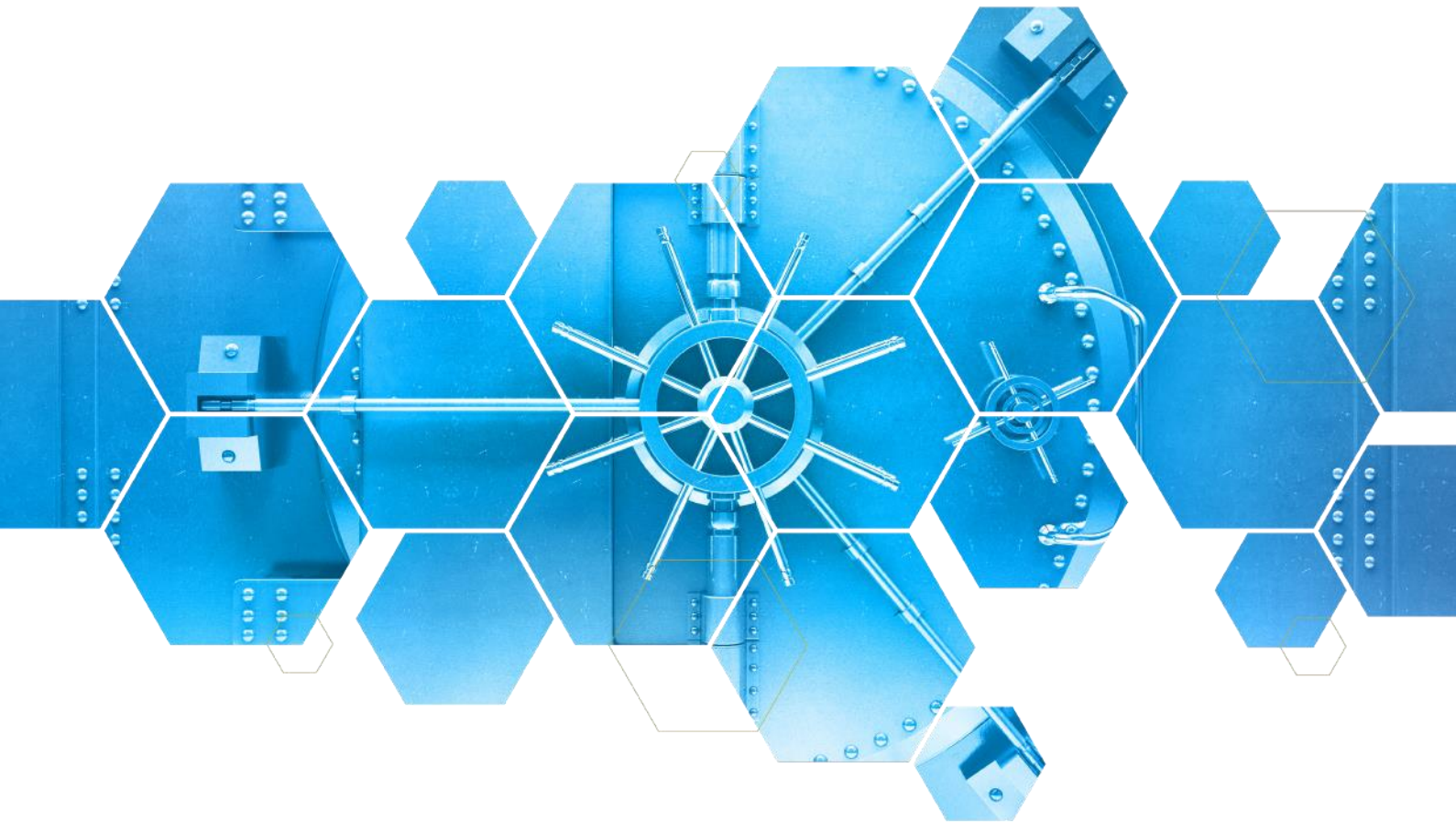


# **Polar Capital Global Financials Trust plc**

**Half Year Report for the six months  
ended to 31 May 2023**



### Company Information

#### History

The Company was launched in July 2013 with a fixed seven-year life. Shareholders approved changes to the Company's Articles of Association to make a tender offer to all shareholders and to extend the Company's life indefinitely at the Company's General Meeting held on 7 April 2020 ("the Reconstruction"). The new Articles of Association removed the fixed life and now require the Company to make tender offers at five-yearly intervals, with the first to commence on or before 30 June 2025.

#### Capital Structure

As at 31 May 2023, the Company had 331,750,000 ordinary shares of 5 pence each in issue, of which 11,675,000 shares were held in treasury (2022: 331,750,000 ordinary shares of 5 pence each in issue of which 225,000 were held in treasury). Following the period end, a further 2,400,500 ordinary shares were repurchased into treasury. Following these share repurchases, as at 7 July 2023, the total number of ordinary shares in issue was 331,750,000 and 14,075,500 shares were held in treasury.

#### Investment Objective

The Company's investment objective is to generate for investors a growing dividend income together with capital appreciation.

#### Investment Policy

The Company seeks to achieve its objective by investing primarily in a global portfolio consisting of listed or quoted securities issued by companies in the financials sector operating in the banking, insurance, property and other subsectors. The portfolio is diversified by factors including geography, industry sub-sector and stock market capitalisation. Full details of the investment policy are set out in the Annual Report.

#### Benchmark

In April 2020, following the reconstruction of the Company, the benchmark was changed to the MSCI ACWI Financials Net Total Return Index (in Sterling with dividends reinvested) in recognition of the Company's level of portfolio exposure to emerging market financials equities and its limited portfolio exposure to real estate equities. Prior to this, the Company was benchmarked against the MSCI World Financials + Real Estate Net Total Return Index.

#### Gearing and Use of Derivatives

Under the Articles of Association, the Company may utilise an overall maximum leverage limit of 20 per cent. of NAV at the time at which the relevant borrowing is taken out or increased.

In July 2022, the Company entered into a new agreement with Royal Bank of Scotland ("RBS"), for a three-year revolving credit facility ("RCF") in the amount of £50m, and two three-year term loans for £15m and USD \$18.4m respectively. At the period end, the term loans had been fully drawn down; plus £30m and USD \$12m had also been drawn down under the RCF. As at 7 July 2023, the latest practicable date, the portfolio was 5.8% geared.

#### Management Fees

The Company operates as an investment trust with an independent Board and third-party investment manager.

The Investment Manager and AIFM is Polar Capital LLP and the portfolio has been jointly managed by Mr Nick Brind and Mr John Yakas since launch on 1 July 2013. With effect from 1 December 2020, Mr George Barrow was appointed as Co-Fund Manager with Mr Brind and, with effect from 30 June 2023, Mr Yakas stepped down as Co-Fund Manager and into an advisory role.

Details of the fees payable to the Investment Manager are set out in the Annual Report. The Management Fee is charged 80% to capital and 20% to revenue; the Performance Fee, when payable, is charged 100% to capital.

## Financial Highlights

Performance (Sterling total return)	For six months ended 31 May 2023 %	Since Inception %
Net asset value (NAV) per Ordinary share (1)~	-8.1	107.6
<b>Ordinary share price (2)~</b>	-11.5	79.5
<b>Ordinary share price including subscription share value (3)~</b>	-	83.8
<b>Benchmark (Sterling total return) (4)</b>		
MSCI ACWI Financials	-8.4	104.6
Chain-linked benchmark	-8.4	115.1
<b>Other Indices and peer group (Sterling total return)</b>		
MSCI World Index	0.2	185.1
FTSE All Share Index	0.2	73.7
Lipper Financial Sector (5)	-9.2	88.6
<b>Performance since the Reconstruction on 22 April 2020 (Sterling total return)</b>		<b>Since Reconstruction %</b>
NAV per Ordinary share (6)~		59.5
Benchmark (4)		53.1

Financials	As at 31 May 2023	As at 31 May 2022	As at 30 November 2022	% Change Six months to 31 May 2023	
<b>Total net assets</b>	<b>£484,034,000</b>	£536,411,000	£541,272,000	-	10.6
<b>NAV per Ordinary share</b>	<b>151.2p</b>	161.8p	166.3p	-	9.1
<b>Ordinary share price</b>	<b>135.2p</b>	152.6p	154.6p	-	12.5
<b>Discount per Ordinary share~</b>	<b>10.6%</b>	5.7%	7.0%		
<b>Net gearing~</b>	<b>2.6%</b>	3.7%	6.0%		
<b>Ordinary shares in issue (excluding those held in treasury)</b>	<b>320,075,000</b>	331,525,000	325,394,000	-	1.6
<b>Ordinary shares held in treasury</b>	<b>11,675,000</b>	225,000	6,356,000		83.7
	<b>Six months to 31 May 2023</b>	Six months to 31 May 2022	Year to 30 November 2022		
<b>Earnings/(loss) per Ordinary share (7):</b>					
Revenue Return	<b>3.16p</b>	2.98p	4.45p		
Capital Return	<b>(16.44p)</b>	(8.17p)	(2.75p)		
<b>Total</b>	<b>(13.28p)</b>	(5.19p)	1.70p		

# Polar Capital Global Financials Trust Plc

## Half Year Report for the six months ended 31 May 2023

### Dividends\*

First interim	<b>2.45p</b>	2.40p	2.40p	-
Second interim	-	-	2.00p	-
<b>Total</b>	<b>2.45p</b>	2.40p	4.40p	-

\* The Company declares dividends in respect of a financial year in July and January for payment at the end of the following August and February. The first interim dividend for the year ending 30 November 2023 was declared on 11 July 2023 and will be paid on 31 August 2023 to shareholders on the register on 4 August 2023. The shares will go ex-dividend on 3 August 2023. The second interim dividend will be declared in December 2023 for payment in February 2024.

