ISSUED 01 November 2023

DFM SECTOR

Sarasin

FINANCIAL STRENGTH ASSESSMENT

Analysis by AKG Financial Analytics Ltd

Accessible • Comparative • Independent

AKG

ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

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

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

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

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Guide

Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG B
FINANCIAL STRENGTH RATED
DFM SECTOR STRONG
SARASIN & PARTNERS LLP

Supporting Ratings

	Service	Image & Strategy	Business Performance
Sarasin & Partners LLP	★★★★	★★★★	★★★★

SUMMARY

- Sarasin & Partners LLP (SPLLP) is an FCA regulated provider of investment management and related services, supporting charities, private clients, institutions and intermediaries in the UK and overseas
- Part of the J. Safra Sarasin private banking group domiciled in Switzerland, SPLLP is one of the group's main operating subsidiaries, and the principal UK business, with AuMA of £18.8bn as at 30 June 2023
- Alongside the ultimate ownership, the DFM business derives a long term management style and cultural orientation from its 'partnership' status, with around 40% of the voting rights held by individual members
- For financial advisers in the UK, SPLLP provides outsourced investment solutions including bespoke and model / managed portfolios
- In 2022, gross inflows were at a record high (£3.0bn) but all areas of the business were impacted by the market downturn and a decline in investment performance
- SPLLP seeks to grow and protect capital for its clients and believes that sustainable returns depend on long-term investments and proactive stewardship; this stewardship is embedded in the investment process along with increased ESG capability
- It also hopes to provide the best possible environment for its staff to flourish, with employee briefings and forums for communication, and proactive diversity and inclusion initiatives
- The LLP's revenue increased by 2.4% in 2022 to £82.5m with growth in core management fee income (despite reducing AuMA in the year) offset in part by a reduction in performance fee income
- Against a regulatory capital requirement of £9.9m, SPLLP held capital of £21.4m, providing coverage of 215% at the year end 31 December 2022
- SPLLP is a well performing UK based investment management subsidiary of a fairly substantial and well capitalised Swiss private banking business

COMMENTARY

Financial Strength Ratings

Sarasin & Partners LLP

In terms of regulatory capital, SPLLP contributes substantially to the consolidated position of the UK group. The LLP capital requirements are determined by the members and are reviewed regularly to ensure that there is sufficient working and regulatory capital for the foreseeable future, it states. Members have invested in the business via unit capital in the LLP and shares in the LLP's intermediate holding company, S.I.M. Partnership (London) Ltd (SIM). The amount of LLP member's drawings is set each financial year, considering the working and regulatory capital requirements of the LLP, and significant support is available from within the UK group and the wider banking group as necessary.

During the pandemic, the business showed good financial resilience in respect of market volatility and operational capability, with full continuity maintained by itself and its service providers through evolving operating models, including home / hybrid working. The LLP appears to be well positioned to withstand the impact of any further developing events, and to maintain operational and financial resilience throughout.

SPLLP's total balance sheet assets decreased to £60.1m during 2022 [2021: £68.4m] with cash at bank reducing by £3.6m to £28.1m. Liabilities (excluding loans and other debt due to members) reduced slightly to £23.1m [2021: £25.5m]. The loans and other debt due to members decreased by £4.5m to £17.9m [£22.4m]. A reduction in the accrued incentive pool and lease liabilities was offset partly by an increase in trade and other payables, the business stated. Members' capital classified as equity increased during 2022, following a £1.2m capital contribution by the immediate parent SIM.

Under IFPR, SPLLP's regulatory capital (Own Funds / CET1) is disclosed as £21.4m against a capital requirement (Own Funds Requirement, OFR) of £9.9m, providing coverage of 215.4%. This is a satisfactory level against a requirement of 100% and no published internal minimum levels. Directly comparable figures are not available for prior years as the disclosure had been made under CRD IV on a consolidated basis at the level of Sarasin (U.K.) Ltd.

As at 31 December 2022, the Bank J. Safra Sarasin (BJSS) group was ranked as the 5th largest banking group in Switzerland by Tier 1 capital, holding more than twice its regulatory requirement. The consolidated balance sheet at that date reflected increased net assets of CHF 45.6bn (c. £40.7bn) including liquid assets at CHF 15.0bn (c. £13.4bn). It reported an increased CET1 ratio of 44.1% as at 31 December 2022 [2021: 38.7%].

Service Rating

Sarasin & Partners won the Investment Management Award for the second year running at the Charity Times Awards 2022. The firm were also winner of IFA Magazine's 'Best Client Service in MPS' award in 2022, and prior to this won the Client Service Quality - HNW Award at the 2021 and 2020 PAM Awards.

