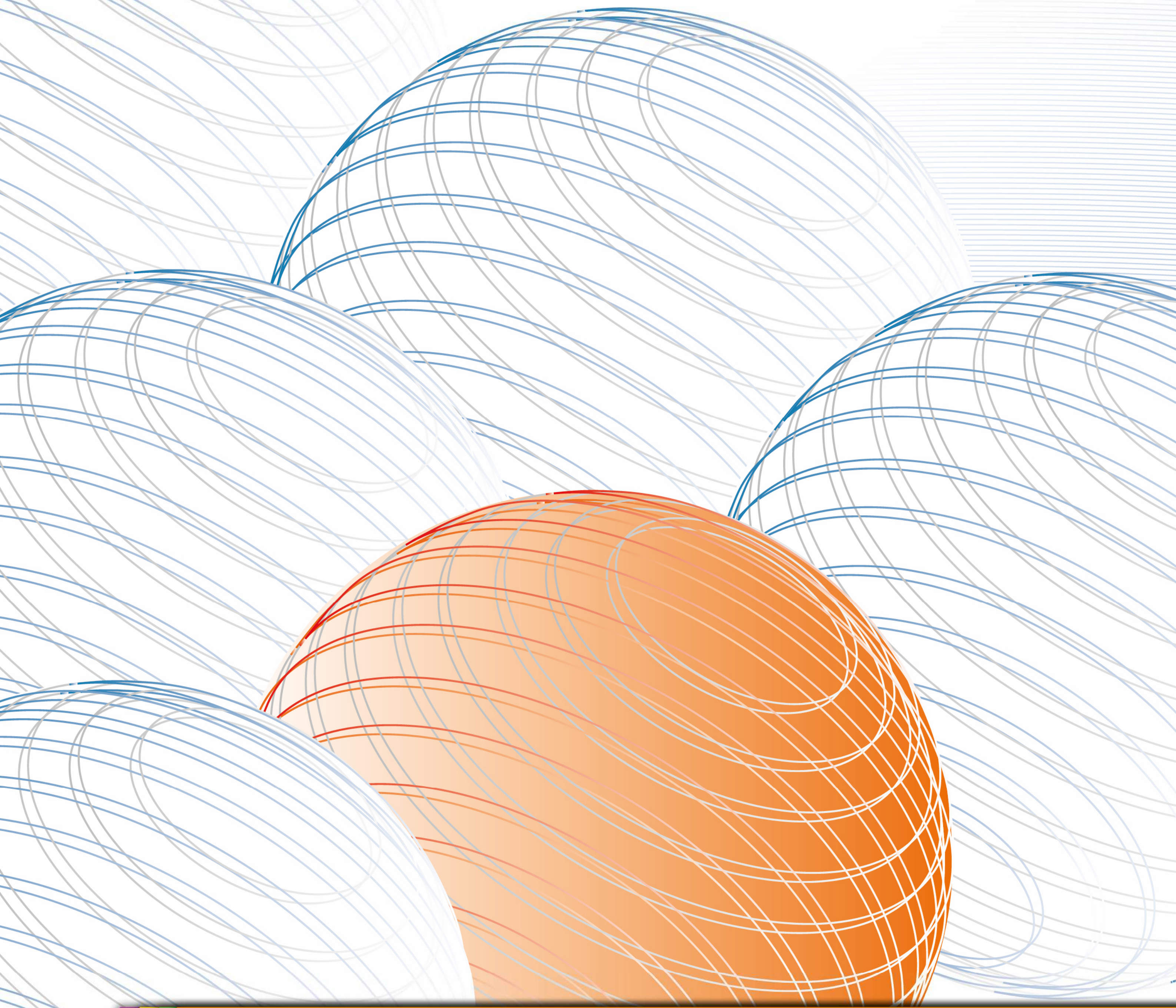
ISSUED 16 October 2023



DFM SECTOR

Parmenion

FINANCIAL STRENGTH ASSESSMENT

Analysis by AKG Financial Analytics Ltd

Accessible • Comparative • Independent

ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

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

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

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

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CONTACT INFORMATION

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Rating & Assessment Commentary
Group & Parental Context
Company Analysis
Guide

Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG B
FINANCIAL STRENGTH RATED
DFM SECTOR STRONG
PARMENION CAPITAL PARTNERS LLP

Supporting Ratings

	Service	Image & Strategy	Business Performance
Parmenion Capital Partners LLP	✩✩✩✩✩	✩✩✩✩	✩✩✩✩

