



Schroders 2016 Half-Year Results

28 July 2016

Peter Harrison | Group Chief Executive



Schroders

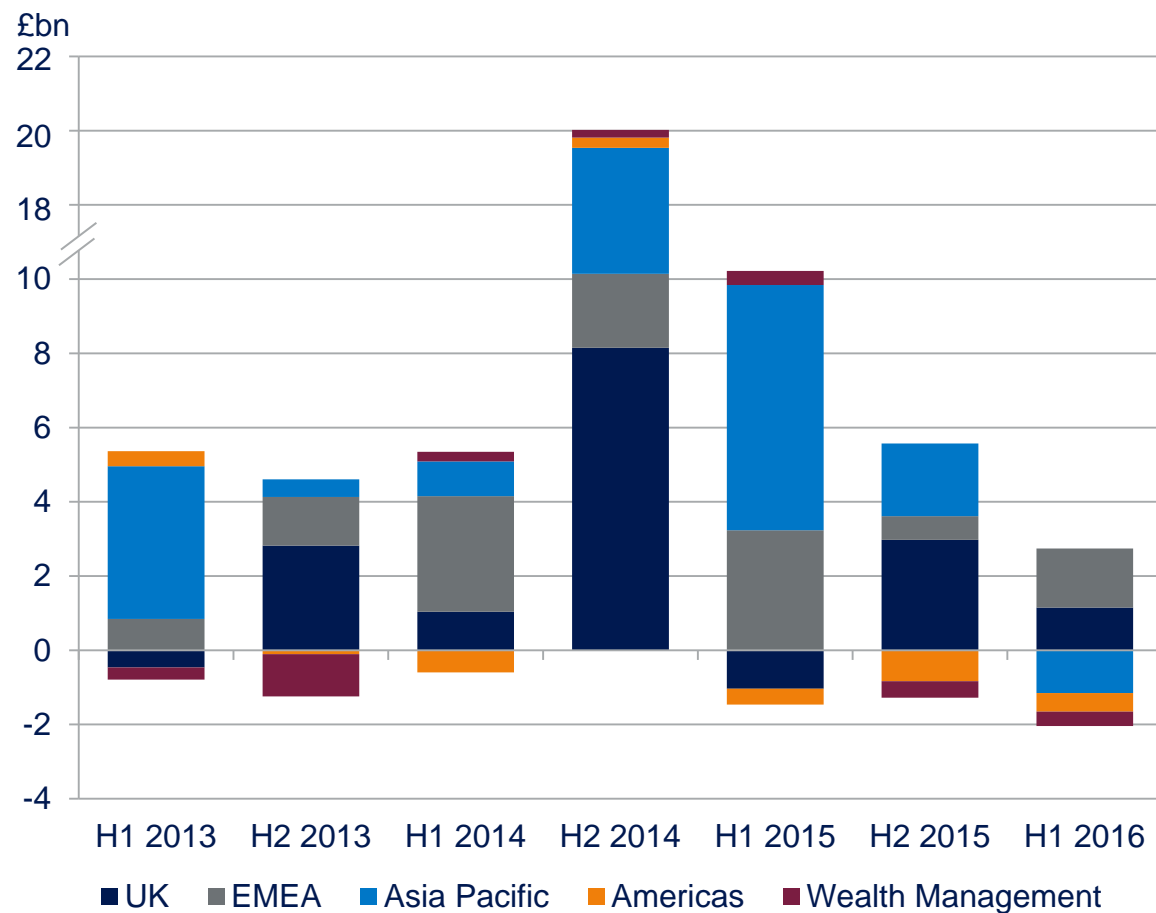
H1 results

Good results in difficult markets

- Net operating revenue of £794.9 million, despite challenging market conditions (H1 2015: £798.6 million)
- Profit before tax of £282.3 million (H1 2015: £290.3 million)
- Profit before tax and exceptional items £293.7 million (H1 2015: £305.7 million)
- Interim dividend 29.0 pence per share (interim dividend 2015: 29.0 pence)
- 70% of assets outperforming their benchmark or peer group over 3 years (31 March 2016: 74%)
- Assets under management of £343.8 billion (31 March 2016: £324.9 billion)

H1 results

Global diversification



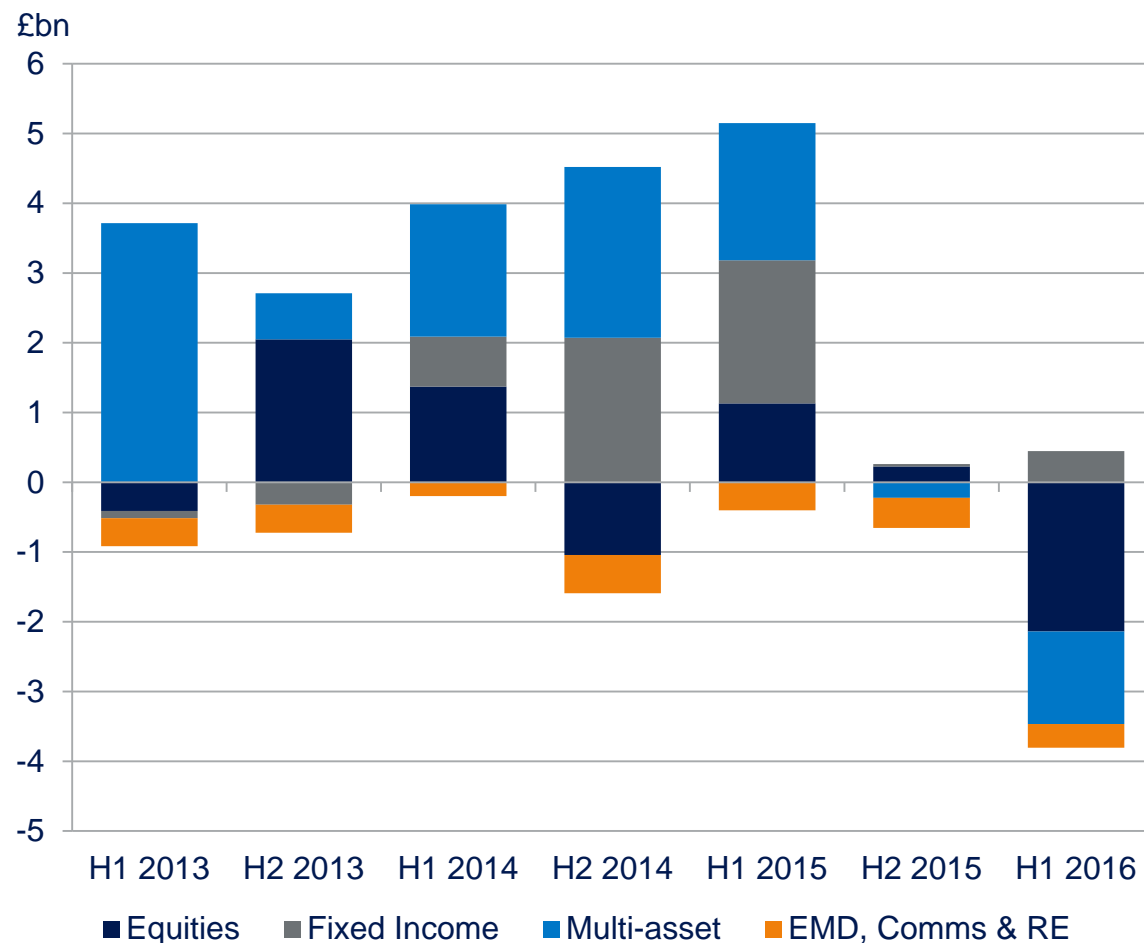
■ Positive flows from UK and continental Europe, despite political concerns

