

# Schroders in Focus

## Wealth Management

7 October 2021



# Strategic rationale and ambition

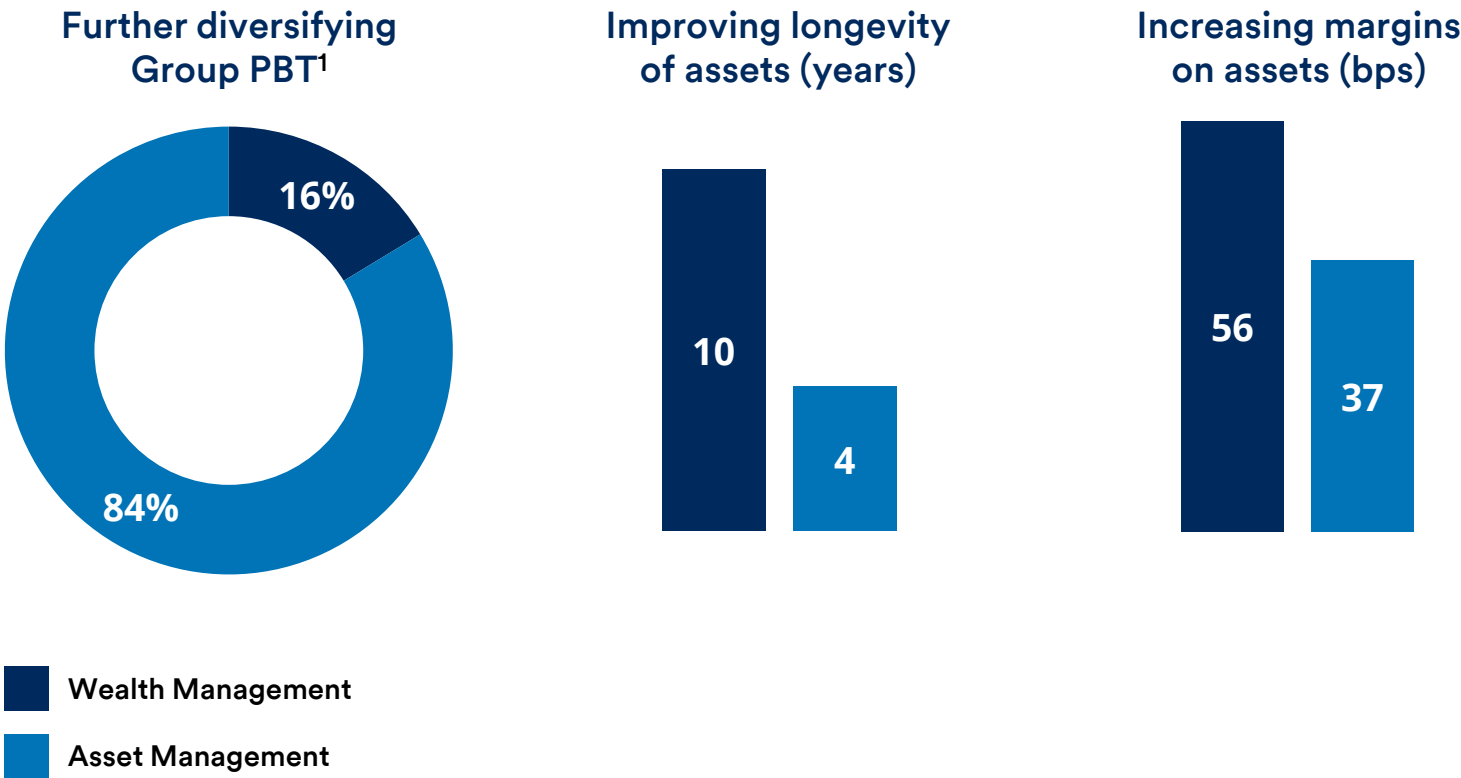
Schroders



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**Peter Harrison**  
Group Chief Executive

# Wealth Management – a strategic priority



<sup>1</sup>Profit before tax and exceptional items as at June 2021.



Moving closer to the end consumer



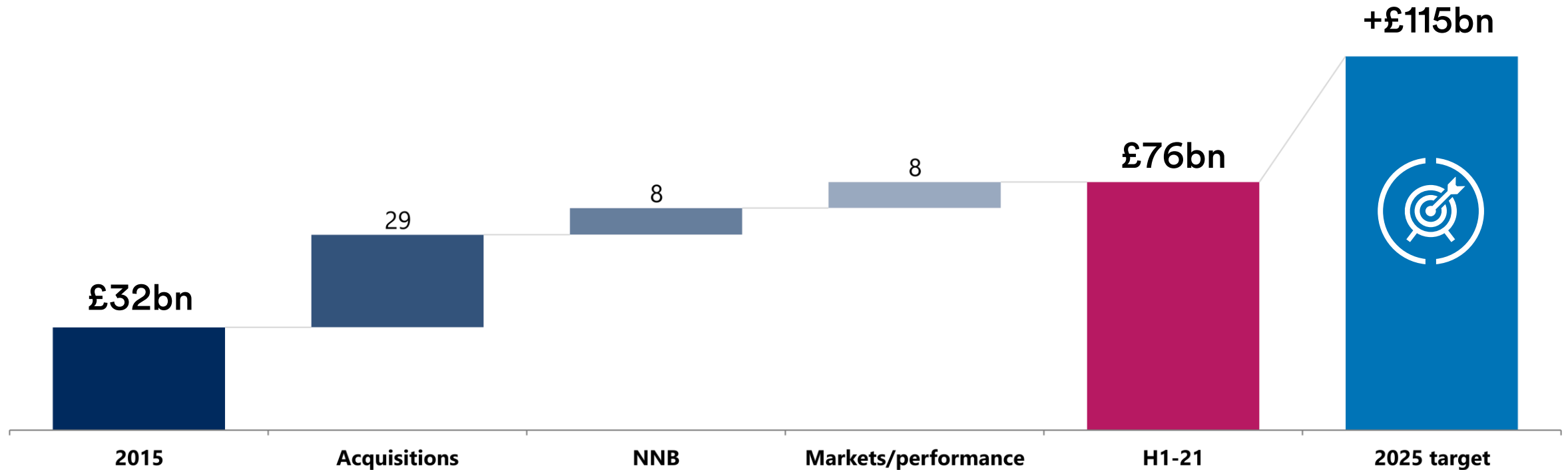
## Wealth Management

Strong track record  
of acquisitions  
and partnerships

- 2016 ○ Benchmark Capital  
B2B service provider
- 2017 ○ C. Hoare & Co.  
Wealth business
- 2019 ○ Lloyds JV SPW  
Lloyds Mayfair team  
Thirdrock  
Wealth business
- 2020 ○ Sandaire  
Family Office business

# Assets have more than doubled in 5 years

Targeted at +£115bn by end 2025



**5% NNB p.a.** of assets over next five years  
and continued acquisitions and partnerships

# What makes us different?

Schroders



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**Peter Hall**  
Global Head of Wealth  
Management

