

## Trust Fact Sheet

31 May 2019



### Trust Facts

#### Ordinary Shares

Share Price	132.00p
NAV per share	139.34p
Premium	-
Discount	-5.27%
Capital	202,775,000 shares of 5p

#### Assets & Gearing <sup>1</sup>

Total Net Assets	£282.5m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	1.78%

**Historic Yield (%)<sup>2</sup> 3.14**

#### Dividends (p/share)

February 2019 (paid)	1.90
July 2018 (paid)	2.25
February 2018 (paid)	1.80
July 2017 (paid)	2.10

#### Benchmark <sup>3</sup>

MSCI World Financials + Real Estate Net Total Return Index

#### Fees <sup>4,5</sup>

Management	0.85%
Performance	10%
Ongoing Charges	0.99%

#### 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.

#### 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.

Subscription shares will have a dilutive effect on ordinary shares when the Net Asset Value (NAV) is greater than the conversion price.

## Company Profile

### Investment Objective

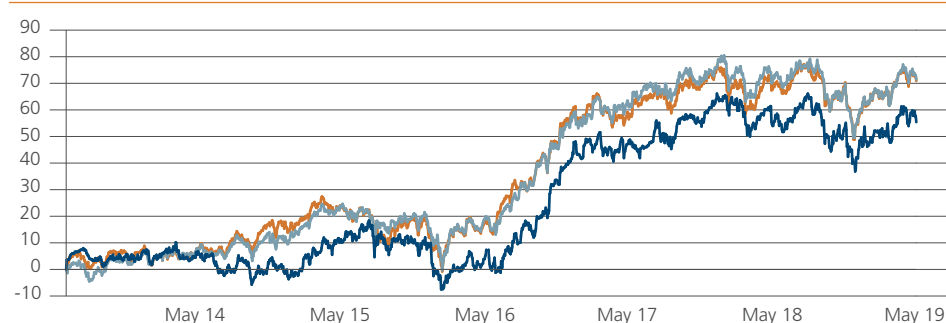
The Company's investment objective is to generate for investors a growing dividend income together with capital appreciation.

### 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 (%)



	1 month	3 month	YTD	1 year	3 years	5 years	Since Launch
■ Ordinary Share Price (TR) <sup>6</sup>	-3.65	3.94	9.38	0.92	48.09	46.02	55.40
■ NAV per Share (TR)	-2.57	3.67	10.74	0.59	43.82	59.99	71.41
■ Benchmark <sup>3</sup>	-2.25	3.79	10.63	1.94	45.18	58.68	70.89

### Discrete Performance (%)

	30.11.18 31.05.19	30.11.17 30.11.18	30.11.16 30.11.17	28.11.15 30.11.16	29.11.14 28.11.15
Ordinary Share Price (TR) <sup>6</sup>	1.51	-1.69	16.66	21.43	6.21
NAV per Share (TR)	2.13	-1.60	16.40	22.17	5.23
Benchmark <sup>3</sup>	1.39	-0.12	14.20	24.47	0.88

Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, Net of Fees in GBP. The Trust was launched on 1 July 2013. The Net Asset Value (NAV) as at 1 July 2013 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. Past performance is not indicative or a guarantee of future results. The share price performance is adjusted for dividends paid out.

- Gearing calculations are exclusive of current year revenue.
- 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.
- As of August 2016, the MSCI removed Real Estate as a constituent from the MSCI World Financials Index. Benchmark data above illustrates linked performance of the MSCI World Financials Index prior to August 2016 and MSCI World Financials + Real Estate Net Total Return Index since August 2016 to present.
- The performance fee is on any outperformance over a hurdle of the index +1.25 pence per annum. Further details can be found in the Report and Accounts and Prospectus.
- Ongoing charges calculated at the latest published year end date, excluding any performance fees.
- Ordinary share price (TR), calculated by reinvesting dividends at relevant ex-dividend dates, does not take into account returns shareholders would have received from the subscription shares that they were issued with at launch. Please note that the subscription shares issued at the time of launch were subject to a single exercise date being 31 July 2017.

