Schroders

Schroders in Focus: Wealth Management

Event transcript

Thursday, 7 October 2021

Strategic rationale and ambition

Peter Harrison (Group Chief Executive): Good morning, everyone. It is really nice that we are all in one place together for a change, and welcome to all those online.

You have heard from Richard and I in the past about our strategic initiatives, and one of the key ones of those is around Wealth.

Now, we obviously did a Schroders in Focus on our progress in Private Assets earlier in the year. We committed to growth of between £5 and £8 billion of net new business a year in that, and that acceleration, I think, was well received. Today we want to dive into much more detail on our Wealth businesses. It is an area where we have been investing strongly, we believe there is a lot more to for, and today we have all the leaders of those businesses to come here. We are going to get through a quick series of presentations and then throw the floor open for Q&As on any aspect of it.

Wealth Management – a strategic priority

Now, very quickly, I just want to remind you where this sits in a group context. We are below 20% in Wealth, but we have been growing the business fast, and we have been growing the business fast for two standout reasons. One is high longevity. Now, you have heard from me in the past that longevity is really, really important as we want more sticky assets. Driving that stickiness is a big part of accelerating our growth. The average longevity in our Wealth business is ten years.

Second, because we are closer to the end consumer, because we are not disintermediated in any way, the margin that we are able to achieve is higher than our group average, so more sticky assets, higher margin, and, ultimately, a higher growth, where being close to the consumer, we think, is really strategically important over time.

Wealth Management: Strong track record of acquisitions and partnerships

You know we have made a series of acquisitions. I won't go through them in detail because you are going to hear more from each of the individual business lines that lay behind that, but I have given you the brief timeline of those there, and we can come and talk about the outlook for further moves in Q&A later.

Assets have more than doubled in 5 years

We have been growing this business under my watch from £32 billion through acquisitions through new business growth, and obviously the tailwind of markets through to £76 billion. We think there is more to go for. We feel that this is a business where we are able to be very clear about the outlook for new business growth.

You are going to hear from Peter Hall in a moment, underlining that we believe that we can achieve net new business growth of at least 5% per annum, and that will be an important driver of future growth.

So with that, I am going to stop. I am going to handover to Peter who will take you through the overall Wealth strategy, and then we will crack through the underlining areas, and I will come back to do the Q&A with Richard and the rest of the Wealth team later at the end. Thank you.

What Makes Us Different?

Peter Hall, Global Head of Wealth Management

Thanks very much indeed, Peter, and it's fantastic for us to have this opportunity to talk to you about our Wealth business. Our aim in the next hour or so is to explain what sets us apart, what makes us different from the other wealth managers that you will be familiar with, and then how are we going to achieve the growth target that Peter just set out of £115 billion in assets by 2025.

Four distinct franchises...

In a nutshell, what you will hear is that what makes us unique is that we have four distinct franchises and each of those franchises is focused on a specific client segment. Each is using rather different branding to target that segment most effectively but each of them, at the same time, is drawing upon the same shared unique strengths of Schroders.

What are those franchises? Cazenove Capital you are probably familiar with. Cazenove is a leading UK wealth manager and it is focused on charities, family offices and high net worth individuals.

Schroders Wealth Management is our international business which focuses on the same client segments in Europe and Asia and with local teams on the ground and offshore booking centres in the Channel Islands, Zurich, Geneva, Singapore and Hong Kong.

Then we have two affluent businesses. We have a B2C affluent business - Schroders Personal Wealth - and they offer financial planning advice direct to individuals. Then we have a B2B business Benchmark, which provides a range of services from technology, to investment, to succession, to UK financial advisers.

... all leveraging Schroders' key strengths

Each and all of those franchises are leveraging the same unique strengths of the Schroders Group and I have set out here and entirety and the breadth of the strengths that we can build upon.

I just want to highlight one which is absolutely key in terms of underpinning our growth ambition and that is Technology. Each year, we invest a significant amount in Technology, partly to build a scalable platform and that is key: to illustrate it, last year we managed in a single year to bring on over 30,000 affluent clients from Schroders Personal Wealth, at the same time as over 20 of the largest, most complicated, most multi-jurisdictional families for Sandaire.

However, investing in Technology is also absolutely key as far as giving us a competitive edge and you will hear later from Mary-Anne about a client app, from Kate about some innovative sustainability reporting, from David about the strength of our B2B technology service offering. Each of those is an area where we are setting ourselves apart through that technological leadership. That is an overview of our franchises.

Key secular trends - underpinning opportunities ...

If we now turn to the second question, how can we be confident that we are going to accelerate our growth to the target that Peter set? We will talk in a moment about the five areas of focus but we arrive at the five areas of strategic focus partly by thinking about what I just set out - where do we have unique competitive advantage - but partly also what are some of the secular trends in the market which effectively then give us a tailwind in terms of achieving them.

These are the key market trends that I quickly want to summarise. We see rising wealth creation in the regions by business owners, which, as you know, is fuelled to quite an extent by private equity. The family office space is a very interesting space, a very different space and very fragmented. A lot of boutiques still operating there and, typically, they will have very good close client relationships but they will often lack the scale to be profitable. They will also often lack the global capability to offer the client solution which increasingly those clients are wanting and needing.

We see an opportunity in what has now almost become a multi-decade reduction in the number of advisers within the UK, and the fact that, of those who remain, it is almost an aging population. The average is 57 and many of them are getting to the point where they are looking to retire and wanting some future home for their clients where they sell out.

If you go wider than wealth management and you think in the broader sphere of personal financial services, we see quite a significant convergence, and a convergence around the Holy Grail of who is going to be the place to which people can go for the single picture of their affairs across banking and investment and pensions, with an integrated service behind it.

Finally, we are really excited about the emergence of a segment which we call here the Moderate Greens. That is the market backdrop, that is the context as far as the areas where we have a unique advantage.

… creating five drivers accelerating growth

These are the five key opportunities that we have to accelerate our growth. For Cazenove Capital, it is pretty natural, it is business owners in the regions. Why is it natural? It is natural because we already look after lots of them really well in London and the Southeast, so we are now extending that by hiring the best advisers in the regions, setting up offices there and then working through our partnership with Lloyds to get referrals from the business bank ahead of those business owners thinking about their exit, which is critical as far as the timing of the pitch.

For Cazenove and for Schroders Wealth Management, there is an opportunity in the Family Office space, this fragmented space and why? Because we have a unique offering. We are the only place I can think of who can offer the personal feel and the independence of a family-owned business and, as you are aware, we still very much have the ethos of a family-owned business. Combine that with the global investment expertise, the private assets access, the technology platform and the security of being the global asset manager as again we are.

On the Benchmark side, I mentioned the breadth of our services and it puts us in the unique position to help advisers through their stages of development and growth and, ultimately, it gives them an option when they want to retire in terms of selling out to us.

Schroders Personal Wealth - a couple of opportunities. I talked about the reducing number of advisers within the market. Schroders Personal Wealth has an opportunity through its academy to bring more advisers into the market and you will have heard about a number of these academies being set up. We have a USP and, if you think about yourself in that stage in your career, you are going through an academy and, if you are thinking long term, you are thinking how am I going to build up my client book and the fact that, when you come out the other side, you can then get referrals from Lloyds Bank which is incredibly powerful.

Of course, Schroders Personal Wealth is our joint venture with Lloyds. Going back to the point about the Holy Grail of the single picture of your affairs across banking and investment, the integrated service, that is really something where we feel we are in pole position.

Lastly, personalised sustainable investment. You will hear later from Kate that, for years, we have looked after the clients who are right at the forefront of this field. First of all, that makes sure that we are absolutely current with the latest trends but it also puts us in a great position, because we can then take that expertise and we can now make it available to this wider Moderate Green segment. That is why and how we are going to grow.

