ISSUED 25 November 2024

PLATFORM SECTOR

M&G Wealth Platform

FINANCIAL STRENGTH ASSESSMENT

Analysis by AKG Financial Analytics Ltd
Accessible • Comparative • Independent

ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

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

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

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

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CONTACT INFORMATION

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Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG B
FINANCIAL STRENGTH RATED
PLATFORM SECTOR STRONG
INVESTMENT FUNDS DIRECT LTD

Supporting Ratings

	Non Profit Financial Strength	Unit Linked Financial Strength	With Profits Financial Strength	Service	Image & Strategy	Business Performance
Investment Funds Direct Ltd	▣	▣	▣	✫✫✫✫	✫✫✫	✫✫✫

SUMMARY

- Investment Funds Direct Ltd (IFDL) provides the M&G Wealth Platform and is owned by M&G plc (M&G, the group)
- IFDL was acquired from Royal London Mutual Insurance Society (RLMIS, Royal London) after RLMIS had completed a significant re-platforming exercise between 2015 and 2020
- The platform has been an important element of the M&G Wealth segment, which offers advice and investment services in the UK and a route to products in the other group segments of Life and Asset Management, including access to the PruFund range
- However M&G confirmed in its H1 2024 interim report that the latest strategic review had concluded that the platform would need significant further investment to improve its competitive position and so a decision to exit the platform has been taken, as part of restructuring the Wealth business
- The group will now focus on distributing its propositions, including PruFund, through other channels; no further details of the plans for exiting the M&G Wealth Platform have yet been announced
- 2023 saw resilient gross inflows of £1.4bn but a challenging business environment led to a net outflow of £0.5bn; improved market performance saw AuA increase by £0.6bn overall to £16.2bn as at 31 December 2023 [2022: £15.6bn]
- IFDL has continued to make operating losses with a combination of increased business administration expenses and continued investment in the platform infrastructure
- Measured on a standalone basis for regulatory purposes, IFDL maintained a strong level of capital surplus throughout 2023, with CRR coverage of 409% at year end against its capital requirement under the Investment Firm Prudential Regime (IFPR)
- Notwithstanding the planned exit from the advised platform market, M&G remains a financially strong parent for the M&G Wealth Platform currently, as a group which includes the market leading PruFund with profits investment proposition

COMMENTARY

Financial Strength Ratings

M&G plc was formerly the UK and European savings and investments business of Prudential plc. Following its demerger from Prudential in 2019, M&G listed on the UK Stock Exchange and is now a FTSE 100 savings and investments business, serving over 4.6m retail customers and providing investment solutions to more than 900 institutional clients, with a current market cap of around £4.9bn. The group operates internationally through 38 offices and distributes its products across 26 markets; as at 30 June 2024, the group's AuMA were £346bn [31 December 2023: £344bn].

The group has continued to evolve its operating and reporting structure, having undertaken re-segmentations of the business in 2021 and 2022, and in 2023 the group again updated its business model, with the rationale of this better serving its strategic priorities. The latest structure comprises the segments of Asset Management, Life, and Wealth - the latter two representing a split of the previous Retail & Savings segment - although Life and Wealth have become more closely aligned once again under single executive leadership (Clive Bolton) during 2024.

At the year end 2023, M&G plc had £4.5bn surplus Own Funds [2022: £4.6bn] and a Shareholder Solvency II coverage ratio of 203% [199%]. Own Funds reduced from £9.4bn to £8.9bn, net of the eligible own funds restriction, with total capital generation of £358m offset by the payment of £462m dividends. The SCR reduced from £4.6bn to £4.4bn, driven by benefits from management actions including asset trading and optimisation. As reported in its interim statements, the group Shareholder Solvency II coverage ratio had increased to 210% as at 30 June 2024.

The Regulatory view of solvency provides the combined position of the shareholder-backed business and with profits fund for M&G plc and PAC, and takes account of ring-fenced funds restrictions whereby any surplus in the with profits fund is not available to use elsewhere in the Group. On this basis, the coverage as at 31 December 2023 was 167% [2022: 168%] and as at 30 June 2024 was 173%.

Investment Funds Direct Ltd

IFDL and the platform were acquired by M&G plc in September 2020 for £86m. RLMIS had provided in excess of £145m in share capital and other capital contributions to develop and re-platform the business between 2015 and 2020, prior to the sale to M&G.

The M&G Wealth Platform has largely been contributing towards growing value within the M&G group, with the platform proposition underlying improvements in customer experience and outcomes, strengthening resilience and supporting scalable growth within the M&G infrastructure. The business spent c. £19.0m in 2023 and a further £4.0m in H1 2024 on the continuing development of the platform business to support growth ambitions [2022: investment of £32.5m].

For IFDL the ongoing transformation costs resulted in an operating loss of £40.0m in 2023, following operating losses of £49.5m in 2022 and £47.8m in 2021. IFDL received £78m of capital support during 2021 and £30m during 2023 from its immediate parent Investment Funds Direct Group Ltd (IFDGL). IFDGL does not consolidate IFDL within its accounts but holds the shares as an investment asset; the value of this asset increased from £106.0m to £109.7m during 2023, this being a combination of the increase in value from the £30m investment partially offset by an impairment of £26.3m, reflecting the ongoing losses generated by IFDL. In its interim results, M&G included a £12m impairment of goodwill in relation to the M&G Wealth Platform business, related to uncertainty around long-term market growth.

