Reference 999

Annual Benchmarking Report

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1 Executive Summary

1.1. Wealth Managers[1]

On the whole, 2013 has been a good year for the markets – the FTSE 100 increased 14.4% – and a good year for wealth managers (as defined by private banking, investment management and full service wealth management).

Investment assets reached £524.44 billion at the close of 2013, an increase of 11.4% from the previous year's £470.96 billion. The WMA balanced index increased 10.8% in 2013, so by comparison the sector performed well. The two largest firm types showed strong double-digit growth performance. Full service wealth managers (28.9% of total assets) increased assets by a very commendable 21.2% and private banks (44.6% of total assets) grew assets by 12.1%.

Total net revenue grew 4.1% to £4.87 billion with investment management fees growing by 7.6%, commission revenue increasing by 9.3% and treasury income decreasing for the first time since 2010, by 3.1%. These three streams continue to form the bulk of revenues and together constitute over 93% of total net revenues (fees: 54%; treasury: 21%; commissions: 18%).

Total costs were under control in 2013 and decreased by 0.43%, comfortably clear of the 2% rate of inflation registered by the CPI index. Total costs comprise staff costs (66% of total costs) and non-staff costs (the remaining 34%) and each type fell marginally this year, by 0.38% and 0.52% respectively.

Front office professional staff costs make up almost 52% of total staff cost and these increased by 1.1% year-on-year. The largest component of non-staff costs was property and facilities. These costs constituted 24% of the total and increased by 0.23%.

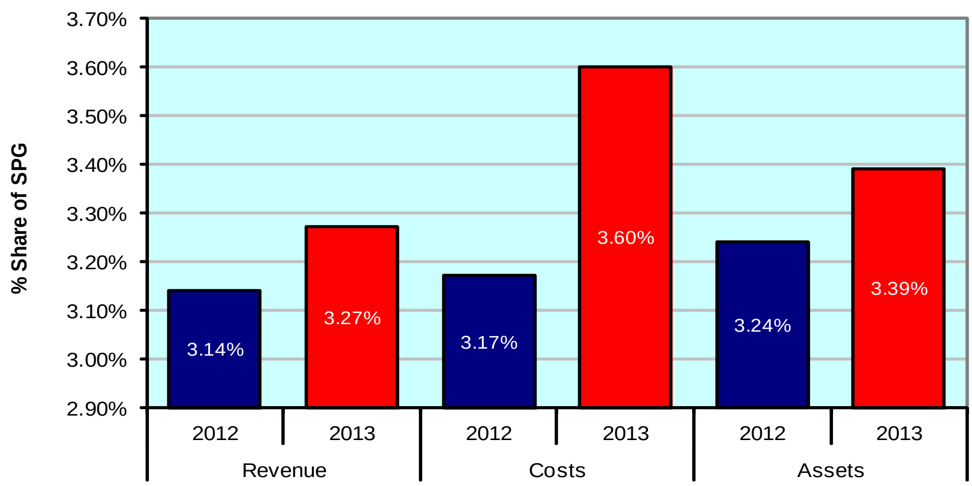
Staff numbers fell 3% to 28,524 from 29,412 in 2012. Front office professional staff remained approximately the same. Given the perception of regulatory turmoil in the UK wealth management sector, it is perhaps astounding that compliance staff fell by 2.3%.

Increasing revenues and stable costs meant that profits increased by 22.2% in 2013, the highest jump since 2007. Though there is room for improvement, the sector can be happy with the progress made in 2013.

[1] This summary focuses on the private clients business of firm's that ComPeer defines as 'Wealth Managers', including Full Service Wealth Managers, Investment Managers and Private Banks.

1.2. Your performance

% Share of SPG for Key Measures



Year on Year Change	0.13%	0.43%	0.15%

	Revenue Growth	Cost Growth	Asset Growth
You	15.2%	14.7%	22.8%
Selected Peer Group	13.1%	11.8%	17.8%

This section of the report is based on your prioritising of business outcomes, as supplied in your questionnaire. Your most important outcome was asset growth, with client/asset retention ranked second and revenue growth third.

Your asset growth of 22.8% outperformed the 17.8% performance of your SPG as well as that of all wealth managers (12.4%). Stripping out funds won and lost, your underlying asset growth of 11.6% slightly outpaced the market, as indicated by the 10.8% rise in the FTSE / WMA Balanced Index. In 2013 you reported a 13.4 % net inflow of new assets, whereas your closest competitors recorded net new assets totalling 11.6% of last year's investment assets.

Although your second objective of retaining clients was achieved, with your portfolio numbers remaining steady at 10,011 (compared to 10,002 at the start of the year), 2013 has been a year in which a number of firms have reported good client growth - as indicated by 9.78% growth in portfolios by your selected peer group (SPG).

Your above average growth in assets has been reflected in an encouraging 15.2% growth in revenues, thereby signifying success in your third main objective. This compares favourably to the 13.1% year on year increase by your SPG. Your commissions grew by a significant 17.1% in 2013 (compared to 7.6% growth by your SPG). Although in your largest revenue stream, investment management fees, your peers grew by a greater margin (27.4% compared to 22.1%), your peers' overall revenue performance has been impacted by a reduction in treasury income, which represents 21.5% of their revenue. In contrast, only 4.1% of your revenue is from net interest or FX margin and so the reduction has had a much smaller impact on your firm.

However, your growth has come at a cost. Your costs increased by 14.7% in 2013, as opposed to 11.8% growth by your SPG. This rise in costs has been driven by an increase in staff costs as well as a sharp rise in your compliance and risk non-staff costs. Compared to your SPG you have high costs as a percentage of investment assets.

