

# Results Presentation



Year ended 30 September 2021

# Presentation team



**Alex Scott**

*Chief Executive Officer*

- Joined IntegraFin in 2009
- 1997 – Twelve years in insurance licence provision
- 30 years of insurance experience in the UK and internationally



**Jonathan Gunby**

*Executive Director – IFAL CEO*

- Joined IntegraFin in 2011
- 1999 – Twelve years as Director of NMG Holdings
- 30 years of financial services experience in the UK and internationally

# Financial year 2021– operating environment headlines

H1 FY21	H2 FY21	FY21
<ul style="list-style-type: none"><li>❑ Acquisition of Time for Advice Limited (T4A) on 11 January 2021.</li><li>❑ Highest ever H1 gross inflows.</li><li>❑ Positive equity market reaction to COVID-19 vaccine developments and US election result.</li><li>❑ Transact buy commission threshold reduced.</li><li>❑ Engagement in, and withdrawal from, Nucleus acquisition process.</li></ul>	<ul style="list-style-type: none"><li>❑ Annual commission charge reduction.</li><li>❑ Strong tax year end performance.</li><li>❑ FUD passed £50bn for the first time.</li><li>❑ Junior pension fee waived for those in a linked family group.</li><li>❑ Next Wealth rating enhanced to “Digital Champions”.</li></ul>	<ul style="list-style-type: none"><li>❑ Record year end FUD of £52.11bn.</li><li>❑ Record gross and net annual inflows.</li><li>❑ Consolidation of T4A into IHP accounts.</li><li>❑ Appointment of Rita Dhut to the board.</li><li>❑ Constructive shareholder engagement.</li><li>❑ Continued uncertainty surrounding COVID-19 and post Brexit transition.</li><li>❑ Well-positioned for further progress in FY22.</li></ul>

# Financial year 2021 - key financials

## Financial Highlights

- Total revenue £123.7m, up 15%.  
(includes T4A revenue of £2.4m)
- Operating profit £63.2m, up 14%.  
(Includes £3.3m non-underlying expenses - T4A and Nucleus)
- Profit before tax £63.1m, up 14%.
- Post underlying and non-underlying expenses, operating margin decreased to 51% from 52%.
- Cash flow and group balance sheet remain strong, with no debt.
- Second interim dividend of 7.0p declared, total dividend of 10.0p for FY21, at 65% of PBT - top end of dividend policy.

### FUD

↑ **27%**

(FY21: £52.11bn)

### Clients

↑ **209k**

(up 9% from FY20)

### Net inflows

↑ **38%**

(FY21: £4.95bn)

### Gross inflows

↑ **34%**

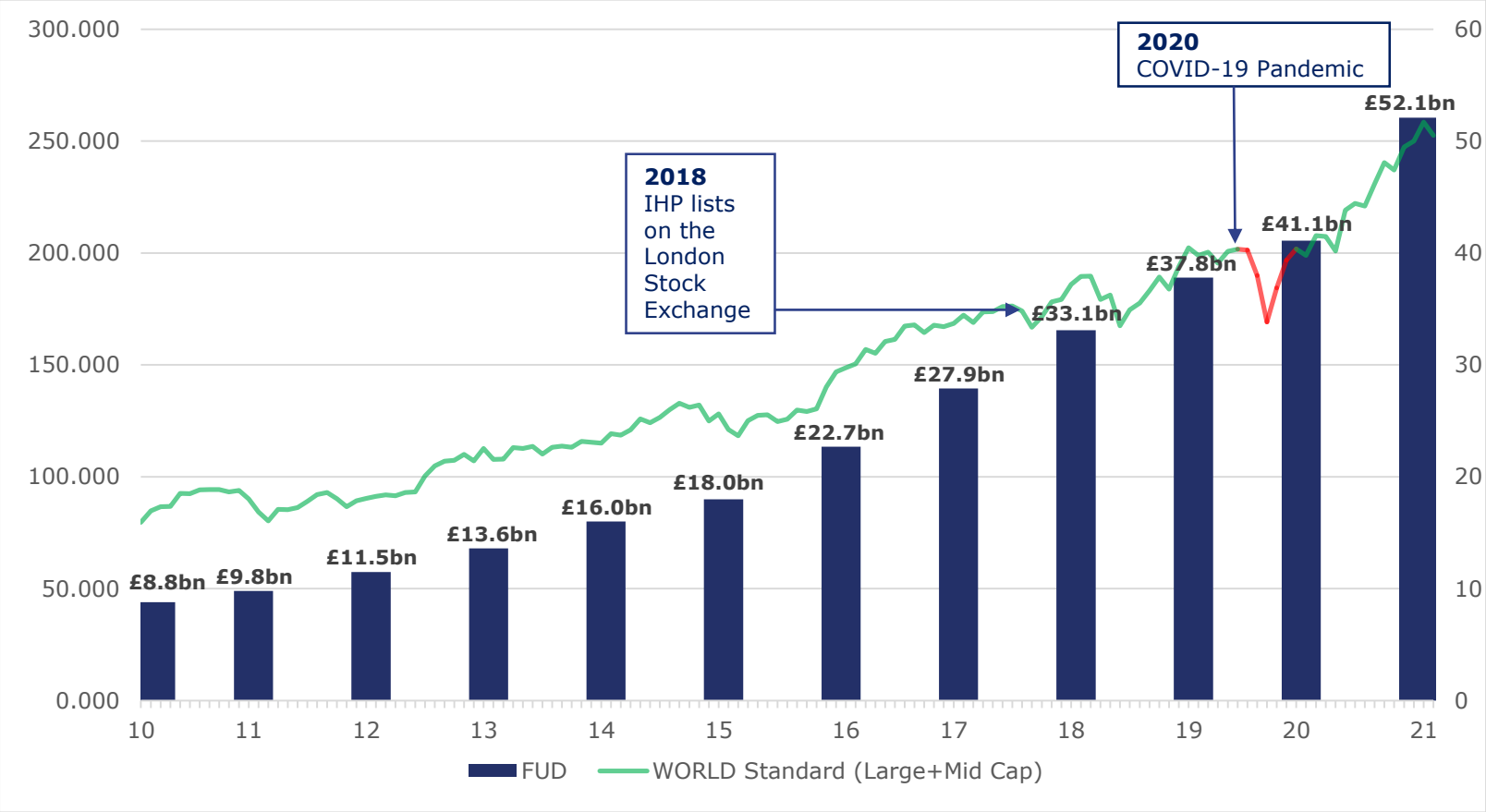
(FY21: £7.70bn)

