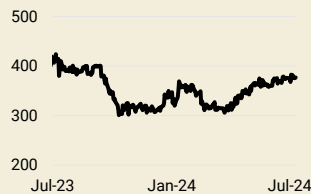


Price	380p
Market Cap	£192.7m
Shares in Issue	50.7m
12m Trading Range	300p to 429p
Free Float	59%
Next Event	Full results: 17 September

Price performance (p)



Source: FactSet

Financial forecasts

YE, Jun (US\$m)	2022A	2023A	2024E	2025E
Revenue (net fee)	77.4	65.5	64.5	64.3
yoy growth (%)	nc	(15.4)	(1.5)	(0.2)
Profit pre profit share	51.3	38.5	37.5	38.5
EBIT	37.3	26.5	27.0	27.7
Adj. PBT	37.2	27.0	27.7	29.0
Adj. PAT	29.1	21.1	20.8	21.7
Exchange rate #	1.218	1.270	1.250	1.250
Adj diluted EPS (p)	43.7	35.8	33.4	34.8
DPS (p)	46.5	33.0	33.0	33.0
Net cash (p)	45.5	45.1	45.0	45.0
P/E	8.7	10.6	11.4	10.9
EV/EBIT	9.0	12.6	12.4	12.1
Dividend yield (%)	12.2	8.7	8.7	8.7

Source: Audited accounts and Zeus estimates

Current exchange rate is £1=US\$1.29

City of London Investment Group is a broker client of Zeus

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City of London Investment Group

CLIG LN - Financial Services

Preclose for year to 30 June

CLIG's pre-close update reveals CLIG's Funds under Management (FuM) rising 8.7% to \$10,241m, with full year outflow of \$320m and 12.1% investment performance. The Board expects the final dividend to be in line with the previous year: full results are scheduled for 17 September 2024.

The statement observes:

- ◆ Investment performance was ahead of benchmark for the majority of the Group's strategies
 - CLIM's International equity, Opportunistic Value and Frontier Markets outperformed, while Emerging Markets (EM) equity lagged its index
 - KIM's fixed income strategies, international equity, conservative balanced and SPAC strategies outperformed their market indices, while the US equity strategy lagged its benchmark
- ◆ Net investment outflows reduced significantly to \$26m in the second half of the financial year, from \$294 million in the first six months ending December 2023
 - International equity strategies attracted more than \$150m net new inflows
- ◆ Final DPS expected to be maintained at 22p and full year DPS at 33p

Outlook: "Attractive discounts in the strategies continue to be the focus of marketing efforts across the Group's asset classes."

Zeus view: Net inflows are key: we analyse CLIG's flows by strategy (*Exhibits 1 & 3*). CLIG investment teams have excellent track records and substantial capacity, across equity, fixed income and alternative asset classes.

Although CLIG's FuM is up 8.7% YOY, we make no changes to our forecasts (*exhibits 7 & 8*). Our forecasts assume no market growth but net inflows of \$300m p.a. (*i.e. 3% CAGR*). Spare capacity, before adding Global Strategy (*launched in Dec 2021*), is estimated by management at \$6bn.

We remind investors that our 2025E forecasts include \$2.5m cost savings and use £1= \$1.25 US dollar (*n.b. current exchange rate is £1=US\$1.29*).

We maintain our expectation of full year DPS of 33p (*i.e. final DPS of 22p unchanged*). CLIG template (*Exhibit 6*) also uses £1=\$1.25 exchange rate.

Valuation: CLIG is trading at 376p a share, with a forecast DPS of 33p is trading on a 8.7% dividend yield cum 22p final dividend (*n.b. ex the 22p final DPS, CLIG is trading on 9.2% dividend yield*).

Investors should note that CLIG now reports its results in its functional currency, US dollars, while its share price and dividend are quoted in pence per share.

Zeus analysis: FuM

CLIG's pre-close trading update for the year to 30 June 2024 provides a clear summary of Funds under Management (FuM).

