

# Interim Results Presentation

December 2015

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John Mansell (COO)



## Section I

- Business Review

## Section II

- Financial Review

## Highlights

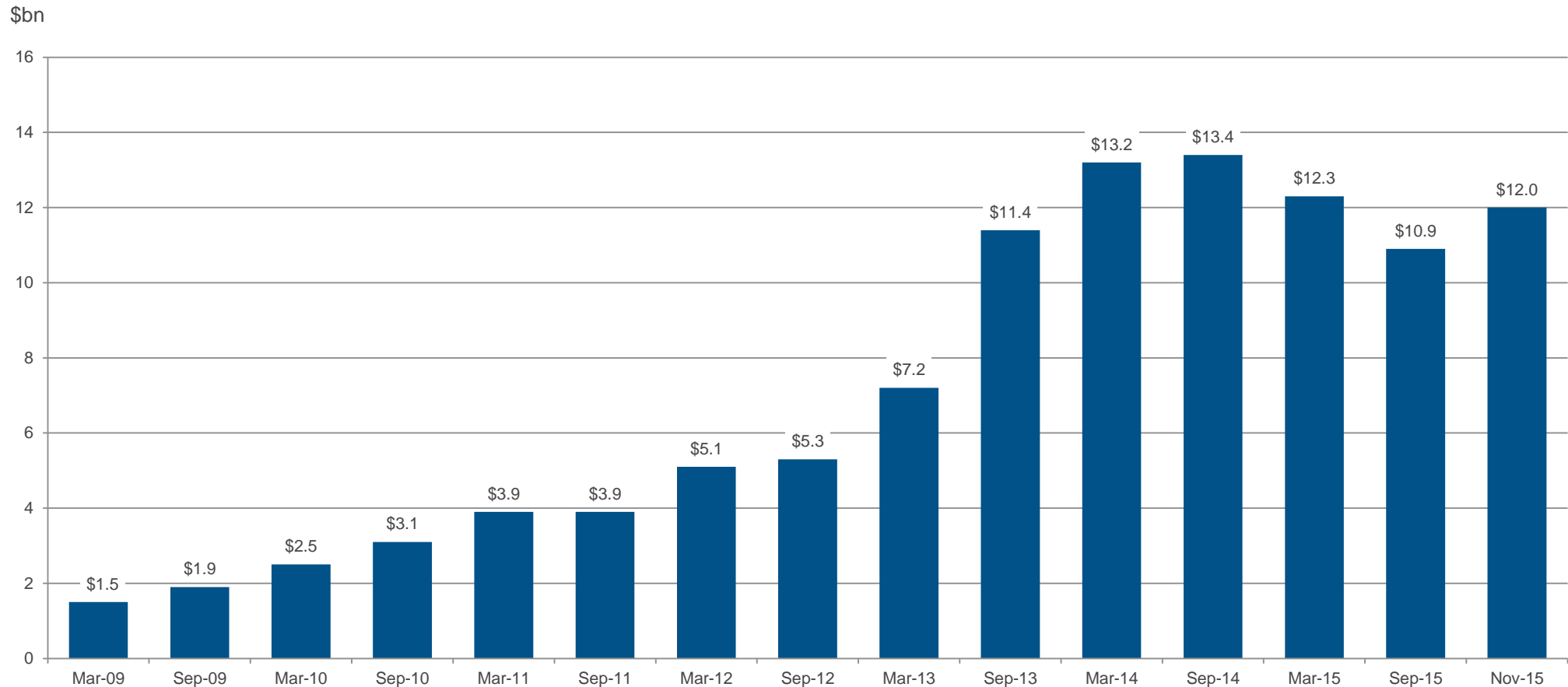
- AUM
  - AUM at 30 September 2015 US\$10.9bn from US\$13.4bn at September 2014
  - AUM at 30 November 2015 US\$12.0bn
- Profitability
  - Pre-tax (pre SBP) profits £13.3m (2014: £12.7m)
  - Core operating profit excluding performance fees £12.4m (2014: £13.9m)
- EPS and Dividend
  - Adjusted diluted EPS 11.46p (2014: 10.75p)<sup>1</sup>
  - Dividend of 5.5p (2014: 5.5p) to be paid in January 2016
  - Company considering bringing forward July 16 dividend to March 16
- Balance Sheet
  - Strong balance sheet comprising cash and investments of £75.1m (2014: £63.4m)

Source: Polar Capital.

1: Adjustment excludes cost of share based payments.

