ISSUED 17 December 2024

DFM SECTOR

Brooks Macdonald

FINANCIAL STRENGTH ASSESSMENT

Analysis by AKG Financial Analytics Ltd

Accessible • Comparative • Independent

AKG

ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

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

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

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

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Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG B
FINANCIAL STRENGTH RATED
DFM SECTOR STRONG
BROOKS MACDONALD ASSET MANAGEMENT LIMITED

Supporting Ratings

	Service	Image & Strategy	Business Performance
Brooks Macdonald Asset Management Limited	★★★★	★★★★	★★★★

SUMMARY

- Brooks Macdonald Asset Management Ltd (BMAM) represents the UK Investment Management segment (UKIM, covering discretionary BPS and MPS, and Funds business) of AIM-listed Brooks Macdonald Group plc (BMG)
- Funds under Management (FuM) in BMAM stood at £15.8bn as at year end 30 June 2024, representing 87% of the group's £18.0m in FuM, with good growth again in the Platform MPS proposition
- BMG and BMAM revenue continued to increase in the 2024 financial year aided by positive investment market performance
- The business implemented a reduction in staff headcount in December 2023, removing around £4m of annual costs from its operations
- BMG is now fully migrated onto the SS&C Technologies, Inc. (SS&C) platform and this is showing improvements to group efficiency and enhanced client experience and service
- Capital position remains strong at both a group and company level
- BMG has attempted to simplify its business, focused on multi-asset investment management and financial planning in the UK, supported by ongoing adviser business acquisitions
- There have been a number of group board and senior management changes over the past two financial periods, including a new chair appointed in 2023, a new CEO (promoted from CFO to replace the retiring incumbent) in October 2024, and a new CFO replacement in November 2024
- Following a strategic review the group's International business (BMI) has now been sold, with completion expected by March 2025
- The previous geographic distribution model continues to be re-defined to provide a clearer focus on adviser-led business vs. private clients/Wealth

COMMENTARY

Financial Strength Ratings

Brooks Macdonald Asset Management Limited

The BMG group has continued to develop through acquisition and organic growth over the last two years, and has completed a successful migration of its core investment management processes to technology partner SS&C. BMAM remains the dominant company in the group, reflecting the UKIM segment of the group. There was an overall net outflow of organic new business in the group over the year, offset by a positive market performance. The business mix continued to feel the influence of Consumer Duty which sees new growth drawn to MPS due the greater transparency, diversification and consumer protection offered in MPS versus other sophisticated propositions; MPS was the only element of UKIM that showed net inflows in 2024. BMG remains positive about its range of propositions and its investment, sales and distribution processes.

Capital adequacy remained good, up slightly within both BMG and BMAM. Notwithstanding higher capital requirements, BMG's regulatory coverage ratio increased to 349% [2023: 328%] and BMAM to 209% [207%]. BMG's surplus capital resources increased to £54.0m [2023: £44.9m].

The market in which BMAM operates remains extremely competitive. However, the company and group are well capitalised and seem well placed with very strong recognition in their sector, plus an ability and depth of resources to manage regulatory change and grow the business organically, while seeking selective high quality acquisitions. The investment process technology outsource to SS&C is expected to continue to drive cost savings as the business scales up, and this supports underlying improvements in performance and profit growth going forward.

Shareholders in BMG are largely institutional and these have been largely stable over past periods. Gresham House Asset Management has continued to increase its own shareholding, having increased to over 5% in 2023 it subsequently took this to over 12% as at June 2024 and has increased further to 14%+ since. BMG has continued to make no comment on this.

Service Rating

The Brooks Macdonald service proposition appears to be well received by professional advisers and is recognised in industry awards and benchmarks. BMAM states that its strength of relationships with clients and their advisers is reflected in its ability to deliver positive net flows in a more difficult external environment.

Brooks Macdonald continues to work closely with professional adviser businesses, including through its client portal InvestBM available online and on mobile, with more online delivery / paperless procedures bringing quality improvements in client service delivery (both to intermediaries and direct to clients). Full migration onto SS&C was completed in July 2022, with benefits such as digital onboarding bringing significant time savings for intermediaries and cost savings for Brooks Macdonald.

The specialist offerings, such as Decumulation Service and Responsible Investment Service, have continued to see good growth, and underlines Brooks Macdonald focus on meeting client needs.

InvestBM replaced a number of separate systems and as well as expecting to provide a better portal to users, it also provides better MI to the business. BMAM's Adviser Academy continues to be an important element of its proposition.

The business has been focused on its own approach to the treatment of vulnerable customers, where it hopes to promote best practice and has also taken the topic out to the market as part of its established roadshows.

In 2023 the business reduced its employee numbers by about 10%, with over 50 staff leaving the business, and staff numbers have continued to reduce in 2024. The business considers that with the switch of more new business into MPS (rather than BPS) and the outsource to SS&C, service will not be impacted by this.

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Image & Strategy Rating

BMG remains committed to the intermediary channel and has a strong brand presence and reach with professional advisers. It has continued to develop the business in line with its long held strategic plan, when it first brought all its core UK and offshore business together under the Brooks Macdonald brand in 2016-2017. The business has enhanced its client portal and continues to develop its online presence for advised as well as direct customers. It has also invested in its core platform and centralisation of services, and moved to a single new office location for all London business, including operations and IT functions, and has outsourced its technology (investment management processes) to SS&C to support its continued digital transformation journey. The Financial Planning business now uses Intelliflo providing increased capabilities, and the customer relationship system has been consolidated into Salesforce.