Revenue and profit margins projected as stable while we deliver on growth initiatives

While we accelerate our growth, what will it mean for our margins? We believe that we will maintain our margins at the same current level. I believe Richard has talked about it before, that there are certain segments where we do see some headwinds. For example, in Benchmark Adviser Platform pricing, that is an area where over the next five years we could see some margin compression. Another one would be in Mary-Anne's business, in the largest charities that can become more institutional, there can be some pressure there.

Against that, we have opportunities. We have an opportunity as we grow our affluent business, which obviously naturally has a higher margin. We have an opportunity over the next five years in terms of the recovery of interest income. Then we have an opportunity through that Technology Platform that I mentioned, which really gives us great economies of scale.

Our leadership team: strong track record of delivery

Finally, what probably really gives me confidence as far as achieving that growth objective is that we have a fantastic team. It is a team of individuals who, in each of those target segments, have a proven track record of delivery.

You are now going to hear from four of them and first up is Mary-Anne, who has been at the helm of Cazenove right through that list of successful acquisitions which Peter mentioned earlier. She will talk about the key to the success of those deals but she will also talk about how she is now accelerating the organic growth of the business. Mary-Anne.

Accelerating growth

Mary-Anne Daly, Chief Executive Officer, Cazenove Capital

Thank you Peter and good morning everybody. It's such a pleasure to talk to you more about Cazenove. It is a firm I know well as I joined in 2001 and over the next few minutes I hope to debunk a few myths about Cazenove and get you to know us a little better.

It is a firm I am also proud of because we have managed to create a business that is ambitious, forward-looking, very profitable while at the same time staying absolutely true to the values of our heritage. If I was to pick one such value, it would be our client-centricity because it is that that creates clients' trust, it engenders longevity and it's that which allows them to feel like they can refer more clients to us.

Cazenove Capital: What sets us apart?

Now this first slide just gives you a snapshot of who we are and on the left-hand side, top left, you will see the four key features that I think clients in our segment look for when appointing a Wealth Manager. On the right-hand side are the reasons why we feel we are perfectly positioned to meet those needs.

But there is rather a lot of information on this slide, so what I propose to do is to focus on our growth over the last five-plus years and why I am confident that we can meet that objective that Peter set out earlier.

Then I would quite like to spend just a minute on the third bullet point on this slide, which is the quality of our people and particularly our next-generation advisers. In so doing, I will try to bring to life who our clients are and why this is so important.

But let's start with growth, then. You will see from the chart on the bottom left that since December 2015, our assets under management are up roughly 85% and partly, yes, that is down to acquisitions and in part it is down to organic growth, but I will say a word about both.

Importantly, though, to us all new clients, whether they come through an acquisition or whether they come through our proactive business development, are important sources of further growth because much of our business comes from happy clients and their advisers referring more clients to us. So as we have expanded our footprint, so have we seen a compounding of that growth and we can expect more of that compounding to come.

But let's focus first on acquisitions. This is where our parent's financial strength and strategic commitment to Wealth are so important because that allows us to be first in line when other businesses are considering their options and you know full well how fragmented our market is, even at the top end where we tend to specialise.

Equally, our track record on acquisitions is down to how selective we are and will continue to be in who we partner with. We look for top quality people who together with their clients will feel at home at Cazenove, businesses that can benefit from our investment expertise and wider range of services or indeed might bring us a new skill, and lastly we look for operational leverage.

Consequently, all three of those acquisitions that Peter mentioned in his introductory remarks have been accretive. Over 90% of the clients have remained with us, many have added to their portfolios and referred more clients and the people are widely integrated within our wider team.

That, incidentally, is just as true of the senior advisers that we have hired over recent years.

Turning now to organic growth, you will see that year-to-date it is running at a healthy 4% and that is a marked step up from the 2.5% that we experienced last year. I am absolutely confident that we can expand our footprint further because our market isn't just fragmented, it is also growing. This is a myth about Cazenove that I do need to debunk, which is while our name is often associated with inherited wealth, in fact over 55% of our clients have made their wealth in this generation.

Of those, some 20% come from the world of finance where of course both the Schroders and Cazenove names are so well established, but a further 40% are or were business founders, which brings me on to that third bullet point on the right, namely the quality of our people and particularly of our next generation of advisers because these are clients who want to appoint a firm which is modern, understands enterprise, can look after them today, yes, but equally be by the side of their families for generations to come.

Equally this next generation keep us in the moment, relevant and always focussed on enhancing what we do for clients.

Examples of continued strengthening of client proposition

On this next slide, I have shown you two such enhancements. On the left you will see our move into Private Assets some two and a half years ago and you will have heard a lot about Schroders' Private Asset expertise just in June, so I don't intend to spend much time on that, other than to say that with an increasing number of great companies staying private for longer and many listed ones returning to private hands, we feel it is absolutely right to widen our investment universe to Private Assets.

We do so by selecting best-in-class managers which our scale, reputation and of course Schroders Capital give us great access to. On this pyramid you will see a selection of Schroders Capital and third part investments ranging from the liquid at the bottom of the pyramid to the less liquid at the top, depending on clients' wealth and personal circumstances.

On the right-hand side is another enhancement that we put in place late last year which is to report to all our clients, whether they have appointed us for sustainable mandates or not, on the impact of their portfolios on people and planet. As part of their regular portfolio valuations, all clients automatically receive some data points on their carbon footprint and their social dividend. What we hope to do through this is to inform and educate all our clients on the choices available to them.

On this particular example, this is a real example of a new client transferring in his previous portfolio to us and wanting to invest more sustainably going forward and you will see from this dashboard that actually using a sustainability lens, this portfolio was far from optimal because it generated 4% more carbon emissions for example than if he had invested purely in the MSCI world.

So you see, this is a very simple but powerful tool based on very advanced research from Schroders that allows us to deepen our conversations with our clients and it has really captured the imagination of many of them, and particularly of our next generation of clients.

Grow franchise with business owners across the UK

Now I would like to pause for a minute because the rest of my presentation will focus on two specific growth acceleration opportunities. The first is our regional expansion drive. Our business plan is to leverage that business owner franchise I talked about just now throughout the UK, develop it throughout the UK.

Currently it is still largely concentrated in London and the South East and the catalyst for this decision was our association with Lloyds. It represents a huge opportunity, given the scale and quality of relationships that Lloyds Commercial Bank and indeed Lloyds Development Capital have established with thriving owner managed businesses throughout the country.

You will see for example this statistic here, that Lloyds banks one in five companies in the SME and mid-market sector, 61,000 companies, so a huge opportunity.

Over the last two years in the midst of the pandemic, we have hired 21 senior advisers in the regions, established new local presence in each - Manchester, Birmingham, Bristol and Leeds - brought our regional headcount to 41 and we are not quite done yet. But as you will see, this initiative is already starting to bear fruit with a trebling of our pipeline from Lloyds to £1.2 billion.

Grow franchise in UHNW segment...

Now I would like to talk about a second growth acceleration opportunity, this time in the ultra high network segment. This is another fact about Cazenove that is perhaps not well known outside our industry professionals, and that is that we already have a very significant presence in this market. Today we look after 285 clients with over £25 million invested with us, so that means their net worth is way ahead of that. Of those, 47 have more than £100 million invested with us.

The Sandaire acquisition was part of a strategic plan to leverage that franchise and grow our share of this market.