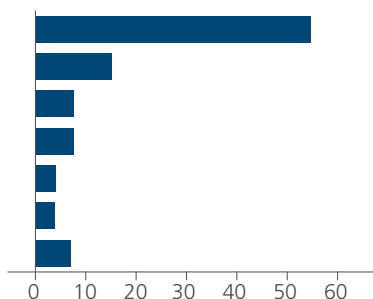
# Polar Capital Global Financials Trust plc

## Portfolio Exposure

As at 31 May 2019

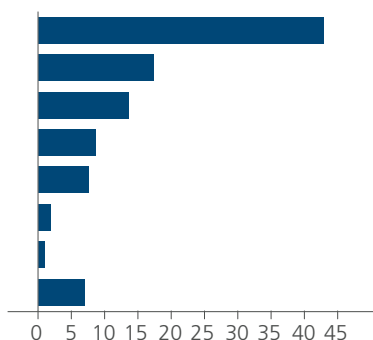
### Sector Exposure (%)

Banks	54.7
Insurance	15.2
Diversified Financials	7.6
Fixed Income	7.6
Real Estate	4.0
Software & Services	3.9
Cash	7.0



### Geographic Exposure (%)

North America	42.9
Europe	17.4
Asia Pacific (ex-Japan)	13.6
UK	8.6
Fixed Income	7.6
Japan	1.9
Eastern Europe	1.0
Cash	7.0



### Top 15 Holdings (%)

JPMorgan	5.3
Bank of America	3.6
Mastercard	3.3
Chubb	3.2
Arch Capital	2.5
Marsh & McLennan	2.3
Toronto-Dominion	2.2
Citizens Financial Group	2.0
US Bancorp	2.0
PNC	2.0
AIA Group	2.0
KBC Groep	1.9
Sumitomo Mitsui Financial	1.9
Wells Fargo	1.8
Sampo	1.8

**Total 37.8**

**Total Number of Positions 69**

### Market Capitalisation Exposure (%)

Large (greater than US\$ 5bn)	79.5
Medium (US\$ 0.5bn - 5bn)	16.2
Small (less than US\$ 0.5bn)	4.3

## Investing in the Trust and Shareholder Information

### Trust Characteristics

Launch Date	01 July 2013
Year End	30 November
Half Year End	31 May
Results Announced	Late Jan/Feb
Next AGM	Late April
Trust Term	Fixed life to May 2020
Listed	London Stock Exchange

### 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.

### Corporate Contacts

#### Registered Office and Website

16 Palace Street, London SW1E 5JD  
[www.polarcapitalglobalfinancialtrust.co.uk](http://www.polarcapitalglobalfinancialtrust.co.uk)

#### Custodian

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

#### Registrar

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA  
[www.shareview.co.uk](http://www.shareview.co.uk)

### Codes

#### Ordinary Shares

ISIN	GB00B9XQT119
SEDOL	B9XQT11
London Stock Exchange	PCFT

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. 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.

Note: Totals may not sum due to rounding.

## Fund Manager Comments

As at 31 May 2019

Financials gave up April's outperformance on the back of the escalation in trade tensions. This led to a sharp sell-off in markets in May with the rhetoric between the US and China heating up while the US threatened to impose tariffs on Mexico until it restrains the flow of migrants. Not surprisingly, against this background financials underperformed, with our benchmark index, the MSCI World Financials + Real Estate index falling by 2.3%. By comparison the Trust's net asset value fell 2.6%.

US, European and Japanese banks fell sharply over the month, albeit Australian banks were the one outlier on the back of the surprise general election win by the Australian conservative party. Reflecting the aforementioned, the biggest detractors over the month included our holdings in the likes of Bank of America, JPMorgan and ING Groep.

Bond yields fell sharply over the month with the yield on US 10-year treasuries falling 38bps to 2.1% with the market now pricing in three interest rate cuts by the end of 2020. Similarly, UK and German 10-year government bond yields fell sharply, with the latter falling into negative territory and at the time of writing have fallen to below the levels they reached in mid-2016.