Support from M&G Group remains essential for the ongoing delivery of the M&G Wealth platform notwithstanding the changed strategy to exit the advised platform market. A letter of support remains in place from M&G Group Regulated Entity Holding Company Ltd, committing to continue to support of IFDL as required for at least a year from the date of approval of the 31 December 2023 financial statements. Parent M&G has considerable financial capacity and as already shown, capital has been provided to continue the platform's development, whilst ensuring adequate surplus is maintained for solvency and liquidity requirements. IFDL held increased cash of £73.7m as at 31 December 2023 and its CRR coverage ratio in isolation was 409% under IFPR. Internally the business has additional buffers defined that form part of the company's capital management and risk appetite approach, and also applied a liquid assets assessment, with coverage remaining good on both these measures.

IFDL has built a good presence in the market and has made good use of the wider capabilities of the M&G group, for instance in respect of sustainable asset management solutions. PruFund was made available on the platform and this was considered by the business to be a differentiator, although the revised strategy will see PruFund and other solutions distributed more widely through M&G's own restricted advice channel and independent advisers, and more accessible on third party platforms.

The M&G Wealth platform has become deeply integrated into the group in terms of distribution, marketing and proposition, and this may create exit challenges.

Service Rating

The M&G Wealth Platform aims to maintain an ongoing relationship with each adviser firm and its employees, with Service Level Agreements in place. It aims to have long term relationships with these clients, with a planning process that includes working with advisers to meet their objectives. A culture of continuous improvement and service excellence is embedded within the business, and the platform has previously acknowledged that to be successful for 'holistic financial advisers' it needs to demonstrate a significant level of operational accuracy.

There has been a program of improvements ongoing and this was set to continue for several years, with improvements focused on enhancing customer outcomes and service experience, mainly by digitising key processes and optimising systems. These in turn were to support the ambition for scalable growth of the platform, delivering an ongoing and increased contribution to group activity. However, the revised group strategy for the platform may see some of this work dialled back as the platform focuses on maintaining 'business as usual'. M&G Wealth Platform achieved 2 stars in the Financial Adviser Service Awards 2023, down from 5 stars in 2023.

The business has undertaken market research from a number of sources which show advisers are reporting better service and more reliability, and this is backed up with an increased net promotor score - the Life and Wealth NPS was +15 for 2023, up by +1 from the (Retail & Savings) NPS of +14 in 2022 - but this was slightly behind where the group had targeted to be (per its Short Term Incentive plan for Directors).

IFDL has continued to develop its digital hub which will allow the platform to plug into any adviser back-office software system, meaning paraplanners will be able set up new business, conduct fund switches and other platform tasks directly through Iress, Intelliflo or other back-office software being used by the adviser firm. Firms will be able to take data feeds for their customer portals directly from M&G Wealth Platform without the need for any additional file uploading. This supports the platform's aim to be the leading platform for back-office integration.

Image & Strategy Rating

In 2023, M&G embarked on a journey of ambitious growth aspirations, strategic realignments and transformative initiatives, it stated. The plan involves simplifying the business and introducing a new operating model, targeting cost reductions of £200m by 2025, compared to 2022, of which £121m has already been made during the first 18 months (to end H1 2024).

Towards the end of 2023, M&G initiated a strategic review of its UK based wealth management operations with a scope that included IFDL and the platform business. The strategic review was completed during 2024 and concluded that M&G's:

> *....competitive position in the wealth market is not sufficiently strong to ensure profitable growth without committing significant further resources. As a result we have decided to focus and rationalise our Wealth strategy. Our future focus will be on continuing to grow the distribution of our own solutions through our restricted advice channel and independent advisers, and making our propositions more accessible on third party platforms.*
>
> *We will exit our adviser digital platform as part of focusing the business.*
>
> *We have also decided that Wealth should be more closely aligned to our Life business and we are simplifying our operating model by bringing together Wealth and Life under the leadership of Clive Bolton. Through these changes, we remain committed to the UK retail market, which offers a compelling growth opportunity for M&G. This will allow us to concentrate our resources, complementing PruFund with the life insurance solutions that our clients want, reduce duplication and improve operational efficiency. Underpinning these decisions is our ongoing drive to deliver improved client outcomes.*

As such, the future of the M&G Wealth Platform is uncertain, although the platform business senior management team are focused on maintaining 'business as usual' in this interim period.

The M&G Wealth Platform has been a key element of the value chain within M&G plc, providing support to the spectrum of multi channel advice through the same underlying technology and familiar client experience. The advice proposition consists of M&G Wealth Advice (previously Prudential Financial Planning) plus acquisitions of The Advice Partnership (TAP), Sandringham Financial Partners and Continuum, in which M&G acquired a 49.9% stake in August 2022, a further 25.05% stake in March 2024 and is expected to acquire the remaining shares in Continuum in March 2025. In support of its wider strategy in respect of advice, M&G Wealth runs a Wealth Advice Academy to train new advisers, and M&G also has an IFA buyout scheme.

M&G's strategy has been to create a business of presence in the market with the capability to scale. Access to a version of the PruFund became available via the platform, and this was seen by M&G as a key differentiator, with M&G Wealth also providing model portfolios having acquired investment manager TCF Fund Managers LLP in 2022.

