

Alpha small company research

30 November 2023

Position for crucial early upside

This asset management group is building scale and could be a major beneficiary of more benign equity market conditions.

Simon Thompson's view:

It's sensible to build a 'margin of safety' into the price you are willing to pay for any investment. Risk can be mitigated further when the company is sitting on a cash pile to cushion potential downside. In the case of AssetCo, balance sheet cash backs up a third of its market capitalisation. Moreover, the asset management group's 30 per cent stake in a profitable investment platform is worth 50 per cent more than its own market capitalisation. Investors also get a free ride on an asset management business with around £3bn of client mandates which is being right sized and could hit run rate profitability in 2024.

AssetCo share price (p)



Source: LSEG

Bull points

1. Top management team.
2. Parmenion stake exceeds market cap.
3. Rize disposal reduces group operating loss.
4. Net cash backs up a third of market capitalisation.
5. 57 per cent discount to sum-of-the-parts valuation.
6. Operationally-g geared to equity market recovery.
7. SVM funds are approaching profitability.
8. Saracen funds are performing well.
9. Losses are forecast to reduce markedly next year.

Bear points

1. Negative sentiment towards UK companies.
2. Impairments will result in a hefty loss in the 2023 financial year.
3. Dire share price performance.
4. Shares are below the radar.

AssetCo (ASTO)	
Ticker	ASTO
Current mid-price	42.5p
Bid-offer spread	41-44p
Target price	100p
52-week high	78.6p
52-week low	32p
Market cap	£60.5mn
Net cash	£20mn
NAV	£66.1mn
Sum-of-the-parts value	£140mn
Shares in issue	142.5mn
Financial year-end	30 September
Next event	annual results February 2024
Website	www.assetco.com

Source: London Stock Exchange, company reports

In chapter seven of US investor and writer Benjamin Graham's seminal 1949 work, *The Intelligent Investor*, the father of value investing explains: "If we assume that it is the habit of the market to overvalue common stocks which have been showing excellent growth or are glamorous for some other

reason, it is logical to expect that it will undervalue – relatively, at least – companies that are out of favour because of unsatisfactory developments of a temporary nature. This may be set down as a fundamental law of the stock market, and it suggests an investment approach that should be both conservative and promising."

How do we know whether the "unsatisfactory developments" are indeed "temporary"? Mr Graham's approach was to focus on the balance sheet, and specifically the net current assets – stocks, debtors and cash less any creditors. He believed that a bargain share is one where net current assets less all prior obligations – such as creditors falling due after one year, deferred taxation and provisions for liabilities and other charges – exceeds the market value of the company by at least 50 per cent.

Mr Graham's theory was that a strong balance sheet will usually see a company through any short-term difficulties; he called it his "margin for safety". That's what's on offer with **AssetCo (ASTO)**, an asset management group that was formed in 2021 to acquire, manage and operate asset and wealth management activities and interests. The group held net current assets less all prior obligations of £16mn at its last reporting date. This excludes a valuable stake in a profitable investment platform, Parmenion, which is held as a non-current asset. The holding has a carrying value of £21.9mn, but it was recently independently valued at £75mn-£90mn, or almost 50 per cent more than AssetCo's market capitalisation of £60.5mn. There is real potential to realise the value in the asset (see section: 'Parmenion hidden balance sheet value') to turn the stake into cash.

In addition, AssetCo holds goodwill and intangible assets worth £25.8mn, reflecting acquisitions made in the past three years. That's because the strategy pursued by the group principally focuses on making strategic acquisitions and building organic activities in areas of the asset and wealth management sector where structural shifts have the potential to deliver growth opportunities. Importantly, AssetCo has a high calibre management team to execute the strategy.

Backed by a top management team

Chairman **Martin Gilbert** co-founded Aberdeen Asset Management and was chief executive officer of the group from 1991 to 2017 during which time it became one of the world's leading independent asset managers with £308bn of assets under management (AUM) in 2017. Aberdeen Asset Management subsequently merged with Standard Life to become the largest UK-based asset management company before Gilbert retired as group chairman.

AssetCo's deputy chairman **Peter McKellar** has spent nearly all his working career in private equity and infrastructure investment management. He was executive chairman and global head of private markets for Standard Life Aberdeen before his retirement in September 2020, overseeing investment management activities across private equity, infrastructure, real estate, natural resources, and private credit markets.