Exhibit 1: CLIG Funds under Management (FuM) by strategy (\$m)

	FuM (\$ million)			
	Jun-23 Actual	Net flows	Market & investment performance	Jun-24 (estimate)
EM	3,580	(424)	413	3,568
KIM	3,520	(4)	408	3,924
INTL	1,983	153	257	2,394
OV	244	(33)	40	251
Other*	97	(12)	19	104
	9,424	(320)	1,137	10,241

Note: * includes Frontier and seed investments; Funds under Management figures are rounded
Source: Company RNS dated 25 July 2024

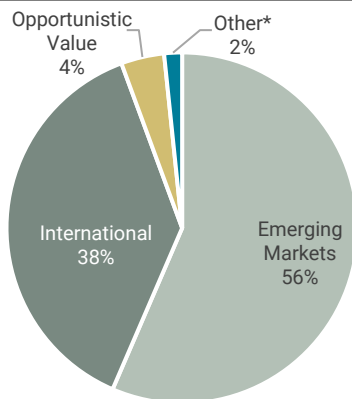
Investment Management Performance

CLIG's preclose statement confirmed that "Investment performance was ahead of the benchmark for the majority of the Group's strategies during the financial year."

Specifically: "CLIM's International equity, Opportunistic Value and Frontier Markets outperformed, while EMERGING Markets (EM) equity lagged its index over the period." We observe:

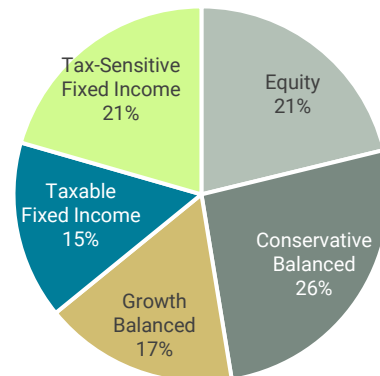
- ◆ **CLIM's International equity** FuM rose 20.7% to \$2,394m, while net inflows of \$153m were 7.7% of opening FuM, implying performance of 13.0% (n.b. the benchmark index MSCI ACWI ex US rose 11.6%).
- ◆ **CLIM's Opportunistic Value** FuM rose 2.9% to \$251m, while net outflows of \$33m were 13.5% of opening FuM, implying performance of 16.4% (n.b. the benchmark index ACWI/Barclays Global Agg rose 9.9%).
- ◆ **CLIM's Emerging Market** FuM fell 0.3% to \$3,568m, while net outflows were 11.8% of opening FuM, implying performance of 11.5% (n.b. the benchmark index MSCI EM net TR rose 12.5%).

Exhibit 2: CLIM FuM by strategy



Note: As at end June 2024; * includes Frontier and seed investments
Source: Company

Exhibit 3: KIM FuM by strategy



Note: As at the end of 2023
Source: Company

Karpus Investment Management (KIM) also performed well: "KIM's fixed income strategies, international equity, conservative balanced and SPAC strategies outperformed their market indices over the period, while the US equity strategy lagged its benchmark."

Flows

The update observed: "Net investment outflows reduced significantly to \$26m in the second half of the financial year, from \$294 million in the first six months ending December 2023.

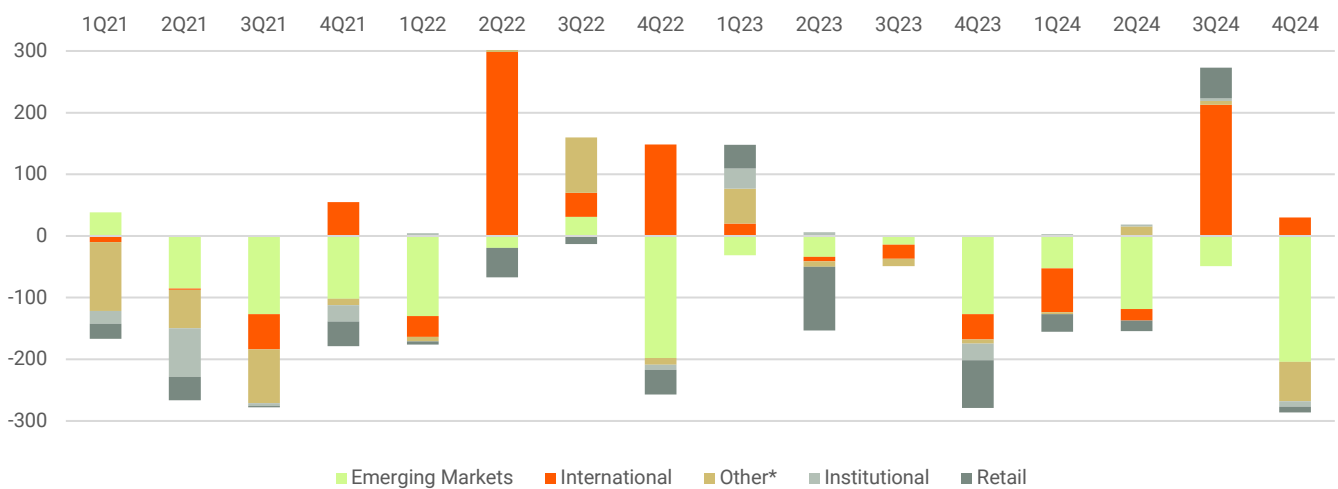
"Net investment outflows totalled \$320m for the Group over the twelve-month financial year as clients reduced exposure to Emerging Market due to ongoing geopolitical volatility".

