

Schroders

2013 Results

6 March 2014

Michael Dobson | Chief Executive



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2013: Record results

Organic growth and strategic acquisitions

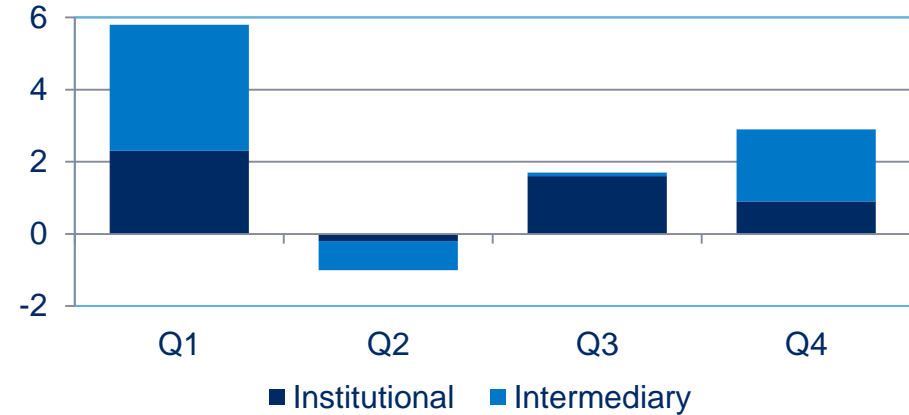
- Net revenue up 24% to £1,407.6m (2012: £1,134.9m)
- Profit before tax and exceptional items up 41% to £507.8m (2012: £360.0m)
- Full year dividend up 35% to 58.0 pence per share (2012: 43.0 pence per share)
- Net new business £7.9bn
- Acquisitions: Cazenove Capital, STW
- Assets under management up 24% to £262.9bn

Asset Management

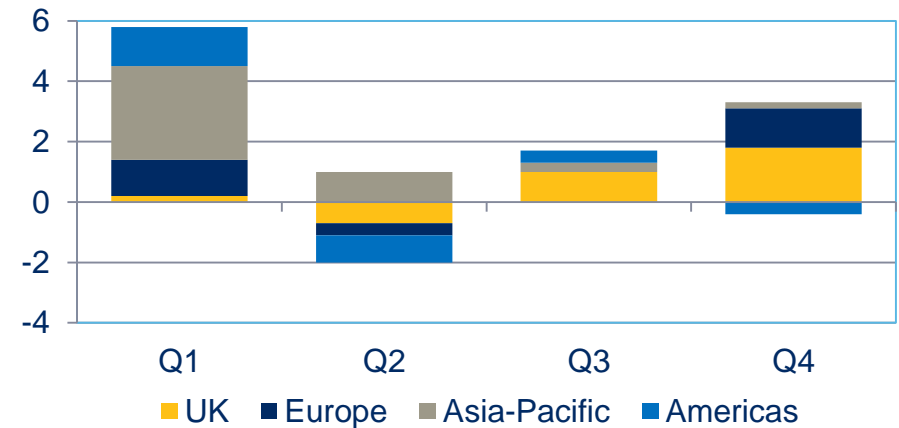
Strong levels of new business

- Gross inflows £70.3bn (2012: £53.6bn)
- Net inflows £9.4bn
- Stable revenue margins
- Diversified by channel, region
- 68% of funds outperforming over 3 years

2013 net flows – by channel £bn



2013 net flows – by region £bn

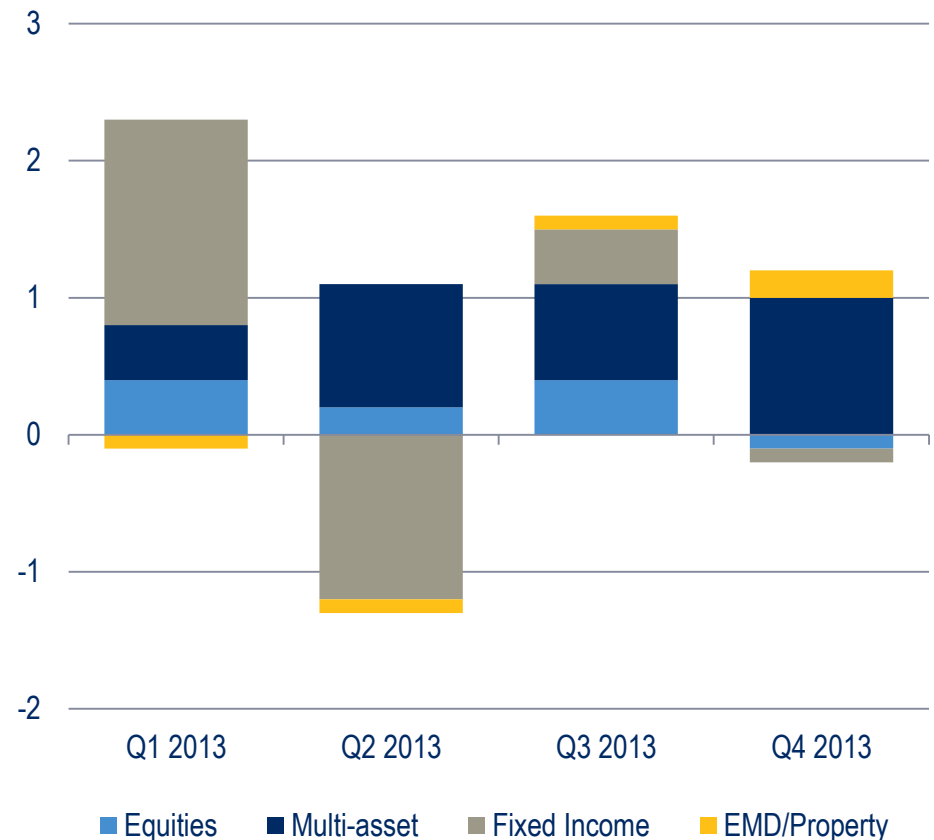


Institutional

Assets under management: £144.3bn (2012: £123.7bn)

