

## Polar Capital Global Financials Trust Plc

Half Year Report to 31 May 2020



## Financial Highlights for the half year ended 31 May 2020

| Performance (Sterling total return)                                |                              | For six months ended<br>31 May 2020<br>% | Since<br>Inception<br>%              |   |
|--|------------------------------|--|--------------------------------------|---|
| Net asset value (NAV) per ordinary share (1)                       |                              | -21.3                                    | 46.0                                 |   |
| Ordinary share price (2)   |                              | -24.7                                    | 29.4                                 |   |
| Ordinary share price including subscription share value (3)        |                              | -  | 32.3                                 |   |
| <b>Benchmark (4)</b>   |                              |  |                                      |   |
| MSCI ACWI Financials Net Total Return Index (in Sterling)          |                              | -18.1                                    | 51.7                                 |   |
| <b>Other Indices and peer group (in Sterling)</b>                  |                              |  |                                      |   |
| MSCI World Index   |                              | -0.7                                     | 109.8                                |   |
| FTSE All Share Index   |                              | -16.1                                    | 29.7                                 |   |
| Lipper Financial Sector (5)  |                              | -14.0                                    | 36.6                                 |   |
| <b>Restructuring on 22 April 2020</b>                              |                              |  | <b>Since<br/>Restructuring<br/>%</b> |   |
| Net asset value (NAV) per ordinary share (total return) (6)        |                              |  | 12.2                                 |   |
| Benchmark (4)  |                              |  | 8.0                                  |   |
| <b>Financials</b>  |                              |  |                                      |   |
|  | <b>As at 31 May<br/>2020</b> | As at 31 May<br>2019                     | As at<br>30 November 2019            | <b>% Change<br/>Six months to<br/>31 May 2020</b> |
| <b>Total net assets</b>  | <b>£142,715,000</b>          | £282,627,000                             | £301,170,000                         | -52.6   |
| <b>Net assets per ordinary share</b>                               | <b>115.8p</b>                | 139.4p                                   | 148.5p                               | -22.0   |
| <b>Ordinary share price</b>  | <b>106.8p</b>                | 132.0p                                   | 143.8p                               | -25.7   |
| <b>Discount per ordinary share</b>                                 | <b>7.8%</b>                  | 5.3%                                     | 3.2%                                 |   |
| <b>Gearing:</b>  |                              |  |                                      |   |
| - net gearing  | <b>6.7%</b>                  | -  | 4.4%                                 |   |
| - net cash   | -                            | 1.9%                                     | -                                    |   |
| <b>Ordinary shares in issue (excluding those held in treasury)</b> | <b>123,270,765</b>           | 202,775,000                              | 202,775,000                          | -39.2   |
| <b>Ordinary shares held in treasury</b>                            | <b>79,504,235</b>            | -  | -                                    |   |

|                                     | Six months to<br>31 May 2020 | Six months to<br>31 May 2019 | Year to 30<br>November 2019 |
|-------------------------------------|------------------------------|------------------------------|-----------------------------|
| <b>Earnings per ordinary share:</b> |                              |                              |                             |
| Revenue Return                      | 1.57p                        | 3.09p                        | 4.89p                       |
| Capital Return                      | (40.60)p                     | (0.38)p                      | 9.36p                       |
| <b>Total</b>                        | <b>(39.03)p</b>              | 2.71p                        | 14.25p                      |
| <b>Dividends*</b>                   |                              |                              |                             |
| First interim                       | 2.40p                        | 2.40p                        | 2.40p                       |
| Second interim                      | –                            | –                            | 2.00p                       |
| <b>Total</b>                        | <b>2.40p</b>                 | 2.40p                        | 4.40p                       |

\* The Company declares dividends in respect of a financial year in or around July and January for payment at the end of the following August and February. The first interim dividend for the year ending 30 November 2020 was declared on 30 June 2020 and will be paid on 28 August 2020 to shareholders on the register on 7 August 2020. The shares will go ex-dividend on 6 August 2020. The second interim dividend will be declared in or around December 2020 for payment in February 2021.

- Note 1 The total return NAV performance for the period is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date. Performance since inception has been calculated using the initial NAV of 98p and the NAV on 31 May 2020. Dividends are deemed to be reinvested on the ex-dividend date as this is the protocol used by the Company's benchmark and other indices.
- Note 2 The total return share price performance is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date. Performance since inception has been calculated using the launch price of 100p and the closing price on 31 May 2020.
- Note 3 The total return share price performance since inception includes the value of the subscription shares issued free of payment at launch on the basis of 1 for every 5 ordinary shares and assumes such were held throughout the period from launch to the conversion date of 31 July 2017. Performance is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date and uses the launch price of 100p per ordinary share and the closing price per ordinary share on 31 May 2020.
- Note 4 The benchmark changed on 23 April 2020 to MSCI ACWI Financials Net Total Return Index (in Sterling) due to the Company's exposure to Emerging Market financials equities and its limited exposure to real estate equities. Prior to this the Company's benchmark was MSCI World Financials + Real Estate Net Total Return Index. Preceding 31 August 2016, the Company's benchmark was the MSCI World Financials Index, which included Real Estate as a constituent until its removal that year. Benchmark performance above illustrates linked performance of these benchmarks.
- Note 5 Dynamic average of open ended funds in the Lipper Financial Sector Universe which comprised 56 open ended funds in the period under review.
- Note 6 The total return NAV performance for the period is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date. Performance has been calculated from the rebased NAV of 102.8p following the tender offer on 22 April 2020.

Data sourced by HSBC Securities Services Limited, Polar Capital LLP, MSCI and Lipper.

## Chairman's Statement

In over 40 years of experience in financial services I have never faced such an extraordinary period on which to report. Firstly and most importantly, on behalf of the Board, I would like to extend our well-wishes for the health of all our shareholders and our deepest sympathies to those who may have been directly affected by the COVID-19 pandemic.

Much has happened since the time of my last statement which was published in early March as we were approaching the reconstruction of your Company through a Tender Offer and the removal of its seven-year fixed life of the Company. On 8 April 2020, we announced the results of the Tender Offer and of the associated General Meeting. I am pleased to report that, despite the extraordinarily unsupportive background, 60.9% of the issued share capital chose to remain invested and the extension to the Company's life was passed by 100% of the shares cast at the General Meeting. As part of the proposals we replaced the fixed end-of-life with five-yearly tender offers which will give Shareholders a periodic opportunity to tender their shares at close to net asset value.

As we moved towards the closing of the tender offer period, the UK entered lockdown on 23 March 2020 as a result of the COVID-19 global pandemic. As I write, it would appear that COVID-19 is starting to abate, and the UK Government has commenced the easing of the lockdown measures as have a number of other countries. However, we remain in a period of uncertainty as, globally, we move towards to what is likely to become a new normal.

### Performance

The sector in which the Company operates has been one of the most negatively impacted by the fallout from COVID-19 and this is reflected in the half-year financial results of the Company. For the period to 31 May 2020 the NAV total return performance was -21.3% compared to a fall of 18.1% in the benchmark over the same period. Since the closing of the Tender Offer on 22 April 2020 to the end of the period under review, the NAV total return performance has been +12.2% compared to the benchmark performance of +8.0%. Further information on investment performance can be found within the Financial Highlights and the Investment Manager's Report.

Associated with the pandemic has been considerable market volatility and a deterioration in sentiment towards the financials sector. This has been reflected in movements in the Company's share price discount. Over the six-month period to 31 May 2020, the Company's share price has traded between a premium of 0.26% and a discount of 11.78% to its NAV.

At the time of the reconstruction in April we gave shareholders guidance on a discount level that the Board would find acceptable, in normal market circumstances, of no wider than an average of around 5 per cent. over the longer term. The Board has the ability to repurchase shares on an ad hoc basis in order to support liquidity and thereby help to redress supply/demand imbalances which might have given rise to a relatively wide discount. In the period under review 345,000 shares were bought back under the shareholder buy-back authority and a further 79,159,235 shares were bought back as a result of the Tender Offer. In the period from 31 May 2020 to the date of writing, a further 25,000 shares have been bought back. All shares bought back have been placed into the Company's treasury account.

### Board

As detailed within the Circular to Shareholders proposing the Tender Offer the Board have formulated a succession plan which will be rolled out over the next 2-3 years; further information will be provided in due course and within the Annual Report for the year ending 30 November 2020.