# Four distinct franchises...

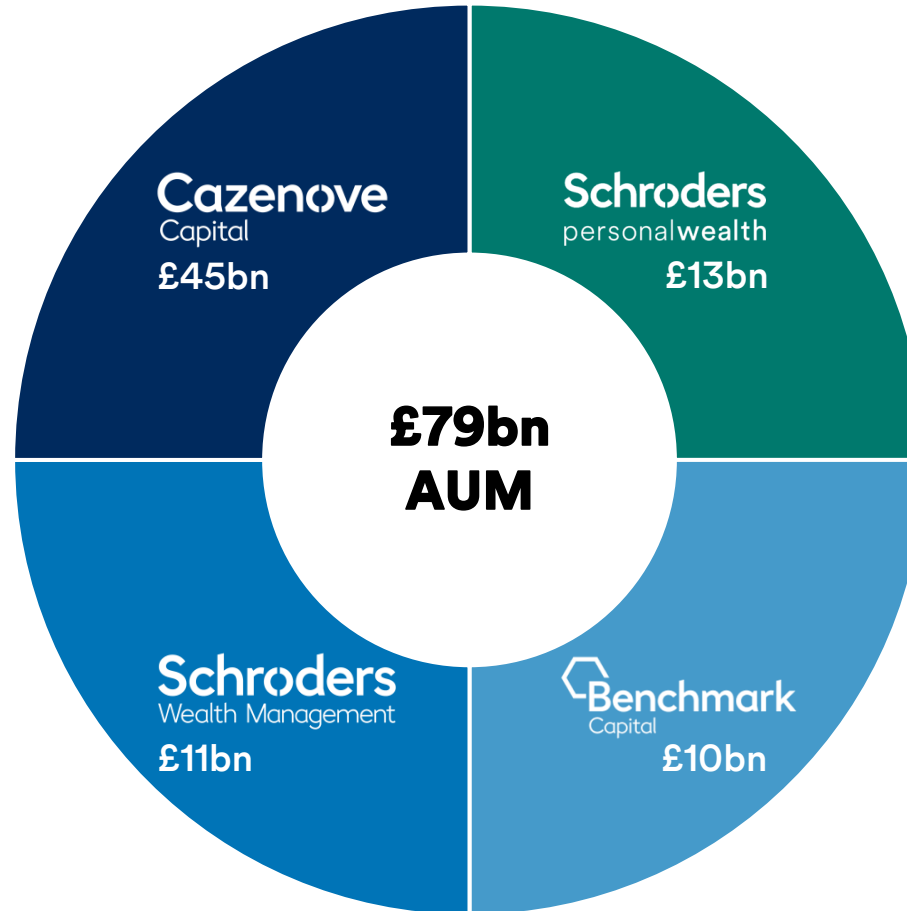
## High and Ultra High Net Worth

### United Kingdom

HNW, UHNW, Family Offices  
and Charities

### Continental Europe and Asia

Booking centres in the Channel Islands,  
Switzerland, Hong Kong and Singapore



## Affluent

### B2C

Individuals needing  
financial planning advice

### B2B

Advisers needing technology,  
investment and succession planning

# ...all leveraging Schroders' key strengths

## Private Assets offering

£48bn franchise with impact leadership in Blue Orchard

## Trusted global brand

Top five global brand<sup>1</sup>

## Lloyds Bank Relationship

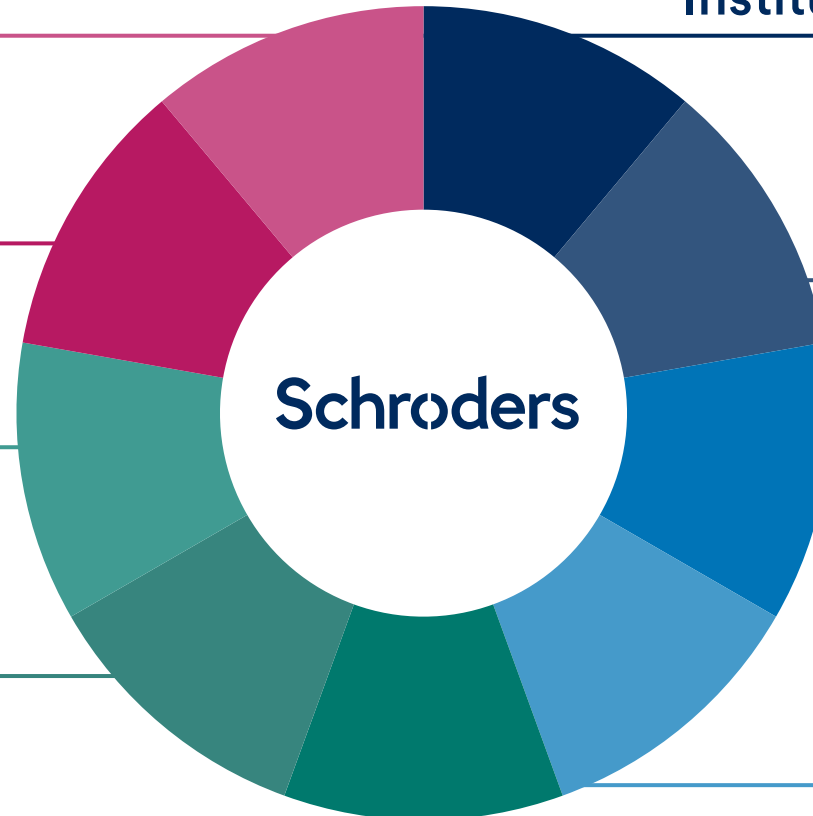
50% of UK adults have relationship with Lloyds Banking Group

## Family ownership

6<sup>th</sup> generation family ownership

## Sustainability leadership

Proprietary SustainEx tool



## Institutional investment expertise

700 professionals across 30 countries

## Financial strength

Over £700bn AUM, £4bn of capital

## Technology

Scalable and efficient platforms  
Differentiated propositions

## Intermediary distribution channel

UK distribution team of 30 people

<sup>1</sup>NMG consulting – Global asset management brand study 2020.



# Key secular trends – underpinning opportunities...

## Wealth creation in UK regions<sup>1</sup>

- Over 60% of UK wealth located outside London and the South East
- North West and North East growing at 8.0% and 10.8%, respectively

## Fragmentation in family office segment<sup>2</sup>

- Five largest independent multi-family offices represent less than 2% of the aggregate wealth for the EMEA UHNW market

## Declining UK adviser numbers with many approaching retirement<sup>3</sup>

- Reduction from 220k+ advisers to 27.5k over the last 30 years
- Liquid wealth has grown to £1.8tn today
- Average age of advisers: 58 years

## Holy grail of single picture of your financial affairs

- Emerging moves by challenger banks into Wealth
- Open Finance

## Rise of the Moderate Green segment<sup>4</sup>

- 31% of investors are interested in a sustainable option

# ...creating five drivers accelerating growth

Business  
owners across  
UK regions

**Cazenove**  
Capital

Global Family  
Office Service

**Cazenove**  
Capital

**Schroders**  
Wealth Management

Deeper  
penetration of  
UK adviser market

 **Benchmark**  
Capital

UK Affluent  
financial planning

**Schroders**  
personalwealth

Personalised sustainable investment

# Revenue and profit margins projected as stable while we deliver on growth initiatives

## Revenue margin

56bps

Interest income	+
Growth of affluent	+
Cross selling	+
Adviser platform pricing	-
Charities	-

## Profit margin

31%

Scale economies	+
IT investment	+
Digitalisation	+
Cost of talent	-

**Our  
leadership team**

**Strong track record  
of delivery**



**Peter Hall**  
Global Head of  
Wealth Management



**Mary-Anne Daly**  
Chief Executive Officer  
Cazenove Capital



**David White**  
Chief Executive Officer  
Benchmark Capital



**Mark Duckworth**  
Chief Executive Officer  
Schroders Personal Wealth



**Kate Rogers**  
Global Head of Sustainability,  
Wealth Management



**Giles Neville**  
Head of Wealth Management  
Channel Islands



**Adrian Noesberger**  
Head of Wealth Management  
Switzerland



**Jason Lai**  
Head of Wealth Management  
Asia



**Caspar Rock**  
Chief Investment Officer,  
Wealth Management



**Mark Baker**  
Chief Operating Officer,  
Wealth Management



**Helen Fitzgerald**  
Chief Financial Officer,  
Wealth Management



**Ben Noah**  
Head of Compliance,  
Wealth Management



**Mitesh Mistry**  
Global Head of Marketing,  
Wealth Management



**Fahmida Afrin**  
HR Business Partner,  
Wealth Management

# Accelerating growth

**Cazenove**  
Capital



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**Mary-Anne Daly**  
Chief Executive Officer

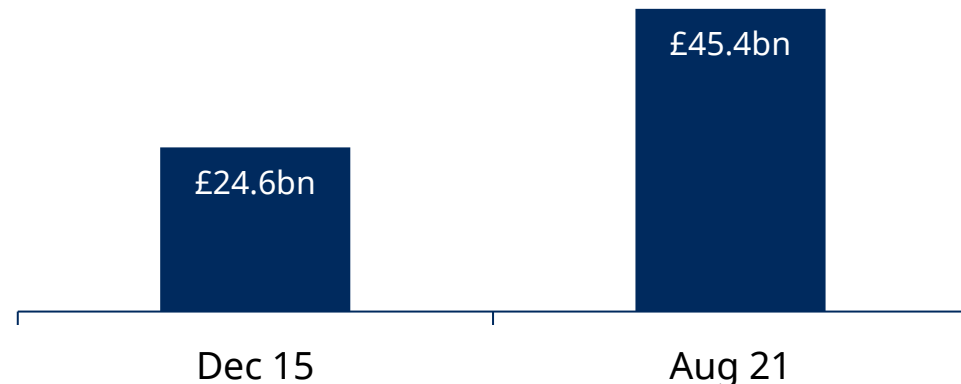
# Cazenove Capital

## What do clients look for?

A personal, trusted relationship	Continuity through time
Quality advice and performance	Risk control

## Growth trajectory

**Current year annualised NNB<sup>1</sup> of 4%  
up from 2.5% in 2020**



<sup>1</sup>August 2021 year to date annualised.

