ISSUED 06 December 2024

DFM SECTOR

Seven Investment Management

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.

TABLE OF CONTENTS

CONTACT INFORMATION

AKG Financial Analytics Ltd, Anderton House, 92 South Street, Dorking, Surrey, RH4 2EW
Tel: +44 (0) 1306 876439 Email: akg@akg.co.uk Web: www.akg.co.uk

Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG B
FINANCIAL STRENGTH RATED
DFM SECTOR STRONG
SEVEN INVESTMENT MANAGEMENT LLP

Supporting Ratings

	Service	Image & Strategy	Business Performance
Seven Investment Management LLP	★★★★	★★★★	★★★★

SUMMARY

- Seven Investment Management (7IM) continues to provide a wide range of investment services to meet intermediary and client demands, with growing platform and DFM propositions
- The financial performance of Seven Investment Management LLP (7IMLLP) has been relatively stable, and its solvency and liquidity measures are considered satisfactory
- Asset growth has continued across the whole 7IM business, with AuM increasing to £21.6bn at 31 August 2024
- Positioning is now for a significant growth of assets throughout propositional areas, with the 7IM platform as the centre of strategy
- ESG (Environmental, Social and Governance) principles are now adopted as a mainstream consideration within 7IM's operation as an investment manager and the business is also demonstrating concerted focus on its own (corporate) ESG position and impacts
- In January 2024, Ontario Teachers' Pension Plan, one of Canada's biggest investors, completed the acquisition of Caledonia Investments plc's majority stake in 7IM for £255.8m
- This is expected to provide 7IM's management team with access to long-term capital and expertise to help execute its growth plans over the next decade
- Ontario Teachers' is backing 7IM's current management team and 7IM will continue to retain its existing strategy under the leadership of Chief Executive Officer Dean Proctor

COMMENTARY

Financial Strength Ratings

Seven Investment Management LLP

The Investment Firm Prudential Regime (IFPR) is the new prudential regime for MIFID investment firms which aims to streamline and simplify the prudential requirements for UK investment firms. It came into effect on 1 January 2022 and its provisions apply to 7IMLLP as a non-small non-interconnected (non-SNI) MIFIDPRU investment firm.

7IMLLP own funds were exclusively CET1 capital and totalled £17.4m [2022: £13.4m], against a capital requirement of £10.4m [2022: £10.4m], resulting in a coverage ratio of 166% [2022: 128%].

7IM Holdings Ltd (7IMH) as immediate parent invested a further £367k into 7IMLLP in 2023, bringing the total investment to £16.0m

7IMLLP's ultimate parent changed in 2024, with the Ontario Teachers' Pension Plan (OTPP) acquiring Caledonia Investments plc's (Caledonia) stake in 7IM. OTPP intends to leverage its sector expertise and flexible capital to accelerate 7IM's growth organically through a multi-year technology enhancements and through mergers and acquisition activity.

OTTP is a significantly bigger owner with Can$255.8bn of net assets at 30 June 2024 compared with Caledonia's £2.8bn at 30 June 2023. Although no additional capital has been required by 7IMLLP for capital adequacy purposes in recent years, based on strategic ambitions, future injections from its owner to grow the business are expected as necessary.

Service Rating

A combination of a simple fee structure and the development of app based reporting continues to prove positive for maintaining high service levels, with 7IM awarded numerous service-related awards in recent years - see Benchmarks section.

Service is seen by the business as a key part of enabling scale growth - the next phase of its development. This is also in keeping with the business culture of being innovative and looking to lead the market. 7IM intend to leverage technology whilst retaining a personal service. A team of around 50 experienced staff positioned over areas of platform relationship, intermediary service and business development currently provide a wide breadth of support to intermediaries, and will be supplemented with additional headcount as the business grows in scale.

There continues to be investment in systems to enhance functionality, ensuring these are scalable for a growing business. In 2022, 7IMLLP successfully migrated over existing 7IM Private Clients (excluding ex-Tcam Asset Management Group Ltd clients, acquired by acquisition in 2018) to the Xplan Client Portal, My7IM. The new portal is expected to provide these clients with an enhanced and more streamlined digital experience. A future roadmap of enhancements are planned throughout 2024 and 2025, with the proprietary software enabling the business to be quicker to respond and make changes from adviser feedback. An app called 7IMagine is available for advisers and clients, allowing interaction on a client's portfolio.

As part of driving ongoing service excellence, 7IM points to support for staff and their working environment. This has recently included upskilling of managers in more soft skills to monitor and coach / support staff and thus maintain the business through the requirement for the increasing trend of working remotely.