Chief financial officer and chief operating officer **Gary Marshall** is another Standard Life Aberdeen stalwart who has worked in the asset management industry for 30 years, latterly being Head of EMEA and UK Regions for Standard Life Aberdeen before retiring in 2021.

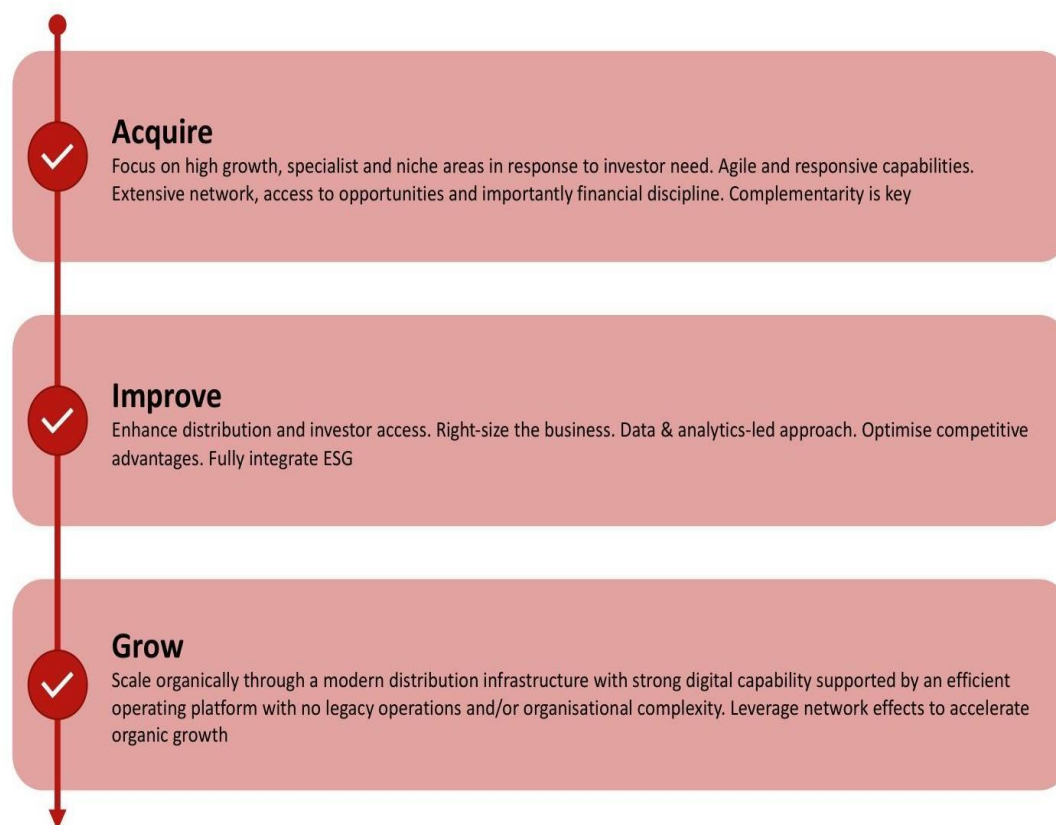
The board can also call on the expertise of three non-executive directors **Jonathan Dawson, Tudor Davies, and Christopher Mills**.

Dawson was appointed to the board when AssetCo completed the acquisition of River and Mercantile in June 2022. He spent 20 years at investment bank Lazards, co-founded Penfida (a leading independent corporate finance advisor to pension funds), and was chairman of River and Mercantile prior to AssetCo's acquisition.

Davies is a corporate turnaround specialist and a former partner at Arthur Young.

Mills is chief executive officer of both Harwood Capital Management and North Atlantic Smaller Companies Investment Trust (NASCIT).

Our strategy



The insiders own around a quarter of the shares in issue and were paid salaries of £0.6mn in the 2022 financial year and have fully vested long-term incentive plans with lock-in arrangements until September 2026. Their financial investment not only aligns their interests to those of outside shareholders, but it is supportive of the 1.3p a share dividend being maintained that supports a 3.1 per cent dividend yield.

Acquisition history

Since the management team took the reins of AssetCo they have made the following acquisitions:

May 2021: £3.4mn acquisition of **Saracen Fund Managers**, an active manager of listed equity portfolios with AUM of £118mn and a business with scope to broaden the investor base of its three funds (Global Income and Growth, UK Alpha and UK Income).

