abrdn plc

Spotlight on Adviser
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Stephanie Bruce – Chief Financial Officer, abrdn

Welcome

Good afternoon and welcome to our Spotlight on Adviser. For those of you in the room, thank you for joining us here today and also to those of you watching online.

So the purpose of today's session is to provide you with a deeper understanding of our Adviser vector and the value this vector generates for our company. We have a really great team managing our Adviser vector and I'm really pleased that I'm joined by three great elements of that team here with me this afternoon. Noel Butwell is our CEO; Russell Bignall is our Managing Director for Sales; and Jonny Black is our Commercial and Strategy Director. You're going to hear from all of them this afternoon.

Firstly, I'm going to recap on our strategy very briefly and the compelling market context for the Adviser vector's objective of driving strong and consistent performance for the Group. Noel will cover the strengths of our Adviser business, including the services we offer and what we're doing for clients that drives growth. Russell will shine a light on our Adviser clients and the steps we're taking to further enhance the client journey. Jonny will set out the drivers behind the vector's commercial performance. We will then be pleased to move to Q&A.

Our strategy

Now, diversification is at the heart of our strategy. Through a series of management actions we have taken, we have successfully repositioned the Group towards the higher growth higher margin UK savings and wealth market. With the acquisition of interactive investor, and the very resilient performance of the Adviser vector despite volatile markets, Adviser and Personal delivered growth in both revenues and profits at the half year, contributing circa 50% of Group adjusted operating profit on a pro forma basis had we owned ii for the full six months. This clearly illustrates the changing shape of the Group and the benefit of our diversification strategy, together with our resilience, which is especially important in times of market uncertainty.

We now have significant penetration in the attractive and growing UK savings and wealth markets. Adviser has a 13% share of the UK adviser platform market and interactive investor an 18% share of the UK D2C platform market by AUA as at the half year. Both vectors operate more efficiently relative to the Group as a whole, specifically, Adviser has as cost income ratio of 59%, that is an operating margin of 41% in the first half of 2022, highlighting its very significant contribution to the Group.

A compelling market oppertunity

abrdn's Adviser platform is number one in the UK with a leading share of AUA at £68 billion within a total adviser platform market of £525bn. We have the tools and experience to be well-placed to hold and grow that position. The underlying movement of financial responsibility to the individual continues to drive the market dynamics and underpins an attractive and growing UK savings and wealth market.

The current macroeconomic environment has created uncertainty, and for customers the need for advice in such an environment increases in order to help navigate this heightened volatility. Advisers want to serve as many customers as possible so the key is to help unlock capacity constraints in their businesses. The key constraint on capacity is the fragmented technology for servicing their clients through the whole cycle of onboarding, reporting, and review. This is the opportunity for us as our technology is cutting edge and solves that pain point for advisers. The more advisers who use our technology, the more customers we will serve. Russell will bring that to life shortly.

Structural growth market

The market is compelling and we can see strong growth patterns. Over the last ten years the assets in the Adviser platform market have grown at a CAGR of 19%. And the realistic forecast for the period through 2027 indicates an 11% CAGR. Our leading position in the market by AUA places us right at the centre of this opportunity and it's worth highlighting that in this market, advocacy of great platforms is a major driver of business flows.

Flows have been impacted industry-wide in the short-term by the current economic pressures, including rising inflation and higher interest rates. That said, the core drivers of medium-term flows remain, notably, the need to invest to mitigate inflation, a steady demand for pension and retirement planning, and the need to maximise tax allowances and savings potential. With the demand for advice continuing to far outpace supply, our focus is to both expand our services to existing clients by increasing their capacity and to attract new clients from the ever increasing pool of assets. We're confident that as the number one in this market we are strongly positioned to benefit from this market opportunity.

Noel will now cover the key elements of our Adviser business and you will see quite how proud we are of this business.

Noel Butwell – Chief Executive Officer, Adviser

Hello. Thanks, Stephanie. Let me extend my welcome also to everyone here and those of you joining us on the phones as well. I'm really excited that you're here today to hear about this great business.

Our leading market position

I think it's worth saying we're at an exciting inflection point for our business with our major Adviser Experience Programme in flight amplifying our already market-leading position. We are the number one Adviser platform in the UK by AUA and our market-leading business supports more than 50% of the UK's financial advisers who give us a 95% customer satisfaction score. We continue to see positive flows against the challenging market environment and we invested in what we believe is the best service experience in the market by far. We are the only UK provider to receive a superior A rating for financial strength from AKG and that's a huge testament to the stable nature of our business and its ability to generate a strong balance sheet and returns giving advisers confidence to place their clients' money with us for the long term.

