



A world in transition: the outlook for multi-asset investing

Simplybiz Adviser Conference

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8 July 2025

Learning objectives

By the end of this session, delegates should be able to:

1

Summarise the changing investment landscape in a multi-threat world

2

Explain the implications for asset allocation and portfolio construction

3

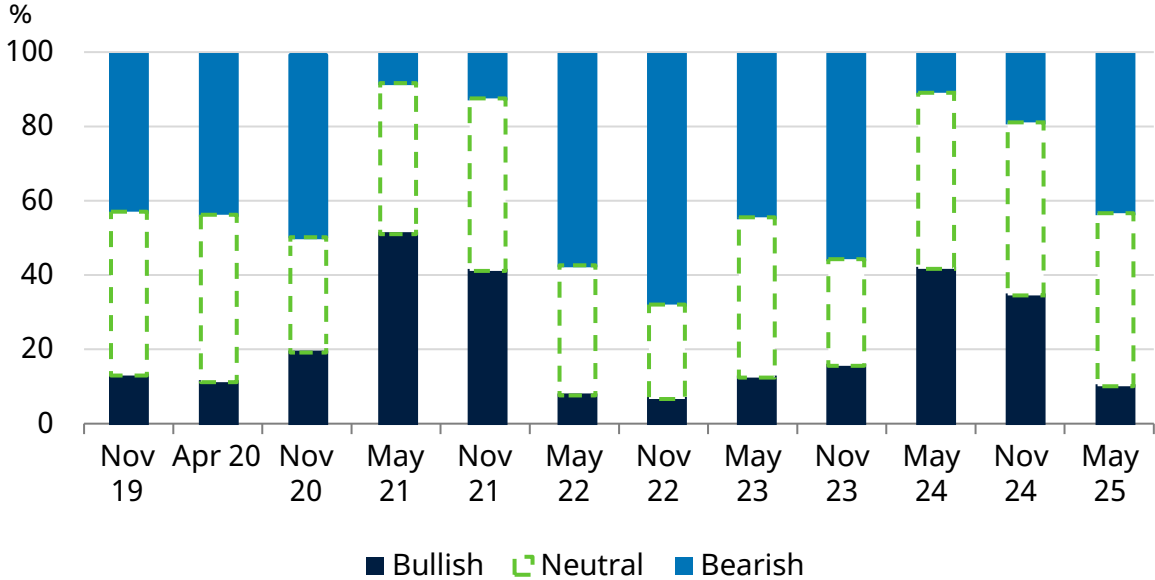
Define the importance of investing and staying invested

How are clients feeling about investing?

Schroders UK Financial Adviser Pulse Survey



Changes over time



Client concerns



Source: Schroders 2025 UK Financial Adviser Pulse Survey, June 2025.



A world in transition

The investment landscape in a multi-threat world

We are now in a multi-threat world

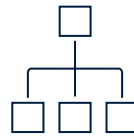
Growth no longer the only risk we need to plan for



Growth



Inflation



Market concentration



Populist politics



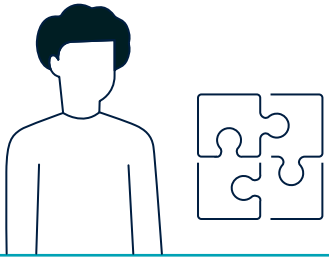
Fiscal sustainability



Source: Schroder Investment Solutions, as at 30 April 2024. For illustrative purposes only.

We are now in a multi-threat world

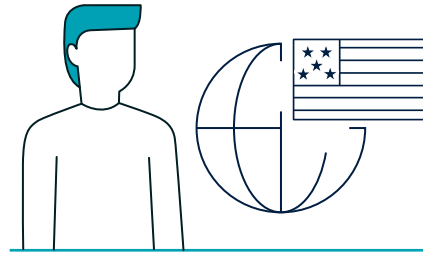
With implications for...



Portfolio construction



Asset allocation



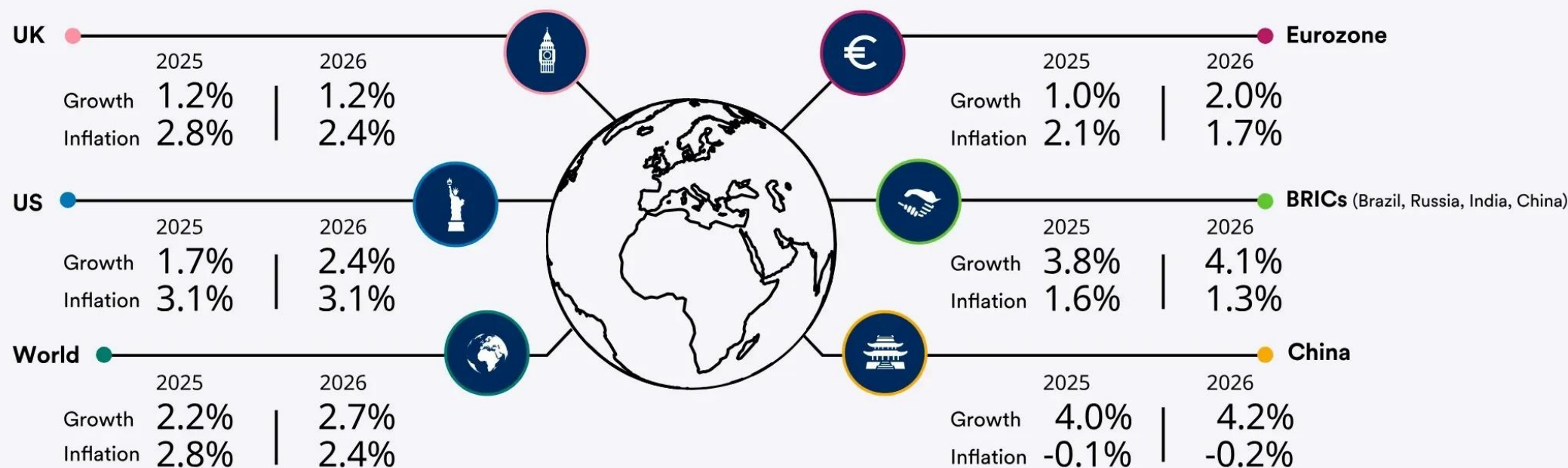
US exceptionalism?

...but important to stay invested

Source: Schroder Investment Solutions, as at 30 April 2024. For illustrative purposes only.