### **Corporate Broker**

In conjunction with the completion of the Tender Offer we announced a change of service provider. On 29 April 2020, Investec Bank plc resigned as the Company's corporate broker and the Board appointed Stifel Nicolaus Europe Limited as sole corporate broker to the Company. We thank the Investec team for their service to the Company through the corporate action and look forward to working with Stifel going forward. There will be a particular focus with Stifel on rebuilding the size of the Company and the breadth of the investor base by the reissue of the shares held in our treasury account as a result of the Tender Offer as and when opportunities arise. To do so the Company's shares must be trading at a premium to NAV, a position we hope to reach through performance and a positive turn in sentiment in due course.

### **Dividends**

Subsequent to the corporate action and the confidence our Shareholders have put in the continuation of the life of the Company, we made a market announcement on 4 May 2020 confirming that we undertake to support the Company's dividends in the financial year 2020. Since that announcement we have witnessed cuts or suspension of dividend pay-outs by a number of listed companies, including some within the financial sector. Despite this I am pleased to announce that through a combination of investment performance, income generation and distributable reserves we are presently able to maintain the Company's interim dividend at the same level of 2019.

The Board has therefore declared a first interim dividend of 2.40p per share, payable on 28 August 2020 to shareholders on the register on 7 August 2020.

In line with the dividend policy approved at the AGM held in May 2020, we continue to pursue a policy of dividend growth, although there is no guarantee that this can be achieved. The Board monitors, with the Investment Manager, the prospects for dividends from its equity holdings, interest income from cash and fixed income securities, and the potential to earn additional revenue from writing options. While significant uncertainty surrounds the outlook for dividend income, the Board has available further income reserves to support dividend payments until the sustainable longer term level can be determined.

### **Outlook**

The COVID-19 global pandemic has presented a unique combination of challenges that span science, public policy and economics, each one extraordinary in depth and impact. Together they have introduced consequences, risks and uncertainties on a scale not experienced in modern times. So much so that the validity of long established pre COVID-19 templates for how we analyse economic, financial and political responses and likely outcomes are being severely compromised. How will the lives versus livelihood conflict be resolved? What is the long-term impact of the once unimaginable scale of monetary and fiscal support measures being dispensed globally? How many of the changes in behaviour witnessed in response to the pandemic will be permanent? And what do these changes mean for a wide range of industries and services? In the recovery will capital and finance be allocated by the private sector or will it be directed based on social imperatives? These are just some of the questions that need to be clarified before any statements about the outlook can be made with any degree of confidence.

Answers to many of these questions remain highly uncertain. What is clear is that this crisis has had a significant negative impact on a number of key components that make up the financials sector in which the Company invests, from banks and insurance companies to asset managers.

What is also clear is that, unlike the last crisis to hit global economies, banks are part of the solution and not the cause of the problem. Undoubtedly, they will find the environment in which they operate problematic. But they are generally in much better shape from a capital and operational leverage perspective than at any time this century. It is also apparent that regulators and monetary authorities understand the key role that banks will need to play to address the economic impairment currently being inflicted by the virus. Regulatory capital

buffers have already been relaxed for example and certain central banks have made facilities available to limit the damage to profitability. In the 'whatever-it-takes' mindset that characterises the public policy response to the economic damage brought about by the virus, further supportive and protective measures for the financial sector can be expected.

The significant downgrading of a broad range of financial subsectors may be an understandable market response to the economic and financial fallout from the pandemic, but it is also one that is formulated on pre-COVID-19 templates. While we wait to see what new templates emerge our Manager has responded by, on the one hand, strengthening the defensive qualities of the portfolio, and on the other hand positioning it to benefit from some of the positive emerging structural changes presented to parts of the financial services community.

At the time of writing global equity markets have recovered sharply from their late March lows as markets look ahead to the recovery phase of the pandemic-induced economic cycle. A broad range of financial services sectors, in particular banks, will be beneficiaries of the emergence from the sharp economic downturn and from undemanding valuation levels. The Board continues to believe that the Company offers an attractive vehicle for those looking for longer term opportunities in the financials sector.

**Robert Kyprianou**  
Chairman  
2 July 2020

## Investment Manager's Report

### Performance

As highlighted in the Chairman's Statement, it was a disappointing period for the Trust's portfolio. At its worst point on 23 March, Financials, as illustrated by the MSCI ACWI Financials Index\*, had fallen by 32.0%, with the falls significantly cushioned by a sharp fall in sterling, before starting to recover along with sterling. They have since rallied 18.9% from the lows to the end of May and are little changed from then to the date of this report having given up the further gains they made at the beginning of June.

The Trust's net asset value total return for the period was a loss of 21.3%, against a fall of 19.6% for the MSCI ACWI Financials Index and 18.0% for the MSCI World Financials + Real Estate Index. Over the six months positive stock selection was more than offset by negative sector and to a small extent regional allocation. The gearing on the Trust, while relatively small, also acted as a headwind to performance.

Our bank holdings were the biggest drag on both the absolute and relative performance of the Trust with US and European banks being the hardest hit as lockdowns were expected to have a significant impact on their earnings. The non-life insurance sector was also surprisingly weak despite its perceived defensive qualities. In particular, concerns around its exposure to business interruption but also travel insurance and even cancellation insurance policies resulted in shares in the sector falling quite sharply.

Conversely stock exchanges, payment companies and some asset managers performed well, the former have been a beneficiary of the volatility in financial markets while lockdowns have benefited payments companies on the back of an acceleration of the growth in e-commerce. Against this background the biggest positive contributors to performance were MasterCard and PayPal Holdings, while the biggest negative contributors to performance were JP Morgan and Wells Fargo. On a relative basis, holdings in Citizens Financial and Arch Capital were the biggest drag on performance.

### Investment Review

#### Markets

Despite the promising start to the financial year with equity markets rising in December, on the back of optimism around trade talks between the US and China, financial markets fell in January. The fall was initially over rising tensions in the Middle East, following the assassination of Qasam Soleimani, the head of Iran's Revolutionary Guard. But the assassination was quickly overshadowed by the concern that the rapid spread of COVID-19 in China could have a significant impact on global growth.

While containment policies in China and elsewhere in Asia quickly appeared to be curtailing the virus its spread to other countries, in Europe initially to Italy, led to a domino of lockdowns globally as governments tried to reduce the impact of COVID-19 on healthcare systems. As a result, financial markets suffered a brutal sell-off towards the end of February into the middle of March, exacerbated by a sharp fall in the oil price following the breakdown of talks between Saudi Arabia and Russia which also knocked sentiment.

The response by central banks was very swift in cutting interest rates and injecting significant amounts of liquidity into financial markets. Governments also acted with surprising speed and announced various stimulus programmes of unprecedented sizes including providing guaranteed loans to companies, payments to cover employees on furlough, direct payments to unemployed workers etc. all to dampen the impact of lockdowns on businesses and individuals.

Against this background equity markets bounced sharply led by the US and technology shares, recovering more than half the falls with technology shares hitting an all-time high post the interim period end. Credit markets recovered even more swiftly, benefiting from the Federal Reserve announcement that it would buy ETFs that invested in corporate bonds, with investment grade bonds recovering all their losses by the end of May. High yield bonds also saw a strong recovery.

#### Sector

Not surprisingly, despite the discount at which the sector already traded relative to underlying equity markets it still materially underperformed over the period reflecting its cyclical and operational gearing to financial

markets. Banks suffered very large falls in share prices. While strong trading and investment banking revenue has been helpful to earnings of larger banks, the combination of falling interest rates, which reduces net interest margins and rising provisions for loan losses have had a significant impact on profitability.

US banks have been very quick to raise reserves against future losses, more so than banks in many other countries, in part driven by a change in accounting rules that means banks have to recognize potential losses earlier than they would have previously. However, as the economy had deteriorated much more than expected from when they set the level of provisions, they deemed prudent for their first quarter results, bank CEOs have since highlighted that they expect to take further large provisions for the second quarter.

Regulators have been quick to react to the crisis telling banks, in the UK and Europe to suspend dividend payments and buybacks. They have lowered capital requirements, reducing counter-cyclical buffers to zero while also reducing other buffers, so that banks have more flexibility to take losses but still support borrowers. They have also told banks to not automatically treat borrowers who have asked for loan payment holidays as likely to default. Nevertheless, the impact of forcing banks to suspend dividend payments has impacted sentiment and shares fell sharply when it was announced.

Insurance companies also suffered large falls in share prices. Life assurance companies which are highly geared to credit markets and to a less extent equity markets corrected sharply. Counterintuitively, non-life insurance companies which historically have acted very defensively in market corrections as earnings are driven by claims which are largely accident or weather related, also suffered large share price falls, driven by concerns over their exposure to COVID-19 insured losses on travel insurance, event cancellations but in particular business interruption policies.

