

# Results Presentation

Twelve months to 31 March 2018

Gavin Rochussen, Chief Executive Officer  
John Mansell, Chief Operating Officer

June 2018

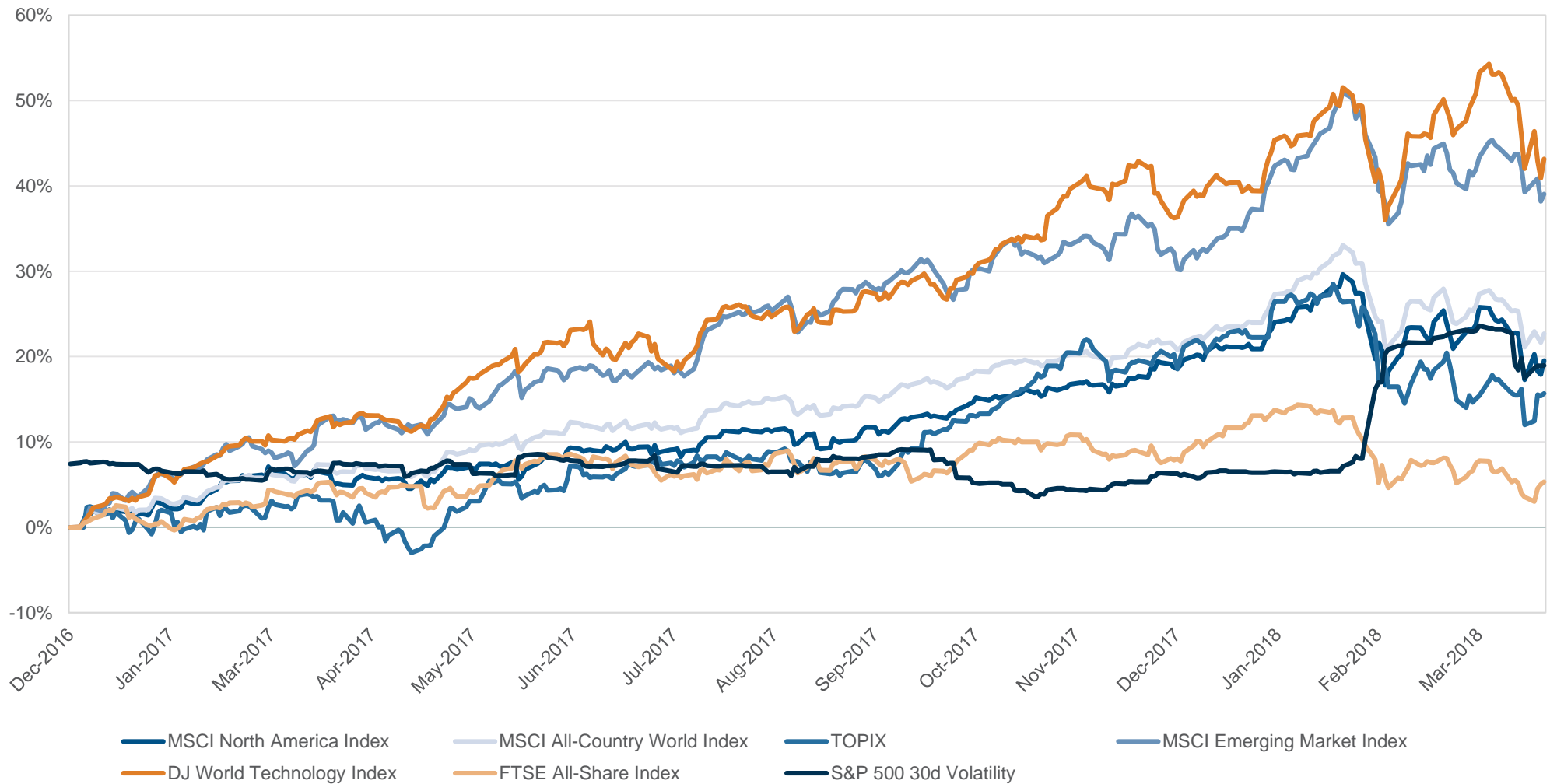
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“Polar Capital is a specialist, investment led, active fund manager with a collegiate and meritocratic culture where capacity of investment strategies is managed to enhance and protect performance”.

## Global indices vs volatility



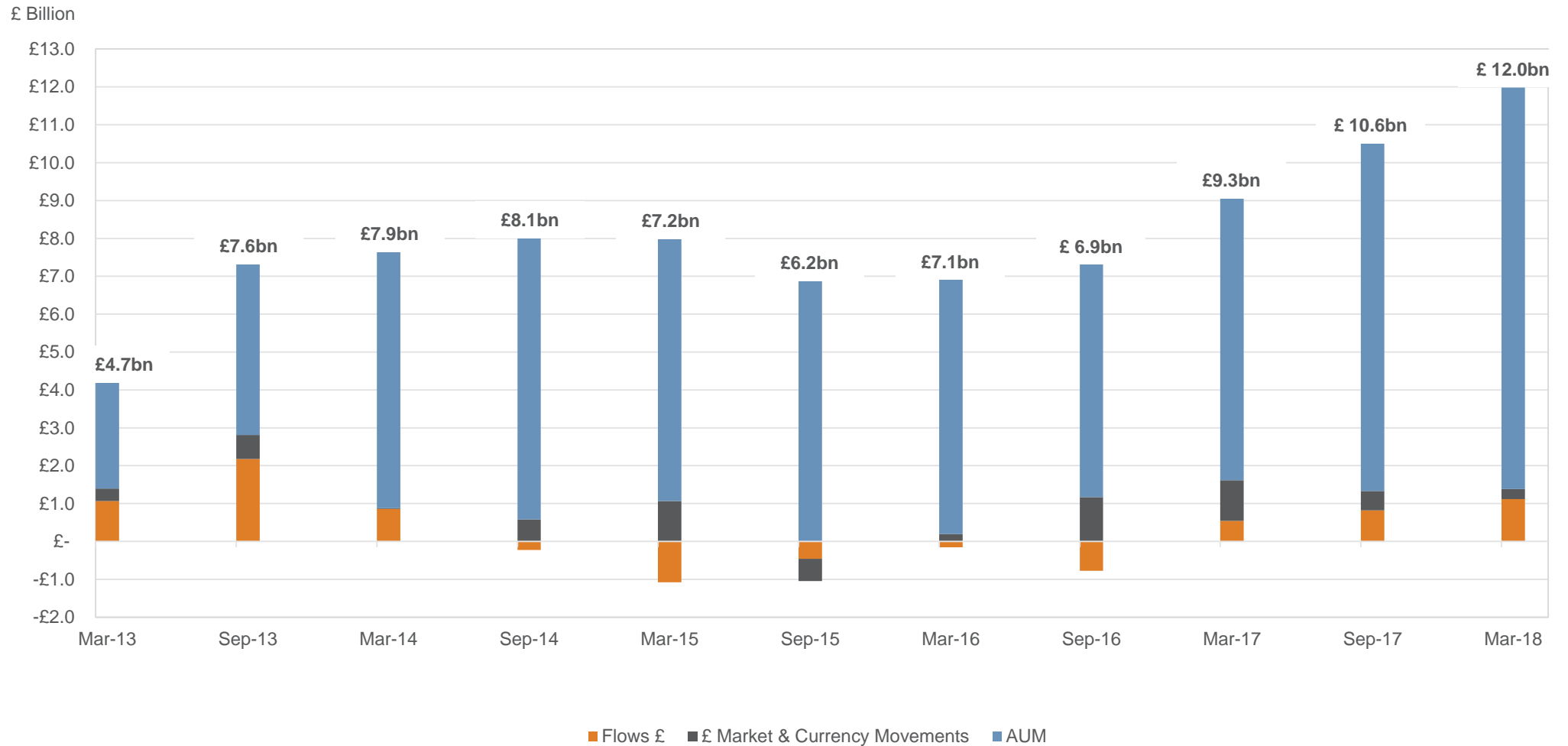
Source: Bloomberg, as at 31 March 2018.

