

ISSUED 19 August 2024

PLATFORM SECTOR
abrdn Elevate

FINANCIAL STRENGTH ASSESSMENT

Analysis by **AKG Financial Analytics Ltd**
Accessible • Comparative • Independent

AKG



ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

This AKG report and the analysis and ratings contained within it provide assessment of financial strength and associated considerations. Financial Strength is focused on the ability of a company to deliver ongoing operational capability in the interest of its customers and in line with their fairly held expectations. AKG's perspective in the assessment of financial strength is wholly that of a customer of a product or service. From that foundation, this analysis is specifically designed to inform financial advisers and assist in their required understanding of a company's operational financial strength.

Given the underlying customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met. This contrasts to credit rating, which will be undertaken at group or parent company level where investment or debt placement etc. is made.

Further details on how analysis is undertaken is provided at the end of this report and may also be obtained from AKG.



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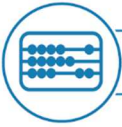
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Rating & Assessment Commentary



RATINGS

Overall Financial Strength

AKG
FINANCIAL STRENGTH RATED
PLATFORM SECTOR **SUPERIOR**
ELEVATE PORTFOLIO SERVICES LTD

Supporting Ratings

	Service	Image & Strategy	Business Performance
Elevate Portfolio Services Ltd	★★★★	★★★★	★★★★



SUMMARY

- Elevate Portfolio Services Ltd (EPSL) provides the Elevate platform and is part of the abr dn plc group (abr dn) which has a longstanding track record of activity and support for the UK intermediated sector
- abr dn has evolved into an asset management, platform and wealth management group, with its platform propositions core to the business
- The group has three growth businesses: Adviser - the abr dn platforms, Wrap and Elevate; Investments - asset management; and ii (renamed from Personal / Personal Wealth to reflect the inclusion of Interactive Investor, acquired in 2022) - direct investing / financial planning
- The shape of the group was described as 'settled' following the ii acquisition, although ongoing refinement towards propositional optimisation was indicated by the subsequent sale of abr dn Capital (excluding MPS) to LGT Wealth in 2023 and threesixty services to Fintel plc in 2024
- FNZ technology continues to play a pivotal role in supporting the growth ambitions of the Adviser business following Wrap operations (including 300 staff) being transferred to FNZ in 2022
- The Adviser business is focused on an Adviser Experience Programme to meet the demands and expectations of advisers, and to position itself at the forefront of the sector
- In 2023, abr dn announced the introduction of 'adviserOS', which will see the current platforms simplified together on one common tech stack; adviserOS is described as an 'open access ecosystem' that transitions the group away from a traditional platform model, towards value-add business solutions where an adviser can be supported with a holistic offering, providing flexibility and choice within an integrated system
- The abr dn platforms together were the second largest platform by AuA at the end of 2023 but saw a net outflow of £2.1bn during the year, one of the worst performances across the peer group in this respect, due to the short-term impact from the technology upgrade, it stated, against the backdrop of a higher interest rate environment which led to substantial outflows across the sector



COMMENTARY

Financial Strength Ratings

Elevate Portfolio Services Ltd

The financial strength of the Adviser platform operation is closely linked to that of the wider group (abrdr plc and its subsidiaries, see Group Structure, page 8) for which it provides a strategically important integrated component. The group commitment to continue investing in the platform business remains firmly in line with its stated ambitions for the Adviser business stream to become the UK's "leading provider of advisory business services", and with an overarching stated focus on experience, for the platforms to become the easiest business for wealth managers and advisers to deal with.

The advised platform propositions remain key to the group in accessing the intermediary market and providing a consistent and predictable revenue stream in the Adviser business channel to complement (or offset) the performance of the Investment and ii business areas. The transformation and integration of the platform propositions continues against a difficult set of market factors, but with progress being made towards targeted levels in terms of scale and efficiencies.

Parent abrdr plc itself has continued to perform resiliently in financial terms despite the challenging market conditions; the focus here is very much aligned to the strategic aspirations, driving operational efficiencies from merger integration and business simplification, and investing for growth across the propositions. The group continues to hold a 50% stake in a joint venture in China, providing access to a fast growing market. Previously the group had investment in an Indian venture, but sold its remaining shareholdings in 2023. abrdr retains a stake in Phoenix Group Holdings plc (PGH, Phoenix). The relationship with Phoenix continues to evolve, being simplified and extended, with Phoenix now having acquired the Standard Life brand, and transitional service arrangements moving to abrdr companies. A shareholding of around 11% of PGH is still held by abrdr plc.

The strategic sale down of shares in associates during between 2019 and 2023 has helped the abrdr group maintain dividend payment levels and solvency surplus. Its capital resource requirements were reduced significantly with the divestment of its insurance operations and a considerable surplus has been maintained since - as at 31 December 2023 abrdr plc held £0.9bn in excess of its requirement of £1.1bn, and its IFPR CET1 ratio was 467% [2022: 408%].

In May 2022, abrdr plc purchased the Interactive Investor group of companies for £1.5bn. The business is the no.1 UK subscription-based trading platform and the no.2 UK direct investing platform, by AuA, and the acquisition provided abrdr with direct entry to the high-growth digitally enabled direct investing market, accessing new customer segments and capabilities. This is allowing abrdr customers to choose from a wide spectrum of wealth services, spanning self-directed investing through to high-touch financial advice, depending on their specific needs over their financial life.

In February 2023, the abrdr group agreed the sale of abrdr Capital Ltd (aCL), excluding its MPS business, to LGT. The sale completed in September 2023 at the agreed price of £140m adding a further £124m to abrdr's capital position and involved the transfer of approximately £6.1bn in AuM (as at 31 December 2022) and approximately 140 employees.