Past performance is not indicative or a guarantee of future results.

## Significant AUM growth but not linear



Source: Polar Capital, 30 September 2015.

# AUM Growth Analysis



	30 Sep 2014 US\$'m	30 Sep 2015 US\$'m	% Increase Year on Year
Japan	5,300	3,034	(42.8%)
Long Only (ex Japan)	7,139	6,759	(5.3%)
Technology	1,899	1,866	(1.7%)
Healthcare	1,170	1,452	24.1%
Financials	979	1,033	5.5%
GEMs	972	504	(48.1%)
North America	2,024	1,761	(13%)
Global Alpha	95	101	6.3%
European Income	-	43	N/A
Absolute Return Funds	983	1,137	15.7%
<b>Overall</b>	<b>13,422</b>	<b>10,930</b>	<b>(18.6%)</b>

Source: Polar Capital.

## AUM at 31 March 2014

**\$13.2bn**

**Gross inflows** Total [long 3,989 hedge 475] **\$4,464m**

**Gross outflows** Total [long 6,216 hedge 290] **\$(6,506)m**

Net flows \$(2,042)m

Performance and currency movements \$1,049m

## AUM at 31 March 2015

**\$12.3bn**

**Gross inflows** quarter 1 [long 805 hedge 69] **\$874m**

quarter 2 [long 1,151 hedge 110] **\$1,261m**

**Gross outflows** quarter 1 [long 1,400 hedge 60] **\$(1,460)m**

quarter 2 [long 1,339 hedge 45] **\$(1,384)m**

Net flows \$(709)m

Performance and currency movements \$(691)m

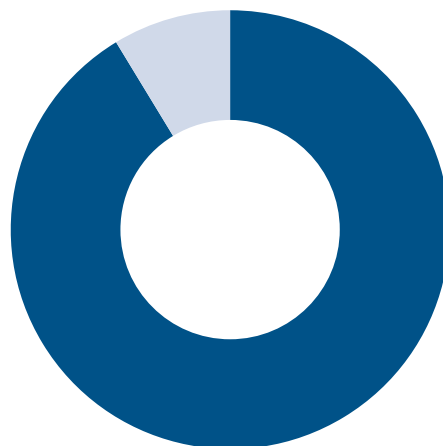
## AUM at 30 September 2015

**\$10.9bn**

Source: Polar Capital.

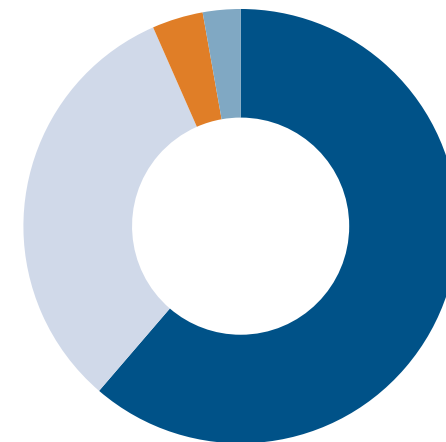
## AUM split by strategy

■ Long Only	89.6%
■ Alternative	10.4%



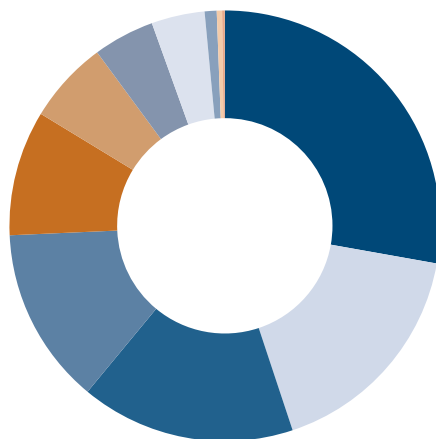
## Investor mix by geography

■ UK	61.3%
■ Europe	32.1%
■ USA	3.8%
■ Other	2.8%



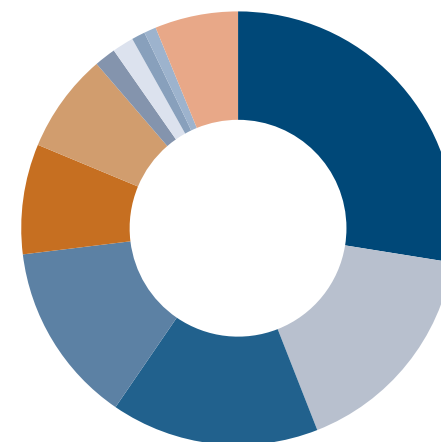
## AUM split by business unit

■ Japan	27.8%
■ Technology	17.1%
■ North American	16.1%
■ Healthcare	13.3%
■ Financials	9.4%
■ European	6.2%
■ Emerging Markets	4.6%
■ Convertibles	4.0%
■ Global	0.9%
■ European Income	0.4%
■ UK Absolute Return	0.2%



