

Results Presentation

Six months to 30 September 2017

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11 December 2017

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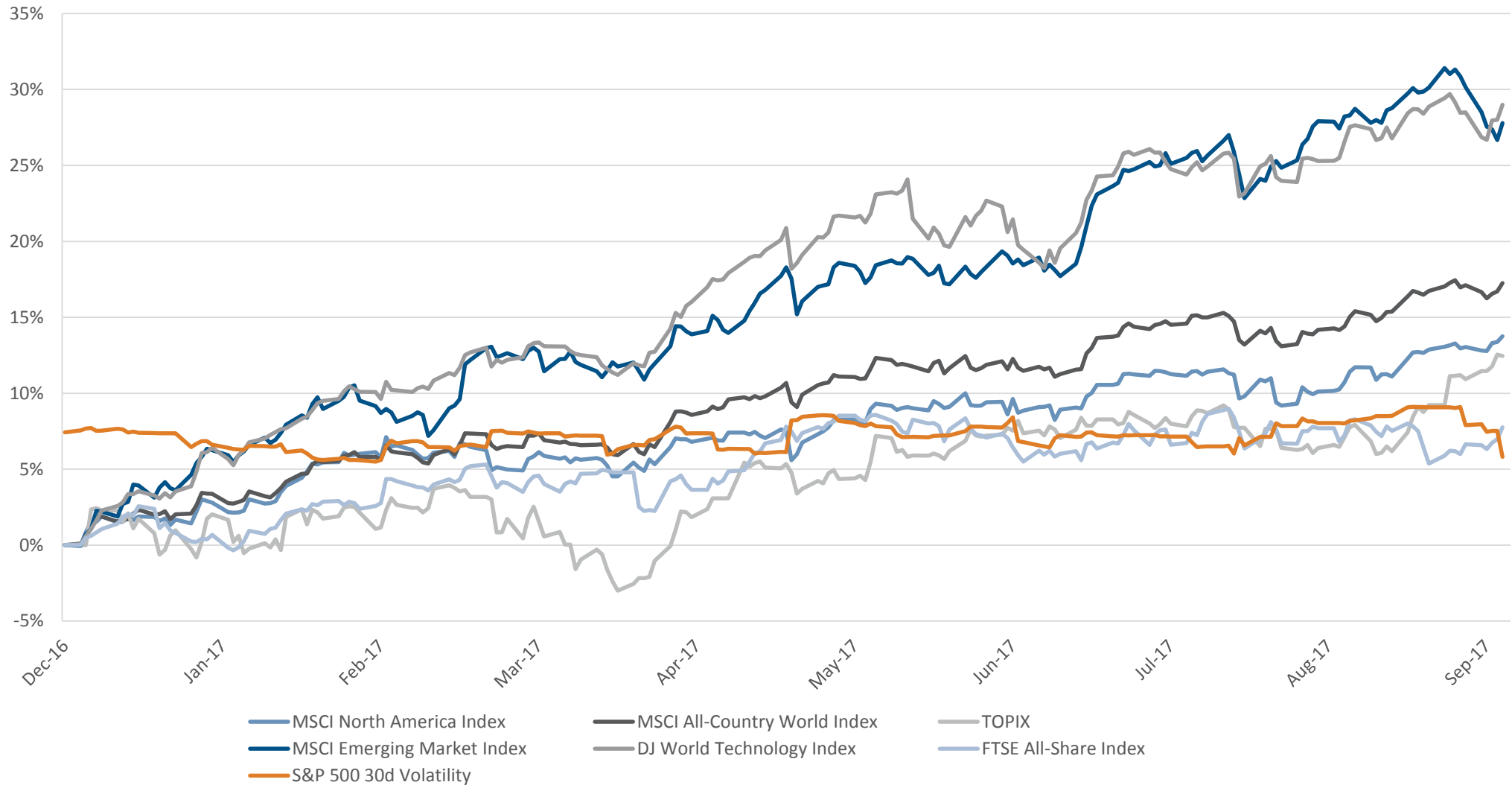


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“Polar Capital is a specialist, investment led, active fund manager with a collegiate and meritocratic culture where capacity of investment strategies is managed to enhance and protect performance”.