But why do we think there is such an opportunity here? Currently, these large families are looked after in two ways; either by small boutiques, single family offices generally, typically still owned by the families at the origin of the wealth who are facing in many cases scaling and succession issues, or at the other end of the scale by very large multi-national banks, typically American and Swiss banks, where the relationships are more transactional and institutional in nature.

What we have to offer is that same level of personal service and attention as the boutiques, but coupled with the ability to sustain these families through their generations and to match their next generation with ours, the ability to service them from London, Switzerland, Asia and for any American tax payers, from our SEC-registered business in London, three a scalable platform and last but not least, Schroders' formidable investment expertise, particularly in the field of Private Assets and Sustainable investment.

To conclude: A highly reputed, stable and profitable business…

…on a trajectory of continued growth acceleration

If I was to leave you with just a few thoughts, the first is that Cazenove Capital is a prime example of how wealth can add to the longevity of assets for Schroders, two, that we are absolutely equipped to meet that growth trajectory and we will exploit those two growth acceleration opportunities I mentioned just now and three, that while we will of course remain alert to any acquisition opportunities as and when they present themselves, we will not compromise on the quality of business that we partner with.

That's all from me, thank you very much. Back to you, Peter.

Peter Hall: Thanks very much indeed, Mary-Anne. We are now going to hear from David about Benchmark, and David has a fantastic understanding of the adviser business and what their key needs are, and so I have asked David to talk about the opportunity that we have to increase our penetration of the B2B adviser services market, but just at the start I have also asked David to give a quick recap on what Benchmark does, because I sometimes feel that it's the area of our business where there may be the least good understanding.

Growing our B2B adviser services franchise

David White, Chief Executive Officer, Benchmark Capital

Thank you very much, Peter, and good morning, everyone. So, yes, let's start straight there, so who are we, what do we do, and why do we do it?

In simple terms we are a B2B business services company. Our customers are financial advisers, so picture those financial advisers up and down the country. Most of those are small businesses. They are dealing with cash flow challenges, they are dealing with other complexities in their lives, but within financial services they are also dealing with regulation, they are dealing with technology, and also administration, and our sole purpose is to make their lives easier. They tell me every day they want to spend as much time with their clients and not keying in data, so we try and simplify their lives, and how do we do that?

A set of integrated solutions designed to simplify an adviser business

Well, as you will see on the screen we do that in four key ways. So, firstly, through technology. We have a range of proprietary technology, so we help them on-board their clients, manage the clients through the end-to-end experience through the advice process, but also we help them transact as well, so if you think of transactor AJ Bell in terms of a platform, we provide that and in a proprietary way, and also a client portal, so for their clients to view all of their holdings.

The second area is through what we call network services, so this is providing an umbrella to provide compliance oversight, training, regulatory support, but also the financial advice supervision, which is critical.

The third area is investment. I am going to touch on that in a bit more detail in a moment, but we offer a full range of index, active and sustainable solutions, so if you think Bruins, Brooks Macdonald in terms of the solutions there.

Then, finally and really importantly, it's around succession solutions, so we have many, many different options. We work with each of those advisers as to what they want and what's right for both them and also their clients, and that could be from a client book acquisition or an outright purchase, all the way through to providing financial support for succession planning, so that could be to pass onto a son, a daughter or the more junior advisers in the business.

So let me bring that to life for you as an example. Back in 2014 one of the principles of our adviser firms, who is with us today approached us and said, 'look, I have a really complex business. I've got a lot of technology, I've got a lot of complexity in my business, can you help me?'. At the time he was looking after 180 clients - you have to remember these stats - £34 million in assets and he was generating £225,000 of fee income.

If you wind the clock forward, he has used our turnkey set of solutions. He is now looking after £120 million of his clients' assets, not £34, and he is generating £1.1 million, not £225,000 of fee income, so it is powerful and it is simple, and we call that the Benchmark advantage.

Accelerating growth through differentiation

So what have we been up to since Schroder's initially invested in us back in 2016? We have been on a rapid period of growth.

You will see there on the left-hand side in terms of the numbers of advisers that we now have a relationship with. Our assets have grown from under £2 billion to £10 billion, and that doesn't include the assets that we look after for Mark's business, so Schroder's Personal Wealth, and he will be commenting on that in a minute, so that's around £10 billion on top of that. We continue to win industry awards and I was delighted two weeks ago for us that we won the Best Wealth Management Platform award, and that's great and that's a great endorsement, but we have to continue to stay focused on our customers, which, as I said, are the financial advisers.

The real accelerator for me is being part of the Schroder's Group. The advisers tell me a number of things: one, it gives stability and security; secondly, if they come and work with us we are not going to be sold another time, and another time, and another time over the next few years. Thirdly, we get access to capital, and also the expertise around ESG, which Kate is going to touch on in a moment, but also the broader investment solutions.

Recent development: Strengthened our capability with new investment offering

On that, I said was going to touch on the investment solutions. So, again, back in May of this year you may have seen that we launched something called the Schroder Investment Solutions, so what we did is we brought together the best of Benchmark Capital of Cazenove and also the broader Schroder's Group to launch a single model portfolio service, so we are on 12 UK platforms now, including our own. We have fabulous investment performance, as is indicated there – already £4 billion of assets growing rapidly, and since that launch momentum is really building, so we are averaging over £50 million a month that's going into those solutions, so really, really positive and, yes, just a fantastic set of solutions that we can now grow and develop and support our financial advisers.

Driver to accelerate growth: Penetration of UK adviser market

A segmented and targeted approach to accelerate our growth through 2025

I am now going to turn, as Mary-Anne did a moment ago and focus on the areas of accelerant, so there are, again, two key areas for me.

Firstly, a significant opportunity to grow the relationships with financial advisers in the UK, so there are 27,500 wealth advisers. As I have mentioned, we have relationships with over 1,200.

We've segmented those advisers, and we see five key segments that we feel appeal or attach to our strengths as a business, and if take one of those, the network switchers. These are individual firms and advisers who are currently dissatisfied where they currently are. We are talking to pretty much every single one, or advisers inside every one of the networks in the UK today looking to switch, and they are telling us three key things: one, they are looking for an independent network which we can provide and we do that today, so it allows them to run the business how they want to run it. Secondly, they want help, as I have mentioned before in terms of my example in streamlining their business, becoming more efficient, spending more time with their clients. Thirdly, it is about creating value, and they don't all want to exit today, they don't all want to realise that value today, but, actually, they want to know that when they are ready we can help them on that journey in creating value, and then help them with that exit.

Driver to accelerate growth: Penetration of UK adviser market

Clear and proven opportunity to increase cross sell of services and raise margin

Then, the second key area of accelerant is around cross-selling and building deeper relationships with the advisers we already have a relationship with, so, as I have mentioned, we have 1,200 today. We have been pretty good and pretty successful, as you will see on the donut on the left-hand side of the screen, so 60% use either three or four of our services today, but that means that we have 40% to go after, and also focusing on the 54% to go those into having full services.

On the right-hand side I have just given you an indication of a bridge of the types of fees. They are blended in basis points, so it depends on which service they are using, but just to give you an indication for the fees that are generated as we start to sell two, three and four-plus services.

So, in summary, we've had a fantastic period of growth. Being part of Schroder's has been huge accelerant and a huge attraction for advisers up and down the country. Our pipeline has never been stronger in terms of the advisers that we are talking to today, and I have clear sight of how we are going to grow, both attracting new advisers, but importantly also cross-selling services. Thank you very much.

Peter Hall: We are now going to hear from Mark about Schroders Personal Wealth. Mark has a proven track record of delivering accelerated growth and I have asked him to answer a couple of questions that I thought might be on your mind concerning the business. The first one is, what evidence is there that we have turned the corner? The second one is if you put yourself in the shoes of a potential client, what is it that will make our proposition different from that of our competitors?

