



POLAR  
CAPITAL

# Results Presentation

June 2013

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## Section I

- Business Review

## Section II

- Financial Review



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## Highlights

- AUM
  - AUM at 31 March 2013 increased 41% to US\$7.20bn from US\$5.08bn at March 2012
- Profitability
  - Pre-tax (pre SBP) profits up 59% to £15.3m (2012: £9.6m)
  - Core operating profit excluding performance fees £10.0m (2012: £7.1m)
- EPS and Dividend
  - Adjusted diluted EPS up 47% to 14.77p (2012: 10.06p)<sup>1</sup>
  - Total dividend of 13.0p (2012: 9.0p)
- Balance Sheet
  - Strong balance sheet comprising cash and investments of £62.1m (2012: £49.0m)

Source: Polar Capital.

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

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# Business Review – AUM Flows



## AUM at 31 March 2012

**US\$5.08bn**

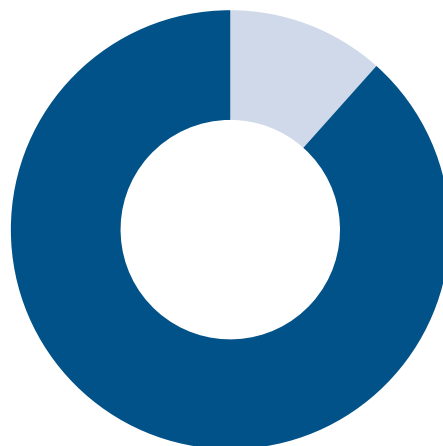
<b>Gross inflows</b>	quarter 1 [long 599	hedge 16]	\$615m	
	quarter 2 [long 404	hedge 35]	\$439m	
	quarter 3 [long 732	hedge 58]	\$790m	
	quarter 4 [long 1,140	hedge 37]	\$1,177m	<b>US\$3,021m</b>
<b>Gross outflows</b>	quarter 1 [long 232	hedge 9]	\$(241)m	
	quarter 2 [long 399	hedge 8]	\$(407)m	
	quarter 3 [long 263	hedge 10]	\$(273)m	
	quarter 4 [long 449	hedge 33]	\$(482)m	<b>US\$(1,403)m</b>
<b>Net flows</b>				<b>US\$1,618m</b>
<b>Performance and currency movements</b>				<b>US\$507m</b>
<b>AUM at 31 March 2013</b>				<b>US\$7.2bn</b>

Source: Polar Capital.

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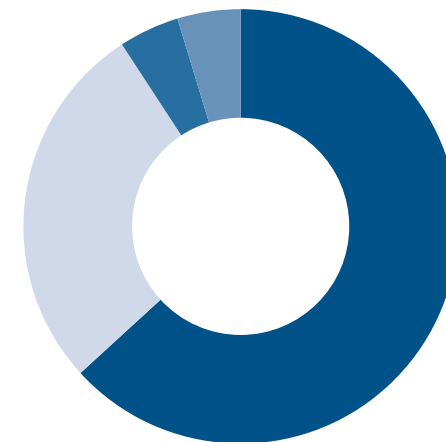
## AUM split by strategy

