

# Results Presentation

December 2012

Tim Woolley (CEO)

John Mansell (COO)



## Section I

- Introduction to Polar Capital

## Section II

- Business Review

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- Financial Review

# Introduction To Polar Capital

- Polar Capital Holdings plc is a specialist investment management company offering professional and institutional investors a range of geographical and sector funds. The Company's investment strategies have a fundamental research driven approach. The Company has long-only and absolute return funds in its product range
- Polar Capital was founded by fund managers Brian Ashford-Russell and Tim Woolley together with corporate partner Caledonia Investments. It received FSA approval in January 2001 and SEC registered since 2005
- Polar Capital currently has 84 employees of whom 43 are investment professionals managing 18 funds and 5 managed accounts
- These funds have combined assets under management of US\$5.3bn as at 30 September 2012
- The Company was listed in London on the Alternative Investment Market in February 2007 and trades under the ticker Polr.LN

Source: Polar Capital, 30 September 2012.

- Primacy of investment performance
- Institutional robustness across operational, compliance, risk and relationship management
- Diversified yet complementary set of funds with a focus on fundamental research driven strategies
- Culture which is flexible, entrepreneurial and transparent
- Environment for employees in which talent can flourish and be well rewarded
- To have high equity ownership amongst staff

Source: Polar Capital.

## Management

**Tim Woolley**  
CEO/Co-Founder

**Tom Bartlam**  
Non-Executive Chairman

**John Mansell**  
Chief Operating Officer

## Board

### Non-Executive Directors

Hugh Aldous

Brian Ashford-Russell

Jamie Cayzer-Colvin

Michael Thomas

George Bumeder

## Business infrastructure

- Distribution and Marketing
- Operational Support
- Risk Management
- Compliance
- Technology
- Finance

## Investment teams

- Technology
- Japan
- UK
- European
- Healthcare
- Financials
- Emerging Markets
- Convertibles
- North American
- European M/N
- Global Equity

## Ownership

### Polar Capital

■ 41%

XL

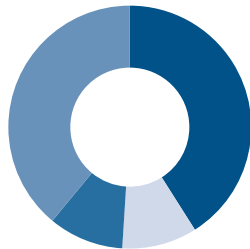
■ 10%

Caledonia

■ 10%

Free Float

■ 39%



## Office locations

London, UK

Tokyo, Japan

Connecticut, USA

Jersey, Channel Islands

Geneva, Switzerland

Source: Polar Capital, 30 September 2012.

# Business Review

## 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 maintain a robust operational infrastructure
- 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

- Attract further inflows into existing products
- Launch new products with current teams
- Attract more top quality managers
- Consider opportunistic corporate activity
- Continue to invest further in client servicing and support

Source: Polar Capital.



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## AUM at 31 March 2011 \$3.87bn

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<b>Gross inflows</b>	Total	[long 2166	hedge 127]	<b>\$2,293m</b>
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<b>Gross outflows</b>	Total	[long1055	hedge 194]	<b>\$(1,249)m</b>
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Net flows				<b>\$1,044m</b>
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Performance and currency movements				<b>\$164m</b>
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## AUM at 31 March 2012 \$5.08bn

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<b>Gross inflows</b>	quarter 1	[long 599	hedge 16]	<b>\$615m</b>
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	quarter 2	[long 404	hedge 35]	<b>\$439m</b>
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<b>Gross outflows</b>	quarter 1	[long 232	hedge 9]	<b>\$(241)m</b>
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	quarter 2	[long 399	hedge 8]	<b>\$(407)m</b>
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Net flows				<b>\$406m</b>
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Performance and currency movements				<b>\$(186)m</b>
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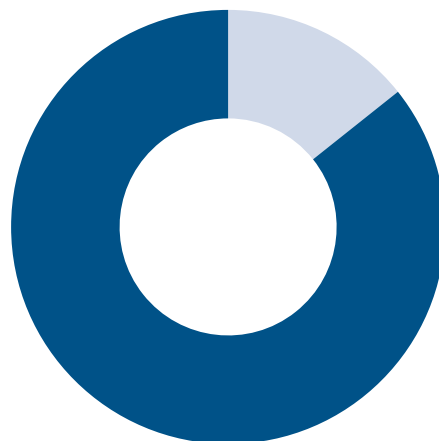
## AUM at 30 September 2012 \$5.30bn

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Source: Polar Capital.

