



Ashmore Group plc

Results for six months ending 31 December 2016

9 February 2017

- **Emerging Markets outperforming**
 - Blended debt benchmark -1.5% over 6m to 31 Dec 2016, 10yr US Treasury -7.5%
 - Momentum briefly interrupted by US election, but quickly recovered
 - Investor sentiment continues to improve

- **Strong investment performance**
 - > 90% AuM outperforming over 1 year
 - > 80% AuM outperforming over 3 years and 5 years

- **Robust business model delivering strong financial performance**
 - Good revenue growth (+24%) reflecting performance and stronger US dollar
 - Continued focus on operating efficiency
 - Adjusted EBITDA margin increased from 63% to 66%
 - Interim dividend maintained at 4.55p

Financial performance overview

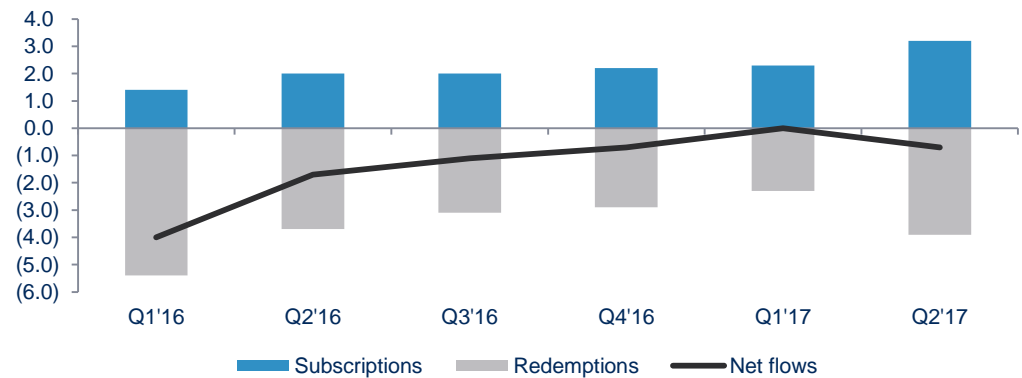
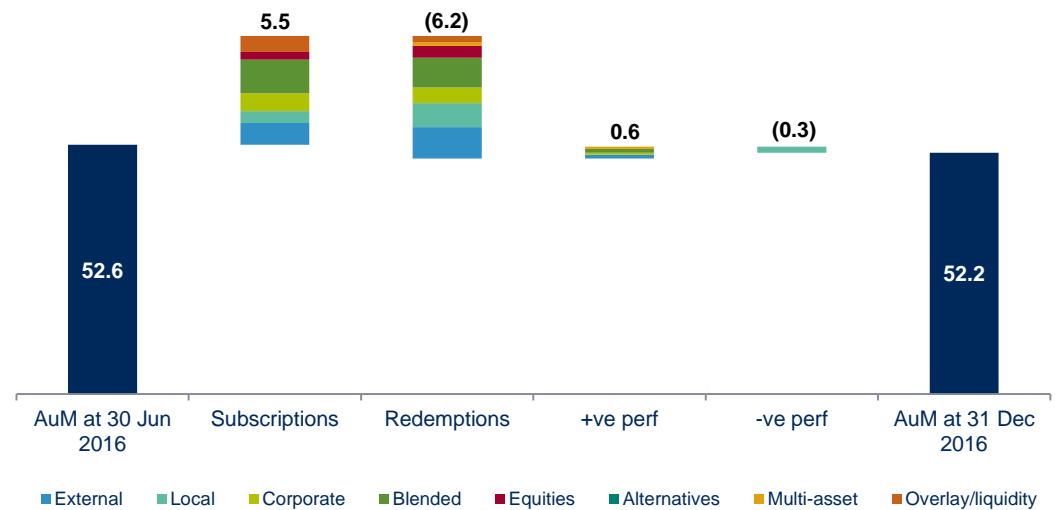
- **Net revenues +24%**
 - Growth in management and performance fees
 - Benefits of stronger US dollar vs Sterling
- **Adjusted EBITDA margin increased from 63% to 66%**
 - Non-VC costs flat as reported; down 9% excluding FX
- **Profit before tax +94%**
 - Good market environment delivered seed capital gains
- **Good cash generation**
 - £98.0m operating cash flow (109% profit conversion), seed capital programme delivered cash
- **Interim dividend maintained at 4.55p**

	Six months ended 31 December 2016 £m	Six months ended 31 December 2015 £m
AuM (US\$bn)	52.2	49.4
Net revenue	144.1	116.4
Adjusted EBITDA	89.7	68.0
- Margin	66%	63%
Seed capital gains	25.8	(9.2)
Profit before tax	121.5	62.7
Diluted EPS (p)	13.9	6.5
DPS (p)	4.55	4.55

Assets under management

- Gross subscriptions US\$5.5 billion, 10% of opening AuM (H1 2015/16: US\$3.4 billion, 6%)
- Gross redemptions US\$6.2 billion, 12% of opening AuM (H1 2015/16: US\$9.1 billion, 15%)
- Net outflow US\$0.7 billion (H1 2015/16: US\$5.7 billion)
 - Affected by redemptions after US election
- Investment performance +US\$0.3 billion
 - Broad-based further improvement in relative performance
- Average AuM US\$53.3 billion (H1 2015/16: US\$53.6 billion)

AuM development (US\$bn)

