

Schroders

2013 Half-Year Results

8 August 2013

Michael Dobson | Chief Executive



Schroders

H1 2013

Volatile background, strong results

- Profit before tax and exceptional items up 29% to £228.0m (H1 2012: £177.4m)
- Interim dividend up 23% to 16.0 pence per share (interim dividend 2012: 13.0 pence)
- 67% of funds outperforming over 3 years
- Net inflows up 67% to £4.5bn (H1 2012: £2.7bn)
- Assets under management up 21% to £235.7bn (30 June 2012: £194.6bn)
- Acquisition of Cazenove Capital completed 2 July

Acquisition of Cazenove Capital

Scale in Wealth Management, complementary strategies in Investment Funds

- £20.1bn AUM
 - £13.2bn Wealth Management
 - £6.9bn Investment Funds
- £1.6bn net inflows in H1 2013
 - £0.4bn Wealth Management
 - £1.2bn Investment Funds
- In Private Banking
 - Adds scale in UK
 - Broadens client offering
 - Complementary client base
- In Asset Management
 - Extends product range in UK Intermediary
 - Strong performance in UK and European equities, multi-manager, fixed income
 - Opportunities to leverage Schroders distribution
- Cost synergies £12-15m

Cazenove Capital AUM and net inflows not included in Schroders' Interim results 2013

TRUSTED HERITAGE ADVANCED THINKING

Stronger together



What can you expect from Schroders now we have come together with Cazenove Capital?

As you strive to help your clients reach their goals we're there to help in even more areas, with an expanded range offering **20 Morningstar OBR rated funds and 17 Citywire rated fund managers.**

Our investment teams are bonded by a strong culture and heritage based on independent, long-term investment thinking. All of our investors stand to benefit from the deeper pool of talent they can now draw on. Our existing global investment capabilities have been enhanced with the addition of Cazenove Capital's highly-rated managers in UK and European equities, fixed income, multi-manager and absolute return strategies. What's more Cazenove bring their proven business cycle investment process with them, which will remain distinct.

We maintain an unrelenting focus on the factors which help to deliver long-term investment success. Delivering results for those who entrust their investments to us has and will always come first.

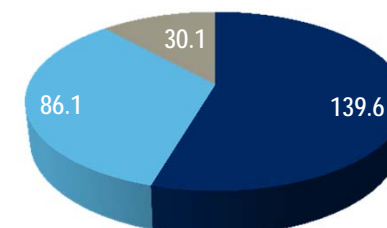
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CAZENOVE
CAPITAL MANAGEMENT

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For professional advisers only. This material is not suitable for retail clients. Source for ratings Morningstar and Citywire, 30 June 2013. Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Cazenove Capital is now part of the Schroders group. Issued in July 2013 by Schroder Investments Limited, 31 Gresham Street, London EC2V 7GA. Registered No. 2016027 England. Authorised and regulated by the Financial Conduct Authority, 1900347.

