

Schroders

Schroders UK Financial Adviser Survey  
November 2022

Marketing material for professional clients only.

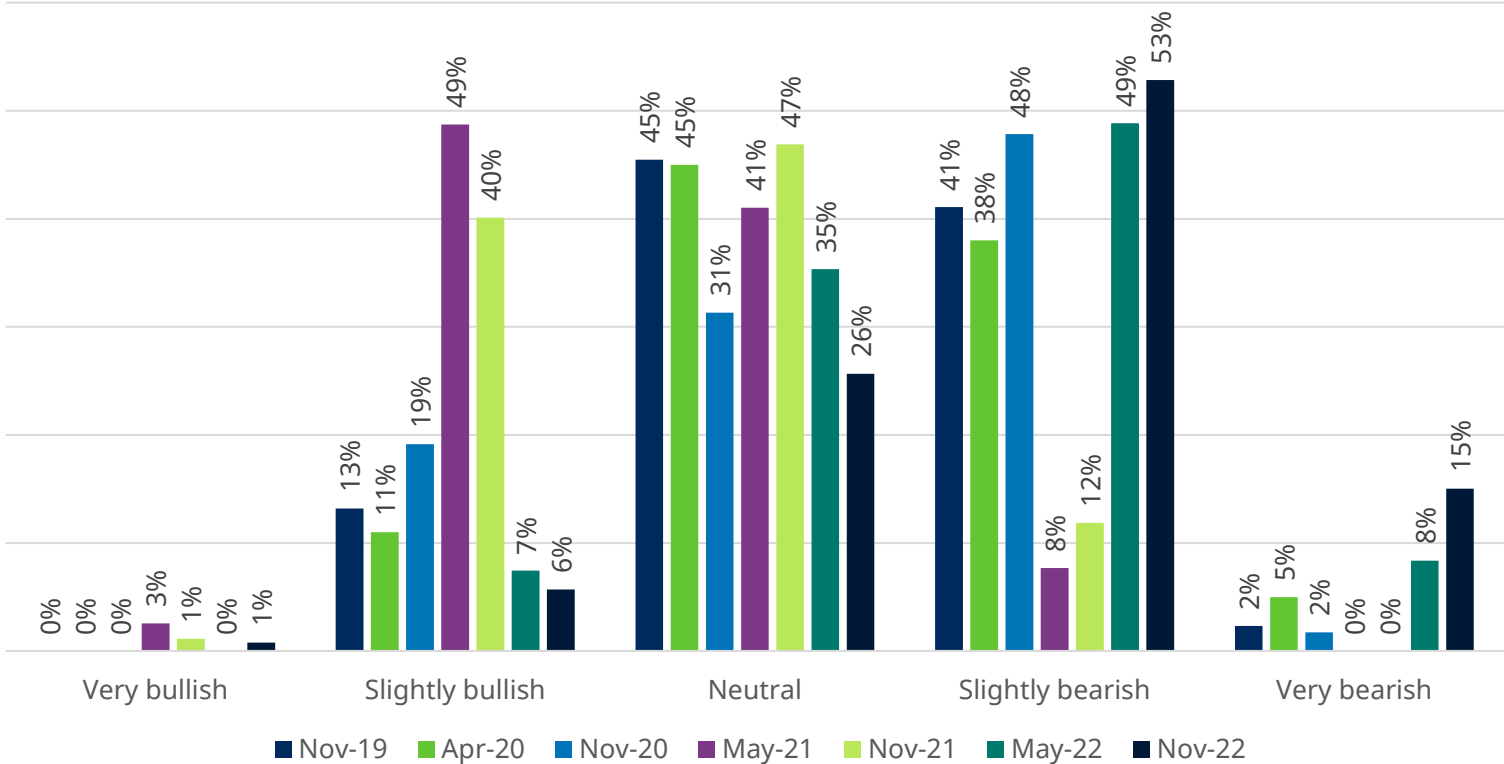
# Schroders UK Adviser Survey November 2022





**How are clients feeling about their investments?**

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

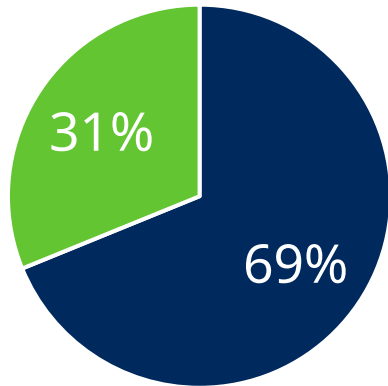


## Client sentiment

- Client sentiment has worsened since our last survey in May 2022
- 68% of advisers' clients are now bearish, up from 57% in May
- Correspondingly, only 7% are bullish, no change here from May
- In contrast, at this time last year, 41% of advisers' clients were bullish and only 12% were bearish

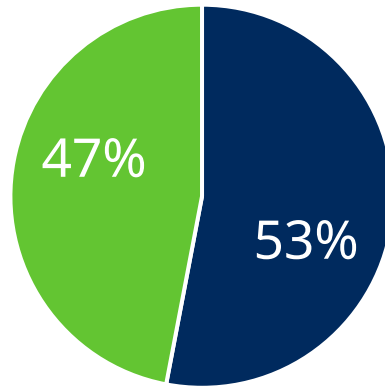
Source: Schroders Adviser Survey November 2022

May 2022: Do you expect that some clients will have to adjust their investment plans as a result of the cost of living crisis?



■ Yes ■ No

November 2022: Have some of your clients adjusted their investment plans as a result of the cost of living crisis?



■ Yes ■ No

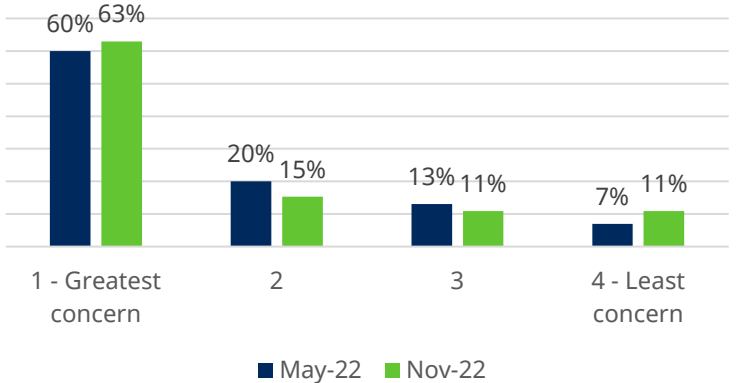
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## Impact of cost of living crisis on client plans

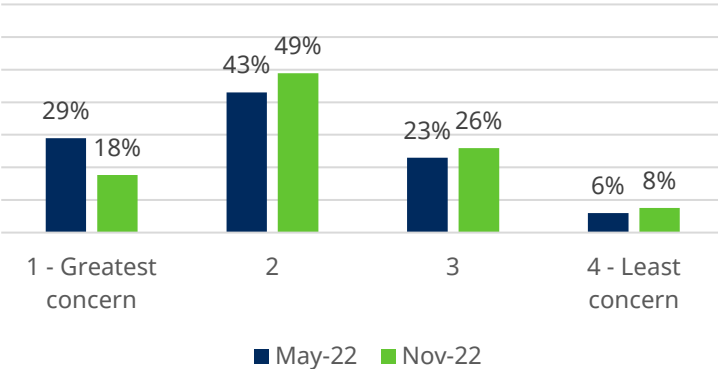
- In May 2022, 69% of advisers told us that they expected that some of their clients would have to adjust their investment plans as a result of the cost of living crisis
  - In November 53% of advisers reported that some of their clients had now adjusted their plans
-

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

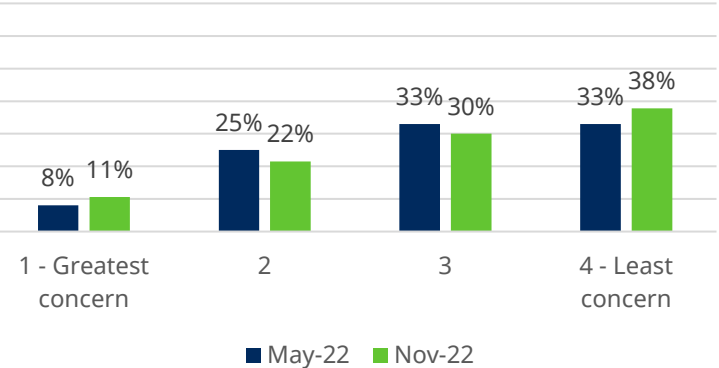
## Capital loss



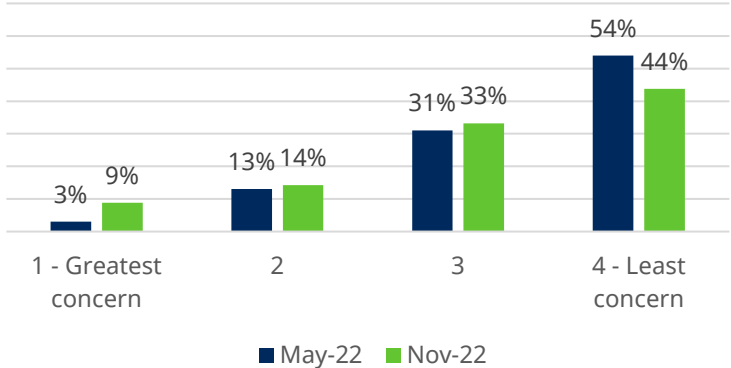
## Inflation



## Generating sufficient income



## Rising interest rates

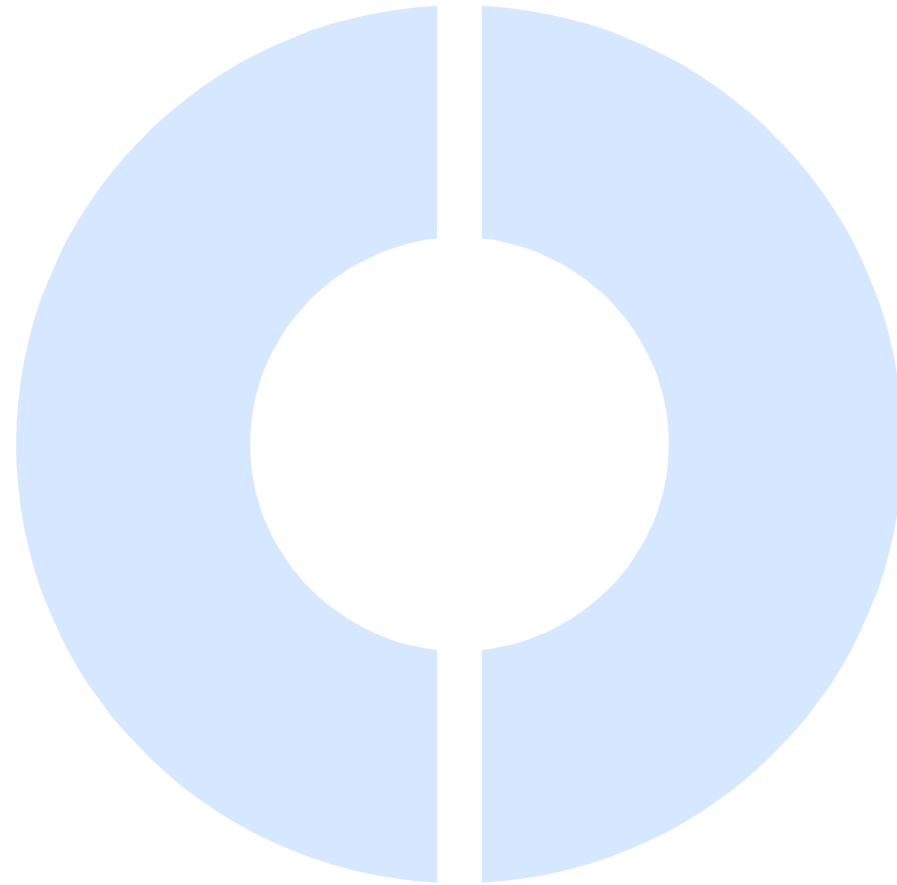


# Client concerns

- 63% of advisers ranked capital loss as the greatest concern for their clients
- Inflation was generally ranked next as a concern, followed by generating sufficient income and with rising interest rates in last place

Source: Schroders Adviser Survey November 2022

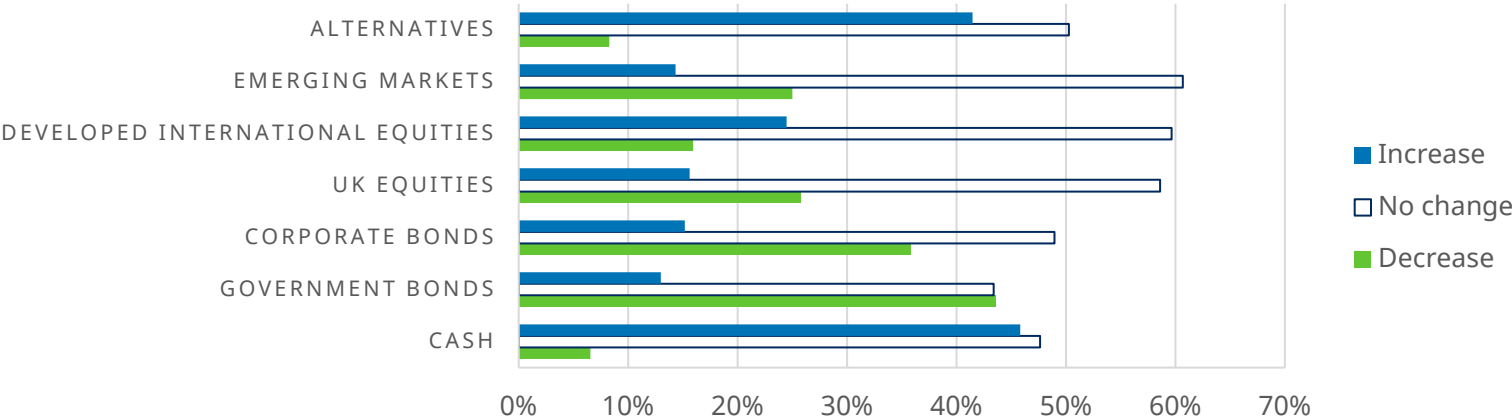
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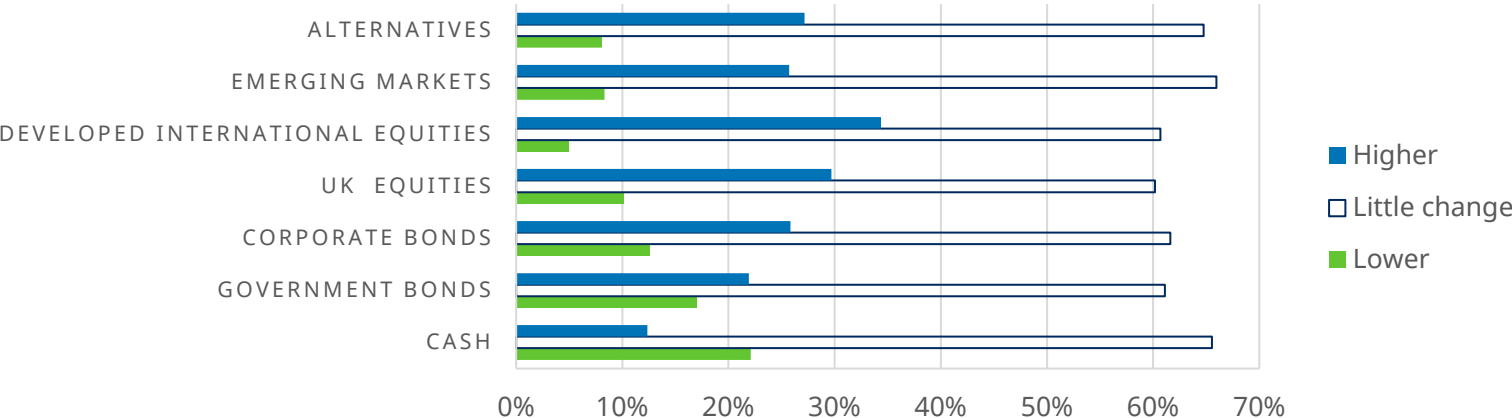
**Market trends**