The business states that it prioritises delivering robust investment performance for its clients and plans to continue growing its distribution capability and product offering, whilst investing further in digital transformation, in the pursuit of its principal purpose of delivering strong, long-term investment performance and exceptional client service. Client communication was prioritised during the pandemic and the business ensured that portfolios were as well positioned as possible throughout.

Enhancing the client experience remained a priority in 2022 and a second phase of developments on its online Sarasin Partners Client Portal, launched in 2022, was released in the year.

Sarasin & Partners states first-class support to financial advisers is at the heart of the Sarasin Model Portfolios proposition, with access to a dedicated business development team and a direct line to its sales support desk.

Image & Strategy Rating

Sarasin & Partners' strategic aims for 2022 reflected a continuation of the growth agenda stated previously. In addition to the continued focus on retaining talent and staff development, this strategy included: evolving the asset management structure and implementing a global equity product suite; continuing the buildout of the Institutional division; and enhancing the operational and support platform to make it scalable and fit for the future. The board of SPLLP was satisfied with the development of the business against its strategic objectives and business initiatives in 2022, against the backdrop of a turbulent market environment.

Developments over the year also included Sarasin & Partners' work on Consumer Duty. In this, a front foot approach was demonstrated with deep dives into aspects such as the 'Value of Services'. The business's own work was then also subjected to independent external review. The outcome of the exercises showing an existing strong approach and one which the business believes positions it well amongst peers, as a potential point of difference.

In terms of the evolution of the asset management structure, a Chief Market Strategist role was established, and ESG capability was enhanced during the year in terms of capability and processes. The business believes that sustainable returns depend upon long-term responsible investments and proactive responsible stewardship that is not only a core value, but also fundamental to Sarasin & Partners' investment offering, with three pillars to its approach:

- A robust, thematic, global investment process focused on long term value drivers
- Active engagement with the companies invested in
- Policy outreach where the business believes it can play a positive role in shaping markets and regulation

Work continued on the design of a 'new normal' business model, taking account of the operating experience through the pandemic. Further operational enhancements continued in project and change management, as well as finance restructure and automation. However, some development activity had to be re-prioritised during the year following a data security incident. The business reported that the incident had been closed during the year, to the satisfaction of the FCA and the Information Commissioner's Office, albeit at a cost of c. £2m to the business.

Looking forward, the business management stated that it is continuing its growth strategy whilst prioritising investment performance for clients. The evolution of the asset management structure is to continue and the business will enhance risk and oversight controls, grow distribution capability and develop the product offering, alongside ongoing investment in digital transformation.

Business Performance Rating

Investment performance in 2022 was impacted by turbulent markets, with absolute returns down across SPLLP's various investment strategies. AuMA was down by 12.8% during the year, closing at £18.3bn [2021: £21.0bn]. Gross new business inflows were at an historic high of £3.0bn but gross outflows were also high, with net inflows for the year of £0.2bn overall [2021: net inflows of £0.5bn].

On a divisional basis, all areas of the business saw their asset bases decrease to some extent in the year:

- The Charities division ended the year with £8.2bn AuMA, a decrease of 10% on 2021 (£9.1bn), with investment performance partially offset by £0.3bn of net new inflows. The division maintained its position as a market leader in the not-for-profit and charities sector in the UK.
- The Private Client division ended the year with £4.7bn AuMA, a decrease of 13% on the prior year [£5.4bn], attributable to investment performance.
- Retail (Third Party Distribution) ended the year at £2.2bn [2021: £2.3bn], with continued growth in regional distribution capability contributing to net new business inflow of £0.4bn.
- The Institutional division ended the year at £1.5bn [2021: £1.6bn], with continuing focus on infrastructure enhancement supporting growth in distribution and contributing to £0.1bn in net new business.

The LLP's revenue overall increased by 2.4% to £82.5m for the year [2021: £80.6m] driven by 12.5% growth in its core management fee income to £32.4m across segregated portfolios. This was offset in part by a reduction in performance fee income. Management fees from funded solutions (UK, Ireland and Luxembourg) fell marginally by -0.3% in aggregate to £49.9m for the year.

Alongside the 2.4% (£1.9m) growth in revenue year-on-year, LLP administrative expenditure increased by 3% to £47.4m [2021: £45.8m]. This included £2.0m of exceptional expenditure related to the data security incident during the year. Cost control was achieved notwithstanding the inflationary environment and planned increase in headcount in line with the growth strategy of the business. Overall LLP operating profit increased by 12.7% to £42.5m for the year [2021: £37.7m], primarily through an increase in profits distributed to the LLP by its trading subsidiaries. The LLP allocated profit earned to Members in full for the year, consistent with the prior year.

