Schroders

Schroders in Focus

Wealth Management

Tuesday, 13 June 2023

Welcome

Peter Harrison (Group Chief Executive): Good morning everyone, and thank you for joining the latest of our deep dives into our separate businesses. We last did a Wealth Management deep dive in October 2021, so there's been plenty happening since then, the business has been performing very well and the idea today is that we get into the detail of each of those businesses.

I will be joined on stage during the course of the morning by Mary-Anne Daly, who will give us a presentation on Cazenove, David White, who will do a presentation on Benchmark, and Mark Duckworth, who will give us a deep dive into Schroders Personal Wealth.

Then we will come back on stage at ten o'clock and take questions, both from the room and online, and if we run past ten thirty we will keep on going, to make sure we've answered all the questions.

Wealth – continuing on our growth path

Before we start, I just wanted to set the scene about our strategy: as you all know in this room, wealth is a really important part of our strategy to invest to grow. It's something we've been investing in consistently, and I want to just give you the headlines as to why that is.

Wealth Management: a strategic opportunity

We'll give you a lot of proof points during the morning that justify each of these six points, but it's really important that these are the bedrock of our strategic drive.

First, being in the wealth market clearly means being very close to your clients, and being very close to your clients means you really understand what makes them tick. That makes us much better wealth managers in the rest of the Schroders business. Wealth management for other clients of other wealth advice firms is an important part of our business, so being close and understanding the segment well is critical.

Clearly, we are those clients' trusted advisers, these are very long-term relationships, there is very good longevity – to use our buzz word – in this sector, and that longevity is a really important part of driving higher long-term growth rates.

The margins in this business are good and stable, there aren't the same pricing pressures evident here as there are in other parts of the market, but importantly, Schroders has a strong growth presence, and the reason this is important is it allows us to continue to invest for growth. One of the themes you'll hear this morning is that we've been consistently investing further in this business to accelerate our growth rate, and you'll see that coming through.

Fifthly, we're very fortunate in having both exceptional talent and very strong and deep client relationships, and why that's important is it enables and attracts other like-minded individuals. That virtuous loop of people who stay for a long time attract high-quality clients, talk in the market, and Mary-Anne will unpack that particularly in the ultra sector, is a very important driver of future growth.

Finally, there are some good synergies between this business and our other asset management businesses. I've talked in the past about the flywheel effect, so I want to unpack that in more detail. There are also important synergies with Lloyds Banking Group, not least the referrals that we get from Lloyds, but also access to their banking facilities, and if clients need it, access to their credit facilities.

Six quite distinct reasons why we feel this business works well for us. It is intrinsically valuable to us and perhaps more valuable to us because of the interlinkages with the rest of the group, which I just want to unpack quickly.

Self-reinforcing sustainable growth

First and foremost, Schroders' investment management capability acts as a brains trust, it provides collateral, it provides advisers, it provides thinking, it provides access to experts, which can be then used across our wider business. It also provides, if you like, the cyber, the cloud computing technology, the systems backbone, so that knowledge which exists at a group and investment capabilities is an important power for our wealth businesses.

Secondly, and really importantly in some parts of the wealth market, our leadership in sustainability which we have within our investment business has important resonance for wealth clients. If you took something like the charity sector, I think at the moment – Mary-Anne will give us the numbers – around 80% of the money in motion is coming to us, because of our leadership in this segment. The tools that we've built in the asset management business in large part have helped support that growth, so that relationship is very symbiotic and helps us get better and better, particularly on the things like the active ownership agenda, which is important for charities and some high net worth individuals.

Investing in private markets: the Schroders capital investment we've made is an important area for clients wanting to understand how they move into those markets, having products which suit those clients and are designed specifically for their needs is something that we are able to manufacture within Schroders as a whole, which may not be as easily available in the rest of the market.

You'll hear David talk in Benchmark about how we make Schroder Investment Solutions discretionary models available – those are created and powered by Schroders collateral and the brains trust that you will hear about later.

Then for the most sophisticated and long-term clients, our wider Solutions business can often provide the thinking which will enable clients to properly understand the sort of long-term decisions they're making, in terms of rates of return on different asset classes and how they blend and combine those.

There is a whole series of opportunities which arise through our Wealth business which aren't generally available to other wealth businesses. I think it is a really important characteristic of our business that we maximise the opportunities that come from this because, at the end of the day, they make us a better business, they make us a more reliable business, but they also contribute to future growth.

That is the background, the strategy and the fly-wheel, but let's get into our businesses in a little more granular detail.

We have built a unique Wealth offering with £115.6bn of AUM

We have several distinct businesses. I will just work across this page from left to right. First of all, Schroders Personal Wealth, which is our joint venture with Lloyds, where we have a 49.9% stake, advises on £11.7 billion, with 320 advisers. Mark will talk about the transformation of this business and the future growth opportunities. Do bear in mind that we earn three different sets of revenues from this business: we earn our share of profits; we earn money from being the platform provider from Benchmark for this business, and we earn money as a manager of assets for this business. We get advice revenue, we get management revenue and we get platform revenue. This is a really important part of our strategy – the ability to keep on layering on further levels of the value chain, into our fee proposition. David will talk a lot about that in the Benchmark business.

That brings me to Benchmark, a business we acquired in 2017, which has advice assets of £4.5 billion, platform assets of £17.9 billion and we also run some money for them within the wider group – a total managed by Schroders for our Wealth businesses of £23 billion. We own 90 advisers directly and David will break that down, in addition to the advisers which are on platform.

Then Cazenove UK, which is probably the best-known business, the longest standing business, is the really mature business. When you look at the splits of profit, you can see that both Schroder Personal Wealth and Benchmark are relatively immature businesses which are putting a lot of emphasis on growth.

Cazenove and Schroders International are more mature, at a better inflection point in their profitability, but still with very good growth. I think that is a really powerful combination and investing for future growth will be a big part of what we talk about today.

Cazenove and Schroders International has advised business of about £58 billion. For those listening outside the UK, you may not be aware that back in the early 2010s, the Government made some changes to the advice market which meant that obtaining advice in the UK was really very difficult if you had about £100,000 up to about £500,000. Schroder Personal Wealth and Benchmark seek to address that advice gap and we think there is a large opportunity in advising more of those people who were denied advice – there are less than 30,000 advisers for a population of 60 million-plus in the UK, so there is a big opportunity there. Whereas Cazenove Schroders work with Schroders International and advises clients in the high net worth and ultra-high net worth space, different brands, different parts of the market, different opportunity sets and different dynamics but, nevertheless, a common DNA of advising people on their long-term wealth needs. A total profitability of £130 million.

Generating strong growth over the last five years

Just quickly looking at the growth rates before we get into the individual businesses in a moment, assets under management have grown at a five-year CAGR of 8%, net operating revenue slightly faster at 11%, and operating profit at 14%, so that is a progression that you would expect to see.

We have built a leading UK Wealth Manager

Then some of the key highlights. I have talked about that we earn fees of £115 billion of assets but the advised portion of that is £74.6 billion of assets.