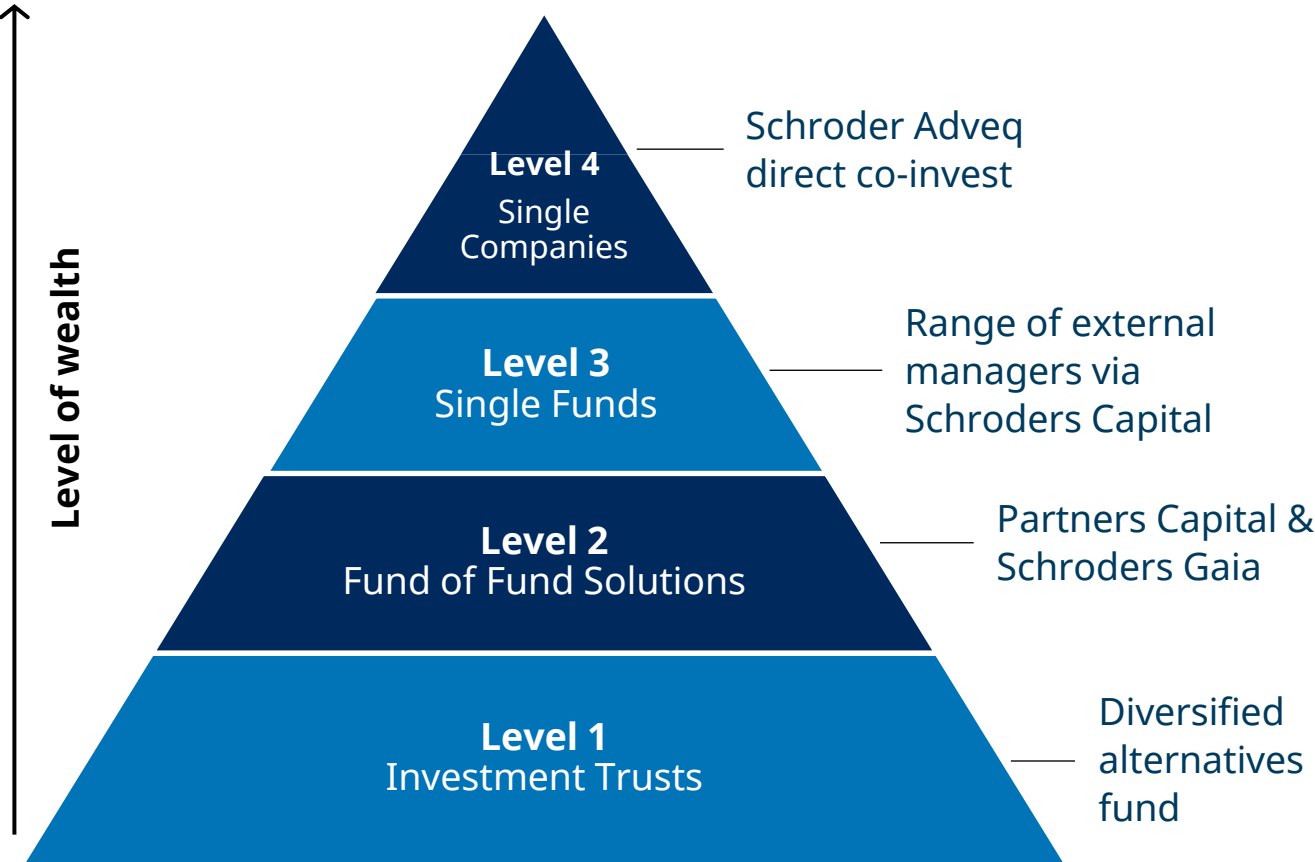
## What sets us apart?

- Schroders' financial strength and stability
- Sophisticated wealth planning advice  
Global out-performing<sup>2</sup> investment reach
- Exceptional, stable talent  
Strong next-generation pool of advisers
- Deep client relationships  
Strong referral base: clients and their professional advisers
- Lloyds Business Bank: grow business-owners franchise throughout the UK

<sup>2</sup>Source: ARC at 31 December 2020. Performance vs. peer-group averages, all risk categories, £, € and \$ over 1, 3 yrs.

# Examples of continued strengthening of client proposition

## Private Assets



## Sustainable Reporting – Informing all clients

Real example of client transferring-in legacy assets (with sub-optimal sustainability ratings)

### Sustainability dashboard

#### Portfolio equities vs MSCI AC World

##### Planet

###### Carbon Emissions



4% higher than the benchmark

##### People

###### Social Dividend



0.9%  
vs 1.5%

#### Fund Manager Sustainability Ratings (% total portfolio)



Portfolio Rating  
3.5

Source: Cazenove Capital. The sustainability ratings are from 1 to 5 (1 being the worst and 5 the best) and are derived from the 2021 results of our proprietary annual ESG firm-level questionnaire.

Driver to  
accelerate  
growth:

Business  
owners  
across  
UK regions

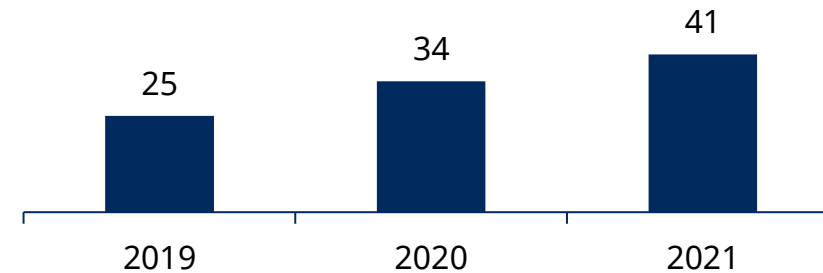
# Grow franchise with business owners across the UK

## Hire regional top-talent, leverage Lloyds' reach

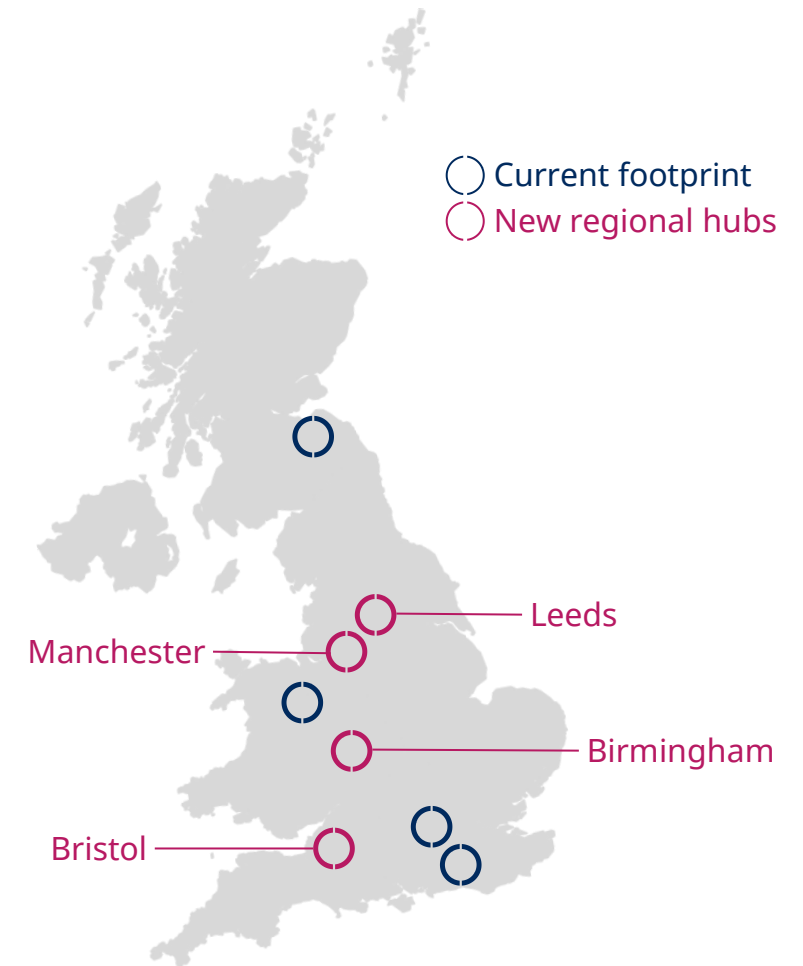
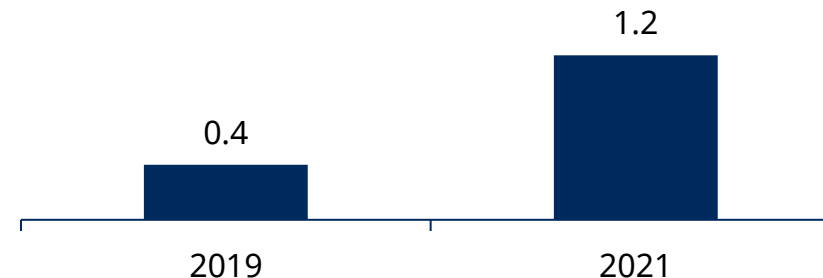
### The opportunity:

- 60% of UK Wealth located outside London and SE
- NW growing at 8.0%, NE at 10.8%
- Lloyds share of UK SME & Mid corporates<sup>1</sup>: 20% (61k customers)
- Share of FTSE 100 and FTSE 250 corporates<sup>2</sup>: 60%

### Regional headcount: 16 new hires



### Lloyds new business pipeline: £1.2billion



<sup>1</sup>Source: Lloyds Banking Group. Corporates with T/O of £3m-£100m: 61,000 customers.