Note 1 The total return NAV performance for the period is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date. Performance since inception has been calculated from the initial NAV of 98p and the NAV on 31 May 2023. Dividends are deemed to be reinvested on the ex-dividend date as this is the protocol used by the Company's benchmark and other indices.

Note 2 The total return share price performance is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date. Performance since inception has been calculated using the original launch price of 100p to the closing price on 31 May 2023.

Note 3 The total return share price performance since inception includes the value of the subscription shares issued free of payment at launch on the basis of one for every five Ordinary shares and assumes such were held throughout the period from launch to the final conversion date of 31 July 2017. Performance is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date and uses the launch price of 100p per Ordinary share and the closing price per Ordinary share on 31 May 2023.

Note 4 Chain linked benchmark is a combination of 3 benchmarks which have been in operation over the period. From inception until 31 August 2016 the Company's benchmark was the MSCI World Financials Index, which included Real Estate as a constituent until its removal that year. From 1 September 2016 to 23 April 2020 the benchmark was the MSCI World Financials + Real Estate Net Total Return Index. From 23 April 2020, the benchmark changed to MSCI ACWI Financials Net Total Return Index (in Sterling) due to the Company's exposure to emerging market equities and its limited exposure to real estate equities.

Note 5 Dynamic average of open ended funds in the Lipper Financial Sector Universe which comprised 56 open ended funds in the period under review.

Note 6 The total return NAV performance since the Reconstruction is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date. The new performance fee period runs from the date of the Reconstruction. The opening NAV for the performance fee of 102.8p is the closing NAV the day before the tender offer was completed.

Note 7 Refer to Note 3 of the notes to the Financial Statements below for more details.

~See Alternative Performance Measure below.

Data sourced from HSBC Securities Services Limited, Polar Capital LLP, MSCI and Lipper.

## Chair's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to provide you with the Company's Half Year Report for the six months to 31 May 2023. This is my first report to you as Chair of the Company and I would like to express my sincere thanks to Robert Kyprianou who previously chaired the Company from its launch in 2013 until his retirement from the Board earlier this year.

The past six months have been a most challenging period for investors in many asset classes as major economies and central banks adjust to a higher inflationary environment and the highest interest rates for a decade. Global equity markets have struggled for direction and sectors, such as those your company invests in, have had a particularly difficult time. We have also witnessed a number of individual bank failures, notably Silicon Valley Bank in the US and Credit Suisse in Europe, which had a knock-on effect on bank share prices worldwide.

These failures brought back painful memories of the Global Financial Crisis and understandably, investors became cautious. As the dust settles and valuations are reappraised against the very positive fundamentals we expect opportunities will present themselves and investors will become interested in the sector once again.

### Performance

The Company marginally outperformed its benchmark in the period and for the six-month period to 31 May 2023 the Ordinary Share NAV total return performance was -8.1% compared to a decrease of 8.4% in the Company's benchmark (MSCI ACWI Financials Net Total Return Index in sterling) over the same period. Since the Company's reconstruction on 22 April 2020 to the end of the period under review, the NAV total return per Ordinary Share was 59.3% compared to the benchmark performance of 53.1%.

As described later in the Investment Manager's report, financials as a sector underperformed the wider market. Rising interest rates, persistently high inflation and a number of bank failures took their toll. US banks, which are a big component of our portfolio, were particularly negatively affected, albeit we had only a limited exposure to the failures via a modest holding in Silicon Valley Bank. Outside of banks, other financial sectors performed better with insurance and fintech adding value while there were more mixed results in diversified financials.

Further information on investment performance can be found within the Financial Highlights and the Investment Manager's Report.

### Share Issuance and Buybacks

In contrast to this period last year, market headwinds (including bank failures, the continued conflict in Ukraine, high inflation rates, reversal of QE and increasing interest rates) have meant the Company's shares have tended to trade at a meaningful discount to Net Asset Value (NAV). While the shares of many investment trusts are experiencing similar discounts, the Board has been proactively and opportunistically buying in shares. These buy-ins, executed at substantial discounts, are accretive to NAV and the shares can be re-issued from the treasury account when market conditions allow. This approach is consistent with the latter half of 2022.

From the end of November 2022 to 31 May 2023, the Company had bought back a total of 5,319,000 Ordinary shares, all of which were placed into the treasury account.

Since the period end to 7 July 2023, the latest practicable date, the Company has bought back a further 2,400,500 shares at an average discount to the live NAV at the time of transaction of 10.6%. These have also been placed into treasury.

### Board Succession

As reported in the last Annual Report, Susie Arnott and Angela Henderson joined the board in December 2022 and, following these appointments, Robert Kyprianou retired from the board in March 2023. We believe the Board, which now comprises four members, has the requisite depth and breadth of skills to oversee the Company. We are aware that we do not fully meet the FCA Diversity recommendations in that we do not have an ethnically diverse individual on the Board. It is particularly challenging to meet all of the recommended diversity criteria with a small number of board members, and through the recruitment process we meet diverse candidates and will continue to do so whenever board vacancies arise.

### **Dividends**

The Company's current dividend policy and aim with respect to the Ordinary Shares is to pay two interim dividends each year, in February and August. These interim dividends will not necessarily be of equal amounts. The ability to continue the Company's dividend policy is significantly driven by income receipts from our portfolio, and where these decline as a result of changes in the policies of investee companies, changes in the composition of the portfolio, regulatory intervention, or as a result of the currency exposure underlying the portfolio, this could result in a lower level of dividend being paid than intended or previously paid.

While markets have been difficult, the Board recognises the importance of the dividend to many shareholders and has declared a first interim dividend for the current financial year of 2.45p per share, a small uplift on the previous financial year. The first interim dividend will be paid on 31 August 2023 to shareholders on the register on 4 August 2023.

### **Gearing**

Under the Articles of Association the Company may utilise an overall maximum leverage limit of 20 per cent. of NAV at the time at which the relevant borrowing is taken out or increased. In July 2022, the Company entered into a new agreement with Royal Bank of Scotland ("RBS"), for a three-year revolving credit facility ("RCF") in the amount of £50m, and two three-year term loans for £15m and USD \$18.4m respectively. At the period end, the term loans had been fully drawn down; plus £30m and USD \$12m had also been drawn down under the RCF. As at 7 July 2023, the latest practicable date, the portfolio was 5.8% geared.

### **Outlook**

Our Investment Managers began the period under review with a cautiously optimistic outlook - the portfolio was modestly geared and positioned to take advantage of an improving interest margin backdrop as interest rates rose. However, as events unfolded, they moved to a more defensive stance. At the date of writing, the market seems to be fearing a repeat of the Global Financial Crisis but our view is that this is unlikely to be the case. The financial system is in far better shape than it was in 2008/09; balance sheets and capital ratios have improved significantly while stock market valuations are not reflecting this reality.

We remain cautious given the market uncertainty and investors unwillingness to take risk. However, we believe the underlying fundamentals and valuations of the sector are favourable and we remain positive on the sector. Our Investment Managers are primed to take advantage of opportunities as and when they arise. The sector looks cheap relative to history and little, if any, good news is being priced in. As and when sentiment improves, we feel confident that our portfolio will be a beneficiary.

**Simon Cordery**  
Chair

10 July 2023

## Investment Manager's Report

### Performance

Equity markets were marginally lower over the six months covered by this report. Strong performance in the technology sector was offset by the impact of stronger sterling. Having outperformed for two consecutive years, financials not surprisingly underperformed as the collapse of a number of US regional banks and the forced sale of Credit Suisse to UBS Group led to a sharp sell-off in banking shares.

Consequently, US financials were very weak over the period under review. Conversely, Japanese and European financials, (notwithstanding the turmoil around Credit Suisse), stood out for their positive performance. Asian financials were weaker than expected, following the reopening of China from its zero-Covid policy which provided less of a support to economic data than had been expected.

US government bonds were largely unchanged as a resilient labour market and stronger than expected economic data challenged the narrative that inflation and interest rates had peaked, and would quickly lead to more accommodative monetary policy. Against this, the UK, Japanese and to a lesser extent German government bonds were weaker, in the UK due to inflation coming in above expectations.

Against this background, the Trust's net asset value fell 8.1% while its benchmark index, the MSCI All Country World Financials Index, fell 8.4% and the MSCI All Country World Index fell 0.3%. The Lipper open-ended peer group of financial sector equity funds fell by 9.2% while the Markit iBOXX Contingent Convertible AT1 Index, an index tracking the performance of subordinated bank bonds, fell by 9.6% (in local currency terms) following the Credit Suisse takeover which saw similar bonds zeroed.

