

Corporate  
Share Price

363p

Market Cap £184m  
 Shares in Issue 50.7m  
 12m Trading Range 310p to 400p  
 Free Float 59%  
 Next Event Full results 16 Sept

## Price performance (p)



## Financial forecasts

YE, Jun (US\$m)	2023A	2024A	2025E	2026E
FuM opening	9,224	9,424	10,241	10,814
Revenue (net fee)	65.5	66.2	67.2	73.2
yoy growth (%)	(15.4)	1.1	1.5	8.9
Pre profit share	38.5	38.3	40.4	43.5
EBITDA	27.3	27.0	28.3	30.6
Adj. PBT	27.0	27.1	28.1	30.3
Adj. PAT	21.1	20.6	21.1	22.8
Exchange rate #	1.27	1.26	1.26	1.35
Adj EPS (p)	36.5	33.5	34.3	34.5
DPS (p)	33.0	33.0	33.0	33.0
Net cash (p)	45.1	52.8	58.2	58.5
P/E	10.0	10.9	10.6	10.6
EV/EBITDA	5.7	5.6	5.3	4.9
Op. cashflow/PAT	1.09	1.05	1.00	1.00
FCF yield (%)	10.9	9.6	9.4	9.5
Dividend yield (%)	9.1	9.1	9.1	9.1

# average exchange rate used to convert US dollar profit to earnings in pence per share  
 Source: Audited accounts and Zeus estimates

City of London Investment Group is a broker client of Zeus

## Analysts

Robin Savage  
 +44 (0) 7879 848 885  
 robin.savage@zeuscapital.co.uk

## Zeus Contacts

Emma Ayton +44 20 3829 5622  
 Simon Johnson +44 20 3829 5631  
 Dominic King +44 20 3829 5607  
 Fraser Marshall +44 20 3829 5624  
 Ben Robertson +44 20 3829 5625  
 Nick Searle +44 20 3829 5633  
 Rupert Woolfenden +44 20 3829 5623

Email: firstname.surname@zeuscapital.co.uk

City of London  
Investment Group

## CLIG LN - Financial Services

## FY25 pre-close

CLIG's pre-close update, ahead of its full accounts for the year to June 30, 2025 reveal \$10.8 billion of funds under management and outperformance of most of its strategies compared to benchmarks. With the US dollar 7% weaker, and FUM 6.1% ahead of our expectations, we leave our EPS and DPS forecasts in pence unchanged, while we nudge up our P&L forecast expressed in US dollars.

Headline metrics include:

- ♦ **Funds under Management "FuM" on June 20, 2025 was \$10,814m:** a rise of 5.6% yoy and a rise of 8.5% in the final quarter
- ♦ **Net outflows for the year totalled \$974m,** with \$564m net outflows in the first half and \$212m net outflows in 3Q, implying final quarter net outflows of \$198m
- ♦ **Most CLIG strategies outperformed over the past year:** all CLIM and all-but-one of KIM strategies outperformed their benchmarks (*details on page 3*)
- ♦ **The Board expects the final dividend to be in line with the previous year** (i.e. 22p a share), with announcement alongside full results on 16 September and AGM on 27 October

Asset allocators should be impressed by CLIG investment performance (*pages 2 & 3*):

- ♦ Narrowing discounts have enabled CLIM and KIM to outperform
- ♦ CLIM has benefited from improved corporate governance across the close-end fund sector
- ♦ Heightened market volatility has provided opportunities to benefit from discount volatility
- ♦ New buyers are showing interest in CLIM's international and emerging market funds

**Leadership update:** in June, Mike Edmonds (joined CLIM in 1992) was appointed CLIM Chief Investment Officer; Chairman, Rian Dartnell, and the Board are evaluating CEO candidates and considering CLIG's leadership needs.

**Zeus view:** CLIG's FuM at end-June 2025 was 6.1% above Zeus forecast of \$10,196m. We leave our forecast for FY(Jun)25E unchanged, but increase our FY(Jun)26E revenue forecast by 6% reflecting higher average FuM.

With US dollar weakening 7% to £1=\$1.35, we leave our adj EPS and DPS forecasts unchanged, while increasing the US dollar P&L forecasts which have higher revenues (*page 4 sets out the changes to Zeus forecast*).

We are encouraged by CLIG's investment performance and by commentary about current market conditions. Performance and persistent discount volatility should impress asset allocators.

**Valuation:** At 363p, CLIG shares are trading cum-final dividend, which itself should be a 6% yield; the full 33p dividend puts CLIG on a yield of 9.1%.

With CLIG's strategies outperforming, shareholders should feel comfortable with expectations that the dividend can be maintained, even in the absence of net inflows. We set a July 2026 target price based on a 7.2% dividend yield (i.e. *twice the yield on the FT All Share as well as the average yield of peers: Brooks Macdonald, Liontrust, Premier Miton and Polar Capital*), which would value CLIG at 458p a share (i.e. 480p cum 22p final dividend): 35% upside.

