# Polar Capital Global Financials Trust plc

## Trust Fact Sheet
30 January 2015

### Trust Facts

**Ordinary Shares**

| | |
|---|---|
| Share Price | 95.50p |
| NAV (undiluted) per share | 107.72p |
| Premium | - |
| Discount | -11.34% |
| Capital | 174,600,000 shares of 25p |

**Subscription Shares**[1]

| | |
|---|---|
| Share Price | 7.50p |
| Exercise Price | 115.00p |
| Capital | 30,600,000 shares of 1p |

**Assets & Gearing**[2]

| | |
|---|---|
| Total Net Assets | £187.6m |
| AIC Gearing Ratio | 2.93% |
| AIC Net Cash Ratio | 0.00% |

### Dividends (p/share)

| | |
|---|---|
| February 2015 (declared) | 1.35 |
| July 2014 (paid) | 1.75 |
| March 2014 (paid) | 0.68 |

### Benchmark

MSCI World Financials Index

### Fees[3]

| | |
|---|---|
| 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 on Page 4 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.

## Company Profile

### Investment Objective

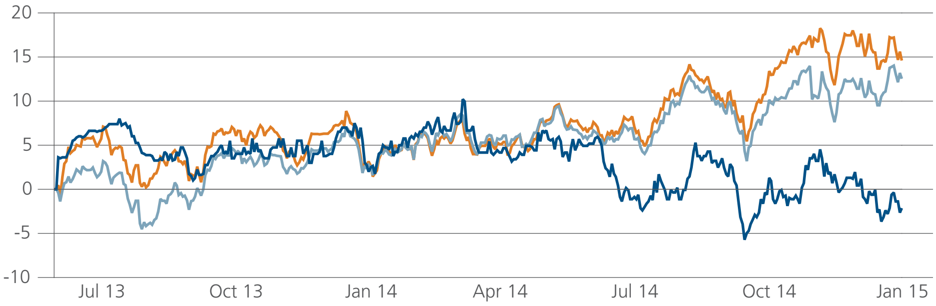
The investment objective is to generate for investors a growing dividend income together with capital appreciation.

### 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 Months | 6 Months | 1 Year | Since Launch |
|---|---|---|---|---|---|
| Ordinary Share Price | -2.55 | -3.41 | -1.29 | -4.53 | -2.15 |
| NAV (undiluted per Share) | 1.00 | 2.18 | 6.48 | 9.81 | 12.53 |
| MSCI World Financials Index | -1.45 | 1.04 | 7.03 | 11.88 | 14.82 |

### Discrete Performance (%)

| | 28/11/14 30/01/15 | 29/11/13 28/11/14 | 30/11/12 29/11/13 | 30/11/11 30/11/12 | 30/11/10 30/11/11 |
|---|---|---|---|---|---|
| Ordinary Share Price | -5.45 | -2.14 | - | - | - |
| NAV per Share | -1.27 | 9.86 | - | - | - |
| MSCI World Financials Index | -2.43 | 10.98 | - | - | - |

Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, NET total return in GBP. 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. For full details of the subscription shares and their exercise terms please refer to the Prospectus and the notes of the Company's website. Each share confers the right to subscribe for 1 Ordinary share at 115p on 31 July 2017.

2. Gearing calculations are exclusive of current year revenue.

3. The performance fee is on any outperformance over a hurdle of the index +1.25% per annum. Further details can be found in the Report and Accounts and Prospectus.

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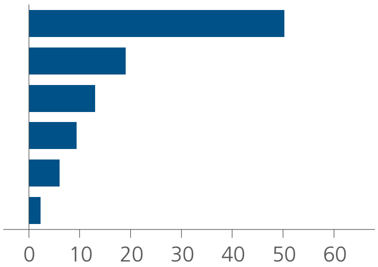
## Portfolio Exposure

As at 30 January 2015

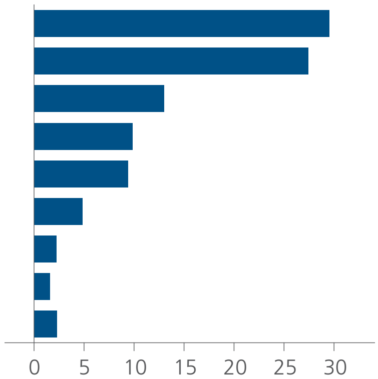
### **Sector Exposure** (%)

| | |
|---|---|
| Banks | 50.2 |
| Diversified Financials | 19.0 |
| Insurance | 13.0 |
| Fixed Income | 9.4 |
| Real Estate | 6.1 |
| Cash | 2.3 |




### **Geographic Exposure** (%)

| | |
|---|---|
| Europe | 29.5 |
| North America | 27.4 |
| Asia Pac (ex-Japan) | 13.0 |
| UK | 9.8 |
| Fixed Income | 9.4 |
| Eastern Europe | 4.8 |
| Latin America | 2.2 |
| Japan | 1.6 |
| Cash | 2.3 |




### **Top 15 Holdings** (%)

| | |
|---|---|
| PNC | 2.8 |
| Wells Fargo | 2.8 |
| JPMorgan | 2.7 |
| ACE | 2.5 |
| Sampo | 2.3 |
| UBS Group AG | 2.2 |
| Discover Financial Services | 2.1 |
| Fortune Real Estate Investment | 2.1 |
| US Bancorp | 1.9 |
| Intesa Sanpaolo SpA | 1.9 |
| Jammu & Kashmir Bank | 1.9 |
| Citigroup | 1.9 |
| KBC Groep | 1.9 |
| Barclays | 1.8 |
| Azimut Holding | 1.8 |
| **Total** | **32.6** |
| **Total Number of Positions** | **70** |

