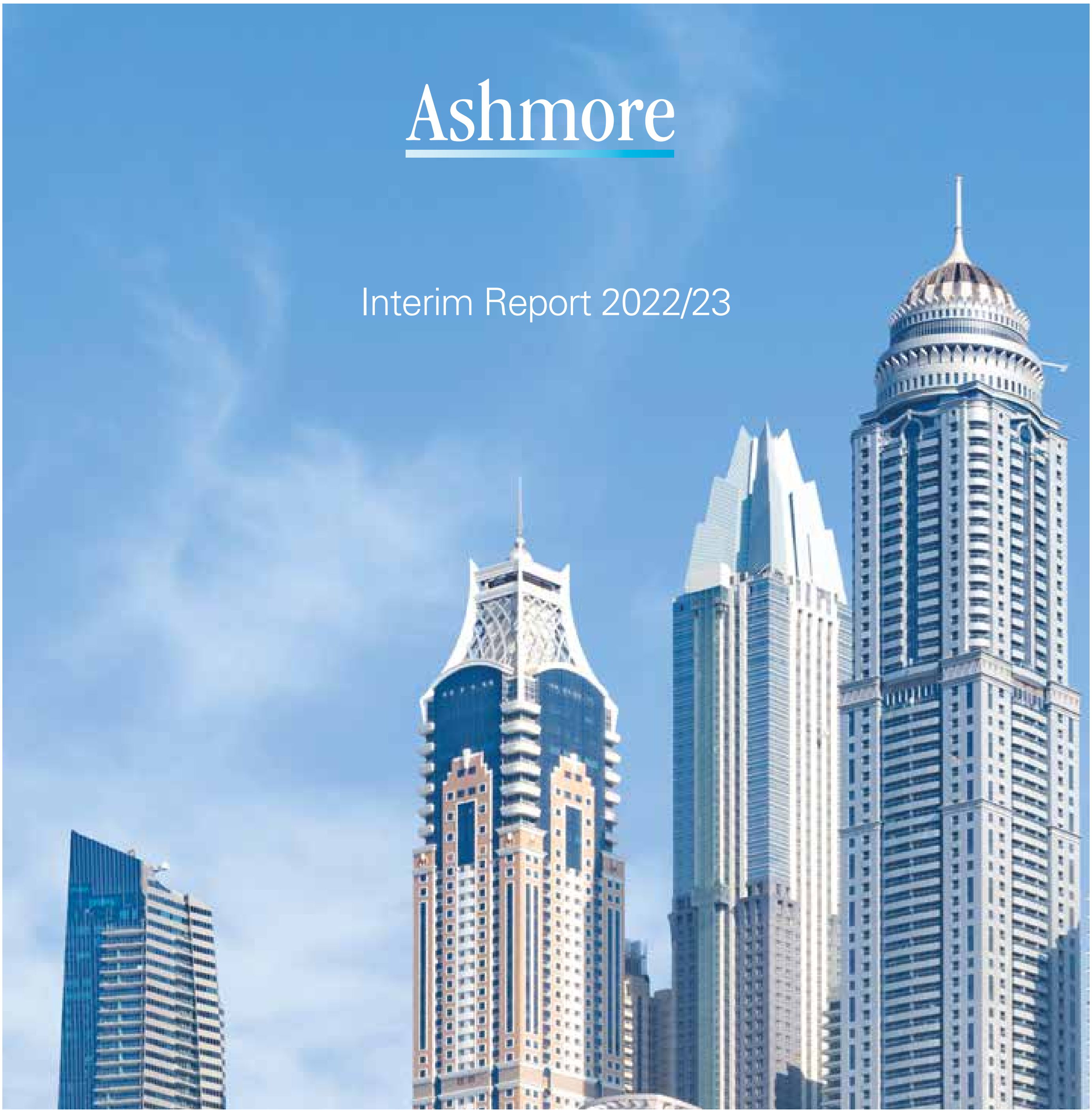
Ashmore

Interim Report 2022/23



# Established Diversified Local

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## Highlights

**AuM at 31 December 2022**

US$57.2bn

30 June 2022: US$64.0bn

**AuM outperforming benchmarks over**

**One year**

45%

30 June 2022: 45%

**Three years**

40%

28%

**Five years**

43%

48%

**Net revenue**

£110.3m

H1 2021/22: £138.5m

**Adjusted EBITDA**

£63.2m

H1 2021/22: £92.0m

**Adjusted EBITDA margin**

59%

H1 2021/22: 67%

**Profit before tax**

£53.8m

H1 2021/22: £116.0m

**Diluted earnings per share**

6.1p

H1 2021/22: 13.3p

**Interim dividend per share**

4.8p

To be paid on 29 March 2023
H1 2021/22: 4.80p

Defined terms are disclosed in the Glossary on page 197 of Ashmore's 2022 Annual Report and Accounts.

Alternative performance measuress are defined and explained on page 33.

Global capital markets sentiment, and therefore asset prices, experienced significant fluctuations over the past six months, driven by inflation data, the hawkishness of developed world central banks, the ongoing war in Ukraine and other geopolitical risks, and China taking initial steps to withdraw its zero COVID policy.

This market volatility is illustrated by the wide range of monthly returns for the Emerging Markets indices in the period, for example from -6% to +8% for external debt and from -12% to +15% for equities. For the six-month period as a whole, the main Emerging Markets fixed income indices delivered positive returns of between 2% and 3%, while equities fell by 3% having been particularly weak in the late summer global market drawdown.

Against this backdrop, Ashmore's AuM declined by 11% over the six months to US$57.2 billion, average AuM fell by 35% compared with the prior year period, and consequently adjusted EBITDA was 31% lower. Adjusted diluted EPS, which excludes the unrealised seed capital loss and FX translation, is 7.8 pence, 25% lower than in the prior year period.

Some of the global macro headwinds faced in 2022, such as the Federal Reserve's aggressive policy tightening, are now receding; China reopening its economy will support trade more broadly; and several emerging countries are benefiting from the monetary policy decisions taken over the past two years. Valuations continue to be attractive across Emerging Markets and investor positioning is light given the uncertainty and macro challenges of the past couple of years. Therefore, after a positive shift in sentiment towards the end of 2022, and consequently a strong increase in new issuance in early 2023, risk appetite should continue to increase, underpinning market performance and ultimately leading to capital flows into the Emerging Markets. Ashmore is currently delivering outperformance across a broad range of equity and fixed income strategies, as is typical at this stage in a market recovery, and it is well-positioned to benefit from the positive outlook.

The Board has considered a number of factors in determining the interim dividend, including the performance over the six-month period, the Group's strong financial position, cash generation, and the near-term outlook. Accordingly, and taking into account the importance of the dividend to shareholders, the Board has maintained the interim dividend at 4.8 pence per share.

| | | Reclassification of | | | |
|---|---|---|---|---|---|
| £m | **H1 2022/23 Reported** | Seed capital-related items | Foreign exchange translation | **H1 2022/23 Adjusted** | H1 2021/22 Adjusted |
| Net management fees | **98.0** | – | – | **98.0** | 131.0 |
| Performance fees | **3.7** | – | – | **3.7** | 3.1 |
| Other revenue | **1.3** | – | – | **1.3** | 1.4 |
| Foreign exchange | **7.3** | – | (2.6) | **4.7** | 2.7 |
| **Net revenue** | **110.3** | – | (2.6) | **107.7** | 138.2 |
| Losses on investment securities | **(40.8)** | 40.8 | – | **–** | – |
| Change in third-party interests in consolidated funds | **16.6** | (16.6) | – | **–** | – |
| Personnel expenses | **(34.1)** | – | 0.6 | **(33.5)** | (36.4) |
| Other expenses excluding depreciation and amortisation | **(11.6)** | 0.6 | – | **(11.0)** | (9.8) |
| **EBITDA** | **40.4** | 24.8 | (2.0) | **63.2** | 92.0 |
| *EBITDA margin* | ***37%*** | – | – | ***59%*** | *67%* |
| Depreciation and amortisation | **(1.7)** | – | – | **(1.7)** | (1.6) |
| **Operating profit** | **38.7** | 24.8 | (2.0) | **61.5** | 90.4 |
| Net finance income/(expense) | **14.8** | (8.3) | – | **6.5** | 0.2 |
| Associates and joint ventures | **0.3** | – | – | **0.3** | – |
| **Profit before tax** | **53.8** | 16.5 | (2.0) | **68.3** | 90.6 |
| Foreign exchange translation | **–** | – | 2.0 | **2.0** | 0.2 |
| Seed capital-related items | **–** | (16.5) | – | **(16.5)** | 25.2 |
| **Profit before tax** | **53.8** | – | – | **53.8** | 116.0 |
| **Diluted EPS (p)** | **6.1** | 1.9 | (0.2) | **7.8** | 10.4 |

## Market review

Global macro conditions were complex during the six-month period, with the Fed and other developed world central banks raising interest rates aggressively in the face of high inflation, the ongoing war in Ukraine, and China starting to unwind its zero COVID policy. There was significant uncertainty, and the central bank rates backdrop, in particular, represented a rapid adjustment from a prolonged period of unconventional monetary policy. While the transition has caused some adjustment, the return to a more normal policy environment is welcome and will support more balanced global capital allocations, which should benefit Emerging Markets given the attractive risk-adjusted returns available.

Consequently, market performance during the six months to 31 December 2022 was highly volatile. The range of monthly returns for the EMBI GD was -6% to +8%, with spreads moving between 450 and 600 basis points, both elevated levels, and the MSCI EM equity index monthly returns ranged from -12% to +15%. This volatility is masked when looking at the overall Emerging Markets performance, with positive low single-digit returns in fixed income, which outperformed global bond markets that declined over the period, and a small drawdown in equities compared with a modest increase in the MSCI World index.

Inevitably, this uncertainty and market volatility meant that investors continued to exhibit caution, and the risk aversion that began following Russia's invasion of Ukraine continued through much of the period. Emerging Markets therefore experienced outflows, which, together with higher rates, has put pressure on some smaller, externally funded sovereigns. In contrast, countries with local currency bond markets are starting to see the benefits of nearly two years of monetary policy tightening, with inflation starting to fall and the potential for rate cuts in the foreseeable future.

Although Emerging Markets rebounded strongly towards the end of the period, the valuations available across equity and fixed income markets remain at oversold levels and therefore support further significant recovery returns over the coming periods. For example, external debt spreads are still 50% wider than before the COVID pandemic and equities continue to trade at approximately a 30% discount to world equity markets.

The sections below briefly describe the performance in each of the main asset classes over the six-month period.

### External debt

The external debt market is well-established, large (US$1.6 trillion bonds outstanding), highly diversified (70 countries), and the majority (51%) of the bonds are rated investment grade. Furthermore, although a benchmark index was established nearly 30 years ago, it has growth potential as approximately half of the 156 emerging nations have not yet issued publicly-tradeable bonds.

Over the six months to 31 December, the EMBI GD delivered a positive return of 3.2%. Consistent with the comments above, the performance in each of the two quarters was markedly different, with a 4.6% drawdown over the three months to September followed by an 8.1% rally in the quarter to December. High yield bonds outperformed investment grade over the period with returns of +6.7% and -0.1%, respectively. The index spread over US Treasuries tightened from 540bps to 450bps over the six months, more than offsetting the increase in US bond yields.

Notwithstanding the recent rally, this spread is still highly elevated compared with historical levels and therefore offers investors an attractive entry point into the external debt asset class. As the US rate cycle approaches its end point, further spread compression should deliver performance, with HY bonds increasingly driving returns and outperformance.

### Local currency

The local currency government bond market is substantially larger than the external debt market with US$16.4 trillion of bonds outstanding. Many emerging countries have recognised the merits of funding in their own currency, which together with a broadening and deepening of local capital markets, underpins continued growth in the investment universe.

However, index representation continues to lag the underlying asset class development, with only 20 countries and 16% of bonds outstanding included in the benchmark GBI-EM GD. As structural issues are overcome, for example the removal of capital controls, then the index should better reflect the breadth of opportunity available in local currency bond markets.

