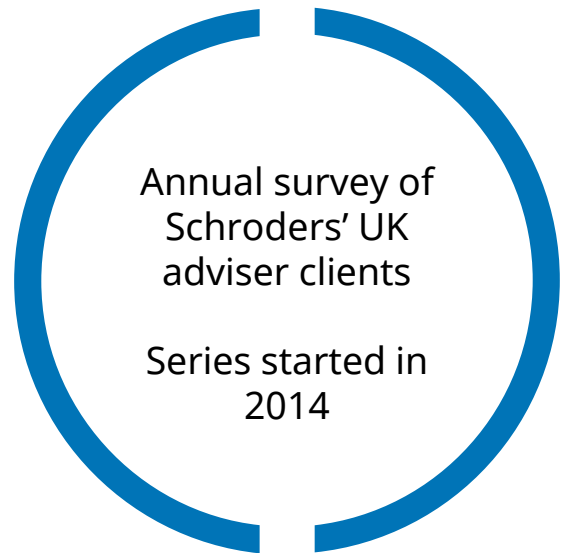


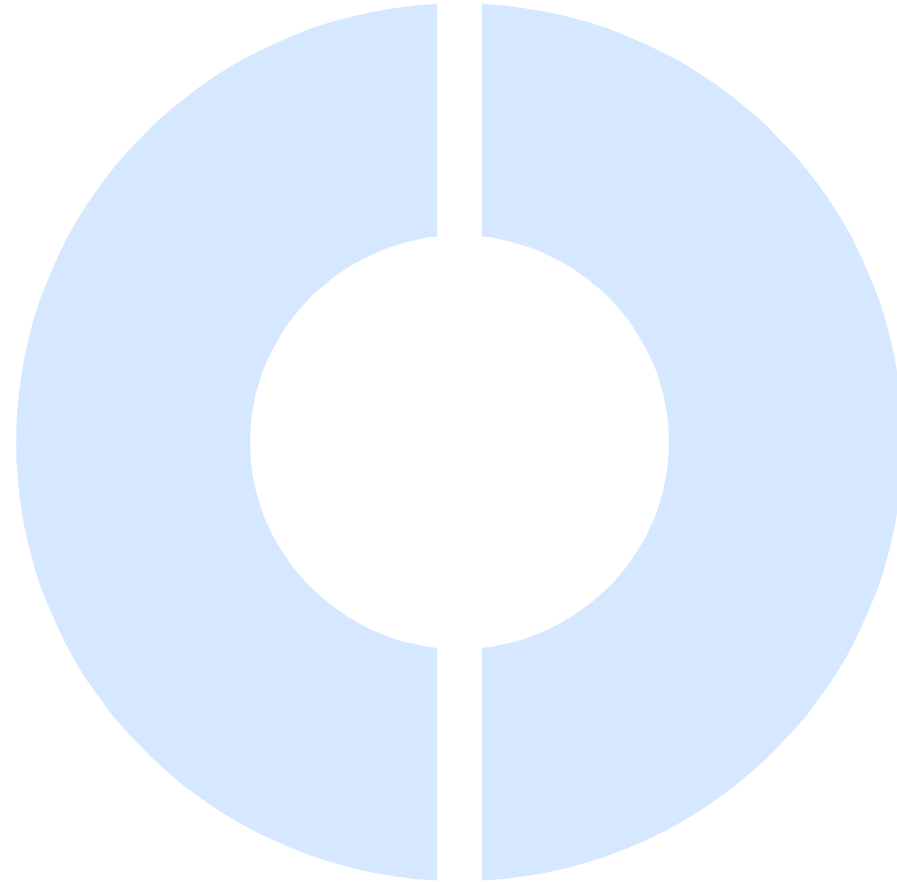
Schroders

Schroders UK Financial Adviser Survey  
November 2021

Marketing material for professional clients only.

# Schroders UK Adviser Survey November 2021



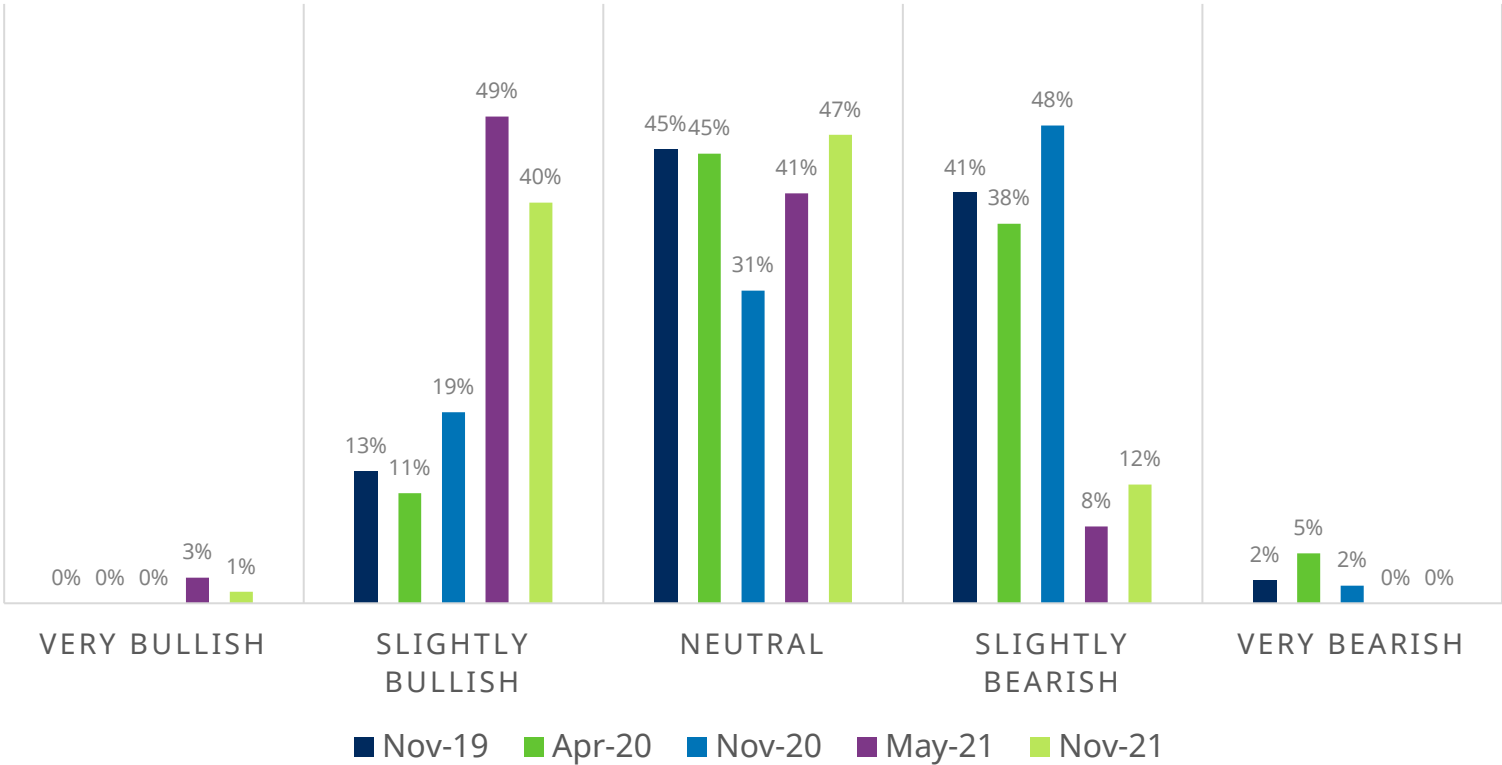


**How are clients feeling about investing?**

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

## Client sentiment

- 47% of IFAs report that the sentiment amongst most of their clients is neutral, up from 41% in May
- Sentiment remains skewed in a positive direction but there has been a decline in those reporting bullish sentiment among most of their clients from 52% in May to 41% in November

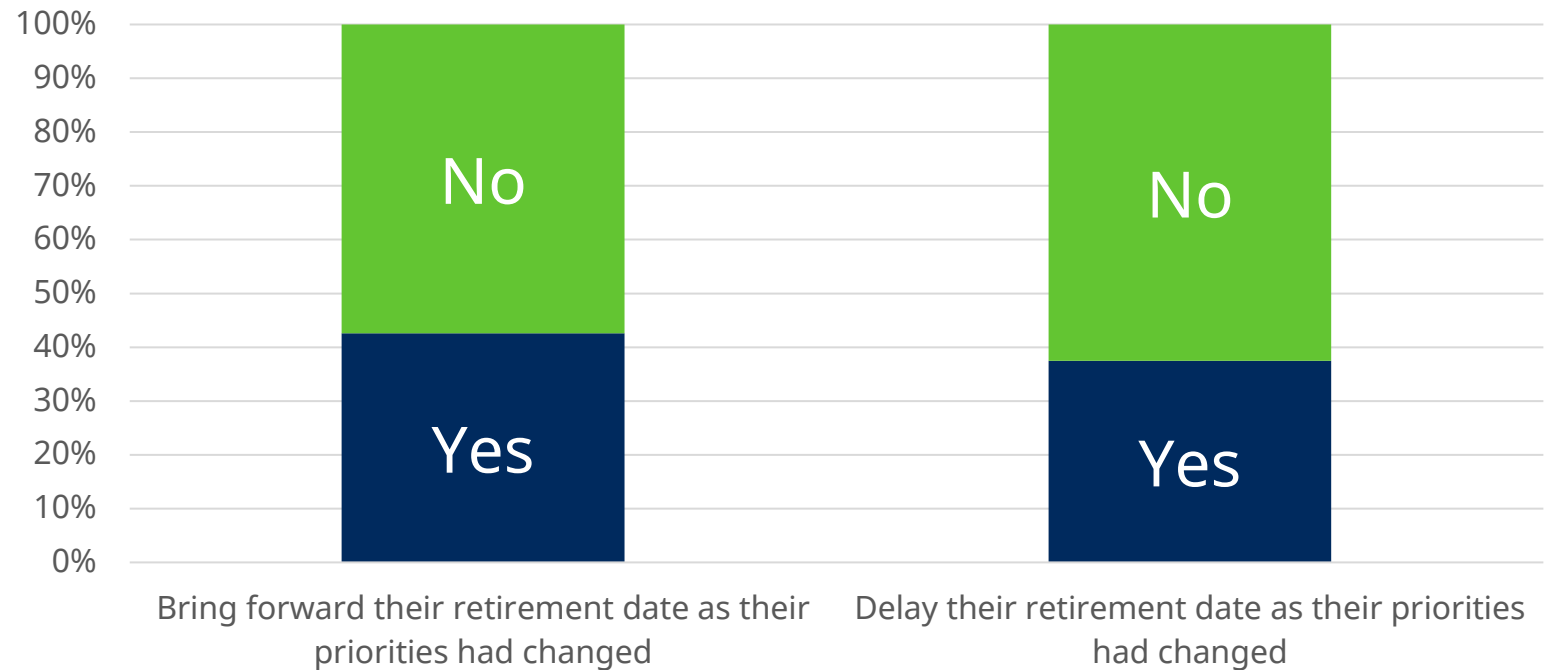


Source: Schroders Adviser Survey November 2021

## Retirement plans

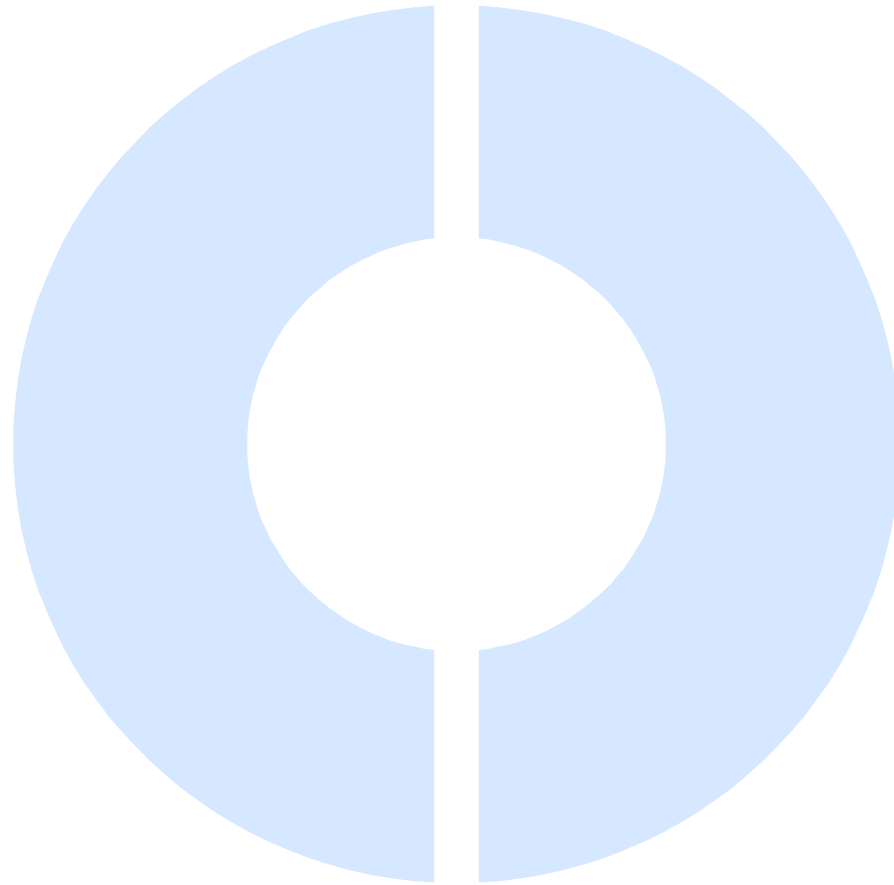
- 43% of advisers have clients who have brought forward their retirement date as a result of the impact of Covid-19
- 38% report that they have clients who have delayed their retirement date as their priorities had changed

As a result of the impact of Covid-19, did any of your clients who were approaching retirement do the following:



Source: Schroders Adviser Survey November 2021

**Schroders**

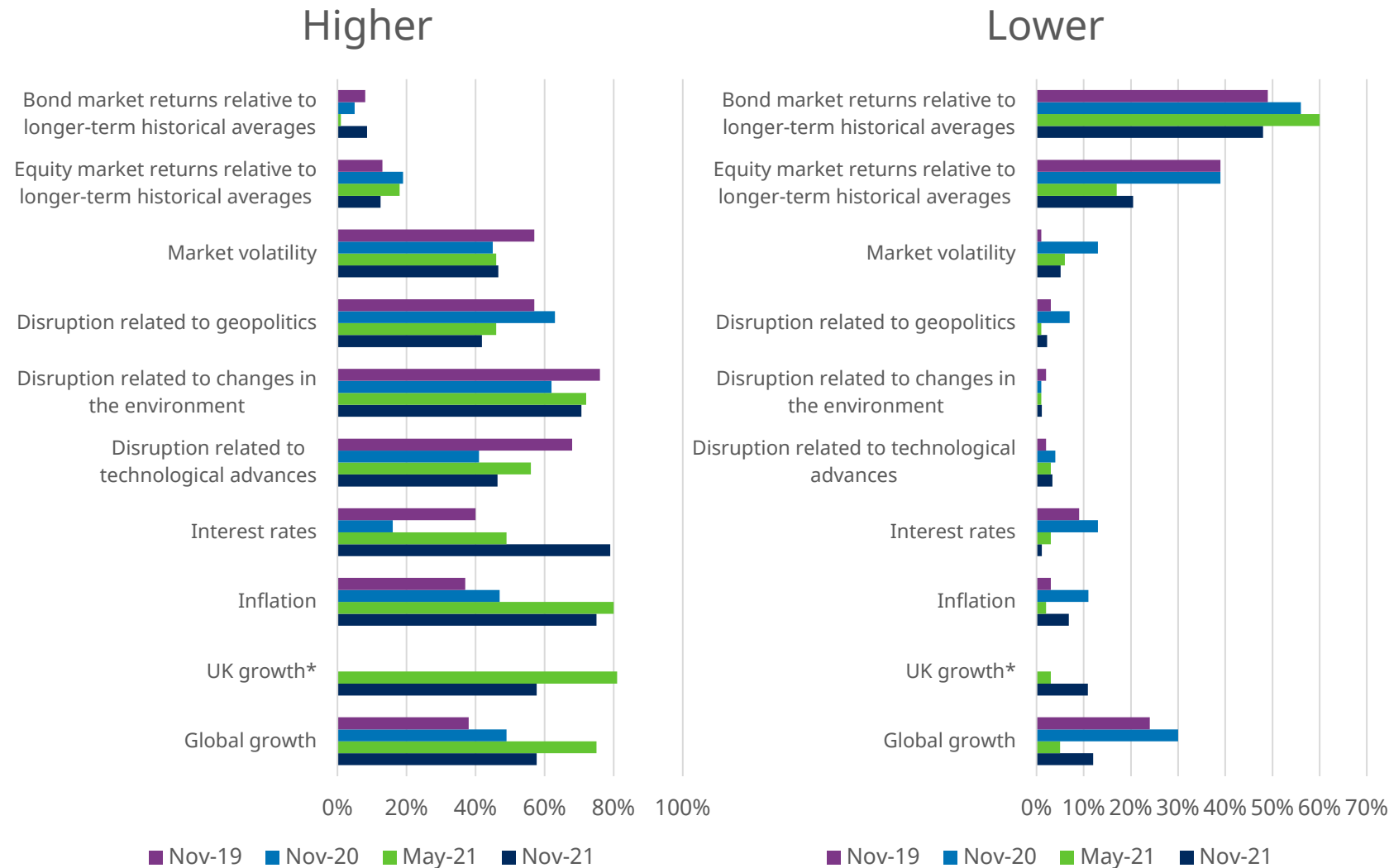


**Market trends**

# Inescapable truths

- 79% of advisers expect to see higher interest rates, a sharp rise from previous surveys, with 75% expecting higher inflation
- Growth expectations have moderated slightly since May but 58% still expect growth to trend higher
- Concerns about the impact of environmental change remain elevated with 71% expecting this to trend higher

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

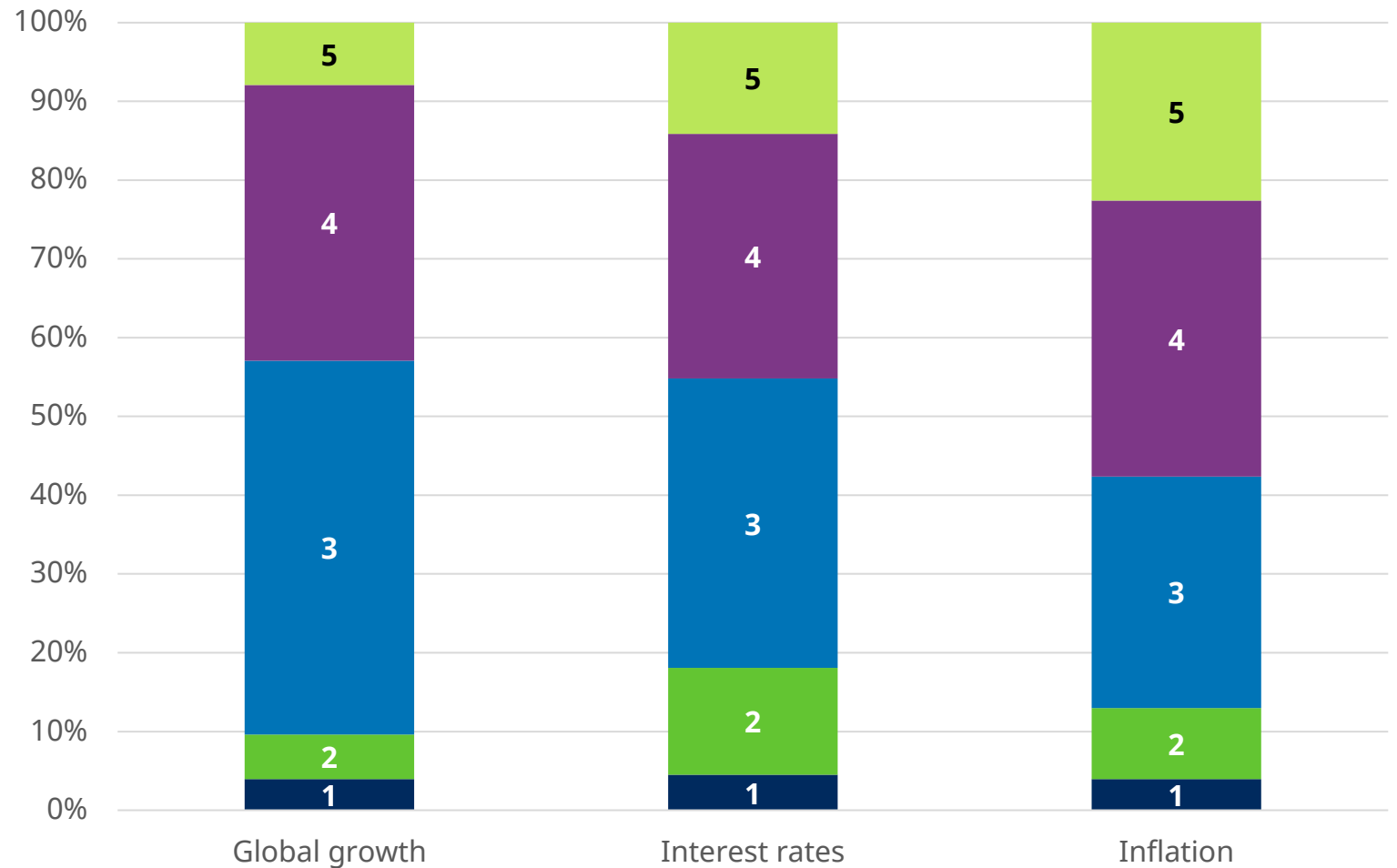


Source: Schroders Adviser Survey November 2021 (Little change also an option). \*New question in May 2021.

# Asset allocation

- Within these three factors, changing inflation expectations are rated as the most significant current influence on portfolio selection or construction, followed by changing interest rate expectations

To what extent are changing expectations on the following an influence on your clients' portfolio selection or construction? (1 being least and 5 being most)



Source: Schroders Adviser Survey November 2021

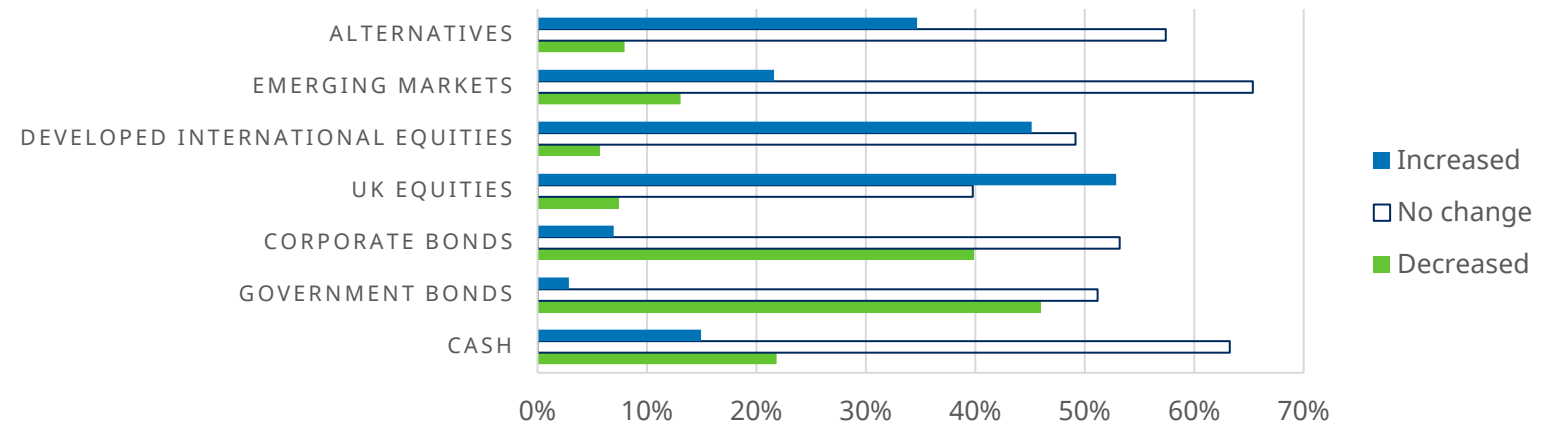


# Asset allocation

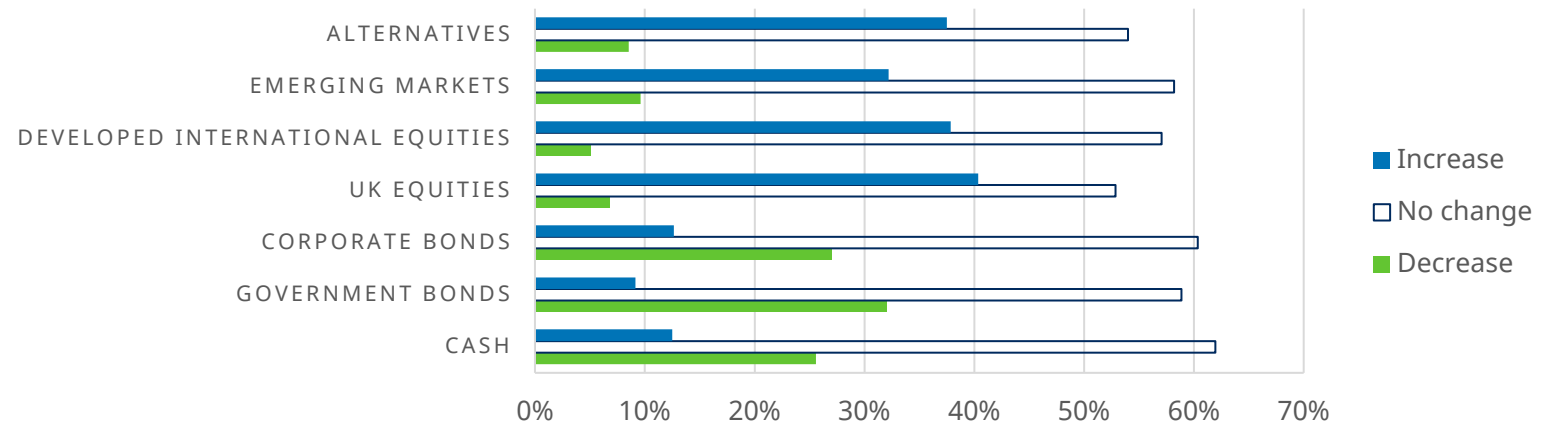
- The survey suggests that there has been a significant allocation away from bonds over the past 12 months
- Funds have been reallocated predominantly into developed market equities with over 50% of advisers reporting an increased allocation to the UK
- 35% of advisers also report an increased allocation to alternatives
- Advisers expect these trends will largely persist over the next year

