

## Markets hit AUM in Q4 of FY25, but net flows hold up

14 April 2025

AUM fell by £2.4bn (10%) in Q4 of FY25 (to 31 Mar 25), from £23.8bn to £21.4bn. Market movements, investment performance and currency fluctuations accounted for nearly all of the decline (£2.3bn). This was unsurprising considering the heavy falls in technology sector stocks (Dow Jones Global Technology Index: -11%), and Polar's reporting currency, GBP, strengthening 3% over the US\$, depressing the £-value of US\$-denominated assets.

Pleasingly though, net flows were only marginally negative in Q4 (-£89m), an improvement over Q3 (-£260m). This is impressive given the decline in markets and investor sentiment, particularly in the technology space. Over the 12 months of FY25, AUM was down 2% with investment performance of -£495m, net flows of +£123m, and fund closures of -£111m.

Q4 saw net inflows of £398m from funds including Global Absolute Return, International Small Company, Emerging Market Stars, Healthcare Blue chip, Biotechnology, and Artificial Intelligence. But the open-ended Technology Fund saw net outflows of £200m. The International Small Company Fund (US-domiciled), which launched end-Sep 24, reached US\$90m in AUM. This fund looks **well positioned to capture growing demand in the US for international equities**.

Few peers have reported Q4 data yet, but it is clear **Polar had a strong year relative to other active managers when it comes to net flows** (page 2). Only ICG had a higher net flow rate over Q1-Q3 (a private capital specialist which conducted significant capital raisings for its funds). And **market data suggests Polar's marginally negative flows in Q4 look relatively strong**. [Calastone has reported](#) UK active equity funds had a very bad quarter, recording -£3.4bn of outflows (-£1.4bn over Q1-Q3).

### Fundamental value falls to 550p but is >50% above share price

End-FY25 AUM is below our previous forecast of £24.4bn. But the sharp AUM fall came very late in the FY, so is likely to have had only a marginal impact on our FY25 profit forecast, which we leave unchanged (results on 30 Jun 25). However, our **FY26 forecasts and beyond are reduced** due to: 1) a lower starting AUM level; 2) market uncertainty leading us to reduce our net flow assumptions for FY26 (to flat) and FY27 (to £0.5bn). Our fundamental valuation reduces from 650p to 550p.

#### Company Data

EPIC	POLR.L
Price (last close)	365p
52 weeks Hi/Lo	608p/350p
Market cap	£370m
ED Fair Value/share	550p
Proforma net cash	£68m
Avg. daily volume	218k

#### Share Price, p



Source: Investing.com

#### 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
- Emerging Markets & Asia
- Global Insurance
- UK Value
- North America
- Financials
- European Opportunities

