

Ashmore Group

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Ashmore shares gain as it makes strong start to 2019 after tough end to 2018

Ashmore Group PLC (LON:ASHM) shares gained after reporting an 11.2% increase in assets under management for the third quarter as it recovered from the sell-off in global markets towards the end of 2018.

The emerging markets-focused investment firm said assets under management rose to US\$85.3bn in the three months to March 31, compared to US\$76.7bn in the previous quarter.

Last year, emerging markets were hurt by concerns about rising US interest rates, a slowdown in global economic growth, turmoil in Turkey and Argentina and a trade dispute between the US and China.

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However, markets have picked-up as the US Federal Reserve has adopted a more dovish tone on interest rates.

Ashmore said it saw net inflows in the corporate debt, local currency, overlay and liquidity, blended debt and external debt investment themes in the third quarter.

The group added that there was ongoing momentum in mutual fund flows, particularly in Europe and the US, with continued interest in the short duration, local currency bond and blended debt strategies.

READ: Ashmore shares in the red as investment performance hit by weaker market conditions

"Client activity levels picked up through the quarter following a slight pause at the end of 2018," said chief executive Mark Coombs.

"This reflects a number of ongoing positive factors including investors' light positioning in emerging markets, the significant value available across a diverse range of investment themes, and slowing growth and political challenges in the developed world."

Shares rose 3.6% to 475p in morning trading.

ShoreCap sees better value elsewhere

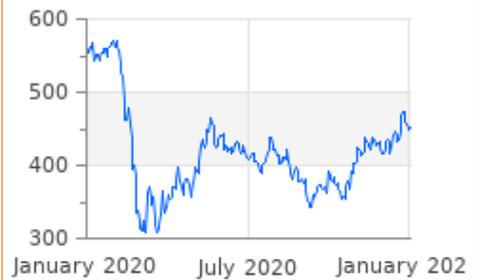
Shore Capital maintained a 'hold' rating but raised its target price to 455p from 400p, saying it thinks Ashmore's update was positive and the company's "quality continues to shine through".

"However we are becoming concerned that the rating gap that it has opened with the rest of the asset management sector is becoming stretched," the broker added.

Price: 452.6

Market Cap: £3.23 billion

1 Year Share Price Graph



Share Information

Code: ASHM

Listing: LSE

52 week High Low
581.5 281.8

Sector: Investments and investor services

Website: www.ashmoregroup.com

Company Synopsis:

Ashmore Investment Management Limited is one of the world's leading investment managers dedicated to emerging markets with a history of consistently outperforming the market. Ashmore focuses on a number of investment themes including dollar debt, local currency, special situations (incorporating distressed debt and private equity) corporate high yield and equity.

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"During these 'golden' periods where both net flows and performance are pointing in the same direction, there is a tendency for the market to over-extrapolate the longevity of both trends in this sector (the same can happen in the opposite direction).

"At the risk of sounding like a doom-monger, we again point out that Ashmore can be whipsawed by high level asset allocation decisions from its institutional client base when emerging market sentiment flips the other way."

ShoreCap said this was the case in the three financial years to June 2016 when the company experienced cumulative net outflows of US\$24.5bn from a not dissimilar starting position of US\$77.4bn.

The broker said despite its view on the high quality of the business, it is considering a more negative view of the investment case following an increase in the share price. It said a price above 500p will be "harder to justify, even after we push up our fair value on today's upgrades".

"We see much better value elsewhere with the sub-sector and would highlight Man Group (Buy at 148p) and Polar Capital Holdings (Buy at 546p), both of whom issued solid AuM updates last week, as offering much greater upside."

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