# Trust Fact Sheet
31 August 2017

## Trust Facts

**Ordinary Shares**

| | |
|---|---|
| Share Price | 133.50p |
| NAV (undiluted) per share | 143.91p |
| NAV (diluted) per share | 143.91p |
| Premium | - |
| Discount | -7.23% |
| Capital | 202,775,000 shares of 25p |

**Assets & Gearing** [1]

| | |
|---|---|
| Total Net Assets | £291.8m |
| AIC Gearing Ratio | 0.00% |
| AIC Net Cash Ratio | 0.70% |

**Historic Yield (%)** **2.77**

## Dividends (p/share)

| | |
|---|---|
| August 2017 (paid) | 2.10 |
| February 2017 (paid) | 1.60 |
| August 2016 (paid) | 1.95 |
| February 2016 (paid) | 1.38 |

## Benchmark [3]

MSCI World Financials + Real Estate Index

## Fees [2]

| | |
|---|---|
| Management | 0.85% |
| Performance | 10% |

**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

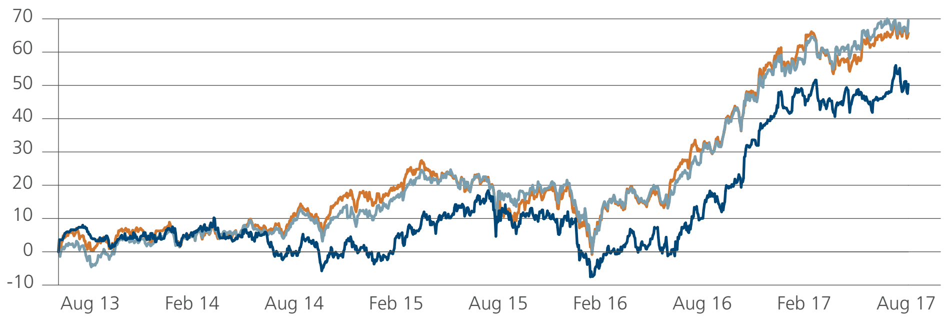
The Company seeks to generate a growing dividend income and capital appreciation by investing primarily in a global portfolio consisting of securities issued by companies within the financials sector operating in the banking, insurance, property and other sub-sectors.

## 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 Months | 6 Months | 1 Year | Since Launch |
|---|---|---|---|---|---|
| Ordinary Share Price (TR) | 1.52 | 1.23 | 4.35 | 31.54 | 50.36 |
| NAV (undiluted per Share) (TR) | 0.76 | 5.42 | 6.85 | 28.09 | 69.75 |
| Benchmark [3] | 0.76 | 5.92 | 2.90 | 24.45 | 65.72 |

## Discrete Performance (%)

| | 30/11/16 31/08/17 | 30/11/15 30/11/16 | 28/11/14 30/11/15 | 29/11/13 28/11/14 | 01/07/13 29/11/13 |
|---|---|---|---|---|---|
| Ordinary Share Price (TR) | 12.65 | 21.43 | 6.21 | -2.14 | 5.75 |
| NAV per Share (TR) | 15.84 | 22.17 | 5.23 | 9.86 | 3.75 |
| Benchmark [3] | 12.16 | 24.47 | 0.88 | 10.98 | 6.03 |

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.

Please note that the subscription shares issued at the time of launch were subject to a single exercise date being 31 July 2017.

1. Gearing calculations are exclusive of current year revenue.
2. 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.
3. As of August 2016, the MSCI removed Real Estate as a constituent from the MSCI World Financials Index. Benchmark data above illustrating performance of the MSCI World Financials Index after August 2016 continues to include Real Estate as a constituent. The data shown above may diverge from other representations of the MSCI World Financials Index, which may not include Real Estate as a constituent.