In terms of productivity levels, your front office professionals (FOPs) are being outperformed by your SPG. You were ranked 6 for revenue per FOP with a value of £297k (£476k for your SPG). Although your return on assets is similar to your peers, given that the average value of your client portfolios, at £154k, is relatively small (£302k for your SPG), your revenue return on each portfolio is below average. You were ranked 5 for investment revenue per portfolio with a value of £1,263 – 24% short of the £1,664 earned on average by your SPG. Your investment assets per FOP at £32.7m are low relative to your SPG with a value of £56.5m. At £11.6m, you have higher levels of new assets per FOP, relative to your SPG with a value of £6.12m.

The net result for your firm is a pre-tax profit margin of 16.4%, which falls short of the benchmark level set by your SPG (24.6%). You are ranked 5 in your SPG for this measure.

As an additional mechanism for assessing how well your business outcomes are aligned with your stated objectives we asked you to select your firm's ten most important KPI's and rank them from 1 to 10, with 1 being the most important and 10 the least (see the list below).

Your Key Performance Indicators:

1	Profit margin %	*
2	Net assets won as % last years assets	*
3	% return (all revenues) from all assets	*
4	% YOY change in revenue	*
5	% YOY change in costs	*
6	Average portfolio value	**
7	Assets per front office professional	**
8	Revenue per FOP	**
9	Variable comp as % of fixed staff costs	**
10	Fees as a % of revenue	**

In 7 out of your 10 KPIs your performance fell short of your SPG. The areas where you performed well were your good levels of asset inflows, above average growth in revenue and having a high proportion of revenue from fees.

1.3. Recommendations

Based on our analysis, our recommendations are as follows:

- Given your current cost position it is important that, following your recent acquisition, costs remain under control to protect your profits. Operationally, you are currently over spending in comparison to your peers. At £18,635, your operational costs per staff member are £8,182 higher than the average of your SPG. If these were brought into line with your peers, it would substantially improve your profitability.
- Although your average portfolio size is half that of your SPG, each of your front office professionals (FOP) are managing only a slightly higher number of portfolios. As a result, your assets per FOP are well below the peer group level (£32.7m compared to £56.5m). This suggests that there is room to increase the capacity of your FOPs, thereby raising your revenue per FOP, without jeopardising client service.

2 Benchmarking Report Overview

2.1. Report Structure

Section 3 shows your profitability numbers and trends compared to your competition. Subsequent sections drill down into the key performance drivers so that you can understand your relative position and identify areas for development. The red indicators highlight areas which we consider worthy of further review. Section 9 gives a summary of key business indicators (KBIs) and peer group rankings. This will assist you in interpreting the results.

2.2. Peer Groups

The firms in your Selected Peer Group (SPG) are listed below. Period data and ratios relate solely to these firms, and exclude your own data (except for ranking purposes).

- *Includes the list of the firms in your selected peer group. This is a minimum of 5 firms and it is recommended that you select 6 to 10 firms.*

The Wealth Manager Peer Group includes the 119 firms that we track, comprising 30 private banks, 53 private client investment managers and family offices, plus 36 full service wealth managers that also provide stockbroking services.

2.3. Key Definitions

Total assets include investment assets, money held in client deposits accounts, money market, fiduciary deposits or other cash products. These 'banking balances' are held outside any discretionary or advisory mandate and include liabilities encompassing loans, overdrafts, mortgages, guarantees and other liability products. Investment assets are the value of all liquid assets managed (under an advisory or discretionary mandate) or administered by the firm (in nominee or non managed portfolios) for individuals and small institutions such as charities and foundations which receive a private client service. Small amounts of cash held in clients' dealing or float accounts within a mandate are included in investment assets.

Portfolios comprise the number of portfolios or securities accounts where assets are managed or custodied by the firm. A client may have several portfolios or a portfolio may be owned by two or more clients. A separate valuation is normally issued for each portfolio.

Department Costs. Much of our analysis features department costs. These are derived by allocating costs based on the staff analysis you provided. We have also adjusted for outsourced and transfer charges. Allocation details are included in the electronic schedules.

If you have data queries, please contact us for an explanation or a copy of the full glossary.

