ISSUED 11 September 2023

PLATFORM SECTOR
abrdn Elevate

FINANCIAL STRENGTH ASSESSMENT

Analysis by AKG Financial Analytics Ltd
Accessible • Comparative • Independent

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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CONTACT INFORMATION

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Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG A
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 abrdn plc group, which has a longstanding track record of activity and support for the UK intermediated sector
- The parent company was renamed in 2021, having evolved into an asset management, platform and wealth management group, with its platform propositions core to the business
- The group has identified three growth businesses: Adviser - the abrdn platforms, Elevate and Wrap; Investments - asset management; and Personal - financial planning / direct investing
- The shape of the group is described as 'settled' following the 2022 acquisition of Interactive Investor. Although the announcement of the sale of abrdn Capital, excluding MPS, indicated ongoing refinement towards propositional optimisation
- 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 (including 120 staff) transferred to FNZ in early 2021
- 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, abrdn announced the introduction of 'adviserOS', which will see the current platforms Wrap, Elevate and Fundzone simplified together on one common tech stack. Following this, it is expected that the current names for the platforms will be replaced by a singular name
- adviserOS 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 a singular service architecture

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 (abrdn plc and its subsidiaries, see Group Structure, page 7) 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 "futurist" outlook and ambitions focusing on "enabling our clients to be better investors", 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 accessing the intermediary market and to providing a consistent and predictable revenue stream to complement that derived from its largest business element, asset management. The transformation and integration of these propositions continues against a difficult set of market factors, but progress is being made; gross and net inflows to Wrap and Elevate have continued to be consistently towards the top of the market (although sometimes net flows were just out of the top 5) and progress is being made towards targeted levels in terms of scale and efficiencies.

Parent abrdn 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 allowing investment 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 the entirety of its shares in 2023. abrdn 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 abrdn companies. A shareholding of around 11% of PGH is still held by abrdn plc.

abrdn plc has strategically sold down its shares in associates during between 2019 and 2023, which has helped 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 2022, it held £0.7bn in excess of its requirement of £1.1bn.

In May 2022, abrdn plc purchased 100% of the issued share capital of Antler Holdco Limited (Antler), the parent company for the Interactive Investor group (ii) of companies. ii is the no.1 UK subscription-based trading platform and the no.2 UK direct investing platform, by assets under administration. The cash outflow at the completion of the acquisition was £1,496m, which comprised consideration of £1,485m and payments of £11m made by abrdn to fund the settlement of ii transaction liabilities as part of the transaction. The acquisition of ii provides abrdn with direct entry to the high-growth digitally enabled direct investing market, accessing new customer segments and capabilities. This is expected to allow abrdn 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 Group agreed the sale of abrdn Capital Ltd (aCL), excluding the MPS part, to LGT. The sale completed on 31 August 2023, following satisfaction of certain conditions including receipt of customary regulatory approvals. The sale involved the transfer of approximately £6.1bn in AuM (as at 31 December 2022) and approximately 140 employees. The agreed purchase price to be paid at completion was £140m, subject to certain adjustments, principally reflecting activity in the period to completion. The sale is expected to result in an IFRS profit on disposal of subsidiaries of approximately £60m and an IFPR regulatory capital benefit of approximately £120m.

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 and which, through resilient underlying performance and strategic disposals. Although the group's overall surplus capital reduced during 2022, this reflected the ii acquisition. The Adviser platform business is benefiting from the group's strategic approach and specifically, the simplification and consistency that should occur from adviserOS and the consolidation of platforms onto one 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 consistently well.

Extending from this emphasis, the business sees itself as competing based on the experience it delivers and that this provides a positive differentiator. As part of this, 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 (Wrap and Elevate) is now 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.

As part of its Adviser Experience Programme, EPSL exited transitional service arrangements with Phoenix in 2021, 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 evolved further in 2021 with Elevate operations transferred to it, with 120 staff moving across to FNZ.

