

# JUPITER

Annual Report and Accounts 2018



JUPITER FUND MANAGEMENT PLC

  
**JUPITER**

# CONVICTION

An active asset management business with a commitment to the delivery of growth through investment excellence.

## OUR PURPOSE

To help clients meet their long-term investment objectives.

## WHAT WE OFFER

We enable individuals and institutions to access active returns through a variety of savings products.

**DELIVERING  
GROWTH THROUGH  
INVESTMENT  
EXCELLENCE**

**CLEAR FOCUS ON  
INVESTMENT  
PERFORMANCE**

**DIVERSIFICATION**

**DISCIPLINED  
RESOURCE  
MANAGEMENT**

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# HOW WE DID IN 2018

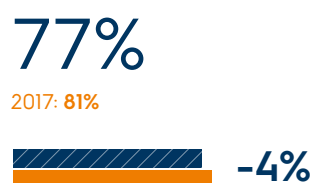
In 2018, we continued to deliver strong investment performance for our clients, after all fees. Whilst on a gross basis we saw inflows of £11.9bn, client redemptions in our fixed income strategy contributed to net outflows of £4.6bn. It was also a challenging year for asset values, with market movements reducing the value of our AUM by £2.9bn, leading to an overall reduction of AUM in the year of £7.5bn to £42.7bn.

Despite the reduction in AUM, with profit before tax and underlying EPS<sup>1</sup> each 7% lower at £179.2m and 31.7p respectively, our robust balance sheet and financial resource management has enabled us to maintain a strong capital position whilst keeping the ordinary dividend at 17.1p and declaring a special dividend of 11.4p.

## NON-FINANCIAL

Our investment performance continued to be strong, with 77% of our mutual fund assets under management (AUM) outperforming the median over three years at 31 December 2018. However, outflows from our fixed income strategy and unfavourable market movements contributed to a fall in AUM of 15% to £42.7bn.

### INVESTMENT PERFORMANCE AFTER ALL FEES



### NET FLOWS



## FINANCIAL

Net management fees increased by 1% to £395.7m, due to higher average AUM across the year. Underlying earnings per share (EPS) were 7% lower, reflecting the cessation of box profits and an increase in operating expenses (including the impact of research costs), partially offset by higher performance fee receipts.

Profit before tax and basic EPS were similarly down by 7% and 8%, to £179.2m and 31.8p respectively.

### NET MANAGEMENT FEES<sup>1</sup>



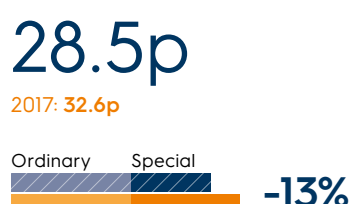
### UNDERLYING EARNINGS PER SHARE<sup>1</sup>



## RETURNS TO SHAREHOLDERS

Total dividends for the year were 28.5 pence per share, made up of a progressive ordinary dividend of 17.1p (unchanged from the prior year) and a special dividend of 11.4p (2017: 15.5p).

### TOTAL DIVIDEND



<sup>1</sup> The Group's use of alternative performance measures is detailed on page 41.



DELIVERING GROWTH THROUGH  
INVESTMENT EXCELLENCE

# CLEAR FOCUS ON INVESTMENT PERFORMANCE

The delivery of outperformance after fees to clients  
is the primary focus of our business.



# 1 CULTURE

We believe that freeing talented individuals to pursue their own investment styles provides the best outcomes for clients and is a key differentiator for Jupiter. With no 'house view' to constrain them, our fund managers seek the best investments through fundamental analysis.

This approach also makes Jupiter an attractive employer for outstanding fund managers.

# 2 CAPABILITIES

Our fund managers are organised into strategy teams, ensuring that they can share ideas and information, while retaining individual accountability for their funds' performance.

We have successfully broadened our investment capabilities in recent years, recruiting talented specialists in areas such as multi-asset, fixed income and alternatives.

# 3 STEWARDSHIP

We believe that effective stewardship is a key part of achieving the best risk-adjusted returns for our clients.

Our investment teams and governance specialists work together to integrate stewardship into our investment approach, ensuring we understand how governance themes can influence long-term performance. All our fund managers are involved in voting decisions and governance dialogues with companies.

## LOOKING FORWARD – AREAS OF FOCUS FOR 2019

### CULTURE

- ▶ Continue to focus on high-conviction active asset management, as a core differentiator
- ▶ Maintain our distinctive culture, in which talented investment professionals can thrive and deliver investment performance

### CAPABILITIES

- ▶ Add further to our capabilities by developing talent and attracting talented individuals and teams
- ▶ Manage the lifecycle of our investment capabilities
- ▶ Ensure we have succession plans to advance talented managers

### STEWARDSHIP

- ▶ Maintain our programme of meetings with executive management, company chairmen and non-executive directors
- ▶ Exercise our responsibilities by continuing to vote at company meetings



## DELIVERING GROWTH THROUGH INVESTMENT EXCELLENCE

# DIVERSIFICATION

We continue to follow our strategy of diversifying our business by geography, client type and product. This has given us a more resilient business and provides a broader range of growth opportunities.

# 1

## PRODUCT

Our number one priority is creating value for our clients after all fees through investment excellence. Our focus is on high-conviction active asset management, which differentiates us from competing products, in particular from passive funds. We have developed a broad product range that appeals to clients across different geographies. Clients can choose products which meet their needs and suit current market conditions.

In 2018, we launched six new funds. These included a multi-asset income offering and a sustainable equity fund aimed at institutional investors.

# 2

## CLIENT

Our mutual fund clients are mainly individual investors, who we reach through intermediaries such as financial advisers, wealth managers and online platforms. We continue to diversify by client type, for example by expanding into the retail channel in our European and Asian markets.

We also have a growing institutional business, which provides opportunities to expand our client base in the UK and internationally.

# 3

## GEOGRAPHY

Our strong base in the UK provides an excellent platform for growing internationally. We are an established business in major European and Asian markets, which each present opportunities to further grow and deepen our presence. We are also beginning to target new regions, including Latin America, the US offshore market and the Middle East.

### LOOKING FORWARD – AREAS OF FOCUS FOR 2019/20

#### PRODUCT

- ▶ Continue to launch new products, based on new and existing capabilities
- ▶ Enhance our product lifecycle management

#### CLIENT

- ▶ Continue to expand our mutual fund client base in the UK, Europe and Asia
- ▶ Further develop our institutional offering and win new mandates

#### GEOGRAPHY

- ▶ Deepen our presence in existing European markets
- ▶ Make further inroads in key Asian markets
- ▶ Continue to build momentum in Latin America and US offshore



DELIVERING GROWTH THROUGH  
INVESTMENT EXCELLENCE



# DISCIPLINED RESOURCE MANAGEMENT

We continually look to attract new talent, enhance our efficiency by investing in our operating model, and deploy our financial resources to support our growth strategy and reward our people and shareholders.



# 1 OUR PEOPLE

We have a strong reputation for attracting talented people, both into our fund management teams and across the wider Group.

Our strategy focuses on stretching and developing our people in their individual roles, supported by our positive culture and a broad learning and development offering. We continually look to improve the diversity of our workforce by bringing in people from a range of backgrounds.

# 2 OPERATING MODEL

We have a single operating platform, which provides operational efficiencies as we grow. This platform enables us to expand distribution, allows our fund managers to work effectively and supports the addition of new products and investment strategies. We have augmented this platform by the introduction in 2017 of a single investment system.

We have invested and will continue to invest in our platform to ensure it remains fit for purpose as the external operating environment and the possibilities of technology continue to change and evolve.

# 3 FINANCIAL RESOURCES

A strong balance sheet supports the resilience of our business through challenging cycles. We maintain a significant surplus over regulatory capital requirements whilst paying a progressive ordinary dividend and returning capital not required through a special dividend.

Our investment in people, processes, funds and technology to support our growth is carefully prioritised as part of a disciplined approach to strategic and financial planning. In recent years we have expanded our seed investment programme to help new and existing funds to reach scale more quickly and increase their marketability to clients.

## LOOKING FORWARD – AREAS OF FOCUS FOR 2019

### OUR PEOPLE

- ▶ Continue to attract and develop a diverse range of new talent to Jupiter
- ▶ Develop our people through targeted training opportunities

### OPERATING MODEL

- ▶ Continue to embed our investment management platform, drive efficiencies through investment in robotics, automation and data science

### FINANCIAL RESOURCES

- ▶ Maintain a strong and resilient balance sheet
- ▶ Maintain the Group's progressive dividend policy and return capital earned in the year and not needed in the business as a special dividend
- ▶ Continue to use seed investment to accelerate growth

# DELIVERING VALUE THROUGH INVESTMENT PERFORMANCE AND TRANSPARENCY



**Putting clients' interests first is at the heart of our business model and we believe that by delivering for clients, Jupiter will prosper.**

## DEAR FELLOW SHAREHOLDER

It has been a challenging year across the asset management industry, and Jupiter has had a disappointing year in comparison with the successes of 2017. But despite difficult market conditions, the Group's investment performance after fees was strong in 2018. Putting clients' interests first is at the heart of our business model and we believe that by delivering for clients, Jupiter will prosper.

In recent years, investment outperformance has supported strong inflows into our funds, in particular our Dynamic Bond fund, which, in the five years to 2017, had contributed net inflows of £8.7bn. In 2018, however, we saw net outflows of £4.6bn, driven largely by redemptions from the Dynamic Bond fund. Along with the decline in asset prices, this was the major factor in a decrease in assets under management of £7.5bn to £42.7bn at the year end. Statutory profit before tax fell 7% to £179.2m.

The Board is conscious that the market environment has affected Jupiter's share price, with our shares falling by some 50% in 2018. A significant factor in this was the changing sentiment towards the sector, reflecting rising interest rates and the potential for more challenging times for the industry, with expectations of further increases in compliance costs coupled with lower future revenue margins.

The Board believes that our focus on delivering for clients, allied to a disciplined approach to investment into our business and a resilient balance sheet, provides shareholders with confidence in Jupiter as a long-term, sustainable business.

## CAPITAL MANAGEMENT

Jupiter's dividend policy targets an ordinary dividend pay-out of 50% of our underlying earnings per share and, except in exceptional circumstances, an ordinary dividend that is no less than we paid in the previous year.

The Board is now declaring a full-year dividend of 9.2p per share (2017: 10.3p), to give a total ordinary dividend of 17.1p. This matches the 2017 amount, in line with our stated ordinary dividend policy.

Our approach to capital management also includes returning capital we do not need in the business to shareholders through special dividends. Jupiter has a robust balance sheet and regulatory capital position. As described later in this report, we have chosen, in accordance with the FCA rulebook, to change the method we use to calculate our regulatory capital resources to the default method used in the industry. This mitigated the impact that accounting changes would otherwise have made to our surplus capital from 1 January 2019.

Taking these factors into consideration, the Board has announced a special dividend of 11.4p per share for 2018 (2017: 15.5p per share). This will be paid at the same time as the full-year dividend. In aggregate, shareholders will receive dividends of 28.5p per share in respect of 2018.

As part of our long-term capital deployment strategy, the Group continues to invest in the business to support new and existing funds, evidenced by the increased use of seed investment to enable our products to gain traction in the market.



## BOARD AND PEOPLE

The Board's membership was steady during the year, with the only change in 2018 being the previously announced retirement of Lorraine Trainer, who stepped down as a Non-Executive Director at the Annual General Meeting on 16 May 2018. I once again thank Lorraine for her support and significant contribution during eight years on the Board.

As part of the Board's ongoing succession planning for key individuals, on 22 January 2019 we announced that Maarten Slendebroek is stepping down as CEO and as a Director of the Company with effect from 1 March 2019. The Board has appointed Andrew Formica as CEO and a Director of the Jupiter from that date. Andrew was the Co-CEO of Janus Henderson Group until 2018 and was the Chief Executive of Henderson Group plc between 2008 and the merger with Janus Capital in 2017. He brings a wealth of fund management experience to the role and we are delighted to have secured someone of Andrew's calibre to succeed Maarten.

On behalf of the Board I would like to extend our sincere thanks to Maarten and pay tribute to his significant achievements for Jupiter. Maarten has executed a successful diversification strategy which has developed Jupiter from a predominantly UK-focused equities business to one that is now more broadly diversified by asset class, geography and channel. He leaves with the Board's very best wishes.

We announced on 26 February that our current CFO, Charlotte Jones, will be leaving Jupiter in Summer 2019 to take up the role of CFO at RSA Insurance Group plc where she is currently a Non-Executive Director. RSA is a FTSE 100 company and we wish her well in this step up. We have begun the process to determine her successor and a further announcement will be made in due course.

More information about our governance arrangements, including the most recent evaluation of the Board and its committees, can be found in my introduction to the Governance section.

Jupiter's culture of autonomy and personal accountability helps us to attract talented people to every part of the Group. We have a dedicated and hard-working team across the company and I want to thank everyone at Jupiter for their contribution to the Group's progress this year.

## OUR PURPOSE AND CULTURE

The most recent Corporate Governance code states that it is the Board's responsibility to set the purpose for a company, encompassing what it does and how it does it, and how achieving its objectives adds value not only to shareholders and immediate stakeholders such as employees and clients, but also to the wider society.

During 2018 the Board initiated a project to consider what Jupiter's purpose is, with a goal of articulating and embedding Jupiter's purpose internally and externally through a comprehensive communications and people programme during 2019.

Board, executive team and employee interviews and workshops were held to reflect on perceived public mistrust towards the financial services sector and to define Jupiter's role in society. Participants concluded that our pedigree and history in stewardship, as well as our long-term investment approach, has the most impact on our stakeholders as well as society at large.

For 2019 an integrated programme has been designed to support the business in articulating Jupiter's purpose and then ensuring it is embedded within its culture, its brand and in all of the ways it communicates and interacts with its clients, shareholders and employees.

## LOOKING FORWARD

It is very likely that a challenging environment will continue in the year ahead in all geographical regions in which we operate. Uncertainty around Brexit will see continued political turmoil and market confusion play out at least in the medium term.

The Board believes that Jupiter has a strong and sustainable business model that will continue to deliver value for our clients and in doing so benefit all of our stakeholders.

**LIZ AIREY**  
Chairman

# STRENGTH IN OUR STRATEGY



**We have continued to invest in our investment capabilities to ensure we are meeting our clients' evolving needs.**

## DEAR FELLOW SHAREHOLDER

As set out in the Chairman's Statement, I will be stepping down as CEO of Jupiter on 1 March 2019, making this my final letter to shareholders after leading the company for five years. I would like to take this opportunity to thank you for the support you have shown during my time at the company. I am confident that Jupiter will continue to go from strength to strength as a truly active, client-centric fund management business.

2018 was not an easy year for Jupiter as we faced outflows from a key strategy and declining market valuations. As a consequence, assets under management went down from their record high, ending the year at £42.7bn. This was put into particularly sharp relief having experienced such a strong 2017 as a business.

With market volatility continuing during the year, it was encouraging to see that our strategy of diversification underpinned solid business performance for the period. Most pleasing is that we delivered strong fund performance for our clients during the year with 77% of our mutual fund assets under management outperforming the median over three years. As reported throughout the year we saw net outflows, primarily in our fixed income strategy which impacted closing AUM. Gross sales remained strong as we saw client demand for active asset management continue.

It was also a tough year for asset managers in general, who faced a challenging environment as market sentiment towards the sector experienced a significant shift. Headwinds such as rising compliance and regulatory costs negatively affected the industry.

This was exacerbated by the prospect of rising long-term interest rates and the uncertainty of the impact of Brexit on the British economy and UK equities. In the first nine months of the year, higher interest rates also had an impact on investor sentiment towards fixed income products.

In the five years to 2017, the Jupiter Dynamic Bond Fund contributed net inflows of £8.7bn, but 2018 saw a reversal of some of the inflows we had recorded the year before.

We have continued to invest in our investment capabilities to ensure we are meeting our clients' evolving needs. The last 12 months have seen the launch of six new funds which added to our capabilities in alternatives and further built out our multi-asset capability. Our multi-asset income strategy has seen early traction and we are confident it will become an increasingly important part of the product mix as the franchise matures.

Our commitment to delivering outperformance relies upon our active approach to investing. Jupiter fund managers are independent thinkers, they are given the freedom to follow their convictions when seeking to identify and invest in strong sustainable businesses. We believe that effective stewardship is a key part of achieving the best risk-adjusted returns for our clients. Our investment teams and governance specialists work together to integrate stewardship into our investment approach, ensuring that we understand how governance and sustainability themes can influence long-term performance. A key part of our fund managers' governance process is based on engaging with the companies we invest into in a meaningful and impactful way. Each year, we hold more than 1,000 company meetings.



## PROGRESS ON OUR STRATEGY

- ▶ Six new funds launched in the last 12 months
- ▶ Further build-out of our multi-asset and alternatives capabilities
- ▶ New office in The Netherlands opened
- ▶ Head of Country hired to develop our presence in Latin America and US offshore
- ▶ Expansion of our footprint in the Middle East and Africa
- ▶ We have maintained our strong balance sheet and capital distribution policy

Our fund managers also exercise their responsibilities as stewards of clients' money, not just through active engagement with management and the Board throughout the year, but at investee companies' AGMs as well.

In line with our strategy to diversify by product, client and geography, we continued to strengthen our distribution capabilities to support Jupiter's growth in international markets. We opened a new office in The Netherlands and appointed an experienced country head to help us establish the Jupiter brand amongst Dutch investors. We also made a senior hire to develop our presence in the Latin American and US offshore markets. Further, we appointed an adviser to expand our footprint in the Middle East and Africa across all sales channels. I have always believed diversification builds resilience and, while we remain a leader in the UK mutual fund market, it is equally pleasing to see that non-UK markets represent an increasing share of our total assets; Europe, for instance, now accounts for 18% of our total assets under management, up from just 8% in 2013.

From a client perspective, we have been expanding into the retail channel in our European and Asian markets. We also have a promising institutional business, which provides opportunities to expand our client base in the UK and internationally.

Elsewhere, there was good progress made on the delivery of key operational projects such as the implementation of a single investment platform, MiFID II and our preparations for the embedding of the Senior Managers and Certification Regime throughout the business.

We have already realised the benefits of a more streamlined approach to accessing first class investment research for the benefit of our clients.

The establishment of a Luxembourg-based management company, which will manage the activities of Jupiter's European offices, will allow us to continue to look after our European clients without any disruption post-Brexit, despite the political and economic uncertainty that it may bring.

As a people business, identifying and retaining talented people is of paramount importance. So I am especially proud of the good progress that has been made in delivering impactful leadership and development programmes as well as attractive and competitive staff benefits to underpin our commitment to our diverse and talented colleagues.

All of this investment has been possible because we have maintained a strong balance sheet allied with a commitment to financial discipline that has also helped deliver the capital returns you expect from us. Our robust capital position means that 90% of underlying earnings will be returned to shareholders through a total dividend of 28.5p.

As I prepare to hand over the reins to my successor, I would like to say it has been a privilege to work at Jupiter alongside so many talented colleagues.

I leave Jupiter in good health and I wish my successor, our shareholders, clients and colleagues every success for the future.

**MAARTEN SLENDEBROEK**  
Chief Executive Officer

# A SNAPSHOT OF JUPITER

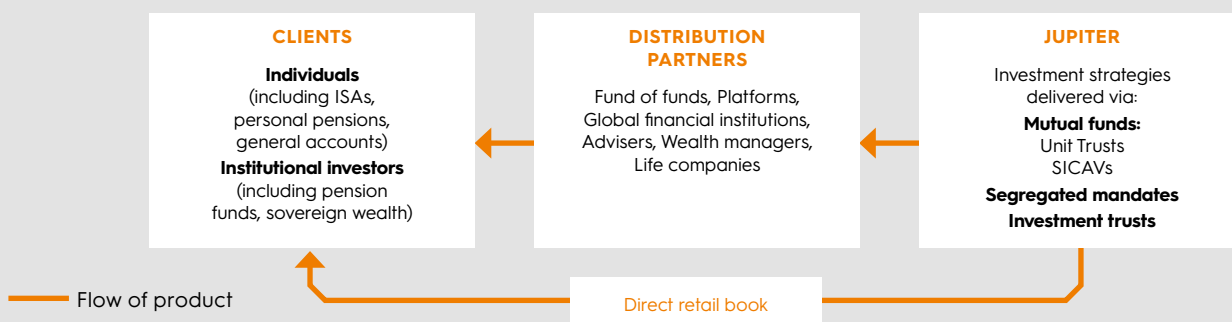
Delivering growth through investment excellence.

## WHAT WE DO

As an active fund manager, we aim to deliver long-term investment outperformance, after all fees to our clients. This helps us to grow our assets under management and increase our revenues and profits, allowing us to invest for continued growth.

## WHO WE SERVE

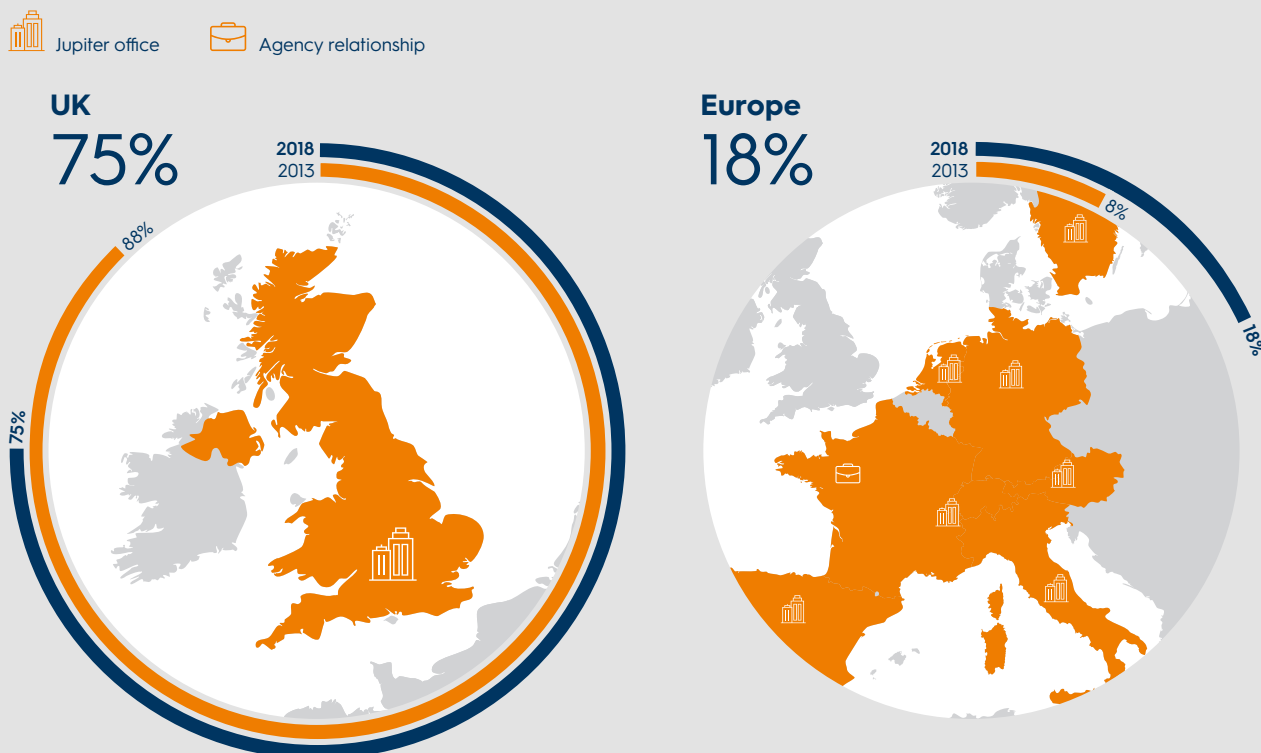
Jupiter manages mutual funds, segregated mandates and investment trusts on behalf of individuals and institutions. We access individuals principally through our distribution partners.



## WHERE WE OPERATE: EXPANDING OUR INTERNATIONAL PRESENCE

We are a leader in the UK mutual fund market and have a growing presence in our chosen European and Asian locations. While the UK remains the primary location for our clients, our diversification strategy has led to a significant increase in clients from other locations.

The graphic below shows the changing geographic mix of AUM.





## HOW WE DO IT: OUR PEOPLE AND CULTURE

We believe that freeing talented individuals to pursue their own investment styles provides the best outcomes for clients and is a key differentiator for Jupiter. With no 'house view' to constrain them, our fund managers seek the best investments through fundamental analysis, with a focus on good stewardship. Our fund managers are organised into strategy teams, so they can share ideas and information, while retaining individual accountability for their funds' performance.

## A SINGLE OPERATING PLATFORM

We continually invest to ensure our operating model is scalable, efficient and fit for purpose as our business evolves.

83

Investment professionals  
in London



439

Other employees, of which 35  
are located in Europe and Asia,  
providing in-country support for our  
international business growth.

## OUR VALUES

Our primary responsibility is to our clients, who entrust their savings to our management. We aim to protect and grow their assets and provide an excellent service.

Every employee can make a difference to Jupiter. We value individual talent and independent thought and seek to give freedom to employees to deliver to their best. We do this within a team framework where respect, high standards and innovation are key to our high-performance culture.

We aim to make a positive contribution to society as managers of other people's money. We seek to do so by increasing the value of our clients' savings, in the way we run money and overseeing ethical behaviour in the companies in which we invest.

We believe that living by our values enables Jupiter to be a profitable and sustainable company which provides long-term returns to clients, employees and shareholders.

Asia  
4%

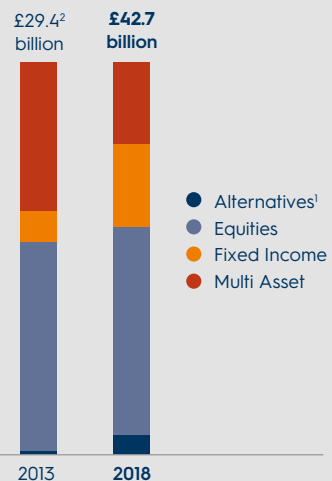
2018 4%  
2013 1%

RoW  
3%

2018 3%  
2013 3%



## SPLIT OF AUM BY ASSET CLASS



<sup>1</sup> Alternatives includes Cash Fund of £70m in 2013.

<sup>2</sup> Numbers exclude private clients AUM.

# UNDERSTANDING OUR MARKET ENVIRONMENT

A number of powerful long-term trends are driving demand for differentiated investment products that can deliver outperformance to clients, after all fees.

## MARKET DRIVERS

### 1. POPULATIONS ARE GROWING AND AGEING

Populations around the world are increasing and people are living longer. According to the United Nations, 13% of the global population was aged 60 or over in 2017, equating to 962m people. Europe has the largest proportion of over 60s at 25%, while Asia is in line with the global average at 12%. Worldwide, the population aged 60 or over is growing faster than all younger age groups, at about 3% per annum. The number of older people is projected to reach 1.4bn by 2030 and 2.1bn by 2050. All regions except Africa will have a quarter or more of their population over 60 by 2050.

### 2. INDIVIDUALS ARE HAVING TO SAVE FOR RETIREMENT

The population trends described above mean that many more people need to fund longer retirements. However, the cost of funding pensions means that governments and companies are limiting pension provision. Individuals are therefore increasingly having to provide for retirement themselves, using defined contribution pension schemes and other forms of long-term savings.

### 3. DEVELOPING ECONOMIES ARE GETTING RICHER

As incomes grow in developing economies, individuals increasingly want to diversify their savings by holding foreign investments, which give them access to a wider range of assets. Mutual fund providers, pension funds and insurance companies are providing more opportunities for these individuals to achieve their investment goals.

### 4. INDIVIDUALS WANT POSITIVE RETURNS ON THEIR INVESTMENTS

Persistently low interest rates in many countries mean that traditional savings accounts offer negative real returns. As a result, pre- and post-retirement savers are turning to investment products which offer the prospect of positive returns. In particular, the ability to increase the value of savings during the post-retirement phase while still generating income is changing the nature of client demand.

### 5. CLIENTS ARE DEMANDING DIFFERENT PRODUCTS

Flows into mutual funds continue to polarise. At one end of the spectrum, there is ongoing demand for low-cost exchange-traded and index funds, where returns track an underlying market index. These offerings are generically known as passive funds. At the other end, there have been significant inflows into high-performance, outcome-orientated active strategies, capable of delivering additional returns. This is the area in which Jupiter operates.

In the middle are traditional funds, such as long-only, single-geography equity and fixed income funds. These have seen sizeable outflows, especially from funds which stick closely to the benchmark and compete with low-cost passive alternatives.

To attract and retain clients, active asset managers must be able to clearly differentiate their products and demonstrate that they deliver positive returns after all fees.

### 6. CLIENTS ARE DEMANDING FEE TRANSPARENCY AND VALUE FOR MONEY

Fees can have a significant impact on returns to clients over time. Clients therefore want a clear understanding of how much they are paying, so they can assess whether they are receiving value for money from their asset managers.

Our primary regulator is the Financial Conduct Authority (FCA) in the UK. We welcome the FCA's continued drive towards transparency in fee charges and its focus on the value for money to clients of the investment service provided.

### 7. OUR DISTRIBUTION PARTNERS ARE CONSOLIDATING

In the UK, the retail and wealth channels are consolidating, as distributors acquire each other. These channels are also converging, for example as advisory practices launch their own funds. In addition, we see these organisations behaving more like institutions, such as using independent consultants and third-party research and support. These trends enable fund providers such as Jupiter to influence a larger number of advisers more easily, through their central decision makers, and to target the distribution partners who are growing most quickly and have the potential to take a greater range of funds.

Conversely, this transformation of the channels is expected to lead to greater volatility in fund flows, as individual decision-makers influence greater levels of fund selection and asset allocation.

## 8. UNCERTAINTIES FACING OUR MARKETS AND INVESTORS

In addition to the trends outlined above, there are some uncertainties which could affect how our market operates or influence which market participants are successful.

There is political uncertainty in a number of the countries in which we operate, including the outcome of the Brexit process. These uncertainties could affect clients' wealth and subsequent attitude towards savings and investment. Brexit could result in unforeseen changes in government policy or the regulatory and legal framework for the fund management industry, and not just in the UK, our home market.

Technological advances will also affect the way the industry operates. Artificial intelligence, machine learning, data and analytics could fundamentally change portfolio management. Technology may also have an increasing role in distribution and client services, for example by enabling precisely targeted marketing and allowing advisers to self-serve and find answers to their common questions.

## WHAT THESE TRENDS MEAN FOR JUPITER

### The trends in our markets have important implications for our strategy and operations:

- ▶ There is substantial demand for investment products that offer strong performance after fees. Jupiter must meet this challenge in order to retain clients, attract greater inflows and grow revenues. Investment outperformance after all fees for our clients, delivered through active asset management, is therefore our number one priority.
- ▶ Demand for different product types and the continued shortening of product lifecycles means we need to further innovate and diversify our active range. We continue to develop and launch new investment products, where we have the ability to differentiate our active offering. At the same time, long-term demographics are increasing demand for mutual funds. This gives us the opportunity to further expand our distribution, as we continue to diversify geographically and broaden our client base.
- ▶ To continue to deliver investment performance and further diversify our product range, we must attract and retain the best investment talent, and ensure we have a culture in which they can thrive.
- ▶ We need to continue to invest in our operating platform, to ensure we have systems that can sustain our growth, support different product types and allow us to operate efficiently and in compliance with evolving regulations. We are investing in new technologies, such as data analytics, to ensure we keep pace with technological change and enable further efficiencies through process automation and appropriate outsourcing.
- ▶ To ensure we continue to deliver for clients, as well as our people and shareholders, we need a governance, risk and control framework designed to support our growth. We continue to develop and evolve our internal processes in a way that recognises the importance of controls.
- ▶ To deliver our strategic goals, we need the financial strength to invest in the business, support our growth, reward our people and increase returns to shareholders. We have a disciplined approach to cost management, remuneration and the deployment of investment expenditure. We have a robust balance sheet and a clear and consistent approach to dividends and capital returns. Through effective liquidity and capital management we proactively deploy more of our balance sheet as seed investments, enabling funds to achieve scale more quickly. We follow a highly disciplined process in deploying, redeeming and recycling such seed investment.



# WE HAVE A STRAIGHTFORWARD BUSINESS MODEL

Jupiter has a robust value creation model, which helps us to consistently generate value for our clients, shareholders, people and wider stakeholders.

## OUR STRATEGY



## BALANCING STAKEHOLDER INTERESTS

Our business has six building blocks, which allows us to balance and align the interests of our three core stakeholder groups as well as the interests of our wider stakeholder groups.



### OUR CORE STAKEHOLDER GROUPS

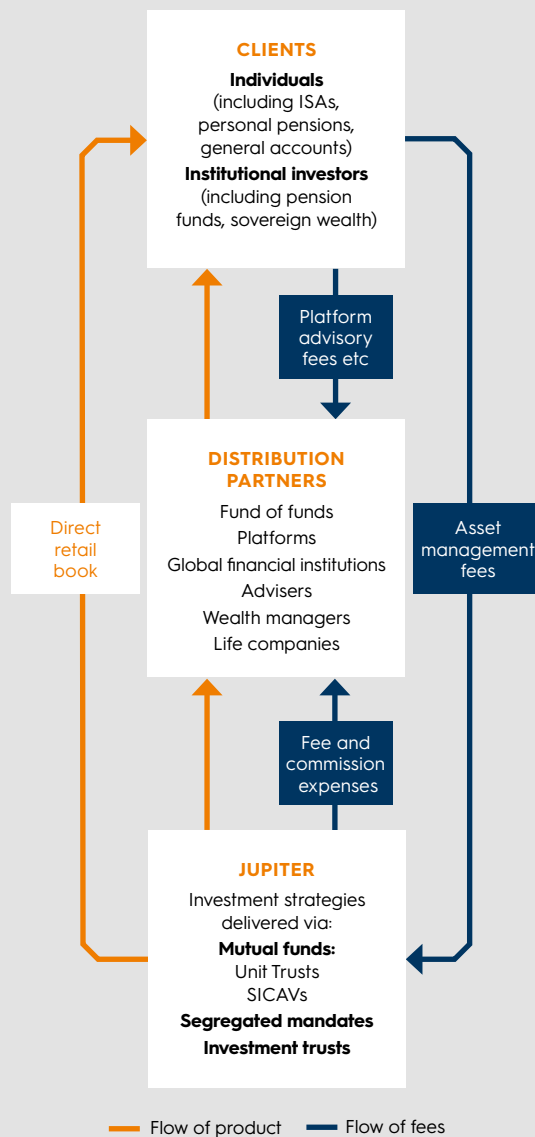
Our three core stakeholder groups are:



In addition, we have a number of wider stakeholders such as our regulators, business partners, the Government and society. Our approach to engaging with them is covered in the Corporate Responsibility section.

## HOW WE GENERATE REVENUE

Net revenues are fees we earn less payments to our distribution partners for their services to clients. Fees are typically a percentage of assets, although some funds earn performance fees for above-target returns.



## THE VALUE WE CREATE

### FOR CLIENTS

#### INVESTMENT PERFORMANCE AFTER ALL FEES

We help our clients to meet their long-term investment goals, by providing investment outperformance after all fees.

### FOR SHAREHOLDERS

#### TOTAL DIVIDEND

We operate a consistent policy of returning capital to shareholders through a progressive ordinary dividend, combined with special dividends.

### FOR EMPLOYEES

#### INDIVIDUAL DEVELOPMENT

Our approach to talent and culture within a challenging work environment helps all of our employees to develop their careers. This is demonstrated by our most recent employee engagement survey, which showed engagement of 87%, 11 points above the financial services average.

### FOR SOCIETY

#### STEWARDSHIP

One of our biggest impacts comes from engaging with the companies we invest in. Each year, we hold more than 1,000 company meetings to obtain investor insight and, where relevant, challenge boards on issues affecting long-term value.

# HOW WE PERFORMED IN 2018

Our key performance indicators (KPIs) enable us to monitor our progress towards our three strategic objectives.

## OUR STRATEGIC OBJECTIVES

Since listing, Jupiter has followed a consistent strategy, which has successfully diversified and grown the Group. Whilst 2018 was a challenging year for our industry and we suffered net outflows, we maintain our commitment to this strategy. Our approach is encapsulated in three strategic objectives. These objectives are in turn supported by the individual strategies for our six building blocks, which are set out on the following pages.

Our strategic objectives are to:

- 1. Deliver outperformance after all fees to our clients.**  
This directly contributes to increasing our clients' wealth.
- 2. Sell this expertise through products suited to our distribution strengths.**  
By growing the range of products we offer and expanding their distribution, we can help more people to achieve their savings goals.
- 3. Deliver attractive returns to shareholders.**  
By ensuring we remain a strong, efficient and profitable business, we will be able to meet our clients' needs for the long term which creates a sustainable business for our shareholders.

## NON-FINANCIAL KPIS

### INVESTMENT PERFORMANCE

#### Links to objectives **1**

##### Definition

The percentage of our mutual fund assets under management above the median over three years.

As we grow our institutional business, we will look to incorporate performance measures relating to these mandates, in line with best practice.

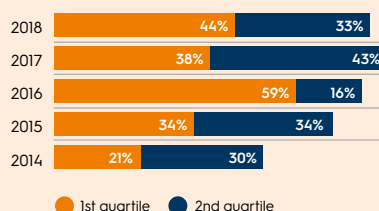
##### Why this is important

Investment performance is the lead indicator for our continued success and demonstrates our competitive advantage in delivering investment excellence for clients. Three years is typically the key period used by clients to measure investment performance.

#### Performance in 2018

77%

#### Five year record of performance



### NET FLOWS

#### Links to objectives **1 2**

##### Definition

The net inflows to or outflows from our funds during the year.

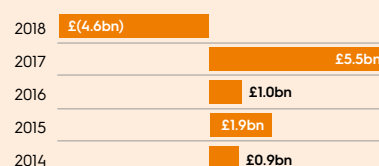
##### Why this is important

Net flows are a lagging indicator of investment success, reflecting our ability to deliver investment performance that attracts client funds, and to grow our distribution.

#### Performance in 2018

£4.6bn  
outflow

#### Five year record of performance





## FINANCIAL KPIS

## NET MANAGEMENT FEES

Links to objectives 2 3

**Definition**

Fees earned from the management of our funds, net of payments to our distribution partners.

**Why this is important**

Net management fees are the largest component of our revenue and demonstrate our ability to design and successfully distribute products that deliver value to clients and so earn attractive fees.

## Performance in 2018

£395.7m

## Five year record of performance



## UNDERLYING EARNINGS PER SHARE

Links to objectives 3

**Definition**

Profit after tax, excluding amortisation arising from acquisitions and non-recurring items, divided by issued share capital.

**Why this is important**

Shows our ability to turn revenue growth into profit growth, which allows us to reward our shareholders. This requires us to be disciplined in controlling costs as well as continuing to invest in the business.

## Performance in 2018

31.7p

## Five year record of performance



## RETURNS TO SHAREHOLDERS

Links to objectives 3

**Definition**

Ordinary and special dividends paid to shareholders in relation to the year.

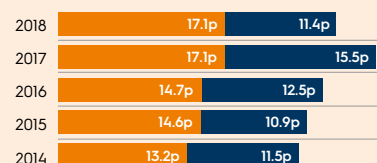
**Why this is important**

Demonstrates our ability to share earnings with shareholders, as we continue to diversify the business and maintain a resilient balance sheet.

## Performance in 2018

28.5p

## Five year record of performance



● Ordinary ● Special

# OUR SIX BUILDING BLOCKS



## INVESTMENT CAPABILITY AND CAPACITY

Creating value for our clients after all fees through investment excellence is our number one priority. This, in turn, drives further demand for our investment products.

### OVERVIEW

#### OUR STRATEGIC APPROACH

- Continue to focus on high-conviction active asset management, as a core differentiator
- Maintain a high-performance culture, with independence of thought, individual autonomy and accountability, and a flexible team structure
- Add to our capabilities by developing talent, attracting talented individuals and teams, and potentially through bolt-on acquisitions
- Continuously review and reinvigorate our product range, so it meets clients' evolving needs
- Manage the investment capability lifecycle, so we build and develop new capabilities, maximise growth from existing capabilities and manage the maturity of long-standing capabilities

#### PRINCIPAL RISKS

Our ability to attract and retain critical staff, sustained market decline and sustained fund underperformance.

**Our people and culture are central to delivering investment performance.**

**We believe that freeing talented professionals to pursue their own investment styles, within a collegiate environment, makes a positive difference.**

With no house view to constrain them, our fund managers actively seek the best opportunities through fundamental analysis and clear investment processes for their specific strategies, with a focus on good stewardship. We organise our investment professionals into strategy teams, so they can share ideas and information, while remaining individually accountable for the performance of their funds.

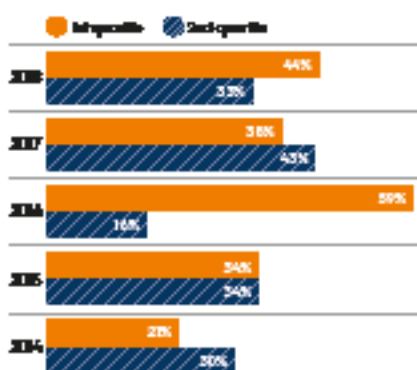
Track records can be a barrier to entry in our market, since it generally takes three years for a fund to build a track record that is attractive to most clients or distribution partners. This is especially true of larger institutional clients and distribution partners. Jupiter's strong investment track record and ability to seed new products help us to attract and retain client assets.

Our investment approach combines the best aspects of boutique fund managers with the systems, processes and risk management framework that our scale provides. Clients also benefit from our clear focus on active asset management; we have no distractions from this core purpose.

Comparing the performance of our mutual funds against relevant managers and funds is the way we measure our competitive advantage. Our clients typically see three years as the key period for measuring investment performance and we therefore use this time period as our primary measure.

## PERFORMANCE REVIEW

### THREE YEAR PERFORMANCE



At 31 December 2018, 77% (2017: 81%) of our mutual fund AUM delivered above-median performance over three years, with 44% achieving first quartile performance. Over one year, 83% (2017: 47%) of our mutual fund AUM delivered above-median performance. These measures are based on weighted averages; how our larger funds perform therefore significantly impacts the result.

The chart below shows the three-year investment performance for our 10 biggest funds, which each have more than £1bn of assets.

The Dynamic Bond fund is our largest fund and has a significant influence on overall investment performance. The fund has taken a cautious view on the US economy and credit quality which affected its performance relative to peers' funds such that, for a large part of 2018, it was in the third quartile, recovering at the very end of the year. Jupiter European Fund had a strong year and is the largest fund in the IA Europe ex UK sector in the UK, which is testament to its long and outstanding track record. The Merlin range also had a good year, demonstrating the enduring strategy of these long-established funds. UK Special Situations remained highly ranked in its sector, achieving first quartile performance over both three and five years.

In addition, our Value strategy in both UK and global equities performed well, showing our ability to deliver in more challenging markets. Our UK Smaller Companies fund was the top performer in its category and won a number of awards, as we benefited from developing our fund management talent.

Investment performance for our segregated mandates and investment trusts, making up 14% of our total AUM, was disappointing.

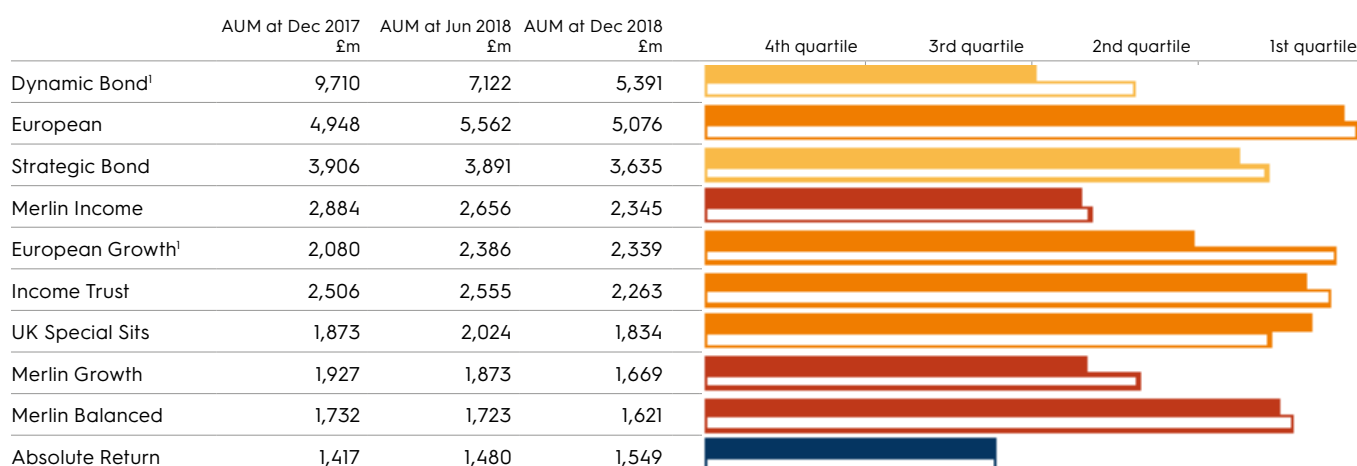
At 31 December 2018, 46% of AUM in segregated mandates and investment trusts were above their benchmarks over three years. We compare performance to benchmark for these funds as there is no industry-wide data to allow comparison against peers. Comparison to benchmark shows whether we are meeting our performance targets and is therefore a suitable proxy.

We continued to add depth to our investment teams in 2018, hiring an experienced fund manager for our growing liquid alternatives business and a Head of Strategy for Multi-Asset, which enabled us to launch the new Flexible Income Fund in the second half of the year. We also invested in our fixed income team, bringing in new analysts to focus on US high yield, adding to our research capability and expanding the emerging markets debt team.

In addition to new hires, we look to develop our existing fund management talent. A number of our fund managers took on greater responsibilities during the year, either stepping up to manage existing funds as part of our succession planning or managing newly launched funds, such as Global Sustainable Equities.

### LARGEST FUNDS PERFORMING WELL

10 funds over £1bn representing over 62% of invested assets



December 2018 Equities Fixed income Multi-Asset Alternatives June 2018 Equities Fixed income Multi-Asset Alternatives

Three year investment performance in key funds.

Source: Morningstar (except UK Special Sits which uses Financial Express/IA sectors) and Jupiter Internal as at 31 December 2018.

Graph shows position within the sector on a percentile basis, performance stated after all fees.

The filled bars in the graph show our current quartile ranking and the clear bars show our position as at 30 June 2018.

<sup>1</sup> SICAV Products.



## OUR SIX BUILDING BLOCKS continued



### CLIENTS

We continue to diversify our business by geography, client type and product, making Jupiter a more resilient business.

#### OVERVIEW

##### OUR STRATEGIC APPROACH

- Maintain our independence, allowing us to access our markets through a wide range of distribution partners
- Engage with clients and distribution partners globally to understand the products they need, thereby keeping our product range relevant, as distribution partners and clients evolve their requirements
- Increase the range of products our global distribution partners allocate client assets to
- Continue to deepen our UK distribution, focusing on financial advisers and wealth managers, and develop strategic partnerships with large distributors
- Grow our institutional business in the UK and internationally, by taking on new mandates that offer appropriate fees and that we can service efficiently
- Increase penetration of the retail and institutional channels in international markets and broaden the range of products sold through all channels
- Selectively enter new countries where we see significant opportunities and have an advantage such as existing relationships

##### PRINCIPAL RISKS

Ineffective product, client and geographic diversification.

##### Mutual fund clients are typically individual investors wanting active returns to deliver income and growth.

Many clients also need financial advice, so we access them through distribution partners such as financial advisers and wealth managers, rather than directly. This intermediated approach allows us to target our marketing investment and develop strong relationships with distribution partners, while keeping client service straightforward. The Jupiter brand is highly recognised, giving us a competitive advantage in the UK market.

Online platforms are increasingly important in the current distribution chain. In the UK, around 54% of our 2018 annual gross flows into mutual funds are through platforms, up from 37% in 2010. We build relationships with major platforms and make our funds available through them. The growth in platforms means our direct retail book is now only 3% of our assets. There are also influencers in our markets, such as research consultants and rating agencies, whose recommendations affect demand for our funds. We work with them so they understand our capabilities and products.

Institutions access our investment expertise through mutual funds, investment trusts and segregated mandates. We generally attract these clients through their investment advisers, who play a major role in helping clients to select fund managers.

In overseas markets, we use our strong relationships with large distributors, such as international banks, to gain a foothold. These relationships enhance our credibility with other intermediaries, helping us to grow.

Successful distribution requires products that appeal in multiple countries and deliver superior returns. Our broad range means clients can choose products that meet their needs and market conditions. We only launch products where we can differentiate ourselves, as a form of competitive advantage.

## PERFORMANCE REVIEW

Jupiter's strategy of diversifying by product, client type and geography is reflected in the strength of our net inflows across the cycle. Over the past five years, we have generated cumulative net inflows to our mutual funds of £12.1bn, representing organic growth of 8.3% per annum. This demonstrates why we continue to follow this strategy and believe it is the best way to maximise our ability to sell our investment capability to interested clients.

Gross sales in 2018 were strong, with inflows of £11.9bn (2017: £16.5bn). However, these sales were more than offset by redemptions in the year, of which our Dynamic Bond fund was the largest contributor. Dynamic Bond had been the major contributor to net inflows in 2016 and 2017, as well as helping lead the way in our international expansion in the last few years. This reversal in flows came from a number of factors, but was principally a result of short-term relative performance in the fund, allied to an industry-wide withdrawal from global fixed income products. For the business as a whole, total net outflows were £4.6bn, compared with net inflows of £5.5bn in 2017.

The industry-wide withdrawal from global fixed income products also impacted Merlin Income, which experienced net outflows of £0.4bn in the year. Excluding this and Dynamic Bond, we saw net outflows of £0.1bn.

The outflow from segregated mandates resulted principally from a single institutional client rebalancing its portfolio.

Net (outflows)/inflows by product (£m)	2018	2017
Mutual funds <sup>1</sup>	(4,437)	5,100
Investment trusts	(22)	14
<b>Pooled funds</b>	<b>(4,459)</b>	<b>5,114</b>
Segregated mandates	(167)	364
	<b>(4,626)</b>	<b>5,478</b>

<sup>1</sup> Of which Dynamic Bond fund £(4,092)m (2017: £3,471m).

Net (outflows)/inflows by strategy (£m)	2018	2017
Alternatives	228	968
Equities	204	1,024
Fixed income	(4,196)	3,926
Multi asset	(862)	(440)
	<b>(4,626)</b>	<b>5,478</b>

Our international operations have been significant contributors to our growth in AUM in recent years. However, we saw net outflows in both Europe and Asia in 2018, as investors reduced their allocations to fixed income. Mutual funds saw net outflows of £1.2bn in the UK.

Market and exchange rate movements and our investment outperformance resulted in a decrease in AUM of £2.9bn during the year. At 31 December 2018, our total AUM stood at £42.7bn, down 15% on a year earlier, including SICAV AUM of £10.0bn (31 December 2017: £14.1bn).

Movement in AUM by product (£bn)	31 Dec 2017	Net flows	Market/Investment alpha	2018
Mutual funds	43.8	(4.4)	(2.5)	36.9
Investment trusts	1.2	-	-	1.2
<b>Pooled funds</b>	<b>45.0</b>	<b>(4.4)</b>	<b>(2.5)</b>	<b>38.1</b>
Segregated mandates	5.2	(0.2)	(0.4)	4.6
	<b>50.2</b>	<b>(4.6)</b>	<b>(2.9)</b>	<b>42.7</b>

## ENHANCING DISTRIBUTION AND SERVICE

In last year's report, we noted the convergence of the retail, wealth and wholesale channels. In response, we merged our UK retail and wealth sales teams in 2018. This has allowed us to more efficiently serve our clients, as IFAs and wealth managers continue to consolidate and gain market share. Targeting successful distributors enabled us to achieve a good level of gross sales in the UK.

Our institutional offer is gaining traction. We strengthened the team during 2018 and developed our proposals material and performance data. We also launched our first institutionally focused capability with our Global Sustainable Equities product, which is already seeing good interest. We see longer-term potential in the institutional market in Europe and Asia and have begun to coordinate our approach globally, regularly sharing knowledge between our businesses.

Although our business across Europe had net outflows from Dynamic Bond, it saw strong demand in alternatives and European equities. We continued to deepen our retail presence in Germany and Italy, with Italy in particular delivering rapid growth. We opened an office in the Netherlands in 2018, which will draw on our existing distribution relationships to access the wealth channel.

We also see future opportunities in the Dutch institutional market.

Jupiter is now established in all major western European countries and our aim is to deepen our presence in these markets, rather than open further offices. In addition, we have registered our funds for sale in Denmark, Norway and Finland during the year.

The Asia business saw net outflows in 2018 as a result of redemptions from the Dynamic Bond fund, which had been highly popular with Asian clients in previous years. We continued to gain a distribution presence in the Hong Kong retail market, signing a Chinese bank as a partner, which allows us to promote our products through its branch network. Singapore remains a healthy market for Jupiter, with an expanding client base of retail and private banks. During the year, we developed a relationship with a large local bank to increase our access to the retail market. Having entered Thailand in 2017, we continued to gain momentum in 2018 and see good potential for further growth. Japanese investors are looking to diversify overseas and we saw good growth in sales during the year, with the potential for continued expansion as we register a number of funds in this market.

During 2018, we recruited a Head of Latin America and US Offshore. This helped us to sign agreements with some of the largest distributors in the US offshore market and to win our first institutional mandate in Latin America. We see strong prospects in both the wealth and institutional channels in this region. We also hired a senior adviser to help us develop relationships with institutional clients in the Middle East.

This was a positive year for new product launches, with six new funds added. These were the Flexible Income Fund as part of our Multi-Asset Strategy, Global Sustainable Equities, Global Value, Merlin Real Return, US Equity Long Short and Eurozone Equity. In 2019, we will prioritise extensions to our existing product range rather than introducing new capabilities. To continue to deliver the best products, we have extended the skillsets in our product function, including recruiting a new Head of Global Product. This will help us to source new product ideas, bring them to market effectively and manage the product lifecycle.

## OUR SIX BUILDING BLOCKS continued



### FINANCIAL RESOURCES

We maintain a strong balance sheet and cost discipline whilst investing for growth and rewarding our people and shareholders.