3 Profitability

3.1. Profit

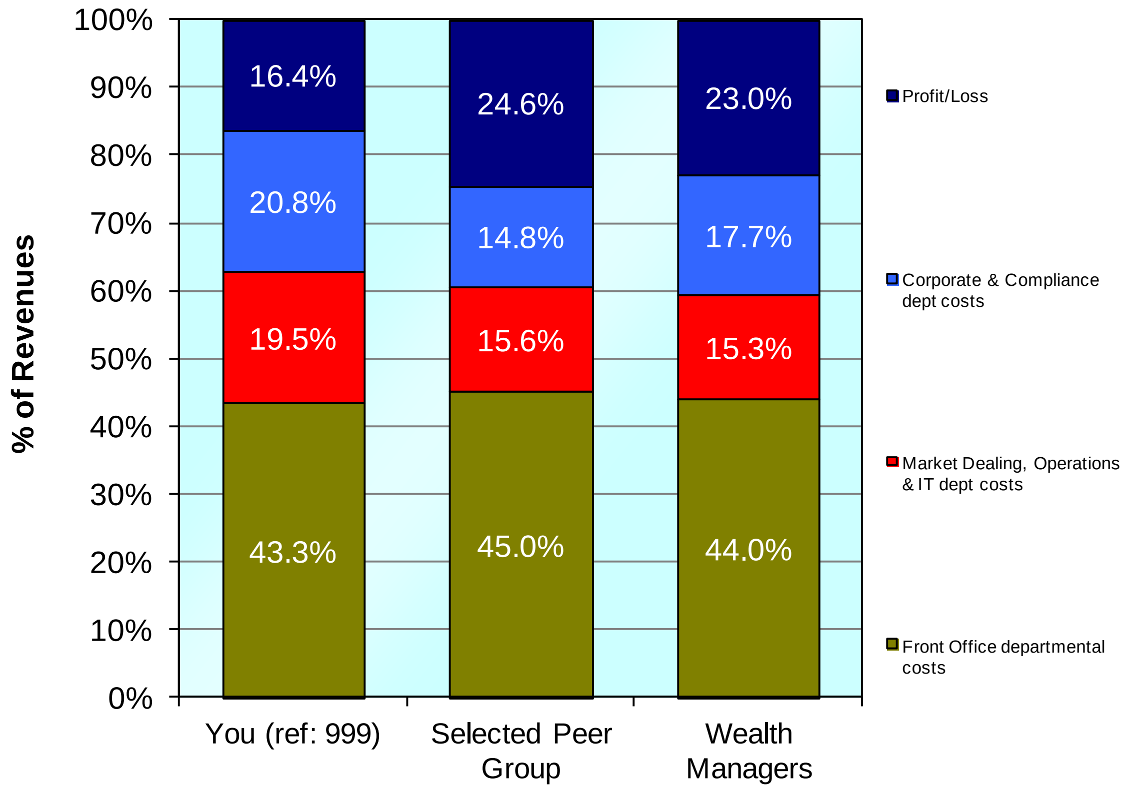
Your profitability fell short of the performance of your Selected Peer Group (SPG). Similarly, your profit level fell short of the larger group of wealth managers.

	Compared against SPG firms					All wealth managers	
	You	Best 3	All 7	Worst 3	Rank	All 119	Rank
Profits (£k)	1,756		221,186 (total)		6	1,128,749 (total)	48
Profit Margin %	16.4	36.4	24.6 (average)	3.76	5 *	23.0 (average)	67 *

3.2. Contribution

Figure 1 shows your key business margins. Sections 5 to 7 provide further analysis to understand the departmental[2] variances.

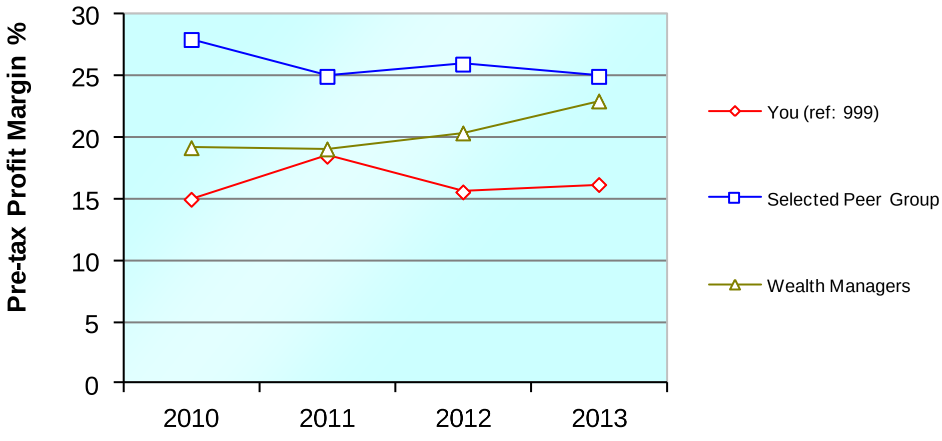
Figure 1



[2] Corporate department is comprised of: Finance, Human Resources, Marketing and All Other Corporate departments.

3.3. Profitability Trends

Figure 2



As Figure 2 shows, your pre-tax profit margin has marginally increased over the last four years. In contrast your SPG have witnessed a slight squeeze in profits.

3.4. Profitability versus Growth

Figure 3 shows how you are balancing between growth and profitability. Your position should reflect your current strategic focus.

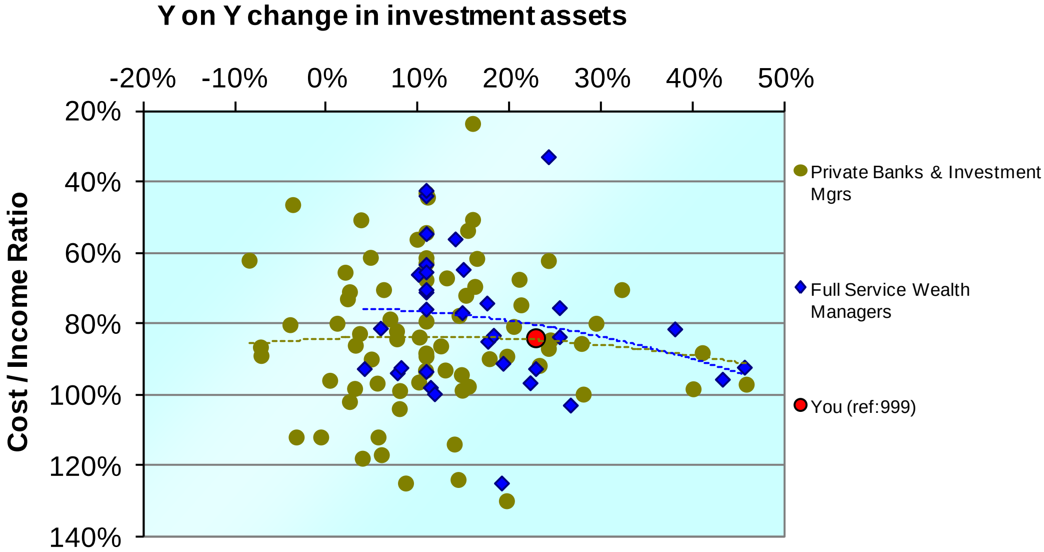


Figure 3

Your cost income ratio (84.0%) is worse than average against all wealth managers (77.0%). In contrast, your asset growth performance (22.8%) is well ahead of that of all wealth managers (12.4%).

