

Schroders

2014 Half-Year Results

31 July 2014

Michael Dobson | Chief Executive



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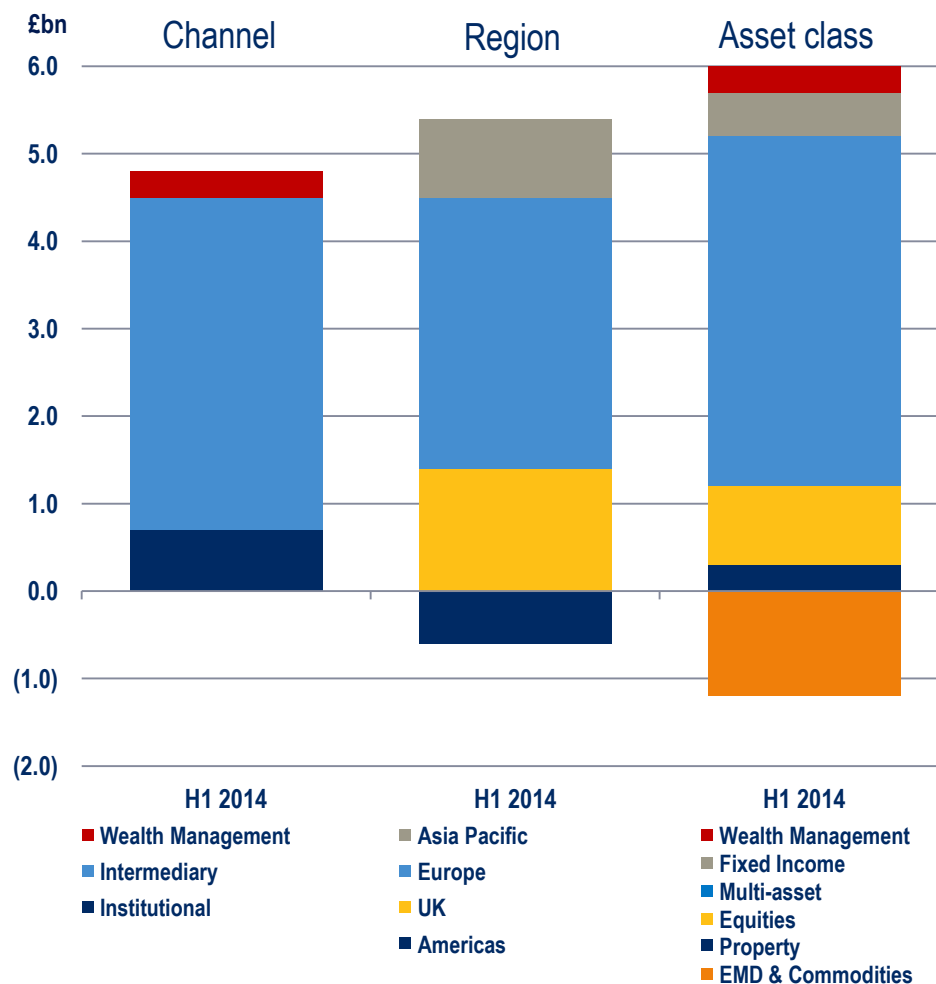
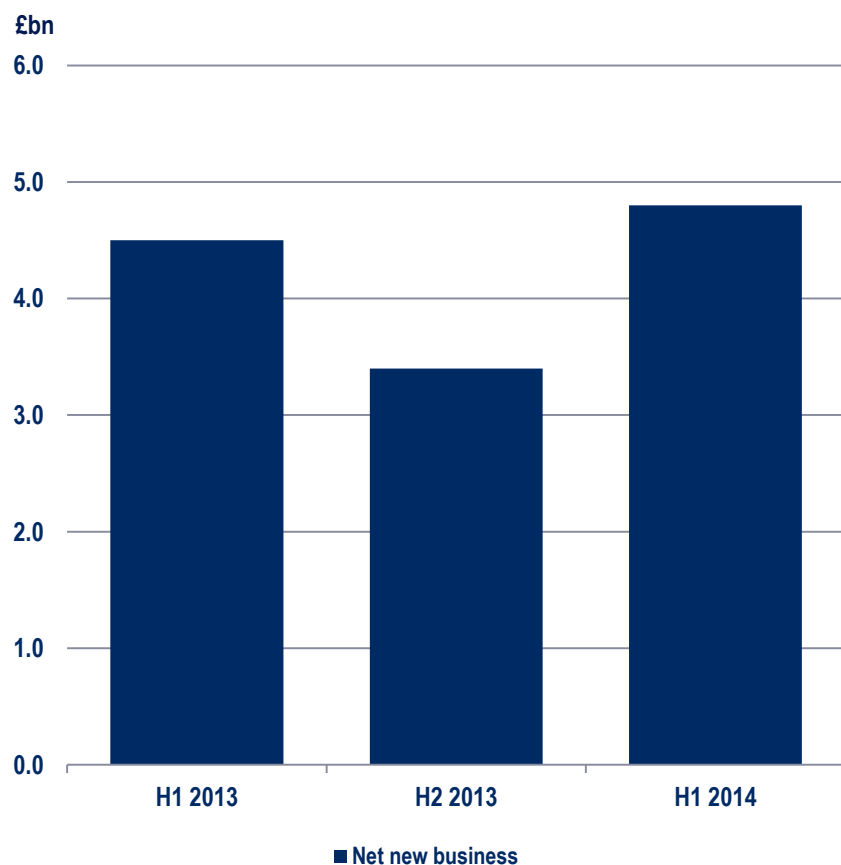
H1 2014

