

# Polar Capital Global Financials Trust plc

Annual Report and Financial Statements for the year ended 30 November 2022



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Polar Capital Global Financials Trust plc (the Company or Trust) is a UK investment trust launched in July 2013. The Company initially had a fixed seven-year life but in April 2020, with Shareholder approval, moved to five-yearly tender offers with no fixed end of life.

The Company has appointed Polar Capital as its Investment Manager. Since its foundation in 2001, Polar Capital has grown steadily and currently has 14 autonomous investment teams managing specialist, active and capacity constrained portfolios, with a collegiate and meritocratic culture where capacity of investment strategies is managed to enhance and protect performance.



See more at:  
[polarcapitalglobalfinancialtrust.com](http://polarcapitalglobalfinancialtrust.com)

# Your Company at a Glance

## 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 on page 36 of the Strategic 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 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. See page 37 for more information.

## Life of the Company – Tender Offer/Reconstruction

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.

## Management

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

The Company has appointed Polar Capital LLP (the "Manager") as its AIFM and Investment Manager under the terms of an Investment Management Agreement ("IMA"). The IMA provides for a broad range of services including portfolio management. 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 also appointed as Co-Fund Manager with Mr Brind and Mr Yakas. Details of the fees payable to the Manager can be found on pages 8, 38 and 93. The Management Fee is charged 80% to capital and 20% to revenue; the Performance Fee, when payable, is charged 100% to capital.

## Gearing and use of Derivatives

Under the Articles of Association the Company may utilise an overall maximum leverage (gearing) 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; £25m in sterling and \$6m in US dollars had also been drawn down under the RCF. As at 16 February 2023, the Company had drawn down a total of £70.3m across the term loan and RCF, equating to 7.9% net gearing.

Details of how the borrowings may be utilised are given in the Strategic Report on page 36.

## Capital Structure

As at 30 November 2022, the Company had 325,394,000 ordinary shares of 5 pence each in issue of which 6,356,000 shares were held in treasury. Since the year end and up to 16 February 2023 (the latest practicable date), the Company has bought back a further 790,000 ordinary shares into treasury.

# Summary of Share Capital Movements

	Ordinary shares	Treasury shares*
<b>As at 1 December 2021</b>	<b>272,980,000</b>	<b>6,350,000</b>
<b>Share capital change during the financial year</b>		
Shares issued since 1 December 2021 and up to the General Meeting held on 1 February 2022:		
Reissue out of treasury (1)	6,350,000	(6,350,000)
Issues of new shares out of 2021 AGM authority (2)	15,150,000	-
<b>As at 1 February 2022</b>	<b>294,480,000</b>	<b>-</b>
Shares issued since 1 February 2022 and up to Annual General Meeting held 7 April 2022:		
Issue of new shares pursuant to Subsequent Placing 1 in Jan 2022 (3)	16,869,893	-
Issue of new shares pursuant to Subsequent Placing 2 in Feb 2022 (3)	9,905,427	-
Issues of new shares out of 2022 GM authority (4)	9,744,680	-
<b>As at 7 April 2022</b>	<b>331,000,000</b>	<b>-</b>
Shares issued since 7 April 2022 and up to the year ended 30 November 2022:		
Issues of new shares out of 2022 AGM authority (5)	750,000	-
Ordinary shares repurchased and held in treasury		
Repurchased and held in treasury	(6,356,000)	6,356,000
<b>As at 30 November 2022</b>	<b>325,394,000</b>	<b>6,356,000</b>
<b>Share capital change subsequent to the financial year end</b>		
Ordinary shares repurchased since 1 December 2022 and up to the date of this Annual Report 16 February 2023:		
Repurchased and held in treasury	(790,000)	790,000
<b>As at 16 February 2023</b>	<b>324,604,000</b>	<b>7,146,000</b>

The shares above have been issued under the following authorities:

**Note 1:** General Meeting (“GM”) authority granted by Shareholders on 1 February 2021.

**Note 2:** AGM authority granted by Shareholders on 30 March 2021. This replaced the authority granted on 28 May 2020.

**Note 3:** Prospectus following the GM authority granted by Shareholders on 16 June 2021. This was in addition to the authority granted under (2).

**Note 4:** GM authority granted by Shareholders on 1 February 2022. This replaced the authority granted under (1).

**Note 5:** AGM authority granted by Shareholders on 7 April 2022. This replaced the authority granted under (2).

\* Treasury shares are held in the name of the Company and do not attract the right to receive dividends or have any other voting rights. Shares held in treasury may be reissued into the market at a premium to NAV.

# Financial Highlights

## Financial Highlights as at and for the year ended 30 November

### Net asset value (NAV) per ordinary share (total return)\*



### Ordinary share price (total return)\*



### Total net assets^ (+18.4%)



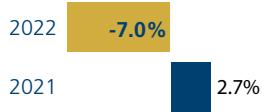
### NAV per ordinary share (-0.7%)



### Ordinary share price (-10.1%)



### (Discount)/premium per ordinary share\*



### Net gearing\*



### Total dividend per ordinary share paid or declared for the year



## Dividends^

The Company has paid or declared the following dividends relating to the financial year ended 30 November 2022:

Pay date	Amount per Ordinary share	Ordinary Shares in Issue	Record Date	Ex-Date	Declared Date
First interim: 31 August 2022	2.40p	330,440,000	5 August 2022	4 August 2022	1 July 2022
Second interim: 28 February 2023	2.05p	324,779,000	3 February 2023	2 February 2023	18 January 2023
<b>Total (2021: 4.40p)</b>	<b>4.45p</b>				

<sup>^</sup> The change in net assets reflects shares reissued from treasury in the year, new shares issued, placing, buybacks, dividend paid and market movements.

\* Alternative Performance Measure, see pages 115 to 117 for further explanations.

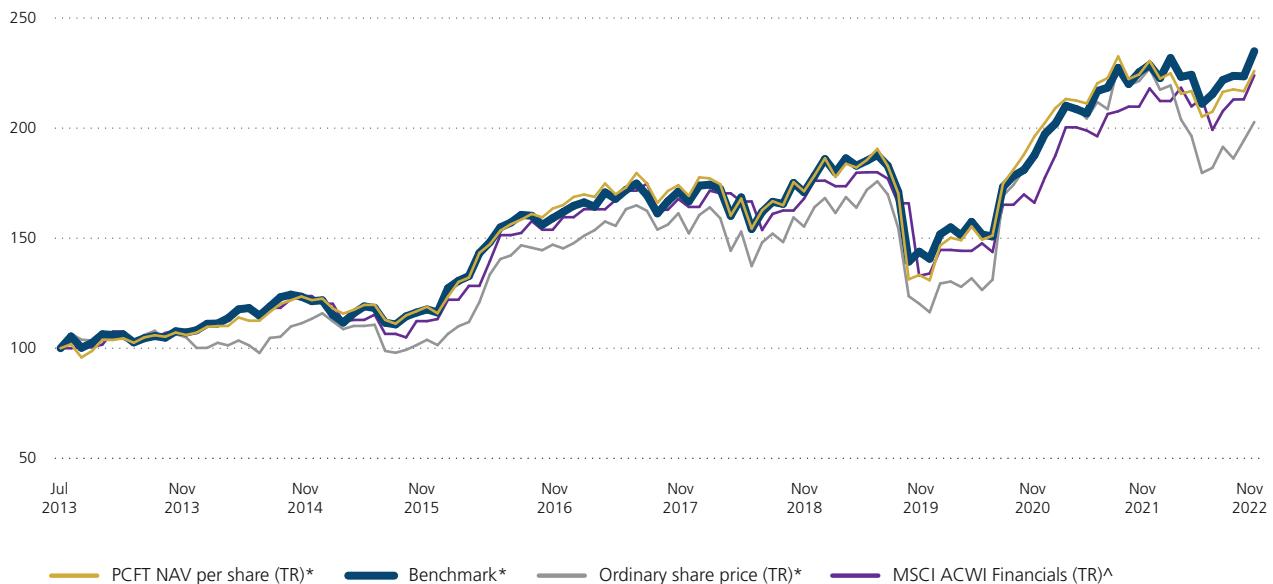
~ Refer to Note 12 on pages 96 to 97 for more details.

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

# Performance

## Performance since Inception

Rebased to 100 at 1 July 2013



## Discrete Performance (%)

For the year ended 30 November

	2013~	2014	2015	2016	2017	2018	2019	2020	2021	2022
NAV per share (TR)*	3.7	9.8	5.3	22.2	16.4	-1.5	10.4	-6.5	27.9	1.9
Ordinary share price (TR)*	5.8	-2.2	6.2	21.4	16.7	-1.7	12.4	-1.6	29.7	-7.6
Benchmark*	6.4	11.0	0.9	24.5	14.2	-0.1	9.9	-6.4	27.0	6.8
MSCI ACWI Financials (TR)^	7.6	9.8	-2.4	25.9	15.8	-0.4	8.0	-8.2	27.0	6.8

\* See page 5 note 1 and note 2 for NAV and share price total return (TR) calculation respectively and note 4 for a definition of the benchmark

~ Performance total return (TR) for the period was from inception date of 1 July 2013 to 30 November 2013.

^ The performance of the MSCI ACWI Financials Net Total Return Index (£) excluding Real Estate prior to August 2016 is shown for illustrative purposes only.

Source: Polar Capital

# Performance Highlights

	Note	For the year ended 30 November 2022 %	Since Inception %
<b>Performance (Sterling total return)</b>			
NAV per ordinary share*	1	1.9	125.9
Ordinary share price*	2	-7.6	102.8
Ordinary share price including subscription share value*	3	-	107.3
<b>Benchmark (Sterling total return)</b>	4	For the year ended 30 November 2022 %	Since Inception %
MSCI ACWI Financials		6.8	123.4
Chain-linked benchmark		6.8	134.9
<b>Other Indices and peer group (Sterling total return)</b>			
MSCI World Index		-1.0	184.5
FTSE All Share Index		6.5	73.4
Lipper Financial Sector	5	-0.3	97.6
<b>Performance since Reconstruction on 22 April 2020 (Sterling total return)</b>			Since Reconstruction %
NAV per ordinary share*	6		73.6
Benchmark	4		67.2
<b>Earnings per Ordinary share</b>	7	For the year ended 30 November 2022	For the year ended 30 November 2021
Revenue Return		4.45p	4.42p
Capital Return		(2.75p)	24.57p
<b>Total</b>		1.70p	28.99p
<b>Expenses*</b>		For the year ended 30 November 2022	For the year ended 30 November 2021
Ongoing charges		0.87%	1.02%
Ongoing charges including performance fee	8	0.65%	0.98%

**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 using the initial NAV of 98p and the NAV on 30 November 2022. Dividends are deemed to be reinvested on the ex-dividend date as this is the methodology 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 launch price of 100p to the closing price on 30 November 2022.

**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 30 November 2022.

**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 43 open ended funds in the year 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 11 on page 96 for more details.

**Note 8** The decrease in ongoing charges including performance fee reflects the write back of the performance fee accrual in the year under review.

\* Alternative Performance Measure, see pages 115 to 117 for further explanations.

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

# Chairman's Statement

**Robert Kyprianou**

Chairman



Dear Shareholders,

In this, my final report as Chairman of your Company, I look back on a financial year in which Covid-related health concerns were replaced in the headlines by a war in Europe; post-Covid supply disruptions; the return of inflation; and, not just the end of whatever-it-takes quantitative easing (QE), but a 180 degree policy reversal by major central banks in favour of raising rates and quantitative tightening (QT). In the broad market corrections that followed there were few places to hide. Highly unusually, steep declines in public equity markets were mirrored in bond markets, private equity strategies and a range of alternative asset classes, in particular crypto currency.

With this background, I am pleased to report a positive net asset value (NAV) total return, further growth in the issued share capital of the Company, and an increase in the dividend.

To adopt a popular sporting cliche, the year under review became a game of two halves. The financial year began with continued strong demand for the Company's shares and a persistent share price premium to NAV, satisfied by further share sales from the treasury account and the issuance of new shares. However, following the Russian invasion of Ukraine and the reversal of the easy money policy by major central banks, trading in the Company's shares could not resist the negative sentiment that pervaded markets generally. As a result, the Company's shares moved from trading at a premium to NAV to a discount.

Throughout the financial year the Company has been very proactive in, firstly, responding to appetite for the Company's shares in the early months of the year, and subsequently intervening to support trading in the Company's shares through buy-backs once sentiment across markets deteriorated. This extensive activity is described in the share capital changes section of my report below.

The end of the financial year also saw the completion of the second stage of our Board succession plan as detailed in my report last year. On the first day of the 2023 financial year we said goodbye to Katrina Hart and welcomed to the Board two new members, Angela Henderson and Susie Arnott. Katrina had been with the Company as Chair of the Management Engagement Committee since its launch in 2013. On behalf of the Board and Shareholders I want to thank Katrina for her diligent service to the Company. More details on the execution of our succession plan can be found below.

## Investment Performance

2022 was a year of wealth destruction not seen in over a generation. A wide range of capital markets and alternative asset classes reeled under the onslaught from an outbreak of war in Europe, an unexpected surge in inflation and a monetary policy response that marked the end of an unprecedented easy money era. It heralded a central bank race to slam the brakes on with official interest rate rises and liquidity draining QT programmes.

Despite the geopolitical and economic maelstrom, I can report that the Company generated a total return of 1.9% over the financial year helped by a decline in sterling and the value attributes of much of the financials sector. This return was behind that of the Company's benchmark, the MSCI ACWI Financials Index, which delivered a total return of 6.8%, but ahead of the negative 0.3% return of the Lipper open-ended peer group of financial equity funds, both in sterling terms.

Since its launch in 2013 the Company's total return has been 125.9% compared to 123.4% for the MSCI ACWI Financials Index and 97.6% for the Lipper open ended peer group. Since the Company's restructure in April 2020, it has delivered a total return of 73.6% compared to a benchmark return of 67.2%.

Over the financial year the Company's share price did not mirror the positive NAV total return. Reflecting the sharp deterioration in market sentiment, the Company's shares moved from a premium to NAV of 2.7% at the start of the financial year to a discount of 7.0%. As a result, the Company's ordinary share price fell by 10.1% over the financial year.

Complicating investment management over the year were significant disparities in the performance of subsectors within the investment universe. From a share price perspective, financials did not behave as an homogenous sector. For example, significant share price declines were experienced in companies priced for growth such as small cap US banks and certain FinTech companies, and in capital market sensitive asset managers, whereas general insurance companies showed strong share price gains. Similarly, there was little correlation in share price performance by country where, for example, commodity producing countries fared better as they were relative beneficiaries of some of the developments that hurt the broader markets.

At the start of the year the portfolio was positioned for further post-Covid recovery. This made the portfolio vulnerable to the war in Ukraine and the subsequent inflation and monetary policy response. The Manager responded by positioning the portfolio more defensively, principally switching certain bank exposures in favour of non-life insurers, and into fixed income securities following the sharp rise in bond yields. Gearing was also eliminated during the year in response to the poor market background. However, by the end of the financial year gearing was restored to around 6% of the portfolio as the Manager sought to exploit better valuations and specific opportunities from the sector's performance disparity. The Manager's investment activity is described in detail in the Investment Manager's Report.

## Share Capital Changes

In April 2020 a Company reconstruction took place in the form of a 100% tender offer and the replacement of the fixed end-of-life with a five yearly tender offer. In last year's statement I reported on the extraordinary growth in the Company's share capital that followed. In the 2021 financial year the Company responded to a persistent share price premium to NAV and strong demand for the Company's shares by issuing a total of 76,555,000 new ordinary shares following the conversion of a successful C Share issue. In addition, a further 73,374,000 shares were re-issued from treasury.

The extraordinary volatility witnessed broadly across capital markets during the 2022 financial year is reflected in changes to the Company's share capital in the latest reporting period. The year began with continued strong demand for the Company's shares which quickly exhausted the remaining 6.35m shares held in treasury. To accommodate further demand the Company issued new shares under its AGM authority which by the end of January 2022 was almost completely depleted. Consequently, the Company sought a refreshed authority at a GM held on 1 February 2022. The total number of new ordinary shares issued under these two authorities during 2022 financial year amounted to 25.645 million shares. At the same time the Company utilised its ability to place further new shares as per the 2021 C share Prospectus. Two such placements took place on 1 February and 25 February 2022 for a total of 26.775 million new ordinary shares.

In total, during the first half of the 2022 financial year, a total of 58.77 million ordinary shares were issued at an average price of £1.74 and an average premium to NAV of 1.85%, with an accretive effect on NAV of 0.23p per share and adding £102.12m to the Company's NAV.

The Russian invasion of Ukraine on 24 February 2022 brought an abrupt end to share issuance as investors withdrew demand from stock markets.

Coupled with a reversal of monetary policy by major central banks in the face of a surge in inflation to 50-year highs, market sentiment deteriorated across the board. The Company's share price moved from a premium to NAV to a discount in keeping with the trend in the investment trust market generally.

At the time of the Company's reconstruction in April 2020 the Board made a commitment to provide support to the trading of the Company's shares if and when required. Specifically, the Board stated that it would take a proactive approach to providing liquidity in the Company's shares with the intention that, in normal market conditions, the shares will trade at a discount to NAV of no wider than an average of 5 per cent over the longer term.

The Board delegated authority to the Manager and our Corporate Broker to purchase shares in order to support liquidity under clear parameters consistent with the Board's commitment. These parameters are designed to ensure that the Company does not displace any market demand for shares, but is available to support liquidity if required once market demand is satisfied.

The first purchase under this delegated authority was made on 10 May 2022. During the 2022 financial year the Company bought back shares on 91 occasions, purchasing in total 6.356 million shares at an average discount of 8.99% and an average price of £1.44 for a total of £9.2m. These purchases have been accretive to NAV equivalent to 0.26p per share.

The Board remained in close dialogue with the Manager and Corporate Broker throughout this period. As a result, the Board was able to adjust the delegated share buyback parameters on three occasions during the year to allow more discretion and capacity to meet its commitment as market conditions changed. As a result, only on one trading day was it necessary to request the Board's special permission to exceed the terms of the parameters – the permission was granted.

By the end of the financial year, trading in the Company's shares steadily improved, narrowing the discount in the share price to 7.0%. This improvement continued into the early weeks of the new financial year during which, at the time of writing, only 205,000 shares have been purchased in the market as the discount settled close to 5%. All shares purchased under this delegated authority have been placed in treasury.

For the financial year as a whole, the net effect of this proactive approach to share capital management was to increase the outstanding shares in public hands by 52.414 million with a further 6.356 million shares held in treasury. The net cash proceeds raised over the year were £92.95m and the market cap of the Company rose from £470m at the beginning of the financial year to £503m at the end of the financial year. We warmly welcome all our new Shareholders and thank our existing Shareholders for their continuing support through this tumultuous time.

# Chairman's Statement continued

## Dividends

For the previous two financial years the Company was able to maintain its total dividend at 4.40p per ordinary share despite a sharp fall in the income generated by the Company's investment portfolio in the face of Covid and the recession that followed. It had been able to do so by exploiting one of the advantages of the investment trust structure, drawing on distributable reserves built up in previous years.

In August 2022 the Company paid an unchanged first interim dividend for the current financial year of 2.40p per ordinary share. Although income from investments began to recover as the world economy opened up following an easing of the Covid pandemic, distributable reserves were required once again to support the August 2022 dividend.

On 18 January 2023 the Company announced a second interim dividend for the 2022 financial year of 2.05p per ordinary share payable on 28 February 2023, bringing the total dividend for the financial year to 4.45p, a small increase on previous years. This second interim dividend was almost fully covered by earnings in the period, requiring minor support from distributable reserves.

Looking ahead, the Manager has discretion to invest up to 10% of the portfolio in fixed income securities and the recent rise in bond yields presents an opportunity to increase revenues from this source. The recent trend in distributions from the underlying equity holdings has been positive as well. However, looking forward, further growth in the Company's dividend distribution remains uncertain given brewing economic headwinds.

## Costs

At the time of the Company's reconstruction in 2020, the Manager agreed to a reduction in its base management fee from 0.85% per annum of the lower of the Company's market capitalisation and NAV, to 0.70% per annum of the Company's NAV. The Company continues to maintain tight control of other expenses. For the 2022 financial year the Ongoing Charges Ratio ("OCR") fell from 1.02% of the Company's NAV to 0.87%, the lowest OCR in the life of the Company.

In addition to a management fee, the Manager can also earn an investment performance fee. The fee is calculated on performance since the reconstruction in April 2020 and is accrued and only paid at the time of the five yearly tender. The performance fee is calculated as 10% of the excess performance over the total return of the benchmark plus a hurdle of 1.5% p.a. Any performance fee accrual can be reduced by subsequent underperformance of the benchmark plus hurdle rate measured over the five-year period. The Strategic Report on page 38 provides further detail.

In the previous two financial years investment performance generated a performance fee accrual. However, due to underperformance in the 2022 financial year, the performance fee accrual has been reduced to nil. As a result, the OCR including performance fee fell from 0.98% of NAV in financial year 2021 to 0.65% in financial year 2022. Although NAV performance since the reconstruction relative to the benchmark remains positive, there was no performance fee accrual balance remaining at the end of the 2022 financial year. The Board continues to believe that the performance fee structure aligns the interests of Shareholders and the Manager by providing a performance incentive with safeguards for Shareholders that rewards only long-term excellent performance.

## Board Succession

The Company was launched in June 2013 with three Directors, Ms Elliot, Ms Hart and me. A fourth Director, Simon Cordery, joined the Board in July 2019. As the AIC Code recommended 9-year tenure approached for the original directors, the Board tabled a succession plan in 2021 that would provide refreshment while ensuring sufficient retention of Company knowledge and avoiding a cliff-edge of Director departures in the future.

I have reported on the completion of phase one of this plan with the appointment in November 2021 of Cecilia McAnulty replacing Joanne Elliot as Audit Chair. In order to allow an orderly transition of her role, Joanne stepped down from the Board following the AGM in April 2022.

I am pleased to report the completion of phase two of the succession plan. During the second half of 2022 the Board undertook an extensive and thorough search for a replacement for Katrina Hart, Chair of the Management Engagement Committee. The search was sensitive to maintaining an appropriate diversity and experience mix among Board members.

I am pleased to report that the search was concluded successfully. On 1 December 2022 Katrina retired from the Board and at the same time two new Directors were appointed.

After a career as a buyside analyst and portfolio manager specialising in global financials, Susie Arnott transitioned into a number of advisory roles focused on sustainable investing and social impact. Susie has replaced Katrina as Chair of the Management Engagement Committee where she will be able to bring her experience to engaging on portfolio management and ESG issues with the Manager and other service providers.

At the same time Angela Henderson has also joined the Board. With a career foundation in financial services and capital markets, Angela now has long experience as a non-executive director on a variety of boards including asset management companies and closed-ended investment vehicles. Angela brings a strong governance record and a clear understanding of the financials sector.

On behalf of the Board I would like to thank Katrina for her service to the Company over the past 9 years. The Board has benefited from Katrina's industry experience in her role as Chair of the Management Engagement Committee, ensuring appropriate oversight of the Manager and other service providers. As a Board colleague, Katrina has demonstrated exemplary diligence and a collegiate style that has positively contributed to the workings of the Board. She leaves with the very best wishes from those with whom she has shared the Polar Capitals Global Financials Trust journey.

Following a Board Nominations Committee held on 1 February 2023, I am pleased to confirm that Simon Cordery has been invited by the Board and has accepted the role of Chair (subject to re-election by Shareholders at the AGM) when I retire at the forthcoming AGM on 30 March 2023. The Board believes that Simon will bring a fresh perspective to its proceedings and the Board looks forward to seeing the Company make further progress under his guidance.

## **Environmental, Social and Governance (ESG) Considerations**

The Board welcomes the growing expectations placed on the financial community to adopt more sustainable and inclusive behaviour and business practices. As well as delivering better outcomes for society as a whole, the Board believes that ESG factors will increasingly drive successful investment performance.

The Company outsources all its business operations and therefore has limited control over environmental and social deliverables. Instead, it works with and through its suppliers to better understand their ESG strategy. The Board succession plan described above specifically included ESG as a key search parameter, reflecting the importance the Board places on its ESG oversight responsibilities. The appointment of Susie Arnott, with her deep social finance background, extends the Board's skills mix into this important area. As Chair of the Management Engagement Committee, Susie has been asked to review the Committee's terms of reference to ensure that ESG factors are fully integrated into the Committee's and Board's work.

During the course of the past year, the Board has continued to engage with the Manager to monitor progress on its adoption of ESG principles in both its investment process and its corporate conduct. During the year the Manager has worked to refine further external third party ESG rating methodologies and matrices for use in its investment process. As a result, the investment team has developed a proprietary scoring process, assigning its own internal ESG ratings. The analysis incorporates both quantitative and qualitative factors derived from company disclosures, management meetings, regulatory reports and third-party ESG ratings providers. The Board supports the proprietary approach adopted by the Manager given the team's expertise, experience and proximity to companies in the financials investment universe. The Board will continue to monitor and input into the implementation of the Manager's proprietary ESG ratings in stock selection as well as their engagement with investee companies.

Further detail is provided in the ESG Report on pages 30 to 34.

Following the appointment of Ms Henderson and Ms Arnott the Board complies with the FCA Diversity and Inclusion policy as it relates to minimum participation by women and, with Cecilia McAnulty as Audit Chair, at least one female member of the Board holding a senior Board position. The Board is aware of the FCA policy target concerning ethnic minority background which the Board currently does not fulfil. It is a particular challenge for a small Board to meet all the experience, skills and diversity criteria required to perform its duties on behalf of Shareholders. Our search process and recent experience is described in the Corporate Governance Report on page 57.

## **Management Team**

The portfolio is currently co-managed by Nick Brind, John Yakas and George Barrow. As referenced in the announcement released on 14 February 2023, John Yakas will be retiring from Polar Capital with effect from 30 June 2023 and stepping back to an advisory role. The Board would like to express its thanks to John who has been part of the investment team since the launch of the Company in 2013 and has seen it through some very difficult and some very rewarding times. John's expertise and views on the financials sector along with his affable character will be missed. The team responsible for the management of the portfolio has significant experience of investing in the financial sector having grown both its size, from three to five since the Company's inception in 2013, as well as the assets for which they are responsible. As part of the transition process, George Barrow, who has been part of the team since 2008, was named co-manager in 2020. We wish John every happiness in his retirement.

# Chairman's Statement continued

## Outlook

As we look forward in early 2023, the global economy and investors have a lot to deal with. The long list of headwinds is well known – war and geopolitics, decades high inflation, painful monetary tightening, structural labour market challenges, energy supply shortages, China and its Covid policy, to name a few. The predicament for policy makers and investors determining how far, how fast and for how long, will characterise the outcomes. It is not surprising that the most common description of the near-term outlook is 'uncertain'.

Initially not taking the inflation threats seriously, major central banks ended 2022 trying to restore some severely damaged credibility. In public statements that echoed the 'whatever it takes' mantra that underlay their previous 'too-easy-for-too-long' monetary stance, central bankers insisted they were serious about dealing with inflation. Even the Bank of Japan threw in the towel on its particularly long standing easy monetary policy stance. Despite this noise, concerns remain that inflation in developed countries will remain above central bank targets for a while, given stubbornly strong labour markets, and that fiscal and monetary policy may be at odds with each other. This concern can be seen in that, for the first time since 2014, the 2023 new year started with no sovereign bonds available at negative yields. Only 2 years ago more than 4000 such bonds, worth \$18.4 trillion, were in negative yield territory.

Perceived as a cyclical sector with value characteristics, the prospects of the financials sector are balanced in this environment, as seen by its performance in 2022. The largest sub-sector, banks, are typically seen as vulnerable cyclicals in an economic slowdown. However, this traditional view requires qualification. In part driven by regulatory and accounting changes, banks in developed markets have better quality balance sheets and are better provisioned with greater capital and liquidity buffers than at any time since the global financial crisis (GFC). Banks delivered these improvements despite the huge hurdle of prolonged easy money and zero interest rates. This hurdle is now firmly in the past, and, although there are likely to be adjustment headaches for the broad economy, banks are one of the clear winners from this return to monetary policy normality.

The underlying recovery in the banking sector post the GFC has yet to be reflected in valuations, especially in Europe. Despite bumper profits, higher dividends and share buybacks, investors have not re-rated banks. For now, they choose to focus on the risk of greater non-performing loans despite evidence that the system is generally well-provisioned and has capacity to grow profits and provide further provisions given buoyant net interest income. The emergence of the "shadow banking" sector since the GFC which has pursued new lending aggressively, and the somewhat anaemic loan growth which many established banks have experienced in recent years are likely to now prove helpful in mitigating the need for large provisions. On the balance of risks, investors may be surprised by how well banks perform

through the expected economic slowdown.

Beyond banks, in other sub-sectors there are different drivers for risk and performance, offering good performance diversification and opportunity. Asset managers and investment banks are vulnerable to further market corrections and depressed capital market activity, while general insurers have more stable earnings. Although troubled at the moment, we anticipate that FinTech will respond positively to any sign that interest rates have reached a peak and growth is back on the agenda. In addition, the significant rise in bond yields has re-opened another income opportunity for the Company given its discretion to invest up to 10% of its portfolio in fixed income securities. Overall, the breadth, depth and diversity of the sector offer both risk management potential and attractive return opportunities as the uncertain headwinds overhanging the global economy are played out.

While the near-term uncertainty remains high, the portfolio is balanced between cyclically exposed banks, both small and large cap, and more defensive sectors such as non-life insurers and fixed income securities. This puts the Company in a good position to navigate further economic and political setbacks, ready to turn more aggressive when the time is right. The Board believes that once investors look through the current negative market sentiment, the financials sector will be seen as an attractive home for capital given its breadth and diversity of opportunity, its relative valuations and its pro-cyclical correlation.

This year's AGM, to be held on 30 March 2023 at Polar Capital's London offices, will be my last as Chairman and a Director of your Company.

I was fortunate to join the Board of the Company at its launch in 2013. Although the financial sector was still recovering from the fallout from the global financial crisis, sufficient shareholders saw its potential at launch for further rehabilitation. Many of them remain shareholders today. At first our journey together was relatively uneventful, only to become a rollercoaster as the original fixed term end-of-life coincided with the outbreak of Covid and the worst economic crisis since the War. Again, despite it being the most difficult of times, enough shareholders were willing to look through local difficulties and supported the continuation of the Trust. Their loyalty and belief were rewarded as, shortly afterwards, the Company experienced an extraordinary period of growth in its share capital base with its market cap quintupling over a two year period.

I step down from the Board as the sector faces a different menu of headwinds. However, I am confident that the great strides taken broadly across the sector to strengthen balance sheets, risk management processes and operational efficiency will be recognised in performance. I want to express my sincere thanks to our shareholders who have supported our vision for the sector at launch and during the Company's rather eventful life.