July 2021: £16.5mn acquisition of 68 per cent equity interest in **Rize ETF** (subsequently sold for £10.5mn in September 2023). Rize ETF is a provider of thematic investment strategies via Exchange Traded Funds (ETFs).

October 2021: 30 per cent equity stake acquired in **Parmenion** for an initial consideration of £20.6mn. The business is a B2B fund investment and advisory platform for the UK wealth and IFA sector, partnering with over 1,500 adviser firms to help them deliver investment solutions to over 70,000 end customers. It is benefiting from the digital transformation taking place within the asset and wealth management industry. The Rize and Parmenion acquisitions were funded by the proceeds of a £25mn share placing at 145p a share.

February 2022: £2.9mn acquisition of **Revera Asset Management**. Established in 2003, the Edinburgh-based fund management business has two funds, operating on the Smith & Williamson Fund Administration Limited platform: S&W Revera UK Dynamic Fund (AUM of £108mn at time of acquisition) and the Skye Trust (£10mn of AUM). AssetCo paid £1.9mn of the consideration in cash and the balance in new shares issued at a price of 164.7p.

June 2022: £41.9mn all-share acquisition of **River and Mercantile**, an established equities team that had AUM of £2.7bn. River and Mercantile's asset management business comprises equities teams based in the UK and US, offering investors exposure to UK, European, emerging market and global equities.

The UK-based team utilises an investment process known as Potential, Value, Timing, with a focus on investing in UK, European and global equities. The US-based team has built its track record in emerging markets. However, River and Mercantile's cost base needed to be scaled down by AssetCo to realign with its reduced operating structure following the disposal of the larger solutions businesses (see below).

October 2022: £11mn acquisition of **SVM**, an independent regulated fund management business based in Edinburgh, which was founded in 1990 by Colin McLean and Margaret Lawson. At the time, SVM held £586mn of AUM including five open-end funds: UK Growth, UK Opportunities, Continental Europe, All Europe SRI and World Equity. SVM also manages SVM UK Emerging Fund, a small investment trust listed on the London Stock Exchange.

Following the acquisition, McLean became a director of AssetCo's Scottish business to ensure a smooth transition for SVM's clients. He also assisted in setting out the strategic direction of the group to enable AssetCo to build a strong asset management hub in Edinburgh, focused on managing listed equities. Lawson, who is UK investment director at SVM, has continued in her role managing UK equity portfolios, as has Neil Veitch, Global and UK investment director, and Hugh Cuthbert, European investment manager.

At the time of the acquisition, SVM had net assets of £4.5mn, net cash reserves of £4.5mn and reported revenue of £0.95mn and operating profit of £0.14mn in its last financial quarter.

AssetCo settled £2.2mn of the £11mn consideration in cash and issued £8.8mn convertible loan notes that have a coupon of one per cent. Subsequently, £2mn of the convertible loan notes were converted into AssetCo shares at a price of 68.7p. The £6.9mn balance is due for repayment on 31 December

2023 or by converting into shares at 145p each. Clearly, with Assetco's share price 70 per cent below the conversion price, the convertible loan notes holders will opt for a cash payment.

Bearing this in mind, AssetCo retained balance sheet cash of £27.5mn at its half-year end (31 March 2023) and had no other borrowings apart from the convertible loan notes. So, on a pro forma basis, group net cash should be around £20mn by the end of this calendar year after repaying the loan notes. That sum equates to one third of AssetCo's current market capitalisation of £60.5mn.

October 2023: £3.8mn acquisition of **Ocean Dial Asset Management**, the investment manager of India Capital Growth Fund, which had a net asset value (NAV) of £156mn and annualised run rate revenue (ARR) of £1.86mn on completion. Both NAV and ARR have increased by more than 10 per cent since then. The acquisition is immediately earnings enhancing and has potential to add value by bringing Ocean Dial together with the other active equity asset management businesses under the River and Mercantile brand.

The initial consideration was satisfied by issuing 1.46mn shares at 68.3p, a 60 per cent premium to the current share price, and a £2.46mn cash payment (£1.8mn net of cash held within the business). There is also deferred consideration of 1.46mn shares which will be issued at 68.3p. Effectively, the cash payment was fully covered by the initial cash proceeds from the disposal of Rize the previous month.

The point is, Assetco's current enterprise valuation of £40mn is not only a fraction of the value embedded in the acquisitions made to date, but it is a fraction of the independent valuation of the 30 per cent stake in Parmenion.

