

# Jupiter Q3 Business and Trading Update

## Presentation

### **Matt Beesley** Chief Executive Officer

Good morning and welcome to Jupiter's third quarter trading update. I'm Matt Beesley, Jupiter's Chief Executive Officer. I'm joined today by Wayne Mepham, our CFO. I joined Jupiter in January this year as Chief Investment Officer and took over as CEO on 1 October. In both cases, I did so because I believe Jupiter is a fantastic business, with strong foundations and huge potential for growth. Of course, we have to acknowledge the current very challenging market environment. As an asset manager with a large presence in the UK we cannot escape this turbulence, but our people are working hard to deliver for clients and to demonstrate the value of active management during these more volatile periods.

We've faced our own challenges. As CEO I'll be seeking to address those issues, but all the while knowing that we have strong foundations that are going to help us drive growth as we look forward. As you know, we do not normally provide more than a brief trading update at Q3, but given I've so recently assumed the role I wanted to take the opportunity to speak to you all and to lay out some of my initial thoughts on the industry and on our business and on the actions we might take to deliver Jupiter's growth as we look forward.

So what will we cover this morning? As well as sharing my core beliefs on our industry and Jupiter's place in it, we will run through the immediate priorities for change, both for me and for my senior leadership team. We will review our existing strategy and some options for how we might develop that further. Finally, we'll walk through our view on capital allocation and detail how and when we'll be returning excess capital to our shareholders. Having been in the role for less than three weeks, you won't be surprised to hear that I do not yet have all of the answers to share with you today. Indeed, I might think that you'd be concerned if I claimed to do so after such a short period. So as you would expect, Wayne and I will return to provide more detail to the market in February when we present our full year results.

But what I will share with you all today are some of the details of the things we have done already, some of the things that we are in the process of doing, and explore some other opportunities that we might consider as we look forward.

You will, of course, also have the opportunity to ask questions, which you can send via the webcast, which will be read out at the end. But before all of that, I wanted to hand over to Wayne, who will walk you through our flows for the last three months.

### **Wayne Mepham** Chief Financial Officer

Thank you, Matt and good morning, everyone. Our release this morning sets out the Group's flows and market performance in Q3 this year. Although our flows were still negative, it is pleasing to be able to report an improved picture compared with earlier in the year. Against a difficult market backdrop across the year, gross flows in Q3 were up from the previous quarter at £3.8 billion, which at 8% represents the highest quarterly percentage of the period's opening AUM since Q1 2021.

So far we've attracted just under £11 billion of gross flows for the year, a strong performance in a very challenging market. You can see the big tick up was from institutional clients, which reached nearly £1 billion. We've talked a lot about the opportunity here and some of the groundwork we've invested behind.

This is the largest gross inflow for Jupiter that is funded from institutional clients in any quarter and contributes to a strong year in both gross and net flows so far. So there are clearly strong signs that we have made strides in repositioning the Group with greater weighting from this client base.

The funding this quarter was driven by one significant mandate into a UK equity strategy from a sovereign wealth fund and this mandate led to positive institutional net flows of over £0.5 billion. Whilst there continued to be retail outflows, they were at much reduced levels compared with the first two quarters of the year, at £1.1 billion. These retail net outflows were in similar areas to previous quarters.

There were net redemptions from UK and European equities. Dynamic Bond still saw outflows but these were at lower levels than the previous two quarters and these were partially offset by net inflows into the Strategic Absolute Return Bond fund, as well as NZS strategies. Combined, total net outflows were just under £600 million for the quarter.

With these flows and challenging market conditions leading to negative market movements of £800 million, AUM at the end of the quarter was £47.4 billion. So it certainly continues to be a challenging market environment, at least in the short term, but that growing institutional interest is really encouraging. Institutional client investment, and indeed disinvestments, are always lumpy in nature and hard to predict, but I'm pleased to be able to report that the positive momentum we witnessed in Q3 has continued into Q4.

In the first week of October alone we have seen some meaningful institutional fundings equivalent to in excess of £0.5 billion. So for us, it's really encouraging that new and existing clients continue to see us as well placed to solve their needs and that suggests we're doing many of the right things in this important area of potential growth for Jupiter.