4 Assets

4.1. Relative year on year growth

The table below shows your year on year growth in investment assets, plus your market share against your SPG and all 119 wealth managers. Investment assets administered or managed by the sector grew by 12.4% year on year. Over the same period, the FTSE/WMA balanced index rose by 10.8% and the FTSE-All Share index by 16.7%.

Your growth in assets strongly outperformed your selected peer group.

	Compared against SPG firms				All wealth managers	
	You	Best 3	All 7	Rank	All 119	Rank
Investment Assets (£m)	1,578		46,524 (total)	6	525,448 (total)	58
% YOY asset growth	22.8	33.5	17.8 (average)	3 *	12.4 (average)	23 ***

At the end of 2013 your firm had £312m of assets held in Tax Wrapped Products, a 17.8% year on year increase, compared to a growth of 22.4% by your selected peer group.

4.2. Sales Performance

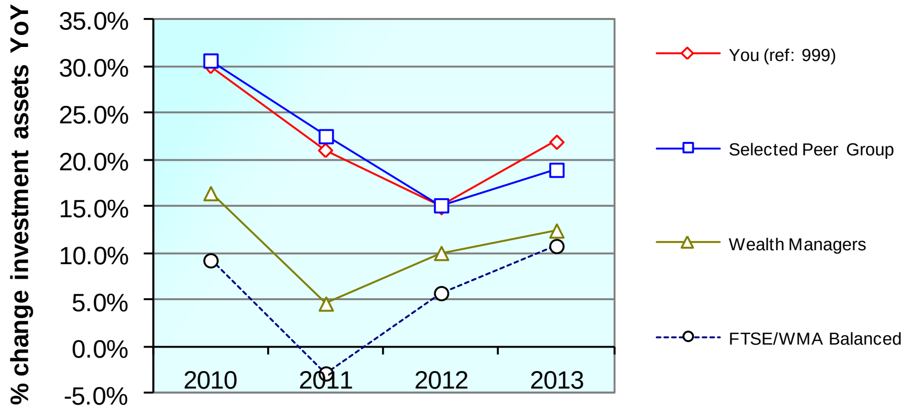
	Compared against SPG firms				
	You	Best 3	All 7	Worst 3	Rank
Net assets won/lost (£m)	157		10,223 (total)		4
Asset Inflows as % of last year's investment assets	35.5	27.7	17.8	8.75	1 ***
Asset Outflows as % last year's investment assets	12.9	4.99	10.6	14.7	4 *
Net assets won as % of last year's investment assets	13.4	22.1	11.6 (average)	0.87	4 *
Sales costs as % of revenue[3]	19.7	8.16	10.7	19.3	7 **
Sales costs per £1m new assets	8.27	2.31	9.87	20.1	3 *

The table above highlights key indicators relating to sales performance. Your level of new business written was slightly ahead of peer group. Your cost of sales (as a percentage of revenues) was worse than your peer group.

[3] Sales costs comprise 100% of marketing non staff costs (including all advertising and PR), 100% of staff expenses, 100% of sales staff costs, 100% marketing staff costs, 50% of relationship managers' staff costs, 20% of investment managers' staff costs and 20% of other product specialists' staff costs.

4.3. Investment Growth and Performance

Figure 4



The chart above indicates that your most recent year on year change in investment assets (including the impact of funds won/lost) strongly outperformed your Selected Peer Group. Stripping out funds won and lost, your organic year on year growth of invested assets was 13.4%, which compares favourably with the change in the FTSE/WMA Balanced Index (10.8%). You came second in your SPG.

4.4. Asset by Mandate Type

	Your Firm	Selected Peer Group (rank)	wealth managers (rank)
Discretionary	85.4%	68.7% (2)	58.4% (26)
Advisory	12.2%	22.8% (6)	19.9% (111)
Non managed	2.4%	8.5% (5)	10.7% (67)
Deposits, loans, other credit product	0%	0% (6)	11.0% (118)

4.5. Assets by Investment Approach

	Your Firm	Selected Peer Group (rank)	wealth managers (rank)
Direct securities	25.0%	38.7% (4)	56.9% (108)
Collectives (including ETFs and ETCs)	48.6%	56.4% (3)	28.8% (15)
Alternatives	23.5%	1.68% (1)	7.17% (4)
Cash	2.95%	3.16% (4)	7.12% (108)

4.6. Assets by Portfolio Size

	Your Firm	Selected Peer Group (rank)	wealth managers (rank)
< £250k	11.2%	40.7% (5)	19.1% (85)
£250k - £1m	33.1%	20.6% (2)	24.9% (31)
£1m - £10m	41.8%	19.2% (1)	33.8% (25)
> £10m	13.9%	19.5% (4)	22.2% (49)

5 Revenue

5.1. Relative year on year growth

The table below shows your year on year growth in revenues, plus your market share against your SPG and all 119 wealth managers.