Image & Strategy Rating

Across the 7IM business, the development of distribution channels via acqusitions (including the acquisitions of Tcam, bringing a presence in Edinburgh / Scotland, London-based PWM, and being added to the Openwork network) and enhancements to proposition and services (such as the acquisition of Find a Wealth Manager Ltd, the launch of the retirement planning service for decumulation, and low cost Pathway Model Portfolios and Pathbuilder funds) appeared well supported by Caledonia, demonstrating a stable form of ownership with long term investment and development characteristics. This included support for a strategy of delivering a spectrum of investment solutions to match a range of intermediary requirements. The sale by Caledonia was not unexpected given the typical length of investment holdings. The acquisition by OTPP is not expected to change the approach here, instead a continuation of stable underlying leadership with more support for the next phase of strategy via the transformational acquisitions and propositional developments planned.

7IM received approval for and opened a Jersey branch in St Helier in 2018 as part of a considered expansion into the wider offshore marketplace, with its intention to offer a 'leading offshore platform, with custody arrangements in Jersey'. The branch, however, shut in 2022, while 7IM still operates as a platform in Jersey. In the UK 7IM launched its own SIPP in May 2018, offering a more integrated approach for those advisers seeking it. It is available on the 7IM platform along with other SIPPs as the open architecture approach has been maintained.

Since June 2019, the board have overseen an overarching strategic plan to ensure the future direction of the business makes the best use of its strengths and capabilities.

The appointment of a new chief executive in 2019 was undertaken to provide the business with experience and an external perspective that would serve to drive further growth and 'safeguard the long term interests of all the group's stakeholders' and there does appear to be renewed enthusiasm and appetite for growth seen within the business, along the refreshed principles and new focused strategy. Various other senior management changes have taken place since, aligned to the next phase of the business' development, such as the merger its technology and client service teams as part of strategic developments.

Recent proposition enhancements include the launch of the 'Secure Lifetime Income' in partnership with Just. This guarantees an income for life for clients holding a 7IM SIPP, and the business reports that this is now starting to achieve some traction.

In December 2023, 7IM announced the acquisition of Amicus Wealth Ltd (Amicus), a financial planning and advice business, who serve around £1bn of assets. Continuing to operate as an independent company, Amicus helps the development of 7IM as vertically integrated wealth manager.

In March 2024, 7IM announced the acquisition of Barston Holdings Ltd (Barston) the ultimate parent of Eastcote Wealth Management Ltd (Eastcote), a Birmingham based financial planning and advice firm serving around £450m of assets. Eastcote provides 7IM with a broader footprint, alongside its London and Edinburgh presence.

In November 2024, 7IM announced the acquisition of ASHL Group's Rockhold Asset Management which offers MPS, multi-manager funds a full bespoke DFM service to advisory firms operating within the Sense and Lyncombe networks, adding £2bn of assets to 7IM. In the same month, it was announced that ASHL had sold its national advice business, Lync Wealth Management (Lync), to 7IM. Lync was launched in 2023 to provide an exit strategy for advisers in its networks looking to sell their business. The acquired business will become an appointed representative of Lyncombe, which remains owned by ASHL. Both deals remain subject to regulatory approval.

The ownership of OTPP affords 7IM greater financial resources, positioning it well for the next phase of growth. OTPP plans to accelerate 7IM's expansion, demonstrated by these recent acquisitions which remain aligned to the existing tenets of 7IM's strategy.

Business Performance Rating

7IMLLP's revenue in 2023 increased by 6.3% to £74.4m [2022: £70.0m], mainly due to an increase in AuM. The platform revenue of £33.5m represented the largest business line for the year at 45.0% of the total, followed by funds and models (20.6%), private clients (19.0%) and discretionary management income line (15.4%).

Total costs (excluding members remuneration charged as an expense) increased by 6.7%, largely due to an increase in administrative expenses, up by £3.2m. Staff costs, which represented 41.6% of total costs, increased by £0.5m (2.3%), with average monthly staff numbers increasing to 373 [2022: 359]. During the year the LLP leased four offices. Two offices were vacated in the year with one office in both Edinburgh and London remaining at the end of the year.

The operating margin decreased to 32% [2022: 35%] and the pre-tax profit margin also decreased to 19% [2022: 23%].

The members consider that the growth in its AuM as a key performance indicator for the LLP. AuM increased in 2023, by 11% to £20.1bn, reflecting positive net flows of £0.8bn.

7IMLLP represents the predominant contributor to 7IM Holdings Ltd's (7IMH) consolidated profits. 7IMH profit after tax was £7.9m [2022: £12.5m] and total dividends of £10.6m [2022: £13.7m] were paid to its immediate parent, at that point, Caledonia Thames Acquisition (Jersey) Ltd.

Group & Parental Context

BACKGROUND

In September 2015, Caledonia, via its subsidiary Caledonia Thames Acquisitions Ltd (CTAL), acquired the shares that Allied Zurich Holdings Ltd (AZH) and Aegon UK plc (Aegon UK) held in 7IMH. 7IMH is the Corporate Member of 7IMLLP and has 95% of the voting rights in 7IMLLP (with other individual members having 5% voting rights).

