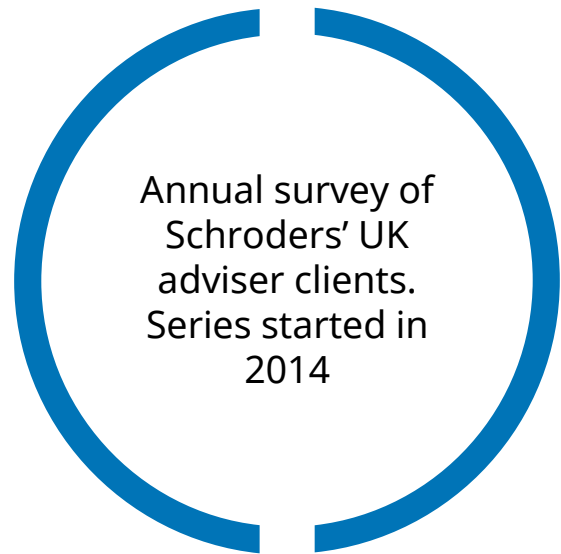


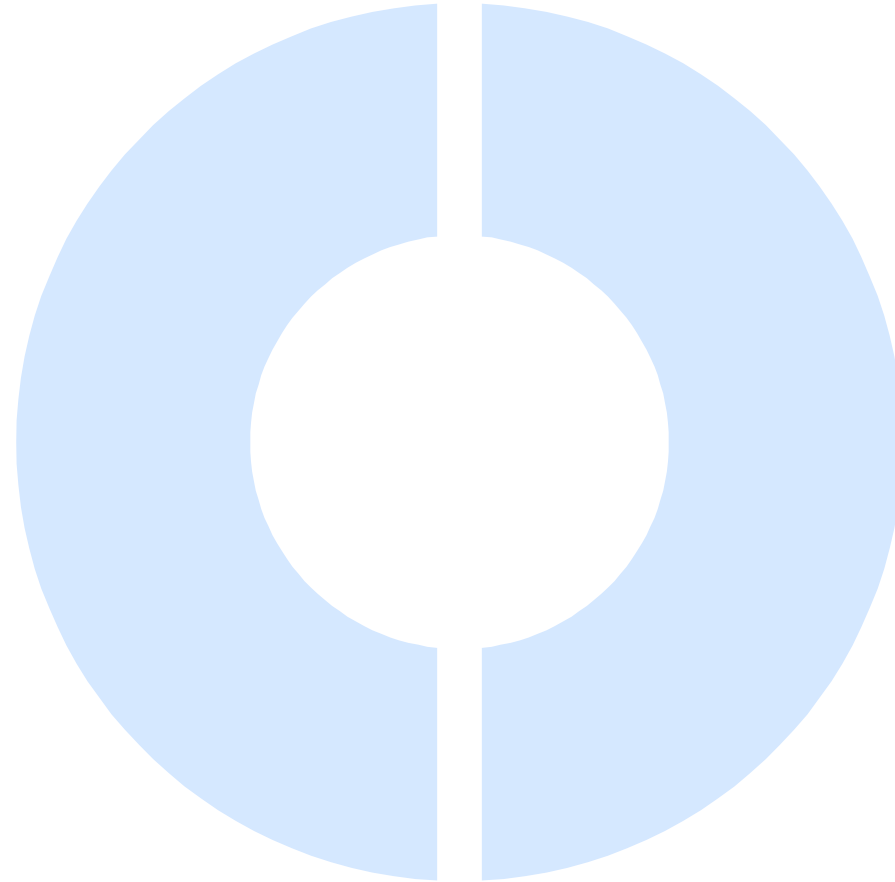
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Schroders UK Financial Adviser Pulse Survey
May 2022

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Schroders UK Adviser Pulse Survey May 2022



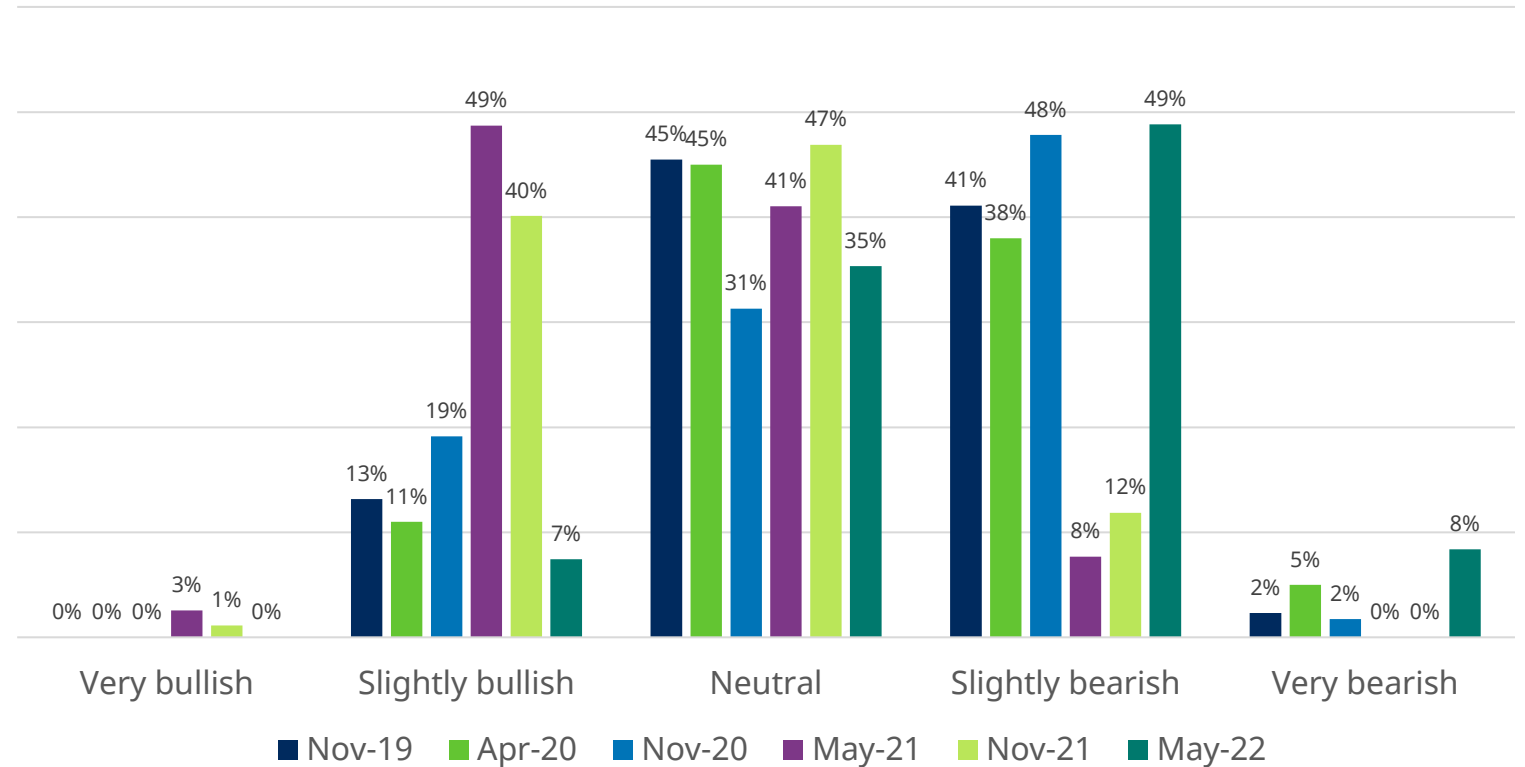


How are clients feeling about their investments?

Client sentiment

- There has been a large swing in sentiment in a bearish direction among advisers' clients since our November 2021 survey.
- 57% of clients are now bearish, compared to only 12% in November.
- Correspondingly, only 7% are bullish, compared to 41% in November.