■ Asia Pacific outflows from Australia

■ Small Wealth Management redemptions

H1 results

Macro concerns subdue Intermediary demand



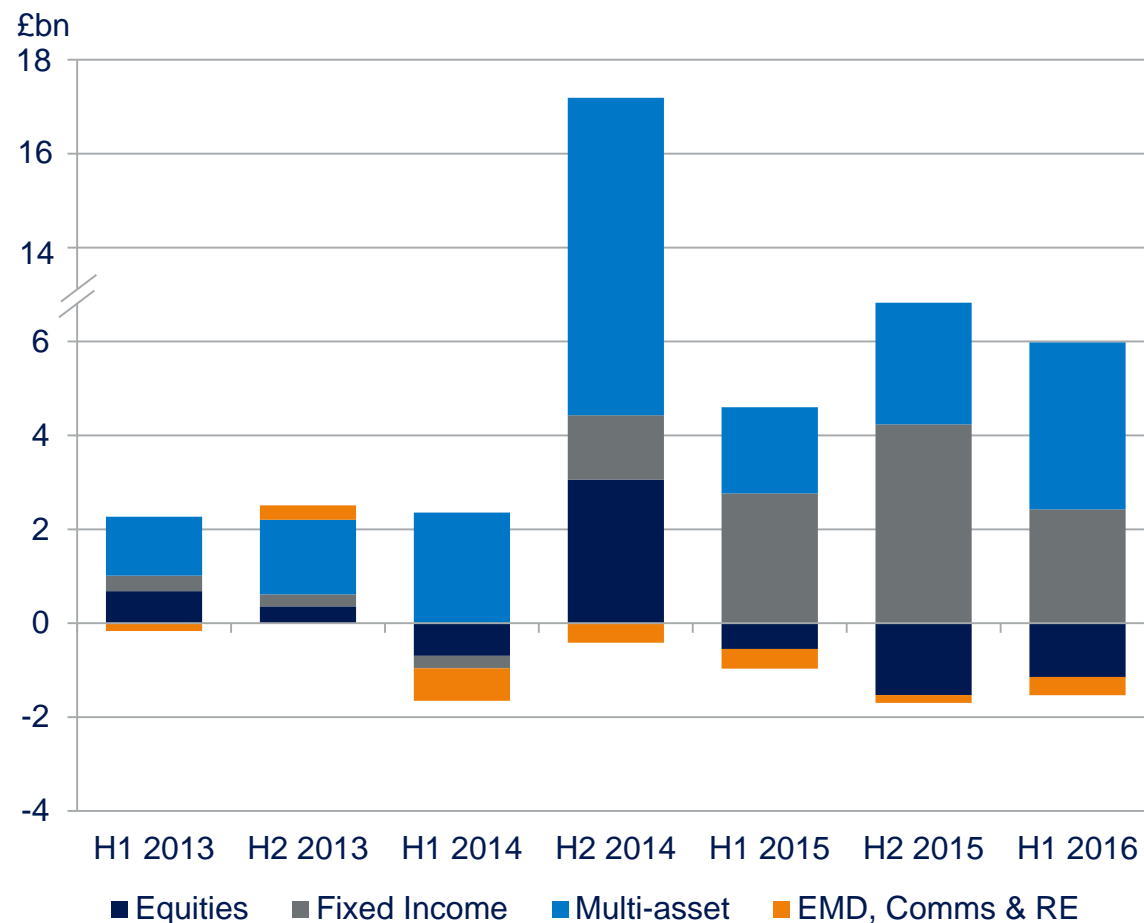
- Market volatility impacted global retail demand