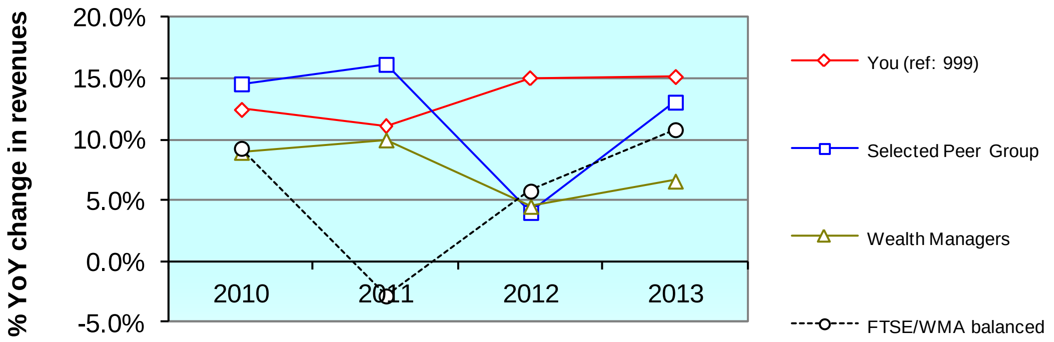
Your growth in revenues is ahead of the peer group benchmark.

	Compared against SPG firms				All wealth managers	
	You	Best 3	All 7	Rank	All 119	Rank
Revenues (£k)	13,546		414,875 **(total)**	6	4,919,295 **(total)**	47
% YOY revenue growth	15.2	52.7	13.1 **(average)**	4 *	6.58 **(average)**	41 **

5.2. Historical growth trends

Growth in revenue over the last four years is illustrated in figure 5.

Figure 5

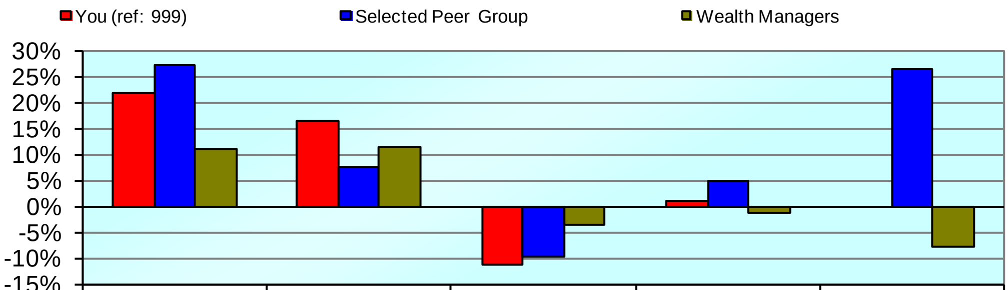


Your recent revenue trend is ahead of your selected peer group and well ahead of wealth managers as a whole.

5.3. Business Mix

Year on Year Revenue Change

Figure 6



	Investment Fees	Commissions	Treasury	Banking Fees	Wealth Planning
You (ref: 999)	22.1%	16.4%	-11.4%	1.1%	0.0%
Selected Peer Group	27.4%	7.6%	-9.7%	4.9%	26.4%
Wealth Managers	11.1%	11.6%	-3.4%	-1.4%	-8.0%

Your recent revenue trend is slightly ahead of your selected peer group and ahead of wealth managers as a whole. This is largely due to your above average growth in commissions and that you are less reliant on treasury income, which most firms have seen reduce year on year.

As % of Total Revenue	Investment Fees [4]	Commissions	Treasury [5]	Banking Fees	Wealth Planning
You (Ref 999)	68.5%	26.3%	4.10%	1.1%	0%
SPG	48.2%	21.8%	21.5%	3.77%	4.74%
All wealth managers	54.5%	18.0%	20.7%	2.99%	3.80%

[4] Includes Investment Management Fees, Custody & Administration Fees and Investment Product Sales.
[5] Includes Net Interest Income and FX Margin

