

Unlocking hidden value in Financials

Nick Brind, Fund Manager; Simon Cordery, Chairman of the Board
Polar Capital Global Financials Trust

Simon Cordery, Chairman of the Board: Polar Capital Global Financials Trust was launched in 2013. That's some years after the end of the global financial crisis, and it was launched because we felt there was a huge opportunity for investors in a big global sector, which was trading on quite a significant valuation discount to other sectors.

Nick Brind, Fund Manager: The exciting thing about financials is, firstly, it's the second-largest sector globally after technology. You are getting exposure to some just fantastic businesses – banks such as JP Morgan in the US, the largest bank in the world; consumer lenders like American Express; payment companies like Mastercard and Visa; exchanges such as NASDAQ in the US and Deutsche Börse in Germany.

There are also some fantastic asset management businesses – BlackRock, Blackstone, Ares Management, ICG in the UK. You can get exposure to Warren Buffett through Berkshire Hathaway, and to Lloyd's of London companies like Beazley. We see it as a great sector with huge opportunities and some just great businesses.

SC: It was initially launched with a seven-year life in mind, and that seven-year life came to an end in 2020, just as the Covid pandemic was striking, and we offered shareholders an opportunity to roll into the second version of the investment trust. With that, we suggested that we would introduce a five-year tender where investors could liquidate their holding at the end of that next five years at net asset value, less costs. That means they can get out without worrying about where the discount would be at any one point in time.

During the next five years, we were able to grow the company quite materially, up to about £600 million where we are trading today. The outlook for the sector still remains on an incredibly good valuation. We think, going forward, you're getting into quite an interesting sector that's large, diverse, global, and trading at a very big discount to a lot of other sectors in the investment universe.

NB: PCFT has delivered over 200% since its launch in 2013¹. That compares with UK banks that have returned less than 100%¹. For UK investors, it's been a great way to diversify their exposure to the global financial sector. But also, at this juncture in markets, which are very concentrated, we think Financials give you extra diversification from volatility in markets, especially if that's focused on one sector.

Secondly, the rise in interest rates in the last two or three years means banks and insurance companies, in particular, are making much more attractive returns. Their profits have improved, and we think that trend is going to continue, because we don't see interest rates going back to the levels that we saw four or five years ago.

The third point is regulation. Over the past 15 years, there's been an enormous increase in the amount of regulation that impacts the sector, with rising capital requirements, costs, and so forth. That's quite understandable, because there was a lack of regulation in the run-up to the global financial crisis. We would argue that the pendulum has swung from too little to too much. We've started to see, especially in the US but also in Europe, steps being taken where that pendulum is going to swing back a little bit from where it is today. The sector's still going to be very highly regulated, but a more constructive relationship with regulators, a more balanced approach to the issue, is a positive tailwind for the sector.

The Polar Capital Global Financials team is made up of five people. There's myself, George Barrow, and Tom Donner – we're the three Co-managers of the Trust. George and I joined Polar Capital in 2010, and Tom joined us in December 2023. We're also supported by Nabeel Siddiqui, who's been part of the team since 2013, and Jack Deegan who joined us in 2017. So together, we've got close to 100 years of investment experience focused on the sector, and I believe we are certainly one of the largest teams in London focused on it.

SC: We've got a great investment team behind us. Nick and his colleagues have been running this portfolio for quite some time, and they've got a very deep and broad knowledge and understanding of how the sector is moving. One of the things that's held them back is the fact that we've had a growth and income mandate, and you will have seen in the report and accounts that we are moving, with shareholder permission at the AGM², to a capital-supported dividend. This means the portfolio managers don't have to go and find dividends.

The consequence of that is it becomes a more unconstrained mandate, and the fixed income element, which has been very well used by the team over the past 10 years or so, will be moving into a more tactical element rather than a strategic element of the portfolio.

NB: It's worth highlighting that the added benefit of that proposal is it gives us, the managers, more investment flexibility to choose whichever stocks we want, whether from an income perspective or a growth perspective. So, fewer constraints on us, and we'd hope that would be additive to performance.

SC: I joined this company at a very interesting time, it was a year before the first reconstruction, and I saw a huge opportunity for investors to invest in this dynamic and unloved sector. We think the next five years could be equally as good as the past five years.

The tender is a great opportunity for those who wish to encash their investment right now, but we feel that shareholders have been pretty loyal over the last 10 years or so, and we hope they will continue to enjoy that ride.

1. As at 28 February, 2025.

2. The Trust AGM was held on 10 April, 2025.



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The Company is an Alternative Investment Fund under the EU's Alternative Investment Fund Managers Directive 2011/61/EU as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018.

The Investment Manager

Polar Capital LLP is the investment manager of the Company (the "Investment Manager"). The Investment Manager is authorised and regulated by the FCA and is a registered investment adviser with the United States' Securities and Exchange Commission.

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- The Company invests in a concentrated number of companies based in one sector. This focused strategy can lead to significant losses. The Company may be less diversified than other investment companies.
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The Company is actively managed and uses the MSCI ACWI Financials Net TR Index as a performance target and to calculate the performance fee. The benchmark has been chosen as it is generally considered to be representative of the investment universe in which the Company invests. The performance of the Company is likely to differ from the performance of the benchmark as the holdings, weightings and asset allocation will be different. Investors should carefully consider these differences when making comparisons. Further information about the benchmark can be found www.msibarra.com.

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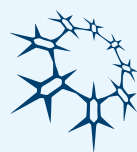
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