

# WHO SAYS ELEPHANTS CAN'T DANCE?

**Data & insight on:**

**Financial Performance**

**Platform Pricing**

**M&A Dealbook**




**Technology & Re-platforming**



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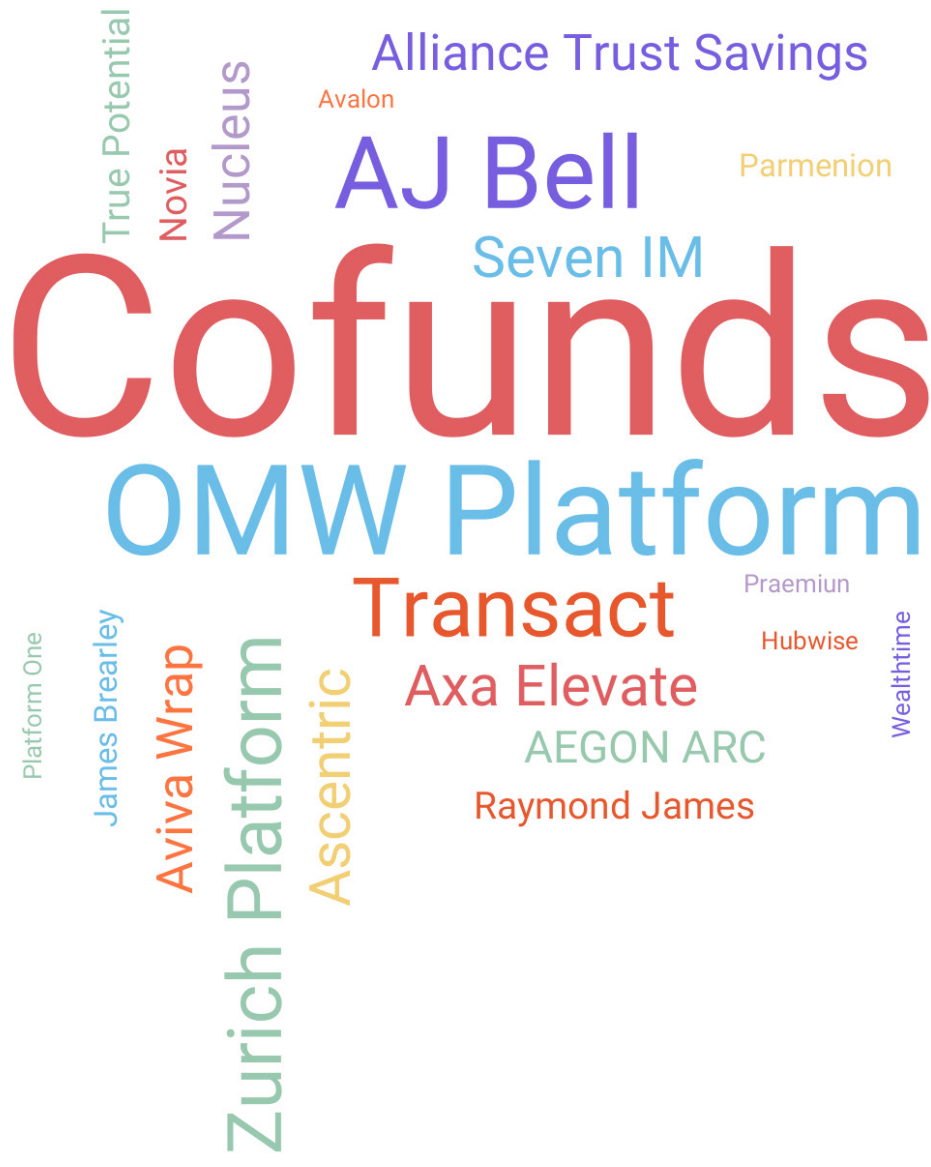
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**“What if we don’t change at all ...  
and something magical just happens.”**



# FundsNetwork



Standard Life Wrap

James Hay Partnership

# TIMES THEY ARE A CHANGIN'



A friendly welcome to the 2016 edition of our platform report for adviser platforms! Also known as the 'nemesis' of platform land. It is the place where you find matchless critical analysis, meaningful data and insight on the financial performance of platforms!

I doubt Bob Dylan ever imagined that the lyrics of his 1964 classic would find their way into a report on investment platforms. I'm sure he'd be horrified but it is rather apt...

*Come gather 'round people  
Wherever you roam  
And admit that the waters  
Around you have grown  
And accept it that soon  
You'll be drenched to the bone  
If your time to you  
Is worth savin'  
Then you better start swimmin'  
Or you'll sink like a stone  
For the times they are a-changin'.*

When we published the first Platform Profitability Guide in 2014, folks literally said we were out of our freaking minds!

You had to be to suggest that many platforms are simply not sustainable and couldn't survive the intensely competitive marketplace. You had to be to award a 'poor' rating to Elevate, which was backed by one of the largest insurers in the world, Axa.

You had to be totally barking mad to highlight the technology challenges faced by large providers such as Cofunds, FundsNetwork and Old Mutual Wealth. You had to be mad to ask how long before lifecos cut the umbilical cord between them and their unprofitable ventures.

You had to be mad to suggest that advisers should take these structural issues into account when selecting platforms.

Fast forward to a few years later, and the platform industry is being shaken to its very core.

- Avalon became the first ever platform to go belly up. It was rescued out of administration by Embark, parent company of SIPP provider Hornbuckle. But Embark has its own issues. Anyone who's read our SIPP Financial Stability Guide knows that. You haven't? Well... you should.
- Elevate became the first ever platform to be acquired by a trade buyer, Standard Life. Axa, one of the world's largest insurers decided to exit the UK platform market, having failed woefully to become profitable in 7 years. The Axa Wealth empire is being dismantled and its parts being sold to closed book consolidators Phoenix and Life Company Consolidation Group. It's the 1990s all over again.
- Following closely behind Axa, L&G also decided to cut the umbilical cord and sold the UK's largest platform to Aegon. Faced with millions of pounds of re-platforming costs, bean counters at L&G decided that it's not worth hanging on to the supposed crown jewel in the UK platform market.
- Old Mutual Wealth is decoupling from its parent company amidst a half a billion pounds re-platforming project that's expected to cost nearly three times the initial budget and take twice as long. It will likely be listed on the stock market as a separate firm, or sold to private equity boys.

Call it self-attribution bias if you will, (because that's what it is), but the events of the last 12 months have substantiated many of our views in that first report.

Suddenly, it appears we weren't a bunch of loonies after all. It's now become fashionable for other consultancy firms to pay attention to financial performance of platforms! We'll decline to suggest they are copycats (pun totally intended). We're taking it as a compliment. Imitation, after all, is the highest form of flattery.

We are witnessing yet more upheavals in the platform market. The 'platform gods' are suddenly awake and they're hell bent on making sure everyone is aware. Corporate activities and technology migration/re-platforming projects trump nearly everything else right now.

After several years of anticipation, consolidation in the platform sector is gathering pace at an unprecedented level.

Turns out, even elephants can dance!

Never mind the significant challenge around asset migration and technology integration, the platform industry is dancing to the tune of consolidation. For better, or for worse.

There is a systemic shift happening in the platform sector and there are serious implications for providers, advisers and more importantly clients.

For us, profitability and financial performance has always been a proxy for something much deeper. We see it as an indication of the sustainability and survivability of a platform in this intensely competitive marketplace. It's also a good indication of the direction of travel on pricing and future reinvestment in service and technology.

The goal of this report remains very simple: to provide a critical analysis of platforms' financial performance, to help advisers and providers make sense out of what is going on. We explore some key themes in the marketplace: financial performance, consolidation, technology and re-platforming, vertical integration and pricing trends (hell yeah, why not?) And what all these mean for Mr and Mrs Miggins.

We aim to challenge established thinking and accepted norms. We'll probably step on some toes. Count on it. And ultimately, we aim to bring some clarity to the direction of travel of platforms and their role in the delivery of advice.



# Method in the madness

This guide provides in-depth insight and analysis of the financial performance of advised platforms over the last five years.

This year, we add 3 more platforms, taking the total to 26. So a very warm welcome to, Aegon (but with a twist), Platform One and Hubwise to our data tables!

The platforms covered in this report together account for more than 95% of the total AUA in the adviser market. We examine key metrics to give a clearer picture of the financial health of platforms — AUA, revenue, pre-tax profits/losses, yield on assets and P&L account reserves over the last five years.

We put platforms in peer groups to get an understanding of whose cost base is out of control, and we look at profit & loss account reserves to see who has a hole in their books. And yes, the infamous FinalytiQ Financial Performance Rating is back! We rated the 26 platforms and we provide a summary of the financial health of the businesses.

This guide focuses on the financial performance of platform businesses, not their parents'. We've trawled through who-knows-how many annual accounts and hundreds of data points to get a good picture of the financial health of the platform sector. Most platforms have a year-end date of 31st December and we have compiled data for years ending 2011, 2012, 2013, 2014 and 2015. But there are some exceptions and we had to compromise. So where a company's year-end is before 30th May, we use accounts filed the following year. Of course, this means that results for some platforms extend over a slightly different period. That can't be helped.

## Who is this report for?

The guide is aimed at three categories of people;

- **Advisers:** The report is designed to form a key part of adviser platform due-diligence. There is a clear regulatory and professional obligation on advisers to take into account the long-term viability of platforms in the selection process. This guide provides unparalleled data and insight to help advisers assess the long-term viability of their platform partners.
- **For platforms,** this report offers market insight based on robust facts and figures to support business planning and validate strategy. Those who bought the guide last year told us that it's a great way of keep tabs on their competitors. Of course, those doing well obviously see this as an independent validation of their strategy and as you might expect, they shout about it to their advisers and even shareholders. For those who aren't doing so well, we hope it will spark a meaningful, if challenging, dialogue between platforms and adviser businesses. It should also challenge platforms to find ways to improve efficiencies within their businesses. For distribution teams, the report provides a key insight to support distribution and marketing strategies by identifying trends in market positioning, as well as the potential strengths and weaknesses of their propositions.
- **Platform technology providers,** asset managers, discretionary investment managers and consultants will benefit immensely from understanding the direction of travel in the industry and the potential strengths and weakness of their key partners.

# Thank you!

Since taking the platform world by something of a storm in 2014, this guide has taken on a life of its own. Advisers tell us that the report informs their platform selection and due-diligence process. Platform providers tell us it informs their board room discussions. Apparently, you lot just can't get enough of it! Yikes!

We're totally chuffed by all that and we commend your excellent taste! Truth be told, we do have a lot of fun doing this. But, it's not possible without you. So, thank you. For believing in us. For reading and debating. For putting up with us sticking our noses into your business. For sharing data. For answering our annoying questions.

We'd particularly like to thank all the platforms who supplied and verified the data included in this report. This has been a year like no other. Surprisingly, an overwhelming majority of you agreed to speak to us, check over our data and even offered your finance geeks to speak to us if we wanted. Thank you.

We love you. As you know too well, this won't stop us telling you what we think.

“  
**The ‘platform gods’ are suddenly awake and they’re hell bent on making sure everyone is aware. Corporate activities and technology migration/re-platforming projects trump nearly everything else right now.**

# A SERENITY PRAYER ON DUE DILIGENCE



Over the last few years, the FCA has increased the spotlight on the level of due-diligence advisers are required to conduct on product and service providers including:

- platforms;
- discretionary fund managers (DFMs); and
- SIPP operators.

The FCA reiterated this in no uncertain terms in its recent paper TR16/1, stating that

*“instances of consumer harm have shown that the poor quality of an advisory firm’s research and due diligence is one of the three root causes of poor consumer outcomes. The other two root causes are incorrect risk profiling (see FG11/53) and costs, for example, in relation to replacement business (where a client switches an existing investment or sells it and invests the proceeds in a new product under the recommendation of an adviser; see FG12/16).”*

And just in case anyone was in doubt as to what the term ‘due-diligence’ actually means, the regulator went further to define due-diligence within the context of regulated advice as ....

*“...the process carried out by the firm to assess (a) the nature of the investment, (b) its risks and benefits and (c) the provider (to establish whether they believe it appropriate to entrust the provider with client assets).”*

In my conversations with advisers, I get the sense that many view this as the FCA taking the easy way out and leaving advisers with a burden that should really be borne by the regulator.

*“Why does the FCA expect small IFA firms to have the resources to conduct this level of in-depth research on products and providers, which are regulated by the FCA in the first place?”*

*“So we are expected to trawl through a provider’s financial statements to somehow establish how financially stable they are and if they can be trusted with clients’ assets?”*



*“Providers and platforms are regulated by the FCA, and accordingly the regulator is in a far better position to assess providers. If there are any concerns over their financial stability, the suitability of their product, their service standards (at least in line with TCF requirement), surely the FCA should step in and take appropriate action? Impose sanctions and even ban providers, if necessary?”*

*“Why does the FCA leave us IFAs, the little people in financial services, to shoulder this burden?”*




I’ve heard these and many other comments from advisers, in protest against the huge burden placed on small firms by the FCA due diligence requirements. I think there’s a degree of validity in these protests and the regulator needs to take another look at its approach.

It’s not my place to defend the regulator, someone else gets paid to do that job. Yet there is a strong case that, to create a vibrant marketplace, assessing the strengths and weaknesses of products and providers is best left to market forces. This puts advisers (and hopefully consumers) in an incredibly powerful position, as agents acting in the best interest of the clients. Accordingly, conducting due-diligence on providers and products is part of an adviser’s professional obligation to clients.

The downside to the regulator’s approach is that the market is flooded with providers/products and it’s become increasingly harder even for advisers (let alone consumers) to see the wood for the trees.

There are now over 30 adviser platforms, nearly 100 DFM propositions targeting the adviser market and over 50 bespoke SIPP providers! With intensifying competitive and regulatory pressures, consolidation among providers is gathering pace. And advisers are left with the impossible job of figuring out which provider is likely to survive and should be trusted with clients’ assets.

I do also see the case for the FCA stepping in to do more in terms of placing sanctions on providers, particularly where there are concerns over:

-  their long-term viability and financial stability;
-  service standards that flout TCF rules; and
-  product complexity and pricing that may be deemed ‘unsuitable’.

At the very least the regulator should intensify disclosure requirements on providers on cost, service standards, financial stability and commercial arrangements that risk being detrimental to client outcomes. For instance, regulated providers - including platforms and SIPP operators – shouldn’t be allowed to keep their financial stability shrouded in mystery by hiding behind small company rules.

But I’m not holding my breath. As things stand, the regulator has placed these obligations firmly in advisers’ courts. For now, advisers must do their best to meet the regulator’s expectations on due diligence and mutter the serenity prayer as they go about it...

**“  
God grant me the serenity to accept  
the things I cannot change; Courage to  
change the things I can; and Wisdom  
to know the (freaking) difference!**

# Profitability: a proxy for stability

With the upheaval in the platform market right now, it's never been more important for advisers to have a thorough due-diligence process in place. Gone are those days when platform selection was all about pricing and functionality. In virtually every instance where we conduct a due-diligence exercise on behalf of advisers, the structural issues facing platforms often outweigh pricing!

To my mind, profitability is a proxy for the financial stability and long-term sustainability of a platform. With most clients facing a 30 year plus retirement, we want to select platforms with the best possible chance of being around for the long haul, to deliver consistently superior service and never-ending investment in technology.

## A question of clients' interest

We often get asked the question – why is profitability all that important to clients? The answer is simple, because it's the best proxy for assessing how sustainable the platform is in the longer term. If there's anything the recent exits from the platform market have shown, it's that AUA and financial clout of a parent company on their own aren't sufficient to judge how sustainable a platform is in the long term.

That's not to say those issues shouldn't be considered, but we think the financial performance on the specific business unit almost always trumps them. It's not perfect though. There are nuances. Financial statement analysis isn't an exact science. However, examined over multiple accounting periods - and in comparison with peers - financial performance and profitability give a very good indication of the health and long term sustainability of a platform.

For clients, assessing the financial performance and profitability of platforms has some key benefits;

- It helps avoid anxiety caused when a provider exits the market place. While clients' assets aren't at risk, the exit of a provider from the marketplace is a source of angst for clients. It potentially damages the trust between the adviser and the client. It's impossible to completely foresee all possible future exits from the marketplace, but the financial performance of the platform is the best estimate of their chances of survival.
- Ongoing investment in service and technology is crucial to deliver the digital experience that clients are already used to in other aspects of their lives. Platforms are playing catch up in terms of technology and digital experience. This will take significant investment, which is only justifiable if the financial performance of the business stacks up.
- Consistent pricing is only truly possible with profitable platforms. No longer can platforms depend on a parent company to subsidize their price cuts.
- Pensions are for life, so platforms are for life. Or at least they should be. Moving costs time and money.

## A pawn in their game

While clients may not readily voice their concerns, increasing consolidation in the platform market brings back memories of lifeco consolidation. Clients become a pawn in providers' games, as they're passed from pillar to post. Invariably, service standards drop. Product terms change, often for the worse. Costs go up.

These are the realities of consolidation. Anyone who contests these facts only needs to look at what's happening with closed books. Phoenix Life, anyone?

We are already seeing signs of poor outcomes. The sale of Elevate by Axa also saw the sale of Axa Isle of Man offshore bond policies to an offshore firm to Life Company Consolidation Group. Many of these are held via the Elevate platform.

These policies were recommended to clients on the basis that the both Axa IoM and Elevate are part of the same parent group Axa. The sale means that clients are now dealing with an offshore firm, with different financial stability and a different service, corporate ethos and regulatory regime than the one they originally chose to do business with.

### Status quo bias?

We know from our work with advisers that moving assets from one platform to another costs over £500 per client in administration and paraplanning costs. This doesn't count the cost of face to face client time to explain why they have to move from A to B. And the potential damage it does to the trust between adviser and client. We see increasing numbers of cases where advisers are reluctant to move assets because of the associated cost, and so aren't able to deliver the high standard of service they would like.

We are a bit old fashioned here at FinalytiQ and we happen to believe that 'a pension/ISA/GIA on platform is for life'. Or at least it should be. With a typical client facing a retirement of over 25-30 years, the last thing they want to worry about is the risk that their platform might be shut down, exit the market or fall behind in terms of technology and service. While the demise of a platform doesn't pose a direct threat to client assets, lack of profits to reinvest in technology and service delivery hampers an adviser's ability to deliver on their promises to clients.

Platforms are businesses and without profits, it's hard to see how a business can continue to exist, compete and serve its customers.

### Contingency

There is no 'perfect platform' and ultimately advisers should be aware of the risks and challenges posed by platforms to their business, document these risks and have contingency plans in place to deal with them. With 25 or so platform providers in the market, advisers are spoilt for choice and there is no reason to settle for platforms who bring unnecessary risks to their business.

Going forward, advisers with clients' assets on perpetually loss-making platforms should at least have a contingency plan in place or model the likely scenarios in the event of a provider exiting the market or shutting down. What's the likely cost of migrating assets? How will you ensure that clients are informed and reassured?

For advisers, the choice of platform plays a huge role in the efficiency of your business. As re-platforming and consolidation in the market gathers pace, advisers will need to be even more careful who they do business with.

“  
**In virtually every instance where we conduct a due-diligence on behalf of advisers, the structural issues facing platforms often outweigh pricing!**



## Fact vs fiction

In its TR16/1 paper, the regulator reiterated the need for advisers to focus on facts, not provider opinions.

*“When firms carry out research and due diligence they should consider whether they can rely on the information supplied by the provider, such as marketing material. Firms can rely on factual information provided by other EEA-regulated firms as part of their research and due diligence process, for example, the asset allocation. However, they should not rely on the provider’s opinion, for example, on the investment’s risk level.”*

This is a crucial point. The reality is that many (most?) providers will say what they have to (while remaining compliant) to get an adviser’s business. In the absence of real data and independent critical analysis, you should take much of what providers say with a pinch of salt.

I often get asked, ‘how do can you tell a provider is telling porkies?’

The answer is, ‘if their mouth is moving!’

This is an extreme view, but the reality is that providers are biased. The regulator knows this, and that’s why they made the above statement.

Advisers must be cognisant of this too. And this is why we write this guide. It’s packed with data on the financial performance of platforms.

Financial statements are facts. Providers’ words on their commitment to the marketplace is simply an opinion.

Advisers can make up their own minds on the facts. They can cross-examine their platform providers with it and get satisfactory answers.

# MARKET OVERVIEW: ACROSS THE SILOS

AUA on adviser platforms saw a not-so-shabby growth of 17% in 2015, taking the total assets to £360 billion. Revenue grew from £1.02 billion to £1.07 billion, a 5% increase.

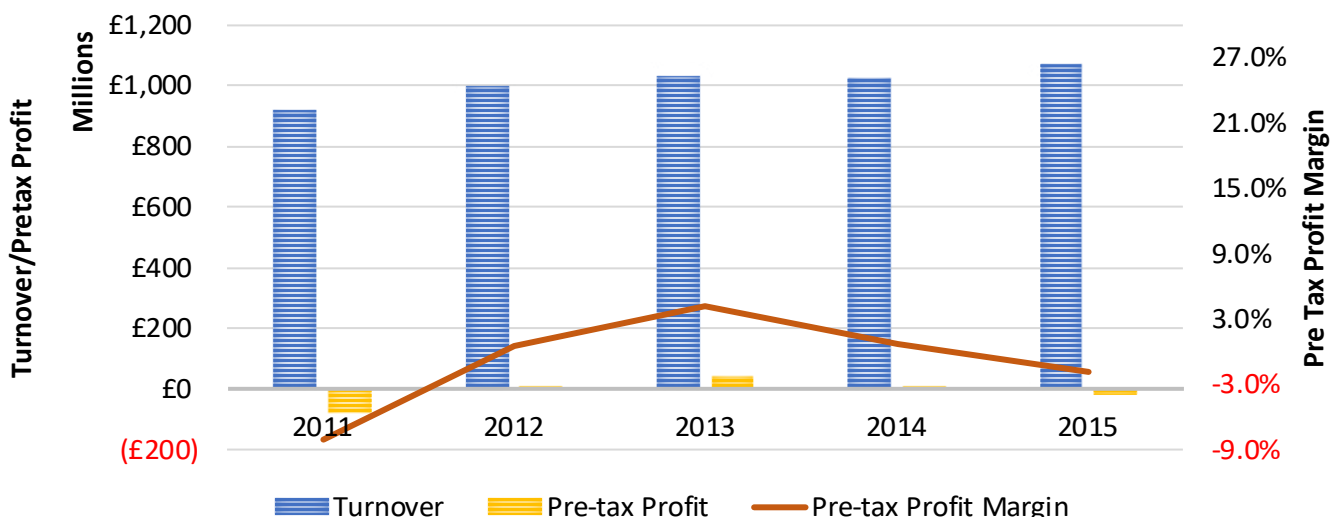
Sadly, the same cannot be said for the bottom line, as adviser platforms sank back into the red, reporting a pre-tax loss of £19 million. This represents a 371% decline when compared to its pre-tax profit of £7million in year ending 2014. Having turned a profit for the first time in 2012, the platform industry seems to have taken one step forward and two backwards.

It gets worse. Total P&L Account Reserve of platforms, a measure of cumulative retained earnings or losses rose to a record deficit of £0.5 billion!

Of the 26 platforms covered in our report this year, only 15 of them reported any profits at all in their latest year end. And only 11 out of 25 platforms have positive cumulative retained earnings. This indicates that most platforms have yet to recoup their development costs since inception, let alone be in a position to pay dividends to their shareholders or contribute to their parents' bottom line.

Of course, it's possible to put a positive spin on these results and say that platforms are 'investing' in the future. That is true to a certain extent. The cost of re-platforming at Old Mutual, FundsNetwork, Aviva, ATS and Ascentric put pressure on their bottom lines. But in reality the cost of technology investment is generally amortised over multiple years and that alone doesn't explain the mind-boggling losses we see in many platforms.

## PROFITABILITY OF ADVISED PLATFORMS



## The pain of sunset

Another explanation for this less-than satisfactory financial performance in platform land is the pain of PS13/1 inflicted on the largest platforms – Cofunds, Old Mutual Wealth and to a lesser extent FundsNetwork - which became more visible in year ending 2015.

The most visible impact of the PS13/1 sunset clause was seen on Cofunds. Most of the conversion to clean share classes was carried out in the year ending 2015, with only 5% of assets remaining in bundled share classes at the end of that year. The result is that, while AUA grew by £5 billion, revenue actually fell by £0.61 million. The pre-tax profit of £73K for year ending 2015 is academic. The reality is that the combined cost of implementing the sunset clause and lost revenue as a result, wiped out Cofunds' entire profitability.

So y/e 2014 and 2015 - the two financial years since PS13/1 platform payments regulation - were the only time in the platform's history where revenues actually fell, in spite of increases in AUA. The impact of PS13/1 is a logical explanation for this lost in revenue. Other than a hardly noticeable fee reduction on pension drawdown in April 2014, we know of no changes to Cofunds' pricing, at least on the retail side. Obviously, deals on the institutional side are not disclosed. Our modest estimate is that Cofunds lost around 10% of its annual revenue as a direct result of the aftermath of PS13/1.

Old Mutual Wealth platform was also affected. While the pensions and investment bond assets on the platform were not impacted by PS13/1, the ISA and GIA assets were. Revenue from the ISA and GIA business fell to £125.83 million in y/e 2014 and further to £109.57 million in 2015, compared to £170 million in 2013. Again, other than the removal of the minimum investor charge and drawdown charge in January 2015, there was no substantial change to Old Mutual fees in these two accounting years.

The logical conclusion is that the drop in revenue is a direct impact of the sunset clause. Some of this could be commission previously paid to financial advisers. In its half year accounts for 2016, the group acknowledged that the platform saw a further 3bps margin reduction year-on-year due to the sunset clause and removal of the minimum investor charge and drawdown charge, the combination of which has adversely impacted revenue by £5 million.

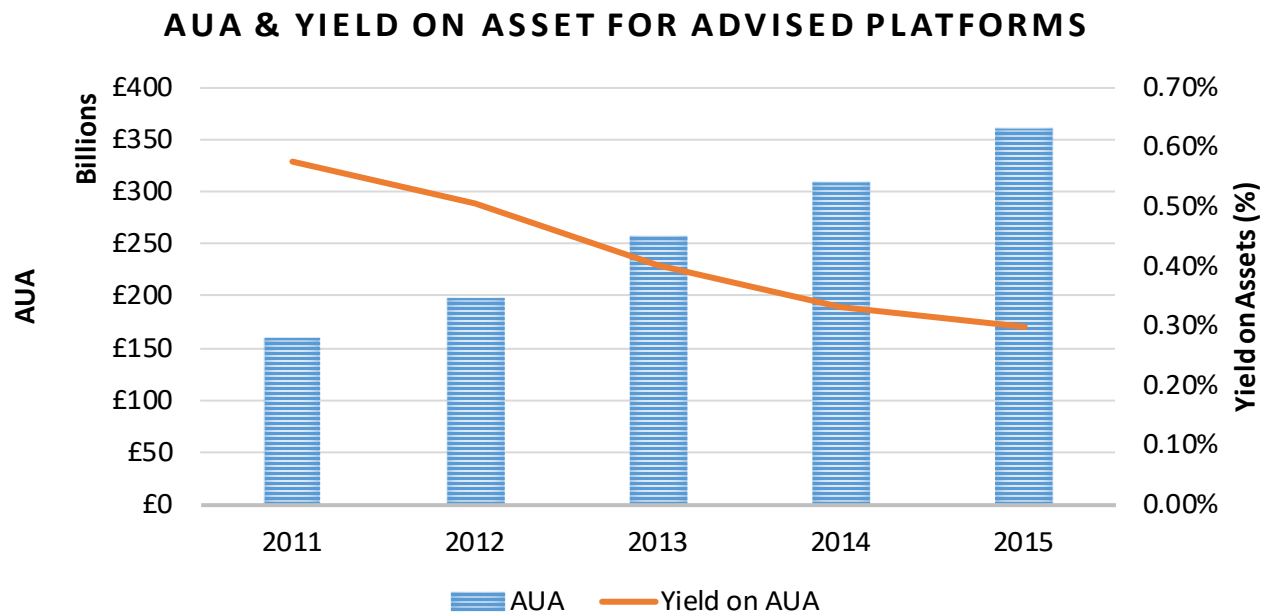
## Yielding to pressure

Yield on assets is starting to stabilise, as yield fell by 3bps to 0.30% for the year ending 2015. This fall is much lower than we have seen in the previous four years when yield fell on average by about 6bps a year. This is to be expected given that we've seen fewer changes to platform pricing in the last year or so.

“

**Yield on assets fell by 3bps to 0.30% for the year ending 2015, compared to the previous four years when yield fell on average by about 6bps a year.**





A plausible explanation is that the platform sector has been busy coping with regulatory changes including PS13/1 sunset clause and Pension Freedoms as well as re-platforming projects. But there may be something more fundamental going on here - the industry is finally waking up to the realities of its race to the bottom on pricing.

The bean counters are being called in to tell board members what they already know – that even parents with deep pockets cannot continue to subsidise loss-making platforms forever. That for a platform proposition to be sustainable, they need to run profitable operations that enable them to reinvest in technology and pass efficiency savings on to consumers.

**“Growth for the sake of growth is the ideology of the cancer cell.”**

- Edward Abbey

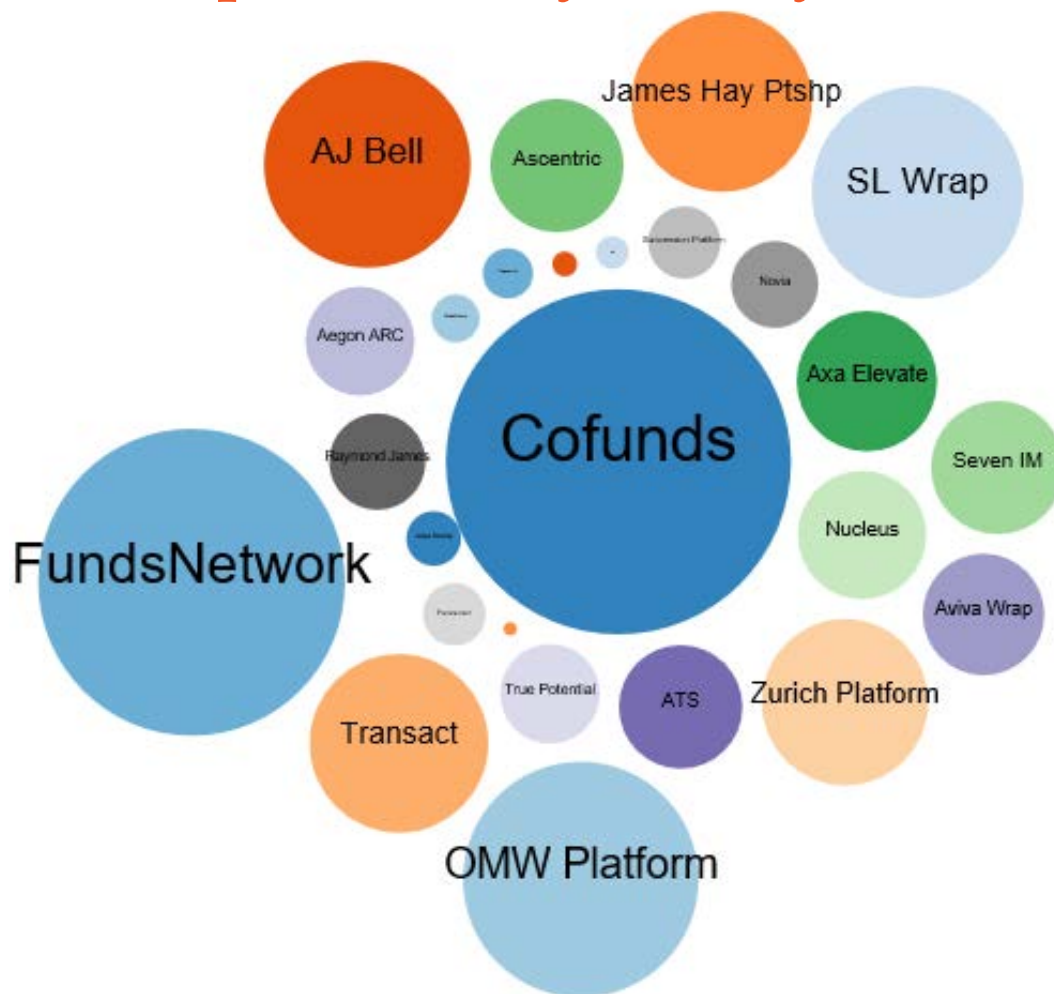
### Profitable scale

As with previous years, we continue to see no direct correlation between profitability and AUA. Ranked by AUA, the 5 largest platforms are Cofunds, Fidelity, Old Mutual Wealth, AJ Bell and Standard Life Wrap. Only one of those will rank in the top five by pre-tax profit: Transact, AJ Bell, 7IM, James Hay and True Potential.

