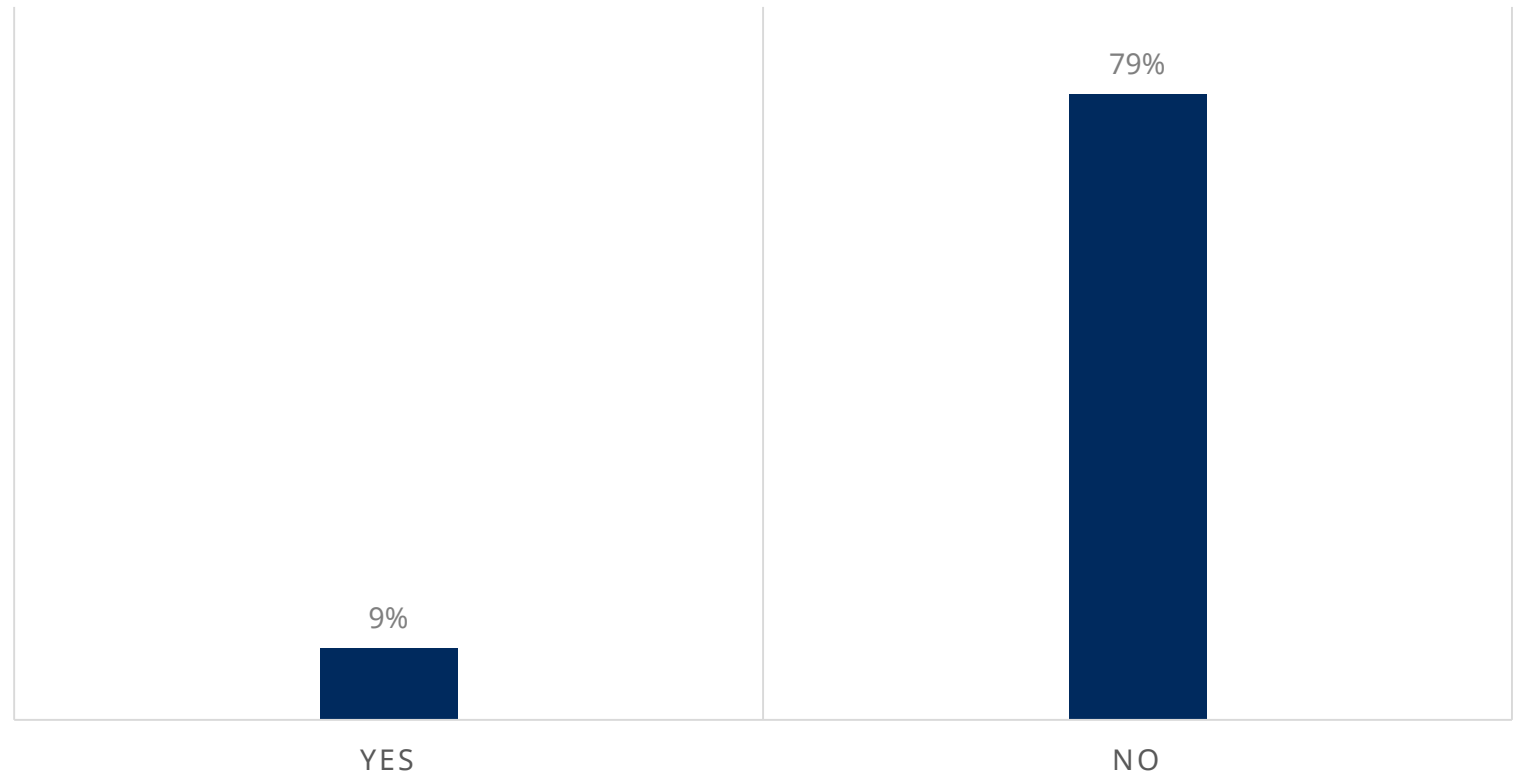


Source: Schroders Adviser Survey 2020

Client acquisition strategy

- 9 out of 10 advisers surveyed do not have a differentiated strategy for retaining, attracting and advising women - particularly divorced or widowed

Do you have a differentiated strategy for retaining, attracting and advising women - particularly divorced or widowed?