Throughout my time as Chairman, I have been highly fortunate

to receive first class support from the Company's sponsor, Polar Capital - from investment management, operational risk controls, financial reporting, to best-in-class sales and marketing and company secretarial services. The management of Polar Capital has consistently engaged constructively with the Board in dealing with the needs of the Company, always acting in the best interests of your Company despite any potential or actual conflicts of interest. I am confident they will continue to do so and will remain committed to the investment trust sector.

Finally, to my Board colleagues, past and present, I wish to express my heartfelt gratitude for their collaboration on my tour of duty. I have seen up close how their wisdom, professionalism and dedication have benefitted the Company through both good and bad times.

I am the last of the original three directors whose tenure has required them to step down from the Board. Having overseen the transition to a new Board, under the leadership of Simon I am confident that the Company will continue to receive the stewardship shareholders should expect during the next phase of the Company's life.

#### **Robert Kyprianou**

Chairman

20 February 2023

## **Chair Elect Q&A**

### **Simon, you joined the Board in 2019 as a Non-executive Director and have recently been appointed as Chair Elect.**



#### **What do you enjoy most about being a Non-executive Director?**

Being a NED is a fantastic job because I can utilise the knowledge, experience and perspectives I have accumulated over the past 40 years in my executive career to help the Company seize opportunities and navigate the problems it encounters. I get to work with a broad range of people, learn new things and hopefully make a difference.

#### **Was it useful being a Non-executive Director before taking on the role of the Chair?**

Absolutely – it was a baptism of fire! I joined what was a small Board at a time of great change and quickly thereafter got to grips with a full reconstruction in the middle of the outbreak of Covid. Subsequently the Company grew significantly. It was extremely challenging and a tremendous opportunity to develop as a NED - I think we dealt with more issues and situations in two or three years than most investment companies might see in a decade. The experience was invaluable. Our current Chair, Robert provided me with a superb role model for what it is to lead a Board throughout this period; I hope I can take forward all the lessons I learned from him.

#### **What do you hope to bring to your role as Chair of the Board?**

Much of my executive career has been spent talking to and understanding investors and I hope to continue to bring this investor perspective to the role so that quality decisions are made that are aligned to their interests. We have refreshed the Board over the past few years and I very much look forward to working with my new colleagues, hearing their fresh insights and new ideas. I see my chief role as a listener, to glean the talents of the

Board as a whole and to provide a collegiate environment for decision-making.

#### **What interests you about the financials sector and the trust?**

The listed financials sector is one of the largest group of companies, globally. It's a sector that enables all economic activity and without it, industry could not function. It also has the ability to evolve, innovate and create new ways of doing things (FinTech, challenger banks etc), so there is always something interesting going on. It can provide great, long term investment opportunities and, as the only sector specialist trust, the Company is an excellent way for investors to access this opportunity.

#### **What do you think the key areas of focus will be for the year ahead?**

Currently markets face a number of challenges and headwinds but these also bring opportunity. We have moved from an era of zero and negative interest rates and now entered a period of rising interest rates and inflation, and this will impact how we position the portfolio to make money for our investors. We also have the broader considerations of geopolitical risks and economies struggling to recover post Covid while dealing with inflationary pressures and supply chain issues. Communication with shareholders, in good times and bad, is an essential element of the Board's work and is a key focus, especially given my background. The subject of ESG has accelerated in recent years and our Manager has made significant strides to embed this thinking into their investment processes and considerations. As a Board, we will continue to monitor and encourage these developments in the months and years ahead.

# Board of Directors



**Robert Kyprianou**

Independent Non-executive Chairman

## Skills and Experience

Robert was formerly the CEO of AXA Framlington until his retirement in September 2009. Previous appointments include: independent non-executive director of Gartmore Group Limited and Aviva Investors; Global Head of Fixed Income, and later Deputy CEO and Global Head of Securities at AXA Investment Managers SA; Business Head and Global Head of Fixed Income at ABN AMRO Asset Management Ltd and Head of Portfolio Management at Salomon Brothers Asset Management Ltd.



**Simon Cordery FCSI**

Independent Non-executive Director and Chair Elect

## Skills and Experience

Simon has over 40 years' experience working within financial services of which nearly 30 years have been focused on the wealth management industry. Most recently he was Head of Investor Relations and Sales at BMO Global Asset Management, where he spent almost 25 years in senior roles, and previously he held roles with Invesco Fund Managers, Jefferies & Co, Kleinwort Benson Securities and Rea Bros Merchant Bank. Simon has considerable and detailed knowledge of the investment trust industry and remains actively involved with the AIC.



**Cecilia McAnulty**

Independent Non-executive Director

## Skills and Experience

Cecilia is an experienced non-executive director and chartered accountant with almost 30 years' investment and financial services experience. Her executive career included senior investing roles with Royal Bank of Scotland, Barclays Capital and Centaurus Capital and encompassed a broad range of asset classes including public and private debt and equity. Her current non-executive roles include Audit Chair and NED at Northern 2 VCT PLC, a listed investment trust investing private equity in early stage companies, and NED at RIT Capital Partners plc, an investment trust with a global mandate to invest across a range of asset classes, both quoted and unquoted.

## Committee Memberships

Chairman of the Board, Nomination and Remuneration Committees.

Member of the Audit and Management Engagement Committees.

## Other Appointments

Robert is a director of Eurobank Cyprus Ltd, Eurobank Private Bank Luxembourg SA and senior independent non-executive director of Pimco Europe Limited.

## Committee Memberships

Member of the Audit, Nomination, Remuneration and Management Engagement Committees.

## Other Appointments

No other current appointments.

## Committee Memberships

Chair of the Audit Committee and Member of the Nomination, Remuneration and Management Engagement Committees.

## Other Appointments

Cecilia is a non-executive director of Northern 2 Venture Capital Trust plc, RIT Capital Partners plc and a member of the Industrial Development Advisory Board of the Department of Business, Energy and Industrial Strategy.

## Board Rationale for supporting re-election

Simon has extensive wealth management and marketing experience and detailed knowledge of the investment trust market having previously held the position of Head of Investor Relations & Sales for BMO Global's Investment Trust business. Simon actively participates in meetings and brings a new approach to investor and shareholder engagement with the ability to share expertise with the sales and marketing team of Polar Capital. Simon's re-election as a non-executive Director is supported by the Board and the Managers.

Cecilia brings to the Board her experience of other investing strategies, including debt markets which are intrinsically linked to the functioning and health of financial companies globally. In addition, her qualification as a Chartered Accountant and her knowledge and previous experience as Audit Chair of a UK investment trust is highly relevant. Cecilia's re-election as a non-executive Director is supported by the Board and the Managers.

In accordance with the Board's succession plan and consistent with the AIC Code, Robert will be stepping down from the Board at the 2023 AGM following nearly ten years of service on the Board.

<b>Date appointed</b>	7 June 2013
<b>PCFT Share Interests</b>	113,538 (0.03% of ISC)
<b>Annual Remuneration</b>	£41,000

<b>Date appointed</b>	1 July 2019
<b>PCFT Share Interests</b>	40,124 (0.01% of ISC)
<b>Annual Remuneration</b>	£29,500

<b>Date appointed</b>	1 November 2021
<b>PCFT Share Interests</b>	40,000 (0.01% of ISC)
<b>Annual Remuneration</b>	£35,000



**Susie Arnott**  
Independent Non-executive Director

#### Skills and Experience

Susie started her career in fund management over 20 years ago and was primarily focused on the financial sector; including periods focused on emerging markets investments and global financials portfolios. She also spent a number of years working in impact investing, combining her experience and passion for social investment and impact measurement. In her current role, Susie continues to focus on investment with a global impact incorporating ESG as a mainstream consideration.

#### Committee Memberships

Chair of the Management Engagement Committee and member of the Audit, Nomination and Remuneration Committees.

#### Other Appointments

Susie is a director of Sableknight Limited and Lockfold Communications.

#### Rationale for appointment

The Board elected to appoint Susie as a non-executive Director following a recruitment process which took place in the latter half 2022 resulting in her appointment on 1 December 2022. Susie's election will be proposed to Shareholders at the upcoming AGM taking place on 30 March 2023. Susie's election is fully supported by the Managers and the Board.

<b>Date appointed</b>	1 December 2022
<b>PCFT Share Interests</b>	n/a
<b>Annual Remuneration</b>	£29,500



**Angela Henderson**  
Independent Non-executive Director

#### Skills and Experience

Angela is an experienced non-executive director with more than 25 years experience in the financial sector. A solicitor who specialised in corporate law before moving into the markets divisions of Deutsche Bank and later Barclays, Angela now has almost 10 years non-executive experience. Previous appointments include independent non-executive director of Credit Suisse Asset Management Limited. Angela brings experience from a range of non-executive roles with companies and organisations in the asset management, technology, public and not-for-profit sectors.

#### Committee Memberships

Member of the Audit, Nomination, Remuneration and Management Engagement Committees.

#### Other Appointments

Angela is currently a non-executive director of Macquarie Capital (Europe) Limited, Hargreave Hale AIM VCT plc, member of the Defence Audit and Risk Assurance Committee and a trustee of healthcare charity CW+.

#### Rationale for appointment

The Board elected to appoint Angela as a non-executive Director following a recruitment process which took place in the latter half 2022 resulting in her appointment on 1 December 2022. Angela's election will be proposed to Shareholders at the upcoming AGM taking place on 30 March 2023. Angela's election is fully supported by the Managers and the Board.

<b>Date appointed</b>	1 December 2022
<b>PCFT Share Interests</b>	n/a
<b>Annual Remuneration</b>	£29,500



**Katrina Hart**

Katrina Hart was appointed to the Board on 7 June 2013 and stepped down from the Board on 1 December 2022 following nine years continuous service.



**Jo Elliott**

Joanne Elliott was appointed to the Board on 7 June 2013 and stepped down from the Board at the AGM on 7 April 2022 following nine years continuous service.

# Investment Managers



## Nick Brind Co-Fund Manager

### Date appointed

Nick joined Polar Capital following the acquisition of HIM Capital in September 2010.

### Skills and Experience

Nick has 28 years' investment experience across a wide range of asset classes. Prior to joining HIM Capital, Nick worked at New Star Asset Management. While there, he managed the New Star Financial Opportunities Fund, a high-income financials fund investing in the equity and fixed-income securities of European financial companies. Previously he worked at Exeter Asset Management and Capel-Cure Myers. Nick has a Masters in Finance from London Business School.

Nick has co-managed the Company's investments since launch in 2013 and is also the manager of the Polar Capital Income Opportunities Fund.



## John Yakas Co-Fund Manager

### Date appointed

John joined Polar Capital following the acquisition of HIM Capital in September 2010 and is due to retire at the end of June 2023; John will continue in an advisory role with the team following his retirement.

### Skills and Experience

John has over 30 years' experience in the financial services industry having worked for HSBC as a commercial banker in Hong Kong and Fitch IBCA in London covering European Financials. He was head of Asian research at FoxPitt, Kelton establishing their office in Hong Kong. In 2003 he joined Hiscox Investment Management which later became HIM Capital. He has an MBA from London Business School and studied at the London School of Economics (BSc Econ).

John has co-managed the Company's investments since launch in 2013 and is also the manager of the Polar Capital Financial Opportunities Fund.



## George Barrow Co-Fund Manager

### Date appointed

George joined Polar Capital following the acquisition of HIM Capital in September 2010.

### Skills and Experience

George has over 15 years' experience analysing Europe, Asia and emerging markets. Prior to joining Polar Capital, he was an analyst at HIM Capital from 2008 where he completed his IMC.

George joined Nick and John as co-manager of the Company in December 2020. He is also a co-manager on the Polar Capital Financial Opportunities Fund with John Yakas.

# Manager's Report

# Investment Manager's Report



**Nick Brind**  
Co-Fund Manager



**John Yakas**  
Co-Fund Manager



**George Barrow**  
Co-Fund Manager

## Investment Review

### Performance

Equity markets fell over the period under review (1 December 2021 to 30 November 2022) as the impact of rising interest rates, further lockdowns in China, Russia's invasion of Ukraine and the resulting impact on energy prices, and volatility in the UK gilts market hit sentiment and more than offset better corporate earnings. The strength of the US dollar cushioned falls for sterling investors, as did a late rally in equity markets in October and November.

Government bonds fell sharply over the year as the US Federal Reserve, European and other central banks raised interest rates at a faster pace than previously expected. However, concern about the impact on the outlook for growth resulted in the US yield curve inverting (when the interest rate on long term bonds is lower than that on shorter dated bonds), to levels not seen since the early 1980s, a historically good predictor of recessions.

Against this background, financials outperformed wider equity markets. During the 12 months, the Trust's net asset value total return rose 1.9%, while its benchmark index, the MSCI All Country World Financials Net Total Return Index, rose 6.8%. In contrast, global equity markets, as illustrated by the MSCI All Country World Total Return Index, fell 1.4% and the Lipper open-ended peer group of financial equity sector funds fell 0.3%. Since launch, the Trust's net asset value has returned 125.9% against the MSCI All Country World Financials Net Total Return Index return of 123.4%<sup>1</sup> and the Lipper open-ended peer group return of 97.6%.

Notwithstanding the good performance of the sector and that the Trust's net asset value outperformed its peers and wider equity markets, relative performance was disappointing. The Trust's outperformance versus its peers, we believe, was probably due to the Trust's lower exposure to FinTech companies which performed poorly, and higher exposure to insurance companies, which performed extremely strongly over the period.

While we had strong performance from our holdings in the insurance sector – Arch Capital and Beazley both benefited from large rises in their share prices – the Trust's large overweight holding in faster-growing, smaller US banks more than offset this and was the most significant drag on performance relative to benchmark, along with a holding in PayPal Holdings.

Underweight exposure to commodity-exporting countries such as Australia, Saudi Arabia, Brazil and South Africa, but also Japan, impacted performance and more than offset positive contributions from the positioning in the likes of the UK, Indonesia and Ireland. Gearing was a small positive contributor to performance while currency and fixed income were small negative contributors, with exposure to fixed income having been reduced materially in recent years.

### Market review

In what was one of the worst years for financial markets, with bond markets suffering sharp falls, markets finished the year where they started, namely at odds with Federal Reserve guidance on the outlook for interest rates. As central banks turned more hawkish at the beginning of the financial year, there was a steep rise in bond yields which also led to a sharp sell-off in equity markets. This led initially to a rally in stocks tagged as value and a decline in growth stocks, albeit against a background of falling equity markets.

<sup>1</sup> MSCI ACWI Financials Index (£) excluding real estate prior to August 2016

Financials is primarily a value sector due to its low valuation metrics and, in the main, benefited from rising interest rates and bond yields. However, there are a number of companies within the sector that are deemed growth stocks and consequently trade at high valuations – these fell sharply. While highly-rated stocks did see further pressure over the year, it would be an oversimplification to say value stocks outperformed while growth stocks underperformed.

### Financial sub-sector performance

Banks	+6.8%
Insurance	+20.8%
Diversified financials	0.0%
FinTech	-23.5%

Source: Bloomberg; MSCI/Factset

Russia's invasion of Ukraine in February 2022 coupled with a stronger than anticipated international response understandably overshadowed other news. There was a significant impact on commodities, especially energy markets in Europe, exacerbated by the strength in the US dollar, albeit the prices of many commodities fell over the second half of the year. The impact of China's zero-Covid policy and political ructions in the UK also impacted markets to dampen sentiment.

### Sector review

At the beginning of the period, financials saw significant outperformance. This was led by banks, but also insurance companies due to the positive correlation they have with higher bond yields, in anticipation that it would boost the earnings of banks as yields on their loans rise faster than what they had to pay out on deposits. However, banks gave up that outperformance as investors pulled back from the subsector with concerns about the outlook for growth, following the invasion of Ukraine, and therefore the increased risk of higher loan losses which would act as a headwind to earnings.

Equally, diversified financials, where we are underweight the benchmark, also struggled to perform against this background. While the subsector covers a broad spectrum of companies, from stock exchanges, asset managers and investment banks to information service companies, those that are more sensitive to the level of financial markets – in particular asset managers – suffered sharp share price falls as fund flows turned negative and expectations for performance fees and future fund raises fell. Investment banks were also weak in anticipation of lower activity in capital markets.

Conversely, non-life insurance companies proved far more resilient. First, they are more defensive, being less economically sensitive as insurance losses are for the most part driven by weather-related losses and accidents. Second, insurance rates continued to increase faster than claims costs, albeit with exceptions including UK motor insurance. Third, like banks, they are a beneficiary of rising interest rates and bond yields as this increases their investment income.

FinTech companies were extremely weak over the period, primarily due to very high valuations coming under significant pressure as discount rates increased and disappointment around earnings, while regulatory concerns impacted the 'buy now/pay later' sector. This also reflected broader weakness in the technology sector, with unprofitable companies the worst affected and some large, well-known unquoted FinTech businesses seeing significant falls in their valuations, while others saw their business models questioned.

### Investment activity

At the beginning of the reporting period, the Trust's investment portfolio was positioned in the expectation that growth would remain respectable, as economies continued to open up post-Covid and rising interest rates and bond yields would be a boost for banks' earnings and therefore share prices. Consequently, the portfolio was overweight banking stocks, notably faster-growing, smaller regional banks in the US which we saw as the biggest beneficiary of this trend.

Gearing had already been reduced to 5.2% at the end of November 2021 from a high of 12.7% in November 2020, reflecting the fact that valuations had risen sharply over the preceding 12 months. However, with the onset of war in Ukraine, rises in commodity prices and concerns around the impact on growth of rising interest rates, we positioned the portfolio more defensively. As a result, the proportion of the portfolio in banks was reduced by close to seven percentage points, largely through a reduction in our holdings in US and European banks, while exposure to more defensive companies within the sector, such as non-life insurers, was increased.

# Investment Manager's Report continued

The shift to a more defensive portfolio was also reflected in individual stock positioning. For example, new holdings were purchased in, among others, Visa, Intact Financial Corporation, Marsh McLennan and Royal Bank of Canada, while we added to holdings in Berkshire Hathaway, Chubb and Wells Fargo. All of these are seen as more defensive, with insurance companies and Visa being less economically sensitive while the two banks are seen as more defensive when compared to their peers, the former in part due to the resilience of the Canadian economy. We also added to holdings in other commodity-driven economies such as Norway and Indonesia for the same reasons.

Conversely, holdings in JPMorgan, Citizens Financial Group, UBS Group, SVB Financial Group and Signature Bank – all seen as more sensitive to volatility in financial markets – were reduced, and the residual holdings in the latter two were sold later in the period. Holdings in Intesa Sanpaolo and ING Groep, both European banks, were sold as the proximity of the war to Europe led us to reduce our European bank exposure in the expectation it would have a significant impact on the region, albeit the banks have performed much better than we expected at the time of the invasion.

With equity markets suffering significant weakness at the end of September, we started to reverse some of the more defensive positioning as we felt financial markets were discounting a much deeper downturn than was justified. This was done through a combination of; adding to our holdings in JPMorgan, HSBC and Toronto-Dominion; starting new holdings in, among others, AIB Group and BOC Hong Kong; selling holdings in Baloise Holding, First Republic Bank and Shinhan Financial Group; reducing holdings such as Arch Capital, Berkshire Hathaway and Western Alliance.

We remained underweight asset managers and reduced our holding in Blackstone, the US alternative asset manager which suffered from having to cap redemptions from its listed property fund. We sold the remaining position later in the year in preference for a holding in Ares Management, which we perceived as more defensive. Alternative asset managers are an area we like for the long term due to the locked-up capital on which they earn fees and demand for underlying asset classes. In the short term, we saw risks around their ability to continue to grow at the pace they have in recent years.

In Asia, we continue to have a large overweight to Indian private sector banks which continue to see attractive growth. We do not invest in state banks as we do not believe they are good underwriters of risk. We made small changes to our holdings in AIA Group and Hong Kong Exchanges and Clearing which we saw as beneficiaries of China relaxing its zero-Covid policy, while adding to our holding in Prudential which should also be a beneficiary.

In Indonesia and Malaysia, both commodity-boosted economies, we added to holdings in Bank Central Asia and Bank Rakyat Indonesia Persero and started a new position in Hong Leong Bank. This was partially offset by reductions in our exposure to Thailand, an economy which has struggled as tourism and domestic consumption has been impacted by the delayed reopening of China and less government support during Covid.

The reinsurance sector has had a difficult few years, as a succession of natural disasters and other losses led to disappointing returns. During the year, a number of companies in the sector reduced the amount of capital allocated to reinsurance. Consequently, as reinsurance rates were expected to rise sharply, reflecting continued increase in demand for reinsurance due to climate change and inflation, for the first time since the launch of the Trust we also took a small position in Hannover Rueck, a reinsurance company – albeit other holdings in the portfolio with exposure to reinsurance would also benefit.

At inception close to 10% of the Company's portfolio was invested in fixed income securities, primarily to generate extra income. These holdings were for the most part sold in recent years as the yields on offer fell and became much less attractive. However, with the back-up in yields in 2022, we significantly increased exposure in October and November acquiring new holdings in bonds issued by, for example, AIB Group, IG Group Holdings, Nationwide Building Society, Legal & General Group, Rothesay Life and BNP Paribas at yields of between 8% and 12%.

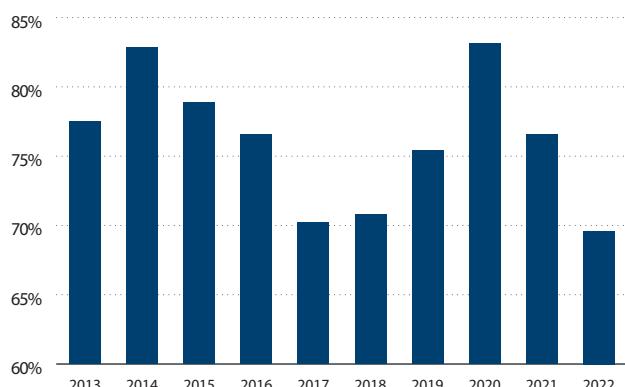
We have been cautious of investing in unquoted companies in the past few years, in part as valuations appeared very unattractive but also as we saw better value in listed companies, especially with the fall in equity markets during the pandemic. Nevertheless, we did participate in a fund raising for Moneybox, a UK wealth and savings platform, in February 2022 which we believe has exciting potential.

Gearing, which dropped at one point during the middle of the year to a position where we had net cash available, ended the period at 6%.

## Active Share

Active share - a measure of how actively a portfolio is managed with 0% reflecting a fund that replicates its benchmark and 100% where none of the securities overlap with the underlying benchmark- fell again this year to 69.6% at the end of the period under review from 76.5%. A higher number increases the probability that a fund will outperform or underperform its benchmark. The fall over the year reflects the changes highlighted above where the portfolio was positioned more defensively albeit that there remain significant differences between the portfolio and the benchmark.

## Active Share Percentage by Year



The high active share in part reflects companies which we consider part of the wider universe but which are not included in the Trust's benchmark, such as Mastercard, or in the case of HDFC Bank, India's largest private bank, that, due to restrictions on foreign ownership, does not meet the threshold required by MSCI for index inclusion. However as indicated by the chart on page 23, which lists the active positions, there are also many companies where we have a much larger or smaller position than the benchmark. For example, the portfolio has a smaller holding in Berkshire Hathaway than the benchmark and no holdings at all in Commonwealth Bank of Australia or Goldman Sachs.

## Outlook

Looking forward, we remain very constructive on the outlook for financials, despite the shorter-term uncertainties which would argue for caution in a sector that is cyclical. Today, banks are more robust with significantly greater levels of capital and liquidity than before the global financial crisis. Importantly, their risk appetite coming into this downturn is at a level which would suggest much lower loan losses. In plain English, banks have made far fewer bad loans than they have in previous cycles.

Furthermore, banks have been benefiting from the rise in interest rates which has led to their net interest margins widening, that is to say the interest income they earn on loans has increased faster than the increase in what they have to pay out on savings accounts. Despite inflationary pressures, costs have been contained at a manageable level. Consequently bank earnings have risen over the year as analysts have had to factor in the changing interest rate environment. For some banks this has been significant, albeit not enough in many cases to offset weaker sentiment resulting in bank stocks derating.

The unknowns looking forward for bank investors will be the degree and duration of the downturn and therefore the cost to bank profitability. There are good reasons to believe loan losses will be modest, but this is complicated by the fact that the amount of loan loss provisions banks will have to set aside is likely to be larger than the actual losses due to accounting rules. As we saw during the pandemic, this led to banks taking significantly more loan loss provisions than they needed as the majority were written back when bad debts did not increase to the extent expected.

A cautious investor may look at the rise in interest rates and inflation, anecdotal stories of individuals and small businesses struggling with bills, the inversion of the yield curve, swirl the tea leaves and quite reasonably assume that the downturn will be severe. Conversely, the evidence so far shows that savings built up during the pandemic and more robust corporate balance sheets, plus help from governments to offset increased energy costs, has allowed consumers and corporates to withstand the slowdown which explains why delinquencies have not yet risen meaningfully. The increase in loan loss provisions seen in recent results announcements does not undermine this view as it is driven by accounting rules.

The uncertainty is whether the banking sector will see further weakness along with wider equity markets, in anticipation that the downturn will be more severe than that priced in by financial markets, before recovering as investors realise this is not a repeat of the global financial crisis or the early 1990s downturn. Or do investors start to see through the shorter-term weakness and see the value in buying banking shares and bid up share prices to reflect their longer-term value and earnings potential?

Unlike the banking sector, where investors have understandably stepped back as they see risks of a recession impacting short-term earnings and have for the most part ignored the longer-term improvement in their earnings from higher interest rates, for non-life insurance companies, investors are willing to look through the shorter-term impact to their earnings. We have been very constructive on the non-life insurance sector and continue to be, though we are conscious that its performance as described above was in part due to its defensive characteristics.

# Investment Manager's Report continued

However, with non-life insurance companies there has also been a material improvement in underlying earnings, from better underwriting returns, due to higher insurance premiums relative to claims costs as well as higher investment income. Understandably, investors have willingly paid a higher multiple for that stream of earnings. Reinsurance companies that write property-catastrophe insurance and other risks have equally performed well despite 2022 being a poor year for returns, as reinsurance premium rates have risen sharply.

We continue to remain cautious on asset managers and investment banks, the former as, notwithstanding the recent rally in financial markets, we believe flows will likely continue to remain weak, and in the latter as they rely on activity in capital markets which we believe will be slow to recover. We own shares in MSCI and S&P Global as beneficiaries of the continued demand for ETFs and demand for data and services across their product areas, in the latter instance as a credit rating agency.

As highlighted in the interim report to the end of May 2022, S&P and MSCI, which compile many US and global indices, include FinTech companies within the technology sector not the financial sector. Any investments in this area continue to be off-benchmark and effectively result in us having an overweight position. However, they have announced that they will be moving certain payment companies, notably PayPal Holdings, Visa and Mastercard, into the financial sector indices in March this year.

The portfolio remains overweight banking stocks, albeit by not as much as this time last year, where we see material upside in share prices. Otherwise, broadly the portfolio remains positioned in more defensive areas of the sector, notably non-life insurance, payments, fixed income securities and information services companies. Nevertheless, we have increased our exposure to Asia to benefit from the recovery of China's self-imposed zero-Covid policies as well as Europe, at the expense of the US. Gearing has also increased by a couple of percentage points.

The rally in financial markets over the last few months on the back of lower energy prices, in particular, in Europe, and softer inflation data has increased the probability of a shallower downturn and led to hopes

of a "soft landing". Financials outperformed wider equity markets in both 2021 and 2022 and if this proves to be correct we would expect them to extend this outperformance for a third consecutive year. However, much will depend on how central banks react to the more positive data on inflation. Furthermore, will inflation come down quickly, as implied by financial markets, or will it prove to be more stubborn as history would suggest, albeit history is largely from the 1970s and 1980s when unions had greater power? Either way, we believe the next 10 years will be far better for the financials sector now the era of cheap money has ended.

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

20 February 2023



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

# Case Study: Why this time should be different

“As bank investors, we draw comfort that banks’ exposure to residential and commercial real estate is at much lower loans-to-value than in 2008 or 1990, and that their exposure to riskier areas such as real estate development loans, construction or energy loans is similarly much lower.”



**Nick Brind**  
Co-Fund Manager

Below is an extract from an article published on the Polar Capital Global Financials Trust website on 18 October 2022.

The failure of Penn Square Bank, an Oklahoma City-based lender with only one branch, in 1982 should never have been more than a footnote in some banking regulator’s report. However, in the process of growing its balance sheet over 10 times in the preceding five years, predominantly to the energy sector, it had also sold participations in the loans it was originating to larger banks. In particular, it had sold \$1bn of these loans to Continental Illinois, at the time the seventh largest commercial bank in the US with around \$40bn in assets.

The losses Continental Illinois took on these loans, with over 50% becoming bad, were a key reason for its failure two years later, but it was not alone as Chase Manhattan and a number of other banks had to take large losses on loans they had bought from Penn Square too. Its failure is recounted, in *Belly Up* by Philip Zweig, and all the blame is landed on the bank’s management, in particular Bill Patterson, a senior executive there.

Penn Square’s failure was due to its voracious appetite to grow in a highly cyclical sector which then turned downwards with understandable consequences. It was facilitated by weak underwriting controls with limited collateral to back the loans it was making. To fund the growth, Penn Square also relied on wholesale funding which was the catalyst for calling an end to the satire as there was a deposit flight when concerns started to filter out as well as it being the catalyst for Continental Illinois’s collapse not long after.

Equally telling when we looked at the experience of the UK in the early 1990s was an email response we received from Nationwide Building Society, today seen as a very conservative lender, about their experience. “The Society was the market leader in all housing initiatives at this time; shared ownership; shared equity, key worker loans, 100% loans; self-build, etc... Any initiative that encouraged marginal owner occupiers into the market was led by the Society.”

The response went further: “Unfortunately, at the peak of the market is the point at which your lending criteria should be its most stringent, not its most lax. So the Society rapidly became the market leader in arrears, possessions and losses. Some 44% of our arrears in this period came from 95%-100% lending and 45% from 100% lending. The Society learnt its lesson about high LTV (loan to value) lending which has stayed with us for a long period.”

Conversely, Northern Rock grew its profits every single year during the early 1990s’ recession and housing market downturn, unlike larger banks such as Bank of Scotland and Barclays. By 2006, however, it somehow came to believe that lending up to 125% of the value of a house to borrowers was prudent lending with understandable consequences as it was overly reliant on wholesale funding. It remains one of the oddest meetings we have ever had with the CFO of a bank, as he tried to justify its strategy, albeit it was in close competition with a number of other banks at the time with their incontinent view of lending.

## Case Study: Why this time should be different continued

Nevertheless, none of our meetings with bank management have yet to match that of a bank examiner's meeting at Penn Square with Patterson. He had shelves lined with caps bearing the logos of different customers of the bank. When the examiner asked about a particular loan, Patterson would reach back, pull the relevant cap from the shelf, put it on his head and turn back to the examiner before answering a question. "The examiner then named a company that Patterson had no hat for. Instead he pulled his wild card, a Mickey Mouse cap with strings dangling down from the ears. Patterson once again turned to the national bank examiner, jiggled the strings to make the ears flap. Smiled and said: "Well, what about it?"."