The business has expanded through acquisitions of Cornelian Asset Managers Group Ltd (Cornelian) and Lloyds Banking Group's Channel Islands wealth management and funds business, followed in 2022 by Integrity Wealth (Holdings) Ltd (Integrity) and Adroit Financial Planning Ltd (Adroit). These selected acquisitions provide increased scale and reach, and the group has continued to expand through its more recent acquisitions of Lucas Fettes Financial Planning, LIFT-Financial Group Ltd (LIFT) and CST Wealth Management (CST) in 2024.

BMG is now in its final phase of the earlier strategic plan, which aims to generate improving returns from a sustainable and scalable business model. To enable this a core element of the strategy is to transform the adviser experience and client services levels to be 'best in class'. There will be investment in the digital experience for both adviser and clients, including automated onboarding, increased portal functionality and bespoke reporting.

The business is also now giving greater co-ordinated emphasis to its overall brand and marketing strategy and continues to develop more distinctly into addressing adviser solutions and the wealth business spaces directly, with cross-functional support.

The sector continues to be influenced heavily by regulation, and BMG has recognised the importance of investing time and resource in preparing the business for changes in regulatory requirements and has managed the introduction of MiFID II, PROD, SMCR, Sustainable Finance and most recently Consumer Duty. The business gains comfort from engaging in quarterly dialogue with regulatory bodies, enabling communication of their progress against regulatory changes and timely feedback on alignment.

Strategic development of the business's ESG capability, and operational developments to enable it, are ongoing and receiving prioritised resources and focus.

The group engaged with third party consultants to undertake a strategic review of BMI in 2024 as a result of its performance falling behind plan, which resulted in a sale of the International business to Cannacord Genuity Wealth Management for £50.85m, expected to complete in March 2025.

Also in line with its simplification plans, BMG moved the management and distribution of its Defensive Capital Fund to specialist platform RM Capital Markets Ltd in 2024.

There has been significant management change (executive and senior management) which will have been noted in the industry, and some shareholder challenges about the business strategy and performance continue.

Business Performance Rating

Brooks Macdonald has made reasonable progress across most parts of the business through the 2024 financial year, and business performance has been satisfactory against the internal change and external environment.

Group FuM increased by 7.0% to £18.0bn as at 30 June 2024, with £1.8bn of positive investment performance partially offset by £0.6bn of organic net outflows over the year. UKIM (which represents 87% of the Group FuM) reported £0.5bn of the organic outflows, with an outflow of £0.1bn in the International segment. Net business flows to MPS (specifically Platform MPS including BMIS, Brooks Macdonald Investment Solutions) were the only positive at £0.4bn of positive inflows in 2024, and MPS total FuM increased from £4.5bn to £5.3bn with the combination of this and positive investment performance of £0.5bn.

BMAM's revenue increased by 5% to £112.4m in 2024 [2023: £107.5m]. The main revenue stream, investment management fees, increased by 3% to £67.8m [2023: £65.6m], and represented 60% of BMAM income in 2024 [2023:

61% of income]. Transactional income also saw a significant increase, up by 17% to £12.4m and representing 11% [10%] of total BMAM income. Interest margin income remained a positive contributor, up by 5% to £11.4m [2023: £10.8m] and representing 10% of income.

Administrative expenses increased by 7% to £84.1m [2023: £78.3m] and profit after tax (PAT) for 2024 was down slightly from £24.4m to £24.0m in 2024. The company paid dividends of £24.5m [2023: £22.0m] leaving retained profit of £0.5m for the year [2023: £2.4m]. After other adjustments, BMAM's net assets / shareholders' equity decreased from £57.3m to £55.7m in 2024, including cash and cash equivalents reducing to £20.3m [2023: 22.1m]

BMG reported increased revenue of £128.3m [2023: £123.8m] across its two key operating divisions in the year, UKIM and International. As a result of the strategic review underway, BMG saw a goodwill impairment charge of £11.6m recognised against the International business, which was a significant element of an overall reduced group result in the year. The organisational review led to some streamlining and the removal of duplication from core processes, resulting in staff reductions incurring overall redundancy costs of £2.6m in the year. Capital expenditure of £1.8m was noted [2023: £3.7m] which included technology-related development spend of £1.7m [2023: £3.0m] of which around half related to the ongoing developments with SS&C partnership. Underlying costs, the business noted, were only marginally higher than 2023, at £94.2m [£93.5m].

Group PBT reduced to £11.6m [2023: £22.2m], with profit after tax of £6.5m [2023: £18.1m]. At group level, shareholders' funds decreased from £157.3m to £152.3m in the year to 30 June 2024, with intangible assets still a significant part of these but reduced to £83.2m [2023: £100.6m] following the goodwill impairment on the international business. Dividends of £12.1m were paid [2023: £11.4m]. The group had no borrowings at 30 June 2024 [2023: £nil].

Group & Parental Context

BACKGROUND

Brooks Macdonald was originally established in 1991 as Brooks Macdonald Gayer & Co. Ltd (renamed as Brooks Macdonald Financial Consulting Ltd (BMFC) in 2002) by Chris Macdonald, Jonathan Gumpel, Richard Spencer and Martin Mullany. Brooks Macdonald Group Ltd was formed in 2002 and became the ultimate group holding company in 2004, acquiring BMFC. In 2005 BMG listed on AIM (BRK:LSE).

BMG has become an integrated wealth management group, consisting largely of BMAM plus a growing number of other subsidiary wealth management and financial planning companies with around 485 employees in total and group discretionary FuM of £18.0bn as at 30 June 2024 [2023: £16.8bn].