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

## Last 12 months



## Next 12 months



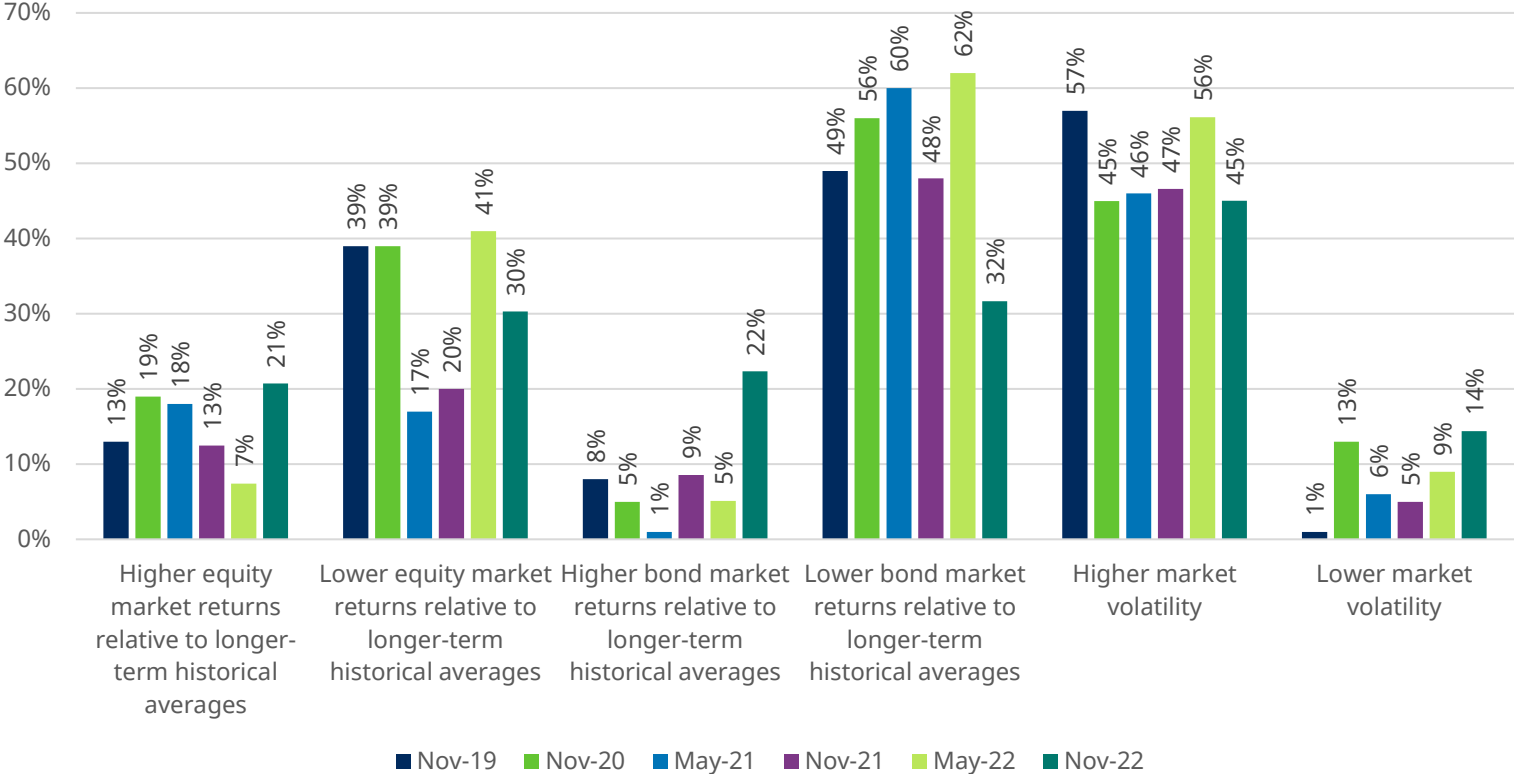
Source: Schroders Adviser Survey November 2022

# Asset allocation

- Advisers have significantly increased client holdings in cash and alternatives over the past 12 months. They have significantly cut holdings in government bonds and corporate bonds and have also reduced exposure to UK equities and emerging market equities
- Advisers expect to reduce cash holdings over the next 12 months and to increase exposure to risk assets across the board



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

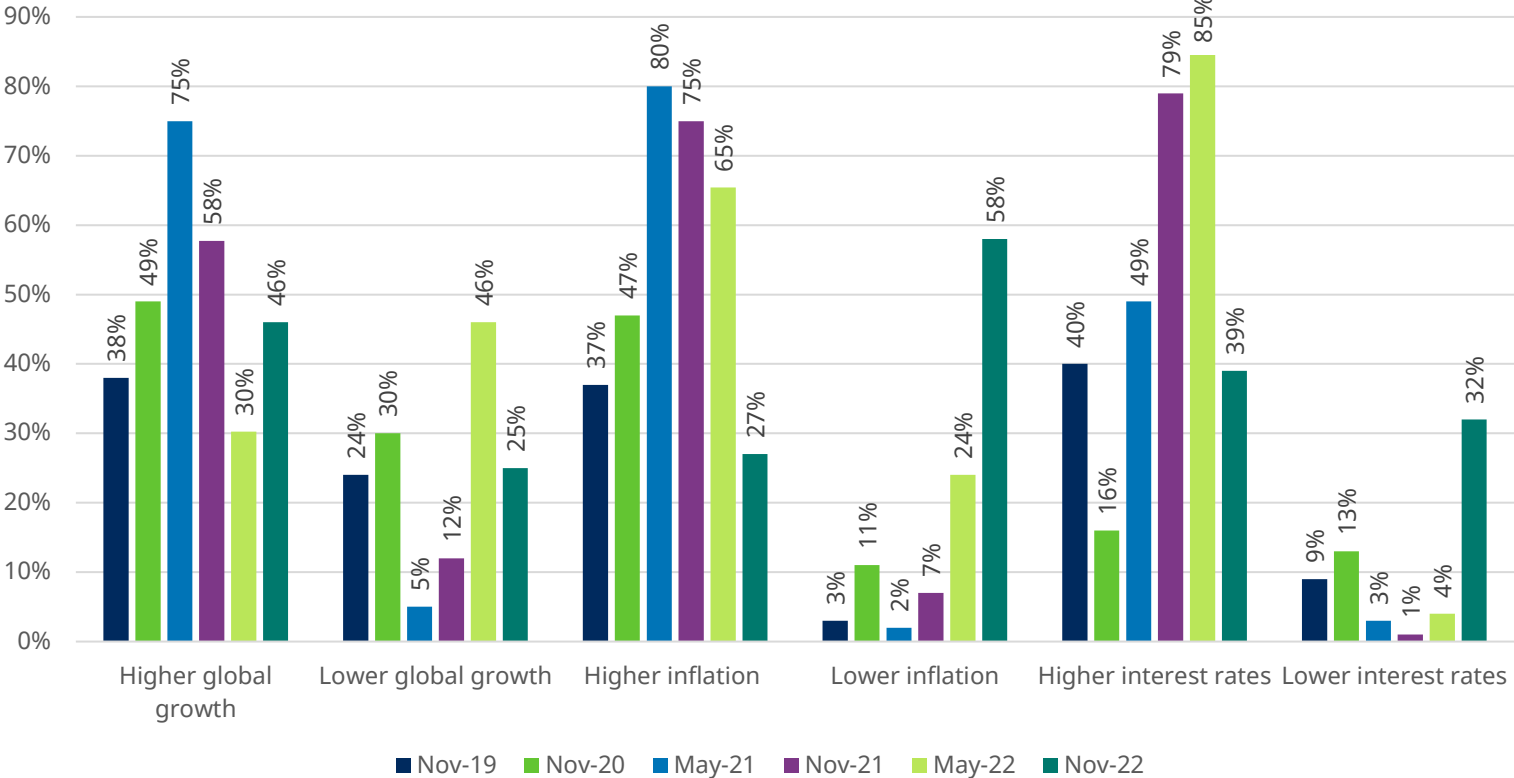


## Market expectations

- Overall, sentiment on equities and bonds is still far from bullish, with more advisers still expecting returns to be lower rather than higher than historical averages
- However, there has been some improvement in sentiment on prospects for equity and bond market returns, since May
- Over 20% of advisers now expect equity and bond market returns to be higher than historical averages over the next five years, the highest figures since November 2019

Source: Schroders Adviser Survey November 2022 (Little change also an option)

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

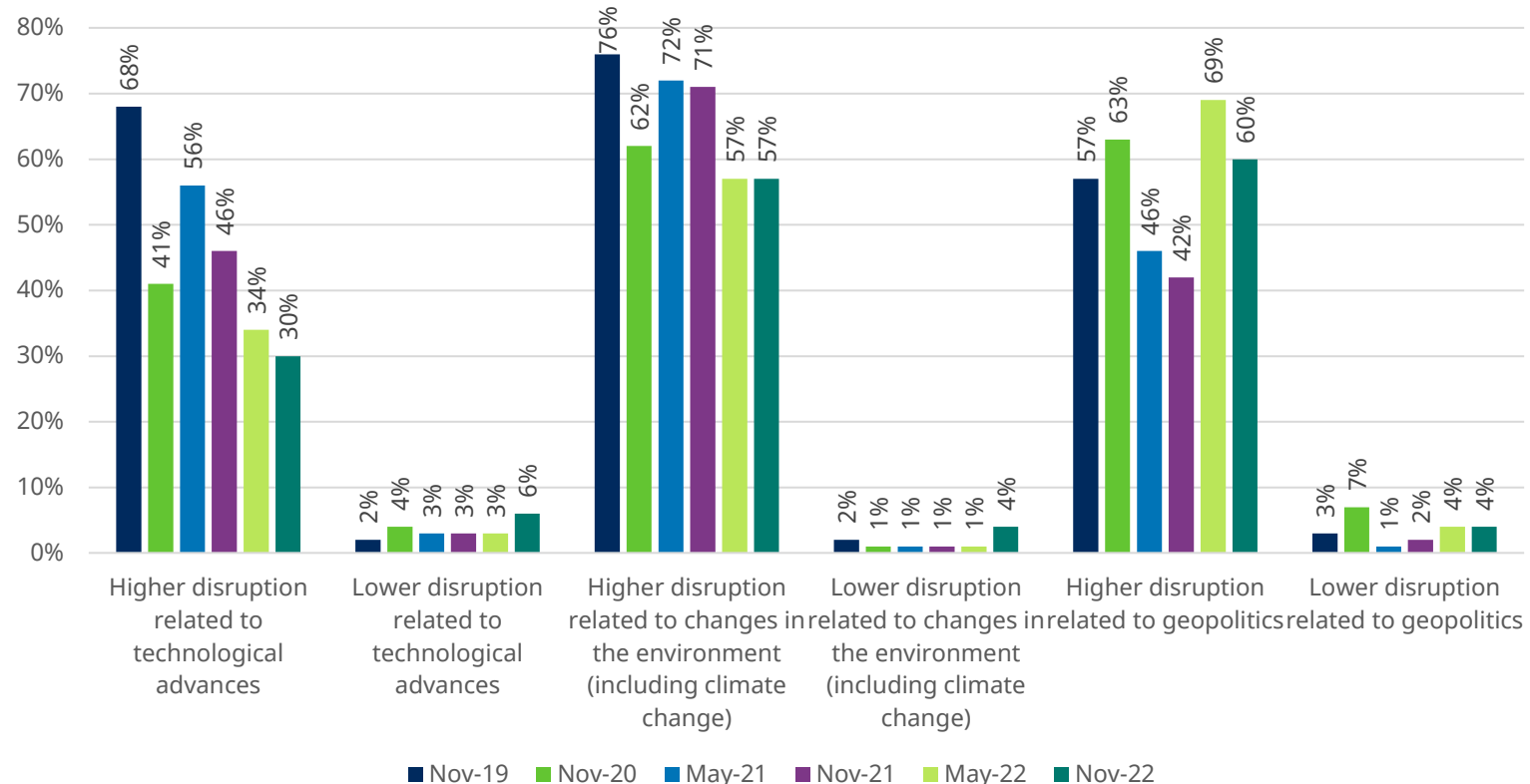


## Economic expectations

- On balance, advisers expectations for growth over the next five years have turned positive
- Expectations for inflation going forward have reversed. 58% of advisers now expect inflation to come down over the next five years
- There has also been a big shift in expectations for the path of interest rates. 32% expect rates to trend lower, up from just 4% in May

Source: Schroders Adviser Survey November 2022 (Little change also an option)

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



## Disruption

- Advisers expect that disruption will remain a major theme in markets
- 60% of advisers expect a higher level of disruption related to geopolitics and 57% expect higher levels of disruption related to changes in the environment, including climate change

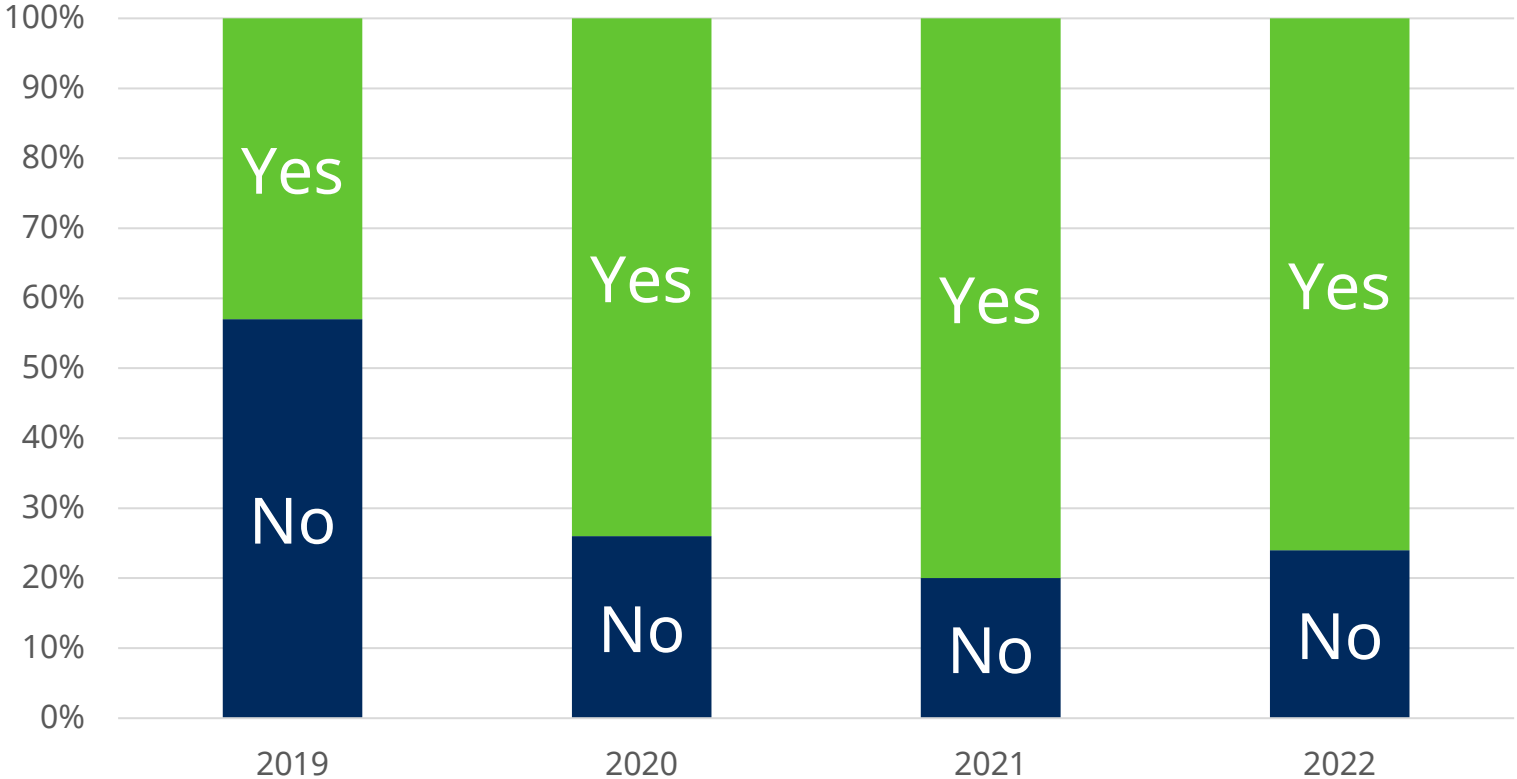
Source: Schroders Adviser Survey November 2022 (Little change also an option)