We also have a gold platform service rating from Defaqto with 5 stars for our quality range of products and investment solutions. And something I'm personally incredibly proud of is that we have won the Schroders award for the best large platform for the last nine years running. Importantly, this is the award voted for by advisers, our clients.

And finally, we have some of the most experienced people in the market in our team.

abrdn already provides a full spectrum wealth offering

Before I go into the specifics of the Adviser vector and our strategic ambition, I'd like to offer my own views on the market context that Stephanie outlined earlier. This is a huge market. The savings and advice gap in the UK could run well beyond 20 million people. There is no single solution large enough or powering enough capacity to solve the problem that is building for future generations. And if we do not resolve this across as many angles as possible, retirement poverty will be a very real threat for many people in our country. Across the industry, a vast number of solutions have emerged to help overcome these issues, but across abrdn, we're already operating across the full spectrum to help people plan, save, and invest for the future.

We have investment solutions to build wealth pre-retirement. We have the capabilities that help manage the volatility risk whilst taking income and they can be advised or direct depending on the needs of the individual. Not only does this increase our customer stickiness as they move through the abrdn lifecycle, generating strong and stable revenue and profit streams, it also powers huge insight into customer and market behaviours, which we then use to power back into our product and service innovation.

Across the business we are gathering unparalleled understanding of what is happening across the savings landscape and this keeps us ahead of the curve.

Our platform

Let me bring our platform to life for you. We deliver services to advisery businesses which allow them to be as efficient and effective as possible. We want them to be able to grow their business in line with their ambitions and importantly share in that growth with them. We want them to be able to serve more clients per adviser, helping increase capacity and unlocking some of that savings gap. We want them to be able to operate a lean business which means that they are more likely to partner with us, abrdn, for the majority of their client assets. In essence, we are building solutions that we believe make us the obvious choice for advisery businesses to partner with because we make it as easy as possible for them to focus on their clients clearing out all of the distractions and time-consuming tasks that just get in the way of delivering high quality advice.

Now obviously that starts with a technology backbone, the platform infrastructure. We have fully digitalised all of our onboarding processes. We've got a full range of tax wrappers, a huge range of open architecture investment options, many discounted with super clean share classes thanks to the negotiating strength of our global business. And we have one of the most flexible income toolkits in the market. We have continually upgraded our offering over the past 16 years and we continue to innovate to improve our solution for the 2,600 advice firms that currently work with us, which represents as I said 50% of the market.

And then layer on top of our service and client interactions, ensuring that we deliver what our clients want and need at all the moments that matter. Importantly, the rich insight we capture on our client interactions means we can drive feedback into those firms to help them become more effective think of that really I suppose as real-time business consultancy that we offer. And then finally on top of that, this can all be personalised, whether that's white-labelling the platform with their brand or customisable reporting. In short, the Adviser vector is here to support high quality advice regardless of the size of the firm.

Growth from a market leading position

So why do I believe we will grow our market-leading position? We focus on what advisers are telling us matter most to them. We know the top five things that adviser businesses consider when they are selecting their primary platform and what they want. What they want is good online functionality, financial strength and stability, lower overall costs, efficient administration, and a full range of tax wrappers. And already today we have a strong position in this space with tools and technology underpinning our operating model. As a result, based on the extent of features and the fantastic service we offer, the value for money argument is very strong. We don't want to be the lowest cost platform. We aren't in that market. We want to be the platform offering the best value for money by charging a fair fee, delivering best-in-class service, functionality and experience.

Our Adviser Experience Programme is driving us further forward with huge strides in these key areas. Our online functionality continually evolves from the basics of the look and feel moving to modern processes, to the rewiring of journeys to remove unnecessary steps or make them more intuitive. Now that we have the functionality, we further improve the value for money. We've invested in our service technology with new contact centre tools, rich MI and tracking, and we're pushing that further with fully online processes and transaction tracking. We've added a junior ISA and there's more to come with the junior SIPP and access to third-party products also.

So now at this point, I'll ask Russ to share more precisely what this looks like and how our Adviser Experience Programme transforms and delivers for our clients.

Russell Bignall – Managing Director Sales, Adviser

Thank you, Noel. Good afternoon, everyone.

Winning with clients

Differentiating through advice is why we win today. Our key pitch to independent financial advisers is around how we power them to success by doing business their way, making things easy and putting our strength to work for them. This enables us to embed ourselves as their primary platform and builds long-standing valuable IFA partnerships that have scale. Of course, I would say that, wouldn't I?

