



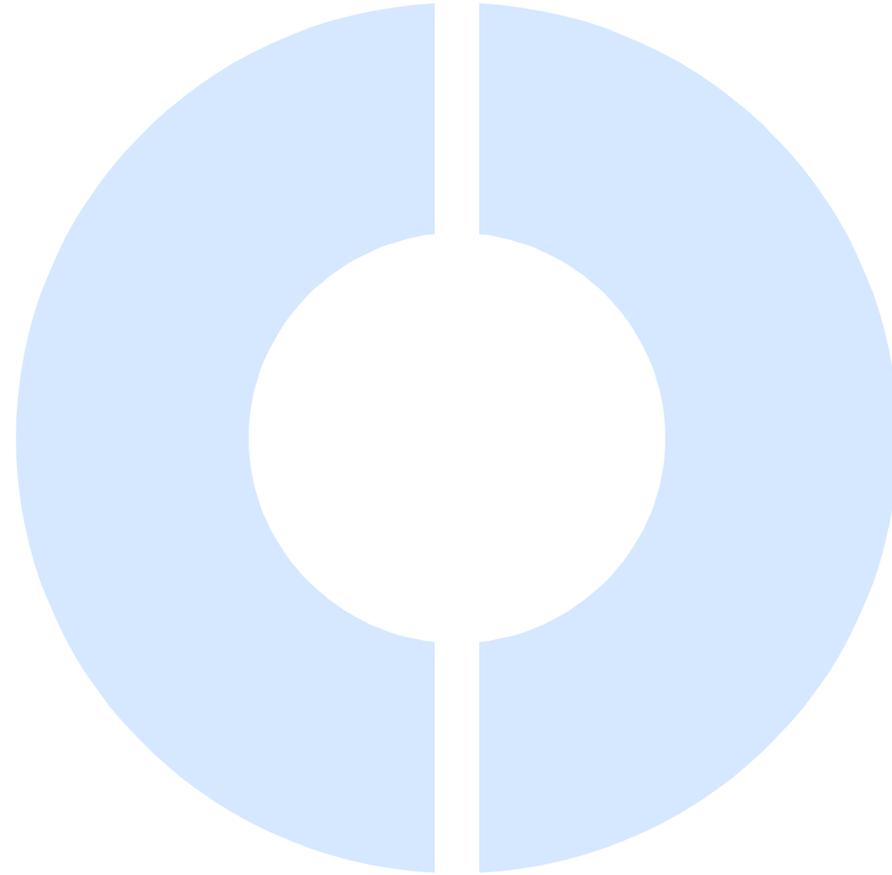
Schroders UK Financial Adviser Survey

Schroders UK Adviser Survey November 2023

Annual survey
of Schroders' UK
adviser clients
Series started
in **2014**

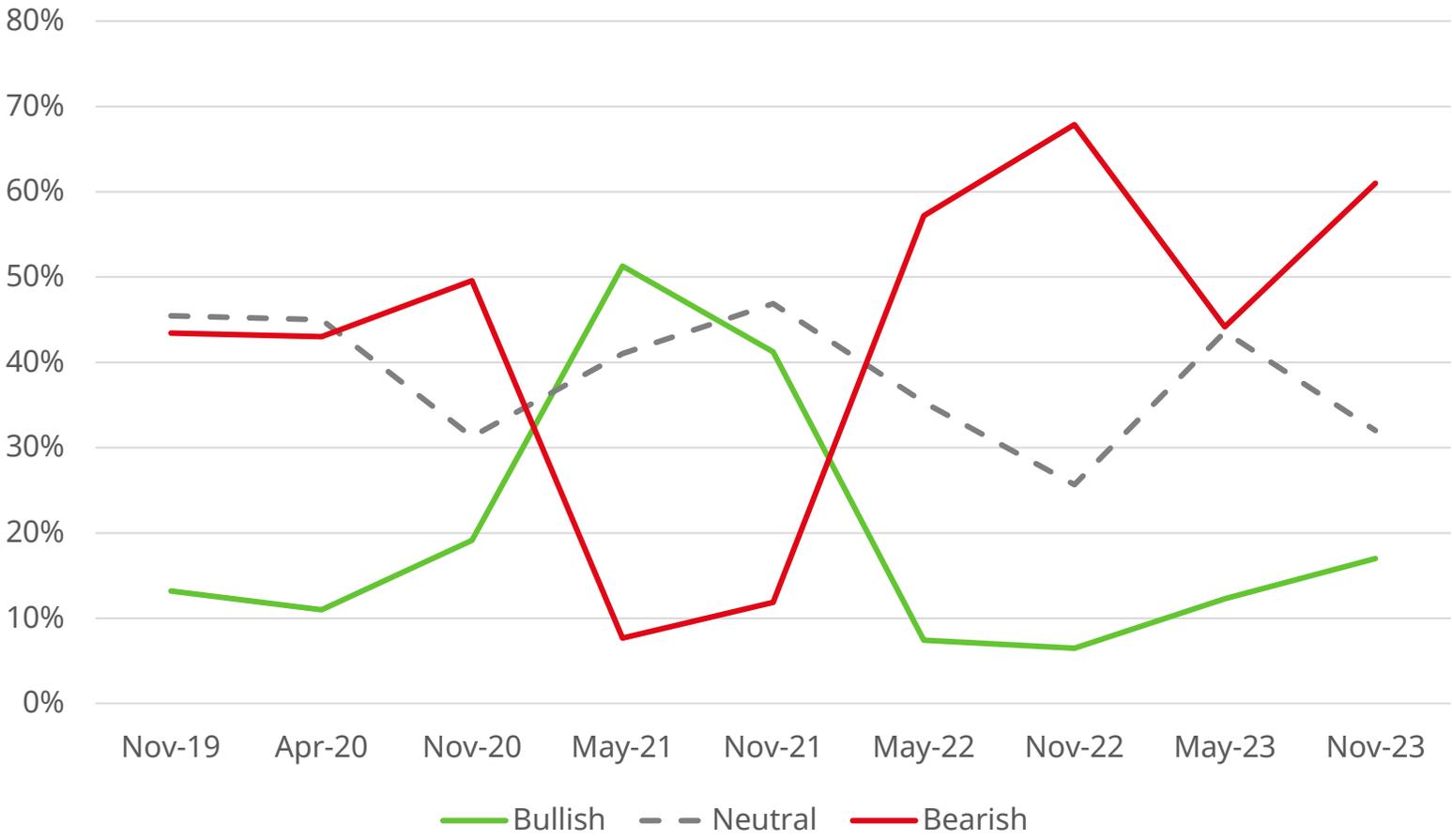
Conducted
online between
20 October
and
6 November
2023

Completed by
254
advisers from
across the UK



How advisers' clients are feeling about their investments

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



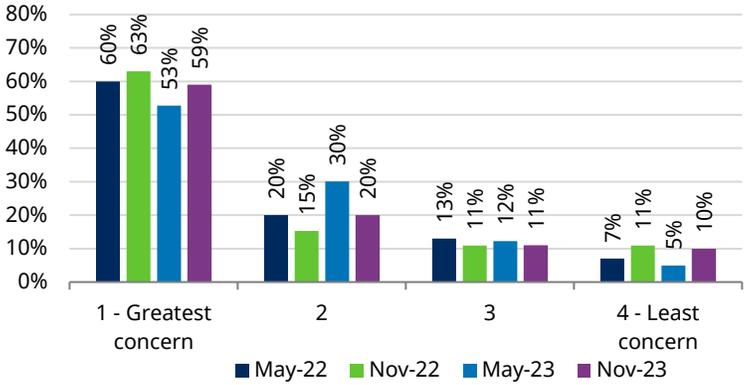
Source: Schroders Adviser Survey November 2023

Client sentiment

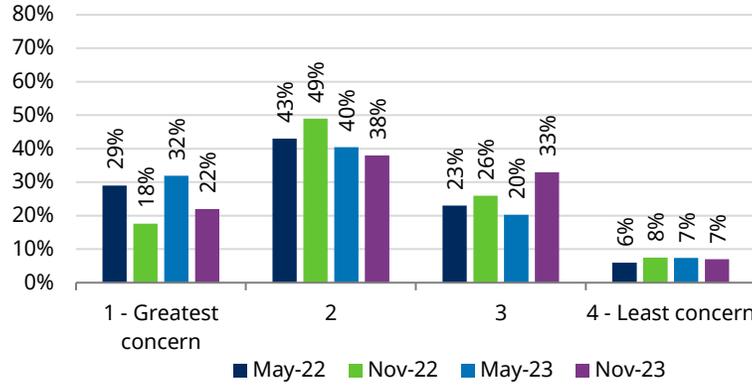
- Advisers' clients are on balance more bearish than they were back in May 2023, with 51% now slightly bearish and 10% very bearish
- The proportion of advisers' clients that are bullish remains low at 17%, although it is of some note that this is the highest level of bullishness reported since November 2021

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

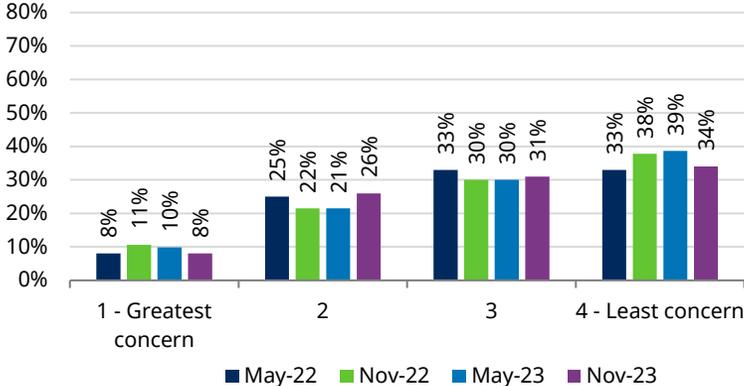
Capital loss



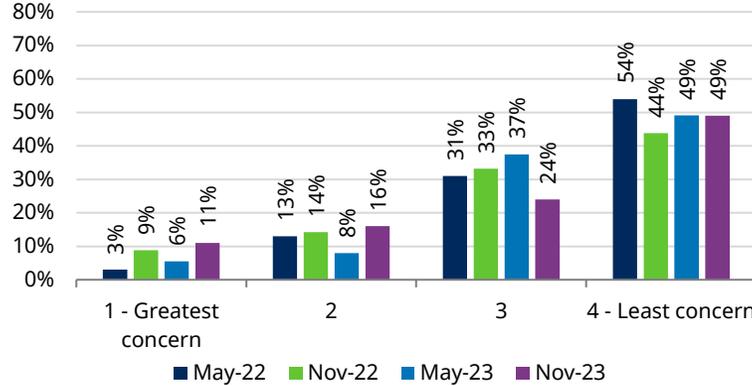
Inflation



Generating sufficient income



Rising interest rates



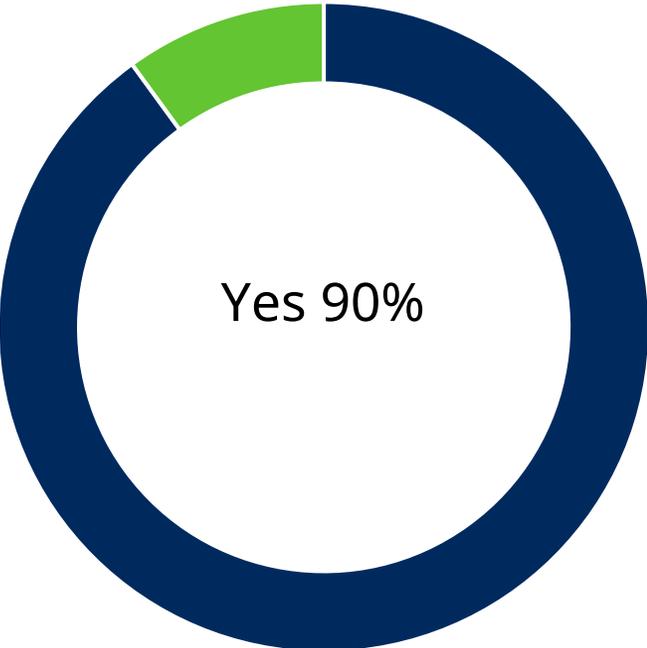
Client concerns

- Clients remain most concerned about losing capital. 59% rank this as their number one concern. This has remained consistent for the last two years
- Inflation continues to rank as the second greatest concern, although the proportion of clients who rank this as their number one concern has fallen from 32% to 22%

Source: Schroders Adviser Survey November 2023. Rounding means total percentages may not sum to 100%

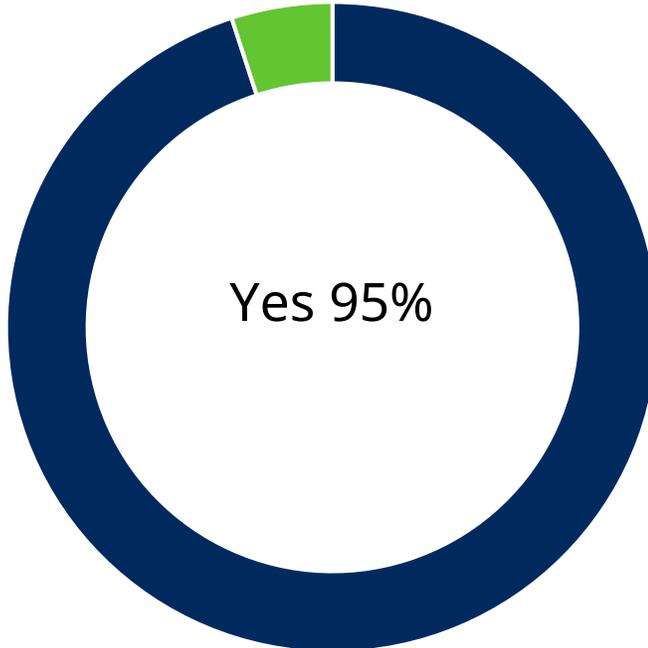
Given current interest rates, are you having conversations with clients about long-term investing v cash deposits?

May 2023



■ Yes ■ No

November 2023



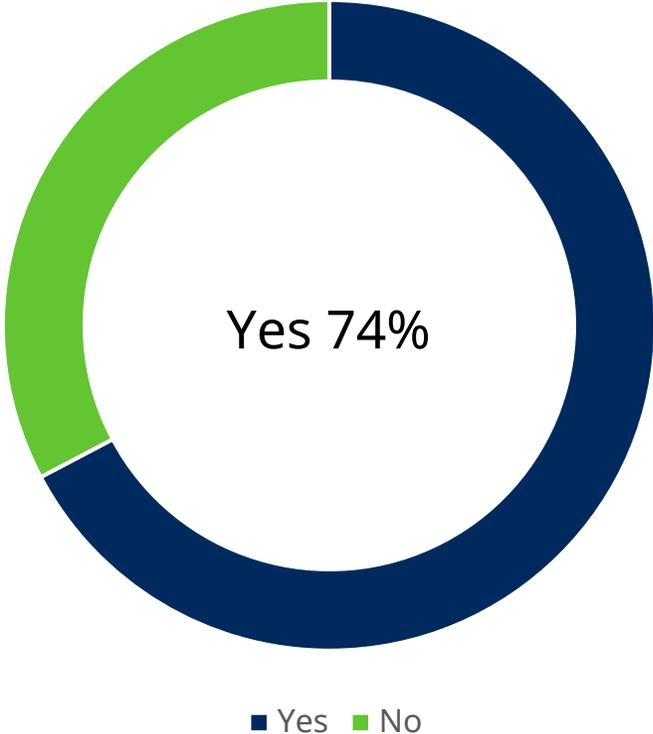
■ Yes ■ No

Long-term investing vs cash

- 95% of advisers are having conversations about long-term investing vs cash deposits, up from 90% in May

Source: Schroders Adviser Survey November 2023

Over the past 12 months, when discussing retirement, has the issue of annuities vs drawdown been raised more frequently by clients than in the previous few years?

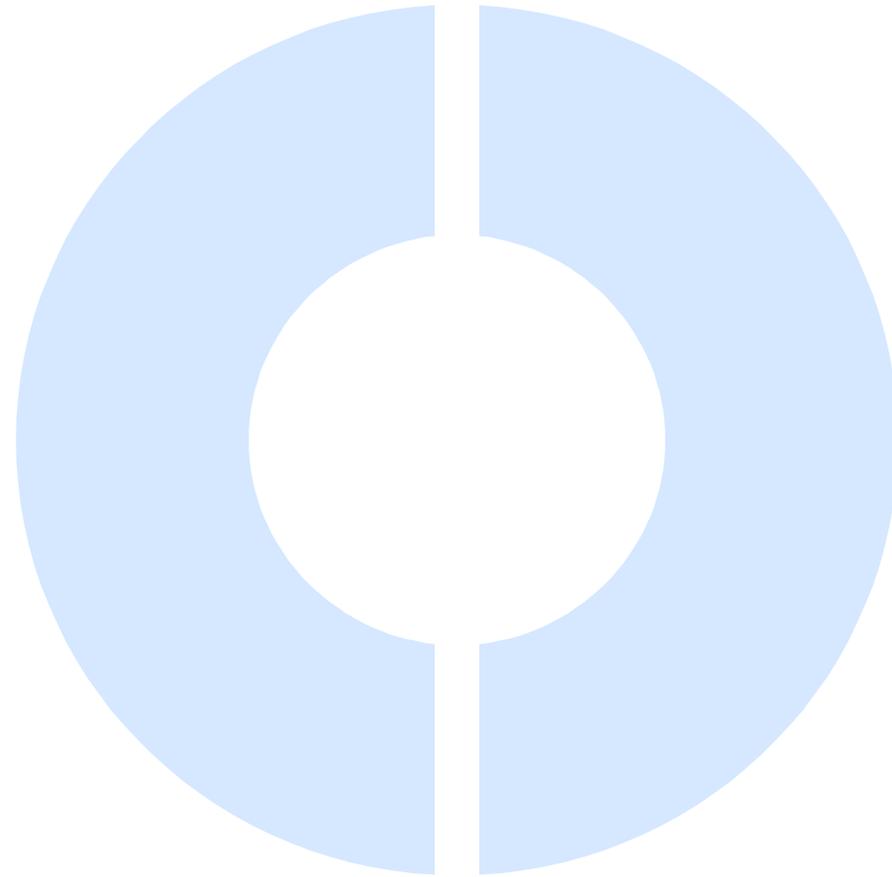


Source: Schroders Adviser Survey November 2023

Retirement conversations

- 74% of advisers report that, when discussing retirement, the issue of annuities vs drawdown has been raised more frequently by clients over the past 12 months than in the previous few years