Global indices vs volatility

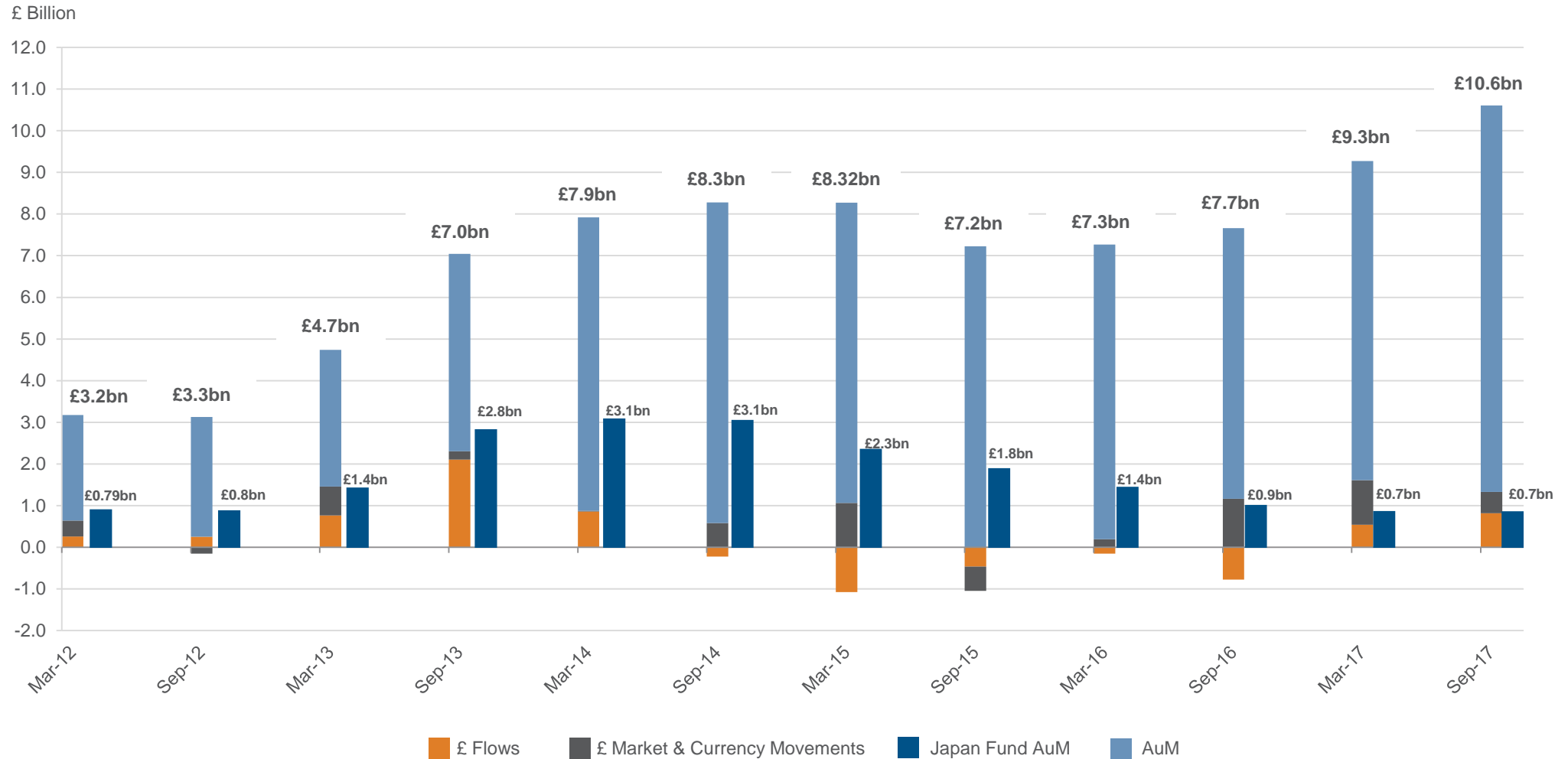


Source: Bloomberg, as at 29 September 2017.

Highlights

- Net inflows of £820m compared to £542m in the preceding six months
- AuM increased by 14% from £9.3bn to £10.6bn
- Average AuM up 34% on the comparable prior period
- Improved performance in key fund strategies
- Core Operating Profit increased by 37%
- Adjusted Diluted EPS up by 44%
- Increased Interim Dividend of 6 pence/share – up 9%
- Terminating four subscale funds
- Preparation for MiFID II – Research costs to be paid by Polar with a contribution from funds for bespoke specialist research
- Launched The Automation & Artificial Intelligence Fund in October
- The UK Value Opportunities Fund which launched in January has had a pleasing start
- The UK Absolute Return Fund won Fund of the Year award at the Eurohedge Absolute UCITS Awards