The update continued: "International equity strategies attracted more than \$150m in net new inflows over the period. Attractive discounts in the strategies continue to be the focus of marketing efforts across the Group's asset classes." We note CLIM's International equity strategies enjoyed over \$240m of net inflows in the past six months and expect it to drive net inflows in 2024/25.

Net flows at KIM were neutral, with \$36m net inflows in the past six months.

We show the quarterly net inflows and outflows graphically, below.

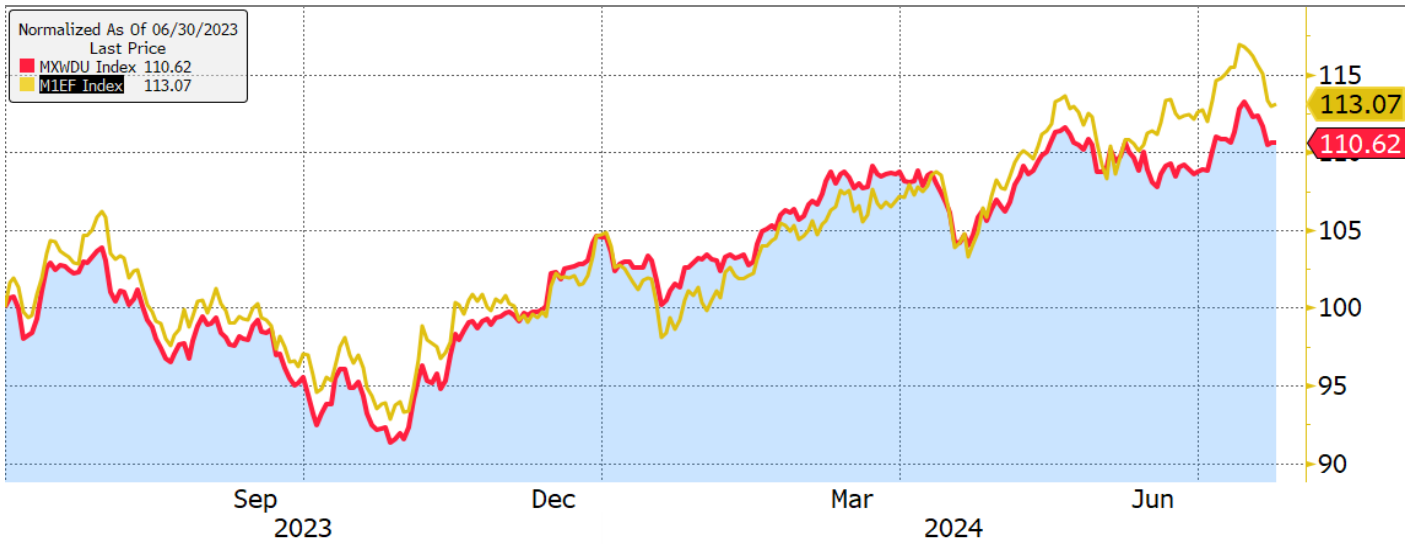
Exhibit 4: CLIG quarterly net inflows (\$m)



Note: * includes Frontier and seed investments
Source: Zeus research calculation using data released by CLIG

We set out below the performance of the benchmark indices for CLIM's two largest strategies: International equities (i.e. MSCI ACWI ex US) and Emerging Markets (i.e. MSCI EM net TR).

Exhibit 5: MSCI ACWI ex US and MSCI EM net TR indexed to 100 at 30 June 2023



MXWDU Index (MSCI ACWI Excluding United States Index) Daily 30JUN2023-23JUL2024 Copyright© 2024 Bloomberg Finance L.P. 24-Jul-2024 15:33:23
Note: since 30 June 2024 MXWDU index has risen 1.8% and M1EF index has risen 0.5%
Source: Bloomberg chart

Since the year end these indices have risen.