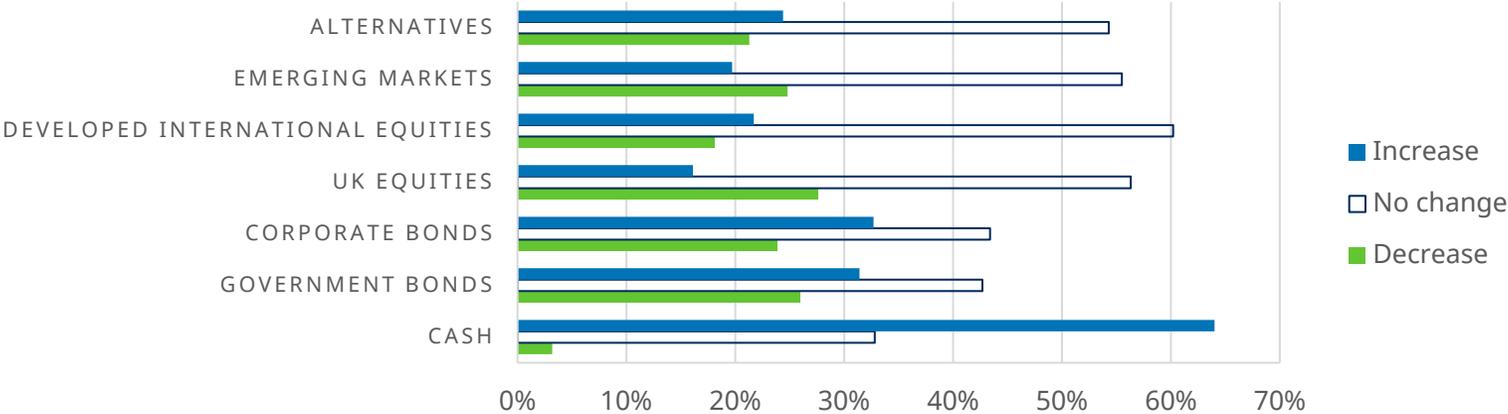
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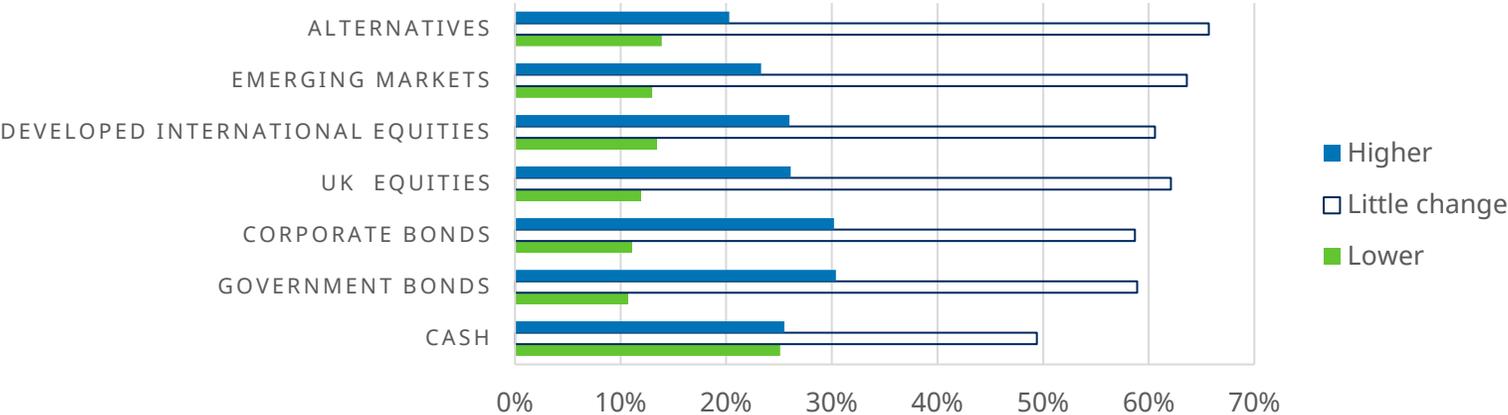
Market trends

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

Last 12 months



Next 12 months

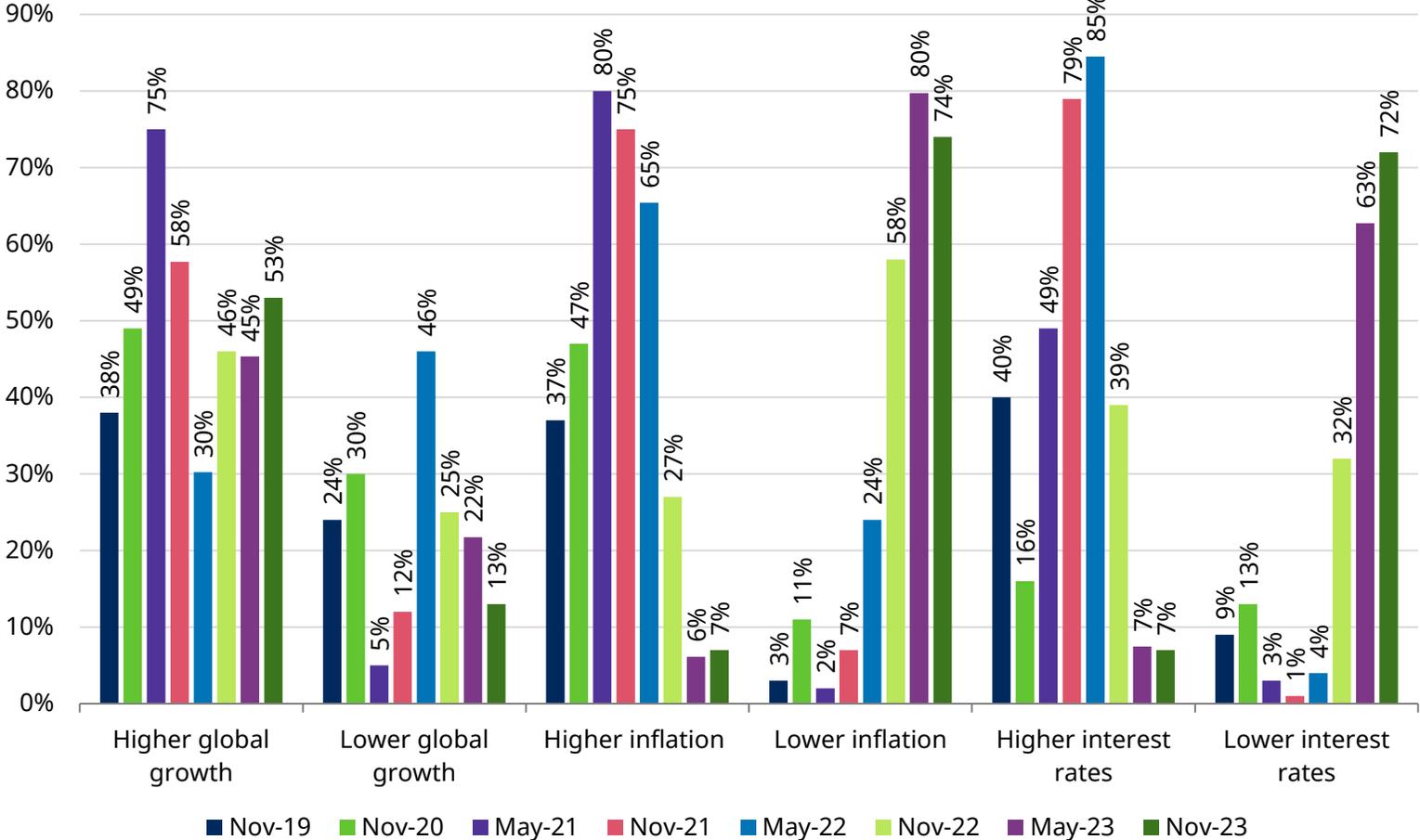


Source: Schroders Adviser Survey November 2022

Asset allocation

- 64% of advisers say that they have increased client holdings in cash which is the most notable change.
- Over the next 12 months advisers expect to increase allocations across equities and bonds and alternatives

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

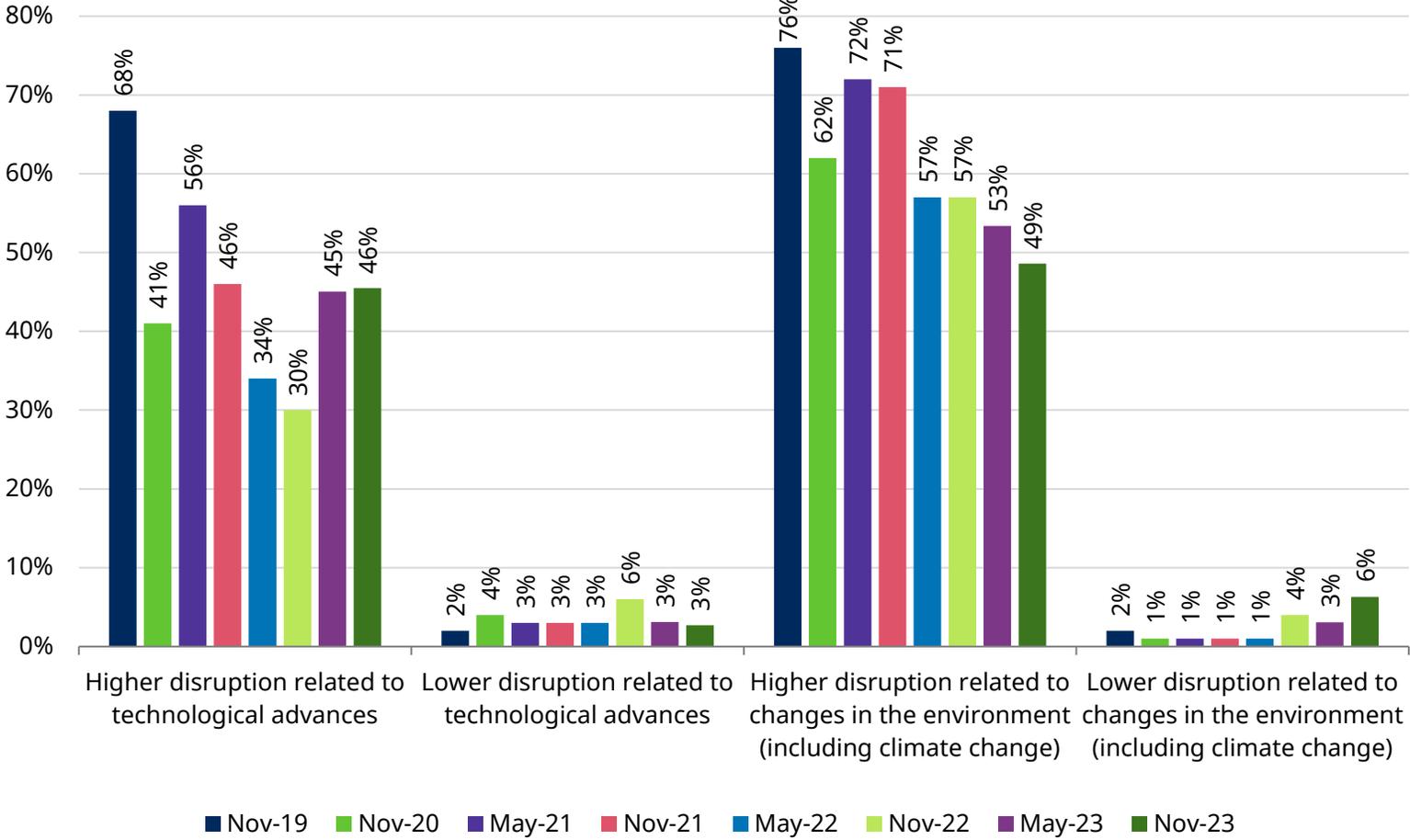


Economic expectations

- Global growth expectations for the next five years have risen
- 74% of advisers expect that inflation will trend lower over the next five years and 72% expect that interest rates will do likewise

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

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

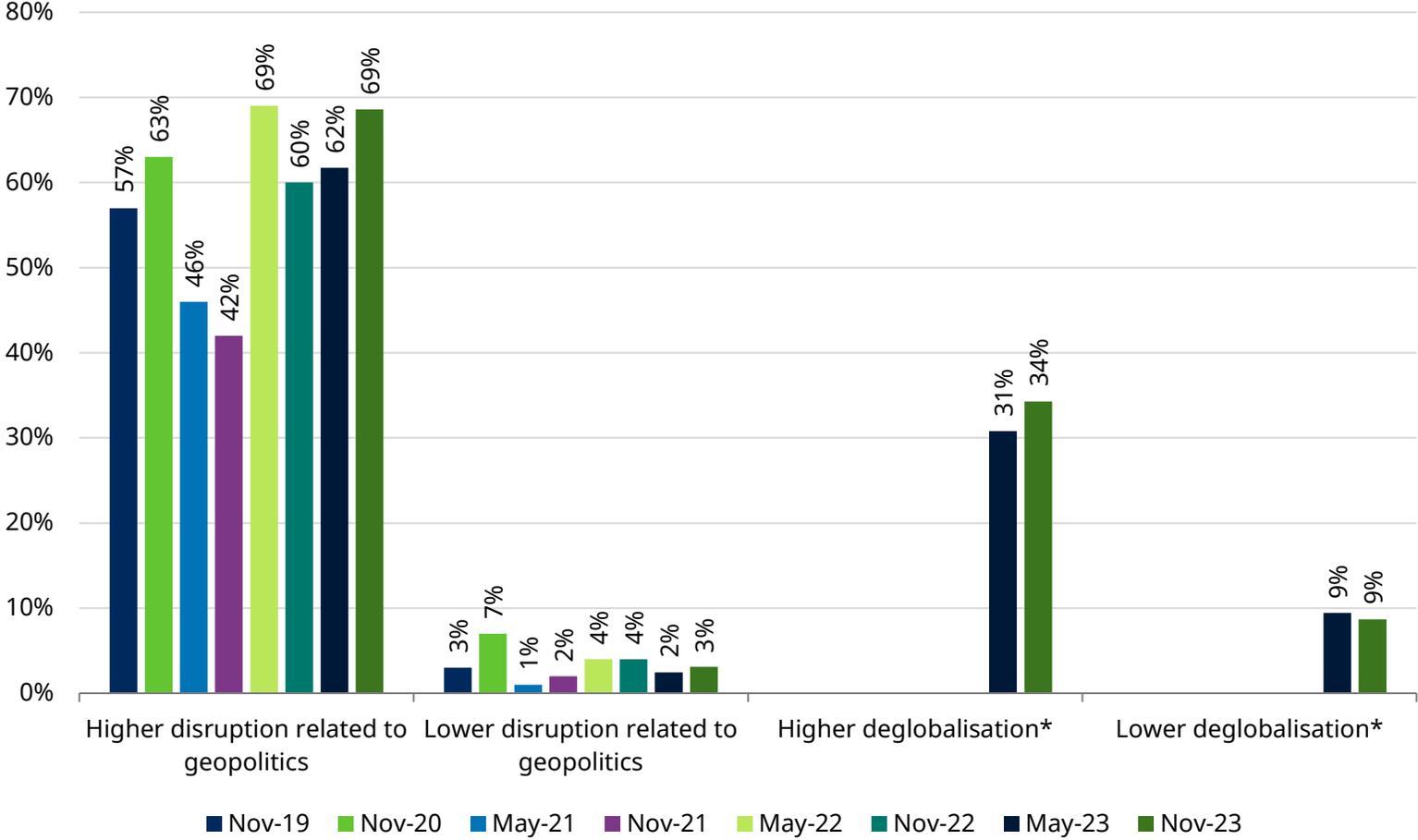


Disruption related to technological advances and the environment

- The proportion of advisers who expect higher levels of disruption related to changes in the environment, including climate change is still trending downwards
- The percentage of advisers expecting higher disruption related to technological advances has risen from 30% last November to 46%

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

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

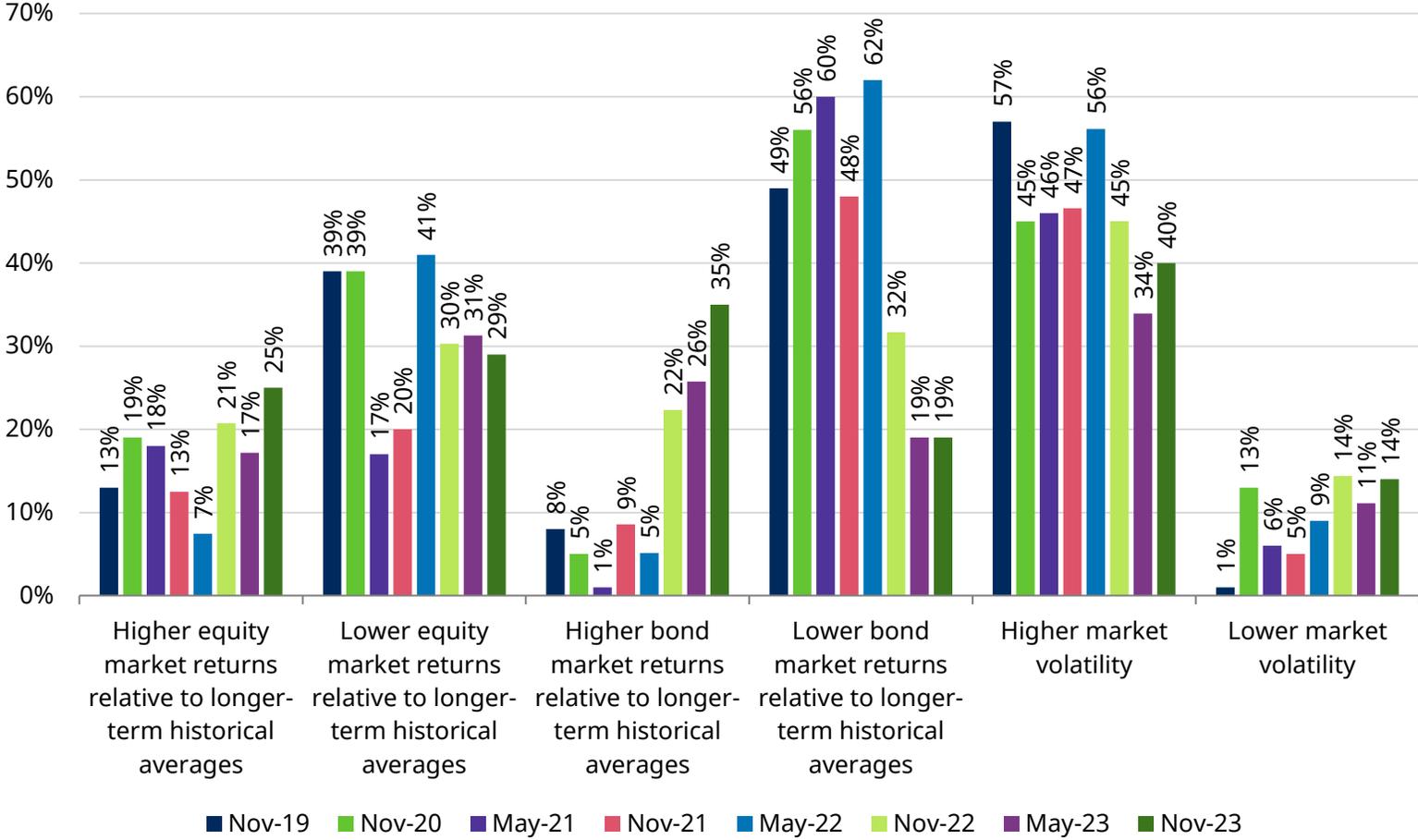


Geopolitical disruption and deglobalisation

- 69% of advisers expect a higher level of disruption related to geopolitics while 34% expect that increased deglobalisation will persist as a trend

Source: Schroders Adviser Survey November 2023 (Little change also an option).
 *New question in May 2023

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



Market expectations

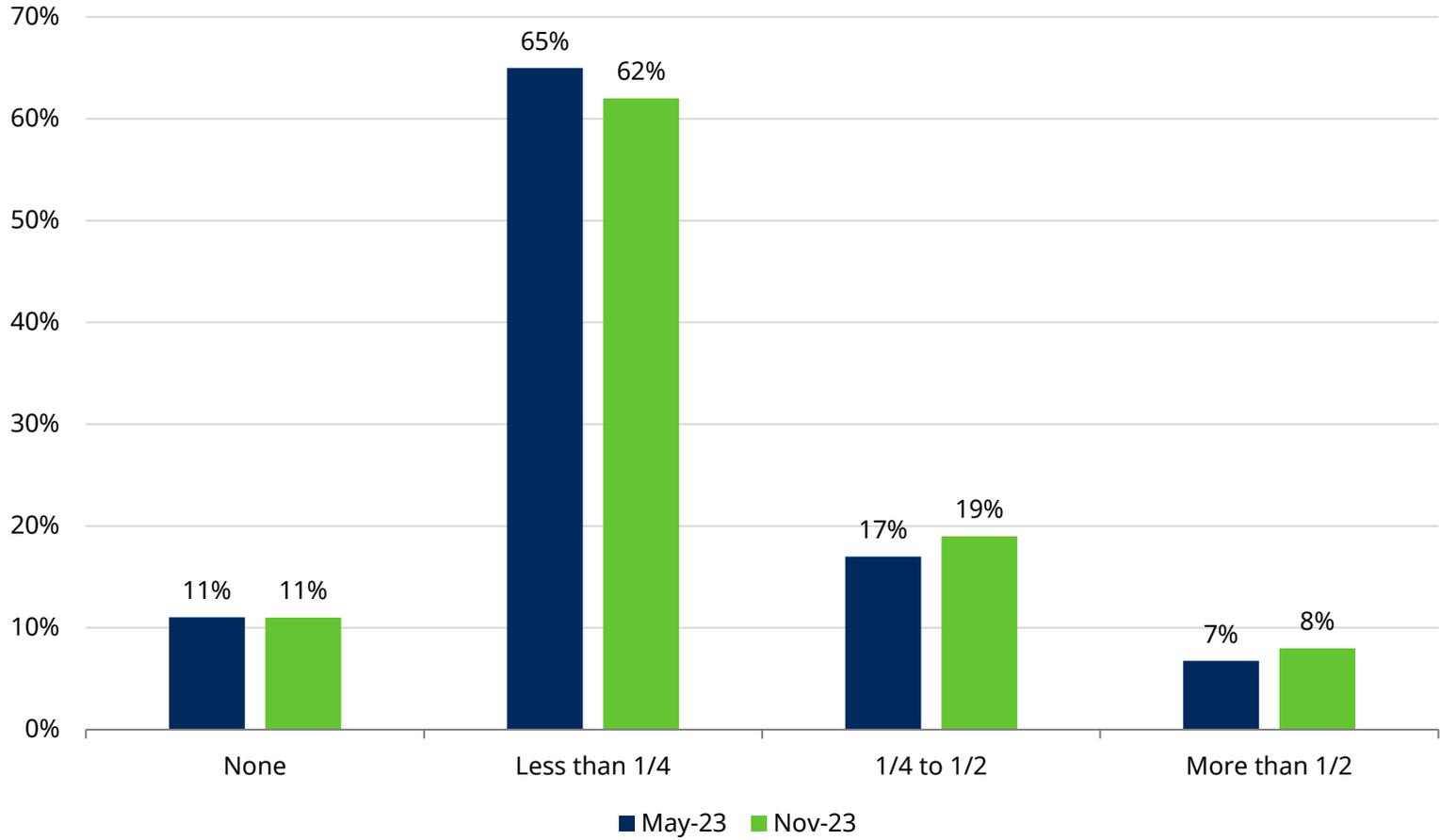
- 25% of advisers anticipate equity market returns to be higher than historical averages over the next five years
- This remains slightly below the proportion who expect lower equity market returns than historical averages, which stands at 29%.
- 35% of advisers expect bond market returns to be higher than historical averages against 19% who expect lower returns