- Net inflows £4.6bn
- Multi-asset, equities, fixed income, alternatives
- Strong performance in Australia, UK
- 70% of Institutional funds outperforming over 1 year
- Performance fees £35.1m

2013 net inflows by asset class £bn

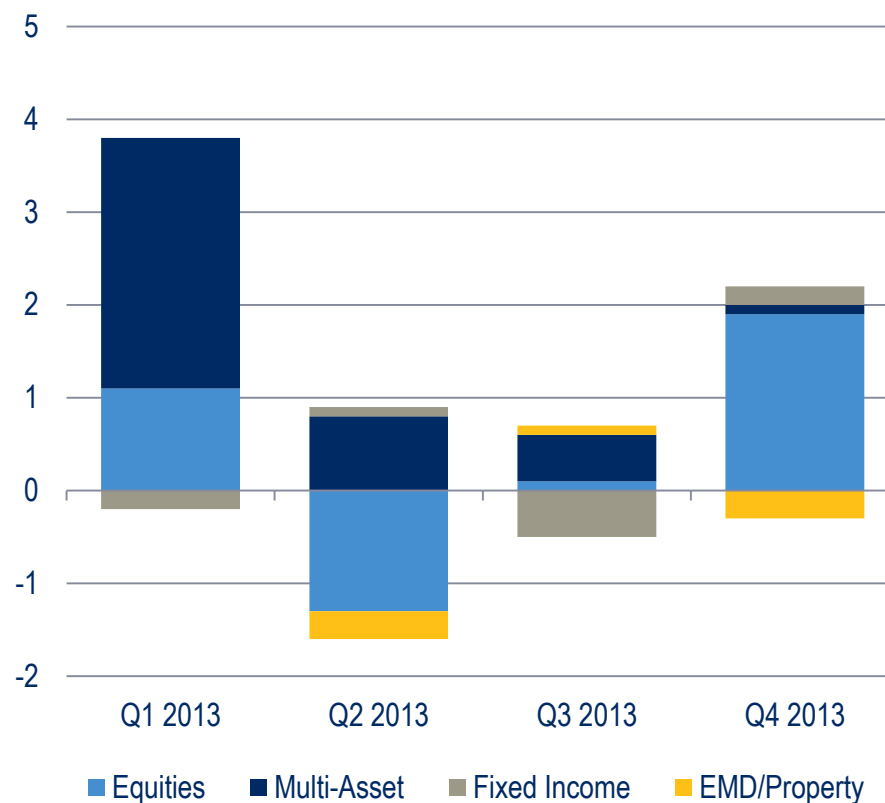


Intermediary

Assets under management: £88.5bn (2012: £72.0bn)

- Net inflows £4.8bn
- Net inflows in all regions, multi-asset and equities
- New product launches
- Cazenove Capital strengthens UK Intermediary: UK equities, European equities, multi-manager, fixed income
- 70% of Intermediary funds outperforming over 1 year
- Performance fees £45.1m

2013 net inflows by asset class £bn



Equities

Assets under management: £119.6bn (2012: £96.3bn)

- Net inflows £2.8bn: Asian, emerging market, Japanese, global, European
- 70% of funds outperforming over 3 years
- Diversified range of strategies: global, regional, quant, growth, value, income, small and mid cap
- Integration of Cazenove Capital investment teams
- Selective additions to talent pool



Multi-asset investments and portfolio solutions

Assets under management: £52.3bn (2012: £42.8bn)

- £21.3bn of net new business since 2010
- £6.9bn in 2013
- Organised across investment outcomes: wealth preservation
 - risk controlled growth
 - income
 - inflation protection
 - risk mitigation
- Growth opportunities diversified across outcomes, regions, Institutional and Intermediary



Fixed Income

Assets under management: £43.4bn (2012: £37.6bn)

