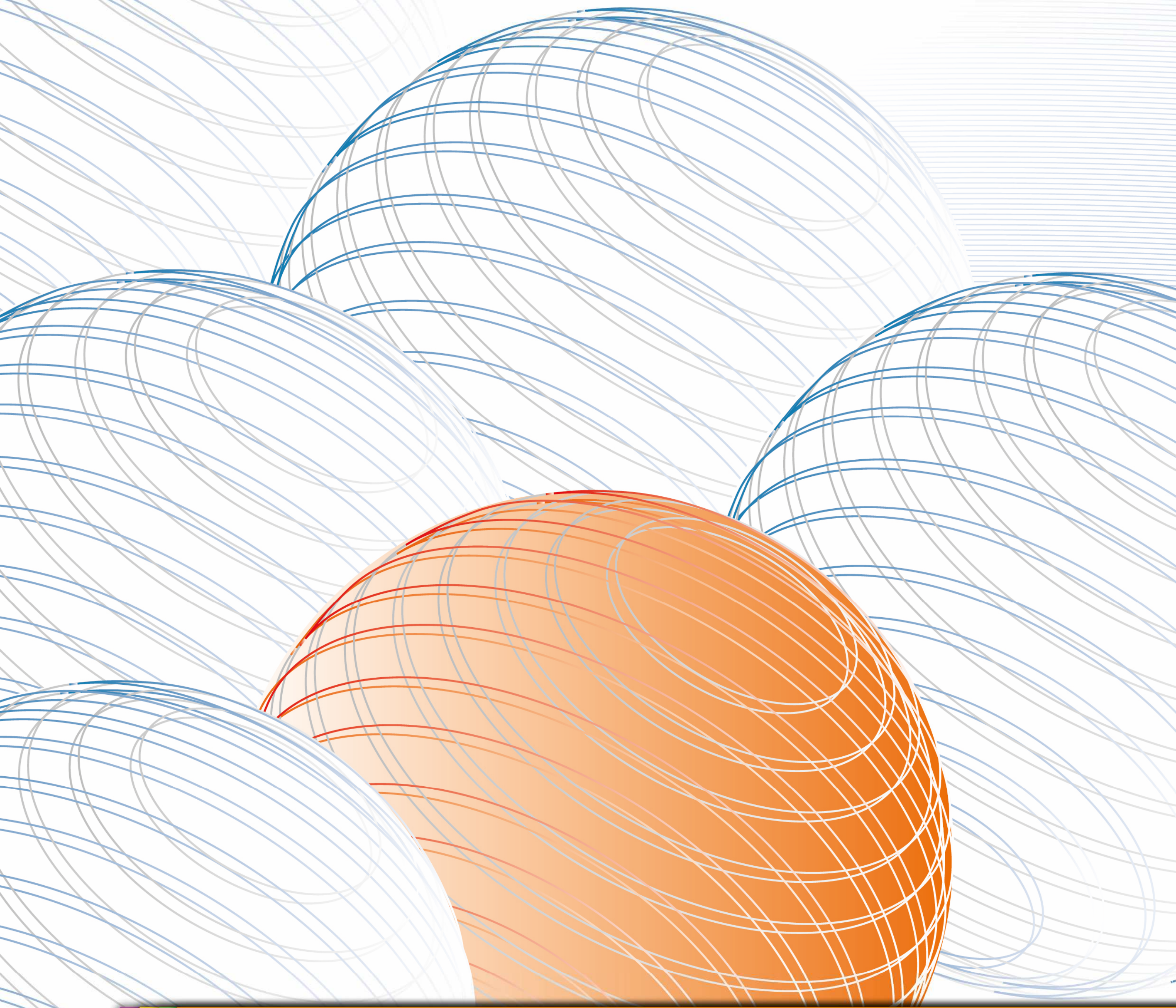
ISSUED 20 December 2024



DFM SECTOR

abrdn MPS

FINANCIAL STRENGTH ASSESSMENT

Analysis by AKG Financial Analytics Ltd
Accessible • Comparative • Independent

AKG

ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

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

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

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

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CONTACT INFORMATION

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Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG B+
FINANCIAL STRENGTH RATED
DFM SECTOR VERY STRONG
ABRDN PORTFOLIO SOLUTIONS LIMITED

Supporting Ratings

	Service	Image & Strategy	Business Performance
abrdn Portfolio Solutions Limited	★★★★	★★★★	★★★