Source: Schroders Adviser Survey 2020

Intergenerational wealth transfer

- 78% of advisers view the impact of wealth transferring between generations as an opportunity for their business
- Only 15% of advisers view the impact of wealth transferring between generations as a threat to their business

How do you view the impact of wealth transferring between generations on your business?

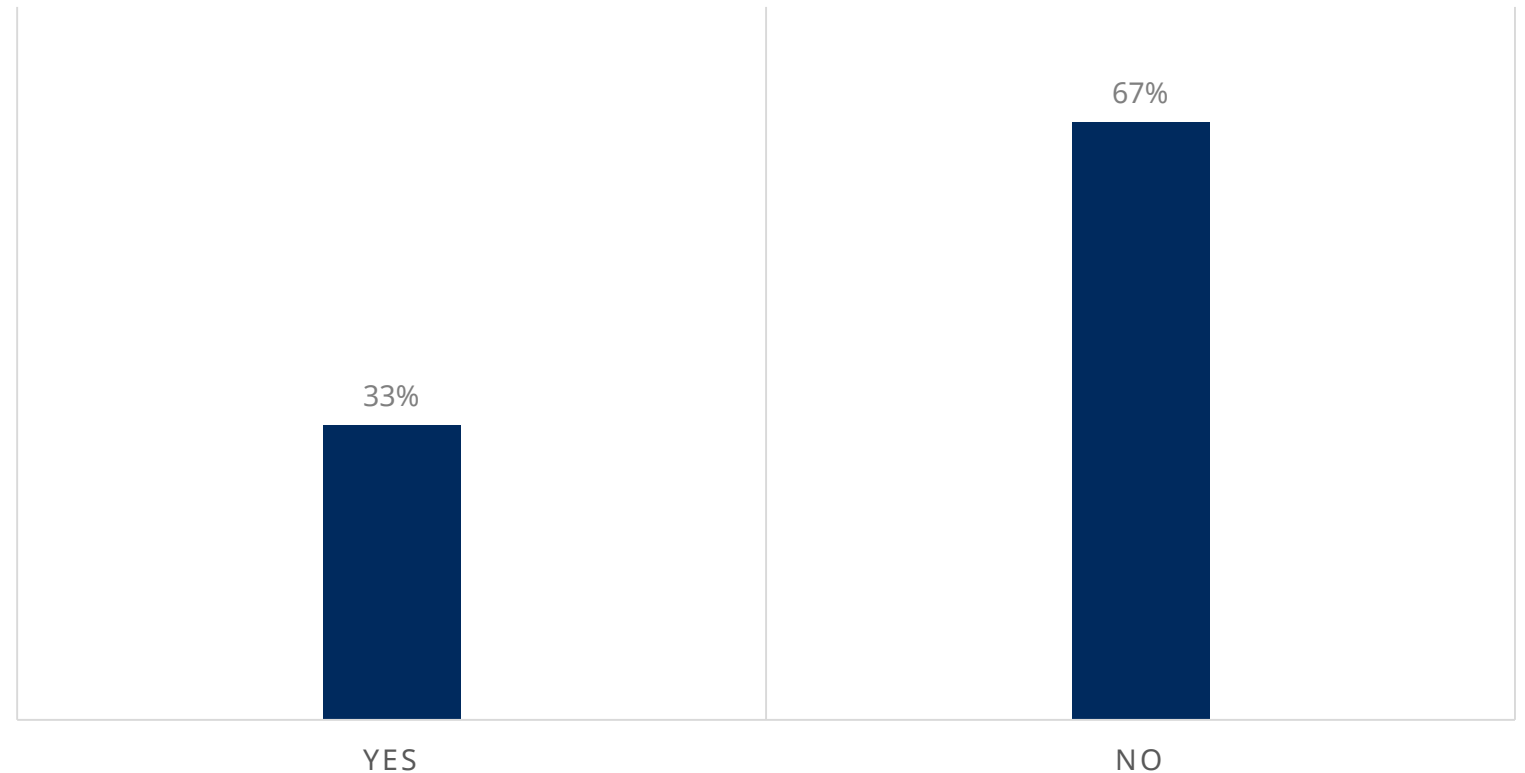


Source: Schroders Adviser Survey 2020

Intergenerational wealth transfer

- 1/3 of advisers surveyed have a specific proposition for targeting the transfer of family wealth to the next generation

Do you have a specific proposition for targeting the transfer of family wealth to the next generation?