J. Safra Sarasin Holding Ltd saw group client AuMA decrease by 11.9% from CHF 224.7bn to CHF 197.9bn (equiv £179bn) due to negative market conditions, despite net new money inflows of CHF 4.0bn. Operating income rose by 10% from CHF 1.31bn to CHF 1.44bn (equiv. £1.3bn) in 2022 despite reduced results from commissions and service fees. Operating expenses reached CHF 753.2m (c. £673m) against CHF 702.4m (c. £569m) in 2021, reflecting continuous efforts to strengthen the group's client offering as well as the hiring of new teams to support the expansion of the group's activities. As a result, operating profit increased by 14% to CHF 688.3m (c. £615m) and the group net profit rose by 4% to CHF 440.2m (c. £393m) for the year 2022.

Group & Parental Context

BACKGROUND

With origins in the private bank J. Safra Sarasin group, Sarasin Investment Management was established in 1983 as a London-based asset manager with a focus on global, thematic investments. After acquiring Chiswell Associates in 2004, the business was known as Sarasin Chiswell, until it was converted to a partnership when Sarasin & Partners LLP was established in 2007.

Today it operates as an independent partnership based in London, serving a global investor base. The local partners and team own 40% of the equity of the firm, with the remaining 60% ultimately owned by Bank J. Safra Sarasin Ltd, the relationship governed by a partnership agreement with SIM, a subsidiary of the bank.

SPLLP is one of the main operating companies of the J. Safra Sarasin group. Private banking is a global growth market, presenting opportunities that the group actively seeks to exploit, with representation in more than 25 locations through Europe, Asia, the Middle East, Latin America and the Caribbean. All subsidiaries of group parent J. Safra Sarasin Holding Ltd are subject to consolidated supervision by FINMA, the Swiss Financial Market Supervisory Authority.

A key operating subsidiary of the group is Bank J. Safra Sarasin Ltd, founded in 1841 and now a leading Swiss private bank with offices in Basel (head office), Bern, Geneva, Lucerne, Lugano and Zurich, plus branches in Guernsey, Hong Kong and Singapore and representative offices in Israel, Turkey and Mexico. The Bank is recognised as a leader among full service banks in the private banking segment, offering personalised asset management and investment advisory services for private and institutional clients, and as at 31 December 2021 was responsible for managing over £182bn of assets.

Sarasin & Partners has a substantial presence in the UK, with £18.3bn of AuMA as at 31 December 2022, split between model portfolio services and bespoke discretionary investment management services.

The Sarasin UK Group comprises a UK prudentially consolidated group including:

- Sarasin (U.K.) Ltd (SUK): classified, on a consolidated basis, as a non-SNI MIFIDPRU Investment Firm under IFPR
- S.I.M. Partnership (London) Ltd (SIMPL): an intermediate holding company
- Sarasin & Partners LLP: FCA regulated non-SNI MIFIDPRU Investment Firm. Provider of investment management and related services and the principal operating subsidiary in the group
- Sarasin Investment Funds Ltd (SIF): FCA regulated Collective Portfolio Management Firm. ACD of OEICs and Manager of Sarasin Charity Authorised Investment Funds, an umbrella authorised Unit Trust registered with the Charities Commission
- Sarasin Asset Management Ltd (SAM): FCA regulated non-SNI MIFIDPRU Investment Firm. SEC-regulated. Provider of investment management and related services in the UK and US
- Sarasin U.S. Services Ltd (SUS): a service company (in course of closing - see below)

