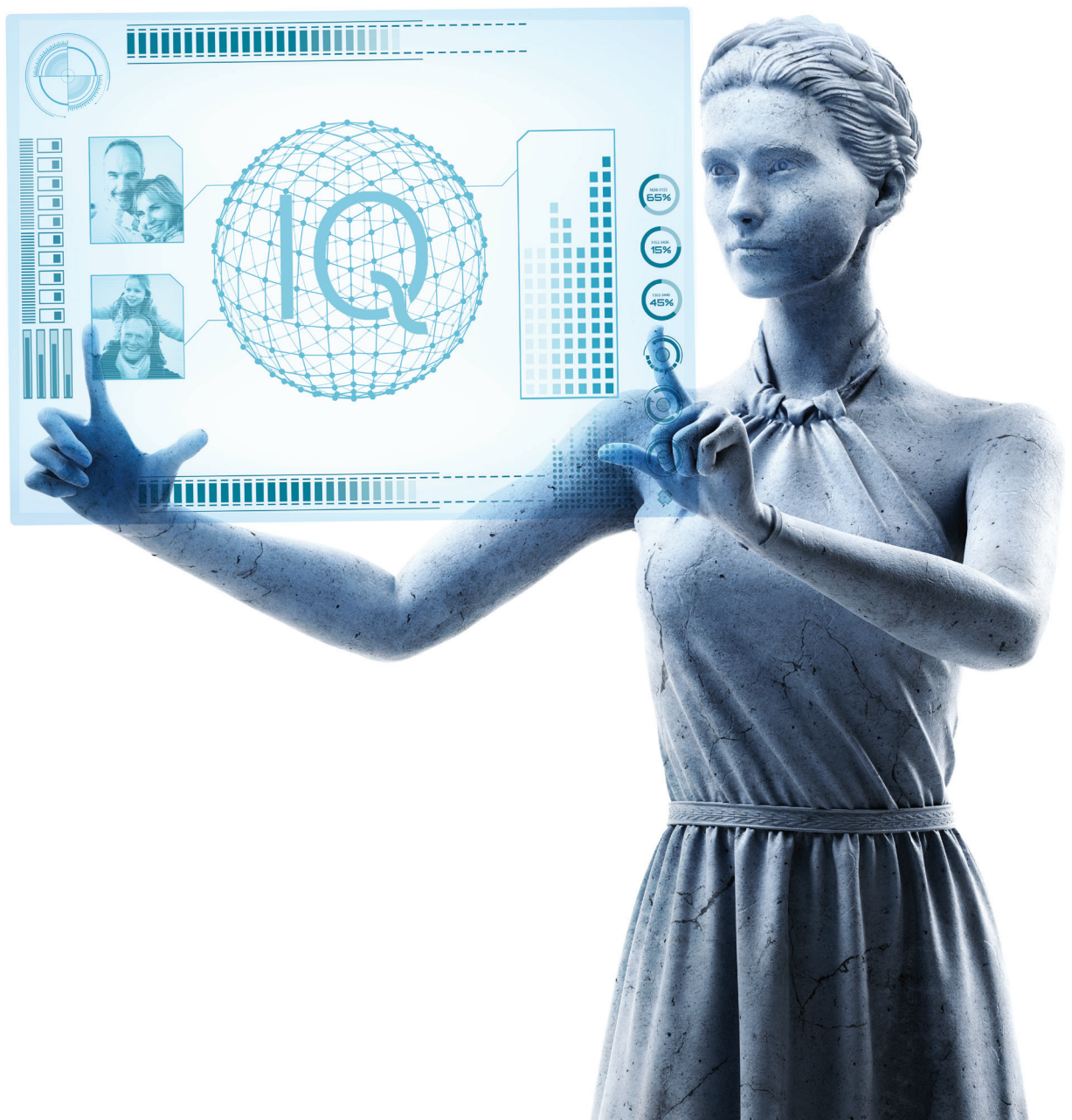


# Global Investment Trends Survey

## May 2015

A study into global investment trends  
and saver intentions in 2015



Schroders



Schroders





## Schroders at a glance

**At Schroders, asset management is our only business and our goals are completely aligned with those of our clients – the creation of long-term value to assist them in meeting their future financial requirements.**

**We manage £319.5 billion on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of active strategies across equities, fixed income, multi-asset, alternatives and real estate.**

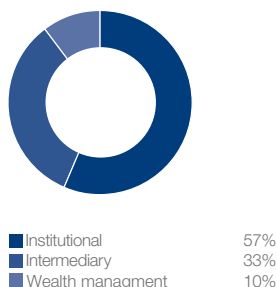
**We employ more than 3,600 talented people worldwide operating from 37 offices in 27 different countries across Europe, the Americas, Asia and the Middle East, close to the markets in which we invest and close to our clients.**

## We are diverse by...

### Clients

We manage assets on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world. No client accounts for more than 2 per cent. of revenues.

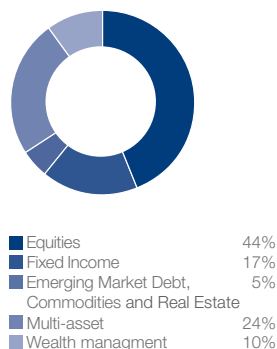
Assets under management



"Schroders has developed under stable ownership for over 200 years and long-term thinking drives our approach to investing, building client relationships and growing our business."

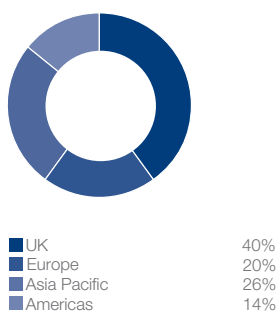
### Assets

We invest in a broad range of asset classes across equities, fixed income, multi-asset, alternatives and real estate. In addition to institutional segregated mandates, we offer over 670 funds in 21 countries.



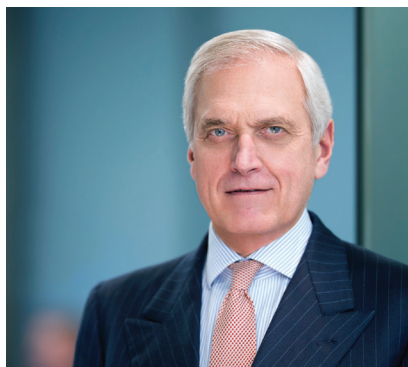
### Geography

We operate from 37 offices in 27 different countries providing local and international investment products to local and international clients.