# Funds Under Direction

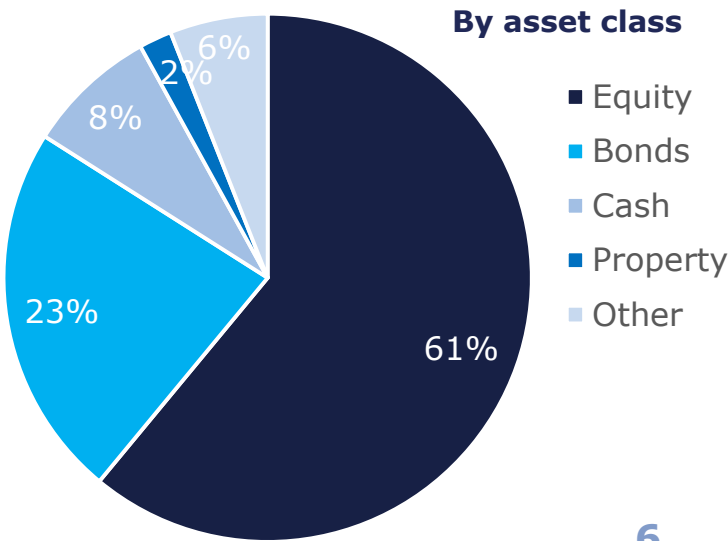


# FUD growth outperforms MSCI World Index in FY21

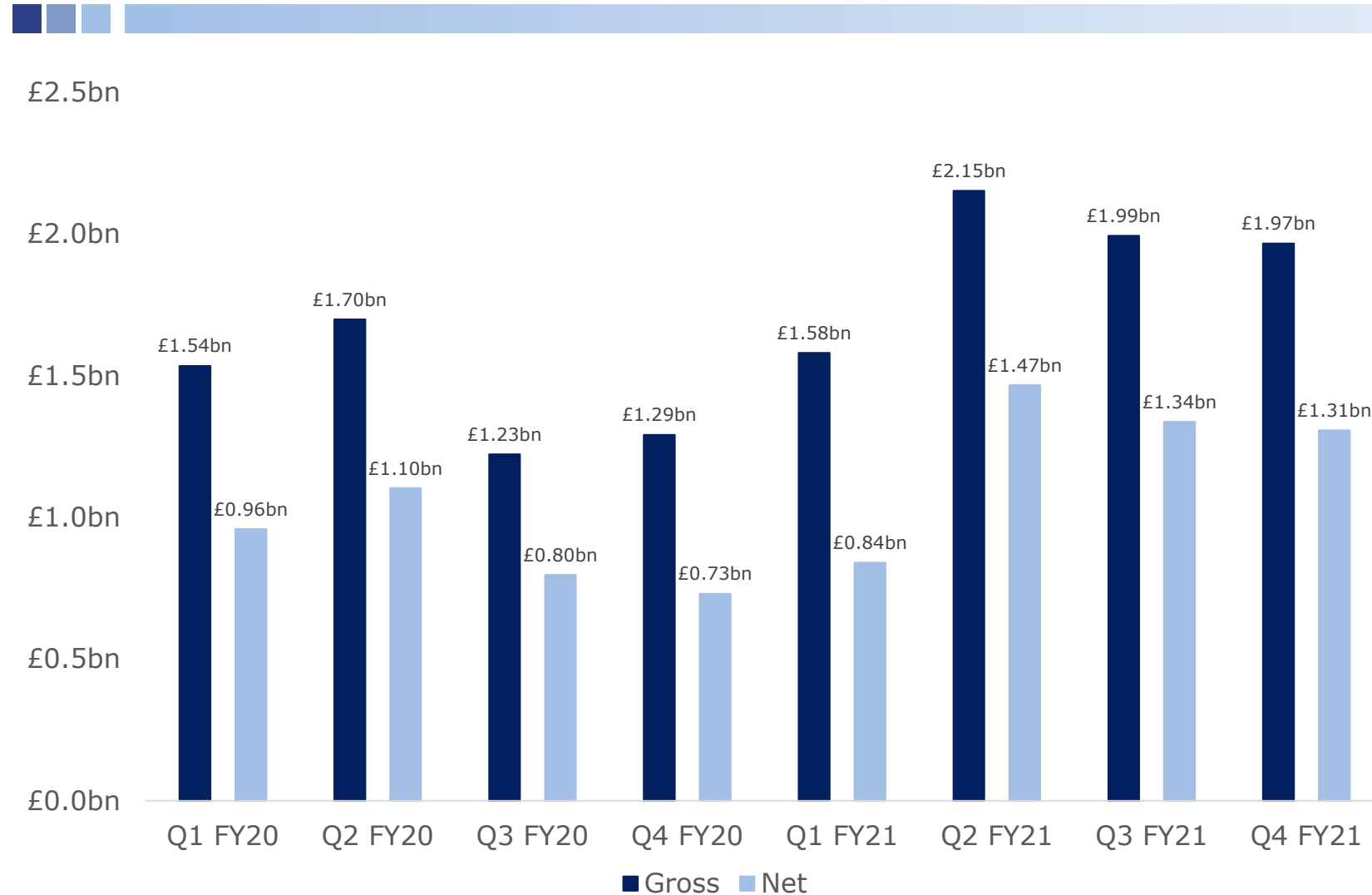
Growth in Funds Under Direction (£bn) compared to the MSCI World Index



- Transact has achieved FUD growth every year since 2000.
- FUD growth maintained through periods of high stock market volatility.