- Positive sales in Fixed Income
 - European credit

- Redemptions to risk assets
 - Global & UK equities
 - Multi-Asset Income

H1 results

Strong flows in Institutional

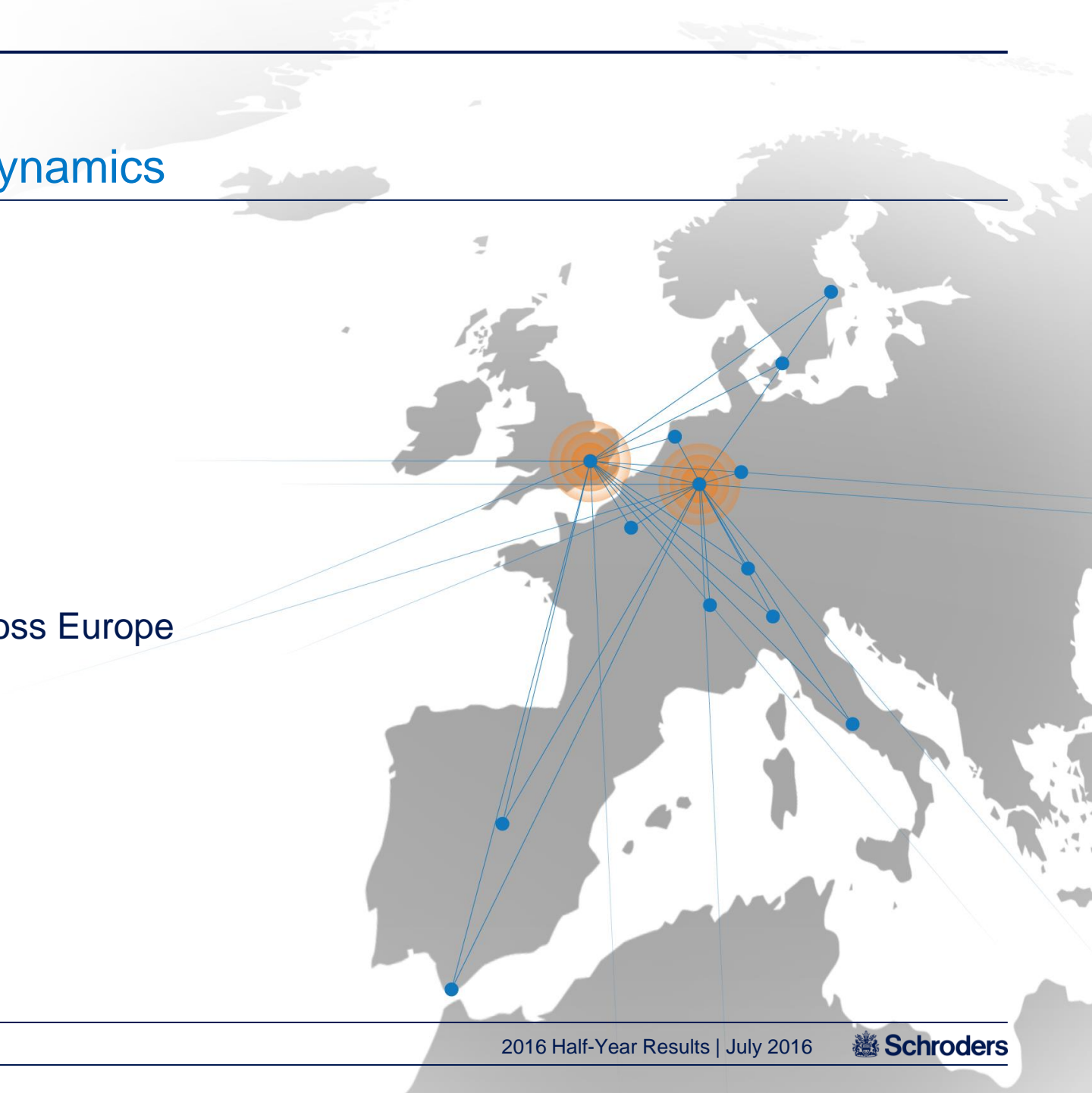


- Good levels of new business, driven by first quarter
- Continued demand for Multi-asset and Fixed Income
- De-risking and diversifying manager exposure led to Equity outflows

Brexit

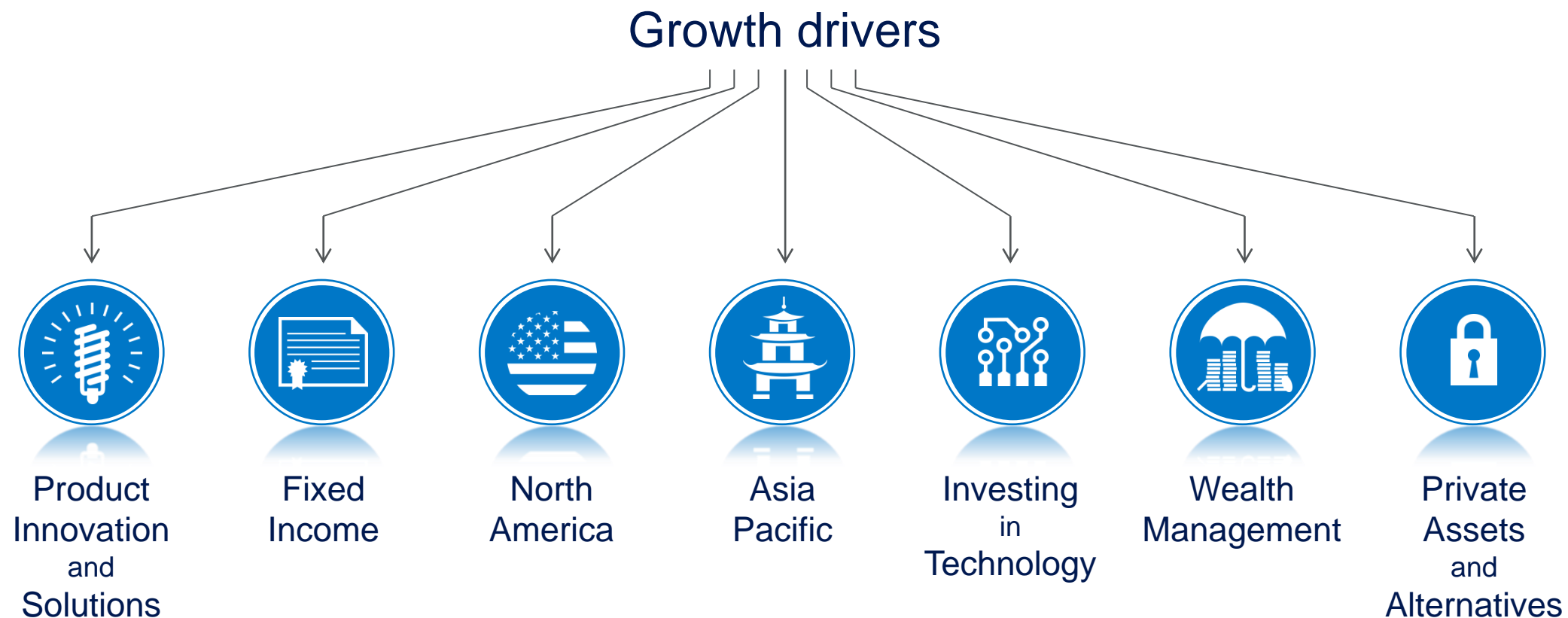
Well placed to respond to changing dynamics

- Globally diversified business
- Broad fund ranges in UK and Luxembourg
- Significant presence in Luxembourg and across Europe
- Net beneficiary of weaker sterling



Drivers of future growth

Addressing structural headwinds



Product innovation and solutions

- New Product function, distinct from Investment and Distribution
- Improving product innovation and client engagement
- Separation of Multi-asset investments and Portfolio solutions
- Broadening talent base and diversity



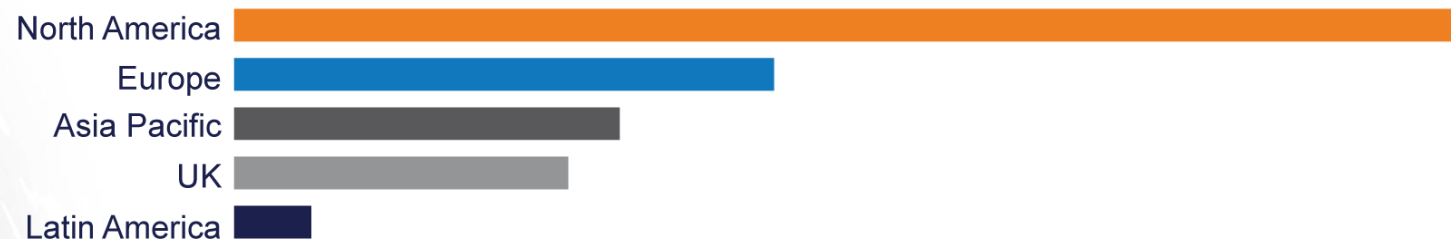
Fixed Income



North America



- **48%** of global investible assets



- Objective to reach **20%** of group assets under management
- Strategic relationship with Hartford Funds