# Foreword



**Massimo Tosato,  
Executive Vice Chairman,  
Schroders plc**

Welcome to the third Schroders Global Investment Trends Survey. This year we've surveyed more than 20,000 retail investors across 28 countries tracking their views on how the global recovery is impacting their investment decisions in 2015.

Last year our survey painted a picture of returning investor appetite for equities. This year it demonstrates a thirst for income but a worrying over-confidence amongst retail investors globally.

The findings of the survey show that individual savers are increasingly confident and are looking to invest more as they see global equity markets maintaining recovery and low interest rates continuing to negatively affect cash-based investments.

More than half of investors globally say they are more confident about investment opportunities over the coming 12 months, with 91% expecting to see their investments grow and the average investor anticipating returns of around 12% from their portfolio.

The Schroders Global Investment Trends Survey also shows increasing appetite for investments compared to previous years with half of people saying they will boost the amount they invest in 2015, compared to just 43% of those questioned in 2014 and 38% of those polled in 2013.

On the one hand, this is good news and returning investor confidence and money should be celebrated. However, it also suggests that many investors are taking an unrealistic view on how their assets will perform in a market that is challenged by uncertainty and de-synchronised monetary policies.

The average retail investor is looking to place only around 21% of their investment portfolio in high risk / high return assets (such as equities), with 45% of their funds going to low risk / low return assets (such as cash) and around a third (35%) being placed in medium risk assets (such as fixed income). The data showed a bias towards short-term investing with 46% preferring outcomes within 1-2 years. With many favouring shorter-term and lower risk investments, achieving returns of 12% will be challenging.

Our survey also reveals that, despite this disconnect, less than one-in-four (23%) investors will seek professional financial advice to change their investment strategy, with more than a third (34%) of global investors intending to invest in the same way as they have done in previous years.

We have seen an increasing trend over the past year for people to seek an income from their investments, particularly given that interest rates remain low in many economies around the world.

This trend shows no signs of abating; with 87% of those surveyed this year saying they are looking to generate an income from their investments.

Globally individual savers say they are looking to increase the amount they invest by an average of 8.5%, compared to 5% in 2014 and 2.5% in 2013. Half of those polled for the 2015 report say they are looking to invest more and around a third (34%) say they will maintain the amount they invest compared to last year.

Active investment funds are favoured by 29% of those surveyed as the assets they expect to deliver the best income returns, with 12% favouring multi-asset funds, 11% favouring equity funds and 6% favouring bond funds. Direct investments in stocks and shares are favoured by a fifth (20%) of respondents and 10% favour real estate (either as a direct investment, a real estate investment trust or a fund).

Almost nine tenths (88%) of investors interviewed this year say they made a profit from their investments in 2014 and just 5% reported a loss, with average returns of 9.6% over 2014. In comparison investors polled two years ago reported making an average loss of 4.6% since the recession.

The necessity and challenge of generating income from investments is strong, particularly given low interest rates in many countries, but income need not come at the expense of capital growth.

It is imperative that retail investors shape their portfolios to balance their risk profile with the returns they are seeking, and in most cases, this will require a level of professional advice.



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## Overview

In the Schroders Global Investment Trends Survey 2015 we have captured retail investor confidence, opinions and investment intentions from a comprehensive survey of over 20,000 investors in 28 countries around the globe. This year we have also polled around 2,000 financial advisers in eight major economies to compare the sentiment of consumers and intermediaries.

The investors we polled are 'active investors' in that they have at least €10,000 (or local currency equivalent) to invest in 2015 and they are prepared to make a change to their investments over the coming 12 months. Most investors intend to change their portfolio in the next four to five months.

Our study tracks the confidence and investment intentions of a range of retail investors from the 'middle classes' to the wealthiest in society.

The financial advisers surveyed range from sole investment consultants to people in organisations with more than 20 employees.

This is Schroders' third survey into global investment trends. Last year's results showed returning confidence in global growth opportunities and in this year's we see this confidence increasing. Furthermore, with low interest rates continuing to dominate, we see a thirst for income with 87% of investors looking to generate income from their investments.

However, whilst returning confidence is good news, investors' over-confident view of their expected returns is somewhat worrying. Our survey shows that, despite having optimistic expectations of a 12% average return over the next 12 months, investors intend to place less than a quarter of their investment portfolio in higher risk assets. Given this disconnect, it is perhaps concerning that less than a quarter intend to change their strategy by seeking professional financial advice, with more than a third planning to invest as they have done in previous years.

We believe that deeper understanding delivers better investment decisions. Schroders' incomeIQ provides tools, tests and information to empower investors with a clearer knowledge of their income needs, attitudes to risk and behavioural biases. Check your behavioural biases with our incomeIQ test and find useful tips in order to make better investment decisions at [www.schroders.com/incomeiq](http://www.schroders.com/incomeiq)





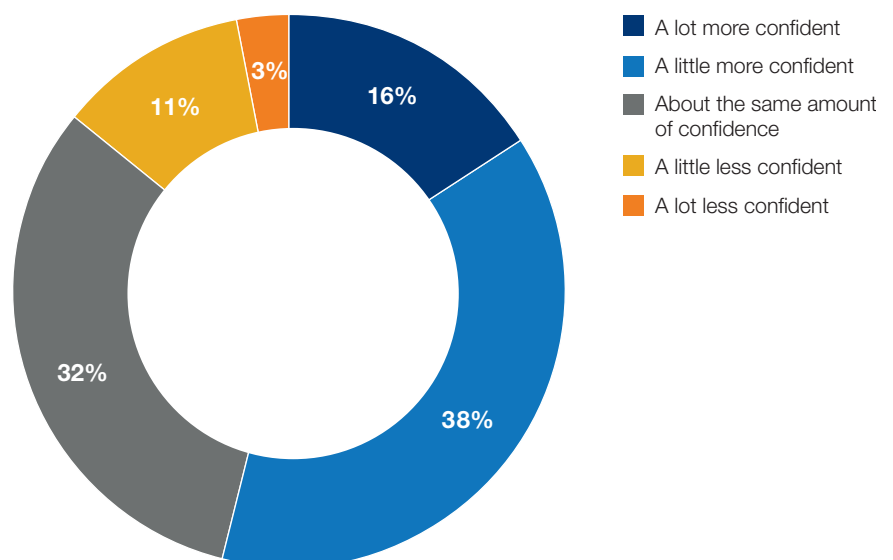
"We believe that deeper understanding delivers better investment decisions. Schroders' incomeIQ provides tools, tests and information to empower investors with a clearer knowledge of their income needs, attitudes to risk and behavioural biases."