SUMMARY

- Parmenion operates as both a DFM and a platform, integrating investment management, platform services and technology
- The business was acquired by Preservation Capital Partners Ltd (Preservation CP) from Standard Life Aberdeen plc (SLA), now abrdn plc, on 30 June 2021
- Upon completion, Preservation CP sold 30% of the ownership to AssetCo plc (AssetCo), whose principal Martin Gilbert was joint CEO of SLA until 2020
- Around 30% of Parmenion staff also took the opportunity to invest in the business
- Capital adequacy for Parmenion Capital Partners LLP (PCP) was maintained through the acquisition process and both total equity and cash reserves have continued to increase in 2022, with surplus capital increasing to £15.4m and regulatory capital coverage as at 31 December 2022 of 287% [CLARIFY]
- In 2022 PCP increased its core revenue and made a profit of £11.6m; a loan of £8.5m from the previous owner was repaid
- Parmenion's AuM had fallen by 11% to £8.6bn as at 31 December 2022 due largely to negative market movements, with marginal net inflows
- The PE owners continue to be fully supportive of the existing senior management team progressing a strategy focused on growth
- In 2022 Parmenion re-priced its lower end propositions, and its current strategy includes broadening its proposition by working in closer partnership with advisers to help them access its DFM services (Affinity) and allowing third party DFMs to be accessed via the platform
- Parmenion won UK Platform of the Year for a second time, in 2022, which it stated "underlined the quality and capability throughout our business" and underlies the perception of its leading service delivery and overall positive adviser sentiment towards the business
- Preservation CP acquired ebi Portfolios Ltd (ebi) in 2022, and plans to invest further in this, broadening the group's investment proposition
- In 2022, Parmenion launched its Advisory Models PRO app service, for advisers without discretionary permissions to improve control over their fund-based model portfolios

COMMENTARY

Financial Strength Ratings

Parmenion Capital Partners LLP

Parmenion maintained positive progress in 2022 with increased core revenue in Parmenion Capital Partners LLP (PCP) for the year, up by 12.3%, and increased profit (PBT) of £11.6m [2021: £4.5m]. The net inflow of new assets was marginal however, and market conditions continued to be challenging, resulting in AuM falling by the year end by 11% to £8.6bn.

PCP has continued to show operational resilience, maintaining communication and service levels as staff moved from office working to home working and now to a hybrid approach.

Parmenion has been able to develop a much clearer strategy since its acquisition by Preservation CP, so whilst SLA was a significant owner with deep resources, the business has maintained positive financial strength characteristics under its new model of ownership. Parmenion CP acquired the business formally on 30 June 2021 and a 30% tranche of ownership was immediately acquired by AssetCo plc (this completing on 1 October 2021).

Preservation CP was established in 2017 backed by a number of ultra-high net worth family offices and institutional investors, and made a couple of acquisitions prior to raising US$400m in 2019-2020 in its Preservation Capital Partners Fund I. This fund is intending to invest in a focused portfolio of three to five platform companies within the asset-light financial services sector across Western and Northern Europe - PCP being the first acquisition by this fund, at a cost of £102m.

AssetCo was only recently re-purposed into its current form / strategy, with 2021 being a transformational year, attracting a new investor group that included M Gilbert.

Both PE owners appear to have solid strategies behind the investment in Parmenion and access to funds to support development / growth and a medium-long term view of investment. In respect of capital resources, all measures for PCP as required by the FCA continued to be met. PCP repaid a loan to previous owner abrdn plc for £8.5m plus interest during 2022.

Service Rating

The Parmenion proposition has a positive track record and a reputation for strong customer service, and articulates a very client centric approach to administration. This has been regularly demonstrated by the award of numerous service related external accolades in tandem with its own positive internal service metrics. The high level of customer service is underpinned by the use of technology, which Parmenion considers a significant competitive advantage, and the business continues to invest in this aspect.

The business values its relationships with adviser partners and shows a strong focus of working in partnership to sustain the proposition and maintain the high service levels. Communication is an important aspect and an example of the business' focus was its second CEO symposium, 'Let's Grow' in 2022, allowed many key supporters of the business the opportunity to air their views on performance and priorities. Parmenion is keen to maintain a very high rate of communication, and added a new channel to its output in 2022 in the form of a monthly podcast.

There is a stated 'cross-company' commitment to service. Parmenion reported that during 2022 its Client Services team continued to answer nearly 90% of calls in 20 seconds or less, and maintained high levels of response times and accuracy across its operational processes.

Parmenion has demonstrated that it has strong continuity plans in place as it was able to operate in a business-as-usual manner through the COVID-19 pandemic and maintained very high levels of service, demonstrated, for instance, by its winning of the Professional Paraplanner's Best Overall Service to Paraplanners award in 2021, and in 2022 it won UK Platform of the Year and was awarded again a Defaqto Gold rating for Platform service. It also achieved a Defaqto 5 Star proposition rating for DFM, Pension and Drawdown and increased its number of 5 Diamond rated portfolio ranges to 12, which it stated was more than any other manager.

Image & Strategy Rating

Parmenion is an established and respected platform provider (and DFM) with a platform market share of 1.6% [2021: 1.7%]. It has maintained its original niche strategy relative to other market participants and a positioning as a digitally powered investment business enabling a mass-affluent customer segment, notwithstanding continued growth and changes in ownership. In particular, Parmenion managed to maintain its discrete identity throughout its ownership by SLA and it is now free of some of the constraints imposed on it during recent years.