The platforms continue to deliver a robust service experience, and during 2022 the operational teams supporting them dealt with around 1m calls, related either to using the platforms (platform guidance, progress updates) or processing queries (money in / out and other servicing). The business continues to digitalise to reduce this level of direct contact.

Elevate won Best Platform for Adviser Service (AuA under £25bn) in the Schroders UK Platform Awards in 2019 and 2020.

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 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' 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. For Wrap and Fundzone customers, they will upgrade to the adviserOS first later in 2023, with Elevate advisers will then be upgraded at a later to be confirmed date. Following this, it is expected that the current names for the platforms will be replaced by the singular 'adviserOS' name.

UK strategy also includes the development of its advisory capability, as part of an approach that looks to leverage capabilities across an increased number of integrated routes to market and increasingly acquire, grow and retain customers across these. Digital capability continues to be developed to help reach customers where there is no easy access to, or requirement for, advice.

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, especially now going forward under the 'abrdn' brand.

The new brand, which received significant attention, including criticism, on announcement, was rolled out across the organisation throughout 2022.

Its overarching objective was to simplify and thus ultimately help in optimising client and customer experience through a singular distinctive brand. Something which was required given the complexity and pace of the group's development in recent years. Expediency in which had resulted in a less than optimal brand position(s).

Aspiration for the new abrdn brand included: benefits in establishing a master brand across all lines of business, to derive value from sponsorships and partnerships; .com .co.uk domains and better search ranking; as well maintaining a degree of heritage link, whilst representing a measure of change and disruption.

Business Performance Rating

auMA expressed in terms of the Adviser business, which consists of the platform businesses Wrap and Elevate, decreased from £76.2bn to £68.5bn, with gross inflows of £6.6bn and redemptions £5.0bn, leading to net inflows of £1.6bn. Negative market and other movements of £9.3bn contributed to the decrease seen.

Total income for EPSL, which consisted mainly of fee income relating to the provision of investment management and administration services, increased by 4.4% from £40.9m to £42.7m in 2022. This was largely due to improved cash margin of £3.5m [2021: £0.5m], aligned with increases to Bank of England interest rates in 2022. This is partly offset by lower AuA following negative market movements despite continued positive net inflows. Other operating income increased from £32k to £0.6m in the same period.

Administration expenses decreased by 5.9%, from £35.3m to £33.2m, driven by cost discipline. PBT, which includes restructuring and corporate transaction expenses related to the Adviser Experience Programme, increased to £9.4m [2021: £5.6m], Adjusted PBT, which removes these one-off costs, was £18.2m [2021: £15.1m].

abrdn's Elevate platform were used by 2,234 adviser firms in 2022 (-1% on 2021), servicing a total of 145,969 customers (-1 % on 2021).

abrdn plc overall reported AuMA down from £542.1bn to £500.0bn as at 31 December 2022. Gross inflows of £69.0bn were offset by redemptions of £106.9bn with a resultant net outflow of £37.9bn. Corporate actions, including those related to the acquisition of interactive investor, provided an inflow of £54.5bn, however these were offset by negative market movements of £58.7bn.

abrdn reported group net operating revenue of £1,456m, down by 3.9% on 2021 [£1,515m], with revenue in the Adviser business (where the platform business sits) contributing £185m or 12.7% of total group net operating revenue [2021: £178m, 11.7%].

abrdn plc's adjusted operating profit before tax decreased from £323m to £263m in the year, down by 18.6% predominantly due to the impact of adverse markets on revenues. On an IFRS basis, there was a PBT loss of £615m [2021 profit: £1,115m] 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 2022, the group returned £0.6bn to shareholders, £0.3bn through buybacks and £0.3bn in dividends. A similar level of return is planned for 2023.

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. It operates in the UK, Europe, North America, Asia and Australia through brands which currently include Aberdeen Standard Investments (ASI) and Aberdeen Standard Capital (formerly Standard Life Wealth) - although both are in the process of rebranding to abrdn - as well as a joint venture in China (Heng An Standard Life).

