



# Annual Benchmarking Report

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Printed on: 15<sup>th</sup> April 2018  
For year ending: 31<sup>st</sup> December 2017

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# 1 Executive Summary

## 1.1. Wealth Managers<sup>1</sup>

In recent years it seems inevitable that the UK Wealth Management Industry will be faced with an array of new challenges, whether it be as a result of political uncertainty or the desperate need to prepare for further changes in regulations. For example MiFID II and GDPR, albeit coming into play in 2018, both required significant resource during 2017 to prepare for them. Yet it continues to be the industry that keeps on delivering, once again breaking records.

We start with the value of investment assets either managed or administered by the industry. This reached a new high of £958bn as at the end of 2017, of which Wealth Managers are responsible for £767bn (the remainder is with Execution Only Stockbrokers). Across all three Wealth Manager firm types, assets grew, with the standout growth achieved by Investment Managers (18%), with Full Service Wealth Managers achieving 12% growth and Private Banks at 8%. Combined these firms reported asset inflows of £104bn, the first time this has surpassed the £100bn mark, with the Professional Financial Adviser community a significant contributor to this. When reviewing service types, discretionary portfolio management continues to be the main focus of these firms and therefore the key driver behind overall asset growth. Managed Portfolio Services (MPS) are becoming more widespread for lower value clients, with the investment threshold for bespoke portfolio management on the rise.

On to revenue now and the group of Wealth Managers generated a total of £6.1bn in 2017 – a year on year rise of 6%. With this falling short of the growth in assets it once again represents a reduction in average revenue return on assets. This is likely a result of increased competition and greater transparency in the market, thereby encouraging some firms to reduce their fees. Also the launching of MPS services, which have low fees attached to them, has contributed to a fall in revenue return. That being said, each firm type recorded overall revenue growth, with investment management fees as the primary source of growth, compensating for a decline in treasury income and a flat rate of change in commissions.

Keeping costs under control was never going to be easy in the current environment, with the increasing technological demands from clients coupled with the significant investments required to comply with new regulations. Therefore it is no surprise that costs for Wealth Managers reached a record high of £4.7bn. However, this 5% increase is less than some may have expected and therefore represents a resilient performance. Private Banks were the best performers in this respect, recording a year on year reduction in costs of 0.5%. However, to do this they have had to significantly cut back on staff, placing additional pressure on those that remain. Meanwhile Investment Managers and Full Service Wealth Managers boosted staff numbers to cope with the new requirements, with the most significant increases in IT and Compliance.

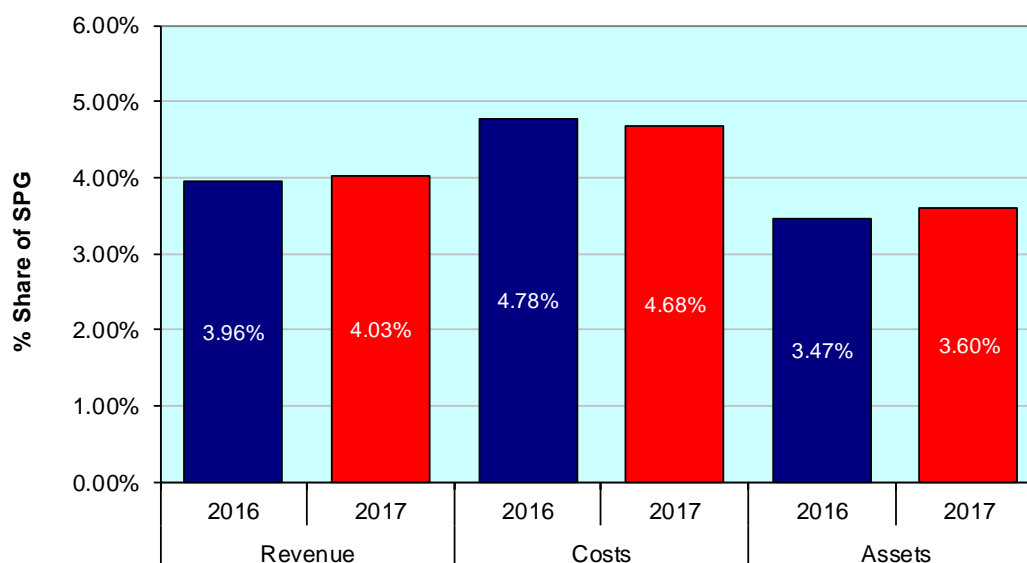
Once again it has been good news for the sector-wide bottom line. Wealth Managers on average delivered a pre-tax profit margin of 23%, slightly up on the previous year. Investment Managers and Private Banks both averaged 24%, whilst Full Service Wealth Managers remain the least profitable at an average margin of 20%. These are all positive results, although it must be noted that there is a significant variance from one firm to the next and 1 in 5 Wealth Managers were loss making in 2017.

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<sup>1</sup> This summary focuses on the private client business of firms 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



0.07%



0.10%



0.13%

|                     | Revenue Growth | Cost Growth | Asset Growth |
|---------------------|----------------|-------------|--------------|
| You                 | 18.7%          | 5.17%       | 13.5%        |
| Selected Peer Group | 10.4%          | 7.85%       | 12.2%        |

This section of the report is based on your prioritising of business outcomes, as supplied in your questionnaire. Your most important outcome was to maintain / improve profit margin, with improve asset / client retention ranked second and increase revenues third.

Achieving and maintaining profitability has been difficult for many in the wealth management industry, especially given the regulatory environment and the pressure this creates. While your profit margin of 11.1% fell short of the 23.4% margin achieved by your selected peer group (SPG), it was considerably higher than that achieved over the preceding years meaning that you were successful in achieving your objective. Nevertheless, your profit margin was also below that reported by all wealth managers, at 23.3%. You are ranked 6 in your SPG for this measure.

Your year on year change in accounts, at 2.7% is considerably lower than the 7.3% value for your SPG. Your asset retention capability as measured by the ratio assets lost as a percentage of assets at the start of year at 8.65%, was marginally better than your SPG value of 9.53%. Your asset retention was worse than last year, however, meaning that you received mixed results for your second objective.