**Polar Capital LLP** 16 Palace Street, London, SW1E 5JD

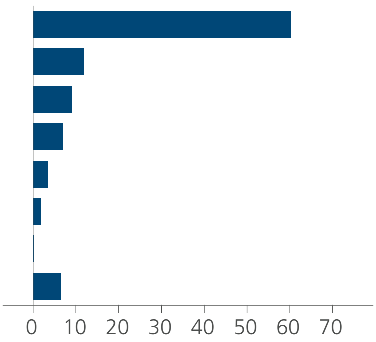
**T:** +44 (0)20 7227 2721 | **E:** investor-relations@polarcapital.co.uk | **W:** www.polarcapital.co.uk

## Portfolio Exposure

As at 31 August 2017

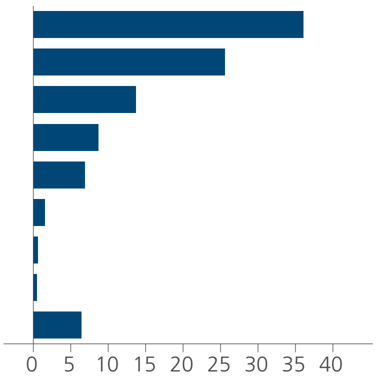
### Sector Exposure (%)

| | |
|---|---|
| Banks | 60.3 |
| Insurance | 11.8 |
| Diversified Financials | 9.2 |
| Fixed Income | 6.9 |
| Real Estate | 3.5 |
| Software & Services | 1.8 |
| Commercial & Professional Services | 0.1 |
| Cash | 6.4 |




### Geographic Exposure (%)

| | |
|---|---|
| North America | 36.1 |
| Europe | 25.6 |
| Asia Pac (ex-Japan) | 13.7 |
| UK | 8.7 |
| Fixed Income | 6.9 |
| Japan | 1.5 |
| Latin America | 0.6 |
| Eastern Europe | 0.5 |
| Cash | 6.4 |




### Top 15 Holdings (%)

| | |
|---|---|
| JPMorgan | 4.2 |
| ING Groep | 3.3 |
| Bank of America | 2.9 |
| Chubb | 2.8 |
| Wells Fargo | 2.7 |
| BNP Paribas | 2.6 |
| Citigroup | 2.6 |
| Swedbank | 2.4 |
| KBC Groep | 2.0 |
| Sampo | 2.0 |
| Marsh & McLennan | 2.0 |
| PNC | 1.9 |
| Toronto-Dominion | 1.9 |
| First Republic Bank | 1.9 |
| Mastercard | 1.8 |
| **Total** | **37.0** |

**Total Number of Positions 72**

### Market Capitalisation Exposure (%)

| | |
|---|---|
| Large (greater than US$ 5bn) | 78.6 |
| Medium (US$ 0.5bn - 5bn) | 18.4 |
| Small (less than US$ 0.5bn) | 3.0 |

## 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 | Spring 2018 |
| Trust Term | Fixed life to May 2020 |
| Listed | London Stock Exchange |

### Market Purchases

The ordinary and subscription 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 August 2017

The sector was weaker in August, albeit little changed when translating performance back into Sterling. Higher interest rates at this point in the cycle would be good for the sector and conversely lower not good. Lower bond yields and heightened tension between the US and North Korea undermined sentiment. Against this background, the Trust's net asset value rose by 0.8%, in-line with our benchmark index, the MSCI World Financials + Real Estate Index, which rose by 0.8%. In comparison the MSCI World Index rose by 2.5%.

US financials were weaker on the month as a combination of weaker core inflation and dampened expectations on the administration's reforms agenda affected sentiment. The more interest rate sensitive segments, in particular regional banks, were relatively weak with market expectations on the interest rate outlook hampered by the lack of forward guidance by Janet Yellen at the central bank symposium in Jackson Hole.

Whilst Hurricane Harvey has caused extensive damage in coastal areas of Texas, the loss to primary insurers is expected to be at US$10-20bn, much lower than the economic damage as the majority of the losses are due to flooding. The penetration of flood insurance coverage is very low, as it is excluded by most private sector insurance with coverage available to be bought separately through a government backed scheme. As a result, the impact on US insurance stocks is expected to be limited.