#### OVERVIEW

##### OUR STRATEGIC APPROACH

- Maintain a strong and resilient balance sheet, helping to ensure we have a sustainable business for the long term
- Employ a disciplined approach to strategic and financial planning, budgeting, forecasting and monitoring, ensuring effective financial resource management and deployment
- Carefully prioritise our investment in the people, processes and technology that support our growth, and increased shareholder returns
- Maintain a remuneration philosophy that aligns employees' interests with the interests of clients and shareholders
- Selectively deploy corporate seed investment into funds to launch and help build them to the necessary scale
- Share the rewards of growth with our investors through our ordinary dividend policy, supplemented by special dividends to return surplus capital

##### PRINCIPAL RISKS

Failure to deliver strategy, sustained market decline and sustained fund underperformance.

##### Jupiter generates robust cash flows each year and has a strong and resilient balance sheet.

We use these financial resources to position the business for growth and value creation, by balancing the competing demands of investing for growth, taking advantage of market opportunities and rewarding our people and shareholders.

##### PROFIT GENERATION

We generate profit as follows:

##### NET REVENUES

Net revenues are the fees we earn, less payments to our distribution partners. They are predominantly in the form of management fees; a small proportion of our AUM (£1.4bn) has the potential to earn performance fees.

##### OPERATING EXPENSES

Operating expenses comprise salaries and the costs of running our operating platform and support infrastructure, including research costs and outsourced service providers. Such costs include IT systems, rent, administration and brand investment.

Expenses also include investment to support our growth, as we enhance our operating model and acquire new talent and build out our international distribution capability. As a people business, the cost of these investments is generally recognised through the income statement as incurred.



### SHARING PROFIT

Deducting operating expenses from net revenue leaves us with earnings available for distribution in the form of tax payments, variable compensation for our people and ordinary dividends for our shareholders.

Remuneration is important to attract, retain and motivate high-performing people. Paying variable compensation out of profits aligns their interests with our shareholders.

The rewards of profitability and growth are shared with our investors through ordinary dividends, supplemented by special dividends (see below). Under our progressive dividend policy, we target an ordinary payout ratio of 50% of underlying earnings per share. Except in exceptional circumstances, the total ordinary dividend for the year will not be less than the total ordinary dividend for the previous year.

### CASH GENERATION

We charge daily fees to the majority of our funds and collect the cash at the end of each month. This cash is used to meet the majority of our operating expenses throughout the financial year, although certain types of expense, such as deferred variable compensation, are recognised across multiple accounting periods.

We consistently convert a large proportion of our operating profit into cash, with 119% conversion in 2018 (2017: 121%). Taking into account purchases of our own shares to satisfy share-based awards made to employees and avoid shareholder dilution, the conversion rate is 103% (2017: 107%). This results in a sizeable cash balance at the year end, which stood at £201.7m at 31 December 2018 (31 December 2017: £234.2m).

### BALANCE SHEET MANAGEMENT

We have a number of priorities in managing our balance sheet so it remains sustainable over the cycle.

### LIQUIDITY MANAGEMENT

We maintain a robust liquidity position, as follows:

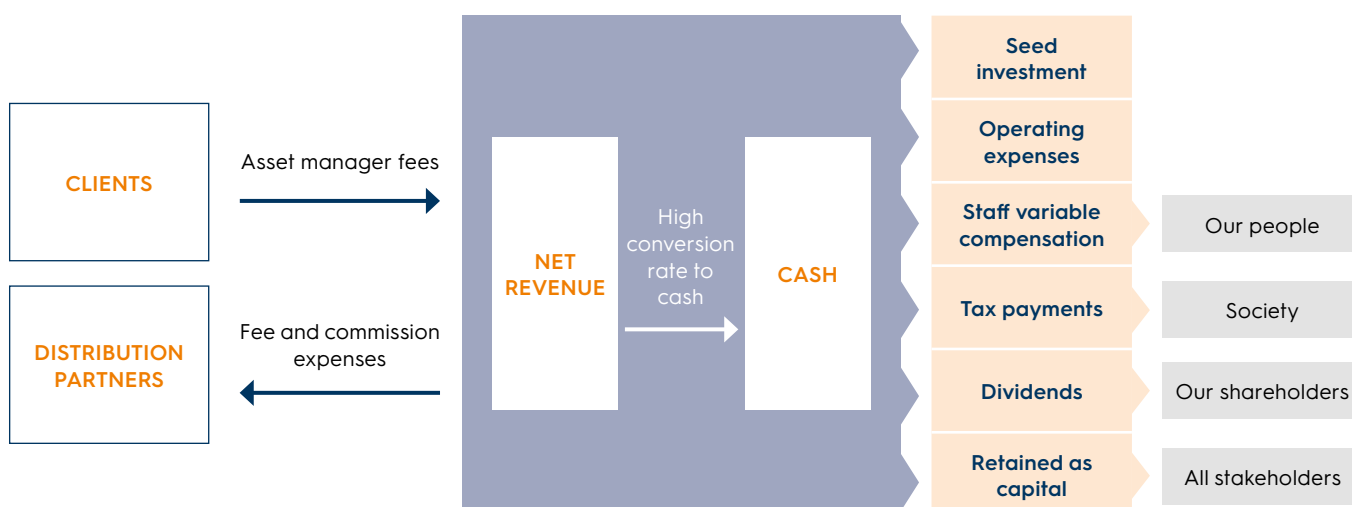
- we maintain sufficient liquidity, so we can meet our obligations as they fall due and have funds for planned investments;
- we invest a component of our corporate cash to seed our funds, to ensure they launch effectively or to accelerate the timescale for reaching critical size thresholds; and
- Jupiter has an undrawn revolving credit facility of £50m, which we expect to renew during 2019. This provides additional comfort that we will have the available liquidity to operate on a sustainable, long-term basis. To date, this facility has not been drawn down.

### CAPITAL MANAGEMENT

We assess and review our capital position and requirements on an ongoing basis:

- we maintain a comfortable surplus over our legal and regulatory capital requirements, as described in the Financial Review;
- we ensure we have sufficient Jupiter shares available to meet our obligations under our share option schemes; and
- after ensuring we will meet our current and future capital and liquidity requirements, we look to return any excess to shareholders in the form of special dividends. Special dividends are likely to vary as our earnings and cash flow vary, as this affects the level of surplus capital each year. Special dividends may also be affected by other factors affecting our capital requirements, especially as neither financial regulations nor applicable accounting standards remain static over the longer term.

## FINANCIAL RESOURCE MANAGEMENT



## OUR SIX BUILDING BLOCKS continued



### OPERATING MODEL AND INFRASTRUCTURE

We continuously invest to ensure our operating model is scalable, efficient and fit for purpose as our business grows.

#### OVERVIEW

##### OUR STRATEGIC APPROACH

- Maintain a single operating platform across the Group, to deliver an efficient and scalable model as the business continues to grow
- In response to Brexit, establish a European distribution hub and evolve our processes for launching international sales offices
- Optimise infrastructure investment made to date, to ensure we extract the most value from it and drive further efficiencies
- Enhance our management systems to ensure decision-making is supported by a thorough understanding of risk, and by robust analytics and reporting
- Continue to outsource non-core functions to a small number of carefully selected service partners and suppliers
- Continue to invest in our technology and data capabilities, and ensure high levels of operational resilience and cyber security

##### PRINCIPAL RISKS

Failure to enhance operating platform to support future business requirements, failure of critical outsource partner.

**Jupiter's operating model aims to ensure that as much of our growth in revenues as possible drops through to profit and cash flow, whilst ensuring high levels of operational resilience.**

Maintaining a single efficient platform is critical to this. In addition to providing operational leverage, our platform enables us to expand distribution, allows fund managers to work effectively and supports the addition of new products and investment strategies.

In order that our platform meets the needs of our business as it grows, we are continuously investing in it. We target a number of different drivers in this including simplification, operational resilience and regulatory compliance.

Our significant investment to date will, over time, deliver efficiencies and more operating scale, facilitating further growth through a standardised approach to running the platform.

To optimise earnings growth and shareholder returns, we continually monitor forecasts of key metrics, including our adjusted cost/income ratio. This informs our decisions on the pace and extent of investment spending. Over the last five years, our adjusted cost/income ratio has been stable.

## PERFORMANCE REVIEW

Having a single operating platform across the business allows us to target our investment to those areas which we believe will provide the most benefit. In 2017, we made a significant investment in the platform supporting our investment teams and operations by implementing a new investment management platform. Fully embedding this platform within the organisation was a key focus in 2018 and allowed us to retire a number of legacy systems. This process will continue in 2019, enabling us to derive further benefits from our platform, for example as we enhance our risk management and portfolio construction processes.

During 2018, we also embedded processes that had been introduced in response to the requirements of MiFID II. This was made more straightforward by the work performed in the implementation of the new investment management platform in the prior year.

Across the platform, much of the work we did in 2018 related to the continued simplification of the operating model alongside enhancing our operational resilience. We continued to streamline our operating platform and retire systems that were no longer required by the business. To help embed this further through the organisation, we introduced an application for mapping controls and processes in a standard manner, thereby identifying inefficiencies and potential operational risks, especially those in cross-functional activities. This has allowed us to refine a number of processes, including the introduction of robotics to automate tasks previously performed manually.

To complement the work already in progress, we undertook an operating model review with the help of external advisors to identify further opportunities for process efficiencies and improvements. The review also proposed ways in which we could further leverage our supplier and procurement relationships to ensure that we receive the maximum benefit from the resources employed within the business.

The management and deployment of data across the organisation is a constant theme within a business such as ours which collects and reports a wide range of data on a daily basis across multiple time zones and periods. The operating model review articulated for us a number of strategic enhancements to our approach to data strategy, helping us to understand how we will continue to integrate greater use of robotic automation and integrate a greater focus on data science into our approach. This also helps support a wider digital transformation effort.

The effects of this are starting to be seen across the business and are helping us not just to improve the operational aspects of our platform but also investment management decision making and the delivery of investment outperformance.

Ensuring continued regulatory compliance is critical to our operating model. Following the extensive resource requirements in 2017 for complying with MiFID II, the directive came into force on 3 January 2018. As these requirements have bedded in, there has been a learning process across the industry, requiring further focus and investment. In addition, our programme to comply with the General Data Protection Regulation was completed successfully and on time.

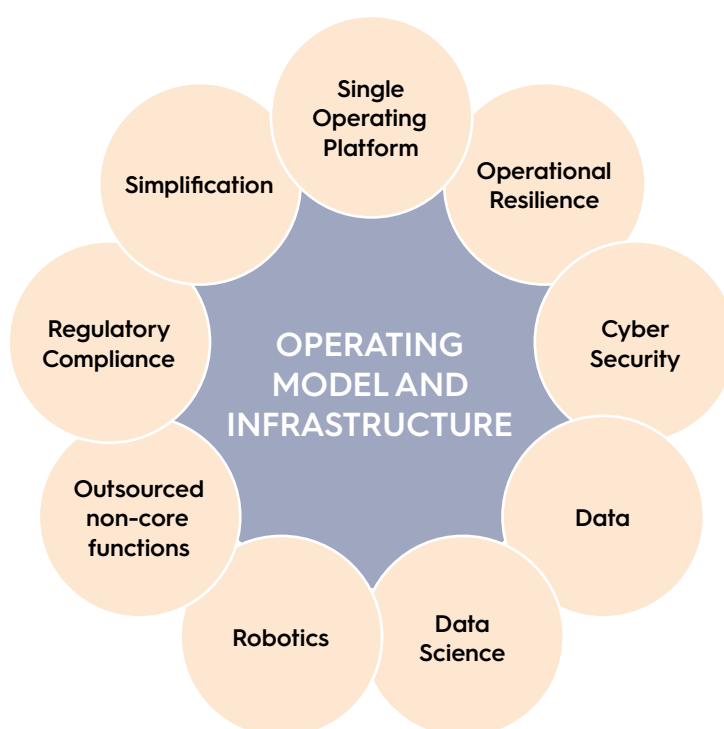
In preparation for a range of Brexit outcomes during 2019, we have set up a management company in Luxembourg for our offshore SICAV product range. Following regulatory approval, we have recruited the necessary people to staff it. In early 2019, we will transition our current European distribution branches to this entity ensuring we are compliant with EU rules following Brexit.

Cyber security is an issue for every business, and we are no different in this regard. We continually review our approach to cyber security to ensure that we stay up to date in this challenging and continuously evolving area. We have maintained our Government accredited

Cyber Essentials Plus status and, during the year, conducted several cyber security exercises with various internal and external parties to inform and improve our cyber security posture.

As part of our approach to simplification and effective allocation of resources, we have multiple relationships with third party providers for servicing our UK unit trust range. We continually review our providers and ran a tender process during 2018 for the consolidation of custody, client accounting and depositary services into a single provider. This integrated service will deliver efficiencies in the latter part of 2019 in both our operating model and in the unit trusts themselves.

As in previous years, the operating environment in 2019 is likely to continue to be challenging, requiring us to carefully prioritise our investment decisions. Following on from the focus in prior years on the investment management platform, alongside the continued growth of our international distribution network, we expect to focus on evolving our client management platform as well as further enhancing our use of the investment management platform. This work will be informed by our strategic approach to data, supported by an increased use of robotics and automation alongside further insights from our data science capabilities. This approach allows us to continue our approach of continued improvement and simplification where it is most needed.



## OUR SIX BUILDING BLOCKS continued



### TALENT AND CULTURE

We attract and develop talent, allowing our people to thrive in a high performance culture.

#### OVERVIEW

##### OUR STRATEGIC APPROACH

- Stretch and develop our people through the challenging nature of their roles, allied with leadership and development plans, targeted training, coaching and mentoring
- Continue our ability to bring new talent into Jupiter by ensuring we have a defined employment proposition, increasing our direct hire capability and through our involvement with the Investment20/20 scheme
- Continue to drive diversity and inclusion at all levels of the organisation
- Ensure our internal communications help people to be aligned and engaged with our strategy, as well as fostering a culture of collaboration across the organisation
- Continually review the external marketplace for additional talent that would assist us in the successful implementation of our growth strategy
- Enhance our central functions and services, develop our people and foster a culture of collaboration between functions
- Retain and motivate our people by offering attractive benefits packages

##### PRINCIPAL RISKS

Ability to attract and retain critical staff.

##### Jupiter has a reputation for attracting talented individuals in all areas of the business.

We nurture our fund management talent to develop their capabilities and ensure we have succession plans to advance talented managers. We balance this with bringing in new people with specialist skills, giving us strength and depth as well as enabling us to expand the breadth of investment strategies we offer.

We invest in all our people through training and development, and look to maintain high levels of engagement and strong communication. We value the differences between people, which promote different viewpoints and diversity of thought, helping us to innovate and make better decisions for our clients.

Our culture is underpinned by a set of values (see A Snapshot of Jupiter), which help our people to understand how to drive change through their behaviour. We look to maintain a performance driven culture, with clear metrics, individual accountability and freedom of thought, to ensure we have an attractive environment for active fund managers to operate in.



## PERFORMANCE REVIEW

Investing in and developing our people is key to achieving high performance and retention of talented individuals. We launched our “Investing in You” learning and development framework at the start of 2018, offering a core curriculum of relevant training to all employees. Around 69% of employees had participated in at least one programme by the end of the year. Feedback has been very positive, with an overall satisfaction rating of approximately 94%. It has also encouraged cross-departmental engagement and understanding.

For any business to work effectively, people management skills are crucial. Management 2022 is our tailored management skills course, which requires managers to engage in at least 21 hours of training. There has been an excellent take up amongst our managers. We have also been spending more time coaching our senior team, including retaining an executive coach for the members of the Executive Committee. As we continue to focus on the company’s long-term growth plans, our leadership programmes are designed to support our overall strategy including succession plans for the senior management team.

During 2018, we were pleased to introduce a competitive new employee benefits package in the UK, which will come into effect from the start of 2019. The proposition takes into account the needs and expectations of a present-day workforce and offers a flexible and appropriate range of benefits. These include six months fully paid enhanced maternity leave and shared parental leave, as well as a range of health-related benefits.

Another important initiative this year was the design and launch of our entry-level talent pipeline programme. This has several streams, including interns, trainees, apprentices and ad-hoc entry level roles. We are pleased that around 90 students have joined us in a variety of roles. This is an important part of our approach to increasing the diversity of our workforce.

To build a sustainable and diverse entry-level pipeline, we have developed links with schools, charities and other organisations. We have also strengthened our relationship with Investment20/20, an industry-wide initiative which provides opportunities for young people from a mixed range of backgrounds to join the funds industry.

This year also saw the launch of the Jupiter Pride Network, an employee-led initiative that coincided with the Investment Association’s campaign to foster an open and comfortable environment for the LGBT+ community in the UK asset management industry.

Gender is an important aspect of employee diversity and an analysis of our people at the year end is shown in the table below (excluding contractors):

At 31 December	2018		2017	
	Female	Male	Female	Male
Board	4	5	5	5
Senior management	18	73	11	71
Other employees	177	245	168	233
<b>Total</b>	<b>199</b>	<b>323</b>	<b>184</b>	<b>309</b>

Jupiter rewards employees equally for doing equivalent jobs, at the same level of performance and experience. The company has committed to a number of employee-led initiatives which seek to understand and address the gender imbalance within the business generally, and specifically at the more senior levels of the organization. This includes The Senior Women’s Leadership Group, which is chaired by Chief Financial Officer, Charlotte Jones. This Group has successfully contributed to the introduction of the new family-friendly policies and reaffirmed our commitment to The Diversity Initiative. This year, the launch of Jupiter’s Women in Technology network acts as a support to women working in a traditionally male-dominated sector while seeking to promote diversity in technology within Jupiter and externally. The latest information on our gender pay gap can be found on our website, [www.jupiteram.com](http://www.jupiteram.com).

We continue to reduce our recruitment costs and reliance on external recruitment providers, with around 60% of our 2018 internal and external hires being directly sourced. We have implemented a new resourcing system, launched a refreshed careers site on the Jupiter website and actively use LinkedIn to source and attract talented candidates.

## OUR SIX BUILDING BLOCKS continued



### GOVERNANCE, RISK AND CONTROL

Our platform is underpinned by a strong governance, risk and control environment.

#### OVERVIEW

##### OUR STRATEGIC APPROACH

- As we grow, evolve the design of the organisation to ensure we have the necessary competencies and capabilities to deliver our plans
- Review and reinforce our corporate governance as both we and the outside environment develop so it supports our growth and enables us to manage external changes
- Continuously improve our processes and controls and their formalisation in line with our increase in size and regulatory expectations
- Retain clarity of roles and responsibilities as we grow and prepare for the Senior Managers and Certification Regime (SMCR) requirements

##### PRINCIPAL RISKS

Operational control environment, cyber crime and regulatory change.

##### Having an effective framework of governance, risk and controls is critical to our success.

Our continued focus on growing and diversifying our business, as well as continued changes in the external environment, will mean additional complexity within our operating model. Investing in our governance, risk and control (GRC) framework, such that it remains effective as the business and operating model changes, ensures that we can protect the interests of our clients, people and shareholders, and that we meet their expectations of us.

## PERFORMANCE REVIEW

During the year, we made a number of improvements to the overall framework, all of which were designed to maintain and evolve its effectiveness for both the environment we are in today and expectations for the future.

We reviewed our organisation structure and implemented a number of changes to reinforce accountability and to enable greater focus on GRC. Furthermore, under our three lines of defence model, we reinforced the split of responsibilities between lines one, two and three, thereby creating greater clarity across the organisation.

Following a review of our corporate governance and product governance arrangements in 2017, we implemented changes to our reporting committees during 2018. We have continued to enhance our governance structure with a review of our governance framework below the Executive Committee level. We replaced our previous committee structure and refreshed committee memberships and terms of reference, to ensure that each committee is best positioned to effectively discharge its duties. The revised structure provides a sharper focus on product governance to ensure our products are designed and operating in a way that meets our clients' needs, to further align our operating governance with best practice and meet our regulatory requirements.

We looked at our legal entity structure to ensure it remained appropriate for our current operations. In advance of Brexit and its implications, we created a new legal entity in Luxembourg to manage our offshore SICAV range. As part of this exercise, we documented the oversight and challenge responsibilities within the roles of those individuals based in Luxembourg. We have also made changes to the structure of our operating subsidiary boards to ensure that the composition of the Boards is fully aligned with the accountability and responsibility for the relevant business operations. We have recruited two independent Non-Executive Directors who will, subject to regulatory approval, join the Board of our UK management company during 2019, to provide independent oversight and challenge.

We have maintained our approach of continuously reviewing and enhancing our processes and controls, looking for and executing opportunities to improve efficiency and control effectiveness. We are rolling out stronger and more efficient control management, particularly with regard to control evidencing and reporting, in key operational areas with high client impact.

In 2018, we continued to ready Jupiter for SMCR compliance. We reviewed the organisation to identify the relevant individuals to be designated as Senior Managers, and have updated their roles and responsibilities as necessary to ensure clarity in accountability across Jupiter.

We are now working through the introduction of the reasonable steps framework and readying the organisation for certification and conduct requirements.

These efforts put us in a good place ahead of the extension of SMCR to the wider financial services sector in December 2019, as well as further supporting our growth strategy as the business becomes more complex.

Overall, our work on organisation design, governance, processes and controls, management information and reporting, and SMCR compliance, continues to develop, strengthen and enhance our GRC environment.

# A ROBUST RISK MANAGEMENT PROCESS

The Board has ultimate responsibility for risk management.

The Board is responsible for the Group's risk strategy and for determining an appropriate risk appetite, as well as the tolerance levels within which the Group must operate. By defining these, the Board demonstrates that it is aware of, and, where appropriate, has taken steps to mitigate the risks that may have a material impact on the Group.

## APPROACH TO RISK

To help the Board discharge its responsibilities, the Group has a comprehensive approach to identifying, monitoring, managing and mitigating risk.

Our Enterprise Risk Management framework clearly defines essential information about the Group's risks and provides a process for escalation through our governance structure, which enables continuous and robust oversight by the Risk & Finance Committee, Audit & Risk Committee and the Board.

The Group is exposed to various risk types, such as investment and operational, in pursuing its business objectives. These can be driven by internal and external factors. Understanding and managing these risks is both a business imperative and a regulatory requirement.

The type and severity of these risks can change quickly in a complex and competitive environment. The framework is dynamic and forward-looking to ensure it considers both current and emerging risks which could potentially impact the Group.

## RISK APPETITE

An important part of the Board's remit is to determine our risk appetite and the tolerances within which we must operate. This is defined as the amount and type of risk we are willing to accept in order to achieve our strategic and business objectives.

This takes into account the interests of our clients and shareholders, as well as the Group's financial strategy and other regulatory requirements.

The Board formally considers our risk appetite, taking into account our strategic plans, the business environment and the current and likely future condition of our business and operations. The Board sets our appetite for seven categories of risk. These are:

### 1 STRATEGIC RISK

The risk that the Group is unable to meet its strategic objectives, as a result of matters inherent in the nature of its business or the markets in which it operates.

### 2 INVESTMENT RISK

Underperformance of Jupiter funds relative to benchmarks, objectives or competition or in other ways failing to meet investors' objectives.

### 3 OPERATIONAL RISK

The risk of loss caused by weaknesses or failures in the Group's systems and controls, related to people, systems or processes. These include risks arising from failing to properly manage key outsourced relationships and cyber security. Regulatory (failure to comply with regulatory obligations) and legal risk is included in this definition.

### 4 CAPITAL ADEQUACY RISK

The risk that the Group has insufficient capital in relation to its risk profile to comply with regulatory requirements.

### 5 LIQUIDITY RISK

The risk that the Group does not have sufficient liquid financial resources to meet its obligations as they fall due or can only secure such resources at excessive cost.

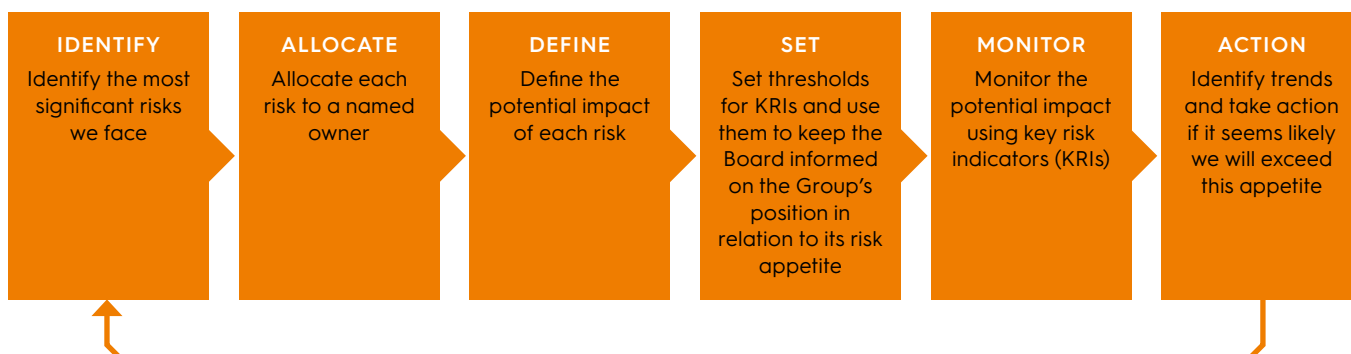
### 6 COUNTERPARTY/CREDIT RISK

The risk of loss caused by the corporate failure of one of the trade, prime brokerage or treasury counterparties to which the Group may be exposed, or of a custodial institution or third party service provider with which the Group has a critical relationship.

### 7 MARKET RISK

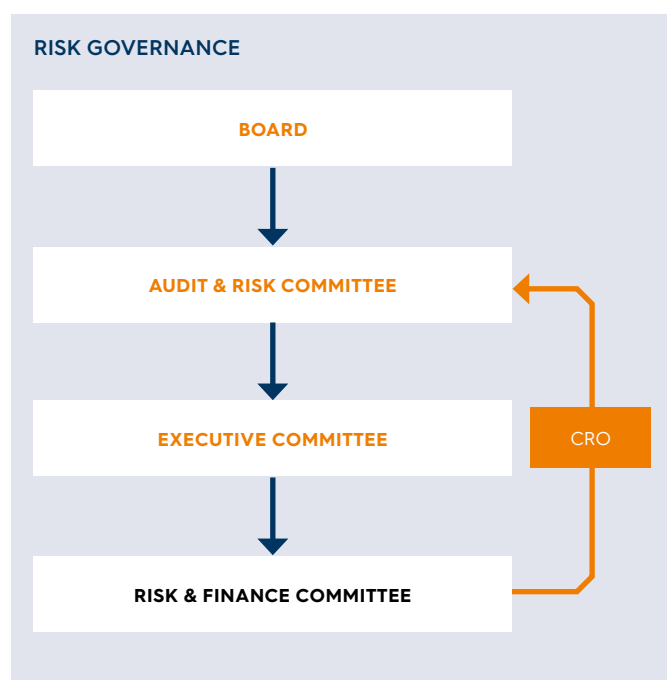
The risk of loss arising from changes in the price of financial assets, interest rates or FX rates. This includes the risk that any market risk mitigation techniques used by the Group prove less effective than expected.

## RISK MANAGEMENT PROCESS

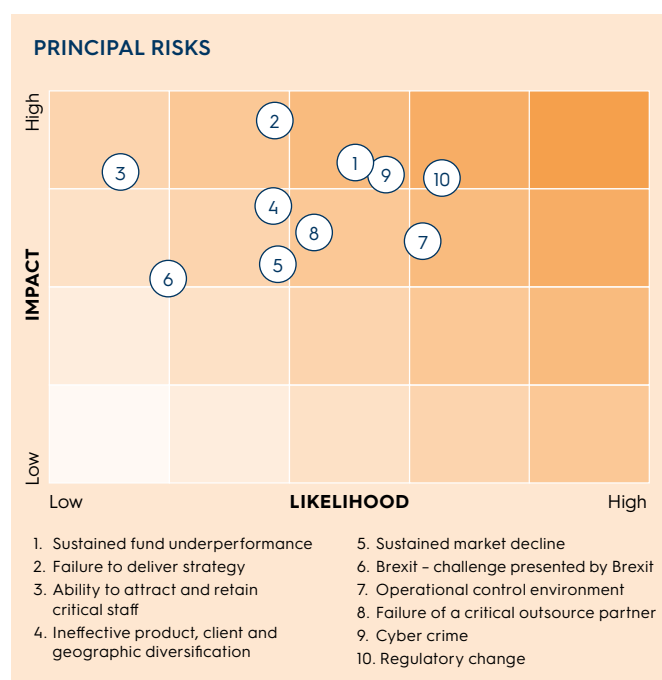




## RISK MANAGEMENT FRAMEWORK



## RISK HEATMAP



### RISK THEMES/IMPACTS

As a business, we have a relatively low appetite for risk, particularly for those that could lead to negative conduct or reputational outcomes.

#### CONDUCT RISK

The Group defines conduct risks as risks which result in customer detriment, negative impact to market stability or restrict effective competition. Conduct risk is not considered to be a separate risk category. Risks in the strategic, investment and operational risk categories may result in conduct risk impacts.

#### REPUTATIONAL RISK

The risk of loss or other adverse impact arising from the unfavourable perception of the Group on the part of clients, counterparties, employees, regulators, shareholders, other stakeholders, the media or the general public. The Group treats reputational risk as a potential impact that may arise from operational risks and operational risk incidents.

#### EMERGING RISK

Emerging risk is defined as a condition, situation or trend that could significantly affect the Group's financial strength, competitive position or reputation within the next five years. These are raised by the business and challenged by Executive risk owners to consider estimates of likelihood, impact, timing and any action required.

### RISK MANAGEMENT PROCESS

Our risk management processes enable us to identify the most significant risks that we face. The risk assessment process is the foundation of our risk framework and is conducted across the Group by department heads, senior managers, Executives and the Board.

#### TOP-DOWN RISK ASSESSMENT

All significant risks have a named owner, which is either a member of the Executive Committee (ExCo) or, for a small number of risks, the ExCo as a whole. We define the potential impact of each key risk and monitor it using key risk indicators (KRIs). We set thresholds for each KRI and use them to keep the Board informed about the Group's position in relation to its risk appetite. This enables us to identify trends and take action if it seems likely we will exceed this appetite.

#### BOTTOM-UP RISK ASSESSMENT

Each functional business area is responsible for completing a risk and control assessment at least annually, and more frequently when required.

The assessment identifies and rates key risks and associated key controls by considering the operating environment, processes and controls, roles and responsibilities as well as risk incidents that have occurred.

Where process or controls are seen to be insufficiently robust, line management is required to define improvements to the operating environment to ensure they pose a minimal (or acceptable) level of risk to the Group.

Risk registers and risk assessment observations are reviewed by relevant senior managers and Executives.











The Group's risk management assurance programme is closely linked with its compliance monitoring programme. Any breaches found by the Compliance department are recorded in the in-house error database and are considered as part of the risk and control assessment process.

### RISK REPORTING

Identified risks that have a sufficiently high likelihood of potential impact on the Group are reflected in the Enterprise Risk Management Dashboard, to ensure they receive an appropriately high level of senior management and Board attention. The Board takes action where these risks are deemed to be outside the Group's risk tolerance.

The following section shows our assessment of the top 10 risks that we face, along with the Board's rating of each risk and how the significance of the risk has changed during the year. All our top risks fall into the investment, strategic and operational categories. These risks are not static, new and emerging risks are considered and assessed by the Board throughout the year for inclusion in this list.

# OUR PRINCIPAL RISKS AND UNCERTAINTIES

RISK	OWNER	RISK RATING	POTENTIAL IMPACT
<b>STRATEGIC RISKS</b>			
<b>Failure to deliver strategy</b> The risk of failure to achieve our strategic objectives, through internal or external factors, which could impair our ability to deliver value to our stakeholders.	Chief Executive Officer	2018  2017 	A failure to achieve one or more strategic objectives could result in a reduced pool of available profit for distribution to shareholders. This would limit growth and potentially long-term viability.
<b>Ability to attract and retain critical staff</b> The risk of failure to attract or retain the people critical to successfully delivering investment outperformance to our clients and all other aspects of our strategy.	ExCo	2018  2017 	The unplanned departure of a senior fund manager or a member of our leadership team could lead to significant redemptions from our funds, failure to deliver our strategy or failure to run our business efficiently, resulting in a material impact on corporate performance.
<b>Ineffective product, client and geographic diversification</b> The risk that our product range, distribution partnerships, client type or geographic diversification are ineffective at growing AUM particularly in light of continued change and disruption in the competitive landscape.	Global Head of Distribution	2018  2017 	Our ability to generate fund inflows and prevent outflows may be jeopardised by fundamental changes in distribution patterns or by a sustained market preference for products we do not offer. This would have a detrimental impact on profitability and shareholder value.
<b>Sustained market decline</b> The risk of a severe market and economic downturn which affects all fund managers and all asset types across all geographic markets.	ExCo	2018  2017 	A secular downturn could result in a reduction in assets under management leading to a decline in revenue and capital levels. There may be additional outflows as investors switch to non financial assets.
<b>INVESTMENT RISK</b>			
<b>Sustained fund underperformance</b> There is a risk that our clients will not meet their investment objectives, due to poor relative performance by one or more of our funds over a prolonged period.	Chief Investment Officer	2018  2017 	Weak financial markets specific to our funds or poor performance by our fund managers may lead to our products being uncompetitive or otherwise unattractive to new or existing clients. This could result in clients not receiving their desired investment outcomes, outflows from Jupiter (and the related decline in revenues) and a failure to attract new business and thus not meet our strategic growth objectives.

## RISK RATING

● Low	Change from last year
● Medium	⬆ Increased
● High	⬆ No change
	⬆ Reduced

## MITIGATION/CONTROLS

The Board sets the strategy and is responsible for ensuring the Group has the right structure, leadership and culture to execute it.

The Board and the Executive Committee regularly review the strategic options, opportunities and threats. Plans, budgets and targets are set to be aligned with delivery of the strategic goals. Progress is monitored and where necessary corrective action is taken.

Our culture is a key differentiator for us, enabling us to attract, motivate and retain talented individuals, which in turn drives outperformance. We give autonomy coupled with personal accountability, and encourage independence of thought and challenge.

Our investment function is arranged around 12 strategies, providing a framework for repeatable performance, but the teams themselves are small and nimble. This culture and structure gives us clarity of purpose and helps us to attract and retain the best active fund managers. We actively manage succession and transition.

We continually analyse our markets to ensure we maintain a diverse product suite that appeals to existing and potential clients. We focus on investment outperformance after fees. In response to the rising demand and supply of passive investment products, we focus on the clear differentiation of our active strategies and routes to markets where active solutions are in strong demand.

Our well-defined product development process enables us to deliver new products or enhancements, so we can target client groups in a timely and efficient way.

Our investment philosophy allows our fund managers to pursue their own investment styles and the flexibility to adjust strategies as far as possible to retain value during unfavourable market conditions. We have a broad range of investment strategies which enables us to offer products suitable for different market conditions.

We regularly review our discretionary expenditure and cost base to ensure sustainability. Our strong capital position and relatively low cost base means we are well placed to cope with this risk.

Jupiter maintains a diversified range of flexible investment products, and aims to deliver long-term value to our clients across different market conditions. Our investment process seeks to meet investment objectives within clearly stated risk parameters.

Our Investment Risk team works closely with fund managers to challenge fund risk profiles, assess the risks across the portfolios and to further develop our capabilities. This challenge process is formally reported to, and overseen by, our Risk and Finance Committee, which meets quarterly (and more frequently when required).

## 2018 IMPACT

In 2018 the Board reconfirmed its agreement with the Group's strategy whilst recognising the short-term challenges of current market conditions.

Through the course of the year we actively monitored and took action to reduce our operating expenditure in light of the challenging market environment. Whilst 2018 was a challenging year for net flows, gross flows held up.

We have successfully recruited new lead fund managers in multiple strategies including Multi-Asset, and Emerging Market Debt, and have continued to develop and promote a number of Assistant Fund Managers and Analysts to Fund Manager roles.

In 2018 we launched a new Learning and Development Curriculum to develop our employees, part of which included a future leadership course as part of our succession planning.

In 2018 we continued our strategy of diversification by client, product and geography with the launch of six new pooled funds, both for the UK and internationally, and the development of a number of new strategic distribution partnership relationships, especially in Asia.

The overall resulting profitability and capital position supported a healthy dividend payment.

Our assessment of capital adequacy included regular modelling of six stress tests which determined that the Group remained sufficiently capitalised under severe but plausible conditions.

Continued diversification by product, strategy and asset class during 2018, such as the recently launched Multi-Asset strategy, has reduced our exposure to market direction.

Whilst we have experienced weaker markets in 2018, risk of further declines is still high and we therefore maintain a risk rating of medium.

Challenging market conditions coupled with defensive positioning within many of Jupiter's strategies led to challenging performance during much of 2018. Q4 2018 saw stronger relative performance giving rise to 77% of mutual funds being in the top two quartiles over 3 years.

## OUR PRINCIPAL RISKS AND UNCERTAINTIES continued

RISK	OWNER	RISK RATING	POTENTIAL IMPACT
<b>OPERATIONAL RISKS</b>			
<b>Challenges presented by Brexit</b> Due to the uncertainty regarding the implications of Brexit, the risk that we are not ready to comply with post-Brexit requirements which could restrict our ability to operate within the EU.	ExCo	2018   2017 	An unexpected change in regulation (for example, the loss of delegation rights from our fund management function in London), could mean that we are not operationally ready to comply with post-Brexit requirements which delays our ability to manage, distribute and market our funds to investors in EU countries. This could result in reduced inflows and increased outflows over the period.
<b>Operational control environment</b> We could suffer a material error executing a key business process, or from our systems or business premises being unavailable.	Chief Operating Officer	2018   2017 	A significant error or breach of a client agreement may result in additional costs to redress the issue and could lead to outflows. The unavailability of our key systems or business premises could mean we are unable to act on behalf of our clients and/or perform other time-critical activities to ensure the smooth running of our business.
<b>Failure of a critical outsource partner</b> The failure or non-performance of a third party provider who we rely on for business processing may lead to us failing to deliver the required service to our clients and/or regulatory non-compliance.	Chief Operating Officer	2018   2017 	Our relationships with stakeholders may be jeopardised if we provide inadequate service, resulting in the loss of clients or regulatory or financial censure and negative financial consequences.
<b>Cyber crime</b> The risk that a successful cyber-attack or fraud attempt could result in the loss of clients' assets or data or cause significant disruption to key systems.	Chief Executive Officer	2018   2017 	A significant attack could undermine client confidence in our ability to safeguard assets, which could affect our ability to retain existing clients and attract new business. This could drive negative financial consequences.
<b>Regulatory change</b> The risk that changes in regulation restrict or impact our ability to do business or that we fail to implement changes required to meet new regulatory requirements.	General Counsel	2018   2017 	Our ability to do or support our business may be inhibited, which could lead to negative financial consequences. Potential regulatory censure and any related negative publicity could damage our clients' confidence in us and affect our ability to generate new business.



## RISK RATING

● Low	Change from last year
● Medium	⬆ Increased
● High	⬇ No change
	⬆ Reduced

## MITIGATION/CONTROLS

In advance of Brexit, we have established a Management Company in Luxembourg, Jupiter Asset Management International ("JAMI"), for our SICAV product range; the effective date of JAMI's appointment as Management Company is 1 March 2019.

Throughout the current period of uncertainty, we have been closely monitoring communications from and developments with respect to the UK and EU governments and regulators to ensure we remain aware of and responsive to the latest industry guidance with the support of specialist experts.

We have efficient and well-controlled processes and maintain a comprehensive risk management framework which enables the business to focus its efforts on key activities.

We have continuity and business resumption planning in place to support our critical activities. We have implemented remote working, including core system access for all our essential staff if they cannot travel to our offices. If our normal business systems or premises become unavailable, we have alternative premises including a dedicated office suite equipped with all of our critical business systems.

We subject all third parties who provide us with critical services to a high level of ongoing oversight, through our established Supplier Management framework, giving us assurance that they meet our required standards.

Jupiter has formal guidelines for managing and overseeing all third party relationships, ensuring they receive a level of scrutiny that reflects their potential risk to our business.

We commit considerable human and technological resources to preventing a cyber security incident. Our server environments are housed in two data centres provided by a specialist third party and offer fully resilient and secure facilities.

We have established a security awareness programme to extend knowledge and understanding within the business. Jupiter applies best practices from the ISO 27001 controls framework with additional reference to SANS Critical Security Controls in order to prioritise our technology defences. We have produced an extensive Cyber Security Incident Response plan to ensure departmental heads can adequately respond to the growing threat of cyber crime.

We continually monitor regulatory developments to assess potential business implications. We invest in the expertise, systems and process change necessary to enable compliance with regulatory requirements by the required dates. We maintain a robust compliance culture and require all relevant employees to undertake training on regulatory matters.

Our Compliance department supports the business in implementing and maintaining appropriate regulatory controls.

## 2018 IMPACT

As part of JAMI's set-up, we obtained the required regulatory approvals and set up six new branch entities of JAMI to facilitate the continued distribution of the SICAV product range in the EU. We have hired Luxembourg-based conducting officer staff who will enable JAMI to perform its role as Management Company and oversee the provision of services to it/the SICAVs by both delegates and service providers.

ESMA and the UK regulator have come to an agreement to allow delegation of portfolio management to the UK to continue as it is now in the event of a 'hard' Brexit. Based on this, we are on track to be ready for our 1 March 2019 effective date.

Our governance, risk and control (GRC) framework is critical to our success. It ensures we protect the interests of our clients, people and shareholders, and that we meet their expectations of us. It also ensures that we are proactive in meeting all new regulatory requirements.

We have invested significantly in our GRC environment in recent years, so it remains fit for purpose as the business grows and new regulations are introduced. We continue to enhance our governance, process and controls, and to evolve the management information and reporting that supports our decision-making.

In 2018, our assessment of suppliers reported one critical supplier that had an overall risk rating as high. During the last 18 months we have worked extensively with this supplier to oversee an agreed programme of work to deliver the management actions required to address our concerns.

Significant progress was evidenced over this period which has resulted in the reclassification of this supplier's overall rating from high to medium. We continue to work closely with this supplier to complete the remaining work which will reduce the supplier's rating further over time.

To ensure we remain well placed to identify and implement preventative measures against current and emerging cyber threats facing the industry, we joined the Investment Association Cyber Security Committee and also successfully maintained our Cyber Essentials Plus certification in 2018.

We continued to promote cyber training and awareness initiatives across the Group to educate the business on potential threats and good practice. This included workshops held with members of the Executive and focused education sessions made available for all employees supported by periodic testing.

Work continued with an ongoing programme of work to review the security posture of critical and important third party suppliers in conjunction with our Supplier Management Team.

Substantial time and resource was committed through 2018 implementing the necessary change programme to ensure that the implications of the Brexit referendum vote, particularly the possibility of a "hard Brexit" would not detrimentally impact the Group's operations and our ability to continue providing investment services to clients and investors in our funds.

Good progress was made in the Group's preparations for the Senior Managers and Certification Regime (SMCR) through a dedicated project team comprising key business stakeholders.

We successfully implemented our MiFID II and GDPR programmes.

# FINANCIAL REVIEW

Net revenue before box profits benefited from higher average AUM; costs rose despite compensation restraint. Overall profitability was curtailed by the discontinuation of box profits and the impact of research costs.

## NET REVENUE

	2018	2017
Net revenue (£m)		
Net management fees	395.7	392.4
Net initial charges (before box profits)	1.4	1.6
Performance fees	14.9	1.9
<b>Net revenue before box profits</b>	<b>412.0</b>	<b>395.9</b>
Box profits	0.7	13.6
<b>Total</b>	<b>412.7</b>	<b>409.5</b>

Net revenue for the year was £412.7m (2017: £409.5m). Over the year, average AUM was marginally higher than in the prior year, leading to a small increase in management fees. Higher performance fee receipts were offset by the loss of box profits which ceased in January 2018 following the Group's decision to move to single pricing in its unit trust range.

	2018	2017
Net management fees (£m)	395.7	392.4
Average AUM (£bn)	47.5	46.2
<b>Net management fee margin (bps)</b>	<b>83</b>	<b>85</b>

The Group's revenue is substantially earned in the form of recurring management fees. Net management fees increased by 1% to £395.7m (2017: £392.4m). Average AUM was marginally higher in 2018, principally driven by strong asset gathering in the second half of the prior year, which was substantially reversed over the course of 2018 by a combination of net outflows and asset depreciation, with markets unsettled by global economic and political uncertainty. The net management fee margin for the year was 83 basis points (2017: 85 basis points). This decrease was a result of gross outflows in historic higher margin business, and the more rapid and significant change in business mix in 2017 compared to 2018, which resulted in the Group's average AUM in 2018 being more highly weighted to the lower margin fixed income product range. We continue to expect margins to decline by 1-2 basis points a year over the longer term as a result of changes in business mix.

## ADMINISTRATIVE EXPENSES

	2018	2017
Costs by category (£m)		
Fixed staff costs	61.5	54.3
Other expenses	91.0	77.8
<b>Operating expenses</b>	<b>152.5</b>	<b>132.1</b>
Variable staff costs	72.6	82.7
<b>Administrative expenses</b>	<b>225.1</b>	<b>214.8</b>

Operating expenses of £152.5m (2017: £132.1m) rose by 15%, due to rises in both fixed staff costs and other expenses. The 13% increase in fixed staff costs reflects the increase in average headcount from 504 to 533 as we added to our talent in the fund management and distribution teams. As part of a disciplined approach to resource management, we continually look at where we deploy our resources within the business. During the year, we incurred charges of £2.2m associated with this. The rise of 17% in other expenses related primarily to costs associated with investments in our operating platform, which are designed to support our strategy of continued diversification and growth, and, as previously advised, the recognition of £5.0m of research costs in the Group's income statement for the first time. Cost actions led to savings in the year of £1.2m and are indicative of management's focus on continued investment in the business.

The adjusted cost/income ratio was 55% (2017: 54%), in line with guidance.

	2018	2017
Variable staff costs (£m)		
Cash bonus	27.1	41.5
Deferred bonus options	18.7	17.8
Deferred bonus fund unit awards	19.4	5.9
LTIP, SAYE and SIP	7.4	17.5
<b>Total</b>	<b>72.6</b>	<b>82.7</b>
<b>Variable compensation ratio</b>	<b>27.9%</b>	<b>29.8%</b>
<b>Total compensation ratio</b>	<b>32.5%</b>	<b>33.5%</b>

Variable staff costs reduced 12% to £72.6m (2017: £82.7m). The variable compensation ratio decreased by 1.9% from 29.8% to 27.9%, within our previous guidance.

Cash bonus costs were down 35%, from £41.5m to £27.1m. This reduction resulted partly from lower profitability, but more significantly from the implementation of regulations concerning the deferral of bonuses paid to employees within certain parts of the business, which require increased levels of deferral of awards over specified thresholds.

Other variable compensation principally comprises share-based and fund-linked awards. The equity-settled nature of previously awarded deferred bonus and LTIP schemes means that their costs are fixed at the time of grant and subsequently do not change if future earnings rise or fall, although social security costs vary with the Group's share price. The year-on-year increase of 10% overall was the net impact of four different drivers: charges for deferred compensation awarded in prior years increasing by 16%, fewer awards being made in the current year because of lower profitability, the requirement to increase the proportion of deferred awards to meet regulatory requirements (see above) and the fall in the Group's share price in 2018, which meant that share-price linked accruals for social security charges on historic share awards were significantly lower than in 2017.

We adopt a consistent approach to remuneration and expect the variable compensation ratio to remain within guidance in the mid to high 20% range, and for the overall compensation ratio to remain within the low to mid 30% range, both over the medium term.

## OTHER INCOME STATEMENT MOVEMENTS

Other losses of £6.5m principally comprised losses from seed investments, net of hedges, of £5.3m (2017: losses of £0.9m). These losses occurred principally from downward market movements in the second half of the year on positions in liquid alternatives style strategies. Our policy is not to hedge non-foreign exchange exposures on seed invested in fixed income and liquid alternatives style strategies.

### PROFIT BEFORE TAX (PBT)

PBT for the year decreased by 7% to £179.2m (2017: £192.9m). This was driven to a large extent by the changes announced in 2017 for the cessation of box profits and the recognition of research costs which created a headwind of £17.9m, which was partially mitigated by strong performance fee receipts, offset by losses on seed investments.

### TAX EXPENSE

The effective tax rate for 2018 was 20.2% (2017: 19.8%), against a headline UK corporation tax rate of 19% (2017: 19.25%).

We have a published tax strategy, which is available from our website at: [www.jupiteram.com](http://www.jupiteram.com).

### EARNINGS PER SHARE (EPS)

The Group's basic and diluted EPS measures were 31.8p and 31.1p respectively in 2018, compared with 34.5p and 33.7p in 2017. Underlying EPS, used by the Board to determine the ordinary dividend, was 31.7p (2017: 34.2p), down by 7%.

### CASH FLOW

The Group generated positive operating cash flows after tax in 2018 of £170.5m (2017: £194.6m), representing 119% (2017: 126%) of profit after tax. After investing £70.1m in seeding funds during 2017, the Group made further net investments of £48.0m in the year, providing meaningful support for recently launched products to enable them to build a track record. The Group actively manages its cash flows to ensure that relevant funds have access to seed investment both at launch and at certain points during their life. Outflows from financing activities included dividend payments of £151.2m to shareholders; in addition, £28.7m of shares were purchased by the Employee Benefit Trust to avoid future shareholder dilution from compensation schemes. The net decrease in cash in the period was £32.5m (2017: £24.7m).

### ASSETS AND LIABILITIES

The Group's cash position at the year-end date was £201.7m (31 December 2017: £234.2m), as trading profits were offset by dividend payments to shareholders and an increase in seeding of funds.

Of this, we would expect to use £94.3m on dividends in April and £23.0m on cash bonuses and related social security costs.

The Group has no debt (31 December 2017: £nil). The revolving credit facility of £50m was not drawn in the period. As outlined in the Equity and Capital Management section, it remains our intention to return a high proportion of surplus cash to shareholders as it arises through special dividends.

### SEED INVESTMENTS

We deploy seed into funds to ensure an effective launch and to accelerate the timescale over which the funds can pass through critical size thresholds.

As at 31 December 2018, we had a total investment of £138.4m carried at fair value in Jupiter funds (31 December 2017: £96.6m). We hold a further £19.5m of investments in our own funds to hedge our obligation to settle amounts payable to employees in relation to Deferred Bonus Plan awards.

These investments are shown on the Group's balance sheet under the appropriate heading for the relevant level of ownership in each fund. The Group only invests in liquid funds so that investments can be redeemed to improve the Group's cash balances and liquidity if required. Investments not denominated in sterling are hedged back to sterling. In terms of market risk, seed is either hedged or invested in absolute return or fixed income products. As a result, the residual risk exposure to the Group is generally limited to the alpha (positive or negative) generated by the funds.

### EQUITY AND CAPITAL MANAGEMENT

Total shareholders' equity decreased by £15.9m to £624.4m in the year, with the continued profitability of the Group being substantially offset by distributions to shareholders, in line with the Group's capital management and dividend policy below.

### CAPITAL AND REGULATORY POSITION

The Group assesses its capital position and requirements on a regular basis throughout the year. The capital requirement is formally set annually through the ICAAP and adjusted intra-year if risk exposures change significantly. The ICAAP document, which is approved by the Board, makes estimations and judgements to establish whether the Group holds an appropriate level of regulatory capital to mitigate the impact of its key risks in the event of these crystallising.

At present, the Group has a comfortable surplus over regulatory requirements, holding qualifying capital of around £182.1m against a requirement of £64.4m, an indicative surplus of £117.7m, after allowing for the full-year and special dividends.

During the year, the Group changed the way it calculates its regulatory surplus, in line with FCA rules, moving from the previously-elected Illiquid Assets approach to the default Material Holdings methodology. Under this approach, the Group is no longer required to deduct the carrying value of its non-current tangible assets from its capital resources, but instead records a deduction for any significant holdings in the capital or subordinated debt of credit and financial institutions. As the Group's balance sheet currently includes the former, but not the latter, changing to the default method increases the Group's surplus capital. In addition, under the Material Holdings approach, the adoption of IFRS 16 Leases in 2019 will not have a material impact on the Group's regulatory capital position from 1 January 2019, a change to previous guidance.

This position of capital strength enables us to be agile when assessing and pursuing market opportunities in which we see the potential for value creation.

## FINANCIAL REVIEW continued

### DIVIDENDS

Jupiter has a progressive ordinary dividend policy: our intention is for the ordinary dividend pay-out ratio to be 50% of underlying earnings across the cycle. In the event that current year profits are lower than in previous years, the Group maintains the ordinary dividend at the previous high water mark pence per share level. The Board expects to retain up to 10% of earnings for capital and growth, with the remaining balance, after taking account of any specific events, returned to shareholders. In current market conditions, shareholders have indicated that their preferred method of capital return is a special dividend.

The Board considers the dividend on a total basis, taking into account our resilient balance sheet and long-term approach to running the business. The Board's intention is to use profits and cash flow to pay shareholder dividends, to retain sufficient capital to maintain a strong balance sheet and meet regulatory requirements, and to return excess cash to shareholders according to market conditions at the time.

The Board has declared a full-year ordinary dividend for the year of 9.2p (2017: 10.3p) per share. This results in a total ordinary dividend for the year of 17.1p (2017: 17.1p), maintaining the ordinary dividend at last year's level, representing an ordinary dividend pay-out ratio of 54% of earnings. Due to the current high level of political and regulatory uncertainty, the Board has decided to retain 10% of earnings (2017: 5%), declaring a special dividend of 11.4p (2017: 15.5p) per share.

The full-year dividend payment will be paid alongside the special dividend on 11 April 2019 to shareholders on the register on 15 March 2019. The Board does not seek approval for dividend payments at the AGM, which means that full-year and special dividends can be paid together before the AGM.

Taking both ordinary and special dividends together, the Board is declaring a total dividend of 28.5p (2017: 32.6p) per share, down 4.1p, or 13% on last year.

We believe our distribution policy and the consequent yield this delivers, allied with our growth prospects, is an attractive model for shareholders.