Over the past six months, the GBI-EM GD index rose by 3.3%, similar to the external debt index, and consistent with external debt, a weaker first quarter (-4.7%) followed by a strong rebound over the three months to December (+8.5%).

At the period end, the index offered a nominal yield of 6.9%, which compares favourably with the 3% yield on the global bond index and with the backdrop of easing inflation pressures in many emerging countries as a consequence of effective monetary policy over the past two years. Additionally, and as was seen towards the end of 2022, a weaker US dollar can deliver meaningful currency returns for investors in local markets.

### Corporate debt

In common with its sovereign counterpart, the corporate debt market primarily comprises local currency issuance, but with higher index representation for hard currency bonds. Of the US$20.4 trillion of corporate bonds outstanding, US$3.4 trillion are in hard currencies, of which 34% are included in the CEMBI BD benchmark index. This index is highly diversified with nearly 763 issuers in 59 countries, and 56% of the bonds are rated investment grade.

The corporate debt index slightly underperformed sovereign markets over the six months, with a return of 2.0%. Again, there was a notable difference between the two quarters with a 2.6% decline over the three months to September followed by a 4.7% gain. In common with the external debt market, HY corporate debt outperformed IG, with returns of +5.4% and -0.6%, respectively, over the six months.

Two notable events affected the index default rate, without which it would have been 1.8%, in line with the US HY market default rate of 1.7%. The actual default rate of 14% was heavily influenced by the deleveraging in the China real estate market (c.7% points impact) and the war in Ukraine (c.5% points impact).

Corporate debt is a highly diverse asset class and therefore market performance will inevitably be the result of events relating to specific issuers, but several factors underpin a positive outlook for returns:

- companies in emerging countries continue to have lower levels of leverage than developed world counterparts, since it is typically the result of operational and investment needs rather than financial engineering;
- for every turn of leverage, Emerging Markets issuers offer a 100bps to 300bps yield pick-up over US issuers with equivalent credit ratings, providing for a favourable relative return;
- there are highly attractive yields available in both HY (c.10%) and IG (c.6%) markets, and market technicals are supportive after a period of significantly reduced issuance; and
- certain companies and quasi-sovereign issuers continue to benefit from commodity price cycles.

### Blended debt

Consistent with the positive returns in the constituent asset classes, the standard blended debt benchmark (50% EMBI GD, 25% GBI-EM GD and 25% ELMI+) increased by 3.2% over the six-month period.

An allocation to blended debt provides investors with access to return opportunities across the broadest possible range of Emerging Markets fixed income asset classes. For the new investor in Emerging Markets this provides a comprehensive exposure to the broad debt investment universe, and more experienced investors can define bespoke indices encompassing both external debt and local currency markets to reflect specific investment objectives and risk appetite.

Significantly, blended debt investors can seek to exploit the material difference in the annual returns delivered by the fixed income asset classes, of at least 500bps, and on average in excess of 1,000bps.

### Equities

The MSCI EM index fell by 3.0% over the period, although again this masks significant variation between the two constituent quarters: it fell 12% in the September quarter and rallied 10% in the December quarter. MSCI Frontier Markets delivered a -4.6% return over the six months and the MSCI EM Small Cap index delivered a positive return of +2.5%.

Below the headline index level, there is a high variation of returns in a diversified investment universe. However, there were some notable broad themes driving market performance over the period. In the September quarter, investors focused on global economic growth concerns in the face of persistently high inflation and unwaveringly hawkish developed world central banks. The US dollar was particularly strong in this environment, detracting from local currency returns.

The environment shifted positively towards the end of the period, with China announcing several positive policy measures including the first steps in the withdrawal of its zero COVID policy, inflation moderated slightly and the US dollar was weaker.

While the near-term outlook for global equity markets still has some challenges, the prospects for Emerging Markets equities in 2023 are positive. As ever, one of the important factors will be China, where many of the recent headwinds are receding and policy is turning more accommodative as the authorities refocus on generating economic growth. There are risks associated with the removal of the zero COVID policy, notably the impact of higher infection rates on economic activity, but the policy direction is clearer.

More broadly, as inflationary pressures subside, central banks will be in a position to stabilise and eventually ease monetary policy, providing additional economic stimulus. Overall, economic growth across Emerging Markets is expected to accelerate compared with the developed world. Importantly, valuations do not reflect this more encouraging outlook, with Emerging Markets equities trading on a PER of 11x, a discount to the long-run average of 12.5x, and substantially cheaper than world equity markets on 15x.

## Market outlook

Emerging Markets faced several headwinds in 2022, most notably China's restrictive zero COVID policy, aggressive interest rate tightening by the US Federal Reserve, and Russia invading Ukraine. While regrettably the war continues, the other two factors are receding and should present less of a challenge to Emerging Markets' performance in 2023.

That being said, it is likely that market volatility will continue in the near term due to the combination of inflation and tight monetary policy leading to deleveraging and a developed world recession, and a non-linear reopening path for China's economy. Therefore, in the near term, investment grade assets are likely to outperform, although high yield should deliver higher absolute returns and outperformance over the medium term as investor risk appetite improves.

From a fundamental perspective, the early and effective monetary policy tightening by central banks in emerging countries has contained inflation and several countries have started to experience deflation. Policy rate stability, if not cuts, will support economic activity and, as China reopens, this will have positive implications for world trade and many economies. In aggregate, the IMF expects Emerging Markets' GDP growth to accelerate compared with the developed world, returning to a premium of nearly 3% in 2023 and 2024. This growth outlook is supportive of a re-rating of Emerging Markets equities, particularly given modest single-digit earnings growth expectations this year.

Finally, the valuations of Emerging Markets fixed income assets remain attractive, with yields and spreads high compared with historical levels, and offering higher potential risk-adjusted returns than developed world bond and equity markets. These valuations, when combined with investors' light positioning in Emerging Markets, suggest risk appetite should increase over the next 12 months, supporting market performance and ultimately leading to a sustained inflection in capital flows to the Emerging Markets.

Ashmore is well-positioned for this environment, with active management currently delivering outperformance across equity and fixed income strategies and current valuations supporting further performance in the years ahead.

## Assets under management

As at 31 December 2022, AuM were US$57.2 billion, 11% lower over the period. The movement was attributable to net outflows of US$7.6 billion, partially offset by aggregate positive investment performance for the six months of US$0.8 billion.

Average AuM of US$58.9 billion was 35% lower than in the same period in the prior year (H1 2021/22: US$91.2 billion).

Gross subscriptions of US$4.3 billion represent 7% of opening AuM, a lower absolute level than in the prior year period (H1 2021/22: US$7.8 billion, 8% of opening AuM) and reflected subdued investor risk appetite in the face of several global macro and geopolitical headwinds. The inflows were predominantly into existing funds or mandates and biased towards external debt, which reflects experienced clients seeking to take advantage of attractive valuations after a period of market weakness, particularly in high yield markets, and is typical of the 'early adopter' behaviour previously seen at this point in the market cycle.

New client mandates were notable in the local currency and equity themes, including in the Group's local operations in Saudi Arabia.

Gross redemptions of US$11.9 billion, or 19% of opening AuM, were higher than in the prior year period (H1 2021/22: US$11.0 billion, 12% of opening AuM) and include US$1.8 billion of overlay/liquidity redemptions (H1 2021/22: US$1.9 billion).

As a result of the uncertain and volatile market environment throughout much of 2022, asset allocation and portfolio de-risking decisions influenced redemptions in the local currency, external debt and blended debt investment themes. Corporate debt redemptions were at a relatively low level. The absolute levels of subscriptions and redemptions in the equities theme are relatively high, reflecting the naturally higher turnover rates experienced by some of the local asset management businesses such as Indonesia.

The total net outflow for the period of US$7.6 billion (H1 2021/22: US$3.2 billion) comprises a net outflow from retail clients of US$0.6 billion (20% of opening intermediary retail AuM) and net redemptions from institutional clients of US$7.0 billion (11% of opening institutional AuM).

Ashmore continues to focus on diversifying its assets under management through growth in equities, capital sourced through intermediary retail channels and investment grade strategies, each of which represents approximately 5% to 10% of the Group's current assets under management.

The profile of the Group's client base remains consistent. The clients are predominantly a diversified set of institutions, representing 96% of AuM, with the remainder sourced through intermediary retail channels. Segregated accounts represent 82% of AuM (30 June 2022: 81%) and, in line with the third phase of the Group's strategy, 30% of the Group's AuM has been sourced from clients domiciled in Emerging Markets (30 June 2022: 27%).

Ashmore's principal mutual fund platforms are in Europe and the US, which in total represent AuM of US$5.7 billion in 42 funds. The European SICAV range comprises 30 funds with AuM of US$4.7 billion (30 June 2022: US$5.4 billion in 30 funds) and the US 40-Act range has 12 funds with AuM of US$1.0 billion (30 June 2022: US$1.0 billion in 12 funds).

The Group's investments are geographically diverse and broadly consistent with recent periods, with 40% of AuM invested in Latin America, 24% in Asia Pacific, 21% in Eastern Europe and 15% in the Middle East and Africa.

## Investment performance

Ashmore's active investment processes have delivered broad-based outperformance across fixed income and equity strategies over the past six months, as is typical at this stage in a recovery cycle, and illustrating the importance of active management and the inherent value available in oversold assets in Emerging Markets.

With a tailwind of positive market returns in fixed income asset classes, Ashmore outperformed in external debt, local currency, and IG strategies in external debt, corporate debt and blended debt. The returns in non-IG strategies in corporate debt and blended debt were in line with benchmark indices.

Ashmore's All cap equity strategy delivered positive returns and more than 600bps of alpha compared with the MSCI EM index over the period. The Small cap strategy also outperformed, and there was slight underperformance in Active and Frontier markets equities.

As a consequence of the stronger relative returns, as at 31 December 2022, 45% of AuM is outperforming relevant benchmarks over one year, 40% over three years and 43% over five years (30 June 2022: 45%, 28% and 48%, respectively).

## Local platforms

The Group's local asset management platforms provide diversification benefits and strong long-term growth potential. In this period, the combined AuM in these businesses fell by 5% to US$6.6 billion, representing 12% of the total, and demonstrating greater resilience than the Group's global AuM.

The local businesses generate 17% of the Group's revenues and, reflecting the relatively early stage of development in some of them, the EBITDA margin is approaching 50%.

Consistent with the Group's remuneration philosophy, the local management team, employees and partners typically own a meaningful equity stake in the business with Ashmore as a controlling shareholder. After recognising these minority interests, the local platforms generate 14% of the Group's profit attributable to shareholders.

Consistent with the third phase of the Group's strategy to mobilise Emerging Markets capital, Ashmore will continue to develop its network of local businesses, including exploring opportunities to expand the existing businesses and to enter new markets.

### AuM movements by investment theme as classified by mandate

The table below shows the development during the period of AuM by investment theme. The local currency investment theme includes US$5.9 billion of overlay/liquidity funds (30 June 2022: US$7.2 billion).

| Investment theme | AuM 30 June 2022 US$bn | Gross subscriptions US$bn | Gross redemptions US$bn | Net flows US$bn | Performance US$bn | **AuM 31 December 2022 US$bn** |
|---|---|---|---|---|---|---|
| External debt | 14.4 | 1.3 | (3.6) | (2.3) | 0.3 | **12.4** |
| Local currency | 20.6 | 1.2 | (4.0) | (2.8) | 0.5 | **18.3** |
| Corporate debt | 6.8 | 0.1 | (0.4) | (0.3) | 0.1 | **6.6** |
| Blended debt | 14.4 | 0.4 | (2.3) | (1.9) | 0.1 | **12.6** |
| Equities | 6.3 | 1.3 | (1.5) | (0.2) | (0.1) | **6.0** |
| Alternatives | 1.5 | - | (0.1) | (0.1) | (0.1) | **1.3** |
| **Total** | **64.0** | **4.3** | **(11.9)** | **(7.6)** | **0.8** | **57.2** |

## Financial review

### Revenues

Net revenue declined by 20% to £110.3 million as a result of lower net management fees compared with the prior year period. On an adjusted basis, excluding foreign exchange translation effects, net revenue fell by 22% to £107.7 million.

