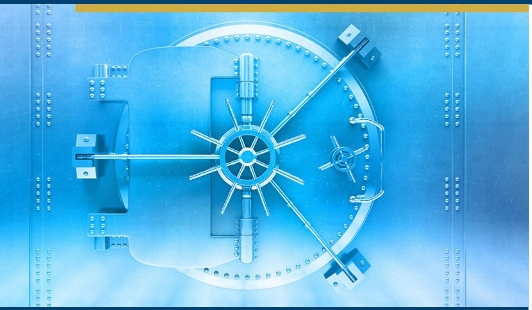
31 August 2022

# Polar Capital Global Financials Trust plc



## Trust Fact Sheet

### Ordinary Shares

| | |
|---|---|
| Share Price | 147.00p |
| NAV per share | 159.49p |
| Premium | - |
| Discount | -7.83% |
| Capital | 329,774,000 shares of 5p* |

*Excluding Ordinary shares held in treasury

### Assets & Gearing [1]

| | |
|---|---|
| Total Net Assets | £525.9m |
| AIC Gearing Ratio | n/a |
| AIC Net Cash Ratio | 0.39% |

### Fees

| | |
|---|---|
| Management | 0.70% |
| Performance | 10.00% |
| Ongoing Charges | 1.02% |

### Historic Yield (%) [2] 2.99

### Dividends (pence per share)

| | |
|---|---|
| August 2022 | 2.40 |
| February 2022 (Paid) | 2.00 |
| August 2021 (Paid) | 2.40 |
| February 2021 (Paid) | 2.00 |

### Fund Managers

**Nick Brind**
Fund Manager
Nick has co-managed the Trust since launch, he joined Polar Capital in 2010 and has 28 years of industry experience.

ALPHA MANAGER 2020
John Yakas

**John Yakas**
Fund Manager
John has co-managed the Trust since launch, he joined Polar Capital in 2010 and has 34 years of industry experience.

**George Barrow**
Fund Manager
George has co-managed the Trust since 2020, he joined Polar Capital in 2010 and has 14 years of industry experience.

### Fund Ratings

Kepler INCOME RATING

Ratings are not a recommendation.

## Trust Profile

### Investment Objective

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

### Key Facts

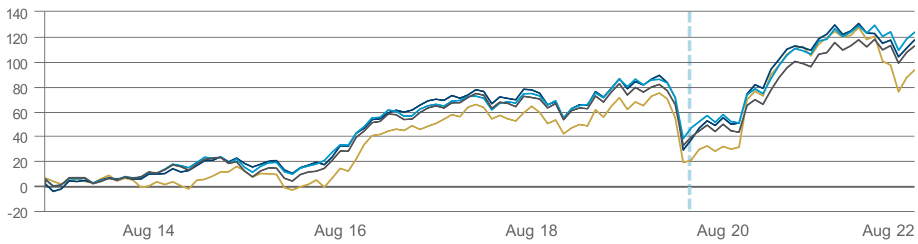
- The only UK-listed Investment Trust solely focused on financials
- Twin objectives of growing investors' dividend income and capital
- A broad, global multi-cap remit
- Large dedicated investment team with over 95 years of experience in the sector

### Investment Policy

The Company will seek 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.

## Performance

### Performance Since Launch (%)




| | 1m | 3m | YTD | 1yr | 3yrs | Since Tender[6] | Since Launch |
|---|---|---|---|---|---|---|---|
| Ordinary Share Price (TR) | 3.24 | -2.03 | -12.60 | -9.73 | 19.52 | 61.42 | 93.14 |
| NAV per Share (TR) | 3.11 | 0.04 | -3.24 | -0.47 | 21.96 | 66.38 | 117.26 |
| Benchmark (NTR) | 2.53 | -0.16 | -0.06 | 3.20 | 24.29 | 59.03 | 123.44 |
| MSCI ACWI Financials (NTR) | 2.53 | -0.16 | -0.06 | 3.20 | 22.69 | 59.03 | 112.44 |