### **Matt Beesley** **Chief Executive Officer**

I'd now like to spend a little time sharing with you my thoughts about our industry, why I see Jupiter as being well placed and some of the areas that I'm thinking about to drive long-term growth. Firstly, and while this is a clear and obvious statement for everyone at Jupiter, I wanted to state that I firmly and passionately believe in the value of active management. We know that passives have a role to play, indeed they do for many of our clients, but it would be easy to forget that this is an industry that is still dominated by active managers.

Active AUM accounts for 78% of industry assets and 93% of revenues. From 2005 to the end of last year, assets under management in actively managed products have grown 9% per annum, so this is still a growing industry. So for a high conviction manager like Jupiter, there's a significant market to aim for here and a great opportunity.

But while the active management industry is growing, we all know that it is not without its challenges and that these challenges have been exacerbated by the current enormously volatile macro and economic backdrop. So it's vital that we are relentless in our pursuit of efficiency and scalability across our entire business.

There are pressures on the top line, both from ongoing fee pressures and from falling markets impacting our revenues.

There are pressures too on the cost side. Operational complexity has increased year-on-year and regulatory focus continues unabated. But there are opportunities here too. If we can stay focus on building an efficient model and driving scalability, this could be key in freeing up capacity within the business to drive growth further forward.

Of course, the key focus for everyone at Jupiter is on our clients. It is their money that we are being entrusted with and we take that responsibility very seriously. Their needs are changing, they are becoming more complex and our relationships with them are now much more multifaceted than ever before, which is a great opportunity for us to build deeper, longer lasting relationships.

Delivering investment performance is, of course, absolutely key for an active manager, but that is no longer enough. Clients now want a broader, deeper relationship, or are looking for outcomes that are not solely based on performance versus a benchmark or peer group.

Indeed, the levels of client service that they expect have grown enormously over recent years. Many of what might be described as retail clients are today demanding a level of service and reporting that we previously would have been much more used to seeing for traditional institutional clients.

Product trends are shifting too, away from single country and regional products, towards more global and more thematic styles. Concurrently, the lines between public and private companies continues to blur and our clients are increasingly agnostic as to where they invest.

One other key aspect to this changing client demand has been the growth in sustainability-focused products. Now forecasts vary here but we could see almost \$100 trillion of assets in ESG mandated products by 2025, which would account for almost 60% of global AUM. Importantly, this is not just about specifically labelled products, but also the broader area of active engagement with companies on ESG issues, which is now a key part of active management.

Jupiter does much of this well already and I'll come on to talk about this later on, but importantly, all four of these trends present opportunities for Jupiter and if we adapt and evolve our business the right way, each can help us drive future growth.

So where does Jupiter fit into this industry and where do we need to build from here? Well the first point to note is that Jupiter is already an excellent business, with world-class talent. We've done a lot already and have lots of plans as to how we can further develop the strategy. But we must not forget we can only do this because of the strong foundations and success stories across the Group. Our purpose is high conviction investment excellence and we have some incredibly talented investment managers and analysts. Notwithstanding some of the changes we've made, we have a diversified and differentiated product set.

Our core business has always been in the core UK retail space, which historically has been the growth driver behind Jupiter's success. We know there are some challenges here and we're focused on how we can offset these and as Wayne has already made clear, we're seeing growth with institutional clients.

We've also built some strong business overseas and we're seeing external recognition for some of the fantastic work we've done across the firm within sustainability. So overall, I think we're doing a lot of the right things already, but there are some more things that we can do to really drive our growth faster.

Firstly, we've undergone a process to rationalise our fund range, to reduce complexity and to make sure we're really focused on what we're good at.

We've started the process of simplifying our structure, reducing our headcount and reviewing our operational footprint, as we look to build an increasingly efficient and scalable model.

We're undergoing a review of our existing strategy, both for our core business and our three-pillared strategic growth priorities. Together we need to decide whether these are the right areas to focus on, whether we're moving quickly enough and whether they'll be sufficient, given our growth ambitions.

On the first of these, it was clear to me on joining this firm that put simply we had too many funds, or crucially too many subscale, non-differentiated funds, that were diluting our active proposition. There were also a number of areas where we had overlapping capabilities, or in areas of limited client demand.

Across the whole product set, 46% of our mutual funds have less than £100 million of assets, so this was clearly a fund range in need of some rationalisation and we've worked hard to assess where we can simplify this range and reduce complexity. Across closures, mergers and repositionings, almost a third of the fund range has been impacted.