Schroders' latest growth and inflation forecasts

Growth set to be a bit softer in 2025, inflation still slowly trending down



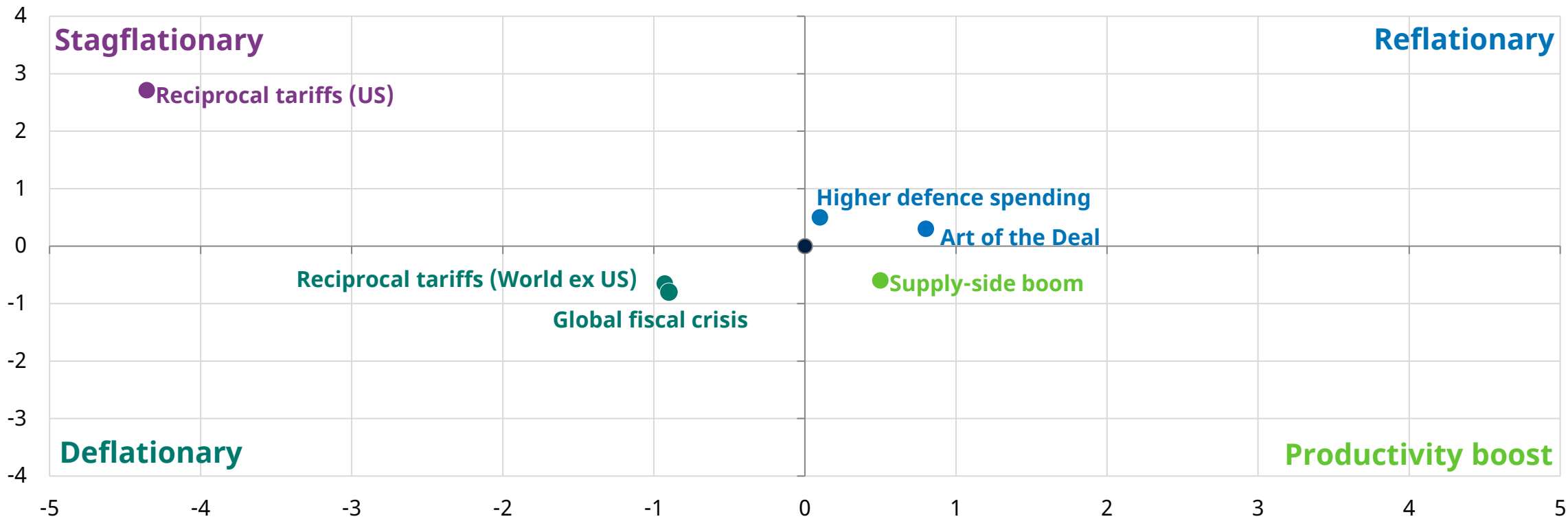
Lower tariffs reduced the risk of recession but....

Forecasts included are not guaranteed and should not be relied upon.
Source: Schroders Economics Group, LSEG Datastream. 16 May 2025.

What could go wrong?

Scenario analysis framework

Cumulative 2025–2026 inflation vs. baseline forecast

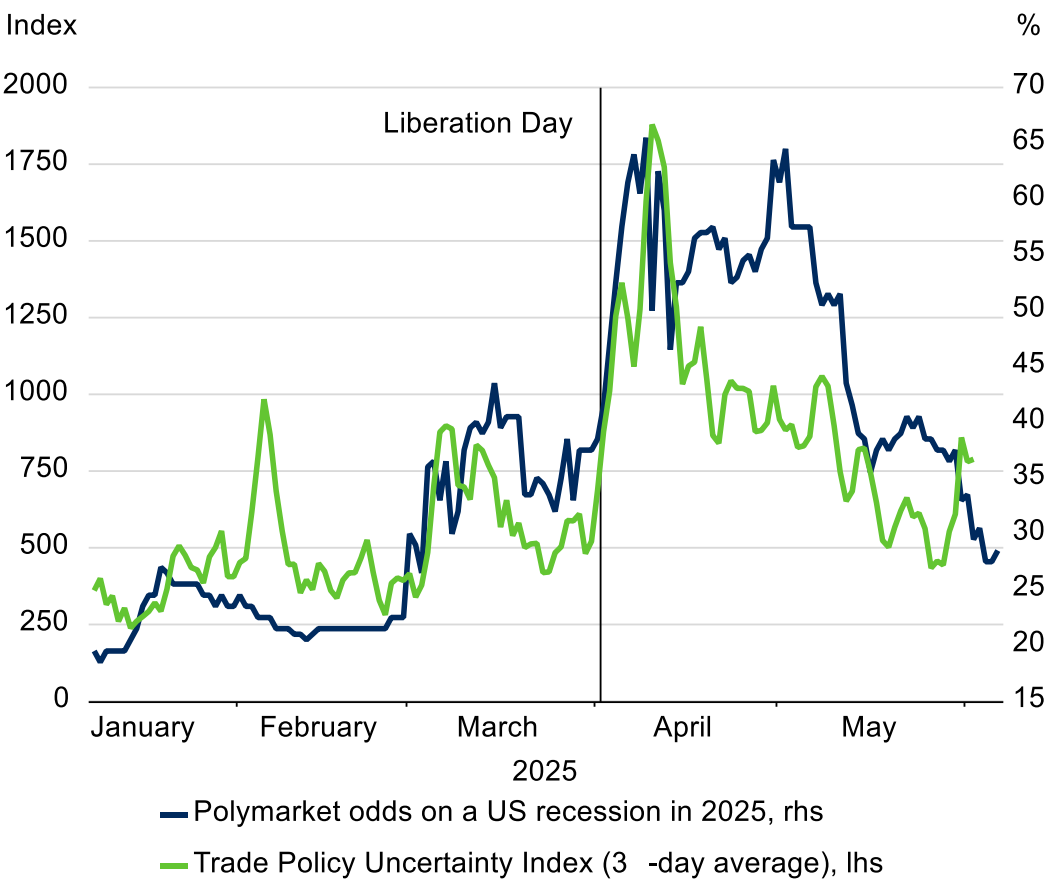
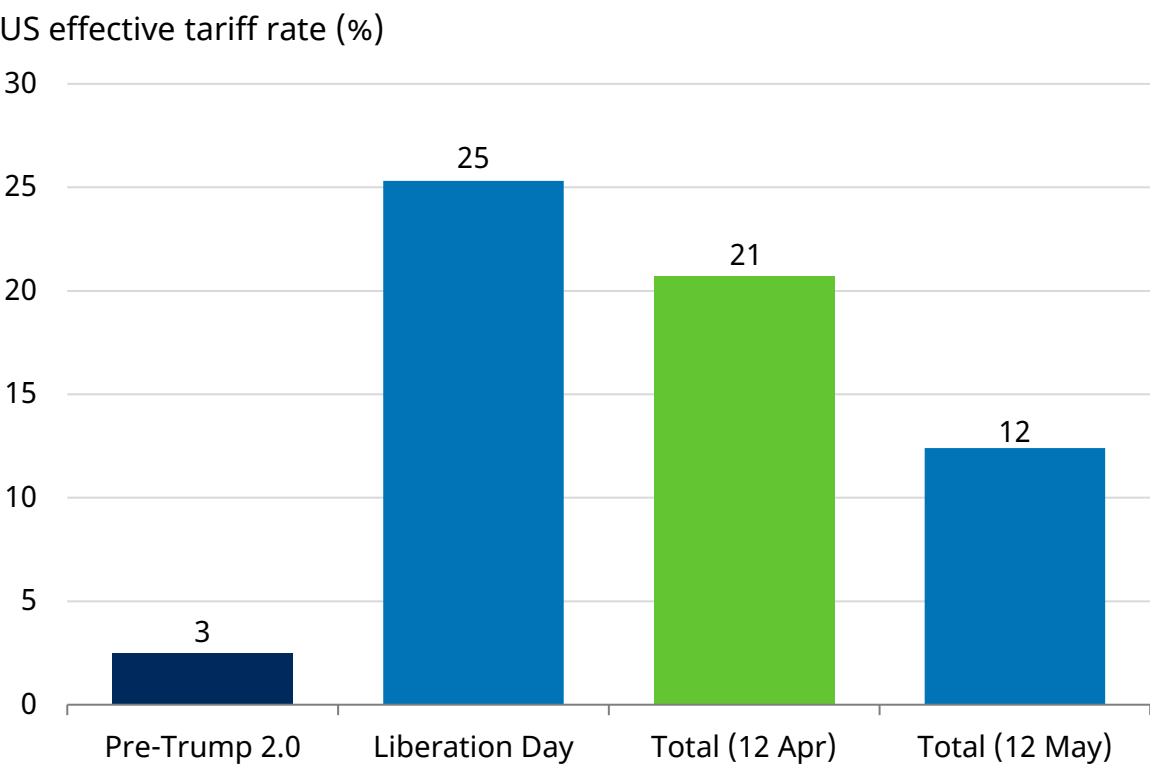