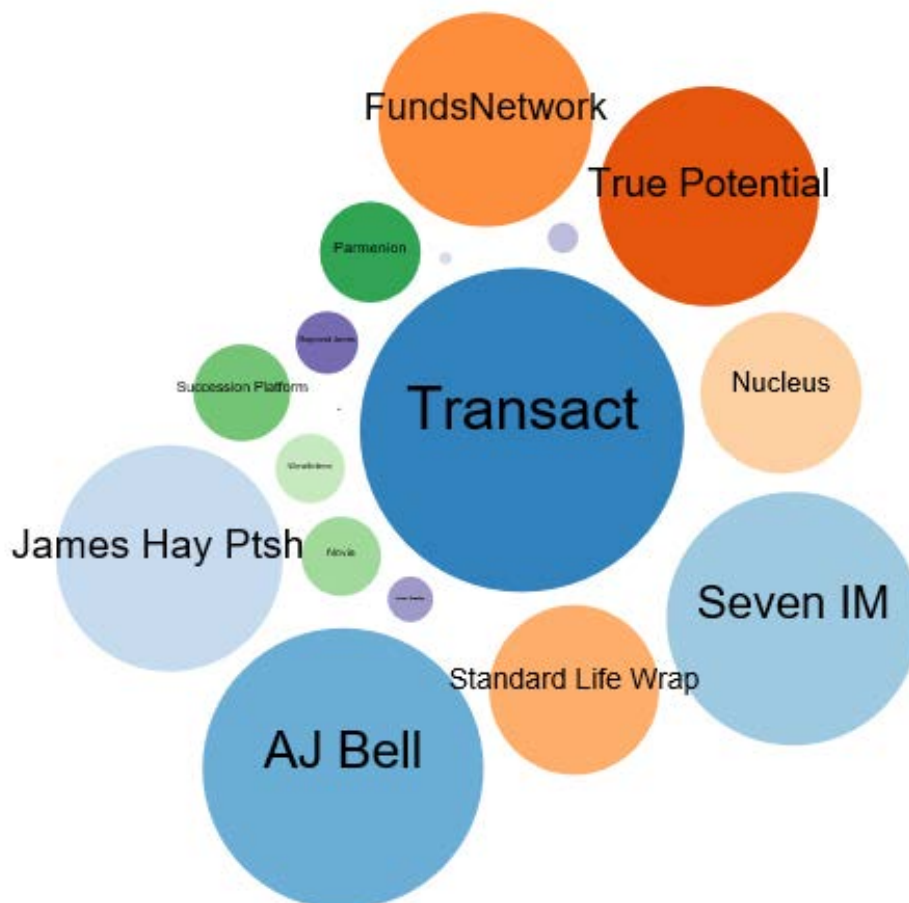
Ranked in terms of pre-tax profit margin, the top platforms are even more surprising; True Potential, Wealthtime, Transact, AJ Bell and Parmenion..

The moral of the story is that scale is important but only to the extent that it drives the bottom line. Unless scale is profitable and sustainable, it's hard to see how efficiency savings could be passed on to reduce costs for clients in the long run. Given the fate of the UK's largest platform Cofunds and the ongoing technology challenges, providers will likely turn their attention away from scale for the sake of it, to profitable and sustainable scale. Profitable scale is necessary to ensure ongoing reinvestment in service and technology, which in turn should drive efficiency and pass cost savings on to investors. And of course, keep shareholders happy.

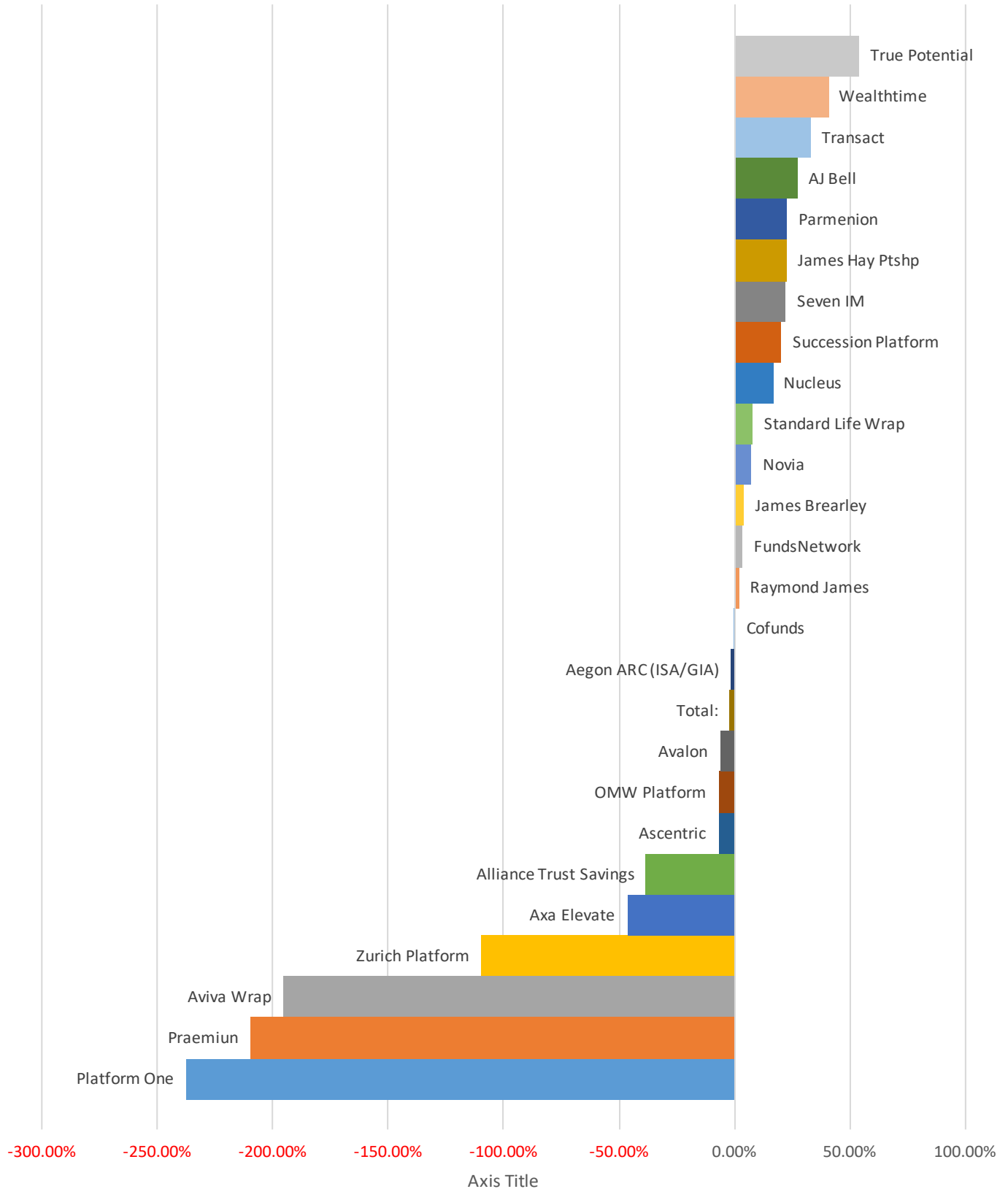
## Advised platforms by AUA (y/e, 2015)



## Advised platforms by pre tax profit (y/e, 2015)



# Advised platforms ranked by pre-tax profit margin (y/e 2015)



# IN THEIR OWN WORDS:

## Platform CEOs on profitability and the future of platforms

“ I just think broadly in the [platform] market, the majority of our competitors don't make any money. Many of them sit in environments where there may be a very long term investment strategy from for example a life company, and therefore the pricing structure around platforms has always been skewed slightly by that dynamic.

- Alastair Conway, James Hay CEO (Aug, 2016, NMA)

“ Last week, Elevate was sold to Standard Life as AXA announced it would pull out of UK life and savings. Of course if you were following the progress of Elevate this would not have been a surprise. It has been burning money for years and no shareholder is going to stand for that indefinitely.

(A) platform should be profitable in its own right. If it is not, its days are numbered when shareholders lose patience.'

- Bill Vasilieff, Novia CEO (09 May, 2016, NMA)

“ Consolidation amongst platform providers expected from current estimated 30 participants to around 10 profitable platforms by 2018.

-Paul Matthews, Standard Life UK & Europe CEO  
(KBW European Financials Conf slides. Sept. 2013)

“ We are interested in writing profitable business. Inflows are not an end in themselves. There's no point in writing loads of business if you cannot write it profitably.'

- Ian Taylor, Transact CEO (NMA, 12 Apr, 2016)

“ Too many platforms are chasing the mirage of profitability without adequately managing their cost base. With platforms now accounting for over 50% of retail sales, I think the commercial models are going to come under greater scrutiny from advisers, the regulator and platform shareholders. The FCA clock is ticking for platforms that operate hand-to-mouth and we may even see the amount of regulatory capital required to be held by platforms increase further.'

-Andy Bell, AJ Bell CEO (Dec., 2015)



# KEY TRENDS IN PLATFORM MARKET

As consolidation in the platform market gathers pace, it's worth contemplating the likely implications for clients, advisers and platforms. So far, two lifecos – Axa and L&G have decided to head for the exit. This has been driven largely by lack of profitability that's needed to justify heavy ongoing investments in technology and the increased pressure on lifecos' capital resources in the wake of Solvency II rules.

Moving in the opposite direction though is Aegon. Having sold most of its UK annuity book to Rothesay Life and Legal & General, it's focusing on capital-light businesses in the platform and protection sectors.

## Platform M&A deal book

Over the last 2 years, there have been 5 M&A deals in the platform sector. So a logical question, particularly for platform providers is 'what's a platform worth?' This table below provides a summary of the valuation of the 5 platforms that have been acquired so far.

	Date	AUA (Bn.)	Revenue (Mn.)	Valuation (Mn.)	Note
Seven IM	Jun. 15	£9.4	£41.9	£100	Deal included £73.6m in cash from Caledonia with the balance financed by £25m of bank debt and £5m equity subscription from 7IM's management.
Parmenion	Sep. 15	£1.9	£7.4	£49.8	Aberdeen paid £39.7m cash plus earn-out valued at £10.1m, although this could rise up to £16.8m.
Avalon	Feb 16	£0.3	£1.5	c£0.13	Embark acquired Avalon out of administration for an undisclosed amount.
Elevate	May 16	£9.8	£32.0	c£50	Acquired by Standard Life but the exact valuation undisclosed. This is based on analysts' estimates.
Cofunds	Aug 16	£77.5	£78.9	£140	Aegon expects additional one off £80m cost for migrating Cofunds assets which will generate £60 million per year in cost savings.

Note: Revenue based on year end preceding acquisition

What is apparent here is that the size of the assets matters much less than the financial performance of the platform and the intention and strategic fit with the buyer. Where profitability is low or non-existent, as in the case of Cofunds and Elevate, and the intention of the owner is to ultimately shift assets or turn around the business in a significant way, valuation is much lower. This is because a prospective buyer factors in the cost of turning around this business, in particular the heavy cost of re-platforming and/or migration of assets. Where the platform is profitable, and the intention is really to provide an exit for exiting owners, as in the case of Parmenion and 7IM, the valuation is much higher – between 2.5 to 7 times revenue!

## Consolidation in focus: Cofunds

Awash with cash from the sale of its annuity books, Aegon snapped up BlackRock's DC platform and UK's largest platform Cofunds. If both acquisitions proceed as expected, Aegon becomes the pre-eminent player in the UK platform market with over £110 billion assets across direct, advised and workplace channels.

First impressions are, the deal looks good for Cofunds. Cofunds gets the much needed investment to bring the platform's service and functionality into the digital age.

Aegon plans to invest £80 million in technology which will see assets on Cofunds migrated to an improved version of Aegon's platform, which is powered by GBST's Composer technology. Awaiting advisers on the other side of this deal is the promise of much smoother operations and better functionality.

But there are a number of factors that give advisers cause to pause and ponder. First is the fact that Aegon's own platform proposition hasn't exactly been a hit with advisers and clients. Much of the £9 billion of assets on the platform has been migrated from its own legacy back book, rather than new money from advisers and direct clients. While Aegon does not disclose the size on its assets by channel, a good way is to gauge the level of inflow of new money and the assets held in ISAs and GIAs, as opposed to assets moved from its back book.

Of over £9 billion of assets reported by Aegon, just £0.6 billion is held in ISA and GIA as at December 2015. The group's annual reports show the 'gross deposit' (inflow) of £233 million in 2015 and £227 million in 2014. We estimate that less than a third of the assets on the platform is new money as opposed to assets shifted from the back book. This estimate is a reflection of flow into the platform across workplace, advised and direct channels since Aegon entered the platform market in 2011.

The point here is that the proposition hasn't been a roaring success and there are reasons why advisers aren't jumping over themselves to use the platform. The question is, can a provider that hasn't been particularly successful in attracting assets from advisers be trusted to deliver a top notch proposition via acquisition?

Furthermore, Aegon has been accused of 'poaching' advisers' clients by moving them into its direct proposition Retiready without express consent from clients or their advisers.

On a positive note, Aegon intends to keep (or reduce) the current pricing for Cofunds clients. But this creates a potential issue for clients on its own ARC platform, since they typically pay more. Arguably, a price reduction for the current ARC platform is likely, to bring it in line with Cofunds pricing. This is not likely to happen until the merger and integration process has been completed.

Moving its clients in its own back book and indeed Cofunds orphaned clients into a digital environment that is fit for purpose in the 21st century has to be a good thing. Provided of course that those clients are not shoe-horned into expensive funds, particularly its guaranteed drawdown products.

One issue that advisers might watch out for is the possible change to terms and conditions on the Cofunds Pension Account, which is provided by Suffolk Life. Clients who took out Cofunds Pension Account automatically became members of the Suffolk Life Appropriate SIPP. While both Cofunds and Suffolk Life were members of the same group (L&G), Suffolk Life has now been sold to Curtis Banks. It is likely that Aegon will sever this relationship with Suffolk Life as the administrator of the scheme.

And then, there is the likely disruption that come with asset migration. The underlying technology provider GBST has some experience with re-platforming, having previously successfully migrated some of AJ Bell's SIPP assets onto the Composer technology.

It has also supported Aegon's own migration of customers from legacy systems to the technology. However, Cofunds is a much bigger beast, with nearly £80 billion across multiple channels (advised, B2B2C and institutional) and a myriad of deals and unique functionality.

The plan is that GBST will first work to upgrade the functionality on the existing ARC platform before starting to shift assets from Cofunds. In particular, it will need to add specific functionality to enable it to power B2B2C propositions that Cofunds currently offer, including the 'restricted investment offer' which enables institutional clients on Cofunds to negotiate specific deals with asset managers.

Migrating assets from Cofunds to ARC will be painful. A lot rests on the success of this migration, which is likely to impact not just on Cofunds but ARC platform users.

No doubt folks will tell us this isn't so, but there's only one way to find out. It seems likely that many advisers may be reluctant to place new clients on the platform until they've seen how it all goes.

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**The size of the assets matters much less than the financial performance of the platform and the intention and strategic fit with the buyer.**

# Consolidation in focus: Elevate

If the sale of Elevate to Standard Life proceeds as anticipated, Standard Life becomes the third largest advised platform by AUA with around £40 billion of assets.

The price of the deal was not disclosed, but Andy Hughes , analyst at Macquarie, estimates that Elevate is worth about £50m and Standard Life is expected to spend another £50m to merge IT systems.

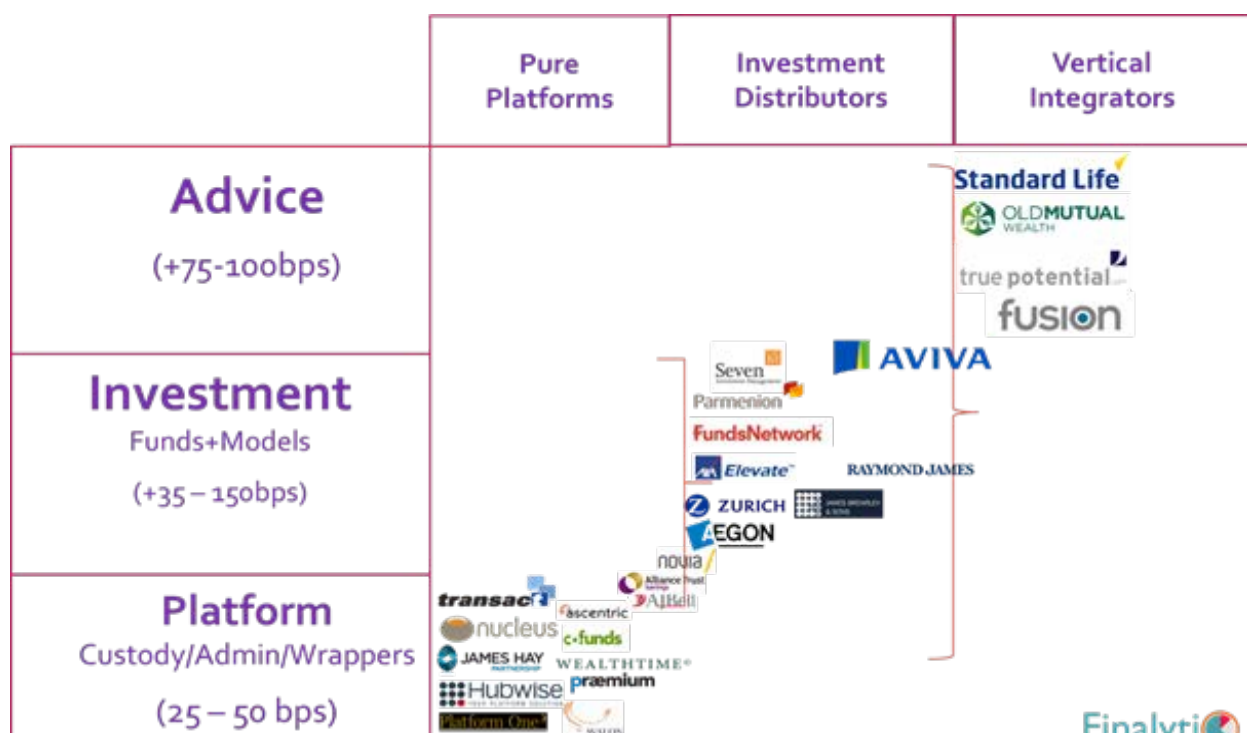
Standard Life has already indicated it expects to review Elevate's pricing at some point. This is a logical step. Since Standard Life intends to keep Elevate as a separate platform, at least in the medium term, it makes sense that Standard will remove any competitive edge that Elevate might have over its own wrap. So, one might expect that Standard Life will bring Elevate's pricing closer to Standard Life Wrap's.

While both platforms are powered by FNZ's technology, Standard will want to streamline operations, staff and ultimately merge Elevate's assets onto the Standard Life Wrap and possibly ditch the Elevate branding.

## Vertical integration

A critical analysis of trends in the platform sector would be incomplete without a discussion on vertical integration. The number of platforms with custody and administration as their core service to advisers and primary revenue source is diminishing. Increasingly, platform providers are moving up the value chain, to provide investment management and in some cases advice.

Vertical integration enables providers to capture more of the value chain and get a bigger slice of the cake. This is because they earn revenue, not just for one but two or three different services. However, it also creates a natural bias toward their own products or services, and in many cases significant conflicts of interest.





In particular, providers creating their own advice services are at risk of diminishing the valuable accountability and natural friction between advisers and product providers. In the absence of accountability, conflict of interest is rife.

It's difficult to foster a 'culture of challenge' when you are the judge and objectively assess your own products against a client's objectives. This is why the banks got it so wrong and there's a danger many providers are heading down that track, again.

In theory, vertical integration models should pass cost savings to the end client. In reality, it appears they are being retained to prop up parts of the value chain that aren't sustainable in the first place.

Profitability of the platform business may not be a priority for the business, if the aim of the group is to use it as a way to funnel assets into their investment management business. In this case, advisers need to understand whether the group's motives and direction of travel fits with their own business model and their overall client outcomes.

For instance, the Intrinsic restricted advisers contribute 33% of net flows into the Old Mutual platform and 26% of Old Mutual Global Investors net flows come through Old Mutual Cirilium Portfolios and Old Mutual Generation funds.

In a move to ease the burden of Solvency II cap adequacy rules, a decoupling of Old Mutual Wealth from the other parts of the Old Mutual Plc is expected to take place by the end of 2018.

As a result, the OMW business will operate as a standalone business, likely listed on the LSE. The wealth business includes asset management business OMGI, the platform, DFM business Quilter Cheviot and adviser businesses consisting of network Intrinsic and the recently launched Mutual Wealth Private Client Advisers.

The asset management business is the main cash cow in the OMW vertically integrated model; the platform and the advisory business don't necessarily have to be profitable on their own, so long as they funnel assets into the OMGI and QuilterCheviot. Yet, as the asset management business comes under increasing pressure, specifically from MiFID II and the FCA asset management review, the bean counters might begin to wonder if the burden of a loss-making platform and advisory business is too much to bear.

For advisers using platforms that are part of a vertically integrated model, an assessment of the financial performance of the business unit they are dealing with is as important, if not more so, than the overall business. If you are using this platform, you want to understand what's going on within that business, and the role it plays within the overall group. Is that platform business sustainable? Does it stand on its own two feet or it is being used to funnel assets into the asset management business?

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**The number of platforms with custody and administration as their core service to advisers and primary revenue source is diminishing.**

# Platform pricing trends

One misconception we hear all the time is that profitable platforms charge more. The reality is that there is currently no direct correlation between profitability and the price that customers on platforms pay right now. The following 3 charts show the annual cost of holding assets on platforms across different tax wrappers.

Platforms that are profitable are no more or less likely to have below average pricing than those who are loss-making. However, we are starting to see a trend that indicates that platform price changes are driven by sustainability and survival instinct, rather than a desire to grab asset or market share.

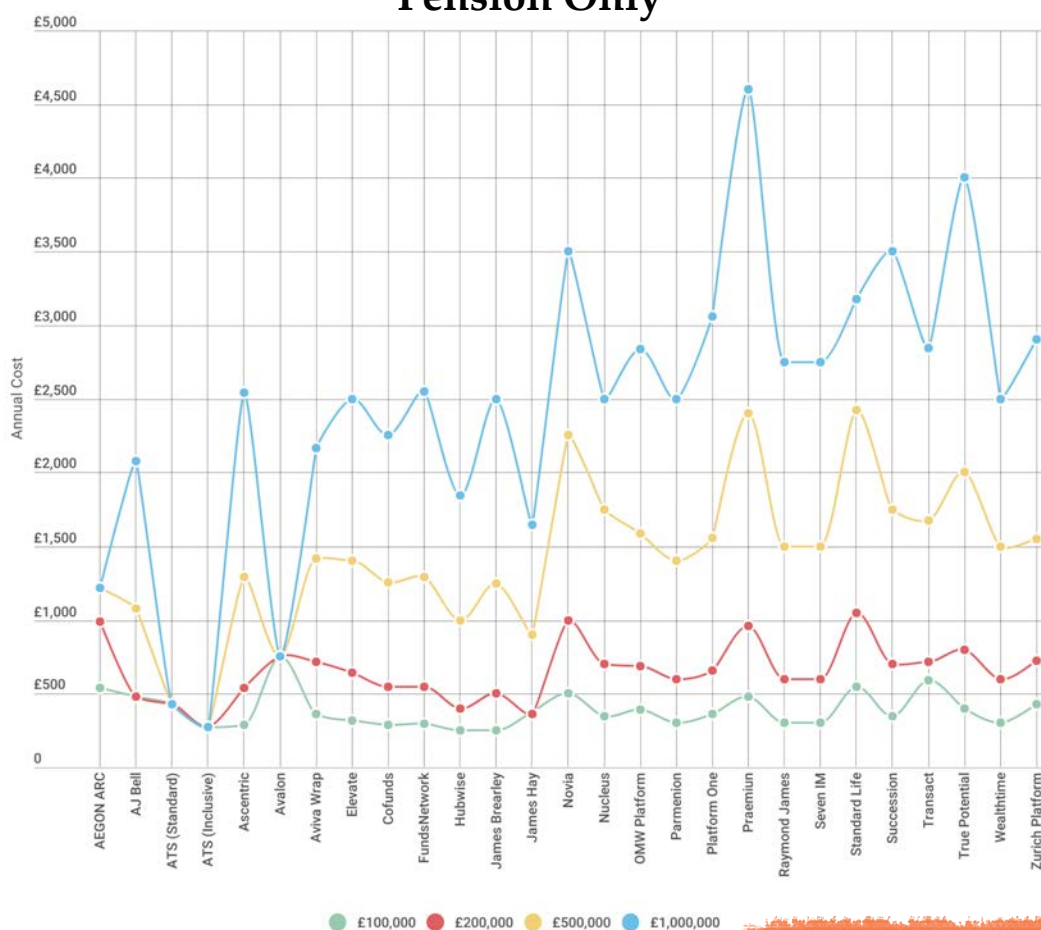
Two cases in point are Transact and ATS. Having established a formidable position in the marketplace, Transact is doubling its efforts to pass efficiency savings to clients. This has resulted in two price reductions in a space of months (in November 2015 and again on 1st April 2016) and a further price cut is planned for next year.

Going in the opposite direction is ATS. Having its own board independent of its parent after a brutal battle with shareholders, survival instinct is kicking in at ATS. ATS raised its prices for the second time in as many years – in early 2014 and then again in March 2016 – in a clear attempt to bring the platform into the black.

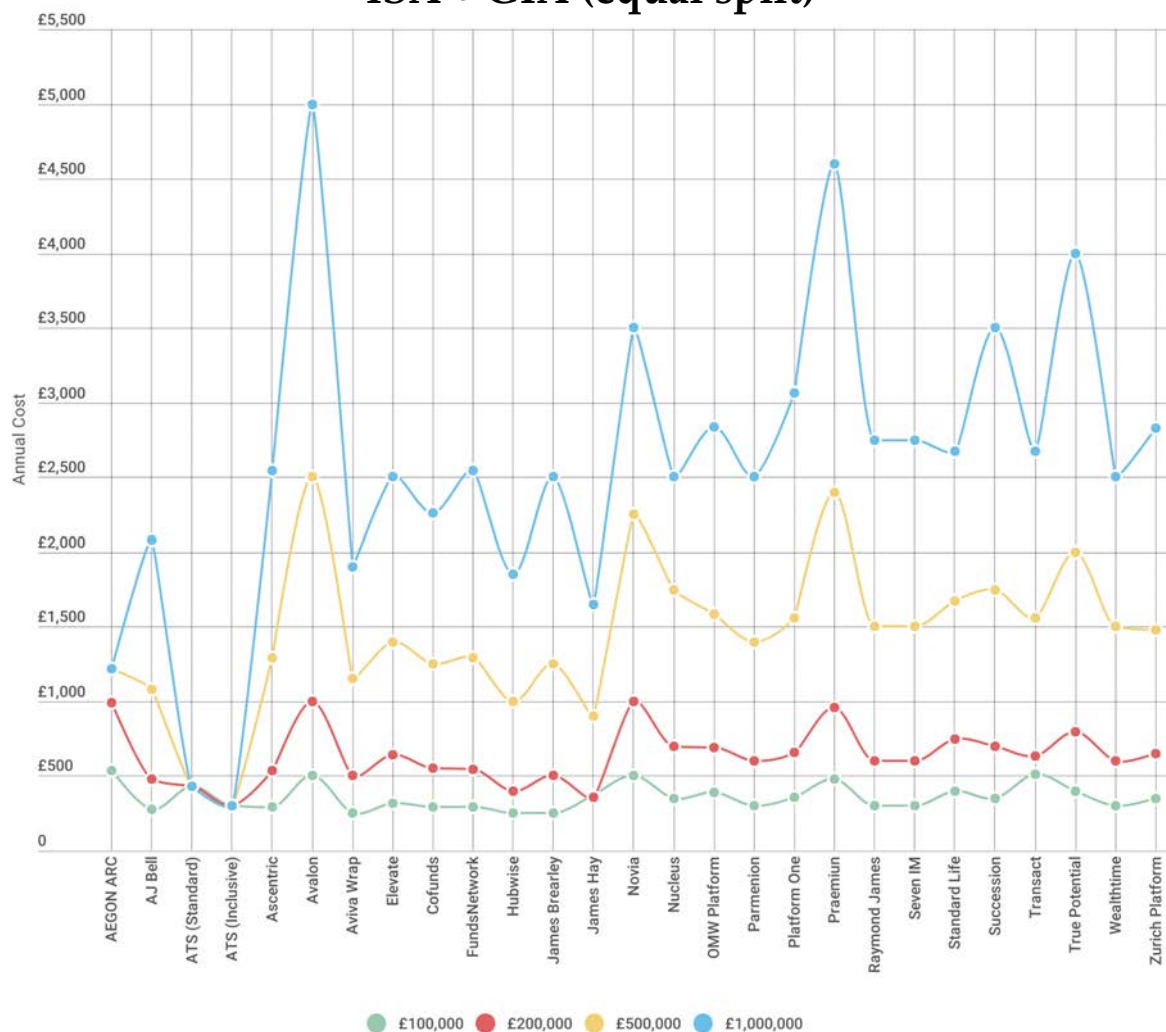
The point of all this is that financial stability and platform profitability is in the client's interest. Profitable platforms are far more likely to be sustainable and more likely to pass cost-savings to clients in the long run. We do want to see prices on platform come down further – and indeed some of the more profitable platforms are amongst the most keenly priced platforms. In the near future, we are less likely to see massive adjustments in price; any changes are likely to be driven by financial performance and sustainability, rather than grabbing asset and market share at all cost.