### Discrete Annual Performance (%)

| | Financial YTD | 31.08.21 31.08.22 | 28.08.20 31.08.21 | 30.08.19 28.08.20 | 31.08.18 30.08.19 | 31.08.17 31.08.18 |
|---|---|---|---|---|---|---|
| Ordinary Share Price (TR) | -12.09 | -9.73 | 62.24 | -18.39 | -1.52 | 9.14 |
| NAV per Share (TR) | -2.02 | -0.47 | 40.88 | -13.02 | 0.51 | 4.42 |
| Benchmark (NTR) | 1.55 | 3.20 | 37.53 | -12.43 | 3.13 | 5.19 |
| MSCI ACWI Financials (NTR) | 1.55 | 3.20 | 37.53 | -13.56 | 1.18 | 4.08 |

**Performance relates to past returns and is not a reliable indicator of future returns.**
Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, Net of Fees in GBP terms. The Net Asset Value (NAV) at launch was 98.0p per ordinary share based on the subscription price of 100.0p per ordinary share and launch costs of 2.0p per ordinary share.
1. Gearing calculations are exclusive of current year revenue.
2. The Historic Yield reflects distributions declared over the past twelve months as a percentage of the share price, as at the date of this fact sheet. It does not include any initial charge and investors may be subject to tax on their distributions.
3. Ordinary share price (TR) is calculated by reinvesting dividends at relevant ex-dividend dates, not taking into account returns shareholders would have received from the subscription shares issued at launch. Please note subscription shares were subject to a single exercise date being 31 July 2017.
4. Benchmark data above illustrates linked performance of the following benchmarks utilised by the Trust: Launch to 31 August 2016: MSCI World Financials Index; 1 September 2016 to 22 April 2020: MSCI World Financials + Real Estate Index; and since 23 April 2020: MSCI ACWI Financials. All indices are net total return (£).
5. The performance of the MSCI ACWI Financials Net Total Return Index (£) excluding Real Estate prior to August 2016 is shown for illustrative purposes only.
6. The tender offer carried out on 22 April 2020 following approval to extend the Company's life indefinitely is represented by the blue dotted line on the performance graph. From 23 April 2020 the performance fee is calculated on outperformance of the benchmark index +1.5% per annum, compounded annually.

**Risk Warning** Your capital is at risk. You may not get back the full amount you invested. Please note the Important Information at the end of this document and the Investment Policy and full Risk Warnings set out in the Prospectus, Annual Report and/or Investor Disclosure Document.

FE Alpha Manager Ratings do not constitute investment advice offered by FE and should not be used as the sole basis for making any investment decision. 

# Portfolio Exposure

As at 31 August 2022

## Top 10 Positions (%)

| | |
|---|---|
| Bank of America | 4.4 |
| Chubb | 3.9 |
| HDFC Bank | 3.9 |
| JPMorgan | 3.7 |
| Wells Fargo | 3.4 |
| Berkshire Hathaway | 3.3 |
| DBS Group | 2.5 |
| HSBC | 2.4 |
| PNC | 2.3 |
| AIA Group | 2.1 |
| **Total** | **31.8** |

**Total Number of Positions** **82**

**Active Share** **65.65%**

## Market Capitalisation Exposure (%)

| | |
|---|---|
| Large (>US$ 5 bn) | 89.2 |
| Medium (US$0.5 bn - 5 bn) | 9.3 |
| Small (<US$ 0.5 bn) | 1.6 |

## Trust Characteristics

| | |
|---|---|
| Launch Date | 01 July 2013 |
| Year End | 30 November |
| Results Announced | Late Jan/Feb |
| Next AGM | March-May |
| Trust Term | No fixed life; 5 yearly tender offers |
| Next Tender Offer | 30 June 2025 |
| Listed | London Stock Exchange |

## Benchmark

MSCI ACWI Financials Net Total Return Index (in Sterling)

## Codes

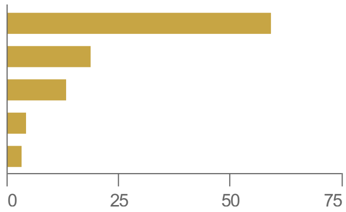
**Ordinary Shares**

| | |
|---|---|
| ISIN | GB00B9XQT119 |
| SEDOL | B9XQT11 |
| London Stock Exchange | PCFT |

**Discount Warning** The shares of investment trusts may trade at a discount or a premium to Net Asset Value for a variety of reasons including market sentiment and market conditions. On a sale you could realise less than the Net Asset Value and less than you initially invested.