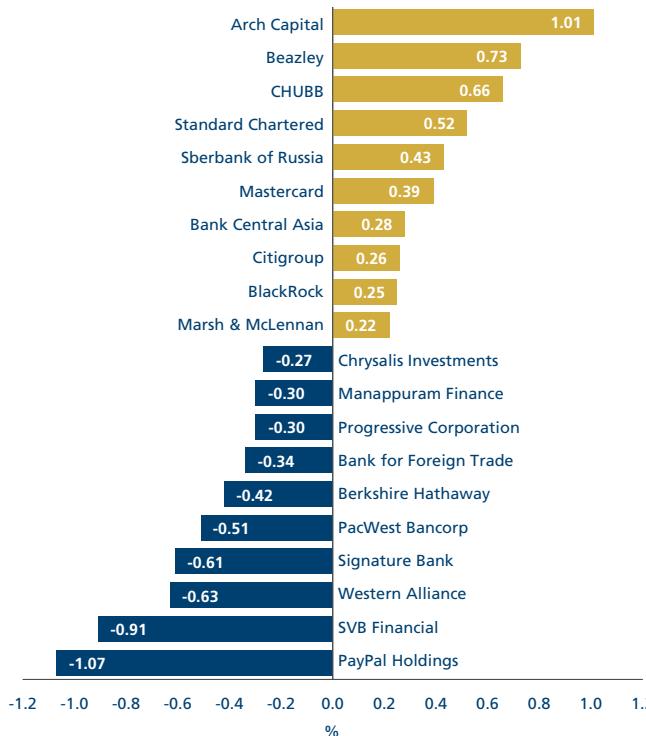
Today, thankfully, meetings with banks are not like that. Fifteen years on from the global financial crisis more of the risk has shifted off bank balance sheets into capital markets and to non-bank investors<sup>1</sup> with sub-prime lending, where it exists, shifting to FinTech lenders. Furthermore, banks

have significantly more capital and liquidity today, making a repeat of the runs we saw in 2007-08 highly unlikely. As bank investors, we draw comfort that banks' exposure to residential and commercial real estate is at much lower loans-to-value than in 2008 or 1990, in part driven by regulation, and that their exposure to riskier areas such as real estate development loans, construction or energy loans is similarly much lower.

# Attribution Analysis

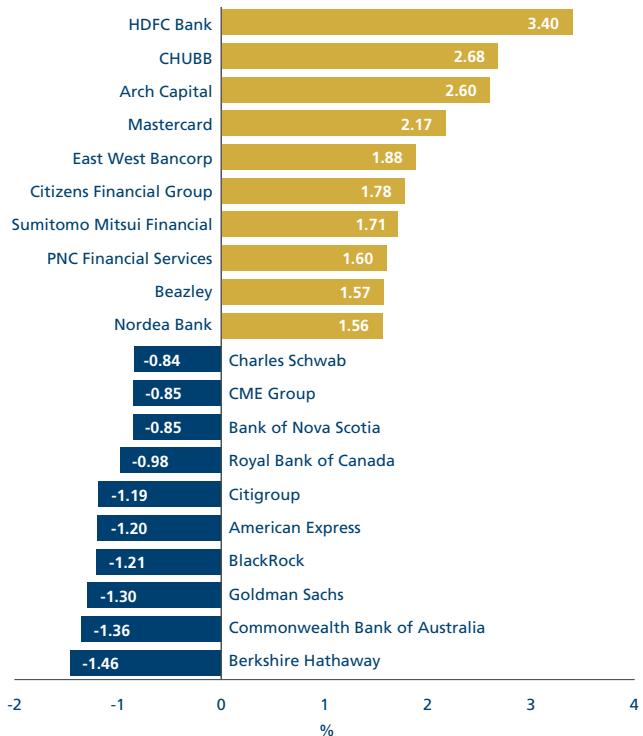
## The top ten relative contributors to, and the bottom ten relative detractors from performance versus the benchmark

For the year ended 30 November 2022



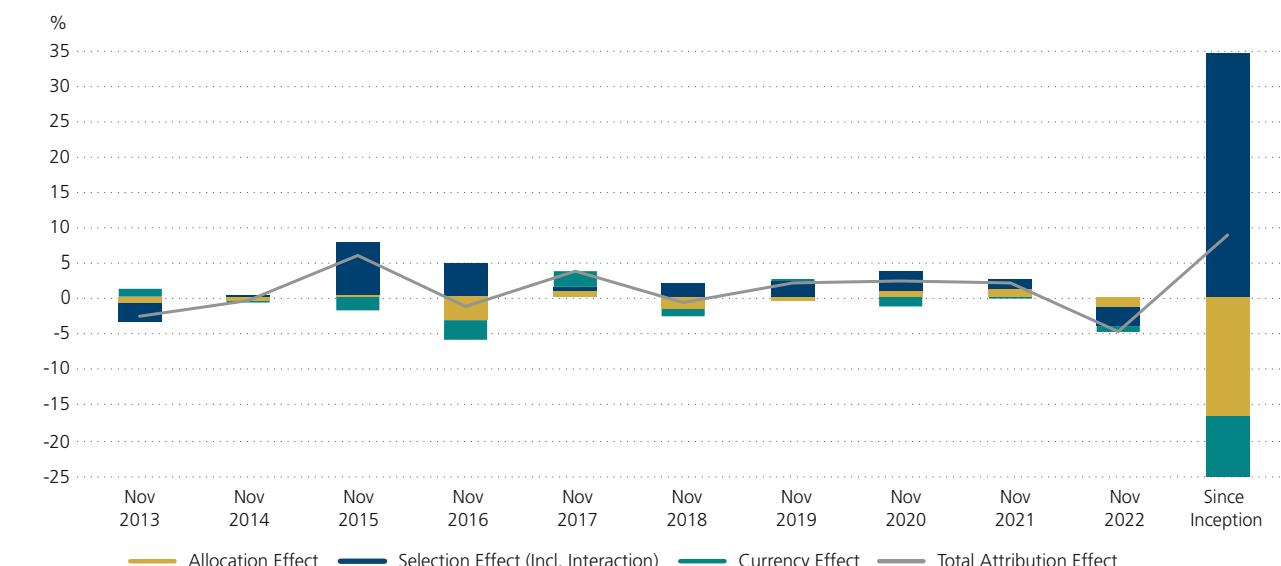
## Active positions – top ten and bottom ten active positions

For the year ended 30 November 2022



Note: The Attribution Analysis of the relative and active positions represents the gross return of the Company's portfolio minus the benchmark return.

## Since Inception to 30 November 2022



Note: This represents the gross return of the Company's portfolio minus the benchmark return. This reflects the attribution effect where the Company's gross return is compared to the benchmark return. Total Attribution Effect is derived from the Relative Attribution Analysis, which decomposes the Excess Return (Gross) into the Allocation Effect and stock Selection Effect (Incl. Interaction). Allocation Effect refers to the portion of the Company's overall performance attributable to the Manager's decision on taking different asset categories weights. Stock Selection Effect refers to the portion of the Company's overall performance attributable to the Manager's decision on selecting individual securities.

# Top Ten Investments

As at 30 November 2022

Ranking				Market Value £'000		% of total net assets		
2022	2021	Stock	Sector	2022	2021	2022	2021	
1	(1)	<b>J.P.Morgan</b>	Banks	North America	30,627	26,539	5.7%	5.8%
JP Morgan Chase is the largest bank in the US, with a market capitalisation of US\$393bn, and a presence in over 100 markets. It is the result of a combination of several banks including JP Morgan, Chase Manhattan, Bank One, Chemical Bank and Manufacturers Hanover. During the financial crisis the company also acquired Bear Stearns, one of the largest investment banks in the US and Washington Mutual, which at the time was the largest savings and loans bank in the US.								
2	(2)	<b>Bank of America</b>	Banks	North America	25,887	18,455	4.8%	4.0%
Bank of America is the 2nd largest bank in the US with a market capitalisation of US\$275bn. The bank's history dates to 1904 when it was founded as the Bank of Italy to service Italian immigrants in California. It was acquired by Nations Bank in 1998 and its name changed to Bank of America. During the financial crisis the bank acquired Merrill Lynch, one of the largest investment banks in the US.								
3	(6)	 <b>CHUBB</b>	Insurance	Europe	22,493	11,340	4.2%	2.5%
CHUBB, incorporated in Switzerland, has a market capitalisation of US\$91bn and is the largest commercial insurer in the United States and the world's largest publicly traded property and casualty insurer. It operates in 54 countries as a global provider of insurance products which also include accident and health, reinsurance and life insurance. It was formed from the acquisition of CHUBB by ACE in 2016 which then adopted the CHUBB name.								
<i>The Chubb Logo is a registered trademark of Chubb Limited.</i>								
4	(-)	<b>Berkshire Hathaway</b>	Diversified Financials	North America	21,302	-	3.9%	-
Berkshire Hathaway, is the largest financial company globally with a market capitalisation of US\$681bn. It owns US auto insurer GEICO and General Re, a reinsurance company and has operations in a diverse range of industries from railroads to confectionary. It also has large investments in American Express, Bank of America, the Coca-Cola company and Apple. It has been managed by Warren Buffett since 1964.								
5	(3)	<b>HDFC Bank</b>	Banks	Asia (ex-Japan)	21,022	13,111	3.9%	2.9%
HDFC Bank is the largest private sector bank in India with a market capitalisation of US\$111bn. It was incorporated in 1994 in Mumbai before commencing operations the following year. It has a banking network of 5,430 branches and 15,292 ATMs spread across 2,848 cities and towns. In 2022 HDFC Bank and Housing Development Finance Company announced a merger which will become effective 2023.								
6	(37)	 <b>Wells Fargo</b>	Banks	North America	20,754	5,957	3.8%	1.3%
Wells Fargo is the 3rd largest bank in the US with a market capitalisation of US\$157bn, and branches across the whole country. It was founded in 1852 by Henry Wells and William G Fargo, two of the founders of American Express, to provide banking and express services to California by stagecoach. Wells Fargo acquired Wachovia in 2008, which at the time was the fourth largest bank in the US based on total assets.								
7	(23)	 <b>HSBC</b>	Banks	United Kingdom	14,656	8,153	2.7%	1.8%
HSBC Holdings which has a market capitalisation of US\$103bn is a diversified global banking and financial services business. It was founded in 1865 in Hong Kong, buying a significant stake in Hang Seng bank in 1965 before it became incorporated in the UK following its purchase of Midland Bank in 1992. Today it has operations in 63 countries but with the majority of revenue being generated in Asia and Europe.								
8	(26)	 <b>AIA</b>	Insurance	Asia (ex-Japan)	13,874	7,833	2.6%	1.7%
AIA Group has a market capitalisation of US\$131bn and is the largest independent publicly listed pan-Asian life insurance group with a presence in 18 markets across the Asia-Pacific region. The company principally engages in the provision of life insurance, accident and health insurance and savings plans, as well as employee benefits, credit insurance and pension services to corporate clients.								
9	(-)	<b>DBS Group</b>	Banks	Asia (ex-Japan)	13,200	-	2.4%	-
DBS is one of the largest banks in Asia with a market capitalisation of US\$66bn. Previously known as Development Bank of Singapore it was founded in 1968 and today has 12 million customers in 18 countries including China, Hong Kong, Taiwan, Indonesia as well as Singapore.								
10	(8)	 <b>PNC</b>	Banks	North America	13,112	11,112	2.4%	2.4%
PNC Bank is the 7th largest bank in the United States with a market capitalisation of US\$63bn and operations in 19 states. The name originates from two of its predecessor banks, Pittsburgh National Corporation and Provident National Corporation which merged in 1983. In November 2020 it announced the acquisition of BBVA USA for \$11.6bn acquiring a network of 637 branches across Texas, Alabama, Arizona, California, Florida, Colorado and New Mexico.								
<b>Total - 10 Largest Investments</b>				<b>196,927</b>		<b>36.4%</b>		

# Full Investment Portfolio

As at 30 November 2022

Ranking				Market Value £'000		% of total net assets		
2022	2021	Stock	Sector	Country	2022	2021	2022	2021
1	(1)	JP Morgan Chase	Banks	North America	30,627	26,539	5.7%	5.8%
2	(2)	Bank of America	Banks	North America	25,887	18,455	4.8%	4.0%
3	(6)	CHUBB	Insurance	Europe	22,493	11,340	4.2%	2.5%
4	(-)	Berkshire Hathaway	Diversified Financials	North America	21,302	-	3.9%	-
5	(3)	HDFC Bank	Banks	Asia (ex-Japan)	21,022	13,111	3.9%	2.9%
6	(37)	Wells Fargo	Banks	North America	20,754	5,957	3.8%	1.3%
7	(23)	HSBC Holdings	Banks	United Kingdom	14,656	8,153	2.7%	1.8%
8	(26)	AIA Group	Insurance	Asia (ex-Japan)	13,874	7,833	2.6%	1.7%
9	(-)	DBS Group	Banks	Asia (ex-Japan)	13,200	-	2.4%	-
10	(8)	PNC Financial Services	Banks	North America	13,112	11,112	2.4%	2.4%
<b>Top 10 investments</b>					<b>196,927</b>		<b>36.4%</b>	
11	(7)	Toronto-Dominion Bank	Banks	North America	12,439	11,305	2.3%	2.4%
12	(15)	Sumitomo Mitsui Financial	Banks	Japan	11,789	9,264	2.2%	2.0%
13	(-)	Visa	Software & Services	North America	11,108	-	2.1%	-
14	(5)	Arch Capital	Insurance	North America	10,533	12,572	1.9%	2.7%
15	(-)	Marsh & McLennan	Insurance	North America	10,041	-	1.8%	-
16	(-)	DNB Bank	Banks	Europe	9,896	-	1.8%	-
17	(22)	Bank Central Asia Indonesia	Banks	Asia (ex-Japan)	9,890	8,204	1.8%	1.8%
18	(12)	Mastercard	Software & Services	North America	9,805	9,466	1.8%	2.1%
19	(49)	Bank Rakyat	Banks	Asia (ex-Japan)	9,183	4,235	1.7%	1.0%
20	(-)	U.S. Bancorp	Banks	North America	8,972	-	1.7%	-
<b>Top 20 investments</b>					<b>300,583</b>		<b>55.5%</b>	
21	(-)	AIB Group	Banks	Europe	8,949	-	1.7%	-
22	(35)	Beazley	Insurance	United Kingdom	8,909	6,767	1.6%	1.5%
23	(4)	Citizens Financial Group	Banks	North America	8,570	13,086	1.6%	2.9%
24	(10)	UBS Group	Banks	Europe	8,488	10,279	1.6%	2.3%
25	(-)	Charles Schwab	Diversified Financials	North America	7,967	-	1.5%	-
26	(32)	Sampo	Insurance	Europe	7,909	6,858	1.4%	1.5%
27	(16)	Morgan Stanley	Diversified Financials	North America	7,558	9,083	1.4%	2.0%
28	(-)	IndusInd Bank	Banks	Asia (ex-Japan)	6,898	-	1.3%	-
29	(-)	Intact Financial Corporation	Insurance	North America	6,836	-	1.3%	-
30	(44)	Standard Chartered	Banks	United Kingdom	6,552	5,129	1.2%	1.1%
<b>Top 30 investments</b>					<b>379,219</b>		<b>70.1%</b>	
31	(-)	The Travelers Companies	Insurance	North America	6,484	-	1.2%	-
32	(-)	Prudential	Insurance	United Kingdom	6,402	-	1.2%	-
33	(43)	Bank of NT Butterfield	Banks	North America	6,310	5,240	1.2%	1.1%
34	(-)	Royal Bank of Canada	Banks	North America	5,858	-	1.1%	-
35	(36)	Tisco Financial	Banks	Asia (ex-Japan)	5,805	5,999	1.1%	1.3%
36	(53)	Hong Kong Exchanges and Clearing	Diversified Financials	Asia (ex-Japan)	5,746	4,081	1.1%	0.9%
37	(19)	Enterprise Financial Services	Banks	North America	5,685	8,424	1.0%	1.8%
38	(13)	East West Bancorp	Banks	North America	5,660	9,452	1.0%	2.1%
39	(-)	Mitsubishi UFJ Financial Group	Banks	Japan	5,629	-	1.0%	-
40	(9)	Nordea Bank	Banks	Europe	5,502	10,907	1.0%	2.4%
<b>Top 40 investments</b>					<b>438,300</b>		<b>81.0%</b>	

# Full Investment Portfolio continued

As at 30 November 2022

Ranking				Market Value £'000	% of total net assets			
2022	2021	Stock	Sector	Country	2022	2021	2022	2021
41	(-)	MSCI	Diversified Financials	North America	5,497	-	1.0%	-
42	(-)	Hannover Rueck	Insurance	Europe	5,456	-	1.0%	-
43	(60)	FinecoBank Banca Fineco	Banks	Europe	5,293	2,781	1.0%	0.6%
44	(-)	Cullen Frost Bankers	Banks	North America	5,263	-	1.0%	-
45	(31)	Allianz	Insurance	Europe	5,078	7,079	0.9%	1.6%
46	(41)	Lancashire	Insurance	United Kingdom	5,024	5,485	0.9%	1.2%
47	(33)	S&P Global	Diversified Financials	North America	4,923	6,826	0.9%	1.5%
48	(-)	Comerica	Banks	North America	4,914	-	0.9%	-
49	(-)	CaixaBank	Banks	Europe	4,851	-	0.9%	-
50	(-)	Hong Leong Bank	Banks	Asia (ex-Japan)	4,775	-	0.9%	-
<b>Top 50 investments</b>				<b>489,374</b>			<b>90.4%</b>	
51	(-)	Regions Financial	Banks	North America	4,710	-	0.9%	-
52	(-)	Macquarie	Diversified Financials	Asia (ex-Japan)	4,644	-	0.9%	-
53	(-)	Bank of China (Hong Kong)	Banks	Asia (ex-Japan)	4,634	-	0.9%	-
54	(-)	Ares Management	Diversified Financials	North America	4,236	-	0.8%	-
55	(47)	Direct Line Insurance	Insurance	United Kingdom	4,091	4,763	0.7%	1.0%
56	(-)	Axis Bank	Banks	Asia (ex-Japan)	3,789	-	0.7%	-
57	(58)	Ares Capital	Diversified Financials	North America	3,393	2,998	0.6%	0.7%
58	(21)	Housing Development Finance	Banks	Asia (ex-Japan)	3,206	8,209	0.5%	1.8%
59	(-)	Pension Insurance 7.375% Perp Bond	Fixed Income	Fixed Income	2,576	-	0.5%	-
60	(73)	International Personal Finance 9.75% 2025 Bond	Fixed Income	Fixed Income	2,563	1,357	0.5%	0.3%
<b>Top 60 investments</b>				<b>527,216</b>			<b>97.4%</b>	
61	(-)	Rothesay Life 4.875% Perp Bond	Fixed Income	Fixed Income	2,548	-	0.5%	-
62	(-)	Legal General Group 5.625% Perp Bond	Fixed Income	Fixed Income	2,542	-	0.5%	-
63	(-)	Golub Capital	Diversified Financials	North America	2,465	-	0.5%	-
64	(61)	VPC Specialty Lending Investments	Fixed Income	Fixed Income	2,428	2,392	0.4%	0.5%
65	(-)	Lancashire 5.625% 2041 Bond	Fixed Income	Fixed Income	2,348	-	0.4%	-
66	(-)	Moneybox (unquoted)	Diversified Financials	United Kingdom	2,310	-	0.4%	-
67	(-)	IG Group 3.125% 2028 Bond	Fixed Income	Fixed Income	2,284	-	0.4%	-
68	(65)	Atom Bank (unquoted)	Banks	United Kingdom	2,241	1,921	0.4%	0.4%
69	(-)	AIB Group 6.25% Perp Bond	Fixed Income	Fixed Income	2,056	-	0.4%	-
70	(-)	Aviva 6.875% Perp Bond	Fixed Income	Fixed Income	2,030	-	0.4%	-
<b>Top 70 investments</b>				<b>550,468</b>			<b>101.7%</b>	
71	(74)	Riverstone Credit Opportunities	Fixed Income	Fixed Income	2,026	1,325	0.4%	0.3%
72	(-)	Barclays 8.875% Perp Bond	Fixed Income	Fixed Income	1,978	-	0.4%	-
73	(-)	Societe Generale 5.375% Perp Bond	Fixed Income	Fixed Income	1,978	-	0.4%	-
74	(-)	Phoenix Group 5.625% 2031 Bond	Fixed Income	Fixed Income	1,919	-	0.4%	-
75	(-)	BNP Paribas 7% Perp Bond	Fixed Income	Fixed Income	1,867	-	0.3%	-
76	(-)	Nationwide Building Society 5.75% Perp Bond	Fixed Income	Fixed Income	1,785	-	0.3%	-
77	(-)	CaixaBank 5.875% Perp Bond	Fixed Income	Fixed Income	1,771	-	0.3%	-
78	(-)	Rothesay Life 6.875% Perp Bond	Fixed Income	Fixed Income	1,675	-	0.3%	-
79	(-)	Natwest Group 2.105% 2031 Bond	Fixed Income	Fixed Income	1,646	-	0.3%	-
80	(66)	Gresham House	Diversified Financials	United Kingdom	1,625	1,803	0.3%	0.4%
<b>Top 80 investments</b>				<b>568,738</b>			<b>105.1%</b>	

Ranking				Market Value £'000	% of total net assets		
2022	2021	Stock	Sector	2022	2021	2022	2021
81	(70)	Provident Financial 8.875% 2032 Bond	Fixed Income	1,593	1,706	0.3%	0.4%
82	(-)	Chesnara 4.75% 2032 Bond	Fixed Income	1,275	-	0.2%	-
83	(-)	Shawbrook Group 9% 2030 Bond	Fixed Income	480	-	0.1%	-
84	(77)	Jupiter 8.875% 2030 Bond	Fixed Income	456	528	0.1%	0.1%
85	(-)	Rothesay Life 5% Perp Bond	Fixed Income	206	-	0.0%	-
<b>Total investments</b>				<b>572,748</b>		<b>105.8%</b>	
<b>Other net liabilities</b>				<b>(31,476)</b>		<b>(5.8%)</b>	
<b>Total net assets</b>				<b>541,272</b>		<b>100.0%</b>	

Note: Figures in brackets denote comparative rankings as at 30 November 2021.

# Portfolio Review

As at 30 November 2022

Geographical Exposure*	Benchmark weighting as at 30 November 2022**	30 November 2022	30 November 2021
North America	53.0%	50.1%	47.6%
Asia (ex-Japan)	18.0%	19.8%	19.9%
Europe	14.5%	15.5%	19.2%
United Kingdom	4.6%	9.4%	11.7%
Fixed Income	-	7.8%	2.2%
Japan	3.8%	3.2%	2.0%
Latin America	-	-	1.7%
Eastern Europe	-	-	1.1%
Other net liabilities	-	(5.8%)	(5.4%)
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

Sector Exposure*	Benchmark weighting as at 30 November 2022**	30 November 2022	30 November 2021
Banks	48.3%	60.1%	70.2%
Insurance	22.0%	20.7%	13.7%
Diversified Financials	29.6%	13.3%	14.9%
Fixed Income	-	7.8%	2.2%
Software & Services	-	3.9%	4.4%
Other net liabilities	-	(5.8%)	(5.4%)
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

Market Capitalisation*	Benchmark weighting as at 30 November 2022**	30 November 2022	30 November 2021
Large (>US\$5bn)	98.6%	98.7%	85.6%
Medium (US\$0.5bn - US\$5bn)	1.4%	5.9%	18.2%
Small (<US\$0.5bn)	-	1.2%	1.6%
Other net liabilities	-	(5.8%)	(5.4%)
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

\* Based on the net assets as at 30 November 2022 of £541.3m (2021: £457.2m)

\*\* 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 year end.



# Environmental, Social and Governance Matters

# Corporate Responsibility incorporating ESG considerations

As an investment trust with a wholly non-executive, independent Board of Directors we delegate the operational aspects of running the Company to third parties, primarily the Manager. However, the ultimate responsibility to Shareholders lies with the Board. We recognise that this includes ESG and over recent years ESG has become ever-more important from an impact, risk and cost perspective across all aspects of the Company.

Despite investment trusts currently having relatively few regulatory reporting requirements, ESG is very important to the Board and the Manager reports to the Board their detailed assessment of the portfolio in ESG terms and the associated operations of the management house, Polar Capital. Over recent months the ESG dialogue with the Portfolio Managers and third-party providers has accelerated, with increasingly detailed assessment and measurement of key areas along with how it is integrated and how it impacts all elements of the business. The Board recognises however that this is an evolving area, and intends to increase its analysis and reporting. ESG is separated into those areas on which the Board can have a direct impact, and those areas where it is reliant on others.

## ESG and Third-Party Service Providers

The Manager receives assurance on an annual basis that, where required, third party service providers comply with the requirements of the Modern Slavery Act and adhere to a zero-tolerance policy to bribery and corruption. In light of the growing requirements surrounding ESG, including the Taskforce for Climate-Related Financial Disclosures ("TCFD"), third party service providers have been engaged in providing copies of their ESG, Diversity and Inclusion, Stewardship and other related policies to the Company. The Board will continue to monitor the practices of service providers and seek to assure Shareholders where appropriate that suitable policies and procedures are in place to effect positive change.

## Corporate Responsibility

The Company's core investment and administrative activities are undertaken by the Manager which seeks to limit the use of non-renewable resources and reduce waste where possible. The Manager has a corporate ESG policy, which is available in the document library of the Company's website, and wherever possible and appropriate the parameters of such are considered and adopted by the investment team in relation to the Company's management and portfolio construction. As detailed below, the Portfolio Managers are required to have consideration of ESG factors when reviewing new, continuing or exiting investments but they are not required to take an investment decision solely on the basis of ESG factors. The Manager utilises a number of third-party

data sources and reference points to build an ESG rating of each stock. It is recognised however that these ratings may deviate from the ratings determined by the investment team as a result of direct market intelligence and contact with the companies involved.

The Board monitors the Manager's approach to ESG including policies for improvements in environmental impact, and takes into account ESG factors in the management of the Company. The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 require companies listed on the Main Market of the London Stock Exchange to report on the greenhouse gas ('GHG') emissions for which they are responsible. The Company is an investment trust, with neither employees nor premises, nor has it any financial or operational control of the assets which it owns. Consequently, it has no GHG emissions to report from its operations nor does it have responsibility for any other emissions. Information on the GHG emissions of the Manager can be found within the ESG and Sustainability area of their website [www.polarcapital.co.uk](http://www.polarcapital.co.uk).

## Taskforce for Climate-Related Financial Disclosures ("TCFD")

The Company notes the TCFD recommendations on climate-related financial disclosures. As stated above, the Company is an investment trust with no employees, internal operations or property. However, it is an asset owner and therefore the Manager is working to develop appropriate disclosures about its portfolio. Information sources are developing and consultations on reporting requirements are underway. The Board will continue to work alongside its Manager to provide more information as it becomes available. Polar Capital supports TCFD's recommendations and is in the process of applying the guidance to ensure compliance going forward.

## Diversity and Gender Reporting

The Board notes the targets published within the FCA policy, *Diversity and Inclusion on Company Boards and Executive Committees* (PS22/3), issued in April 2022. For financial years commencing on or after 1 April 2022, the policy requires under new Listing Rules 9.8.6R(9) and 14.3.33R(1), all UK listed companies, on a comply or explain basis, to meet the following targets:

- At least 40% of the Board are women;
- At least one senior board position is held by a woman;
- At least one member of the Board is from a minority ethnic background.

As a fully independent non-executive Board of Directors, there are limited senior roles available in terms of the FCA's Diversity and Inclusion targets. The Board considers the following roles are appropriate and sufficient for a Company and Board of their size, Chair of the Board and Chair of the Audit Committee. There are no executive positions within the Company and as such no roles from which to appoint senior roles on the Board.

The Company has no employees and, as at February 2023 the Board is comprised of two male\* and three female Independent non-executive Directors. Cecilia McAnulty is Chair of the Audit Committee, therefore the Company currently meets two of the criteria outlined above. The composition of the Board is considered regularly to determine whether the needs of the Company in terms of experience and areas of expertise are met by the directors in office. The Board will certainly take into account the FCA's policy on Diversity and Inclusion in any future recruitment process, but, with the exception of the forthcoming retirement of the Chairman, it does not currently have any plans to change the composition of the Board.

## Modern Slavery Act

As an investment company, the Company does not provide goods or services in the normal course of business and does not have any customers. Accordingly, the Company does not consider that it falls within the scope of the Modern Slavery Act 2015 and therefore does not meet the criteria requiring it to produce a statement under such Act. The Company considers its supply chains to be of low risk as its suppliers are typically professional advisers. A statement by the Manager under the Act has been published on the Managers' website at [www.polarcapital.co.uk](http://www.polarcapital.co.uk). The Company has not adopted a policy on human rights as it has no employees or operational control of its assets.

## Anti-Bribery, Corruption and Tax Evasion

The Board has adopted a zero-tolerance policy (which is available on the Company's website) to bribery, corruption and the facilitation of tax evasion in its business activities. The Board uses the principles of the policies formulated and implemented by the Manager and expects the same standard of zero-tolerance to be adopted by third-party service providers. The Company has implemented a Conflicts of Interest policy to which the Directors must adhere, in the event of divergence between the Manager's policy and the Company's policy the Company's policy shall prevail. The Company is committed to acting with integrity and in the interests of Shareholders at all times.

## Risk and Responsibility

The Board has a schedule of principal risks and uncertainties and addresses how these are mitigated on pages 40 to 43; additionally how the directors have undertaken their duties in compliance with s172 of the Companies Act 2006 is provided on pages 44 to 47.

**Robert Kyprianou**

Chairman

20 February 2023

\*On the retirement of the Chairman, the Board will comprise one male and three female independent non-executive directors.

# Investment Perspective incorporating ESG considerations

## Process

During the year, the Manager further developed its ESG process which leverages the team's industry experience and incorporates both quantitative and qualitative factors to create a framework for ongoing analysis.

The ESG approach involves:

- Screening
- Integration (as each new investment is assigned an internal ESG rating)
- Ongoing monitoring and engagement

## Exclusionary Screening

The team first applies a norms-based exclusion screen to the Trust's investment universe to ensure that potential holdings that are involved in controversial practices from an ESG perspective are excluded.

This involves screening the portfolio for alignment with the UN's Global Compact, The UN's Guiding Principles on Business and Human Rights, the International Labour Organisation's conventions and the Organisation for Economic Co-Operation and Development's (OECD) Guidelines for Multinational Enterprises. Further to this, we exclude companies which derive more than 5% of their revenues from financing the production of tobacco, thermal coal or adult entertainment.