### LIQUIDITY

The Group has a robust free cash position, supported by an undrawn RCF of up to £50m and hedged seed investments. The Group has maintained a consistent liquidity management model, with core cash (after earmarked needs) run at levels sufficient for the needs of the business.

### STATEMENT OF VIABILITY

In accordance with provision C.2.2 of the 2016 Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the Going Concern provision.

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, up to 31 December 2021. The Directors' assessment has been made with reference to the Group's current position and strategy, the Board's risk appetite, the Group's financial plans and forecasts, and the Group's principal risks and how these are managed, as detailed in the Strategic Report.

The Group defines its long-term strategic planning objectives over five years and this is underpinned by a rolling five-year financial plan, the first year of which is the current year budget. The further into the future the planning horizon is, the greater the level of uncertainty in the financial projections. Therefore, the Group uses a three-year period in assessing viability in order to be consistent with the minimum period used in the Group's ICAAP and financial projections, and because it has a sharper focus than the full five-year rolling financial planning horizon.

The rolling financial plan incorporates both the Group's strategy and principal risks and is reviewed by the Board at least annually when the budget for the following year is approved. In exceptional circumstances, the Board reviews and approves structural changes to the budget intra-year. These formal approval processes are underpinned by regular Executive Committee and Board discussions of strategy and risks, in the normal course of business.

Throughout the year the Board assesses progress by reviewing forecasts compared to the budget and longer-term projections compared to the financial plan. The current year forecast and longer-term financial projections are regularly updated as appropriate and consider the Group's profitability, cash flows, dividend payments, share purchases, seed investments and other key internal and external variables.

Scenario analysis is also performed as part of both the Group's financial planning process and within the Group's ICAAP, which is approved by the Board. These scenarios evaluate the potential impact of severe but plausible occurrences which reflect the Group's risk profile.

Scenarios include:

- Sustained fund underperformance combined with an operational risk loss event;
- The loss of discretionary distribution providers; and
- Brexit: loss of delegation rights.

These considerations also include assessing the impact of different assumptions around the development of market levels and the impact this has on the value of assets under management and the Group's revenues.

Specifically addressing Brexit, the modelling performed assumed that under a severe and plausible scenario, we would be unable to charge for any services relating to the SICAV range in the event of a "no deal" Brexit. While a "no deal" Brexit event remains a possibility, the ESMA and European securities regulators have now agreed Memoranda of Understanding with the FCA to allow delegation of portfolio management to continue in the UK for the SICAVs and EU-based segregated clients post-Brexit. As such, the loss of delegation rights is no longer perceived to be a significant risk. Regardless of these relatively recent developments, our modelling and estimates had shown that viability was unlikely to be impacted as a result of Brexit.

We believe that the statement of viability continues to reflect our internal financial planning, budgeting, forecasting, review and challenge processes which assess profitability as well as those through which we assess risk exposures arising from the implementation of the Group's operational strategy.



# THE USE OF ALTERNATIVE PERFORMANCE MEASURES (APMs)

The Group uses the following APMs:

APM	Definition	Reconciliation/ data sources	Reason for use
Adjusted cost/income ratio	Administrative expenses divided by net revenue before box profits	Page 38	C
Net management fee margin	Net management fees divided by average AUM	Page 38	A
Net management fees	Management fees less fee expenses	Page 38	A
Net revenue	Revenue less fee and commission expenses	Page 38	A
Operating expenses	Administrative expenses less variable staff costs	Page 38	A
Ordinary dividends per share	Interim and full-year dividends (does not include any special dividends)	Page 123	B
Total compensation ratio	Total staff costs as a proportion of net revenue	Page 38	C
Underlying EPS	Profit before tax less tax at the weighted average UK corporation tax rate divided by issued share capital	Page 39	D
Variable compensation ratio	Variable staff costs as a proportion of net revenue less operating expenses	Page 38	C

- A. to draw out meaningful subtotals of revenues and earnings, together with ratios derived from such measures, commonly used by asset managers after taking into account items such as fees and commissions payable, without which a proportion of the revenues would not have been earned, and administrative expenses which often have a direct link to revenues through the use of compensation ratios to set remuneration.
- B. to present users of the accounts with a clear view of what the Group considers to be the results of/ distributions from its underlying operations, thereby enabling consistent period on period comparisons and making it easier for users of the accounts to identify trends.
- C. to provide additional information not required for disclosure under accounting standards. The information is given to assist users of the accounts in gauging the level of operational gearing and efficiency in the Group and in predicting future variable cost and therefore profit levels.
- D. used by the Board to determine the Group's ordinary dividend. Also used in the measurement of one of the criteria for legacy share-based awards to senior staff with performance conditions.

All APMs relate to past performance. Other terms similar to APMs may be used within the remuneration section of this Annual Report and Accounts. Such terms constitute measures used as the basis for calculating director or executive remuneration and are defined in the glossary.

## CHANGES IN THE USE OF APMs

1. In prior periods, the adjusted cost/income ratio used net management fees as its denominator. The advantage of using this measure rather than net revenue is that it excluded box profits, which did not generally vary in line with costs and which were therefore not a meaningful contributor to the ratio. In the current period, we have changed the denominator to net revenue before box profits. This enables us to continue to exclude box profits (although these ceased in January 2018), but also include performance fees, which significantly impact administrative expenses. The change in measure has no significant impact on previously reported comparative ratios.
2. The Group has previously used underlying administrative expenses, underlying profit before tax (PBT) and underlying EPS as performance measures, principally to present users of the accounts with a clear view of what the Group considers to be the

results of its underlying operations, thereby enabling consistent period on period comparisons and making it easier for users of the accounts to identify trends. There are currently no material differences between Jupiter's underlying APMs and actual IFRS measures. As a result, underlying administrative expenses and underlying PBT have been removed as performance measures. We have retained the use of underlying EPS as it is a component in the calculation of the Group's ordinary dividends per share.

3. We have discontinued the use of operating earnings as an APM. This measure, defined as net revenue less administrative expenses, had been used as a subtotal on the face of the Group's income statement but, because it was not widely used internally to assess the Group's performance or as a component of other APMs, the Group feels it is not necessary to continue using or quantifying this term.

The Strategic Report found on pages 1-47 has been duly approved by the Board and signed on its behalf by

**CHARLOTTE JONES**  
Chief Financial Officer

28 February 2019

# ACTING RESPONSIBLY IS INTEGRAL TO THE WAY WE WORK

Our culture drives accountability and encourages our employees to act in the best interests of our clients and to behave responsibly for the benefit of all of our stakeholders.

## We are committed to creating and sustaining long-term value for our clients, shareholders and other stakeholders.

We deliver this value through investment excellence and by ensuring we operate in an ethical and responsible manner. This report details the Group's approach and initiatives to corporate responsibility, which we view from two perspectives:

- The impact we, as a company, have on our stakeholders.
- The impact our funds, as investors in companies, have on driving positive changes in the companies they invest in.

In early 2019, we decided to establish a Group Corporate Social Responsibility ("CSR") Committee which will report into the Executive Committee. The CSR Committee will oversee the Company's social responsibility initiatives and coordinate with the Stewardship Committee, within fund management to ensure an aligned approach.

## AT A GLANCE

### CHARITABLE DONATIONS

**£139,000**

Amount of charitable donations made by Jupiter during 2018.



### EFFECTIVE STEWARDSHIP

**1,285**

Number of company meetings our fund managers voted at during 2018.

**INFORMATION ON HOW WE HAVE ENGAGED WITH OUR STAKEHOLDERS CAN BE FOUND IN THE GOVERNANCE SECTION ON PAGES 58 AND 59.**

### RENEWABLE ENERGY

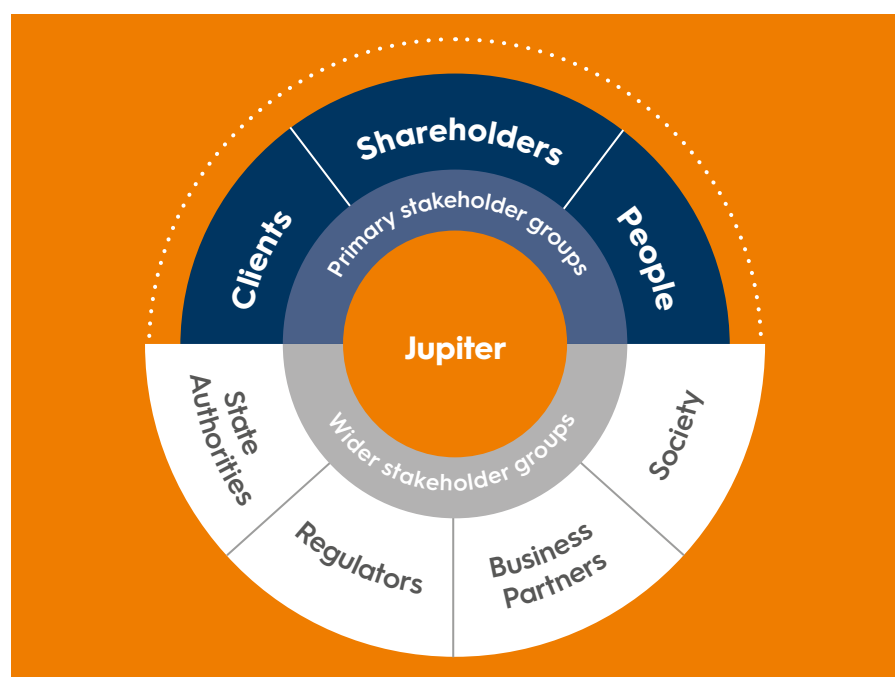
**100%**

Of the energy used in our offices, is sourced from renewable sources.

### EMISSIONS INTENSITY

**-45%**

Percentage reduction in our Scope 1 and Scope 2 emissions intensity from 2017 (see page 44).



## NON-FINANCIAL INFORMATION

**We aim to comply with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2016. A summary of the policies and outcomes, together with references to where further information and KPIs on these areas can be found, is detailed below. Details of our business model can be found on pages 16 and 17 and our principal risks on pages 32 to 37.**

### CLIENTS

Our clients are central to everything we do. Our key policies support the fair treatment of our clients and include Treating Customers Fairly Policy and our Conflicts of Interest Policy. These ensure we treat our clients fairly and, where possible, avoid situations which could result in a conflict of interest. Should a conflict arise the Policy details how this should be managed. These policies have operated effectively during the year.

Further information can be found on page 44

### FINANCIAL CRIME

We have multiple policies to prevent financial crime, which includes bribery and corruption, money laundering and terrorist financing. These policies are enforced throughout the Group and comply with all legal and regulatory requirements and best practice. All staff receive regular training on these policies and practices and we have a dedicated team overseeing Financial Crime. Throughout the year they have effectively mitigated the risk of our services being used for the purposes of financial crime.

Further information can be found on page 45

### EMPLOYEES

We operate a variety of policies to ensure the fair treatment of our employees and potential employees. These support their rights, wider well being and personal development. We are committed to promoting diversity and inclusion throughout our organisation. Where employees have any concerns about the operation of our business they are encouraged to raise these through our confidential whistle-blowing arrangements, governed by our whistle-blowing policy. These policies have operated effectively to ensure the fair treatment of employees.

Our diversity and inclusion statement online [www.jupiteram.com](http://www.jupiteram.com)

Further information can be found on page 45

### ENVIRONMENT AND SOCIETY

Each year we publish a Corporate Responsibility Report which includes quantitative and qualitative information on our environmental and social strategies and practices. Our environmental policy details our strategy to manage our direct environmental impacts through the minimisation of our use of resources and production of waste and to assess the environmental performance of our suppliers. We have continued to reduce our direct GHG emissions, however our GHG emissions arising from air travel have increased due to the expansion of our international business.

Our environmental policy online [www.jupiteram.com](http://www.jupiteram.com)

Further information can be found on page 44

### HUMAN RIGHTS

We strongly support the protection of individuals' human rights and this is embedded in our corporate values. Our employment policies and practices are designed to protect our employees. Our modern slavery statement details the steps we have taken to ensure that there are no instances of modern slavery in our workplace or throughout our supply chain.

Our modern slavery statement online [www.jupiteram.com](http://www.jupiteram.com)

Further information can be found on page 45

### TAX STRATEGY

We seek to manage our tax affairs in a straightforward manner and our annual Tax Strategy is reviewed and approved by the Board. This strategy ensures that we comply with our tax reporting and payment obligations in a timely manner and that we engage with tax authorities in a cooperative and transparent way.

Our tax strategy online [www.jupiteram.com](http://www.jupiteram.com)

Further information can be found on page 45

## CLIENTS

Jupiter's success is predicated on offering products that our clients want, that deliver returns and meet their investment needs and by offering high levels of client service. We have an effective product governance framework to ensure the fair treatment of our clients and that our products are sold and marketed responsibly. Our policies, principles, codes of conduct and our corporate values all inform our culture and seek to align our interests with those of existing and potential clients and our staff.

On behalf of our clients we exercise effective stewardship over the companies in which we invest, to ensure these companies are managed in a long-term sustainable manner. See page 47 for further information.

Our key policies relating to our clients include:

- **Treating customers fairly (TCF).** TCF is a core FCA principle, which promotes fair treatment of clients from product inception through to marketing and post-sales support. Our TCF policy commits us to dealing with clients honestly, openly and competently, not just as part of regulatory compliance but as a fundamental guiding principle.
- **Conflicts of interest.** We take all appropriate steps to identify, prevent or manage conflicts of interest that arise or may arise in the course of providing investment services to clients, whether between us and a client or between one client and another. Where circumstances are considered to exist that may give rise to a conflict of interest, details will be provided to clients as well as the mitigating procedures. No such circumstances are currently considered to exist which require disclosure to clients.

## SOCIETY

In addition to our investment activities and the impact this has on our clients, investee companies and wider society, we also have an impact on society through our environmental performance, charitable activities and protection of human rights. Further information is detailed below.

## ENVIRONMENTAL

Whilst our biggest potential impact to environmental matters is through our stewardship of the companies we invest in, via the funds we manage (see pages 46 and 47), we continue to strive to reduce our direct environmental footprint.

We joined The Climate Group's RE100 initiative in 2017. At the time we committed to source 100% of our energy in our leased offices from renewable sources before the end of 2017 which we duly achieved. We have continued this commitment throughout 2018.

We work with Carbon Credentials to measure our carbon footprint and provide independent verification of our Scope 1, Scope 2 and Scope 3 GHG emissions, which can be found in the table below.

Our chosen GHG methodology (Defra's Environmental Reporting Guidelines) takes the operational control approach. We have applied a materiality threshold of 5% for the purposes of reporting GHG data, in line with market practice for similar firms. As a result, locations with eight or more staff are defined as material and included in the disclosure. In some cases, missing data has been estimated using extrapolation of available data from the reporting period or by using 2017 data as a proxy.

We have achieved a 26% reduction in our Scope 1 and Scope 2 (location-based) GHG emissions, which has primarily been driven by improvements in efficiency to our London headquarters.

Our Scope 3 emissions increased by 51% in 2018, driven by an increase in emissions from air travel. This is due to the expansion of our international operations, particularly the opening of a new office in Luxembourg. This has been identified as an area of focus for 2019, as we look at initiatives to reduce the level of Scope 3 emissions.

Our emissions intensity measure is tCO<sub>2</sub>e per full time employee equivalent (FTE). Using Scope 1 and location-based Scope 2 emissions, our emissions intensity in 2018 was 0.92 tCO<sub>2</sub>e per FTE (2017: 1.28 tCO<sub>2</sub>e per FTE). Using Scope 1 and market-based Scope 2 emissions, our 2018 emissions intensity was 0.17 tCO<sub>2</sub>e per FTE (2017: 0.31 tCO<sub>2</sub>e per FTE).

## CHARITABLE ACTIVITIES

During the year we introduced an employee volunteering scheme, whereby employees are given up to two days per annum to support volunteering activities. This makes a direct contribution to our communities and enables our employees to support causes that are important to them.

In 2018, we donated £139,000 to charitable causes, primarily through our Give As You Earn Scheme operated by the Charities Aid Foundation. Under this scheme employees donate a set amount each month, which is then double matched by Jupiter. Again this is designed to enable our employees to support causes of their choice and means we can support a wider range of good causes.

Jupiter also has a partner charity, which is chosen based on nominations from employees. During 2018 this was Teach First, which focuses on reducing inequality in education. During the year a total of £32,000 was raised for this charity through a number of events organised by our Charity Committee. Our staff have also supported Teach First by dedicating their time to the charity through mentoring schemes, coaching and teaching guest lessons. For 2019, we are partnering with a new charity, Autistica, an autism research charity which aims to improve the lives of everyone affected by autism.

Key Performance Indicator	2018	2017	% change
Direct emissions (Scope 1) <sup>1</sup>	86.1 tCO <sub>2</sub> e	152.4 tCO <sub>2</sub> e	-44%
Indirect emissions (Scope 2): location-based	376.4 tCO <sub>2</sub> e	474.7 tCO <sub>2</sub> e	-21%
Indirect emissions (Scope 2): market-based <sup>2</sup>	0.0 tCO <sub>2</sub> e	0.0 tCO <sub>2</sub> e	0%
Other relevant indirect emissions (Scope 3) <sup>3</sup>	1,268.7 tCO <sub>2</sub> e	841.5 tCO <sub>2</sub> e	51%

<sup>1</sup> Direct Emissions (Scope 1) comprised of building gas combustion, fugitive emissions from refrigeration and air conditioning equipment and owned vehicles.

<sup>2</sup> Direct Emissions (Scope 2) is building electricity consumption.

<sup>3</sup> Direct Emissions (Scope 3) comprised of business travel, waste disposal and water consumption.

## HUMAN RIGHTS AND MODERN SLAVERY

Upholding human rights in our business operations is core to our corporate values. This includes how we treat individuals and how we encourage individuals within the Group to interact with each other.

We protect the rights of our employees through our employment policies and practices, which prohibit discrimination and promote diversity. At Jupiter, we believe diversity and inclusion are simple concepts – to have the right people in the right role, regardless of background. Our Equal Opportunities Policy requires all employees and job applicants to be treated fairly and equally.

All of our employee procedures and policies are bias-free and we have a zero-tolerance policy to bullying and harassment. Our managers are supported in embedding an inclusive culture within their teams and we are dedicated to developing a culture of openness so that any issues or concerns can be discussed. We have established diversity representative groups to support diversity across our organisation including a women leadership programme and LGBT+ forum. Further information on our initiatives can be found in our talent and culture section on page 28.

We have due diligence procedures in place to ensure our suppliers uphold human rights both in their own organisations and, in turn, in those of their suppliers. In particular, we will not tolerate modern slavery or human trafficking.

## STATE AND AUTHORITIES

We comply with all applicable laws in the countries in which we operate. As an investment firm our policies and procedures, designed to combat financial crime, are of material importance to our business. Financial crime includes money laundering, terrorist financing, bribery and corruption, tax evasion and fraud.

We have numerous policies and procedures designed to reduce the extent to which Jupiter's products could be used in connection with financial crime and a dedicated Financial Crime Team within Compliance.

The issues covered by those policies and procedures include:

- Financial crime policy;
- Anti-money laundering, sanctions and Politically Exposed Persons;
- Suspicious activity reporting;
- Customer, distributor and enhanced due diligence;
- Transaction monitoring;
- Compliance monitoring ;
- Internal audit charter;
- Employee vetting;
- Market abuse;
- Anti-bribery and corruption;
- Tax evasion;
- Data protection and security (cyber-crime); and
- Whistleblowing.

## TAXATION

We do not tolerate tax evasion, nor do we tolerate the facilitation of tax evasion by any person(s) acting on the Group's behalf.

We seek to manage our tax affairs in a straightforward way, which means that we comply with our tax filing, reporting and payment obligations in all jurisdictions in a timely manner. Our corporate structure and operating model ensure that our tax affairs are easy to explain and transparent to the tax authorities.

Our approach is governed by a Board approved tax strategy. We ensure this strategy, and the procedures and controls which underpin our approach, are appropriate, monitored and fully implemented.

## POLICY IMPLEMENTATION

We ensure the effective implementation of our policies by:

- fostering a culture of integrity and accountability;
- clear communication of our policies through our employee induction, training, management briefings and our intranet, through which we make our key policies available to our people;
- our governance framework, including our Board, management and reporting committees with their own terms of reference, which provide us with a robust structure within which we oversee the implementation of the policies;
- workforce training programmes, covering areas such as anti-bribery and corruption, money laundering, market abuse and tax evasion, which employees are required to complete each year;
- our employee handbook, which assists with contractual terms, expected conduct and our policies; and
- reviewing the majority of our policies annually to ensure they are in-line with best practice, meet our regulatory requirements and are updated with any changes required to ensure their effective implementation.

Our Compliance department and Internal Audit function monitors our success with implementing our policies, principles and codes of conduct. We operate an independent whistle blowing line enabling our employees to confidentially raise any concerns, including non-compliance with our policies and procedures.



## CLIMATE-RELATED FINANCIAL DISCLOSURES

We are engaged supporters of the FSB Task Force on Climate-related Financial Disclosures ('TCFD'), which aims to promote a more informed understanding of climate-related risks and opportunities by investors and others. We support the TCFD through our operational activities, engagement with investee companies and work with partner organisations. We are continuing to develop our analysis and response to climate-related risks and opportunities.

## GOVERNANCE

The Board is responsible for the oversight of the Group's risk management and strategy which includes relevant climate-change financial risks. The CEO, together with the Executive Directors and Executive Committee, are responsible for the management of the Group's day-to-day business and for ensuring the implementation of strategy, and, as such, have specific responsibility for climate change-related issues.

During 2018 the Sustainability Review Committee, chaired by the Chief Investment Officer, was responsible for reviewing and monitoring our engagement, with investee companies, on social and environmental issues. From 2019 the activities of this committee will be integrated into the Stewardship Committee (see page 47 for further information). In early 2019 it was agreed to establish a CSR Committee, reporting to the Executive Committee, to oversee the Company's direct social responsibility initiatives and to coordinate with the Stewardship Committee, to ensure an aligned approach.

## STRATEGY

### Climate related risks and opportunities identified

Within our annual CDP Climate Change response, which can be found on the CDP website ([www.cdp.net](http://www.cdp.net)), we provide details on our substantive regulatory, physical and reputational risks and opportunities relating to climate change. We have identified seven risks and seven opportunities related to climate change.

### Impact of climate related risks on the business and its strategy

Jupiter is not a significant producer of GHG emissions, and we consider our direct climate-related risk to be limited.

The key aspects of climate change that have influenced the business strategy are climate change opportunities/risks associated with the assets we manage. These include increasing climate change regulation, changes in physical climate parameters, changing consumer demands, and opportunities to develop business solutions to global challenges.

### Active ownership

We engage with companies on behalf of all our investors and believe a change in company behaviour can be leveraged by pressure from active investors. We monitor climate change risks and opportunities in our funds' investments by hosting or attending meetings with management teams and non-executive directors to question and challenge companies about the issues we think may affect their long-term value.

During 2018 we have launched new funds within our Environmental and Sustainability strategy, increasing investment in the sustainability sector. We have actively participated on an industry level to further develop understanding of transition risks and opportunities relating to climate change. For example, we supported CDP's sector report on capital goods, which

ranked 22 of the largest publicly listed capital goods companies on business readiness for a low-carbon economy transition. The report builds on Jupiter's longstanding engagement with CDP but also reflects our view that their focus on the Capital Goods sector is particularly timely. We presented the report at the UK TCFD Preparers Forum, organised by UN PRI, UK Green Finance Initiative and the City of London, on how climate risk information is being used by the finance sector. We recognize the challenges highlighted by TCFD, including the variability of climate-related impacts across and within different sectors and markets. As long-term active investors, helping to develop thought-leadership that advances the understanding of risks and opportunities related to climate change aligns with the commitment to investor stewardship we have made to our clients.

## RISK MANAGEMENT

### Identification and management of climate related risks

We have a formal framework for risk management (please see page 33), which is designed to identify and quantify all risks to our business including climate-related risks. We collate our global environmental data and produce quarterly reports on our direct environmental impact, allowing the identification of climate change risks and opportunities related to our direct operations (consumption and waste).

Our Stewardship Committee will receive information on the environmental, social and governance risks impacting our portfolios, with a view to understanding the voting and engagement activities around these matters. Our sustainability specialists and investment teams conduct research in partnership using a responsible investment analysis platform, RepRisk, sell side reports and CDP data. This provides our fund management teams a greater insight into the climate-related risks within our portfolio holdings.

## METRICS

Jupiter has an ongoing target to reduce overall Scope 1 and 2 emissions year-on-year by more than 1%. This year we made a 26% reduction (see page 44 for further information).

We have completed in-depth analysis of the carbon footprint of selected Jupiter portfolios as well as analysis of products and/or services, and climate and transition risk for the highly exposed energy, auto and industrial companies. This included scenario analysis for those portfolios.

We have been developing detailed climate impact reports for certain portfolios. These fund-level reports, issued to clients, focus on the GHG emissions attributable to the underlying portfolio companies, portfolio alignment with current climate goals, and a review of other portfolio level environmental risks. We continue to work alongside our industry partners to develop reporting techniques capturing transition risks and opportunities more broadly.

The ability of companies to manage social and environmental issues can influence the long-term strength of their business models and can be a key determinant of returns. Jupiter considers how companies respond to changing environmental and social conditions and the demands of their employees, clients, communities and the other stakeholders who are the key drivers of their long-term financial success.



**Across all of our investments we look at companies through a lens that considers how they will deliver value to shareholders, and also to clients, employees and society at large, because that is the basis of long term sustainable performance.**

#### STEWARDSHIP

One of the key areas in which we drive change for the benefit of our clients and wider society, is in the stewardship of the organisations in which we invest.

Effective stewardship is fundamental to ensuring the responsible investment of our clients' funds. We engage with companies on a wide variety of issues, including strategy, governance and risk management, corporate responsibility including environmental and stakeholder issues, culture and values and executive remuneration.

Our investment teams and specialist governance and sustainability analysts work together, to integrate effective stewardship into our investment approach. All of our fund managers are involved in voting decisions and our governance, environmental and social dialogue with companies. This enables us to make decisions based on an in-depth knowledge and understanding of the relevant company. This is often following a period of engagement and ensures that the company's individual circumstances are considered when making any decisions.

During 2018 Jupiter operated two Committees to assist with the coordination of stewardship across the investment management function and a summary of their roles is detailed below. Both Committees are chaired by the Chief Investment Officer and other members include the Head of Governance and Sustainability, representatives of the Board of Jupiter Fund Management plc and representatives from fund management, including governance and sustainability specialists.

#### STEWARDSHIP COMMITTEE

This Committee ensures a coordinated approach to engagement with our investee companies. Through this process, fund managers gain investment insight to inform decision-making and influence investee companies where relevant, on behalf of clients. The Committee is also responsible for reviewing Jupiter's policies on stewardship and engagement, ensuring adherence to the company's stewardship obligations and providing input to relevant industry wide initiatives and consultations.

#### SUSTAINABILITY REVIEW COMMITTEE

The objective of the Committee is to review and monitor Jupiter's engagement activity with companies on social and environmental issues. The Committee also provides oversight of the process by which companies are approved for investment in the Group's ethically screened, socially responsible or environmental solutions funds.

In early 2019 the decision was taken to merge these committees into a single Stewardship Committee in order to strengthen internal communication on environmental, social and governance issues. We view a single committee with representation from our various asset classes as the most effective way to discuss governance and sustainability issues and oversee our policy commitments.

We monitor the companies we invest in by hosting or attending regular meetings with their executive management. These meetings allow us to question and challenge companies on the issues we think may affect their long-term value. We also separately engage with company chairmen and non-executive directors. This gives us a different perspective on a company's performance and prospects and helps us to drive long-term investment performance, by engaging before problems arise, rather than holding companies to account after the event.

During the year, we engaged with 217 companies to discuss stewardship matters. This is in addition to the 1,000+ meetings held with company management around the financial calendar.

Voting at company general meetings is also an important part of exercising our stewardship responsibilities. In 2018, we voted at 308 meetings in the UK and 977 overseas. We voted against management or abstained on at least one resolution at 27 UK meetings and 266 overseas meetings.

During the year, the UN-backed Principles for Responsible Investment (PRI) released its Transparency Report for 2018, in which it assessed Jupiter's wider approach to the PRI's six responsible investment principles. Jupiter once again scored strongly across several modules assessed by the PRI. In particular, we were rated A+ for Strategy & Governance as well as A for both Listed Equity - Incorporation and Listed Equity - Active Ownership.

## GOVERNANCE

# LEADERSHIP

Delivering effective stewardship of the business

## GOVERNANCE

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# CHAIRMAN'S INTRODUCTION



**Ensuring the Board has a clear understanding of the views of our stakeholders, including our clients, shareholders and employees, is central to the effective discharge of our duties.**

## COMPLIANCE STATEMENT

Jupiter supports the principles of corporate governance as set out in the 2016 version of the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council. A copy of the 2016 version of the Code can be found on the FRC website at: [www.frc.org.uk](http://www.frc.org.uk).

Having reviewed the provisions of the Code (dated April 2016) the Board is satisfied that throughout the accounting period ended 31 December 2018, Jupiter complied with all of the provisions of the Code. More information on how the Company applied the principles of the Code is set out in this Governance section.

## DEAR SHAREHOLDER

**At Jupiter we believe good corporate governance is an essential component to driving the long-term sustainable success of a company. This belief is demonstrated, not only in our governance practices, but by our fund managers who actively engage with their investee companies on governance matters. I am pleased to report on the governance of your Company during 2018.**

### EFFECTIVE LEADERSHIP

The Board is responsible for the Group's long-term success and it is essential to have a highly engaged Board, that understands the business and the challenges it, and the industry as a whole, face. The Board must both support and challenge management whilst overseeing an effective framework of governance, controls and risk management. We believe that having a Board with diversity of thought and perspective and a balance of skills and experience is critical to ensure effective leadership. The Directors' biographies can be found on pages 54 to 55 and a summary of the skills and experience of the Board can be found on page 53.

In early 2019, we took an important step in our succession planning, by appointing Andrew Formica as our Chief Executive Officer effective from 1 March 2019. Andrew has extensive experience in the investment management industry, and was Chief Executive of Henderson Group plc for nine years and Co-CEO of Janus Henderson Group plc until 2018, following the merger in 2017. The Board regards Andrew as an outstanding candidate ideally equipped to lead the Company in the next phase of its development. Andrew will be standing for election at the 2019 AGM and his biography and further details can be found in the Notice of AGM.

As announced in February Charlotte Jones, our CFO, has resigned to accept the CFO role at RSA Insurance Group plc, where she is currently a Non-Executive Director. This is anticipated to be effective in August 2019. A recruitment process has been commenced and further information on the process can be found on page 61.

There was only one change to the Board during 2018, as highlighted in last years' report Lorraine Trainer stepped down from the Board at the 2018 AGM, following eight years' service as a Non-Executive Director.

The 2018 UK Corporate Governance Code introduces a new requirement relating to a nine year term limit for Chairmen although this can be extended for a limited time, particularly where the Chairman was an existing Non-Executive Director. The Nomination Committee, led by the Senior Independent Director, has considered this during the year, as I was appointed a Non-Executive Director in May 2010 and Chairman in September 2014. The Committee has determined that it is important to have continuity in the role of Chairman for the time being, given the transition to a new CEO and will continue with the succession process during 2019. Further information can be found in the Nomination Committee Report.

As at the date of this report 44% of our Directors and 25% of the Executive Committee are women and we are delighted to have been, once again, included in the FTSE 250 top ten performers in the Hampton-Alexander Review. Our Diversity and Inclusion Statement, confirms our aim to employ the best people from the widest pool of applicants and support their career aspirations. We view diversity in its broadest sense including gender, social background, race, sexuality, age, disability, learning style or religion. Details of our initiatives in this regard, can be found on page 29.

Following the external evaluation undertaken in 2017, we conducted an internal evaluation, supported by the Company Secretary during 2018.



The evaluation considered the performance of the Board and its Committees during the year and identified areas of focus for 2018. Further information on the evaluation can be found on page 57 and in each of the respective Committees' reports. The evaluation identified that the Board and its Committees were operating effectively.

During the year we also engaged with external consultants to assist in enhancing the quality of our Board reporting and clearly defining the Board's priorities for the next 12-18 months, which have been scheduled into the rolling agendas for our Board and Executive Committee meetings.

#### THE COMPANY PURPOSE, VALUES AND CULTURE

During the year we engaged with employees to develop a new purpose statement which articulates the Company's purpose and its place in society. We will be rolling out the revised purpose statement during the course of 2019. We have clearly documented corporate values, with an overview of the key behaviours expected from our staff in order to support these values for the benefit of clients, shareholders and our wider stakeholders. Our culture values high performing individual talent, who demonstrate independent thought and act with integrity and accountability at all times.

#### BOARD AND COMMITTEE ACTIVITIES

The Board's role is to set the Group's strategy and purpose, ensure it has the right leadership and culture, monitor the performance of the business and oversee its risk management. An overview of the key items discussed at the Board meetings held during the year is provided on page 56.

The work of the Board is supported by our Committees and detailed information on the work undertaken by each Committee can be found in the relevant Committee reports.

The Audit and Risk Committee continued to effectively oversee the Group's financial reporting, risk management, internal controls and compliance frameworks. It also ensured an effective relationship with the External and Internal Auditors.

The Chairman of the Committee, Polly Williams, is responsible for the oversight of the Group's whistleblowing policies and practices. During the year the Committee's work included oversight of the implementation of the Group's preparations for Brexit, a review and challenge of the Company's security defences and recovery plans in the event of a cyber-attack, and a deep-dive review of the assurance over a critical third-party supplier.

The Nomination Committee continued to focus on succession planning for the Board, the Executive Committee and other members of senior management, ensuring, where possible, a diverse pipeline of talent. This resulted in the Committee's recommendation to appoint Andrew Formica as the Group CEO from 1 March 2019. The Nomination Committee reviewed the skills and experience of the Board and its Committees, to ensure that there is an appropriate balance. The performance of the Board, its Committees and the contribution of each individual Director has been evaluated and confirmed to be effective and valuable.

The Remuneration Committee is responsible for ensuring that Jupiter can continue to attract and retain talented individuals and that remuneration practices are fair, reward good performance and do not encourage excessive risk taking. The Remuneration Committee Chairman, Bridget Macaskill, continued to engage with shareholders on the revised Directors' Remuneration Policy which was passed, with over 80% approval, at the AGM in May. Subsequent to the AGM the Committee has focused on the implementation of the revised policy and remuneration across the Group.

#### STAKEHOLDER ENGAGEMENT

Ensuring the Board has a clear understanding of the views of our key stakeholders, including our clients, shareholders and employees, is central to the effective discharge of our duties. Details of how we have engaged with our stakeholders can be found on page 59.

In order to comply with the revised UK Corporate Governance Code 2018 we have formalised the processes for

engaging with our employees. We established an employee forum in 2017, which consists of employee representatives from each function. This forum has been used to seek employee views on a wide variety of matters. The forum reports to the HR Director and is regularly attended by the CEO, both of whom provide feedback to the Executive Committee and Board. Going forward, in addition to the existing arrangements, the forum will formally report into the Executive Committee and the Chairman of Connections will report directly to the Board twice per year and the Remuneration Committee once a year.

At the 2018 AGM we had two resolutions with slightly less than 80% support. Following this we held a further round of engagement with our significant shareholders and have published an update on the outcome of our engagement which can be found at [www.jupiteram.com](http://www.jupiteram.com). Further information can be found on pages 61 and 71.

In addition to our ongoing engagement with shareholders, during 2018 we commissioned an independent investor perception report. This enabled our significant shareholders to provide their views on an unattributed basis. The report demonstrated their support of our strategy and management and highlighted the key priorities for our significant shareholders.

#### CORPORATE GOVERNANCE REFORM

In July of this year the FRC published its revised 2018 UK Corporate Governance Code, which was effective from 1 January 2019. We fully support the new code both as an investor and as a listed company. A detailed analysis of the 2018 Code and its implications for the Group was reviewed and considered during the year. The Board will report on its compliance with the 2018 Code in next years' annual report.

I look forward to meeting with you and answering any questions you may have at our AGM on 15 May 2019.

**LIZ AIREY**  
Chairman

28 February 2019

# CORPORATE GOVERNANCE STATEMENT

## LEADERSHIP

The Board is responsible for the long-term sustainable success of the Group for the benefit of its shareholders and with consideration to other stakeholders. It is responsible for setting the purpose, culture, values and strategy of the Group and overseeing their implementation, establishing a sound framework of risk management and internal control and effective financial reporting.

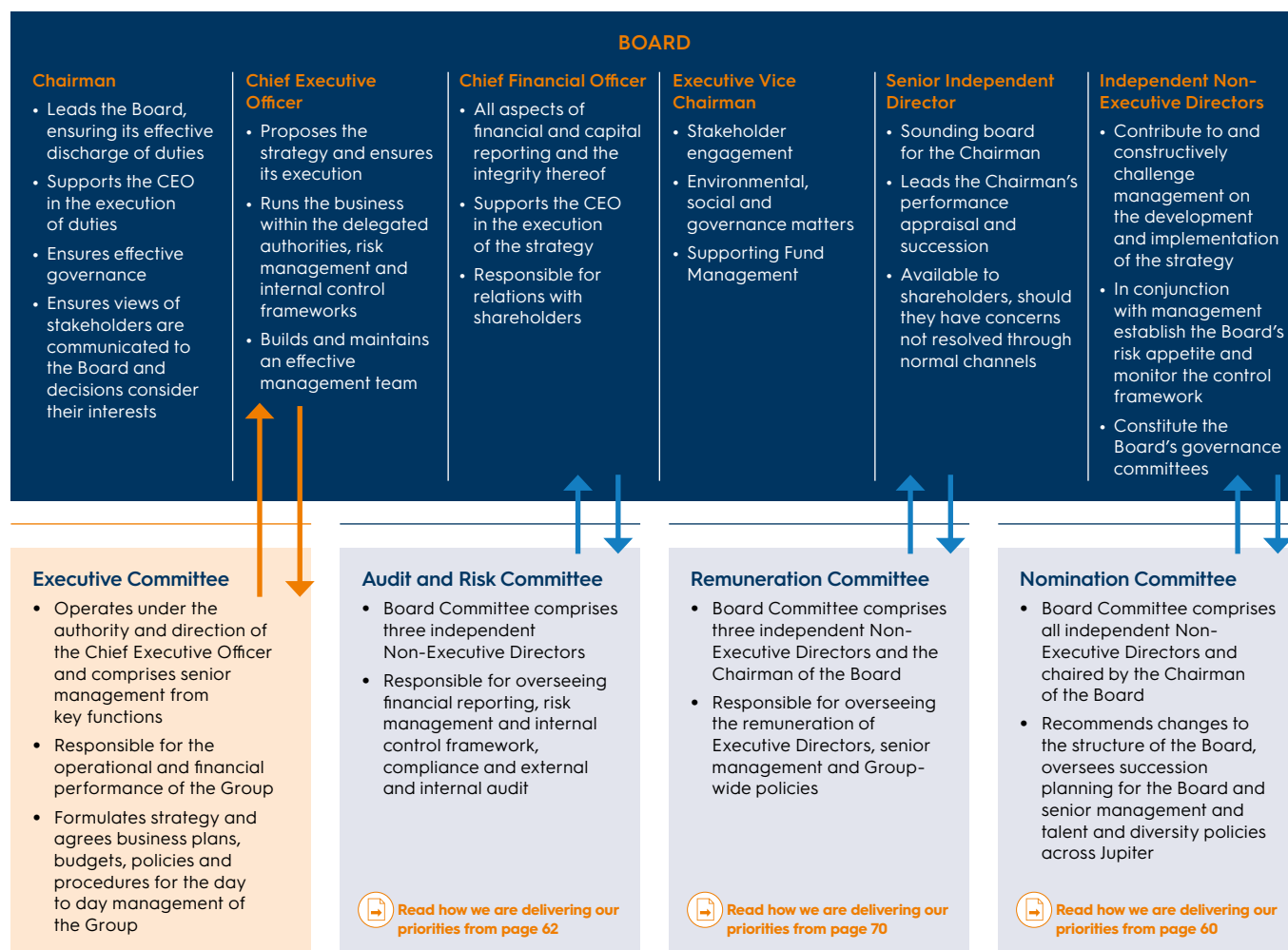
In undertaking its responsibilities the Board must have regard for other stakeholders, including employees, clients, suppliers and wider society. The Board is supported in its work by its key governance Committees as detailed below.

All matters which are not specifically reserved for the Board's decision are delegated to the Chief Executive Officer, who in turn has established an Executive Committee to assist with the management of the business.

The roles of the Chairman, Chief Executive Officer and Senior Independent Director are clearly defined in writing, approved by the Board and available on our website [www.jupiteram.com](http://www.jupiteram.com).

Detailed below is an overview of the governance framework operated by the Board, together with a summary of the key responsibilities and a summary of the matters reserved for the Board's decision.

## BOARD GOVERNANCE FRAMEWORK



### Schedule of Matters Reserved

- Establishing the Group's commercial objectives and strategy
- Setting the Group's purpose, culture and values
- Approving significant capital projects, expenditure and borrowings
- Overseeing the Group's operations and management, and maintaining an effective system of internal controls and risk management
- Setting the annual budget

- Approving the dividend policy and dividend payments
- Overseeing financial reporting, including approving the Annual Report and interim financial statements
- Ensuring adequate succession planning, including agreeing Board and other senior appointments and the appointment or removal of the Company Secretary
- Deciding major acquisitions, disposals and investments

## YOUR BOARD

The Board currently comprises the Chairman, three Executive Directors and six Non-Executive Directors. The biographies for each director can be found on pages 54 and 55.

The Board consider that all of the Non-Executive Directors are independent in both character and judgement, and under the terms of the Code. The Chairman was independent on appointment. There has only been one change to the composition of the Board during the year. Lorraine Trainer did not seek re-election at the

2018 Annual General Meeting, so stepped down from the Board, Remuneration Committee and Audit and Risk Committee on 16 May 2018.

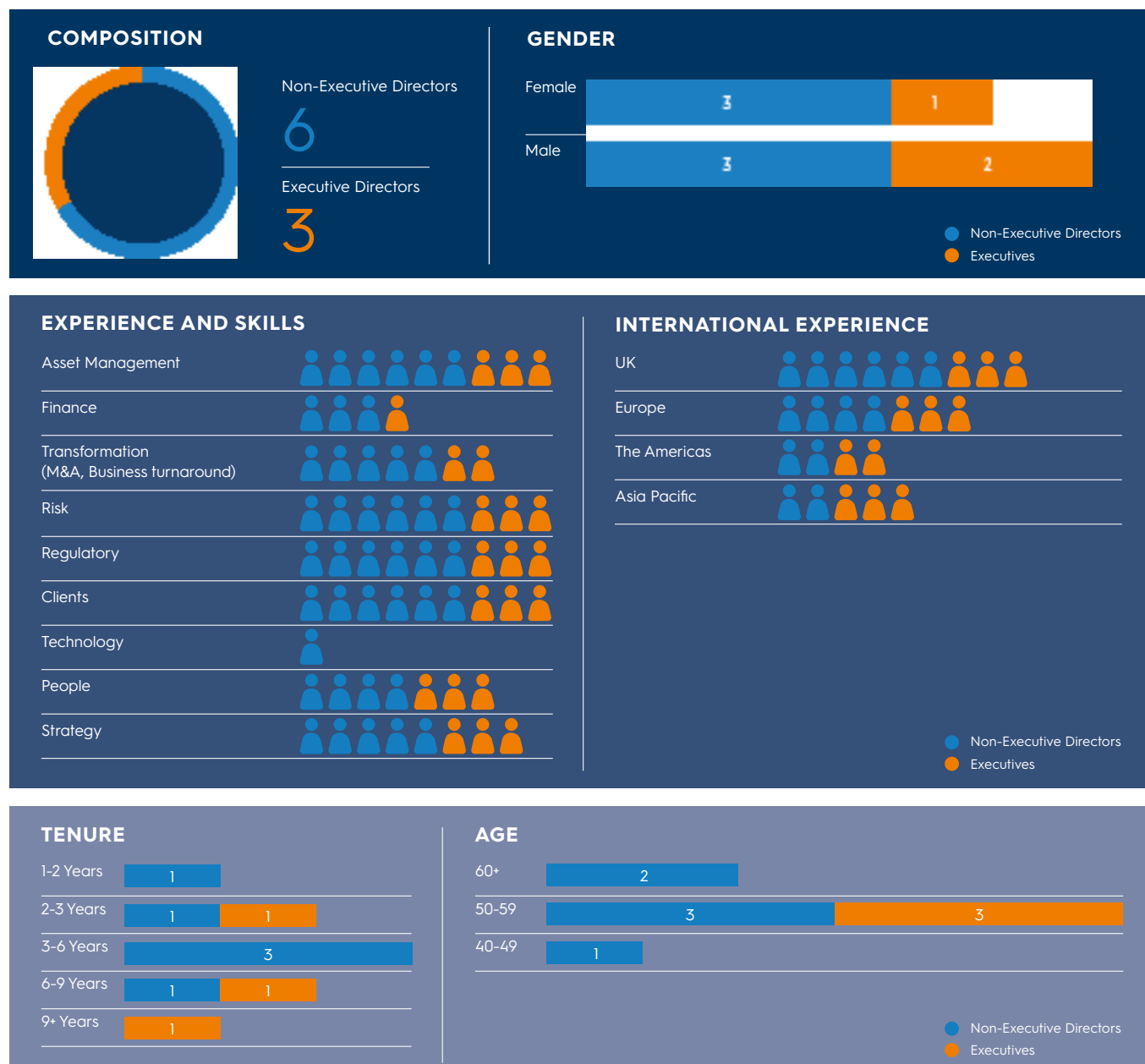
The individual performance of each of the Directors has been evaluated during the year and found to be effective, with all Directors making a valuable contribution and demonstrating their commitment.

The Nomination Committee keeps the balance of skills, experience and diversity on the Board under review. The Committee identified the limited level of technology

expertise on the Board. It was agreed to continue to supplement this area by the use of specialist expertise, including the Head of Technology and his team, who provide updates to the Board and are available to advise the Board if and when required. The Board also received updates on developing technology trends, from leading industry experts, at the Board strategy offsite.

The Board is considered to have an appropriate balance of skills and experience and diversity of thought and perspective.

## BOARD SKILLS MATRIX (AS AT 31 DECEMBER 2018)



# BOARD OF DIRECTORS



## LIZ AIREY

### Chairman

#### Appointed

Non-Executive Director in May 2010  
Chairman in September 2014

#### Skills and experience

Liz brings a wealth of relevant financial skills and experience in financial governance and executive leadership.



#### Previous appointments

Liz's previous roles have included Non-Executive Director of Tate & Lyle plc (2007-2017) where she served as Senior Independent Director and Chairman of the Audit Committee, Non-Executive Director of Dunedin Investment Enterprise Trust plc where she held the roles of Senior Independent Director and Chairman of the Audit Committee (2005-2016), Chairman of the Unilever UK Pension Fund (2008-2014), Non-Executive Chairman of JP Morgan European Smaller Companies Trust plc (2006-2011) and Non-Executive Chairman of Zetex plc (2003-2007). In 1999 she was appointed a Non-Executive Director of AMEC plc, and served as Senior Independent Director (2004-2009). Prior to this she was Finance Director of Monument Oil and Gas plc, a post she held from 1990 until the sale of the company to Lasmo plc in 1999.

#### Current external appointments

Liz is currently a member of the Corporate Governance Committee and Investments Committee of the ICAEW and Chair of Trustees of the Rolls-Royce UK Pension Fund.



## MAARTEN SLENDEBROECK

### Chief Executive Officer

#### Appointed

Distribution and Strategy Director  
in September 2012  
Chief Executive Officer in March 2014

#### Skills and experience

Maarten has more than 25 years of asset management and financial services experience.

#### Previous appointments

Before joining Jupiter in 2012 as Distribution and Strategy Director, Maarten spent 18 years at BlackRock and its predecessor companies. He was a member of the global operating committee and the European executive committee at BlackRock. Earlier in his career, Maarten gained extensive experience as a sell-side European equity analyst.



## EDWARD BONHAM CARTER

### Vice Chairman

#### Appointed

Group Chief Executive in 2007  
Vice Chairman in March 2014

#### Skills and experience

With 35 years' experience in the investment market and 23 years working at Jupiter, Edward has extensive knowledge of the fund management business. His role as Vice Chairman focuses on engaging with the Company's key stakeholders, including clients, prospective clients and industry bodies.

#### Previous appointments

Edward joined Jupiter in 1994 as a UK fund manager, after working at Schroders (1982-1986) and Electra Investment Trust (1986-1994). He was appointed Chief Investment Officer in 1999 and Joint Chief Executive in May 2000. He became Group Chief Executive in 2007 and led Jupiter through its management buyout that year and its subsequent IPO in June 2010. Edward relinquished his role as Group Chief Executive in March 2014, on Maarten Slendebroeck's appointment.

#### Current external appointments

Edward is the Senior Independent Director of Land Securities Group plc and ITV plc. He is also a Board member of The Investor Forum, Netwealth Investments Limited, a Trustee of the Esmeé Fairbairn Foundation, and a member of the Strategic Advisory Board of Livingbridge.



## CHARLOTTE JONES

### Chief Financial Officer

#### Appointed

Chief Financial Officer in September 2016

#### Skills and experience

Charlotte has extensive experience in the global financial services sector gained in senior financial roles and is a chartered accountant.

#### Previous appointments

Charlotte commenced her career at Ernst & Young where she progressed to be an audit partner in the Financial Services Practice. She subsequently worked at Deutsche Bank for nine years in various roles, latterly as Deputy CFO and was appointed as Head of Group Finance and Chief Accounting Officer at Credit Suisse in 2013.

#### Current external appointments

Charlotte is a Non-Executive Director of RSA Insurance Group plc.



## JONATHON BOND

### Senior Independent Director

#### Appointed

Non-Executive Director in July 2014  
Senior Independent Director in August 2017

#### Skills and experience

Jonathon spent 25 years in the private equity industry with a particular focus on raising standards of governance and performance. He has extensive international and general management experience, having founded and served on the board of several significant businesses.



#### Previous appointments

Jonathon was a founding Partner of Actis LLP, the emerging markets specialist alternatives fund manager, where he spent over ten years. During that time he was a member of the Supervisory Board, Investment and Executive Committees, as well as setting up and running the in-house fund raising team. For a number of years, Jonathon was a Non-Executive Director of Celtel, the first pan-African mobile company. Jonathon previously worked as a founding Director of HSBC Private Equity in India (1994-2000), Electra Private Equity Partners in London and Paris (1988-1994) and Bain & Co in London (1985-1988). He was also Executive Chairman of the Skagen Group Limited (2013 - 2019), a family office and family group of companies operating in the UK, Europe and the USA.

#### Current external appointments

He is a Non-Executive Director of Standard Life Private Equity Trust PLC.



### POLLY WILLIAMS

#### Independent Non-Executive Director

##### Appointed

Non-Executive Director in March 2015

##### Skills and experience

Polly has a wealth of relevant experience, including roles with particular responsibility for audit and risk oversight, and is a chartered accountant. Previously, Polly was a Partner with KPMG, with responsibility for the Group Audit of HSBC Group plc.

##### Previous appointments

Polly's previous non-executive directorships include Worldspreads Group plc, APS Financial Limited, Z Group plc, National Counties Building Society (as Chairman), Scotiabank Ireland Limited and Daiwa Capital Markets Europe Limited.

##### Current external appointments

Polly is a Non-Executive Director of TSB Banking Group plc, where she is Chairman of the Audit Committee, and RBC Europe Limited, both wholly owned non-listed companies. She is also a Non-Executive Director of XP Power Limited. Polly serves as a trustee of the Guide Dogs for the Blind Association and is Chairman of the Trustees for the Westminster Almshouses Foundation.



### BRIDGET MACASKILL

#### Independent Non-Executive Director

##### Appointed

Non-Executive Director in May 2015

##### Skills and experience

Bridget brings substantive knowledge and deep understanding of the investment management industry and extensive experience at board level. She has 25 years' experience in the investment management industry and has held several senior board appointments in the UK and USA.

##### Previous appointments

Bridget joined First Eagle Investment LLC in 2009 where she held the position of President and Chief Executive until March 2016. Prior to joining First Eagle, she was President and Chief Executive at Oppenheimer Funds, Incorporated. Bridget was previously a Non-Executive Director of Prudential plc, J. Sainsbury plc, Scottish & Newcastle plc, Hillsdown Holdings plc and the Federal National Mortgage Association in the US. She has also served as a trustee of TIAA-CREF funds.

##### Current external appointments

Bridget is currently Chairman of First Eagle Holdings LLC, the parent company of First Eagle Investment Management LLC and Cambridge Associates, LLC, both private companies. Bridget is also a Non-Executive Director of Close Brothers Group plc and Jones Lang LaSalle Incorporated.



### KARL STERNBERG

#### Independent Non-Executive Director

##### Appointed

Non-Executive Director in July 2016

##### Skills and experience

Karl brings some 30 years' international experience in the investment industry, gained through both executive and non-executive roles.

##### Previous appointments

Karl was a founding Partner of institutional asset manager Oxford Investment Partners, which was bought by Towers Watson in 2013. Prior to that he held a number of positions at Morgan Grenfell/Deutsche Asset Management between 1992 and 2004, including Chief Investment Officer for London, Australia, Europe and the Asia Pacific. Since 2006 he has developed his non-executive career, with a focus on investment management and the investment trust sector in particular. From 2010 to 2015, he was a Non-Executive Director of Friends Life Group plc, where he was Chairman of the Investment Oversight Committee. Karl was Chairman of JPMorgan Income & Growth Investment Trust plc until November 2016.

##### Current external appointments

Karl is the Senior Independent Director of Alliance Trust plc, and a Non-Executive Director of Herald Investment Trust plc, The Monks Investment Trust plc, Clipstone Logistics Reit plc, Lowland Investment Company plc and JPMorgan Elect plc, all of which are investment trusts.



### ROGER YATES

#### Independent Non-Executive Director

##### Appointed

Non-Executive Director in October 2017

##### Skills and experience

Roger has considerable knowledge of the asset management business with over 30 years' experience in the industry having served as a fund manager, senior executive, non-executive director and chairman. Having led two global asset managers, Roger also brings significant understanding of international business management to the Board.