## Highlights

- Net inflows of £1.9bn
- AuM increased by 29% from £9.3bn to £12bn
- Average AuM up 33% on the prior year
- Compelling fund performance and increased performance fees
- Core Operating Profit increased by 33%
- Adjusted Diluted EPS up by 79% to 36.6 pence
- Increased Final Dividend of 22 pence share. Total Dividend of 28 pence share
- MiFID II – implementation successful
- Four funds terminated
- Launched the Automation & Artificial Intelligence Fund in October 2017
- Emerging markets team recruited and planned fund launch in July 2018

Source: Polar Capital, as at 31 March 2018.

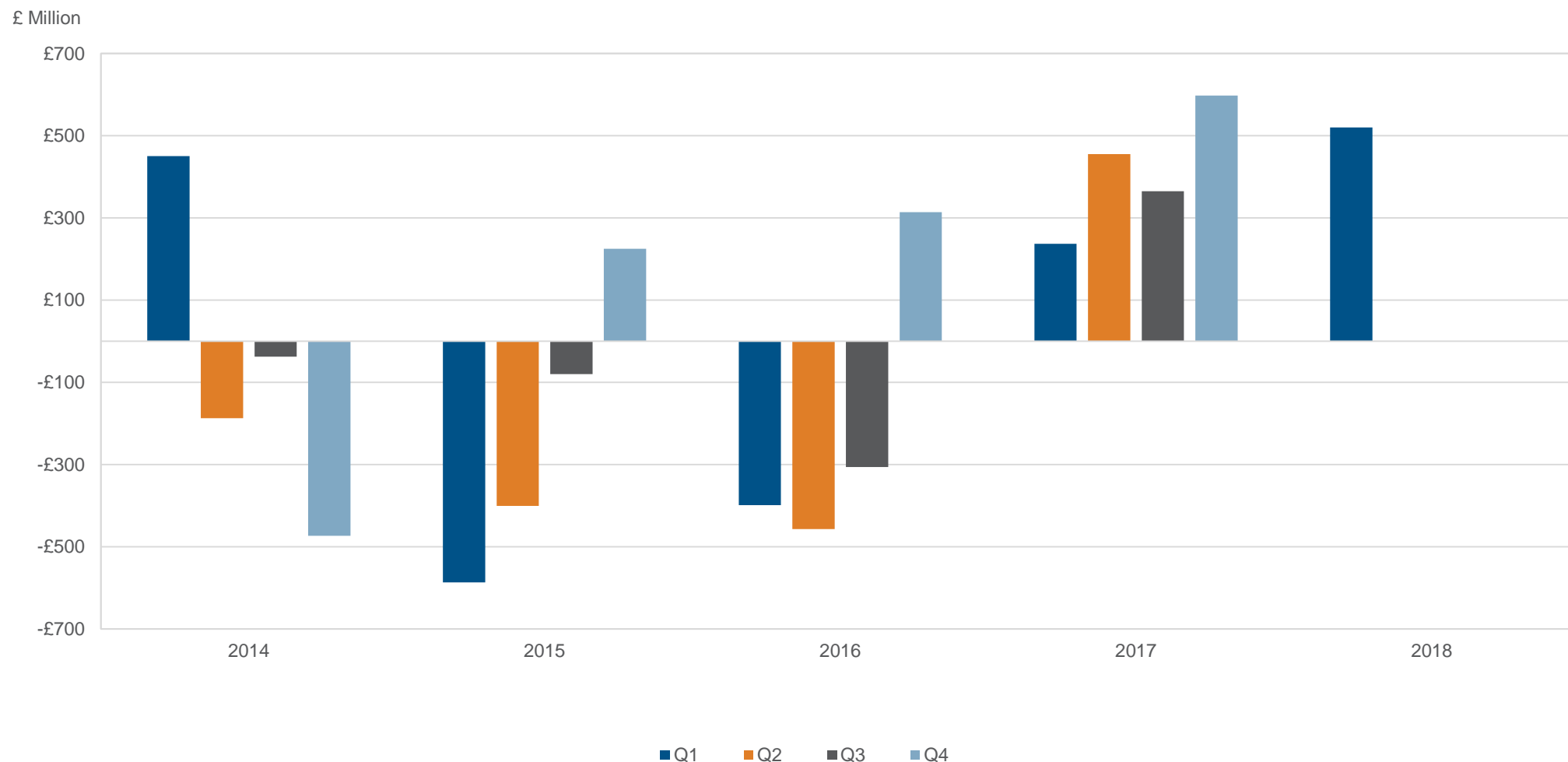
## AuM profile over 5 years



Source: Polar Capital, 31 March 2018. All figures quoted in Pounds Sterling. Totals may not sum due to rounding. Past performance is not indicative or a guarantee of future results.