<sup>2</sup>Source: Lloyds Banking Group. Corporates with T/O of £100m+: 4,000 customers.

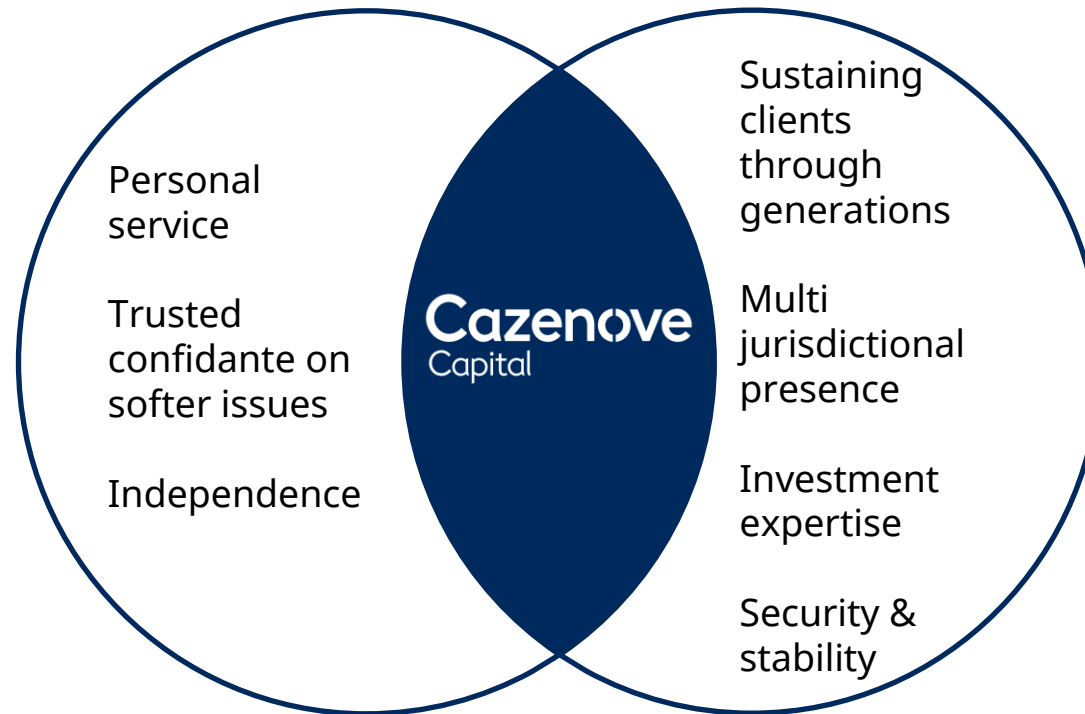


Driver to  
accelerate  
growth:

Global  
Family  
Office  
Service

Grow franchise in UHNW segment...  
Sandaire acquisition: part of that strategic focus

Today: 285 clients with +£25m invested with us; 47 with +£100m



Combining the service of small family offices with  
the resources of a global FTSE 100 business

# To conclude: A highly reputed, stable and profitable business... ...on a trajectory of continued growth acceleration



**A growing** as well as **fragmented** market:

- 55% of clients today are current-generation wealth:  
40% are or were business-owners, 20% come from the world of finance
- Strong track record of integrating carefully selected, accretive acquisitions



**Longevity:** multi-generational relationships – many clients span 20+ years  
Strong referral flow from them and their networks of professional advisers



**An employer of choice** for top-quality experienced and next-generation talent...  
Attracted as much by Cazenove's client-centric, collaborative culture as our development ambitions



**Two important growth acceleration opportunities:**

- Expand regional business-owners franchise, leveraging Lloyds business bank
- UHNW market

**Underpinned by Schroders' financial strength, stability and investment reach**

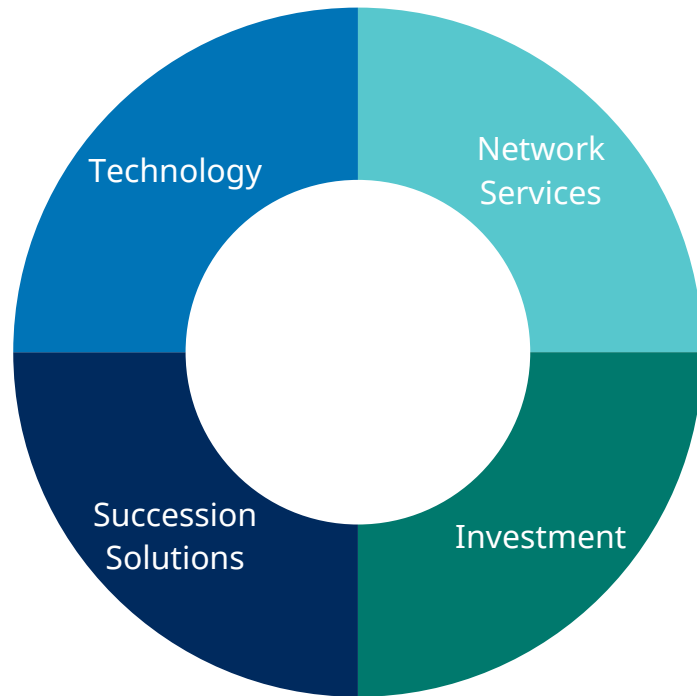
# Growing our B2B adviser services franchise



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**David White**  
Chief Executive Officer

# A set of integrated solutions designed to simplify an adviser business



## We do this in four ways:



**Technology** – enabling advisers to improve the end-to-end client experience and transact through our proprietary platform and client portal



**Network Services** – providing compliance oversight, training, regulatory support and financial advice supervision



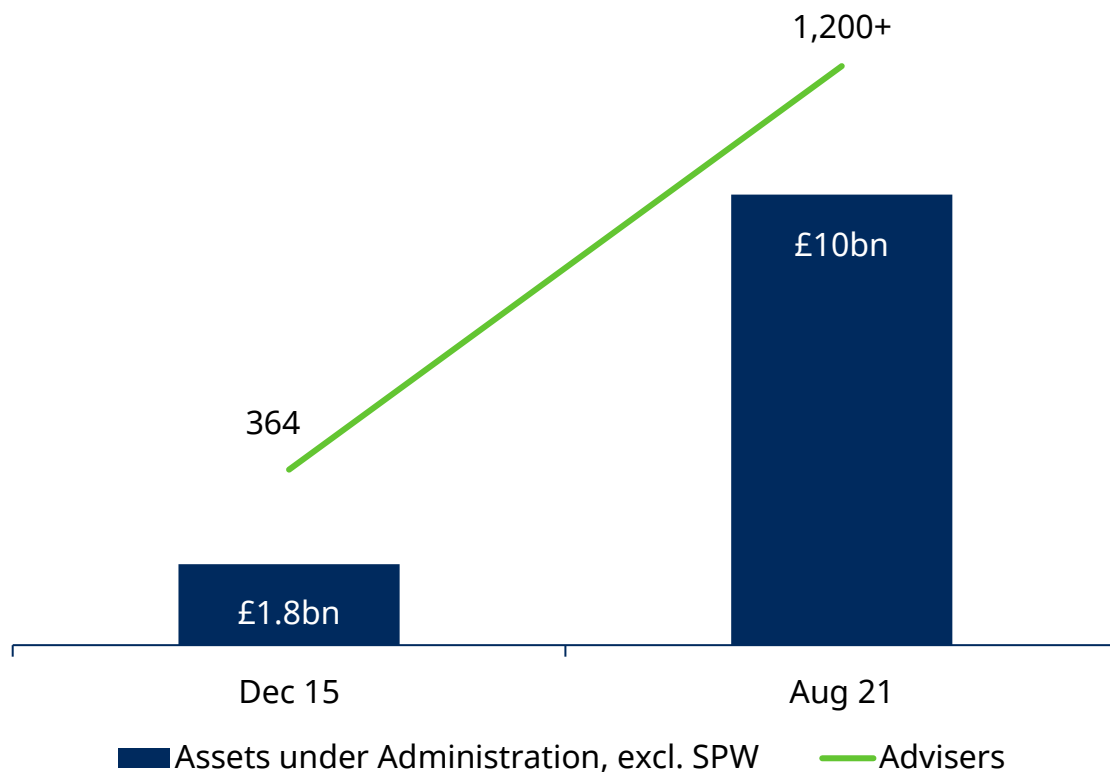
**Investment** – offering index, active and sustainable options via the Schroder Investments Solutions Model Portfolio Service