Our client retention rate within the high net worth and ultra-high net worth businesses at Cazenove is at 99.6%: this is not a number that we have given before but I think it speaks to the importance of the high longevity, high stickiness, and staying with clients throughout their lifecycle and often into the next generation.

I have talked about an attractive and stable revenue margin, the advised margin, of 55 basis points that we are achieving. What we are most proud of is the growth rate of new business and you can see the trend there and if you took this chart further back to 2015/16/17, you saw a much more muted growth rate; very low single digits, if at all. What we have seen is a progressive series of investments in this business which are now starting to drive a better growth rate, and that is a really important dynamic that we think allows us to get to this virtual circle of putting in more regional offices, investing further for growth and picking up the growth rate yet further.

Continuing growing one of the UK's leading Wealth Managers

Before I step away, four takeaways that we would like you to have today. First of all, we think there is a lot more operational leverage in this business. Mary-Anne will talk about some of the changes we are making, but continuing to extract that operational leverage is important. We see SPW as having gone through a transformation and is now really poised for growth, and Mark will talk more about that. We see the benchmark technology platform as being a really interesting thing; this is not a private equity construct which is looking for an exit, this is a very long term, high quality platform, which will drive further advisers onto that platform and has a pretty powerful proposition for advisers across the marketplace. Finally, Cazenove, well placed for future growth in the high-net-worth and ultra-high-net-worth segments.

Each of those areas of our wealth business are all contributing to growth and all enabling us to do two things today. We have issued new guidance, first of all to increase our expectation of future growth. As I previously said, 5% growth, and we want to increase that to 5-7%, we feel confident enough in the growth rate that we can extend that opportunity, but we are also going a step further and saying that, even without markets and FX, we believe that the profitability of this business will grow at 10% per annum.

You will have your own beliefs about what markets can do. We are not trying to bake any of that into the numbers, but if you just look at the underlying dynamics, we are saying that profit/growth of 10% per annum through to 2025, is very achievable from our perspective.

With that, I am going to hand over to Mary-Anne Daly, who will take you through the Cazenove and Schroders international business.

Mary-Anne Daly (Global Head of Wealth Management and Chief Executive, Cazenove Capital): Thank you, Peter, and good morning everyone. Now that Peter has given you an overview of wealth as a whole, let me concentrate for a moment on what we do at the upper end of the wealth bracket.

Continued momentum in the upper-wealth segment

My objective today is that by the end of my talk you will have a really good understanding of what we do, who we are, who our clients are and, importantly, what are the key factors behind our success and to explain to you why we are very confident that these will sustain our success going forward.

Value creation model in our upper-wealth business

In so doing, I will spend a little time on the non-financial elements that you see at the bottom of this pyramid because those exceptional scores of employee engagement and client attachment to the business, they are fundamental to our success and, importantly, as Peter said, they feed that continuous virtuous circle of sustained success, because happy clients will naturally refer more business. That leads into better revenues, better profits; it means we can reinvest in our people, in their careers, in their wellbeing, and it also means that we can invest in our client proposition and so that virtuous circle goes.

Let me start with a description of our business first of all. Before I do that, a brief clarification about our brands. We use the Cazenove Capital name in the UK and the Channel Islands and we call ourselves Schroders Wealth Management in Singapore and Switzerland. The reason behind that is very simple: when Schroders first acquired Cazenove back in 2013, we wanted to mark the strategic nature of this first acquisition in Wealth and to mark, also, our intention to grow Wealth as a fundamental pillar of growth for the group rather than just an extension of our asset management activities. At that time, of course, the Cazenove Capital name was very well-known in the UK, but it was less the case internationally, where Schroders was a much more powerful brand, hence the pragmatic decision to use both brands. That is probably enough said on the marketing and the history behind that, but I thought it was important to clarify that.

Our position in the upper-wealth bracket

Let me now turn to our business and the here and now. You will see here that we have £58 billion of assets under management, the bulk of that - £48 billion, is in the UK, with our international offices providing very useful jurisdictional diversification, and also allowing us to reach more clients.

The bulk of our business is discretionary, so it’s a quality business, with recurring, dependable revenues, and the other interesting aspect of that business model is that as we build our clients’ trust, then more often than not we will end up managing the whole of their wealth, and this is somewhat in contrast with the key players in this ultra-high-net-worth market, where relationships tend to be more advisory and transactional in nature.

Now, in terms of our client profile, you will see here that we are the largest player in the ultra-high-net-worth segment in the UK. By ultra-high-net-worth, we’re using a definition which is commonly used in our industry as people of $30 million plus of net worth. You’ll remember that we extended our franchise in this segment with the acquisition of Sandaire back in 2020. That acquisition has been highly accretive for us, in that we retained all but one family, and pretty much all of them have added and extended their relationship with us since.

Also, a common misperception about us is that we primarily look after inherited wealth. Actually, you will see here that the majority of our clients have made their wealth in this current generation, and that percentage continues to grow as we extend our very strong franchises in the worlds of finance and business.

Last but not least, we are the largest manager of charity assets in the UK, and as Peter said, we have increased our market share markedly over the last two and a bit years, in that these clients, typically the large endowments, big universities, they are particularly attracted to our expertise in sustainability. Peter rightly said that our charity multi-asset fund called RMAF - a responsible multi-asset fund - actually attracted 85% of the flows of charities into multi-asset funds over the last four years.

On the right hand side I've given you a breakdown of our assets under management by portfolio size. You will see here that, yes, we do look after some very large clients, some in the hundreds of millions, but equally you see a very good diversification in terms of client size. That is, I think, very important, and something that we like, in that it improves our resilience, it improves our margins, because that's better margin business at a very high end. Thirdly, it allows us to expand our footprint of clients and therefore of referrers of further business, and also I think this is very important, it allows us to grow with our clients. That is particularly relevant in the business-owner space, where many of these clients, at least initially, their wealth is tied up in their businesses, so by taking on relatively smaller portfolio sizes, you can develop an early relationship of trust and be their natural home as that business grows or is exited.

A compelling combination of factors driving growth…

Now let me turn to what we consider to be our strengths in this market – you see them listed here. Award-winning reputation for over 30 years; shareholder strength; investment performance; great people – we believe we have some of the most talented people in the industry; and a broad proposition. These are really important and fundamental to success in this bracket. I would say they are 'must-haves', if you are to get to table and win on a consistent basis, but to be entirely frank, when they are taken individually in their own right, they are not necessarily USPs in their own right. In combination, with the stability of a family shareholder with a 200-plus year history and culture of investing in the future, whether that is in talent, technology or new areas of investment, that is truly powerful, and I would say is unique.

Solving from the simplest to the more complex questions

Maybe just a word on the breadth of our proposition, because we have been investing in it since we last saw you some 20 months ago. On this next slide what I've tried to do is give you a flavour for the sorts of questions that we are equipped to solve for. They range from the most basic, such as general questions about investment strategy or planning for a retirement, or planning for a business exit, to the more complex, such as reporting to clients across asset classes, including their personal assets or assets held with third parties, inter-generational planning and advice, philanthropy, and of course, private assets and impact investments. There, absolutely, as Peter said, Schroder Capital's expertise in this segment has been incredibly helpful to us.

