MEETING THE CHALLENGE WITH CONTINUED FOCUS

Ashmore

Interim Report 2020/21

Contents

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www.ashmoregroup.com

Unaudited interim results for the six months to 31 December 2020

Highlights

Assets under management (AuM) at 31 December 2020

US$93.0bn

30 June 2020: US$83.6bn

AuM outperforming benchmarks over

One year	Three years	Five years
50%	39%	91%
30 June 2020: 9%	17%	74%

Net management fees

£138.9m

H1 2019/20: £168.3m

Adjusted EBITDA

£107.2m

H1 2019/20: £122.5m

Adjusted EBITDA margin

68%

H1 2019/20: 69%

Profit before tax

£150.6m

H1 2019/20: £132.4m

Diluted earnings per share

18.2p

H1 2019/20: 15.8p

Interim dividend per share

4.80p

To be paid on 30 March 2021
H1 2019/20: 4.80p

Non-GAAP alternative performance measures (APMs) are defined and explained on page 11.

Ashmore delivered strong AuM growth of +11% over the six months, primarily through investment performance as would be expected at this relatively early stage in a recovery cycle and following the severe drop in markets earlier in 2020. The backdrop of rising asset values and Ashmore's substantial alpha generation over the six months meant that profit before tax increased by 14%, driven by significant mark-to-market gains on the Group's seed capital investments.

Ashmore's operating performance reflects 6% lower average AuM compared with the prior year period, and consequently adjusted net revenue declined by 12% and adjusted EBIDTA was 12% lower. The efficiency of the Group's operating platform and the ongoing focus on cost control means that the adjusted EBITDA margin was maintained at 68%.

Diluted EPS increased by 15%, while on an adjusted basis, excluding the effects of foreign exchange translation and seed capital items, diluted EPS fell by 13% to 12.8 pence. Recognising the strength of Ashmore's business model and the performance over the period, the Board has maintained the interim dividend per share of 4.80 pence.

Summary non-GAAP financial performance

The table below reclassifies items relating to seed capital and the translation of non-Sterling balance sheet positions to aid comprehension of the Group's operating performance. The exclusion of these items also provides a more meaningful comparison with the prior period. For the purposes of presenting 'Adjusted' profits, personnel expenses have been adjusted for the variable compensation on foreign exchange translation gains and losses.

Non-GAAP alternative performance measures (APMs) are defined and explained on page 11.

£m	H1 2020/21 Statutory	Reclassification of: Seed capital-related items	Reclassification of: Foreign exchange translation	H1 2020/21 Adjusted	H1 2019/20 Adjusted
Net management fees	**138.9**	–	–	**138.9**	168.3
Performance fees	**7.7**	–	–	**7.7**	3.4
Other revenue	**1.5**	–	–	**1.5**	2.5
Foreign exchange	**2.6**	–	6.1	**8.7**	3.1
Net revenue	**150.7**	–	6.1	**156.8**	177.3
Investment securities	**55.9**	(55.9)	–	**–**	–
Third-party interests	**(25.7)**	25.7	–	**–**	–
Personnel expenses	**(38.8)**	–	(1.2)	**(40.0)**	(43.8)
Other expenses excluding depreciation and amortisation	**(10.4)**	0.8	–	**(9.6)**	(11.0)
EBITDA	**131.7**	(29.4)	4.9	**107.2**	122.5
EBITDA margin	***87%***	–	–	***68%***	*69%*
Depreciation and amortisation	**(1.6)**	–	–	**(1.6)**	(1.7)
Operating profit	**130.1**	(29.4)	4.9	**105.6**	120.8
Net finance income/(expense)	**20.4**	(19.9)	–	**0.5**	3.7
Associates and joint ventures	**0.1**	–	–	**0.1**	(0.1)
Adjusted profit before tax	**150.6**	(49.3)	4.9	**106.2**	124.4
Foreign exchange translation	**–**	–	(4.9)	**(4.9)**	(0.4)
Seed capital-related items	**–**	49.3	–	**49.3**	8.4
Profit before tax	**150.6**	–	–	**150.6**	132.4

Investment themes

External debt	Local currency	Corporate debt	Blended debt
Invests in debt instruments issued by sovereigns and quasi-sovereigns and denominated in foreign currencies.	Invests in local currencies and local currency-denominated instruments issued by sovereigns, quasi-sovereigns and companies.	Invests in debt instruments issued by public and private sector companies.	Asset allocation across the external debt, local currency and corporate debt investment themes, measured against tailor-made blended indices.
Equities	**Alternatives**	**Multi-asset**	**Overlay/liquidity**
Invests in equity and equity-related instruments including global, regional, country, small cap and frontier opportunities.	Invests in private equity, healthcare, infrastructure, special situations, distressed debt and real estate opportunities.	Asset allocation across the full debt and equity investment universe.	Manages liquidity and/or currency risk of an underlying asset class.

Ashmore's eight headline investment themes provide access to the broad range of investable and scalable investment opportunities available across the diverse Emerging Markets universe. Three factors will drive longer-term growth in the Group's AuM. First, the Emerging Markets will continue to develop and evolve, with broader, deeper and more accessible capital markets contributing to the range and scale of investment opportunities; second, investor allocations to Emerging Markets will increase from very underweight levels currently; and third, Ashmore will continue to innovate in order to provide access to new Emerging Markets investment strategies.

Market review

Emerging Markets asset prices appreciated strongly over the past six months, continuing the recovery from the initial COVID-19 crisis in the first quarter of 2020. This was driven by a sharp bounce in economic activity in Q3, continued loose monetary policy by central banks in the main Developed and Emerging Markets, and the market reaction to the US election result. Notwithstanding the strong performance of markets recently, the absolute and relative valuations available across the Emerging Markets remain highly attractive and provide for further performance.

Developed nations' policy responses to COVID-19, including debt-funded fiscal expansion and a return to unconventional monetary policy, will have consequences including lower interest rates for a longer period of time and constraints on economic growth brought about by increased public debt. In the short term, the US dollar has weakened significantly because of the deterioration in the US current account and fiscal deficits and the continued weak productivity trend.

In aggregate, the emerging world is in a stronger position with respect to economic growth, but across more than 70 countries there will be a range of social, political and economic factors that determine the impact of and response to the COVID-19 pandemic. For example, parts of Asia were first to experience and to address the virus impact and are leading the economic recovery, whereas Latin America was later in the cycle but increasingly effective policy support underpins its recovery.

There is a large set of countries that is well-represented across the Emerging Markets and that fund themselves in their own currency rather than rely on external creditors, and these countries have significant policy flexibility to deal with the worldwide growth shock and the domestic impact of the virus. In contrast, externally funded countries will continue to rely heavily on their creditors as they have fewer policy options available to confront the twin growth and virus challenges. Against this broad backdrop, the task for an active manager is to make investment decisions based on valuations and not simply to categorise countries as 'good' or 'bad'.

Subject to the evolution of the COVID-19 pandemic, the overall picture therefore supports continued superior growth by emerging countries and attractive valuations provide a strong incentive for investors to continue allocating away from Developed Markets and to the higher growth and higher return Emerging Markets.

External debt

The external debt asset class has attractive characteristics that support its long-term outperformance versus Developed Markets, particularly given the backdrop of increasingly low US interest rates. The EMBI GD index is highly diversified and comprises 74 countries, with 54% of bonds rated investment grade, and offers a spread over US Treasury bonds of 350 basis points, an attractive level when compared with less than 300 basis points a year ago and the historical low of below 200 basis points.

Over the six months to 31 December 2020, the index returned +8.2% with high yield (HY) bonds outperforming investment grade (IG) assets (+11.5% compared with +5.6%, respectively). Ashmore's broad external debt composite outperformed by 450 basis points over this period with a return of +12.7%.

Investment performance over three years has benefited from the substantial returns delivered since April 2020, but also reflects the underperformance in the early part of 2020. The broad external debt composite has delivered +3.4% on a gross annualised basis compared with +5.1% for the benchmark index.

In addition to the attractive spreads available in external debt, the technical backdrop is likely to be supportive over the next 12 months with close to zero net issuance expected in the US IG market, which should encourage cross-over investors to add exposure to Emerging Markets bonds where further growth in markets, including IG bonds, will provide investment opportunities. Furthermore, there is approximately US$15 trillion of developed world bonds trading with negative nominal yields, representing 35% of the JP Morgan GBI-DM index. When considered in real terms, this figure rises to US$37 trillion (89% of the index), therefore providing a strong incentive for investors to allocate to Emerging Markets to capture the attractive valuations and returns available.

Local currency

Local currency bonds represent more than 80% of outstanding debt issuance in emerging countries, or US$24.1 trillion in total, of which US$11.6 trillion has been issued by governments and therefore is approximately eight times the size of the sovereign external debt market. Therefore this is a significant asset class, whose growth is underpinned by the ongoing development of domestic capital markets and the structural trend for countries to transition from external funding to local financing.

Over the past six months, the GBI-EM GD index returned +10.3%, making it the best-performing of the main Emerging Markets fixed income asset classes. Around one-third of the performance was from rates with the remainder delivered by currency appreciation against the US dollar. Ashmore delivered 300 basis points of outperformance over the six months, with a +13.3% return in its local currency bonds composite.

An important development in the period was the completion of China's inclusion in the benchmark GBI-EM GD index, at the maximum weight of 10% and representing approximately US$200 billion of market. This increases the diversity of the index and provides a tangible opportunity for foreign investors to gain exposure to the large, growing and attractively valued Chinese local government bond market.