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**Sustainability**

# Does your fund selection process explicitly consider sustainability and ESG factors?

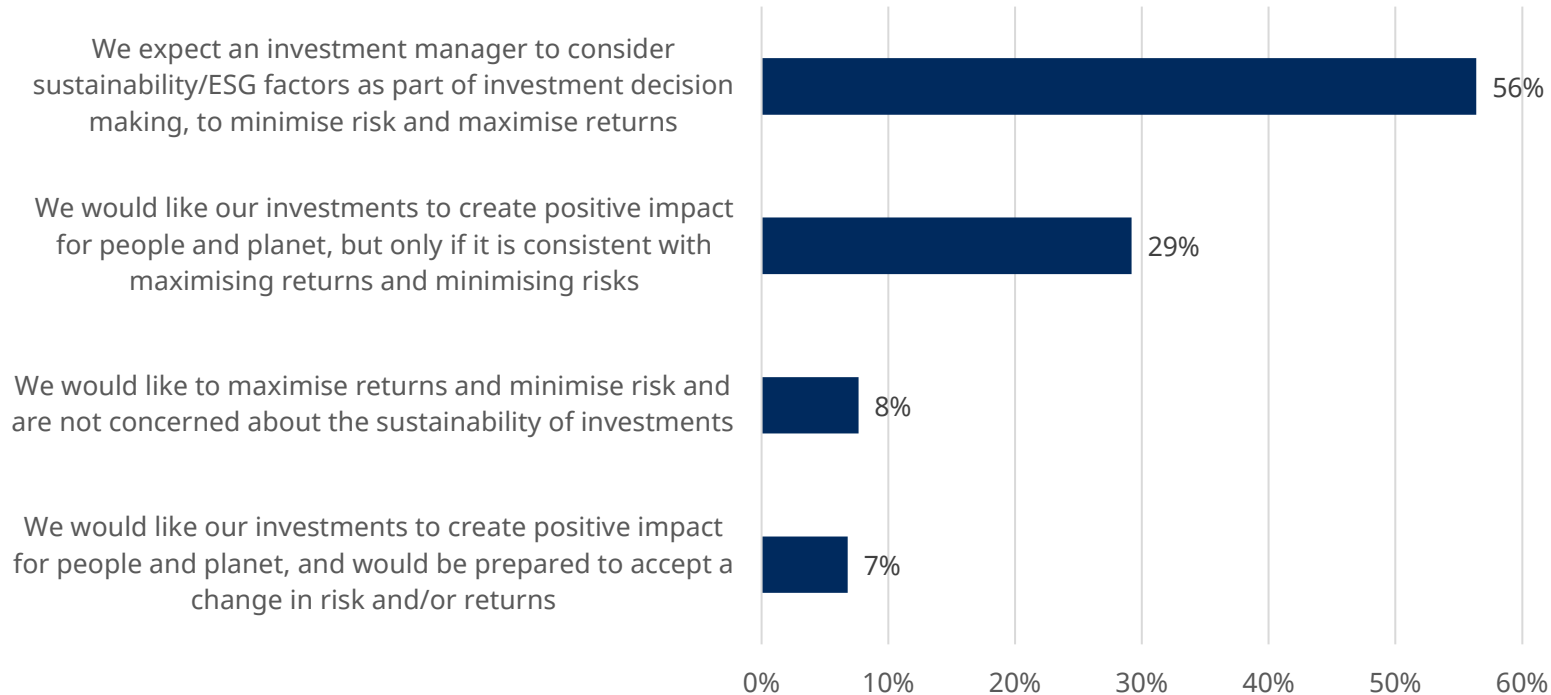


## Sustainable investing

76% of IFAs specifically consider sustainability and ESG factors as part of their fund selection process, this is up from the 43% figure in 2019 but slightly lower than the 80% figure in 2021

Source: Schroders Adviser Survey November 2022

## Which of these statements best describes your organisation's views on investing?

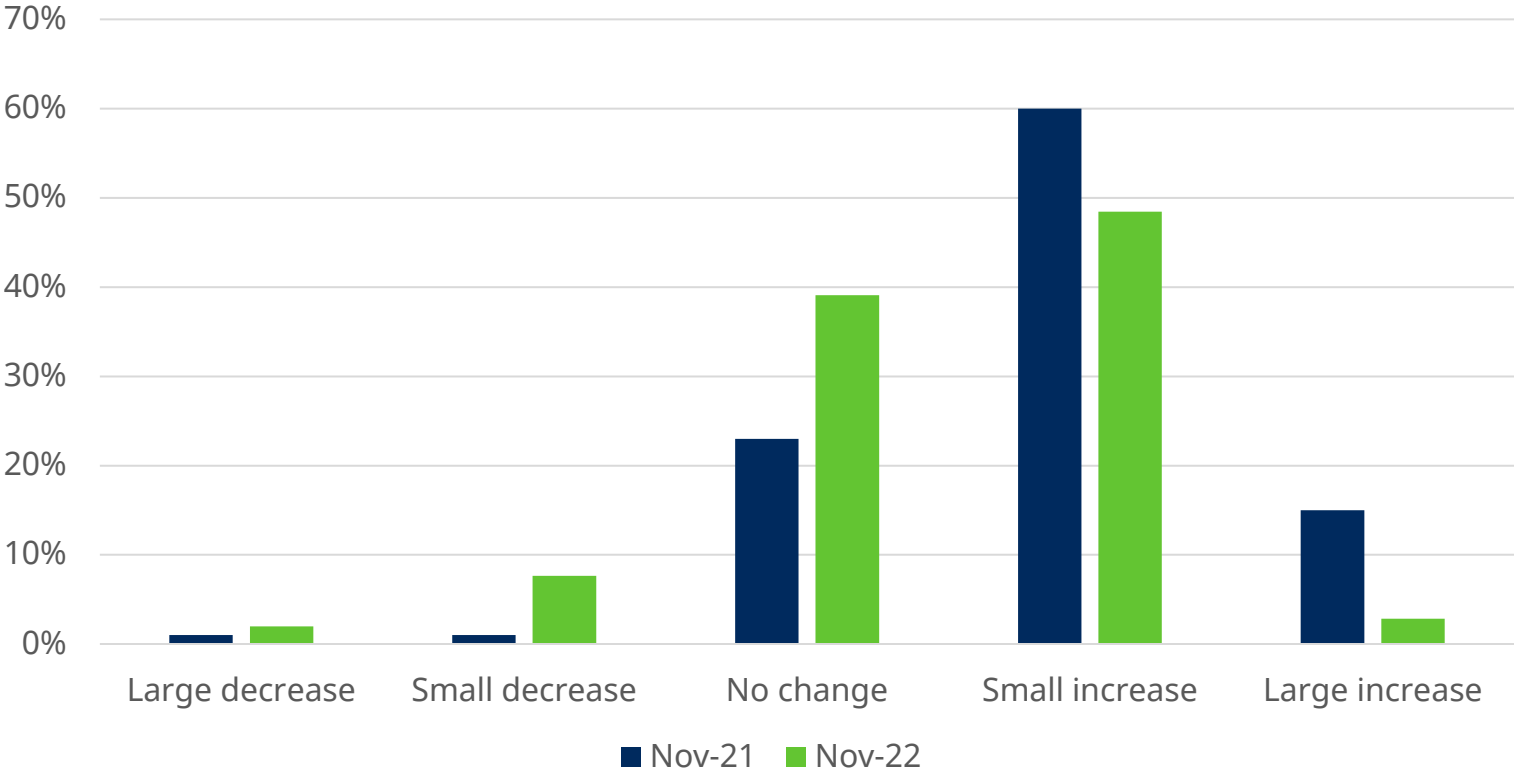


Source: Schroders Adviser Survey November 2022

## Sustainability

- 56% expect an investment manager to consider sustainability/ESG factors as part of investment decision making, to minimise risk and maximise returns
- Only 8% of advisers prioritise maximising returns and minimising risks entirely over the sustainability of investments

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

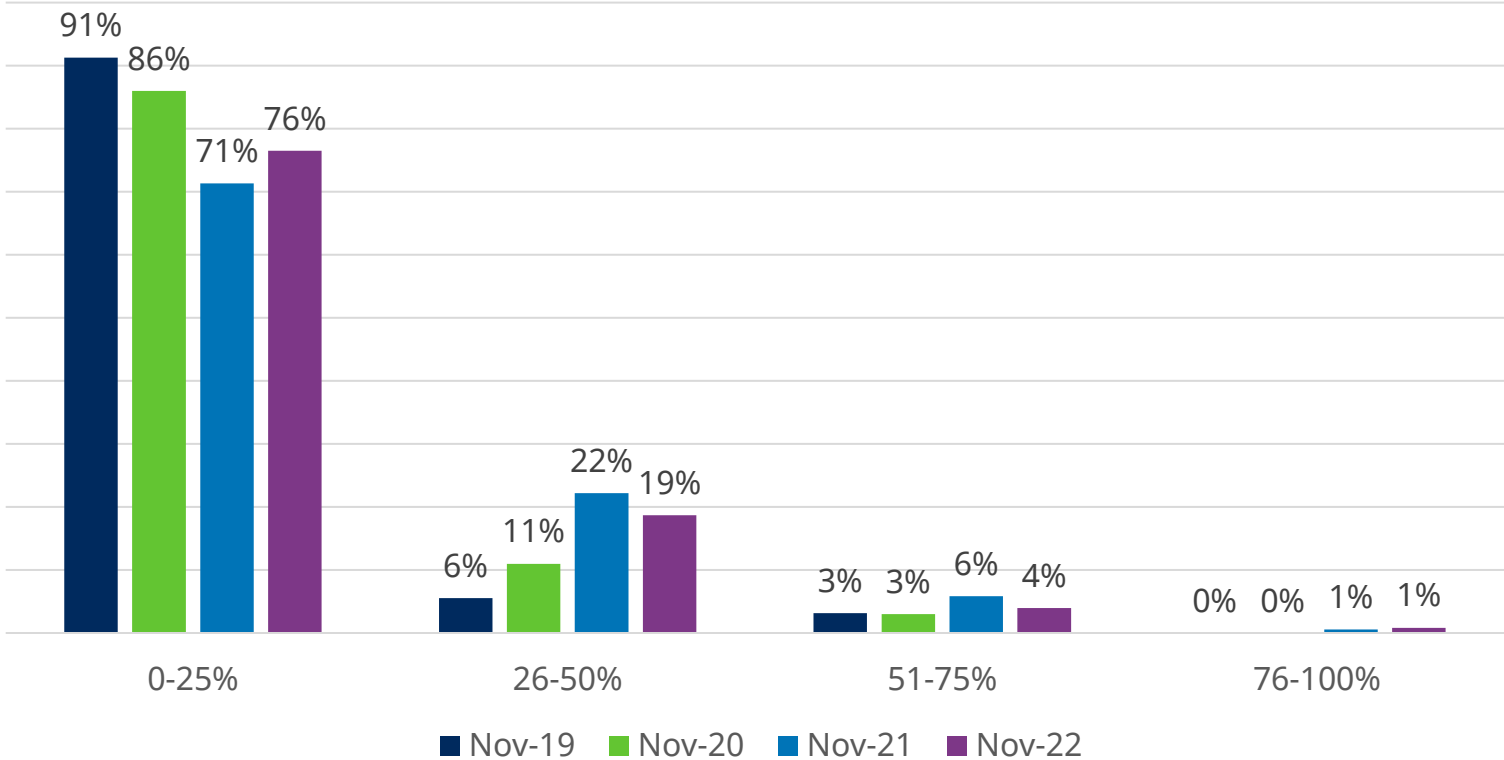


Source: Schroders Adviser Survey November 2021

## Client appetite for sustainable investing

- Over the past few years, increasing numbers of advisers' clients have begun to explicitly specify that their investments should reflect ESG factors in some way. However, the survey suggests that this trend may have slowed slightly
- 51% of advisers have seen an increase in the number of clients asking for sustainable investment options over the past 12 months. This is down from 75% in November 2021

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



## Sustainable investing

- 24% of IFAs report that more than a quarter of their clients now ask to incorporate ESG factors when investing
- This is up sharply from 14% in 2020 and 9% in 2019. However it is below the 29% figure reported this time last year

Source: Schroders Adviser Survey November 2022



# Have any of your clients initiated ESG/sustainability conversations with you that have referenced:



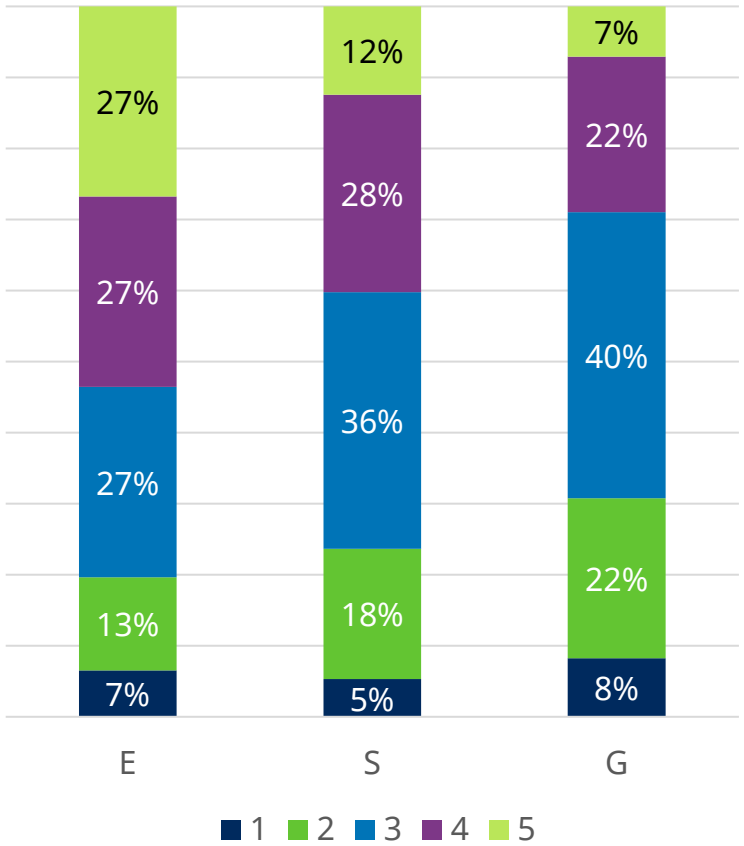
Source: Schroders Adviser Survey November 2022

# Sustainability

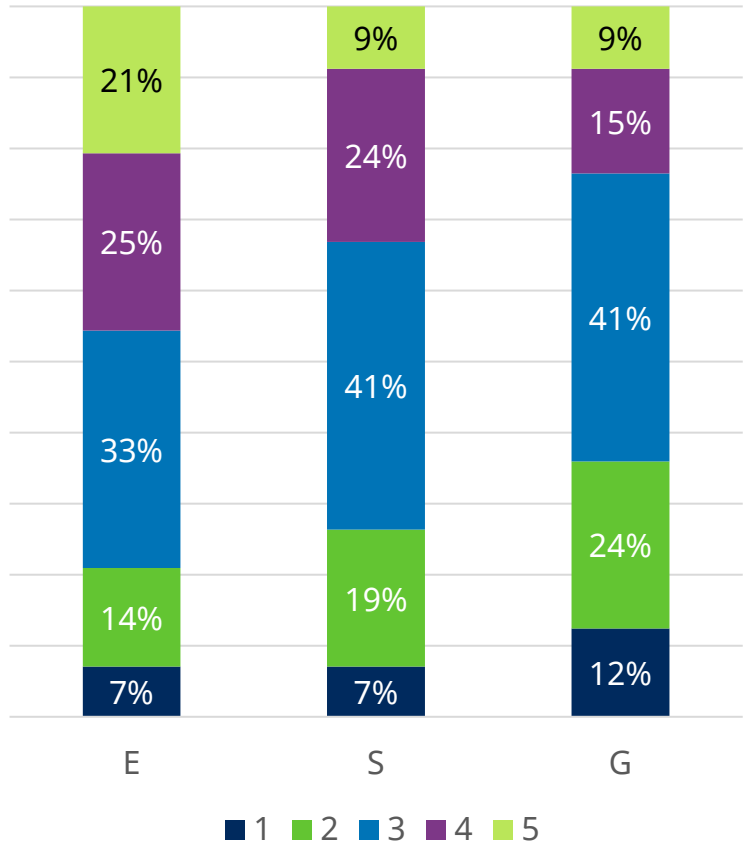
- In light of the war in Ukraine and its impact on energy prices and the climate crisis, over half of advisers report that clients have initiated conversations about fossil fuel related investments or including investments relating to clean energy and renewables

# How important to your clients are the E,S,G factors when selecting an investment? (Scale of 1 to 5 with 1 being least important, 5 being most important)