Action undertaken and priorities



Source: Company presentation

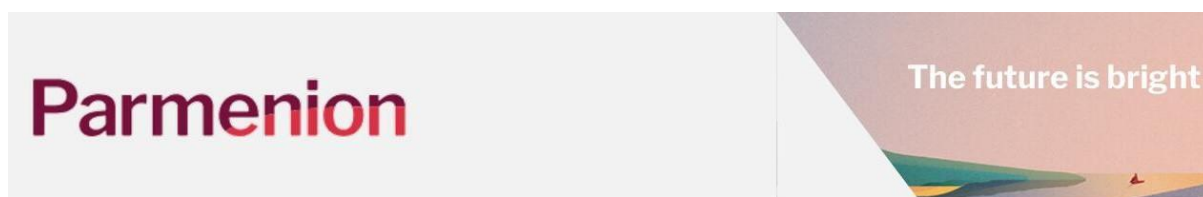
Parmenion hidden balance sheet value

As noted, the 30 per cent stake in Parmenion is held in AssetCo's last set of accounts (31 March 2023) at £21.9mn cost. However, it has recently been independently valued at £75mn-£90mn (52.6p to 63.2p per share). If anything, this could prove to be a conservative valuation.

That's because Parmenion has positioned itself as an enabler to the wealth management industry, with its proprietary technology platform enabling it to retain control of customer propositions and address the evolving needs of its clients. This client-focused approach, coupled with strong service, has driven

the growth of Parmenion significantly ahead of the overall platform market. Parmenion has been consistently ranked by financial advisers as number one for platforms with AUM of less than £20bn, and second for all platforms.

To put its growth rate into perspective, Parmenion almost tripled annual revenue to £40.6mn on a doubling of AUM to £8.6bn from 2017 to 2022, a performance that delivered annual cash profit of £13.5mn in 2022. The momentum is being maintained: in the six-months to 31 March 2023, Parmenion generated revenue of £20.6mn and a cash profit of £9.1mn. Platform AUM across the group increased from £8.5bn to £10.6bn, albeit it was enhanced by the acquisition of **ebi Portfolios**, a Midlands-based discretionary fund manager that administers £1.9bn for 150 advisory firms.



Acquisition of 30% equity stake in Parmenion (alongside Preservation Capital)

- ✓ One of the fastest growing platforms in the B2B platform space, benefiting from strong market growth and digitalisation of the adviser market
- ✓ Market leading adviser ratings, competitive pricing and proprietary technology with rich functionality
- ✓ Highly successful DFM proposition with attractive returns that consistently beat benchmarks and significant growth potential
- ✓ Sticky assets and recurring revenues with low individual adviser firm AuM concentration
- ✓ Organic growth is expected to be a material driver of value creation. Strong alignment of interests and management incentivised by EBITDA growth

Source: Company presentation

Investment in new solutions is supporting organic growth. For instance, Parmenion has launched a new proposition, Advisory Models Pro, which allows more flexibility for adviser firms in building their own models using the company's fund range and platform technology. This launch was accompanied by an app which has streamlined the consent journey for clients, along with providing more user-friendly reporting. Parmenion's platform offering has been further enhanced with the addition of several new external discretionary fund managers to run alongside its in-house portfolio investment management service.

Furthermore, despite the wider economic challenges, Parmenion continues to grow. Not only has Parmenion improved cash generation in line with increased cash profit, but the debt free group's cash has edged up to £28.7mn since the end of 2022 and the initial cash consideration for ebi was paid entirely out of operational cash. A customer retention rate above 90 per cent and a diversified client base, encompassing more than 800 active firm partnerships, improves the quality and reliability of its income generation.

Bearing this in mind, Parmenion should be on course to deliver full-year cash profit of £20mn. So, after factoring in its cash pile, the independent valuation (£250mn to £300mn for 100 per cent of its equity) implies a cash profit to enterprise valuation multiple of 11 to 13.5 times. That's still a modest multiple for a fast-growing business that has 90 per cent recurring revenue.

There is the possibility of corporate activity, too. That's because the other 70 per cent of Parmenion is owned by Preservation Capital. Last year, there was speculation in the media (Sky News) that the majority owner was looking to sell down part of its stake at a valuation of £300mn-£400mn.

