Polar Capital Global Financials Trust plc

POLAR CAPITAL

Trust Fact Sheet

31 January 2019

Trust Facts

Ordinary Shares

Share Price	126.50p
NAV per share	133.82p
Premium	-
Discount	-5.47%
Capital	202,775,000 shares of 5p

Assets & Gearing [1]

Total Net Assets	£271.4m
AIC Gearing Ratio	3.91%
AIC Net Cash Ratio	0.00%

Historic Yield (%)[2] **3.20**

Dividends (p/share)

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

Benchmark [3]

MSCI World Financials + Real Estate Net Total Return Index

Fees [4,5]

Management	0.85%
Performance	10%
Ongoing Charges	1.02%

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

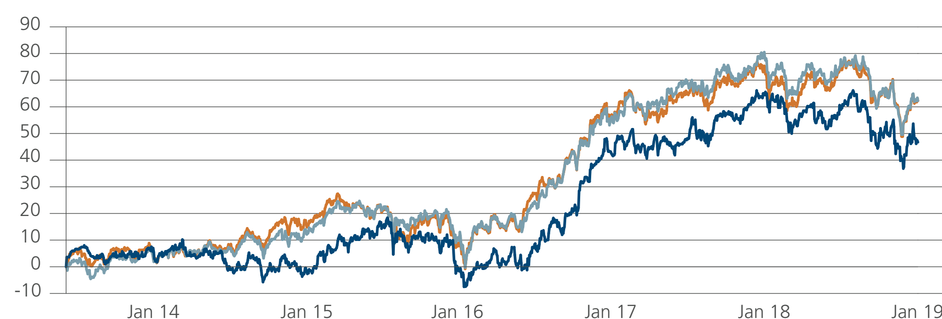
The Company seeks to generate a growing dividend income and capital appreciation by investing primarily in a global portfolio consisting of securities issued by companies within the financials sector operating in the banking, insurance, property and other sub-sectors.

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) [6]	3.26	-2.32	3.26	-11.39	48.45	43.13	46.70
NAV per Share (TR)	4.85	-1.81	4.85	-8.52	43.61	58.36	62.29
Benchmark [3]	5.02	-1.75	5.02	-5.81	45.39	58.07	62.23

Discrete Performance (%)

	30.11.18 31.01.19	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) [6]	-4.17	-1.69	16.66	21.43	6.21
NAV per Share (TR)	-3.31	-1.60	16.40	22.17	5.23
Benchmark [3]	-3.75	-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.

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. 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.
4. 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.
5. Ongoing charges calculated at the latest published year end date, excluding any performance fees.
6. 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.

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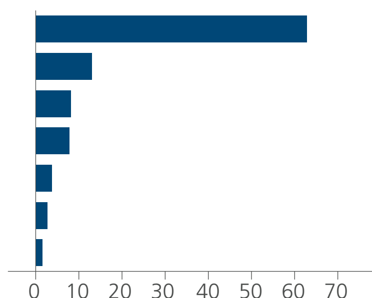
Polar Capital Global Financials Trust plc

Portfolio Exposure

As at 31 January 2019

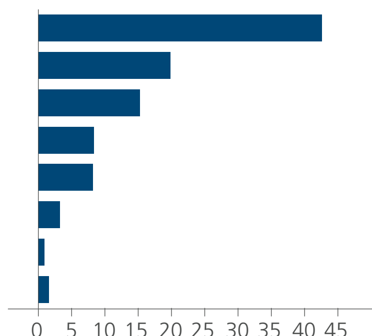
Sector Exposure (%)

Sector	%
Banks	62.9
Insurance	13.0
Fixed Income	8.2
Diversified Financials	7.8
Real Estate	3.8
Software & Services	2.8
Cash	1.6



Geographic Exposure (%)

Region	%
North America	42.6
Europe	19.8
Asia Pacific (ex-Japan)	15.3
UK	8.4
Fixed Income	8.2
Japan	3.3
Eastern Europe	0.9
Cash	1.6



Top 15 Holdings (%)

Holding	%
JPMorgan	5.3
Bank of America	4.2
Chubb	2.9
Mastercard	2.8
Citigroup	2.7
Sumitomo Mitsui Financial	2.4
Wells Fargo	2.3
Toronto-Dominion	2.2
Arch Capital	2.1
Marsh & McLennan	2.1
US Bancorp	2.0
KBC Groep	2.0
PNC	2.0
Oversea-Chinese Banking Corp L	2.0
Sampo	1.9
Total	**38.9**

Total Number of Positions **72**

Market Capitalisation Exposure (%)

Size	%
Large (greater than US$ 5bn)	80.9
Medium (US$ 0.5bn - 5bn)	15.9
Small (less than US$ 0.5bn)	3.2

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.polarcapitalglobalfinancialstrust.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

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 January 2019

January saw a sharp rebound in equity and credit markets, emerging markets aside which made three-month highs though they did not recover all the falls seen in the previous month. Financial shares, in particular US banks, rallied strongly along with real-estate investment trusts while in comparison Australian banks fell over the month and European banks were only marginally higher. Against this background, our benchmark index, the MSCI World Financials + Real Estate Index, rose by 5% and the Trust's net asset value by 4.9%.