## Global investor confidence

Worldwide, the Schroders Global Investment Trends Survey 2015 paints a picture of increasing confidence. Over half (54%) of retail investors globally feel more confident about investment opportunities in the next 12 months than they were a year ago.

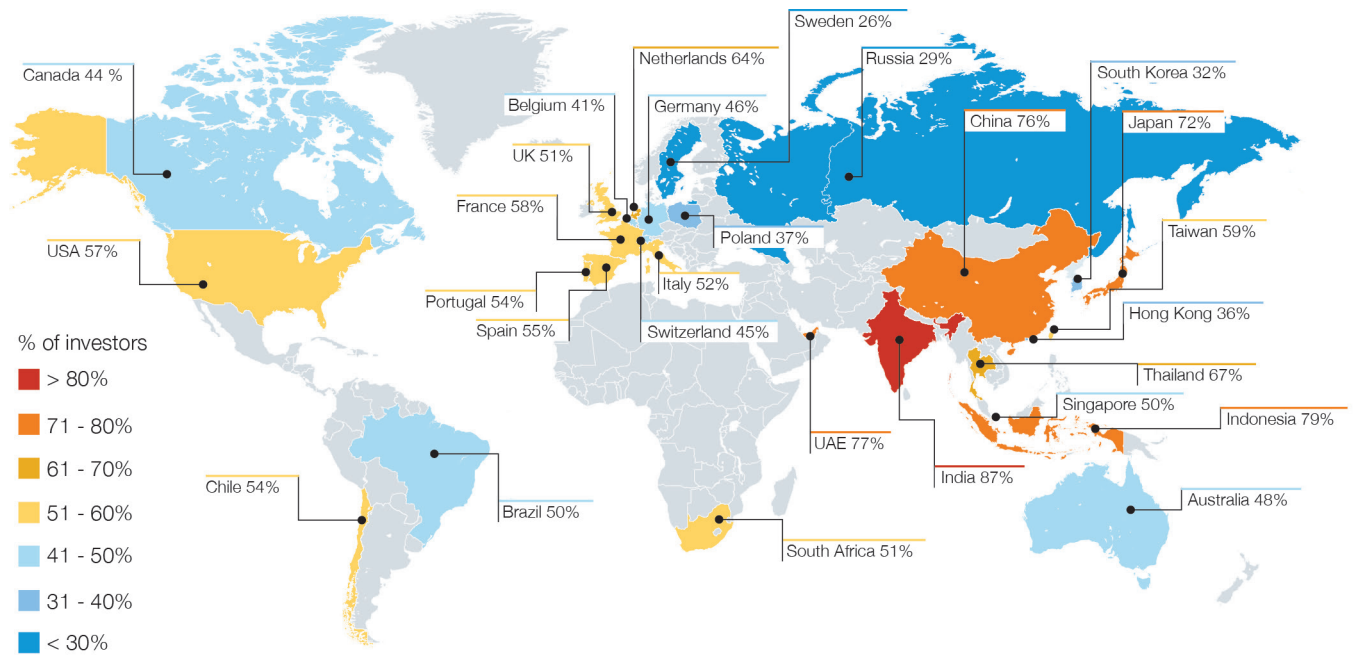
### Retail investors' confidence in investment returns in the next 12 months







## Confidence heat map by country





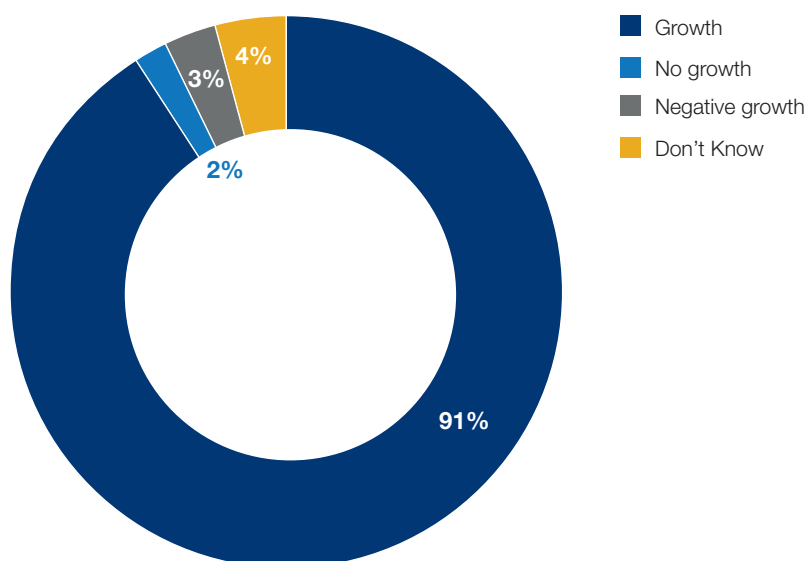
## Global investor expectations

However, the survey appeared to reveal a trend of over-confidence amongst global investors in relation to their expected returns.

Nine in ten investors globally expect their portfolio to grow in the next year. Asia and the UAE are the regions with the most optimistic return expectations, with 93% of investors polled expecting their portfolios to grow. The other regions are also optimistic; South Africa and South America (91%), Europe (90%) and North America and Australia (88%).

Investors expect to make a higher return this year than they made in 2014. Almost nine in ten (88%) investors said they made a profit from their investments in the past 12 months. In comparison, investors polled in the 2013 survey, reported making an average loss of 4.6% since the recession.

