Uphill task for new Jupiter chief as funds wobble and profits crash

T
he extent of the task facing new Jupiter chief Matthew Beesley was made plain today when he reported a crash in assets and profits.

Beesley has been CEO of the storied fund management group since last October and has to battle some troubling performance stats and wider scepticism that active fund management can add value to investors.

Schroders, the City institution founded in 1804, has its own, similar, problems.

For the year to December Jupiter funds fell 17% to £50 billion, a result of poor stock picking and clients pulling money away. Profits crashed 68% to £58 billion.

Beesley told the Standard: “It goes without saying but I will say it anyway – it has been a difficult year.”

Read More

He insists a turnaround has already begun, thanks to his plans to “curate” the products on offer and improve relations with clients.

He says that “outflows” are slowing and that “fragile investor sentiment” is improving.

With markets in the UK and the US hitting record highs lately, the value of stock pickers is again under question. Cheap funds that just match indices have often done much better.

City star fund managers Terry Smith and Nick Train are among those forced to explain dips in performance to their armies of supporters.

Jupiter was founded in 1985 by John Duffield, a combative City character who built the business up just as retail investing was becoming popular and benefiting from government tax breaks.

It became one of the biggest names in the sector, with some very strong funds. Duffield sold to Commerzbank, but acrimony was never far from the surface.

Jupiter is now listed on the stock market, but the shares are down 70% in the last five years. They rose 13p, 10%, today to 147p.

Beesley thinks that Quantitative Easing – governments pumping money into the economy – has made life harder for active fund managers in the last few years.

With QE now slowly being unwound, they should come back into their own, he believes.

“It has been tough in recent years. QE has inflated all markets. We should now see a much more fertile environment for active managers,” he said.

The divi to investors is down 51% to 8.4p while Beesley attempts to turn things around. Staff headcount is down by 15% to 500.

Peel Hunt, the broker, said in a note this morning that these results were “materially ahead of expectations” suggesting the new CEO is already having an impact.

Peel said: “It remains early days in the new CEO’s plans to turn Jupiter around, but (the fourth quarter) was more positive after many years of net outflows. It may be too soon to say definitively that flows have turned the corner, but the stock is not expensive.”

Beesley said in a statement to the City: “Since I was appointed as CEO, we have taken decisive action to simplify the business, deliver efficiencies and create capacity to build scale in strategically important areas. Our strategy to return Jupiter to growth is underway; focused on increasing scale, decreasing undue complexity, broadening appeal to clients, and deepening relationships with stakeholders.”