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Schroders UK Financial Adviser Pulse Survey

May 2023

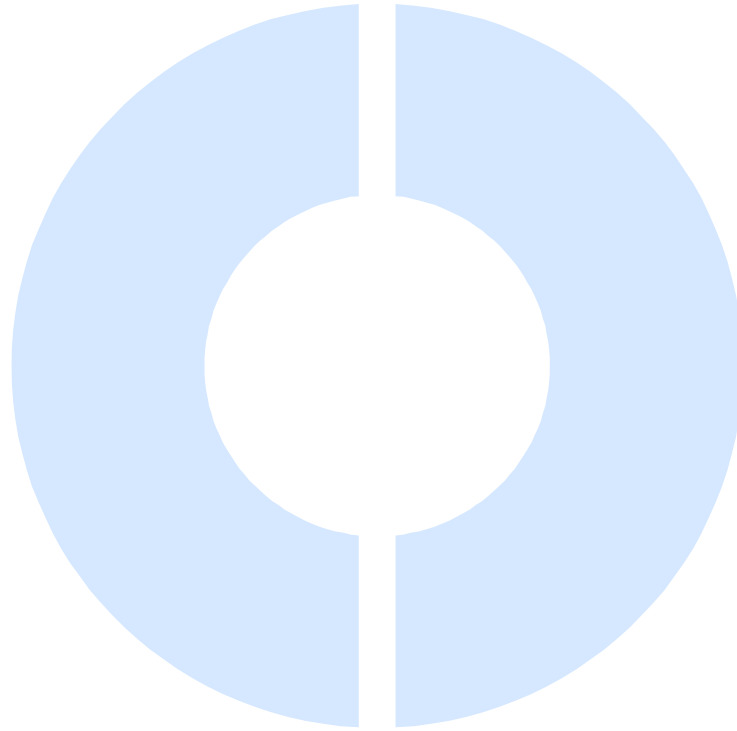
For professional investors only. Not for retail clients

Schroders UK Adviser Pulse Survey May 2023



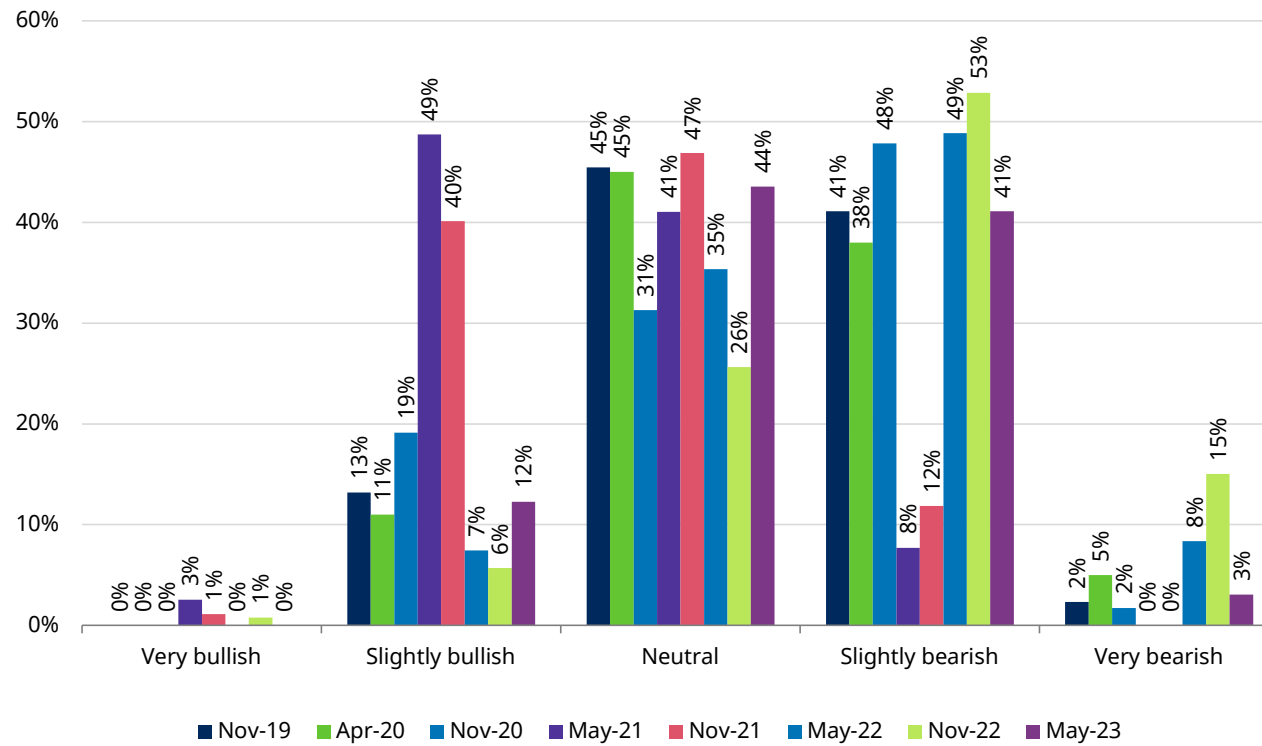
Source: Schroders May 2023

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How are clients feeling about their investments?

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



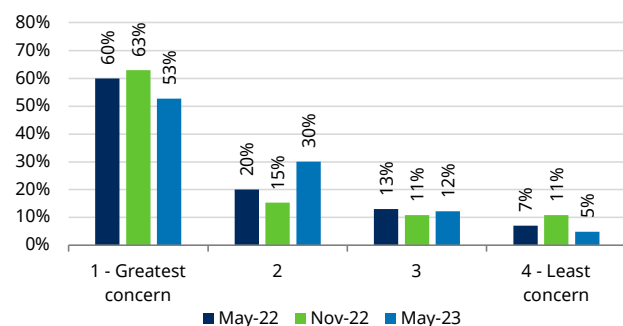
Source: Schroders Adviser Survey May 2023.

Client sentiment

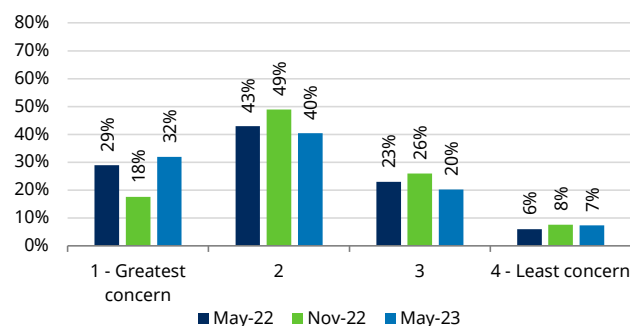
- 44% of advisers' clients remain bearish although sentiment has improved somewhat from our last two surveys (68% were bearish in November 2022 and 57% in May 2022)
- 44% are now neutral (up from 26% in November 2022 and 35% in May 2022)
- 12% are now bullish (up from 7% in November 2022 and the same in May 2022)

Which of the following factors do you think clients are most concerned about in the current environment? Ranked in order from 1–4