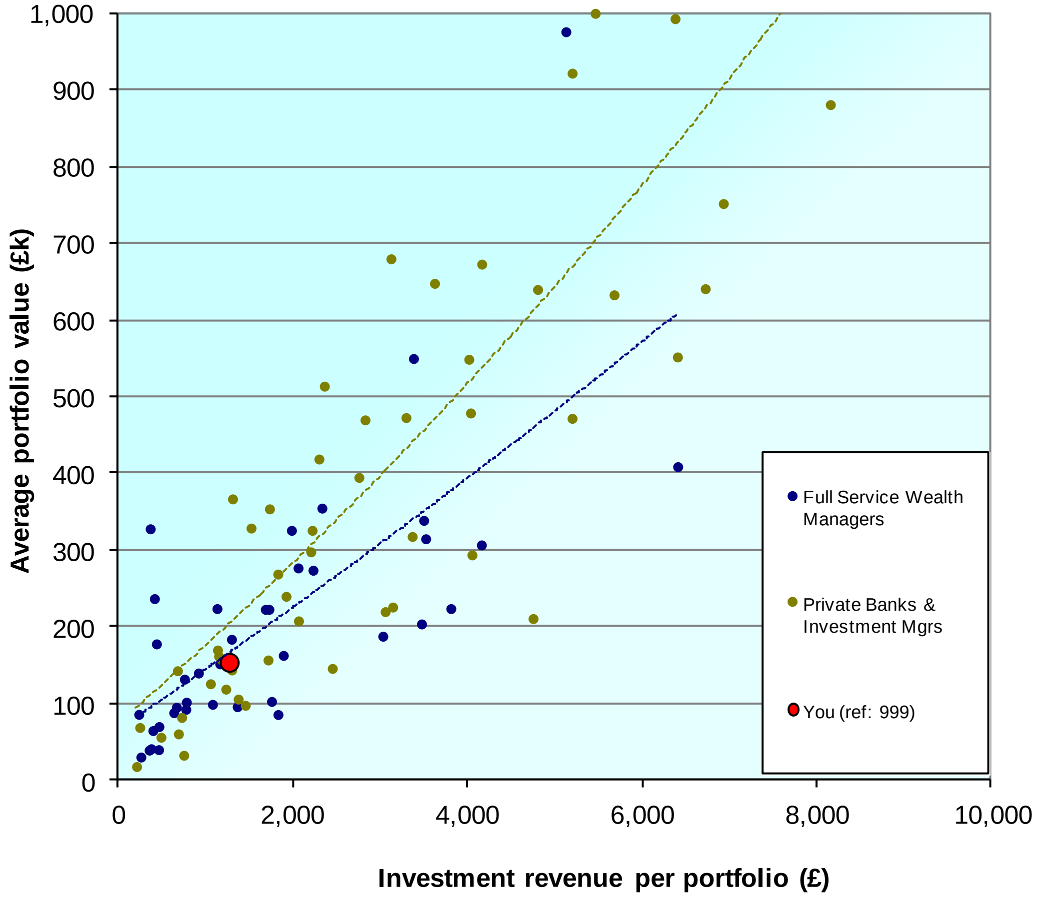
5.4. Revenue Return

The table below shows that your return on assets (i.e. total revenue divided by total assets) is slightly lower than your peer group. However, your return on investment assets (i.e. investment revenue divided by investment assets) is higher than your SPG.

	Compared against SPG firms				All wealth managers	
	You	Highest 3	All 7	Rank	All 119	Rank
% gross revenue return from all assets	0.94	1.21	0.95	5 *	0.89	29 *
% net investment revenue return on investment assets	0.89	1.07	0.86	4 *	0.72	25 **
Average portfolio value (£k)	154	1,262	302	6 **	303	37 *

Figure 7 shows revenue per portfolio compared to portfolio value[6]. Your average portfolio value of £154k is somewhat smaller than wealth managers as a whole and your low revenues per portfolio (£1,1263 against £2,064 for all wealth managers in aggregate) are consistent with this portfolio value.

Figure 7



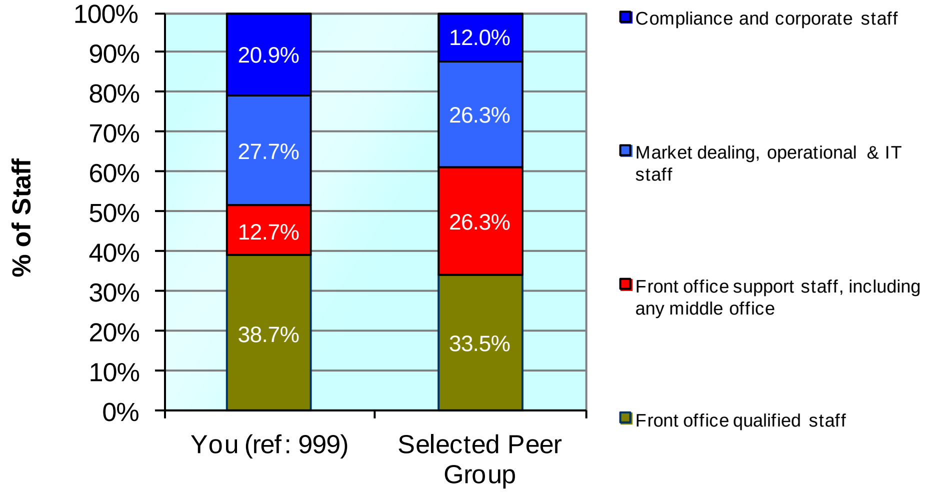
[6] Firms with average portfolio values in excess of £1m have been excluded from the chart.

6. People

6.1. Structure

You employed 100 in-house staff as at the end of 2013, with a further 121 staff allocated to your firm to take into account outsourcing and transfer charges. Your total staff numbers (adjusted for any outsourcing and transfer charges[7]) increased by 27.3% year on year. This compares with an 11.9% increase by your selected peer group. Figure 8 shows your staff numbers, broken down by function, relative to your peer group. These include estimated numbers employed either centrally or by outsourcing agencies. You have proportionately fewer front office support and market dealing, operations and IT staff. On the other hand, you utilise proportionately more of your staff in front office qualified and compliance and corporate positions.

Figure 8



6.2. Staff Costs

	Compared against SPG firms				
	You	Best 3	All 7	Worst 3	Rank
Average in-house staff cost (£k)	87.6	65.3	87.3	102	4 =
Average cost of front office professionals (FOPs) (£k)	126	86.4	111	209	5 *
FOP staff costs as % of revenues	41.1	18.1	26.8	37.7	6 **
Variable compensation as a % of fixed staff costs	18.6	67.7	32.6	8.71	5 **

The table highlights that the average cost of your front office professional staff is below that of your selected peer group. Front office professional costs, as a percentage of revenues, are higher than those incurred by your competitors and average levels of variable compensation (i.e. bonuses plus any internal commission/fee share) are low.

[7] Staff numbers are adjusted where firms outsource key functions, either to other divisions within their corporate group or to third parties based on average staff costs. This ensures comparability between organisations with different operating models.