On the other hand, you convincingly achieved your third objective by increasing your revenues by 18.7%. This compares very favourably against your SPG, which achieved revenue growth of 10.4%, and was even further ahead of the growth in revenues realised by Wealth Managers in general. The main driver of revenue growth was investment fees.

You grew your income from this source by 19.4% - increasing its share of your total income to 61.5%. Despite your growth in investment fees being at a faster rate than your SPG (which achieved growth in investment fees of 14.4%), they make up a slightly smaller proportion of your total income than they do of your SPG's. This is largely because you still earn a large proportion of your income from commissions – while many others have shifted their focus more fully away from commissions and onto investment fees.

You also managed to increase your assets, with growth of 13.5% - slightly outperforming the 12.2% performance of your SPG and the average for all Wealth Managers at 12.7%. Stripping out funds won and lost, your underlying asset growth of 10.1% outpaced the market, as indicated by the 6.43% rise in the FTSE UK Private Investor Balanced Index. However, in 2017 you reported net new assets of 3.15% (as a percentage of the start of year asset value), which was low compared to the 4.71% value achieved by your peers.

The following three ratios provide an overview of the productivity performance of your front office professionals (FOPs). You were ranked 6 for managed revenue per FOP with a value of £425k, in comparison to your SPG value of £590k. Your managed investment assets per FOP at £61.5m are low relative to your SPG with a value of £84m. At £10.5m, you have slightly lower levels of new assets per FOP compared to your SPG, which recorded a value of £12.2m.

We can report that your year on year change in total costs at 5.17% is slightly better than your SPG with a value of 7.85%. However, your growth in costs slightly exceeded that for Wealth Managers in general. On a departmental level, the key difference between you and your peers was in your front office and operations. Your front office cost the equivalent of 41.7% of your revenues last year and operations costs equaled 9.7% of revenues – compared to 34.8% and 7.3%, respectively, for your SPG.

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  | % YOY change in revenue                | ** |
| 3  | Revenue per FOP (£k)                   | *  |
| 4  | % return (gross revenue) on all assets | ** |
| 5  | Average portfolio value (£k)           | *  |
| 6  | Accounts/portfolios per FO qual staff  | *  |
| 7  | Investment assets per FOP (£m)         | ** |
| 8  | Fees as a % of revenue                 | ** |
| 9  | % YOY change in costs                  | *  |
| 10 | % YOY change in in-house staff         | ** |

You outperformed your SPG in four of your ten KPIs. The two areas in which you performed best were your year-on-year change in in-house staff, and your year-on-year change in revenue. You did not attain three blue stars for any of your KPIs. Nevertheless, there were no KPIs for which you earned three red stars. You did underperform your SPG in six out of your ten KPIs, however – with profit margin, return on assets, investment assets per front office professional, and fees as a percentage of revenue being your worst performing areas.

### 1.3. Recommendations

Based on our analysis, our recommendations are as follows:

- Your front office productivity was considerably lower than your SPG on a number of measures. Your £61.5m in assets per FOP is substantially lower than the £84m achieved by SPG, and further still behind the £157m per FOP attained by the best performers in your SPG. This has, in turn, led to your managed revenue per FOP, at £425k, to be significantly lower than your SPG (£590k) and the best performers within your SPG (£1.1m). This could be explained by the very low ratio of front office professional to support staff - you have 0.65 support staff per FOP, compared to 1.06 for you SPG. Increasing this ratio might allow your FOPs to focus less on administrative tasks and instead on high value activities.
- Many of your non staff costs are much higher, as a proportion of revenue, than your SPG's. Your fund management services, staff expenses, property and facilities, and non staff operations costs are all significantly higher than your competitor's. For example, reducing your staff expenses costs down, as a proportion of revenue, to the level of your SPG would create saving equal to 1.3% of revenue. Reducing all four areas down to the level achieved by your SPG would create savings equal to 6.59% of revenues and would bring your pre-tax profit margin closer to that of your chosen competitors.

## 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 157 firms that we track, comprising 25 private banks, 94 private client investment managers and family offices, plus 38 full service wealth managers that also provide stockbroking services.

### 2.1. 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.

### 3 Profitability

#### 3.1. Profit

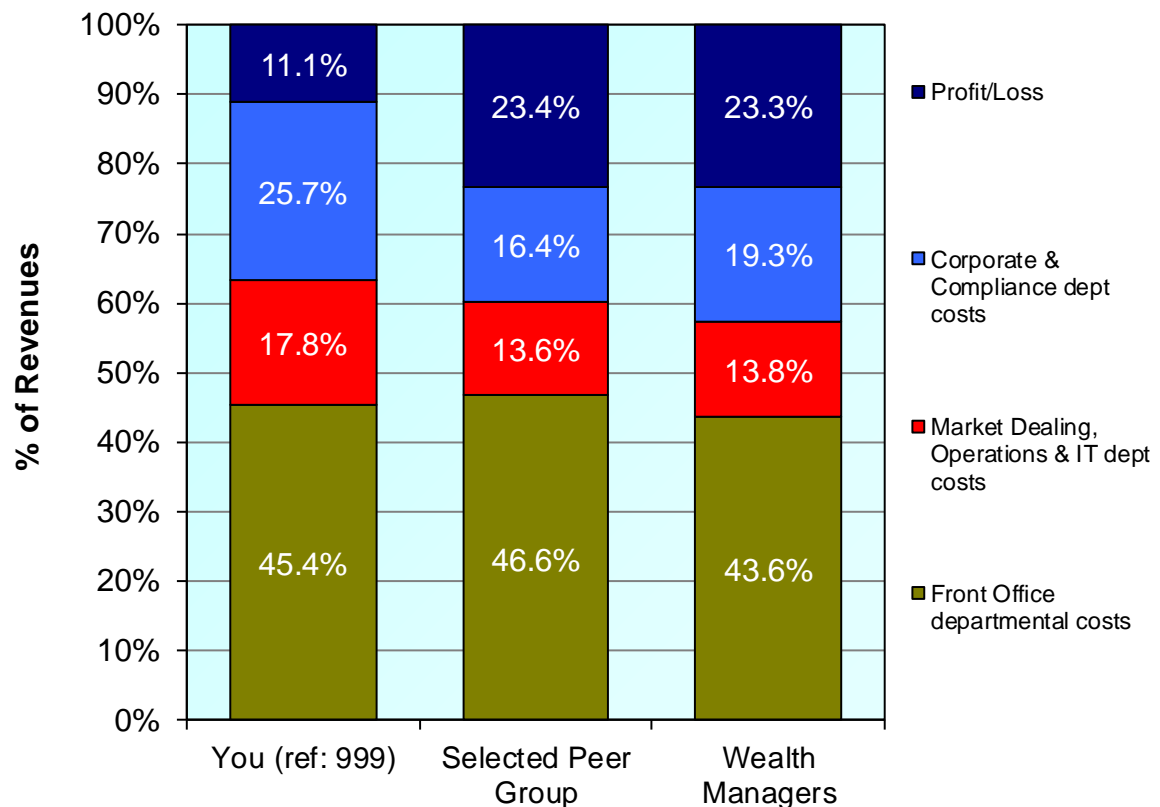
Your profitability fell far short of the performance of your Selected Peer Group (SPG), and of the larger group of Wealth Managers. You are among the bottom performers in your peer group for this metric.