## Investor mix by holdings

■ Bank	27.5%
■ Private Wealth Manager	16.5%
■ Polar Investment Company	15.5%
■ Asset Manager	13.5%
■ Platform	8.2%
■ Fund Of Funds	7.4%
■ Consultants	1.6%
■ Family Office	1.6%
■ Pension Fund/Foundation	1.0%
■ Insurance Company	0.9%
■ Other	6.2%



Source: Polar Capital, 30 September 2015. Totals may not sum due to rounding.

# Product Concentration

	<b>March 2013</b>	<b>March 2014</b>	<b>March 2015</b>	<b>September 2015</b>
<b>Technology</b>	17%	14%	17%	17%
<b>Japan</b>	33%	43%	31%	28%
<b>North America</b>	-	13%	16%	16%
<b>Europe</b>	10%	-	-	-
<b>Total of top 3 strategies</b>	<b>60%</b>	<b>70%</b>	<b>64%</b>	<b>61%</b>
<b>Number of teams</b>	<b>11</b>	<b>9</b>	<b>11</b>	<b>11</b>
<b>Number of teams with assets &gt; \$500m</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
<b>Number of teams with assets &gt; \$1 bn</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>5</b>

Source: Polar Capital, 30 September 2015. Based on the top 3 strategies.



Strategies	AUM 30 September 2015	Capacity
Technology	\$1.9bn	\$2bn+
Japan	\$3.0bn	\$5bn+
Europe	\$0.7bn	\$1bn+
Healthcare	\$1.5bn	\$5bn+
Financials	\$1.0bn	\$2bn+
Convertibles	\$0.4bn	\$1bn+
Emerging Markets	\$0.5bn	\$2bn+
North America	\$1.8bn	\$3bn+
Global Equity	\$0.1bn	\$5bn+
UK Equity ARF	-	\$1bn+
European Income	-	\$2bn+
<b>Total</b>	<b>\$10.9bn</b>	<b>\$29bn+</b>

Source: Polar Capital. Totals may not sum due to rounding.

## The original vision still holds true

### Ten to twelve world class investment teams

Pre 2010	2010	2011	2012	2013	2014	2015
<b>Technology</b>	Technology	Technology	Technology	Technology	Technology	Technology
<b>Japan</b>	Japan	Japan	Japan	Japan	Japan	Japan
<b>Europe</b>	Europe	Europe	Europe	Europe	Europe	Europe
<b>Healthcare</b>	Healthcare	Healthcare	Healthcare	Healthcare	Healthcare	Healthcare
	<b>Financials</b>	Financials	Financials	Financials	Financials	Financials
	<b>Convertibles</b>	Convertibles	Convertibles	Convertibles	Convertibles	Convertibles
	<b>Emerging Markets</b>	Emerging Markets	Emerging Markets	Emerging Markets	Emerging Markets	Emerging Markets
		<b>North American</b>	North American	North American	North American	North American
			<b>Global Equity</b>	Global Equity	Global Equity	Global Equity
					<b>UK Absolute Return</b>	UK Absolute Return
					<b>European Income</b>	European Income

Source: Polar Capital, September 2015.

## Long only

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### UCITS

Global Technology

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Japan

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Japan Alpha

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Healthcare Opportunities

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Asian Financials

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Financial Opportunities

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Income Opportunities

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Global Insurance

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Emerging Markets Growth

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Emerging Markets Income

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North American

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Global Alpha

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Biotechnology

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Healthcare Blue Chip

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European Income

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European (ex-UK) Income

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### Investment trusts

Global Technology

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Global Healthcare Growth and Income

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Global Financials

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### Managed accounts

Japan

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Emerging Markets

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Convertibles

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Source: Polar Capital, September 2015.