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

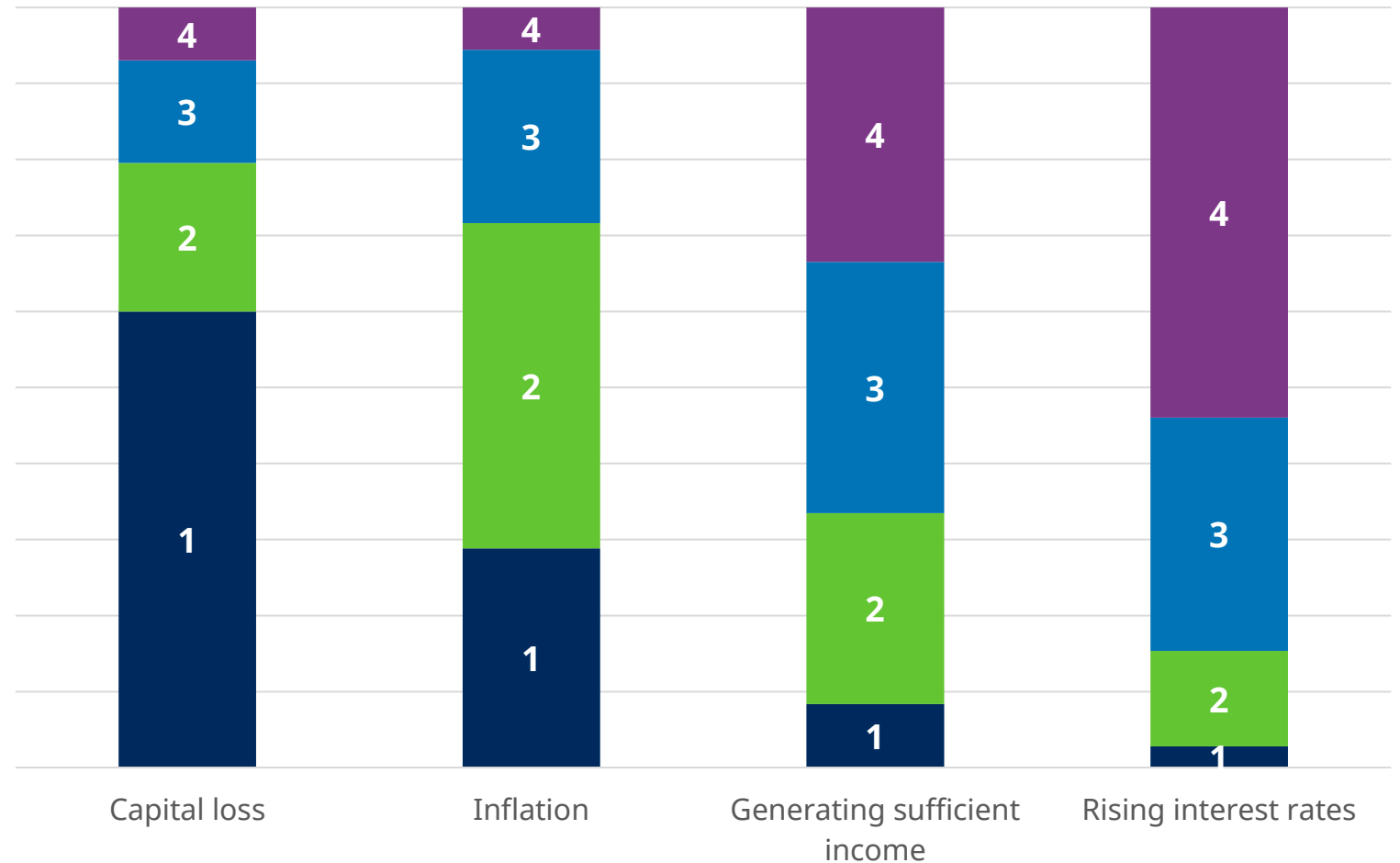


Source: Schroders Adviser Survey May 2022

Client concerns

- 60% of advisers ranked capital loss as the issue that their clients are currently most concerned about.
- It is at times like this, when there is heightened uncertainty and markets have been selling off, that clear messaging and regular communication with clients becomes particularly important.

Rank the importance of the following factors you think clients are most concerned about in the current environment with 1 being the most important

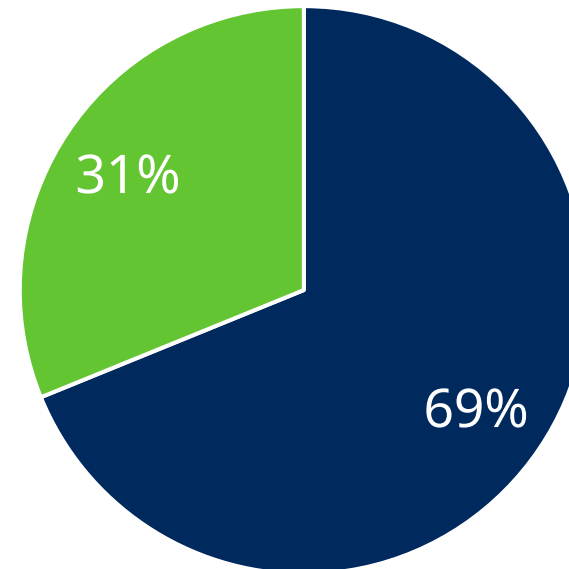


Source: Schroders Adviser Survey May 2022

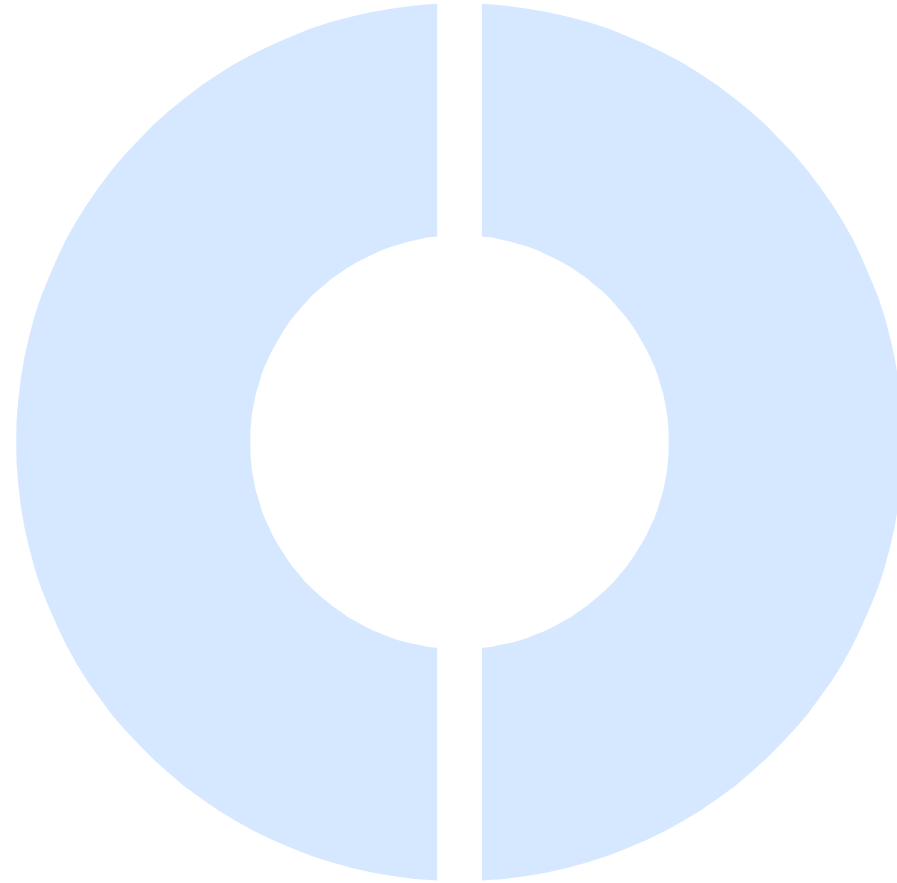
Impact of cost of living crisis on client plans

- 69% of advisers expect that some of their clients will have to adjust their investment plans as a result of the cost of living crisis.
 - Investing less or selling investments at times like this is understandable, however this can have a significant impact on long-term returns as clients may miss out on the effect of compounding.
-