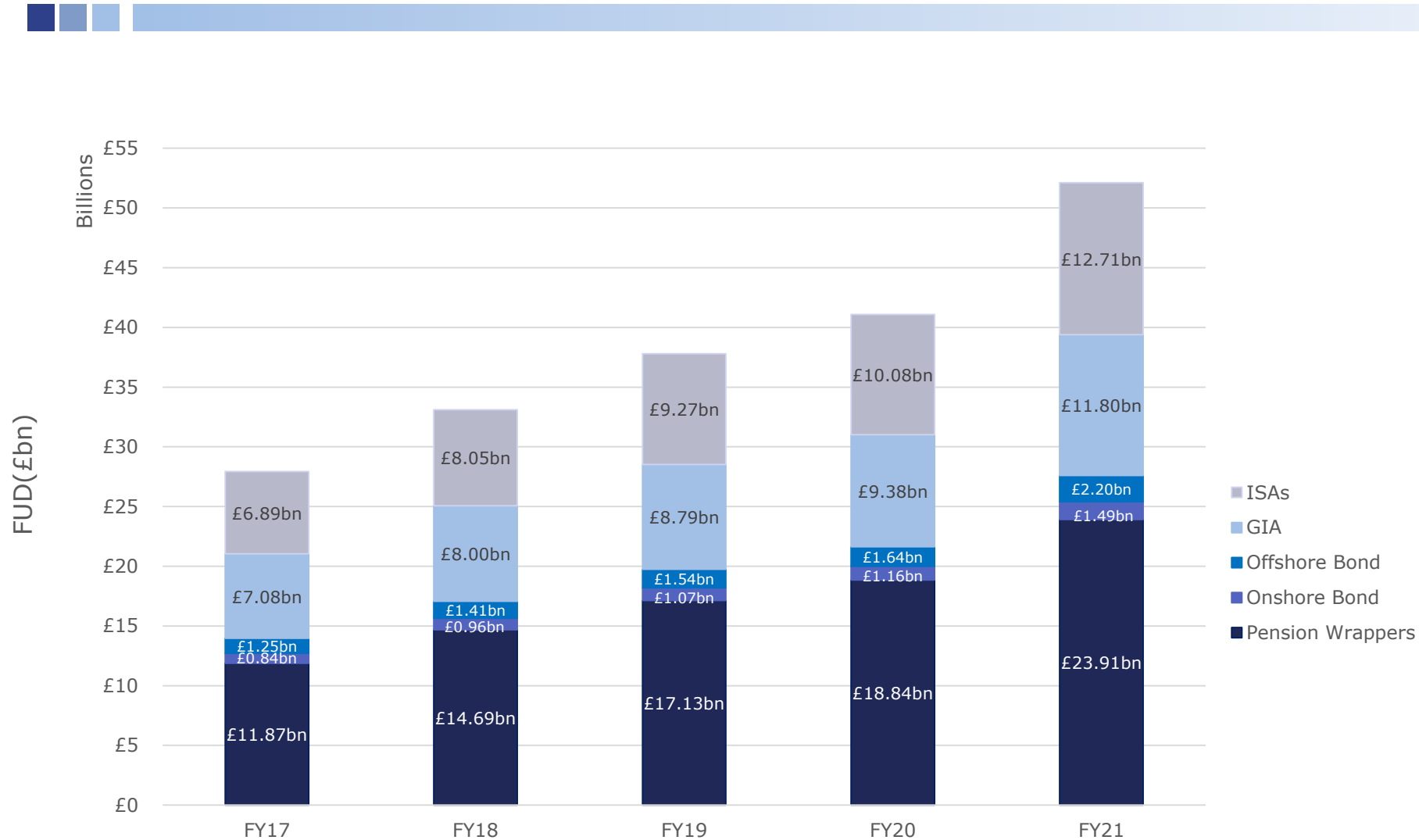
## FY21 net inflows up 38%



£m	FY21
<b>Opening FUD</b>	<b>41,093</b>
Inflows	7,695
Outflows	(2,744)
<b>Net inflows</b>	<b>4,951</b>
Market movements	6,297
Other movements	(229)
<b>Closing FUD</b>	<b>52,112</b>

(1) Includes fees and tax charges, rebates, dividends and interest

# FUD by wrapper split

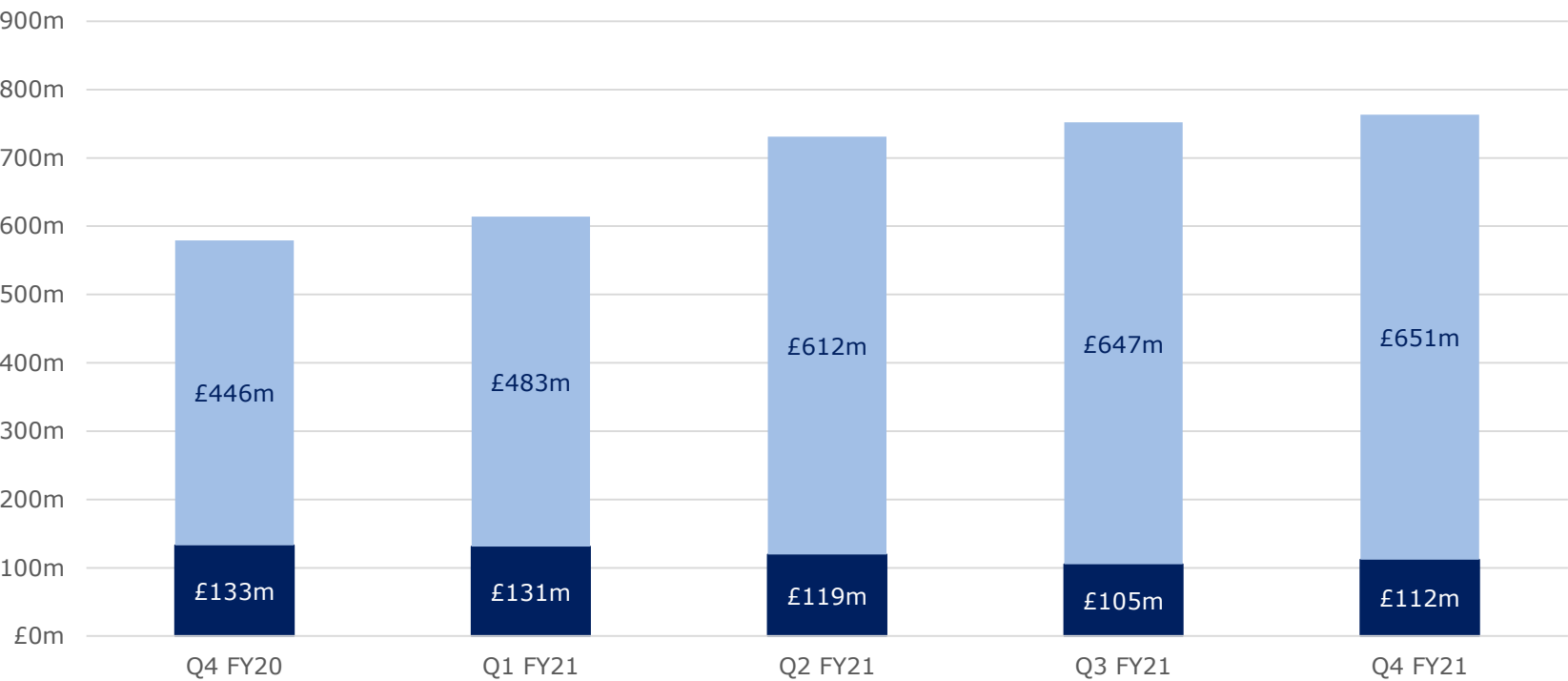


## Key points

- ❑ Strong growth in all wrapper types over the period.
- ❑ Pensions and ISA CAGRs in excess of 17%.
- ❑ GIAs and Bond ISAs CAGR in excess of 14%.



# Pension transfers split by DB vs. DC



## Key points

- ❑ Pension transfer business has remained strong.
- ❑ Strong growth in DC transfers in Q4 FY21 compared to Q4 FY20.
- ❑ DB transfers remained stable over the year.

Quarter	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
DB as a %	23.0%	21.3%	16.4%	14.0%	14.7%

# Financial performance



# Transact platform – responsible pricing



## Transact annual commission charges

Single or consolidated portfolios of less than £100,000		
Cash & investments	Post 01/04/21	Pre 01/04/2021
£0 - £60,000	0.50%	0.50%
>£60,000 and <£100,000	<b>0.27%</b>	0.28%

Single or consolidated portfolios of £100,000 and above		
Cash & investments	Post 01/04/21	Pre 01/04/2021
£0 - £600,000	<b>0.27%</b>	0.28%
>£600,000 - £1,200,000	<b>0.17%</b>	0.18%
>£1,200,000 - £5,000,000	0.07%	0.07%
On the remainder	0.05%	0.05%

## Transact buy commission charges

Pre 01/03/2021		
Monthly Average portfolio value	Refund	Effective Rate
<£400k	0%	0.05%
£400k+	100%	0.00%

Post 01/03/2021		
Monthly Average portfolio value	Refund	Effective Rate
<£300k	0%	0.05%
£300k+	100%	0.00%

# Total revenue up 15%

£m	FY21	FY20	Change	
<b>Platform revenue</b>				
<b>Annual commission income - recurring</b>	<b>107.7</b>	<b>94.5</b>	<b>+14%</b>	Group revenue shown in two streams: three elements of platform revenue, and T4A revenue.
Annual basis point charge levied on assets and cash held on the platform	(89%)	(88%)		
<b>Wrapper fee income - recurring</b>	<b>10.6</b>	<b>9.7</b>	<b>+9%</b>	Total platform revenue growth YoY of 13%.
Annual fixed fee levied on all Transact wrappers	(9%)	(9%)		
<b>Other income</b>	<b>3.0</b>	<b>3.1</b>	<b>-3%</b>	98% of total platform fee revenue - annual commission income plus wrapper fee income - is recurring.
Commission levied on the value of buy transactions executed on the platform and stockbroker dealing charges <sup>(1)</sup>	(2%)	(3%)		
<b>Total platform revenue</b>	<b>121.3</b>	<b>107.3</b>	<b>+13%</b>	
T4A revenue <sup>(2)</sup>	2.4	-	<b>+100%</b>	
<b>Total revenue</b>	<b>123.7</b>	<b>107.3</b>	<b>+15%</b>	

(1) Buy commission rebate threshold reduced to £400k from 1 March 2020 and further reduced to £300k from 1 March 2021.