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

### Last 12 months



### Next 12 months



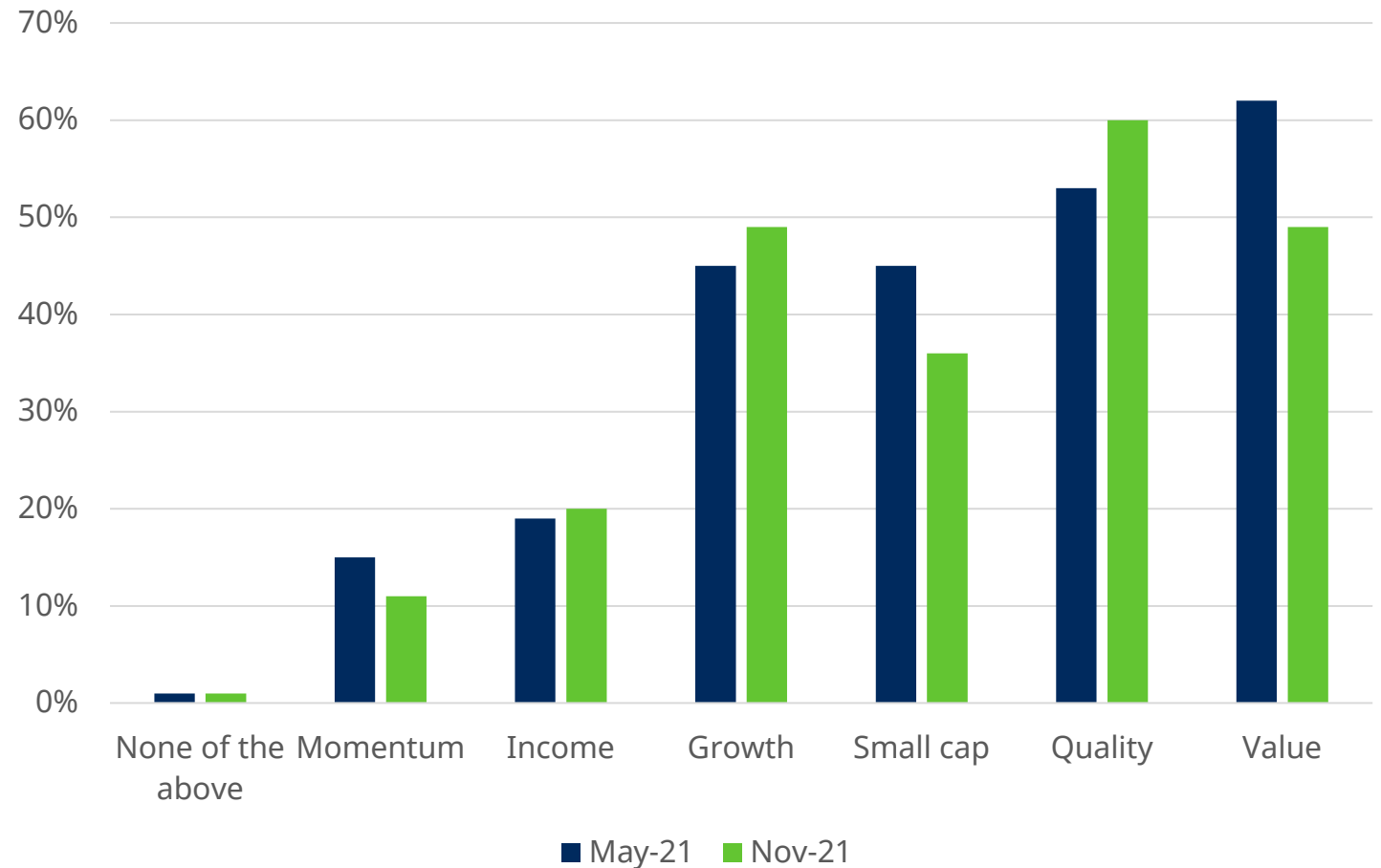
Source: Schroders Adviser Survey November 2021

# Market expectations

- Quality has overtaken value as the factor that advisers would expect to be most favoured by equity investors
- Value and growth are now neck to neck in second place

## Market expectations for the next 12 months

Which of these factors would you expect to be favoured by equity investors?



Source: Schroders Adviser Survey November 2021

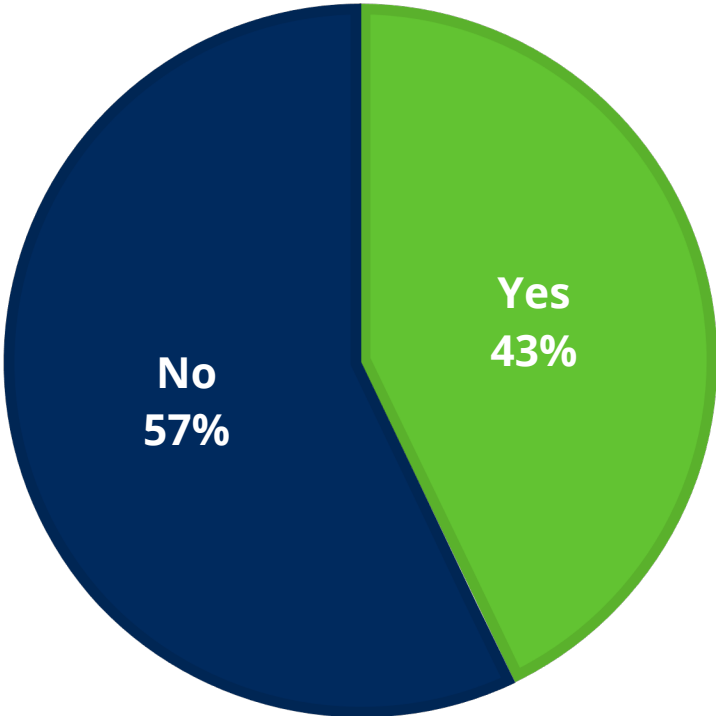
**Schroders**



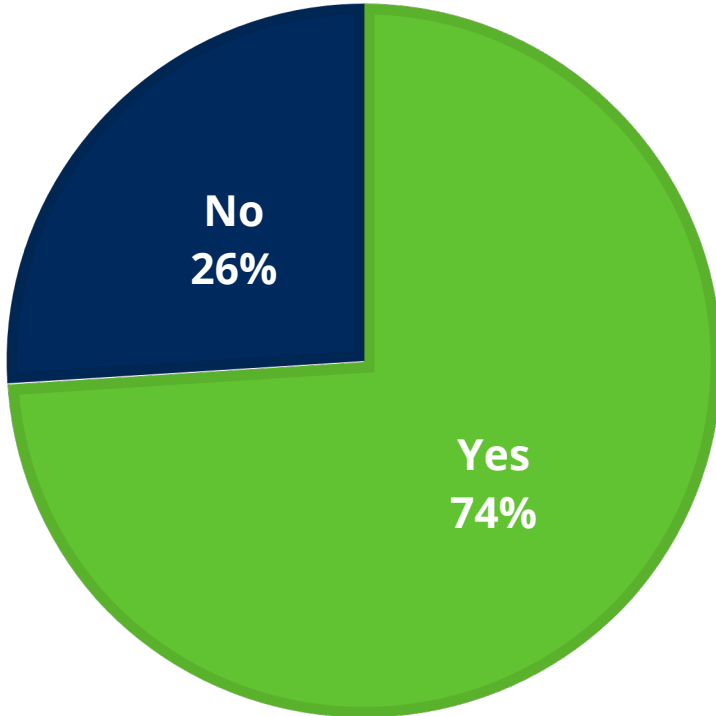
**Sustainable investing**

# Does your fund selection process explicitly consider ESG factors?

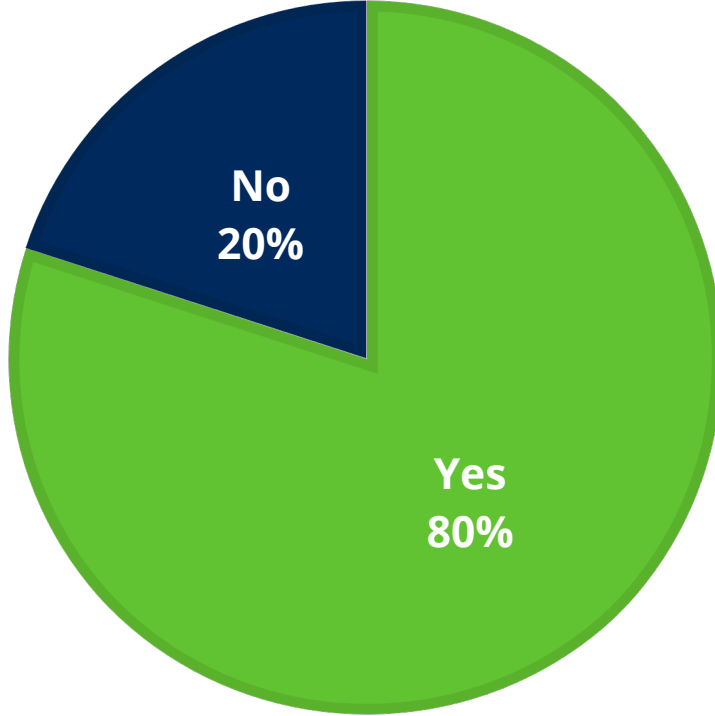
November 2019



November 2020



November 2021

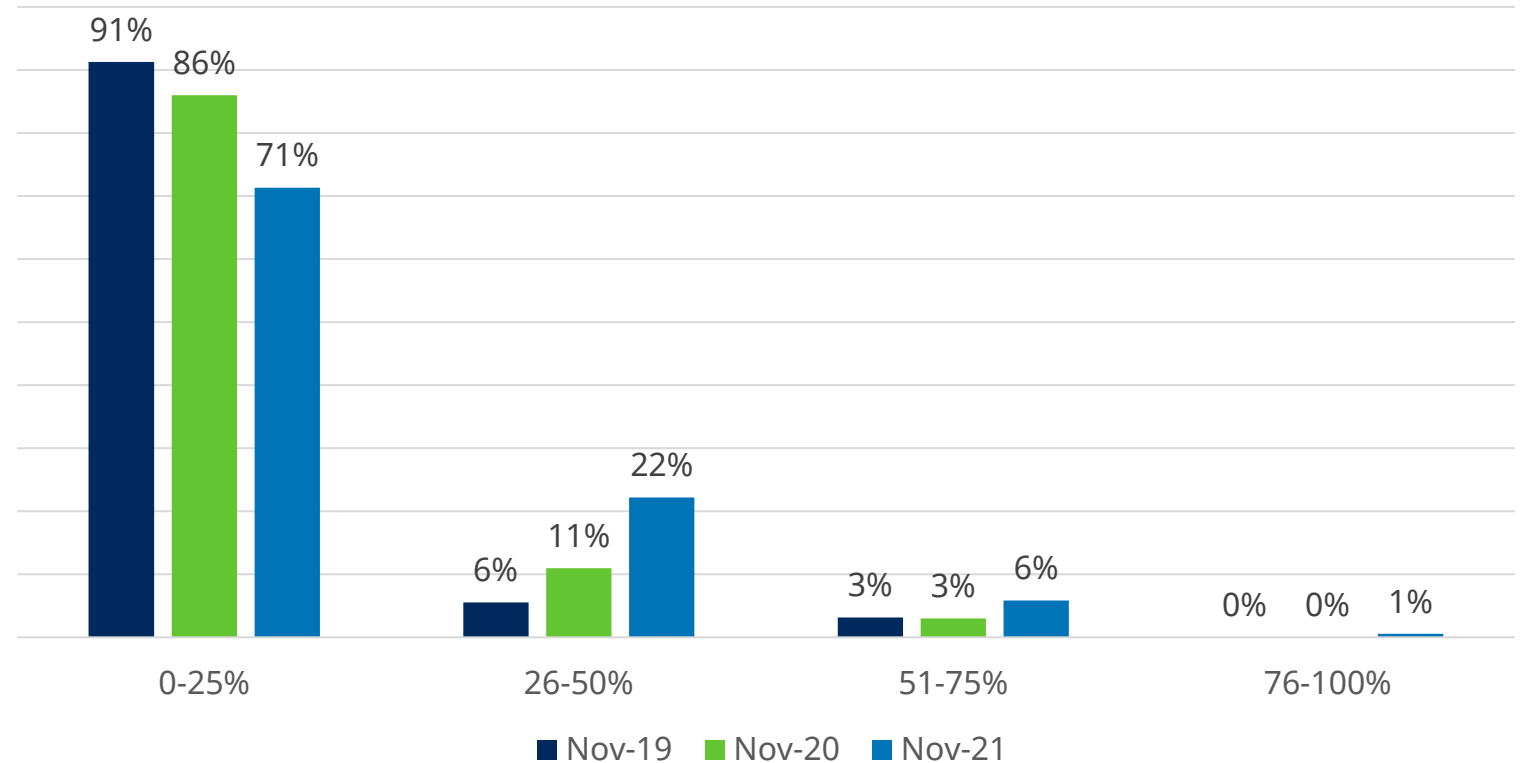


Source: Schroders Adviser Survey November 2021

# Sustainable investing

- The appetite for investments that reflect ESG factors has risen markedly
- 27% of IFAs now report that more than a quarter of their clients ask to incorporate ESG factors when investing. This is a sharp increase from 14% in 2020 and 9% in 2019.

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



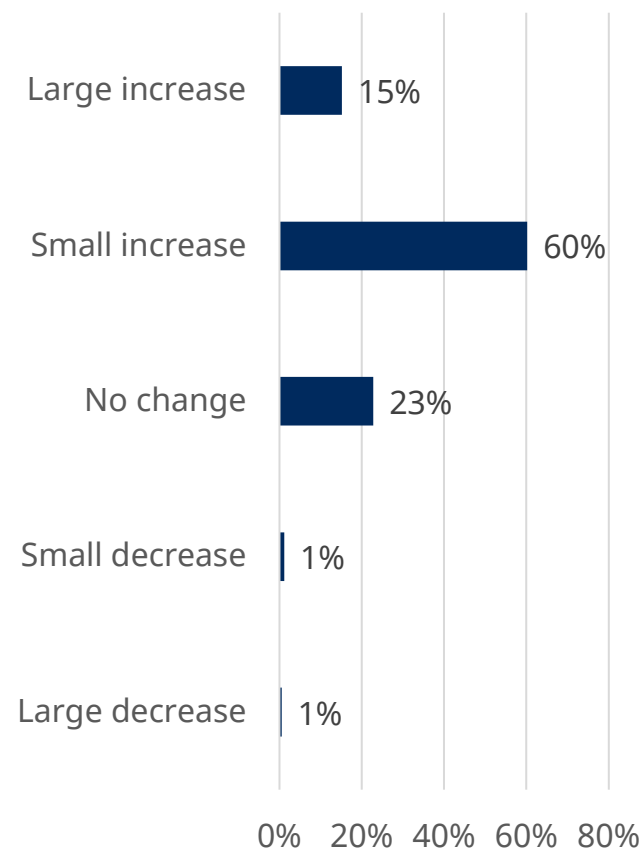
Source: Schroders Adviser Survey November 2021

# Sustainable investing

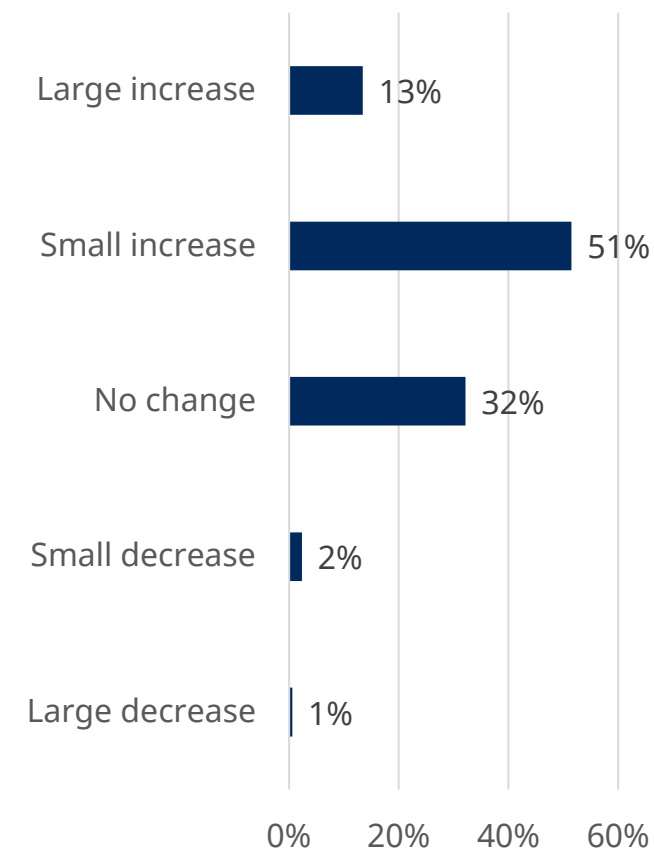
- 75% of advisers have seen an increase in the number of clients asking for sustainable investment options over the past 12 months
- 64% of advisers believe that COP 26 will further increase client demand for sustainable investment

## Client appetite for sustainable investing

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



To what extent do you expect client demand for sustainable investments will change as a result of COP 26?