Preservation CP continues to provide strong support to the Parmenion management team in delivering growth and becoming a 'national champion' is a key element voiced by Preservation CP in its acquisition strategy. Within increased strategic planning work in general by Parmenion, further adviser market segmentation has been undertaken to appropriately target and meet a range of different requirements that fit with the business's proposition. Data warehousing and data mining for advisers - providing data back to advisers to aid them in segmentation - is resulting in closer partnership working.

Although centralised investment propositions (CIP) are available through many platforms, Parmenion's directors consider its 'unique, integrated offering' makes it easier for financial advisers to facilitate this. It considers itself a leader in the market in terms of providing efficient, technology-led services which it states to be one of its core disciplines alongside the platform and DFM capabilities. Parmenion announced a new approach to pricing in September 2021 which essentially reflected the differential in managing passive vs. active investments, bringing in some fixed costs at the lower end. Its ongoing strategy includes working in closer partnership with advisers to help them access its DFM services - the Affinity partnership sees Parmenion act as an investment adviser to advice firms, and it now supports over a dozen Affinity partners with AuM in excess of £2bn. Parmenion is also developing its underlying technology to allow advisers to access other third party DFMs on the Parmenion platform, improving its SIPP proposition and developing an advisory model solution. A new app to help clients access key documents and valuations was launched, and the business has tested its new Advisory Models PRO (AMP) service with selected partners - AMP designed to make managing advisory portfolios, without discretionary permissions, more accessible and straightforward.

The directors were also pleased to note that staff morale, as measured by its Monthly Temperature Check survey, trended steadily upwards through 2022, despite challenging market and economic conditions.

Preservation CP acquired ebi Portfolios Ltd (evidenced based investment) in 2022, and plans to invest further in this, broadening the group's investment proposition.

Business Performance Rating

Parmenion's AuM fell in 2022, down by 10.6% to £8.6bn at the end of December 2022 [2021: £9.6bn], driven by the impact of volatile and weaker markets. Gross inflows fell to £1.0bn [2021: £1.6bn] and net inflows were £0.1bn [2021: £0.8bn].

Notwithstanding this, 2022 saw a further year of significant core revenue growth for PCP, with management and custody fees continuing to increase strongly - overall up by 12% in 2022, after a 21% increase in 2021. Financial income was also boosted by interest retained on client money balances.

As a result of the termination of the VM contract in 2021, average employee numbers had reduced from 234 to 214, and in 2022 numbers fell again to 202. Staff costs reduced by 11% in 2022, from £15.7m to £14.0m, and overall total costs reduced by 1.2% to £30.9m. Employee costs remain a large part of the overall cost base (around 45% of total costs).

Overall, there was a significant increase in profit for the business, with operating profit of £9.5m [2021: £4.6m]. Additional net finance income of £2.1m [2021: net finance cost £0.2m] led to a total profit (available for discretionary division among members) of £11.6m in 2022, significantly higher than 2021 (£4.5m). This profit was all retained and added to total equity, turning the cumulative P&L deficit of £2.4m in 2021 into a positive income reserve of £9.2m. Total equity increased to £26.7m [2021: £15.1m].

One of PCP's Guernsey holding companies borrowed £65m in 2022 to pay deferred consideration and loan notes, resulting in PCP's trade and other payables increasing significantly year on year from intercompany liabilities arising from cash being transferred from higher up the group offset by interest payments made by PCP on group debt - £5.2m of cash was received from group, net of interest on group borrowings. Current liabilities reduced overall by £4.0m or 24% with the decrease mainly due to the repayment of the SLA loan and accrued interest (total £8.6m) partially offset by an increase in intercompany debt of £5.7m.

Net cash increased year on year, with overall operating cash of £15.6m generated. Net investing expense largely reflected capitalised development expenditure of £2.0m, relating to the delivery of third party DFM capability, and Advisory Models PRO. Financing outflow included the loan repayment with an overall increase in cash of £3.9m to £27.8m.

Group & Parental Context

BACKGROUND

Parmenion Capital Partners LLP was founded in the UK in 2006, backed by a number of senior individuals from technology and investment backgrounds. Aberdeen Asset Management plc (Aberdeen) acquired PCP and its sister company Self Directed Holdings Ltd, an online advice business, in January 2016. Total consideration was £49.8m comprising cash consideration of £39.7m and contingent consideration of £10.1m in earn-out. Aberdeen then merged in August 2017 with Standard Life plc to form Standard Life Aberdeen plc (SLA).