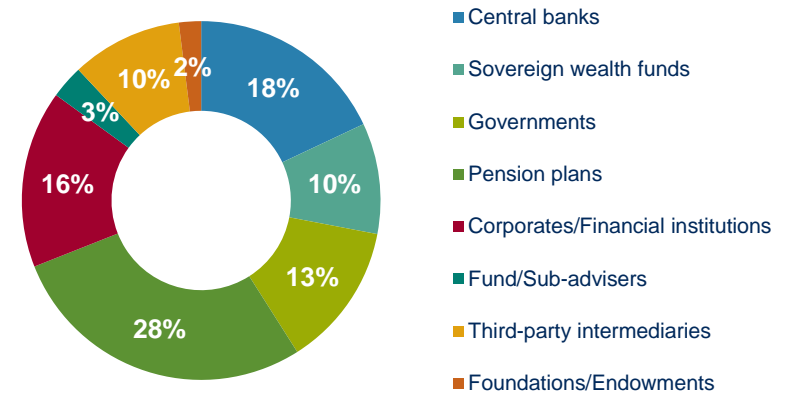


Momentum recovered following US election result

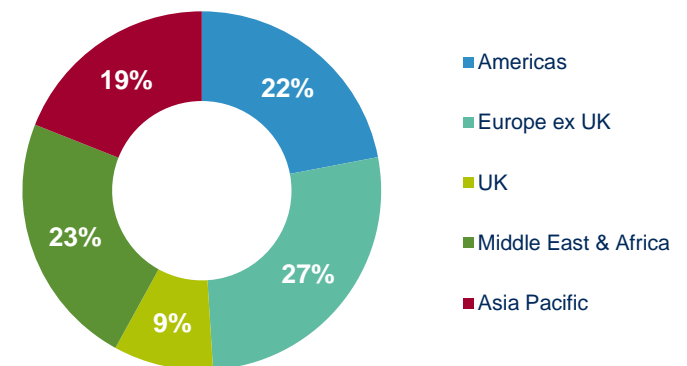
Clients and products

- Allocations are underweight
 - Typical institutional target is mid-single digits (5-7%), some are as low as 1-2%
 - Retail investors in a similar position (e.g. 2-5% allocation)
 - Short pause in flow momentum after US election, but client activity levels increasing
- Consolidated US operations into NY global operating hub
 - Specialist equities investment professionals located alongside distribution and support functions
- Local fund management platforms
 - Local platforms manage >US\$2bn (~5% of Group AuM), more than double AuM of three years ago
 - Disciplined approach to portfolio of local businesses
 - 34% of AuM from EM clients

AuM by client type



AuM by client location



Growth potential across diverse clients and geographies

Financial results

Revenues

	Six months ended 31 December 2016 £m	Six months ended 31 December 2015 £m	Variance %
Management fees	116.8	99.3	18
Distribution costs	(1.9)	(0.6)	n/m
Net management fees	114.9	98.7	16
Performance fees	21.6	8.6	151
Other revenue	2.2	2.1	5
Foreign exchange	5.4	7.0	(23)
Net revenue	144.1	116.4	24

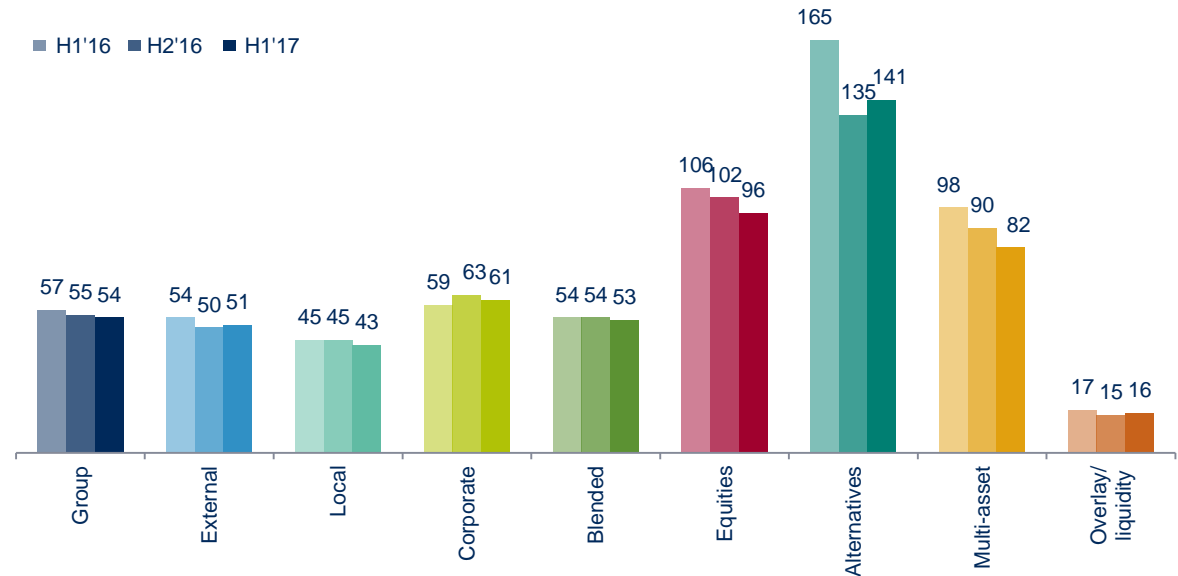
- At constant currency:
 - Net management fees -3%
 - Net revenue flat

Revenues benefit from currency and performance

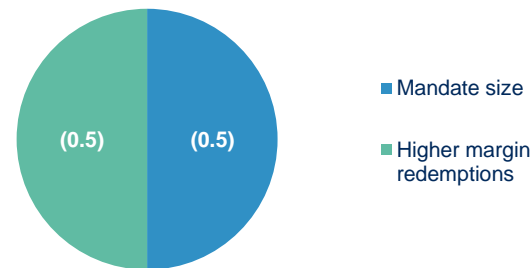
Financial results Management fee margins

- Effects of mix and mandate size continue to be the dominant factors driving theme and Group margins
- Margin declined by 1bp over the six months
 - Large segregated account subscriptions in local currency
 - Pooled fund redemptions in local currency and multi-asset

Underlying average net management fee margins (bps)



Movement in Group margin H1'17 vs H2'16 (bps)



Product mix and mandate size continue to influence margin

Financial results

Expenses

	Six months ended 31 December 2016 £m	Six months ended 31 December 2015 £m	Variance %
Personnel expenses	(12.9)	(12.1)	(7)
Other operating expenses	(12.9)	(14.2)	9
	(25.8)	(26.3)	2
Depreciation	(0.5)	(0.6)	17
Amortisation	(2.2)	(1.9)	(16)
Total operating expenses before VC	(28.5)	(28.8)	1
Variable compensation (20% of EBVCIT)	(23.3)	(17.5)	(33)
Total operating expenses	(51.8)	(46.3)	(12)