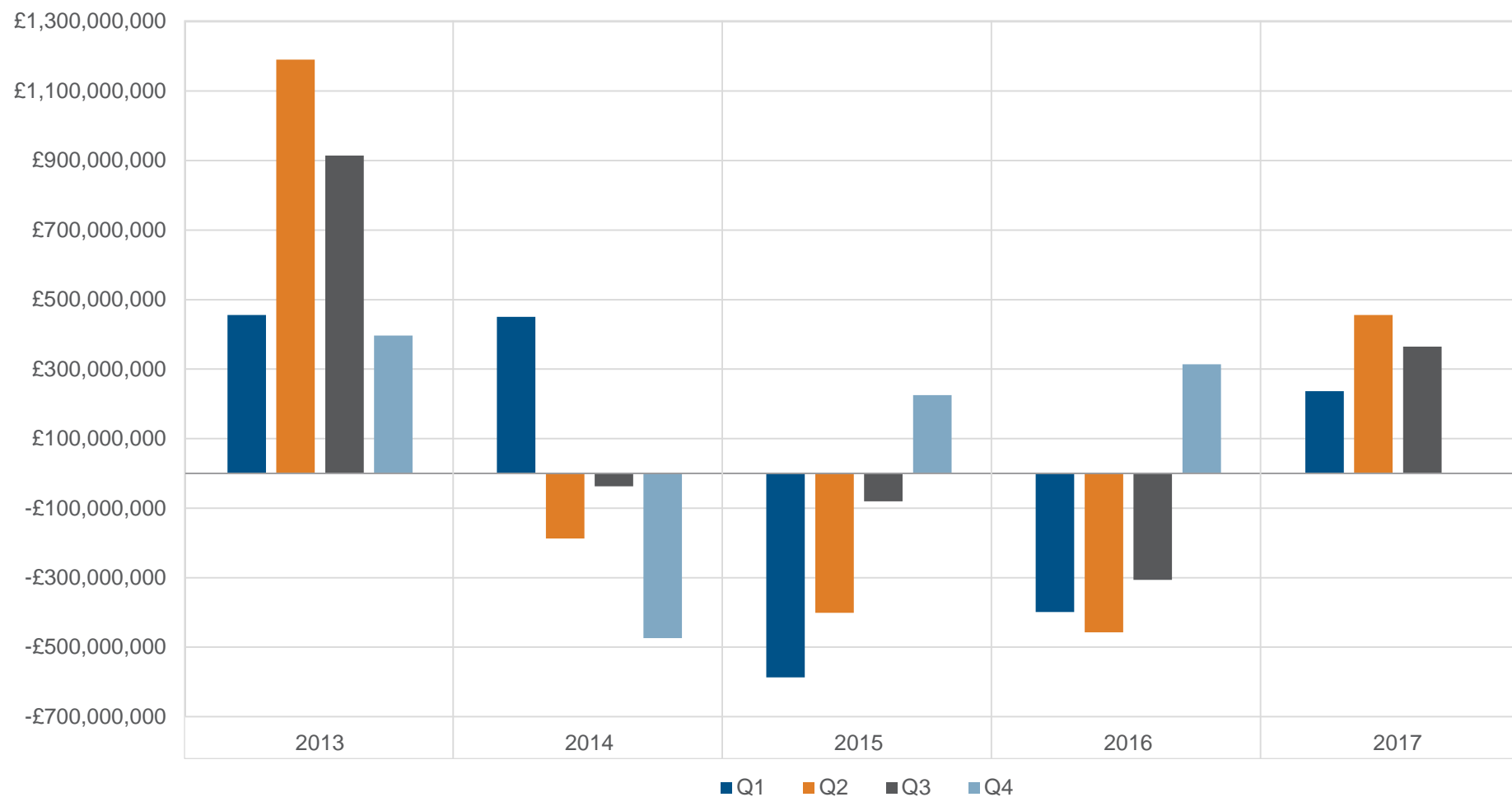
AuM progression over 5 years



Source: Polar Capital, 29 September 2017. All figures quoted in Pounds Sterling. Japan figures do not include managed accounts or the Japan Alpha Fund. Totals may not sum due to rounding.

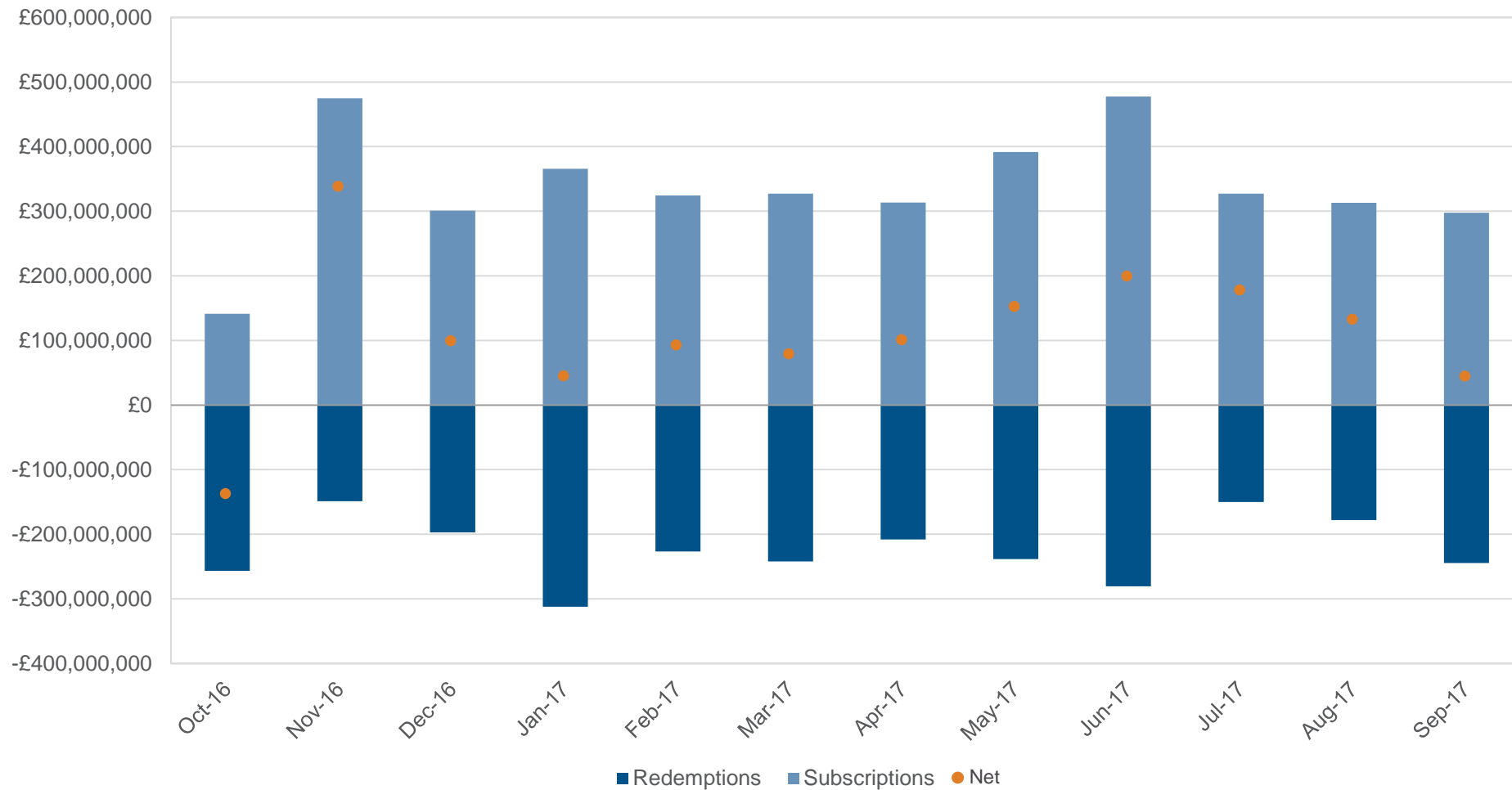
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Quarterly net flows over 5 years