## Alternative

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### Cayman

European Forager

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European Conviction

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ALVA Global Convertible

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### UCITS

Global Convertibles

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UK Absolute Equity

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# Lipper Figures



	6 months		1 year		3 years		5 years		Since inception	
	% Growth to universe position/ universe total	Quartile	% Growth to universe position/ universe total	Quartile	% Growth to universe position/ universe total	Quartile	% Growth to universe position/ universe total	Quartile	% Growth to universe position/ universe total	Quartile
Healthcare Opportunities (USD)	85 / 105	4	24 / 99	1	5 / 88	1	4 / 85	1	4 / 69 3.12.2007	1
Biotechnology (Retail USD)	9 / 32	2	2 / 31	1	N/A	N/A	N/A	N/A	3 / 28 1.11.2013	1
Healthcare Blue Chip (I USD)	73 / 105	3	80 / 99	4	N/A	N/A	N/A	N/A	61 / 97 12.9.2014	3
Emerging Markets Growth (Retail USD)	438 / 659	3	462 / 615	3	311 / 500	3	N/A	N/A	148 / 377 1.12.2010	2
Emerging Markets Income (Retail USD)	403 / 659	3	531 / 615	4	308 / 500	3	N/A	N/A	35 / 383 21.1.2011	1
Asian Financial (USD)	60 / 68	4	36 / 68	3	51 / 65	4	34 / 60	3	2 / 7 5.12.1996	1
Financial Opportunities (Retail USD)	14 / 68	1	7 / 68	1	16 / 65	1	N/A	N/A	8 / 62 3.5.2011	1
Income Opportunities (Retail GBP)	104 / 439	1	14 / 426	1	6 / 372	1	4 / 296	1	8 / 240 15.10.2009	1
Global Insurance (Retail GBP)	1 / 68	1	1 / 68	1	1 / 65	1	1 / 60	1	4 / 14 19.10.1998	2
Global Technology (USD)	6 / 47	1	15 / 47	2	9 / 44	1	29 / 42	3	7 / 30 19.10.2001	1
Japan (Retail JPY)	156 / 316	2	68 / 303	1	161 / 276	3	112 / 257	2	8 / 136 19.10.2001	1
Japan Alpha (Retail JPY)	255 / 316	4	206 / 303	3	106 / 276	2	N/A	N/A	155 / 275 31.10.2012	3
Global Alpha (Retail USD)	347 / 1421	1	392 / 1343	2	440 / 1068	2	N/A	N/A	440 / 1068 30.11.2012	2
North American (Retail USD)	112 / 778	1	115 / 756	1	160 / 640	1	N/A	N/A	102 / 593 15.11.2011	1
European Income (Retail EUR)	47 / 98	2	25 / 94	2	N/A	N/A	N/A	N/A	29 / 94 30.10.2014	2
European Ex UK Income (I EUR)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	40 / 100 30.6.2015	2

Source: Lipper. Basis: Net of fees. Currency as stated. Past performance is not indicative or a guarantee of future results. Date: 30 November 2015

## 30 September 2015

Strategies	Inception date	YTD	Annualised returns		
			3 years	5 years	Inception
Forager (AX EUR)	1 August 2003	-1.48%	5.67%	7.28%	9.99%
Conviction (EUR)	1 April 2006	-13.17%	-1.73%	1.08%	3.84%
ALVA (A USD)	1 November 2010	1.38%	4.97%	n/a	5.14%
Global Convertibles (Class I USD Acc) <sup>1</sup>	2 September 2013	-0.71%	n/a	n/a	5.86%
UK Absolute Equity (Class I GBP Inc) <sup>1</sup>	29 September 2014	16.88%	n/a	n/a	27.40% <sup>2</sup>