- Total operating costs include consolidated funds expenses of £1.4 million (H1 2015/16: £1.8 million)
- At constant currency, operating expenses pre VC and excluding consolidated funds reduced by 9% comprising:
 - Personnel expenses -2%
 - Other operating expenses -16%

Continued cost discipline delivering operating efficiency

Financial results

Other P&L items

	Six months ended 31 December 2016 £m	Six months ended 31 December 2015 £m	Variance %
Net finance income	26.1	6.1	n/m
<i>Comprising:</i>			
- interest income	1.2	1.0	20
- seed capital: investment return & FX	20.9	(5.3)	n/m
- seed capital: consolidated funds income	4.0	10.4	(62)
Associates & joint ventures	(0.8)	(1.0)	20
Profit on disposal of JVs and subsidiaries	1.6	-	n/m

- Total seed capital returns in P&L:
 - £10.9m market returns
 - £14.9m FX translation

Strong seed capital returns

Financial results

Adjusted profits

	Statutory H1 2016/17 £m	Seed capital- related items £m	FX translation £m	Adjusted H1 2016/17 £m	Adjusted H1 2015/16 £m	%
Net revenue	144.1	-	(8.4)	135.7	108.4	25
Investment securities & third-party interests	2.3	(2.3)	-	-	-	
Operating expenses ¹	(49.1)	1.4	1.7	(46.0)	(40.4)	14
EBITDA	97.3	(0.9)	(6.7)	89.7	68.0	32
<i>EBITDA margin</i>	68%	-	-	66%	63%	
Depreciation and amortisation	(2.7)	-	-	(2.7)	(2.5)	(8)
Net finance income	26.1	(10.0)	(14.9)	1.2	1.0	20
Associates and joint ventures	0.8	-	-	0.8	(1.0)	n/m
	121.5	(10.9)	(21.6)	89.0	65.5	36
Seed capital-related items	-	10.9	-	10.9	(8.3)	n/m
Foreign exchange translation	-	-	21.6	21.6	5.5	n/m
Profit before tax	121.5	-	-	121.5	62.7	94

1. For the purposes of presenting 'Adjusted profits', operating expenses in H1 2016/17 and H1 2015/16 have been adjusted for the variable compensation on FX translation gains and losses.

Business model delivers higher operating margin

Financial results

Earnings

	Six months ended 31 December 2016 £m	Six months ended 31 December 2015 £m	Variance %
Profit before tax	121.5	62.7	94
Tax	(22.7)	(15.6)	(46)
Profit after tax	98.8	47.1	110
Profit attributable to non-controlling interests	(0.4)	(0.7)	43
Profit attributable to equity holders of the parent	98.4	46.4	112
Earnings per share: basic (p)	14.7	6.9	114
Earnings per share: diluted (p)	13.9	6.5	114
Interim dividend per share (p)	4.55	4.55	-

- Effective tax rate 18.7% vs 20.0% statutory UK rate predominantly due to tax relief on share vesting and exemptions on some seed capital gains
- Effect of non-operating items on diluted EPS: FX translation (+0.8p), seed capital (+2.9p)

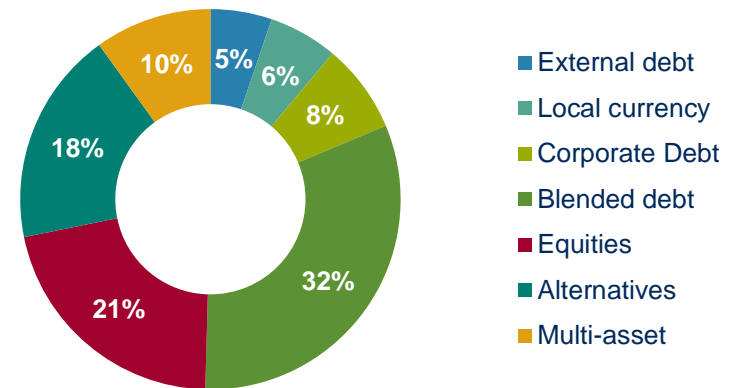
Dividend in line with prior year

Financial results

Seed capital

- Market value £233.4 million (30 June 2016: £238.5 million)
 - Seeded funds' AuM growth enabled recycling of £69.7 million, e.g. from short duration and local Indonesia funds
 - 60% in liquid funds
- Profit contribution of £25.8 million
 - largely unrealised at period end
- New investments of £40.3 million, e.g. into absolute return and multi-asset funds
- Seeding has supported funds that represent 11% of Group AuM

Diversified across themes (% of market value)



P&L gains/(losses) on seed capital in H1 2016/17

£m	Market returns	FX	Total
- consolidated funds	4.9	-	4.9
- other funds	6.0	14.9	20.9
Total	10.9	14.9	25.8

Actively-managed programme delivering AuM scale and profits

Financial results

Foreign exchange

- Over the period, GBP:USD moved from 1.32 to 1.23
 - Average rate 1.28 (H1 2015/16: 1.53)
- P&L FX effects in H1 2016/17:
 - Translation of net management fees +£19.0 million
 - Translation of non-Sterling balance sheet items +£8.4 million
 - FX hedges -£3.0 million
 - Seed capital +£14.9 million
- Managed US dollar cash exposure through US\$75 million of spot sales
- Policy is to hedge up to 2/3rds of budgeted management fees using zero-cost collars
- Current GBP:USD rate benefits translation of management fees

FX sensitivity:

- ~£7.5 million PBT for 5c movement in GBP:USD rate
 - £3.5 million for cash deposits (in 'foreign exchange')
 - £4.0 million for seed capital (in 'finance income')

Currency exposure of cash⁽¹⁾

	31 December 2016 £m	%	30 June 2016 £m	%
US dollar	178.9	49	119.1	33
Sterling	163.9	44	212.6	59
Other	25.4	7	26.7	8
Total	368.2		358.4	

(1) Excludes consolidated funds. See Appendix for reconciliation to statutory consolidated cash flow statement

Currency exposure of seed capital

	31 December 2016 £m	%	30 June 2016 £m	%
US dollar	210.8	90	189.2	79
Indonesian rupiah	5.8	3	33.9	14
Other	16.8	7	15.4	7
Total	233.4		238.5	