SUMMARY

- abrdn Portfolio Solutions Ltd (aPSL) provides a multi-asset investment Manager Portfolio Service (MPS) with AuMA of £2.8bn as at 30 September 2024
- abrdn plc (abrdn, the group) has evolved into an asset management, platform and wealth management group, and as at 30 September 2024 reported over 5,000 employees and AuMA of £506.7bn
- The group has three growth businesses: Adviser - the abrdn platforms, Wrap and Elevate, and abrdn MPS; Investments - asset management; and ii (consisting largely of interactive investor, acquired in 2022) - direct investing / financial planning
- MPS has been provided by abrdn for 10 years and the abrdn MPS was carved out and retained from the sale of abrdn's former discretionary investment management service, abrdn Capital Ltd (aCL), to LGT Wealth Management in 2023
- The MPS business is seen as an important growth channel that aligns well with the way the UK personal investment market is developing and with abrdn's evolved model in the sector
- MPS is now delivered within abrdn's Adviser business segment in order to maximise opportunities available through that business' distribution model which is focused on an Adviser Experience Programme to meet the demands and expectations of advisers, and to position itself at the forefront of the sector
- The abrdn MPS is currently available on 8 platforms including abrdn's Wrap and Elevate platforms
- aPSL introduced a Money Market MPS in February 2024, with increased flexibility to manage cash, and this was received positively

COMMENTARY

Financial Strength Ratings

The financial strength of aPSL is closely linked to that of the wider group (abrdn plc and its subsidiaries) for which it provides a strategically important integrated component.

The group has performed resiliently in financial terms despite challenging market conditions through 2023 and into 2024. Its strategic aspirations have continued to see a focus on driving operational efficiencies from merger integration and business simplification, and allowing investment for growth across the propositions.

The group continues to hold a 50% stake in a joint venture in China, providing access to a fast growing market. Previously the group had an investment in an Indian venture, but sold its remaining shareholdings in 2023. A shareholding of 10.7% in Phoenix Group Holdings plc (PGH, Phoenix) remains, with a value of £542m as at 30 June 2024. The relationship with Phoenix continues to evolve, being simplified and extended, with Phoenix now having acquired the Standard Life brand and transitional service arrangements moving to abrdn companies. Included in these changes is a revised distribution arrangement for services provided by abrdn to Phoenix in respect of the Wrap SIPP - and abrdn expects to take back legal ownership of this in 2025.

The strategic sale down of shares in associates between 2019 and 2023 has helped the abrdn group maintain dividend payment levels and solvency surplus. Its capital resource requirements were reduced significantly with the divestment of its insurance operations and a considerable surplus has been maintained since. In 2023, organic cash generation and stake sales generated £875m, and consistent with the previous year, abrdn returned c. £600m to shareholders in the form of dividends and share buybacks. A further £152m was reinvested, largely to continue growing abrdn's closed-end fund business.

As at 31 December 2023, abrdn plc held CET1 capital resources of £1,466m against a total regulatory requirement of £1,054m, with a CET1 coverage ratio of 139% therefore. The full value of the group's significant listed investments (essentially, the stake in Phoenix) is excluded from the capital position under IFPR.

Overall, the group's capital position has remained strong during volatile market conditions, supported by resilient underlying performance and strategic disposals. The group's overall surplus capital increased again during 2023, having fallen in 2022 due to the ii acquisition. Heading into 2024, improving net capital generation remained a priority for the group, with adjusted capital generation of £144m in H1 2024 contributing to an increased CET1 capital resources figure of £1,544m, and coverage of 146% as at 30 June 2024.

abrdn Portfolio Solutions Limited

The MPS proposition, which abrdn has provided for 10 years within its DFM business, was felt to be something worth retaining when the group sold aCL in 2023. As abrdn MPS, provided by aPSL, the proposition is now an important growth channel that aligns to the way the UK personal investment market is developing and, delivered in abrdn's Adviser business, the group has expectations for this distribution model to present further opportunities for MPS growth.

The transfer of business from aCL to aPSL was completed on 21 April 2023, with the group providing a capital injection of £1.65m through aPSL issuing shares to parent Standard Life Savings Ltd (SLSL). As at 31 December 2023, aPSL reported Own Funds of £2.9m and an Own Funds Requirement (OFR) of £2.1m, resulting in coverage of 140%.

SLSL disclosed an OFR of £23.7m against Own Funds of £195.9m, providing a surplus of £172.2m and coverage of 826%.

Service Rating

abrdn believes it has the scale and capacity to provide excellent levels of relationship and administrative support. For MPS, an advisers' primary point of contact will be a member of the business development team who manages the relationship and act as the first port of call for all abrdn matters.

The business also factors in that financial planners integrate technology and systematic methods to help construct their financial plans and ensure that their service is delivered efficiently. abrdn has aligned its MPS to many of the tools and systems advisers use to deliver desired client outcomes.