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



■ Yes ■ No

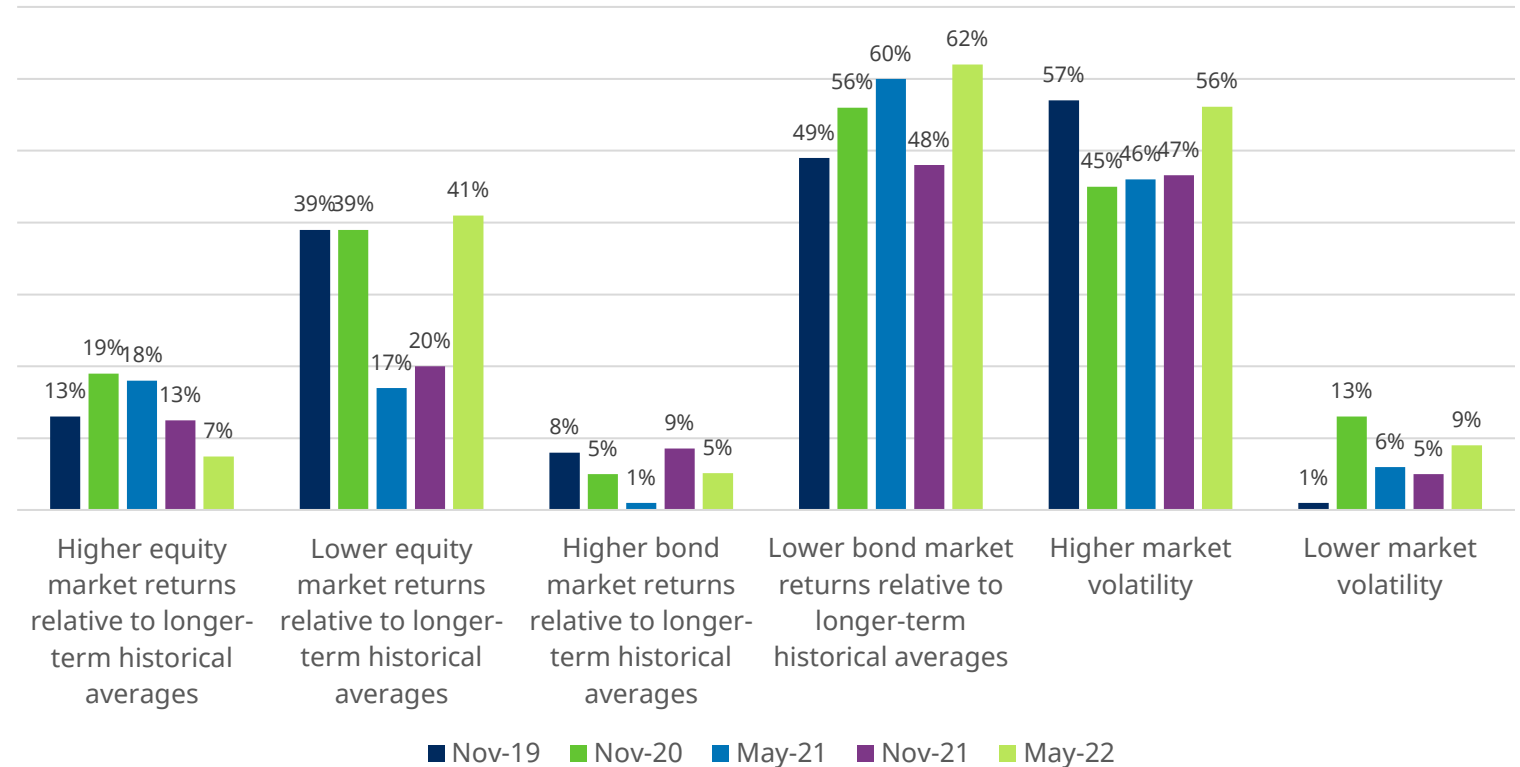


Longer term market trends

Inescapable truths

- 41% of advisers expect equity returns to be lower than historical averages over the next five years, compared to 20% in November.
- Sentiment on fixed income remains more negative with 62% of advisers expecting bond returns to be lower.

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

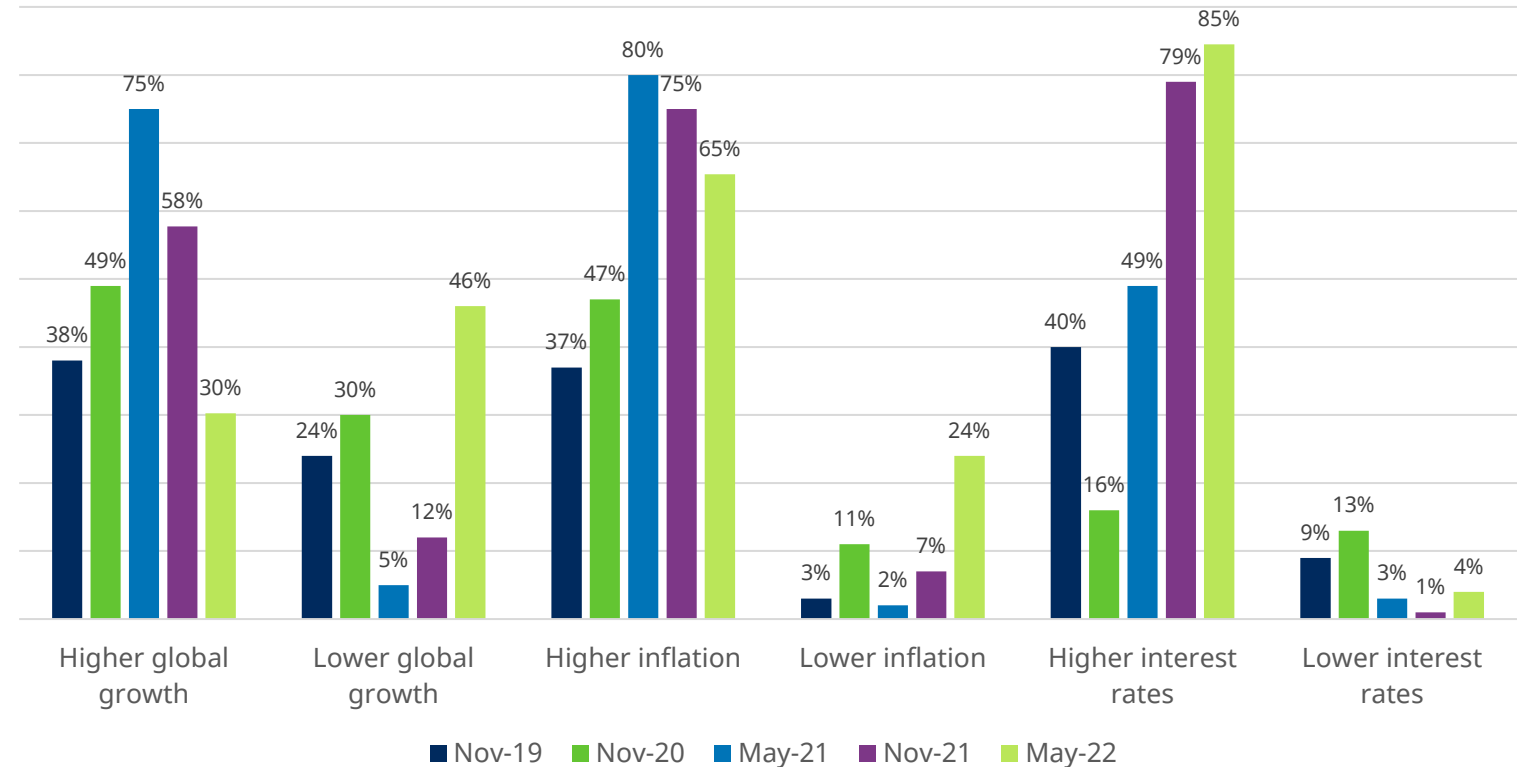


Source: Schroders Adviser Survey May 2022 (Little change also an option)

Inescapable truths

- Growth expectations have fallen sharply while expectations of higher interest rates have increased further.
- However, despite the recent inflation rate increases, the percentage of advisers expecting inflation to trend higher has fallen over the past year from 80% to 65%, perhaps reflecting concerns that we may be heading for a recession.

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

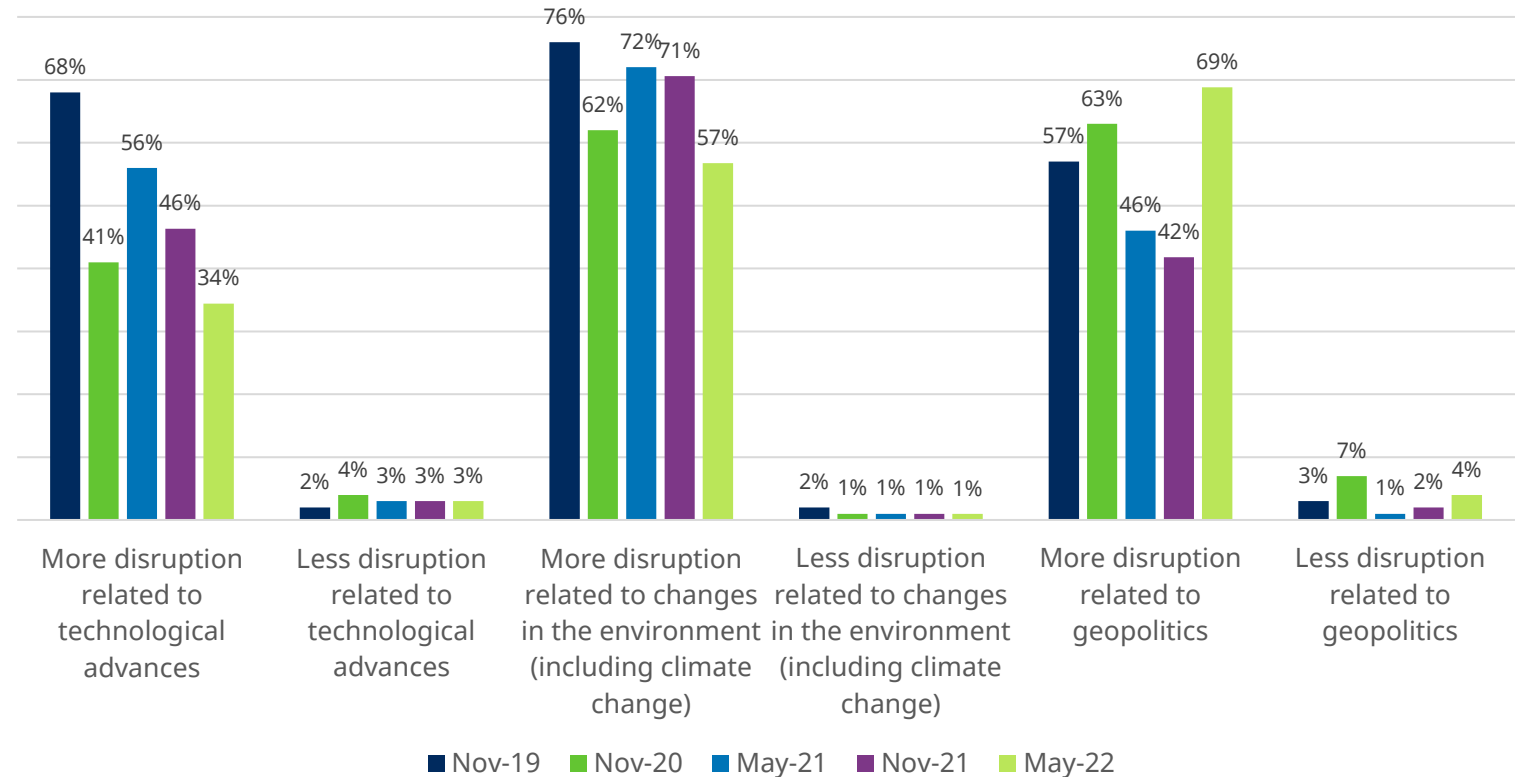


Source: Schroders Adviser Survey May 2022 (Little change also an option)