Asia Pacific

- More than £17 billion net inflows since 2013
- Market leading positions
 - Hong Kong
 - Singapore
 - Australia
 - Indonesia
- Structural drivers of growth



Investing in Technology

- Further investment in data science
 - Investment insights from non-traditional data sources
- Driving efficiencies and insights through technology
 - Front office systems upgrade to Aladdin
 - Global Technology moving to agile working
 - Digital First initiative improving client experience



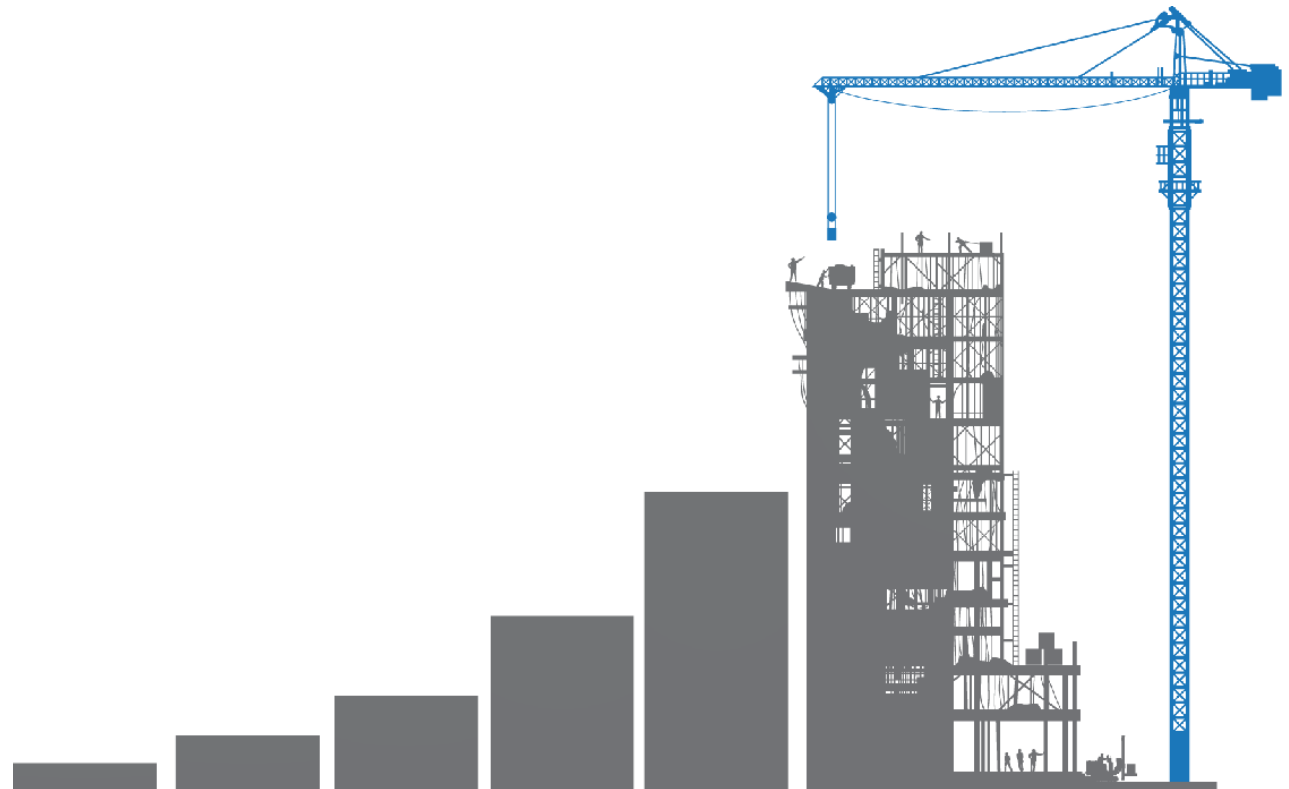
Wealth Management

- £34 billion AUM, 10% of group
- Largest wealth manager for charities in UK
- Provide family office services to more than 80 families



Private Assets & Alternatives

- Strong growth and accelerating
- Good fee margins and longevity
- Initial steps already underway:
 - Real Estate
 - NEOS Business Finance
 - Insurance Linked Securities
 - Infrastructure Finance





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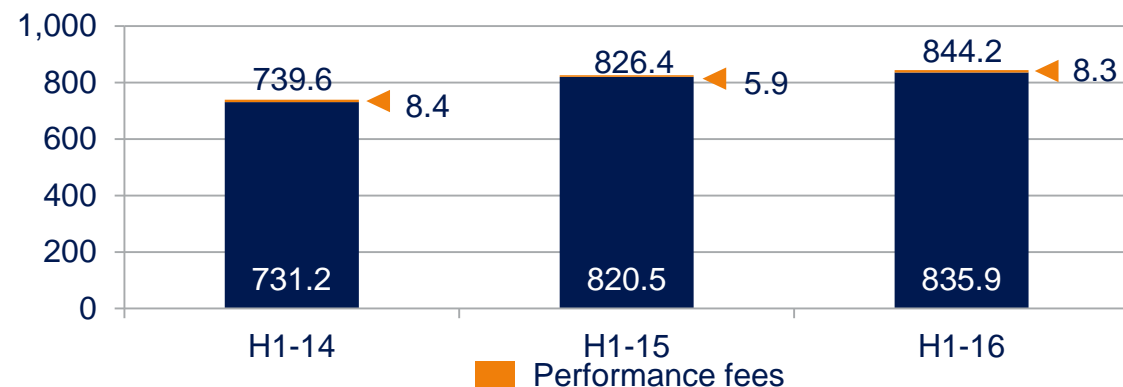
Richard Keers | Chief Financial Officer