By combining abrdn MPS and abrdn platforms, the business believes it can leverage the continuous platform development to enhance client outcomes. New platform updates are expected to make the MPS adviser journey more intuitive and easier to use. MPS website content continues to be enhanced and updated and includes a significant amount of information including Consumer Duty support.

There are several projects underway to support the business to enhance its efficiency in processes:

- MPS Model Management system - move to a more robust and controlled environment
- Process automation, from BAU process like rebalancing, to factsheet automation, to ensure service is scalable

An on-going review of support required for the MPS solution has resulted in creation of additional dedicated MPS Operational roles being created. This is to further assist the advisers who use the abrdn MPS. The MPS continues to carry a Gold DFM service rating by Defaqto in 2024.

Image & Strategy Rating

The sale of the discretionary business aCL was seen as a strategic decision by abrdn plc, given its view of the scale that would be required to reach broader discretionary proposition goals as a distinct business. The resulting focus of MPS as a proposition in its own right fits with current market sentiment and opportunities to capitalise on growth in this market under abrdn's simplified model.

The MPS market has shown itself to be a high growth area, but has continued to be increasingly competitive, with a stream of new entrants and reducing margins as businesses compete for clients. aPSL has a clear strategy to continue offering a compelling MPS proposition, leveraging the benefits of the Adviser business, linking with the abrdn platforms for instance, and accessing the wider existing adviser relationships; and working more broadly across the group, utilising the scale, research and management capabilities of the Investment business for instance and with ii to provide solutions for the financial planning business.

To provide wider platform availability, the core MPS solutions are now on eight platforms, of which six are external to abrdn. In February 2024, aPSL introduced its Money Market MPS, a propositional development aimed at widening investment selection and in response to the current high interest rate environment.

Via its Standard Life background, abrdn has a long pedigree in the UK in terms of long term savings, investments and pensions, and is committed to its platform proposition as key to the continued growth in its UK retail business. The group continues to accelerate its Adviser Experience Programme to meet the demands and expectations of advisers and to position itself at the forefront of the sector. Supporting this, abrdn aims to enhance and differentiate its offering, developing broader capability to meet challenges faced by advisers, by supplementing traditional platform capability with an integrated range of value added services and solutions to improve adviser efficiency. The aim will be to provide flexibility and choice within a singular service architecture.

Overall, there is an emphasis within the abrdn business on ease of client experience and an aspiration for this to form a core part of the business image and a differentiated advantage. The 'abrdn' brand has still not totally shaken off some earlier criticisms but the business appears to be much closer to reaching its overarching objective to simplify the propositions, and ultimately the market has therefore largely accepted the singular distinctive master brand, one that reflects a measure of change and disruption whilst maintaining a link to its heritage.

Business Performance Rating

The MPS AuM increased to £2.6bn in the 2023 financial year, with a small net inflow of £25m and positive market movement of £97m resulting in an overall increase of £122m. These assets generated management fee revenue of £3.7m for aPSL, and after operating costs of £2.8m an operating profit of £0.9m was reported. With net finance income (interest received) of £0.1m, PBT was £1.0m, and after tax, with no dividends paid, retained profit was £0.7m.

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

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

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

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

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

A new transformation programme was launched in January 2024, targeting an annualised cost reduction of at least £150m by the end of 2025. The bulk of the savings are expected to be non-staff costs, although the programme is expected to result in the reduction of approximately 500 roles. Total implementation costs are estimated to be around £150m to achieve the desired simplification and annualised cost savings, funded from the surplus capital in the business following stake sales in 2023.

In the first 6 months of 2024, improving net capital generation remained a priority for the group and it reported:

- Adjusted capital generation was up 1% to £144m [H1 2023: £142m) driven by higher adjusted profit after tax, and this covered the interim dividend (£130m) by 1.11x [H1 2023: 1.04x]
- Net capital generation of £104m was more than double H1 2023 (£50m), reflecting lower restructuring costs
- CET1 capital resources were £1,544m (FY 2023: £1,466m) with coverage of 146% (FY 2023: 139%).

Group & Parental Context

BACKGROUND

abrdn plc was formed in August 2017 as Standard Life Aberdeen plc from the merger of Standard Life plc and Aberdeen Asset Management plc and is a UK based financial services group focused on providing long-term savings and investment solutions on a global basis. The group is structured around three businesses, Investments; Adviser; and Personal.

The Life Insurance Company of Scotland was founded in Edinburgh in 1825. It was renamed as The Standard Life Assurance Company (SLAC) in 1832 and reincorporated as a mutual assurance company in 1925. Standard Life Investments was established in 1998 and Standard Life entered the offshore market with the launch of the Dublin based subsidiary, Standard Life International Ltd in January 2006. Following the demutualisation of SLAC and the flotation of Standard Life plc on the London Stock Exchange on 10 July 2006, Standard Life Assurance Ltd (SLAL) operates in the UK alongside its now considerably smaller subsidiary, Standard Life Pension Funds Ltd (SLPF). Under the terms of deal with Phoenix, however, these life businesses were sold out from the group, with this completing at the end of August 2018.