|                 | Compared against SPG firms |        |                    |         |      | All Wealth Managers  |       |
|-----------------|----------------------------|--------|--------------------|---------|------|----------------------|-------|
|                 | You                        | Best 3 | All 7              | Worst 3 | Rank | All 157              | Rank  |
| Profits (£k)    | 4,696                      |        | 248,047<br>(total) |         | 7    | 1,424,167<br>(total) | 45    |
| Profit Margin % | 11.1                       | 33.4   | 23.4<br>(average)  | 11.2    | 6 ** | 23.3<br>(average)    | 101 * |

#### 3.2. Contribution

Figure 1 shows your key business margins. Sections 5 to 7 provide further analysis to understand the departmental<sup>2</sup> variances.

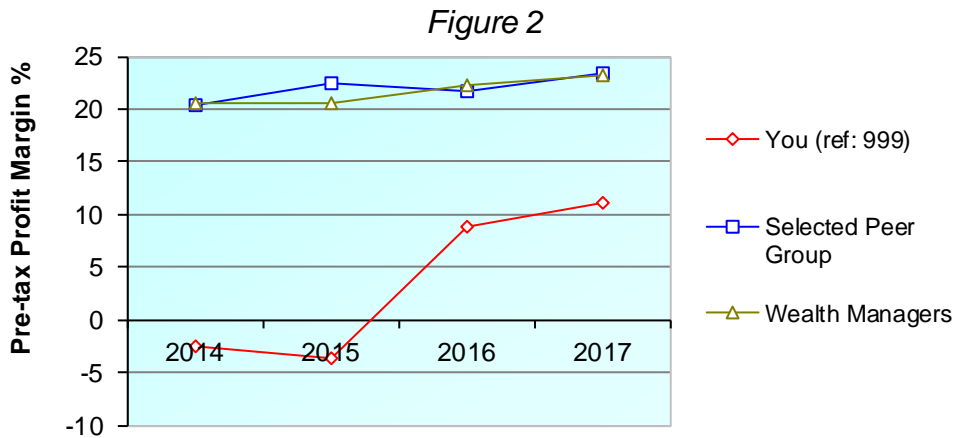
Figure 1



<sup>2</sup> Corporate department is comprised of: Finance, Human Resources, Marketing and All Other Corporate departments.



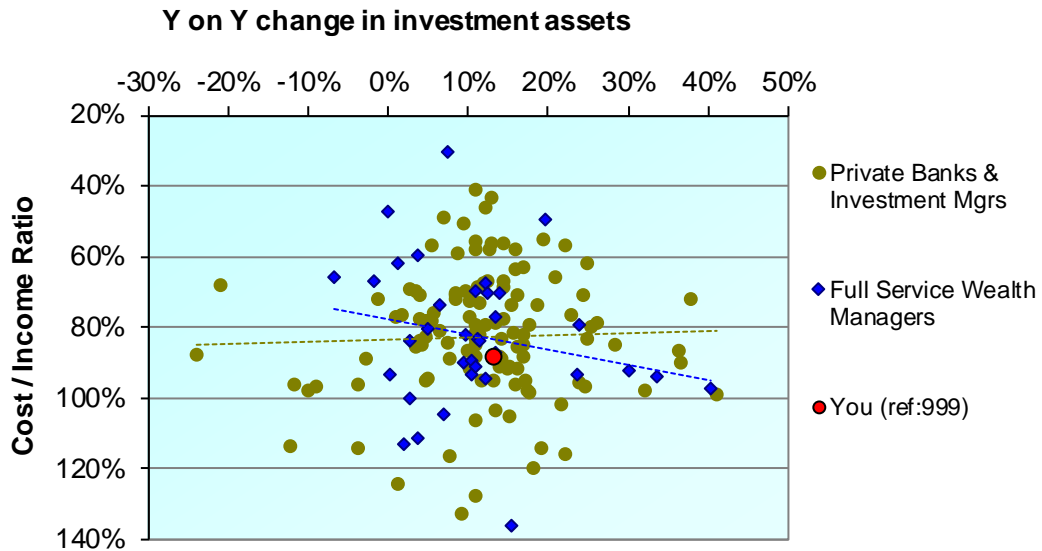
### 3.3. Profitability Trends



As Figure 2 shows, both of your peer groups improved profitability in recent years. Your profitability, while still significantly behind both peer groups, has improved considerably over the last couple of years, narrowing the gap to your competitors.

### 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 (88.9%) is worse than average against all Wealth Managers (76.7%). In contrast, your asset growth performance (13.5%) is slightly ahead of that of all Wealth Managers (12.7%).

## 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 157 Wealth Managers. Investment assets administered or managed by the sector grew by 12.7% year on year. Over the same period, the FTSE UK Private Investor Balanced Index rose by 6.43% and the FTSE-All Share index by 9%.