### Net revenue

| | **H1 2022/23 £m** | H1 2021/22 £m |
|---|---|---|
| Net management fees | **98.0** | 131.0 |
| Performance fees | **3.7** | 3.1 |
| Other revenues | **1.3** | 1.4 |
| FX: hedges | **4.7** | 2.7 |
| **Adjusted net revenue** | **107.7** | 138.2 |
| FX: balance sheet translation | **2.6** | 0.3 |
| **Net revenue** | **110.3** | 138.5 |

Management fee income, net of distribution costs, declined by 25% to £98.0 million. This is primarily a function of the lower average AuM compared with the prior year period, partially offset by the benefit of a lower average GBP:USD rate of 1.1795 (H1 2021/22: 1.3636). The net management fee margin increased slightly to 40bps (H1 2021/22: 39bps). At constant H1 2021/22 exchange rates, net management fee income reduced by 35%.

The net management fee margin increased by one basis point compared with the prior year period. The impact of redemptions from overlay and other large institutional accounts was partially offset by flows into new and existing large mandates (combined positive impact of approximately two basis points), and there was a modest negative impact (approximately one basis point) from investment theme mix effects, for example lower average AuM in blended debt, and other factors such as competition and product mix.

These factors also explain the year-on-year movements in the investment theme margins shown in the table below, for example with overlay and other institutional redemptions affecting local currency; new mandates and top-ups to existing large accounts relevant to the external debt and blended debt themes; and lower margin funds within the alternatives theme returned capital to investors following successful asset realisations.

### Fee income and net management fee margin by investment theme

| | Net management fees | | Performance fees | | Net management fee margin | |
|---|---|---|---|---|---|---|
| Investment theme | **H1 2022/23 £m** | H1 2021/22 £m | **H1 2022/23 £m** | H1 2021/22 £m | **H1 2022/23 bps** | H1 2021/22 bps |
| External debt | **18.0** | 25.2 | **–** | 1.5 | **32** | 36 |
| Local currency | **22.1** | 29.5 | **2.5** | 0.2 | **28** | 27 |
| Corporate debt | **9.3** | 14.7 | **–** | – | **34** | 38 |
| Blended debt | **24.9** | 38.7 | **1.1** | 1.4 | **44** | 47 |
| Equities | **15.6** | 16.8 | **–** | – | **60** | 59 |
| Alternatives | **8.1** | 6.1 | **0.1** | – | **148** | 134 |
| **Total** | **98.0** | 131.0 | **3.7** | 3.1 | **40** | 39 |

Performance fees of £3.7 million (H1 2021/22: £3.1 million) were realised in the six months, and delivered by a range of funds in the local currency, blended debt and alternatives investment themes. Approximately US$11.5 billion of the Group's AuM, or 20% of the total, is eligible to earn performance fees as at 31 December 2022. The Group continues to expect its diverse sources of net management fee income to generate the substantial majority of its net revenues.

Translation of the Group's non-Sterling assets and liabilities, excluding seed capital, resulted in an unrealised FX gain of £2.6 million (H1 2021/22: £0.3 million gain) reflecting a lower GBP:USD dollar rate at the period end. The Group's effective hedging programme and the active management of foreign currency exposures during the period meant that realised and unrealised hedging gains of £4.7 million were generated (H1 2021/22: £2.7 million gain). Therefore, a total FX gain of £7.3 million was recognised in revenues, higher than in the prior year period (H1 2021/22: £3.0 million gain).

Other revenue of £1.3 million was comparable to the prior year period (H1 2021/22: £1.4 million).

### Operating costs

Total operating costs of £47.4 million (H1 2021/22: £48.6 million) include £0.6 million of expenses incurred by seeded funds that are required to be consolidated (H1 2021/22: £0.7 million), as disclosed in note 15(c). On an adjusted basis, taking into account the impact of seed capital and the variable compensation accrual on foreign exchange translation losses, operating costs were reduced by 3% compared with the prior year period. Adjusted operating costs fell by 8% at constant H1 2021/22 exchange rates.

### Operating costs

| | **H1 2022/23 £m** | H1 2021/22 £m |
|---|---|---|
| Staff costs | **(15.6)** | (13.7) |
| Other operating costs | **(11.0)** | (9.8) |
| Depreciation and amortisation | **(1.7)** | (1.6) |
| Operating costs before VC | **(28.3)** | (25.1) |
| Variable compensation (VC) | **(18.5)** | (22.8) |
| VC accrual on FX gains/losses | **0.6** | 0.1 |
| **Adjusted operating costs** | **(46.2)** | **(47.8)** |
| Consolidated funds costs | **(0.6)** | (0.7) |
| Add back VC on FX gains/losses | **(0.6)** | (0.1) |
| **Total operating costs** | **(47.4)** | **(48.6)** |

Staff costs of £15.6 million were 14% higher than in the prior year period, of which approximately half was due to weaker GBP:USD, and the remainder of the growth because of salary increases, given wage inflation in certain jurisdictions where the firm operates, and slightly higher headcount.

The Group's headcount increased 1% from 315 to 318 over the six months, and the average headcount of 317 was 2% higher than in the prior year period.

Other operating costs, excluding consolidated fund expenses, depreciation and amortisation, increased by 12% to £11.0 million, again with about half of the increase due to FX movements. On an underlying basis, the increase reflects a return to office-based working and more normal levels of business travel as pandemic-related restrictions were eased during 2022.

Variable compensation has been accrued at 22.5% of EBVCIT reflecting the current point in the cycle where Ashmore is delivering strong investment performance as markets recover while the Group's financial performance is driven by lower average AuM levels. This results in a charge of £18.5 million (H1 2021/22: £22.8 million).

The combined depreciation and amortisation charges for the period were similar to the prior year period at £1.7 million.

### Adjusted EBITDA

The impact of lower average AuM, partially offset by lower operating costs, means that adjusted EBITDA fell by 31% from £92.0 million to £63.2 million, resulting in an adjusted EBITDA margin of 59% (H1 2021/22: 67%).

### Finance income

Net finance income of £14.8 million (H1 2021/22: £1.9 million expense) includes profits relating to seed capital investments, which are described in more detail below. Excluding such profits, net interest income for the period of £6.5 million (H1 2021/22: £0.2 million) increased compared with the prior year period, reflecting higher achieved interest rates on the Group's cash balances.

### Seed capital

The table below summarises the principal IFRS items in the accounts to assist in understanding the financial impact of the Group's seed capital programme on profits. The Group's seed capital investments generated a total mark-to-market loss of £16.5 million (H1 2021/22: £25.2 million gain). This comprises a £17.2 million loss in respect of consolidated funds, including £7.6 million of finance income, and a £0.7 million gain in respect of unconsolidated funds that is reported in finance income.

#### Impact of seed capital investments on profits

| | **H1 2022/23 £m** | H1 2021/22 £m |
|---|---|---|
| Consolidated funds (note 15): | | |
| Gains/(losses) on investment securities | **(40.8)** | 51.0 |
| Change in third-party interests in consolidated funds | **16.6** | (23.0) |
| Operating costs | **(0.6)** | (0.7) |
| Finance income | **7.6** | 2.7 |
| Sub-total: consolidated funds | **(17.2)** | 30.0 |
| | | |
| Unconsolidated funds (note 7): | | |
| Market return | **2.0** | (3.9) |
| Foreign exchange | **(1.3)** | (0.9) |
| Sub-total: unconsolidated funds | **0.7** | (4.8) |
| | | |
| **Total seed capital profit/(loss)** | **(16.5)** | 25.2 |
| - realised | **0.8** | 2.2 |
| - unrealised | **(17.3)** | 23.0 |

### Profit before tax

Statutory profit before tax was 54% lower at £53.8 million (H1 2021/22: £116.0 million) because of the decline in adjusted EBITDA and the mark-to-market losses on the Group's seed capital investments.

### Taxation

The impact of the Group's share price on the allowable value of share-based remuneration provided to employees and the geographic mix of the Group's profits in the period mean that the effective tax rate of 17.7% (H1 2021/22: 17.8%) is lower than the prevailing effective UK corporation tax rate of 20.5% (H1 2021/22: 19.0%). Note 9 to the interim condensed financial statements provides a full reconciliation of this difference compared with the UK corporation tax rate.

The Group's ongoing effective tax rate, based on its current geographic mix of profits and prevailing tax rates, is expected to be in the range 17% to 18%.

### Earnings per share

Basic earnings per share for the period fell by 54% to 6.5 pence (H1 2021/22: 14.2 pence) and diluted earnings per share also declined by 54% from 13.3 pence to 6.1 pence.

On an adjusted basis, excluding the effects of FX translation, seed capital-related items and relevant tax, diluted earnings per share were 25% lower at 7.8 pence (H1 2021/22: 10.4 pence).

### Balance sheet

Ashmore's consistent approach is to maintain a strong and liquid balance sheet through market cycles, enabling it to support the commercial demands of current and prospective clients, and to take advantage of strategic development opportunities across the business.

As at 31 December 2022, total equity attributable to shareholders of the parent was £898.7 million (31 December 2021: £919.1 million; 30 June 2022: £945.0 million).

The Board has assessed that the level of capital required to support the Group's activities, including its regulatory requirements, is £84.5 million. As at 31 December 2022, the Group had total capital resources of £704.1 million, equivalent to 99 pence per share, and thereby providing an excess of £619.6 million over the Board's level of required capital.

#### Cash

Ashmore's business model continues to deliver a high conversion rate of operating profits to cash. Based on operating profit of £38.7 million for the period (H1 2021/22: £117.9 million), the Group generated £45.7 million of cash from operations (H1 2021/22: £82.8 million). The operating cash flows after excluding consolidated funds represent 73% of the adjusted EBITDA for the period of £63.2 million (H1 2021/22: 92%).

#### Cash and cash equivalents by currency

| | **31 December 2022 £m** | 30 June 2022 £m |
|---|---|---|
| Sterling | **355.6** | 273.1 |
| US dollar | **107.2** | 247.9 |
| Other | **26.2** | 31.0 |
| **Total** | **489.0** | 552.0 |

Excluding cash held in consolidated funds, the Group's cash and cash equivalents declined by £61.2 million over the period to £480.8 million (30 June 2022: £542.0 million), reflecting the payment of the final ordinary dividend and cash variable remuneration in respect of the prior financial year. The currency mix of the Group's cash is weighted more towards Sterling at the period end following the sale of US dollars for Sterling at attractive levels.

## Seed capital investments

The Group's seed capital programme has delivered growth in third-party AuM, with nearly US$6 billion of AuM in funds that have been seeded, representing 10% of current Group AuM.

During the six-month period, the Group made new investments of £10.8 million and realised £8.3 million from previous investments. The unrealised mark-to-market loss on the portfolio was £13.7 million, meaning that the market value of the Group's seed capital investments was lower at £260.8 million at 31 December 2022 (30 June 2022: £272.0 million).

New seed capital investments in the period were primarily in the local currency theme. Redemptions were made as a result of successful realisations of assets in Latin America and subsequent capital distributions by funds in the alternatives theme, and to match flows into equity funds in Saudi Arabia.

The negative mark-to-market was driven by changes to asset valuations in alternatives funds and lower equity market values, partially offset bv a small positive contribution from seed investments in liquid fixed income funds.

Ashmore has seed capital commitments to funds of £11.3 million that were undrawn at the period end, giving a total value for the Group's seed capital programme of approximately £270 million.

