

H1 AUM +4% from quality manager with 8.6% yield

10th October 2024

AUM increased 4% over H1-25 (1 Apr 24 – 30 Sep 24) to £22.7bn from £21.9bn on 31 Mar 24. It was a half-year of two quarters with Q1 AUM up by 7.4% (net inflows: +£644m, investment performance: +£978m), while a more challenging and volatile market environment saw Q2 AUM down 3.5% (net outflows: -£172m, investment performance: -£655m).

The marginally negative net flows of Q2 (0.7% of AUM) were not a surprise for a period of investor nervousness, with UK investors withdrawing from equity funds in the latter part of the quarter (see page 2). And the negative investment performance of Q2 occurred in a period which saw an equity sell-off and a significant currency headwind on those assets held in US\$. Polar's reporting currency, GBP, strengthened by 6% over the US\$ in Q2 from 1.26 to 1.34.

At an individual strategy/fund level, Polar reported net inflows for its Emerging Market Stars vehicles (extending a run of net inflows for this high-performing team), Healthcare Opportunities, Japan Value, Artificial Intelligence and Biotechnology Funds, with combined net inflows of £393m in Q2.

September saw a new investment team join Polar and launch an [International Small Company Strategy](#). The team is led by Dan Boston, is based in the US and offers US investors access to a portfolio of mostly non-US small cap equities. It aims to boost US-sourced AUM (North American clients made up 1.3% of AUM on 31 Mar 24, with this market seen as a significant growth opportunity).

Marked to market performance fee profits stand at £0.7m, net of staff allocations, after deducting £1.0m of net PF distributions relating to prior accounting periods (deducted from FY25 for accounting purposes). This is slightly lower than our previous forecast of £1.9m. We remind readers that most performance fees crystallise in December, and there is no guarantee they will materialise.

Fundamental value remains 650p, undemanding PER of 12.6

Other than adjusting performance fees, forecasts are unchanged. We note our end-FY25 (31 Mar 25) AUM forecast is £23.5bn, only 3.5% above that of 30 Sep 24. **Our fundamental valuation remains 650p, 22% above the share price.** With its strong profit margins, balance sheet, and a dividend yield of 8.6%, we think Polar should trade at a substantial premium to its PER of 12.6 (see page 2).

Company Data

EPIC	LSE: POLR
Price (last close)	534p
52 weeks Hi/Lo	608p/396p
Market cap	£542m
ED Fair Value/share	650p
Proforma net cash	£99m
Avg. daily volume	228k

Share Price, p



Source: ADVFN

Description

Polar Capital is an active fund manager, established in 2001. It has 14 autonomous investment teams managing specialist portfolios with a thematic, sector, geographic, or financial instrument focus, including:

- Global Technology
- Global Healthcare
- Global Insurance
- Emerging Markets & Asia
- UK Value
- European Opportunities
- Financials
- Sustainable Thematic Equity

AUM 30 Sep 24: £22.7bn

Next Event: H1-25 results Nov 24

Paul Bryant (Analyst)

0207 065 2690

paul.bryant@equitydevelopment.co.uk

Hannah Crowe

0207 065 2692

hannah@equitydevelopment.co.uk

Key Financials

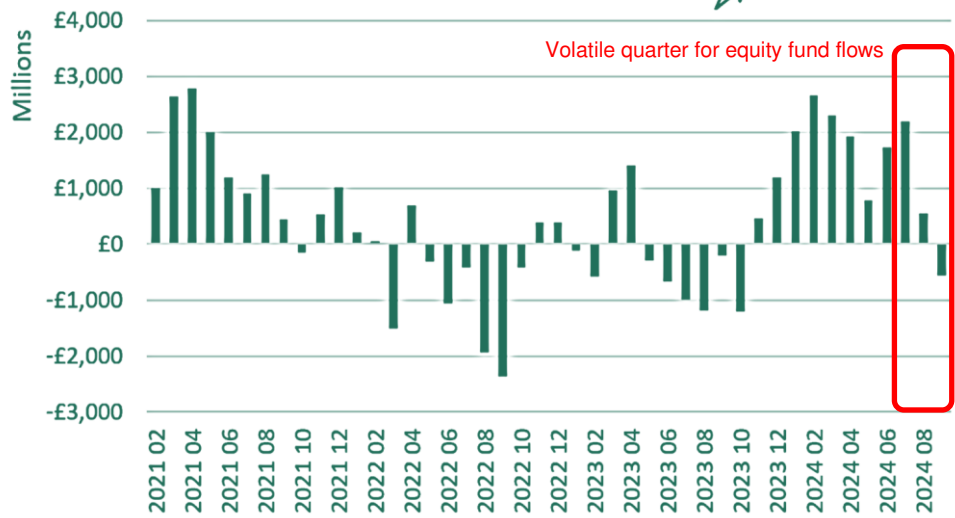
Year-end 31 Mar	FY 22A	FY 23A	FY24A	FY 25E	FY 25E	FY 26E	FY 26E
				prev.	new	prev.	new
AUM, £bn	22.1	19.2	21.9	23.5	23.5	25.7	25.7
Rev, £m	224.1	182.9	195.1	202.3	199.6	222.8	222.8
Management fees, £m	210.0	176.2	176.4	198.0	198.0	211.9	211.9
Performance fees, £m	14.1	6.7	18.7	4.4	1.6	10.8	10.8
PBT, £m	62.1	45.2	54.7	56.8	55.6	63.6	63.6
Core op profit*, £m	69.4	47.9	44.8	52.7	52.7	56.7	56.7
Performance fee profit	4.1	1.7	9.6	1.9	0.7	4.8	4.8
EPS basic, p	50.8	36.8	42.3	43.6	42.6	48.0	48.0
EPS adjusted diluted, p	56.0	44.3	44.0	44.1	43.1	48.5	48.5
PER	10.5	14.5	12.6	12.2	12.6	11.1	11.1
Div, p	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Yield	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Net assets, £m	156.2	142.9	135.9	140.9	140.0	150.8	149.9
Net cash, £m	121.1	107.0	98.9	107.1	105.6	123.2	122.2