AKG regards EPSL and its parent Standard Life Savings Ltd (SLSL) as important components of a group whose capital position has remained strong during volatile market conditions, supported by resilient underlying performance and strategic disposals. The group's overall surplus capital increased again during 2023, having fallen in 2022 due to the ii acquisition. In terms of AuA, the overall net outflows of £2.1bn in 2022 were disappointing and reflected the higher interest rate environment that led to substantial outflows across the sector, and the short-term impact from the technology upgrade. The Adviser platform business is expected to benefit significantly from the group's strategic approach and specifically, the simplification and consistency that should occur from adviserOS and the consolidation of platforms onto one technology stack.

Service Rating

Service has always been a key part of the Elevate offering and with the support of FNZ it has continued to perform well. Extending from this emphasis, the business sees itself as competing based on the experience it delivers, and that this provides a positive differentiator. The business is investing in providing more information and market education around service, including collaborative activities with other sector stakeholders, to make comparison and communication more consistent, where possible.

The Adviser business (encompassing Wrap and Elevate) is operating at scale and continues to be developed in such a way as to deliver levels of governance and administrative ease with a far greater throughput of activity and assets, across a wider distribution network than ever before. Abrdn's platforms - Wrap (including Fundzone) and Elevate - were used by 2,600 adviser firms in 2023, servicing a total of 420,000 customers. The business expects adviserOS to provide a further step-up in terms of tailored, personalised service support to those advisers.

As part of its Adviser Experience Programme, SLSL exited transitional service arrangements with Phoenix in February 2023, with the ambition to deliver an increasingly personalised and efficient service to clients. With the move away from Phoenix, the business now relies more on FNZ as technology provider, custodian and third party administrator (TPA), and this relationship had already evolved in 2022 with Wrap operations transferred to it, including 300 staff moving across to FNZ.

The Wrap platform experienced a spike in service demands post transformation changes in February 2023 which were dealt with through new resourcing (and secondment) and managed via additional communication to its clients; abrdn Elevate was not impacted significantly in this respect. The longer term objective is to set a new / re-imagined high standard for service for the wider market. The business continues to digitalise, providing more self-servicing opportunities around common questions and requests, with operational teams able to focus on more complex requests via direct communications.

Image & Strategy Rating

abrdn plc, via its Standard Life background, has a long pedigree in the UK in terms of long term savings, investments and pensions, and is committed to its platform proposition as key to the continued growth in its UK retail business. The platform business remains firmly in the centre of the group's broader proposition as one of its core businesses (Adviser), and is fundamentally, culturally and financially supported by its ultimate parent. The ongoing demand and adoption for platform infrastructure to sit at the core of adviser businesses and meet regulatory requirements effectively is a key driver, and the group has positioned its platform offering accordingly. The group is accelerating its Adviser Experience Programme to meet the demands and expectations of advisers and to position itself at the forefront of the sector.

The group sold abrdn Capital (AuM c. £6.0bn) to LGT Wealth during 2023, retaining the Managed Portfolio Solutions (MPS) business (c. £2.5bn AuM) and moving it from the Personal (now ii) business stream into Adviser. The group stated that this move would 'maximise opportunities available through the Adviser distribution model. Our platforms have a footprint with 50% of UK adviser firms, resulting in a significant opportunity for the MPS business'.

The group believes that in terms of scalability and capacity in the UK, the platforms can support an unlimited number of clients and advisers, having been designed (and tested) with both horizontal and vertical capacity and scalability built into the infrastructure. This operating model has been adopted to service a full range of client needs - from simple low cost solutions for basic savers, up to powerful, flexible solutions for sophisticated investors - in a speedy and simple way. This delivery of an 'advised solutions' business is considered key to capitalising on positive market trends identified, and will continue its focus on being the primary platform choice for advisers.

In May 2023, abrdn announced that 'adviserOS' would see the platforms Wrap, Elevate and Fundzone sit together on one common technology stack. adviserOS was designed to simplify processes, prioritise service and deliver end-to-end technology enhancements around advisers' needs. Wrap advisers will be upgraded to adviserOS first, with Elevate advisers to follow at a later date. It is the intention that the current names for the platforms will be replaced by a single overall name.

The Wrap and Elevate platforms have both received recognition, through external awards, which enhance individual and collective brand perception. Overall, there is an emphasis within the business on ease of client experience and an aspiration for this to form a core part of the business image and a differentiated advantage.

The abrdn brand received significant attention, including criticism, on announcement and during rollout across the organisation throughout 2022. It has been largely accepted now and has gone some way in achieving its overarching objective of improving the less than optimal brand position(s) that the group had found itself in following the complexity and pace of its development in prior years. By simplifying and providing a singular distinctive or master brand, the business hoped to ultimately help optimise the client and customer experience. Wider aspirations for the brand include deriving value from sponsorships and partnerships, .com and .co.uk domains, and better search ranking, maintaining a degree of heritage link whilst representing a measure of change and disruption.

Business Performance Rating

Total revenue for EPSL, which consisted mainly of fee income relating to the provision of investment management and administration services, increased by 24% to £52.9m in 2023. This was largely due to the cash margin which increased by £8.5m, partially offset by a reduction of £1.4m in the Elevate fee income, down by 4% to £37.2m. Contributing also was interest income, up by £3.1m to £3.7m which, like the cash margin income increase, was due to higher UK Bank of England base rate during the period.