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

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

In February 2018, Scottish Widows and Lloyds Banking Group's Wealth businesses announced that they were reviewing their asset management arrangements and that they had therefore given notice to SLA to terminate their partnership agreements with Aberdeen Asset Management plc. This includes long-term contracts for the management of over £100bn of assets. An arbitration tribunal ruled that Lloyds Banking Group did not have the right to end the contract early, and as a result, abrdn continued to manage Scottish Widows' property and tracker funds until April 2022, with compensation paid to abrdn for loss of profit on the portion of assets that transfer before this time.

In February 2018, SLA also announced the sale of its UK and European insurance business and an enhanced long-term strategic partnership with Phoenix Group. At the same time, it confirmed that it would retain its adviser platforms (Wrap, Elevate and Parmenion). The acquisition completed in August 2018 with SLAL acquired by Phoenix, with part consideration by way of shares; the shareholding reduced when PGH acquired Reassure, which involved the issuing of new shares, and abrdn plc now holds in total approximately 10.7% of the issued share capital of PGH. Aberdeen Asset Management Life and Pensions Ltd was retained by abrdn and renamed Aberdeen Standard Investments Life and Pensions Ltd, and more recently to abrdn Life and Pensions Ltd.

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

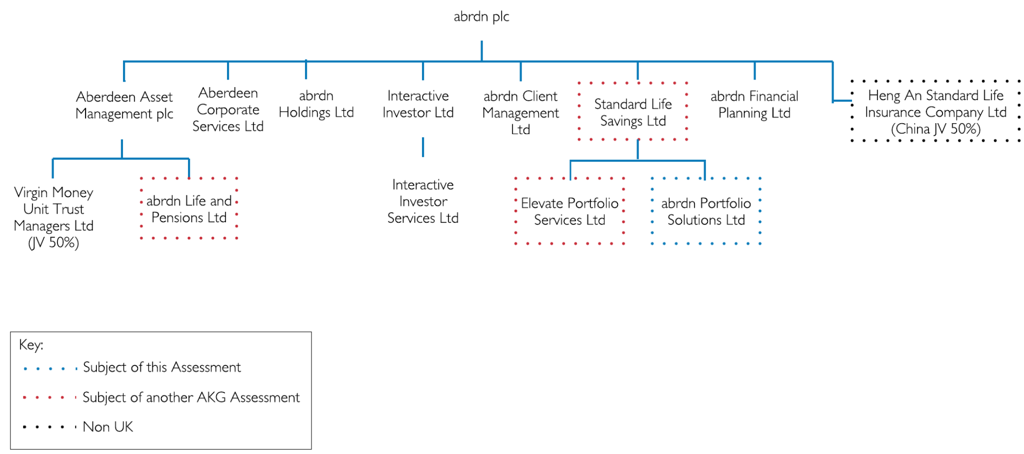
A new partnership agreement between abrdn and Phoenix was signed in February 2021, making various amendments including: extension of the asset management agreement for 10 years at least; abrdn to acquire back the Wrap SIPP and

Wrap Onshore Bond tax wrappers; sale of the Standard Life brand to Phoenix; with abrdn to retain its shareholding in PGH (detailed at 10.7% in latest Phoenix disclosures).

SLA changed its name to abrdn plc in July 2021.

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

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: abrdn Portfolio Solutions Limited

BASIC INFORMATION

Ownership & Control
abrdn plc

Year Established
2014

Country of Registration
UK

Head Office
280 Bishopsgate, London, EC2M 4AG

Contact
https://www.abrdn.com/en-gb/adviser/abrdn-managed-portfolio-service/contact-us

Key Personnel

Role	Name
Chair	Sir D Flint
Group Chief Executive	J Windsor
Group Chief Financial Officer (interim)	I Jenkins
Group Chief Operating Officer and CEO, interactive investor	R Wilson
Group Chief Risk Officer	G Murphy
Chief Executive Officer, Investments	X Meyer
Chief Executive Officer, Adviser	N T Butwell
Chief Distribution Officer, Adviser	V Kenny
Commercial & Strategy Director, Adviser	J Black
Chief Operating Officer, Adviser	K Watson
Chief Financial Officer, Adviser	G Mitchell (L Williams, wef January 2025)
Chief Technology and Product Officer, Adviser	D Smith
Head of Investments, abrdn MPS	D P Ripton
Director of Sales	M Clubbs
Head of Marketing, Adviser	E Matheson
MPS Marketing Lead	I Brodie

Company Background
aPSL can trace its heritage from the former aCL, which was previously known as ASC.