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



The impact of the cost of living crisis

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



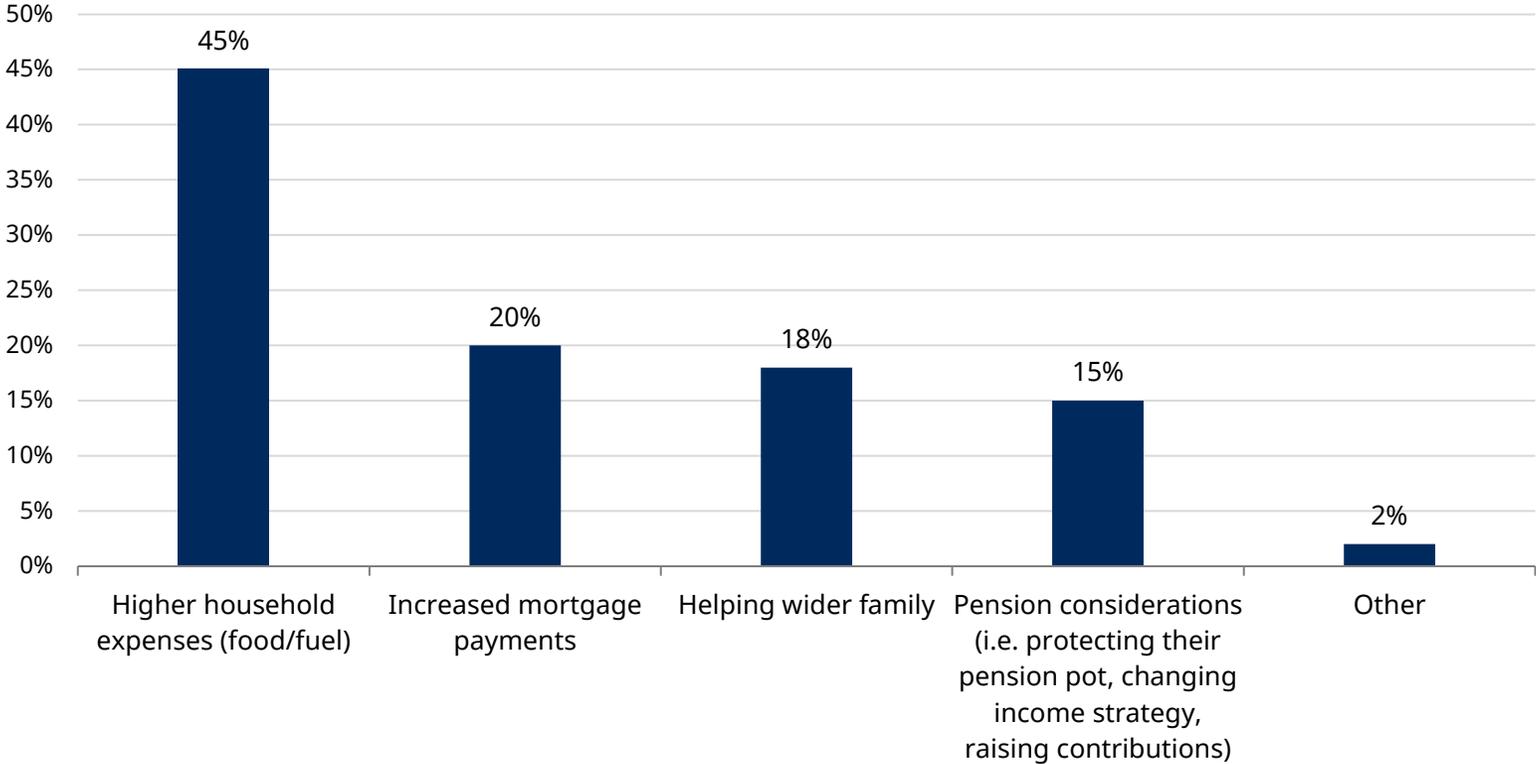
Source: Schroders Adviser Survey November 2023

Cost-of-living crisis

- 89% of advisers report that some of their clients have adjusted their plans as a result of the cost of living crisis, the same proportion as in May
- 27% of advisers report that more than 1/4 of their clients have had to make some adjustments

What reasons have clients given for adjusting their plans?

Primary reason cited

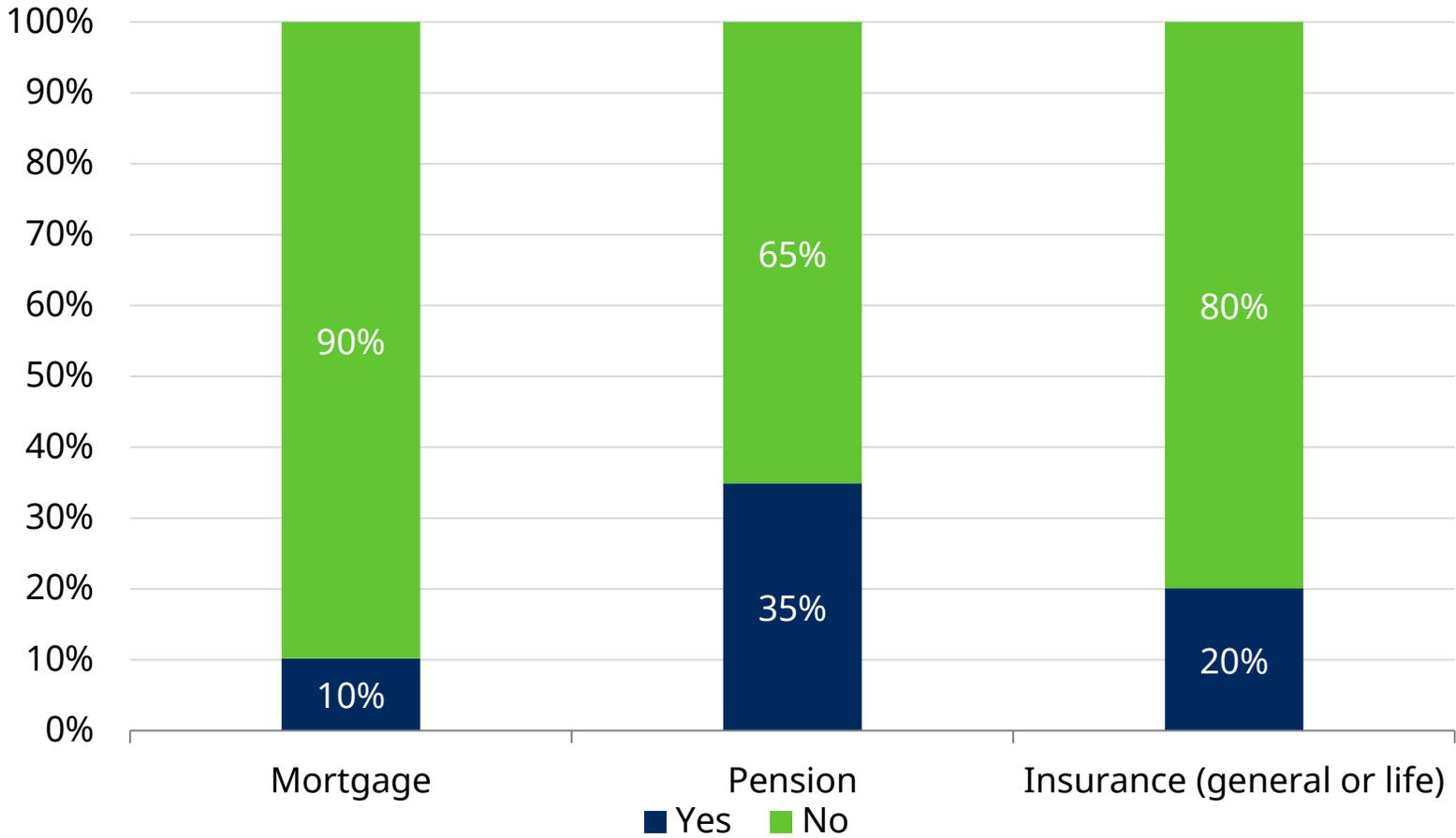


Source: Schroders Adviser Survey November 2023

Cost-of-living crisis

- 45% of advisers cited higher household expenses as the number reason why clients have adjusted their plans
- This was followed by increased mortgage payments (20%), helping wider family (18%) and pension considerations (15%)

As a result of the cost of living crisis have any of your clients stopped or reduced making payments for any of the following?

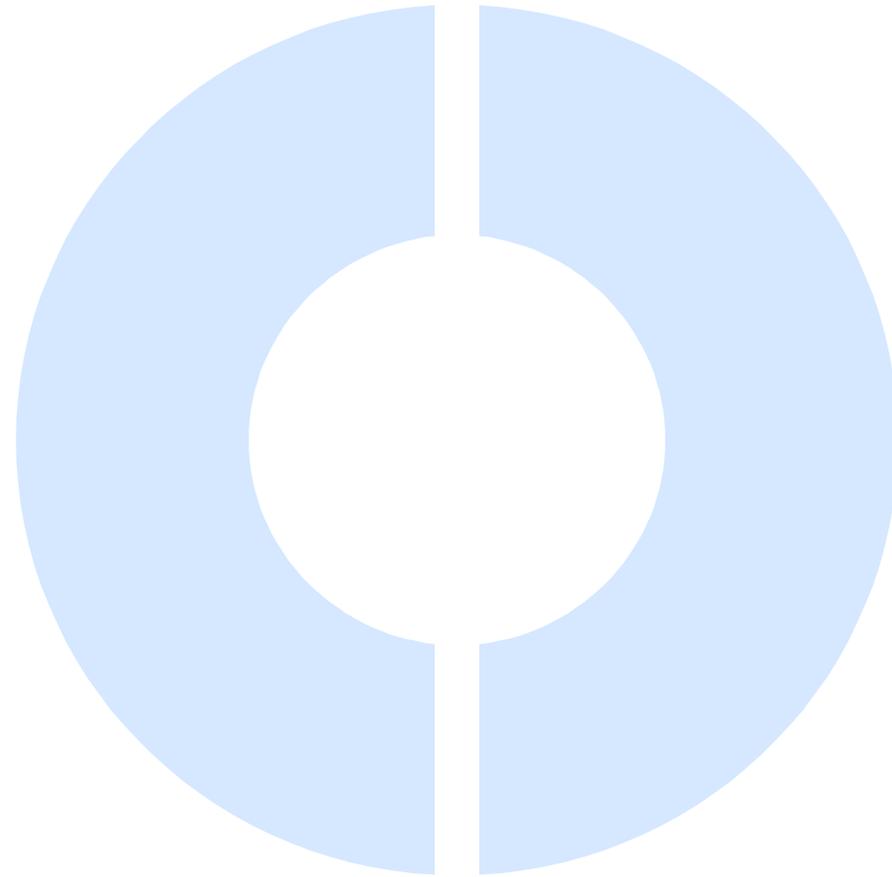


Source: Schroders Adviser Survey November 2023

Cost-of-living crisis

- 35% of advisers report that some of their clients have stopped or reduced making payments into a pension
- 20% of advisers report that some of their clients have stopped or reduced insurance payments

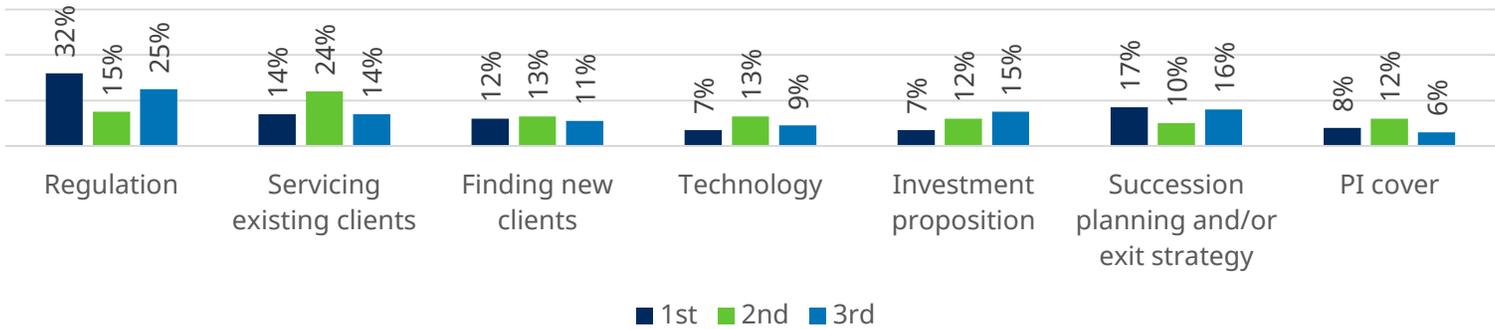
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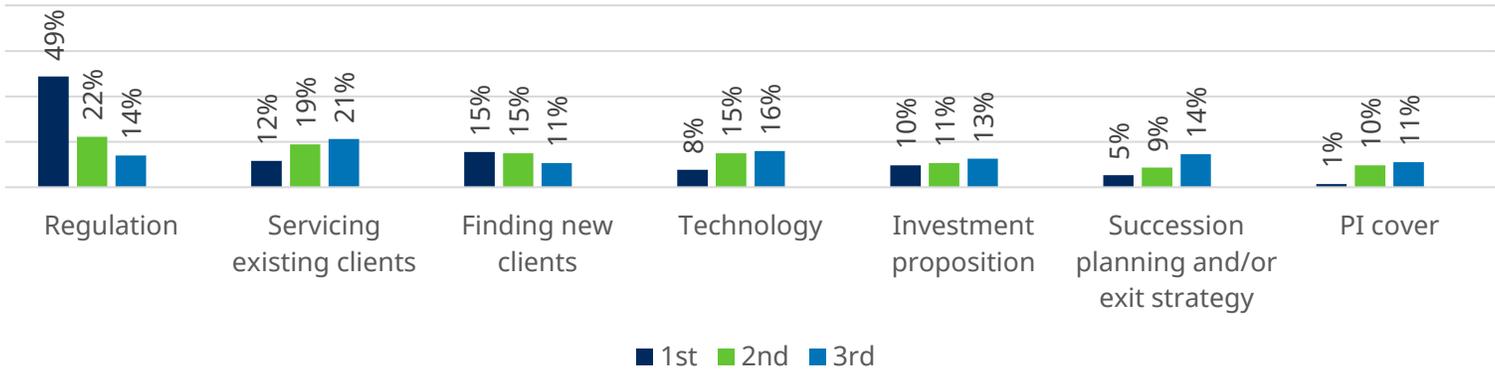
Adviser business challenges

Which factors are advisers most concerned about relating to their business?

November 2022



November 2023

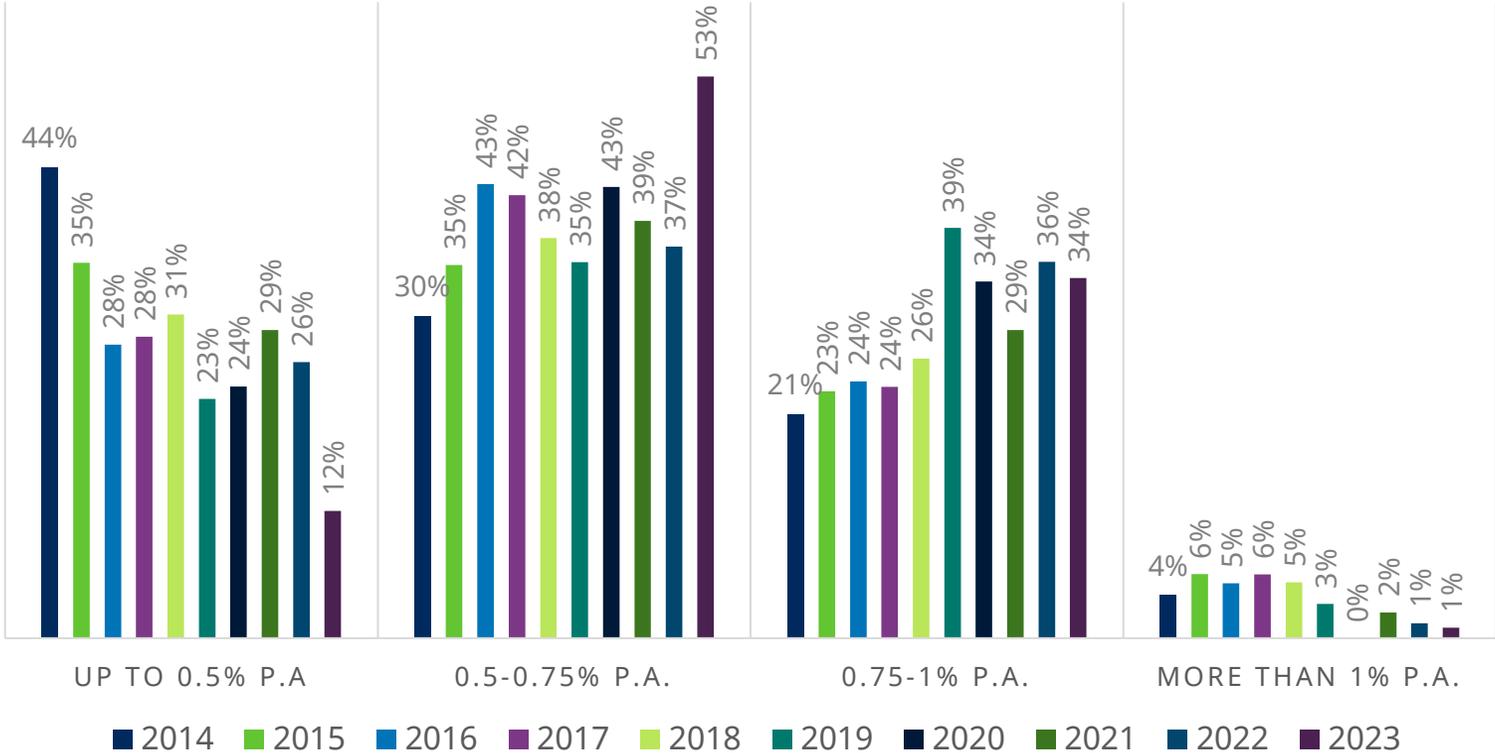


Source: Schroders Adviser Survey November 2023

Client sentiment

- Almost half of advisers cited regulation at their main concern up from a third in November last year
- Servicing existing clients and finding new clients rank next in advisers' list of concerns
- Succession planning and/or exit strategy has dropped significantly over the last year

What is your average % ongoing advice charge based on assets?