Record results

- Profit before tax and exceptional items £261.5m (H1 2013: £228.0m)
- 72% of funds outperforming over 3 years
- Net inflows £4.8bn (H1 2013: £4.5bn)
- Assets under management £271.5bn (30 June 2013: £235.7bn)
- Interim dividend 24.0 pence per share (interim dividend 2013: 16.0 pence)

Net inflows £4.8bn

Diversified by channel, region and asset class

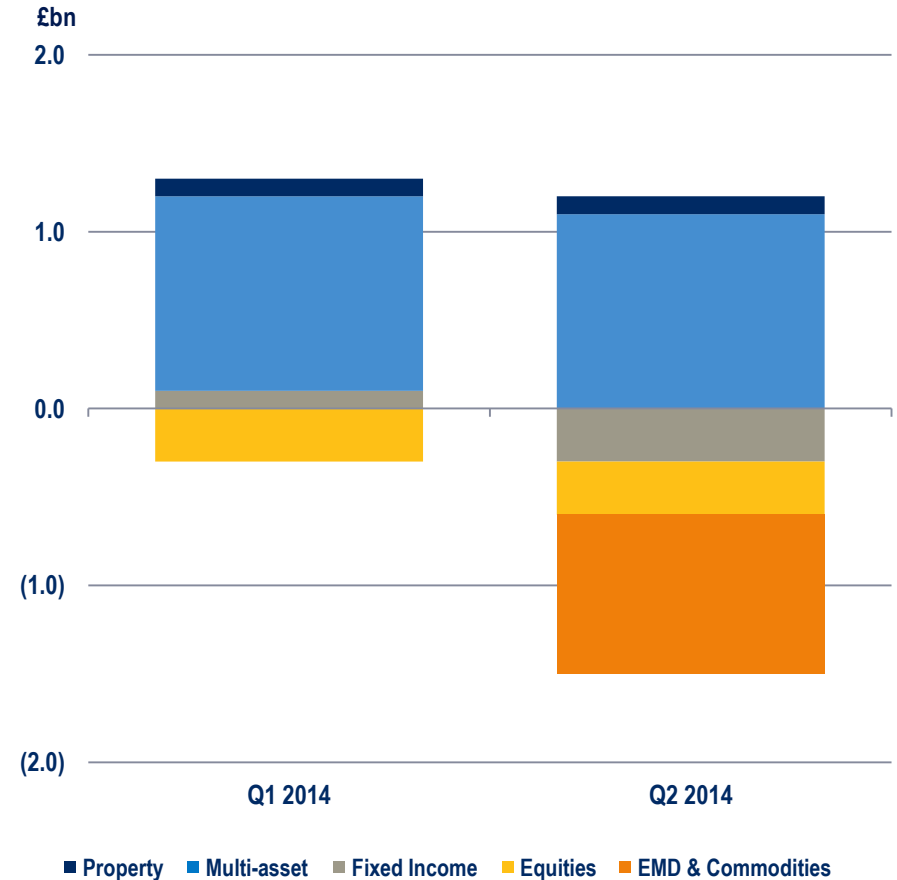


Institutional

Assets under management: £148.0bn (end 2013: £144.3bn)

- Slowdown in funding of new mandates at £11.4bn
- Outflows in Commodities, Global Equities
- Strong performance in Multi-asset, Emerging Market Equities
- Net inflows £0.7bn
- Significant pipeline of business won but not yet funded
- STW integration completed