## Seed capital market value by currency

| | **31 December 2022 £m** | 30 June 2022 £m |
|---|---|---|
| US dollar | **211.9** | 222.4 |
| Colombian peso | **17.0** | 19.0 |
| Other | **31.9** | 30.6 |
| **Total market value** | **260.8** | 272.0 |

Approximately two-thirds of the Group's seed capital is held in funds with better than one-month dealing frequency, such as SICAV or US 40-Act mutual funds.

## Goodwill and intangible assets

At 31 December 2022, goodwill and intangible assets on the Group's balance sheet totalled £91.7 million (30 June 2022: £90.9 million). The movement in the period is primarily the result of an FX revaluation gain in reserves of £0.9 million (H1 2021/22: £1.5 million gain).

### Shares held by the Employee Benefit Trust

The Group's EBT purchases and holds shares in anticipation of the vesting of share awards. At 31 December 2022, the EBT owned 52,936,626 ordinary shares (30 June 2022: 55,512,301 ordinary shares), representing 7.4% of the Group's issued share capital (30 June 2022: 7.8%).

### Foreign exchange

The majority of the Group's fee income continues to be received in US dollars and it is the Group's policy to hedge up to two-thirds of the notional value of budgeted foreign currency-denominated net management fees. Foreign currency assets and liabilities, including cash, are marked to market at the period end exchange rate with movements reported in either revenues or other comprehensive income (OCI).

Movements in the GBP:USD and other exchange rates over the period increased net management fees by 10%, increased adjusted operating costs by 4%, and resulted in translation gains in net revenue of £2.6 million on the Group's foreign currency assets and liabilities and a £1.3 million mark-to-market loss on the Group's unconsolidated seed capital investments.

## Dividend

The Board's policy is to pay a progressive ordinary dividend over time, taking into consideration factors such as the prospects for the Group's earnings, demands on the Group's financial resources, and the markets in which the Group operates.

Accordingly, and notwithstanding the lower statutory profits reported in this period, the Board has declared an interim dividend of 4.8 pence per share (H1 2020/21: 4.8 pence per share), which will be paid on 29 March 2023 to all shareholders on the register on 3 March 2023.

**Mark Coombs**
Chief Executive Officer

7 February 2023

## Risk management

A detailed description of the Group's risk management function and internal control framework, which provides an ongoing process for identifying, evaluating and managing the Group's emerging and principal risks, was included in the 2022 Annual Report and Accounts, together with a list of principal risks and examples of associated controls and mitigants. This disclosure covered strategy and business, client, treasury, investment and operational risks. There have been no material changes to the principal risks and associated controls and mitigants during the six-month period.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2022

| | Notes | **Unaudited 6 months to 31 December 2022 £m** | Unaudited 6 months to 31 December 2021 £m | Audited 12 months to 30 June 2022 £m |
|---|---|---|---|---|
| Management fees | | **99.1** | 133.0 | 247.0 |
| Performance fees | | **3.7** | 3.1 | 4.5 |
| Other revenue | | **1.3** | 1.4 | 2.9 |
| **Total revenue** | 5 | **104.1** | 137.5 | 254.4 |
| Distribution costs | | **(1.1)** | (2.0) | (3.5) |
| Foreign exchange | 6 | **7.3** | 3.0 | 11.6 |
| **Net revenue** | | **110.3** | 138.5 | 262.5 |
| Gains/(losses) on investment securities | 15 | **(40.8)** | 51.0 | (61.3) |
| Change in third-party interests in consolidated funds | 15 | **16.6** | (23.0) | 16.5 |
| Personnel expenses | | **(34.1)** | (36.5) | (73.4) |
| Other expenses | | **(13.3)** | (12.1) | (25.1) |
| **Operating profit** | | **38.7** | 117.9 | 119.2 |
| Finance income/(expense) | 7 | **14.8** | (1.9) | (2.1) |
| Share of profit from associates | | **0.3** | – | 1.3 |
| **Profit before tax** | | **53.8** | 116.0 | 118.4 |
| Tax expense | 9 | **(9.5)** | (20.6) | (26.5) |
| **Profit for the period** | | **44.3** | 95.4 | 91.9 |
| **Other comprehensive income, net of related tax effect** | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Foreign currency translation differences arising on foreign operations | | **0.1** | 12.8 | 80.2 |
| Cash flow hedge intrinsic value gains/(losses) | | **2.1** | (1.0) | (6.0) |
| **Other comprehensive income, net of related tax effect** | | **2.2** | 11.8 | 74.2 |
| **Total comprehensive income for the period** | | **46.5** | 107.2 | 166.1 |
| **Profit attributable to:** | | | | |
| Equity holders of the parent | | **42.7** | 93.7 | 88.5 |
| Non-controlling interests | | **1.6** | 1.7 | 3.4 |
| **Profit for the period** | | **44.3** | 95.4 | 91.9 |
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the parent | | **45.3** | 105.3 | 161.9 |
| Non-controlling interests | | **1.2** | 1.9 | 4.2 |
| **Total comprehensive income for the period** | | **46.5** | 107.2 | 166.1 |
| **Earnings per share** | | | | |
| Basic | 10 | **6.48p** | 14.17p | 13.42p |
| Diluted | 10 | **6.09p** | 13.31p | 12.61p |

The notes on pages 17 to 30 form an integral part of these financial statements.

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2022

| | Notes | **Unaudited 31 December 2022 £m** | Unaudited 31 December 2021 £m | Audited 30 June 2022 £m |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Goodwill and intangible assets | 12 | **91.7** | 82.0 | 90.9 |
| Property, plant and equipment | 13 | **7.8** | 10.1 | 9.1 |
| Investment in associates | | **2.3** | 0.8 | 2.1 |
| Non-current financial assets measured at fair value | 15 | **37.6** | 33.5 | 39.3 |
| Deferred acquisition costs | | **0.4** | 0.5 | 0.4 |
| Deferred tax assets | | **29.6** | 31.7 | 32.7 |
| | | **169.4** | 158.6 | 174.5 |
| **Current assets** | | | | |
| Investment securities | 15 | **230.6** | 359.0 | 265.1 |
| Financial assets measured at fair value | 15 | **40.6** | 32.0 | 32.3 |
| Trade and other receivables | | **80.0** | 75.2 | 74.3 |
| Cash and cash equivalents | | **489.0** | 453.3 | 552.0 |
| | | **840.2** | 919.5 | 923.7 |
| Financial assets held for sale | | **–** | 20.9 | – |
| **Total assets** | | **1,009.6** | 1,099.0 | 1,098.2 |
| | | | | |
| **Equity and liabilities** | | | | |
| **Capital and reserves – attributable to equity holders of the parent** | | | | |
| Issued capital | 17 | **0.1** | 0.1 | 0.1 |
| Share premium | | **15.6** | 15.6 | 15.6 |
| Retained earnings | | **852.1** | 936.9 | 901.0 |
| Foreign exchange reserve | | **33.7** | (33.6) | 33.2 |
| Cash flow hedging reserve | | **(2.8)** | 0.1 | (4.9) |
| | | **898.7** | 919.1 | 945.0 |
| Non-controlling interests | | **20.9** | 21.3 | 21.8 |
| **Total equity** | | **919.6** | 940.4 | 966.8 |
| | | | | |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Lease liabilities | 13 | **4.6** | 6.7 | 5.8 |
| Deferred tax liabilities | | **8.7** | 8.2 | 8.8 |
| | | **13.3** | 14.9 | 14.6 |
| **Current liabilities** | | | | |
| Derivative financial instruments | | **2.9** | 0.3 | 5.2 |
| Lease liabilities | 13 | **2.2** | 2.1 | 2.2 |
| Third-party interests in consolidated funds | 15 | **54.5** | 117.3 | 73.0 |
| Trade and other payables | | **17.1** | 24.0 | 36.4 |
| | | **76.7** | 143.7 | 116.8 |
| **Total liabilities** | | **90.0** | 158.6 | 131.4 |
| **Total equity and liabilities** | | **1,009.6** | 1,099.0 | 1,098.2 |

The notes on pages 17 to 30 form an integral part of these financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2022

| | Attributable to equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Issued capital £m | Share premium £m | Retained earnings £m | Foreign exchange reserve £m | Cash flow hedging reserve £m | Total £m | Non-controlling interests £m | Total equity £m |
| **Audited balance at 30 June 2021** | 0.1 | 15.6 | 941.0 | (46.2) | 1.1 | 911.6 | 21.1 | 932.7 |
| Profit for the period | – | – | 93.7 | – | – | 93.7 | 1.7 | 95.4 |
| Other comprehensive income/(loss): | | | | | | | | |
| Foreign currency translation differences arising on foreign operations | – | – | – | 12.6 | – | 12.6 | 0.2 | 12.8 |
| Cash flow hedge intrinsic value losses | – | – | – | – | (1.0) | (1.0) | – | (1.0) |
| Total comprehensive income/(loss) | – | – | 93.7 | 12.6 | (1.0) | 105.3 | 1.9 | 107.2 |
| Transactions with owners: | | | | | | | | |
| Purchase of own shares | – | – | (25.8) | – | – | (25.8) | – | (25.8) |
| Share-based payments | – | – | 13.0 | – | – | 13.0 | – | 13.0 |
| Dividends to equity holders | – | – | (85.0) | – | – | (85.0) | – | (85.0) |
| Increase in non-controlling interests | – | – | – | – | – | – | 0.1 | 0.1 |
| Dividends to non-controlling interests | – | – | – | – | – | – | (1.8) | (1.8) |
| Total contributions and distributions | – | – | (97.8) | – | – | (97.8) | (1.7) | (99.5) |
| **Unaudited balance at 31 December 2021** | 0.1 | 15.6 | 936.9 | (33.6) | 0.1 | 919.1 | 21.3 | 940.4 |
| Profit/(loss) for the period | – | – | (5.2) | – | – | (5.2) | 1.7 | (3.5) |
| Other comprehensive income/(loss): | | | | | | | | |
| Foreign currency translation differences arising on foreign operations | – | – | – | 66.8 | – | 66.8 | 0.6 | 67.4 |
| Cash flow hedge intrinsic value losses | – | – | – | – | (5.0) | (5.0) | – | (5.0) |
| Total comprehensive income/(loss) | – | – | (5.2) | 66.8 | (5.0) | 56.6 | 2.3 | 58.9 |
| Transactions with owners: | | | | | | | | |
| Purchase of own shares | – | – | (8.7) | – | – | (8.7) | – | (8.7) |
| Share-based payments | – | – | 11.5 | – | – | 11.5 | – | 11.5 |
| Dividends to equity holders | – | – | (33.5) | – | – | (33.5) | – | (33.5) |
| Decrease in non-controlling interests | – | – | – | – | – | – | (0.6) | (0.6) |
| Dividends to non-controlling interests | – | – | – | – | – | – | (1.2) | (1.2) |
| Total contributions and distributions | – | – | (30.7) | – | – | (30.7) | (1.8) | (32.5) |
| **Audited balance at 30 June 2022** | 0.1 | 15.6 | 901.0 | 33.2 | (4.9) | 945.0 | 21.8 | 966.8 |
| Profit for the period | **–** | **–** | **42.7** | **–** | **–** | **42.7** | **1.6** | **44.3** |
| Other comprehensive income/(loss): | | | | | | | | |
| Foreign currency translation differences arising on foreign operations | **–** | **–** | **–** | **0.5** | **–** | **0.5** | **(0.4)** | **0.1** |
| Cash flow hedge intrinsic value gains | **–** | **–** | **–** | **–** | **2.1** | **2.1** | **–** | **2.1** |
| Total comprehensive income | **–** | **–** | **42.7** | **0.5** | **2.1** | **45.3** | **1.2** | **46.5** |
| Transactions with owners: | | | | | | | | |
| Purchase of own shares | **–** | **–** | **(15.6)** | **–** | **–** | **(15.6)** | **–** | **(15.6)** |
| Share-based payments | **–** | **–** | **8.8** | **–** | **–** | **8.8** | **–** | **8.8** |
| Dividends to equity holders | **–** | **–** | **(84.8)** | **–** | **–** | **(84.8)** | **–** | **(84.8)** |
| Dividends to non-controlling interests | **–** | **–** | **–** | **–** | **–** | **–** | **(2.1)** | **(2.1)** |
| Total contributions and distributions | **–** | **–** | **(91.6)** | **–** | **–** | **(91.6)** | **(2.1)** | **(93.7)** |
| **Unaudited balance at 31 December 2022** | **0.1** | **15.6** | **852.1** | **33.7** | **(2.8)** | **898.7** | **20.9** | **919.6** |

The notes on pages 17 to 30 form an integral part of these financial statements.