Cumulative 2025–2026 growth vs. baseline forecast

Source: Schroders Economics Group, 15 May 2025. Group baseline forecast for 2025: 2.2% growth and 2.8% CPI inflation. Please see the forecast risk warning on the important information slide. The forecasts included should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

Measuring the impact of tariffs

Large swings in the effective tariff rate hit sentiment hard



Forecasts included are not guaranteed and should not be relied upon. 145% on China represents the additional 91% imposed since Liberation Day on 2 April.
Source: Schroders Economics Group. 13 May 2025

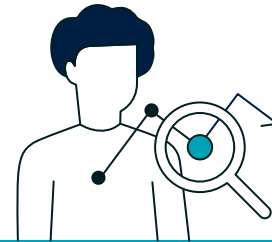
Measuring the impact of tariffs

A 10 percentage point rise in tariff rate adds 1% to inflation; it cuts 0.5% from GDP



+1%

on inflation



-0.5%

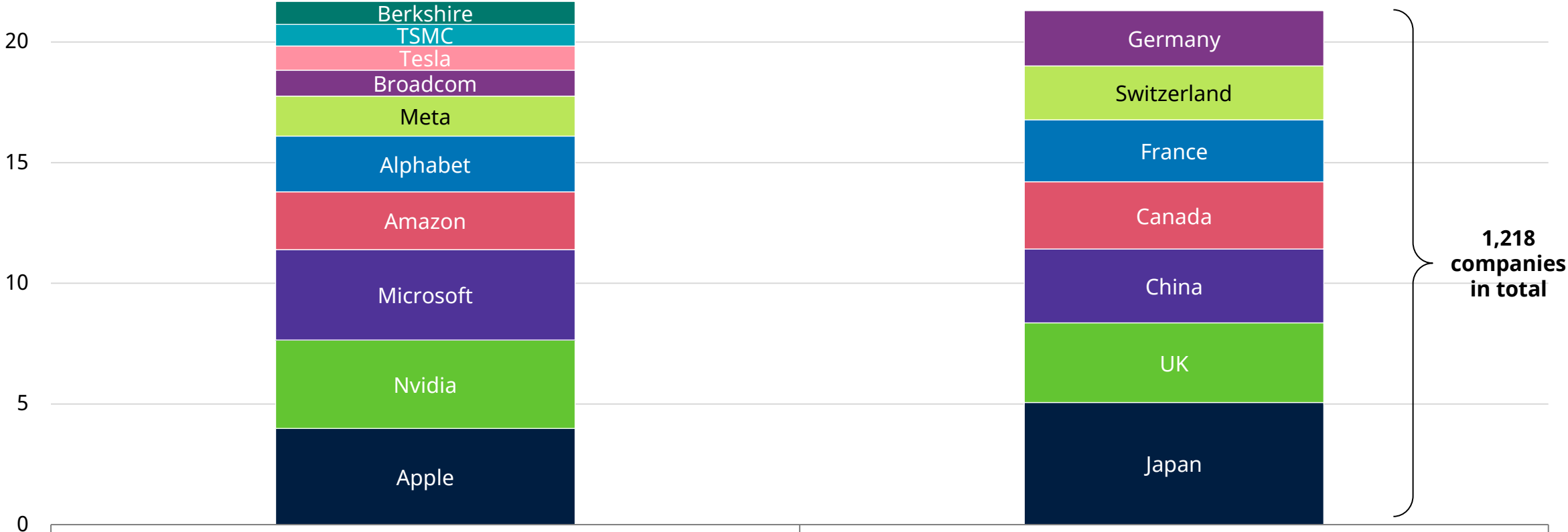
off GDP

Forecasts included are not guaranteed and should not be relied upon.

Source: Schroders Economics Group, Goldman Sachs. 13 April 2025.

Market concentration remains a worry

Who owns that risk for you?



Source: LSEG Datastream, S&P Global, MSCI and Schroders. Data to 31 March 2025. (LHS) Number of companies totalled using respective MSCI Indices as at 31 March 2025. Stock and country weights proxied using iShares MSCI ACWI ETF. The mention of any stocks is not a recommendation to deal.



US exceptionalism in financial markets

What is it and why does it exist?

What is it?