2021



2022



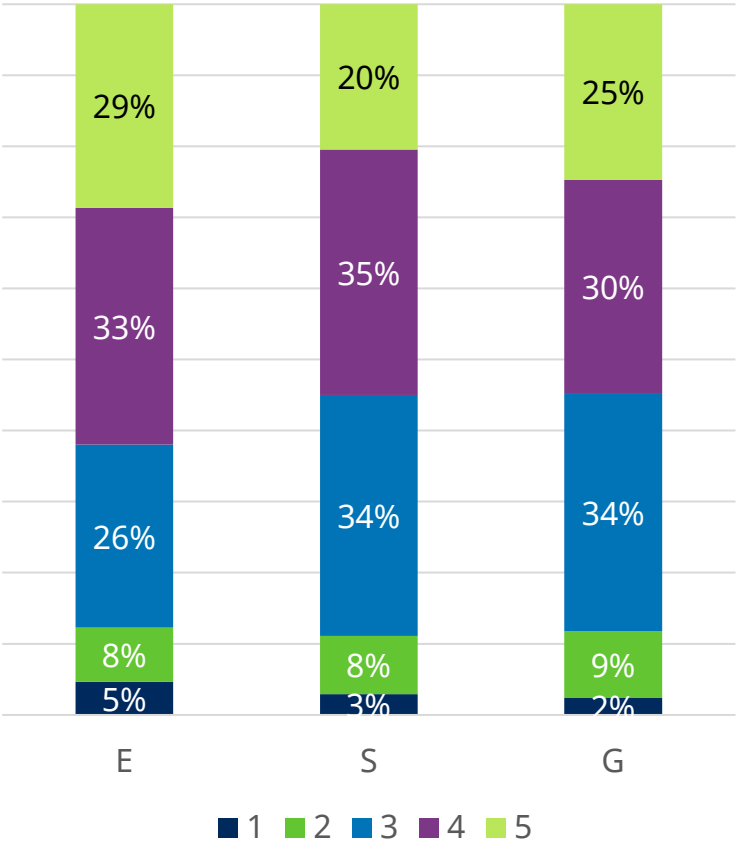
## Relative importance of E, S and G when investing

- Among advisers' clients environmental factors are still rated as the most important of the ESG factors when selecting an investment by some margin

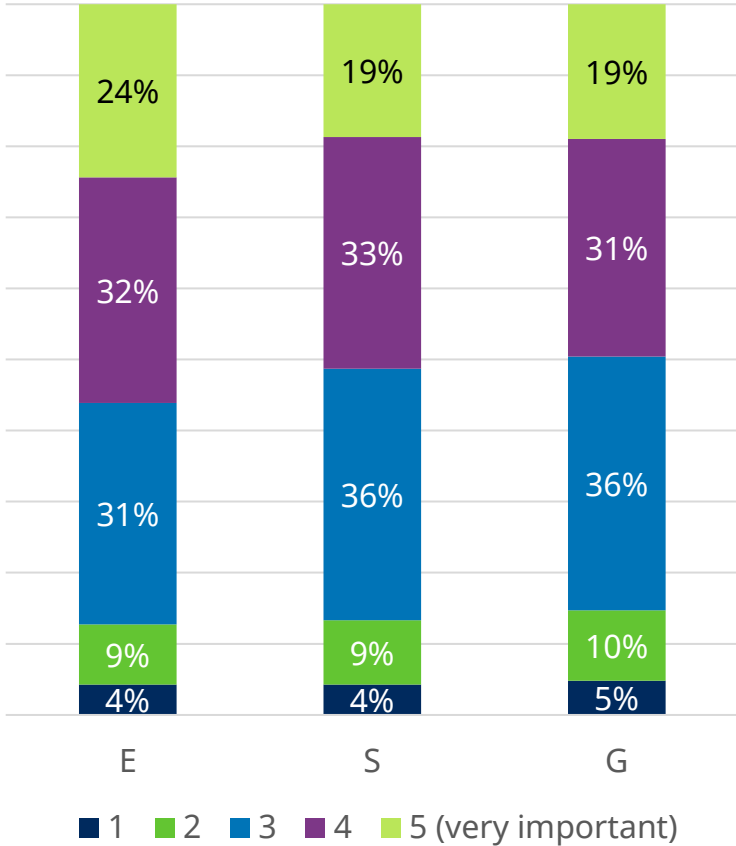
Source: Schroders Adviser Survey November 2022. Due to rounding figures many not sum to 100.

# How important do you think the E,S,G factors should be when selecting an investment? (Scale of 1 to 5 with 1 being least important, 5 being most important)

2021



2022

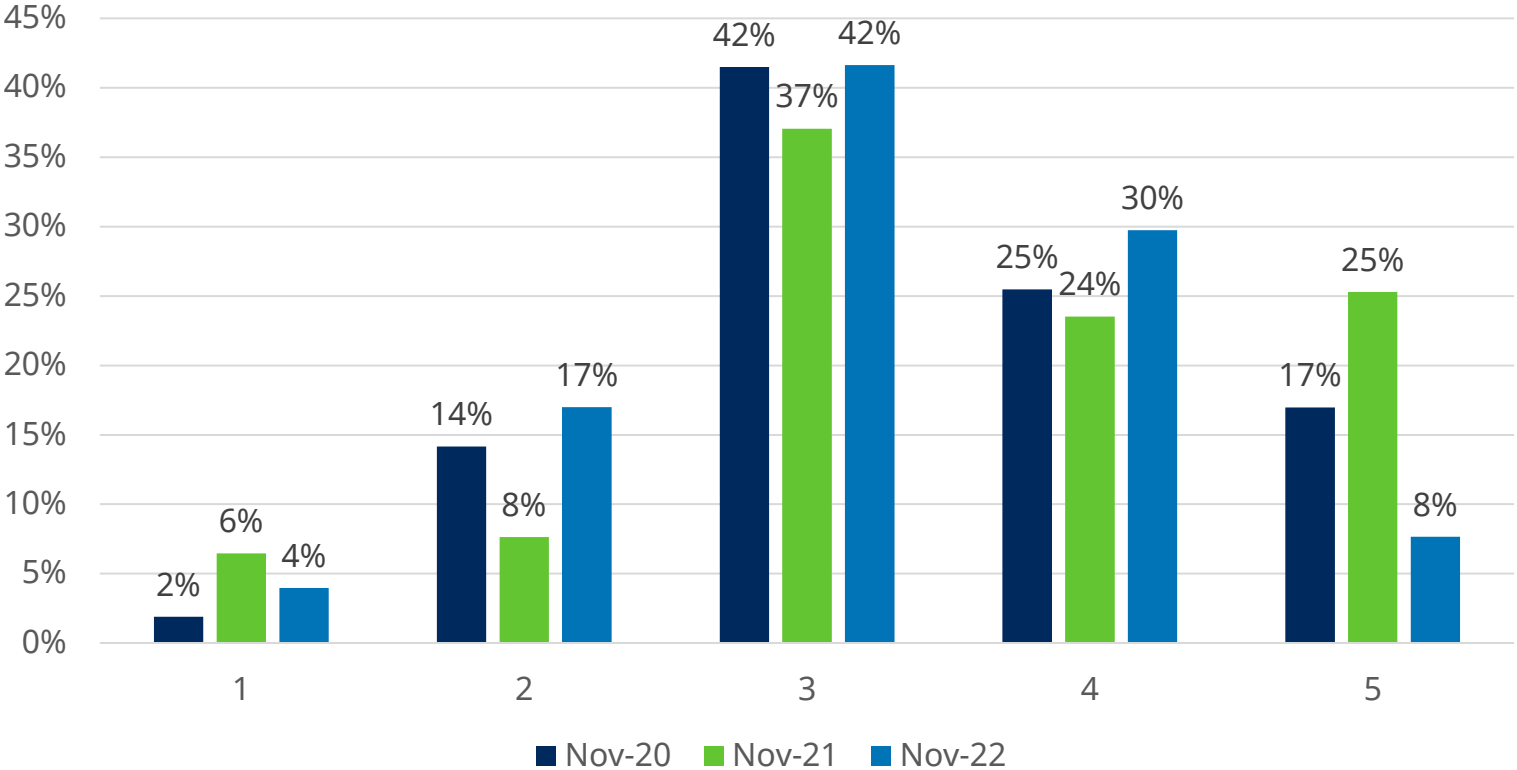


## Relative importance of E, S and G when investing

- Advisers themselves maintain a fairly balanced view of the importance of each ESG factor, although they also believe the environmental factor is most important of the three

Source: Schroders Adviser Survey November 2022. Due to rounding figures many not sum to 100.

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)

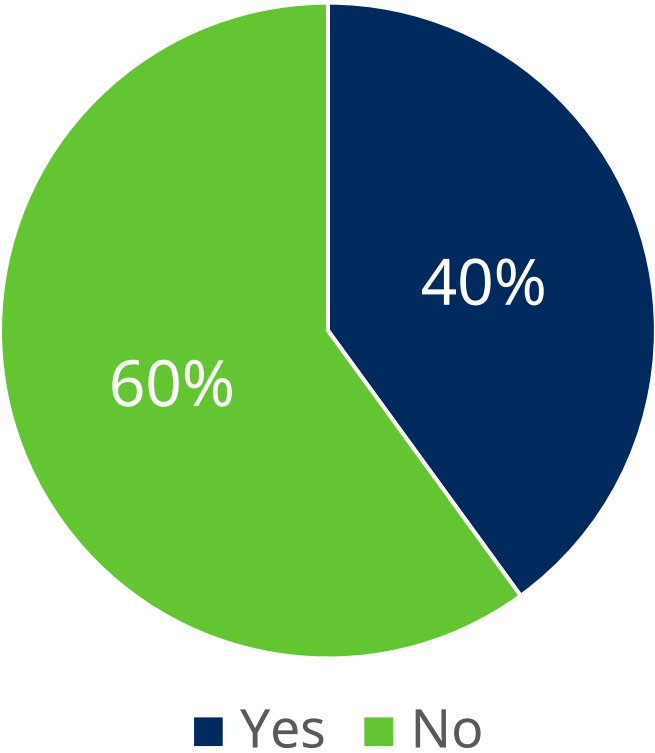


# Sustainable investing

- Confidence in talking to clients about sustainable investing has dropped back with 63% rating this as middling or below on a scale of 1-5 compared to 51% in 2021
- The percentage of advisers who are very confident talking about sustainable investing has fallen from 25% to 8%

Source: Schroders Adviser Survey November 2022

# Would you like more educational support on sustainable investing?

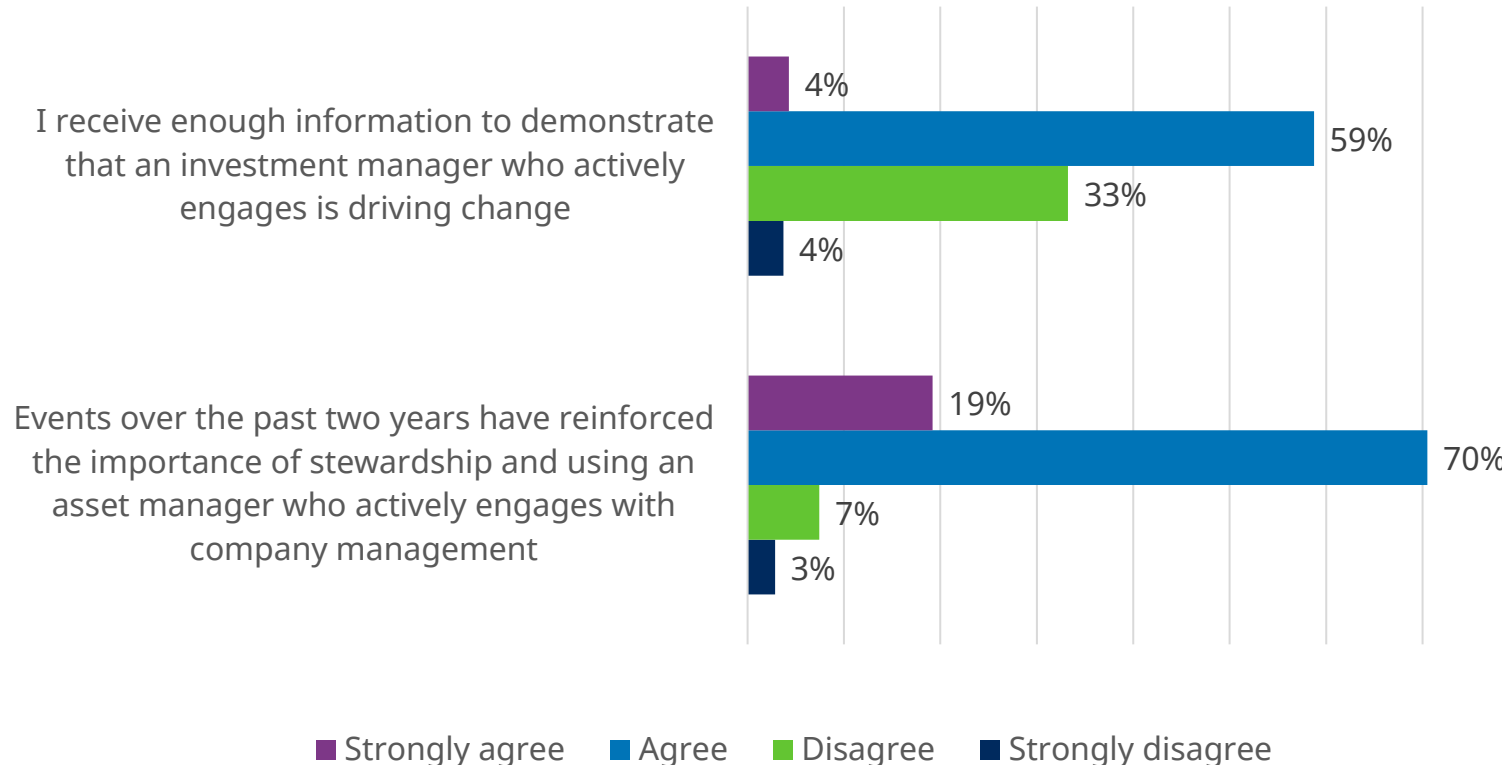


Source: Schroders Adviser Survey November 2022

## Education on sustainable investment

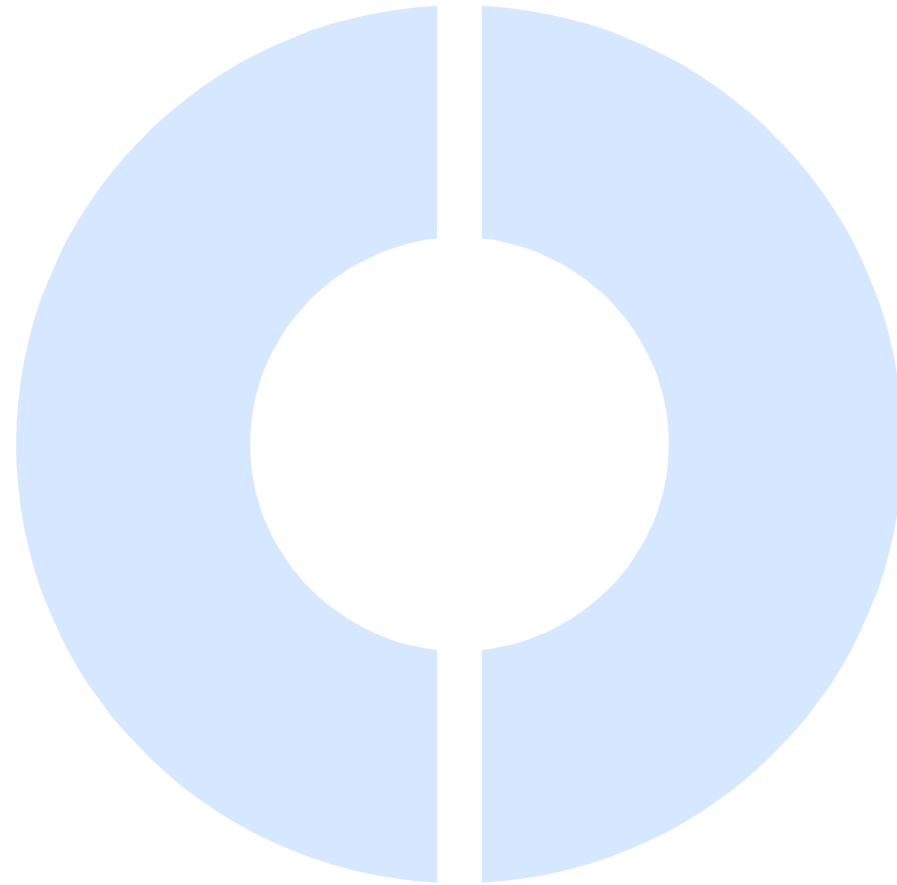
- 40% of advisers would like more educational support on sustainable investing