## PLATFORM PRICING CHARTS (£)

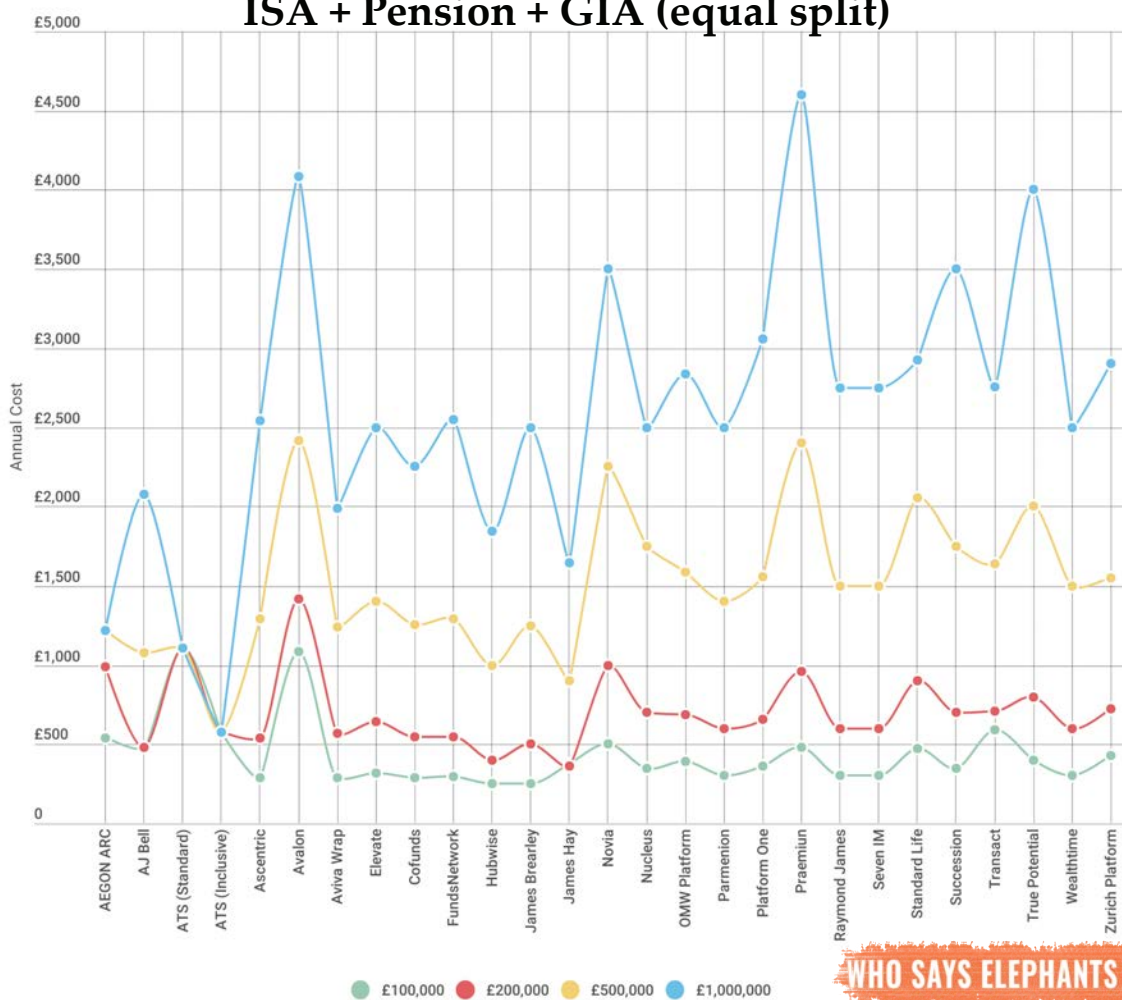
### Pension Only



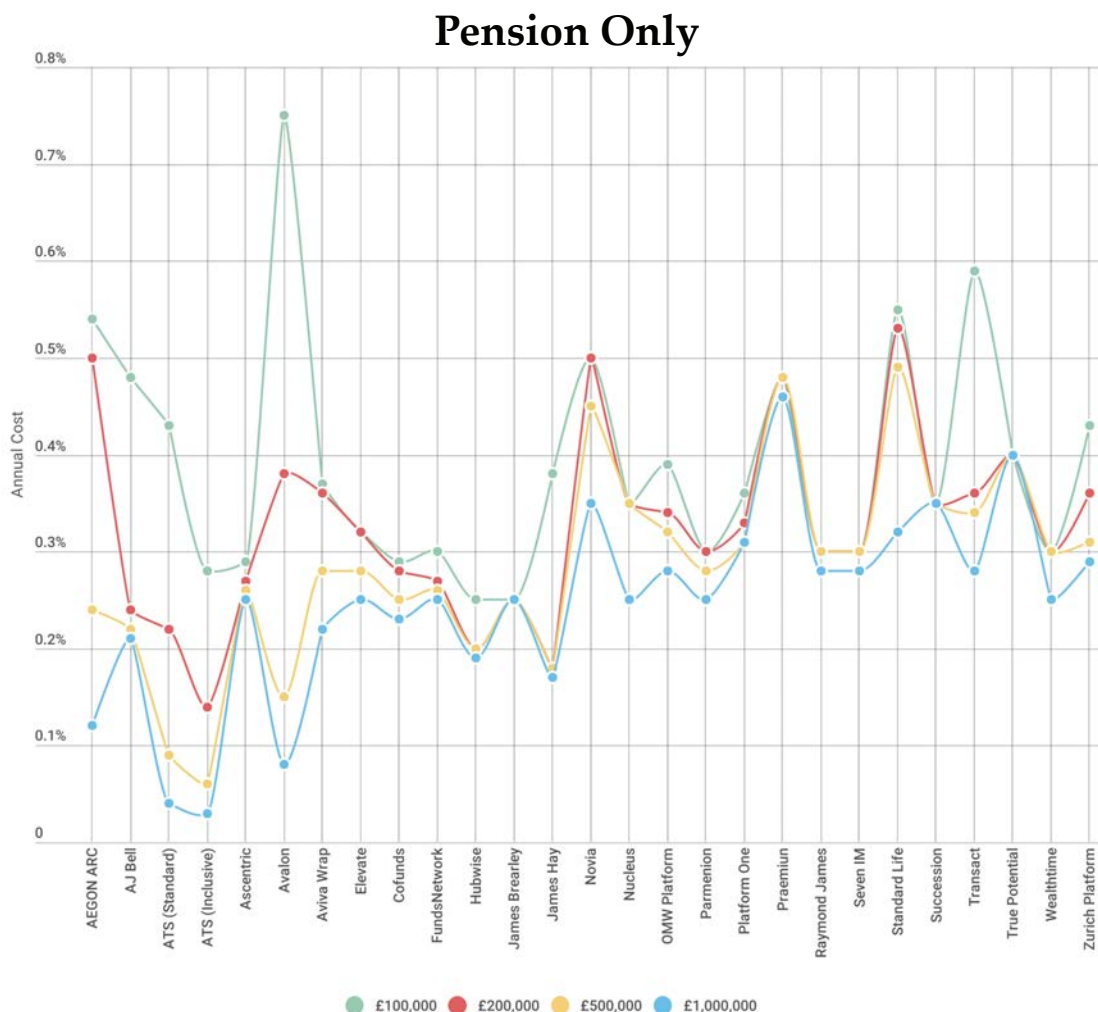
## ISA + GIA (equal split)



## ISA + Pension + GIA (equal split)



# PLATFORM PRICING CHARTS (%)



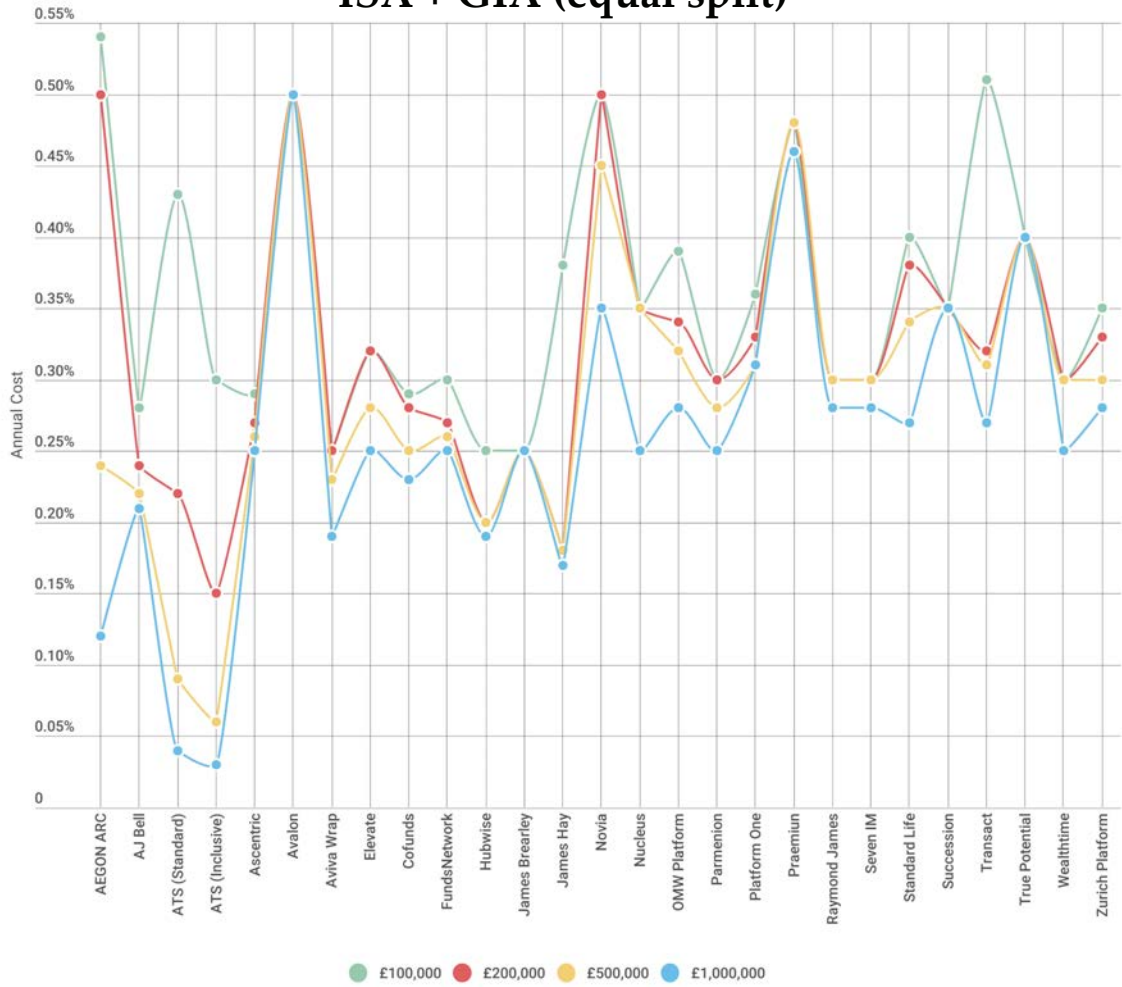
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**Financial stability and platform profitability is in the client's interest. Profitable platforms are far more likely to be sustainable and more likely to pass cost-savings to clients in the long run.**

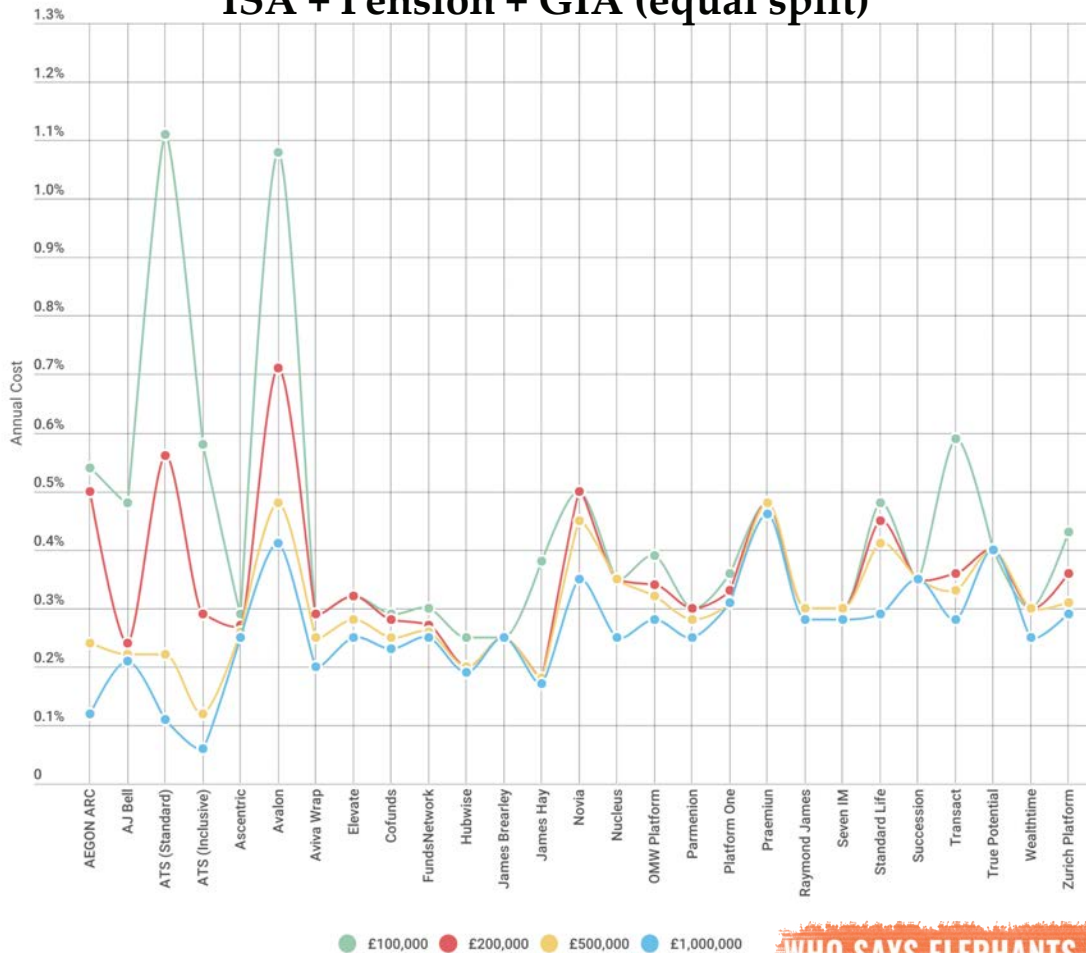
**Note:** All the pricing charts include the cost of up to 20 trades (funds only), with no more than 20% portfolio turnover per annum. Additional trading fees may apply for direct equities, ETFs, etc. Initial set-up cost has not been included. A copy of the excel data used to compute the table is available on request.



## ISA + GIA (equal split)



## ISA + Pension + GIA (equal split)



# Progress on re-platforming

One of the single biggest causes of angst in the platform sector is re-platforming. It's been described as being akin to trying to change the engine of a car while driving it. So what's everyone up to right now?

- Nucleus and AJ Bell have completed their own re-platforming projects to Bravura Sonata and GBST Composer (with JHC as the dealing engine for AJ Bell) respectively. Both platforms are now focused on making significant improvements to their user experience and bringing new digital tools to their users.
- ATS has completed and launched its new platform powered by GBST Composer to advisers in Q2 2016, over a year later than planned. The migration of advised client assets as well as the D2C assets, which accounts for well over 80% of its overall assets, is still in progress.
- Ascentric's migration to Bravura Sonata appears to be never ending. It was originally expected to launch in September 2015 and was later postponed to early 2016. That date has been missed again and we are none the wiser as to when to expect the new platform to launch.
- Aviva is dumping Bravura for FNZ. This seems a logical step after the acquisition of Friends Life. FNZ already powers the Friends Life workplace and Aviva's own D2C proposition.
- OMW's re-platforming to IFDS Bluedoor is now expected to cost £450 million, nearly 3 times the original bill of £160million. The timeline has been pushed back to 2018.
- FundsNetwork is migrating to Bravura Sonata in a project expected to cost £250 million and originally planned to launch to advisers in Q3, 2016. The launch hasn't happened in Q3 as planned and they have gone a bit quiet on that front.

		Re-platforming Cost (Millions)	AUA in transit (Billions)
<b>Ascentric</b>	From proprietary tech to Bravura Sonata	£5.74	£10.10
<b>ATS</b>	From proprietary tech to GBST Composer	£7.43	£8.50
<b>Aviva</b>	From Bravura Talisman to FNZ	£35	£8.20
<b>FundsNetwork</b>	From proprietary tech to Bravura Sonata	£250	£60.17
<b>OMW Platform</b>	Migrating to IFDS Bluedoor	£450	£34.50
<b>Cofunds</b>	Assets to be migrated to GBST Composer following acquisition by Aegon.	£80	£76.90
<b>Total</b>		<b>£828.17</b>	<b>£198.37</b>

**Note:** Cost is based on amount already expensed so far or projected total cost publicly disclosed by the firm, whichever is higher. Aviva's cost is based on estimated spend so far on FNZ tech to power the D2C proposition. Additional spend expected in the 'low tens of millions' to complete migration of advised assets.

Re-platforming is the single biggest challenge facing platforms right now, with over £200 billion of assets in transit, representing over half of assets. By the time this round of re-platforming is complete for these 6 platforms, we estimate that they will have spent a combined total in the region of £1 billion!

It's an expensive and painful but necessary step to achieve the operational efficiency and improved functionality that advisers and clients so desperately need.

One obvious implication is that advisers should anticipate some disruption and a drop in service standards during the process. And until the re-platforming project is complete, advisers should not expect much improvement in service and functionality. Platforms who have completed the re-platforming projects can focus on building the front end and the much needed digital tools for advisers and hopefully, clients.

Another implication is that rapid technology advancement means that platforms are going to go through re-platforming projects every 7 to 10 years. This is not a once-in-a-lifetime event. And given the very long term nature of pensions, this level of ongoing reinvestment in technology is only truly justifiable for providers with profitable scale.

We have very little doubt in our minds that by the time the next round of re-platforming comes along in a decade or so, there will be far fewer providers left standing.

In terms of the backbone technology underneath platforms, the table below shows the market share of technology providers in the advice sector. When the migration process is already underway, the new tech provider is deemed to be 'in progress'.

When a re-platforming deal has been agreed but is yet to commence, it is deemed the future tech provider. Obviously, AUA is based on size as at the end of the latest filed accounting year.

The proof of the pudding is in the eating. So it would be interesting to see how this heavy investment in technology improves platform productivity going forward.

Our Productivity Metric Charts give some indication of the direction of travel. We examine 3 metrics: AUA per staff, AUA per client and revenue per client. Only providers who provided the full dataset to enable us complete this in a reliable way have been included. If you missed out, we'll happily add you if you give us the data.

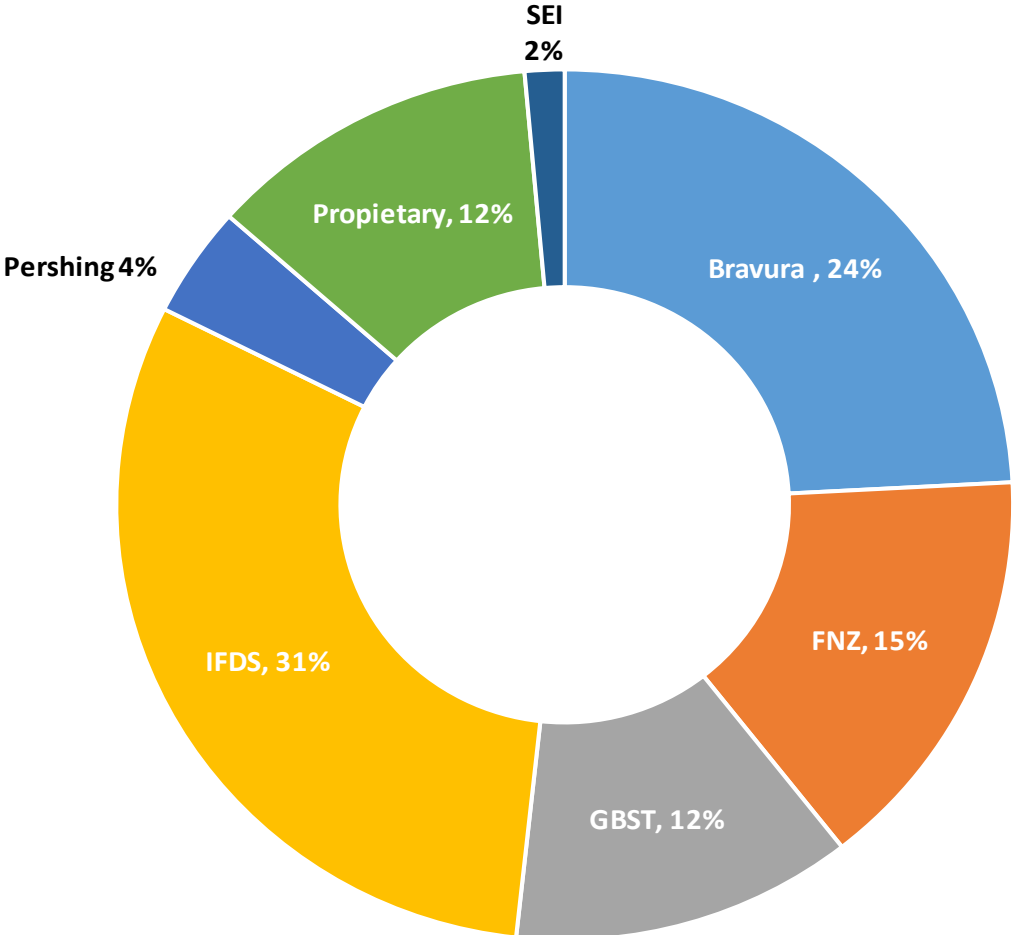
Generally speaking, productivity is heading the right direction for platforms, although the progress of the past three years can't be described as a quantum leap.

True Potential, Succession and Nucleus are particularly strong in terms of AUA per staff. Succession is hardly a surprise, given that it runs on IDFL (Ascentric) technology, rather than operating its own platform. AJ Bell and James Hay look strong in terms of AUA and revenue per client.

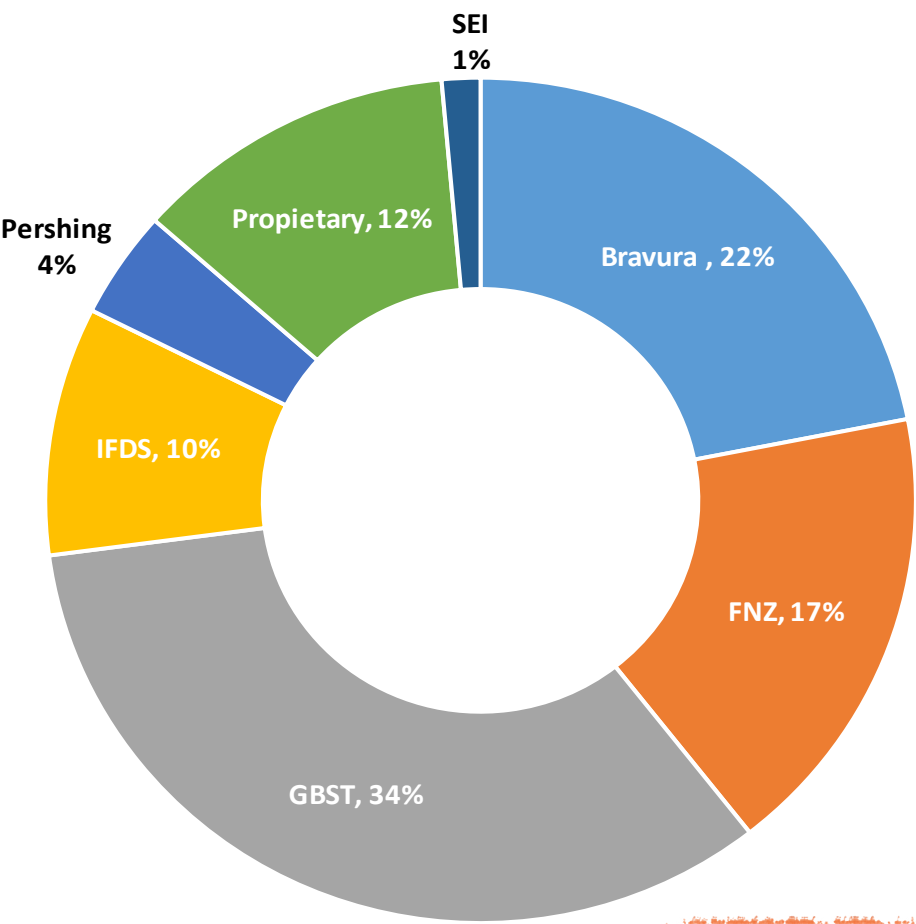
We'll be digging deeper into the trends in our future reports. In particular, we'll gauge the impact of re-platforming and whether technology investment improves productivity, user-experience and the bottom line.

So boys and girls, when we come knocking for data on this stuff, you know what we're after!

Advised platform technology provider by AUA (in progress)



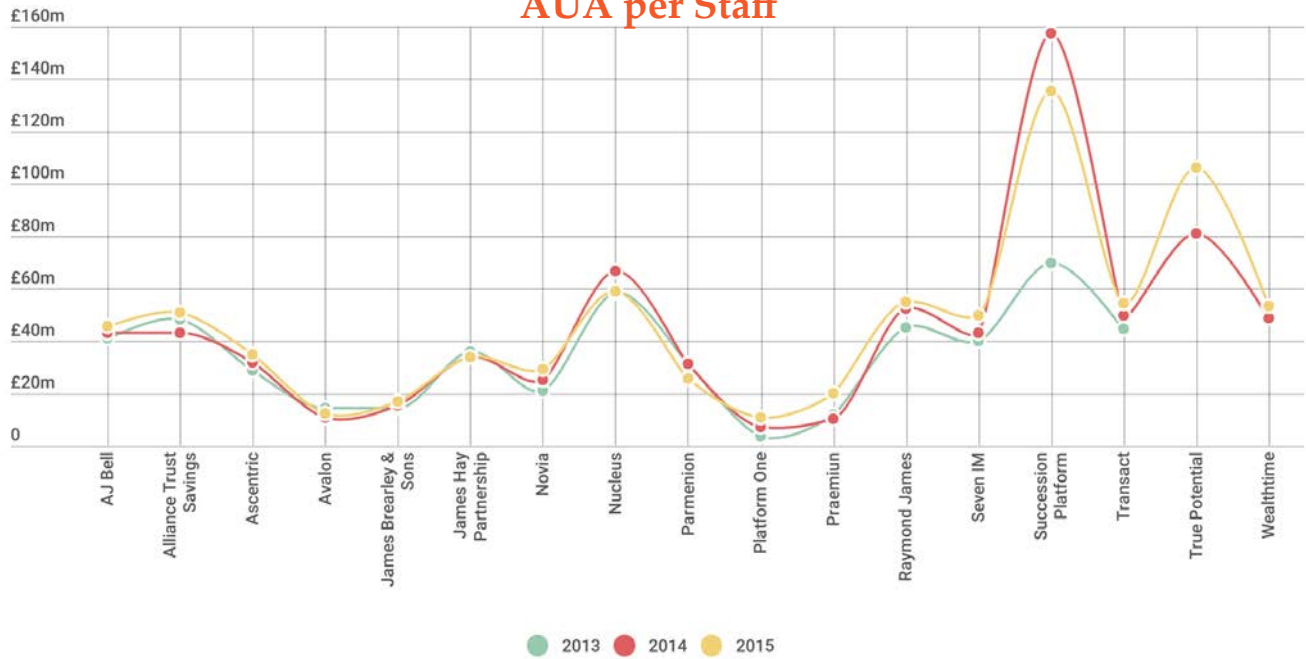
Advised platform technology provider by AUA (post replatforming)





# Platform productivity metrics

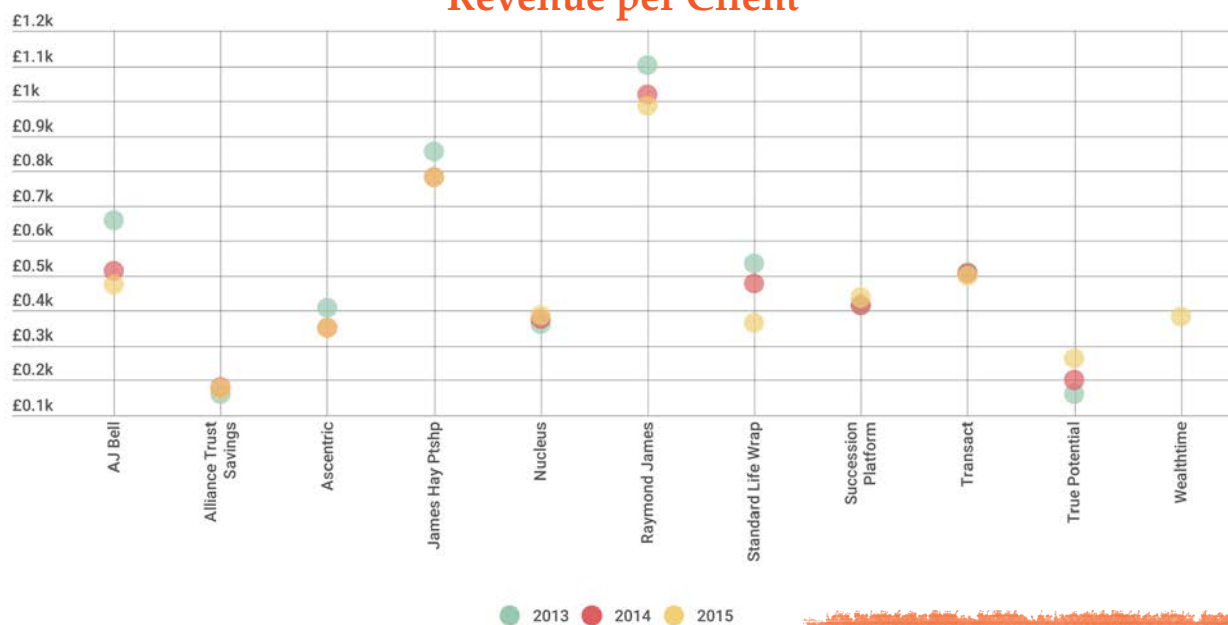
## AUA per Staff



## AUA per Client



## Revenue per Client



# FINANCIAL PERFORMANCE DATA

In this section of the report, we'll look at important financial performance metrics: AUA, revenue and pre-tax profit, P&L Account Reserve, yield on AUA and profit (loss) margin over the last 5 years to get a picture of trends. Having data pre and post RDR enables us to make some assessment as to the impact of RDR on each provider.

**Note:**

Most platforms have year-end dates of 31st December, with some exceptions; Parmenion (31 Mar.), James Brearley (30 Apr.), Avalon (30 Jun.), FundsNetwork (30 Jun), AJ Bell (30 Sept.) Raymond James (30 Sept.), Transact (30 Sept.), Praemium (30 June), Hubwise (31 Jan)

Data cover years ending 2011, 2012, 2013, 2014 and 2015. Where a firm's year end is before 30 May, we use accounts filed the following year. The only exception to this rule is Parmenion. Following acquisition by Aberdeen in 2015, the account year has been extended from March to September 2016. Accordingly, we have used account for the year in the in which the accounting period ends. Of course we are aware that the results for platforms extend over slightly different periods, but that can't be helped.

Aegon ARC launched in 2012. The business is split into two parts; the pension business which accounts for much of the assets sits within its Scottish Equitable business and the ISA/GIA business sits separately within AEGON Investment Solutions Limited. Our financial assessment is based on the ISA/GIA side of the platform, as it's impossible to separate the ARC pension business from the rest of the Scottish Equitable and AEGON declined our request for info on the platform. In any case, much of the assets on the ARC pension book has been migrated from AEGON's back book, rather than new inflows.

For Seven IM, the 2011 and 2012 dataset is that of Seven Investment Management Limited, which then transferred its business to Seven Investment Management LLP on March 2013.

Seven IM, True Potential Investments and Parmenion are LLPs, and Pre-tax profit figure is profit available to members (after working member's drawings).

LLP and other prtnerships do not report P&L Account Reserve. This data point has been marked N/A (Not Avialaible) in the tables.

We use AUA reported in companies' annual accounts or data provided by the firm or publicly reported in industry press.

AUA for AJ Bell is made up of platform and off platform business. Platform AUA accounts for 65% of AUA in 2015. All corresponding data relates to the business as a whole, rather than just platform-only assets as the two are inseparable in the company's account.

Succession Platform runs on IFDL/Ascentric, so Succession's AUA are included in Ascentric's. This means that there's a bit of double-counting in the AUA data, but the two providers as separate entities with very different pricing, revenue and profit. Off course Succession also provides other services to their advisers beyond administration and custody of assets.

Revenue data for Old Mutual and FundsNetwork may include trail commission, which are paid to advisers pre RDR.

Data for FundsNetwork is based on account filed by Financial Administration Services Limited, which includes other services other than the FundsNetwork platform.