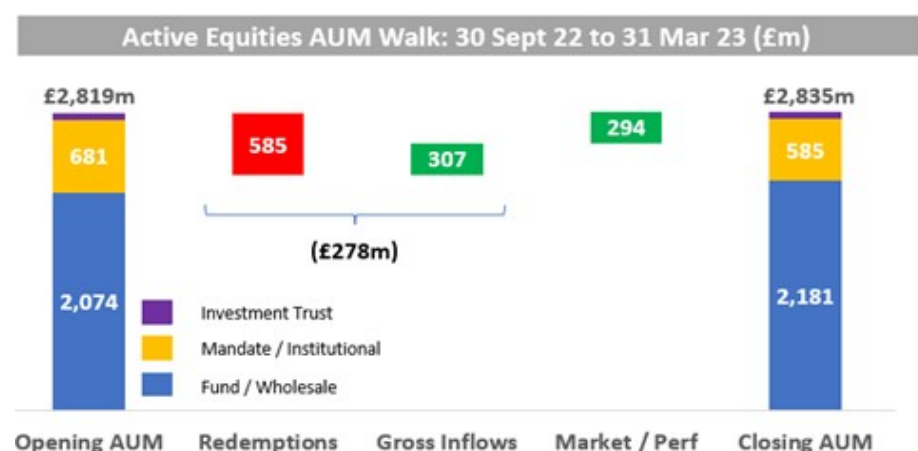
Analyst Stephen Barrett at broking house Cavendish has an interesting take on the likely end game here, advising clients last summer that although "Parmenion is a great business and has been a great investment for AssetCo, with only a 30 per cent stake it sits slightly awkwardly within the group. There would seem to be several possible outcomes here. One is that Preservation Capital simply sells part of its stake, a deal that would validate the value embedded in AssetCo's holding. Or the whole business is sold, which would then give AssetCo more firepower to grow the asset management business."

Either way, with Parmenion consistently performing well the £21.9mn (15.4p a share) carrying value of AssetCo's 30 per cent stake could potentially be worth four or even five times (£83mn to £110mn) book value if the business is sold. It means that the stake in Parmenion and AssetCo's net cash of £20mn could be worth double the group's current market capitalisation of £60.5mn. There is also potential for AssetCo's fund management business to move into profitability as it scales up and delivers further revenue and cost synergies. It must have some value.

A resilient performance in challenging market conditions

One of the reasons why AssetCo has been trading on a discount to analysts' sum-of-the-part valuations of 100p a share has been the challenging equity market environment.