##### Previous appointments

Roger started his career at GT Management in 1981 and subsequently held positions at Morgan Grenfell and Invesco as Chief Investment Officer. He was appointed Chief Executive Officer of Henderson Group plc in 1999 and led the company for a decade. Most recently Roger was a Non-Executive Director of IG Group Ltd, Chairman of Electra Private Equity plc and Chairman of Pioneer Global Asset Management S.p.A. He was also a Non-Executive Director of JPMorgan Elect plc from 2008 - 2018.

##### Current external appointments

Roger is the Senior Independent Director of St James's Place plc where he chairs the Remuneration Committee, and Senior Independent Director at Mitie Group plc.

#### Committee key:

AR Member of Audit and Risk Committee

NC Member of Nomination Committee

RM Member of Remuneration Committee

Denotes Chair of Committee



## BOARD OF DIRECTORS continued

### HOW THE BOARD OPERATES

During 2018 the Board held six formal Board meetings and a two-day strategy offsite. In addition to the formal schedule of Board meetings, ad-hoc meetings were held to consider specific items of business as the need arose. There is an informal programme of Board events; the Chairman held regular meetings with the Non-Executive Directors, some of which included the CEO. The Senior Independent Director met with the Non-Executive Directors to evaluate the Chairman's performance. Separately, Non-Executive Directors meet regularly with senior members of management.

The Board held a dinner with a selection of the firms' Fund Management Team, primarily focused on those who had recently launched new products and strategies.

The Board has an annual rolling agenda, which ensures that there is a good balance between strategy, performance and governance. Matters arising from previous meetings and identified Board priorities are mapped onto this agenda.

At least four weeks before each meeting an agenda setting meeting is held between the Chairman, CEO and Company Secretary, where the specific meeting agenda is finalised and any additional items of business to be considered included. Approximately a week before each meeting a comprehensive set of papers is circulated to all directors, to enable sufficient time for review and consideration. This facilitates effective debate and constructive challenge at the Board meeting.

### BOARD ACTIVITIES FOR 2018

At each meeting reports from the CEO, CFO and Chief Investment Officer are typically tabled. The CEO's report includes updates from the Chief Risk Officer, Chief Operating Officer, Global Head of Distribution, General Counsel and the HR Director. The Chairman of each Board Committee reports on its activities since the last Board meeting. An overview of the key additional items considered at each Board meeting during 2018 is detailed below. The Board holds a two-day strategy meeting every year, which is a key event in our Board calendar. At this year's meeting in addition to undertaking a deep dive on our strategy and our progress thereon, we also considered the Company's purpose and received a number of presentations from leading experts on developments and trends relevant to our industry.

#### KEY BOARD ACTIVITIES FOR 2018

##### January

- Annual Report
- Fund manager presentation
- Fund management structure and performance
- Corporate governance
- Corporate structure

##### February

- Annual Report and external audit update
- Dividend payment
- Shareholder engagement
- AGM Notice
- Directors' Remuneration Policy

##### May

- Board strategic objectives
- FCA market study
- Asia business update
- Report from Vice Chairman
- Update on Board strategy days
- AGM

##### July

- Interim results
- Fund manager presentation
- Investment excellence and risk
- Product development
- Environmental, social and governance report and update
- Approval of ICAAP

##### October

- Institutional business plan
- Client profile
- Operating system review
- Talent management, diversity and succession planning
- Investor perceptions study
- Purpose
- Corporate governance update

##### December

- Capital management
- 2019 financial plan
- Investment performance metrics
- Product life cycle
- Investment trust business update
- Employee engagement
- Risk appetite and enterprise risk
- Cyber risk

### BOARD ATTENDANCE RECORD

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Liz Airey	6/6		5/5	4/4
Jonathon Bond	6/6	6/6	5/5	4/4
Edward Bonham Carter	6/6			
Charlotte Jones	6/6			
Bridget Macaskill	6/6		5/5	4/4
Maarten Slendebroek	6/6			
Karl Sternberg	6/6	6/6		4/4
Lorraine Trainer <sup>1</sup>	3/3	2/2	2/2	2/2
Polly Williams	6/6	6/6		4/4
Roger Yates <sup>2</sup>	6/6		4/5	3/4

<sup>1</sup> Lorraine Trainer stepped down from the Board on 16 May 2018.

<sup>2</sup> Roger Yates joined the Board in October 2017 and due to prior commitments could not attend the Remuneration Committee or Nomination Committee meetings in February 2018.

### INDUCTION AND DEVELOPMENT

All new Directors are provided with a full, tailored induction which involves meetings with the Chairman, members of the Executive Committee, Committee Chairmen, the Senior Independent Director, professional advisors and the opportunity to meet key shareholders. The induction programme is designed to provide a thorough understanding of the strategy, business, operations, key stakeholders, the governance structure and the regulatory environment. In addition, each Director is provided with key documents including the strategy, business plans, governance related items and policies, and provided with access to previous Board and Committee papers and minutes.

Directors receive ongoing training through Board briefings, both internally and externally facilitated, on business and market developments and legal, regulatory and governance updates. Directors regularly attend external training and update programmes. All directors have access to the services of the Company Secretary and independent advice, at the Company's expense, where this is necessary to discharge their duties effectively.

#### CONFLICTS OF INTEREST

The Company's Articles of Association permit the Board to consider and authorise situations where a Director has an actual or potential conflict of interest in relation to the Group. The Board has a formal system to record potential conflicts and, if appropriate, to authorise them. Conflicts of interest are included as a standing agenda item at each Board meeting. When authorising conflicts or potential conflicts of interest, the Director concerned may not take part in the Board's decision-making.

#### 2017 EVALUATION ACTIONS ITEMS PROGRESS

An update on the Board actions arising from the 2017 evaluation is detailed below, with Committee specific actions detailed in the relevant Committee reports.

2017 FINDING	2018 UPDATE
Improving Board and Committee materials and information flows	The Board agreed that there had been significant improvements on the flow of information between Committees, including the Executive Committee. The quality of papers had greatly increased and new templates and guidelines were adopted at the end of the year.
Introducing training for key senior managers on Board functions and requirements to assist them in preparing for Board and Committee meetings	A training session was held for senior staff regularly presenting or preparing information for the Board. This also provided guidance on effective Board reporting and an overview of the revised templates.
Undertake deep dive reviews of specific risk areas which could potentially impact the Group's strategy	There has been progress in this regard, with particularly useful sessions at the strategy offsite. However it was agreed this would be continued into 2019, with particular focus on external threats.

#### RISK AND INTERNAL CONTROLS

The Board has ultimate responsibility for the Group's risk strategy and for determining an appropriate risk appetite, as well as the tolerance levels within which the Group must operate. It is also responsible for the Group's system of internal control and for reviewing its effectiveness, with the assistance of the Audit and Risk Committee. Such a system can provide only a reasonable assurance against material financial misstatement or loss and is designed to mitigate, not eliminate, risk. The Board has operated a process, throughout the year for identifying, evaluating and managing the principal risks to achieving the Group's strategic objectives and for further information please see the Risk Section on page 32.

The Board, assisted by the Audit and Risk Committee, periodically assesses the effectiveness of the internal controls.

This review covered all material controls including:

- Operational – oversight of the assurance process to ensure the business operates within the risk appetite set by the Board, examining the whole of the Group's control environment, reviewing the effectiveness of the Enterprise Risk Management Framework and overseeing the roles of various committees in managing risk within the business.

#### 2018 EVALUATION PROCESS

During 2017, the Board undertook a full external Board evaluation facilitated by Independent Board Evaluation. In accordance with the Code, this year an internally run evaluation was undertaken for the Board and its Committees and the process is outlined below:

Written questions were formulated and circulated to each Director.

Individual responses and comments were collated into a report on an unattributed basis.

The Chairman held individual meetings with each Director to discuss the evaluation findings, individual performance and related issues. The Senior Independent Director also held meetings with the other Directors to discuss the Chairman's performance.

A summary of the evaluation and proposed actions arising from the evaluation were presented, discussed and agreed at the Board and Committee meetings.

- Financial – Receiving regular reports on the Group's financial position, its progress against budget and ongoing forecast of its results. Through these regular updates, as well as the annual ICAAP process, the Board regularly reviews the Group's balance sheet levels and capital requirements. The Audit and Risk Committee assists the Board in this area, reviewing the half-year and annual results, the ICAAP process and the Annual Report, before recommending these to the Board for approval. The Audit and Risk Committee regularly receives reports in relation to the key aspects of the financial reporting process. Reports on financial controls are also issued by Internal and External Audit.
- Compliance – Overseeing the compliance framework operating throughout the Group and reviewing an annual report from the Money Laundering Reporting Officer on the Group's anti-money laundering and fraud prevention (financial crime measures).

The Board believes that the ongoing process for identifying, evaluating and managing the principal risks to achieving the Group's strategic objectives works effectively. The process was in place for the year ended 31 December 2018 and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board and complies with the guidance, 'Internal Controls Revised Guidance for Directors'.

#### 2018 EVALUATION CONCLUSIONS

The feedback from individual Directors noted that the Board operated effectively and particularly highlighted for praise:

- The Board's open style enabling robust debate, whilst maintaining mutual trust and respect;
- The high level of individual Director preparedness and engagement; and
- Good focus on priority issues, with improved agendas and Board information.

The evaluation identified a number of actions for the Board to focus on throughout 2019:

- Undertake more deep-dive reviews into external threats, which could potentially impact the strategy;
- Continue to improve engagement with shareholders and other key stakeholders; and
- Build on the progress made with Board and Committee meetings to further improve efficiency and effectiveness.

# STAKEHOLDER ENGAGEMENT

Effective stakeholder engagement enhances our understanding of stakeholder needs and leads to better decision-making and increased accountability.

## OUR STAKEHOLDERS

We believe that companies with an engaged community of stakeholders, will result in a far more successful and sustainable business.

We seek to understand the views of our stakeholders through effective engagement and consider the potential impacts our decisions have on them.

The Board has identified the Company's key stakeholders and classified these into two groups; primary stakeholders and wider stakeholders (see the chart below).

Detailed on page 59 is an overview of our engagement with stakeholders during 2018 and the outcomes thereof.

The Board have direct engagement with shareholders and our people, with management and, as appropriate, the Executive Directors having direct engagement with our other stakeholder groups. The Board receives regular reports relating to stakeholders which cover a wide range of topics including updates on recent engagement, stakeholder views, details of oversight and potential trends and initiatives impacting them.

During 2018, a revised template for Board papers was developed and this includes a specific section on any potential stakeholder considerations and impacts. This will assist in ensuring that stakeholder views and potential impacts are considered and pertinent matters are identified in the papers.

This process enables the Board to consider potential stakeholder implications and views in advance of the meeting. Directors can then raise any questions and provide appropriate challenge at Board meetings, where the items are discussed and debated.

The chart below demonstrates our primary stakeholder groups, consisting of our Clients, Shareholders and People and our wider stakeholder groups which includes the State Authorities, Regulators, Business Partners and Society. We engage with all stakeholders to ensure an understanding of their views and our impact on them.



## CLIENTS

### HOW AND WHY WE ENGAGE

Understanding and anticipating our clients' needs enables us to provide the solutions they seek. This helps our clients to meet their investment needs and ensures the future success of our business.

We have a Distribution Team who drive the engagement with our clients and, together with our Fund Management Team, hold client meetings and presentations. In addition, we provide regular client briefings and podcasts on investment insights to further our clients' understanding of our investment methodologies and broader market considerations.

### KEY OUTCOMES OF ENGAGEMENT IN 2018

- We had strong gross sales of £11.9bn during 2018, demonstrating our effective engagement and a strong alignment of our products with our clients' requirements.

## SHAREHOLDERS

### HOW AND WHY WE ENGAGE

Our ultimate duty and accountability is to our shareholders and we rely on their support to deliver on our strategy. Ensuring that we understand their views and providing regular updates to them on the performance of, and any key impacts to, the business is a key focus of the Board.

We have an extensive engagement programme with our shareholders including regular meetings between shareholders, Directors and/or members of our IR Team, analyst and investor presentations, the AGM and a variety of corporate reporting initiatives. During 2018 we hosted a shareholder dinner with our top shareholders to discuss business matters in a more informal setting.

### KEY OUTCOMES OF ENGAGEMENT IN 2018

- Following an extensive consultation with our key shareholders and investor advisory bodies our revised Remuneration Policy received over 80% approval at the 2018 AGM.
- We commissioned an independent investor perception study, which confirmed shareholders held a positive view of the Company's management and strategic direction.

## PEOPLE

### HOW AND WHY WE ENGAGE

It is critical we engage with our people effectively to ensure we are able to retain talented employees, who drive the success of our business.

We seek views from employees and consult on changes impacting our people, through our employee forum. We hold Town Hall meetings to provide staff with an update on business performance and enable them to ask any questions directly to senior management. We communicate regularly with management briefings, an internal online magazine and podcasts. We also undertake an employee satisfaction survey every two years (previous survey in 2017).

### KEY OUTCOMES OF ENGAGEMENT IN 2018

- Rolled out a revised benefits package offering enhanced family friendly benefits.
- Completed a Company-wide staff survey and held group focus meetings in order to develop a new purpose statement.

## STATE AUTHORITIES

### HOW AND WHY WE ENGAGE

The State Authorities set the legal and tax frameworks we must operate within. Our engagement primarily consists of reporting in compliance with requirements and participation in consultations which impact our business. We engage with tax authorities in various jurisdictions to ensure the appropriate taxes are paid, in a timely manner, for our business and our funds.

### KEY OUTCOMES OF ENGAGEMENT IN 2018

- Various tax registrations and relevant clearances to implement the Group's Brexit plans.

## REGULATORS

### HOW AND WHY WE ENGAGE

We are regulated by a number of regulators across the jurisdictions in which we operate, who are responsible for supervising their respective financial systems. Therefore, they have an interest in how we run our business, ensuring we act with integrity and provide effective stewardship of our clients' monies.

We have a dedicated Compliance team who foster constructive relations with our regulators. This includes regular reporting to regulators in compliance with requirements, seeking approval for any substantive changes to our funds or our business, responding to information requests and maintaining an effective dialogue.

### KEY OUTCOMES OF ENGAGEMENT IN 2018

- Engaged with the FRC regarding the changes to the 2018 Corporate Governance Code.
- Received approval from regulators in a number of jurisdictions, to proceed with the required reorganisation to address risks arising from Brexit.

## BUSINESS PARTNERS

### HOW AND WHY WE ENGAGE

Our business partners include our distribution partners (funds of funds, platforms, financial institutions, advisers, wealth managers and life companies) and our suppliers.

All business areas have responsibility for engagement with the business partners they work with. Our Distribution Team and Supplier Management function maintain regular contact with our key business partners and oversee the development of effective working relationships. We maintain oversight and control for the activities of our suppliers when they act on our behalf.

### KEY OUTCOMES OF ENGAGEMENT IN 2018

- Pro-actively worked with a key supplier to assist them in reducing their risk rating.
- 27 new relationships with Distribution Partners entered into.

## SOCIETY

### HOW AND WHY WE ENGAGE

We consider we have a responsibility to make a positive contribution to society. We engage with different parties, who fall within this stakeholder group, through direct contact with our people, our website and other publications we produce.

### KEY OUTCOMES OF ENGAGEMENT IN 2018

- Selected a new partner charity for 2019.
- Engaged with local schools and held an introduction day at Jupiter, to provide an insight into the industry.

# NOMINATION COMMITTEE REPORT



## DEAR SHAREHOLDER

### The Nomination Committee sets the foundations for the effective management of the organisation.

The Committee ensures that the Board comprises individuals with the correct balance of skills, knowledge, experience and diversity of thought and perspective, to enable the effective discharge of its duties.

It oversees succession planning for both the Board and senior executives together with policies and practices for talent management and diversity across the firm. Our people are our business and ensuring that we can attract and retain talented staff, supported by appropriate succession planning, is critical.

In January 2019 the Committee recommended the appointment of Andrew Formica as the new CEO effective from 1 March 2019. This appointment accelerated the succession plans for the CEO role and clearly demonstrates the Committee's proactive and flexible approach to succession planning. We are confident Andrew is the ideal candidate to lead the Group going forward.

As announced on 26 February 2019, Charlotte Jones will be stepping down as CFO to take up the CFO role at RSA Insurance Group plc.

This change is anticipated to be in August 2019 and we have commenced a recruitment process as detailed overleaf.

Lorraine Trainer stepped down from the Board at the conclusion of the 2018 AGM, following eight years' service as a Non-Executive Director. The Committee reviewed the composition of the Board during 2018 and decided there is an appropriate balance of skills and experience. It was therefore agreed that recruitment of a further Non-Executive Director, was not required at this time, but would be kept under review.

In May 2019, I will have served as a Director of Jupiter for nine years and as Chairman for five years. Succession planning for my role is under consideration by the Committee, led by the Senior Independent Director. The Committee determined that it is important to have continuity in the role of Chairman during the transition to a new CEO. The Committee will balance the needs of the Company and the governance requirements to undertake succession planning at an appropriate time, likely to be in the next 12 months.

An overview of the Board composition including the balance of skills and experience, as at 31 December 2018, can be found on page 53 and each Directors' biography on pages 54 to 55.

As per our diversity statement we believe that diversity, at all levels of the organisation, leads to better decision-making, increased performance and creates greater value for all stakeholders. Establishing an inclusive culture is the foundation of this and further information on our approach to diversity and the policies and practices to support this can be found on pages 28 to 29. This will continue to be a key focus for 2019.

The Committee keeps under review each Director's external appointments to ensure they have sufficient time to dedicate to their duties. We are confident all Directors have sufficient capacity and have demonstrated this through their diligent commitment and attention to Jupiter business.

**LIZ AIREY**  
Chairman

28 February 2019

## COMMITTEE MEMBERS AND REGULAR ATTENDEES

Members	Appointment date	Meetings attended
Liz Airey (Chair)	May 2010	4/4
Jonathon Bond	Sept 2014	4/4
Bridget Macaskill	Dec 2016	4/4
Karl Sternberg	Dec 2016	4/4
Lorraine Trainer <sup>1</sup>	Apr 2012	2/2
Polly Williams	Dec 2016	4/4
Roger Yates <sup>2</sup>	Oct 2017	3/4

<sup>1</sup> Lorraine Trainer stepped down from the Committee on 16 May 2018.

<sup>2</sup> Roger Yates joined the Board in October 2017 and due to prior commitments could not attend the Nomination Committee meeting in February 2018.

The Committee comprises all independent Non-Executive Directors in accordance with the Code. Other attendees, such as the CEO, HR Director, CFO and General Counsel attend by invitation.

## COMMITTEE'S KEY RESPONSIBILITIES

- Keep the composition of the Board and its Committees under review to ensure a correct balance of skills, knowledge, experience and diversity is in place.
- Lead the search and selection process for new Board appointments, including identifying the skills and experience required.
- Oversee succession planning for both Directors and Senior Executives.
- Review the Company's policies and practices for talent management, development and diversity.
- Consider each Directors' performance and continuing contribution, including the review of their external time commitments and, when appropriate, recommending their re-election to shareholders.

A full copy of the Committee's Terms of Reference can be found at [www.jupiteram.com](http://www.jupiteram.com)



## KEY ACTIVITIES

### TALENT MANAGEMENT, DIVERSITY & SUCCESSION PLANNING

This has been the cornerstone of the Committee's work during 2018 and includes:

- Accelerated succession planning for the CEO role and recommended the appointment of Andrew Formica as the Group's new CEO.
- Review of the Board skills, experience and knowledge and assessment of the composition of the Board and its Committees.
- Assessed the contribution, independence and performance of Directors and recommended their reappointment to the Board.
- The review and challenge of succession plans for the Executive Committee and other senior managers.
- Changes to the composition of the Executive Committee and the commencement of a coaching and development programme.
- Various Group initiatives in relation to talent management and diversity developed and launched during the year, further details of which can be found on pages 28 to 29.
- Oversight of the ongoing pairing programme between Non-Executive Directors and Executive Committee members.

### DIRECTOR APPOINTMENTS

For all Board appointments the Committee engages a recruitment firm to help identify external candidates and identifies internal candidates itself. The Committee decides on the recruitment firm to be appointed and provides a specific brief, including a requirement for a diverse list of candidates. Russell Reynolds were retained to assist with the CEO engagement and Odgers Berndtson have been retained to assist with the recruitment of a new CFO. Neither company have any other connection with Jupiter, other than for recruitment.

Selected candidates are interviewed by members of the Committee and other Directors, and meet with senior managers as appropriate. Standard vetting and skills assessments are undertaken. Feedback is collated and the Committee makes a recommendation to the Board, which makes the final decision on Board appointments.

### DIRECTORS' EXTERNAL COMMITMENTS

At each meeting a schedule of Directors' external appointments, which includes details of the time commitments, is reviewed by the Committee to ensure all Directors can commit enough time to their duties. This includes consideration of the need for Directors to have sufficient capacity, to be able to address non-standard business situations arising in different roles at the same time, which could increase the time requirements on the Director. The Committee is confident all Directors have sufficient time to dedicate

to their duties and this has been further evidenced in practice throughout the year. At the 2018 AGM Karl Sternberg received a significant minority of votes against his re-election. During engagement with shareholders, it was confirmed this related to the number of external appointments he holds, which prompted concerns regarding his time commitment to Jupiter.

All of Karl's appointments outside of Jupiter are to listed investment trusts, which by their nature, require substantially less time commitment than a listed operational company. This was not clearly highlighted in last year's report. The Committee has reviewed the time commitments for each of Karl's roles, his level of engagement, contribution and responsiveness to the Jupiter business. Accordingly, we remain confident he has sufficient time to fulfil his duties and continues to provide a valuable contribution to the Group.

The Committee also considers and approves any Director accepting an additional significant role. This included Charlotte Jones' appointment as a Non-Executive Director of RSA Insurance Group plc and Roger Yates' appointment to the Board of Mitie plc. Edward Bonham Carter, was appointed to the Board of ITV plc and at the same time his contracted employment with Jupiter was reduced from four days per week to three. Following a review of the anticipated and existing time commitments for each Director, the Committee approved the appointments.

## BOARD EVALUATION AND COMMITTEE EFFECTIVENESS

The 2017 Board evaluation identified a number of areas of focus for the Committee during 2018 and an update on these is provided below.

2017 PRIORITY	2018 STATUS
Talent-management within the organisation	Group-wide learning and development programmes, including management and leadership programmes have been refreshed and delivered by HR.
Further development of the Board skills matrix	Completed and subject to regular review and enhancements by the Committee.
Continued focus on succession planning and diversity across the Group	Detailed succession planning for the Executive Committee and Senior Executives undertaken. Revised Diversity and Inclusion Statement developed. Further information on Diversity initiatives can be found on page 29.
Enhancements to the Board recruitment and interview process	The recruitment and interview process for Andrew Formica was more efficient and conducted in a more timely manner.

### 2018 EVALUATION

The Committee reviewed and agreed the 2018 framework for the evaluation of the Board and its Committees, details of which are on page 57.

The Committee's performance throughout the year was reviewed under this framework and the Committee was found to be effective and discharging its duties well. The developments in talent management and succession planning were highlighted as key achievements. The evaluation identified the following areas of focus for 2019:

- Chairman succession;
- Review development of senior management team; and
- Continue to ensure a robust talent pipeline and effective succession planning across Jupiter.

# AUDIT AND RISK COMMITTEE REPORT



## DEAR SHAREHOLDER

**The Committee has continued to review and challenge the integrity of the Group's financial disclosures and monitored enhancements to the internal risk and control environment.**

As Chairman of the Audit and Risk Committee (the "Committee") I am pleased to present the Committee's report for the year ended 31 December 2018, which provides you with an insight into the Committee's monitoring and oversight activities.

During the year the Committee has continued to review and challenge the integrity of the Group's financial reporting and challenged the judgements and estimates made by management. The Group's internal control environment has been a key focus of the Committee and it has engaged with management on enhancements during the year.

Last year's report highlighted the Committee's oversight of significant change programmes within the Group, which included a new operating platform that delivered significant improvements to the Group's operations and control environment. This year's report provides an insight into the Committee's oversight of the Group's preparations for Brexit and the audit and assurance faculty ("AAF") controls report and oversight of the firm's third-party service providers.

The Committee reports to the Board on the matters it has reviewed and debated and how it has discharged its responsibilities.

## KEY ACTIVITIES

In addition to its regular agenda items the Committee focused on a number of key topics throughout the year.

A key area of focus has been its oversight of preparations for Brexit, to ensure that the Group would continue to be able to conduct business as usual and serve its clients outside of the UK.

## COMMITTEE'S KEY RESPONSIBILITIES

- Overseeing the Group's financial reporting processes, including reviewing statements, announcements and judgements concerning its financial performance.
- Reviewing the Group's internal controls and risk management systems on an ongoing basis, including the adequacy and effectiveness of the framework used to monitor the Group's significant outsourced relationships.
- Examining the controls in place for the prevention and detection of fraud.
- Assessing the principal risks that could impact the Group's business model, future performance, liquidity and solvency.
- Reviewing and monitoring the effectiveness and adequacy of the process for identifying, assessing, mitigating and managing significant strategic, operational and liquidity risks, appetites and tolerances.
- Reviewing and monitoring the effectiveness of the Internal Audit function and considering its work plans and reports.
- Overseeing the appointment, performance, remuneration and independence of the External Auditor, including the provision of non-audit services to the Group.
- Reviewing the Group's ICAAP process.
- Reviewing the Group's whistleblowing arrangements and ensuring the proportionate and independent investigation of any matters reported.
- Reviewing how the controls culture is set by management, understood by employees and implemented throughout the Group.

A full copy of the Committee's terms of reference can be found at [www.jupiteram.com](http://www.jupiteram.com)

## COMMITTEE MEMBERS AND REGULAR ATTENDEES

Members	Appointment date	Meetings attended
Polly Williams (Chair)	March 2015	6/6
Lorraine Trainer <sup>1</sup>	May 2010	2/2
Jonathan Bond	July 2014	6/6
Karl Stenberg	July 2016	6/6

<sup>1</sup> Lorraine Trainer stepped down from the Committee on 16 May 2018.

The Committee comprises only of independent Non-Executive Directors in accordance with the UK Corporate Governance Code. The Chairman, Chief Executive Officer, Chief Finance Officer, Chief Risk Officer, General Counsel and

Company Secretary, and Heads of Finance, Compliance, Enterprise Risk, Internal Audit and the Group's External Auditors attend Committee meetings by invitation.

The Committee monitored the implementation process, which included the establishment of a new management company in Luxembourg, the achievement of the project's key milestones and effective risk management.

The Committee reviewed the impact of the new IFRS 16 Leases standard on the Group's financial position. In light of the new accounting standard management recommended a change in methodology applied by the Group to calculate its regulatory capital. This change brings our regulatory capital reporting methodology in line with market practice. The Committee reviewed the matter in detail and agreed with the change in approach.

The Committee conducted a review of the Group's oversight of critical third-party suppliers and the operational risks resulting from outsourcing. It then proceeded to undertake a deep-dive review of one critical supplier with an elevated risk rating and conducted a detailed assessment of the Group's first, second and third lines of defence in managing the associated risks.

A review was conducted by the Committee of the Group's AAF, which received a qualification across two control objectives based on exceptions in seven controls. The remedial action undertaken by management was monitored by the Committee who received regular updates on how lessons learnt were being actioned.

The Committee reviewed assurance of the Group's control environment on a quarterly basis, which overall was found to be effective.

The Committee also challenged the Group's readiness and resilience for a cyber-attack on its IT systems. This included the Group's threat landscape, its security defences and recovery plans in the event of an attack and the Group's ability to respond to the evolving cyber threat.

The Committee continued to oversee the relationships with the internal and external auditors and monitored both their continued independence and effectiveness.

A full review of the Committee's activities during 2018 can be found on pages 64 to 69.

### THE COMMITTEE'S MEMBERS

Jonathon Bond and Karl Sternberg served with me on the Committee throughout the year. Lorraine Trainer stepped down from the Board and the Committee in May, having decided to not seek re-election at the AGM. The Committee has an effective balance of skills and experience to deliver its responsibilities. Every member has fully engaged in the Committee's work and their contributions to Committee discussions have been positive, well informed and demonstrate sufficient challenge.

The Board considers that all of the Committee's members who served during the year are appropriately experienced and qualified to fulfil their duties. The Board has confirmed that I have recent and relevant financial experience and all members of the Committee have competencies relevant to the asset management sector in which the Group operates.

Committee members attend training seminars on relevant topics during the year and updates are provided by the Company Secretary on relevant governance matters. The Committee members' biographies are set out in full on pages 54 to 55.

Jonathon Bond is also a member of the Group Remuneration Committee, ensuring the appropriate identification of any issues that are relevant to both Committees. I formally report to the Remuneration Committee to provide an update on any factors which could impact compensation.

I am looking forward to meeting our shareholders at our AGM on 15 May 2019, to answer any questions about the contents of this report and the Committee's work.

### POLLY WILLIAMS

Chairman of the Audit and Risk Committee

28 February 2019

### COMMITTEE EFFECTIVENESS REVIEW

During 2018, an internal review was conducted of the Committee's effectiveness, which drew upon the outcomes of the externally facilitated review conducted the previous year. Committee members were invited to respond to questions which evaluated current performance and future focuses for the Committee.

Overall, the results of the review were positive and it was considered that the Committee was performing well. Interactions with management were constructive with robust challenge and a good balance of the Committee's time dedicated to both audit and risk topics. Specific initiatives were identified to further support the Committee's fulfilment of its responsibilities, which included more in-depth reviews of specific external risks.

2017 PRIORITY	2018 STATUS
Development of a risk agenda with an increased focus on external risks	A broader range of risks has been identified and included in the Committee's schedule of annual topics for consideration.
Increased focus on key stakeholder interests	There is an ongoing and continual focus in committee papers and in the discussions of the Committee on stakeholder interests.
Planning key areas of focus for the Committee throughout the year	Each of the Committee's meetings addresses a key topic of focus, as well as its standard items for consideration. This is aligned with the Group's financial calendar and enables more focused meetings.
Enhancement of reporting of key issues	The structure, length and focus of Committee papers have been reviewed and updated by management which has supported the quality of discussion during meetings.

### 2018 EVALUATION CONCLUSIONS

In addition to its core functions, during 2019 the Committee will be focused on:

- continued monitoring of the implementation of changes to the Group's operations and assurance process in relation to Brexit;
- review of the preparations and controls for the implementation of the Senior Managers and Certification Regime;
- review of the Group's resilience to external risks; and
- review of technological developments and potential impacts on the operations of the Group.

## AUDIT AND RISK COMMITTEE REPORT continued

### COMMITTEE MEETINGS

The Committee holds five scheduled meetings per year and held one additional meeting during 2018 to review the Company's response to the FRC, following its review of the 2017 Annual Report and Accounts. The meetings were scheduled at key times in the audit and financial reporting calendar.

Only members of the Committee have the right to attend meetings. Outside of its usual meetings schedule, the Committee also meets in private with the Chief Risk Officer and the Compliance Director.

In 2018, those meetings took place in May. The Committee met separately with the Chief Finance Officer in December. In February, July and October, the Committee met with internal and external auditors' lead partners without management being present. In preparation for every Committee meeting, the Committee Chairman meets individually with both external and internal audit partners and the Chief Financial Officer.

An overview of the key additional items considered at each Committee meeting during 2018 is detailed below.

During the year, the Group established an executive Risk and Finance Committee, which reports to the Committee at each meeting on its activities. The Committee reviewed at each of its scheduled meetings, preparations for Brexit and the Group's Governance, Risk and Controls programme. The Committee also received regular reports from the heads of the assurance functions.

### KEY COMMITTEE ACTIVITIES FOR 2018

#### February

- Annual Report
- Re appointment of external auditors
- Fraud detection and prevention
- Whistleblowing
- AAF
- MiFID II
- Legal and litigation

#### May

- CASS audit
- Risk and control self assessment and business process management
- H2 2018 Compliance plan
- Money laundering reporting officer report
- Tax strategy
- Third-party supplier whistleblowing

#### July

- Interim accounts
- ICAAP
- Effectiveness of external auditors
- Oversight of key third-party supplier
- Legal and litigation

#### October

- Deep dive of IT controls
- Risk appetite statement
- Enterprise risk management framework
- External audit plan
- Effectiveness of internal audit
- Cyber risk
- Internal audit charter
- Committee effectiveness

#### December

- Significant accounting estimates and judgements
- Accounting standards
- Non-audit services
- Culture reporting framework
- 2019 internal audit plan
- Regulatory capital reporting
- Annual compliance plan
- Terms of reference

### REVIEW OF THE ANNUAL REPORT AND ACCOUNTS

The Committee reviewed the Group's half-year financial statements in July. The financial statements for the year ended 31 December 2018 were reviewed in February 2019.

### FINANCIAL REPORTING

During the year the Group received an enquiry letter from the Conduct Committee of the FRC, in relation to the Annual Report and Accounts for the year ended 31 December 2017.

An additional Committee meeting was held specifically to discuss the proposed response to the FRC. The response included background information relevant to the items raised and an agreement to make limited modifications to the explanations for certain disclosures to enhance their clarity. The FRC subsequently closed their enquiry with no further action. It should be noted that the review of the 2017 accounts by the FRC does not provide any additional assurance regarding its accuracy and the FRC does not accept any liability in relation to its review.

### REGULATORY REPORTING

An in-depth review was conducted by management of the Group's regulatory reporting position, in light of the adoption of the new accounting standard IFRS 16 Leases. Following this review the Group elected to change the way it calculates its regulatory capital, in line with FCA rules. As a result, the adoption of the new accounting standard will not materially reduce the Group's capital surplus and aligns the Group with the methodology used in the investment management sector.

The Committee considered the accounting issues and significant matters of judgement impacting the preparation of the 2018 financial statements. The External Auditor was asked for its view of the judgements made by management and all relevant issues were scrutinised and challenged by the Committee. The table on the following pages details areas where the Committee exercised judgement on the Annual Report.

### KEY AREAS OF FOCUS

	RESPONSIBILITY	ACTIONS OF THE COMMITTEE
<b>True, fair, balanced and understandable</b>	The Committee is responsible for reviewing the Company's Annual Report to ensure that it is true, fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance and strategy.	<p>The Committee reviewed the half-year and annual financial statements with management. The review focused on:</p> <ul style="list-style-type: none"> <li>the Company's performance in relation to its strategic objectives</li> <li>the integrity of the Group's financial reporting process</li> <li>application of accounting policies and judgements</li> <li>compliance with relevant legal and financial reporting standards</li> <li>the impact of new accounting standards and how this would impact the Group's reporting and accounting disclosures</li> </ul> <p>The Committee received updates on future accounting developments under IFRS and how these impacted the Group. The Committee agreed with management's assessment that two IFRS accounting standard changes, effective from 1 January 2018, would have minimal impact on the Group. The new IFRS 16 Leases standard, effective from 1 January 2019 required significant changes to the Group's accounting treatment of leases. The Committee reviewed and challenged these changes in detail.</p> <p>The Committee reviewed the Annual Report in its entirety and assessed whether the report was fair, balanced and understandable. In making this assessment the Committee discussed the requirement with senior management and confirmed that the external auditors had had access to all relevant information.</p> <p>The Committee made a recommendation to the Board, following its assessment, that the Annual Report is true, fair, balanced and understandable and is approved for publication.</p>
<b>Long-term viability</b>	<p>The Directors are required to review the long-term viability of the Company.</p> <p>Further details on the Group's viability can be found in the Financial Review section of the Strategic Report.</p>	<p>The Committee reviewed the Group's viability for a period of three years.</p> <p>The Committee discussed and reviewed:</p> <ul style="list-style-type: none"> <li>the Group's current financial position and its net cash balance</li> <li>the Group's liquidity and any risk to its future liquidity</li> <li>the Group's strategic and financial plans</li> <li>the ICAAP</li> <li>the Group's business and cash flow projections</li> <li>external market risks, in particular the impact of Brexit</li> </ul> <p>The Committee reviewed the impact of IFRS 16 on the Group's financial position and challenged management on its forecasts and projections. The Group's surplus capital levels and cash liquidity were reviewed.</p> <p>The Committee recommended to the Board that the viability statement be approved.</p>



## AUDIT AND RISK COMMITTEE REPORT continued

## KEY AREAS OF FOCUS

	RESPONSIBILITY	ACTIONS OF THE COMMITTEE
<b>Going concern</b>	The Committee is responsible for reviewing whether it is appropriate for the Company to adopt the going concern basis of accounting in preparing the half-year and annual financial statements for the year ended 31 December 2018.	<p>The Committee reviewed a number of factors such as liquidity management and cash generation from operations, contingent liabilities, unfavourable market scenarios versus the Group's core forecasts and other risks to the Group's operations or balance sheet position.</p> <p>The Committee resolved that it was appropriate for the Group to adopt the going concern basis of accounting in preparing the half-year and annual financial statements for the year ended 31 December 2018. No material uncertainties were identified and the Board was not notified of any qualifications or assumptions as to the Company's ability to continue to operate over a period of at least 12 months from the date of approving the financial statements.</p>
<b>Share based payments</b>	The Committee reviews share-based payments as part of its review of the Group's financial position.	<p>Certain assumptions are required to be made in order to calculate the accounting charge for share awards. These include anticipated levels of vesting and timings of exercises.</p> <p>In line with previous years, the most significant share-based payment accounting costs for the Group related to Long-Term Incentive Plans and Deferred Bonus Plans.</p> <p>The Committee reviewed the assumptions in leaver rates, the likely vesting levels following performance condition testing and timings of exercises based on historical data, and the Company's business plan.</p> <p>The Committee agreed that the assumptions proposed by the Finance function were appropriate.</p>
<b>Goodwill</b>	The Group has goodwill of £341.2m on its balance sheet which is not amortised and remains the same from year to year unless deemed to be impaired.	<p>The Committee reviewed whether the Group's goodwill was deemed to be impaired. A full impairment test using a discounted cash flow model was conducted during the year. The test demonstrated that there continued to be significant headroom available between the fair value of the goodwill asset and the Company beta.</p> <p>The Committee reviewed managements' recommendation and agreed that no impairment of the Group's goodwill was required.</p>
<b>Basis of consolidation</b>	<p>The Group is required to consolidate entities under the control of Jupiter Fund Management plc into the Group accounts.</p> <p>In addition to Group owned companies, this includes certain funds whereby the Group acts as the fund manager and owns a significant proportion of the fund (for example funds that have been seeded by the Group).</p>	<p>The Committee reviewed the assessment of control of an entity, which considered the direct holding in a fund as well as factors like management and performance fees.</p> <p>The Committee agreed that the adopted approach was in line with accounting standards.</p> <p>The Committee reviewed the consolidation of employee benefit trusts ("EBTs"). The Committee agreed with the judgement of management that the EBTs functioned as subsidiaries of the Group and were not considered an area of significant judgement for the Group.</p>

## KEY AREAS OF FOCUS

	RESPONSIBILITY	ACTIONS OF THE COMMITTEE
<b>Trade and other receivables/payables</b>	<b>Input VAT</b> As disclosed in previous Annual Reports, in 2013 HMRC issued a revised assessment in relation to input VAT recovered by Jupiter Asset Management Group Limited since September 2009, which has yet to be fully settled. It is anticipated this will result in monies being returned to the Group and an appropriate receivable is in the accounts.	The Committee noted that the level of receivable as held in the accounts had not changed from the previous provisions made.
<b>New accounting standards</b>	<b>Lease accounting</b> The Committee is responsible for reviewing the Group's adoption of new accounting standards and from 1 January 2019 the Group adopted IFRS 16 Leases.	The Committee reviewed the impact of the new accounting standard on the Group's leases, how the Group's lease assets and liabilities are calculated and the consequential impact on the Group's regulatory capital treatment.  The Committee reviewed and agreed the applicable discount rate.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Chief Risk Officer reports to the Committee on a quarterly basis on any updates to the Group's risk profile and the effectiveness of the Group's enterprise risk framework and internal controls, with applicable risk dashboards. This includes the Group's emerging, strategic and operational risk areas together with conduct and regulatory risks. The Committee conducts an annual review of the Risk Appetite Statement and Enterprise Risk Framework and makes recommendations thereon to the Board.

The General Counsel attends the Committee's meetings, to advise on current legal and regulatory matters including any particular litigation and intellectual property issues affecting any Group company.

During the year, the Committee:

- received regular reports on the progress of the Group's ICAAP process, which enabled it to provide feedback throughout the year on various scenarios and assumptions utilised, including the Group's wind-down plan. The Committee reviewed and recommended that the Board adopt the Group ICAAP at its meeting in July;
- reviewed the Group's approach to client rebates and endorsed a number of changes to processes and practices;
- reviewed operational risks and the performance of third-party providers to the Group;

- had oversight of the implementation of significant change programmes including the Group's Risk and Controls Programme and the implementation of the Group's Brexit plans;
- reviewed the Group's tax strategy and associated internal processes and controls;
- reviewed the Group's AAF report on controls and monitored the implementation of the Group's control improvements; and
- conducted a quarterly review of the effectiveness of the Group's internal controls.

# AUDIT AND RISK COMMITTEE REPORT continued

## AUDITORS' REMUNERATION

### AUDIT FEE



### AUDIT FEE FOR SUBSIDIARIES



### AUDIT-RELATED ASSURANCE SERVICES



### OTHER ASSURANCE SERVICES



### OTHER NON-AUDIT SERVICES



## EXTERNAL AUDITOR

PwC is the Group's External Auditor, having been reappointed following a formal tender in 2014. Jeremy Jensen was the lead audit partner throughout 2018.

### THE STATUTORY AUDIT SERVICES FOR LARGE COMPANIES MARKET INVESTIGATION (MANDATORY USE OF COMPETITIVE TENDER PROCESSES AND AUDIT COMMITTEE RESPONSIBILITIES) ORDER OF 2014 – STATEMENT OF COMPLIANCE

The Company confirms that it has complied with the provisions of the CMA Order 2014 for the financial year under review. The Company intends to retender the external audit contract no later than 2024.

Each year the External Auditor presents to the Committee the proposed scope of its full-year audit plan, together with a review plan for the half-year. This includes its assessment of the material risks to the Group's financial statements and its proposed materiality levels, for the Committee's discussion and agreement. In 2018, PwC attended all of the Committee's meetings and also provided reports on specific topics requested by the Committee, which included the CASS audit and the AAF report.

The Committee has primary responsibility for the Group's relationship with the External Auditor. A review of the effectiveness of the External Auditor was undertaken by means of a questionnaire, which was completed by members of the Committee and from Finance, Risk, HR, Company Secretariat, Compliance and fund and client servicing teams. Questions were on a variety of areas including the quality of people and service, robustness of audit, quality of delivery and audit fees. PwC was found to have performed effectively during the audit and upheld high standards of professional service. A summary of the questionnaire's findings, which included areas for improvement, were discussed at the Committee's meeting in July. The Committee Chairman then discussed the action points with Jeremy Jensen, the Group's audit partner.

The Committee reviewed and approved PwC's terms of engagement and the proposed fee for the 2018 audit. The Committee has reviewed and satisfied itself with respect to the External Auditor's qualifications, expertise, resources and independence. It continues to believe that PwC conducts its audit work with objectivity and to a high standard. The Committee considered the External Auditor's proposed audit scope and plan at the October meeting and found it to be effective. There are no contractual obligations restricting Jupiter's choice of external auditor, other than in respect of EY's appointment as Internal Auditor.

The Committee has a primary responsibility to safeguard the External Auditor's objectivity and independence. A non-audit services policy has been in place throughout the year and sets out the procedures for the provision of any non-audit services by the External Auditor to any entity within the Group. The Committee monitored the value of non-audit spend during the year against a standard of 70% of the average audit fee on a three year rolling basis.

The policy requires that all non-audit spend, for services which are permissible under the policy, amounting to £50,000 or more must be approved by the Committee. For permissible services amounting to between £30,000 and £50,000, prior approval from the Chief Finance Officer must be sought. For all amounts below this threshold the Head of Finance can provide approval.

Regular reports are circulated to the Committee setting out the non-audit services provided by the External Auditor throughout the year to date and the fees charged. These services mainly related to the review of the interim results, the AAF report and the CASS audit. There are areas of assurance where the work being done is, in the view of the Group, similar in type and scope to the work performed during the audit and as such, can be provided more efficiently and cost effectively by the auditor. We continue to look at these items on a case by case basis, to determine whether PwC is the appropriate supplier. A different supplier would be considered where it would not be detrimental to the Group. An analysis of fees paid in respect of PwC's audit and non-audit services is included within Note 1.3 on page 105. The Board has recommended the reappointment of PwC as external auditor, which will be put to shareholders at the AGM on 15 May 2019.

## COMPLIANCE

The Head of Compliance reports to the Committee on a quarterly basis which includes a compliance risk dashboard, results of compliance monitoring, comprehensive updates on regulatory developments and on staff regulatory training.

During the year, the Committee:

- approved the annual compliance plan;
- reviewed regulatory capital reporting matters;
- received a report from the Company's Money Laundering Reporting Officer on the activities of the Financial Crime Team;
- considered culture across the organisation, and the development of a reporting framework;
- reviewed the Group's ongoing compliance with MiFID II;
- monitored various change programmes designed to ensure compliance with the evolving regulatory framework;
- reviewed the Group's whistleblowing policy and procedures; and
- monitored the resourcing of the Compliance function and its ability to effectively support the Group.

## INTERNAL AUDIT

EY has provided the Group's Internal Audit function since 2008. The Internal Auditor reports directly to the Chairman of the Committee and, in addition to submitting status reports for each Committee meeting, provides Committee members with copies of any internal audit reports completed between meetings. The status reports include findings and recommendations, as well as the Group's progress with implementing previous recommendations. These help to inform the Committee's discussion of any required follow-up. The Committee works with the Internal Auditor to ensure that its work is embedded in the business and is coordinated with that of the External Auditor.

The 2018 Internal Audit plan was reviewed and approved by the Committee, with audit fieldwork completed during the year. The plan was designed and assessed against the Enterprise Risk Management Framework of the Group and focused on aspects of Jupiter's strategic risks.

14 audits were conducted in the period.

The audits included:

- (I) embeddedness of firm-wide strategy;
- (II) general data protection regulation review;
- (III) post implementation review of MiFID II;
- (IV) review of the Group's operations in Hong Kong;
- (V) governance review;
- (VI) regulatory reporting review; and
- (VII) portfolio management review

These reviews have helped the Group to implement more robust control procedures and Internal Audit continues to work closely with the firm's Risk and Compliance teams to ensure a holistic approach to the provision of assurance in the Group.

The Committee approved the 2019 Internal Audit plan and as part of the planning work, considered the level of assurance provided by all assurance functions, which includes Risk, Compliance, and External and Internal Audit. The focus of the 2019 Internal Audit plan will be the operational resilience of the Group, with particular emphasis on the implementation of new systems and processes in relation to cyber security and the management of rebates. A total of nine audits are planned for 2019.

## 2018 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

It is vital that the independence of the Internal Audit function is maintained to ensure good governance. During the year the Committee reviewed and confirmed the continued independence of EY. Guidance and procedures monitor the services EY are utilised for, outside the scope of Internal Audit. The guidance details the types of services EY should not supply and places restrictions on the amount of fees, that fall outside of the Internal Audit fees, payable to EY in any one year. In addition, all services proposed to be supplied by EY must be approved by either the Head of Finance or the Chief Financial Officer.

The effectiveness of Internal Audit was reviewed by the Committee at its October meeting. A two-stage evaluation process was conducted comprising a survey and analysis of key internal audit metrics. The survey was completed by senior management and other senior employees who had been involved in Internal Audit's work throughout the year.

The key performance metrics were split into three categories: people and process; coverage; and value. Overall, a positive level of satisfaction was reported, with specific areas for improvement identified and communicated.

The Committee considered whether outsourcing the function to a specialist independent provider continued to be appropriate and reviewed alternative models. Having considered these, the Committee remained of the view that outsourcing the function to a specialist independent provider remained appropriate and allowed for the provision of subject experts as required.

# REMUNERATION REPORT



## DEAR SHAREHOLDER

**I am pleased to present our Directors' Remuneration Report for 2018. We believe the Directors' Remuneration Policy (the "Policy"), as approved by shareholders at our 2018 AGM, remains appropriate.**

A summary table of the Policy is included in the Remuneration Report. No changes are proposed to the approved Policy for this year, however the Remuneration Committee has considered recent changes in remuneration legislation and governance, which are discussed later in this section. The Annual Report on Remuneration is subject to an advisory shareholder vote at our 2019 AGM.

### PERFORMANCE AND REMUNERATION FOR 2018

As discussed throughout this Annual Report, 2018 proved a more difficult year than 2017, both for the Company and for the industry. Economic uncertainty caused market volatility and share price decline amongst many asset managers, including Jupiter.

Jupiter's mutual funds delivered strong investment performance, with 83% and 77% of AUM performing above the median, after all fees, over one and three years respectively. Nevertheless, net outflows of £4.6bn concentrated in a small number of our funds, combined with challenging markets, meant AUM declined 15% over the course of 2018.

Whilst maintaining a strong cost discipline, 2018 was Jupiter's first year absorbing the cost of research and moving to a single pricing structure; combined with poor market conditions underlying EPS therefore saw a 7.3% decline to 31.7p (2017: 34.2p).

Incentive awards for Executive Directors in 2018 reflect the overall corporate performance and are consistent with the experience of shareholders and clients, who saw strong investment performance but significant outflows and a corresponding drop in profit.

Bonus outcomes for 2018 were determined in accordance with the balanced scorecard and were 55% of the potential maximums, representing a 51% decrease in quantum for the CEO compared to the prior year. The Committee did not exercise any discretion in determining the payout under the quantitative performance metrics.

Details of actual performance against the targets set for 2018 and the specific individual variable pay awards can be found on pages 78 to 80. Overall, the variable and total compensation expense ratios are 27.9% and 32.5% for 2018 respectively, within the expected ranges previously communicated.

As illustrated on page 92, employees' variable compensation decreased by 18% on average, at a higher rate than both the 7.5% decrease in underlying PBT and 12.6% decrease in the dividends.

### LEADERSHIP CHANGES

As has been recently announced, Andrew Formica will succeed Maarten Slendebroek as CEO from 1 March 2019. Andrew will be appointed as an Executive Director of the Board and his remuneration will be determined in line with the approved Policy. Andrew's salary has been set at £445,000 per annum, reflective of his experience. Andrew will be entitled to a pro-rata bonus in respect of the 2019 performance year worked and a pro-rata LTIP award. Full details of his compensation arrangements for the 2019 performance year can be found on pages 83 to 85.

As part of the terms agreed for Maarten's departure, he has been awarded a bonus for the 2018 performance year and will be entitled to a pro-rata bonus for the period of the 2019 performance year which he works. He will not receive an LTIP award

in 2019. Full details of the remuneration arrangements in relation to his departure are provided on page 82.

Following this week's announcement regarding the forthcoming departure of Charlotte Jones, the termination arrangements in relation to her remuneration will be agreed in due course. These will be disclosed on our website in accordance with s430(2B) of the Companies Act 2006 and in the 2019 DRR.

### LTIP TARGET SETTING

As in previous years, the EPS targets for the 2019 LTIP awards have been set in relation to Jupiter's forecast three year financial plan. Due to the decline in assets which occurred in 2018, the forecast EPS targets are lower than in the past year. The Committee has set the EPS targets at a level still considered significantly stretching for management but still motivating.

### DEVELOPMENTS IN LEGISLATION AND GOVERNANCE

2018 saw the publication of the CEO pay ratio requirements and a new version of the Corporate Governance Code (the "Code"). The Committee spent time assessing the implications of these for Jupiter and how it intends to comply with the new requirements.

The disclosures under the CEO pay ratio legislation apply to Jupiter with effect from the next financial year, however the Committee considers it to be in shareholders' best interests to comply with these straight away. Jupiter's associated disclosure for the 2018 financial year is presented in full on page 92.

The latest Code presents a number of additional aspects for remuneration committees to consider. The Committee debated the most appropriate and effective ways to better engage with the wider employee population on pay related matters, agreeing to do so by broadening the scope and terms of reference for Jupiter's official employee forum 'Connections'. Representatives from Connections will meet with the Committee at least annually.

In addition and in line with the requirements of the updated Code, the Committee has examined the Deferred Bonus Plan and LTIP rules to ensure that the interests of our Executive Directors remain aligned with those of our other shareholders in



the period immediately following the termination of employment (see page 86). This approach will be reviewed when the next Director's Remuneration Policy is put forward for shareholder vote, in the light of market developments at that time.

### THE LINK BETWEEN STRATEGY AND REMUNERATION

Jupiter's primary focus is on delivering value to clients through long-term investment outperformance after all fees. Jupiter's business model of combining this investment outperformance with an effective distribution platform, supported by efficient and scalable operations, allows us to deliver value to our shareholders. Jupiter's strategic growth has enabled us to deliver value to shareholders since listing in 2010.

The Director's Remuneration Policy aims to support the delivery of the Company's growth strategy, by incorporating key financial and strategic performance measures across all elements of variable remuneration, whilst allowing the Remuneration Committee appropriate discretion to ensure bonus and LTIP payouts remain in line with overall shareholder experience. In line with regulation, a high proportion of variable compensation is deferred into shares over a period of three years, further aligning the interests of Executive Directors with those of shareholders.

A two-year post vesting holding period on LTIP awards and robust malus and clawback provisions on all variable

compensation ensure Executive Directors are rewarded for delivering on the long-term business strategy and a strong governance framework exists to appropriately manage all elements of performance related pay.

### LINKING RISK AND REWARD

Risk, compliance and conduct continue to serve an important role in remuneration both at a corporate and individual level, to ensure that the desired behaviours are being demonstrated. The Committee evaluates a robust set of risk checkpoints before approving the variable compensation spend each year (as described in detail on page 90), as well as operating a risk, conduct and compliance underpin for all individuals. This allows for individual variable compensation awards to be reduced where appropriate, potentially to zero.

### EMPLOYEE SHARE OWNERSHIP

Employee share ownership continues to be a strong area of focus at Jupiter. Currently, around 50% of our employees hold shares in the Company and are therefore aligned with our other shareholders in having a long-term interest in the Group's performance.