■ Hedge Funds	11.6%
■ Long Only	88.4%



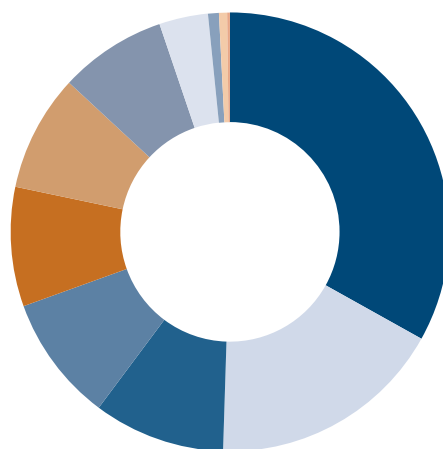
## Investor mix by geography

■ UK	63.2%
■ Europe	27.6%
■ USA	4.5%
■ Other	4.7%



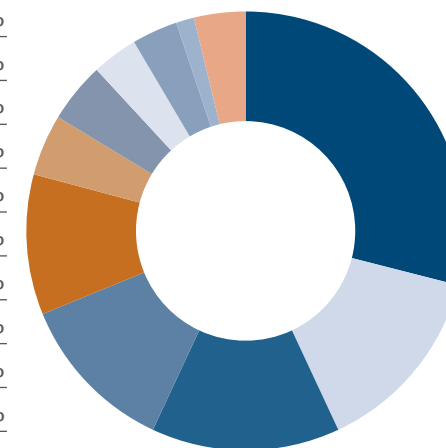
## AUM split by business unit

■ Japan	33.1%
■ Technology	17.4%
■ European	9.7%
■ Financials	9.3%
■ North American	8.8%
■ Healthcare	8.6%
■ Emerging Markets	7.9%
■ UK	3.6%
■ European Market Neutral	0.8%
■ Convertibles	0.6%
■ Global	0.2%



## Investor mix by holdings

■ Banks	29.0%
■ Polar Capital Investment Companies	14.1%
■ Private Wealth Managers	13.9%
■ Fund Of Funds	11.9%
■ Asset Managers	10.3%
■ Consultants	4.5%
■ Insurance/Investment Companies	4.4%
■ Platforms	3.4%
■ Family Offices	3.4%
■ Pension Funds	1.3%
■ Others	3.8%



Source: Polar Capital, 28 March 2013.

# Is Our Diversification Strategy Working?



	March 2010	March 2011	March 2012	March 2013
Technology	32%	36%	29%	17%
Japan	27%	27%	30%	33%
Europe	20%	15%	12%	10%
Total	79%	78%	71%	60%
Number of teams	6	8	10	11
Number of teams with assets > \$500m	3	3	3	7

## The original vision still holds true

### Ten to twelve world class investment teams

Pre 2010	2010	2011	2012	2013
<b>Technology</b>	Technology	Technology	Technology	Technology
<b>Japan</b>	Japan	Japan	Japan	Japan
<b>UK</b>	UK	UK	UK	UK
<b>Europe</b>	Europe	Europe	Europe	Europe
<b>Healthcare</b>	Healthcare	Healthcare	Healthcare	Healthcare
	<b>Financials</b>	Financials	Financials	Financials
	<b>Convertibles</b>	Convertibles	Convertibles	Convertibles
	<b>Emerging Markets</b>	Emerging Markets	Emerging Markets	Emerging Markets
		<b>North American</b>	North American	North American
		<b>European M/N</b>	European M/N	European M/N
			<b>Global Equity</b>	Global Equity
				<b>1 Other</b>

Source: Polar Capital, 28 March 2013.

# Depth Of Global Expertise



- 678 years of collective investment experience

## Global Technology team (2001)

6 investment professionals  
71 years experience

## Japan team (2001)

6 investment professionals  
96 years experience

## UK team (2001)

1 investment professionals  
26 years experience

## European Long/Short team (2003)

5 investment professionals  
75 years experience

## Global Healthcare team (2007)

3 investment professionals  
47 years experience

## Global Financials team (2010)

6 investment professionals  
110 years experience

## Global Convertibles team (2010)

4 investment professionals  
68 years experience

## Emerging Markets team (2010)

3 investment professionals  
47 years experience

## North American team (2011)

3 investment professionals  
28 years experience

## European Market Neutral team (2011)

3 investment professionals  
60 years experience

## Global Equity team (2012)

3 investment professionals  
50 years experience

Source: Polar Capital, 28 March 2013.

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## 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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Global Financials – possible launch Q3 2013

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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, 28 March 2013.