By asset class

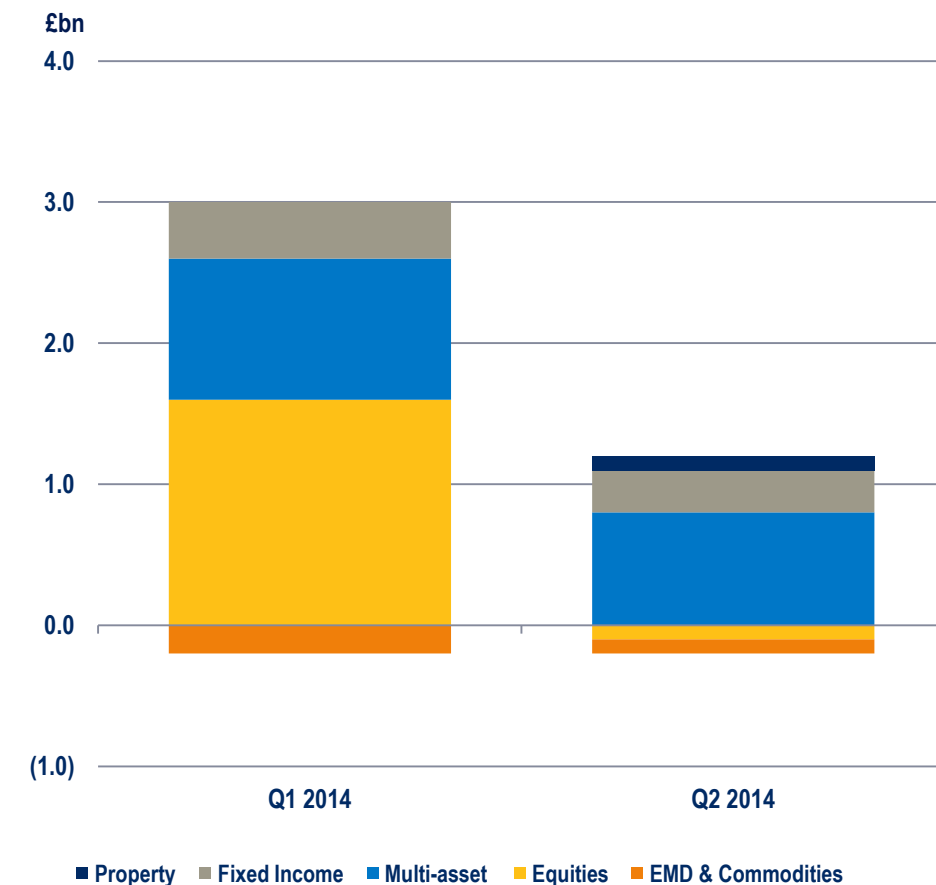


Intermediary

Assets under management: £92.8bn (end 2013: £88.5bn)

- High level of gross sales at £23.3bn
- Net inflows £3.8bn
- Predominantly in branded funds
- Net inflows in Multi-asset, Equities and Fixed Income
- Strong performance in continental Europe
- Positive flows in Asia and UK

By asset class



Wealth Management

Assets under management: £30.7bn (end 2013: £30.1bn)

- Net revenues £100.5m (H1 2013: £53.5m)
- Profit before tax £26.3m (H1 2013: £10.6m)
- Q2 net inflows £0.3bn
- Cazenove Capital integration plan on track
- Transformed market position and contribution in UK



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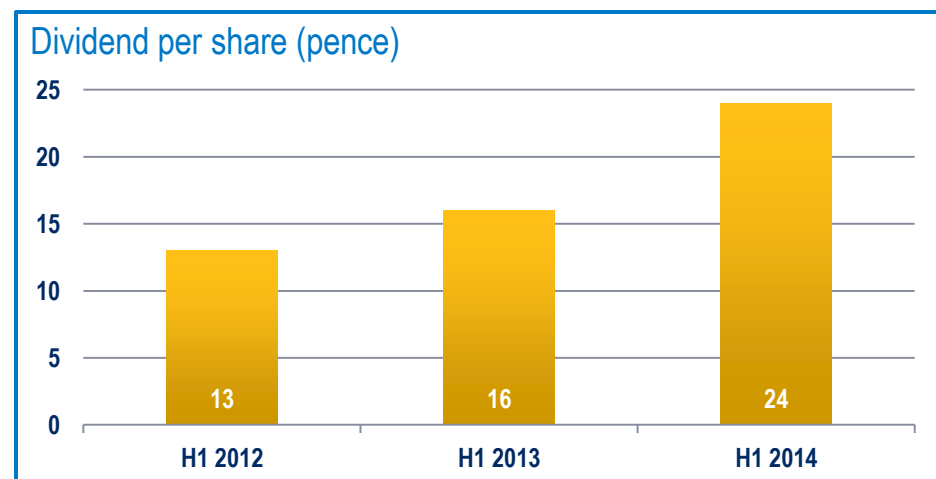
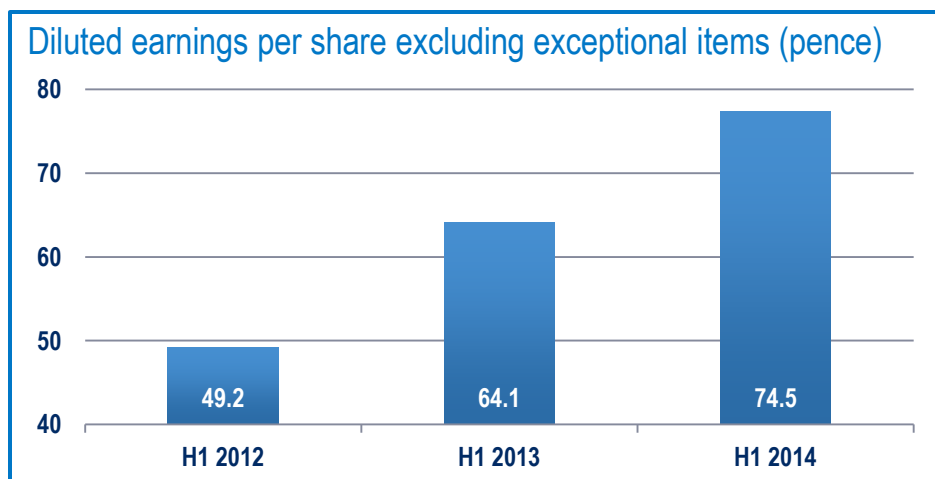
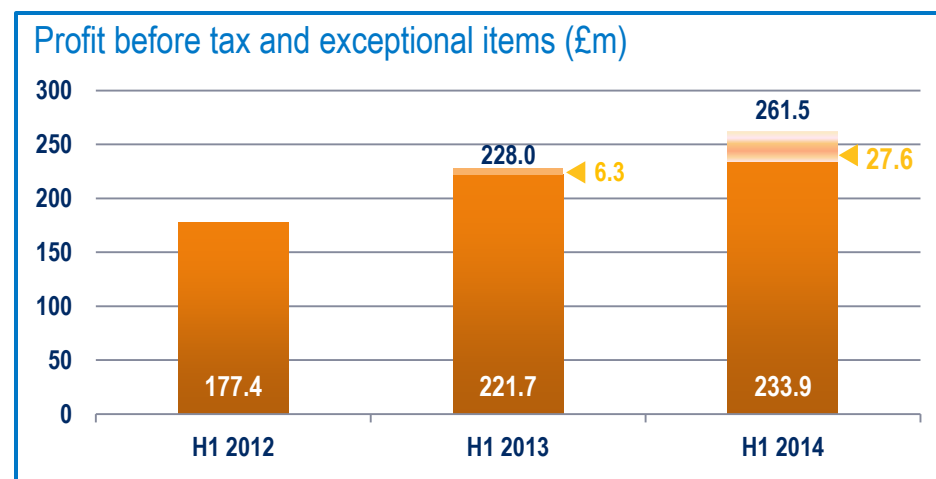
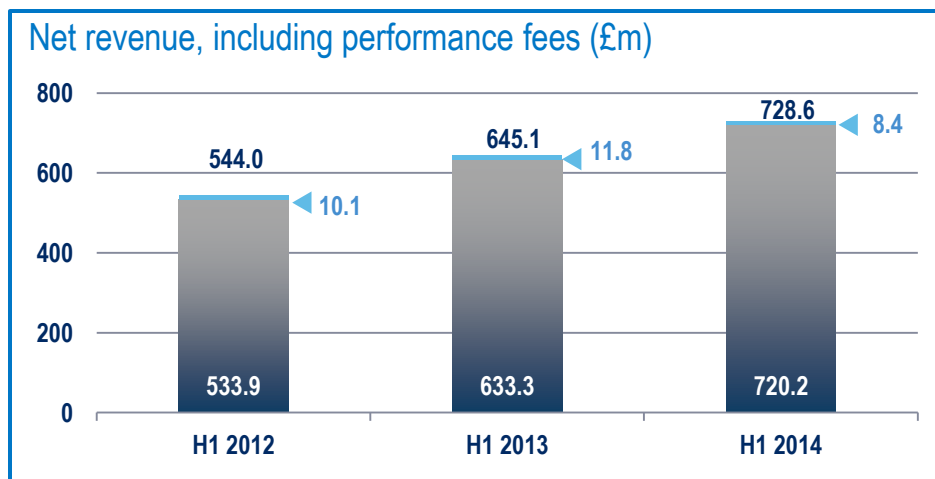
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Richard Keers | Chief Financial Officer