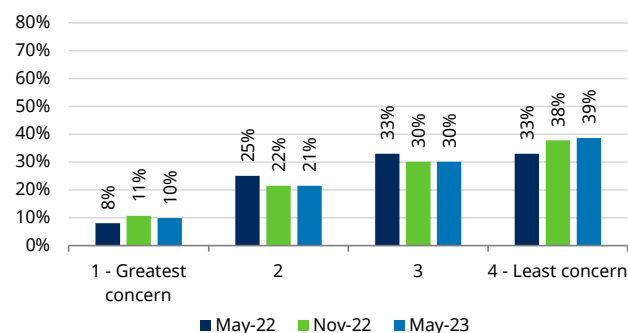
Capital loss



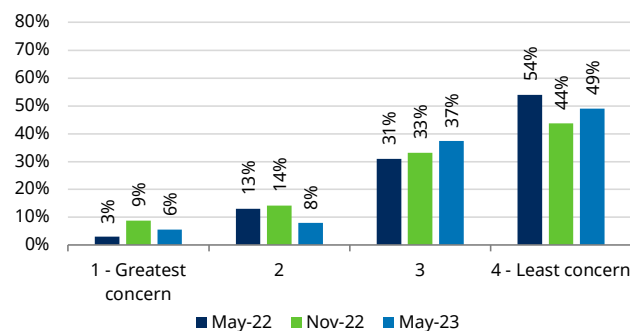
Inflation



Generating sufficient income



Rising interest rates

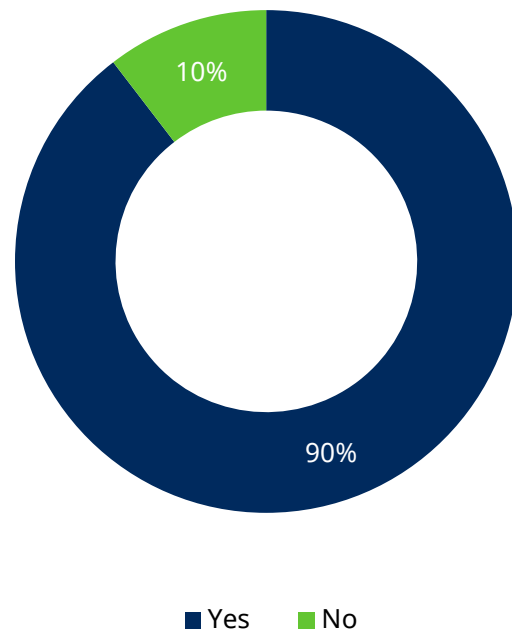


Source: Schroders Adviser Survey May 2023.

Client concerns

- While most advisers report that capital loss remains the biggest concern for their clients, concerns about inflation are also coming to the fore for growing numbers
- 53% of advisers rank capital loss as their clients' greatest concern, down from 63% in November 2022
- 32% of advisers now rank inflation as their clients' greatest concern, up from 18% in November 2022
- Advisers' clients are least concerned about rising interest rates

Given current interest rates, are you having conversations with clients about long-term investing vs. cash deposits?

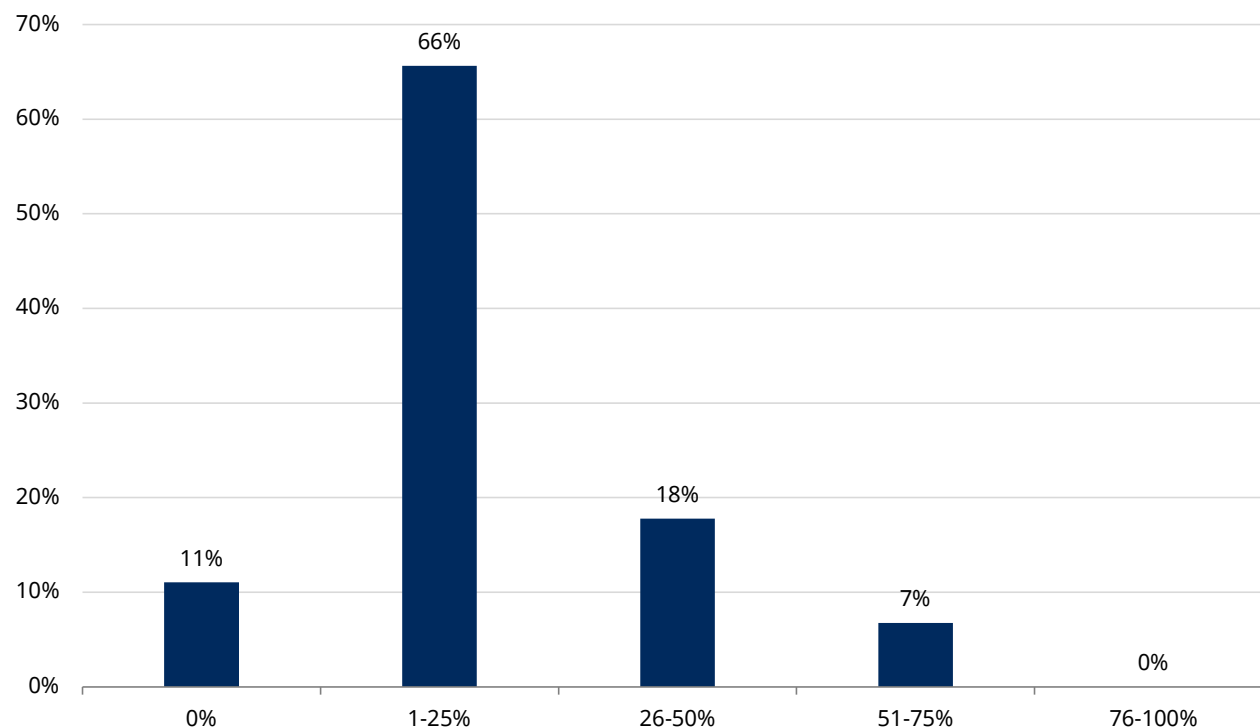


Source: Schroders Adviser Survey May 2023.

Long-term investing vs. cash deposits

- 90% of advisers are currently having conversations with their clients about the merits of long-term investing against cash deposits

What proportion of your clients have adjusted their plans due to the cost-of-living crisis?

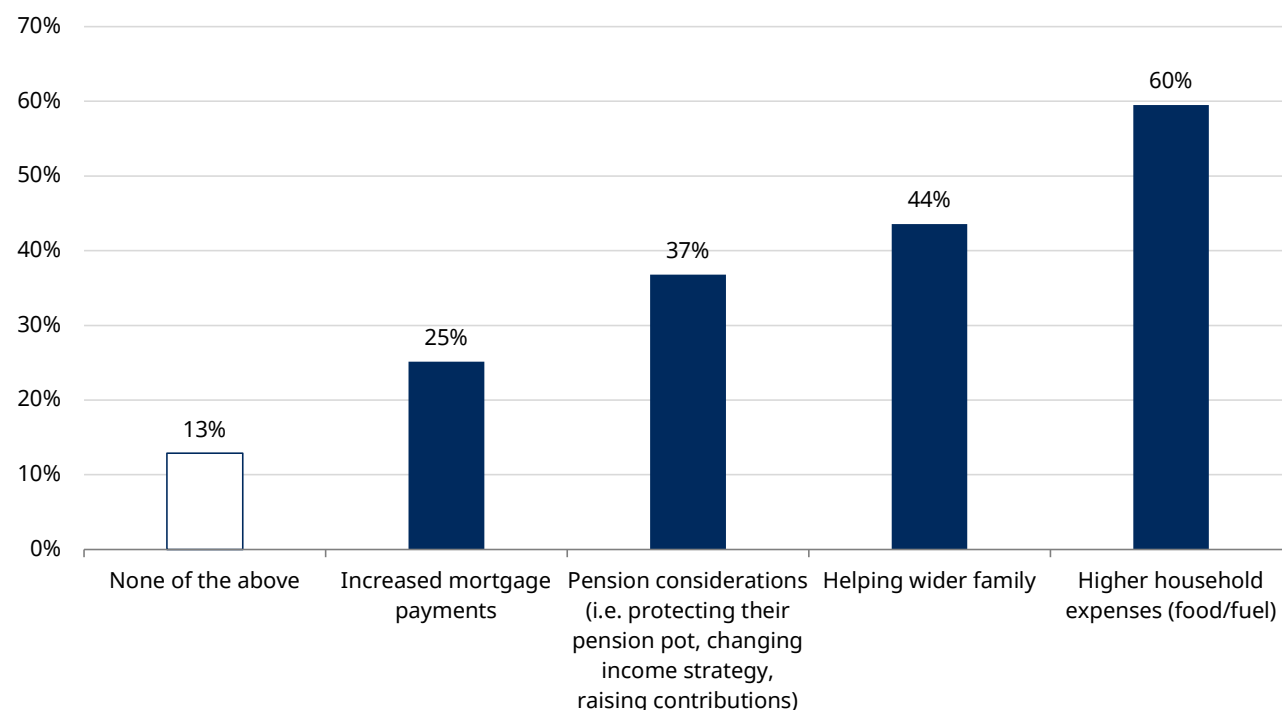


Source: Schroders Adviser Survey May 2023.

