

## Trust Fact Sheet

28 September 2018



### Trust Facts

#### Ordinary Shares

Share Price	137.25p
NAV per share	143.96p
Premium	-
Discount	-4.66%
Capital	202,775,000 shares of 5p

#### Assets & Gearing <sup>1</sup>

Total Net Assets	£291.9m
AIC Gearing Ratio	1.51%
AIC Net Cash Ratio	0.00%

#### Historic Yield (%)

**2.95**

#### Dividends (p/share)

August 2018 (declared)	2.25
February 2018 (paid)	1.80
August 2017 (paid)	2.10
February 2017 (paid)	1.60

#### Benchmark <sup>4</sup>

MSCI World Financials + Real Estate Net Total Return Index

#### Fees <sup>2,3</sup>

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) <sup>5</sup>	-3.00	4.53	-2.54	3.53	48.37	56.43	59.17
■ NAV per Share (TR)	-1.51	3.12	0.84	3.40	51.33	78.71	74.58
■ Benchmark <sup>4</sup>	-1.13	3.38	0.26	4.90	55.01	70.74	72.34

### Discrete Performance (%)

	30.11.17 28.09.18	30.11.16 30.11.17	30.11.15 30.11.16	28.11.14 30.11.15	29.11.13 28.11.14
Ordinary Share Price (TR) <sup>5</sup>	2.22	16.66	21.43	6.22	-2.14
NAV per Share (TR)	2.35	16.40	22.17	5.23	9.86
Benchmark <sup>4</sup>	2.13	14.20	24.47	0.88	10.98

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.

- Gearing calculations are exclusive of current year revenue.
- 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.
- Ongoing charges calculated at the latest published year end date, excluding any performance fees.
- 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.
- 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.

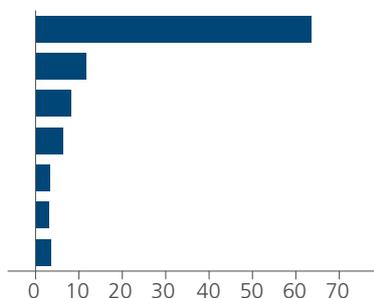
# Polar Capital Global Financials Trust plc

## Portfolio Exposure

As at 28 September 2018

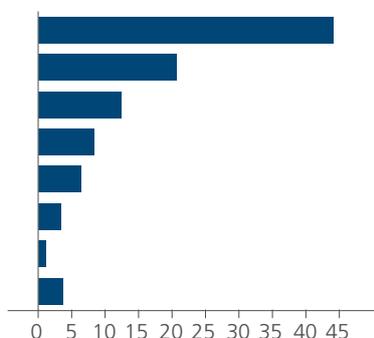
### Sector Exposure (%)

Banks	63.6
Insurance	11.7
Diversified Financials	8.2
Fixed Income	6.3
Real Estate	3.3
Software & Services	3.2
Cash	3.7



### Geographic Exposure (%)

North America	44.1
Europe	20.7
Asia Pacific (ex-Japan)	12.4
UK	8.3
Fixed Income	6.3
Japan	3.4
Eastern Europe	1.1
Cash	3.7



### Top 15 Holdings (%)

JPMorgan	5.4
Bank of America	4.1
Mastercard	3.2
Wells Fargo	3.0
Citigroup	2.8
Chubb	2.8
Sumitomo Mitsui Financial	2.5
Toronto-Dominion	2.2
Marsh & McLennan	2.2
PNC	2.2
KBC Groep	2.1
Arch Capital	2.1
Sampo	2.0
US Bancorp	2.0
Swedbank	1.9

**Total 40.5**

**Total Number of Positions 68**

### Market Capitalisation Exposure (%)

Large (greater than US\$ 5bn)	81.9
Medium (US\$ 0.5bn - 5bn)	15.8
Small (less than US\$ 0.5bn)	2.4

## 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 2019
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.polarcapitalglobalfinancialtrust.co.uk](http://www.polarcapitalglobalfinancialtrust.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](http://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 28 September 2018

Equity markets were mixed but largely flat in September albeit financials frustratingly continued to underperform. US financials were weak on the back of weaker loan growth expectations and less hawkish commentary from the Chairman of the Federal Reserve on outlook for interest rates, while European and Japanese financials performed strongly. The Trust's net asset value fell by 1.5% as compared with our benchmark index, the MSCI World Financials + Real Estate Index, which fell by 1.1%.

