

## Fund Fact Sheet

29 January 2021

GBP B2 I Acc  
ISIN: IE00B73PVZ22



### NAV per Share

GBP B2 I Acc 232.79p

### Fund Particulars

Fund Size	£58.3 million
Base Currency	GBP
Denominations	GBP / US\$ / EUR
Fund Structure	Open-ended
Domicile	Dublin, Ireland
Listing	Irish Stock Exchange
Launch Date <sup>1</sup>	15 October 2009
Management	Polar Capital LLP

Historic Yield (%)<sup>2</sup> 4.75

### Risk / Return Since Inception

Volatility of Returns (%)	9.60
Sharpe Ratio	0.76

### Fund Manager



**Nick Brind**

#### Fund Manager

Nick has managed the Fund since 2009, he joined Polar Capital in 2010 and has 26 years of industry experience.

## Fund Profile

### Investment Objective

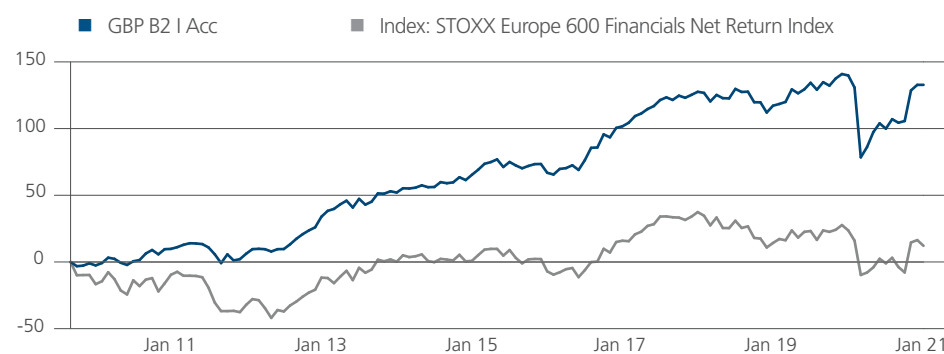
The Fund aims to provide an attractive level of income for investors, together with capital growth, by investing primarily in the equity, debt and other securities of financial companies worldwide.

### Key Facts

- Team of 5 sector specialists
- Award-winning managers, 90+ years of combined experience
- 20+ year track record of running specialist financial sector funds
- Up to 150 positions
- No benchmark or tracking error constraints
- Fundamentally-driven analysis and stock selection combined with macro-economic analysis

## Share Class Performance

### Performance Since Launch (%)<sup>1</sup>



	Since Launch							Ann.	Cum.
	1 month	3 month	YTD	1 year	3 years	5 years			
GBP B2 I Acc	0.01	13.19	0.01	-2.93	2.29	39.50	7.77	132.79	
Index	-3.69	21.67	-3.69	-9.34	-18.41	20.62	1.02	12.10	

### Discrete Annual Performance (%)

12 months to	29.01.21	31.01.20	31.01.19	31.01.18	31.01.17
GBP B2 I Acc	-2.93	10.44	-4.59	12.82	20.88
Index	-9.34	8.22	-16.84	18.51	24.74

Source: Northern Trust International Fund Administration Services (Ireland) Ltd, monthly percentage growth, GBP and has been calculated to account for the deduction of fees. Fund performance does not take account of any commissions or costs incurred by investors when subscribing for or redeeming shares. The GBP B2 I Acc was launched on 15 October 2009. The index performance figures are sourced from Bloomberg and are in GBP terms. These figures refer to the past. Investments in funds are subject to risk. **Past performance is not a reliable indicator of future returns.** The money invested in a fund can increase and decrease in value and past performance is not a reliable indicator that you will get back the full amount invested. The performance calculation is based on GBP. If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. Please see the Important Information on the last page of this document for further information on the risks to your investment.

1. On 13 June 2014, the Polar Capital Income Opportunities Fund was re-named from the Polar Capital Financials Income Fund which was launched on 15 October 2009 (the HIM Income Fund, launched October 2009, was merged into the Polar Capital Financials Income Fund on 1 July 2011).

2. Historic yield is based on a NAV per share of 132.61p and income of £0.0630 per unit paid in the last 12 months, based on GBP Institutional distribution units.