- Outperformance of US Equities markets
- Global demand for US Treasuries and the dollar
- The Fed's outsized role in global monetary policy
- US markets as a safe haven in global downturn

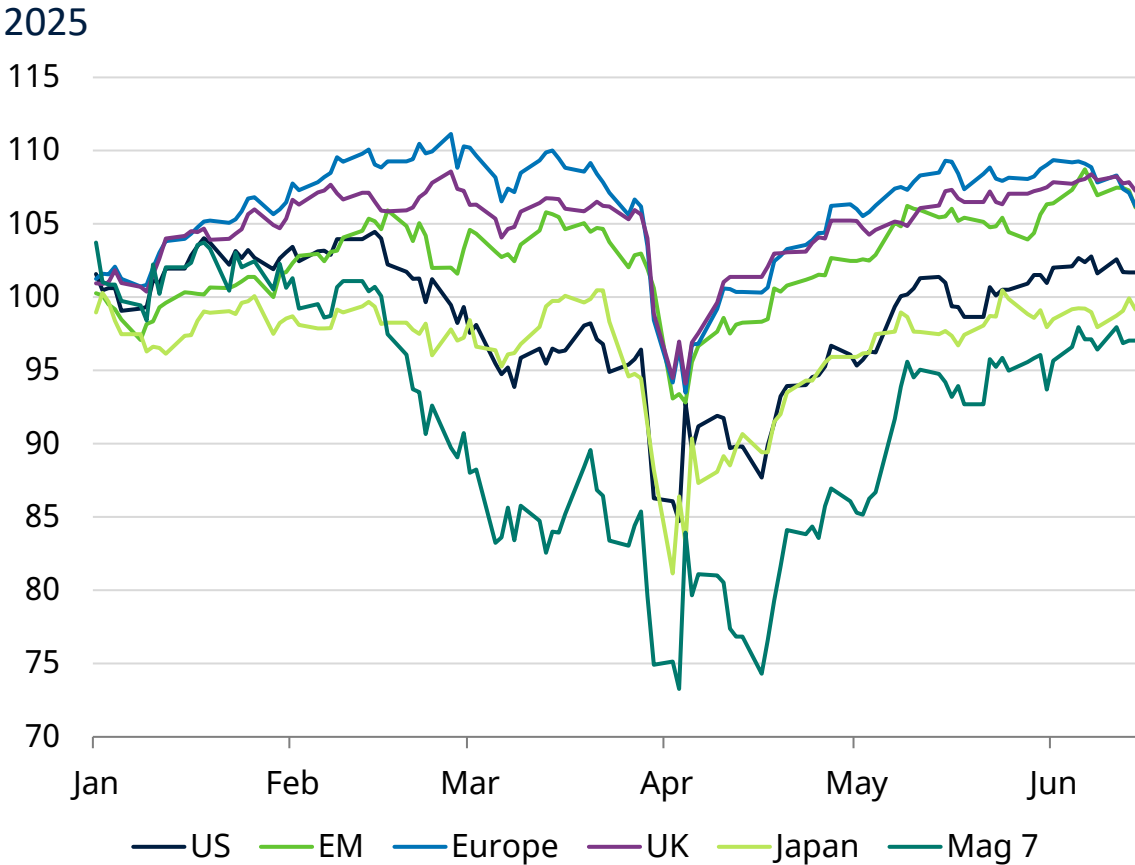
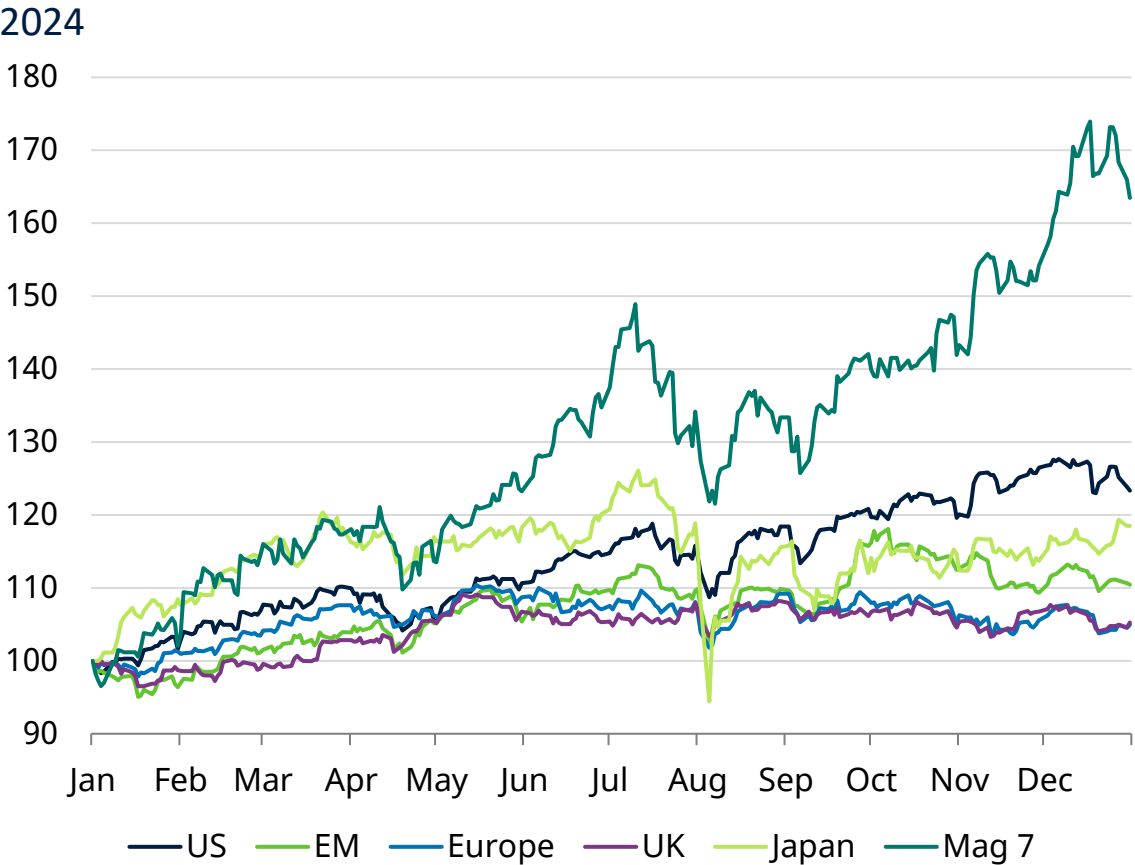
Why does it exist?

- Deep, liquid Capital Markets
- Higher productivity
- Innovation and education
- Flexible labour markets
- Global role of the dollar
- Confidence in strong institutions
- Safe haven status

But can it continue?