(2) T4A's revenue from the period 11 January to 30 September 2021.

# Well controlled expenses



£m	FY21	FY20	Change
Staff costs	41.6	36.9	+13%
Occupancy	1.4	2.0	-30%
Regulatory and professional fees	7.6	7.0	+9%
Non-underlying expenses	3.3	-	+100%
Other income – tax relief to shareholders	(2.2)	(1.1)	+100%
Other costs	4.2	3.8	+5%
Total expenses	55.9	48.6	+15%
Depreciation and amortisation	3.1	2.6	+19%
<b>Total operating expenses</b>	<b>59.0</b>	<b>51.2</b>	<b>+15%</b>

- T4A's staff costs of £2.4 million, from acquisition date to 30 September 2021.
- Excluding T4A, staff costs increased by £2.4 million, or 7%.
- Occupancy costs decreased by £0.6 million, due to receipt of a backdated rates rebate in FY21.
- Rebate will be ongoing at a lower rate to 2023.
- Exceptional tax relief returns to shareholders amounting to £1.1 million in FY21.

# Non-underlying expenses



**In line with statements in our interim annual report and results presentation, IHP incurred non-underlying expenses in FY21 totalling £3.3m.**

## **Non-underlying expenses that will not recur**

- Expenses incurred relating to the acquisition of T4A.
- Expenses incurred due to work performed on the initial consideration of the acquisition of Nucleus.
- Total one off costs - £1.1m.

## **Recurring, non-underlying costs due to IFRS3 Business combinations**

- £2.2 million post-combination remuneration paid to the original shareholders of T4A in FY21.
- Future deferred and additional consideration to the sellers to be recognised over four years, from January 2021 (FY22) to December 2024 (FY25).
- This non-underlying expense is expected to be £3 million in FY22 to FY24, before reducing to £0.8 million in FY25.



**T4A is a specialist software provider for financial planning and wealth management firms.**

## Acquisition

- The entire share capital of T4A has been purchased.
- T4A fully consolidated into the Group results with effect from 11 January 2021.
- Up-front cash payment of £8.6 million, plus £8.6 million of deferred consideration, payable over the next four years.
- Contingent consideration of up to £8.6 million payable in January 2025, based on performance targets over each of the next four years.

## Revenue

- From acquisition, 11 January 2021 to 30 September 2021 T4A generated revenues of £2.4million.
- T4A's revenue recognised in IHP's group accounts for the first time.
- £1.9 million is expected to be recurring.
- T4A incurred losses in the period are in line with expectation - £1.0 million after tax.
- T4A is expected to be loss making in FY22.
- Monthly profit expected from FY23.

## Investment

- IHP injected £4.0 million of cash.
- Support T4A's development of CURO365.
- Grow adviser support capability.
- Increase sales team.

# T4A operational performance



- T4A generates revenue through license fees from advisers using its CURO technology.
- Advisers using CURO increased by 266 (18%) from January 2021 to September 2021.
- T4A license revenue increased by 29% from January 2021 to September 2021.
- The increased growth in license revenue relates to existing firms taking up T4A's new features - portal and document management system.
- The number of firms using T4A increased to 78 from 66 as at September 2021.



**Advisers using CURO  
increased by 18%**



**T4A license revenue  
increased by 29%**



**Firms using T4A  
increased by 15%**



# Staff numbers



	Group 30 Sept 21	Group 30 Sept 20
IT & technology	114	121
Operational & support	362	327
Sales & marketing	36	39
IHP Staff	512	487
T4A staff	62	-
Total staff	574	487

▶ Excluding T4A, staff numbers increased 5%. Including T4A, total group headcount increased 18%.

▶ T4A headcount expected to expand in line with growth.

▶ Investment in software development through recruitment of developers. Sales and support teams will also expand.

▶ Staff turnover reverted back to normal levels in FY21, after a marginal decrease in FY20.

## Board changes

- Neil Holden stepped down from the IHP board.
- Rita Dhut appointed to the board and the designated NED for employee engagement.

# Profit & loss and cash flows

Profit & loss			Cash flows		
£m	FY21	FY20	£m	FY21	FY20
<b>FUD (£bn)</b>	<b>52.1</b>	<b>41.1</b>	<b>Operating profit</b>	<b>63.2</b>	<b>55.3</b>
<b>Total fee income</b>	<b>123.7</b>	<b>107.3</b>	Depreciation & amortisation	3.1	2.6
Cost of sales	(1.5)	(0.8)	Working capital requirements	(2.3)	5.0
<b>Net revenue</b>	<b>122.2</b>	<b>106.5</b>	Capex	(0.7)	(0.9)
Staff costs	(41.6)	(36.9)	Tax paid <sup>(1)</sup>	(13.4)	(13.8)
Other costs	(17.4)	(14.3)	<b>Free cash flows</b>	<b>49.9</b>	<b>48.2</b>
<b>Total expenses</b>	<b>(59.0)</b>	<b>(51.2)</b>	<i>Net operating cash conversion<sup>(2)</sup></i>	<i>146%</i>	<i>120%</i>
<b>Operating profit</b>	<b>63.2</b>	<b>55.3</b>			
FUD Y-o-Y growth	27%	9%			
Operating margin	51%	52%			

(1) Tax paid excludes policyholder tax paid

(2) Conversion from profit after tax into net cash from operating activities

# Group underlying performance



Profit & loss		
£m	FY21	FY20
<b>FUD (£bn)</b>	<b>52.1</b>	<b>41.1</b>
<b>Total fee income</b>	<b>123.7</b>	<b>107.3</b>
Cost of sales	(1.5)	(0.8)
<b>Net revenue</b>	<b>122.2</b>	<b>106.5</b>
Staff costs	(41.6)	(36.9)
Other costs	(14.1)	(14.3)
<b>Total underlying expenses</b>	<b>(55.7)</b>	<b>(51.2)</b>
<b>Underlying operating profit</b>	<b>66.5</b>	<b>55.3</b>
FUD Y-o-Y growth	27%	9%
<b>Underlying operating margin</b>	<b>54%</b>	<b>52%</b>

▶ Underlying expenses of £55.7m.