SLA also owned the Wrap and Elevate adviser platforms, and whilst all three platforms were within the same business channel (Asset Management, Platforms and Wealth) the Parmenion business was positioned within the Aberdeen Standard Investments (ASI) business under the Wealth proposition, as opposed to Platforms. The Parmenion brand remained differentiated and the business had all of its own core functions and capabilities, but it had access to a large group parent in terms of capital availability and in shared areas of expertise and competencies, such as in regulatory change.

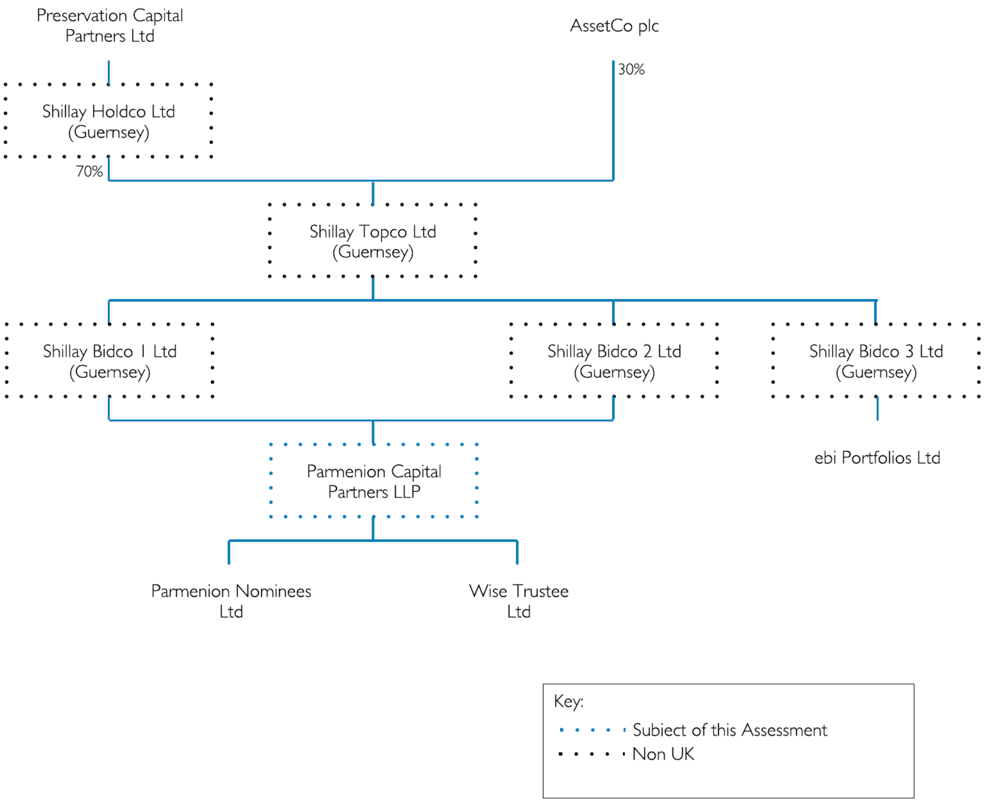
In December 2020, SLA announced it was looking to divest Parmenion, under a change in strategy introduced by SLA's new CEO Stephen Bird, and in March 2021 a sale to private equity firm Preservation Capital Partners was announced, at a headline figure of £102m. The sale completed on 30 June 2021, following which PE company AssetCo plc acquired a 30% stake from Preservation CP, for a total consideration of up to £27.8m, this completing on 1 October 2021.

Preservation Capital Partners Ltd is a relatively new private equity firm targeting investment in market leading businesses in the financial services sector. Its first acquisition was in 2017 where it invested in Ascent Underwriting, a Lloyds insurance market MGA (managing general agent), via a fund backed by a number of ultra-high net worth family offices and institutional investors. Preservation made several other investments in 2019. In Q4 2019, Preservation Capital Partners launched its Fund I, a US$400m (£309m) financial services focused fund. The fund is intended to invest in a focused portfolio of three to five platform companies within the asset-light financial services sector across Western and Northern Europe, and closed on 31 July 2020 having been significantly oversubscribed, attracting a diverse group of global investors which included public pension plans, funds of funds and institutional family offices. The acquisition of Parmenion was made in line with the strategic focus of this fund and remains its only acquisition to date. Preservation CP's current portfolio outside of PCP consists of three businesses, BMS (one of the largest independently owned Lloyd's specialty insurance brokers), Optio (a vertically integrated and scaled insurance managing general agent) and Saltus - invested on 31 July 2022 - a vertically integrated UK wealth management firm providing financial planning and investment management services, with AuM of around £4bn. Preservation in 2021 raised a further $790m through its Fund II, and states that its current AuM totals £700m.