Inescapable truths

- Advisers expect disruption to remain a significant theme in markets.
- In the wake of Russia's invasion of Ukraine, the percentage of advisers expecting greater disruption relating to geopolitics has increased significantly.
- There has been a corresponding fall in the percentage of advisers expecting greater disruption related to changes in the environment, which perhaps suggests a reduced focus on sustainability against a background of the current geopolitical challenges.

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



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

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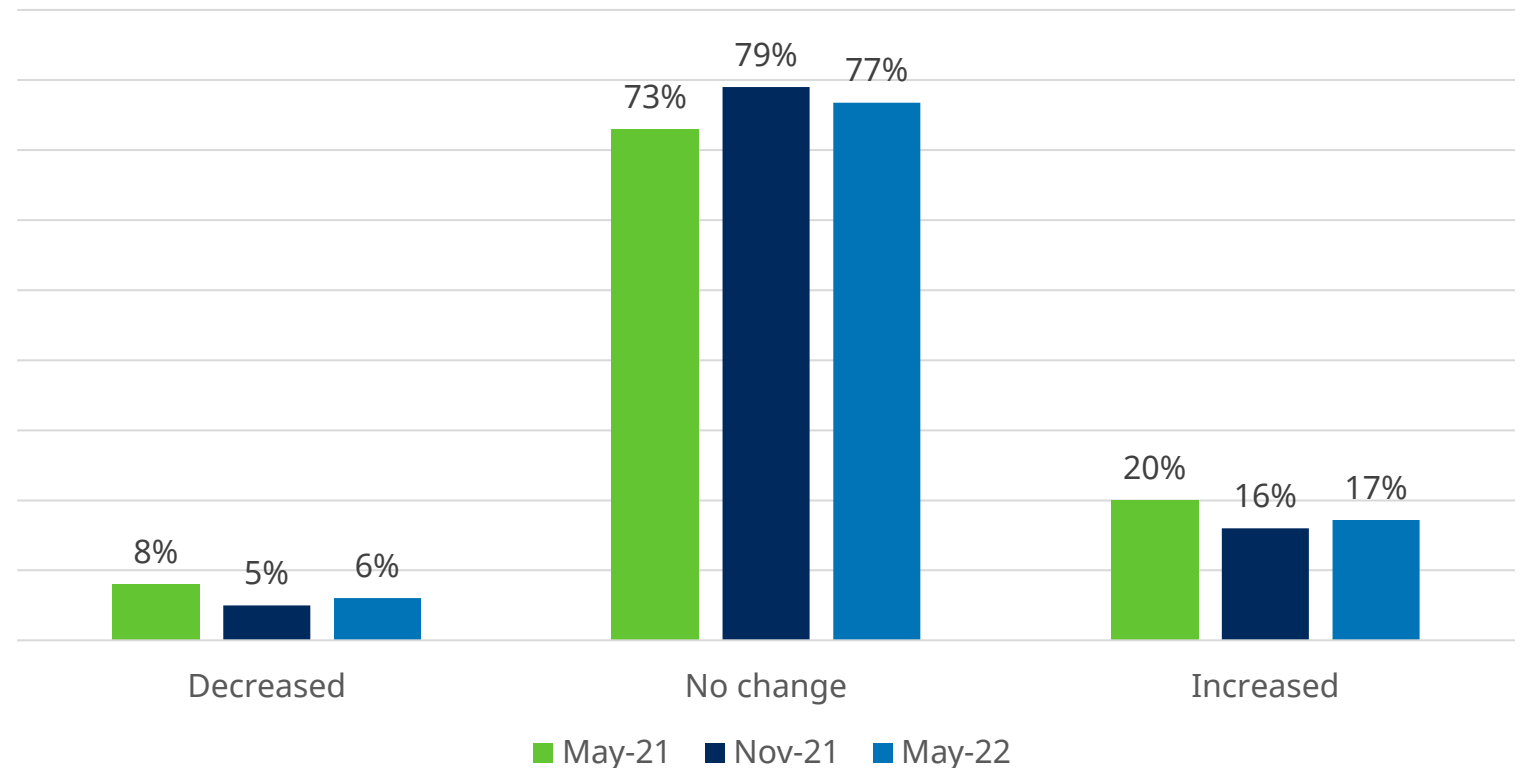


Outsourcing

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

Outsourcing portfolio management

- Overall, advisers are continuing to increase their use of outsourced solutions.
- 17% of advisers have increased their use of outsourced solutions in the last year.

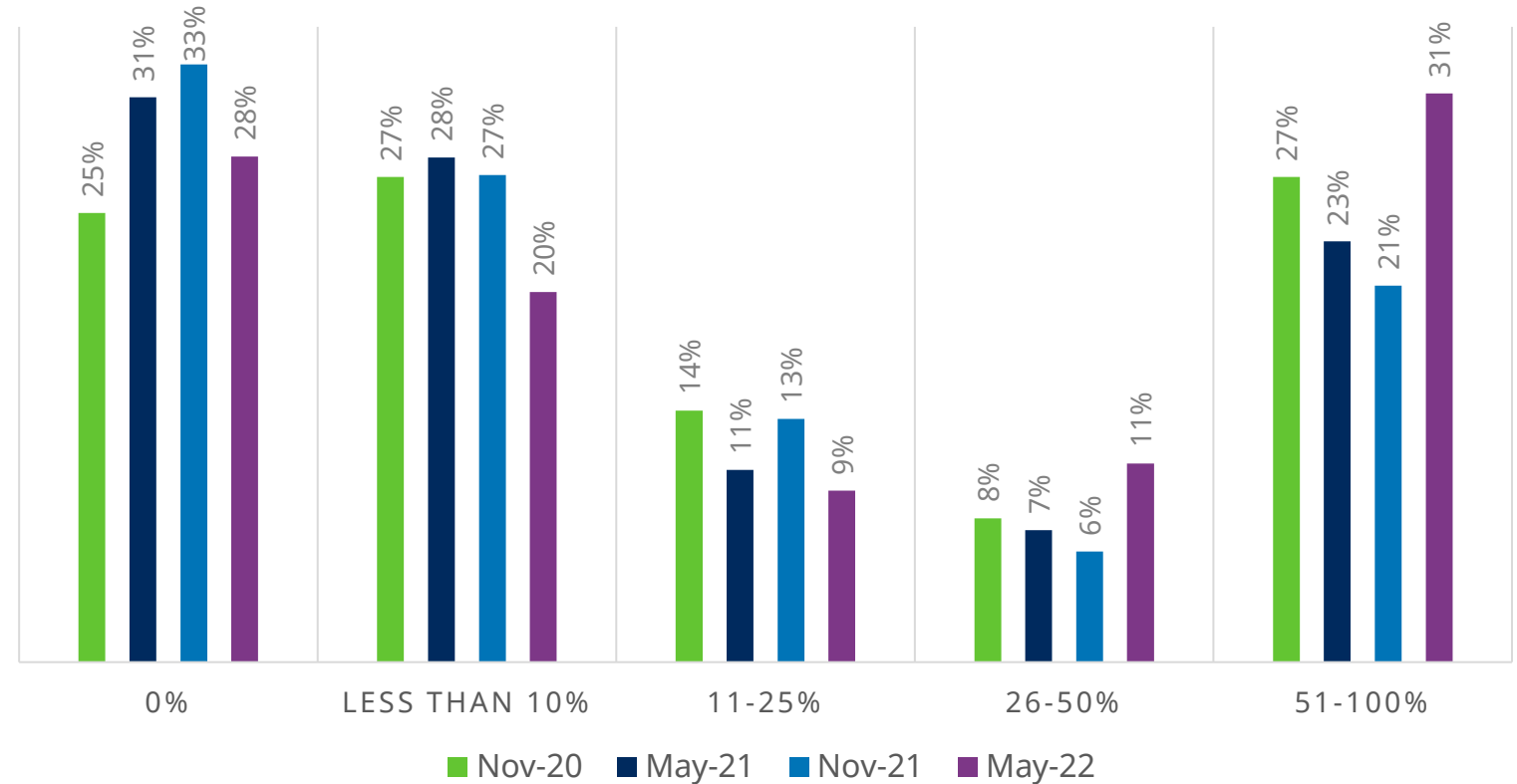


Source: Schroders Adviser Survey May 2022

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

Outsourcing portfolio management

- There has been an increase in the number of advisers reporting that they outsource more than 50% of their clients' assets from 21% to 31%.
- 42% of advisers report that they outsource over 25% of their clients' assets compared to 27% in November 2021.