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2022

| | **Unaudited 6 months to 31 December 2022 £m** | Unaudited 6 months to 31 December 2021 £m | Audited 12 months to 30 June 2022 £m |
|---|---|---|---|
| **Operating activities** | | | |
| Profit after tax | **44.3** | 95.4 | 91.9 |
| Adjustments for non-cash items: | | | |
| Depreciation and amortisation | **1.7** | 1.6 | 3.1 |
| Accrual for variable compensation | **9.0** | 13.3 | 24.3 |
| Foreign exchange gains | **(7.3)** | (3.0) | (11.6) |
| Net (gains)/losses on investment securities | **24.2** | (28.0) | 44.8 |
| Finance (income)/expense | **(14.8)** | 1.9 | 2.1 |
| Tax expense | **9.5** | 20.6 | 26.5 |
| Other non-cash items | **(0.3)** | – | (1.3) |
| Cash generated from operations before working capital changes | **66.3** | 101.8 | 179.8 |
| Changes in working capital: | | | |
| Decrease in trade and other receivables | **1.0** | 0.9 | 4.9 |
| Decrease/(increase) in derivative financial instruments | **(2.3)** | 1.6 | 6.5 |
| Decrease in trade and other payables | **(19.3)** | (21.5) | (9.1) |
| Cash generated from operations | **45.7** | 82.8 | 182.1 |
| Taxes paid | **(11.3)** | (13.0) | (24.7) |
| Net cash from operating activities | **34.4** | 69.8 | 157.4 |
| **Investing activities** | | | |
| Interest and investment income received | **15.8** | 4.1 | 8.1 |
| Purchase of non-current financial assets measured at fair value | **(1.2)** | (0.6) | (1.9) |
| Purchase of financial assets measured at fair value | **(8.3)** | (5.5) | (5.5) |
| Sale/(purchase) of investment securities | **(1.3)** | 20.6 | 24.2 |
| Sale of non-current financial assets measured at fair value | **2.6** | 1.1 | 1.5 |
| Sale of financial assets held for sale | **–** | 0.1 | 0.1 |
| Sale of financial assets measured at fair value | **–** | 23.8 | 44.0 |
| Net cash on initial consolidation of seed capital investments | **–** | 0.5 | 0.3 |
| Purchase of property, plant and equipment | **(0.2)** | (0.3) | (0.5) |
| Net cash generated from investing activities | **7.4** | 43.8 | 70.3 |

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT CONTINUED

For the six months ended 31 December 2022

| | **Unaudited 6 months to 31 December 2022 £m** | Unaudited 6 months to 31 December 2021 £m | Audited 12 months to 30 June 2022 £m |
|---|---|---|---|
| **Financing activities** | | | |
| Dividends paid to equity holders | **(84.8)** | (85.0) | (118.5) |
| Dividends paid to non-controlling interests | **(2.1)** | (1.8) | (3.0) |
| Third-party subscriptions into consolidated funds | **2.5** | 2.2 | 0.5 |
| Third-party redemptions from consolidated funds | **(6.3)** | (1.1) | (4.2) |
| Distributions paid by consolidated funds | **(3.2)** | (10.7) | (10.7) |
| Increase/(decrease) in non-controlling interests | **–** | 0.1 | (0.5) |
| Payment of lease liabilities | **(1.1)** | (1.0) | (2.0) |
| Interest paid | **(0.2)** | (0.2) | (0.4) |
| Purchase of own shares | **(15.6)** | (25.8) | (34.5) |
| Net cash used in financing activities | **(110.8)** | (123.3) | (173.3) |
| **Net increase/(decrease) in cash and cash equivalents** | **(69.0)** | (9.7) | 54.4 |
| Cash and cash equivalents at the beginning of the period | **552.0** | 456.1 | 456.1 |
| Effect of exchange rate changes on cash and cash equivalents | **6.0** | 6.9 | 41.5 |
| **Cash and cash equivalents at the end of the period** | **489.0** | 453.3 | 552.0 |
| **Cash and cash equivalents comprise:** | | | |
| Cash at bank and in hand | **51.1** | 47.7 | 57.4 |
| Daily dealing liquidity funds | **78.0** | 272.3 | 225.7 |
| Deposits | **359.9** | 133.3 | 268.9 |
| | **489.0** | 453.3 | 552.0 |

The notes on pages 17 to 30 form an integral part of these financial statements.

## 1) General information

These interim condensed consolidated financial statements of Ashmore Group plc and its subsidiaries (the Group) for the six months ended 31 December 2022 were authorised for issue by the Directors on 7 February 2023.

Ashmore Group plc is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom.

## 2) Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standard 34 (IAS 34) Interim Financial Reporting and the Disclosure Guidance and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA).

The interim condensed consolidated set of financial statements has been prepared by applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 30 June 2022, which were prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

These interim condensed consolidated financial statements and accompanying notes are unaudited, do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and do not include all the information and disclosures required in annual statutory financial statements. They should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 June 2022 which are available on the Group's website. Those statutory accounts were approved by the Board of Directors on 1 September 2022 and have been filed with Companies House. The report of the auditors on those accounts was unqualified.

### Going concern

The Board of Directors has considered the resilience of the Group, taking into account its current financial position, and the principal and emerging risks facing the business in the context of the current economic outlook. The Board reviewed cash flow forecasts for a period of 12 months from the date of approval of these interim financial statements, which indicate that the Group will have sufficient funds to meet its liabilities as they fall due for that period. The Board applied stressed scenarios, including severe but plausible downside assumptions on assets under management, profitability of the Group and known commitments. While there are wider market uncertainties that may impact the Group, the stressed scenarios, which assumed a significant reduction in revenue for the entire forecast period, show that the Group and Company would continue to operate profitably and meet their liabilities as they fall due for a period of at least 12 months from the date of the release of these results. The interim financial statements have therefore been prepared on a going concern basis.

## 3) New accounting standards and interpretations

The Group did not implement the requirements of any standards or interpretations that were in issue but were not required to be adopted by the Group at the half year. No other standards or interpretations issued and not yet effective are expected to have an impact on the Group's interim consolidated financial statements.

## 4) Segmental information

The Group's operations are reported to and reviewed by the Board on the basis of the investment management business as a whole, hence the Group is treated as a single segment. The key management information considered is adjusted EBITDA which is £63.2 million for the period as reconciled on page 3 (H1 2021/22: adjusted EBITDA of £92.0 million was derived by adjusting operating profit by £1.6 million of depreciation and amortisation expense, £27.3 million income related to seed capital and £0.2 million of foreign exchange gains). The additional disclosures below provide the location of the Group's non-current assets at the period end other than financial instruments and deferred tax assets. Disclosures relating to revenue by location are provided in note 5 below.

### Analysis of non-current assets by geography

| | **As at 31 December 2022 £m** | As at 31 December 2021 £m | As at 30 June 2022 £m |
|---|---|---|---|
| United Kingdom and Ireland | **26.1** | 24.4 | 26.5 |
| United States | **74.0** | 66.1 | 73.5 |
| Other | **2.1** | 2.9 | 2.5 |
| Total non-current assets | **102.2** | 93.4 | 102.5 |

## 5) Revenue

Management fees are accrued throughout the period in line with prevailing levels of assets under management and performance fees are recognised when the specific assessment criteria have been met and it is highly probable that a significant income reversal will not subsequently occur. The Group is not considered to be reliant on any single source of revenue. None of the Group's funds provided more than 10.0% of total revenue in the period (H1 2021/22: none; FY2021/22: none).

### Analysis of revenue by geography

| | **6 months to 31 December 2022 £m** | 6 months to 31 December 2021 £m | 12 months to 30 June 2022 £m |
|---|---|---|---|
| United Kingdom and Ireland | **76.7** | 106.1 | 193.6 |
| United States | **7.9** | 12.3 | 22.0 |
| Other | **19.5** | 19.1 | 38.8 |
| Total revenue | **104.1** | 137.5 | 254.4 |

## 6) Foreign exchange

The foreign exchange rates which had a material impact on the Group's results are the US dollar, the Euro, the Indonesian rupiah and the Colombian peso.

| **£1** | **Closing rate as at 31 December 2022** | Closing rate as at 31 December 2021 | Closing rate as at 30 June 2022 | **Average rate 6 months to 31 December 2022** | Average rate 6 months to 31 December 2021 | Average rate 12 months to 30 June 2022 |
|---|---|---|---|---|---|---|
| US dollar | **1.2029** | 1.3545 | 1.2145 | **1.1795** | 1.3636 | 1.3289 |
| Euro | **1.1271** | 1.1910 | 1.1617 | **1.1572** | 1.1739 | 1.1785 |
| Indonesian rupiah | **18,726** | 19,304 | 18,092 | **17,976** | 19,534 | 19,146 |
| Colombian peso | **5,833** | 5,513 | 5,053 | **5,394** | 5,267 | 5,164 |

Foreign exchange gains are shown below.

| | **6 months to 31 December 2022 £m** | 6 months to 31 December 2021 £m | 12 months to 30 June 2022 £m |
|---|---|---|---|
| Net realised and unrealised hedging gains | **4.7** | 2.7 | 6.3 |
| Translation gains on non-Sterling denominated monetary assets and liabilities | **2.6** | 0.3 | 5.3 |
| Total foreign exchange gains | **7.3** | 3.0 | 11.6 |

## 7) Finance income

| | **6 months to 31 December 2022 £m** | 6 months to 31 December 2021 £m | 12 months to 30 June 2022 £m |
|---|---|---|---|
| Interest and investment income | **14.3** | 3.1 | 7.7 |
| Net realised gains on seed capital investments measured at fair value | **0.8** | 2.2 | 0.1 |
| Net unrealised losses on seed capital investments measured at fair value | **(0.1)** | (7.0) | (9.5) |
| Interest expense on lease liabilities (note 13) | **(0.2)** | (0.2) | (0.4) |
| Net finance income/(expense) | **14.8** | (1.9) | (2.1) |

Included within interest and investment income are gains of £7.6 million from investment securities on consolidated funds (note 15c).

Included within net realised and unrealised gains and losses on seed capital investments measured at fair value are £0.2 million gains on financial assets measured at FVTPL (note 15a), £0.2 million losses on non-current financial assets measured at fair value (note 15b) and realised gains of £0.7 million relating to consolidated funds (note 15c).

## 8) Share-based payments

The cost related to share-based payments recognised by the Group in the interim condensed consolidated statement of comprehensive income is shown below:

| | **6 months to 31 December 2022 £m** | 6 months to 31 December 2021 £m | 12 months to 30 June 2022 £m |
|---|---|---|---|
| Omnibus Plan | **8.8** | 14.3 | 25.1 |
| Phantom Bonus Plan | **0.2** | 0.1 | (0.2) |
| Total share-based payments expense | **9.0** | 14.4 | 24.9 |

The total expense recognised for the period in respect of equity-settled share-based payment awards was £8.8 million (H1 2021/22: £13.3 million; FY2021/22: £24.5 million), of which £0.3 million relates to share awards granted to key management personnel (H1 2021/22: £0.8 million; FY2021/22: £0.2 million).