Cost-of-living crisis

- 89% of advisers have some clients who have adjusted their plans as a result of the cost-of-living crisis
- 25% report that more than 25% of their clients have adjusted their plans
- 66% report that between 1 and 25% of their clients have adjusted their plans

Have any of your clients given the following reasons for changing their plans over the past 12 months? (select all that apply)

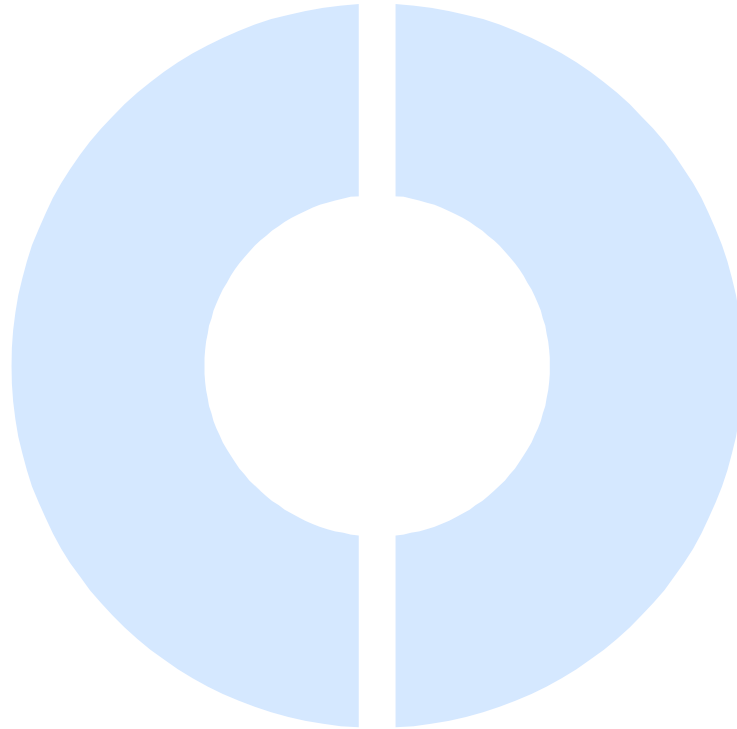


Source: Schroders Adviser Survey May 2023.

Cost-of-living crisis

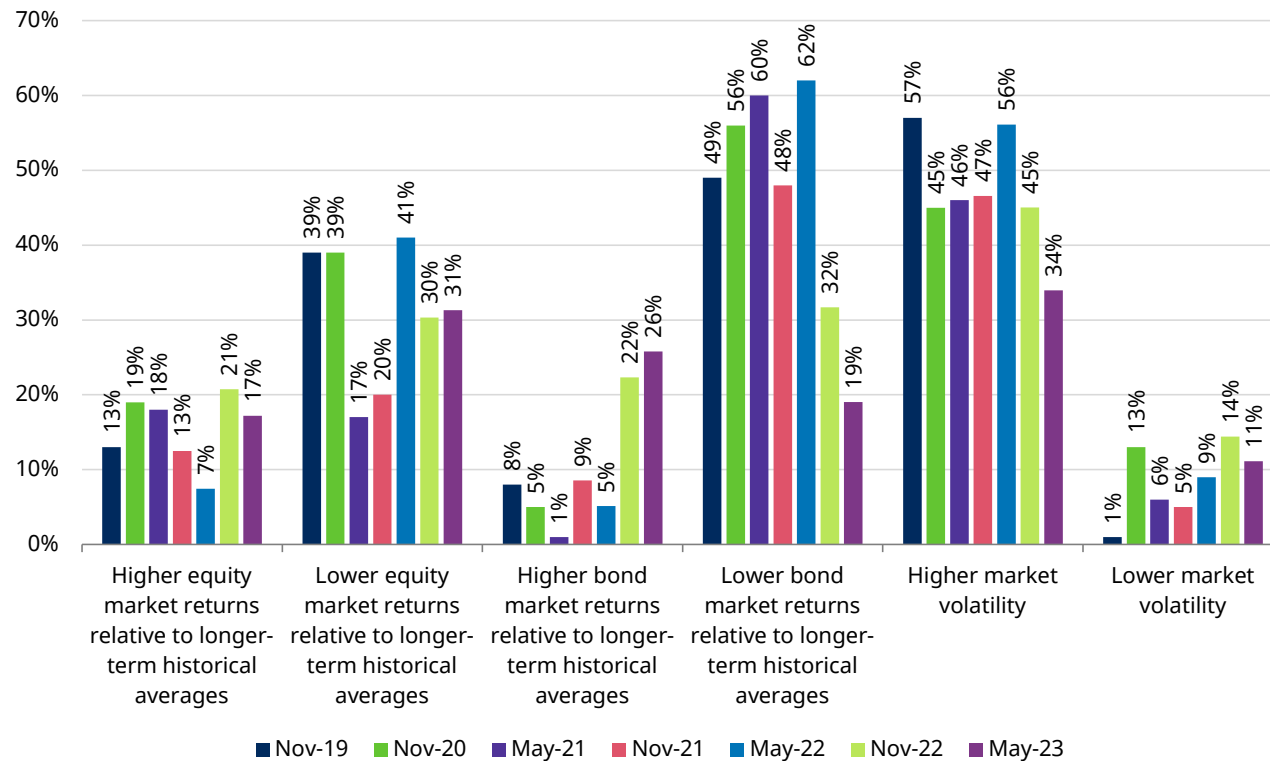
- 60% of advisers' clients have cited higher household expenses as a reason for changing their plans
- 44% of advisers' clients have cited helping wider family as a reason

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Market trends

How would you expect the following to trend over the next 5 years?

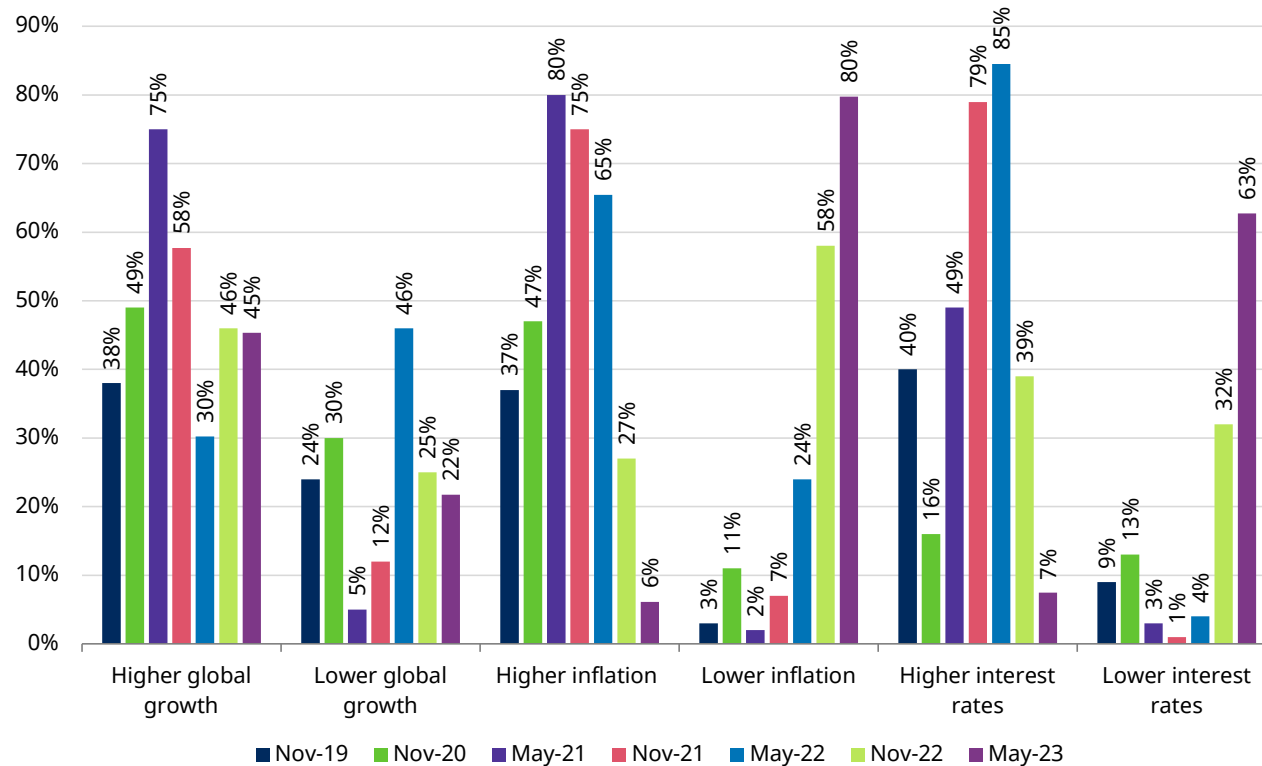


Source: Schroders Adviser Survey May 2023 (Little change also an option).