Some of these changes reflect ongoing needs to evolve the structure positioning of certain products, but when we're done, importantly, there'll be around 25% fewer funds. This has very much been focused on the subscale end of the range. More than 80% of the funds involved are below £100 million, but only 4% of overall Group AUM has been impacted.

It's important for you to know that with a few exceptions, all clients that are being impacted by these changes are largely already aware of them. It's worth noting, however, that this is not an ongoing continuous process, despite the discrete nature of these changes. We will continually review our product range, always with a keen focus on these subscale funds. Ultimately this will lead us to have a much more focused product range on areas of true client need, with our clients in turn much more readily able to identify where we have capabilities that match up with those needs.

I've already said that the pursuit of efficiency must be a constant focus for us. It was clear to me from very early on that we needed to review our cost base. I saw a business with a potential to be much more responsive and quick to act for the benefit of all stakeholders and importantly, an opportunity to unlock that potential.

Of course, at the same time, I've been mindful of the need to manage risk for our business and for our clients and to protect areas of growth that I've already committed to and see as a path for a longer term of our strategy. But there are areas where I observed we could actually realise potential by being more streamlined and that would also align us better to the size of business that we have today. So it was important to me and the Board that we did not wait.

Wayne and I, along with the rest of the leadership team, therefore undertook a review of our entire operating model. That led to the restructuring programme which, when it is complete, will have reduced our planned headcount by around 15%. I've also changed our governance structures to support good but faster decision-making. I have a smaller executive group, which I fully expect will drive more nimble and more decisive action.

We're now supported by a broader senior management team with all the right experience in the room to ensure effective and disciplined execution of our plans. Although we will always remain focused on efficiency, this restructuring is a one-time event which I don't foresee having to do again in the medium term.

**Wayne Mephram**  
**Chief Financial Officer**

Our review covered both the organisational structure, but also other costs and whether there was an appropriate allocation of resources across the business. Of course, this is an area that I have spoken about before and I said in July that I would do more. Matt and I have done just that. Our focus was to get the right balance with investment for growth in targeted areas, but also recognising the market conditions and the size of our business today. Value for money will always be a focus for us. We reviewed all our supplier relationships across the whole business and challenged those costs, particularly in areas of discretionary spend.

Overall, it's only through driving these efficiencies and making sure that our platform continues to be scalable that we create the capacity for future growth opportunities and appropriate returns of capital to shareholders.

The savings we've achieved here will really come through in 2023. I can't give final figures or guidance yet, as our budget process is not complete and we're still evaluating inflationary impacts.

But I can say that through these savings next year's costs will be around £20 million lower than they would otherwise have been, equally split between fixed staff and non-compensation cost savings.

For this year, as you would expect, we had some restructuring costs. Those are one-off for 2022, but I'll report them within underlying profits. I expect these costs will push up our compensation ratio for this year by two percentage points to 40% excluding performance fees. I don't see any changes to my previous guidance for 2022 on the non-compensation side, which remains at about £117 million for the year as a whole.

**Matt Beesley**  
**Chief Executive Officer**

The last of my immediate priorities has been to review our existing strategy. A key part of Jupiter's growth historically has been through our core business of UK retail. Indeed, this is what Jupiter is still known for to many in the market. We've had lots of success here, Jupiter is still the number one active-only listed player in this space and we continue to see strong gross flows, with over £4.5 billion so far this year and UK retail still accounts for two-thirds of AUM.

But we also know that it has not always been an easy space to operate in and we have suffered outflows in recent years. Looking forward, our key focus is on stabilising these flows, building deeper relationships with our clients and continuing to evolve our product range to meet our client needs.

Moving on to the strategic growth priorities that you've heard Jupiter discuss over recent years. Firstly with Institutional, overall I think we are doing a lot of the right things already. I have no doubt that our strategy of diversifying into this channel is the right one. I have an institutional background myself as an investment manager and I know very well the value of longer-term stickier client assets. There's a huge market out there, more than three-quarters of UK assets are from institutional clients and Jupiter's now been recognised as a respected player in this space.

Our buy ratings through consultants are up to 17 and AUM has increased to 11% of Group assets. As Wayne mentioned, we've generated over £0.5 billion of net inflows for the quarter and we've seen this momentum continue into the first few weeks of October, with some additional fundings currently scheduled for the next few weeks reflective of our strong and growing pipeline.