Tcam Asset Management Group Ltd (Tcam Group) was acquired by 7IMH in 2018, with the joint-CEOs of Tcam Group becoming partners in 7IMLLP as well as joining the management committee of 7IM. The main business of the Tcam Group was carried out by its subsidiary, Tcam Asset Management Ltd (Renamed 7IM Financial Solutions Ltd, 7IMFS). The discretionary client business of 7IMFS was transferred to 7IMLLP at the end of 2018, and the remaining financial planning advice service was transferred to 7IM Investment and Retirement Solutions Ltd in May 2019. During the year ended 31 December 2020, Tcam Group and underlying subsidiaries including 7IMFS were dissolved, and the remaining £2.5m investment balance in Tcam Group was fully impaired.

7IMH acquired Partners Wealth Management LLP (PWM), and purchased the entire shareholding of Find A Wealth Manager Ltd (FWM) on 16 October 2020. PWM was acquired for an initial consideration of £19.9m, with further deferred consideration to be paid over the next three years. 7IMH owns 95% of voting rights of PWM, with 5% retained by its members.

PWM, with £2.2bn of AuM at the time of acquisition, continues to retain its own brand and operates as an independent company, albeit benefiting from efficiencies of scale and back office integration with 7IM.

The ownership of the subsidiary 7IMIRS was transferred from 7IMLLP to 7IMH on 19 October 2020 for £1.3m.

In September 2023, it was announced that the OTPP had entered into a definitive agreement to acquire a majority stake in 7IM from Caledonia. In January 2024, the shareholding of Caledonia was bought by Great Bear BidCo Ltd (Great Bear). In March 2024, the existing three Jersey entities in the 7IM group, including CTAL, were orphaned under Great Bear. This resulted in Great Bear holding the direct investment and 100% shareholding of 7IMH.

Financial services is a core sector of focus for OTPP, which already has direct investments worth more than Can$10bn in the sector. The Canadian fund already has significant investments in the UK. In 2022 it bought a 25% stake in SSEN Transmission, a division of Scottish energy company SSE, for £1.5bn. It also holds stakes in London City, Bristol and Birmingham airports.

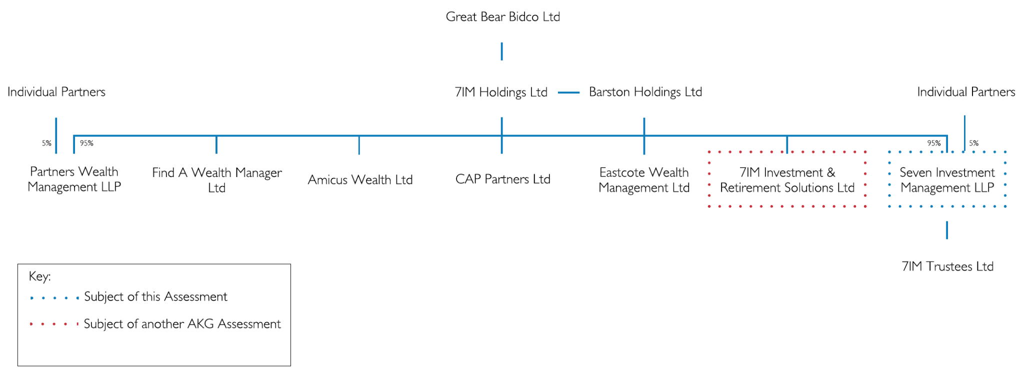
In December 2023, 7IMH announced the acquisition of Amicus Wealth Ltd (Amicus) and CAP Partners Ltd, a financial planning and advice business, serving around £1bn of assets. Amicus has become a restricted 7IM business and is supported by the 7IM wider functions since its integration with 7IMLLP. Amicus helps the development of 7IM as vertically integrated wealth manager.

In March 2024, 7IMH announced the acquisition of Barston, the ultimate parent of Eastcote, a Birmingham based financial planning and advice firm serving around £450m of assets. Eastcote provides 7IM with a broader footprint, alongside its London and Edinburgh presence.

In November 2024, 7IM announced the acquisition of ASHL Group's Rockhold Asset Management which offers MPS, multi-manager funds a full bespoke DFM service to advisory firms operating within the Sense and Lyncombe networks, adding £2bn of assets to 7IM. In the same month, it was announced that ASHL had sold its national advice business, Lync Wealth Management, to 7IM. Lync was launched in 2023 to provide an exit strategy for advisers in its networks looking to sell their business. The acquired business will become an appointed representative of Lyncombe, which remains owned by ASHL. Both deals remain subject to regulatory approval.