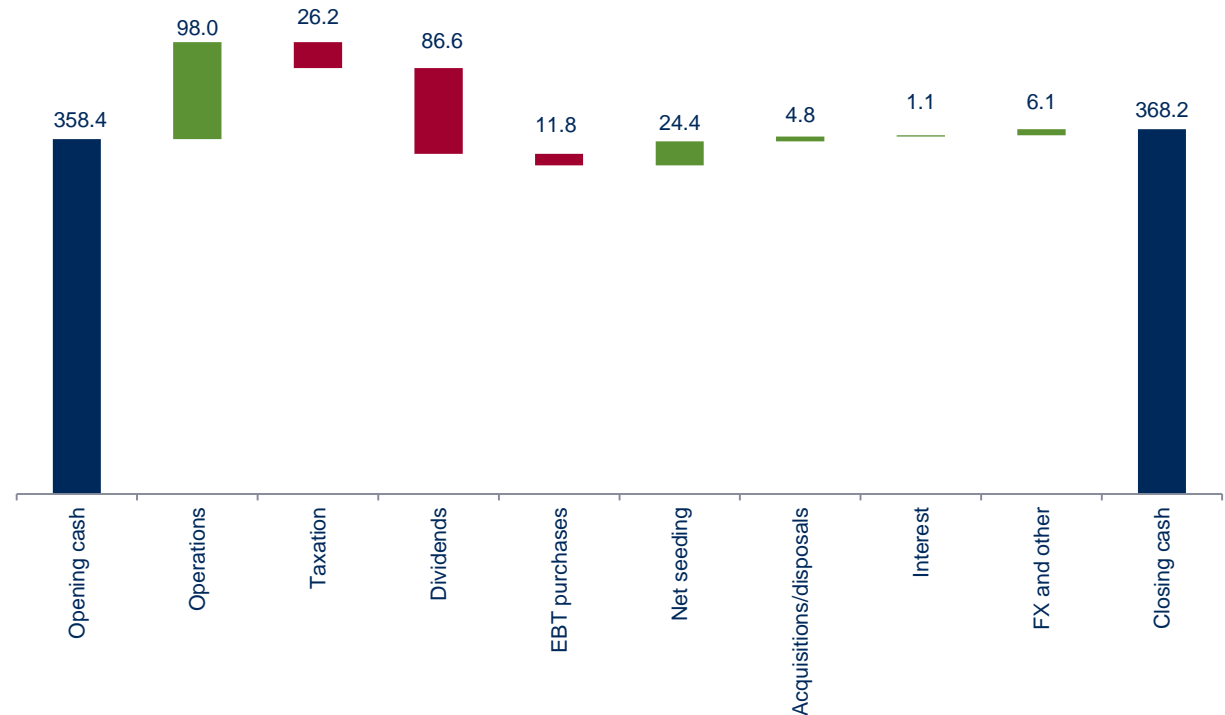
Benefits from weaker Sterling

Financial results

Cash flow

- Cash increased in the period
- Operations generated cash flow of £98.0 million ⁽¹⁾
 - 109% of adjusted EBITDA (H1 2015/16: 87%)
- H1 has seasonal effects
 - Prior year final dividend
 - Prior year bonuses
 - Tax payment
- Other cash flows
 - EBT purchases to offset dilution
 - Seed capital activity generated cash

Cash flow (£m) ⁽¹⁾



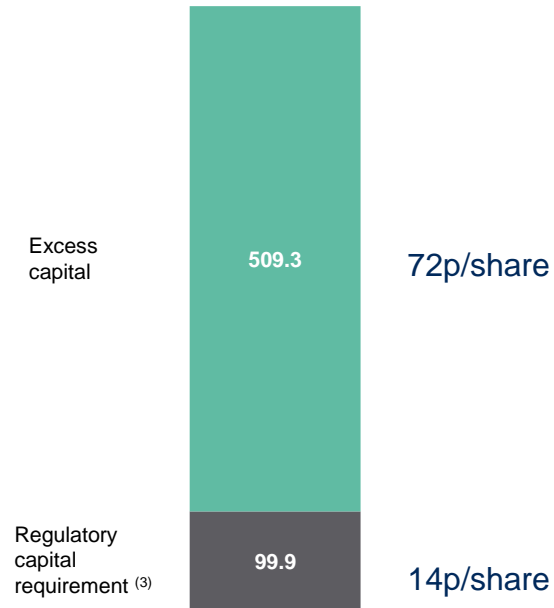
(1) Excludes consolidated funds. See Appendix for reconciliation to statutory consolidated cash flow statement

Operating model and seed capital programme generate good cash flow

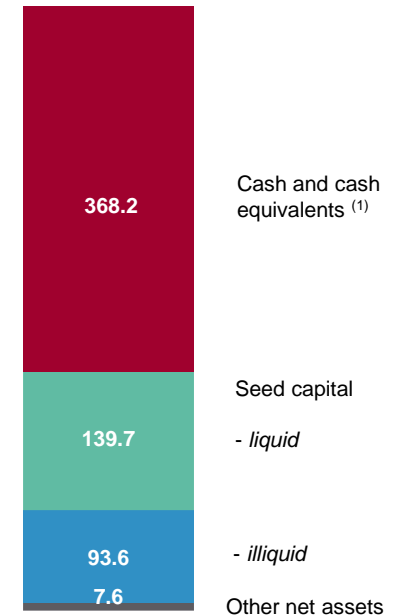
Financial results Balance sheet

- Strong, well-capitalised, liquid balance sheet with no debt
- Excess regulatory capital of £509.3 million
- 83% of balance sheet is liquid
 - Majority of seed capital is in funds with at least monthly dealing frequency

Financial resources = £609.2 million ⁽²⁾



Liquid balance sheet structure



(1) Excludes consolidated funds. See Appendix for reconciliation to statutory consolidated cash flow statement