ASC was incorporated as Standard Life Wealth Ltd (SLW) in 2007 and retained that name and the trading brand until January 2019. Its immediate parent company is Standard Life Investments (Holdings) Ltd (SLIH) and its ultimate parent company is SLA. SLW was transferred from Standard Life plc to SLIH for £123m in 2014 because of the deeper operational and investment link between the wealth business and the asset management business resulting from its acquisition of Newton Private Clients.

On 27 September 2013, SLW) acquired NPC, resulting in combined AuA of £5.5bn. The acquisition included the Jersey based subsidiary of Newton Management Ltd, Newton International Investment Management Ltd, which was renamed as Standard Life Wealth International Ltd (SLWI). SLWI was subsequently renamed Aberdeen Standard Capital International Ltd in line with ASC re-branding, and the offshore business of AAM, Aberdeen Private Wealth Management Ltd, was merged with it.

ASC was re-named in line with the group re-branding approach in 2021, to aCL, and the international business was renamed to abrdn Capital International Ltd.

On 28 February 2023, LGT Wealth Management UK LLP announced an agreement with abrdn plc to acquire its discretionary fund management business, aCL. This deal completed on 4 September 2023, with the MPS carved out and retained by abrdn.

The retained MPS business was put within abrdn Portfolio Solutions Ltd, this entity being previously known as Cumberland Place Financial Management Ltd until 21 April 2023, previously operating as a discretionary function elsewhere in the group.

OPERATIONS

Governance System and Structure

The abrdn board is responsible for the adequacy of the risk management arrangements of the group and alongside the corporate transformation, it has continued to evolve and strengthen the Enterprise Risk Management (ERM) framework and embed it in the activities of the group. This helps to ensure that the framework is keeping pace with industry standards and is appropriate for the risk profile of the business.

A matrix management structure is in place with global functions providing key services to each of the business units. In terms of corporate governance and risk management, aPSL is managed within the Adviser business with a defined operational framework. The key reporting lines in respect of abrdn MPS are:

- aPSL board (quarterly) - the board organises the direct affairs of aPSL in a manner that seeks to promote long-term sustainable success
- Adviser Risk & Control Forum (quarterly) - this ensures the risk and control environment in the Adviser business is appropriately assessed, monitored, controlled and governed using the common taxonomy and methodology within the abrdn ERM framework
- Investment Oversight Group - this oversees the aPSL investment philosophy, investment process and investment risk across aPSL portfolios, where aPSL provides investment management services under an investment management agreement or equivalent mandate
- Adviser Conduct and Consumer Duty Working Group - supports the Adviser CEO, other relevant board members and the Adviser Executive Team in discharging their Conduct Risk and Consumer Duty obligations

In November 2024, abrdn re-assembled its senior leadership structure to "simplify decision making and accelerate progress against its strategic priorities of transforming performance, improving the client experience and strengthening talent and culture". A new Group Operating Committee was formed, with a focus on transforming the group's performance, and speeding up decision making. This committee comprises seven people including the group CEO, COO and CFO, and the business unit CEOs. The Executive Leadership Team was reframed, and will focus on overseeing the execution of strategy, the talent and culture agenda, and the risk and control environment. This group included new representation, with the Investments CIO and senior client and product colleagues joining to provide a clear focus on client outcomes and deliver the group's growth and efficiency objectives.

Risk Management

aPSL benefits from a strong control environment, achieved through the abrdn group's ERM framework which enables a risk-based approach to managing the business and integrates concepts of strategic planning, operational management and internal controls. An ICARA (Internal Capital and Risk Assessment) supports the implementation of the ERM Framework and is how abrdn identifies, assesses, controls and monitors the risks that inform its capital requirements specifically.

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

A 'three lines of defence' model of risk management is operated by the group, with clearly defined roles and responsibilities for committees and individuals. This ensures that there is clear accountability for risk-taking within the individuals' areas of responsibility. Most risks arise in the business and that's where they are managed and owned. aPSL takes ownership of risks including implementation of processes to monitor and control these risks aligned to the ERM framework.