The Next Stage of Growth

Mark Duckworth, Chief Executive Officer, Schroders Personal Wealth

Thank you, Peter, and good morning everyone. It is a pleasure to be talking to you today and I very much want to evidence a couple of things, first, that we have turned the corner as a business and, secondly, that we are very clear on how we are going to accelerate our future growth.

Schroders personal wealth: turning the corner

I want to start by evidencing the turning of the corner and I want to use data to evidence this. If you look at the top left-hand side of this slide, you will see that the number of client introductions or referrals has over doubled compared to last year from Lloyds but it has also accelerated from our existing client base.

If you then move to the top right-hand side of the slide, you can see that those increased introductions have led to an increased productivity of our advisers: up over 55% year on year. That increased productivity in the bottom left has then led to more clients purchasing from our business. Indeed, we surpassed our 2020 total in week 19 of this year - in the midst of an pandemic! Those three things combined have led to the shift that you can see in the bottom right, where we were net new business and outflow in 2020 and we reversed that to be positive net new business this year. Indeed, a significant milestone was achieved in March of this year, where we achieved net new business for the first time in a significant length of time. However, I am delighted to say that post March, every month thereafter the business continues to accelerate its net new business growth. I believe it is the combination of those factors that evidenced we have turned the corner.

Capturing the opportunity offered by reducing adviser numbers

I now want to look at some of the other factors that I believe will set SPW apart and create the pathway for an accelerated growth in the future.

The first one I want to turn to is to look at the market space itself. Peter said that there has been a reducing number of advisers in the UK so let's bring that to life. If you went back 30 years, there were 221,000 financial advisers to serve a population at that time of 57 million people, so the ratio of advisers to client is 1:200. When you roll forward to today, that number has reduced from 221,000 to just 27,500 but those advisers need to serve a population of 67 million people, so the ratio of advisers to client is 1:1900. At the same time, the wealth of the average individual has risen from £72,000 to £213,000, which is made up of £110,000 in housing equity value and £103,000 of investible assets.

Now it is not just that there has been a reducing number of advisers. The average age of an adviser is 57 and research suggests that 62% of those advisers will retire, not surprisingly, over the next 10 years. What will SPW do and what are we doing to counteract that and to grow into this space alongside of technology, which I shall come on to in a second?

Our academy has hired over 90 people just this year and we are accelerating. The average age of our advisers is now down to 42 against the average of the industry at 57. The average age of an academy recruit is 32, blended equally 50% male and 50% female, and we have a distinct advantage in the fact that we have an accelerated academy. These are people who join us who are already level 4 qualified, so they hold the academic qualification but they are not yet an adviser. The reason why they want to join is that we have removed the two significant barriers.

The first is that our advisers are employed whereas the vast majority of our peers are self-employed, so the client who joins us to become an adviser does not have to make that leap to be self-employed. Secondly, and most importantly, they do not need to find their own client bank, the fact that the introduction of the client is coming towards them.

When we put out applications to grow our academy, I am delighted to say that we get ten-fold of applications versus the number of people we have hired so far, which gives me great confidence that we can continue to grow our business, to grow the number of clients that we can serve and drive that net new business margin and volume that we talked of earlier. That is the market.

A business model with unique strengths…

If we bring together Schroders and Lloyds into this JV, what does that mean in terms of client access and data?

Let's take a look at Lloyds. Lloyds is a very, very large bank: it holds £474 billion of customer deposits and that is up 40% from 2019. Indeed, in H1 of this year the deposit levels were up £23.1 billion. They have 17.7 million digital users interacting with the bank on an average of four times per month, and over 50% of UK adults have a relationship with some part of the Group.

What does that mean? It means that we have incredible access to clients, incredible access to client data and the cost of client acquisition that affects many start-up new businesses is zero.

On the Schroder side, we clearly have an incredibly powerful investment management business behind us that is powered by an incredible technology that David has talked of and you will hear from Kate very shortly about the sustainable investment offering that we have.

Bringing this to life, the power of Schroders, in the first half of this year, Schroders generated £586 million of profit for our clients and, on average, that was a 6% return in the first six months of this year, so an incredible performance. Together, I believe with the modern technology that sets us apart, we don't have any legacy because it is a new business, a new start-up.

Unique client proposition

Let us take a moment now to think about what does this mean for clients. This is what excites me most: to have an integrated view, a single view, of a client's banking and their wealth and I shall bring that to life in a short time. We are starting now to modernise, to bring new propositions to life. Indeed, in March you will have seen that we launched zero protection commission. I believe that it is the right of everyone to have access to protection and there is a £2.4 trillion debt of protection in the UK today. It is a relationship starter, it is bringing people towards the Group and we will expand our wealth relationship with all of those clients.

Let us bring to life now this integrated view. I want to bring to life individualised, customised personas for clients. They could be in professional services but let's do something that is very topical. Let us look at someone who is a healthcare worker and let's focus on a GP and call her Mary Smith. You may all know a GP and everybody wants to get Mary when she is a student as we all think she will have some wealth into the future when she becomes a junior doctor. People will supply through the bank, mortgages and, in association with that, Mary would really appreciate some advice on having a licence to get to that mortgage, and she really should be guided towards taking a pension at a very early age.

When it really comes to life is when she becomes a GP and wants to go into private practice. What we can see here is that we are able to do buy-to-let, a business loan in combination with the wealth advice as she starts to gather wealth. As she then becomes a practice owner, we can start to think of more advanced solutions in wealth and utilise Cazenove and its expertise as her wealth grows.

As importantly, when she comes to crystallise that wealth, we can optimise her savings held in the bank, investments held with ourselves and the equity within the home to optimise that tax journey. Having the access to client data I believe is a real differentiator.

Last but by no means least for Schroders Personal Wealth, when we compare our price value to our peers, we are the leader. If Mary were to give us £150,000 today and invest £20,000 in an ISA for the next 15 years, dependent on which peer that you would take, Mary would be better off by either £22,00 to £49,000 if performance is flat from charges alone. That is something that I believe she values, so we offer great value.

I hope that, today, I have given you some evidence we have turned the corner and we are very clear in our plan to accelerate the growth into the future. Thank you very much and, Peter, back to you.

Peter Hall: Thanks very much indeed, Mark. Great, so we are now going to hear from Kate in terms of sustainability and before her current role, Kate was Head of our Charities business and so she has for years really been looking after the clients who are the most progressive, the most challenging in this space.

I have asked Kate to talk about in this sustainability area where lots of people are making bold claims, not always brilliantly well founded claims, what is it which absolutely sets us apart and then given this unique franchise really in terms of our client base and with the most progressive, the most challenging, the ones right at the forefront, how do we then leverage that to make it available for the moderate greens.

Sustainability: Our competitive edge

Kate Rogers, Global Head of Sustainability

Thank you. Good morning, everyone. I have been really looking forward to today and I have been thinking about how I can best get across to you the enormous opportunity that we have in front of us. This is an opportunity to drive the transition to a fairer, sustainable economy, to deliver what our clients really want and to drive business growth.

You will have already seen endless statistics that show the growing flows into ESG and sustainable products, so I thought I would take a different approach and illustrate this huge turnaround in attitude by contrasting two events that I spoke at 18 years apart.

The first was in The Savoy back in 2002 to a room full of charity investors. I talked about the Exxon Valdez oil spill and why it was relevant for them as investors to think about the impact of the companies in which they were invested.

I illustrated it by showing them pictures of oil-soaked birds, of devastated ecosystems and it was an absolute disaster. My talk bombed, it was not relevant information, investors were there to make money, not to do good.