# Lipper Figures For UCITS Strategies



## 28 March 2013

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)	65/344	1	162/341	2	276/338	4	45/319	1	10/294	1
Japan Alpha (Retail USD)	191/344	3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Healthcare Opportunities (USD)	20/114	1	30/111	2	7/111	1	5/102	1	27/91	2
Emerging Markets Growth (USD Retail)	528/626	4	453/605	3	327/571	3	n/a	n/a	n/a	n/a
Emerging Markets Income (USD Institutional Acc)	242/626	2	111/605	1	53/571	1	n/a	n/a	n/a	n/a
Asian Financial (USD)	43/89	2	44/87	2	16/87	1	3/82	1	5/77	1
Financial Opportunities (USD Retail Inc)	38/89	2	43/87	2	42/87	2	n/a	n/a	n/a	n/a
Financials Income (GBP Retail Acc)	19/427	1	2/417	1	2/401	1	7/317	1	n/a	n/a
Global Insurance (GBP Retail Inc)	5/89	1	13/87	1	5/87	1	1/82	1	3/77	1
Global Technology (USD)	26/51	2	24/50	2	27/50	3	13/44	2	6/42	1
North American (USD Inc)	349/741	2	119/735	1	191/703	2	n/a	n/a	n/a	n/a
Global Alpha Fund (Retail USD)	206/1230	1	n/a	n/a	n/a	n/a	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.

## 28 March 2013

Strategies	Inception date	YTD	Annualised returns		
			3 years	5 years	Inception
UK Absolute Return (Class I GBP) <sup>1</sup>	3 June 2008	-2.10%	-4.33%	n/a	-0.29%
European Market Neutral (EUR) <sup>2</sup>	4 May 2010	-0.66%	n/a	n/a	-1.11%
European Market Neutral (Class I EUR) <sup>1</sup>	8 March 2012	-0.21%	n/a	n/a	-7.10%
Forager (EUR)	1 August 2003	2.54%	7.76%	6.93%	11.39%
Conviction (EUR)	1 April 2006	1.08%	5.14%	8.57%	6.83%
ALVA (USD)	1 November 2010	3.23%	n/a	n/a	6.44%

**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 are sub funds of the Polar Capital Funds Plc.

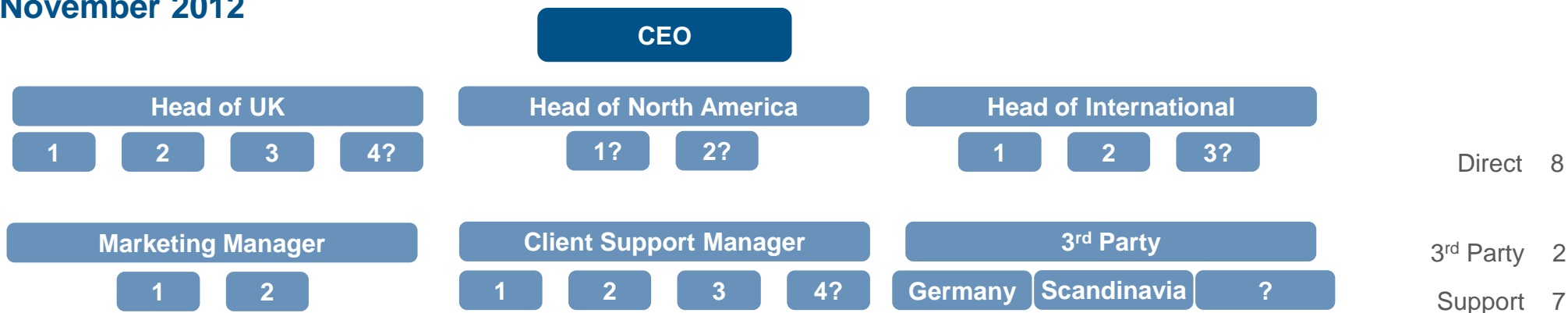
2. Prior to 16 April 2012, this Fund was called the Ratio European Opportunities Fund.