During 2023, key improvements to the ERM framework included:

- Delivering a new approach to Risk and Control Self Assessments, focused on key business outcomes and executive accountability
- Improving the abrdn plc group's risk acceptance process
- Improved management information to better measure how the framework is applied in practice
- Reviewing risk taxonomy
- Strengthening capabilities within Enterprise Risk
- Further embedding of capabilities to support Operational Resilience and Consumer Duty outcomes
- Updating the Global Code of Conduct

During 2023, the abrdn plc group implemented the FCA's new Consumer Duty requirements, which came into force on 31 July 2023. This is embedded in the Global Code of Conduct and was supported by the Consumer Duty mandatory training module and Client and Customer Policy. The Consumer Duty requirements place specific obligations on the group's businesses to demonstrate value for money for its clients. This is achieved by avoiding biased incentive schemes and by the value for money framework, underpinned by abrdn plc's group culture and strategy.

The principal risks and uncertainties facing aPSL are integrated into the principal risks and uncertainties of the group and are not managed separately. Group risks include:

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

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

abrdn continues to enhance the proposition through the Adviser Experience Programme. The second phase delivered improved products with a Flexi-ISA and multiple Personal Portfolios; alongside a range of enhancements designed to improve adviser experience. This included a redesigned user-interface, new client reporting, adoption of a 'client centric' data model and enhanced integration service for valuations and adviser charging.

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

Within the aPSL team, the strategy is running the proposition as efficient, scalable and with as low a risk to the business as possible. There are a number of projects underway to enhance the efficiency in processes, including a MPS Model Management system which introduces a more robust and controlled environment, and process automation around rebalancing and factsheet automation. There is dedicated abrdn MPS support to the adviser and client all the way through the process.

Benchmarks
In 2023 and 2024, abrdn achieved the highest industry ratings from Defaqto. Specifically, MPS retained a 5 Star rating, held since 2013, as well as the Gold DFM Service Rating. The abrdn MPS also retained its 5 Diamond, performance-based rating.

Outsourcing
Within the Adviser business, there is one significant outsource arrangement; FNZ provides the following services for Wrap (as well as for Elevate and Fundzone platforms):

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

In 2022, the FNZ relationship evolved further with FNZ taking on Wrap's operations. As part of a programme, transitional service arrangements with Phoenix Group were exited, with the aim to deliver an increasingly personalised and efficient service to clients as part of the Adviser Experience Programme.

Other third party providers include:

- Financial Express - KIIDs, Fund Factsheets, Fund data provision
- Origo - Unipass Identity Provider, Origo Transfers Service, Integration Hub & Unipass Mailock (Secure email encryption)
- Okta - Identity Management
- HSBC & Winterflood - provide abrdn Wrap with stockbroker services to buy and sell any of the securities which are available on the Wrap Platform

STRATEGY

Market Positioning
abrdn has evolved into an asset management, platform and wealth management group. The group has three core growth businesses:

- Investments - specialist global asset manager operating in the Institutional and Retail Wealth markets, with over 1,400 institutional clients (insurance companies, pension funds, wealth managers, banks and family offices) - offering a comprehensive range of solutions in public markets and alternatives including specialist equities, fixed income, quantitative investments, private credit and real assets
- Adviser - providing the abrdn platforms plus abrdn MPS in the Intermediary market - providing over 4,000 funds, integrated MPS and cash solutions to advisers - relationships with c.50% of UK IFAs and over 400,000 customers
- ii (interactive investor) - the UK's second largest direct-to-consumer investment platform serving c. 430,000 individual retail investors with ISAs, trading accounts, SIPPs, FX, financial planning, and managed products

The sale of the discretionary business aCL was seen as a strategic decision by abrdn plc, given its view of the scale that would be required to reach broader discretionary proposition goals as a distinct business. The resulting focus of MPS as a proposition in its own right fits with current market sentiment and opportunities to capitalise on growth in this market under abrdn's simplified model.

The abrdn MPS solution combines the discretionary portfolio management team's expertise with that of the wider abrdn business, including Portfolio Engineers and Multi-Asset Solutions experts. Given abrdn's scale, there is wide access to asset managers when it comes to fund selection, from global firms to niche specialists. Its research is underpinned by a team of equity and credit analysts undertaking over 3,000 company meetings a year, and covering over 2,100 companies.

Portfolios are offered to Retail Investors via FCA Authorised Financial Advisers only, through various wrappers, subject to Platform availability, including ISAs, Pensions, General Investment Account, onshore or offshore Bonds.

The dedicated investment team's full focus is to anticipate, monitor and respond to changing economic conditions and market events. Investment opportunities are optimised and continually monitored and rebalanced to provide consistent, risk adjusted outcomes for investors. The business is also focused on providing flexible tailored solutions to meet bespoke needs, and the future introduction of a cash MPS is evidence of adapting to the needs of its clients.