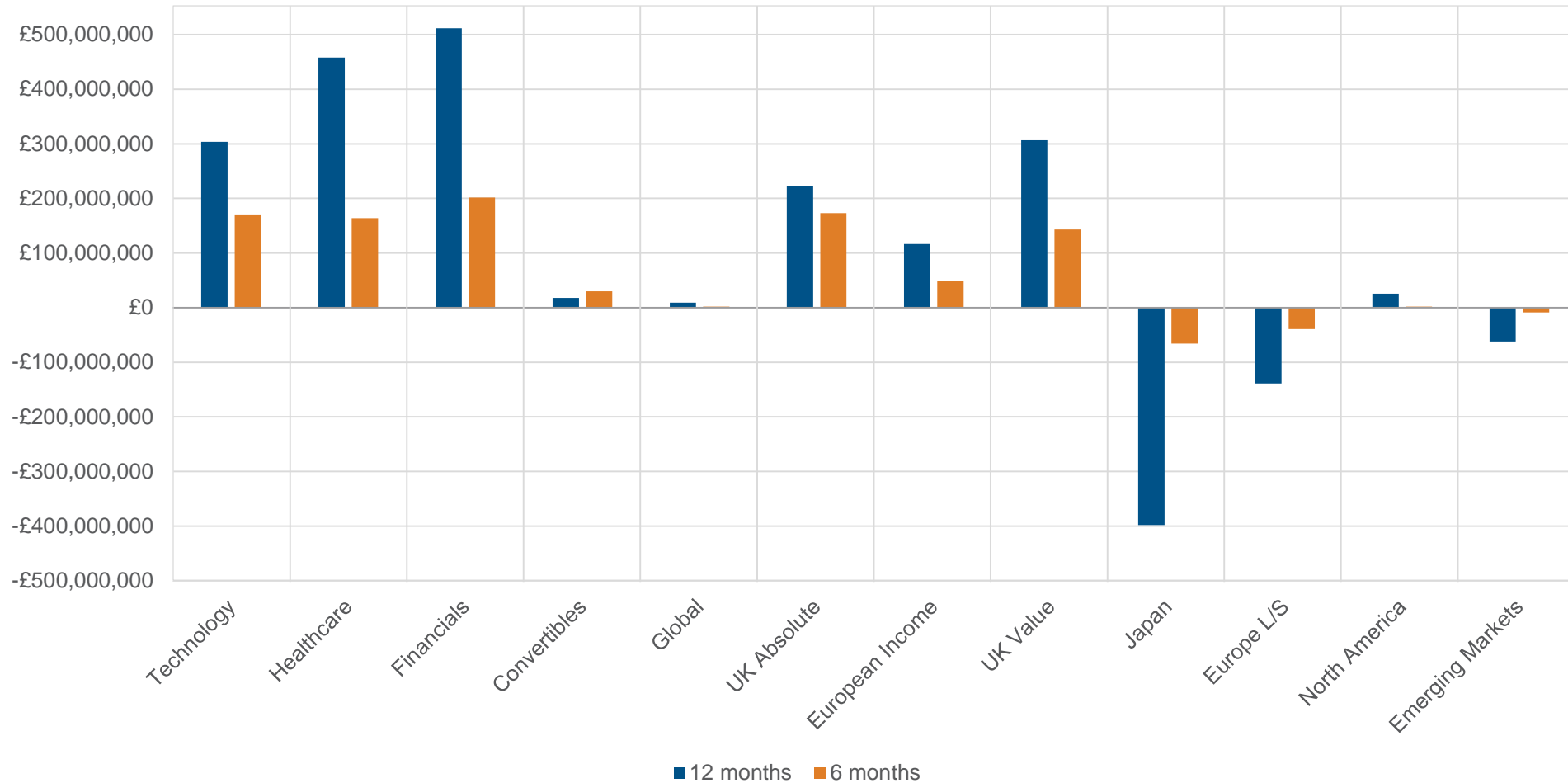
Source: Polar Capital, 29 September 2017. Totals may not sum due to rounding.

