

Platform Assets Pick Themselves Up Off The Canvas

How did platforms fare having taken a hit

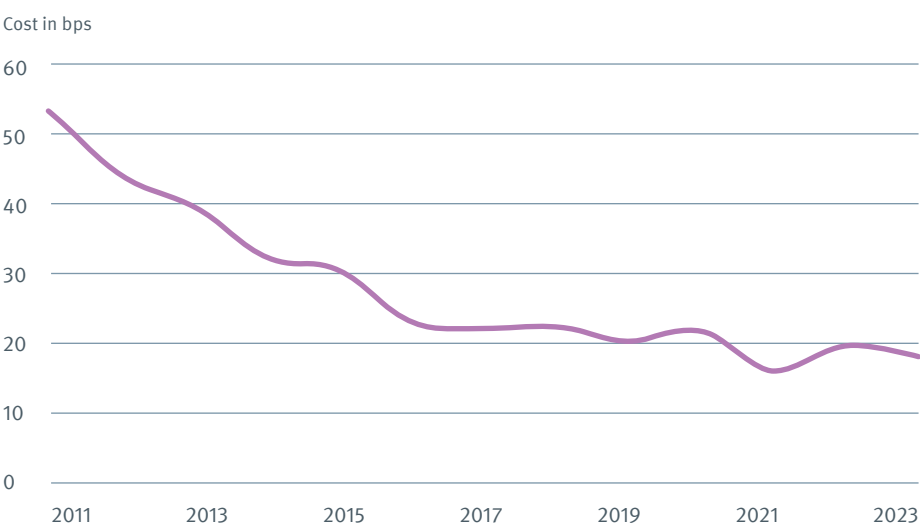


Platform run costs across the industry

It's that time of year again! As 2024 draws to a close, we've dived back into our platform stats once more, and, having worked our way through the published platform results for 2023, looked at how the industry fared following a tough 2022.

In positive news, our analysis shows that the cost of running a platform, when expressed in bps per £AuA, fell year-on-year, sitting at just shy of 18.5bps at the end of 2023. Although still some way off the 16bps seen in 2021, this is an encouraging sign. An increase in total platform AuA is again a key driver of this figure, but it also suggests operating costs normalised somewhat during the period.