Conversely, at the time of writing, Hurricane Irma has been upgraded to category 5 and would if it hit Florida cause significantly higher insured losses. The Trust's exposure to insurers that could be affected is currently limited to our holdings in Chubb and Arch Capital, both US listed insurance companies, which represent around 3.5% of the Trust's portfolio. If we see a sharp fall in share prices then we may well use it as an opportunity to add to holdings in the sub-sector.

European economic data pointed to a pick-up in economic activity in August supported by strong performance in the manufacturing sector. This was reflected in the Germany IFO Business Climate index which showed that business sentiment in August remained close to July's record high figure. The tail-end of the results season continued to show a broadly positive picture with banks in the region generally ahead of expectations, primarily driven by lower provisioning for loan losses, with higher capital levels building confidence in the dividend outlook.

Operating trends at credit management companies, where we have a holding in Arrow Global Group, have been particularly strong as they continue to benefit from an increased willingness of banks to sell non-performing loans reflecting pressure from the European Central Bank to clean up balance sheets ahead of upcoming accounting changes on provisioning, namely IFRS9. A new holding in Intrum Justitia, Europe's largest credit management company was purchased during the month.

Sterling was weaker in August due to uncertainty over the UK's exit from the European Union and mixed economic data. Political uncertainty and a squeeze on real incomes have been reflected in weaker household consumption figures and there are signs of a cooling in the housing market, particularly in London. However, most sensible commentators expect the impact to at worse, result in a lowering of the long-term growth potential of the economy as opposed to leading to a sharp recession.

As yet there are no signs of asset quality issues for UK banks and non-bank lenders and in contrast to expectation of some sell-side analysts recent statements have suggested quite the opposite i.e. lower loan losses. Provident Financial's recently announced difficulties, in which we do not have a holding, were not credit related but operational issues. Furthermore, the Office for National Statistics announced in August that it would be revising upwards significantly the UK savings ratio, its low level having been a concern for investors for some time.

The Trust's emerging market holdings were, with only one real exception, all higher over the month. However, shares in Cielo, a Brazilian payments company, were lower on back of weaker than expected earnings. The share prices of Commonwealth Bank of Australia and Wells Fargo were also weaker in August. On the other hand holdings in MasterCard, Toronto-Dominion and Swedbank, the eponymous payments company and two of the largest Canadian and Swedish banks respectively, all performed well.

A small number of sell-side analysts have started to put forward a similar argument to what we put forward when launching the Trust in 2013. Namely, that as the sector becomes less risky, it deserves to be re-rated higher. In particular, they are saying that the lower volatility of earnings of the sector, reflecting less leverage, better asset quality and less risky assets (or Level 3 assets as they are defined in banks' financial statements) would suggest that the riskiness of the sector has fallen.

As a result, all things being equal, then this lower level of risk suggests a lower cost of capital which therefore justifies higher valuations. Those banks that can deliver higher capital return via dividends and buybacks, which will be seen as a more important driver of performance for many of the larger US and European banks, that do not offer the growth opportunities of emerging market financials or smaller more nimble peers, will be re-rated higher.

In the shorter-term it remains consensual that low growth, demographic trends and technology etc. will keep a cap on inflation and therefore interest rates. This is despite unemployment having fallen to levels that in previous economic cycles would result in an uptick in inflationary expectations and therefore interest rates. If consensus, as evidenced by the recent weakness in bond yields, proves wrong and interest rate expectations turn up then we would expect the financial sector's performance to pick up sharply. On any long-term investment horizon, interest rates remain at historical lows and financials are a natural hedge for when that changes.

**Nick Brind & John Yakas**

7 September 2017

## Fund Managers

**Nick Brind**

**Fund Manager**

Nick has managed the Trust since launch, he joined Polar Capital in 2010 and has 23 years of industry experience.

**John Yakas**

**Fund Manager**

John has managed the Trust since launch, he joined Polar Capital in 2010 and has 29 years of industry experience.

# Polar Capital Global Financials Trust plc

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