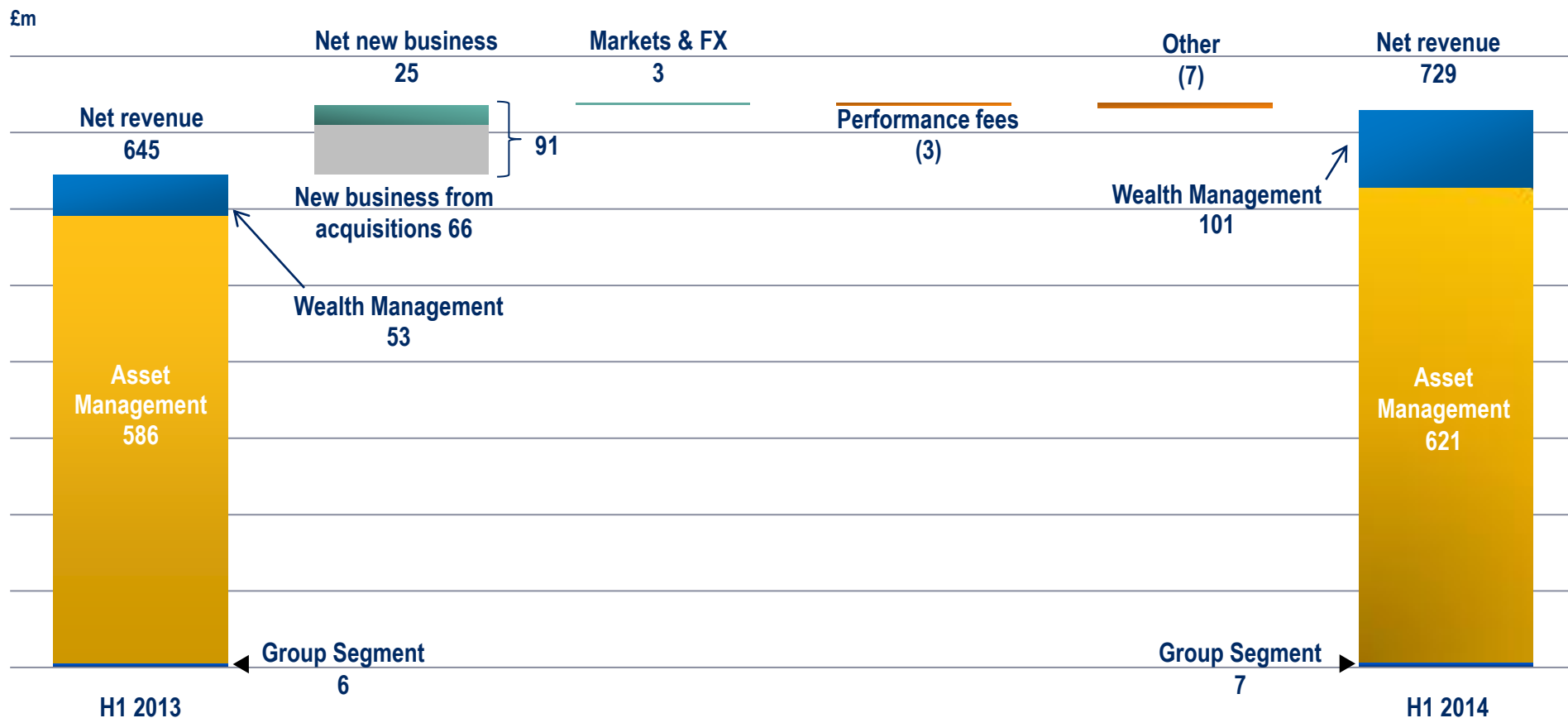
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Financial highlights – 50% increase in interim dividend