So I have prior agreement to directly share a clients' view with you. His name is Chris Purvis and he's the managing director of Principal & Prosper, a big IFA firm in Edinburgh. Principal & Prosper manage £2 billion for 3,500 customers. They've got 15 advisers with 30 investment, risk and operational staff. Most of the assets under advice are entrusted to abrdn. This regularly generates £125 million of net flows each year to abrdn with average customer values of over £570,000.

When asked about his success, Chris says it's all about "providing financial planning, a quality investment process and good service to our customers". The critical success factor for advisers he says is to deliver on your promises so that your customers do not challenge your fees and your reputation in the market is protected. He positions abrdn's role by saying that Principal & Prosper originally adopted abrdn as an ISA platform but it soon became clear that abrdn enabled him to deliver his customer promises. Chris says choosing his primary platform is not about cost or technology alone. It's also about the abrdn people that support his business. In short, abrdn enabled Principal & Prosper to deliver their own client value proposition, which makes his success our success too.

Adviser experience programme

Principal & Prosper's experience of us is reflected across the advice firms that have chosen abrdn as primary platform and our Adviser Experience Programme is how we position our normal release programme to ensure that we keep winning. This is how we protect and grow more scale partnerships with clients by normally upgrading our service just like Apple do.

So we've already delivered a peer leading service experience because it is so important to our clients. We did that when we embedded Amazon and Salesforce technology that measures and improves service in real time. This makes a big difference to which platform advisers recommend. The result is we measure how we answer the over 1,000 calls we get a day. Yesterday we answered 1,160 at an average of 14 seconds while the competition can take up to half an hour just to answer, let alone deal with the reason for the call. Just try calling your own pension adviser yourself, it's maddening and it would destroy trust in the adviser who recommended you to them. And that's essential when you think about it because it's your family's money and you're also paying an ongoing advice fee. So our service excellence cements clients and their customers to abrdn because as Chris notes his reputation and his income depends on us backing up his promises.

Our next release unlocks significant upgrades in terms of productivity and reporting and it moves our data chassis to a customer-centric model. The new customer report suite will make a massive difference to how advisers do their annual reviews. This is important because 70% of all the new platform business results from this annual advice meeting. So this innovation is well-established and it's why advisers recommend us year in, year out.

Unlocking capacity in process

Our next release unlocks capacity for every advice business. The new user interface will make a big difference on productivity and I'll highlight a few of those benefits. Starting at the top, that means advisers will save eight minutes every time they recommended an individual savings accounts, which they do every year for most of their customers. In fact, 2,500 working days will be saved for abrdn clients on this one change alone. This new customisable report will save half an hour of prep time for their annual customer meeting. That adds up to 10,700 days saved. This will attract more advisers to choose us because the new report easily demonstrates the value of their advice to their customers. It means advisers can justify a year of fees at the press of a button.

Independent data from Investment Trends shows that advisers do want to serve more customers and they estimate it to be 16% growth. Let's apply their detailed numbers to Principal & Prosper. If each Principal & Prosper adviser, 15 advisers, serve an extra 17 customers each at their average of £570,000 of value, that results in an extra £145 million of flow each year to abrdn. That's why the sales team's focus on increasing adviser productivity because it drives flow and actual revenues to us.

Now over to Jonny to talk to you more about our financial model.

Jonny Black – Commercial and Strategy Director, Adviser

High quality customer base

Let's start with a quick history on our customer base which is high quality and we look forward to expanding it. We offer a range of tax wrappers that advisers can recommend for each customer, the core pension, ISA and general investment account, but we also have integrated onshore and offshore bonds which isn't common place in the market. More than half of our assets are in pension but that's pretty standard across the industry and reflects our historical position in the pensions market.

On customer size, on average, each customer has 1.65 wrappers in their account, for example that can be a SIPP and an ISA. When these customers further embed with abrdn, we expect further improvements in persistency as it's more likely that the customer will be with us at and through retirement. We're incredibly proud of our 97% customer retention which is better than many of our key peers. Therefore, whilst we do see assets leaving the platform around 50% of this is directly in income paid to customers, meaning the customers themselves stay with us for the long haul. The average age of our customers is 63 which supports our persistency as customers are taking income and are less likely to transfer away in full but we will also be focused on broadening our customer age groups going forward. It's important to note that many of those newer platforms in the industry will see their books ageing as a higher proportion of their book moves to income over time. Today we've got 430k customers and £68bn AUA. That gives us a high average pot value of £160k. As we increase penetration into more tax wrappers and further top ups from existing base, we expect to continue improving this metric.