Fast forward to last year, to 2020 and this time I'm standing on the stage at the Royal Institution in front of a packed audience of over 100 purpose-led investors. This was the ESG Investing Olympics, would you believe it, where 59 wealth managers had responded to an open call to tender for the management of three foundations' assets. These foundations were looking for the best sustainable investment offering in the market. They were blown away by the level of interest that their competition generated, but they were also really concerned about the difference in quality and that's the problem, isn't it? How do you, how do our clients tell the difference between what is marketing spin and what is authentic, between what is green and what is green-washing?

I am delighted to say that we won the ESG Investing Olympics and were crowned as the best sustainable investment offering in the market and we are now working with these visionary purpose-led investors to drive forward progress.

What has put us in this enviable position, beating 58 of our peers to win the Olympic Gold Medal, what sets us apart? Unlike most of our peers, Schroders has been doing this for 20 years. This has given us the time to develop our knowledge, to develop our experience and our skills and an unrivalled platform of proprietary tools.

It has also given us the time to build meaningful collaborative relationships with purpose-led clients. These are things that cannot easily be replicated by competitors and keep us at the forefront of the industry.

What sets us apart?

What do these clients want? They want us to deliver both strong financial performance and positive impact and our credibility rests on the outcomes that we deliver. Firstly, our performance, our long and strong performance track record as shown in the chart emphasises to clients that they don't have to give up profit for purpose. Over three years to the end of June our sustainability growth portfolio has generated a return of 36% as compared to the Wealth Management peer group which has returned just 19%.

Secondly, they want to see us demonstrating real meaningful impact and that means looking beyond ESG analysis. This is ESG analysis that places British American Tobacco and Glencore in the top five ESG stocks in the FTSE 100 according to one provider.

That is not what clients mean by sustainable investment and it means that we must go further, we must measure the real world impact of their investments on people and on the planet. And we must report these impacts to our clients in a way that they understand. For example a £100,000 investment in our Sustainable Growth portfolio, in addition to the financial returns, delivers three times more social benefit than the MSCI world and has 85% lower carbon emissions.

That is carbon equivalent to planting and growing 184 trees per year. These tangible impact metrics make people feel more connected to their investments and drive a more engaged client and these engaged clients of course are not homogeneous. We are all different, a mosaic of our individual experiences and opinions. I care deeply about reducing inequalities. I know Peter wants to drive climate action and I bet if I asked every one of you, we would have different priorities and passions.

Now we can reflect these differences in our investments because we measure and manage impact and we can use our analytics and our technology to tilt portfolios to reflect your views.

This personalisation matters, it reflects what clients want, it further increases engagement and it enhances the quality of our conversations.

These three things, performance, impact and personalisation allow us to deliver what our clients want and demonstrate our difference and our credibility.

Don't just take it from us...

But don't just take it from me. Take it from the 1,600 charities, foundations and universities that have chosen us as their manager, making us the leading investment manager for UK purpose-led investors.

Awards like the 2020 Impact Award or the City Wealth Charity Manager of the Year also add credibility to our offering which is particularly important in a market that is awash with claims of expertise.

I have confidence in our market-leading position and believe it offers a real opportunity across our Wealth businesses. This underpins the forecasts you have already heard from Peter, from Mary-Anne, from David and Mark and drives our overall growth ambitions.

The growth opportunity

In Cazenove we are already seeing evidence of this accelerating client demand. Our Sustainable Assets Under Management have doubled from £3 billion to £6 billion over the last three and a half years and now represent 14% of our total Assets Under Management.

Assets in our two Sustainable Multi Asset Funds have more than tripled just this year from £250 million to over £750 million in less than 10 months and we are seeing this trend in our existing clients. You can see from the middle chart that when we asked our clients to classify themselves, 42% of them said they would like to invest in a sustainable or an impact-focussed portfolio with an even higher percentage of women and of under-55s.

We have invested time to train all of our advisers so that they can deepen those client conversations and improve client longevity, particularly when wealth passes through the generations.

So you can see Sustainable Assets are a growing part of our business and give us the opportunity to extend client longevity, but it also opens up considerable new business opportunities.

Today over 20% of the Cazenove new business pipeline is for sustainable mandates and this growth extends beyond Cazenove. Benchmark has already seen significant Sustainable Asset growth and we are working with Mark and his team to bring these market-leading portfolios to their clients.

Sustainable investment is a key growth opportunity for our business. It's what our clients want and it's how we can accelerate positive change, building a better future for all.

Thank you.

Closing remarks

Peter Hall

Thanks very much indeed, Kate. So, you've now heard about the five opportunities that we are focused which will drive the acceleration in the growth.

What I want to do now quickly is just almost step back from the detail of those five opportunities, and just say top line what is it which gives me confidence that we will achieve that acceleration, and it's three things.

Proof Points for growth acceleration

The first one is our trajectory. So this is now we are talking the whole of the Wealth business. A year ago we were growing at 2.5%. Our current run rate is 4%, so you can see we are on the flight path for our target of 5% next year.

Secondly, what I hope has really come through loud and clear today is the huge untapped potential that we have, and a couple of illustrations of it: one, in David's case, because we have currently a relatively low share of our target market in B2B adviser services, we have just heard a different angle on it from Kate where we are uniquely well placed to be right in at the start and capturing a share of currently a small but very, very rapidly growing segment.

Then, a third one is the adviser hiring, and, again, you have heard from it in a number of cases. You heard about our USP through our academy in SPW, and the fact that we have already brought in 90 advisers there. You heard another angle on it from Mary-Anne about our ability to go out and to track 16 of the best advisers from our competitors in the UK regions, and, of course, it's that adviser hiring which fuels our growth ambition.

Key Takeaways

Finally, before we turn it over to Q&A, a quick summary of the takeaways from my perspective. We talked about what makes us unique four distinct franchises focused on individual segments, but leveraging these shared, unique strengths of Schroder's from investment through technology, through the relationship with Lloyd's.

We have big ambition, but we have a proven track record, so we have more than doubled this business in the last five years.

We have a lot of focus in terms of what is going to drive the growth, and that's what gives us the confidence that we are going to achieve the target of 5% organic growth.

While we achieve that accelerated growth we are confident that we can maintain margins at the current levels, so that is 56 basis points average on revenue margins, 31% in terms of profit margin, and then if you put it all together and you add to our organic growth, some assumption in terms of market growth and performance, and further capturing of opportunities with partnerships and acquisitions, that's what gives us confidence in the total target of £115 billion of assets by 2025.

So it is now over to you. It is time for Q&A, so I am going to hand back to Peter who is going to host the Q&A for us, and all of us who have presented are going to come back on stage so that we can all – we will all be delighted to answer any questions that you may have.

Question & Answer Session

Peter Harrison: Thanks, Peter. You have heard the phrase 'investor growth' from Richard and me many, many times, and I hope you can see today that we have put together a fantastic set of businesses and that, as those businesses have come together, they have opened up a lot more optionality. I am really excited and very confident about that build-up but let's get into the detail.

Hubert Lam (Bank of America): I have a few questions. First, on your 5% net new money growth of £4 billion per year. Can you give us a breakdown of the contribution to the £4 billion across the different segments, which segments you expect to grow faster than others - any breakdown you have as far as the growth rates for the four different segments would be helpful?

My second question is on M&A. You talked about M&A throughout the presentation so can you give us your priorities and considerations for M&A? Of the £115 billion target that you have, how much M&A is baked into that number, and in which segments do you see the most opportunity for M&A and would you consider larger deals if it made sense?

My third question is on the cost of hiring advisers. Could you talk about the cost of hiring advisers and how that has changed over time, do you expect it to be more expensive moving forward and would you pay more for advisers going forward?