Gross & net flows for the 12 months to 29 September 2017



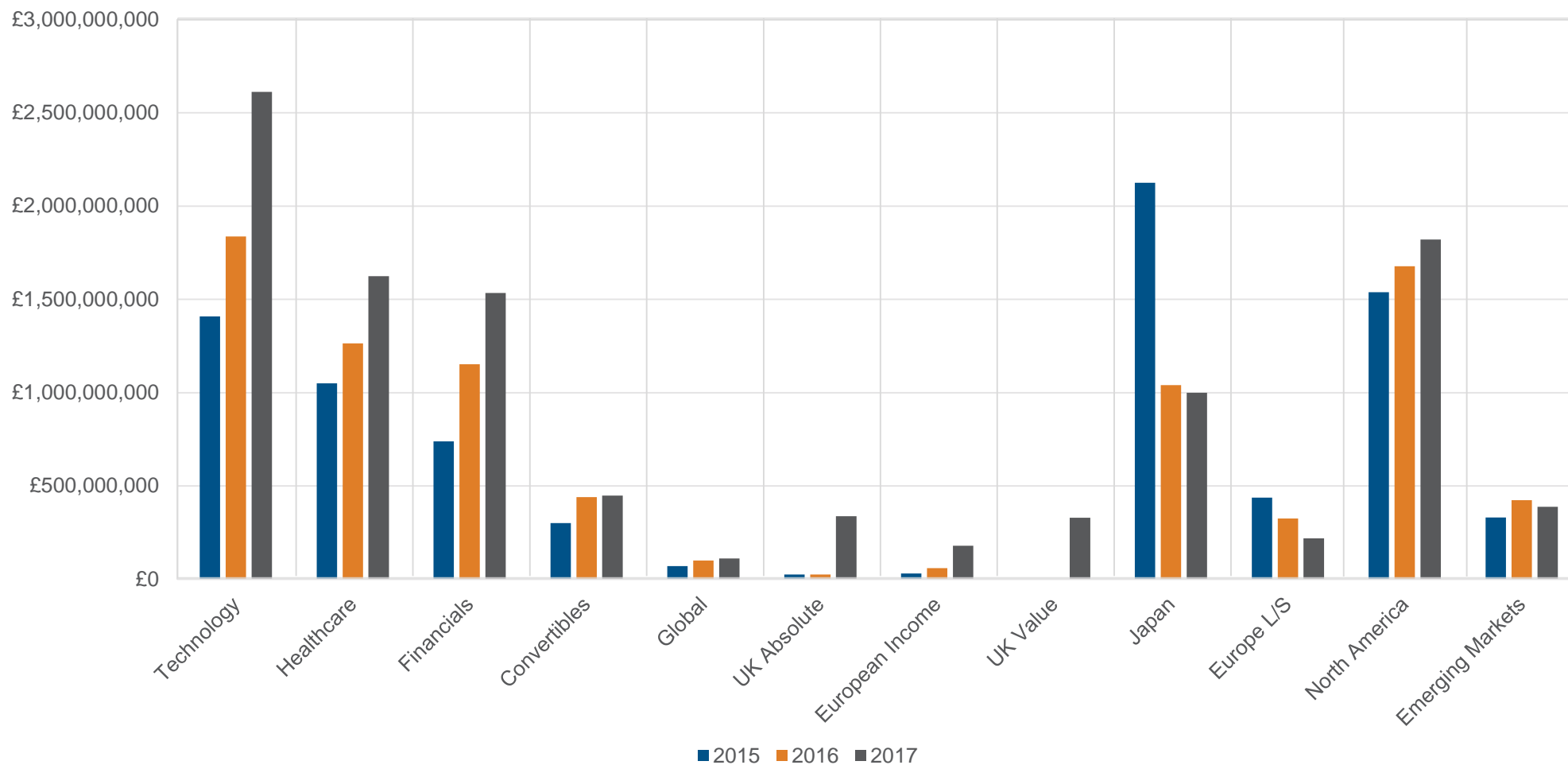
Source: Polar Capital, 29 September 2017. Totals may not sum due to rounding.

Strategy fund flows 12 months and 6 months to 29 September 2017



Source: Polar Capital, 29 September 2017. Totals may not sum due to rounding.

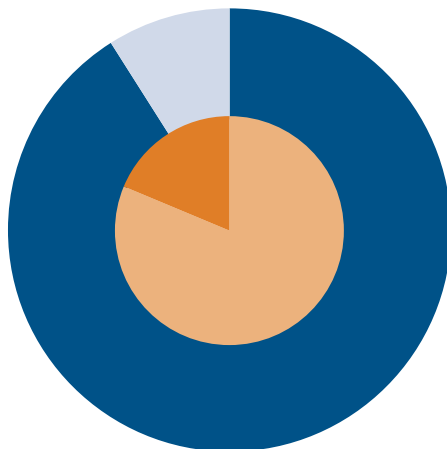
AuM growth per strategy



Source: Polar Capital, 29 September 2017. Totals may not sum due to rounding.

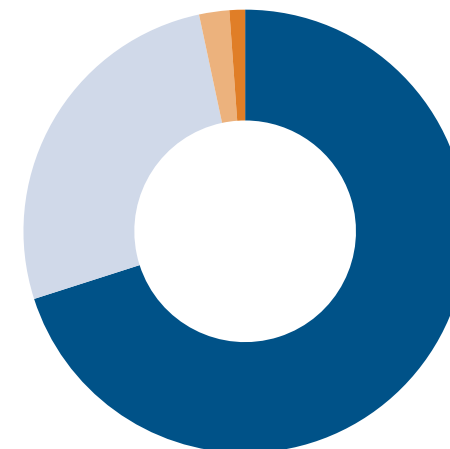
AuM split

■ Long only	91.0%
■ Alternative	9.0%
■ Investment Trusts	18.7%
■ Open Ended Funds	81.3%



Investor mix by geography

■ UK	70.1%
■ Europe	26.6%
■ Other	2.2%
■ USA	1.1%



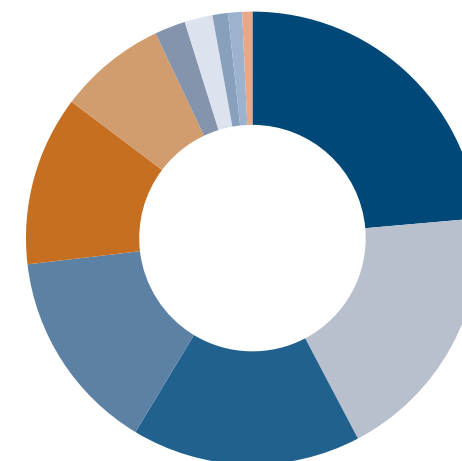
AuM split by strategy

■ Technology	24.6%
■ North American	17.2%
■ Healthcare	15.3%
■ Financials	14.5%
■ Japan	9.4%
■ Convertibles	4.2%
■ Emerging Markets	3.7%
■ UK Absolute Return	3.2%
■ UK Value	3.1%
■ Europe (long/short)	2.1%
■ European Income	1.7%
■ Global	1.0%



Investor mix by holdings

■ Bank	23.6%
■ Polar Investment Trusts	18.7%
■ Private Wealth Manager	16.3%
■ Asset Manager	14.5%
■ Platform	12.1%
■ Fund Of Funds	7.7%
■ Family Office	2.2%
■ Consultants	2.0%
■ Other	1.1%
■ Pension Fund/Foundation	1.0%
■ Insurance Company	0.7%



Source: Polar Capital, 29 September 2017. Totals may not sum due to rounding.