M&G plc's growth markets include the UK, Europe, other international markets in Asia, the US and Africa, and the Institutional Asset Management market. The majority of products in the Life business, including its portfolio of annuities, and traditional with-profits policies, are closed to new business, but the Life segment remains important to M&G as it continues to build its capabilities in the Bulk Purchase Annuity (BPA) market, completing its third BPA deal in 2023 since re-entering the market it exited in 2016.

M&G restated its strategic priorities in 2024:

- Maintain the group's financial strength
- Build on the progress already achieved in simplifying the business
- Deliver profitable growth in the UK and internationally.

Business Performance Rating

IFDL's financial trend over past years has been dominated by the significant investment in technology designed to implement longer term profitability for the platform, with those costs covered by its parent at the time. The acquisition of IFDL brought to M&G plc broader coverage of the UK intermediary market and has accelerated the group's move into high value wealth management, albeit in an operating environment somewhat disrupted by wide ranging challenges during the period since acquisition.

Performance for IFDL in 2023 was impacted by ongoing challenges which saw net outflows of £0.5m, although AuA overall increased to £16.2bn [2022: £15.6bn] driven by improved market performance. Turnover (largely platform charges) for IFDL was down by 7% to £29.4m [2022: £31.5m], and administration expenses were down by 14% to £69.4m, a decrease of £11.5m. This resulted in an improved operating loss of £40.0m [2022: £49.5m].

IFDL reported an adjusted operating loss of £20.9m for 2023 [2022: loss £16.0m] after ongoing restructuring and other costs related to the separation of the platform from its previous infrastructure and continued investment for growth; these costs decreased from £32.5m in 2022 to £16.2m in 2023. The operating loss was slightly offset by higher interest income of £2.9m in 2023 [2022: £1.0m]. The loss before tax for IFDL was £37.1m in 2023 [2022: loss before tax: £48.5m] and was in line with M&G's expectations for the business, with the ongoing costs continuing to skew more towards investment in the platform to provide foundations to deliver long-term growth.

To an extent, IFDL remains a utility to enable wider group growth and there continues to be a contextual aspect to the performance of the platform entity. Indeed the performance of IFDL is not specifically discussed in the group Report and Accounts but there is some incorporation within the Wealth business commentary.

M&G plc reported amongst its 2023 key performance measures:

- AuMA £343.5bn [2022: £342.0bn] - a £1.5bn increase largely driven by market conditions
- Adjusted operating profit before tax of £797m, up by 28% from £625m (restated) in 2022, driven by strong results across with profits and annuities business
- Total capital generation of £358m, a reversal of negative £397m in 2022, driven by positive market movements and improved operating performance

- Net client flows (excluding Heritage) £1.1bn inflow [2022: £0.2bn inflow] - inflows to PruFund and in Wholesale despite challenging markets
- IFRS profit after tax (PAT) £309m [2022: IFRS loss of £2,055m restated, after tax] - large loss in 2022 driven by adverse market fluctuations, 2023 saw improved conditions

The Asset Management segment had AuMA of £154.2bn as at 31 December 2023 [2022: £154.2bn], Life held £100.9bn [2022: £103.0bn] and Wealth had £87.1bn [2022: £83.4bn]. Wealth is split down further into PruFund UK, £54.8bn [2022: £52.3bn] and Platform & Advice, £19.2bn [£18.0bn]. Other Corporate assets of £1.3bn were noted [2022: £1.4bn]. The group noted that £14.1bn of the Asset Management AuMA related to assets under advice, and £160.3bn of the Life and Wealth AuMA is managed internally by the Asset Management segment.

In respect of AOP, the Wealth segment contributed £180m towards the group's total £797m, although this was largely achieved through the PruFund UK (£228m), with the Platform & Advice area reporting an overall adjusted operating loss of £32m. AOP in Life was £586m and in Asset Management was £242m.

Across the group, total restructuring and transformation costs (those excluded from adjusted operating profit) amounted to £141m in 2023 [2022: 147m], with investment spend of £73m on further transformation projects [2022: £48m] and £30m in respect of building out capability in the Asset Management business [2022: £36m].

Capital generation measures the change in surplus capital during the period, before dividends and capital movement. Total capital generation was negative in 2022 for the group, reflecting the significant negative market movements of £1,225m offsetting other positive elements of capital generation. In 2023, the negative market movement was £507m but there was stronger underlying capital generated by the performance of the business, resulting in the positive £358m capital generation mentioned above, net of a £216m eligible own funds restriction. The Platform and Advice business within Wealth delivered negative capital generation of £29m [2022: negative £25m].

Operating Change in CSM (Contractual Service Margin) was introduced on the adoption of IFRS17 by the group and gives a wider representation of the drivers of performance including the impact of new business and management actions. The operating change to CSM in 2023 was £355m, up from £129m comparative for 2022, the majority of the increase coming from the PruFund UK, at £230m [2022: £54m].