Administration expenses decreased by 13% to £29.0m, down by £4.3m, driven by cost discipline. The majority of staff who manage the affairs of EPSL are employed by ACSL and their costs recharged to EPSL. Adjusted PBT was £31.1m [2022: £18.2m]; the IFRS PBT stated in the above table included restructuring and corporate transaction costs of £7.1m in 2023, £8.7m in 2022 and £9.6m in 2021. No dividend was paid [2022: £nil].

AuMA within the Adviser business increased to £73.5bn at the year end [2022: £68.5bn], boosted by the inclusion of abrdr MPS which moved from the Personal Wealth (now ii) business in May 2023 to Adviser, adding £2.6bn in AuMA. Platform businesses Wrap and Elevate held £70.9bn AuMA between them. Across MPS and the platforms there were gross inflows of £5.8bn [2022: £6.6bn] and redemptions of £7.9bn [£5.0bn], leading to a net outflow of £2.1bn [net inflow £1.6bn], with favourable market movements underlying the ultimate increase in AuMA.

abrdr plc overall reported AuMA had fallen slightly to £494.9bn as at 31 December 2023 [2022: £500.0bn], split across Investments division (£366.7bn), Adviser (£73.5bn) and ii (£66.0bn) with some £11.3bn eliminations for double counting between the divisions. Total gross inflows of £64.1bn were offset by redemptions of £81.7bn with a resultant net outflow of £17.6bn [2022: net outflow £37.9bn]; outflows in Investments of £19.0bn and Adviser of £2.1bn were partially offset by ii net inflows of £2.9bn (including personal wealth). Market and other movements added £19.4bn to AUMA in 2023.

abrdr reported group net operating revenue of £1,398m, down by 4.0% on 2022 (£1,456m), with the impact of challenging market conditions in Investments partially offset by increases in revenue in both Adviser and ii, reflecting higher treasury income for both businesses, and the benefit of a full 12 months of ii. Net operating revenue in the Adviser business (where the platform business sits) was £224m, contributing 16.0% of total group revenue [2022: £185m, 12.7%]. This growth in revenue reflected the revised distribution agreement with Phoenix and an increase in treasury income to £31m.

Adjusted operating profit before tax (AOP) for abrdr plc decreased from £263m to £249m in the year, down by 5%. This reflected a reduction of £80m in Investments, principally due to the significant decline in revenue here, partly offset by an increase in AOP in both the Adviser and ii businesses, to £118m [2022: £86m] and £114m [2022: £72m] respectively. The result includes the benefit of a full 12 months contribution from ii compared to 7 months in 2022.

On an IFRS basis, there was a loss before tax of £6m including adjusting items of £336m, with a decrease in the impairment of intangible assets and restructuring costs compared with 2022 [2022: loss before tax £612m, primarily reflecting impairments of goodwill and intangibles in the Investments business of £369m, restructuring and corporate transaction expenses of £214m and losses of £187m from the change in fair value of significant listed investments].

During 2023, the group return a similar amount to shareholders as 2022, with a total of £0.6bn through share buybacks (£0.3bn) and dividends (£0.3bn).

Group & Parental Context



BACKGROUND

abrdn plc was formed in August 2017 as Standard Life Aberdeen plc from the merger of Standard Life plc and Aberdeen Asset Management plc and is a UK based financial services group focused on providing long-term savings and investment solutions on a global basis.

The Life Insurance Company of Scotland was founded in Edinburgh in 1825. It was renamed as The Standard Life Assurance Company (SLAC) in 1832 and reincorporated as a mutual assurance company in 1925. Standard Life Investments was established in 1998 and Standard Life entered the offshore market with the launch of the Dublin based subsidiary, Standard Life International Ltd in January 2006. SLAC was demutualised and Standard Life plc floated on the London Stock Exchange on 10 July 2006.

Aberdeen Asset Management was founded in 1983 and listed in 1991. In 2005, it acquired the UK and US institutional businesses of Deutsche Asset Management, including a unit linked group pension vehicle, renamed as Aberdeen Asset Management Life and Pensions Ltd. Certain parts of Credit Suisse's Global Investors fund management business were acquired in July 2009 and Aberdeen Asset Management also acquired parts of RBS Asset Management in 2010. April 2014 saw the acquisition of Scottish Widows Investment Partnership. In January 2016, the purchase of the platform provider Parmenion Capital Partners LLP, along with its online advice business sister company, Self Directed Holdings Ltd, was completed.

In February 2018, SLA announced the sale of its UK and European insurance business and an enhanced long-term strategic partnership with Phoenix Group. Specifically the life business Standard Life Assurance Ltd (SLAL) and its subsidiary, Standard Life Pension Funds Ltd (SLPF), which operated in the UK were sold. The acquisition completed in August 2018 with SLAL acquired partly with consideration by way of shares which SLA retained in PGH; the shareholding reduced when PGH acquired Reassure, which involved the issuing of new shares, and abrdn plc now holds in total approximately 10.7% of the issued share capital of PGH. Aberdeen Asset Management Life and Pensions Ltd was retained by abrdn and is now named as abrdn Life and Pensions Ltd.

At the time of the sale to Phoenix, SLA confirmed that it would retain its adviser platforms (Wrap, Elevate and Parmenion). The strategy with respect to Parmenion was changed as one of the first decisions by then new group CEO Stephen Bird, and its sale to private equity firm Preservation Capital Partners for £102m was completed in July 2021.