In September 2024 BMG disposed of its International business which provided discretionary fund management and wealth management advice services to clients and their introducers across Europe, South Africa and the UAE from offices in Jersey and Guernsey, and the Isle of Man. The business is being acquired by Cannacord Genuity Wealth Management for consideration of £51m, due to complete by March 2025.

As such, BMG now consists largely of its UK Investment Management business (including Funds) which provides discretionary fund management services and open-ended investment company products to clients and their introducers as well as to other discretionary managers across the UK. Financial Planning (FP), previously a separate business, was integrated into a new Private Clients arm within the existing UKIM business in 2021 financial year. FP provides providing wealth management advice services to UK clients from the London office.

As at 30 June 2024 the largest shareholders of BMG were: Liontrust Asset Management plc (18.44%); Octopus Investments (14.99%); Gresham House Asset Management (12.70%); Brooks Macdonald Asset Management (6.71%); Canaccord Genuity Wealth Management (6.20%); Invesco (4.96%); Charles Stanley Group (4.00%); Amati Global Investors (3.48%); Chelverton Asset Management (3.46%); and Brooks Macdonald Directors, Employees and related parties (Employee Benefit Trust) (3.14%). In the case of institutions listed, the shareholding is via their funds invested in BMG. BMG's Market Capitalisation was around £270m at the end of June 2024.

BMAM continues to be the largest subsidiary and key contributor to group FuM, revenue and profit. In June 2021 as part of a group reorganisation, the financial planning business that was operated from BMFC was transferred to BMAM, leaving only a small amount of Mortgage-related advice to remain in BMFC. In 2012 the group acquired JPAM Ltd (JPAM) via BMAM for £5.2m. JGHP Ltd, a subsidiary company of JPAM, had a portfolio of client relationships and offered financial advice to higher net worth clients. In September 2017, Brooks Macdonald announced the sale of subsidiary, Braemar Estates (Residential) Ltd (a specialist property management company) to Rendall & Rittner Ltd for £1.9m.

In the Channel Islands, BMG acquired Spearpoint Ltd and Spearpoint Retirement Services Ltd for £23.1m in November 2012 (£21m raised through institutional investors to facilitate this), and DPZ Capital Ltd, an established wealth management business based in Jersey, in July 2014. These businesses formed part of Brooks Macdonald Asset Management (International) Ltd (BMAMI) a provider of discretionary investment management and stock broking, and Brooks Macdonald Retirement Services (International) Ltd (BMRS), a retirement planning services provider.

In 2016 the group launched a new corporate identity, bringing all its core UK and offshore businesses together behind a single brand of 'Brooks Macdonald'. The group published revised literature and launched an improved website and client portal. There was no change to the corporate structure of the group.

BMG announced in November 2019 the acquisition of Cornelian Asset Managers Group Ltd (Cornelian), an Edinburgh based wealth and asset manager, and this completed on 28 February 2020. Initial consideration was £31m, of which £22m was paid in cash, £9m in BMG shares and £5.8m cash paid for final net assets acquired. There was an additional deferred consideration of £8m based on contingencies, with the final instalment paid in the year to 30 June 2022. BMG raised £30m via a new ordinary share placing to support the acquisition and costs amounting to £2m incurred.

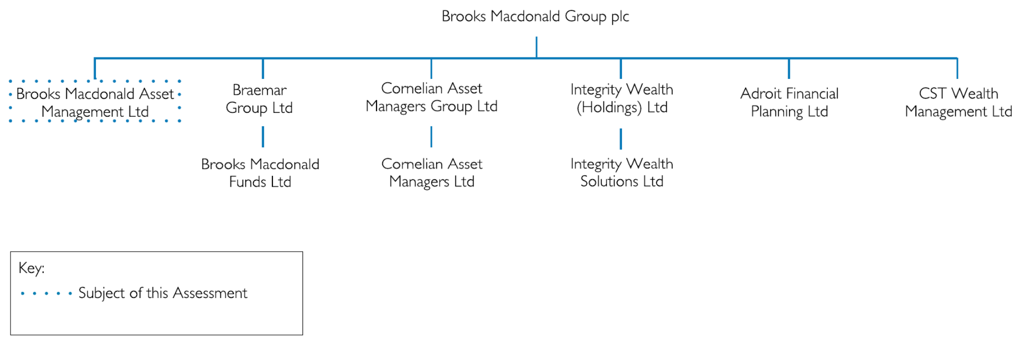
In May 2022, the group announced the acquisition of Integrity Wealth (Holdings) Ltd, which completed at the end of October 2022, adding £250m of FuM and 800 clients. In September 2022, the group announced the acquisition of Adroit Financial Planning Ltd, which completed in December 2022, adding £350m of AuA and 650 clients.

BMG made three further acquisitions in quick succession in 2024, of Lucas Fettes Financial Planning (£1.2bn assets under advice and influence, 1,600 clients), LIFT-Financial Group Ltd (AuA £1.6bn - including £0.6bn FuM - 1,400 clients), and CST Wealth Management Ltd (AuM £170m, 500 clients).

In early 2023 the group CFO and COO both left the business, and the CRO followed shortly afterwards. The CFO was replaced by Andrea Montague and the COO was ultimately replaced by the CTO moving into the role. A new CRO was appointed in September 2023, having previously been CRO at FNZ UK and prior to this, CRO for AJ Bell. The Head of London office left the business at the end of 2023, and the CIO resigned in January 2024, to leave once handover completed during 2024. Both had been with Brooks Macdonald for over 15 years. A new chair was also appointed in 2023.

