

## Fund Fact Sheet

29 January 2021

GBP Class R Acc  
ISIN: IE00B4X2MP98



### NAV per Share

GBP Class R Acc £6.34

### Fund Particulars

Fund Size	£1,485.8 million
Base Currency	GBP
Denominations	GBP / US\$ / EUR
Fund Structure	Open-ended
Domicile	Dublin, Ireland
Listing	Irish Stock Exchange
Launch Date <sup>1</sup>	16 October 1998
Management	Polar Capital LLP

**Historic Yield (%)<sup>3</sup> 1.69**

### Fund Managers



#### Nick Martin

##### Fund Manager

Nick joined the team in 2001 and manages the Fund. He joined Polar Capital in 2010 and has 22 years of industry experience.



#### Dominic Evans

##### Analyst

Dominic joined Polar Capital in October 2012 and has 12 years of industry experience.

## Fund Profile

### Investment Objective

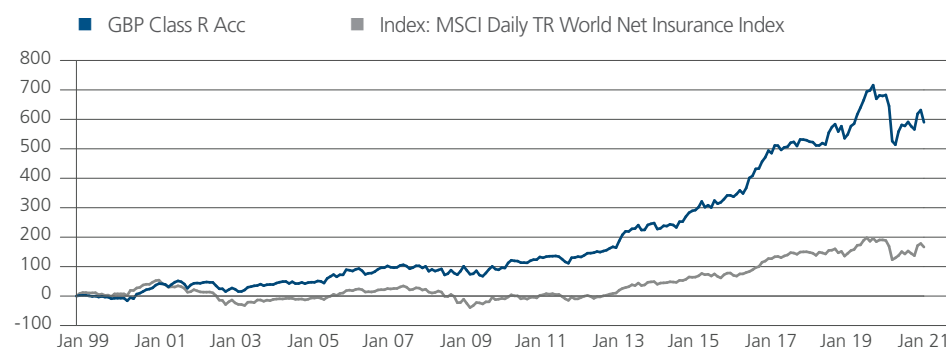
The Fund aims to provide an attractive total return, irrespective of broader economic and financial market conditions, by investing in companies operating within the international insurance sector.

### Key Facts

- Managed by industry professionals
- Low correlation to broader equity markets
- 20+ year track record (since launch)
- Typically own 30-35 holdings with low turnover
- No benchmark or tracking error constraints
- Fundamentally-driven analysis and stock selection

## Share Class Performance

### Performance Since Launch (%)<sup>1,2</sup>



	1 month	3 month	YTD	1 year	3 years	5 years	10 years	Ann.	Cum.
GBP Class R Acc	-5.69	3.62	-5.69	-11.86	10.58	57.75	199.94	8.89	565.73
Index	-4.29	12.32	-4.29	-7.68	7.38	57.05	157.25	4.34	157.35

### Discrete Annual Performance (%)

12 months to	29.01.21	31.01.20	31.01.19	31.01.18	31.01.17
GBP Class R Acc	-11.86	20.64	4.00	6.64	33.78
Index	-7.68	17.76	-1.23	9.76	33.25

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 Class R Acc was launched on 16 October 1998. 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. The Polar Capital Global Insurance Fund was launched on 27 May 2011 (the Hiscox Insurance Portfolio Fund, launched 16 October 1998, was merged into the Polar Capital Global Insurance Fund on 27 May 2011). Performance data prior to 27 May 2011 relates to the Hiscox Insurance Portfolio Fund. Whilst the investment management team and strategy are identical between the Hiscox Insurance Portfolio Fund and the Polar Capital Global Insurance Fund, please note not all terms are consistent, including fees. Please refer to the Fund Prospectus for details of the Polar Capital Global Insurance Fund. Past performance is not indicative or a guarantee of future returns. Prior to the amalgamation of both funds, the benchmark was the Datastream World Insurance Index (£). The benchmark was changed at the launch of the Polar Capital Global Insurance Fund to the MSCI Daily TR World Net Insurance Index as it is the benchmark upon which performance fees are calculated.