## Proprietary ESG Scoring Process

Through the use of a proprietary ESG scoring process, current and prospective companies are assessed against a variety of ESG factors (as detailed in the table). The team incorporates data from company disclosures, management meetings, regulatory reports and third-party ESG providers. In addition, the analysis includes a qualitative ESG overlay for each company which focuses on specific governance (risk management, engagement, litigation, strategy) and environmental factors (exposure to fossil fuels, communication, and engagement).

Any company which receives a proprietary ESG rating of 'CCC' (the lowest of seven rating categories) is excluded from the investment universe. Furthermore, the team excludes companies rated 'CCC' for governance. A rating of 'B' acts as an automatic threshold for advanced due diligence with the team engaging with the company directly to assess whether the shortfall is being addressed.

## Ongoing Engagement

Ongoing monitoring and engagement of companies is central to the team's approach. This is often particularly important in the case of smaller companies where ESG disclosure can be limited (leading to low ratings by third-party ESG providers) and does not give a fair reflection of their approach to ESG issues. All company interactions by the team on ESG related issues are logged and graded (green, orange or red flags). A red flag would result in any holdings in that company being automatically sold.

## Polar Financials ESG Scoring Factors

### Governance

- Independent Directors
- Director Attendance at Board Meetings
- Percentage of Women on Management Board
- Board Age Range
- Governance Disclosure Score
- Director Remuneration
- Shareholder Alignment
- Tax Gap
- Qualitative Factor accounting for Risk Management, Engagement, Legal Risks and Strategy

### Total Governance Score

### Environmental

- GHG/Revenue (Scope 1 & 2)
- GHG absolute
- Net Zero Target Year (i.e. years vs 2022)
- Environment Disclosure Score
- MSCI Environmental Score
- Qualitative Factor accounting for Fossil Fuel Exposure and Engagement

### Total Environmental Score

### Social

- Percentage of Women in Workforce
- Employee Reviews
- Human Capital Development
- Social Disclosure Score
- Data Privacy
- Business Ethics / Sales Practices

### Total Social Score

### Total ESG Score = Governance + Environmental + Social

### Norms Based Factors including:

- United Nations Global Compact Principles
- United Nations Guiding Principles on Human Rights
- International Labour Organisation Fundamental Principles

### MSCI Controversies Flag

# East West Bancorp – Case Study

Our proprietary ESG scoring system assigned East West Bancorp an A rating, two notches higher than the BB rating assigned by MSCI in 2021. The key differential between ratings was our proprietary scoring system assigning a higher Governance score and a higher Social score to East West Bancorp.

On our proprietary ESG scoring, East West Bancorp's strong governance score is driven by having a high number of independent board directors (88%), a relatively low proportion of director remuneration as percentage of net income and a strong director meeting attendance record. In particular, we rate East West Bancorp highly based on their shareholder engagement record assessed over nine years as shareholders, a well-defined consistent strategy and limited management turnover. In August 2022, MSCI raised the rating of East West Bancorp to BBB and highlighted East West Bancorp's peer leading corporate governance.

While MSCI continues to penalize East West Bancorp's Social score on Privacy and Data security, our interactions with the company have highlighted:

- SOC2 type II certification - external certification of data security controls.
- Audit and assessment of the information security program by regulators as well as external auditors.
- Oversight of information security is led by the Risk Committee, which is all comprised of independent board members of which one is deemed an information security expert.
- Every employee is subject to annual cybersecurity/information security training in addition to information privacy training.

Lastly, management is cognizant of the fact that their disclosures lag their larger peers and are committed to allocating resources to address this.

Following engagement and analysis, we concluded that the MSCI's lower score is driven by a lack of disclosure and are satisfied with management's focus on addressing this.

# ESG Dashboard

## MSCI ESG Fund Rating for PCFT



CCC	B	BB	BBB	A	AA	AAA
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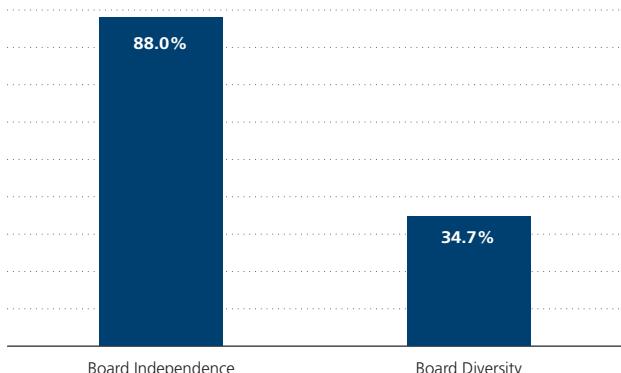
The MSCI ESG Rating for funds is designed to measure the resiliency of portfolios to long-term ESG risks and opportunities. The most highly rated funds consist of issuers with leading or improving management of key ESG risks. The ESG Rating is calculated as a direct mapping of ESG Quality Scores to letter rating categories (e.g. AAA = 8.6-10). The ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC). All charts provided below are in respect of the portfolio as at 30 November 2022.

### How the MSCI ESG Rating is calculated

	Portfolio	Benchmark
<b>Weighted Avg ESG Score</b>	<b>6.85</b>	<b>6.79</b>
Adjustment		
+ ESG Trend Positive	41.69%	45.26%
- ESG Trend Negative	4.30%	6.03%
- ESG Laggards	0.68%	1.95%
Adjustment Total	36.71%	37.28%
Score Adjustment	2.52	2.53
<b>ESG Quality Score</b>	<b>9.37</b>	<b>9.32</b>
ESG Rating	<b>AAA</b>	<b>AAA</b>

### Corporate governance

The weighted average percentage of independent board of directors in the portfolio's investee companies is 88.0%, and the weighted average percentage of women on boards is 34.7%.



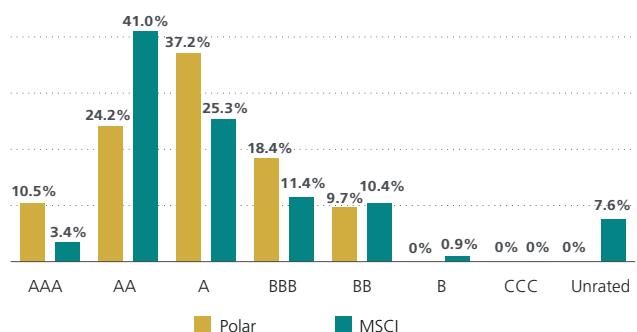
### Voting Record

Category	Number	Percentage
Number of votable meetings	74	
Number of meetings voted	73	98.65
Number of meetings with at least 1 vote against, withheld or abstain	26	35.14

Source: MSCI, ISS

### ESG Rating distribution of fund holdings

44% of the Trust's holdings receive an MSCI ESG Rating of AAA or AA (ESG Leaders) while only 0.9% receive an MSCI ESG Rating of B or CCC (ESG Laggards).



### Weighted average carbon intensity

(tCO2e / \$m sales)

The Trust's holdings have very low carbon intensity, based on the weighted average carbon emissions per USD million sales.



### Bottom 5 Rated Holdings

Security	Polar Rating	MSCI Rating
VPC Specialty Lending Investments	BB	N/A
Axis Bank	BB	A
Cullen Frost Bankers	BB	B
Bank Rakyat	BB	A
Shawbrook	BB	N/A

Source: MSCI

### Top 5 Rated Holdings

Security	Polar Rating	MSCI Rating
Sampo	AAA	AA
Riverstone Credit Opportunities	AAA	N/A
DNB Bank	AAA	AAA
MSCI	AAA	N/A
Hannover Re Rueck SE	AAA	A

Source: MSCI

### Vote cast statistics

Votes for	87.90%
Votes against	6.00%
Votes management say on pay	5.52%
Votes withheld	0.48%
Votes abstain	0.10%

Source: MSCI, ISS

# Governance

A system of rules,  
processes and practices by  
which the Company  
is governed.

# Strategic Report

The Strategic Report section of this Annual Report comprises the Chairman's Statement, the Investment Manager's Report, including information on the portfolio, and this Strategic Report. This Report has been prepared to provide information to Shareholders on the Company's strategy and the potential for this strategy to succeed, including a fair review of the Company's performance during the year ended 30 November 2022, the position of the Company at the year end and a description of the principal risks and uncertainties. Throughout the Strategic Report there are certain forward-looking statements made by the Directors in good faith based on the information available to them at the time of their approval of this Report. Such statements should be treated with caution due to inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

## Business Model and Regulatory Arrangements

The Company's business model follows that of an externally managed investment trust providing Shareholders with access to a portfolio of listed or quoted securities issued by companies in the financials sector. Its shares are listed on the main market of the London Stock Exchange.

The Company is designated an Alternative Investment Fund ('AIF') under the Alternative Investment Fund Management Directive ('AIFMD') and, as required by the Directive, has contracted with Polar Capital LLP to act as the Alternative Investment Fund Manager ('AIFM') and HSBC Bank Plc to act as the Depositary.

Both the AIFM and the Depositary have responsibilities under AIFMD for ensuring that the assets of the Company are managed in accordance with the investment policy and are held in safe custody. The Board remains responsible for setting the investment strategy and operational guidelines as well as meeting the requirements of the Financial Conduct Authority ('FCA') Listing Rules and the Companies Act 2006.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the Annual Report of each AIF. Investor Disclosure Documents, which set out information on the Company's investment strategy and policies, gearing, risk, liquidity, administration, management, fees, conflicts of interest and other Shareholder information are available on the Company's website.

There have been no material changes to the information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange. Statements from the Depositary and the AIFM can be found on the Company's website.

## Investment Objective and Policy

The Company's investment objective is to generate for investors a growing dividend income together with capital appreciation. The Company seeks to achieve its objective by investing in a global portfolio primarily consisting of listed or quoted securities issued by companies in the financials sector operating in banking, insurance, property and other sub-sectors. The portfolio is diversified by geography, industry sub-sector and stock market capitalisation.

The Company may have a small exposure to unlisted and unquoted companies, but in aggregate, this is not expected to exceed 10% of total assets at the time of investment. The Company will not invest more than 10% of total assets, at the time of investment, in other listed closed-ended investment companies and no single investment will normally account for more than 10% of the portfolio at the time of investment.

The Company may employ levels of borrowing from time to time with the aim of enhancing returns, currently subject to an overall maximum of 20% (increased from 15% at the time of the reconstruction in April 2020) of net assets at the time the relevant borrowing is taken out. Actual levels of borrowing may change from time to time based on the Manager's assessment of risk and reward.

The Company may invest through equities, index-linked and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions, forward transactions, index options and other instruments including derivatives. Forward transactions, derivatives (including put and call options on individual positions or indices) and participation notes may be used to gain exposure to the securities of companies falling within the Company's investment policy or to seek to generate income from the Company's position in such securities, as well as for efficient portfolio management. Any use of derivatives for investment purposes is made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments. The Company may hedge exposure to foreign currencies if considered appropriate for efficient portfolio management.

## The Board

As the day to day management of the Company is outsourced to service providers, the Board's focus at each meeting is on investment performance, including the outlook and strategy, processes and ESG. The Board also considers the Company's structure and growth ensuring Shareholders' interests are at the forefront of any structural or capital change. In addition, the management and provision of services received from third-party service providers and the risks inherent in the various matters are regularly reviewed and discussed. Further information on the composition of the Board can be found on pages 30, 31 and 56.

## Strategy and Investment Approach

The Manager's investment process is a six-stage process primarily driven by a bottom-up fundamental analysis of individual companies, albeit with macroeconomic inputs. The Manager regularly uses both quantitative and qualitative screens to rank companies on a risk-adjusted basis, since the fundamental view is that long-term returns in most financial stocks are driven by their success in writing risk, rather than short-term growth trends. The approach involves undertaking a detailed income statement and balance sheet analysis and values a company based on the Capital Asset Pricing Model that compares a company's return on equity to its cost of capital (the latter taking account of both stock and country risk) to provide a fair price/book valuation. This valuation (coupled with other more standard valuation systems) is then ranked across the global universe and added to scores focused on other variables such as profitability, risk, ESG and growth metrics to provide a model portfolio and so a focus for additional stock-specific research. When possible, the portfolio Managers undertake trips to the US, Europe and Asia to meet companies as well as those they meet in London, leveraging off the combined experience of the Manager's team of five fund managers and analysts who focus on the global financials sector.

There are no limits on the exposure of the investment portfolio to either small or mid-cap companies but the majority of the portfolio is invested in companies with a market capitalisation greater than US\$5bn. The Manager has discretion to invest up to 10% of the portfolio in debt securities.

The vast majority of the investment portfolio is invested in companies that not only offer capital appreciation but pay dividends, which are expected to rise over time, so as to meet the necessary income required to facilitate the payment of a rising level of dividends to Shareholders. The Board, together with the Manager will continue to assess the likely income capability of the portfolio in a post Covid environment to determine the appropriate longer-term distribution level.

## Service Providers

Polar Capital LLP has been appointed to act as the Investment Manager and AIFM as well as to provide or procure company secretarial, marketing and administrative services, including accounting, portfolio valuation and trade settlement which it has arranged to deliver through HSBC Securities Services.

The Company also contracts directly, on terms agreed periodically, with a number of third parties for the provision of specialist services:

- HSBC Securities Services as Custodian and Depositary;
- Stifel Nicolaus Europe Limited as Corporate Broker;
- Equiniti Limited as Share Registrars;
- PricewaterhouseCoopers LLP as Independent Auditors;

- RD:IR for Investor Relations and Shareholder Analysis;
- Marten & Co as third-party research providers;
- Camarco as PR advisors;
- Perivan as Designers and Printers for Shareholder communications; and
- Huguenot Limited as Website Designers and internet hosting services.

Under the terms of the Investment Management Agreement ("IMA") the Manager is also responsible for monitoring third-party suppliers which are directly appointed by the Company. The Manager has, with the consent of the Directors, delegated the provision of certain of these administrative functions to HSBC Securities Services and to Polar Capital Secretarial Services Limited. The fees of HSBC Securities Services are paid by the Company. The Board believes that the benefits gained by utilising the services of a Company Secretary provided by the Manager significantly outweigh the potential for a conflict of interest perceived by PIRC. Further information is contained in the Corporate Governance Report on page 55.

## Benchmark

The Company measures the Manager's performance against the MSCI ACWI Financials Net Total Return Index ('the Benchmark'). This has been used to measure the performance of the Company since 23 April 2020, although the Manager does not seek to replicate the index in constructing the Company's portfolio. The portfolio may, therefore, diverge substantially from the constituents of this Benchmark.

Although the Company evaluates its performance against the Benchmark, this is neither a target nor a determinant of investment strategy. The purpose of the Benchmark is to set out a reasonable measure of performance for Shareholders and an appropriate base which, together with an additional hurdle, forms the level above which the Manager earns a performance fee.

## Investment Management Company and Management of the Portfolio

As the Company is an investment vehicle for Shareholders, the Directors have sought to ensure that the business of the Company is managed by a leading specialist investment management team and that the investment strategy is attractive to Shareholders. The Directors believe that a strong working relationship with the Manager will achieve the optimum return for Shareholders. As such, the Board and Manager operate in a supportive, co-operative and open environment.

The Investment Manager is Polar Capital LLP ("Polar Capital") which is authorised and regulated by the Financial Conduct Authority, to act as Investment Manager and AIFM of the Company with sole responsibility for the discretionary management of the Company's assets (including uninvested

# Strategic Report continued

cash) and sole responsibility for decisions as to the purchase and sale of individual investments. The Manager also has responsibility for asset allocation within the limits of the investment policy and guidelines established and regularly reviewed by the Board, all subject to the overall control and supervision of the Board.

Information is provided to the Directors on a timely basis, covering all aspects of relevant management, regulatory and financial information. The Board receives a report from the Manager at each Board meeting and may ask representatives of the Manager to attend Board meetings enabling Directors to probe further on matters of concern or seek clarification as appropriate. While the Board reviews the performance of the Manager at each Board meeting, and the Company's performance against Benchmark and a peer group of funds with similar objectives, the Management Engagement Committee formally carries out an annual review of the Manager and other suppliers' performance during the year.

Polar Capital provides a team of financial specialists and the portfolio is jointly managed by Mr Nick Brind, Mr John Yakas and Mr George Barrow, supported by other financials specialists within the team. The Manager has other investment resources which support the investment team and has experience in administering and managing other investment companies.

## Termination Arrangements

The IMA may be terminated by either party giving 12 months' notice. The IMA may be terminated earlier by the Company with immediate effect on the occurrence of certain events, including: (i) if an order has been made or an effective resolution passed for the liquidation of the Manager; (ii) if the Manager ceases or threatens to cease to carry on its business; (iii) where the Company is required to do so by a relevant regulatory authority; (iv) on the liquidation of the Company; or (v) subject to certain conditions, where the Manager commits a material breach of the IMA. In the event the IMA is terminated by the Company, except in the event of termination by the Company for certain specified causes, the base fee and the performance fee will be calculated pro rata for the period up to and including the date of termination.

## Fee Arrangements

### Management Fee

Under the terms of the IMA, the Manager is entitled to a management fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. The Management fee is payable monthly in arrears and, with effect from 7 April 2020, is charged at a rate of 0.70% per annum of the Company's NAV based on the lower of the Company's market capitalisation and NAV. In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year 80% of the management fee payable is charged to capital and the remaining 20% to revenue.

### Performance Fee

The Manager may be entitled to a performance fee equal to 10% of the excess of the performance fee hurdle and payable at the end of each five-year period, the first period being from 23 April 2020 to 30 June 2025 and at five yearly intervals thereafter.

For the purposes of calculating the performance fee, the Company's NAV (adjusted to reflect dividends paid, and any performance impact caused by the issue or buyback of ordinary shares) at 30 June 2025, being the end of the relevant Performance Period, will be used. As reported last year, the significant growth of the Company's share capital since reconstruction in April 2020 created an unintended outcome from the performance fee calculation methodology. The methodology was amended to reflect the increase in the NAV per share and the performance fee accrual recalculated from the date of the reconstruction. No performance fee has been paid or accrued as at 30 November 2022. Where a performance fee becomes payable it will be charged 100% to capital.

## Performance and Key Performance Objectives

The Board appraises the performance of the Company and the Manager as the key supplier of services to the Company against key performance indicators ('KPIs'). The objectives of the KPIs comprise both specific financial and Shareholder related measures. These KPIs have not differed from the prior year.

KPI	Control Process	Outcome
<b>The provision of investment returns to Shareholders measured by long-term NAV total return relative to the Benchmark and a comparator group.</b>	<p>The Board reviews at each meeting the performance of the portfolio and considers the views of the Manager and the value delivered to Shareholders through NAV growth and dividends paid.</p> <p>The Board also receives monthly reports on performance against both the Benchmark and a comparator group of open-ended investment funds.</p>	<p>The Company's NAV total return, over the year ended 30 November 2022, was 1.9%* while the Benchmark delivered 6.8% over the same period. Since inception the NAV total return was 125.9%* compared to 134.9% for the Benchmark and 97.6% for a comparator group.</p> <p>The Company ranks 9 out of a comparator group of 33 open ended funds within the Lipper Financial Sector universe since inception and 1 out of 6 within a smaller comparable group of funds regularly considered by the Board as at 30 November 2022.</p>
<b>The achievement of a progressive dividend policy.</b>	Financial forecasts are reviewed to track income and distributions.	<p>A total of two interim dividends amounting to 4.45p (2021: 4.40p) per ordinary share have been paid or declared in respect of the financial year ended 30 November 2022.</p> <p>While the aim to achieve dividend growth remains there is no guarantee that this can be achieved.</p>
<b>Monitoring and reacting to issues created by the discount or premium of the ordinary share price to the NAV per ordinary share with the aim of reducing volatility for Shareholders.</b>	<p>The Board receives regular information on the composition of the share register including trading patterns and discount/premium levels of the Company's ordinary shares. The Board discusses and authorises the issue or buy back of shares when appropriate.</p> <p>The Board is aware of the vulnerability of a sector specialist investment trust to a change in investor sentiment towards that sector. While there is no formal policy the Board discusses the market factors giving rise to any discount or premium, the long or short-term nature of those factors and the overall benefit to Shareholders of any mitigating actions. The market liquidity is also considered when authorising the issue or buy back of shares when appropriate market conditions prevail.</p> <p>A daily NAV per share, calculated in accordance with the AIC guidelines is issued to the London Stock Exchange.</p>	<p>The discount of the ordinary share price to the NAV per ordinary share at the year end was 7.0%* compared with a premium of 2.7% at the year ended 30 November 2021. The discount for the investment trust sector at 30 November 2022 was 13.5%.</p> <p>During the year under review, the Company issued a total of 31,944,680 ordinary shares. In addition, the Company executed two Subsequent Placings under the terms of the Prospectus issued on 12 May 2021, resulting in the issue of a further 26,775,320 new ordinary shares.</p> <p>In the year ended 30 November 2022, the Company bought back 6,356,000 ordinary shares at an average discount of 9.0%. Subsequent to the year end and to 16 February 2023, the Company bought back a further 790,000 shares. All shares bought back have been placed into treasury for reissue to the market under the appropriate conditions.</p>
<b>To qualify and continue to meet the requirements for Sections 1158 and 1159 of the Corporation Tax Act 2010 ('investment trust status').</b>	The Board receives regular financial information which discloses the current and projected financial position of the Company against each of the tests set out in Sections 1158 and 1159. Please refer to the Directors Report on page 48 for further information.	<p>The Company has been granted investment trust status annually since its launch on 1 July 2013 and is deemed to be granted such status for each subsequent year subject to the Company continuing to satisfy the conditions of Section 1158 of the Corporation Tax Act 2010 and other associated ongoing requirements.</p> <p>The Directors believe that the tests have been met in the financial year ended 30 November 2022 and will continue to be met.</p>
<b>Efficient operation of the Company with appropriate investment management resources and services from third party suppliers within a stable and risk controlled environment.</b>	<p>The Board considers annually the services provided by the Manager, both investment and administrative, and reviews on a cycle the provision of services from third parties including the costs of their services.</p> <p>The annual operating expenses are reviewed and any non-recurring project related expenditure approved by the Board.</p>	<p>The Board, through the Audit Committee has received and considered satisfactory the internal controls report of the Manager and other key suppliers including contingency arrangements to facilitate the ongoing operations of the Company in the event of withdrawal or failure of services.</p> <p>The ongoing charges for the year ended 30 November 2022 excluding the performance fee were 0.87% of net assets (2021: 1.02%)*. The ongoing charges including the performance fee payable were 0.65% (2021: 0.98%)*. The decrease in ongoing charges including performance fee reflects the write back of the performance fee accrual in the year under review.</p>

\*See Alternative Performance Measures

# Strategic Report continued

## Principal Risks and Uncertainties

The Board is responsible for the management of risks faced by the Company and, through delegation to the Audit Committee, has established procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

The established risk management process the Company follows identifies and assesses various risks, their likelihood, and possible severity of impact, considering both internal and external controls and factors that could provide mitigation. A post mitigation risk impact score is then determined for each principal risk.

The Audit Committee carries out, at least annually, a robust assessment of the principal risks and uncertainties with the assistance of the Manager, continually monitors identified risks and meets to discuss both long-term and emerging risks outside of the normal cycle of Audit Committee meetings.

During the year the Audit Committee, in conjunction with the Board and the Manager, undertook a full review of the Company's Risk Map including the mitigating factors and controls to reduce the impact of the risks. The Committee continues to closely monitor these risks along with any other emerging risks as they develop and implements mitigating actions as necessary.

The Committee is mindful of the uncertainty surrounding inflation, recession and rising interest rates coupled with the invasion of Ukraine by Russia and the longer term impact this may have on the market and global economy. The impact of this is discussed further in the Chairman's Statement and Manager's Report. Further information on how the Committee has assessed the Company's ability to operate as a going concern and the Company's longer-term viability can be found on pages 64 and 66 of the Report of the Audit Committee.

The principal risks are detailed on the following pages along with a high-level summary of their management through mitigation over the past financial year.



## Principal Risks and Uncertainties continued

### Business

#### Principal Business Risks and Uncertainties

Failure to achieve investment objective, investment performance below agreed benchmark objective or market/ industry average.

#### Management of Risks through Mitigation & Controls

The Board seeks to manage the impact of such risks through regular reporting and monitoring of investment performance against a comparator group of open-ended funds, the Benchmark and other agreed indicators of relative performance. In months when the Board is not scheduled to meet, it receives a monthly report containing financial information on the Company including gearing and cash balances.

Performance and strategy are reviewed throughout the year at regular Board meetings where the Board can challenge the Manager. The Board also receives a monthly commentary from the Manager in the form of factsheets for all the specialist financial sector funds managed by Polar Capital.

The Board is committed to a clear communication programme to ensure Shareholders understand the investment strategy. This is maintained through the use of monthly factsheets which have a market commentary from the Manager as well as portfolio data, an informative website as well as annual and half year reports. The Management Engagement Committee considers the suitability of the Manager on the basis of performance and other services provided.

Loss of portfolio manager or other key staff.

The strength and depth of investment team provides comfort that there is not over-reliance on one person with alternative portfolio managers available to act if needed. For each key business process roles, responsibilities and reporting lines are clear and unambiguous. Key personnel are incentivised by equity participation in the investment management company.

Persistent excessive share price premium/discount to NAV.

In consultation with its advisors, including the corporate broker, the Board regularly considers the level of the share price premium/discount to the NAV and the Board reviews ways to enhance Shareholder value including share issuance and buy backs.

# Strategic Report continued

## Principal Risks and Uncertainties continued

### Portfolio Management

#### Principal Business Risks and Uncertainties

While the portfolio is diversified across a number of stock markets worldwide, the investment mandate is focused on financials and thus the portfolio is more sensitive to investor sentiment and the commercial acceptance of the sector than a general investment portfolio.

The Company's portfolio is exposed to risks such as market price, credit, liquidity, foreign currency and interest rates. The portfolio is actively managed. The Manager's style focuses primarily on the investment opportunity of individual stocks and, accordingly, may not follow the makeup of the Benchmark. This may result in returns which are not in line with the Benchmark.

The degree of risk which the Manager incurs in order to generate the investment returns and the effect of gearing on the portfolio by borrowed funds can magnify the portfolio returns per share positively or negatively.

Gearing, either through bank debt or the use of derivatives, may be utilised from time to time. Whilst the use of gearing is intended to enhance the NAV total return, it will have the opposite effect when the return on the Company's investment portfolio is negative.

The ability to continue the dividend policy may be compromised due to lower income as a result of changes in underlying companies' policies, or changes in the portfolio construction, regulatory intervention, local taxes 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.

#### Management of Risks through Mitigation & Controls

The Board has set appropriate investment limits against which it monitors the position of the portfolio. They include guidelines on exposures to certain investment markets and sectors. The Board discusses with the Manager at each Board meeting its views on the sector.

At each Board meeting the composition and diversification of the portfolio by geographies, sectors and capitalisations are considered along with sales and purchases of investments. Individual investments are discussed with the Manager as well as the Manager's general views on the various investment markets and the financials sector in particular.

Analytical performance data and attribution analysis is presented by the Manager.

The policies for managing the risks posed by exposure to market prices, interest rates, foreign currency exchange rates, credit and liquidity are set out in Note 27 to the financial statements. Shareholders have sight of the entire portfolio and geographic exposure of investments.

The arrangement of any new banking facilities and gearing limits under such arrangements are controlled by the Board. Derivatives are considered as being a form of gearing and their use has been agreed by the Board. The deployment of borrowed funds (if any) is based on the Manager's assessment of risk and reward. At 30 November 2022 the Company was 6.0% geared (2021: 5.2%).

The Board monitors income and currency exposure through monthly management accounts and discussion. In the event of there being insufficient income during the financial year the Company has built up revenue reserves on which to draw to pay dividends. Equally, in the event of the revenue reserves being fully utilised the Company may use other distributable reserves. See notes 22 to 24 on pages 104 and 105.

The Board and the Manager will continue to assess the income capability of the portfolio and determine the appropriate longer-term dividend level based on how economies and businesses perform.

## Principal Risks and Uncertainties continued

### Infrastructure

#### Principal Business Risks and Uncertainties

There are risks from the failure of, or disruption to, operational and accounting systems and processes provided by the Manager including any subcontractors to which the Manager has delegated a task as well as directly appointed suppliers.

The mis-valuation of investments or the loss of assets from the custodian or sub custodians could affect the NAV per share or lead to a loss of Shareholder value.

There is taxation risk that the Company may fail to continue as an investment trust and suffer capital gains tax or fail to recover as fully as possible withholding taxes on overseas investments.

The legal and regulatory risks include failure to comply with the FCA's Prospectus Rules, Listing Rules and Disclosure Guidance and Transparency Rules; not meeting the provisions of the Companies Act 2006 and other UK and overseas legislation affecting UK companies and not complying with accounting standards. Further risks arise from not keeping abreast of changes in legislation and regulations which have in recent years been substantial.

#### Management of Risks through Mitigation & Controls

At each Board meeting the Board receives an administration report that provides details on general corporate matters including legislative and regulatory developments and changes.

The Board conducts an annual review of suppliers and their internal control reports, which includes the disaster recovery procedures of the Manager.

Regular reporting from the Depositary on the safe custody of the Company's assets and the operation of control systems related to the portfolio reconciliation is monitored. Specialist advice is sought on taxation issues as and when required. The Audit Committee has oversight of such work.

Information and guidance on legal and regulatory risks is managed by using the Manager or professional advisers where necessary and the submission of reports to the Board for discussion and, if required, any remedial action or changes considered necessary. The Board monitors new developments and changes in the regulatory environment. Whilst it has no control over such changes, the Board seeks to ensure that their impact on the Company is understood and complied with.

### External

#### Principal Business Risks and Uncertainties

There is significant exposure to the economic cycles of the markets in which the underlying investments conduct their business operations as well as the economic impact on investment markets where such investments are listed.

The fluctuations of exchange rates can also have a material impact on Shareholder returns.

#### Management of risks through Mitigation & Controls

The Board regularly discusses global geopolitical issues and general economic conditions and developments.

The impact on the portfolio from other geopolitical changes are monitored through existing control systems and discussed regularly by the Board. While it is difficult to quantify the impact of such changes, it is not anticipated that they will fundamentally affect the business of the Company or make investing in the financials sector any less desirable. The longer term effects of inflation, recession and the war in Ukraine will continue to be assessed by the Audit Committee in light of how they will impact the Company's portfolio and the overall economic and geopolitical environment in which the Company operates.

Note 27 describes the risks posed by changes in foreign exchange rates. The Manager has the ability to hedge foreign currency if it is thought appropriate at the time.

## Strategic Report continued

# Section 172 Statement

The statutory duties of the Directors are listed in s171-177 of the Companies Act 2006. Under s172, Directors have a duty to promote the success of the Company for the benefit of its members (our Shareholders) as a whole and in doing so have regard to the consequences of any decision in the long term, as well as having regard to the Company's stakeholders amongst other considerations. The fulfilment of this duty not only helps the Company achieve its Investment Objective but ensures decisions are made in a responsible and sustainable way for Shareholders.