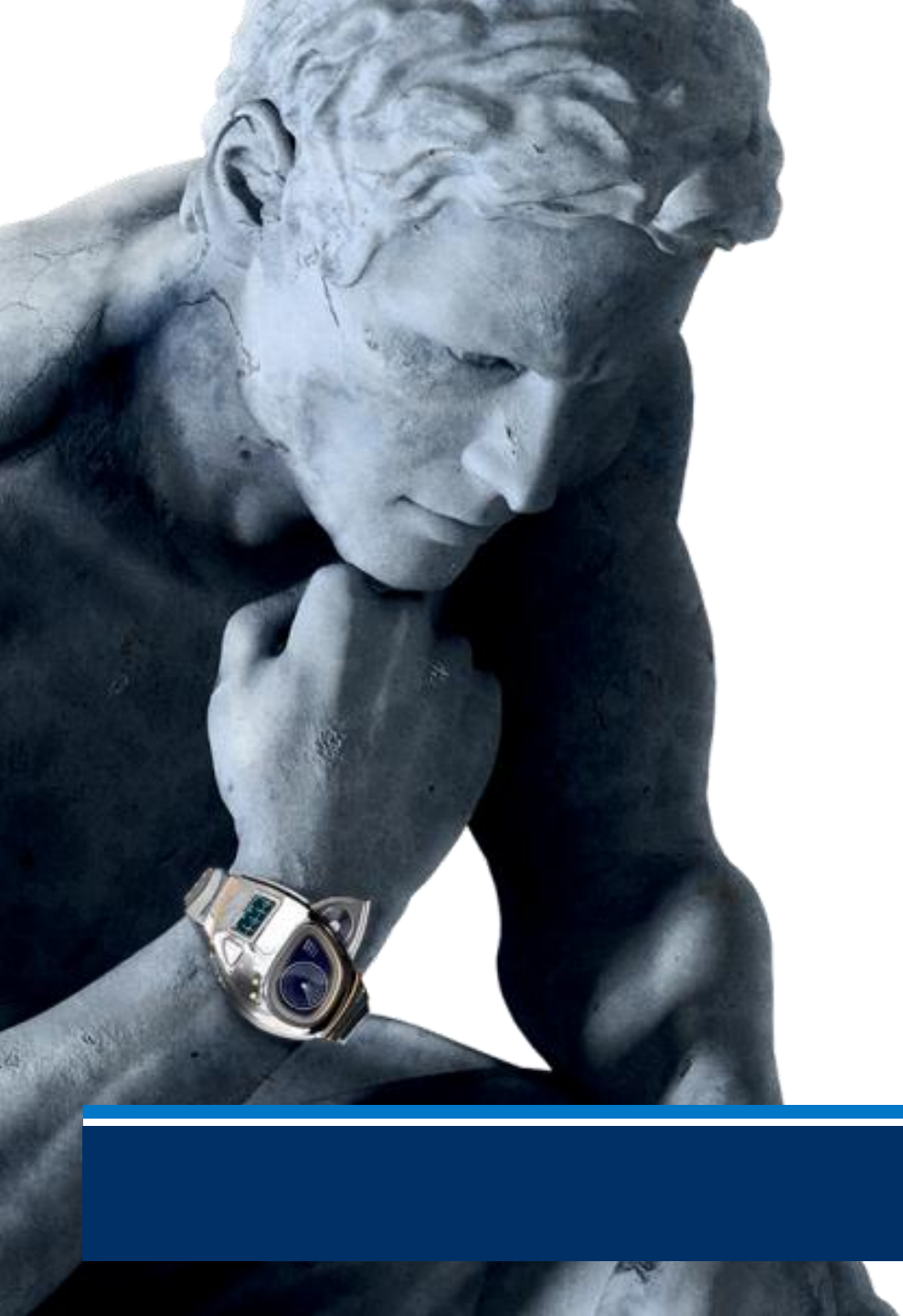
- Strong performance: 78% of AUM outperforming over 1 year, 70% over 3 years
- Consultant upgrades and new business opportunities in:
 - absolute return
 - long duration
 - global/European credit
- STW integration on track, investment performance above target
- Acquired 30% shareholding in insurance linked securities business - AUM increased from \$250m to \$1.1bn in 7 months
- Established capability in convertibles in December 2013: AUM £1.4bn
- Positioned for growth

Wealth Management

Assets under management: £30.1bn (2012: £16.3bn)

- Net revenues up 59% to £150.0m (2012: £94.4m)
- Profit before tax and exceptional items up 191% to £34.3m (2012: £11.8m)
- Exceptional items: Cazenove Capital amortisation and integration costs, US DoJ programme provision
- Net outflows £1.5bn
- AUM up 85% to £30.1bn (2012: £16.3bn)
- Significantly increased scale in the UK
- Broader client offering
- New leadership





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2013 Annual Results

6 March 2014

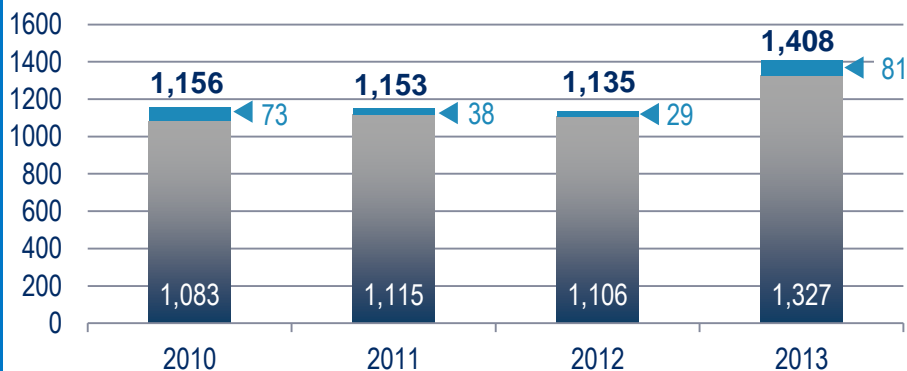
Richard Keers | Chief Financial Officer



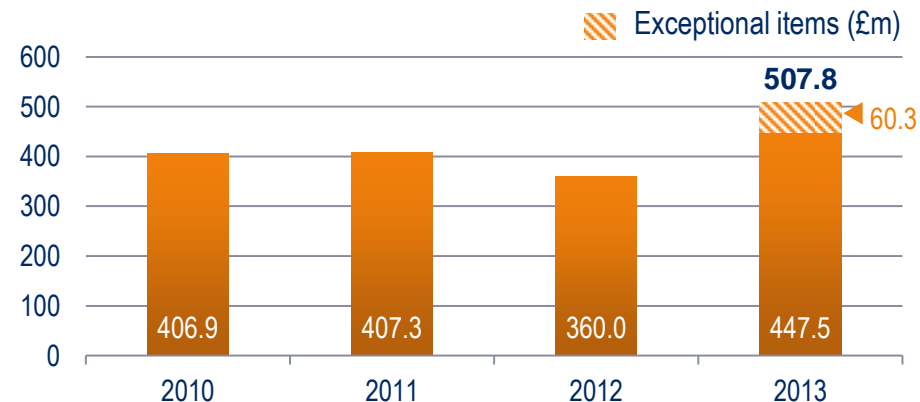
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Financial highlights – record results deliver 35% increase in dividend