Conversely, the share prices of payment companies have been very resilient over the last six months. While not immune to the downturn which has impacted those exposed to the travel industry, their business models have remained resilient as they have little or no balance sheet risk. They have also been seen as potential beneficiaries of lockdowns, as it could have longer-term consequences for their growth by accelerating the shift towards digital transactions from cash and lead to faster growth of e-commerce.

Stock exchanges have also proved very resilient, benefiting from their reliance on data revenues but also higher trading volumes on the back of volatility in financial markets. The share prices of asset managers, not surprisingly, also fell sharply but rallied along with financial markets with alternative asset managers and those traditional asset managers with large passive fund businesses continuing to outperform their peers focused primarily on actively managed fund mandates.

### **Investment Activity**

Reflecting the volatility in financial markets there was some significant investment activity over the six-month period. Following the fall in equity markets we took the opportunity to reduce some of our European bank holdings and holdings in smaller US regional banks which we believe are more vulnerable to a deep recession. These included selling holdings in BNP Paribas, ING Groep, Banco Santander, Lloyds Bank, Comerica and KeyCorp while reducing a number of others.

New holdings purchased include American Express, Berkshire Hathaway, Hong Kong Exchanges & Clearing Limited, Adyen, Hiscox, Prosperity Bancshares and Ping An Insurance, all businesses which we see as more resilient from the fallout of the COVID-19 crisis. We also purchased bonds issued by Pension Insurance Corporation, ING Groep, Royal Bank of Scotland and Jupiter Fund Management, the latter which was issued to facilitate its purchase of Merian Global Investors.

### **Dividends**

The decision by UK and European regulators to make banks and some insurance companies under their jurisdiction suspend dividend payments, along with other companies that will likely reduce dividend payments in the short-term has had an impact on the revenue generated from the portfolio. We have also previously reduced the Trust's exposure to some of the higher-yielding stocks in the sector over the last year which has had an impact.

Regulators in the US have, so far, taken a more pragmatic approach to bank dividends, despite calls from some ex-regulators in the US for the Federal Reserve to follow the actions of their UK and European counterparts. Dividends have been capped at current levels and a limit imposed that they cannot exceed the average net



income of a bank over the preceding four quarters. The Federal Reserve will also require banks to resubmit their capital plans later in the year when there will be significantly more visibility on the severity of losses that banks will have to provision for.

US banks dividend payout ratios were significantly lower than most other developed market banks entering the crisis as over two-thirds of the capital they returned to shareholders in the last couple of years has been via buybacks which they have voluntarily ceased in the short-term. Therefore, we believe that the majority of US banks, which represent the largest exposure of the Trust, should be able to maintain their dividends at last year's level, subject to there not being a significant deterioration in the economic outlook.

### **Outlook**

The significant underperformance of the financial sector over the last 6 months, along with other cyclically sensitive sectors, has been exacerbated by the difficulty investors have found in quantifying the impact, given the size of the exogenous shock to economic activity and lack of historical comparisons. But while caution is warranted, in the short-term, we remain of the view that the downturn brought on by COVID-19 will be an earnings event for the sector given its underlying profitability and capital buffers, not a capital one, and therefore the upside for the sector remains material.

Furthermore, we continue to own sizeable holdings in a number of payments companies, stock exchanges and asset managers which continue to exhibit good earnings growth, as they are benefiting from structural growth trends, and we expect to remain resilient even if there is further volatility in financial markets. While valuations for most of these companies are high by historical standards, they along with some of our fixed-income and other more defensive holdings counterbalance the more cyclical and lowly valued parts of the Trust's portfolio.

Nevertheless, the majority of the Trust's assets are invested in banks and non-life insurance stocks. The valuation of non-life insurance stocks has fallen quite sharply over concerns that the sector will suffer a significant hit to earnings. While the hit will be primarily from insured losses, but also investment losses, there has been concern of weak wording on business interruption policies which will result in litigation and risk of much larger payments to policyholders. There has also been concern that politicians would look to make retrospective changes in law so that the insurance industry covers more of the costs of lockdowns that businesses have borne despite pandemics being excluded from policies. We think these concerns are overdone.

However, banks have seen the sharpest falls in share prices, taking their valuations down to levels only previously seen during the global financial crisis when the solvency of the banking sector was in question, unlike today. So while the falls are easy to understand, as banks have to bear the brunt of losses arising from what is expected to be the deepest recession since the 1930s depression and on some metrics well before that, equally the upside here is the greatest when a sustainable recovery starts to get momentum.

Importantly, the scale of government actions and those of central banks are on a scale never seen before and will dampen the losses that banks have to take suggesting loan losses during the recession may well not be as bad as other less deep recessions in recent decades. But the relief provided to borrowers, whether from direct cheques to the unemployed, money to cover furloughed employees, grants, guaranteed loans, mortgage holidays etc. will be turned off at some point over the coming months and then defaults will likely pick up sharply.

Against that background it is worth considering the actions of the largest shareholder of BlackRock, PNC Financial Services, which we own in the Trust and is one of the largest banks in the US. In May it sold its 22% stake to raise around \$14bn. PNC's management team is seen as astute and was one of the winners of the global financial crisis buying troubled National City, a Cleveland Ohio headquartered regional bank with \$150bn in assets in the depths of the crisis. They believe that this crisis will also provide significant opportunities to buy distressed assets.

In the short-term until we see more evidence of defaults, or a significant rise in infections, the sector could continue to rally off the historically low valuations that it is currently trading at, as the economic outlook continues to improve and we start to see a recovery in activity. Whether any short-term rally is sustainable only time will tell but early evidence is promising. Either way, the longer-term value in the sector remains compelling which will be realised when economies and interest rates start to return to a more normalised environment.

In that vein one of the biggest headwinds for the banking sector in recent years has been the decline in interest rates. Part of the reason for this is that central banks have had to do most of the heavy lifting in stimulating demand by keeping interest rates low as governments have run tight fiscal budgets. The steps that governments have had to take in recent months, as a consequence of COVID-19 induced lockdowns, as well as the potential impact from rising populism and trade conflicts may well lead to a less disinflationary environment looking forward which would materially benefit the sector

Nick Brind & John Yakas  
2 July 2020

**Note**

We would draw shareholders' attention to <http://www.polarcapitalglobalfinancialstrust.co.uk/> for regular monthly portfolio updates and commentary. \*index performance figures are total return in Sterling, please see note 4 following the Financial Highlights regarding the Trust's benchmark index. In local currencies the fall was 38.6%.