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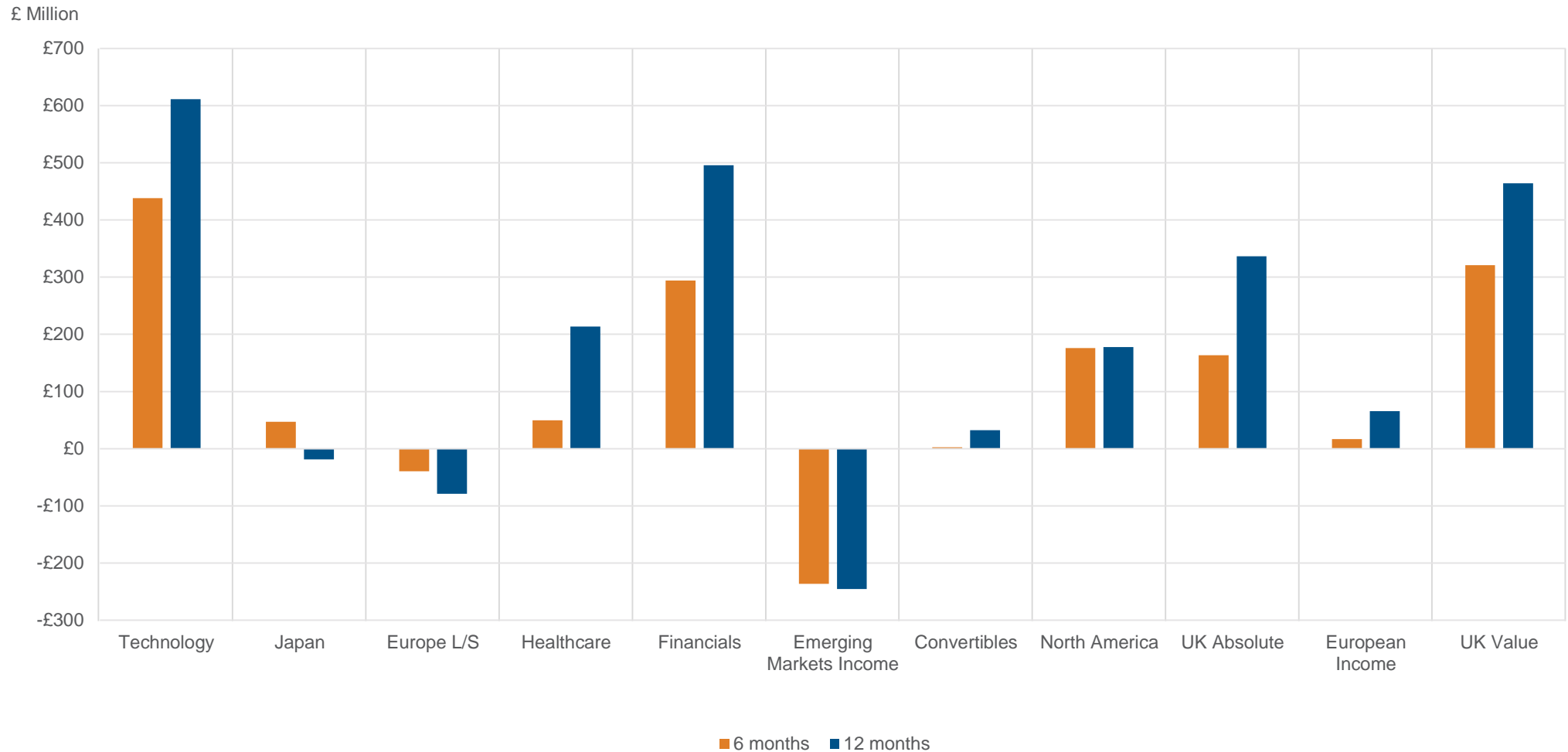
## Quarterly net flows



Source: Polar Capital, 31 March 2018. Totals may not sum due to rounding. Past performance is not indicative or a guarantee of future results.

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## Strategy fund flows 6 months and 12 months to 31 March 2018

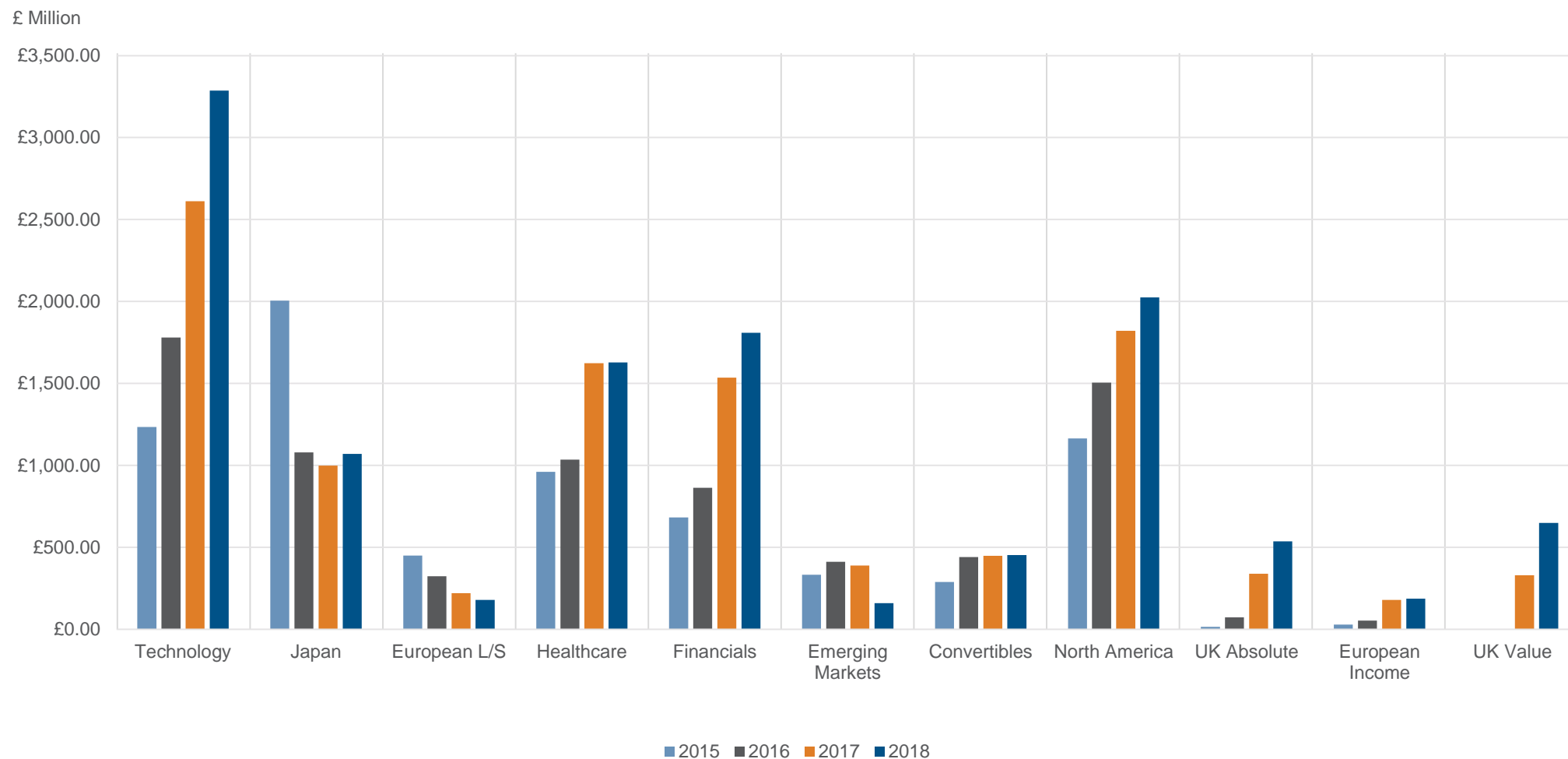


Source: Polar Capital, 31 March 2018. Totals may not sum due to rounding. Past performance is not indicative or a guarantee of future results.