An overweight position in US banks and gearing were drags on performance but this was more than offset by our holdings in payment companies and fixed income and good stock selection within our bank holdings. For example, we had no holdings in Credit Suisse, First Republic Bank or Signature Bank and only a very small holding (0.3%) in Silicon Valley Bank (SVB) which was sold for an immaterial loss on the announcement of its capital raise, prior to its failure.

### Sector Review

#### Banks

Negative sentiment around the outlook for growth weighed on bank stocks over 2022 due to concerns about the impact on their profitability from a downturn and this has continued into 2023. Nevertheless, bank shares performed well initially in the period as earnings expectations continued to rise on the increase in interest rates feeding through to higher net interest income – the income they generate from the assets they hold (ie loans and securities), relative to what they pay out to depositors and other sources of funding.

However, the offset to this is that due to higher interest rates, banks are sitting on unrealised losses on their securities portfolios from holdings they bought when interest rates were lower. This was not new news. However, the announcement by SVB on 8 March that it would be selling a portfolio of its securities at a loss while at the same time aiming to raise capital to strengthen its balance sheet unnerved both investors and depositors. Despite initial support for the capital raise, the loss of US\$42bn in deposits on that day led to support being pulled and ultimately the bank's collapse.

Signature Bank was foreclosed two days later as it also suffered significant deposit outflows. While the bank was better known as a New York commercial real estate lender, it is believed that its exposure to crypto assets via its Signet payments platform unsettled depositors. This was followed shortly by the failure of Silvergate Bank, a much smaller bank than SVB and Signature Bank, with a much larger relative exposure to the crypto industry.

First Republic was the last of the four US banks to go into foreclosure, despite a JP Morgan bank-led consortium injecting US\$30bn of deposits into the bank. First Republic was a business model focused on lending to high net worth and aspirational clients, which had seen phenomenal growth on the back of its customer service. It was ultimately bought from the Federal Deposit Insurance Corporation by JP Morgan.

Credit Suisse, which had seen large outflows of deposits in the last few months of 2022, saw further outflows following the collapse of SVB. Its annual report alluded to “material weakness” in its internal controls and a poorly timed or misunderstood statement from their largest shareholder that they would “absolutely not” put more capital into Credit Suisse knocked sentiment further. Despite support from the Swiss National Bank and its regulator stating the bank was solvent, it was forced into a sale to UBS Group the following weekend.

The decision by Swiss regulators to write-down Credit Suisse’s AT1 bondholders to zero, which required emergency legislation, while equity investors were not, resulted in sharp falls in similar bond issues by other banks. Regulators in Europe, UK, Hong Kong, Singapore and Canada announced they would stand by the creditor hierarchy in contrast to the actions of Swiss regulators, which put a floor under bond prices.

Not surprisingly, these events led to a sharp sell-off in bank shares, in particular other smaller US regional banks that were seen as vulnerable due to weaker capital. Actions by US authorities appeared to have little impact as concerns around regional banks’ exposure to commercial real estate exacerbated share price falls.

However, as Federal Reserve data suggested that deposit flows stabilised within a few weeks and PacWest, a Californian bank that had been at the centre of the sell-off, stated that it had seen inflows of deposits, US bank shares saw a partial recovery. Asian, European and other bank shares initially suffered falls in share prices but stabilised quickly as the issues were seen to not be systemic.

### **Insurance**

With the extraordinary events in the banking sector, news flow elsewhere in the sector came in a distant second. Unsurprisingly against this background, the insurance subsector outperformed, reflecting its defensive characteristics. It benefitted from the higher interest rate tailwinds and therefore higher investment income as well as improving underwriting returns, i.e. higher profitability.

There was volatility in the subsector as investors fretted over its exposure to US regional banks and Credit Suisse. Within that, some life assurance companies have higher exposure to commercial real estate, which has come under scrutiny and therefore suffered weakness in share prices, but, for the vast majority of the sector, exposure was negligible or non-existent.

In 2022, the reinsurance sector saw some companies reduce the amount of capital they were willing to put at risk, reflecting the poor level of profitability over the preceding few years even though reinsurance rates had been increasing. In particular, the increased cost of claims from so-called ‘secondary perils’, floods and hailstorms, as well as higher catastrophe losses from larger events such as Hurricane Ian which hit Florida in September 2022, generating estimated insurance losses of around US\$60bn, the second costliest hurricane on record, impacted profitability.

Consequently, with the drop in supply of capital underpinning the reinsurance sector but with demand unchanged at best, reinsurance rates rose sharply in January, estimated by Howden, an insurance broker, to be 37% on average. Furthermore, the attachment points, i.e. the amount of loss born by an insurer before a reinsurer covers the cost, also increased. The impact of this is that either insurance companies would not be able to pass on losses for less costly events or the amount they would be able to recover would be lower.

This repricing of the reinsurance market resulted in the share prices of reinsurers rising. Nevertheless, some share prices did suffer from profit-taking towards the end of the period on the back of Everest Re, a US reinsurer, raising US\$1.3bn in capital to take advantage of the more attractive opportunity to put capital at risk, followed by RenaissanceRe’s acquisition of Validus from AIG, which also led them to raise capital to pay for the acquisition.

### **Diversified financials**

The diversified financials sector consists of a wider group of companies – including trust banks, investment banks, stock exchanges, asset managers, information services companies and consumer finance companies – and performance reflected that. As a generalisation, investment banks and trust banks were weak, with Charles Schwab the hardest hit as investors were concerned about its balance sheet and the impact of the outflow of deposits on its earnings.



Asset managers also saw a wide dispersion of returns. Alternative asset managers have performed extremely well in recent years but have come under pressure over the past year due to concern around fundraising and the impact on performance fees from lower returns. Blackstone, the largest such company, came under pressure regarding a jump in redemption requests on its non-traded REIT (real estate investment trust). Nevertheless, those with higher exposure to private credit strategies have performed well on the expectation that demand for private credit will be more resilient.

Consumer finance companies also held up well, reflecting the strong jobs market and household savings (outside those on the lowest income) despite concerns around an imminent downturn. Information services companies were mixed, with S&P Global and Moody's performing well but MSCI being weak. Berkshire Hathaway also performed reasonably well reflecting its defensive positioning with exposure to the likes of Apple and large insurance businesses offsetting its more economically sensitive businesses.

#### **FinTech**

FinTech companies performed well over the six months; valuations enjoyed a recovery following sharp falls in 2022 resulting in less downside risk for investors, while revenues remained resilient, especially for the more established businesses. Payment companies also benefited from the stronger than expected performance of technology shares. At the end of the period, MSCI designated that payment companies (the largest being Visa and MasterCard), would move from the technology sector back to the financial sector and consequently now represent 11% of our benchmark.

#### **Investment Activity**

At the beginning of the period, we retained a constructive view of the outlook for financials and, notwithstanding concerns around the impact from a slowdown in economic activity and potential recession, we believed that the sector would weather it well. However, with the issues in the US regional banks, we reduced risk, with gearing only at a moderate level and the mix of holdings reflecting that relative cautiousness by, for example, increasing our exposure to fixed income securities following the volatility in the UK gilt market in October 2022.

Our exposure to Asia continues to focus on the faster growing economies of India and Indonesia, with the portfolio's largest holdings in these countries being HDFC Bank and Bank Central Asia. We continue to have no exposure to Chinese state banks, but in the first few months we increased our exposure to the region to benefit from the reopening of China by adding to holdings in Hong Kong Clearing & Exchanges, BOC Hong Kong, AIA Group and Prudential. However, as economic data coming out of Asia has disappointed, we have subsequently pulled back some of that exposure.

At the start of the period we had a mid-single-digit percentage exposure to small and mid-sized US regional banks, including Cullen/Frost Bankers, Enterprise Financial Services and East West Bancorp. This had fallen from around a low double-digit exposure a year ago as we had been reducing our positions due to concerns on capital – higher deposit costs would impact profitability – and also due to their higher exposure to commercial real estate that would make them more sensitive to a US recession.

We added to holdings in European banks including AIB Group and Nordea Bank while starting new positions in BNP Paribas and Intesa Sanpaolo as we see them continuing to benefit from higher interest rates. New holdings were also bought in Intermediate Capital Group and Ares Management, both alternative asset managers that have significant private credit strategies which we believe will be beneficiaries of the much more attractive environment for credit strategies with the backup in bond yields.

Following the collapse of SVB, we made more material changes to the portfolio, selling our remaining holdings in small and mid-sized regional banks. We believe the headwinds facing US regional banks in the shorter term will probably cap any rally in their shares until there is greater clarity on their longer-term profitability following recent events. We prefer increasing our exposure to larger US banks, albeit overall leaving the portfolio underweight in US banks relative to the benchmark.

We bought new holdings in American Express and took the opportunity to add to our fixed income holdings following the write-down of Credit Suisse's AT1 bonds. We bought new holdings in AT1 bonds issued by AIB Group, BNP Paribas, CaixaBank and Santander among others. We added selectively to our payment exposure, purchasing a new holding in Adyen. The net effect of these changes was for gearing to drop to 2.8% at the end of May.