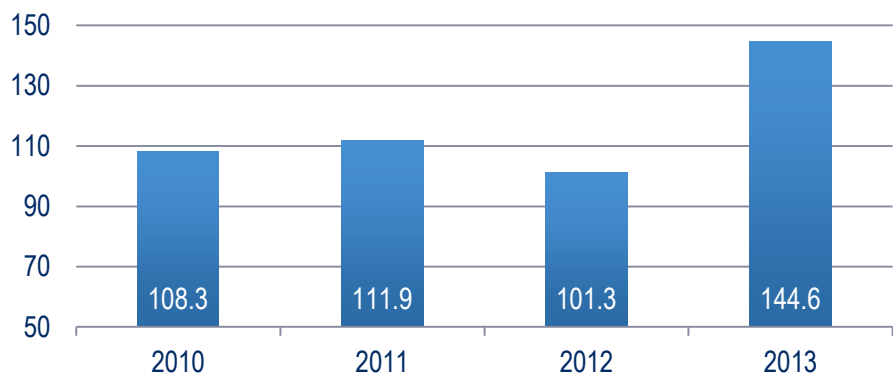
Net revenue, including performance fees (£m)



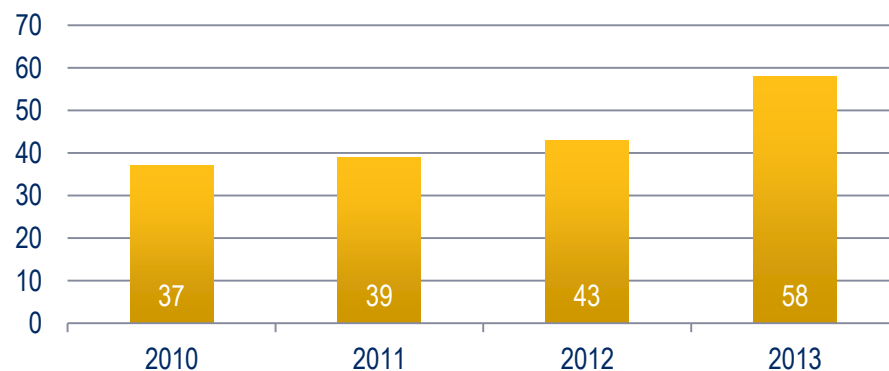
Profit before tax and exceptional items (£m)



Diluted earnings per share before exceptional items (pence)

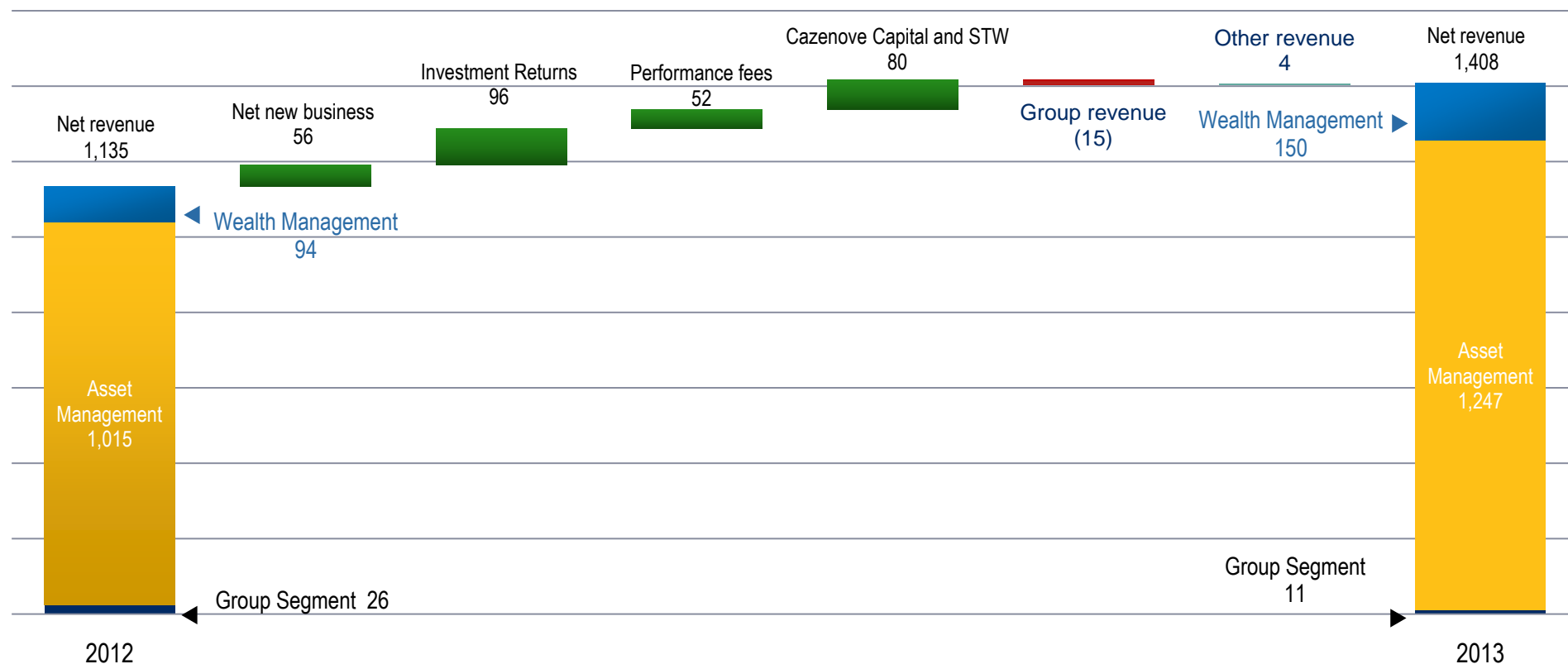


Dividend per share (pence)