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. Following the demutualisation of SLAC and the flotation of Standard Life plc on the London Stock Exchange on 10 July 2006, Standard Life Assurance Ltd (SLAL) operates in the UK alongside its now considerably smaller subsidiary, Standard Life Pension Funds Ltd (SLPF). Under the terms of deal with Phoenix, however, these life businesses were sold out from the group, with this completing at the end of August 2018.

SLSL provides the abrdn Wrap. In November 2016, it purchased platform Elevate from AXA, acquiring the share capital of AXA Portfolio Services Ltd which it then renamed as Elevate Portfolio Services Ltd. Other key businesses are ASI, the group's fund management arm, which also acquired Ignis Asset Management from Phoenix in July 2014, and aCL (formerly Aberdeen Standard Capital Ltd) the discretionary fund manager, which acquired the private client business of Newton Management Ltd (NML) in September 2013. Standard Life's Canadian business was sold to Manulife in January 2015. In May 2015, Standard Life acquired Pearson Jones from Skipton Building Society. This was then rebranded as 1825 and now operates as a restricted national advice service. abrdn subsequently announced (then trading as 1825) the acquisitions of regional financial planning businesses The Munro Partnership, Baigrie Davies, Jones Sheridan, Private Client Management, Fraser Heath, BDO Northern Ireland Wealth Management and Grant Thornton Wealth Advisory Business to further bolster the 1825 proposition.

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 (SWIP). 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, Scottish Widows and Lloyds Banking Group's Wealth businesses announced that they were reviewing their asset management arrangements and that they had therefore given notice to SLA to terminate their partnership agreements with Aberdeen Asset Management plc. This includes long-term contracts for the management of over £100bn of assets. An arbitration tribunal ruled that Lloyds Banking Group did not have the right to end the contract early, and as a result, abrdn continued to manage Scottish Widows' property and tracker funds until April 2022, with compensation paid to abrdn for loss of profit on the portion of assets that transfer before this time.

In February 2018, SLA also announced the sale of its UK and European insurance business and an enhanced long-term strategic partnership with Phoenix Group. At the same time, it confirmed that it would retain its adviser platforms (Wrap, Elevate and Parmenion). The acquisition completed in August 2018 with SLAL acquired by Phoenix, with part consideration by way of shares; 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 renamed Aberdeen Standard Investments Life and Pensions Ltd, and more recently to abrdn Life and Pensions Ltd.

The strategy with respect to Parmenion was changed as one of the first decisions by new group CEO Stephen Bird, and its sale to private equity firm Preservation Capital Partners for £102m was completed in July 2021.

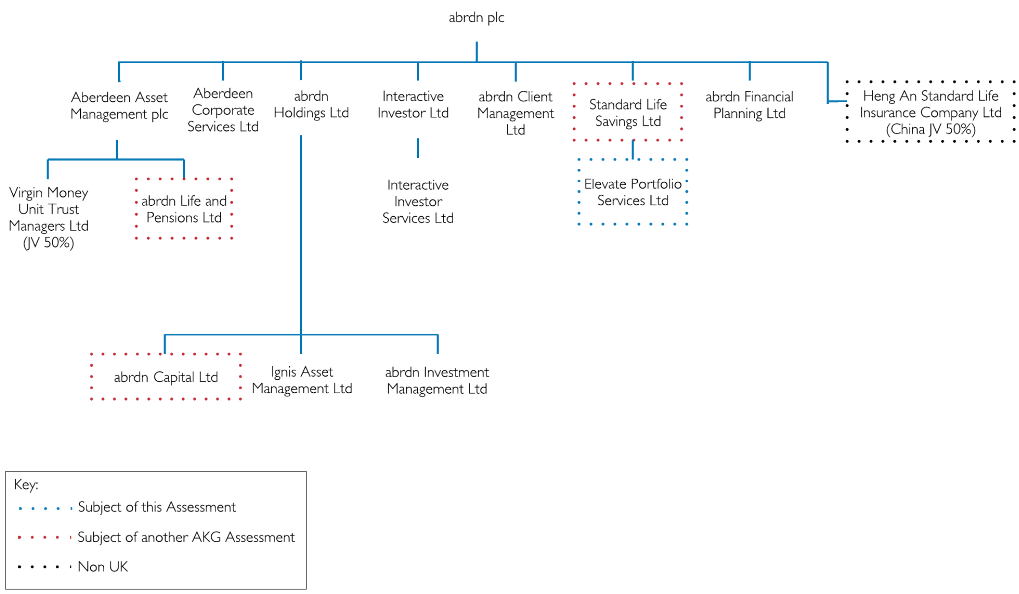
A new partnership agreement between abrdn and Phoenix was signed in February 2021, making various amendments including: extension of the asset management agreement for 10 years at least; abrdn to acquire back the Wrap SIPP and Wrap Onshore Bond tax wrappers; sale of the Standard Life brand to Phoenix; with abrdn to retain its shareholding in PGH (detailed at 10.7% in latest Phoenix disclosures).