Ashmore's local currency bonds composite has outperformed over the past three years with a gross annualised return of +3.2% compared with the benchmark return of +3.0%.

Three factors underpin the near-term return potential in this asset class:

- with low inflation across the major emerging economies, the local currency bond index offers a real yield of over 2%, which compares favourably with the -1.5% real yield for US inflation-linked government bonds of similar duration;
- the structural challenges facing the US economy mean the US dollar should continue to weaken, therefore benefiting local currency returns in bonds and equities; and
- steep local yield curves mean that term yields can fall as the Emerging Markets risk premium declines through improving economic performance, currency strength and the easing of local financial conditions.

Corporate debt

Over the six-month period, the benchmark CEMBI BD index performed well and returned +7.3%. As was the case with external debt, HY bonds outperformed IG bonds with returns of +10.0% and +5.4%, respectively. Ashmore's broad corporate debt composite outperformed, with a return of +12.8% over the period.

Also similar to external debt, the three-year performance track record has been affected by the weaker performance earlier in 2020. The broad corporate debt composite has returned +5.7% on a gross annualised basis over three years compared with +6.0% for the benchmark index.

While default rates have increased as a consequence of the COVID-19 crisis, to 5.0% at the end of 2020, structural factors such as diversification (58 countries) and asset quality (58% by value of the index is IG-rated) mean that the asset class is more favourably positioned than the US HY market, where the default rate is currently 9.5%. As the economic recovery takes hold, and corporate earnings improve (in both local currency and US dollar terms), together with the support of an increase in commodity prices, the outlook for Emerging Markets corporate debt returns is positive.

Blended debt

The standard blended debt benchmark (50% EMBI GD, 25% GBI-EM GD and 25% ELMI+ indices) returned +8.6% over the six months. Ashmore's broad blended debt composite delivered +14.1% over the six months and outperformed its benchmark by 550 basis points.

An allocation to blended debt offers investors a logical starting point to obtain exposure to a wide range of Emerging Markets fixed income asset classes, or alternatively allows the more experienced Emerging Markets investor to define a bespoke benchmark. Ashmore offers blended debt products in broad, investment grade and dedicated ESG funds. The portfolios are managed actively and investment processes can exploit the significant (more than 450 bps) average difference in annual gross returns between the best and worst performing underlying fixed income asset classes.

Over the past three years, Ashmore's blended debt strategy has returned +3.2% on a gross annualised basis versus +3.6% for its benchmark index.

Equities

Emerging Markets equities delivered very strong investment returns over the six months, with the MSCI EM index rising by +31.1% and significantly outperforming developed world indices such as the S&P 500 (+21.2%). Ashmore's Active and All Cap strategies delivered strong outperformance over the six months, with absolute returns of +33.6% and +39.2%, respectively. The specialist Small Cap strategy also outperformed, with an absolute return of +43.5% compared with +36.7% for the MSCI Small Cap benchmark.

This performance reflects the twin tailwinds of the start of an economic recovery, particularly in parts of Asia that encountered the COVID-19 virus early, and stronger local currencies against the US dollar.

An expectation of capital flows to emerging countries supports the outlook for equities. This creates a virtuous cycle in financially constrained economies, by delivering currency appreciation, economic expansion, corporate earnings growth and asset price appreciation.

Furthermore, the MSCI EM currently trades at a substantial long-term price/earnings discount to the S&P 500 index of approximately 60%. Hence, both earnings expansion, with consensus expectations for around 30% year-on-year growth in 2021, and the potential for a relative re-rating versus developed world equity markets, underpin the potential absolute and relative performance of Emerging Markets equities.

Ashmore continues to deliver strong performance in its global equity strategies. For example, on a gross annualised basis over three years, the Active strategy has returned +8.6% and the All Cap strategy has delivered +13.3%, compared with +6.2% for the MSCI EM benchmark index, and the Small Cap strategy has returned +10.3% compared with +2.7% for the MSCI Small Cap benchmark index.

Market outlook

The end of 2020 and the start of 2021 has seen further waves of COVID-19 impact countries around the world. However, progress has been made in developing and deploying vaccines, such that expectations of progress towards more normal levels of mobility and economic activity in 2021 remain intact. Compared with developed countries, the emerging nations experienced a shallower recession in 2020 and are forecast to rebound at a faster pace in 2021; for example the IMF predicts Emerging Markets will report a 3.3% fall in GDP in 2020 followed by 6.0% expansion in 2021, compared with a 5.8% decline and a 3.9% recovery for Developed Markets. The main risk to this forecast is a different path for COVID-19, but this is a worldwide pandemic and so that risk will be faced by both emerging and developed countries.

The global macro outlook is underpinned by continued expansionary fiscal and monetary policies by developed countries. However, this will also result in record debt/GDP levels in those countries, which undermine longer-term growth. In the case of the US, the fiscal deficit and current account deficit together represent 18% of GDP, another record level, and one that points to further currency weakness.

This backdrop therefore favours Emerging Markets, since a weaker US dollar will cause capital to flow from the US economy in search of higher returns elsewhere. The highly attractive spreads, real yields and equity valuations available across a broad range of Emerging Markets will attract flows, which in turn drives economic growth and currency appreciation, and leads to further capital inflows. Indeed, after the market volatility of 2020, the prevailing valuation differentials between Emerging Markets and Developed Markets suggest meaningful outperformance by the former over the medium term, which should cause investors to continue raising allocations to those parts of the world that offer higher growth and higher yields.

Business and strategic developments

Ashmore's distinctive culture, strong and liquid balance sheet, and ongoing focus on cost control mean that its business model has managed the operational impact of the COVID-19 pandemic effectively, even though for some offices the remote-working environment has persisted.

Employees in several of the Group's businesses have begun to return to their offices as local guidance allows, notably in Colombia, Japan, Saudi Arabia, Singapore and the United Arab Emirates. However, government guidance in Indonesia, Ireland, the United Kingdom and the United States means that employees in those countries continue to work remotely, supported by Ashmore's robust operating infrastructure. Ashmore's culture is centred on teams collaborating in offices, but the transition back to this way of working will be made only when it is safe and appropriate to do so, and in accordance with local government advice for each office.

Notwithstanding the challenges and opportunities presented by a market cycle, Ashmore has continued to make progress against its strategic objectives, in particular through diversifying the firm's investment capabilities and by growing the scale of its local asset management platforms.

Diversifying investment themes

Ashmore's strategy is to develop a broad-based Emerging Markets franchise that is not reliant on any single investment theme, client type or geography. Diversification continued in this period, as illustrated by the momentum in the equities business, clients recognising the attractions of investment grade bonds, and the development of dedicated ESG investment track records in equities and fixed income.

Equities

Equities AuM increased 41% over the six months through net inflows of +US$0.3 billion and investment performance of +US$1.6 billion. The All Cap strategy achieved the important three-year investment track record milestone at the end of the period, with gross annualised returns of +13.3% compared with +6.2% for the MSCI EM benchmark. This means Ashmore now has a broad set of global Emerging Markets equities products, including Active, All Cap and Small Cap strategies, with strong investment track records to complement its regional, thematic and single-country funds and, after six consecutive quarters of net inflows to the equities theme, this augurs well for further capital raising.

Investment grade credit

Over time, increasing numbers of Emerging Markets countries and companies have achieved investment grade status such that IG-rated bonds now account for more than half of the external debt and corporate debt indices (54% and 59%, respectively). While economic cycles will inevitably cause some volatility in ratings, the long-term trend is for more IG issuance in Emerging Markets. In addition to the increasing scale of the investment opportunity, investor demand is also rising, as institutions recognise the attractive characteristics of the IG asset class, such as lower volatility during periods of risk aversion, stronger macroeconomic fundamentals, higher yields than developed world bonds, increasing diversification, no defaults, and good risk-adjusted returns.

Ashmore's fixed income products include investment grade strategies in all four investment themes (external debt, local currency, corporate debt and blended debt), and the Group manages IG portfolios in both mutual fund and segregated account structures. Over the past six months, there has been meaningful demand, from both existing and new clients, for investment grade strategies and Ashmore's strong investment performance in its IG products underpins the potential for further capital raising.

Sustainability

Ashmore has developed a comprehensive approach to sustainability, both as a listed asset management group and through its investing activities in emerging countries.

From an investment management perspective, it is expected that client demand will fall into two broad areas. First, those clients that want dedicated ESG products and may be willing to sacrifice financial returns in order to ensure that portfolios adhere to prescribed minimum criteria for E, S and G factors; and second, those clients that want broader portfolios but with investment performance that is delivered with a purpose. It is currently the view that client demand is likely to be biased towards the latter approach, however Ashmore has ESG factors embedded in its equity, fixed income and certain alternatives investment processes and so is well positioned to cater to both views.

Ashmore has four dedicated ESG funds in the external debt, corporate debt, blended debt and equity themes. While investment track records are still developing, the funds have delivered positive returns and outperformance since inception.

In support of its sustainability activities, Ashmore is a signatory to initiatives such as the UNPRI and the UN Global Compact.

Finally, Ashmore's charitable foundation provides a third pillar to the Group's sustainability approach alongside the listed company and investment management activities. This integrated approach delivers practical benefits, such as the grants made by the Foundation both to offset the Group's operational carbon emissions and to deliver positive outcomes for society.

Mobilising Emerging Markets capital

Ashmore's network of local asset management businesses is growing strongly, with AuM increasing by 39% over the six-month period and 19% over the past 12 months to US$6.9 billion, or 7% of Group AuM. There was particularly strong growth in India and Indonesia, with the latter now managing close to US$3 billion and growing 20% in the year following its listing in January 2020. As the franchises grow AuM on scalable operating platforms, operating margins are increasing and trending towards the Group's level.