Pro forma £255.8bn AUM at 30 June 2013

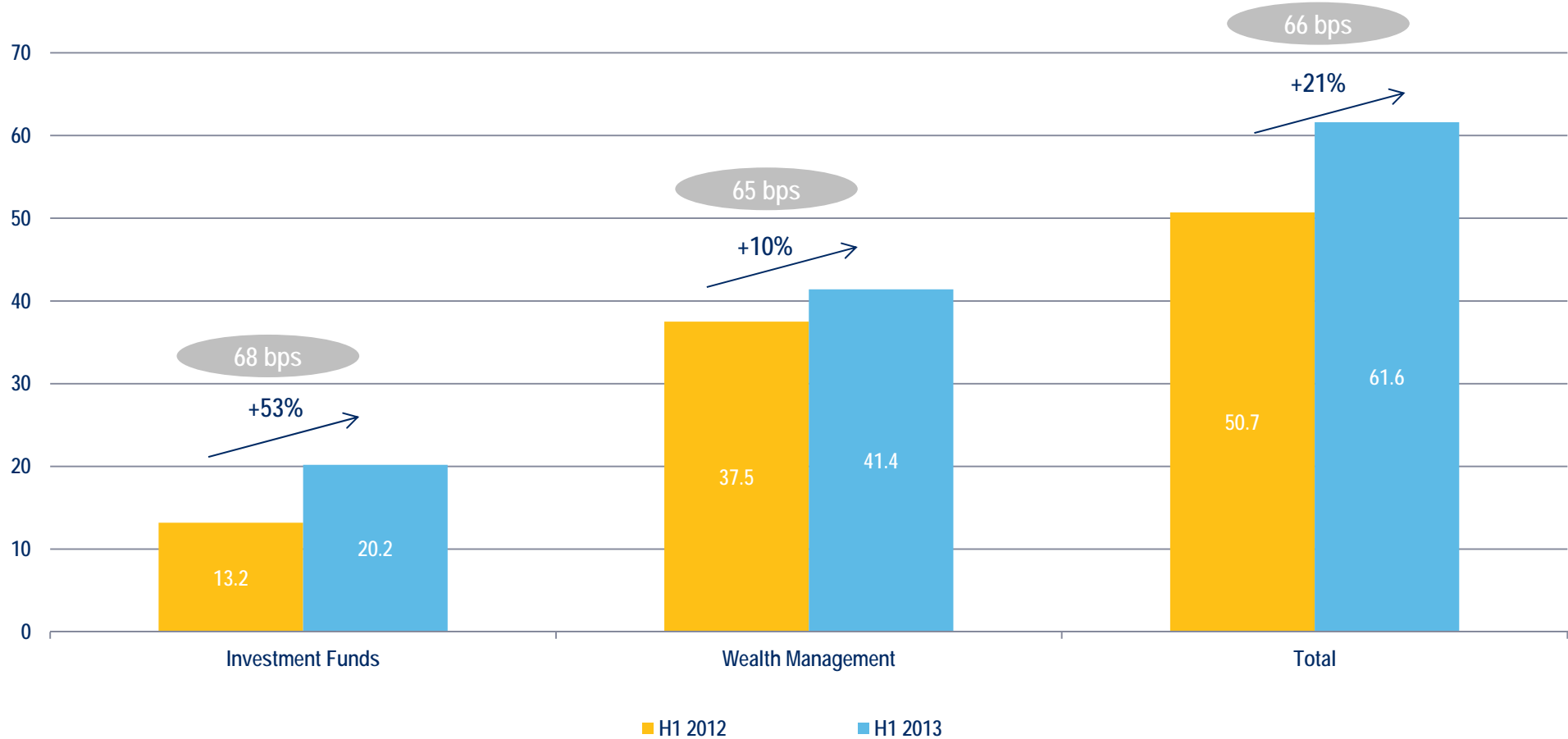


■ Institutional ■ Intermediary ■ Private Banking

Cazenove Capital H1 2013

Strong revenue growth

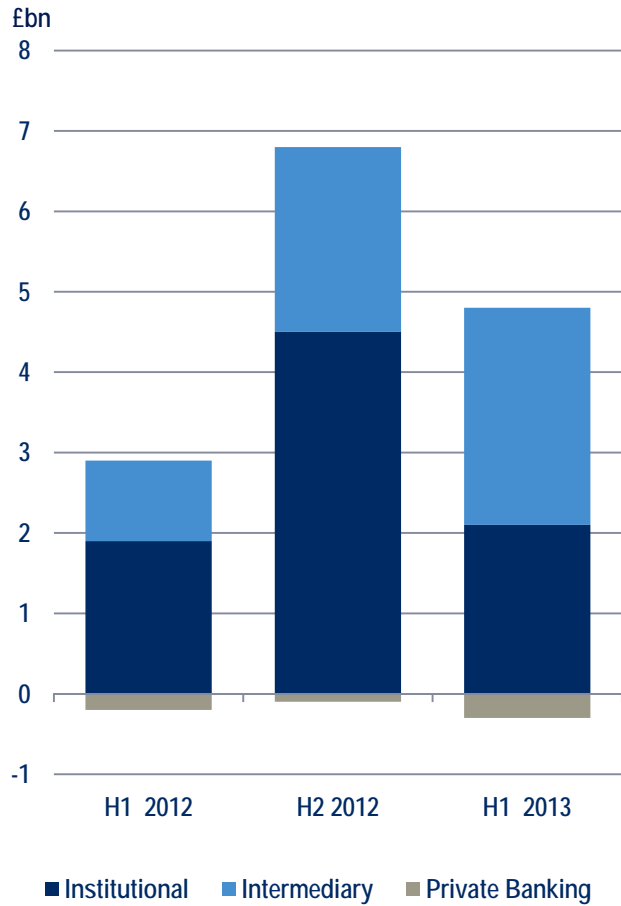
Net revenues (£m) and net revenue margins (bps)