Rating & Assessment Commentary
Group & Parental Context
Company Analysis
Guide

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Seven Investment Management LLP

BASIC INFORMATION

Ownership & Control
Great Bear BidCo Ltd is the ultimate controlling entity of 7IMH, which is the corporate member of 7IMLLP with a 95% voting interest

Year Established
Business was established in 2002, but 7IMLLP was established in 2012 to take over the business of Seven Investment Management Ltd

Country of Registration
UK

Head Office
1 Angel Court, London, EC2R 7HJ

Contact
https://www.7im.co.uk/financial-adviser/contact-us

Key Personnel

Role	Name
Chairman 7IMLLP	A T Grace
Chief Executive Officer	D M Proctor
Chief Financial Officer	D R Walker
Chief Risk Officer	J Sivananthan
Chief Operations Officer	L Paradine
Chief Transformation Officer	C Phillips
Chief Investment Officer	M Surguy
Managing Director, Intermediary Solutions	C Justham
Managing Director, Platform and Intermediary Partnerships	R Lancaster
Managing Director, Private Clients	B Covey
Managing Director, Corporate & Strategy Development	A Fernandez

Company Background
7IMLLP provides the 7IM platform technology, administration and support in-house, also acting as the ACD (Authorised Corporate Director) of the 7IM Investment Funds, 7IM Specialist Funds, 7IM Opportunity Funds and 7IM Funds ICVC. The 7IM (Dublin) Funds plc's six sub funds were merged with the UK sub fund equivalents on 20 November 2020, having been managed during 2020 by Link Fund Manager Solutions (Ireland) Limited, with 7IMLLP acting as Investment Manager to the company and each sub fund. The Dublin-based funds were closed in 2020 as a result of Brexit.

7IM was founded in 2002 by seven professionals who set up an investment management business, initially operating as a division of Killik & Co under the trading names of 7IM and 7 Investment Management. The 7IM platform was launched by the business in 2005. In 2007, AZH and Aegon UK jointly backed a new company Seven Investment Management Ltd (7IMLtd) which, along with 7IM management, bought out the business from Killik & Co. Initially, AZH held 49% and Aegon UK 15%.

On 1 March 2013 the primary business of 7IMLtd was transferred to newly formed 7IMLLP. 7IMLtd changed its name to 7IMH, and became the Corporate Member and immediate controlling party of the LLP.

A new subsidiary of the LLP, 7IMIRS, was established in 2018 to support the provision of a SIPP product. This business was transferred within the group, to 7IMH in 2020.

During 2018, the LLP opened a branch in Jersey to provide services to Jersey-based clients: this was closed in 2022, with Evelyn Partners acquiring the trust and private client book of Seven Investment Management (7IM) Jersey.

As at 31 August 2024, the 7IM platform held £17.6bn of AuM, for over 46,000 clients of over 2,700 advisers. There were over 370 staff employed within the wider 7IM operation at this time and AuM of £21.6bn.

OPERATIONS

Governance System and Structure

The governance structure for 7IMLLP is headed by the board, and supported by a number of committees. The Executive Committee (ExCo) of 7IMLLP retains the key responsibility for setting and monitoring financial risk, consisting of 10 Senior Managers. The Chief Executive Officer has ultimate executive responsibility for the day-to-day running of the business. 7IMLLP is further governed by the Board of Directors comprising of 2 Executive and 4 Non-Executive Directors. All members of the Executive Committee are registered with the FCA. Five of the 10 members are classified as Senior Management Functions under SMCR, with the other five certified by the Firm under those regulations.

Supporting the ExCo, the following formal committees are in place. An Audit, Risk and Compliance Committee: (ARCC) is chaired by a Non-Executive Director, meeting at least quarterly and, in addition to considering audit and accounting matters, also receives aggregated management information from various committees including the Executive Risk Management Committee, ACD Oversight Committee, and the Investment Risk Committee. The ARCC is responsible for the review and challenge of matters including the design and implementation of the Risk Management Framework, Risk Appetite Statement and Internal Capital Adequacy and Risk Assessment, together with monitoring of performance and oversight of actions against the framework.

Other formal committees in place included the Remuneration Committee and Product & Pricing Committee. A monthly IT Governance Committee has also been established, which takes a KPI led approach to review the business's performance.

An IFPR Disclosure covering risk management objectives and policies, and regulatory capital requirements / capital resources information is produced and available publicly.

7IMLLP has continued to strengthen its compliance function, with a new Head of Compliance appointed in 2020, with responsibility as Money Laundering Reporting Officer (MLRO) part of this function.

Risk Management

The ExCo has management and oversight responsibility for risk management and meets quarterly, or more frequently as required. The ExCo decides 7IM's risk appetite and ensures 7IM has implemented an effective ongoing process to identify risks, measure the potential impact and ensure the risks are actively managed.

7IM has identified that it is exposed to, and therefore is required to manage risks relating to: market, liquidity, operational, credit, investment performance and regulatory risks. In addition, it identifies key personnel risk, in respect of the senior principals / management committee of the business, which it has mitigated by hiring a second tier of management in all areas. A three line of defence model is employed for risk management.