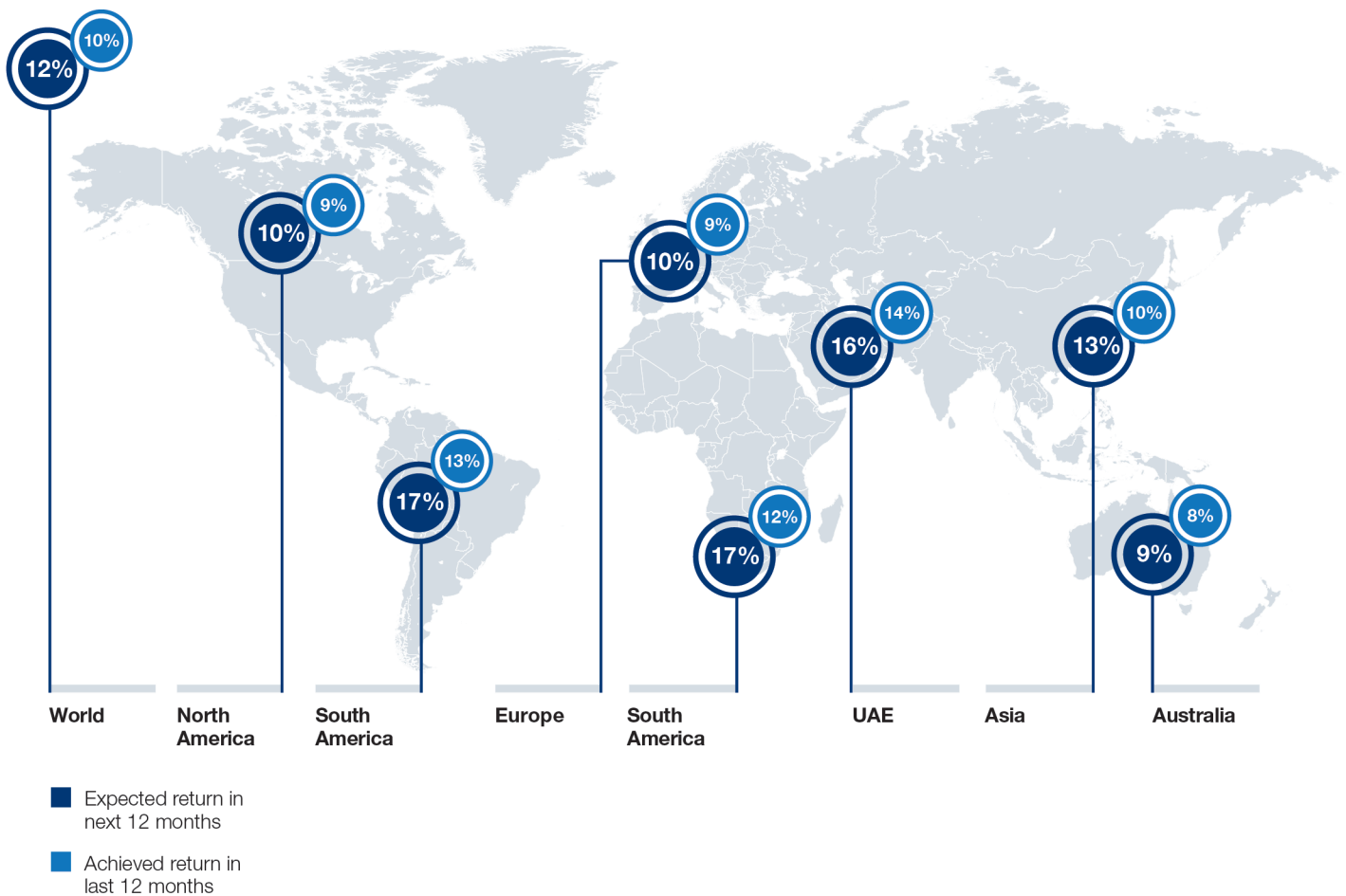
### Proportion of retail investors expecting to see growth in their investment portfolio in the next 12 months





Furthermore, investors globally expect a return of 12% in 2015 compared with the 10% return they achieved over the last 12 months. This tells us investors are optimistic about 2015 but perhaps they are somewhat over-confident in the returns they are expecting.

## Retail investors' return in 2014 and expected return on investment over the next year



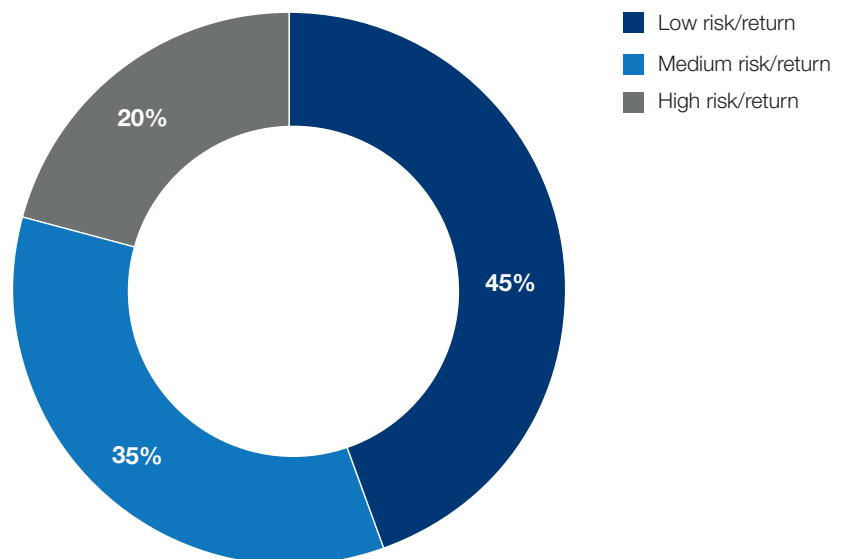


## Global Investor Profile

The survey showed that retail investors globally have a low appetite for risk. When asked what proportion of their investment portfolio they would be allocating to different risk profiles, investors say that only 21% of their portfolios will be placed in higher risk / higher return assets, such as equities, with almost half (45%) of the investments going to low risk / low return assets.

The survey also showed a bias towards short-term investing, with 46% preferring outcomes within 1–2 years and only 12% preferring a long-term approach, within 15–20 years.