Lastly, if you don't mind, could you talk about how you sell Schroders products within your Wealth Management division, what percentage currently is Schroders product versus third party and how do you expect that to grow over time?

Peter Harrison: It used to just be two questions and not three! Peter, why don't you start with growth rates?

Peter Hall: What you have heard this morning is that we have growth opportunities in all areas of the business and all of them are currently growing. All of them, we believe, are areas where we can accelerate our growth. I don't want to go into specifics as far as putting a target in each particular area but, in aggregate, I am confident that we can achieve the 5%. One of the additional things that gives me confidence is, of course, the breadth of the opportunities that we have here.

Peter Harrison: And on M&A?

Peter Hall: On M&A, if you look at the £115 billion, you can obviously do your maths in terms of the 5% a year and the difference there between the £115 billion and the organic growth is partly down to an assumption on market growth, it is partly down to what we believe we can do on M&A. We do have a lot of confidence from our track record as far as M&A and, while I don't want to appear arrogant about it, we do really know how to successfully integrate businesses, so we are continually on the look-out.

Where do we look I think was your question? It really comes back to those strategic priorities. We are particularly interested in the family office space where, of course, we have had very successful acquisitions with Sandaire and Thirdrock. We are also particularly interested in the financial planning space and David, for example, talked about our ability there to provide succession opportunities for individual advisers who could be using our other services.

Yes, we will contemplate larger deals and, if you go back a little bit earlier, the whole division was originally formed through what at the time was a large deal in terms of the combination of Schroders and Cazenove. Therefore, if the right opportunity comes through at scale, we will certainly consider it.

Peter Harrison: What we are saying is that we are very confident of the £115 billion number and there is upside to that.

Richard Keers: Hubert, we don't want to get into the game of giving growth rates for every single aspect of our business but, as a blended segment, we are very comfortable with 5%. In fact, to illustrate that 115, there are a number of different scenarios but with 5% NMB growth with markets at 4% over that period, you would have £4 billion of acquisitions. If markets were at 3%, to hit 115 you would be at £10 billion of acquisitions. Clearly, we don't know the M&A number but we are very comfortable as a guide in hitting £115 billion broadly at the end of 2025.

Peter Harrison: It is also a self-correcting mechanism, because if the markets are very strong, the price of acquisitions goes up. If the markets are weak, we can be much more opportunistic, so the balance of those two gets us to a good place. The cost of advisers - Mary-Anne, do you want to start on that one and David and Mark might want to come in?

Mary-Anne Daly: I can certainly start with that. We want to hire the best people and the best people always come with a price. Equally, most of the people whom we have hired have been just as much attracted by our culture, which is a very cooperative culture; it isn't an eat-what-you-kill culture. That is what has allowed us to hire really talented people, really experienced people from top institutions without having to overpay.

There is the attraction of coming to a firm like Cazenove where you know that there is the backing of Schroders behind you, you know that we are not going to be sold again, so when they are bringing clients to us they know that it's a good home, both for themselves but also for their clients and I think that speaks wonders. The type of people that we have been able to attract is not because of money. What we haven't done is say 'you will get X amount more of an uplift', etc. They have almost just sort of come to us and I think that's so valuable, so important.

Peter Harrison: David, do you want to comment on the buyout world which is probably more challenging?

David White: Yes, as I mentioned in my presentation, I don't know if I specifically mentioned it, but we have done 35 deals and as Peter said, we don't want to be arrogant but we are pretty good at what we're doing. We have learned a lot over the years about how you integrate. It's not about price, it's about culture. A bit like Mary-Anne was just saying, it's about the right firms and driving the right value for them and working with them, so I think within our network today we have well over 100 firms that we work with and are helping them drive that value, so I feel very confident, Peter, that we can continue down that track.

Peter Harrison: It's fair to say though that with the number of PE firms operating in that space and firms being built up that the price that people are prepared to pay has sometimes got quite rich.

David White: That is correct, yes.

Peter Harrison: But that's a different dynamic for employed people. I probably should say that at a group level our staff turnover remains very well below 10%, significantly below 10%, so the employee value proposition that Mary-Anne talks to is working because there is a lot talked about very, very house employment markets at the moment but I am very pleased to say that although we evidence it, it's not turning up in our staff turnover numbers which is important.

Mary-Anne Daly: Peter, I might add, we take on a lot of young graduates through the Schroders Graduate Scheme and importantly we retain them through their career and the culture is then within those people and we provide, because of our growth ambitions, as much as our culture, we are able to retain some really good and really talented people.

Peter Harrison: Mary-Anne whilst you're on, do you want to talk about percentage of Schroder product?

Mary-Anne Daly: Sure. In terms of Schroder product, we don't have a percentage in mind. What we do is we basically have an open architecture approach and Schroder is part of that of course, it's part of that cadre of fantastic managers that we look at, so if you were to ask me today, we are probably roughly at about 15%. I don't know, it will vary between 12% and 15% but it could be more if we end up having more in Private Assets and of course those assets stay for longer and it is really dependent on what is right for the clients at that particular point in time.

It may be that we sell out of a Schroders Fund because of the style of that manager not suiting that moment in time. It's not because the manager is not performing necessarily, it's more because actually we are moving more into value so we will buy more of one particular Schroders product. But we don't have a percentage in mind.

David White: Peter, that's the same for the Schroder Investment Solutions as well, so unfettered multi-manager approach, and that's the style that has worked well for us.

Peter Harrison: Great, thanks, Hubert.

Nicholas Herman (Citigroup): Yes, hi. Thank you for taking my questions and thank you for the presentations today - very helpful.

One clarification question and a couple of other questions, please. Just on the clarification; does your growth ambition include growth from your upcoming JV to be launched with BOCOM? That would be that one.

Then the other two questions, one on operating margin and one for Mary-Anne and Cazenove. On the operating margin, you generated 30% operating margin last year, that was always going to be a difficult year with Covid. With such strong growth, why can't you expand the operating margin more? And also I guess I see a lot of your peers talking about expanding operating margin, not just UK peers but also international peers, private banks and the like, that's on the operating margin.

Then on Cazenove, we are seeing a move towards a greater proportion of products being offered digitally even in the High Net Worth space, so I am thinking about Julius Bär, Digital Advisory Solutions, UBS, MyWay. Do you have anything comparable to that? Thank you.

Peter Harrison: The first one is very straightforward. This is completely excluding everything in China which is additive to that. Richard, do you want to touch on operating margin?

Richard Keers: The operating margin, it's been broadly static over the last five years. It's gone from I guess a low in 2019 at 72%, at the half-year it was 69%. We talked about this very significant investment we're making in UK Regional Wealth and that's a lot of cost before revenue. We would expect that revenue to flow next year, so I do see some leverage opportunities but at the same time we want to continue to invest in the future growth of the business. But yes, I think marginal improvement in the short-term with a sensible rate of reinvestment is probably where we are heading.

Peter Harrison: Keeping the theme of investing for growth is really, really important. Most of the growth we are seeing now is for things we weren't doing five years, and that sense of continuing to invest and moving one's feet is really important, and, actually, probably on that, Peter, why don't we talk about digital.

Peter Hall: Yes, so we are, and have been investing very significantly in digital, and an example in Cazenove and Schroder's Wealth Management is a client wealth app that we have launched within the past year. It has gone down extremely well with clients and if we talk both about Benchmark and Schroder's Personal Wealth, we are absolutely investing in further digitisation of the key steps within the adviser process, which are, of course, account opening and take on, and then client reviews and suitability, so that's absolutely a key element within our change programme.