Your growth in assets slightly outperformed your selected peer group and Wealth Managers as a whole.

|                        | Compared against SPG firms |        |                    |      | All Wealth Managers |      |
|------------------------|----------------------------|--------|--------------------|------|---------------------|------|
|                        | You                        | Best 3 | All 7              | Rank | All 157             | Rank |
| Investment Assets (£m) | 4,117                      |        | 114,454<br>(total) | 7    | 767,454<br>(total)  | 39   |
| % YOY asset growth     | 13.5                       | 21.8   | 12.2<br>(average)  | 4 *  | 12.7<br>(average)   | 64 * |

At the end of 2017 your firm had £1,260m of assets held in Tax Wrapped Products, a 17.2% year on year increase, compared to growth of 14.7% by your selected peer group.

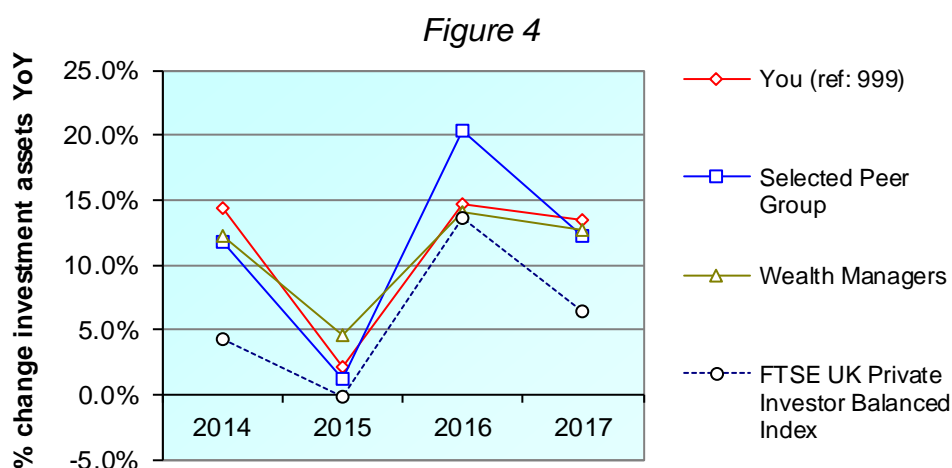
### 4.2. Sales Performance

|  | Compared against SPG firms |        |                   |         |      |
|--|----------------------------|--------|-------------------|---------|------|
|  | You                        | Best 3 | All 7             | Worst 3 | Rank |
| Net assets won/lost (£m)                             | 167                        |        | 13,186<br>(total) |         | 6    |
| Asset Inflows as % of last year's investment assets  | 11.8                       | 21.2   | 14.2              | 8.64    | 4 *  |
| Asset Outflows as % last year's investment assets    | 8.65                       | 6.37   | 9.53              | 13.3    | 3 *  |
| Net assets won as % of last year's investment assets | 3.15                       | 9.53   | 4.71<br>(average) | 0.49    | 4 *  |
| Sales costs as % of revenue <sup>3</sup>             | 12.9                       | 9.45   | 12.6              | 21.5    | 6 *  |
| Sales costs per £1m new assets                       | 8.67                       | 4.05   | 7.42              | 19.9    | 5 *  |

The table above highlights key indicators relating to sales performance. Your level of new business written fell slightly short of peer group. This was despite your cost of sales (as a percentage of revenues) being higher than your peer group.

<sup>3</sup> 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



The chart above indicates that your most recent year on year change in investment assets (including the impact of funds won/lost) slightly outperformed your Selected Peer Group. Stripping out funds won and lost, your organic year on year growth of invested assets was 10.1%, which compares very favourably with the change in the FTSE UK Private Investor Balanced Index (6.43%). You were ranked number 2 in your SPG for underlying asset growth.

### 4.4. Asset by Mandate Type

|                                       | Your Firm | Selected Peer Group (rank) | Wealth Managers (rank) |
|---------------------------------------|-----------|----------------------------|------------------------|
| Discretionary                         | 65.8%     | 79.1% (7)                  | 65.8% (87)             |
| Advisory                              | 12.7%     | 7.9% (6)                   | 16% (109)              |
| Non managed                           | 21.5%     | 12.4% (1)                  | 11.3% (15)             |
| Deposits, loans, other credit product | 0%        | 0.6% (0)                   | 6.88% (0)              |

### 4.5. Assets by Investment Approach

|                                       | Your Firm | Selected Peer Group (rank) | Wealth Managers (rank) |
|---------------------------------------|-----------|----------------------------|------------------------|
| Direct securities                     | 61.2%     | 43.9% (3)                  | 46% (34)               |
| Collectives (including ETFs and ETCs) | 35.8%     | 48.3% (5)                  | 42.2% (95)             |
| Alternatives                          | 0.08%     | 2.09% (6)                  | 5.23% (121)            |
| Cash                                  | 2.94%     | 5.63% (7)                  | 6.53% (141)            |

### 4.6. Assets by Portfolio Size

|             | Your Firm | Selected Peer Group (rank) | Wealth Managers (rank) |
|-------------|-----------|----------------------------|------------------------|
| < £250k     | 14.5%     | 18.8% (8)                  | 16.9% (97)             |
| £250k - £1m | 36.2%     | 28.4% (2)                  | 24.1% (35)             |
| £1m - £10m  | 31.0%     | 35.2% (5)                  | 33.8% (87)             |
| > £10m      | 18.3%     | 17.8% (3)                  | 25.3% (64)             |

## 5 Revenue

### 5.1. Relative year on year growth

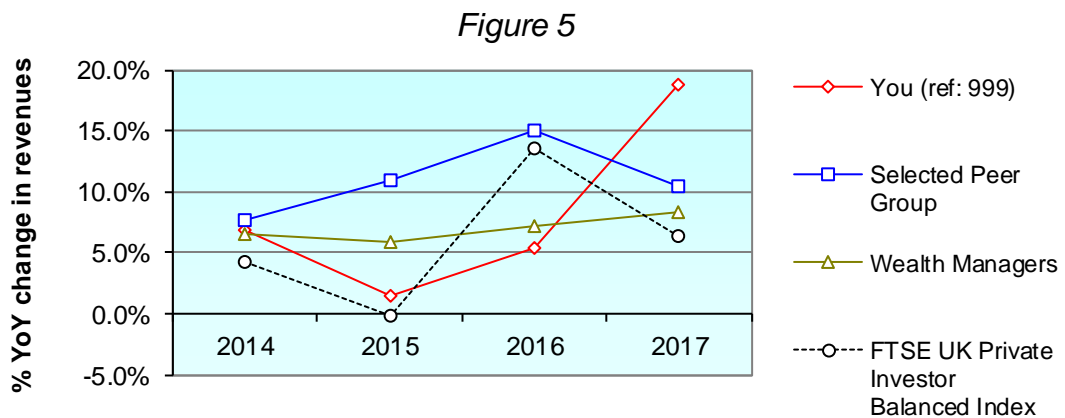
The table below shows your year on year growth in revenues, plus your market share against your SPG and all 157 Wealth Managers.