A new partnership agreement between abrdn and Phoenix was signed in February 2021, making various amendments including: extension of the asset management agreement for 10 years at least; abrdn to acquire back the Wrap SIPP and Wrap Onshore Bond tax wrappers; sale of the Standard Life brand to Phoenix; with abrdn to retain its shareholding in PGH.

SLA changed its name to abrdn plc in July 2021.

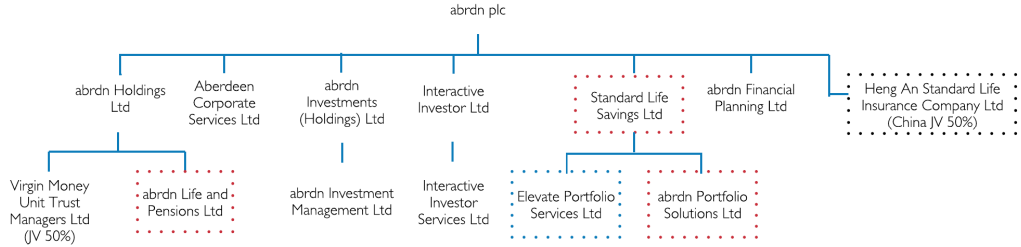
In May 2022, abrdn purchased 100% of the issued share capital of Antler Holdco Limited (Antler), the parent company for the Interactive Investor group of companies for a total consideration of £1,496m. The acquisition of ii provided abrdn with direct entry to the high-growth digitally enabled direct investing market, accessing new customer segments and capabilities.

In February 2023, the group agreed the sale of abrdn Capital Ltd (aCL), the discretionary part of its fund management business, to LGT, albeit with the carved out retention of the MPS proposition. The sale completed on 31 August 2023 and involved the transfer of approximately £6.1bn in AuM (as at 31 December 2022) and approximately 140 employees. The retained MPS business is now provided by abrdn Portfolio Solutions Ltd.

In 2024, abrdn's threesixty services business was sold to Fintel plc, with the acquisition due to complete in H2 2024.



GROUP STRUCTURE (SIMPLIFIED)



Key:

- Subject of this Assessment
- Subject of another AKG Assessment
- Non UK

Company Analysis: Elevate Portfolio Services Ltd



BASIC INFORMATION

Ownership & Control

abr dn plc

Year Established

2007

Country of Registration

UK

Head Office

1 George Street, Edinburgh, EH2 2LL

Contact

www.abr dn.com/en-gb/platform-adviser/elevate/contact

Key Personnel

Role	Name
Chair	Sir D Flint
abr dn Group Chief Executive (interim)	J M Windsor
abr dn Group Chief Financial Officer (Interim)	I Jenkins
abr dn Group Chief People Officer	T Hahn
Chief Executive Officer, Adviser	N T Butwell
Chief of Staff, Adviser	O Jarvie
Chief Operating Officer, Adviser	K Watson
Chief Commercial and Strategy Officer	J Black
Chief Financial Officer, Adviser	G Mitchell
MD Sales	R Bignall

Company Background

In January 2007, AXA established a strategy to develop and deliver a platform and services proposition for the UK market place, and this resulted in the launch of Elevate as a 'full' platform proposition in February 2010, provided by AXA Portfolio Services Ltd, renamed to Elevate Portfolio Services Ltd. October 2016 saw the company acquired by SLSL.

The company's principal activities are the provision of Elevate and associated services and the management of ISA and Pension scheme business.

EPSL had previously also provided AXA Self Investor, an investment platform, offering a 'non-advised' direct investment solution and remains a closed proposition. Another proposition, Family Suntrust, was transferred to Phoenix.

The company had received capital injections totalling £171.5m from its prior owner over the 8 years up to the end of 2015, against losses after tax of around £140m for the same period.



OPERATIONS

Governance System and Structure

abrdn plc operates a matrix structure with global functions providing key services to each of the businesses within abrdn, including the platforms. In terms of platform corporate governance and risk management, SLSL and EPSL are managed within the Adviser growth business, with a dedicated leadership team in place managed by Noel Butwell. This team defines and manages the strategy for the platform businesses. The boards and Risk Committees of SLSL and EPSL consist of the same individuals in each case, in this respect. There are dedicated platform teams across many functions where the nature of platform activity differs from broader abrdn activity.

abrdn plc operates using a governance framework aligned to the principles of the UK Corporate Governance Code (2018) (the Code). The board of directors oversee the implementation of the business model and the activities of the Investments, Adviser, and ii businesses. In recent years, a large focus was placed on ensuring that the leadership and governance processes remained strong and effective during the sale to the Phoenix Group. The multi-layered governance and operational liaison structures put in place during that time proved effective, the business reports.

The abrdn board is responsible for the adequacy of the risk management arrangements of the group and alongside the corporate transformation, it has continued to evolve and strengthen the Enterprise Risk Management (ERM) framework and embed it in the activities of the group. This helps to ensure that the framework is keeping pace with industry standards and is appropriate for the risk profile of the business. Specific oversight in relation to material business activities and challenge to management on matters in respect of risks and opportunities is provided by the board or through its four key committees: Nominations & Governance; Audit; Remuneration; and Risk Capital Committee (RCC). The RCC is responsible for: the Risk Management Framework (RMF); compliance reporting; risk appetites and tolerances; transactional risk assessments; capital adequacy; and anti-financial crime.

The Executive leadership team (ELT) supports the CEO by providing clear leadership, line of sight and accountability throughout the business. The ELT is responsible to the CEO for the development and delivery of strategy and for leading the organisation through challenges and opportunities.