The contribution of the local businesses to the Group's growth and profitability should continue to increase over the longer term as each of the local management teams delivers on its strategic objectives and participates in the development of the independent asset management industry in its domestic market. This aspect of the Group's strategy also increases diversification, providing Ashmore with independent investment processes, uncorrelated investment returns and different product structures and client bases.

AuM development

As at 31 December 2020, assets under management were US$93.0 billion, an increase of US$9.4 billion or 11% during the six months. Investment performance was the principal driver of the increase, contributing US$10.8 billion and more than offsetting the US$1.4 billion of net outflows in the period. This pattern of growth, with market and relative investment performance driving AuM, is typical for the initial recovery period immediately following a fall in markets such as that experienced in early 2020. Indeed a similar growth profile was seen in 2016 (following the 2013-2015 Emerging Markets cycle) and 2009 (after the immediate market impact of the financial crisis).

Average AuM of US$87.7 billion was 6% lower than in the same period in the prior year (H1 2019/20: US$93.3 billion).

Gross subscriptions of US$7.5 billion represent 9% of opening AuM (H1 2019/20: US$14.9 billion, 16% of opening AuM), lower than in the prior year period as activity levels reduced following the initial impact of the COVID-19 pandemic on markets. Client demand was diversified across investment themes and there was a mix of new and existing client flows. New mandates in the equities, external debt and blended debt themes represent approximately 15% of institutional gross subscriptions, and illustrate that the Group's distribution model has continued to operate successfully in the remote-working environment that persists in many locations. Flows into existing large institutional mandates were notable in the overlay / liquidity, external debt, corporate debt and blended debt themes, and there was meaningful demand for investment grade strategies in the external debt theme.

Gross redemptions of US$8.9 billion, or 11% of opening AuM, were similar in quantum to the prior year period (H1 2019/20: US$9.2 billion, 10% of opening AuM). The mix of redemptions by client type was also consistent, with intermediary retail clients, that typically exhibit higher churn rates through market cycles, accounting for 36% of the gross redemptions (H1 2019/20: 40%) while representing 9% of the Group's AuM as at 31 December 2020. The redemptions reflect asset allocation decisions, particularly by institutions in the blended debt theme and intermediaries in the local currency theme, as well as continued outflows from mutual funds in the local currency and corporate debt themes.

Included in the gross redemptions figure is approximately US$0.2 billion that was returned to investors following successful realisations in the alternatives theme.

On a net basis, flows for the period comprise a net inflow from institutional clients of £0.6 billion and net redemptions by intermediary retail clients of £2.0 billion.

As described in the Financial review below, the mix of gross and net flows in the period by reference to client type, mandate size and investment strategy, had an overall dilutive impact on the Group's average net management fee margin.

The Group's client base continues to be predominantly institutional, with 91% of AuM from such clients (30 June 2020: 89%) and the remainder sourced through intermediary retail channels. Segregated accounts represent 76% of AuM (30 June 2020: 75%) and, consistent with the third phase of the Group's strategy, 26% of the Group's AuM has been sourced from clients domiciled in Emerging Markets (30 June 2020: 26%).

Ashmore's principal mutual fund platforms are in Europe and the US, and total AuM across the two platforms was flat in the period with market performance offsetting net outflows. The European SICAV range comprises 28 funds with AuM of US$12.1 billion (30 June 2020: US$12.1 billion in 30 funds) and the US 40-Act range has 11 funds with AuM of US$2.3 billion (30 June 2020: US$2.4 billion in 10 funds).

The Group's investments are geographically diverse and broadly consistent with recent periods, with 38% of AuM invested in Latin America, 24% in Asia Pacific, 21% in Eastern Europe and 17% in the Middle East and Africa.

Investment performance

As at 31 December 2020, 50% of AuM is outperforming over one year, 39% over three years and 91% over five years (30 June 2020: 9%, 17% and 74%, respectively). The consistent implementation of the active investment processes through the cycle has delivered strong outperformance in the initial recovery period immediately following the severe market environment of early 2020, with 97% of AuM outperforming benchmarks over the six months to 31 December 2020.

The strength of the recovery thus far is illustrated by the absolute and relative performance of a broad range of Ashmore investment composites over the past nine months, such as broad external debt (+30.6% absolute, +9.1% outperformance), local currency bonds (+25.8% absolute, +4.7% outperformance), broad corporate debt (+29.3% absolute, +10.1% outperformance), blended debt (+31.2% absolute, +12.4% outperformance), EM All Cap equities (+77.4% absolute, +22.5% outperformance) and EM Small Cap equities (+102.7% absolute, +28.9% outperformance).

Current valuation levels support the potential for further market recovery, and provide a firm basis for Ashmore to continue to deliver absolute and relative performance for clients.

AuM movements by investment theme as classified by mandate

The development during the period of AuM by theme as classified by mandate is shown in the following table.

Investment theme	AuM 30 June 2020 US$bn	Gross subscriptions US$bn	Gross redemptions US$bn	Net flows US$bn	Performance US$bn	**AuM 31 December 2020 US$bn**
External debt	17.1	1.3	(1.0)	0.3	1.9	**19.3**
Local currency	18.7	1.5	(2.2)	(0.7)	2.6	**20.6**
Corporate debt	10.6	1.0	(1.8)	(0.8)	1.8	**11.6**
Blended debt	23.3	1.2	(2.8)	(1.6)	3.0	**24.7**
Equities	4.6	0.8	(0.5)	0.3	1.6	**6.5**
Alternatives	1.4	0.1	(0.2)	(0.1)	–	**1.3**
Multi-asset	0.3	–	–	–	–	**0.3**
Overlay/liquidity	7.6	1.6	(0.4)	1.2	(0.1)	**8.7**
Total	**83.6**	**7.5**	**(8.9)**	**(1.4)**	**10.8**	**93.0**

Financial review

Revenues

Net revenue declined by 15% to £150.7 million as a result of lower average AuM and consequently reduced net management fees. On an adjusted basis, excluding foreign-exchange translation effects, net revenue fell by 12% to £156.8 million.

Net revenue

	H1 2020/21 £m	H1 2019/20 £m
Net management fees	**138.9**	168.3
Performance fees	**7.7**	3.4
Other revenues	**1.5**	2.5
FX: hedges	**8.7**	3.1
Adjusted net revenue	**156.8**	177.3
FX: balance sheet translation	**(6.1)**	(0.5)
Net revenue	**150.7**	176.8

Management fee income, net of distribution costs, declined by 17% to £138.9 million, reflecting 6% lower average AuM, a stronger GBP:USD rate compared with the prior year period, and a fall in the average net management fee margin from 46bps to 42bps. At constant H1 2019/20 exchange rates, net management fee income reduced by 14%.

The movement in the net management fee margin is attributable to the impact of net outflows from higher margin mutual funds in the local currency and corporate debt themes (-1.5 basis points); the effect of differences in the mix of AuM by investment theme (-1.0 basis point) including growth in overlay / liquidity AuM offset by growth in higher margin equities AuM; and the impact of net flows into large institutional mandates, by both new and existing clients (-1.0 basis point). The remaining year-on-year difference of 0.5 basis point is the result of other factors including product mix and competition.

Fee income and net management fee margin by investment theme

The table below summarises the net management fee income after distribution costs, performance fee income, and average net management fee margin by investment theme, determined by reference to weighted average assets under management excluding non-fee earning AuM and AuM for which the income is recognised elsewhere in the financial statements, for example associates and joint ventures.

	Net management fees		Performance fees		Net management fee margin	
Investment theme	**H1 2020/21 £m**	H1 2019/20 £m	**H1 2020/21 £m**	H1 2019/20 £m	**H1 2020/21 bps**	H1 2019/20 bps
External debt	**27.1**	31.8	**–**	2.4	**39**	41
Local currency	**26.5**	31.6	**–**	–	**36**	39
Corporate debt	**18.1**	29.9	**4.2**	0.1	**43**	52
Blended debt	**42.6**	49.1	**0.2**	0.9	**47**	49
Equities	**12.1**	12.4	**–**	–	**60**	68
Alternatives	**6.9**	7.6	**3.3**	–	**141**	134
Multi-asset	**1.2**	1.7	**–**	–	**113**	98
Overlay/liquidity	**4.4**	4.2	**–**	–	**15**	16
Total	**138.9**	168.3	**7.7**	3.4	**42**	46

The movements in investment theme net management fee margins are consistent with the trends for the Group overall. Notably, the impact of growth in both existing and new large mandates affected all fixed income themes and the equities theme; outflows from higher margin mutual funds were experienced in the local currency and corporate debt themes; and institutional demand for investment grade mandates has been experienced in the external debt and corporate debt themes.

Performance fees of £7.7 million (H1 2019/20: £3.4 million) were generated in the six months. These were the result of strong relative performance towards the end of the period enabling fees to be realised from the performance of several large institutional mandates, together with fees recognised on the successful realisation of assets in the alternatives theme. The proportion of the Group's AuM that is eligible to earn performance fees was unchanged at 31 December 2020 at 13%, of which a substantial proportion is subject to rebate agreements. 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 foreign exchange loss of £6.1 million (H1 2019/20: £0.5 million loss) reflecting a higher GBP:USD dollar rate at the period end. The Group's effective hedging programme and the timing of foreign currency cash flows during the period meant that realised and unrealised hedging gains of £8.7 million were generated (H1 2019/20: £3.1 million gain). Therefore, a total foreign exchange gain of £2.6 million was recognised in revenues (H1 2019/20: £2.6 million gain).