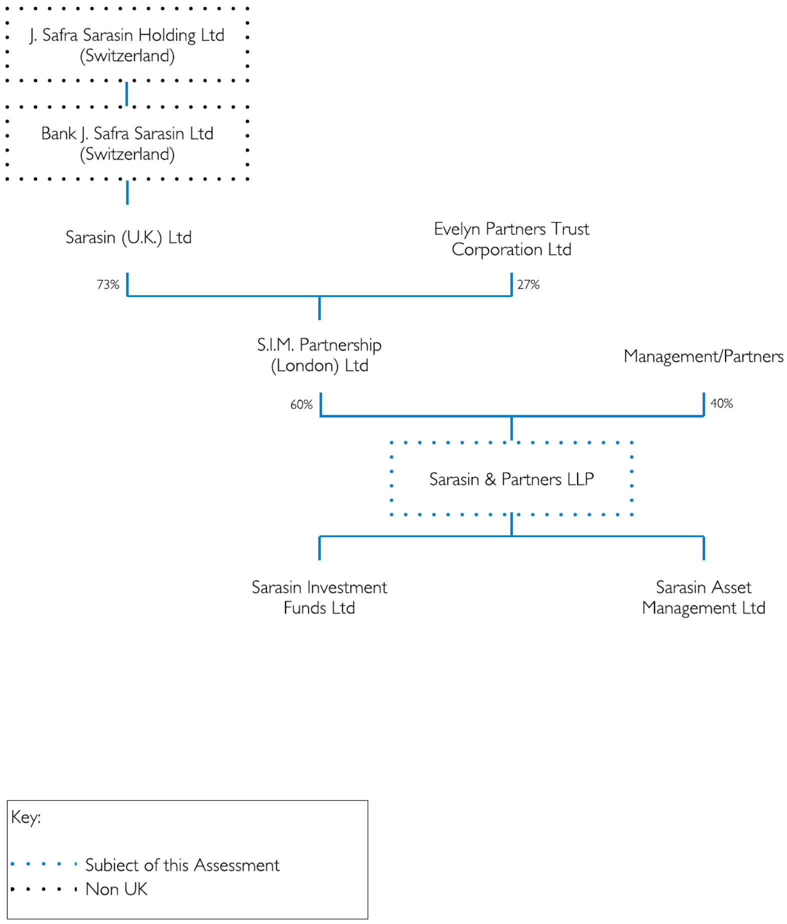
SUK is owned by the Swiss bank, BJSS, and holds 72.51% of the voting rights in SIMPL while 27.49% is held by its London directors. SIMPL holds 60% of the voting rights in SPLLP and 40% are held by the London members of SPLLP.

Both SPLLP and SAM are non-SNI MIFIDPRU Investment Firms and are required to make disclosures on an individual entity basis.

Regulatory developments in Ireland in respect of fund company governance, management, control and resourcing led to the business transferring the management and administration of its Sarasin Irish fund range from subsidiary Juxon Limited (formerly Sarasin Funds Management (Ireland) Ltd) to Waystone Management Company (IE) Ltd on 4 January 2022. On 23 March 2023, a liquidator was appointed to oversee the liquidation of Juxon Ltd.

Management intend to close indirect subsidiary SUS in due course following a strategic change in development activity in the US charity market.

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Sarasin & Partners LLP

BASIC INFORMATION

Ownership & Control
Ultimate parent - J. Safra Sarasin Holding Ltd, domiciled in Switzerland. The ultimate shareholders of which are Ms. Vicky Safra and her children.

Ownership is held via Bank J. Safra Sarasin Ltd and its wholly owned subsidiary Sarasin (U.K.) Ltd, which holds 72.51% of the voting rights (and equity) of S.I.M. Partnership (London) Ltd, which itself owns 60% of the voting rights (and 80% of the ownership) of Sarasin & Partners LLP. The other 40% is owned by the London members of SPLLP.

The following were Designated Members of SPLLP during the year: G.V. Matthews, J.G.E. Monson, and S.I.M. Partnership (London) Ltd.

Year Established
2007

Country of Registration
UK

Head Office
Juxon House, 100 St Paul's Churchyard, London EC4M 8BU

Contact
https://sarasinandpartners.com/contact

Key Personnel

Role	Name
Chair (non-exec)	D Belfer
Managing Partner	G V Matthews
Senior Partner	J G E Monson
Partner	R J Maitland
Partner, Head of Charities	M L Roberts
Partner, Client Affairs	H J Simons
Partner, Chief Economist and Head of Asset Management	S Subramanian
Partner, Chief Operating Officer	T J Temple
Partner, Head of Stewardship	N Landell-Mills
Head of UK Sales	C Cade

Company Background
The principal activity of Sarasin & Partners is the provision of specialist investment management services. The LLP continues to promote its services both in the UK and overseas to charities, private clients, institutions and intermediaries, and it is authorised and regulated by the FCA in respect of the conduct of its investment business.

Sarasin & Partners LLP is a non-SNI MIFIDPRU Investment Firm, which is a provider of investment management and related services and is the principal operating subsidiary in the Sarasin UK group. It was established in 2007 when it was decided that Sarasin Chiswell, a London based asset manager operating as part of the J. Safra Sarasin group, should be re-established as an independent partnership business.

Sarasin & Partners LLP has since grown to be a substantial asset management group that provides its services and support to charities (where it manages money on behalf of over 450 charitable clients across the UK), institutions, pension funds and private clients from the UK and internationally. It is known both as a leader in thematic investment and for long-term income and dividend management across multi-asset and equity mandates. Consistent with this longer-term approach is a commitment to 'stewardship' principles, embedding environmental, social and governance considerations into the investment process.