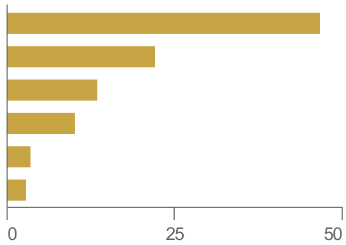
## Sector Exposure (%)

| | |
|---|---|
| Banks | 59.3 |
| Insurance | 18.8 |
| Diversified Financials | 13.7 |
| Software & Services | 4.6 |
| Fixed Income | 3.7 |




## Geographic Exposure (%)

| | |
|---|---|
| North America | 46.9 |
| Asia Pac (ex-Japan) | 22.4 |
| Europe | 13.6 |
| UK | 10.2 |
| Fixed Income | 3.7 |
| Japan | 3.1 |




The entire investment portfolio is published in the annual and half year report as well as being announced to the London Stock Exchange on a quarterly basis.

Note: Totals may not sum due to rounding. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.

# Investing in the Trust and Shareholder Information

## Market Purchases

The ordinary shares are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary.

## Share Dealing Services

Details of the different ways of dealing in the company's shares are given on the website. Equiniti, the company's registrars provide an internet share sale service.

**Telephone** 0800 876 6889
**Online** www.shareview.co.uk

## Corporate Contacts

Registered Office and Website
16 Palace Street, London SW1E 5JD
www.polarcapitalglobalfinancialstrust.com

Registrar
Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA
www.shareview.co.uk

Custodian
HSBC Plc is the Depositary and provides global custody of all the company's investments.

# Fund Managers' Comments

Financials markets fell in August as a rally on lower-than-expected July US inflation and better-than-expected jobs data gave way to weakness by month-end, as Fed Chair Jerome Powell reiterated the Fed's commitment to restoring price stability in a hawkish speech at Jackson Hole. Sterling fell, offsetting the falls in equity markets with the result that the Trust's net asset value rose 3.1%, while our benchmark index, the MSCI ACWI Financials Index, rose 2.5%. The outperformance was due to our holdings in Asia and UK non-life insurance holdings, partly offset by weakness in payment companies and an underweight in Latin America.

## US financials

Against this background, US financials were relatively resilient, rising 2.7% over the month. Powell's remarks reinforced the perception that they were committed to reducing inflation and willing to slow growth in order to achieve it. References to the longer-run policy outlook signalled the Fed's willingness to keep rates higher for longer with front-end rates rising and building in an increased probability of a 75bps hike next month. While the Fed's preferred measure of inflation (core PCE) eased in July (4.6%), largely reflecting a fall in petrol prices, it remains well in excess of their comfort level and data pointed to sustained tightness in the labour market.

Data released in August highlighted solid asset quality trends at US banks (delinquencies -5bps q/q to 1.19%, an all-time low) but the increase in early-stage delinquencies at certain sub-prime lenders where the Trust has no exposure could signal a broader weakening in asset quality, from the current very benign levels. We are confident in our US bank holdings' ability to weather a weaker macro environment given balance sheet strength and an absence of a lending boom, and loosening credit controls, which typically precedes a turn in the cycle. However, in light of increased macro risks, we reduced exposure to certain bank holdings, primarily SMID cap, during the month.

## Asian financials

Asian financials rose 3.7% in August. Although the overall macro environment remains resilient there are a few signs of pressures ahead with exports plateauing in number of countries, primarily those reliant on semiconductors or China-related exports with north Asia most likely to be impacted. Commodity exporting countries such as Indonesia and Malaysia have seen more resilient export trends although the fall in freight rates globally is not a good omen for exports from the region (i.e., less demand from the west). Inflation is edging higher and most countries are continuing the path of raising interest rates although there is as yet little impact on domestic consumption.