Other revenue fell slightly to £1.5 million (H1 2019/20: £2.5 million), with fewer transaction fees in the alternatives theme.

Operating costs

Total operating costs of £50.8 million (H1 2019/20: £57.5 million) include £0.8 million of expenses incurred by seeded funds that are required to be consolidated (H1 2019/20: £1.1 million), as disclosed in note 15. 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 9% compared with the prior year period. Adjusted operating costs also fell by 9% at constant H1 2019/20 exchange rates.

Operating costs

	H1 2020/21 £m	H1 2019/20 £m
Fixed staff costs	**(13.6)**	(13.6)
Other operating costs	**(9.6)**	(11.0)
Depreciation and amortisation	**(1.6)**	(1.7)
Operating costs before VC	**(24.8)**	(26.3)
Variable compensation (VC)	**(25.2)**	(30.1)
VC accrual on FX gains/losses	**(1.2)**	(0.1)
Adjusted operating costs	**(51.2)**	**(56.5)**
Consolidated funds costs	**(0.8)**	(1.1)
Add back VC on FX gains/losses	**1.2**	0.1
Total operating costs	**(50.8)**	**(57.5)**

The Group's headcount of 309 was broadly stable over the six months (30 June 2020: 306), and the average headcount of 308 was unchanged compared with the prior year period. Consequently, the Group's fixed staff costs of £13.6 million were also unchanged. Ashmore has not furloughed or made redundant any employees as a result of COVID-19 and nor has it voluntarily taken advantage of any government or other support schemes in any of the countries in which it operates.

Other operating costs, excluding consolidated fund expenses and depreciation and amortisation, fell by £1.4 million, or 13%, to £9.6 million. The reduction has been achieved primarily as a consequence of the COVID-19 restrictions imposed in many of the Group's operating locations, resulting in less travel and reduced office-related expenses as the majority of the Group's employees continue to work remotely.

As is usual at the half-year stage, variable compensation has been accrued at 20% of earnings before variable compensation, interest and tax, resulting in a charge of £25.2 million (H1 2019/20: £30.1 million).

The combined depreciation and amortisation charges for the period were consistent with the prior year period at £1.6 million.

Adjusted EBITDA

Adjusted EBITDA fell by 12% from £122.5 million to £107.2 million, consistent with the 12% decline in adjusted net revenue and resulting in an adjusted EBITDA margin of 68%.

Finance income

Net finance income of £20.4 million (H1 2019/20: £9.5 million) includes profits relating to seed capital investments, which are described in more detail below. Excluding such profits, net interest income for the period was £0.5 million (H1 2019/20: £3.7 million), reflecting lower prevailing market interest rates.

Profit before tax

Statutory profit before tax increased by 14% to £150.6 million (H1 2019/20: £132.4 million) as a consequence of the strong mark-to-market gains generated by the Group's seed capital programme.

Taxation

The majority of the Group's profit is subject to UK taxation. Of the total current tax charge for the six-month period of £18.7 million (H1 2018/20: £20.9 million), £7.9 million relates to UK corporation tax (H1 2019/20: £11.8 million).

The Group's effective tax rate for the six-month period is 14.7% (H1 2019/20: 13.7%), which is lower than the prevailing UK corporation tax rate of 19.0% (H1 2019/20: 19.0%). This reflects the impact of the Group's share price on the allowable value of share-based remuneration provided to employees, the impact of non-taxable unrealised seed capital gains and the geographic mix of the Group's profits in the period. Note 9 to the interim condensed financial statements provides a full reconciliation of this difference compared to 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 16% to 17%.

Earnings per share

Basic earnings per share for the period increased by 15% to 19.4 pence (H1 2019/20: 16.9 pence) and diluted earnings per share also increased by 15% from 15.8 pence to 18.2 pence, reflecting the higher gains delivered by seed capital investments.

On an adjusted basis, excluding the effects of foreign exchange translation, seed capital-related items and relevant tax, diluted earnings per share fell by 13% to 12.8 pence (H1 2019/20: 14.7 pence).

Balance sheet

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

As at 31 December 2020, total equity attributable to shareholders of the parent was £824.8 million (31 December 2019: £810.5 million, 30 June 2020: £856.4 million). Capital resources available to the Group totalled £727.3 million as at 31 December 2020, equivalent to 102 pence per share, and significantly exceeded the Group's Pillar II regulatory capital requirement of £147.3 million, equivalent to 17 pence per share. The Group has no debt.

Cash

Ashmore's business model continues to deliver a high conversion rate of operating profits to cash. Based on operating profit of £130.1 million for the period (H1 2019/20: £123.0 million), the Group generated £88.9 million of cash from operations (H1 2019/20: £113.5 million). The operating cash flows after excluding consolidated funds represent 83% of the adjusted EBITDA for the period of £107.2 million (H1 2019/20: 94%).

Cash and cash equivalents by currency

	31 December 2020 £m	30 June 2020 £m
Sterling	**73.8**	66.0
US dollar	**333.7**	391.1
Other	**41.2**	43.8
Total	**448.7**	500.9

It is normal for the Group's cash balance to decline in the first half of the financial year as the Group distributes the final ordinary dividend to shareholders and pays cash variable remuneration to employees, both of which relate to the prior financial year.

Seed capital investments

The Group's actively managed seed capital programme has delivered growth in third-party AuM with approximately US$9 billion of AuM in funds that have been seeded, representing 10% of total Group AuM.

During the six-month period, the Group made new investments of £68.0 million and realised £79.9 million from previous investments. The consequent net recycling of £11.9 million was more than offset by the strong investment return of £28.1 million, meaning that the market value of the Group's seed capital investments increased from £238.4 million as at 30 June 2020 to £254.6 million as at 31 December 2020.

Ashmore has also made seed capital commitments to funds of £10.1 million that were undrawn at the period end, giving a total committed value for the Group's seed capital programme of approximately £265 million.

As at 31 December 2020, the original cost of the Group's current seed capital investments was £208.8 million, representing 28% of Group net tangible equity. Approximately 75% 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.

Significant new investments were made firstly to support distribution efforts, both in Latin America and by adding scale to existing SICAV funds in the equities theme, and secondly into investment grade product in the corporate debt theme. Redemptions reflect decent client flows into equity funds and successful realisations and the subsequent return of capital by funds in the alternatives theme.

Seed capital market value by currency

	31 December 2020 £m	30 June 2020 £m
US dollar	**218.3**	213.7
Colombian peso	**14.5**	13.9
Other	**21.8**	10.8
Total market value	**254.6**	238.4

The table below summarises the principal IFRS line items to assist in the understanding of the financial impact of the Group's seed capital programme. The seed capital investments generated a total gain of £49.3 million in the period of which £3.3 million was realised (H1 2019/20: £8.4 million gain). This comprises a £30.9 million gain in respect of consolidated funds, including £1.5 million of finance income, and an £18.4 million gain in respect of unconsolidated funds that is reported in finance income.

Foreign exchange

The majority of the Group's fee income is 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, using either forward or option foreign exchange contracts. Ashmore's Foreign Exchange Management Committee determines the proportion of budgeted fee income to hedge or sell by regular reference to expected non-US dollar, and principally Sterling, cash requirements. 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.

Financial impact of seed capital investments

	H1 2020/21 £m	H1 2019/20 £m
Consolidated funds (note 15):		
Gains/(losses) on investment securities	**55.9**	4.2
Change in third-party interests in consolidated funds	**(25.7)**	(0.5)
Operating costs	**(0.8)**	(1.1)
Finance income	**1.5**	2.0
Sub-total: consolidated funds	**30.9**	4.6
Unconsolidated funds (note 7):		
Market return	**20.8**	0.6
Foreign exchange	**(2.4)**	3.2
Sub-total: unconsolidated funds	**18.4**	3.8
Total seed capital profit/(loss)	**49.3**	8.4
– realised	**3.3**	1.5
– unrealised	**46.0**	6.9

Goodwill and intangible assets

At 31 December 2020, goodwill and intangible assets on the Group's balance sheet totalled £81.4 million (30 June 2020: £89.7 million). The movement in the period is the result of an amortisation charge of £0.1 million (H1 2019/20: £0.1 million) and a foreign exchange revaluation loss in reserves of £8.2 million (H1 2019/20: £3.2 million loss).

Shares held by Employee Benefit Trust (EBT)

The Group's EBT purchases and holds shares in anticipation of the vesting of share awards. At 31 December 2020, the EBT owned 52,430,131 ordinary shares (30 June 2020: 56,477,466 ordinary shares), representing 7.4% of the Group's issued share capital (30 June 2020: 7.9%).

Dividend

The Board intends 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, the Board has maintained the interim dividend of 4.80 pence per share (H1 2019/20: 4.80 pence per share), which will be paid on 30 March 2021 to all shareholders on the register on 5 March 2021.

Mark Coombs
Chief Executive Officer

9 February 2021

Alternative performance measures

Ashmore discloses non-GAAP financial alternative performance measures (APMs) in order to assist shareholders' understanding of the operational performance of the Group during the accounting period and to make comparisons with prior periods.

The calculation of APMs is consistent with the prior year period and the financial year ending 30 June 2020 and unless otherwise stated reconciliations to statutory IFRS results are provided in the Chief Executive's report. Historical reconciliations of APMs to statutory IFRS results can be found in the respective interim financial reports and annual reports and accounts.

Net revenue

As shown on the face of the consolidated statement of comprehensive income, 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.