Taking stock: how have we done versus what we set out?

With that in mind, how have we done? Well, I'm pleased to say that in an environment where certainly our quoted UK competitors have struggled, we have delivered industry-leading rates of growth, well in excess of the 5% that we indicated to you some 20 months ago, more like 8%. As flows stand today, and given the pipeline of notified wins that we have, we stand ready to beat that again this year.

What is particularly pleasing is, where is this growth coming from? It is very broad but it is coming from those client segments, that we have specifically focused on in our strategy, and where our USPs and strengths and reputation resonate. As an example, charities' business owners, the world of finance and ultra-high net worth. I will talk more about our strategy in a moment.

Also, as we committed to you, that growth has not come at the expense of our margins – quite the contrary. You can see here that we have increased our revenue margin by 3 bps to 59 basis points. Yes, some of that is of course due to better interest income, but importantly, it is also due to fantastic investment performance and very strong new business, that have completely dampened the impact of adverse markets on our AUM and therefore revenues.

Lastly, on profit margin, you will see that we have increased our profit margin as well to 34 percent. That is the benefit of scale coming through and also very rigorous cost discipline. On costs, I should say that we have initiated a restructuring of our operational resources to better leverage the Schroder fantastic resources that we have. That stands to add another 2% to that profit margin from 2025.

Unfortunately, it is a little early to tell you much more about that because we have just entered a period of consultation with the impacted employees but certainly Richard and Peter will be able to say more at the half-year and we will update you as we can.

Right, so much about the history – now, what about the future? I should start by saying that I am very confident that we can sustain this success in the future, for two reasons. First, the market is very deep and it is very fragmented, and there is plenty more for us to play for. Second, our strategy is working. I think the flows that we are seeing right now are a proof-point of that, so that should absolutely sustain us for the future.

Further growth opportunity in £5m+ net-worth bracket?

Let me take each in turn: first of all, the market. In the pyramid on the right, you can see the depth of the global market – a massive market that we can go for, and for which we are well-positioned. If you take just our home market, the UK market, the ultra-high-net-worth segment alone – and I am talking here of the $30 million-plus – that represents 15,000 individuals with over $1.1 trillion of wealth. You can see here that, despite our leading position, we still only scratch the surface: our market share is probably of the order of 3-5%, so there is plenty more to play for.

The other aspect is that I have told you that we are not limited to that ultra-ultra bracket. Our portfolio size span is larger than that and so, again, there is more to play for.

Thirdly, despite what the newspapers will have you believe about the demise of the City of London, London was the only top-10 world city to actually grow its ultra-high-net-worth population in 2022, as it remains a very attractive place to work and live for these people, as a centre of finance, education and culture.

Lastly, we are very pleased with the success of our decision to expand our business-owner franchise into the regions, where we have established four new hubs, attracted 28 super-talented people and are attracting the owners of some really exciting, thriving local businesses. We have of course benefitted from a very strong referral through form our friends at Lloyds.

Our growth within that £5m+ wealth-bracket is sustainable

Now let me turn to the strategy. The one message I would leave you with is that our success is absolutely not the result of chance. It is the output of a very thoughtful, data-driven development strategy that is focused on those client segments where our USPs and strengths resonate. I have given you those on the pie-chart on the right, and, having heard me speak for the last 10 minutes, it will come as no surprise to you, but let me draw out a couple of points.

First, at the top right, you can see our current clients and they are our best ambassadors. Yes, we are absolutely focused on growing our footprint of new clients, because obviously that improves our referral rate as well. However, we are just as focused on basically delivering exceptional service to our current clients. Everybody in our team knows that, and we watch and measure client satisfaction, client attrition, client additions to their portfolios, like hawks. I think the client retention figure that we showed you earlier, of 99.6%, is a testament to that.

The second point I would like to make is that this is absolutely a team effort. We do not have any lone, proprietary wolves here. On the contrary, our culture is actually one where collaboration and joint success are celebrated and measured. This is very important for several reasons. First, it makes it a really enjoyable place to work and for our younger generation of advisers to learn. Secondly, it ensures that our current and existing clients will always end up with the team best qualified to deliver their specific needs, regardless of where the business originated. Thirdly, naturally, when you have teams working together on any one of these segments, it naturally amplifies our contacts, our reputation, our networks within these segments, it allows us to develop a better understanding of what these clients need and, of course, to further refine our proposition as we go.

I will leave you with just one example of that. Private Equity is one segment that we do focus on because our reputation is strong in that area and in the case of one London based PE boutique, we started with one partner as a client, we now have eight and we just have two to go.

That's all from me. With that, I'm very happy to hand over to David.

David White (Chief Executive, Benchmark): Thank you, Mary-Anne, and good morning everyone.

Expanding in UK the adviser market

Today I wanted to update you on four aspects of the Benchmark business. Firstly, a reminder of who we are and what we do, secondly three key growth drivers, thirdly, how we have performed, importantly, over the past three years and, lastly, why I remain very positive about our future growth.

The Benchmark business

Let's start with a reminder of who we are and what we do. In contrast to Mary-Anne's business and Mark's business, we are both a B2B and a B2C business. Our customers are both financial advisers and end retail clients.

Today we have a relationship with over 1,500 advisers and over 90 of those, as Peter mentioned earlier, are owned by us as a business.

Schroders acquired a controlling stake in Benchmark back in 2016 and, since then, we have grown significantly, leveraging the greater Schroder's scale, through resourcing, capital, investment expertise and, importantly, distribution reach.

With a significant presence, as you will see on the slide, across the UK, we now have a truly national footprint of offices, managing over £27 billion in assets and generating net new business flows of 7%.

We have three distinct offerings to our business, and we report the assets according to each of these. Let me explain each of these in turn:

Firstly, we have the Advised part of our business. This has two specific areas to it. Firstly, advice to end clients and we do this through our own advice business called Benchmark Financial Planning; I will explain a bit more about that in a moment. Secondly, we provide a range of business services to third party advisers, so things such as advice oversight, compliance, financing and training. Think SJP in the UK, or Edward Jones in the US.

Moving to the middle box of the side, our Platform business is where we provide proprietary trading adviser and client facing platforms to manage investments across pensions, ISAs and cash. This provides advisers with access to over 4,500 funds and over 30 discretionary solutions to use for their clients, so think AJ Bell in the UK or Pershing in the US.

Lastly, and importantly, we come onto Managed. Here we provide a model portfolio service called Schroder Investment Solutions. This gives advisers access to risk mapped index active and sustainable options for them to use with their clients. Think solutions provided by the likes of Brooks Macdonald in the UK, or Envestnet in the US. With that I hope you have a clearer picture of what we offer.

I am now going to move onto explain how we work with advisers and how we help them solve the issues they have as they grow the business and, in turn, our success is directly linked to theirs.

How do we help financial advisers?