The long term (20+ years) CEO Andrew Shepherd retired in June 2024, and was replaced by the CFO, Andrea Montague, wef 1 October 2024. The Global Head of Distribution and Marketing role was no longer required given the strategic review being undertaken on International business, but a new Head of Adviser Solutions role was established in 2024, leading BMG's outsourced investment management offering for intermediaries.

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Brooks Macdonald Asset Management Limited

BASIC INFORMATION

Ownership & Control
Brooks Macdonald Group plc

Year Established
1997

Country of Registration
UK

Head Office
21 Lombard Street, London EC3V 9AH

Contact
www.brooksmacdonald.com

Key Personnel

Role	Name
Chair	M Slendebroek
Group Chief Executive Officer	A G M Montague
Group Chief Financial Officer	K Jones
Chief Operating Officer (interim)	G Nielson
General Counsel and Chief People Officer	S P Broomfield
Chief Commercial Officer	R T Eggar
Chief Risk Officer	L Petherick
Strategy and Corporate Development Director	A Mackay
Head of Adviser Solutions	G Mullins
Group Communications and Marketing Director	C Steele
Co-Chief Investment Officer	M Toolan
Co-Chief Investment Officer	R Larner

Company Background
BMAM is a specialist investment manager, providing discretionary management services for private clients, trusts, charities and pensions funds. It also acts as fund manager to a regulated OEIC providing a range of risk-managed multi-asset funds and a specialised absolute return fund. The business has 15 offices, in London, Birmingham, Cheltenham, East Anglia, Exeter, Leeds, Manchester, Nuneaton, Southampton, Tunbridge Wells, Scotland, Wales, Jersey and Guernsey, and the Isle of Man. BMAM was incorporated as Brooks Macdonald Gayer Asset Management Ltd in 1997, changing to its current name in 2002.

BMAM is authorised and regulated by the FCA as an IFPRU 125k Limited Licence Firm and is subject to the Investment Firm Prudential Regime (IFPR). Due to this, BMG is considered a regulated group under IFPR (by both the FCA and the Jersey and Guernsey Financial Services Commissions) and has to assess its regulatory capital and liquidity on an ongoing basis through the ICARA (Internal Capital Adequacy and Risk Assessment) process and the ANLA (Adjusted Net Liquid

Asset) assessment. These include performing a range of stress tests and scenario analyses to determine the appropriate level of regulatory capital and liquidity that the group needs to hold.

OPERATIONS

Governance System and Structure

BMG states its governance structure is designed to ensure there are appropriate challenges to business objectives and risk management. The BMG board is ultimately accountable for setting the group's strategic objectives and risk appetite and for assessing the adequacy of its capital resources to meet the risks to which the group is exposed. Oversight and management of the effectiveness of the risk, compliance and internal control systems has been delegated to the group Risk and Compliance Committee (RCC), which is therefore responsible for reviewing and approving the group Risk Management Framework (RMF) - this designed to identify, quantify and manage those risks which are inherent in the group's business activities. The membership of the committee consists of five NEDs and representatives from the legal, risks and compliance functions as required to report on monitoring output, the results of the risk and control self-assessments and changes to both group and entity level risk registers. Information to assess this is obtained from other committees on a monthly basis. During the year ended 30 June 2024, the RCC met on 4 occasions [2023: 5 occasions].

The RCC and board have delegated responsibility for day to day management of the RMF to the CEO; consequently the CEO has established the Executive Risk Management Committee (ERMC), chaired by the CRO, to provide support in assessing the adequacy and effectiveness of the risk management, compliance and internal control frameworks in place.

As such, the ERMC has been tasked with oversight of the design of the RMF, for monitoring and reporting of the risks identified across the group; for ensuring appropriate mitigating actions are in place, and escalating risk matters to the RCC where appropriate. The ERMC also has responsibility for monitoring compliance with the group's Risk Appetite Statement.

The ERMC is supported by the Investment Committee, chaired by the CIO. Underlying these are business and functional risk management committees, chaired by the relevant executive heads, which are responsible for ensuring the risks and issues related to each area are identified, measured, monitored, managed and reported, in the context of the overarching Group risk policy and the RMF. There is a routine escalation of key issues and risks (together with mitigating actions) from these committees to the ERMC and RCC.

At a group level, there has been a large operational focus in past years on preparing the business, underlying systems and processes for the introduction of GDPR, SMCR, MiFID II, PROD and the requirements of the Sustainable Finance Disclosure Regulation (SFDR), which imposed ESG transparency obligations and periodic reporting requirements on investment management firms at both a product and manager level. Ongoing workstreams were put in place to prepare the business for the introduction of these regulatory requirements with additional staff being appointed with experience in other relevant sectors. The business has worked to establish a culture that looks to consider wider developments in preparing it for changing risk and regulatory requirements. The focus in 2022 and 2023 was on organising the group for the introduction of Consumer Duty, ensuring the business was able to meet outcome rules by the end of April 2023.

For 2024 the focus was overseeing the transition to a new CEO and appointment of a new CFO. BMG introduced changes designed to improve the governance of its key operating businesses so that key strategic decisions are subsequently made on a group basis. Day to day management of the underlying businesses is now undertaken by a single management committee, which reports to the group executive committee. The aim is to improve investment governance by ensuring that risk and investment management controls are applied uniformly across BMG's products and services.