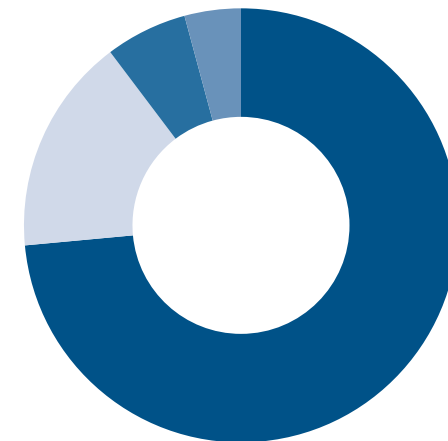
## AUM split by strategy

■ Hedge Funds	14.3%
■ Long Only	85.7%



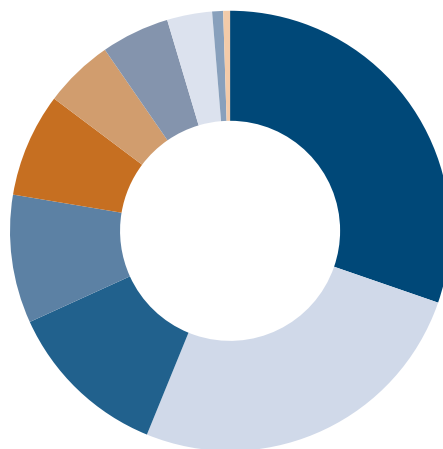
## Investor mix by geography

■ UK	73.6%
■ Europe	16.2%
■ USA	6.1%
■ Other	4.2%



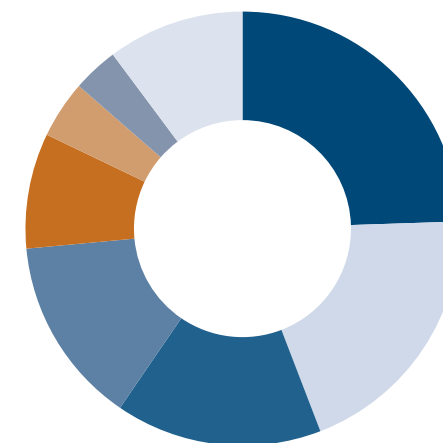
## AUM split by business unit

■ Japan	26.8%
■ Technology	24.9%
■ European	12.3%
■ Financials	9.9%
■ Healthcare	8.3%
■ North America	6.5%
■ UK	5.6%
■ Emerging Markets	4.4%
■ Convertibles	0.8%
■ European Market Neutral	0.5%



## Investor mix by holdings

■ Banks	24.5%
■ Fund Of Funds	19.7%
■ Private Wealth Managers	15.4%
■ Polar Capital Investment Co.	14.0%
■ Asset Managers	10.2%
■ Insurance/Investment Companies	8.6%
■ Family Offices	4.3%
■ Others	3.4%



Source: Polar Capital, 30 September 2012.

## The original vision still holds true

### Ten to twelve world class investment teams

Pre 2010	2010	2011	2012
<b>Technology</b>	Technology	Technology	Technology
<b>Japan</b>	Japan	Japan	Japan
<b>UK</b>	UK	UK	UK
<b>Europe</b>	Europe	Europe	Europe
<b>Healthcare</b>	Healthcare	Healthcare	Healthcare
	<b>Financials</b>	Financials	Financials
	<b>Convertibles</b>	Convertibles	Convertibles
	<b>Emerging Markets</b>	Emerging Markets	Emerging Markets
		<b>North American</b>	North American
		<b>European M/N</b>	European M/N
			<b>Global Equity</b>
			<b>Other 2</b>

Source: Polar Capital, 30 September 2012.