## To what extent do you agree with the following statements:



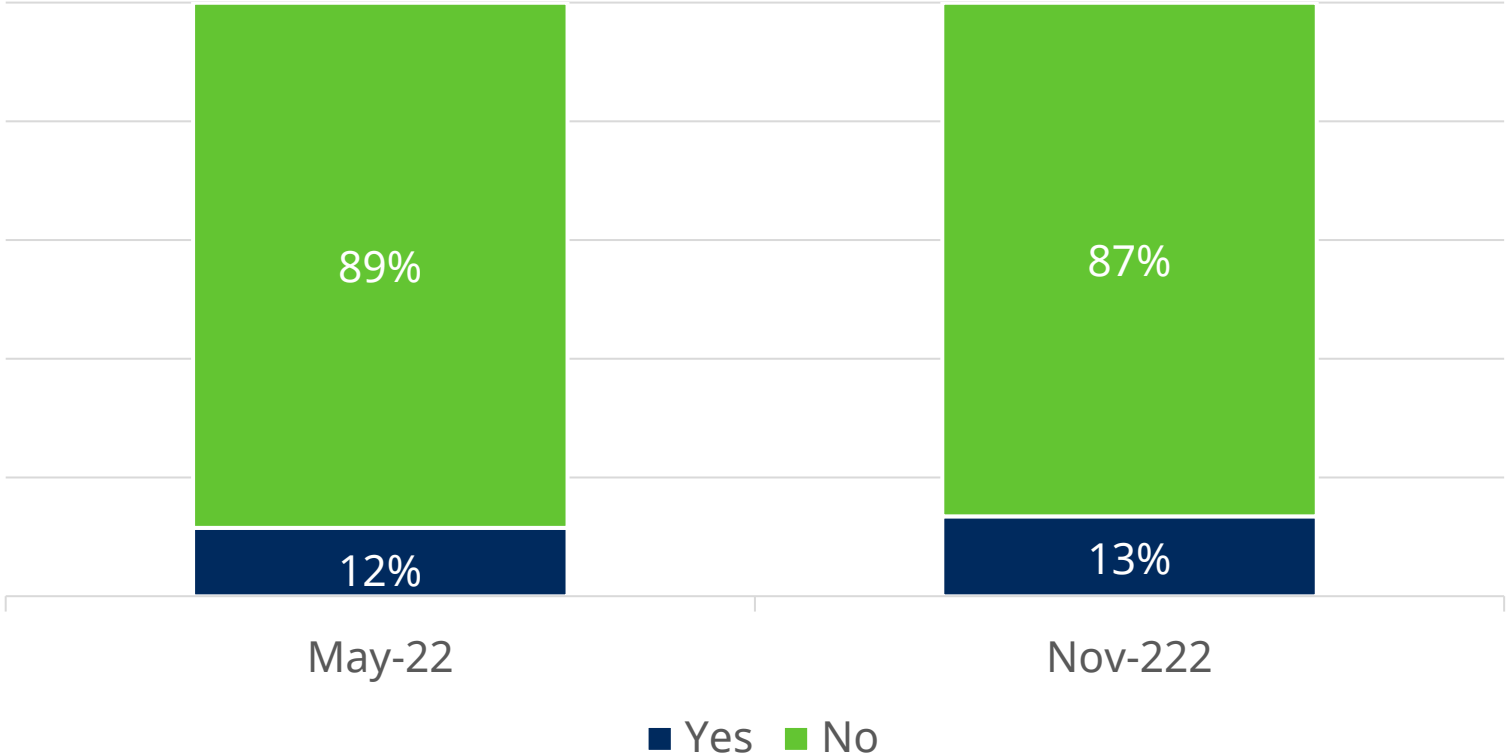
## Sustainability

- 89% of advisers think that events over the past two years have reinforced the importance of stewardship and using an asset manager who actively engages with company management
- However, 37% of advisers do not think they receive enough information to demonstrate that an investment manager who actively engages is driving change



**Private market investments**

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



## Private markets

- Only 13% of advisers are currently considering using private market investment solutions for their clients

Source: Schroders Adviser Survey November 2022. Figures do not sum to 100 due to rounding.

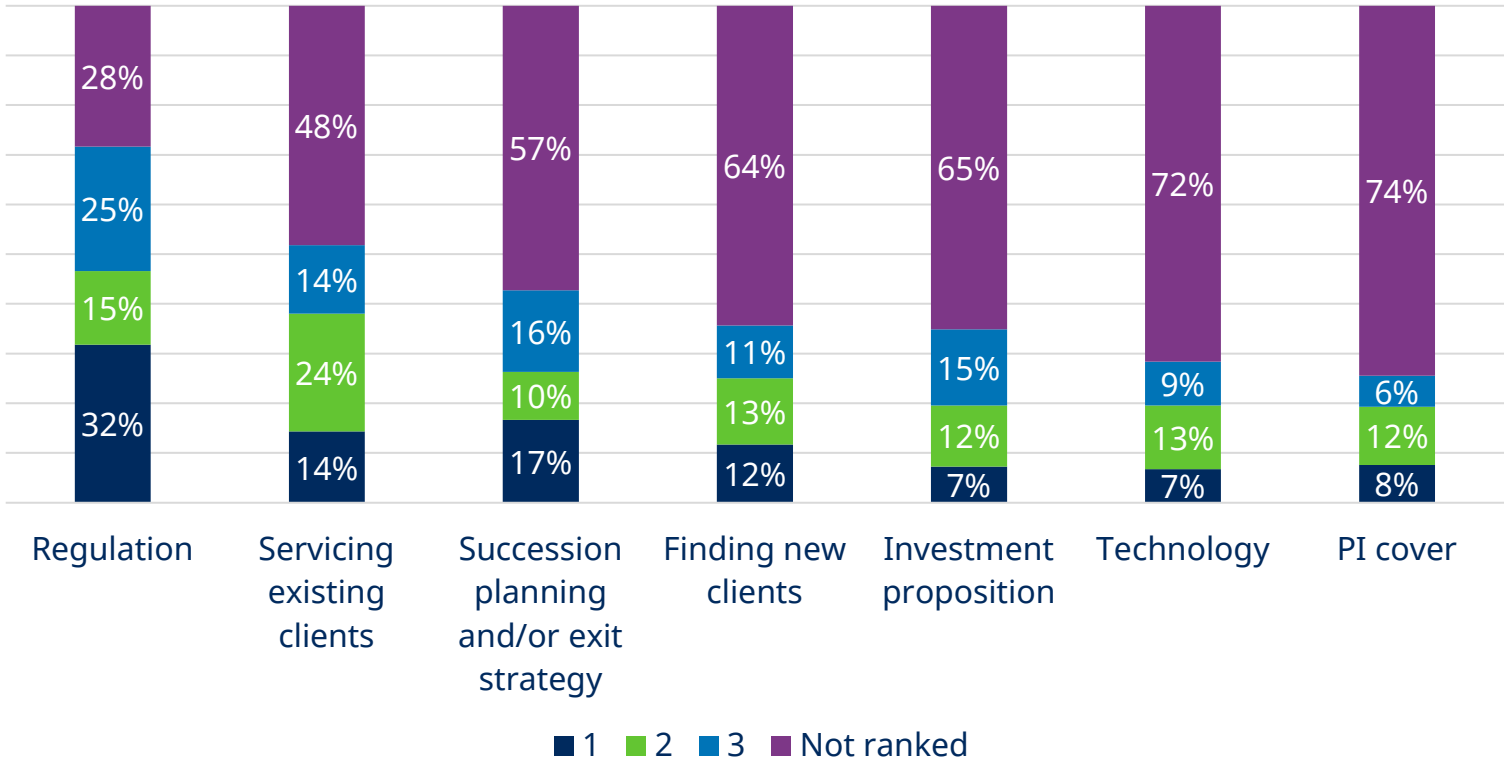


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**Adviser business challenges**

# What are the top three concerns for your business? (1 is greatest concern)

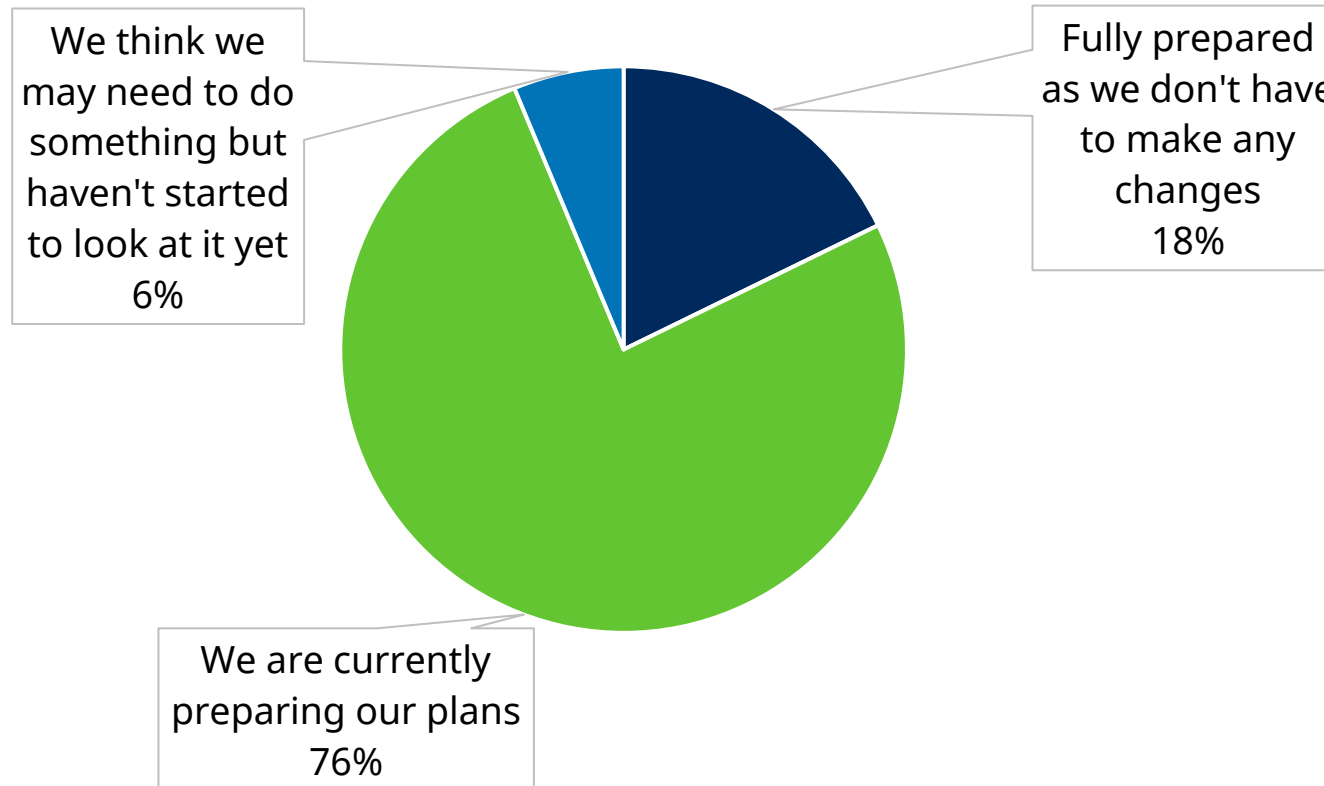


## Adviser concerns

- The main business related concern for the largest number of advisers remains regulation
- This is followed, in order, by: servicing their existing clients; succession planning and/or exit strategy; and finding new clients

Source: Schroders Adviser Survey November 2022

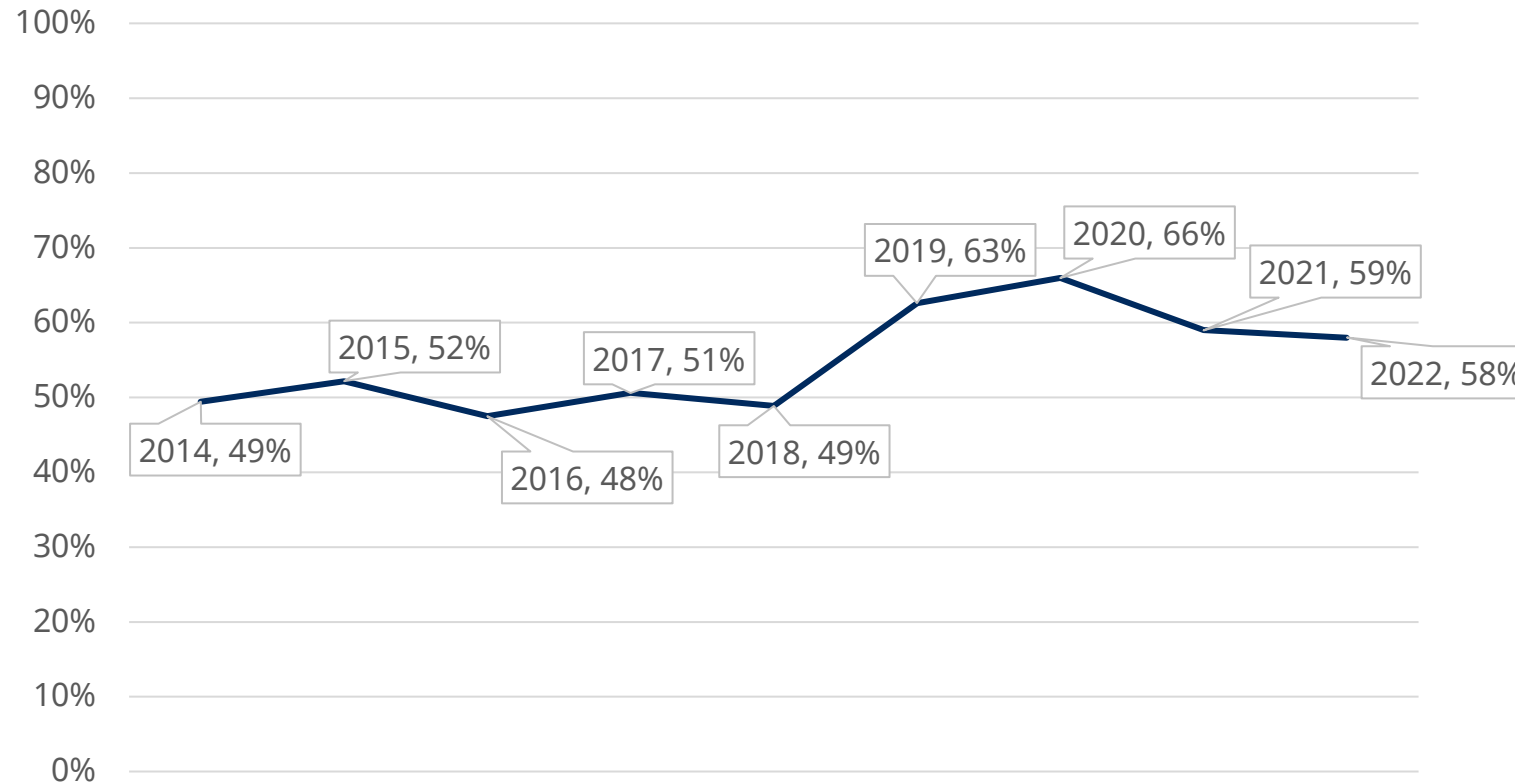
## How prepared are you for Consumer Duty regulation?