As in Europe, tourism is recovering strongly in those markets with few Covid restrictions (such as Thailand and Vietnam) and remittance inflows are also recovering (from offshore labour, a particular benefit for the Philippines) which, together with strong commodity prices, is helping to offset some of the pressures of the strong dollar. China remains the principal concern although the weak domestic economy will be helped by recent government stimulus measures – going against the trend, China cut interest rates during the month. Our preferred markets from a macro perspective remain India, Indonesia and Vietnam.

The Asian bank results season was also reasonable with net interest margins rising in most countries. There is little pressure on asset quality and most sectors are going into a potential global downturn well reserved and with strong capital positions. China and Hong Kong have been the exceptions, with the former seeing pressure on margins and the latter having weak loan demand and upward pressures on non-performing loans, albeit from very low levels, as Covid restrictions continue to impact domestic economies.

Valuations are undemanding except in our three preferred markets of India, Indonesia and Vietnam, which limits our room to raise exposure further. Equally, there are fewer of the concerns which have driven a reduction in our bank exposure in the US and Europe due to the severe energy-related pressures on consumers – most Asian markets have always been more proactive in managing energy prices to the consumer – or asset quality worries so far.

## European financials

European financials underperformed over the month, rising by 1.1%, affected by FX movements with sterling seeing particular pressure, as highlighted above. The region has seen relatively large downgrades to consensus growth estimates (Eurozone 2023 GDP -170bps ytd to 0.8%) affected by rising gas prices with the euro's annual energy import costs increasing to €800bn (6.4% of GDP) compared to €200bn (1.6% of GDP) in 1Q22. While European gas storage levels have risen ahead of targets, the region is still exposed to a complete halt of Russian gas supply which could necessitate energy rationing and a more pronounced slowdown in economic activity.

European banks reported solid second quarter results, which, along with higher interest rate expectations, led to earnings upgrades on the back of higher net interest income, which has more than offset higher provisioning expectations. However, in light of Europe's vulnerability to the energy crisis, we have taken a more cautious approach and have reduced our exposure to the region, notwithstanding there is the potential for greater government intervention to mitigate the impact on the consumer.

## Outlook

Looking forward we remain very constructive on the outlook for the sector on any meaningful timeframe, with valuations towards the bottom end of their post-global financial crisis historical range. For example, using 2023 estimates, banks now trade on a 7.9x price to earnings ratio while insurers are on 9.8x, both well below the 14.7x that global equity markets are valued at using MSCI data. Nevertheless, we have reduced the Trust's gearing in expectation of continued volatility in the shorter term and wait for an improvement in the outlook before adding risk again.

Nick Brind, John Yakas & George Barrow

7 September 2022

*It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.*

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**Investor Rights** A summary of investor rights associated with an investment in the Company can be requested via email by contacting Investor-Relations@polarcapitalfunds.com.

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**Benchmarks** The following benchmark index is used: MSCI ACWI Financials Net Total Return Index (in Sterling). This benchmark is generally considered to be representative of the Financial Equity universe. This benchmarks is a broad-based index which is used for comparative/illustrative purposes only and has been selected as it is well known and is easily recognizable by investors. Please refer to www.msci.com for further information on these indices. Comparisons to benchmarks have limitations as benchmark's volatility and other material characteristics may differ from the Company. Security holdings, industry weightings and asset allocation made for the Company may differ significantly from the benchmark. Accordingly, investment results and volatility of the Fund may differ from those of the benchmark. The indices noted in this document are unmanaged, are unavailable for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the Fund may incur. The performance of the indices reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance. Information regarding indices is included merely to show general trends in the periods indicated, it is not intended to imply that the Fund is similar to indices in composition or risk. The benchmark used to calculate the performance fee is provided by an administrator on the ESMA register of benchmarks which includes details of all authorised, registered, recognised and endorsed EU and third country benchmark administrators together with their national competent authorities.

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