As a consequence of the fall in government bond yields, our fixed income securities rose over the month contributing to performance as did our real-estate investment trust (REIT) holdings. Nevertheless, our low exposure to REITs was a big drag on performance. Our holdings in non-life insurance contributed positively, with holdings in Arch Capital and Chubb performing well reflecting their defensive characteristics.

During the month we had a positive meeting with First Republic Bank, which has a \$16.4bn market cap and is held in the Trust. The San Francisco-headquartered bank has delivered annualised returns of over 18% since it IPO'd in 2010 by going after high net worth clients to grow its business. Its shares have held up very well in the recent sell-off reflecting its exceptional underwriting track record and a very low-risk approach to lending. In addition to service, with the highest net promoter scores in the industry, it has used novel ways to win new clients which famously include staff from one of its branches setting up a mobile dessert trailer outside the offices of Twitter on the day of its IPO offering free ice creams. We expect the bank to continue to grow strongly as it opens more branches in New York where its market share is a fraction of that in San Francisco.

The weakness in US financials, in particular bank stocks, reflects the concern that with leading indicators weakening, the risk of a full-blown trade war threatens what up to now has remained a relatively benign economic background. In light of the uncertain outlook, we shifted the mix of our US holdings slightly by reducing our exposure in Citigroup while adding to a number of our smaller regional bank holdings which have suffered a sharp derating and are trading at material discounts to their historic multiples despite resilient operating trends.

While European financials underperformed during the month, developments in both Italy (Lega Nord's conflict with the EU escalated after the European Parliament elections) and the UK (Brexit uncertainty related to the Conservative leadership contest) were unhelpful for sentiment. Nevertheless, eurozone lending showed a slight improvement in April with household loans growing 3.4% y/y and corporate loans 3.9% y/y although leading macro indicators continue to point to subdued growth.

In India, our only holding is HDFC Bank having sold our holding in Indiabulls Housing Finance in April. The Indian economy was showing clear signs of a slowdown prior to the election and the higher oil price had started to put pressure on the trade deficit so some caution is warranted and as a result we

have not put new money into India for a while. Growth remains among the best in the region, but valuations are now pricing in a very positive outlook.

We had a better than expected set of results from Ares Capital, one of our business development companies, in May but conversely had a disappointing update from PennantPark Floating Rate Capital, a much smaller holding in the Trust. The latter has had an almost unblemished underwriting track record, but it announced it had written down a number of its loans in the first quarter. However, even taking these losses into account the company has seen on average only 6bps of realised and unrealised losses on its loan portfolio since it IPO'd in 2011 while generating a very attractive yield.

The brief bounce we witnessed in April in the sector was lost as financial markets switched to a risk-off mode in May despite more positive macro data in US and Europe over the month. Sentiment towards the sector remains poor as evidenced by recent conferences where attendance is down sharply and anecdotal stories from sell-side analysts suggest a complete lack of interest from generalist investors.

We have felt for a while that the sell-off in financials (and fall in bond yields) is at odds with the buoyancy in equity markets. Either the sector is overly discounting a downturn that will be short and shallow at worst, which will see the sector bounce, or it is correctly forecasting a much sharper slowdown and equity markets have further to fall. We are likely to find out over the next year which is correct.

**Nick Brind & John Yakas**

10 June 2019

### Fund Managers



**Nick Brind**

**Fund Manager**

Nick has managed the Trust since launch, he joined Polar Capital in 2010 and has 25 years of industry experience.



**John Yakas**

**Fund Manager**

John has managed the Trust since launch, he joined Polar Capital in 2010 and has 31 years of industry experience.

# Polar Capital Global Financials Trust plc

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### Benchmarks

The following benchmark index is used: MSCI World Financials + Real Estate Net Total Return Index. This benchmark is generally considered to be representative of the Financial Equity universe. This benchmark 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](http://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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