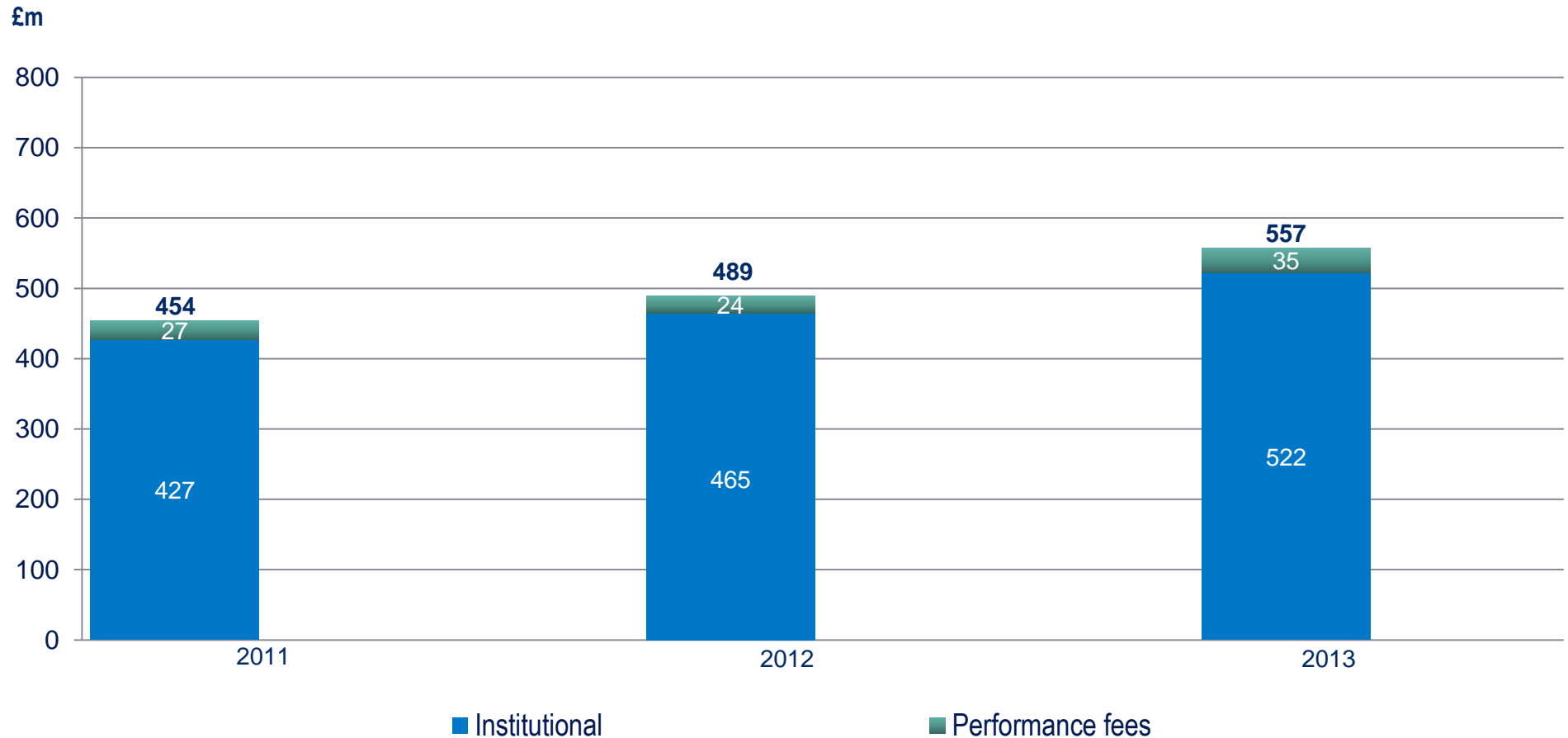
Net revenue – driven by investment returns, organic growth and acquisitions

Increase of £273m
£m



Cazenove and STW revenue contribution excludes performance fees.

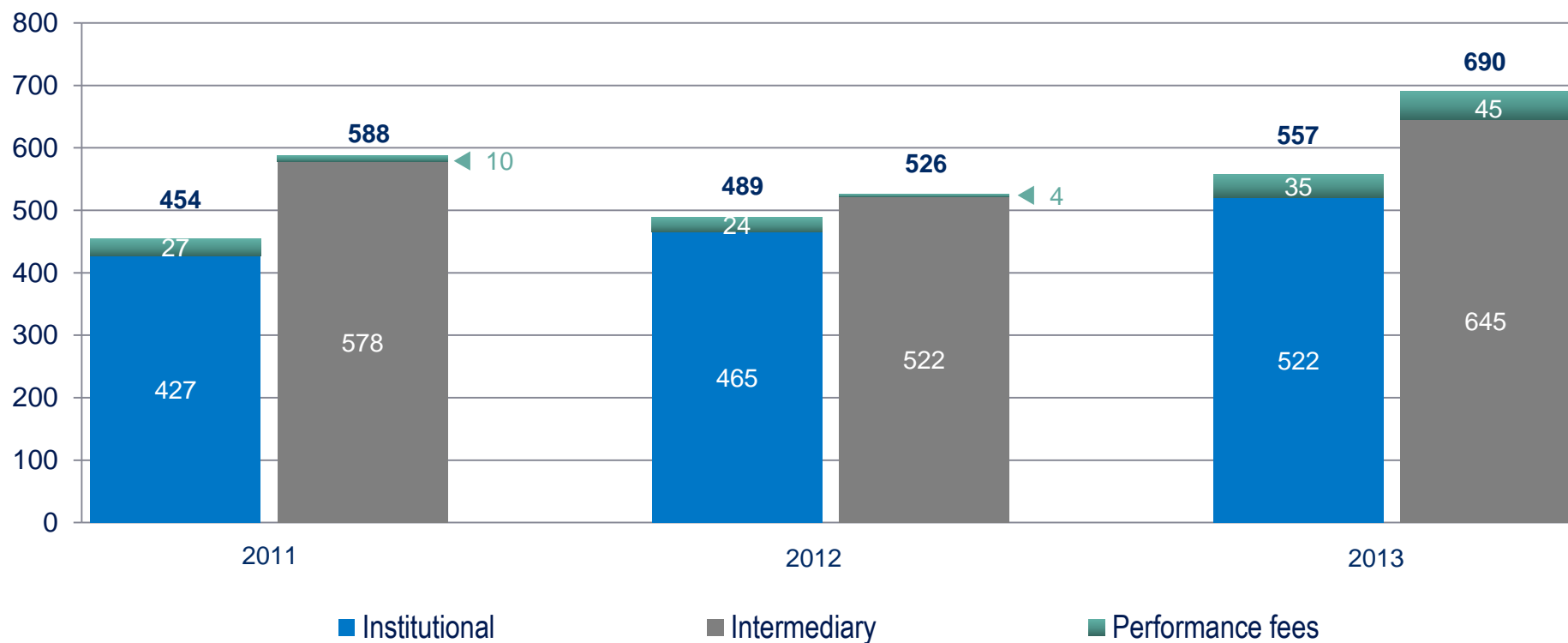
Asset Management net revenues (1) – good core business growth in Institutional