### **Market Capitalisation Exposure** (%)

| | |
|---|---|
| Large (greater than US$ 5bn) | 67.5 |
| Medium (US$ 0.5bn - 5bn) | 28.9 |
| Small (less than US$ 0.5bn) | 3.6 |

## 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 | April 2015 |
| 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**

4 Matthew Parker Street, London SW1H 9NP
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 |

**Subscription Shares**[1]

| | |
|---|---|
| ISIN | GB00B9XQV370 |
| SEDOL | B9XQV37 |
| London Stock Exchange | PCFS |

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 30 January 2015

Equity markets had a positive start to the year rising by 1.9% as illustrated by the MSCI World Index, but this masked a poor performance by US equities. Financials struggled, largely due to US banks suffering a sharp correction. But, while US banks fell 6.7%, as illustrated by the KBW Banks Index, Canadian banks fell even more sharply, by 14.0% after adjusting for currency movements. Conversely, US REITs were very strong, rising by an astonishing 10.8% over the month. European financials fared better rising marginally, albeit European bank shares were weak.

Against this background, the Trust's net asset value rose by 1.0% as compared with our benchmark index, the MSCI World Financials Index, which fell by 1.5%. We have relatively little exposure to Canada but, more importantly, significantly less exposure to the US. Our US exposure also performed well, in particular our holdings in Blackstone, the alternative asset manager, and a number of business development companies whose share prices all rose during the month; the latter recovering in part from tax loss driven selling in December. The removal of the cap on the Swiss franc by the Swiss National Bank also marginally helped performance, with the value of our holding in Cembra Money Bank rising sharply as a consequence.

US banks suffered from a combination of lacklustre fourth-quarter results and concern that interest rate rises would be less likely; the latter on the back of some slightly softer economic data. Despite an improvement in loan growth, revenues were slightly weaker on the back of further pressure on net interest margins. While it remains difficult to see what will drive earnings in the short term, higher interest rates will be very beneficial for the sector, particularly some of the smaller banks. The Trust has a slight bias to regional banks, which will have helped our relative performance as well as biasing us towards more strongly-growing franchises, in terms of lending.

The strong performance of US REITs over the month would suggest that the bigger driver, for the weak share price performance of US banks, was more as a result of interest rate rises being pushed back. We have no exposure to US REITs having struggled with valuations, and all of our REIT exposure is via a number of Hong Kong and Singaporean listed companies. All of these performed extremely well; however, as REITs represent a much bigger part of our benchmark our underweight position has been a drag on performance. A number of our other Asian holdings have also performed well recently, but on the back of this we decided to sell our remaining holdings in Security Bank, a Phillippines bank, and Bank Rakyat Indonesia in January.

While European financials performed relatively well, even after adjusting for currency weakness they rose only marginally over the month. However, Southern European banks fell on the back of growing worries surrounding Greece following the election of Syriza. The election in Athens of a left-wing government with plans to confront the current consensus on resolving the economic and financial crisis in the region had clearly dampened enthusiasm for periphery European banks (with Greek banks falling significantly during the month). We have no exposure to Greek, Portuguese or Spanish banks currently, but do have exposure to the Italian banking sector.

More importantly, and on the critical issue of dividends, we are starting to see further evidence of banks being sufficiently confident about the strength of their balance sheets to raise dividends. In January, Nordea, Scandinavia's largest bank, announced an increase in its dividend payout ratio to 70%, which was higher than expected, resulting in a sharp rise in its share price (we hold Sampo in the Trust, which is Nordea's largest shareholder with a 21.2% stake in the bank). Although timing is uncertain, there are a number of other banks that are likely to see a resumption and/or a sharp increase in their dividends this year, which will be very helpful for sentiment.

Outside the gyrations in currency markets, the biggest news was the confirmation that the European Central Bank (ECB) would start quantitative easing. Less noticed was the fact that it cut the interest rate it charges on its targeted longer-term refinancing operations (TLTROs), in essence cheap funding for the banking sector. Although we are sceptical of the efficacy of quantitative easing, the other steps that the ECB has undertaken, such as cutting interest rates, we believe will have a positive effect. Recent economic data for the Eurozone has surprised positively, no doubt in part due to the actions the ECB took last year.

Furthermore, at the end of January the ECB released its latest quarterly lending survey. This was the most upbeat survey since 2007 and shows a pick-up in demand for loans, as well as a slight easing in lending standards. The survey has historically correlated well with subsequent growth in the Eurozone. The latest data would suggest growth substantially above what is currently being forecast, if the correlation holds. If one adds the potential benefit from the recent weakness in the euro, and lower energy prices then the Eurozone economy should perform a lot better than expected.

While one should never be complacent, we also believe the recent concerns around the risks of deflation, which have blanketed the media, appear excessive. It was pointed out to us by a US strategist from a major investment bank that a proxy for the S&P 500 was essentially flat over the period 1871 to 1897, in a period when consumer prices in the US fell by 50%. This was oddly given as evidence that deflation is bad for equities, but in effect, over this period the real value of US equities had doubled ($1,000 invested in a basket of US stocks in 1871 could have bought twice as much 26 years later). Furthermore the analysis did not take into account dividends which over the 26 period would have been substantial.

## Fund Managers

**Nick Brind**

**Fund Manager**

Nick has managed the Trust since launch, he joined Polar Capital in 2010 and has 20 years of industry experience.

**John Yakas**

**Fund Manager**

John has managed the Trust since launch, he joined Polar Capital in 2010 and has 26 years of industry experience.

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