Market expectations

- 31% of advisers expect equity market returns to be lower than historical averages over the next 5 years against 17% who expect to see higher returns
- On balance, advisers view prospects for bonds as more positive with 26% expecting returns to be higher than historical averages against 19% who expect lower returns
- Three times as many advisers expect that volatility will be higher than historical averages than lower (34% vs. 11%)

How would you expect the following to trend over the next 5 years?

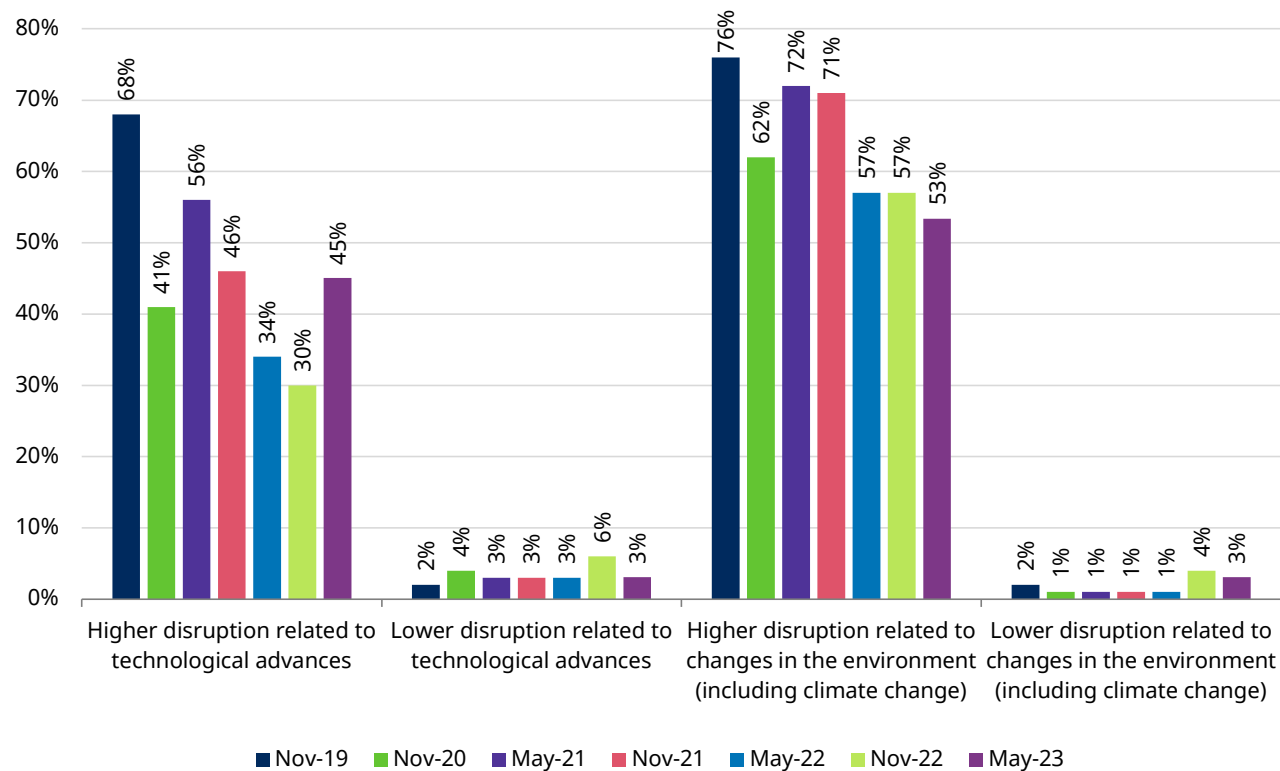


Source: Schroders Adviser Survey May 2023 (Little change also an option).

Economic expectations

- 80% of advisers expect that inflation will trend lower over the next five years and 63% expect that interest rates will do likewise
- Only 6% expect higher inflation and 7% higher interest rates
- 45% expect higher global growth against 22% who expect growth to trend lower

How would you expect the following to trend over the next 5 years?



Source: Schroders Adviser Survey May 2023 (Little change also an option).

Disruption related to technological advances and the environment

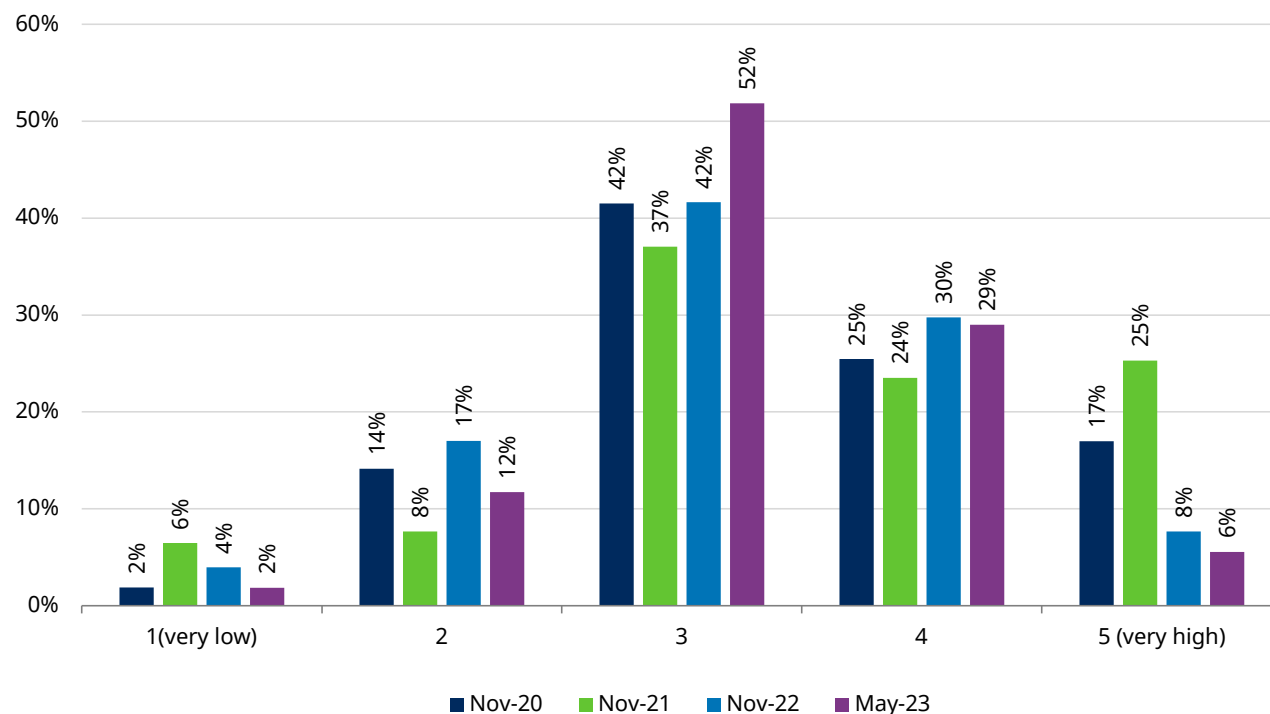
- Advisers expect that disruption will remain a major theme in markets
- 53% expect higher levels of disruption related to changes in the environment, including climate change, little changed from November
- The percentage of advisers expecting higher disruption related to technological advances has risen from 30% to 45%

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Sustainability

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)