Throughout this report, 'James Hay' refers to James Hay Partnership

## Key financial performance metrics (2011)

	Year End Date	AuA (Billions)	Turnover (Millions)	Pre-tax Profit (Millions)	P&L Acct Reserves (Millions)	Yield on AUA	Pre-Tax Profit Margin
AJ Bell	30-Sep	£15.00	£41.57	£19.05	£26.94	0.28%	45.82%
Alliance Trust Savings	31-Dec	£3.34	£12.21	-£3.15	-£33.71	0.37%	-25.78%
Ascentric	31-Dec	£3.70	£13.18	£0.14	-£12.66	0.36%	1.02%
Avalon	30-Jun	£0.30	£1.86	£0.07	-£0.35	0.62%	3.54%
Aviva Wrap	31-Dec	£0.68	£2.57	-£9.11	-£23.80	0.38%	-354.85%
Axa Elevate	31-Dec	£3.50	£17.87	-£33.53	-£74.69	0.51%	-187.60%
Cofunds	31-Dec	£35.80	£69.96	£5.87	£43.12	0.20%	8.39%
FundsNetwork	30-Jun	£32.40	£211.80	£5.03	£37.24	0.65%	2.38%
Hubwise	31-Jan	£0.00	£0.08	-£0.06	-£0.18	0.00%	-82.20%
James Brearley	30-Apr	£0.60	£5.44	£0.26	£1.50	0.91%	4.72%
James Hay Ptshp	31-Dec	£13.50	£36.61	£10.95	N/A	0.27%	29.92%
Novia	31-Dec	£0.99	£8.94	£0.86	-£11.52	0.91%	9.59%
Nucleus	31-Dec	£3.20	£9.72	-£0.96	-£13.56	0.30%	-9.86%
OMW Platform	31-Dec	£18.74	£278.17	£5.67	-£56.01	1.48%	2.04%
Parmenion	31-Mar	£0.28	£2.25	£0.08	N/A	0.61%	4.77%
Platform One	31-Dec	£0.01	£0.02	-£0.32	-£0.57	0.27%	-1937.42%
Praemiun	30-Jun	£0.28	£0.79	-£2.57	-£13.29	0.28%	-324.09%
Raymond James	30-Sep	£2.45	£17.70	-£0.83	-£9.72	0.72%	-4.67%
Seven IM	31-Dec	£3.79	£33.94	£2.50	£0.30	0.90%	7.36%
Standard Life Wrap	31-Dec	£10.70	£51.04	-£34.76	-£189.06	0.48%	-68.10%
Succession Platform	31-Dec	£0.00	£0.00	£0.00	£0.00	0.00%	0.00%
Transact	30-Sep	£10.10	£49.77	£14.55	£42.93	0.49%	29.23%
True Potential	31-Dec	£0.00	£0.11	£0.00	N/A	0.00%	3.18%
Wealthtime	31-Dec	£0.29	£0.00	£0.00	£0.01	0.00%	0.00%
Zurich Platform	31-Dec	N/A	£53.17	-£52.66	£0.00	0.00%	-99.04%
Total:		£159.62	£918.12	-£73.06	-£287.10	0.58%	-7.96%

## Key financial performance metrics (2012)

	Year End Date	AuA (Billions)	Turnover (Millions)	Pre-tax Profit (Millions)	P&L Acct Reserves (Millions)	Yield on AUA	Pre-Tax Profit Margin
Aegon ARC (ISA/GIA)	31-Dec	£0.02	£0.02	-£0.40	-£0.33	0.09%	-2673.33%
AJ Bell	30-Sep	£17.50	£51.77	£26.50	£37.75	0.30%	51.19%
Alliance Trust Savings	31-Dec	£4.10	£14.39	-£0.40	-£33.99	0.35%	-2.76%
Ascentric	31-Dec	£5.20	£19.04	£1.84	-£11.29	0.37%	9.67%
Avalon	30-Jun	£0.30	£1.98	£0.04	-£0.31	0.66%	2.09%
Aviva Wrap	31-Dec	£1.19	£3.11	-£7.50	-£29.46	0.26%	-241.50%
Axa Elevate	31-Dec	£5.10	£21.89	-£29.99	-£97.40	0.43%	-136.98%
Cofunds	31-Dec	£47.60	£73.80	£5.01	£46.58	0.16%	6.79%
FundsNetwork	30-Jun	£36.70	£198.97	£5.13	£41.64	0.54%	2.58%
Hubwise	31-Jan	£0.00	£0.02	-£0.01	-£0.19	0.00%	-37.00%
James Brearley	30-Apr	£0.76	£5.56	£0.19	£1.65	0.73%	3.49%
James Hay Ptshp	31-Dec	£14.00	£37.68	£10.29	N/A	0.27%	27.31%
Novia	31-Dec	£1.42	£10.26	£1.04	-£10.75	0.72%	10.18%
Nucleus	31-Dec	£4.60	£13.64	£0.03	-£13.42	0.30%	0.24%
OMW Platform	31-Dec	£22.63	£322.53	£3.01	-£74.06	1.43%	0.93%
Parmenion	31-Mar	£0.63	£3.35	£0.25	N/A	0.36%	11.16%
Platform One	31-Dec	£0.02	£0.05	-£0.30	-£0.88	0.21%	-617.93%
Praemiun	30-Jun	£0.42	£1.24	-£3.47	-£16.77	0.29%	-280.78%
Raymond James	30-Sep	£2.97	£20.05	£0.02	-£9.70	0.68%	0.09%
Seven IM	31-Dec	£4.59	£37.49	£2.03	£2.33	0.82%	5.42%
Standard Life Wrap	31-Dec	£14.00	£61.80	-£0.51	-£187.08	0.44%	-0.82%
Succession Platform	31-Dec	£1.01	£1.74	-£1.03	-£7.72	0.17%	-59.18%
Transact	30-Sep	£12.00	£49.61	£14.73	£51.62	0.41%	29.68%
True Potential	31-Dec	£0.00	£1.49	£0.55	N/A	0.00%	36.95%
Wealthtime	31-Dec	£0.31	£0.00	£0.00	£0.06	0.00%	0.00%
Zurich Platform	31-Dec	Negligible	£46.57	-£20.41	£0.00	0.00%	-43.82%
Total:		£197.07	£997.29	£6.59	-£311.79	0.51%	0.66%



## Key financial performance metrics (2013)

	Year End Date	Aqua (Billions)	Turnover (Millions)	Pre-tax Profit (Millions)	P&L Acct Reserves (Millions)	Yield on AUA	Pre-Tax Profit Margin
Aegon ARC (ISA/GIA)	31-Dec	£0.24	£0.43	-£0.79	-£0.93	0.18%	-183.95%
AJ Bell	30-Sep	£20.40	£57.04	£23.90	£46.00	0.28%	41.90%
Alliance Trust Savings	31-Dec	£5.40	£11.18	£3.79	-£30.26	0.21%	33.89%
Acentric	31-Dec	£7.30	£23.21	-£0.57	-£11.79	0.32%	-2.44%
Avalon	30-Jun	£0.30	£2.37	£0.10	-£0.21	0.79%	4.25%
Aviva Wrap	31-Dec	£2.73	£5.38	-£5.41	-£33.61	0.20%	-100.56%
Axa Elevate	31-Dec	£7.50	£23.03	-£19.82	-£111.95	0.31%	-86.09%
Cofunds	31-Dec	£64.10	£79.74	£4.21	£48.69	0.12%	5.27%
FundsNetwork	30-Jun	£43.99	£216.61	£5.92	£30.11	0.49%	2.73%
Hubwise	31-Jan	£0.00	£0.06	£0.00	-£0.19	0.00%	0.00%
James Brearley	30-Apr	£1.05	£5.73	£0.62	£2.09	0.55%	10.77%
James Hay Ptshp	31-Dec	£15.30	£36.97	£6.73	N/A	0.24%	18.19%
Novia	31-Dec	£2.27	£18.84	£7.79	-£3.11	0.83%	41.37%
Nucleus	31-Dec	£6.20	£18.76	£1.47	-£11.70	0.30%	7.85%
OMW Platform	31-Dec	£27.29	£299.69	£11.23	-£81.61	1.10%	3.75%
Parmenion	31-Mar	£1.09	£5.28	£0.57	N/A	0.31%	16.97%
Platform One	31-Dec	£0.05	£0.06	-£0.47	-£1.35	0.13%	-750.50%
Praemiun	30-Jun	£0.45	£1.75	-£2.99	-£19.05	0.39%	-170.57%
Raymond James	30-Sep	£3.51	£22.04	£0.23	-£9.47	0.63%	1.06%
Seven IM	31-Dec	£5.95	£36.59	£5.25	N/A	0.61%	14.35%
Standard Life Wrap	31-Dec	£16.60	£68.69	-£10.38	-£194.88	0.41%	-15.11%
Succession Platform	31-Dec	£1.61	£5.06	£0.38	-£6.33	0.31%	7.61%
Transact	30-Sep	£14.30	£55.50	£16.86	£61.88	0.39%	30.38%
True Potential	31-Dec	£2.00	£4.78	£1.92	N/A	0.24%	40.26%
Wealthtime	31-Dec	£0.49	£0.86	£0.23	£0.24	0.18%	26.41%
Zurich Platform	31-Dec	£7.00	£36.59	-£5.84	-£108.07	0.52%	-15.96%
Total:		£257.13	£1034.59	£44.48	-£436.00	0.40%	4.30%

## Key financial performance metrics (2014)

	Year End Date	AUA (Billions)	Turnover (Millions)	Pre-tax Profit (Millions)	P&L Acct Reserves (Millions)	Yield on AUA	Pre-Tax Profit Margin
Aegon ARC (ISA/GIA)	31-Dec	£0.44	£1.12	-£0.38	£1.23	0.25%	-34.23%
AJ Bell	30-Sep	£23.70	£53.49	£16.12	£48.26	0.23%	30.13%
Alliance Trust Savings	31-Dec	£6.40	£12.91	-£3.74	-£33.91	0.20%	-28.98%
Ascentric	31-Dec	£8.90	£24.47	-£1.94	-£13.17	0.27%	-7.91%
Avalon	30-Jun	£0.23	£3.53	£0.15	-£0.07	1.55%	4.12%
Aviva Wrap	31-Dec	£5.19	£11.93	-£3.41	-£36.29	0.23%	-28.60%
Axa Elevate	31-Dec	£9.20	£27.01	-£17.15	-£125.35	0.29%	-63.49%
Cofunds	31-Dec	£71.90	£78.94	£7.69	£54.24	0.11%	9.74%
FundsNetwork	30-Jun	£51.72	£243.88	£7.56	£36.83	0.47%	3.10%
Hubwise	31-Jan	£0.00	£0.13	£0.00	-£0.19	0.00%	0.00%
James Brearley	30-Apr	£1.18	£5.68	£0.13	£2.07	0.48%	2.37%
James Hay Ptshp	31-Dec	£16.40	£36.71	£5.81	N/A	0.22%	15.82%
Novia	31-Dec	£3.07	£11.36	-£0.78	-£3.39	0.37%	-6.86%
Nucleus	31-Dec	£8.00	£23.60	£2.48	-£9.22	0.30%	10.50%
OMW Platform	31-Dec	£30.79	£234.99	-£6.23	-£116.96	0.76%	-2.65%
Parmenion	31-Mar	£1.50	£7.37	£1.16	N/A	0.35%	22.01%
Platform One	31-Dec	£0.08	£0.10	-£0.44	-£1.79	0.12%	-444.68%
Praemiun	30-Jun	£0.55	£1.47	-£3.61	-£22.30	0.27%	-245.14%
Raymond James	30-Sep	£4.30	£24.69	£0.53	-£8.94	0.57%	2.15%
Seven IM	31-Dec	£7.72	£41.91	£9.70	N/A	0.54%	23.14%
Standard Life Wrap	31-Dec	£20.90	£72.83	-£4.09	-£197.40	0.35%	-5.62%
Succession Platform	31-Dec	£2.05	£6.26	£1.38	-£5.11	0.31%	22.04%
Transact	30-Sep	£17.10	£59.69	£17.78	£59.52	0.35%	29.78%
True Potential	31-Dec	£3.00	£8.98	£5.39	N/A	0.30%	60.05%
Wealthtime	31-Dec	£0.68	£1.32	£0.53	£0.66	0.19%	40.19%
Zurich Platform	31-Dec	£13.03	£31.21	-£27.67	-£96.05	0.24%	-88.65%
Total:		£308.03	£1023.95	£6.98	-£373.16	0.33%	0.68%

## Key financial performance metrics (2015)

	Year End Date	AUA (Billions)	Turnover (Millions)	Pre-tax Profit (Millions)	P&L Acct Reserves (Millions)	Yield on AUA	Pre-Tax Profit Margin
Aegon ARC (ISA/GIA)	31-Dec	£0.61	£1.63	-£0.02	£1.25	0.27%	-1.23%
AJ Bell	30-Sep	£26.10	£57.04	£15.47	£50.32	0.22%	27.12%
Alliance Trust Savings	31-Dec	£8.50	£13.70	-£5.23	-£38.69	0.16%	-38.17%
Acentric	31-Dec	£10.10	£27.36	-£1.85	-£14.47	0.27%	-6.75%
Avalon	30-Jun	£0.28	£1.35	-£0.08	-£0.15	0.49%	-5.93%
Aviva Wrap	31-Dec	£8.20	£19.49	-£38.08	-£67.38	0.24%	-195.38%
Axa Elevate	31-Dec	£11.30	£32.02	-£14.87	-£132.96	0.28%	-46.43%
Cofunds	31-Dec	£76.90	£78.94	£0.07	£52.33	0.10%	0.09%
FundsNetwork	30-Jun	£60.17	£252.28	£8.74	£29.70	0.42%	3.47%
Hubwise	31-Jan	£0.00	£0.17	£0.00	-£0.19	0.00%	0.00%
James Brearley	30-Apr	£1.20	£5.78	£0.24	£2.12	0.48%	4.06%
James Hay Ptshp	31-Dec	£19.50	£43.82	£9.85	N/A	0.22%	22.48%
Novia	31-Dec	£3.80	£13.49	£0.97	-£2.57	0.35%	7.17%
Nucleus	31-Dec	£9.28	£28.96	£4.77	-£4.94	0.31%	16.48%
OMW Platform	31-Dec	£34.50	£212.02	-£14.24	-£120.94	0.61%	-6.72%
Parmenion	31-Mar	£1.71	£7.37	£1.68	N/A	0.43%	22.80%
Platform One	31-Dec	£0.10	£0.18	-£0.43	-£2.22	0.18%	-237.14%
Praemium	30-Jun	£0.96	£1.30	-£2.73	-£23.10	0.14%	-209.39%
Raymond James	30-Sep	£4.83	£27.91	£0.54	-£8.40	0.58%	1.93%
Seven IM	31-Dec	£10.09	£56.11	£12.47	N/A	0.56%	22.23%
Standard Life Wrap	31-Dec	£27.53	£69.36	£5.31	-£192.09	0.25%	7.66%
Succession Platform	31-Dec	£2.44	£7.65	£1.54	-£3.86	0.31%	20.13%
Transact	30-Sep	£19.10	£63.63	£20.83	£68.29	0.33%	32.74%
True Potential	31-Dec	£5.20	£17.12	£9.25	N/A	0.33%	54.01%
Wealthtime	31-Dec	£0.85	£1.72	£0.70	£1.20	0.20%	40.70%
Zurich Platform	31-Dec	£16.40	£30.72	-£33.64	-£123.00	0.19%	-109.50%
Total:		£359.64	£1070.33	-£18.73	-£529.55	0.30%	-1.75%

# The platform survival matrix

This year, we introduce our very own survival matrix to provide a simple, powerful snapshot of a platform's financial standing and likelihood of surviving in the marketplace.

The matrix is our own adaptation of the BCG Growth-Share Matrix, which is a model developed by Bruce Henderson of the Boston Consulting Group. Adapting this to the platform industry, we classify platforms into nine categories depending on their market share (by AUA) and their pre-tax profit margin.

## The nine categories are;

- **Market Leaders:** these platforms have a high market share (more than £20 billion of assets) and a high level of pre-tax profit margin (more than 15%), in comparison to rest of the market place. They are clear leaders, head and shoulders above their peers.
- **Rising Stars:** in terms of market share, they are mid-sized players but they've mastered the art of turning that into the bottom-line. This allows them to continually re-invest in service and technology. They have proven their business models and have demonstrated they can not only survive but thrive. These platforms are the ones to watch!
- **Niche Players:** these are the small giants. Assets might be low but profit margin is very strong. Small market share may just be a result of a conscious strategy to target a particular niche or a very clearly defined sector of the market.
- **Cash Cows:** these are large platforms in terms of AUA with mid-level profitability. This may be because the owners have other intentions than just bottom-line – such as funnelling assets into their asset management businesses.
- **Average Joes:** these are mid-sized platforms by AUA and equally of mid-level profitability in comparison to the rest of the industry. They are ticking along and surviving.
- **Slow Starters:** these are small platforms by AUA with mid-level profitability in comparison to the rest of the industry. Winning market share will be a daunting challenge for these platforms and the need for never-ending reinvestment in service and technology
- **Question Marks/Lost Cause:** these are platforms with large market share by AUA but have failed to turn that into meaningful bottom-line. Often they are being propped up by a deep-pocketed parent company and the big question is, how long will that go on for?
- **Problem Child:** this is a term we use to describe platforms with medium market share but low profitability or loss-making. They may be gaining assets, which means they are doing something right but that doesn't necessarily translate into real bottom line, yet. A turn around may be necessary for them to survive
- **Non-Starters:** these platforms have low market share and low profit margins or more likely, they're making losses. This may be because they have recently entered the market place. Given the competitive nature of the platform market, winning market share would be quite a challenge, even with unique technology.





# THE SCORECARD: FINANCIAL PERFORMANCE RATING

And the scores are in! This is the section of the report where we rate the platforms and award our infamous FinalytiQ Financial Performance Rating!

So we have put platforms into three categories based on their AUA at the end of 2015.

- Large platforms: these are platforms with £15 billion or more in assets under administration.
- Medium-sized platforms: these platforms have between £5 billion and £15 billion assets under administration.
- Small platforms: those with AUA below £5 billion.

This puts everyone on a level-paying field, and of course we give you our views on each player.

Let's introduce you to our Platform Financial Performance Ratings; there are four ratings, each with a colour code - Excellent (Blue), Good (Green), Average (Amber) and Poor (Red).

- A blue rating means that the business is both profitable and sustainable, as indicated by good profit margin (20% or more) and positive P&L reserve. The platform business ranks well compared to peers in all five metrics and is better positioned to withstand key regulatory and competitive pressures.
- A green rating means that the business is profitable and has a viable proposition in the market place, with good profit margin (10% or more) - although P&L reserve may need some improvement. The platform business ranks well on key profitability metrics but there is at least one area that needs to improve.
- An amber rating means that the business ranks below its peers in more than 2 key financial performance metrics as indicated by low profit margin (less than 10%) and/or deficit in their P&L account reserve. This implies that there are structural challenges that need to be resolved by the business.
- A red rating means that the business falls short on several key profitability metrics, and will require significant support from a parent company for its continued existence. We have serious concerns about the long-term viability of the platform business.

# Scorecard for Large Platforms

	Cofunds	FundsNetwork	OMW Platform	Standard Life	AJ Bell	James Hay Partnership	Transact	Zurich Platform
Technology	IFDS	Bravura (In transit)	IFDS (In transit)	FNZ	GBST / JHC	Proprietary	Proprietary	FNZ
AuA (Billions)	£76.90	£60.17	£34.50	£27.53	£26.10	£19.50	£19.10	£16.40
Turnover (Millions)	£78.33	£252.28	£212.02	£69.36	£57.04	£43.82	£63.63	£30.72
Pre-tax Profit	£0.07	£8.74	-£14.24	£5.31	£15.47	£9.85	£20.83	-£33.64
P&L Acct Reserves	£52.33	£29.70	-£120.94	-£192.09	£50.32	N/A	£68.29	-£123.00
Yield on AUA	0.10%	0.42%	0.61%	0.25%	0.22%	0.22%	0.33%	0.19%
Net Profit Margin (%)	0.09%	3.47%	-6.72%	7.66%	27.12%	22.48%	32.74%	-109.50%
FinalytiQ Financial Performance Rating (2016)	Fair	Fair	Poor	Fair	Excellent	Excellent	Excellent	Poor
FinalytiQ Financial Performance Rating (2015)	Fair	Fair	Poor	Poor	Excellent	Excellent	Excellent	Poor
FinalytiQ Financial Performance Rating (2014)	Good	Good	Good	Poor	Excellent	Excellent	Excellent	Poor

# Cofunds

Revenue has been pretty static since the introduction of RDR in 2013 and the platform took a major hit on its bottom-line profit in 2015 from the PS13/1 sunset clause. The pre-tax profit of £73K on its £77 million revenue is academic.

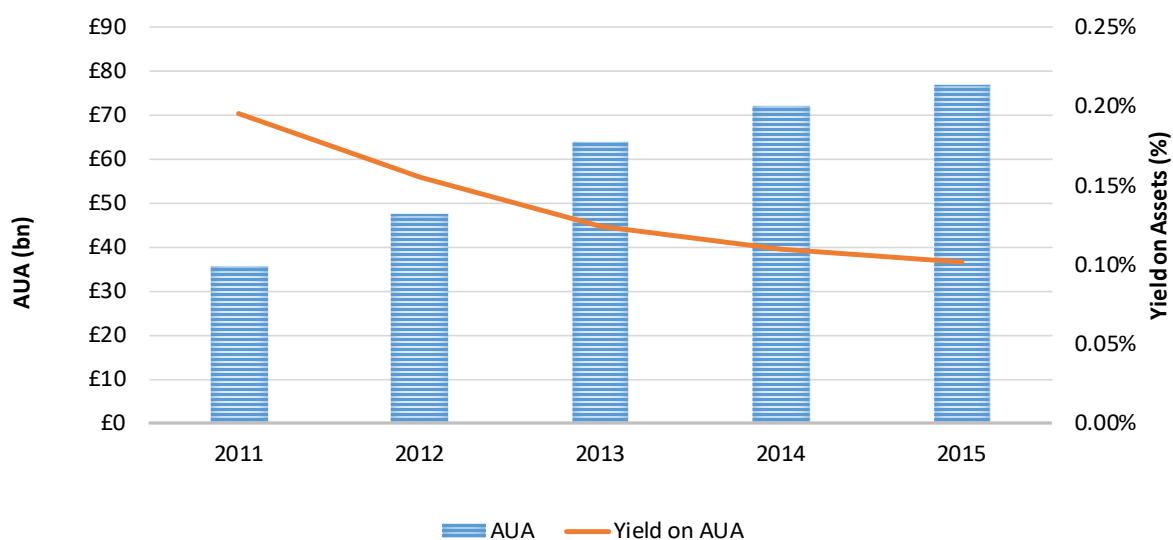
Cofunds has been starved of the much needed investment in technology as owner L&G hasn't been keen on making the necessary investment. Subject to regulatory approval, new owner Aegon plans to upgrade its tech backbone by migrating assets onto the GBST Composer tech. It's going to be a long painful journey but there's finally light at the end of the tunnel for the UK's largest platform!



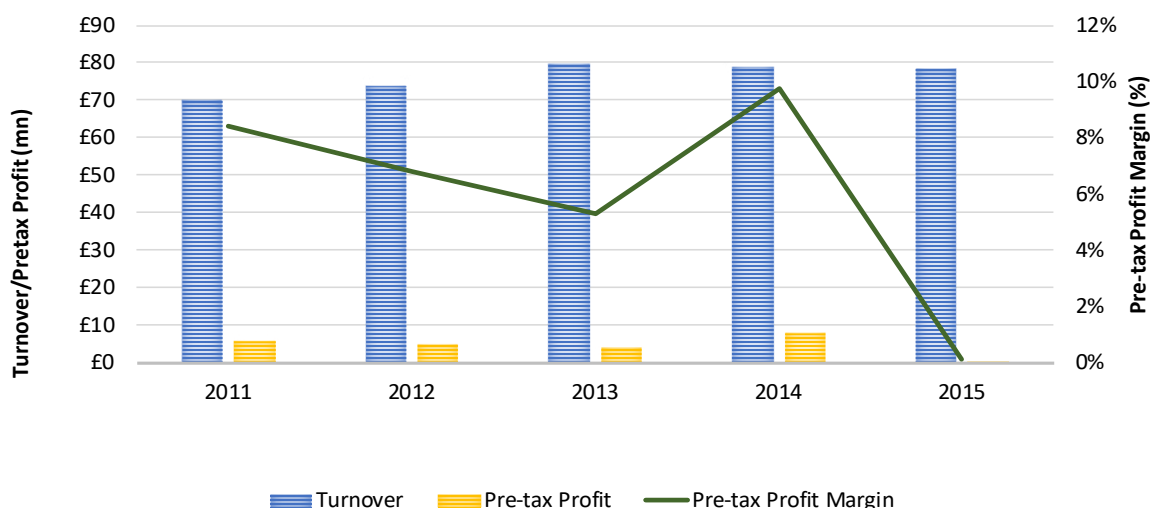
**Provider's Comments:** 'We've been clear for some time that we need to be more profitable and more efficient, so generating £5.3m in net cash shows the progress we made last year, particularly on cost control, and is a good indicator of the health of the business on a current trading basis. However, we recognise that a business of our scale should be more profitable and this remains our focus.'

- David Hobbs, Chief Executive Officer of Cofunds

**AUA & YIELD ON ASSET FOR COFUNDS**



**PROFITABILITY OF COFUNDS**





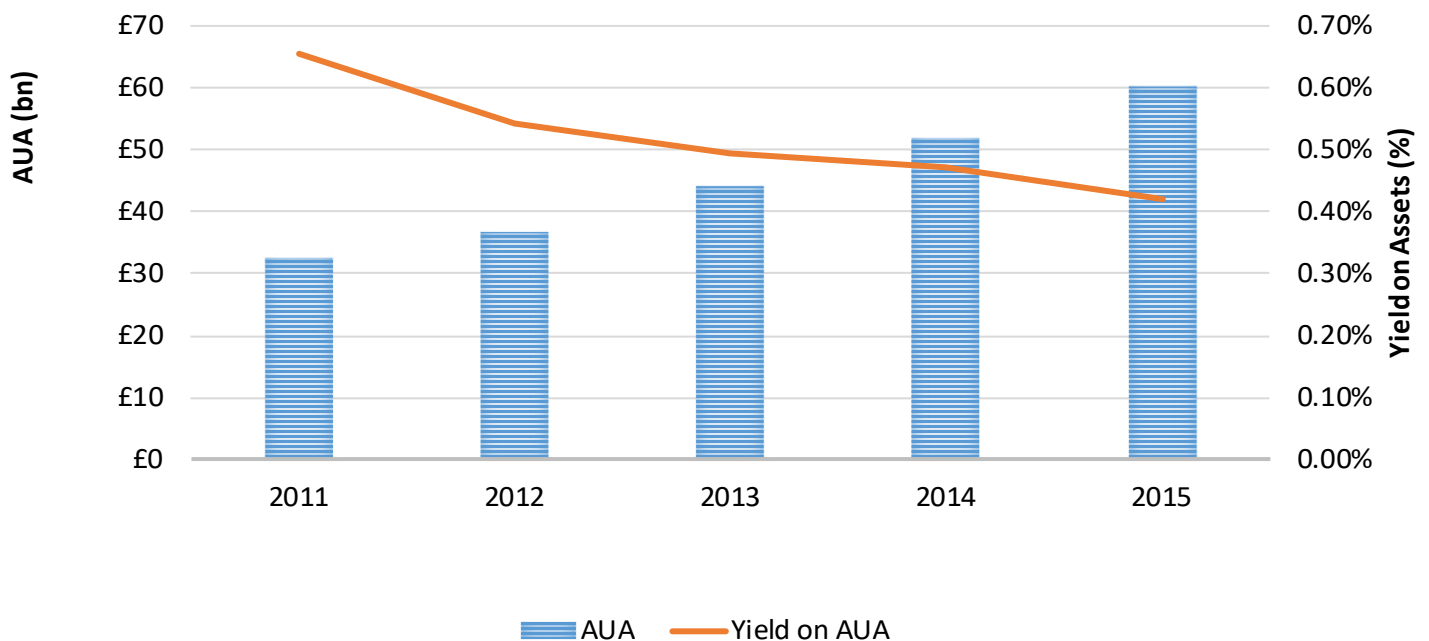
# FundsNetwork

FundsNetwork reported a pre-tax profit of £8.74 million on its £252.3 million revenue, a 3.5% pre-tax profit margin. It's really hard, if not impossible to get to the bottom of FNW accounts. The FundsNetwork sits within FASL, together with other internal administration services and the ultimate parent is domiciled in Bermuda.

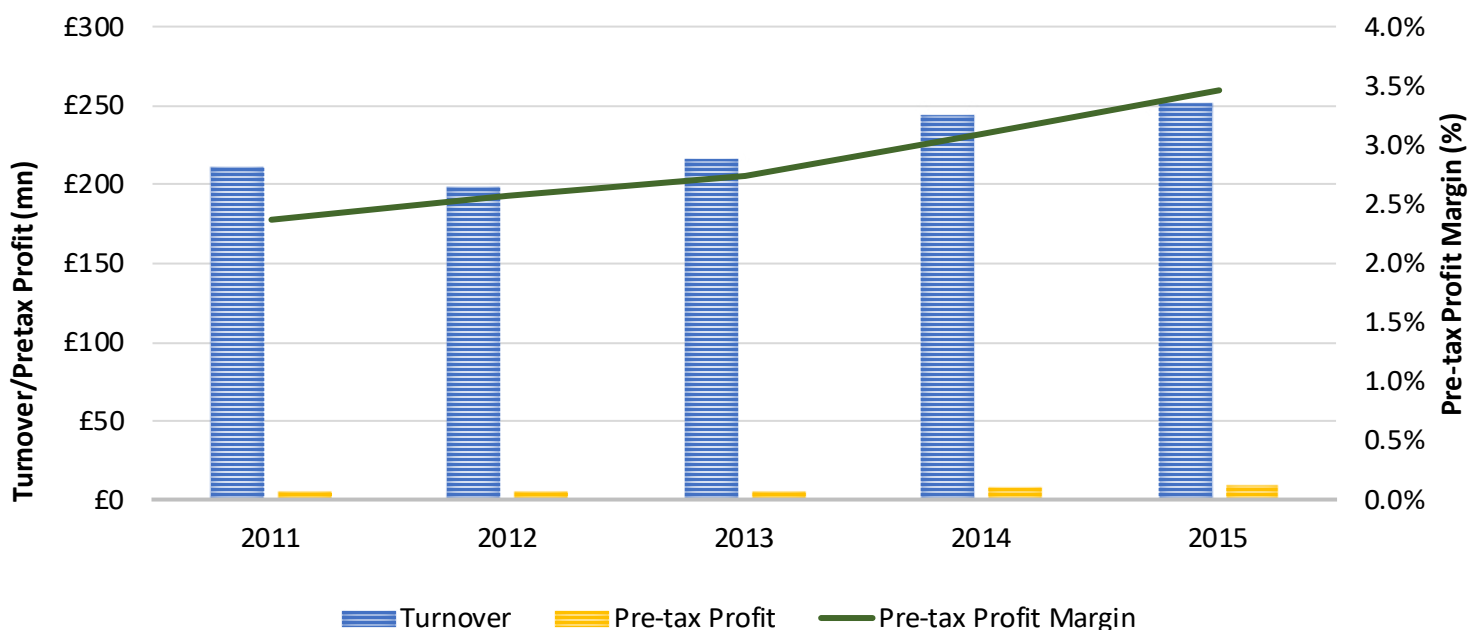


The platform's migration onto the Bravura technology is underway and was originally due to launch to advisers in Q3 2015, but that hasn't happened yet.

## AUA & YIELD ON ASSET FOR FUNDSNETWORK



## PROFITABILITY OF FUNDSNETWORK



# OMW Platform



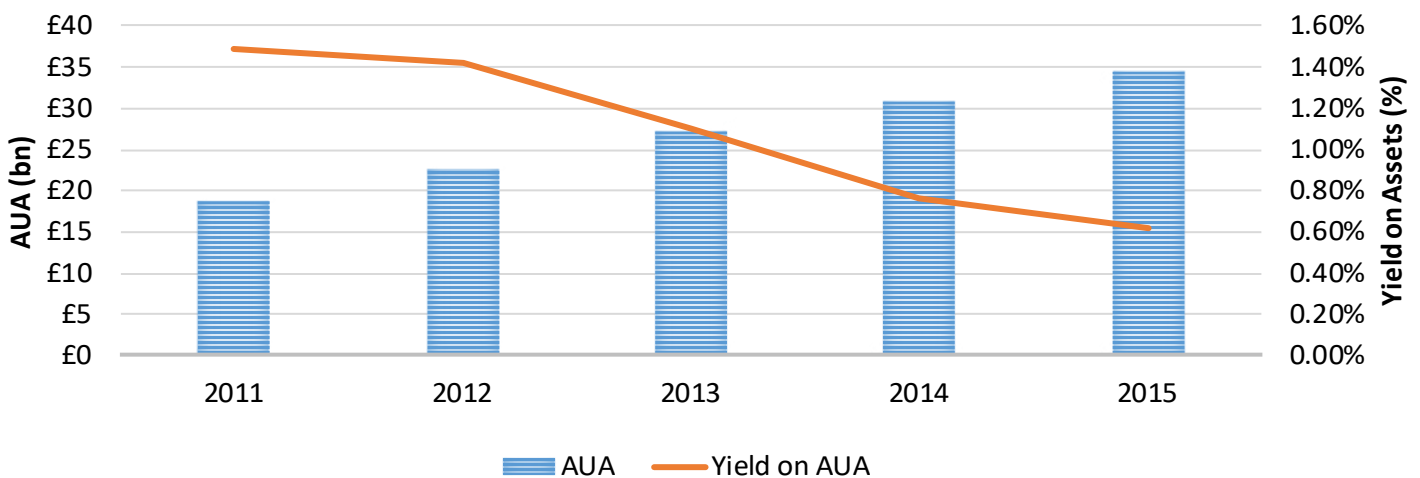
OMW platform reported a pre-tax loss of £14.2 million on its £212 million revenue, primarily as a result of the cost of its on-going re-platforming project.