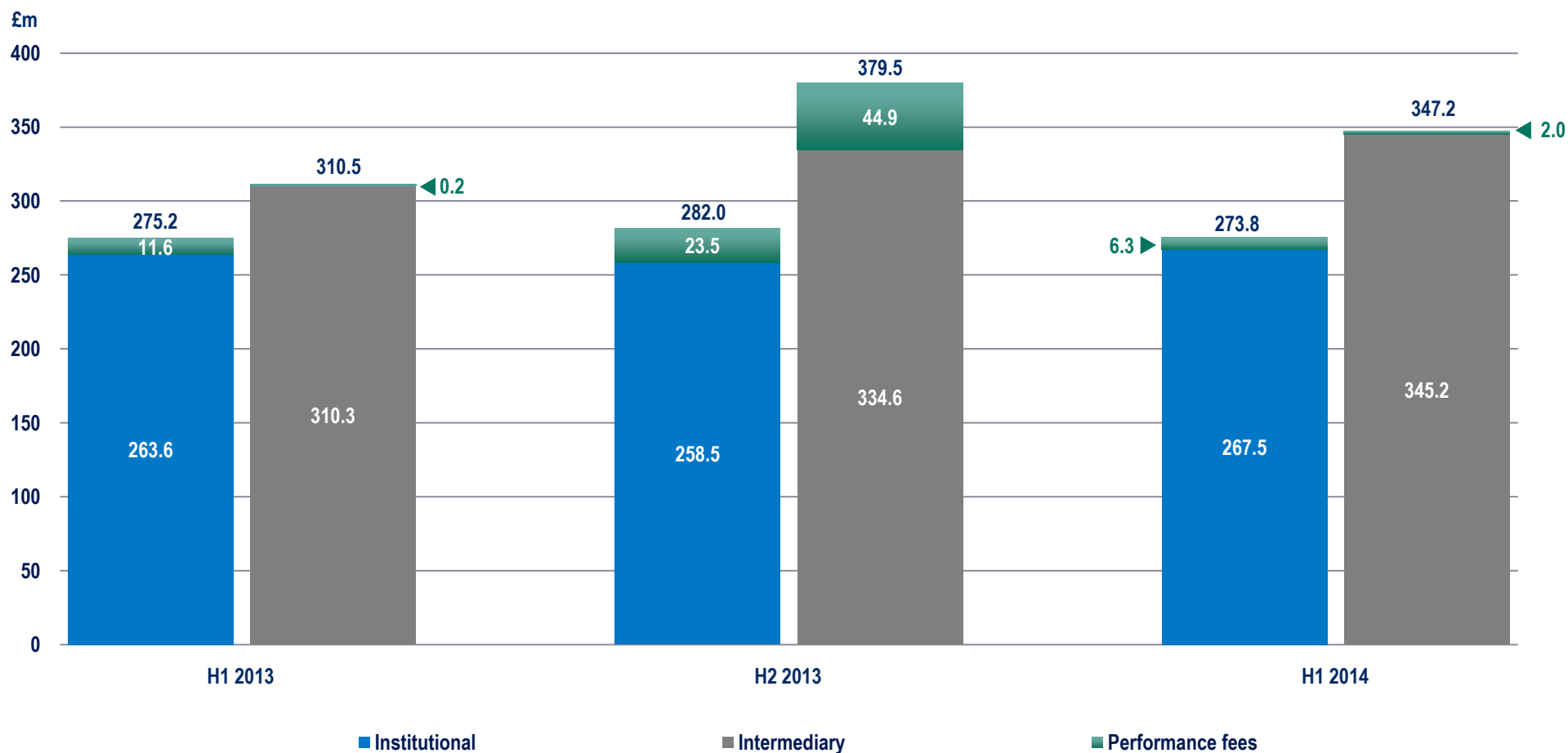
Net revenue – driven by investment returns, organic growth and acquisitions