Risk Management

A range of risks at group and business line levels are identified within the RMF, and these are managed in a consistent and uniform way, subject to oversight by relevant committees and boards. The risk management system implemented across the group empowers all staff to manage risks as first-line risk managers.

Key group risks relate to liquidity, market and credit risk; the associated measures and policies for the management of these risks are set out in BMG's annual report and accounts, together with further detail on business level risks, and emerging risks identified such as Change management risk and Operational resilience.

BMAM utilises the BITA ('better intelligence through analysis') monitoring tool within its investment management business. BITA "enables private banks and wealth managers to systematically 'test against mandate' client portfolio risk". BMAM describes its own risk management system, in conjunction with the BITA monitor tool, as a system which assesses and monitors risk management at an individual level; portfolio compliance at both the individual and group level; and compliance monitoring of managers and investment teams.

BMG uses the ICARA process to ensure it complies with the overall financial adequacy rule, with a focus on identifying and managing risks that may result in material harms. The impact and probability of each material risk can be measured and quantified in terms of capital risk, as part of the ICARA process. The group conducts business model analysis, stress testing, recovery, and wind-down planning, based on its business model and strategy over the medium term and longer (financial forecasts for up to 5 years).

Each of the elements within the Brooks Macdonald proposition are underpinned by the same Centralised Investment Process (CIP), which Brooks Macdonald adopts to ensure that the risk and governance processes and structure are supportive of delivering and monitoring the central framework. Investment Managers need to adhere to the CIP, but they are permitted some individuality/flexibility in relation to asset allocation frameworks employed for customer investment portfolios, with tolerance limits put in place around the core asset allocation portfolios.

Overall, in keeping with other management and structural changes, an emphasis on clearer responsibility and accountability is being pursued by the business. Development activity is being conducted in phases, with an initial phase of transformational elements, now followed by a phase positioning 'Risk as a Business Priority' across all aspects of the organisation. Rolling out this consistent and embedded approach across the business has included, where possible, the use of 'Risk roadshows', where risk specialists are able to spend time within each of the regional offices and look to deepen relationships across the wider business.

Administration

Brooks Macdonald has invested in service infrastructure and administration enhancements over recent years, targeting the automation of tasks and processes where possible to reduce inefficiencies and create servicing cost savings. A centralised Client Operations team was established in 2019 as part of a wider drive to use technology better to improve the quality of administration and client service.

Client portal InvestBM was launched in 2019/2020 (as MyBM), replacing three separate systems, leading to improved MI collection for the business as well as better service for clients, providing access to key information.

With the large intermediary distribution approach at Brooks Macdonald, the interaction with, and servicing of, financial adviser relationships forms a key element. Professional advisers and end customers are provided with 24/7 online investment portfolio valuations, statements, holdings etc.

Brooks Macdonald considers integration with back office systems as a key enabler for efficient partnerships with advisers and has implemented or is progressing data feeds to Iress, Intelliflo, time4advice, Enable, Sammedia, Plum Software, Xplan (powered by Iress), Avelo (Adviser Office) and Intelligent Office.

Since October 2020, Brooks Macdonald has had a strategic partnership with SS&C. A number of Brooks Macdonald's operations employees transferred to SS&C's operations team, while remaining integral to the Brooks Macdonald group. Brooks Macdonald completed the transition of all client and intermediary facing processes on to the SS&C platform in July 2022. This was later than previously expected, with additional costs incurred from a dual running charge over the period.

A very close relationship with SS&C is maintained at COO level, given this is a material outsourced relationship and the complex nature of the infrastructure and support provided, with a strategic roadmap extending over several years in respect of contractual obligations and expectations. All the investment management processes have been migrated to the SS&C platform as Brooks Macdonald has continued its digital transformation for products and services. In addition, financial planning activities have been migrated to Intelliflo, and more recently the business has implemented Salesforce for client relationship management.

Brooks Macdonald has investment teams and a multi asset team based in its merged London HQ office in Lombard Street, and then ten investment teams based regionally (Bury St Edmunds, Cheltenham, Exeter, Southampton, Birmingham, Leeds, Manchester, Tunbridge Wells, Cardiff and Edinburgh).The Investment Services department of BMAM comprises business units for Operational Finance, ISMO, Dealing Desk, Settlements & Custody, Client Money, Fees, Static Data & ISA/CSD and Corporate Actions & Dividends.

Benchmarks
In 2024, Brooks Macdonald retained a five-star rating by Defaqto for its BPS, MPS and MPS on platform. Defaqto first awarded BMG a Gold Standard for DFM service in 2019, and it attained this benchmark again in 2023 and 2024.

Brooks Macdonald achieved three stars in the DFM category of the 2023 and 2024 Financial Adviser Service Awards.

Individuals with BMG have been recognised in a number of awards initiatives for their sector influence and leadership, including 2023 awards from PAM and Spears organisations. Additionally in 2023 Female Folio recognised Brooks Macdonald as delivering the 'Podcast / Audio Campaign of the Year' at the UK Content Awards 2023 for its 'The She-Wolf Investor Podcast'.

Internally the business has continued to make increased use of staff surveys, measurement and 'speaking up' as part of efforts to maintain and drive positive culture.

BMG also maintains a Cyber Essentials Plus certification.

Outsourcing
Brooks Macdonald states that due diligence takes place prior to the commencement of any outsourcing or supply, in order to maintain robust procurement processes and good contract governance. Subsequently, key outsourcing partners are kept under review and procedures are in place to regularly assess the performance of such suppliers as well as renegotiating contracts.

Investcloud has been selected by the business as a key partner in delivering its increased digital administration capability.