# Distribution

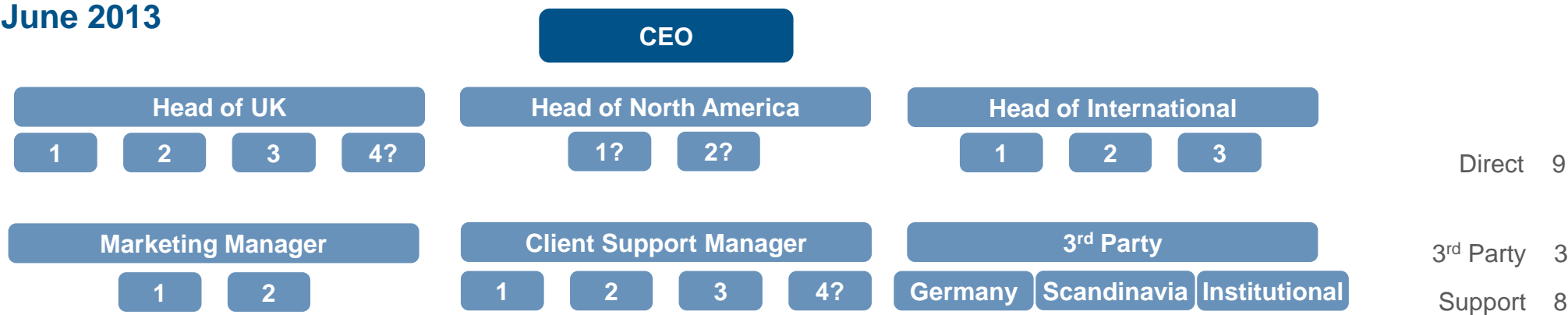
## November 2009



## November 2012

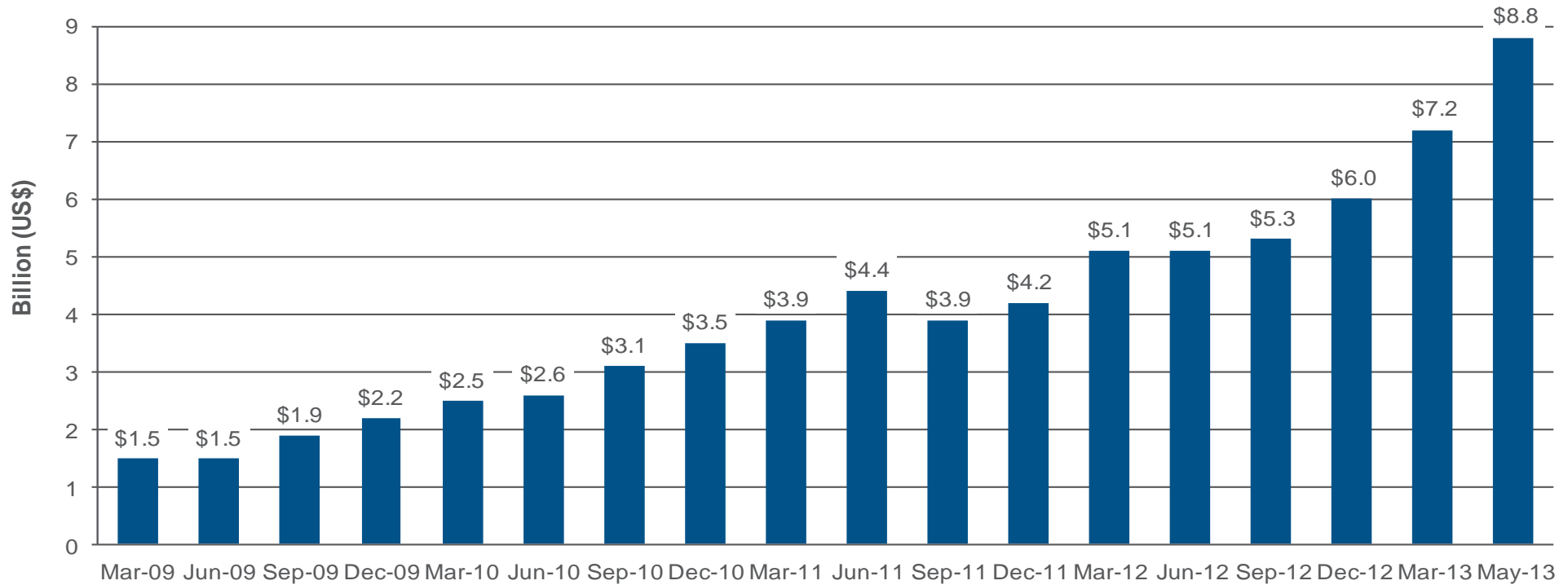


## June 2013



Source: Polar Capital, June 2013.

## Good recovery since crisis



Source: Polar Capital, 31 May 2013.