Broadening equity market performance

Regional equity indices 2024 versus 2025



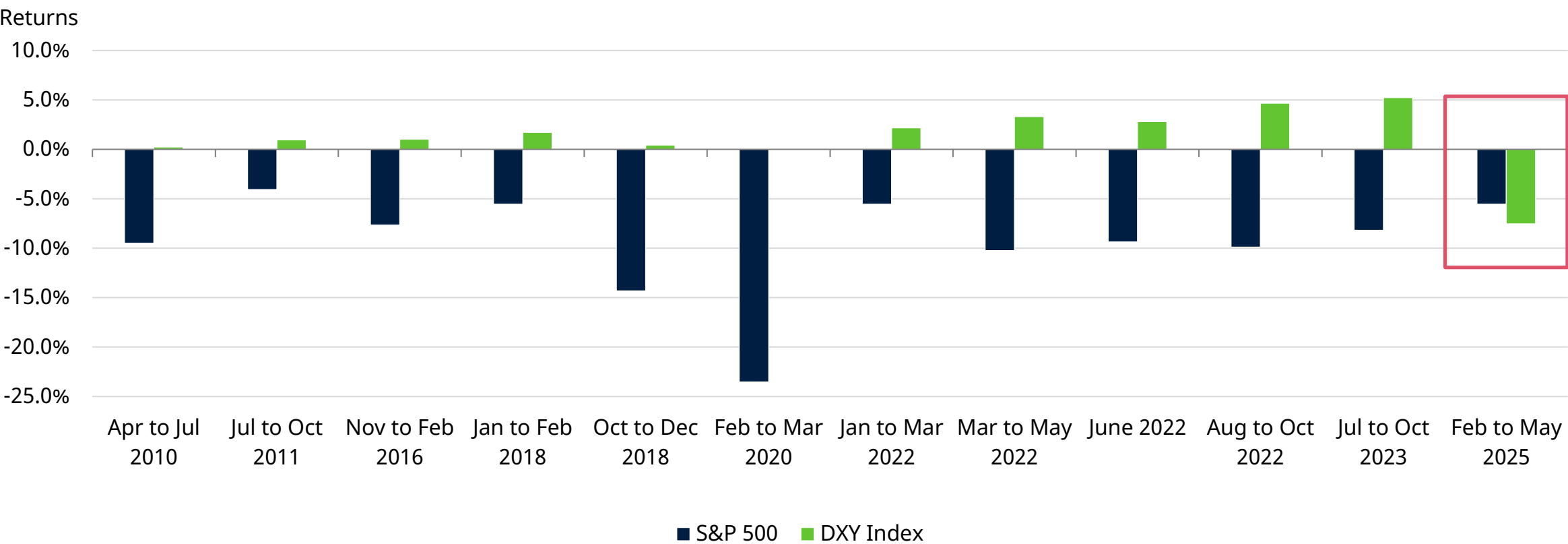
Last year's losers, this year's winners?

Source: LSEG Datastream 30 June 2025.

US exceptionalism

Questions surrounding the role of US dollar

Breakdown of the Dollar’s hedging properties



Source: Schroders, Macrobond, Bloomberg, 12 June 2025.

Return of the bond market vigilantes?

Investors demanding a higher risk premium

US 30 year at ~5% needs to hold – highest since GFC



Source: Schroders, Macrobond, 5 June 2025.





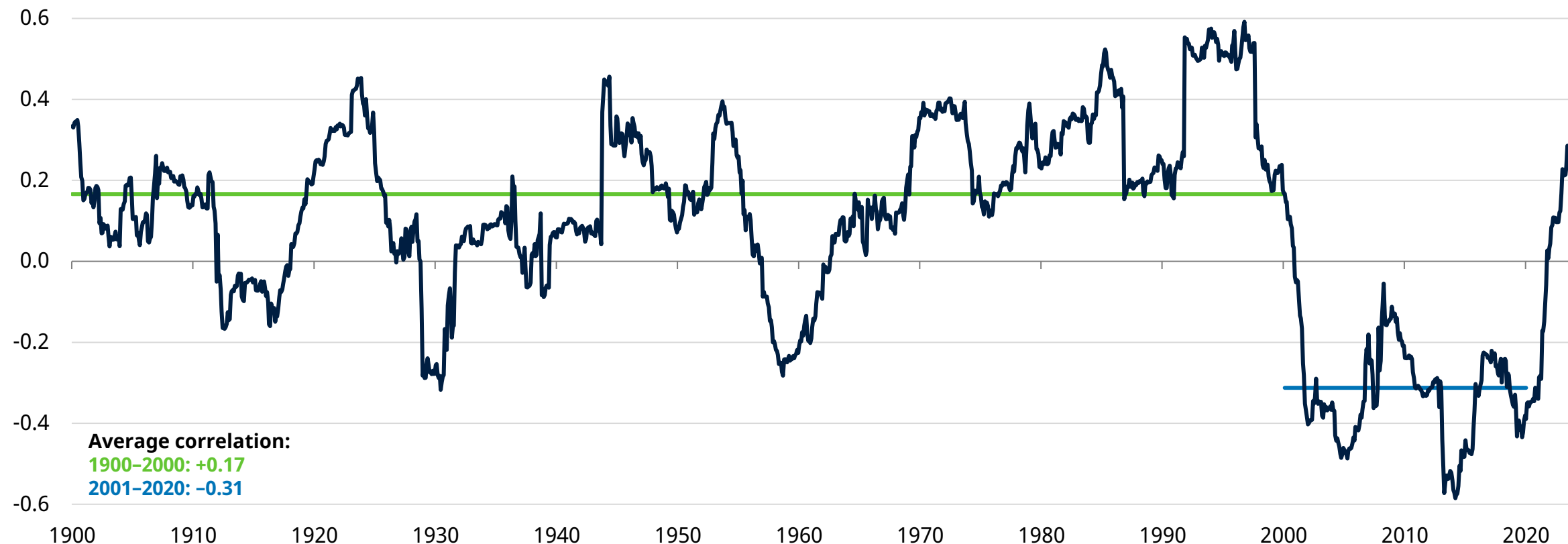
A world in transition

Implications for asset allocation and
portfolio construction

No more hiding behind lazy portfolio construction

How do we cushion clients against market volatility?

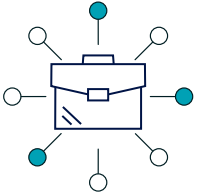
Correlation of US equities and Treasuries



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 amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise.

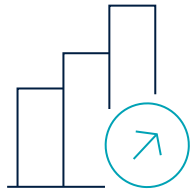
Source: Bloomberg, Robert Shiller, Schroders, as of 31 May 2025. Chart shows rolling 5 year correlation of S&P500 and US 10yr Treasury, monthly data. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Consider Liquid Alternatives



Enhanced portfolio diversification

Liquid alternatives provide investors with better diversification, reducing overall portfolio risk through varied asset classes.