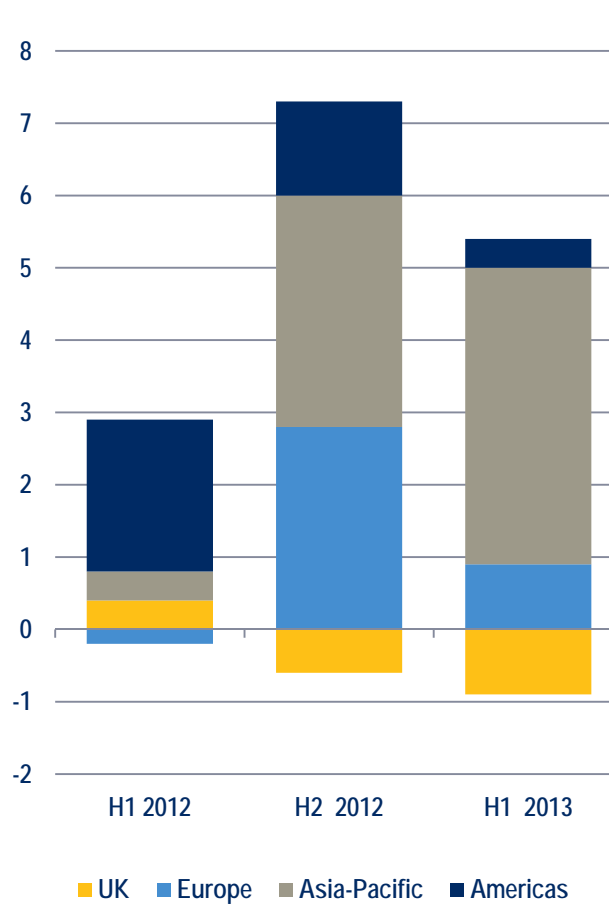
Diversified sources of new business

H1 2013: net new business £4.5bn

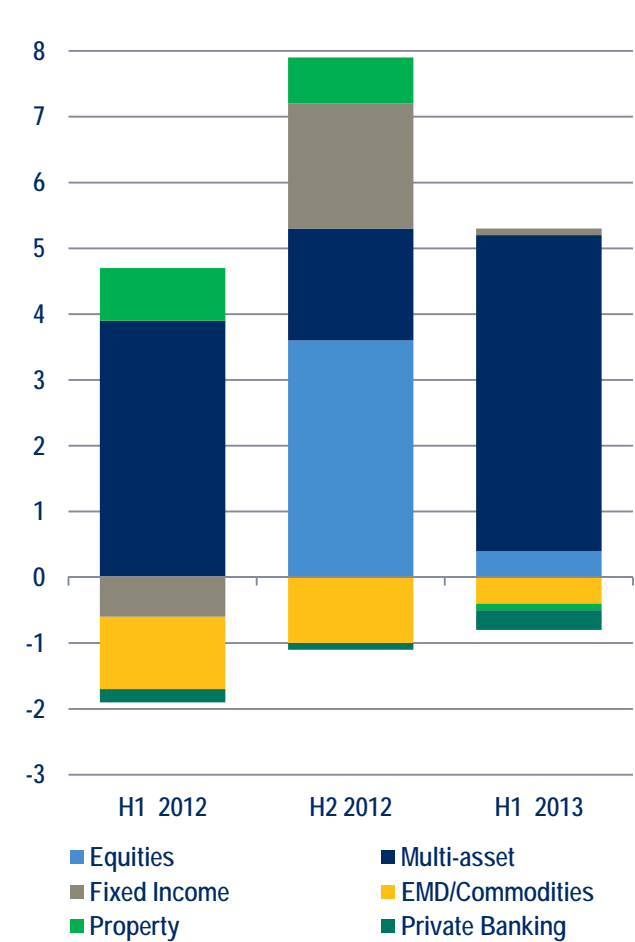
By channel



By region



By asset class

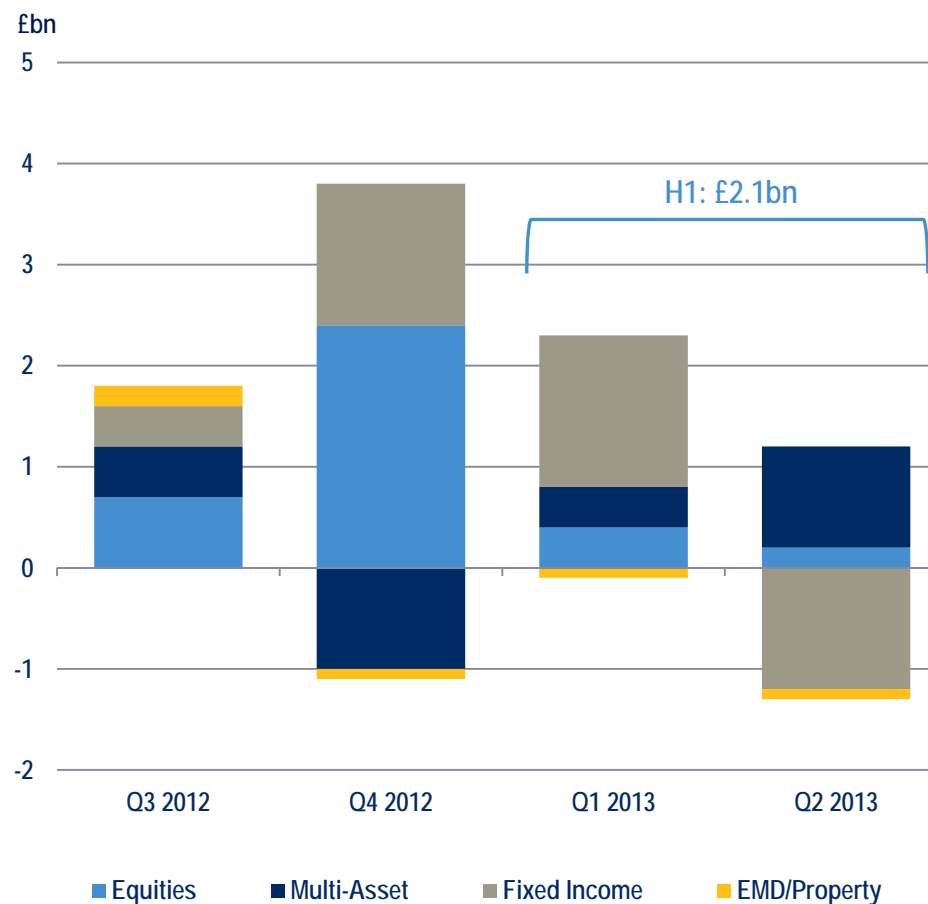


Institutional

Assets under management: £139.6bn (end 2012: £123.7bn)

- £14.2bn of new business in H1
- H1 net inflows £2.1bn
 - Asia-Pacific, UK
 - Multi-asset, Equities, Fixed Income
- Pick up in outflows in Q2
 - Asset allocation
 - US client diversifying
 - STW
- Net revenue margins unchanged at 39 bps
- Continue to see opportunities globally

By asset class



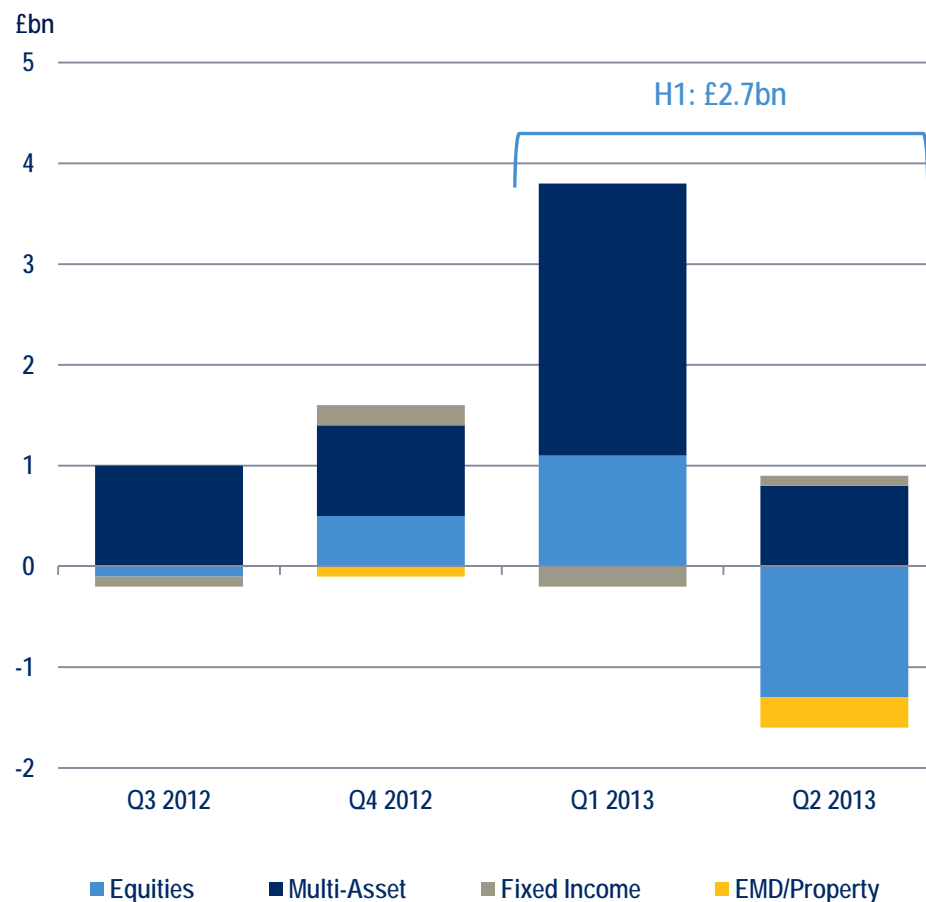
Net revenue margins excluding performance fees

Intermediary

Assets under management: £79.2bn (end 2012: £72.0bn)

- £22.6bn of gross sales in H1
- Sales slowed, redemptions picked up in Q2
 - UK alpha products
- Net inflows £2.7bn
 - Continued success of Multi-asset
 - Strong result in Asia-Pacific, Europe, US
 - Outflows in UK
- Net revenue margins unchanged at 79 bps
- New UK alpha team
- Complementary Cazenove funds