Approximately 29% of employees hold share options under one or both of our deferred bonus and long-term incentive plans. We also operate two HMRC approved plans, a Sharesave and a Share Incentive Plan, as well as an international equivalent to the Sharesave for employees based outside of the UK. At the end of the 2018 financial year 80% of eligible

employees were participating in at least one of the Share Incentive Plan, Sharesave or the international equivalent.

### SHAREHOLDER ENGAGEMENT

I would like to thank shareholders for their support in approving our current Directors' Remuneration Policy at the 2018 AGM. This policy introduced a number of significant changes from the previous one, and I am grateful for the constructive feedback received as part of the policy design process. Jupiter received approval fractionally below 80% on a single remuneration related resolution at the last AGM, which was in relation to approval of the new rules for the Long-Term Incentive Plan. Our post-AGM engagement with shareholders on this topic has confirmed that there are no specific concerns with the rules of the new LTIP and shareholders' focus will be on how the newly adopted Policy and LTIP will be implemented.

We welcome feedback from our shareholders on our Remuneration Policy and its application. We believe that the reduction in variable remuneration for Executive Directors and the Company as a whole reflects the more difficult year for the business, and demonstrates alignment with shareholders. We hope this will earn your support of our Remuneration Report for 2018.

### BRIDGET MACASKILL

Chairman of the Remuneration Committee

28 February 2019

## COMMITTEE'S KEY RESPONSIBILITIES

- Determining the overarching policy for the remuneration of the Group's employees, ensuring it is structured in a way that rewards individual and corporate performance and is aligned with appropriate risk, compliance and conduct standards and the long-term interests of shareholders, clients and other stakeholders;
- Determining the overall size of the annual variable compensation pool and the total compensation ratio, taking into account all relevant factors including the performance of the business, the impact on liquidity and the Group's capital base, the Group's profitability, risk, compliance and any constraints on total remuneration spend;
- Determining and reviewing annually individuals who may be considered to have a material impact on the risk profile of Jupiter and relevant subsidiaries

(Code Staff) for the purposes of the FCA Remuneration Code, Alternative Investment Fund Managers Directive (AIFMD) and Undertakings for Collective Investment in Transferable Securities (UCITS) disclosures;

- Determining the Chairman's fees and the total individual remuneration package of each member of the Executive Committee and each individual identified as Code Staff;
- For Executive Directors and Executive Committee members, overseeing the setting of objectives for, and assessing the extent to which each individual has met, their individual performance targets for incentive awards;
- Approving the design of, determining the targets for, and monitoring the operation of, any performance related pay schemes operated by

the Group, ensuring appropriate links exist between risk and reward, and approving the total annual payments made under such schemes;

- Reviewing the design of all share incentive plans and deferred bonus arrangements for approval by the Board and, if applicable, shareholders. For any such plans, determining each year whether awards will be made, and if so, the overall amount of such awards, the eligibility criteria for such awards and the performance targets attaching to those awards, taking into account future risks; and
- Overseeing any major changes in employee benefit structures throughout the Group.

A full copy of the Committee's terms of reference can be found at [www.jupiteram.com](http://www.jupiteram.com)

## REMUNERATION REPORT continued

### REMUNERATION POLICY TABLE – COMPONENTS OF EXECUTIVE DIRECTOR REMUNERATION

This section of the Remuneration Report provides an overview of the key remuneration elements in place for Executive Directors. We have not made any changes to our Remuneration Policy this year and as such remain bound by the Policy approved at the 2018 AGM.

We have not reproduced our full Remuneration Policy in this report, but the main elements are set out in the policy table below and overleaf. A copy of our full Directors' Remuneration Policy as approved by shareholders in 2018 is available in the Remuneration Report section of the 2017 Annual Report and Accounts, a copy of which can be found on our website:

<https://www.jupiteram.com/en/corporate/Investor-Relations/Reports-and-results>

	PURPOSE AND LINK TO STRATEGY	OPERATION
<b>Base salary</b>	Provides an element of fixed remuneration which reflects the size and scope of the role and the calibre of the individual.	Base salaries are generally reviewed annually and take into account a range of factors, including: <ul style="list-style-type: none"> <li>• size and scope of the role;</li> <li>• skills, performance and experience of the individual;</li> <li>• market competitiveness;</li> <li>• wider market and economic conditions; and</li> <li>• the level of increases in the wider employee population.</li> </ul>
<b>Pension</b>	Provides individuals with market competitive retirement benefits. Supports recruitment and retention of high-calibre people to deliver the business strategy.	Payments are made at a consistent level to all UK employees, either into a pension plan (for example, into a defined contribution plan or some other arrangement which the Committee considers to have the same economic benefit) or delivered as a cash allowance of the same equivalent cost to the Company.
<b>Benefits</b>	Provides individuals with market aligned benefits.	Benefits are provided on a consistent basis to all UK employees. Typical benefits include: private medical insurance, life assurance, dependants' pension and an income protection scheme to cover long-term illness.
<b>Annual bonus and Deferred Bonus Plan ('DBP')</b>	<p>The annual bonus rewards corporate performance and the achievement of stretching strategic and personal objectives.</p> <p>The DBP provides a deferral element in the form of Jupiter shares. This provides a strong link to long-term and sustainable value creation and reinforces retention.</p> <p>Clawback and malus provisions apply, to mitigate actions and behaviours outside of Jupiter's risk appetite.</p>	<p>The Company operates a balanced scorecard approach across a range of metrics.</p> <p>At the beginning of each performance year, the Committee agrees a range of targets for each metric. Multiple factors are considered in setting targets, including the Board approved budget, market expectations, prior year achievement, strategic focus and priorities, as well as the wider economic landscape.</p> <p>During the year, the Committee monitors performance against these targets.</p> <p>After the year end, annual bonus awards are determined based on actual performance against the balanced scorecard. The overall outcome is not formulaic; the Committee applies a level of judgement to ensure the pay-out levels reflect both individual performance and the experience of shareholders for the year.</p> <p>50% of the non deferred bonus is delivered in shares, subject to a six-month holding period. Under the DBP, 50% of the total bonus is deferred into shares, vesting annually in equal tranches over three years, and subject to an additional six month holding period.</p>

MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<p>There is no defined monetary maximum. For the Policy period, the annual salary increases for incumbent Executive Directors will be limited to the average salary increases for other employees.</p> <p>Increases for any new Executive Directors may be made in certain circumstances such as a significant change in the scale, scope or responsibility of a role; or significant market movements.</p> <p>The annual base salaries for 2018 and 2019 for each Executive Director are set out in the Annual Report on Remuneration.</p>	N/A
15% of salary.	N/A
<p>There is no defined maximum. The value of other benefits will vary year-on-year, depending on factors such as the third-party provider charges and market conditions. They are set at a level the Committee considers reasonable in the context of the local jurisdiction and the individual's circumstances.</p>	N/A
<p>Individual bonus limits (inclusive of any DBP award), expressed as a percentage of salary, apply per role as follows:</p> <ul style="list-style-type: none"> <li>• 425% for the Chief Executive Officer;</li> <li>• 250% for the Chief Financial Officer; and</li> <li>• 200% for the Vice Chairman.</li> </ul>	<p>Measures and weightings are set by the Committee at the start of each performance year and will be disclosed prospectively in our Annual Report on Remuneration. Under the balanced scorecard approach, the following will also apply:</p> <p>At least 75% of the annual bonus award will be based on corporate quantitative measures. No more than 25% of the annual bonus award will be based on individual and strategic measures.</p> <p>All variable compensation is subject to a risk and compliance assessment, under which payments can be reduced, including to zero.</p> <p>Actual performance, target ranges for objective measures and commentary for strategic and individual measures will be disclosed retrospectively in the Annual Report on Remuneration.</p>

## REMUNERATION REPORT continued

### REMUNERATION POLICY TABLE – COMPONENTS OF EXECUTIVE DIRECTOR REMUNERATION continued

	PURPOSE AND LINK TO STRATEGY	OPERATION
<b>All-employee share plans</b>	Jupiter encourages employee share ownership and operates an HMRC approved Sharesave plan and an HMRC approved Share Incentive Plan. Executive Directors are eligible to participate in both plans on the same basis as other UK employees.	Under the Sharesave plan, employees enter into a three- or five-year savings contract and are granted linked options over shares in the Company.  The Share Incentive Plan awards take the form of shares in the Company acquired by employees from pre-tax salary in conjunction with matching shares awarded.
<b>LTIP</b>	Provides long-term reward with awards made on an annual basis.  Encourages long-term outperformance and reinforces retention.  Clawback and malus provisions apply, to mitigate actions and behaviours outside of Jupiter's risk appetite.	At the beginning of the year, the Committee will select the relevant performance measures and targets, as well as the applicable weighting for each measure.  LTIP awards will vest a minimum of three years from the date of grant with performance normally measured over a period of at least three financial years, subject to continued employment and satisfaction of applicable performance conditions.  Awards will be subject to an additional two-year post-vesting holding period, unless the Committee determines otherwise.
<b>Minimum shareholding requirements</b>	Ensures long-term interests of Executive Directors are sufficiently aligned to those of shareholders.	Executive Directors should build up a minimum level of shareholding in the Company within five years of appointment to the Board. This is monitored by the Committee to ensure Executives make sufficient progress towards the required target.

#### LEGACY PAYMENTS

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before our 2014 AGM (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

#### COMMON AWARD TERMS

Awards under any of the Company's share plans referred to in this report may:

- (a) be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect. Alternatively, if regulations so require, awards may also be granted over fund units, in which case, references to Jupiter shares in this Policy would also include fund units;
- (b) have any performance conditions applicable to them amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy;
- (c) incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under an award that vest up to the time of vesting (or where the award is subject to a holding period, release). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;
- (d) be settled in cash at the Committee's discretion; and
- (e) be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

#### NEWLY APPOINTED DIRECTORS

In the event another Executive Director role is created for the Company in future, the maximum variable opportunities (expressed as a percentage of salary for the new position) under the Annual Bonus and LTIP will not exceed the percentages shown for the CEO in the summary table above.

MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
Under the Sharesave and Share Incentive Plan, maximums are as prescribed by HMRC from time to time.	N/A
<p>Individual LTIP limits, expressed as a percentage of salary, apply per role in respect of any one financial year as follows:</p> <ul style="list-style-type: none"> <li>• 375% for the Chief Executive Officer;</li> <li>• 225% for the Chief Financial Officer; and</li> <li>• 150% for the Vice Chairman.</li> </ul>	<p>Performance measures (applicable to 100% of any LTIP award), weightings and target ranges are set by the Committee at the start of each performance period and will be disclosed prospectively in our Annual Report on Remuneration. The following will also apply:</p> <ul style="list-style-type: none"> <li>• For each performance measure, no more than 25% of the maximum will vest for achievement of the 'Threshold' performance level and 100% of the maximum for achievement of the 'Maximum' performance level.</li> <li>• In exceptional circumstances, the Remuneration Committee retains the discretion to vary or replace a performance condition if an event occurs that means a performance condition has ceased to be appropriate, provided that any varied or new performance condition is, in its opinion, not more or less difficult to satisfy.</li> </ul> <p>All variable compensation is subject to a risk and compliance assessment, under which payments can be reduced, including to zero. In addition, the LTIP is subject to an underlying business performance underpin. The Committee will compare the vesting outcome for LTIP awards against shareholder and client experience over the same performance period.</p>
<p>Individual minimum shareholding requirements, expressed as a percentage of salary, apply per role as follows:</p> <ul style="list-style-type: none"> <li>• 300% for the Chief Executive Officer;</li> <li>• 200% for the Chief Financial Officer; and</li> <li>• 200% for the Vice Chairman.</li> </ul>	N/A



# REMUNERATION REPORT continued

## ANNUAL REPORT ON REMUNERATION IMPLEMENTATION IN 2018

### COMMITTEE MEMBERS AND REGULAR ATTENDEES

Members	Appointment date	Meetings attended
Bridget Macaskill (Chair)	May 2015	5/5
Liz Airey	April 2012	5/5
Jonathon Bond	February 2015	5/5
Roger Yates <sup>1</sup>	October 2017	4/5
Lorraine Trainer <sup>2</sup>	May 2010	2/2

<sup>1</sup> Roger Yates joined the Board in October 2017 and due to prior commitments could not attend the Remuneration Committee meeting in February 2018.

<sup>2</sup> Lorraine Trainer stepped down from the Committee on 16 May 2018.

The Committee comprises only independent Non-Executive Directors in accordance with the UK Corporate Governance Code. The Chief Executive Officer, Company Secretary, HR Director and Head of Reward are invited to attend Remuneration Committee meetings to contribute to the Committee's deliberations.

In addition, the Chief Financial Officer, Chief Investment Officer, Chief Risk Officer and Compliance Director are invited to attend Remuneration Committee meetings to provide specific input, where requested. No individual is present when their remuneration is being discussed.

### OVERVIEW OF ACTIVITIES IN 2018

The following regular agenda items were considered during the scheduled Committee meetings which took place during 2018:

	Jan	Feb	Jul	Oct	Dec
<b>Remuneration policy and disclosures</b>					
Review of remuneration policy	●				
Directors' Remuneration Report	●	●			●
<b>Risk and reward</b>					
Input from Risk and Compliance	●			●	●
Review of risk checkpoints prior to variable compensation pool approval	●				
<b>Annual remuneration discussions</b>					
Bonus and LTIP pool	●	●			●
Assessing performance against bonus scorecard	●				
Individual performance and remuneration outcomes	●	●			
LTIP performance condition testing	●				
Allocation of LTIP awards	●				
Setting bonus scorecard and LTIP performance measures	●	●			
Setting individual objectives for Executive Directors	●	●			
Minimum shareholding testing					●
<b>External market</b>					
Shareholder trends and feedback			●		
Governance developments			●	●	
Market trends			●		
Benchmarking data				●	
<b>Regulatory</b>					
Internal Audit of Remuneration Policy			●		
Remuneration Policy Statement				●	
Code Staff identification (CRD III, UCITS V and AIFMD)		●		●	
Remuneration Policy Statement				●	
<b>Committee remit and effectiveness</b>					
Terms of reference review		●			●
Self-evaluation				●	

## SINGLE TOTAL FIGURE

### EXECUTIVE DIRECTORS' 2018 AND 2017 REMUNERATION (AUDITED INFORMATION)

	Maarten Slendebroek		Charlotte Jones <sup>9</sup>		Edward Bonham Carter	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>A. Fixed pay</b>						
Base salary	425	250	325	250	160	155
Taxable benefits <sup>1</sup>	8	3	1	1	2	2
Pension <sup>2</sup>	56	33	44	34	21	20
<b>Total fixed pay</b>	<b>489</b>	<b>286</b>	<b>370</b>	<b>285</b>	<b>183</b>	<b>177</b>
<b>B. Annual bonus</b>						
<i>Annual bonus:</i>						
- Delivered in cash	250	513	113	200	44	80
- Delivered in shares vesting immediately with six-month holding period	250	512	112	200	44	80
- Delivered in shares vesting over three years	500	1,025	225	400	89	160
<b>Total bonus<sup>3</sup></b>	<b>1,000</b>	<b>2,050</b>	<b>450</b>	<b>800</b>	<b>177</b>	<b>320</b>
<b>C. Pay for the performance year</b>						
<b>Sub-total (A+B)</b>	<b>1,489</b>	<b>2,336</b>	<b>820</b>	<b>1,085</b>	<b>360</b>	<b>497</b>
<b>D. Vesting of LTIP awards<sup>4</sup></b>						
<i>For performance in multi-year periods:</i>						
- 2013 award (2013-2017) <sup>5</sup>	-	267	-	-	-	-
- 2015 award (2015-2017) <sup>6</sup>	-	943	-	-	-	236
- 2016 award (2016-2018) <sup>7</sup>	453	-	-	-	91	-
<b>Total value of LTIP vesting</b>	<b>453</b>	<b>1,210</b>	<b>-</b>	<b>-</b>	<b>91</b>	<b>236</b>
<b>E. Other</b>						
Buy-out award <sup>8</sup>	-	-	-	744	-	-
SIP matching shares	2	-	-	-	-	-
<b>Total other</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>744</b>	<b>-</b>	<b>-</b>
<b>Total remuneration (C+D+E)</b>	<b>1,944</b>	<b>3,546</b>	<b>820</b>	<b>1,829</b>	<b>451</b>	<b>733</b>

1 Comprising private medical insurance and reimbursement of reasonable expenses incurred in the performance of their duties and payment of any tax arising.

2 Represents employer pension contributions and/or cash allowance in lieu of pension contributions. There are no defined benefit arrangements. Employees with registered pension protection or those impacted by the Tapered Annual Allowance may elect to have some or all of their pension contributions paid instead as a cash allowance, after deducting an amount equal to the cost of employer national insurance on such cash payments. The pension amounts in the single figure table may therefore be less than 15% of the salary.

3 These amounts have been determined by the Remuneration Committee based on performance against the relevant annual bonus performance measures in respect of the relevant year.

4 The value of the LTIP awards vesting is based on the Remuneration Committee's determination of performance against the relevant LTIP performance measures across prior multi-year performance periods.

5 The value of the 2013 LTIP award vesting in 2018 has been restated based on a share price on the vesting date 4 April 2018 of £4.71 and vesting due to performance of 70.3%.

6 The value of the 2015 LTIP award vesting in 2018 has been restated based on a share price on the vesting date 27 March 2018 of £4.77 and vesting due to performance of 74.9%.

7 Estimated value of the 2016 LTIP award vesting in 2019 based on 42.5% vesting due to performance and average closing share price over the period 1 October to 31 December 2018 of £3.29 (the actual vesting date is 1 April 2019).

8 This amount for Charlotte Jones represents cash payments delivered to her as part of the buy-out of awards forfeited from a previous employer. The payments mirror identical cash awards that would have been payable on the same date from her previous employer. These details were previously disclosed on page 75 of Jupiter's 2016 Annual Report and Accounts.

9 Following this week's announcement regarding the forthcoming departure of Charlotte Jones, the termination arrangements in relation to her remuneration will be agreed in due course. These will be disclosed on our website in accordance with s430(2B) of the Companies Act 2006 and in the 2019 DRR.

## REMUNERATION REPORT continued

### SINGLE TOTAL FIGURE continued

#### VARIABLE PAY AWARDS FOR 2018 PERFORMANCE

Variable pay awards for 2018 performance have been determined by the Committee using the following process:

- At the start of the year, the Committee sets and agrees the performance metrics, relative weighting between corporate quantitative (at least 75%) and strategic goals, and associated targets for each performance level (threshold, target and maximum) for corporate quantitative metrics.
- The 2018 targets for underlying PBT were set in the context of both the move to a single pricing structure (and therefore

the elimination of box profits) and the cost of research no longer being passed on to clients. Both of these were highlighted in last year's Annual Report and Accounts as changes that would impact the business from 1 January 2018.

- The annual metrics and weightings are disclosed prospectively in the Directors' Remuneration Report; the detailed targets are considered commercially sensitive and are disclosed retrospectively, following the performance year end.
- Throughout the year the Committee monitors progress against the relevant performance metrics.
- Following year end, actual performance against each of the bonus metrics is assessed, as reported in the scorecard

on the following pages. For corporate quantitative metrics, this is in the context of the threshold, target and maximum ranges set.

- Individual bonuses for the Executive Directors are determined. Bonuses are not formulaic and judgement is applied by the Committee in arriving at award amounts. The Committee will consider the context in which performance has been achieved, having reference to shareholder and client experience during the year.
- Overall variable compensation spend is considered in the context of the variable and total compensation ratios relative to their expected ranges as previously communicated to shareholders.

### ASSESSING CORPORATE QUANTITATIVE PERFORMANCE

The following section sets out Jupiter's actual performance against target for the primary measures relating to profitability, flows and investment outperformance, which are each given a 25% weighting and therefore together comprised 75% of the bonus metrics for 2018.

PERFORMANCE METRIC	PRIMARY MEASURE	THRESHOLD PERFORMANCE (25% VESTING)	TARGET PERFORMANCE (50% VESTING)	MAXIMUM PERFORMANCE (100% VESTING)	ACTUAL PERFORMANCE	PERCENTAGE OUTCOME	COMMENTARY
<b>Profitability</b>	Underlying PBT	£157.0m	£196.3m	£225.7m	£179.2m	39%	Profitability (as measured by underlying PBT) has decreased 7.5% relative to the prior year. Actual performance was achieved midway between the threshold and target measures. Net revenue rose by 0.8% year-on-year to £412.7m, while operating expenses rose by 15.4%, including absorbing research costs and moving to a single pricing structure.
<b>Flows</b>	Net sales	£1,000m	£4,344m	£6,000m	£(4,626)m	0%	In 2018 there was a reversal of the strong inflows experienced in the prior year, with strong net outflows causing performance to fall below the threshold.  Gross sales for the year were £11.9bn.
<b>Investment outperformance</b>	Proportion of mutual funds (weighted by AUM) achieving performance of first or second quartile over one year (25% weighting) and three years (75% weighting)  Proportion of segregated mandates and investment trusts (weighted by AUM) achieving performance above the benchmark over one year (25% weighting) and three years (75% weighting)	40%	60%	80%	76%	90%	Jupiter maintained strong investment performance in unit trusts and SICAVs over both one and three years, with 79% of AUM achieving first or second quartile using the weighted average of both time periods. This outcome falls just short of the maximum target set for this performance condition.  Investment performance for the segregated mandates and investment trusts was not as strong, with the weighted average across one and three years achieving 50%.  The AUM weighted performance across all products or assets over one year (25% weighting) and three years (75% weighting) was 76%.

## ASSESSING CORPORATE STRATEGIC PERFORMANCE

The following table sets out supporting commentary and information the Committee considered in assessing overall performance in each of the areas of strategic performance identified for 2018. In conjunction with assessment of individual performance, these measures comprise 25% of the bonus metrics for 2018. The exact weighting of each metric is listed in the bonus outcomes table on page 80.

PERFORMANCE METRIC	2018 ASSESSMENT	OUTCOMES
<b>Diversification</b>	<p>Jupiter continued its strategy of diversification throughout 2018. Good progress was achieved in plans to develop the Multi-Asset offering, with the hire of a Head of Multi-Asset and subsequent launch of the Flexible Income Fund. Asset growth also continued in key alternatives funds, including Global Absolute Return and the Europa fund, with AUM growth of 15% and 13% respectively. 2018 also saw the launch of Emerging Market Corporate Bond, Emerging Market Short Duration and the US long/short funds.</p> <p>Good strategic progress was made in building the institutional team and better determining Jupiter's investment capabilities for the institutional market.</p> <p>Net redemptions in the Dynamic Bond fund during 2018, particularly in the Asia Pacific region reversed some of the geographical diversification of assets achieved in the prior year. We continued to mature our distribution capabilities in continental Europe and establish relationships with local distributors in South Africa and Latin America.</p>	Partially achieved
<b>Talent, culture and values</b>	<p>A new employee handbook and enhanced UK benefits offering was launched in Q4 2018 to refresh and strengthen the employee proposition, and remain competitive in the market for top talent.</p> <p>Additionally, a core curriculum of individual development programmes is now available to all employees. 72% of employees signed up to at least one of the courses during the year and a third of our people managers completed the Management 2022 training programme.</p> <p>Considerable progress was made in researching and laying the groundwork for updating Jupiter's culture and values, including seeking opinion throughout the business via a staff survey as well as Executive Committee and Board level discussions.</p>	Substantially achieved
<b>Optimising the benefits of infrastructure investment</b>	<p>In 2018 the focus was on embedding the new investment platform and driving efficiencies and improvements to the operating environment. A significant milestone was achieved during the year ensuring that by year end the whole of the business was supported by our new order management system. Additionally significant improvements were made to processes and controls across the investment lifecycle.</p> <p>Our legacy order management system and related processes were successfully replaced, with a total of fourteen systems retired. Significant cost savings of nearly £1m were achieved in 2018 as a result of the decommissioning of previous systems.</p>	Achieved
<b>Distribution expansion efficiency</b>	<p>Jupiter's international footprint continues to serve as a relatively low cost operating model which can be flexed in scale as the business continues to grow. The strong dependency on a small number of products outside of the UK was apparent in 2018 with the high level of redemptions in the Dynamic Bond fund leading to an overall a shrinking of assets.</p>	Partially achieved

## ASSESSING INDIVIDUAL PERFORMANCE

The following table sets out supporting commentary and information the Committee referenced in assessing individual performance of the Executive Directors for 2018.

MAARTEN SLENDEBROEK CHIEF EXECUTIVE OFFICER	CHARLOTTE JONES CHIEF FINANCIAL OFFICER	EDWARD BONHAM CARTER VICE CHAIRMAN
<p>Maarten's personal objectives for the year related to a combination of leadership, better levels of engagement with the Board and organisational design and purpose. The effectiveness of his leadership was assessed through his ability to significantly increase the level at which the Executive Committee operated, which was done through the setting of personal development plans for each member and appointing a collective executive coach.</p> <p>Maarten improved the quality of his formal communication with the Board via higher levels of strategic content in his Board reporting, as well as increasing the frequency of his written communication. In relation to organisation design Maarten led a company-wide review of this, reshaping the organisation and achieving significant cost savings for the Group through a number of initiatives.</p>	<p>Charlotte continued to develop the cost discipline and financial management of the business throughout 2018 via the introduction and embedding of the Quarterly Review Meeting ("QRM") process, which critically evaluates and challenges year to date and forecast spend. In what was a tougher year for the Company, Jupiter's adjusted cost income ratio remained stable at 55%. In addition to better overall cost management, the QRM process enabled more controlled strategic planning, resource allocation and monitoring.</p> <p>Additionally, Charlotte further enhanced Jupiter's internal financial reporting at Board and sub-Committee level, providing increased transparency of information and facilitating better decision making. Charlotte also oversaw significant progress during 2018 in Jupiter's preparation for complying with the forthcoming SMCR regulations, which remain on track for the 2019 deadline.</p>	<p>Edward's contribution to Jupiter continued to prove significantly valuable to the company throughout 2018. Externally, Edward has represented Jupiter at a number of industry conferences and events, including the Investment Association, the Financial Reporting Council, The City UK and the Investor Forum. Through these various organisations and bodies he has been able to present Jupiter's views and positively contribute towards ongoing stewardship developments in the asset management industry.</p> <p>Edward has also acted as a key champion and driver for Jupiter's Diversity and Inclusion vision, raising the profile of Jupiter and the wider industry with school groups and other potential sources of entry level talent. Within Jupiter, Edward's experience means he has been able to contribute heavily towards Portfolio Review Committee and Stewardship Committee meetings, as well as supporting our front office recruitment process by interviewing potential fund management hires.</p>

# REMUNERATION REPORT continued

## SINGLE TOTAL FIGURE continued

### DETERMINING INDIVIDUAL EXECUTIVE DIRECTOR 2018 ANNUAL BONUSES

The 2018 annual bonus awards have been determined by the Committee using both an assessment of performance against the metrics laid out in the balanced scorecard on the previous pages, as well as a holistic assessment of the shareholder and client experience in the year and an assessment of risk and compliance underpins. Annual bonus awards to Executive Directors are lower in 2018 than 2017, which reflects the following:

- Corporate quantitative performance deteriorated in 2018 relative to the prior year, with profits and net sales both declining.
- Shareholders experienced a fall in dividends of 12.6%, as well as a sharp decline in the share price.
- Clients experienced continued strong investment outperformance in mutual funds, with 83% (weighted by AUM) performing above median over the year (2017: 81%). Investment performance in segregated mandates and investment trusts performed above target over one year, with 61% (weighted by AUM) beating their relevant benchmark.

- There were no risk or regulatory compliance issues at a Group or individual level for which the Committee considers it appropriate to make any variable compensation adjustments.

### OVERALL COMPENSATION SPEND

Jupiter's overall variable compensation spend is determined so that it is appropriate and affordable in the context of Jupiter's overall performance. We aim to balance and align the interests of our staff and our shareholders.

The variable compensation spend is assessed in its financial reporting context, which considers the accounting treatment of the variable compensation spend. In addition, the Committee considers the total compensation expense, which includes the fixed component of remuneration as well as variable.

The variable compensation expense is determined by the nature and extent of bonuses awarded in 2018 as well as deferred awards (including LTIP) made in prior years. It also includes national insurance charges levied on Jupiter in relation to variable compensation. In 2017 Jupiter altered its remuneration structure for employees in line with regulatory and other market developments. These changes

included increasing the proportion of overall variable compensation which is deferred, as well as altering the vesting profile of deferred bonuses from three-year cliff vesting to equal tranche vesting over three years. Combined, these adjustments have various implications on Jupiter's variable compensation expense and are explained further in the financial review section on page 38.

In line with prior year disclosures, we expect the variable compensation ratio to remain at a mid to high 20% level over the medium term and the total compensation ratio to be at a low to mid 30% level over the medium term, although they may differ from these levels in any particular year. The 2018 variable compensation expense of £72.6m (2017: £82.7m) resulted in a variable compensation ratio of 27.9% (2017: 29.8%) and a total compensation ratio of 32.5% (2017: 33.4%).

The Remuneration Committee concluded that the 12% decrease in variable remuneration expense year-on-year was appropriate within the context of a 7.5% decrease in underlying PBT and the reduction in share price throughout 2018. Jupiter's approach to the distribution of value is further explained in the Strategic Report on page 25.

## 2018 EXECUTIVE DIRECTOR BONUS OUTCOMES

2018 Scorecard Performance Metric	Outcome (as percentage of maximum)	Weighting	Weighted percentage of maximum	Maarten Slendebroek, Chief Executive Officer (£'000)	Charlotte Jones, Chief Financial Officer (£'000)	Edward Bonham Carter, Vice Chairman (£'000)
Profitability	39%	25%	10%	£182	£82	£32
Flows	0%	25%	0%	£0	£0	£0
Investment outperformance	90%	25%	23%	£416	£187	£74
Diversification		5%	22%	£402	£181	£71
Talent, culture and values		5%				
Optimising the benefits of infrastructure investment	88%	5%				
Distribution expansion efficiency		5%				
Personal performance <sup>1</sup>		5%				
<b>Totals</b>		<b>100%</b>	<b>55%</b>	<b>£1,000</b>	<b>£450<sup>2</sup></b>	<b>£177</b>
Delivered as upfront cash				£250	£113	£44
Delivered as share options with six-month holding period				£250	£112	£44
Delivered as share options vesting over three years				£500	£225	£89

<sup>1</sup> For the CEO, personal performance constituted 10% of the overall bonus scorecard, with the remaining 15% spread evenly across the other five strategic goals.

<sup>2</sup> Following this week's announcement regarding the forthcoming departure of Charlotte Jones, the termination arrangements in relation to her remuneration will be agreed in due course. These will be disclosed on our website in accordance with s430(2B) of the Companies Act 2006 and in the 2019 DRR.



### PERFORMANCE CONDITION TESTING FOR 2016 LTIP AWARD, VESTING 1 APRIL 2019

The LTIP award vesting figures for Edward Bonham Carter and Maarten Slendebroek shown in the single total figures on page 77 include LTIP awards due to vest on 1 April 2019, subject to performance conditions measured over a three-year period to 31 December 2018. The performance conditions have been tested and performance against those conditions and the associated level of vesting is outlined below.

PERFORMANCE CONDITION	PERFORMANCE AGAINST THE CONDITION OVER THE PERFORMANCE PERIOD	PROPORTION OF CONDITION VESTING
<b>Underlying EPS vs index</b> <ul style="list-style-type: none"> <li>• 30% vesting for 5% growth in excess of the index;</li> <li>• 100% vesting for Jupiter's underlying EPS growth exceeding the index by 10% per annum; and</li> <li>• Straight-line vesting between these points.</li> </ul>	<p>Jupiter's underlying EPS grew by 2.6% on an annualised basis. The index grew by 8.1% on an annualised basis.</p> <p>Jupiter's annualised underlying EPS growth did not therefore exceed the index by 5%.</p>	<p>0.0% of condition vesting (0.0% of total award)</p>
<b>Actual net sales against target</b> <ul style="list-style-type: none"> <li>• 30% vesting for net sales 80% of target;</li> <li>• 65% vesting for net sales 100% of target;</li> <li>• 100% vesting for net sales 125% of target; and</li> <li>• Straight-line vesting between these points.</li> </ul>	<p>Jupiter's net sales over the performance period were £1.9bn representing 21% of the £8.9bn target.</p>	<p>0.0% of condition vesting (0.0% of total award)</p>
<b>Investment outperformance<sup>1</sup></b> Proportion of mutual funds achieving first and second quartile performance over three years, weighted by AUM: <ul style="list-style-type: none"> <li>• 25% vesting for 50%;</li> <li>• 100% vesting for 80%; and</li> <li>• Straight-line vesting between these points.</li> </ul>	<p>Jupiter's investment performance was such that 85% of mutual funds achieved first and second quartile performance over the performance period, weighted by AUM.</p>	<p>100% of condition vesting (25% of total award)</p>
<b>Strategic goals</b> <ul style="list-style-type: none"> <li>• Developing existing employees and recruiting new talent to provide the performance, products and service required by clients.</li> <li>• Broadening the client base in the UK and internationally.</li> <li>• Maintaining an appropriate risk control and compliance environment.</li> </ul>	<p>Acquisition of key new talent in the distribution function included senior hires to lead the institutional, product development and marketing functions. The fund management department also continued to grow with fund managers recruited to lead the Multi-Asset and Emerging Market Debt strategies. Combined, these hires have allowed Jupiter to enhance the products and level of service offered to clients.</p> <p>During the performance period Jupiter put in place a renewed Learning and Development curriculum available to all employees, as well as a focused programme for developing people managers and potential future leaders in the business identified through the succession planning exercise.</p> <p>Jupiter continued its strategy of business diversification through developing existing global relationships, as well as extending and consolidating regional and local ones. As our EMEA offices have matured, at the end of 2018, 80% of assets were with clients/partners outside of the top five, compared with 72% at the start of the performance period. APAC has seen a similar level of change in the proportion of assets held outside the top five. The overall number of clients/partners grew significantly in EMEA and APAC, at 43% and 44% respectively. Being an already more developed market the UK saw a more modest change in the proportion of assets held outside the top five distribution partners and a small decline in the total number of clients.</p> <p>Jupiter maintained a high compliance standard over the performance period with no FCA fines. A Group-wide risk and control register was delivered enhancing Jupiter's Risk and Control Self Assessment process and further driving first line ownership. Enhanced management information has been developed and delivered to the Executive Committee on a quarterly basis. Error rates continue to be low, although a material retrocessions incident led to a cost to the business in 2018.</p>	<p>70.0% of condition vesting (17.5% of total award)</p>
<b>Total</b>		<b>42.5% vesting</b>

<sup>1</sup> The methodology applied for measuring investment performance under LTIP awards granted prior to 2018 uses Financial Express to assess the relative performance of unit trusts and Morningstar to assess the relative performance of SICAVs. The three-year investment performance figure of 77% of mutual fund AUM outperforming the median used Morningstar as the single source of relative investment performance data for all funds.

## REMUNERATION REPORT continued

### SINGLE TOTAL FIGURE continued

#### EXTERNAL DIRECTORSHIPS

Executive Directors are not permitted to hold external directorships or offices without the Board's prior approval. During the year Edward Bonham Carter served as a Non-Executive Director of Land Securities Group plc, for which he was paid fees of £80,000. Edward was also appointed as the Senior Independent Director to the Board of ITV plc on 11 October 2018. His fees from this position for 2018 were £20,168. Charlotte Jones was appointed as a Non-Executive Director to the RSA Group plc Board on 1 April 2018, for which her 2018 fees totalled £55,500. In all instances Edward and Charlotte have been permitted to retain their fees for these appointments.

#### PAYMENTS FOR LOSS OF OFFICE (AUDITED INFORMATION)

No payments were made to Directors for loss of office during 2018.

#### PAYMENTS TO EXITING DIRECTORS (AUDITED INFORMATION)

As previously disclosed by the Company on 22 January 2019 in accordance with section 430(2B) of the Companies Act 2006, Maarten Slendebroek will step down as the Chief Executive Officer with effect from 1 March 2019. The Company and Maarten have agreed to the terms of a Settlement Agreement whereby his employment will end on 1 November 2019 (or such earlier date as is agreed between the parties) (the 'Termination Date'). Following a handover period which will end on 30 April 2019, Maarten will commence garden leave for the duration of his six months' notice period (or such shorter period as may be agreed). Until the Termination Date, Maarten will continue to be paid his base salary and be entitled to benefits per the approved Policy.

Maarten has been awarded a bonus for 2018 of £1,000,000, based on the level of achievement of the Company's 2018 financial and strategic objectives as well as his defined individual objectives. Performance against each of these metrics has been disclosed in the prior pages of this report.

Maarten will be entitled to a pro-rata bonus for the proportion of the 2019 financial year worked (up to, and including, 30 April 2019). The 2019 bonus will be determined on the normal timetable in line with the Policy.

When he leaves the Company, he will be treated as a good leaver under the DBP and LTIP with awards vesting on their normal vesting dates subject to any applicable performance and time pro-rating terms. Maarten will be entitled to a capped contribution of up to £15,000 (plus VAT) towards legal fees incurred in connection with his departure and to outplacement support with a maximum value of up to £10,000 (plus VAT).

#### PAYMENTS TO FORMER DIRECTORS (AUDITED INFORMATION)

No payments were made to any former Directors during 2018.

#### NON-EXECUTIVE DIRECTORS' 2018 AND 2017 FEES (AUDITED INFORMATION)

	Liz Airey		Jonathon Bond		Bridget Macaskill		Lorraine Trainer <sup>1</sup>		Polly Williams		Karl Sternberg		Roger Yates <sup>2</sup>	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fees	235	225	88	82	90	79	29	92	90	88	70	70	70	16
Benefits <sup>3</sup>	2	1	-	-	14	15	3	12	1	1	-	-	-	-
<b>Total</b>	<b>237</b>	<b>226</b>	<b>88</b>	<b>82</b>	<b>104</b>	<b>94</b>	<b>32</b>	<b>104</b>	<b>91</b>	<b>89</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>16</b>

<sup>1</sup> Stepped down from the Board 16 May 2018.

<sup>2</sup> Appointed 10 October 2017.

<sup>3</sup> Benefits comprise reimbursement of reasonable taxable business expenses incurred in the performance of duties and the payment of any tax arising.

## IMPLEMENTATION IN 2019

The following section provides an overview as to how each element of the Policy will be applied in 2019.

### BASE SALARY

Andrew Formica will be appointed as CEO with effect from 1 March 2019 with a base salary of £445,000, reflective of the market rate for his level of experience. Edward Bonham Carter will reduce his working hours from four to three days a week from 1 January 2019, and therefore his salary and any salary related benefits will be pro-rated accordingly.

- Andrew Formica: £445,000;
- Maarten Slendebroek: £425,000 (2018: £425,000);
- Charlotte Jones: £325,000 (2018: £325,000); and
- Edward Bonham Carter: £120,000 (2018: £160,000).

### ANNUAL BONUS

Annual bonuses in respect of 2019 (inclusive of any deferred bonus award) will continue to be subject to the following individual caps as a percentage of base salary in line with the Policy:

- Andrew Formica: 425%;
- Maarten Slendebroek: 425%;
- Charlotte Jones: 250%; and
- Edward Bonham Carter: 200%.

Andrew Formica and Maarten Slendebroek will be entitled to pro-rata bonuses for the proportion of the 2019 financial year they work respectively. For Andrew this will be for the period from 1 March to 31 December 2019; for Maarten this will be from 1 January up to and including 30 April 2019. The 2019 bonuses will be determined on the normal timetable and in line with the process below.

The performance measures for the 2019 annual bonus will be set within the following balanced scorecard. 75% of these measures will be corporate quantitative measures, with clearly determined Threshold, On-Target and Maximum goals. The remaining objectives will be strategic and individual measures. Determination of bonus amounts is not formulaic; in addition to reviewing each of the performance measures, the Committee will take a holistic view of the overall performance of the Company for the year to ensure that any bonus amounts appropriately reflect the experience of stakeholders. Where performance measures produce an outcome which does not align with that of stakeholders, the Committee may exercise its discretion as it considers appropriate.

### 2019 BALANCED SCORECARD

AREA	METRIC	PERFORMANCE MEASURES
Corporate quantitative (75%)	Profitability	<ul style="list-style-type: none"> <li>• Measured through underlying Profit Before Tax</li> </ul>
	Flows	<ul style="list-style-type: none"> <li>• Measured through net flows</li> </ul>
	Investment outperformance	<ul style="list-style-type: none"> <li>• Measured through the proportion of mutual funds achieving first or second quartile performance and the proportion of separate account assets beating their benchmarks (weighted by AUM)</li> <li>• Measured over one year (25% weighting) and three years (75% weighting)</li> </ul>
Strategic and individual (25%)	Diversification	<ul style="list-style-type: none"> <li>• Evidence of continued diversification by product, geography and client</li> </ul>
	Culture and values	<ul style="list-style-type: none"> <li>• Complete the exercise to define Jupiter's purpose, values and culture and ensure these are thoroughly embedded throughout the firm</li> </ul>
	Operating platform	<ul style="list-style-type: none"> <li>• Delivery of critical operating platform projects and regulatory requirements. Identify further operating efficiencies</li> </ul>
	Personal performance	<ul style="list-style-type: none"> <li>• Achievement against specific personal performance objectives</li> </ul>
Underpin	Risk and regulatory compliance	<ul style="list-style-type: none"> <li>• The Committee considers the 'checkpoints' set out on page 90 when exercising its judgement to determine the appropriate variable compensation pool, at a Group level</li> <li>• The Committee also receives an annual report on internal control and risk management factors from the Chief Risk Officer and the Compliance Director to consider when assessing appropriate awards, at an individual level</li> <li>• Any risk or compliance factor (corporate or individual) has the potential to reduce variable compensation, including to zero</li> </ul>

## REMUNERATION REPORT continued

### IMPLEMENTATION IN 2019 continued

Targets for each performance measure will be set by the Committee in line with the framework described on page 78. The Committee considers more specific details of the 2019 performance measures and targets to be commercially sensitive. Further details of the targets and weightings for each of these measures and performance against each will be provided in the 2019 Remuneration Report.

The determination of variable pay awards in relation to 2019 performance will continue to be assessed with the

application of judgement, taking into account a holistic assessment of Group and individual performance. The balanced scorecard, set out in the table above, will allow the Committee to assess performance against key financial and strategic metrics. The Committee's assessment against these metrics and the decision about any variable pay awards will be clearly disclosed to shareholders. Notwithstanding this structure, in line with the approach taken in 2018, for 2019 the Committee will work to ensure that the Company's variable and total compensation ratios are within appropriate ranges. The Committee

expects the variable compensation ratio to remain at a mid to high 20% level over the medium term, and the total compensation ratio to be at a low to mid 30% level over the medium-term, although they may differ from these levels in any particular year for the reasons explained on page 38.

In addition to the performance measures outlined on the previous page, the Committee considers the 'checkpoints' set out on page 90 when exercising its judgement to determine the overall variable compensation spend for any particular year, and also considers individual risk behaviours when assessing individual awards.

### PROPORTION OF BONUS AND DELIVERY METHOD

The payment of bonuses for Executive Directors for 2019 will be as follows and is compliant with the relevant remuneration regulations.

## 25%

- Delivered as cash.

## 25%

- Delivered as deferred Jupiter shares.
- Immediate vesting, but subject to subsequent six month post vesting holding period.

## 50%

- Delivered as deferred Jupiter shares.
- Vesting in equal tranches over three years, but subject to subsequent six month post vesting holding period.

### LTIP AWARDS

The 2019 LTIP awards will be subject to the following performance conditions:

PROPORTION OF LTIP	PERFORMANCE CONDITION	PERFORMANCE MEASURE	
50%	<b>Underlying EPS Growth</b> Jupiter's underlying EPS growth must achieve at least 5% growth over the performance period	<b>Jupiter's underlying EPS growth over the performance period</b>	<b>Proportion of the award subject to the EPS performance condition that will vest</b>
		5% growth or below	0%
		25% growth or above	100%
		Any other percentage	Sliding scale between the relevant percentages above
50%	<b>Jupiter's investment outperformance</b> The proportion of all of Jupiter's assets (weighted by AUM) achieving above median performance relative to their peer group (retail) or above benchmark performance (institutional) weighted:  <b>25%</b> over the <b>three</b> year period to 31 December preceding the vesting date; and  <b>75%</b> over the <b>five</b> year period to 31 December preceding the vesting date	<b>Proportion of funds (weighted by AUM) achieving above median/benchmark performance</b>	<b>Proportion of the award subject to the investment outperformance condition that will vest</b>
		Less than 50%	0%
		50%	25%
		80% or above	100%
		Any other percentage	Sliding scale between the relevant percentages above

These awards will be granted in March 2019 and will vest on the third anniversary of grant, subject to the achievement of the stretching performance conditions, as set out in the table above. The awards will also be subject to a two-year post-vesting holding period in line with the Policy.

As the new CEO from March 2019, Andrew Formica will receive an LTIP award pro-rated for the ten twelfths of the year he will be in employment. Maarten Slendebreek will not receive a 2019 LTIP award.

The 2019 LTIP award values will be as follows:

- Andrew Formica: £1,390,000 (375% of salary, pro-rated for the period of the performance year he will serve as CEO);
- Charlotte Jones<sup>1</sup>: £730,000 (225% of salary); and
- Edward Bonham Carter: £180,000 (150% of salary)

Investment outperformance is critical to Jupiter's clients and the Company's long-term success. Its importance is recognised through its use as a performance measure within the annual bonus scorecard and the LTIP. Given the longer time horizon over which LTIP assesses performance, both a three- and five-year outperformance measure is included.

EPS growth is important to shareholders and is the best measure of Jupiter's successful execution of its growth strategy. There is no payout under this performance condition at threshold performance, or where EPS growth is less than 5% over the period. The target range and vesting schedule for EPS performance between threshold and maximum has been set in line with Jupiter's financial plan.

In addition to a risk and compliance assessment, LTIP awards are subject to an underlying business performance underpin. The Committee will compare the vesting outcome for LTIP awards against shareholder and client experience over the same performance period.

#### NON-EXECUTIVE DIRECTOR FEES

Jupiter normally reviews Non-Executive Director fees annually. The Non-Executive Chairman's fee and fees for certain Non-Executive roles were last increased with effect from 1 January 2018. Following the annual review at the end of this year, the base fee and the Senior Independent Director fee have both been increased with effect from 1 January 2019 to ensure these remain in line with the wider market. All other Non-Executive Director fees remain unchanged.

	2018 annual fee	2019 annual fee
Base fee	£62,500	£64,000
Senior Independent Director fee	£10,000	£12,500
Audit and Risk Committee Chairman fee (in addition to member fee)	£20,000	£20,000
Remuneration Committee Chairman fee (in addition to member fee)	£20,000	£20,000
Audit and Risk Committee member fee	£7,500	£7,500
Remuneration Committee member fee	£7,500	£7,500
Non-Executive Chairman fee (all inclusive)	£235,000	£235,000

Non-Executive Directors are reimbursed for reasonable business expenses.

The roles and committee responsibilities of the Non-Executive Directors during 2018 were as follows:

DIRECTOR	TITLE	ROLES AND COMMITTEE RESPONSIBILITIES
Liz Airey	Independent Chairman	Nomination Committee Chairman Remuneration Committee member
Jonathon Bond	Independent Non-Executive Director Senior Independent Director	Senior Independent Director Audit and Risk Committee member Nomination Committee member Remuneration Committee member
Bridget Macaskill	Independent Non-Executive Director	Nomination Committee member Remuneration Committee Chairman
Polly Williams	Independent Non-Executive Director	Audit and Risk Committee Chairman Nomination Committee member
Karl Sternberg	Independent Non-Executive Director	Audit and Risk Committee member Nomination Committee member
Roger Yates	Independent Non-Executive Director	Nomination Committee member Remuneration Committee member
Lorraine Trainer <sup>2</sup>	Independent Non-Executive Director	Audit and Risk Committee member Nomination Committee member Remuneration Committee member

<sup>1</sup> Following this week's announcement regarding the forthcoming departure of Charlotte Jones, the termination arrangements in relation to her remuneration will be agreed in due course. These will be disclosed on our website in accordance with s430(2B) of the Companies Act 2006 and in the 2019 DRR.

<sup>2</sup> Stepped down from the Board 16 May 2018.



## REMUNERATION REPORT continued

## DIRECTORS' SHAREHOLDINGS (AUDITED INFORMATION)

Director	Ordinary shares held at 31 December 2018 (no restrictions)	Unvested ordinary shares held at 31 December 2018 (subject to continued employment)	Total ordinary shares held at 31 December 2018	Vested but unexercised options at 31 December 2018	Unvested options, vesting not subject to performance conditions at 31 December 2018	Unvested options, vesting subject to performance conditions at 31 December 2018	Total options over ordinary shares held at 31 December 2018	Shareholding as a percentage of salary <sup>2</sup>	Shareholding as a percentage of salary including vested but unexercised shares <sup>2</sup>
Edward Bonham Carter	10,007,090	-	10,007,090	81,956	74,097	179,063	335,116	20,577%	20,746%
Maarten Slendebroek	564,152	388	564,540	104,691	578,321	999,537	1,682,549	437%	518%
Charlotte Jones	25,337	-	25,337	40,855	145,823	266,080	452,758	26%	67%
Liz Airey	45,450	-	45,450	-	-	-	-	-	-
Jonathon Bond	29,794	-	29,794	-	-	-	-	-	-
Bridget Macaskill <sup>1</sup>	125,000	-	125,000	-	-	-	-	-	-
Polly Williams	-	-	-	-	-	-	-	-	-
Karl Sternberg	10,537	-	10,537	-	-	-	-	-	-
Roger Yates	-	-	-	-	-	-	-	-	-

1 Includes connected person's holding.

2 The high percentage of shares held by Edward Bonham Carter relates to shares purchased during the period 2007-2010 while Jupiter was privately owned.

There have been no changes to the above interests between the year end and 28 February 2019 (the latest practicable date before the printing of the Annual Report and Accounts).

## MINIMUM SHAREHOLDING REQUIREMENTS

The Remuneration Committee has a policy that Executive Directors should maintain a significant holding of shares in the Company. The Policy in operation for the 2018 performance year provides that the Chief Executive should hold shares in the Company with a value equivalent to at least 300% of base salary, and other Executive Directors a value equivalent to at least 200% of base salary. Maarten Slendebroek and Edward Bonham Carter both hold shares with a value in excess of these percentages as at 31 December 2018. Following her appointment to the Board in September 2016, Charlotte Jones is expected to build up her shareholding within the five years following appointment. The Committee is confident that based on current deferred share awards that vest in January 2019 and those due to vest in future years as detailed on pages 87 to 89, Charlotte will meet the necessary minimum shareholding level within the expected period.

## POST-EMPLOYMENT SHAREHOLDING REQUIREMENTS

Following publication of the most recent version of the Corporate Governance Code in July 2018, the Committee has examined the Deferred Bonus Plan and LTIP rules to ensure that the post-employment requirements of these are in line with the new standards. The Committee believe that the interests of the Executive Directors remain aligned with those of our other shareholders in the period immediately following the termination of employment through the following mechanisms:

- Unvested deferred bonus and LTIP awards (pro-rated where relevant) are, subject to Remuneration Committee discretion, normally released on the normal vesting date with no acceleration; and
- Vested LTIP awards are, subject to Remuneration Committee discretion, normally released at the end of the holding period with no acceleration.

The Committees intends to review this approach when the next Director's Remuneration Policy is put forward for a formal shareholder vote, in the light of market developments at that time.

## SHARE AWARDS (AUDITED INFORMATION)

### DBP – OPTIONS OVER JUPITER SHARES

Director	Year granted	Options held at start of year		Options granted during the year				Options exercised/lapsed during the year		Options held at end of year		
		Number of shares under option held as at 1 January 2018 including April 2018 Special Dividend Adjustment <sup>1</sup>	Market value per share at date of grant <sup>2</sup>	Grant date	Face value at award	Price used to determine number of shares <sup>2</sup>	Number of shares under option	Number of shares under option lapsed during the year	Number of shares under option exercised during the year	Number of shares under option held as at 31 December 2018	Earliest exercise date	Latest exercise date
Maarten Slendebroek	2015 (in respect of 2014)	179,739	£4.12	-	-	-	-	-	179,739 <sup>3</sup>	-	27 March 2018	27 June 2018
	2016 (in respect of 2015)	207,410	£4.09	-	-	-	-	-	-	207,410	01 April 2019	01 July 2019
	2017 (in respect of 2016)	161,528	£4.21	-	-	-	-	-	-	161,528	29 March 2020	29 June 2020
	2018 (in respect of 2017)	-	-	20 March 2018	£512,500	£4.90	104,691	-	-	104,691	20 Sept 2018	20 March 2019
	2018 (in respect of 2017)	-	-	20 March 2018	£1,025,000	£4.90	209,383	-	-	209,383	20 March 2021	20 Sept 2021
Charlotte Jones <sup>5</sup>	2017 (in respect of 2016)	14,684	£4.21	-	-	-	-	-	-	14,684	29 March 2020	29 June 2020
	2018 (in respect of 2017)	-	-	20 March 2018	£200,000	£4.90	40,855	-	-	40,855	20 Sept 2018	20 March 2019
	2018 (in respect of 2017)	-	-	20 March 2018	£400,000	£4.90	81,710	-	-	81,710	20 March 2021	20 Sept 2021
Edward Bonham Carter	2015 (in respect of 2014)	42,290	£4.12	-	-	-	-	-	42,290 <sup>4</sup>	-	27 March 2018	27 June 2018
	2016 (in respect of 2015)	22,814	£4.09	-	-	-	-	-	-	22,814	01 April 2019	01 July 2019
	2017 (in respect of 2016)	18,599	£4.21	-	-	-	-	-	-	18,599	29 March 2020	29 June 2020
	2018 (in respect of 2017)	-	-	20 March 2018	£80,000	£4.90	16,342	-	-	16,342	20 Sept 2018	20 March 2019
	2018 (in respect of 2017)	-	-	20 March 2018	£160,000	£4.90	32,684	-	-	32,684	20 March 2021	20 Sept 2021

1 Outstanding share awards granted prior to 2018 were adjusted by 3.08% as a result of the 6 April 2018 Special Dividend. See below.

2 Average closing share price from three trading days prior to date of grant.

3 Closing share price on date of exercise, 9 May 2018, was £4.63. This resulted in a value of shares on exercise of £832,192.