CLIG's dividend & cover

CLIG's update confirmed "The Board expects the final dividend for the year ended 30 June 2024 to be in line with the previous year.

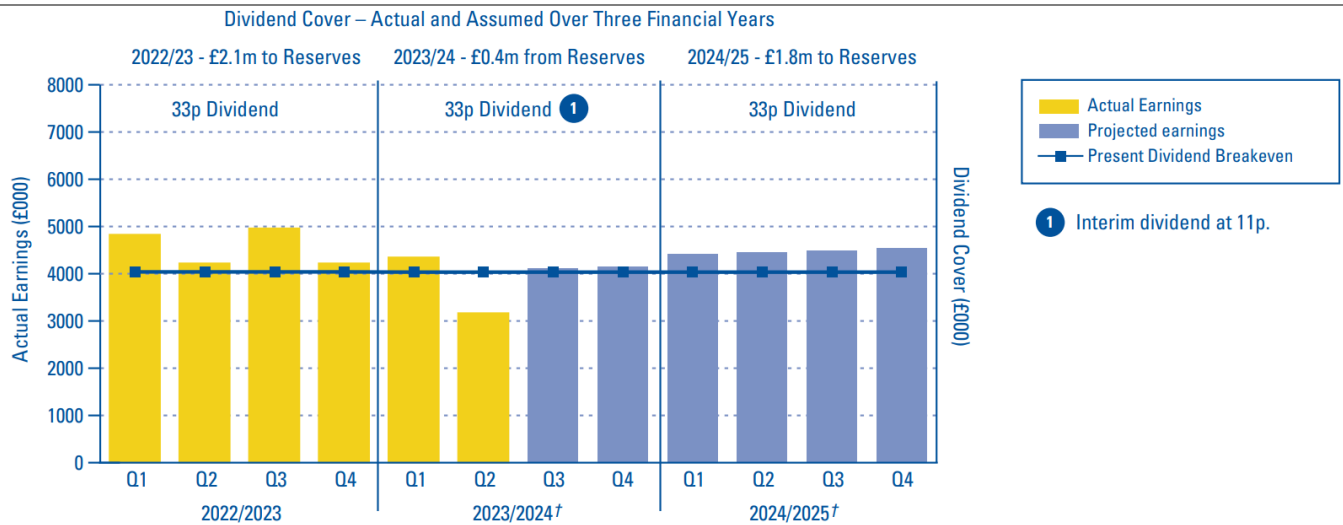
"Following the completion of the year-end audit, the Board will announce the final dividend and results alongside publication of its Accounts for the year ended 30 June 2024 on 17 September 2024.

"The Group's Annual General Meeting will be held on 28 October 2024 and the Group expects the dividend payment date to be in November 2024 similar to last year's timing."

This is precisely in line with market expectation.

We set out below CLIG's template, which illustrates the dividend cover.¹

Exhibit 6: CLIG Template – For Guidance Purposes Only*



Key Assumptions:

- Number of CLIG Shares in issue (50.7m) less those held by the Employee Benefit Trust (1.8m) as at 31 December 2023
- Excludes unrealised gains/loss on seed and other investments
- Excludes amortisation of intangibles

- Starting FuM as at:
- Net increase in FuM for the remainder of this financial year (straight-lined to June 2024):
- Net increase in FuM in 2024/2025 (straight-lined to June 2025):
- Market growth:
- Overheads for 2023/24:
- Overheads for 2024/25:
- Corporation tax based on an estimated average rate (FY 24)
- Exchange rate assumed to be for entire period:

	CLIM 1-Jan-24	KIM 1-Jan-24
US\$250m over the full year	US\$250m	US\$50m over the full year
Market growth	0%	0%
Overheads	no change	no change
Corporation tax	-4% compared to 2023/24	-2% compared to 2023/24
Exchange rate	25%	24%
	£1/\$1.25	£1/\$1.25

Note: *Any forward-looking statements are based on certain factors and assumptions that have not been independently verified, which may prove incorrect, and are subject to risks, uncertainties and assumptions relating to future events, the Group's operations, results of operations, growth strategy and liquidity.

Source: <https://clig.com/wp-content/uploads/2024/04/IP69.pdf>

¹ <https://clig.com/investor-reports/#investor-presentations-on>

Zeus forecasts

We leave our forecasts, set in February 2024, unchanged.