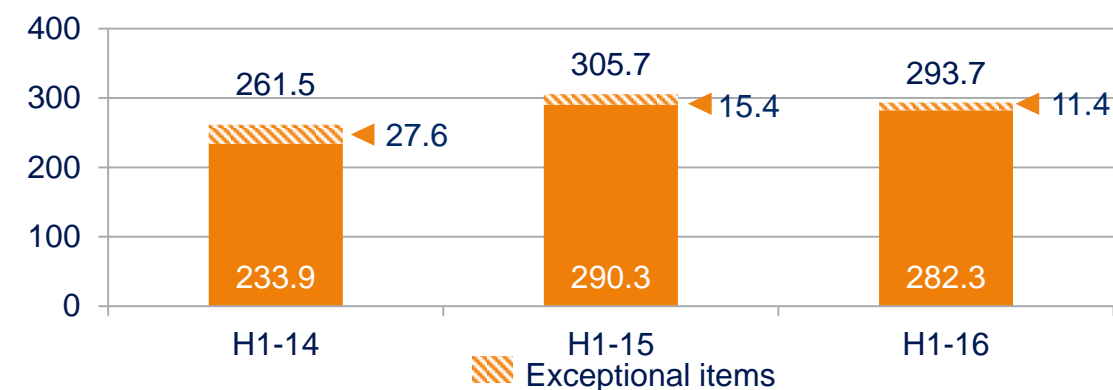
Schroders

Financial highlights

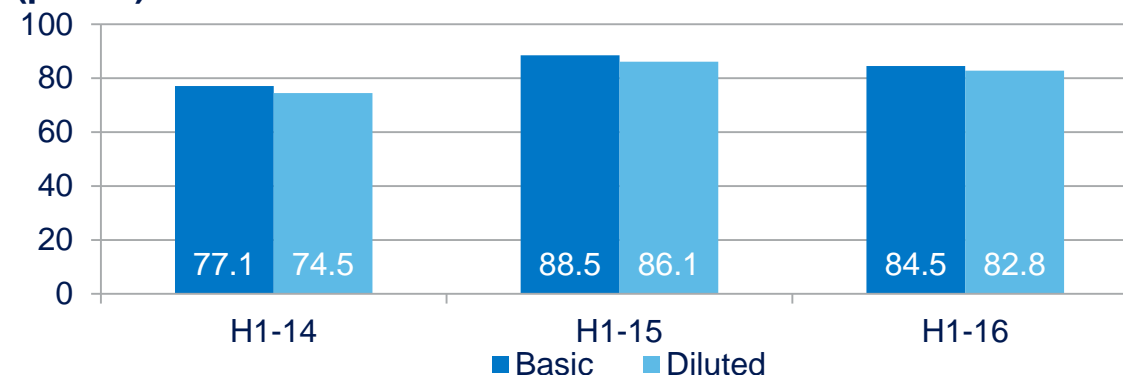
Net income, including performance fees (£m)



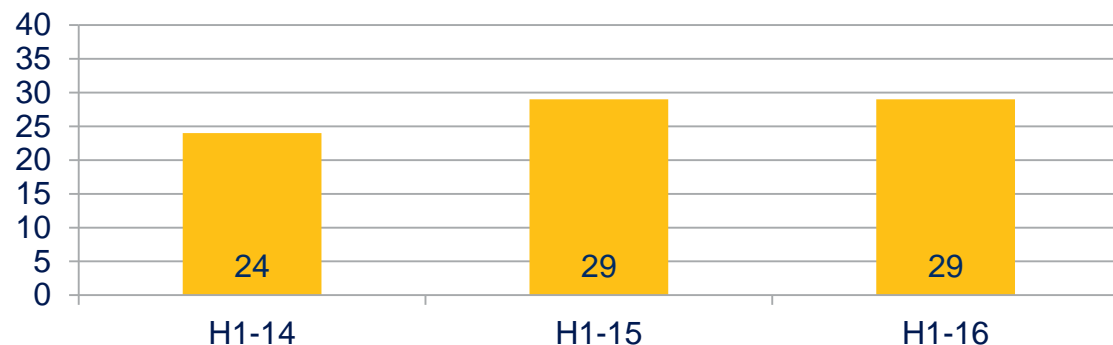
Profit before tax (£m)



Basic and diluted earnings per share before exceptional items (pence)

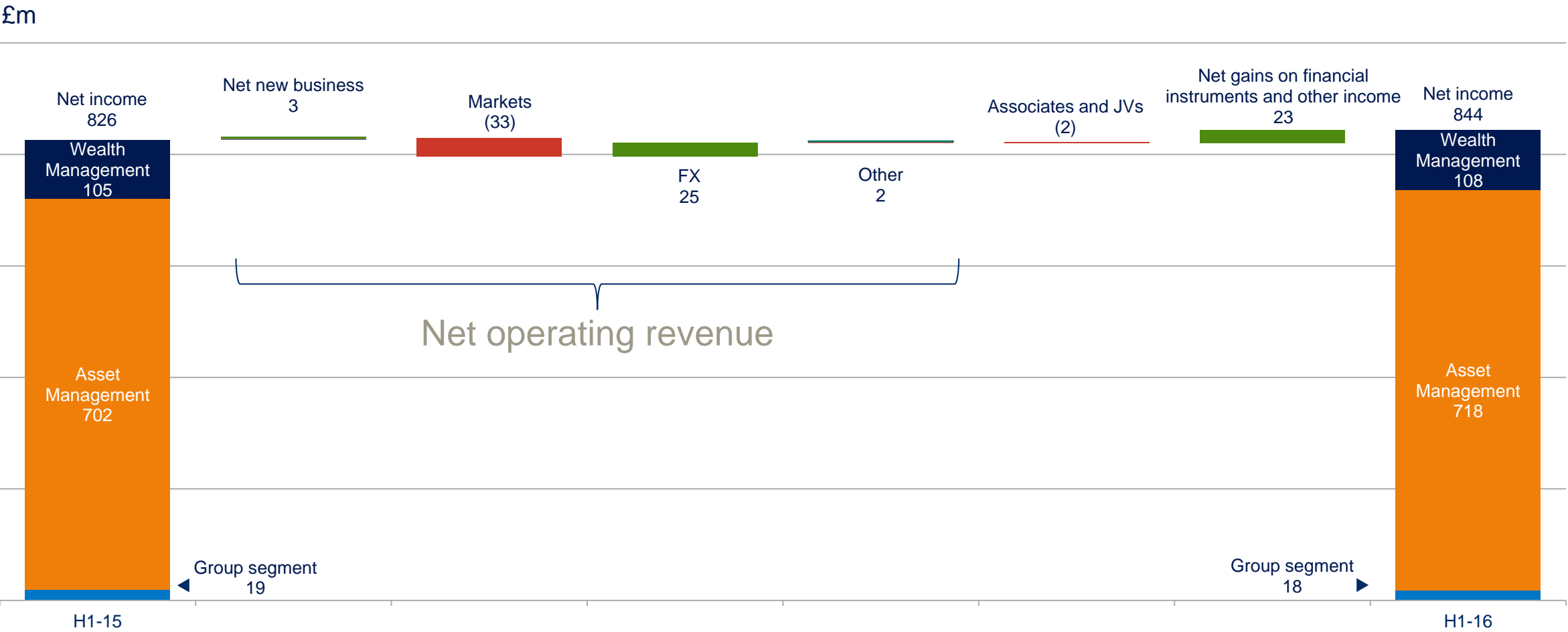


Dividend per share (pence)