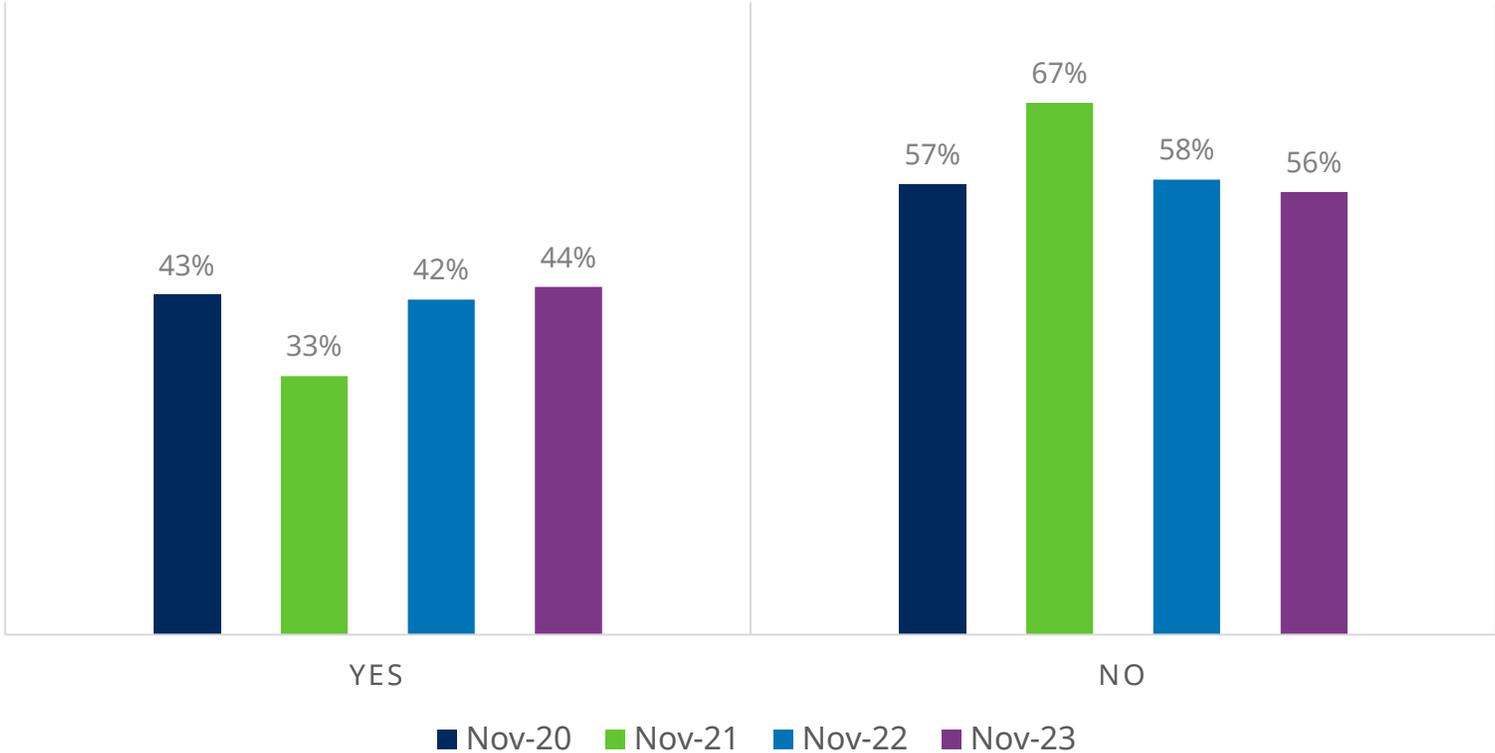


Fees

- 53% of advisers have an ongoing advice charge of between 0.5% and 0.75%, a significant increase from from 37% in 2022
- The proportion of advisers with an ongoing advice charge of 0.5% or below has fallen to 12%, down from 26% in 2022

Source: Schroders Adviser Survey November 2023

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

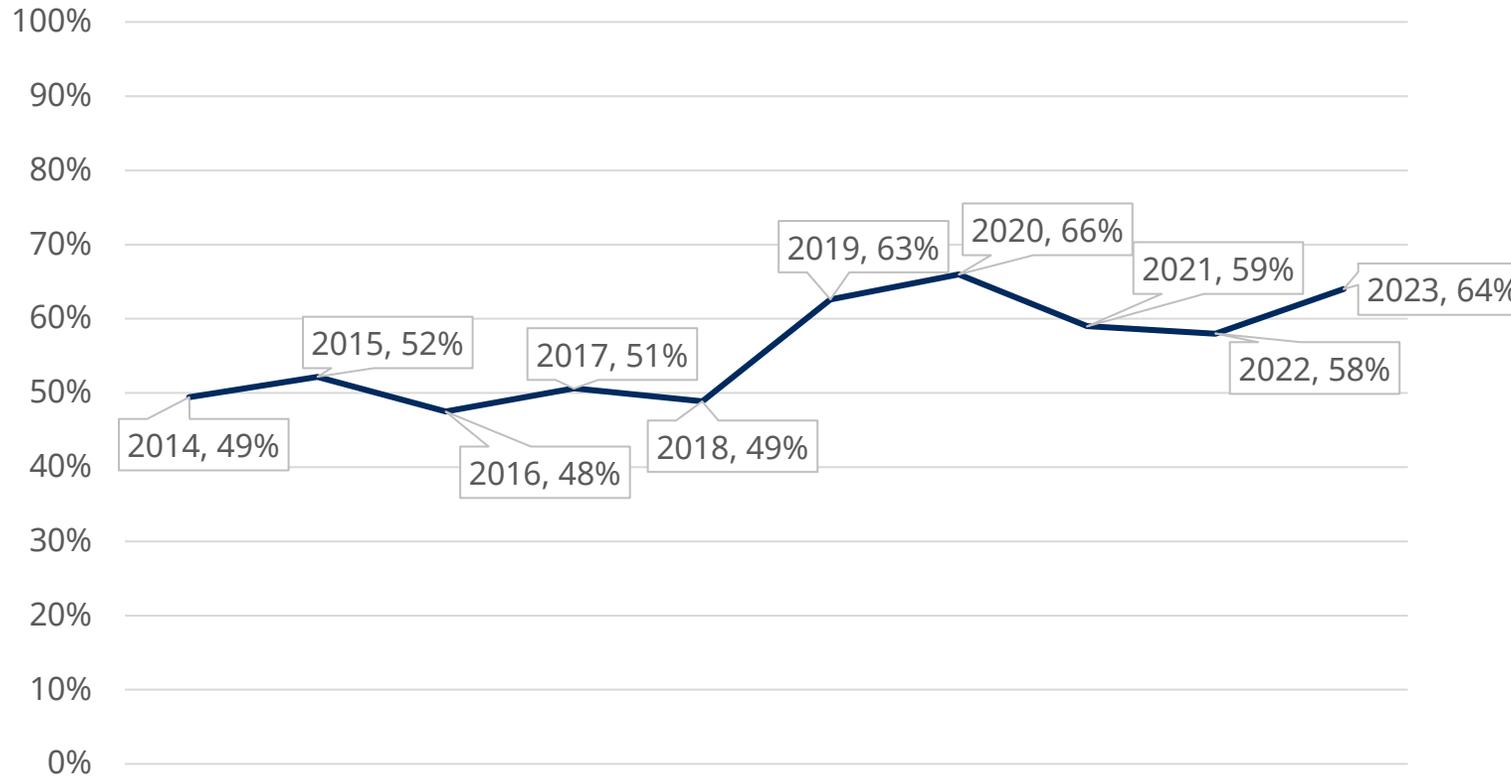


Fees

- 44% of advisers surveyed feel there is downward pressure on their advice charge. This is around the level seen in 2022

Source: Schroders Adviser Survey November 2023

Do you segment your client base?

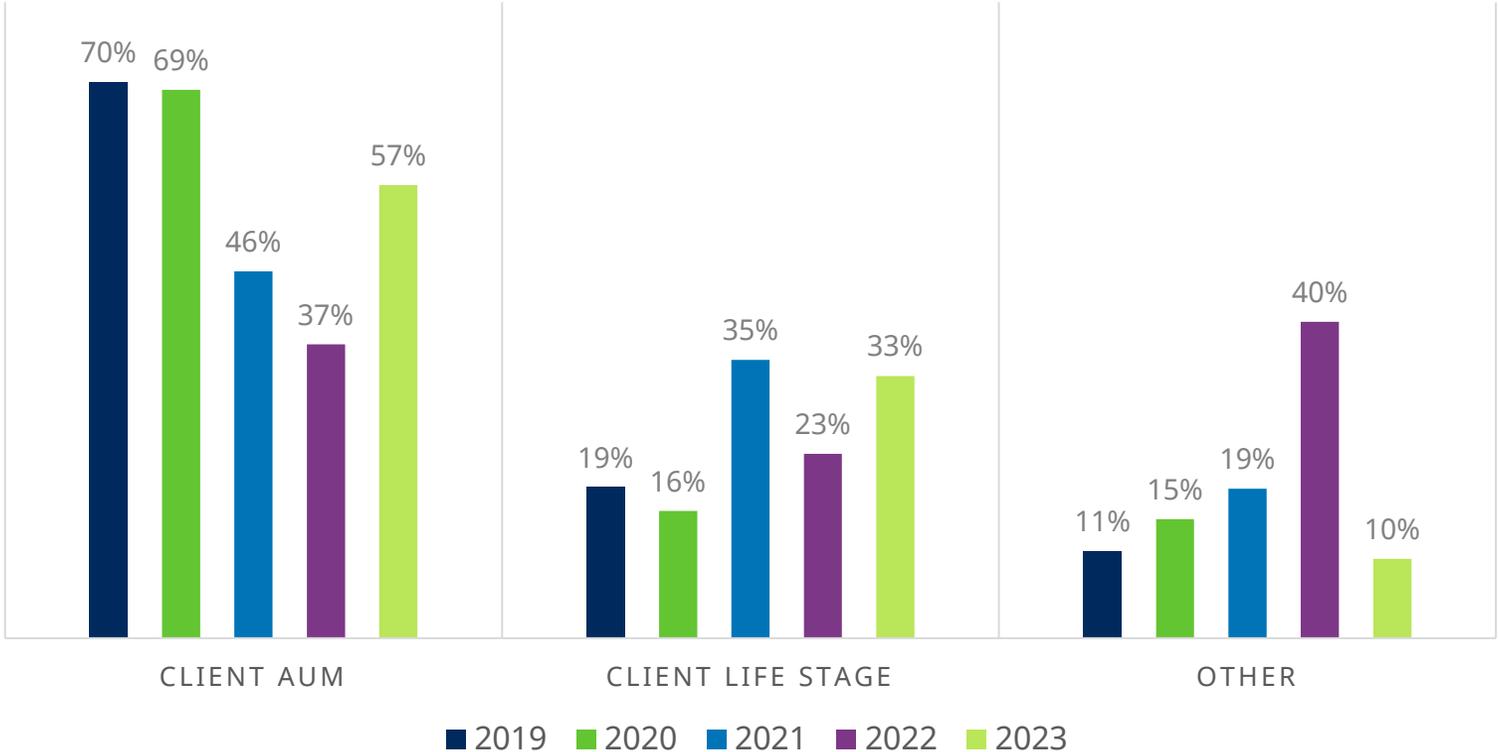


Source: Schroders Adviser Survey November 2023 and previous surveys

Client segmentation

- Following the introduction of the Consumer Duty, it is interesting to note that while 64% of advisers segment their client base, 36% still don't

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

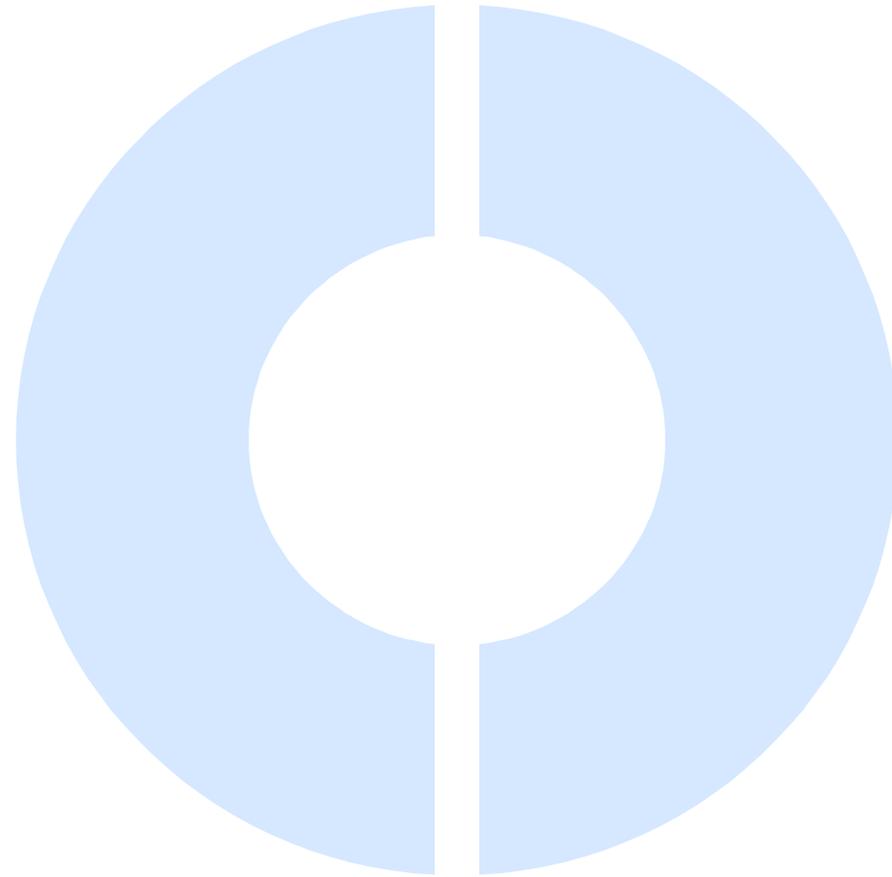


Client segmentation

- 57% of advisers segment their client base by AUM – a rise from 2022
- Other ways that advisers segment their client base include a blend of client AUM and life stage, the complexity of a client’s situation, and ongoing service requirements

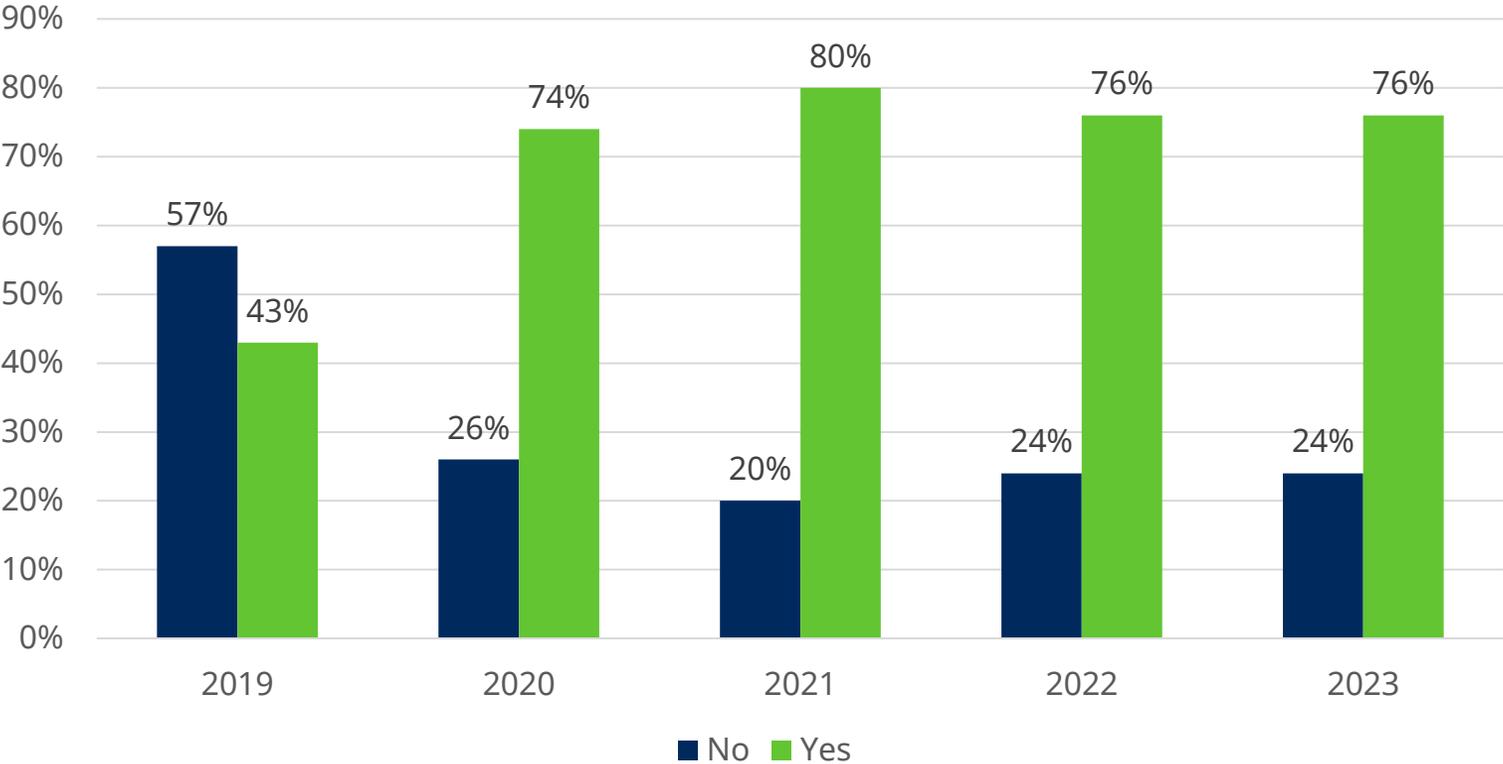
Source: Schroders Adviser Survey November 2023

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Sustainability

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

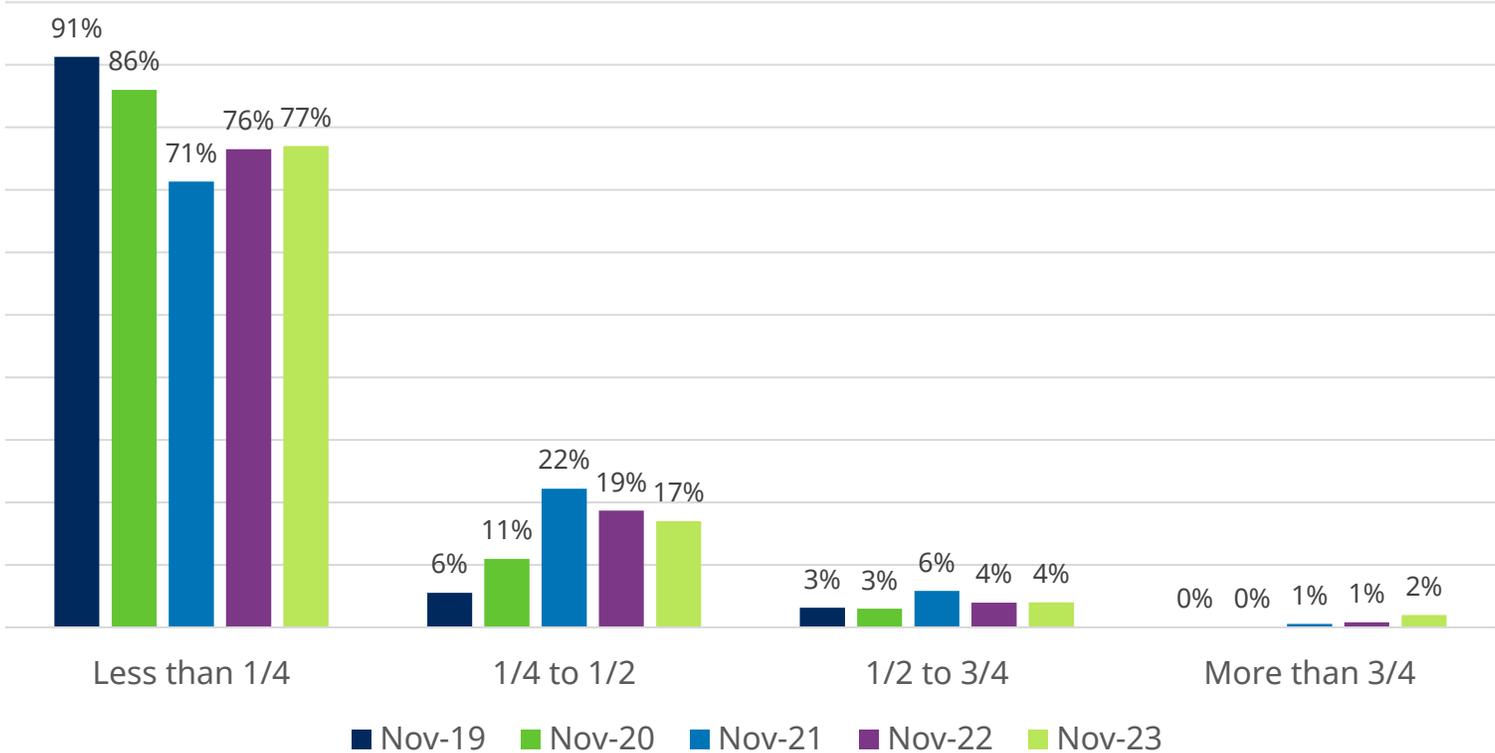


Source: Schroders Adviser Survey November 2023

Sustainable investing

- The survey provides evidence that advisers continue to be aware of the link between sustainability and investing