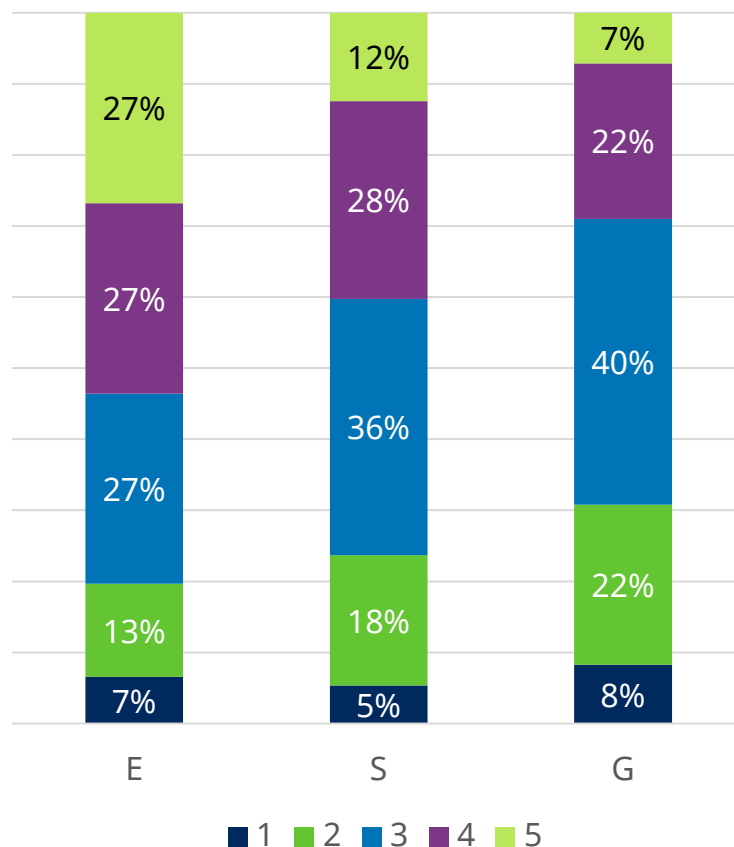
Source: Schroders Adviser Survey November 2021

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

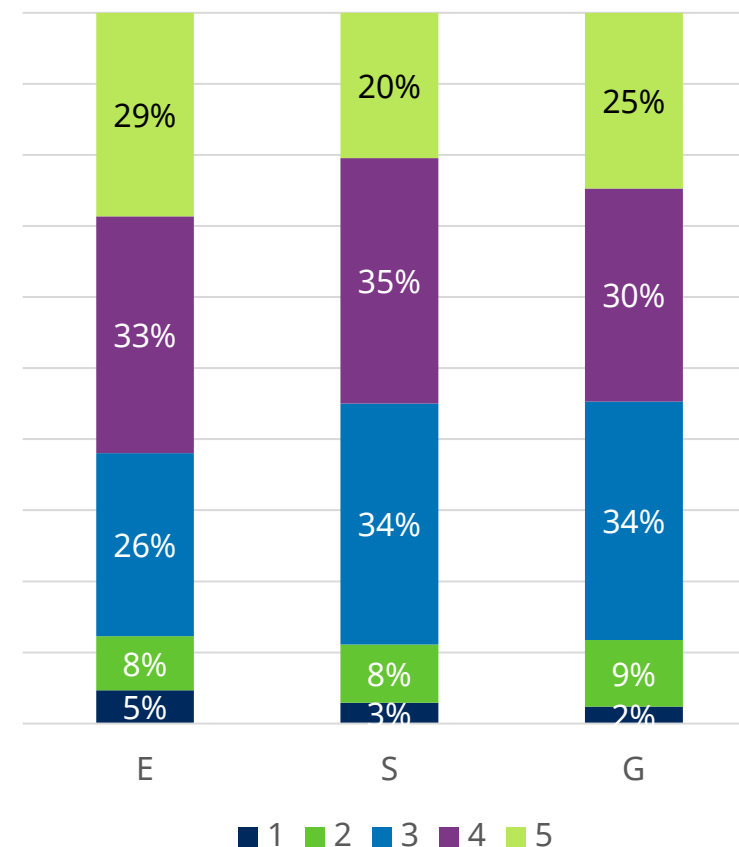
- Among advisers' clients, environmental factors are rated as significantly more important than societal or governance factors when selecting an investment
- Advisers themselves have a fairly balanced view of the importance of each factor, although they also believe the environmental factor is most important of the three

How important are the E, S and G factors of ESG when selecting an investment? (with 1 being least important and 5 being most important)

To your clients



What you think they should be

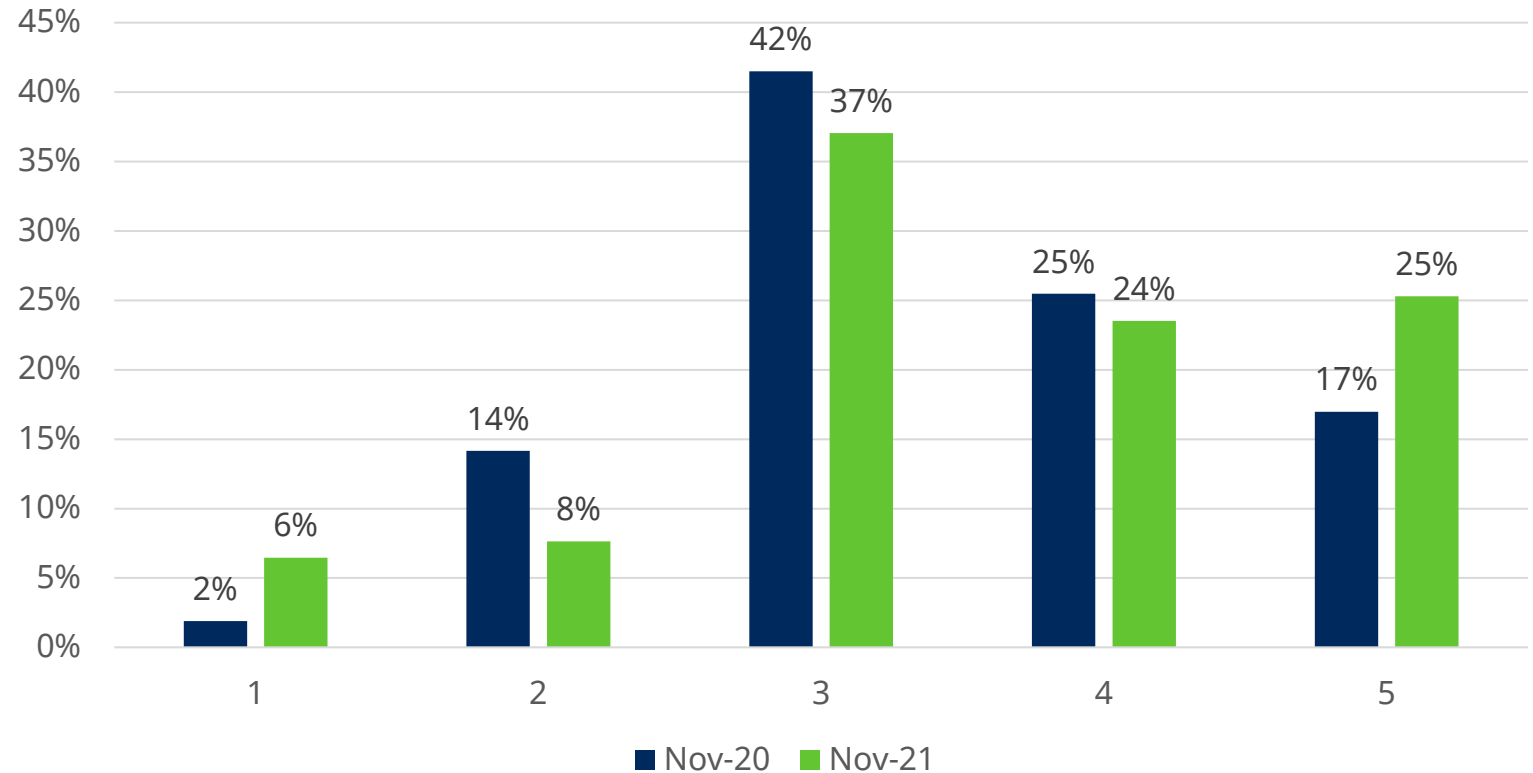


Source: Schroders Adviser Survey November 2021

# Sustainable investing

- Confidence in talking to clients about sustainable investing is improving overall, although 51% of the advisers surveyed still rate this as middling or below on a scale of 1-5
- 25% 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 November 2021



**Schroders**

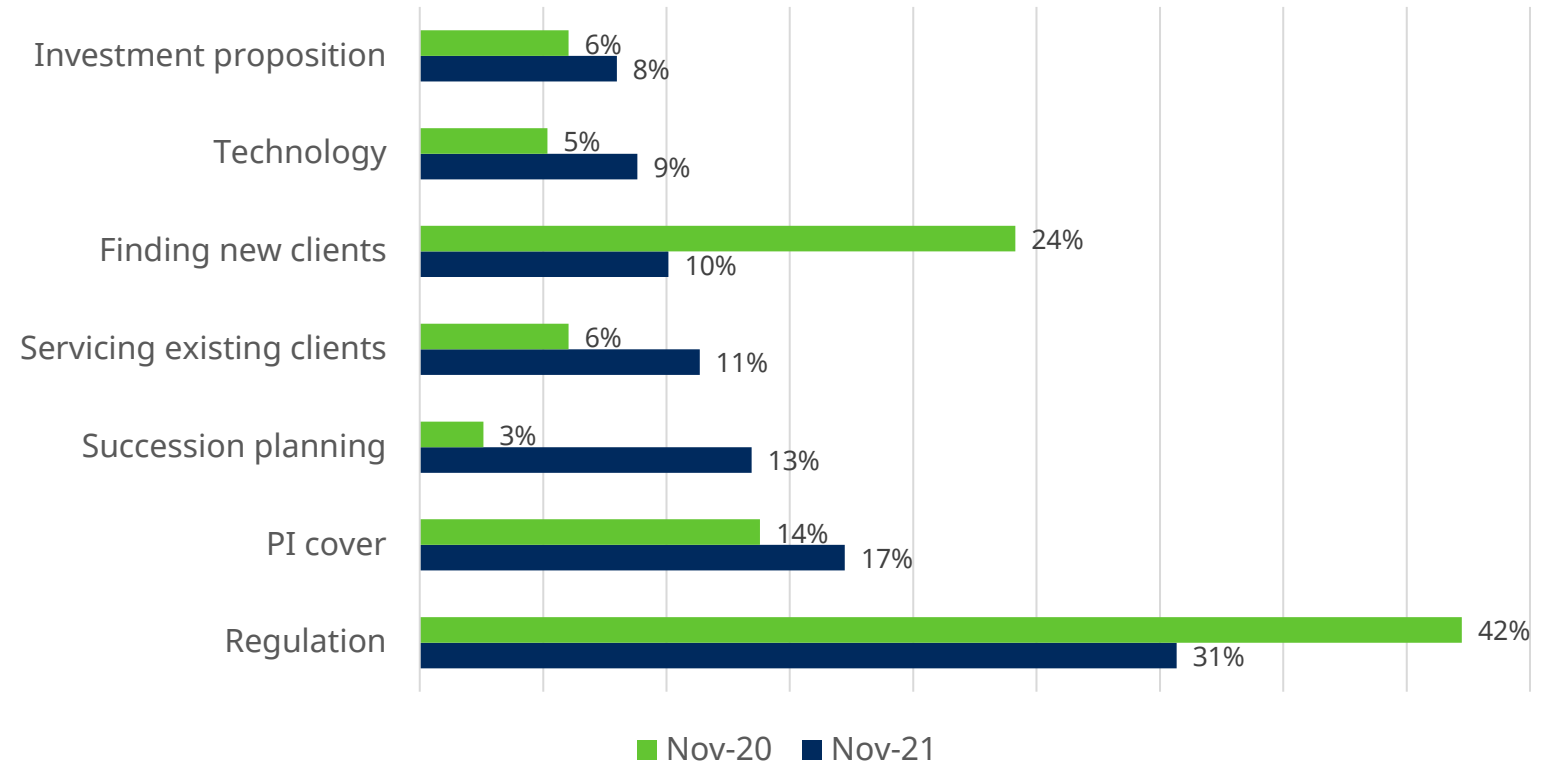


**Adviser business challenges**

# Adviser concerns

- Regulation remains the number one business concern for advisers with PI cover in second place
- Concerns about succession planning have risen, putting this in third place
- However, finding new clients, which was the second biggest concern for advisers a year ago, is no longer seen as such an issue

From the following list, select the area you are most concerned about relating to your business going into 2022