## Consumer duty regulation

- Only 18% of advisers say they are currently fully prepared for the upcoming Consumer Duty regulation
- 6% have not started to look at it yet

## Do you segment your client base?

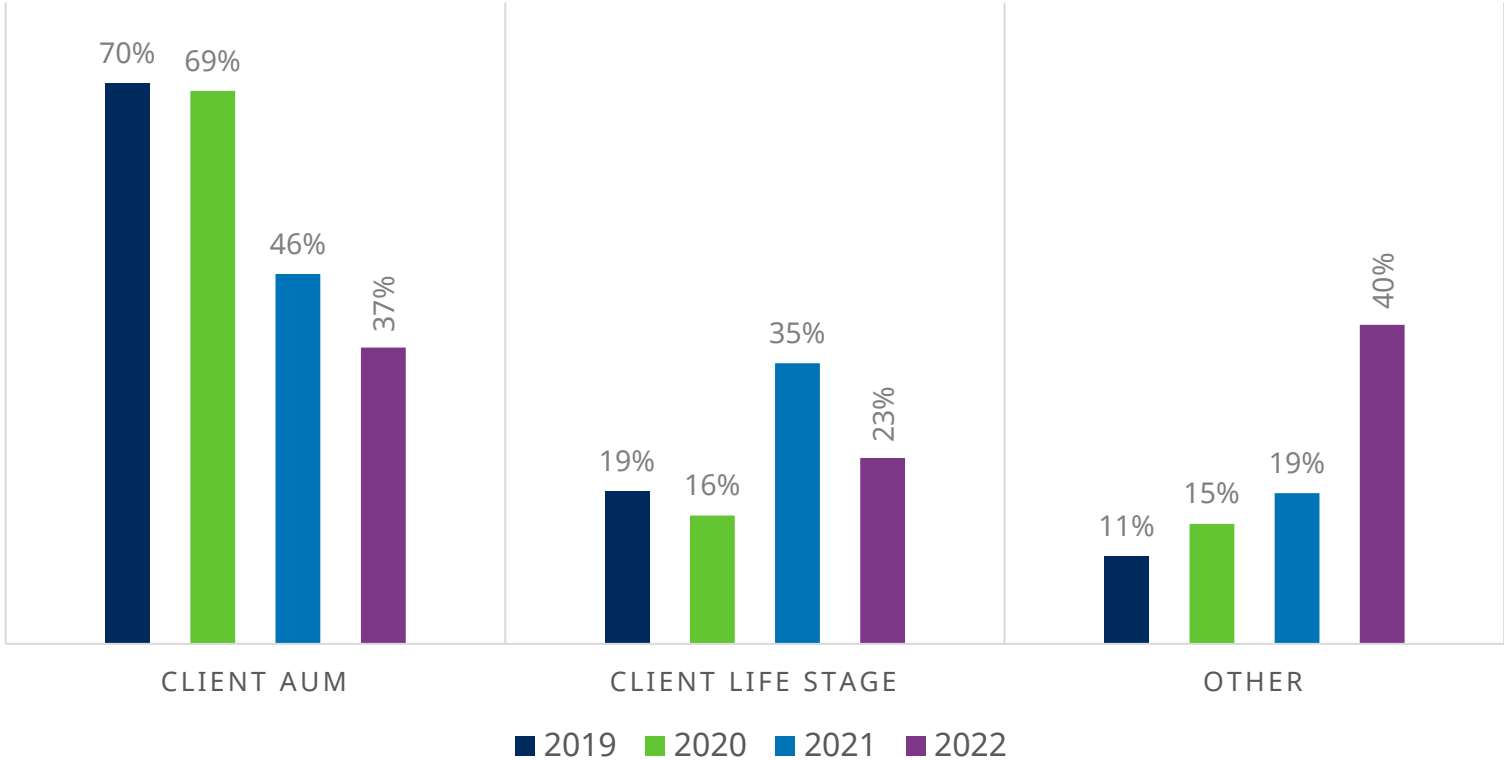


Source: Schroders Adviser Survey November 2022

## Client segmentation

- 58% of advisers surveyed in 2022 segment their client base, almost the same as the previous year
- 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'

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

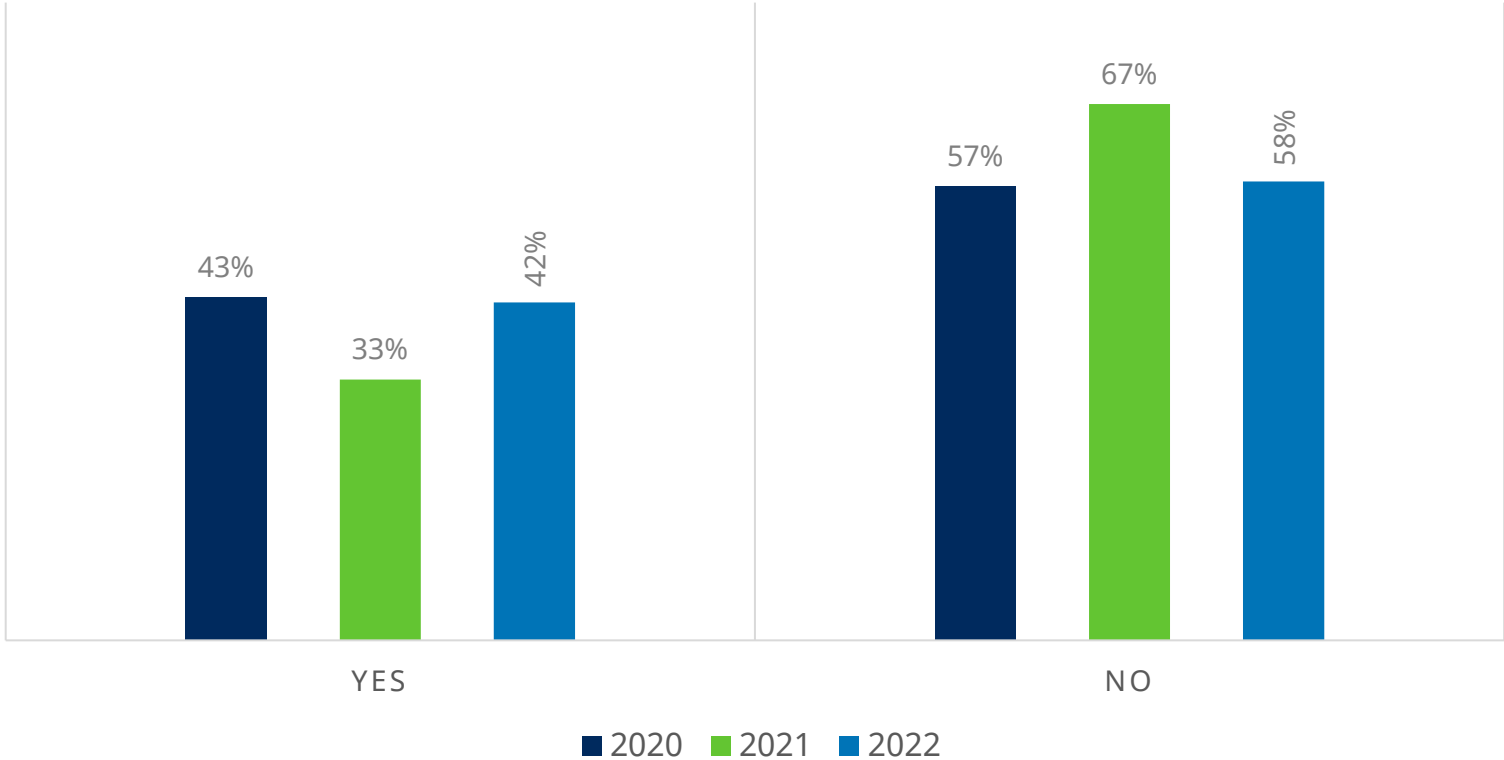


## Client segmentation

- There has been a marked change in the way advisers segment their client base over the last year
- The proportion of advisers segmenting their client base by AUM has fallen from 70% in 2019 to 37% in 2022
- 23% of advisers segment their clients by life stage but 40% now segment their clients on some other basis than client AUM or life stage

Source: Schroders Adviser Survey November 2022

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

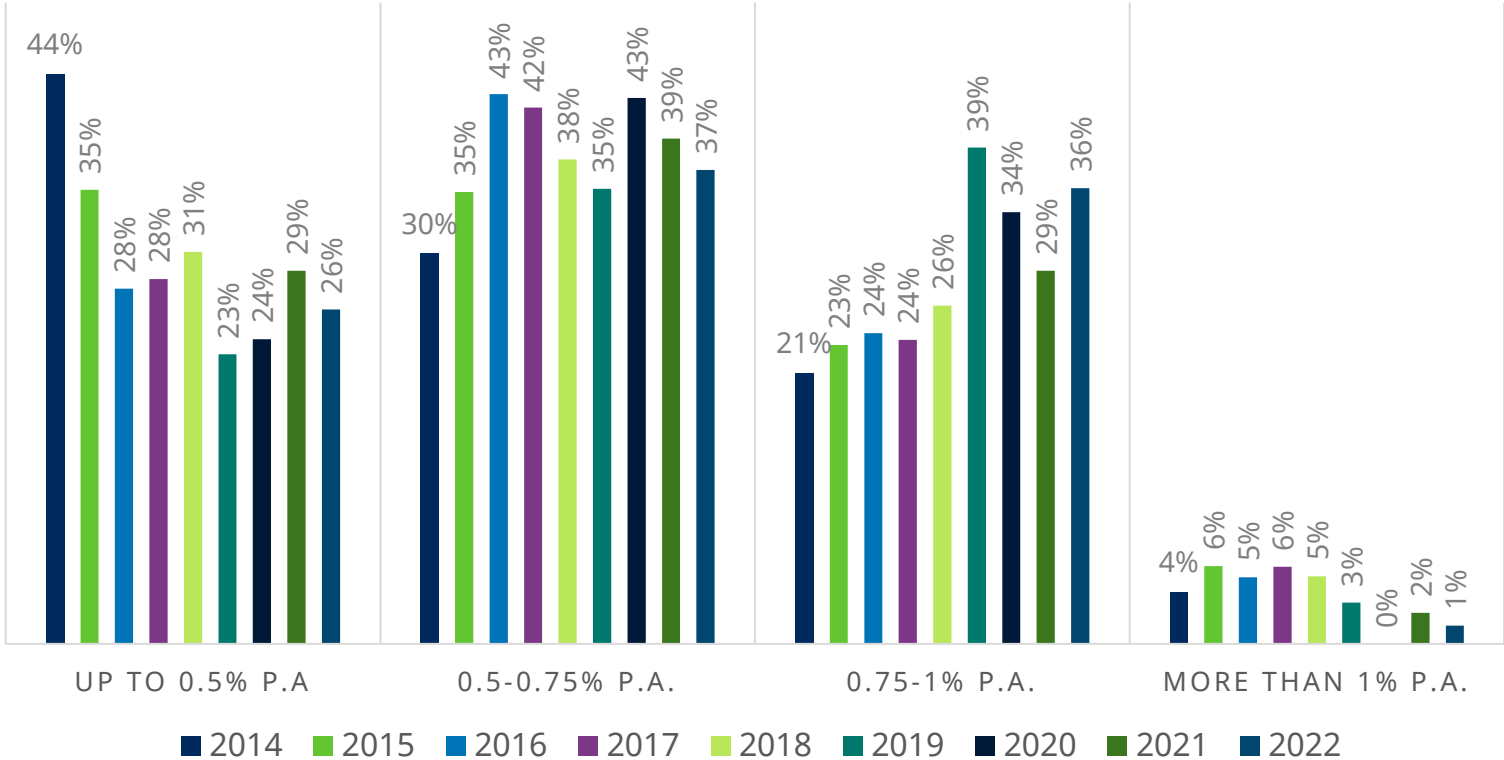


## Fees

- 42% of advisers surveyed feel there is downward pressure on their advice charge. This is around the level seen in 2020 but up from 33% a year ago

Source: Schroders Adviser Survey November 2022

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

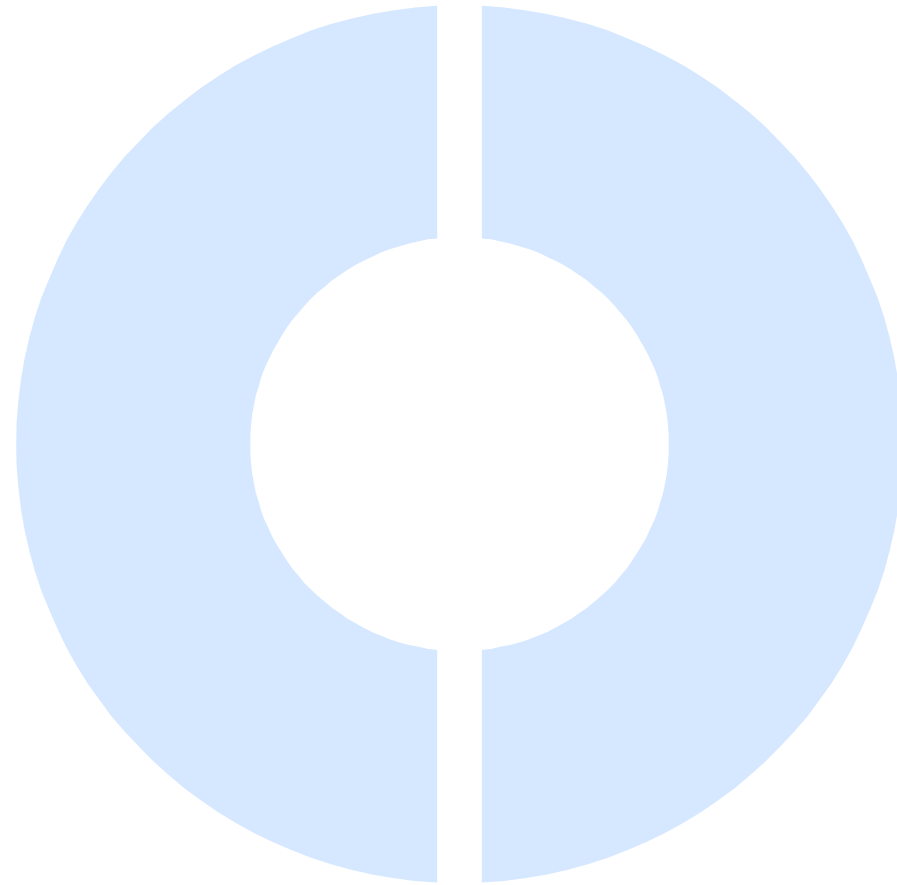


## Fees

- 73% of advisers surveyed have an average percentage fee based on assets of between 0.5% and 1%
- 99% of advisers surveyed have an average percentage fee based on assets below 1%

Source: Schroders Adviser Survey November 2022

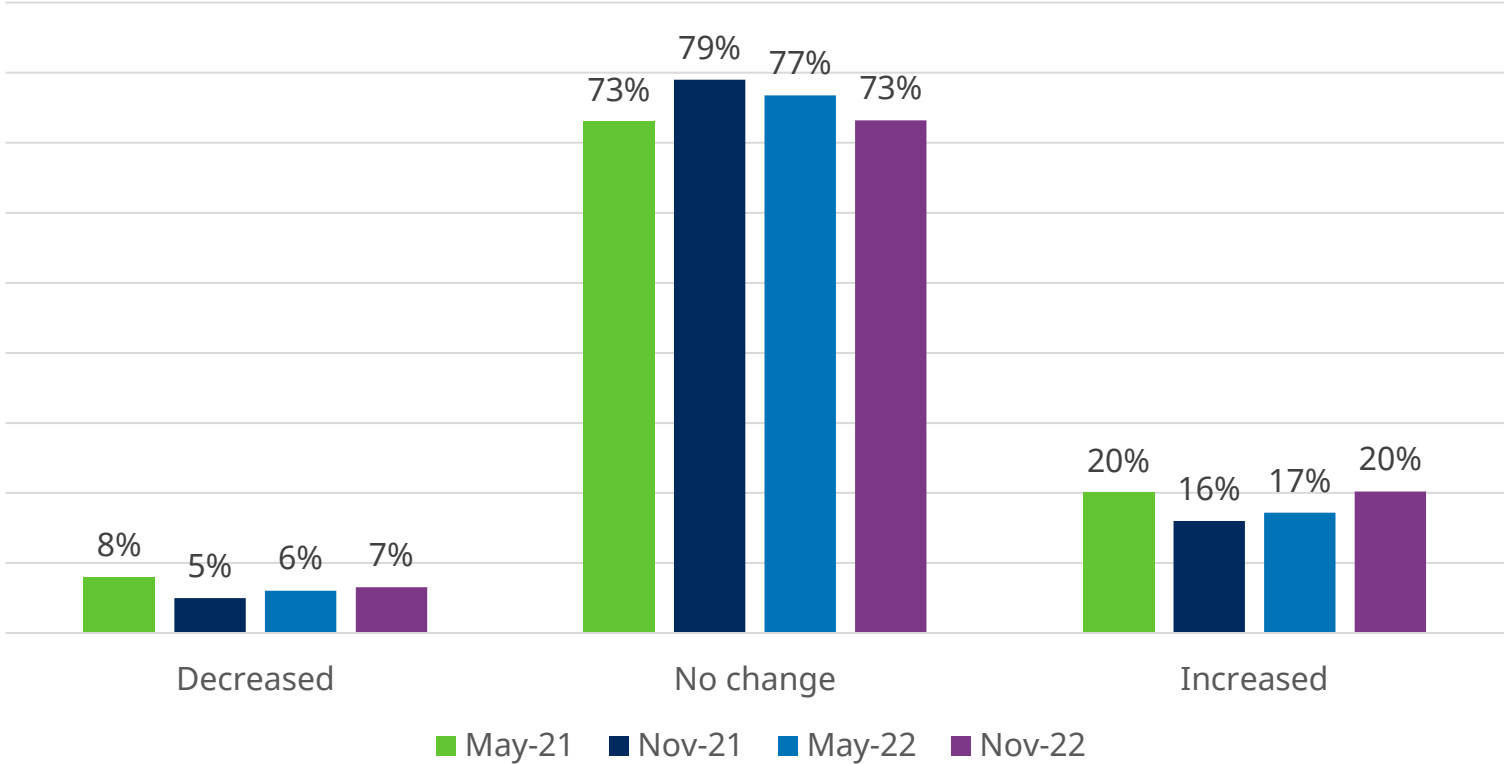
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**Outsourcing**