Lipper figures for long and alternative UCITS funds – as at 29 Sep 2017

	AuM £m	6 Months Percentile	1 Year Percentile	3 Years Percentile	5 Years Percentile	Since Inception
Japan Fund (I JPY)	741	24	6	26	41	7* 19/10/2001
Japan Alpha Fund (S JPY)	54	49	16	37	N/A	33 31/10/2012
Healthcare Opportunities (I USD)	1,109	36	26	17	7	5* 3/12/2007
Healthcare Blue Chip (I USD)	56	77	58	38	N/A	39 11/9/2014
Emerging Markets Growth (I USD)	53	84	85	73	72	60* 1/12/2010
Emerging Markets Income (I USD)	260	91	80	86	74	13 21/1/2011
Asian Opportunities (USD)	31	44	55	13	17	13 5/12/1996
Financial Opportunities (I USD)	44	64	59	43	45	15 3/5/2011
Income Opportunities (I GBP)	248	1	1	2	1	3 15/10/2009
Global Insurance (I GBP)	921	84	85	5	2	16* 19/10/1998
Global Technology (I USD)	1,228	13	13	5	13	15* 19/10/2001
North America (I USD)	1,646	13	9	5	5	5 15/11/2011
Global Alpha (I USD)	106	45	41	23	N/A	33 30/11/2012
Global Convertible (I EUR Portfolio Hedged)	449	50	44	23**	N/A	9** 2/9/2013
Biotechnology Fund (I USD)	177	47	12	9	N/A	7 1/11/2013
UK (I GBP)	338	2	2	2	N/A	2 29/9/2014
European Income (I EUR)	11	65	72	N/A	N/A	37 31/10/2014
European ex-UK Income Fund (I EUR)	168	60	47	N/A	N/A	15 30/06/2015
UK Value Opportunities (I GBP)	330	15	N/A	N/A	N/A	16 31/01/2017
%AuM in top quartile (excl hedge funds, managed accounts & trusts)	£7,970m	57%	56%	78%	65%	96%

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.

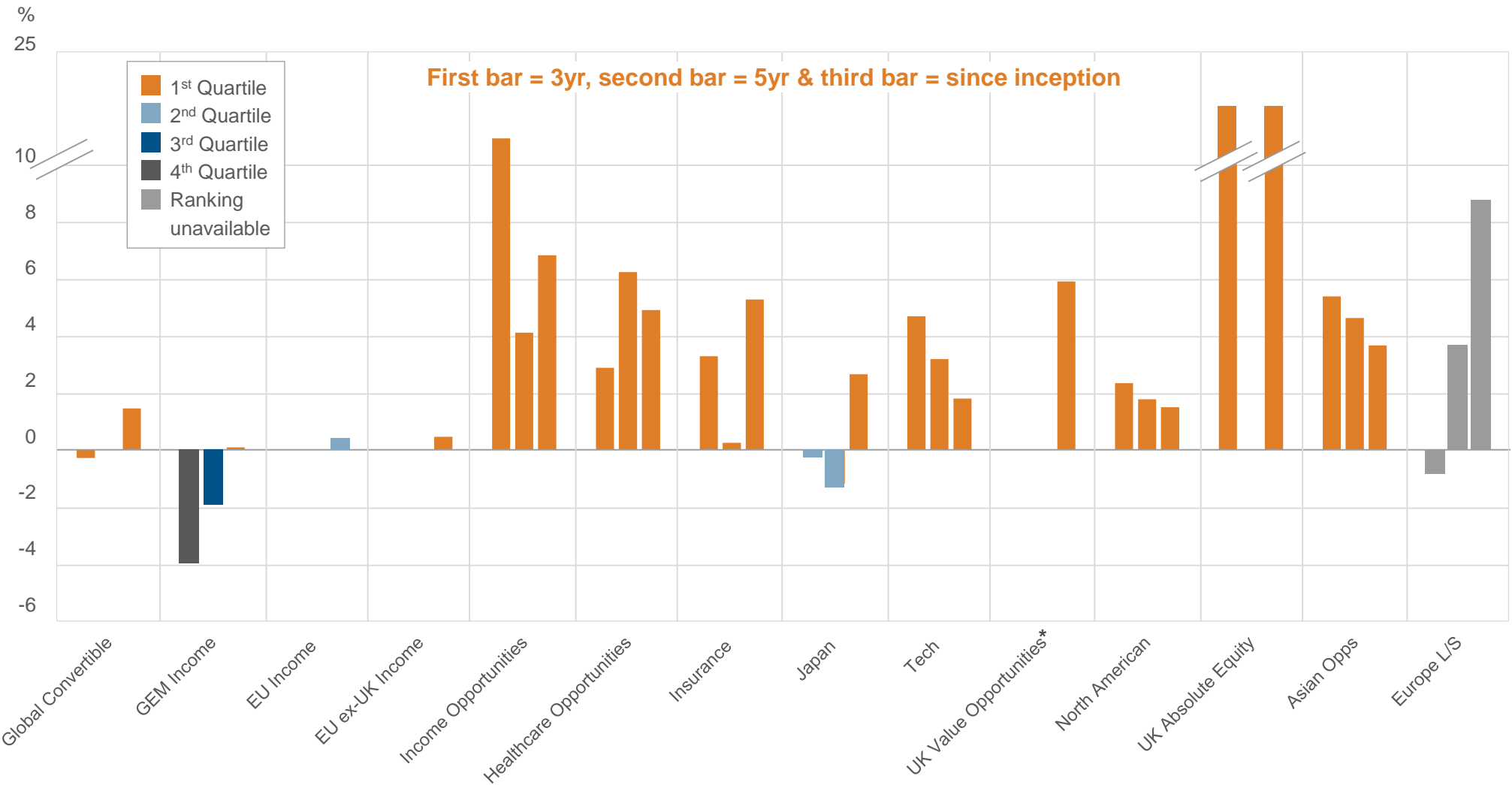
As at 29 September 2017

Strategies	Inception date	YTD	Annualised returns		
			3 years	5 years	Inception
Europe Long/Short (AX EUR)	1 August 2003	6.49%	-0.76%	3.63%	8.62%
UK Absolute Equity (GBP I)	29 September 2014	31.93%	22.87%	N/A	22.85%
Global Convertible (I EUR Portfolio Hedged)	31 December 2015	3.90%	N/A	N/A	2.16%