Track record of consistent, high margin performance

But before turning to growth, let's quickly recap on our historic performance. On the left, you can see our AUA over recent years, which, during this time the pandemic and economic conditions within the UK have contributed to significant volatility across the entire platform industry. abrdn is no exception to that and you can see that had an impact on our asset levels. However, on the right, you can see despite those market conditions, overall revenues have jumped markedly and our underlying profit and cost income ratio have improved. That's driven by key management actions over the period which includes the simplification of our Phoenix partnership, which has removed some legacy revenue pass-throughs. We've actively managed our operational cash to deliver income for the business and for our customers and we've had continued focus on costs seeking ways to maximise economies of scale, group benefits and strategically focusing our expenditure on areas which make the biggest difference to our clients and customers. The result is a strong and high margin business in a variety of market conditions.

Sources of growth and flows

Now let's focus on the sources of growth and flows. We'll build on the Adviser Experience Programme, so in terms of our gross and net flow performance going forward, we're going to focus on three key pillars. Firstly our existing customer base. Those 430,000 customers, with 1.65 wrappers on average. We know that if we can deliver great service, features and functionality then advisers will seek to manage more of their customers' wealth together with us, and therefore grow our average AUA per customer.

And while pensions make up a significant element of our book today, we also believe they represent a significant opportunity for abrdn going forward. We operate at the high net worth segment of the market and the majority of our customers will have a personal pension somewhere. Today 185,000 customers on the abrdn platform already have SIPP with abrdn but that means there's an opportunity for the other 245,000 customers to consolidate their pension with us. Based on the average SIPP value today, £200,000, that would represent £49 billion AUA consolidation opportunity for abrdn.

Next is our existing clients. Those 2,600 firms that we work with day in and day out. 44% of the AUA on our platform is already with firms who use us in a primary position. To bring that to life, think of that 44% of the AUA is on fast track. Those firms and those assets move at a faster pace with a higher proportion of their flows coming to abrdn. Russell and the team's role is to convert as much of the other 56% of the assets onto fast track as possible. This is because research shows that when we convert a firm to primary position, we can expect to see on average 70% of that firm's new business come to abrdn. So moving a firm from secondary or legacy position to primary, we should more than double the new business volumes from that firm. And if we can truly embed that firm with abrdn, then there is an opportunity to migrate their back book to us too.

And then our last pillar, these are the firms that we don't yet have a relationship with, the other 50% of the market. Because of our reach we already have the ability to drive substantial growth just from pillars one and two. This pillar is a further amplifier. It's low cost, advocacy-driven client acquisition. We know from industry research 40% of advisers actively recommend their primary platform to their peers. So what we need to do is leverage our existing 50% reach and encourage our existing clients to advocate for abrdn and build organic growth. In-built advocacy and the increased benefits of Adviser Experience Programme could see us further grow our new firms as we move forward. Collectively these pillars will ensure we drive further growth in our gross flows as well as improving and broadening our customer base driving increased younger customers and improving persistency.

Sources of revenue and pricing

Now turning to revenue. Our overall revenue yield in H1 2022 was 25.5bps, of which our core revenue was our platform charge which made up c24.5bps with the remainder reflecting cash margin. Our platform charges are set linked to the service quality, functionality and features that we offer and that ensures that we offer value for money for our customers . Our strong customer retention and reach is testament to this. Our charges are percentage based and they reduce as customers increase wealth to reflect economies of scale and to encourage good savings habits and consolidation. We also offer family linking, which support inheritance wealth transfers.

In addition, we have real market leading innovation, our drawdown price lock, remains the only one of its kind in the UK platform market. It's a genuine win-win where customers percentage charges do not increase as their pot sizes reduces as they move through retirement. Importantly, we haven't seen industry margin compression continue in the last couple ofyears. It's been a much more stable overall position.

A further revenue stream is cash margin and given the rising rate environment seen this year, it provides a further tailwind for abrdn. Across our platform, advised customers do need some cash to manage their operational aspects, for example paying charges to their IFA, or as a liquid asset to take their income in retirement. However, we are an investment platform so we don't expect any individual customer to hold substantial cash balances for a prolonged period. To date, we manage c2% of our total AUA in cash and we manage that cash daily to generate a return. It's diversified over a range of banking partners and across various terms to ensure customer funds are safeguarded. We review our approach on an ongoing basis and currently share an element of the interest with customers. We operate a fully transparent process and model. We share our rates on the website so that customers can see these whenever they require.