# How has your use of outsourced portfolio management changed in the last year?

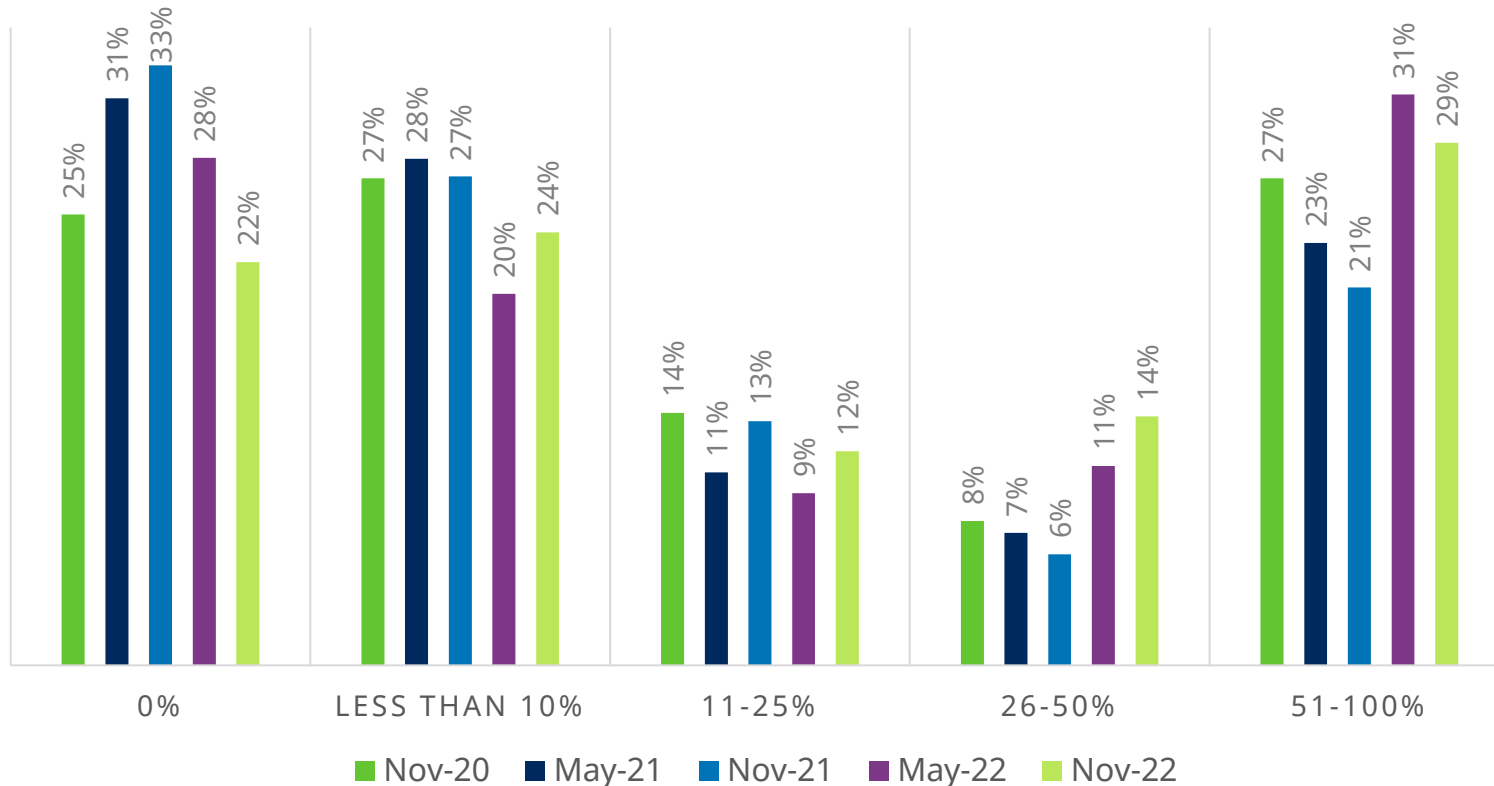


## Outsourcing portfolio management

- Overall, advisers are continuing to increase their use of outsourced solutions and the pace of this has accelerated a little
- 20% of advisers reported that they have increased their use of outsourced solutions in the last year, up from 17% in May and 16% last November

Source: Schroders Adviser Survey November 2022

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

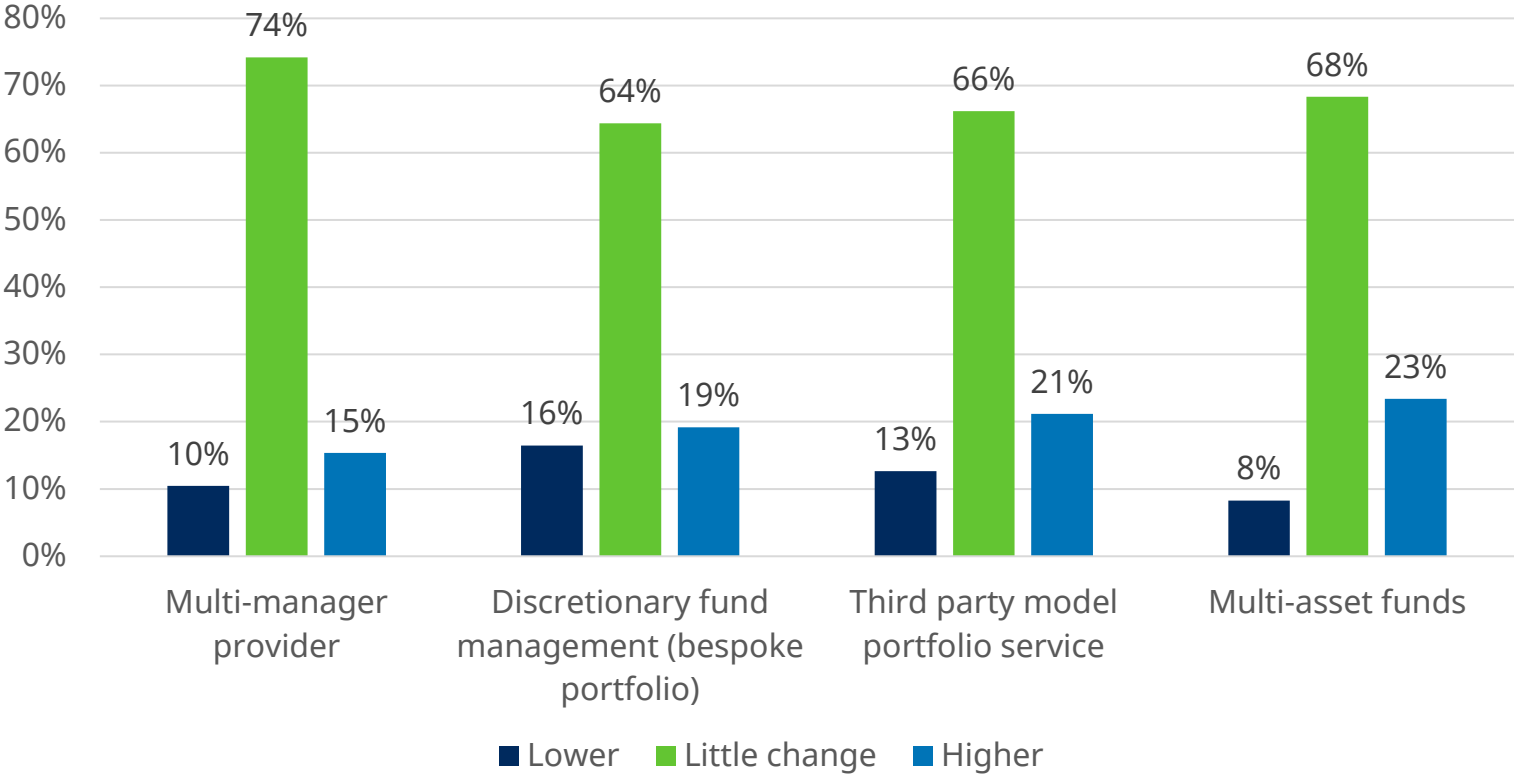


## Outsourcing portfolio management

- Advisers are also using outsourced solutions to help manage an increasing proportion of their clients' assets
- 43% of advisers now report that they outsource over a quarter of their clients' assets under management
- The proportion of advisers who do not outsource the management of any of their client portfolios has dropped to 22%

Source: Schroders Adviser Survey November 2022

# How do you expect your allocation to the following services to change in the next 12 months?



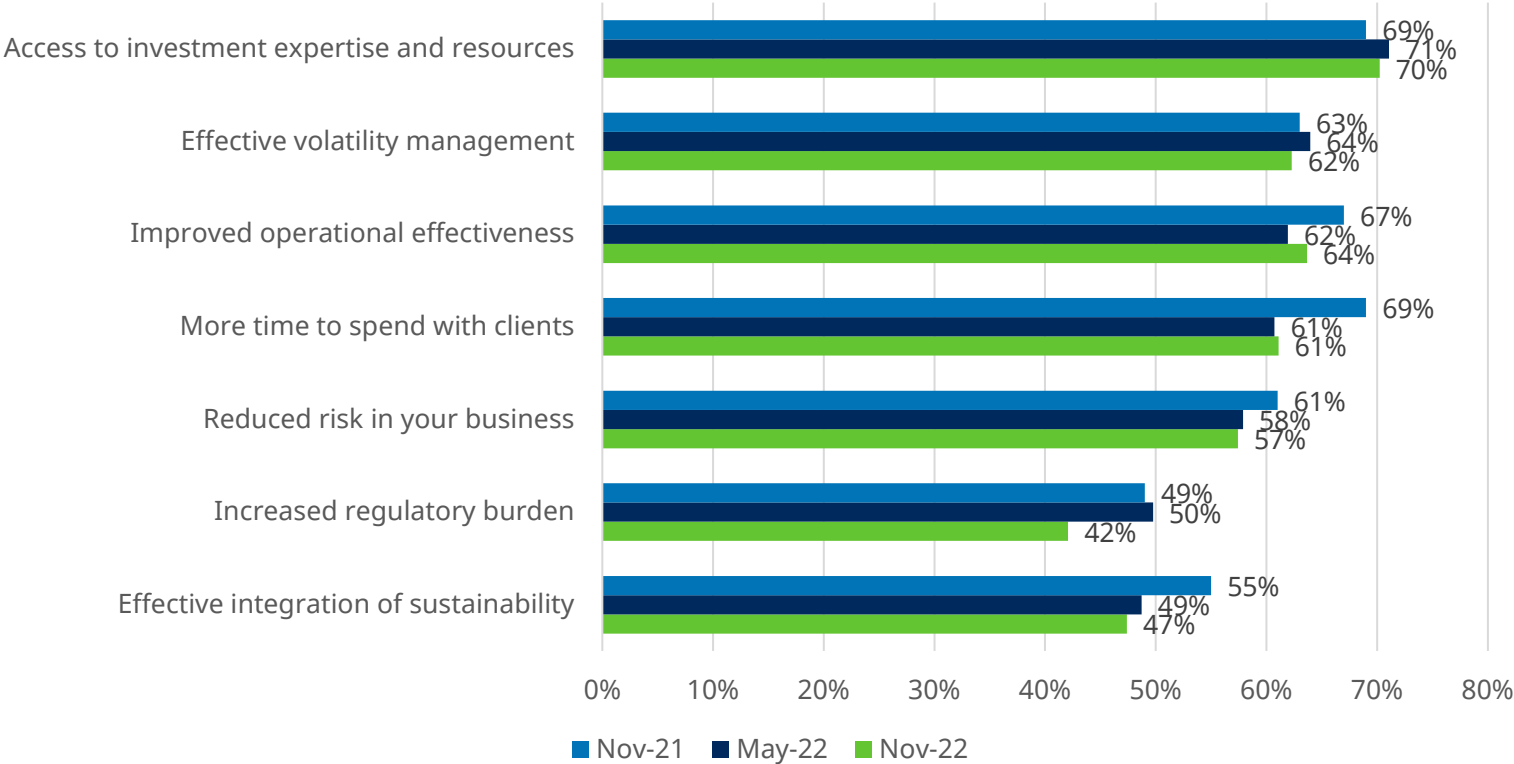
## Selecting an outsourced solution

- Overall, advisers expect to increase their allocation to all types of outsourced solution over the next 12 months
- They expect to increase their use of multi asset funds and third party model portfolio services by the greatest amount

Source: Schroders Adviser Survey November 2022

# How would you rate the following in reaching a decision to outsource portfolio management?

## Rated important or very important



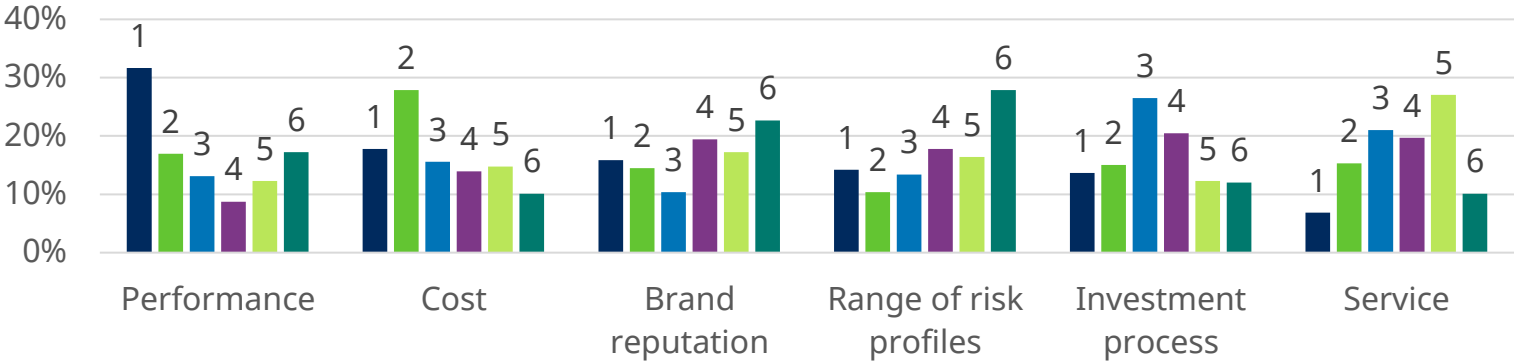
# Outsourcing portfolio management

- Access to investment expertise and resources is the main reason why advisers outsource portfolio management. This was rated important or very important by 70% of advisers
- Improved operational effectiveness, effective volatility management, more time to spend with clients and reduced risk to your business continue to be rated as important or very important

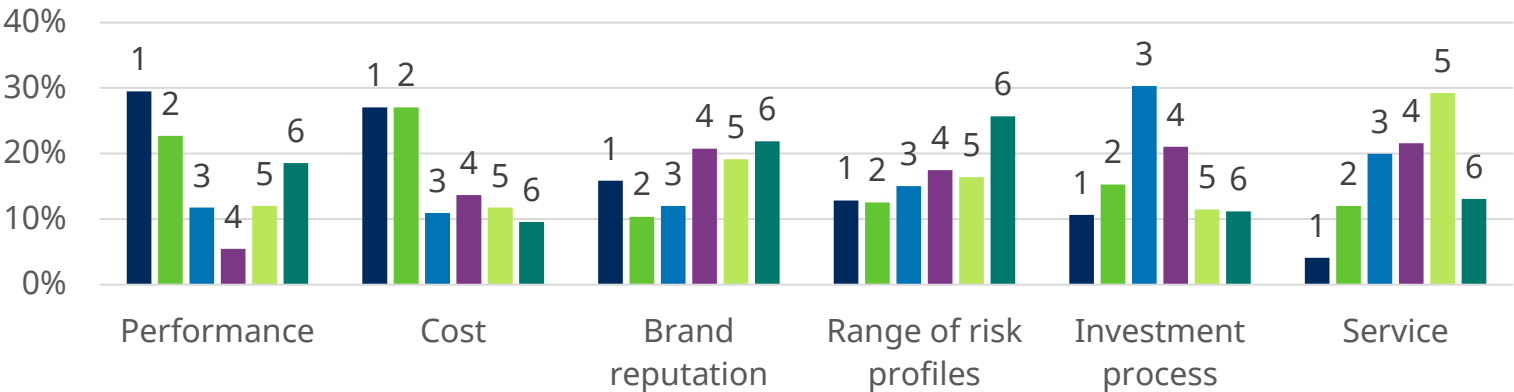
Source: Schroders Adviser Survey November 2022

# What are the most important factors when selecting an outsourced solution? Rank from 1 (most important) to 6 (least important)