AssetCo AUM movements

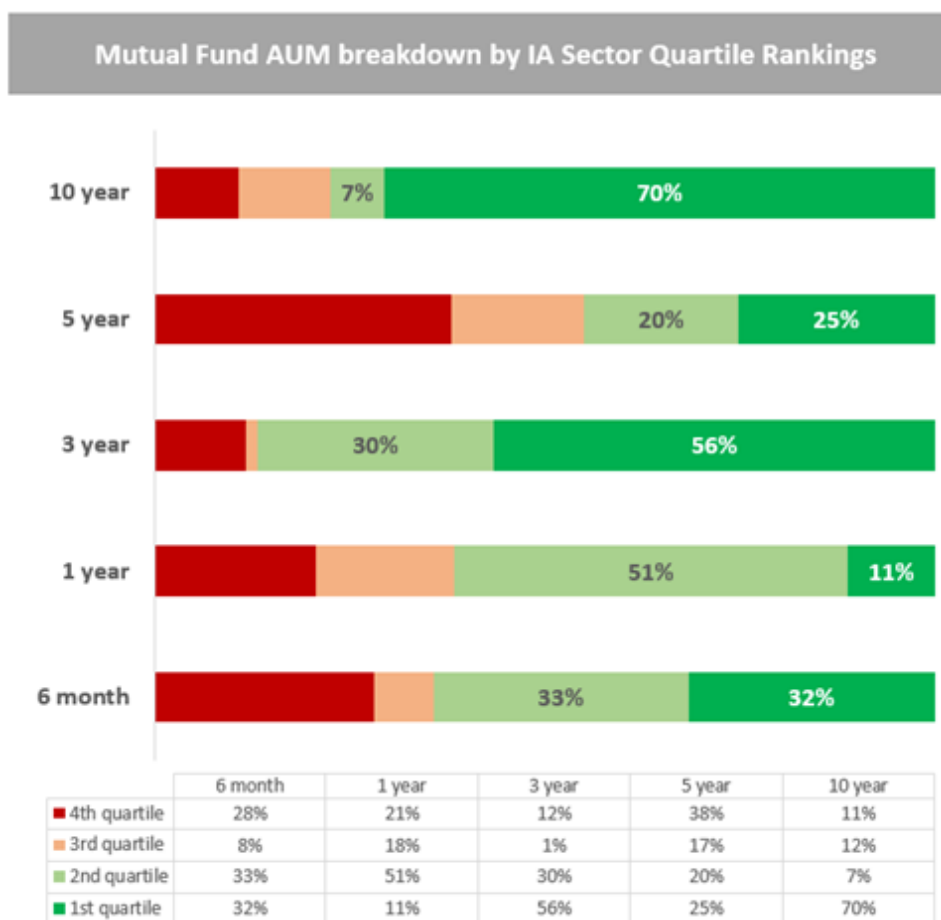


Source: Company presentation

For instance, in the first half of the 2022-23 financial year, the group suffered unexpected redemptions from the poorly performing SVM UK Growth fund and was also hit by the loss of a River and Mercantile New Zealand institutional mandate (where the client made an asset allocation call away from the asset class). There was also profit taking in River and Mercantile's Global Recovery funds. That said, River and

Mercantile enjoyed additions to another US client institutional mandate and the fund management business delivered a consistent level of net inflows into the Saracen Global Income and Growth Fund. As a result AssetCo ended the half year-end with a slightly higher AUM of £2.8bn across its equity funds.

The investment performance for the group's active equities funds has been resilient, with particularly strong showings over one, three and 10-year periods.



Source: Company presentation

The group's flagship UK-domiciled European fund has reached its important third anniversary and has a favourable track record. Also, the weighted average fee rates for active equities have been increasing as the margins on new inflows have been higher than on outflows (for example, in institutional mandates and with inflows to the higher margin global equities fund mitigating UK equities outflows).

First-half loss dents investor sentiment

Investor sentiment towards the group has not been helped by a headline grabbing first half pre-tax loss of £13.8mn. However, the underlying performance was not half as bad. That's because AssetCo booked a £5mn non-cash impairment charge to the carrying value of its investment in the Rize ETF business, which reported a loss before tax of £2.5mn on revenue of £1.9mn in the 2022 financial year.

AssetCo Key Performance Indicators

	31-Mar-23	30-Sep-22	31-Mar-22	Movement March 2022 to March 2023
				(Sept 22 to March 23)
Total Assets under Management (excluding Parmenion)	£3,261mn	£2,652mn	£503mn	+£2,758mn (+£609mn)
Active Equities Assets under Management	£2,766mn	£2,291mn	£113mn	+£2,653mn (+£475mn)
Total (balance sheet) assets	£86.5mn	£102.1mn	£60.9mn	+£25.6mn (-£15.6mn)
Annualised revenue ¹	£17.9mn	£12.9mn	£2.7mn	+£15.2mn (+£5mn)
Profit/loss for the period	-£13.8mn	-£9.3mn	-£2.6mn	-£11.2mn (n/a)
Investment performance ²	62%	76%	0% ³	+62% points (-14% points)
(1 year)				
Investment performance ²	86%	53%	2% ³	+84% points (+33% points)
(3 year)				

¹ Monthly recurring revenue at date shown, annualised (i.e. x 12).

² % active equity mutual fund AuM in 1st or 2nd quartile when compared to competitor funds in relevant Investment Association sectors.

³ Saracen only.

Source: AssetCo interim results June 2023

In September 2023, AssetCo sold the 70 per cent stake in Rize to ARK Invest LLC, a successful and established US player in the ETF market with AUM of \$25bn. The consideration consists of an up-front cash payment of £2.625mn, a deferred payment of £2.625mn and a contingent earn-out capped at £5.25mn, which gives it exposure to Rize's future success in Europe under the larger US group's ownership. In addition, the parties have agreed to work together to support the launch, on the Rize platform, of ETF products for the group's River and Mercantile business. If the full earn-out is paid, then AssetCo will recover £10.5mn of the £16.5mn it paid for its stake in Rize. It also simplifies the AssetCo business model which will in turn reduce costs and improve profitability.