Across 2022 reflecting the lower rates in the first half of the year, our blended average cash margin is around c80bps. As rates have risen markedly over the year, we expect to exit 2022 at an 1.65% cash margin, which further benefits our 2023 revenue.

Drivers of revenue

As a reminder, abrdn announced the acquisition of the SIPP from Phoenix as part of our simplification of our strategic partnership in February 2021. As a result, we expect additional revenue streams subject to the launch with the new abrdn SIPP during H2 2023. Whilst the transfer generates new revenue from an abrdn perspective, importantly this does not impact clients or customers. The transaction effectively repoints these revenues streams from Phoenix to abrdn. They cover charges associated with administering the product itself, as well as cash margin within the SIPP. And as importantly, because the AUA associated with these products is already on our platform, we already have the infrastructure, processes and teams to manage them. So we do not anticipate additional costs with the product. We expect the SIPP revenue streams to increase our overall revenue yield by low single-digit bps in the first full year of ownership.

To summarise our revenue drivers. In 2020, we rebased our platform charges with strategic reprices which has delivered long-term value for money for clients and has insulated abrdn from needing to make any further wholesale changes to pricing. We also have additional growth expected both as a result of cash margin and new revenue streams from the SIPP transfer in future years, in addition to our expected flow growth.

A client focused efficient model

Lastly turning to costs and our operating model. Within Adviser, we've deliberately pivoted our business to operate a "best of both" model. We focus our energy and resources within abrdn to delivering on elements which impact the client and customer experience. That's our strength and that's our priority.

We've strategically sought outsource partners for those areas less impacting on the client experience, We leverage those third party partners to scale and drive a lower cost to serve. On technology, we have a long-term strategic relationship with FNZ to handle custody and administration for our platform. By benefitting from the scale of FNZ and committing to a longer-term partnership we've secured an advantageous low-cost model. We've also transferred several hundred colleagues from abrdn to FNZ as part of our overall deal. This allows FNZ to focus entirely on our back-office administration and frees abrdn up to focus on experience. We also have the added benefit that as and when technical changes are needed whether that's for compliance or any other reasons, these are spread across the full FNZ client bank and we avoid needing to use abrdn capital to meet these requirements.

Beyond that, we've partnered with industry leaders such as Salesforce and Amazon to drive cutting edge technology into our client engagement. And across all of our third-party providers, we now have acces to real time insight which powers our business. Financially, that gives us the benefit of a flexible cost model which, when you combine with our revenue initiatives protects our strong operating margin.

Thank you. I'll pass it back to Noel.

Noel Butwell – Chief Executive Officer, Adviser

Thanks very much, Jonny. Hopefully that shines a bit more light on the Adviser vector and importantly the opportunities this business has for the future.

Strongly positioned to drive shareholder value

We are the market leader in a market with strong growth drivers. The fundamental drivers are linked to a genuine need for individuals right across the country to save more for their future and in this complex environment where many will need to turn to advice. Demand far outpaces supply. And conservative industry forecasts indicate an 11% per annum growth rate in this market. So our historic investment in our technology, through the Adviser Experience Programme ensures that the core of our solution, the technology, is future fit. And the new solutions that we have are modern and flexible for future demands. Making changes will be easier, faster and far more customisable than they have been before. We've built partnerships with key industry experts to ensure that our future growth has driven an appropriate cost to serve while also getting access to broader expertise and insight into other markets. We have a real opportunity to drive growth in assets and operating margin through our continued focus on unlocking capacity for our Adviser clients.

And it's all backed on a strong and diverse management team bringing together a range of experience from across industries to drive forward for the next decade. I'm really proud of what the team's focus and commitment has already achieved as seen through the management actions to deliver resilient set of results even in the current market conditions. So there's a lot of reasons to believe in this business as we move forward further with our Adviser Experience Programme.

Q&A Session

Could you help us understand the 11% market growth versus your 16% growth ambition and how much of that difference comes from the growth pillars you outline?

- The 11% is the realistic market growth projection for 2023-2027 provided by Fundscape. These markets have grown at a 19% CAGR, so it does reflect the current market conditions and a degree of conservatism until the UK economic outlook becomes clearer

- In terms of the 16% growth, that is in terms of new customer growth and is from an independent research firm, Investment Trends. When they surveyed adviser firms, advisers said they'd like to have the extra capacity to take an extra 17 customers each. In % terms that is a 16% increase in the number of customers per adviser.

You've said a few times you're number one in the Adviser market. Of all of the new functionality that you've added during the course of 2022, has there been any disruptions to your normal flow that we should be aware of? You didn't appear in the top five for gross or net flows in the Q3 Fundscape Report so wondered if there was a reason for that?