To ensure that the Directors are aware of, and understand, their duties, they are provided with an induction when they first join the Board; the induction includes both functional, operational and support arrangements for the Company and also relevant regulatory and legal duties of a director. The Directors continue to receive regular and ongoing updates on relevant legislative and regulatory developments and have access to the advice and services of the Company Secretary and, when deemed necessary, the Directors can seek independent professional advice. The Schedule of Matters Reserved for the Board, as well as the Terms of Reference of its Committees, are reviewed annually and further describe Directors' responsibilities and obligations and include any statutory and regulatory duties.

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during discussions and as part of the decision-making process. As an externally managed investment company, the Company does not have any employees or customers, however the key stakeholders and a summary of the Board's consideration and actions where possible in relation to each group of stakeholders are described in the table below.

Stakeholder Group	How we engage with them
Shareholders	<p></p> <p>The Directors have considered this duty when making the strategic decisions during the year that affect Shareholders, including the continued appointment of the Manager and the recommendation that Shareholders vote in favour of the resolutions proposed at both the General Meeting held on 1 February 2022 and the Annual General Meeting held on 7 April 2022 at which Shareholder authorities were renewed.</p> <p>In response to positive market sentiment, the Company continued issuing the ordinary shares held in treasury until the account was reduced to nil and thereafter, new ordinary shares, into the market and completed two subsequent placing processes in accordance with the terms of the Prospectus issued in May 2021. In total, within the financial year ending 30 November 2022, 58,770,000 ordinary shares were issued into the market.</p> <p>In contrast to the positive share issues, market sentiment turned markedly negative in February 2022 following the instigation of war by Russia on Ukraine and the economic fallout thereafter; no further shares have been issued to date. The Directors monitored the market carefully, noting the change in sentiment across all sectors. When deemed appropriate, the positive issue status reversed with the Company becoming active buyers in the market utilising the Shareholder authority to buy back shares when the discount widened outside of an acceptable range for what had become normal market conditions. Within the financial year, the Company bought back a total of 6,356,000 shares and these were placed into treasury. Since the financial year end to 16 February 2023, a further 790,000 shares have been bought back. The Directors will continue to monitor the market and take the appropriate action when deemed necessary.</p> <p>The Company's AGM will be held at 11:30am on Thursday 30 March 2023 at the offices of Polar Capital, 16 Palace Street, London SW1E 5JD and the Board is keen to ensure that Shareholders are able to exercise their right to vote and participate. All resolutions will be voted on by a poll and Shareholders are encouraged to submit their proxy votes ahead of the deadline.</p> <p>The Board believes that Shareholder engagement remains important, especially in the current market conditions and is keen that the AGM be a participative event for all. To enable all Shareholders to hear the Managers' presentation, this year a pre-recorded presentation reviewing the year past and the outlook for 2022-2023 will be uploaded to the Company's website ahead of the AGM. The AGM in-person meeting will comprise the formal business and questions only. Shareholders are encouraged to send any questions ahead of the AGM to the Board via the Company Secretary at <a href="mailto:cosec@polarcapital.co.uk">cosec@polarcapital.co.uk</a> stating the subject matter as <b>PCFT AGM</b>. We ask that any questions are received by close of business on Tuesday 28 March 2023. The Chairs of the Board and of the Committees, along with the Manager, will attend and be available to respond to questions and concerns from Shareholders.</p> <p>Should any significant votes be cast against a resolution, the Board will engage with Shareholders and explain in its announcement of the results of the AGM the actions it intends to take to consult Shareholders in order to understand the reasons behind the votes against. Following the consultation, an update will be published no later than six months after the AGM and the Annual Report will detail the impact the Shareholder feedback has had on any decisions the Board has taken and any actions or resolutions proposed.</p>

**Stakeholder Group****How we engage with them****Shareholders**

continued

**Relations with Shareholders**

The Board and the Manager consider maintaining good communications and engaging with Shareholders through meetings and presentations a key priority. The Board regularly considers the share register of the Company and receives regular reports from the Manager and the Corporate Broker on meetings attended with Shareholders and any concerns that are raised in those meetings. The Board also reviews any correspondence from Shareholders and may attend investor presentations.

Shareholders are kept informed by the publication of annual and half year reports, monthly fact sheets, access to commentary from the Manager via the Company's website and attendance at events at which the Manager presents.

Shareholders are able to raise any concerns directly with the Board without using the Manager or Company Secretary as a conduit. The Chairman or other Directors are available to Shareholders who wish to raise matters either in person or in writing. The Chairman and Directors may be contacted through the registered office of the Company or by emailing [Chair.PCFT@polarcapital.co.uk](mailto:Chair.PCFT@polarcapital.co.uk).

The Company, through the sales and marketing efforts of the Manager, encourages retail investment platforms to engage with underlying Shareholders in relation to Company communications and enable those Shareholders to cast their votes on Shareholder resolutions; the Company however has no responsibility over such platforms. The Board therefore encourages Shareholders invested via platforms to regularly visit the Company's website or to make contact with the Company directly to obtain copies of Shareholder communications.

The Company has also made arrangements with its registrar for Shareholders who own their shares directly rather than through a nominee or share scheme to view their account online at [www.shareview.co.uk](http://www.shareview.co.uk). Other services are also available via this website.

**Outcomes and strategic decisions during the year**

Over the financial year, the share capital has seen a net increase of 19% as a direct result of investor demand. Such demand has been addressed by treasury and new share issuance and completion of the two subsequent placing processes under the terms of the Prospectus dated May 2021. When considering share issues and share buy backs, the Board has remained mindful of existing Shareholders by ensuring any issuance was not dilutive of NAV per share. In all cases, costs associated with the processes were controlled and absorbed by incoming Shareholders and were therefore not damaging to the value of the existing Shareholders. Where received, the views of Shareholders were taken into account in any actions undertaken.

**Manager**

Through the Board meeting cycle, regular updates and the work of the Management Engagement Committee in reviewing the services of the Manager annually, the Board is able to safeguard Shareholder interests by:

- Ensuring adherence to the Investment Policy;
- Ensuring excessive risk is not undertaken in the pursuit of investment performance;
- Ensuring adherence to the Investment Management Agreement and reviewing the agreed management and performance fees;
- Ensuring the Manager develops a suitable approach and activity level in relation to matters of an ESG nature; and
- Reviewing the Manager's decision making and consistency of its investment process.

Maintaining a close and constructive working relationship with the Manager is crucial as the Board and the Manager both aim to continue to deliver consistent, long-term returns in line with the Investment Objective. The culture which the Board maintains to achieve this involves encouraging open discussion with the Manager, ensuring that the interests of Shareholders and the Manager are aligned, providing constructive challenge and making Directors' experience available to support the Manager. This culture is aligned with the collegiate and meritocratic culture which Polar Capital has developed and maintains.

**Outcomes and strategic decisions during the year**

The Board in its capacity as the Management Engagement Committee has recommended the continued appointment of the Manager on the terms agreed within the Investment Management Agreement.

During the year under review, the Board continued to develop its approach to ESG and engages with the Manager to better understand how ESG has been further integrated by Polar Capital across the business and the financials team in particular. Please see pages 30 to 34 for further information.

# Strategic Report continued

## Section 172 Statement continued

Stakeholder Group	How we engage with them
<b>Investee Companies</b> 	<p>The Board has instructed the Manager to take into account the published corporate governance policies of the companies in which they invest.</p> <p>The Board has also considered the Manager's Stewardship Code and Proxy Voting Policy. The Proxy Voting Policy directs the Manager to vote at all general meetings of companies in line with Institutional Shareholder Services ("ISS") policy. However, in exceptional cases, where the Manager believes that a resolution would be detrimental to the interests of Shareholders or the financial performance of the Company, appropriate notification will be given and abstentions or a vote against will be lodged.</p> <p>The Manager voted at 73 company meetings over the year ended 30 November 2022, with 5.7% of all votes being against management and 35% of meetings having at least one vote against, withheld or abstained. The Manager reports to the Board, when requested, on the application of the Stewardship Code and Voting Policy. The Manager's Stewardship Code and Voting Policy can be found on the Manager's website in the Corporate Governance section (<a href="http://www.polarcapital.co.uk">www.polarcapital.co.uk</a>). Further information on how the Manager considers ESG in its engagement with investee companies can be found in the ESG Report on pages 30 and 34.</p> <p><b>Outcomes and strategic decisions during the year</b></p> <p>During the year, the Board discussed the impact of ESG and how the Manager incorporated ESG factors into its strategy and investment and decision-making processes. The Board receives information on how ESG factors affect the portfolio and receives feedback from the Manager on the development of its ESG processes; the Board has separately engaged with third party suppliers to review their ESG policies and ascertain how they also integrate ESG into their organisations.</p>
<b>Service Providers</b> 	<p>The Directors have frequent engagement with the Company's service providers through the annual cycle of reporting and due diligence meetings or site visits by the Manager. This engagement is undertaken with the aim of having effective oversight of delegated services, seeking to improve the processes for the benefit of the Company and to understand the needs and views of the Company's service providers, as stakeholders in the Company. Further information on the Board's engagement with service providers is included in the Corporate Governance Statement and the Report of the Audit Committee.</p> <p><b>Outcomes and strategic decisions during the year</b></p> <p>The reviews of the Company's service providers have been positive and the Directors believe their continued appointment is in the best interests of Shareholders. The accounting and administration services of HSBC Securities Services (HSS) are contracted through Polar Capital and provided to the Company under the terms of the IMA. However, the Board continues to conduct due diligence service reviews in conjunction with the Company Secretary and is satisfied that the services received continue to be of a high standard.</p>
<b>Proxy Advisors</b> 	<p>The support of the major institutional investors and proxy adviser agencies is important to the Directors, as the Company seeks to retain a reputation for high standards of corporate governance, which the Directors believe contributes to the long-term sustainable success of the Company. The Directors consider the recommendations of these various proxy voting agencies when contemplating decisions that will affect Shareholders and also when reporting to Shareholders through the Half Year and Annual Reports.</p> <p>Recognising the principles of stewardship, as promoted by the UK Stewardship Code, the Board welcomes engagement with all of its investors. The Board recognises that the views and recommendations of many institutional investors and proxy adviser agencies provide a valuable feedback mechanism and play a part in highlighting evolving Shareholder expectations and concerns.</p> <p>Prior to AGMs, the Company engages with these agencies to fact check their advisory reports and clarify any areas or topics that the agency requests. This ensures that whilst the proxy advisory reports provided to Shareholders are objective and independent, the Company's actions and intentions are represented as clearly as possible to assist with Shareholders' decision making when considering the resolutions proposed at the AGM.</p>

**Stakeholder Group****How we engage with them****The AIC**

The Company is a member of the AIC and has supported lobbying activities such as the consultation on the 2019 AIC Code, the 2021 BEIS Restoring Trust in Audit and Corporate Governance and the FCA's 2021 consultation on Diversity and Inclusion on Company Boards. The Directors may cast votes in the AIC Board Elections each year and regularly attend AIC events.

The Nomination Committee considers the time commitment required of Directors and the Board considers each Director's independence on an ongoing basis. The Board has confirmed that all Directors remain independent and able to commit sufficient time to fulfil their duties, including those listed in s172 of the Companies Act. Accordingly, all Directors are standing for election or re-election at the Company's AGM.

Approved by the Board on 20 February 2023

By order of the Board

**Tracey Lago, FCG**

Polar Capital Secretarial Services Limited  
Company Secretary

# Report of the Directors

## Report of the Directors

The Directors, who are listed on page 12 and 13, present their annual report, together with their Report on Corporate Governance and the Audited Financial Statements for the year ended 30 November 2022. In addition, the attention of Shareholders is drawn to the Strategic Report Section (Chairman's Statement, the Investment Manager's Report, Strategic Report, ESG and Section 172 Statements) which provide further commentary on the activities and outlook for the Company.

## Introduction and Status

The Company is incorporated in England and Wales as a public limited company and is domiciled in the United Kingdom. It is an investment company as defined in section 833 of the Companies Act 2006 (the 'Act') and its ordinary shares are listed and traded on the main market of the London Stock Exchange.

The Company seeks to continue to operate as an investment trust in accordance with sections 1158 and 1159 of the Corporation Tax Act 2010 (as amended by section 42(2) of the Finance Act 2011). As an approved investment trust the close company provisions do not apply. The Directors, under advice, expect the affairs of the Company to continue to satisfy the conditions of an investment trust. As an investment trust the Company's ordinary shares are excluded from the FCA's restrictions which apply to non-mainstream investment products. The Company conducts its affairs and intends to do so for the foreseeable future so that the exclusion continues to apply. The Company's ordinary shares are eligible for inclusion in a stocks and shares ISA.

The Audited Financial Statements are prepared in accordance with UK-adopted international accounting standards ("UK-adopted IAS").

## Purpose and Objective

The purpose and objective of the Company is unchanged and is to generate for Shareholders a growing dividend income and capital appreciation. The Investment Policy seeks to achieve the Company's objective through accessing a discretionary managed, diversified, global portfolio consisting primarily of listed or quoted equities 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 of the investee companies.

The portfolio is managed within a framework of investment limits, restrictions and guidelines determined by the Board, which seek to meet the investment objective while spreading and mitigating risk.

## Life of the Company

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 a General Meeting held on 7 April 2020 (the 'Reconstruction'). The new Articles of Association removed the fixed life and instead require the Company to make tender offers at five-yearly intervals, with the first to commence on or before 30 June 2025.

## Annual General Meeting

The Company's AGM will be held at 11:30am on Thursday 30 March 2023. Please see pages 120 and 121 for further information on the resolutions to be proposed.

## Dividends

The Company has an income and growth mandate, and the Board is aware of the importance of income to some Shareholders as part of their total return. The Board will be careful to balance its objective of growing dividends for Shareholders with sustainable earnings prospects and the availability of distributable reserves to support dividend payments. Shareholders should be aware that circumstances may arise when it is necessary to reduce the level of dividend payment or equally there may be instances when the level of dividend must be increased in order to comply with Sections 1158 and 1159 of the Corporation Tax Act 2010. Where this would result in paying a dividend beyond the Board's policy, a 'special dividend' may be declared and paid.

The Company's Articles of Association allow the Company to make distributions from all its distributable profits. The Company can therefore choose to pay dividends out of Distributable Reserves, the Special Distributable Reserve and the Capital Reserves should it be deemed appropriate. Through calendar years 2020, 2021 and the early part of 2022, the Company continued a strong level of share issuance which resulted in an increase in the capital received from the re-issue of shares out of the Company's treasury account and block listing into the Capital account. The Company therefore determined that it was appropriate to use part of its Capital Reserves to support the payments of the second interim dividend of the 2021 financial year, paid in February 2022, in the amount of £831,000 and the first interim dividend of the 2022 financial year, paid in August 2022, in the amount of £162,000.

The Company's dividend policy is to, where possible, pay two interim dividends each year, in February and August. These interim dividends will not necessarily be of equal amounts. The Directors do not recommend, and the Company does not pay, a final dividend. Details of the dividends paid and declared are set out on pages 3 and 8 and in Note 12 on pages 96 and 97. In accordance with best practice, the Directors will be proposing a resolution to approve the Company's dividend policy at the AGM to be held on 30 March 2023.

## Independent Auditors

The Company conducted a competitive audit tender process in December 2021 following which PricewaterhouseCoopers LLP (PwC) continued to act as the Company's independent external auditors and were reappointed at the AGM in April 2022. PwC have subsequently expressed their willingness to continue in office as the Company's independent auditors. A resolution to re-appoint PwC as independent auditors to the Company will therefore be proposed at the forthcoming AGM in March 2023.

The fee agreed in respect of the audit of the 2022 annual financial statements was £44,000 (2021: £37,800 plus an overrun fee of £6,000 for the 2021 financial year audit which was recognised in the year under review). During the year under review, PwC were appointed as Reporting Accountant to the Company in connection with the placing programme, such service was deemed to be a non-audit service for which a fee of £24,000 was paid. See pages 63 and 64 of the Audit Committee Report for further details.

## Share Capital History and Voting Interests

The Summary of Share Capital Movements is provided on page 2. Further information in relation to the Company's share capital history and transactional arrangements are provided in the Shareholder Information section on pages 122 and 123.

## Powers to issue shares and make market purchases of ordinary shares

At the AGM held in 2022, the Board was granted by Shareholders the power to allot equity securities for cash without first offering those shares to Shareholders in accordance with their statutory pre-emption rights, up to a nominal value of £1,644,027, equivalent to 10% of the Company's issued ordinary share capital.

The Board was also granted authority by Shareholders to make market purchases of up to 49,287,933 ordinary shares of the Company, equivalent to 14.99% of the issued share capital in accordance with the terms and conditions set out in the Shareholder resolution.

In the financial year under review, a total of 31,994,680 shares were issued and 6,356,000 shares were repurchased under the above authorities. In addition, the Company undertook two subsequent Placings under the terms of the Prospectus issued on 12 May 2021, resulting in the issue of a further 26,775,320 new ordinary shares in February 2022. Subsequent to the year end up to 16 February 2023, the latest practicable date, no further shares have been issued and a further 790,000 shares have been repurchased.

These authorities will expire at the 2023 AGM and renewal of these authorities will be sought at that AGM. Details of the resolutions and the Directors' policies for the issue and purchase of shares will be set out in the separate Notice of Annual General Meeting which will be distributed to Shareholders in February 2023. New ordinary shares will only be allotted and issued at or above the prevailing net asset value per share after taking into account the costs of issue.

# Report of the Directors continued

## Major Interests in Ordinary Shares

As at the year end of 30 November 2022, the Company had received notifications from the following Shareholders in respect of their own and their clients' interests in the voting rights of the Company:

Shareholder	Type of Holding	Number of Shares	% of Voting Rights*
Investec Wealth & Investment Ltd	Direct	42,891,407	13.18%
Rathbone Brothers plc	Indirect	39,634,967	12.18%
RBC Brewin Dolphin Ltd	Indirect	21,781,666	6.69%
City of London Investment Management	Indirect	17,923,619	5.51%
Charles Stanley	Indirect	16,408,405	5.04%
Canaccord Genuity	Indirect	10,091,107	3.10%
Quilter Cheviot Investment Management	Indirect	9,093,979	2.79%
JM Finn & Company Ltd	Direct	8,774,569	2.70%

\* The above percentages are calculated by applying the ordinary shareholdings as notified, to the Total Voting Rights of the issued ordinary share capital as at 30 November 2022 of 325,394,000 being all the issued ordinary shares.

## Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain further information in relation to the Company which is not otherwise disclosed. The only disclosure to be made is with regard to the amount of interest capitalised and can be found in Note 9 on page 95.

By order of the Board

**Tracey Lago, FCG**

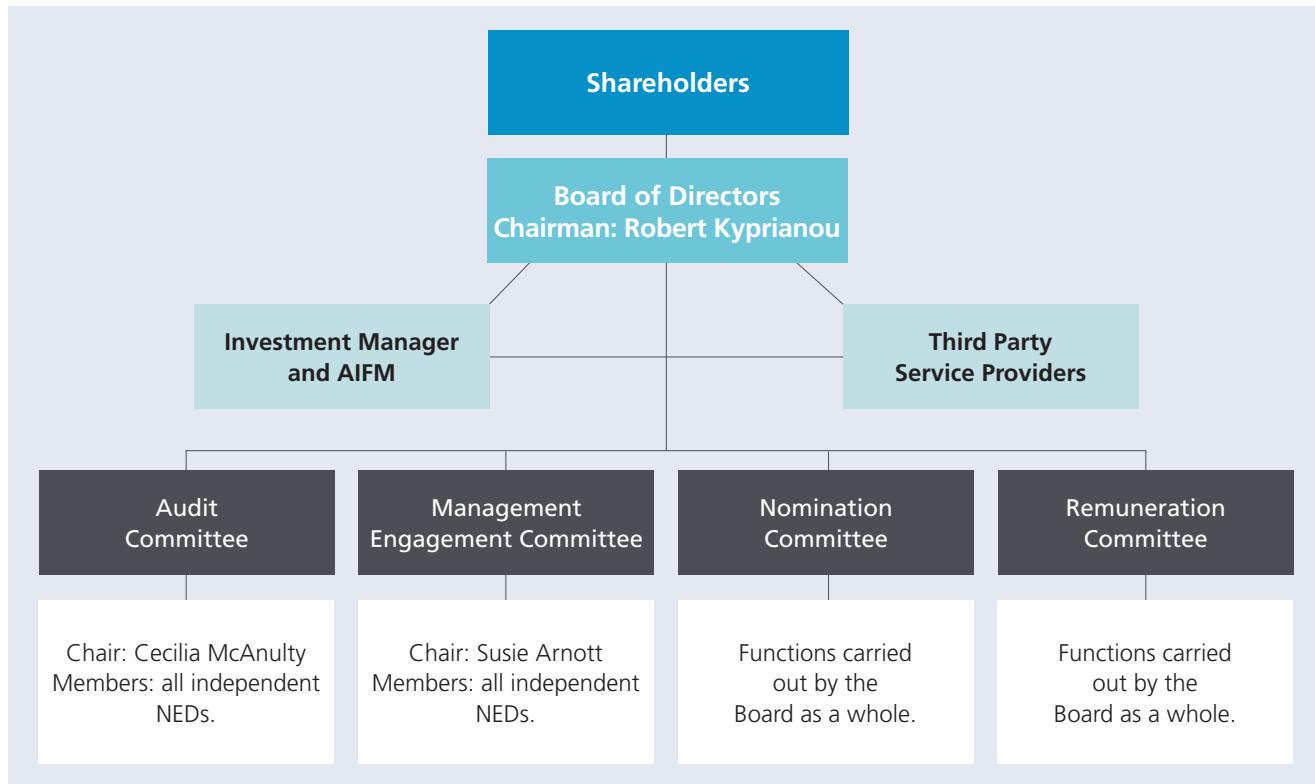
Polar Capital Secretarial Services Limited

20 February 2023

# Report on Corporate Governance

## Corporate Governance Framework

The following diagram illustrates the governance framework within which the Company is managed. The Directors are ultimately accountable to Shareholders for the governance of the Company's affairs and are therefore responsible for the good governance of the Company. The Company has no employees and relies on third parties to administer the Company and to provide investment management services.



The Financial Reporting Council (FRC) has endorsed the 2019 Association of Investment Companies ('AIC') Code of Corporate Governance (the 'AIC Code') for AIC Member Companies to report against in relation to their corporate governance provisions. The AIC Code addresses the relevant principles set out in the FRC UK Code as well as additional principles and recommendations on issues that are specific to investment companies.

The FRC has confirmed that by following the AIC Code, boards of investment companies will meet their obligations under FCA Listing Rule 9.8.6. As an externally managed investment company many provisions of the FRC UK Code are not relevant to the Company, including those relating to the roles of chief executive, executive directors' remuneration, statement of gas emissions and the requirement to have an internal audit function.

In addition, there are provisions within the FRC UK Code which the Board has chosen to depart from in favour of following the AIC Code, such as the Company's formal Chair Tenure Policy which allows the Chair to continue in role in excess of nine years. See page 57 for more information.

## Statement of Compliance and Application of the AIC Code's Principles

The Board has considered the Principles and Provisions of the AIC Code. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to Shareholders.

The AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

# Report on Corporate Governance continued

The Board believes that the Company's current practices are consistent in all material respects in applying the principles and complying with the provisions of the AIC Code. The Board will continue to observe the principles and recommendations set out in the AIC Code.

The AIC Code's principles and provisions are structured into five sections: Board leadership and purpose; division of responsibilities; composition, succession and evaluation; audit, risk and internal control; and remuneration. The Company's application of the principles and compliance with the provisions of each section is detailed on the following pages.

## BOARD LEADERSHIP AND PURPOSE (Principles A-E, Provisions 1-7)

### Board Leadership and Purpose

The Company's purpose is to provide a vehicle for investment in which assets are invested across a global portfolio of listed or quoted securities issued by companies in the financials sector operating in the banking, insurance, property and other subsectors which generate for investors a growing dividend income together with capital appreciation. The purpose is achieved through the Investment Objective and Policy incorporating parameters to ensure excessive risk is not taken.

The portfolio is diversified by factors including geography, industry sub-sector and stock market capitalisation. As an externally managed investment trust, the culture of the Company is a consequence of the Board's composition, decisions and behaviours which are aligned with the values and behaviours of the Manager, interaction between the two and engagement with the Company's stakeholders. The Board monitors this culture, including the policies and practices it implements to maintain it.

In promoting the long-term sustainable success of the Company, the performance of the Company's portfolio is constantly reviewed in pursuit of value generation for Shareholders by achievement of the investment objective. Investment management fees are reviewed periodically, with the last change occurring in April 2020 following the reconstruction of the Company and the introduction of the current fee structure. The Investment is entitled to a management fee at the rate of 0.70% (previously 0.85%) per annum based on the Company's net asset value. The Company's performance since launch in July 2013 can be found on page 4 and how the Board views its contribution to wider society is considered in the s172 statement on pages 44 to 47. The Board's engagement with Shareholders and other stakeholders and how it contributes to strategic decision making is also discussed within the s172 statement. Participation from all stakeholders is encouraged and the Board can be contacted through the Company Secretary. The Company's service providers are subject to periodic site visits and attend service reviews and other meetings throughout the year, ensuring effective engagement. Fulfilling the Investment Objective and monitoring the Company's performance is the primary focus of the Board's discussions.

The Board's effectiveness, including how it promotes the long-term sustainable success of the Company, is reviewed annually. The process and outcomes of the Board evaluation are detailed on page 58.

### Role, Responsibilities and Committees of the Board

The Board has delegated to the Audit and Management Engagement Committees specific remits for consideration and recommendation but the final responsibility in these areas remains with the Board. The Board has determined that, due to its size and the fact that all the Directors are non-executive and independent, the functions of the nomination committee and remuneration committee would be carried out by the full Board. The Board creates ad hoc committees from time to time to enact policies or actions agreed in principle by the whole Board.

The number of formal meetings of the Board and its Committees held during the year ended 30 November 2022 and the attendance of individual Directors are shown below:

	Board	Audit Committee	Management Engagement Committee	2022 Annual General Meeting	2022 General Meeting
<b>Number of Formal Meetings</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>
Robert Kyprianou	5	3	1	1	1
Simon Cordery	5	3	1	1	1
Katrina Hart	5	3	1	1	1
Cecilia McAnulty	5	3	1	1	1
Joanne Elliott~	3	2	1	1	1

~ Retired from the Board on 7 April 2022.

In addition to the 11 formal meetings noted above, the Board met on an informal ad-hoc basis 3 times when deemed necessary, to discuss *inter alia*, the placing programme under the terms of the Prospectus issued in May 2021 further share issues and thereafter share buy backs and other matters in connection with the Company's progression to ensure such was to the benefit of Shareholders.

## Service Provider Performance Evaluation Process

### Investment Manager

The Board has contractually delegated the management of the portfolio to the Manager. It is the Manager's sole responsibility to take decisions as to the purchase and sale of individual investments subject to the Investment Management Agreement. The Manager has responsibility for asset allocation and stock selection within the limits established and regularly reviewed by the Board.

The Manager is responsible for providing or procuring accountancy services, company secretarial, marketing and administrative services including the monitoring of third-party suppliers who are directly appointed by the Company. The Manager also ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information. Representatives of the Manager attend all Board meetings in a variety of capacities including investment management, compliance, risk and marketing, enabling the Directors to probe further on matters of concern or seek clarification on certain issues.

The whole Board reviews the performance of the Manager and, at each Board meeting, the Company's investment performance against the market and a peer group of funds with similar investment objectives is reviewed. The investment team provided by the Manager has long experience of investment in the financial sector. In addition, the Manager has other investment resources that support the investment team and have experience in managing and administering other investment companies.

The Board and Manager work in a collaborative manner and the Chairman encourages open discussion and debate.

### Report of the Management Engagement Committee

The Management Engagement Committee comprises all the non-executive Directors under the chairmanship of Katrina Hart, and meets at least once a year and at such other times as may be necessary. Following the retirement of Ms Hart from the Board on 1 December 2022, Ms Arnott was appointed as Chair of the Committee. The Committee has formal Terms of Reference which clearly define its responsibilities and duties. The Committee's Terms of Reference were reviewed and expanded under the delegation of the Board to incorporate ESG matters given its increasing importance. As well as the responsibilities outlined above, the Committee is also responsible for monitoring the integrity and quality of the Manager's ESG strategy and ensuring that ESG is appropriately integrated into investment processes.

The Management Engagement Committee reviews the performance and activities of the Manager and considers the terms of the investment management agreement and other services and resources supplied by the Manager prior to making its recommendation to the Board on whether the retention of the Manager is in the best interests of Shareholders.

Following the year ended 30 November 2022 the Management Engagement Committee met once to carry out the review of the Manager and consider its continued appointment for the next financial year ending 30 November 2023. During the year, the Board reviewed its fee arrangements with the Manager, taking into consideration the performance of the Manager in managing the assets of the Company, both in absolute and relative terms over various timescales. It also considered trends in fees across the broader UK market. No changes were proposed in the year to the Investment Management fees or the Agreement terms. The review of the Manager also considered the overall performance by and strength of the investment team, depth of other

# Report on Corporate Governance continued

resources provided by the Manager and quality of the services provided or procured by the Manager, including Shareholder communications. The Board, through the work of the Management Engagement Committee, concluded that it is in the best interests of Shareholders as a whole that the appointment of Polar Capital LLP as Manager is continued.

The Company uses a variety of performance measures when monitoring the performance of the portfolio managed by the Manager. These measures are considered to be alternative performance measures under the ESMA guidelines and are described further on pages 115 to 117.

## Other Suppliers

The Board also monitors directly or through the Manager the performance of its other key service providers.

- The Board has directly appointed HSBC Bank Plc as Depositary and Stifel Nicolaus as Corporate Broker. The Depositary reports quarterly and makes an annual presentation to the Board. The Corporate Broker provides written reports to the Board and joins the Board on request, and at least every six months, to discuss markets and other issues.
- The Board has also directly appointed Marten & Co for third party research and Camarco for PR services. Each reports to the Board on at least an annual basis and at such other times with the Sales and Marketing team of the Manager.
- The Registrars, Equiniti Limited, are directly appointed by the Board and the performance of their duties is monitored and reported on by the Company Secretary.
- Other suppliers such as printers, website services, insurers and others are monitored by the Company Secretary and each supplier reports to the Board as and when deemed necessary.

## Report of the Audit Committee

The Audit Committee comprises all the non-executive Directors and, until 7 April 2022, was under the chairmanship of Joanne Elliot. At the AGM held on 7 April 2022, Joanne Elliott completed her nine-year tenure and stepped down as a non-executive director. Cecilia McAnulty succeeded Joanne as Chair of the Audit Committee. The Committee has formal terms of reference which clearly define its responsibilities and duties. A separate report of the work of the Audit Committee over the year under review is set out on pages 60 to 66.