#### Outlook

##### Bank failures

Why did so many banks fail in quick succession when the banking sector is so much better capitalised, with significantly greater levels of liquidity and no signs of stress? Ultimately, the catalyst for all of them was a sharp outflow of deposits, similar to that seen during the global financial crisis. Critically, this time around has not been about toxic assets on weak bank balance sheets as it was then – arguably quite the opposite.

SVB, which was a huge beneficiary of growth in venture capital funding for the technology sector over recent years, failed to hedge the interest rate risk on its large portfolio of US Treasuries and mortgage-backed securities it had built up from the inflow of deposits into the bank. Therefore, as interest rates rose, this led to large unrealised losses which were a multiple of those for any other bank, making it very vulnerable to any loss of confidence.

Signature Bank was almost unique for a bank, having significant exposure to the crypto industry via a payments platform it owned. This resulted in significant inflows of deposits and, while these were not quite on the scale seen at SVB and therefore did not leave the bank sitting on similarly-sized losses, it had been under pressure over the past year as these deposit flows reversed. However, the failure of SVB along with continued negative news flow around crypto was sufficient to start a deposit flight in short order.

First Republic had a very conservative risk appetite that was reflected in its loan losses being around one tenth of its peers due to its high net worth customer base, attracted to the bank by its unparalleled customer service reflected in a net promoter score significantly above banking peers. However, not dissimilar in some respects to SVB, the bank took significant unhedged interest rate risk in its mortgage book and was therefore sitting on mark to market losses on these mortgages should it ever need to sell them.

Similarly, there were never any material concerns about the assets on Credit Suisse's balance sheet, especially after it was strengthened by a CHF 9.7bn equity raise in October. However, weak profitability and risk management – its 2021 Annual Report had 12 pages dedicated to litigation risk – ultimately put paid to the bank staying independent as, even though it had close to CHF 100bn of capital that would need to be burnt through before depositors lost a cent, the bank had lost the confidence of its investors and depositors following a stream of negative news.

Importantly, all four stood out in having a high exposure to uninsured depositors ie depositors whose bank deposits were not insured by a governmental agency. For example, the three US banks with the largest concentration of uninsured deposits as a percentage of total deposits were First Republic, Signature Bank and SVB, with the first at 67% and the other two at close to 90%. This compares to a median for the US banking sector of approximately 40% at the time of their failure. First Republic was in the strongest position of the three but that was not sufficient to prevent a bank run.

##### This is not GFC II

We do not see this as GFC (global financial crisis) II, as the profitability of the banking sector is vastly improved with the rise in interest rates and the banking system has not been taking on significant risk in recent years. Critically, outside the US, large banks are effectively obligated by regulators to hedge their interest rate risk and are penalised with higher capital requirements if they do not do so. Consequently, they do not have the vulnerabilities we have seen with US regional banks that have suffered deposit outflows.

The report by the Federal Reserve into SVB's failure states: "Silicon Valley Bank failed because of a textbook case of mismanagement by the bank. Its senior leadership failed to manage basic interest rate and liquidity risk [and] Federal Reserve supervisors failed to take forceful enough action. It goes on to highlight that rules around the regulation of smaller US regional banks which were relaxed under the Trump administration had played their part.

As a result, US regional banks are facing increased regulation, likely around capital, liquidity and stress tests which will add significantly to costs. Furthermore, because of the outflow of deposits from the banking system to money market funds as savers seek better interest rates on their savings, regional banks are having to pay up for deposits which is impacting their profitability. First quarter results highlighted that larger US banks were beneficiaries of this outflow, with JP Morgan even upgrading its guidance for higher net interest income.

Furthermore, risks around commercial real estate, especially offices which have been impacted by the post-pandemic work-from-home trend, has also weighed on sentiment. The drop in occupancy levels in large cities such as San Francisco has exacerbated the fall in office property values. However, while US regional banks have significant exposure to commercial real estate, the largest is to multi-family properties, ie apartment blocks, where rents have been increasing, while their exposure to office property is on average around low single-digit percentage points which we see as very manageable.

#### **Opportunity**

Valuations for banks and insurance companies have fallen significantly and banks are trading in the cheapest decile of earnings multiples since the global financial crisis. Insurance companies are also trading close to their lowest quartile. That reflects pessimism about the prospects for the sector. We do not believe this is warranted..

Across the sector there will be banks and other financials that benefit from the US regional banking crisis. In the short term it is HSBC Holdings, First Citizens, New York Community Bancorp and JP Morgan that have been able to pick over the bones of the banks that failed, which we expect will turn out to be accretive acquisitions. Alternative asset managers, where we have exposure, have also highlighted the opportunity to step in and help buy assets from regional banks looking to raise capital. A recent example is Ares Management purchasing \$3.5bn of loans from PacWest.

At Berkshire Hathaway's annual general meeting, Warren Buffett highlighted that he saw insurance as one of the few areas where they expect to grow earnings over 2023 against a more difficult economic background. We have sympathy for that view which is why we are keeping some of our powder dry for when we feel the risk/reward justifies increasing leverage from its current level. Consequently, we remain overweight Indian and European banks, payment companies (which we have increased) and non-life insurers as well as a number of other well-positioned Asian financials.

**Nick Brind, John Yakas & George Barrow**

**10 July 2023**

We would draw shareholders attention to [www.polarcapitalglobalfinancialstrust.com](http://www.polarcapitalglobalfinancialstrust.com) for monthly factsheets, regular investment commentary and portfolio updates.

## Full Portfolio

2023	2022	Stock	Sector	Geographical Exposure	Market Value £'000		% of total net assets	
					31 May 2023	30 November 2022	2023	2022
1	(1)	JP Morgan Chase	Banks	North America	31,583	30,627	6.5%	5.7%
2	(13)	Visa	Financial Services	North America	23,449	11,108	4.8%	2.1%
3	(18)	Mastercard	Financial Services	North America	21,662	9,805	4.5%	1.8%
4	(5)	HDFC Bank	Banks	Asia (ex-Japan)	20,391	21,022	4.2%	3.9%
5	(4)	Berkshire Hathaway	Financial Services	North America	17,904	21,302	3.7%	3.9%
6	(3)	CHUBB	Insurance	Europe	16,452	22,493	3.4%	4.2%
7	(7)	HSBC Holdings	Banks	United Kingdom	16,266	14,656	3.4%	2.7%
8	(17)	Bank Central Asia Indonesia	Banks	Asia (ex-Japan)	11,711	9,890	2.4%	1.8%
9	(8)	AIA Group	Insurance	Asia (ex-Japan)	11,094	13,874	2.3%	2.6%
10	(6)	Wells Fargo	Banks	North America	10,970	20,754	2.3%	3.8%
<b>Top 10 investments</b>					<b>181,482</b>		<b>37.5%</b>	
11	(12)	Sumitomo Mitsui Financial	Banks	Japan	10,818	11,789	2.2%	2.2%
12	(2)	Bank of America	Banks	North America	10,439	25,887	2.2%	4.8%
13	(21)	AIB Group	Banks	Europe	10,432	8,949	2.1%	1.7%
14	(14)	Arch Capital	Insurance	North America	10,090	10,533	2.1%	1.9%
15	(19)	Bank Rakyat	Banks	Asia (ex-Japan)	9,795	9,183	2.0%	1.7%
16	(15)	Marsh & McLennan	Insurance	North America	8,134	10,041	1.7%	1.8%
17	(27)	Morgan Stanley	Financial Services	North America	8,089	7,558	1.7%	1.4%
18	(22)	Beazley	Insurance	United Kingdom	7,879	8,909	1.6%	1.6%
19	(-)	American Express	Financial Services	North America	7,612	-	1.6%	-
20	(11)	Toronto-Dominion Bank	Banks	North America	7,588	12,439	1.6%	2.3%
<b>Top 20 investments</b>					<b>272,358</b>		<b>56.3%</b>	
21	(40)	Nordea Bank	Banks	Europe	7,256	5,502	1.5%	1.0%
22	(34)	Royal Bank of Canada	Banks	North America	6,947	5,858	1.4%	1.1%
23	(28)	Indusind Bank	Banks	Asia (ex-Japan)	6,614	6,898	1.4%	1.3%
24	(49)	CaixaBank	Banks	Europe	6,571	4,851	1.4%	0.9%
25	(10)	PNC Financial Services	Banks	North America	6,465	13,112	1.3%	2.4%
26	(9)	DBS Group	Banks	Asia (ex-Japan)	6,344	13,200	1.3%	2.4%
27	(35)	Tisco Financial	Banks	Asia (ex-Japan)	6,278	5,805	1.3%	1.1%
28	(47)	S&P Global	Financial Services	North America	6,214	4,923	1.3%	0.9%
29	(-)	BNP Paribas	Banks	Europe	5,765	-	1.2%	-
30	(29)	Intact Financial Corporation	Insurance	North America	5,702	6,836	1.2%	1.3%
<b>Top 30 investments</b>					<b>336,514</b>		<b>69.6%</b>	
31	(-)	London Stock Exchange	Financial Services	United Kingdom	5,685	-	1.2%	-
32	(42)	Hannover Rueck	Insurance	Europe	5,684	5,456	1.2%	1.0%
33	(16)	DNB Bank	Banks	Europe	5,470	9,896	1.1%	1.8%
34	(56)	Axis Bank	Banks	Asia (ex-Japan)	5,457	3,789	1.1%	0.7%
35	(32)	Prudential	Insurance	United Kingdom	5,415	6,402	1.1%	1.2%
36	(-)	Intesa	Banks	Europe	5,308	-	1.1%	-
37	(31)	The Travelers Companies	Insurance	North America	5,264	6,484	1.1%	1.2%
38	(26)	Sampo	Insurance	Europe	5,065	7,909	1.0%	1.4%
39	(-)	Adyen	Financial Services	Europe	4,941	-	1.0%	-
40	(-)	Renaissancere	Insurance	North America	4,849	-	1.0%	-
<b>Top 40 investments</b>					<b>389,652</b>		<b>80.5%</b>	