Increase of £84m



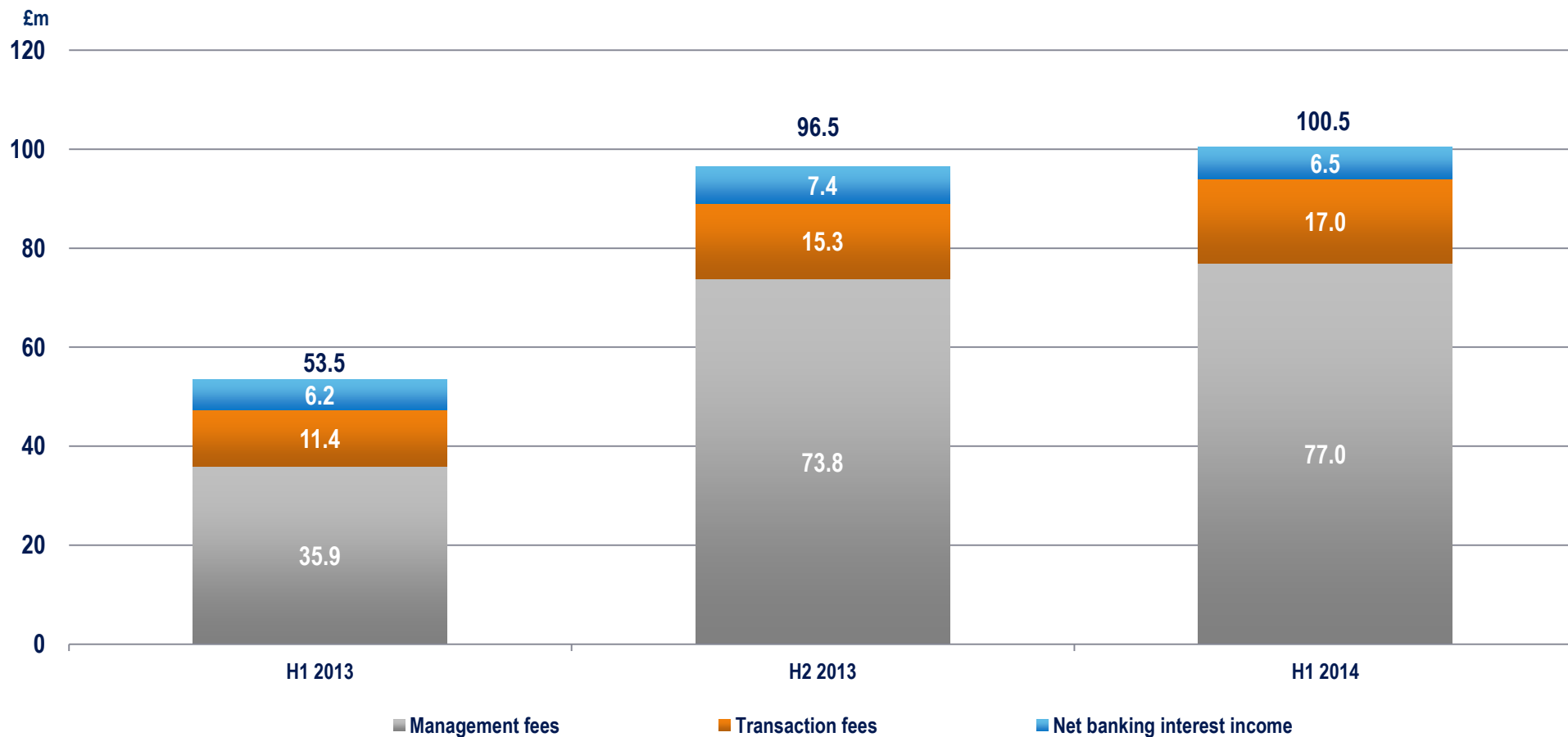
Asset Management net revenues – continued growth

Net revenue margins, excluding performance fees, at 52 bps (FY 2013: 53 bps)



Wealth Management net revenues – up 88% supported by Cazenove Capital acquisition

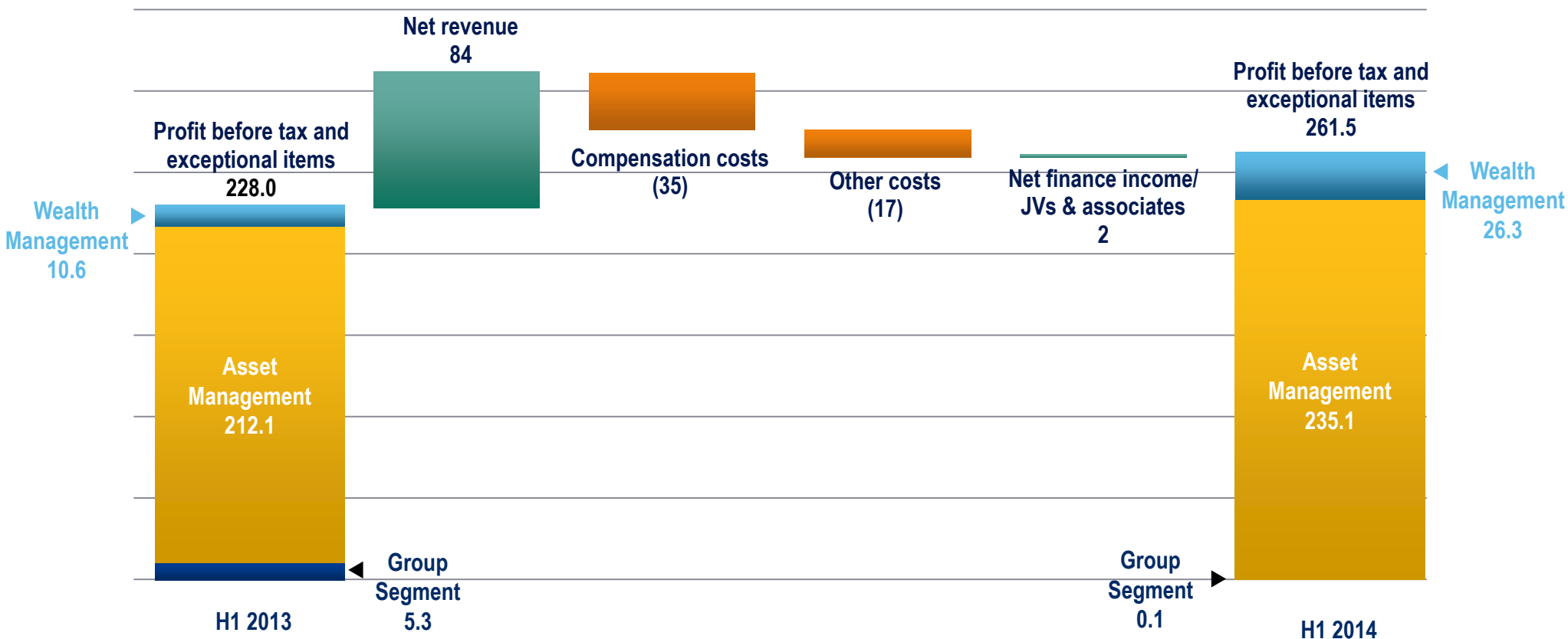
Net revenue margins 66bps (FY 2013: 64 bps)