Before I get into the detail of this slide though, please picture in your mind a financial adviser. Their life is complicated. Most of them are small to medium-sized businesses and so they are trying to balance both being a financial adviser, so dealing with regulation, administration and investment decisions, alongside being a business owner, so managing cash flow, premises, staff, etc. Our goal is to simplify all of these complexities for them, freeing up the adviser to spend more time with their clients and not worrying about administration and day-to-day issues. This simplification in the running of their business improves their productivity and also, crucially for them, improves the client experience.

Now let’s get into the detail of the slide. The point here is that our solutions help financial advisers at every stage of their life cycle. To bring this to life, we think about an adviser’s business journey across four key stages, all the way from getting started, through to them exiting and realising value. When we talk to advisers this way of looking at things really resonates with them. It demonstrates that we understands their business and what really matters to them and that our solutions can support both their businesses, as well as their advice needs.

Let me bring this to life for you with a story of one of our customers. The customer is Finura, and you will see that at the Growing your business stage. They are absolutely at the growth stage of their business. Finura is run by three senior partners, based here in London. They started trading back in 2014, and they approached Benchmark in 2019 to say, ‘can you help power our growth?’ Back then they were seven advisers, they were managing around about £280 million of assets on behalf of 600 families. We supported them by providing financing, by providing technology solutions and also access to our model portfolio service, Schroder Investment Solutions.

Four years on, not only has Finura doubled the number of advisers that they have, but in terms of productivity, the assets that they manage have grown over two and half times to over £800 million, and their revenues have double to £5.5 million. This is a powerful yet simple illustration of how we help advisers, and we call that the Benchmark advantage.

In summary, I hope you have a better understanding of what we do as a business and how we help advisers throughout their life cycle.

I now want to turn and focus on three areas of growth that I see for our business.

1. Drivers for growth: cross selling

The first growth driver I want to focus on is what we are doing, as I flagged a moment ago, to deepen the relationships with our existing customers, by cross-selling and why this is such an important driver of growth for us.

As Mary-Anne mentioned just a few moments ago about the Cazenove business, for Benchmark too, deepening existing customer relationships is just as valuable for sustaining growth as attracting new ones. We do this through a dedicated partnership management team. They are the key interface to all of our advisers and they help them develop their business strategy and also ensure that they can access all of our services whenever they need to.

You can see on this slide, since my last update back in October 2021, we have increased the number of services our customers are using by over 7%, driving both in margin and revenue growth. Further new growth is in our sights, so as you see on the slide, currently only 14% of our advisers are using one service and 25% using two services.

For me, the scale of the opportunity becomes clear when we move to the righthand side of this slide. This shows the incremental basis point fees that we generate when more of our services are used. The big step-up you will notice relates to where we take advice revenues alongside platform investment and support services. These are blended basis points as the combination of services varies between each adviser, but the significant upside of cross-sale for me is clear and we have a proven track record of incrementally developing deeper and integrated relationships, and this is set to continue.

2. Drivers for growth: growing our adviser relationships

Moving on from deepening existing relationships, the second driver of growth I'd like to highlight is how we are growing our adviser base. Again, when I last spoke back at Capital Markets Day in October 2021, we had identified several adviser segments that we saw opportunities for growth. One of those we refer to as 'Breakaway Advisers'. We find it useful to categorise them in this way because they represent a distinct group of advisers targeting high-net-worth clients. They are currently employed within, typically, a traditional wealth manager, so for example, one of the private banking wealth funds.

The opportunity for us is that they've often become frustrated with overly-centralised controls in big organisations, alongside the fact they are having to pay away a significant proportion of the fees that they generating personally. As entrepreneurs, they are keen to break away, hence the name, and set up their own business and they are looking for help to do so.

One good example of how this works is Oculus Wealth Management. This is a business we have been working with since 2016, when they started to use our platform and, more recently, accessing Schroder Investment Solutions.

Oulus has been highly successful in attracting breakaway advisers, and to date, they have taken on over 30. In March of this year, Benchmark took a majority stake in their business to accelerate both their growth and ours for this important sector. To give you an idea of what this means for us, since March, they have already added £100 million in assets and supporting them, we have built their strongest pipeline ever where they are now in active discussions with 15 separate advisers who are looking to join them, and they have assets under influence of over £750 million. All of which is to say, I'm sure you can now see this segment has valuable opportunities and potential for us.

3. Drivers for growth: realising value for our advisers

And finally, I come on to the third growth driver and how we are helping advisers create value in their businesses and in turn for us. At the moment, they look to retire and exit their business.

In the UK in the past three years, the wealth management sector has witnessed significant momentum to consolidate advice firms. The best evidence for this is the 30-plus PE backed consolidators reportedly now active in the UK market.

The belief of the traditional consolidator is that they can buy several advice businesses, consolidate them into a single entity and then sell that business on in the future. In reality though, in my opinion, although they are successfully buying up the businesses, they are very rarely integrating them effectively, and, as a consequence, the underlying advisers typically remain as separate entities with separate service-offering pricing models but also, crucially for us, they retain their client assets on multiple platforms.

Our approach is different. Yes, we play an active role in helping advisers to realise value by buying their businesses, but – this is the important point – over 80% of the firms we acquire, we already have an existing relationship with, and they are typically already using a range of our services. We are clear from the outset that the final destination for their business is Benchmark Financial Planning, our own national advice business.

This is a restricted advice business which combines a single advice process with a single primary platform and a central investment proposition, Schroder Investment Solutions. It has strong credentials, with our advisers generating over 36% more revenue per adviser than the industry average.

We have now completed over 40 of these types of acquisitions, they are focused ones to date, and we now have a proven and well-trodden path to embrace this consolidation trend, but to do it our way. Having built up valuable knowledge and capability in this area, we have accelerated our activity and in 2023, we are forecast to acquire businesses that between them have over 90 advisers and in turn, have access to over £3 billion of assets, so a significant uplift from where we were in 2021.

Benchmark: How have we performed?

How has all this translated into performance? Since I joined the business back in the first quarter of 2020, just before Covid, I can report that we have made excellent progress across a range of fronts.

In terms of revenues and profits, we have delivered consistent growth, as you will see on the slide, and, all importantly, across all areas of the business. I am particularly pleased with the underlying profit growth which includes an uplift in investment of both technology and our people, which I see as a hallmark of Schroders approach when acquiring businesses. In parallel to this, our market attractiveness has continued to grow. We have simplified our brand and positioning to the market, we have invested in our business development and marketing capabilities and we now work with more advisers than we ever have before. Finally, and importantly, our assets have continued to growth, and all of this against a pretty challenging backdrop of external pressures, Covid obviously being the main unplanned event.

Strong momentum for future growth

So, what do I see is the future for Benchmark as I look out over the next three years? Put simply, continued strong growth and momentum. Our overall sales pipeline, in addition to that of Oculus, has never been stronger, with approximately 200 advisers looking to join our business over the next 12-18 months.