- We've maintained our position as the number one Adviser platform by AUA, and the market has been challenging this year for obvious reasons as people have not invested as much. You'd argue at the moment there's a greater need for advice than ever. We've seen that in terms of clients with existing customers that they're working with.
- You're right we're not in the top five on the press release, but much like in Q1 and Q2 there is a cluster of firms that are very close together so we're very close to that fifth position, without giving the specific number. Our performance is in line with what we've seen at a market level.

The adviser platform business has historically been fairly competitive. Now with cash margin at a 165bps exit rate, do you see the need for that to be reinvested in the headline platform rate or could more of that be passed on to customers given the competitive dynamic within the industry?

- Whilst there's no regulatory obligation to pass interest earned on cash back to customers, we do feel it's appropriate to share some of this income.
- Ultimately these platforms aren't necessarily there to hold substantial amounts of cash but obviously they do for reasons of paying income, charges etc. In terms of our headline rates we publish them on our website, and how we actually manage those going forward, all of that is there.
- We strategically repriced our platforms in recent years to ensure they offer strong value for money for clients and customers and are comfortable with our headline platform rate.

The cost income ratio has improved from 67% in 2020 to now down at 59%. Where do you think it can go? I'm just wondering how much more scale you can drive in the business before you have to invest more, what target do you have?

- What you've seen historically is a cost management exercise, we've also outlined key ways in which we're going to grow revenue
- Our cost base is flexible but we wouldn't provide a target for that.
- Clearly there's a jaws effect there of costs very stable and revenue on the up.

On the cash margin and 165bps exit rate for the Adviser platform. Is there any read-across to ii?

- There's no new information on ii.
- As we said at the half year it's very much a process of looking across what's happening in the market and we act in a way that is comparable with our peers. We've given guidance before in terms of how we think about that so nothing new to add.

One of the trends you spoke about was M&A or consolidation in the market. How would you see yourself within that? Would you look to acquire other adviser firms or are there any gaps that you would like to fill?

- You're right in terms of consolidation in the market both at advice firm level and we're starting to see it in the platforms as well.
- I think you'll start to see the emergence of bigger advice brands and we'll continue our approach to that in terms of how we work with and partner with the best advice firms in the market and create that capacity through our Adviser Experience Programme. Irrespective of size it's about creating capacity and we'll continue to do that.
- In terms of platform consolidation, again, I think you'll start to see that and see it accelerate. We would never say never in terms of M&A from our perspective but it would be driven by capabilities largely that we felt we didn't have, and I don't think there's anything in the market where that's the case. Or it accelerates our strategy in a different way. But at the moment, we're very focused on our own programme of work and how we're going to grow this business along the plans that we've outlined.

You show the splits of operating profit on a proforma basis with half Investments and half Adviser and Personal. Is that the same type of thing you would look to fill in the medium to long term or would you to change that split of operating profit between the three vectors?

- Yes, we were very clear at the half year in terms of taking the combined impact of Adviser and Personal on a proforma basis was 50% operating profit at the half year and we certainly see that continuing.

- Just given the growth in both of these vectors going forward in the short to medium term. I wouldn't try to look too far into the long term given potential for other changes, but certainly you should see the diversification strategy that we put in place continuing to deliver those sorts of splits.

On the growth channel that might consist of existing IFA's recommending you to potential other IFA's, what can be done there for activity? By that I mean could you do something like a special deal if you bring some IFA we lower your fees or just trying to understand how much can you push in that direction?

- It's the number one factor for adviser firms who use a platform that's been recommended by one of their own, so to speak. It's a really, really important factor. You're bringing them together, which Russell and his team do on a regular basis to create advocacy which is key.

- On your point about matchmaking, we're bound by inducement rules so we have to be very careful about those. But in terms of opportunities to bring on large scale assets as a result of introduction for that individual firm that's coming to us and obviously we're a commercial organisation and we look at those on an individual level.

Clearly you use the FNZ technology which is used by a number of other players in the industry. Can you just help us understand given that the underpinning technology is the same across all players where is the value add?

- Post us renewing our strategic relationship with FNZ at the end of 2020, we're all pretty comfortable that we've got FNZ at a relationship level to a place where we're not worried about how we differentiate.

- The best way I can describe it is think of it as an empty aeroplane. Every aeroplane when we strip it back is the same and that's the FNZ bit. Then we build around it, all the functionality, the richness of our service, that's our secret that we apply on top. Whether that is how quickly we answer the phone or the fact you don't need to call us in the first place. We describe it as differentiating on the basis of experience. We're not going to differentiate on the basis of a tax wrapper. We're building everything on top of that, that's where we see our play and FNZ at a chassis level.