Net management fee margin

The net management fee margin is defined as the ratio of management fees less distribution costs to average assets under management for the period and is a commonly used industry performance measure.

Variable compensation ratio

The charge for employee variable compensation 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 variable compensation is a component of personnel expenses.

EBVCIT is defined as operating profit excluding the charge for variable compensation 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.

EBITDA

The standard definition of earnings before interest, tax, depreciation and amortisation is operating profit before depreciation and amortisation. It provides a view of the operating performance of the business before certain non-cash items, financing income and charges, and taxation.

Adjusted net revenue, adjusted operating costs and adjusted EBITDA

Adjusted figures exclude items relating to foreign exchange translation and seed capital. This provides a better understanding of the Group's operational performance excluding the mark-to-market volatility of foreign exchange translation and seed capital investments. These adjustments are merely reclassified within the adjusted profit and loss account, leaving statutory profit before tax unchanged.

Adjusted EBITDA margin

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

Conversion of operating profits to cash

This compares adjusted EBITDA to cash generated from operations excluding consolidated funds, and is a measure of the effectiveness of the Group's operations at converting profits to cash.

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 2020 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.

Ashmore established a subsidiary in Ireland in 2019 and therefore was well prepared for the end of the United Kingdom's transition period to leave the European Union on 31 December 2020. In the event that a financial services agreement is ultimately not reached between the two trading partners, then Ashmore Ireland provides the Group with the ability to continue to manage portfolios for EU-based clients.

Interim condensed consolidated statement of comprehensive income

For the six months ended 31 December 2020

	Notes	**Unaudited 6 months to 31 December 2020 £m**	Unaudited 6 months to 31 December 2019 £m	Audited 12 months to 30 June 2020 £m
Management fees		**142.0**	177.5	330.0
Performance fees		**7.7**	3.4	3.9
Other revenue		**1.5**	2.5	4.1
Total revenue	5	**151.2**	183.4	338.0
Distribution costs		**(3.1)**	(9.2)	(14.5)
Foreign exchange	6	**2.6**	2.6	7.0
Net revenue		**150.7**	176.8	330.5
Gains/(losses) on investment securities	15	**55.9**	4.2	(19.1)
Change in third-party interests in consolidated funds	15	**(25.7)**	(0.5)	7.5
Personnel expenses		**(38.8)**	(43.7)	(82.6)
Other expenses		**(12.0)**	(13.8)	(26.6)
Operating profit		**130.1**	123.0	209.7
Finance income	7	**20.4**	9.5	12.0
Share of profit/(loss) from associates		**0.1**	(0.1)	(0.2)
Profit before tax		**150.6**	132.4	221.5
Tax expense	9	**(22.1)**	(18.2)	(36.8)
Profit for the period		**128.5**	114.2	184.7
Other comprehensive income/(loss), net of related tax effect				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences arising on foreign operations		**(68.2)**	(31.4)	12.8
Cash flow hedge intrinsic value gains/(losses)		**1.7**	0.1	(0.1)
Other comprehensive income/(loss), net of related tax effect		**(66.5)**	(31.3)	12.7
Total comprehensive income for the period		**62.0**	82.9	197.4
Profit attributable to:				
Equity holders of the parent		**127.7**	112.9	182.1
Non-controlling interests		**0.8**	1.3	2.6
Profit for the period		**128.5**	114.2	184.7
Total comprehensive income attributable to:				
Equity holders of the parent		**61.9**	81.8	194.7
Non-controlling interests		**0.1**	1.1	2.7
Total comprehensive income for the period		**62.0**	82.9	197.4
Earnings per share				
Basic	10	**19.40p**	16.85p	27.35p
Diluted	10	**18.22p**	15.84p	25.68p

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

Interim condensed consolidated balance sheet
As at 31 December 2020

	Notes	Unaudited 31 December 2020 £m	Unaudited 31 December 2019 £m	Audited 30 June 2020 £m
Assets				
Non-current assets				
Goodwill and intangible assets	12	**81.4**	84.0	89.7
Property, plant and equipment	13	**11.1**	12.9	11.7
Investment in associates		**3.2**	1.2	0.6
Non-current financial assets measured at fair value	15	**29.0**	31.1	28.0
Deferred acquisition costs		**0.6**	0.7	0.7
Deferred tax assets		**29.8**	32.7	30.6
		155.1	162.6	161.3
Current assets				
Investment securities	15	**242.8**	222.4	234.5
Financial assets measured at fair value	15	**22.5**	45.5	11.6
Trade and other receivables		**78.0**	89.4	96.2
Derivative financial instruments		**3.1**	1.4	–
Cash and cash equivalents		**448.7**	427.4	500.9
		795.1	786.1	843.2
Financial assets held for sale	15	**46.3**	14.3	43.1
Total assets		**996.5**	963.0	1,047.6
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		**847.4**	811.0	813.2
Foreign exchange reserve		**(39.9)**	(16.3)	27.6
Cash flow hedging reserve		**1.6**	0.1	(0.1)
		824.8	810.5	856.4
Non-controlling interests		**21.3**	10.2	22.6
Total equity		**846.1**	820.7	879.0
Liabilities				
Non-current liabilities				
Lease liabilities	13	**6.9**	9.0	8.2
Deferred tax liabilities		**8.7**	8.3	6.9
		15.6	17.3	15.1
Current liabilities				
Current tax		**–**	2.9	8.5
Derivative financial instruments		**–**	–	1.7
Lease liabilities	13	**2.5**	2.2	2.0
Third-party interests in consolidated funds	15	**89.4**	66.3	86.1
Trade and other payables		**38.6**	50.8	50.7
		130.5	122.2	149.0
Financial liabilities held for sale	15	**4.3**	2.8	4.5
Total liabilities		**150.4**	142.3	168.6
Total equity and liabilities		**996.5**	963.0	1,047.6

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 2020

	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 1 July 2019	0.1	15.6	812.4	14.9	–	843.0	10.9	853.9
Profit for the period	–	–	112.9	–	–	112.9	1.3	114.2
Other comprehensive income/(loss):								
Foreign currency translation differences arising on foreign operations	–	–	–	(31.2)	–	(31.2)	(0.2)	(31.4)
Cash flow hedge intrinsic value gains	–	–	–	–	0.1	0.1	–	0.1
Total comprehensive income/(loss)	–	–	112.9	(31.2)	0.1	81.8	1.1	82.9
Transactions with owners:								
Purchase of own shares	–	–	(41.1)	–	–	(41.1)	–	(41.1)
Share-based payments	–	–	12.8	–	–	12.8	–	12.8
Dividends to equity holders	–	–	(86.0)	–	–	(86.0)	–	(86.0)
Dividends to non-controlling interests	–	–	–	–	–	–	(1.8)	(1.8)
Total contributions and distributions	–	–	(114.3)	–	–	(114.3)	(1.8)	(116.1)
Unaudited balance at 31 December 2019	0.1	15.6	811.0	(16.3)	0.1	810.5	10.2	820.7
Profit for the period	–	–	69.2	–	–	69.2	1.3	70.5
Other comprehensive income/(loss):								
Foreign currency translation differences arising on foreign operations	–	–	–	43.9	–	43.9	0.3	44.2
Cash flow hedge intrinsic value losses	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Total comprehensive income/(loss)	–	–	69.2	43.9	(0.2)	112.9	1.6	114.5
Transactions with owners:								
Purchase of own shares	–	–	(48.4)	–	–	(48.4)	–	(48.4)
Share-based payments	–	–	15.8	–	–	15.8	–	15.8
Dividends to equity holders	–	–	(34.0)	–	–	(34.0)	–	(34.0)
Sale of shares to non-controlling interests	–	–	(0.4)	–	–	(0.4)	11.7	11.3
Dividends to non-controlling interests	–	–	–	–	–	–	(0.9)	(0.9)
Total contributions and distributions	–	–	(67.0)	–	–	(67.0)	10.8	(56.2)
Audited balance at 30 June 2020	0.1	15.6	813.2	27.6	(0.1)	856.4	22.6	879.0
Profit for the period	**–**	**–**	**127.7**	**–**	**–**	**127.7**	**0.8**	**128.5**
Other comprehensive income/(loss):								
Foreign currency translation differences arising on foreign operations	**–**	**–**	**–**	**(67.5)**	**–**	**(67.5)**	**(0.7)**	**(68.2)**
Cash flow hedge intrinsic value gains	**–**	**–**	**–**	**–**	**1.7**	**1.7**	**–**	**1.7**
Total comprehensive income/(loss)	**–**	**–**	**127.7**	**(67.5)**	**1.7**	**61.9**	**0.1**	**62.0**
Transactions with owners:								
Purchase of own shares	**–**	**–**	**(23.3)**	**–**	**–**	**(23.3)**	**–**	**(23.3)**
Share-based payments	**–**	**–**	**14.5**	**–**	**–**	**14.5**	**–**	**14.5**
Dividends to equity holders	**–**	**–**	**(84.7)**	**–**	**–**	**(84.7)**	**–**	**(84.7)**
Increase in non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
Dividends to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(1.9)**	**(1.9)**
Total contributions and distributions	**–**	**–**	**(93.5)**	**–**	**–**	**(93.5)**	**(1.4)**	**(94.9)**
Unaudited balance at 31 December 2020	**0.1**	**15.6**	**847.4**	**(39.9)**	**1.6**	**824.8**	**21.3**	**846.1**