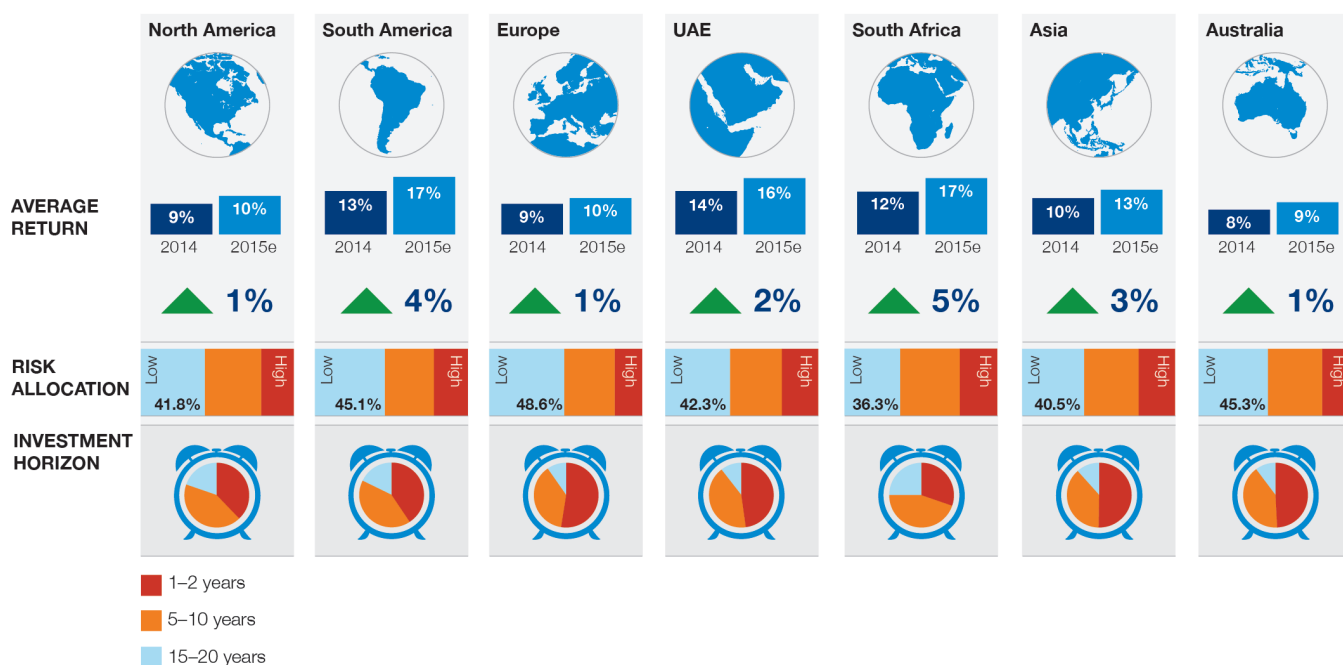
### Retail investors' risk appetite





Although there are high levels of confidence being reported this year and expectations of double-digit returns in the next 12 months, the survey reveals a significant disconnect between expected returns and the appetite that investors have for risk, with many favouring shorter-term returns and lower risk assets.

## Disconnect between retail investors' expected return, and attitude to risk and investment time horizon





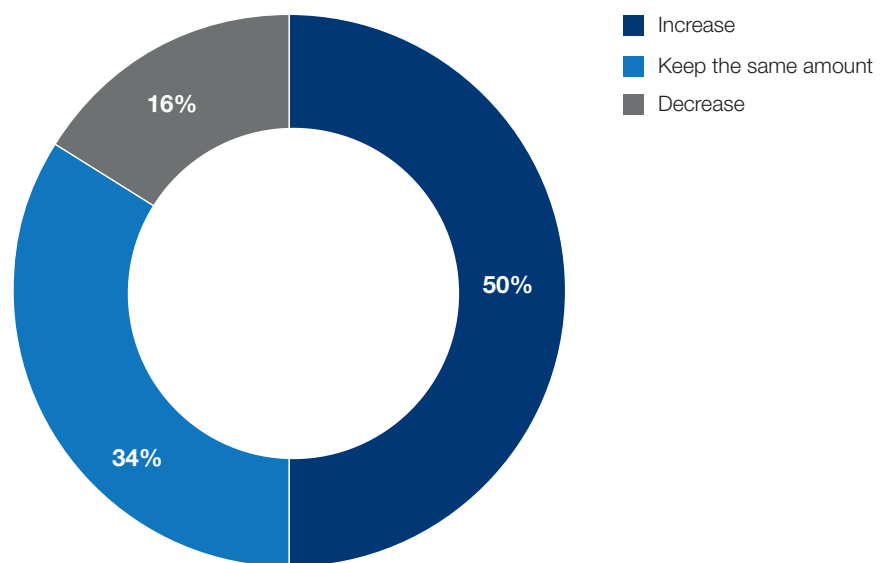


## Global investor investment intentions

The investor confidence revealed in the survey is reflected in their intentions with half of investors polled globally intending to save or invest more in the next 12 months. This is an increase of 7%, compared to last year's survey (43%) and an increase of 12% compared to those polled in 2013 (38%).

This was particularly evident in South Africa, with nearly three quarters (70%) of South African investors stating they are planning to increase the amount they invest. By comparison, in Australia only 45% plan to increase the amount they invest and only 46% in Europe.