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

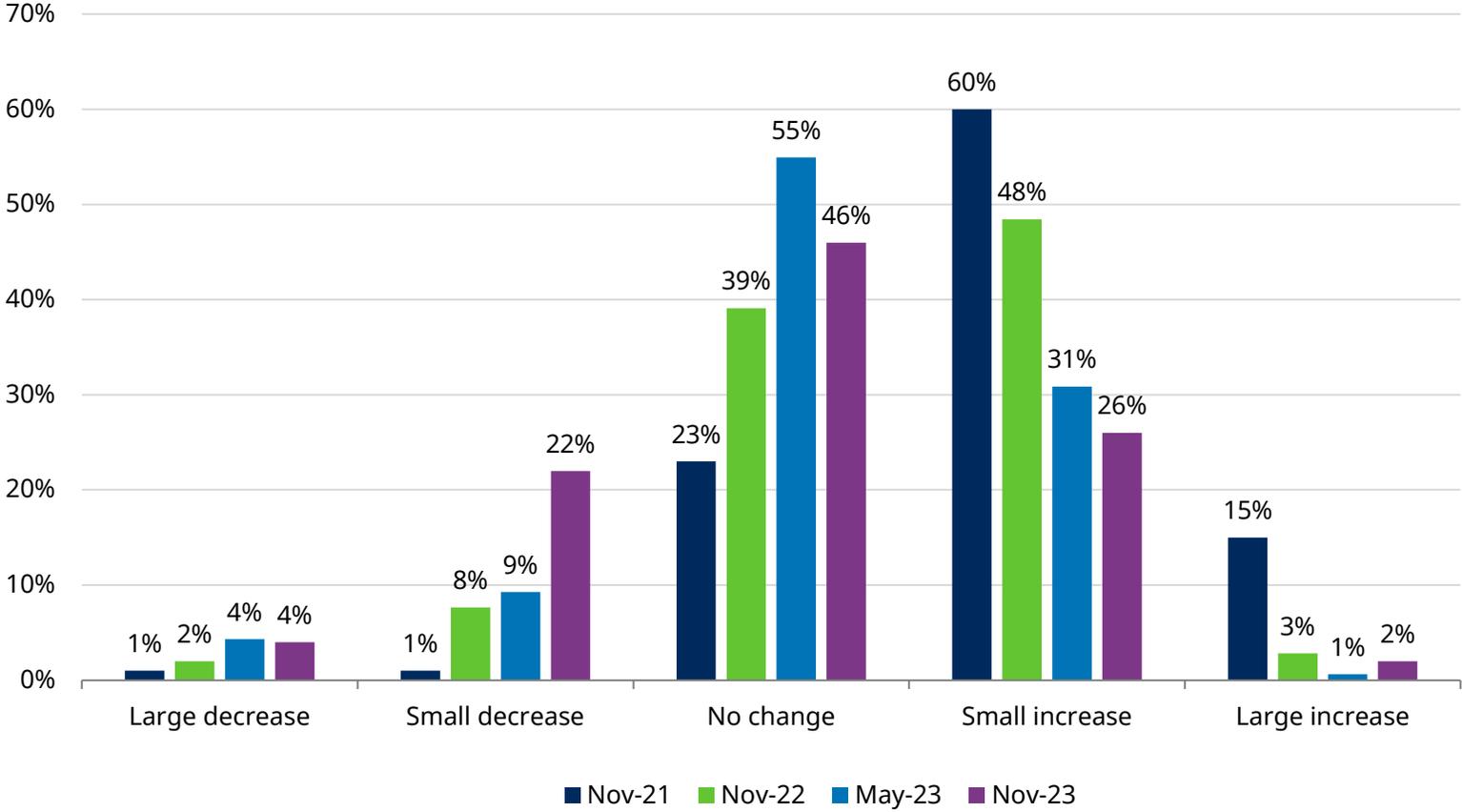


Sustainable investing

- 23% of IFAs report that more than a quarter of their clients now ask to incorporate ESG factors when investing

Source: Schroders Adviser Survey November 2023

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

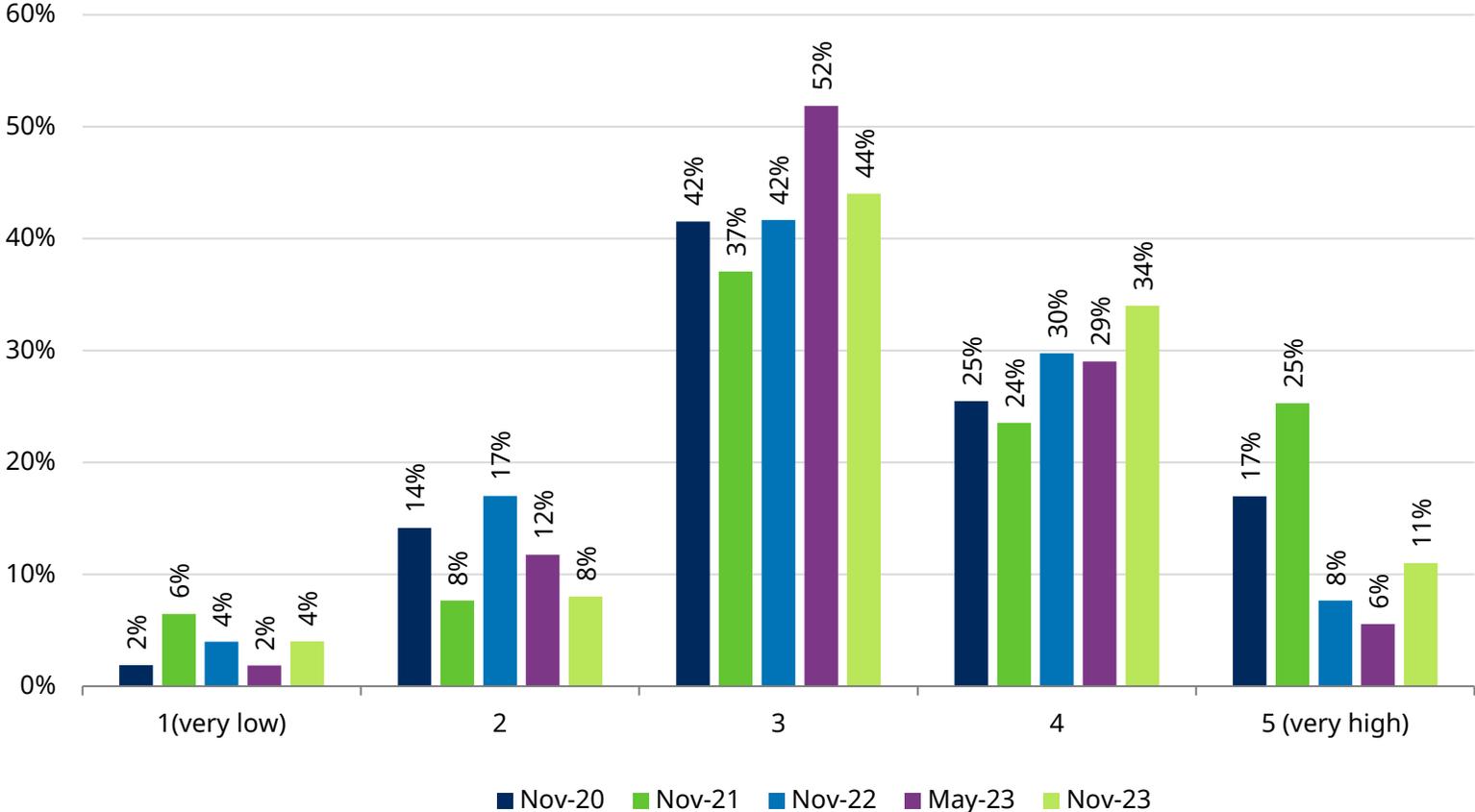


Source: Schroders Adviser Survey November 2023

Sustainable investing

- A similar proportion of advisers reported a decrease in the number of clients asking for sustainable investing as those reporting an increase
- Over the past few years, advisers have reported increasing demand from clients for investments that explicitly reflect ESG factors in some way but this trend appears to have slowed

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)



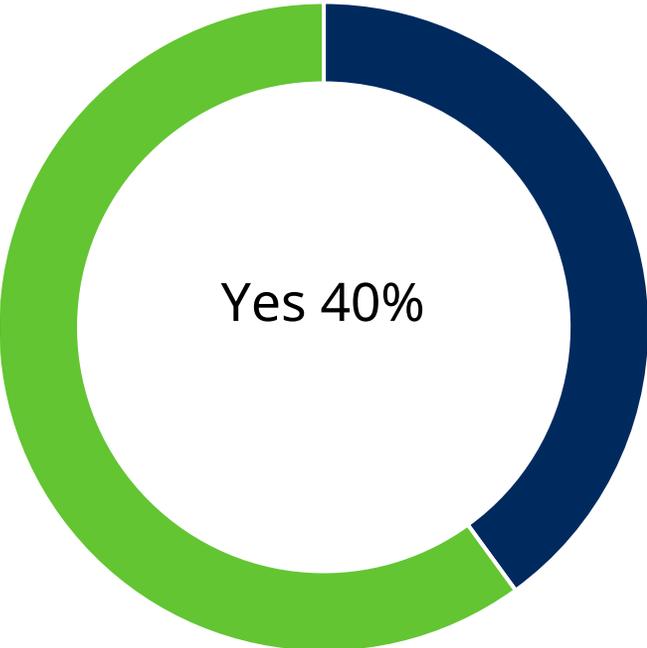
Sustainable investing

- Advisers are becoming more confident in talking to clients with consistency about the terminology, regulation, integration and behavioural implications of sustainable investing
- 45% rate their confidence level as high compared to 35% last year
- Only 12% now rate their confidence level as low

Source: Schroders Adviser Survey November 2023

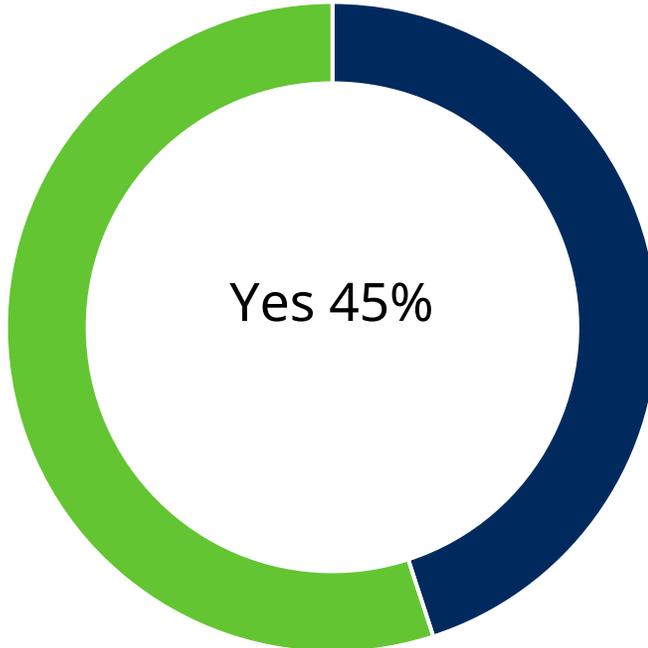
Would you like more educational support on sustainable investing?

May 2023



■ Yes ■ No

November 2023



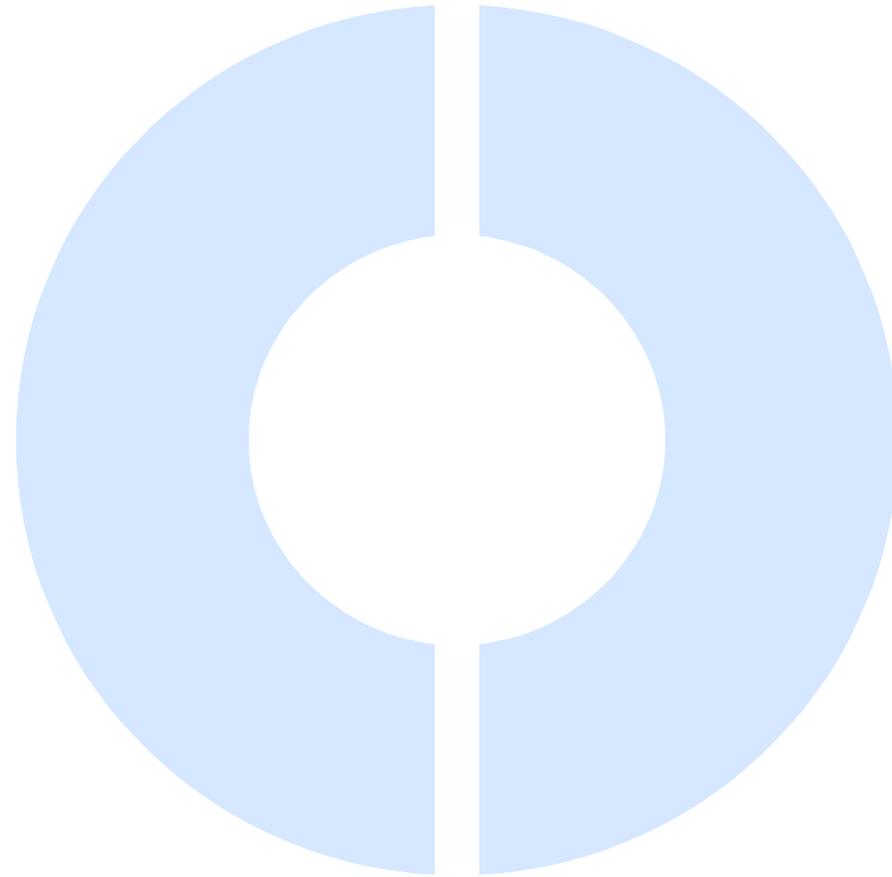
■ Yes ■ No

Sustainable investing

- Many advisers want to improve their understanding of sustainable investing further with 45% saying they would like more educational support in this area

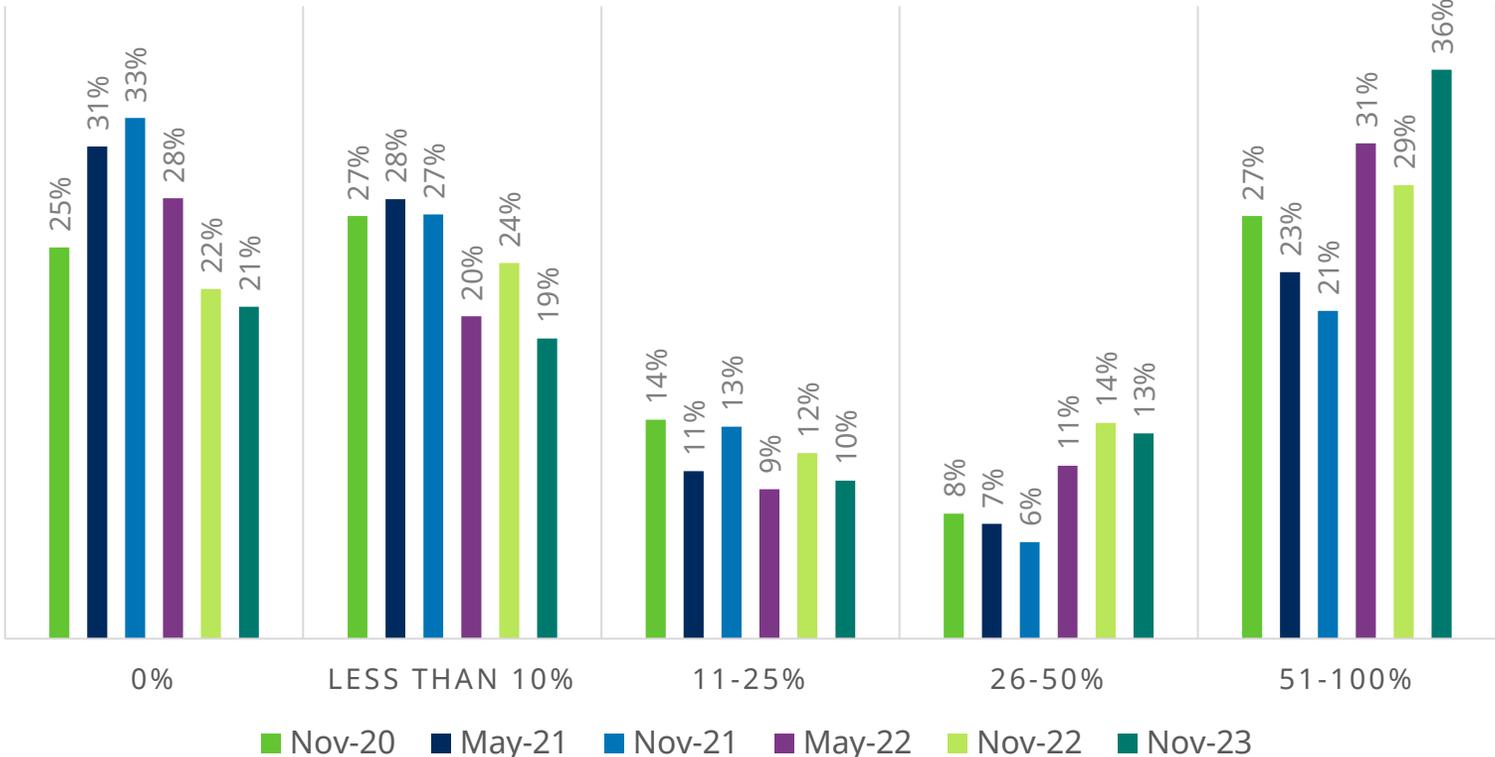
Source: Schroders Adviser Survey November 2023

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Outsourcing

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



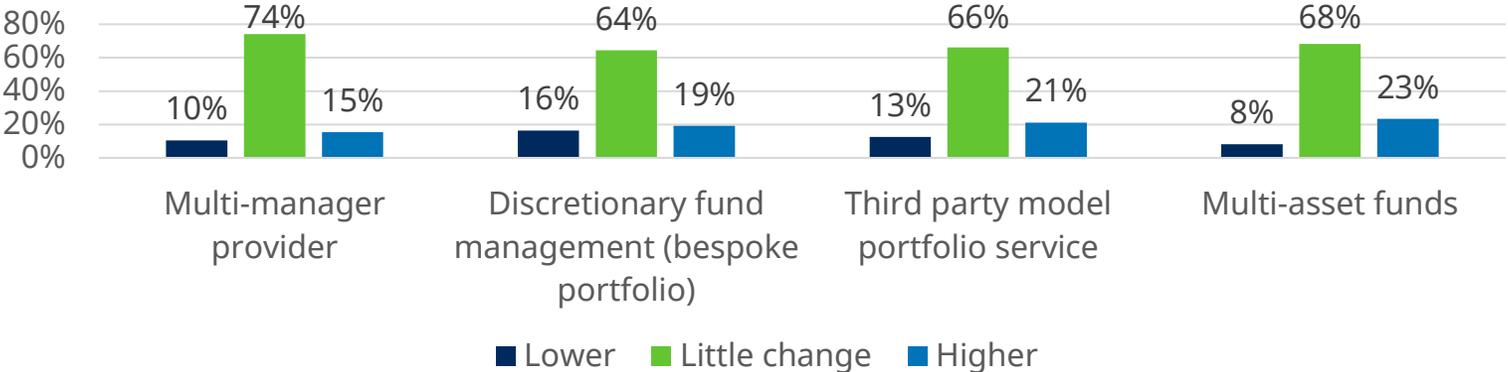
Outsourcing portfolio management

- 36% of advisers now outsource more than half of their clients' assets under management
- 49% outsource more than a quarter of their clients' assets under management, up from 43% in 2022
- The proportion of advisers who do not outsource the management of any of their client portfolios remains broadly similar