**Succession Solutions** – helping advisers realise value in their business via an outright purchase or financing succession planning for their next generation

# Accelerating growth through differentiation

Current annualised NNB of 8%<sup>1</sup>



<sup>1</sup>6% without associates as at August 2021 year to date annualised, excludes SPW.

<sup>2</sup>Source: Morningstar and Schroder Investment solutions, as at 30 June 2021.

## What sets us apart?



Breadth and depth of our offering across all of our four integrated solutions



Proven Model Portfolio Solution (MPS) – 89% in the top quartile for investment performance over 5 years<sup>2</sup>



Flexible succession planning offer – from start up to exit (over 35 deals completed), and very strong pipeline

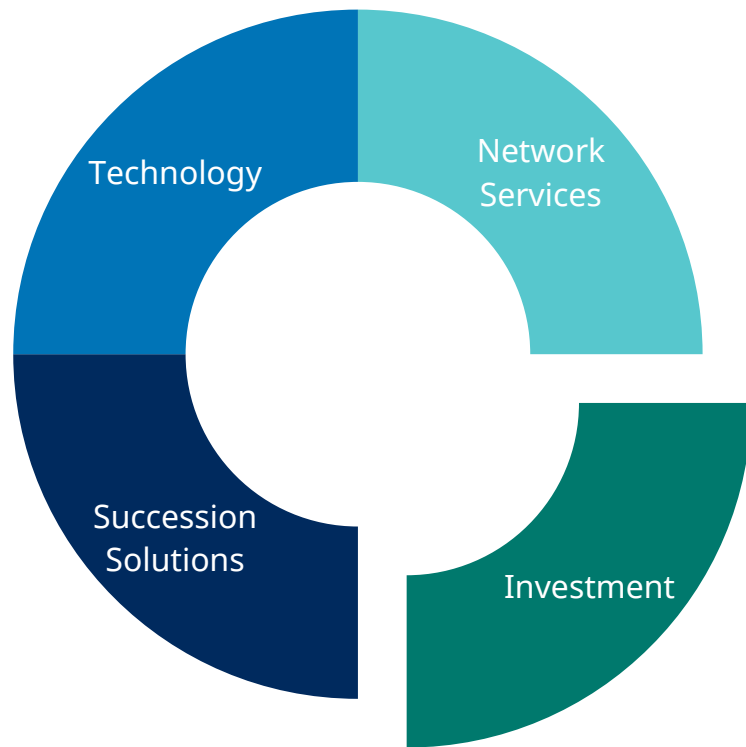


Access to all Schroders' strengths, notably capital, distribution team and investment expertise



Leading Adviser Business winner for 7 consecutive years and Best Wealth Management Platform 2021 winner at the UK Platforms Award

## Recent development: Strengthened our capability with new investment offering



## A turnkey investment proposition:



An extensive range of Active, Index and Sustainable Portfolios with the launch of Schroder Investment Solutions



Competitive Model Portfolio Solution (MPS) Pricing at 15bps



Strong investment performance with 89% in top quartile over five years



£4bn in assets (top 10 player) and available on 12 leading platforms








Post launch, monthly flows increased and now at an average of £51m, with momentum building

Driver to  
accelerate  
growth:

Penetration  
of UK adviser  
market

# A segmented and targeted approach to accelerate our growth through 2025

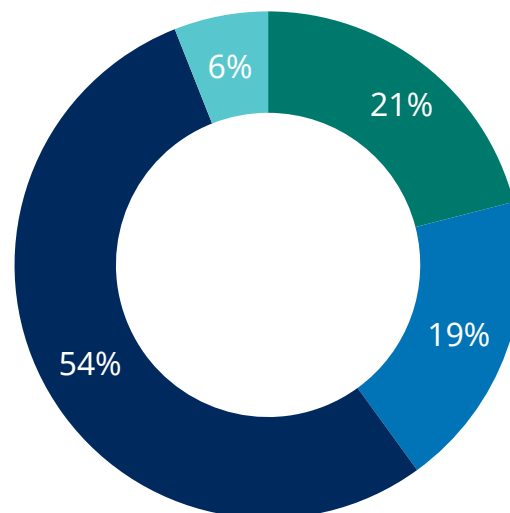
		Size of segment (additional no. of advisers)
Turnkey advisers	Requiring an out-of-the-box solution, aligned to a turnkey model meeting Benchmark's standards	 +2,900
Network switchers	Seeking to switch network in the next 1–5 years due to dissatisfaction	 +1,800
'Accelerate to exit'	Wanting to exit the industry in the next 2–5 years and looking for a credible partner to power this	 +4,600
Breakaway advisers	15% of largest advisers (48 firms who have over 50 advisers) indicate desire to set up own practice within 1–5 years	 +2,100
Investment only firms	83% of advisers use model portfolios, of which an estimated 30% outsource, and wish to remain with their preferred platform	 +6,800

**Driver to  
accelerate  
growth:**

**Penetration  
of UK adviser  
market**

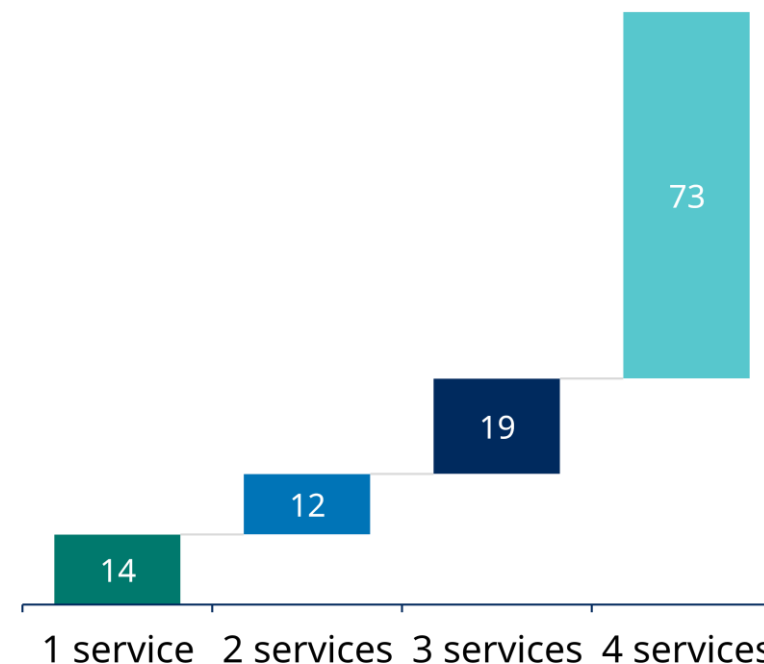
Clear and proven opportunity to increase  
cross sell of services and raise margin