SLA changed its name to abrdn plc in July 2021. At 30 June 2022, abrdn plc reported over 5,200 total employees and AuMA of £500bn.

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 provides 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 aCL, its discretionary fund management business, to LGT, albeit with the carved out retention of the managed portfolio service (MPS) proposition as part of, and for further development in, the Adviser business. The sale completed on 31 August 2023, following satisfaction of certain conditions including receipt of customary regulatory approvals. The sale involves the transfer of approximately £6.1bn in AuM (as at 31 December 2022) and approximately 140 employees. The remaining MPS business will operate under abrdn Portfolio Solutions Ltd, and part of the Personal business.

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Elevate Portfolio Services Ltd

BASIC INFORMATION

Ownership & Control
abrdn plc

Year Established
2007

Country of Registration
UK

Head Office
1 George Street, Edinburgh, EH2 2LL

Contact
www.abrdn.com/en-gb/platform-adviser/elevate/contact

Key Personnel

Role	Name
Chairman	Sir D Flint
abrdn Group Chief Executive	S Bird
abrdn Group Chief Financial Officer (Interim)	I Jenkins
abrdn Group Chief People Officer	T Hahn
Chief Executive Officer, Adviser	N T Butwell
Chief Operating Officer, Adviser	K Watson
Chief Commercial and Strategy Officer	J Black
Chief Control Officer	S Wemyss
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

The board of abrdn plc states that it 'expects the group to be a leader in corporate governance activities through its own actions and through its stewardship activities'. 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 organisation reports that multi-layered governance and operational liaison structures are working effectively.

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.

abrdn plc operates a matrix structure with global functions providing key services to each of the business units, including 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.

The regulatory own funds and capital requirements are disclosed at a group level within its annual regulatory reporting i.e. in the presentation of the IFPR disclosures which is at group level only.

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) supports the implementation of the ERM Framework and is how abrdn identifies, assesses, controls and monitors the risks that inform its capital requirements specifically.

abrdn'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.

During 2022, key improvements to the ERM framework included:

- Refinements to risk appetites
- Extending the risk taxonomy
- Enhancing its Conflicts of Interest framework
- Renewing its policy register

As a result of some of the actions above, there is no longer any specific regulatory disclosure of SLSL and subsidiary EPSL (previously reported as a distinct 'platform' group, it is now managed as the Adviser business which is part of the group's continuing operations of asset management, platforms and wealth, and is reported within group solvency figures). The principal risks and uncertainties facing EPSL are integrated into the principal risks and uncertainties of the group and are not managed separately. Group risks include:

- Strategic
- Financial
- Conduct
- Regulatory and legal

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- Process execution and trade errors
- People
- Technology
- Security and resilience
- Fraud and financial crime
- Change management
- Third party management
- Financial management process

Administration
The group has historically invested significantly in its platform service capabilities, based on electronic self-service and maximising 'straight through processing' with a focus on the end customers. Development is ongoing, with recent additions in areas such multi factor authentication, a new client portal and the use of Salesforce technology in the Client Engagement Hub.

abrdn continues to invest in its platform capability through the Adviser Experience Programme and the launch of adviserOS that Elevate will migrate to in the future.