If re-platforming costs are excluded, the business has an adjusted operating profit of £33 million. It has already spent over £177 million on the project but the total bill is expected to be in the region of £450 million and the completion date has been pushed back to Q2 2018.

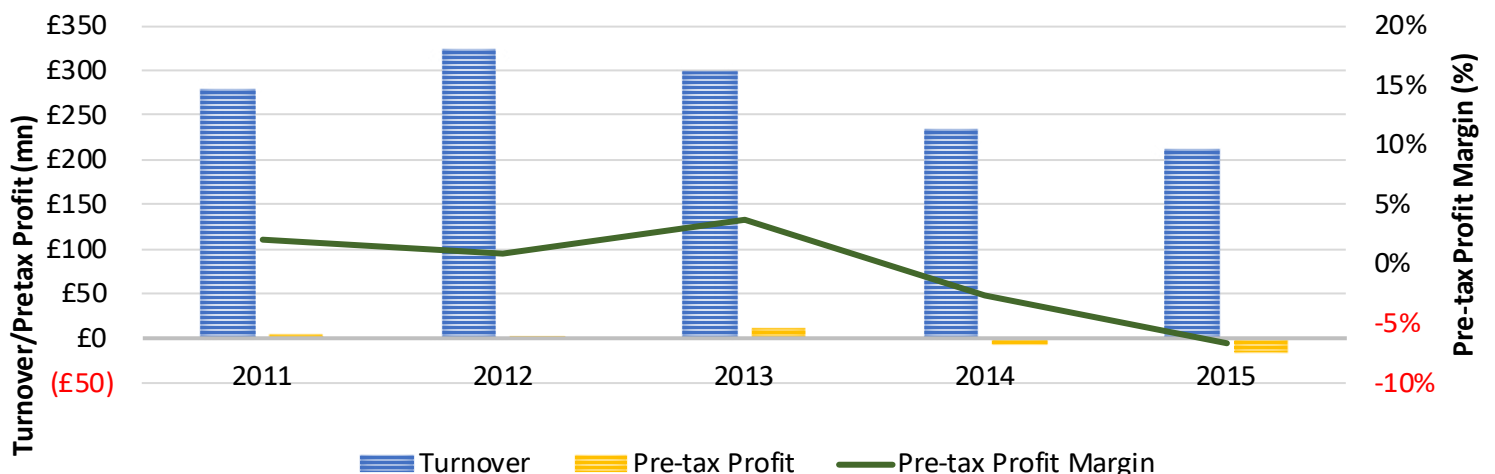
The overall OMW group including the platform, asset management and advice business reported an Adjusted Operating Profit of £307 million in 2015 and £104 million for the first half of 2016 (H1 2015: £151 million).

**Provider's Comments:** "On an Adjusted Operating Profit basis, OMW recorded a profit of £307m in 2015 with our UK Platform recording a profit of £33m. We believe this basis offers a more robust view of the true underlying profitability of the business as it excludes one-off expenditure. Our expenditure in 2015 was exceptional due to investment in our new platform technology, which will reduce operating costs in the longer term. It is important to note that our UK Platform is one part of a broader Wealth Management offering and the financial strength of Old Mutual Wealth in its own right is considerable, ensuring the long term sustainability of the platform." - Tim Skelton-Smith, Deputy Communications Director Old Mutual Wealth

## AUA & YIELD ON ASSET FOR OMW PLATFORM



## PROFITABILITY OF OLD OMW PLATFORM



# Standard Life Wrap

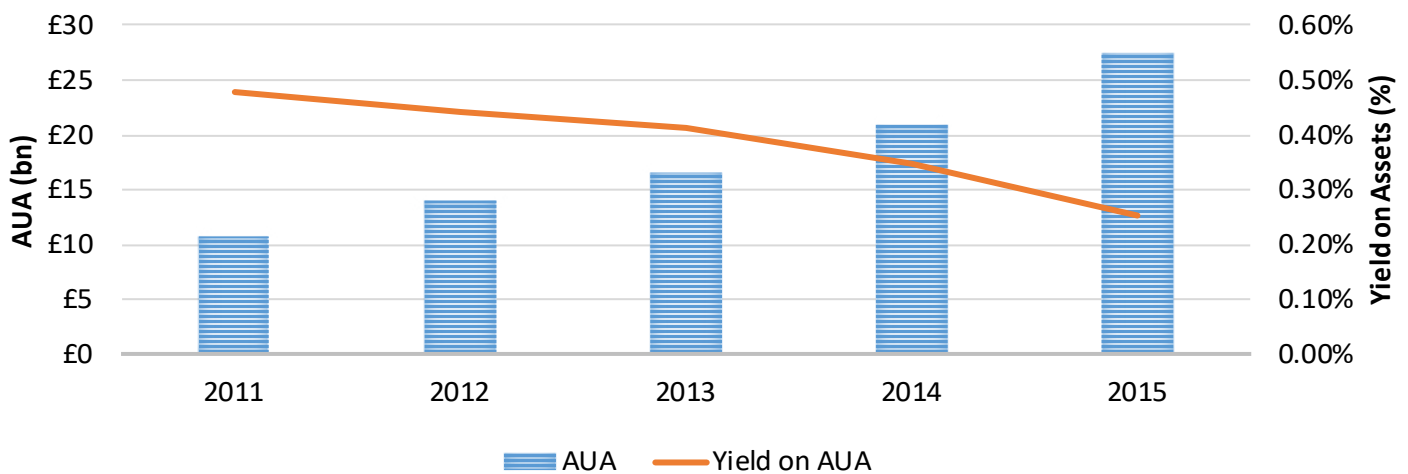


Standard Life Savings Limited, the company that holds the Standard Life Wrap regulatory permissions, turned a profit for the first time in 2015, posting a pre-tax profit of £5.3 million on a turnover of £69.1 million, a margin of 7.6%. This is in part because a portion of the company's business was transferred to its fellow subsidiary Standard Life Investments.

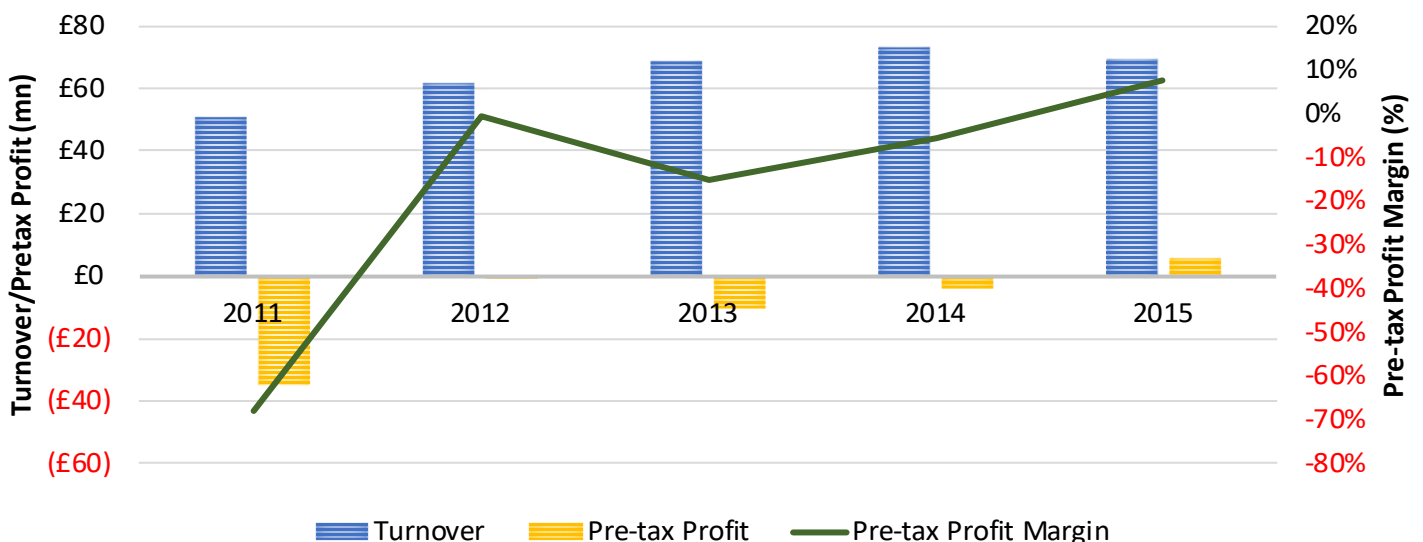
The wrap business sits on £192 million in cumulative losses from previous years. Perhaps we shouldn't doubt Standards commitment to the platform market, particularly in light of its recent acquisition of Elevate. Much of its proposition - Standard Life Wealth and Standard Life Investments - is built around the platform.

**Provider's Comments:** 'Standard Life Wrap generates revenues across five Standard Life group entities: Standard Life Savings Ltd, Standard Life Assurance Ltd (Wrap SIPP), Standard Life International Ltd (Wrap International Bond), Standard Life Wealth Ltd (discretionary portfolios) and Standard Life Investments Ltd (investments). Standard Life has demonstrated a consistent ability to invest and grow its platform business and to generate value for shareholders in all its markets including Wrap.' - Elaine Matheson, Senior Proposition Manager at Standard Life

## AUA & YIELD ON ASSET FOR STANDARD LIFE



## PROFITABILITY OF STANDARD LIFE



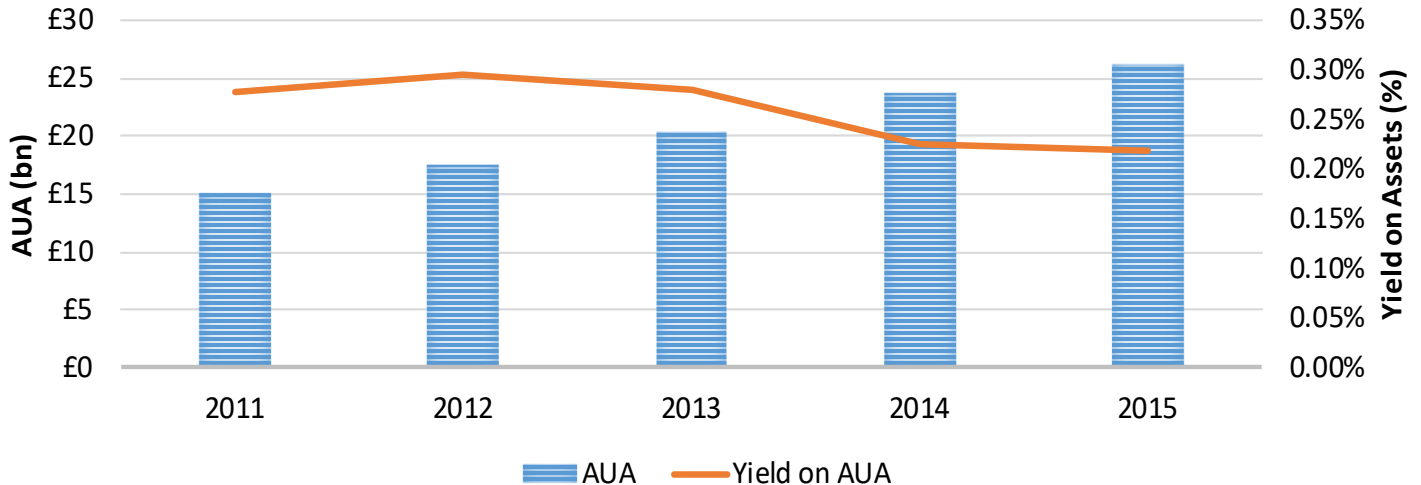


AJ Bell remains the epitome of sustainable and profitable growth. It reported a pre-tax profit of £15.47 million on a revenue of £57 million, a 27.12% margin. Profit is lower than the previous year as the business took a bit of a hit on interest income earned on cash deposits and lost trail income on bundled share classes following the impact of PS13/1 sunset in April. Nonetheless, it remains the second largest platform in terms of pre-tax profit and one of the top by profit margin.

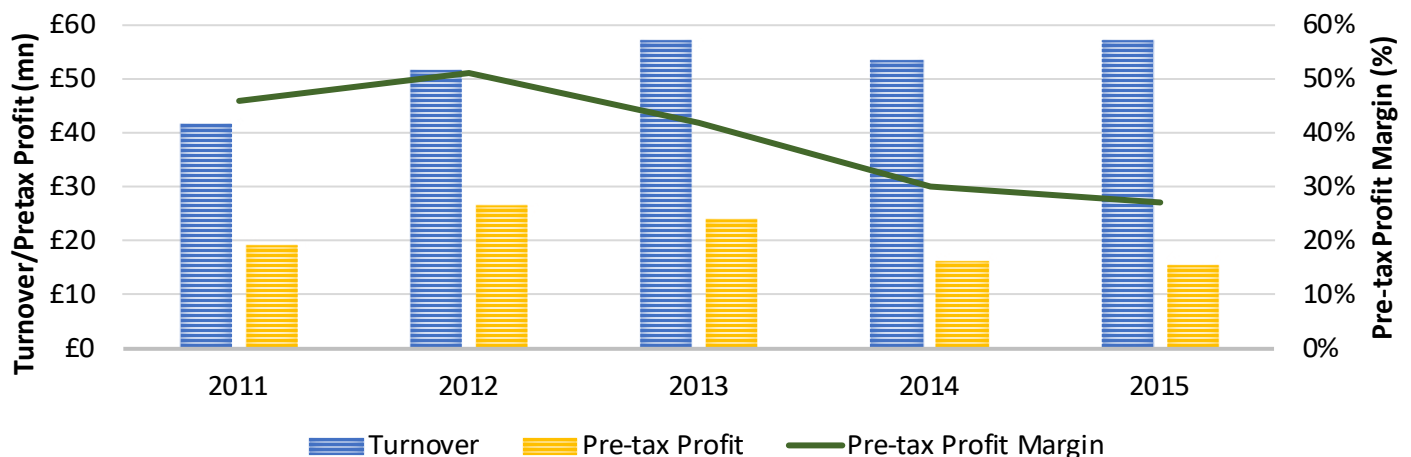
Having migrated assets onto the GBST Composer technology for its administration (with JHC as remaining as their dealing engine), it's now focusing on improving its digital tools, including a new Android app for the direct channel and some new improvements planned for the adviser channel. AJ Bell is keen to get a foothold in the investment management business, and has recently launched a new subsidiary AJ Bell Investments after its acquisition of DFM Mansard Capital and passive fund provider Index Markets and its subsidiary Allium Capital.

**Provider's Comment:** 'Financial stability and re-investment has always been at the heart of AJ Bell's business model. As a profitable business with no debt we have demonstrated a track record of investing in our platform in a way that supports advisers and their clients whilst showing that our model is robust and sustainable over the long term' - Billy Mackay, Marketing Director, AJ Bell

## AUA & YIELD ON ASSET FOR AJ BELL



## PROFITABILITY OF AJ BELL





# James Hay Partnership



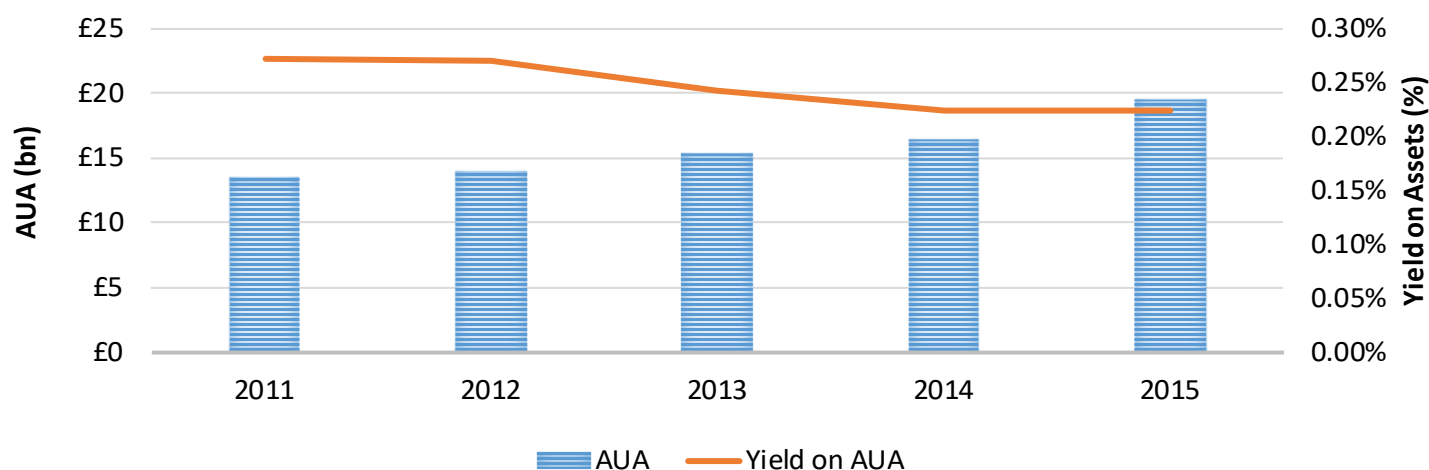
James Hay remains one of the clear leaders in the platform market in terms of assets and financial performance. It has successfully transformed itself from a bespoke SIPP provider into a fully-fledged platform, ranked the 6th largest by assets.

The business reported an adjusted pre-tax profit of £9.8 million on a revenue of £43.8 million, a profit margin of 22.48%. Half year results for the six months to 30 June 2016 show a 15% increase in revenue. James Hay runs off proprietary tech, which is at odds with the most of the industry. This, it argues, gives greater control and flexibility. The platform is leading the industry in the area of paperless documentation, in particular its eSignature facility.

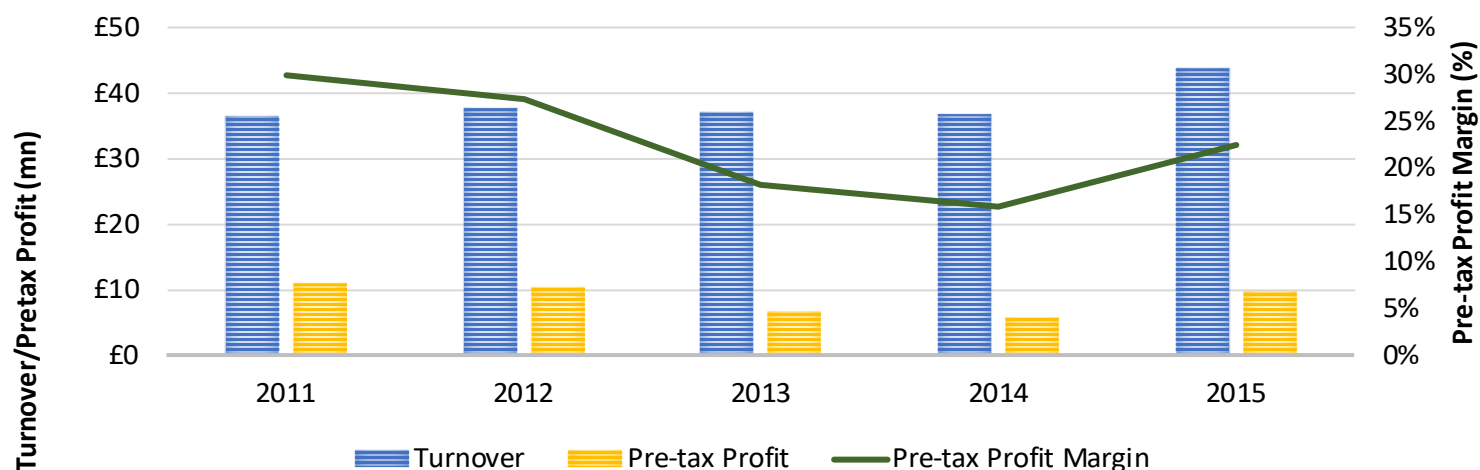
**Provider's Comments:** 'Growth achieved in 2015 translated into increased revenues, profits and assets under administration in H1 2016, compared to H1 2015. We increased spend in the IT and change capability in the business to continue the drive for increased automation and operational efficiency. We believe this is key to our ability to scale the business efficiently going forward.'

- Alastair Conway, CEO.

## AUA & YIELD ON ASSET FOR JAMES HAY PARTNESHIP



## PROFITABILITY OF JAMES HAY PARTNERSHIP



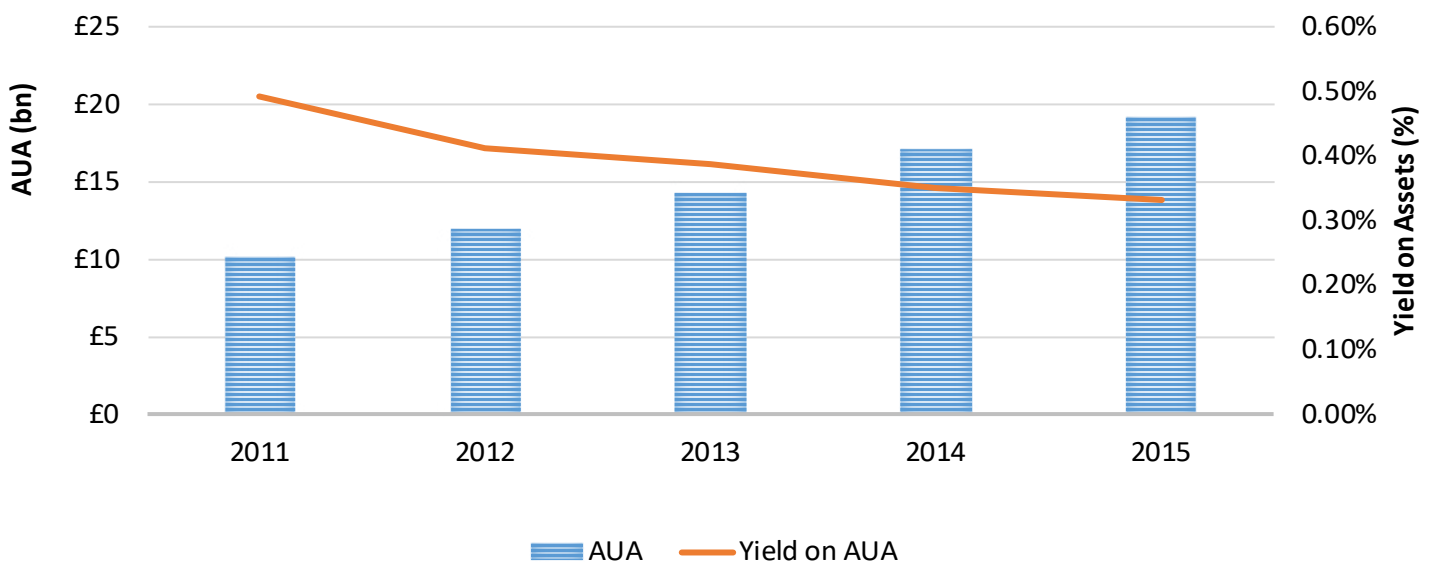
# Transact



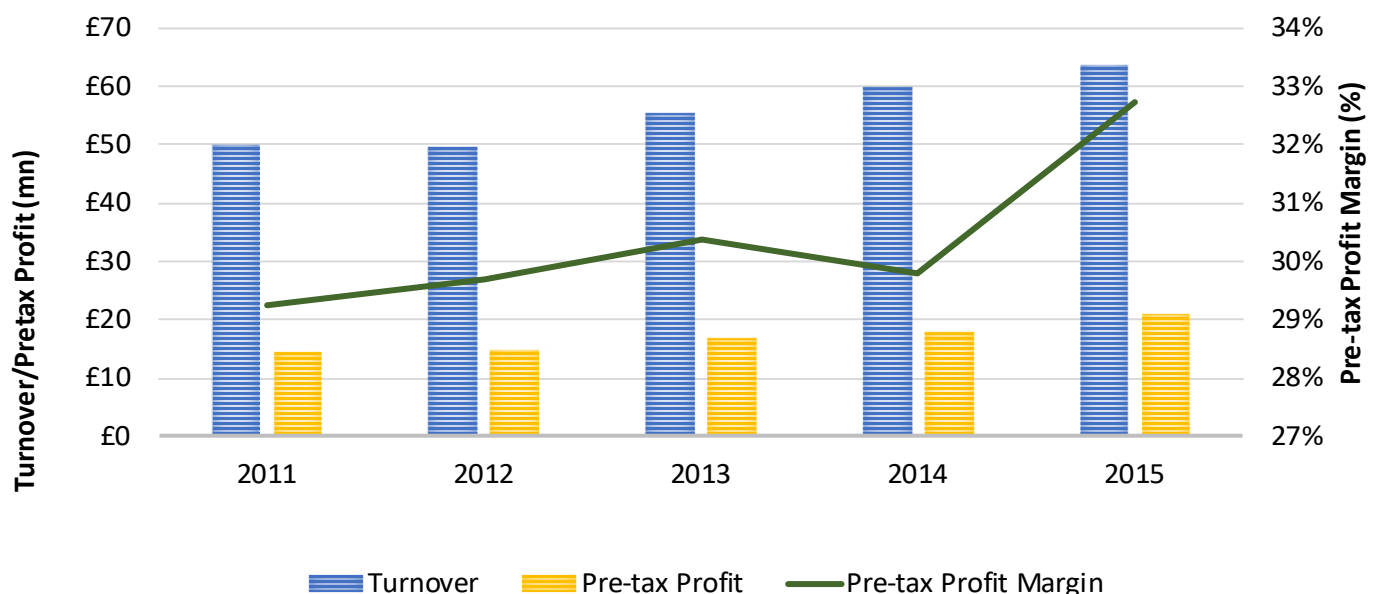
Transact continues to lead the platform sector in term of financial performance. It reported a revenue of £63.6 million and pre-tax profit of £20.8 million, the highest of any platform. And it's sharing that success with clients too! Having reduced fees twice in the last 18 months at a time, it already announced a further price cut due to take effect next year. It recently acquired Integrated Applications Development, the Australian firm that develops its technology. It introduced an investor authorisation process, which enables clients to authorise rebalancing instructions and fund switch requests from their advisers, in a secure and compliant way over the platform. There are plans to take the company public to provide exits to existing shareholders, while retaining its independence.

**Provider's Comment:** 'Our continued success is down to control of our systems, our people and dedication (UK only; adviser only). The Transact team is focused and our financial performance reflects this. - Jonathan Gunby, Chief Development Officer.

## AUA & YIELD ON ASSET FOR TRANSACT



## PROFITABILITY OF TRANSACT



# Zurich Platform

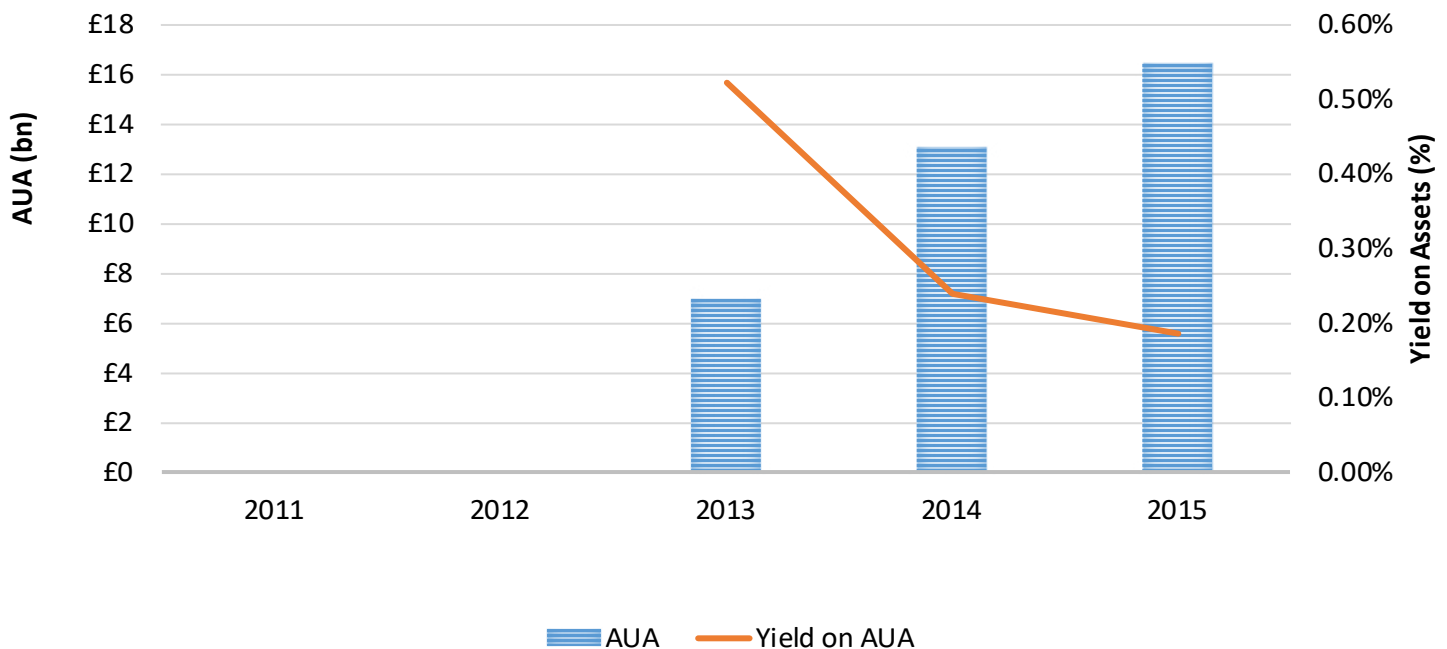


Launched in 2012, AUA on Zurich platform reached £16.4 billion across both the corporate and retail platforms in 2015. Much of the assets have come from its back book, as opposed to new business.

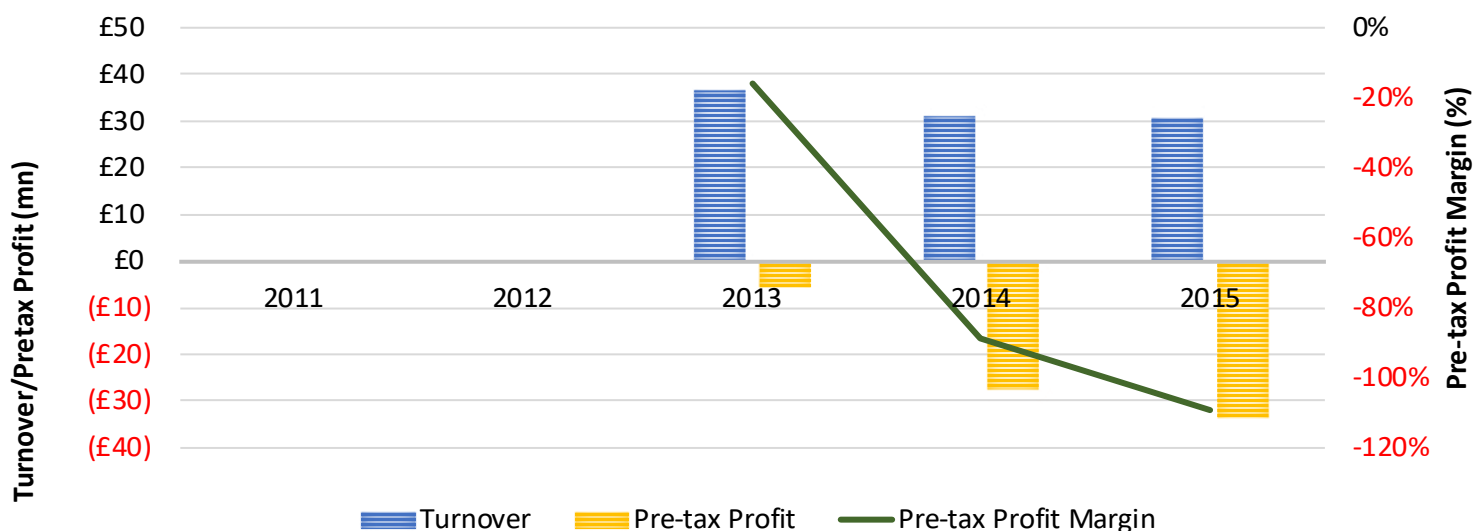
Losses continue to mount though. The platform sits within its Sterling ISA business, which reported a pre-tax loss of £33.6 million on its £30.7m turnover. The company now has £123 million in its P&L reserve account. The parent company injected £53 million into the business in 2015.