In line with the requirements of the Code, the board reviewed the effectiveness of the system of internal control during 2023. The Audit Committee undertook the review on behalf of the board. The review of abrdn's risk management and internal control systems was carried out drawing on inputs across the three lines of defence taking into account the operation of each component of the ERM Framework.

The report concluded that the business continues to make control improvements to meet increasing regulatory expectations, particularly, in the areas of operational resilience and third-party oversight. 2023 had seen the business continue to strengthen controls within its operating model through better definition of accountability and processes. Technology advances and the implementation of actions around the Consumer Duty and Operational Resilience regulations continued to drive further improvements in the control environment. The Finance function operates a set of defined processes which operate over all aspects of financial reporting, which includes the senior review and approval of financial results, controlled processes for the preparation of the IFRS consolidation, and the monitoring of external policy developments to ensure these are adequately addressed. These processes include the operation of a Technical Review Committee and the Financial Reporting Executive Review Group to provide senior review, challenge and approval of relevant disclosures, accounting policies, and changes required to comply with external developments.

The board has also closely monitored developments from regulators across the world, including the areas of ESG, operational resilience and innovation in technologies (AI). The business has established two climate-related working groups chaired by the Head of Sustainability Insights & Climate Strategy and the Head of Corporate Environment Strategy. These are key to abrdn's climate governance structure and consist of subject matter experts from across the business. The group states that it continues to take a forward-looking view and has taken steps to advance its governance beyond climate and to sustainability as a whole. A Sustainability report and TCFD report is provided on the group's website.

Risk Management

EPSL and its parent SLSL operate within a strong control environment, achieved through the abrdn group's ERM framework which enables a risk-based approach to managing the business and integrates concepts of strategic planning, operational management and internal controls. An ICARA (Internal Capital and Risk Assessment) process supports the

implementation of the ERM Framework and is how abrdn identifies, assesses, controls and monitors the risks that inform its capital requirements specifically. SLSL provides disclosures under the IFPR. It is not however managed as a separate platform group but as part of the Adviser business, the group's continuing operations of asset management, platforms and wealth, and as such adopts the group-wide governance and risk management practices. The principal risks and uncertainties facing SLSL are integrated into the principal risks and uncertainties of the group and are not managed separately.

The group's Risk and Compliance function is responsible for the design and implementation of the ERM framework. The ERM framework continually evolves to meet the changing needs of the group and to make sure it keeps pace with industry best practice and the risk profile of the business.

A 'three lines of defence' model of risk management is operated by the group, with clearly defined roles and responsibilities for committees and individuals. This ensures that there is clear accountability for risk-taking within the individuals' areas of responsibility.

The Chief Risk Officer supports the ELT and the CEO in their first line management of risk. The Chief Internal Audit Officer attends ELT controls meetings. The Directors have overall responsibility for the governance structures and systems of the group, which includes the ERM framework and system of internal control, and for the ongoing review of their effectiveness.

During 2023 the RCC ensured there was a client first focus in the management of risk and capital matters. Particular focus was placed on client and conduct risk, and operational and financial resilience. Throughout 2023, the RCC considered the financial and strategic considerations of the challenging market and economic environment and deepened focus on sustainability and geopolitical risks. The RCC continued to review and challenge key activities undertaken by the business and advise the Board on these, including:

- Evolution of the ERM framework
- Delivery of the Group's ICARA and capital and liquidity
- Conduct risks across the three businesses and implementation of the new Consumer Duty and continued support of vulnerable customers
- Key project delivery updates from the transformation activity across the Group
- The progress to strengthen anti-financial crime and anti-money laundering activity across the Group
- Work to mature our approach to managing cyber resilience in line with the US National Institute of Standards and Technology (NIST) framework
- The simplification and diversification of the business model
- The Group's exposure to emerging risks, including client, sustainability and geopolitical risks and events

Administration

abrdn states that it recognises the critical importance of good service to clients and customers, particularly when it comes to primary platform selection and ongoing due diligence. The platform offers a comprehensive service proposition across a dedicated contact centre, relationship management, platform and technical consultancy teams that has both breadth and depth as capabilities of today.

abrdn intends to continue to invest in service, focusing on capacity creation and competitive end to end times, following the foundational investment made over the last two years in innovative service technologies and capability, including salesforce service cloud. Its ambition is to set a new standard for service in the market, one that retains the relationship-based approach but supported by technology, thoughtful integration and a focus on frictionless processes.

The next phase of the Adviser Experience Programme will deliver a fully online abrdn SIPP, supporting greater online functionality and retirement planning capability and provided directly by the abrdn group.

Across the UK SLSL and EPSL make use of common resource and support areas. Edinburgh office houses the largest number of staff at 347, which includes the Client Engagement Hub (153). The teams in Edinburgh include proposition design and change, technology architecture, take to market teams and risk and control, as well as central head office activity. Other offices include London (10) and Basingstoke (5), with a further 116 staff not office based (up from 45 staff in 2022, partially due to the closure of the Bristol office which displaced 80 staff). Basingstoke originally housed the Elevate operations centre, which in 2021 was transferred to FNZ along with 120 staff under a TUPE arrangement. A similar TUPE arrangement resulted in 300 Wrap staff transferring to FNZ in February 2023.

Working alongside the day to day platform administration teams are teams dedicated to: compliance with CASS obligations and Finance operations; Platform Business Services and Assurance (for instance, managing the operational risk framework, investment operations and reconciliations, oversight of FNZ and Phoenix relationships); and Platform Change, working closely with the operations team to deliver investment into the platform business and improvements to the service proposition.