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

1. These funds are sub funds of the Polar Capital Funds Plc.

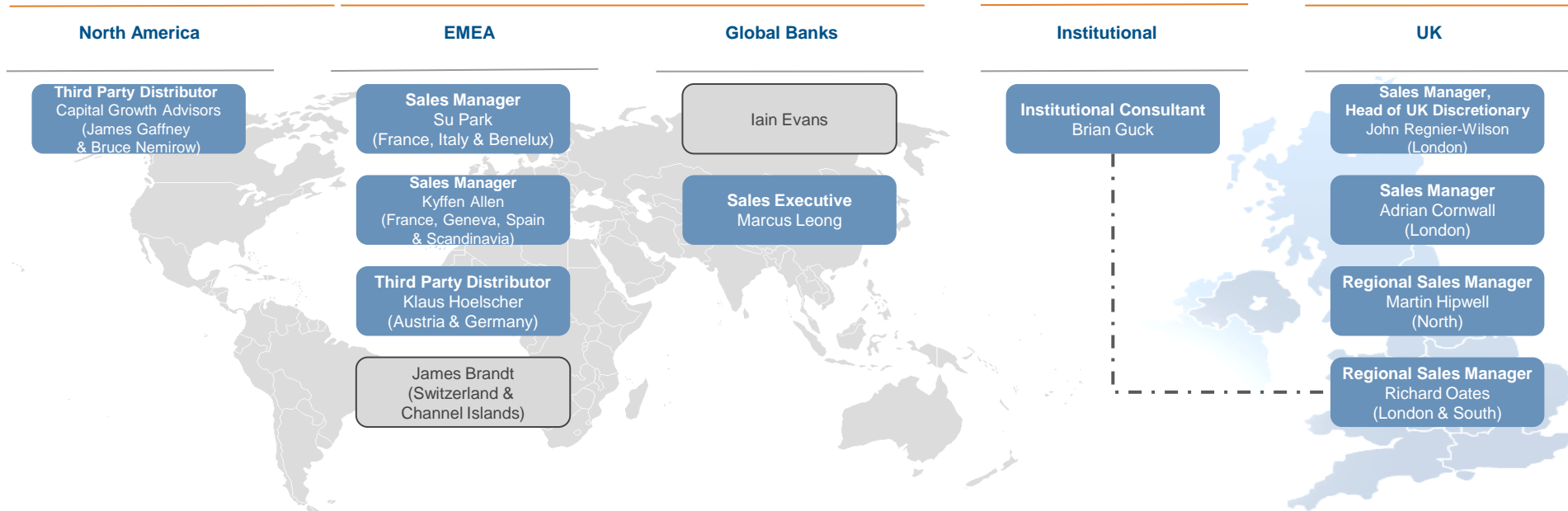
2. This figure is cumulative since inception.

# Sales & Marketing

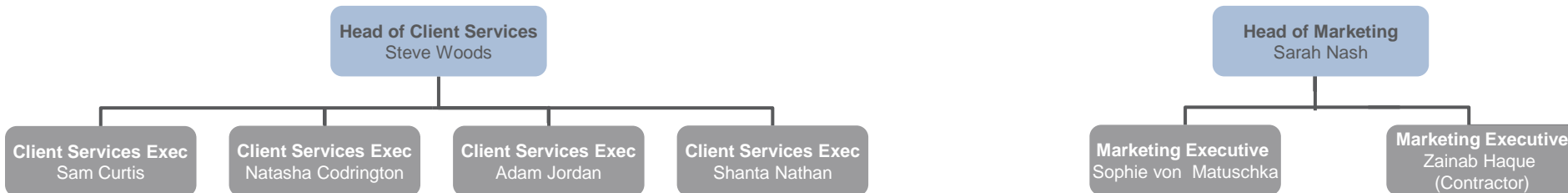
**Head of Distribution**  
Iain Evans

**Secretarial Support**  
Charlotte Keane

**Head of International Business Development**  
James Brandt



## Client Services and Marketing



Source: Polar Capital. October 2015.

Representative of dual role.

## Goals

- To be a leading global investment management boutique
- To be a strong dependable partner to our clients offering them a range of interesting and differentiated investment products
- To deliver first quartile performance over the investment cycle
- To maintain a robust operational infrastructure and to maintain high levels of client service and support
- To maintain a strong balance sheet
- To maintain high levels of corporate governance and transparency

## Strategy for further growth

- To attract further inflows into existing products
- To launch new products with current teams
- To attract more top quality managers
- To consider opportunistic corporate activity
- To continue to invest further in client servicing and support

Source: Polar Capital.

## Profitability – by period

	6 months to September 14	6 months to March 15	Year to March 15	6 months to September 15
<b>Average AUM</b>	<b>US\$13.5bn</b>	<b>US\$12.9bn</b>	<b>US\$13.1bn</b>	<b>US\$11.8bn</b>
Core operating profit	£13.9m	£13.8m	£27.7m	£12.4m
Performance fee profit	-	£5.2m	£5.2m	-
Interest and similar income	£(1.2)m	£2.0m	£0.8m	£0.9m
<b>PBT pre S.B.P.</b>	<b>£12.7m</b>	<b>£21.0m</b>	<b>£33.7m</b>	<b>£13.3m</b>

Source: Polar Capital.