AssetCo plc was established in 2003. In March 2010 AssetCo secured an initial 3 year £40m contract to provide fully outsourced firefighting services in the UAE, resulting in AssetCo being the only UK company providing frontline emergency services to another state. Following the loss of its key contract in Abu Dhabi in October 2018, the company scaled back operations. A claim for negligence against its former auditors Grant Thornton was finally concluded successfully in 2020, following which some significant changes were made. A new investor group consisting of funds managed by Toscafund Asset Management, Martin Gilbert, Peter McKellar and various associates acquired a 29.8% shareholding from existing shareholders. The company was re-admitted to AIM in April 2021 and the business was re-purposed in terms of strategy towards creating and managing an asset and wealth management business. As at year ending 30 September 2022, AssetCo had net balance sheet net assets of £86.5m [2021: £56.1m] and reported a loss before tax of £9.3m [2021: PBT £16.1m - albeit this included a net £22.4m from the Grant Thornton litigation]. AssetCo has made several acquisitions and investments in 2021-2022, including its investment in Parmenion, funded in part by a £25m equity fund raising in July 2021. Harwood Capital LLP is noted at Companies House as having significant control of AssetCo plc, via a shareholding of 25%-50% (note: on AssetCo website as at 19 June 2023, Harwood remains the highest shareholder but with a reduced holding of 13.9%).

Preservation CP acquired ebi Portfolios Ltd (evidenced based investment) in 2022, and plans to invest further in this, with ebi (evidenced based investment) will work alongside Parmenion, broadening the group's investment proposition.

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Parmenion Capital Partners LLP

BASIC INFORMATION

Ownership & Control
Preservation Capital Partners Ltd is the ultimate controlling party

Year Established
2006

Country of Registration
UK

Head Office
Aurora, Counterslip, Bristol BS1 6BX

Contact
www.parmenion.co.uk

Key Personnel

Role	Name
Chairperson	R A Houghton
CEO	M R Jennings*
Chief Operating Officer	B A Hill*
Chief Marketing Officer	S Lyons*
Chief Commercial Officer	M D G Morrow*
Chief Financial Officer	E Thomas*
Chief Risk Officer	J D Gale
MD, Parmenion Investment Management	P J Dalgliesh*
Chief Architect	C B D Falconer*
	* Executive Committee members
NED (Preservation Capital Partners)	J Aujla
NED (Preservation Capital Partners)	A Secci
NED (AssetCo)	G Neilly

Company Background
Parmenion Capital Partners LLP was founded in the UK in 2006, backed by a number of senior individuals from technology and investment backgrounds. PCP provides risk graded investment portfolios to UK financial advisers and a digital platform branded Parmenion through which to utilise these for their clients. During 2013 PCP transferred two of its functions into wholly-owned subsidiaries, namely its in-house discretionary fund management research into Parmenion Investment Management Ltd (PIM) and its IT development into Sorbin Systems Ltd (Sorbin) - the trade of these subsequently hived up into PCP.

Aberdeen Asset Management plc acquired PCP and its sister company Self Directed Holdings Ltd (SDH), an online advice business, in September 2015. Total consideration was £49.8m comprising cash consideration of £39.7m and contingent consideration of £10.1m in earn-out.

On 1 May 2018, the trade and assets of subsidiaries PIM and Sorbin were hived up into their parent Asander Investment Management Ltd (Asander) and all the trade and assets of Asander hived up further into PCP; all activity is run through PCP bar nominee / trustee services.

During 2019, SDH's trade and assets were hived down into subsidiary Self Directed Investments Ltd (SDI) in 2019 and SDH was dissolved in January 2020. AAM / SLA subsequently sold PCP to Preservation CP in March 2021, and SDI was itself then dissolved in January 2022.

PCP has several other dormant subsidiaries, of which two serve a relevant purpose:

- Parmenion Nominees Ltd - non-trading entity set up to protect client assets for which Parmenion accepts its obligations and liabilities
- Wise Trustee Ltd - non-trading pension trustee company set up to hold the assets on behalf of the members of the Parmenion SIPP

OPERATIONS

Governance System and Structure
PCP is a MiFID investment firm, CRR limited license and an Enhanced Firm for SM&CR. Amongst its permitted activities are: managing investments, holding client money, safeguarding investments & SIPPs. Parmenion managed the transition to SMCR during 2019 (with the support of its then-parent SLA) and now operates within the enhanced regime in this respect.

Upon the completion of the acquisition by Preservation CP in June 2021, PCP became a subsidiary of Preservation CP through its subsidiaries (named as the Designated Members of PCP) Shillay Bidco 1 Ltd and Shillay Bidco 2 Ltd, incorporated in Guernsey. Parmenion is continuing to restructure its governance arrangements following the separation from SLA.

As an LLP, Parmenion has a governing body of designated members which perform an equivalent function to a board of directors. The chairman of the Parmenion board is Richard Houghton, an experienced chairman of PE backed businesses. This regulatory board is responsible for all major decisions on behalf of the business and overseeing its activities. In addition, a group board was established, to reflect the new ownership structure, consisting of the Parmenion chair (acting as group chair), CEO and CFO of Parmenion, together with the NEDs from Preservation CP and AssetCo. This board oversees the wider strategy and direction of travel of the Parmenion business.