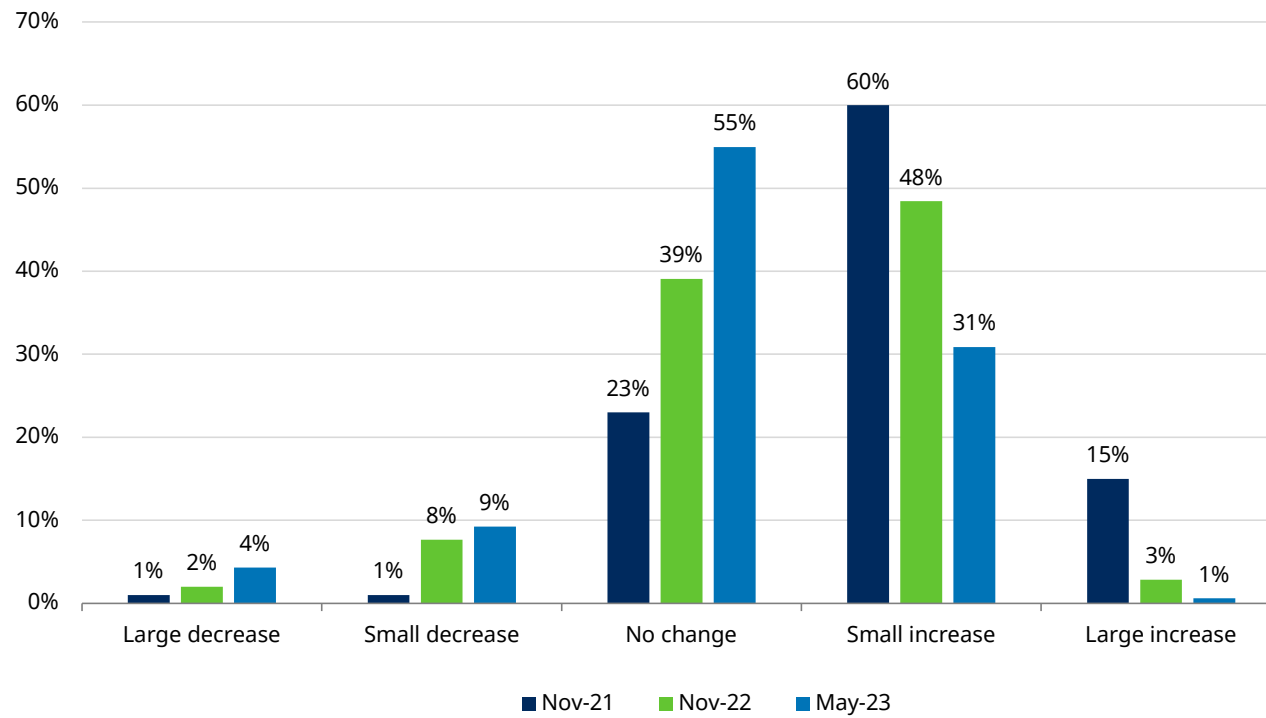


Source: Schroders Adviser Survey May 2023.

Sustainable investing

- 52% of advisers rate their confidence about talking to clients with consistency about the terminology, regulation, integration and behavioural implications of sustainable investing as middling
- The percentage of advisers who are very confident talking about sustainable investing has fallen to 6%

How has the number of clients asking for sustainable investing changed over the past 12 months?

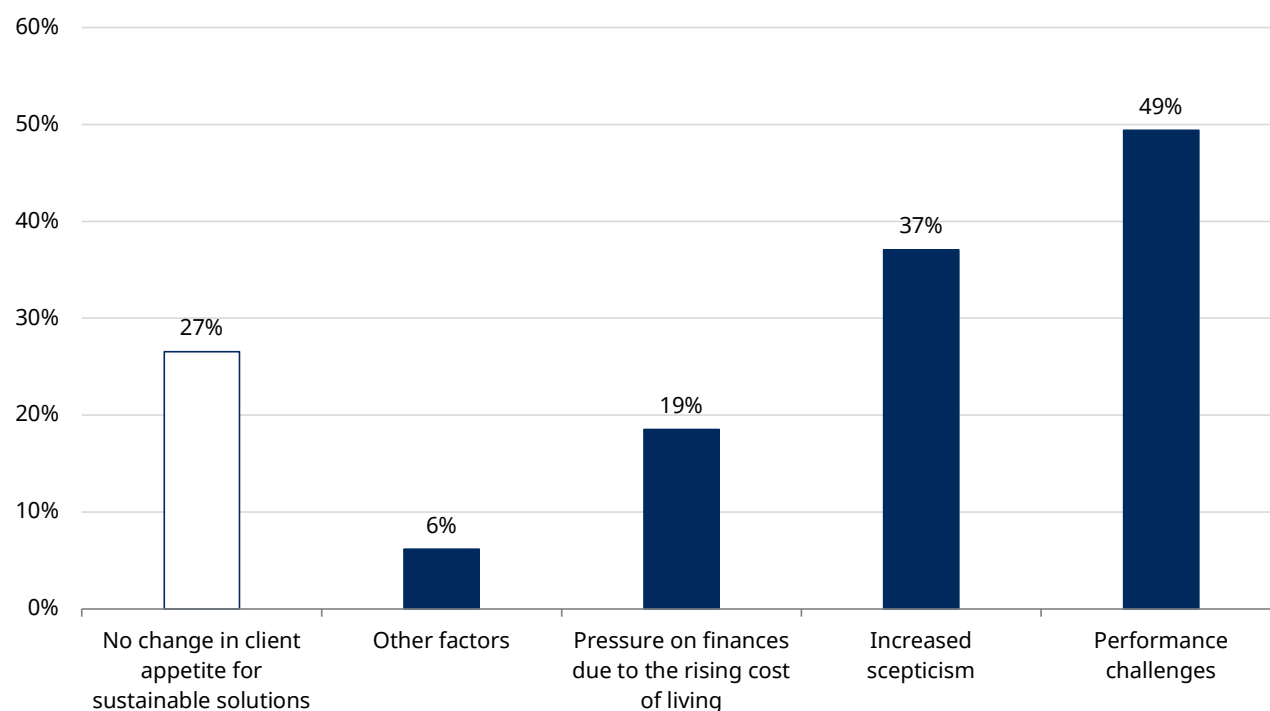


Source: Schroders Adviser Survey May 2023.

Client appetite for sustainable investing

- 32% of advisers have seen an increase in the number of clients asking for sustainable investment options over the past 12 months, down from 51% in November 2022
- The number of advisers reporting a fall in the number of clients asking for sustainable investing has risen to 13%, up slightly from 10% in November

Which of the following factors do you think may have had an impact on client appetite for sustainable solutions over the last 12 months?

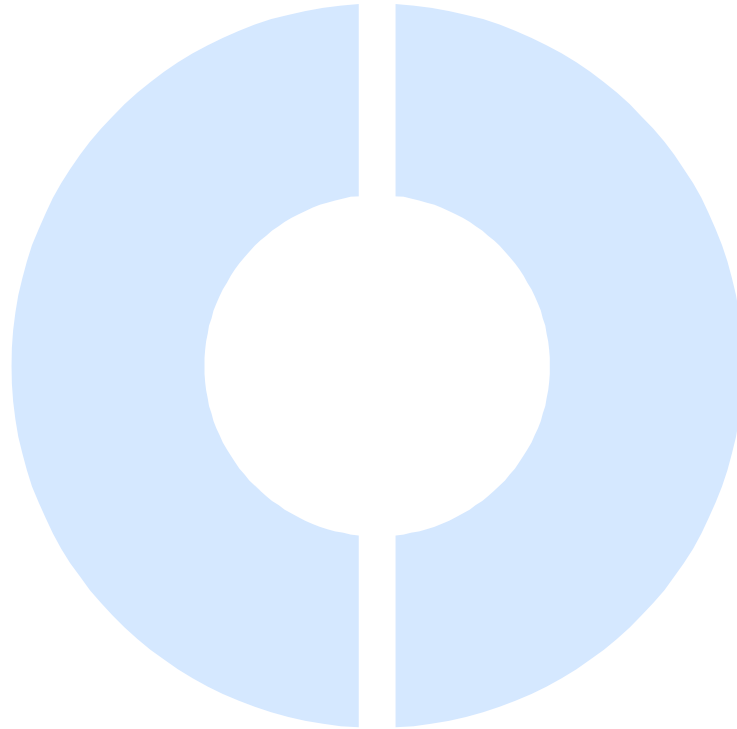


Source: Schroders Adviser Survey May 2023.