Source: Company Historic Data, ED estimates. PER and Yield based on share price of:

534p

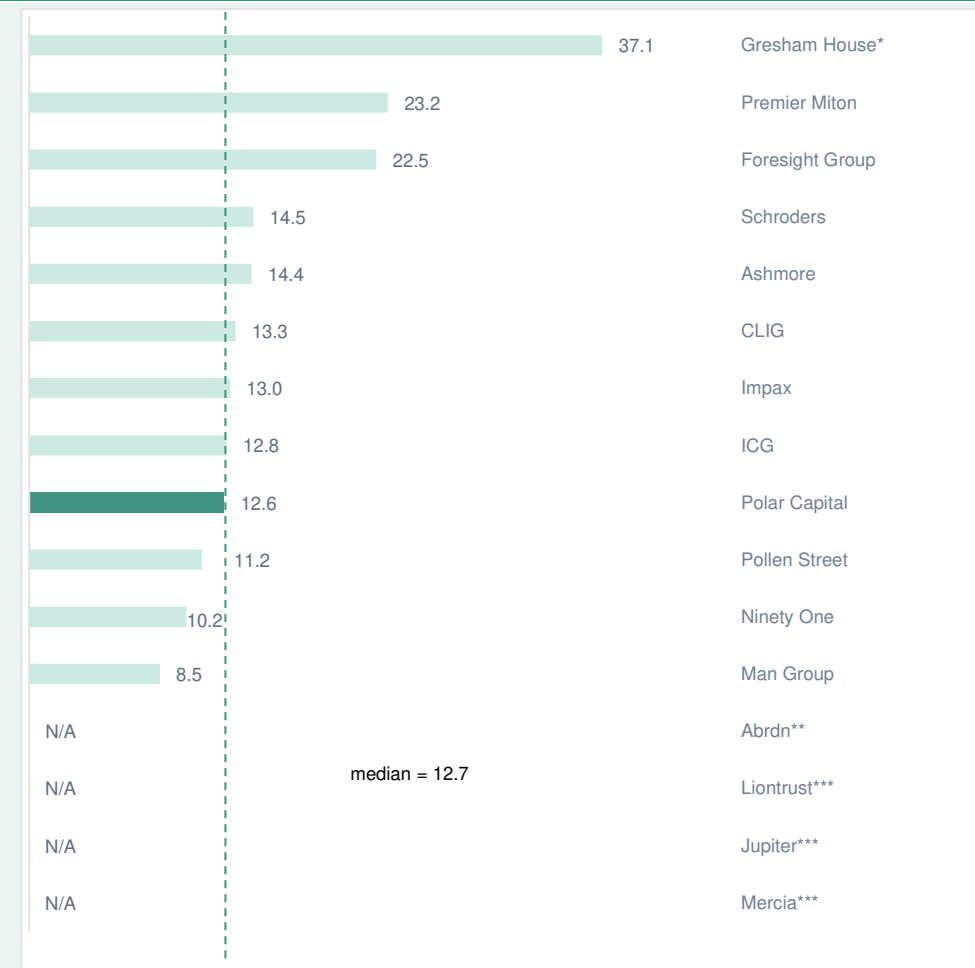
UK investors turn nervous on equities in August and September

Equity Funds - net flow



Source: Calastone. Chart reproduced with permission.

Polar has an undemanding PER compared to peers



Source: Company reports, LSEG, ED analysis as at 9 Oct 24

*De-listed on 20 Dec 2023 after being acquired.

**Abrdn made a very small statutory profit of 0.1p per share in its latest full FY so has a hugely distorted PER

*** Liontrust, Jupiter and Mercia made statutory losses in their latest full FYs.

Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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Equity Development, 16-18 Finsbury Circus, London EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690