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 157              | Rank |
| Revenues (£k)        | 42,691                     |        | 1,060,030<br>(total) | 8    | 6,113,583<br>(total) | 48   |
| % YOY revenue growth | 18.7                       | 16.7   | 10.4<br>(average)    | 2 ** | 8.29<br>(average)    | 25 * |

### 5.2. Historical growth trends

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

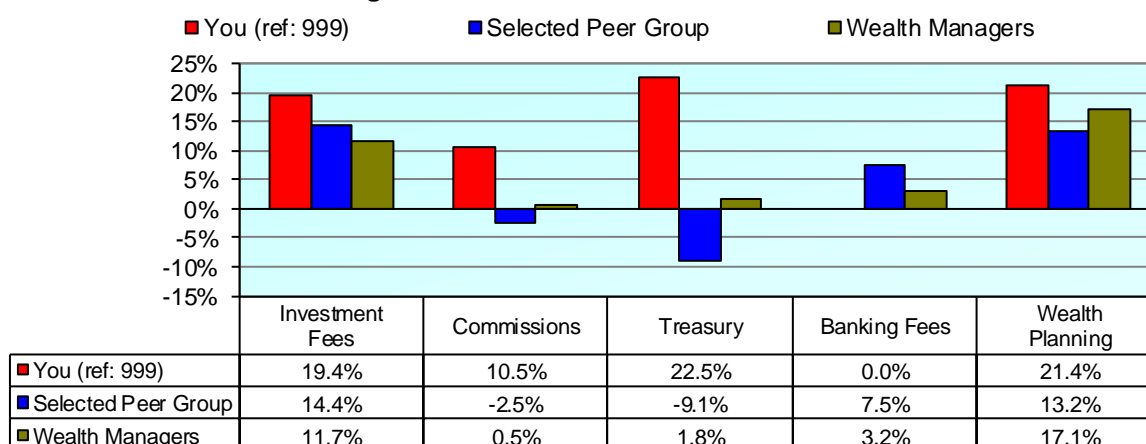


Your recent revenue trend is ahead of your selected peer group and Wealth Managers as a whole.

### 5.3. Business Mix

Year on Year Revenue Change

Figure 6



Your income stream that grew at the fastest rate was treasury income. Your income from this source grew by 22.5% on the year before. This is much higher than that achieved by either of your peer groups – with Wealth Managers in general growing their treasury income by just 1.8%, and your SPG’s treasury income falling by 9.1%. Treasury income, however, only accounts for 8.86% of your total income meaning that in absolute terms it was not the largest driver of revenue growth.

The largest driver on revenue growth was investment fees. Your income from investment fees increased by 19.4% - increasing the income stream as a proportion of total income to 61.5%. This was higher than the experience of your SPG – which increased investment fee income by 14.4%.

The trend towards increased reliance on investment fees is common for Wealth Managers as a whole – as can be seen the 11.7% growth achieved by Wealth Managers in general, taking the proportion the income stream constitutes to 62.7%. The growth you achieved in commissions was more unusual. Both the proportion of your income constituted by commissions (17.5%), and your growth in commission income (10.5%) were considerably above your SPG – for which commissions made-up 13.3% of all income and saw a fall of 2.5% year on year.

| As % of Total Revenue | Investment Fees <sup>4</sup> | Commissions | Treasury <sup>5</sup> | Banking Fees | Wealth Planning |
|-----------------------|------------------------------|-------------|-----------------------|--------------|-----------------|
| You (Ref 999)         | 61.5%                        | 17.5%       | 8.86%                 | 0%           | 12.2%           |
| SPG                   | 73.7%                        | 13.3%       | 4.64%                 | 1.18%        | 7.25%           |
| All Wealth Managers   | 62.7%                        | 12.9%       | 19.1%                 | 1.93%        | 4.47%           |

<sup>4</sup> Includes Investment Management Fees, Custody & Administration Fees and Investment Product Sales.