Bank J. Safra Sarasin Ltd is the ultimate owner of S.I.M. Partnership (London) Ltd which holds 60% of the voting rights in Sarasin & Partners LLP.

OPERATIONS

Governance System and Structure

The Board of Sarasin & Partners LLP has overall responsibility for the management of the business. It sets the firm's strategy but delegates implementation and day-to-day management duties to the Executive Committee. The Board is comprised of 25 partners, two independent Non-Executive Directors and two representatives from parent company, Bank J. Safra Sarasin. The Executive Committee is chaired by the Managing Partner and has representatives from key functional groups, including the Chief Operating Officer. This Committee is responsible for all decisions on matters that arise on a day-to-day basis, as well as implementing the agreed budget and strategy of the Board.

Significant changes have impacted the EU / UK financial services industry since Brexit, including the loss of passporting rights of UK firms under the Single Market Directives and the absence of mutual recognition of licensing regimes. Following the establishment of Memoranda of Understanding between the relevant regulators and national competent authorities, Sarasin & Partners LLP has been able to continue, as a UK entity, to provide investment management services in respect of EU managed funds.

Regulatory developments in Ireland in respect of fund company governance, management, control and resourcing led to the business transferring the management and administration of its Sarasin Irish fund range from subsidiary Juxon Ltd to Waystone Management Company (IE) Ltd on 4 January 2022, and Juxon Ltd is in course of being liquidated during 2023. The LLP continues to provide investment management and distribution services to the fund range. Regulatory developments continue to be closely monitored.

In 2020, the UK Stewardship Code came into effect, setting higher stewardship standards for asset managers, asset owners and service providers. Sarasin & Partners has complied with strong conviction to this code, on behalf of its clients globally.

Following a review of Sarasin & Partners' stewardship function in 2020, a Stewardship Steering Committee (SCC) was established in 2021 to provide a mechanism for ensuring effective oversight as well as cross-business input and support for the firm’s stewardship work. The Head of Stewardship (HoS) has responsibility for shaping stewardship activities and ensuring they are properly implemented. The HoS reports into the Head of Asset Management, and from 2021 has had additional oversight and input from the SSC. The HoS works closely with the Head of Global Equity, Head of Multi-Asset and Head of Research, who share responsibility for the delivery of Sarasin & Partners' stewardship work. The group updated its published UK Stewardship Code Report in April 2022 where it explains how Sarasin & Partners complies with the Code on behalf of its clients for all of its holdings globally.

Following the introduction of the FCA’s Investment Firms IFPR in the UK in 2022, the LLP is classified as a non-SNI MIFIDPRU Investment Firm and has updated its regulatory processes including capital resource and requirement calculations in line with FCA rules.

The business operates a Customer Services Outcomes Committee, responsible for the production of appropriate dashboard reporting, which feeds into other committees for consideration, as well as for annual reporting.

Risk Management

The LLP is part of the Sarasin (U.K.) Ltd group of companies which has a policy of identifying, assessing and responding to risks. The UK group employs a clearly defined, transparent and integrated system of risk management, as set out in the Risk Management Framework (RMF), covering all of the Sarasin UK Group’s business segments. The RMF is underpinned by a three line of defence model, risk management principles and a defined risk appetite which is articulated both in terms of qualitative statements of appetite and linked quantitative statements of appetite in the form of Key Risk Indicators or Key Performance Indicators. As part of the RMF, Sarasin undertakes an ICARA process to ensure that it holds financial resources adequate for the business that it undertakes.

Assessing and assuming risks are an integral part of any asset management business. The principal risks and uncertainties facing the LLP are set out below.

Direct risks to the LLP:

Operational Risk

Operational risk is identified, assessed, monitored and managed through the Group's RMF. The most significant operational risks facing the group, as documented in the latest ICARA, are data privacy; financial crime and fraud, cybercrime, legal, and regulatory (breach).

Credit Risk

Credit risk exposure is regularly reviewed and is managed in accordance with the risk appetite of the business via the application of policy set in relation to the type of counterparty used, the level of concentration allowed and, in the case of cash deposits, counterparty limits set.

Foreign Currency Risk

The LLP is exposed to foreign currency risk through its assets, liabilities, income and expenses denominated in currencies other than Sterling, where their positions are not hedged. Exposure is mainly restricted to the major global currencies. Risk is managed via the regular monitoring of the level, duration of contractual exposure to those currencies and movements in rates of exchange to Sterling.