Client appetite for sustainable investing

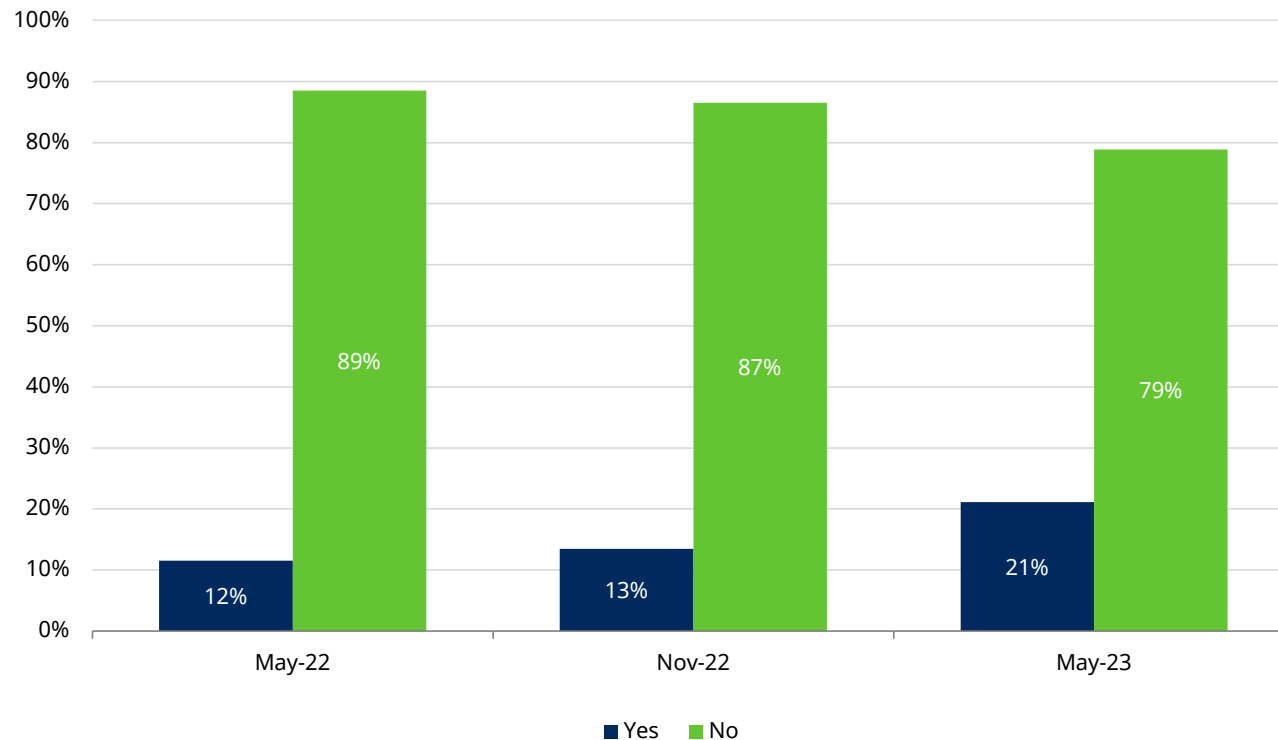
- Advisers believe performance challenges have been the biggest factor impacting client appetite for sustainable solutions over the last 12 months

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Private market investments

Are you considering using private market investment solutions for your clients?

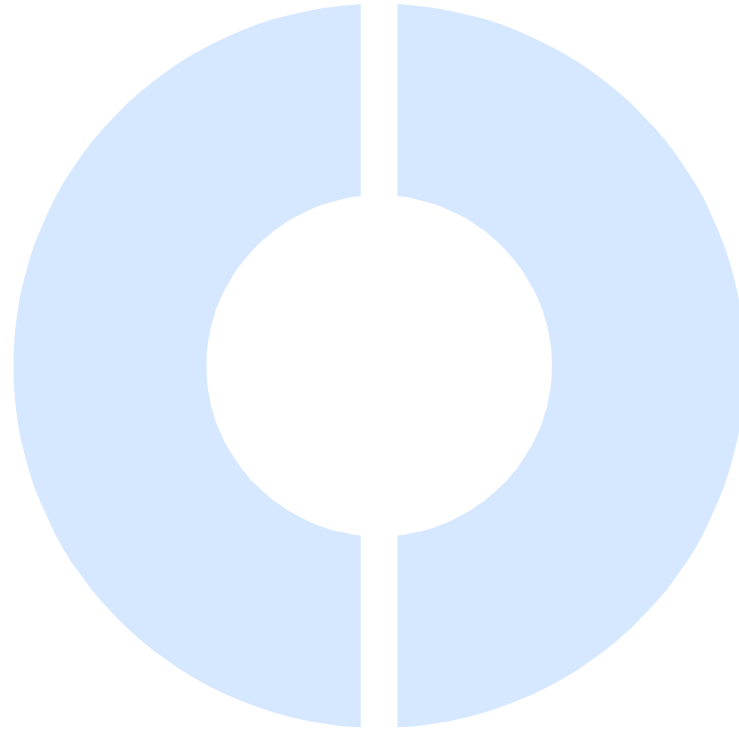


Source: Schroders Adviser Survey May 2023. Figures do not sum to 100 due to rounding.

Private markets

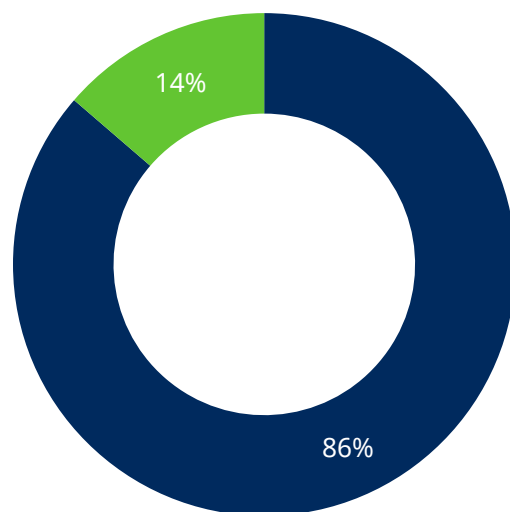
- 21% of advisers are considering using private market investments with their clients up from 12% in May 2022

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Multi-asset investing

If a fully active multi-asset fund with a robust, proven investment process had equivalent charges to a passive multi-asset fund, which would you be more likely to recommend, subject to appropriate due diligence?



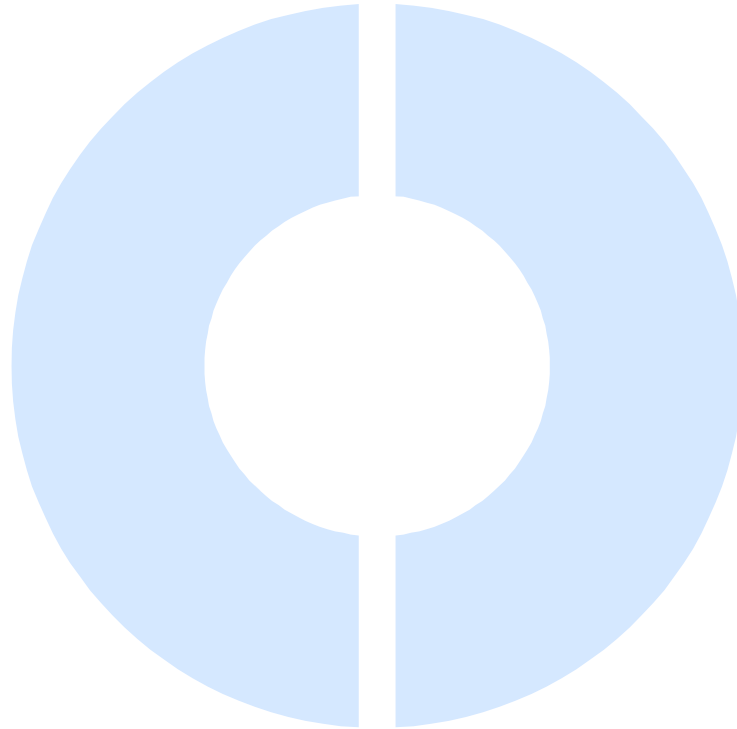
■ Fully active multi-asset fund ■ Passive multi-asset fund

Source: Schroders Adviser Survey May 2023.