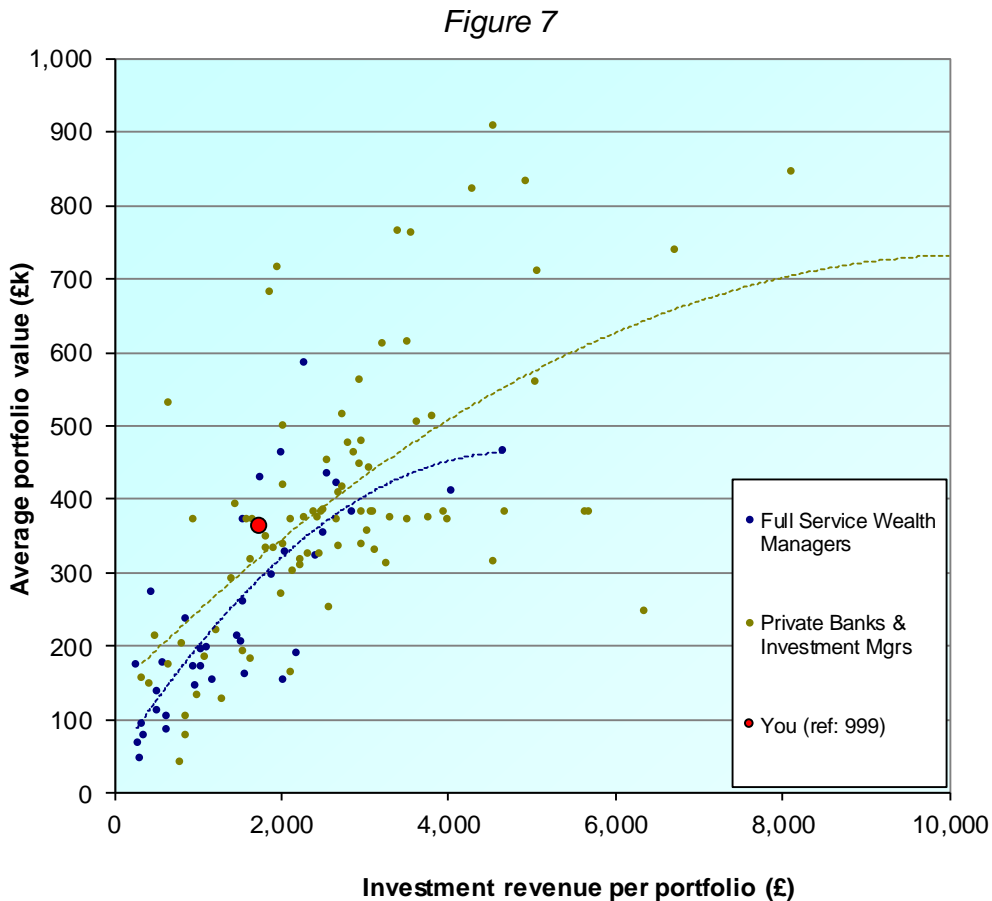
<sup>5</sup> Includes Net Interest Income and FX Margin

### 5.4. Revenue Return<sup>6</sup>

The table below shows that your return on assets is lower than your peer group.

|  | Compared against SPG firms |           |       |       | All Wealth Managers |       |
|--|----------------------------|-----------|-------|-------|---------------------|-------|
|  | You                        | Highest 3 | All 7 | Rank  | All 157             | Rank  |
| % gross revenue return from all assets               | 0.72                       | 1.04      | 0.79  | 7 **  | 0.8                 | 99 *  |
| % net investment revenue return on investment assets | 0.62                       | 0.81      | 0.68  | 7 *** | 0.64                | 125 * |
| Average portfolio value (£k)                         | 362                        | 1,332     | 338   | 4 *   | 430                 | 78 *  |

Figure 7 shows revenue per portfolio compared to portfolio value<sup>7</sup>. Your average portfolio value of £454k is larger than Wealth Managers as a whole and your fairly low revenues per portfolio (£2,288 against £2,413 for all Wealth Managers in aggregate) are below what the trend would suggest one should expect from a firm with your portfolio value.

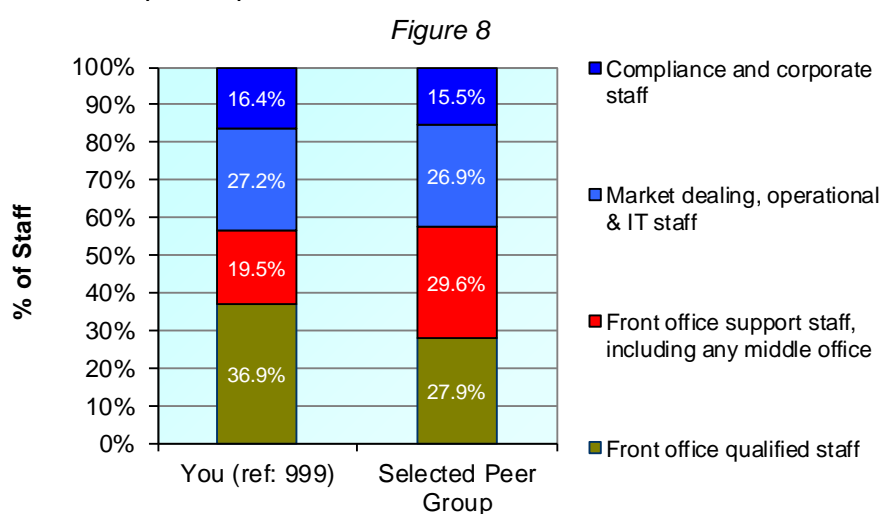


<sup>6</sup> Revenue return is calculated using the average asset value at the start and end of the current year  
<sup>7</sup> Firms with average portfolio values in excess of £1m have been excluded from the chart.

## 6. People

### 6.1. Structure

You employed 114 in-house staff as at the end of 2017, with a further 12.5 staff allocated to your firm to take into account outsourcing and transfer charges. Your total staff numbers (adjusted for any outsourcing and transfer charges<sup>8</sup>) changed by -1.76% year on year. This compares with a 2.74% 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 staff. On the other hand, you utilise proportionately more of your staff in front office qualified, market dealing, operations and IT, compliance and corporate positions.



### 6.2. Staff Costs

|  | Compared against SPG firms |        |       |         |       |
|--|----------------------------|--------|-------|---------|-------|
|  | You                        | Best 3 | All 7 | Worst 3 | Rank  |
| Average in-house staff cost (£k)                       | 147                        | 81.5   | 106   | 148     | 5 *** |
| Average cost of front office professionals (FOPs) (£k) | 214                        | 149    | 202   | 271     | 5 **  |
| FOP staff costs as % of revenues                       | 31.6                       | 19.3   | 28.3  | 42.3    | 4 *   |
| Variable compensation as a % of fixed staff costs      | 78.7                       | 96     | 48.8  | 15.4    | 2 **  |

The table highlights that the average cost of your front office professional staff is above that of your selected peer group. Front office professional costs, as a percentage of revenues, are pointedly higher than those incurred by your competitors – ranking you 4<sup>th</sup> out of your SPG on this measure. Also, your average levels of variable compensation (i.e. bonuses plus any internal commission/fee share) are considerably higher than your SPG's.