2. Since launch of the MSCI Daily TR World Net Insurance Index on 30 October 1998.

3. Historic yield is based on a NAV per share of £4.87 and income of £0.0824 per unit paid in the last 12 months, based on GBP Retail 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.**

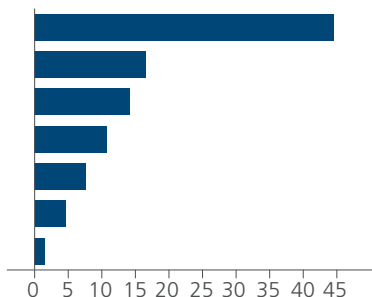
# Polar Capital Funds plc - Global Insurance Fund

## Portfolio Exposure

As at 29 January 2021

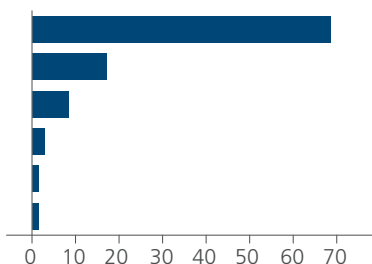
### Sector Exposure (%)

Commercial	44.6
Retail	16.6
Reinsurance	14.2
Insurance Brokers	10.8
Life and Health	7.7
Multi-line Insurance	4.6
Cash	1.6



### Geographic Exposure by Listing (%)

US	68.6
UK	17.1
Canada	8.5
Asia	2.8
Europe	1.5
Cash	1.6



### Top 10 Positions (%)

Chubb	7.7
Arch Capital	7.1
Marsh & McLennan	6.8
Alleghany	5.1
Markel	4.9
Essent Group	4.9
Fairfax Financial Holdings	4.8
RenaissanceRe Holdings	4.1
WR Berkley	4.0
Aon	4.0

**Total** 53.4

**Total Number of Positions** 31

**Active Share** 70.59%

### Market Capitalisation Exposure (%)

Large Cap (>\$20bn)	35.0
Mid Cap (\$5bn - \$20bn)	45.1
Small Cap (<\$5bn)	19.9

## Share Class Information

### Codes & Fees

Share Class	Bloomberg	ISIN	SEDOL	OCF	Annual Fee
US\$ Class R Acc	PCFIRUA ID	IE00B5164B09	B5164B0	1.36%	1.25%
US\$ Class R Dist	PCFIRUD ID	IE00B4X9QT28	B4X9QT2	1.36%	1.25%
GBP Class R Acc	PCFIRGA ID	IE00B4X2MP98	B4X2MP9	1.36%	1.25%
GBP Class R Dist	PCFIRGD ID	IE00B51X0H96	B51X0H9	1.36%	1.25%
EUR Class R Acc	PCFIREA ID	IE00B52VLZ70	B52VLZ7	1.36%	1.25%
EUR Class R Dist	PCFIREID ID	IE00B547TM68	B547TM6	1.36%	1.25%
US\$ Class I Acc	PCFIUA ID	IE00B4Y53217	B4Y5321	0.86%	0.75%
US\$ Class I Dist	PCFIUD ID	IE00B503VV16	B503VV1	0.86%	0.75%
GBP Class I Acc	PCFIIGA ID	IE00B5339C57	B5339C5	0.86%	0.75%
GBP Class I Dist	PCFIIGD ID	IE00B530JS22	B530JS2	0.86%	0.75%
EUR Class I Acc	PCFIIEA ID	IE00B55MWC15	B55MWC1	0.86%	0.75%
EUR Class I Dist	PCFIIED ID	IE00B4V4LB63	B4V4LB6	0.86%	0.75%
US\$ Class I Acc Hedged	PCGIHU ID	IE00BD3BW042	BD3BW04	0.86%	0.75%
EUR Class I Acc Hedged	PCGIHE ID	IE00BD3BW158	BD3BW15	0.86%	0.75%
GBP Class RA Dist*	SNGIHPID ID	IE00B5NH4W20	B5NH4W2	1.36%	1.25%
GBP Class RB Acc*	SNGIHPA ID	IE00B63V4760	B63V476	1.36%	1.25%
GBP Class I Dist (E)*	HISIPED ID	IE00B4XZ9Q84	B4XZ9Q8	0.86%	0.75%
GBP Class I Acc (F)*	HISIPFA ID	IE00B61MW553	B61MW55	0.86%	0.75%

**Minimum Investment: Class I Shares;** US\$1 million (or its foreign currency equivalent).  
**Class R Shares;** No minimum subscription. \*These share classes are closed to new investors.  
**Performance Fee** 10.00% of outperformance of MSCI Daily TR World Net Insurance Index.  
**Ongoing Charges Figure (OCF)** is the latest available, as per the date of this factsheet.

### Administrator Details

Northern Trust International Fund  
Administration Services (Ireland) Ltd

**Telephone** +353 1 434 5007

**Fax** +353 1 542 2889

**Dealing** Daily

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

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.

# Polar Capital Funds plc - Global Insurance Fund

## Fund Managers Comments

As at 29 January 2021

In January, the GBP R Class (Acc) shares of the Fund returned -5.7% versus -4.3% for the MSCI World Insurance Index benchmark, -1.4% for the MSCI World (both net total return GBP), -0.8% for the FTSE All Share and -1.4% for the S&P 500 (both total return GBP).

