AozoraStep

16th July 2024

Exit Jupiter Fund Management: No clear recovery in sight

Company:	Jupiter Fund Management (JUP)	**Market Cap:**	£470mio
Industry:	Fund Management	**Net Cash:**	£177mio (excess capital)
Country:	UK	**Revenue:**	£369mio
Date:	16th July 2024	**Operating cash flow:**	£88mio
Dividend:	8%	**Free cash flow:**	£88mio
Entry:	£445mio	**Exit:**	£470mio (5.6%)

Why exit Jupiter Fund Management?

- Recent updates from competitors have not indicated a recovery
- Leaving date delay of star fund manager, Ben Whitmore, leaves uncertainty lingering for longer
- Share buyback programme not enacted on despite having received approval at the AGM. There is a small risk that they might wait even after the half-year results end of July, which could mean that they expect the valuation to drop further after Ben has left
- Live tracking of 10 largest fund shows stable AUM despite rising performance, hence outflows seem to continue
- Labour's autumn budget might come in late summer and a capital gains tax could be in play
- Yield curve points towards late cycle economy and could impact equity prices soon

A still very attractive valuation

Despite a very attractive valuation, I decided to sell our position in Jupiter Fund Management, mainly due to macro factors, such as the yield curve, companies not reporting growth and some uncertainties after the leaving date of Ben Whitmore got pushed back to autumn. (Details on the macro factors here). Other asset managers, such as Liontrust Asset Management, continue to see outflows and have seen a sharp equity valuation correction in recent weeks. With a Labour government, the initial positive narrative will

21 Knightsbridge, London SW1X 7LY
www.aozorastep.com · david@aozorastep.com

likely fade when it becomes clear that growth cannot be easily achieved. Chancellor Reeves has called for higher capital gains taxes in 2018 and given that controversial policies on energy and immigration were quickly put into action, it could be expected that higher capital gains taxes are going to be announced this autumn. I could make plenty more cases of further risks but will leave it here. Overall, apart from the stability narrative of a Labour government, there has been no positive news on any turnaround of the fund management industry. However, the valuation remains very attractive, and a re-entry could be justified if the valuation were to drop to £400mio or lower.

<u>Jupiter Fund Management vs. Liontrust Asset Management equity valuation performance</u>

Source: TradingView, blue = Jupiter Asset Management, orange = Liontrust Asset Management (YTD performance), red bars = entry/exit

21 Knightsbridge, London SW1X 7LY
www.aozorastep.com · david@aozorastep.com

Legal Disclaimer

The contents of this publication have been prepared solely for the purpose of providing information about AozoraStep Capital LLP and the services and products it is intending to offer, which are targeted for professional investors only. The opinions and views expressed are those of AozoraStep Capital LLP, may change without notice and should not be construed as investment, tax, legal or other advice. AozoraStep Capital LLP does not guarantee the completeness and accuracy of the information provided and all content can become out of date. Products or services mentioned in this publication are subject to legal and regulatory requirements in applicable jurisdictions and may not be available in all jurisdictions. Accordingly, persons are required to inform themselves and observe any such restrictions. In respect to investments described in this document, past performance is not a guide to future performance. The value of investments and the income of any financial instruments mentioned in this document may fall as well as rise and may have tax consequences. The performance of the investment strategy of AozoraStep Capital LLP is based on a personal track record of its managing partner and approved by Sedulo for the time period Q1 2019 - Q1 2021 and by HiCloud Accounting for the time period 2020 - 2023, only with further examinations being done on an occasional basis. AozoraStep Capital LLP is currently not authorized and regulated by the FCA, and therefore, is not allowed to provide financial products and services. AozoraStep Capital LLP is registered in England and Wales with registered number OC436835. Registered Office: 21 Knightsbridge, London SW1X 7LY, United Kingdom. Reproduction or distribution of any materials obtained in this publication or linking to this publication without written permission is prohibited.

21 Knightsbridge, London SW1X 7LY
www.aozorastep.com · david@aozorastep.com