### Proportion of retail investors that plan to increase or decrease the amount they invest in 2015



### Regional breakdown

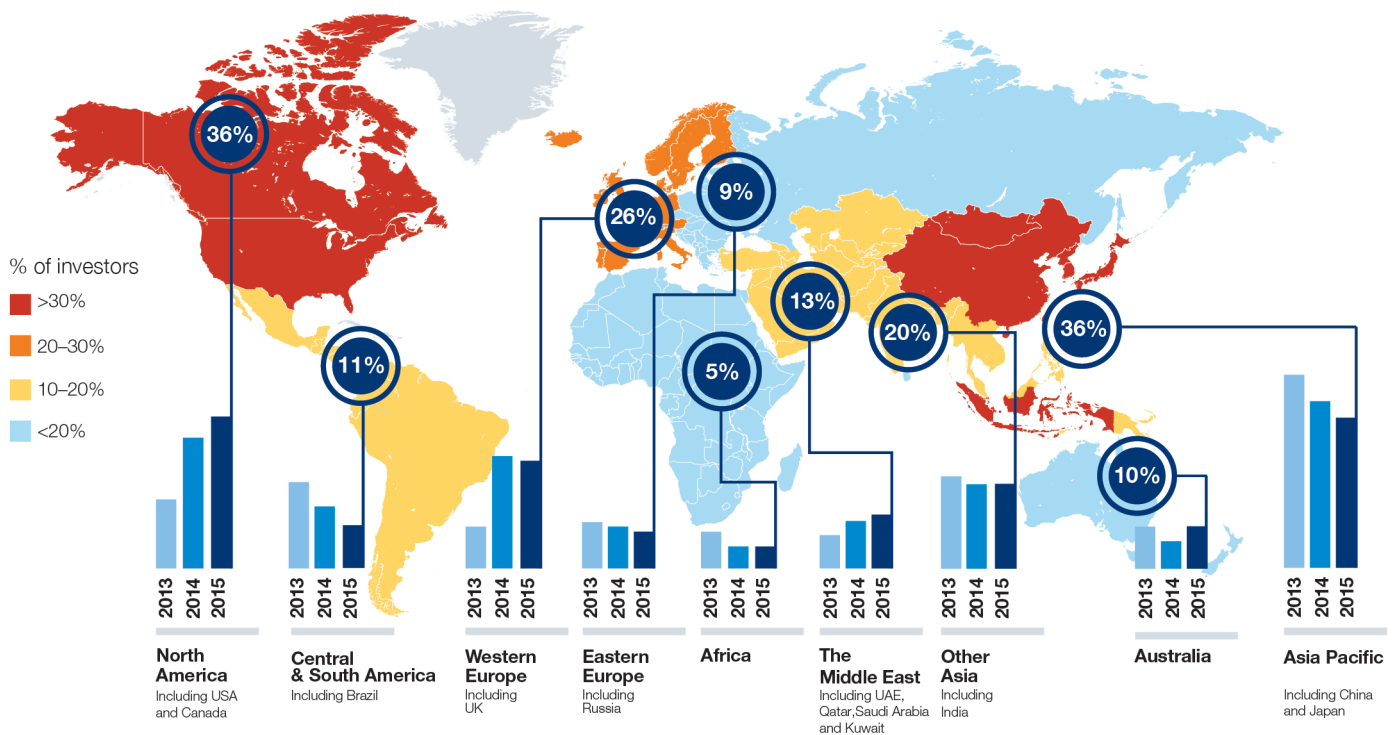
	World	Europe	Asia	North America	South America	Australia	South Africa	UAE
<b>Decrease</b>	16%	16%	16%	12%	28%	19%	10%	16%
<b>Keep the same</b>	34%	38%	29%	36%	19%	36%	20%	20%
<b>Increase</b>	50%	46%	55%	52%	53%	45%	70%	64%



When asked which regions will deliver the best investment returns in 2015, Asia Pacific retained its crown as the region in which investors expect to see the best returns. However, investors are less optimistic about Asia Pacific than they have been in previous years and an equal amount of investors state that they believe North America has the best growth prospects.

Despite a year that saw seismic shifts in geo-political risk in the eurozone, a third (33%) of investors think Europe has the potential to deliver the best returns, including over a quarter (26%) who believe in Western Europe.

## Heat map showing where investors expect to see strongest growth in 2015





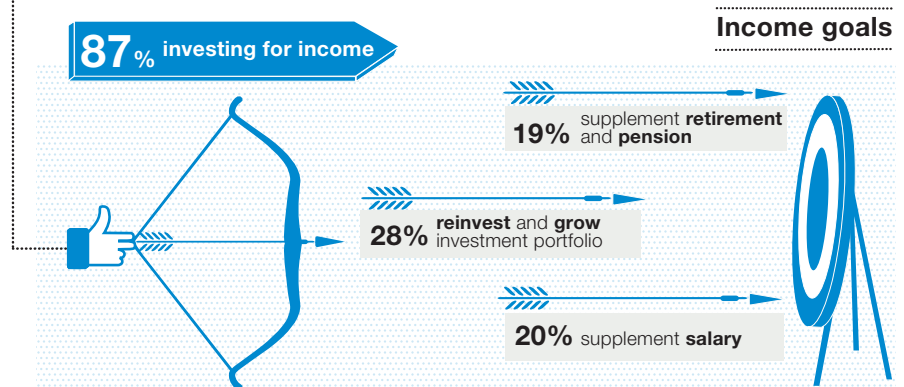
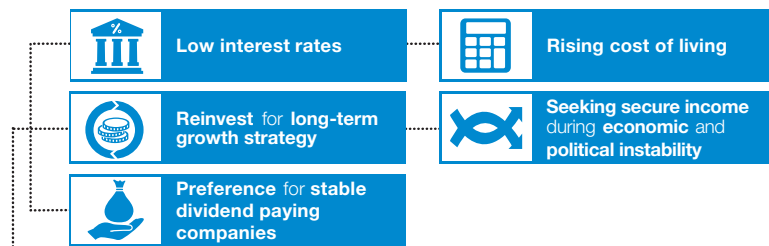
## Demand for income

The survey also confirmed investors' thirst for income. With low interest rates continuing to dominate, 87% of investors are looking to invest in assets to generate income.

When asked what the main factor driving them to consider income investing is, the majority of investors point to low bank interest rates (36%). Others feel the most important factors are reinvesting income for portfolio growth (32%), investing in stable and dividend paying companies (24%), the rising cost of living (23%) and economic and political instability (21%).

When asked to state their income goals, most investors' desired outcome is to reinvest and grow their investment portfolio (28%). A further 20% of investors globally are aiming to supplement their salary and 19% to support their pension and retirement.