Business Continuity Plans (BCP) are maintained within each team within an overarching framework, and have been tested on a regular (six-monthly) basis.

The Investment Risk Committee includes the Chief Executive, Chief Financial Officer and Head of Operations. This meets formally on a quarterly basis, but its terms of reference require approval of certain actions by circulation or by ad-hoc meetings. 7IMLLP concentrates on strategic asset allocation (SAA) as the major building block for its investment process.

It believes that SAA - the spread of different asset types in a portfolio - is responsible for around 91% of the variation in returns for a portfolio over the long term.

Overall the business has increasingly adopted an approach which looks to link risk management more closely to investment processes at all points.

The governance structure has been refreshed over the last year, with policies and procedures all reviewed and with some further key hires to strengthen the team and better allocate responsibilities. Two new tools have been added, to support staff compliance and a core risk tool. The business is now more data led, with better management information and a combined holistic view.

Administration
7IM funds can be bought online through the 7IM platform, online through numerous other platform providers, or direct from 7IM's Fund Servicing Centre. A large staff team exists to service all customers with an average monthly number of staff of 373. The largest teams were the Intermediary Team, which includes people working on the 7IM platform and those supporting 7IM's Relationship management and Business Development efforts; the Operations and Officer Services team and the combined Technology teams.

The business expanded its retirement planning options and became a pension provider by launching its own SIPP in 2018, with administration for the 7IM SIPP provided by Imago.

Pershing Securities Ltd (PSL) acts as custodian for some clients and in this role is responsible for handling client money, custody of assets and settlement of transactions. PSL's arrangement with 7IM is as a 'Model B' provider, where the 7IM client contracts directly with PSL for custody services rather than the custody being provided by 7IM outsourcing to PSL. Pershing (Channel Islands) Ltd (PCI) provides the services for assets held in Jersey. The Pershing group provides a broad range of financial business solutions to investment banks, broker-dealers, wealth managers, financial planners and advisers, and provides sophisticated front-end technology and flexible middle office capabilities with execution, settlement and custody services. PSL and PCI are ultimately owned by the Bank of New York Mellon Corporation (BNY Mellon), a very significant US-based global financial services company with US$49.5trn Assets under Custody and/or Administration at 30 June 2024.

The business continues to carry out significant vendor and supplier reviews and generally to upgrade its security systems and processes with input from executive and non-executive directors. This includes applying the standards worked to by 7IM to the growing list of acquired companies, ensuring conformity and standardisation.

IT systems work has included an operational efficiency stream looking at how processes can be simplified, with investment in underlying systems, such as start of day, and projects including easier account opening, improvements around fee calculation and management, and multi-currency reporting. Other IT work streams include platform enhancements and wider ongoing development, including upgrades to areas such as its .NET infrastructure.

In May 2021, the LLP delivered the Xplan Client Portal for its Private Client business. This is intended to deliver improved efficiency and digital engagement. In September 2022, the LLP successfully migrated existing Private Clients (excluding ex-Tcam clients) to this portal.

Since the pandemic, BCP adjustments have seen the inclusion of laptops for all staff to enable a simple switch to home working if and when required.

In 2023, the LLP merged its technology and client service teams as part of strategic developments, resulting in some personnel changes.

Benchmarks
7IM has won numerous awards and received accolades in recent years:

- In 2024, was awarded Defaqto gold service ratings for Platform, Pension and DFM, the latter for a second successive year
- In 2023, 7IM won 'Best Retirement Initiative' at the Professional Adviser awards
- In 2022, 7IM was named 'Best Platform for Advisers (below £25bn AuA)' in the Professional Adviser Awards, and 'Leading Retirement Proposition' at the Schroders Platform awards. In November 2022, 7IM was awarded a five

star rating in the Financial Adviser Service Awards within the Investment sector of the awards, although only awarded 3 stars in DFM and Platform sectors

Outsourcing

Northern Trust Corporation (Northern Trust) acts as depositary, custodian and administrator for 7IM funds, via various UK and Ireland based subsidiaries. Northern Trust is headquartered in Chicago, Illinois, USA. From a Chicago-based bank founded in 1889, it now has more than 19 international locations and 21,000 employees globally. As at September 2024, Northern Trust had US$17.4trn in assets under custody / administration and US$1.6trn in assets under management.

Dunstan Thomas has continued to support 7IM as external partner in the 7IM SIPP proposition, and all administrative functionality is provided by the Imago Administration system. 7IM also outsources to Financial Software Ltd and Morningstar. Redporth Consultancy, a compliance agency, provide suitability assessments of new clients.

STRATEGY

Market Positioning

Services run across several propositions. 7IM is engaged in the provision of discretionary investment management services to individual clients; a range of multi-manager 'specialist funds'; and a range of model portfolios. It also offers the 7IM adviser platform, on an open architecture basis.