## Model Portfolio Service (MPS)



## Multi Asset Fund

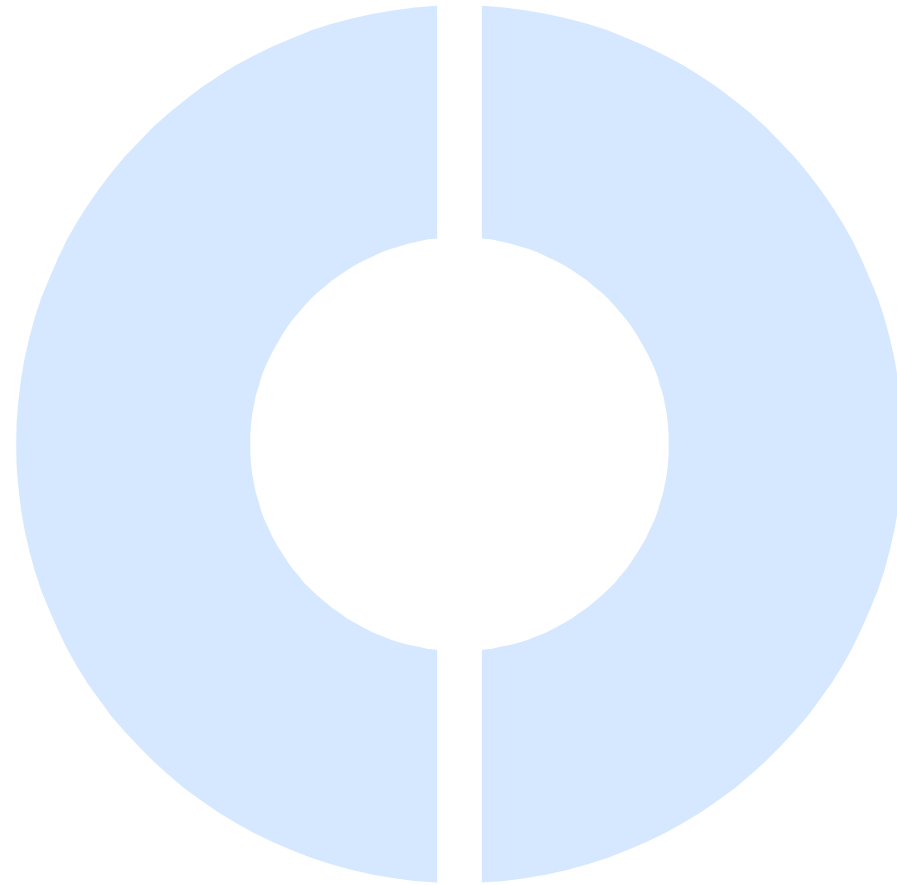


Source: Schroders Adviser Survey November 2022

# Selecting an outsourced solution

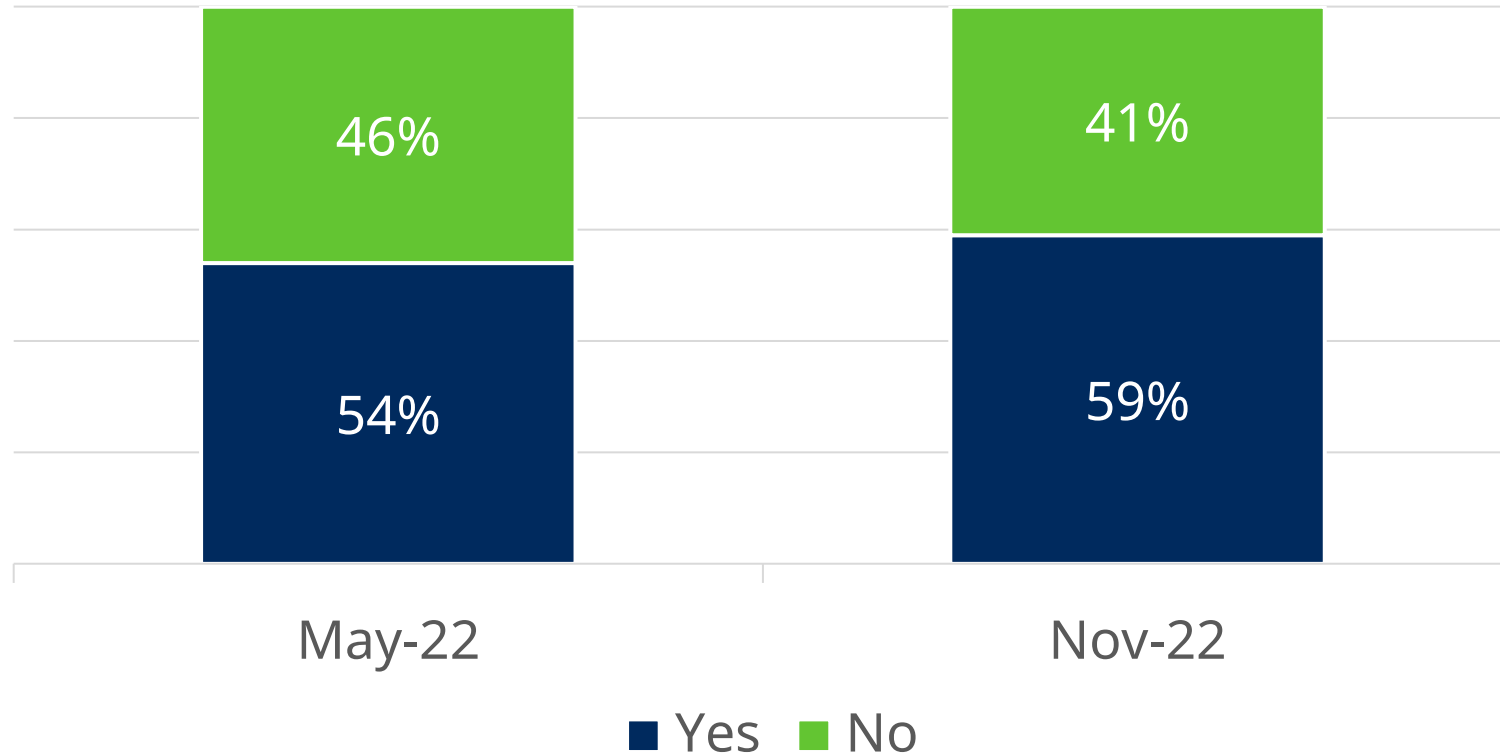
- Performance and cost were ranked as most important when selecting an MPS or multi-asset solution by the largest number of advisers

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**Wealth transfer**

Are you concerned that your business could lose assets as wealth transfers between generations?



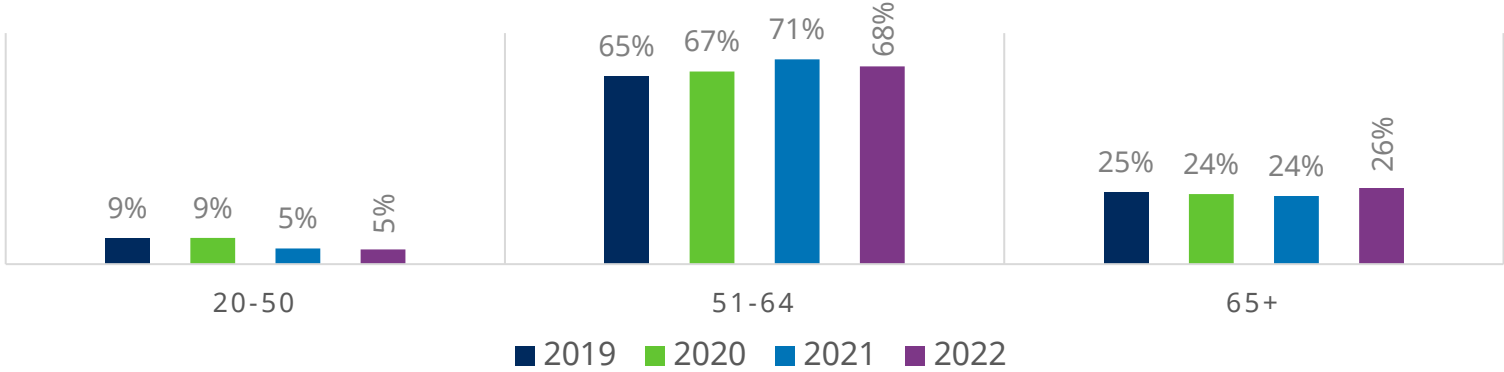
## Intergenerational wealth transfer

- 59% of advisers are concerned that they could lose business as wealth transfers between generations, up from 54% in May 2022

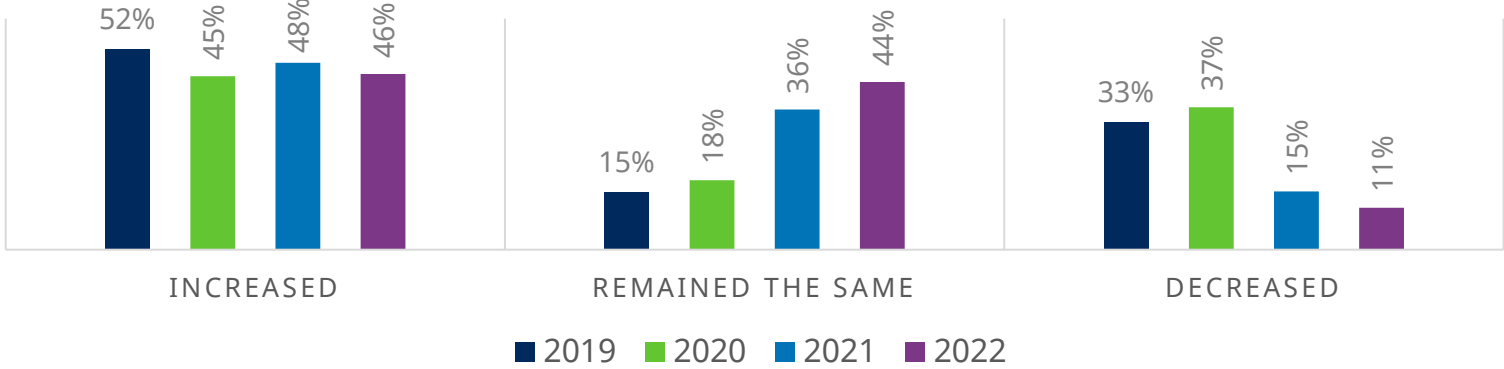
Source: Schroders Adviser Survey November 2022

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

## Average client age



## Change in client age profile over the last five years



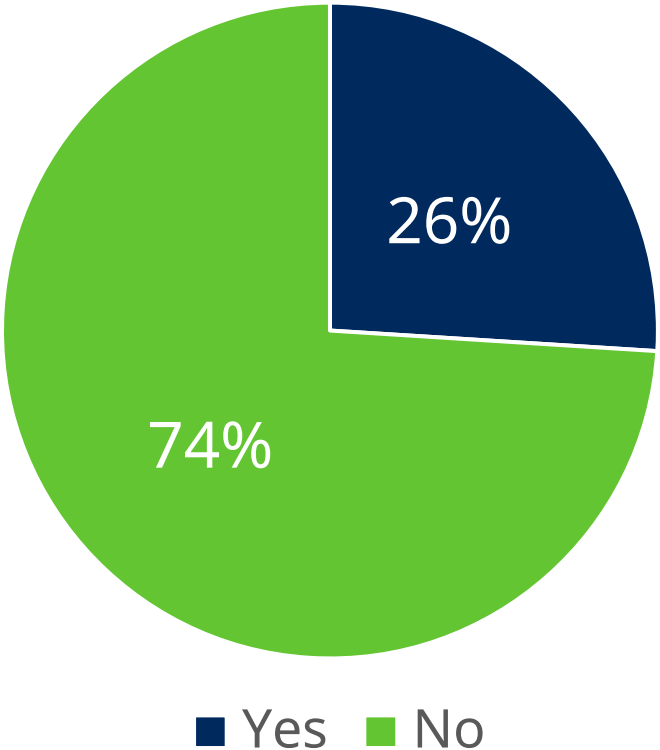
# Client age profile

- 46% of advisers report that the average age profile of their clients has increased over the past five years against just 11% reporting a decrease
- The age profile of clients remains largely unchanged from last year's survey
- 68% of advisers surveyed have clients with an average age of 51-64

Source: Schroders Adviser Survey November 2022



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



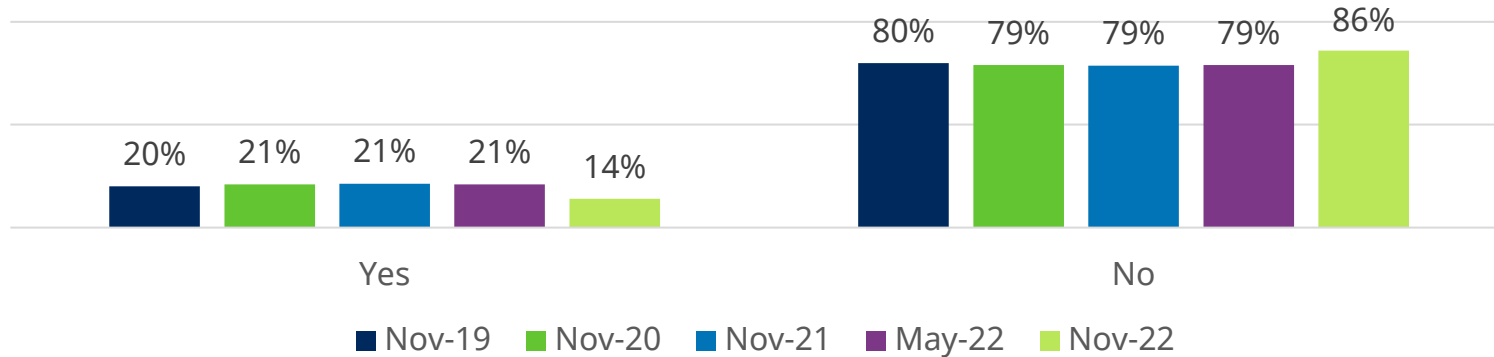
Source: Schroders Adviser Survey November 2022

# Wealth transfer

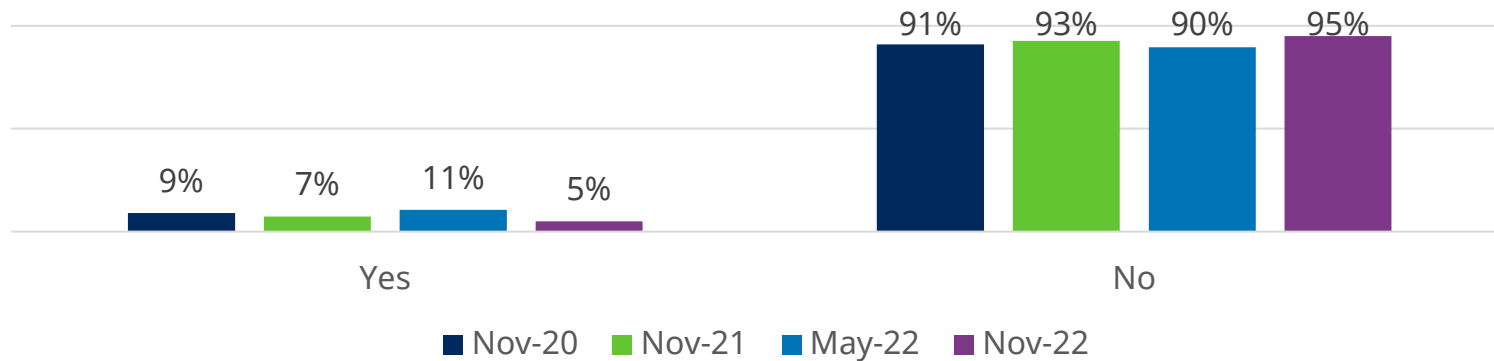
- Only 26% of advisers have a specific proposition for targeting the transfer of family wealth to the next generation

## Do you have a differentiated sales and marketing strategy for:

### Younger investors



### Retaining, attracting and advising women - particularly divorced or widowed



Source: Schroders Adviser Survey November 2022

## Client acquisition strategy

- Despite an increased industry focus on the risks and opportunities posed by intergenerational wealth transfer, the percentage of advisers with a differentiated strategy for younger investors or for retaining, attracting and advising women has reduced

## What is your minimum asset size for new clients?



## New client minimum AUM

- The percentage of advisers that will accept new clients with less than £50k has been declining steeply and is now at 32%, down from 52% in 2019
- The percentage of advisers who will only accept new clients with more than £200k has risen to 17%

Source: Schroders Adviser Survey November 2022

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