Improved risk-adjusted returns

Investors in liquid alternatives may experience improved risk-adjusted returns, enhancing overall investment performance.



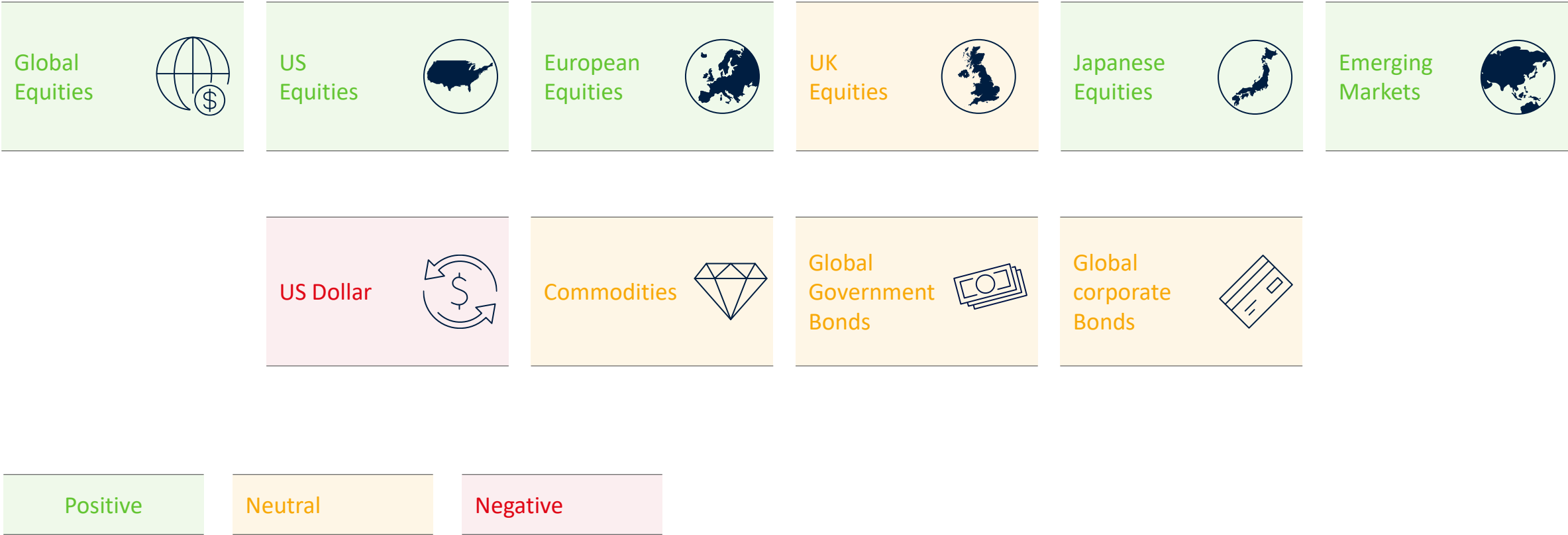
Unique investment strategies

Liquid alternatives offer access to unique investment strategies that are not typically available in traditional markets.



Schroders' outlook

Our multi-asset investment views – June 2025



Source: Schroders, June 2025. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