## Full Portfolio

| 2020                      | 2019 | Stock                               | Sector                 | Geographical Exposure | Market Value £'000 |                  | % of total net assets |                  |
|---------------------------|------|-------------------------------------|------------------------|-----------------------|--------------------|------------------|-----------------------|------------------|
|                           |      |                                     |                        |                       | 31 May 2020        | 30 November 2019 | 31 May 2020           | 30 November 2019 |
| 1                         | (1)  | JP Morgan Chase                     | Banks                  | North America         | 8,430              | 19,842           | 5.9%                  | 6.6%             |
| 2                         | (3)  | Mastercard                          | Software & Services    | North America         | 7,051              | 10,847           | 4.9%                  | 3.6%             |
| 3                         | (2)  | Bank of America                     | Banks                  | North America         | 5,969              | 13,844           | 4.2%                  | 4.6%             |
| 4                         | (45) | PayPal                              | Software & Services    | North America         | 5,482              | 3,023            | 3.8%                  | 1.0%             |
| 5                         | (4)  | CHUBB                               | Insurance              | Europe                | 4,546              | 9,966            | 3.2%                  | 3.3%             |
| 6                         | (10) | Marsh & McLennan                    | Insurance              | North America         | 4,233              | 7,487            | 3.0%                  | 2.4%             |
| 7                         | (12) | Toronto-Dominion Bank               | Banks                  | North America         | 3,763              | 7,178            | 2.6%                  | 2.4%             |
| 8                         | (5)  | Arch Capital                        | Insurance              | North America         | 3,702              | 9,576            | 2.6%                  | 3.2%             |
| 9                         | (9)  | PNC Financial Services              | Banks                  | North America         | 3,564              | 7,728            | 2.5%                  | 2.6%             |
| 10                        | (13) | HDFC Bank                           | Banks                  | Asia (ex-Japan)       | 3,528              | 7,013            | 2.5%                  | 2.3%             |
| <b>Top 10 investments</b> |      |                                     |                        |                       | <b>50,268</b>      |                  | <b>35.2%</b>          |                  |
| 11                        | (20) | Blackstone                          | Diversified Financials | North America         | 3,432              | 5,453            | 2.4%                  | 1.8%             |
| 12                        | (11) | AIA Group                           | Insurance              | Asia (ex-Japan)       | 3,364              | 7,198            | 2.4%                  | 2.4%             |
| 13                        | (25) | E. Sun Financial                    | Banks                  | Asia (ex-Japan)       | 2,999              | 4,994            | 2.1%                  | 1.7%             |
| 14                        | (-)  | Hong Kong Exchange                  | Diversified Financials | Asia (ex-Japan)       | 2,887              | -                | 2.0%                  | -                |
| 15                        | (17) | Allianz                             | Insurance              | Europe                | 2,869              | 5,590            | 2.0%                  | 1.9%             |
| 16                        | (22) | Bank Central Asia                   | Banks                  | Asia (ex-Japan)       | 2,862              | 5,134            | 2.0%                  | 1.7%             |
| 17                        | (14) | KBC Groep                           | Banks                  | Europe                | 2,811              | 6,868            | 2.0%                  | 2.3%             |
| 18                        | (6)  | Citizens Financial Group            | Banks                  | North America         | 2,641              | 8,349            | 1.9%                  | 2.8%             |
| 19                        | (-)  | Adyen                               | Software & Services    | Europe                | 2,534              | -                | 1.8%                  | -                |
| 20                        | (27) | SVB Financial                       | Banks                  | North America         | 2,524              | 4,936            | 1.8%                  | 1.6%             |
| <b>Top 20 investments</b> |      |                                     |                        |                       | <b>79,191</b>      |                  | <b>55.6%</b>          |                  |
| 21                        | (29) | Sampo                               | Insurance              | Europe                | 2,425              | 4,347            | 1.7%                  | 1.4%             |
| 22                        | (-)  | Berkshire Hathaway                  | Diversified Financials | North America         | 2,340              | -                | 1.6%                  | -                |
| 23                        | (15) | Citigroup                           | Banks                  | North America         | 2,311              | 6,862            | 1.6%                  | 2.2%             |
| 24                        | (7)  | US Bancorp                          | Banks                  | North America         | 2,253              | 7,801            | 1.6%                  | 2.6%             |
| 25                        | (8)  | Wells Fargo                         | Banks                  | North America         | 2,247              | 7,786            | 1.6%                  | 2.6%             |
| 26                        | (18) | DNB                                 | Banks                  | Europe                | 2,214              | 5,582            | 1.6%                  | 1.9%             |
| 27                        | (16) | First Republic Bank                 | Banks                  | North America         | 2,179              | 5,660            | 1.5%                  | 1.9%             |
| 28                        | (43) | Intact Financial Corporation        | Insurance              | North America         | 2,073              | 3,041            | 1.4%                  | 1.0%             |
| 29                        | (-)  | Progressive Corporation             | Insurance              | North America         | 2,021              | -                | 1.4%                  | -                |
| 30                        | (36) | VPC Specialty Lending Investments   | Fixed Income           | Fixed Income          | 1,946              | 3,737            | 1.4%                  | 1.2%             |
| <b>Top 30 investments</b> |      |                                     |                        |                       | <b>101,200</b>     |                  | <b>71.0%</b>          |                  |
| 31                        | (52) | UBS Group                           | Banks                  | Europe                | 1,941              | 2,421            | 1.4%                  | 0.8%             |
| 32                        | (37) | Bank of the Philippine Islands      | Banks                  | Asia (ex-Japan)       | 1,916              | 3,555            | 1.4%                  | 1.2%             |
| 33                        | (34) | Solar Capital                       | Diversified Financials | North America         | 1,905              | 3,793            | 1.3%                  | 1.2%             |
| 34                        | (-)  | Keppel DC REIT                      | Real Estate            | Asia (ex-Japan)       | 1,893              | -                | 1.3%                  | -                |
| 35                        | (-)  | Prudential                          | Insurance              | United Kingdom        | 1,768              | -                | 1.2%                  | -                |
| 36                        | (28) | Sumitomo Mitsui Financial           | Banks                  | Japan                 | 1,747              | 4,373            | 1.2%                  | 1.5%             |
| 37                        | (-)  | Ping An Insurance                   | Insurance              | Asia (ex-Japan)       | 1,746              | -                | 1.2%                  | -                |
| 38                        | (39) | Oversea-Chinese Banking Corporation | Banks                  | Asia (ex-Japan)       | 1,713              | 3,441            | 1.2%                  | 1.2%             |

|                              |      |  |                        |                 |                 |       |               |      |
|------------------------------|------|--|------------------------|-----------------|-----------------|-------|---------------|------|
| 39                           | (31) | Ares Capital                                 | Diversified Financials | North America   | 1,669           | 4,127 | 1.2%          | 1.4% |
| 40                           | (41) | Atom Bank (unquoted)                         | Banks                  | United Kingdom  | 1,637           | 3,191 | 1.1%          | 1.1% |
| <b>Top 40 investments</b>    |      |  |                        |                 | <b>119,135</b>  |       | <b>83.5%</b>  |      |
| 41                           | (46) | Direct Line Insurance                        | Insurance              | United Kingdom  | 1,510           | 2,858 | 1.1%          | 1.0% |
| 42                           | (-)  | Prosperity Bancshares                        | Banks                  | North America   | 1,486           | -     | 1.0%          | -    |
| 43                           | (-)  | Signature Bank                               | Banks                  | North America   | 1,473           | -     | 1.0%          | -    |
| 44                           | (24) | Enterprise Financial Services                | Banks                  | North America   | 1,448           | 5,081 | 1.0%          | 1.7% |
| 45                           | (30) | OneSavings Bank                              | Banks                  | United Kingdom  | 1,417           | 4,276 | 1.0%          | 1.4% |
| 46                           | (23) | East West Bancorp                            | Banks                  | North America   | 1,402           | 5,102 | 1.0%          | 1.7% |
| 47                           | (42) | Tisco Financial                              | Banks                  | Asia (ex-Japan) | 1,386           | 3,113 | 1.0%          | 1.0% |
| 48                           | (59) | AJ Bell                                      | Diversified Financials | United Kingdom  | 1,363           | 1,961 | 1.0%          | 0.7% |
| 49                           | (-)  | Hiscox                                       | Insurance              | North America   | 1,342           | -     | 0.9%          | -    |
| 50                           | (50) | International Personal Finance 5.75% Bond    | Fixed Income           | Fixed Income    | 1,335           | 2,603 | 0.9%          | 0.9% |
| <b>Top 50 investments</b>    |      |  |                        |                 | <b>133,297</b>  |       | <b>93.4%</b>  |      |
| 51                           | (-)  | Banca Generali                               | Diversified Financials | Europe          | 1,320           | -     | 0.9%          | -    |
| 52                           | (-)  | Housing Development Finance                  | Banks                  | Asia (ex-Japan) | 1,300           | -     | 0.9%          | -    |
| 53                           | (-)  | American Express                             | Diversified Financials | North America   | 1,213           | -     | 0.9%          | -    |
| 54                           | (51) | Sparebank SMN                                | Banks                  | Europe          | 1,212           | 2,470 | 0.8%          | 0.8% |
| 55                           | (40) | Nationwide Building Society 10.25% CCDS      | Fixed Income           | Fixed Income    | 1,204           | 3,267 | 0.8%          | 1.1% |
| 56                           | (53) | Pollen Street Secured Lending                | Fixed Income           | Fixed Income    | 1,203           | 2,379 | 0.8%          | 0.8% |
| 57                           | (35) | Mapletree Commercial                         | Real Estate            | Asia (ex-Japan) | 1,090           | 3,751 | 0.8%          | 1.2% |
| 58                           | (49) | City of London Investment Group              | Diversified Financials | United Kingdom  | 1,071           | 2,622 | 0.8%          | 0.9% |
| 59                           | (56) | Grupo Financiero Banorte                     | Banks                  | Latin America   | 1,017           | 2,206 | 0.7%          | 0.7% |
| 60                           | (57) | Aldermore Group 8.5% Bond                    | Fixed Income           | Fixed Income    | 979             | 2,151 | 0.7%          | 0.7% |
| <b>Top 60 investments</b>    |      |  |                        |                 | <b>144,906</b>  |       | <b>101.5%</b> |      |
| 61                           | (66) | HSBC Floating Rate Bond                      | Fixed Income           | Fixed Income    | 916             | 1,179 | 0.6%          | 0.4% |
| 62                           | (48) | Itaú Unibanco                                | Banks                  | Latin America   | 904             | 2,775 | 0.6%          | 0.9% |
| 63                           | (-)  | Chailease                                    | Diversified Financials | Asia (ex-Japan) | 891             | -     | 0.6%          | -    |
| 64                           | (-)  | Axis Bank                                    | Banks                  | Asia (ex-Japan) | 767             | -     | 0.6%          | -    |
| 65                           | (-)  | Pension Insurance 7.375% Bond                | Fixed Income           | Fixed Income    | 748             | -     | 0.5%          | -    |
| 66                           | (63) | International Personal Finance 7.75% Bond    | Fixed Income           | Fixed Income    | 700             | 1,626 | 0.5%          | 0.5% |
| 67                           | (-)  | National Westminster Bank Floating Rate Bond | Fixed Income           | Fixed Income    | 688             | -     | 0.5%          | -    |
| 68                           | (-)  | National Westminster Bank Floating Rate Bond | Fixed Income           | Fixed Income    | 685             | -     | 0.5%          | -    |
| 69                           | (67) | Augmentum Fintech                            | Diversified Financials | United Kingdom  | 600             | 1,050 | 0.5%          | 0.3% |
| 70                           | (-)  | ING Groep Floating Rate Bond                 | Fixed Income           | Fixed Income    | 468             | -     | 0.3%          | -    |
| <b>Top 70 investments</b>    |      |  |                        |                 | <b>152,273</b>  |       | <b>106.7%</b> |      |
| 71                           | (-)  | Jupiter 8.875% Bond                          | Fixed Income           | Fixed Income    | 463             | -     | 0.3%          | -    |
| <b>Total investments</b>     |      |  |                        |                 | <b>152,736</b>  |       | <b>107.0%</b> |      |
| <b>Other net liabilities</b> |      |  |                        |                 | <b>(10,021)</b> |       | <b>(7.0%)</b> |      |
| <b>Total assets</b>          |      |  |                        |                 | <b>142,715</b>  |       | <b>100.0%</b> |      |