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 2020

	Unaudited 6 months to 31 December 2020 £m	Unaudited 6 months to 31 December 2019 £m	Audited 12 months to 30 June 2020 £m
Operating activities			
Profit before tax	**150.6**	132.4	221.5
Adjustments for non-cash movements and items within investing activities:			
Depreciation and amortisation	**1.6**	1.7	3.4
Accrual for variable compensation	**14.5**	12.8	33.9
Foreign exchange gains	**(2.6)**	(2.6)	(7.0)
Finance income	**(20.4)**	(9.5)	(12.0)
Net (gains)/losses on investment securities	**(30.2)**	(3.7)	11.6
Other non-cash items	**(0.1)**	0.1	(0.8)
Cash generated from operations before working capital changes	**113.4**	131.2	250.6
Changes in working capital:			
Decrease/(increase) in trade and other receivables	**(7.6)**	(10.0)	9.1
Decrease/(increase) in derivative financial instruments	**(4.8)**	(2.5)	0.6
Increase/(decrease) in trade and other payables	**(12.1)**	(5.2)	(5.4)
Cash generated from operations	**88.9**	113.5	254.9
Taxes paid	**(24.0)**	(37.9)	(52.1)
Net cash from operating activities	**64.9**	75.6	202.8
Investing activities			
Interest and investment income received	**1.6**	5.3	14.7
(Purchase)/disposal of associates	**(2.6)**	0.5	0.6
Purchase of non-current financial assets measured at fair value	**(0.9)**	(1.4)	(3.6)
Purchase of financial assets held for sale	**(25.4)**	(11.6)	(43.6)
Purchase of financial assets measured at fair value	**(6.4)**	–	–
Sale/(purchase) of investment securities	**37.6**	16.5	(9.1)
Sale of non-current financial assets measured at fair value	**2.4**	1.9	2.5
Sale of financial assets held for sale	**7.2**	8.4	8.4
Sale of financial assets measured at fair value	**20.6**	11.6	25.1
Net cash on initial consolidation of seed capital investments	**(4.3)**	(0.2)	(0.4)
Purchase of property, plant and equipment	**(0.5)**	(0.8)	(1.0)
Net cash generated/(used) in investing activities	**29.3**	30.2	(6.4)

	Unaudited 6 months to 31 December 2020 £m	Unaudited 6 months to 31 December 2019 £m	Audited 12 months to 30 June 2020 £m
Financing activities			
Dividends paid to equity holders	**(84.7)**	(86.0)	(120.0)
Dividends paid to non-controlling interests	**(1.9)**	(1.8)	(2.7)
Third-party subscriptions into consolidated funds	**30.4**	9.6	50.0
Third-party redemptions from consolidated funds	**(2.5)**	(6.1)	(29.6)
Distributions paid by consolidated funds	**(26.1)**	(12.8)	(1.9)
Contribution by non-controlling interests	**0.5**	–	11.3
Payment of lease liabilities (note 13)	**(1.0)**	(1.2)	(2.3)
Interest paid (note 13)	**(0.2)**	(0.3)	(0.5)
Purchase of own shares	**(23.3)**	(41.1)	(89.5)
Net cash used in financing activities	**(108.8)**	(139.7)	(185.2)
Net increase/(decrease) in cash and cash equivalents	**(14.6)**	(33.9)	11.2
Cash and cash equivalents at beginning of period	**500.9**	477.2	477.2
Effect of exchange rate changes on cash and cash equivalents	**(37.6)**	(15.9)	12.5
Cash and cash equivalents at end of period	**448.7**	427.4	500.9
Cash and cash equivalents comprise:			
Cash at bank and in hand	**97.9**	62.2	68.5
Daily dealing liquidity funds	**282.3**	296.0	368.0
Deposits	**68.5**	69.2	64.4
	448.7	427.4	500.9

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

Notes to the interim condensed consolidated 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 2020 were authorised for issue by the Directors on 9 February 2021.

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 International Accounting Standard 34 (IAS 34) Interim Financial Reporting adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The annual financial statements of the Group for the year ended 30 June 2021 will be prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared 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 2020 which were prepared in accordance with IFRSs as adopted by the EU.

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 2020 which are available on the Group's website. Those statutory accounts were approved by the Board of Directors on 10 September 2020 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 including the impact of COVID-19 on global markets and potential implications for the Group's financial performance. The Board has performed a going concern assessment, including considering the impact of COVID-19 by applying stressed scenarios, including severe but plausible downside assumptions, and the impact on assets under management, profitability of the Group and known commitments for a period of 12 months from the date of approval of these interim financial statements. While there are significant wider market uncertainties that may impact the Group, the stressed scenarios, which assumed a significant reduction in revenue and profits for the entire 12 months' forecast period, show that the Group and Company would continue to operate profitably and would have sufficient funds to 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 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 £107.2 million for the period as reconciled on page 2 (H1 2019/20: adjusted EBITDA of £122.5 million was derived by adjusting operating profit by £1.7 million of depreciation and amortisation expense, £2.6 million expense related to seed capital and £0.4 million of foreign exchange gains). The additional disclosures below provide the location of the Group's non-current assets at year end other than financial instruments, deferred tax assets and post-employment benefit assets. Disclosures relating to revenue by location are provided in note 5 below.

Analysis of non-current assets by geography

	As at 31 December 2020 £m	As at 31 December 2019 £m	As at 30 June 2020 £m
United Kingdom and Ireland	**24.7**	26.1	26.4
United States	**65.5**	67.7	72.4
Other	**6.1**	5.0	3.9
Total non-current assets	**96.3**	98.8	102.7

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 2019/20: none; FY2019/20: none) when considering management fees and performance fees on a combined basis.

Analysis of revenue by geography

	6 months to 31 December 2020 £m	6 months to 31 December 2019 £m	12 months to 30 June 2020 £m
United Kingdom and Ireland	**120.0**	158.9	287.0
United States	**13.1**	10.4	24.3
Other	**18.1**	14.1	26.7
Total revenue	**151.2**	183.4	338.0

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 2020**	Closing rate as at 31 December 2019	Closing rate as at 30 June 2020	**Average rate 6 months ended 31 December 2020**	Average rate 6 months ended 31 December 2019	Average rate 12 months ended 30 June 2020
US dollar	**1.3670**	1.3248	1.2356	**1.3107**	1.2657	1.2637
Euro	**1.1172**	1.1802	1.1001	**1.1108**	1.1381	1.1331
Indonesian rupiah	**19,206**	18,391	17,651	**18,931**	17,816	18,134
Colombian peso	**4,676**	4,347	4,620	**4,852**	4,264	4,468

Foreign exchange gains and losses are shown below.

	6 months to 31 December 2020 £m	6 months to 31 December 2019 £m	12 months to 30 June 2020 £m
Net realised and unrealised hedging gains	**8.7**	3.1	1.5
Translation gains/(losses) on non-Sterling denominated monetary assets and liabilities	**(6.1)**	(0.5)	5.5
Total foreign exchange gains	**2.6**	2.6	7.0

7) Finance income

	6 months to 31 December 2020 £m	6 months to 31 December 2019 £m	12 months to 30 June 2020 £m
Interest and investment income	**2.2**	6.0	11.1
Net realised gains on seed capital investments measured at fair value	**3.3**	1.5	4.0
Net unrealised gains/(losses) on seed capital investments measured at fair value	**15.1**	2.3	(2.6)
Interest expense on lease liabilities (note 13)	**(0.2)**	(0.3)	(0.5)
Net finance income	**20.4**	9.5	12.0

Included within net realised and unrealised gains on seed capital investments measured at fair value are £10.9 million gains in relation to held for sale investments (note 15a), £3.8 million gains on financial assets measured at FVTPL (note 15b) and £3.2 million gains on non-current financial assets measured at fair value (note 15c).

Included within interest and investment income are gains of £1.5 million from investment securities on consolidated funds (note 15d).

8) Share-based payments

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

	6 months to 31 December 2020 £m	6 months to 31 December 2019 £m	12 months to 30 June 2020 £m
Omnibus Plan	**16.3**	16.6	33.5
Phantom Bonus Plan	**0.1**	0.5	0.4
Total share-based payments expense	**16.4**	17.1	33.9

The total expense recognised for the period in respect of equity-settled share-based payment awards was £14.5 million (H1 2019/20: £13.1 million; FY2019/20: £28.9 million).

The Executive Omnibus Incentive Plan (Omnibus Plan)

Share awards outstanding under the Omnibus Plan were as follows:

	6 months to 31 December 2020 Number of shares subject to awards	6 months to 31 December 2019 Number of shares subject to awards	12 months to 30 June 2020 Number of shares subject to awards
Equity-settled awards			
At the beginning of the period	**43,516,936**	40,668,934	40,668,934
Granted	**8,667,215**	8,180,778	8,180,778
Vested	**(10,433,669)**	(5,038,093)	(5,208,808)
Forfeited	**(414,822)**	(104,792)	(123,968)
Outstanding at the end of the period	**41,335,660**	43,706,827	43,516,936
Cash-settled awards			
At the beginning of the period	**315,185**	255,622	255,622
Granted	**778**	69,125	69,125
Vested	**(32,194)**	(9,062)	(9,062)
Forfeited	**–**	–	(500)
Outstanding at the end of the period	**283,769**	315,685	315,185
Total awards			
At the beginning of the period	**43,832,121**	40,924,556	40,924,556
Granted	**8,667,993**	8,249,903	8,249,903
Vested	**(10,465,863)**	(5,047,155)	(5,217,870)
Forfeited	**(414,822)**	(104,792)	(124,468)
Outstanding at the end of the period	**41,619,429**	44,022,512	43,832,121

The weighted average share price of awards granted to employees under the Omnibus Plan during the period was £3.62 (H1 2019/20: £4.38; FY2019/20: £4.38), 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 £0.8 million (H1 2019/20: £1.0 million; FY2019/20: £0.8 million) of which £nil relates to vested awards.