Deeper and deeper relationships with our advisers will continue. I see more advisers using more of our services and driving up revenues and margin. But, this growth won't come at the expense of effective cost controls. We have now reached a sufficient scale within our operational team and in turn, a clear inflection point which means that we will be able to drive forward, adding more assets with limited operational cost increases. We continue to invest and deploy new digital solutions, working alongside Mark and the Schroders Personal Wealth team to improve adviser productivity. For example, we have already launched this year a new digital onboarding and annual review process, and over the next 12 months, we are looking to launch a new mobile app for adviser clients, new user journeys and also e-signature capability.

This will drive further and tangible adviser productivity gains, freeing up advisers to spend more time with their clients, over 215-day hours or 26 days to be precise. Above all else, this is what matters to them.

In summary, I believe we are well-positioned as a business. We have clear opportunities to accelerate our growth, attracting new advisers, cross-selling to existing advisers and continuing to deliver growth in net new business. Thank you very much, I'm now going to hand over to my colleague, Mark.

Driving scale in the UK affluent segment

Mark Duckworth (Chief Executive, Schroders Personal Wealth): Thank you David, good morning everyone. Since the last time we spoke, we talked of how SPW would turn the performance corner – I think there was some doubt in the room.

Today I will update on how we've reshaped our business and how we've transformed the performance, but I'd like just to start by picking up on something that Peter said at the top, about why we exist and the role we have to play in society.

Since 1990, there were 220,000 financial advisers, and today that numbers sits at just 27,000 - we've lost 88% of the capacity, and over that same window we've seen the population rise from 55 million to 67 million, so there's a huge opportunity in this sector for us all. The average age of an adviser today across the sector stands at 57.

Schroders Personal Wealth

Let's just take a look at who SPW are. We are a joint venture between Lloyds - Britain's largest bank, who have over 36 million clients across the Group and over £475 billion of client deposits - and Schroders, who we all know have incredible investment expertise and brand recognition with our clients. We deliver holistic wealth advice to clients who hold in excess of £100,000 of assets. Today we have 52,000 clients, 320 advisers and £13.6 billion of assets under management, £10.7 billion of which is our advised front book of assets, where 52,000 clients take advice from us. This has grown by 34% since 2020 in gross in-flows. We also have £2.9 billion of assets through 20,000 direct clients, who we do not today give ongoing advice to, so another opportunity for us.

How the business has transformed since inception

I'd now like to share with you what we have been working on to transform SPW since we last spoke together – let's just take a walk around this slide. The first thing that I focussed on was the vision and purpose of the business. 'We change lives' is our vision, and it has provided an emotional connection between our staff and the positive impacts that we can have on our clients' lives, and that leads to incremental effort. Giving more advice to more people than any other UK wealth manager is our mission, and it has provided a 'north star' to both our ambition and goals as a business.

If we turn to the adviser numbers: whilst our adviser numbers have risen steadily since we last spoke, the real facts are these, that we have changed over 60% of our adviser base, and significantly uplifted our productivity by 44%. I'll share how that compares with our peers later. The leadership team: we have changed over 50% of the team, we have brought people in from across the sector to accelerate our future growth. On the referrals process, which we'll take a deeper dive and look at in a second, we have increased the number of referrals by 170% to 50,000 per annum, since 2020.

We've also improved the conversion of the number of clients who choose to invest with us up 16%, from 9% back in 2020, and we've also reduced the average age of clients by eleven years during that same period. Our client journey: we have reduced the time it takes to help a client invest with us from fourteen hours to four hours, and the technology, we have now built a technology stack that has no legacy. It enables us to drive further automation into our processes as we move forward.

Finally, in the investment area, we have also added six new muti asset funds with the help of the Schroders Investment Team, and we've broadened our overall proposition so that we can tend and care for more of our clients' needs.

Spotlight: optimising the referral process and client journey

Let's take a deeper look now at this the referral process, and I wanted to do that because it's an accelerator for our future growth. I wanted to really focus on three key areas here, which is one, identifying the right clients that we can help; secondly, creating the seamless experience and journey for our clients as they onboard with us. Thirdly, just reducing the time it takes from the moment a potential client shows interest to the moment that they invest.

Let's take each in turn. Firstly, Lloyds have built an intelligent referral engine, and this helps prompt the right clients that we know we can help. Alongside this, we have built a technology matching tool that helps pair our prospective clients to the right adviser before they've met the adviser, so we're matching needs and adviser skills before the client meets.

Secondly, we've also worked with Lloyds in creating joint marketing activities to very specific segments of clients. We're tailoring needs through testimonials on how we can change their lives for the better, and that helps the prompt.

Thirdly, we've changed all of the processes and technologies to reduce the time it takes from when that client shows interest to the moment they invest, and that's gone from 65 days to 23 days over the window, and that's a huge shift in driving up the conversion. We now believe that the journey that we've built is actually unique, and 16% more clients are choosing to invest with us than at the start of 2021.

Evidencing our advised business transformation in numbers

A lot of work has gone in, so how has that translated into our performance? For the purpose of comparison, I've highlighted performance from 2021 through to April 2023. I think this period highlights what has been a difficult period for our sector. If we now look at the top left of the slide, you can see the referral number, and that referral number has remained stable, during I think what we could consider to be difficult market conditions; but against the stability, our performance has markedly improved.

If you look at the top right, the number of clients choosing to purchase from us has increased by 16%. You can see that that has lifted up to 2,400 clients purchasing through to April 2023.

As you go to the bottom left of the chart, also the initial amount that the client trusts with us at the initial investment stage, has risen by 29% to £168,000. The average client holding today stands at £208,000. It is as a result of these two in combination that our net new business has grown by 93%, to £187 million in April 2023.

Despite a short-term market slowdown… Schroders Personal Wealth advised business growth has continued…

Let's see how that compares to peers. On the left-hand side of the chart, we can see that the segment had a tough year in 2022, down 35%. Of those peers in the comparison, they include SJP, Quilter, Mattioli Woods, Hargreaves Lansdown, AJ Bell, Transact, Brooks Macdonald and Rathbones. During that seem period, if you look to the right-hand side of the chart, you can see that our gross flows have remained stable and our net new business has grown by 42%. This is a result of more clients choosing to remain invested with us and, indeed, investing more with us. This trend has continued for us into 2023. It is a result of materially improved adviser productivity. Our adviser gross flows have increased by 21% to £4.5 million to date this year, compared to 2022. Our net flows have increased by 59% over the same period to £2.1 million, which is £400,000 higher than the relative peers in just Q1 alone: £400,000 more in Q1 alone, where they have probably seen limited growth or, indeed, gone backwards.

Overall, I am pleased with the progress that we have made and I am actually more confident for the future growth.

Continuing our growth momentum into 2025 and beyond

Let's finish by taking a look at our plan through to 2025. Given the progress that we have made and the improvements that we have outlined across our processes, our skills and our technology, I will conclude by sharing with you three key statistics.

Our referrals from Lloyds will remain stable over the period at around 50,000 but our conversion of the clients referred will continue to increase, leading us to adding another 18,000 clients through the window, taking us up to 70,000 clients by 2025. Our net new business will continue to grow at a rate greater than 7% through to the period in 2025. This is in contrast to many of our peers.

I hope that today we have demonstrated that SPW has turned the performance corner and, I guess more importantly, it has built the foundations for future accelerated growth.