Exhibit 7: P&L (\$m)

Year ended 30 June	2022A	2023A	2024E	2025E
Revenue				
Gross fee income	81.5	68.7	67.7	67.1
Commissions payable	(2.1)	(1.8)	(1.8)	(1.4)
Custody fees payable	(2.0)	(1.4)	(1.4)	(1.4)
Net fee income	77.4	65.5	64.5	64.3
Employee costs	(17.3)	(17.7)	(17.8)	(17.0)
Other administrative expenses	(7.9)	(8.4)	(8.4)	(8.0)
Depreciation and amortisation	(0.9)	(0.8)	(0.8)	(0.8)
Administrative expenses	(26.2)	(27.0)	(27.0)	(25.8)
Profit before profit share	51.3	38.5	37.5	38.5
Profit share, EIP & option charge	(14.0)	(12.0)	(11.3)	(11.6)
Operating profit	37.3	26.5	26.3	27.0
Investment gain/(loss)	-	0.7	0.6	-
Finance income	-	0.7	1.8	2.0
Finance expense	(1.1)	(0.2)	(0.3)	(0.2)
Goodwill amortisation charge	(5.4)	(5.6)	(5.5)	(5.5)
Profit before taxation	30.9	22.1	22.9	23.3
Income tax expense	(6.8)	(4.6)	(5.7)	(5.8)
Profit for the period	24.1	17.5	17.1	17.5
UNDERLYING PROFIT				
ADD back amortisation & investment gains/losses	6.3	4.9	5.0	5.6
Tax adjustments	(1.3)	(1.3)	(1.3)	(1.4)
Underlying PAT	29.1	21.1	20.9	21.7

Source: Zeus research (forecasts); Company (historic)

Exhibit 8: CLIG balance sheet (\$m)

Balance sheet at end June	2022A	2023S	2024E	2025E
Property, equipment & ROU assets	3.6	3.4	3.5	4.6
Intangible assets	134.1	128.5	122.9	117.3
Other financial assets	9.1	10.0	10.0	10.0
Deferred tax asset	0.5	0.5	0.5	0.5
Non-current assets	147.2	142.4	136.9	132.4
Current assets				
Trade and other receivables	7.9	8.1	8.1	8.1
Cash and cash equivalents	27.6	28.6	28.0	28.0
Current assets	35.5	36.7	36.1	36.1
Trade and other payables	(11.5)	(10.7)	(10.7)	(10.7)
Lease liabilities	(0.5)	(0.3)	(0.3)	(0.5)
Current tax payable	(0.7)	0.0	0.0	0.0
Current liabilities	(12.7)	(11.0)	(11.0)	(11.2)
Total assets less current liabilities	170.0	168.1	162.0	157.3
Lease liabilities	(2.7)	(2.5)	(2.2)	(2.2)
Deferred tax liability	(10.5)	(9.2)	(6.9)	(6.9)
Net assets	156.8	156.4	152.9	148.2
Capital and reserves				
Share capital	0.8	0.8	0.8	0.8
Share premium & other reserve	138.0	138.6	138.6	138.6
Investment in own shares	(11.9)	(13.2)	(18.3)	(20.0)
Retained earnings	38.0	36.3	33.0	29.9
Cumulative foreign exchange translation differences	(8.1)	(7.2)	(1.2)	(1.2)
Equity shareholders of the parent	156.8	155.4	152.9	148.1

Source: Zeus research (forecasts); Company (historic)

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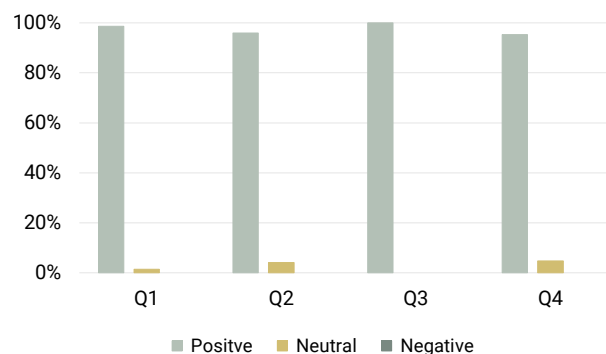
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Recommendation distribution at 30 June 2024 Source: Zeus

Corporate Relationships

Nomad & Broker	11
Nomad & Joint Broker	10
Broker	11
Joint Broker	20
Financial Adviser & Broker	4
Research client	6

At 30 June 2024 Source: Zeus

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