Management of the firm is delegated to the Executive Committee (ExCo) which consists of the CEO, CFO and other key senior management. An Executive Risk Committee (ERC), composed mainly of the ExCo members and the CRO, meets bi-monthly to ensure that Parmenion's risk profile, as determined by the board, is being managed appropriately.

All decision making and strategic decision remain within Parmenion's governance structure. Parmenion has developed this structure as the business has matured to ensure effective decision making, empowerment and continued agile delivery. Currently committees consist of: Commercial, CASS Governance, Investment Oversight and the SIPP Operating Committee. Two new operational committees were set up in 2021 - Run The Business and Grow The Business - replacing the previous Scalability & Resilience, Customer Delivery and Proposition committees. Grow the Business was replaced again in 2022, reverting to a Proposition Committee which better represented the current commercial requirement of the business.

The latest committees have the following remit:

- Run the Business Committee - provides the overall strategic direction, framework and policies for technology and information security
- Proposition Committee - oversees the assessment and launch of all new products, evaluating and approving new proposals and strategies, taking consideration of the risks, potential investor profiles and distribution channels to ensure suitability and commercial viability

The COVID-19 pandemic had an industry wide impact and proved a significant test of operational resilience and adequacy of business disruption / continuity plans. Parmenion responded quickly to the crisis, rolling out already tested remote working across the business, supporting staff as required and minimising disruption for clients.

New group acquisition ebi currently has its own governance structure which will be transitioned to align with Parmenion over time.

Risk Management

In terms of compliance, Parmenion operates a standard three lines of defence model, with the first line being the day to day operating business of Parmenion and its teams and managers. Risk, Compliance and Oversight (RCO) are the second line, and Internal Audit the third. PCP's board sets the business strategy and defines risk appetite thresholds; the ERC defines the risk management process that is used to oversee the risk profile and risk appetite breaches and maintain an ongoing review and improvement of the risk management framework.

RCO consists of compliance advisory, compliance monitoring, financial crime, operational risk and investment oversight functions.

Parmenion's investment risk framework is designed to ensure that volatility rises sequentially with each successive risk grade, and states that its solutions can be mapped to the leading risk profiling tools. It provides to financial advisers a client-specific investment management report to highlight how a portfolio recommendation is aligned to a client's risk mandate, with full details of cost and portfolio construction.

It states further that risk control is at the heart of its research process. For every investment solution, at every risk grade, its investment experts design and build portfolios to deliver the greatest return for the level of risk taken.

Technology and information security risk has maintained a high priority within the business, as the technological infrastructure is critical to the operation and the delivery of products and services to clients. Technology and data innovation are also transforming many aspects of the investment process. As previously mentioned, the Run the Business Committee provides the overall strategic direction, framework and policies for technology and information security, with a particular focus, currently, on cyber-crime prevention. During the pandemic, it became clear that there was a significantly increased cyber security risk, and the business responded by advising staff and customers on security measures including Multi Factor Authentication and introducing Dashlane, a secure password manager across the business.

Digital signature use with Docusign continued to grow, peaking at key points through the year such as tax year end. Further investment in cyber security is also ongoing.

Administration

Parmenion's services are organised with the intention of integrating investment solutions, custody and administration - the aim being to give wealth managers and financial advisers a platform to gather their clients' assets, and hopefully ensure those assets receive proper investment management.

Service is positioned in such a way as to be a natural end stage of the process rather than the start of a separate administrative function. Parmenion also provides online simplified advice technology, Interact, which allows financial advisory firms to broaden their proposition to provide a D2C style solution alongside their traditional proposition.

To support ambitious levels of growth, Parmenion implemented a governance framework to help understand, prioritise, mobilise and deliver change across the entire business, not just for system development.

Benchmarks

Parmenion has been consistently ranked highly by financial advisers, and won UK Platform of the Year in 2022.

It was also awarded a Defaqto Gold rating for Platform service, a 5 Star proposition rating for DFM, Pension and Drawdown and Parmenion increased its number of 5 Diamond rated portfolio ranges to 12, more than any other manager it stated.

In the Investment Trends 2021 UK Adviser Technology and Business Report, Parmenion ranked highest among UK adviser platforms in Net Promoter Score among all users and second for overall user satisfaction. During 2021, Parmenion won the Best Overall Service to Paraplanners category at the Professional Paraplanner Awards and was named best platform for advisers (AuA below £25bn) at the Professional Adviser awards. It was also named best DFM in the Money Marketing Awards 2021.

Outsourcing
Parmenion uses a small number of strategic suppliers. The Operations teams oversee these third-party administrators and monitor agreed service levels through a suite of key indicators, focusing on significant aspects such as service quality and risks.