In the interim accounts, AssetCo also booked a £1.75mn charge against its investment in River & Mercantile Infrastructure LLP. The market for infrastructure funds has been particularly challenging against a backdrop of rising interest rates and a crisis for UK pension funds and insurers in the Liability Driven Investment (LDI) market. This has proven particularly unhelpful for River and Mercantile's own infrastructure fund as a UK-only income vehicle, and new commitments have not been forthcoming as hoped. So, the group has sold the loss-making business (forecast current year loss of £0.75mn) for a nominal sum to its partners which means that AssetCo can write-back £0.7mn of the £1.75mn impairment charge.

The interim accounts included £1.2mn of restructuring costs, most of which relate to the ongoing rightsizing of River and Mercantile's business. AssetCo's management has identified a further £1mn of future savings on top of the £15mn savings already targeted which will cut the run costs of River and Mercantile's active equities business to £15mn. That's less than half the run rate at the time of the June 2022 acquisition. Cost savings at SVM will return that business to profitability (as a stand-alone entity) around the financial year-end.

Although the write-downs complicate matters, £3mn of the first half expenses were one-offs, almost half of which related to restructuring, and £6.7mn of the £13.8mn reported pre-tax loss were non-cash impairment charges. This means that the underlying pre-tax loss was £4.1mn. Also, the loss-making Rize and RMI Infrastructure LLP funds have now been divested, so the pro forma first-half loss for the remaining fund management business could be less than £3mn. It's fair to say that most investors will not have realised this, focusing on the headline grabbing £13.8mn loss instead.

Conservative forecasts

Of course, the full-year figures will reflect the hefty first half loss, hence why house broker Panmure Gordon is pencilling in a pre-tax loss of £20mn on revenue of £17mn in the 12 months to 30 September 2023.

However, going forward there will be the benefit of the earnings accretive Ocean Dial acquisition, as well as cost savings from River and Mercantile and SVM. Having disposed of Rize and River and Mercantile Infrastructure LLP, the operating losses from these businesses won't be repeated, so it's easy to see why analysts expect a dramatic narrowing of AssetCo's losses in the 2023-34 financial year.

Even if revenue flatlines at £17mn in the new financial year (a pessimistic assumption as sentiment towards the chronically undervalued UK stock market may well have bottomed as the interest rate cycle peaks), then Panmure expects AssetCo to report a significantly smaller pre-tax loss of £1.8mn. With a more favourable equity market environment, AssetCo's active equity market funds (AUM of £2.8bn at

the last reporting date) could potentially see net inflows to create a tailwind for management fees and profit. That's not an unrealistic possibility.

AssetCo financial estimates

Year end 30 Sep	Revenue	Adjusted pre-tax profit	Earnings per share	Price/earnings ratio	Dividend per share	Dividend per share
2022A	£8.2mn	-£9.3mn	-8.2p	na	1.3p	3.1%
2023E	£17.0mn	-£20.0mn	-11.9p	na	1.3p	3.1%
2024E	£16.9mn	-£1.8mn	-1.0p	na	1.3p	3.1%
2025E	£18.8mn	£3.2mn	1.7p	25.0	1.3p	3.1%

Source: Company data, Panmure Gordon estimates (20 September 2023).

Given the cost base is relatively skewed to fixed costs, the operational gearing is such that a high proportion of incremental revenue drops through to operating profit in positive sales cycles. This explains why with the benefit of cost savings from ongoing restructuring, in addition to the dividend from Parmenion (£1.8mn in the first half of 2022-23), Panmure forecast a move into profitability in the 2024-25 financial year, pencilling in a pre-tax profit of £3.2mn on revenue of £18.8mn.

Discount to sum-of-the-parts valuation

Although AssetCo's management still need to do more work for the fund management business to hit run rate profitability, once they achieve this major inflexion point investors are likely to attribute a valuation to the business that more accurately reflects the £63mn consideration paid for the group's fund management businesses (excluding Parmenion which has been independently valued).

Adjusting for the recent disposal of Rize and River and Mercantile Infrastructure LLP, AssetCo should have pro forma AUM of around £3bn. Realistically, the fund management business has a value of £30mn (21.1p) using a standard industry multiple of one per cent of AUM.

As noted earlier the group also has proforma net cash of £20mn (c.14p per share) after settling the outstanding convertible loan notes from the SVM acquisition and a 30 per cent stake in Parmenion that has been valued at £75mn-£90mn (52.6-63.2p).

