

Financials: Are you positioned for rising interest rates?

As inflation mounts, financial stocks are typically one of the few beneficiaries from rising rates. This large and diverse sector, which includes banks, insurance companies, asset managers, stock exchanges and FinTech companies, offers a compelling long-term investment case today.

The Polar Capital Global Financials Trust is an actively managed, global portfolio that seeks to find the best investment opportunities across Financials, whilst providing diversified exposure to this broad and varied sector.



Trust Facts

Launch Date
1 July 2013

Active share²
65.53%

AMC
0.70%

Performance fee
10% subject to annual hurdle¹

Dividend yield²
3.16%

Total net assets²
£503.3m

Legal structure
**Closed Ended
Investment Company**

Domicile
United Kingdom

Listed
London Stock Exchange

Ticker
PCFT

¹ The performance fee is on any outperformance over a hurdle of the index +1.50% compounded annually paid end of fifth year.

² Source: Polar Capital, 30 September 2022.

The Historic Yield reflects distributions declared over the past twelve months as a percentage of the share price, as at 30 September 2022. **Benchmark:** MSCI ACWI Financials Net Total Return Index (in Sterling).

Trust Highlights

- The only UK-listed investment trust focused solely on Financials
- A dual focus on dividend and capital growth
- Actively managed and not benchmark-driven
- Broad global, multi-cap remit; typically 90% ex UK exposure
- Managed by a highly experienced team of 5 sector specialists



Nick Brind
Fund Manager



John Yakas
Fund Manager



George Barrow
Fund Manager

"As seen during the pandemic, the level of risk on bank's balance sheets is materially lower than in the Global Financial Crisis. Capital levels are higher and regulatory risk is meaningfully lower. We do not see this combination of factors reflected in current valuations, which we think offers an attractive opportunity."

George Barrow, Fund Manager

Performance track record

With nearly 100 years' experience investing across market cycles, the Polar Capital Global Financials Trust has built up a long-term track record of strong returns with lower volatility.

Performance	Since Inception ¹	Since Corporate Action ²
PCFT NAV	109.0%	60.1%
Benchmark:		
MSCI ACWI Financials (excl Real Estate) ³	103.4%	52.3%
Peer Funds:		
Lipper Financial Sector Average ⁴	86.5%	49.7%
UK banks:		
FTSE All-Share Bank Index ⁵	-13.3%	41.6%
Equity indices⁶:		
MSCI ACWI Index	164.3%	37.4%
FTSE All-Share Index	56.8%	28.7%
FTSE All-Share Financials Index	33.0%	25.3%

Source: 1. Polar Capital & Bloomberg, 1 July 2013 to 30 September 2022. 2. Polar Capital & Bloomberg, 22 April 2020 to 30 September 2022. 3. Performance of the MSCI ACWI Financials Net Total Return Index (excluding Real Estate, in Sterling) from the Trust's inception is used for illustrative purposes only. 4. This data was sourced from Lipper on the 12 October 2022 (data quoted from 1 July 2013 through 30 September 2022). 5. FTSE All share Bank Index denominated in GBP terms. 6. Equity indices in GBP terms. Based on Polar Capital Global Financials Trust NAV per share, net of fees in GBP terms. **Sector:** Lipper Global Equity Financials (mutual Funds). **Past performance is not indicative or a guarantee of future results.**

Discrete Performance

	Financial YTD	Sept 21 - Sept 22	Sept 20 - Sept 21	Sept 19 - Sept 20	Sept 18 - Sept 19	Sept 17 - Sept 18
Ordinary Share price (TR) %	-16.64%	-16.40%	68.90%	-22.60%	5.29%	3.53%
NAV per Share (TR) %	-5.73%	-5.81%	48.31%	-18.64%	5.36%	3.40%
Benchmark ¹ %	-2.78%	-1.79%	43.45%	-18.30%	7.84%	4.90%
MSCI ACWI Financials (NTR) ² %	-2.78%	-1.79%	43.45%	-19.45%	5.48%	4.44%

Source: Bloomberg, 1 July 2013 to 30 September 2022. The end of financial year for the company is the final day of November each year. 1. Benchmark data above illustrates linked performance of the following benchmarks utilised by the Trust: Launch to 31 August 2016: MSCI World Financials Index; 1 September 2016 to 22 April 2020: MSCI World Financials + Real Estate Index; and since 23 April 2020: MSCI ACWI Financials. 2. Performance of the MSCI ACWI Financials Net Total Return Index (excluding Real Estate, in Sterling) from the Trust's inception is used for illustrative purposes only. Based on Polar Capital Global Financials Trust NAV per share, net of fees in GBP terms.

Financials: Coming in from the cold

Central banks have been raising interest rates at the fastest rate since prior to the global financial crisis to combat inflation. Against this background financials have outperformed wider equity markets over the last year as they are one of the biggest beneficiaries of this shift.

Furthermore, the investment environment for the next 10 years is likely to be very different from the last 10 years. This should result in a much more favourable background for the sector's underlying profitability and shareholder returns looking forward.

We believe absolute and relative valuations of bank stocks have fallen to extremely attractive levels and are discounting a material deterioration in the economic outlook. This provides an attractive opportunity for higher returns as the outlook improves.

Why Financials now?

- Trades at low absolute and valuations relative to wider equity markets
- Outlook underpinned by strong balance sheets and profitability
- Covid-19 crisis a proof point for the sector's resilience and risk
- Unusual breakdown in banks' correlation with bond yields provides an opportunity
- Provides diversification from sectors or those that benefited from low rates
- Longer-term structural growth opportunities in emerging markets, small and mid-cap banks and FinTech

Find out more



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