Thank you for your time. I will now hand you back to Mary-Anne.

Closing remarks

Mary-Anne Daly: Thank you very much, Mark.

Continue growing one of the UK's leading wealth managers

I hope you found those deep dives into each of our businesses informative and that, having heard from Mark, David and me, you now have a much better grasp of the different dynamics behind our businesses, which are summarised here. In conclusion, we are confident that these three businesses are on a sustained growth path and, as we continue to leverage Schroders' fantastic investment and operational resources, that we can achieve those ambitious targets that are set out here.

That is probably all we have time for before the Q&A. I would like to invite our other speakers, and indeed Richard, to come up. We will be very pleased to take your questions from here.

Question & Answer Session

Nicholas Herman (Citigroup): I have three questions on Cazenove, please. Within Cazenove, which client segment are you most constructive on, over the next three years?

Clearly you are a leading UK wealth manager, but who is the No. 1? I think you said you have a 3-5% market share, so who is the No. 1 player in the UK ultra-high space, and what would their market share be? Also, as part of that, you have a pretty complete offering, and that is clear, but I am curious as to who you would see as having the best-in-class offering across discretionary/advisory.

My final question is, in which parts of the business do you still see margin pressure?

Mary-Anne Daly: Excellent. Shall I take those? In answer to your question on which areas we are most constructive on, I think we are constructive on those four segments on which we are focused. Finance: obviously in finance, both our brand names – Schroders and Cazenove – resonate really well. It remains 20%, really, of where the wealth is in this today. We are very positive on that, and we are seeing continued growth in that area and it is also a very networked area. I think we like that a lot.

Secondly, I suppose the business owner space is very important to us and here we have fantastic referrals from the networks themselves, from Lloyds, but also – really importantly – from the professional advisers who are operating in this space. The lawyers, the big accountants – they are also the trusted advisers to those clients, and having worked with them now, as I said, for 30 years or so, they really understand our business, and they really trust us. So we have a really strong referral flow from that.

The ultra-space is one where, again, our brands resonate. Sandaire was a way of marking that we are there for those very large, multigenerational families, so I don't necessarily say there is one particular segment; we are focused on all of them and that is important. I am very sure that our reputation in sustainability will continue to sustain that market share in charities.

It is not a great answer because I know you want me to say there is one segment, but there isn't really. Those are the four.

Who is No. 1? In terms of numbers of ultra-high-net-worth UK individuals that we serve, that is us. Where we play in that segment, who do we come across? We come across, typically, those big investment banks, so the Swiss and the American investment banks, in the ultra-ultra-high-net worth space but, as I think I explained, they have a different business model to us. They are much more looking at one sleeve of a client's wealth. We are trying to do something much more holistic because we offer financial planning, inter-generational planning etc, to those families and I think we have the best-in-class offering to be honest. I don't think you would expect me to say anything different.

But we are very knowledgeable, and this is in the UK certainly, we are very knowledgeable about all the tax implications etc. We offer the full range of services of structuring and being able to advise those very large families in that, whereas some of, let's say, the more international firms have less of that. We have private assets and impact on one side, we operate an open architecture approach so we can serve that client best. I think that is an area where we are very strong because again, some of our competitors will not have that full range of services, so they might not do the financial planning angle, which is what brings us closer to those big firms of lawyers and accountants and gives us credibility with those people too.

Peter Harrison: Richard, do you want to do the point on margins?

Richard Keers: As Peter mentioned at the start of the presentations today, the margins are pretty stable and we don't see significant pressures on those underlying margins. Going back to the year end analysts' presentation, I did guide to the aggregate advised margin improving from 57 to 59 basis points; that two basis points improvement was predominantly down to net interest margin and the improvement we were expecting in the first half of this year, which has come through. We see underlying improvement rather than attrition in revenue margins.

Arnaud Giblat (BNP Paribas Exane): I have three questions, please, on private assets. You highlighted quite a few times during the presentation and even during the Q&A that this is an area of synergies. I am just wondering what the allocation today for your clients in Cazenove are towards private assets and where you are advising them to go towards?

Secondly, what is the share of Schroders' private assets sold to these clients, and is there an opportunity perhaps to increase that and if there is, indeed, an impact on margins. Thirdly, we have seen a number of traditional managers or other asset managers doing more M&A, building out capabilities, specifically in private credit and secondaries. Is this an area where you think you can bulk up and offer more towards your clients?

Mary-Anne Daly: I will take the first two if you would like me to. On the allocation, that is very tailored to the client. Obviously, as I told you before, our client span is quite wide. For some of our smaller clients or less sophisticated clients, it will be probably less significant than it might be for a very large endowment, a very large charity, who have a much longer term horizon and less need for that income to come in.

We tailor that absolutely and we also advise that clients should take a staggered approach to building their exposure to private assets, so that they are not limited to one vintage, so they get diversification of vintage. It is not a quick answer to, say, 20%, but it ranges from, let's say, 5% to 20/25%, even for the very large endowments, just to give you a sense of that scale. It is a central investment recommendation because we believe in private assets, we believe in that being a strategic part of a client's investments.

In terms of how much is the share?

Peter Harrison: Of Schroders Capital's flows it is still a very small number, because the UK is relatively early in this and we have really only, since we built up the Schroders Capital platform, we are now starting to say okay, the democratisation piece is the next big piece. It would be single digit percentages and, as you pointed out, a decent upside for us.

On your point on private credit etc, absolutely. This is a market which is growing. We see long-term conversions between public and private; we see a move to make privates a much more fluid market and the deepening of secondary markets is part of that but also initiatives by the London Stock Exchange etc, to change the nature of privates and intermittent trading windows, so there is an awful lot more to go in this space. The idea that, when we all grew up, fixed income and equities lived in separate buildings, they are now part and parcel of the same firm. We are going to see the same between public and private come much more close together.

Richard, did you want to correct something you said earlier?

Richard Keers: I just wanted to correct what I said earlier – 57bps to 59bps; the guidance I gave in February was 55 to 57. We don't normally talk about the individual components of the Wealth business, but in aggregate, their margins are increasing from 55 to 57 in the segment in Advised.

Hubert Lam (Bank of America): I have three questions. Firstly on the net new money growth target – I just want some clarification on that. You said 5-7%, I assume that also includes SPW, which Mark said is growing more than 7%, so just running for the core business or the business excluding SPW, is it towards the lower end of that range, or is it still 5-7% what you're looking for there?

Richard Keers: Again, the guidance of 5-7% is against the AUM in its entirety, not just against Advised. You have heard today some very compelling stories in terms of the Advised segment growing strongly, but yes, 5-7% we think is a good long-term target for the aggregate, but clearly Advised is growing very nicely at the current time.

Peter Harrison: Hubert, your point is a fair one in so far as each business highlighted that they were growing at a higher rate. We are observing the headwinds in the rest of the sector and thinking, actually, do we want to put a target, given the headwinds that are out there, which in aggregate is in excess, but each of the businesses feels like they have growth targets which can get to the 7%, but we are just not going to put our necks out there all the way, given the headwinds in the sector.