Across the UK SLSL and EPSL make use of common resource and support areas. Edinburgh office houses the largest number of staff 372, which includes the Client Engagement Hub - 132 staff (FTE 121.8), the teams in Edinburgh and other locations includes proposition design and change, technology architecture, take to market teams and risk and control, as well as central head office activity - Bristol (80), London (10) and (45) not office based.

Basingstoke housed the Elevate operations centre, which in 2021 was transferred to FNZ along with 120 staff under a TUPE arrangement.

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, and oversight of FNZ relationship); 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, and a Gold award for Platform Service in 2023
- 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

In 2021, the FNZ relationship evolved further with FNZ taking on Elevate's operations. As part of a programme, transitional service arrangements with Phoenix Group were exited, with the aim 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

STRATEGY

Market Positioning
abrdn plc provides platform propositions spanning the advised market. In 2020, the group identified three growth businesses: Adviser (platforms) - consisting of the platforms, Wrap and Elevate; Investments - asset management; and Personal (wealth) - financial planning / DFM services. 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 spans larger 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 (including 120 staff) transferred to FNZ in early 2021. In addition, the group's strategic partnership with Phoenix was exited as previously mentioned.

As part of an attempt to deliver new features, advice solutions and technology enhancements, abrdn 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.

A further 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, abrdn 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. For Wrap and Fundzone customers, they will upgrade to the adviserOS first, later in 2023, with Elevate advisers will then be upgraded at a later to be confirmed date. The new technology model will be based around an iterative approach, rather than historical big upgrades. This is expected to provide more regular improvements of current 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 abrdn 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. Free access is given to a proprietary Retirement LifePlanning calculator, which has been launched to support advisers with retirement income planning discussions with clients.

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2022

Capital Resources Disclosures

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Available capital resources	62.6	71.3	83.5
Capital resources requirement (CRR)	7.5	6.4	8.5
Excess capital resources	55.1	64.9	75.1
CRR coverage ratio (%)	835	1,114	985

There are internal CRR targets for EPSL, in common with other subsidiary companies of abrdn plc, and the capital position is managed to comply with those targets and minimum regulatory requirements. EPSL stated the regulatory capital it held, as at 31 December 2022, exceeded its capital requirement at the time with a surplus of £75.1m [2021: £64.9m], and CRR coverage was 985% [2021: 1,114%].

From 1 January 2022, the group has been supervised under the Investment Firms Prudential Regime (IFPR). Prior to this date, the group was supervised under the CRD IV regulatory regime. The group's regulatory capital position under IFPR is determined by consolidating the eligible capital and reserves of the group (subject to a number of deductions) to derive regulatory capital resources, and comparing this to the group's regulatory capital requirements.

Total regulatory capital resources available to meet total regulatory capital requirements was £1.8bn [2021: £2.9bn], against total regulatory capital requirements of £1.1bn [2021: £1.1bn]. The CET1 ratio was stated as 408% [2021: 774%]. 2021 figures are comparative, as if the group had been supervised under IFPR at this date.

The regulatory capital surplus does not include the value of the group's significant listed investments HDFC Asset Management, HDFC Life and Phoenix which totalled £1.3bn at the end of 2022 [2021: £2.3bn] and provide additional value for shareholders outside of regulatory capital. IFPR also includes constraints on the proportion of the minimum capital requirement that can be met by each tier of capital. As a result, approximately £0.3bn of Tier 2 capital, whilst continuing to be reported within the group's capital resources, is not available to meet the minimum capital requirement.

Statement of Financial Position

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Assets	80.5	90.1	97.0
Current liabilities	(9.0)	(14.2)	(13.4)
Long-term liabilities	0.0	0.0	0.0
Net assets	71.5	75.9	83.5

Statement of Changes in Equity

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Equity at start of period	63.3	71.5	75.9
Movement due to:			
Share capital and premium	0.0	0.0	0.0
Retained earnings	8.2	4.4	7.6
Other	0.0	0.0	0.0
Equity at end of period	71.5	75.9	83.5

SLSL injected £22m of capital into the company at acquisition so as to maintain a satisfactory regulatory capital and cashflow position, and a further £25m was added through 2017-2018, but since 2019 EPSL has generated profits which it has been able to retain, with no further funding sought from SLSL.