Asset Management net revenues (2) – significant rise in Intermediary

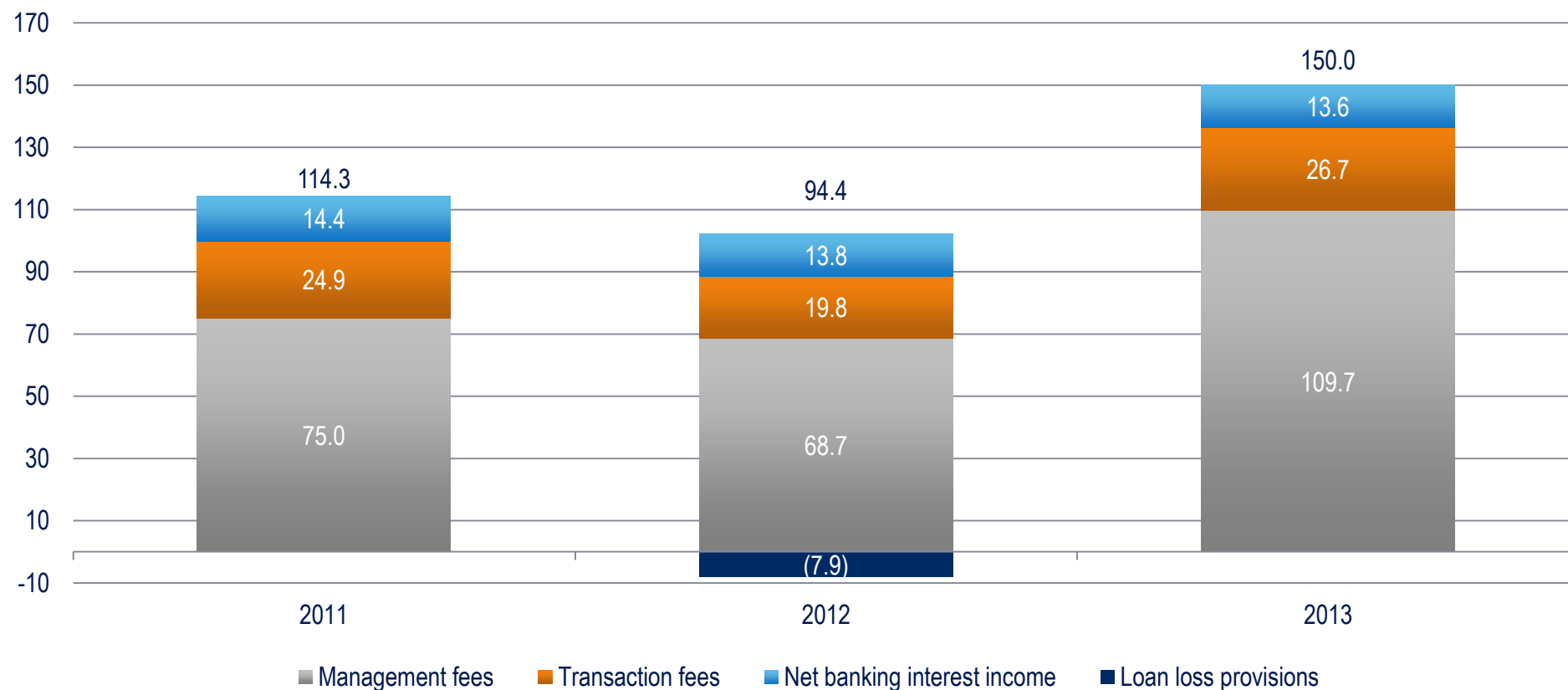
Net revenue margins, excluding performance fees, at 53 bps