Multi-asset investing

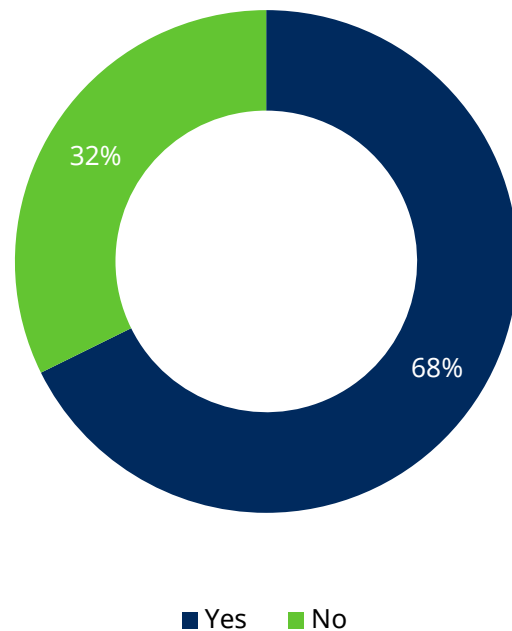
- When asked which fund they would be more likely to recommend if they had equivalent charges, a fully active multi-asset fund with a robust, proven investment process or a passive multi-asset fund, 86% selected the active fund

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Crypto assets

Are you concerned about young people investing in crypto and digital assets?

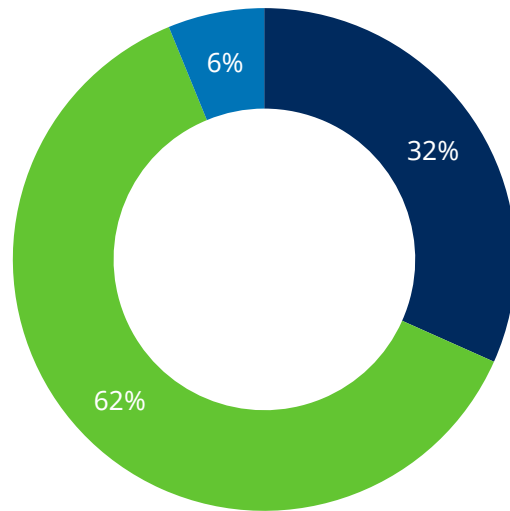


Source: Schroders Adviser Survey May 2023.

Crypto investing and digital assets

- 68% of advisers say they are concerned about young people investing in crypto and digital assets

How well equipped are you to have discussions with clients on crypto and digital assets?



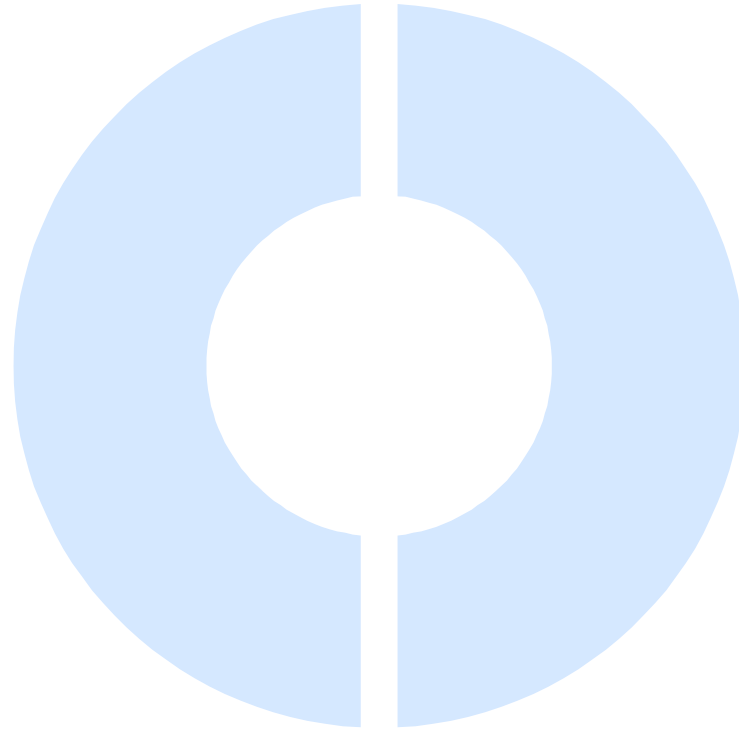
■ Not equipped at all ■ Adequately equipped ■ Well equipped

Source: Schroders Adviser Survey May 2023.

Crypto investing and digital assets

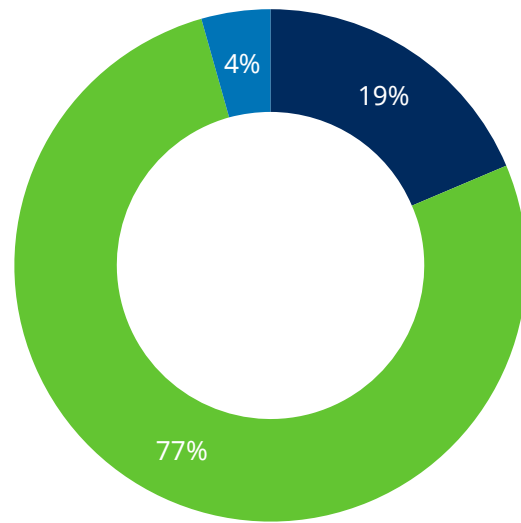
- 32% of advisers say that they are not equipped at all to have discussions with clients on crypto and digital assets. 62% say they are adequately equipped while only 6% say they are well equipped

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Consumer Duty

How well prepared are you for Consumer Duty regulation?



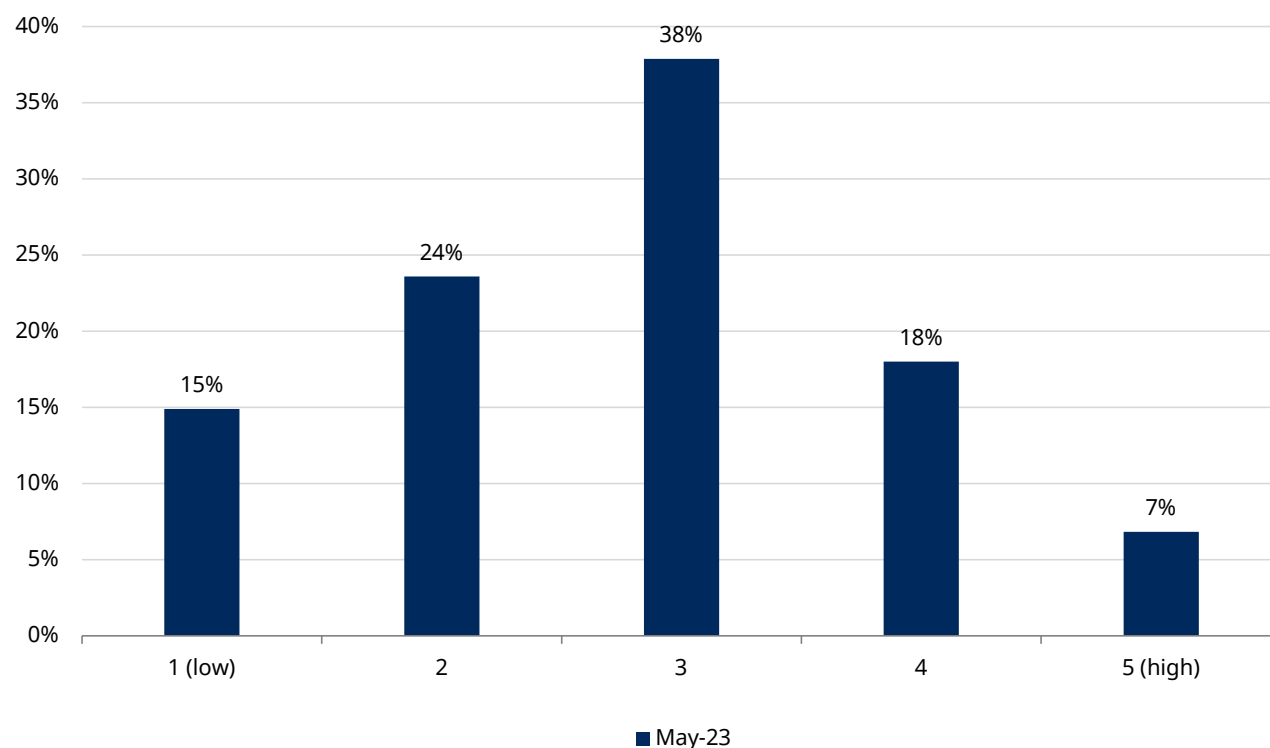
- Fully prepared
- Preparations in progress and should be ready for end July
- Not yet started

Source: Schroders Adviser Survey May 2023.