By asset class



Net revenue margins excluding performance fees

Private Banking

Assets under management: £16.9bn (end 2012: £16.3bn)

- Marginal increase in revenues and costs
- Profit before tax £10.6m (H1 2012: £10.4m)
- Net outflows £0.3bn
 - Withdrawals from continuing client relationships
 - Net new/lost clients positive
- New leadership in London and Switzerland
- Major opportunity through Cazenove Capital integration
 - Significantly increased scale in UK
 - Financial planning capability
 - Broadens investment offering
 - Banking services for Cazenove clients
 - Encouraging response from clients
 - Cost synergies



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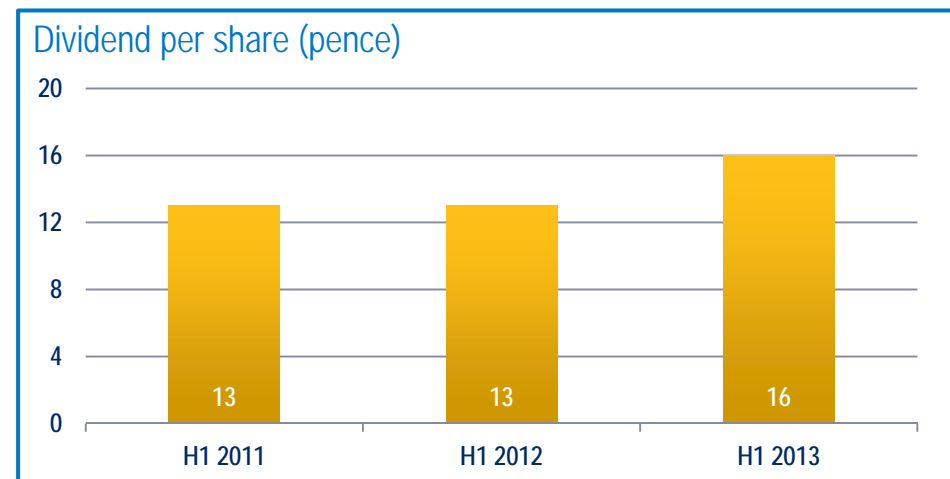
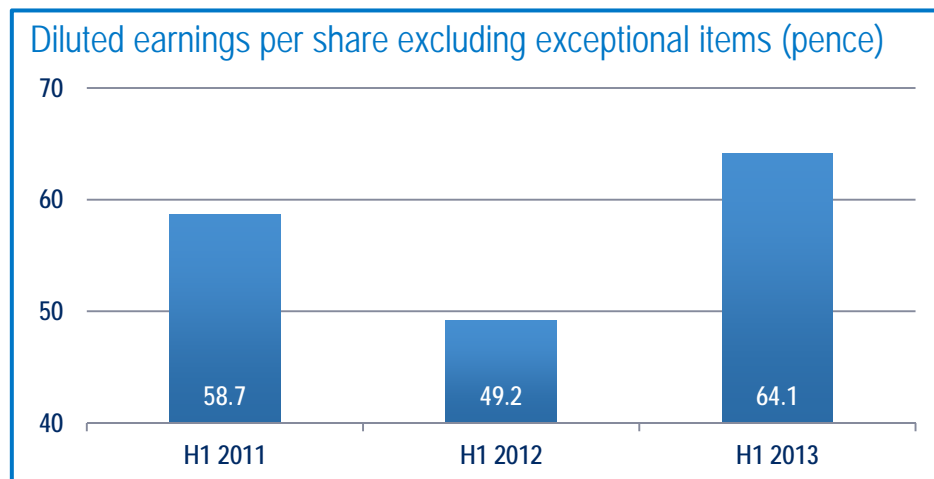
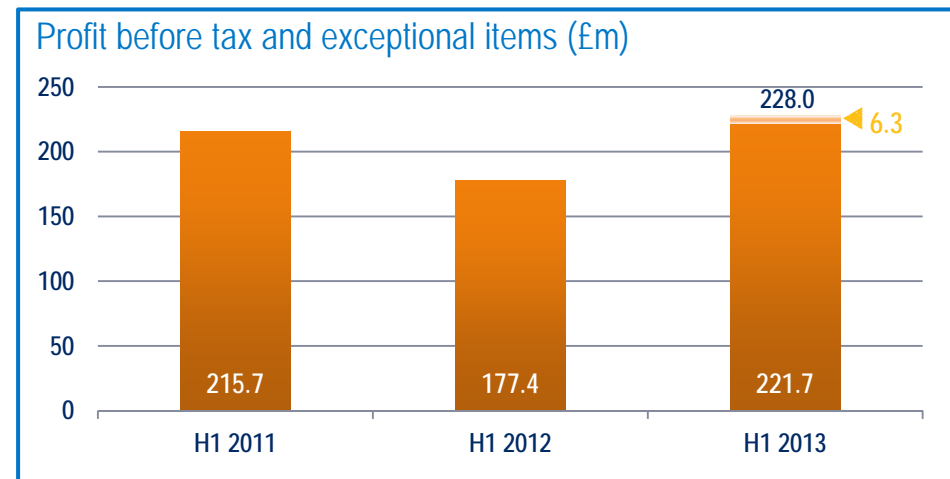
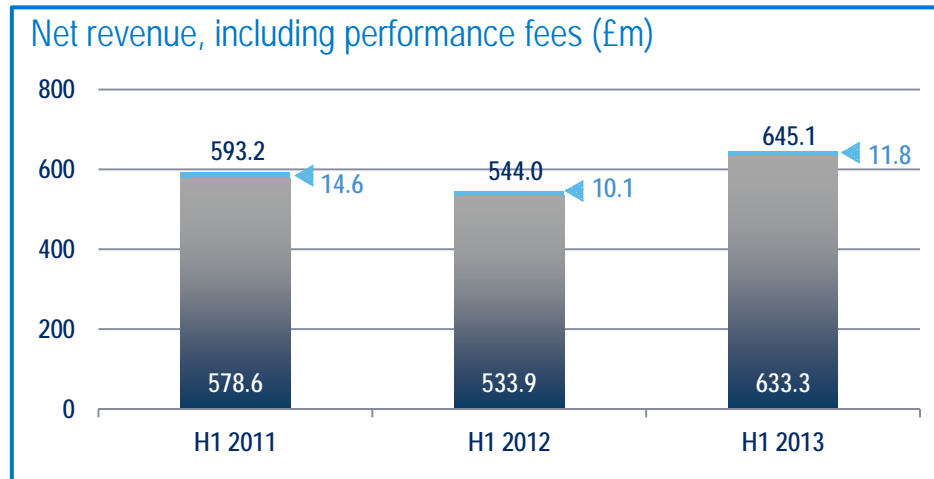
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Richard Keers | Chief Financial Officer