## Polar Capital Global Financials Trust Plc

Half Year Report for the six months ended 31 May 2023

41	(54)	Ares Management	Financial Services	North America	4,819	4,236	1.0%	0.8%
42	(30)	Standard Chartered	Banks	United Kingdom	4,806	6,552	1.0%	1.2%
43	(52)	Macquarie	Financial Services	Asia (ex-Japan)	4,637	4,644	1.0%	0.9%
44	(46)	Lancashire	Insurance	United Kingdom	4,475	5,024	0.9%	0.9%
45	(45)	Allianz	Insurance	Europe	4,240	5,078	0.9%	0.9%
46	(36)	Hong Kong Exchanges and Clearing	Financial Services	Asia (ex-Japan)	4,200	5,746	0.9%	1.1%
47	(41)	MSCI	Financial Services	North America	4,058	5,497	0.8%	1.0%
48	(50)	Hong Leong Bank	Banks	Asia (ex-Japan)	3,913	4,775	0.8%	0.9%
49	(57)	Ares Capital	Financial Services	North America	2,963	3,393	0.6%	0.6%
50	(60)	International Personal Finance 9.75% 2025 Bond	Fixed Income	Fixed Income	2,950	2,563	0.6%	0.5%
<b>Top 50 investments</b>					<b>430,713</b>		<b>89.0%</b>	
51	(-)	Intermediate Capital	Financial Services	United Kingdom	2,907	-	0.6%	-
52	(65)	Lancashire 5.625% 2041 Bond	Fixed Income	Fixed Income	2,862	2,348	0.6%	0.4%
53	(59)	Pension Insurance 7.375% Perp Bond	Fixed Income	Fixed Income	2,846	2,576	0.6%	0.5%
54	(80)	Gresham House	Financial Services	United Kingdom	2,631	1,625	0.5%	0.3%
55	(61)	Rothsay Life 4.875% Perp Bond	Fixed Income	Fixed Income	2,450	2,548	0.5%	0.5%
56	(-)	Bank of Cyprus	Banks	Europe	2,420	-	0.5%	-
57	(69)	AIB Group 6.25% Perp Bond	Fixed Income	Fixed Income	2,411	2,056	0.5%	0.4%
58	(66)	Moneybox (unquoted)	Financial Services	United Kingdom	2,408	2,310	0.5%	0.4%
59	(62)	Legal General Group 5.625% Perp Bond	Fixed Income	Fixed Income	2,355	2,542	0.5%	0.5%
60	(67)	IG Group 3.125% 2028 Bond	Fixed Income	Fixed Income	2,266	2,284	0.5%	0.4%
<b>Top 60 investments</b>					<b>456,269</b>		<b>94.3%</b>	
61	(63)	Golub Capital	Financial Services	North America	2,244	2,465	0.5%	0.5%
62	(64)	VPC Specialty Lending Investments	Fixed Income	Fixed Income	2,239	2,428	0.5%	0.4%
63	(73)	Societe Generale 5.375% Perp Bond	Fixed Income	Fixed Income	2,018	1,978	0.4%	0.4%
64	(71)	Riverstone Credit Opportunities	Fixed Income	Fixed Income	1,981	2,026	0.4%	0.4%
65	(70)	Aviva 6.875% Perp Bond	Fixed Income	Fixed Income	1,907	2,030	0.4%	0.4%
66	(68)	Atom Bank (unquoted)	Banks	United Kingdom	1,889	2,241	0.4%	0.4%
67	(72)	Barclays 8.875% Perp Bond	Fixed Income	Fixed Income	1,840	1,978	0.4%	0.4%
68	(76)	Nationwide Building Society 5.75% Perp Bond	Fixed Income	Fixed Income	1,748	1,785	0.4%	0.3%
69	(75)	BNP Paribas 7% Perp Bond	Fixed Income	Fixed Income	1,731	1,867	0.3%	0.3%
70	(79)	Natwest Group 2.105% 2031 Bond	Fixed Income	Fixed Income	1,678	1,646	0.3%	0.3%

## Polar Capital Global Financials Trust Plc

Half Year Report for the six months ended 31 May 2023

<b>Top 70 investments</b>					475,544	98.3%		
71	(-)	CaixaBank 8.25% Perp Bond	Fixed Income	Fixed Income	1,641	-	0.3%	-
72	(81)	Provident Financial 8.875% 2032 Bond	Fixed Income	Fixed Income	1,609	1,593	0.3%	0.3%
73	(-)	CaixaBank 5.25% Perp Bond	Fixed Income	Fixed Income	1,601	-	0.3%	-
74	(78)	Rothesay Life 6.875% Perp Bond	Fixed Income	Fixed Income	1,583	1,675	0.3%	0.3%
75	(-)	Royal Bank of Scotland 6% Perp Bond	Fixed Income	Fixed Income	1,502	-	0.3%	-
76	(-)	Banco Santander 4.75% Perp Bond	Fixed Income	Fixed Income	1,475	-	0.3%	-
77	(85)	Rothesay Life 5% Perp Bond	Fixed Income	Fixed Income	1,299	206	0.3%	0.0%
78	(82)	Chesnara 4.75% 2032 Bond	Fixed Income	Fixed Income	1,276	1,275	0.3%	0.2%
79	(83)	Shawbrook Group 9% 2030 Bond	Fixed Income	Fixed Income	1,243	480	0.3%	0.1%
80	(-)	Quilter 8.625% 2033 Bond	Fixed Income	Fixed Income	1,220	-	0.3%	-
<b>Top 80 investments</b>					489,993	101.3%		
81	(-)	Hellenic Bank 10.25% 2033 Bond	Fixed Income	Fixed Income	1,008	-	0.2%	-
82	(-)	VEF	Financial Services	Europe	974	-	0.2%	-
83	(-)	BNP Paribas 9.25% Perp Bond	Fixed Income	Fixed Income	921	-	0.2%	-
84	(-)	RL Finance 10.125% Perp Bond	Fixed Income	Fixed Income	502	-	0.1%	-
85	(84)	Jupiter 8.875% 2030 Bond	Fixed Income	Fixed Income	456	456	0.1%	0.1%
86	(-)	Permanent TSB 13.25% Perp Bond	Fixed Income	Fixed Income	186	-	-	-
<b>Total investments</b>					494,040	102.1%		
<b>Other net liabilities</b>					(10,006)	(2.1%)		
<b>Total net assets</b>					484,034	100.0%		

Note: Figures in brackets denote comparative rankings as at 30 November 2022.

## Polar Capital Global Financials Trust Plc

Half Year Report for the six months ended 31 May 2023

### Portfolio Analysis

Geographical Exposure*	Benchmark weighting as at 31 May 2023**	31 May 2023	30 November 2022
North America	41.8%	42.9%	50.1%
Asia (ex-Japan)	18.3%	18.7%	19.8%
Europe	16.3%	16.6%	15.5%
United Kingdom	11.0%	11.2%	9.4%
Fixed Income	-	10.5%	7.8%
Japan	2.2%	2.2%	3.2%
Other net liabilities	-	(2.1%)	(5.8%)
<b>Total</b>		100.0%	100.0%

Sector Exposure**^	Benchmark weighting as at 31 May 2023**	31 May 2023	30 November 2022
Banks	44.8%	45.7%	60.1%
Financial Services	25.7%	26.4%	17.2%
Insurance	19.1%	19.5%	20.7%
Fixed Income	-	10.5%	7.8%
Other net liabilities	-	(2.1%)	(5.8%)
<b>Total</b>		100.0%	100.0%

Market Cap*	Benchmark weighting as at 31 May 2023**	31 May 2023	30 November 2022
Large (>US\$5bn)	94.7%	96.7%	98.7%
Medium (US\$0.5bn – US\$5bn)	3.5%	3.5%	5.9%
Small (<US\$0.5bn)	1.8%	1.9%	1.2%
Other net liabilities	-	(2.1%)	(5.8%)
<b>Total</b>		100.0%	100.0%

\* Based on the net assets as at 31 May 2023 of £484.0m (202: £541.3m).

\*\*The classifications are derived from the Benchmark as far as possible. Not all geographical areas or sectors of the Benchmark are shown, only those in which the Company had an investment at the period end.