Peter Harrison: Yes, and I think also what Kate talked about in terms of being able to engage with clients from a technology perspective from what it is they own is very different from just reporting on performance and risk. It is not an app, as such, but it is actually proper engagement that's. personalised to them.

George Godbed (Polar Capital): I just wanted to ask on that specific point, as you alluded to, there's a lot of marketing spiel in ESG, and I was particularly interested by that personalisation point and could you maybe just give us a little bit more detail on how that works and do you ultimately, I guess, believe that that fits into where we started on the greater longevity of clients if you are able to tilt to whatever the charity or the individual's personal ESG needs? Is that something that others can offer or do you think it is a unique offering?

Kate Rogers: I think it's unique at the moment. We have been doing it for quite some time with the very large institutions, so whether it's University of Reading, who are very focused on climate, or an individual family who cares about reducing poverty in emerging markets we have been creating personal investment portfolios for them, but I think what is shifting with both the technology, and obviously the data and tools that we have is the ability to use that as a platform to create broader access and broader portfolio tilts, and, yes, you are absolutely right what that does is allow a client to connect with their investments in a way that is broader than just meeting their risk and return targets, but is actually driving the things that they care about, which enhances client conversations and thereby longevity.

Peter Harrison: I think it is also fair to say that we did at Cazenove something like Blue Orchard which does it specifically with development agencies around the world, so we will have an Asian female empowerment fund, for example, which sounds like a very niche thing, but is important to a group of individuals who want to invest behind that and we run that fund, and there's other things like quality jobs in the US, and I think more and more that theme is where the world is going.

David McCann: Two questions from me, the first one is, so you will be aware that the period that you are talking about is half one, '21 to '25, the UK Wealth market leaders play for a target of overall growth of about 80% on an organic basis to £260 billion in their case, and are targeting positive operational gearing. Clearly, your target is for about 50% growth over that time, including acquisitions and a flat operating margin. I would have thought that being a smaller player, with potentially more scope for growth, given the current size and operating across a broader market spectrum you could potentially growth more quickly, especially if this does include acquisitions, so I just wondered – this is the first question, perhaps why is the target not a bit more ambitious?

The second question is really just a more technical one. On slide 29 you made some high-level claims around price leadership in Schroder's Personal Wealth. Could you maybe provide the actual detailed workings of that, probably offline would be best, thanks?

Peter Harrison: David, thank you. Peter, do you want to pick up that challenge?

Peter Hall: Yes, what we have set out at the moment is what we are confident in in terms of hitting the 5% a year organic growth from now on. We will see how we go on these initiatives. We will give you an update every six months in terms of how they are going. We are optimistic about them. It is possible that they will play out and evidence more upside, but for the moment I think the right thing to do is to go with the overall target of the 5% growth.

Then, on the acquisitions, it is a bit, as Richard says, a sort of a bit who knows? There are opportunities out there which could be significantly greater, but it would seem inappropriate to put that in the target.

Peter Harrison: Yes, having done four successful acquisitions, we work really hard on making sure that the follow-on growth from those has been very good. I think our style tends to be to under-promise and over-deliver, and, Mark, perhaps you could pick up that up separately offline.

Mark Duckworth: Yes, let's pick it up offline.

Peter Harrison: I think we could get into a number-fest, and I am conscious of time.

Tom Mills (Jefferies): I just have a couple of questions both related to Schroders Personal Wealth. I can see how it's attractive to young people if you are offering them employment in the role versus perhaps what competitors are offering. Does that though make it difficult to hold onto people later in their career when perhaps they could capture more of the economics at different places?

The point about open banking, the benefit that gives you with the relationship with Lloyds, is that benefit not also available to your competitors with opening banking? What are the additional benefits that you can bring to the table as a result of your relationship with Lloyds?

Peter Harrison: Mark, do you want to take that one?

Mark Duckworth: Of course, thank you for your question. As I said, the average age that we attract in our academy is 32 versus the sector at 57. Alongside that to ensure that we maintain the longevity of our advisers, we have a career progression that phases into four. You talked about whether it is going to be more expensive and I don't know whether your question was more to do with assets than advisers, but we are very controlled and, as I said, there are ten-fold in that academy but we have a much more solid progression based on a set of standards that we don't necessarily need to go into now. However, I am very confident because of that when we compare peer2peer to a typical adviser elsewhere with the security, the career path and the role and function, because don't forget the clients are being introduced. I believe it is those factors that remain compelling to most and that was proven way before my time, in the old business and through, so I am very positive in that because I believe that the degree of progression will help.

Turning to your second question, it is how we attract the client rather than whether people can do this with open banking. It is the positive persona to attract, so if you think of the number of clients, and we stated earlier that over 50% of the people in the UK have some form of relationship and we used the GP in this scenario, it is how we approach Mary in my example. That is the difference in the origination because we can see the data as we approach Mary. We are not waiting to be reactive. That is the key difference here: we can see how many Marys, how many GPs, that Lloyds as a group has and we can create and bespoke and have built six different personas to do exactly that.

Peter Harrison: The idea is that we are trying to grow the Wealth market here rather than just take money from our peers. Next question?

Bruce Hamilton (Morgan Stanley): Thanks very much for the slides and content which are really interesting. I have a couple of questions on customisation - bespoke customised portfolios I guess - a big focus of many of the US firms. Looking at the slides and listening to you talk, it sounds like you do that in a number of ways but can you perhaps help us understand a little more around what you are offering? It sounds like they are semi standardised normal portfolio solutions at a low fee but at what level of assets can you deliver a fully bespoke portfolio to a customer in the same way that some of the US firms are trying to do? I guess that technology is an important part of that.

Secondly, as far as customisation, is the opportunity mostly around sustainability and impact, or is there a significant driver around tax optimisation or something else, because clearly the sustainable impact piece sounds pretty well covered?

My third and final question is a slightly different one on risk. On KYC and AML, how has the process evolved over time? Are you doing it all in-house, do you use third parties? How do you get comfortable around that sort of risk as I guess that quite a few European banks have come a cropper on that one?

Peter Harrison: Peter, do you want to start on the bespoke threshold - or Mary-Anne - and then the drivers?

Peter Hall: Yes, absolutely. As far as a bespoke portfolio, you don't just have a dedicated individual but they can really personalise it to you and that is at £1 million. More generally, how do we customise portfolios and how will we customise portfolios? One element of it is by goal, so you sit down with your financial planner and you will agree their personal life goals and, therefore, your portfolio is designed to deliver those. The second one goes back to what Kate talks about where I believe we have a real edge, which is taking the ability to personalise a portfolio for some of the largest, most sophisticated clients and then using technology to make that available to a much wider group, and then building the emotional connection and the longevity that Kate talked about. I think that covers the question. Peter, is there an element of that first question that you think I have missed? No.

Richard Keers: Shall I pick up the KYC? Clearly, we have invested very significantly in staying abreast but at the heart of the question is also making sure that you have the right client base. A few years ago, we took the decision to exit our Eastern European client base, a combination of making sure you are comfortable with what you've got, that fits your values but also continued investment in making sure we have the best possible procedures and technology to support us on the KYC journey and that's different in every aspect of our business, but we have invested very strongly. That is something that we have to get right and we are.

Peter Harrison: Mary-Anne do you want to add anything to that in terms of on-boarding clients?

Mary-Anne Daly: Yes. It is internal how we on-board the clients in terms of the AML, etc but we tend to know our clients very well. We don't have, certainly in the UK, we don't have a high-risk client base. It is, as you would expect, very domestic, although we do have roughly 10% to 12% of our clients are international, so while of course we take all the measures to protect ourselves, we are a relatively low-risk organisation anyway but we take that incredibly seriously. We prefer to do that ourselves and to really know our clients before we take them on because our reputation is everything and it's just not worth us making a mistake there.