**WARNING: Investors should note that historic yield does not measure the overall performance of a fund. It is possible for a fund to lose money overall but to have a positive historic yield. Historic yield cannot be considered as being similar to the interest rate an investor would earn on a savings account.**

# Polar Capital Funds plc - Income Opportunities Fund

## Portfolio Exposure & Attribution

As at 29 January 2021

### Top 10 Equity Positions (%)

JPMorgan	4.2
Sampo	3.3
Chubb	2.7
Riverstone Credit Opportunities	2.7
VPC Specialty Lending	2.3
SpareBank 1 SMN	2.2
OSB Group	2.1
Personal Group Holdings	2.0
ING Groep	2.0
Direct Line Insurance	1.9
<b>Total</b>	<b>25.4</b>

### Top 10 Fixed Income Positions (%)

ING Groep Float PERP	2.7
Intl Personal Finance PI 8.75% 06/2022	2.2
Rabobank Stichting Ak 6.5%	1.9
Nationwide Bldg Society 10.25%	1.7
NatWest Float PERP A	1.7
Jupiter Fund Management 8.875% 07/2030	1.5
MS Float 04/30/32	1.5
Rothsay Life 6.875%	1.5
Burford Capital Finance 6.125% 08/2025	1.4
Bayport Management 11.5% 06/2022	1.4
<b>Total</b>	<b>17.5</b>

### Sector Exposure (%)

Banks	26.7
Investment Grade Bonds	16.9
Insurance	16.1
High-Yield Bonds	14.8
Investment Companies	10.1
Financial Services	7.0
BDCs	5.2
Real Estate	3.0
Long Gilt Futures	-2.3
Cash	0.2

### Total Number of Positions

Derivatives	1
Equity	47
Fixed Income	32

### Performance Attribution - 1 Month (%)

#### Top Contributors

VPC Specialty Lending	0.21
Personal Group Holdings	0.13
Morses Club	0.12
Riverstone Credit Opportunities	0.11
Real Estate Credit Investments	0.10

#### Top Detractors

Arch Capital	-0.26
Chubb	-0.16
Allianz	-0.16
Direct Line Insurance	-0.12
Legal & General Group	-0.09

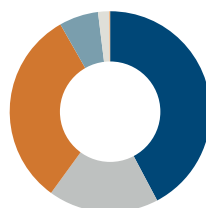
### Market Capitalisation Exposure (%)

Large Cap (>£2.5 billion)	52.3
Mid Cap (£350 million - £2.5 billion)	18.7
Small Cap (<£350 million)	29.0

Performance attribution is calculated in GBP.

### Geographic Exposure (%)

	Equity	Hybrid	Fixed Income	Total
UK	13.2	12.3	16.8	42.2
Europe	13.2	0.0	4.6	17.8
North America	18.0	5.2	8.6	31.7
Asia	5.4	0.9	0.0	6.3
Other	0.0	0.0	1.8	1.8
Cash	-	-	-	0.2
<b>Total</b>	<b>49.8</b>	<b>18.3</b>	<b>31.8</b>	



### Administrator Details

Northern Trust International Fund Administration Services (Ireland) Ltd

**Telephone** +353 1 434 5007

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**Dealing** Daily

**Cut-off** 15:00 Dublin time

## Share Class Information

### Codes & Fees

Share Class	Bloomberg	ISIN	SEDOL	OCF	Annual Fee
GBP A1 R Dist	HIMRA1I ID	IE00B759Y860	B759Y86	1.36%	1.25%
GBP A2 R Acc	HIMRA2A ID	IE00B7456569	B745656	1.36%	1.25%
GBP B1 I Dist	HIMIB1I ID	IE00B4TCHT23	B4TCHT2	0.86%	0.75%
GBP B2 I Acc	HIMIB2A ID	IE00B73PVZ22	B73PVZ2	0.86%	0.75%
EUR Class R Dist	HIMRESA ID	IE00BY7RSY17	BY7RSY1	1.36%	1.25%
EUR Class R Acc	HIMRESA ID	IE00BY7RTK46	BY7RTK4	1.36%	1.25%
EUR Class I Dist	HIMRIES ID	IE00BY7RT263	BY7RT26	0.86%	0.75%
EUR Class I Acc	HIMRIEA ID	IE00BY7RTT39	BY7RTT3	0.86%	0.75%
US\$ Class R Dist	HIMRUSD ID	IE00BY7RST63	BY7RST6	1.36%	1.25%
US\$ Class R Acc	HIMRUSA ID	IE00BY7RT826	BY7RT82	1.36%	1.25%
US\$ Class I Dist	HIMRIUD ID	IE00BY7RSZ24	BY7RSZ2	0.86%	0.75%
US\$ Class I Acc	HIMRIUA ID	IE00BY7RTS22	BY7RTS2	0.86%	0.75%
EUR Class I Acc Hedged	POIIEAH ID	IE00BZ4SWG46	BZ4SWG4	0.86%	0.75%
EUR Class I Dist Hedged	POIIEDH ID	IE00BZ4SWF39	BZ4SWF3	0.86%	0.75%
EUR Class R Acc Hedged	POIIEAH ID	IE00BZ4SWD15	BZ4SWD1	1.36%	1.25%
EUR Class R Dist Hedged	POIREDH ID	IE00BZ4SWC08	BZ4SWC0	1.36%	1.25%
US\$ Class R Acc Hedged	POIRUHA ID	IE00BF2CWP70	BF2CWP7	1.36%	1.25%
US\$ Class R Dist Hedged	POIRUHD ID	IE00BZ4D6L20	BZ4D6L2	1.36%	1.25%

Note: Totals may not sum due to rounding.