6.3. Front Office Productivity

	Compared against SPG firms				
	You	Best 3	All 7	Worst 3	Rank
Assets (£m) per front office professional (FOP)	32.7	102	56.5	33.5	6 **
New assets (£m) per FOP	11.6	27.9	6.12	3.18	3 *
Revenue per FOP (£k)	297	914	476	308	6 **
Portfolios per FOP	204	388	200	65.1	5 *
FOP hours per £1m investment assets	61.7	15.3	44.7	75.3	6 **
Front & middle office support staff per FOP	0.37	0.46	0.82	1.67	2 ***
Investment revenue per portfolio (£) [8]	1,263	4,139	1,664	833	5 **

The table above highlights comparative performance on front office productivity ratios.

On average, your front office professionals are generating slightly higher levels of new assets compared to your competitor peer group. Revenues per front office professional are very low, indicating poor margins or inefficient development of the existing client base.

Your front office professionals' hours per £1m of investment assets are high, indicating inefficient processes or higher levels of client service.

[8] Investment revenue per portfolio is calculated by dividing the summation of investment management fees, custody and administration fees, commissions and investment product sales by total portfolios.

7. Costs

7.1. Relative year on year growth

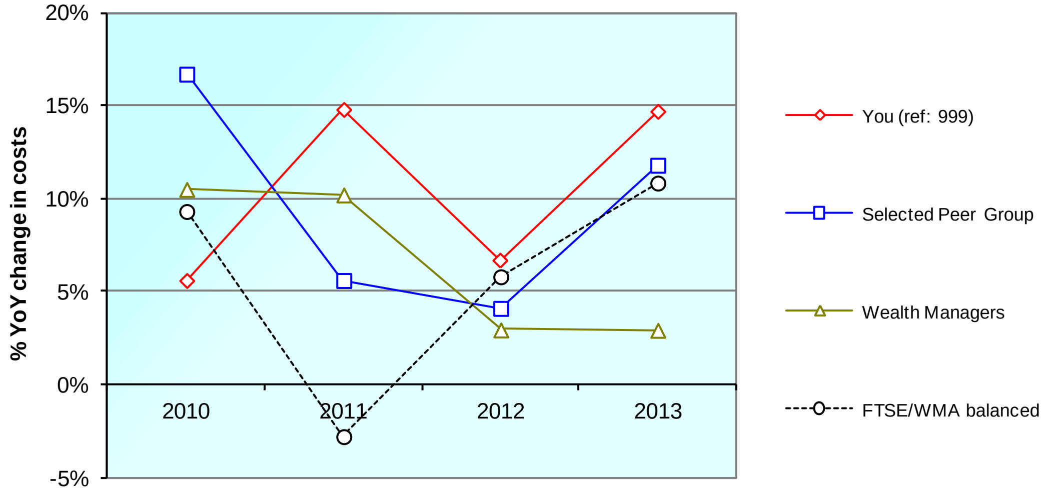
The table below shows your year on year growth in costs, plus your market share against your SPG and all 119 wealth managers.

	Compared against SPG firms				All wealth managers	
	You	Best 3	All 7	Rank	All 119	Rank
Costs (£k)	11,542		320,700 **(total)**	6	3,790,546 **(total)**	51
% YOY cost growth	14.7	2.92	11.8 **(average)**	6 *	2.90 **(average)**	106 ***

7.2. Costs over time

Your recent cost trend is worse than your selected peer group and much worse than wealth managers as a whole.

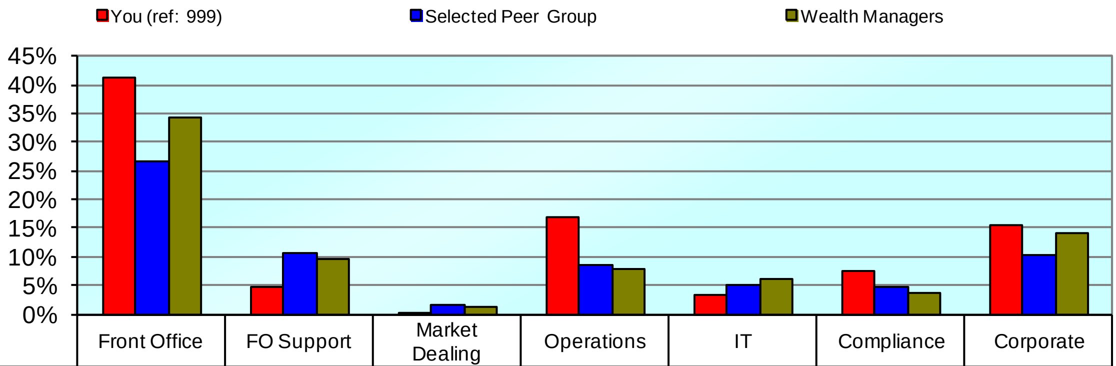
Figure 9



7.3. Costs by Function

Figure 10 shows the costs of different departments within the business as a percentage of revenue. You reported very low FO support costs and below average IT costs compared to your selected peer group. On the other hand, you have rather high FOP costs, very high Operations costs, very high Compliance costs and rather high Corporate costs.

Figure 10



	Front Office	FO Support	Market Dealing	Operations	IT	Compliance	Corporate
You (ref: 999)	41.1%	4.6%	0.3%	16.8%	3.4%	7.6%	15.6%
Selected Peer Group	26.8%	10.7%	1.6%	8.7%	5.1%	4.6%	10.2%
Wealth Managers	34.4%	9.6%	1.2%	7.9%	6.1%	3.6%	14.2%

7.4. Non staff costs

Below is a table of all non staff costs, shown as a percentage of revenue for you, your SPG and all wealth managers.