£m



Wealth Management net revenues – up 59% supported by Cazenove acquisition

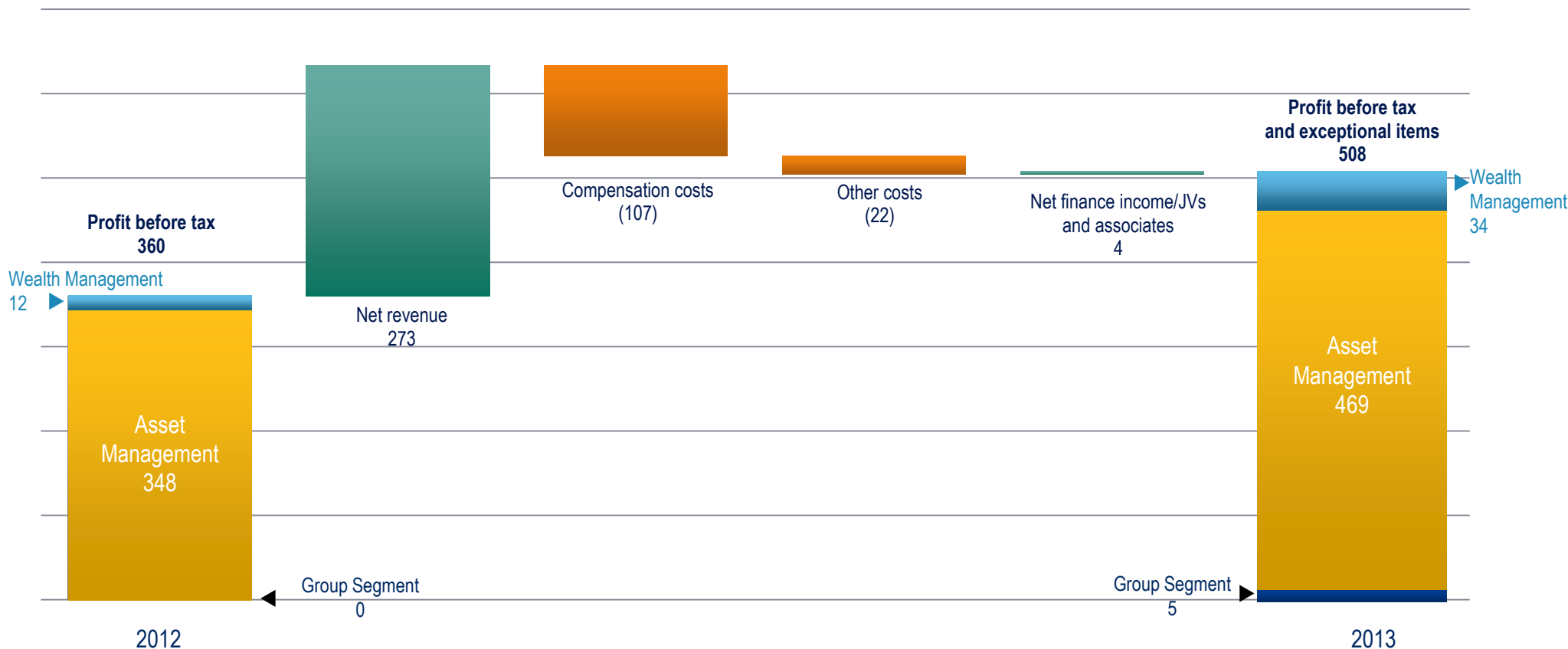
Net revenue margins 64 bps (2012: 63 bps*)
£m



* Excluding loan losses in 2012 of £7.9 million

Profit before tax and exceptional items – a good picture with record profits

Increase of £148m
£m



Operating expenses – ratios in line with long-term target

Before exceptional items

£m	2012	2013			2013 versus 2012
		Asset Management & Group	Wealth Management	Total	
Compensation costs	545.7	583.4	69.1	652.5	+20%
Other costs	233.5	208.8	45.9	254.7	+9%
Depreciation	12.0	11.8	0.7	12.5	+4%
Total	791.2	804.0	115.7	919.7	+16%
Headcount	3,011	2,933	595	3,528	+17%

%	2012	2013
Compensation cost:operating revenue ratio	49%	46%
Cost:net revenue ratio	70%	65%



Exceptional items

2013 £m	Asset Management	Wealth Management	Group	Total
Acquisition costs	-	-	4.2	4.2
Integration costs	4.0	7.2	-	11.2
Amortisation of acquired intangible assets – Cazenove and STW	6.3	5.2	-	11.5
Amortisation of acquired intangible assets – other	3.2	0.8	-	4.0
Deferred compensation arising from acquisitions	-	-	11.7	11.7
Sub-total	13.5	13.2	15.9	42.6
US Department of Justice provision and related costs	-	17.7	-	17.7
Total	13.5	30.9	15.9	60.3



Group segment before exceptional items – investment capital returns targeted to cover costs

Segment disclosure (£m)	2012	2013
Net revenue	25.7	10.4
Operating expenses	(37.2)	(19.1)
Net finance income	11.7	12.1
Share of JVs and associates	(0.5)	1.5
Group segment (loss)/profit before exceptional items	(0.3)	4.9
Other comprehensive loss	(9.0)	(1.1)
	(9.3)	3.8



Tax charge – unchanged and in line with guidance

	2012	2013			Change 2013 v 2012 before exceptional items
		Before exceptional items	Exceptional items	Total	
Profit before tax – £m	360.0	507.8	(60.3)	447.5	+147.8 +41%
Tax – £m	(76.8)	(103.0)	8.2	(94.8)	+26.2 +34%
Profit after tax – £m	283.2	404.8	(52.1)	352.7	+121.6 +43%
<i>Effective tax rate</i>	21.3%	20.3%	13.6%	21.2%	