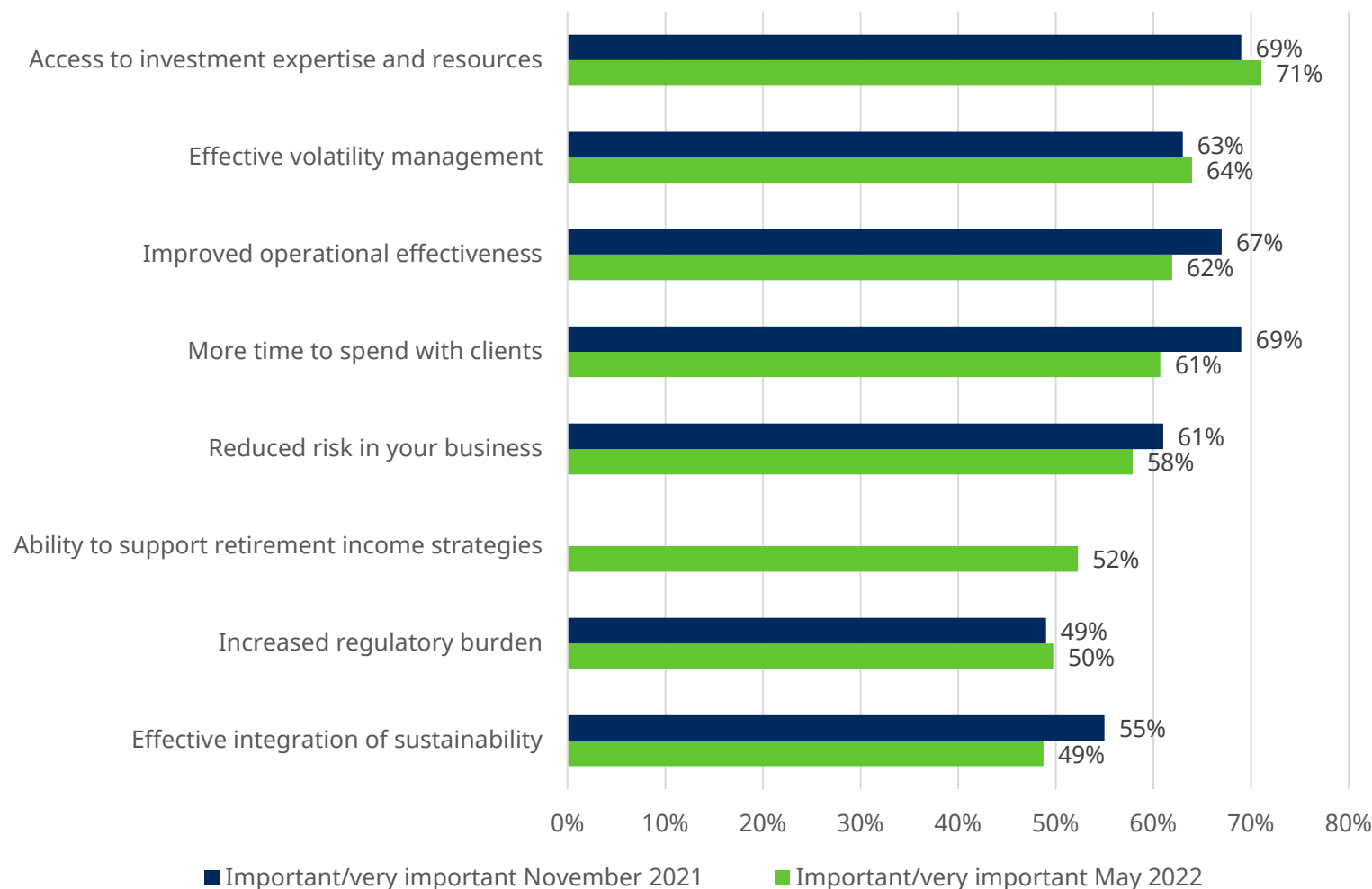


Source: Schroders Adviser Survey May 2022

Outsourcing portfolio management

- Advisers rate investment related factors as the most important in reaching a decision to outsource portfolio management.
- 'Access to investment expertise and resources' is out in front by some margin, followed by 'effective volatility management'.
- 'Spending more time with clients' and 'improved operational' effectiveness are also rated important or very important by over 60% of advisers.

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

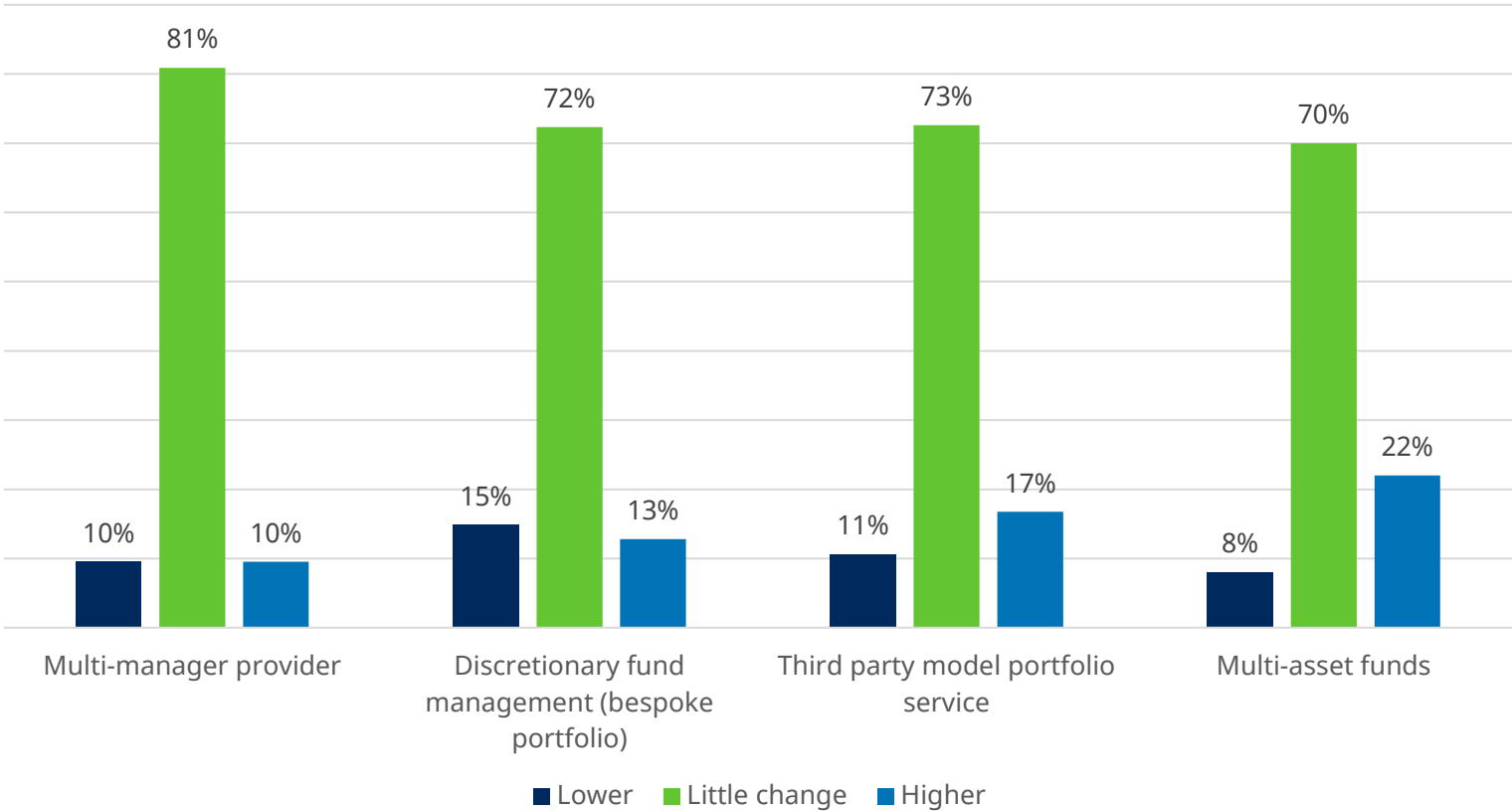


Source: Schroders Adviser Survey May 2022

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

Selecting an outsourced solution

- Overall, advisers expect to increase their allocation to multi-asset funds and third party MPS solutions over the next year.