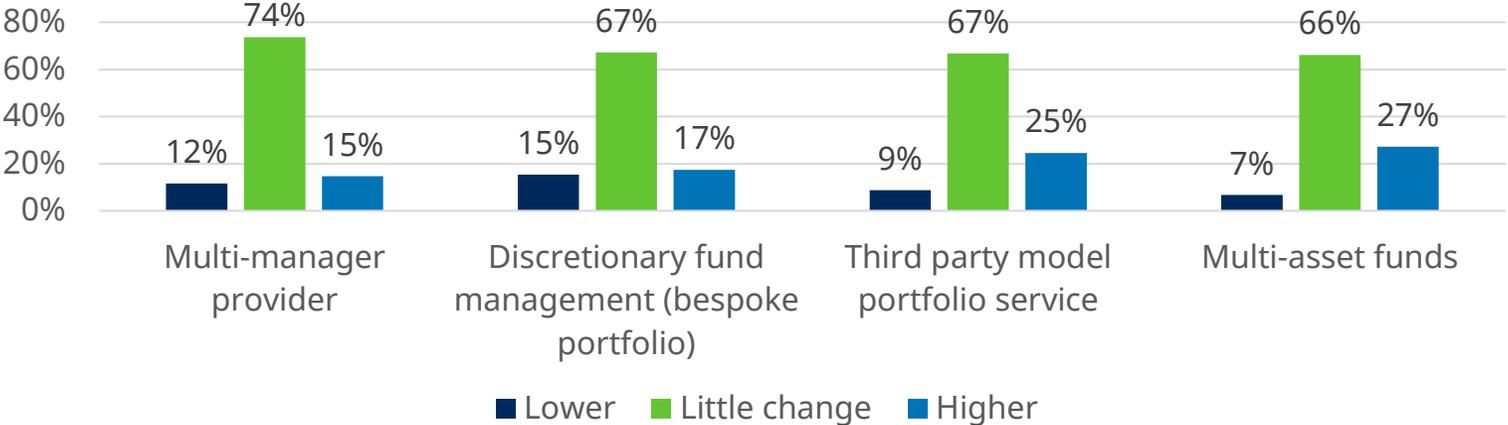
Source: Schroders Adviser Survey November 2023

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

November 2022



November 2023



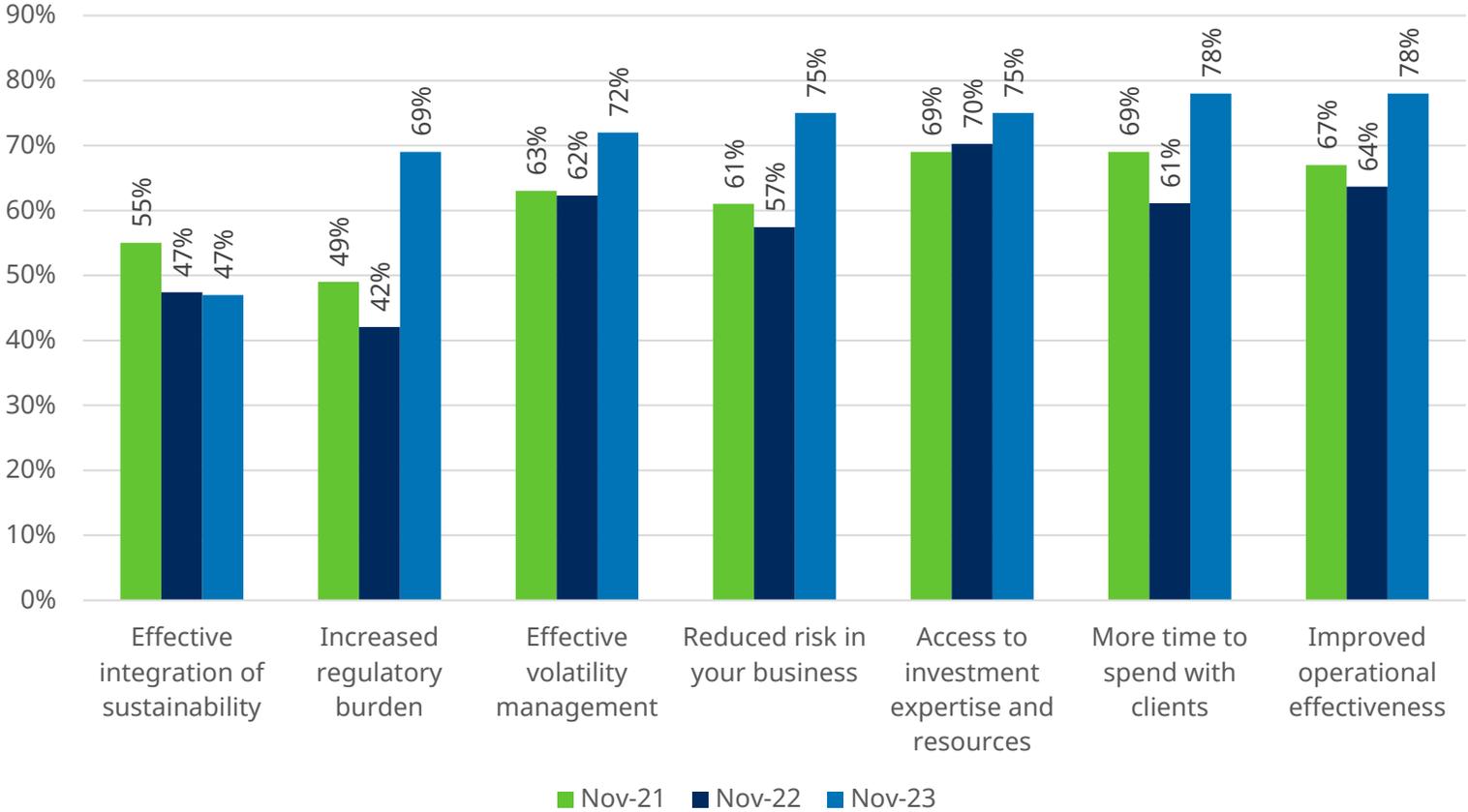
Source: Schroders Adviser Survey November 2023. Rounding means total percentages may not sum to 100%

Outsourcing portfolio management

- 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.

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

Rated important or very important



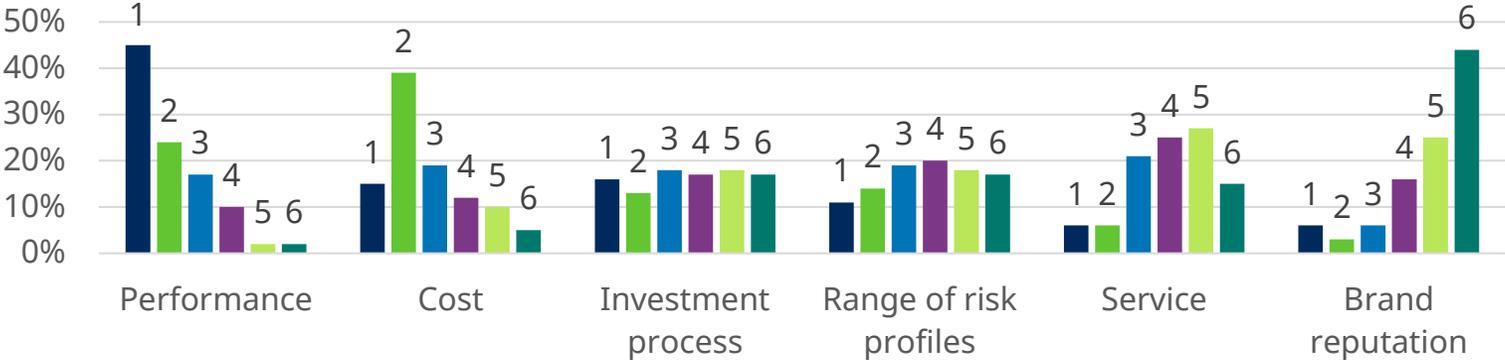
Outsourcing portfolio management

- The two factors that were rated most important in reaching a decision to outsource portfolio management were improved operational effectiveness, a shift from access to investment expertise and resources as seen in previous years

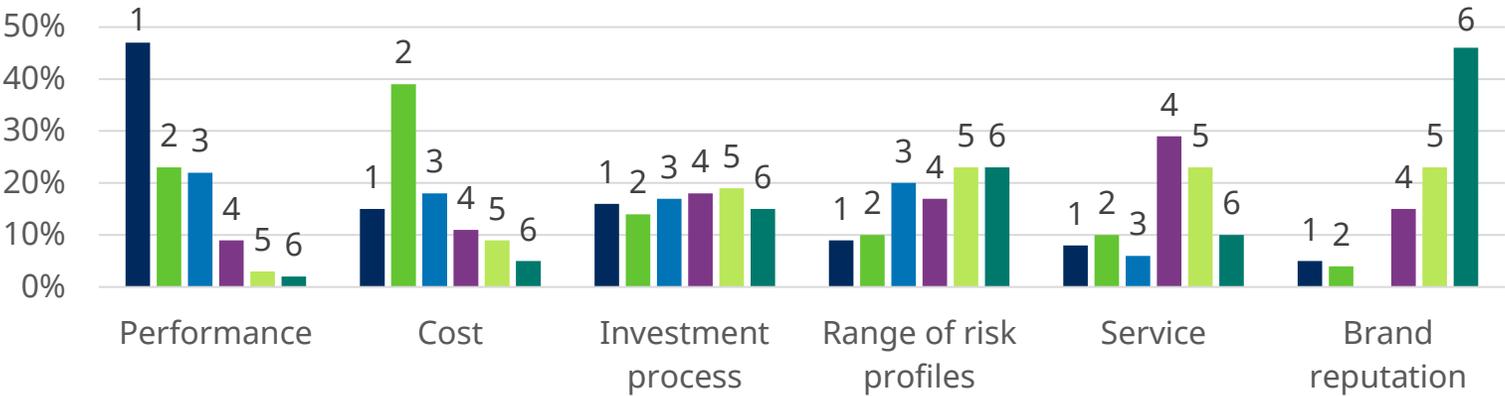
Source: Schroders Adviser Survey November 2022

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

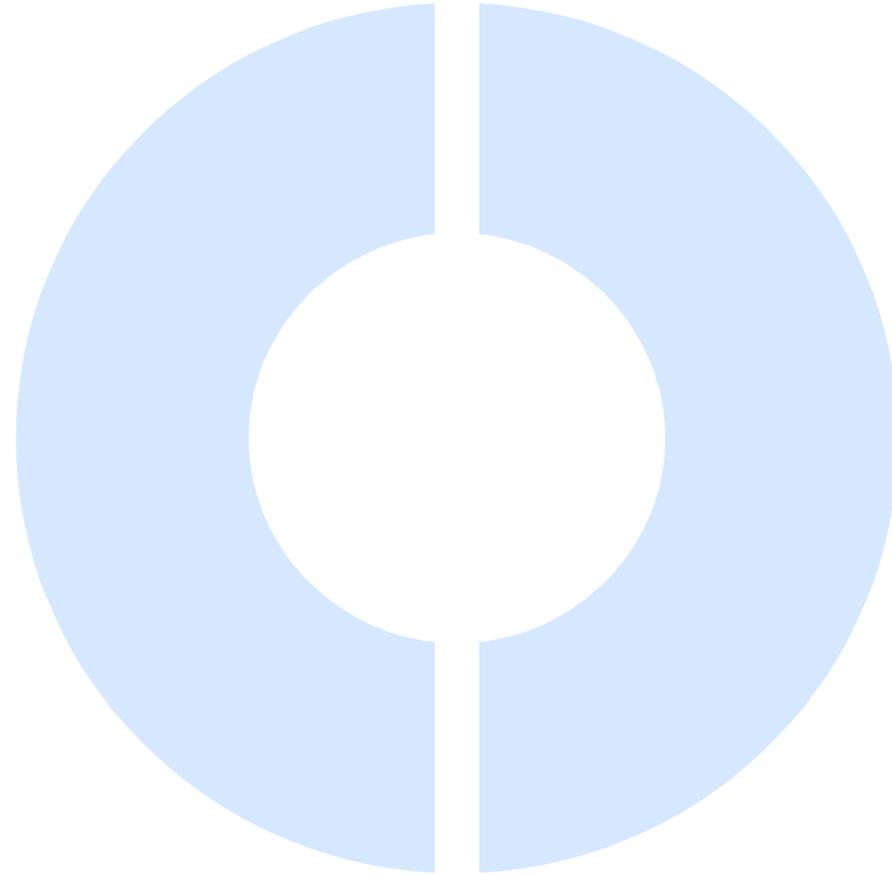


Source: Schroders Adviser Survey November 2023

Outsourcing portfolio management

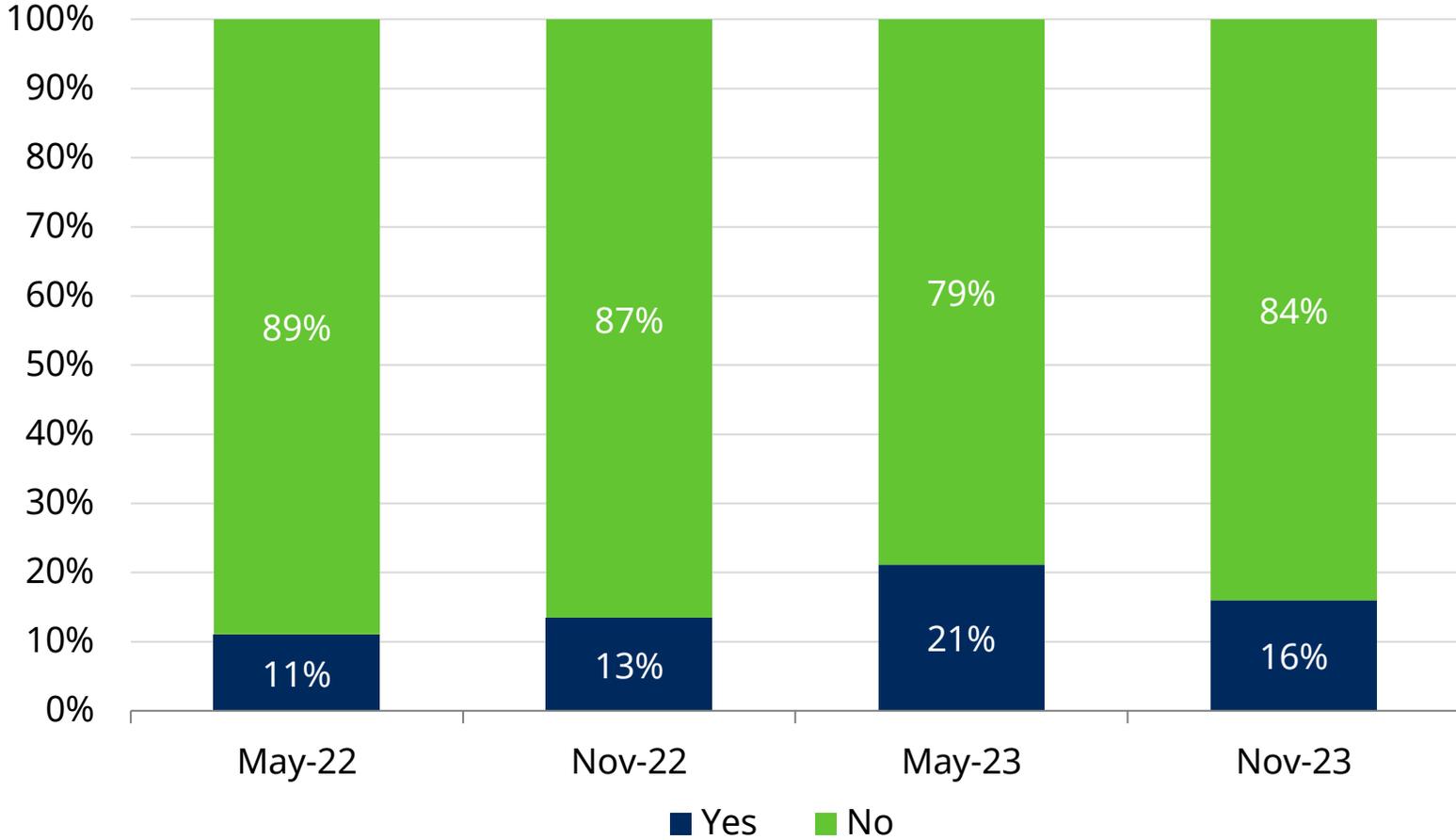
- Performance and cost remain the main factors when choosing both MPS and multi asset funds
- These are followed by investment process

Schroders



Private market investments

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

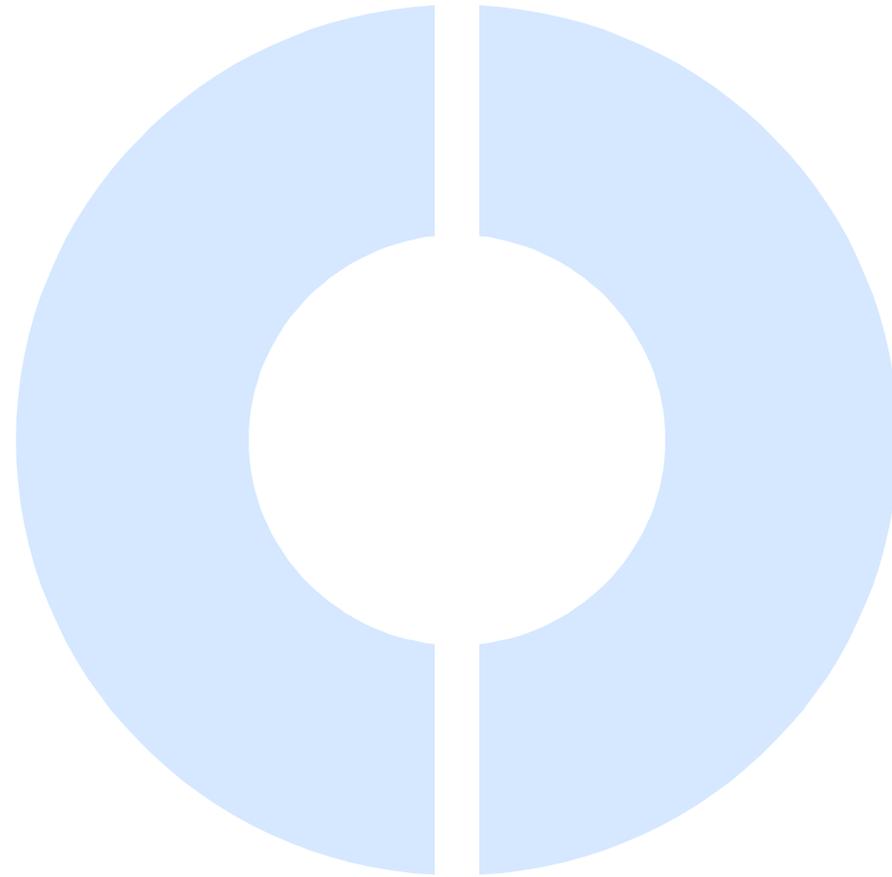


Source: Schroders Adviser Survey November 2023

Private markets

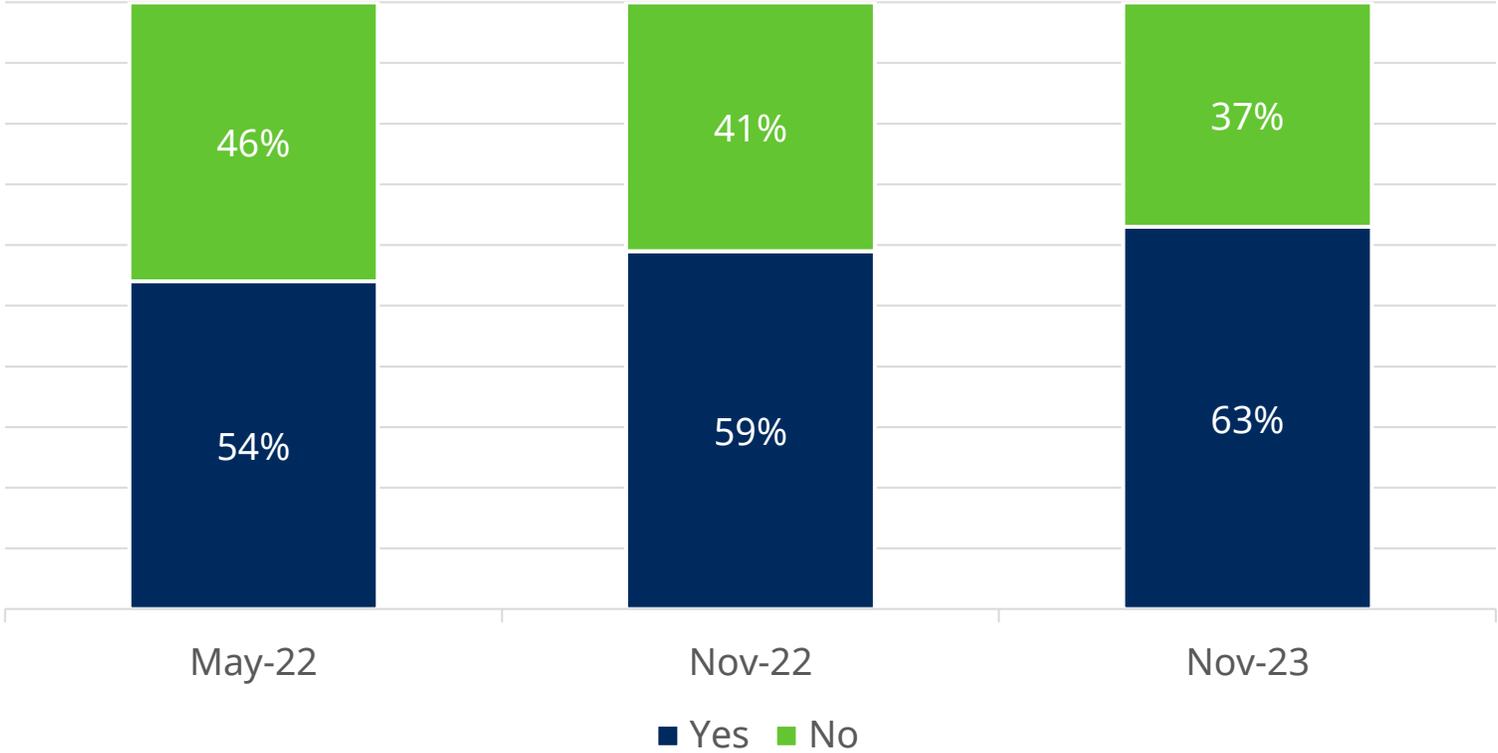
- 16% of advisers are currently considering using private market investments with their clients