Profit before tax and exceptional items – 15% increase reflecting strong business performance

Increase of £34m

£m



Operating expenses – key ratios in line with guidance

£m	H1 2013	H2 2013	H1 2014			H1 2014 versus H1 2013
			Asset Management & Group	Wealth Management	Total	
Compensation costs	305.9	346.6	294.7	46.2	340.9	+11%
Other costs	114.2	140.5	102.1	27.5	129.6	+13%
Depreciation	6.3	6.2	7.1	0.5	7.6	+21%
Total	426.4	493.3	403.9	74.2	478.1	+12%
Headcount	3,140	3,528	2,910	630	3,540	+13%

	H1 2013	FY 2013	H1 2014
<i>Compensation cost:operating revenue ratio</i>	48%	46%	47%
<i>Cost:net revenue ratio</i>	66%	65%	66%

Exceptional items

H1 2014 £m	Asset Management	Wealth Management	Group	Total
Integration costs	1.0	3.8	-	4.8
Amortisation of acquired intangible assets – Cazenove and STW	5.9	5.1	-	11.0
Amortisation of acquired intangible assets – other	1.1	-	-	1.1
Deferred compensation arising directly from acquisitions	-	-	9.1	9.1
Costs of closure of Opus commodities business	1.6	-	-	1.6
Total	9.6	8.9	9.1	27.6

Group segment before exceptional items

Segment disclosure	H1 2013 £m	H1 2014 £m
Net revenue	5.9	7.1
Operating expenses	(7.5)	(12.7)
Net finance income	7.4	5.3
Share of (loss)/profit of associate	(0.5)	0.4
Group segment profit before exceptional items	5.3	0.1
Other comprehensive income	(2.1)	1.8
	3.2	1.9