4 Closing share price on date of exercise, 13 June 2018, was £4.67. This resulted in a value of shares on exercise of £197,494.

5 Following this week's announcement regarding the forthcoming departure of Charlotte Jones, the termination arrangements in relation to her remuneration will be agreed in due course. These will be disclosed on our website in accordance with s430(2B) of the Companies Act 2006 and in the 2019 DRR.

#### Key terms:

- no performance measures are attached to options granted under the DBP, although awards are normally subject to continued employment with the Company;
- malus provisions may apply (see the Remuneration Policy table for further details);
- no exercise price is payable on the exercise of DBP options; and
- holders of unvested share option awards are not entitled to cash dividend payments as the holders are not the legal owners of the shares. The Remuneration Committee determined that it was appropriate for holders of share option awards (under both the DBP and LTIP schemes) to benefit from the 6 April 2018 Special Dividend. This took place by means of adjusting upwards the number of shares over which options were held by a factor of 3.08% as permitted under the rules of the plans. This factor is equivalent to the value the holder of a share option award would have received had they been entitled to receive the Special Dividend as a cash payment.

## REMUNERATION REPORT continued

## SHARE AWARDS (AUDITED INFORMATION) continued

## LTIP

Director	Year granted	Options held at start of year		Options granted during the year				Options exercised/lapsed during the year		Options held at end of year		
		Number of shares under option held as at 1 January 2018 including April 2018 Special Dividend Adjustment <sup>1</sup>	Market value per share at date of grant <sup>2</sup>	Grant date	Face value at award	Price used to determine number of shares <sup>3</sup>	Number of shares under option <sup>5</sup>	Number of shares under option lapsed during the year	Number of shares under option exercised during the year	Number of shares under option held as at 31 December 2018	Earliest exercise date	Latest exercise date
Maarten Slendebroek	2012	84,229	£2.26	-	-	-	-	-	84,229 <sup>4</sup>	-	31 January 2018	31 January 2020
	2013	79,973	£3.30	-	-	-	-	23,301	56,672 <sup>5</sup>	-	04 April 2018	04 April 2020
	2015	262,339	£4.12	-	-	-	-	64,472	197,867 <sup>6</sup>	-	27 March 2018	27 March 2020
	2016	324,080	£4.09	-	-	-	-	-	-	324,080	01 April 2019	01 April 2021
	2017	354,874	£4.21	-	-	-	-	-	-	354,874	29 March 2020	29 March 2022
	2018	-	-	16 May 2018	£1,450,000	£4.61	320,583	-	-	320,583	20 March 2023	20 Sept 2023
Charlotte Jones <sup>8</sup>	2017	122,370	£4.21	-	-	-	-	-	-	122,370	29 March 2020	29 March 2022
	2018	-	-	16 May 2018	£650,000	£4.61	143,710	-	-	143,710	20 March 2023	20 Sept 2023
Edward Bonham Carter	2013	56,837	£3.30	-	-	-	-	-	56,837 <sup>7</sup>	-	04 April 2016	04 April 2018
	2014	16,148	£4.14	-	-	-	-	-	-	16,148	03 April 2017	03 April 2019
	2015	65,584	£4.12	-	-	-	-	16,118	-	49,466	27 March 2018	27 March 2020
	2016	64,816	£4.09	-	-	-	-	-	-	64,816	01 April 2019	01 April 2021
	2017	61,185	£4.21	-	-	-	-	-	-	61,185	29 March 2020	29 March 2022
	2018	-	-	16 May 2018	£240,000	£4.61	53,062	-	-	53,062	20 March 2020	20 Sept 2023

1 Outstanding share awards granted prior to 2018 were adjusted by 3.08% as a result of the 6 April 2018 Special Dividend.

2 Average closing share price from three trading days prior to date of grant.

3 LTIP awards granted in 2018 under the new plan rules were adjusted by 1.86% as a result of the 29 August 2018 Interim Ordinary Dividend.

4 Closing share price on date of exercise, 2 March 2018 was £5.07. This resulted in a value of shares on exercise less the exercise price of £427,041.

5 Closing share price on date of exercise, 9 May 2018 was £4.63. This resulted in a value of shares on exercise less the exercise price of £262,391.

6 Closing share price on date of exercise, 9 May 2018 was £4.63. This resulted in a value of shares on exercise less the exercise price of £916,124.

7 Closing share price on date of exercise, 29 March 2018 was £4.72. This resulted in a value of shares on exercise less the exercise price of £268,271.

8 Following this week's announcement regarding the forthcoming departure of Charlotte Jones, the termination arrangements in relation to her remuneration will be agreed in due course. These will be disclosed on our website in accordance with s430(2B) of the Companies Act 2006 and in the 2019 DRR.

**Key terms:**

- no performance conditions are attached to Maarten Slendebroek's 2012 LTIP awards which are part of buy-out arrangements;
- performance conditions for LTIP awards granted between 2013 and 2017 are: underlying EPS, net sales, investment outperformance and strategic goals, all equally weighted. These performance conditions are measured over the period 1 January in the year of grant to 31 December in the year prior to vesting and the targets are consistent with those for the 2016 award as shown on page 81;
- performance conditions for LTIP awards granted in 2018 are: 50% EPS growth and 50% investment outperformance. The targets and vesting schedule for EPS are: less than 20% EPS growth over the performance period, 0% vesting; 40% EPS growth or above over the performance period, 100% vesting; any other EPS growth percentage is subject to a sliding scale between 0% and 100%. The targets and vesting schedule for investment outperformance are: less than 50% of funds (weighted by AUM) achieving median/benchmark performance, 0% vesting; 50% of funds (weighted by AUM) achieving median/benchmark performance, 25% vesting; 80% or above of funds (weighted by AUM) achieving median/benchmark performance, 100% vesting; any other percentage of funds (weighted by AUM) achieving median/benchmark performance, a sliding scale in between the relevant percentages. These performance conditions are measured over the period 1 January in the year of grant to 31 December in the year prior to vesting. Awards are subject to a two year post-vesting holding period;
- an exercise price of £0.02 per share is payable on the exercise of LTIP options granted prior to 2018; and
- the number of shares under award granted prior to 2018 was adjusted as a result of the 6 April 2018 Special Dividend, as described under the DBP share table above.

## JOINER PLAN

Director	Year granted	Options held at start of year		Options granted during the year				Options exercised during the year	Options held at end of year		
		Number of shares under option as at 1 January 2018 <sup>1</sup>	Market value per share at date of grant	Grant date	Face value at award	Price used to determine number of shares	Number of shares under option	Number of shares under option exercised during the year	Number of shares under option as at 31 December 2018	Earliest exercise date	Latest exercised date
Charlotte Jones	2016	47,996	£4.29	-	-	-	-	47,996	-	31 January 2018	31 January 2020
	2016	49,429	£4.29	-	-	-	-	-	49,429	31 January 2019	31 January 2021

<sup>1</sup> Outstanding share awards granted prior to 2018 were adjusted by 3.08% as a result of the 6 April 2018 Special Dividend.

**Key terms:**

- the options granted under the Joiner Plan are one-off awards made as a buy-out of awards foregone by Charlotte Jones on resignation from her previous employer, in order to join Jupiter. To match the terms of the awards foregone, no performance conditions are attached to the options granted under the Joiner Plan;
- an exercise price of £0.02 per share is payable on the exercise of Joiner Plan options;
- the options granted under the Joiner Plan will not be settled with newly issued shares; and
- malus and clawback provisions apply to the Joiner Plan awards.

## SIP

Director	Awards held at start of year		Awards granted during the year				Awards held at end of year	
	Number of shares subject to award as at 1 January 2018	Market value per share at award <sup>1</sup>	Award date	Face value at award	Price used to determine number of shares <sup>1</sup>	Number of shares granted during the year	Number of shares subject to award as at 31 December 2018	Earliest vesting date
Maarten Slendebroek	462	£3.89	-	-	-	-	462	02 May 2017
	-	-	04 May 2018	£1,797	£4.64	387	387	04 May 2021
	-	-	04 October 2018	£4	£3.91	1	1	04 October 2021
Edward Bonham Carter	457	£3.28	-	-	-	-	457	02 May 2016
	462	£3.89	-	-	-	-	462	02 May 2017
	1	£3.50	-	-	-	-	1	02 October 2017

<sup>1</sup> Market price on the date of purchase of SIP shares.

# REMUNERATION REPORT continued

## RISK AND REWARD AT JUPITER DISCUSSION

The Committee gives careful consideration to the linkage between risk and reward to ensure the desired behaviours and culture are being rewarded. This includes ensuring the reward structures are consistent with and promote sound and effective risk management, and ensuring remuneration out-turns appropriately reflect the risk profile and behaviours of the Group and each individual. This is demonstrated through a variety of reward features and processes that ensure alignment to risk considerations throughout the organisation. For example:

- When assessing the overall variable compensation spend as described on page 80, the Committee considers a number of 'checkpoints', as described in the checkpoints chart on the right hand side of this page.
- Assessment of individual performance includes consideration of a scorecard of financial and non-financial metrics. This ensures that the way in which performance has been achieved is taken into account, for example, in terms of risk and repeatability. For all employees there is consideration of conduct, performance against risk and compliance criteria, ensuring there is risk adjustment at an individual level.
- All employees with bonuses of over £50,000 have a portion of bonus deferred into shares and/or fund units. In total approximately 25% of employees are subject to some kind of deferral, ensuring their interests are aligned with the long-term success of the Group and with the interest of clients.
- Shareholding requirements apply to Executive Directors and Executive Committee members, further enhancing the link to the Group's long-term success.
- For Executive Directors and Executive Committee members, all variable remuneration is subject to malus and clawback provisions, whereby incentive awards may be reduced, withheld or reclaimed in certain circumstances, including where there has been a material failure of risk management.

In addition to the Compliance Director and the Audit and Risk Committee feeding into the process, the Head of Risk presents a report to the Committee, setting out thoughts and assurances around how the remuneration structures and processes support sound and effective risk management.

### CHECKPOINTS

#### CAPITAL BASE AND LIQUIDITY

##### Can Jupiter afford the proposed variable compensation spend?

- Sufficient liquidity to make payments?
- Consider impact on Jupiter's capital base.

Request and consider input from the Chief Financial Officer.

#### UNDERLYING FINANCIAL PERFORMANCE

##### Does Jupiter's underlying financial performance support the proposed variable compensation spend?

- Consider performance against financial KPIs listed in the Annual Report.
- Is there any reason to believe the financial results are not a fair reflection of underlying performance?

Request and consider input from the Audit and Risk Committee.

#### RISK

##### Does Jupiter's risk profile and risk management support the variable compensation spend? Are any adjustments required?

- Consideration of the Enterprise Risk Management report.
- Are all risks being suitably monitored and managed? Have there been any material failures of risk management (or any 'near misses') in the year?
- Consider whether profit reflects current and future risks and timing and likelihood of future revenues.

Request and consider input from the Chief Risk Officer and the Audit and Risk Committee.

#### COMPLIANCE

##### Have there been any material compliance breaches in the year?

- Are any adjustments required?
- Consideration of any significant compliance breaches and/or 'near misses'.
- Consideration of any fines received in the year and any ongoing regulatory investigations.

Request and consider input from the Compliance Director.

#### COMMERCIAL

##### Are there any commercial drivers to support adjustments to the variable compensation spend?

- Consider the market for talent and whether the spend would likely result in any significant over/underpayment against the market.

#### REPUTATIONAL

##### Are there any reputational drivers to support adjustments to the variable compensation spend?

- Has there been any reputational damage to the Group in the year?
- Will the proposed variable compensation pool quantum have any adverse reputational impact on the Group?

Variable compensation spend, total and variable compensation ratios approval.

### COMPLIANCE STATEMENT

This Remuneration Report was prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. This report contains both audited and non-audited information. The information subject to audit is set out in the Annual Report on Remuneration and is identified accordingly.

During the year Jupiter has been subject to a number of regulations including CRD III and parts of the firm were also subject to AIFMD and UCITSV. The Committee fulfils all of its requirements under these regulations and ensures that the Remuneration Policy adheres to their principles. The Group has followed the requirements of the UK Corporate Governance Code.

### DILUTION

Our policy regarding dilution from employee share awards is to ensure that dilution will be no more than 10% in any rolling 10-year period and no more than 5% from employee share awards granted to Executive Directors of the Company in any rolling 10-year period.

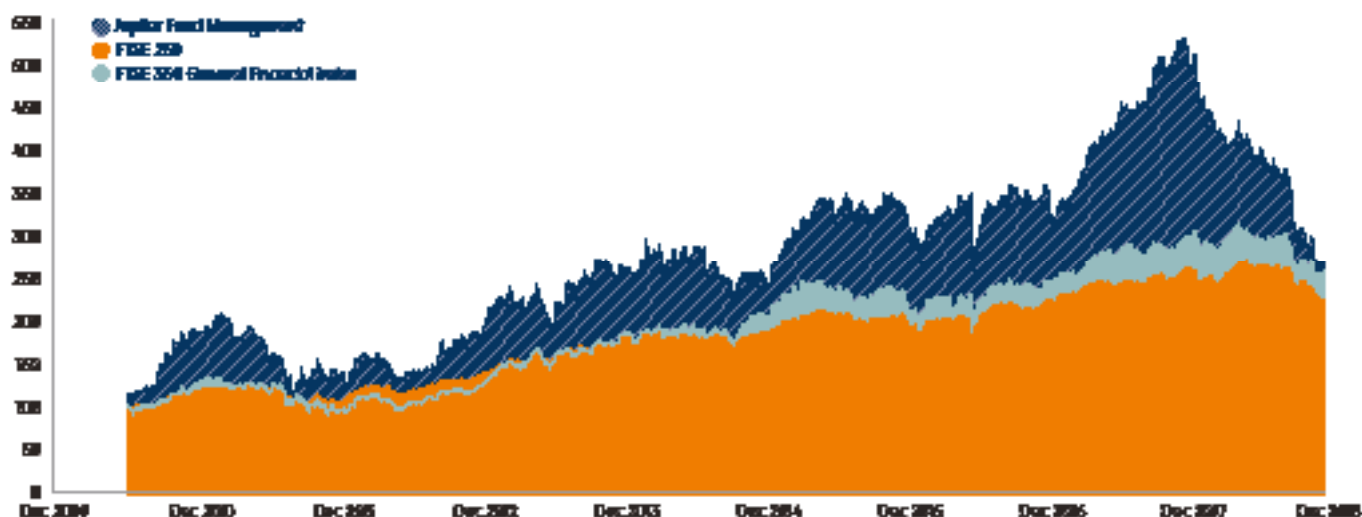
As at 31 December 2018, share awards granted under the DBP, LTIP and Sharesave in the eight and a half years since Jupiter's Listing were outstanding over 20.1m shares (including 2.5m granted to Executive Directors). This represented 4.4% (0.5% to Executive Directors) of the Company's issued share capital. Our current intention is to settle all share awards outstanding as at 31 December 2018 with market purchased shares and our ongoing practice is to purchase shares in the market to settle obligations. No new shares have been issued since Listing in 2010. Therefore, we are currently operating within the relevant dilution targets by a comfortable margin.

Notwithstanding the target outlined above, as a business exposed to both market shocks and critical people issues, we believe we should retain flexibility to act very quickly to take steps that could increase dilution up to a maximum of 15% on a temporary and short-term basis, if the Remuneration Committee and Board believe it is clearly in shareholders' interests to do so.

If dilution were to exceed 10% in any rolling 10-year period, this would be on an exceptional basis and for a short time period. The Remuneration report for the relevant year would also contain the necessary justifications for such an outcome. The Remuneration Committee and Board would ensure that dilution levels returned to within the 10% level in any rolling 10-year period as soon as practicable thereafter.

### PAY VS PERFORMANCE

#### TOTAL SHAREHOLDER RETURN (PER CENT)



The chart above shows the Company's share price performance (based on total shareholder return, with dividends reinvested net of tax) in the period since Listing on 21 June 2010, compared with the movement of the FTSE 250 Index and the FTSE 350 General Financial Index. These two indices were chosen as the Company is in the FTSE 250 and the FTSE 350 General Financial Index includes UK listed financial stocks, including asset managers.



# REMUNERATION REPORT continued

## RISK AND REWARD AT JUPITER continued

### TABLE OF HISTORIC LEVELS OF CEO PAY

	2010	2011	2012	2013	2014	2015	2016	2017	2018
CEO single figure of total remuneration (£'000)	2,035	1,785	1,634	1,789	2,301 <sup>1</sup>	2,716	2,437	3,546	1,944
CEO bonus as a percentage of maximum potential <sup>2</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	55%
Long-term incentive vesting rates against maximum opportunity <sup>3</sup>	N/A	N/A	N/A	N/A	46%	71%	44% <sup>4</sup>	74% <sup>5</sup>	43%

1 Calculated as Edward Bonham Carter's remuneration to 17 March 2014 and Maarten Slendebroek's from 17 March 2014 when he took on the role of CEO, plus the value of Edward Bonham Carter's LTIP award vesting based on performance to 31 December 2014.

2 Jupiter's Remuneration Policy for the period from 2011 to 2017 did not include individual maximum bonuses, therefore a percentage is not provided for these years.

3 No LTIP awards vested 2010 to 2013 as the first LTIP awards granted to the CEO after Listing were in 2012.

4 Maarten Slendebroek has two separate LTIP awards included in the 2016 single figure, both of which had performance periods ending during that financial year. The 44% vesting is a weighted average of the vesting outcomes for both awards combined.

5 Maarten Slendebroek has two separate LTIP awards included in the 2017 single figure, both of which had performance periods ending during that financial year. The 74% vesting is a weighted average of the vesting outcomes for both awards combined.

### CHANGE IN CEO PAY VS EMPLOYEES

The percentage change in the CEO's pay (defined for these purposes as salary, taxable benefits, cash bonus and DBP awards in respect of the relevant year) between 2017 and 2018, and the same information, on an averaged basis, for all employees (excluding Executive Directors) is shown in the table below:

	CEO percentage change (2017 to 2018)	All employees (excluding Executive Directors) percentage change (2017 to 2018)
Base salary	70% <sup>2</sup>	4%
Benefits <sup>1</sup>	(8)%	(8)%
Bonus (including DBP portion)	(51)%	(18)%

1 Benefits include taxable value of private medical insurance.

2 The significant increase in base salary for the CEO in 2018 was the result of the new Directors' Remuneration Policy introduced from 2018, which saw a removal of the previous £250,000 salary cap for Executive Directors and a base salary calculated relative to CEOs of other listed entities and asset managers instead.

### CEO PAY RATIO

Although the requirement to comply with the new CEO pay ratio reporting obligations does not affect the Group until the release of its 2019 Report and Accounts, Jupiter has elected to publish the disclosures with effect from the 2018 financial year.

Year 2018	Method Option A	25th Percentile	Median	75th Percentile
CEO Pay Ratio		32:1	21:1	13:1
CEO Single Figure (£'000)			1,944	
Employee Single Figure (£'000)		62	94	151
Employee Single Figure Salary Component (£'000)		45	65	94

The Company has chosen to use 'Option A' as the methodology for calculating the pay and benefits of all UK employees, as this is consistent with the approach that must be used for the CEO single figure. It therefore allows a like-for-like comparison to take place between the pay data of the CEO and employees at the lower, median and upper quartiles, as well as a more accurate analysis of the resulting ratios. The Company has chosen 1 October 2018 as the reference date on which the pay for all employees was calculated for the purpose of this disclosure.

### RELATIVE IMPORTANCE OF SPEND ON PAY

The following chart shows the Group's profit after tax, total employee remuneration and dividends declared on ordinary shares for 2018 and 2017. Additional illustration of how Jupiter's available profit is distributed between stakeholders is demonstrated on page 25 of this report.



The increase in total employee remuneration is the result of additional headcount as we continue to invest for growth. As stated on page 38, the variable compensation expense declined by 12% compared with 2017.

### SHAREHOLDER VOTING

The following table sets out the voting outcomes in respect of the most recent AGM votes on the Annual Report on Remuneration and the Directors' Remuneration Policy, held on 16 May 2018.

	For	Percentage of total votes cast	Against	Percentage of total votes cast	Withheld
Annual Report on Remuneration at 2018 AGM	352,924,243	95.74	15,721,771	4.26	4,750
Directors' Remuneration Policy at 2018 AGM	283,433,482	81.16	65,778,651	18.84	19,438,633

### ADVISERS

In September 2017 the Remuneration Committee conducted a review of the appointment of its independent advisers. The process included a series of interviews with the Chairman and members of the Committee. As a result of that review Deloitte LLP were confirmed as advisers to the Committee and a new team was appointed.

The Committee has formally reviewed the work undertaken by Deloitte and is satisfied that the advice they have received has been objective and independent. Deloitte are founder members of the Remuneration Consultants Group and abide by its code of conduct in relation to executive remuneration consulting in the UK. Fees paid to Deloitte for executive remuneration consulting were £79,900 in 2018, determined on a time-spent basis. Deloitte also provides advice to the Company relating to regulatory matters. The Remuneration Committee does not consider that the other advice provided has any impact on Deloitte's independence as adviser to the Remuneration Committee.

On behalf of the Board

### BRIDGET MACASKILL

Chairman of the Remuneration Committee

28 February 2019

# DIRECTORS' REPORT

## The Directors present their report and the Group's audited financial statements for the year ended 31 December 2018.

### PRINCIPAL ACTIVITIES AND RESULTS

The Company's principal activity is to act as a holding company for a group of investment management companies. Our business model is based on investment performance, creating value and effective distribution and is explained in the Strategic report. The Group operates principally in the United Kingdom and has branches of subsidiaries operating in Europe, together with four overseas trading subsidiaries.

The Company is incorporated with Company Number 6150195 and is domiciled in England and Wales.

Other information, which forms part of this Directors' report, can be found in the following sections of the Annual Report and is deemed to form part of this report:

- Commentary on the development and performance in the year ended 31 December 2018, and likely future developments in the Group's business, is included in the Strategic report on pages 18 to 47.
- Descriptions of the Group's financial risk management objectives and policies, and its exposure to risks arising from its use of financial instruments, are set out in Note 5.3 to the Accounts on pages 127 to 132.
- Information concerning Directors' contractual arrangements and entitlements under share-based remuneration arrangements is given in the Remuneration report on pages 70 to 95.
- The Group's environmental performance data, including the absolute Scope 1 and 2 emissions for 2018, can be found in the Corporate Responsibility section of the Strategic report on page 44.
- Information concerning the involvement of employees in the business is also given in the Strategic report on pages 28 to 29 and in the Governance Report on pages 51 and 59.

## DISCLOSURE REQUIRED UNDER THE LISTING RULES AND THE DISCLOSURE GUIDANCE AND TRANSPARENCY RULES DTR 4.1.5 R, DTR 4.1.8 R AND DTR 4.1.11 R

Information which is the required content of the Management report can be found in the Strategic report and in this Directors' report.

### LR 9.8.4 R

The following table is disclosed pursuant to Listing Rule 9.8.4 R. The information required to be disclosed, where applicable to the Company, can be located in the Annual Report and Accounts at the references set out below:

Information	Location
Interest capitalised	Not applicable
Shareholder waiver of dividends	Note 4.3
Shareholder waiver of future dividends	Note 4.3
Agreements with controlling shareholders	Not applicable
Provision of services by a controlling shareholder	Not applicable
Details of long-term incentive schemes	Remuneration Report and Note 1.5
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Significant contracts	Page 96
Non-pre-emptive issues of equity for cash	Not applicable
Non-pre-emptive issues of equity for cash in relation to major subsidiary	Not applicable
Participation by parent of a placing by a listed subsidiary	Not applicable
Publication of unaudited financial information	Page 154

All the information cross-referenced above is incorporated by reference into this Directors' report.

### COMPLIANCE STATEMENT – DTR 7.2

This statement has been provided by the Chairman in her introduction to the Governance section on page 50 and is deemed to form part of this Directors' report.

### INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS – DTR 7.2.5

A description of the Company's financial reporting, internal control and risk management processes can be found on pages 32 and 33.

### STRUCTURE OF CAPITAL AND VOTING RIGHTS – DTR 7.2.6

As at 31 December 2018 and 28 February 2019, there were 457,699,916 fully paid ordinary shares of 2p, amounting to £9,153,998. Each share in issue is listed on the Official List maintained by the FCA in its capacity as the UK Listing Authority. There were no changes to the share capital during the year. The Company

has one class of ordinary shares which carry the right to attend, speak and vote at general meetings of the Company. The holders of ordinary shares have the right to participate in dividends and other distributions according to their respective rights and interests in the profits of the Company and a return of capital on a winding-up of the Company. Full details regarding the exercise of voting rights in respect of the resolutions to be considered at the AGM to be held on 15 May 2019 are set out in the Notice of Annual General Meeting. To be valid, the appointment of a proxy to vote at a general meeting must be received not less than 48 hours before the time appointed for holding the meeting. Full details on how to submit the proxy can be found in the AGM Notice.

None of the ordinary shares carries any special rights with regard to control of the Company.

## SHARES HELD IN EMPLOYEE BENEFIT TRUSTS

Under the rules of the Jupiter Share Incentive Plan (the "SIP"), which was introduced in 2013, eligible employees are entitled to acquire ordinary shares in the Company. The SIP shares are held in trust for participants by Yorkshire Building Society (the "SIP Trustee"). Voting rights are exercised by the SIP Trustee on receipt of participants' instructions. If a participant does not submit an instruction to the SIP Trustee, no vote is registered. In addition, the SIP Trustees do not vote on any unallocated shares held in trust. As at 28 February 2019, the SIP Trustee held 0.17% of the Company's issued share capital. RBC cees Trustee Limited, as trustee of the Jupiter Employee Benefit Trust (the "EBT Trustee"), holds ordinary shares in trust for the benefit of the Group's employees. Where the EBT Trustee has allocated shares held in the trust in respect of specific awards granted under the Jupiter Employee Share Plan, the holders of such awards may recommend to the EBT Trustee as to how it should exercise voting rights relating to such shares. To the extent that a participant does not make such recommendations, no vote is registered. In addition, the EBT Trustee does not vote on any unallocated shares held in the trust. As at 28 February 2019, the EBT Trustee held 2.75% of the Company's issued share capital.

## CREST

The Company's ordinary shares are in CREST, the settlement system for stocks and shares traded on the London Stock Exchange.

## RESTRICTIONS ON TRANSFER OF SHARES

There are no restrictions on voting rights or the transfer of shares in the Company and the Company is not aware of any agreements between holders of shares that result in such restrictions.

## BOARD OF DIRECTORS

Lorraine Trainer stepped down from the Board as a Non-Executive Director with effect from the close of the 2018 AGM. There have been no further Board changes up until the date of this report.

The Directors who served during the year are as follows:

Liz Airey  
Edward Bonham Carter  
Jonathon Bond  
Charlotte Jones  
Bridget Macaskill  
Maarten Slendebroek  
Karl Sternberg  
Lorraine Trainer (to 16 May 2018)  
Polly Williams  
Roger Yates

## DIRECTORS' INTERESTS

The Directors' interests in the Company's shares are set out in the Remuneration report on page 88. No Director had a material interest in any significant contract (other than a service contract or contract for services) with the Company at any time during the year.

## SUBSTANTIAL INTERESTS AS AT 31 DECEMBER 2018

Name	Number of shares notified to the Company	Percentage interest (%)
Silchester International Investors LLP	77,972,141	17.04
Aberdeen Standard Investments	24,406,590	5.33
Prudential plc (M&G)	19,743,686	4.31
MainFirst SICAV	18,446,096	4.03

The following notification has been disclosed to the Company in accordance with DTR 5 during the period 1 January 2019 to 28 February 2019.

## SUBSTANTIAL INTERESTS AS AT 28 FEBRUARY 2019

Name	Number of shares notified to the Company	Percentage interest (%)
Prudential plc (M&G)	23,008,743	5.02

The Directors are advised of their statutory duty to avoid conflicts of interest with those of the Company. All actual and potential conflicts are brought to the attention of the Board. The operation of the Company's policy on conflicts of interest is described in the Governance section on page 57.

The rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in detail in the Company's Articles of Association, which are made available for inspection by the Company's shareholders at the AGM and available on our website [www.jupiteram.com](http://www.jupiteram.com).

## SUBSTANTIAL SHARE INTERESTS

As at 31 December 2018, the Company had been notified of the following voting interests in the ordinary share capital of the Company in accordance with DTR 5 of the FCA's Disclosure Guidance and Transparency Rules. Percentages are shown as notified, calculated with reference to the Company's disclosed share capital as at the date of the movement triggering the notification.

## DIRECTORS' REPORT continued

### SUPPLIER OVERSIGHT AND SIGNIFICANT CONTRACTS

Jupiter has five significant oversight relationships: DST Financial Services (DST) (previously International Financial Data Services), HSBC Securities Services (HSBC), JP Morgan (Luxembourg) (JPML), National Westminster Bank Plc (NatWest) and Northern Trust (Northern).

In support of the unit trust fund range, DST's services include dealing and registration processing, the distribution of income, record keeping and responding to client enquiries. HSBC provides fund accounting services and passive hedging services. NatWest directly provides trustee services and delegates custody services to Northern.

JPML provides a range of services in support of the SICAVs, including depositary, custody, company secretarial, fund accounting, dealing and registration processing, the distribution of income, record keeping and responding to client enquiries.

These organisations' activities are defined in service level agreements that are closely monitored to ensure that service delivery standards are met.

Jupiter's Supplier Management function oversees a suite of agreed activities, including: formal meeting governance; the review of key performance indicators; reviews by Jupiter's assurance functions (including Service Delivery, Business Continuity, IT security, Enterprise Risk, Compliance and Internal Audit where appropriate); site visits; and the review of key reports (including controls assurance reports and the financial report and accounts). Any risks or issues arising are progressed through to resolution and, where appropriate, escalated to Senior Management and reported to the Board.

### EMPLOYEES

The Group gives full and fair consideration to applications for employment from disabled persons, where a disabled person can adequately fulfil the job's requirements. Where existing employees become disabled, the Group's policy, wherever practicable, is to provide continuing employment under normal terms and conditions and make any required changes to their working environment. The Group provides training, career development and promotion to disabled employees.

Further details of the Company's employment procedures and practices are set out in the Strategic Report on page 28.

### DIVIDENDS

Effective from 2015, the Board changed its approach to dividends to enable prompt payment alongside potential future special dividends, with the expectation that payment of dividends can be made in early April. Accordingly, the Directors have not recommended a final dividend but have approved a full year dividend in respect of 2018 of 9.2 pence per ordinary share (2017: 10.3 pence per ordinary share). Payment of this dividend is not subject to approval by shareholders at the AGM. The Directors have also declared a special dividend of 11.4 pence per ordinary share (2017: 15.5 pence per ordinary share). Both dividends will be paid on 11 April 2019, to shareholders on the register at the close of business on 15 March 2019.

### APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Company's Articles of Association provide that Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director holds office only until the next AGM.

In accordance with the Company's Articles of Association and the Code's requirements, all serving Directors offer themselves for re-election at the AGM in 2019.

In addition to any powers under the Companies Act 2006 (the "Act") to remove Directors from office, the Company may, by passing an ordinary resolution, remove any Director from the Board before the expiration of his or her period in office. The Company may, subject to the Articles of Association, appoint by ordinary resolution another person who is willing to be a Director in his or her place. The Company's Articles of Association may be amended by special resolution of the shareholders.

### POWERS OF THE DIRECTORS

The Directors manage the Company under the powers set out in the Company's Articles of Association. These powers include the Directors' ability to issue or buy back shares. An ordinary resolution was passed at the AGM on 16 May 2018, authorising the Directors to allot new ordinary shares up to an

aggregate nominal amount of £3,051,332, representing approximately one third of the Company's issued share capital. The Directors intend to seek shareholders' approval for the renewal of this authority at the AGM, to allot and grant rights to subscribe for ordinary shares up to an aggregate nominal amount of £3,051,332, representing approximately one third of the Company's issued share capital as at 28 February 2019. If approved, this authority will expire on 30 June 2020 or, if earlier, at the conclusion of the AGM in 2020.

At the AGM in 2018, shareholders approved a resolution authorising the Company to make purchases of its own shares. As at 28 February 2019, the Directors have not used this authority. A special resolution will be proposed at the AGM to renew the Company's limited authority to purchase its own ordinary shares. The authority will be limited to a maximum of 45,769,950 ordinary shares (approximately 10% of the Company's issued share capital as at 28 February 2019) and will set out the minimum and maximum prices which the Company may pay for any such purchase. If approved, this authority will expire on 30 June 2020 or, if earlier, at the conclusion of the AGM in 2020.

### INDEPENDENT AUDITORS AND AUDIT INFORMATION

PwC were re-appointed as external auditors following a tender conducted in 2014. In accordance with the FRC's recommendations as set out in the Code, the Audit will be re-tendered within 10 years of that appointment.

### IMPORTANT EVENTS AFFECTING THE COMPANY SINCE THE END OF THE YEAR

On 22 January 2019, it was announced that the Group's CEO, Maarten Slendebroek, would be stepping down. He will be replaced by Andrew Formica effective 1 March 2019. On 26 February 2019, it was announced that the Group's CFO, Charlotte Jones, would be leaving Jupiter in the third quarter of 2019, and that a further announcement regarding her successor would be made in due course. Further details concerning both of these events are set out on pages 9, 50 and 70.

## DIRECTORS' RESPONSIBILITY STATEMENTS

The statement of Directors' responsibility for preparing the Annual Report and Accounts is set out on page 98 and is deemed to form part of the Directors' Report. Within this, the Directors have included a statement that the Annual Report and Accounts present a fair, balanced and understandable assessment of the Group's position and prospects. To help the Board discharge its responsibilities in this area, the Board consulted the Audit and Risk Committee, which advised on the key considerations to comply with best practice and the Code's requirements. Following the Committee's advice, the Board considered and concluded that:

- the business model and strategy were clearly described;
- the assessment of performance was balanced;
- KPIs were used consistently;
- the language used was concise, with good linkages to different parts of the document; and
- an appropriate forward-looking orientation had been adopted.

## GOING CONCERN

The Strategic report discusses the Group's business activities, together with the factors likely to affect its future development, performance and position. In addition, it sets out the Group's financial position, cash flows, liquidity position and borrowing facilities. The financial risk management note to the Financial Statements sets out the Group's objectives, policies and processes for managing capital and its financial risk management objectives, together with details of financial instruments and exposure to credit and liquidity risk.

The Group has access to the financial resources required to run the business efficiently and has a strong gross cash position. The Group's forecasts and projections, which are subject to rigorous sensitivity analysis, show that the Group will be able to operate within its available resources. As a consequence, the Directors consider it appropriate to prepare the annual Financial Statements on a going concern basis of accounting.

## STATEMENT OF VIABILITY

In accordance with provision C.2.2 of the Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months as required by the Going Concern provision. Details of the assessment can be found in the Financial Review on page 40.

## CHANGE OF CONTROL

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control following a takeover bid, except that provisions of the Company's share schemes may cause options and awards granted under such schemes to vest in those circumstances.

## DIRECTORS' INDEMNITIES

The Company's Articles of Association permit the provision of indemnities to the Directors. In accordance with the Articles of Association, the Company has entered into a deed of indemnity in favour of each Director (which is a qualifying third-party indemnity provision under the Act) pursuant to which the Director has been granted the right to indemnification as permitted under the Act. These arrangements were in place throughout the year and up to the date of approval of this report and applied to the current and previous Directors. In addition, during the year the Company has maintained Director's and Officer's liability insurance cover for Directors.

## DIRECTORS' SERVICE AGREEMENTS

Each Executive Director, at the time of this report, has a written service agreement, which may be terminated by either party on not less than six months' notice in writing.

## NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

The letters of appointment of the Non-Executive Directors are issued for an initial period of three years, which may be renewed for further terms as appropriate. All appointments are subject to a review by the Nomination Committee upon the third anniversary and on extension a further review is undertaken at the sixth anniversary at which the Board's succession plans and the need to refresh the Board's skills and experiences are carefully considered.

The role and responsibilities of each Director are clearly set out and include the duties of a Director as provided in the Act. It is made clear that these duties do not include any management function but an indication that the Director is expected to support and challenge management and help in the development of the Group's strategy.

Three months' notice in writing is required to be served by either party to terminate the appointment.

The Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to, and during, the Meeting).

## COMPENSATION FOR LOSS OF OFFICE

With reference to Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (paragraph 13(2)(k)), there are no agreements in place between the Company and any Director or employee for loss of office in the event of a takeover.

## POLITICAL DONATIONS

The Group made no political donations or contributions during the year (2017: £nil).

## ANNUAL GENERAL MEETING

The AGM will take place on 15 May 2019. All shareholders are invited to attend and will have the opportunity to put questions to the Board. The Notice of the AGM will be circulated to all shareholders at least 20 working days before the meeting and the details of the resolutions to be proposed will be set out in that Notice. This document will be available on the Company's website at [www.jupiteram.com](http://www.jupiteram.com).

By order of the Board

**JASVEER SINGH**

General Counsel and Company Secretary

28 February 2019



# DIRECTORS' RESPONSIBILITY AND COMPLIANCE STATEMENTS

## STATEMENTS RELATING TO THE PREPARATION OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Company Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"), and related IFRS IC interpretations and with the provisions of the Companies Act 2006 (the "Act") applicable to companies reporting under IFRS.

## THE DIRECTORS' REVIEW OF THE FINANCIAL STATEMENTS

The Directors undertook a detailed review of the Financial Statements in January and February 2019. Following this examination, the Board was satisfied that the Financial Statements for 2018 give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. Before approving the Financial Statements, the Board satisfied itself that in preparing the statements:

- suitable accounting policies had been selected and consistently applied;
- the judgements and accounting estimates that have been made were reasonable, necessary and prudent; and
- where applicable IFRSs, as adopted by the EU, have been adopted they have been followed and that there were no material departures.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

## THE DIRECTORS' REVIEW OF GOING CONCERN

The Financial Statements have been prepared on the going concern basis, the Directors having determined that the Company is likely to continue in business for at least 12 months from the date of this report.

## THE DIRECTORS' REVIEW OF CURRENT POSITION, PROSPECTS AND PRINCIPAL RISKS

Supported by the Audit and Risk Committee, the Directors have completed a robust review and assessment of the principal risks in the business making use of the Enterprise Risk Framework which operates in all areas of the Company. The framework ensures that the relevant risks are identified and managed and that information is shared at an appropriate level. Full details of these risks are provided in the 'Risks to our Strategy' pages of the Strategic report. The Board subjected the Enterprise Risk Framework to a detailed review in December. The Directors found it was an effective mechanism through which the principal risks and the Company's risk appetite and tolerances could be tested and challenged.

## THE DIRECTORS' RESPONSIBILITY FOR ACCOUNTING RECORDS

The Directors have examined the accounting records kept in the business and have determined that they are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the requirements of the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## THE DIRECTORS' RESPONSIBILITY FOR THE SAFEKEEPING OF ASSETS

The Directors have examined the steps in place for ensuring the prevention and detection of fraud and other irregularities. The procedure is examined and tested on a regular basis. The Board is satisfied it is understood and is operated well, and accordingly that the assets of the Company are safeguarded and protected from fraud and other irregularities.

## THE DIRECTORS' RESPONSIBILITY FOR INFORMATION

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Each of the Directors (whose names and functions are listed in the Directors' profiles on pages 54 and 55) confirms that, to the best of his or her knowledge:

- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company Financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position and profit of the Company; and
- the Directors' report contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418 of the Act, the Directors' report includes a statement, in the case of each Director in office at the date the Directors' report is approved, that:

- so far as the Director is aware, there is no relevant audit information (as defined in section 418(3)) of the Act of which the Company's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

**CHARLOTTE JONES**  
Chief Financial Officer

28 February 2019

## FINANCIAL STATEMENTS

# DISCIPLINE

Maintaining a disciplined approach to financial management

**FINANCIAL STATEMENTS: GROUP**

- 102 Section 1: Results for the year
- 112 Section 2: Consolidated statement of cash flows
- 114 Section 3: Assets and liabilities
- 122 Section 4: Equity
- 124 Section 5: Other notes
- 138 Section 6: Company financial statements
- 145 Independent auditor's report

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £m	2017 £m
Revenue	1.1, 1.2	460.5	460.2
Fee and commission expenses	1.1	(47.8)	(50.7)
<b>Net revenue</b>	1.1	<b>412.7</b>	<b>409.5</b>
Administrative expenses	1.3	(225.1)	(214.8)
Other (losses)/gains	1.6	(6.5)	0.6
Amortisation of intangible assets	3.2	(1.8)	(2.3)
<b>Operating profit</b>		<b>179.3</b>	<b>193.0</b>
Finance income	1.7	0.1	0.1
Finance costs	1.8	(0.2)	(0.2)
<b>Profit before taxation</b>		<b>179.2</b>	<b>192.9</b>
Income tax expense	1.9	(36.2)	(38.1)
<b>Profit for the year</b>		<b>143.0</b>	<b>154.8</b>
<b>Earnings per share</b>			
Basic	1.10	31.8p	34.5p
Diluted	1.10	31.1p	33.7p

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £m	2017 £m
<b>Profit for the year</b>		<b>143.0</b>	<b>154.8</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange movements on translation of subsidiary undertakings	4.2	0.3	(0.2)
<b>Other comprehensive income/(loss) for the year net of tax</b>		<b>0.3</b>	<b>(0.2)</b>
<b>Total comprehensive income for the year net of tax</b>		<b>143.3</b>	<b>154.6</b>

# NOTES TO THE GROUP FINANCIAL STATEMENTS – INCOME STATEMENT

## INTRODUCTION

The Group's financial statements have been split into sections to assist with their navigation and align with the Financial Review.

Accounting policies are contained within relevant notes, with the basis of preparation and general policies collected in Section 5. An explanation of the use of alternative performance measures (APMs) is provided on page 41.

## 1.1. REVENUE

The Group's primary source of revenue is management fees. Management fees are for investment management or administrative services and are based on an agreed percentage of the assets under management (AUM). Initial charges and commissions are for additional administrative services at the beginning of a client relationship, as well as ongoing administrative costs, and until January 2018, included profits earned on dealing within the unit trust manager's box, known as box profits. Performance fees are earned from some funds when agreed performance conditions are met. Net revenue is stated after fee and commission expenses to intermediaries for ongoing services under distribution agreements.

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The adoption of this standard has not resulted in any changes to the way the Group accounts for revenue or costs of sales. No judgements or changes in judgements were made as a result of application of this standard.

### REVENUE

Revenue comprises the fair value of the consideration received or receivable for the provision of investment management services. Revenue is shown net of any value added tax, rebates and discounts. Our primary revenue components are accounted for as follows:

- management fees are satisfied over a period of time, and revenue is recognised in the same period in which the service is performed. Management fees are calculated as a percentage of net fund assets managed in accordance with individual management agreements and are billed to the client each period shortly after the relevant asset data is available, with settlement terms commonly being 30 days;
- initial charges and commissions on sales of unit trusts are deferred and amortised over the anticipated period of the provision of investment management services. Revenue for initial charges and commissions are recognised over a period of time, but payment is taken up front resulting in the recognition of contract liabilities;
- performance fees are calculated as a percentage of the appreciation in the net asset value of a fund above a defined hurdle and are recognised when the fee amount can be estimated reliably and it is highly probable that it will not be subject to significant reversal. Such fees are normally recognised at the end of the relevant reporting period of the fund, and payment is collected shortly after; and
- box profits, which have not been earned by the Group since January 2018, are calculated as the difference between the cost of purchasing redeemed units at cancellation prices and reselling them at creation prices. Box profits are recognised when the related transaction occurs.

Management fees and performance fees are both forms of variable consideration, however there is no significant judgement or estimation involved as the transaction price is equal to the amount determined at the end of each measurement period and is equal to what is billed to the customer as per contractual arrangements for each of the separate components of revenue listed above.

All components of the Group's revenue are performance obligations satisfied over time, and are generally not subject to returns or refunds. The Group uses the output method to recognise revenue, applying the practical expedient that allows an entity to recognise revenue in the amount to which the entity has a right to invoice if that consideration corresponds directly with the value to the customer of the entity's performance completed to date. This is appropriate because investment management services are generally satisfied over time because either the customer simultaneously receives and consumes the benefits provided by the fund manager as the fund manager performs the service, or the fund manager's performance enhances the assets that the fund controls.

### FEE AND COMMISSION EXPENSES

These are paid to third parties for ongoing services under distribution agreements and are charged to the income statement over the period in which the service is expected to be provided. The services provided include the provision of access to a basket of fund products, information on financial products, promotional materials, ongoing services to clients and transaction processing.

	2018 £m	2017 £m
Management fees	442.8	441.6
Initial charges and commissions	2.1	3.1
Performance fees	14.9	1.9
<b>Revenue before box profits</b>	<b>459.8</b>	<b>446.6</b>
Fee and commission expenses	(47.8)	(50.7)
<b>Net revenue before box profits</b>	<b>412.0</b>	<b>395.9</b>
Box profits	0.7	13.6
<b>Net revenue</b>	<b>412.7</b>	<b>409.5</b>



# NOTES TO THE GROUP FINANCIAL STATEMENTS – INCOME STATEMENT continued

## 1.1. REVENUE continued

### DISAGGREGATION OF REVENUE

The Group disaggregates revenue from contracts with customers on the basis of product type and geographical region, as this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

The Group's product types can be broadly categorised into pooled funds and segregated mandates. Segregated mandates are generally established in accordance with the requirements of a specific institutional investor. In contrast, pooled funds, which include both mutual funds and investment trusts, are established by the Group, with the risks, exposures and investment approach defined via a prospectus which is provided to potential investors.

Revenue by product type	2018 £m	2017 £m
Pooled funds	440.8	440.8
Segregated mandates	19.7	19.4
<b>Revenue</b>	<b>460.5</b>	<b>460.2</b>

## 1.2. SEGMENTAL REPORTING

The Group offers a range of products and services through different distribution channels. All financial, business and strategic decisions are made centrally by the Board of Directors (the Board), which determines the key performance indicators of the Group. Information is reported to the chief operating decision maker, the Board, on a single segment basis. While the Group has the ability to analyse its underlying information in different ways, for example by product type, this information is only used to allocate resources and assess performance for the Group as a whole. On this basis, the Group considers itself to be a single-segment investment management business.

Management monitors operating profit for the purpose of making decisions about resource allocation and performance assessment.

### GEOGRAPHICAL INFORMATION

Revenue by location of clients	2018 £m	2017 £m
UK	357.6	347.7
Continental Europe	77.2	80.0
Asia	16.8	23.4
Rest of the world	8.9	9.1
<b>Revenue by location</b>	<b>460.5</b>	<b>460.2</b>

The location of clients is based on management information received from distribution partners. Where management information is not available, the location of the distribution partner is used as a proxy for the location of the client.

Non-current assets for the Group (excluding financial instruments and deferred tax assets) are domiciled in the UK, Continental Europe and Asia, as set out below:

Non-current assets for the Group	2018 £m	2017 £m
UK	354.0	355.3
Continental Europe	0.7	0.1
Asia	0.1	0.1
<b>Non-current assets by location</b>	<b>354.8</b>	<b>355.5</b>

## 1.3. ADMINISTRATIVE EXPENSES

The largest administrative expense is staff costs. The other administrative expenses category includes certain significant costs such as administration fees, expenditure relating to non-capitalisable investment in the business, marketing and IT costs.

### OPERATING LEASES

Operating leases are leases where the lessor retains substantially all the risks and benefits of ownership of the asset. All of the Group's leases are operating leases and rental payments are charged to the income statement on a straight-line basis over the term of the lease.

Administrative expenses comprise:

	2018 £m	2017 £m
Staff costs (Note 1.4)	134.1	137.0
Depreciation of property, plant and equipment (Note 3.3)	2.2	2.1
Auditors' remuneration (see below)	1.2	0.9
Operating lease rentals for land and buildings	4.7	4.7
Other administrative expenses	82.9	70.1
<b>Total administrative expenses</b>	<b>225.1</b>	<b>214.8</b>

	2018 £m	2017 £m
Auditors' remuneration		
Fees payable to the Company's auditors and their associates for the audit of the parent company and consolidated financial statements	0.2	0.2
Fees payable to the Company's auditors and their associates for other services to the Group:		
Audit of the Company's subsidiaries pursuant to legislation	0.4	0.3
Audit-related assurance services	0.2	0.2
Tax advisory services	-	-
Other assurance services	0.3	0.2
Other non-audit services	0.1	-
<b>Total auditors' remuneration</b>	<b>1.2</b>	<b>0.9</b>

## 1.4. STAFF COSTS

Staff costs include wages and salaries, share-based payments, pension costs and redundancy costs, along with associated social security costs, and are recognised on an accruals basis as services are provided to the Group.

	2018 £m	2017 £m
Wages and salaries	89.2	85.0
Share-based payments (Note 1.5)	26.6	27.0
Social security costs	11.0	19.2
Pension costs	5.1	4.8
Redundancy costs	2.2	1.0
	<b>134.1</b>	<b>137.0</b>

## PENSION COSTS

The Group contributes to a number of defined contribution pension schemes for the benefit of its employees. Contributions in respect of the UK employees (at the rate of 15% of gross salary) are made into the Jupiter Pension Scheme whose financial statements are available from the trustees at the registered office of the Company. No liability is included in the balance sheet as no obligations were outstanding at the balance sheet date.

Contributions made by the Group are charged to the consolidated income statement as they become payable in accordance with the rules of the schemes.

## FUND UNITS

As described in Note 1.5(ii), deferred bonuses can be deferred into either options over the Company's shares or a cash equivalent to units in the Group's funds. The expense included within wages and salaries in the income statement in relation to fund units for the year ended 31 December 2018 was £17.7m (2017: £5.2m).

Where bonuses are deferred into fund units, the fair value of the award is spread over the vesting period and included within staff costs. The liability is revalued at each balance sheet date to the expected settlement amount, being the current market value of the underlying fund units. Any increase or decrease in value is recognised in the income statement within staff costs. The liability is included in the balance sheet as part of accrued expenses within trade and other payables (see Note 3.9).

The Group hedges its exposure to price fluctuations in the underlying fund units by purchasing the fund units at the date of grant. These are included within financial assets at fair value through profit or loss (FVTPL) on the balance sheet. Any change in the fair value of the units is recognised in the income statement within other gains/losses.

# NOTES TO THE GROUP FINANCIAL STATEMENTS – INCOME STATEMENT continued

## 1.4. STAFF COSTS continued

### AVERAGE NUMBER OF EMPLOYEES

The monthly average number of persons employed by the Group during the year, including Executive Directors, by activity is:

	2018	2017
Fund management	79	72
Distribution and marketing	122	121
Infrastructure and operations	332	311
	<b>533</b>	<b>504</b>

Information regarding Directors' aggregate emoluments of £3.2m (2017: £6.1m) is given in the Remuneration report.

## 1.5. SHARE-BASED PAYMENTS

The Group engages in share-based payment transactions in respect of services receivable from certain employees by granting the right to either shares or options over shares, subject to certain vesting conditions and exercise prices. These have been accounted for as equity-settled share-based payments.

The fair value of the awards granted in the form of shares or share options is recognised as an expense over the appropriate performance and vesting period. The corresponding credit is recognised in retained earnings within total equity. The fair value of the awards is calculated using an option pricing model, the principal inputs being the market value on the date of award, discounted for any dividends foregone over the holding period of the award, and an adjustment for expected and actual levels of vesting which includes estimating the number of eligible employees leaving the Group and the number of employees satisfying the relevant performance conditions. Shares and options vest on the occurrence of a specified event under the rules of the relevant plan.

A summary of the charge taken to the income statement (excluding social security) for each share-based payment arrangement is shown below:

	2018 £m	2017 £m
Interests in options under pre-Listing Share Plan	(1.0)	–
Deferred Bonus Plan (DBP)	18.2	14.3
Long-term Incentive Plan (LTIP)	8.5	12.0
Sharesave Plan (SAYE)	0.5	0.4
Share Incentive Plan (SIP)	0.4	0.3
<b>Total (Note 1.4)</b>	<b>26.6</b>	<b>27.0</b>

The fair value of the services provided by employees has been calculated indirectly by reference to the fair value of the equity instruments granted. Fair value amounts for the options granted under the DBP, LTIP and SAYE schemes were determined using a Black Scholes option-pricing method and the following assumptions:

	2018			2017		
	DBP 2017	LTIP 2018	SAYE 2018	DBP 2016	LTIP 2017	SAYE 2017
Weighted average share price (£)	4.58	4.55	4.05	4.21	4.22	5.37
Weighted average exercise price (£)	–	0.61	3.33	–	0.02	4.29
Weighted average expected volatility (%)	25.5	25.3	25.8	28.5	28.1	27.5
Weighted average option life (years)	3.6	3.9	3.9	3.1	4.2	3.5
Weighted average dividend yield (%)	0.4	–	4.5	3.5	3.5	3.2
Weighted average risk-free interest rate (%)	0.9	0.9	1.0	0.2	0.2	0.6

Expected volatility for options granted in 2018 and 2017 has been calculated using the historical volatility of the Group.

The numbers above in relation to the LTIP include Joiner Plans as both schemes have a similar structure.

The Group provides a sensitivity analysis to show the impact to the Group's profit before taxation in the event that forfeiture and performance condition assumptions exceed or are below the Group's estimations by the stated percentages.

	2018 £m	2017 £m
Impact on the income statement of a change in leaver assumptions		
+5%	(2.1)	(1.8)
-5%	1.8	1.6

	2018 £m	2017 £m
Impact on the income statement of a change in performance condition vesting assumptions		
+25%	1.0	0.8
-25%	(1.0)	(0.8)

#### SIGNIFICANT AREA OF ESTIMATION

At the year end, the Group had approximately 20 million share-based awards in issue. Each year, old awards vest and new awards are made. In 2018, around 8 million new awards were issued. Given the significance of share-based payments as a form of employee remuneration for the Group, share-based payments have been included as a significant accounting estimate in Note 5.1. The principal estimations made relate to:

- forfeitures (where awardees leave the Group as 'bad' leavers and therefore forfeit unvested awards) and accelerations (where awardees are 'good' leavers and their awards continue to vest but there is no longer an extended service period condition); and
- the satisfaction of performance conditions attached to certain awards.