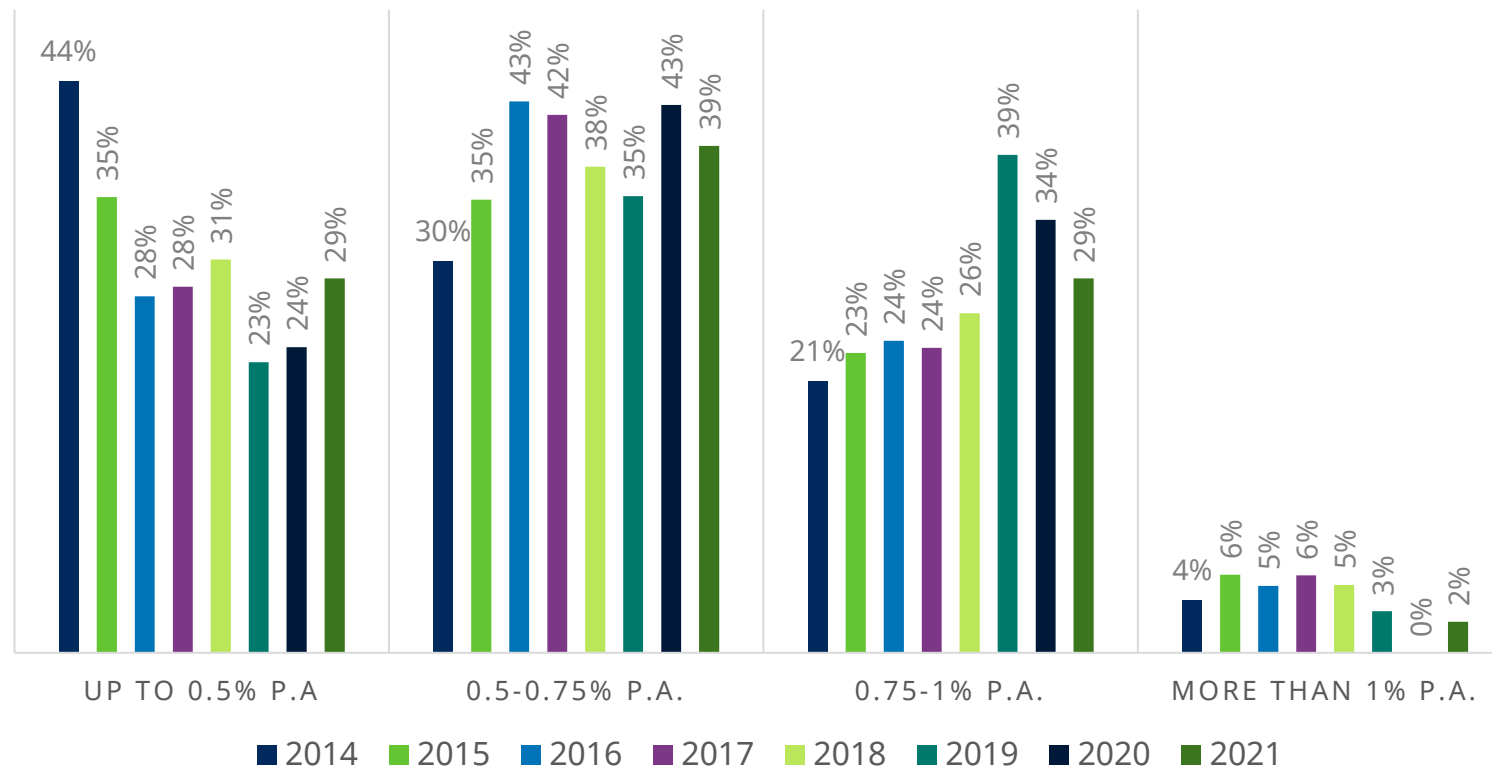


Source: Schroders Adviser Survey November 2021

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

### Fees

- 29% of advisers surveyed have an average percentage fee based on assets of between 0.75% and 1.00% - reduced from 39% in 2019
- 68% of advisers surveyed now have an average percentage fee of less than 0.75%



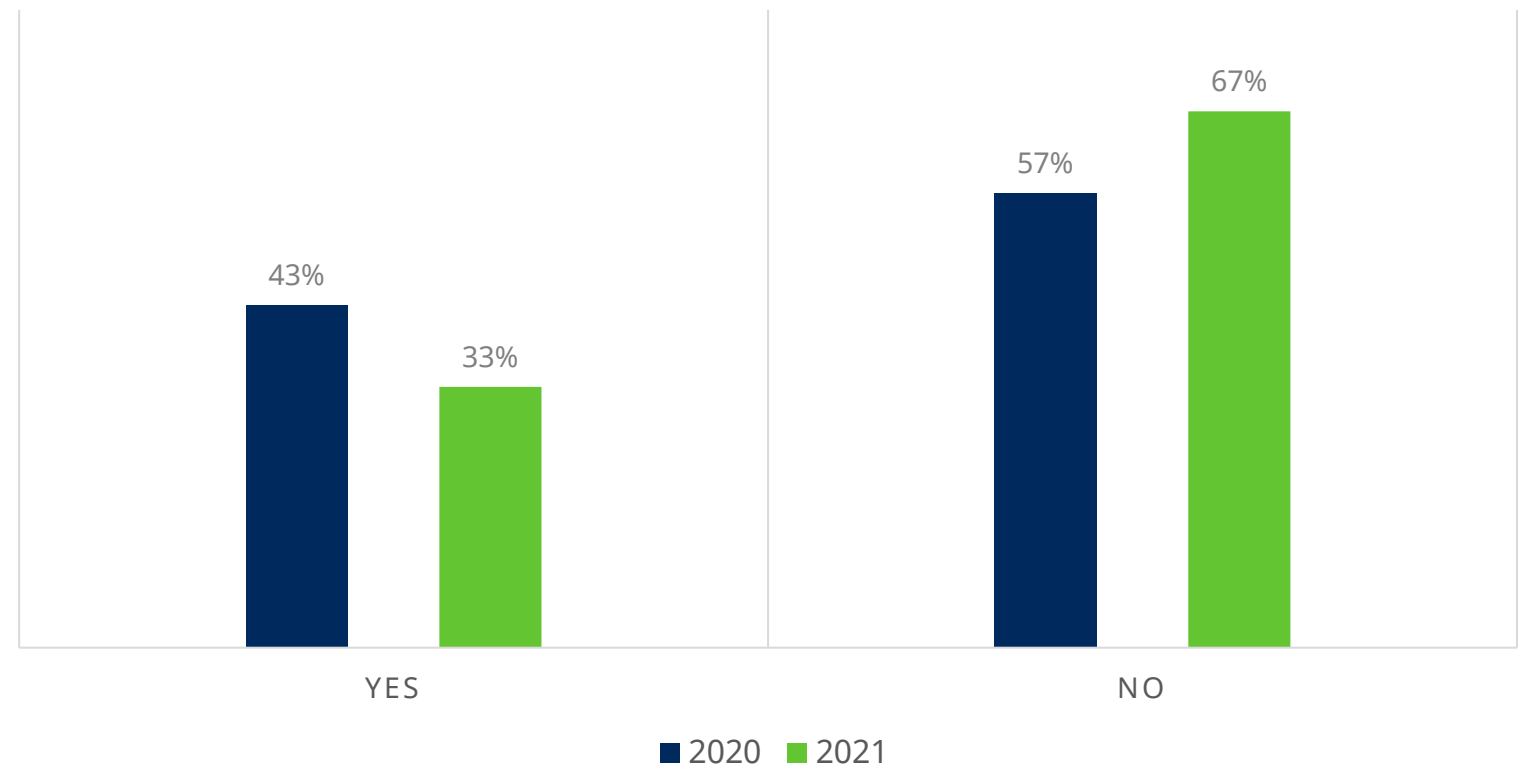
Source: Schroders Adviser Survey November 2021

---

## Fees

- 33% of advisers surveyed feel there is downward pressure on their advice charge down from 43% a year ago

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



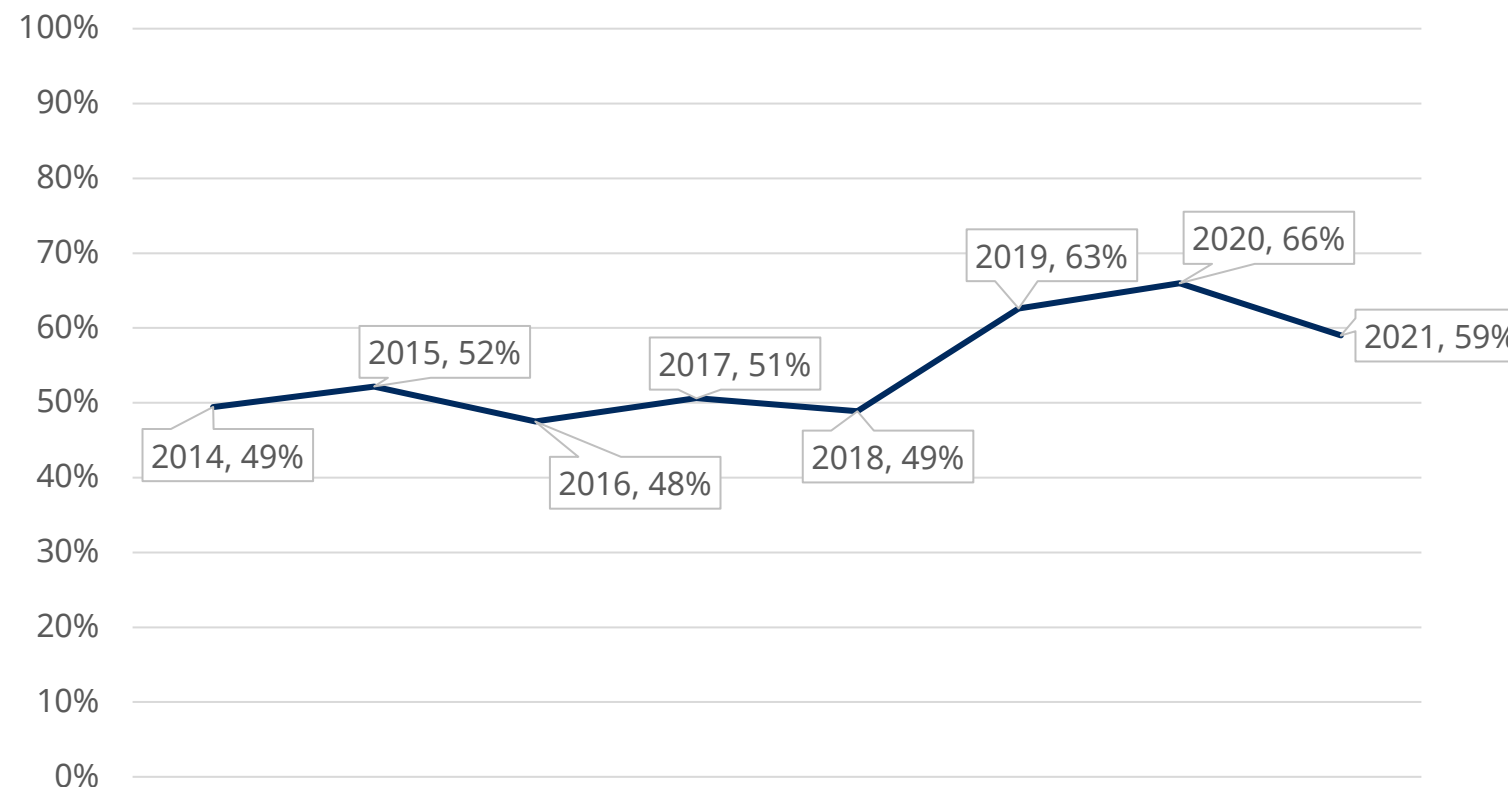
Source: Schroders Adviser Survey November 2021

# Client segmentation

- Since the PROD rules came into effect in January 2018, advisers have been required to 'identify the target market and deliver appropriate products and services'
- 59% of advisers surveyed in 2021 segment their client base, a slightly lower figure than in the previous two years

## Do you segment your client base?

'Yes'