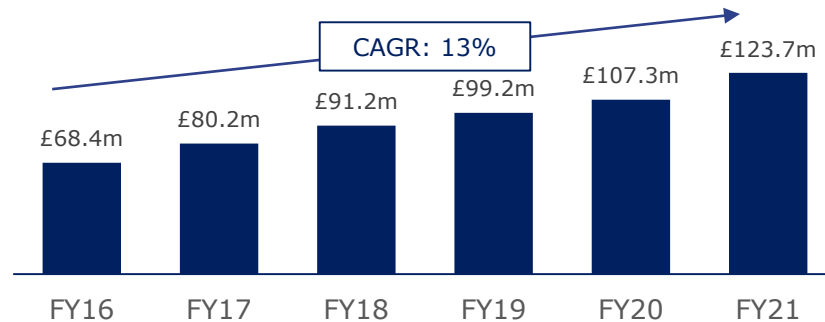
▶ Non-underlying expenses, outside the normal course of business of £3.3m  
Acquisition of T4A and consideration of Nucleus.

▶ Non-underlying expenses split:  
£2.2m - post combination remuneration (T4A)  
£1.1m - acquisition process costs (Nucleus+T4A)

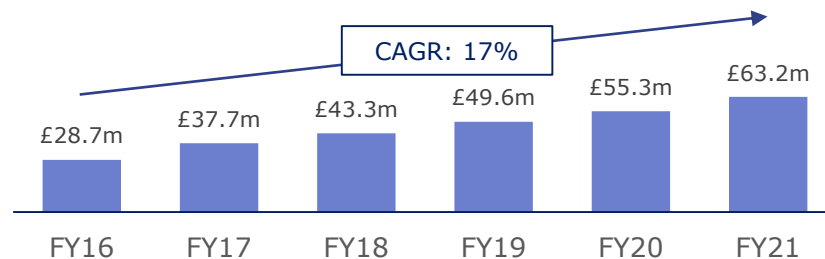
▶ Excluding non-underlying expenses, underlying operating margin increased to 54%.

# We continue to achieve strong profit growth while also reducing fees

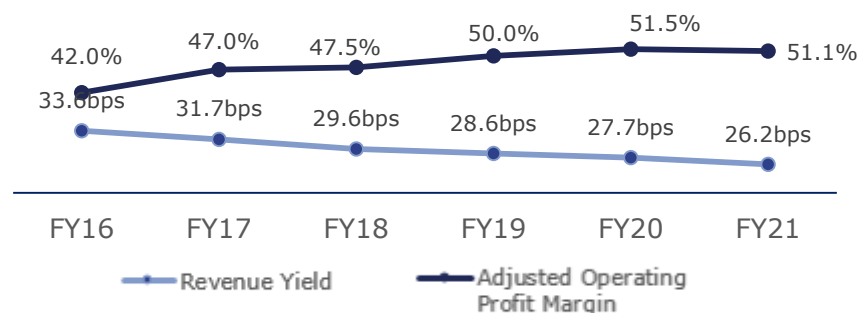
## Total fee income



## Adjusted operating profit<sup>(1,2)</sup>



## Revenue yield & adjusted operating profit margin



## Key points

- The Group has an impressive record of consistently growing revenue, at a CAGR of 13% since FY16.
- Adjusted operating profit continues to grow and has more than doubled over the last five years.
- Unadjusted operating profit margin has fallen marginally to 51.1% this year.
- Excluding non-underlying expenses, underlying operating profit margin has risen to 54%.

(1) Adjusted operating profit excludes one-off IPO related costs relating to FY17 & FY18

(2) FY16 operating profit includes an adjustment of £0.7m for the annualised pro forma impact of the acquisition of IAD

# Group balance sheet remains strong



**30 Sept 21**  
**£m**

- Transact operates with a conservative balance sheet position:
  - No debt.
  - Cash reduced by up-front payment for T4A of £8.6 million.
  - Policyholder assets and liabilities fully matched.
  - Second interim dividend of 7.0p declared.
  - Total dividend: £33.1m vs £27.5m (2020).
  - Cash balance of £176.1m as at September 21 (2020: £154.1m), before £33.1m dividend, supporting regulatory capital, risk appetite and tax requirements of £106.3m.

<b>Non-current assets</b>	
Loans	3.4
Intangible assets	22.3
Property, plant and equipment	1.8
Rights of use assets	3.6
Deferred tax asset	0.7
	<b>31.8</b>
<b>Current assets</b>	
Financial assets at fair value through profit or loss	5.1
Other prepayments and accrued income	15.9
Trade and other receivables	3.7
Investments held for the benefit of policyholders	21,787.2
Policyholder cash and cash equivalents	1,266.2
Shareholder cash and cash equivalents	176.2
Current tax asset	1.1
	<b>23,255.4</b>
<b>Current liabilities</b>	
Trade and other payables	17.4
Provisions	11.6
Finance lease liabilities	2.4
Liabilities for linked investment contracts	23,053.4
	<b>23,084.8</b>
<b>Non-current liabilities</b>	
Provisions	6.2
Contingent consideration	0.8
Finance lease liabilities	2.7
Deferred tax liabilities	29.5
	<b>39.2</b>
<b>Net assets</b>	<b>163.3</b>