Group & Parental Context

BACKGROUND

M&G plc is a FTSE 100 listed financial services company incorporated in the UK. M&G plc was formerly the UK and European savings and investments business of Prudential plc. Following demerger from Prudential plc, M&G plc was separately listed on the UK Stock Exchange on 21 October 2019, and now operates as a savings and investments business, serving over 4.6m retail customers and providing investment solutions to more than 900 institutional clients. The top 25 shareholders hold about 65% of the company. Holdings in excess of 3% as at September 2024 included: Silchester International Investors LLP (8.8%), BlackRock, Inc. (7.6%), Kingdom Holding Company (6.5%), The Vanguard Group, Inc. (4.5%), Norges Bank Investment Management (4.0%) Janus Henderson Group plc (3.7%) and Schroder Investment Management Ltd (3.6%).

The group is comprised of two main subsidiaries, which own the majority of the group's regulated entities: The Prudential Assurance Company Ltd (PAC), an insurance company providing life and savings products to retail customers; and M&G Group Ltd (MGG), holding company of the group's asset management business, M&G Investments. M&G currently has investment capabilities, an international distribution network and five customer brands: Prudential, M&G Investments, M&G Real Estate, M&G Wealth and Infracapital. The group operates internationally and distributes its products across 28 markets, serving its savings and insurance customers under the Prudential brand in the UK and Europe, and under the M&G Investments brand for asset management clients globally. As at 30 June 2024, the group's AuMA were £346bn [31 December 2023: £344bn].

The M&G Wealth Platform is provided and operated by IFDL. The platform had been owned by Royal London, the UK's largest mutual life office, since November 2007, and was known as Ascentric. RLMIS originally had a part stake, which it increased to full ownership in 2014 and the business funded the re-platforming of Ascentric to Bravura technology between 2015 and 2020, providing the platform with capital of over £145m.

In September 2020, IFDL and its associated companies were sold to M&G plc, the acquisition providing M&G plc with a digital wrap and wealth management platform, offering an opportunity to improve its position in the UK wealth market to complement its existing propositions for advisers and customers.

In September 2020, the platform became part of the newly established M&G Wealth Management division, alongside Prudential Financial Planning, and the M&G Direct funds business. The business has continued to evolve into the current Wealth segment of M&G, which provides a range of retirement, savings and investment management solutions to its customers. The platform was re-branded in 2022 to M&G Wealth Platform.

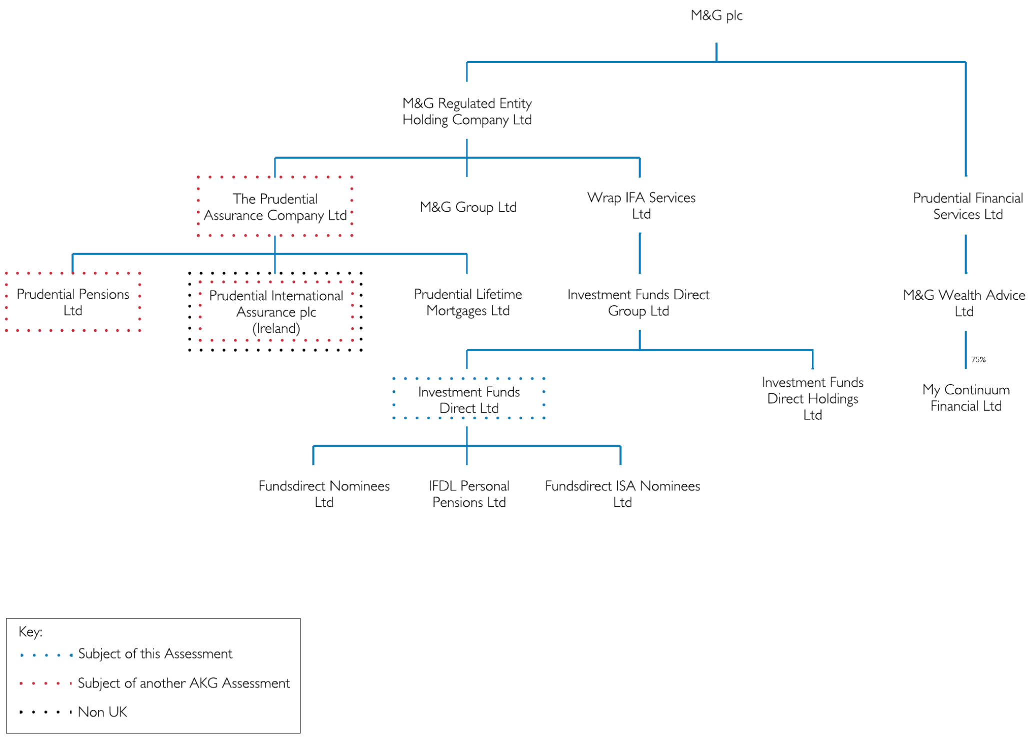
The M&G business has continued to evolve its operating segments which now consist of Asset Management, Wealth and Life - the latter two segments now combined again in 2024 after being split to replace the previous Retail & Savings segment in 2023.

A new group CFO was appointed at the start of 2022, Kathryn McLeland who joined from Barclays plc, and a new group CEO, Andrea Rossi, was appointed in September 2022. Clare Bousfield, formerly the CFO and latterly CEO of Retail and Savings, stepped down from 30 June 2023, and two new dedicated CEO roles were created for the separate Wealth and Life insurance businesses that replaced Retail & Savings. These were filled initially by Clive Bolton (Life) and Caroline Connellan (Wealth).