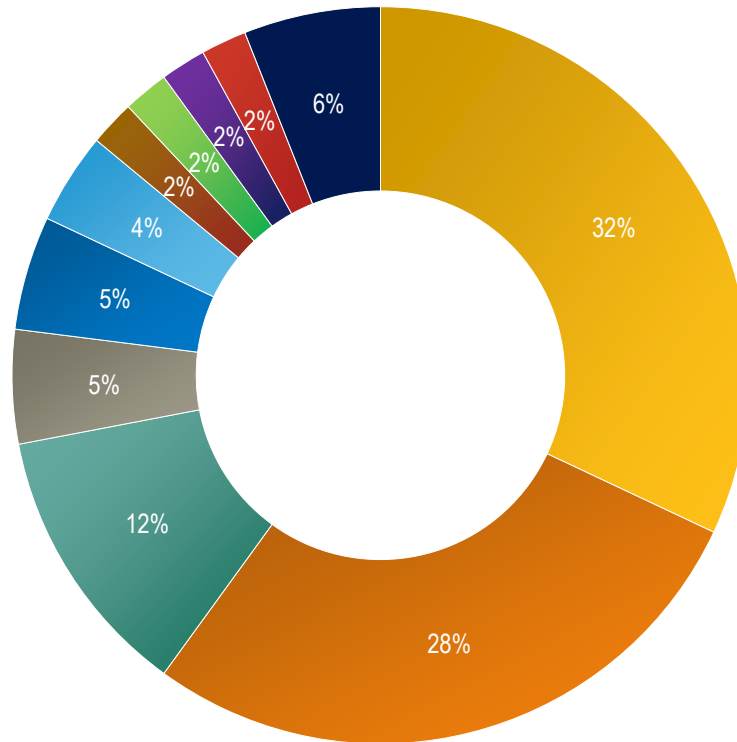
Net income

Net income up 2% to £844m



Currency profile of AUM

72% in non-sterling currencies



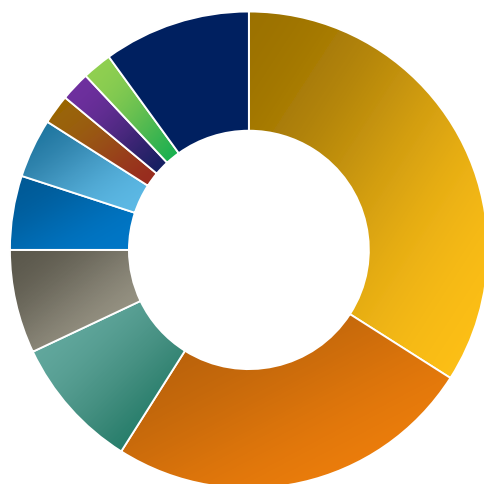
■ USD* ■ GBP ■ EUR ■ AUD ■ JPY ■ CNY ■ TWD ■ CHF ■ KRW ■ IDR ■ Other

*USD includes other currencies pegged to USD, including HKD.

Currency profile by segment and channel

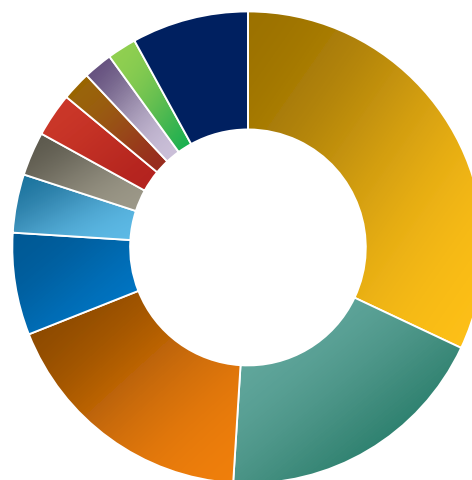
72% in non-sterling currencies

Institutional £203.6bn



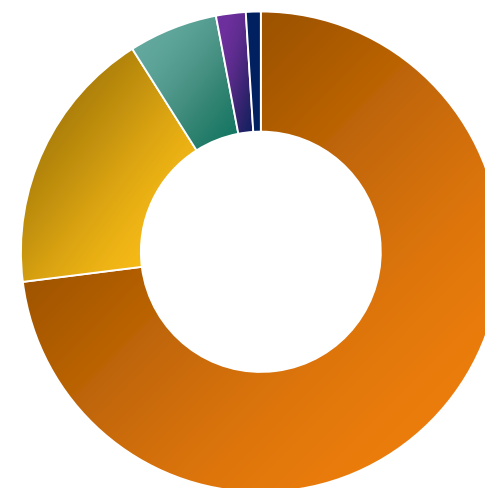
USD*	34%
GBP	25%
EUR	9%
AUD	7%
JPY	5%
CNY	4%
TWD	2%
KRW	2%
CHF	2%
Other	10%