## Driven Investment Strategies

- 579 years of collective investment experience

### Global Technology team (2001)

6 investment professionals  
56 years experience

### Japan team (2001)

6 investment professionals  
78 years experience

### UK team (2001)

2 investment professionals  
28 years experience

### European Long/Short team (2003)

5 investment professionals  
59 years experience

### Global Healthcare team (2007)

3 investment professionals  
30 years experience

### Global Financials team (2010)

6 investment professionals  
103 years experience

### Global Convertibles team (2010)

4 investment professionals  
62 years experience

### Emerging Markets team (2010)

3 investment professionals  
48 years experience

### North American team (2011)

2 investment professionals  
28 years experience

### European Market Neutral team (2011)

2 investment professionals  
40 years experience

### Global Equity team (2012)

3 investment professionals  
47 years experience

Source: Polar Capital, 31 October 2012.

## Long only

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### UCITS

Global Technology

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Japan

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Japan Alpha – launched in Q4 2012

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Healthcare Opportunities

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Asian Financials

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Financial Opportunities

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Financials Income

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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 – launched in Q4 2012

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### Investment trusts

Global Technology

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Global Healthcare Growth and Income

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### Managed accounts

Japan

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UK

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Emerging Markets

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## Hedge and absolute return

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### Cayman

European Market Neutral

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European Forager

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European Conviction

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ALVA Global Convertible

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### UCITS

UK Absolute Return

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European Market Neutral

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Source: Polar Capital, 30 September 2012 unless otherwise stated.

# Lipper Figures For UCITS Strategies



## 30 November 2012

Strategies	3 months		6 months		1 year		3 years		5 years	
	% 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
Japan (YEN)	314/354	4	316/350	4	254/349	3	55/323	1	12/301	1
Healthcare Opportunities (USD)	9/108	1	20/108	1	7/107	1	5/99	1	n/a	n/a
Emerging Markets Growth (USD Retail)	433/607	3	377/588	3	291/557	3	n/a	n/a	n/a	n/a
Emerging Markets Income (USD Institutional Acc)	276/607	2	76/588	1	38/557	1	n/a	n/a	n/a	n/a
Asian Financial (USD)	22/90	1	58/90	3	27/89	2	6/84	1	2/73	1
Financial Opportunities (USD Retail Inc)	52/90	3	64/90	3	52/89	3	n/a	n/a	n/a	n/a
Financials Income (GBP Retail Acc)	36/90	2	56/90	3	29/89	2	5/84	1	n/a	n/a
Global Insurance (GBP Retail Inc)	65/90	3	71/90	4	61/89	3	2/84	1	3/73	1
Global Technology (USD)	25/52	2	25/52	2	41/52	4	9/45	1	7/44	1
North America (USD Inc)	133/754	1	207/741	2	175/715	1	n/a	n/a	n/a	n/a

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

## 31 October 2012

Strategies	Inception date	YTD	Annualised returns		
			3 years	5 years	Inception
UK Absolute Return (Class I GBP) <sup>1</sup>	3 June 2008	0.83%	-3.76%	n/a	-1.61%
European Market Neutral (EUR) <sup>2</sup>	4 May 2010	-4.32%	n/a	n/a	-0.72%
European Market Neutral (Class I EUR) <sup>1</sup>	8 March 2012	-6.40%	n/a	n/a	-6.40%
Forager (EUR)	1 August 2003	10.33%	7.81%	4.69%	11.44%
Conviction (EUR)	1 April 2006	4.68%	3.91%	7.02%	6.58%
ALVA (USD)	1 November 2010	4.96%	n/a	n/a	5.23%