As part of transforming the business, a strategic review of the Wealth business was undertaken in 2023 and concluded that M&G's competitive position in the wealth market was not sufficiently strong to ensure profitable growth without committing significant further resources, and as a result M&G decided to exit the adviser digital platform (M&G Wealth Platform) in order to focus and rationalise its Wealth strategy. This includes growing the distribution of its own solutions through the group's restricted advice channel and independent advisers, and making its own propositions more accessible on third party platform.

The Wealth segment became more closely aligned to the Life business under this strategy, with these business areas brought together under the leadership of Bolton in 2024, with Connellan moving into a strategic adviser role and set to leave M&G at the end of 2024.

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Investment Funds Direct Ltd

BASIC INFORMATION

Ownership & Control
M&G plc

Year Established
Incorporated in 1982

Country of Registration
UK

Head Office
10 Fenchurch Avenue, London EC3M 5AG

Contact
www.mandg.com/wealth/platform/contact

Key Personnel

Role	Name
Group Chair	E Braham
Group CEO	A Rossi
Group CFO	K McLeland
CEO, M&G Wealth and Life segments	C Bolton
CEO and Exec Director, IFDL	R G Denning
CFO and Exec Director, IFDL	T F Bischler
Wealth Operations Manager	J Randall
Chief Information Officer	P Amass
Sales Director	R Spella
MD - Digital Wealth	R DeBruyn
Chief Risk & Compliance Officer	G Webb
Customer Service Director	H Curtis

Company Background
IFDL is authorised and regulated by the FCA, with permissions to establish, operate, and wind up personal pension schemes, and to provide services to advised retail clients. IFDL was founded in 1982, and launched the first online fund supermarket in December 1999 under the trading name FundsDirect. In 2004, a number of IFAs and a management team collaborated to found an independent wrap platform. This new proposition acquired IFDL - from Egg plc - in 2005 and launched under the trading name Ascentric in 2006. In 2008, IFDL became a member of the London Stock Exchange.

In 2007, Royal London acquired 90% of Wrap IFA Services Ltd, of which IFDL was a subsidiary, acquiring the remaining 10% from management in 2014. In 2015 IFDL sold its direct to consumer service, FundsDirect, as it was considered not core to its ongoing business strategy.

Royal London appointed a new CEO in 2019 and a subsequent strategic review led to the sale of Wrap IFA Services Ltd and its subsidiaries to M&G plc, the sale completing on 1 September 2020.

Three wholly owned nominee companies provide trustee/nominee services - Fundsdirect Nominees Ltd and Fundsdirect ISA Nominees Ltd acts solely as the nominee company for the holding of client assets, and IFDL Personal Pension Ltd is the trustee responsible for the running of in-house SIPPs.

In 2024, M&G announced plans to exit the advised platform market, which means that IFDL, the provider of the M&G Wealth Platform, will be sold or wound down in due course.

OPERATIONS

Governance System and Structure

There has been a strong governance culture since establishment of Ascentric/IFDL. This has been refined and broadened out with specific input from M&G group in recent years, and governance has enhanced visibility throughout the operation. IFDL has a governance structure which supports its status as a solo regulated entity, comprising first line and second line forums, with further reporting to Group where required.

The IFDL Board has responsibility for the overall strategy and risk governance and management of IFDL; the Board is made up of a mix of Executive and Non-Executive Directors and is responsible for reviewing the manner in which IFDL implements and monitors the adequacy of the Risk Management Framework (RMF). An IFDL Governance Framework is in place to oversee all key activities, and supports the IFDL Platform Management & Risk Committee (PMRC) and the IFDL Board. The PMRC was previously delivered as two separate committees but these were combined in 2024 and the PMRC aligned to the quarterly IFDL Board meeting cycle. The following committees support the PMRC:

- Customer (combining the previous Operations and 3rd Party Oversight committees)
- Finance & Regulatory (combining the previous Finance, Capital & Liquidity Committee with Regulatory Committee)
- Change & IT (previously Change Steering)
- Propositions Steering

The Investment Firm Prudential Regime replaced IFPRU on 1 January 2022 when all MiFID investment firms authorised and regulated by the FCA were required to be compliant with the underlying rules detailed in the new FCA Handbook section, MIFIDPRU.

As a regulated entity, IFDL is obliged to hold capital on a standalone basis from the rest of the M&G group. Under MIFIDPRU rules, the Overall Financial Adequacy Rule states that IFDL must at all times hold own funds and liquid assets which are adequate to maintain the business throughout the economic cycle. IFDL carries out an ICARA process and document the results in order to identify and manage potential material harms that may arise from the operation of their business, and to ensure that the operation can be wound down in an orderly manner. The ICARA is undertaken in accordance with MIFIDPRU rules and used to assess own funds requirement, concentration risk and liquidity and to ensure that IFDL holds own funds and liquid assets that are adequate for the business undertaken. Actions arising from a 2022 supervisory review (SREP) visit were addressed and closed with the FCA.

Consumer Duty is seen as a key area for the business as it continues to focus on the creation of value for the customer. The board held a number of discussions during the year to consider and approve a plan to implement the Consumer Duty throughout the business, and the Life and Wealth businesses had a suite of customer outcome management information in place to support the implementation. The platform is committed to maintaining a customer-centric culture and embedding client focussed outcomes within its objectives, and provides a Consumer Duty Hub via its website with access to value assessments, target market documents and other key information about its products, providing advisers with information to assess overall value to combine with the service they provide to clients.