Hubert Lam: Two other questions. Firstly, on the penetration of Schroders Asset Management products, can you talk about the percentage of that in each of the segments, how much potential there is to grow that penetration further, and are there any limits to that?

The last question is for Mary-Anne again. Can you talk about the potential stemming from Credit Suisse and UBS, whether or not you see that as an opportunity for your Wealth management business in the UK, international, in terms of getting potential new clients from that transaction, and the potential to get more bankers? Thank you.

Peter Harrison: Perhaps the aggregate managed assets are £23 billion of assets. David, it is probably worth you talking about the opportunity in SIS.

David White: Yes, sure. In terms of Schroders Investment Solutions within the Benchmark business, around about 10% today is in Schroder funds. They are unfettered, so we make a commitment to select the best funds and our Chief Investment Officer will make that decision accordingly, but it's around about 10% today, so there is opportunity obviously for further growth.

Mary-Anne Daly: In our case, again, it is the result of our asset allocation, and therefore we don't have a target – that would be a conflict of interest for us to say we're going to do this. It will vary between, let's say, 7-15-20% because we operate on an open architecture approach. It will depend on where we are in the cycle, so, for example, last year, we felt that it was important to be at the short end of duration for our fixed income portfolios, and therefore we were not holding that much in Schroder funds which were positioned differently, but it is a result, not an objective.

Having said that, clearly, firstly, it's very attractive for us to invest in Schroder funds because we get access to those funds at a very attractive rate as we are a major holder. Secondly, we know the Group very well, so it's something that we would like to do more of but ultimately we have our clients' interests in mind and we're doing the right thing by them.

Mark Duckworth: I talked about the six multi-asset funds that recently have just launched. They are starting to pick up, inflows rise into them rapidly in Quarter 1. Of the multi-manager funds, pretty similar to Peter's response earlier, we are still single digit across multi-manager, but I do see there's an opportunity, leveraging some of what Mary-Anne talked about earlier, to expand the amount that we hold within Schroder's funds, but right now it's single digit.

Mary-Anne Daly: On Credit Suisse, yes, we have seen some flows from that, absolutely, and it's primarily people worried about the financial aspect of holding. It's interesting to note that we're a very cautious bank and therefore, when there are periods like this of disruption, we have tended to see a lot of flows in. The same happened during the great financial crisis. So we will get flows from that.

Whether or not we will hire from that angle, we hire people that are culturally aligned to us, and to our business and to how we think, so it will depend. I think that's been the success of the business, both in terms of our acquisitions and in terms of our acquisitions of people. Unless they are culturally aligned, we won't have them, but if they are, we absolutely welcome them.

Some of the advisers we have hired in the regions, for example, have come from those sources, but again, we are very discerning on who we hire.

Bruce Hamilton (Morgan Stanley): I have two questions, one on AI implications. I imagine there might be a range of use cases about perhaps 'time to serve customers' and other efficiencies. I'm interested in how you're thinking about the potential benefits but also any potential disruptive impact on the business.

Secondly, going back to the private market opportunity, would I be right in thinking it's going to be mainly at the higher-end affluent, or higher-net-worth, because it's into your traditional draw-down funds, or do you have or have plans for any semi-liquid offering so that you can penetrate further down the wealth curve? Thank you.

Peter Harrison: I'm sure everyone has a view on AI, but let me start by saying that our view is that it's a profound change, and we have run very hard to make sure that we had a contract in place with OpenAI very early on. We've made Genie available to everyone of our staff within Schroders in a safe space. We are protecting the relevant things that you would expect to be protected and there is a much larger plan being put in place to how we systematically change our business to do it.

I think the easy wins are things like translation, etc., but you can see – in fact we've already done it in Singapore as a mock up - the automation of the advice journey. Singapore is a particularly easy place because all the regulations exist in one place, so you can just simply take the act and reproduce it.

The question is how you can make a much better client experience. I think we know that client relationships matter, and if you are the client's trusted adviser, both empowering that relationship – and I know Mark has some interesting news cases in terms of keeping customer records and the rest of it.

I don't know if anyone else wants to offer a view?

Mark Duckworth: I would just echo Peter's comments – this is a huge opportunity, and I think I started to draw through the journey from the client's initial interest, right through to the point of purchase and how we have taken that from 65 days to 23, with the advent of AI. The seamless nature by which you can stimulate a client and bring that client through to an advising piece will definitely shift over the next three to five years.

The key aspect that I always consider is the proximity to the client, where you get to the point of advice, because clearly that has a great amount of variance – even in the mass affluent segment where we sit. It is quite a complex and individualistic process that you are going through, and it is that which will be more tricky to automate but, from the point of stimulus through to the point at which they meet the adviser, that is where I will see the fastest change. With the adviser, that is still yet to be proved: will we still end up with the same client outcome, through an AI rhythm, that I would with an adviser? I think advances will bring that to us.

David White: The area we are focusing on, and we are doing an early-stage pilot at the moment, is in the compliance process, where we have oversight for the advisers within our network – so just over 300. We are looking at how we use AI to automate some of the process, where we have dedicated compliance supervisors who do that today. How can we use AI to streamline and automate that, and identify trends within that advice process?

Mary-Anne Daly: In our segment it is very tailored. What we do is very tailored to the clients. Having said that, however, again on all of the services that come around that – whether it is marketing, whether it is investment writing and so on – there are huge applications, and it will free up our people's time. There is no question.

Peter Harrison: Bruce, on your second question, you make an important distinction. The high-net-worth segment – the traditional LP route into private assets is a very well-trodden path. For anyone who has done it, it is quite clunky and hard work to do. There is absolutely a major opportunity coming in the democratisation of private assets and we feel that, as a firm with a lot of mutual fund heritage, that will be an important shift. We already have a couple of vehicles on our GAIA range, the first of which has already raised over £1 billion, and we would expect that range to carry on expanding.

You saw that we raised the first Long-Term Asset Fund in the UK. Tax transparency for that does not work for private individuals at the moment, it only works for pension funds, but we are working with the regulators hopefully to broaden that out fairly quickly, so that the Long-term Asset Funds could be made available in different ways. Again, that democratisation piece is a huge priority and I think it will open up a broader range of alternatives for people over time.

Mary-Anne Daly: Peter, if I may, just one addition to that is that in Cazenove what we have established is a PCC. This is a Guernsey-based vehicle which is a feeder into some of these LLPs. From a client point of view, first, it allows us to pool their assets, for Schroders Capital to see only one investor, so that the individual sizes that go in there can be much smaller than the typical, let's say, $1 million that you would expect, or $5 million which you would expect to go into one of those PCCs. It is also much less clunky from a reporting point of view, because we report to the client as one, and they see that in their tax returns and so on. It is a very efficient way for us to access those LLPs.

Hayley Tam (Credit Suisse Financial Services): Could I ask a question to Richard, please, and then a couple to Mary-Anne.

Firstly to Richard, thank you for the targets – the 10% operating profit growth is very clear. Can I just clarify, when you say 'excluding markets', does that also exclude any anticipated benefit of higher interest rates in the UK and other revenue margins?