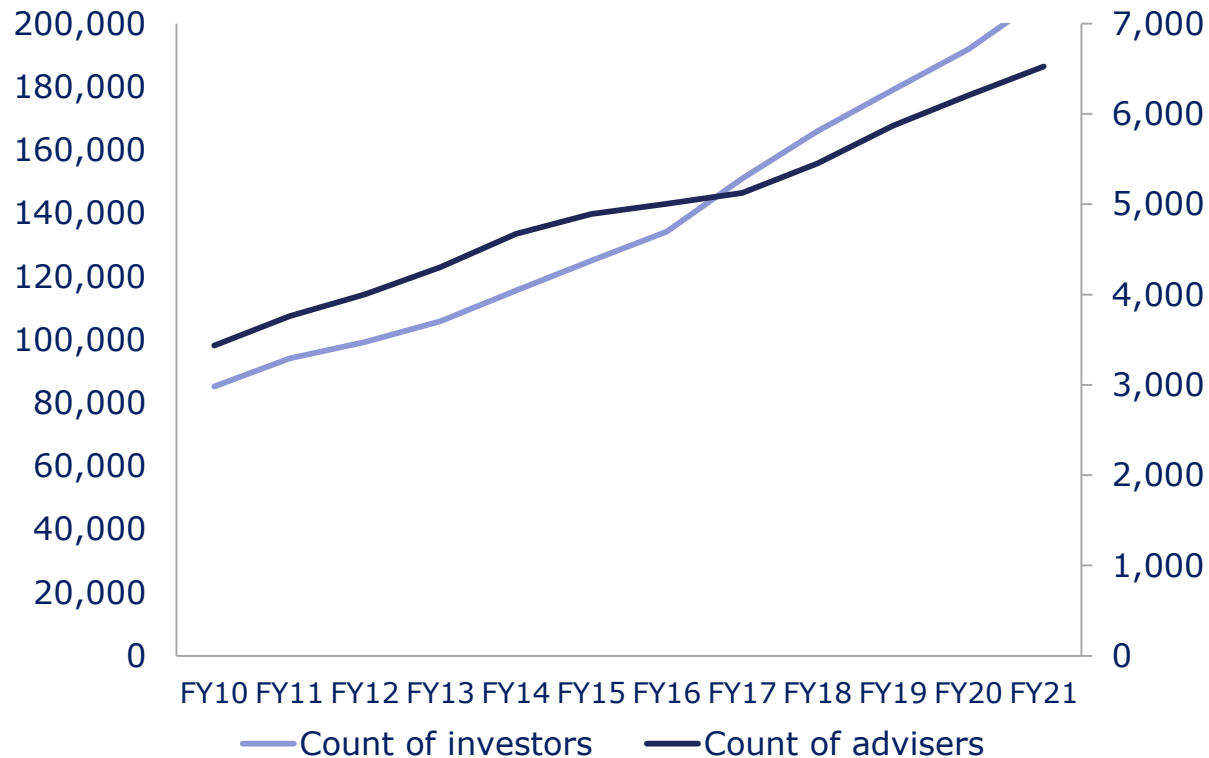
# Business update



# Strong client base and addressable market

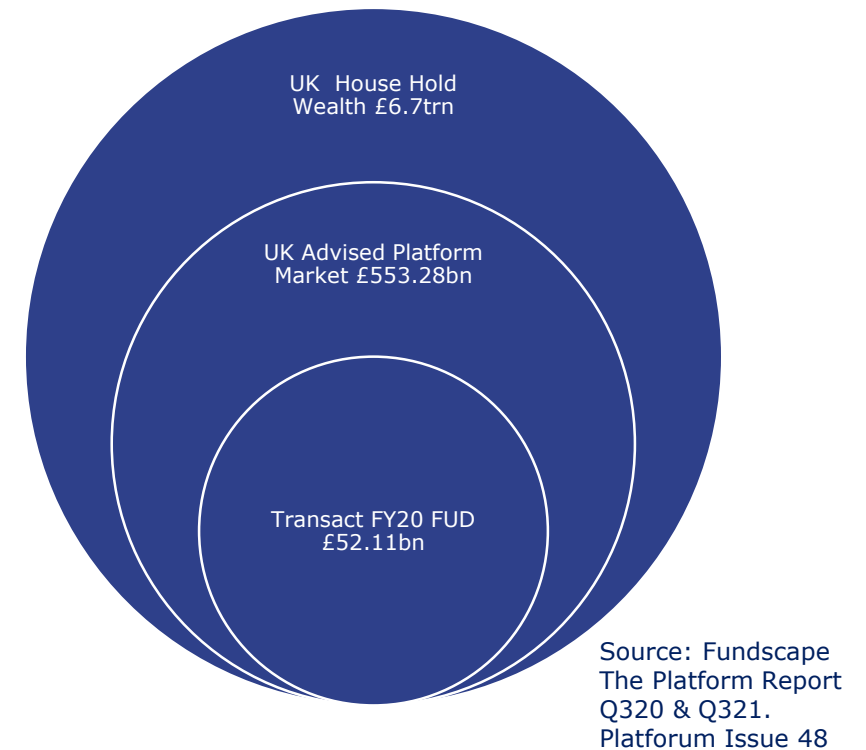


Increasing client and adviser numbers



- Client numbers up 9% from FY20.
- Adviser numbers up 5% from FY20.
- Client retention remained at 96% per annum for the third consecutive year.

Large market with growth opportunities



- The UK's advised platform market FUD grew 20% in the previous year in difficult market conditions, our FUD grew 27% in the same period.
- Over 36,000 registered advisers in the UK, 15,000 which we consider to be contestable.

# Continued technological advances of the platform to meet client needs



Platform investment increased to £10m for the year, making further enhancements that benefit the client and adviser online experience.

We expect that adviser users will continue to move their clients onto Transact, as they experience the benefits that our service brings, and those clients already using us will put more money into their portfolios.



'Activate Your Account' link on Transact online for new investors who have given us their email address and mobile phone number as part of their portfolio application. This creates a more modern user-experience for them, and the group can reduce its paper usage.



We launched 'Guided Applications', which enable online applications for a new portfolio and multiple wrappers to be completed online.



We have added an expected deposits then buys functionality, allowing advisers to queue any associate purchases ahead of time. This streamlines our processes and the advisers'.



# Transact is consistently rated top for service



## **UK Investment Trends Adviser Technology & Business Report 2021**

- Transact was rated the top platform in the UK Investment Trends Adviser Technology & Business Report 2021.
- This is the 12<sup>th</sup> year running that Transact has been rated top.
- The study is one of the most comprehensive undertaken and is based on the views of 1,466 UK advisory professionals. The fieldwork for this independent research was undertaken in March 2021.

## **CoreData Investment Platform Study 2021**

- CoreData research is a multinational company specialising in financial services. CoreData surveyed 991 UK professionals in the most recent wave.
- Transact was rated Best Overall Platform (2021) – based on 46 service metrics.

## **Winner of 2021 Investment Life & Pensions Moneyfacts Awards 2021 Best Wrap/Platform**

## **Winner of Schroder's best platform provider AUM £40 billion or more at Schroders UK Platform Awards 2021**

## **Rated as Next Wealth Digital Champions in April 2021**

# Recent inflow data for the largest players



TOP 5 ADVISER PLATFORMS BY GROSS INFLOWS FY21		TOP 5 ADVISER PLATFORMS BY NET INFLOWS FY21	
abrdn	£8.50bn	Aviva	£5.05bn
Quilter	£8.20bn	<b>Transact</b>	<b>£4.95bn</b>
<b>Transact</b>	<b>£7.70bn</b>	AJ Bell	£3.80bn
Aviva	£7.53bn	abrdn	£3.31bn
Fidelity	£6.80bn	Fidelity	£3.15bn

# Regulation



- **1. Financial and operational resilience**

The FCA has developed its close supervision of authorised firms during the Covid-19 pandemic, and throughout 2022 we can expect more focus on firms' financial resilience. In March 2022, firms must comply with FCA and PRA rules on operational resilience, including identifying Important Business Services and setting and measuring impact tolerances for these services.

- **2. Prudential regulation**

In January 2022, the FCA brings into force a new UK prudential regulation regime for investment firms (IFPR), this will lead to an additional capital requirement that we have sufficient capital to cover.

- **3. A customer duty of care**

The FCA is expected to bring into force rules for authorised firms to owe a duty of care to consumers.

# Regulation – cont'd



- **4. Diversity and inclusion**

Following publication of Discussion Paper 21/2, during 2022 we expect the PRA and FCA to develop regulation on diversity and inclusion in financial services. It is aimed at: more diverse representation at all levels; fostering cultures to generate staff inclusivity; and, for the design and delivery of products to reflect the diverse needs of consumers, offer fair value and delivered in a fair and accessible way.