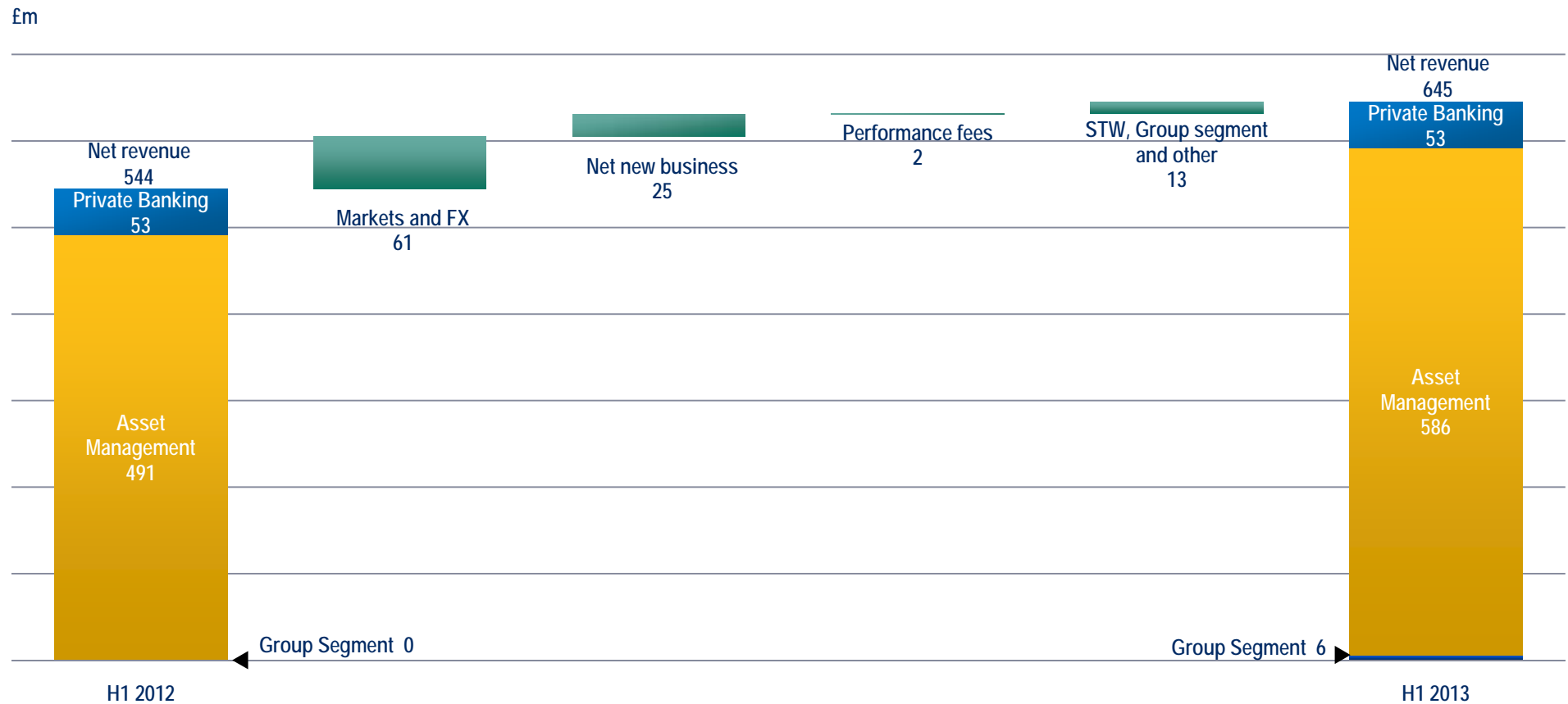
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Financial highlights



