

Strong start to FY26, AUM +8.2% in Q1

10 July 2025

AUM was up £1.8bn (+8.2%) over Q1 of FY26, from £21.4bn on 31 Mar 25 to £23.2bn on 30 Jun. Investment returns were the driver, contributing +£2.7bn (+12.5%). This was impressive compared to generic benchmarks such as the *MSCI ACWI (GBP)*, which returned +5.1%. Net flows were -£632m and a return of capital to investors in the *Polar Capital Global Financials Trust* reduced AUM by -£280m. Our forecasts and valuation of 550p per share are unchanged.

The net outflows were primarily driven by:

- The open-ended Technology Fund (-£162m). This was however an improvement over the previous quarter (-£200m). Also, Polar reported this fund was 8.5% ahead of benchmark (*Dow Jones Global Technology Index*) over calendar-2025 to 30 Jun, which bodes well for future flows.
- The closure of an institutional mandate managed by the Healthcare team.
- An asset allocation change by a single Emerging Markets Stars client, with Polar noting the new business pipeline for the Emerging Markets and Asia team remains strong.

Net inflows were recorded by the Artificial Intelligence, Asian Stars, Financial Credit, Global Insurance, North American, Japan Value, European Income, Global Absolute Return and International Small Company funds (+£124m combined).

While the short-term environment is uncertain, **Polar's specialist strategies and track record could attract significant inflows longer term**. EM, European, UK, Japan, and International Small Co. strategies should benefit from investors' reducing US-overweight positions; and Polar's technology expertise should capitalise on the AI mega-trend, especially as investors look beyond the mag-7.

We believe Polar is undervalued: fundamental value 550p

In [our recent note covering Polar's FY25 results](#), we detailed our investment case and valuation, with our DCF model producing a **fundamental valuation of 550p per share, 13% above the current share price**. On page 2 of this note, we also explain why we find it strange that Polar does not trade at a significant premium to peers, given its **very strong net flows compared to peers**, its **niche strategic positioning**, **strong profit margins**, and **strong balance sheet** (£122m net cash, no debt). Polar's PER is 13.3, only slightly above the peer group median of 12.9.

Company data

EPIC	POLR.L
Price (last close)	487.5p
52 weeks Hi/Lo	608p/350p
Market cap	£495m
ED Fair Value / share	550p
Net cash** 2025A	£122m
Avg. daily volume (3m)	318k

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
- Global Financials
- North America

AUM 30 Jun 25: £23.2bn

Next event

Q2-26 AUM update Oct 2025

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Key financials & valuation metrics

Year to 31 Mar (£m)	FY23A	FY24A	FY25A	FY26E	FY27E
AUM (£bn)	19.2	21.9	21.4	23.4	25.1
Rev	182.9	195.1	222.1	204.7	219.1
Management fees	176.2	176.4	206.1	195.1	208.8
Performance fees	6.7	18.7	16.0	9.6	10.2
PBT	45.2	54.7	51.6	49.7	55.7
Core operating profit	47.9	44.8	56.7	45.7	51.4
Performance fee profit	1.7	9.6	8.1	4.2	4.5
EPS basic (p)	36.8	42.3	36.6	38.0	42.0
EPS adjusted diluted (p)	44.3	44.0	53.5	40.9	44.9
PER	13.2	11.5	13.3	12.8	11.6
Div (p)	46.0	46.0	46.0	46.0	38.6
Yield	9.4%	9.4%	9.4%	9.4%	7.9%
Net cash	107.0	98.9	121.8	118.7	127.7

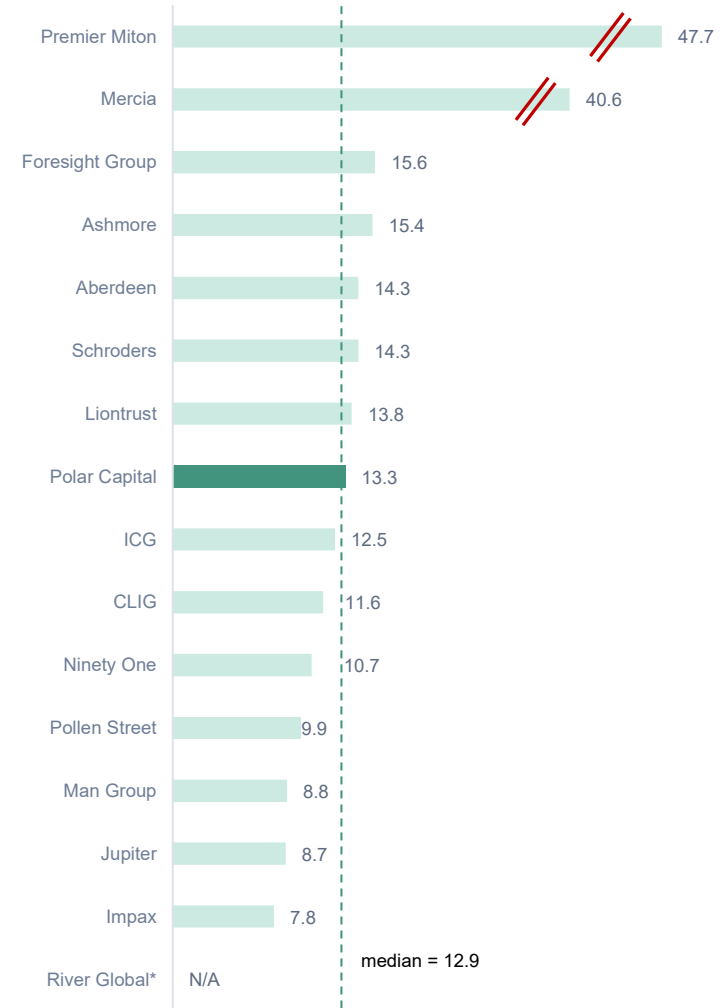
Source: Company data, Equity Development, priced at 09/07/25 **ex leases.

Peer comparator valuations

A PER slightly above sector median seems strange to us

- We believe the UK asset management sector is deeply undervalued, especially so after sharp recent falls in many asset managers' share prices. The median PER is just 12.9.
- When compared to peers, Polar's net flows over its FY25 (Apr 24 – Mar 25) were very strong. It was one of only two UK-listed active managers to record net inflows over the 12m period, with some managers recording very heavy outflows. See our recent note [Core profits exceed forecast, AUM +6% in Q1'26](#) for details.
- Given these relatively robust net flows, its niche strategic positioning, strong profit margins, and strong balance sheet (£122m net cash at the end of FY25 and no debt), we would expect Polar to trade at a significant premium compared to peers.
- But it only trades at a slight premium (13.3 versus 12.9). Moreover, we would consider its current PER to be inflated due to the dip in FY25 statutory profits as a result of the recent non-cash Dalton impairment.
- We therefore see potential for this to adjust and for Polar's shares to re-rate over time and as markets settle.

PER peer group comparison



Source: London Stock Exchange, company announcements. PERs based on share prices as at 9 July 2025 and latest available basic EPS on Trailing Twelve Months (TTM) basis on that date.
* Statutory loss on TTM basis.

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