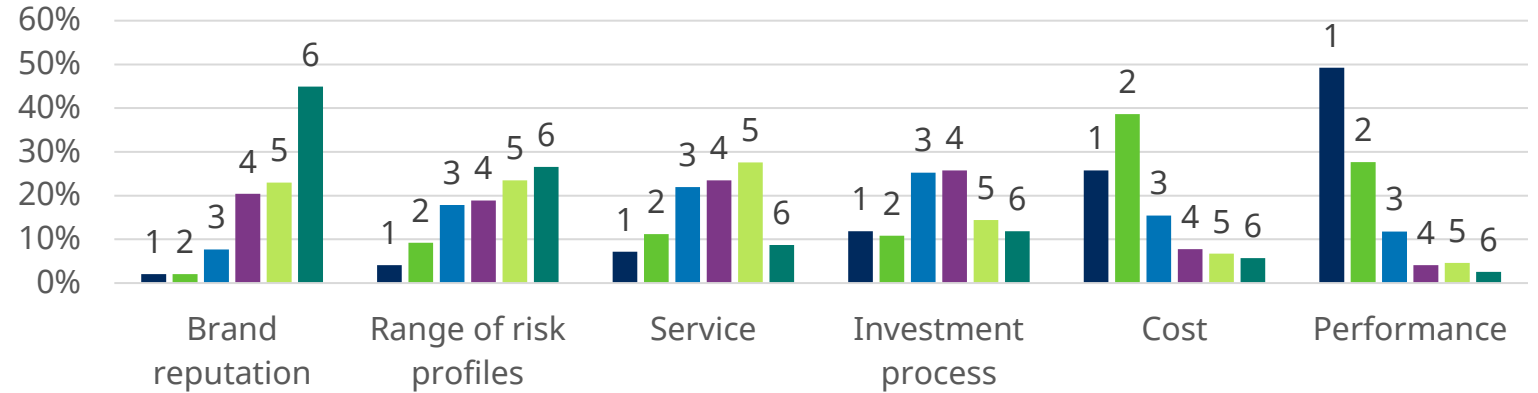
Source: Schroders Adviser Survey May 2022

Selecting an outsourced solution

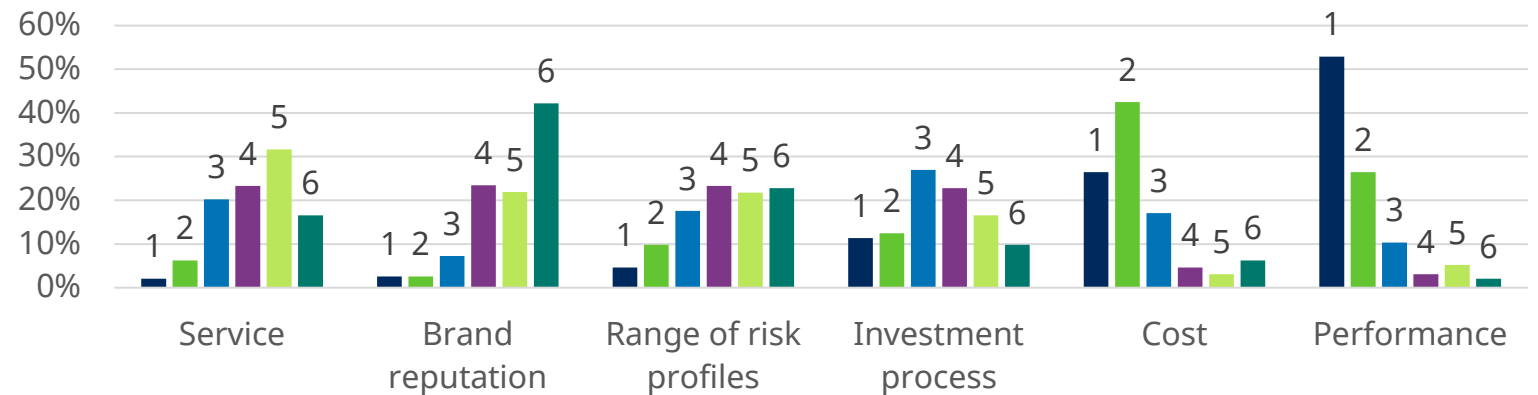
- Performance remains the most important factor for most advisers when selecting an MPS or multi-asset solution.
- This is followed in importance by cost and investment process.

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

Model Portfolio Service (MPS)



Multi Asset Fund



Source: Schroders Adviser Survey May 2022

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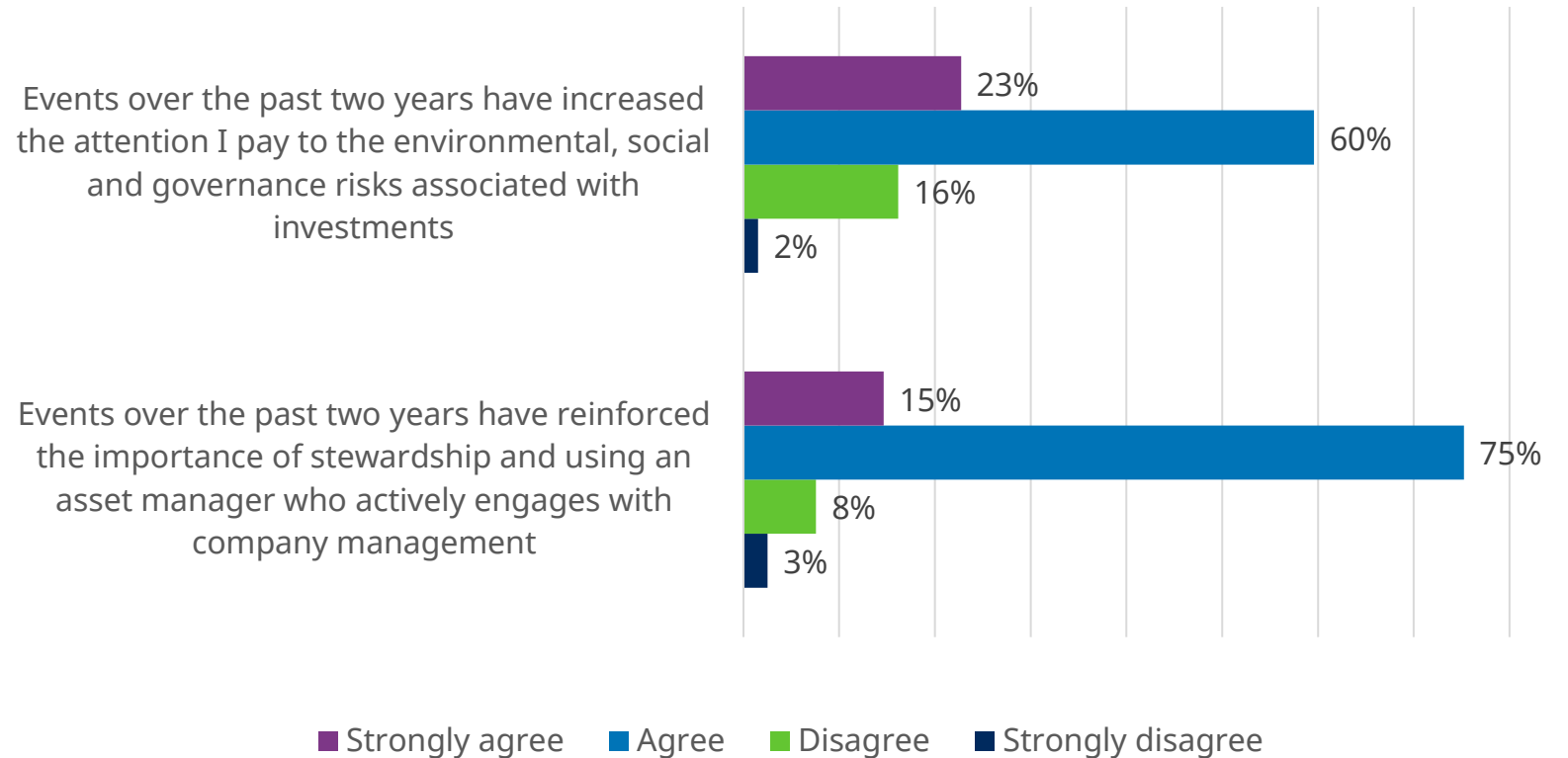


