

Price	475p
Market Cap	£241m
Shares in issue	50.7m
12m Trading Range	375p–580p
Free float	61%
Next Event	Year End 30 June

Price performance (p)



Financial forecasts

Yr end June (£'m)	2020A	2021A	2022E	2023E
Revenue	33.3	52.5	60.0	61.5
yoy growth (%)	4.4	57.7	14.3	2.5
Op profit	18.6	35.8	41.0	41.5
Profit margin (%)	56	68	68	67
Adj. PBT #	11.5	26.9	30.0	30.4
Adj. PAT	7.6	17.0	19.9	20.2
EPS (p) adj #	38.0	48.1	47.3	47.9
DPS (p)	30.0	33.0	46.5	33.0
Net cash	14.6	25.5	24.0	31.8
P/E	12.5	9.9	10.0	9.9
Div yield (%)	6.3	6.9	9.8	6.9

Source: Audited Accounts and Zeus estimates
excludes £2.9m KIM deal costs: £1.2m in FY20 & £1.7m in FY21 amortisation of intangibles and investment gains

* City of London Investment Group is a Broking client of Zeus

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City of London Investment Group

CLIG LN – Financials

3Q update & Board streamlining

CLIG's 3Q IMS revealed \$147m of net inflows and 4.8% fall in Sterling value of Group Funds under Management "FUM" (using today's exchange rate the FUM is materially unchanged) and a reorganisation, which streamlines the Board.

- ◆ FUM at 31 March 2022 were US\$10.3 bn (£7.8 bn), which is a fall of 7.2% from US\$11.1 bn (fall of 4.8% from £8.2 bn) since 31 December 2021. Using current exchange rate of \$1.27=£1, we calculate 31 March 2022 FUM would have been £8.1 bn (i.e. 1% fall).
- ◆ Net inflows added US\$147m of FUM across CLIG's strategies: after \$13m of net outflows KIM's FUM were \$3,766m (i.e. 37% of CLIG FUM); CLIM with \$160m net inflows ended March with FUM of \$6,499m (i.e. 63% of CLIG FUM); CLIM has an active pipeline, with increased interest in its diversification strategies.
- ◆ KIM's investment strategies had positive relative performance. CLIM's absolute and relative performance was weak during the period: CLIM Emerging Market strategy was impacted by the Russian invasion of Ukraine; CLIM International strategy underperformed due to poor NAV performance and widening discounts.
- ◆ Group's income currently accrues at c.71bps of CLIM's FuM and c.76bps of KIM's FuM, net of third party commissions. "Fixed" costs are c.£1.6m per month, and accordingly the post-merger run-rate for operating profit, before profit-share was c.£3.0m per month based upon current FuM and a US\$/£ exchange rate of US\$1.3138 to £1.

In a separate RNS, CLIG has announced a "streamlining of the Board", which will take effect on 30 June 2022 and will increase the proportion of Independent Directors on CLIG Board.

Zeus view: We draw attention to CLIG's exposure to the US dollar and US wealth market in particular. CLIG's acquisition of Karpus Investment Management provides high quality revenue and earnings stream. The US Dollar is CLIG's functional currency: its revenue, profit and cash balances benefit from Sterling weakness against US Dollar (i.e. Cable) in April. In the past week Cable has fallen over 5% to \$1.27. When Cable stabilises we expect our forecasts to be materially unchanged.

Valuation: At 475p CLIG shares are trading on 10.0x PER and 9.8% dividend yield including the 13.5p Special DPS.

Over the past 5 years CLIG has delivered annualised Total Shareholder Returns (TSR) of 13.4% CAGR, with dividends providing 8.4%, earnings growth c 5.0% CAGR. This compares to UK market total return of 4.4%, of which dividends provided 3.5%. Over the next five years, we expect CLIG to continue to deliver a TSR of over 10% pa, of which half comes from dividends and the other half comes from a combination of earnings growth and multiple expansion.

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Robin Savage is the author of this Investment Research. Robin Savage is an Investment Research Analyst and has been employed by Zeus to produce this research. There is no planned update to this research recommendation. The previous recommendation for City of London Investment Group was Positive published 18/02/2022.

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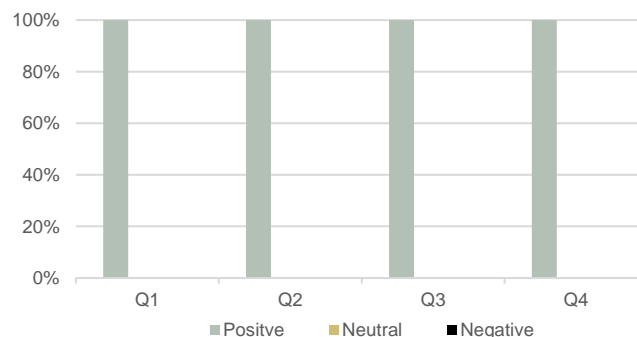
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12 Month Recommendation History



Recommendation distribution at 31 March 2022 Source: Zeus

12 Month Recommendation History

Nomad & Broker	11
Nomad & Joint Broker	10
Joint Broker	5
Nomad	1
Financial Adviser & Broker	1
Research client	7

At 31 March 2022 Source: Zeus

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