The historically HNW nature of the 7IM offering across platform and investment management means it has been focused on a relatively small segment of the B2B market, although this is growing and 7IM appeals more broadly to the 'core' market now. It currently offers its services via financial planners and professional advisers/intermediaries, or dealing directly with clients, or executing on behalf of clients. Since 2019, 7IM has provided financial planning advice and provides recommendations to clients on specific investment planning via 7IMIRS.

7IMLLP received approval and opened a Jersey branch in St Helier in 2018 as part of a considered expansion into the wider offshore marketplace, with its intention to offer a 'leading offshore platform, with custody arrangements in Jersey'. 7IM considers its range and operability of multi-currency options provided sets it apart from other offshore platforms. In 2022, 7IM closed its office in Jersey, but continues to provide services to its platform clients there.

In June 2022, it was announced that 7IM had been added to the Openwork platform proposition following a full market review. The 7IM Platform was rolled out to The Openwork Partnership's advisers throughout the second half of 2022 in a structured process.

In the UK 7IM launched its own SIPP in May 2018, offering a more integrated approach for those advisers seeking it, but other SIPPs remain available on the platform as the open architecture approach was maintained.

The Tcam acquisition in 2018 introduced 'complementary strengths which will produce an improved investment service' for 7IM customers, both intermediary and direct. It also brought 7IM a presence in Edinburgh / Scotland.

This focus on culture is ongoing, including ongoing attention on diversity and inclusion, together wider social consideration by the business. Recently 'Culture Hubs' have been established, with open invitation to all staff, as part of widespread involvement in how this cultural change shapes 7IM for the future. A cultural enhancement programme has been underway in the last year, and staff surveys in January and July 2022 showed good levels of understanding of the culture of 7IM and the fit of the role within the business.

Since then, further developments have included the establishment of a '7IM Academy' for training and development. 7IM has also partnered with 'Investment 2020', the Investment Association initiative, to offer internships to individuals who might not otherwise have access and connections with the sector.

The sale of 7IM by Caledonia, announced in September 2023, came as no surprise following years of media speculation. OTPP, a significantly larger organisation compared with Caledonia, stated that this acquisition would equip 7IM's management with long-term capital and expertise to drive growth over the next decade. This support aims to fuel both organic net flow growth and mergers and acquisitions to strengthen 7IM's capabilities and client offerings. For 7IM, this investment marks the start of a new growth phase designed to enhance its client services and solidify its position as a leading vertically integrated wealth manager in the UK.

Early indicators of this strategy include recent acquisitions of Amicus, Eastcote and businesses from ASHL Group, along with a multimillion-pound, multi-year investment in 7IM's proprietary platform.

Proposition

The core of the 7IM proposition is its platform. Advisers are able to use it within three distinct service levels, dependent on the needs of the client:

Platform only

The 7IM platform itself is set up on an open architecture basis, and allows investment in a wide choice of wrappers and accounts including GIA, Flexi ISA, JISA, SIPPs, Offshore Bonds, Onshore Bonds, Charity, Trustee and Corporate. 7IM thus offers a wide range of services and flexible routes to investing, depending ultimately on the client and/or financial intermediary's requirements including:

- Discretionary or Advisory Models
- 3rd Party Models
- Individual or Multi-Asset Funds

Integration options include IRESS, Intelliflio, FE Analytics, Voyant, Morningstar and Dynamic Planner.

In 2018, 7IM launched its retirement planning service, focussed on assisting advisers with their decumulation requirements for clients at or near retirement. 7IM is now also a pension provider after launching its own SIPP in 2018, which it built in partnership with Dunstan Thomas, underpinned by the administrative functionality of the Imago Administration system.

7IM expanded its retirement proposition for financial advisers in May 2022, with the launch of a 'Secure Lifetime Income' (SLI) product, in partnership with Just. The SLI sits within the 7IM SIPP, accessed via the 7IM platform, and enables advisers to offer a guaranteed income producing asset alongside existing drawdown arrangements and other investment strategies for their clients.

Platform and 7IM investment

7IM offers managed funds via its platform including:

- Pathbuilder - A range of multi-asset passive funds
- AAP - An active approach to asset allocation which is implemented through passive investments
- Multi Manager - Diversified funds across asset classes, regions and manager styles and incorporating both active and passive holdings
- Sustainable Balance - Managed to ethical, sustainable and ESG principles
- Real Return - Strives to deliver an inflation beating return, while limiting sensitivity to equity price movements

7IM's Model Portfolio Service (MPS) offers a range of risk rated model portfolios for advisers looking to allocate client funds to a range of risk graded investment strategies. 7IM's strategic asset allocation provides the anchor for the vast majority of the portfolio. Each portfolio consists of 10-25 underlying funds. The portfolios are designed to provide a range of consistent risk profiles based on the shape of their strategic asset allocation to different risk assets. The model portfolios are available on numerous platforms in the intermediary space, in addition to the 7IM platform.