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## AuM growth per strategy

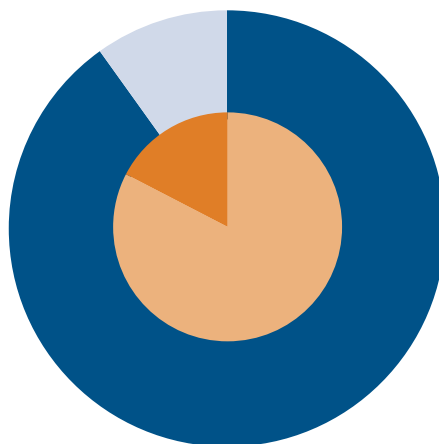


Source: Polar Capital, 31 March 2018. Totals may not sum due to rounding. Past performance is not indicative or a guarantee of future results.

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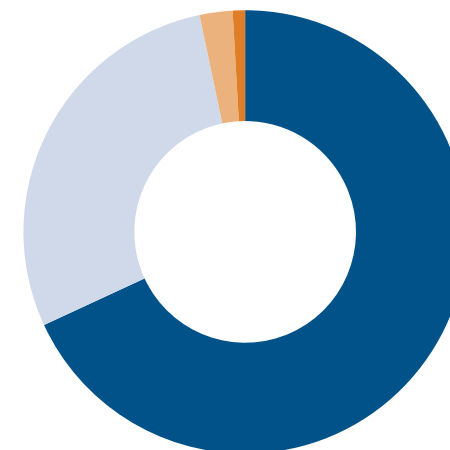
## AuM split by strategy

■ Long only	90.2%
■ Alternative	9.7%
■ Investment Trusts	17.4%
■ Open Ended Funds	82.6%



## Investor mix by geography

■ UK	68.1%
■ Europe	28.6%
■ Other	2.4%
■ USA	0.9%



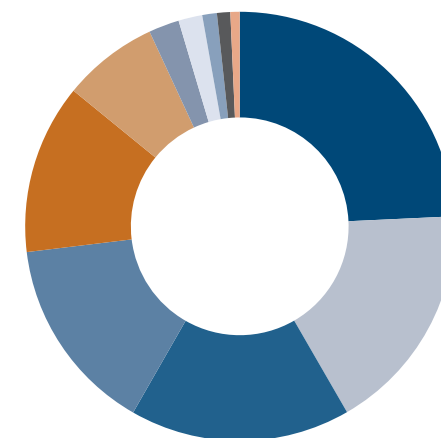
## AuM split by strategy

■ Technology	27.5%
■ North American	16.8%
■ Financials	15.1%
■ Healthcare	13.6%
■ Japan	8.9%
■ UK Value	5.4%
■ UK Absolute Return	4.5%
■ Convertibles	3.8%
■ European Income	1.6%
■ European (long/short)	1.5%
■ Emerging Markets Income	1.3%



## Investor mix by holdings

■ Bank	24.4%
■ Polar Investment Trusts	17.4%
■ Private Wealth Manager	16.6%
■ Asset Manager	14.8%
■ Platform	12.8%
■ Fund Of Funds	7.2%
■ Family Office	2.3%
■ Consultants	1.8%
■ Other	1.1%
■ Insurance Company	1.0%
■ Pension Fund/Foundation	0.7%



Source: Polar Capital, 31 March 2018. Totals may not sum due to rounding.

## Lipper figures for long and alternative UCITS funds – as at 31 March 2018

	AuM £m	1 Year Percentile	3 Years Percentile	5 Years Percentile	Since Inception
Japan Fund (I JPY)	817	27	17	40	7* 19/10/2001
Japan Value Fund (S JPY)	42	47	25	24	33 31/10/2012
Healthcare Opportunities Fund (I USD)	1,047	31	35	8	5* 3/12/2007
Healthcare Blue Chip Fund (I USD)	54	57	32	N/A	35 11/9/2014
Emerging Markets Income Fund (I USD)	160	86	85	81	13 21/1/2011
Asian Opportunities Fund (USD)	35	59	29	36	14 5/12/1996
Financial Opportunities Fund (I USD)	51	50	48	47	22 3/5/2011
Income Opportunities Fund (I GBP)	323	3	2	2	2 15/10/2009
Global Insurance Fund (I GBP)	1,118	75	10	2	24* 19/10/1998
Global Technology Fund (I USD)	1,548	11	3	3	16* 19/10/2001
North American Fund (I USD)	1,838	19	12	8	6 15/11/2011
Global Convertible Fund (I EUR Portfolio Hedged)	453	11	63**	N/A	6** 2/9/2013
Biotechnology Fund (I USD)	257	22	18	N/A	4 1/11/2013
UK Absolute Equity Fund (I GBP)	537	2	2	N/A	2 29/9/2014
European Income Fund (I EUR)	10	73	55	N/A	37 31/10/2014
European ex-UK Income Fund (I EUR)	176	62	N/A	N/A	17 30/06/2015
UK Value Opportunities Fund (I GBP)	649	11	N/A	N/A	11 31/01/2017
A&AI Fund (R USD)	216	N/A	N/A	N/A	24 6/10/2017
<b>%AuM in top quartile (excl hedge funds, managed accounts &amp; trusts)</b>	<b>£9,331m</b>	<b>62%</b>	<b>78%</b>	<b>85%</b>	<b>99%</b>

Source: Lipper. Totals may not sum due to rounding. \* Retail Share Class \*\* I GBP Acc Representative Share Class. Past performance is not indicative or a guarantee of future results.