To be clear, I wouldn't want you to extrapolate that out for the rest of the quarter or indeed into next year, but we are seeing record levels of RFPs and record levels of incoming client engagement, all of which is building confidence in our late-stage pipeline. So we will continue investing behind this success, which is truly global in nature and is not just coming from clients in the UK.

When we consider that 94% of global AUM is from outside of the UK, it's clear that there is also a material opportunity to diversify our business on a geographical basis. We've had success from our overseas offices, there were positive net flows in 2020 and 2021 and the large institutional mandates I've referenced are from international clients. So we have a strong business outside of our home market of the UK, but I think we have the opportunity to do better here.

Not all of our international presences are at scale yet and we will look to build on that and to prioritise investment to increase levels of profitability in some of those key markets. To be clear, I do not mean that we will be looking to close any of our offices, but rather we have an opportunity for a targeted allocation of some of our resources to really push that growth forward.

The final part of our existing strategy is that of sustainability. I said earlier that I'm a passionate supporter of this and I believe in the value that active management brings, whether through active engagement with our investee companies or through sustainability labelled products.

Jupiter is well progressed in this space and starting to be recognised externally as such. We were once again awarded as a signatory of the Stewardship Code here in the UK. Our net zero ambitions are some of the most ambitious in the industry, given our asset mix and we have one of the best Sustainability ratings across our wider peer group. There is, of course, much more we can do here, but it's absolutely right that we're pushing ahead, focusing on areas where Jupiter has the experience and the expertise to be positioned as a leader.

Hopefully it's clear that I believe our existing strategy is largely the right one and everything we are doing is absolutely necessary. The question for us now to consider though is whether that is sufficient, whether the growth that we have and the growth we intend to see across these areas will be enough. Whether we have the opportunity to explore new areas to drive that growth further and faster.

I said earlier that I would talk you through what we've already done and what we're in the process of doing, but I also said I would look at some of the things that we might do. Now not everything that is listed on this slide in front of you will be something that we will be ultimately pursuing, but all of these will be explored as we look to develop our strategy to push growth along faster.

We talked earlier about how client product demands are changing away from single country and regional products to more globally and thematically-focused strategies. Now this is one area that I can tell you is being developed. I'm excited to announce that we will be launching a range of thematic funds early in 2023 and we'll update on our plans here in the new year.

It's also observable that other asset classes are emerging and play a more significant role in clients' portfolios today, notably as relates alternatives, real assets, property and infrastructure. Private assets have been a real area of interest in our industry for a number of years and some of our peers have had success in this space.

To attempt to grow this organically would likely be a challenge, given the cost and the complexity involved, but it could be that we explore partnership structures and see what Jupiter could bring to such a relationship in terms of distribution or operational support. Away from the product side, we'll also be looking at whether there can be distribution relationships that might help us reach a new set of clients.

We're looking at the medium of delivery itself, how and in what form will clients access our investment strategies. Active ETFs are one example that we could be exploring. While we'll always remain focused on having an efficient and scalable operating model, use of innovative technology could also play a role here too.

So after less than three weeks as Chief Executive I cannot definitively tell you which of these we will pursue, but I can say that our senior leadership team are reviewing all of these options as we seek to drive Jupiter forward.

## **Wayne Mephram** **Chief Financial Officer**

Before we go on to questions, I'll update you on our approach to capital. In July we declared an interim dividend of 79 pence per share, in line with last year. The Board had previously committed to returning a minimum payout ratio of 70% over two years, which is through to the end of 2022. Today we confirm that we intend to honour that commitment. Given the share price today, my expectation is that most of the remaining return will be in the form of a share buyback programme.

We will start this shortly and I expect to be able to complete up to £10 million this year. Of course, the Board will reassess at the year-end how much of the remaining amount to reach the minimum 70% level will be through a final dividend and that means we will not be paying the final dividend for 2022 at the same level as last year.

From next year and going forwards, the ordinary dividend will be reset to 50% of pre-performance fee earnings and will no longer be set at a minimum of the prior year amount. Of course, removing the progressive part of our policy means that dividends can go up and down through the market cycle.

We've debated capital policies with some of our largest shareholders and many agree that this type of allocation makes sense for a business like ours, where markets overall can be volatile. Our job is to deliver investment performance for our clients and that will drive good, sustainable shareholder outcomes.