### Top drivers for income demand

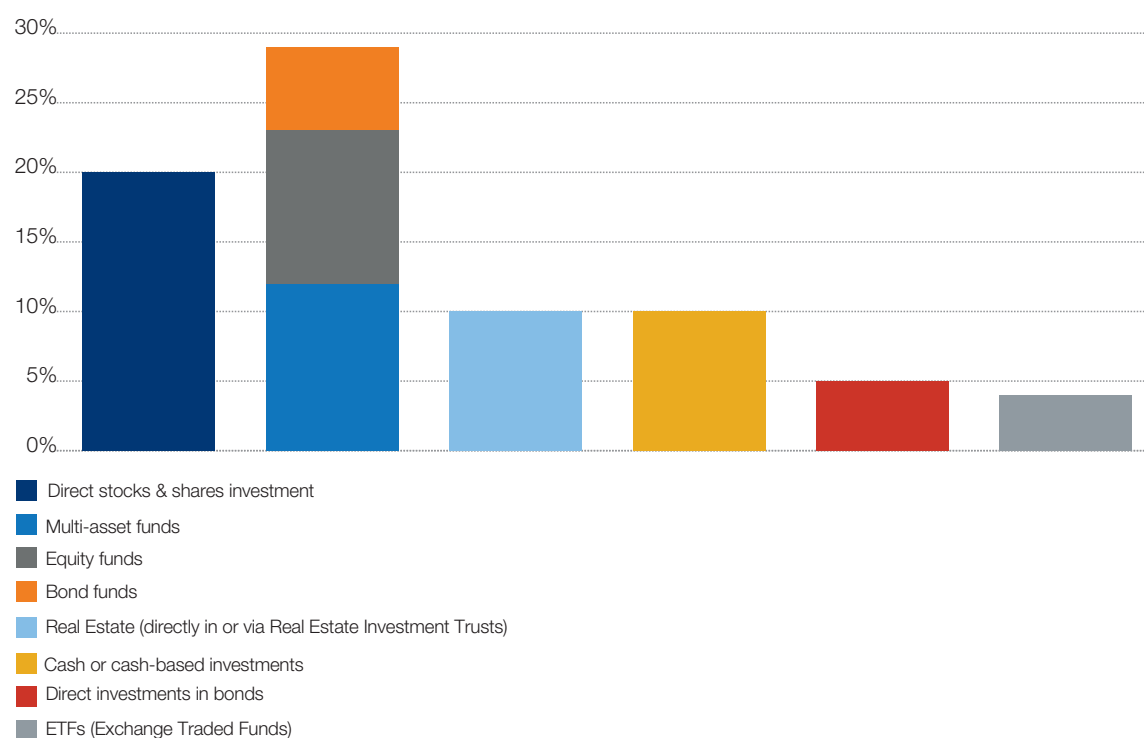




The survey showed investors are typically accessing income through active investment funds (29%), by investing directly in equities (20%) or by investing in real estate (10%).

When asked which single asset class they plan to invest in to generate a regular income, one in five investors say they will invest directly in equities. Amongst active funds, investors marginally prefer multi-asset funds (12%), closely followed by equity funds (11%), with 6% stating they will invest in bond funds.

## Asset classes that retail investors plan to invest in to achieve a regular income



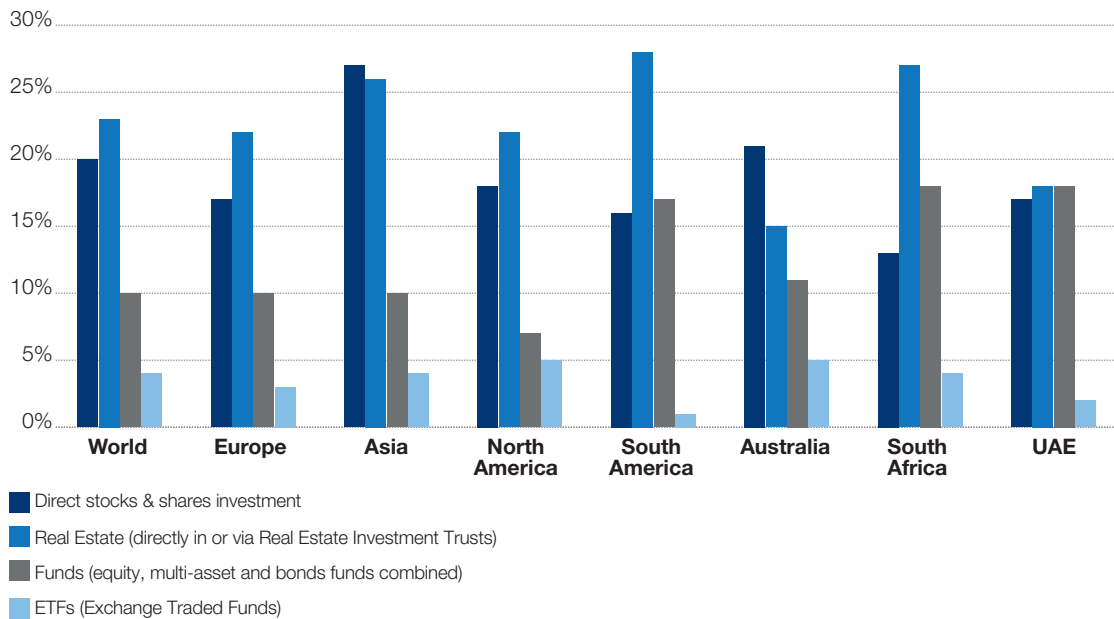


Around the globe, Asian and UAE investors show the highest demand for income with 94% planning to invest to generate income.

### Regional demand for income

	World	Europe	Asia	North America	South America	Australia	South Africa	UAE
Income investors	87%	82%	94%	84%	92%	84%	92%	94%

### Regional breakdown of the asset classes that investors plan to invest in to achieve a regular income







## Conclusion

Global growth indicators show that the world economy continues to recover from the global financial crisis, and this is reflected in investors' confidence, expectations and intentions throughout the Schroders Global Investment Survey 2015.

The clear picture that emerges for 2015, from this comprehensive survey of 20,706 investors in 28 countries, is one of growing confidence and optimism, which surpasses those shown in the findings of Schroders' 2013 and 2014 reports.

However, 2014 will likely be remembered as a year that gave rise to increased geopolitical risk. The effects of these seismic shifts in the global backdrop and the gradual return to a 'new normal' after the global recession are set to continue to shape this year's outlook.

In 2015 we expect to see a number of themes shaping the macroeconomic landscape. We believe that the effect of the fall in the oil price is yet to be fully realised as a driver of growth. We also see a re-convergence of global growth, as the US economy slows and the economies of Europe and Japan pick up.