On ii, you now have the D2C business and you also have an IFA business. The D2C business is marketed as being particularly cheap and very convenient. So is there a risk that this might increase friction at all with your existing IFA client base that are basically using you, on the other hand they know that this can be potentially offered to the same clients super cheap, to manage their finances.

- Up to 20 million people in the UK will benefit from financial advice. It might not be advice set in the context of full financial advice but it's information, it's guidance. It's maybe a hybrid model, or it might be full financial planning.

- Our propositions serve the needs of very different clients. Those that have been introduced through IFA's have got more complex affairs, usually large pots of money, and actually probably are at that point where they need that trusting long-term relationship at that moment that matters, which is probably retirement and they start taking benefits.

- With the D2C proposition and ii, that gives us the greater waterfront. Now there are those clients that have got the confidence or competence and do it themselves and what we believe we've got is one of the best D2C propositions in the market with a great fee structure that is incubated against market movements. But if you then think about at the point that people build up the accumulation phase on a D2C platform, get to the point where they want to take benefit or are at a certain size, we've got advice capability that uses our in-house platform, abrdn platform, or they go to a third-party adviser, who equally uses our in-house platform. The ecosystem works on that basis and we can see referrals from one to the other.

Can you bring to life the change in market share over the last five years absenting the acquisition of Elevate. So on a pro forma basis, have you actually grown market share? If not, why not?

- We don't give future guidance on market share and we don't split out between Wrap and Elevate in terms of either flows or the market share that we have.
- In terms of how we view our market share going back, it's remained broadly at that level

On slide 20, could you bring to life the acquisition of SIPP which is expected to complete in H2 2023 at low single-digit bps increment. Could you give us some numbers around that so I can extract how much to add to my forecast?

- On the SIPP, there's two main elements. One is the charges themselves, so the customers are paying product charges on the SIPP today. They are between 1-2bps on average at a SIPP level. Obviouslythe whole platform is bigger than just the SIPP so the overall vector revenue bps movement is lower. That will come across when the SIPP launches.
- The other element is the cash margin. The same way that we talk about having 2% of our assets in cash excluding the SIPP that we're acquiring. When we acquire the SIPP there is then cash and you can apply the same rate that we're talking about to that 2%.
- Combining those two elements to get the low single digit bps increase for the total vector revenue. We are not going to be more specific at this stage because the cash margin is clearly something that is variable

You talk about the 165 bps of cash margin based on base rates of 3%. If base rates go to 4.5%, how much of that 150 basis points do you think you'll capture?

- It's not a linear relationship with how much we would retain. Our current policy which is available to customers is that, in terms of Adviser, between 2% and 5% base rate, anything in that 3% base rate we would retain 30% of that and the customer will receive 70%. And anything above 5%, the customer retains all of it. Clearly the opposite is happening for lower rates to get to the 1.65%.

On slide 10 you report a net promoter score of 53%, which is pretty low, and your flows also aren't at the upper end of the industry. Help us understand that you say you are good at service but it doesn't appear that clients are taking the same message.

- If you look at how that is calculated and how that actually works on brands outside of our sector, 53% is a strong score. It's a very good position to be in and an even better position within financial services.

On slide 20, SIPP question, to be absolutely clear, are you saying on this low single-digit bps is incremental to this segment of the business or just the SIPP component.

- The low single digit bps is on top of the 25.5bps yield at a full vector level, not at a SIPP AUA level.

Adviser as a whole, how dependent is that on the wider abrdn business? Could this business run as a separate, standalone business maybe not as part of the abrdn Group or is there actually some real dependency on the rest of the organisation?

- We think about the Adviser vector in the middle and as you said we have our Personal vector which includes interactive investor, our financial planning business, our discretionary business, all of which effectively interconnect with the Adviser vector.
- But also think about the point that you want advice—you can build up assets on the ii platform. At the point that you want advice, we have advice capability within the business. It's how they move seamlessly through the different propositions and going back to the slide that we talked about the full wealth management offering spectrum, we've got everything covered.
- With the way the vectors are now set up with different leadership teams, again much quicker interaction. That said, there is opportunity for us to do more. And we see this as an area of oppertunity in terms of the interactions between the vectors and particularly in terms of using the products and the content in a greater way than we are currently doing today.