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

As part of an attempt to deliver new features, advice solutions and technology enhancements, abrdn launched its Adviser Experience Programme (AEP) in 2021 to ensure its platforms remain 'best in class'. The first phase has introduced Amazon Web Services and the Salesforce Service Cloud to support the operations teams in delivering a fully flexible service at scale. The second phase of the AEP saw a significant platform technology upgrade in 2023, despite some challenges around timescales, with a range of enhancements made to make its operating system more flexible and faster to use, including improved client reporting and better design.

Moving forward, abrdn expects its common technology stack to simplify processes, prioritise service and deliver end-to-end technology enhancements around advisers' needs, and is expected to provide a more dynamic offering around additional business solutions, such as the further integration of MPS with the platform.

A newly launched website in 2024 is now providing advisers with a comprehensive range of content in a single location, including access to a large range of Consumer Duty support materials, and abrdn is updating its due diligence provision with the addition of the DD|Hub and lang cat Portfolio Analyser.

Proposition

The abrdn MPS is a range of portfolio strategies with a choice of management styles and risk levels to meet clients' investment needs. There are three investment styles (Blend, Index Tracking, and Sustainable) applied across four portfolio ranges:

- abrdn MPS- aims to achieve a total return from both income and capital growth through a diversified portfolio of collective investment funds over the long term
- abrdn Sustainable MPS- aims to achieve a total return from both income and capital growth through a diversified portfolio of collective investment funds over the long term; focused on sustainable, ethical and impact funds
- abrdn Index MPS- aims to generate growth primarily through a diversified portfolio of index tracker funds over the long term
- abrdn Sustainable Index MPS- aims to generate growth primarily through the use of sustainable, ethical and impact index tracker funds over the long term

Within each portfolio range there are five risk assessed models. Each of the five models is aligned to an investment objective and attitude to risk, so there is a suitable option for most clients - from the most conservative to those willing to accept higher risk for potentially more reward. All portfolios offer automatic, quarterly rebalancing, with 'Sustainable' options incorporating ESG, stewardship, avoiding harm and impact themes.

In addition to these there are two further MPS solutions available:

- abrdn Money Market MPS - a standalone, low risk alternative to cash deposits, wholly invested in open-ended money market funds, aiming to return Bank of England base rates
- abrdn Tailored MPS - for advisers to build bespoke portfolios to support their CIP, with white labelling options

A re-pricing of the MPS propositions took place in December 2023 which prompted some positive new business inflows. The Money Market MPS was introduced in February 2024, enhancing its existing investment options with increased flexibility to manage cash on platform within the relevant tax wrapper. This new solution attracted over £30m in AuM in the first 8 months, with 87 firms adding aPSL as MPS provider since launch.

The business also factors in that financial planners integrate technology and systematic methods to help construct their financial plans and ensure that their service is delivered efficiently. Abrdn has aligned its MPS to many of the tools and systems advisers use to deliver great client outcomes, including:

- Risk mapping: Dynamic Planner, Synaptic, FinaMetrica, Defaqto, Oxford Risk and EV
- Investment analysis: FE Analytics
- Access: abrdn Wrap, abrdn Elevate, Aegon, Aviva, Fidelity, Quilter, Transact, Wealthtime

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2023

Own Funds Disclosures

		Dec 22 £ 000's	Dec 23 £ 000's
Available own funds		1,259	2,909
Own funds requirement (OFR)		668	2,082
Excess own funds		591	827
OFR coverage ratio (%)		188	140

The 2023 report and accounts and other reporting documents for aPSL largely reflect the impact of the transfer of the MPS business from aCL on 22 April 2023, and as such any comparison to prior years (when the business operated as Cumberland Place Financial Management Ltd) is largely irrelevant; but CPFM prior data is presented in the tables here and in following sections, for completeness.

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

The transfer of business from aCL to aPSL was completed on 21 April 2023, and the directors stated the company would receive the necessary capital injection from abrdn plc, to ensure it retained an adequate coverage. The amount that was raised by aPSL issuing shares to parent SLSL was £1,650k in 2023.

As at 31 December 2023, aPSL therefore reported Own Funds of £2.9m and an OFR of £2.1m, resulting in coverage of 140%.

SLSL's IFPR disclosure for 2023 showed an OFR of £23.7m (on a FOR basis) against Own Funds of £195.9m, providing a surplus of £172.2m and coverage of 826%.

The group has a considerable solvency surplus, as at 31 December 2023 it held £0.9bn in excess of its CET1 capital requirement of £0.6bn under IFPR rules (capital excludes the value of the Phoenix stake). The group has strategically sold down its shares in associates and listed investments (PGH and the HDFC Asset Management and HDFC Life businesses as noted previously) in recent years, which has helped maintain dividend payment levels and solvency surplus, and in 2023 generated a total of £713m capital from the sales of the listed Indian stakes (£576m), and the disposals of its DFM and US private equity businesses (£137m). The group used these to invest in the business through strategic bolt-on acquisitions, including the acquisition of four closed-end funds from Macquarie and healthcare fund management capabilities from Tekla for a total of £152m. The proceeds also supported restructuring costs of £121m, including the reshaping of the Investments business and in addition, the group returned £302m by way of share buybacks and £267m by way of dividends in 2023 in line with its previous commitment to return £0.6bn of capital to shareholders.