Subsequent to the 2022 year end, the acquisition of a perpetual license for a software component of the Parmenion investment platform was approved by the board on 3rd April 2023. This will bring certain functionality and support frameworks in-house. This license will cost a total of £2.16m (including VAT) over 2 instalments, both of which will fall within 12 months of the signing of the contract.

STRATEGY

Market Positioning
Parmenion operates in the UK wealth sector, partnering with over 1,500 active adviser firms to help them deliver investment solutions to over 80,000 underlying end clients. With its proprietary technology platform enabling it to continue to address the evolving needs of its adviser clients, Parmenion has been able to maintain a customer focused approach which, coupled with strong service, has driven the growth of Parmenion's AuA/M. Parmenion has been consistently ranked by financial advisers as number one for platforms with AuA of less than £20bn/£25bn, and second for all platforms.

It has managed to maintain its discrete identity and is now free of some of the constraints imposed on it during SLA ownership, and able to be perhaps more of a 'disrupter' in its position as a digitally powered investment business.

Within increased strategic planning work in general by Parmenion, further adviser market segmentation has been undertaken to appropriately target and meet a range of different requirements that fit with the business's proposition. The business is further acting as an enabler via its data warehousing and data mining capabilities for advisers, providing data back to advisers to aid them in segmentation, and this is resulting in closer partnership working.

Although centralised investment propositions (CIP) are available through many platforms, Parmenion's directors consider its 'unique, integrated offering' makes it easier for financial advisers to facilitate this. It considers itself a leader in the market in terms of providing efficient, technology-led services which it states to be one of its core disciplines alongside the platform and DFM capabilities.

Parmenion announced a new approach to pricing in September 2021 which essentially reflected the differential in managing passive vs. active investments, bringing in some fixed costs at the lower end. Its ongoing strategy includes working in closer partnership with advisers to help them access its DFM services - the Affinity partnership will see Parmenion act as an investment adviser to advice firms. Parmenion is also developing its underlying technology to allow advisers to access other third party DFMs on the Parmenion platform, improving its SIPP proposition and developing an advisory model solution.

Proposition
The Parmenion proposition offers collective investment fund based discretionary management and platform custody services. Parmenion does not take on clients directly or meet with clients but offers investment and client facing solutions. The firm's CIP service programme, with the aim of bringing discretionary investment management to financial intermediaries and through to clients in the mass market/mass affluent bracket, has been the firm's primary driver of progress in the past few years. The proposition allows intermediaries to move their clients' assets easily to Parmenion, with access to tools to undertake fund research and re-balancing.

Parmenion's main propositions are:

- Parmenion CIP: full adviser solution, all wrappers, 600+ funds, equities, DFM service and bespoke modelling capability; intuitive design of complex customer relationship and account setup, DFM services and portfolio solutions; straight through processing (STP) online new business and servicing processes

- Parmenion Interact: STP online, Simplified Advice, including DFM service offer ('robo-advice'); usually a companion offer for IFAs to handle customer segmentation with risk profiling and appetite for risk tools; auto-escalation to IFA for appropriate client protections.

Within the DFM business, Parmenion offers a range of investment solutions:

- PIM Strategic Conviction - steering a course between active and passive
- PIM Strategic Guardian - a fresh perspective on retirement
- PIM Strategic Ethical Active - reflecting clients' views and values
- PIM Sterling - straightforward money market investing
- PIM Strategic Multi-Option - tailor made investment journeys
- PIM Strategic Active - demonstrating the value of active management
- PIM Tactical Active - shorter-term opportunities for long term returns
- PIM Tactical Passive - tracking a shorter-term market view
- PIM Tactical Income - maximising the yield available

In 2022, Parmenion launched its Advisory Models PRO app service, for advisers without discretionary permissions to improve control over their fund-based model portfolios.

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2022

Capital Resources Disclosures

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Available capital resources	8.9	13.4	23.6
Capital resources requirement (CRR)	5.8	7.6	8.2
Excess capital resources	3.1	5.8	15.4
CRR coverage ratio (%)	156	176	287

Prior to the acquisition by Preservation CP, PCP's capital resources were reported within SLA's Pillar 3 Disclosure, issued on a consolidated basis for the group. The solo figures for those years have been provided retrospectively for comparison.

PCP reported a significantly increased surplus of £15.4m [2021: surplus £3.2m] of capital resources (available capital) over its capital requirement in 2022, providing coverage of 287% [2021: coverage 156%].

Statement of Financial Position

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Assets	31.36	37.00	43.70
Current liabilities	(14.66)	(16.60)	(12.62)
Long-term liabilities	(6.06)	(5.30)	(4.39)
Net assets	10.64	15.09	26.69

Statement of Changes in Members' Equity

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Members' equity at start of period	15.27	10.64	15.09
Movement due to:			
Members capital classed as equity	0.00	0.00	0.00
Retained earnings	(4.63)	4.46	11.59
Other	0.00	0.00	0.00
Members' equity at end of period	10.64	15.09	26.69

The total assets (£43.7m) in the table above represent fixed and current assets and overall increased by £6.7m or 18.1%. Fixed assets increased by 3% to £7.7m although within this there was a fairly significant additions to intangibles via £1.5m to 'work in progress' in 2022 (increasing assets under construction from £0.5m to £2.0m) and £0.5m to website development, which after amortisation remained at around £1.1m. The most significant asset is cash which totalled £27.8m as at 31 December 2022, up from £23.9m in 2021.