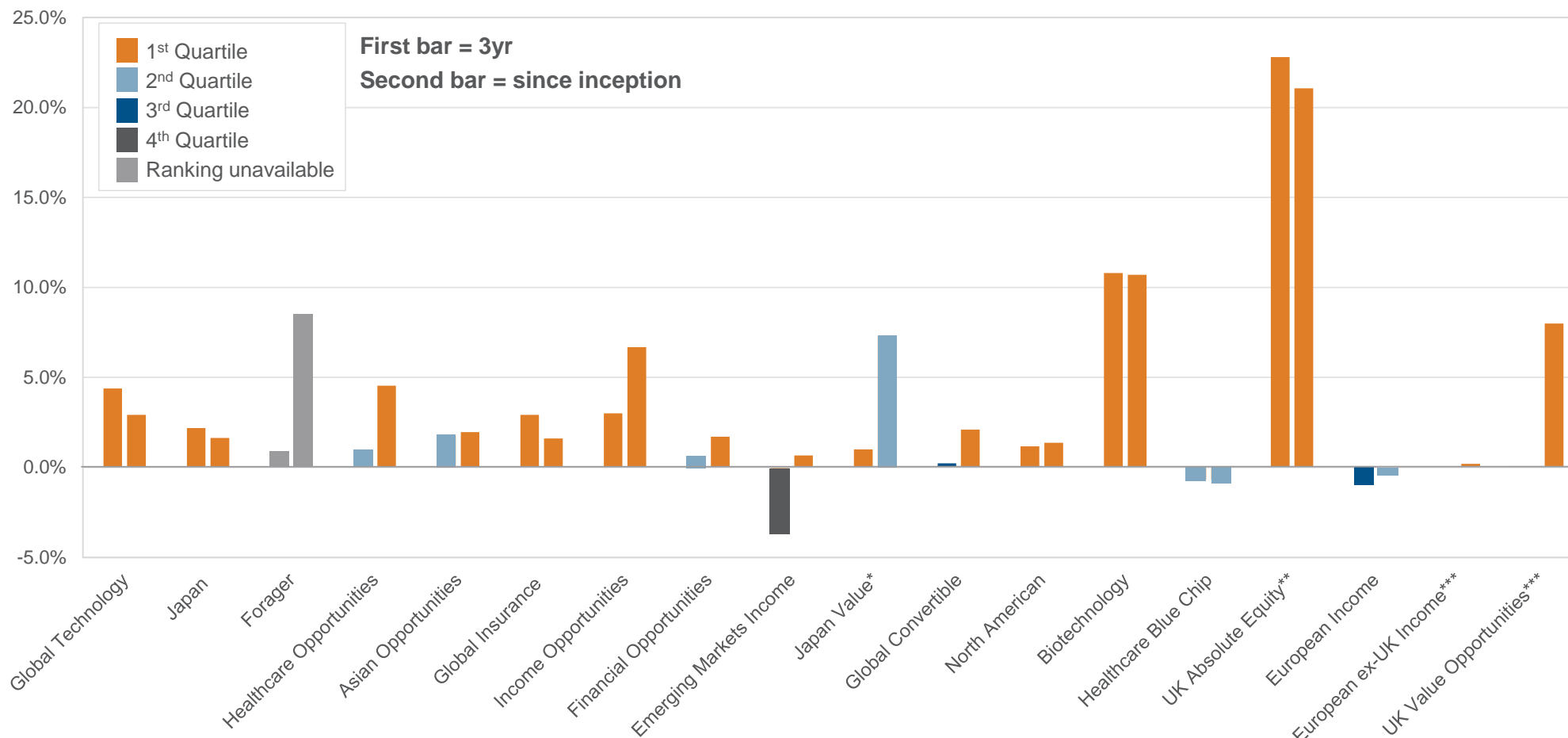
As at 31 March 2018

Strategies	Inception date	YTD	Annualised returns		
			3 years	5 years	Inception
Europe Long/Short (AX EUR)	1 August 2003	1.09%	1.04%	3.04%	8.46%
UK Absolute Equity (GBP I)	29 September 2014	-0.10%	24.63%	N/A	23.15%
Global Convertible (I EUR Portfolio Hedged)	31 December 2015	0.94%	N/A	N/A	3.10%

Source: Polar Capital. Basis: Net of fees. Currency as stated. Past performance is not indicative or a guarantee of future results.

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## Annualised fund performance against benchmark (3 year & SI)



**Source:** Polar Capital factsheet data, 31 March 2018, Lipper quartile rankings as at 31 March 2018. Lipper Leaders fund ratings do not constitute and are not intended to constitute investment advice or an offer to sell or the solicitation of an offer to buy any security of any entity in any jurisdiction. As a result, you should not make an investment decision on the basis of this information. Rather, you should use the Lipper ratings for informational purposes only. Certain information provided by Lipper may relate to securities that may not be offered, sold or delivered within the United States (or any State thereof) or to, or for the account or benefit of, United States persons. Lipper is not responsible for the accuracy, reliability or completeness of the information that you obtain from Lipper. In addition, Lipper will not be liable for any loss or damage resulting from information obtained from Lipper or any of its affiliates. For Lipper methodology please go to: <http://lipperalpha.financial.thomsonreuters.com/wp-content/uploads/2015/11/S026849-Method-Lipper-Leaders-Ratings-System-International.pdf> Past performance is not indicative or a guarantee of future returns. \*The Polar Capital Japan Alpha Fund was renamed the Polar Capital Japan Value Fund on 12 January 2018. \*\*Absolute return product, Benchmark: 3 month GBP LIBOR. \*\*\*3 year data is unavailable for these funds. Please refer to page 11 for Fund inception dates.

## Growth and diversification

### Investment strategies:

- Add complementary Global/International equities capability that will appeal to institutional investors
  - This could include sub-sets of the above such as EAFE benchmarked funds, International ACWI ex US benchmarked funds, Global Income, Global Growth, Global Value, SMID, SC
- Add complementary Global Emerging Markets equities capability that will appeal to institutional investors
  - This could include sub-sets of GEM such as Asia ex-Japan, China, India and Latin America (Recruited GEM team)
- Selectively extend existing teams to provide additional capacity (A&I)

### How?

- Recruitment
- Team extension
- Team lift-out
- Complementary 'bolt-on'
- Assess excellent talent opportunistically

### Distribution

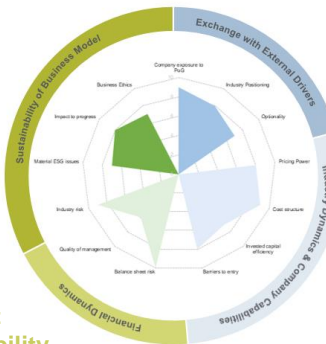
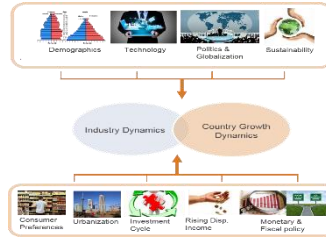
- Focus on building the institutional channel
  - This will follow, or progress in tandem with, the addition of 'institutional' type investment strategies
- Increase US client exposure over time (US\$75m mandate post year-end)
- Increase distribution capability in Continental Europe (Appointment of Head of Nordics)
- Assess potential sales opportunity in Asia including South East Asia (Australia)