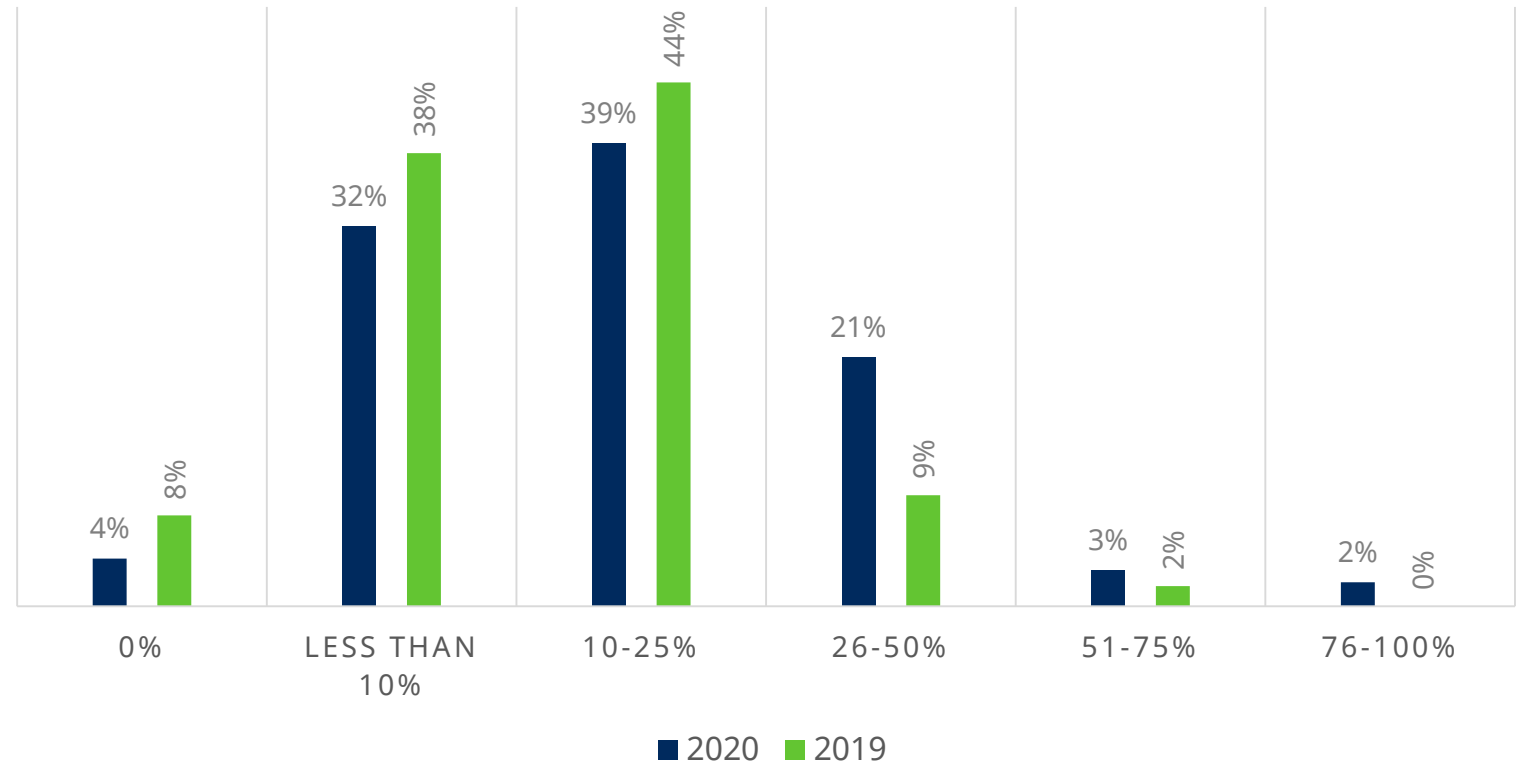


Source: Schroders Adviser Survey 2020

Active/passive investment

- 74% of advisers surveyed allocate less than 25% of client assets to passive investments, down from 89% in 2019
- 26% of advisers surveyed allocate more than 25% of client assets to passive investments, up from 11% in 2019

Approximately what % of your client AUM is managed passively?