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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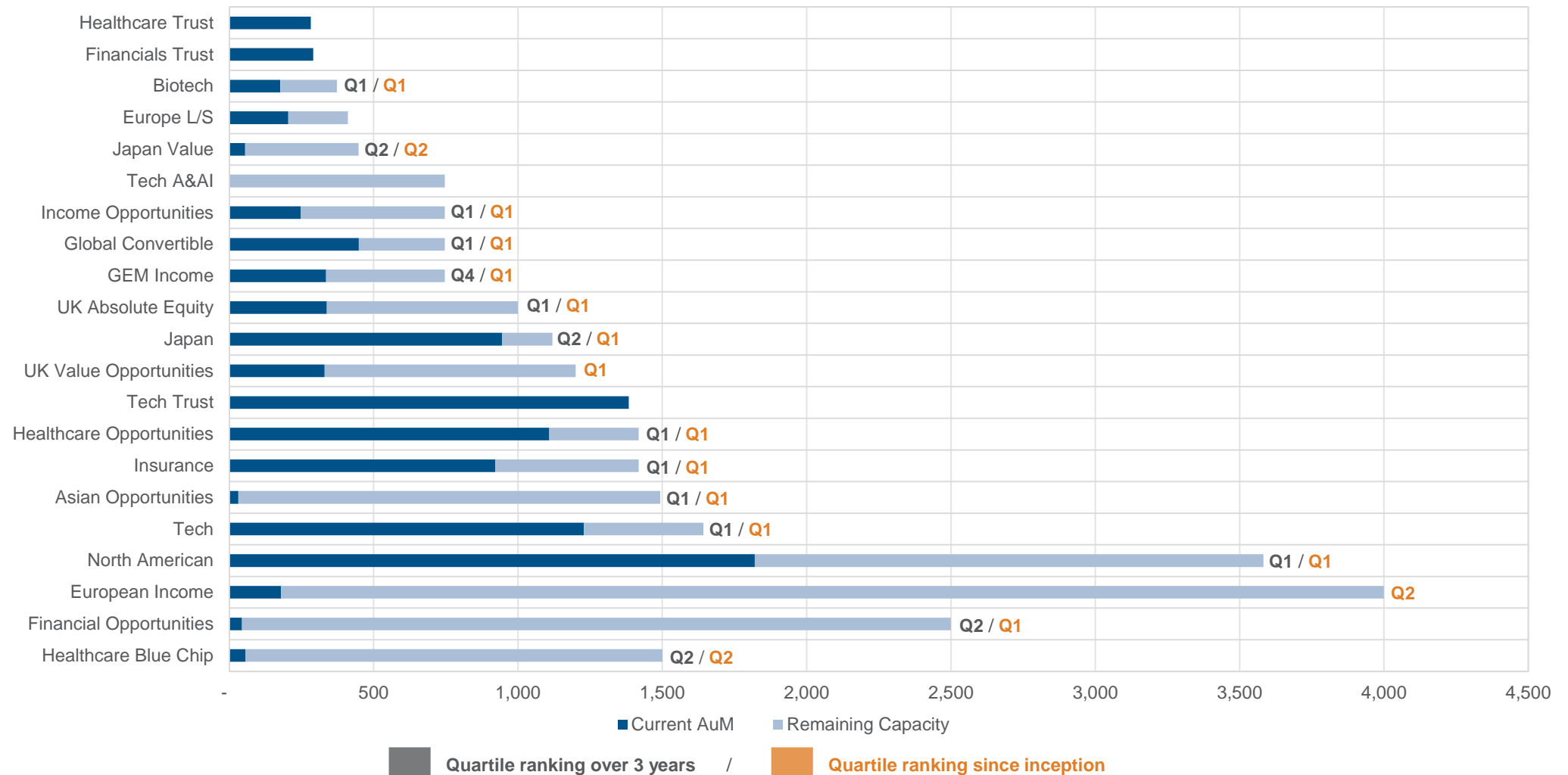
Annualised fund performance against benchmark (3yr/5yr/SI)



Source: Polar Capital, 29 September 2017. Totals may not sum due to rounding. Past performance is not indicative or a guarantee of future results. Quartile rankings for all funds except the Forager Fund are from Lipper, as at 30 September 2017. Please note: Quartile rankings not available for the Forager Fund. *The UK Value Opportunities Fund is less than 1 year old.

Managing capacity

Polar Capacity in £ (29 September 2017)



Source: Polar Capital, 29 September 2017. Totals may not sum due to rounding. The above reflects estimated capacity and is subject to change depending on markets and other factors.