Risk Management

The IFDL Board of Directors has responsibility for the overall strategy and risk governance and management of IFDL, with ultimate responsibility for defining the IFDL risk appetite, benchmarks, tolerances and controls. Systems of internal control are designed to ensure effective operations, including financial reporting, and compliance with laws and regulations. The IFDL Board consider IFDL's Risk Management Framework (RMF) to be appropriate for a solo-regulated entity and appropriately aligned to the overarching M&G RMF.

The risk management structure is based on the 'three lines of defence' model. Primary responsibility for risk management lies within the first line of the business and specialist operational process functions. There are a number of first line governance committees which support the three lines of defence model; all of which meet at least monthly.

The first line business areas identify and manage risks in accordance with agreed risk appetites, and are overseen by the second line Risk Management and Compliance functions. The second line is structurally independent of the first line, providing risk oversight, advice and challenge; IFDL has dedicated staff in relation to each function, with further support provided by specialist second line functions from within the M&G group.

The third line of defence is the group Internal Audit department, which provides independent assurance on the adequacy and effectiveness of IFDL's risk management and major business process control arrangements.

A Risk & Control Self-Assessment (RCSA) reorganisation project was completed in Q1 2024, ensuring a risk aligned reporting structure is in place. The first attestation under this was completed in Q2 2024, with all controls within IFDL assessed as part of the return. A number of actions are subsequently underway to address findings. IFDL's annual Key Control Assessment programme was completed in 2023 and is on track for 2024.

Administration

The platform rolled out a new service target operating model in 2021 which was more closely aligned with its sales model. Administration is principally now structured into four teams, geographically and for white labelled relationships. Advisers have a dedicated Business Development Manager with consultants to support on-boarding, functionality updates and training. Regionally aligned Customer Service Consultants provide support with day-to-day queries as well as managing the pipeline of new applications. Technical experts are available to support specialist queries i.e. pension/SIPP related.

The M&G Wealth Platform is a member of the London Stock Exchange and has its own in-house stockbroking desk. This does differentiate it from many other platforms, as it is not limited to placing bulk trades once a day but can deal in real time throughout the trading day, giving more control over exactly when it buys and sells and so generating savings for clients. Wholly owned nominee companies provide trustee/nominee services.

The business has continued to invest in infrastructure, to optimise systems and processes to ensure excellent, resilient service. These include:

- IT infrastructure - investment in servers that give much increased computing power, with the ability to handle more than double the number of clients and volume of assets it currently has. These systems also have a much higher level of information security in its data centres, and the new IT systems will allow faster, regular improvements to be delivered to customers
- Cloud-based telephony system - a telephony system from Avaya has led to much improved call answering rates and call abandon rates, and the system delivers management information about call activity and makes it much easier to pass on enquiries and requests, by allowing agents to see instantly if the relevant colleague is available
- Cloud-based Customer Relationship Management (CRM) tool - the Avaya system has combined with Salesforce CRM Cloud, which will allow the platform operations team to maintain an audit trail of every client interaction, enabling agents to be much better informed about their clients when they get in touch
- Online business processing - the business continues to invest in the digitisation of key processes, including the introduction of DocuSign e-signature software and drip feed drawdown as part of its retirement proposition

The platform interface allows it to plug into any adviser back-office software system, so paraplanners are able set up new business, conduct fund switches and other platform tasks directly through all major financial planning and wealth management technology systems including Iress, Intelliflo, Time4Advice and Salesforce. Firms will be able to take data feeds for their customer portals directly from M&G Wealth Platform without the need for any additional file uploading.

Benchmarks

The M&G Wealth Platform is a Defaqto 5 Star Adviser Platform in 2024 and also received a Defaqto Silver Service Rating. The platform achieved a 2* award in the Financial Adviser Service Awards (FASA) 2023, down from 5* in 2022.

At the Professional Paraplanner Awards 2022, M&G Wealth's Technical team were awarded 'Best Technical Support' for the sixth year running. M&G plc was awarded 5* in the FASA 2022 and was Company of Year 2022.

Outsourcing
Back office technology and administration is outsourced to Bravura's Sonata solution, this being the focus of the re-platforming by Royal London between 2013-2019.

Access to other services on an outsourced basis includes access to the Fund Research Centre, Portfolio X-Ray and total cost of Wrap tools (all powered by Funds Library) and integration with FE Analytics to enable portfolio analysis. FinoComp (now part of Bravura) is also used.

STRATEGY

Market Positioning
The M&G Wealth Platform continues to be focused on the needs of small and medium sized adviser firms and wealth management businesses, and it currently contracts with around 1,800 adviser firms representing 100,000 private investors. M&G Wealth Platform is built to support the whole client proposition, from pre-retirement to post-retirement with an intergenerational wealth solution in its family linking service.

As well as the standard M&G Wealth Platform, intermediary distributors and product providers can choose a branded version or a full white label offering. White label business is significant, with AuA of £4.1bn as at 31 December 2023 (around 25% of total IFDL AuA), down from the prior year end £6.8bn (43% of total IFDL AuA) due only to a white label partner moving into the M&G Wealth branding.