That means there'll always be factors outside of our control that will impact the profit outcome, as we work to ensure that we meet those client expectations. This policy simply recognises that. We know that this will at times leave us with surplus capital in excess of business needs and we will continue to return this excess to shareholders on a periodic basis, just as we've done before.

We've laid out here our new capital allocation framework, which is just a little different to how I've presented it before. I think the most important point here is actually the one at the bottom of the slide and that is that capital returns must always be sustained by earnings each year.

We all know that most organic investment for a business like ours goes through the income statement, so our decision on how much to invest for future growth in any given year will have a bearing on the ordinary dividend, but that will always be out of profits achieved for that year.

We do not see any need for large-scale inorganic investment, but Matt is rightly looking at all off the options available to the Group. That might include some smaller scale investment in targeted areas, where we see suitably accretive opportunities. If that needed capital, it would obviously be considered before any additional returns to shareholders.

But right now, we are comfortable that we are well placed to balance what we've announced today, retaining flexibility for the future and maintaining an efficient balance sheet. Although we have announced share buybacks today, the right mechanism for additional distributions in the future will be based on the specific circumstances at the time.

So to wrap up on capital, the key change here is that from 2023 our policy is based on ordinary dividends or 50% of underlying earnings per share excluding performance fees. We remain committed to paying additional returns at the right time and through an appropriate mechanism based on those specific circumstances.

**Matt Beesley**  
**Chief Executive Officer**

To briefly summarise before we hand over to questions, we are in a growing industry, but one that clearly faces challenges, both cyclically in the short term but also structurally as well. To succeed it's critical that we relentlessly pursue efficiency and scalability across our business.

We will always look to return excess capital to shareholders, but we will do it in a responsible, sustainable way. I'm truly excited about the opportunities at Jupiter. Many of the right foundations are in place. We have a world-class talent pool across the business and we're already seeing growth in some key areas.

We are doing lots of the right things already, so some of the strategy will remain, some areas will evolve and some areas will be new altogether. But ultimately, if we're going to return to growth soon, we need to move faster and we might need to do more. With that, I'll hand over to questions which will be read out by Alex James, our Head of IR as they come in. Over to you, Alex.



## Question and Answer Session

### Alex James, Head of Investor Relations

Thank you, Matt. First question is for Wayne, it's from Nicolas at Exane, who's asked can we give any more information on the margin of the institutional mandates that we referenced in Q3 and Q4?

### Wayne Mephram

I can't give you any specific information on that. All I can say is that the revenue margins clearly are lower than we typically see from equivalent retail business. But for us, the most important thing here is that the relationship tends to be longer, so the overall returns from an institutional mandate to us are at least equal to a retail relationship.

### Alex James

Thank you, Matt, a few questions on the fund rationalisation programme, which we've received from a number of different people, including David at Numis, Arnaud at Exane and Isobel at KBW.

Firstly, how many of these funds that have merged or closed were launched in the last five years? Can you talk a bit more around the product discipline involved here?

### Matthew Beesley

I don't know the number of these funds directly, but a lot of what we are happy addressing is the result of the bringing together of both the Merian range of products and the Jupiter range of products. So where we've had some overlapping products it's because there was some existing capability in one of the two organisations, which now no longer makes sense given that we are in one company.

Inevitably it's part of the lifecycle of product management there will be products that are no longer relevant to clients. There'll be products where client needs have evolved and have changed and there'll be some products that perhaps through poor performance or changing market conditions haven't got to the scale that we expected of them. So there's a degree here of ongoing curation of our product shelf which we've been catching up on.

There's also been the rationalisation that is inevitable when you've brought two fund ranges together. Hence my comment about there being obviously a substantial change to the product range in terms of the 25% that has been merged or closed as part of this process, but some ongoing change that is inevitable as part of appropriate care and management of a product range.

### Alex James

Thank you, Matt. Relatedly, do you have a view on how much of the 4% of that AUM impacted will likely be retained and whether you can talk a little more around the asset or client mix of the funds impacted.

### Matthew Beesley

To answer the last question first, there's no one particular theme here in terms of the asset mix, it's across our product range. If anything, there's a bigger leaning towards the equity range rather than the fixed income range.