9) Taxation

Analysis of tax charge for the period

	6 months to 31 December 2020 £m	6 months to 31 December 2019 £m	12 months to 30 June 2020 £m
Current tax			
UK corporation tax on profits for the period	**7.9**	11.8	24.7
Overseas corporation tax charge	**10.8**	9.1	16.8
Adjustments in respect of prior periods	**–**	–	(2.8)
	18.7	20.9	38.7
Deferred tax			
Origination and reversal of temporary differences	**3.4**	(2.7)	(1.2)
Effect on deferred tax balance of changes in corporation tax rates	**–**	–	(0.7)
Tax expense for the period	**22.1**	18.2	36.8

Factors affecting tax charge for the period

	6 months to 31 December 2020 £m	6 months to 31 December 2019 £m	12 months to 30 June 2020 £m
Profit before tax	**150.6**	132.4	221.5
Profit on ordinary activities multiplied by the prevailing UK tax rate for the financial year of 19.0% (H1 2019/20: 19.0%; FY2019/20: 19.0%)	**28.6**	24.5	42.1
Effects of:			
Non-deductible expenses	**0.2**	0.1	0.5
Deduction in respect of vested shares	**(2.3)**	(3.8)	(1.2)
Different rate of taxes on overseas profits	**(1.1)**	(1.2)	(4.2)
Non-taxable income	**(3.0)**	(1.5)	(0.1)
Derecognition of historical deferred tax assets	**–**	0.2	2.9
Other items	**(0.3)**	(0.1)	0.3
Adjustments in respect of prior periods	**–**	–	(3.5)
Tax expense for the period	**22.1**	18.2	36.8

10) Earnings per share

Basic earnings per share at 31 December 2020 of 19.40 pence (H1 2019/20: 16.85 pence; FY2019/20: 27.35 pence) is calculated by dividing the profit after tax for the financial period attributable to equity holders of the parent of £127.7 million (H1 2019/20: £112.9 million; FY2019/20: £182.1 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 2020 Number of ordinary shares	6 months to 31 December 2019 Number of ordinary shares	12 months to 30 June 2020 Number of ordinary shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**658,339,545**	670,451,921	666,019,404
Effect of dilutive potential ordinary shares – share awards	**42,551,290**	42,895,334	43,241,702
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**700,890,835**	713,347,255	709,261,106

11) Dividends

Dividends paid

	6 months to 31 December 2020 £m	6 months to 31 December 2019 £m	12 months to 30 June 2020 £m
Final dividend for FY2019/20: 12.10p (FY2018/19: 12.10p)	**84.7**	86.0	86.0
Interim dividend for FY2019/20: 4.80p	**–**	–	34.0
	84.7	86.0	120.0

In addition, the Group paid £1.9 million (H1 2019/20: £1.8 million; FY2019/20: £2.7 million) in dividends to non-controlling interests.

Dividends declared/proposed

Company	**6 months to 31 December 2020 pence**	6 months to 31 December 2019 pence	12 months to 30 June 2020 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 2020 of 4.80 pence per share (six months to 31 December 2019: 4.80 pence per share; final dividend for the year to 30 June 2020: 12.10 pence per share) payable on 30 March 2021 to shareholders on the register on 5 March 2021.

12) Goodwill and intangible assets

	Goodwill £m	Fund management intangible assets £m	Total £m
Cost (at original exchange rate)			
At 31 December 2020 and 30 June 2020	**70.4**	**0.9**	**71.3**
Accumulated amortisation and impairment			
At 30 June 2019	–	(0.1)	(0.1)
Amortisation charge for the period	–	(0.1)	(0.1)
At 31 December 2019	–	(0.2)	(0.2)
Amortisation charge for the period	–	(0.1)	(0.1)
At 30 June 2020	–	(0.3)	(0.3)
Amortisation charge for the period	**–**	**(0.1)**	**(0.1)**
At 31 December 2020	**–**	**(0.4)**	**(0.4)**
Net book value			
At 30 June 2019	86.5	0.8	87.3
Accumulated amortisation for the period	–	(0.1)	(0.1)
FX revaluation through reserves*	(3.2)	–	(3.2)
At 31 December 2019	83.3	0.7	84.0
Accumulated amortisation for the period	–	(0.1)	(0.1)
FX revaluation through reserves*	5.8	–	5.8
At 30 June 2020	89.1	0.6	89.7
Accumulated amortisation for the period	**–**	**(0.1)**	**(0.1)**
FX revaluation through reserves*	**(8.2)**	**–**	**(8.2)**
At 31 December 2020	**80.9**	**0.5**	**81.4**

* 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 2020, no factors indicating potential impairment of goodwill were noted. Based on the calculation as at 31 December 2020 using a market share price of £4.31, 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.

During the period to 31 December 2020, a review process was undertaken to identify factors indicating whether the Group's fund management contracts intangible assets were impaired. None were identified and as a consequence, no impairment charge has been recognised (H1 2019/20: £nil; FY2019/20: £nil). The remaining amortisation periods for fund management contracts range between one to four 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 2020 £m	6 months to 31 December 2019 £m	12 months to 30 June 2020 £m
Property, plant and equipment owned by the Group	**2.0**	2.0	1.8
Right-of-use assets	**9.1**	10.9	9.9
Net book value	**11.1**	12.9	11.7

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

	31 December 2020 £m	31 December 2019 £m	30 June 2020 £m
Current	**2.5**	2.2	2.0
Non-current	**6.9**	9.0	8.2
Total lease liabilities	**9.4**	11.2	10.2

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 1 July 2019	12.6	12.8
Lease payments	–	(1.5)
Interest expense (recognised in finance expense)	–	0.3
Depreciation charge (recognised in other expenses)	(1.3)	–
FX revaluation through reserves	(0.4)	(0.4)
At 31 December 2019	10.9	11.2
Lease payments	–	(1.3)
Interest expense (recognised in finance expense)	–	0.2
Depreciation charge (recognised in other expenses)	(1.2)	–
FX revaluation through reserves	0.2	0.1
At 30 June 2020	9.9	10.2
Additions	0.5	0.5
Lease payments	–	(1.2)
Interest expense (recognised in finance expense)	–	0.2
Depreciation charge (recognised in other expenses)	(1.1)	–
FX revaluation through reserves	(0.2)	(0.3)
At 31 December 2020	**9.1**	**9.4**

Total cash outflow included within financing activities in the consolidated cash flow statement in respect of principal and interest paid on lease liabilities during the period amounted to £1.2 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 2020.

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 2020				At 31 December 2019				At 30 June 2020			
	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	**185.1**	**41.4**	**16.3**	**242.8**	97.7	75.5	49.2	222.4	125.1	60.6	48.8	234.5
Financial assets held for sale	**–**	**46.3**	**–**	**46.3**	–	14.3	–	14.3	–	43.1	–	43.1
Financial assets at FVTPL	**–**	**21.0**	**1.5**	**22.5**	–	44.7	0.8	45.5	–	10.9	0.7	11.6
Non-current financial assets	**–**	**0.1**	**28.9**	**29.0**	–	0.5	30.6	31.1	–	0.1	27.9	28.0
Derivative financial instruments	**–**	**3.1**	**–**	**3.1**	–	1.4	–	1.4	–	–	–	–
Total financial assets	**185.1**	**111.9**	**46.7**	**343.7**	97.7	136.4	80.6	314.7	125.1	114.7	77.4	317.2
Financial liabilities												
Third-party interests in consolidated funds	**81.2**	**2.1**	**6.1**	**89.4**	34.7	20.1	11.5	66.3	65.1	10.6	10.4	86.1
Financial liabilities held for sale	**–**	**4.3**	**–**	**4.3**	–	2.8	–	2.8	–	4.5	–	4.5
Derivative financial instruments	**–**	**–**	**–**	**–**	–	–	–	–	–	1.7	–	1.7
Total financial liabilities	**81.2**	**6.4**	**6.1**	**93.7**	34.7	22.9	11.5	69.1	65.1	16.8	10.4	92.3

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 2020, 31 December 2019 and 30 June 2020.

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	Financial assets at FVTPL £m	Non-current financial assets £m	Third-party interests in consolidated funds £m
At 31 December 2019	49.2	0.8	30.6	11.5
Additions	7.1	–	2.2	4.5
Disposals	(1.4)	(0.1)	–	–
Unrealised gains/(losses) recognised in finance income	(6.6)	–	(5.4)	(5.6)
Unrealised gains/(losses) recognised in reserves	0.5	–	0.5	–
At 30 June 2020	48.8	0.7	27.9	10.4
Additions	**43.3**	**1.2**	**0.9**	**21.7**
Disposals	**(70.8)**	**(0.4)**	**(2.4)**	**(25.6)**
Unrealised gains/(losses) recognised in finance income	**0.7**	**–**	**2.5**	**0.1**
Unrealised gains/(losses) recognised in reserves	**(5.7)**	**–**	**–**	**(0.5)**
At 31 December 2020	**16.3**	**1.5**	**28.9**	**6.1**

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 2020.