In total, this implies a sum-of-the-parts valuation for the group of 87.7-99p, or more than double the current share price. The main catalysts to narrow the share price discount are an improvement in equity market conditions to accelerate the move to profitability, or corporate activity to release the value embedded in Parmenion.

AssetCo sum-of-the-parts valuation

Asset	Valuation	Per share	Basis of valuation
Net cash	£20mn	14.0p	Net cash on 31 March 2023 adjusted for disposal of Rize and River and Mercantile Infrastructure, and acquisition of Ocean Dial Asset Management
Parmenion	£75-90mn	52.6-63.2p	Independent valuation September 2023
Asset management business	£30mn	21.1p	Calculated as one per cent of AUM using standard industry multiple
Total	£125-140mn	87.7-99p	

Source: AssetCo 2022-3 interim accounts (June 2023), Parmenion valuation RNS (September 2023)

Shareholders

The top eight shareholders control almost 50 per cent of the 142.5mn shares in issue with Harwood Capital, the investment vehicle of Christopher Mills, chairman Gilbert and deputy chairman McKellar controlling 23 per cent of the shares.

That said, the shares have been traded in bargains as large as 40,000 in the past month (excluding institutional block trades) and well within the official bid-offer spread.

Major shareholders	Percentage held
Harwood Capital LLP	15.19
Psigma Investment Management	8.95
Martin Gilbert (chairman)	5.11
Somers Ltd	5.08
Hargreaves Lansdown Asset Management	4.32
Lombard Odier Asset Management	4.01
Charles Stanley	3.88
Peter McKellar (deputy chairman)	2.76
Total	49.29

Source: Company and FactSet (28 November 2023). Shares in issue 142.5mn.

Target

Assuming group operating losses narrow dramatically as forecast in the financial year to 30 September 2024, it is likely that the tangible value embedded in AssetCo's businesses will start to attract investor attention to narrow the share price discount to the sum-of-the-parts valuations.

There is also potential for AssetCo to use its cash pile to make further earnings accretive acquisitions to scale up the fund management business and achieve run rate profitability far sooner than the market is predicting. In addition, there is obvious value to be realised from the holding in Parmenion, another potential share price catalyst.

Interestingly, the share price appears to have found a floor at the 35-37p level since mid-June 2023, having shed around 85 per cent of its value since hitting an all-time high (250p) in May 2021. The

August 2023 high (46p) has been tested in recent weeks and a chart break-out above this level should be a buy signal worth following given there is little in the way of overhead resistance until the January 2023 high (78p).

So, with AssetCo's shares offering more than 100 per cent upside to my sum-of-the-parts derived target of 100p, it's time to start bottom fishing around the current 44p offer price. Buy.

Risks

Profitability and dividends. Delays in achieving profitability in the longer term could impact the board's ability to pay a progressive dividend as well as its ability to fund acquisitions. Management has been actively implementing cost savings to move the business closer to profitability and is focusing distribution efforts to boost new business to accelerate the process.

Distribution. Corporate actions such as acquisitions and business restructuring risk disturbing existing clients and discouraging new ones.

Loss of key personnel. AssetCo has managed most departures on a planned basis but will need to ensure ongoing retention of key staff if it is to manage client, consultant and regulatory expectations. All senior executives are subject to extended notice periods (between six and 12 months) and the group seeks to offer attractive terms as well as a flexible working environment.

For instance, having spent 20 months overseeing the integration of the group's acquired businesses, chief executive Campbell Fleming left the company for personal reasons in June 2023. Consistent with the holding company nature of AssetCo's business, he was not replaced. Instead, chairman Gilbert has taken responsibility for the overall strategic direction of the group and chief financial officer Marshall is now charged with overseeing day-to-day operations as chief operating officer. Alex Hooctor-Duncan, chief executive of AssetCo's principal operating company, River and Mercantile, has also taken on additional responsibilities as the group's active equities businesses integrate under that brand (as previously announced).

Economic conditions. Adverse markets have been a significant drag on performance in the last two years, hence AssetCo's operating losses. As an equity specialist the business remains vulnerable to any material fall in equity markets. That said, with the FTSE 250 index down 23 per cent from its 2021 all-time high, and the FTSE Aim All-Share Index shedding 46 per cent of its value in the same 26-month period, some leading market commentators are predicting a recovery in UK equity markets alongside further softening of domestic inflation in the coming year. An easing of UK government bond yields and consensus that the Bank of England Base Rate has peaked are positives for equities.

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ISSN 0261-3115.