Your non staff costs absorbed a lower proportion of revenue in comparison to your peers, with the most significant difference in property and facilities costs.

	Non-Staff Costs as % Revenue		
	You	SPG	All wealth managers
Fund Management Services	1.15%	0.09%	0.23%
Staff Expenses	2.78%	3.83%	3.72%
Marketing	2.04%	2.03%	1.65%
Information Services	2.28%	1.90%	2.50%
IT	2.99%	3.80%	4.85%
Operations	3.89%	4.32%	2.18%
Property & Facilities	5.14%	7.70%	6.22%
Compliance & Risk	1.06%	1.18%	1.12%
Professional Fees	2.32%	2.04%	2.58%
Dealing Errors & Sundry Losses	0.14%	0.71%	0.67%
Bad Debts	0.02%	0.03%	0.04%
Total Non-Staff Costs	**23.8%**	**27.6%**	**25.8%**

7.5. Operations and IT

	Compared against SPG firms				
	You	Best 3	All 7	Worst 3	Rank
IT costs as a % of total costs	9.26	6.71	11.6	14.9	3 *
IT costs per staff member (£)	9,265	6,689	12,741	18,389	4 *
Operations costs as a % of total costs	16.7	4.81	8.65	17.5	6 **
Operations costs per staff member (£)	18,635	7,664	10,453	17,918	7 **

IT and Operations costs can be viewed from the departmental perspective (see section 7.4) or by consolidating all elements of related expenditure (IT Costs comprise: IT staff costs, IT non-staff costs, information services costs, IT transfer charges and IT outsourced costs). Similarly Operations costs are made up of: Operations staff costs, operations non-staff costs, Transfer charges and Outsourced costs for Settlement, Custody and Accounting Services.

Your IT costs, expressed as a percentage of total costs, at 9.26% are slightly below that of your SPG with a value of 11.6%.

However, your operations costs, also expressed as a percentage of total costs, at 16.7% are very high in comparison to your SPG value of 8.65%.

8. Compliance and Operational Quality

8.1. Compliance

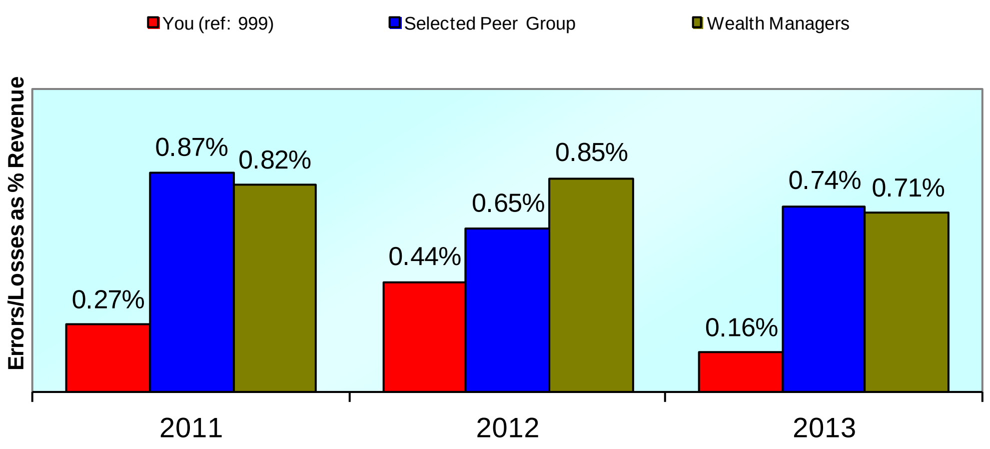
	Compared against SPG firms				
	You	Best 3	All 7	Worst 3	Rank
Compliance dept costs per member of staff (£k)	8.78	3.27	5.69	10.4	6 *
Compliance dept costs as % total costs	8.12	2.86	5.23	9.78	5 *
Compliance dept costs per FOP (£k)	22.3	5.47	13.6	28.8	6 *
FOPs per compliance staff	5.78	11.2	8.78	4.22	4 *

Your compliance department costs as a percentage of total costs are very much higher than your peer group. Your compliance costs per front office professional are above that of your peer group.

8.2. Errors

Figure 11 shows the three year trend in the level of losses resulting from errors as a percentage of revenue. Your performance was much better than your peer group.

Figure 11



9. Market Share and Aggregate Rankings

9.1. Against firms in Selected Peer Group

	7 SPG firms in 2013		7 SPG firms in 2012	
	Your % share	Your rank	Your % share	Your rank
Investment assets	3.39	6	3.24	7
Net revenues	3.27	6	3.14	7
Costs	3.60	6	3.17	7
Staff numbers (adjusted)	2.86	7	2.86	7
Staff numbers (unadjusted)	2.64	7	2.71	6

Your share against your SPG has increased for assets, revenues and costs, with you moving one place up the rankings in each case. The only measure the table above in which you reduced in share was in-house (i.e. unadjusted) staff numbers, where your share decreased by 0.07%.

9.2. Against all *wealth managers*

	119 wealth managers 2013		126 wealth managers 2012	
	Your % share	Your rank	Your % share	Your rank
Investment assets	0.33	58	0.31	66
Net revenues	0.29	47	0.26	55
Costs	0.32	51	0.29	56
Staff numbers (adjusted)	0.37	56	0.34	58
Staff numbers (unadjusted)	0.41	50	0.43	52

Compared with last year and against wealth managers as a whole, you have moved a very encouraging 8 places up the rankings for revenues, following a 0.03% rise in your market share. However, your share of costs also increased by 0.03%, indicating that you have not made inroads in terms of profitability.