## Report of the Remuneration Committee

As mentioned above, the role of the Remuneration Committee is undertaken by the full Board. The Directors' Remuneration Report, including a description of the processes undertaken when reviewing remuneration can be found on pages 67 to 72.

## Report of the Nomination Committee

As mentioned above, the role of the Nomination Committee is undertaken by the full Board. The Board acting as the Nomination Committee will, when considering new or further appointments of Directors, consider the balance of skills, knowledge and experience as well as diversity of the whole Board and will also consider the use of external consultants when drawing up a list of candidates.

See page 57 for a description of the most recent recruitment process undertaken.

## DIVISION OF RESPONSIBILITIES (PRINCIPLES F-I, PROVISIONS 8-21)

### Chairman

The Chairman is responsible for the leadership of the Board and works with the Company Secretary to set the Board's meeting agendas and balance the issues presented to each meeting. Open and honest debate is encouraged at each Board meeting and the Chairman keeps in touch with both the Company Secretary and other Directors between Board meetings. Robert Kyprianou was appointed to the Board in June 2013 and was independent on appointment and continues to meet the criteria for independence. The Board considers the competence and independence of the Directors on an annual basis. As referenced in the Chairman's Statement on page 9, having reached his tenure, Robert Kyprianou will step down from the Board as non-executive director and Chairman at the AGM to be held on 30 March 2023; he will be succeeded by Simon Cordery who was appointed to the Board in 2019. See page 11 for an introduction to the new Chair.

## Senior Independent Director

Due to the size and structure of the Board it is considered unnecessary to identify a senior independent non-executive director. The Board considers that all Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns may be conveyed.

## Board Responsibilities

The Board currently comprises five non-executive Directors who are all considered to be independent in character and judgement. On the retirement of the Chairman, the Board will comprise one male and three female independent non-executive directors. No Director has any former or current connection with the Manager. A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. No such advice has been sought during the year.

## Company Secretary

The Directors have access to the advice and services of the Company Secretary which is provided in compliance with the IMA through Polar Capital Secretarial Services Limited. An appointed representative, Tracey Lago, FCG, is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board and Manager operate in a supportive, cooperative and open environment. The Board acknowledges that PIRC (Pensions and Investment Research Consultants Limited, an independent corporate governance and Shareholder advisory consultancy) has recently changed its voting guidelines to recommend voting against the laying of the Annual Report at an AGM where the Manager provides company secretarial services to the Company. However, the Board believes that the benefits gained by utilising the services of a Company Secretary provided by the Manager significantly outweigh the potential for a conflict of interest perceived by PIRC. The Company Secretary is provided to the Company as an independent service and the appointed representative acts as an officer of the Company and not an employee of the Manager when working with the Board and the Company.

## Meetings

The Board has a schedule of regular meetings throughout the year and meets at additional times as required. During the year, Board and Committee meetings were held to deal with the ongoing stewardship of the Company and other matters, including the share issuance programme, the setting and monitoring of investment strategy and performance, review of financial statements and Shareholder issues including investor relations. The level of share price discount or premium to the net asset value together with policies for issuance or re-purchase of ordinary shares are kept under review along with matters affecting the industry and the evaluation of third-party service providers. The Board is also responsible for considering, reviewing and implementing appropriate policies in respect of regulatory changes that impact the Company.

The Company's investment strategy was reviewed during the reconstruction undertaken in early 2020. The Board continues to consider the Company's strategy and its relevance to the market and Shareholders as a whole at each Board meeting and at least one Board meeting per year includes an in-depth focus on strategy. Through this process the Board supervises the management of the investment portfolio, the risks to which the Company is exposed and their mitigation, and the quality of services received by the Company.

The schedule of formal Board and other meetings is provided on page 53, along with details of additional meetings held.

## Delegated Responsibilities

The Board has delegated to each of the Audit and Management Engagement Committees specific remits for consideration and recommendation, as detailed within the terms of reference which are available on the Company's website, but the final responsibility in these areas remains with the Board. The Chair of the Audit Committee is available at the AGM to deal with questions relating to the Annual Report and Financial Statements. Attendance at each of these Committee meetings is disclosed in the table on page 53.

# Report on Corporate Governance continued

## Directors' Professional Development

When new Directors are appointed, they are offered an induction provided by the Manager. Directors are welcome to visit the Manager at any time to receive an update on any aspect of interest or a refresher on the Manager's operations both generally and those which are specific to the Company. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory obligations and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors may also participate in professional and industry seminars and may use the Manager's online compliance training resources to ensure they maintain their knowledge.

## Conflicts of Interest

Directors have a duty to avoid a situation in which they have a conflict of interest or a possible conflict with the interest of the Company. The Company's Articles contain provisions to permit the Board to authorise conflicts or potential conflicts.

The Board has in place a policy to govern situations where a potential conflict of interest may arise, for example where a Director is also a Director of a company in which the Company invests or may invest. Where a conflict situation arises, the conflicted Director is excluded from any discussions or decisions relating to the matter of conflict. No such conflicts arose during the year under review.

Each Director has provided the Company with a statement of all conflicts of interest and potential conflicts of interest, which have been approved by the Board and recorded in a register. The Conflicts Register is reviewed at every Board meeting and the Directors are reminded of their obligations for disclosure. No Director has declared receipt of any benefits other than their emoluments in their capacity as a Director of the Company.

The Board as part of its year-end review has considered the register of conflicts, any conditions imposed on such conflicts or potential conflicts and the operation of the notification and authorisation process. It concluded that the process has operated effectively since its introduction. There were no contracts subsisting during or at the end of the year in which a Director is or was interested and which is or was significant in relation to the Company's business or the Director.

The Directors' interests in the ordinary shares of the Company are set out on page 71 of the Directors' Remuneration Report.

## COMPOSITION, SUCCESSION AND EVALUATION (Principles J-L, Provisions 22-28)

### Composition and Diversity

The Board is responsible to Shareholders for the overall management of the Company's affairs. In the year under review, there were five non-executive Directors, reducing to four with the retirement of Joanne Elliott on 7 April 2022. With effect from 1 December 2022, Susie Arnott and Angela Henderson were appointed to the Board as non-executive Directors and Katrina Hart retired from the Board following completion of her nine year tenure. Each Director has different qualities and areas of expertise on which they may lead when issues arise.

The Board as the Nomination Committee considered the contribution and performance of each Director as part of the annual Director and Board performance evaluation. The Board believes that the Directors demonstrate a breadth of experience across the investment and financial services industry. Each Director effectively contributes to the operation of the Board and demonstrates independent views on a range of subjects.

All the Directors were considered independent of the Manager and had no relationship or conflicts which were likely to affect their judgement.

The Board has a policy to consider diversity and seeks to ensure that the broadest range of candidates are found when recruiting new directors. The Board will have regard to the diversity recommendations of the Hampton-Alexander and Parker Reviews, amongst other factors; consideration is given to all forms of diversity in order to balance both the expertise on, and the structure of, the Board as a whole. The Board notes the requirements of the FCA Diversity and Inclusion Policy published in April 2022, reportable for financial years commencing on or after 1 April 2022, the Company's first full reporting requirement will be for the year ending November 2023. Whilst the Board does meet the gender requirements (being a minimum of 40% female Board members) including the appointment of at least one senior female, who is currently Chair of the Audit Committee, it recognises that it does not meet the ethnicity requirements (at least one non-white ethnic minority Board member).

## Recruitment

A recruitment process was undertaken in the latter half of 2022 in order to find and appoint a new non-executive director to succeed Katrina Hart who reached her nine-year tenure in mid-2022. A number of recruitment firms were considered and the role was thereafter placed with Sapphire Partners. Sapphire Partners were seen to have a wide range of resources at their disposal to find suitable candidates and have built a solid reputation in non-executive director search processes. The brief for the new candidate included considerations of gender, ethnic and socio diversity and a number of areas of expertise which have been successfully led by Katrina Hart since launch of the Company in 2013.

Following the advertising and search process, over twenty candidates were approached by Sapphire Partners to consider the role. The candidates reflected a range of ages and ethnic backgrounds, as well as a mix of genders. From the candidates approached, after interview with Sapphire Partners, twelve were considered either not suitable based on expertise or they declined to proceed with the process. Of the final eight candidates, four were selected by the Board for interview. Each candidate sat two interviews with two current directors attending each. The Board found all candidates to be of a high calibre and as a result opted to appoint two new non-executive directors with the anticipation that at the next stage of the succession plan there would not likely be a requirement to undertake a further recruitment process. Following the recruitment process, Susie Arnott and Angela Henderson were appointed to the Board as non-executive Directors with effect from 1 December 2022.

The Board is conscious that following the recruitment process, they still do not meet the FCA's ethnicity recommendations; however they believe they have followed a stringent process and have ultimately appointed the appropriate candidates with the requisite skillsets required of the wider Board. More information on the candidates subsequently appointed can be found on page 12 and 13.

## Succession

The Board believes that retaining Directors with sufficient experience of the Company, investment industry and financial markets is of benefit to Shareholders while recognising that regular refreshment of approach is equally of benefit and importance. Following the reconstruction of the Company, the Board formulated a succession plan which gave due regard to the recommended maximum of nine years' tenure for a non-executive director and a formal tenure policy, allowing for a reasonable extension to the nine years for the role of Chairman.

During the year under review, a formal recruitment process was undertaken as detailed above to seek a suitable candidate to replace Katrina Hart who reached her nine-year tenure in mid-2022 and agreed to remain on the Board until a replacement was appointed.

As referenced in the Chairman's Statement on page 9, Robert Kyprianou will step down as Chairman of the Company at the AGM on 30 March 2023 having exceeded nine-years tenure. While the Company's policy, as below, is to allow a Chair to remain in post for up to 12-years, having completed the recruitment process to replace Katrina Hart, the Board were successful in appointing two new non-executive directors and all board members were therefore invited to consider the role of Chair or to undertake a further recruitment process.

At the Nomination Committee meeting held on 1 February 2023, the Committee and subsequently the Board, approved the appointment of Simon Cordery as the Chair Elect to replace Robert Kyprianou when he steps down at the AGM. This will reduce the Board to four members which is felt appropriate for a company of its size and complexity.

## Chair Tenure Policy

The Board considers that in the specific circumstances of an investment company, where corporate knowledge and continuity can add value, there may be merit in appointing one of its members to the Chair. In addition, there may be situations where succession plans are disrupted such that an internal candidate with some years' existing experience is the most appropriate candidate for the Chair. In other circumstances an external candidate may be more appropriate.

As per provision 24 of the AIC Code, the Board's policy is that the maximum Board tenure for its Chair is up to twelve years (of which nine years could be served as a non-executive Director). The Board believes the additional time provided for within the maximum 12-year tenure policy will enable a smooth Board recruitment transition process; and will also ensure future transitions are staggered.

# Report on Corporate Governance continued

## Performance and Re-Election

The Board formally reviews the performance of the Directors each year as part of the annual evaluation process. Directors are required to stand for election by Shareholders at the first AGM following their appointment to the Board and, in line with recommended practice, each Director stands for re-election annually. The rationale for re-election of each Director is included in the Board of Directors information on pages 12 and 13 and the Chairman's letter which accompanies the Notice of Annual General Meeting at which the re-election resolutions are being put to Shareholders.

## Evaluation

The evaluation of the Board, its Committees and individual Directors is carried out annually. The process involves the use of a written questionnaire to assess the balance of skills, experience, knowledge, independence and effectiveness of the Board, including how the Directors interact as a unit on the Board. The responses to the questionnaire are reviewed and discussed by the full Board and, should it be deemed necessary, additional reporting measures or operations would be put in place. The review of the Chairman's performance is conducted by the Board led by the Chairman of the Audit Committee. The Chairman of the Board does not participate in this discussion.

In carrying out these evaluations, each Director is assessed on their relevant experience, their strengths and weaknesses in relation to the overall requirements of the Board and their commitment to the Company in terms of time by regular attendance and participation at Board meetings. The process is constructed to assess the contribution of individual Directors to the overall operation of the Board and its Committees. The Board, through the work of the Nomination Committee, has determined that each Director standing for re-election continues to offer relevant experience, effectively contributes to the operation of the Board and has demonstrated independent views on a range of subjects. The Committee is satisfied that the structure, mix of skills and operation of the Board continue to be effective and relevant for the Company.

## AUDIT, RISK AND INTERNAL CONTROL (Principles M-O, Provisions 29-36)

### Internal Controls

The Board has overall responsibility for the Company's system of internal control, for reviewing its effectiveness and ensuring that risk management and control processes are embedded in the Company's day-to-day operations.

The Manager has an internal control framework to provide assurance on the effectiveness of the internal controls operated on behalf of its clients. The Manager is authorised and regulated by the Financial Conduct Authority and its compliance department monitors the Company's compliance with the various rules and regulations applicable to it, including the FCA's rules, AIFMD, MiFID II and GDPR, for example.

The Board, through the Audit Committee, has established a process for identifying, evaluating, monitoring and managing any major risks faced by the Company. This is documented through the use of a Risk Map which is subject to regular review by the Audit Committee and accords with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014 by the Financial Reporting Council. The controls are embedded within the business and aim to ensure that identified risks are managed and systems are in place to report on such risks. The internal controls seek to ensure the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used by the Company and for publication is reliable. Controls covering the risks identified, including financial, operational, compliance and risk management controls, are monitored by a series of regular reports covering investment performance, attribution analysis, reports from various third parties and from the Manager.

As the Company has no employees and its operational functions are carried out by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function.

Contracts with suppliers are entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

## Operation of Internal Controls

The internal controls process was active throughout the year under review and up to the date of approval of this Annual Report. However, such an internal controls system is designed to manage rather than eliminate risks of failure to achieve the Company's objective and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board will continue to monitor the system of internal controls in order to provide assurance that they operate as intended.

The Board, in assessing the effectiveness of the Company's internal controls has, through the Audit Committee, received formal reports on the policies and procedures in operation. These reports from the Manager include results of tests on the policies and procedures in operation during the year under review, with details of any known internal control failures. The Manager has subsequently provided confirmation that there has been no material change to the control environment up to the date of signing these Financial Statements.

The Board also considers ad hoc reports from the Manager and third-party suppliers and information is supplied to the Board as required. In addition to the regular internal controls reports provided by the Manager and various third-party suppliers, when required, the Board receives assurances on the status of the business and operational functions.

The Manager has delegated the provision of accounting, portfolio valuation and trade processing to HSBC Securities Services but remains responsible to the Company for these functions and provides the Board with information on these services.

The principal risks and uncertainties to which the Company is subject are detailed in the Strategic Report.

Based on the work of the Audit Committee and the reviews of the reports received by the Audit Committee on behalf of the Board, the Board has concluded that there were no material control failures during the year under review and up to the date of this report.

## REMUNERATION (Principles P-R, Provisions 37 – 42)

Due to the fully independent non-executive Board comprising five, and thereafter four, Directors, the Board has deemed it appropriate for the full Board to fulfil the role of the Remuneration Committee. The Board, acting as the Committee, meets at least annually and is responsible for consideration and recommendations in relation to Directors' remuneration. This review will not necessarily lead to a change in the remuneration awarded. Industry guidance, comparable investment companies' remuneration, the work undertaken by the Board in the prior year along with plans for the current year and the overall regulatory environment are all considered when reviewing remuneration.

Remuneration levels are set to attract candidates of high calibre to the Board. The Company's remuneration policy will be put to shareholders for approval once again at the AGM in March 2023, the policy is detailed within the Directors' Remuneration Report on pages 67 and 68 and explains how the policy is designed to support strategy and promote long-term sustainable success.

### Tracey Lago, FCG

Polar Capital Secretarial Services Limited  
Company Secretary

20 February 2023

# Audit Committee Report

## Cecilia McAnulty

Audit Committee Chair



I am pleased to present my first report to you as Chair of the Audit Committee (the 'Committee') having taken on the role from Joanne Elliott who retired from the Board on 7 April 2022. We also welcome Susie Arnott and Angela Henderson as members of the Committee following their appointment to the Board as a non-executive Directors on 1 December 2022.

The Committee comprises all the Directors and the Board is satisfied that the Committee has sufficient recent and relevant financial experience and, as a whole, has competence relevant to the sector in which the Company operates for the Committee to discharge its functions effectively. The experience of the members of the Committee can be assessed from the Directors' biographies on pages 12 and 13. The Committee has written terms of reference which are available to view on the Company's website [www.polarcapitalglobalfinancialtrust.com](http://www.polarcapitalglobalfinancialtrust.com)

During the year ending 30 November 2022, the Audit Committee met three times, with all members of the Committee attending each meeting.

## Matters Considered in Connection with the Financial Year Ended 30 November 2022:

During the year the Committee considered the following:

### New regulation and guidance

- While the Committee has not had to consider any new material regulations in the year under review, it does regularly review guidance and determine how to apply any relevant best practice to the Company. The Committee continues to review the outcomes of the FRC's annual Audit Quality Reviews and discusses the findings with the Auditors.
- As reported last year, the Committee is aware of the extensive proposals outlined by the Department of Business, Enterprise, Industry and Skills consultation ("BEIS") which seek to strengthen the UK's audit and corporate governance framework. The outcomes of the consultation process were published on 31 May 2022 and are expected to progress through primary and secondary legislation from early 2023. The Committee will continue to monitor the detail of and implement any primary legislation arising from the reforms and will consider any suggested guidance from BEIS for good practice. The Committee will report on any changes made in the respective Annual Report following any such changes.

### Annual External Audit, including:

- The appointment of the Auditors;
- The scope of the annual audit and agreement with the Auditors of the key areas of focus;
- The reports from the Auditors concerning their audit of the annual Financial Statements of the Company;
- The performance of the Auditors and the level of fees charged for their services;
- The independence and objectivity of the Auditors;
- The financial disclosures in the annual and interim reports to Shareholders;
- The policy and extent of any non-audit services (including fees paid) in line with the FRC guidance;
- The going concern statement, longer-term viability statement, including the impact of the future tender offers to be made to Shareholders at five-yearly intervals; and
- The requirement to confirm that the Annual Report and Financial Statements when taken as a whole are fair, balanced and understandable.

### Internal Audit

The potential need for an internal audit function, which we continue to conclude is unnecessary for the Company as an externally managed investment trust.

### Accounting Policies and related matters

- The appropriateness and any changes to the accounting policies of the Company including any judgements required by such policies and the reasonableness of such. During the year the Committee ensured that the accounting policies as set out on pages 87 to 113 were applied consistently throughout the year. The Committee

confirmed there have been no changes to currently adopted policies and no new UK-adopted international accounting standards ("UK-adopted IAS") or amendments to UK-adopted IAS which had any significant impact on the Company's Financial Statements.

- The financial disclosures contained in the Annual Report and Half Year Report to Shareholders.

## Investment Matters

- The investment management process, including confirmation of the existence and ownership of investments through the review of quarterly Depositary Reports and meeting with the Depositary in relation to the safeguarding of the Company's assets; and
- The valuation of unquoted investments and the provision of associated recommendations to the Board.

## Internal Controls and Risk

- The risk map covering the identification of new and emerging risks, adjustments to existing risks and the mitigation and controls in place to manage those risks; and
- Reports from the Manager and its external Auditors on the effectiveness of the system of internal financial controls including the risk map.

## Dividend Policy

- The Committee considered the Company's Dividend Policy as approved by Shareholders at the AGM held in April 2022 and recommended to the Board that it should continue. Shareholders should be reminded that the dividend policy is an objective and not an absolute guarantee. The Dividend Policy will be proposed for approval by Shareholders at the AGM to be held in March 2023. Capital reserves were used to support the second interim dividend for the financial year ended 30 November 2021 and the first interim dividend of the financial year under review. As explained last year, shares are issued by the Company to investors at Net Asset Value (NAV). NAV comprises both the capital value of the underlying portfolio and accrued income (dividend and interest) on the portfolio up to the date of issue. The Board believes this accrued income element of the NAV, which is ordinarily accounted for through revenue reserves, should, in the case of share issues, be separately identified and accounted for through capital reserves, which is where the accounting of share issues takes place. This treatment acknowledges that Shareholders are purchasing both the capital value of the portfolio and an element of income accrued to date. The Board believes this treatment more accurately reflects the financial reality and mitigates dilution to revenue reserves which would otherwise occur as a result of the accounting treatment

of capital raised through share issuance. The Board will be careful to balance its objective of growing dividends for Shareholders with future earnings prospects and the availability of revenue reserves.

## Consideration of the Half-Year Report and Financial Statements

- Prior to publication, the Committee considered, reviewed and confirmed the half year report and financial statements, which are not audited or reviewed by the Auditors, were prepared on a basis consistent with the accounting policies used in the Annual Report and Financial Statements for the year ended 30 November 2021.

## Consideration of the Annual Report and Financial Statements

- The Committee performed this role through monitoring the integrity of the financial statements of the Company and the system of accounting to ensure compliance with relevant and appropriate accounting standards. The scope of the audit was agreed in advance, with a focus on areas of audit risk and the appropriate level of audit materiality. The Auditors reported on the results of the audit work to the Committee and highlighted any issues which the audit work had discovered, or the Committee had previously identified as significant or material in the context of the financial statements. Following a comprehensive review process the Committee presented its conclusions to the Board.

## Tax matters

- The Committee is responsible for reviewing the outstanding tax reclams and where necessary the payment or receipt of overseas tax. In the year under review, £113,000 was received by the Company from overseas tax reclams and there remained £1,184,000 (2021:£597,000) of outstanding reclams at the year end. This increase in the tax receivable balance reflected the increase the size of the portfolio over the year and delays experienced in processing tax reclams due to the impact of COVID-19 and some markets suspending the processing of reclams resulting in a backlog. As at the year ended 30 November 2022, the outstanding tax reclams were aged between 0.5 to 4.6 years and have been filed with the relevant tax authorities. The outstanding reclams at the year end are within the statute of limitations and we anticipate these will be received in the near future. In addition, the Committee reviewed the provision for the Indian capital gains tax. The Indian capital gains tax provision represents an estimate of the amount of tax payable by the Company. This additional tax only becomes payable at the point at which the underlying investments are sold and any profit crystallised. Further details of the Indian capital gains tax can be found on pages 89 and 96.

# Audit Committee Report continued

## Significant Matters in Relation to the Financial Statements for the Year Ended 30 November 2022

In addition to the matters considered by the Committee in forming its opinions on the Going Concern and longer-term viability statements described below, and in concluding that the Annual Report is fair, balanced and understandable, the Committee also considered the following matters in relation to the financial statements:

Significant matter	How the issue was addressed
Valuation, existence, ownership of investments and the income received from such	The valuation is carried out in accordance with the accounting policy described in note 2(g). The Depositary has reported on its work and safe keeping of the Company's investments. Such report is provided on the Company's website.
Compliance with S1158 of the Corporation Tax Act 2010	Consideration of compliance with the requirements of investment trust status is carried out at each Board meeting throughout the year.

There were no adverse matters brought to the Committee's attention in respect of the 2022 audit which were material or significant or which should be brought to Shareholders' attention.

## Conclusions in Respect of the Annual Report and Financial Statements

In order to reach the conclusion that the Annual Report and Financial Statements when taken as a whole are fair, balanced and understandable, the Board has requested that the Committee advise on whether it considers these criteria satisfied. In so doing the Committee has considered the following:

- The ongoing comprehensive control framework over the production of the Annual Report, including the verification processes in place to deal with the factual content;
- The extensive levels of review undertaken in the production process by the Manager and the Committee;

- The internal control environment as operated by the Manager and other suppliers including any checks and balances within those systems; and
- The unqualified audit report from the Auditors confirming their work based on substantive testing on the Financial Statements.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 November 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position, performance, business model and strategy, and it has reported on these findings to the Board.

## External Audit – Year Ended 30 November 2022

### Appointment of Auditors, Tenure and Fees

The Committee considers by way of meetings and reports, the appointment, remuneration and work of the Auditors. PricewaterhouseCoopers LLP (PwC or the 'Auditors') have provided audit services to the Company from its incorporation in 2013 to date and the audit partner who led our statutory audit for the year under review was Kevin Rollo. There are no contractual obligations restricting the choice of external auditor.

In accordance with current legislation, the Company is required to instigate an audit tender process at least every 10 years and will have to change its auditor after a maximum of 20 years' engagement. The Company's last audit tender was completed in December 2021 ahead of PwC's ten-year anniversary as Auditors of the Company. Following the tender process which included an assessment of a number of providers on a range of criteria including independence, proposed audit approach, sector experience, fee level, depth and quality of team, and the result of any FRC quality control reviews, the incumbent auditors PwC were re-appointed as the Company's Auditors. PwC have confirmed their continued independence and have expressed their willingness to be appointed, in accordance with s487 of the Companies Act 2006. A resolution proposing their re-appointment and to authorise the Directors to determine their remuneration will therefore be proposed at the AGM.

As part of the year end process, the Committee considered the level of fees paid to the auditors, bearing in mind the nature of the audit and the quality of services previously received. The fees paid to PwC in respect of the audit of the annual Financial Statements amounted to £44,000 (2021: £37,800 plus an overrun fee of £6,000 for the 2021 financial year audit which was recognised in the year under review. See note 8 on page 94 for further details). The increase continues to be in line with those experienced across the investment trust sector in recent years and reflects the increased level of work audit firms are required to perform, and the increased risk that they perceive, in the context of more rigorous levels of audit scrutiny and regulation. The Audit Committee will continue to keep fee levels under close review and considers that any fee increases must be justified.

### Effectiveness of Audit Process

The Committee, on behalf of the Board, is responsible for overseeing the relationship with the external Auditors including ensuring the quality and effectiveness of the audit.

The Committee monitored and evaluated the effectiveness of the Auditors and any changes in the terms of their appointment, based on an assessment of their performance, qualification, knowledge, expertise and resources. The

Auditors' independence was also considered, along with other factors such as audit planning and interpretations of accounting standards. This evaluation was carried out throughout the year by meetings held with the Auditors, by review of the audit process and by comments from the Manager and others involved in the audit process. Based on its review the Audit Committee concluded that the Auditors remained independent and continued to act in an independent manner. The Auditors are provided with an opportunity to address the Committee without the Manager present, to raise any concerns or discuss any matters relating to the audit work and the co-operation of the Manager and others in providing any information, and the quality of that information including the timeliness in responding to audit requests.

### Non-Audit Work

The Committee's policy on the provision of non-audit services by the Auditors is to ensure that there is a clear separation of audit work and non-audit work and that the cost of any non-audit work is justified and is not disproportionate to the audit fees, to the extent that the independence of the Auditors would be compromised. The Company's policy on the provision of non-audit services by the Auditors is available on the Company's website. The policy is produced in line with the FRC Ethical Standards (updated in March 2020) and any non-audit services are required to be pre-approved by the Audit Committee. The FRC revised the ethical standards, with effect from 15 March 2020, to contain a more concise list of non-audit services that the Company's statutory Auditors are permitted to complete, replacing the long list of excluded services which had been introduced with the EU Audit Directive in 2016.

In the event of non-audit services being proposed, the Committee undertakes a review of the services to satisfy itself that these are proposed within the terms of the policy and in an efficient and cost-effective way. In the financial year ended 30 November 2021, PwC were appointed in May 2021 as Reporting Accountant to the Company in connection with the issue of the Prospectus relating to the C Share Issuance programme which was undertaken during the year. Whilst such service would ordinarily constitute a non-audit service under the FRC Ethical Standards, PwC's appointment was considered an efficient appointment given their background, understanding and knowledge to carry out the agreed procedures and provide further comfort to the Company service providers and sponsors. PwC obtained a derogation from the FRC in advance of undertaking the role, on the basis that all other invited firms had declined the role primarily with the reasoning that it would most effectively be carried out by the incumbent audit firm. A charge of £50,000 was levied for this service.

During the year under review, PwC were appointed as Reporting Accountant to the Company in connection with the placing programme, such service was deemed to be a

# Audit Committee Report continued

non-audit service for which a fee of £24,000 was paid. The amount has been charged to capital reserves as defined under IAS 32.

By its nature the non-audit services undertaken by PwC are exceptional and one-off in relation to the Prospectus issuance and placing programme, therefore the audit committee are satisfied as to the continued independence of PwC. Both these non-audit services equate to 179% of the average of the prior three years audit fee (2020-2022 average fee being £41,000).

## Overview of Risk and Internal Controls

The Board has ultimate responsibility for the management of risk throughout the Company and has asked the Committee to assist in maintaining an effective internal control environment.

The Company maintains a Risk Map which seeks to identify, monitor and control principal risks as well as identifying emerging risks. The Committee has continued to review the Risk Map to identify the principal and emerging risks facing the business including those that might threaten its business model, future performance, liquidity and reputation. Alongside this, the Committee considered the likelihood, impact, mitigating factors and controls to reduce the impact of such risks as described on pages 40 and 43. This process was carried out throughout the year and is the means by which the Risk Map is monitored and kept relevant by reflecting any changes to the source and level of risks facing the Company. The Committee will actively continue to monitor the system of internal controls through the regular review of the Risk Map and the internal control environment in order to provide assurance that they continue to operate as intended.

As part of the year end processes the Committee also undertook a review of the effectiveness of the system of internal controls considering any issues that had arisen during the course of the year. The Committee acknowledges that the Company is reliant on the systems utilised by external suppliers. Representatives of the Manager reported to the Committee on the system of internal controls that is in place for the performance of the Manager's duties under the IMA. The Committee and the Manager also received presentations and internal control reports from other key suppliers on the quality and effectiveness of the services provided to the Company. In addition, the Manager also conducted a due diligence site visit with HSBC where they received thorough presentations from representatives covering the work of the Operations, Risk Administration and Accounting Teams, in addition to the Custodian and Depositary. No matters of concern with any areas of service were raised at any of the meetings or on reviewing the internal controls reports.

The Committee has also discussed with the Investment their policies on whistleblowing, cyber security, anti-bribery and the Modern Slavery Act and is satisfied that the Manager

has controls and monitoring processes to implement their policies across the main contractors which supply goods and services to the Manager and to the Company. The Company has adopted an Anti-Corruption policy which incorporates Anti-Bribery, Anti-Slavery and the Corporate Criminal Offence of Tax Evasion. In addition to this the Company has issued a data privacy notice in relation to the General Data Protection Regulation. All such policies can be found on the Company's website.

The Committee further considered the policy and controls used by the Manager surrounding the use of brokerage commissions generated from transactions in the Company's portfolio and the obtaining of best execution on all transactions. There were no issues of concern arising from the reviews of or within the internal controls environment the Company relied upon during the course of the year ended 30 November 2022 and up to the date of this report.