Consumer Duty

- 19% of advisers say they are fully prepared for Consumer Duty and 77% say that their preparations are in progress and that they should be ready for the end of July
- However, 4% say that they have not yet stated to prepare

On a scale from 1 (low) to 5 (high) what impact do you think Consumer Duty will have on your business?

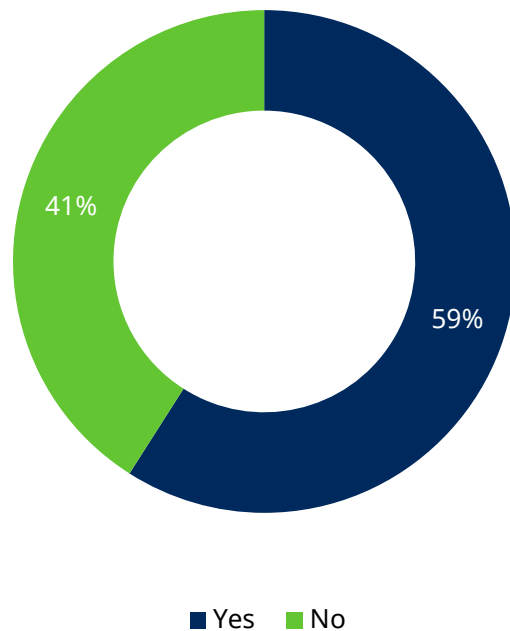


Source: Schroders Adviser Survey May 2023.

Consumer Duty

- 39% of advisers think that Consumer Duty will have an impact towards the lower end of the scale
- 25% of advisers think it will have an impact towards the higher end

Do you feel that the fair value outcome will put pressure on ongoing charging models?

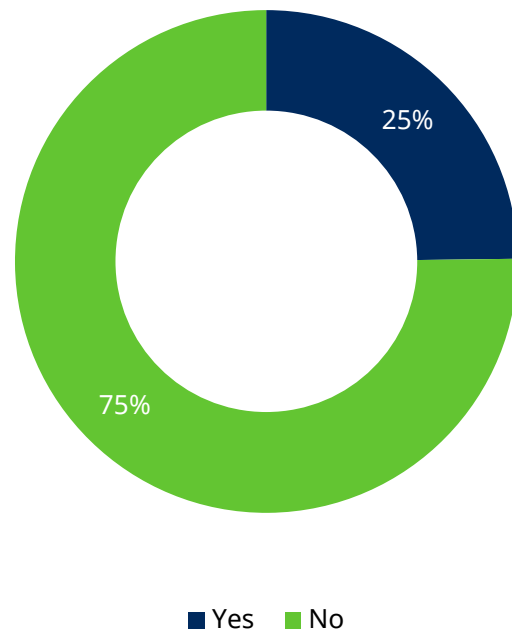


Source: Schroders Adviser Survey May 2023.

Consumer Duty

- 59% of advisers think the fair value outcome in the Consumer duty will put pressure on ongoing charging models

Will the introduction of Consumer Duty lead to increased outsourcing of all or some of your investment proposition?



Source: Schroders Adviser Survey May 2023.

Consumer Duty

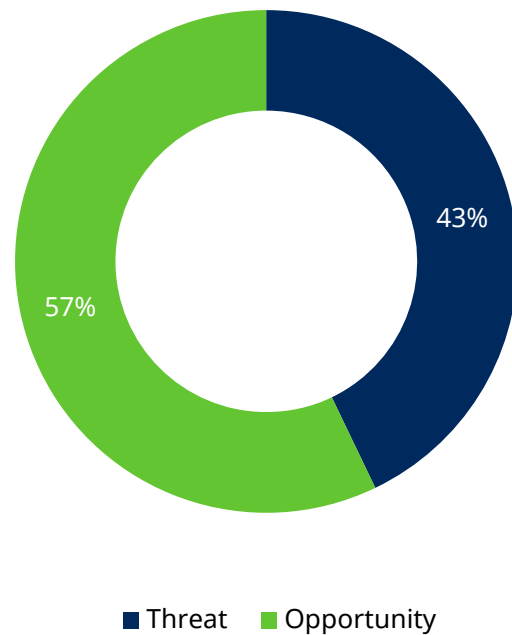
- 25% of advisers think that the introduction of Consumer Duty will lead to increased outsourcing of all or some of their investment proposition

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AI

Do you think the development of AI technology applications such as ChatGPT represents an opportunity or threat to your business?

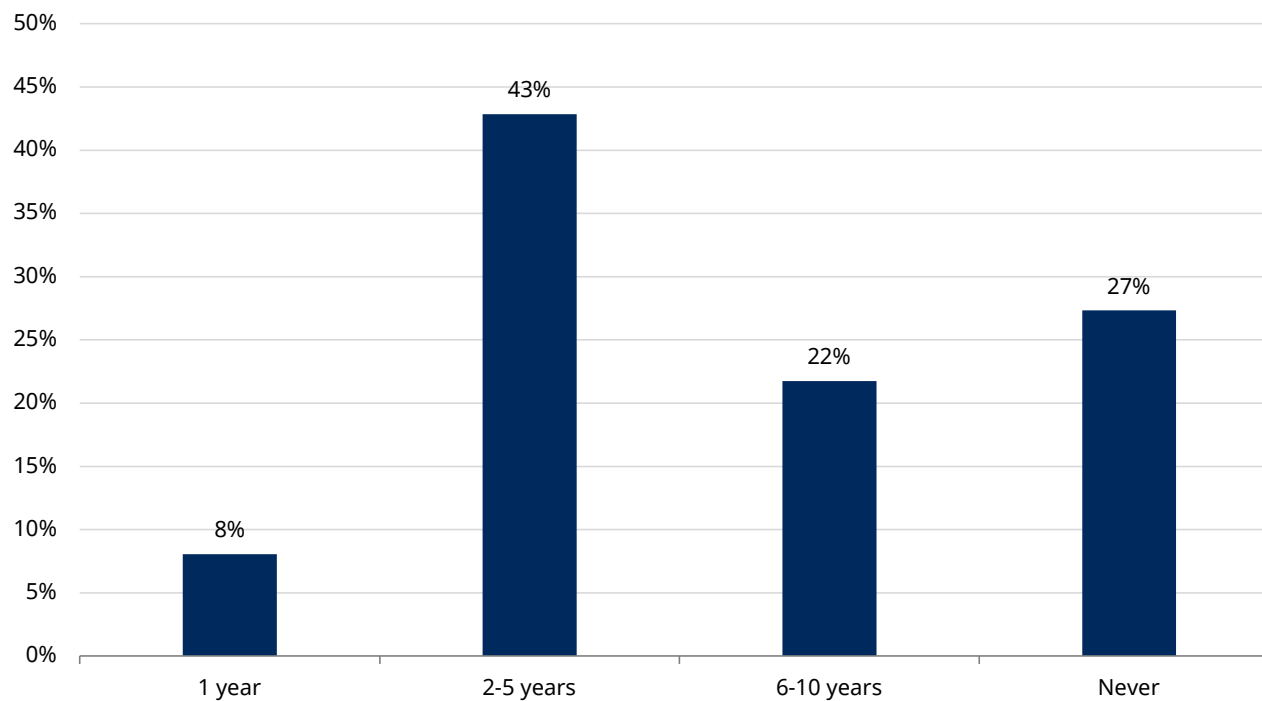


Source: Schroders Adviser Survey May 2023.

AI

- 57% of advisers think the development of AI technology applications such as ChatGPT represents a potential opportunity for their business while 43% see it as a potential threat

How soon would you anticipate incorporating AI based technology applications in your advice process in some way?



Source: Schroders Adviser Survey May 2023.

AI

- 73% of advisers anticipate incorporating AI based technology applications in their advice process in some way in the future
- 43% expect this to happen two to five years from now

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