Sustainability

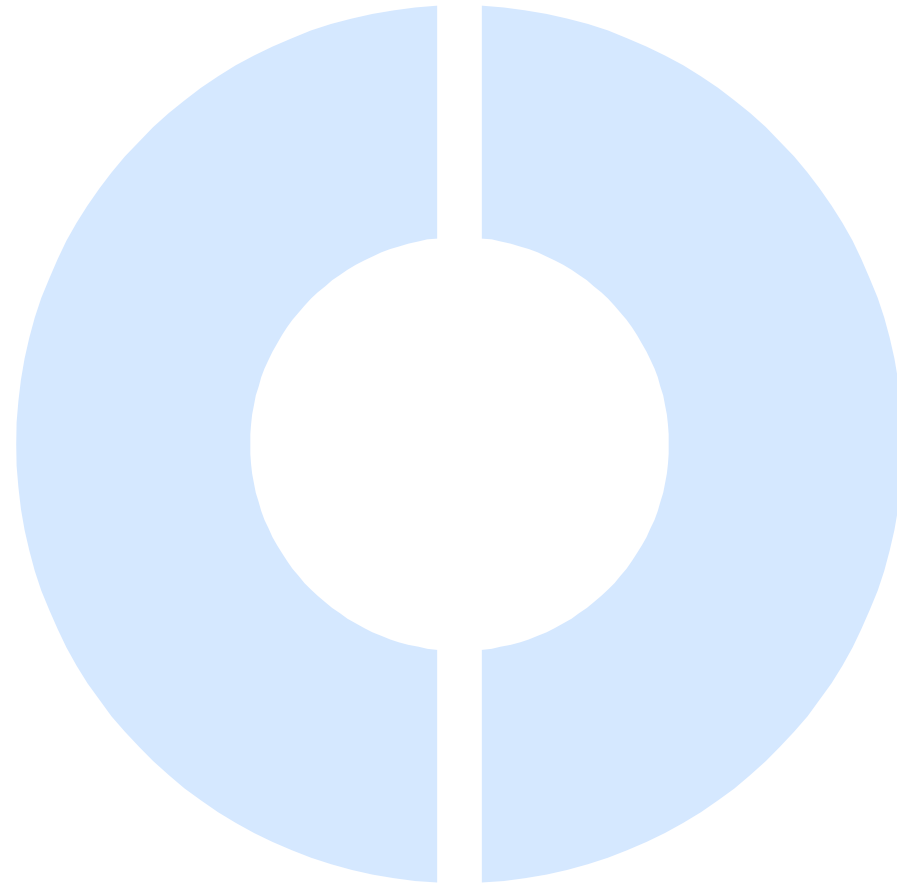
Sustainability

- Sustainability considerations have well and truly entered the mainstream with advisers over the past couple of years.
- The Covid 19 crisis and Russia's invasion of Ukraine are both likely to have had an impact on the growing importance placed on incorporating sustainability in investment decision making, alongside mounting evidence of the impact of climate change.

To what extent do you agree with the following statements:



Source: Schroders Adviser Survey May 2022

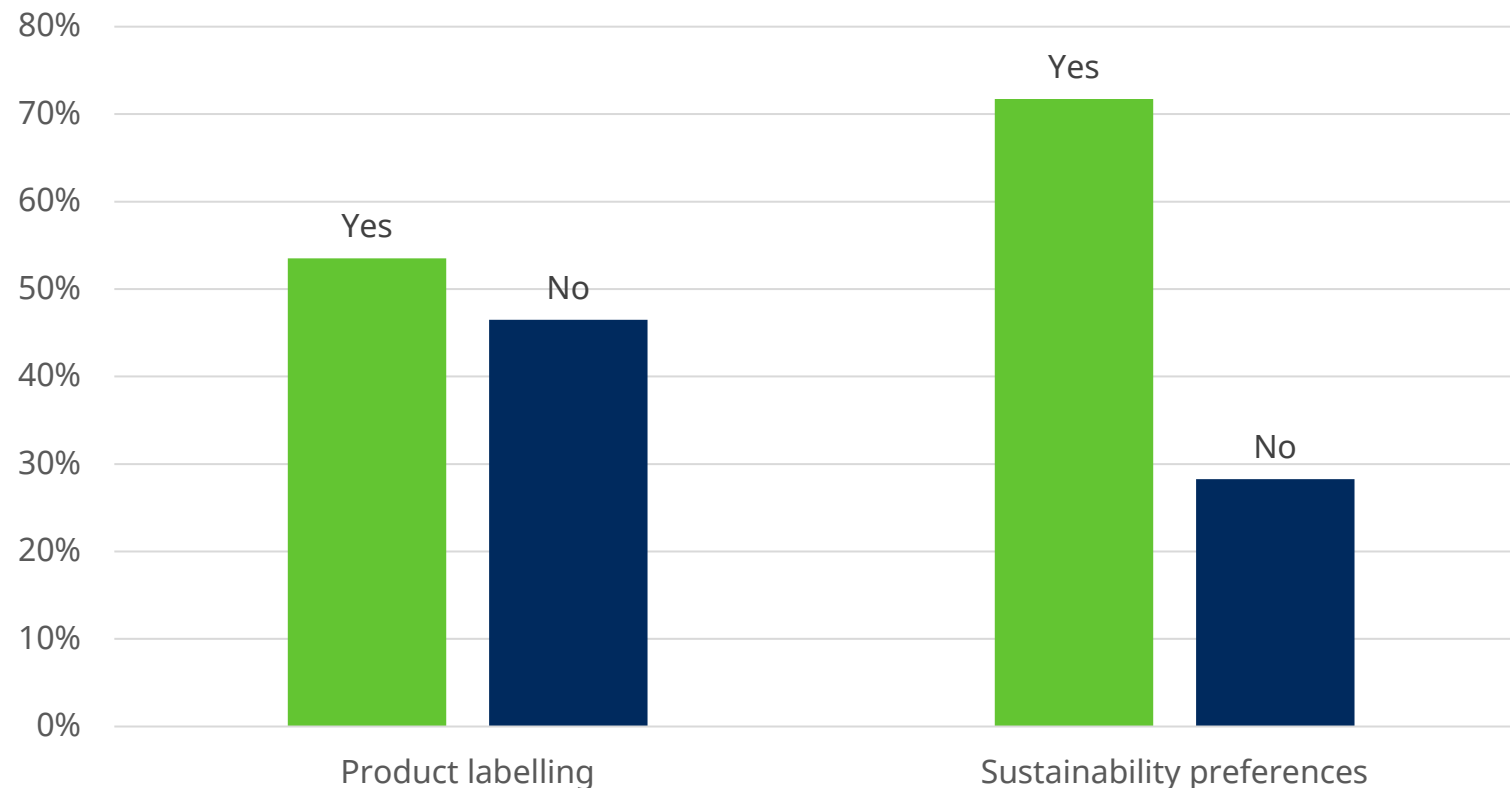


Regulatory landscape – sustainability and Consumer Duty

Sustainability regulation

- Advisers continue to face a wave of regulatory changes. On the ESG related front, 72% of advisers have been making preparations for the coming requirement to consider and note their clients' sustainability preferences
- 54% have been preparing for changes in sustainability related requirements on product labelling.

Is your business preparing for these anticipated changes in regulation relating to ESG?

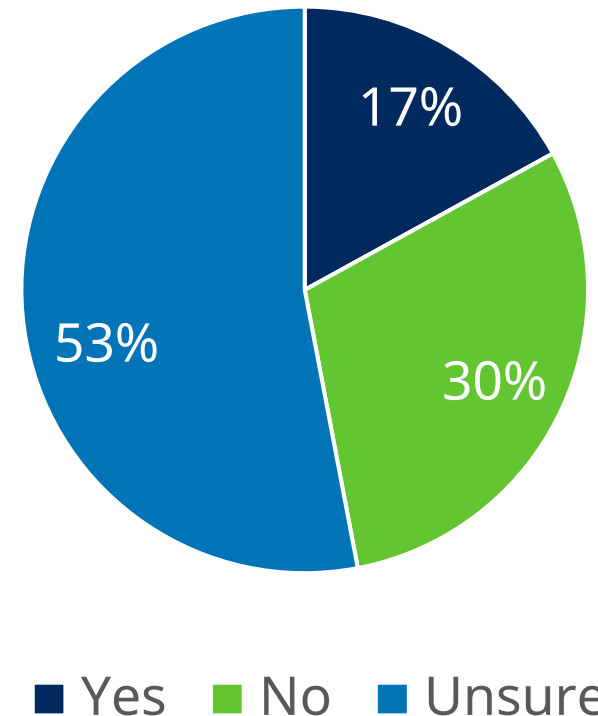


Source: Schroders Adviser Survey May 2022

Consumer duty regulation

- A new consumer duty for financial services is set to be introduced by April 2023.
- It aims to ensure companies “put themselves in customers’ shoes” when communicating and designing products.
- With the final details of the regulation not yet made public, 53% of advisers say that they are unsure about the impact this will have on their business.
- 30% of advisers expect that it will not have a negative impact on their business, 17% expect that it will.

Are you concerned about the impact of the FCA's proposed Consumer Duty regulations on your business?