### How?

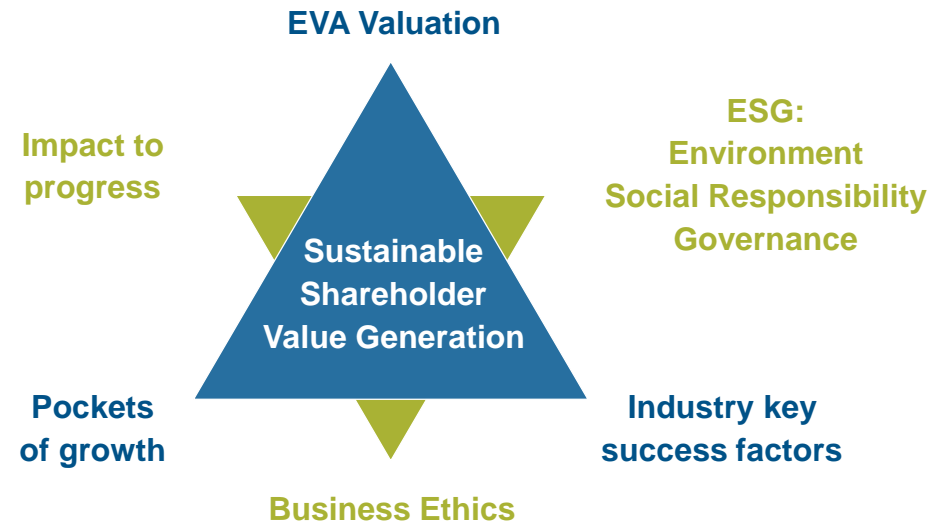
- Recruitment
- Explore Third Party/Sub-Advised arrangements in the US
- Complementary 'bolt-on'

Source: Polar Capital.

## Fundamental structure process around delta in EVA creation – stock picking



- Team of five, London based with a Shanghai research office



**Portfolio of 45-65 stocks**

Portfolio construction – balance growth vs valuation and focus on risk

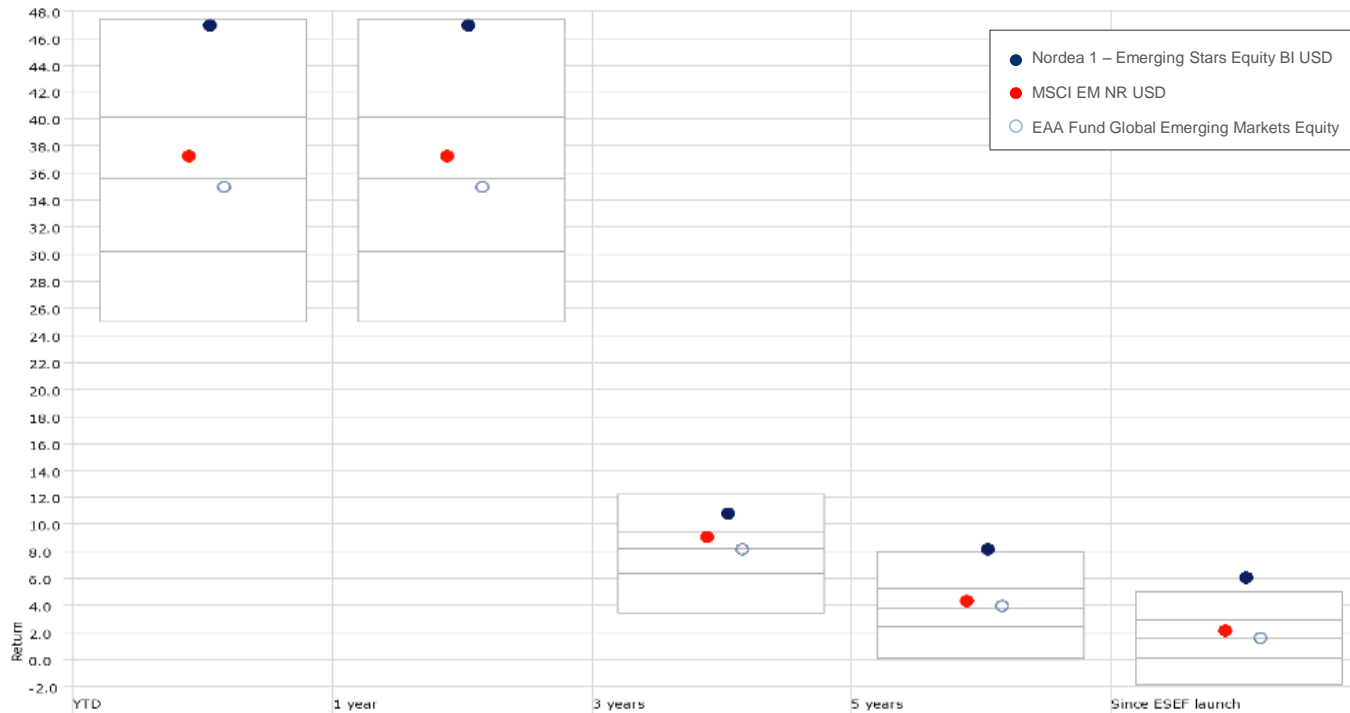
Source: Polar Capital. Past performance is not indicative or a guarantee of future results.

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## Past performance relative to peer group (1 May 2011 – 31 December 2017)

1<sup>st</sup> quartile performance on all horizons vs peers<sup>1</sup>

As of Date: 31/12/2017 Peer Group (5-95%): Open End Funds - Europe/Africa/Asia - Global Emerging Markets Equity Currency: US Dollar Source Data: Total, Daily Return



### 1<sup>st</sup> quartile performance – driven by stock selection<sup>2</sup>

- Historical performance following this philosophy and process has been strong
- 1st quartile performance over all key time horizons since inception
- Since inception to the end of 2017 it has been one of the top performing GEM funds globally

**Source:** © 2018 Morningstar, Inc. All Rights Reserved as of 08.01.2018. European Open End Funds database, Morningstar EAA OE Global Emerging Market Equity category. Period under consideration: 16.04.2011 to 31.12.2017. Performance in USD. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured.