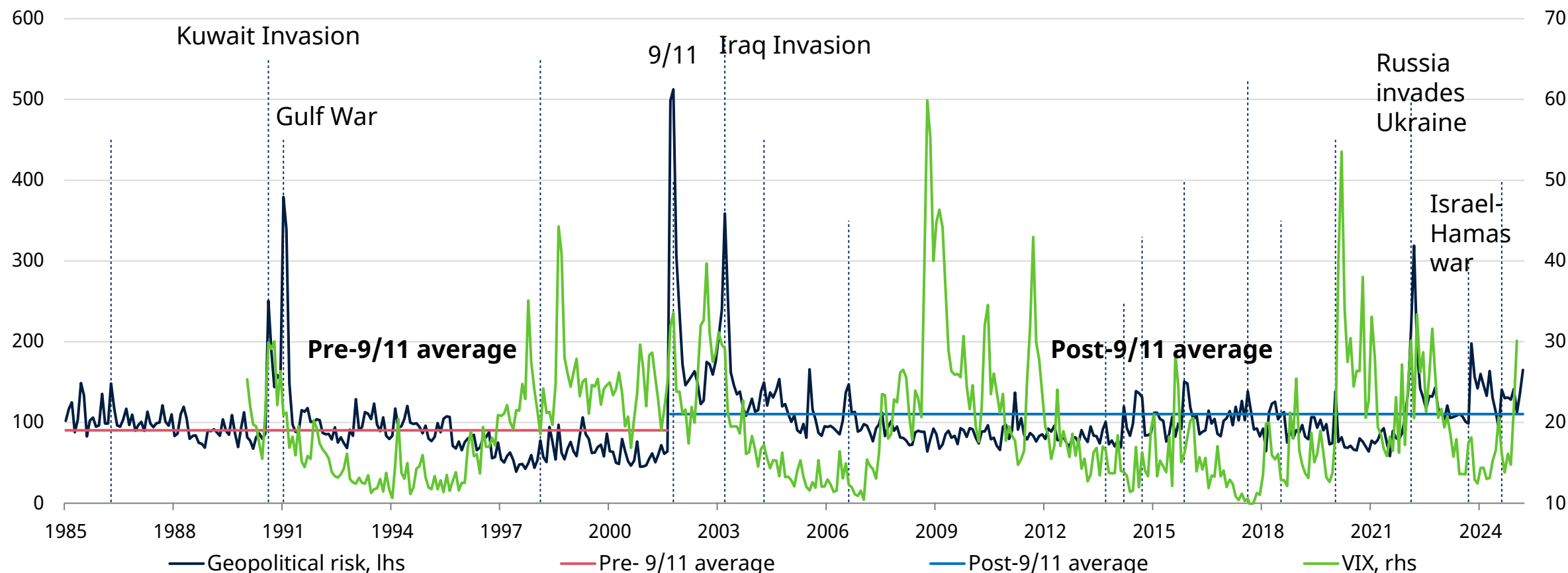


A world in transition

The importance of investing and staying invested

The fear gauge

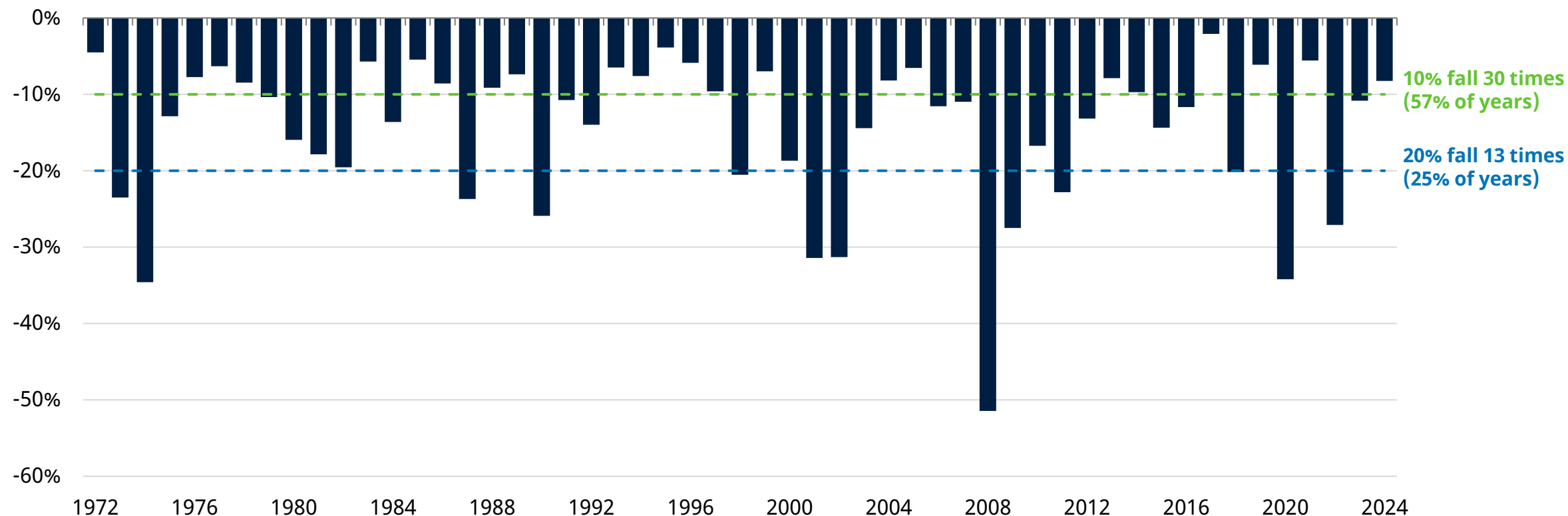
Geopolitical risk is trending higher (but its not unusual)



'Measuring Geopolitical Risk' by Dario Caldara and Matteo Iacoviello at <https://www2.bc.edu/matteo-iacoviello/gpr.htm>. Schrodgers calculations and annotations, from 11 October 2019 to 16 April 2025. The GPR index is constructed as share of 11 newspapers articles mentioning geopolitical tensions, by searching for specific words. Compared to the 2019 version, the revised index slightly changes the words. The new recent index is rebased to be equal to 100 on average for the period 1985–2019. The new historical index is rebased to be equal to 100 for the period 1900–2019. The new index adds word combinations that were not included in the previous version, such as 'foe' or 'enemy' in proximity of 'attack' or 'offensive', or 'peace' in proximity of 'threats'. These word combinations are often used in presence of increases in geopolitical risk. Events such as the Korean war or the Second World War stand out more in the revised version relative to the previous one, and the adverse geopolitical events of the 2000–2020 period look 'less risky' than their 20th century counterparts. The revised index is very highly correlated with the old one, but has less of an upward trend than the previous.

This is not unusual: 10%+ falls happen in more years than not, 20% falls happen once every four years

Biggest stock market falls in each of the past 53 calendar years, MSCI World (USD)

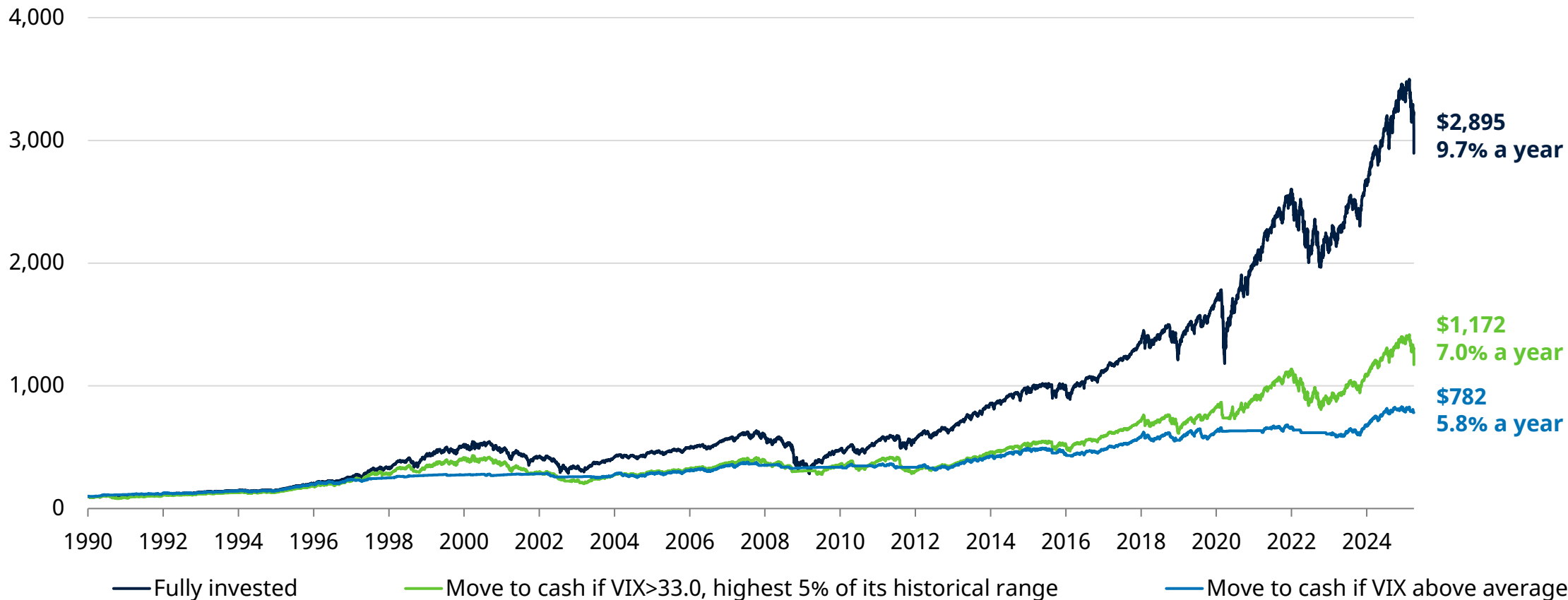


Past performance is not a guide to the future and may not be repeated

Source: LSEG Datastream, MSCI, and Schroders. Data to 31 December 2024 for MSCI World price index in USD terms.