The rally in the US equity market was both a reflection of investors not seeing the severity of falls in December as justified and taking advantage of the sell-off, but also less hawkish commentary from the Federal Reserve about the outlook for interest rates and the pace at which it would shrink its balance sheet which had been a big driver of the falls in December. Credit markets have been more in the news recently over concern about where we are in the cycle, but similarly saw a sharp bounce in prices.

Not surprisingly, our biggest contributors to performance were our US holdings, with Bank of America and Citigroup, the largest, reflecting the jump in US bank share prices as described above. Conversely, holdings in India (Indiabulls Housing Finance, an Indian non-bank mortgage lender) and TBC Bank Group, a Georgian bank, were two of the very small number of holdings that fell over the month. The former came under pressure in part due to an allegation of a fraud at Dewan Housing Finance Corp, another Indian non-bank lender not held by the Trust and ongoing worries about liquidity in the non-bank finance sector in India.

At the time of writing the US banks' results season is drawing to a close and was broadly as expected or even marginally better. Encouragingly, net interest margins continued to rise and loan growth appears to have ticked up after considerable slowdown in the first half of 2018. We would expect loan growth to improve further as alternative forms of finance come under greater pressure in an environment where there is less liquidity and the pricing of funding is on a rising trend (banks benefit because of their deposit-focused funding structure).

The Financial Times's influential Lex Column discussing US banks in December stated: "The banks' harshest critics worry that the economy is slowing. If so, that will trigger the dual effects of both the Fed backing off rate rises in 2019 and increasing losses. But the probability of this worst-case scenario does not quite match up with such low equity valuations. Unless one just hates the banks". While we understand investors' caution at this point in the cycle, we have been puzzled by how negative investors are being about the risks.

Asset quality continues to be excellent and in presentations to investors we have repeatedly highlighted the lack of loan growth in the sector as a positive if and when there is another downturn. For example, in the three years prior to 2007, US banks grew their loan balances by around 50% while in the past three years loan growth has been less than 15%. US banks have not been taking on risk. For European banks the figures would be even starker.

Research put out by Autonomous has highlighted the correlation between implied loan losses and the credit-to-GDP gap (ie the degree to which loan growth has exceeded nominal GDP). Not surprisingly the correlation is very high as high loan growth relative to GDP correlates with higher loan losses and vice versa reflecting the exuberance or caution in which banks extend new loans.

The credit-to-GDP gap over the past few years has been negative for most developed countries, ie loan growth has been slower than nominal GDP growth. If the correlation stands then this would suggest there will be no pick-up in loan losses. Comparing the differences in underwriting standards pre and post-financial crisis, think so-called liar loans versus the much more stringent underwriting standards today, a significant deterioration in asset quality would be surprising to say the least.

If this forecast is correct, then the sector currently offers exceptional value. But taking a more conservative view and looking back at recessions over the past 30 years, with the usual caveats about making predictions, then a plausible one for estimating losses that banks would have to endure would be the 2001-02 recession (2008 was a much more severe and exceptional crisis and we do not view it as representative of current conditions). The main driver of higher loan losses during that recession was due to higher corporate defaults which resulted in approximately a doubling of loan losses.

Understandably loan losses are not the only driver of earnings, as they would also be dependent on the move in net interest margins, fee income, loan growth and costs, which would likely have a drag on earnings, but loan losses are without a doubt the biggest driver whether entering or coming out of a recession. With the US bank sector trading on 2020 P/E ratios of around 9.5x for the larger banks, they would still be on a meaningful discount to the market even in such a scenario and suggests the market is assuming a more material downturn than 2001-02.

Another area where banks lost significant money during the financial crisis was in trading assets, for example leveraged loans. There has been understandable concern recently around both the significant increase in leveraged loan issuance but also the fall in underwriting standards. The banking sector's exposure to leveraged loans has fallen significantly since 2007 and this was highlighted by Jamie Dimon, CEO and Chairman of JPMorgan, putting the banking sector's exposure today at around US$80bn down from close to US$500bn prior to the financial crisis.

We took advantage of the sharp sell-off in December to add to our US bank holdings, pro rata, in the belief that share prices had fallen too far. However, with the equally sharp rally in January we similarly used the opportunity to take profits on some of these same holdings, for example, Citigroup whose share price rallied 20% during the month. We also added to our holding in AIA Group and started a new holding in Bank Central Asia, one of the largest banks in Indonesia.

Nick Brind & John Yakas

11 February 2019

Fund Managers

Nick Brind

Fund Manager

Nick has managed the Trust since launch, he joined Polar Capital in 2010 and has 24 years of industry experience.

John Yakas

Fund Manager

John has managed the Trust since launch, he joined Polar Capital in 2010 and has 30 years of industry experience.

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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 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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