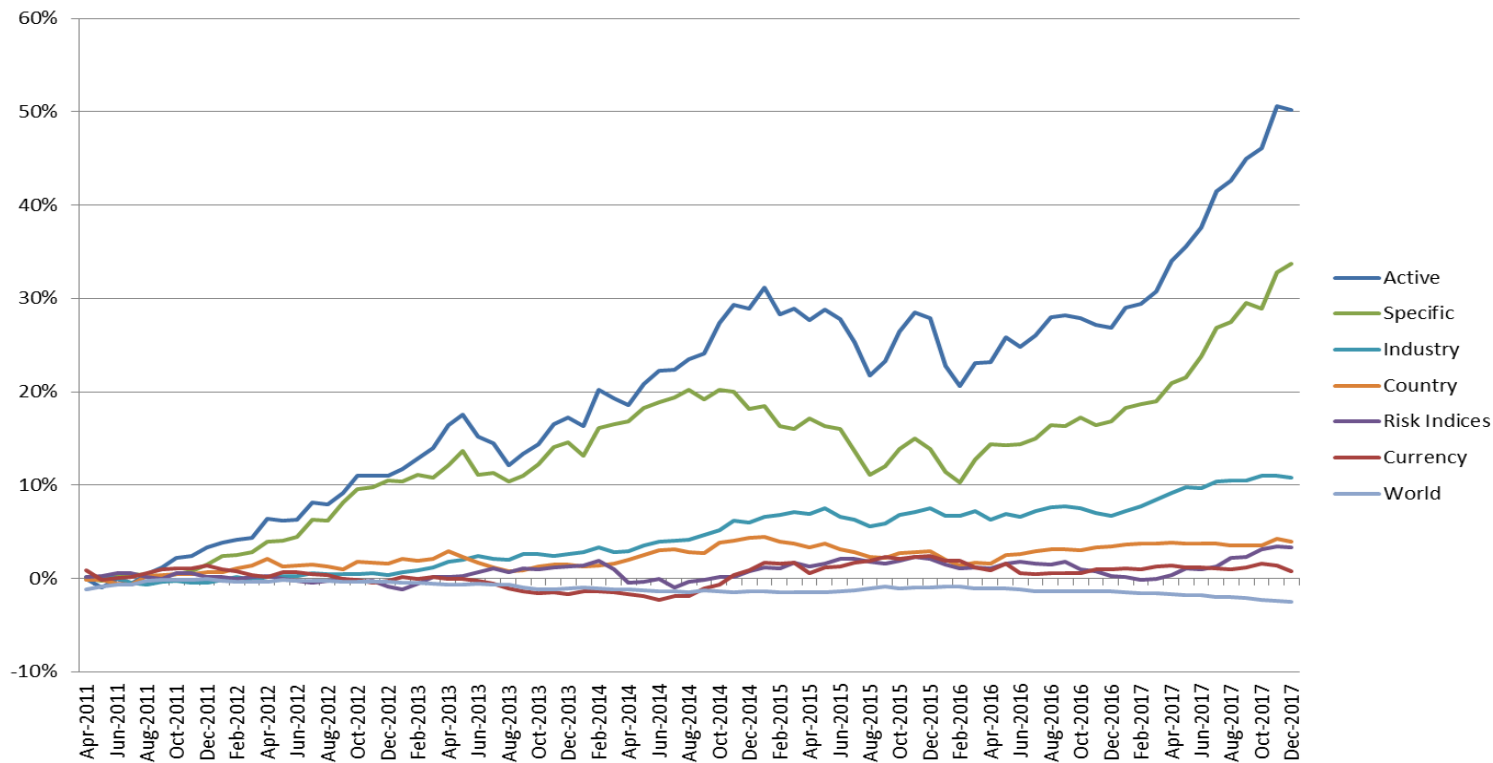
**Source: 1.** The Nordea 1 – Emerging Stars Equity BI USD Fund was managed by Jorry Nøddekær who had primary responsibility as portfolio manager for the Fund from inception in April 2011 until February 2018. The comparisons represented herein are included for illustrative purposes only and investors must read the Polar Capital – Emerging Market Stars prospectus prior to making a decision to invest.  
**2.** Performance based on BI USD. Past performance is not indicative or a guarantee of future results.



# Emerging Market Stars

## Return attribution since inception

### Outperformance driven by stock selection



- Performance has been driven by stock selection and industry allocation with an Information Ratio above 1, since inception<sup>1</sup>
- The fund grew from a seed investment at inception to around US\$4.5 bn in AuM over 6.5 years

**Source:** Nordea Investment Management AB and Barra Global Equity Model. Period under consideration: 16.04.2011 – 29.12.2017. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. Comparison with other financial products or benchmarks is only meant for indicative purposes. Please note that the attribution shown above refers to the Nordea Emerging Stars Equity Strategy (gross of fees).

**Source:** 1. Performance calculated gross of fees, USD, April 2011 to December 2017. This chart is included for illustrative purposes only and investors must read the Polar Capital – Emerging Market Stars prospectus prior to making a decision to invest. Past performance is not indicative or a guarantee of future results.

## Long term goal

The ambition is to create a leading emerging market franchise, with this proven team and their well defined philosophy and process.

### Product road map:

- **Global Emerging Market (Emerging Market Stars)**
  - Institutional segment – UK, Continental Europe, and Asia
  - Institutional segment – USA in the pipe-line
  - Wholesale – UK and Continental Europe
- **Asia Fund (Asia Stars)**
  - Institutional segment – UK, Continental Europe, and Asia
  - Institutional segment – USA in the pipe-line
  - Wholesale – UK and Continental Europe
- **China long only fund and China L/S (China Stars and China Mercury)**
  - Institutional segment – UK, Continental Europe, and Asia
  - Institutional segment – USA in the pipe-line
  - Wholesale – UK and Continental Europe

Source: Polar Capital.

## Brexit

- Dublin UCITS Funds hold 77% of AuM
- Investment Trusts account for 17% of AuM
- Have received AMF regulatory approval for Polar Capital (Europe) SAS to establish an office in Paris
- Will relocate certain functions to Paris during the year

## FCA Asset Management Market Study

- Value for money assessments and reporting – can demonstrate VfM
- Independent director – Polar Capital has always had independent fund boards
- Prescribed responsibility for AFMs – we conform

## MiFID II

- Completed internal reconfiguration
- Compliant by 3 January 2018
- No noticeable impact on investment processes
- Research costs born by Polar Capital by the majority of fund strategies. Agreed research payment sharing for specialist non-waterfront research

Source: Polar Capital. June 2018.

# Financials

## Highlights

- AuM
  - AuM at 31 March 2018 £12.0bn from £9.3bn at March 2017
- Profitability
  - Core operating profit excluding performance fees £27.8m (2017: £20.9m)
  - Profit before tax £41.3m (2017: £20.4m)
  - Pre-tax (pre SBP on preference shares) profit £46.4m (2017: £23.6m)
- EPS and Dividend
  - Adjusted diluted EPS 36.6p (2017: 20.4p)<sup>1</sup>
  - Total dividend of 28.0p (2017: 25.0p), July 2018 dividend 22.0p (2017: 19.5p)
- Balance Sheet
  - Strong balance sheet comprising cash and investments of £106.3m (2017: £80.6m)

**Source:** Polar Capital. **Date:** as at 31 March 2018 unless otherwise stated. **1:** Adjustment excludes IFRS costs of preference shares included in share based payments and includes deferred remuneration costs. Past performance is not indicative or a guarantee of future results.