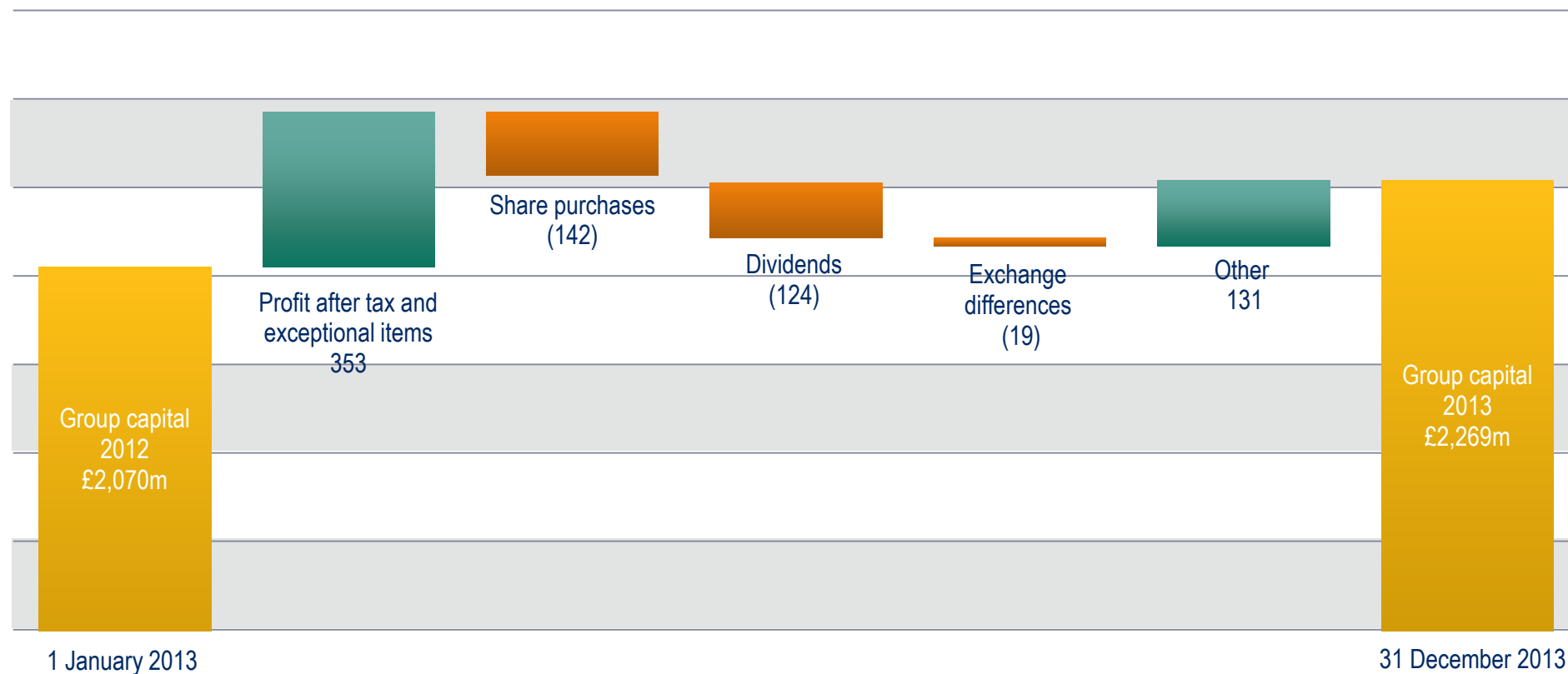
Basic earnings per share	104.7p	149.9p	(19.3)p	130.6p	+45.2p +43%
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Movement in Group capital

Increase of £199m as at 31 December 2013

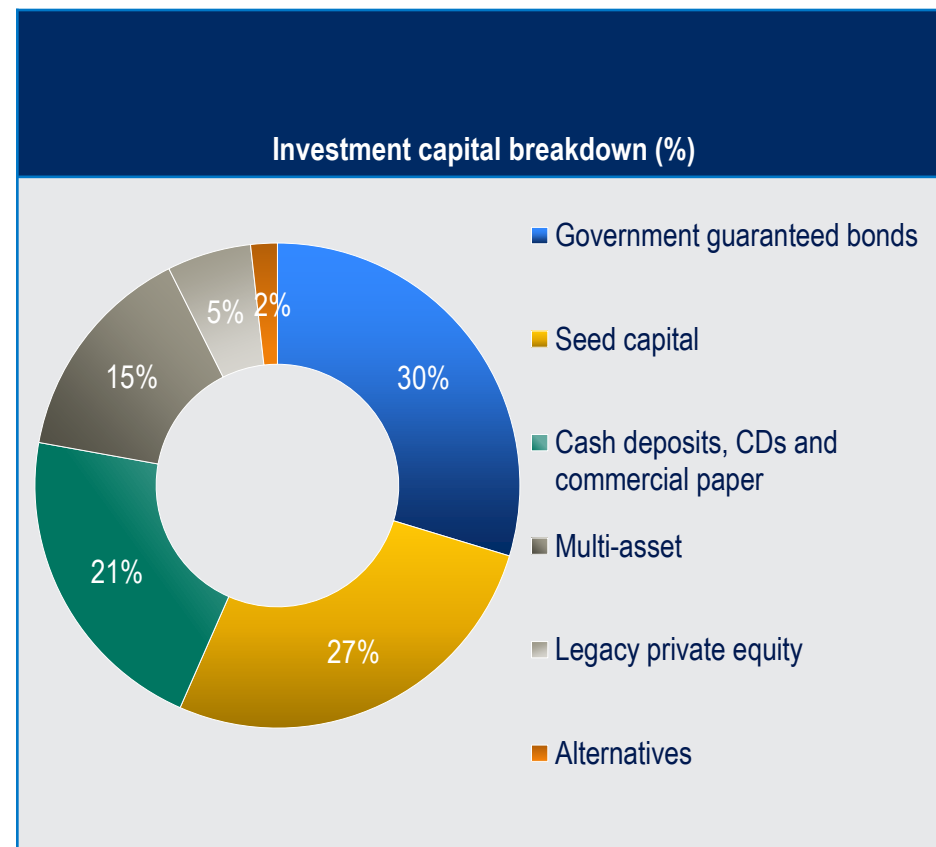
£m



Group capital allocation – continued strong financial position

Increase of £199m as at 31 December 2013

£m	December 2012	June 2013	December 2013
Asset Management and Wealth Management operational capital	957	879	1,071
Investment capital*	926	1,077	677
Other (intangibles etc.)	187	229	521
Statutory Group capital	2,070	2,185	2,269



*Not included in AUM

Strong financial position

- Record profitability in 2013
- Good cost control
- Strong cash generation
- Significant increase in returns to shareholders



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Outlook and future priorities

Focus on organic growth

- Positive start to 2014
- Complete integration of Cazenove Capital and STW
- Repositioned capability and contribution from Wealth Management
- Growth opportunities in most asset classes and regions
- Operational efficiencies
- Long-term focus

Forward-Looking Statements

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