**Number of services used**  
(number of advisers)



■ 1 service ■ 2 services  
■ 3 services ■ 4 services

**Fees generated**  
(blended in basis points)





# The next stage of growth

**Schroders**  
personalwealth

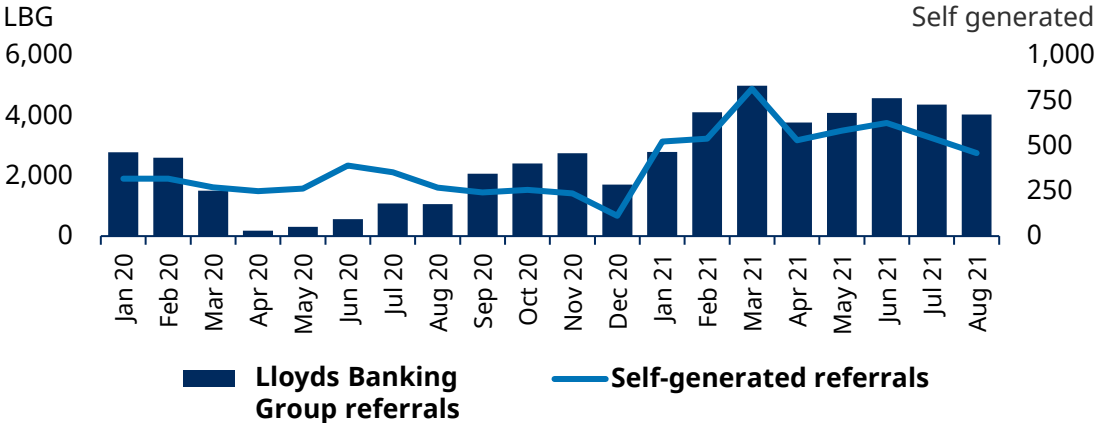


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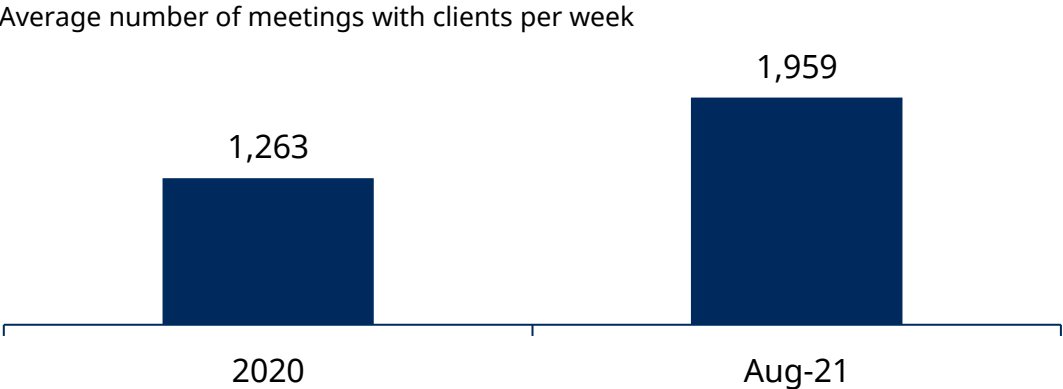
**Mark Duckworth**  
Chief Executive Officer

# Schroders Personal Wealth: Turning the corner

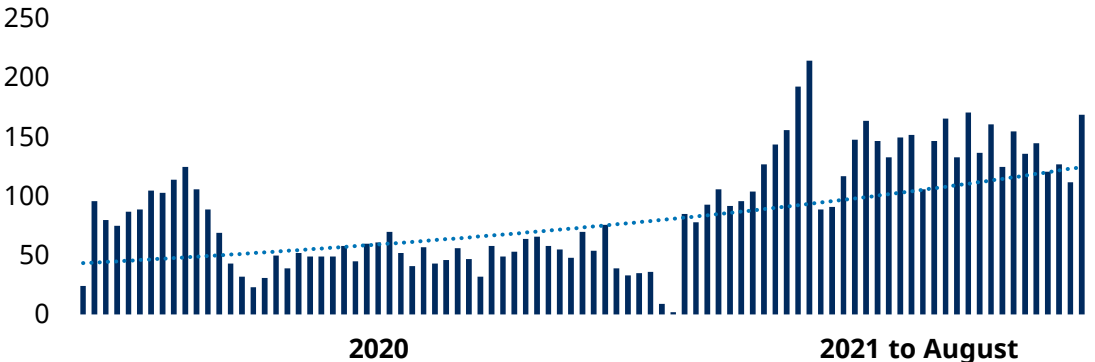
## Increasing number of referrals



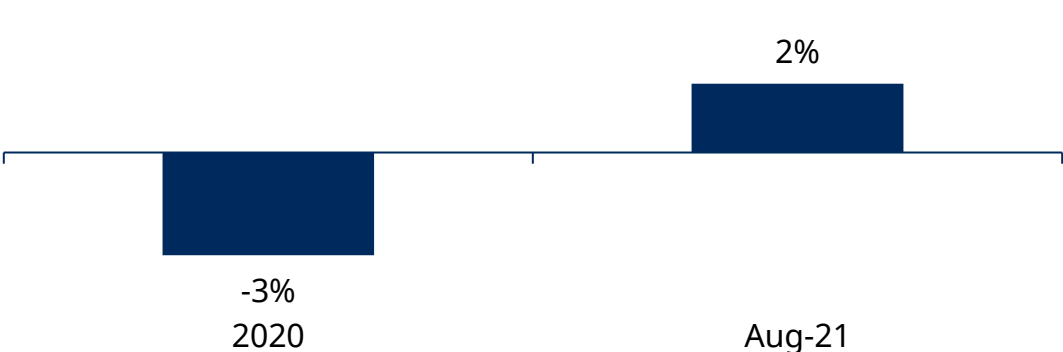
## Improved productivity of advisers



## Clients purchasing per week since 2020

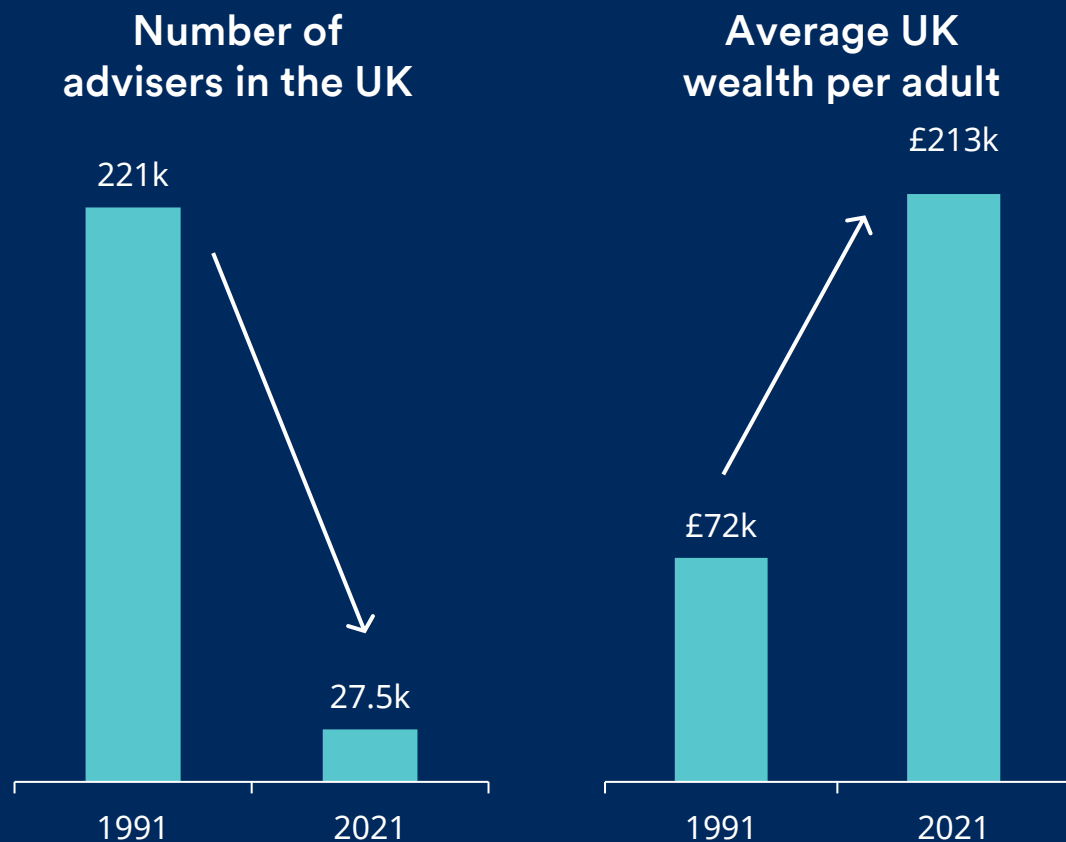


## Current year annualised NNB<sup>1</sup> running at 2%



<sup>1</sup>August 2021 year to date annualised. NNB for OpCo only, excludes ACD. (Solution Funds).