Being spooked by high volatility could be detrimental to your wealth

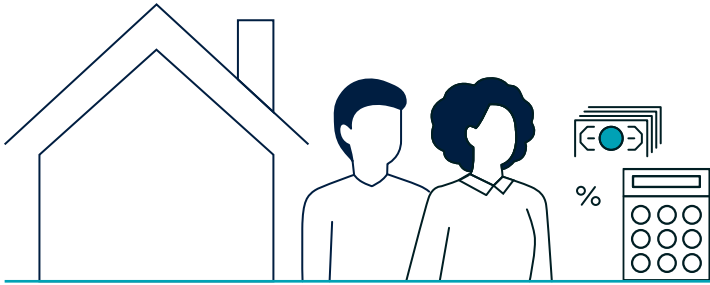
Growth of \$100 fully invested in stocks vs. switch to cash when VIX high



Past performance is not a guide to the future and may not be repeated.
Note: Levels in excess of 33.0 represent the top 5% of experience for the VIX. Portfolio is rebalanced on a daily basis depending on the level of the VIX at the previous close. Equity index is S&P 500, cash is 30-day cash. Data to 4 April 2025. Figures do not take account of any costs, including transaction costs. Source: CBOE, LSEG Datastream, Schroders.

Cash vs. investing

We need an entire rethink of how we talk about risk

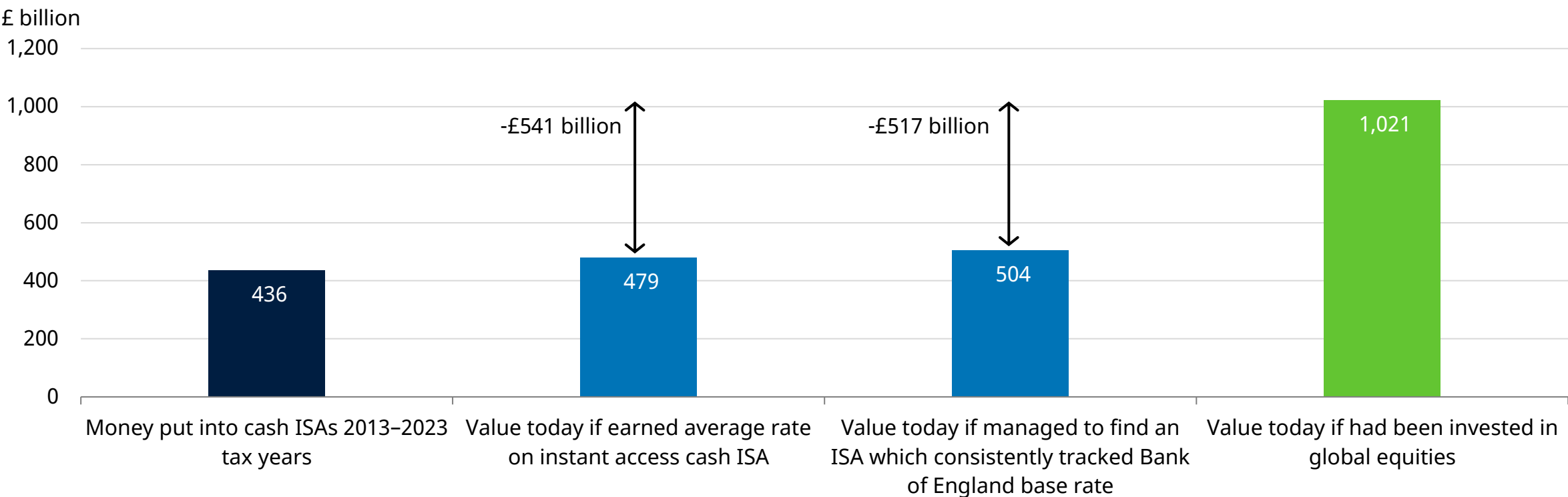


How much wealth have UK households missed out on by putting money in cash ISAs instead of stocks and shares ISAs over a recent 10-year period?

ISA subscriptions are assumed to have been invested at the average market level in each tax year and/or to have earned the average cash ISA rate/Bank of England bank rate in each tax year. Global equities are MSCI World index, total returns terms in GBP. Source: Cash ISA subscription amounts from HMRC, ISA rates and bank rate from Bank of England, MSCI World returns from LSEG Datastream. Data to 30 April 2025.

Why cash is riskier than stock market investing

We need an entire rethink of how we talk about risk



UK households have missed out on more than £500 billion by putting money in cash ISAs instead of stocks and shares

Past performance is not a guide to future performance and may not be repeated.
The passion for cash in their ISAs has left UK households more than £500 billion worse off than if they'd invested in the stock market in the 10 tax years to April 2023. This is based on what those savings would be worth in the present day (as at 30 April 2025). Think what a difference that could have made, to individuals and the UK economy. It's equivalent to nearly 20% of UK GDP. ISA subscriptions are assumed to have been invested at the average market level in each tax year and/or to have earned the average cash ISA rate/Bank of England bank rate in each tax year. Global equities are MSCI World index, total returns terms in GBP. Source: Cash ISA subscription amounts from HMRC, ISA rates and bank rate from Bank of England, MSCI World returns from LSEG Datastream. Data to 30 April 2025.



**KEEP
CALM
AND
STAY INVESTED**

Summary

Reactivate 'active' management



Stay invested and
be active

Learning outcomes

Delegates should now be able to:

1

Summarise the changing investment landscape in a multi-threat world

2

Explain the implications for asset allocation and portfolio construction

3

Define the importance of investing and staying invested

Supporting your client conversations

Our latest insights

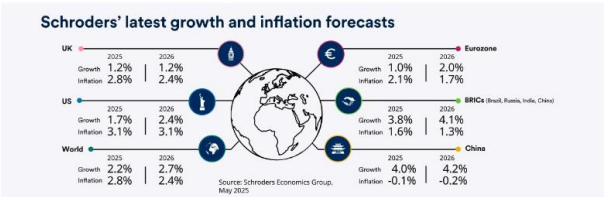
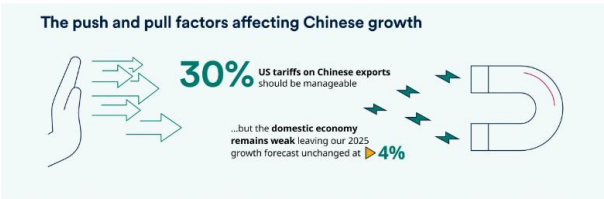
Adviser Survey Report



Quarterly economic infographic



Schroder Equity Lens featuring the chart of the month



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