## Portfolio Analysis

| Geographical Exposure* | Benchmark weighting as at 31 May 2020** | 31 May 2020 | 30 November 2019 |
|------------------------|---|-------------|------------------|
| North America          | 49.1%                                   | 54.6%       | 52.2%            |
| Asia (ex-Japan)        | 19.4%                                   | 20.0%       | 16.8%            |
| Europe                 | 15.5%                                   | 15.4%       | 16.3%            |
| Fixed Income           | -                                       | 7.8%        | 7.2%             |
| United Kingdom         | 6.1%                                    | 6.7%        | 8.3%             |
| Latin America          | 1.9%                                    | 1.3%        | 1.6%             |
| Japan                  | 5.0%                                    | 1.2%        | 1.5%             |
| Eastern Europe         | -                                       | -           | 0.2%             |
| Other net liabilities  | -                                       | (7.0%)      | (4.1%)           |
| <b>Total</b>           |   | 100.0%      | 100.0%           |

  

| Sector Exposure*       | Benchmark weighting as at 31 May 2020** | 31 May 2020 | 30 November 2019 |
|------------------------|---|-------------|------------------|
| Banks                  | 48.3%                                   | 51.3%       | 64.6%            |
| Insurance              | 23.1%                                   | 22.1%       | 16.6%            |
| Diversified Financials | 28.6%                                   | 13.2%       | 7.1%             |
| Software & Services    | -                                       | 10.5%       | 4.6%             |
| Fixed Income           | -                                       | 7.8%        | 7.2%             |
| Real Estate            | -                                       | 2.1%        | 4.0%             |
| Other net liabilities  | -                                       | (7.0%)      | (4.1%)           |
| <b>Total</b>           |   | 100.0%      | 100.0%           |

  

| Market Cap*                  | Benchmark weighting as at 31 May 2020 | 31 May 2020 | 30 November 2019 |
|------------------------------|---------------------------------------|-------------|------------------|
| Large (>US\$5bn)             | 96.3%                                 | 90.3%       | 90.1%            |
| Medium (US\$0.5bn – US\$5bn) | 3.7%                                  | 12.9%       | 10.7%            |
| Small (<US\$0.5bn)           | -                                     | 3.8%        | 3.3%             |
| Other net liabilities        | -                                     | (7.0%)      | (4.1%)           |
| <b>Total</b>                 |                                       | 100.0%      | 100.0%           |

\* Based on the net assets as at 31 May 2020 of £142.7m (30 November 2019: £301.2m).

\*\*Classifications derived from the Benchmark Index as far as possible. Not all geographical areas or sectors of the Benchmark are shown, only those in which the Company had an investment at the period end.

## Corporate Matters

### Principal Risks and Uncertainties

As mentioned above the COVID-19 pandemic has had a substantial impact on the global economy which also affects the performance of the Company and its underlying investments. The Directors categorise the risks to the Company presented by COVID-19 as emerging risks, the full effects of which will not be known for some time to come; the investment portfolio is however made up of primarily liquid listed investments and as the economy begins the movement towards recovery the outlook for the Company and the sector is positive.

The Company has experienced no failures in service provision by third-party service providers or the Investment Manager as a result of the measures undertaken to combat the COVID-19 pandemic, this is primarily due to the successful implementation of business continuity arrangements at each organisation.

The Directors therefore consider that the principal risks and uncertainties faced by the Company for the remaining six months of the financial year, which could have a material impact on performance, remain consistent with those outlined in the Annual Report for the year ended 30 November 2019. These principal risks can be summarised as business risks, including meeting the investment objective of the Company, and market-related risks encompassing factors such as excessive share price discount to NAV, market volatility, stock pricing and liquidity risk, currency and interest rate risk, counterparty risk, gearing and the ability to meet the dividend policy. Other principal risks include infrastructure risks, including the performance of the operational and accounting systems and processes provided by the Investment Manager, taxation, mis-valuation and legal and regulatory risks; and external risks which focuses on the exposure to the economic cycles of the markets of the underlying investments. The Investment Manager's Report comments on the performance in the period under review and the outlook for market-related risks.

The Company's risk management framework is a structured process for identifying, assessing and managing the risks associated with the Company's business. The investment portfolio is diversified by geography which mitigates risk, but the portfolio is focused on a single sector, being financials, which means that it may be more sensitive to investor sentiment than a non-sector specific investment portfolio. To further mitigate risk the investments are diversified across a variety of sub-sectors including banking, insurance, property and others. As part of the risk review process the Directors continually assess the risks faced by the Company including monitoring the COVID-19 situation and effect on the economy.

### Going Concern

In consideration of the going concern position, the Board refer to the longer-term viability statement as published within the Annual Report and Financial Statements for the year ended 30 November 2019. In connection with the new risks presented by the COVID-19 pandemic, the Board has refreshed the stress-testing which was undertaken during the corporate action process in relation to the material uncertainty ahead of the Tender Offer being proposed. These stress tests included a revised five-year cash flow forecast which demonstrated the Company's ability to meet its short-term and long-term obligations. Having conducted these revised stress-tests, the Board is satisfied that it is appropriate to continue to adopt the going concern basis and further confirms the removal of the material uncertainty following completion of the Tender Offer to Shareholders on 29 April 2020.

Additionally, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expenses and concluded that the Company is able to continue its operations and meet its expenses and liabilities as they fall due. The Directors have not identified any material uncertainties in relation to the Company's ability to continue in operation. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial results of the Company.

### Related Party Transactions

In accordance with DTR 4.2.8R there have been no new related party transactions during the six-month period to 31 May 2020 and therefore nothing to report of any material effect by such transactions on the financial position or performance of the Company during that period. There have therefore been no changes in any related party transaction described in the last Annual Report that could have a material effect on the financial position or performance of the Company in the first six months of the current financial year or to the date of this report.

## Statement of Directors' Responsibilities

As at 31 May 2020

The Directors of Polar Capital Global Financials Trust plc, who are listed in the Company Information section, confirm to the best of their knowledge that:

- The condensed set of financial statements has been prepared in accordance with IAS34 as adopted by the European Union and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at 31 May 2020 as required by the Disclosure and Transparency Rules 4.2.4R; and
- The Interim Management Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rules 4.2.7R and 4.2.8R.

The half-year financial report for the six-month period to 31 May 2020 has not been audited or reviewed by the Auditors.