Peter Harrison: Thank you Bruce.

Arnaud Giblat (Exane): I have two questions, please. Firstly on Embark. Lloyds announced that acquisition a few months ago, a platform with 35 billion of assets under administration, 410,000 clients. I was wondering if you could share some colour on how this fits in with your current strategy with Schroders Personal Wealth given that Lloyds referrals seem quite important to your strategy?

Secondly, I was wondering as well in terms of how much of the vertical integration of Schroders Personal Wealth, how much referrals are you seeing towards Schroders products? Is it still within the 15% range or are you able to better sell Schroders products within that joint venture? Thank you.

Peter Harrison: Thanks, Arnaud. Mark, do you want to touch on Embark first?

Mark Duckworth: Yes, so I think this is more of a Lloyds' response than a Schroders' response because what Lloyds have done by taking on Embark is clearly fill what was a strategic void in having a retail platform because Lloyds only had a corporate platform. The business case for Lloyds was absolutely to think about a D2C offering, so that's what I would comment on that.

And with regard to the vertical integration, it's referenced to an answer that was given before on open architecture, so it's very stable. We do the best thing for clients and actually the percentage of Schroders products is consistent with your question and it has not moved, so it still remains a minority of the total that we have within the Group.

Peter Harrison: I think there is also a philosophical point here that this is not a cheap way of selling Schroders products. This is about trying to offer the best in class solution to clients and that's what will make us successful.

Mark Duckworth: It is and I think what is evidenced is the independence of us and Schroders, be very clear, help us in the selection of the managers, so it gives me great heart that we've maintained that. I want to give everybody assurance that that will remain.

Peter Harrison: I think the other point, and Peter, I don't know if you want to come in on Embark a little bit but we don't have a desire to be a self-service platform.

Peter Hall: No, exactly. I think as Peter and Mark say, I think that that is a strategic ambition for Lloyds but it is not part of our strategy to develop a D2C offering.

Peter Harrison: Great.

Gurjit Kambo (JP Morgan): Hi, good morning. Thank you firstly for the presentations to all the speakers. All very helpful.

Just a couple of questions. You talk about the pricing obviously is better versus some of the peer group. Can you maybe just elaborate a little bit on how the performance looks? Are there any stats you can give? I know you've given some around the ESG but just around the more broad business performance?

The second one is just on the IT and digitalisation. I think you mentioned that as a positive to the operating profit margin, but is there any near-term investment you need to make on the digital IT side which I guess may have a slightly negative impact on margin?

And then just thirdly, in terms of the revenue margin, and I am not looking for details around the different businesses, but if we just think about is there any significant difference in margin which might impact if one grows faster than another, that might have a margin impact on the revenue side?

Peter Harrison: Gurjit, thank you. Mary-Anne, do you want to comment first of all on performance?

Mary-Anne Daly: On performance, yes. I think I've quoted one performance. In the slides there is a performance statistic which is that we have out-performed ARC over one and three years, so our performance is strong, it's founded on our stock selection but also our asset allocation has been correct. We have had a lot of exposure to the US and we have had more exposure to some secular themes such as technology, pharmaceuticals etc, so we are very pleased with the performance. Regarding the performance of our segregated portfolios, I believe there was a question earlier about personalised portfolios where clients are investing in individual stocks. That has equally been strong and is powered by the research that we have within Schroders and, again, the same secular themes have carried us forward.

What we look for also is to lessen the volatility of our clients' portfolios, which is why the arc benchmark is a good one because it is a risk-adjusted performance and we are very strong versus our peer group there.

Peter Harrison: Peter or Mark, do you have any further comments to add?

Mark Duckworth: I will comment. I don't know if the question is referenced to SPW but what I would say is that since Schroders have taken on the mandate, the performance has significantly improved for our clients than for the prior manager. Yesterday, I signed off the Attestation of Value for our fund performance which will be released on 15 October, and you will see a significant uptick since Schroders took that on over the last three years.

Richard Keers: On margin, again on a blended basis I am really comfortable guiding to 56 basis points. Clearly, in a short measurement period if we were to win over a very large charity or a very large family, that would come at a slightly lower margin, so it is always dependent in a short measurement period but over the five-year term, all things being equal, I would expect the business to continue to deliver at 56.

There is one override. The loss of bank interest margin has cost us two basis points of margin. I would like to think that, over a five-year period, we might see some return to earning more banking interest margin than we have done in the last few years, so there is upside on interest margin.

Peter Harrison: Do you want to mention anything on profit and costs coming through, Peter?

Peter Hall: On the digitalisation point, each year we invest quite a significant amount in technology and we are anticipating over this period that we will need to maintain that significant investment. It is not that we anticipate to deliver what we want to deliver that there is going to be a sudden sort of jump in that, but it will just be a continued high level of investment. Of course, the depreciation of that does have an impact on the profit margin but we believe that is more than offset by the benefits in terms of productivity on the back of it and the economies of scale that I talked about.

Roberta De Luca (Goldman Sachs): Thank you for the presentation. I quickly want to go back to hiring giving that the focus on hiring was referred to a couple of times during the presentation. I appreciate Mary-Anne's comments around not having to overpay for advisers but, assuming that it still has a slightly higher cost, I am wondering whether we should expect any short-term pressure on margins from potentially having to go out and hire more advisers?

Secondly, and I guess linked to the same topic, can you perhaps give us a sense of the reliance on your growth of your advisers: if we can have some colour on the weight of flows from your advisers on growth either over the past few years or in your forward-looking targets?

Richard Keers: On margins, I just want to restate that we are really comfortable with guidance I have given other than a mix shift in business - let's be clear, if we are taking on a large, more institutional like mandate, the profit margin of that mandate is just the same as a smaller, higher revenue margin. Therefore, we must not get confused between revenue and profit. We are here to run the business to make money for our shareholders but I don't see any real pressure on that 56 basis point guidance that I have given.

Peter Harrison: And growth from advisers?

Peter Hall: If I start off with the generality and we go back to the five opportunities, there are some of those opportunities that aren't dependent on adviser hiring. For example, on the B2B business for Benchmark or the personalised sustainable investment. We talk particularly about hiring to support Mark's growth in SPW and for me the key factor there is when he said that there were 10 applicants for each place. We also talked about hiring in Cazenove in terms of the regions. Do you want to talk about that last point, Mary-Anne?

Mary-Anne Daly: The majority of the growth currently is coming from our existing advisers. I talked about the importance of growth coming from existing clients and advisers who know as well and by that I mean professional advisers, lawyers, accountants, consultants. They bring us the max. This is where the bulk of our growth is coming, so of course I have talked about a specific growth acceleration opportunity in terms of the Lloyds relationship and the hiring of advisers but we are not dependent on those advisers in that sense.

It’s an acceleration opportunity and we do want to support it because we have this massive opportunity from Lloyds, so it’s very different to saying that we are going out to hiring advisers so that they can bring their existing client base to us. That’s not what we are doing.

We are staffing up in order to meet the demand from Lloyds. That’s a very different dynamic and a lot of our growth currently is coming from our existing client base and their professional advisers.

Peter Harrison: Thanks, Mary-Anne. Can I just check there are no more questions in the room and no more questions online?

Excellent. Thank you, everybody. Hopefully you have found it useful. We will continue to run these focus sessions on different areas of our business so that you can get a deeper understanding of it. We try and keep them short and sweet so that we can get deep into one area, but I am really grateful for you attending and look forward to seeing you all again soon. Lovely to do it in person! Thank you.