In October 2020, Brooks Macdonald announced a strategic partnership with SS&C and saw some 60 roles transfer as part of what is considered, and early experience is reported to be, a particularly key close working relationship. Following the initial migration phase, a roadmap is in place for further propositional development enhancements. The relationship and its performance against objectives are monitored through appropriate governance and oversight.

STRATEGY

Market Positioning
The BMG executive team states that the group's purpose is to protect and enhance its clients' wealth through the provision of investment management and advice alongside exceptional service. Its strategy continues to be based on the three pillars of foundation, focus and growth, as initially laid out in 2017:

- Building on a foundation of success, with a client-centric culture and strong relationships with clients and advisers driving growth in FuM
- Focusing to deliver value to its shareholders, clients and advisers, and staff, working from a sustainable platform to ensure that it delivers improved margins in the medium term; and
- Driving for growth, deepening its relationships with existing clients and advisers and bringing its investment management and financial planning expertise to new clients

Brooks Macdonald states a fundamental belief that partnerships between professional advisers and discretionary fund managers (DFMs) provide the best possible outcome for clients. Success to date has been built on commitment to the adviser community and strength of relationships, consistent investment performance and client-centric culture.

Brooks Macdonald has been at the forefront of the DFM push into the retail financial advice market for several years and its primary distribution channel continues to be the supply of outsourced investment solutions to professional advisers. Each year, 90% of Brooks Macdonald's new business is introduced by professional advisers.

Brooks Macdonald has a strong regional presence, now operating out of 11 locations in the UK. The International business, with offices in Jersey, Guernsey and the Isle of Man, has been disposed of, expected to complete in March 2025.

The teams in London were merged into one office, and a Scottish hub developed following the acquisition of Cornelian in 2020. Brooks Macdonald continues to see new business opportunities across the regional network in the UK and believes that having the right regional structure is key to ongoing growth and development. That said, the business is also now giving greater co-ordinated emphasis to its overall brand and marketing strategy, alongside sales. And in this respect the business continues to develop more distinctly into addressing adviser solutions and the wealth business spaces directly, with cross-functional support. Reach has also been complemented by online development work, which saw the Brooks Macdonald website refreshed in 2023. Amongst its DFM peers, the size and reach of the Brooks Macdonald intermediary business development team compares well.

As part of its commitment to working with professional advisers, BMG has run its Adviser Academy annually since 2012, providing free half-day CPD accredited seminars across several regions, aimed at supporting the general development of professional adviser businesses. An online version, named Connected, was launched in June 2020 in response to physical meeting restrictions from the pandemic and has been well attended by external advisers.

Brooks Macdonald remains on RSMR's DFM panel. The impartial approach of the panel, which was launched in June 2020, provides each DFM with the ability to contribute additional content and ideas for advisers, supplementing the existing quantitative ratings service.

From a brand awareness perspective, Brooks Macdonald has sponsorship arrangements in place with national and regional partners. Its headline sponsorship deal is with Middlesex County Cricket Club although BMG has many smaller regional sponsorships in addition.

Proposition
BMAM now operates under one brand with a range of three prominent solutions for the intermediary market: BPS, MPS and Multi-Asset Funds.

BPS has been the flagship solution for what it considers the mid to top end of the market (minimum investment of £250k). On and offshore, Brooks Macdonald managed £8.9bn via BPS as at 30 June 2024, equating to 49% of the group's total FuM. Customers accessing the BPS get a dedicated investment manager who works in tandem with the professional adviser to manage the customer's investment objectives. The BPS offers an individually tailored investment portfolio which is constructed for the customer stated to provide access to all asset classes via all investment media. Investment managers for BPS follow the core asset allocation and asset selection recommendations of the group-wide CIP.

Within BPS, in addition to the core BPS, there are three specialised services aimed at clients with distinct sets of needs:

- Responsible Investment Service, designed for clients with dual objectives of responsible investment and return generation in line with defined risk profiles, and delivered through two strategies: Avoid and Advance
- Decumulation service, a bespoke approach that aims to shield the portfolio from downturns in the early years of withdrawals
- Court of Protection service, aimed at clients in that particular sub-segment and vulnerable clients more broadly

MPS, with a minimum investment of £20k, available only via professional advisers, is a more commoditised investment service, available for investment on a stand-alone basis with Brooks Macdonald or via third party platforms. MPS can be accessed as a portfolio or via a unit managed around a series of risk-based mandates. Brooks Macdonald's MPS assets were £5.3bn as at 30 June 2024, equating to 30% of the group's total FuM.

As expected, MPS has quickly shown its potential as a strong area of growth for the business. MPS offers customers access to ten risk-rated (by BMAM) portfolios. Eight of these are actively managed, diversified portfolios and the remaining two are passively managed (tracker) portfolios. Investors can consolidate their assets into one diversified managed portfolio to simplify administration. MPS portfolios are constructed with access to structured products, investment trusts, ETFs, unit trusts and OEICs. The portfolios are managed to remain within five risk levels, and the MPS is risk-rated by Defaqto, Dynamic Planner, EV, FinaMetrica, Oxford Risk and Synaptic to help advisers translate BMAM's risk levels to their own chosen risk profiler. MPS is available via selected third-party investment platforms (Platform MPS), which allows platform clients to access the services of Brooks Macdonald whilst the platform retains control and oversight of the client's assets.