Statement of Financial Position

	Dec 21 £ 000's	Dec 22 £ 000's	Dec 23 £ 000's
Assets	2,128	1,707	5,839
Current liabilities	(778)	(448)	(2,194)
Long-term liabilities	(1)	0	0
Net assets	1,349	1,259	3,644

Statement of Changes in Equity

	Dec 21 £ 000's	Dec 22 £ 000's	Dec 23 £ 000's
Equity at start of period	1,144	1,349	1,259
Movement due to:			
Share capital and premium	(1,225)	0	1,650
Retained earnings	1,430	(89)	735
Other	0	0	0
Equity at end of period	1,349	1,259	3,644

aPSL issued shares to parent SLSL in the year which increased share capital by £1,650k. Net assets (equity) increased overall by £2,385k due to this and retained profit of £735k.

In respect of parent SLSL, there were no capital movements during the year, and with retained profit of £58.1m partially offset by dividends paid of £50.0m, total equity in SLSL increased by £8.1m to £278.4m.

Income Statement

	Dec 21 £ 000's	Dec 22 £ 000's	Dec 23 £ 000's
Revenue	873	58	3,652
Other operating income	0	0	0
Operating expenses	(1,176)	(176)	(2,794)
Operating profit (loss)	(304)	(117)	857
Other gains (losses)	(60)	7	103
Profit (loss) before taxation	(363)	(110)	961
Taxation	68	21	(226)
Profit (loss) after taxation	(295)	(89)	735
Other comprehensive income	0	0	0
Dividends	0	0	0
Retained profit (loss)	(295)	(89)	735

Financial Ratios

	Dec 21 %	Dec 22 %	Dec 23 %
Operating margin	(35)	(201)	23
Pre-tax profit margin	(42)	(188)	26
Employee costs as a % of revenue			

The assets managed throughout the year generated aPSL fee based income of £3.7m. After operating costs of £2.8m an operating profit of £0.9m was reported, and after net finance income (interest received) of £0.1m, PBT was £1.0m. No dividends were paid so PAT was £0.7m.

In common with the group operating model, aPSL has no direct employees and all its staff are employed by other abrdn companies, with costs recharged to aPSL.

SLSL reported its revenue in 2023 (fee income largely, for the provision of investment management and administration services) increased by 18% to £171.9m. The increase of £26.2m was largely due to fee income related to the platform, which increased by £11.2m, supplemented by increases in cash margin (up by £10.9m, to £18.8m) and interest income (up by £4.1m, to £6.3m), off the back of higher UK Bank of England base rate during the period. Administration expenses were down by 7% to £96.0m [2022: £102.7m] with PBT increasing to £76.0m [2022: £48.8m] and SLSL ultimately reported a PAT of £58.1m. A dividend of £50m was paid and £8.1m profit retained.

Rating & Assessment Commentary
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Statement of Cash Flows

	Dec 21 £ 000's	Dec 22 £ 000's	Dec 23 £ 000's
Net cash generated from operating activities			
Net cash used in investing activities			
Net cash used in financing activities			
Net increase (decrease) in cash and cash equivalents		(187)	2,871
Cash and cash equivalents at end of period	1,815	1,629	4,500

Assets under Management (AuM)

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Assets at start of period			2,472
Inflows			307
Outflows			(282)
Net market and other movement			97
Assets at end of period		2,472	2,594
Growth rate (%)			5
Net inflows as % of opening AuM			1

aPSL is not required to produce a cash flow statement. Cash increased through the issue of shares of £1,650k and retention of profit of £735k.

The AuM stated relates to the MPS line of business only, that held originally in aCL and transferred to aPSL during the year. There was a net inflow of £25m and positive market movement of £97m resulting in an overall increase of £122m, to end the year at £2,594m. A small amount (£17m) of underlying DFM business that was held by CPFM prior to the transfer was wound down during the year.

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

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

Guide

INTRODUCTION

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

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

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

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

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

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

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

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

This is a participatory assessment.

RATING DEFINITIONS

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

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

The rating takes into account those of the following criteria which are relevant (depending upon the company's mix of business in-force): capital and asset position, expense position and profitability, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

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

Service Rating

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

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

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

Image & Strategy Rating

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

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

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

Business Performance Rating

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

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

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

ABOUT AKG

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

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

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

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