# Precis of CLIG trading update

## Movement in CLIG's FuM by strategy

We set out below the movement across CLIG's strategies managed by City of London Investment Management "CLIM" and Karpus Investment Management "KIM".

Emerging Markets contributes 34% of Group FuM, other CLIM strategies 29% and KIM 37% of CLIG FuM respectively.

## Exhibit 1: Movement in CLIG FuM by strategy, \$m

\$m	Jun-24	Inflows	Outflows	Net flows	Market & performance	Jun-25
<b>CLIM</b>						
Emerging Markets	3,394	91	(463)	(372)	652	3,674
International Equity	2,394	122	(509)	(387)	479	2,486
Opportunistic Value	251	26		26	32	309
Listed Private Equity*	174	60	(50)	10	34	218
Other**	104	40		40	6	150
<b>CLIM total</b>	<b>6,317</b>	<b>339</b>	<b>(1,022)</b>	<b>(683)</b>	<b>1,203</b>	<b>6,837</b>
<b>KIM ***</b>						
Growth Balanced	1,426	36	(174)	(138)	131	1,419
Conservative Balanced	1,103	45	(148)	(103)	143	1,143
Tax-Sensitive Fixed Income	693	87	(108)	(21)	(144)	528
Taxable Fixed Income	501	58	(50)	8	198	707
Cash Management	108	10	(24)	(14)	7	101
Equities	93	3	(26)	(23)	9	79
<b>KIM total</b>	<b>3,924</b>	<b>239</b>	<b>(530)</b>	<b>(291)</b>	<b>344</b>	<b>3,977</b>
<b>CLIG total</b>	<b>10,241</b>	<b>578</b>	<b>(1,552)</b>	<b>(974)</b>	<b>1,547</b>	<b>10,814</b>

Note: \* The Listed Private Equity strategy is to buy high quality private equity funds at discounts in closed-end fund structures traded in listed markets. It was recategorised from Emerging Markets during the year, and the recategorization of existing client assets is not reflected in the Net Flows column for either strategy. \*\* Includes Frontier and alternatives \*\*\* KIM's FuM has been recategorised into underlying strategies. Funds under Management figures are rounded

Source: CLIG trading update

## Flows

Net outflows were weighted to the first half (\$564m), with reduced net outflows in the second half (\$212m in 3Q and \$198m in 4Q), with withdrawals characterised by profit-taking after very strong performance (Exhibits 2 & 3).

The KIM Growth and Conservative Balance strategies saw \$241m outflow primarily due to client retirement cash needs.

New mandates include \$60m in the Listed Private Equity strategy and \$70m in the Emerging Markets strategy. A further \$45m mandate is confirmed for August 2025.

Net inflows of c \$84m were received across Opportunistic Value, Listed Private Equity, Alternatives and Taxable Fixed Income strategies.

## Capacity

Management see scope for other CLIM strategies to increase by \$4bn and KIM to grow by \$2bn.

The split of FuM by strategies if \$6bn of net inflows were added, would be 22% Emerging Markets; Development Market strategies 42% and KIM 36%.

## Performance

Investment conditions are broadly favourable for CLIM and KIM's strategies.

### Performance of CLIG strategies for the year to June 2025

All CLIM strategies outperformed their benchmarks.

CLIM's strategies have benefited from improved corporate governance, which has resulted in discounts to NAVs narrowing.

CLIM's strategies have benefited from "heightened market volatility ... as well as market rotation, as countries, sectors, size and style factors came in and out of favor".

"Outperformance by non-US equities" has "brought new buyers to [CLIM's] largest areas of underlying focus, namely International Equities and Emerging Markets."

### Exhibit 2: City of London Investment Management strategies

CLIM strategy	Performance (%)	Benchmark (%)	Difference
Emerging Markets	20.3	14.8	+550bps
International Equity	22.7	17.7	+500bps
Opportunistic Value	17.5	12.8	+470bps
Listed Private Equity	16.6	8.0	+860bps

Note: \*The above returns are presented as net of fees performance figures. The CLIM Global Emerging Markets strategy is shown against the S&P Emerging Frontier Super Composite BMI Net TR Index, the CLIM Global Developed CEF International Equity Strategy is shown against the MSCI ACWI ex-US Net TR Index, the CLIM Opportunistic Value Strategy is shown against the Blended 50/50 MSCI ACWI/Bloomberg Global Aggregate Bond Index, and the CLIM Listed Private Equity Strategy is compared to an 8% annual hurdle rate. Data is as of 30 June 2025. Source: CLIG trading update

The primary contributor to KIM's outperformance over the past twelve months has been:

- ♦ a modest narrowing of discounts across fixed income and equity closed-end funds
- ♦ substantial tender offers executed near net asset value and notable distribution increases among several major holdings

"Special Purpose Acquisition Companies, during their pre-acquisition phase, are effective alternatives to T-bills and money market funds" within KIM strategies.