<sup>8</sup> 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<sup>9</sup>

|   | Compared against SPG firms |        |       |         |       |
|---|----------------------------|--------|-------|---------|-------|
|   | You                        | Best 3 | All 7 | Worst 3 | Rank  |
| Managed Assets (£m) per front office professional (FOP) | 61.5                       | 157    | 84    | 47.4    | 7 **  |
| New assets (£m) per FOP                                 | 10.5                       | 24.7   | 12.2  | 5.96    | 5 *   |
| Managed Revenue per FOP (£k)                            | 425                        | 1,101  | 590   | 350     | 6 *   |
| Managed Portfolios per FOP                              | 201                        | 370    | 223   | 62.8    | 6 *   |
| Front & middle office support staff per FOP             | 0.65                       | 0.74   | 1.06  | 1.61    | 2 *** |
| Investment revenue per portfolio (£) <sup>10</sup>      | 2,185                      | 8,162  | 2,176 | 1,151   | 4 *   |

The table above provides comparative performance of front office productivity ratios.

On average, your front office professionals are generating slightly lower levels of new assets compared to your competitor peer group.

Your managed assets per FOP is significantly below the level achieved by your SPG. As a result of this, managed revenues per front office professional are also below average and less than half the most productive firms in your SPG.

<sup>9</sup> For all productivity ratios, the number of FOPs used in the calculation is the average value as at the start and end of the current year.

<sup>10</sup> 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

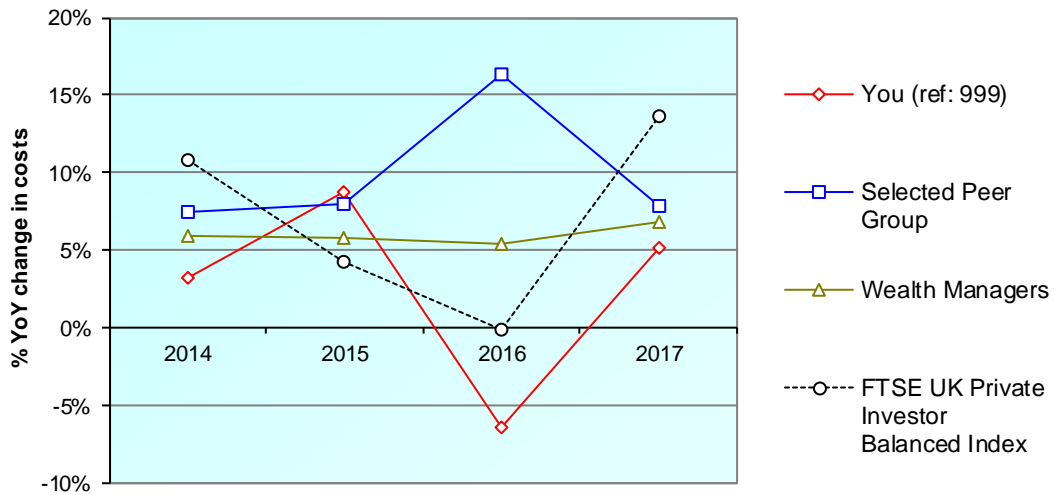
The table below shows your year on year growth in costs, plus your market share against your SPG and all 157 Wealth Managers.

|                   | Compared against SPG firms |        |                    |      | All Wealth Managers  |      |
|-------------------|----------------------------|--------|--------------------|------|----------------------|------|
|                   | You                        | Best 3 | All 7              | Rank | All 157              | Rank |
| Costs (£k)        | 37,995                     |        | 811,983<br>(total) | 7    | 4,689,416<br>(total) | 47   |
| % YOY cost growth | 5.17                       | 1.4    | 7.85<br>(average)  | 3 *  | 6.75<br>(average)    | 85 * |

### 7.2. Costs over time

After a year in which you greatly outperformed both peer groups, your recent cost trend is now only slightly better than your selected peer group and Wealth Managers as a whole.

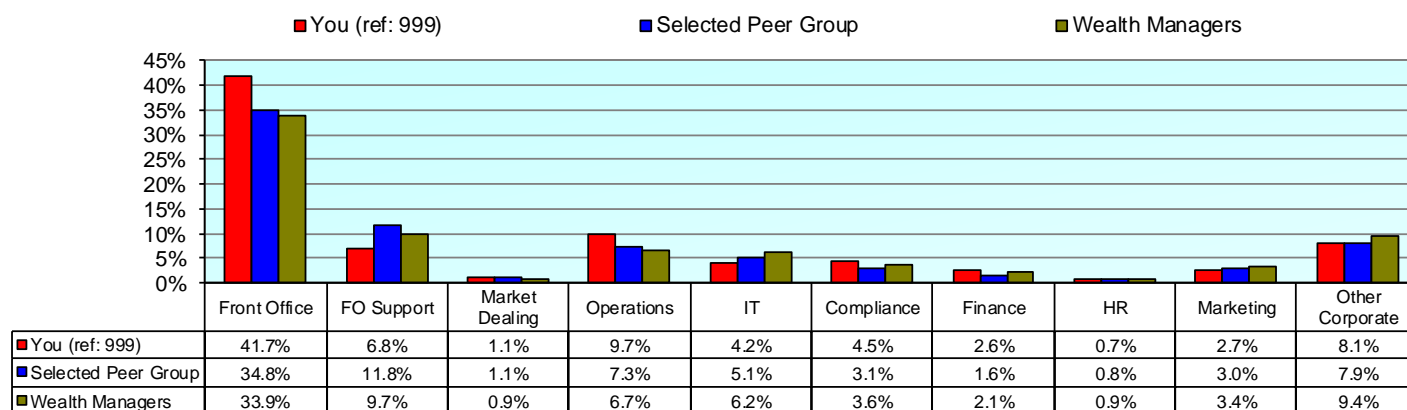
Figure 9



### 7.3. Costs by Function

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

Figure 10



### 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, as a percentage of revenue, are slightly higher than that for your SPG. Areas in which you are spending significantly more are fund management services, staff expenses, operations, and property and facilities. If you were to bring all of these costs down to the levels achieved by your SPG, you would save costs equal to 9.84% of revenues.