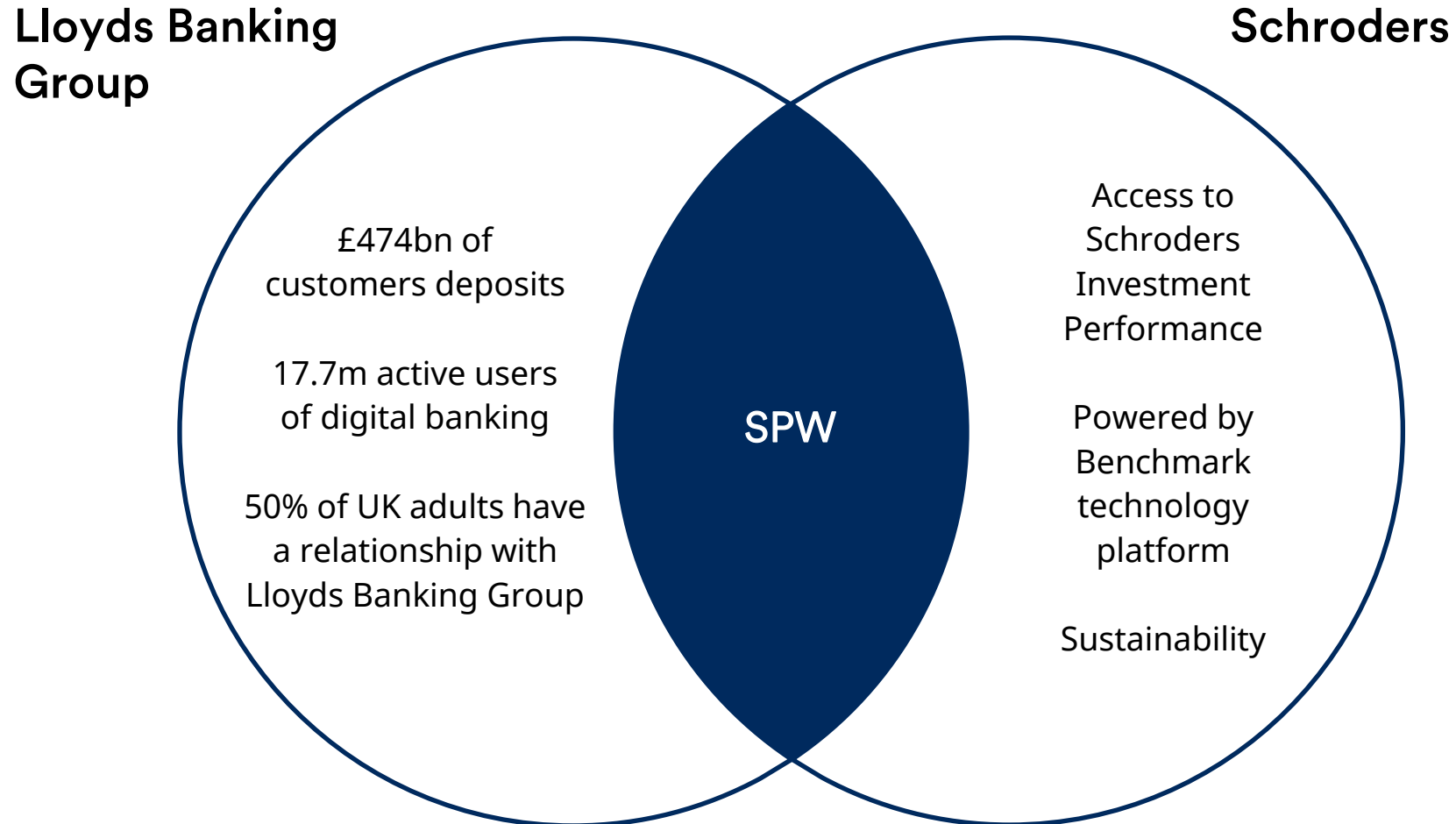
# Capturing the opportunity offered by reducing adviser numbers



## 90 advisers trained through the SPW Academy since launch

- Advisers are employed
- Accelerated Academy program & qualified hires
- Introductions from Lloyds Banking Group

# A business model with unique strengths...



# Unique client proposition

**Single picture of finances  
across banking and investments**

**Market leading propositions  
available and being developed  
e.g. 0% commission protection, ESG**

**Customised proposition over  
lifetime by profession e.g.  
healthcare, professional services**

**Better value for money than  
peers helping clients**

**Client with £150k investment and +£20k p.a. would  
be £22k–£49k better off over fifteen years vs. competitors**

# Sustainability: Our competitive edge



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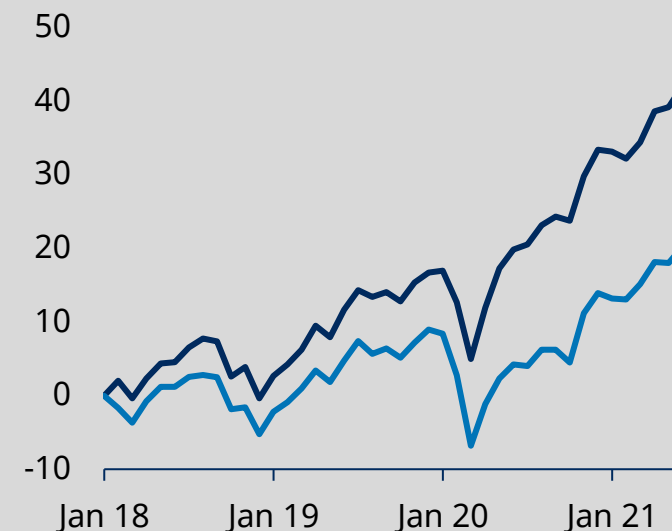
**Kate Rogers**  
Global Head of Sustainability

# What sets us apart?

## 01. Performance

Strong financial performance vs. peers

■ Cazenove Sustainability Growth  
■ ARC Steady Growth



Source: Cazenove Capital and Lipper. Data to 30 June 2021.

## 02. Impact

- Meaningful and measurable impact
- Engaging reporting

People



**3x**  
social benefit

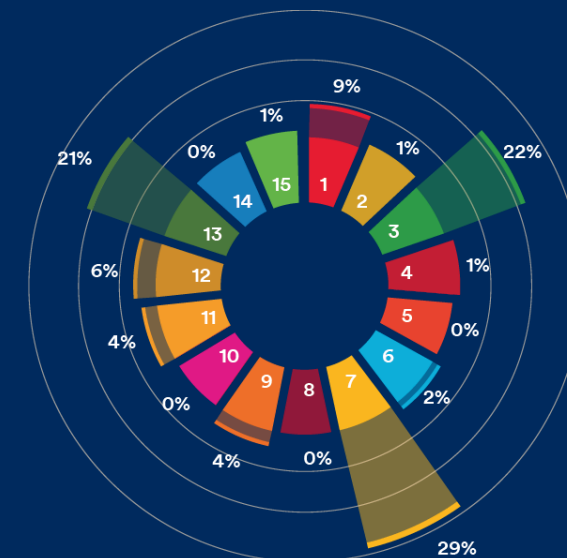
Planet



**85%**  
less carbon emissions

## 03. Personalisation

Designing portfolios to meet individual values – aligned to the UN SDGs

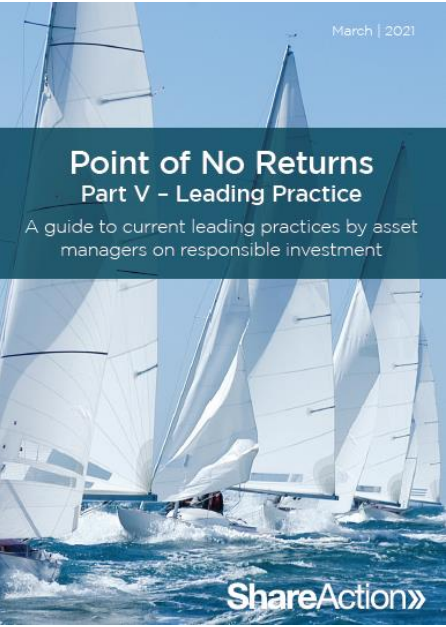




# Don't just take it from us...



In association with  
**BMO**  **Global Asset Management**



**University Of Reading Endowment To Be Managed By Cazenove Capital**  
6 February 2020  Greg Winterton  
The University of Reading in the U.K has selected Cazenove Capital to run its £120mn multi-asset endowment portfolio. Sustainability played an important part in the selection process.  
Samantha Foley, Chief Financial Officer, University of Reading commented:  
"We are confident that Cazenove Capital, and the wider Schroders Group, align with our own stance on climate change and with the Paris goals. We are pleased to see that they have committed to mitigating their carbon emissions from 2020 and to 100% renewable energy use by 2025. Schroders has recently been named as one of the world's 2000 most influential companies with the ability to make a meaningful contribution to achieving the UN Sustainable Development Goals by the World Benchmarking Alliance."