Benchmarks

The platform offering has been recognised by the industry numerous times in recent years including:

- Both Elevate and Wrap retained a Defaqto 5 Star Platform Rating
- Elevate and Wrap were Platinum Rated at the 2023 Adviser Asset Awards for the fifth and eighth year respectively
- Elevate won 'Best Platform Provider' (under £25bn AuA) in 2020, and Wrap won the same for the over £40bn category at the 2022 Schroders UK Platform Awards for the ninth consecutive year

Outsourcing

There is one significant outsource arrangement; FNZ provides the following services for Elevate (as well as for Wrap and Fundzone platforms):

- Technology provider - provides software, hardware and hosting of technology
- Custodian - regulated service providing custody of mutual fund assets under its own regulatory permissions

The adviser platform technology upgrade in February 2023 provided greater operational efficiency, allowing abrdn to exit transitional service arrangements with Phoenix and to begin to deliver an increasingly personalised and efficient service to clients as part of the Adviser Experience Programme.

Other third party providers include:

- Origo - Transfers Service
- eValue - Risk profiling questionnaire, asset Allocation tool, risk mapping tool and eValue modelling and asset allocations
- Experian - Bank account verification
- Financial Express - KIIDs, Fund Factsheets, Fund data provision
- Okta - Identity Management
- HSBC & Winterflood - provide abrdn Wrap with stockbroker services to buy and sell any of the securities which are available on the Wrap Platform
- Salesforce - used for CRM services
- Paragon - for Print and Mailing



STRATEGY

Market Positioning

abrdrn has evolved into an asset management, platform and wealth management group, with its platform propositions core to the business. The group has three growth businesses: Adviser - the abrdrn platforms, Wrap and Elevate; Investments - asset management; and ii (renamed from Personal / Personal Wealth to reflect the inclusion of Interactive Investor, acquired in 2022) - direct investing / financial planning. The shape of the group was described as 'settled' following the ii acquisition, although ongoing refinement towards propositional optimisation was indicated by the subsequent sale of abrdrn Capital (excluding MPS) to LGT Wealth in 2023 and threesixty services to Fintel plc in 2024.

abrdrn plc provides platform propositions spanning the advised market. The platform operating model has been adopted to service a full range of client needs - from simple low cost solutions for basic savers, up to powerful, flexible solutions for sophisticated investors. This delivery of an 'advised solutions' business is considered key to capitalising on positive market trends identified, and will continue its focus on being the primary platform choice for advisers. The platforms leverage expertise from their relative position within the value chain and access to investment solutions.

Wrap is designated as a specialist investment and financial planning platform designed to support firms operating in the wealth management sector whose client propositions are built around the management of investment portfolios; these portfolios can be managed by the firm itself and/or by third party discretionary fund managers. As well as wealth managers, where it has historically been considered a market leader and has its widest band of clients/users, Wrap is now designed to span a wide range of financial planning firms and potentially some private client managers.

Elevate sits alongside Wrap and is the group's core open-architecture financial planning platform, designed to support a large range of financial advice, tax structuring and investment activities offered by UK adviser businesses. It has its historic heartland amongst large financial planning firms, and is looking to grow this part of the market, although its proposition is also attractive to smaller financial planning firms and wealth managers. The group's new single global brand was rolled out during 2021, an important step to clear up any confusion existing across the previous brand landscape.

FNZ technology is playing a pivotal role in supporting the growth ambitions of the Adviser business to develop as an 'advised solutions' platform business; as a step within this, Elevate's operations transferred to FNZ in early 2021. In addition, the group's strategic partnership with Phoenix continues to evolve and simplify as previously mentioned.

As part of an attempt to deliver new features, advice solutions and technology enhancements, abrdrn launched its Adviser Experience Programme in 2021 to ensure its platforms remain 'best in class'. The first phase has introduced Amazon Web Services and the Salesforce Service Cloud to support the operations teams in delivering a fully flexible service at scale.

The next phase of its Adviser Experience Programme was kicked-off in 2022. Despite some challenges around timescales, a range of enhancements have been made to make its operating system more flexible and faster to use, including improved client reporting and better design.

In May 2023, abrdrn announced that 'adviserOS' will see the current platforms Wrap, Elevate and Fundzone sit together on one common technology stack. adviserOS claims to simplify processes, prioritise service and deliver end-to-end technology enhancements around advisers' needs. Wrap advisers will be upgraded to adviserOS first, with Elevate advisers to follow at a later date. The adviserOS technology model is based around an iterative approach, rather than historical big upgrades, with this expected to provide more regular improvements of platform technology to clients, and enable a more dynamic offering around additional business solutions.

Proposition

Elevate provides:

- Integrated tax wrappers and options for third party products through GIA
- A comprehensive range of funds that includes over 400 super clean funds from leading fund managers including abrdrn Investments
- A range of tools, integration and support for efficient financial planning processes
- Simple online processes and usability with straight through processing

- Transparent and simple charging structure

Elevate is an advised platform providing access to a whole market range of investments.

Options for discretionary fund managers to manage client assets are available via MPS solutions and bespoke portfolios. Linked accounts are also offered, reducing combined charges between family members.

Financial Express (FinEx) provides fund performance data. Winterflood Business Services provides an online securities trading facility.

The platform proposition is expected to continue to develop through the Adviser Experience Programme and continued roll-out of adviserOS.



KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2023

Own Funds Disclosures

		Dec 22 £m	Dec 23 £m
Available own funds		83.5	101.6
Own funds requirement (OFR)		8.5	7.7
Excess own funds		75.1	93.9
OFR coverage ratio (%)		985	1,320

From 1 January 2022, the abrdn group has been supervised under the IFPR; prior to this date, the group was supervised under the CRD IV regulatory regime.