In early 2018, the LLP launched a range of 5 'Active' models and in November 2018 a range of six 'Select Model Portfolios', these being risk rated model portfolios 'leveraging the high conviction strategy historically favoured by Tcam', it stated. In September 2019, against a background of lower expected returns following a prolonged bull market, it launched '7IM Pathway', a 'low-cost range of volatility managed, diversified portfolios made up of passives'.

Platform and 7IM investment with dedicated Relationship Management

7IM continues to expand its adviser offering. Enhancements continued to be seen in its full service Discretionary Investment Management service, where a 7IM relationship manager works alongside the financial intermediary to deliver a bespoke service to the end client built around 7IM risk profiled strategies enhanced with specialist portfolios as required to reflect the required client strategy, with access to 7IM's series of active and passive strategies, an unconstrained approach and an income approach. Complementary investment vehicles run by other asset managers can be identified; portfolios can be managed within or outside tax wrappers, onshore or offshore; and the investment strategies can be implemented with unitised funds or through segregated model portfolios.

Another key part of 7IM's proposition is around Retirement Income Solutions. This uses a bucketing approach to manage retirement income over multiple time horizons as well as multiple tax wrappers. As part of additions to this proposition, advisers are now able to access solutions from 7IM, RBC Brewin Dolphin, Omnis Investments (part of the Openwork partnership) and Brooks Macdonald on the platform.

A focus for the business is to improve the digital provision of information to clients and intermediaries. One specific element of the service is the 7IMagine app which allows investors and clients to see more clearly what is happening to money invested. This continues to see development and now includes a cashflow modelling tool 'MyFuture'. Further significant enhancement and indeed a wider use of app based support solutions for clients is anticipated, with internal resource allocated to this underlining its importance. In 2023 the business introduced Digital Client Reviews (reporting).

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2023

Own Funds Disclosures

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Available own funds	14.3	13.4	17.4
Own funds requirement (OFR)	10.0	10.4	10.4
Excess own funds	4.2	2.9	6.9
OFR coverage ratio (%)	142	128	166

The IFPR is the new prudential regime for MIFID investment firms which came into effect on 1 January 2022 and its provisions apply to 7IMLLP as a non-SNI MIFIDPRU investment firm.

As an FCA-authorised and regulated firm it is required to meet the FCA's capital resource requirements set in MIFIDPRU Prudential sourcebook for MIFID investment firms of the FCA Handbook. The requirement is defined as the higher of: Permanent Minimum Capital Requirement; Fixed Overhead Requirement (FOR); K-Factors Requirement. For 7IMLLP, the FOR was the highest amount at £10.4m [2022: £10.4m].

7IMLLP own funds were exclusively CET1 capital and totalled £17.4m [2022: £13.4m], resulting in a coverage ratio of 166% [2022: 128%].

Statement of Financial Position

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Assets	56.3	56.2	70.5
Current liabilities	(29.3)	(30.4)	(33.5)
Long-term liabilities	(9.0)	(7.6)	(14.8)
Net assets	18.0	18.3	22.3

Statement of Changes in Members' Equity

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Members' equity at start of period	17.9	18.0	18.3
Movement due to:			
Members capital classed as equity	0.0	0.0	0.0
Retained earnings	0.0	0.0	0.0
Other	0.1	0.2	0.8
Members' equity at end of period	18.0	18.3	19.0

Total assets of £70.5m included increased cash and cash equivalents of £15.6m [2022: £16.0m], and settlement debtors of £17.6m [2022: £15.3m], the latter related to amounts due to 7IM funds for the sale of units in the 7IM OEICS. There was a corresponding liability for the repurchase of units, £17.6m [£15.3m]; as Authorised Corporate Director of the funds, the LLP includes these balances in its balance sheet. Members' capital (classed as equity) stood at £19.0m on 31 December 2023 [2022: £18.3m], with £922k of new capital introduced and £140k of capital repaid to members during the year.

In addition to the 'equity' above, the total interest that Members have in the business includes allocated profits that have not yet paid to them and usually due within one year subject to the cash requirements of the business. The latter element is categorised as 'Loans and other debts due to/from members', and increased from £7.3m to £9.2m in 2023. This arrangement is largely in place to ensure that personal members have funds available to meet their own personal tax liabilities arising from receiving profit share from the LLP. A revaluation reserve totalling £3.2m was established in 2023 relating to leasehold improvements. This is recorded separately from members' capital and resulted in net assets increasing to £22.3m.

Total members' interests as at December 2023 were £31.5m [2022: £25.5m], of which £19.0m [£18.3m] was classed as capital as described above. Drawings of £21.8m were taken in the year [2022: £25.0m] as well as £9.8m [2022: £8.8m] of remuneration paid as an expense directly through the P&L.