Platform MPS has grown significantly again over the past year, with net flows of 13.4% and including the group's B2B offering for financial advisers, BMIS, grew to FuM of £4.4bn, an increase of 25.2% on 2023. BMAM makes its MPS available on a number of platforms as follows: Scottish Widows Platform (formerly Embark), Aegon Platform, AJ Bell Investcentre, Aviva, Fusion Wealth, Hubwise, Nucleus Platform, James Hay, M&G Wealth Platform, Wealthtime, Platform One, Morningstar Wealth Platform, Quilter, Seven Investment Management, abrdn Wrap/Elevate, Succession Group, Fidelity and Transact. Platform MPS is more limited than MPS in terms of its proposition i.e. the Platform MPS does not have access to ETFs and investment trusts, nor does it benefit from web access to valuation reports or valuation feeds; but it provides for certain users to access day-to-day active asset management who might otherwise not be able to.

Multi-Asset Funds are accessible with a minimum investment of £1k. Four funds are available - Defensive Income, Cautious Growth, Balanced and Strategic Growth.

The AIM Portfolio Service is available to those with at least £100k to invest and is only accessible via professional advisers. It provides clients with access to a carefully selected portfolio of AIM-listed companies, with preference given to companies that are judged to have attractive long-term investment potential.

The Fund Portfolio Service is used where the adviser decides it is suitable to invest the client's portfolio in one of the multi-asset funds, typically where the needs and risk profiling are not complex and/or the portfolio is small.

BM Investment Solutions are investment solutions meeting specific investment objectives delivered via an open-ended fund solution or an investment platform, in fund or model portfolio form.

Within UKIM, the Private Clients business provides financial planning and wealth management advice services to high-net-worth individuals and families, enabling clients to build, manage and protect their wealth.

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 30 June 2024

Own Funds Disclosures

	Jun 22 £m	Jun 23 £m	Jun 24 £m
Available own funds	36.9	32.3	32.9
Own funds requirement (OFR)	15.0	15.6	15.7
Excess own funds	21.9	16.7	17.2
OFR coverage ratio (%)	246	207	209

BMAM is now subject to the IFPR. BMAM's available own funds increased slightly from £32.3m to £32.9m in 2024. With the OFR (on an FOR basis) increasing slightly to £15.7m, the OFR coverage ratio increased to 209% [2023: 207%].

At a group level, BMG reported increased own funds of £75.7m [2023: £64.6m] and an increased OFR of £21.7m, giving an increased surplus of £54.0m [£44.9m] and coverage of 349% as at 30 June 2024 [2023: 328%].

Statement of Financial Position

	Jun 22 £m	Jun 23 £m	Jun 24 £m
Assets	92.6	89.9	91.4
Current liabilities	(25.0)	(25.5)	(30.3)
Long-term liabilities	(9.1)	(7.1)	(5.4)
Net assets	58.4	57.3	55.7

Statement of Changes in Equity

	Jun 22 £m	Jun 23 £m	Jun 24 £m
Equity at start of period	52.0	58.4	57.3
Movement due to:			
Share capital and premium	0.0	0.0	0.0
Retained earnings	3.6	2.4	(0.5)
Other	2.8	(3.6)	(1.1)
Equity at end of period	58.4	57.3	55.7

Total assets increased to £91.4m [2023: £89.9m], with cash and cash equivalents decreasing to £20.3m [2023: £22.1m].

Current liabilities in the table above are largely trade and other payables, which increased from £22.8m to £26.9m. Current lease liabilities were £1.9m [£1.9m]. Long-term liabilities included lease liabilities of £1.5m and net deferred tax liabilities of £3.0m [2023: £3.0m and £3.1m respectively]. The company recognised a charge of £1.3m [2023: £0.8m] in relation to the Cornelian Funds client relationship contracts amortisation, with total provisions in the year (current and non-current) increased to £1.8m [2023: £0.9m]. BMAM had no external borrowings at the end of June 2024 [2023: £nil].

BMAM's net assets / shareholder's equity decreased from £57.3m to £55.7m in 2024. This reflected the payments of a £24.5m dividend and share option recharges to BMG of £3.3m only partially offset by the profit of £24.0m and a transfer into reserves for the year's share based payments charge of £2.2m from BMG.

At a group level, shareholders' funds decreased from £157.3m to £152.3m in the year to 30 June 2024. The group balance sheet reflects very significant intangible assets (£83.2m) largely from the acquisition of businesses in recent years. This includes goodwill of £41.5m [2023: £53.2m] and acquired client relationship contracts with net book value of £33.1m [2023: £39.0m], which are amortised over 6-20 years. The group had no borrowings at 30 June 2023 [2023: £nil].

Income Statement

	Jun 22 £m	Jun 23 £m	Jun 24 £m
Revenue	100.3	107.5	112.4
Other operating income	0.0	0.0	0.0
Operating expenses	(73.2)	(78.3)	(84.1)
Operating profit (loss)	27.1	29.2	28.4
Other gains (losses)	2.8	0.4	1.5
Profit (loss) before taxation	29.9	29.5	29.8
Taxation	(4.3)	(5.1)	(5.8)
Profit (loss) after taxation	25.6	24.4	24.0
Other comprehensive income	0.0	0.0	0.0
Dividends	(22.0)	(22.0)	(24.5)
Retained profit (loss)	3.6	2.4	(0.5)

Financial Ratios

	Jun 22 %	Jun 23 %	Jun 24 %
Operating margin	27	27	25
Pre-tax profit margin	30	27	27
Employee costs as a % of revenue	41	39	40

BMAM's revenue increased by 5% to £112.4m in 2024 [2023: £107.5m]. The main revenue stream, investment management fees, increased by 3% to £67.8m [2023: £65.6m], and represented 60% of the 2024 income [2023: 61% of income]. Transactional income also saw a significant increase, up by 17% to £12.4m and representing 11% [10%] of total BMAM income. Interest margin income remained a positive contributor, up by 5% to £11.4m [2023: £10.8m] and representing 10% of income. Other income included: management recharges £8.5m (8% of total); fund management fees

(£8.3m, 7% of total) and wealth management fees (£8.3m, 3% of total). All fee income was derived in the UK, while a proportion of the management recharges are received from fellow group subsidiaries based in the Channel Islands.