Work has been undertaken to improve coverage and alignment to 'holistic' financial adviser firms - a growing segment of intermediaries focusing on financial / tax planning for HNW customers rather than solely investment advice.

In September 2020, the platform became part of the newly established M&G Wealth Management division, alongside Prudential Financial Planning, and the M&G Direct funds business. The segment has continued to evolve and is now known as M&G Wealth, providing a range of retirement, savings and investment management solutions to its customers. The M&G Wealth Platform has been a key element of the value chain, providing support to the spectrum of multi channel advice through the same underlying technology and familiar client experience.

Alongside the platform proposition in the Wealth segment sits the Advice proposition, consisting of M&G Wealth Advice (previously Prudential Financial Planning) plus acquisitions of The Advice Partnership, Sandringham Financial Partners and Continuum. In support of its wider strategy in respect of advice, M&G Wealth launched its Wealth Advice Academy to train new advisers, and M&G also has an IFA buyout scheme.

M&G hoped to create a business of presence in the market with the capability to scale. Access to a version of the PruFund was made available via the platform, seen by M&G as a key differentiator, and M&G Wealth also provides model portfolios having acquired investment manager TCF Fund Managers LLP in 2022.

However, M&G confirmed in its H1 2024 interim report that it is exiting the adviser digital platform as part of restructuring the wealth business and will focus on distributing its propositions, including PruFund, through other channels; no further details of the plan for exit have yet been announced.

Proposition
The platform currently sits within M&G Wealth segment of M&G. M&G Wealth provides a range of retirement, savings and investment management solutions to its customers. All of the group’s products that give access to the UK PruFund investment proposition are included in the M&G Wealth division. The UK PruFund investment proposition gives customers access to savings contracts with smoothed investment returns and a wide choice of investment profiles.

Notwithstanding the planned exit from the advised platform market, M&G remains focused on continuing to provide its full range of investment administration services to financial advisers and their clients, including on-line dealing, valuation and custody. This includes white label versions (branded and full white label) as required.

The M&G Wealth Platform provides access to a series of tax wrappers for advisers in a financial planning environment. The GIA, ISAs, JISAs and SIPP are all provided by IFDL. Onshore bond products are provided by HSBC and Prudential.

Offshore bonds can be accessed via the platform, through Utmost International, Friends Provident International, IOMA and Canada Life International.

These propositions provide access to a range of in-house and outsourced investment management options, model portfolio and bespoke DFM options, with underlying investments in unit trusts, OEIC funds, investment trusts, bonds, shares, ETFs, and smoothed funds. In all there is access to 3,800 funds from over 330 fund managers, including over 100 DFMs. The PruFund product range has increasingly been leveraged as a key facet in the market, enabling both reach for engagement of new adviser firms, who are existing PruFund users, and more broadly as a differentiator.

A range of services are available to help advisers serve their clients at different stages of the investment journey:

- Family linking - allowing a range of family members to be looked after, with client portfolio values consolidated to calculate the group annual platform charge and charges applied proportionately
- Retirement planning - providing flexibility of choice on products, funds and portfolio construction
- Cash management - options for personal money management to client's preference

In terms of retirement planning, the platform provides flexibility of choice on products, funds and portfolio construction:

- Pre- and post-retirement solutions
- Flexible withdrawal options including drip feed drawdown and sequencing risk management
- Create your own portfolios, use multi-asset or model portfolios or outsource to a DFM
- Leading insight on Centralised Retirement Propositions (CRPs)
- Flexible cash management options

Tools and services for analysing client portfolios or managing client data are available including the Fund Research Centre, Portfolio Analysis (X-Ray), daily bulk valuation integrations with many adviser back office systems and tools; integration with FE Analytics to enable interrogation of client holdings and portfolio analysis; and an income forecaster tool. The business has been progressing its straight through processing capabilities and the roll out of its Digisipp, Docusign and Integrated Illustrations has added to the platform efficiencies and digital capabilities.

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2023

Own Funds Disclosures

		Dec 22 £m	Dec 23 £m
Available own funds		77.0	80.1
Own funds requirement (OFR)		21.2	19.6
Excess own funds		55.8	60.5
OFR coverage ratio (%)		364	409

IFDL is categorised under IFPR as a non-small and non-interconnected firm and meets the criteria to be classified as a significant SYSC firm. Throughout the financial year ending 31 December 2023, IFDL was compliant with the relevant capital regulatory obligations as outlined in the IFPR.

IFDL's capital resources comprise exclusively CET 1 capital. As at year end 31 December 2023, Own Funds had increased to £80.1m [2022: £77.0m], up by £3.1m reflecting largely an increase in Total Shareholders' Funds of £1.6m (to £87.7m) and a reduction in the deferred tax asset (deduction from CET1), down by £1.5m to £7.6m. See next section for further information on Shareholders' Funds.

The CRR under IFPR, based on the higher of K factors or Fixed Overhead Requirement (FOR), was the FOR at £19.6m at end 2023, and a resultant SCR coverage ratio of 408.7% [2022: 363.9%].

M&G plc as at 31 December 2023 had £4.5bn surplus Own Funds [2022: £4.6bn] and a Shareholder Solvency II coverage ratio of 203% [199%]. In its interim statements the Shareholder Solvency II coverage ratio had increased to 210% as at 30 June 2024.