Intermediary £106.4bn



USD*	32%
EUR	19%
GBP	18%
JPY	7%
CNY	4%
AUD	3%
IDR	3%
TWD	2%
SGD	2%
CHF	2%
Other	8%

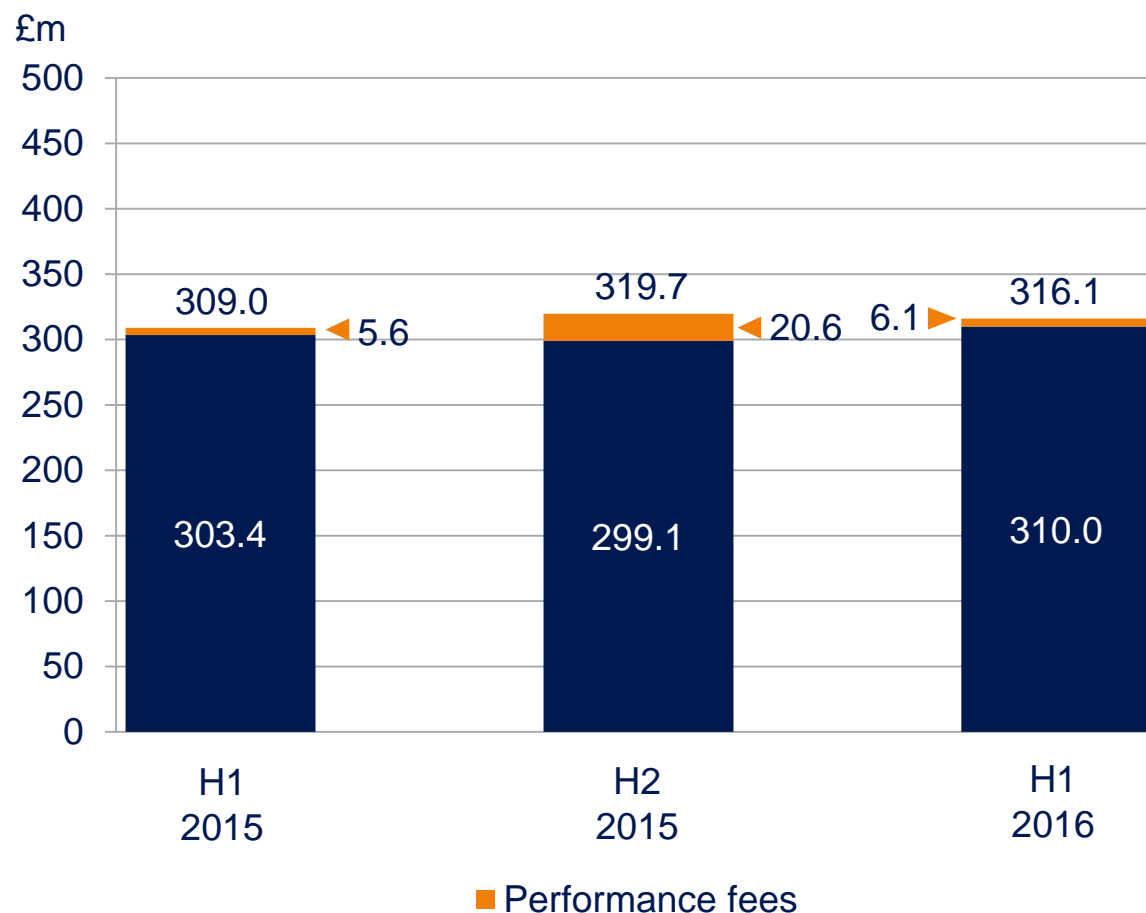
Wealth Management £33.8bn



GBP	73%
USD*	18%
EUR	6%
CHF	2%
Other	1%

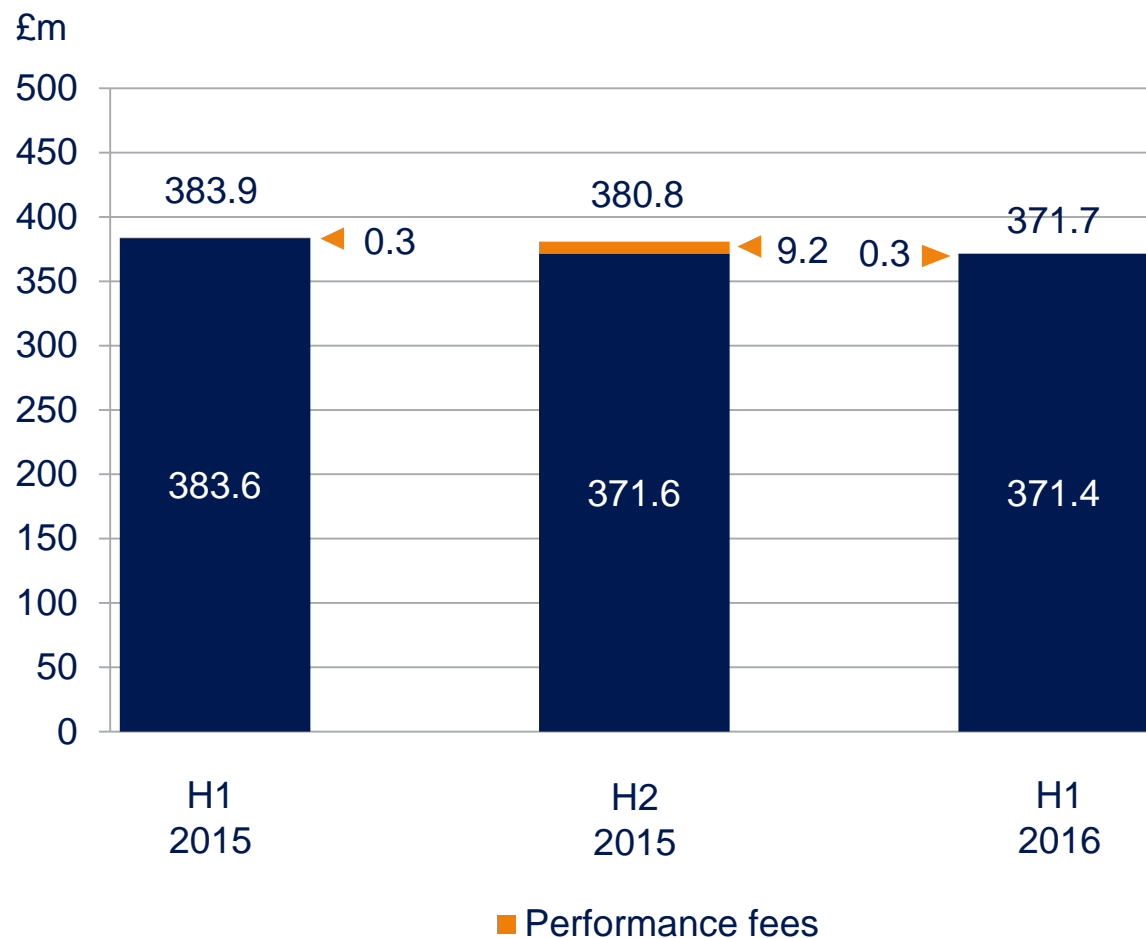
*USD includes other currencies pegged to USD, including HKD.