### The Executive Omnibus Incentive Plan (Omnibus Plan)

Share awards outstanding under the Omnibus Plan were as follows:

| | **6 months to 31 December 2022 Number of shares subject to awards** | 6 months to 31 December 2021 Number of shares subject to awards | 12 months to 30 June 2022 Number of shares subject to awards |
|---|---|---|---|
| **Equity-settled awards** | | | |
| At the beginning of the period | **40,688,833** | 41,302,176 | 41,302,176 |
| Granted | **11,598,953** | 8,940,670 | 9,006,163 |
| Vested | **(9,321,863)** | (6,968,188) | (7,660,933) |
| Forfeited | **(905,008)** | (60,398) | (1,958,573) |
| Outstanding at the end of the period | **42,060,915** | 43,214,260 | 40,688,833 |
| **Cash-settled awards** | | | |
| At the beginning of the period | **271,302** | 283,769 | 283,769 |
| Granted | **117,749** | 38,293 | 38,293 |
| Vested | **(112,509)** | (50,760) | (50,760) |
| Forfeited | **–** | – | – |
| Outstanding at the end of the period | **276,542** | 271,302 | 271,302 |
| **Total awards** | | | |
| At the beginning of the period | **40,960,135** | 41,585,945 | 41,585,945 |
| Granted | **11,716,702** | 8,978,963 | 9,044,456 |
| Vested | **(9,434,372)** | (7,018,948) | (7,711,693) |
| Forfeited | **(905,008)** | (60,398) | (1,958,573) |
| Outstanding at the end of the period | **42,337,457** | 43,485,562 | 40,960,135 |

The weighted average share price of awards granted to employees under the Omnibus Plan during the period was £2.14 (H1 2021/22: £3.74; FY2021/22: £3.73), as determined by reference to the average Ashmore Group plc closing share price for the five business days prior to grant.

The liability arising from cash-settled awards under the Omnibus Plan at the end of the period and reported within trade and other payables in the interim condensed consolidated balance sheet is £0.4 million (H1 2021/22: £1.2 million; FY2021/22: £0.4 million) of which £nil relates to vested awards.

## 9) Taxation

### Analysis of tax charge for the period

| | **6 months to 31 December 2022 £m** | 6 months to 31 December 2021 £m | 12 months to 30 June 2022 £m |
|---|---|---|---|
| **Current tax** | | | |
| UK corporation tax on profits for the period | **0.6** | 12.6 | 11.1 |
| Overseas corporation tax charge | **6.5** | 7.3 | 14.9 |
| Adjustments in respect of prior periods | **–** | 0.1 | (0.5) |
| | **7.1** | 20.0 | 25.5 |
| **Deferred tax** | | | |
| Origination and reversal of temporary differences | **2.4** | 0.6 | 1.0 |
| Tax expense for the period | **9.5** | 20.6 | 26.5 |

### Factors affecting tax charge for the period

| | **6 months to 31 December 2022 £m** | 6 months to 31 December 2021 £m | 12 months to 30 June 2022 £m |
|---|---|---|---|
| Profit before tax | **53.8** | 116.0 | 118.4 |
| Profit on ordinary activities multiplied by the prevailing UK tax rate for the financial year of 20.5% (H1 2021/22: 19.0%; FY2021/22: 19.0%) | **11.0** | 22.0 | 22.5 |
| Effects of: | | | |
| Non-deductible expenses | **0.2** | 0.2 | – |
| Deduction/(charge) in respect of vested shares (Part 12, Corporation Tax Act 2009) | **(1.8)** | 0.2 | 4.7 |
| Different rate of taxes on overseas profits | **(0.3)** | (1.8) | (3.3) |
| Non-deductible investment returns | – | – | 3.2 |
| Other | **0.4** | – | (0.6) |
| Tax expense for the period | **9.5** | 20.6 | 26.5 |

## 10) Earnings per share

Basic earnings per share for the six months to 31 December 2022 of 6.48 pence (H1 2021/22: 14.17 pence; FY2021/22: 13.42 pence) is calculated by dividing the profit after tax for the financial period attributable to equity holders of the parent of £42.7 million (H1 2021/22: £93.7 million; FY2021/22: £88.5 million) by the weighted average number of ordinary shares in issue during the period, excluding own shares.

Diluted earnings per share is calculated based on basic earnings per share adjusted for all dilutive potential ordinary shares. There is no difference between the profit for the year attributable to equity holders of the parent used in the basic and diluted earnings per share calculations.

Reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is shown below.

| | **6 months to 31 December 2022 Number of ordinary shares** | 6 months to 31 December 2021 Number of ordinary shares | 12 months to 30 June 2022 Number of ordinary shares |
|---|---|---|---|
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | **658,713,326** | 660,910,543 | 659,466,487 |
| Effect of dilutive potential ordinary shares – share awards | **42,229,972** | 42,551,687 | 42,657,852 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | **700,943,298** | 703,462,230 | 702,124,339 |

## 11) Dividends

### Dividends paid

| Company | **6 months to 31 December 2022 £m** | 6 months to 31 December 2021 £m | 12 months to 30 June 2022 £m |
|---|---|---|---|
| Final dividend for FY2021/22: 12.10p (FY2020/21: 12.10p) | **84.8** | 85.0 | 85.0 |
| Interim dividend for FY2021/22: 4.80p | **–** | – | 33.5 |
| | **84.8** | 85.0 | 118.5 |

In addition, the Group paid £2.1 million (H1 2021/22: £1.8 million; FY2021/22: £3.0 million) in dividends to non-controlling interests.

### Dividends declared/proposed

| Company | **6 months to 31 December 2022 pence** | 6 months to 31 December 2021 pence | 12 months to 30 June 2022 pence |
|---|---|---|---|
| Interim dividend declared per share | **4.80** | 4.80 | 4.80 |
| Final dividend proposed per share | **–** | – | 12.10 |
| | **4.80** | 4.80 | 16.90 |

The Board has approved an interim dividend for the six months to 31 December 2022 of 4.80 pence per share payable on 29 March 2023 to shareholders on the register on 3 March 2023.

## 12) Goodwill and intangible assets

| | Goodwill £m | Fund management intangible assets £m | Total £m |
|---|---|---|---|
| **Cost (at original exchange rate)** | | | |
| At 31 December 2022, 31 December 2021 and 30 June 2022 | **70.4** | **0.9** | **71.3** |
| | | | |
| **Accumulated amortisation** | | | |
| At 30 June 2021 | – | (0.5) | (0.5) |
| Amortisation charge for the period | – | – | – |
| At 31 December 2021 | – | (0.5) | (0.5) |
| Amortisation charge for the period | – | (0.1) | (0.1) |
| At 30 June 2022 | – | (0.6) | (0.6) |
| Amortisation charge for the period | **–** | **(0.1)** | **(0.1)** |
| At 31 December 2022 | **–** | **(0.7)** | **(0.7)** |
| | | | |
| **Carrying value** | | | |
| At 30 June 2021 | 80.1 | 0.4 | 80.5 |
| Accumulated amortisation for the period | – | – | – |
| FX revaluation through reserves* | 1.5 | – | 1.5 |
| At 31 December 2021 | 81.6 | 0.4 | 82.0 |
| Accumulated amortisation for the period | – | (0.1) | (0.1) |
| FX revaluation through reserves* | 8.9 | 0.1 | 9.0 |
| At 30 June 2022 | 90.5 | 0.4 | **90.9** |
| Accumulated amortisation for the period | **–** | **(0.1)** | **(0.1)** |
| FX revaluation through reserves* | **0.9** | **–** | **0.9** |
| At 31 December 2022 | **91.4** | **0.3** | **91.7** |

* FX revaluation through reserves is a result of the retranslation of US dollar-denominated intangibles and goodwill.

### Goodwill

The Group's goodwill balance relates to the acquisition of subsidiaries.

Goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit from that business combination. It is the Group's judgement that the lowest level of cash-generating unit used to determine impairment is the investment management segment level. The Group has assessed that it consists of a single cash-generating unit for the purposes of monitoring and assessing goodwill for impairment. This reflects the Group's global operating model, based on a single operating platform, into which acquired businesses are fully integrated and from which acquisition-related synergies are expected to be realised.

During the period to 31 December 2022, no factors indicating potential impairment of goodwill were noted. Based on the calculation as at 31 December 2022 using a market share price of £2.39, the recoverable amount was in excess of the carrying value of goodwill and no impairment was implied. In addition, the sensitivity of the recoverable amount to a 10% change in the Company's market share price will not lead to any impairment. Therefore, no impairment loss has been recognised in the current or preceding periods.

### Fund management contracts

Intangible assets comprise fund management contracts and contractually agreed share of carried interest recognised by the Group on business combinations. No factors were identified suggesting that fund management contracts intangible assets were impaired as at 31 December 2022. The remaining amortisation period for fund management contracts is two years.

## 13) Leases

The Group's property, plant and equipment include right-of-use assets recognised on office leases for which the Group is a lessee under operating lease arrangements. Information about leases is provided below.

| | **6 months to 31 December 2022 £m** | 6 months to 31 December 2021 £m | 12 months to 30 June 2022 £m |
|---|---|---|---|
| Property, plant and equipment owned by the Group | **1.4** | 1.7 | 1.5 |
| Right-of-use assets | **6.4** | 8.4 | 7.6 |
| Net book value | **7.8** | 10.1 | 9.1 |

Lease liabilities are presented in the interim condensed consolidated balance sheet as follows:

| | **31 December 2022 £m** | 31 December 2021 £m | 30 June 2022 £m |
|---|---|---|---|
| Current | **2.2** | 2.1 | 2.2 |
| Non-current | **4.6** | 6.7 | 5.8 |
| Total lease liabilities | **6.8** | 8.8 | 8.0 |

The carrying value of the Group's right-of-use assets, lease liabilities and the movement during the period are set out below.

| | Right-of-use assets £m | Lease liabilities £m |
|---|---|---|
| At 30 June 2021 | 9.4 | 9.8 |
| Lease payments | – | (1.2) |
| Interest expense (recognised in finance expense) | – | 0.2 |
| Depreciation charge (recognised in other expenses) | (1.1) | – |
| FX revaluation through reserves | 0.1 | – |
| At 31 December 2021 | 8.4 | 8.8 |
| Lease payments | – | (1.2) |
| Interest expense (recognised in finance expense) | – | 0.2 |
| Depreciation charge (recognised in other expenses) | (1.0) | – |
| FX revaluation through reserves | 0.2 | 0.2 |
| At 30 June 2022 | 7.6 | 8.0 |
| Lease payments | **–** | **(1.3)** |
| Interest expense (recognised in finance expense) | **–** | **0.2** |
| Depreciation charge (recognised in other expenses) | **(1.1)** | **–** |
| FX revaluation through reserves | **(0.1)** | **(0.1)** |
| At 31 December 2022 | **6.4** | **6.8** |

Total cash outflow included within financing activities in the interim condensed consolidated cash flow statement in respect of principal and interest paid on lease liabilities during the period amounted to £1.3 million.

## 14) Fair value of financial instruments

The accounting policies relating to the estimation of fair values are consistent with those applied in the preparation of the Group's Annual Report and Accounts for the year ended 30 June 2022.

The Group has an established control framework with respect to the measurement of fair values. This framework includes committees that have overall responsibility for all significant fair value measurements. Each committee regularly reviews significant inputs and valuation adjustments. If third-party information is used to measure fair value, the team assesses and documents the evidence obtained from the third parties to support such valuations. There are no material differences between the carrying amounts of financial assets and liabilities and their fair values at the balance sheet date.

### Fair value hierarchy

The Group measures fair values using the following fair value levels that reflect the significance of inputs used in making the measurements, based on the degree to which the fair value is observable:

Level 1: Valuation is based upon a quoted market price in an active market for an identical instrument. This fair value measure relates to the valuation of quoted and exchange traded equity and debt securities.

Level 2: Valuation techniques are based upon observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This fair value measure relates to the valuation of quoted equity securities in inactive markets or in interests in unlisted funds whose net asset values are referenced to the fair values of the listed or exchange traded securities held by those funds. Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising information readily available via external sources.