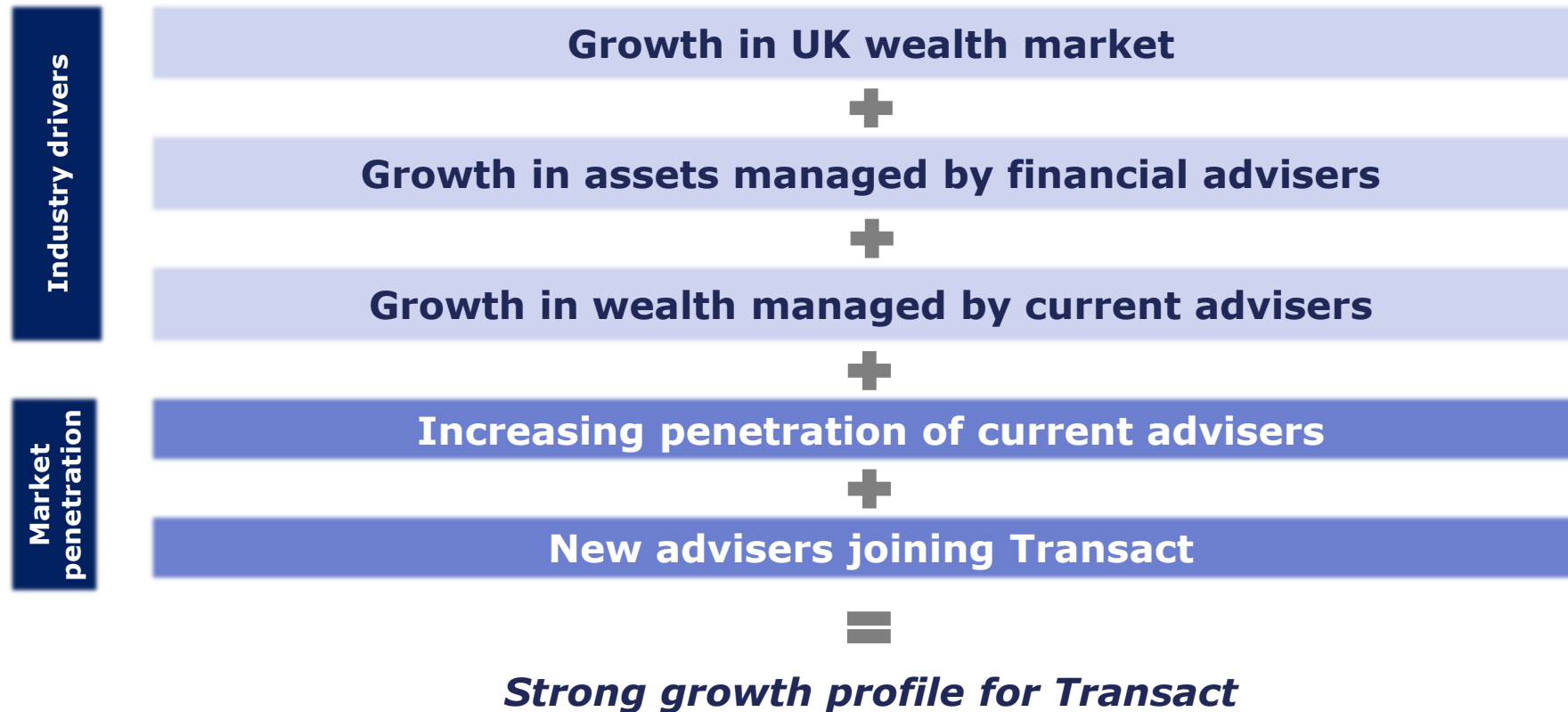
- **5. Climate change**

The regulators continue to focus on minimising the impacts of climate change. The FCA has published its Environmental, Social and Governance (ESG) Strategy, which is based on five core themes: transparency, trust, tools, transition and team. The FCA has proposed a climate-related financial disclosure regime for asset managers, life insurers and FCA-regulated pension providers (including platforms), consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. These obligations are still being finalized, but will come into force from 2022.

- **6. Investment scams**

The FCA expects firms to have strong control and oversight arrangements to try and prevent fraud and scams, make efforts to raise awareness amongst customers and make the regulators aware of any incidents. Pension scams are also on the increase. The Department for Work and Pensions is introducing new rules to protect pension savers, allowing pension scheme providers to halt transfers that display scam 'red flags'.

# Summary: Transact enjoys a strong growth profile



# T4A operational update



- T4A is a specialist software provider for financial planning and wealth management firms. This expands the Group's offering of adviser services through T4A's CURO software, an adviser back office system.
- CURO is built on Microsoft Dynamics 365 and provides a modern solution for client and practice management.
- CURO is an adviser technology eco-system that unifies a firm's entire business, including CRM, advice and servicing, and back-office.
- CURO interfaces with the Microsoft suite of applications.
- We will help scale T4A, accelerating software development and allowing it to expand its reach.
- The acquisition will enable Transact to enhance Platform and adviser back office processes and create systems interfaces where appropriate.

# Group ESG development



- During the year, Willis Towers Watson (WTW) performed a review to gather insight and provide us with recommendations and benchmarking feedback regarding our climate and Environmental, Social and Governance (ESG) reporting, as well as Taskforce on Climate Related Financial Disclosures (TCFD) gap analysis and readiness assessment.
- WTW findings are being considered and will be used to inform our forward planning actions, to ensure we can comply with the TCFD reporting framework recommendations by the next financial year end.
- We will undertake further work with WTW from January 2022 to finalise our environmental strategy.
- Victoria Cochrane, in addition to her role as SID, has become the Non-executive director with responsibility for environmental and social sustainability.
- Rita Dhut has been appointed the Non-executive director responsible for employee engagement.

# IHP Strategy

Deliver high quality financial services infrastructure and services to UK advisers and our mutual clients



## **Drive organic growth:**

- Grow Transact FUD by attracting and retaining advisers and their clients.
- Deliver a superior service and value for money.
- Grow number of CURO users at T4A.

## **Consider acquisition opportunities**

- Small innovative developments opportunities if there is an especially strong fit with the adviser market.
- Scale opportunities which can easily be absorbed in to the Transact operating model.

## **Reinvest in the business:**

- Continue to enhance our existing proposition by adding new financial planning components for advisers.

## **Grow earnings:**

- Maintain level of growth and potentially increase it in the coming year recognising the economic outlook is challenging.

## **Maintain cash generation:**

- We will continue to manage expenses and it is expected the Group's strong liquidity profile will be maintained.



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Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

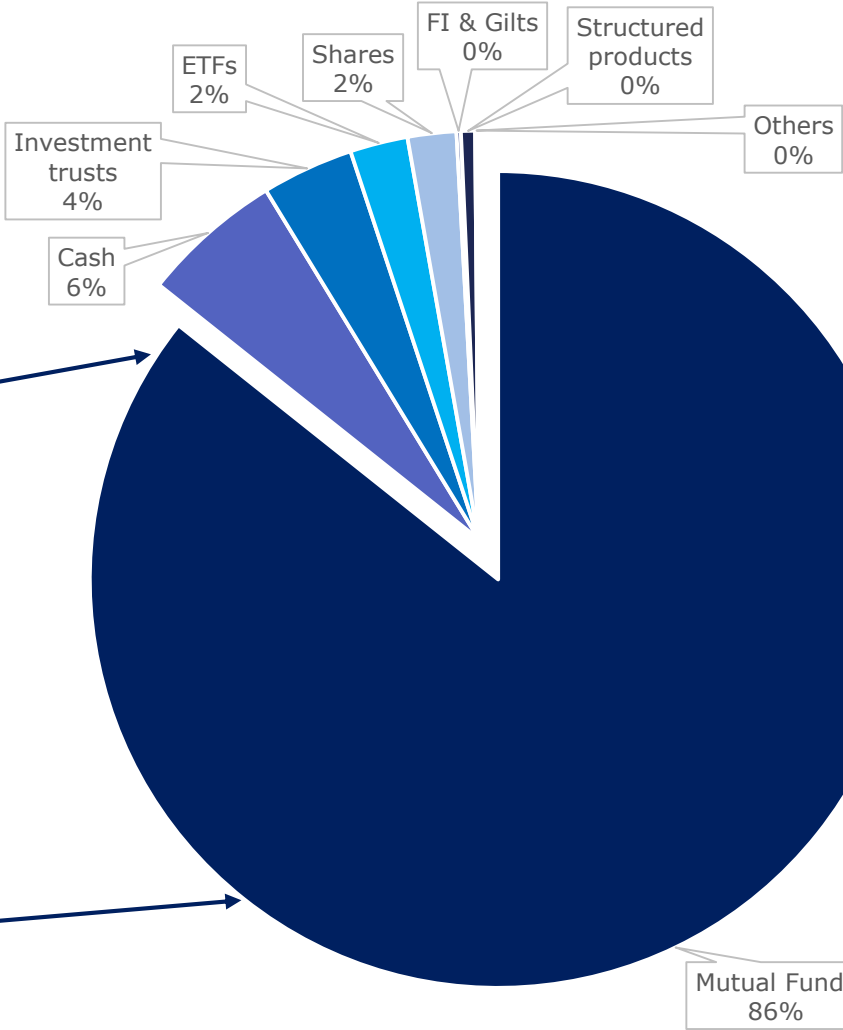
IntegraFin Holdings plc, 29 Clement's Lane, London, EC4N 7AE Tel: (020) 7608 4900 Fax: (020) 7608 5300  
(Registered office: as above; Registered in England and Wales under number: 8860879)  
The holding company of the Integrated Financial Arrangements Ltd group of companies.