^ New GICS classifications came into effect March 2023, the Financial Services sector has replaced the Diversified Financials and Software & Services sectors. All securities previously included in these sectors have now been moved into the new Financial Services sector. The previous year end exposures have been updated to reflect this change.

## CORPORATE MATTERS FOR THE SIX MONTHS TO 31 MAY 2023

### PRINCIPAL RISKS AND UNCERTAINTIES

A detailed explanation of the Company's principal risks and uncertainties, and how they are managed through mitigation and controls, can be found on pages 35 to 38 of the Annual Report for the year ended 30 November 2022. These principal risks can be summarised as business risks, including meeting the investment objective of the Company, and market-related risks encompassing factors such as excessive share price discount to NAV, market volatility, stock pricing and liquidity risk, currency and interest rate risk, counterparty risk, gearing and the ability to meet the dividend policy. Other principal risks include infrastructure risks, including the performance of the operational and accounting systems and processes provided by the Investment Manager, taxation, mis-valuation and legal and regulatory risks; and external risks which focuses on the exposure to the economic cycles of the markets of the underlying investments.

In the six months to 31 May 2023, a full review of the Company's risk map structure has been undertaken and the Directors consider that, overall, the principal risks and uncertainties faced by the Company for the remaining six months of the financial year have not changed from those outlined within the Annual Report. The revised categorisation will be detailed in the next Annual Report of the Company. The Board continues to carefully monitor the ongoing inflation and rising interest rates as well as the continuing impact of the Russian invasion of Ukraine. Whilst this worsens the macroeconomic outlook, there is no direct impact to the Company's portfolio or the financials sector.

Further detail on the Company's performance and portfolio can be found in the Investment Managers' Report.

### GOING CONCERN

As detailed in the notes to the financial statements, the Board continually monitors the financial position of the Company and has undertaken stress-testing and analysis in determining the appropriateness of preparing the Financial Statements on a going concern basis. Having carried out the testing, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial results of the Company. In reaching this conclusion, the Board also considered the Company's performance and its assessment of any material uncertainties and events that might cast significant doubt upon the Company's ability to continue as a going concern.

### RELATED PARTY TRANSACTIONS

In accordance with DTR 4.2.8R, there have been no new related party transactions during the six month period to 31 May 2023. There have been no changes in any related party transaction described in the last Annual Report that could have a material effect on the financial position or performance of the Company in the first six months of the current financial year or to the date of this report.

### Statement of Directors' Responsibilities

The Directors of Polar Capital Global Financials Trust plc, who are listed in the Company Information section, confirm to the best of their knowledge that:

- The condensed set of financial statements has been prepared in accordance with the UK-adopted International Accounting Standard 34 and in conformity with the requirements of the Companies Act 2006 and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at 31 May 2023; and
- The Interim Management Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rules 4.2.7R and 4.2.8R.

The half-year financial report for the six-month period to 31 May 2023 has not been audited or reviewed by the Auditors. The half-year financial report was approved by the Board on 10 July 2023.

### On behalf of the Board

Simon Cordery  
Chair



## STATEMENT OF COMPREHENSIVE INCOME For the half year ended 31 May 2023

	Notes	(Unaudited)			(Unaudited)			(Audited)		
		Half year ended 31 May 2023			Half year ended 31 May 2022			Year ended 30 November 2022		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
		return	return	return	return	return	return	return	return	return
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment income	2	11,897	-	11,897	11,116	342	11,458	17,473	-	17,473
Other operating income	2	421	-	421	10	-	10	146	-	146
Losses on investments held at fair value		-	(50,944)	(50,944)	-	(25,485)	(25,485)	-	(5,540)	(5,540)
Losses on derivatives		-	(144)	(144)	-	-	-	-	(103)	(103)
Other currency gains/(losses)		-	244	244	-	(394)	(394)	-	(819)	(819)
<b>Total income</b>		<b>12,318</b>	<b>(50,844)</b>	<b>(38,526)</b>	<b>11,126</b>	<b>(25,537)</b>	<b>(14,411)</b>	<b>17,619</b>	<b>(6,462)</b>	<b>11,157</b>
<b>Expenses</b>										
Investment management fee		(362)	(1,449)	(1,811)	(362)	(1,448)	(1,810)	(727)	(2,907)	(3,634)
Performance fee		-	-	-	-	1,164	1,164	-	1,164	1,164
Other administrative expenses		(363)	(8)	(371)	(401)	(7)	(408)	(870)	(19)	(889)
<b>Total expenses</b>		<b>(725)</b>	<b>(1,457)</b>	<b>(2,182)</b>	<b>(763)</b>	<b>(291)</b>	<b>(1,054)</b>	<b>(1,597)</b>	<b>(1,762)</b>	<b>(3,359)</b>
<b>Profit/(loss) before finance costs and tax</b>		<b>11,593</b>	<b>(52,301)</b>	<b>(40,708)</b>	<b>10,363</b>	<b>(25,828)</b>	<b>(15,465)</b>	<b>16,022</b>	<b>(8,224)</b>	<b>7,798</b>
Finance costs		(307)	(1,226)	(1,533)	(55)	(220)	(275)	(249)	(996)	(1,245)
<b>Profit/(loss) before tax</b>		<b>11,286</b>	<b>(53,527)</b>	<b>(42,241)</b>	<b>10,308</b>	<b>(26,048)</b>	<b>(15,740)</b>	<b>15,773</b>	<b>(9,220)</b>	<b>6,553</b>
Tax		(1,053)	311	(742)	(982)	521	(461)	(1,484)	381	(1,103)
<b>Net profit/(loss) for the period and total comprehensive income/(expense)</b>		<b>10,233</b>	<b>(53,216)</b>	<b>(42,983)</b>	<b>9,326</b>	<b>(25,527)</b>	<b>(16,201)</b>	<b>14,289</b>	<b>(8,839)</b>	<b>5,450</b>
<b>Earnings/(losses) per Ordinary share (pence)</b>	3	<b>3.16</b>	<b>(16.44)</b>	<b>(13.28)</b>	<b>2.98</b>	<b>(8.17)</b>	<b>(5.19)</b>	<b>4.45</b>	<b>(2.75)</b>	<b>1.70</b>

The total return column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with prepared in accordance with UK-adopted International Accounting Standards.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The amounts dealt with in the Statement of Comprehensive Income are all derived from continuing activities.

The notes to follow form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY For the half year ended 31 May 2023

(Unaudited) Half year ended 31 May 2023

	Notes	Called up share capital £'000	Capital redemption reserve £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total Equity £'000
<b>Total equity at 1 December 2022</b>		16,588	251	311,380	128,256	74,905	9,892	541,272
<b>Total comprehensive (expense)/income:</b>								
(Loss)/profit for the half year ended 31 May 2023		-	-	-	-	(53,216)	10,233	(42,983)
<b>Transactions with owners, recorded directly to equity:</b>								
Issue costs relating to prior year share placings		-	-	(11)	-	-	-	(11)
Shares bought back and held in treasury	5	-	-	-	(7,586)	-	-	(7,586)
Equity dividends paid		-	-	-	-	-	(6,658)	(6,658)
<b>Total equity at 31 May 2023</b>		<b>16,588</b>	<b>251</b>	<b>311,369</b>	<b>120,670</b>	<b>21,689</b>	<b>13,467</b>	<b>484,034</b>

(Unaudited) Half year ended 31 May 2022

	Notes	Called up share capital £'000	Capital redemption reserve £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total Equity £'000
<b>Total equity at 1 December 2021</b>		13,967	251	219,163	131,947	83,744	8,175	457,247
<b>Total comprehensive (expense)/income:</b>								
(Loss)/profit for the half year ended 31 May 2022		-	-	-	-	(25,527)	9,326	(16,201)
<b>Transactions with owners, recorded directly to equity:</b>								
Issue of shares out of treasury		-	-	4,483	6,477	-	-	10,960
Issue of new ordinary shares (including costs)		1,282	-	43,765	-	-	-	45,047
Issue of new ordinary shares pursuant to placings (including costs)		1,339	-	43,984	-	-	-	45,323
Shares bought back and held in treasury	5	-	-	-	(330)	-	-	(330)
Equity dividends paid*		-	-	-	(831)	-	(4,804)	(5,635)
<b>Total equity at 31 May 2022</b>		<b>16,588</b>	<b>251</b>	<b>311,395</b>	<b>137,263</b>	<b>58,217</b>	<b>12,697</b>	<b>536,411</b>

## STATEMENT OF CHANGES IN EQUITY continued

### For the half year ended 31 May 2023

	(Audited) Year ended 30 November 2022						
	Called up share capital £'000	Capital redemption reserve £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total Equity £'000
<b>Total equity at 1 December 2021</b>	13,967	251	219,163	131,947	83,744	8,175	457,247
<b>Total comprehensive income:</b>							
(Loss)/profit for the year ended 30 November 2022	-	-	-	-	(8,839)	14,289	5,450
<b>Transactions with owners, recorded directly to equity:</b>							
Issue of shares out of treasury	-	-	4,483	6,477	-	-	10,960
Issue of new ordinary shares (including costs)	1,282	-	43,765	-	-	-	45,047
Issue of new ordinary shares pursuant to placings (including costs)	1,339	-	43,969	-	-	-	45,308
Shares bought back and held in treasury	5	-	-	(9,175)	-	-	(9,175)
Equity dividends paid*	-	-	-	(993)	-	(12,572)	(13,565)
<b>Total equity at 30 November 2022</b>	<b>16,588</b>	<b>251</b>	<b>311,380</b>	<b>128,256</b>	<b>74,905</b>	<b>9,892</b>	<b>541,272</b>

\* All dividends are paid as interim dividends, and all have been charged to revenue, where necessary utilising the revenue reserves, with the exception of the interim dividends paid on 28 February 2022 and 31 August 2022. Parts of both dividends, amounting to £831,000 and £162,000 were paid out of the special distributable reserve.