(2) Total equity less deductions for intangibles, goodwill and associates

(3) Per Pillar 3 disclosures as at 30 June 2016

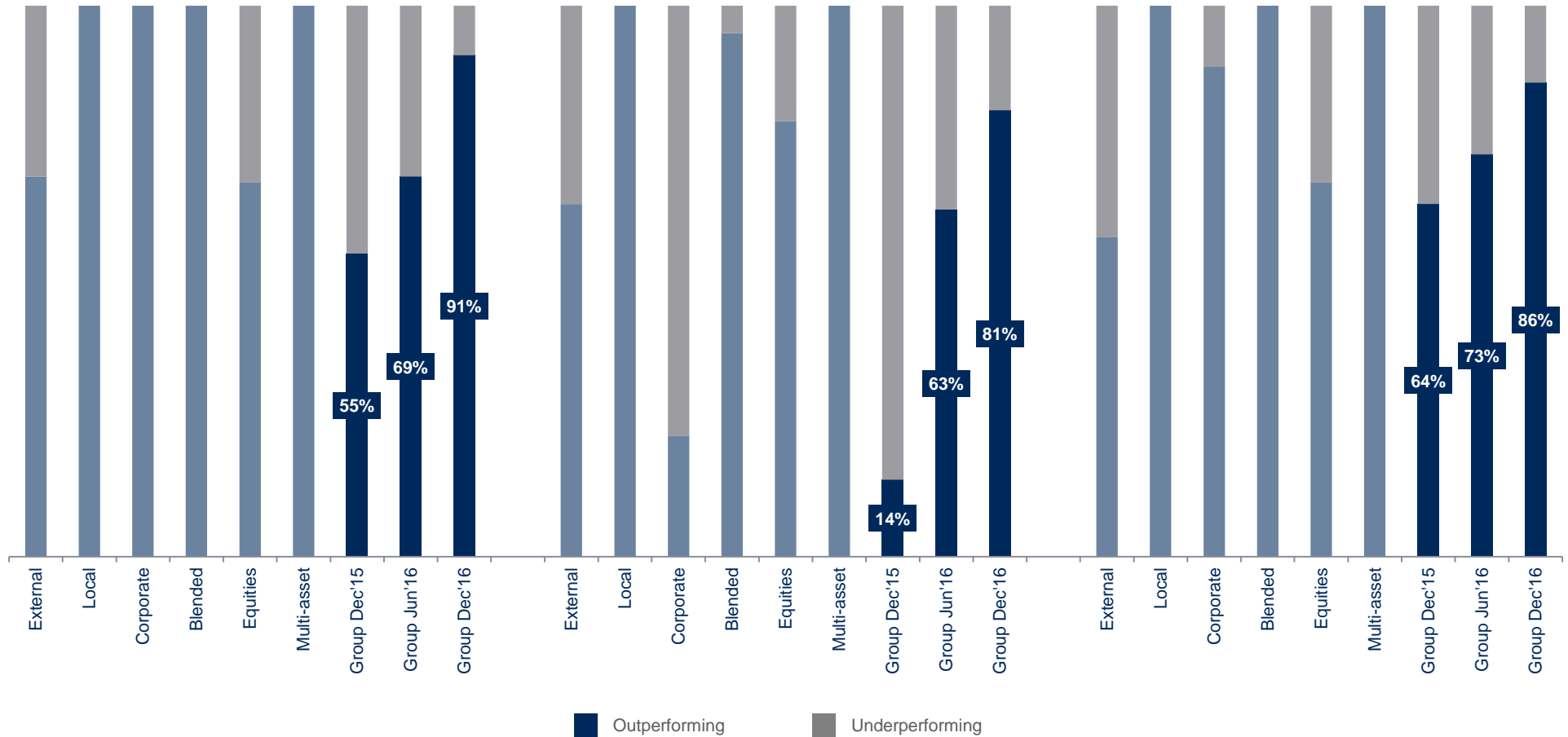
Strong, liquid balance sheet

Investment performance

AuM outperforming versus benchmark, gross 1 year annualised

AuM outperforming versus benchmark, gross 3 years annualised

AuM outperforming versus benchmark, gross 5 years annualised



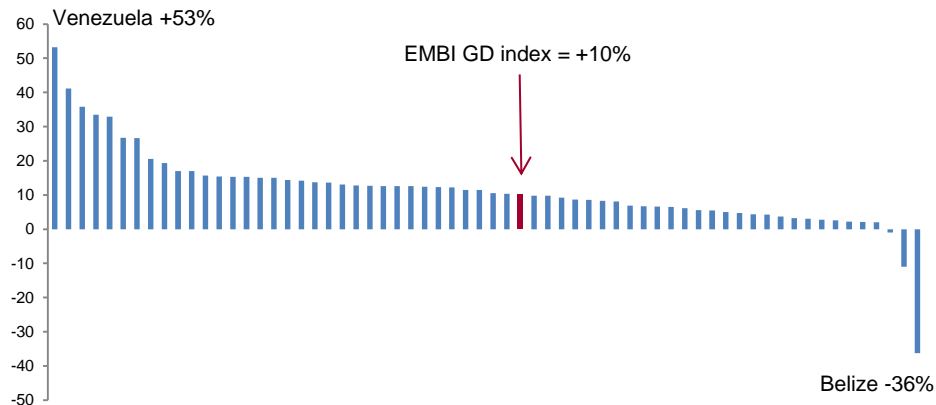
Investment processes delivering strong outperformance

2017 outlook

Emerging Markets environment

- EM GDP growth accelerating after macro adjustments
- Institutions are underweight
- Despite recent performance, still attractive valuations
- Political risk remains, DM more than EM
- Diversity of asset classes and >65 countries is important

External debt index returns (% , 2016)



Asset classes

External debt

- Potential to continue to outperform as US rates rise, with spread of >300bps over UST

Local currency

- Attractive yields, potential for rate cuts
- Active FX management is critical

Corporate debt

- Index spreads are tight, credit selection is important

Blended debt

- Alpha available through active management of diverse asset classes (e.g. +850bps in 2016)

Specialist equities

- Uncorrelated and high returns from inefficient markets, e.g. Frontier +12.6% in 2016 vs benchmark +2.7%

Positive Emerging Markets outlook for 2017

Summary

- Markets performing well, yet institutional allocations are underweight
- Investment performance continues to be strong, both absolute and relative to benchmarks and peers
- Good operational and financial performance in H1 2016/17
- Operating margin increased, good cash generation and maintained strong balance sheet
- Positive outlook for 2017