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 2020 and 30 June 2020, and the associated sensitivity to changes in unobservable inputs to a reasonable alternative:

Asset class and valuation technique	Fair value at 31 December 2020 £m	Significant unobservable input	Range of estimates	Sensitivity factor	Change in fair value £m
Unquoted securities					
Market multiple and discount	**16.0**	EBITDA multiple	10x-20x	+/- 1x	+/- 1.6
		Marketability adjustment	10%-40%	+/- 5%	-/+ 1.1
Unquoted funds					
Net assets approach	**30.7**	Net asset value	1x	+/- 5%	+/- 1.5
Total level 3 investments	**46.7**				

Asset class and valuation technique	Fair value at 30 June 2020 £m	Significant unobservable input	Range of estimates	Sensitivity factor	Change in fair value £m
Unquoted securities					
Market multiple and discount	14.0	EBITDA multiple	10x-20x	+/- 1x	+/- 1.4
		Marketability adjustment	10%-30%	+/- 5%	-/+ 0.9
Market multiple, discounted cash flows and discount	34.6	Market multiple	5x-10x	+/- 1x	+/- 2.4
		Marketability adjustment	10%-30%	+/- 5%	-/+ 4.4
		Discount rate	10%-20%	+/- 5%	-/+ 4.0
Unquoted funds					
Net assets approach	28.8	Net asset value	1x	+/- 5%	+/- 1.4
Total level 3 investments	77.4				

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

The Group considers itself a sponsor of an investment fund when it facilitates the establishment of the fund in which the Group is the investment manager. The Group ordinarily invests seed capital in order to provide initial scale and facilitate the marketing of funds to third-party investors. Aggregate interests held by the Group include seed capital, management fees and performance fees.

a) Financial assets and liabilities held for sale

Where Group companies invest seed capital into funds operated and controlled by the Group and the Group is actively seeking to reduce its investment, and it is considered highly probable that it will relinquish control within a year, the interests in the funds are treated as held for sale and are recognised as financial assets and liabilities held for sale. During the period, three funds (H1 2019/20: two funds; FY2019/20: six funds) were seeded in this manner and met the above criteria, and consequently the assets and liabilities of these funds were initially classified as held for sale.

The non-current assets and liabilities held for sale at 31 December 2020 were as follows:

	31 December 2020 £m	31 December 2019 £m	30 June 2020 £m
Financial assets held for sale	**46.3**	14.3	43.1
Financial liabilities held for sale	**(4.3)**	(2.8)	(4.5)
Financial assets held for sale	**42.0**	11.5	38.6

Investments cease to be classified as held for sale when they are no longer controlled by the Group. A loss of control may happen through sale of the investment and/or dilution of the Group's holding. When investments cease to be classified as held for sale they are classified as financial assets measured at FVTPL. During the period, no fund (H1 2019/20: none; FY2019/20: none) was transferred to the FVTPL category.

If the fund remains under the control of the Group for more than one year from the original investment date, it will cease to be classified as held for sale, and will be consolidated line by line after it is assessed that the Group controls the investment fund in accordance with the requirements of IFRS 10. During the period, three funds (H1 2019/20: three funds; FY2019/20: three funds) with an aggregate carrying amount of £28.1 million (H1 2019/20: £35.6 million; FY2019/20: £35.7 million) were transferred to consolidated funds. There was no impact on net assets or total comprehensive income as a result of the transfer.

Included within finance income are net gains of £10.9 million (H1 2019/20: net gains of £0.9 million; FY2019/20: net gains of £2.8 million) in relation to held for sale investments (refer to note 7).

As the Group considers itself to have one business segment (refer to note 4), no additional segmental disclosure of held for sale assets or liabilities is applicable.

b) Financial assets measured at fair value through profit or loss

Financial assets measured at FVTPL at 31 December 2020 comprise shares held in debt and equity funds as follows:

	31 December 2020 £m	31 December 2019 £m	30 June 2020 £m
Equity funds	**13.8**	36.7	3.2
Debt funds	**8.7**	8.8	8.4
Financial assets measured at fair value	**22.5**	45.5	11.6

Included within finance income are net gains of £3.8 million (H1 2019/20: net gains of £2.2 million; FY2019/20: net losses of £0.8 million) on the Group's financial assets measured at FVTPL.

c) 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 a fund has not occurred.

	31 December 2020 £m	31 December 2019 £m	30 June 2020 £m
Real estate funds	**2.4**	4.2	3.5
Infrastructure funds	**17.4**	19.4	17.5
Other funds	**9.2**	7.5	7.0
Non-current financial assets measured at fair value	**29.0**	31.1	28.0

Included within finance income are net gains of £3.2 million (H1 2019/20: net gains of £0.7 million; FY2019/20: net losses of £4.5 million) on the Group's non-current financial assets measured at fair value.

d) Consolidated funds

The Group has consolidated 13 investment funds as at 31 December 2020 (31 December 2019: 14 investment funds; 30 June 2020: 12 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 2020 £m	31 December 2019 £m	30 June 2020 £m
Investment securities*	**242.8**	222.4	234.5
Cash and cash equivalents	**7.7**	10.2	10.8
Other*	**–**	0.9	1.0
Third-party interests in consolidated funds	**(89.4)**	(66.3)	(86.1)
Consolidated seed capital investments	**161.1**	167.2	160.2

* Investment securities represent trading securities held by consolidated investment funds and are designated as at FVTPL. Further detailed information at the security level is available in the individual fund financial statements. Other includes derivative financial instruments, 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 gains of £30.9 million (H1 2019/20: net gains of £4.6 million; FY2019/20: net losses of £9.0 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 2020 £m	31 December 2019 £m	30 June 2020 £m
Investment income	**1.5**	2.0	4.8
Gains/(losses) on investment securities	**55.9**	4.2	(19.1)
Change in third-party interests in consolidated funds	**(25.7)**	(0.5)	7.5
Other expenses	**(0.8)**	(1.1)	(2.2)
Net gains/(losses) on consolidated funds	**30.9**	4.6	(9.0)

Included in the Group's cash generated from operations is £0.3 million cash utilised in operations (H1 2019/20: £1.9 million cash utilised in operations; FY2019/20: £3.0 million cash utilised in operations) relating to consolidated funds.

As at 31 December 2020, 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 for the year ended 30 June 2020, 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 2020.

17) Share capital

Authorised share capital

	Number of shares	Nominal value £'000
Ordinary shares of 0.01p each at 31 December 2020, 30 June 2020 and 31 December 2019	**900,000,000**	**90**

Issued share capital – allotted and fully paid

	As at 31 December 2020 Number of shares	**As at 31 December 2020 Nominal value £'000**	As at 31 December 2019 Number of shares	As at 31 December 2019 Nominal value £'000	As at 30 June 2020 Number of shares	As at 30 June 2020 Nominal value £'000
Ordinary shares of 0.01p each	**712,740,804**	**71**	712,740,804	71	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 2020, there were equity-settled share awards issued under the Omnibus Plan totalling 41,335,660 shares (31 December 2019: 43,706,827 shares; 30 June 2020: 43,516,936 shares) that have release dates ranging from September 2021 to October 2025.

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 2020, the EBT owned 52,430,131 (31 December 2019: 43,648,181; 30 June 2020: 56,477,466) ordinary shares of 0.01p with a nominal value of £5,243 (31 December 2019: £4,365; 30 June 2020: £5,648) and shareholders' funds are reduced by £180.1 million (31 December 2019: £144.8 million; 30 June 2020: £192.7 million) in this respect. It is the intention of the Directors to make these shares available to employees through the share-based compensation plans. 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 2020 £m	6 months to 31 December 2019 £m	12 months to 30 June 2020 £m
Short-term employee benefits	**0.1**	0.1	0.8
Defined contribution pension costs	**–**	–	–
Share-based payment benefits	**–**	–	0.4
	0.1	0.1	1.2

Short-term benefits include salary and fees, benefits and cash bonus. Share-based payment benefits represent the fair value charge to the interim condensed consolidated statement of comprehensive income of share awards.

During the period, there were no other transactions entered into with key management personnel (H1 2019/20 and FY2019/20: none). Aggregate key management personnel interests in consolidated funds at 31 December 2020 were £33.1 million (31 December 2019: £29.3 million; 30 June 2020: £33.9 million).

Transactions with Ashmore funds

During the period, the Group received £69.1 million of gross management fees and performance fees (H1 2019/20: £88.7 million; FY2019/20: £174.9 million) from the 101 funds (H1 2019/20: 111 funds; FY2019/20: 109 funds) it manages and which are classified as related parties. As at 31 December 2020, the Group had receivables due from funds of £10.8 million (31 December 2019: £4.6 million; 30 June 2020: £35.0 million).

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 2020, the loan outstanding was £174.5 million (31 December 2019: £135.1 million; 30 June 2020: £167.0 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 £38,900 to the Foundation during the period to 31 December 2020 (H1 2019/20: £12,600; FY2019/20: £102,800).

20) Commitments

Undrawn investment commitments

	As at 31 December 2020 £m	As at 31 December 2019 £m	As at 30 June 2020 £m
Ashmore Andean Fund II, LP	**0.1**	0.1	0.3
Ashmore Avenida Colombia Real Estate Fund I (Cayman) LP	**0.1**	0.1	0.1
Ashmore I – CAF Colombian Infrastructure Senior Debt Fund	**9.9**	11.2	11.6
Ashmore Special Opportunities Fund LP	**–**	7.4	8.0
Total undrawn investment commitments	**10.1**	18.8	20.0

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 2020.

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 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union; and

– the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure 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 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 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

9 February 2021

Independent Review Report to Ashmore Group plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2020 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 set of financial statements in the half-yearly financial report for the six months ended 31 December 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and the Disclosure Guidance and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board 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.

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.

The latest annual financial statements of the Group were prepared in accordance with IFRSs as adopted by the EU and the next annual financial statements will be prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

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.

Thomas Brown
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

9 February 2021

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