

# £221m trust is well placed for the recovery

INVESTMENT trust Polar Capital Global Financials represents a big market play on economic recovery. If the world economy bounces back as many experts anticipate it will, the trust should enjoy good fortune as its portfolio of economically sensitive stocks performs well.

But if growth is interrupted by economic disruption from further coronavirus outbreaks, the outlook for the trust will be challenging. 'This is a trust that is very sensitive to the macroeconomic backdrop,' admits Nick Brind, one of three managers who have responsibility for overseeing the fund's portfolio.

Although the trust's shares fell somewhat alarmingly as coronavirus took grip last year, they have bounced back strongly – by 47 per cent over the past six months. But Brind and his fellow managers George Barrow and John Yakas are confident there is more strong performance to come. 'This is a play on the world economy reopening,' adds Brind, 'and the cyclical recovery of company earnings.'

As the trust's name implies, the £221 million fund is invested in a portfolio of 79 financial stocks, ranging from leading global banks such as JPMorgan through to insurers like Direct Line. It's at the other end of the investment spectrum to the likes of Scottish Mortgage and sister trust Polar Capital Technology that have performed healthily on the back of the technology boom during lockdown.

Although the trust has key holdings in US payment companies, such as PayPal and Mastercard, that have benefited from the recent big increase in contactless and online payments, it's the banks that dominate the portfolio. Says Barrow: 'Most of the banks we hold are set up to benefit from economic recovery. The largest geographic exposure is in the United States where banks such as JPMorgan and Bank of America are well capitalised and have strong balance sheets.'

JPMorgan, the trust's biggest

## FUND FOCUS

By **Jeff Prestridge**

holding, has a range of revenue streams – including wealth management, commercial lending and trading – which appeals to Polar's investment team.

The trust also has holdings in some of the leading regional banks in the US such as New York-based Signature Bank and Californian-based Silicon Valley Bank Financial.

UK-listed companies account for 7 per cent of the trust's assets with key holdings including buy-to-let specialist OneSavings Bank and insurers Direct Line and Lancashire Holdings.

While the trust is designed to grow shareholder dividends, this has been hampered by global lockdown – with many banks restricted by their regulators in the amount of dividend they could continue to pay. It has meant that

in the trust's last financial year (to the end of November 2020) it kept the dividend at the same level as 2019 (4.4 pence a share). Brind says he would be surprised if the dividend this year did not remain again at this level.

Independent experts like the trust. Analysts

at investment bank Peel Hunt say its portfolio 'has significant upside potential' as a result of the anticipated sharp recovery in the earnings of many of its holdings.

Meanwhile, researchers at QuotedData say the 'tide has turned' for financial stocks.

They also like the trust's 26 per cent exposure to South East Asia (where demand for financial products remains strong) and its holdings in payment companies.

The trust's annual charges total 1.04 per cent and the dividend, paid twice a year, is equivalent to an annual income of around 2.9 per cent. The stock market identification code is B9XQT11.

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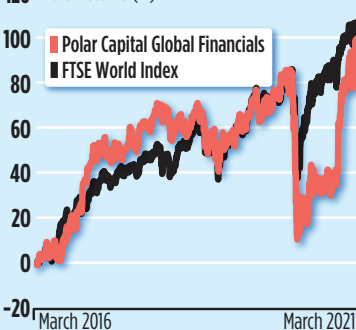
### TOP 10 HOLDINGS (country and % of fund)

JPMorgan (US)	5.3
Bank of America (US)	3.3
HDGC Bank (India)	2.6
AIA Group (Hong Kong)	2.5
Signature Bank (US)	2.4
Mastercard (US)	2.3
Chubb (Switzerland)	2.2
Wells Fargo (US)	2.1
Citizens Financial Group (US)	2.1
PayPal (US)	2.0

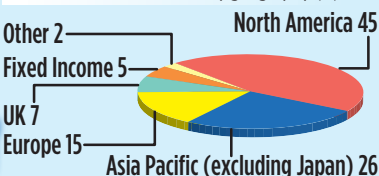
### POLAR CAPITAL GLOBAL FINANCIALS TRUST

A strong bounce back as global economic recovery emerges from the fog of coronavirus

120 - Total returns (%)



Where the trust is invested by geography (%)



And by sector (%)