Strategies	AUM 31 March 2013	Capacity
Technology	\$1.2bn	\$2bn+
Japan	\$2.4bn	\$3bn+
UK	\$0.3bn	\$1bn+
Europe	\$0.7bn	\$1bn+
Healthcare	\$0.6bn	\$1bn+
Financials	\$0.7bn	\$2bn+
Convertibles	\$0.1bn	\$1bn+
Emerging Markets	\$0.6bn	\$2bn+
North America	\$0.6bn	\$3bn+
European Market Neutral	<\$0.1bn	\$1bn+
Global Equity	<\$0.1bn	\$3bn+
<b>Total</b>	<b>\$7.2bn</b>	<b>\$20bn+</b>

Source: Polar Capital.

## 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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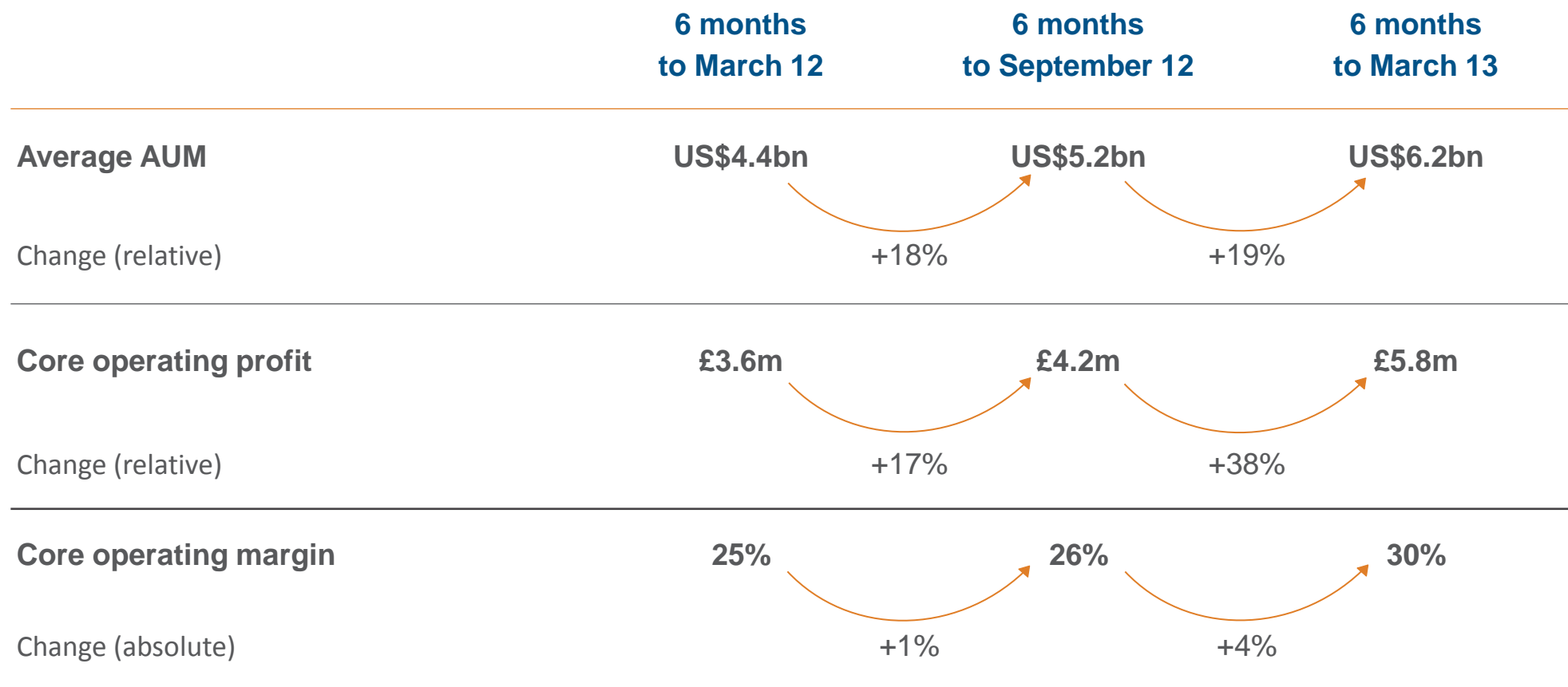


## Profitability – by year

	Year to March 11	Year to March 12	Year to March 13
<b>Average AUM</b>	<b>US\$3.1bn</b>	<b>US\$4.3bn</b>	<b>US\$5.7bn</b>
Core operating profit	£3.6m	£7.1m	£10.0m
Performance fee profit	£5.7m	£4.1m	£5.5m
Interest and similar income	£0.9m	£0.1m	£1.3m
<b>PBT pre S.B.P. &amp; Pre Goodwill</b>	<b>£10.2m</b>	<b>£11.3m</b>	<b>£16.8m</b>

Source: Polar Capital.