Platform Industry Cost in bps



Total AuA and revenue in bps both moving in the right direction

2023: £1,066bn



2022: £979bn

2023: £2.77bn



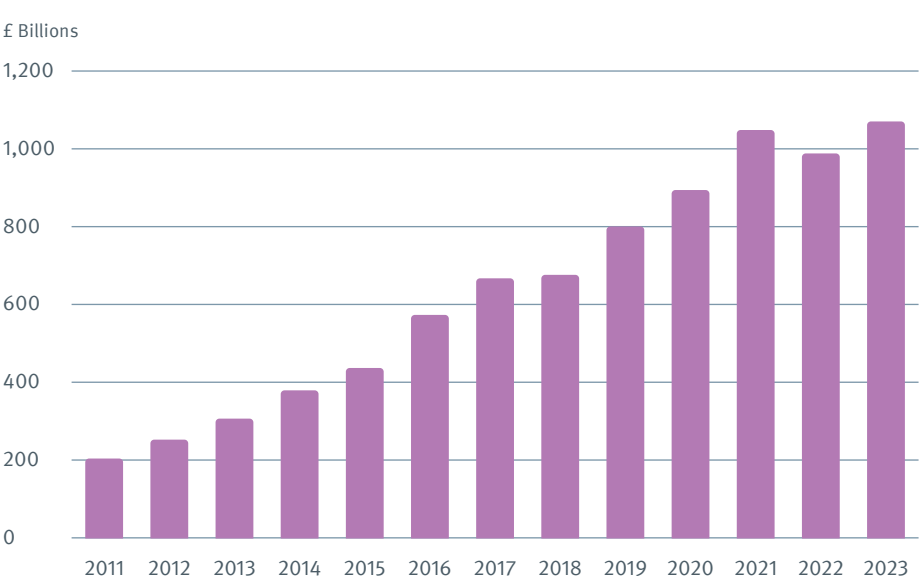
2022: £2.38bn

2023: 26.0



2022: 24.3

AuA Growth

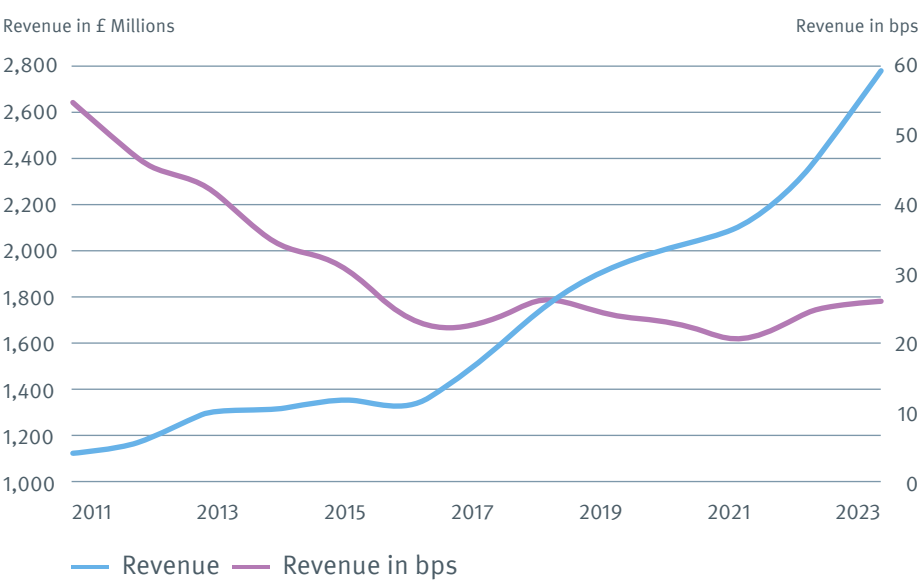


In the wake of falling markets and depressed asset valuations at the end of '22, 2023 provided some light relief when it came to platform market AuA. Whilst it was undeniably a year to forget for many platforms on the flows front, rallying markets pushed industry asset levels to their highest on record.

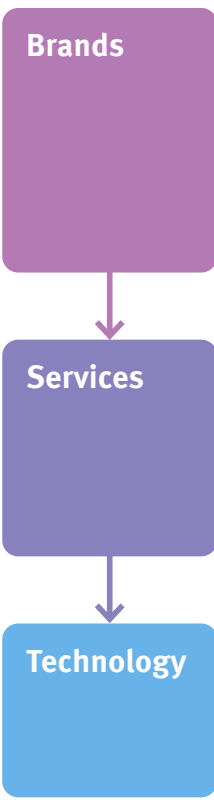
The value of assets sitting on platforms* at the end of 2023, having fallen back below £1tn in 2022 to £979bn, sat at £1,066bn; an increase of 9% year-on-year.

Revenue growth also told a positive story, up 16% year-on-year, or 7% when expressed in terms of bps per £AuA. As we touched on in our last look at the numbers however, the topic of platforms benefiting from increased margins on client cash balances continues to pique interest. In the here and now, published AuA figures suggest industry assets have continued to rise year-on-year, though gross and net flows have been flatter than many would like. Stabilised inflation and interest rates have meant a return to cash and annuity for many people, which will have dampened flows. Recent changes around IHT and pensions will also affect the shape of flows into platforms, with bonds getting more attention. It is early days but as private markets start to feature in the retail market this may also drive future asset flows.

Revenue vs Revenue in bps



Key suppliers and participants in the platform market



There are a wide variety of platform market brands in the UK, and we see those newer market entrants, such as Fundment and Seccl, continuing to gain traction. With newer tech that is both cheaper and more efficient to run, these players are well positioned to reduce their cost base and maintain margin. Advisers may also look to these newer platforms in a bid to reduce total cost to their clients, thereby preserving the assets under advice and demonstrating further value to their clients.