Indirect risks to the LLP:

In addition to the principal direct risks detailed above, the LLP is also exposed to indirect risks arising from investments made and assets managed on behalf of customers. The achievement of a reasonable return on any investment inevitably entails a degree of risk tolerance in the long run, and given the volatility of financial markets, the quality of risk management is a crucial competitive factor in the industry; Sarasin & Partners believes the integrated system of risk management it employs ensures that the LLP is well placed to effectively manage these risks.

Administration

Bespoke client portfolios are managed on a discretionary basis, with complete discretion to act on behalf of clients in making, realising or otherwise dealing in investments in that portfolio without asking the client (unless otherwise agreed in the Client Investment Profile). Administration is provided in-house largely, with management charges to fellow Group companies comprising charges in relation to the provision of staff, property and administration services. Charges are calculated in accordance with an internal model, accrued monthly and recharged quarterly.

Distribution costs include commission payments to external intermediaries and distribution and commission payments to group companies for investor servicing. Costs are variable with AuMA and associated management fee revenue, and they are expensed over the period in which the service is provided.

Asset servicing costs include custodian service provision and research provided by third parties under contract. The cost of custody varies dependent on portfolio NAV, and the cost of research varies according to service consumption. All costs are recognised in the period to which the services relate.

Benchmarks
Sarasin & Partners have won various awards over recent years including:

- IFA Magazine - Best Client Service in MPS - winner in 2022
- Citywire Investment Performance Awards in conjunction with ARC - Best Balanced Portfolio Award for the Sarasin MPS Balanced portfolio in 2022
- Charity Times Awards - Investment Management - Winner in 2022 and 2021
- (Private Asset Managers) PAM Awards - Client Service Quality (HNW) - Winner in 2021 and 2020 (also shortlisted as a finalist in the Sustainable Investment Solution category)
- Citywire Adviser Choice Awards - Best Availability of Sustainable Investment Strategies - 2021 Winner

Sarasin & Partners has been consistent winners at the PAM Awards since 1999 for categories such as Quality of Reporting, Overall Service Quality, and Investment Performance.

Outsourcing
Minimal external third party contracts exist but under group arrangements, custody services have been delegated to either Bank of New York Mellon (London Branch) or, for clients who require an offshore custody service, BNP Paribas Securities Services S.C.A.

A client does have the option to appoint a third-party custodian directly, in which case a separate contract is signed and operational requirements between the custodian and Sarasin & Partners are clearly agreed.

STRATEGY

Market Positioning
As at 31 December 2022, SPLLP had AuMA of £18.3bn, of which the client base split was approximately: 43% held and managed for charities; 26% private clients; 12% Bank J. Safra Sarasin; 11% was categorised as third party distribution (managing regulated funds for third parties); and 8% was Institutional clients.

Sarasin Bread Street, formed by the acquisition of Bread Street Capital in 2022, is the private markets investment arm of Sarasin & Partners. It is focused on delivering and managing innovative, differentiated private market products for a full range of institutional and professional clients. Sarasin had been steadily increasing its clients' exposure to unlisted assets and the acquisition was considered a natural evolution of strategy that will allow Sarasin access to a wider and more differentiated range of private markets opportunities. During the year, the team commenced development of their investment programme.

The business has stated its core values, those most important to the way it manages its clients' assets, as:

- Partnership - looking after our investors' interests as if they are our own
- People - belief in the power of teamwork and that everyone matters, recognition that we are stronger together than as individuals with diversity in all forms strengthening us
- Stewardship - promoting long-term investment, actively working with our investment managers to secure a sustainable future and enduring value for our investors

The business believes strongly in Stewardship and believes that it demonstrates this through its implementation of its Stewardship Principles. It has published a Net Zero Action Plan 2022 'Making Net Zero A Reality' and a Corporate Social Responsibility Report 2021 which it hopes serves as a way for the business to measure the business' activities against its aims of securing tomorrow through a thematic investment approach, a commitment to stewardship, and long-term relationships with its clients.

In terms of internal employee communications and business culture, the executive management are keen to provide as much opportunity for staff as possible. A Diversity and Inclusion Committee meets quarterly and is responsible for promoting a culture where all stakeholders are accepted as individuals and treated fairly and respectfully, and aims to promote diversity and inclusiveness within the firm. The LLP's Intranet site contains details of the performance of the Group and items of general interest for employees. There are regular briefing meetings for all employees at which a presentation is made covering the salient features of the financial results, net new business flows and future plans and developments for the business. There is an opportunity at these meetings for employees to ask questions of the Members.

An Employee Forum meets every two months and enables effective communication between employees and senior management, raising new initiatives and issues of general concern to employees, and providing an opportunity to influence and be involved in current issues and decisions that are likely to affect employee interests.

