

21 April 2020

City of London Investment Group *

CLIG LN

Financials

3Q trading update

What's new: CLIG's 3Q trading update to 31 March 2020, reveals:

- CLIG's Funds Under Management ("FUM") fell 27% from US\$6.0 to US\$4.4bn and with weaker Sterling, FUM in £ fell 20% from £4.5bn to £3.6bn.
- In 3Q, while Diversification CEF strategies (Opportunistic Value and Developed funds) enjoyed net inflows of US\$25m, the Group's Emerging Market Funds had net outflows US\$68m
- The widening of the closed-end fund discount was the main reason for CLIG funds' 3Q underperformance relative to benchmarks
- The Group continues to maintain an active pipeline across all of its major CEF offerings with an increased interest in the diversification CEF strategies
- Post COVID-19, income to FuM remains unchanged at c. 75 bps of FuM

Outlook: "Since it is impossible to know the duration of the current dislocation to economies and stock markets, it would be imprudent at this stage to make any statement regarding the final dividend in respect of the year to 30 June 2020. However, [the] Board is cognisant of the importance of dividends to [Group] shareholders and will review the position after the year-end."

Zeus View: Our forecasts had assumed MXEF Index remained at 1,115, but at the end of CLIG's 3Q the market level fell to 852 (i.e. 24% below our assumption). The index has risen in April to 900 (i.e. 19% below our assumption).

We will review our forecasts in light of this trading update. With lower market values for FuM in 4Q, we expect to trim our P&L forecasts for FY(Jun)20 and rebase our forecast for FY(Jun)21.

We expect to maintain our DPS forecasts as the Group had no bank debt, £12.5m of cash at bank, and an operating model which remains cash generative. At current market levels we expect the 28p dividend to be covered.

Valuation: At 327p CLIG shares and with potential for a 28p total dividend, CLIG offers investors prospects of an 8.6% dividend yield.

Price	327p
Market Cap	£86.9m
Shares in Issue (inc ESOT)	26.5m
12m Trading Range	300p to 480p
Free float	100%

Price Performance (p)



Source: Bloomberg

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

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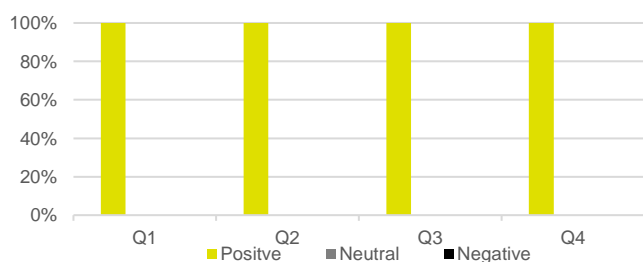
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12 Month Recommendation History



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