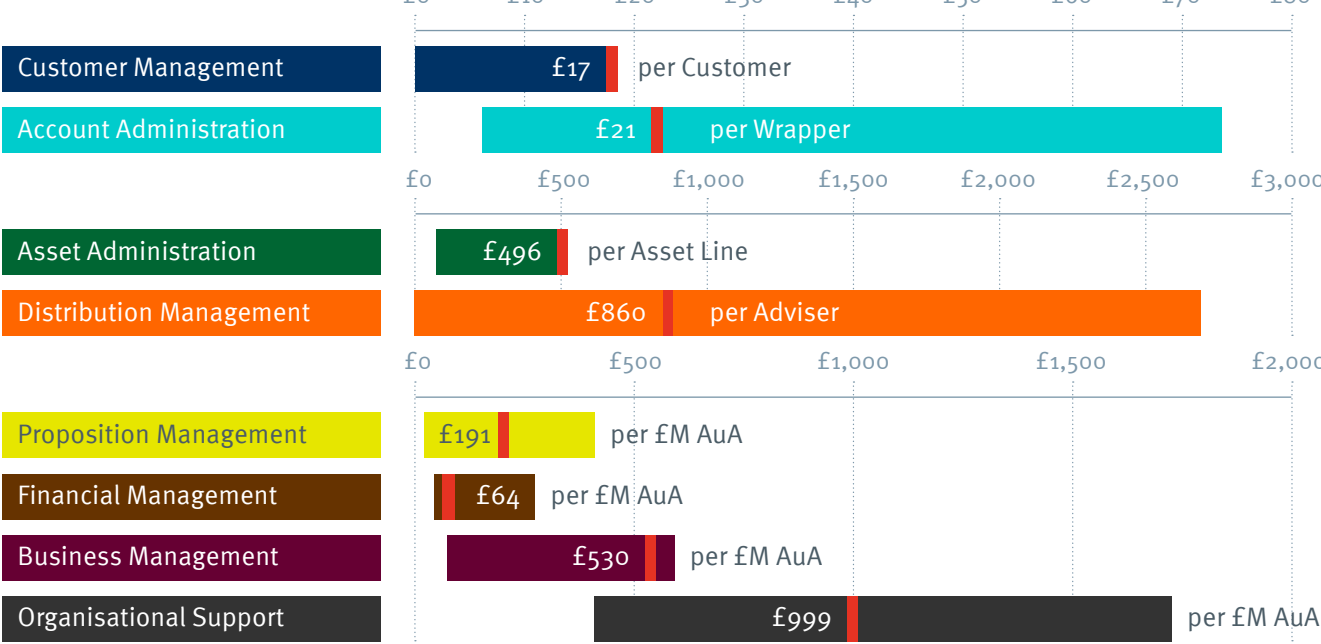


Building the cost picture

Through our structured industry reference models, Altus has developed a robust approach to understanding the costs linked to all the activities needed to run a platform, and what this looks like across the industry.

Using the Altus reference capability framework as a canvas, cost is broken down across major capability areas giving a complete and comparable categorisation of wrap platform outlays.

If you'd like to know more about our platform benchmarking, please contact us at: enquires@altus.co.uk



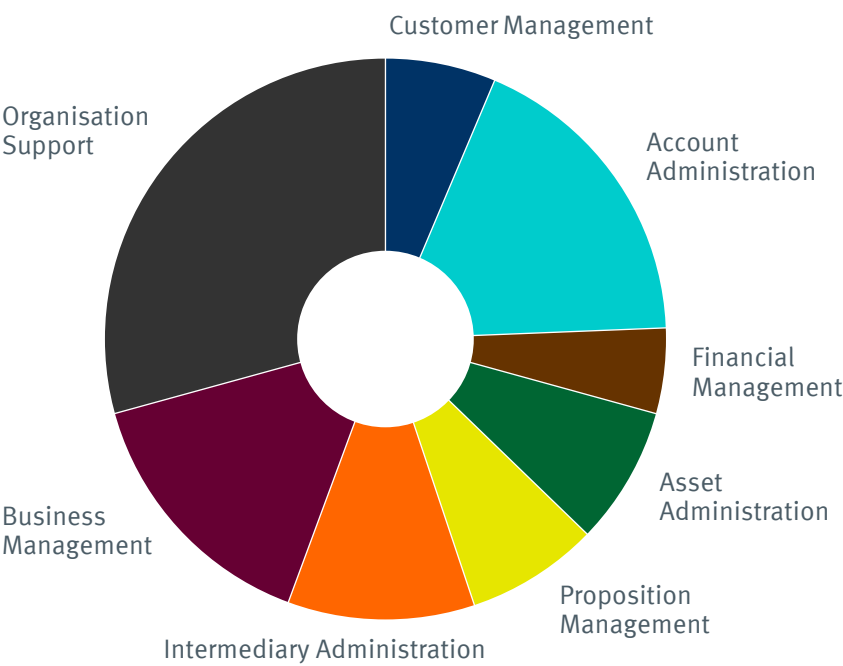
Typical platform cost breakdown

Platform efficiency is about more than just Operations. When Altus analyses costs for our platform clients, we typically find that operational processing accounts for less than half the total spend, especially where a platform has achieved significant scale.

The precise distribution of the non-operational costs varies, but the broad shape is summarised to the right. Some of the common hot spots include change, proposition, sales and, of course, IT. The latter can be stabilised, though not eliminated, however the remainder warrant a deeper investigation.

What Altus often observes is a significant amount of spend in terms of IT and core support activities (grey and burgundy) as well as expensive sales and support teams (orange), but much less spent on developing products and other areas of the proposition.

Benchmark Average Run Costs (as % of total)



To download our latest platforms whitepaper, **Difference & Differentiation: What next for investment platforms?**, please [click here](#).