**Provider's Comment:** 'We continue to attract significant adviser support and advocacy. We are one of the fastest growing platforms as demonstrated by our net flows.' - Alistair Wilson, Head of Retail Platform Strategy.

## AUA & YIELD ON ASSET FOR ZURICH



## PROFITABILITY OF ZURICH



# Scorecard for Mid-Sized Platforms

	Axa Elevate	Ascentric	Seven IM	Nucleus	Alliance Trust Savings	Aviva Wrap	True Potential
Technology	FNZ	Bravura (In transit)	Pershing	Bravura	GBST	Bravura (Moving to FNZ)	SCI
AUA (Billions)	£11.30	£10.10	£10.09	£9.28	£8.50	£8.20	£5.20
Turnover (Millions)	£32.02	£27.36	£56.11	£28.96	£13.70	£19.49	£17.12
Pre-tax Profit	-£14.87	-£1.85	£12.47	£4.77	-£5.23	-£38.08	£9.25
P&L Acct Reserves	-£132.96	-£14.47	N/A	-£4.94	-£38.69	-£67.38	N/A
Yield on AUA	0.28%	0.27%	0.56%	0.31%	0.16%	0.24%	0.33%
Net Profit Margin (%)	-46.43%	-6.75%	22.23%	16.48%	-38.17%	-195.38%	54.01%
FinalytiQ Financial Performance Rating (2016)	Poor	Poor	Excellent	Good	Poor	Poor	Excellent
FinalytiQ Financial Performance Rating (2015)	Poor	Poor	Excellent	Good	Poor	Poor	Excellent
FinalytiQ Financial Performance Rating (2014)	Poor	Poor	Excellent	Good	Poor	Poor	N/A

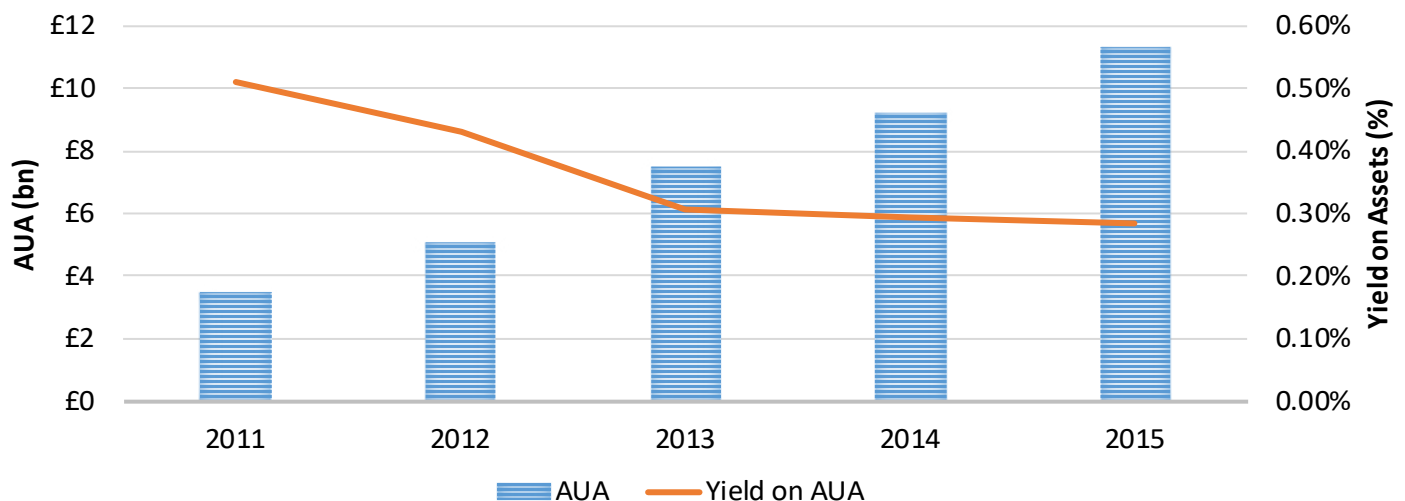
# Elevate



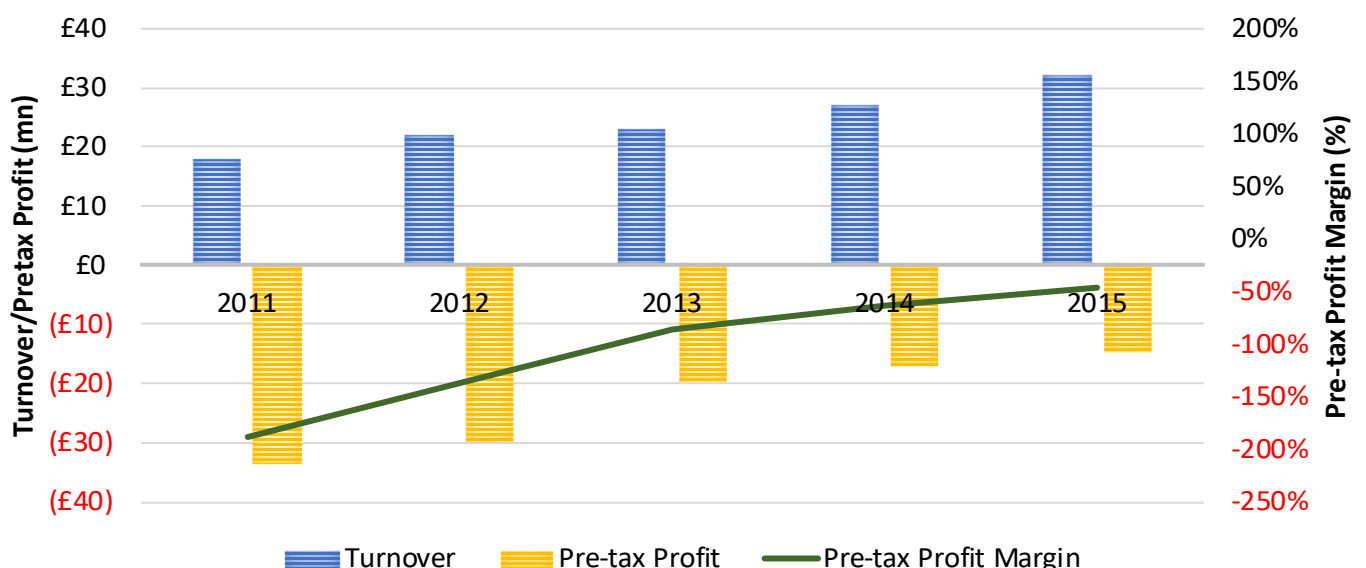
Another year in the red for Elevate, as it posted a £14.9 million loss on its £32 million revenue. Subject to the customary approval from the regulator, the platform should be under Standard Life ownership by the end of the year. Media reports suggest that assets on Elevate wrap platform rose to £10.8bn by the first half of 2016, but the real picture is unclear. The data reported includes the Retirement Wealth Account SIPP's, which is excluded from the Elevate sale to Standard Life.

Standard has already hinted it expects to review Elevate pricing, mostly likely to bring it a little closer to the Standard Life Wrap, to chip away at any pricing edge that Elevate currently has. Clearly Standard doesn't want to upset the apple cart too much; it has already hinted that there are no immediate plans to migrate Elevate assets unto the Standard Life wrap. However, in the long run, Standard are likely to merge to achieve cost-savings and operational efficiency.

## AUA & YIELD ON ASSET FOR AXA ELEVATE



## PROFITABILITY OF AXA ELEVATE





# Ascentric

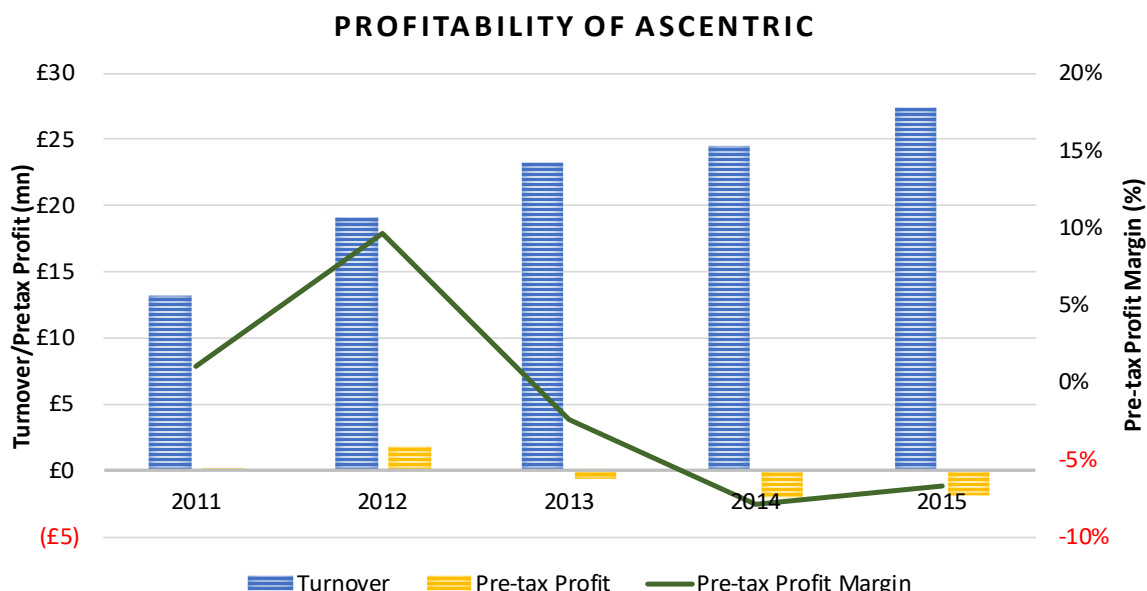
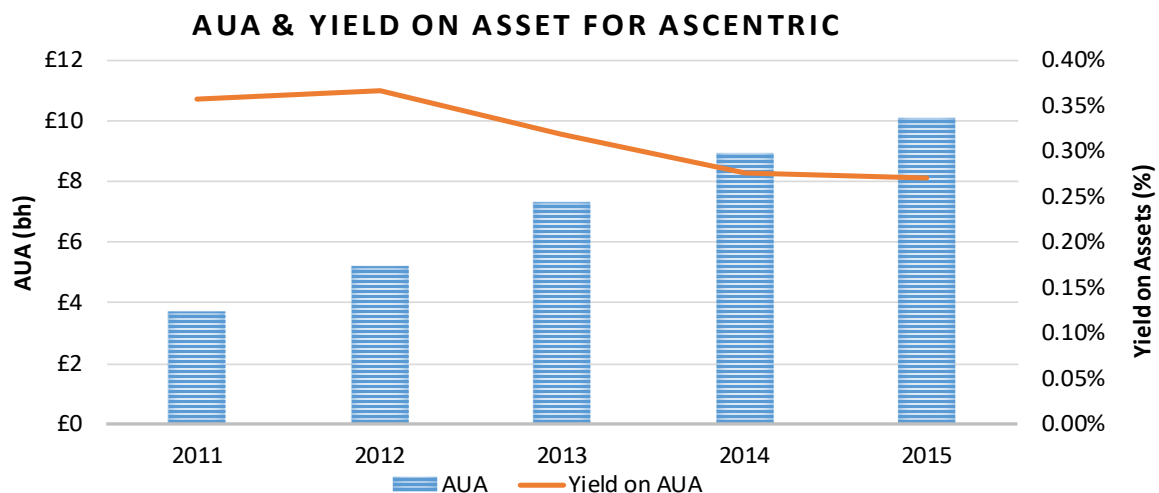


Things are rough at Ascentric right now. The migration of assets from its proprietary tech (BlueButton) to Bravura Sonata, dubbed Project Accelerator has been dogged with delays. Originally due to launch in September 2015, the date of the launch was postponed to the end of 2015. But that didn't happen. It was postponed again to 2016 and we understand it's unlikely to launch this year.

Net new assets have dropped for the second year running, from its record of £1.7 billion in y/e 2013 to £1.1 billion for 2015, indicating advisers are placing less assets on the platform. But total AUA breached the £10 billion mark and the provider retains its position as a mid-market player. Ascentric's key strength remains its open architecture, with links to multiple tax wrappers including 41 SIPP's, 12 SSASs and 6 Offshore Bonds! Having its own desk enables it to manage trades more effectively, a facility that impacts those using ETFs. It is backed by the UK's largest mutual insurer Royal London Group.

**Provider Comments:** 'Strategic technology investment is impacting short-term P&L but we continue to run an operating profit and have an owner committed to the platform market.'

- Sean Hawkins, Senior Marketing Manager, Ascentric



# 7IM

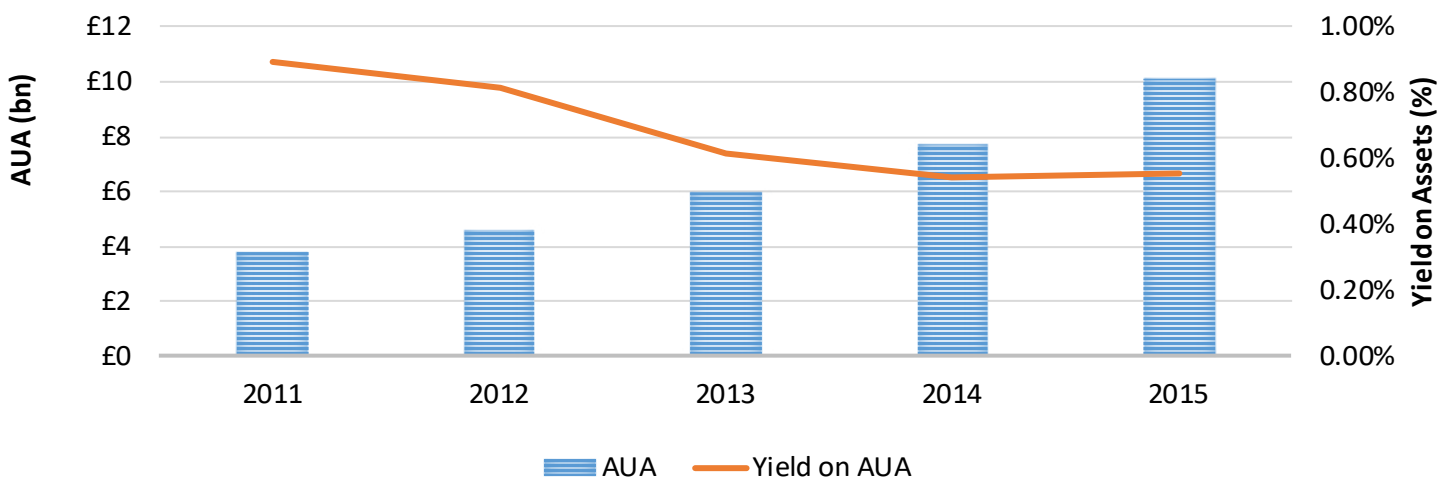


One of the rising stars in the platform market, 7IM continues to go from strength to strength, following acquisition by investment trust Caledonia. It posted a £12.5 million pre-tax profit on its £56.1 million revenue, a margin of 22%.

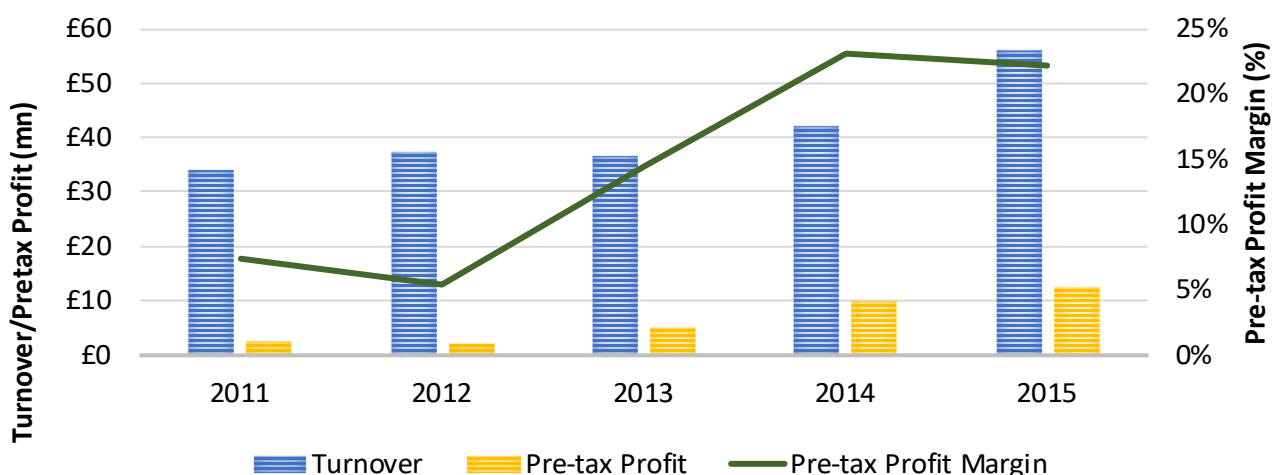
Given its investment management sits alongside platform service, it's no surprise that 7IM has a high yield on assets at 0.56%. It recently added a cashflow planning module 'My Future' to its 7Imagine app. This tool exemplifies how platforms can play a more active role in helping clients visualise their finances.

**Provider Comments:** 'Our success is linked to our focus on and maintenance of high levels of service. We seek to partner with firms where our platform is an appropriate fit to their range of clients. We understand the type of client whose needs we can meet, this (and the development of technology) is where we believe the future lies.' - Verona Smith, Head of Platform at 7IM.

## AUA & YIELD ON ASSET FOR SEVEN IM



## PROFITABILITY OF SEVEN IM



# Nucleus

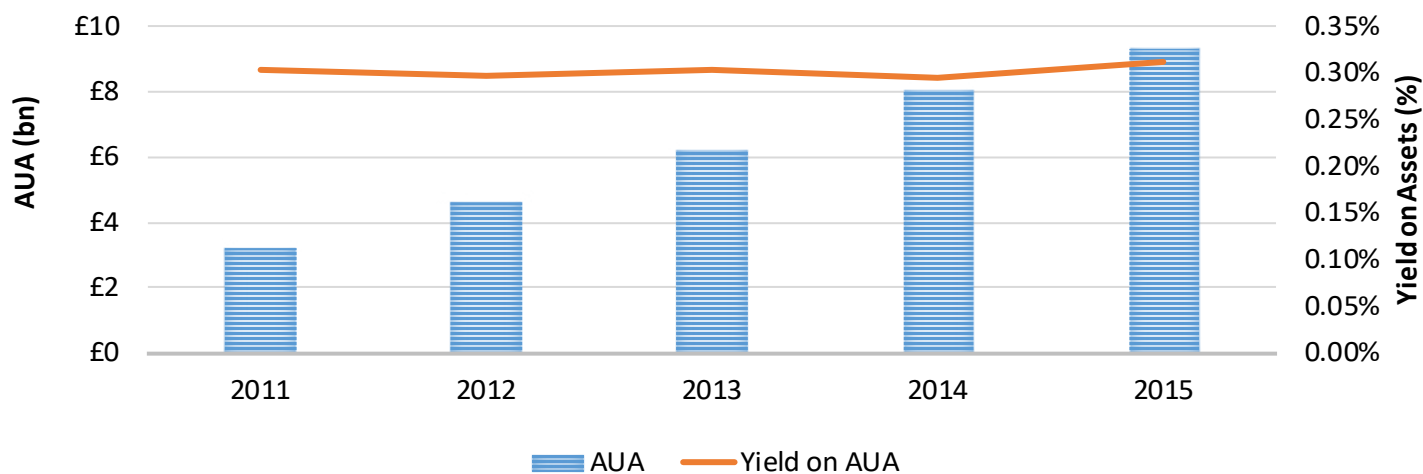


This Edinburgh based platform has had a rather good 2015, reporting a pre-tax profit of £4.8 million on a £29 million revenue. This represents an increase of over 90% in pre-tax profit and a 21% increase in turnover, compared to the previous year. Nucleus has demonstrated that it has a durable proposition and it's definitely one of the rising stars of the industry.

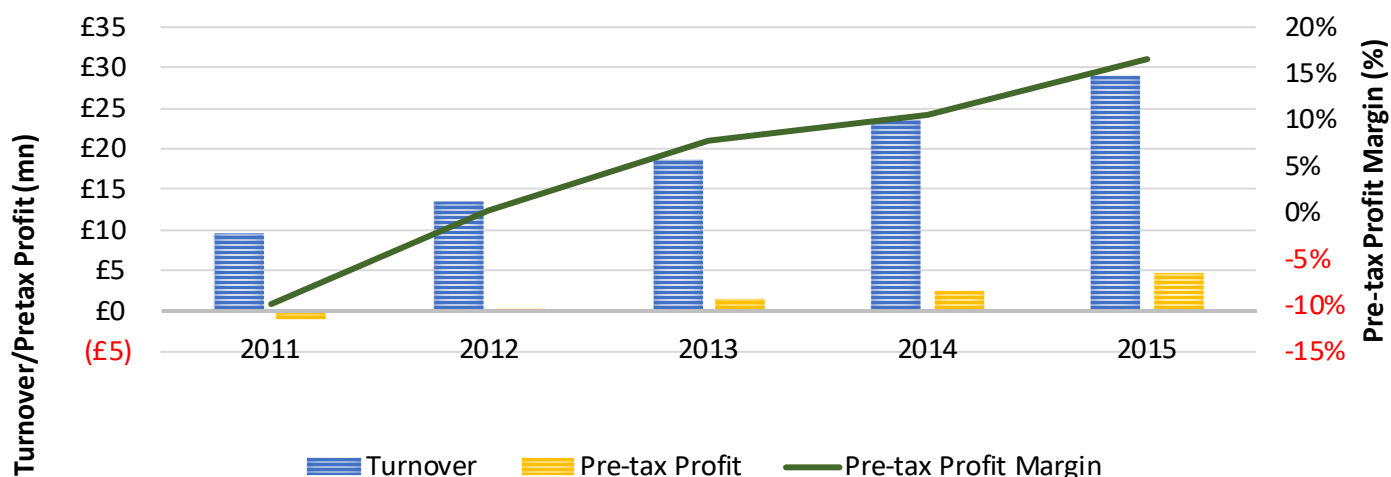
As the first platform to complete the re-platforming process, it's now focusing on building its front end tools and new digital tools for advisers and ultimately clients. Its new Narrate tool is a market leading reporting tool that enables advisers to create in-depth and interactive reports for clients. Another leading innovation in the platform market is the Wrapstore, an online marketplace where advisers can access a wide range of business tools and services to improve efficiency within their business.

**Provider's Comment:** *'We call these sensible financials: sustainable profits, ongoing (and not boom and bust) technology investment cycles, while avoiding the temptation to fuel growth with the accelerant of margin-destroying special deals other platforms offer'* - Doug Heron, Nucleus CFO

## AUA & YIELD ON ASSET FOR NUCLEUS



## PROFITABILITY OF NUCLEUS



# Alliance Trust Savings

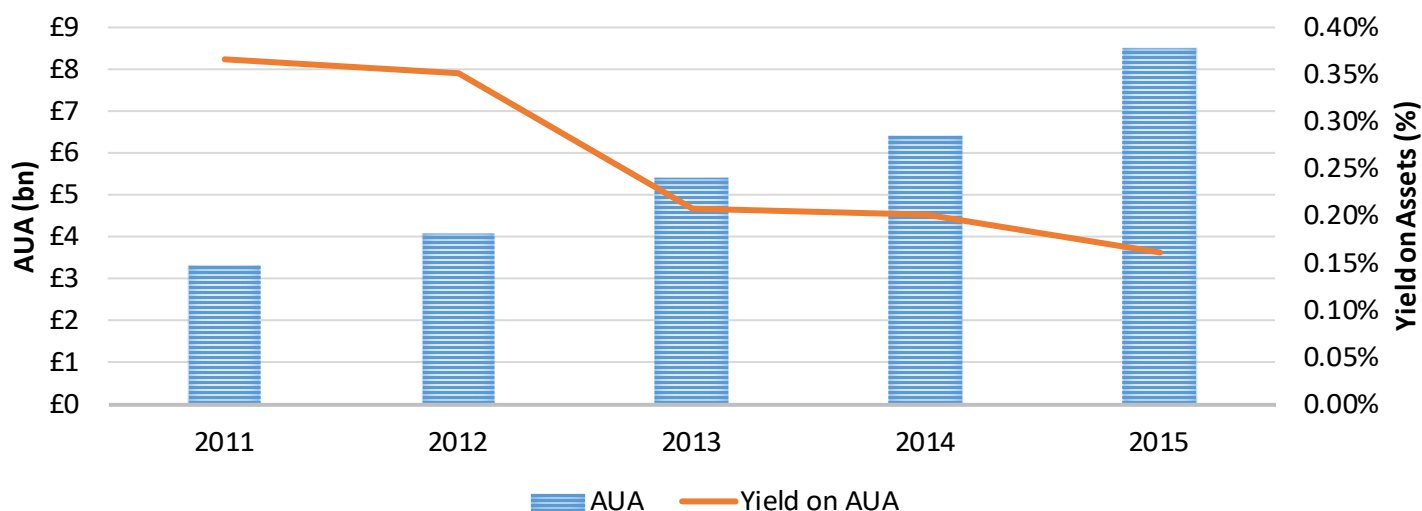


After a rough 2015, ATS reported a whopping £5.23 million pre-tax loss due to the cost of its re-platforming, management restructure and a £2 million liability from the sale of its SIPP book back 2013. AUA is up to £12 billion as at June 2016, thanks to the successful integration of the Stocktrade private client book. The new GBST Composer powered platform is now launched for advisers but the migration of existing adviser and direct client assets (which represents over 80% of assets) to the new tech is still ongoing.

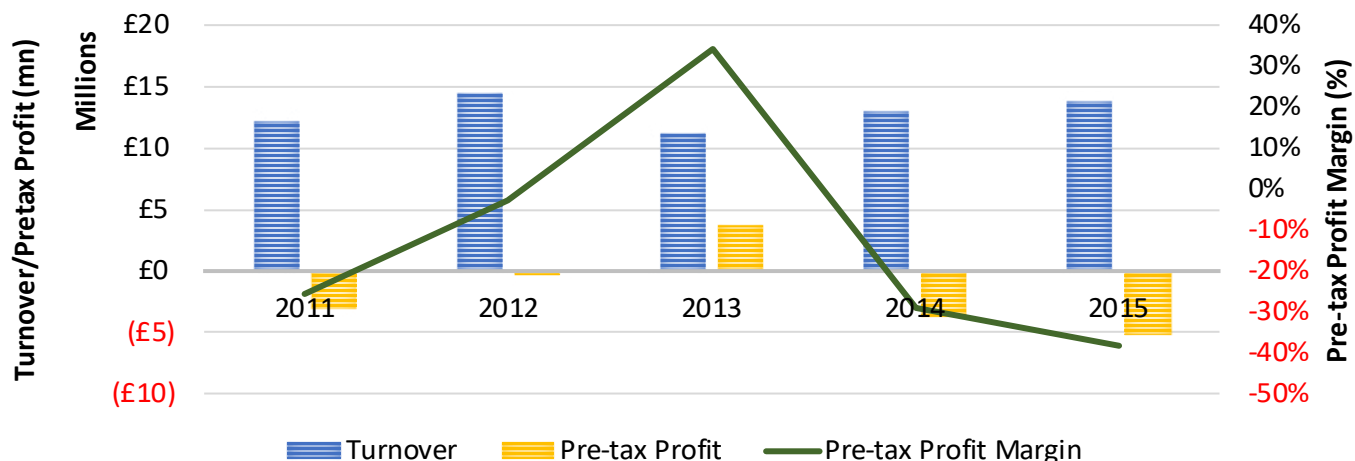
ATS reported a small profit of £0.4 million for the half year 2016, after being forced to raised its price in March, the second in as many years. But the cost of acquiring the Stocktrade assets has not been recognised or amortised in the accounts for y/e 2015 and we won't know the full picture until year end for 2016. Crucially, the Trust has invested a total of £92.9m in the platform business so far. In reality, this tiny profit is academic and hardly makes a dent in the £40 million accumulated losses from previous year.

**Provider's Comment:** 'Our profitability and AUA growth demonstrate the attractiveness of our flat fee proposition. The intermediary channel remains key to our ambitious growth plans, which include the launch of a robust challenger proposition in 2017.' - Ed Carey, Sales Director, ATS

## AUA & YIELD ON ASSET FOR ALLIANCE TRUST SAVINGS



## PROFITABILITY OF ALLIANCE TRUST SAVINGS





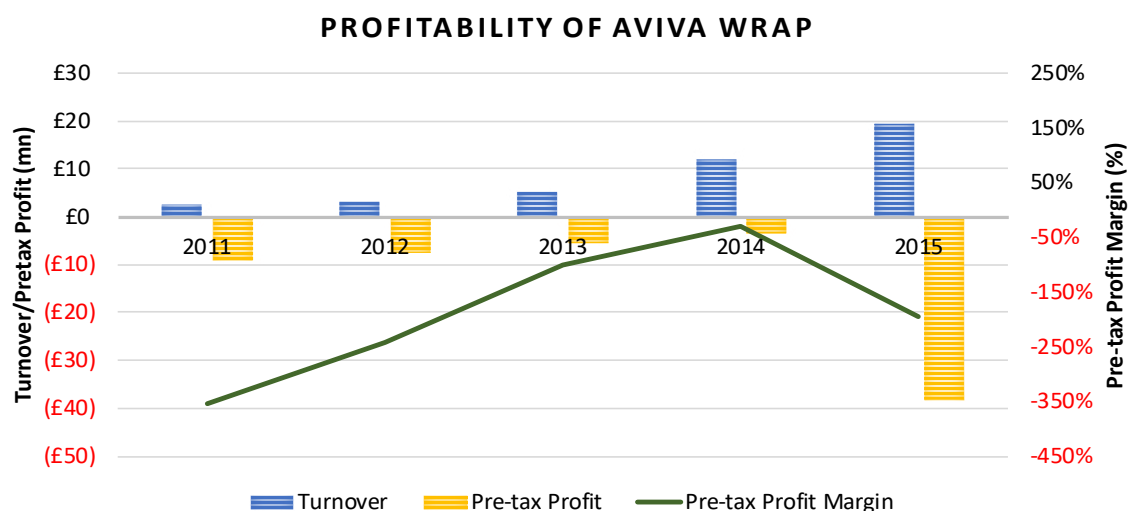
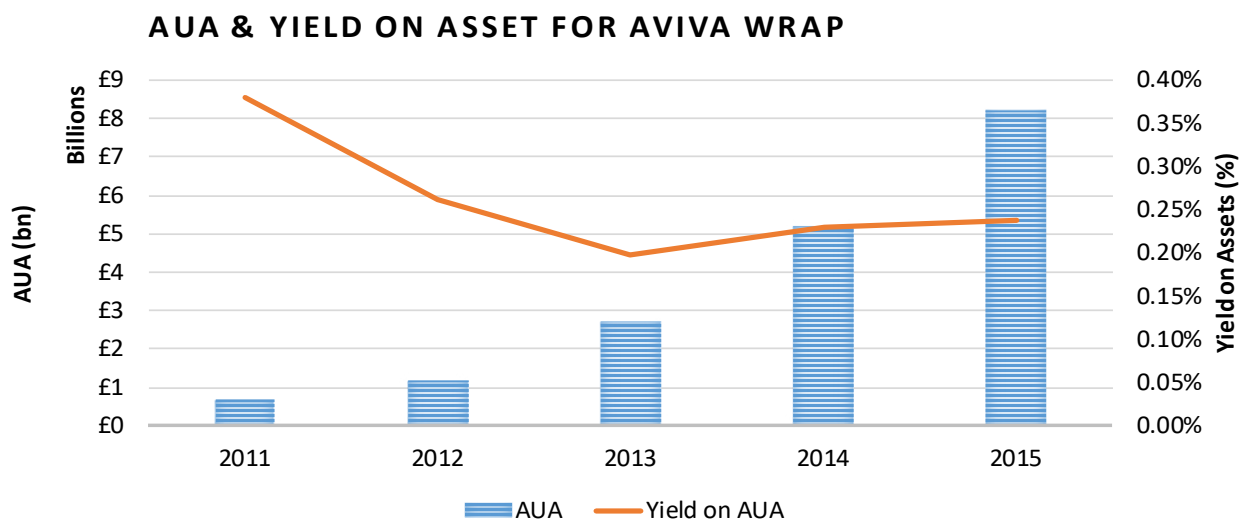
The Aviva platform sank deeper into the red in 2015, no thanks to its heavy investment in its direct to consumer proposition which is powered by FNZ. It also moved some of its administration previously provided by Genpac back in-house.