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Wealth transfer

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



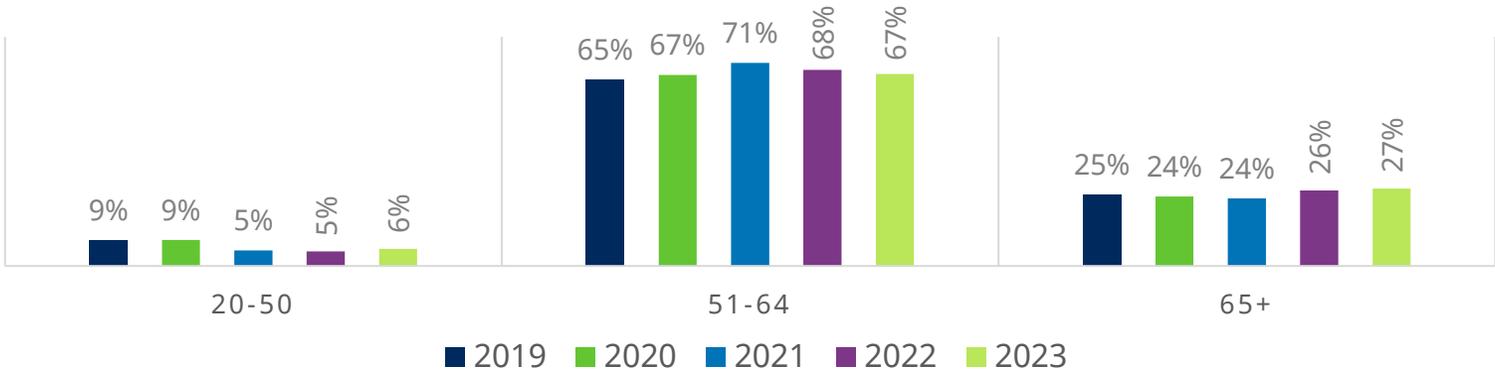
Source: Schroders Adviser Survey November 2023

Intergenerational wealth transfer

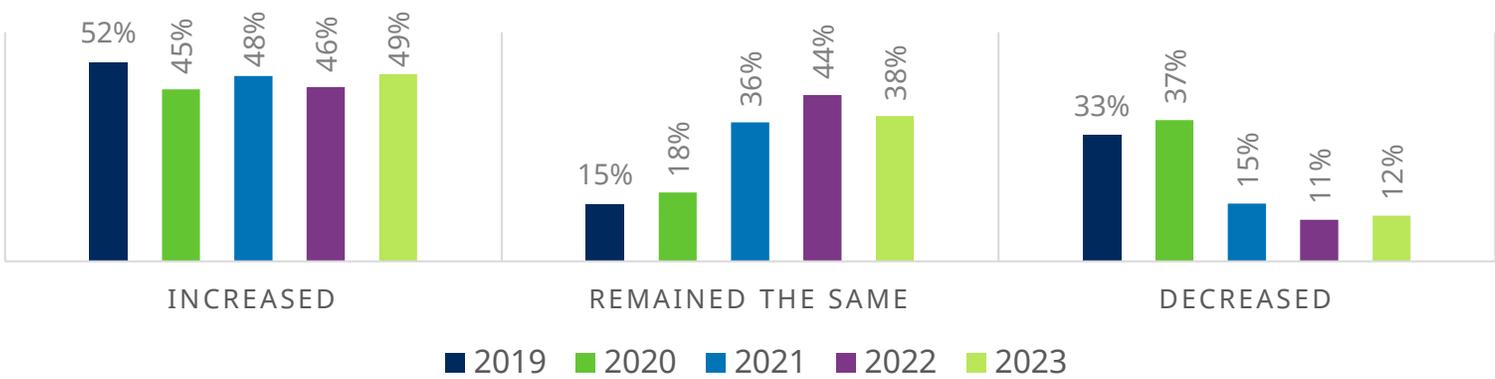
- 63% of advisers are concerned that they could lose business as wealth transfers between generations, an increase from 59% last year

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



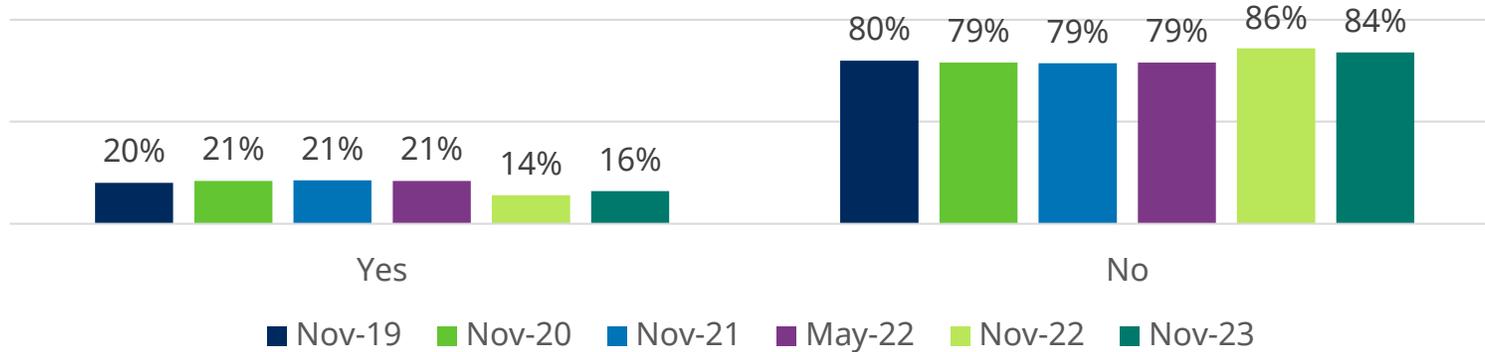
Client age profile

- The age profile of clients remains largely unchanged from last year's survey. 67% of advisers surveyed have clients with an average age of 51-64
- 49% of advisers report that the average age profile of their clients has increased which is a marginal increase on last year

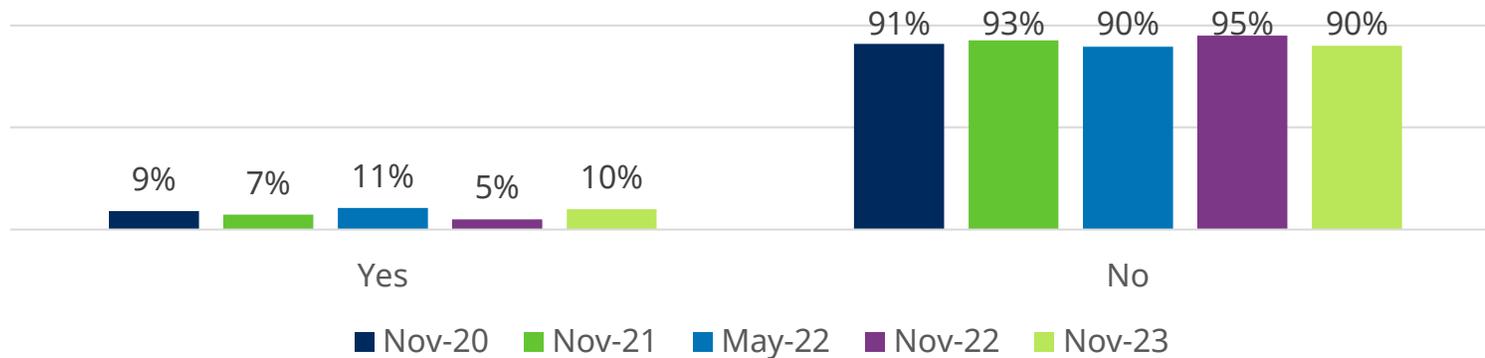
Source: Schroders Adviser Survey November 2023

Do you have a differentiated sales and marketing strategy for:

Younger investors



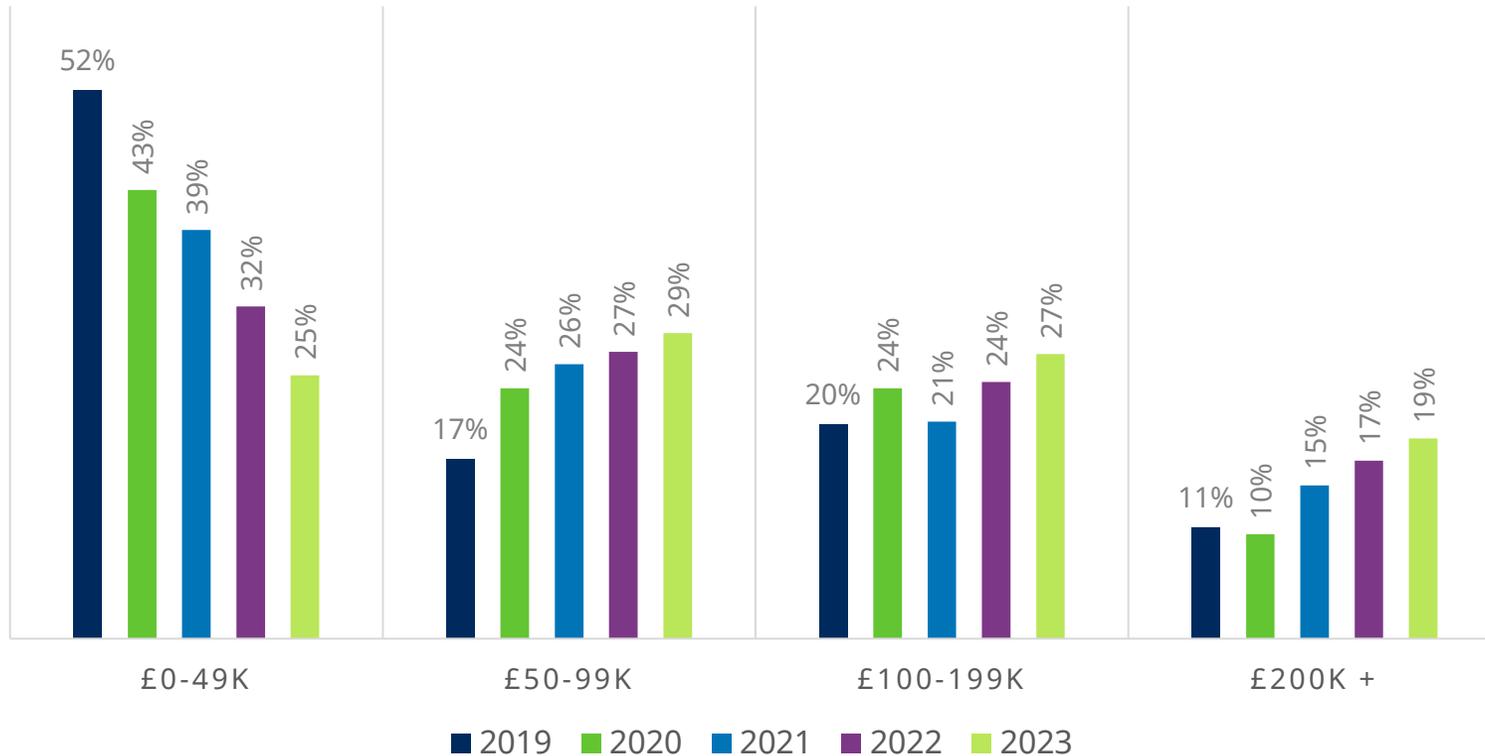
Retaining, attracting and advising women - particularly divorced or widowed



Client acquisition strategy

- Only 16% of advisers have a differentiated sales and marketing strategy for younger investors
- 10% have a strategy for retaining, attracting and advising women

What is your minimum asset size for new clients?

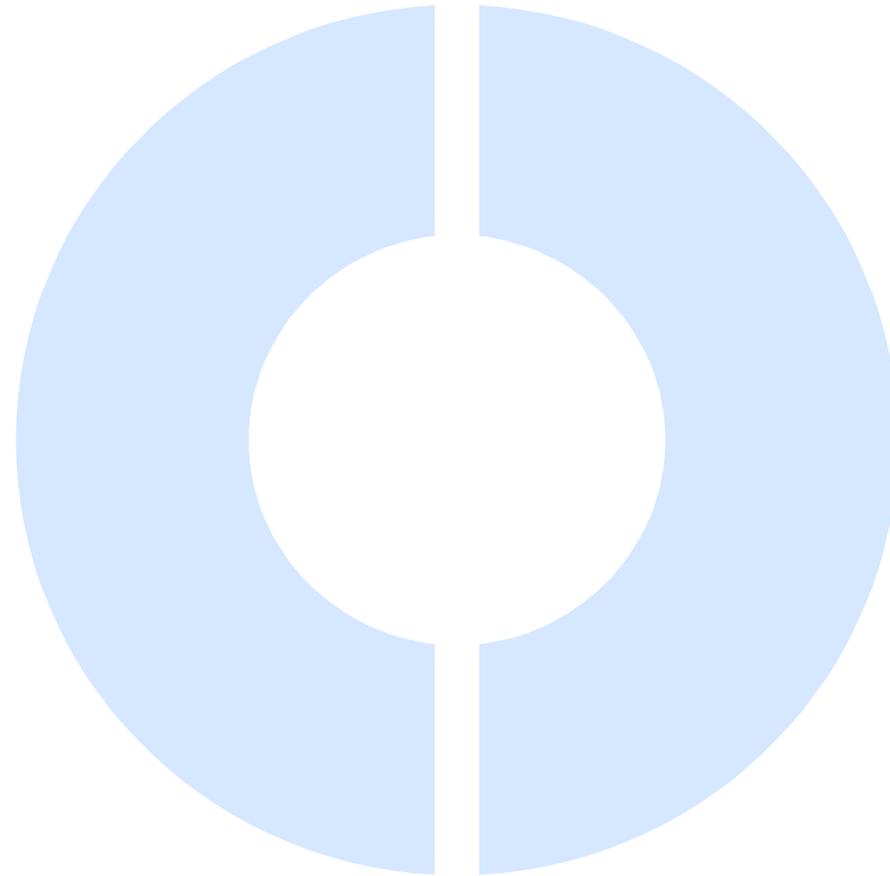


New client minimum AUM

- The proportion of advisers that will accept new clients with less than £50k has been declining steeply and is now at only 25%
- The proportion of advisers who will only accept new clients with more than £200k has risen to 19%

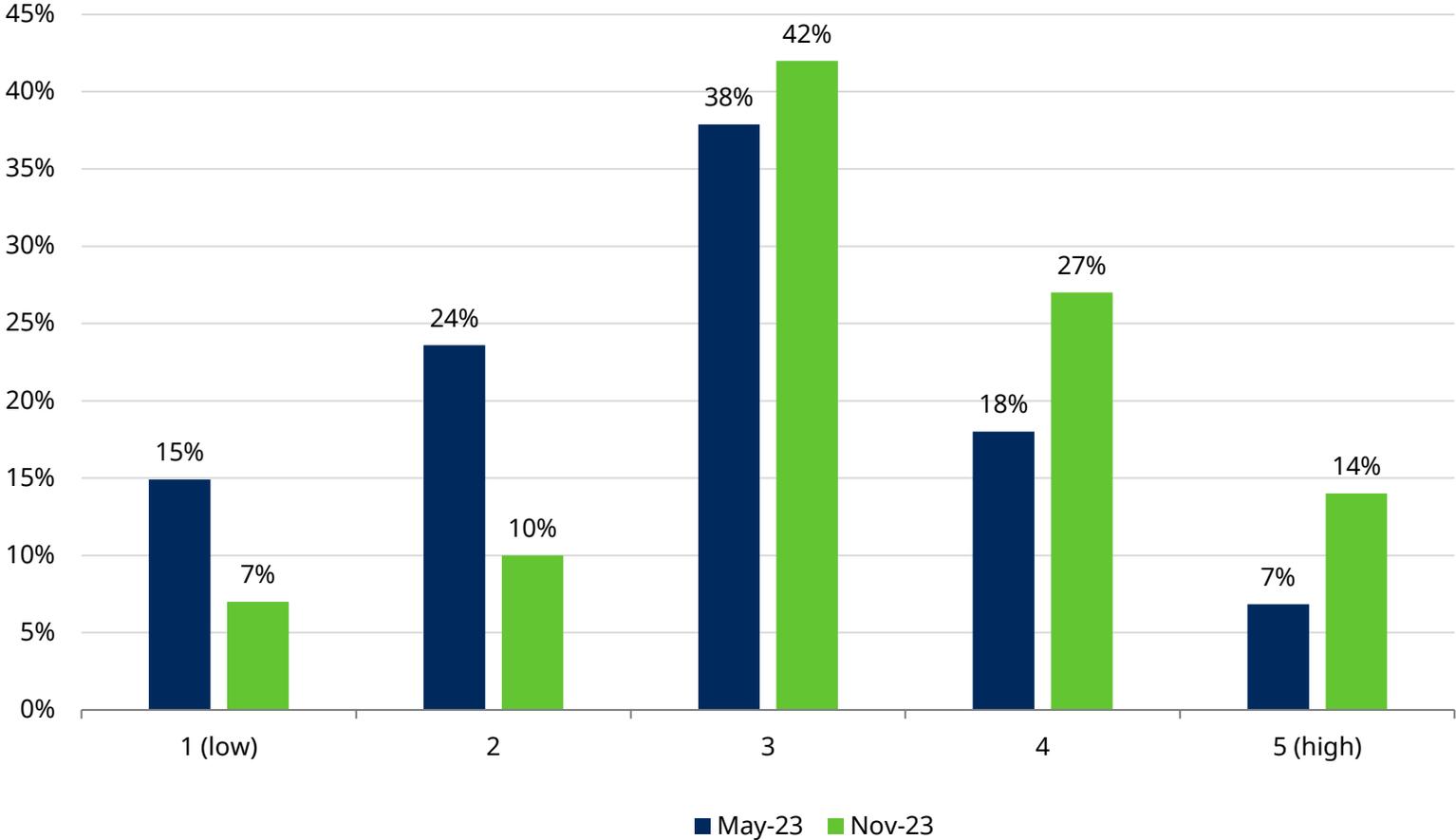
Source: Schroders Adviser Survey November 2023