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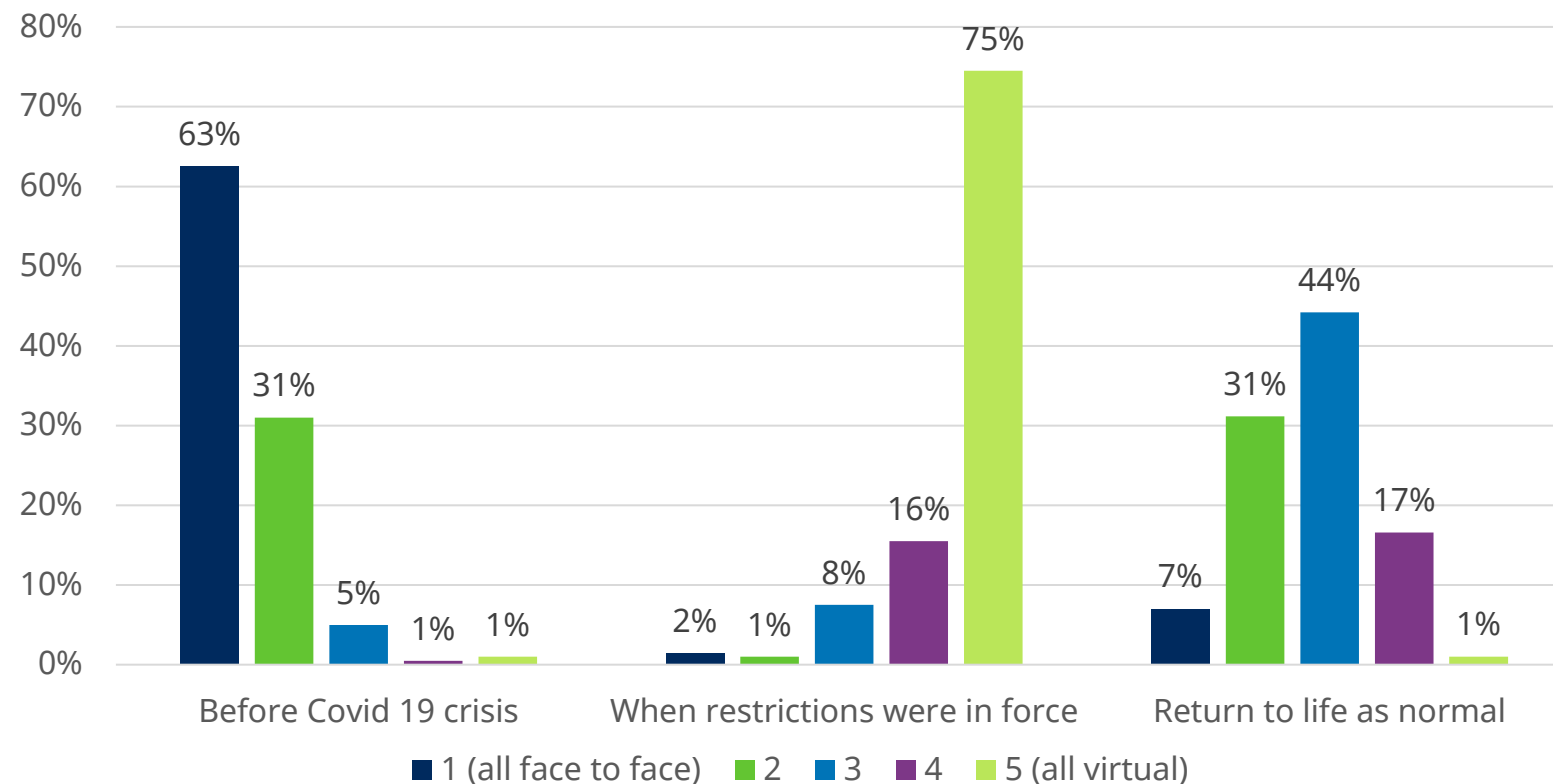


Client engagement

Client meetings

- The Covid 19 crisis has had a lasting impact on the way that advisers engage with their clients.
- Pre Covid, 63% of advisers held all of their client meetings face-to-face, as life returns to normal only 7% expect to return to this.
- Only 1% expect that all their meetings will be virtual in the future, with most expecting to use a combination of face-to-face and online meetings, with a skew towards more face-to-face interaction.

How did you conduct client meetings before Covid, how did you conduct them when restrictions were in force, and how do you expect to conduct them as life returns to normal?



Source: Schroders Adviser Survey May 2022

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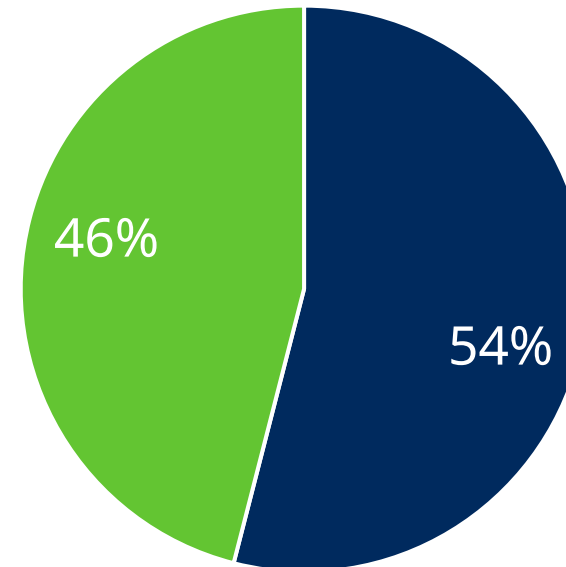


Wealth transfer

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

Intergenerational wealth transfer

- A majority of advisers (54%) are concerned that they could lose business as wealth transfers between generations.



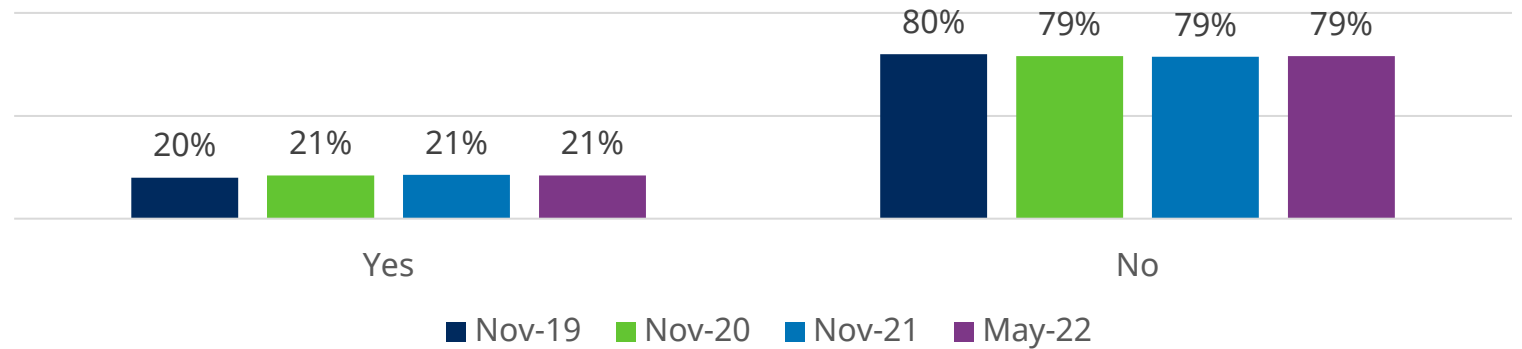
■ Yes ■ No

Client acquisition strategy

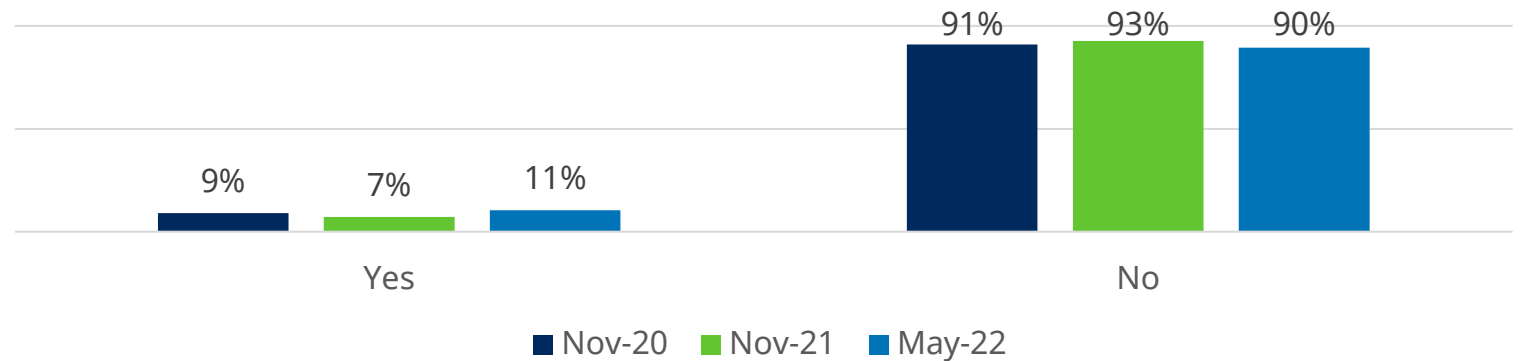
- Despite an increased industry focus on the risks and opportunities posed by intergenerational wealth transfer, there has been almost no change in the very low percentage of advisers with a differentiated strategy for younger investors or for retaining, attracting and advising women.

Do you have a differentiated sales and marketing strategy for:

Younger investors



Retaining, attracting and advising women - particularly divorced or widowed



Source: Schroders Adviser Survey May 2022

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