Whilst the outlook remains subdued in emerging markets, there will likely be pockets of strength to be found in energy importers and manufacturing-oriented countries, which are well placed to benefit from growth in developed countries. The big challenge for markets will come from any tightening of monetary policy by the Federal Reserve, but this may be tempered by quantitative easing from the European Central Bank and continued money-printing from the Bank of Japan.

With many drivers of change for the global economy and markets on the horizon, it is surprising that the Schroders Global Investment Trends Survey showed that less than one-in-four (23%) investors will seek professional financial advice this year, with more than a third (37%) of investors intending to invest in the same way as they have done in previous years.

We believe investors need to carefully consider their risk profile, investment time horizon and lifestyle objectives before they plan their asset allocation in the coming 12 months. Investors need to shape their portfolios in order to achieve the returns they expect.



## Methodology

In the Schroders Global Investment Trends Survey we polled 20,706 active investors aged 18+ in 28 countries with a minimum of €10,000 (or the local currency equivalent) of assets they are looking to invest in 2015.

The independent study is the largest we have commissioned to date and includes a number of new countries within the sample. We have also surveyed around 2,000 intermediaries in UK, Italy, Germany, Hong Kong, Singapore, South Korea, USA and Australia. The active investors polled reflect the demographics of each country involved in the survey. The research was conducted between the 3rd and 27th March 2015.

The survey of consumers was conducted in:

**UK, France, Germany, Italy, Spain, Portugal, the Netherlands, Belgium, Switzerland, USA, Hong Kong, Taiwan, South Korea, Singapore, Japan, UAE, Thailand, Indonesia, China, Brazil, Russia, India, Poland, Australia\*, Canada\*, Chile\*, South Africa\*, Sweden\***

\*New countries surveyed in 2015

The survey of intermediaries was conducted in:

**UK, Italy, Germany, Hong Kong, Singapore, South Korea, USA, Australia**

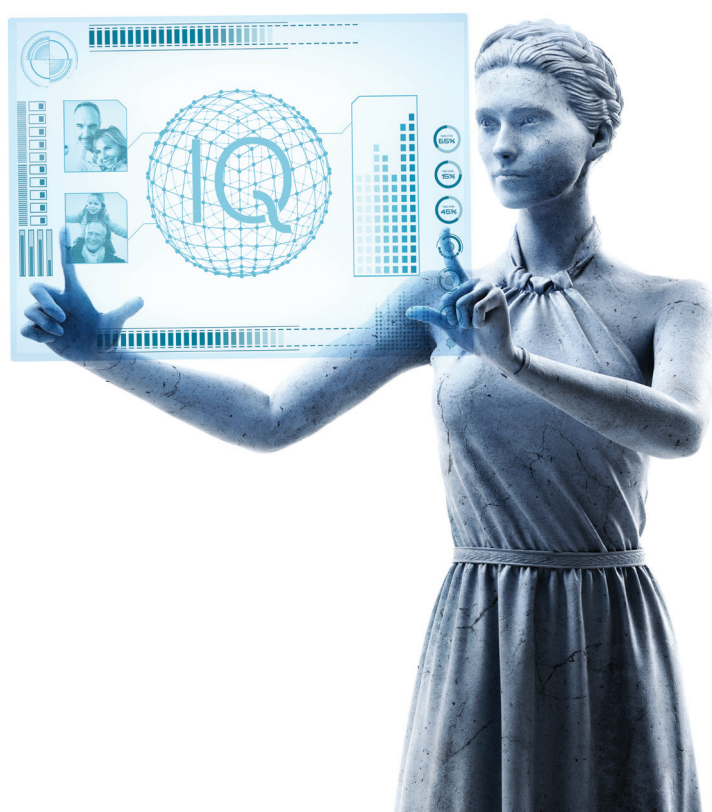
Schroders commissioned an independent research institute, Research Plus, to conduct the survey.



The survey asked respondents a set of questions to gauge their confidence about investment opportunities, and the asset classes they expect to deliver growth and income in the coming 12 months.

We asked the following questions:

- Q1.** Thinking about your investment strategy and the asset classes (e.g. equities, bonds, real estate) that you intend investing in over the next 12 months, how will your strategy compare to previous years?
- Q2.** Thinking about your investments over the next 12 months, which of the following regions do you believe are likely to deliver the best returns?
- Q3.** Thinking about your appetite for risk, approximately what proportion of your investments do you think you will allocate to the following risk profiles over the next 12 months?
- Q4.** Compared to last year, how confident are you about investment opportunities in the next 12 months?
- Q5.** Thinking about your investment plans, how do you intend to change the total amount you save or invest over the next 12 months?
- Q6.** Approximately what was the overall percentage rate of return (e.g. income and capital growth) you got on your investment portfolio in the past twelve months?
- Q7.** What overall rate of return (i.e. income and capital growth) do you expect to get on your investment portfolio in the next twelve months?
- Q8.** In order to achieve a regular income from your investments which asset classes are you planning to invest the most in over the coming 12 months?
- Q9.** Thinking about your investment decisions over the next 12 months, what factors are driving you to consider investing in income generating assets?
- Q10.** How important is it to you to reinvest income / dividends to deliver long-term returns?
- Q11.** Which one of the following is the main reason that you plan to invest in income generating assets?



**Source:** Schroders Global Investment Trends Survey, March 2015. **Important Information:** Schroders commissioned Research Plus Ltd to conduct an independent survey of 20,706 investors in 28 countries around the world who intend to invest at least €10,000 (or the equivalent) during the next 12 months. The survey was conducted online between 3rd – 27th March 2015 and these individuals represent the views of investors in each country involved in the survey. For the purpose of this research project, we have defined an 'investor' as someone who is looking to invest at least €10,000 or equivalent in the next 12 months. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. The opinions stated in this presentation include some forecasted views. We believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know. However, there is no guarantee that any forecasts or opinions will be realized. Issued by Schroder Investment Management Ltd, which is authorised and regulated by the Financial Conduct Authority. Schroder Investment Management North America Inc. is an indirect wholly owned subsidiary of Schroders plc and is a SEC registered investment adviser and registered in Canada in the capacity of Portfolio Manager with the Securities Commission in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec, and Saskatchewan providing asset management products and services to clients in Canada. 875 Third Avenue, New York, NY 10022, (212) 641-3800, [www.schroders.com/us](http://www.schroders.com/us). w47053