Level 3: Fair value measurements are derived from valuation techniques that include inputs not based on observable market data.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value hierarchy of financial instruments which are carried at fair value is summarised below:

| | **At 31 December 2022** | | | | At 31 December 2021 | | | | At 30 June 2022 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Level 1 £m** | **Level 2 £m** | **Level 3 £m** | **Total £m** | Level 1 £m | Level 2 £m | Level 3 £m | Total £m | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
| **Financial assets** | | | | | | | | | | | | |
| Investment securities | **104.8** | **99.0** | **26.8** | **230.6** | 266.4 | 71.2 | 21.4 | 359.0 | 158.8 | 82.7 | 23.6 | 265.1 |
| Financial assets held for sale | **–** | **–** | **–** | **–** | – | 20.9 | – | 20.9 | – | – | – | – |
| Financial assets at FVTPL | **–** | **40.6** | **–** | **40.6** | – | 32.0 | – | 32.0 | – | 32.3 | – | 32.3 |
| Non-current financial assets | **–** | **–** | **37.6** | **37.6** | – | – | 33.5 | 33.5 | – | – | 39.3 | 39.3 |
| Total financial assets | **104.8** | **139.6** | **64.4** | **308.8** | 266.4 | 124.1 | 54.9 | 445.4 | 158.8 | 115.0 | 62.9 | 336.7 |
| **Financial liabilities** | | | | | | | | | | | | |
| Third-party interests in consolidated funds | **34.7** | **10.1** | **9.7** | **54.5** | 100.4 | 9.4 | 7.5 | 117.3 | 58.4 | 6.3 | 8.3 | 73.0 |
| Derivative financial instruments | **–** | **2.9** | **–** | **2.9** | – | 0.3 | – | 0.3 | – | 5.2 | – | 5.2 |
| Total financial liabilities | **34.7** | **13** | **9.7** | **57.4** | 100.4 | 9.7 | 7.5 | 117.6 | 58.4 | 11.5 | 8.3 | 78.2 |

The Group recognises transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during the period.

### Financial instruments not measured at fair value

Financial assets and liabilities that are not measured at fair value include cash and cash equivalents, trade and other receivables, and trade and other payables. The carrying value of financial assets and financial liabilities not measured at fair value is considered a reasonable approximation of fair value as at 31 December 2022, 31 December 2021 and 30 June 2022.

## Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period.

| | Investment securities £m | Non-current financial assets £m | Third-party interests in consolidated funds £m |
|---|---|---|---|
| At 31 December 2021 | 21.4 | 33.5 | 7.5 |
| Additions | – | 1.3 | – |
| Disposals | – | (0.3) | – |
| Unrealised gains/(losses) recognised in finance income | (1.4) | 3.0 | 0.8 |
| Unrealised gains recognised in reserves | 3.6 | 1.8 | – |
| At 30 June 2022 | 23.6 | 39.3 | 8.3 |
| Additions | **21.3** | **1.2** | **9.2** |
| Disposals | **(18.6)** | **(2.8)** | **(7.9)** |
| Unrealised gains/(losses) recognised in finance income | **0.3** | **(0.2)** | **0.1** |
| Unrealised gains recognised in reserves | **0.2** | **0.1** | **–** |
| At 31 December 2022 | **26.8** | **37.6** | **9.7** |

## Valuation of level 3 financial assets recognised at fair value on a recurring basis using valuation techniques

Investments valued using valuation techniques include financial investments which, by their nature, do not have an externally quoted price based on regular trades, and financial investments for which markets are no longer active as a result of market conditions, e.g. market illiquidity. The valuation techniques used in the estimation of fair values are consistent with those applied in the preparation of the Group's Annual Report and Accounts for the year ended 30 June 2022.

The following tables show the valuation techniques and the significant unobservable inputs used to estimate the fair value of level 3 investments as at 31 December 2022 and 30 June 2022, and the associated sensitivity to changes in unobservable inputs to a reasonable alternative:

| Asset class and valuation technique | Fair value at 31 December 2022 £m | Significant unobservable input | Range of estimates | Sensitivity factor | Change in fair value £m |
|---|---|---|---|---|---|
| Unquoted securities | | | | | |
| Market multiple and discount | **5.9** | EBITDA multiple | 14x | +/- 1x | +/- 0.6 |
| | | Marketability adjustment | 30% | +/- 5% | -/+ 0.6 |
| Discounted cash flow | **31.3** | Discount rate | 10%-17% | +/- 1% | -/+ 2.5 |
| | | Marketability adjustment | 10%-54% | +/- 5% | -/+ 2.7 |
| Unquoted funds | | | | | |
| Net assets approach | **27.2** | Net asset value | 1x | +/- 5% | +/- 1.4 |
| Total level 3 investments | **64.4** | | | | |

| Asset class and valuation technique | Fair value at 30 June 2022 £m | Significant unobservable input | Range of estimates | Sensitivity factor | Change in fair value £m |
|---|---|---|---|---|---|
| Unquoted securities | | | | | |
| Market multiple and discount | 6.2 | EBITDA multiple | 10x-15x | +/- 1x | +/- 0.5 |
| | | Marketability adjustment | 20%-30% | +/- 5% | -/+ 0.4 |
| Discounted cash flow | 26.3 | Discount rate | 10%-20% | +/- 1% | -/+ 3.6 |
| | | Marketability adjustment | 10%-60% | +/- 5% | -/+ 1.5 |
| Unquoted funds | | | | | |
| Net assets approach | 30.4 | Net asset value | 1x | +/- 5% | +/- 1.5 |
| Total level 3 investments | 62.9 | | | | |

The sensitivity demonstrates the effect of a change in one unobservable input while other assumptions remain unchanged. There may be a correlation between the unobservable inputs and other factors that have not been considered. It should also be noted that some of the sensitivities are non-linear, therefore, larger or smaller impacts should not be interpolated or extrapolated from these results.

## 15) Seed capital investments

### a) Financial assets measured at fair value through profit or loss

Financial assets measured at FVTPL at 31 December 2022 comprise shares held in debt and equity funds as follows:

| | **31 December 2022 £m** | 31 December 2021 £m | 30 June 2022 £m |
|---|---|---|---|
| Equity funds | **15.1** | 12.9 | 15.5 |
| Debt funds | **25.5** | 19.1 | 16.8 |
| Financial assets measured at fair value | **40.6** | 32.0 | 32.3 |

Included within finance income are net gains of £0.2 million (H1 2021/22: net losses of £4.2 million; FY2021/22: net losses of £12.5 million) on the Group's financial assets measured at FVTPL.

### b) Non-current financial assets measured at fair value

Non-current financial assets relate to the Group's investments in closed-end funds and are designated as FVTPL. Fair value is assessed by taking account of the extent to which potential dilution of gains or losses may arise as a result of additional investors subscribing to the fund where the final close of the fund has not occurred.

| | **31 December 2022 £m** | 31 December 2021 £m | 30 June 2022 £m |
|---|---|---|---|
| Real estate funds | **1.1** | 1.6 | 1.5 |
| Infrastructure funds | **20.2** | 19.2 | 24.1 |
| Other funds | **13.6** | 10.1 | 10.9 |
| Non-current financial assets measured at fair value[1] | **34.9** | 30.9 | 36.5 |

1. Excludes £2.7 million of other non-current financial assets measured at fair value that are not classified as seed capital (31 December 2021: £2.6 million; 30 June 2022: £2.8 million).

Included within finance income are net losses of £0.2 million (H1 2021/22: net gains of £0.5 million; FY2021/22: net gains of £4.2 million) on the Group's non-current financial assets measured at fair value.

### c) Consolidated funds

The Group has consolidated 18 investment funds as at 31 December 2022 (31 December 2021: 15 investment funds; 30 June 2022: 18 investment funds), over which the Group is deemed to have control. Consolidated funds represent seed capital investments where the Group has held its position for a period greater than one year and its interest represents a controlling stake in the fund in accordance with IFRS 10. Consolidated fund assets and liabilities are presented line by line after intercompany eliminations.

The table below sets out an analysis of the carrying amounts of interests held by the Group in consolidated investment funds.

| | **31 December 2022 £m** | 31 December 2021 £m | 30 June 2022 £m |
|---|---|---|---|
| Investment securities[1] | **230.6** | 359.0 | 265.1 |
| Cash and cash equivalents | **8.2** | 8.9 | 10.0 |
| Other[2] | **1.0** | 0.3 | 1.1 |
| Third-party interests in consolidated funds | **(54.5)** | (117.3) | (73.0) |
| Consolidated seed capital investments | **185.3** | 250.9 | 203.2 |

1. Investment securities represent trading securities held by consolidated investment funds and are measured at FVTPL. Further detailed information at the security level is available in the individual fund financial statements.

2. Other includes trade receivables, trade payables and accruals.

The maximum exposure to loss is the carrying amount of the assets held. The Group has not provided financial support or otherwise agreed to be responsible for supporting any consolidated fund financially.

Included within the interim condensed consolidated statement of comprehensive income are net losses of £17.2 million (H1 2021/22: net gains of £30.0 million; FY2021/22: net losses of £40.5 million) relating to the Group's share of the results of the individual statements of comprehensive income for each of the consolidated funds, as follows:

| | **31 December 2022 £m** | 31 December 2021 £m | 30 June 2022 £m |
|---|---|---|---|
| Investment income | **7.6** | 2.7 | 5.7 |
| Gains/(losses) on investment securities | **(40.8)** | 51.0 | (61.3) |
| Change in third-party interests in consolidated funds | **16.6** | (23.0) | 16.5 |
| Other expenses | **(0.6)** | (0.7) | (1.4) |
| Net gains/(losses) on consolidated funds | **(17.2)** | 30.0 | (40.5) |

Included within finance income are realised gains of £0.7 million (H1 2021/22: realised gains of £3.8 million; FY2021/22: realised gains of £3.8 million) relating to consolidated funds.

Included in the Group's cash generated from operations is £0.5 million cash utilised in operations (H1 2021/22: £2.0 million cash utilised in operations; FY2021/22: £2.8 million cash utilised in operations) relating to consolidated funds.

As at 31 December 2022, the Group's consolidated funds were domiciled in Guernsey, Luxembourg, Saudi Arabia and the United States.

## 16) Financial risk management

The Group is subject to strategic, business, client, investment, operational and treasury risks throughout its business as discussed in the Risk management section of the Group's Annual Report and Accounts for the year ended 30 June 2022, which provides further detail on the Group's exposure to and the management of risks derived from the financial instruments it uses.

Those risks and the risk management policies have not changed significantly during the six months to 31 December 2022.

## 17) Share capital

### Authorised share capital

| | Number of shares | Nominal value £'000 |
|---|---|---|
| Ordinary shares of 0.01p each at 31 December 2022, 30 June 2022 and 31 December 2021 | **900,000,000** | **90** |

### Issued share capital – allotted and fully paid

| | Number of shares | Nominal value £'000 |
|---|---|---|
| Ordinary shares of 0.01p each at 31 December 2022, 30 June 2022 and 31 December 2021 | **712,740,804** | **71** |

All the above ordinary shares represent equity of the Company and rank pari passu in respect of participation and voting rights.

As at 31 December 2022, there were equity-settled share awards issued under the Omnibus Plan totalling 42,060,915 shares (31 December 2021: 43,214,260 shares; 30 June 2022: 40,688,833 shares) that have release dates ranging from July 2023 to September 2027.

## 18) Own shares

The Trustees of The Ashmore 2004 Employee Benefit Trust (EBT) acquire and hold shares in Ashmore Group plc with a view to facilitating the vesting of share awards. As at 31 December 2022, the EBT owned 52,936,626 (31 December 2021: 52,749,597; 30 June 2022: 55,512,301) ordinary shares of 0.01p with a nominal value of £5,294 (31 December 2021: £5,275; 30 June 2022: £5,551) and shareholders' funds are reduced by £171.2 million (31 December 2021: £181.6 million; 30 June 2022: £187.6 million) in this respect. The EBT is periodically funded by the Company for these purposes.

## 19) Related party transactions

Related parties of the Group include key management personnel, close family members of key management personnel, subsidiaries, associates, joint ventures, Ashmore funds, the EBT and the Ashmore Foundation.