Institutional net operating revenue



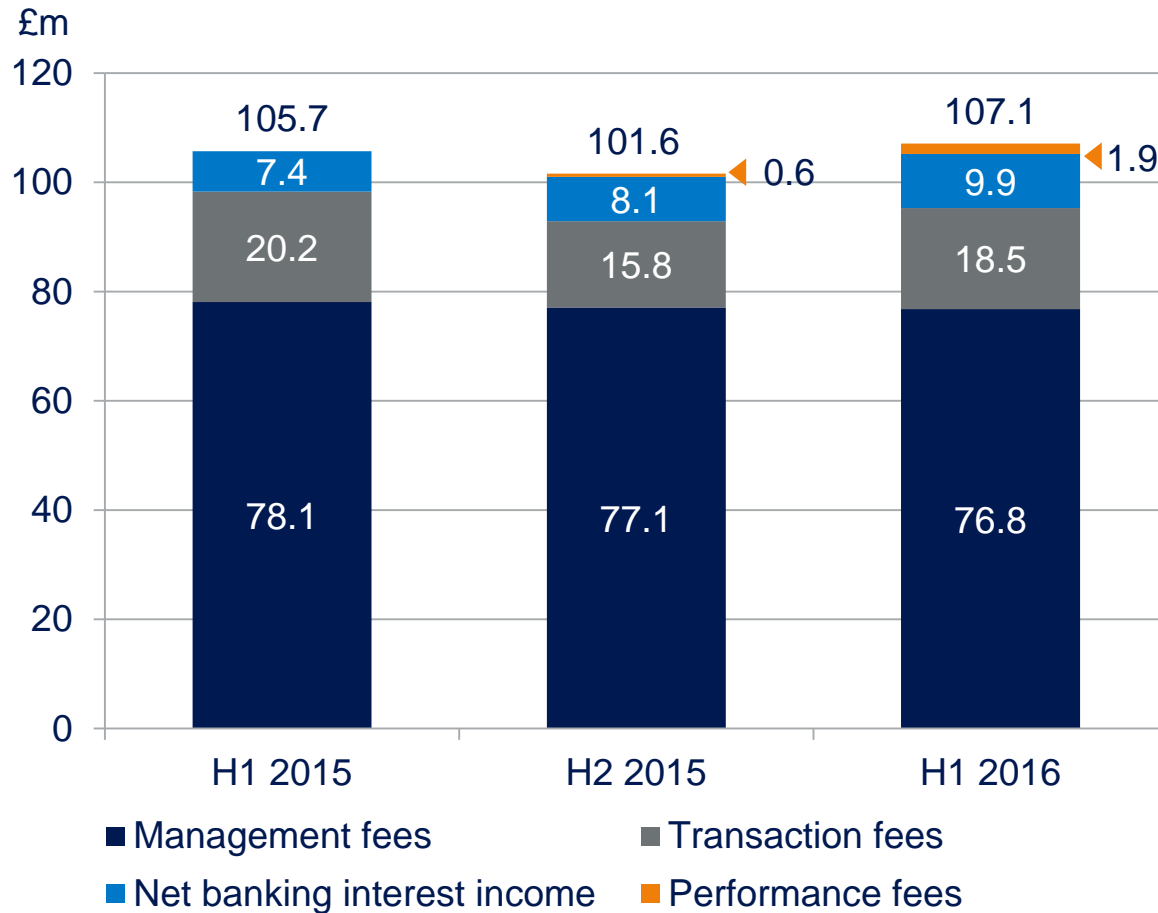
- Average AUM up £9 billion from H1 2015
- Net operating revenue margin 32bps (FY 2015: 34bps)
- Closing AUM at record high of £203.6 billion

Intermediary net operating revenue



- Average AUM down £3 billion from H1 2015
- Net operating revenue margin 74bps (FY 2015: 74bps)
- Closing AUM at record high of £106.4 billion

Wealth Management net operating revenue



- Net banking interest up £2.5 million
- Net operating revenue margin 65bps (FY 2015: 65bps)
- Closing AUM at record high of £33.8 billion

Operating expenses

Cost control in line with projections

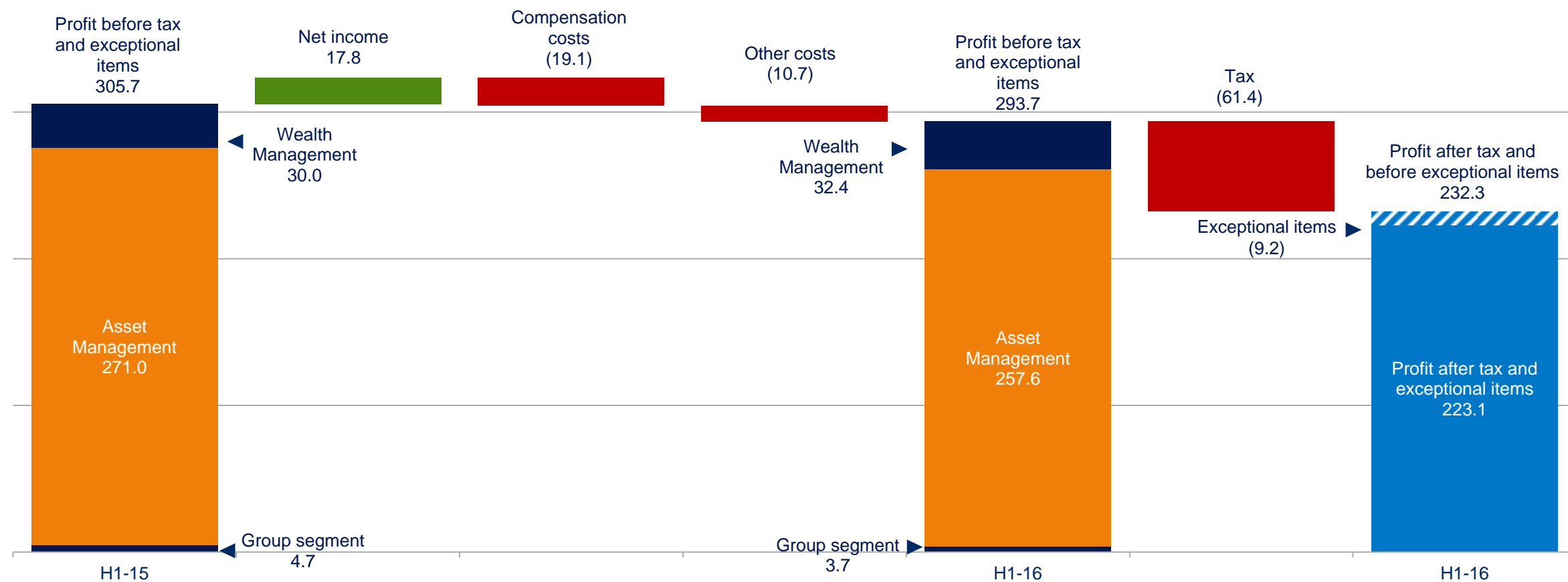
£m	H1 2015	H2 2015	2016			H1 2016 versus H1 2015
			AM & Group	WM	Total	
Compensation costs	365.9	368.1	335.1	49.9	385.0	+5%
Non-compensation costs	154.8	160.0	140.2	25.3	165.5	+7%
Operating expenses (excluding exceptional items)	520.7	528.1	475.3	75.2	550.5	+6%
Exceptional expenses	14.3	4.2	6.0	4.0	10.0	-30%
Operating expenses (including exceptional items)	535.0	532.3	481.3	79.2	560.5	+5%

Headcount	3,685	3,784	3,241	625	3,866	+5%
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	H1 2015	H2 2015	H1 2016
Total compensation ratio	44%	44%	45%
Total cost ratio	63%	63%	65%

Profit before tax and exceptional items

£m



Analysis of Group Capital

Increase of £133m as at 30 June 2016

£m	H1 2015	H2 2015	H1 2016
Regulatory capital	695	653	687
Other operating capital	116	253	165
Investment capital*	957	942	1,070
Seed capital*	154	229	246
Other items**	688	719	761
Statutory Group capital	2,610	2,796	2,929

- Strong capital position
- Continued investment in seed capital

*Not included in AUM

**Comprises goodwill, intangible assets, pension scheme surpluses, other associates and joint ventures, and deferred tax.

Summary and outlook

- Market volatility likely to continue
- Schroders well positioned
- Diversified by client, asset class and geography
- Strategy to address industry headwinds

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