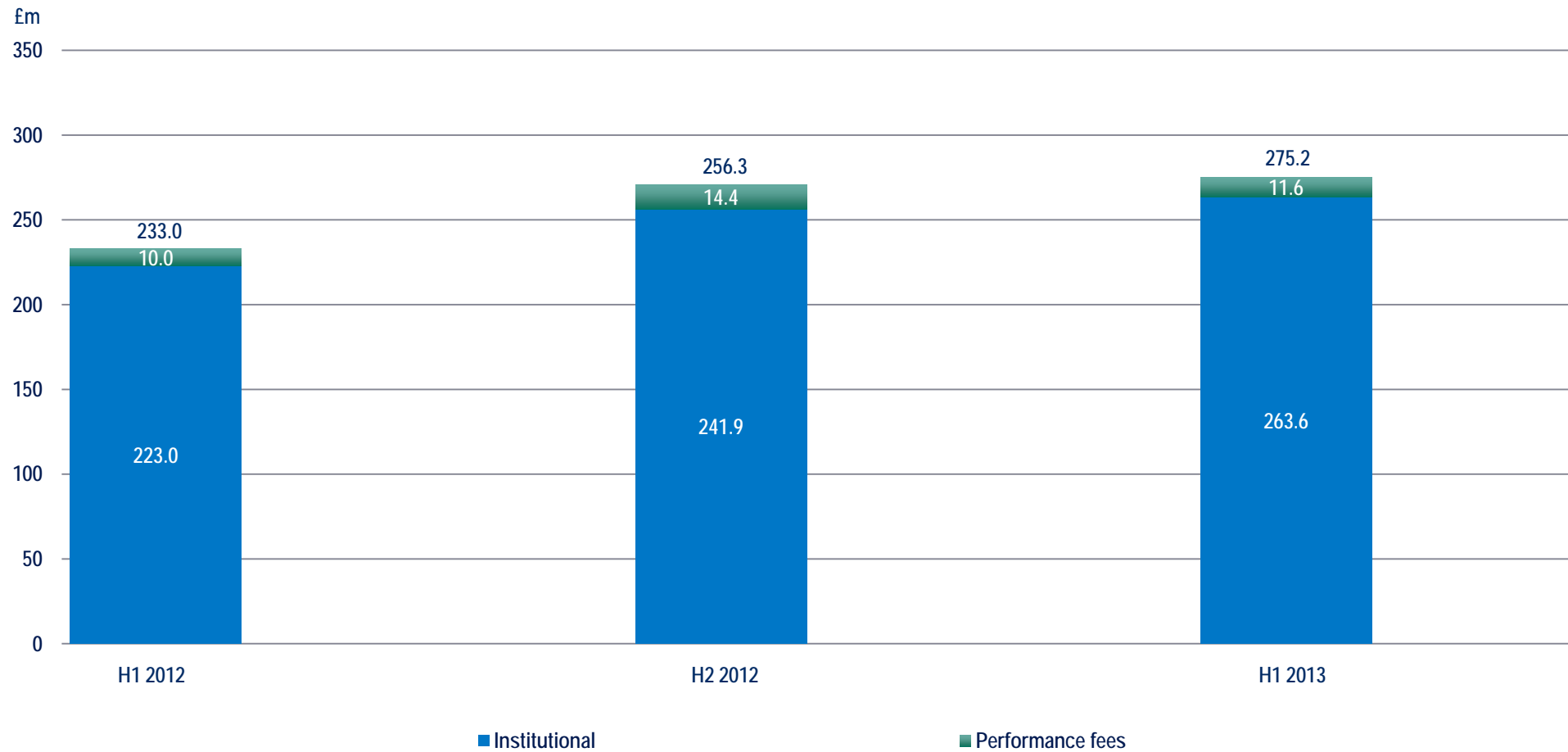
Net revenue

Increase of £101m



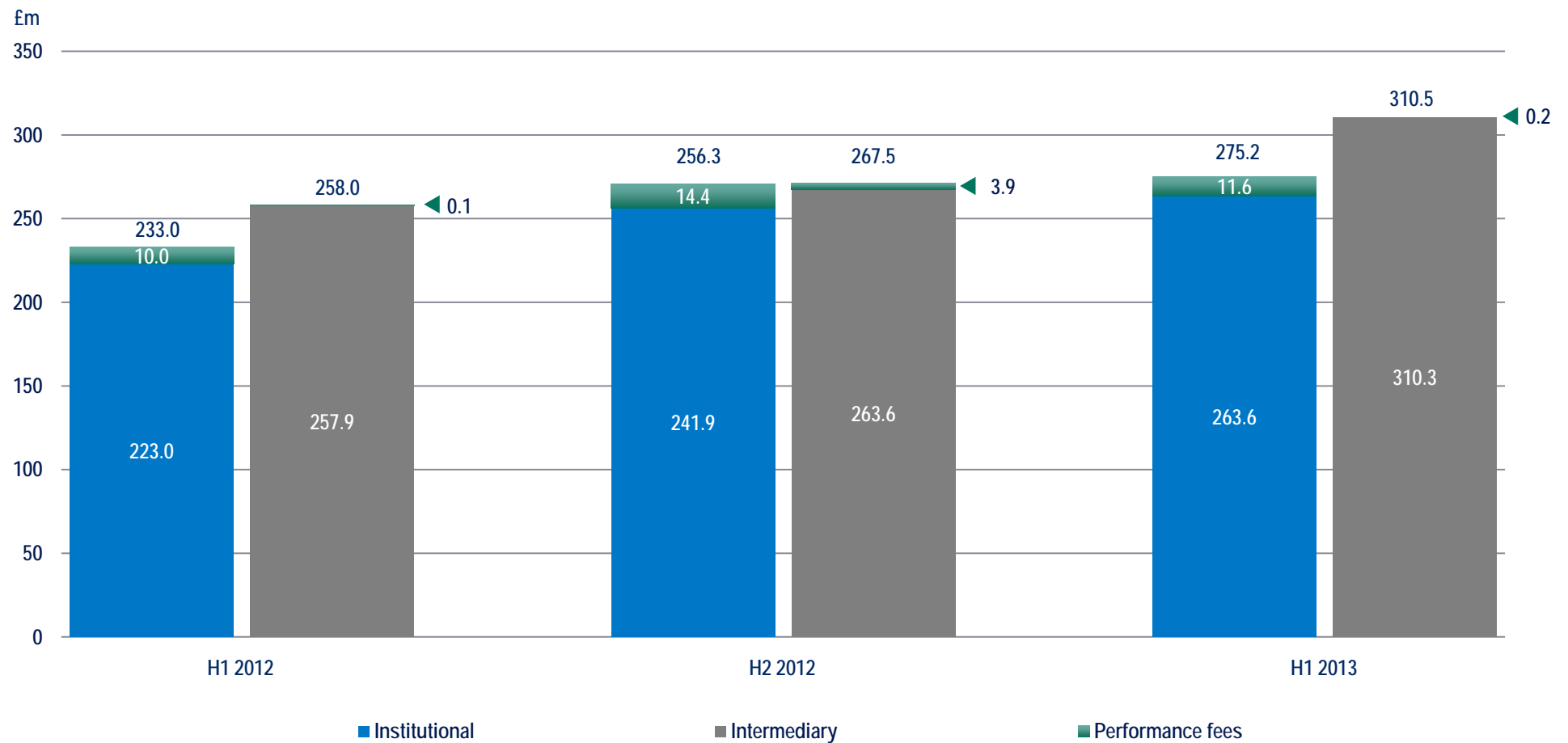
Asset Management net revenues

Net revenue margins, excluding performance fees, unchanged at 54 bps



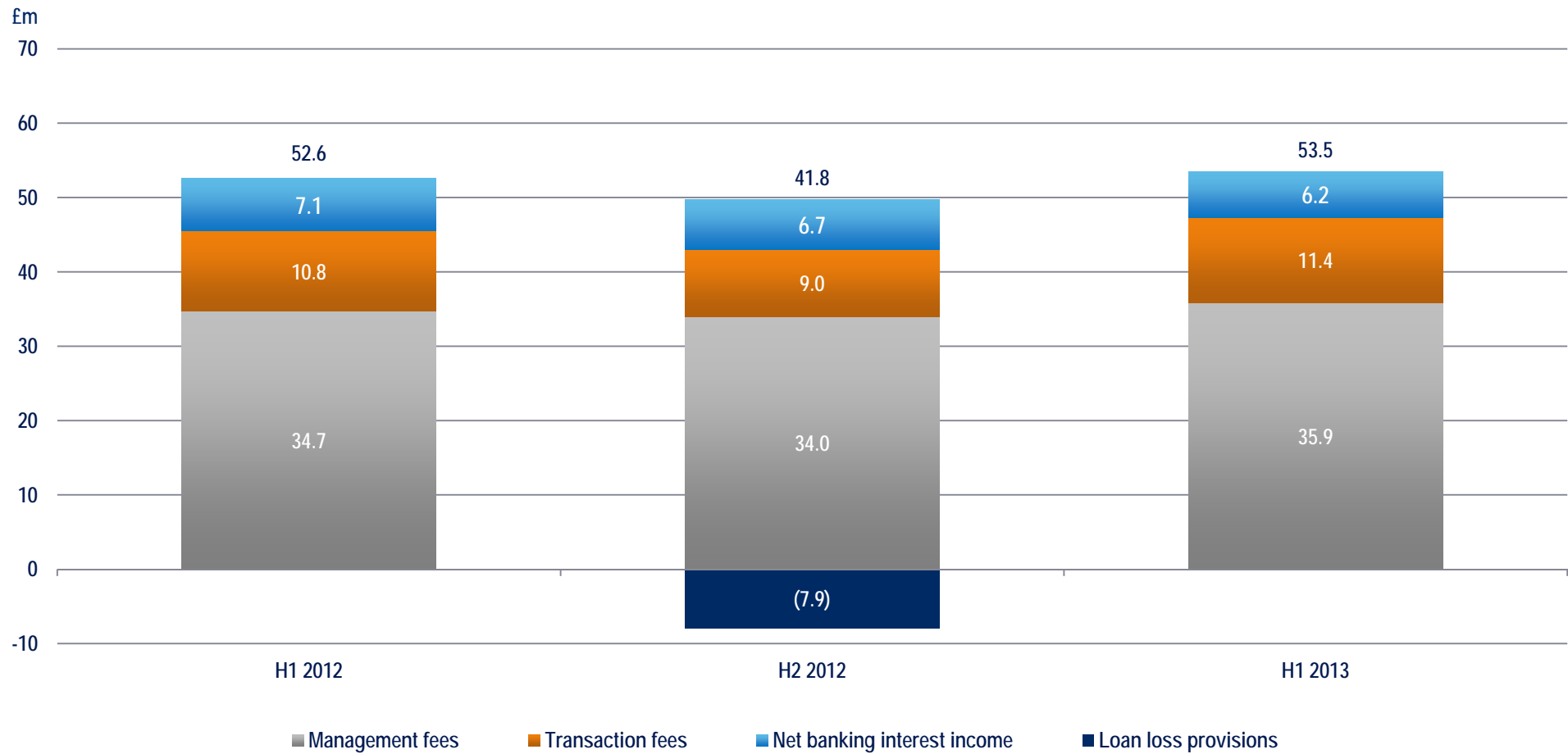