### Key management personnel

The compensation paid to or payable to key management personnel is shown below:

| | **6 months to 31 December 2022 £m** | 6 months to 31 December 2021 £m | 12 months to 30 June 2022 £m |
|---|---|---|---|
| Short-term benefits | **0.3** | 0.3 | 0.8 |
| Defined contribution pension costs | **–** | – | – |
| Share-based payment benefits | **0.3** | 0.8 | 0.2 |
| | **0.6** | 1.1 | 1.0 |

Short-term benefits include salary and fees, benefits and cash bonus. Share-based payment benefits represent the cost of equity-settled awards charged to the interim condensed consolidated statement of comprehensive income.

Aggregate key management personnel interests in consolidated funds at 31 December 2022 were £49.2 million (31 December 2021: £96.5 million; 30 June 2022: £62.7 million). During the period, there were no other transactions entered into with key management personnel (H1 2021/22 and FY2021/22: none).

### Transactions with Ashmore funds

During the period, the Group received £36.1 million of gross management fees and performance fees (H1 2021/22: £55.8 million; FY2021/22: £96.2 million) from the 101 funds (H1 2021/22: 101 funds; FY2021/22: 99 funds) it manages and which are classified as related parties. As at 31 December 2022, the Group had receivables due from funds of £6.2 million (31 December 2021: £7.2 million; 30 June 2022: £5.8 million) that are classified as related parties.

### Transactions with the EBT

The EBT has been provided with a loan facility to allow it to acquire Ashmore shares in order to satisfy outstanding unvested share awards. The EBT is included within the results of the Group. As at 31 December 2022, the loan outstanding was £164.4 million (31 December 2021: £169.9 million; 30 June 2022: £163.7 million).

### Transactions with the Ashmore Foundation

The Ashmore Foundation is a related party to the Group. The Foundation was set up to provide financial grants to worthwhile causes within the Emerging Markets countries in which Ashmore invests and/or operates with a view to giving back into the countries and communities. The Group made donations of £0.3 million to the Foundation during the period to 31 December 2022 (H1 2021/22: £0.5 million; FY2021/22: £0.6 million).

## 20) Commitments

### Undrawn investment commitments

| | **As at 31 December 2022 £m** | As at 31 December 2021 £m | As at 30 June 2022 £m |
|---|---|---|---|
| Ashmore Andean Fund II, LP | **0.1** | 0.1 | 0.1 |
| Ashmore Avenida Colombia Real Estate Fund I (Cayman) LP | **0.1** | 0.1 | 0.1 |
| Ashmore I – CAF Colombian Infrastructure Senior Debt Fund | **6.3** | 6.5 | 6.6 |
| Ashmore KCH HealthCare Fund II | **0.4** | 1.8 | 1.2 |
| Ashmore KCH HealthCare LLC | **4.4** | – | 4.4 |
| Total undrawn investment commitments | **11.3** | 8.5 | 12.4 |

## 21) Post-balance sheet events

There are no post-balance sheet events that require adjustment or disclosure in these interim condensed consolidated financial statements.

## 22) Accounting estimates and judgements

In preparing these interim condensed consolidated financial statements the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were substantially the same as those that applied to the Annual Report and Accounts for the year ended 30 June 2022.

## Cautionary statement regarding forward looking statements

It is possible that this document could or may contain forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning.

Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward looking statements. There are several factors that could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. The Group undertakes no obligation to revise or update any forward looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

# RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

the interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and that this interim report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the interim condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first
six months of the current financial year and that have materially affected the financial position or performance of the entity during that period and any changes in the related party transactions described in the last Annual Report that could do so.

By order of the Board

**Mark Coombs**
Chief Executive Officer

7 February 2023

## Conclusion

We have been engaged by the Company to review the interim condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2022, which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 31 December 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA).

## Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity (ISRE (UK) 2410) issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA. As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK**.**

In preparing the interim condensed set of financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusions, including our conclusion relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

## The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

**Jatin Patel**
**for and on behalf of KPMG LLP**
*Chartered Accountants*
15 Canada Square
London
E14 5GL

7 February 2023

Ashmore discloses alternative performance measures (APMs) to assist shareholders' understanding of the Group's operational performance during the accounting period and to allow consistent comparisons with prior periods.

The calculation of APMs is consistent with the financial year ending 30 June 2022. Historical disclosures relating to APMs, including explanations and reconciliations, can be found in the respective interim financial reports and Annual Reports and Accounts.

## Net revenue

As shown in the interim condensed consolidated statement of comprehensive income (CSCI), net revenue is total revenue less distribution costs and including foreign exchange. This provides a comprehensive view of the revenues recognised by the Group in the period.

| | Reference | **H1 2022/23 £m** | H1 2021/22 £m |
|---|---|---|---|
| Total revenue | CSCI | **104.1** | 137.5 |
| Less: | | | |
| Distribution costs | CSCI | **(1.1)** | (2.0) |
| Add: | | | |
| Foreign exchange | CSCI | **7.3** | 3.0 |
| Net revenue | | **110.3** | 138.5 |

## Net management fees

The principal component of the Group's revenues is management fees, net of associated distribution costs, earned on assets under management.

| | Reference | **H1 2022/23 £m** | H1 2021/22 £m |
|---|---|---|---|
| Management fees | CSCI | **99.1** | 133.0 |
| Less: | | | |
| Distribution costs | CSCI | **(1.1)** | (2.0) |
| Net management fees | | **98.0** | 131.0 |

## Net management fee margin

The net management fee margin is defined as the ratio of annualised management fees less distribution costs to average assets under management for the period, in US dollars since it is the primary currency in which fees are received and matches the Group's AuM disclosures. The average AuM excludes assets where fees are not recognised in revenues, for example AuM related to associates and joint ventures. The margin is a principal measure of the firm's revenue generating capability and is a commonly used industry performance measure.

| | **H1 2022/23** | H1 2021/22 |
|---|---|---|
| Net management fee income (US$m) | **114.9** | 178.2 |
| Average assets under management (US$bn) | **58.3** | 91.2 |
| Net management fee margin (bps) | **40** | 39 |

## Variable compensation ratio

The variable compensation (VC) ratio is defined as the charge for VC as a proportion of earnings before variable compensation, interest and tax (EBVCIT). The linking of variable annual pay awards to the Group's profitability is one of the principal methods by which the Group controls its operating costs. The charge for VC is a component of personnel expenses and comprises share-based payments and performance-related cash bonuses, and is accrued in the interim accounts at 22.5% of EBVCIT (H1 2021/22: 20.0%).

EBVCIT is operating profit excluding the charge for VC, charitable donations and seed capital-related items. The latter comprises gains/losses on investment securities, change in third-party interests in consolidated funds, and other expenses in respect of consolidated funds.

| | Reference | **H1 2022/23 £m** | H1 2021/22 £m |
|---|---|---|---|
| Operating profit | CSCI | **38.7** | 117.9 |
| Less: | | | |
| Seed capital-related items | CSCI, note 15 | **24.8** | (27.3) |
| Add: | | | |
| Variable remuneration | n/a | **18.5** | 22.8 |
| Charitable donations | n/a | **0.3** | 0.5 |
| EBVCIT | | **82.3** | 113.9 |

## EBITDA

Earnings before interest, tax, depreciation and amortisation (EBITDA) provides a view of the operating performance of the business before certain non-cash items, financing income and charges, and taxation.

| | Reference | **H1 2022/23 £m** | H1 2021/22 £m |
|---|---|---|---|
| Operating profit | CSCI | **38.7** | 117.9 |
| Add: | | | |
| Depreciation & amortisation | n/a | **1.7** | 1.6 |
| EBITDA | | **40.4** | 119.5 |

## Adjusted net revenue, adjusted operating costs and adjusted EBITDA

Adjusted figures exclude items relating to foreign exchange translation and seed capital. This provides an alternative view of performance, excluding the volatility associated with those items, which is used by management to assess the Group's operating performance.

| | Reference | **H1 2022/23 £m** | H1 2021/22 £m |
|---|---|---|---|
| Net revenue | CSCI | **110.3** | 138.5 |
| Less: | | | |
| Foreign exchange translation | Note 7 | **(2.6)** | (0.3) |
| Adjusted net revenue | | **107.7** | 138.2 |

| | Reference | **H1 2022/23 £m** | H1 2021/22 £m |
|---|---|---|---|
| Personnel expenses | CSCI | **(34.1)** | (36.5) |
| Other expenses | CSCI | **(13.3)** | (12.1) |
| Less: | | | |
| Other expenses in consolidated funds | Note 15 | **0.6** | 0.7 |
| Add: | | | |
| VC % on foreign exchange translation | Note 7 | **0.6** | 0.1 |
| Adjusted operating costs | | **(46.2)** | (47.8) |

| | Reference | **H1 2022/23 £m** | H1 2021/22 £m |
|---|---|---|---|
| EBITDA | | **40.4** | 119.5 |
| Less: | | | |
| Foreign exchange translation | Note 7 | **(2.6)** | (0.3) |
| VC % on foreign exchange translation | Note 7 | **0.6** | 0.1 |
| Seed capital-related items | CSCI, note 15 | **24.8** | (27.3) |
| Adjusted EBITDA | | **63.2** | 92.0 |

## Adjusted EBITDA margin

The ratio of adjusted EBITDA to adjusted net revenue. This is an appropriate measure of the Group's operational efficiency and its ability to generate returns for shareholders.

### Adjusted diluted EPS

Diluted earnings per share excluding items relating to foreign exchange translation and seed capital, as described above, and the related tax impact.

| | Reference | H1 2022/23 pence | H1 2021/22 pence |
|---|---|---|---|
| Diluted EPS | CSCI | **6.1** | 13.3 |
| Less: | | | |
| Foreign exchange translation | Note 7 | **(0.3)** | – |
| Tax on foreign exchange translation | | **0.1** | – |
| Seed capital-related items | CSCI, note 7, note 15 | **2.3** | (3.6) |
| Tax on seed capital-related items | n/a | **(0.4)** | 0.7 |
| Adjusted diluted EPS | | **7.8** | 10.4 |

### Conversion of operating profits to cash

This compares cash generated from operations, excluding consolidated funds, to adjusted EBITDA, and is a measure of the effectiveness of the Group's operations in converting profits to cash flows for shareholders. Excluding consolidated funds also ensures consistency between the cash flow and adjusted EBITDA.

| | Reference | H1 2022/23 £m | H1 2021/22 £m |
|---|---|---|---|
| Cash generated from operations | Consolidated cash flow statement | **45.7** | 82.8 |
| Less: | | | |
| Cash flows relating to consolidated funds | Note 15 | **0.5** | 2.0 |
| Operating cash flow | | **46.2** | 84.8 |
| Adjusted EBITDA | | **63.2** | 92.0 |
| Conversion of operating profits to cash | | **73%** | 92% |

### Capital resources

Ashmore has calculated its capital resources in a manner consistent with the Investment Firms Prudential Regime (IFPR). Note that goodwill and intangible assets include associated deferred tax liabilities and deferred acquisition costs, and foreseeable dividends relate to the declared interim dividend of 4.8 pence per share. Other adjustments include the Group's cash flow hedging reserve.

| | Reference | 31 December 2022 £m | 30 June 2022 £m |
|---|---|---|---|
| Total equity | Balance sheet | **898.7** | 945.0 |
| Less deductions: | | | |
| Unaudited profits | CSCI | **(44.3)** | – |
| Goodwill and intangible assets | n/a | **(84.8)** | (84.4) |
| Deferred tax assets | Balance sheet | **(29.6)** | (32.7) |
| Foreseeable dividends | Note 11 | **(33.7)** | (84.7) |
| Investments in financial sector entities | n/a | **(5.0)** | (4.9) |
| Other adjustments | Consolidated statement of changes in equity | **2.8** | 4.9 |
| Capital resources | | **704.1** | 743.2 |

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