## Presentation of accounts – share based payments (SBP)

- Previously face of P&L included separate SBP charge
- FY'18 SBP charge has four constituents:
  1. Preference shares
  2. Options
  3. LTIPs
  4. Deferral plans

Too much noise to warrant separate P&L disclosure

- SBP now subsumed into operating costs
- Separate analysis included within notes to the accounts (note 3.6)
- Company continues to believe profit excluding preference share (SBP) charge is the most appropriate metric to measure the Group's financial performance

## Presentation of accounts – adjusted EPS

- First adjustment

As previously detailed, element of SBP charge relating to preference shares removed from statutory EPS figure to create adjusted EPS figure

- Second adjustment

Deferral amounts that IFRS pushes out into future accounting periods have been brought into this year's EPS figure

- Reconciliation:

	<b>FY'18</b>	<b>FY'17</b>
Diluted EPS	34.7p	17.0p
Preference share SBP adjustment	5.3p	3.4p
Deferral adjustment	(3.4)p	-
<b>Adjusted EPS</b>	<b>36.6p</b>	<b>20.4p</b>

Source: Polar Capital. Past performance is not indicative or a guarantee of future results.

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## Profitability – by year

	Year to March 2016	Year to March 2017	Year to March 2018
Average AuM	£7.7bn	£8.0bn	£10.7bn
Core operating profit	£23.6m	£20.9m	£27.8m
Performance fee profit	£3.0m	£1.2m	£15.3m
Interest and similar income	£0.3m	£1.5m	£3.3m
<b>PBT pre SBP on preference shares</b>	<b>£26.9m</b>	<b>£23.6m</b>	<b>£46.4m</b>
SBP on preference shares	£3.3m	£3.2m	£5.1m
<b>Profit before tax</b>	<b>£23.6m</b>	<b>£20.4m</b>	<b>£41.3m</b>

Source: Polar Capital as at 31 March 2018. Past performance is not indicative or a guarantee of future results.



## Costs

	Year to March 2016	Year to March 2017	Year to March 2018	Comments
Salaries, bonuses and other staff costs	£16.6m	£16.9m	£20.9m	Increased discretionary bonus pool and small increase in headcount
Core distributions <sup>1</sup>	£17.2m	£14.8m	£22.9m	Increase in core profits
<b>Core cash compensation costs</b>	<b>£33.8m</b>	<b>£31.7m</b>	<b>£43.8m</b>	
NIC on options	£0.6m	£(0.6)m	£1.7m	Increase in share price
Share-based payments <sup>2</sup>	£3.3m	£4.1m	£7.6m	
Other operating costs	£11.3m	£12.6m	£14.5m	See next page
<b>Core operating costs</b>	<b>£49.0m</b>	<b>£47.8m</b>	<b>£67.6m</b>	
Performance fee interests <sup>3</sup>	£4.2m	£1.5m	£20.3m	Increased performance fees
<b>Total operating costs</b>	<b>£53.2m</b>	<b>£49.3m</b>	<b>£87.9m</b>	

<sup>1</sup> Including share awards under deferment plan of £0.3m (2017:nil)

<sup>2</sup> Share-based payments on preference shares, Group share awards and LTIPs

<sup>3</sup> Including share awards under deferment plan of £0.8m (2017: nil)

Source: Polar Capital as at 31 March 2018.

## Other operating costs

	Year to March 2016	Year to March 2017	Year to March 2018	Comments
IT	£4.2m	£4.7m	£5.3m	Increase in number and rate of Bloomberg terminals
Rent and rates	£2.7m	£2.6m	£2.6m	
Professional fees	£0.8m	£1.0m	£1.2m	
Research	£0.0m	£0.0m	£0.7m	Core waterfront written research costs
Insurance & regulation	£0.5m	£0.5m	£0.4m	
Travel and entertainment	£1.5m	£1.5m	£1.6m	
Staff recruitment	£0.3m	£0.1m	£0.2m	
Irrecoverable VAT	£0.7m	£1.0m	£1.2m	
Sponsorship / PR / conferences	£0.3m	£0.5m	£0.5m	
Other	£0.3m	£0.7m	£0.8m	
<b>Other operating costs</b>	<b>£11.3m</b>	<b>£12.6m</b>	<b>£14.5m</b>	

Source: Polar Capital as at 31 March 2018.

## Cash and investments

	March 2017 £m	March 2018 £m
<b>Cash</b>	<b>£58.5m</b>	<b>£87.9m</b>
<b>Investments</b>		
Alternative fund investment	£9.5m	£10.1m
Long only seed	<u>£12.6m</u>	<u>£8.3m</u>
	£22.1m	£18.4m
<b>Total cash and investments</b>	<b>£80.6m</b>	<b>£106.3m</b>

Source: Polar Capital as at 31 March 2018.

## Shareholder analysis at 31 March 2018

	Holding	Percentage			
Directors, founders and staff	29.1m	31%			
Caledonia	6.4m	7%			
EBT	2.5m	2%			
Hargreave Hale	9.2m	10%			
Harwood Capital	7.0m	8%			
Artemis	4.0m	4%			
Blackrock	3.6m	4%			
Unicorn	3.4m	4%			
J O Hambro Capital Management	3.1m	3%			
Aberdeen Standard Life	2.9m	3%			
Others	22.3m	24%			
			<b>Free Float = 60%</b>		
			<b>At Share Price of</b>		
<b>Total shares in issue</b>	<b>93.5m</b>	<b>100%</b>	<b>£6.00</b>	<b>£7.00</b>	<b>£8.00</b>
Dilutive effect of share appreciation rights	3.9m		4.8m	5.5m	6.1m
Conventional options	0.6m		0.6m	0.6m	0.6m
GR arrival LTIP	0.8m		0.8m	0.8m	0.8m
Issuance satisfied by EBT	-2.5m		-2.5m	-2.5m	-2.5m
Net dilutive effect of options	2.8m		3.7m	4.4m	5.0m
Vesting of crystallisations	nil		nil	nil	nil
<b>Diluted share capital</b>	<b>96.3m</b>		<b>97.2m</b>	<b>97.9m</b>	<b>98.5m</b>

Source: Polar Capital.

- Total dividend for the year 28p (2017: 25.0p)
  - Second dividend payable 22p (2017: 19.5p)
- Policy
  - First (January) dividend 50% of first half core earnings
  - Total dividend will conventionally range between 55% - 85% of adjusted EPS
  - Range will provide flexibility given the inherent volatility of performance fees
- General observations
  - Balance sheet remains strong
  - New fund launches will be supported
  - Buy back of stock to ameliorate effects of LTIPs

Source: Polar Capital. Past performance is not indicative or a guarantee of future results.

- Six quarters of net inflows
- More balanced earnings contribution from fund strategies
- More to be achieved on diversification
- Pipeline of potential teams is promising, but we remain very selective
- Flow momentum has continued into the current quarter
  - AuM at 31 May 2018 increased by £1.4 billion to £13.4 billion
  - Net inflows in April and May 2018 were £442 million  
(including US\$75 million institutional subscriptions from the USA)

## House View

This document has been produced based on Polar Capital research and analysis and represents our house view. All sources are Polar Capital unless otherwise stated.

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