|                                | Non-Staff Costs as % Revenue |              |                     |
|--------------------------------|------------------------------|--------------|---------------------|
|                                | You                          | SPG          | All Wealth Managers |
| Fund Management Services       | 2.08%                        | 0.38%        | 0.4%                |
| Staff Expenses                 | 3.79%                        | 2.49%        | 3.22%               |
| Marketing                      | 1.18%                        | 1.73%        | 1.56%               |
| Information Services           | 1.15%                        | 2.09%        | 2.13%               |
| IT                             | 1.62%                        | 4.93%        | 4.56%               |
| Operations                     | 4.08%                        | 1.33%        | 1.5%                |
| Property & Facilities          | 7.65%                        | 6.81%        | 6.25%               |
| Compliance & Risk              | 0.35%                        | 0.74%        | 0.93%               |
| Professional Fees              | 2.04%                        | 2.42%        | 2.68%               |
| Dealing Errors & Sundry Losses | 0.15%                        | 0.24%        | 0.5%                |
| Bad Debts                      | 0.05%                        | 0.04%        | 0.16%               |
| <b>Total Non-Staff Costs</b>   | <b>26.2%</b>                 | <b>23.2%</b> | <b>23.9%</b>        |

## 7.5. Operations and IT

|  | Compared against SPG firms |        |        |         |       |
|--|----------------------------|--------|--------|---------|-------|
|  | You                        | Best 3 | All 7  | Worst 3 | Rank  |
| IT costs as a % of total costs         | 3.14                       | 5.51   | 12.9   | 16.9    | 1 *** |
| IT costs per staff member (£)          | 4,756                      | 8,208  | 19,863 | 26,628  | 1 *** |
|  |                            |        |        |         |       |
| Operations costs as a % of total costs | 15.9                       | 3.63   | 7.89   | 14.3    | 8 *** |
| Operations costs per staff member (£)  | 32,721                     | 5,977  | 12,113 | 25,077  | 8 *** |

IT and Operations costs can be viewed from the departmental perspective (see section 7.3) 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 3.14% are extremely low compared to your SPG with a value of 12.9% - ranking your first amongst your peers for this measure.

Conversely, your operations costs, also expressed as a percentage of total costs, at 15.9% are very high compared to your SPG value of 7.89% - and are the worst in your selected peer group (this is largely driven by your transfer charge for settlement, custody and accounting services).

## 8. Compliance and Operational Quality

### 8.1. Compliance

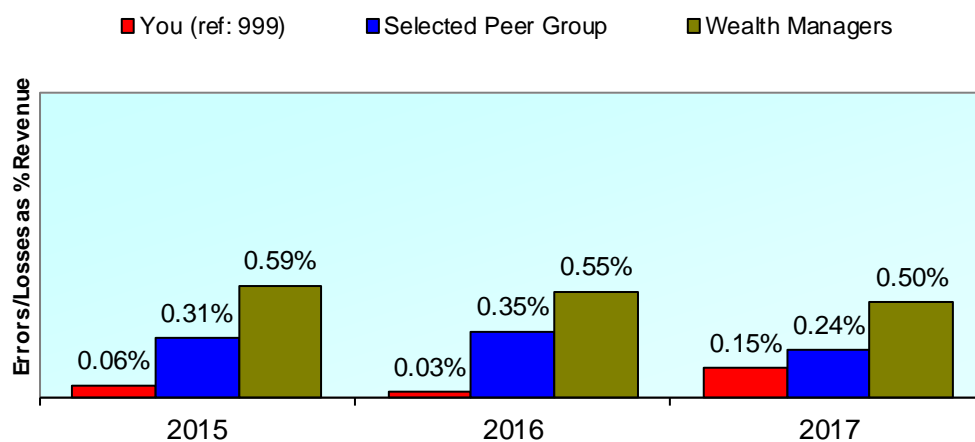
|  | Compared against SPG firms |        |       |         |      |
|--|----------------------------|--------|-------|---------|------|
|  | You                        | Best 3 | All 7 | Worst 3 | Rank |
| Compliance dept costs per member of staff (£k) | 8.66                       | 3.73   | 6.05  | 11.1    | 6 ** |
| Compliance dept costs as % total costs         | 4.12                       | 2.31   | 3.99  | 5.84    | 5 *  |
| Compliance dept costs per FOP (£k)             | 24.5                       | 12.5   | 21.7  | 47.3    | 5 *  |
| FOPs per compliance staff                      | 5.86                       | 15.9   | 7.75  | 3.89    | 6 ** |

Your compliance department costs as a percentage of total costs are slightly higher than your peer group. Your compliance costs per front office professional are slightly 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 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 2017 |           | 7 SPG firms in 2016 |           |
|----------------------------|---------------------|-----------|---------------------|-----------|
|                            | Your % share        | Your rank | Your % share        | Your rank |
| Investment assets          | 3.60                | 7         | 3.47                | 7         |
| Net revenues               | 4.03                | 8         | 3.96                | 8         |
| Costs                      | 4.68                | 7         | 4.78                | 7         |
| Staff numbers (adjusted)   | 3.75                | 7         | 3.89                | 7         |
| Staff numbers (unadjusted) | 3.24                | 6         | 3.48                | 6         |

In comparison to your selected peer group you maintained your ranking in all measures. Positively, you increased your share of total investment assets and net revenues while decreasing your share of total costs.

### 9.2. Against all Wealth Managers

|                            | 157 Wealth Managers 2017 |           | 161 Wealth Managers 2016 |           |
|----------------------------|--------------------------|-----------|--------------------------|-----------|
|                            | Your % share             | Your rank | Your % share             | Your rank |
| Investment assets          | 0.54                     | 39        | 0.53                     | 37        |
| Net revenues               | 0.70                     | 48        | 0.65                     | 47        |
| Costs                      | 0.81                     | 46        | 0.75                     | 32        |
| Staff numbers (adjusted)   | 0.75                     | 47        | 0.63                     | 48        |
| Staff numbers (unadjusted) | 0.62                     | 43        | 0.56                     | 50        |

In comparison to Wealth Managers in general, you have fallen in the rankings for costs and staff numbers. Neither of these things are a bad thing as it is due to your share of total costs and staff numbers either falling or remaining constant. With your share of revenues increasing it means to have made ground in terms of profitability.