Can you remind us on the state of your own adviser force in the rebranded 1825 which I think is now abrdn financial planning. How many advisers do you now have? Are they independent or restrictive? And just overall what's your approach here and are you still looking to grow and take part in the industry consolidation that you pointed to? You seem to be sub-scale at present.

- 1825 is within the Personal vector and not under Noel's leadership. Very happy to take this offline and we are going to do a deep dive into Personal soon to bring this to life.

Can you provide some colour around the opportunity that you have outlined and why don't the 240,000 customers have a pension with you?

- On SIPP, we view that as a clear opportunity largely driven by the adviser capacity. Transferring a pension is a complex process that takes a lot of an adviser's time so prioritising that over something else that they need to do with that individual customer or client from their perspective, it hasn't got the priority in their business. Everything we're doing through the Adviser Experience Programme should mean we can move that up the priority list because we are taking out the admin that is sat above it.

You quoted at one point the 1.65 wrappers per customer. Is that industry leading or where would the leaders in the industry be?

- The 1.65 is a number that we are very proud of. Not every platform and peer provide this number but those I have seen are closer to 1.2, 1.3.
- 1.65 reflects the fact there are more integrated wrappers available with abrdn than maybe with some of the other platforms so our starting position is strong.

What percentage of the 50% of the firm's that you work with do you have primary relationships with? You said you were working closely with the top end of adviser firms, does that mean the opportunity is with the smaller firms and what are the scale benefits there with the smaller firms versus larger?

- We can grow our opportunities by growing capacity and use Principal & Prosper as the example of that. Firms that support us already can be more effective in pushing more flows to us. Another calculation, £145 million per annum from a firm that already gives us £125 million. That's a fifteen-adviser firm. That's a massive multiple for us because our Adviser Experience Programme allows all businesses to take advantage of that capacity creation.
- It's not about the number of firms; it's more importantly about the number of large firms that are not yet with us. But clearly, we target our sales relationships to those firms which are both big in the market but small with us to enable that growth to come through. We can grow our opportunities by growing capacity so firms that support us already can be more effective in pushing more flows to us.

You talked about full coverage. You're seeing other adviser platforms helping advisers come out of the market, buying up books etc., and moving into the hybrid advice world. How is that going to fit in the abrdn world?

- It comes back to the advocacy point. We work with 2,600 of the firms in the market so there's a bit of a matchmaking process that we can go through. As advisers get to a point where they may want to sell their business, retire, we've got a rich steam of relationships that we can introduce them to. It would be done on that basis.
- Clearly we have our own advice business as well and where appropriate and where it fits with our strategy then we could. We wouldn't rule out buying advice businesses and coming back to the question earlier, building up our advice capabilities that way as well.
- In terms of hybrid advice, we've got the technology and proposition in the business that sits in the Personal vector, but part of the Personal vector's overall proposition that we could deploy into, and we are considerably deploying that into the third-party IFA market, again increasing capacity, again, increasing access to advice and flows that way. So that's where you'll see the interplay where

we develop something in the Personal vector, how it might translate and be applied in to the Adviser vector.

To come back to adviser consolidation, there are I think 30+ private equity backed advice consolidators in the UK. True Potential being quite a notable one where they seem to buy advice businesses and have their own internal platform. What has your experience been in terms of adviser consolidation. Have you seen much impact in terms of firms that use your platform being acquired and taking assets off? Or is it not an opportunity to work with larger advice firms?

- With 50% of the market there are lots of those consolidators that are using the abrdn platform today. So far, I would put that as an opportunity rather than a threat. Given our ability to influence that advocacy, we end up winning more than losing.

- If you acquire a firm and that firm has four other firms that are now part of it, and abrdn doesn't have a relationship with them, then Russell and his team are straight there seeing those four, bringing them over because abrdn has the great service, the great experience. That's how that is working in practice

- We are already able to deploy these big brands onto our front end and outputs and that is only going to get more embedded. Our offering for those large firms is more bespoke and boutique but we have that ready to go so it's clearly there but at the minute would put it firmly in the opportunity camp.

In terms of the UK macro backdrop, it feels pretty tough right in terms of confidence. We have seen the flows. I'm just wondering what you're looking for in terms of conditions for improvement there and then what level of resilience can we expect.

- Clearly, we've seen a slowdown over the year as a result of the environment we're operating in both from a sentiment level and from a pure day to day cost of living perspective. The vast majority of clients and their customers are not immune to that but are not necessarily impacted because of the level of assets that they have. What we have seen is people delaying decisions.

- Our expectation is that as the market normalises and people get used to that, we will start to see people investing again rather than sitting on the side-lines as they have been for most of this year, throughout next year.

[END OF CALL]