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Consumer Duty

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

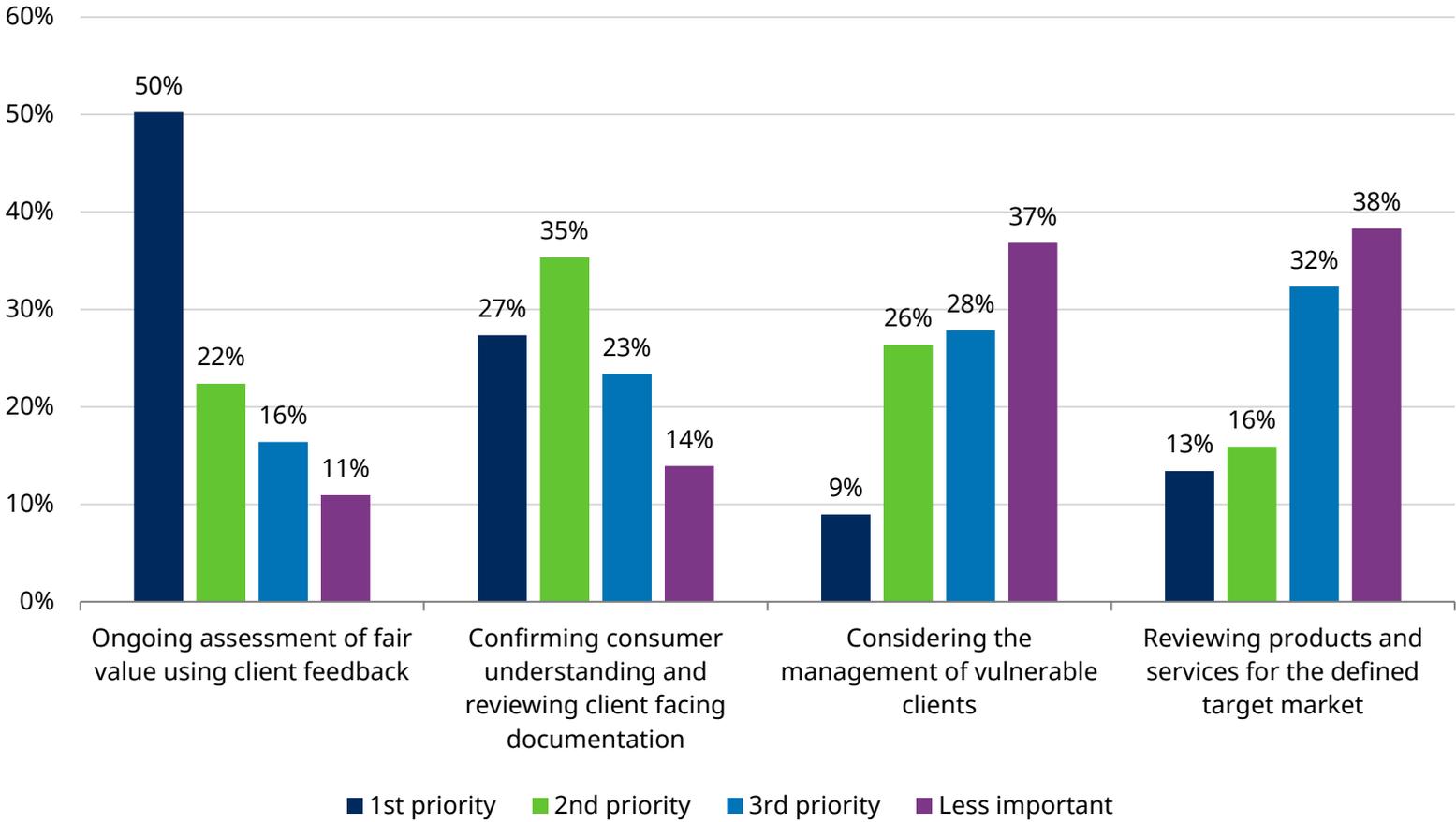


Source: Schroders Adviser Survey November 2023. Rounding means total percentages may not sum to 100%

Consumer Duty

- The proportion of advisers who think that the Duty will have a low impact on their business has reduced dramatically from 39% to 17%
- As Consumer Duty has been implemented since the last survey it's also interesting to note that the number identifying a high impact on the business has risen from 25% to 41%

What are the priorities for your business for the ongoing implementation of Consumer Duty?

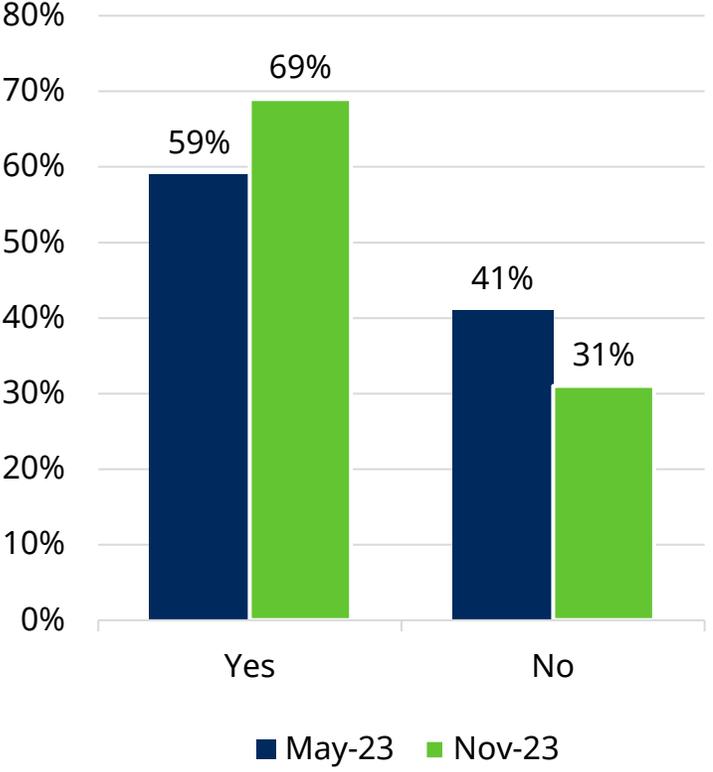


Consumer Duty

- 50% of advisers cited the ongoing assessment of fair value as their first priority for the ongoing implementation of Consumer Duty
- The second most common priority for advisers was confirming consumer understanding and reviewing client facing documentation

Source: Schroders Adviser Survey November 2023. Rounding means total percentages may not sum to 100%

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

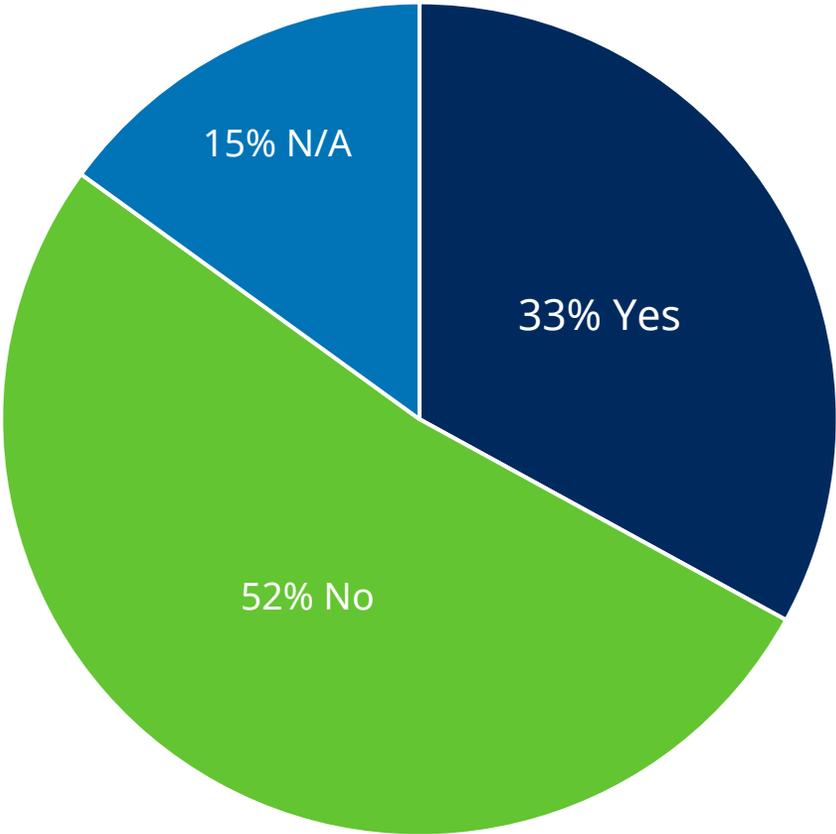


Source: Schroders Adviser Survey November 2023

Consumer Duty

- 69% of advisers think that the fair value outcome of the Consumer Duty will put pressure on ongoing charging models, an increase from 59% in May

Have you considered making greater use of outsourced discretionary model portfolios specifically as a result of the Consumer Duty?

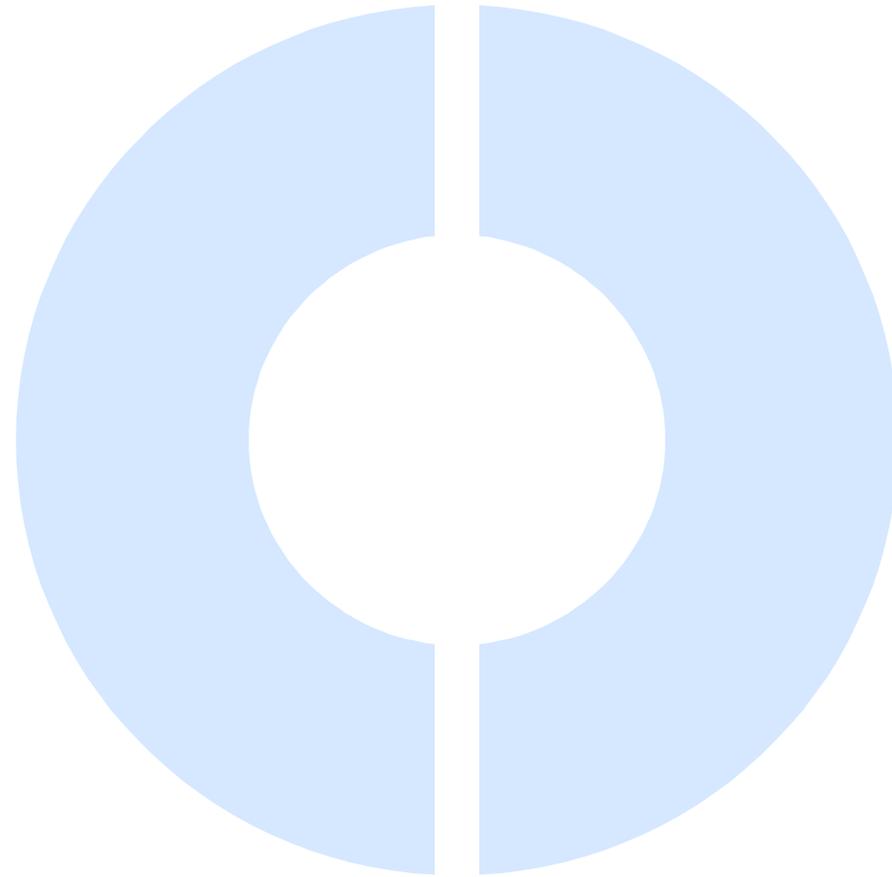


Source: Schroders Adviser Survey November 2023

Consumer Duty

- 33% of advisers have considered making greater use of outsourced discretionary model portfolios specifically as a result of the Consumer Duty
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Schroders



AI

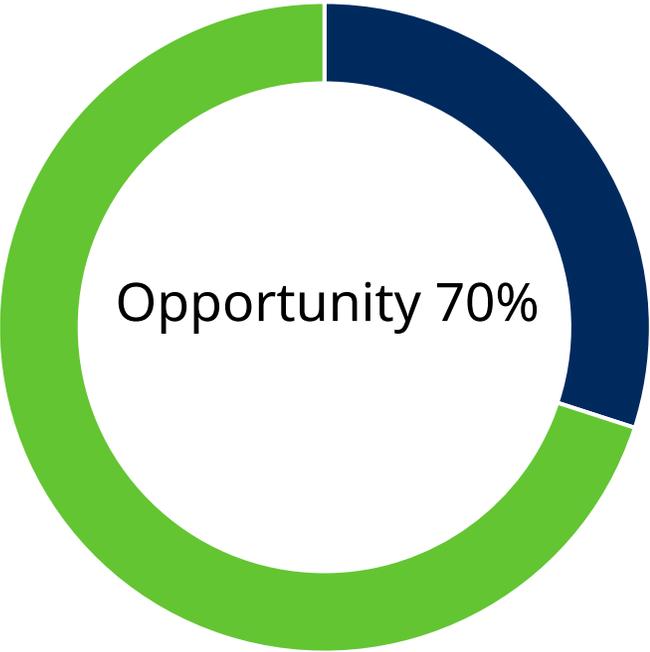
Do you think the development of AI technology applications such as ChatGPT represents an opportunity or threat to your business?

May 2023



■ Threat ■ Opportunity

November 2023



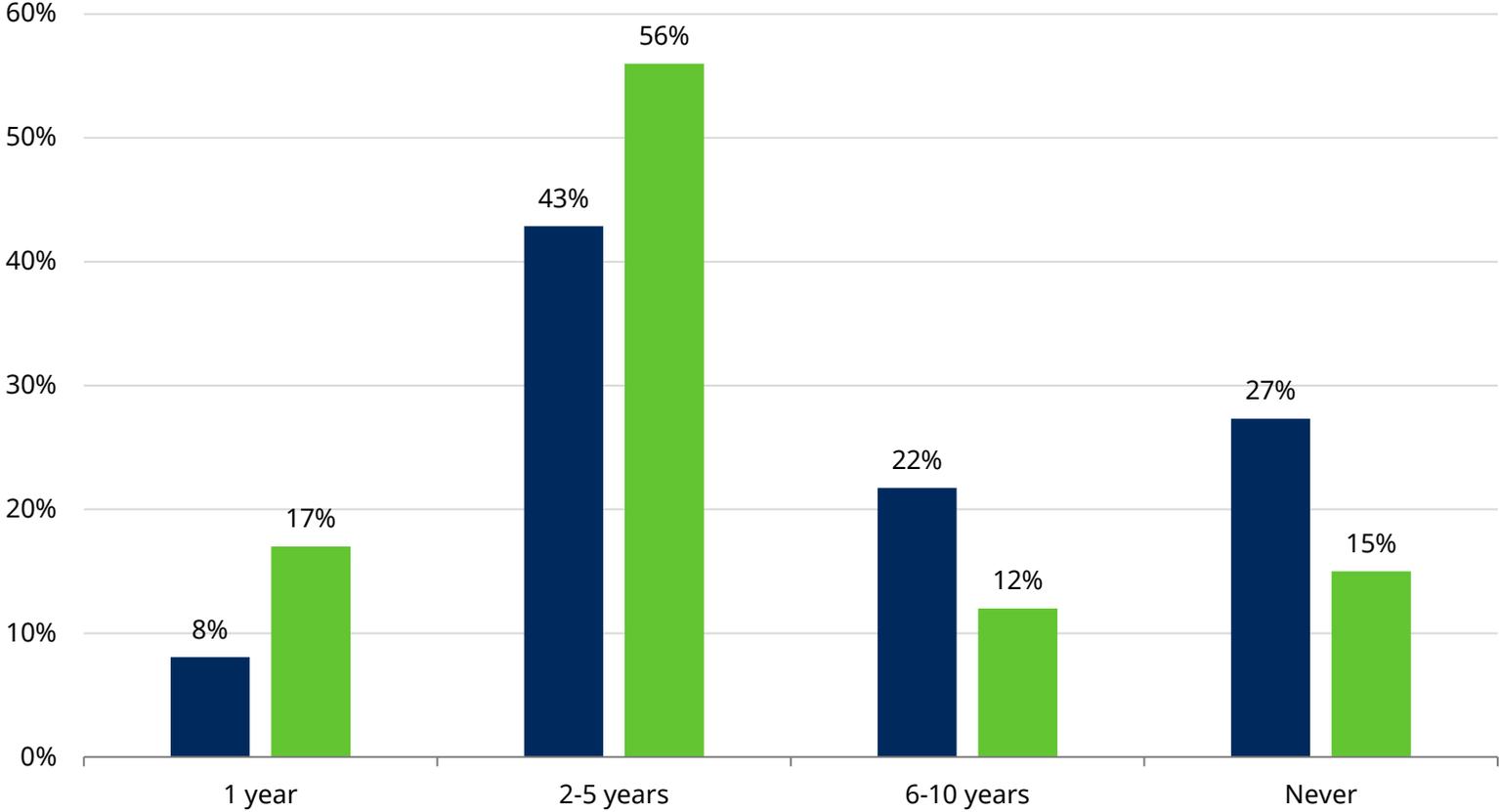
■ Threat ■ Opportunity

AI

- The proportion of advisers who think that the development of AI technology applications such as ChatGPT represents an opportunity rather than a threat to their business has risen to 70% from 57% in May

Source: Schroders Adviser Survey November 2023

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

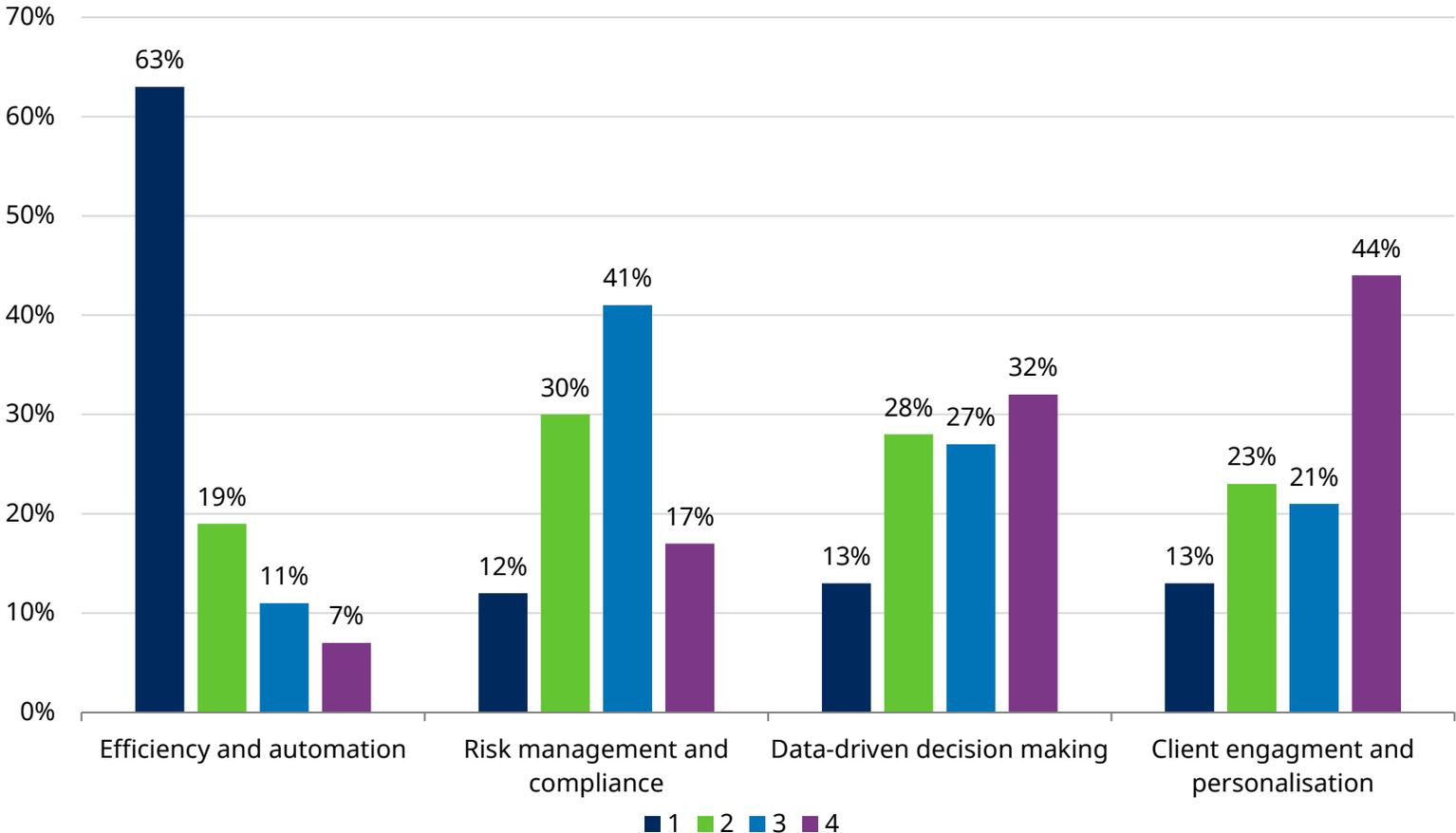


Source: Schroders Adviser Survey November 2023

AI

- 85% of advisers now anticipate incorporating AI based technology applications in their advice process in some way in the future
- 17% of advisers expect AI to be incorporated in their advice process in some way within a year and a further 56% in two to five years time, an increasing trend

In which way do you think AI could be of most help to your business?



Source: Schroders Adviser Survey November 2023

AI

- The area in which advisers think AI could be of most help to their business is through efficiency and automation
- It is interesting that the potential to support client engagement and personalisation is ranked in last place.

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