These estimates are reviewed regularly and the charge to the income statement is adjusted appropriately (at the end of the relevant scheme as a minimum). The sensitivity analysis provided shows that the risk of material adjustment as a result of changes to our estimations by 5% for leavers and 25% for performance condition assumptions is not considered to be significant or material.

#### (I) INTERESTS IN OPTIONS UNDER PRE-LISTING SHARE PLAN

These options were granted to certain employees prior to listing in June 2010 and allowed them to acquire shares at nominal value, subject to satisfying certain vesting and performance conditions. The terms of the options allowed individuals to make a payment to the Company entitling them to take up rights to shares between one and five years after the grant date, depending on the individual award. Some awards were modified in 2015, extending the vesting date by between one and three years. The interests in options under pre-Listing Share Plan were granted at the nominal price of £0.02, which gives them the characteristics of nil cost options and therefore the fair value of these awards is based on the market price at the date of the award.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movement in, share options during the year:

	2018		2017	
	Number	WAEP £	Number	WAEP £
Options outstanding				
At 1 January	720,000	0.02	860,000	0.02
Exercised	(140,000)	0.02	(140,000)	0.02
Forfeited	(580,000)	0.02	-	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>720,000</b>	<b>0.02</b>
<b>Exercisable at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The weighted average share price at the date of exercise of these options was £4.56 (2017: £4.85) per ordinary share.

No options were granted under this plan in 2018 or 2017. For the options granted in 2010, the weighted average fair value per option granted was £1.48.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 was 0.8 years.

# NOTES TO THE GROUP FINANCIAL STATEMENTS – INCOME STATEMENT continued

## 1.5. SHARE-BASED PAYMENTS continued

### (ii) DEFERRED BONUS PLAN (DBP)

All employees of the Group who are eligible for a bonus over a certain level, as determined by the Remuneration Committee, are required to participate in the DBP. The DBP provides for compulsory deferral of a proportion of bonus. Deferrals can be made into either options over the Company's shares or a cash amount equivalent to the value of units in the Group's funds (see Note 1.4 for information on the treatment of fund units). The awards in respect of DBP are granted after the year end to which they relate. The awards made in 2017 and 2018 in relation to 2016 and 2017 performance were granted in the form of nil cost options over the Company's shares, at a price calculated as the market price immediately prior to the date of the award. Awards will also be made in 2019 in relation to 2018 performance, thus a charge for these awards has been taken to the income statement in 2018.

	2018		2017	
	Number	WAEP £	Number	WAEP £
Options outstanding				
At 1 January	5,216,118	-	5,015,594	-
Granted	4,591,817	-	1,988,646	-
Exercised	(1,632,136)	-	(1,775,539)	-
Forfeited	(108,452)	-	(12,583)	-
<b>At 31 December</b>	<b>8,067,347</b>	<b>-</b>	<b>5,216,118</b>	<b>-</b>
<b>Exercisable at 31 December</b>	<b>266,461</b>	<b>-</b>	<b>-</b>	<b>-</b>

There were 1,632,136 options exercised under this plan in 2018 (2017: 1,775,539). The weighted average share price at the date of exercise of these options was £4.66 (2017: £4.64).

The weighted average fair value of options granted under this plan during the year was £4.51 (2017: £3.78).

The weighted average remaining contractual life of the share options outstanding under this plan at 31 December 2018 was 1.4 years (31 December 2017: 1.5 years).

### (iii) LONG-TERM INCENTIVE PLAN (LTIP)

All employees are eligible to participate in the LTIP. Awards are made at the discretion of the Remuneration Committee and may be granted in the form of options (either at market value, nominal value or nil cost), restricted shares or conditional share awards over the Company's shares. The LTIP awards granted in 2018 and 2017 took the form of options over the Company's shares.

	2018		2017	
	Number	WAEP £	Number	WAEP £
Options outstanding				
At 1 January	12,426,737	0.02	11,369,725	0.02
Granted	2,332,225	0.52	4,244,575	0.02
Exercised	(3,200,496)	0.02	(2,843,671)	0.02
Forfeited	(906,526)	0.08	(343,892)	0.02
<b>At 31 December</b>	<b>10,651,940</b>	<b>0.13</b>	<b>12,426,737</b>	<b>0.02</b>
<b>Exercisable at 31 December</b>	<b>563,619</b>	<b>0.02</b>	<b>554,678</b>	<b>0.02</b>

There were 3,200,496 options exercised under this plan in 2018 (2017: 2,843,671). The weighted average share price at the date of exercise of these options was £4.59 (2017: £4.69).

The weighted average fair value of options granted under this plan during the year was £2.08 (2017: £3.74).

The weighted average remaining contractual life of the share options outstanding under this plan at 31 December 2018 was 2.7 years (31 December 2017: 3.2 years).

**(IV) SHARES AVE PLAN**

All eligible UK employees may participate in the Group's Sharesave Plan, which was introduced in 2010. Under the terms of this plan, employees may enter into contracts to save up to the maximum amount permitted under legislation and, at the expiry of a fixed three- or five-year term, have the option to use these savings to acquire shares in the Company at a discounted price, calculated under the rules of the plan (currently a 20% discount to the market price at the date of award). Participants in the plan have six months from the date of vesting to exercise their option.

	2018		2017	
	Number	WAEP £	Number	WAEP £
Options outstanding				
At 1 January	1,229,248	3.67	1,419,249	3.13
Granted	688,610	3.33	447,427	4.29
Exercised	(94,017)	3.05	(502,596)	2.77
Forfeited	(473,898)	3.95	(134,832)	3.27
<b>At 31 December</b>	<b>1,349,943</b>	<b>3.44</b>	<b>1,229,248</b>	<b>3.67</b>
<b>Exercisable at 31 December</b>	<b>118,364</b>	<b>3.36</b>	<b>64,963</b>	<b>2.97</b>

The weighted average share price at the date of exercise of these options was £4.80 (2017: £5.69) per ordinary share.

The weighted average fair value of the options granted under this plan during the year was £0.77 (2017: £1.24).

The range of exercise prices of options granted under this plan is between £2.91 and £4.29.

The weighted average remaining contractual life of the share options outstanding under this plan at 31 December 2018 was 2.6 years (31 December 2017: 2.7 years).

**(V) SHARE INCENTIVE PLAN (SIP)**

All eligible UK employees may participate in the Group's Share Incentive Plan, which was introduced in 2013. Under the terms of this plan, employees may contribute from pre-tax salary up to the maximum amount permitted under legislation in any tax year, to be used to acquire shares in the Company at the market price on the relevant date. Matching shares are then awarded by the Company on a one matching share for each share purchased basis. The matching shares are subject to forfeiture where the employee leaves employment with the Group within three years of their award.

The number of matching shares purchased under this scheme during the year was 80,037 (2017: 61,975).

**(VI) INTERNATIONAL SHARE AWARD (ISA)**

All non-UK employees may participate in the Group's International Share Award, which was introduced in 2017 to create a non-UK plan similar to the Sharesave Plan. Under the terms of this award, international employees are offered the opportunity to be granted a share option which is exercisable after three years and three months. The exercise price is set at the same level as for the Sharesave Plan. Participants in the plan have six months from the date of vesting to exercise their option.

The number of awards made during the year was 9,020 (2017: 23,133).

**1.6. OTHER (LOSSES)/GAINS**

Other (losses)/gains in 2018 relate principally to losses made, net of hedging, on the Group's seed investment portfolio. These investments, along with any related hedging instruments, are held at fair value through profit or loss (see Note 3.4). Gain and losses on these investments comprise both realised and unrealised amounts.

	2018 £m	2017 £m
Dividend income	0.5	0.5
(Losses)/gains on financial instruments designated at fair value through profit or loss upon initial recognition	(7.8)	6.8
Gains/(losses) on financial instruments at fair value through profit or loss	0.8	(6.7)
<b>Total other (losses)/gains</b>	<b>(6.5)</b>	<b>0.6</b>



# NOTES TO THE GROUP FINANCIAL STATEMENTS – INCOME STATEMENT continued

## 1.7. FINANCE INCOME

The Group earns income as a result of holding cash in bank deposits.

Interest on cash and cash equivalents is recognised on an accruals basis using the effective interest method.

	2018 £m	2017 £m
Interest on bank deposits	0.1	0.1
	<b>0.1</b>	<b>0.1</b>

## 1.8. FINANCE COSTS

The majority of the finance costs are associated with the Revolving Credit Facility (RCF). See Note 3.8 for further details.

Interest payable is charged on an accruals basis using the effective interest method.

Finance costs include ancillary charges for commitment fees and non-utilisation fees that are charged as incurred.

## 1.9. INCOME TAX EXPENSE

The Group's headquarters are based in the UK. The Group pays taxes according to the rates applicable in the countries in which it operates. Most taxes are recorded in the income statement and relate to taxes payable for the reporting period (current tax), but there is also a charge or credit relating to tax payable for future periods due to income or expenses being recognised in a different period for tax and accounting purposes (deferred tax). Tax is charged to equity when the tax benefit exceeds the cumulative income statement expense on share plans.

The Group provides for current tax according to the tax laws of each jurisdiction in which it operates using tax rates that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns in respect of situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A deferred tax asset is recognised when it is considered recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax that has arisen in respect of equity items such as share-based payments is recognised directly in equity and not in the income statement.

	2018 £m	2017 £m
<b>Current tax</b>		
Tax on profits for the year	39.1	40.2
Adjustments in respect of prior years	0.4	(1.1)
<b>Total current tax</b>	<b>39.5</b>	<b>39.1</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(3.1)	(2.2)
Adjustments in respect of prior years	(0.2)	1.2
<b>Total deferred tax (Note 3.5)</b>	<b>(3.3)</b>	<b>(1.0)</b>
<b>Income tax expense</b>	<b>36.2</b>	<b>38.1</b>

## TOTAL TAX EXPENSE

The corporation tax rate for 2018 was 19% (2017: 19.25%). The tax charge in the year is higher (2017: higher) than the standard rate of corporation tax in the UK and the differences are explained below:

Factors affecting tax expense for the year	2018 £m	2017 £m
Profit before taxation	179.2	192.9
Taxation at the standard corporation tax rate (2018: 19%; 2017: 19.25%)	34.1	37.1
Non-taxable expenditure	0.7	0.3
Other permanent differences	1.0	0.2
Adjustments in respect of prior years	0.2	0.1
Effect of differences in overseas tax rates	0.2	0.4
<b>Total tax expense</b>	<b>36.2</b>	<b>38.1</b>

## 1.10. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year less the weighted average number of own shares held. Own shares are shares held in an Employee Benefit Trust (EBT) for the benefit of employees under the vesting, lock-in and other incentive arrangements in place.

Diluted EPS is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year for the purpose of basic EPS plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

For the purposes of calculating EPS, the share capital of the parent is calculated as the weighted average number of ordinary shares in issue. The weighted average number of ordinary shares used in the calculation of EPS is as follows:

Weighted average number of shares	2018 Number m	2017 Number m
Issued share capital	457.7	457.7
Less own shares held	(8.7)	(8.9)
<b>Weighted average number of ordinary shares for the purpose of basic EPS</b>	<b>449.0</b>	<b>448.8</b>
Add back weighted average number of dilutive potential shares	10.2	10.9
<b>Weighted average number of ordinary shares for the purpose of diluted EPS</b>	<b>459.2</b>	<b>459.7</b>

Earnings per share	2018 p	2017 p
Basic	31.8	34.5
Diluted	31.1	33.7

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £m	2017 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	2.1	213.3	233.3
Income tax paid		(42.8)	(38.7)
<b>Net cash inflows from operating activities</b>		<b>170.5</b>	<b>194.6</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3.3	(1.7)	(0.9)
Purchase of intangible assets	3.2	(1.7)	(4.3)
Purchase of financial assets at FVTPL		(326.5)	(125.7)
Proceeds from disposals of financial assets at FVTPL		270.5	65.1
Dividend income received		1.5	2.2
Finance income received		0.1	0.1
<b>Net cash outflows from investing activities</b>		<b>(57.8)</b>	<b>(63.5)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	4.3	(151.2)	(132.2)
Purchase of shares by EBT		(28.7)	(26.4)
Finance costs paid		(0.2)	(0.2)
Third-party subscriptions into consolidated funds		63.7	21.3
Third-party redemptions from consolidated funds		(26.8)	(17.7)
Distributions paid by consolidated funds		(2.0)	(0.6)
<b>Net cash outflows from financing activities</b>		<b>(145.2)</b>	<b>(155.8)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(32.5)</b>	<b>(24.7)</b>
Cash and cash equivalents at beginning of year		234.2	258.9
<b>Cash and cash equivalents at end of year</b>	3.7	<b>201.7</b>	<b>234.2</b>

# NOTES TO THE GROUP FINANCIAL STATEMENTS – CONSOLIDATED STATEMENT OF CASH FLOWS

## 2.1. CASH FLOWS FROM OPERATING ACTIVITIES

	Notes	2018 £m	2017 £m
Operating profit		179.3	193.0
Adjustments for:			
Amortisation of intangible assets	3.2	1.8	2.3
Depreciation of property, plant and equipment	3.3	2.2	2.1
Other losses/(gains)		10.8	(8.4)
Share-based payments		26.6	27.0
Cash inflows on exercise of share options		0.5	1.5
Decrease/(increase) in trade and other receivables <sup>1</sup>		19.9	(21.5)
(Decrease)/increase in trade and other payables		(27.8)	37.3
<b>Cash generated from operations</b>		<b>213.3</b>	<b>233.3</b>

<sup>1</sup> The decrease/(increase) in trade and other receivables principally comprises the movement in total trade and other receivables as per Note 3.6, adjusted for any seed investment transactions not cash settled in the same year. At the end of 2017, seed investments with a value of £22.5m had been sold, but cash settlement did not occur until 2018. This resulted in an increase in the movement in trade and other receivables in 2017, and settlement in 2018 resulted in the reversal of this balance. There were no similar transactions at the end of 2018.

## 2.2. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Notes	2018 £m	2017 £m
Brought forward at 1 January	3.4	36.4	13.0
Changes from financing cash flows		36.9	3.0
Changes arising from obtaining or losing control of consolidated funds		0.2	15.4
Changes in fair values		0.5	5.0
<b>Carried forward at 31 December</b>	<b>3.4</b>	<b>74.0</b>	<b>36.4</b>

# CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2018

	Notes	2018 £m	2017 £m
<b>Non-current assets</b>			
Goodwill	3.1	341.2	341.2
Intangible assets	3.2	5.9	6.0
Property, plant and equipment	3.3	7.1	7.6
Deferred tax assets	3.5	12.7	16.6
Trade and other receivables	3.6	0.6	0.7
		<b>367.5</b>	<b>372.1</b>
<b>Current assets</b>			
Investments in associates	3.4	-	32.2
Financial assets at fair value through profit or loss	3.4	212.0	110.4
Trade and other receivables	3.6	98.4	141.3
Cash and cash equivalents	3.7	201.7	234.2
		<b>512.1</b>	<b>518.1</b>
<b>Total assets</b>		<b>879.6</b>	<b>890.2</b>
<b>Equity attributable to shareholders</b>			
Share capital	4.1	9.2	9.2
Own share reserve	4.2	(0.2)	(0.2)
Other reserve	4.2	8.0	8.0
Foreign currency translation reserve	4.2	2.9	2.6
Retained earnings	4.2	604.5	620.7
<b>Total equity</b>		<b>624.4</b>	<b>640.3</b>
<b>Non-current liabilities</b>			
Trade and other payables	3.9	15.2	9.5
Deferred tax liabilities	3.5	0.4	0.3
		<b>15.6</b>	<b>9.8</b>
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss	3.4	74.0	36.6
Trade and other payables	3.9	156.1	189.6
Current income tax liability		9.5	13.9
		<b>239.6</b>	<b>240.1</b>
<b>Total liabilities</b>		<b>255.2</b>	<b>249.9</b>
<b>Total equity and liabilities</b>		<b>879.6</b>	<b>890.2</b>

The financial statements on pages 102 to 137 were approved by the Board of Directors and authorised for issue on 28 February 2019. They were signed on its behalf by

**CHARLOTTE JONES**  
Chief Financial Officer

# NOTES TO THE GROUP FINANCIAL STATEMENTS – ASSETS AND LIABILITIES

## 3.1. GOODWILL

Goodwill arising on acquisitions, being the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is capitalised in the consolidated balance sheet. Goodwill is carried at cost less provision for impairment. The carrying value of goodwill is not amortised but is tested annually for impairment or more frequently if any indicators of impairment arise. Goodwill is allocated to cash generating units (CGUs) for the purpose of impairment testing, with the allocation to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Impairment losses on goodwill are not reversed.

Goodwill relates to the 2007 acquisition of Knightsbridge Asset Management Limited.

	2018 £m	2017 £m
Goodwill	341.2	341.2
	<b>341.2</b>	<b>341.2</b>

No additional goodwill was recognised in the year (2017: £nil).

The Group has determined that it has a single CGU for the purpose of assessing the carrying value of goodwill. In performing the impairment test, management prepares a calculation of the recoverable amount of the goodwill, using the value in use approach, and compares this to the carrying value.

The recoverable amount for the acquired share capital was based on the net present value of the Group's future earnings. The net present value was calculated using a discounted cash flow model, with reference to the Group's projected cash flows over a period of 5 years, long-term growth rates of 8% (2017: 14%) based on dividend history and forecasts, and a cost of capital of 12% (2017: 18%), which is based on the Group's cost of equity as the Group has been debt free since 2014. The projections assumed declining revenue margins of 1-2 basis points a year and reductions of approximately 1% a year in the Group's adjusted cost/income ratio. A significant headroom was noted, and therefore no impairment was implied. Adverse movements of 50% in growth rates and/or the cost of capital would not result in the recognition of impairment losses.

### SIGNIFICANT AREA OF ESTIMATION

This impairment test requires assumptions to be made, principally concerning the future levels of profitability, and is an area where the use of estimation is therefore important. Given the size of the asset and potential impact of impairment losses on the Group's financial position, this has been included as a significant area of estimation in Note 5.1. However, given the headroom resulting from the impairment test, the risk of material adjustment is not deemed significant. The Group also reviews the accuracy of historical estimates of future profitability to assess whether impairment tests from prior years would have given a different result had actual profits been equal to past estimates. No instances have been identified where this would have been the case.

No impairment losses have been recognised in the current or preceding years.

## 3.2. INTANGIBLE ASSETS

At the balance sheet date, the Group held fully amortised intangible assets still in use in respect of its 2007 acquisition of Knightsbridge Asset Management Limited. This acquisition gave rise to the recognition of intangible assets relating to investment management contracts and the trade name of the Group. The other intangible assets recognised are computer software.

Following initial recognition, intangible assets are held at cost less any accumulated amortisation and any provision for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Intangible assets acquired separately are measured on initial recognition at cost.



## NOTES TO THE GROUP FINANCIAL STATEMENTS – ASSETS AND LIABILITIES continued

### 3.2. INTANGIBLE ASSETS continued

The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. In relation to the investment management contracts and the trade name, the useful lives were assessed as being finite and have been amortised over their useful economic lives. The useful economic lives of the trade name and individual management contracts acquired were assessed as a maximum of ten years and seven years, respectively. Both are now fully amortised. The amortisation expense on intangible assets with finite lives has been recognised in the consolidated income statement on a straight line basis.

Computer software licences acquired are capitalised at the cost incurred to bring the software into use and are amortised on a straight line basis over their estimated useful lives, which are estimated as being five years. Costs associated with developing or maintaining computer software programs that do not meet the capitalisation criteria under IAS 38 are recognised as an expense as incurred.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying value of the asset. The difference is then recognised in the income statement.

An assessment is made at each reporting date as to whether there is any indication that an asset in use may be impaired. If any such indication exists and the carrying values exceed the estimated recoverable amount at that time, the assets are written down to their recoverable amount. The recoverable amount is measured as the greater of fair value less costs to sell and value in use. Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Directors have reviewed the intangible assets as at 31 December 2018 and have concluded there are no indicators of impairment (2017: same).

	2018				2017			
	Investment management contracts £m	Trade name £m	Computer software £m	Total £m	Investment management contracts £m	Trade name £m	Computer software £m	Total £m
<b>Cost</b>								
At 1 January	258.0	18.7	13.5	290.2	258.0	18.7	9.2	285.9
Additions	-	-	1.7	1.7	-	-	4.3	4.3
At 31 December	258.0	18.7	15.2	291.9	258.0	18.7	13.5	290.2
<b>Accumulated amortisation</b>								
At 1 January	258.0	18.7	7.5	284.2	258.0	18.0	5.9	281.9
Charge for the year	-	-	1.8	1.8	-	0.7	1.6	2.3
At 31 December	258.0	18.7	9.3	286.0	258.0	18.7	7.5	284.2
<b>Net book value</b>								
At 31 December	-	-	5.9	5.9	-	-	6.0	6.0

### 3.3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenditures are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight line basis to allocate the cost of each asset over its estimated useful life as follows:

Leasehold improvements                      19 years (until the end of the lease)

Office furniture and equipment              5 years

The assets' useful economic lives and residual values are reviewed at each financial period end and adjusted if appropriate. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on the disposal of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the year the item is sold or retired.

	2018			2017		
	Leasehold improvements £m	Office furniture and equipment £m	Total £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
<b>Cost</b>						
<b>At 1 January</b>	<b>5.2</b>	<b>9.4</b>	<b>14.6</b>	<b>5.2</b>	<b>8.5</b>	<b>13.7</b>
Additions	–	1.7	1.7	–	0.9	0.9
<b>At 31 December</b>	<b>5.2</b>	<b>11.1</b>	<b>16.3</b>	<b>5.2</b>	<b>9.4</b>	<b>14.6</b>
<b>Accumulated depreciation</b>						
<b>At 1 January</b>	<b>0.9</b>	<b>6.1</b>	<b>7.0</b>	<b>0.6</b>	<b>4.3</b>	<b>4.9</b>
Charge for the year	0.3	1.9	2.2	0.3	1.8	2.1
<b>At 31 December</b>	<b>1.2</b>	<b>8.0</b>	<b>9.2</b>	<b>0.9</b>	<b>6.1</b>	<b>7.0</b>
<b>Net book value</b>						
<b>At 31 December</b>	<b>4.0</b>	<b>3.1</b>	<b>7.1</b>	<b>4.3</b>	<b>3.3</b>	<b>7.6</b>

### 3.4. FINANCIAL INSTRUMENTS HELD AT FAIR VALUE

#### FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of an instrument. They are initially measured at fair value adjusted for transaction costs, except for financial assets classified as at fair value through profit or loss where transaction costs are immediately recognised in the income statement. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability has been discharged, cancelled or has expired.

The adoption of IFRS 9 Financial Instruments (see Basis of preparation, Note 5.1) has not resulted in the amendment of any of the measurement categories for, or carrying amounts of, the Group's financial instruments.

#### FINANCIAL ASSETS

The Group's financial assets include cash and short-term deposits, trade and other receivables, seed investments and derivative financial instruments. Financial assets are classified as being at FVTPL or as loans and receivables. The classification adopted by the Group depends on the purpose for which the financial assets were acquired and is determined at initial recognition.

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL include investments in pooled funds which are designated as at FVTPL as they are managed and evaluated on a fair value basis, in accordance with the documented strategy. A financial asset is classified in this category if it has been acquired principally for the purpose of selling in the short term. Where the Group is deemed to have control, the investment is consolidated. Where the Group is deemed to have significant influence, the investment is classified as an investment in associate. Further information is included in the basis of consolidation in Note 5.1. Other financial assets at FVTPL comprise derivative instruments which are held to hedge specific risk exposures (see Note 5.3). Financial assets at FVTPL are carried at fair value, with gains and losses recognised in the income statement within other gains/losses in the period in which they arise. Assets in this category are classified as current assets.

#### FINANCIAL LIABILITIES

The Group's financial liabilities include trade and other payables, derivative financial instruments and the non-controlling interests in funds that have been consolidated as subsidiaries.

## NOTES TO THE GROUP FINANCIAL STATEMENTS – ASSETS AND LIABILITIES continued

### 3.4. FINANCIAL INSTRUMENTS HELD AT FAIR VALUE continued

#### FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at FVTPL are carried at fair value, with gains and losses recognised in the income statement within other gains/losses in the period in which they arise. Financial liabilities at FVTPL principally comprise non-controlling interests in consolidated funds which are designated as at FVTPL on initial recognition to avoid an accounting mismatch with the financial assets designated as at FVTPL to which they correspond. Further information is provided in Note 5.1. Other financial liabilities at FVTPL comprise derivative instruments which are held to hedge specific risk exposures (see Note 5.3).

As at 31 December, the Group held the following financial instruments measured at fair value:

	2018 £m	2017 £m
<b>Financial assets</b>		
Investments in associates	-	32.2
Financial assets designated at FVTPL upon initial recognition	211.3	110.0
Financial assets at FVTPL	0.7	0.4
	<b>212.0</b>	<b>142.6</b>
<b>Financial liabilities</b>		
Financial liabilities designated at FVTPL upon initial recognition	(74.0)	(36.4)
Financial liabilities at FVTPL	-	(0.2)
	<b>(74.0)</b>	<b>(36.6)</b>

A further analysis of the Group's financial assets is provided below:

	2018 £m	2017 £m
Direct seed investment at fair value	138.4	96.6
Additional financial assets due to consolidation of funds	53.4	35.0
Derivatives and fund unit hedges	20.2	11.0
<b>Total financial assets</b>	<b>212.0</b>	<b>142.6</b>

### 3.5. DEFERRED TAX

Analysis of the Group's deferred tax assets and liabilities is shown below:

	Deferred income/ expense £m	Share-based payments £m	Other £m	Seed investments £m	Total £m
Assets	0.2	14.7	1.7	-	16.6
Liabilities	-	-	-	(0.3)	(0.3)
<b>At 31 December 2017</b>	<b>0.2</b>	<b>14.7</b>	<b>1.7</b>	<b>(0.3)</b>	<b>16.3</b>
Assets	0.1	7.7	4.9	-	12.7
Liabilities	-	-	-	(0.4)	(0.4)
<b>At 31 December 2018</b>	<b>0.1</b>	<b>7.7</b>	<b>4.9</b>	<b>(0.4)</b>	<b>12.3</b>

Movements in temporary differences between the balance sheet dates have been reflected in the income statement and the statement of changes in equity as follows:

	Intangible assets £m	Deferred income/ expense £m	Share-based payments £m	Other £m	Seed investments £m	Total £m
<b>At 1 January 2017</b>	<b>(0.2)</b>	<b>0.4</b>	<b>9.1</b>	<b>1.8</b>	<b>-</b>	<b>11.1</b>
Credited/(charged) to the income statement	0.2	(0.2)	1.4	(0.4)	-	1.0
Credited to equity	-	-	4.2	-	-	4.2
Reclassification	-	-	-	0.3	(0.3)	-
<b>At 31 December 2017</b>	<b>-</b>	<b>0.2</b>	<b>14.7</b>	<b>1.7</b>	<b>(0.3)</b>	<b>16.3</b>
(Charged)/credited to the income statement	-	(0.1)	0.3	3.2	(0.1)	3.3
Charged to equity	-	-	(7.3)	-	-	(7.3)
<b>At 31 December 2018</b>	<b>-</b>	<b>0.1</b>	<b>7.7</b>	<b>4.9</b>	<b>(0.4)</b>	<b>12.3</b>

The other deferred tax balances at 31 December 2017 and 2018 include short-term timing differences and temporary differences between depreciation and capital allowances.

Changes to UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016), including a reduction of the main rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date reflected in these financial statements have been measured using the relevant enacted tax rate for the year in which they are expected to be realised or settled.

### 3.6. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowances. The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are calculated based on actual historic credit loss experience over the preceding three to five years on the total balance of non-credit impaired trade receivables.

The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred, such as significant financial difficulty of the client or it becoming probable that the client will enter bankruptcy or other financial reorganization.

When a trade receivable is credit impaired, it is written off against trade receivables and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statement. In line with the Group's historical experience, and after consideration of current credit exposures, the Group does not expect to incur any credit losses and has not recognised any ECLs in the current year (2017: nil) (see Basis of preparation, Note 5.1).

Trade and other receivables, including loans to employees, are included in current assets except where they have maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Accrued income relates to accrued interest and accrued management, performance and registration fees. It is based on the latest available information and therefore involves a degree of estimation relating to the valuation of underlying AUM.

	2018 £m	2017 £m
<b>Current</b>		
Trade receivables	67.9	105.7
Prepayments	7.0	7.2
Accrued income	23.2	27.8
Deferred acquisition and commission costs	0.3	0.6
	<b>98.4</b>	<b>141.3</b>
<b>Non-current</b>		
Deferred acquisition and commission costs	0.3	0.7
Rent deposits	0.3	-
	<b>0.6</b>	<b>0.7</b>

Trade receivables are non-interest bearing and are generally collected within four working days. An analysis of the ageing profile of trade receivables is disclosed in Note 5.3. Within trade and other receivables, the amount receivable from contracts with customers is £77.1m (2017: £107.7m).

The Group does not have any contract assets resulting from its revenue contracts with customers (2017: nil).

## NOTES TO THE GROUP FINANCIAL STATEMENTS – ASSETS AND LIABILITIES continued

### 3.7. CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Cash at bank and in hand	177.9	195.8
Short-term deposits	–	30.0
Cash held by EBT and seed investment subsidiaries	23.8	8.4
	<b>201.7</b>	<b>234.2</b>

Cash and cash equivalents have an original maturity of three months or less.

Cash at bank earns interest at the current prevailing daily bank rates. Short-term deposits are made for varying periods of between one and 33 days, depending on the forecast cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash held by EBT and seed investment subsidiaries is not available for use by the Group.

### 3.8. LOANS AND BORROWINGS

The Group has access to a revolving credit facility (RCF) of £50.0m (2017: £50.0m). The facility expires in July 2019 and was undrawn at 31 December 2017 and 31 December 2018.

Interest on the RCF is payable at a rate per annum of LIBOR plus a margin of 0.7%. A non-utilisation fee is payable on the RCF at a rate of 0.25% per annum on the undrawn balance. A utilisation fee is also payable at a rate of 0.3% per annum when more than 66% of the facility is drawn, and 0.1% per annum when 33% to 66% of the facility is drawn. No utilisation fee is payable when less than 33% of the facility is drawn.

### 3.9. TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

The most significant accruals at the year end relate to bonuses. At the end of each financial year, the Group recognises accrued expenses for bonuses accrued but not yet paid in respect of service attributable to that year.

Contract liabilities represent performance obligations that are unsatisfied or partially unsatisfied as of the end of the reporting period. The Group's contract liabilities relate to initial charges and commissions where payment has been received upfront but revenue is recognised over the expected lives of the contracts, which are estimated to be six years, on a straight-line basis.

	2018 £m	2017 £m
<b>Current</b>		
Trade payables	54.8	84.0
Accrued expenses	84.7	78.7
Contract liabilities	1.4	2.0
Social security and other taxes	12.6	19.4
Accruals relating to private client transaction	-	0.2
Other payables	2.6	5.3
	<b>156.1</b>	<b>189.6</b>
<b>Non-current</b>		
Contract liabilities	2.2	3.6
Accrued expenses	9.9	5.9
Social security and other taxes	3.1	-
	<b>15.2</b>	<b>9.5</b>

Accrued expenses of £9.9m (2017: £5.9m) included within non-current trade and other payables and £7.1m (2017: £3.1m) included within current trade and other payables relate to deferred bonus awards whose settlement amounts will be based on the value of units in the Group's funds. See Note 1.4.

The amount of revenue recognised in the current reporting period that was included in the contract liability balance at the beginning of the period was £2.0m (2017: £1.4m). The Group expects to recognise revenue for the remaining performance obligations over the following durations:

	2018 £m	2017 £m
<b>Contract liabilities</b>		
< 1 year	1.4	2.0
1 - 5 years	2.2	3.5
> 5 years	-	0.1
	<b>3.6</b>	<b>5.6</b>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £m	Own share reserve £m	Other reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total equity £m
<b>At 1 January 2017</b>	<b>9.2</b>	<b>(0.2)</b>	<b>8.0</b>	<b>2.8</b>	<b>590.6</b>	<b>610.4</b>
Profit for the year	-	-	-	-	154.8	154.8
Exchange movements on translation of subsidiary undertakings	-	-	-	(0.2)	-	(0.2)
<b>Other comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.2)</b>	<b>-</b>	<b>(0.2)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.2)</b>	<b>154.8</b>	<b>154.6</b>
Vesting of ordinary shares and options	-	0.1	-	-	1.4	1.5
Dividends paid	-	-	-	-	(132.2)	(132.2)
Purchase of shares by EBT	-	(0.1)	-	-	(26.3)	(26.4)
Share-based payments	-	-	-	-	26.7	26.7
Current tax	-	-	-	-	1.5	1.5
Deferred tax	-	-	-	-	4.2	4.2
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(124.7)</b>	<b>(124.7)</b>
<b>At 31 December 2017</b>	<b>9.2</b>	<b>(0.2)</b>	<b>8.0</b>	<b>2.6</b>	<b>620.7</b>	<b>640.3</b>
Profit for the year	-	-	-	-	143.0	143.0
Exchange movements on translation of subsidiary undertakings	-	-	-	0.3	-	0.3
<b>Other comprehensive gain</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.3</b>	<b>-</b>	<b>0.3</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.3</b>	<b>143.0</b>	<b>143.3</b>
Vesting of ordinary shares and options	-	0.1	-	-	0.4	0.5
Dividends paid	-	-	-	-	(151.2)	(151.2)
Purchase of shares by EBT	-	(0.1)	-	-	(28.6)	(28.7)
Share-based payments	-	-	-	-	26.4	26.4
Current tax	-	-	-	-	1.1	1.1
Deferred tax	-	-	-	-	(7.3)	(7.3)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(159.2)</b>	<b>(159.2)</b>
<b>At 31 December 2018</b>	<b>9.2</b>	<b>(0.2)</b>	<b>8.0</b>	<b>2.9</b>	<b>604.5</b>	<b>624.4</b>
Notes	4.1	4.2	4.2	4.2	4.2	

# NOTES TO THE GROUP FINANCIAL STATEMENTS – EQUITY

## 4.1. SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	2018 £m	2017 £m
Authorised, issued, allotted, called-up and fully paid		
457.7m ordinary shares of 2p each	9.2	9.2
	<b>9.2</b>	<b>9.2</b>

## 4.2. RESERVES

### (I) OWN SHARE RESERVE

The Group operates an EBT for the purpose of satisfying certain retention awards to employees. The holdings of this trust, which is funded by the Group, include shares that have not vested unconditionally to employees of the Group. These shares are recorded at cost and are classified as own shares. The shares are used to settle obligations that arise from the granting of share-based awards.

At 31 December 2018, 11.0m ordinary shares (2017: 9.5m), with a par value of £0.2m (2017: £0.2m), were held as own shares within the Group's EBT for the purpose of satisfying share option obligations to employees.

### (II) OTHER RESERVE

The other reserve of £8.0m (2017: £8.0m) relates to the conversion of Tier 2 preference shares in 2010.

### (III) FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve of £2.9m (2017: £2.6m) is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

### (IV) RETAINED EARNINGS

Retained earnings of £604.5m (2017: £620.7m) are the amount of earnings that are retained within the Group after dividend payments and other transactions with owners.

## 4.3. DIVIDENDS

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are paid.

	2018 £m	2017 £m
Full-year dividend (10.3p per ordinary share) (2017: 10.2p per ordinary share)	46.1	45.7
Interim dividend (7.9p per ordinary share) (2017: 6.8p per ordinary share)	35.6	30.5
Special dividend (15.5p per ordinary share) (2017: 12.5p per ordinary share)	69.5	56.0
	<b>151.2</b>	<b>132.2</b>

Full-year and special dividends are paid out of profits recognised in the year prior to the year in which the dividends are declared and reported.

The EBT has waived its right to receive future dividends on shares held in the trust. Dividends waived on shares held in the EBT in 2018 were £3.1m (2017: £2.8m).

A full-year dividend for 2018 of 9.2p per share (2017: 10.3p) and a special dividend of 11.4p per share (2017: 15.5p) have been declared by the Directors. These dividends amount to £42.1m and £52.2m respectively (before adjusting for any dividends waived on shares in the EBT) and will be accounted for in 2019. Including the interim dividend for 2018 of 7.9p per share (2017: 6.8p), this gives a total dividend per share of 28.5p (2017: 32.6p).

# NOTES TO THE GROUP FINANCIAL STATEMENTS – OTHER

## 5.1. BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES

### BASIS OF PREPARATION

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS IC Interpretations (IFRS as adopted by the EU) and with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis using the historical cost convention modified by the revaluation of certain financial assets and financial liabilities (including derivatives) that have been measured at fair value. After reviewing the Group's current plans and forecasts and financing arrangements, as well as the current trading activities of the Group, the Directors consider that the Group has adequate resources to continue operating for a period of at least 12 months from the balance sheet date.

In the current reporting period, the Group has adopted the following new standards:

Endorsed by the EU	Summary	Impact of adoption
IFRS 9 Financial Instruments	Replacement project on financial instruments consisting of three phases: <ul style="list-style-type: none"> <li>• Phase 1: Classification and measurement of financial assets and financial liabilities;</li> <li>• Phase 2: Impairment methodology; and</li> <li>• Phase 3: Hedge accounting</li> </ul>	No changes to accounting treatment or disclosures resulted.
IFRS 15 Revenue from Contracts with Customers	Established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes the previous revenue standard IAS 18 Revenue	No changes to accounting treatment. Additional disclosures have been made in Note 1.1, 3.6 and 3.9.

In respect of IFRS 9, the Group holds instruments such as derivatives and non-controlling interests in consolidated funds (NCIs) at fair value, the former held for trading and the latter designated at FVTPL. Under the new standard, derivatives will continue to be held for trading (and therefore at FVTPL). Similarly, the option to designate an instrument at FVTPL to avoid an accounting mismatch has been carried over into IFRS 9. In the case of NCIs, the liability at fair value matches the assets of the fund, which are required to be held at fair value (if equities or derivatives) or which we elect to hold at fair value (if they are hedged debt instruments).

Trade and other receivables and payables principally comprise short-term settlement accounts and accruals, neither of which are held for trading or meet the definition of items that could be carried at fair value. Such instruments therefore remain at amortised cost.

In terms of impairment, the majority of Jupiter's revenue comes from management fees due from the funds for which we provide management services. These are paid to the Group monthly, a few days in advance of the month end. Therefore, at each month end, receivables are low as we have already collected amounts due from the majority of our clients. Typically, receivables comprise unpaid sales contracts and expropriations (together, settlement accounts), which are receivables in transit between funds and end clients and which are required to be settled within four days. Other trade debtors comprise amounts due from institutional clients. Cash collateral is paid over by the Group to satisfy counterparty requirements in respect of open derivative positions.

It is very unusual for Jupiter to suffer any impairment in respect of trade receivables: unpaid settlements do not result in losses, but instead oblige the Group to purchase units in funds which are then subject to market risk until they can be sold. Institutional debtors rarely default, given that the Group manages assets worth many multiples of any outstanding fees on behalf of those clients, although it should be noted that the Group is not generally permitted to remove cash from managed segregated mandates in order to receive settlement. Cash held with banks or held by other companies as collateral could be at risk should the financial institutions holding it fail. We have not experienced and do not expect to experience credit losses arising from these counterparties.

In the Group's consideration of the impact of IFRS 15 on its financial statements, we have employed the five step model to determine the timing and quantification of revenue. Our implementation included the identification of all material revenue sources, including management and performance fees, upfront fees and also upfront revenue-related costs. We undertook a review of customer contracts to determine our performance obligation and the associated recognition timing. The Group's accounting policies under IAS 18 Revenue were aligned with the requirements of IFRS 15 in respect of these revenue sources, thus the adoption of IFRS 15 has not resulted in any significant impact to the Group. The additional disclosures required under IFRS 15 have been made in Note 1.1, 3.6 and 3.9.

### BASIS OF ACCOUNTING

The consolidated financial statements for the year ended 31 December 2018 include the consolidated financial information of the Company and its subsidiaries. The accounting policies set out those policies that have been applied consistently in preparing the Group financial statements. No new policies have been adopted for the year ended 31 December 2018. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed later in this note within the section Critical accounting estimates, judgements and assumptions.

## BASIS OF CONSOLIDATION

### (I) SUBSIDIARIES

Subsidiaries are those entities over which the Group has control. The Group controls an entity if the Group has all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group's subsidiaries comprise operating and holding companies, and those funds where the Group acts as fund manager which are consolidated as a result of additional exposure to the variable returns of the funds through seed investment. Where we own 100% of an operating or holding company, our judgement is that the above elements of control are immediately satisfied and that the companies are therefore subsidiaries of the Group.

Seed investments are accounted for as subsidiaries, associates or other financial investments depending on the holdings of the Group and on the level of influence and control that the Group is judged to have.

### SIGNIFICANT AREA OF JUDGEMENT

In determining the level of control for seed investments, additional judgement is required. The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the purpose and design of an investee, relevant activities, substantive and protective rights, and voting rights and potential voting rights. Exposure to variable returns is usually determined by the earning of management fees, and the percentage investment in the funds' net assets. Where the value of the Group's holding exceeds 50% of the total value of the fund, the Group deems control to automatically exist. Where ownership is under 50%, the Group applies a rebuttable presumption that interests amounting to 30% or more are consolidated, subject to review of the facts and circumstances of each individual investment relevant to establishing whether the Group is acting as principal or agent to the fund. These include the potential for large performance fees to be earned, an assessment of kick-out rights and the existence of any other large investors in the fund. Kick-out rights rarely vary between the different types of funds that the Group manages, the percentage investment in a fund is therefore the primary means for determining whether control exists for the Group, and the determination of the threshold to be used as the rebuttable presumption is a key area of judgement for the Group. This judgement determines the extent to which the Group's balance sheet is grossed up to reflect additional financial instruments under the Group's control and, as the value of such instruments is material to the Group, this has been included as a significant area of judgement in Note 5.1.

The Group has seed investments in both its unit trusts and its SICAV sub-funds. The Group's judgement is that control can exist in a sub-fund, even if it does not exist in the whole of the umbrella fund, as the sub-funds have no cross-liability risk to other sub-funds or to the SICAV umbrella fund and thus should be accounted for as separate entities.

The Group re-assesses whether or not it controls an entity if facts or circumstances indicate that there are changes to one or more of the three elements of control.

A list of subsidiaries, split into operating and holding companies and consolidated funds, is provided in Note 6.3. Consistent accounting policies are applied across all Group companies. Intra-group transactions, balances, income and expenses are eliminated on consolidation. The transactions and balances of subsidiaries are consolidated in these financial statements from the date that control commences until the date that control ceases. Where external investors hold shares in funds controlled by the Group, the portion of profit or loss and net assets held by these non-controlling interests is included within other gains/losses in the consolidated income statement and as liabilities at fair value through profit or loss in the consolidated balance sheet respectively.

### (II) ASSOCIATES

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control. Generally, it is presumed that the Group has significant influence where it has voting rights of 20% or more, but not control of the investee. Seed investments over which the Group has significant influence, but not control, are carried in the balance sheet at fair value as permitted by IAS 28 Investment in Associates, with changes in fair value recognised in the consolidated income statement. The fair value of investments in associates is determined by reference to the quoted price or net asset value of the funds at the close of business on the balance sheet date. The Group has no other investments in associates and, therefore, no associates are currently accounted for using the equity method.

## FOREIGN CURRENCY

### (I) FUNCTIONAL AND PRESENTATIONAL CURRENCY

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is both the Company's functional and presentational currency as well as the currency in which the majority of the Group's revenue streams, assets and liabilities are denominated.

# NOTES TO THE GROUP FINANCIAL STATEMENTS – OTHER continued

## 5.1. BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES continued

### (II) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement within administrative expenses.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the consolidated income statement as part of other gains/losses.

### (III) GROUP COMPANIES

The assets and liabilities of Group entities that have a functional currency different from the presentational currency are translated at the closing rate at the balance sheet date, with income and expenses translated at average exchange rates. Resulting exchange differences are recognised as a separate component of other comprehensive income and are recycled to the income statement on disposal or liquidation of the relevant branch or subsidiary.

### NEW STANDARDS AND INTERPRETATIONS NOT APPLIED

The International Accounting Standards Board and IFRS IC have issued a number of new accounting standards, amendments to existing standards and interpretations. The following new standard, which has been endorsed by the EU, is not applicable to these financial statements, but is expected to have an impact when it becomes effective. The Group plans to apply this standard in the reporting period in which it becomes effective.

	Summary	Effective for periods beginning on or after
IFRS 16 Leases	Provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. It will supersede the current guidance found in IAS 17 Leases	1 January 2019

There are no other IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

There are transition options available on adoption of the standard. The Group has elected to apply this standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application in accordance with paragraphs C7-C13 of the standard. This option accounts for leases as if the Group had always applied IFRS 16.

The Group expects the adoption of IFRS 16 to increase the Group's total assets by £53.2m and liabilities by £55.6m as a result of the requirement to capitalise both the right to use leased assets and the contractual payments to be made under lease obligations. The liability is calculated using an appropriate discount rate for the Group and the nature of its leased assets. As a result, the income statement charge for lease payments is expected to be larger in the earlier years of a lease, and smaller in the later years. We estimate a £5.7m charge in 2019. The 2018 charge of £4.7m (see Note 1.3) is based on broadly the same leased assets. In addition, the 2019 rental charge, previously recognised as a single administrative charge within the income statement, will be split into a depreciation charge relating to the capitalised asset (within administrative expenses) and a finance cost representing the unwinding of the discount.

### CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial information requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial information, deviate from actual circumstances, the original estimates and assumptions are modified as appropriate in the period in which the circumstances change. Estimates are further categorised into the following categories:

- (i) Those estimates where there is a reasonable level of risk which could lead to a material change within the next financial year; and
- (ii) Those areas where the use of estimation is important, but where the risk of material adjustment is not significant.

The areas where judgements and sources of estimation uncertainty are significant to the Group financial statements are discussed in the following notes:

- 1.5 Share-based payments (area of estimation, category ii)
- 3.1 Impairment of goodwill (area of estimation, category ii)
- 5.1 Consolidation of seed investments (area of judgement)

## 5.2. FINANCIAL COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases on office properties are shown below.

	2018 £m	2017 £m
Not later than one year	4.8	2.4
Later than one year and not later than five years	16.6	16.0
More than five years	55.2	59.0
	<b>76.6</b>	<b>77.4</b>

The commitments above take into account any early break clauses exercisable by the Group. There are no special terms for renewal or purchase options for the Group's leasehold property, nor are there any restrictions on dividends, additional debt or further leasing imposed by the leasing agreements.

## 5.3. FINANCIAL RISK MANAGEMENT

### FINANCIAL INSTRUMENTS BY CATEGORY

The carrying value of the financial instruments of the Group at 31 December is shown below:

	Financial assets at FVTPL £m	Loans and receivables £m	Financial liabilities at FVTPL £m	Other financial liabilities £m	Total financial instruments £m	Non- financial instruments £m	Total £m
<b>2018</b>							
Goodwill	-	-	-	-	-	341.2	341.2
Intangible assets	-	-	-	-	-	5.9	5.9
Property, plant and equipment	-	-	-	-	-	7.1	7.1
Deferred tax assets	-	-	-	-	-	12.7	12.7
Non-current trade and other receivables <sup>1</sup>	-	0.3	-	-	0.3	0.3	0.6
Financial assets at FVTPL	212.0	-	-	-	212.0	-	212.0
Current trade and other receivables <sup>1</sup>	-	91.1	-	-	91.1	7.3	98.4
Cash and cash equivalents	-	201.7	-	-	201.7	-	201.7
Non-current trade and other payables <sup>1</sup>	-	-	-	(9.9)	(9.9)	(5.3)	(15.2)
Deferred tax liabilities	-	-	-	-	-	(0.4)	(0.4)
Current trade and other payables <sup>1</sup>	-	-	-	(142.1)	(142.1)	(14.0)	(156.1)
Current income tax liability	-	-	-	-	-	(9.5)	(9.5)
Financial liabilities at FVTPL	-	-	(74.0)	-	(74.0)	-	(74.0)
<b>Total</b>	<b>212.0</b>	<b>293.1</b>	<b>(74.0)</b>	<b>(152.0)</b>	<b>279.1</b>	<b>345.3</b>	<b>624.4</b>



# NOTES TO THE GROUP FINANCIAL STATEMENTS – OTHER continued

## 5.3. FINANCIAL RISK MANAGEMENT continued

2017	Financial assets at FVTPL £m	Loans and receivables £m	Financial liabilities at FVTPL £m	Other financial liabilities £m	Total financial instruments £m	Non-financial instruments £m	Total £m
Goodwill	-	-	-	-	-	341.2	341.2
Intangible assets	-	-	-	-	-	6.0	6.0
Property, plant and equipment	-	-	-	-	-	7.6	7.6
Deferred tax assets	-	-	-	-	-	16.6	16.6
Non-current trade and other receivables <sup>1</sup>	-	-	-	-	-	0.7	0.7
Investments in associates	32.2	-	-	-	32.2	-	32.2
Financial assets at FVTPL	110.4	-	-	-	110.4	-	110.4
Current trade and other receivables <sup>1</sup>	-	133.3	-	-	133.3	8.0	141.3
Cash and cash equivalents	-	234.2	-	-	234.2	-	234.2
Non-current trade and other payables <sup>1</sup>	-	-	-	(5.9)	(5.9)	(3.6)	(9.5)
Deferred tax liabilities	-	-	-	-	-	(0.3)	(0.3)
Current trade and other payables <sup>1</sup>	-	-	-	(168.2)	(168.2)	(21.4)	(189.6)
Current income tax liability	-	-	-	-	-	(13.9)	(13.9)
Financial liabilities at FVTPL	-	-	(36.6)	-	(36.6)	-	(36.6)
<b>Total</b>	<b>142.6</b>	<b>367.5</b>	<b>(36.6)</b>	<b>(174.1)</b>	<b>299.4</b>	<b>340.9</b>	<b>640.3</b>

<sup>1</sup> Prepayments, contract liabilities, deferred acquisition and commission costs and social security and other taxes do not meet the definition of financial instruments.

For financial instruments held at 31 December 2018 and 31 December 2017, there were no material differences between the carrying value and fair value.

Gains and losses recognised in the income statement during the year ended 31 December 2018 by category are shown below:

	2018				2017			
	Financial assets at FVTPL <sup>2</sup> £m	Financial liabilities at FVTPL £m	Other income and expense £m	Total £m	Financial assets at FVTPL <sup>2</sup> £m	Financial liabilities at FVTPL £m	Other income and expense £m	Total £m
Revenue	-	-	460.5	460.5	-	-	460.2	460.2
Fee and commission expenses	-	-	(47.8)	(47.8)	-	-	(50.7)	(50.7)
Administrative expenses	-	-	(225.1)	(225.1)	-	-	(214.8)	(214.8)
Other (losses)/gains	(6.5)	-	-	(6.5)	0.6	-	-	0.6
Amortisation of intangible assets	-	-	(1.8)	(1.8)	-	-	(2.3)	(2.3)
Finance income	-	-	0.1	0.1	-	-	0.1	0.1
Finance costs	-	-	(0.2)	(0.2)	-	-	(0.2)	(0.2)
Income tax expense	-	-	(36.2)	(36.2)	-	-	(38.1)	(38.1)
	<b>(6.5)</b>	<b>-</b>	<b>149.5</b>	<b>143.0</b>	<b>0.6</b>	<b>-</b>	<b>154.2</b>	<b>154.8</b>

<sup>2</sup> See Note 1.6 for further details.

The Group used the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: other techniques, for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

As at 31 December 2018, the Group held the following financial instruments measured at fair value:

2018	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL	86.5	125.5	–	212.0
Financial liabilities at FVTPL	(74.0)	–	–	(74.0)
	<b>12.5</b>	<b>125.5</b>	<b>–</b>	<b>138.0</b>

As at 31 December 2017, the Group held the following financial instruments measured at fair value:

2017 (Restated)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments in associates	32.2	–	–	32.2
Financial assets at FVTPL	51.4	59.0	–	110.4
Financial liabilities at FVTPL	(36.4)	(0.2)	–	(36.6)
	<b>47.2</b>	<b>58.8</b>	<b>–</b>	<b>106.0</b>

We have reassessed our 2017 holdings in consolidated funds, the individual financial instruments of which are assigned a level in the fair value hierarchy on a “look-through” basis. Certain holdings in debt securities had previously been designated as being level 1. However, these should have been assigned to level 2 as, despite the existence of a liquid market in which these instruments can be traded, the securities are unlisted and their values are derived from quotes supplied by brokers.

#### LEVEL 1 FINANCIAL INSTRUMENTS

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market prices at the balance sheet date.

#### INVESTMENTS IN ASSOCIATES AND FINANCIAL ASSETS AT FVTPL

These relate to non-consolidated seed investments and hedges of awards in fund units in mutual funds. It also includes the underlying holdings in consolidated funds that meet the definition of level 1 financial instruments. Details are included in Note 5.4.

#### FINANCIAL LIABILITIES AT FVTPL

These relate to non-controlling interests in funds that have been consolidated as subsidiaries.

#### LEVEL 2 FINANCIAL INSTRUMENTS

The fair value of financial instruments are valued based on observable market data from readily-available external sources.

#### INVESTMENTS IN ASSOCIATES AND FINANCIAL ASSETS AT FVTPL

These relate to underlying holdings in consolidated funds that meet the definition of level 2 financial instruments.

#### DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are held to hedge specific exposures and have maturities designed to match the exposures they are hedging. The derivatives are held at fair value which represents the price to exit the instruments at the balance sheet date. Movements in the fair value are included in the income statement.

The Group enters into swap arrangements and foreign exchange forward contracts to hedge certain of its seed investments. Gains and losses arising from fair value movements in the swap and forward contracts are recognised in the consolidated income statement within other gains/losses and are settled periodically, in accordance with the terms of the contract. Any cash settlements due from or to the counterparty in relation to the swap arrangements, which are required to be settled at the end of each month, are recorded within current assets or current liabilities as trade receivables or other payables, as appropriate. The fair value of the foreign exchange contracts, which are required to be settled at periods other than month end, are recorded within financial assets or liabilities at FVTPL, as appropriate.