Statement of Financial Position

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Assets	144.8	105.0	101.3
Current liabilities	(18.4)	(14.1)	(8.7)
Long-term liabilities	(1.5)	(4.9)	(4.9)
Net assets	125.0	86.1	87.7

Statement of Changes in Equity

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Equity at start of period	74.9	125.0	86.1
Movement due to:			
Share capital and premium	78.0	0.0	30.0
Retained earnings	(27.9)	(38.9)	(28.5)
Other	0.0	0.0	0.1
Equity at end of period	125.0	86.1	87.7

Net assets increased slightly in 2023 to £87.7m [2022: £86.1m]. This reflected losses of £28.5m in the year, offset fully by a capital contribution of £30.0m received [2022: £nil]. The major movements in net assets included an increase in cash of £16.3m, a decrease in debtors of £18.5m, partially offset by a reduction in short term creditors of £5.4m. Long term creditors (provisions for liabilities) were marginally increased on prior year.

Included in debtors is £12.7m [2022: £30.0m] owed by Prudential Capital Plc, an intra-group Treasury entity, representing a recallable on demand loan.

Long term liabilities overall were unchanged at around £4.9m although those in respect of rectifications (to resolve and remediate the defects and obligations arising from the re-platforming project and for its adviser rectification programme) decreased overall by £1.0m to £0.7m; and those in respect of liabilities for complaints, introduced in 2022, increased by £1.0m to £4.2m at 2023 year end.

Shares of £1.75m were issued to parent IFGDL at a premium of £28.25m (a total capital increase of £30.0m in 2023) increasing share capital in issue to £160.9m [2022: £159.2m] and the share premium account to £126.1m [£97.9m]. An 'other' reserve balance representing prior capital contributions of £67.5m was reduced to £nil with the balance transferred to the P&L reserve to net off fully the loss of £28.5m in the year. The negative P&L reserve therefore decreased from £238.4m in 2022 to £199.3m in 2023.

Income Statement

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Revenue	36.0	31.5	29.4
Other operating income	0.0	0.0	0.0
Operating expenses	(83.8)	(80.9)	(69.4)
Operating profit (loss)	(47.8)	(49.5)	(40.0)
Other gains (losses)	0.0	1.0	2.9
Profit (loss) before taxation	(47.7)	(48.5)	(37.1)
Taxation	19.8	9.6	8.6
Profit (loss) after taxation	(27.9)	(38.9)	(28.5)
Other comprehensive income	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Retained profit (loss)	(27.9)	(38.9)	(28.5)

Financial Ratios

	Dec 21 %	Dec 22 %	Dec 23 %
Operating margin	(133)	(157)	(136)
Pre-tax profit margin	(133)	(154)	(126)
Employee costs as a % of revenue	58	65	66

Turnover (largely platform charges) was down by 7% to £29.4m [2022: £31.5m], and administration expenses were down by 14% to £69.4m, a decrease of £11.5m. This resulted in an improved operating loss of £40.0m [2022: £49.5m]. Within expenses, staff costs reduced by 4% to £19.5m [2022: £20.3m] with the average monthly numbers of staff decreasing from 355 (restated to remove overseas staff not employed by IFDL) to 342 in 2023.

IFDL reported an adjusted operating loss of £20.9m for 2023 [2022: loss £16.0m] after ongoing restructuring and other costs related to the separation of the platform from its previous infrastructure and continued investment for growth; these costs decreased from £32.5m in 2022 to £16.2m in 2023. The operating loss was slightly offset by higher interest income of £2.9m in 2023 [2022: £1.0m]. The resultant loss before tax for IFDL was £37.1m in 2023 [2022: loss before tax: £48.5m] and was in line with M&G's expectations for the business, with the ongoing costs continuing to skew more towards investment in the platform to provide foundations to deliver long-term growth, it stated.

Statement of Cash Flows

	Dec 21 £m	Dec 22 £m	Dec 23 £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	37.9	(37.0)	16.3
Cash and cash equivalents at end of period	94.5	57.5	73.7

Assets under Administration (AuA)

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Assets at start of period	16,337	17,529	15,602
Inflows	1,775	1,432	1,408
Outflows	(2,100)	(1,596)	(1,931)
Net market and other movement	1,517	(1,764)	1,128
Assets at end of period	17,529	15,602	16,207
Growth rate (%)	7	(11)	4
Net inflows as % of opening AuA	(2)	(1)	(3)

No cashflow statement is produced at the level of IFDL but balance sheet cash increased by £16.3m.

AuA and net new business flows are KPIs for the platform and are reviewed regularly by management and board. 2023 saw resilient gross inflows of £1.4bn [2022: £1.4bn] however outflows remained significant at £1.9bn [2022: £1.6bn] and resulted in a net outflow of £0.5bn [2022: net outflow £0.2bn]. Improved market performance saw AuA increase by £0.6bn overall to £16.2bn as at 31 December 2023 [2022: £15.6bn], and as at 30 April 2024 it had risen to £16.3bn.

As at 30 June 2024, the M&G group reported AuA/M of £346bn [30 June 2023: £333bn].

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 any specifically onerous element such as with profits realistic balance sheet position, 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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