It posted a £38 million loss on its £19 million revenue. In the past, compared to other lifecos, Aviva has been rather conservative with its spend on technology and it had originally aimed to turn a profit in the year ending 2015. It appears the provider is down by double on its investment into the platform.

It's likely that the financial performance will further worsen as it prepares to migrate assets from Bravura's Talisman to FNZ tech. Aviva was recently fined £8.3 million by the FCA for oversight failings of its outsourced providers in relation to the protection of client assets under CASS rules. Thankfully, there was no actual loss of client money or custody assets in this instance.

**Provider's Comment:** *'We see platforms as a key part of Aviva's strategic future and have continued to invest in both the next generation of our adviser platform and the launch of our direct to consumer offering to ensure we deliver a compelling proposition to both advisers and clients, continue our trend of increasing flows and contribute to Aviva's future profitability.'*

- Tim Orton, CEO Advised Aviva Platform





# TP Wealth Platform

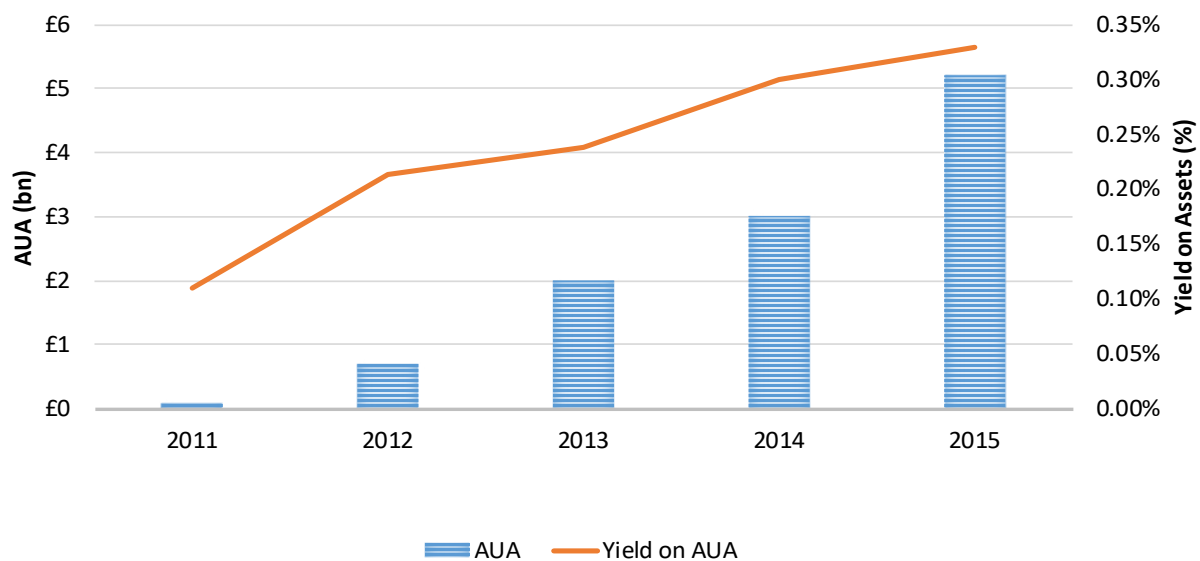


Another incredible year for TP, in which the platform business posted a pre-tax profit of £9.25 million on its, £17.1 million revenue. With a profit margin of 54%, it's the industry leader in that regard. TP does benefit immensely from its parent company's spend on technology and distribution. We'd like to see more of those efficiency savings passed on to clients.

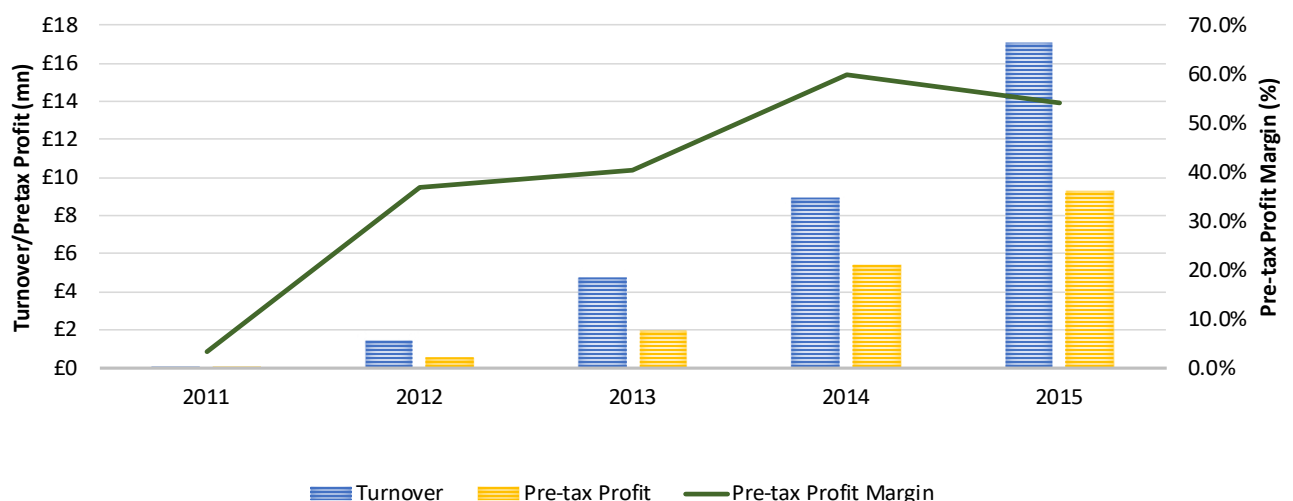
TP leads the industry is in terms of technology. Its integrated platform and back-office technology is popular with advisers. This gives TP an incredible level of insight and influence as it serves nearly 20% of the adviser market. ImpluseSave technology, which enables clients to save as little as £1 and track their goals, has seen over £30 million new money invested. Its accounts aggregation feature remains a unique proposition in the platform market.

**Provider's Comment:** 'True Potential Wealth Platform has been profitable from Day 1 bringing comfort to advisers looking for sustainability. We are passionate about innovation and continue to develop world-class and award winning technology, products and funds for advisers and their clients.'  
- Emma Napier, Head of Distribution

## AUA & YIELD ON ASSET FOR TRUE POTENTIAL



## PROFITABILITY OF TRUE POTENTIAL



# Scorecard for Small Platforms

	Raymond James	Novia	Succession Platform	Parmenion	James Brearley	Praemium	Wealthtime	Aegon ARC	Avalon	Platform One
Technology	Pershing	GBST	Bravura (via IFDL)	Proprietary	Proprietary	Proprietary	Proprietary	GBST	Proprietary	Proprietary
AuA (Billions)	£4.83	£3.80	£2.44	£1.71	£1.20	£0.96	£0.85	£0.61	£0.28	£0.10
Turnover (Millions)	£27.91	£13.49	£7.65	£7.37	£5.78	£1.30	£1.72	£1.63	£1.35	£0.18
Pre-tax Profit	£0.54	£0.97	£1.54	£1.68	£0.24	<del>£2.73</del>	£0.70	<del>£0.02</del>	<del>£0.08</del>	<del>£0.43</del>
P&L Acct Reserves	<del>£8.40</del>	<del>£2.57</del>	<del>£3.86</del>	N/A	£2.12	<del>£23.10</del>	£1.20	£1.25	<del>£0.15</del>	<del>£2.22</del>
Yield on AUA	0.58%	0.35%	0.31%	0.43%	0.48%	0.14%	0.20%	0.27%	0.49%	0.18%
Net Profit Margin (%)	1.93%	7.17%	20.13%	22.80%	4.06%	<del>209.39%</del>	40.70%	<del>1.23%</del>	<del>5.93%</del>	<del>237.14%</del>
FinalytiQ Financial Performance Rating (2016)	Fair	Fair	Good	Excellent	Fair	Poor	Excellent	Poor	Poor	Poor
FinalytiQ Financial Performance Rating (2015)	Fair	Poor	Good	Excellent	Excellent	Poor	Excellent	N/A	Fair	N/A
FinalytiQ Financial Performance Rating (2014)	Fair	Good	N/A	Excellent	Excellent	Poor	N/A	N/A	N/A	N/A

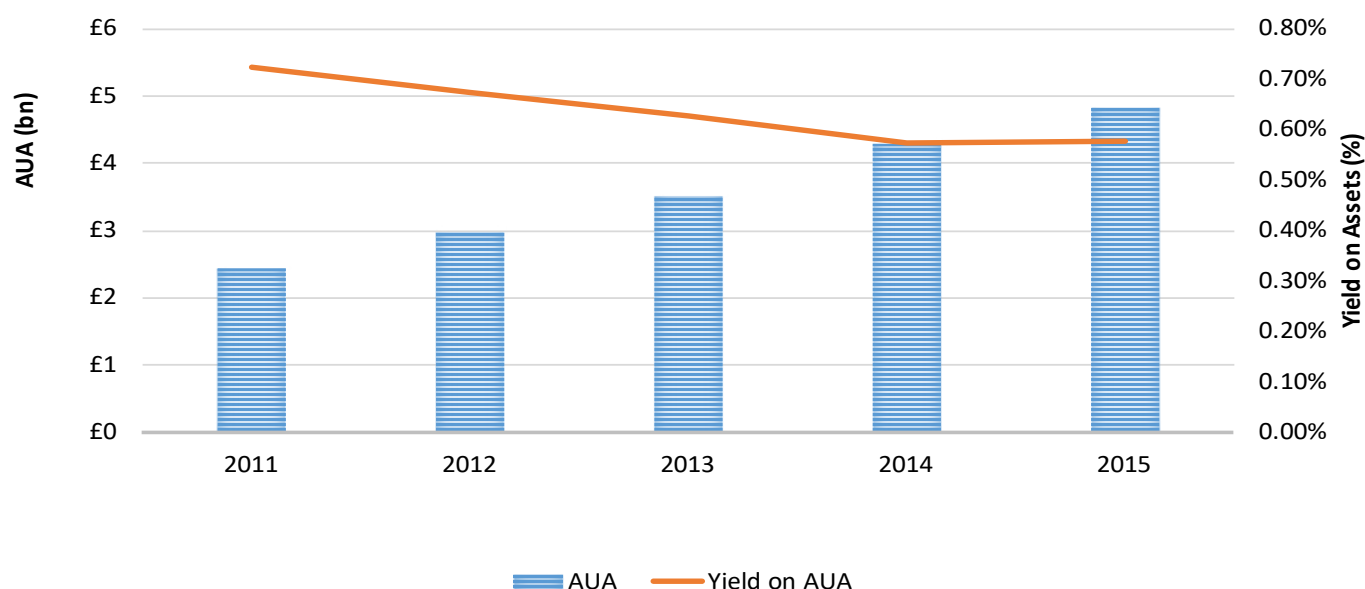
# Raymond James



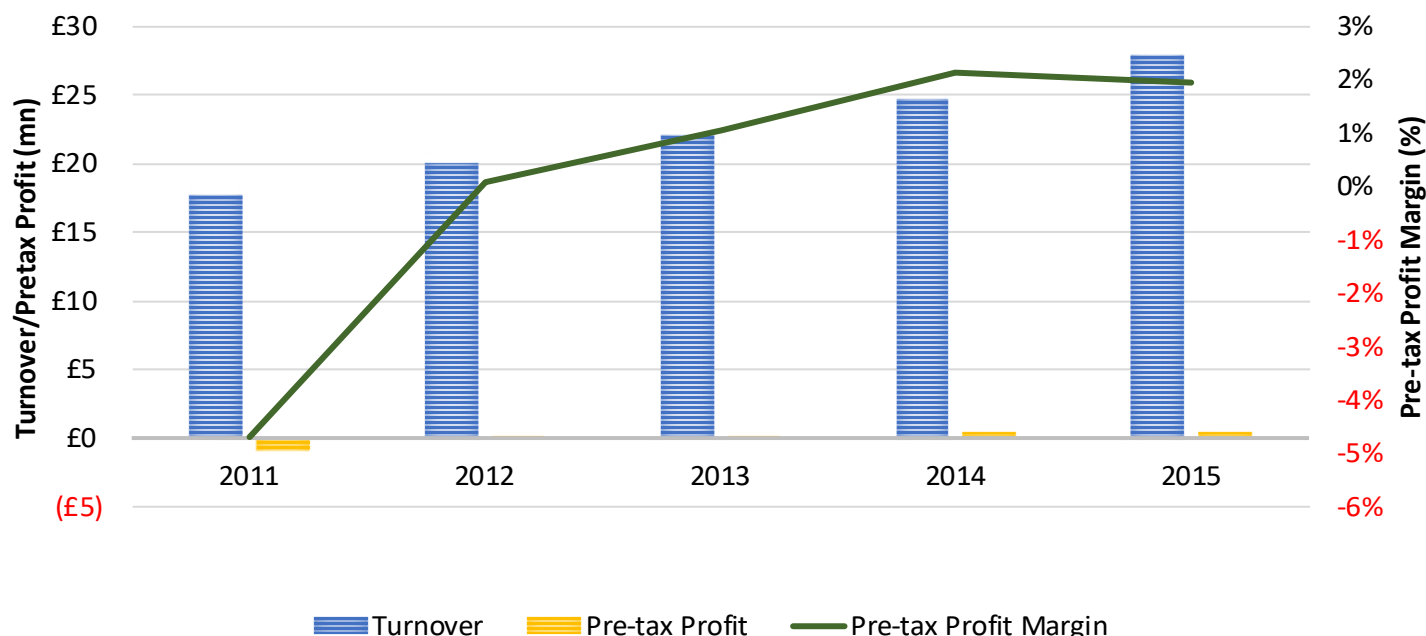
RJIS continues to be profitable, but only just. Latest accounts show a pre-tax profit of £540K on its £27 million turnover. With a profit margin of barely 2% despite a very strong yield on assets, it will take some time to plug the £8.4 million hole in its P&L Account Reserve. RJIS is popular with wealth managers, who tend to service higher net worth clients but struggles to attract assets from traditional financial advisers.

**Provider's Comment:** 'Offering an open architecture investment management platform, Raymond James Investment Services is the home for discretionary fund managers in the UK. A wholly owned subsidiary of Raymond James Financial Inc., RJIS has experienced compound growth of 20% year on year over the past five years. - Bronwyn Jones, Marketing Manager RJIS.

## AUA & YIELD ON ASSET FOR RAYMOND JAMES



## PROFITABILITY OF RAYMOND JAMES



# Novia

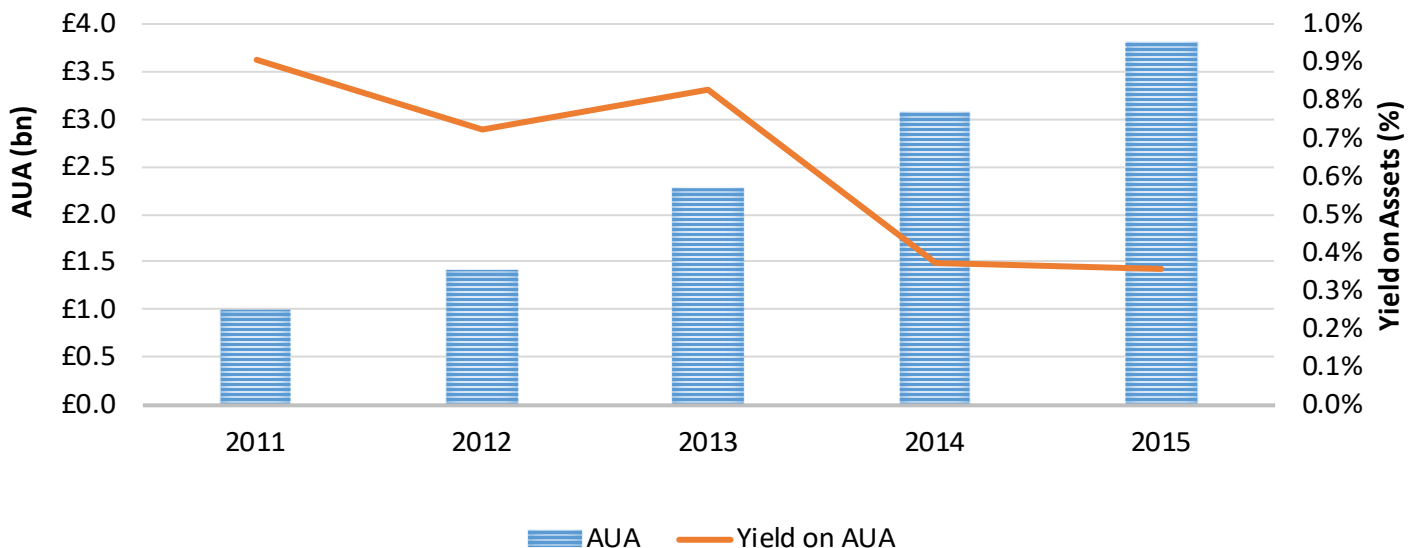


Novia is back in the black for the first time since its JV with Aegon ended in 2013. It posted a small profit of £0.82 million on its £13.5 million, a pre-tax profit margin of 7%.

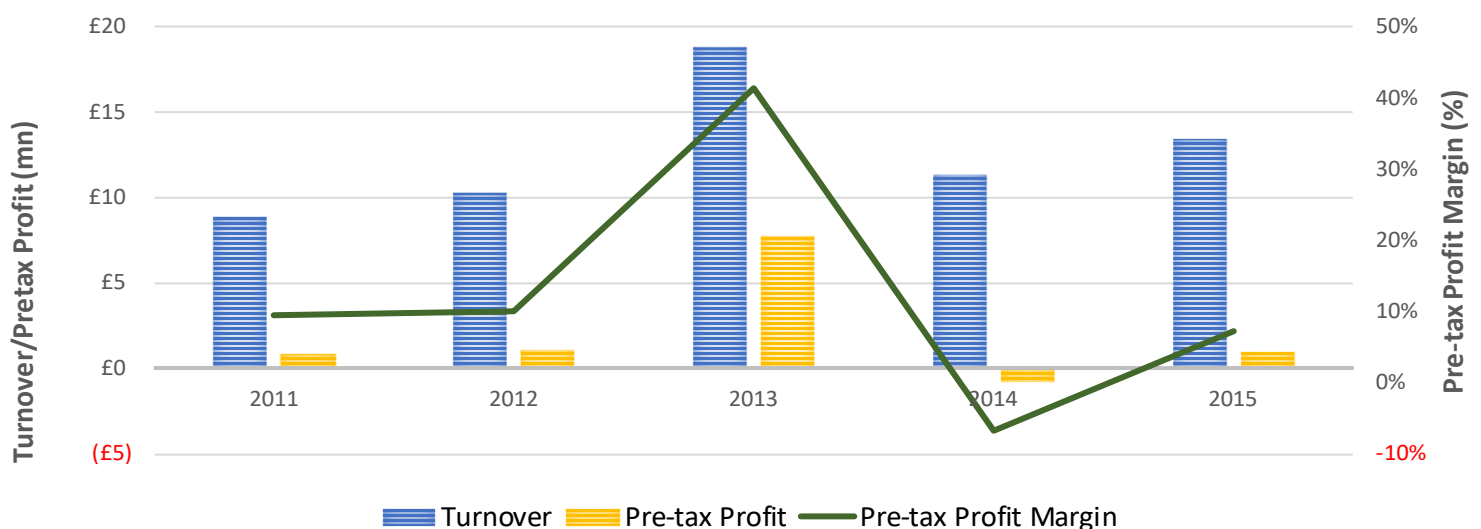
While Novia isn't catching up with its peers such as Nucleus and 7IM in terms of assets and profitability quite yet, there are a lot of good signs. It increased AUA by 24% in 2015 to £3.8 billion and gross inflow increased by 12% to just over £1 billion.

Its stab at world domination is gathering pace as the platform launched to advisers with non-UK based clients in 2015. It's counting on the offshore platform to bring in nearly £500 million in assets by the end of 2016. And there is the DFM business Copia, which should start to pull its weight. With a controlled cost base, solid backbone technology and stable yield on AUA, this is one platform to watch.

## AUA & YIELD ON ASSET FOR NOVIA



## PROFITABILITY OF NOVIA



# Succession Platform

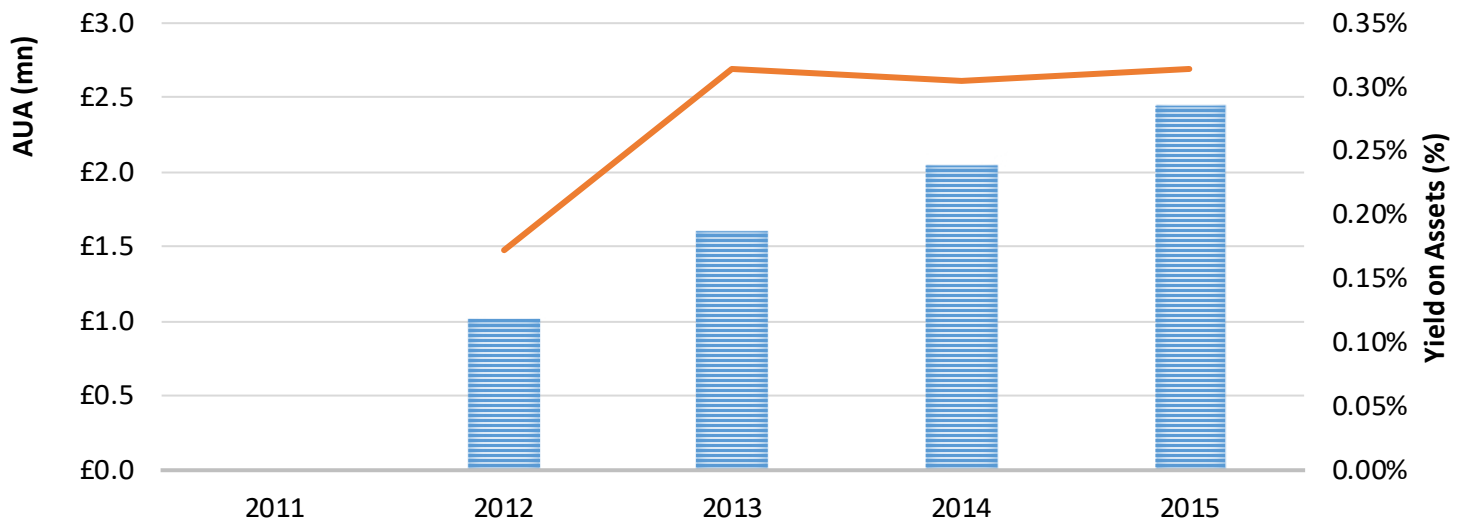


Succession Platform has had another good year, growing assets by 40% to £2.4 billion, which is no surprise as the parent firm continues to grow its number of advisers. It reported a turnover of £1.5 million a £7.7 million revenue, a rather decent margin of 20.1%.

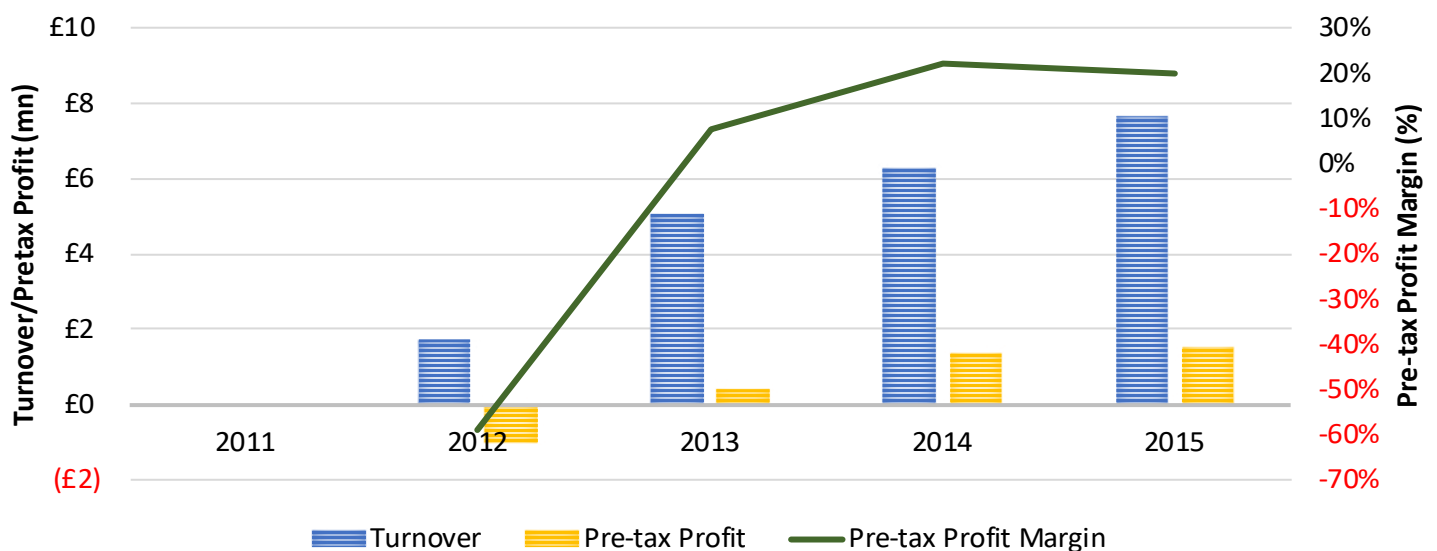
With a stable profit margin, yield on AUA at 0.31% and a vertical integration model that ensures a flow of assets from its members, Succession is definitely punching about its weight in the platform market. The parent company swung into profit in 2015, posting a profit of £1.3m on its £24.5 million turnover.

**Provider's Comment:** 'Succession goes from strength to strength because of its unique position of delivering to the client a complete financial model through their trusted planner.' - Simon

## AUA & YIELD ON ASSET FOR SUCCESSION



## PROFITABILITY OF SUCCESSION





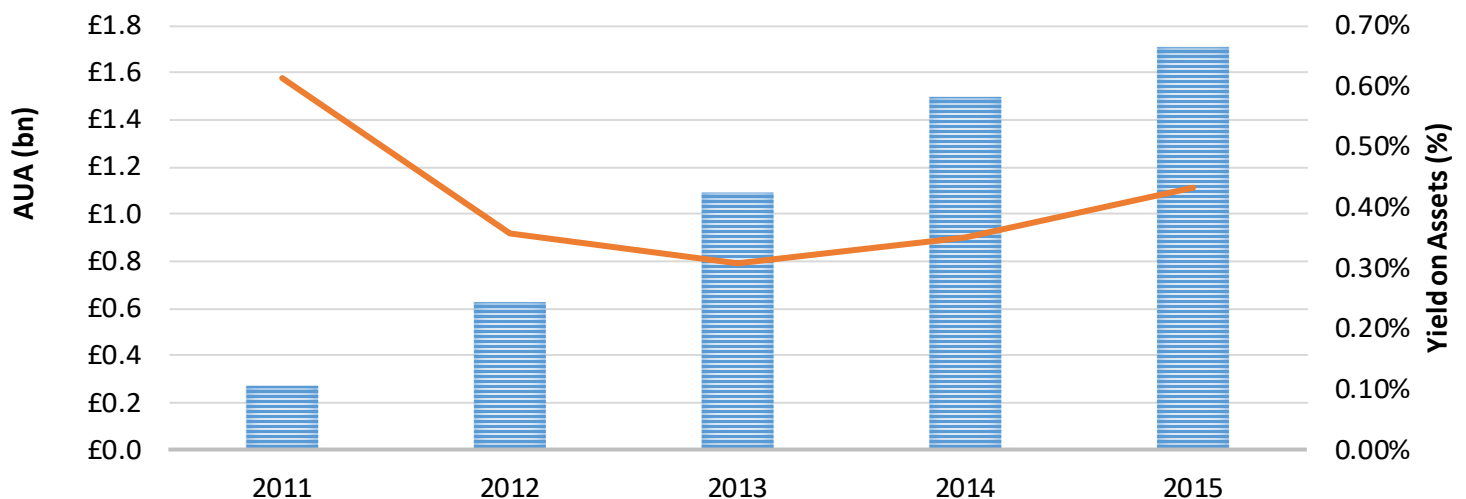
# Parmenion



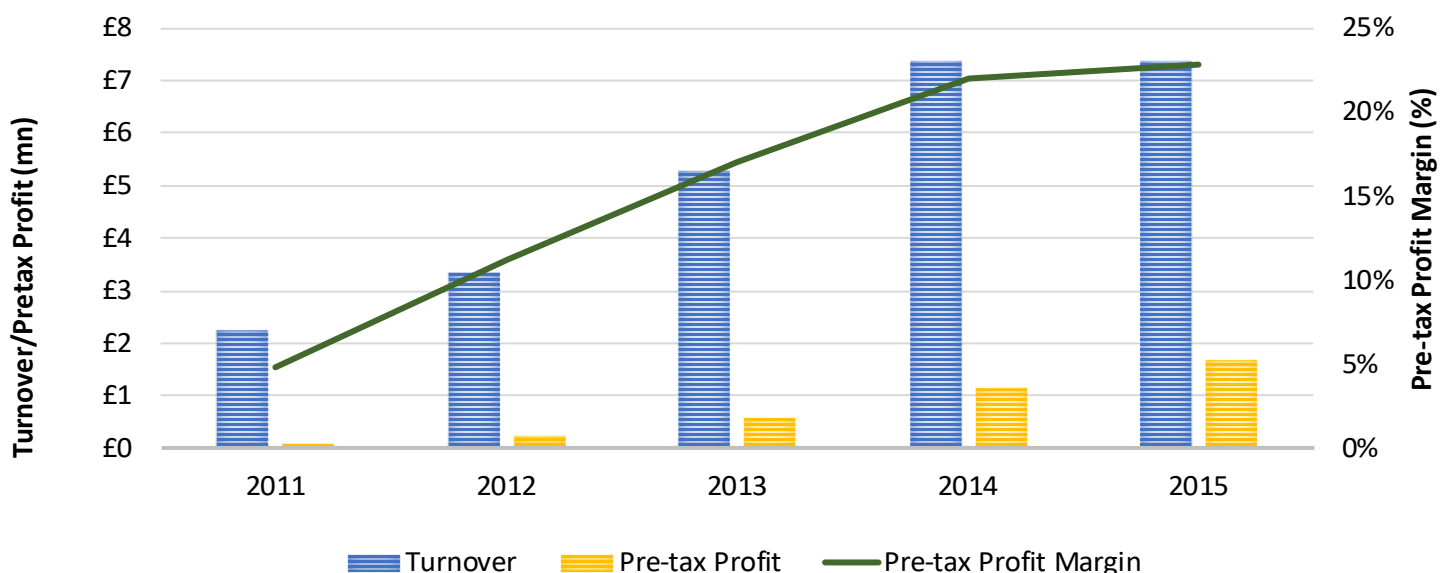
A small giant of the platform industry, Parmenion reported a profit of £1.7 million on its £7.4 million revenue, a pre-tax profit margin of 22.80%. Yield on assets remains above industry average at 0.43%, thanks to its discretionary services for advisers.