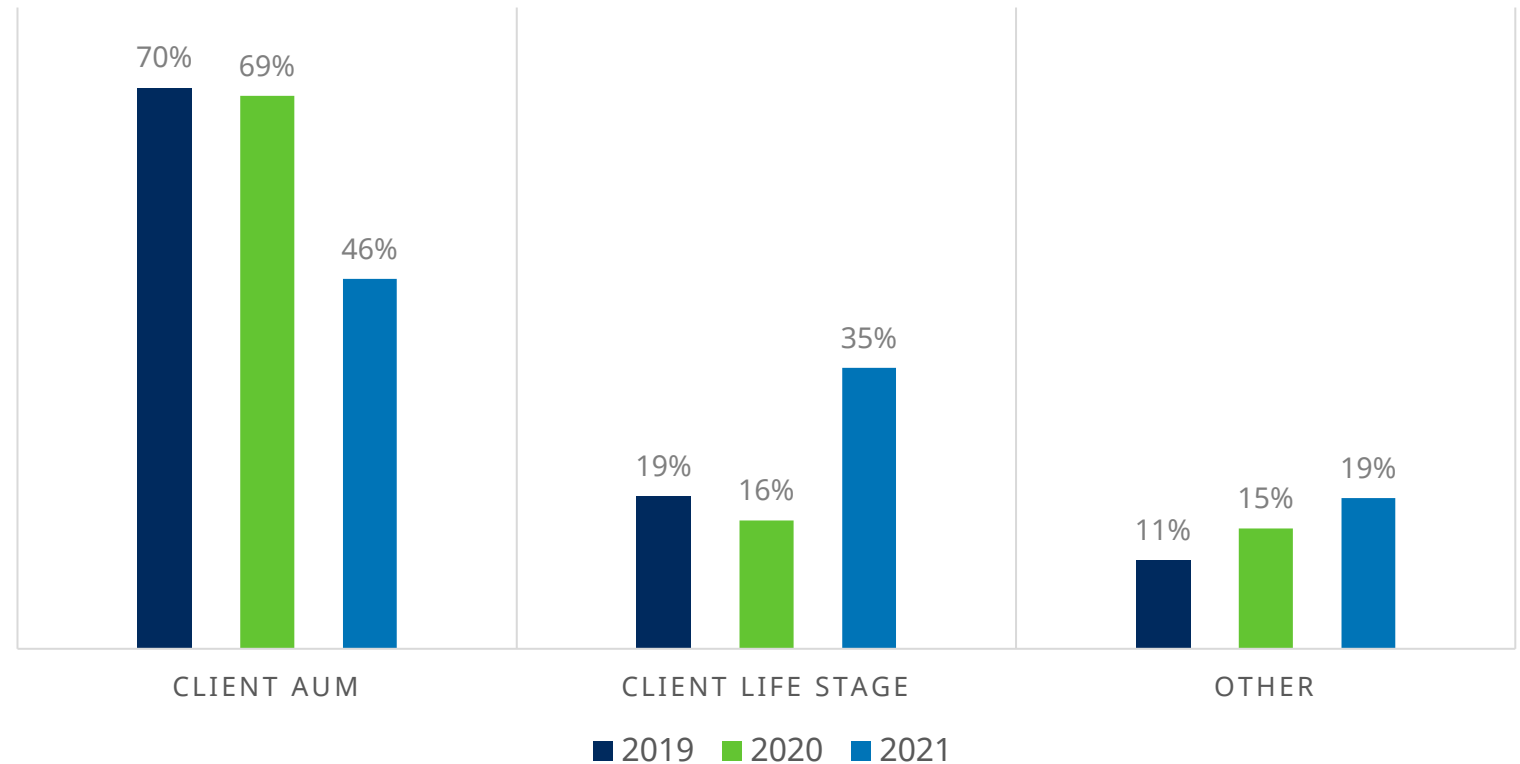


Source: Schroders Adviser Survey November 2021

# Client segmentation

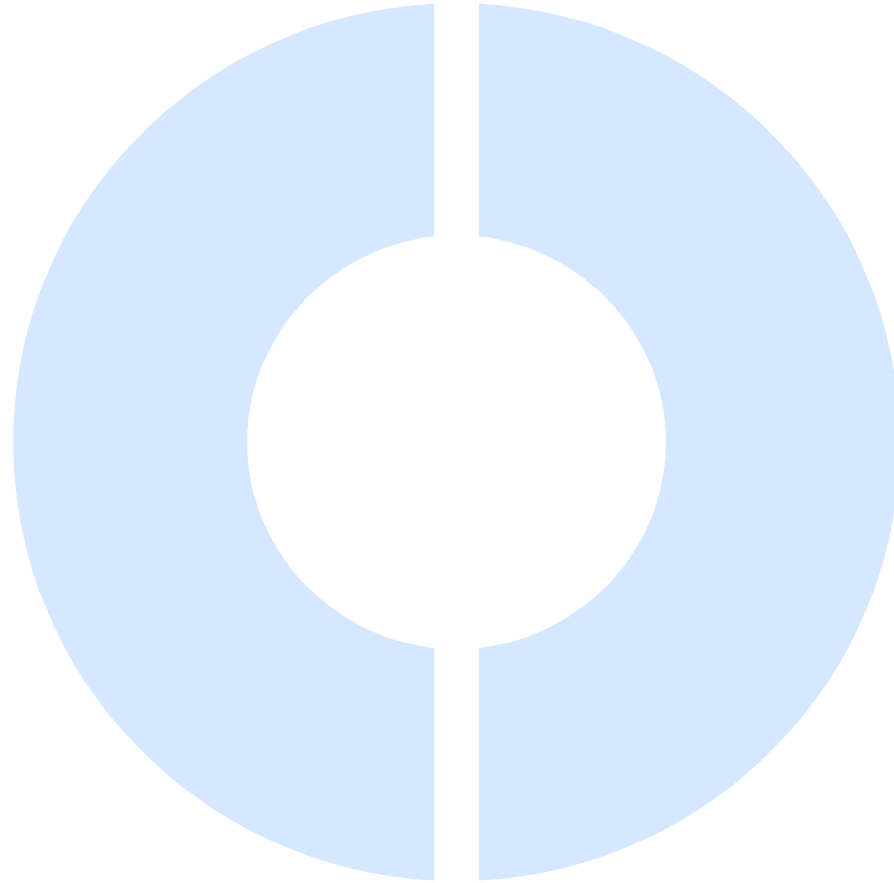
- There has been a marked change in the way advisers segment their client base over the last year
- The proportion of advisers segmenting their client base by life stage has more than doubled from 16% to 35% while the proportion segmenting their client base by AUM has fallen from 69% to 46%

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



Source: Schroders Adviser Survey November 2021

**Schroders**

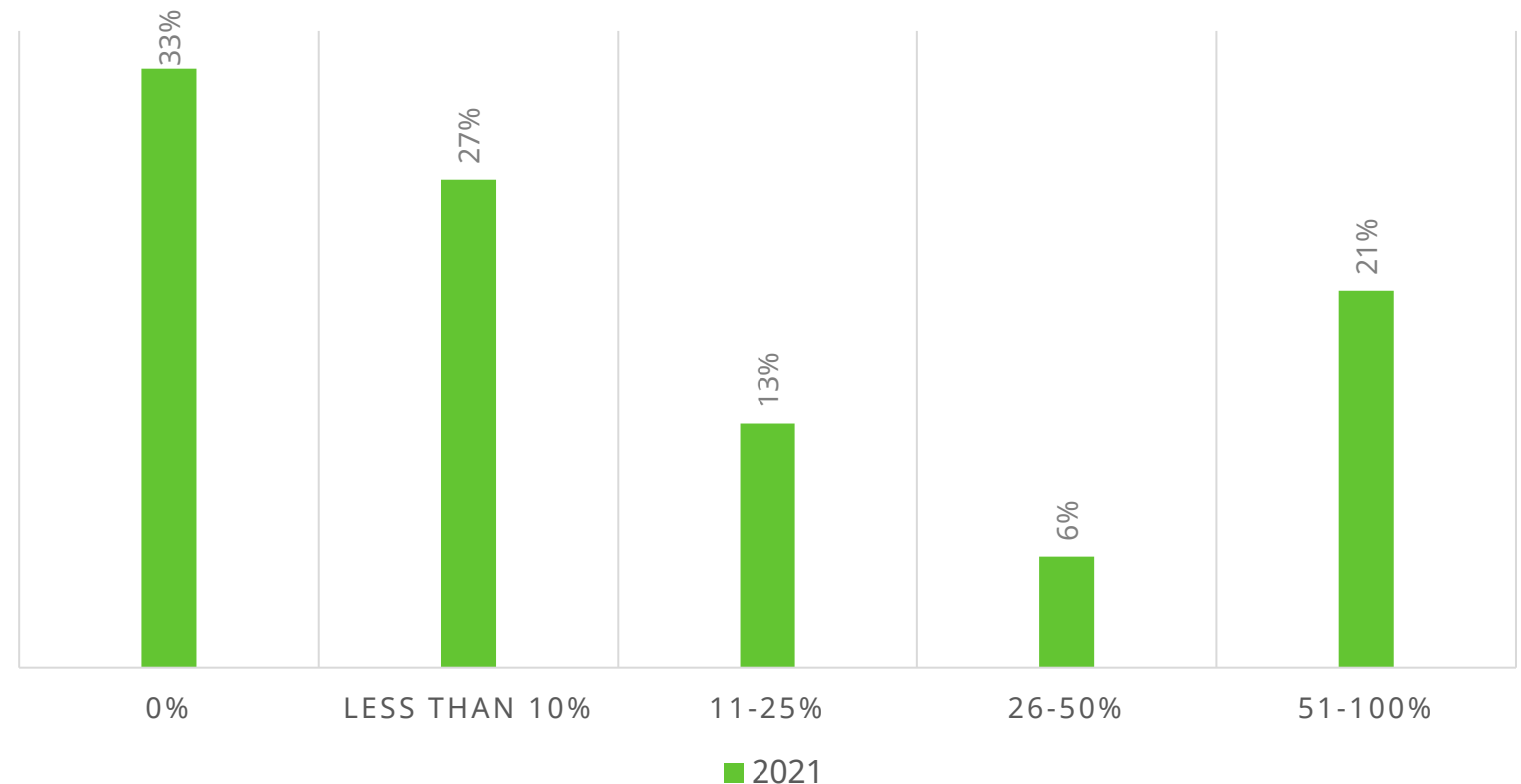


**Outsourcing trends**

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

### Outsourcing portfolio management

- 67% of the advisers surveyed use outsourced portfolio management services
- 27% of the advisers surveyed make minimal use of outsourced portfolio management services, outsourcing less than 10% of client assets
- 21% of advisers surveyed make extensive use of outsourced portfolio management services, outsourcing more than 50% of client assets



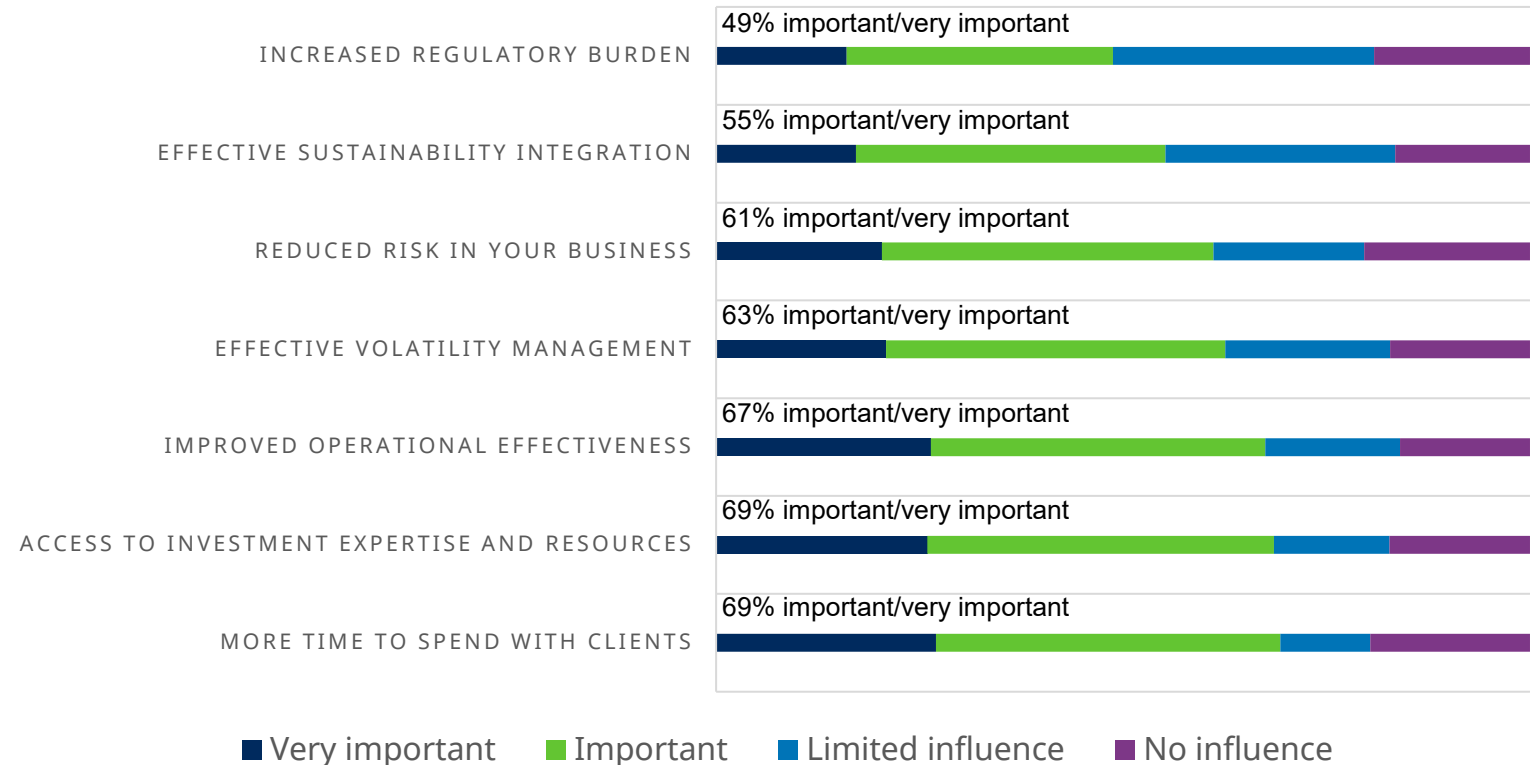
Source: Schroders Adviser Survey November 2021



## Outsourcing portfolio management

- The two factors rated most important in reaching a decision to outsource portfolio management are 'more time to spend with clients' and 'access to investment expertise and resources'. These also polled highest in our May survey.

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



Source: Schroders Adviser Survey November 2021

# Selecting an outsourced solution

- Performance is the governing factor for most advisers in selecting an MPS or multi-asset solution with over 70% ranking it number 1 or 2
- This is followed by cost and service
- The least important factor in reaching a decision for most advisers is brand reputation

Rank the importance of the following 6 factors in selecting an outsourced solution for your clients from 1 (most important) to 6 (least important)