Administrative expenses increased by 7% to £84.1m [2023: £78.3m]. Staff costs were up by 8% to £44.7m [£41.5m] and represented 53% of total costs [53%]. The average number of monthly employees decreased from 390 to 364, the reduction falling mainly in functional staff again (down from 176 to 149), with business staff largely unchanged at 215 [214] - reflecting the continuing underlying changes in business structure following acquisitions.

Operating profit was down by 3% to £28.4m [2023: £29.2m] with the operating margin falling slightly to 25%, having been around 27% in 2023 and 2022.

Profit after tax for 2024 was down slightly on 2023, from £24.4m to £24.0m The company paid dividends of £24.5m [2023: £22.0m] leaving a loss of £0.5m for the year [2023: profit £2.4m retained].

In the financial year to 30 June 2024, BMG reported increased revenue of £128.3m [2023: £123.8m]. BMAM, as the main subsidiary, represented 88% [87%] of group revenue and remains the key generator of profit within the group. The group reported its results in two key operating divisions, UKIM and International. During the year, BMG announced it was carrying out a strategic review of the International business as a result of its performance falling behind plan. As such, a goodwill impairment charge of £11.6m was recognised at 31 December 2023 in relation to this, and on a statutory basis, group PBT was therefore down by 48%, from £22.2m to £11.6m, due largely to this impairment charge. The organisational review led to some streamlining and the removal of duplication from core processes, resulting in staff reductions incurring overall redundancy costs of £2.6m in the year.

BMAM represents the largest component of the UKIM segment which contributed statutory PBT of £28.2m [2023: £29.7m]. International reported a loss before tax of £0.3m [2023: loss before tax of £2.9m]. After group and consolidation adjustments of negative £16.3m were deducted [2023: negative £4.6m], which included the goodwill impairment (£11.6m), amortisation of client relationship contracts (£6.0m), organisational restructure costs (£3.0m), costs related to the International strategic review (£1.5m) and acquisition and integration-related costs of £0.4m. Group PBT reduced to £11.6m [2023: £22.2m] and profit after tax £6.5m [2023: £18.1m].

Statement of Cash Flows

	Jun 22 £m	Jun 23 £m	Jun 24 £m
Net cash generated from operating activities			
Net cash used in investing activities			
Net cash used in financing activities			
Net increase (decrease) in cash and cash equivalents	2.9	(5.4)	(1.8)
Cash and cash equivalents at end of period	27.4	22.1	20.3

Assets under Management (AuM)

	Jun 22 £bn	Jun 23 £bn	Jun 24 £bn
Assets at start of period	13.0	12.7	14.7
Inflows			
Outflows			
Net market and other movement			
Assets at end of period	12.7	14.7	15.8
Growth rate (%)	(2)	9	7
Net inflows as % of opening AuM			

BMAM does not produce a cashflow statement at its own entity level, given that there is consolidation at group level. Cash held by BMAM reduced by £1.8m to £20.3m.

BMG saw a decrease in cash to £44.7m in 2024 [2023: £53.4m]. Net cash flow from operating activities was £36.7m [2023: £25.0m], due largely to positive working capital movements year on year. Net cash used in investing activities increased significantly to £29.4m [2023: £18.0m] largely due to investment in UK Government securities (investment loans and treasury stock) of £30.0m. There was also increased interest received of £3.2m [2023: £1.1m]. Within financing activities there was a net cash outflow of £16.1m [2023: £14.9m] including dividends paid of £12.1m.

In respect of FuM, BMAM saw its assets increase by 7.3% in 2024 to £15.8bn, this reflecting positive investment performance of 11.3% offset by net outflows of 3.5%. The UKIM (onshore business) segment overall was effectively represented by BMAM and constituted 87% of total group FuM £18.0bn [2023: 87% of £16.8bn].

Within UKIM discretionary, the BPS core offering saw net outflows of £0.6bn but total FuM closed up at £8.9bn [2023: £8.5bn] after positive investment performance of £0.9bn. Inflows to MPS (specifically Platform MPS including BMIS, Brooks Macdonald Investment Solutions) were positive at £0.4bn of organic net new business in 2024, and MPS FuM increased by 20%, from £4.5bn to £5.3bn including positive investment performance of £0.5bn. Despite a combined £0.2bn outflow, the UKIM discretionary FuM was up by 10% over the year to £14.2bn.

The Funds business recorded total net outflows of £0.4bn during the year, partially offset by positive investment performance of £0.2bn, with FuM decreasing from £1.7bn to £1.5bn.

The International business saw net outflows of £0.1bn but overall FuM was up from £2.2bn to £2.3bn due to positive investment performance of £0.2bn. As a result of all the foregoing, total group FuM increased by 7.0% from £16.8bn to £18.0bn.

Guide

INTRODUCTION

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

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

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

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

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

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

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

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

This is a participatory assessment.

RATING DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

ABOUT AKG

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

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

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

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