## Margin analysis – 6 month periods



Source: Polar Capital.

## Costs

	Year to March 11	Year to March 12	Year to March 13	Comments
Salaries and bonuses	£8.9m	£11.0m	£13.5m	Increase in staff numbers
Core distributions	£3.5m	£3.3m	£4.8m	Increase in core profits
<b>Core compensation costs</b>	<b>£12.4m</b>	<b>£14.3m</b>	<b>£18.3m</b>	
Other operating costs	£6.1m	£6.9m	£7.0m	See next page
<b>Core operating costs</b>	<b>£18.5m</b>	<b>£21.2m</b>	<b>£25.3m</b>	
Performance fee interests	£9.0m	£5.2m	£7.9m	Increased performance fees
<b>Total operating costs</b>	<b>£27.5m</b>	<b>£26.4m</b>	<b>£33.2m</b>	

Source: Polar Capital.

## Other operating costs

	Year to March 11	Year to March 12	Year to March 13	Comments
IT	£2.0m	£2.1m	£2.5m	Increased product
Rent and rates	£1.1m	£1.2m	£1.2m	
Professional fees	£0.7m	£0.9m	£0.7m	
Insurance	£0.4m	£0.4m	£0.4m	
Travel and entertainment	£0.7m	£0.8m	£0.9m	
Other	£1.2m	£1.5m	£1.3m	
<b>Other operating costs</b>	<b>£6.1m</b>	<b>£6.9m</b>	<b>£7.0m</b>	

Source: Polar Capital.

## Dividend

- Total dividend for the year 13.0p (2012: 9.0p)
  - Implies second dividend payable 11.0p (2012: 7.5p)
- Dividend reflects:
  - Improved profitability of the company
  - Health and strength of the company's balance sheet
  - Quiet optimism regarding the company's prospects
- 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.

## Cash and investments

	March 2012 £m	March 2013 £m
Cash	£22.6m	£30.9m
<b>Available for sale investments</b>		
Hedge fund investments	£ 1.1m	-
Hedge fund seed	£15.2m	£16.4m
Long only seed	£ 9.1m	£ 14.8m
	£25.4m	£31.2m
Long only protection and cash collateral	£ 1.0m	-
	<b>£26.4m</b>	<b>£31.2m</b>
<b>Total cash and investments</b>	<b>£49.0m</b>	<b>£62.1m</b>

Source: Polar Capital.

## Shareholder analysis at 31 March 2013

	Holding	Percentage		
Directors, founders and staff	28.5m	35%		
Caledonia	8.0m	10%		
XL	8.0m	10%		
EBT	1.7m	2%		
Blackrock	8.0m	10%		
Artemis	4.7m	6%		
Liontrust	2.9m	4%		
AXA Framlington	2.3m	3%		
Others	18.4m	20%		
<b>Total shares in issue</b>	<b>82.5m</b>	<b>100%</b>		
			<b>Free Float = 43%</b>	
			<b>At Share Price of</b>	
			<b>£4.00</b>	<b>£5.00</b>
Dilutive effect of share appreciation rights	6.7m		7.9m	8.7m
Conventional options	1.8m		1.8m	1.8m
Issuance satisfied by EBT	-1.7m		-1.7m	-1.7m
Net dilutive effect of options	6.8m		8.0m	8.8m
Vesting of Forager crystallisation	2.5m		2.5m	2.5m
<b>Diluted share capital</b>	<b>91.8m</b>		<b>93.0m</b>	<b>93.8m</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

- Significant potential for further growth
- Total current capacity in the funds of > US\$20 billion of which at the end of May 2013 only US\$8.8 billion currently utilised

### 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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