In terms of the attrition, it's too early to tell. Typically we are looking to – we're merging funds, merging funds that are not dissimilar or have appropriate overlap in terms of their investment approach and where we're closing funds, typically it's because there isn't a suitable vehicle to merge a fund into to ensure we continue to meet a client need. Of course, those AUM are therefore typically lost. But it's too early to be able to give you a number as related to that 4% of AUM that's been impacted.

### Alex James

Thank you. To wrap up for now on fund rationalisation, given there's a number of funds after this which will be still relatively small, do you think the programme is too cautious? Is there more that can be done?

### Matthew Beesley

It's an inevitable part again of that product range management process that there will be small funds that have recently been launched that are still gathering and garnering a track record.

Or potentially are interesting funds with a truly differentiated approach towards their asset class that for various client reasons at a particular point in time are not yet relevant to clients, because that asset class might be out of favour.

So it will always be inevitable that we will have some small funds, but we want to be more active in making sure that we manage that product set, ultimately so it's clear what it is that we stand for at Jupiter. We are an active manager and we want our active proposition to be reflected in the product range that we offer to our clients.

### Alex James

Wayne, on the cost side, on the 15% reduction in headcount, I've got a few questions coming in on that. Can we give any more colour on that reduction, which functions are mostly affected, whether there's skew on cost per head? Can we assume therefore a 15% decline in staff costs?

### Wayne Mephram

Well as I said, the reduction in staff costs compared to our previous expectations is £10 million, so that's half of the £20 million saving that I mentioned earlier on. It's been reviewed across the whole of the business, so there are adjustments to planned headcount and to actual headcount in every part of our business. There is clearly a larger aspect in some of the support areas, but overall it covers all parts of the business.

### Alex James

Relatedly, on the cost side, can you confirm the cost reductions in 2023, the comp and non-comp savings will be equally split between the two? Also whether if we're looking at costs excluding the variable comp, can you say anything about bridging full year 2022 to 2023, given those many moving parts of cost savings, inflation and investment in new initiatives, et cetera?

### Wayne Mephram

Yes, as I said, we've announced today the savings that we've achieved, but I am in the process of going through our budget. Most of that is well progressed. The one aspect that I think you'd understandably expect me to say at this stage is the inflation impact and particularly around fixed staff costs. So it wouldn't be appropriate for me to give those numbers today, as we're still working through that. But clearly when we get to the year end in February, I'll give more explanation of how we move between the two years.

### Alex James

You also talked about those costs being £20 million lower than they otherwise would have been. Can you say what you were budgeting for those costs before these changes?



## Wayne Mephram

No, again I think people have got their own expectations of 2023, so I'm sure you can - each of the analysts and shareholders out there can look at that and compare that £20 million adjustment. Again it wouldn't be right for me to give you data today on the forecast for next year, which obviously we'll be close to telling you what that number is.

## Alex James

Thank you. Back to Matt, a question from Samarth at Citi. We talked about some institutional funding, are we seeing a shift in the institutional funding environment here? The last few updates we've discussed around increasing levels of interest, incoming client interest, RFPs, but we've been cautious on the actual timing and award of those mandates. Has that environment improved?

## Matthew Beesley

I think the nature of the institutional channel is it is by definition somewhat lumpy. It takes time to build relationships with key institutional clients, underlying consultants and of course you need your investment capabilities to align with and line up with underlying client needs. It's very hard to predict when that's going to occur.

What we can say from Jupiter's own particular perspective is that we're starting to see lots of that hard work over recent years starting to come to fruition. We referenced the consultant buy rating number, which is increasing. The conversations that I'm having as an incoming CEO with many of our institutional clients tells us, tells us all, gives us all confidence that we are starting to bear some of the fruit of the investment that we made in building out that channel.

I also think the market environment, while clearly tricky and challenging and to some degree will make certain investors want to be a bit more cautious about how they invest, there will be some investors that see opportunities out there in the current market environment. It could be that some more sophisticated institutional investors will take advantage of those market dislocations which might also work to our benefit.

So I think the progress that we've talked about in Q3, the progress we've alluded to just in the first week or so of October, all suggest that the investment that we've made and the focus we've put on this channel is starting to bear fruit. But the payoff profile, of course, is going to stay lumpy and hard to predict.

## Alex James

Wayne, on the capital surplus, you talked about wanting to maintain a healthy capital surplus. Can you quantify this? Also how does tier 2 debt fit into that definition?

