

Small AUM decline in Q2, inflows in non-tech funds

13 October 2022

AUM fell 1.0% over Q2 of FY23 (to 30 Sep 22) to £18.77bn (-15.1% over H1). Net flows totalled -£529m during the quarter (-£845m over H1), with market movements and investment performance contributing +£342m to AUM (-£2,051 over H1). The closure of Phaeacian mutual funds in Q1 resulted in a -£459 impact on AUM.

The fall in AUM over H1 was largely expected given the widespread sell-off in equities. Benchmark indices for Polar's four largest strategies (which make up 77% of AUM: Technology, 41%; Healthcare, 19%; Insurance, 12%; UK Value, 5%) were all down, some sharply. The *Dow Jones Global Technology Net Total Return* fell 29%, the *MSCI AC World Daily Total Return Net Health Care* fell 14%, the *MSCI Daily TR World Net Insurance* fell 3%, and the *FTSE All-Share Total Return* fell 9%.

However, despite the gloomy market picture, there are certainly **positive signs from many parts of the portfolio**. Polar reported continuing demand for a host of its funds, with Global Insurance, Biotechnology, Healthcare Blue Chip, Smart Energy, European ex-UK Income, Emerging Market Stars, Forager and Global Absolute Return recording inflows, totalling £260m.

The rate of outflows from its open-ended Technology funds continued to decline, with -£252m in Q2 compared to -£380m and -£630m in the previous two quarters. AUM of the funds managed by the Sustainable Thematic team (launched Sep 21) have reached £150m. And the Emerging Market Stars team have had success in the US with the Emerging Market Stars Mutual Fund raising its first £50m.

Fundamental value 600p / share, 50% above current price

Given continuing market uncertainty and outflows, our end-FY23 AUM forecast reduces to £18.3bn (previously £19.0bn). We do however highlight that because of market volatility we have not upgraded our performance fee forecast (currently £2.0m, net of staff allocations) even though 'marked to market' performance fees have increased to £4.8m. We shall review this again in Jan '23, when most performance fees will have crystallised.

Our fundamental valuation reduces to 600p per share, 50% above the current share price, and we flag that Polar's PER is 8.0, far below a peer group median of 12.3 (see page 2).

Key Financials					
Year-end 31 Mar	FY20A	FY21A	FY 22A	FY 23E	FY24E
AUM, £bn	12.2	20.9	22.1	18.3	19.7
Rev, £m	151.7	201.5	224.1	176.5	176.8
Management fees, £m	130.8	157.3	210.0	172.0	168.4
Performance fees, £m	22.3	43.6	14.1	4.5	8.4
PBT, £m	50.9	75.9	62.1	50.7	47.3
Core op profit*, £m	41.6	51.5	69.4	49.8	44.8
Performance fee profit	8.8	19.5	4.1	1.9	3.6
EPS basic, p	43.5	67.2	50.8	42.0	35.8
EPS adjusted diluted, p	40.7	62.3	56.0	40.5	34.6
PER	9.3	6.0	8.0	9.6	11.3
Div, p	33.0	40.0	46.0	46.0	46.0
Yield	8.2%	9.9%	11.4%	11.4%	11.4%
Net assets, £m	116.1	151.4	156.2	164.4	166.8
Net cash, £m	107.8	136.7	121.1	119.1	122.9

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: **404p**
 * excluding performance fees and performance-related costs, before tax
 ** Seed inv, securities, fund units held against deferred remuneration, other fin assets & liabilities

Company Data

EPIC	POLR
Price (last close)	404p
52 weeks Hi/Lo	874p/397p
Market cap	£407m
ED Fair Value/share	600p
Net assets	£156m
Avg. daily volume	187k

Share Price, p



Source: ADVFN

Description

Polar Capital (Polar) is an active fund manager, established in 2001. It has 15 autonomous investment teams managing specialist portfolios with a thematic, sector, geographic, or financial instrument focus, including:

- Global Technology
- Global Healthcare
- Global Insurance
- UK Value
- North America
- Global Convertible
- Emerging Markets & Asia.
- Sustainable Equity

AUM 30 Sep 2022: £18.8bn

Next Event: Interim results, Nov 22

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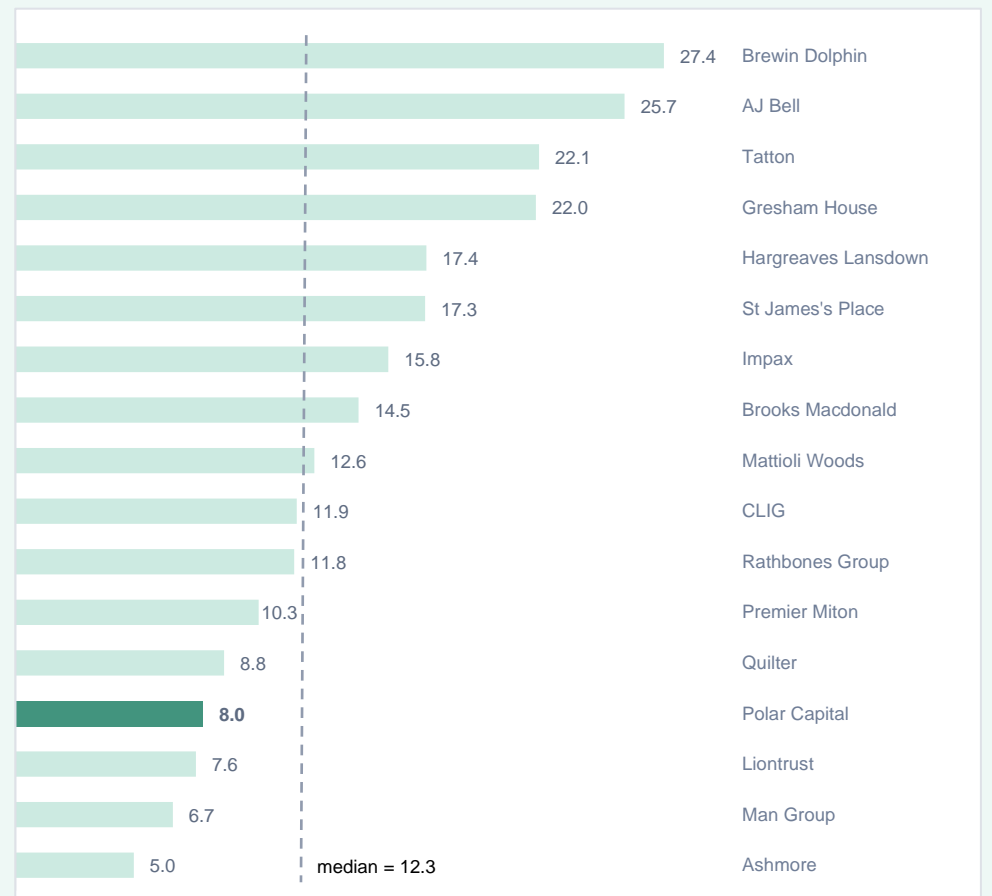
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PE Ratios: UK-listed asset & wealth managers and platforms


Source: ADVFN, as of 12 Oct 2022, ED Analysis

* Mattioli Woods PER calculated using 'adjusted PAT' which eliminates some of the distortions in earnings created by the statutory accounting treatment of recent large acquisitions. All other PERs calculated using statutory EPS.



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