## Costs

	6 months to September 14	6 months to March 15	Year to March 15	6 months to September 15
Salaries and bonuses	£8.5m	£8.2m	£16.7m	£8.4m
Core distributions	£9.2m	£10.3m	£19.5m	£9.2m
<b>Core compensation costs</b>	<b>£17.7m</b>	<b>£18.5m</b>	<b>£36.2m</b>	<b>£17.6m</b>
NIC on options	£0.5m	£1.4m	£1.9m	£0.3m
Other operating costs	£5.1m	£4.0m	£9.1m	£5.5m
<b>Core operating costs</b>	<b>£23.3m</b>	<b>£23.9m</b>	<b>£47.2m</b>	<b>£23.4m</b>
Performance fee interests	-	£7.1m	£7.1m	-
<b>Total operating costs</b>	<b>£23.3m</b>	<b>£31.0m</b>	<b>£54.3m</b>	<b>£23.4m</b>

Source: Polar Capital.

## Other operating costs

	6 months to Sep 14	6 months to March 15	Year to March 15	6 months to Sep 15	Comments
IT	£2.1m	£1.8m	£3.9m	£2.0m	
Rent and rates	£0.8m	£0.9m	£1.7m	£1.4m	
Professional fees	£0.4m	£0.3m	£0.7m	£0.4m	
Insurance	£0.3m	£0.2m	£0.5m	£0.2m	
Travel and entertainment	£0.7m	£0.6m	£1.3m	£0.6m	
Other	£0.8m	£0.2m	£1.0m	£0.9m	Irrecoverable VAT increase by > £0.2m due to > UCITS
<b>Other operating costs</b>	<b>£5.1m</b>	<b>£4.0m</b>	<b>£9.1m</b>	<b>£5.5m</b>	

Source: Polar Capital.

## Cash and investments

	September 2014 £m	March 2015 £m	September 2015 £m
<b>Cash</b>	£23.0m	£41.4m	£25.1m
<b>Available for sale investments</b>			
Alternative fund seed	£20.6m	£21.2m	£22.5m
Long only seed	<u>£ 19.8m</u>	<u>£30.5m</u>	<u>£27.5m</u>
	£40.4m	£51.7m	£50.0m
<b>Total cash and investments</b>	<b>£63.4m</b>	<b>£93.1m</b>	<b>£75.1m</b>

Source: Polar Capital.

## Dividend

- First dividend of 5.5p payable January 2016 (2015: 5.5p)
  - Dividend half of first half's core earnings
  - Total dividend will be predicated on total core earnings and performance fees received in the year
  - Company considering bringing forward July 16 dividend to March 16
- Policy
  - Distribution of majority of earnings; additional cash not needed
  - Full NOT progressive dividend

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

## Shareholder analysis at 30 September 2015

	Holding	Percentage			
Directors, founders and staff	27.9m	31%			
Caledonia	7.8m	9%			
XL	7.0m	8%			
EBT	1.2m	1%			
Blackrock	6.4m	7%	} Free Float = 51%		
Hargreave Hale	6.4m	7%			
Liontrust	3.3m	4%			
Standard Life	2.8m	3%			
Artemis	2.8m	3%			
Rathbone	2.6m	3%			
Others	21.8m	24%			
<b>Total shares in issue</b>	<b>90m</b>	<b>100%</b>			
			At Share Price of		
			£4.00	£5.00	£6.00
Dilutive effect of share appreciation rights	5.0m		5.2m	6.4m	7.5m
Conventional options	0.7m		0.8m	0.8m	0.8m
Issuance satisfied by EBT	<u>-1.2m</u>		<u>-1.2m</u>	<u>-1.2m</u>	<u>-1.2m</u>
Net dilutive effect of options	4.5m		4.8m	6.0m	7.1m
Vesting of crystallisations	0.4m		0.4m	0.4m	0.4m
<b>Diluted share capital</b>	<b>94.9m</b>		<b>95.2m</b>	<b>96.4m</b>	<b>97.5m</b>

Source: Polar Capital.

## Well positioned for long-term growth

### Funds and performance

- Expanded and differentiated product offering
- Good performance across a wide range of funds

### Fund capacity

- Significant potential for further growth
- Total current capacity in the funds of > US\$29 billion, of which only US\$12.0 billion currently utilised, as at November 2015

### Distribution

- Invested heavily in distribution over recent years
- Historically achieved good asset flows across a breadth of products

### Operations

- High quality, robust and institutional style operational platform
- Meeting the challenge of increased due diligence by clients

### Financials

- Strong profitability with further potential for margin expansion
- Strong cash position provides comfort and flexibility

### New teams

- Team addition possible in 2016

Source: Polar Capital.

## **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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