## Model Portfolio Service (MPS)

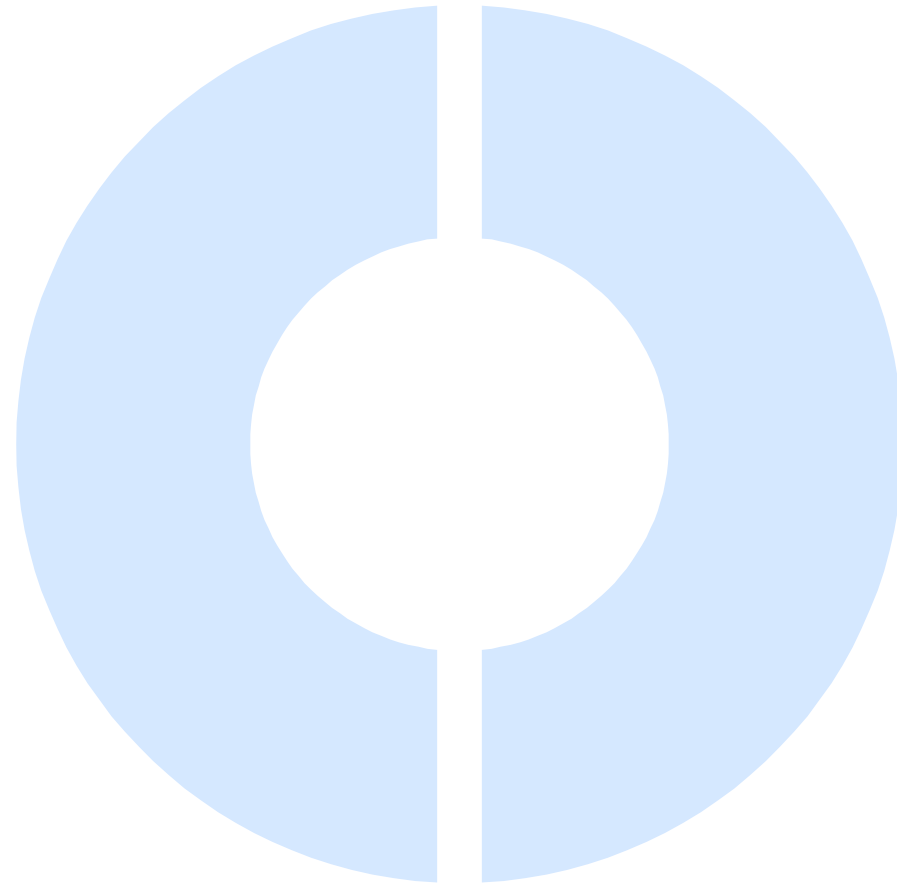


## Multi Asset Fund



Source: Schroders Adviser Survey November 2021

**Schroders**

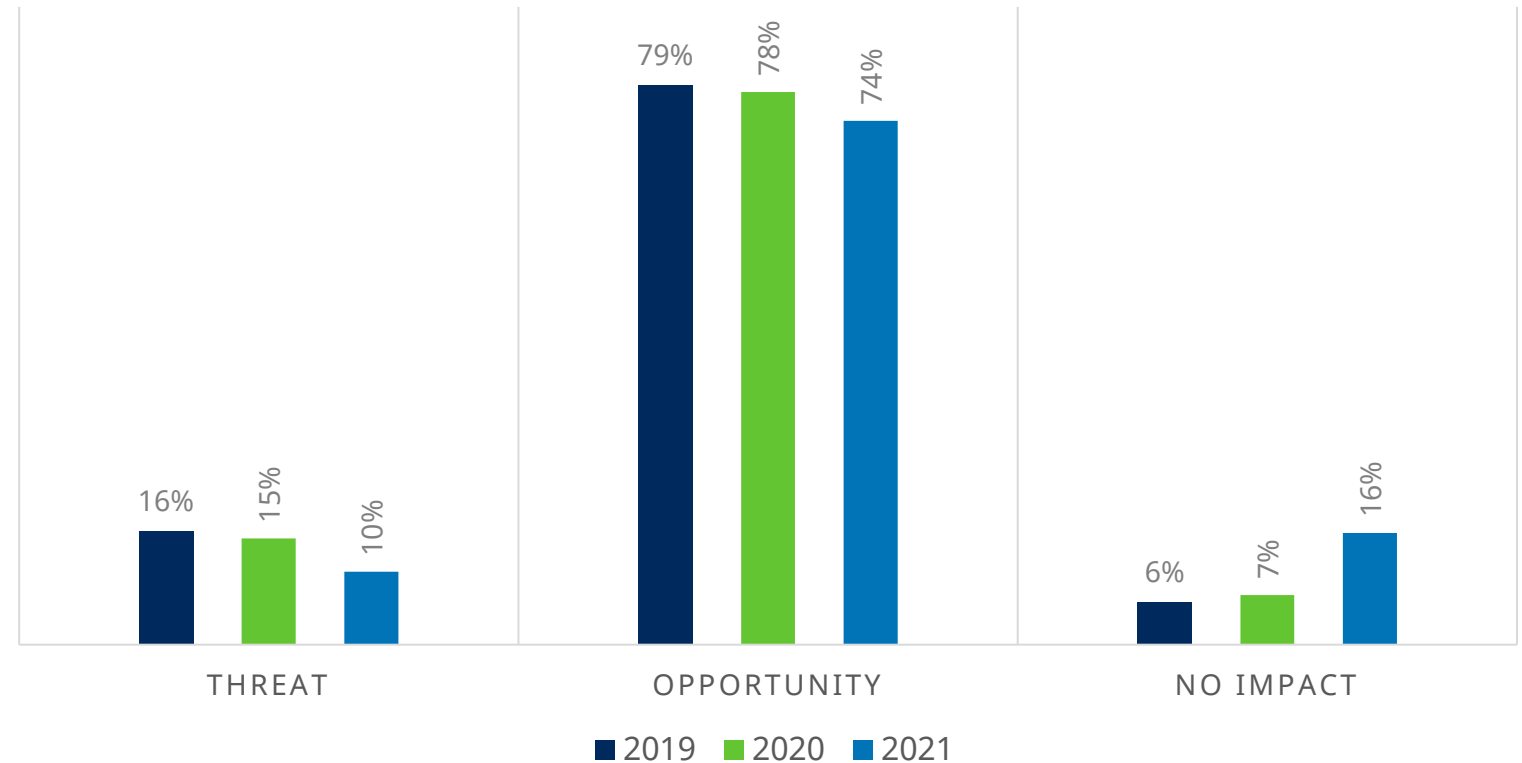


**Wealth transfer**

# Intergenerational wealth transfer

- 74% of advisers view wealth transfer between generations as an opportunity for their business
- Only 10% of advisers view the impact of wealth as a threat to their business

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

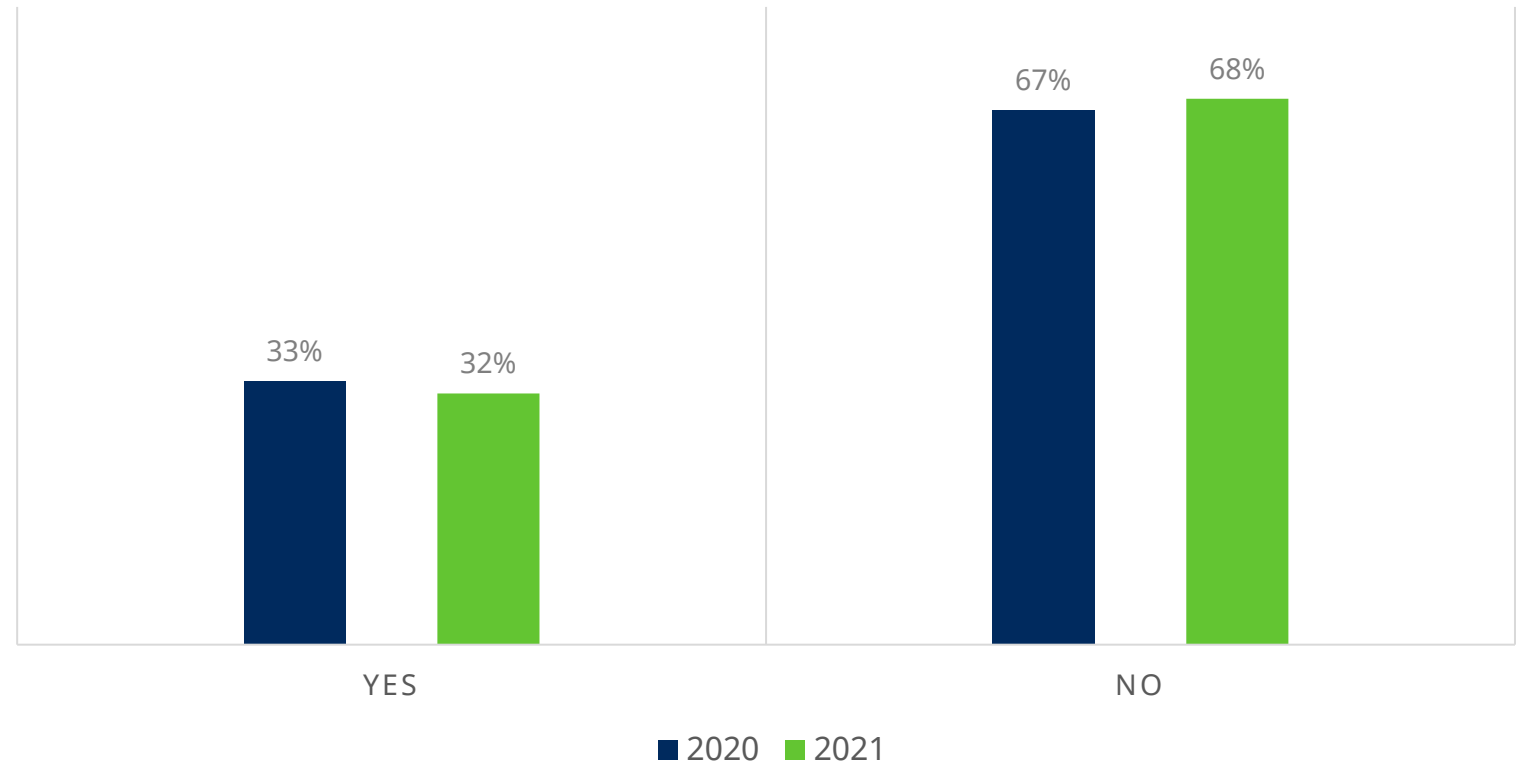


Source: Schroders Adviser Survey November 2021

# Intergenerational wealth transfer

- Around 1/3 of advisers surveyed have a specific proposition for targeting the transfer of family wealth to the next generation, no change from 2020

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



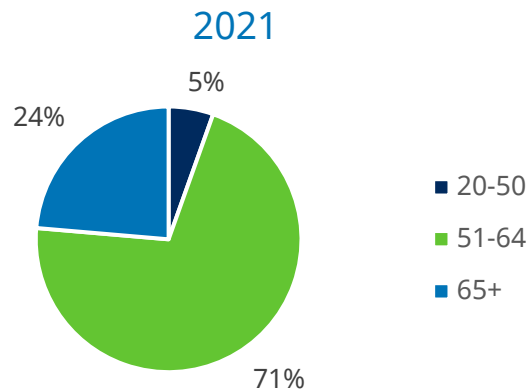
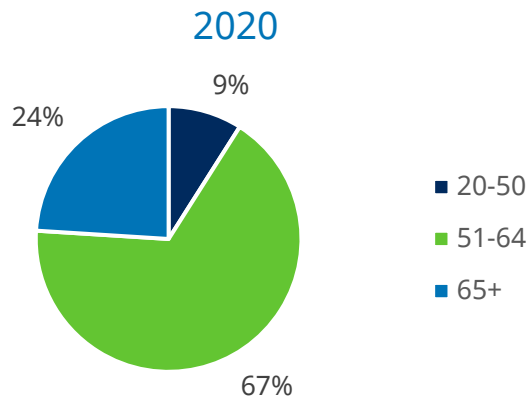
Source: Schroders Adviser Survey November 2021

# Client age profile

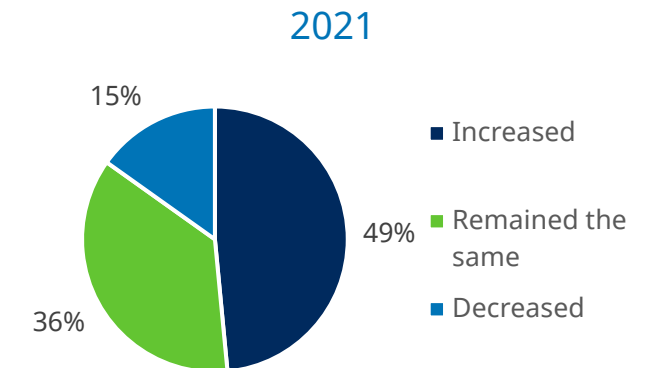
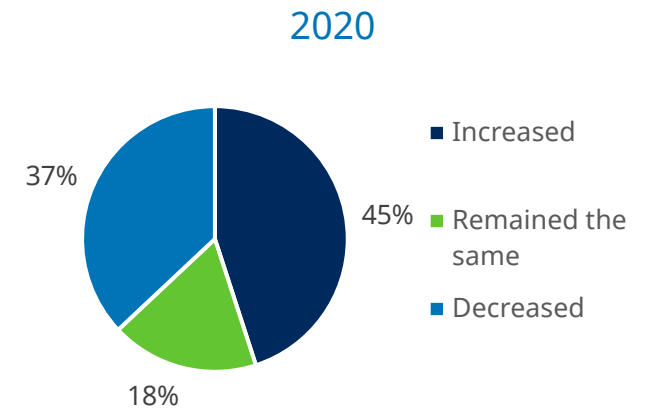
- 49% of advisers report that the average age profile of their clients has increased over the past five years against 15% reporting a decrease
- The age profile of clients has risen slightly from last year's survey

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

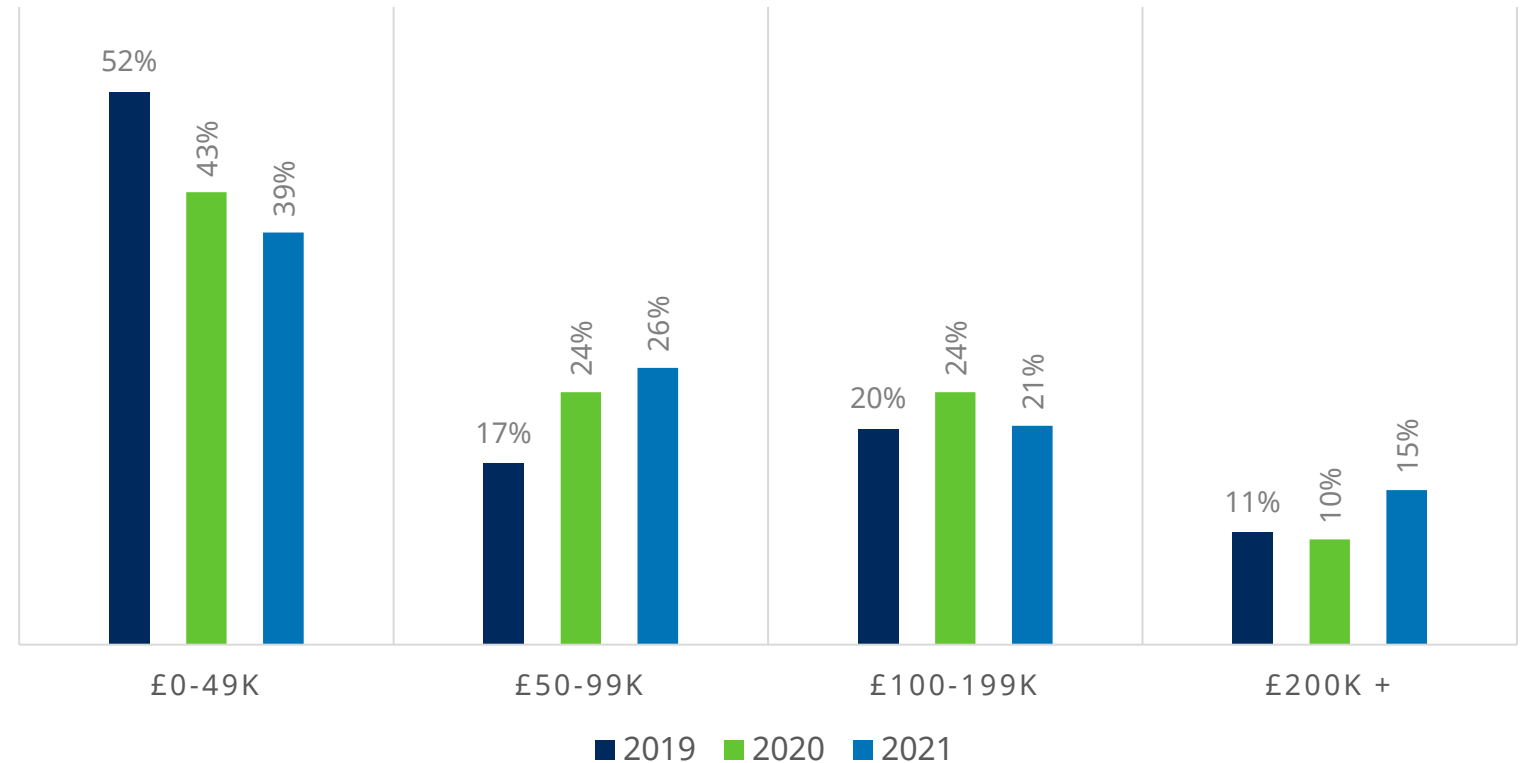


Source: Schroders Adviser Survey November 2021

## New client minimum AUM

- The percentage of advisers that will accept new clients with less than £50k has been declining and is now at 39%