The half-year financial report for the six months ended 31 May 2020 was approved by the Board on 2 July 2020 and the responsibility statement was signed on its behalf by Robert Kyprianou, Chairman of the Board.

On behalf of the Board

**Robert Kyprianou**

Chairman

## Statement of Comprehensive Income for the half year ended 31 May 2020

| Notes  | (Unaudited)                 |              |                 | (Unaudited)                 |         |        | (Audited)                   |         |         |         |
|--|-----------------------------|--------------|-----------------|-----------------------------|---------|--------|-----------------------------|---------|---------|---------|
|  | Half year ended 31 May 2020 |              |                 | Half year ended 31 May 2019 |         |        | Year ended 30 November 2019 |         |         |         |
|  | Revenue                     | Capital      | Total           | Revenue                     | Capital | Total  | Revenue                     | Capital | Total   |         |
|  | return                      | return       | return          | return                      | return  | return | return                      | return  | return  |         |
|  | £'000                       | £'000        | £'000           | £'000                       | £'000   | £'000  | £'000                       | £'000   | £'000   |         |
| Investment income  | 2                           | 3,866        | -               | 3,866                       | 7,276   | -      | 7,276                       | 12,021  | -       | 12,021  |
| Other operating income   | 2                           | 7            | -               | 7                           | 18      | -      | 18                          | 36      | -       | 36      |
| (Losses)/gains on investments held at fair value                                 |                             | -            | (73,406)        | (73,406)                    | -       | 281    | 281                         | -       | 20,925  | 20,925  |
| Other currency losses  |                             | -            | (600)           | (600)                       | -       | (54)   | (54)                        | -       | (76)    | (76)    |
| <b>Total income</b>  |                             | <b>3,873</b> | <b>(74,006)</b> | <b>(70,133)</b>             | 7,294   | 227    | 7,521                       | 12,057  | 20,849  | 32,906  |
| <b>Expenses</b>  |                             |              |                 |                             |         |        |                             |         |         |         |
| Investment management fee  |                             | (194)        | (777)           | (971)                       | (222)   | (888)  | (1,110)                     | (461)   | (1,846) | (2,307) |
| Performance fee  |                             | -            | (573)           | (573)                       | -       | -      | -                           | -       | -       | -       |
| Other administrative expenses  |                             | (345)        | (13)            | (358)                       | (300)   | (13)   | (313)                       | (646)   | (15)    | (661)   |
| <b>Total expenses</b>  |                             | <b>(539)</b> | <b>(1,363)</b>  | <b>(1,902)</b>              | (522)   | (901)  | (1,423)                     | (1,107) | (1,861) | (2,968) |
| <b>(Loss)/profit before finance costs and tax</b>                                |                             | <b>3,334</b> | <b>(75,369)</b> | <b>(72,035)</b>             | 6,772   | (674)  | 6,098                       | 10,950  | 18,988  | 29,938  |
| Finance costs  |                             | (38)         | (153)           | (191)                       | (33)    | (134)  | (167)                       | (60)    | (242)   | (302)   |
| <b>(Loss)/profit before tax</b>  |                             | <b>3,296</b> | <b>(75,522)</b> | <b>(72,226)</b>             | 6,739   | (808)  | 5,931                       | 10,890  | 18,746  | 29,636  |
| Tax  |                             | (387)        | 96              | (291)                       | (476)   | 41     | (435)                       | (967)   | 237     | (730)   |
| <b>Net (loss)/profit for the period and total comprehensive (expense)/income</b> |                             | <b>2,909</b> | <b>(75,426)</b> | <b>(72,517)</b>             | 6,263   | (767)  | 5,496                       | 9,923   | 18,983  | 28,906  |
| <b>(Losses)/earnings per ordinary share (pence)</b>                              | 3                           | <b>1.57</b>  | <b>(40.60)</b>  | <b>(39.03)</b>              | 3.09    | (0.38) | 2.71                        | 4.89    | 9.36    | 14.25   |

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the European Union.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The amounts dealt with in the Statement of Comprehensive Income are all derived from continuing activities.

The notes to follow form part of these financial statements.



## Statement of Changes in Equity for the half year ended 31 May 2020

| (Unaudited) Half year ended 31 May 2020                       |                                     |   |                                      |  |                              |                             |                          |
|---|-------------------------------------|---|--------------------------------------|--|------------------------------|-----------------------------|--------------------------|
| Notes   | Called up<br>share capital<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Share<br>premium<br>reserve<br>£'000 | Special<br>distributable<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>Equity<br>£'000 |
| <b>Total equity at 1 December 2019</b>                        | 10,139                              | 251                                       | 55,854                               | 139,235                                      | 86,452                       | 9,239                       | 301,170                  |
| <b>Total comprehensive (expense)/income:</b>                  |                                     |   |                                      |  |                              |                             |                          |
| (Loss)/profit for the half year ended 31 May 2020             | –                                   | –   | –                                    | –  | (75,426)                     | 2,909                       | (72,517)                 |
| <b>Transactions with owners, recorded directly to equity:</b> |                                     |   |                                      |  |                              |                             |                          |
| Shares bought back and held in treasury                       | 5                                   | –   | –                                    | (310)  | –                            | –                           | (310)                    |
| Shares bought back to treasury pursuant to tender offer       | 5                                   | –   | –                                    | (81,573)                                     | –                            | –                           | (81,573)                 |
| Equity dividends paid   |                                     | –   | –                                    | –  | –                            | (4,055)                     | (4,055)                  |
| <b>Total equity at 31 May 2020</b>                            | <b>10,139</b>                       | <b>251</b>                                | <b>55,854</b>                        | <b>57,352</b>                                | <b>11,026</b>                | <b>8,093</b>                | <b>142,715</b>           |
| (Unaudited) Half year ended 31 May 2019                       |                                     |   |                                      |  |                              |                             |                          |
| Notes   | Called up<br>share capital<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Share<br>premium<br>reserve<br>£'000 | Special<br>distributable<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>Equity<br>£'000 |
| <b>Total equity at 1 December 2018</b>                        | 10,139                              | 251                                       | 55,854                               | 139,235                                      | 67,469                       | 8,036                       | 280,984                  |
| <b>Total comprehensive (expense)/income:</b>                  |                                     |   |                                      |  |                              |                             |                          |
| (Loss)/profit for the half year ended 31 May 2019             | –                                   | –   | –                                    | –  | (767)                        | 6,263                       | 5,496                    |
| <b>Transactions with owners, recorded directly to equity:</b> |                                     |   |                                      |  |                              |                             |                          |
| Equity dividends paid   |                                     | –   | –                                    | –  | –                            | (3,853)                     | (3,853)                  |
| <b>Total equity at 31 May 2019</b>                            | <b>10,139</b>                       | <b>251</b>                                | <b>55,854</b>                        | <b>139,235</b>                               | <b>66,702</b>                | <b>10,446</b>               | <b>282,627</b>           |
| (Audited) Year ended 30 November 2019                         |                                     |   |                                      |  |                              |                             |                          |
| Notes   | Called up<br>share capital<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Share<br>premium<br>reserve<br>£'000 | Special<br>distributable<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>Equity<br>£'000 |
| <b>Total equity at 1 December 2018</b>                        | 10,139                              | 251                                       | 55,854                               | 139,235                                      | 67,469                       | 8,036                       | 280,984                  |
| <b>Total comprehensive income:</b>                            |                                     |   |                                      |  |                              |                             |                          |
| Profit for the year ended 30 November 2019                    | –                                   | –   | –                                    | –  | 18,983                       | 9,923                       | 28,906                   |
| <b>Transactions with owners, recorded directly to equity:</b> |                                     |   |                                      |  |                              |                             |                          |
| Equity dividends paid   |                                     | –   | –                                    | –  | –                            | (8,720)                     | (8,720)                  |
| <b>Total equity at 30 November 2019</b>                       | <b>10,139</b>                       | <b>251</b>                                | <b>55,854</b>                        | <b>139,235</b>                               | <b>86,452</b>                | <b>9,239</b>                | <b>301,170</b>           |

The notes to follow form part of these financial statements.