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

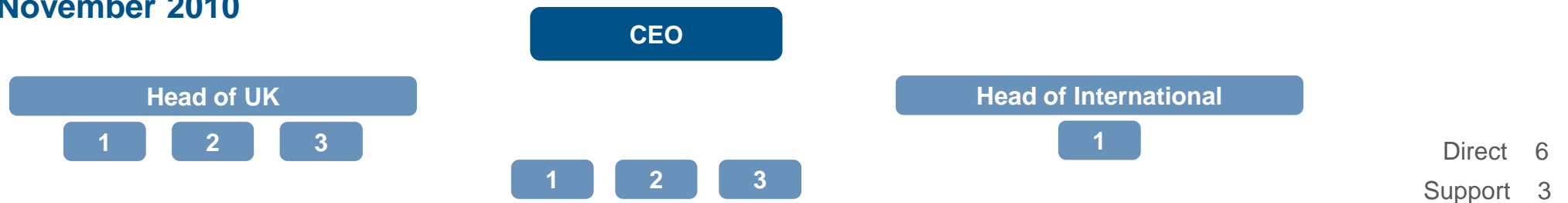
1. The UK Absolute Return Fund and European Market Neutral Fund is a sub fund of the Polar Capital Funds Plc.

2. Prior to 16 April 2012, this Fund was called the Ratio European Opportunities Fund.

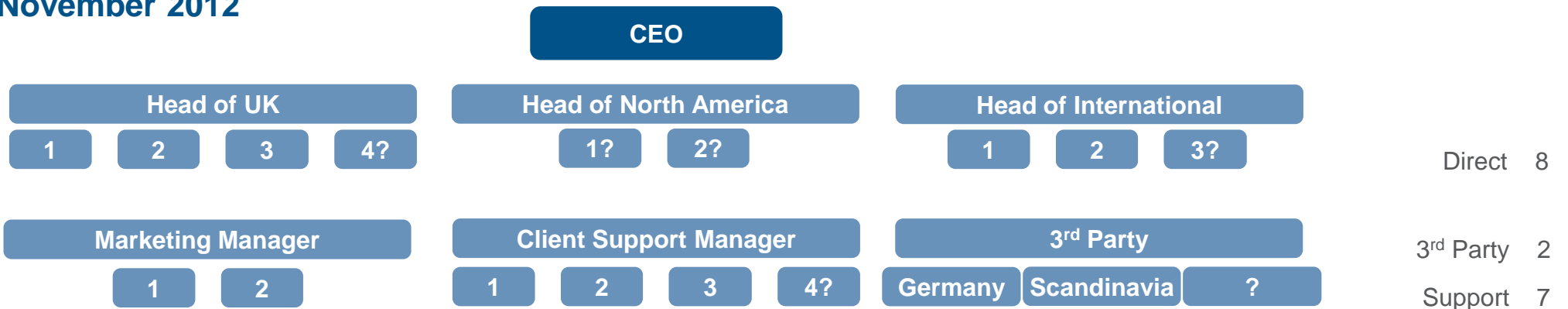
## November 2009



## November 2010



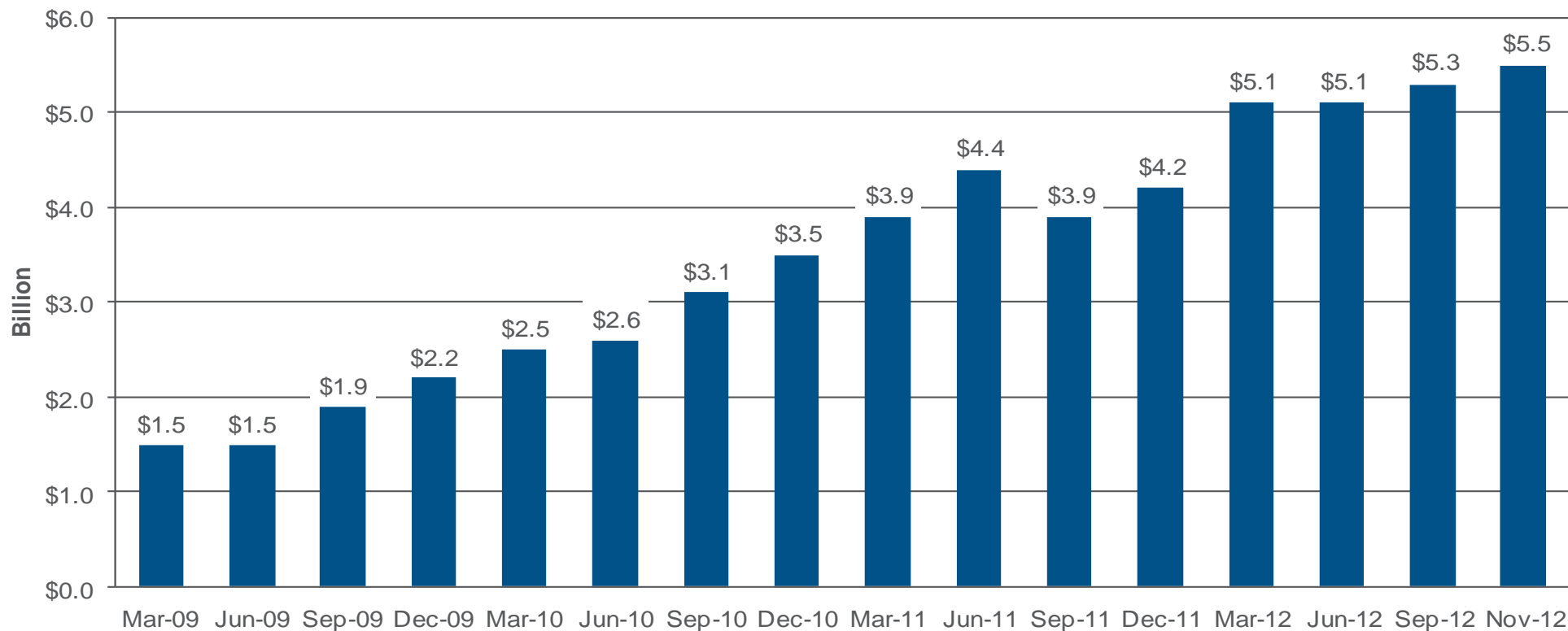
## November 2012



Source: Polar Capital, November 2012.



## Good recovery since crisis



Source: Polar Capital, 30 November 2012.

# Financial Review

## Highlights from 6 months ending September 2012

- AUM
  - AUM at 30 September 2012 up to US\$5.30bn from US\$5.08bn at March 2012
  - AUM at 30 November 2012 up to US\$5.55bn
- Profitability
  - Core operating profit excluding performance fees up 20% to £4.2m (2011: £3.5m)
  - Pre-tax (pre SBP) profits £4.6m (2011: £4.8m); even though £1.5m of performance fees not received in 2012
- EPS and Dividend
  - Adjusted diluted EPS of 4.14p (2011: 4.25p)<sup>1</sup>
  - Initial dividend of 2.0p (2011: 1.5p)
- Balance Sheet
  - Strong balance sheet comprising cash and investments of £42.8m

Source: Polar Capital.

1: Adjustment excludes cost of share based payments and amortisation of intangibles.

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

## Profitability

	6 months to September 11	6 months to March 12	Year to March 12	6 months to September 12
<b>Average AUM</b>	<b>US\$4.2bn</b>	<b>US\$4.4bn</b>	<b>US\$4.3bn</b>	<b>US\$5.1bn</b>
Core operating profit	£3.5m	£3.6m	£7.1m	£4.2m
Performance fee profit	£1.5m	£2.6m	£4.1m	-
Interest and similar income	£(0.2m)	£0.3m	£0.1m	£0.4m
<b>PBT pre S.B.P. &amp; Pre Goodwill</b>	<b>£4.8m</b>	<b>£6.5m</b>	<b>£11.3m</b>	<b>£4.6m</b>

Source: Polar Capital.