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
- Selectively extend existing teams to provide additional capacity

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
- Increase distribution capability in Continental Europe
- 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'

Financials

Highlights

- AuM
 - AuM at 29 September 2017 £10.6bn from £9.3bn at 31 March 2017
- Profitability
 - Pre-tax (post SBP) profits £11.8m (2016: £8.5m)
 - Core operating profit excluding performance fees £12.0m (2016: £8.7m)
- EPS and Dividend
 - Adjusted diluted EPS 11.78p (2016: 8.15p)¹
 - Dividend of 6.0p (2016: 5.5p) to be paid in January 2018
- Balance Sheet
 - Strong balance sheet comprising cash and investments of £75.7m (2016: £73.8m)

Source: Polar Capital. 1: Adjustment excludes cost of share based payments on preference shares and adds back cost of deferral remuneration. Past performance is not indicative or a guarantee of future results.

Profitability – by period

	6 Months to September 16	6 Months to March 17	Year to March 17	6 Months to September 17
Average AuM	£7.4bn	£8.3bn	£8.0bn	£9.9bn
Core operating profit pre LTIPS	£9.2m	£12.6m	£21.8m	£13.3m
LTIPS & share options	<u>£0.5m</u>	<u>£0.4m</u>	<u>£0.9m</u>	<u>£1.3m</u>
Core operating profit post LTIPS	£8.7m	£12.2m	£20.9m	£12.0m
Performance fee profit	-	£1.2m	£1.2m	-
Interest and similar income	<u>£1.4m</u>	<u>£0.1m</u>	<u>£1.5m</u>	<u>£2.4m</u>
PBT pre pref share SBP	£10.1m	£13.5m	£23.6m	£14.4m
EPS diluted and adjusted for preference shares and deferment	8.2p	11.1p	19.2p	11.7p

Source: Polar Capital.

Costs

	6 Months to September 16	6 Months to March 17	Year to March 17	6 Months to September 17
Salaries and bonuses	£8.4m	£8.5m	£16.9m	£9.6m
Core distributions	£7.1m	£7.7m	£14.8m	£11.0m
Core compensation costs	£15.5m	£16.2m	£31.7m	£20.6m
NIC on options	-	£(0.6)m	£(0.6)m	£1.0m
Other operating costs	£6.0m	£6.6m	£12.6m	£6.4m
Core operating costs	£21.5m	£22.2m	£43.7m	£28.0m
Performance fee interests	-	£1.5m	£1.5m	-
Total operating costs	£21.5m	£23.7m	£45.2m	£28.0m

Source: Polar Capital.

Other operating costs

	6 Months to September 16	6 Months to March 17	Year to March 17	6 Months to September 17
IT	£2.3 m	£2.4 m	£4.7 m	£2.5 m
Rent & rates	£1.3 m	£1.3 m	£2.6 m	£1.3 m
Professional fees	£0.5 m	£0.5 m	£1.0 m	£0.6 m
Insurance & regulation	£0.3 m	£0.2 m	£0.5 m	£0.2 m
Travel & entertainment	£0.7 m	£0.8 m	£1.5 m	£0.7 m
Staff recruitment	£0.1 m	£0.0 m	£0.1 m	£0.0 m
Irrecoverable VAT	£0.5 m	£0.5 m	£1.0 m	£0.6 m
Sponsorship / PR / conferences	£0.2 m	£0.3 m	£0.5 m	£0.2 m
Other	£0.1 m	£0.6 m	£0.7 m	£0.3 m
Other operating costs	£6.0m	£6.6m	£12.6m	£6.4m

Source: Polar Capital.

Cash and investments

	September 2016 £m	March 2017 £m	September 2017 £m
Cash	£32.2m	£58.5m	£49.9m
Available for sale investments			
Alternative fund seed	£16.7m	£9.5m	£9.0m
Long only seed	<u>£22.9m</u>	<u>£12.6m</u>	<u>£13.3m</u>
	£39.6m	£22.1m	£22.3m
Total cash and investments	£71.8m	£80.6m	£72.2m

Source: Polar Capital.

- **MiFID II**

- Polar's managers are competing in a global market
- Polar Capital commits to take the cost of all core waterfront written research onto its P&L account
- For certain strategies where the consumption of specialist research is regarded as critical and additive to the investment process, funds will be approached to pay for or contribute to such a cost
- Gross cost to Polar not expected to exceed £5m

- **Accounting for deferral**

- 2017/18 expected to be first year with material deferral
- IFRS forces apportionment of deferral amounts over period of deferral
- Polar believes prudent and more appropriate to bring cost into period of award
- Adjusted EPS has this deferred quantum of cost included (Sept 2017: (0.6)p)

Shareholder analysis at 29 September 2017

	Holding	Percentage			
Directors, founders and staff	26.0m	29%			
Caledonia	7.5m	8%			
EBT	1.9m	2%			
Hargreave Hale	9.3m	10%			
Harwood Capital	7.0m	8%			
Blackrock	3.7m	4%			
Unicorn	3.4m	4%			
Artemis	2.8m	3%			
JO Hambro	2.3m	2%			
Aberdeen Standard Life	2.2m	2%			
Others	25.9m	28%			
Total shares in issue	92.0m	100%			
			Free Float = 61%		
			At Share Price of		
			£5.00	£6.00	£7.00
Dilutive effect of share appreciation rights	4.4m		5.1m	6.4m	7.2m
Conventional options	0.8m		0.8m	0.8m	0.8m
Issuance satisfied by EBT	-1.9m		-1.9m	-1.9m	-1.9m
Net dilutive effect of options	3.3m		4.0m	5.3m	6.1m
Vesting of crystallisations	0.0m		0.0m	0.0m	0.0m
Diluted share capital	95.3m		96.0m	97.3m	98.1m

Source: Polar Capital.

- Four quarters of net inflows
- More balanced earnings contribution from fund strategies
- More to be achieved on diversification
- Performance has been good and is holding up, although performance fees remain volatile
- Flow momentum has continued into the current quarter
- Cost savings on recent fund terminations will be directed at new complementary core equity strategies and developing the institutional channel

Thank you

Questions?

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