## Balance Sheet as at 31 May 2020

|   | Notes | (Unaudited)<br>31 May 2020<br>£'000 | (Unaudited)<br>31 May 2019<br>£'000 | (Audited)<br>30 November 2019<br>£'000 |
|---|-------|-------------------------------------|-------------------------------------|--|
| <b>Non-current assets</b>                             |       |                                     |                                     |  |
| Investments held at fair value through profit or loss |       | 152,736                             | 276,578                             | 313,605                                |
| <b>Current assets</b>                                 |       |                                     |                                     |  |
| Receivables   |       | 632                                 | 972                                 | 807                                    |
| Overseas tax recoverable                              |       | 275                                 | 331                                 | 316                                    |
| Cash and cash equivalents                             |       | 8,207                               | 20,229                              | 4,175                                  |
|   |       | <b>9,114</b>                        | <b>21,532</b>                       | <b>5,298</b>                           |
| <b>Total assets</b>                                   |       | <b>161,850</b>                      | <b>298,110</b>                      | <b>318,903</b>                         |
| <b>Current liabilities</b>                            |       |                                     |                                     |  |
| Payables  |       | (1,516)                             | (483)                               | (2,858)                                |
| Bank overdraft  |       | (119)                               | -                                   | (4,875)                                |
| Bank loan   |       | (17,500)                            | (15,000)                            | (10,000)                               |
|   |       | <b>(19,135)</b>                     | <b>(15,483)</b>                     | <b>(17,733)</b>                        |
| <b>Net assets</b>                                     |       | <b>142,715</b>                      | <b>282,627</b>                      | <b>301,170</b>                         |
| <b>Equity attributable to equity shareholders</b>     |       |                                     |                                     |  |
| Called up share capital                               |       | 10,139                              | 10,139                              | 10,139                                 |
| Capital redemption reserve                            |       | 251                                 | 251                                 | 251                                    |
| Share premium reserve                                 |       | 55,854                              | 55,854                              | 55,854                                 |
| Special distributable reserve                         |       | 57,352                              | 139,235                             | 139,235                                |
| Capital reserves                                      |       | 11,026                              | 66,702                              | 86,452                                 |
| Revenue reserve                                       |       | 8,093                               | 10,446                              | 9,239                                  |
| <b>Total equity</b>                                   |       | <b>142,715</b>                      | <b>282,627</b>                      | <b>301,170</b>                         |
| Net asset value per ordinary share (pence)            | 4     | 115.77                              | 139.38                              | 148.52                                 |

The notes to follow form part of these financial statements.

Robert Kyprianou

Chairman  
2 July 2020

## Cash Flow Statement for the half year ended 31 May 2020

|   | (Unaudited)<br>Half year ended<br>31 May<br>2020<br>£'000 | (Unaudited)<br>Half year ended<br>31 May<br>2019<br>£'000 | (Audited)<br>Year ended<br>30 November<br>2019<br>£'000 |
|---|---|---|---|
| <b>Cash flows from operating activities</b>                             |   |   |   |
| (Loss)/profit before tax  | (72,226)  | 5,931   | 29,636  |
| Adjustment for non-cash items:  |   |   |   |
| Losses/(gains) on investments held at fair value through profit or loss | 73,406  | (281)   | (20,925)  |
| Scrip dividends received  | -   | -   | (125)   |
| Amortisation on fixed interest securities                               | (70)  | (68)  | (110)   |
| Adjusted profit before tax  | 1,110   | 5,582   | 8,476   |
| Adjustments for:  |   |   |   |
| Purchases of investments, including transaction costs                   | (67,295)  | (26,732)  | (76,222)  |
| Sales of investments, including transaction costs                       | 152,540   | 37,524  | 73,210  |
| Decrease/(increase) in receivables                                      | 340   | (130)   | 65  |
| Increase/(decrease) in payables   | 781   | 27  | (10)  |
| Overseas tax deducted at source   | (250)   | (552)   | (862)   |
| <b>Net cash generated from operating activities</b>                     | <b>87,226</b>   | <b>15,719</b>   | <b>4,657</b>  |
| <b>Cash flows from financing activities</b>                             |   |   |   |
| Shares repurchased from tender offer into treasury                      | (81,573)  | -   | -   |
| Shares repurchased into treasury  | (310)   | -   | -   |
| Loan repaid   | (5,000)   | -   | (15,000)  |
| Loan drawn  | 12,500  | -   | 10,000  |
| Equity dividends paid   | (4,055)   | (3,853)   | (8,720)   |
| <b>Net cash used in from financing activities</b>                       | <b>(78,438)</b>   | <b>(3,853)</b>  | <b>(13,720)</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             | <b>8,788</b>  | <b>11,866</b>   | <b>(9,063)</b>  |
| <b>Cash and cash equivalents at the beginning of the period</b>         | <b>(700)</b>  | <b>8,363</b>  | <b>8,363</b>  |
| <b>Cash and cash equivalents at the end of the period</b>               | <b>8,088</b>  | <b>20,229</b>   | <b>(700)</b>  |

The notes to follow form part of these financial statements.

## Notes to the Financial Statements for the half year ended 31 May 2020

### 1 General Information

The financial statements comprise the unaudited results for Polar Capital Global Financials Trust Plc for the six-month period to 31 May 2020.

The unaudited financial statements to 31 May 2020 have been prepared using the accounting policies used in the Company's financial statements to 30 November 2019. These accounting policies are based on International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Accounting Standards Committee ("IASC"), as adopted by the European Union.

The financial information in this half year Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The financial information for the periods ended 31 May 2020 and 31 May 2019 has not been audited. The figures and financial information for the year ended 30 November 2019 are an extract from the latest published accounts and do not constitute statutory accounts for that year. Full statutory accounts for the year ended 30 November 2019, prepared under IFRS, including the report of the auditors which was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies.

The Company's accounting policies have not varied from those described in the financial statements for the year ended 30 November 2019. The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand pounds (£'000), except where otherwise stated.

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements. The Board continually monitors the financial position of the Company and in connection with the new risks presented by COVID-19, we have revised the stress-testing which was undertaken during corporate action process in relation to the material uncertainty ahead of the Tender Offer being proposed. These tests included a revised five-year cash flow forecast which demonstrated the Company's ability to meet its short-term and long-term obligations. Having carried out the revised tests, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial results of the Company. The assets of the Company comprise mainly of securities that are readily realisable and accordingly, the Company have adequate financial resources to meet their liabilities as and when they fall due and to continue in operational existence for the foreseeable future. See Corporate Matters section above for further details.

### 2 Dividends and Other Income

|   | (Unaudited)<br>For the half<br>year ended<br>31 May<br>2020<br>£'000 | (Unaudited)<br>For the half<br>year ended<br>31 May<br>2019<br>£'000 | (Audited)<br>For the<br>year ended<br>30 November<br>2019<br>£'000 |
|---|--|--|--|
| <b>Investment income</b>                            |  |  |  |
| <b>Revenue:</b>                                     |  |  |  |
| UK dividends  | 358  | 969  | 1,763  |
| Overseas dividends                                  | 3,080  | 5,737  | 9,028  |
| Scrip dividends                                     | -  | -  | 125  |
| Interest on debt securities                         | 428  | 570  | 1,105  |
| <b>Total investment income allocated to revenue</b> | <b>3,866</b>   | <b>7,276</b>   | <b>12,021</b>  |

|                                     |          |           |           |
|-------------------------------------|----------|-----------|-----------|
| <b>Other operating income</b>       |          |           |           |
| Bank interest                       | 7        | 18        | 35        |
| Interest on tax receivable          | -        | -         | 1         |
| <b>Total other operating income</b> | <b>7</b> | <b>18</b> | <b>36</b> |

### 3 (Losses)/earnings per Ordinary Share

|  | (Unaudited)<br>For the half<br>year ended<br>31 May<br>2020<br>£'000 | (Unaudited)<br>For the half<br>year ended<br>31 May<br>2019<br>£'000 | (Audited)<br>For the<br>year ended<br>30 November<br>2019<br>£'000 |
|--|--|--|--|
| <b>Basic (losses)/earnings per share</b>                     |  |  |  |
| Net (loss)/profit for the period:                            |  |  |  |
| Revenue  | 2,909  | 6,263  | 9,923  |
| Capital  | (75,426)   | (767)  | 18,983   |
| <b>Total</b>   | <b>(72,517)</b>  | <b>5,496</b>   | <b>28,906</b>  |
| Weighted average number of shares in issue during the period | <b>185,764,936</b>   | 202,775,000  | 202,775,000  |
| <b>Basic – ordinary shares (pence)</b>                       |  |  |  |
| Revenue  | 1.57p  | 3.09p  | 4.89p  |
| Capital  | (40.60)p   | (0.38)p  | 9.36p  |
| <b>Total</b>   | <b>(39.03)p</b>  | <b>2.71p</b>   | <b>14.25p</b>  |

As at 31 May 2020 there were no potentially dilutive shares in issues (31 May 2019 and 30 November 2019: same).