**Cazenove wins ESG investing Olympics**  
Wealth management arm of Schroders to launch new fund after public battle for £33.5m charities mandate



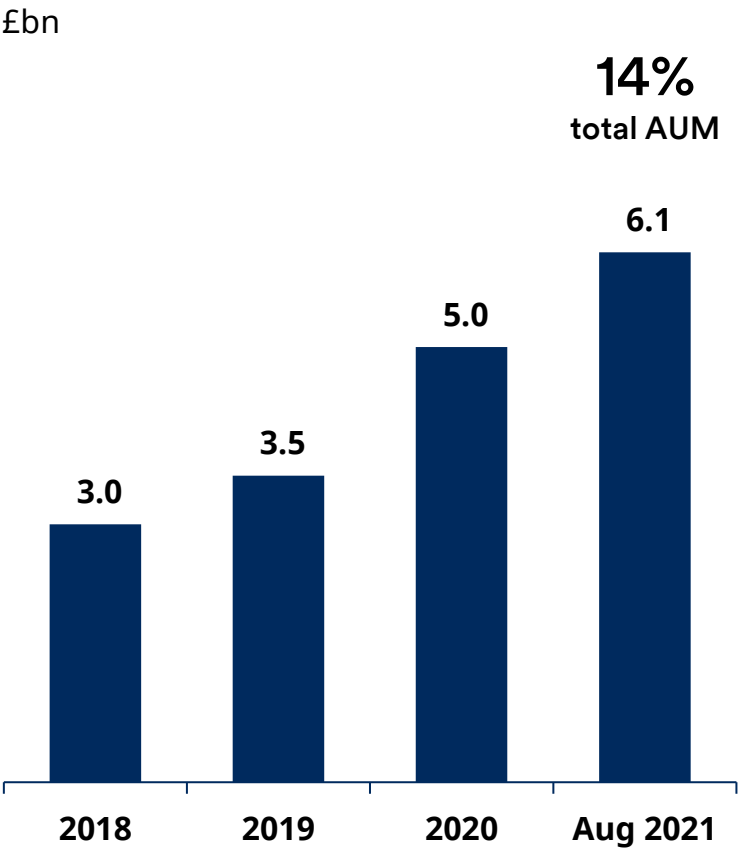
**Nottingham investments to further the university's commitment to sustainability**

May 12th, 2021  
The university is taking a further step in its commitment to sustainability after appointing investment manager Cazenove Capital to manage its £59.4 million endowment portfolio and £9.5 million medium-term investment fund.



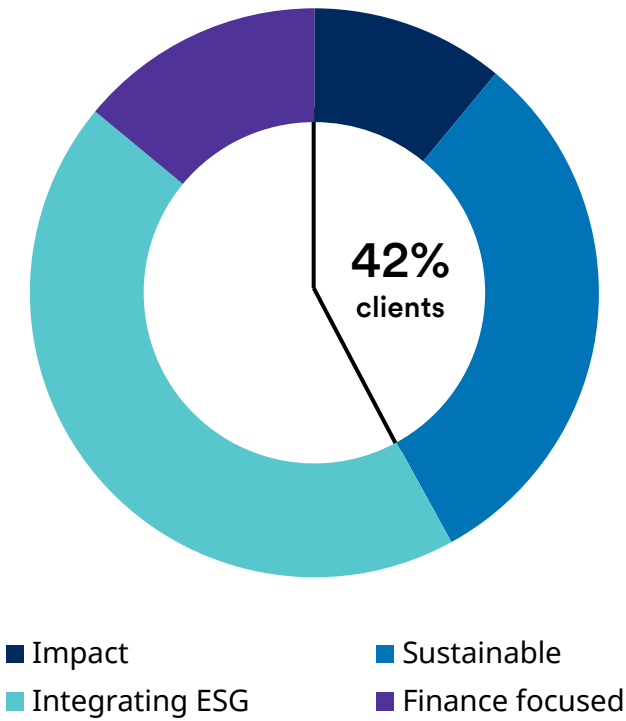
# The growth opportunity

## Growing Sustainable AUM



## Rising client interest, increasing longevity

2020 UK Client Survey:  
Categorisation by attitude



## Growing new business

Cazenove  
Capital



Source: Cazenove Capital and Aon. Survey carried out online in October 2020. 1,382 respondents.

# Closing remarks



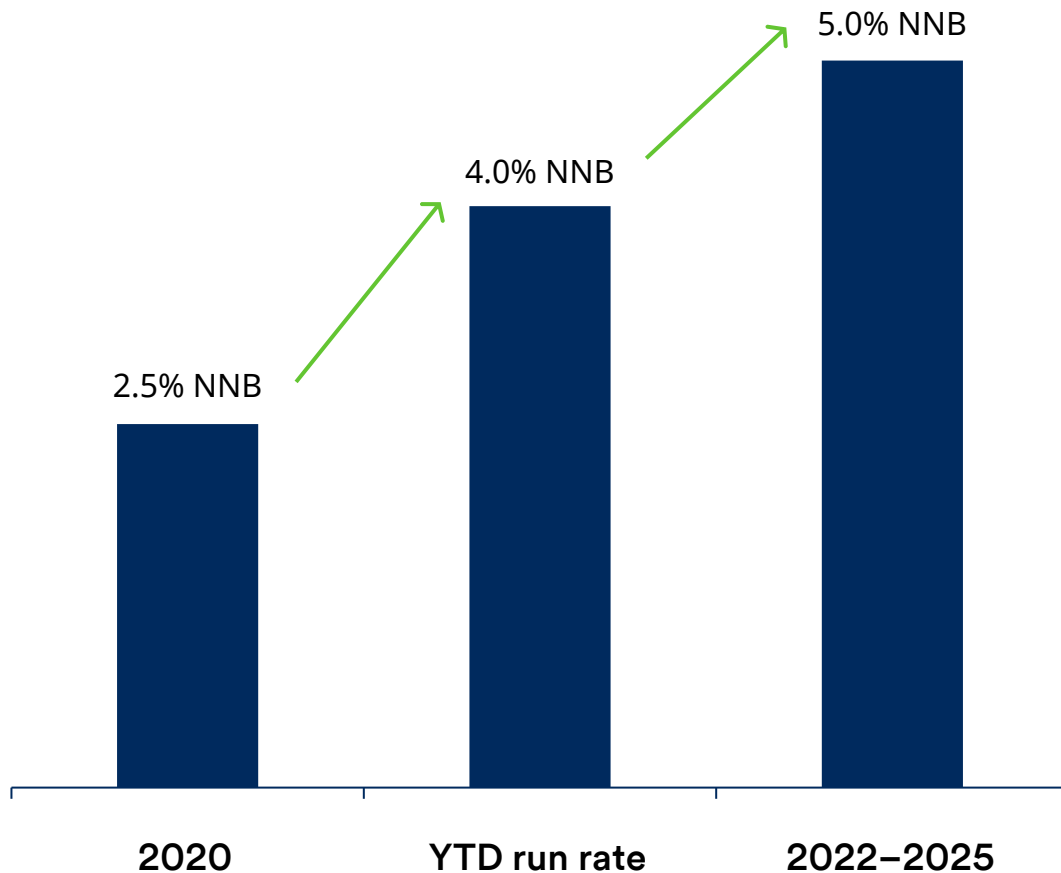
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**Peter Hall**

Global Head of Wealth Management

# Proof points for growth acceleration

## Trajectory



## Untapped potential

- Low current share of target market e.g. B2B adviser services
- Opportunity to capture rapidly growing segment e.g. Moderate Greens

## Adviser hiring

- 90 SPW advisers from the Academy
- 16 new experienced adviser hires in the regions for Cazenove Capital

# Key takeaways



Strong track record  
from **£32bn to £76bn**  
over past 5 years



**5% organic**  
**growth p.a. target**  
over the next 5 years



Acquisitions and partnerships  
to boost organic growth  
**>£115bn assets by 2025**

**Unique multi-brand franchise** with strong competitive differentiation  
**Revenue and profit margins of 56bps and 31%** projected to be maintained

Schroders

Thank you



# Q&A



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**Peter Harrison**

Group Chief  
Executive



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**Richard Keers**

Group Chief  
Financial Officer



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**Peter Hall**

Global Head of  
Wealth Management



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**Mary-Anne Daly**

Chief Executive  
Officer



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