## Other Significant Issues Considered by the Audit Committee During the Year

### Geopolitical Events

This time last year we were reporting on the effect of the COVID-19 pandemic on the portfolio and market disruption in general. Focus shifted through the year as we watched the impact of the Ukraine war, escalating energy prices, supply chain shortages, rising interest rates and inflation. The consequences of these events can be seen globally and the associated market volatility has had an impact on the Company's portfolio performance. Further details can be found in the Investment Manager's Report on pages 16 to 20. The Committee will continue to monitor the impact of these and other events which appear in our assessment of risk and the ability of the Company to achieve its investment objective.

The Committee has once again reviewed the operational resilience of its various service providers in connection with the mitigation of the business risks posed by geopolitical events. Many of the external service providers have continued to utilise the hybrid working model after such a successful business transition to fully remote working during the pandemic. The Committee is pleased to confirm that all service providers have continued to demonstrate their ability to provide services to the expected level, with no breaks in the services provided or significant operational failures.

### Going Concern and Longer-term Viability

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 replaced it with the requirement for the

Company to make tender offers at five-yearly intervals, the first of which will be made in mid-2025.

## Going Concern

At the request of the Board the Committee has considered the ability of the Company to adopt the going concern basis for the preparation of the Financial Statements. The Committee has considered the performance of the Company, its financial position, cash flows and liquidity in addition to the support received from Shareholders to extend the life of the Company in 2020 and to undertake a C Share issuance programme in May 2021, followed by the tap issuance of shares into the market in February 2022. The Committee has also considered any material uncertainties and events that might cast significant doubt upon the Company's ability to continue as a going concern including:

- The Company's ability to liquidate its portfolio and meet its expenses as they fall due, together with its exposure to currency and credit risk; and
- The Company's net current liabilities position in connection with the bank loans being due for repayment in July 2025; and
- The factors impacting the forthcoming year as set out in the Strategic Report section, comprising the Chairman's Statement, the Investment Manager's Report and the Strategic Review. The financial position of the Company and its cash flows and liquidity position are described in the Strategic Report and the Financial Statements. Note 27 to the Financial Statements includes the Company's policies and process for managing its capital; its financial risk management objectives; details of financial instruments and hedging activities. Exposure to credit risk and liquidity risk are also disclosed.

The Committee is mindful of the uncertainties detailed above and the longer-term impact these factors may have on the market and global economy and will continue to keep this under review. Based on the information provided to the Committee and its assessment of the financial position of the Company, the Committee has recommended that a going concern basis should be adopted by the Board for the preparation of the Financial Statements for the year ended 30 November 2022. The Financial Statements have been prepared on the going concern basis, as explained in Note 2(a) to the Financial Statements.

## Longer-Term Viability

The Board has also asked the Committee to address the requirement that a longer-term viability statement be provided to Shareholders. This statement should take account of the Company's current position and principal risks as set out on pages 40 to 43 together with the mitigating factors

which are assumed to operate appropriately so that the Board may state that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

The Committee considered the Company's longer-term viability, with reference to the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, and concluded that the Board may state its reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

The Board has selected five years from the year end 30 November 2022 as an appropriate period of assessment. The assessment period is selected as the period post the Company's reconstruction in 2020 through and post the first of the tender offers to be made to Shareholders in accordance with the Articles of Association, such tender offer will commence on or before 30 June 2025.

To provide this assessment the Committee has considered the Company's financial position as described above to liquidate its portfolio and meet its expenses as they fall due:

- The portfolio comprises investments traded on major international stock exchanges. There is a spread of investments by size of company. In current market conditions 99% of the portfolio could be liquidated within seven trading days, and there is no expectation that the nature of the investments held within the portfolio will be materially different in future. The Company has two unquoted investments, Atom Bank and Moneybox, which at the year-end equated to 0.8% of total net assets;
- The expenses of the Company are predictable and modest in comparison with the assets of the Company and there are no capital commitments foreseen which would alter that position; and
- The Company has five Non-executive Directors and no employees and consequently does not have redundancy or other employment related liabilities or responsibilities.

The Committee has also had regard to the following assumptions in considering the Company's longer-term viability.

- Financials will continue to be an investable sector of the international stock markets and that investors will still wish to have an exposure to such investments;
- Closed end investment trusts will continue to be attractive to investors;
- Regulation will not increase to a level that makes the running of the Company uneconomical in comparison with other competitive products;

# Audit Committee Report continued

- There will be no material or significant changes in the principal risks and uncertainties; and
- The performance of the Company will continue to be satisfactory. Should the performance be weaker than the Board deems acceptable, it has appropriate powers to replace the Manager.

## Stress Testing

In addition to the above, stress testing was undertaken in determining the Company's longer-term viability and the appropriateness of preparing the Financial Statements on a going concern basis. In conducting the stress tests, the Company's principal risks were grouped into three buckets according to their post mitigation scores and, where possible, material values were attached to the key risks materialising and evaluated to assess the effect of this on the Company's ability to continue as a going concern and its viability over a five-year period.

The stress tests also used a variety of falling parameters to demonstrate the impact on the Company's share price and NAV. The results of the testing demonstrated the impact on the NAV and confirmed the Company's ability to meet its liabilities as they fall due.

In light of these considerations, the Committee has recommended to the Board that a statement may be made

on the Company's longer-term prospects to continue its operations and meet its expenses and liabilities as they fall due. Accordingly, the Committee recommends a positive statement in relation to the longer-term viability of the Company. In support of such recommendation the Committee considered the financial position, the cash flow forecast including expenses and the portfolio liquidity position covering the period of five years and beyond.

## Effectiveness of the Audit Committee

The services provided to the Board by the Committee are reviewed within the Annual Board Evaluation, including consideration of actions undertaken by the Committee with the Manager and Auditors to ensure an appropriate audit process is undertaken.

I am pleased to confirm that the evaluation result was positive and no matters of concern or requirements for change were highlighted. The Committee continually seeks to improve its effectiveness and follow best practice guidance from the FRC and other bodies.

**Cecilia McAnulty**

Chair of the Audit Committee

20 February 2023



# Directors' Remuneration Report

## Introduction

This report is submitted in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the 'Regulations') and the Listing Rules of the Financial Conduct Authority in respect of the year ended 30 November 2022. It has been audited where indicated.

## Chairman's Report

The Board has determined that due to its size and the fact that all the Directors are non-executive and independent, the functions normally carried out by a remuneration committee will be performed by the full Board.

Shareholders approved the current Directors' Remuneration Policy by way of an ordinary resolution passed at the AGM on 28 May 2020. Such policy came into effect on 1 December 2020 and shall remain in force until 30 November 2023.

## Company's Policy on Directors' Remuneration effective 1 December 2020

How policy supports strategy and promotes long-term sustainable success	Operation
The Board consists entirely of independent Non-executive Directors, who meet regularly to deal with the Company's affairs.	Non-executive Directors have formal letters of appointment which contain the responsibilities and obligations of the Directors in relation to undertaking their role and managing conflicts of interest; their remuneration is determined by the Board within the limits set by the Articles of Association.
The intention is that fees payable reflect the time spent by them individually and collectively, be of a level appropriate to their responsibilities and be in line with market practice, sufficient to enable candidates of high calibre to be recruited and retained.	Directors are not entitled to payment for loss of office and do not receive any bonus, nor do they participate in any long-term incentive schemes or pension schemes. All fees are paid in cash, monthly or quarterly in arrears, to the Director concerned or a nominated third party.
The Company's policy in relation to fees is to offer only a fixed basic fee in line with equivalent roles within the sector with additional fees for the roles of Chairman of the Company and Chairman of the Audit Committee. As the Company is an investment trust and all the Directors are Non-executive, it is considered inappropriate to have any long-term incentive schemes or benefits.	Rates are reviewed and benchmarked annually but the review will not necessarily result in any change to rates. Non-executive Directors are subject to annual re-election by Shareholders.
In accordance with the Company's Articles of Association, any Director who performs, or undertakes to perform, services which the Directors consider go beyond the ordinary duties of a Director may be paid such additional remuneration (whether by way of fixed sum, bonus, commission, participation in profits or otherwise) as the Directors may determine.	There are no performance conditions relating to non-executive Directors' fees.

As the current Remuneration Policy will expire on 30 November 2023, the Company is required to seek Shareholder approval for a Remuneration Policy that can remain in operation for the next three-year period (unless proposed for change within such period). The Policy being proposed is unchanged from that which was approved in 2020 and if approved by Shareholders, the Remuneration Policy will remain in force until 30 November 2026.

# Directors' Remuneration Report continued

## Company's Policy on Directors' Remuneration effective 1 December 2023

How policy supports strategy and promotes long-term sustainable success	Operation
The Board consists entirely of independent Non-executive Directors, who meet regularly to deal with the Company's affairs.	Non-executive Directors have formal letters of appointment which contain the responsibilities and obligations of the Directors in relation to undertaking their role and managing conflicts of interest; their remuneration is determined by the Board within the limits set by the Articles of Association.
The intention is that fees payable reflect the time spent by them individually and collectively, be of a level appropriate to their responsibilities and be in line with market practice, sufficient to enable candidates of high calibre to be recruited and retained.	Directors are not entitled to payment for loss of office and do not receive any bonus, nor do they participate in any long-term incentive schemes or pension schemes. All fees are paid in cash, monthly or quarterly in arrears, to the Director concerned or a nominated third party.
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In accordance with the Company's Articles of Association, any Director who performs, or undertakes to perform, services which the Directors consider go beyond the ordinary duties of a Director may be paid such additional remuneration (whether by way of fixed sum, bonus, commission, participation in profits or otherwise) as the Directors may determine.	There are no performance conditions relating to non-executive Directors' fees.

As per previous AGM resolutions, Shareholders will be asked to consider a non-binding vote for the approval of the following Directors' Remuneration Implementation Report, which reports on how the current Remuneration Policy has operated during the year ended 30 November 2022.

The result of the Shareholder votes on the Directors' Remuneration Policy and the latest Implementation Report were as follows:

	Implementation Report for the Year ended 30 November 2021	Remuneration Policy for the three years ending on 30 November 2023
Approved at the AGM on 7 April 2022	Approved at the AGM on 28 May 2020	
Votes for	99.96% of votes cast	99.32% of votes cast
Votes against	0.02% of votes cast	0.68% of votes cast
Votes withheld	0.02% of votes cast	0%

The Board considers this level of support from Shareholders a positive endorsement of both its Remuneration Policy and the policy implementation. There has been no communication from Shareholders regarding any aspect of the Directors' remuneration.

## Implementation Report

### Directors' Remuneration for the Year Ended 30 November 2022

#### Fees and Expenses – Annual Review

The review of Directors' fees is carried out on an annual basis and involves consideration of the time and commitment required of the Directors, including any significant increase in requirements due to regulatory or other changes. For comparative purposes the remuneration awarded to directors of similar companies and general market data is also considered. While such a review will not necessarily result in any change to the rates, the Committee believes it is important that these reviews happen annually.

The appointment of an external remuneration consultant was considered unnecessary. No Director is involved in deciding their own remuneration and all Directors exercise independent judgement and discretion when considering fees.

Directors' fees were last increased with effect from 1 December 2021, when an inflationary increase was awarded. The Board undertook the annual review of fees paid to the Directors in September 2022 which included a selection of peer comparisons and external reports including the Nurole Compensation Report and the Trust Associates 2022 Fee Review. Consideration was also given to the rise in inflation and the retail price index since the last change in Directors' fees, along with the increased level of input and responsibility the members of the Board have in relation to enhanced regulations and requirements. Irrespective of these changes, the Committee decided not to implement a change and confirmed that the fee rates would remain as approved with effect from 1 December 2021:

- Non-executive Director £29,500pa;
- Chairman £41,000pa; and
- Supplement for performing the role of Chair of the Audit Committee £5,500.

Article 105, of the Company's Articles of Association stipulates the aggregate amount available for Directors' Remuneration as £250,000; at the rates agreed the Board falls within the aggregate limit with remaining allowance to accommodate overlapping transition periods for new directors. In accordance with the Shareholder Rights Directive, the Board confirms that there were no variable pay awards made to the Directors and there were no deferral periods or share based pay equivalents. The percentage change in remuneration in respect of the five financial years prior to the current year in respect of each Director role is as follows:

Financial year to:	30 November 2017	30 November 2018	30 November 2019	30 November 2020	30 November 2021	30 November 2022
Chairman	–	+5.7%	–	–	–	+10.8%
Non-Executive Director	–	+6.0%	–	–	–	+11.3%
Chair of the Audit Committee	–	+5.0%	–	–	–	+10.0%

#### Expenses

The Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings. In certain circumstances, under HMRC rules, travel and other out of pocket expenses reimbursed to the Directors may be considered as taxable benefits. Where expenses are classified as taxable under HMRC guidance, they are paid gross and shown in the taxable column of the Directors' remuneration table. There were no such expenses claimed by the Directors in the year under review (2021: nil). The policy for claiming such expenses was not changed during the year.

# Directors' Remuneration Report continued

## Letters of Appointment

In accordance with recommended practice, each Director has received a letter setting out the terms of their appointment. None of the Directors has a contract of service or a contract for services and a Director may resign by giving notice in writing to the Board at any time. The Directors are not entitled to payment for loss of office. A sample equivalent to the Directors' Letter of Appointment is available on the Company's website.

New Directors are appointed and elected with the expectation that they will serve for a period of at least three years. In accordance with the Articles of Association any new Director is required to stand for election at the first AGM following their appointment and, in accordance with good corporate governance practice, all Directors stand for re-election every year following their first election by Shareholders.

## Directors' and Officers' Liability Insurance

Directors' and Officers' liability insurance cover is held by the Company in respect of the Directors. The Company has, to the extent permitted by law and the Company's Articles of Association, provided each Director with a Deed of Indemnity which, subject to the provisions of the Articles of Association and s234 of the Companies Act 2006 qualifying third party indemnity provisions, indemnifies the Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their position as Directors (excluding criminal and regulatory penalties). Directors' legal costs may be funded up-front provided they reimburse the Company if the individual is convicted or, in an action brought by the Company, judgment is given against them. These provisions were in force during the year and remain in force at the date of this report.

## Remuneration (Audited)

In the year under review, the Directors' fees were paid at the following fixed annual rates: the Chairman £41,000; other Directors £29,500 with the Chair of the Audit Committee receiving an extra £5,500 for performing that additional role.

The fees payable in respect of each of the Directors were as follows:

	Date of Appointment	Year ended 30 November 2022 £	Year ended 30 November 2021 £
Robert Kyprianou (Chairman)	7 June 2013	41,000	37,000
Cecilia McAnulty (Chair of the Audit Committee)~	1 November 2021	33,096	2,208
Katrina Hart (Chair of the Management Engagement Committee)	7 June 2013	29,500	26,500
Simon Cordery	1 July 2019	29,500	26,500
Joanne Elliott (Chair of the Audit Committee)~*	7 June 2013	11,046	31,500
<b>Total</b>		<b>144,142</b>	<b>123,708</b>

~ Cecilia McAnulty assumed the role of Chair of the Audit Committee with effect from 7 April 2022.

~\* Joanne Elliott was Chair of the Audit Committee until her retirement from the Board on 7 April 2022; Joanne Elliott is currently CFO of the property team at Thames River Capital LLP and payment in respect her services as a director was made to Thames River Capital LLP.

No pension or other contributions were paid by the Company during the year to any of the Directors. Consequently, the figures shown above comprise the single total remuneration figure for each Director.

## Directors' Share Interests (Audited)

The interests of Directors in the ordinary shares of the Company on 30 November 2022 and 30 November 2021 were as follows:

	30 November 2022	30 November 2021
Robert Kyprianou	113,538	93,368
Katrina Hart	51,595	51,700
Simon Cordery	40,124	39,003
Cecilia McAnulty	40,000	—
Joanne Elliott <sup>#</sup>	n/a	30,000
<b>Total</b>	<b>245,257</b>	<b>214,071</b>

<sup>#</sup> retired from the Board on 7 April 2022.

All holdings are beneficially held. There have been no other changes to Directors' Share Interests.

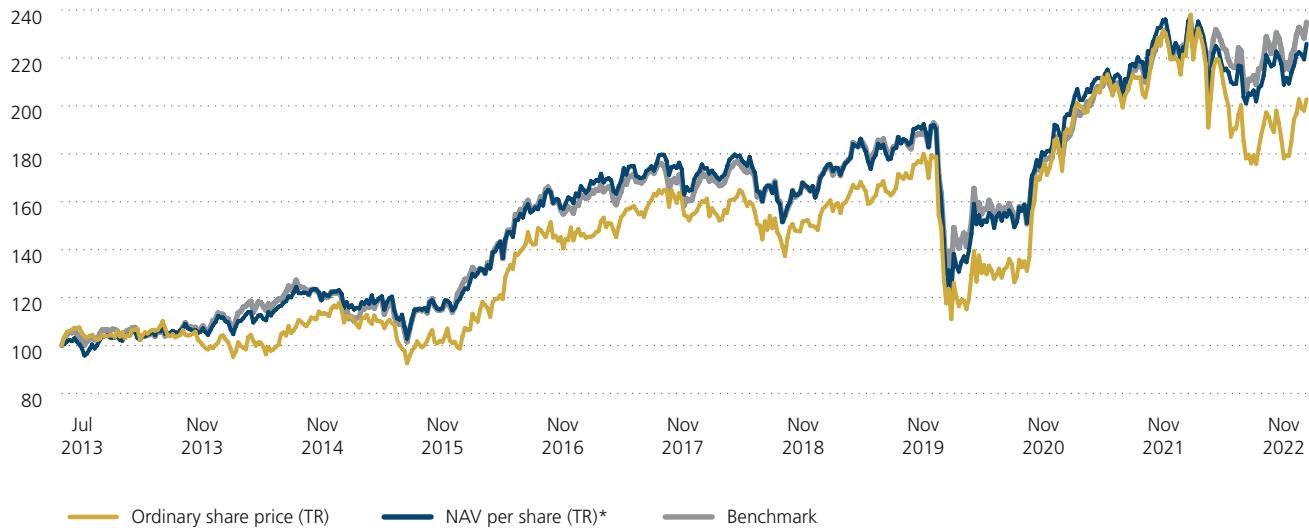
While it is no longer a requirement, Directors are actively encouraged to maintain a holding of ordinary shares in the Company.

## Performance

The Regulations require a performance comparison line graph to be included in the Directors' Remuneration Report showing the total Shareholder return for each of the financial years in the relevant period. As the Company was incorporated on 17 May 2013 and commenced trading on 1 July 2013, the performance comparison is shown for the period from 1 July 2013. Each subsequent annual graph is required to increase by one year until the maximum relevant period of ten years is reached; thereafter the relevant period will continue to be ten years.

### Total return per ordinary share

Rebased to 100



\* For information purposes.

The chart above, in accordance with legislation, shows the total return per ordinary share, and does not take into account the value ordinary Shareholders would have received from the subscription shares they were given at launch and were able to sell or exercise on the single conversion date of 31 July 2017.

# Directors' Remuneration Report continued

The Company's Benchmark for the period to 31 August 2016 was the MSCI World Financials Index. On 1 September 2016 the constituents of the MSCI World Financials Index changed to exclude real estate. MSCI therefore provided a revised index, the MSCI World Financials + Real Estate Net Total Return Index which was adopted for all periods from 1 September 2016 until the General Meeting of the Company held on 7 April 2020 at which time a new index was adopted following the reconstruction of the Company on 23 April 2020, being the MSCI ACWI Financials Net Total Return Index.

## Relative Importance of Spend on Pay

Under the Regulations (Schedule 8, Part 3 (20)), the Directors' Remuneration Report must show a comparison of all remuneration paid to employees\* to all distributions (including dividends and share buy backs) paid to Shareholders for the current year, preceding year and the difference between those years. This is to assist the Directors in understanding the relative importance of spend on pay.

\*The Company does not have any employees therefore for the purposes of comparison the remuneration paid to the non-executive directors is included.

	2022 £'000	2021 £'000	Change	
			£'000	%
Directors' total remuneration	144	124	20	16%
Dividends paid or declared in respect of the financial year*	14,588	10,014	4,574	46%
Profit on ordinary activities after tax	5,450	54,910	(49,460)	(90%)
Issue of ordinary shares out of treasury	10,960	117,187	(106,227)	(91%)
Issue of new ordinary shares	45,047	–	45,047	100%
Issue of new ordinary shares pursuant to placing	45,308	–	45,308	100%
Issue of C shares (gross proceeds)	–	122,000	(122,000)	(100%)
Ordinary shares repurchased into treasury	9,175	–	9,175	100%

\*The total dividends paid or declared is based on the number of shares in issue on the ex-dividend date. The first interim dividend of 2022, was paid on 31 August 2022 on 330,440,000 shares (2021: 182,475,000 shares), the second interim dividend of 2022 will be paid on 28 February 2023 on 324,779,000 shares (2021: 281,730,000 shares). No payments were made in the period to any past Directors (2021: £nil).

Approved by the Board and confirmed as a true reflection of the major decisions made by the Board acting in the capacity of a Remuneration Committee, in relation to the remuneration of the Directors on 20 February 2023.

**Robert Kyprianou**

Chairman

# Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with the UK-adopted International Accounting Standards (UK-adopted IAS) and applicable law. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Financial Statements in accordance with UK-adopted IAS.

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether they have been prepared in accordance with UK-adopted IAS, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing

the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

## Directors' confirmations

The Directors consider that the annual report and financial statements taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Strategic Report, confirm that, to the best of their knowledge:

- the Company's Financial Statements, which have been prepared in accordance with applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit/loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Robert Kyprianou**  
Chairman

20 February 2023

# Independent auditors' report to the members of Polar Capital Global Financials Trust plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Polar Capital Global Financials Trust plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 30 November 2022; the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Cash Flow Statement for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Report of the Directors, we have provided no non-audit services to the company in the period under audit.

## Our audit approach

### Overview

#### Audit scope

- The Company is an Investment Trust Company and engages Polar Capital LLP (the "Manager") to manage its assets. The Company engages Polar Capital LLP (the "Manager") to manage its day to day operations.
- We conducted our audit of the financial statements using information from HSBC Securities Services (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Manager and the Administrator and adopted a fully substantive testing approach using reports obtained from the Administrator.

#### Key audit matters

- Valuation and existence of investments
- Income from investments

#### Materiality

- Overall materiality: £5,412,000 (2021: £4,564,000) based on approximately 1% of net assets.
- Performance materiality: £4,059,000 (2021: £3,423,000).

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation and existence of investments</b>  <i>Refer to the Audit Committee Report, the Accounting Policies and the Notes to the Financial Statements.</i></p> <p>The investment portfolio at the year-end comprised of listed investments valued at £568.2 million and two unlisted investments collectively valued at £4.5 million.</p> <p>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Balance Sheet in the financial statements.</p>	<p>We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources.</p> <p>We tested the valuation of the unlisted investments in Atom Bank and Moneybox by comparing the price used by the Company to the most recent funding rounds while considering the effects of subsequent or other Company specific trading data and comparable quoted market movements.</p> <p>We tested the existence of the listed investment portfolio by agreeing investment holdings to an independent confirmation obtained from the custodian, HSBC Bank plc. For unlisted investments, we confirmed existence directly with the Company.</p>

# Independent Auditors' Report continued

Key audit matter	How our audit addressed the key audit matter
<p>We also focussed on the accounting policy for the valuation of investments held at fair value through profit or loss as incorrect application could result in a misstatement in the valuation of investments.</p>	<p>We assessed the accounting policy for investments held at fair value through profit or loss for compliance with accounting standards and performed testing to check that investments were accounted for in accordance with the stated accounting policy.</p> <p>We did not identify any material matters to report.</p>
<p><b>Income from investments</b>  <i>Refer to the Audit Committee Report, the Accounting Policies and the Notes to the Financial Statements.</i></p> <p>ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective. In this instance, we consider that 'income' refers to all the Company's income streams, both revenue and capital (including gains and losses on investments).</p> <p>We focused this risk on the accuracy and occurrence of gains/losses on investments and occurrence, accuracy and completeness of dividend income and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the "AIC SORP").</p>	<p>We understood and assessed the design and implementation of key controls surrounding income recognition.</p> <p>We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP, and perform testing to confirm that the income from investments has been accounted for in accordance with the stated accounting policy and did not identify any issues.</p> <p><b>Capital gains and losses on investments</b>  The gains and losses on investments held at fair value comprise of realised and unrealised gains and losses.</p> <p>For unrealised gains and losses, we have tested the existence valuation of the portfolio at the year-end (see above), together with testing the reconciliation of opening and closing investments, thereby we have assessed the accuracy and occurrence of the unrealised gains and losses recorded.</p> <p>For realised gains and losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements, in order to verify the occurrence of the gain and loss. We re-performed the calculation of a sample of realised gains and losses in order to assess the accuracy of the gains and losses recorded.</p> <p>No material misstatements were identified from this testing.</p> <p><b>Dividend income</b>  To test the accuracy of dividend income, we agreed the dividend rates from all investments to independent third party sources.</p> <p>To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all listed investments during the year.</p> <p>We tested the occurrence assertion by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements.</p> <p>We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Statement of Comprehensive Income in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions.</p> <p>No material misstatements were identified from this testing.</p>

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company's accounting is delegated to the Administrator who maintains the Company's accounting records and who has implemented controls over those accounting records. We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant control reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

In planning our audit, we made enquiries of the Directors to understand the extent of the potential impact of climate change risk on the Company's financial statements.

The Directors concluded that the impact on the measurement and disclosures within the financial statements is not material because the Company's investment portfolio is primarily made up of level 1 quoted securities which are valued at fair value based on market prices. We found this to be consistent with our understanding of the Company's investment activities.

We also considered the consistency of the Climate change disclosures included in the Strategic Report with the financial statements and our knowledge from our audit.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall company materiality</b>	£5,412,000 (2021: £4,564,000).
<b>How we determined it</b>	approximately 1% of net assets
<b>Rationale for benchmark applied</b>	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. This benchmark provides an appropriate and consistent year on year basis for our audit.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £4,059,000 (2021: £3,423,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £270,000 (2021: £228,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

# Independent Auditors' Report continued

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Directors' updated risk assessment and considering whether it addressed relevant threats, including the ongoing impact of COVID-19, rising inflation, Russia's Invasion of Ukraine, and the subsequent economic uncertainty;
- evaluating the Directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements
- reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers;
- assessing the premium/discount at which the Company's share price trades compared to the net asset value per share; and
- assessing the implication of significant reductions in net assets as a result of market performance on the ongoing ability of the Company to operate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 30 November 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

## Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

## Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

# Independent Auditors' Report continued

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- discussions with the Manager and Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud where applicable;
- reviewing relevant committee meeting minutes, including those of the Board and Audit Committee;
- assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- review of financial statement disclosures to underlying supporting documentation;
- designing audit identifying and testing manual journal entries during the preparation of the financial statements; and to incorporate unpredictability around the nature, timing or extent of our testing.
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### **Appointment**

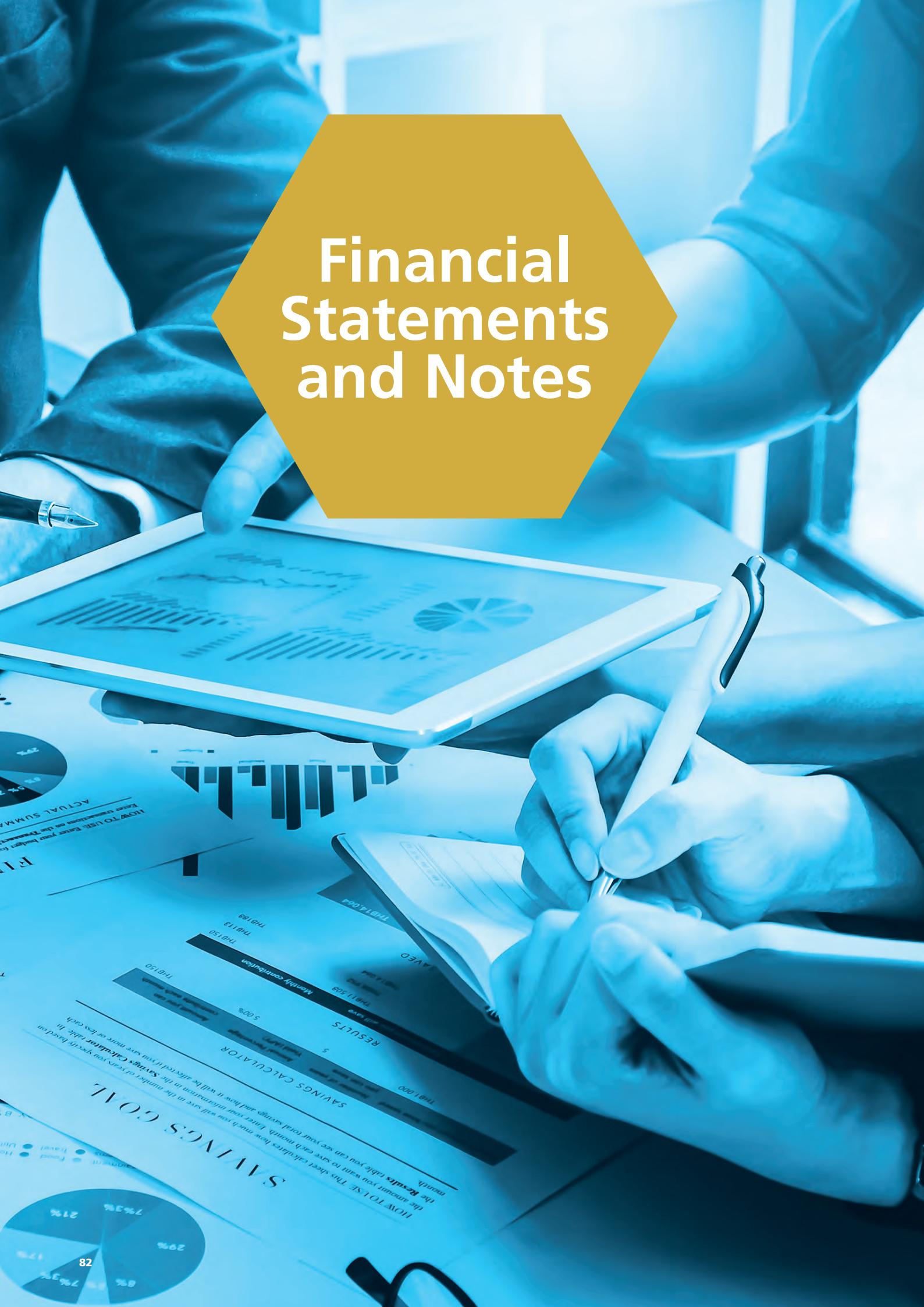
Following the recommendation of the Audit Committee, we were appointed by the members on 17 May 2013 to audit the financial statements for the year ended 30 November 2013 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 30 November 2013 to 30 November 2022.