Appendices

Appendix 1

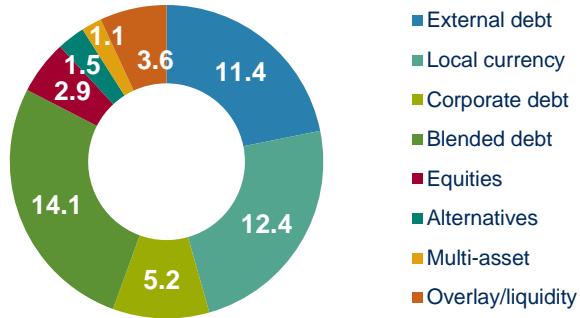
Net management and performance fees by theme

	H1 2016/17 £m	H1 2015/16 £m	H1 2016/17 US\$m	H1 2015/16 US\$m
External debt	23.6	19.9	30.0	30.2
Local currency	22.7	19.8	28.9	30.2
Corporate debt	12.7	11.3	16.2	17.2
Blended debt	30.8	25.6	39.2	39.1
Equities	11.4	11.5	14.5	17.5
Alternatives	7.9	5.0	10.0	7.5
Multi-asset	3.8	4.2	4.8	6.5
Overlay / liquidity	2.0	1.4	2.5	2.2
Total net management fee income	114.9	98.7	146.1	150.4

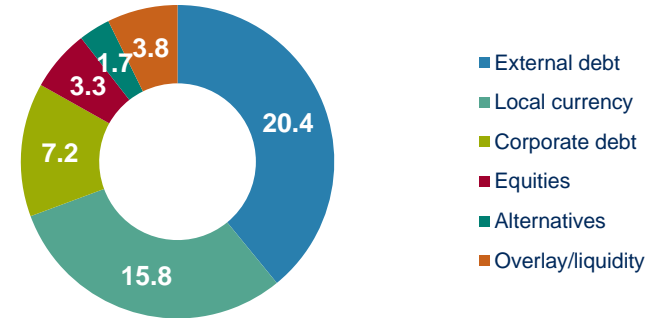
	H1 2016/17 £m	H1 2015/16 £m	H1 2016/17 US\$m	H1 2015/16 US\$m
External debt	8.3	0.1	10.9	0.1
Local currency	10.8	-	13.3	-
Corporate debt	-	-	-	-
Blended debt	2.5	-	3.1	-
Equities	-	-	-	-
Alternatives	-	8.5	-	12.5
Multi-asset	-	-	-	-
Overlay / liquidity	-	-	-	-
Total performance fee income	21.6	8.6	27.3	12.6

Appendix 2a Assets under management

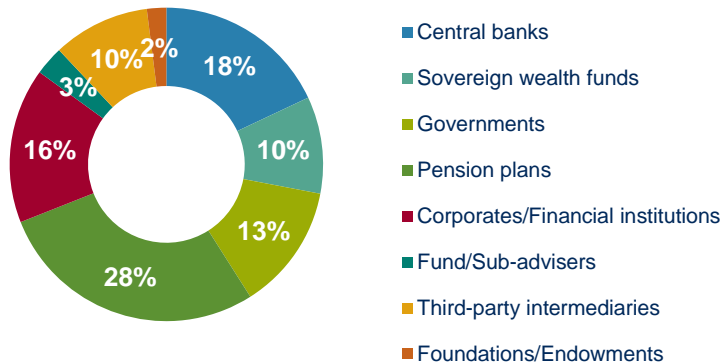
AuM by theme (US\$bn)



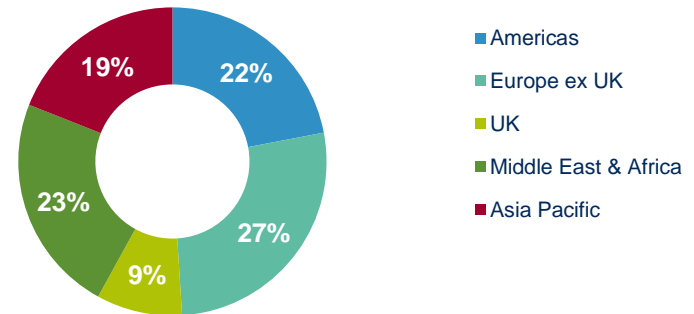
AuM as invested (US\$bn)