The notes to follow form part of these financial statements.

## Balance Sheet as at 31 May 2023

	Notes	(Unaudited) 31 May 2023 £'000	(Unaudited) 31 May 2022 £'000	(Audited) 30 November 2022 £'000
<b>Non-current assets</b>				
Investments held at fair value through profit or loss		494,040	554,157	572,748
<b>Current assets</b>				
Receivables		21,500	1,436	1,977
Overseas tax recoverable		1,543	1,274	1,184
Cash and cash equivalents		60,010	34,784	29,793
Fair value of open derivative contracts		-	-	6
		<b>83,053</b>	37,494	32,960
<b>Total assets</b>		<b>577,093</b>	591,651	605,708
<b>Current liabilities</b>				
Payables		(23,106)	(4,055)	(3,778)
Bank loan		-	(51,185)	-
Fair value of open derivative contracts		(182)	-	-
		<b>(23,288)</b>	(55,240)	(3,778)
<b>Non-current Liabilities</b>				
Indian capital gains tax provision		(226)	-	(151)
Bank loan		(69,545)	-	(60,507)
		<b>(69,771)</b>	-	(60,658)
<b>Net assets</b>		<b>484,034</b>	536,411	541,272
<b>Equity attributable to equity shareholders</b>				
Called up share capital		16,588	16,588	16,588
Capital redemption reserve		251	251	251
Share premium reserve		311,369	311,395	311,380
Special distributable reserve		120,670	137,263	128,256
Capital reserves		21,689	58,217	74,905
Revenue reserve		13,467	12,697	9,892
<b>Total equity</b>		<b>484,034</b>	536,411	541,272
Net asset value per Ordinary share (pence)	4	151.23	161.80	166.34

The notes to follow form part of these financial statements.

Simon Cordery

**Chair**

**10 July 2023**

**CASH FLOW STATEMENT**  
For the half year ended 31 May 2023

	(Unaudited) Half year ended 31 May 2023 £'000	(Unaudited) Half year ended 31 May 2022 £'000	(Audited) Year ended 30 November 2022 £'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax	(42,241)	(15,740)	6,553
Adjustment for non-cash items:			
Losses on investments held at fair value through profit or loss	50,944	25,485	5,540
Losses on derivative financial instruments*	144	-	103
Scrip dividends received	-	-	(11)
Amortisation on fixed interest securities	(99)	6	(3)
Adjusted profit before tax	8,748	9,751	12,182
Adjustments for:			
Purchases of investments, including transaction costs	(121,235)	(308,429)	(508,484)
Sales of investments, including transaction costs	149,859	214,265	414,210
Proceeds on disposal of derivative financial instruments	141	-	-
Purchases of derivative financial instruments*	(98)	-	(109)
Increase in receivables*	(1,219)	(818)	(832)
Increase/(decrease) in payables	109	(1,151)	(510)
Indian capital gains tax	128	(35)	(18)
Greek sales tax	-	-	(6)
Overseas taxation deducted at source	(1,154)	(1,659)	(2,071)
Exchange (gains)/losses on the loan facility	(853)	767	1,642
<b>Net cash generated from/(used in) operating activities</b>	<b>34,426</b>	<b>(87,309)</b>	<b>(83,996)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares out of treasury	-	11,300	11,301
Net proceeds from issue of new ordinary shares	-	45,047	45,140
Net proceeds from share placings	-	45,323	45,308
Shares repurchased into treasury	(7,431)	(330)	(9,137)
Issue costs relating to prior year share placings	(11)	-	(93)
Loan repaid	-	-	(1,647)
Loan drawn	9,891	-	10,094
Equity dividends paid	(6,658)	(5,635)	(13,565)

## Polar Capital Global Financials Trust Plc

Half Year Report for the six months ended 31 May 2023

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<b>Net cash (used in)/generated from financing activities</b>	<b>(4,209)</b>	95,705	87,401
<b>Net increase in cash and cash equivalents</b>	<b>30,217</b>	8,396	3,405
<b>Cash and cash equivalents at the beginning of the period</b>	<b>29,793</b>	26,388	26,388
<b>Cash and cash equivalents at the end of the period</b>	<b>60,010</b>	34,784	29,793

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\* The prior year end has been re-presented to detail the derivative financial instruments cash flows.

The notes to follow form part of these financial statements.

## Notes to the Financial Statements for The Half Year Ended 31 May 2023

### 1 General Information

The financial statements comprise the unaudited results for Polar Capital Global Financials Trust Plc for the six-month period to 31 May 2023.

The unaudited financial statements to 31 May 2023 have been prepared using the accounting policies used in the Company's financial statements to 30 November 2022. These accounting policies are based on UK-adopted International Accounting Standards ("UK-adopted IAS").

The financial information in this half year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The financial information for the periods ended 31 May 2023 and 31 May 2022 have not been audited. The figures and financial information for the year ended 30 November 2022 are an extract from the latest published accounts and do not constitute statutory accounts for that year. Full statutory accounts for the year ended 30 November 2022, prepared under UK-adopted IAS, including the report of the auditors which was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies.

The Company's accounting policies have not varied from those described in the financial statements for the year ended 30 November 2022.

The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand pounds (£'000), except where otherwise stated.

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements. The Board continually monitors the financial position of the Company. The Directors have considered a detailed assessment of the Company's ability to meet its liabilities as they fall due. The assessment took account of the Company's current financial position, its cash flows and its liquidity position. In light of the results of these tests, the Company's cash balances, and the liquidity position, the Directors consider that the Company has adequate financial resources to enable them to continue in operational existence. Accordingly, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial results of the Company.

There were no new UK-adopted IAS or amendments to UK-adopted IAS applicable to the current period which had any significant impact on the Company's Financial Statements.

### 2 Dividends and Other Income

	(Unaudited) For the half year ended 31 May 2023 £'000	(Unaudited) For the half year ended 31 May 2022 £'000	(Audited) For the year ended 30 November 2022 £'000
<b>Investment income</b>			
<b>Revenue:</b>			
UK dividends	1,461	1,882	2,660
Overseas dividends	8,832	8,968	13,812
Scrip dividends	-	-	11
Interest on debt securities	1,604	266	990
<b>Total investment income allocated to revenue</b>	<b>11,897</b>	<b>11,116</b>	<b>17,473</b>
Included within income from investments is £288,000 (31 May 2022: £394,000 and 30 November 2022: £748,000) of special dividends classified as revenue in nature. No special dividends have been recognised in capital (31 May 2022: £342,000* and 30 November 2023: £nil).			
* £342,000 capital special dividend in the prior year half year report at 31 May 2022 was reclassified to revenue in the financial statements for the year ended 30 November 2022.			
<b>Other operating income</b>			
Bank interest	421	10	146
<b>Total other operating income</b>	<b>421</b>	<b>10</b>	<b>146</b>

## Polar Capital Global Financials Trust Plc

### Half Year Report for the six months ended 31 May 2023

#### 3 Earnings/(loss) per Ordinary share

	(Unaudited) For the half year ended 31 May 2023 £'000	(Unaudited) For the half year ended 31 May 2022 £'000	(Audited) For the year ended 30 November 2022 £'000
<b>Basic earnings/(loss) per share</b>			
Net profit/(loss) for the period:			
Revenue	10,233	9,326	14,289
Capital	(53,216)	(25,527)	(8,839)
<b>Total</b>	<b>(42,983)</b>	<b>(16,201)</b>	<b>5,450</b>
Weighted average number of shares in issue during the period	323,774,103	312,453,455	320,762,691
<b>Basic – Ordinary shares (pence)</b>			
Revenue	3.16p	2.98p	4.45p
Capital	(16.44)p	(8.17)p	(2.75)p
<b>Total</b>	<b>(13.28)p</b>	<b>(5.19)p</b>	<b>1.70p</b>

As at 31 May 2023 there were no potentially dilutive shares in issues (31 May 2022 and 30 November 2022: same).

#### 4 Net Asset Value per Ordinary Share

	(Unaudited) For the half year ended 31 May 2023	(Unaudited) For the half year ended 31 May 2022	(Audited) For the year ended 30 November 2022
Net assets attributable to Ordinary shareholders (£'000)	484,034	536,411	541,272
Ordinary shares in issue at end of period	320,075,000	331,525,000	325,394,000
Net asset value per Ordinary share (pence)	151.23	161.80	166.34

As at 31 May 2023 there were no potentially dilutive shares in issues (31 May 2022 and 30 November 2022: same).