The LLP has leases for two floors of office space. These leases are reflected in the statement of financial position as a right-of-use asset (£4.1m) in non-current assets, and a lease liability of £5.3m (split between £4.4m non-current and £0.9m current).

Current liabilities reduced overall by £4.0m or 24%, to £12.6m, with the decrease mainly due to the repayment of the SLA loan and accrued interest (total £8.6m repaid) partially offset by an increase in intercompany debt of £5.7m. Trade and other payables have increased significantly year on year due to intercompany liabilities arising from cash being transferred from higher up the group offset by interest payments made by Parmenion on group debt - Shillay Finco borrowed £65m in 2022 to pay deferred consideration and loan notes. £5.2m of cash was received from group, net of interest on group borrowings.

No new capital was introduced by members in 2022, so members' capital classed as equity was maintained at £17.5m, and with retained profits of £11.6m turning the cumulative P&L deficit of £2.4m into a positive income reserve of £9.2m, total equity increased to £26.7m [2021: £15.1m].

Income Statement

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Revenue	29.63	35.84	40.24
Other operating income	9.96	0.03	0.13
Operating expenses	(44.37)	(31.22)	(30.85)
Operating profit (loss)	(4.78)	4.65	9.53
Other gains (losses)	0.15	(0.19)	2.06
Profit (loss) before taxation and members' remuneration	(4.63)	4.46	11.59
Taxation	0.00	0.00	0.00
Profit (loss) after taxation	(4.63)	4.46	11.59
Other comprehensive income	0.00	0.00	0.00
Members' remuneration charged as an expense	0.00	0.00	0.00
Retained profit (loss)	(4.63)	4.46	11.59

Financial Ratios

	Dec 20 %	Dec 21 %	Dec 22 %
Operating margin	(12)	13	24
Pre-tax profit margin	(12)	12	29
Employee costs as a % of revenue	41	44	35

Core revenue (consisting of management and custody fees) has continued to increase strongly, up by 12.3% in 2022. Employee costs are a large part of the overall cost base (around 45% of total costs). As a result of the termination of the VM contract in 2021, average employee numbers had reduced from 234 to 214, and in 2022 numbers fell again to 202. Staff costs reduced by 10.9%, from £15.7m to £14.0m in 2022, and overall total costs reduced by 1.2% to £30.9m.

This translated into a significant increase in profit for the business, with operating profit of £9.5m [2021: £4.65m]. Additional net finance income of £2.1m [2021: net finance cost £0.19m] led to a total profit (available for discretionary division among members) of £11.6m in 2022, significantly higher than 2021 (£4.5m). This profit was all retained and added to total equity.

Statement of Cash Flows

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Net cash generated from operating activities	4.69	9.67	15.61
Net cash used in investing activities	(1.83)	(0.62)	(1.98)
Net cash used in financing activities	5.89	(1.09)	(9.74)
Net increase (decrease) in cash and cash equivalents	8.75	7.95	3.90
Cash and cash equivalents at end of period	15.93	23.88	27.78

Assets under Management (AuM)

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Assets at start of period	6,960	8,194	9,364
Inflows	1,504	1,600	1,012
Outflows	(510)	(840)	(935)
Net market and other movement	240	680	(1,099)
Assets at end of period	8,194	9,634	8,613
Growth rate (%)	18	18	(11)
Net inflows as % of opening AuM	14	9	1

Net cash has increased year on year. In 2022 PCP generated profits of £11.6m. Non cash items including depreciation, amortisation and impairments (total +£1.8m), interest of £1.8m received, and net working capital movements +£2.4m were added back to this, with further adjustments made for financial income (-£2.3m) and financial expenses (+£0.3m), leading to overall operating cash of £15.6m generated. Net investing expense largely reflected capitalised development expenditure of £2.0m. Financing outflow included the repayment of a loan £8.5m plus interest (to previous owner, Standard Life Aberdeen plc, now abrdn plc) leading to an overall increase in cash of £3.9m to £27.8m.

Parmenion's AuM fell in 2022, down by 10.6% to £8.6bn at the end of December 2022 [2021: £9.6bn], driven by the impact of volatile and weaker markets. Gross inflows fell to £1.0bn [2021: £1.6bn] and net inflows were £0.07bn [2021: £0.76bn]. Platform market share was down slightly to 1.6% as at 31 December 2022 [2021: 1.7%].

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/dfm.

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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