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



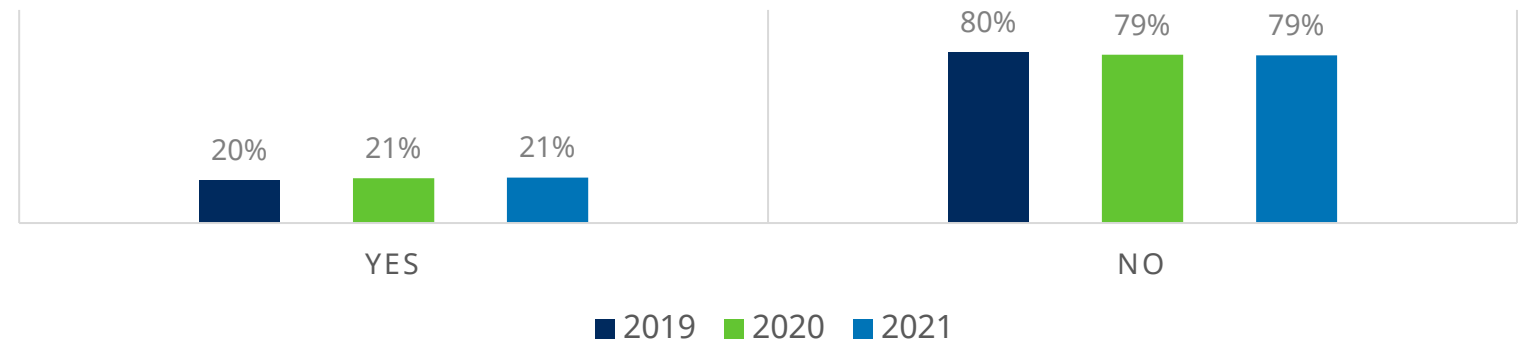
Source: Schroders Adviser Survey November 2021

# Client acquisition strategy

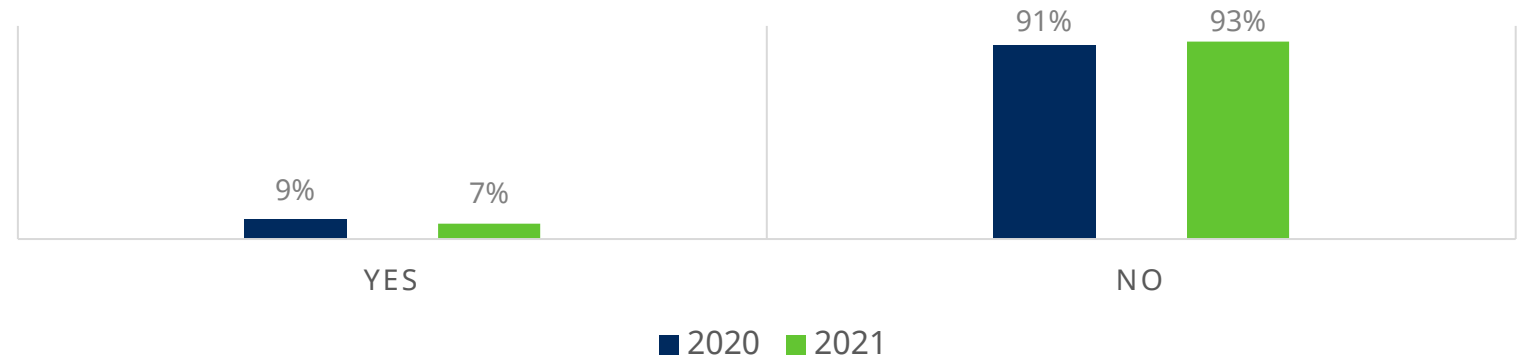
- Few of the advisers surveyed have a differentiated strategy for younger investors (21%) and even fewer have one for retaining, attracting and advising women - particularly divorced or widowed (7%)

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 2021

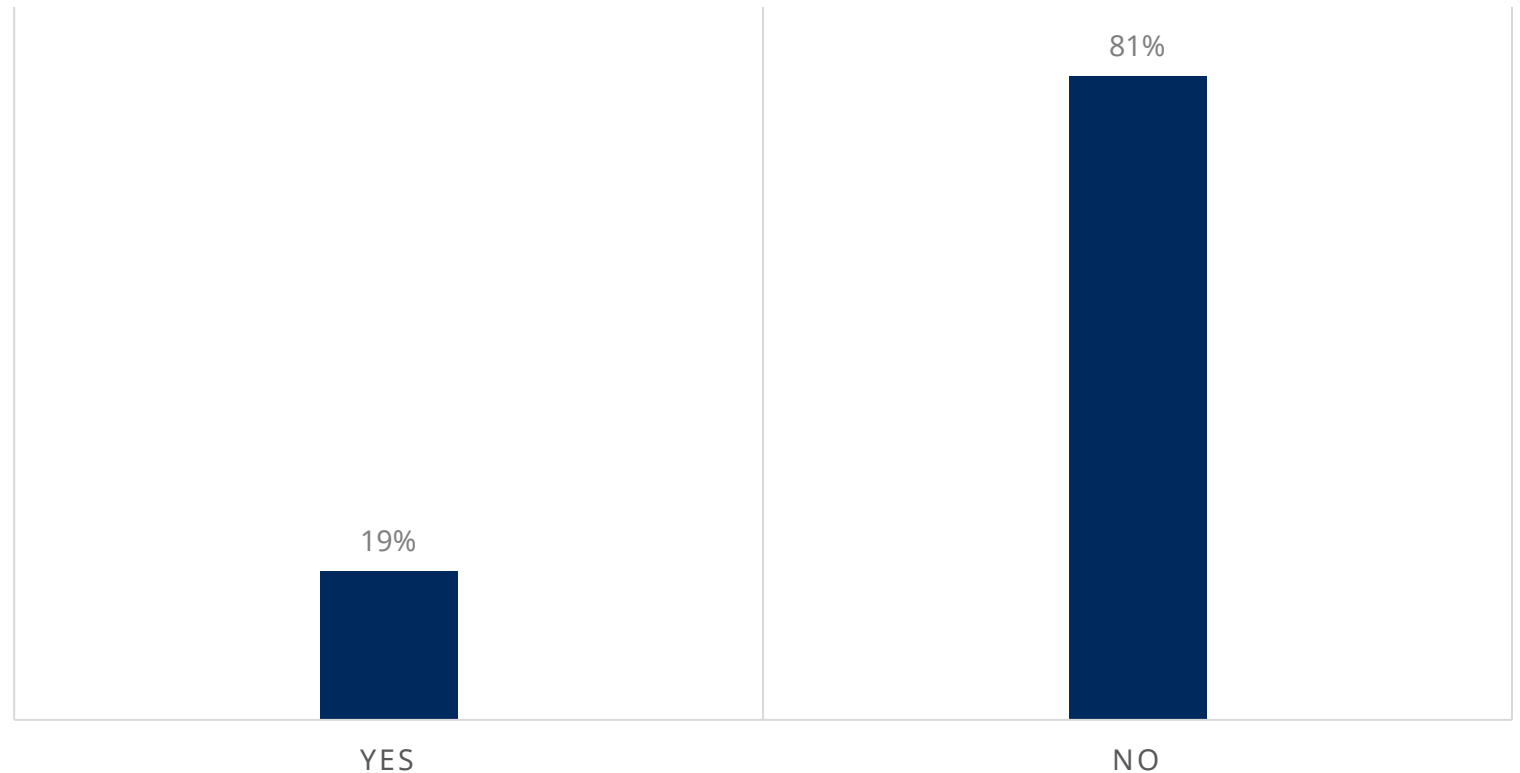


---

# Crypto

- Around 1/5 of advisers surveyed view the rise in investing in bitcoin and other crypto assets predominantly among the young as a threat to their business

Do you perceive the rise in investing in bitcoin and other crypto assets predominantly among the young as a threat to your business?

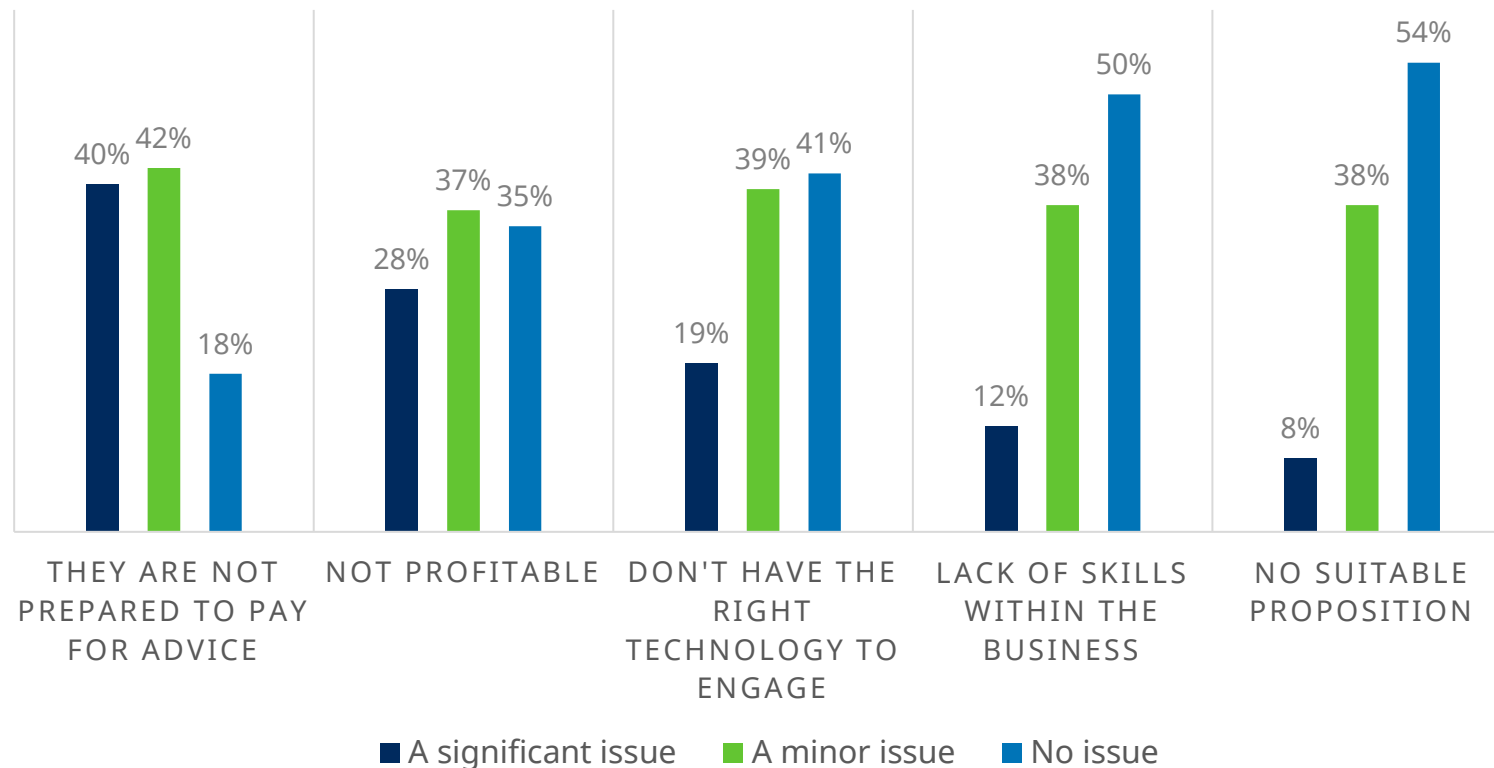


Source: Schroders Adviser Survey November 2021

## How do you view the following challenges to engaging the next generation?

### Challenges to engaging the next generation

- Advisers see the greatest challenge to engaging the next generation is that they are not prepared to pay for advice
- This is followed by the challenge that they are not profitable



Source: Schroders Adviser Survey November 2021

# Important information

## **Marketing material for professional clients only.**

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

Schroders has expressed its own views and opinions in this document and these may change.

This information is not an offer, solicitation or recommendation to buy or sell any financial instrument or to adopt any investment strategy. Nothing in this material should be construed as advice or a recommendation to buy or sell. Information herein is believed to be reliable but we do not warrant its completeness or accuracy.

Any data has been sourced by us and is provided without any warranties of any kind. It should be independently verified before further publication or use. Third party data is owned or licenced by the data provider and may not be reproduced, extracted or used for any other purpose without the data provider's consent. Neither we, nor the data provider, will have any liability in connection with the third party data.

The material is not intended to provide, and should not be relied on for accounting, legal or tax advice. Reliance should not be placed on any views or information in the material when taking individual investment and/or strategic decisions. No responsibility can be accepted for error of fact or opinion.

The forecasts included in this presentation should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

Any references to securities, sectors, regions and/or countries are for illustrative purposes only.

Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at [www.schroders.com/en/privacy-policy](http://www.schroders.com/en/privacy-policy) or on request should you not have access to this webpage.

For your security, communications may be recorded or monitored.

Issued in November 2021 by Schroder Investment Management Limited, 1 London Wall Place, London EC2Y 5AU. Registered in England, No. 4191730. Authorised and regulated by the Financial Conduct Authority. UK003740