European financials did see some recovery during the month before giving most of it up on concern around events in Italy after the coalition government agreed to target a higher budget deficit than the market had expected. The proposed budget deficit of 2.4% of GDP, up from 0.8% in 2018, has raised concerns regarding Italy's debt sustainability and reduced confidence that Finance Minister Tria will act as a moderating force on the populist government.

The spread between 10-year Italian and German bund yields widened to 300bps, its highest since 2013. Whilst the banking sector has significant exposure to Italian government bonds, the impact to capital from the spread widening is relatively small so far (~8bps hit to capital ratios on average) but the sector faces an overhang from what are likely to be fraught negotiations with the EU on budget targets. The Trust's only holding in Italy is Intesa Sanpaolo which represents 1.2% of the portfolio.

The best performing holdings in the Trust in September included, Swedbank, a Swedish bank, Sumitomo Mitsui Financial, a Japanese bank, and KBC Groep, a Dutch bank. Swedbank, however, has fallen post month end as it has operations in Estonia which has come under intense scrutiny following the revelations of money laundering in Danske's Estonian branch. We do not have a holding in Danske, whose shares have fallen around 30% year-to-date.

Poorly performing holdings, not surprisingly, included Bank of America and Wells Fargo for the reasons described above as well as Indiabulls Housing Finance, an Indian housing finance company, which suffered a sharp fall in its share price on the back of concerns around liquidity in the non-bank financials (NBFCs) sector. The catalyst was IL&FS Group, a private infrastructure development and finance company, missing a number of debt payments raising the spectre of a wider problem of solvency and liquidity, with particular concern focused on housing finance companies because of their asset/liability mismatch.

We suspect that fears were exacerbated by rising interest rates (which puts pressure on NBFCs' margins) and growing expectation that the fast growth and high valuations were under threat. Subsequent to this the Reserve Bank of India has clearly stated that it will provide liquidity to those that need it and many of the NBFCs have issued statements highlighting that there is much leeway in their funding composition and issuance. Our exposure to India is through a 1.1% holding in HDFC banks, that has been almost unaffected by the sell-off and a 0.5% holding in Indiabulls Housing Finance, which we took the opportunity to add to post month-end.

Our recent work on cost trends, focusing on the years 2008 to 2017, has highlighted some interesting results and divergences between regions. In general, European banks have made much larger cuts to branch networks and headcount than their peers in the US, potentially a reflection of the greater revenue headwinds faced in Europe, and, as a result, have seen an improvement in efficiency compared to more mixed trends in the US.

Nordic banks look particularly well positioned operating with low cost/income ratios and generating revenue growth whilst making material cuts to branch networks. For example, Swedbank and DNB, Norway's largest bank, have reduced branches by 62% and 84% since 2008 respectively and headcount by 31% and 35%. Technology spend as a proportion of total costs is relatively high in the Nordics (>20%) and has allowed the banks to maintain their market shares despite the branch reduction. The Trust is overweight the Nordic region which benefits from a resilient macro backdrop and gearing to higher interest rates.

As we have highlighted in previous commentaries over the last few months, the sector has performed poorly with share prices lagging the change in earnings expectations and bond yields. For example, P/E multiples for US and European banks for 2019 estimates have fallen to 11.2x and 8.5x respectively. This is a 32% and 37% discount to the S&P 500 and STOXX Europe 600 indices, well below the average that they have traded at over this period and further back. For the US the discount has ranged from 13% to 37% over the last 5 years while for Europe it has ranged from 10% to 50%, in both cases the lows being in July 2016.

The MSCI World Value Index has now underperformed the MSCI Growth Index since 2007, with only a brief pause in 2016, for the longest period since 1974 which is as far back as the data we have goes. This correlates well with the underperformance of financials over this period. Sentiment does not yet feel as negative as it did in July 2016 but the sector is without doubt out of favour and as the market prices in a slowdown into 2019 so it should reduce downside risk in the sector if a slowdown comes about. Conversely, it also provides significant upside in the sector if investor's pessimism is proved wrong.

**Nick Brind & John Yakas**

8 October 2018

### 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.

# Polar Capital Global Financials Trust plc

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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 benchmark 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](http://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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