During the year to 31 December 2022, net assets increased by £7.6m to £83.5m, due to the profit retained in the period.

Income Statement

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Revenue	36.3	40.8	42.1
Other operating income	0.9	0.0	0.6
Operating expenses	(27.6)	(35.3)	(33.2)
Operating profit (loss)	9.7	5.6	9.4
Other gains (losses)	0.0	0.0	0.0
Profit (loss) before taxation	9.7	5.6	9.4
Taxation	(1.5)	(1.2)	(1.8)
Profit (loss) after taxation	8.2	4.4	7.6
Other comprehensive income	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Retained profit (loss)	8.2	4.4	7.6

Financial Ratios

	Dec 20 %	Dec 21 %	Dec 22 %
Operating margin	26	14	22
Pre-tax profit margin	26	14	22
Employee costs as a % of revenue	37	27	

Fee income for EPSL, the primary constituent of total income, consisted mainly of fee income relating to the provision of investment management and administration services, and increased by 3.1% from £40.8m to £42.1m in 2022. This was largely due to improved cash margin, aligned with increases to Bank of England interest rates in 2022. This is partly offset by lower AuA following negative market movements despite continued positive net inflows. Finance income increased from £32k to £0.6m in the same period. Total income therefore increased to £42.7m [2021: £40.9m].

Administration expenses decreased by 5.9%, from £35.3m to £33.2m, driven by cost discipline. The adjusted profit before tax was £18.2m [2021: £15.1m]; the IFRS PBT stated in the above table included restructuring and corporate transaction costs of £8.7m in 2022, £9.6m in 2021 and £1.2m in 2020. All staff were employed by Standard Life Employee Services Ltd during the year and recharged to EPSL. No dividend was paid [2021: nil].

abrdn reported group net operating revenue of £1,456m, down by 3.9% on 2021 [£1,515m], with net operating revenue in the Adviser business (where the platform business sits) contributing £185m or 12.7% of total group revenue [2021: £178m, 11.7%].

abrdn plc's adjusted operating profit before tax decreased from £323m to £263m in the year, down by 18.6% predominantly due to the impact of adverse markets on revenues. On an IFRS basis, there was a PBT loss of £615m [2021 profit: £1,115m] 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 2022, the group returned £0.6bn to shareholders, £0.3bn through buybacks and £0.3bn in dividends. A similar level of return is planned for 2023.

Statement of Cash Flows

	Dec 20 £m	Dec 21 £m	Dec 22 £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	7.8	8.6	6.0
Cash and cash equivalents at end of period	70.7	79.3	85.3

Assets under Administration (AuA)

	Dec 20 £bn	Dec 21 £bn	Dec 22 £bn
Assets at start of period	14.5		
Inflows			
Outflows			
Net market and other movement			
Assets at end of period	15.3		
Growth rate (%)	6		
Net inflows as % of opening AuA			

EPSL is not required to produce a cash flow statement but balance sheet cash and cash equivalents increased by 7.0%, or £6.0m, and as at the financial year end stood at £85.3m.

AuMA expressed in terms of the Adviser business, which consists of the platform businesses Wrap and Elevate, decreased from £76.2bn to £68.5bn, with gross inflows of £6.6bn and redemptions £5.0bn, leading to net inflows of £1.6bn. Negative market and other movements of £9.3bn contributed to the decrease seen. 2020 AuA figures in the table relate to EPSL only, and comparatives at this level were unavailable in 2021 and 2022.

abrdn plc overall reported AuMA down from £542.1bn to £500.0bn as at 31 December 2022. Gross inflows of £69.0bn were offset by redemptions of £106.9bn with a resultant net outflow of £37.9bn. Corporate actions, including those related to the acquisition of interactive investor, provided an inflow of £54.5bn, however these were offset by negative market movements of £58.7bn.

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/platform.

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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