## Costs

	6 months to September 11	6 months to March 12	Year to March 12	6 months to September 12
Salaries and bonuses	£5.7m	£5.3m	£11.0m	£6.1m
Manufactured dividend	-	-	-	£0.2m
Core distributions	£1.5m	£1.8m	£3.3m	£2.1m
<b>Core compensation costs</b>	<b>£7.2m</b>	<b>£7.1m</b>	<b>£14.3m</b>	<b>£8.4m</b>
Other operating costs	£3.3m	£3.6m	£6.9m	£3.6m
<b>Core operating costs</b>	<b>£10.5m</b>	<b>£10.7m</b>	<b>£21.2m</b>	<b>£12.0m</b>
Performance fee interests	£1.8m	£3.4m	£5.2m	-
<b>Total operating costs</b>	<b>£12.3m</b>	<b>£14.1m</b>	<b>£26.4m</b>	<b>£12.0m</b>

Source: Polar Capital.

## Other operating costs

	6 months to September 11	6 months to March 12	Year to March 12	6 months to September 12
IT	£1.1m	£1.0m	£2.1m	£1.3m
Rent and rates	£0.6m	£0.6m	£1.2m	£0.6m
Professional fees	£0.4m	£0.5m	£0.9m	£0.3m
Insurance	£0.2m	£0.2m	£0.4m	£0.2m
Travel and entertainment	£0.3m	£0.5m	£0.8m	£0.4m
Other	£0.7m	£0.8m	£1.5m	£0.8m
<b>Other operating costs</b>	<b>£3.3m</b>	<b>£3.6m</b>	<b>£6.9m</b>	<b>£3.6m</b>

Source: Polar Capital.

## Dividend

- First dividend for the year 2.0p (2011: 1.5p)
- Dividend reflects:
  - Improved profitability of the company
  - Health and strength of the company's balance sheet
  - Quiet optimism regarding the company's prospects
  - Increase in dividend should not be an indication of an anticipated percentage increase in final dividend

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

## Cash and investments

	March 2012 £m	September 2012 £m
Cash	£22.6m	£20.8m
<b>Available for sale investments</b>		
Hedge fund investments	£ 1.1m	-
Hedge fund seed	£15.2m	£15.5m
Long only seed	£ 9.1m	£ 6.2m
	£25.4m	£21.7m
Long only protection and cash collateral	£ 1.0m	£ 0.3m
	<b>£26.4m</b>	<b>£22.0m</b>
<b>Total cash and investments</b>	<b>£49.0m</b>	<b>£42.8m</b>

Source: Polar Capital.



## Shareholder analysis at 30 September 2012

	Holding	Percentage	
Directors, founders and staff	30.6m	39%	
Caledonia	8.0m	10%	
XL	8.0m	10%	
EBT	1.9m	2%	
Blackrock	7.6m	9%	} Free Float = 39%
Artemis	3.4m	4%	
Cazenove	3.1m	4%	
Others	16.8m	22%	
<b>Total shares in issue</b>	<b>79.4m</b>	<b>100%</b>	

		At Share Price of	
		£2.50	£3.00
Dilutive effect of share appreciation rights	4.0m	5.6m	6.7m
Conventional options	2.4m	2.4m	2.4m
Issuance satisfied by EBT	-1.9m	-1.9m	-1.9m
Net dilutive effect of options	4.5m	6.1m	7.2m
Vesting of Forager crystallisation	4.9m	4.9m	4.9m
<b>Diluted share capital</b>	<b>88.8m</b>	<b>90.4m</b>	<b>91.5m</b>

Source: Polar Capital.

## Well positioned in challenging times

### Funds and performance

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

### Fund capacity

- Total current capacity in the funds in excess of US\$10bn
- Significant potential for further growth

### Distribution

- Invested heavily in distribution over recent years
- Achieving 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

- Increasing profitability and improving margins
- Strong cash position provides comfort and flexibility

### New teams

- Successful integration in 2010 of Financials, Convertibles and Emerging Market teams and in 2011 of the North American and European Market Neutral teams. Establishment of new Global Equity team in 2012

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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