EPSL's IFPR disclosure for 2023 showed an OFR of £7.7m (on a FOR basis) against Own Funds of £101.6m, providing a surplus of £93.9m and coverage of 1,320%.

The group has a considerable solvency surplus since the divestment of its insurance operations in 2018. As at 31 December 2023 it held £0.9bn in excess of its capital requirement of £1.1bn under IFPR rules. The group has strategically sold down its shares in associates and listed investments (PGH and the HDFC Asset Management and HDFC Life businesses as noted previously) in recent years, which has helped maintain dividend payment levels and solvency surplus, and in 2023 generated a total of £713m capital from the sales of the listed Indian stakes (£576m), and the disposals of its DFM and US private equity businesses (£137m). The group used these to invest in the business through strategic bolt-on acquisitions, including the acquisition of four closed-end funds from Macquarie and healthcare fund management capabilities from Tekla for a total of £152m. The proceeds also supported restructuring costs of £121m, including the reshaping of the Investments business and in addition, the group returned £300m by way of share buybacks and £300m by way of dividends in 2023 in line with its previous commitment to return £0.6bn of capital to shareholders.

Statement of Financial Position

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Assets	90.1	97.0	117.0
Current liabilities	(14.2)	(13.4)	(15.0)
Long-term liabilities	0.0	0.0	0.0
Net assets	75.9	83.5	102.0

Statement of Changes in Equity

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Equity at start of period	71.5	75.9	83.5
Movement due to:			
Share capital and premium	0.0	0.0	0.0
Retained earnings	4.4	7.6	18.4
Other	0.0	0.0	0.0
Equity at end of period	75.9	83.5	102.0

During the year to 31 December 2023, net assets increased by £18.4m to £102.0m, due to the profit retained in the period.

Total assets increased by £20.0m during 2023 due to an increase in cash and cash equivalents of £15.9m and trade receivables up by £4.0m (including accrued income up by £3.6m). Current liabilities increased by £1.6m and there were no long term liabilities.

There were no capital movements during the year, and no dividends were paid, so all the profit £18.4m was retained, improving the deficit on the Profit & Loss reserve to negative £117.3m.

Income Statement

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Revenue	40.8	42.1	49.2
Other operating income	0.0	0.6	3.7
Operating expenses	(35.3)	(33.2)	(29.0)
Operating profit (loss)	5.6	9.4	24.0
Other gains (losses)	0.0	0.0	0.0
Profit (loss) before taxation	5.6	9.4	24.0
Taxation	(1.2)	(1.8)	(5.6)
Profit (loss) after taxation	4.4	7.6	18.4
Other comprehensive income	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Retained profit (loss)	4.4	7.6	18.4

Financial Ratios

	Dec 21 %	Dec 22 %	Dec 23 %
Operating margin	14	22	45
Pre-tax profit margin	14	22	45
Employee costs as a % of revenue	27		

Total revenue in 2023 (reported as fee income largely, for the provision of investment management and administration services) increased by 24% to £52.9m. The increase of £10.3m was largely due to the cash margin which increased by £8.5m, partially offset by a reduction of £1.4m in the Elevate fee income, down by 4% to £37.2m. Contributing also was interest income, up by £3.1m to £3.7m which, like the cash margin income increase, was due to higher UK Bank of England base rate during the period.

Administration expenses decreased by 13% to £29.0m, down by £4.3m, driven by cost discipline. The majority of staff who manage the affairs of EPSL are employed by ACSL and their costs recharged to EPSL. Adjusted PBT was £31.1m [2022: £18.2m]; the IFRS PBT stated in the above table included restructuring and corporate transaction costs of £7.1m in 2023, £8.7m in 2022 and £9.6m in 2021. No dividend was paid [2022: £nil].

The reported group net operating revenue for abrdn was £1,398m, down by 4.0% on 2022 (£1,456m), with the impact of challenging market conditions in Investments partially offset by increases in revenue in both Adviser and ii, reflecting

higher treasury income for both businesses, and the benefit of a full 12 months of ii. Net operating revenue in the Adviser business (where the platform business sits) was £224m, contributing 16.0% of total group revenue [2022: £185m, 12.7%].

Group AOP decreased from £263m to £249m in the year, down by 5%. This reflected a reduction of £80m in Investments, principally due to the significant decline in revenue here, partly offset by an increase in AOP in both the Adviser and ii businesses, to £118m [2022: £86m] and £114m [2022: £72m] respectively. In ii, this included the benefit of a full 12 months contribution compared to 7 months in 2022.

On an IFRS basis, there was a loss before tax of £6m including adjusting items of £336m, with a decrease in the impairment of intangible assets and restructuring costs compared to 2022 [2022: loss before tax £612m, primarily reflecting impairments of goodwill and intangibles in the Investments business of £369m, restructuring and corporate transaction expenses of £214m and losses of £187m from the change in fair value of significant listed investments].

During 2023, the group return a similar amount to shareholders as 2022, with a total of £0.6bn through share buybacks (£0.3bn) and dividends (£0.3bn).

Statement of Cash Flows

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Net cash generated from operating activities			
Net cash used in investing activities			
Net cash used in financing activities			
Net increase (decrease) in cash and cash equivalents	8.6	6.0	15.9
Cash and cash equivalents at end of period	79.3	85.3	101.2

Assets under Administration (AuA)

	Dec 21 £bn	Dec 22 £bn	Dec 23 £bn
Assets at start of period			
Inflows			
Outflows			
Net market and other movement			
Assets at end of period			
Growth rate (%)			
Net inflows as % of opening AuA			

EPSL is not required to produce a cash flow statement. Balance sheet cash and cash equivalents increased by 19%, or £15.9m, and as at the financial year end stood at £101.2m.