## Wayne Mephram

I think a healthy surplus is always a very judgemental area in asset management. We're very comfortable that we have a healthy surplus today. We'll continue to reassess that based on market conditions. I think linked to the way in which we're positioning the ordinary dividend now gives us much more confidence on managing that healthy surplus in the future and indeed, giving us the opportunity to make additional returns where we feel that surplus is in excess of our needs.

Clearly the subordinated debt does form part of the overall capital surplus. It is a 10-year debt with an opportunity to repay after five years, so that's in two and a half years' time now, broadly two and a half years' time. So that will obviously play a part in our assessment of how much capital we have in the business and how much we therefore return to shareholders in due course.

### Alex James

Thank you. Matt, just to jump back briefly to the fund rationalisation programme, can you talk at all about AUM risk from front office departures linked to that or otherwise? Equally, given this process has now started and you mentioned a lot of clients are aware of this, what have you had in the way of client feedback?

### Matthew Beesley

It is important to emphasise that most clients that are impacted by this rationalisation programme are aware of these changes. So to some extent, if clients wanted to react they've had an opportunity to do so. Clients ultimately come to Jupiter because they believe that we are a provider of differentiated, truly active product, so to some extent this rationalisation programme has been helping us sharpen that perception with our clients.

We want our clients, when they see a product on the shelf from Jupiter, to know that it's an actively managed product and if we're doing it, if we're active and involved in a particular asset class, it's because we believe we can do so and add value in a differentiated way relative to other propositions that might be out there.

So by removing this overlapping, in many cases, non-scaled but also some cases non-differentiated product, if anything, it just sharpens that perception with our clients and our clients recognise that. So there's been a great deal of understanding of why we're doing this and support for this programme.

### Alex James

Still on the rationalisation programme, but to Wayne, the average fee margin of these funds involved, are they comparable to the Group's average?

### Wayne Mephram

Matt may want to comment on this, but there's no significant impact on the margin coming out of these funds. Recently we talked about it's 4% of the funds being affected, but the average margin is not dissimilar to the Group as a whole.

### Alex James

This is for Wayne, on the fund rationalisation and the other cost savings, are there exceptional costs this year to take into account because of this?

### Wayne Mephram

No, as I've mentioned, the costs that I've given guidance to before in July are the same. There are no further exceptional costs over and above those that I've previously reported, which is principally in relation to the amortisation of intangible assets relating to the Merian acquisition.

### Alex James

Thank you. There's one final question on here at the moment, but we'll give other people a chance to type their questions through. At the moment that final question would be from David at Numis.

He has asked what kind of organic growth in terms of net flows and opening AUM do you think the business can realistically achieve over the medium term, taking into account market drivers and the fund range? I think that's for Matt.

### **Matthew Beesley**

I think it's very hard to answer that question with certainty. Clearly the market environment is going to be a big driver there, clients' appetite to invest will be a big part of that. Of course, the divisional oscillations in asset classes are going to be a big driver of that, even before we start to think about the Jupiter overlay, which of course will relate to our investment capabilities. To some degree, the short- as well as the long-term performance of those capabilities.

By definition, as we move and are more successful in the institutional space, that brings added complexity in trying to predict that number, because by definition that is a channel where investments and disinvestments are more lumpy. So it's really hard to answer that question. What we're focused on at Jupiter is growing our business and growing each of the channels that we are operating in, though we recognise of course there'll be times when market conditions and client actions make growth hard to deliver.

### **Alex James**

Just one more question has come in, again on the rationalisation programme, this one for Wayne. Will this have any impact on the numbers of seed capital?

### **Wayne Mephram**

No, this doesn't impact our seed capital. We obviously manage our seed capital portfolio carefully, if there is potential to remove seeds appropriately and reinvest. So we've got an ability to invest up to £200 million, which we announced earlier this year. There's always money coming in and out of those as we look at our overall investment.

### **Alex James**

Thank you. I think then if there's nothing further about to come through, I think those are all the questions.

### **Matthew Beesley**

I've got to say thank you all for joining us on today's call. Thank you all for the questions that we've received as well. I'm incredibly proud to be the new CEO at Jupiter, but also extremely excited about the opportunities ahead. With Wayne, we look forward to updating you on our progress in the new year. So have a good rest of the day, everyone.

End