At 31 December 2018, the notional value of the swaps was £47.4m (2017: £40.3m) and the foreign exchange forward contracts was £91.3m (2017: £75.6m). The settlement amount of the swaps at 31 December 2018 was a receivable of £3.3m (2017: (£1.4m)) which is included within trade and other receivables. The fair value of the foreign exchange forward contracts is included within financial assets at FVTPL (£0.7m (2017: £0.3m)) and financial liabilities at FVTPL (nil (2017: £0.2m)).

# NOTES TO THE GROUP FINANCIAL STATEMENTS – OTHER continued

## 5.3. FINANCIAL RISK MANAGEMENT continued

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is subject to a number of financial risks throughout its business, the principal risks being market risk (including price, foreign exchange and interest rate risk), credit risk and liquidity risk. The Board is accountable for risk and is responsible for oversight of the risk management process. The Board has ultimate responsibility for the risk strategy of the Group, and for determining an appropriate risk appetite and tolerance levels within which the Group must operate. By defining these, the Board demonstrates that it is aware of and, where appropriate, has taken steps to mitigate the impact of risks that may have a material impact on the Group.

The Executive Committee reviews the key corporate risks facing the Group. The Chief Executive Officer has ultimate responsibility for the governance of the risk management of the firm, but delegates the risk and control framework to the Chief Risk Officer, who has responsibility for the monitoring and reporting of risk and controls, and through the Risk and Finance Committee manages the ongoing development of the Group's risk and control framework. Jupiter embeds risk management within the business, with independent oversight and challenge being provided by the risk function.

### PRICE RISK

Price risk is the risk that a decline in the value of assets will adversely impact the profitability of the Group. Management has identified price risk as the exposure to unfavourable movements in the value of financial assets held by the Group which would result in a loss recognised in the consolidated income statement. The Group is not exposed to commodity price risk.

The Group holds listed equity investments in its seed investments portfolio which are exposed to the risk of changes in equity markets. At 31 December 2018, the fair value, and therefore maximum exposure to listed securities, was £138.4m (2017: £96.6m).

The Group's policy is to hedge the equity market and currency exposure of its seed investments depending on the fund mandate and whether available transactions are cost effective. As at 31 December 2018 and 31 December 2017, the Group held swap instruments to act as hedges against risk exposures arising from certain holdings in seed fund investments.

### PRICE RISK SENSITIVITY ANALYSIS ON FINANCIAL ASSETS

The Directors believe that 10% gives a reasonable measure of the Group's sensitivity to price risk. An increase or decrease of 10% in equity markets would have the impact shown below on the Group's profit before taxation. This reflects estimated gains and losses on the Group's listed investments at the balance sheet date and not any likely impact on the Group's revenue or costs. There is no further impact on the Group's equity.

	2018 £m	2017 £m
Impact on the income statement of change in equity markets		
+10%	9.1	5.6
-10%	(9.1)	(5.6)

The analysis takes account of the relevant derivative transactions the Group has entered into to hedge against such movements.

### FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates. The Group predominantly operates in the UK, with some transactions from overseas third parties in foreign currencies, which create exposure to non-sterling income and expenses. The Group's policy is to hold the minimum amount of foreign currency required to cover operational needs and to convert foreign currency on receipt. Direct exposures are limited to operational cash held in overseas subsidiaries, short-term outstanding foreign currency fee debtors and investments in seed denominated in a foreign currency. The Group does not normally hedge these exposures, other than in the case of certain seed investments, which are hedged using foreign exchange forward contracts. These contracts are measured at fair value at the balance sheet date. Foreign currency risk is monitored closely and managed by the finance function.

### FOREIGN EXCHANGE RATE SENSITIVITY ANALYSIS

The Directors believe that 10% gives a reasonable measure of the Group's sensitivity to foreign exchange risk. The following table demonstrates the sensitivity to a possible change in foreign exchange rates, with all other variables held constant, on the Group's profit before tax. This reflects estimated gains and losses on retranslating the Group's foreign currency assets and liabilities at the balance sheet date and not any likely impact on the Group's revenue or costs. The exposure to foreign exchange risk arises principally through operational cash balances held in foreign currencies and seed investments held in non-Sterling share classes. There is no further impact on the Group's equity.

	2018		2017	
	+10% £m	-10% £m	+10% £m	-10% £m
Impact on the income statement of change in exchange rates				
Sterling against Euro	(1.1)	1.3	(1.0)	1.3
Sterling against US Dollar	(0.3)	0.4	(0.5)	0.6
Sterling against HK Dollar	(0.3)	0.4	(0.2)	0.3

The sensitivity analysis takes account of the relevant derivative transactions the Group has entered into to hedge against such exposures.

## INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to the Group's cash balances (Note 3.7). The Group manages interest rate risk via the finance function monitoring of the interest rate cash flow risks and returns. The Group puts cash on deposit at fixed rates of interest for periods of up to three months.

## INTEREST RATE SENSITIVITY ANALYSIS

The Directors believe that a movement in interest rates of 50bps gives a reasonable measure of the Group's sensitivity to interest rate risk. The following table demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's profit before tax (mainly through the impact on floating rate cash deposits). There is no further impact on the Group's equity.

Impact on the income statement of change in interest rates	2018 £m	2017 £m
+50 bps	0.9	1.2
-50 bps	(0.1)	(0.4)

## CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss in the Group's operating activities.

The Group is exposed to credit risk primarily from its treasury activities, including deposits with banks and financial institutions, but also from its trade receivables and, in certain circumstances, financial assets at fair value through profit or loss. Trade receivables are monitored regularly. Historically, default levels have been insignificant. Financial assets at fair value through profit or loss expose the Group to credit risk where seed investments in funds are consolidated and those funds hold investments in debt instruments or derivative positions with a positive fair value. The Group's maximum exposure to credit risk is £370.4m (2017: £390.4m), represented by the carrying value of its non-equity financial assets at FVTPL (£100.8m (2017: £50.5m)), trade receivables (£67.9m (2017: £105.7m)) and cash and cash equivalents (£201.7m (2017: £234.2m)).

The fair values of the Group's financial liabilities at FVTPL are not affected by changes in the Group's credit risk. There is no difference between the carrying amount of financial liabilities at FVTPL and the amount the Group would be contractually required to pay at maturity.

With regard to credit risk related to financial instruments, the Group's policy is to place deposits only with financial institutions which satisfy minimum ratings and other criteria set by the Counterparty Review Group (CRG). Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and thereby mitigate the possibility of financial loss through counterparty failure. The CRG monitors the Group's counterparty exposures.

The table below contains an ageing analysis of current and overdue trade receivables:

	2018 £m	2017 £m
Neither past due nor impaired	61.9	103.2
Days past due		
< 30	3.5	1.2
30-60	0.1	0.7
61-90	-	-
> 90	2.4	0.6
	<b>67.9</b>	<b>105.7</b>

None of the receivables past due were considered to be impaired (2017: nil).

# NOTES TO THE GROUP FINANCIAL STATEMENTS – OTHER continued

## 5.3. FINANCIAL RISK MANAGEMENT continued

The table below contains an analysis of financial assets held by the Group for which credit ratings are available:

	2018				2017			
	Financial assets at FVTPL £m	Trade receivables £m	Cash and cash equivalents £m	Total £m	Financial assets at FVTPL £m	Trade receivables £m	Cash and cash equivalents £m	Total £m
AAA	8.9	–	–	8.9	3.8	–	–	3.8
AA	2.7	–	100.9	103.6	2.4	–	112.2	114.6
A	9.6	8.9	100.8	119.3	8.6	–	0.1	8.7
BBB	26.2	–	–	26.2	18.3	–	121.9	140.2
BB	25.1	–	–	25.1	12.2	–	–	12.2
B	24.2	–	–	24.2	5.2	–	–	5.2
CCC	4.1	–	–	4.1	–	–	–	–
Not rated	111.2	59.0	–	170.2	59.9	105.7	–	165.6
<b>Total</b>	<b>212.0</b>	<b>67.9</b>	<b>201.7</b>	<b>481.6</b>	<b>110.4</b>	<b>105.7</b>	<b>234.2</b>	<b>450.3</b>

Financial assets at fair value through profit or loss which are not rated comprise equity investments.

Investments in associates comprise equity investments which are not rated.

Trade and other receivables which are not rated comprise cancellations of units in unit trusts and sales of units in unit trusts, title to which is not transferred until settlement is received.

### LIQUIDITY RISK

Liquidity risk is the risk that the Group may be unable to meet its payment obligations as they fall due or only at a significantly higher cost. The Group produces cash flow forecasts to assist in the efficient management of the collection and payment of liquid assets and liabilities.

The Group's objectives in respect of liquidity are:

- to ensure that both the Group as a whole and individual entities within the Group have access to sufficient liquid funds to trade solvently and meet trading liabilities as they fall due;
- to allow the Group to maintain a flexible dividend policy, taking reference to prior year and prospective profitability, capital requirements and cash flow; and
- to provide the Group with appropriate flexibility over the transferability of its capital and cash balances.

Surplus cash held by the operating entities over and above the balances required for working capital management is held in interest-bearing deposits of up to three months. Regulated companies ensure that sufficient capital is maintained to meet regulatory requirements.

The Group has access to a revolving credit facility (RCF) of £50m which was unutilised at 31 December 2018 (2017: same). The facility expires in 2019.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2018 and 31 December 2017 based on contractual undiscounted payments:

	2018				2017			
	Within 1 year or repayable on demand £m	1–5 years £m	> 5 years £m	Total £m	Within 1 year or repayable on demand £m	1–5 years £m	> 5 years £m	Total £m
Financial liabilities								
Trade and other payables	142.1	9.9	–	152.0	168.2	5.9	–	174.1
Financial liabilities at FVTPL	74.0	–	–	74.0	36.6	–	–	36.6
<b>Total</b>	<b>216.1</b>	<b>9.9</b>	<b>–</b>	<b>226.0</b>	<b>204.8</b>	<b>5.9</b>	<b>–</b>	<b>210.7</b>

## CAPITAL MANAGEMENT

The Group's objectives when managing its capital and funding structure are to safeguard the Group's ability to continue as a going concern, maintain appropriate financial resources, maximise shareholder value, maintain an optimal capital structure to reduce the cost of capital and to meet working capital requirements.

	2018 £m	2017 £m
Cash and short-term deposits	201.7	234.2
<b>Total cash and cash equivalents</b>	<b>201.7</b>	<b>234.2</b>
Equity	17.0	17.0
Retained earnings and foreign currency translation reserve	607.4	623.3
<b>Total capital</b>	<b>624.4</b>	<b>640.3</b>

## REGULATORY CAPITAL REQUIREMENTS

The Group considers its share capital and reserves to constitute its total capital. The subsidiaries within the Group which are regulated are required to maintain capital resources to comply with the regulatory capital requirements of the FCA and certain overseas financial regulators. Headroom over regulatory capital is discussed by the Risk and Finance Committee. Further information on the Risk and Finance Committee can be found in the Management Committees overview within the Governance section.

In addition to the capital held to meet regulatory capital requirements, the Group maintains sufficient cash resources to meet its liabilities as and when they fall due, based on regularly produced cash forecasts, modelling both normal and stressed conditions. Liquidity risk is mitigated by the availability of the RCF and the high level of cash in the business.

## 5.4. INTERESTS IN STRUCTURED ENTITIES

IFRS 12 requires certain disclosures in respect of interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group has assessed whether the funds it manages are structured entities and concluded that mutual funds and investment trusts managed by the Group are structured entities unless substantive removal or liquidation rights exist.

The Group has interests in these funds through the receipt of management and other fees and, in certain funds, through ownership of fund units. The Group's investments in these funds are subject to the terms and conditions of the respective fund's offering documentation and are susceptible to market price risk. The investments are included in financial assets at fair value through profit or loss in the balance sheet.

Where the Group has no equity holding in a fund it manages, the investment risk is borne by the external investors and therefore the Group's maximum exposure to loss relates to future management fees and any uncollected fees at the balance sheet date. Where the Group does have an equity holding, the maximum exposure to loss constitutes the future and uncollected management fees plus the fair value of the Group's investment in that fund.

The Group does not sponsor any of the structured entities and there are no guarantees or commitments.

## DIRECT HOLDINGS IN UNCONSOLIDATED STRUCTURED ENTITIES

Direct investments in unconsolidated structured entities comprise seed investments and hedges of awards in fund units in mutual funds and investment trusts, details of which are given below:

	Number of funds	Net AUM of funds £bn	Financial assets at FVTPL £m	Investment in associates £m	Investment management/ performance fees in the year £m	Management/ performance fees receivable £m
<b>As at 31 December 2018</b>	<b>46</b>	<b>31.3</b>	<b>211.3</b>	<b>-</b>	<b>339.0</b>	<b>15.8</b>
As at 31 December 2017	37	34.5	110.1	32.2	308.7	19.1



# NOTES TO THE GROUP FINANCIAL STATEMENTS – OTHER continued

## 5.4. INTERESTS IN STRUCTURED ENTITIES continued

### SUBSIDIARIES AND ASSOCIATES

Information about seed investments judged to be subsidiaries and associates at 31 December 2018 is given below:

Name	Category	Country of incorporation	Principal activities	Financial assets at FVTPL £m	Investment in associates £m	Percentage of total AUM held	Share class held by the Group	Date of the end of the fund's reporting period
Jupiter Global Fund SICAV: Eurozone Equity	Subsidiary	Luxembourg	SICAV sub-fund	4.1	–	100%	I EUR Acc and I GBP Acc	30 September
Jupiter Global Fund SICAV: UK Dynamic Growth	Subsidiary	Luxembourg	SICAV sub-fund	3.2	–	100%	D GBP Acc and L GBP Acc	30 September
Jupiter Global Fund SICAV: US Equity Long Short	Subsidiary	Luxembourg	SICAV sub-fund	5.9	–	100%	L USD Acc, D USD Acc, I USD Acc and F USD Acc	30 September
Jupiter Global Fund SICAV: Flexible Income	Subsidiary	Luxembourg	SICAV sub-fund	61.6	–	73%	I EUR Acc, L EUR Acc and I EUR Q Inc	30 September
Jupiter Global Fund SICAV: Strategic Total Return	Subsidiary	Luxembourg	SICAV sub-fund	21.8	–	64%	I EUR Acc and A USD Acc HSC	30 September
Jupiter Merlin Real Return	Subsidiary	England & Wales	Unit trust	18.0	–	62%	I Class Acc	30 June
Jupiter Global Sustainable Equities	Subsidiary	England & Wales	Unit trust	18.5	–	52%	P Acc and P Inc	30 April
Jupiter Global Fund SICAV: Emerging Markets Short Duration Bond	Subsidiary	Luxembourg	SICAV sub-fund	42.7	–	47%	I USD Acc, I EUR Acc HSC, EUR L HSC, I GBP A Inc HSC and L USD	30 September
Jupiter Enhanced Distribution Fund	Subsidiary	England & Wales	Unit trust	14.1	–	45%	I Class Acc	31 March

## RELATED UNDERTAKINGS OTHER THAN SUBSIDIARIES AND ASSOCIATES

Entities in which the Group holds more than 20% of the shares in any single share class, but over which the Group neither has control nor significant influence, are summarised below:

Name	Share class held by the Group	Country of incorporation	Principal activities	Financial assets at FVTPL £m	Percentage of share class held by the Group	Percentage of total shares held	Date of the end of the fund's reporting period
Jupiter Global Fund SICAV: Asia Pacific Income	L SGD Q INC DIST HSC	Luxembourg	SICAV sub-fund	0.5	96%	10%	30 September
Jupiter Global Fund SICAV: Asia Pacific Income	L EUR Q INC DIST	Luxembourg	SICAV sub-fund	0.2	89%	10%	30 September
Jupiter Global Fund SICAV: Asia Pacific Income	C USD Acc	Luxembourg	SICAV sub-fund	-	100%	10%	30 September
Jupiter Global Fund SICAV: Asia Pacific Income	A USD Acc	Luxembourg	SICAV sub-fund	-	100%	10%	30 September
Jupiter Global Fund SICAV: Asia Pacific Income	N USD Acc	Luxembourg	SICAV sub-fund	-	100%	10%	30 September
Jupiter Global Fund SICAV: Global Absolute Return	A USD Acc HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: Global Absolute Return	N USD Acc HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: Global Absolute Return	C USD Acc HSC	Luxembourg	SICAV sub-fund	0.1	100%	0%	30 September
Jupiter Global Fund SICAV: Dynamic Bond	A USD Acc HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: Dynamic Bond	A USD Q INC DIST HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: Dynamic Bond	N USD Acc HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: Dynamic Bond	N USD Q INC DIST HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: Dynamic Bond	L HKD Acc HSC	Luxembourg	SICAV sub-fund	0.1	100%	0%	30 September
Jupiter Global Fund SICAV: Dynamic Bond	C USD Acc HSC	Luxembourg	SICAV sub-fund	0.1	100%	0%	30 September
Jupiter Global Fund SICAV: Dynamic Bond	C Q USD HSC	Luxembourg	SICAV sub-fund	0.1	100%	0%	30 September
Jupiter Global Fund SICAV: Dynamic Bond	D USD M INC HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: Global Convertibles	A USD Acc HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: Global Convertibles	N USD Acc HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: Global Convertibles	C USD Acc HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: European Growth	L HKD Acc HSC	Luxembourg	SICAV sub-fund	0.1	100%	0%	30 September
Jupiter Global Fund SICAV: European Growth	C USD Acc HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: European Growth	N USD Acc HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September
Jupiter Global Fund SICAV: European Growth	A USD Acc HSC	Luxembourg	SICAV sub-fund	-	100%	0%	30 September

The registered offices of the Group's subsidiaries, associates, and unconsolidated structured entities are detailed in Note 6.3.

## NOTES TO THE GROUP FINANCIAL STATEMENTS – OTHER continued

### 5.4. INTERESTS IN STRUCTURED ENTITIES continued

#### RELATED UNDERTAKINGS OTHER THAN SUBSIDIARIES AND ASSOCIATES

Summarised financial information for seed investments classified as associates are given below:

	No associates 2018 £m	2017 Global Levered Absolute Return £m	2017 Global Emerging Markets Unconstrained £m
Current assets	-	54.5	80.6
Current liabilities	-	(3.5)	(0.2)
<b>Total equity</b>	<b>-</b>	<b>51.0</b>	<b>80.4</b>
Revenue	-	-	0.8
(Loss)/profit for the year	-	(1.6)	12.1
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>(1.6)</b>	<b>12.1</b>

### 5. 5. RELATED PARTIES

The Group manages a number of investment trusts, unit trusts and SICAVs and receives management and, in some instances, performance fees for providing this service. The precise fee arrangements are disclosed within the financial statements of each investment management subsidiary of the Group or within other publicly available information. By virtue of the investment management agreements in place between the Group and the collective investment vehicles it manages, such funds may be considered to be related parties. Investment management and performance fees are disclosed in Note 1.1.

The Group acts as manager for 40 (2017: 38) authorised unit trusts. Each unit trust is jointly administered with the trustees, National Westminster Bank plc. The aggregate total value of transactions for the year was £3,091m (2017: £3,526m) for unit trust creations and £4,127m (2017: £2,581m) for unit trust redemptions. The actual aggregate amount due to the trustees at the end of the accounting year in respect of transactions awaiting settlement was £3.9m (2017: £30.2m). The Company also acts as the management company for the Jupiter Global Fund and Jupiter Merlin Fund SICAVs, made up of 25 sub funds (2017: 22) and four sub funds (2017: four) respectively.

The amounts received in respect of gross management, registration and performance fee charges were £346.4m (2017: £343.8m) for unit trusts, £126.1m (2017: £131.7m) for SICAVs, £22.6m (2017: £9.4m) for investment trusts and £19.7m (2017: £18.3m) for segregated mandates. At the end of the year, there was £19.1m (2017: £23.4m) accrued for annual management fees, £3.3m (2017: £4.1m) in respect of registration fees and £0.8m (2017: nil) in respect of performance fees.

Included within the financial instruments note are seed investments and hedges of awards in fund units in mutual funds managed by the Group. At 31 December 2018, the Group had a total net investment in such funds of £137.3m (2017: £105.9m) and received distributions of £0.5m (2017: £0.5m). During 2018, it invested £110.8m (2017: £75.4m) in these funds and made disposals of £52.3m (2017: £42.1m).

### KEY MANAGEMENT COMPENSATION

Transactions with key management personnel also constitute related party transactions. Key management personnel are defined as the Directors, together with other members of the Executive Committee. The aggregate compensation paid or payable to key management for employee services is shown below:

	2018 £m	2017 £m
Short-term employee benefits	4.4	4.3
Share-based payments	5.0	4.9
Post-employment benefits	0.3	0.3
	<b>9.7</b>	<b>9.5</b>

### 5.6. EVENTS AFTER THE REPORTING PERIOD

On 22 January 2019, it was announced that the Group's CEO, Maarten Slendebroek, would be stepping down. He will be replaced by Andrew Formica, effective 1 March 2019. On 26 February 2019, it was announced that the Group's CFO, Charlotte Jones, would be leaving Jupiter in the third quarter of 2019, and that a further announcement regarding her successor would be made in due course. Further details concerning both of these events are set out on pages 9, 50 and 70.

## COMPANY BALANCE SHEET

AT 31 DECEMBER 2018

	Notes	2018 £m	2017 £m
<b>Non-current assets</b>			
Investment in subsidiary undertakings	6.2	235.8	209.0
		<b>235.8</b>	<b>209.0</b>
<b>Current assets</b>			
Trade and other receivables	6.4	213.2	14.5
Cash and cash equivalents	6.5	6.8	8.1
		<b>220.0</b>	<b>22.6</b>
<b>Total assets</b>		<b>455.8</b>	<b>231.6</b>
<b>Equity capital and reserves</b>			
Share capital	4.1	9.2	9.2
Own share reserve	4.2	(0.2)	(0.2)
Other reserve	4.2	8.0	8.0
Retained earnings at 1 January		213.1	270.7
Profit for the year		196.9	72.8
Other movements		(153.0)	(130.4)
Retained earnings		257.0	213.1
<b>Total equity</b>		<b>274.0</b>	<b>230.1</b>
<b>Current liabilities</b>			
Trade and other payables	6.7	181.8	1.5
<b>Total liabilities</b>		<b>181.8</b>	<b>1.5</b>
<b>Total equity and liabilities</b>		<b>455.8</b>	<b>231.6</b>

The financial statements of Jupiter Fund Management plc (registered number 6150195) on pages 138 to 144 were approved by the Board of Directors and authorised for issue on 28 February 2019. They were signed on its behalf by

**CHARLOTTE JONES**  
Chief Financial Officer

# COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £m	2017 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	6.6	178.8	160.7
<b>Net cash inflows from operating activities</b>		<b>178.8</b>	<b>160.7</b>
<b>Cash flows from financing activities</b>			
Purchase of shares by EBT		(28.7)	(26.4)
Finance costs paid		(0.2)	(0.2)
Dividends paid	4.3	(151.2)	(132.2)
<b>Net cash outflows from financing activities</b>		<b>(180.1)</b>	<b>(158.8)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1.3)</b>	<b>1.9</b>
Cash and cash equivalents at beginning of year		8.1	6.2
<b>Cash and cash equivalents at end of year</b>	6.5	<b>6.8</b>	<b>8.1</b>



## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £m	Own share reserve £m	Other reserve £m	Retained earnings £m	Total £m
<b>At 1 January 2017</b>	<b>9.2</b>	<b>(0.2)</b>	<b>8.0</b>	<b>270.7</b>	<b>287.7</b>
Profit for the year	-	-	-	72.8	72.8
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72.8</b>	<b>72.8</b>
Vesting of ordinary shares and options	-	0.1	-	1.4	1.5
Dividends paid	-	-	-	(132.2)	(132.2)
Share-based payments	-	-	-	26.7	26.7
Purchase of shares by EBT	-	(0.1)	-	(26.3)	(26.4)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(130.4)</b>	<b>(130.4)</b>
<b>At 31 December 2017</b>	<b>9.2</b>	<b>(0.2)</b>	<b>8.0</b>	<b>213.1</b>	<b>230.1</b>
Profit for the year	-	-	-	196.9	196.9
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>196.9</b>	<b>196.9</b>
Vesting of ordinary shares and options	-	0.1	-	0.4	0.5
Dividends paid	-	-	-	(151.2)	(151.2)
Share-based payments	-	-	-	26.4	26.4
Purchase of shares by EBT	-	(0.1)	-	(28.6)	(28.7)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(153.0)</b>	<b>(153.0)</b>
<b>At 31 December 2018</b>	<b>9.2</b>	<b>(0.2)</b>	<b>8.0</b>	<b>257.0</b>	<b>274.0</b>
Notes	4.1	4.2	4.2		

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 6.1. ACCOUNTING POLICIES

### BASIS OF PREPARATION

The separate financial statements of the Company have been prepared in accordance with IFRS as adopted by the European Union and IFRS IC interpretations (IFRS adopted by the EU) and with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies adopted are the same as those set out in Sections 1 – 5 of the Group's financial statements.

The financial statements have been prepared on the historical cost basis. The Company has taken advantage of the exemption in section 408 of the Act not to present its own income statement. The Company's profit for the year was £196.9m (2017: £72.8m).

### INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings are held at cost less provision for impairment.

### SHARE-BASED PAYMENTS

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to the investment in subsidiary undertakings, with a corresponding credit to equity in the Company financial statements.

## 6.2. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2018 £m	2017 £m
<b>At 1 January</b>	<b>209.0</b>	<b>182.3</b>
Share-based payments	26.8	26.7
<b>At 31 December</b>	<b>235.8</b>	<b>209.0</b>

During 2018 and 2017, a number of subsidiary companies granted options to their employees over the shares of Jupiter Fund Management plc. For accounting purposes, these grants are recorded as investments by the Company in its subsidiary undertakings.

## 6.3. RELATED UNDERTAKINGS

The following information relates to the Company's operating subsidiaries. At 31 December 2018 and 2017 (unless otherwise indicated), with the exception of Jupiter Fund Management Group Limited, these were all indirectly held, although the Company has some direct investments in operating subsidiaries for accounting purposes as a result of share-based payment awards (see Note 6.2). All subsidiaries have the same reporting dates and period of reporting as the parent Company. The parent held directly or indirectly all of the issued ordinary shares and controlled all of the voting rights in all of the subsidiaries. All subsidiaries have been consolidated in the Group financial statements and operate and are incorporated in the countries in which they are registered.

Name	Registered office	Principal activities
Jupiter Asset Management (Asia) Private Limited	50 Raffles Place, No. 27-01, Singapore	Investment management
Jupiter Asset Management (Canada) Limited	45 O'Connor Street, Ottawa, Canada	Dormant
Jupiter Asset Management Group Limited	70 Victoria Street, London, UK	Investment holding company
Jupiter Asset Management (Hong Kong) Limited	17th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong	Investment management
Jupiter Asset Management International S.A (incorporated as a subsidiary in 2018)	5 Rue Heienhaff, Senningerberg, L-1736, Luxembourg	SICAV management
Jupiter Asset Management Limited	70 Victoria Street, London, UK	Investment management
Jupiter Asset Management (N America) Inc	1209 Orange Street, Wilmington, USA	Dormant
Jupiter Asset Management (Switzerland) AG	Bahnhofstrasse 98-100, 8001 Zurich, Switzerland	Investment management
Jupiter Fund Management Group Limited	70 Victoria Street, London, UK	Investment holding company
Jupiter Investment Management Group Limited	70 Victoria Street, London, UK	Investment holding company
Jupiter Investment Trust Limited (formerly The Knightsbridge Trust Limited)	70 Victoria Street, London, UK	Dormant
Jupiter Unit Trust Managers Limited	70 Victoria Street, London, UK	Unit trust management
Knightsbridge Asset Management Limited	70 Victoria Street, London, UK	Investment holding company
Tyndall Holdings Limited	70 Victoria Street, London, UK	Investment holding company

# NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

## 6.3. RELATED UNDERTAKINGS continued

The following information relates to seed investments which are judged to be subsidiaries of the Group at 31 December 2018:

Name	Registered office	Principal activities	Percentage of AUM indirectly held by the Company
Jupiter Global Fund SICAV: Eurozone Equity	6 Route de Trèves, Senningerberg, Luxembourg	SICAV sub-fund	100%
Jupiter Global Fund SICAV: UK Dynamic Growth	6 Route de Trèves, Senningerberg, Luxembourg	SICAV sub-fund	100%
Jupiter Global Fund SICAV: US Equity Long Short	6 Route de Trèves, Senningerberg, Luxembourg	SICAV sub-fund	100%
Jupiter Global Fund SICAV: Flexible Income	6 Route de Trèves, Senningerberg, Luxembourg	SICAV sub-fund	73%
Jupiter Global Fund SICAV: Strategic Total Return	6 Route de Trèves, Senningerberg, Luxembourg	SICAV sub-fund	64%
Jupiter Merlin Real Return	70 Victoria Street, London	Unit trust	62%
Jupiter Global Sustainable Equities	70 Victoria Street, London	Unit trust	52%
Jupiter Global Fund SICAV: Global Emerging Markets Short Duration Bond	6 Route de Trèves, Senningerberg, Luxembourg	SICAV sub-fund	47%
Jupiter Enhanced Distribution Fund	70 Victoria Street, London	Unit trust	45%

The following information relates to seed investments in funds where the Group holds more than 20% of the shares in any single share class, but over which the Group has neither control nor significant influence:

Name	Registered office	Principal activity
Jupiter Global Fund SICAV: Asia Pacific Income	6 Route de Trèves, Senningerberg, Luxembourg	SICAV sub-fund
Jupiter Global Fund SICAV: Dynamic Bond	6 Route de Trèves, Senningerberg, Luxembourg	SICAV sub-fund
Jupiter Global Fund SICAV: European Growth	6 Route de Trèves, Senningerberg, Luxembourg	SICAV sub-fund
Jupiter Global Fund SICAV: Global Absolute Return	6 Route de Trèves, Senningerberg, Luxembourg	SICAV sub-fund
Jupiter Global Fund SICAV: Global Convertibles	6 Route de Trèves, Senningerberg, Luxembourg	SICAV sub-fund

## 6.4. TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Amounts owed from subsidiaries	212.4	13.1
Trade receivables	0.8	0.8
Prepayments and accrued income	-	0.6
	<b>213.2</b>	<b>14.5</b>

## 6.5. CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Cash at bank and in hand	1.2	2.1
Cash held by EBT	5.6	6.0
	<b>6.8</b>	<b>8.1</b>

## 6.6. CASH FLOWS FROM OPERATING ACTIVITIES

	2018 £m	2017 £m
Operating profit	196.7	73.0
Adjustments for:		
(Increase)/decrease in trade and other receivables	(198.7)	85.1
Increase in trade and other payables	180.3	1.1
Cash inflows on exercise of share options	0.5	1.5
<b>Cash generated from operations</b>	<b>178.8</b>	<b>160.7</b>

## 6.7. TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Amounts owed to subsidiaries	181.4	-
Accruals	0.4	0.2
Other payables	-	1.3
	<b>181.8</b>	<b>1.5</b>

## 6.8. FINANCIAL INSTRUMENTS

### FINANCIAL INSTRUMENTS BY CATEGORY

The carrying value of the financial instruments of the Company at 31 December is shown below:

	Loans and receivables £m	Other financial liabilities £m	Total financial instruments £m	Non-financial instruments £m	Total £m
<b>2018</b>					
Investment in subsidiary undertakings	-	-	-	235.8	235.8
Current trade and other receivables	213.2	-	213.2	-	213.2
Cash and cash equivalents	6.8	-	6.8	-	6.8
Current trade and other payables	(181.4)	(0.4)	(181.8)	-	(181.8)
<b>Total</b>	<b>38.6</b>	<b>(0.4)</b>	<b>38.2</b>	<b>235.8</b>	<b>274.0</b>
<b>2017</b>					
Investment in subsidiary undertakings	-	-	-	209.0	209.0
Current trade and other receivables	14.5	-	14.5	-	14.5
Cash and cash equivalents	8.1	-	8.1	-	8.1
Current trade and other payables	-	(1.5)	(1.5)	-	(1.5)
<b>Total</b>	<b>22.6</b>	<b>(1.5)</b>	<b>21.1</b>	<b>209.0</b>	<b>230.1</b>

At 31 December 2018 and 2017, the Company did not hold any financial instruments measured at fair value. The Company's exposure to price, foreign exchange, interest rate, credit and liquidity risk is not considered to be material and, therefore, no further information is provided.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

### 6.9. RELATED PARTIES

Investment in subsidiary undertakings are disclosed in Note 6.2 and the amounts due from and to subsidiaries in Notes 6.4 and 6.7.

#### KEY MANAGEMENT COMPENSATION

The Company also considers transactions with its key management personnel as related party transactions. Key management personnel is defined as the Directors, together with other members of the Executive Committee. The aggregate compensation paid or payable to key management for employee services is shown below:

	2018 £m	2017 £m
Short-term employee benefits	1.2	1.2
Share-based payments	0.7	0.8
	<b>1.9</b>	<b>2.0</b>

With the exception of Non-Executive Directors, key management personnel compensation is paid for by a Group subsidiary and no recharge is made to the Company.

### 6.10. EVENTS AFTER THE REPORTING PERIOD

On 22 January 2019, it was announced that the Group's CEO, Maarten Slendebroek, would be stepping down. He will be replaced by Andrew Formica, effective 1 March 2019. On 26 February 2019, it was announced that the Group's CFO, Charlotte Jones, would be leaving Jupiter in the third quarter of 2019, and that a further announcement regarding her successor would be made in due course. Further details concerning both of these events are set out on pages 9, 50 and 70.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JUPITER FUND MANAGEMENT PLC

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

In our opinion, Jupiter Fund Management plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts 2018 (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2018; the Consolidated income statement and Consolidated statement of comprehensive income; the Consolidated and Company statements of cash flows; the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 1.3 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2018 to 31 December 2018.

## OUR AUDIT APPROACH

### CONTEXT

Jupiter Fund Management plc is a FTSE 250 active fund manager, listed in 2010. Jupiter has a significant presence in the UK, covering both retail and institutional clients, and increasing distribution activities overseas, particularly in European and Asian markets. Jupiter offers a range of products such as Unit Trusts, SICAVs, Investment Trusts and Segregated Mandates.

### OVERVIEW



- Overall Group materiality: £9.0m (2017: £9.6m), based on 5% of profit before tax.
- Overall Company materiality: £4.7m (2017: £2.1m), based on 1% of total assets.

- We conducted an audit of the complete financial information of Jupiter Asset Management Limited and Jupiter Unit Trust Managers Limited which are significant components as each represent more than 15% of the profit before tax of the Group.
- We also performed audit procedures on the Group consolidation adjustments and the financial statement disclosures.
- The Company financial statements were also in scope for our audit.
- Taken together, our audit work accounted for more than 95% of Group revenue and Group profit before tax.

- Revenue recognition.
- Share based payments expense.
- Impairment of goodwill.
- Current and deferred taxes.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JUPITER FUND MANAGEMENT PLC continued

## THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority (see page 36 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue or expenses, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Review of the financial statement disclosures to underlying supporting documentation;
- Reading key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Enquiries of management, including compliance, risk and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations including fraud;
- Identifying and testing journal entries, in particular any journal entries posted on non-working days or by senior management;
- Review of minutes of meetings of the Board and Audit and Risk Committee of the Group;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to share based payments (see related key audit matter below);
- Testing of the whistleblowing helpline including discussion with the Whistleblowing Champion; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.



KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Revenue recognition</b>  <i>Refer to Note 1.1. Revenue and Note 5.1. Basis of preparation and other accounting policies.</i></p> <p>Revenue is the most significant balance in the Consolidated income statement. Revenue is made of a number of streams including management fees and performance fees which result from the business activities of the Group.</p> <p>We focused on management and performance fees as follows:</p> <p><b>Management fees</b></p> <ul style="list-style-type: none"> <li>• Management fees consist of gross management fees from Unit Trusts, SICAVs, Segregated Mandates and Investment Trusts, less rebates;</li> <li>• The calculation of Unit Trust and SICAV gross management fees, which make up the majority of the revenue balance, is calculated as a percentage of the assets under management ('AUM') of the funds managed by the Group;</li> <li>• The revenue from Segregated Mandates and Investment Trusts is manually calculated as a percentage, per Investment Management Agreements ('IMAs'), of the segregated mandates or investment trust holdings; and</li> <li>• Rebates are calculated by a combination of in-house systems and external parties with the outputs of both processes being monitored and stored on spreadsheets which increases the risk of error.</li> </ul> <p><b>Performance fees</b></p> <ul style="list-style-type: none"> <li>• Performance fees are often one-off or infrequent and involve manual and complex calculations and this increases the risk of error.</li> </ul>	<p>We understood and evaluated the design and implementation of key controls in place around revenue. This included outsourced activities at HSBC Security Services UK Limited (HSBC), J.P. Morgan Bank Luxembourg S.A (JP Morgan), J.P. Morgan Chase Bank N.A (JP Morgan) and DST Financial Services International Limited (DST).</p> <p>To obtain audit evidence over the key controls at the outsourced providers, we assessed the control environment in place to the extent that it was relevant to our audit. This involved obtaining and reading the reports issued by the independent service auditor of the third party providers in accordance with generally accepted assurance standards for such work. We found that the key controls on which we placed reliance for the purposes of our audit were designed, implemented and operating effectively.</p> <p>In addition to identifying those key controls on which we placed reliance, the specific audit evidence over each revenue stream is summarised below:</p> <p><b>Unit Trust and SICAV gross management fees</b></p> <ul style="list-style-type: none"> <li>• We recalculated management fees using information from HSBC and JP Morgan and then reconciled to amounts included in the Group financial statements;</li> <li>• We reconciled a sample of management fee rates to supporting documentation on the Jupiter website; and</li> <li>• We checked that the data received from the outsourced provider included all Jupiter funds.</li> </ul> <p><b>Segregated Mandates and Investment Trusts management fees</b></p> <ul style="list-style-type: none"> <li>• We recalculated the management fees for a sample of invoices, agreeing a sample of the key inputs back to IMAs and information from HSBC and JP Morgan, and compared to amounts included in the Group financial statements.</li> </ul> <p><b>Rebates</b></p> <ul style="list-style-type: none"> <li>• We used data auditing techniques on the underlying data to recalculate rebates or agreed the rebates to invoices. We agreed a sample of rates to discount forms and reconciled the amounts back to the Group financial statements.</li> </ul> <p><b>Performance fees</b></p> <ul style="list-style-type: none"> <li>• For a sample of performance fees we assessed whether the fee had crystallised and hence had been recognised in the appropriate period;</li> <li>• We recalculated the performance fees, for a sample, to check that it had been calculated in accordance with the signed IMAs; and</li> <li>• For a sample of investment trusts, segregated mandates and funds, we reviewed supporting IMAs to ensure all products eligible to receive a performance fee were included in the population to assess completeness.</li> </ul> <p>No material issues were identified.</p>

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JUPITER FUND MANAGEMENT PLC continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Share based payments expense</b>  <i>Refer to the Audit and Risk Committee report, Note 1.5. Share based payment and Note 5.1. Basis of preparation and other accounting policies.</i></p> <p>The share based payment expense is judgemental in nature, including management determining the fair value of the awards and appropriate recognition of the expense, which involves estimating performance, service conditions and leaver rate. Also involved is the interpretation of complex terms in the scheme agreements, the number of schemes in operation, the required record keeping and the manual nature of the calculations.</p>	<p>In testing the share based payment expense, we performed the following testing to address the risks identified for each type of share based payment transaction:</p> <ul style="list-style-type: none"> <li>• Obtained the Deeds of Grant for a sample of new awards in the year. For the sample of awards selected, we tested that they were appropriately authorised, consistent with scheme plans, classified correctly as equity or cash settled and used an appropriate share price;</li> <li>• Tested the valuations and spreading of a sample of new schemes granted in the year by agreeing key inputs used to source documentation and independently recalculating the value of the award using an industry accepted pricing model;</li> <li>• Obtained details of all other outstanding awards and tested a sample to check that the charge was spread in accordance with the appropriate period of the award;</li> <li>• For cash settled parts of the awards, for example, national insurance, we tested a sample of calculated current charges for the year based on year-end share price information;</li> <li>• Assessed the reasonableness of the key assumptions, leaver rate and performance conditions, by examining historical data and performing sensitivity analyses;</li> <li>• Tested a sample of options exercised during the year to check they were exercised in accordance with the terms of the grant; and</li> <li>• Read and assessed the share based payment disclosures made in the financial statements.</li> </ul> <p>No material issues were identified.</p>
<p><b>Impairment of goodwill</b>  <i>Refer to the Audit and Risk Committee report, Note 3.1. Goodwill and Note 5.1. Basis of preparation and other accounting policies.</i></p> <p>Goodwill is the most significant balance in the Consolidated balance sheet.</p> <p>Management are required by IAS 36 'Impairment of assets' to perform an annual impairment review and consider if there are any impairment indicators in respect of the carrying value of goodwill.</p> <p>The carrying value of the cash generating unit containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Management has assumed that the Group is made of one operating segment, investment management. As such the Group is one cash generating unit.</p> <p>Management have modelled the fair value less costs to sell approach under IAS 36 by using a discounted cash flow model. As they have not identified any impairment they have not considered value in use.</p> <p>The impairment review involves a number of estimates to be made by management such as forecasts and discount rates.</p>	<p>We obtained management's impairment review and performed the following, we:</p> <ul style="list-style-type: none"> <li>• Evaluated management's models checking the relevant inputs to supporting documentation, this included challenging management on key assumptions within the calculations;</li> <li>• Evaluated the sensitivity analysis performed by management and discussed with them the likelihood and impacts of such changes;</li> <li>• Performed backtesting to assess the accuracy of management's historic forecasts against actual financial results to assess the reasonableness of estimates used in the forecast;</li> <li>• Determined that there was reasonable headroom in management's fair value less costs to sell calculations; and</li> <li>• Read and assessed the goodwill disclosures made in the financial statements.</li> </ul> <p>No material issues were identified.</p>

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Current and deferred taxes</b></p> <p><i>Refer to Note 1.10. Income tax expense, Note 3.5. Deferred tax and Note 5.1. Basis of preparation and other accounting policies.</i></p> <p>The calculation of the current and deferred tax is produced manually and is based on a number of supporting complex calculations including share based payments, deferred bonuses and the spreading of initial charges.</p> <p>The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable items. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Management establish provisions where appropriate on the basis of amounts expected to be paid to tax authorities.</p> <p>Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.</p>	<p>In assessing the current and deferred taxes, we:</p> <ul style="list-style-type: none"> <li>Assessed whether management had reflected appropriately the changes in UK corporation tax in their current and deferred tax calculations;</li> <li>Obtained and read tax working papers for the Group and significant components and obtained supporting evidence;</li> <li>Obtained the deferred tax calculations and assessed the recoverability of the deferred tax assets. We evaluated whether the temporary difference will reverse in the future and whether there is sufficient taxable profit available against which the temporary difference can be utilised; and</li> <li>Read and assessed the tax disclosures included within the financial statements.</li> </ul> <p>We also evaluated whether the Group had met its compliance obligations for the material territories in which the Group operates, and as such we:</p> <ul style="list-style-type: none"> <li>Assessed the conclusions reached by management in relation to the current transfer pricing arrangements, changes to the Group structure and controlled foreign companies' position.</li> </ul> <p>No material issues were identified.</p>

We determined that there were no key audit matters applicable to the Company to communicate in our report.

#### HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured as one operating segment, being investment management. The Group is composed of the Company, incorporated in the United Kingdom, and subsidiary entities in the United Kingdom and abroad, and certain consolidated Jupiter funds. The Group is operated centrally from the UK.

We conducted an audit of the complete financial information of Jupiter Asset Management Limited and Jupiter Unit Trust Managers Limited because they each represent more than 15% of the profit before tax of the Group. We also performed audit procedures on the Group consolidation adjustments and the financial statement disclosures. The Company financial statements were also in scope for our audit. Taken together, our audit work accounted for more than 95% of Group revenues and Group profit before tax.

#### MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	COMPANY FINANCIAL STATEMENTS
<b>Overall materiality</b>	£9.0m (2017: £9.6m).	£4.7m (2017: £2.1m).
<b>How we determined it</b>	5% of profit before tax.	1% of total assets.
<b>Rationale for benchmark applied</b>	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	As the Company is a holding company and does not earn any revenue, total assets is the most appropriate method to determine materiality, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £4.5m and £8.9m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.4m (Group audit) (2017: £0.5m) and £0.2m (Company audit) (2017: £0.1m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JUPITER FUND MANAGEMENT PLC continued

## GOING CONCERN

In accordance with ISAs (UK) we report as follows:

REPORTING OBLIGATION	OUTCOME
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and, in common with other companies, it is difficult to evaluate all of the potential implications on the Group's and Company's business, clients, suppliers and the wider economy, in general terms.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

## REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to

conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

## STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

## THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 98 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 40 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

## OTHER CODE PROVISIONS

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 98, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 62-69 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

## DIRECTORS' REMUNERATION

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities set out on page 99, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## OTHER REQUIRED REPORTING

### COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### APPOINTMENT

We were appointed by the Directors to audit the financial statements for the year ended 31 December 2007 and subsequent financial periods. Following a competitive tender process in 2014, we were reappointed as auditor of the Company by recommendation of the Audit and Risk Committee for the period ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 31 December 2007 to 31 December 2018.

### JEREMY JENSEN (SENIOR STATUTORY AUDITOR)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

28 February 2019

## OTHER INFORMATION



# INFORM

Delivering effective communications



#### OTHER INFORMATION

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- 156 Glossary of terms



## HISTORICAL SUMMARY (UNAUDITED)

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Net revenue	412.7	409.5	351.4	329.5	303.0
Administrative expenses	(225.1)	(214.8)	(182.1)	(163.8)	(149.2)
Other (losses)/gains	(6.5)	0.6	5.1	1.7	26.1
Amortisation of intangible assets	(1.8)	(2.3)	(3.3)	(3.2)	(20.2)
<b>Operating profit</b>	<b>179.3</b>	<b>193.0</b>	<b>171.1</b>	<b>164.2</b>	<b>159.7</b>
Finance income	0.1	0.1	0.5	0.6	0.5
Finance costs	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
<b>Profit before taxation</b>	<b>179.2</b>	<b>192.9</b>	<b>171.4</b>	<b>164.6</b>	<b>160.0</b>
Income tax expense	(36.2)	(38.1)	(35.1)	(32.5)	(34.2)
<b>Profit for the year</b>	<b>143.0</b>	<b>154.8</b>	<b>136.3</b>	<b>132.1</b>	<b>125.8</b>
<b>Earnings per share</b>					
Basic (p/share)	31.8	34.5	30.3	29.4	28.4
Diluted (p/share)	31.1	33.7	29.6	28.5	27.2
<b>Dividends per share</b>					
Interim (p/share)	7.9	6.8	4.5	4.0	3.7
Final (p/share)	9.2	10.3	10.2	10.6	9.5
Special (p/share)	11.4	15.5	12.5	10.9	11.5
<b>Total dividends paid out of current year profit</b>	<b>28.5</b>	<b>32.6</b>	<b>27.2</b>	<b>25.5</b>	<b>24.7</b>
AUM at year end (£bn)	42.7	50.2	40.5	35.7	31.9
Average headcount (number)	533	504	463	436	459
Cash and cash equivalents (£m)	201.7	234.2	258.9	259.4	251.0
Net cash inflows from operating activities (£m)	170.5	194.6	147.3	156.3	122.8
Underlying earnings per share (p)	31.7	34.2	29.4	29.2	26.4

# SHAREHOLDER INFORMATION

## SHAREHOLDER ENQUIRIES

All enquiries relating to holdings of shares in Jupiter Fund Management plc, including notification of change of address, queries regarding dividend/interest payments or the loss of a share certificate, should be addressed to the Company's Registrars:

### Link Asset Services

The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Tel: 0871 664 0300 (Calls cost 12p per minute plus access charge)

Overseas tel: +44 (0) 371 664 0300

Calls outside the UK will be charged at the applicable international rate.

Lines are open (UK only) 9.00am-5.30pm Monday to Friday.

Email: [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk)

Other shareholder queries should be addressed to the Company Secretary.

## SHARE DEALING SERVICE

There is a share dealing service offered by the Registrars. It is a simple way to buy and sell shares via the internet or telephone with quick settlement. For information visit: [www.linksharedeal.com](http://www.linksharedeal.com)

For telephone purchases:

Tel: 0371 664 0445 lines are open 8.00am to 4.30pm, Monday to Friday. UK calls are charged at the standard geographic rate. Calls outside the UK will be charged at the applicable international rate.

## FINANCIAL CALENDAR

Event	Date
Ex-dividend date for full-year and special dividends	14 March 2019
Record date for full-year and special dividends	15 March 2019
Full-year dividend payment date	11 April 2019
Trading update	30 April 2019
Annual General Meeting	15 May 2019
Interim results announcement	30 July 2019
Trading update	11 October 2019

## COMPANY DETAILS AND PRINCIPAL OFFICE

### Jupiter Fund Management plc

The Zig Zag Building  
70 Victoria Street  
London SW1E 6SQ

Registered number: 6150195

General Counsel & Company Secretary

Jasveer Singh

Tel: 020 3817 1000

## WEBSITE

The Company has a corporate website, which holds, amongst other information, copies of its latest annual report and copies of all press announcements released. This site can be found at [www.jupiteram.com](http://www.jupiteram.com)

## SHARE INFORMATION

The Company's ordinary shares are traded on the London Stock Exchange:

ISIN GB00B53P2009

SEDOL B53P200

TICKER JUP.LN

## ELECTRONIC COMMUNICATIONS

We encourage shareholders to receive shareholder documentation electronically to help reduce the environmental impact caused by printing and distributing hard copies. You can register your communication preference at [www.signalshares.com](http://www.signalshares.com)

## ELECTRONIC PROXY VOTING

This year we have not produced hard copies of the proxy form and are requesting all shareholders vote electronically by logging onto [www.signalshares.com](http://www.signalshares.com) and selecting Jupiter Fund Management plc. Alternatively you can request a hard copy proxy form by calling our Registrars, Link Asset Services, on the number above. Further information can be found in the 2019 Notice of Annual General Meeting.

## GLOSSARY OF TERMS

**A****ACT**

Companies Act 2006 (as amended, supplemented or replaced from time to time)

**AGM**

Annual General Meeting

**APM**

Alternative Performance Measures

**AUM**

Assets under management

**AVAILABLE PROFIT**

Net revenue less operating expenses

**B****BOARD**

The Board of Directors of the Company

**BOX PROFITS**

Profit on dealings in mutual funds by the Group representing the difference between the cost of purchasing redeemed units at cancellation prices and reselling those units at higher creation prices on the same day (rather than cancelling those units), in each case after brokerage fees

**BPS**

One one-hundredth of a percentage point (0.01%)

**BREXIT**

The withdrawal of the United Kingdom from membership in the European Union

**C****CASS**

The FCA's Client Asset Sourcebook rules

**CGU**

Cash-generating unit

**CODE**

UK Corporate Governance Code adopted by the Financial Reporting Council in 2016

**COMPANY**

Jupiter Fund Management plc

**CREST**

The system for paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator

**D****DBP**

Deferred Bonus Plan

**DST**

DST Financial Services (formerly IFDS)

**E****EBT**

The Jupiter employee benefit trust established pursuant to a trust deed dated 22 April 2004

**EPS**

Earnings per share

**EU**

The European Union

**F****FCA**

Financial Conduct Authority of the United Kingdom

**FCA REMUNERATION CODE**

The code whereby firms regulated by the FCA are required to establish, implement and maintain remuneration policies consistent with effective risk management

**FRC**

Financial Reporting Council

**FVTPL**

Fair value through profit or loss

**G****GAAP**

Generally Accepted Accounting Principles

**GDPR**

General Data Provision Regulation

**GHG**

Greenhouse gas; an EU regulation for strengthening and unifying data protection

**GRI**

Global Reporting Initiative

**GROUP**

The Company and all of its subsidiaries

**I****IA**

Investment Association

**IAS**

International Accounting Standard(s)

**ICAAP**

Internal Capital Adequacy Assessment Process

**IFA**

Independent financial adviser

**IFDS**

International Financial Data Services

**IFRS**

International Financial Reporting Standard(s)

**IFRS IC**

IFRS Interpretations Committee

**ISA**

Individual savings account

**J****JUPITER**

The Company and all of its subsidiaries

**K****KPI**

Key performance indicator

**L****LIBOR**

London Interbank Offered Rate

**LISTING**

The Company's Listing on the London Stock Exchange on 21 June 2010

**LISTING RULES**

Regulations subject to the oversight of the FCA applicable to the Company following Listing

**LTIP**

Long-term Incentive Plan for retention

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## M

### MBO

The purchase by management and other parties in 2007 of the Group (as at that date)

### MIFID II

The second version of the Markets in Financial Instruments Directive as defined by EC Council Directive 2014/65/EU

### MUTUAL FUNDS

Collective investments where a group of investors pool their money (buying units or a portion of the mutual fund)

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## O

### OPERATING EARNINGS

Net revenue less administrative expenses

### ORDINARY DIVIDENDS PER SHARE

Interim and full-year dividends (does not include any special dividends)

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## P

### PBT

Profit before tax

### PLATFORMS

Service providers that enable investors to buy and hold in a single place a range of investments from multiple providers with different tax wrappers

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## R

### RCF

Revolving credit facility

### REGISTRAR

Link Asset Services

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## S

### SAYE

Save As You Earn

### SEDOL

Stock Exchange Daily Official List

### SEGREGATED MANDATES

An investment strategy run exclusively for institutional clients

### SICAV

Société d'Investissement à Capital Variable; an open-ended collective investment scheme offered in Europe

### SIP

Share Incentive Plan

### SMCR

Senior Managers and Certification Regime; an FCA regime governing the regulation of senior employees of entities operating in the financial services industry in the UK

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## T

### TCF

Treating customers fairly

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## U

### UCITS

Undertaking for Collective Investment in Transferable Securities as defined by EC Council Directive 85/611/EEC, as amended

### UNDERLYING PROFIT BEFORE TAX

Profit before tax excluding amortisation arising from acquisitions and non-recurring items

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## W

### WAEP

Weighted average exercise price



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