Sarasin & Partners has taken a front foot approach to Consumer Duty with deep dives into aspects such as the 'Value of Services'. The business's own work was subjected to a further independent external review.

Proposition

From its London headquarters and presence in the US, SPLLP serves a global group of individuals, charities, advisers and institutions. Sarasin provides outsourced solutions for financial advisers which include:

- Bespoke DFM solutions - tailored arrangement where Sarasin creates multi-asset solutions to suit clients' unique needs
- Model portfolios - multi-asset portfolios providing access to five asset allocation solutions - giving the adviser more time to spend planning clients' strategies, while benefitting from Sarasin's specialist investment expertise and analysis
- Responsible model portfolios - through which Sarasin aims to preserve and grow clients' capital in a sustainable manner over time
- AIM portfolio service - offers exposure to growth opportunities in smaller businesses, allowing advisers to diversify investments with a tax-efficient listed strategy
- White-labelled funds and model portfolios - available across a number of strategies and asset classes, including Income, Growth, Multi-Asset and Target Return Strategies

Increasingly, and in line with the needs of larger adviser firms, the business is able to tailor its proposition for this channel. Using its dynamic asset allocation process, Sarasin draws upon the full range of asset classes to create bespoke portfolios, charity funds, model portfolios, funds of funds and unitised multi-asset funds. These can form either the core of a larger portfolio, or a complete investment solution in their own right.

The business takes a global, thematic approach to investment, finding opportunities within themes 'shaping the world of tomorrow'. It believes that responsible companies make better investments, and so embeds stewardship into the investment process.

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2022

Capital Resources Disclosures

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Available capital resources	16.1	33.2	21.4
Capital resources requirement (CRR)	10.0	11.2	9.9
Excess capital resources	6.1	22.0	11.5
CRR coverage ratio (%)	161	297	215

The IFPR was introduced in the UK with effect from 1 January 2022. The FCA Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) included rules requiring the disclosures made. The Sarasin UK Group comprises a UK prudentially consolidated group including SUK, SIMPL, SPLLP, SIF, SAM and SUS. Both SPLLP and SAM are non-SNI MIFIDPRU Investment Firms and are required to make disclosures on an individual entity basis.

Therefore, under IFPR, SPLLP now reports its individual position on regulatory capital and that is shown in the table above for 2022. Own Funds / CET1 is disclosed as £21.4m against a capital requirement (OFR) of £9.9m, providing coverage of 215.4%.

Prior to 2022, and reflected in the table above for 2020 and 2021, capital resources information was provided via consolidated Pillar 3 Disclosures published at the level of Sarasin (U.K.) Ltd group, and included all the entities above, plus the CBI regulated Sarasin Funds Management (Ireland) Ltd.

Statement of Financial Position

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Assets	56.0	68.4	60.1
Current liabilities	(29.8)	(43.3)	(37.7)
Long-term liabilities	(6.6)	(4.5)	(3.4)
Net assets	19.6	20.6	19.1

Statement of Changes in Members' Equity

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Members' equity at start of period	18.2	19.6	20.6
Movement due to:			
Members capital classed as equity	1.2	0.8	1.2
Retained earnings	0.0	0.0	0.0
Other	0.1	0.2	(2.7)
Members' equity at end of period	19.6	20.6	19.1

The LLP's total assets decreased to £60.1m during 2022 [2021: £68.4m] due to a combination of a marginal reduction in levels of accrued income and trade receivables, continued planned depreciation of non-current assets, including leasehold right-of-use assets and computer equipment, and a reduction in amounts due from Members. Cash reduced by £3.6m to £28.1m [2021: £31.7m]. Total liabilities (excluding loans and other debt due to members) reduced slightly to £23.1m [£25.5m] due to a reduction in the accrued incentive pool and lease liabilities, offset partly by an increase in trade and other payables. The loans and other debt due to members decreased by £4.5m to £17.9m [£22.4m].

Members' capital classified as equity increased during 2022, following a £1.2m capital contribution by the immediate parent SIM. The issuance of Long-Term Incentive Plans to employees and partners also increased the attributable value of the deferred equity and share option reserves.' Other' in the table includes an own units reserve of £2.8m.

SPLLP currently guarantees overdraft facilities of £5m for subsidiary Juxon Ltd (in course of being liquidated) and £2.1m for subsidiary SIF. SUK has provided a subordinated loan facility of £10m to the LLP, and the LLP has provided subordinated loan facilities of £2m and £0.5m respectively for SIF and SAM.