**AUM 31 Mar 25: £21.4bn**

#### Next event

FY25 results 30 June 2025

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#### Key Financials

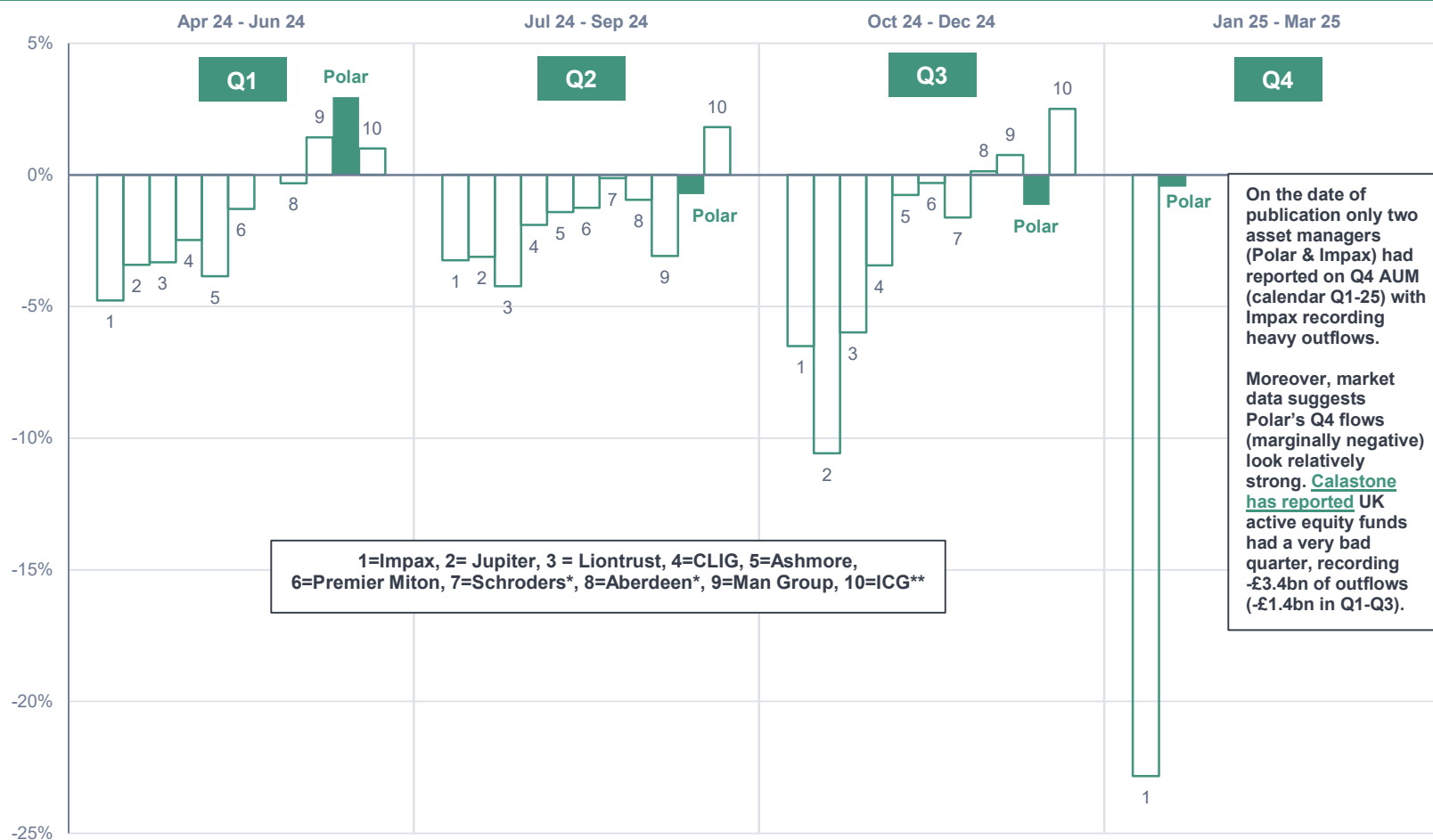
Year-end 31 Mar	FY 22A	FY 23A	FY24A	FY 25E prev.	FY 25E new	FY 26E prev.	FY 26E new
AUM, £bn	22.1	19.2	21.9	24.4	21.4	26.6	22.6
Rev, £m	224.1	182.9	195.1	222.4	222.4	230.6	200.3
Man. fees, £m	210.0	176.2	176.4	203.5	203.5	219.8	190.8
Perf. fees, £m	14.1	6.7	18.7	18.9	18.9	10.8	9.5
PBT, £m	62.1	45.2	54.7	57.3	57.3	63.6	45.3
Core op profit*, £m	69.4	47.9	44.8	53.9	53.9	58.5	40.8
Perf. fee profit	4.1	1.7	9.6	8.3	8.3	4.7	4.2
EPS basic, p	50.8	36.8	42.3	42.6	42.6	47.5	33.8
EPS adj. dil., p	56.0	44.3	44.0	49.9	49.9	49.3	35.9
PER	7.2	9.9	8.6	8.6	8.6	7.7	10.8
Div, p	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Yield	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%
Net assets, £m	156.2	142.9	135.9	141.6	141.6	151.3	137.2
Net cash, £m	121.1	107.0	98.9	86.1	86.1	98.3	79.8