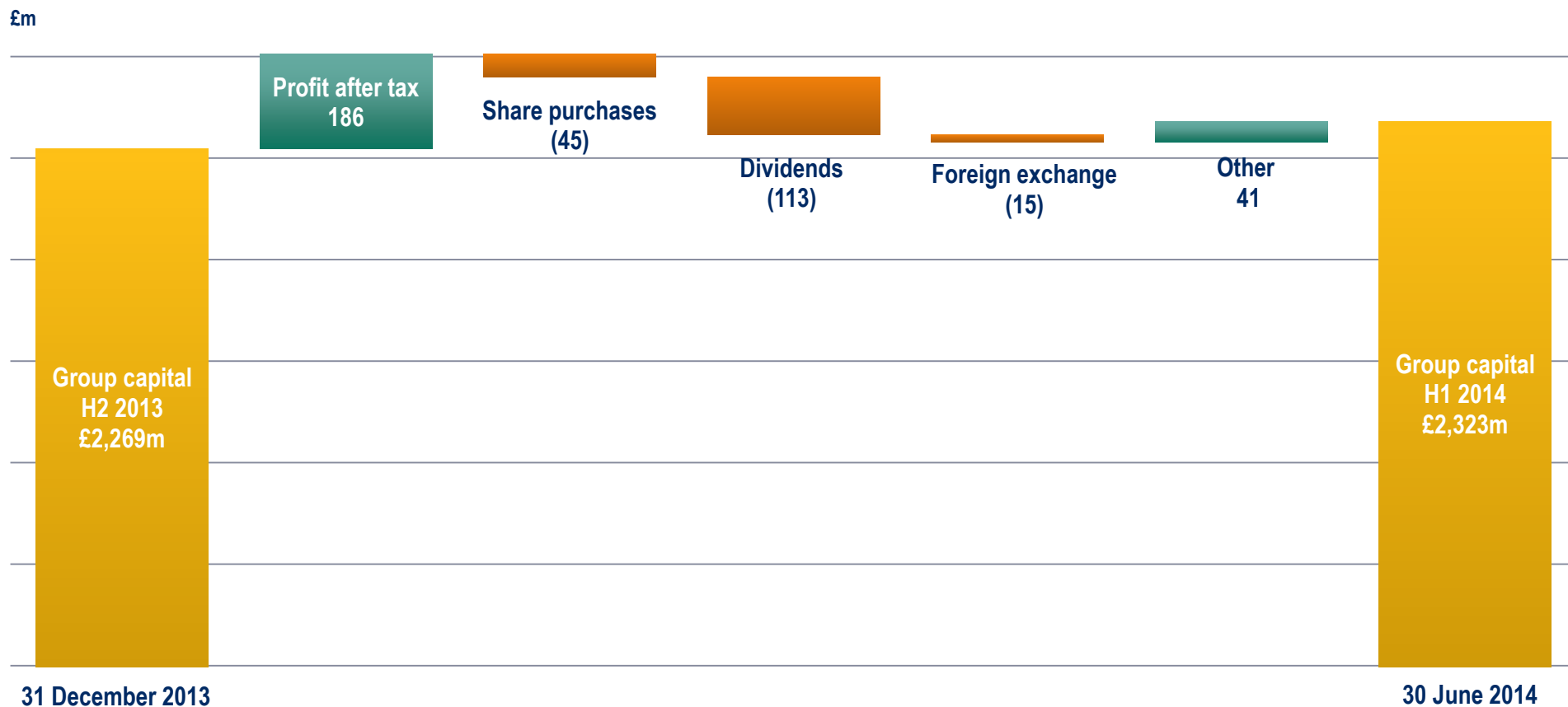
Tax charge and earnings per share

	H1 2013 Before exceptional items	H1 2014			Change H1 2014 v H1 2013 before exceptional items
		Before exceptional items	Exceptional items	Total	
Profit before tax – £m	228.0	261.5	(27.6)	233.9	33.5 +15%
Tax – £m	(48.0)	(53.5)	5.8	(47.7)	(5.5) +11%
Profit after tax – £m	180.0	208.0	(21.8)	186.2	28.0 +16%
<i>Effective tax rate</i>	21.1%	20.5%	21.0%	20.4%	

Basic earnings per share	66.3p	77.1p	(8.1)p	69.0p	10.8p +16%
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Movement in Group capital

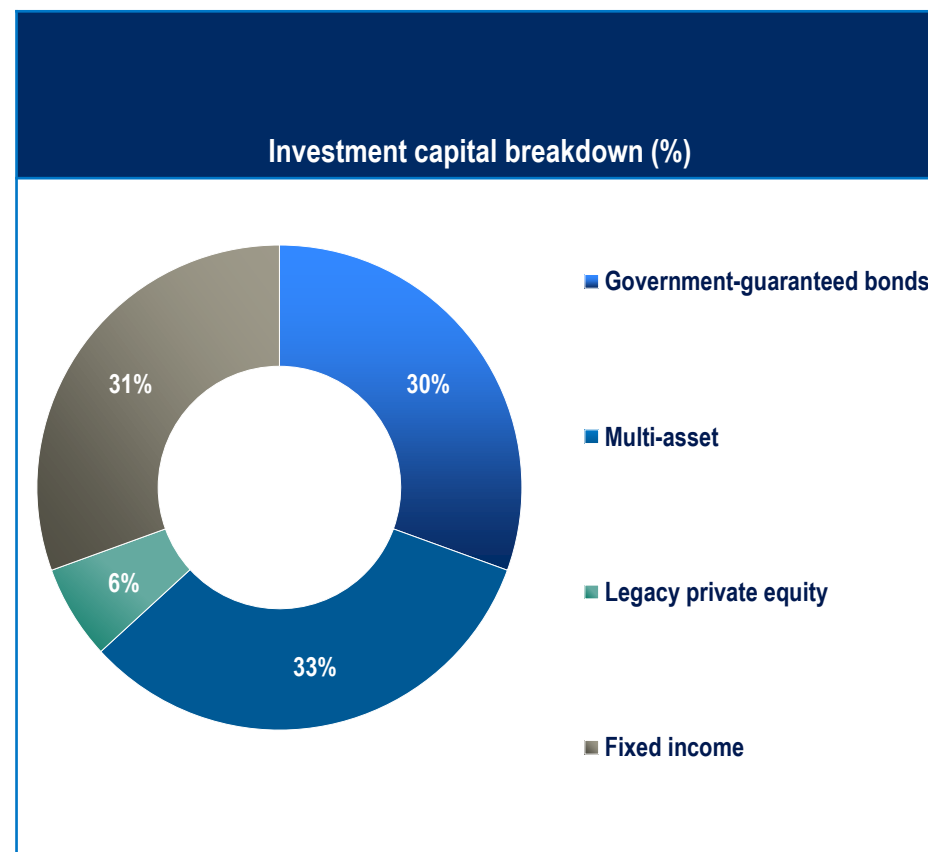
Increase of £54m as at 30 June 2014



Group capital allocation – Strong capital position maintained

Increase of £54m as at 30 June 2014

£m	H1 2013	H2 2013	H1 2014
Regulatory capital	554	603	617
Surplus operating capital	325	468	437
Seed capital*	201	182	182
Investment capital*	876	495	573
Other (intangibles etc.)	229	521	514
Statutory Group capital	2,185	2,269	2,323



*Not included in AUM



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Outlook

- Good levels of net inflows in July in Intermediary and Institutional
- Uncertainty around retail investor demand in short term
- Significant Institutional pipeline
- Seeking efficiencies to offset fee pressures and costs of regulatory change
- Opportunities for long-term growth

Forward-Looking Statements

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