Richard Keers: It excludes all changes in FX markets and interest rates.

Hayley Tam: Thank you. Then my questions for Mary-Anne, if I can. On slide 15, you laid out the very strong net new business growth that you have seen at Cazenove. Could I confirm a couple of things? Firstly, they look very UK-biased, and is that a trend which you expect to continue?

Secondly, in terms of the Lloyds banking partnership contribution – I know that that was something that was called out 20 months ago, could you give us a flavour of just how much of an impact that was, and how we should think about the ongoing opportunity there, please.

Mary-Anne Daly: Yes, certainly. Your first question on whether it is UK-biased – I think that is natural. Yes, there is better growth in the UK, but that is a natural - I think Peter referred to our business as being 'mature'. It is mature but, equally, because we are bigger, the potential for referrers from that business is higher. I think, yes, we will probably continue to see that but, equally, we have really high hopes of that inflection point turning and being able to export some of those USPs, in the sense of the sustainability expertise that we have. That should really resonate as we develop in Asia, and in

Switzerland where there are large foundations and charities. I think it is that optionality that will happen in those other regions but, of course, because of our size and our reputation here, it is almost easier. I am not saying that it is easy, if we have any colleagues listening today, because I know it is not easy, but it is just a little more natural, if you will.

Your second question was about the Lloyds banking contribution. It was significant and important but, as I said to you, I think we have seen almost an equal contribution from those four segments. Absolutely, it is an important part of our growth and one for which we have very high hopes.

Hayley Tam: If I could just quickly follow up on that, I should not think of that as a 'one and done' with Lloyds then, there wasn't an initial bump –

Mary-Anne Daly: Not at all, because what has been happening is we have been deepening the relationships with those Lloyds bankers, they now trust us more, they understand that we add value to their clients, that it is enhancing their relationship with the owners of this business. So on the contrary, I would see that building momentum, but it is already a very significant part.

Peter Harrison: The fact that we have opened the regional hubs makes it easier for that to happen as well.

Mike Werner (UBS): I am going to ask about the regional hubs. Mary-Anne, we have seen the regional hubs open up over the last couple of years, can you give us an idea about how the profitability of those hubs have progressed and whether there is more opportunity to open up regionally within the UK?

Secondly, and I think also to you, Mary-Anne, we have seen a lot of M&A in the Wealth Management space: you mentioned Sandaire, when you think about growth going forward, do you think you have all the components in place, or do you feel that inorganic growth can also complement the organic growth opportunities?

Mary-Anne Daly: On the profitability of our hubs, obviously we are really quite early on in that process, but we are very pleased to see the flows that have already come in. Our plan was that they would breakeven in five years, we are probably aiming for earlier than that. Having said that, this growth and this development has not only benefitted the new hubs, it has benefitted all of our regional offices, because we had three existing regional offices, who are following that same strategy of developing those local contacts with the professional advisers, but also with our colleagues at Lloyds. They too have grown a lot as a result of that focus and they are very profitable.

If you take our regional offices, because they are more mature businesses, obviously, if you take our regional offices as a whole, they are profitable, very healthy, and we are confident that the new offices, call them that, will turn the corner, maybe sooner than we had planned actually.

Do we want to open new hubs? Possibly. We have now got hubs in the key areas where wealth is located. Possibly we will. The important thing is not to proliferate because also, when you have a regional hub, you need a minimum mass to create the buzz and to have a really significant presence. We don't want to open a two person office here and a three person office there. It is not necessarily the right way to go. Possibly, but I think we are pretty much done with the first development, let's say.

Peter Harrison: There was a question on M&A?

Mary-Anne Daly: Apologies. Where we are on M&A is I don't think we need to fill a gap anymore. Not that we did, because Sandaire, well all of the big acquisitions, or the acquisitions that we did, Sandaire was an extension of our franchise in ultra-high-net-worth. Hoare's was absolutely the same business model as ours, so it is not as though we needed to fill a gap, but it just amplifies that.

Do we need to do that? No. Certainly not in the ultra-high-net-worth segment, but are we open to acquisitions on culturally aligned firms because some of them are coming to a point where there is succession planning, there is an opportunity there, if they are culturally aligned and we can see clear synergies, absolutely.

Richard Keers: Perhaps I can just summarise on the cost build out of the regional wealth offices. We don't have any plans in place to further roll out new regional offices. We have invested significantly over the last few years and really what are delivering now and part of what we see in terms of the profit increase and guidance is delivering leverage from what we have built. It is about delivering revenues behind the cost a few years ago.

Tom Mills (Jefferies): I just had a question, you said the Lloyds deposit base is £475 billion; how much of that do you think is ultimately addressable for the SPW business? Then, obviously the flows year to date are annualising pretty well, but are you seeing any competition from timed deposits which, obviously, are looking increasingly attractive now?

Mark Duckworth: Great question. The addressable market for Lloyds actually moves quite significantly, but the numbers, as you would guess, is significant for us across the 36 million people across the group. In terms of the headwinds, we are definitely seeing a little bit more where clients are looking at those fixed cash rates being far more attractive than we have seen in a cycle, since going back to 2008, so it is definitely becoming more of a conversation for clients. I think where we will end is those durations tend to be quite short. What we are trying to do is build the relationship with the client through life, so what we will see in the short to medium term is a combination of clients taking both cash in the shorter term and that, I think, will affect some of the shorter ISA planning, but certainly in terms of the more mature thinking through goals and 'where I want to be in my life', GIA and certainly pension; that will remain robust, but I do think it will affect some of the shorter term investing.

Peter Harrison: There is some evidence the cost of living crisis is also dampening at that end of the market as well.

Mark Duckworth: Absolutely. Thank you.

Kevin Ryan, (Bloomberg Intelligence): I just had one question on Schroders Personal Wealth. You mentioned the collapse in the number of advisers in the UK, and I suspect that is to do with some really quite difficult exams you have to do to become an adviser. I just wanted to know what you're doing to address that challenge of getting new advisers in, because you also mentioned the average age was 57. I suspect a lot of those people want to spend more time playing golf or fishing or something. What's the look forward?

Mark Duckworth: That's a great question. The average age is 57, and you're quite right, post-Covid, we have definitely seen a slow-down from people if they've been through Covid to think 'do I come back and do I work as hard as maybe I would have done pre-? What we did is build an academy when I joined, so of the 60% that I quoted of the advisers that have changed, 50% have actually come through the Academy and 50% are experienced peers, so we have a balance of 50/50. We have actually brought down the age, the average age of our advisers in SPW now sits at 42, and that's because the average age of an academy entrant is 32, and it's split 50/50 male/female. We have a really nice pipeline, we have another 18 people that I expect to come off our next academy cohort in the next four weeks, and it's going very well. That's what we're working through.

Peter Harrison: Thanks, David. Are there any more questions in the room? [*No questions*] In which case, we will go to are there any questions on line? [*No questions*] Great! Thank you, everyone. The time is now 10.30. There will be transcripts and a full video of this if you want to go back and watch it again. Thank you very much for joining us.

[*Ends*]