Income Statement

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Revenue	64.9	77.9	82.5
Other operating income	11.2	5.7	13.7
Operating expenses	(42.3)	(45.8)	(53.7)
Operating profit (loss)	33.8	37.7	42.5
Other gains (losses)	(0.3)	(0.3)	(0.1)
Profit (loss) before taxation and members' remuneration	33.5	37.5	42.4
Taxation	0.0	0.0	0.0
Profit (loss) after taxation	33.5	37.5	42.4
Other comprehensive income	0.0	0.0	0.1
Members' remuneration charged as an expense	(4.9)	(5.1)	(5.7)
Retained profit (loss)	28.5	32.4	36.9

Financial Ratios

	Dec 20 %	Dec 21 %	Dec 22 %
Operating margin	52	48	52
Pre-tax profit margin	52	48	51
Employee costs as a % of revenue	41	39	35

Partnership revenue principally comprises management fees receivable for the provision of discretionary investment management services to segregated clients and investment funds. Fees are generally based on a contractual percentage of AuMA or net asset value, calculated daily and charged either monthly or quarterly in arrears. In accordance with changing accounting rules, certain costs previously included in revenue (net) are now classified as cost of sales (including distribution, research and asset servicing costs); and management charges to fellow group companies were reclassified from revenue to other operating income - these changes reflected in 2022 above. Comparatives to 2021 below are on an adjusted, like for like basis.

The LLP's overall revenue increased by 2.4% to £82.5m for the year [2021: £80.6m]. This was due to growth in core management fee income, offset in part by a reduction in performance fee income. Core management fees grew by 12.5% to £32.4m across segregated portfolios. Management fees from funded solutions (UK, Ireland and Luxembourg) fell marginally by -0.3% in aggregate to £49.9m for the year.

SPLLP's administrative expenditure increased by 3% to £47.4m [2021: £45.8m]. This included £2.0m of exceptional expenditure related to the data security incident during the year. Adjusting for this, the underlying operating expenditure decreased by 0.1%. Cost control was achieved notwithstanding the inflationary environment and planned increase in headcount in line with the growth strategy of the business. Overall LLP operating profit increased by 12.7% to £42.5m for the year [2021: £37.7m], primarily owing to an increase in profits distributed to the LLP by trading subsidiaries, this dividend income up from £5.7m to £11.1m in 2022. Profit available for division among Members increased by 13.4% to £36.7m [2021: £32.4m]. The LLP allocated profit earned to Members in full for the year, consistent with the prior year.

Statement of Cash Flows

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Net cash generated from operating activities	34	41	48
Net cash used in investing activities	3	(1)	0
Net cash used in financing activities	(35)	(30)	(52)
Net increase (decrease) in cash and cash equivalents	2	10	(4)
Cash and cash equivalents at end of period	21	32	28

Assets under Management (AuM)

	Dec 20 £bn	Dec 21 £bn	Dec 22 £bn
Assets at start of period	15.1	17.2	21.0
Inflows	2.7	2.8	3.0
Outflows	(2.2)	(1.8)	(2.8)
Net market and other movement	1.6	3.3	(2.9)
Assets at end of period	17.2	21.0	18.3
Growth rate (%)	14	22	(13)
Net inflows as % of opening AuM	3	3	1

Cash decreased by £3.6m to £28.1m. The net cash used was mainly that distributed to members (£50.9m).

AuMA closed 2022 down by 13% on 2021 at £18.3bn. Gross new business inflow was reported as strong, contributing a historic high of £3.0bn to asset growth [2021: gross inflows of 2.3bn]; however gross outflows were also elevated, resulting in net inflows for the year at a level of £0.2bn overall [2021: net inflows £0.5bn]. In terms of market performance, global equities declined over the year and traditional asset classes all suffered losses.

On a divisional basis, all areas of the business grew their asset base over the year:

- The Charities division ended the year with AuMA of £8.2bn, a decrease of 10% [2021: £9.1bn], with investment performance partially offset by £0.3bn of net new inflows. The division maintained its position as a market leader in the not-for-profit and charities sector in the UK.
- The Private Client division ended the year with £4.7bn AuMA, a decrease of 13% on the prior year [£5.4bn], attributable to investment performance. Retail (Third Party Distribution) ended the year at £2.2bn [2021: £2.3bn], with continued growth in regional distribution capability contributing to net new business inflow of £0.4bn.
- The Institutional division ended the year at £1.5bn [2021: £1.6bn], with continuing focus on infrastructure enhancement supporting growth in distribution and contributing to £0.1bn in net new business.
- Investment originated intra-group from the group's ultimate parent saw a reduction from £2.6bn to £1.7bn, due largely to a high level of discretionary outflow.

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/dfm.

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

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

This is a participatory assessment.

RATING DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

ABOUT AKG

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

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

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

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