Source: Company Historic Data, ED estimates. PER and Yield based on share price of 364.5p

## Relative to other active managers, Polar had a strong year attracting & retaining AUM

While very few peers have reported Q4 data yet (Q4 of Polar's FY25), it is clear **Polar has had a strong year relative to other active managers when it comes to net flows**. Only ICG (a private capital specialist which conducted significant capital raisings for its funds).had a higher net flow rate over Q1-Q3, with Polar recording the highest rate in Q1.

UK-listed asset managers, net flow rates by quarter (net flows / opening AUM)



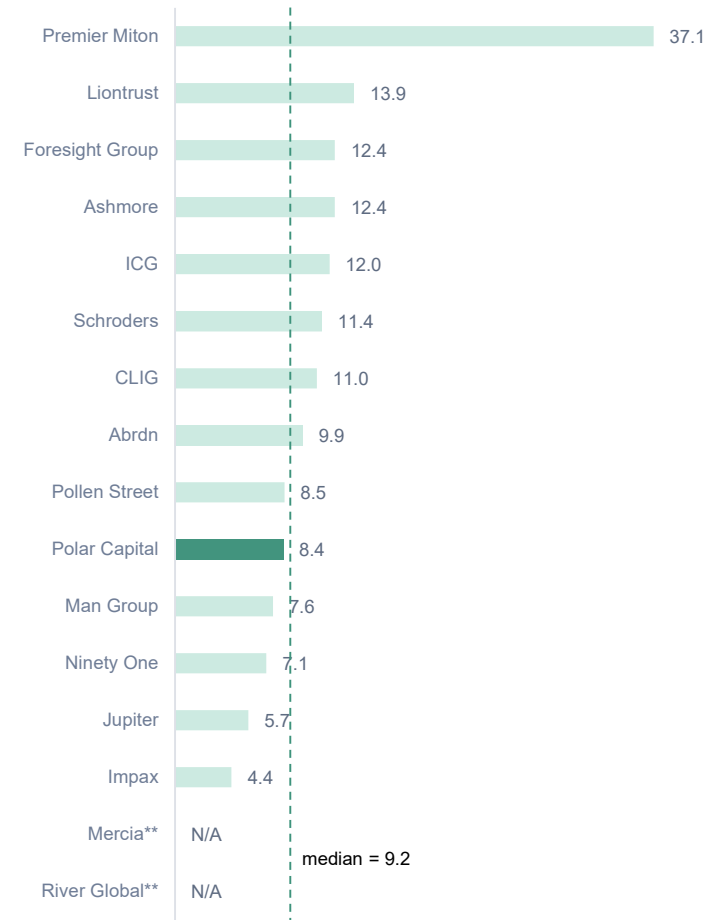
Source: Company reports, ED analysis. \*Asset management units only. \*\*Fee-earning AUM only.

## Polar looks undervalued compared to peers, in a sector that looks undervalued

### Below sector-median PER seems strange given fundamentals

- We believe the UK asset management sector is deeply undervalued, especially so after sharp recent falls in many asset managers' share prices. **The sector median PE has fallen from 12.4 to 9.2 in just over a month (since 5 Mar 25).**
- Given its relatively robust net flows compared to peers, niche strategic positioning, strong profit margins, and strong balance sheet (£68m net cash at the end of H1-25 and no debt), we would expect Polar to trade at a premium compared to peers.
- But **Polar trades below the peer group median PER of 9.2, and we see potential for this to adjust** and for Polar's shares to re-rate over time and as markets settle.

### PER (TTM) peer group comparison



Source: London Stock Exchange, company announcements. PERs based on share prices as at 11 Apr 25 and latest available basic EPS on Trailing Twelve Months (TTM) basis on that date.  
 \*\*Statutory losses on TTM basis

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