Income Statement

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Revenue	71.0	70.0	74.4
Other operating income	0.2	2.3	0.4
Operating expenses	(51.7)	(47.7)	(50.9)
Operating profit (loss)	19.5	24.7	24.0
Other gains (losses)	(0.2)	(0.1)	(0.3)
Profit (loss) before taxation and members' remuneration	19.3	24.6	23.8
Taxation	0.0	0.0	0.0
Profit (loss) after taxation	19.3	24.6	23.8
Other comprehensive income	0.0	0.0	0.0
Members' remuneration charged as an expense	(8.1)	(8.8)	(9.8)
Retained profit (loss)	11.2	15.8	13.9

Financial Ratios

	Dec 21 %	Dec 22 %	Dec 23 %
Operating margin	27	35	32
Pre-tax profit margin	16	23	19
Employee costs as a % of revenue	28	30	28

The Members consider the profitability of the business as the main KPI, with the main driver of profitability being AuM growth. Revenue in 2023 increased by 6.3% to £74.4m [2022: £70.0m], mainly due to an increase in AuM. The platform revenue of £33.5m represented the largest business line for the year at 45.0% of the total, followed by funds and models (20.6%), private clients (19.0%) and discretionary management income line (15.4%).

Total costs (excluding members remuneration charged as an expense) increased by 6.7%, largely due to an increase in administrative expenses, up by £3.2m. Cost of sales comprises direct costs charged to the LLP by outsourced service providers. The majority of these costs include custodian charges for client assets and fund administrative charges for the 7IM Investment Funds. Staff costs, which represented 41.6% of total costs, increased by £0.5m (2.3%), with average monthly staff numbers increasing to 373 [2022: 359]. During the year the LLP leased four offices. Two offices were vacated in the year with one office in both Edinburgh and London remaining at the end of the year.

The operating margin decreased to 32% [2022: 35%] and the pre-tax profit margin also decreased (the ratio in the table is calculated after 'members remuneration charged as an expense').

The average monthly number of members during the year was 73 [2022: 72] including the corporate member 7IMH. Members remuneration was charged as an expense and totalled £9.8m in 2023 [2022: £8.8m]. Deduction of this left £13.9m profit available for discretionary division among Members [2022: £15.8m]. It should be noted that the LLP is not required to pay corporation tax, and that tax on the profits is the personal liability of each of the members. To mitigate any risk of individuals not being able to discharge their personal tax liabilities, the LLP retains an amount equal to the estimated income tax, National Insurance and any other taxes that might become due for each member, and this is held as a loan from the member which is paid to them when the tax falls due.

The profit share allocated to the corporate member was £11.7m [2022: £13.3m].

7IMLLP represents the predominant contributor to 7IMH's consolidated profits. 7IMH profit after tax was £11.2m [2022: £12.5m] and total dividends of £10.6m [2022: £13.7m] were paid to its immediate parent Caledonia Thames Acquisition (Jersey) Ltd.

Statement of Cash Flows

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Net cash generated from operating activities	6.4	2.3	3.8
Net cash used in investing activities	(0.9)	(2.9)	(2.9)
Net cash used in financing activities	(1.5)	(1.3)	(1.4)
Net increase (decrease) in cash and cash equivalents	4.0	(1.9)	(0.4)
Cash and cash equivalents at end of period	17.9	16.0	15.6

Assets under Management (AuM)

	Dec 21 £bn	Dec 22 £bn	Dec 23 £bn
Assets at start of period	16.0	19.2	18.1
Inflows	4.0	2.5	
Outflows	(2.2)	(2.1)	
Net market and other movement	1.4	(1.4)	1.2
Assets at end of period	19.2	18.1	20.1
Growth rate (%)	20	(6)	11
Net inflows as % of opening AuM	11	2	4

7IMLLP generated £25.6m of cash from operating activities in 2023 [2022: £27.3m], from which Members' drawings of £21.8m [£25.0m] were made, leaving a net cash inflow from operating activities of £3.8m [2022: £2.3m]. Net expenditure on investment activities was £2.9m (tangible and intangible) [2022: £2.9m]. Within financing cashflows, Member contributions of £0.9m were offset by lease liabilities payments for the period of £2.1m, and repayments of Members contributions of £0.1m. There was an overall cash outflow of £0.4m [2022: £1.9m]. Balance sheet cash decreased accordingly, from £16.0m to £15.6m at the end of December 2023.

The members consider that the growth in its AuM as a KPI for the LLP. AuM increased in 2023, by 11% to £20.1bn, reflecting positive net flows of £0.8bn. As at the end of December 2023, AuM was split between: Discretionary (direct business) £xbn; Discretionary (intermediary) £xbn; Platform (including 7IM Funds and Model Portfolios in 7IM custody) £xbn; and Funds and Model Portfolios (held on third party platforms) £xbn.

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.

AKG Financial Analytics Ltd
Anderton House,
92 South Street,
Dorking,
Surrey
RH4 2EW

Tel: +44 (0) 1306 876439
Email: akg@akg.co.uk
Web: www.akg.co.uk