Asset Management net revenues

Net revenue margins, excluding performance fees, unchanged at 54 bps



Private Banking net revenues

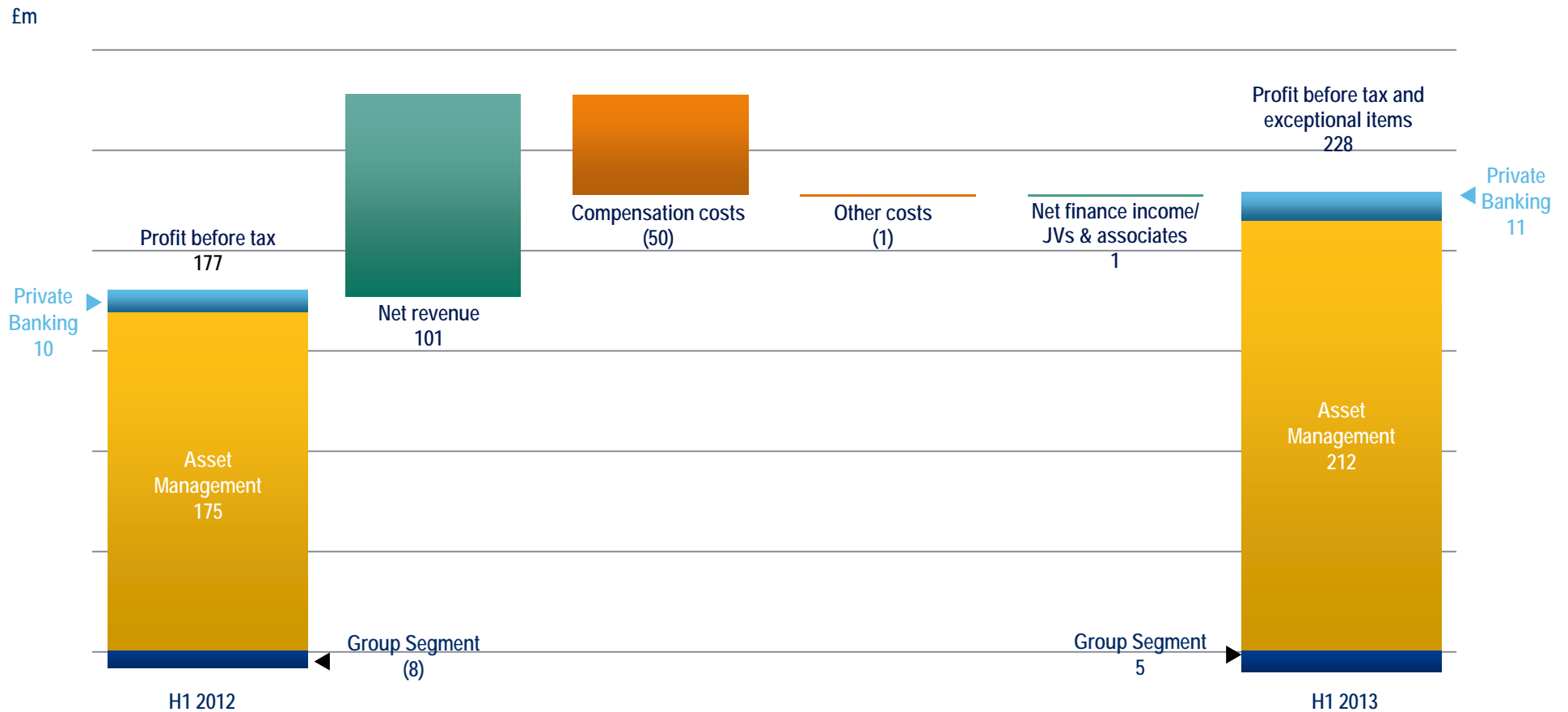
Net revenue margins 63bps (H1 2012: 65 bps)