It has been another frustrating month of performance for the Fund and the sector, especially given the fourth quarter earnings season has started well. Through 2 February, seven of our underwriters have reported representing c29% of the portfolio (five commercial insurers, one reinsurer and one auto/home insurer). Book value growth has averaged over 7%, comfortably ahead of the 4% expectation we noted in last month's fact sheet commentary.

Looking specifically at the five commercial insurer results, they reported an average underwriting margin of 12% in 4Q20 (a combined ratio of 88%) and 5% for FY20 despite elevated catastrophes and the impact of COVID-19. Underlying underwriting margins, excluding the impact of catastrophe losses and prior year loss reserve development, increased 2.8% for FY20 as we are now starting to see the impact of strong premium rate rises since the end of 2018 earn through into reported profits and consequently book value growth. There was a significant margin acceleration during the year with 1Q20 averaging 0.8%, 2Q20 2.8%, 3Q20 3.3% and 4Q20 4.4%. This is exactly what we expected to see. We fully anticipate this underlying margin improvement to continue into at least FY22 reported results, if not beyond, accelerating the pace of book value growth and this is a key reason why we revised our expected book value growth for our portfolio back to 10%+ following the third quarter results late last year.

Our largest broker holding, Marsh & McLennan (MMC) capped a strong 2020 with an impressive 4Q20 result. Full year like-for-like EPS growth was 7% despite a very challenging economic backdrop, helped by 1% organic growth and strong margin expansion. Looking to 2021, management expects "solid growth" in EPS driven by underlying revenue growth of 3-5%, further margin expansion and capital management initiatives. Well managed insurance brokers are wonderful cash cows and management has guided to \$3.5bn capital deployment for 2021, up from \$2.6bn deployed in 2020. MMC's debt leverage temporarily rose in 2019 following the cash acquisition of JLT, but with balance sheet strength now fully restored only \$500m of the \$3.5bn expected cash generation will be used to retire debt. With a dividend expense of c\$1bn, this leaves c\$2bn for value creating M&A and share repurchases. Management has suggested buybacks will be "meaningful" and we look for to them capitalising on recent share price weakness.

2021 represents the 150<sup>th</sup> anniversary of MMC. Dan Glaser, CEO, put this achievement in context on their earnings call: *"Our growth and financial performance over this period was also outstanding. At the beginning of the 20th century, we had approximately 20 employees and less than \$1m of revenue. Fast forward to today, we have over 76,000 employees in 130 countries and over \$17bn of revenue. Since going public in 1962, our financial returns have been exceptional with significant earnings growth. During this time, our revenues, adjusted operating income and adjusted EPS all have grown by a double-digit CAGR with a share price return CAGR over 10% annually. These stock returns meaningfully outpaced the S&P 500 and are testament to the value that Marsh & McLennan delivers for clients, colleagues and shareholders."*

MMC also gave an update on their quarterly Global Insurance Market Index on their earnings call. The Index rose 22% in 4Q20 compared with 20% in 3Q20, 19% in 2Q20, 14% in 1Q20 and 11% in 4Q19. This is the greatest increase since the survey began. We believe the compounded impact of these rate increases is not fully understood. Since 4Q18 the Marsh index is up 38%. There is always a lag between premium rate rises and their impact showing up in the income statement and consequently book value growth. An insurance policy written today typically takes 12 months to be fully recognised in the premium revenue top line given the usual annual

contract. A prudent underwriter would likely recognise less than half of that contract's expected underwriting profit in those 12 months, given the inherent uncertainties of insurance, with the balance coming in future reporting periods through positive loss reserve releases. This lagged feature of the insurance industry means the underwriting margins currently being reported are more commensurate with what the underwriting environment was 6-18 months ago than the much stronger pricing we have today. We have much to look forward to.

There are no signs that the premium rate momentum we have seen since late 2018 will not slow any time soon which means we can reasonably expect strong book value growth for the next 4-5 years. We believe the earnings stream of our companies is less sensitive to the macroeconomic outlook than most other industries given the non-discretionary nature of the insurance purchase, and furthermore is less vulnerable to the technological disruption that has broken long-established business models in other sectors.

Since the COVID-19-related headwinds of the first half of 2020 our companies have rewarded our patience with strong book value growth which we expect to continue. We believe their prospects continue to improve and the time this is more appropriately recognised in company valuations is getting ever closer.

**Nick Martin**

3 February 2021



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# Polar Capital Funds plc - Global Insurance Fund

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