

Five reasons to consider Financials

Tom Dorner, Fund Manager

Polar Capital Global Financials Trust

Tom Dorner, Fund Manager: I'd like to offer you five reasons why you should consider investing with us in the global financial sector today.

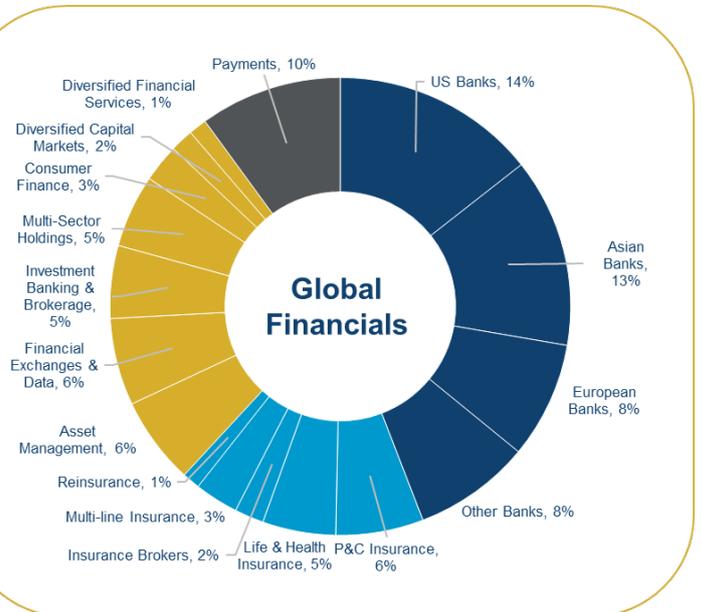
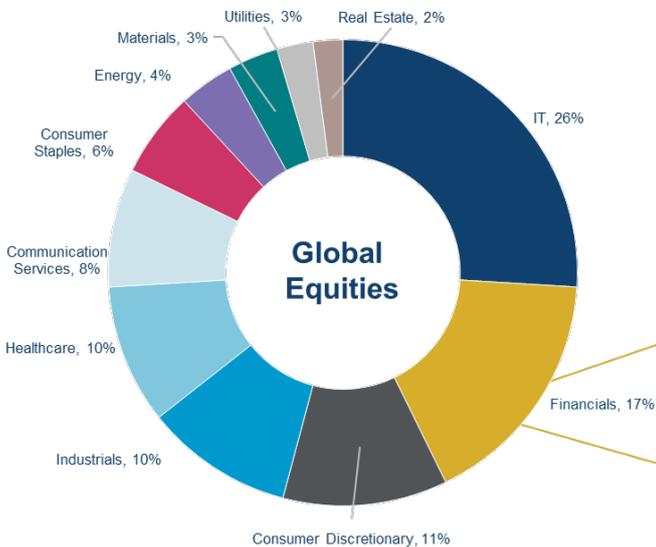
Firstly, Financials are simply too large to ignore. They're the second largest sector in global equities making up over 16% of the market, but most allocators are still underweight in their positioning.

Interest levels in the sector have picked up in recent months, but we think the consensual underweight positioning poses a real risk to client portfolios, and we think that Financials are a great way to diversify them.

Secondly, Financials are more varied than many realise. Our conversations with clients often focus on banks, and whilst they're clearly important, they represent 40% of our portfolio.

We also have significant investments across a range of exciting sub-sectors like insurance, diversified Financials, asset managers, data providers, exchanges, and payment businesses. As active stock pickers, the diversity of opportunity set allows us to allocate capital where we see the most attractive returns.