H2 2012 fair value movement on loans held at fair value and other loan losses, includes £1.8m charged to operating expenses in H1 2012

Profit before tax and exceptional items

Increase of £51m



Operating expenses

£m	H1 2012	H2 2012	H1 2013			H1 2013 versus H1 2012
			<i>Asset Management & Group</i>	<i>Private Banking</i>	Total	
Compensation costs	256.4	289.3	279.4	26.5	305.9	49.5 +19%
Other costs	112.9	120.6	98.0	16.2	114.2	1.3 +1%
Depreciation and amortisation	6.3	5.7	6.1	0.2	6.3	-
Total	375.6	415.6	383.5	42.9	426.4	50.8 +14%
Headcount	2,957	3,011	2,790	341	3,140	183 +6%

%	H1 2012	H2 2012	H1 2013
<i>Compensation cost:operating revenue ratio</i>	47%	49%	48%
<i>Cost:net revenue ratio</i>	69%	70%	66%



Exceptional items

STW and Cazenove Capital

H1 2013 £m	Asset Management	Group	Total
Acquisition costs	-	4.0	4.0
Integration costs	-	1.5	1.5
Amortisation of acquired client relationships	0.3	-	0.3
Deferred compensation arising from acquisitions	-	0.5	0.5
Total	0.3	6.0	6.3

STW: completed on 2 April 2013

- £43.5m acquisition cost
- £11.7m Intangible asset and 10 year amortisation
- £6.5m maximum deferred compensation charge over 4 years

Cazenove Capital: completed on 2 July 2013

- £413m final acquisition cost
- Valuation of intangible asset on-going
- £29m maximum deferred compensation charge over 4 years

Group segment before exceptional items

Investment capital, governance, management and other

Segment disclosure	H1 2012 (£m)	H1 2013 (£m)
Net revenue	0.4	5.9
Operating expenses	(14.4)	(7.5)
Net finance income	6.3	7.4
Share of JVs and associates	(0.5)	(0.5)
Group segment (loss)/profit before exceptional items	(8.2)	5.3
Other comprehensive income	7.3	(2.1)
	(0.9)	3.2



Tax charge and earnings per share

	H1 2012	H1 2013			Change H1 2013 v H1 2012 before exceptional items
		Before exceptional items	Exceptional items	Total	
Profit before tax – £m	177.4	228.0	(6.3)	221.7	50.6 +29%
Tax – £m	(40.3)	(48.0)	0.5	(47.5)	7.7 +19%
Profit after tax – £m	137.1	180.0	(5.8)	174.2	42.9 +31%
<i>Effective tax rate</i>	22.7%	21.1%	-	21.4%	

Basic earnings per share	50.7p	66.3p	(2.1)p	64.2p	15.6 +31%
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Movement in Group capital

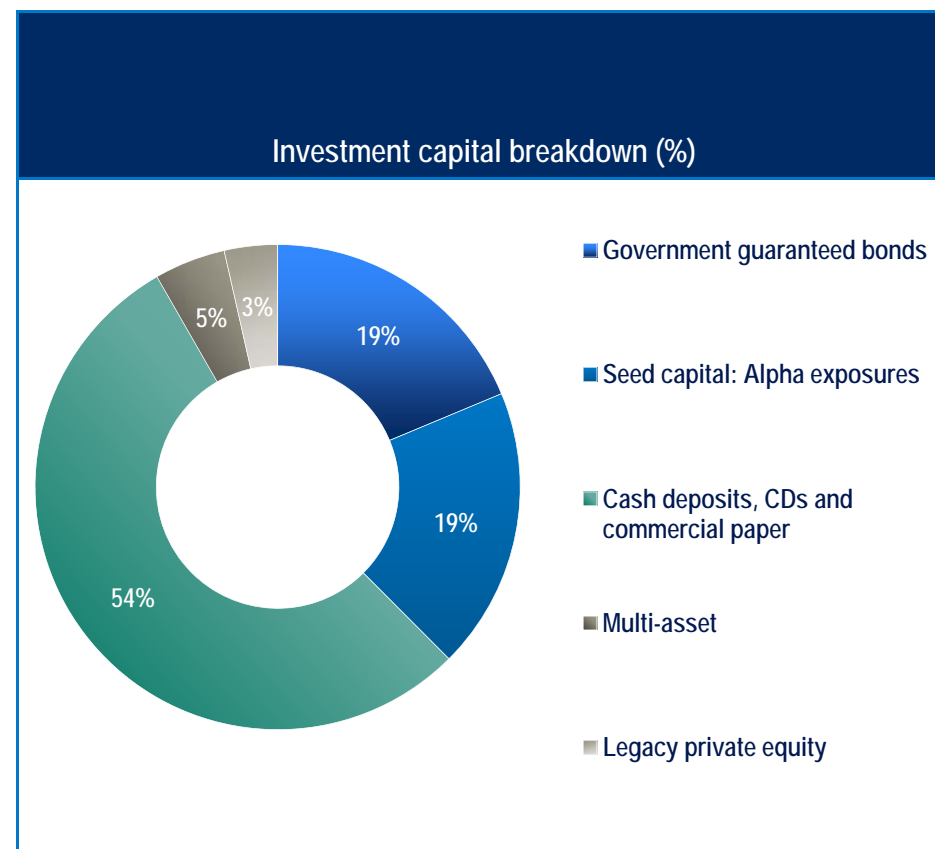
Increase of £115m as at 30 June 2013



Group capital allocation

Increase of £115m as at 30 June 2013

£m	H1 2012	H2 2012	H1 2013
Asset Management and Private Banking operational capital	864	957	879
Investment capital*	908	926	1,077
Other (intangibles etc.)	167	187	229
Statutory Group capital	1,939	2,070	2,185



Pro forma Investment capital £664m after Cazenove Capital acquisition

*Not included in AUM



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Schroders

Outlook and future priorities

Focus on organic growth/leveraging acquisitions

- Financial market volatility and investor uncertainty will continue
- Competitive advantage of:
 - Talent
 - Performance
 - Breadth of product range
 - Distribution strengths
 - Global footprint
 - Scale
- Integration of Cazenove Capital and STW
- On-going programme to strengthen business
- Further opportunities for growth long term

Forward-Looking Statements

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