Over the past five years, the Taxable Fixed Income and Tax-Sensitive Fixed Income strategies have exceeded their respective benchmarks by 6.60% and 3.67% per annum.

### Exhibit 3: Karpus Investment Management strategies

KIM strategy	Performance (%)	Benchmark (%)	Difference
Growth Balanced	12.71	12.16	+55bps
Conservative Balanced	9.2	10.07	-87bps
Tax-Sensitive Fixed Income	3.17	1.1	+207bps
Taxable Fixed Income	7.39	5.89	+150bps
Cash Management	5.96	5.67	+29bps
Equities	16.8	16.33	+46bps

Note: The KIM Fixed Income Strategy is shown against the Bloomberg Government/Credit Bond Index, the KIM Tax-Sensitive Fixed Income Strategy is shown against the Bloomberg Municipal Bond Index, the KIM Growth Balanced Strategy is shown against the Blended 40% Bloomberg Government/Credit Bond Index/39% Russell 3000 Index/21% MSCI ACWI ex USA Net TR Index. The KIM Conservative Balanced Strategy is shown against the Blended 60% Bloomberg Government/Credit Bond Index/26% Russell 3000 Index/14% MSCI ACWI ex USA Net TR Index. The KIM Equities Strategy is shown against the Blended 65% Russell 3000 Index/35% MSCI ACWI ex USA Net TR Index. The KIM Cash Management Strategy is shown against the ICE BofA 1-3 Year US Treasury Index. Source: CLIG trading update

## Changes to Zeus forecast

We have made top-down changes to our CLIG forecasts to reflect:

- ◆ Higher FuM at end June 2025 and consequently higher average FUM for FY(Jun)26E.
- ◆ 7% weaker US dollar of £1 = \$1.35 (previous forecast was £1 = \$1.26).

### Exhibit 4: Changes to Zeus forecasts

YE, Jun (US\$m)	2023A Actual	2024A Actual	2025E New	2026E New	2025E Change (%)	2026E Change (%)	2025E Old	2026E Old
FuM opening	9,224	9,424	10,241	10,814	UNCH	6.1	10,241	10,196
Revenue (net fee)	65.5	66.2	67.2	73.2	UNCH	6.1	67.2	69.0
yoy growth (%)	(15.4)	1.1	1.5	8.9	UNCH	nc	1.5	2.7
Pre profit share	38.5	38.3	40.4	43.5	UNCH	6.9	40.4	40.7
EBITDA	27.3	27.0	28.3	30.6	UNCH	7.0	28.3	28.6
Adj. PBT	27.0	27.1	28.1	30.3	UNCH	7.1	28.1	28.3
Adj. PAT	21.1	20.6	21.1	22.8	UNCH	7.1	21.1	21.3
Exchange rate #	1.27	1.26	1.26	1.35	-	7.1	1.26	1.26
Adj EPS (p)	35.8	33.5	34.3	34.5	UNCH	UNCH	34.3	34.5
DPS (p)	33	33	33	33	UNCH	UNCH	33	33
Net cash (p)	45.1	52.8	58.2	54.0	(7.1)	(7.3)	58.2	63.1

# average exchange rate used to convert US dollar profit to earnings in pence per share  
Source: Zeus research

We will update our forecasts on 16 September 2025, when we have actual results for the year to June 2025 and updated guidance on net flows in the first two months of the year to June 2026.

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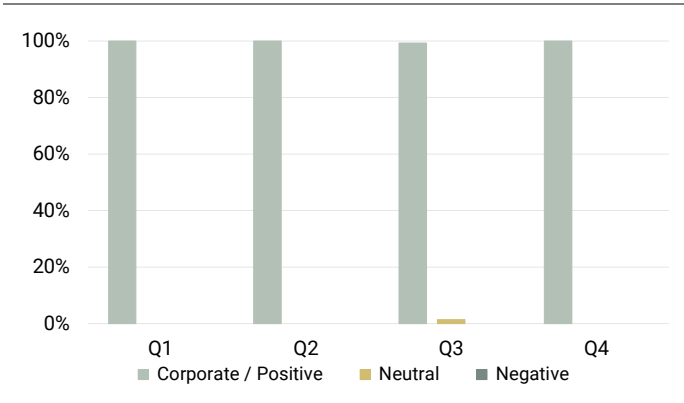
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Manchester	82 King Street Manchester, M2 4WQ Tel: +44 161 831 1512
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[info@zeuscapital.co.uk](mailto:info@zeuscapital.co.uk)  
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