### 4 Net Asset Value per Ordinary Share

|  | (Unaudited)<br>For the half<br>year ended<br>31 May<br>2020 | (Unaudited)<br>For the half<br>year ended<br>31 May<br>2019 | (Audited)<br>For the<br>year ended<br>30 November<br>2019 |
|--|---|---|---|
| Net assets attributable to ordinary shareholders (£'000) | <b>142,715</b>  | 282,627   | 301,170   |
| Ordinary shares in issue at end of period                | <b>123,270,765</b>  | 202,775,000   | 202,775,000   |
| Net asset value per ordinary share (pence)               | <b>115.77</b>   | 139.38  | 148.52  |

As at 31 May 2020 there were no potentially dilutive shares in issues (31 May and 30 November 2019: same).

## 5 Share Capital

During the six months ended 31 May 2020, the Company bought back 345,000 ordinary shares to be held in treasury (31 May 2019 and 30 November 2019: nil) for a total consideration of £310,000 (31 May 2019 and 30 November 2019: nil). In addition to this, as part of the share tender offer on 22 April 2020, 79,159,235 ordinary shares were bought back and held in treasury for a total consideration of £81,573,000 including costs. Subsequent to the period end, 25,000 ordinary shares were repurchased into treasury at a price of 110.25p per share. Following this, the company's issued share capital consists of 202,775,000 ordinary shares of which, 79,529,235 are held in treasury. The total voting rights of the Company stands at 123,245,765 ordinary shares.

## 6 Dividends

The first interim dividend for the year ending 30 November 2020 was declared on 30 June 2020 and will be paid on 28 August 2020; it is anticipated that the second interim dividend for the year ending 30 November 2020 will be declared in or around December 2020 and will be paid on 28 February 2021.

## 7 Related Party Transactions

There have been no related party transactions that have materially affected the financial position or the performance of the Company during the six month period to 31 May 2020.

## 8 Post Balance Sheet Events

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global health emergency on the 30th January 2020, has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Board and Manager continue to monitor developments relating to COVID-19 and the impact on investment performance in line with the investment objectives.

Subsequent to the half year end, the net asset value per share of the Company has increased by 4.0% from 115.8p to 120.4p and the Company's share price has increased by 2.1% from 106.8p to 109.0p as at 30 June 2020.

Polar Capital, the appointed Investment Manager, is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, UK government and general pandemic response best practice.

## Company Information

### History

The Company was incorporated on 17 May 2013. On 1 July 2013 it issued 153m ordinary shares plus one subscription share for every five ordinary shares which were admitted to trading on the Main Market of the London Stock Exchange. In accordance with the Company's original prospectus, on 31 July 2017 the subscription shares matured and were exercised at 115p per subscription share. Further, in accordance with the provisions of the Articles of Association a 100% Tender Offer was made to Shareholders on 12 March 2020 ahead of the expected end of fixed life; the Tender Offer closed on 22 April 2020 and it was confirmed that 39.4% of shares were tendered. As a result of the provisions of the Tender Offer proposals, the Articles of Association were changed to remove the fixed life and replace such with five-yearly Tender Offers.

### Capital Structure

At 31 May 2020, the Company had in issue, including shares held in treasury, 202,775,000 (2018: 202,775,000) ordinary shares of 5p each. Investors may purchase ordinary shares through their stockbroker, bank, investment platform or other financial intermediary.

### Investment Objective

The Company's investment objective is to generate for investors a growing dividend income together with capital appreciation.

### Investment Policy

The Company seeks to achieve its objective by investing primarily in a global portfolio consisting of listed or quoted securities issued by companies in the financials sector operating in the banking, insurance, property and other sub-sectors. The portfolio is diversified by factors including geography, industry sub-sector and stock market capitalisation. Full details of the investment policy are set out in the Annual Report.

### Benchmark

The Company's Benchmark was changed on 23 April 2020 to MSCI ACWI Financials Net Total Return Index (in Sterling) due to the Company's exposure to Emerging Market financials equities and its limited exposure to real estate equities. Prior to this the Company's Benchmark was MSCI World Financials + Real Estate (RE) Index, total return in Sterling (with dividends reinvested). From inception to 31 August 2016 the benchmark was the MSCI World Financials Index (in sterling with dividends reinvested), which included Real Estate as a constituent until its removal that year. Benchmark data illustrates linked performance of these benchmarks.

### Gearing and Use of Derivatives

In line with the Articles of Association, the Company may employ borrowing from time to time with the aim of enhancing returns, subject to a maximum of 20% of net assets at the time the relevant borrowing is taken out. During the period under review, the Company had an arrangement with ING Bank NV for bank loans of £30m to be made available, of which £17.5m had been drawn down at the period end. Since the period end, the Company has agreed to enter into replacement arrangements with ING Bank NV, when the current facilities expire, for a one-year revolving credit facility in the amount of £12.5m, and a one year term loan for £10m. The Company may invest through equities, index-linked, equity-linked and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions, forward transactions, index options and other interests including derivative instruments. Forward transactions, derivatives (including put and call options on individual positions and indices) and participation notes may be used to gain exposure to the securities of companies falling within the Company's investment policy or to seek to generate income from the Company's position in such securities, as well as for efficient portfolio management.

### Management Fees

The Investment Manager is entitled to a fee at the rate of 0.70% per annum of the Company's net asset value. 80% of the management fee is charged to the capital account and the remaining 20% to income.

The Investment Manager may also be entitled to a performance fee paid in cash. With effect from 23 April 2020, the fee is calculated daily and equal to 10% of the excess return over the performance fee hurdle. The hurdle is 102.8p increased or decreased by reference to the return on the Benchmark plus 1.5% per annum, compounded annually. The performance is adjusted for these purposes to take into account the dividends paid by the Company. The fee is calculated and payable at the next tender offer. In respect of the period ended 31 May 2020, a total of £573,000 had been accrued in relation to the performance fee.

## Contact Information

### Directors

Robert Kyprianou, Chairman  
Simon Cordery (appointed on 1 July 2019)  
Joanne Elliott  
Katrina Hart

### Company Registration Number

8534332 (Registered in England)  
The Company is an investment company as defined under Section 833 of the Companies Act 2006.

### Investment Manager and AIFM

**Polar Capital LLP**  
16 Palace Street London SW1E 5JD  
Authorised and regulated by the Financial Conduct Authority.  
Telephone: 020 7227 2700 [www.polarcapital.co.uk](http://www.polarcapital.co.uk)

### Fund Managers

Mr Nick Brind and Mr John Yakas

### Secretary

**Polar Capital Secretarial Services Limited**  
represented by Tracey Lago, FCG

### Registered Office

16 Palace Street London SW1E 5JD

### Independent Auditors

**PricewaterhouseCoopers LLP**  
Atria One 144 Morrison Street Edinburgh EH3 8EX

### Solicitors

**Herbert Smith Freehills LLP**  
Exchange House Primrose Street London EC2A 2HS

### Stockbrokers

**Stifel Nicolaus**  
150 Cheapside, London EC2V 6ET

### Depository, Bankers and Custodian

**HSBC Bank Plc**  
8 Canada Square London E14 5HQ

### Registrars

**Equiniti Limited**  
Aspect House Spencer Road Lancing West Sussex  
BN99 6DA  
Shareholder helpline 0371 384 2476 (or +44 121 415 7047)  
[www.shareview.co.uk](http://www.shareview.co.uk)

Shareholders who have their shares registered in their own name, not through a share savings scheme or ISA, can contact the registrars with any queries on their holding. Post, telephone and Internet contact details are given above.

In correspondence you should refer to Polar Capital Global Financials Trust plc, stating clearly the registered name and address and if available, the full account number.

### Identification Codes

**Ordinary shares**  
SEDOL: B9XQT11 ISIN: GB00B9XQT119 TICKER: PCFT  
GIIN: 8KP5BT.99999.SL.826  
LEI: 549300G5SWN8EP2P4U41  
Website: [www.polarcapitalglobalfinancialstrust.co.uk](http://www.polarcapitalglobalfinancialstrust.co.uk)



The company is listed on the main market of the London Stock Exchange as a Premium Equity Closed Ended Investment Fund and is a member of the Association of Investment Companies  
[www.theaic.co.uk](http://www.theaic.co.uk)

### Forward-looking Statements

Certain statements included in this half year Report contain forward-looking information concerning the Company's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Company operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the principal risks and uncertainties included in the Annual Report for the financial year ended 30 November 2019. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Global Financials Trust plc or any other entity and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.