Composition of Global Equities and Global Financials

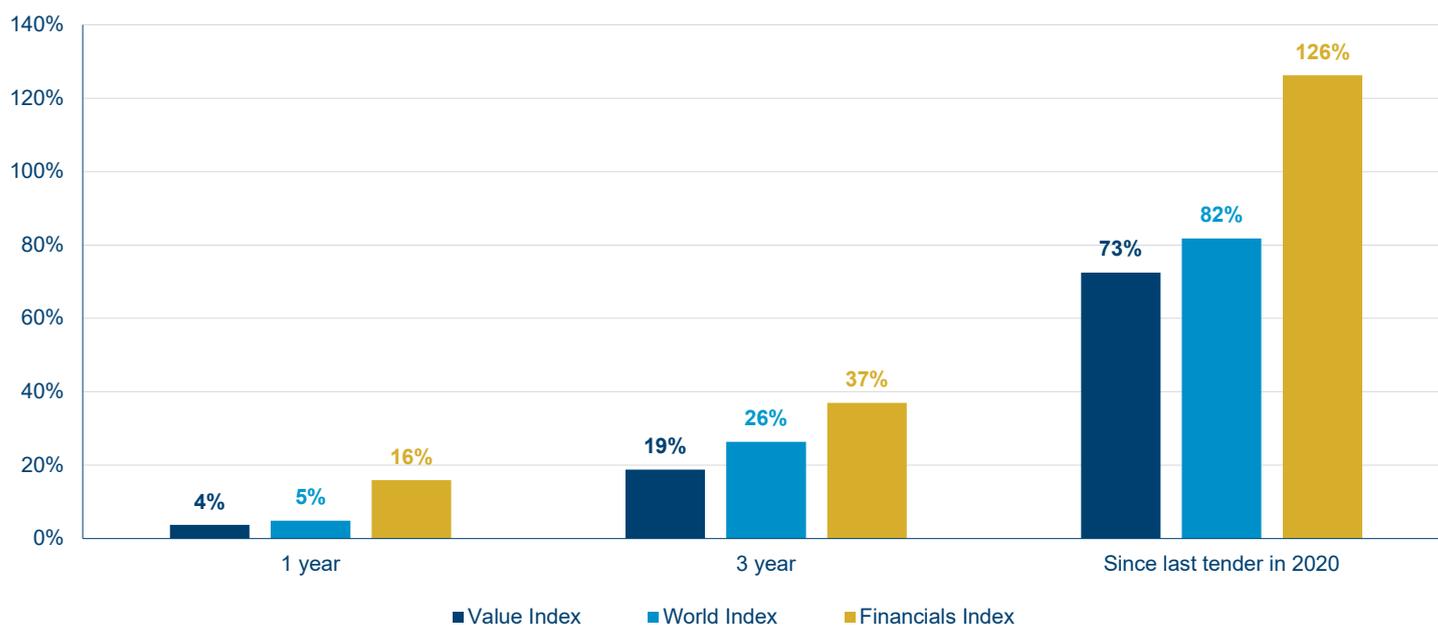


Past performance is not indicative or a guarantee of future returns. Source: MSCI, 31 December 2024. Totals may not sum due to rounding.

Thirdly, the sector's already outperforming due to improved fundamentals. The operating environment for Financials has improved considerably with higher interest rates providing a considerable tailwind. Returns on equity are much higher than they have been in past years, and capital positions are strong and resilient.

This is allowing many companies to pay attractive dividends, which we see as a sign of real confidence for investors. It's perhaps no surprise then that the financial sector has performed strongly in recent years. In fact, Financials have outperformed the wider market in three of the last four years, and we think that this is set to continue.

Financials are outperforming



Past performance is not indicative or a guarantee of future returns. Source: Polar Capital, Bloomberg, to 30 April 2025. Note: The restructure took place on 22 April 2020. **Financials Index:** MSCI All Country World Financials Index (GBP); **World Index:** MSCI All Country World Index (GBP); **Value Index:** MSCI All Country World Value Index (GBP).

Fourthly, regulation is turning from a headwind to a potential tailwind. Since 2008, the financial industry has faced consistently stricter capital requirements. However, we believe that we've now reached the point of peak regulation. In fact, there are clear signs of deregulatory momentum, particularly in the US where the new administration is simplifying large parts of financial oversight. Regulation remains very important, but this shift in mindset is a significant positive. It could also lead to increased M&A activity, which would be a positive catalyst.

Fifth, valuations remain attractive. Despite strong performance, Financials are still very attractively valued. The sector trades on 13x forward earnings, which means that investors pay £13 for every £1 of expected profit. This compares to a relatively more expensive global equity market on 18x and the S&P500 on 22x.

In summary, we think that Financials offer clients a way to diversify their more growth oriented investments in a sector that's seeing significantly better fundamentals and remains attractively valued.

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