AuM by client type



AuM by client location



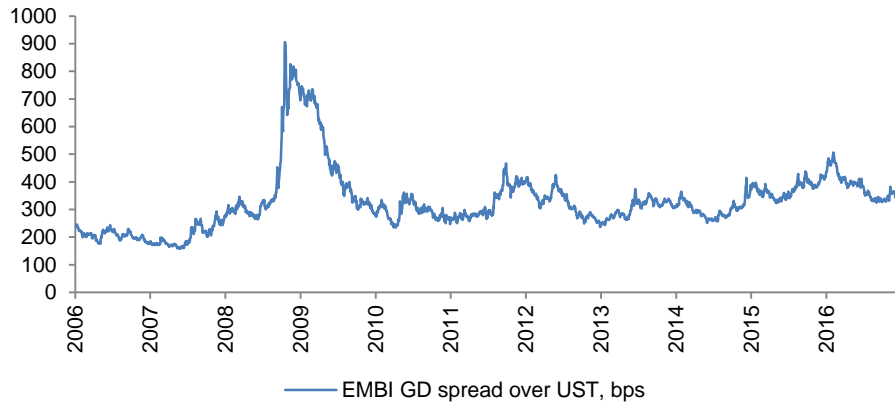
Appendix 2b

Investment themes

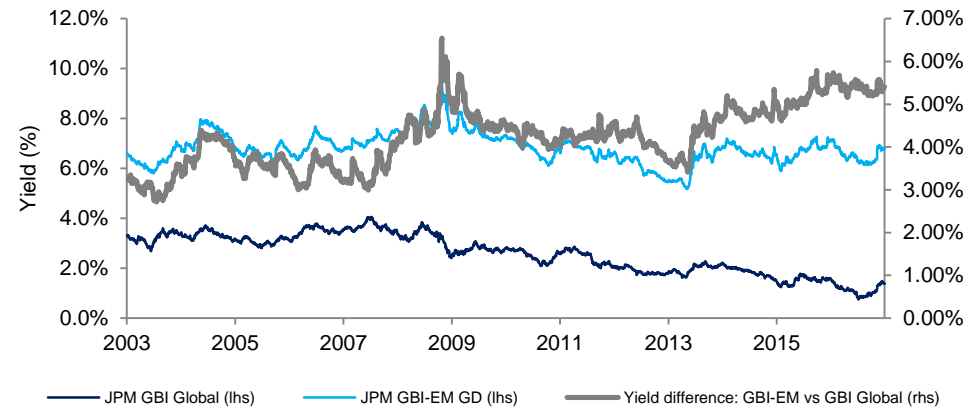
	External Debt (US\$11.4bn)	Local Currency (US\$12.4bn)	Corporate Debt (US\$5.2bn)	Equities (US\$2.9bn)	Alternatives (US\$1.5bn)	Overlay/ Liquidity (US\$3.6bn)
Global Emerging Markets Sub-themes	<ul style="list-style-type: none"> Broad Sovereign Sovereign, investment grade Short duration 	<ul style="list-style-type: none"> Bonds Bonds (Broad) FX FX+ Investment grade 	<ul style="list-style-type: none"> Broad High yield Investment grade Local currency Private Debt Short duration 	<ul style="list-style-type: none"> Global EM Value Global Small Cap Global Frontier Global Equity Opportunities Active equity 	<ul style="list-style-type: none"> Private Equity <ul style="list-style-type: none"> Healthcare Infrastructure Special Situations Distressed Debt Real Estate 	<ul style="list-style-type: none"> Overlay Hedging Cash Management
	Blended Debt (US\$14.1bn)					
	<ul style="list-style-type: none"> Blended debt 	<ul style="list-style-type: none"> Investment grade 	<ul style="list-style-type: none"> Absolute return 			
Regional / Country focused Sub-themes		<ul style="list-style-type: none"> China Indonesia Turkey 	<ul style="list-style-type: none"> Latin America Asia 	<ul style="list-style-type: none"> Africa China India Indonesia Latin America Middle East Saudi Arabia Turkey 	<ul style="list-style-type: none"> Andean Asia India 	
Multi-asset (US\$1.1bn)						
<ul style="list-style-type: none"> Global 						