# Appendix 1 - Pre-Look through position

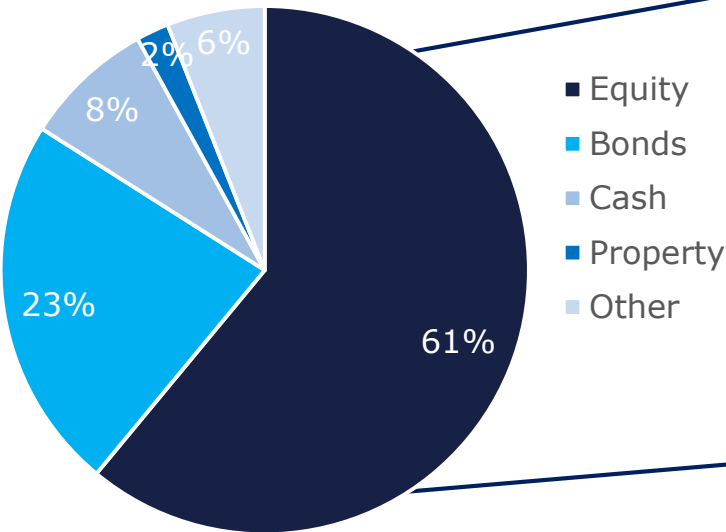


Type	Value (£bn)	Percentage of total FUD
Mutual funds	44.66	85.69.%
Cash (pooled)	2.91	5.59%
Investment trusts	1.90	3.64%
ETFs	1.19	2.29%
Shares	1.00	1.93%
Structured products	0.30	0.56%
FI & Gilts	0.08	0.17%
Others	0.07	0.14%
Total	52.11	

Direct investment breakdown



Look through by asset class

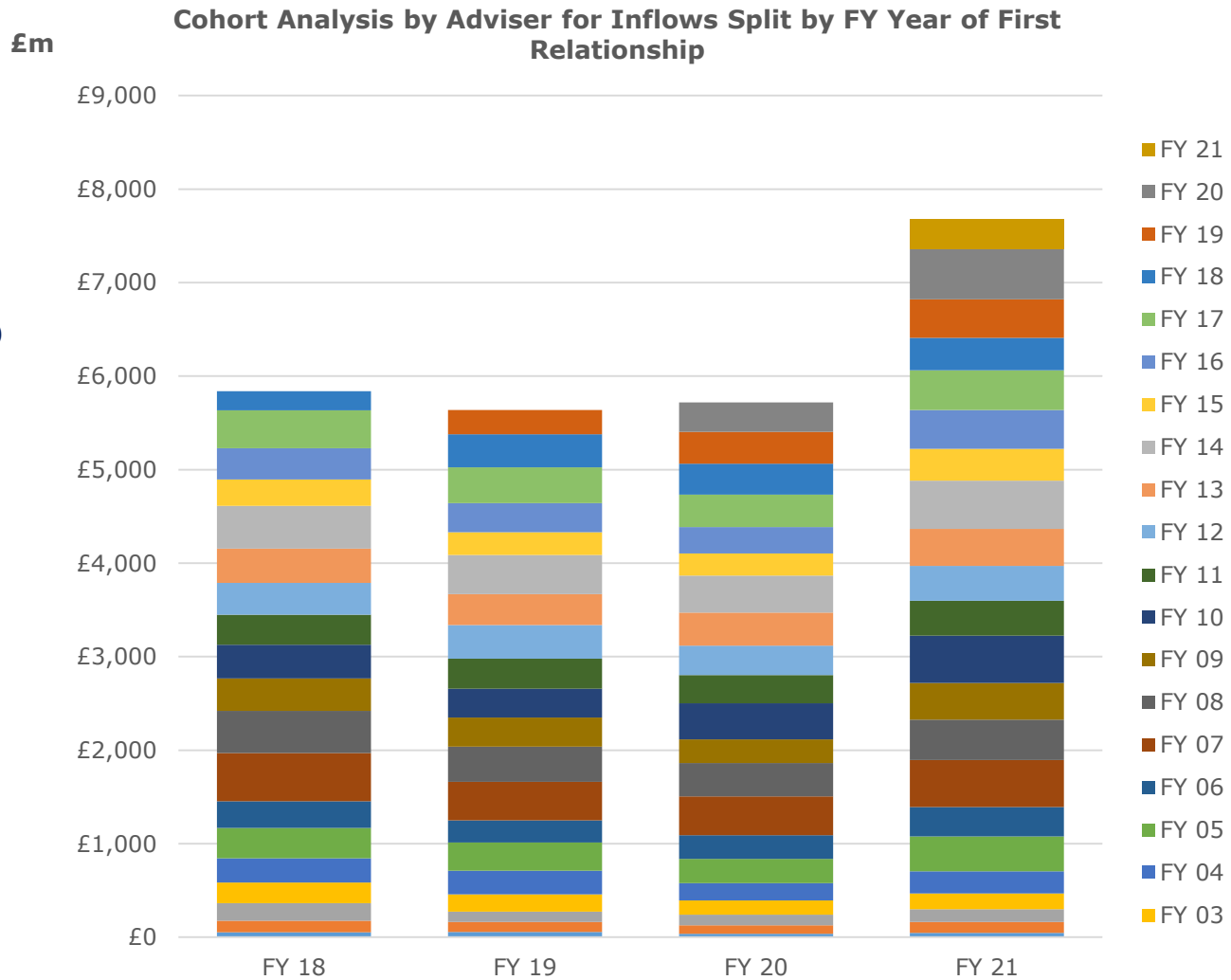


# Appendix 2 - Cohort analysis



## Inflows breakdown

- Inflows from current investors putting more onto the Platform: 35%
- Inflows from advisers with established relationship putting new investors onto the Platform: 60%
- Inflows from new advisers onto the Platform: 5%



# Appendix 3 - Growth in Funds Under Direction (£bn) compared to the MSCI World Index (2000-2010)