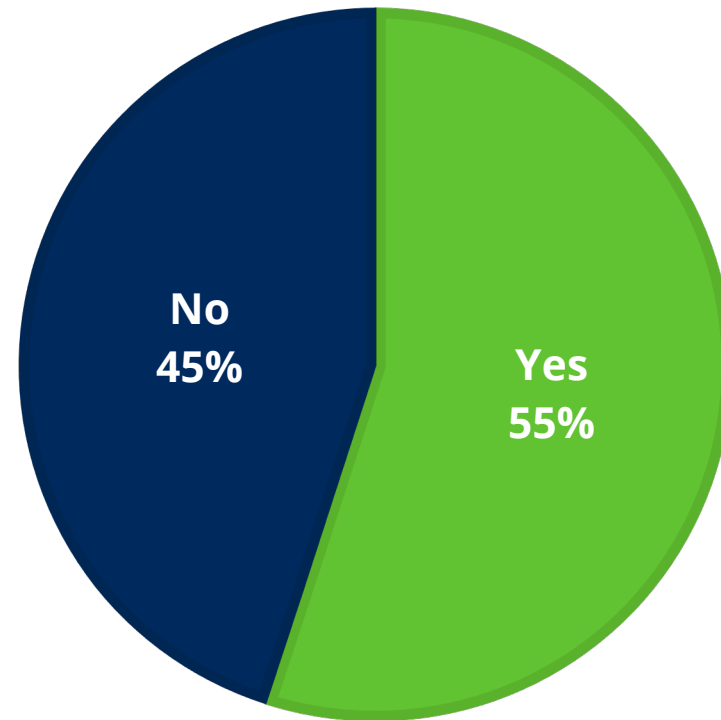
Source: Schroders Adviser Survey 2020

Active/passive investment

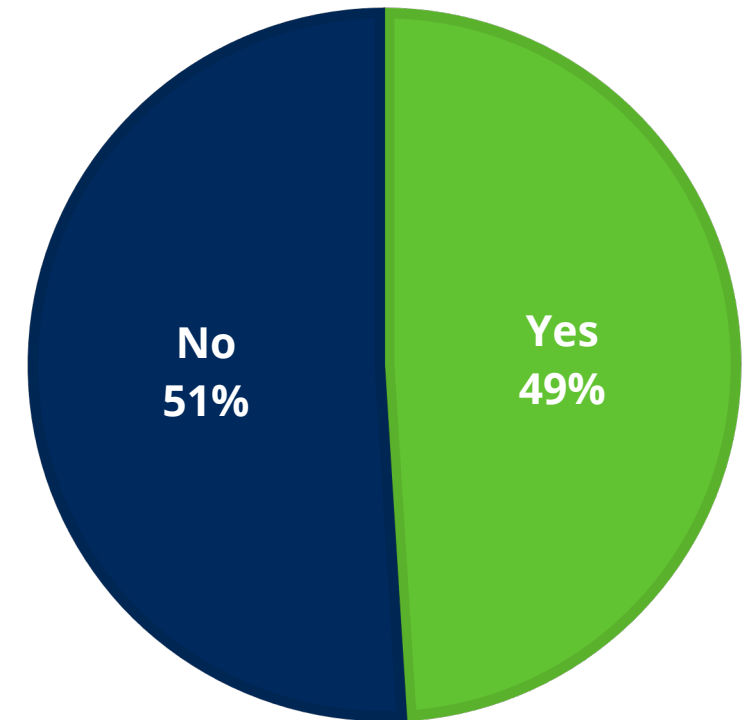
- 49% of advisers surveyed have increased the % of client AUM that is managed passively in the last 12 months

Has the % of your client AUM that is managed passively increased in the last 12 months?

November 2019



November 2020



Source: Schroders Adviser Survey 2020

Important information

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