Parmenion is a shining example of small is beautiful in platform land. Following its acquisition by Aberdeen in September 2015, its accounting year end has been extended from March to September. It's safe to expect that greater access to capital from its new deep-pocketed parent will enable the business to gain scale and a greater market share in the advised platform sector more quickly.

## AUA & YIELD ON ASSET FOR PARMENION



## PROFITABILITY OF PARMENION



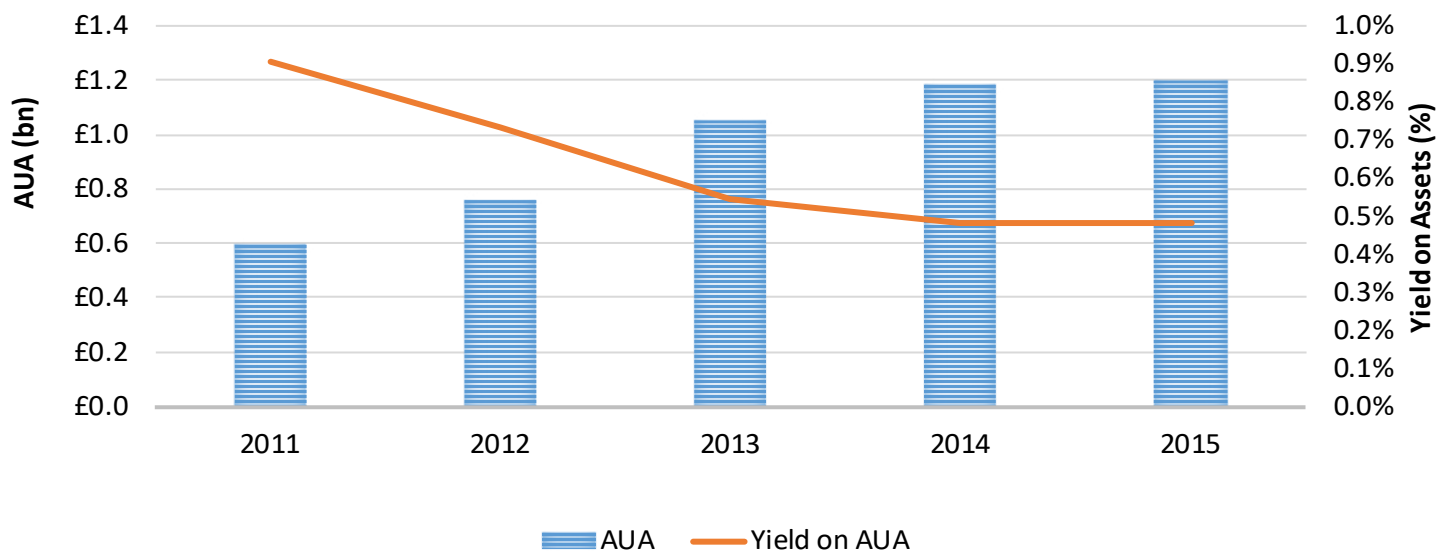
# James Brearley



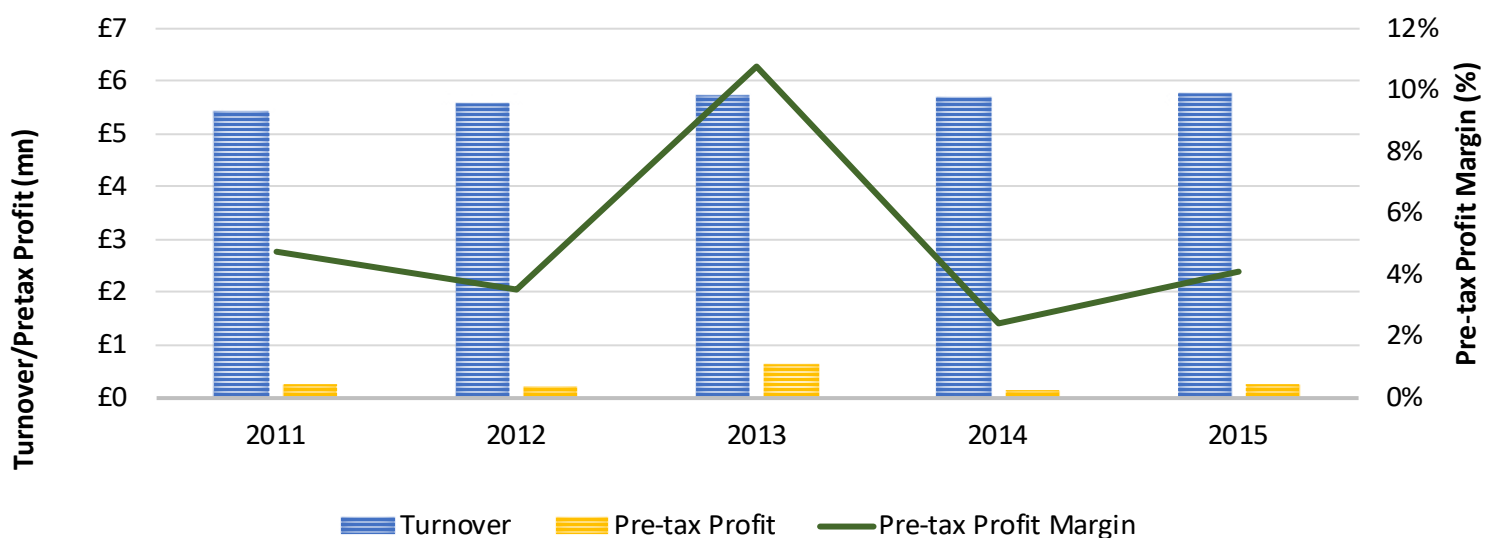
James Brearley reported a pre-tax profit of £240K on its 5.4 million revenue, a modest margin of 4%. AUA was pretty static compared to a double digit growth in the previous year, although yield on asset is stable. A lower rating, compared to previous year, is primarily down to the fact that we increased our rating criteria and James Brearley falls short of this higher standard.

**Provider's Comment:** 'We continue to attract adviser clients due to the variety and competitive nature of our pricing, rich functionality and high standards of client service'. - Nigel Corrie, Executive Director, James Brearley & Sons

## AUA & YIELD ON ASSET FOR JAMES BREARLEY



## PROFITABILITY OF JAMES BREARLEY



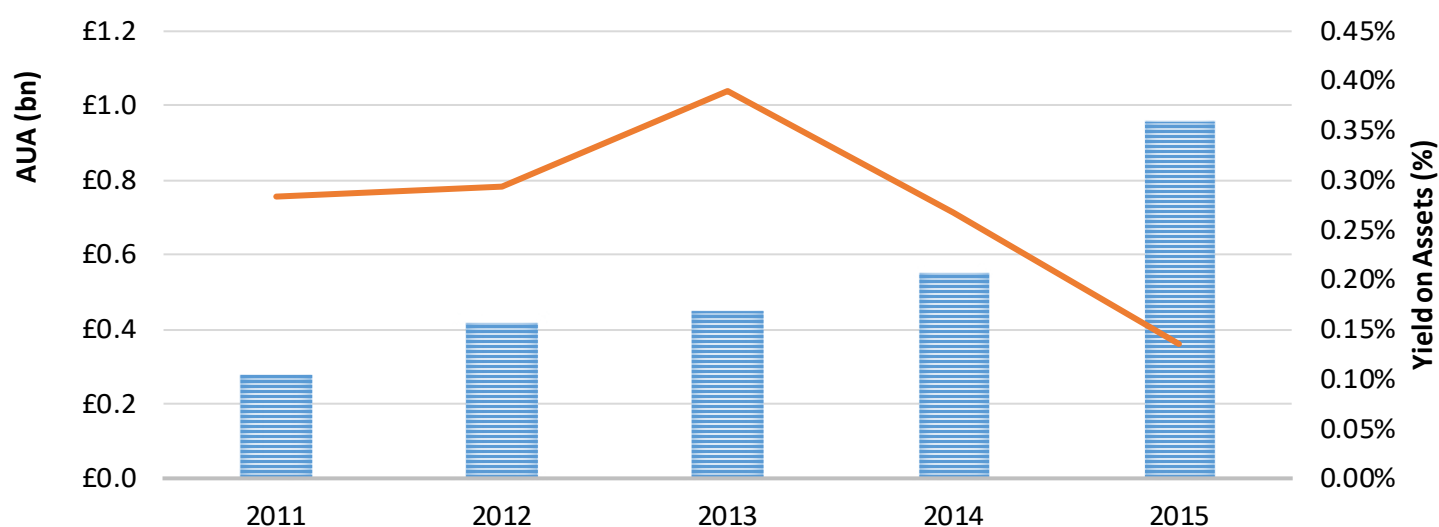
# Praemium



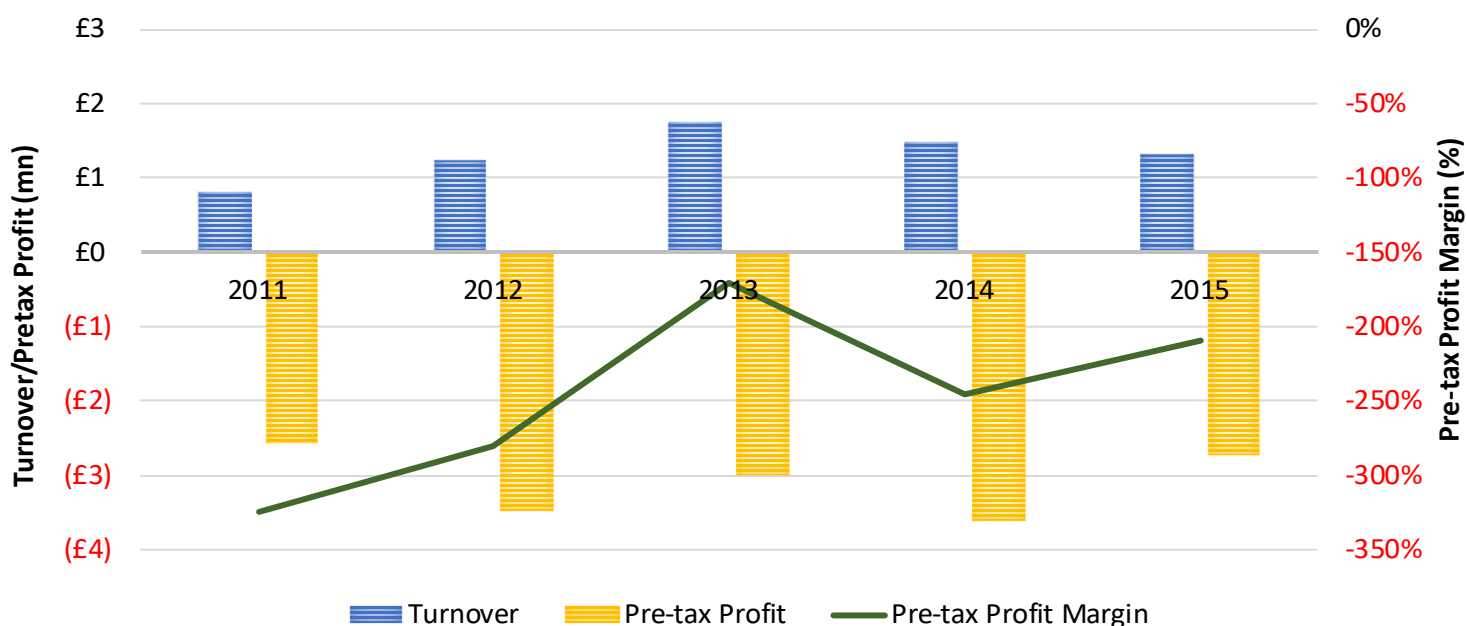
Praemium UK nearly doubled its assets in the past year, taking the total AUA to just under the £1 billion mark as at the end of 2015. It has since crossed that milestone. Profitability continues to be a challenge though, as the UK subsidiary reports a loss of £2.73 million.

On the basis that the UK company operates a version of the same technology as the Australian parent, we presed the accounts of the parent company on the next page to gives a clearer picture.

## AUA & YIELD ON ASSET FOR PRAEMIUM



## PROFITABILITY OF PRAEMIUM



# Praemium (cont'd)

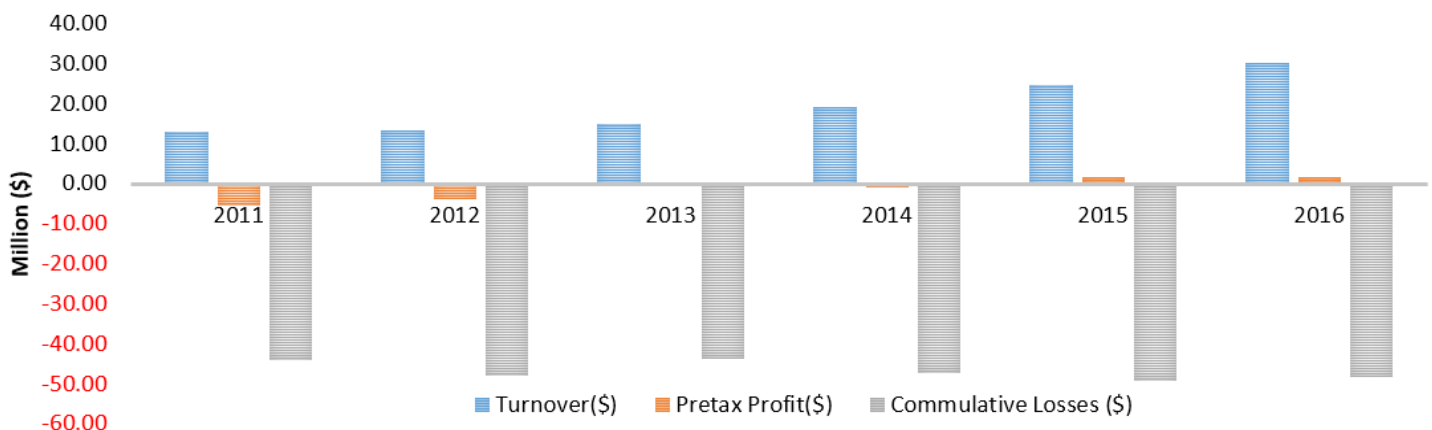
The Australian parent was founded in 2001 and listed on the ASX in 2006, the business is operated in Australia from its head office in Melbourne and internationally.

It's technology administers over \$80bn globally, although only \$4.8bn are held on its own platform.

The parent firm has much stronger financial performance, having turned a profit in year end 2015 and continues to make some progress. There is still a very long way to go though. Clearly, this is a firm with global ambition. But the UK platform market is intensively competitive and one is tempted to ask if this provider is trying to run before it can walk.

**Provider's Comment:** *'The financial services market, particularly in Australia, continues to embrace SMA platform technology at an accelerating rate and Premium are benefiting as the market leader in the Australian SMA sector. Our international platform business has continued its strong growth momentum, particularly in the past two years, resulting in the narrowing of operating losses. With the potential of significant upside from the international platform in the future, we continue to build a quality proposition and remain focussed on reaching inflexion to profitability in the near term.'* - Michael Ohanessian, CEO

## PRAEMIUM LIMITED



Data Australian Dollar. \$1 = £0.50

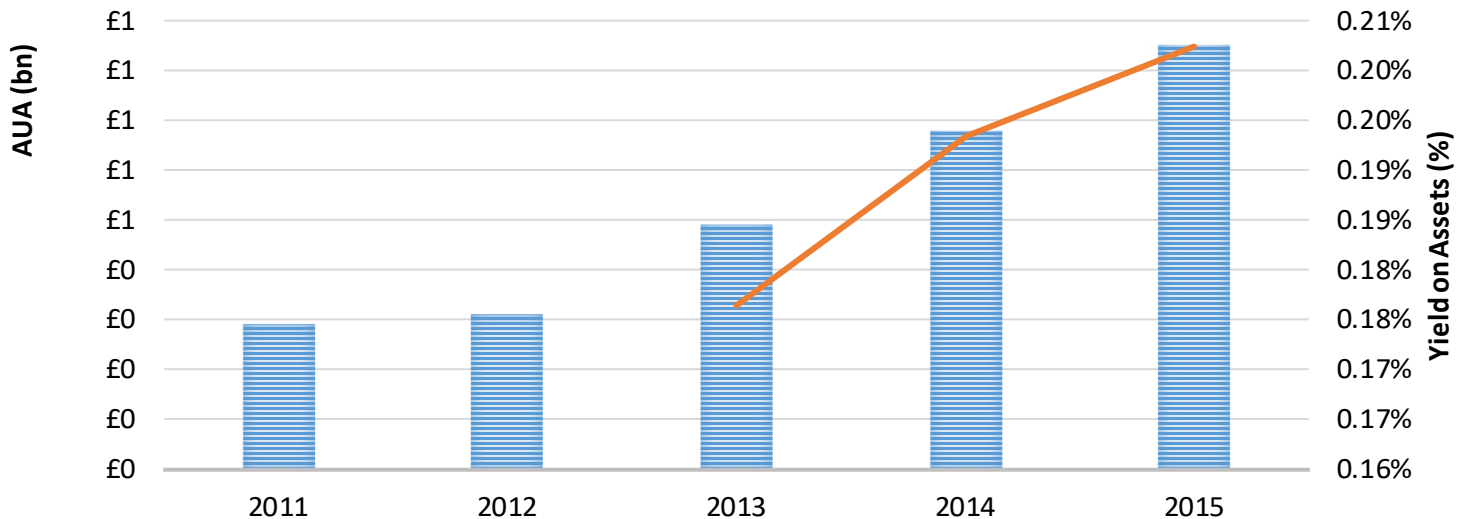
# Wealthtime



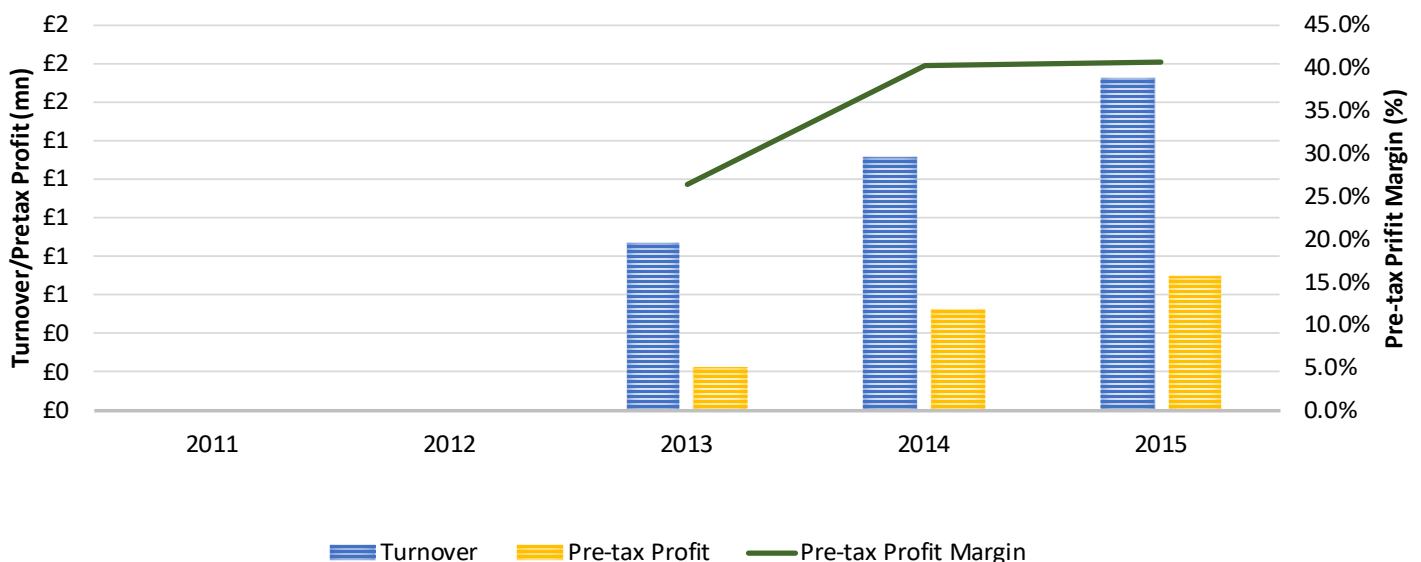
Wealthtime could easily be regarded as the small giant of platform land. Latest results show £0.7 million profit on its £1.72 million revenue, an impressive profit margin of over 40%. It has since crossed a major milestone, reaching £1 billion of assets under administration in July, 2016. An impressive achievement when you consider it has 16 staff members, serving 200 advisers and their 5500 clients.

Wealthtime's service is impeccable, and functionality, tax wrappers and pricing get top marks too. It has recently revamped its website, giving it the look of a firm that definitely means business. Yield on assets is below average, no thanks to its fixed price model, which it has now largely abandoned. Wealthtime has proven that scale is not the be all end all. That said, given the intensely competitive and highly regulated marketplace, profitable scale is of the essence going forward. We think the team should shout a little bit more about the excellent work they do.

## AUA & YIELD ON ASSET FOR WEALTHTIME



## PROFITABILITY OF WEALTHTIME





# Aegon ARC



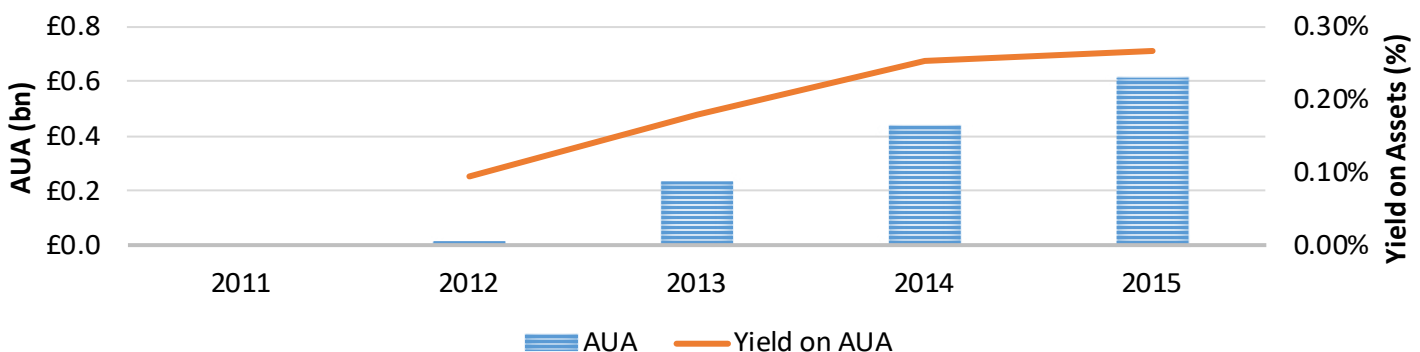
Soon-to-be the largest beast of platform land, Aegon's ARC platform splits the business into two; the pension business which accounts for most of the assets sits within its Scottish Equitable business, while the ISA/GIA business sits separately within Aegon Investment Solutions Limited.

Our assessment is based on the ISA/GIA side of the platform, as it's impossible to separate the ARC pension business from the rest of Scottish Equitable. Aegon declined our request for info on the platform.

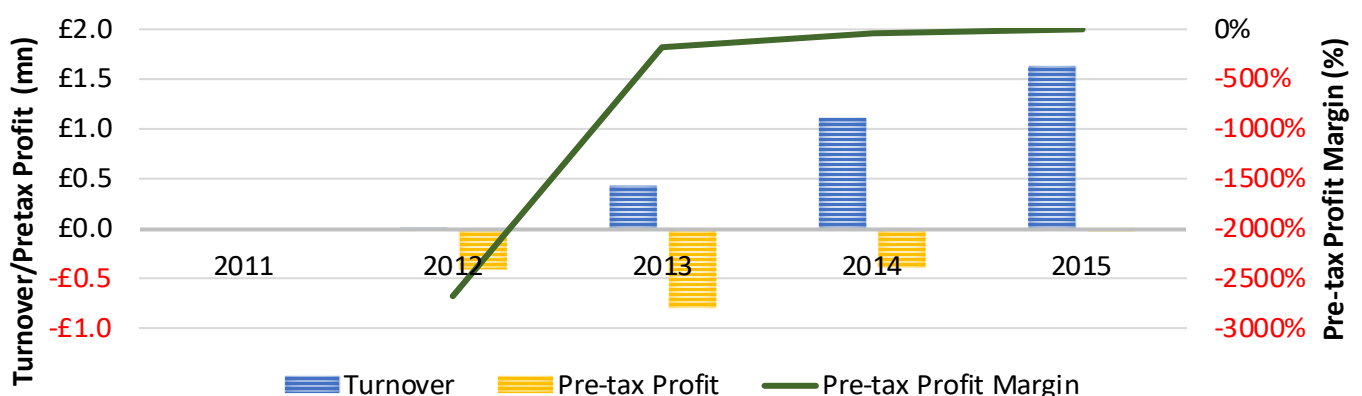
Only £0.6 billion of its reported £6.4 billion is held in ISA and GIA. The rest is in pensions, most of which are migrated from its backbook, rather than new inflow to the platform. The group's annual reports show a 'gross deposit' (inflow) of £233 million in 2015 and £227 million in 2014. The implication of this is that most of the assets on the platform are migrated from its own back book. While not a full picture, the ISA/GIA business gives a glimpse of how the platform is fairing in terms of financial performance.

In terms of the Aegon overall financial performance, the entire pension business (including off platform legacy books), underlying earnings before tax from Pensions increased by to £33 million in 2015 compared with £14 million in 2014. Clearly, Aegon is transforming itself from an old lifeco into a fully-fledged platform. A key part of this is moving existing clients into its digital proposition. In 2015, over 140,000 customers with assets of around £2 billion were upgraded to the new Retiready proposition.

## AUA & YIELD ON ASSETS FOR AEGON ARC (ISA/GIA)



## PROFITABILITY OF AEGON ARC (ISA/GIA)



# IT'S A WRAP

Wow, what a ride through platform land.

And to think that when we wrote the guide last year, we thought we'd said everything we needed to say about platforms - only to be bombarded by new developments in the marketplace! I suppose a thank you is in order for keeping us busy and gainfully employed. As the market continues to evolve, we'll keep poking around to see what we find.

Congrats to all the platforms that were rated 'Excellent' and 'Good'. Step up to collect your awards! Those with less than satisfactory ratings, better luck next year!

To say that the platform landscape is changing is to state the obvious. We feel privileged to witness this change, to be able to share our thoughts with you and more importantly, help make some sense of what is going on.

One important point we've learned over this last year is that long-term platform viability can't be taken for granted and will become even more important going forward.

In just one year, our ratings for 3 platforms have changed and we rated 3 new ones. While we anticipated some of the changes in our last report, without a crystal ball (and we certainly don't have one) it's impossible to predict exactly how the landscape is going to change.

The sustainability of platforms is being tested by regulatory, technological and competitive pressures. The changing marketplace is impacting providers differently, and advisers and providers need to keep abreast of all these developments. We'll do our best to help you stay up to date.

The Platform Financial Performance Rating is a property of FinalytiQ Limited. If you'd like to use the rating in your marketing, please get in touch to obtain written permission.

We hope you've enjoyed reading this as much as we've enjoyed writing it. And we look forward to seeing you (not literally, we can't see you) for the next report!

Cheerio!

Abraham

# ABOUT US

To paraphrase American writer Edward Abbey, financial services are a bit like stew. If you don't stir it up every once in a while, then a layer of scum floats to the top. That's why at FinalytiQ, we like to stir things up every now and then. Our aim is to help our clients deliver better outcomes to end investors than they would without our help.

We provide critical analysis, benchmarking and insight to advisers, providers and asset managers. Our particular area of expertise includes retirement income, investment propositions and product/provider benchmarking.

We happen to think that we can all do a whole lot more to improve client outcomes. Want a consultancy that will tell you distorted truth about how great your products and services are? Try one of our competitors. Want a fresh pair of eyes, critical thinking that challenges your proposition and an unflinching focus on improving client outcomes? Pick up the phone to us.

## Abraham Okusanya



Abraham is founder of FinalytiQ. Recognised as one of the country's leading experts in retirement income, platforms and investment propositions, Abraham has authored several papers on these subjects and delivered talks to the Personal Finance Society, The FCA and several conferences across the country.

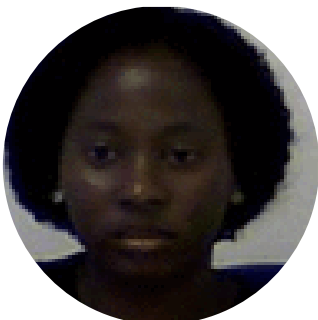
He holds a Master's degree from Coventry University and an alphabet soup of qualifications, including the Investment Management Certificate (IMC), Chartered Financial Planner, CFP and Chartered Wealth Manager designations. He was one of 5 finalists for the Professional Advisers Personality of Year Award 2015, alongside the then Pensions Minister but the award went to a more deserving winner, obviously!

## Karthica Underwood

After a very short stint at the Office for National Statistics – the obvious place to go after a degree in Statistics and Management Studies, Karthica started her career in financial planning. Karthica holds the Chartered Financial Planner designation and has previously worked as an IFA before moving back into a research role in 2014.



## Kenny Famojuro



Having graduated with a first in Accounting and Finance at the University of East London, Kenny joined FinalytiQ in 2015 to work on our Financial Stability Ratings for platforms, DFMs and SIPP providers. She is studying for her professional level exams with Association of Chartered Certified Accountants to become a chartered certified accountant. She is finding the weird and wonderful world of retail investments more fun than she ever dreamt.

## Jason Hoskyn

Jason joined the FinalytiQ team as an Associate in early 2015 from International Financial Data Services (IFDS) and brings with him a working knowledge of fund administration and performance analysis. And football. He combines daily work with studies, to obtain Investment Management Certificate (IMC) from the CFA Institute.



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# WANT MORE AWESOMENESS?

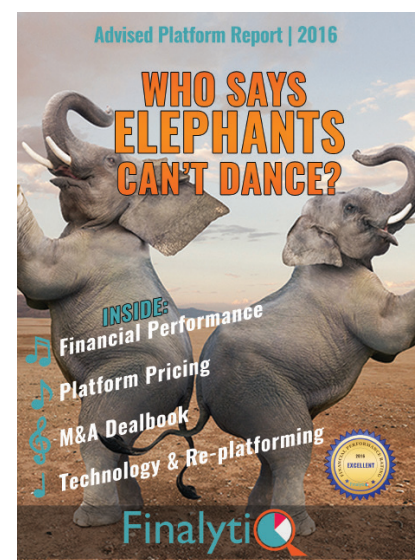
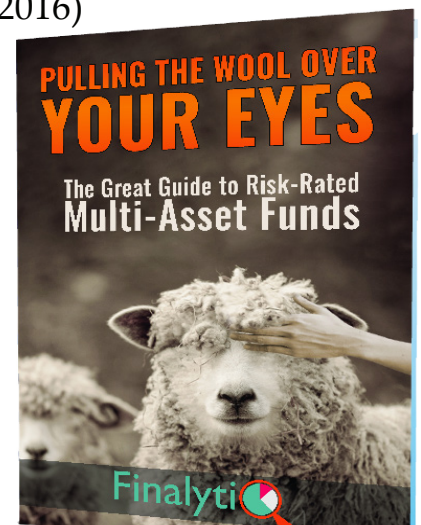
FinalytiQ produces a range of research and benchmarking reports designed to support advisers' due-diligence and providers' strategy and market positioning. Our report offers key insights on the financial stability, product performance and other key trends in the marketplace.

**These reports are published annually in the following month;**

- Direct Platforms & Robo-Advice Report (Feb., 2016)
- SIPP Financial Stability Report (April, 2016)
- Risk-Rated Multi-Asset Fund Report (Sept. 2016)
- Advised Platform Profitability Guide (Oct., 2016)
- Adviser Network and Consolidator Report (Nov., 2016)
- DFM Benchmarking Report (Dec., 2016)

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**Consulting:** Asset managers and providers frequently call on our expertise for market analysis, benchmarking and proposition development. Please get in touch for bespoke analysis and access to our extensive database.







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