AuMA in the Adviser business increased to £73.5bn at the year end [2022: £68.5bn], boosted by the inclusion of abrdn MPS which moved from the Personal Wealth (now ii) business in May 2023 to Adviser, adding £2.6bn in AuMA. Platform businesses Wrap and Elevate held £70.9bn AuMA between them. Across MPS and the platforms there were gross inflows of £5.8bn [2022: £6.6bn] and redemptions of £7.9bn [£5.0bn], leading to a net outflow of £2.1bn [net inflow £1.6bn], with favourable market movements underlying the ultimate increase in AuMA.

Group AuMA was £494.9bn as at 31 December 2023 [2022: £500.0bn], split across Investments division (£366.7bn), Adviser (£73.5bn) and ii (£66.0bn) with some £11.3bn eliminations for double counting between the divisions. Total gross inflows of £64.1bn were offset by redemptions of £81.7bn with a resultant net outflow of £17.6bn [2022: net outflow £37.9bn]; outflows in Investments of £19.0bn and Adviser of £2.1bn were partially offset by ii net inflows of £2.9bn (including personal wealth). Market and other movements added £19.4bn to AuMA in 2023.

Guide



INTRODUCTION

For over 30 years AKG has particularly focused on the financial strength requirements of financial advisers, who when acting on behalf of their clients, need to ascertain a company's ability to deliver sustained provision.

From this customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company (not some higher corporate entity) that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met.

It is also important to understand the sector approach (comparative peer groups) that is adopted in financial strength assessment and rating process.

At AKG, this is again driven by the end customer perspective and the fact that assessment is designed solely for this purpose, i.e. as a component in helping customers' advisers to select between comparable companies competing to deliver relevant products or services.

AKG's focus and approach has remained consistent over the years since it commenced assessment and rating support for the market. However, coverage, format and presentation has rightly evolved over this period, in line with the needs and expectations of assessment and rating users in the market. And AKG considers further changes on a continual basis.

Further details including an explanation of what is included in the assessment reports and coverage can be found online at <https://www.akg.co.uk/information/reports>.

AKG's process for assessment and rating is to use a balanced scorecard of measures and comparative information, relevant to the companies contained within each peer group. This is gathered via Public Information only for non-participatory assessments and public information plus company interactions with companies for participatory assessments. Further details on AKG's process can be found at <https://www.akg.co.uk/information/reports>.

This includes further information on the different participatory and non-participatory basis and for companies wishing to learn more about participatory assessment AKG is pleased to outline this and welcomes contact.

This is a participatory assessment.



RATING DEFINITIONS

Overall Financial Strength Rating

The objective is to provide a simple indication of the general financial strength of a company from the perspective of those financial advisers who when acting on behalf of their clients need to ascertain a company's ability to deliver sustained operational provision of products or services.

The overall rating inherently reflects the mix of business within the company, since different types of customer or policyholder have different requirements and expectations, and the company may have particular strengths and weaknesses in respect of its key product or service areas. However, it also takes account of comparison across the sector in which it is assessed.

The rating takes into account those of the following criteria which are relevant (depending upon the company's mix of business in-force): capital and asset position, expense position and profitability any specifically onerous element such as with profits realistic balance sheet position, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position

and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

Rating Scale	A	B+	B	B-	C	D	☐
	Superior	Very Strong	Strong	Satisfactory	Weak	Very Weak	Not applicable

Service Rating

The objective is to assess the quality of the organisation's service to the intermediary market in respect of the brand concerned.

Criteria taken into account include: performance in surveys, awards and benchmarking exercises (external and internal), the organisation's philosophy, service charters, the extent of investments designed to improve service, and feedback from intermediaries.

Rating Scale	★★★★★	★★★★	★★★	★★	★	☐
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Image & Strategy Rating

The objective is to assess the effectiveness of the means by which the organisation currently positions itself to distribute its products for the brand concerned and the plans it has to maintain and/or develop its position.

Criteria taken into account include: overall trends in the company's market share position, brand visibility and reputation, feedback from intermediaries and industry commentators, and AKG's view of the company's general strategy.

Rating Scale	★★★★★	★★★★	★★★	★★	★	☐
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Business Performance Rating

This review is an assessment of how the company and the brand has fared against its peers, and how it is perceived externally. Effectively this is how it has performed recently in the market. Whilst it will include performance indicators from the most recent available statutory reporting (report and accounts and SFCRs in the case of insurance companies, for example) it will also draw on other recent key performance elements before and after such disclosure, up to the point at which the assessment is undertaken.

Criteria taken into account include: increase/decrease in market shares, expense containment, publicity good or bad, press or market commentary, regulatory fines, and competitive position.

Rating Scale	★★★★★	★★★★	★★★	★★	★	☐
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

ABOUT AKG

AKG is an independent organisation. Originally established as an actuarial consultancy AKG has, for over 30 years, specialised in the provision of assessment, ratings, information and market assistance to the financial services industry.

As the market has evolved over this period, the range of entities considered by AKG has expanded. Consequently, AKG has brought additional skill sets into its operations. This has meant the inclusion of accounting, corporate finance, IT and market intelligence experience, alongside actuarial resources, to deliver an expanded professional capability.

Today AKG's core purpose is in the provision of financial analysis and review services to support the wider financial services sector and its customers.

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