Appendix 2c Historical valuations relative to Developed Markets

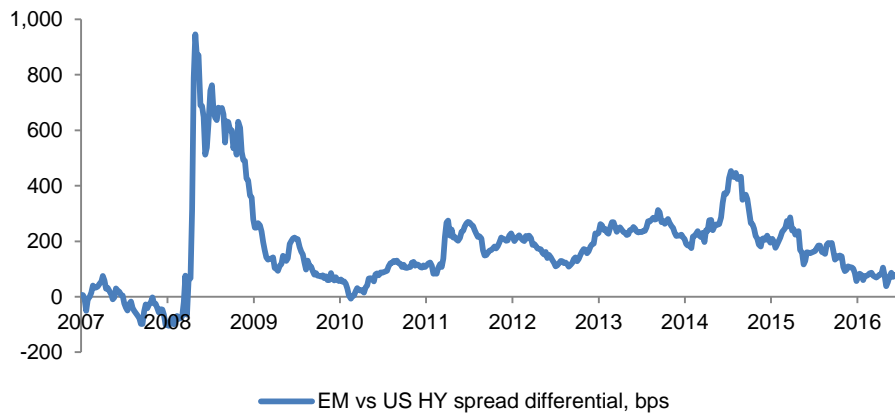
External debt



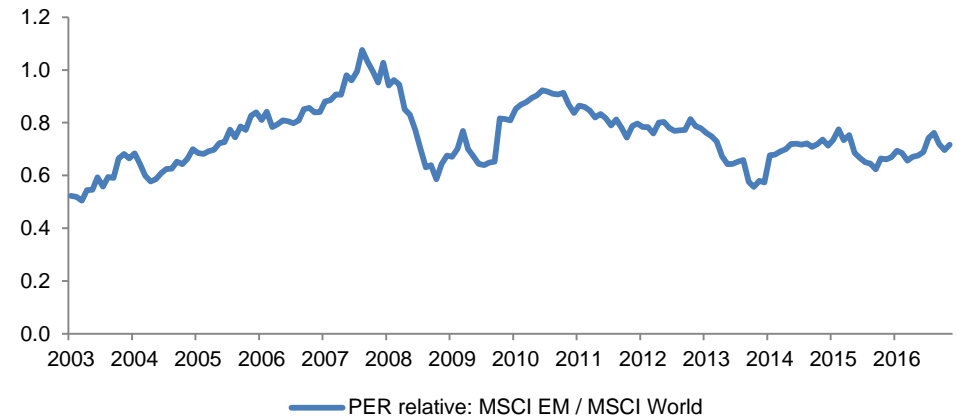
Local currency



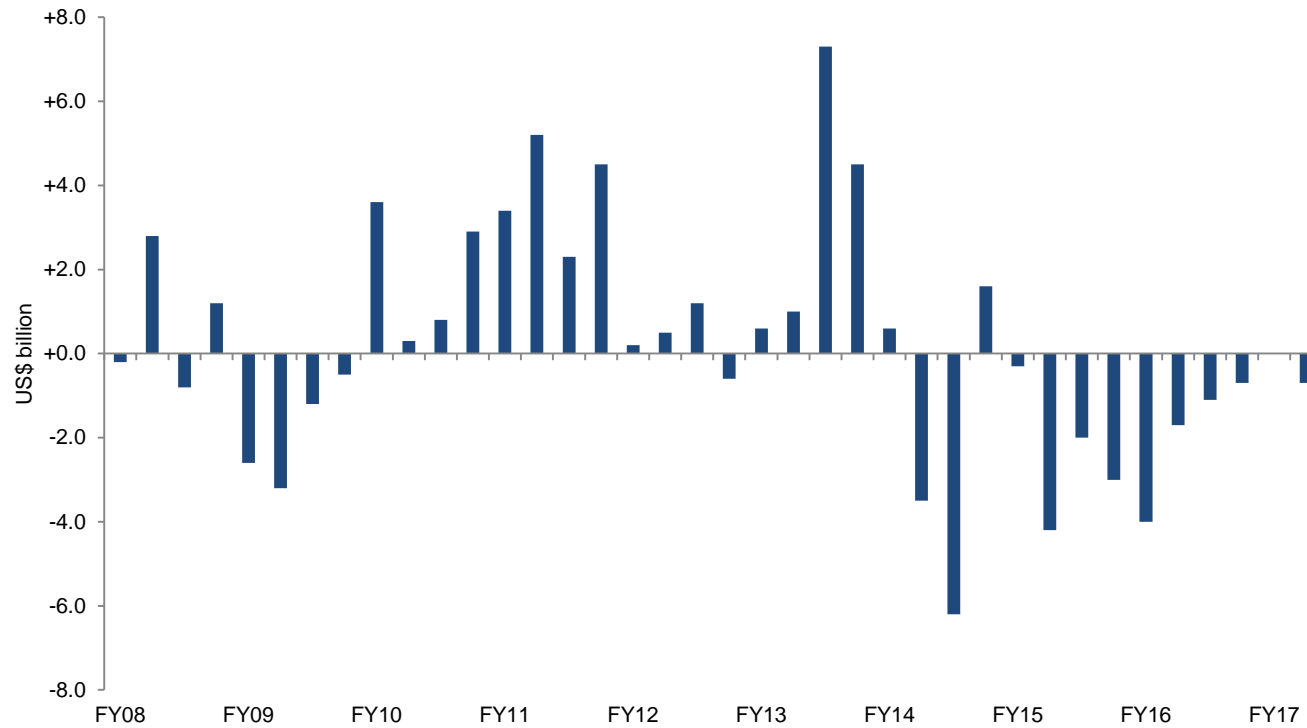
Corporate debt



Equities



Appendix 2d Quarterly net flows



Appendix 3

AuM movements by theme and fund classification

US\$bn	AuM 30 June 2016	Performance	Gross subscriptions	Gross redemptions	Net flows	AuM 31 December 2016
External debt	11.7	0.2	1.1	(1.6)	(0.5)	11.4
Local currency	13.3	(0.3)	0.6	(1.2)	(0.6)	12.4
Corporate debt	5.0	0.1	0.9	(0.8)	0.1	5.2
Blended debt	13.7	0.2	1.7	(1.5)	0.2	14.1
Equities	3.1	-	0.4	(0.6)	(0.2)	2.9
Alternatives	1.5	-	-	-	-	1.5
Multi-asset	1.2	0.1	-	(0.2)	(0.2)	1.1
Overlay / liquidity	3.1	-	0.8	(0.3)	0.5	3.6
Total	52.6	0.3	5.5	(6.2)	(0.7)	52.2

US\$bn	31 December 2016	30 June 2016
Ashmore sponsored funds	14.4	14.2
Segregated accounts	35.9	36.8
White label / other	1.9	1.6
Total	52.2	52.6

Appendix 4

Cash flows and consolidated funds H1 2016/17

£m	As reported	Consolidated funds	Group ex funds
Cash from operations	96.6	(1.4)	98.0
Taxation	(26.2)	-	(26.2)
Interest received	5.1	4.0	1.1
Acquisitions/disposals	4.8	-	4.8
Seeding activities	25.4	1.0	24.4
Dividends paid	(86.6)	-	(86.6)
Treasury/own shares	(11.8)	-	(11.8)
FX and other	6.8	0.7	6.1
Increase/(decrease) in cash	14.1	4.3	9.8
Opening cash & cash equivalents	364.0	5.6	358.4
Closing cash & cash equivalents	378.1	9.9	368.2

Appendix 5 Foreign exchange

Closing rates	31 December 2016	30 June 2016	31 December 2015
GBP:USD	1.2340	1.3234	1.4736

Average rates	H1 2016/17	H1 2015/16
GBP:USD	1.2809	1.5291

Appendix 6

Investment performance

31 December 2016	1yr		3yr		5yr	
	Ashmore	Benchmark	Ashmore	Benchmark	Ashmore	Benchmark
External debt						
Broad	20.4%	10.2%	7.4%	6.2%	7.4%	5.9%
Sovereign	14.1%	10.2%	7.4%	6.2%	6.7%	5.9%
Sovereign IG	7.6%	7.0%	4.9%	5.1%	4.5%	4.2%
Local currency						
Bonds	13.9%	9.9%	-3.0%	-4.1%	-0.4%	-1.3%
Corporate debt						
Broad	20.1%	9.7%	4.5%	5.3%	7.4%	5.9%
HY	23.8%	16.1%	2.7%	5.7%	7.8%	7.6%
IG	7.1%	5.8%	4.9%	4.7%	5.8%	5.1%
Blended debt						
Blended	17.0%	8.5%	4.7%	1.1%	5.1%	2.3%
Equities						
Global equities	19.4%	11.2%	-3.6%	-2.6%	1.3%	1.3%
Global small cap	8.0%	2.3%	-0.6%	-1.3%	5.8%	3.5%
Frontier	12.6%	2.7%	2.9%	-2.1%	10.9%	5.2%

Source: Ashmore (un-audited), JP Morgan, Morgan Stanley

- Returns gross of fees, dividends reinvested.

- Annualised performance shown for periods greater than one year.

- All relevant Ashmore Group managed funds globally that have a benchmark reference point have been included; specifically this excludes Alternatives and Multi-asset funds

Benchmarks

External debt Broad	JPM EMBI GD
External debt Sovereign	JPM EMBI GD
External debt Sovereign IG	JPM EMBI GD IG
Local currency Bonds	JPM GBI-EM GD
Blended debt	50% EMBI GD 25% GBI-EM GD 25% ELMI+
Corporate debt Broad	JPM CEMBI BD
Corporate debt HY	JPM CEMBI BD NIG
Corporate debt IG	JPM CEMBI BD IG
Global equities	MSCI EM net
Global small cap	MSCI EM Small Cap net
Frontier	MSCI Frontier net

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