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.

### Additional Share Class Information

#### Minimum Investment:

**Class I Shares;** US\$1 million (or its foreign currency equivalent).

**Class R Shares;** No minimum subscription.

**Performance Fee** 10.00% of outperformance of STOXX Europe 600 Financials Net Return Index.

**Ongoing Charges Figure (OCF)** is the latest available, as per the date of this factsheet.

## Fund Managers Comments

As at 29 January 2021

Equity markets were slightly lower in January as an initial rally fizzled out after a couple of weeks on the back of concern about the slower than expected distribution of vaccines in Europe as well as an increased risk of transmission from variations of the virus in the UK, Brazil and South Africa. Against this background, the Fund's unit price was unchanged while our benchmark index, the STOXX Financials Index, fell by 3.7% (in sterling terms).

The largest contributor to performance was VPC Specialty Lending which rose on the back of news that a special purpose acquisition vehicle (SPAC) it has a stake in had risen sharply on the announcement that it had entered into an agreement to combine with a Bakkt, a business spun out of International Continental Exchange, focused on digital assets including cryptocurrencies. Other good performers during the month included Personal Group Holdings, following a reassuring update, and Riverstone Credit Opportunities.

Conversely our weakest performers were all non-life insurance holdings including Arch Capital, Chubb and Allianz. Fourth-quarter results have for the most part been strong from the subsector, with only a small number of exceptions, highlighting the improving pricing environment. As a result, we believe the weaker performance can be explained by investors rotating out of more defensive sectors into more cyclical parts of the market to benefit from the expectation of economies continuing to reflate over the course of the next two years.

US bank fourth-quarter results came in better than expected, largely due to the much lower loan loss provisions than expected reflecting the resilience of the US economy albeit due to the huge fiscal and monetary stimulus in place to offset the impact of the pandemic. Investment banking revenues also came in stronger than expected but not surprisingly loan balances have continued to decline, reflecting weak demand for credit, and we would not expect it to pick up until the latter half of the year.

In conversations with investors, one of the pushbacks for investing in the sector is the outlook for interest rates. We believe that financials can continue to rally from current levels, if the news on the rollout of vaccinations and hospitalisations continues to improve, without the need for interest rate expectations to change in the short term. However, we would be surprised if bond yields do not back up if growth expectations improve.

Investors must ask themselves where they see interest rates and bond yields going over the next 2-3 years. We are at the bottom of an economic downturn where interest rates have been cut and as recovery picks up is it highly likely that markets will start to price in a rise. Earnings forecasts assume no increase in interest rates, for the next couple of years and longer in some cases, therefore no improvement in net interest margins or underlying profitability.

However, if interest rate expectations do change then that has significant implications for asset allocation and financials will be one of the biggest beneficiaries. With the sector still trading at historically low multiples, investors risk being poorly positioned if there is a sharp change in sentiment. As was seen in November, markets will respond very quickly to the improving news flow and by then it may well be too late for those who have not as the sector rerates sharply.

Interest rates aside, however, over the past 30 years financials have without fail outperformed underlying equity markets from market lows whether it was the early 1990s' recession, the UK exiting the ERM, the Asian financial crisis and collapse of Long-Term Capital Management (LTCM), the TMT bubble, the global financial crisis, the eurozone crisis and the UK referendum. In the first year following the date markets hit a low, the outperformance is fairly consistent and continues into the second year albeit the dispersion of returns increases.

The only time the sector gave up some of its outperformance was following the recovery in equity markets, from the collapse of LTCM in October 1998, as the TMT bubble began to inflate through 1999. If we take the market low as 23 March last year, financials have underperformed to the end of January by 6.9%. Even if we take the performance from the day Pfizer announced the results of its vaccine trials, resulting in a sharp rotation back into financials, the sector has only outperformed by 6.5%.

This compares to historic outperformance of 19.3%, 22.5% and 25.6% over six months, one year and two years from the market lows listed above. This would suggest that if history is repeated, the sector offers much more relative upside. Logically, as the sector is a beneficiary of economies opening up, it makes sense that it should be outperforming. There have been no capital issues and its earnings are forecast to rise sharply as loan and insurance losses normalise over the next couple of years.

**Nick Brind**

4 February 2021

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# Polar Capital Funds plc - Income Opportunities Fund

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