#### 5 Share Capital

During the six months ended 31 May 2023, there were 5,319,000 ordinary shares repurchased into treasury (31 May 2022: 225,000; 30 November 2022: 6,356,000) for a total consideration of £7,586,000 (31 May 2022: £330,000; 30 November 2022: £9,175,000). Following this, the company's issued share capital consists of 320,075,000 ordinary shares and an additional 11,675,000 ordinary shares held in treasury.

#### 6 Dividends

The first interim dividend for the year ending 30 November 2023 was declared on 11 July 2023 and will be paid on 31 August 2023; it is anticipated that the second interim dividend for the year ending 30 November 2023 will be declared on or around December 2023 and will be paid on 29 February 2024.

#### 7 Related Party Transactions

There have been no related party transactions that have materially affected the financial positions or the performance of the Company during the six month period to 31 May 2023.

#### 8 Post Balance Sheet Events

After the period end, a further 2,400,500 ordinary shares were repurchased into treasury. Following these share repurchases, the total number of ordinary shares in issue was 317,674,500 and 14,075,000 shares were held in treasury as at 7 July 2023. There are no other significant events that have occurred after the end of the reporting period to the date of this report which require disclosure.



## ALTERNATIVE PERFORMANCE MEASURES (APMS)

In assessing the performance of the Company, the Manager and the Directors use the following APMs which are not defined in accounting standards or law but are considered to be known industry metrics:

### Net Asset Value (NAV)

The NAV is the value attributed to the underlying assets of the Company less the liabilities, presented either on a per share or total basis.

The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. See Note 4 above for detailed calculations. The NAV per ordinary share is published daily.

### NAV Total Return (APM)

The NAV total return shows how the net asset value per share has performed over a period of time taking into account both capital returns and dividends paid to shareholders. The NAV total return performance for the period is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date.

		<b>For the half year ended 31 May 2023</b>	Year ended 30 November 2022
Opening NAV per share	<b>a</b>	<b>166.3p</b>	167.5p
Closing NAV per share	<b>b</b>	<b>151.2p</b>	166.3p
Dividend reinvestment factor	<b>c</b>	<b>1.010778</b>	1.026183
Adjusted closing NAV per share	<b>d=b*c</b>	<b>152.8p</b>	170.7p
<b>NAV total return for the period</b>	<b>(d/a)-1</b>	<b>-8.1%</b>	1.9%

### NAV Total Return Since Inception (APM)

NAV total return since inception is calculated as the change in NAV from the initial NAV of 98p, assuming that dividends paid to shareholders are reinvested on the ex-dividend date in ordinary shares at their net asset value.

		<b>For the half year ended 31 May 2023</b>	Year ended 30 November 2022
NAV per share at inception	<b>a</b>	<b>98.0p</b>	98.0p
Closing NAV per share	<b>b</b>	<b>151.2p</b>	166.3p
Dividend reinvestment factor	<b>c</b>	<b>1.348148</b>	1.331251
Adjusted closing NAV per share	<b>d=b*c</b>	<b>203.8p</b>	221.4p
<b>NAV total return since inception</b>	<b>(d/a)-1</b>	<b>108.0%</b>	125.9%

**NAV Total Return Since Reconstruction (APM)**

NAV total return since reconstruction is calculated as the change in NAV from the NAV of 102.8p, which was the closing NAV the day before the tender offer on 22 April 2021, assuming that dividends paid to shareholders are reinvested on the ex-dividend date in ordinary shares at their net asset value.

		For the half year ended 31 May 2023	Year ended 30 November 2022
Rebased NAV per share at reconstruction	a	102.8p	102.8p
Closing NAV per share	b	151.2p	166.3p
Dividend reinvestment factor	c	1.083069	1.073252
Adjusted closing NAV per share	d=b*c	163.8p	178.5p
<b>NAV total return since reconstruction</b>	<b>(d/a)-1</b>	<b>59.3%</b>	<b>73.6%</b>

**Share Price Total Return (APM)**

Share price total return shows how the share price has performed over a period of time. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex-dividend.

		For the half year ended 31 May 2023	Year ended 30 November 2022
Opening share price	a	154.6p	172.0p
Closing share price	b	135.2p	154.6p
Dividend reinvestment factor	c	1.012007	1.028037
Adjusted closing share price	d=b*c	136.8p	158.9p
<b>Share price total return for the period</b>	<b>(d/a)-1</b>	<b>-11.5%</b>	<b>-7.6%</b>

**Share Price Total Return Since Inception (APM)**

Share price total return since inception is calculated as the change in share price from the launch price of 100p, assuming that dividends paid to shareholders are reinvested on the ex-dividend date.

		For the half year ended 31 May 2023	Year ended 30 November 2022
Share price at inception	a	100.0p	100.0p
Closing share price	b	135.2p	154.6p
Dividend reinvestment factor	c	1.327663	1.311772
Adjusted closing share price	d=b*c	179.5p	202.8p
<b>Share price total return since inception</b>	<b>(d/a)-1</b>	<b>79.5%</b>	<b>102.8%</b>

**Share Price Total Return Including Subscription Share Value (APM)**

The share price total return including subscription share value performance since inception includes the value of the subscription shares issued free of payment at launch on the basis of one-for-five ordinary shares and assumes such were held throughout the period from launch to the conversion date of 31 July 2017. Performance is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date and uses the launch price of 100p per ordinary share.

		<b>For the half year ended 31 May 2023</b>	Year ended 30 November 2022
Share price at inception	<b>a</b>	<b>100.0p</b>	100.0p
Closing share price	<b>b</b>	<b>135.2p</b>	154.6p
Dividend reinvestment factor	<b>c</b>	<b>1.359467</b>	1.340750
Adjusted closing share price	<b>d=b*c</b>	<b>183.8p</b>	207.3p
<b>Share price total return including subscription share value since inception</b>	<b>(d/a)-1</b>	<b>83.8%</b>	107.3%

**Premium/(Discount) (APM)**

A description of the difference between the share price and the net asset value per share usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the NAV per share the result is a premium. If the share price is lower than the NAV per share, the shares are trading at a discount.

		<b>31 May 2023</b>	30 November 2022
Closing share price	<b>a</b>	<b>135.2p</b>	154.6p
Closing NAV per share	<b>b</b>	<b>151.2p</b>	166.3p
<b>(Discount)/premium per ordinary share</b>	<b>(a / b)-1</b>	<b>-10.6%</b>	-7.0%

**Net Gearing (APM)**

Gearing is calculated in line with AIC guidelines and represents net gearing. This is defined as total assets less cash and cash equivalents divided by net assets. The total assets are calculated by adding back the bank loan. Cash and cash equivalents are cash and purchases and sales for future settlement outstanding at the year end.

		<b>31 May 2023</b>	30 November 2022
Net assets	<b>a</b>	<b>£484,034,000</b>	£541,272,000
Bank loan	<b>b</b>	<b>£69,545,000</b>	£60,507,000
Total assets	<b>c = (a+b)</b>	<b>£553,579,000</b>	£601,779,000
Cash and cash equivalents (including amounts awaiting settlement and overdrafts)	<b>d</b>	<b>£57,157,000</b>	£27,855,000
<b>Net gearing</b>	<b>(c-d)/a-1</b>	<b>2.6%</b>	6.0%

## **DIRECTORS AND CONTACTS**

### **Directors (all independent Non-executive)**

Simon Cordery, Chair  
Cecilia McAnulty, Audit Chair  
Susie Arnott  
Angela Henderson

### **Company Secretary**

Polar Capital Secretarial Services Limited  
represented by Jumoke Kupoluyi, ACG

### **Registered Office**

16 Palace Street, London SW1E 5JD

### **Equiniti Limited**

Aspect House Spencer Road Lancing West Sussex BN99 6DA  
Shareholder helpline 0371 384 2476 (or +44 121 415 7047)  
[www.shareview.co.uk](http://www.shareview.co.uk)

### **Registered Number**

Incorporated in England and Wales with company number 8534332 and registered as an investment company under section 833 of the Companies Act 2006

### **FORWARD LOOKING STATEMENTS**

Certain statements included in this half year Report contain forward-looking information concerning the Company's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Company operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the principal risks and uncertainties included in the Annual Report for the financial year ended 30 November 2022. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Global Financials Trust plc or any other entity and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.

### **HALF YEAR REPORT**

The Company has opted not to post half year reports to shareholders. Copies of this Report will be available from the Company Secretary at the Registered Office, 16 Palace Street, London SW1E 5JD and from the Company's website at [www.polarcapitalglobalfinancialstrust.co.uk](http://www.polarcapitalglobalfinancialstrust.co.uk)

### **National Storage Mechanism**

A copy of the Half Year Report has been submitted to the National Storage Mechanism ('NSM') <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

### **FINANCIAL CALENDAR**

The key dates in the Company's financial year are as follows:

30 November	Financial year-end
31 May	Half-year end
End of February	First Interim Dividend
End of August	Second Interim Dividend
Early July	Announcement of half-year results
Late Jan/Feb	Announcement of year-end results
March-May	Annual General Meeting