#### **Kevin Rollo (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

20 February 2023

# Financial Statements and Notes



# Statement of Comprehensive Income

For the year ended 30 November 2022

Notes	Year ended 30 November 2022			Year ended 30 November 2021		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	3	17,473	–	17,473	10,640	–
Other operating income	4	146	–	146	–	–
(Losses)/gains on investments held at fair value	5	–	(5,540)	(5,540)	–	56,942
Losses on derivatives		–	(103)	(103)	–	(115)
Other currency losses	6	–	(819)	(819)	–	(1,337)
<b>Total income/(expense)</b>		<b>17,619</b>	<b>(6,462)</b>	<b>11,157</b>	10,640	55,490
<b>Expenses</b>						
Investment management fee	7	(727)	(2,907)	(3,634)	(449)	(1,795)
Performance fee	7	–	1,164	1,164	–	105
Other administrative expenses	8	(870)	(19)	(889)	(865)	(10)
<b>Total expenses</b>		<b>(1,597)</b>	<b>(1,762)</b>	<b>(3,359)</b>	(1,314)	(1,700)
Profit/(loss) before finance costs and tax		16,022	(8,224)	7,798	9,326	53,790
Finance costs	9	(249)	(996)	(1,245)	(91)	(6,575)
<b>Profit/(loss) before tax</b>		<b>15,773</b>	<b>(9,220)</b>	<b>6,553</b>	9,235	47,215
Tax	10	(1,484)	381	(1,103)	(870)	(670)
<b>Net profit/(loss) for the year and total comprehensive income/(expense)</b>		<b>14,289</b>	<b>(8,839)</b>	<b>5,450</b>	8,365	46,545
<b>Earnings/(losses) per ordinary share (pence)</b>	11	<b>4.45</b>	<b>(2.75)</b>	<b>1.70</b>	4.42	24.57
						28.99

The total column of this statement represents the Company's Statement of Comprehensive Income, 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 on pages 87 to 113 form part of these Financial Statements.

# Statement of Changes in Equity

For the year ended 30 November 2022

Notes	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>	<b>13,967</b>	<b>251</b>	<b>219,163</b>	<b>131,947</b>	<b>83,744</b>	<b>8,175</b>	<b>457,247</b>
<b>Total comprehensive (expense)/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	21, 22	–	–	4,483	6,477	–	10,960
Issue of new ordinary shares (including costs)	19, 21	1,282	–	43,765	–	–	45,047
Issue of new ordinary shares pursuant to placings (including costs)	19, 21	1,339	–	43,969	–	–	45,308
Shares bought back and held in treasury	22	–	–	–	(9,175)	–	(9,175)
Equity dividends paid	12, 22	–	–	–	(993)	–	(12,572)
<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>

Notes	Year ended 30 November 2021						
	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 2020</b>	<b>10,139</b>	<b>251</b>	<b>55,890</b>	<b>57,111</b>	<b>35,469</b>	<b>6,883</b>	<b>165,743</b>
<b>Total comprehensive income:</b>							
Profit for the year ended 30 November 2021	–	–	–	–	46,545	8,365	54,910
<b>Transactions with owners, recorded directly to equity:</b>							
Issue of shares out of treasury	21, 22	–	–	42,351	74,836	–	117,187
Issue of ordinary shares from C share conversion	19, 21	3,828	–	120,971	–	1,730	–
Issue cost	21	–	–	(49)	–	–	(49)
Equity dividends paid	12	–	–	–	–	(7,073)	(7,073)
<b>Total equity at 30 November 2021</b>	<b>13,967</b>	<b>251</b>	<b>219,163</b>	<b>131,947</b>	<b>83,744</b>	<b>8,175</b>	<b>457,247</b>

The notes on pages 87 to 113 form part of these Financial Statements.

# Balance Sheet

As at 30 November 2022

	Notes	30 November 2022 £'000	30 November 2021 £'000
<b>Non current assets</b>			
Investments held at fair value through profit or loss	13	572,748	482,100
<b>Current assets</b>			
Receivables	14	1,977	959
Overseas tax recoverable		1,184	597
Cash and cash equivalents	15	29,793	26,388
Fair value of open derivative contracts	13	6	–
		<b>32,960</b>	<b>27,944</b>
<b>Total assets</b>		<b>605,708</b>	<b>510,044</b>
<b>Current liabilities</b>			
Payables	16	(3,778)	(659)
Bank loan	17	–	(50,418)
		<b>(3,778)</b>	<b>(51,077)</b>
<b>Non-current liabilities</b>			
Performance fee provision	18	–	(1,164)
Indian capital gains tax provision	18	(151)	(556)
Bank loan	17, 18	(60,507)	–
		<b>(60,658)</b>	<b>(1,720)</b>
<b>Net assets</b>		<b>541,272</b>	<b>457,247</b>
<b>Equity attributable to equity Shareholders</b>			
Called up share capital	19	16,588	13,967
Capital redemption reserve	20	251	251
Share premium reserve	21	311,380	219,163
Special distributable reserve	22	128,256	131,947
Capital reserves	23	74,905	83,744
Revenue reserve	24	9,892	8,175
<b>Total equity</b>		<b>541,272</b>	<b>457,247</b>
Net asset value per ordinary share (pence)	25	166.34	167.50

The Financial Statements on pages 83 to 113, including the associated notes, were approved and authorised for issue by the Board of Directors on 20 February 2023 and signed on its behalf by:

**Robert Kyprianou**  
**Chairman**

The notes on pages 87 to 113 form part of these Financial Statements.

Registered number: 8534332

# Cash Flow Statement

## For the year ended 30 November 2022

	Notes	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
<b>Cash flows from operating activities</b>			
Profit before tax		6,553	56,450
Adjustments for non-cash items:			
Losses/(gains) on investments held at fair value through profit or loss		5,540	(56,942)
Scrip dividends received		(11)	(115)
Amortisation on fixed interest securities		(3)	(5)
Finance cost relating to C shares		–	6,210
Adjusted profit before tax		<b>12,079</b>	<b>5,598</b>
Adjustments for:			
Purchases of investments, including transaction costs		(508,484)	(454,569)
Sales of investments, including transaction costs		414,210	216,527
Increase in receivables		(838)	(229)
(Decrease)/increase in payables		(510)	9
Indian capital gains tax		(18)	(114)
Greek sales tax		(6)	–
Overseas tax deducted at source		(2,071)	(1,194)
Exchange losses on the loan facility		1,642	452
<b>Net cash used in operating activities</b>		<b>(83,996)</b>	<b>(233,520)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares out of treasury		11,301	116,988
Net proceeds from issue of new ordinary shares		45,140	–
Net proceeds from share placings		45,308	–
Shares repurchased into treasury		(9,137)	–
Issue cost paid		(93)	(57)
Gross proceeds from issue of C shares		–	122,000
C share issue costs paid		–	(1,773)
Loan repaid	17	(1,647)	–
Loan drawn	17	10,094	30,066
Equity dividends paid	12	(13,565)	(7,073)
<b>Net cash generated from financing activities</b>		<b>87,401</b>	<b>260,151</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,405</b>	<b>26,631</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>26,388</b>	<b>(243)</b>
<b>Cash and cash equivalents at the end of the year</b>	15	<b>29,793</b>	<b>26,388</b>

The notes on pages 87 to 113 form part of these financial statements.

# Notes to the Financial Statements

For the year ended 30 November 2022

## 1. General Information

Polar Capital Global Financial Trust plc is a public limited company registered in England and Wales whose shares are traded on the London Stock Exchange.

The principal activity of the Company is that of an investment trust company within the meaning of Section 1158/1159 of the Corporation Tax Act 2010 and its investment approach is detailed in the Strategic Report.

The Board has determined that Sterling is the Company's functional currency and the presentational currency of the financial statements because it is the currency which is most relevant to the majority of the Company's Shareholders and creditors and is the currency in which the majority of the Company's operating expenses are paid. All figures are rounded to the nearest thousand pounds (£'000) except as otherwise stated.

## 2. Accounting Policies

The principal accounting policies, which have been applied consistently for all years presented, are set out below:

### (a) Basis of Preparation

The Company's financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards ("UK-adopted IAS").

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments at fair value through profit or loss.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Companies (AIC) in July 2022 is consistent with the requirements of UK-adopted IAS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The financial position of the Company as at 30 November 2022 is shown in the balance sheet on page 85. As at 30 November 2022 the Company's total assets exceeded its total liabilities by a multiple of over 9.4. The assets of the Company consist mainly of securities that are held in accordance with the Company's Investment Policy, as set out on page 36 and these securities are readily realisable. 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 addition to the assessment the Company carried out stress testing, which used a variety of falling parameters to demonstrate the effects on the Company's share price and net asset value. 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 it to continue in operational existence for at least 12 months. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Company's financial statements.

### (b) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with the guidance set out by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. The result presented in the revenue return column is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

### (c) Income

Dividends receivable from equity shares are taken to the revenue return column of the Statement of Comprehensive Income on an ex-dividend basis.

Special dividends are recognised on an ex-dividend basis and may be considered to be either revenue or capital items. The facts and circumstances are considered on a case-by-case basis before a conclusion on appropriate allocation is reached.

Where the Company has received dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in the revenue return column of the Statement of Comprehensive Income. Any excess in value of shares received over the amount of cash dividend foregone is recognised in the capital return column of the Statement of Comprehensive Income.

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 2. Accounting Policies continued

### (c) Income (continued)

The fixed returns on debt securities and non-equity shares are recognised under the effective interest rate method.

Bank interest is accounted for on an accrual basis. Interest outstanding at the year end is calculated on a time apportionment basis using market rates of interest.

### (d) Written Options

The Company may write exchange-traded options with a view to generating income. This involves writing short-dated covered call options and put options. The use of financial derivatives is governed by the Company's policies, as approved by the Board.

These options are recorded initially at fair value, based on the premium income received, and are then measured at subsequent reporting dates at fair value. Changes in the fair value of the options are recognised in the capital return for the year.

The option premiums are recognised evenly over the life of the option and shown in the revenue return, with an appropriate amount shown in the capital return to ensure the total return reflects the overall change in the fair value of the options.

Where an option is exercised, any balance of the premium is recognised immediately in the revenue return with a corresponding adjustment in the capital return based on the amount of the loss arising on exercise of the option.

### (e) Expenses and Finance Costs

All expenses, including the management fee, are accounted for on an accrual basis.

Expenses are allocated wholly to the revenue column of the Statement of Comprehensive Income except as follows:

Expenses are charged to the capital column of the Statement of Comprehensive Income where a connection with the maintenance or enhancement of the value of investments can be demonstrated. In this respect the investment management fees have been charged to the Statement of Comprehensive Income in line with the Board's expected long-term split of returns, in the form of capital gains and income from the Company's portfolio. As a result, 20% of the investment management fees are charged to the revenue account and 80% charged to the capital account of the Statement of Comprehensive Income.

Finance costs of the C shares issued by the Company, which were classified as a liability, are recognised as an expense in the capital column of the Statement of Comprehensive Income.

Finance costs, other than those relating to the C shares, are calculated using the effective interest rate method and are accounted for on an accruals basis and, in line with the management fee expense, are charged 20% to the revenue account and 80% to the capital account of the Statement of Comprehensive Income.

Any performance fee accrued is charged entirely to capital as the fee is based on the outperformance of the Benchmark and is expected to be attributable largely, if not wholly, to capital performance. A provision will be recognised when outperformance has been achieved in accordance with the calculations detailed on page 38.

The research costs relate solely to specialist financial research and are accounted for on an accrual basis. They are allocated 20% to revenue and 80% to capital in line with the expected long-term split of revenue and capital return from the Company's investment portfolio.

### (f) Taxation

The tax expense represents the sum of the overseas withholding tax deducted from investment income, tax currently payable and deferred tax.

The tax currently payable is based on the taxable profits for the year ended 30 November 2022. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on UK capital gains.

The company is liable to Indian capital gains tax under Section 115 AD of the Indian Income Tax Act 1961. The Indian capital gains tax provision represents an estimate of the amount of tax payable by the Company. Tax amounts payable may differ from this provision depending on when the Company disposes of its investments. The current provision for Indian capital gains tax is calculated based on the long term (securities held more than one year) or short term (securities held less than one year) nature of the investments and the applicable tax rate at the year end. Currently, the short-term tax rate is 15% and the long-term tax rate is 10%. The estimated tax charge is subject to regular review including a consideration of the likely period of ownership, tax rates and market valuation movements. The provision at the year end is recognised in the Balance Sheet and the year-on-year movement in the provision is recognised in the Statement of Comprehensive Income.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or when the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **(g) Investments Held at Fair Value Through Profit or Loss**

When a purchase or sale is made under contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date and are initially measured at fair value.

On initial recognition the Company has designated all of its investments as held at fair value through profit or loss as defined by UK-adopted IAS. All investments are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Written options are valued at fair value using quoted bid prices.

Index futures are valued at the difference between exchange settlement prices and inception prices.

All investments, classified as fair value through profit or loss, are further categorised into the fair value hierarchy detailed on page 98.

Changes in fair value of all investments and derivatives held at fair value are recognised in the capital return column of the Statement of Comprehensive Income. Gains or losses on derivative financial instruments are treated as capital or revenue depending on the motive and circumstances of the transaction. Where positions are undertaken to protect or enhance capital, the returns are capital and where they are generating or protecting revenue, the returns are revenue.

In respect of unquoted investments, or where the market for a financial instrument is not active, fair value is established by using various valuation techniques, in accordance with the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines – Edition December 2018. These may include using reference to recent arm's length market transactions between knowledgeable, willing parties, if available, reference to recent rounds of re-financing undertaken by investee companies involving knowledgeable parties, reference to the current fair value of another instrument that is substantially the same or a relevant comparable.

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 2. Accounting Policies continued

### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost. Receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value (amortised cost) as reduced by appropriate allowances for estimated irrecoverable amounts.

### (i) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, maturity of three months or less, highly liquid investments that are readily convertible to known amounts of cash.

### (j) Dividends Payable

Dividends payable to Shareholders are recognised in the financial statements when they are paid, or in the case of final dividends, when they are approved by the Shareholders.

### (k) Payables

Payables are not interest-bearing and are initially valued at fair value and subsequently stated at their nominal value (amortised cost).

### (l) Bank Loans

Interest-bearing bank loans are initially recognised at cost, being the proceeds received net of direct issue costs, and subsequently at amortised cost. The amounts falling due for repayment within one year are included under current liabilities and more than one year under non-current liabilities in the Balance Sheet.

### (m) Foreign Currency Translation

Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling on the date of each transaction. Monetary assets, monetary liabilities and equity investments in foreign currencies at the balance sheet date are translated into Sterling at the rates of exchange ruling on that date.

Realised profits or losses on exchange, together with differences arising on the translation of foreign currency assets or liabilities, are taken to the capital return column of the Statement of Comprehensive Income.

Foreign exchange gains and losses arising on investments held at fair value are included within changes in fair value.

### (n) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity, as a deduction, net of tax, from the proceeds.

### (o) Capital Reserves

Capital reserve arising on investments sold includes:

- gains/losses on disposal of investments;
- exchange differences on currency balances; and
- other capital charges and credits charged to this account in accordance with the accounting policies above.

Capital reserve arising on investments held includes:

- increases and decreases in the valuation of investments held at the balance sheet date.

All of the above are accounted for in the Statement of Comprehensive Income.

When making a distribution to Shareholders, the Directors determine the profits available for distribution by reference to the 'Guidance on realised and distributable profits under the Companies Act 2006' issued by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland in April 2017. The availability of distributable reserves in the Company is dependent on those dividends meeting the definition of qualifying consideration within the guidance and on the available cash resources of the Company and other accessible sources of funds. The distributable reserves are therefore subject to any future restrictions or limitations at the time such distribution is made.

### **(p) Repurchase of Ordinary Shares (including those held in treasury)**

Where applicable, the costs of repurchasing Ordinary Shares including related stamp duty and transaction costs are taken directly to equity and reported through the Statement of Changes in Equity as a charge on the special distributable reserve. Share repurchase transactions are accounted for on a trade date basis.

The nominal value of ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve.

Where shares are repurchased and held in treasury, the transfer to capital redemption reserve is made if and when such shares are subsequently cancelled.

Where the shares held in treasury are reissued, the amount of the sales proceed up to the repurchased cost of those shares is transferred back into special distributable reserve, the excess of the sales proceeds over the repurchased cost is transferred to share premium.

### **(q) Share Issue Costs**

Where applicable, costs incurred directly in relation to the issue of new shares together with additional share listing costs have been deducted from the share premium reserve.

### **(r) Accounting for C Shares**

While the C Shares were in issue, the assets and liabilities attributable to the C Shares were accounted in a separate ring-fenced pool distinct from the net assets attributable to the Ordinary Shares. A proportion of the management fee, other administrative expenses and finance costs were also allocated to the C Share pool.

The C Shares issued represented contracts for conversion into a variable number of Ordinary Shares and therefore are classified as a liability of the Company. The income, expenses and capital gains and losses generated by the C Shares pool of assets during the period these shares were in existence, are included in the Statement of Comprehensive Income in their respective categories and the total is charged or credited back within finance costs in the capital column. The issue costs of the C shares are also recognised as a finance cost and charged to the capital column of the Statement of Comprehensive Income.

### **(s) Segmental Reporting**

Under IFRS 8 Operating Segments, operating segments are considered to be the components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker has been identified as the Manager (with oversight from the Board).

The Directors are of the opinion that the Company has only one operating segment and as such no distinct segmental reporting is required.

### **(t) Accounting Estimates and Judgements**

The preparation of financial statements in conformity with UK-adopted IAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The key judgements and sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities and expenses in future periods are as follows:

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 2. Accounting Policies continued

### (t) Accounting Estimates and Judgements (continued)

#### Valuation of Level 3 Investments

Investments valued using valuation techniques include unlisted financial investments, which by their nature, do not have an externally quoted price based on regular trades.

The valuation techniques used may include the techniques described in note 2(g). When determining the inputs into the valuation techniques used, priority is given to publicly available prices from independent sources when available, but overall the source of pricing is chosen with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants at the balance sheet date.

### (u) New and Revised Accounting Standards

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

i) The following new or amended standards became effective for the current annual reporting period and the adoption of the standards and interpretations have not had a material impact on the financial statements of the Company.

Standards & Interpretations	Effective for periods commencing on or after
IFRS 9, IAS 39, IFRS 7, IFRS 16 and IFRS 4: Interest Rate Benchmark Reform – phase 2 (amended)  IBOR Reform - Phase 2 addresses issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.  The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.	1 January 2021

ii) At the date of authorisation of the Company's financial statements, there were no relevant standards that potentially impact the Company are in issue but are not yet effective and have not been applied in the financial statements.

The Directors expect that the adoption of the standards listed above will have either no impact or that any impact will not be material on the financial statements of the Company in future periods.

## 3. Investment Income

	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
<b>Revenue:</b>		
UK dividends	2,660	1,108
Overseas dividends	13,812	8,962
Scrip dividends	11	115
Interest on debt securities	990	455
<b>Total Investment Income</b>	<b>17,473</b>	<b>10,640</b>

Included within income from investments is £748,000 (2021: £502,000) of special dividends classified as revenue in nature in accordance with note 2 (c). No special dividends have been recognised in capital (2021: nil).

## 4. Other Operating Income

	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
Bank interest	146	—
<b>Total other operating income</b>	<b>146</b>	<b>—</b>

## 5. (Losses)/Gains on Investments Held at Fair Value

	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
Net (losses)/gains on disposal of investments at historic cost	(11,901)	32,893
Less fair value adjustments in earlier years	(32,737)	(17,736)
<b>(Losses)/gains based on carrying value at previous balance sheet date</b>	<b>(44,638)</b>	<b>15,157</b>
Valuation gains on investments held during the year	39,098	41,785
	<b>(5,540)</b>	<b>56,942</b>

## 6. Other Currency Losses

	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
Exchange gains/(losses) on currency balances	823	(885)
Exchange losses on the loan facility	(1,642)	(452)
	<b>(819)</b>	<b>(1,337)</b>

## 7. Investment Management and Performance Fee

	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
Management fee		
– charged to revenue	727	449
– charged to capital	2,907	1,795
<b>Investment management fee payable to Polar Capital LLP</b>	<b>3,634</b>	<b>2,244</b>
Performance fee payable to Polar Capital (charged wholly to capital)*	(1,164)	(105)

Management fees are allocated 20% to revenue and 80% to capital. Details of the investment management and performance fees are set out in the Strategic Report on page 38.

\* In the previous two years the Company generated a performance fee accrual. In 2022, the company underperformed and the prior year provisions have been written back resulting in a credit to the Statement of Comprehensive Income.

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 8. Other Administrative Expenses (including VAT where appropriate)

	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
Directors' fees <sup>1</sup>	144	124
Directors' NIC	13	9
Auditors' remuneration - for audit of the Financial Statements <sup>2</sup>	50	38
Depositary fee <sup>3</sup>	35	29
Registrar fee	31	33
Custody and other bank charges <sup>4</sup>	114	84
UKLA and LSE listing fees	36	26
Legal & professional fees	36	102
AIC fees	19	15
Directors' and officers' liability insurance	16	13
Corporate broker's fee	43	43
Marketing expenses <sup>5</sup>	88	105
Research costs - allocated to revenue <sup>6</sup>	5	3
Shareholder communications	24	23
HSBC administration fee <sup>3</sup>	171	180
Other expenses <sup>7</sup>	45	38
<b>Total other administrative expenses allocated to revenue</b>	<b>870</b>	<b>865</b>
Research costs - allocated to capital <sup>6</sup>	19	10
<b>Total other administrative expenses</b>	<b>889</b>	<b>875</b>

1 Full disclosure is given in the Directors' Remuneration Report on page 70.

2 The base audit fee for the statutory audit was £44,000. Overrun fee of £6,000 incurred in the completion of the 2021 audit due to the change in performance fee methodology. In addition, PwC were appointed as Reporting Accountant to the Company in connection with the placing programme, such service was deemed to be a non-audit service for which a fee of £24,000 was paid. The amount has been charged to capital reserves as defined under IAS 32.

3 Fees are determined on the pre-approved rate card with HSBC.

4 Fee is based on the value of the assets and geographical activity and determined on the pre-approved rate card with HSBC.

5 Includes marketing bespoke expenses payable to Polar Capital LLP of £50,000 (2021: £54,000).

6 Research costs (which applied from 3 January 2018) payable by the Company relate solely to specialist financial research.

7 Includes non-executive Director search costs in the current and prior year.

Ongoing charges represents the total expenses of the Company, excluding finance costs and tax, expressed as a percentage of the average daily net asset value, in accordance with AIC guidance issued in May 2012.

The ongoing charges ratio excluding performance fees for the year ended 30 November 2022 was 0.87% (2021: 1.02%). The ongoing charges ratio including the performance fee was 0.65% (2021: 0.98%). See Alternative Performance Measures on pages 115 to 117.

## 9. Finance Costs

	Year ended 30 November 2022			Year ended 30 November 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on loans and overdrafts	201	804	1,005	68	272	340
Loan arrangement fees	48	192	240	23	93	116
Net gains attributable to C shares	–	–	–	–	4,529	4,529
C share issues costs	–	–	–	–	1,681	1,681
	<b>249</b>	<b>996</b>	<b>1,245</b>	<b>91</b>	<b>6,575</b>	<b>6,666</b>

Finance costs are allocated 20% to revenue and 80% to capital with the exception of the costs related to C shares charged 100% to capital.

## 10. Taxation

### a) Analysis of tax charge/(credit) for the year:

	Year ended 30 November 2022			Year ended 30 November 2021		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Overseas tax	1,465	–	1,465	896	–	896
Tax relief in capital	19	(19)	–	–	–	–
Withholding tax recovered	–	–	–	(26)	–	(26)
Indian capital gains tax	–	(368)	(368)	–	670	670
Greek sales tax	–	6	6	–	–	–
<b>Total tax charge/(credit) for the year (see note 10b)</b>	<b>1,484</b>	<b>(381)</b>	<b>1,103</b>	<b>870</b>	<b>670</b>	<b>1,540</b>

### b) Factors affecting tax charge/(credit) for the year:

The charge/(credit) for the year can be reconciled to the profit/(loss) per the Statement of Comprehensive Income as follows:

	Year ended 30 November 2022			Year ended 30 November 2021		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
<b>Profit/(loss) before tax</b>	<b>15,773</b>	<b>(9,220)</b>	<b>6,553</b>	<b>9,235</b>	<b>47,215</b>	<b>56,450</b>
Tax at the UK corporation tax rate of 19% (2021: 19%)	2,997	(1,751)	1,246	1,755	8,971	10,726
Tax effect of non-taxable dividends	(2,940)	–	(2,940)	(1,773)	–	(1,773)
Losses/(gains) on investments that are not taxable	–	1,228	1,228	–	(10,543)	(10,543)
Overseas tax suffered	1,465	–	1,465	896	–	896
Indian capital gains tax	–	(368)	(368)	–	670	670
Greek sales tax	–	6	6	–	–	–
Current period expenses not tax deductible	–	–	–	–	1,180	1,180
Unrelieved current period expenses and deficits	–	504	504	25	392	417
Withholding tax recovered	–	–	–	(26)	–	(26)
Tax relief on overseas tax suffered	(38)	–	(38)	(7)	–	(7)
<b>Total tax charge/(credit) for the year (see note 10a)</b>	<b>1,484</b>	<b>(381)</b>	<b>1,103</b>	<b>870</b>	<b>670</b>	<b>1,540</b>

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 10. Taxation continued

### c) Factors that may affect future tax charges:

The Company has an unrecognised deferred tax asset of £1,968,000 (2021: £1,345,000). The deferred tax asset is based on a prospective corporation tax rate of 25% (2021: 25%). The Finance Act 2021 received Royal Assent on 10 June 2021 and the rate of Corporation Tax of 25% effective from 1 April 2023 has been used to calculate the potential deferred tax asset.

It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and deficits and therefore no deferred tax asset has been recognised.

Due to the Company's tax status as an investment trust and the intention to continue meeting the conditions required to obtain approval of such status in the foreseeable future, the Company has not provided UK tax on any capital gains arising on the revaluation or disposal of investments held by the Company.

The Company is liable to Indian capital gains tax under Section 115 AD of the Indian Income Tax Act 1961. A tax provision on Indian capital gains is calculated based on the long term (securities held more than one year) or short term (securities held less than one year) nature of the investments and the applicable tax rate at the year end. The current rates of short-term tax rates are 15% and the long term tax rates are 10% respectively. At the year ended 30 November 2022, the Company has a deferred tax liability of £151,000 (2021: £556,000) on capital gains which may arise if Indian investments are sold.

## 11. Earnings/(Losses) Per Ordinary Share

	Year ended 30 November 2022			Year ended 30 November 2021		
	Revenue return	Capital return	Total return	Revenue return	Capital return	Total return
The calculation of basic earnings/(losses) per share is based on the following data:						
Net profit/(loss) for the year (£'000)	14,289	(8,839)	5,450	8,365	46,545	54,910
Weighted average ordinary shares in issue during the year	320,762,691	320,762,691	320,762,691	189,457,425	189,457,425	189,457,425
From continuing operations						
Basic - ordinary shares (pence)	4.45	(2.75)	1.70	4.42	24.57	28.99

As at 30 November 2022 there were no potentially dilutive shares in issue (2021: nil).

## 12. Amounts Recognised as Distributions to Ordinary Shareholders in the Year

### Dividends paid in the year ended 30 November 2022

Payment date	No. of shares	Amount per share	Year ended 30 November 2022 £'000
28 February 2022	281,730,000	2.00p	5,635
31 August 2022	330,440,000	2.40p	7,930
			13,565

The revenue available for distribution by way of dividend for the year is £14,289,000 (2021: £8,365,000).

The total dividends payable in respect of the financial year ended 30 November 2022, which is the basis on which the requirements of section 1158 Corporation Tax Act 2010 are considered, are set out below:

Payment date	No. of shares	Amount per share	Year ended 30 November 2022 £'000
31 August 2022	330,440,000	2.40p	7,930
28 February 2023	324,779,000	2.05p	6,658
			14,588

The total dividends payable in respect of the financial year ended 30 November 2021, which is the basis on which the requirements of section 1158 Corporation Tax Act 2010 are considered, are set out below:

Payment date	No. of shares	Amount per share	Year ended 30 November 2021 £'000
31 August 2021	182,475,000	2.40p	4,379
28 February 2022	281,730,000	2.00p	5,635
			<b>10,014</b>

All dividends are paid as interim dividends, and all have been charged to revenue, where necessary utilising the revenue reserve and in exceptional circumstances utilising the special distributable reserve. £831,000 for the dividend paid on 28 February 2022 and £162,000 for the dividend paid on 31 August 2022 were partially paid from the special distributable reserve. See Directors Report on pages 48 and 49 for further details.

## 13. Investments Held at Fair Value Through Profit or Loss

### (a) Investments held at fair value through profit or loss

	30 November 2022 £'000	30 November 2021 £'000
Opening book cost	422,479	152,439
Opening investment holding gains	59,621	35,572
<b>Opening fair value</b>	<b>482,100</b>	<b>188,011</b>
<b>Analysis of transactions made during the year</b>		
Purchases at cost	510,922	453,669
Sales proceeds received	(414,737)	(216,527)
(Losses)/gains on investments held at fair value	(5,540)	56,942
Amortisation on fixed interest securities	3	5
<b>Closing fair value</b>	<b>572,748</b>	<b>482,100</b>
Closing book cost	506,766	422,479
Closing investment holding gains	65,982	59,621
<b>Closing fair value</b>	<b>572,748</b>	<b>482,100</b>

The Company received £414,737,000 (2021: £216,527,000) from disposal of investments in the year. The book cost of these investments when they were purchased were £426,638,000 (2021: £183,634,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

The following transactions costs, including stamp duty and broker commissions were incurred during the year:

	30 November 2022 £'000	30 November 2021 £'000
On acquisitions	565	570
On disposals	327	205
<b>892</b>	<b>775</b>	

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 13. Investments Held at Fair Value Through Profit or Loss continued

### (b) Changes in Derivative Financial Instruments

#### (i) Index Futures

	30 November 2022 £'000	30 November 2021 £'000
Valuation at 1 December 2021	–	–
Additions at cost	109	–
Proceeds of disposal	–	–
Losses on disposal	(109)	–
Valuation gains	6	–
<b>Valuation at 30 November 2022</b>	<b>6</b>	<b>–</b>

The company invested in index futures during the year for the purposes of efficient portfolio management. There was 15 ICF Long Gilt March 2023 contracts held at year ended 30 November 2022 (2021: nil).

#### (ii) Contract for Difference

	30 November 2022 £'000	30 November 2021 £'000
Valuation at 1 December 2021	–	–
Additions at cost	–	1,598
Proceeds of disposal	–	(1,483)
Losses on disposal	–	(115)
Valuation gains	–	–
<b>Valuation at 30 November 2022</b>	<b>–</b>	<b>–</b>

The contract for difference was utilised in the prior year for the purpose of efficient portfolio management. There was no contract for difference held at year ended 30 November 2022 (2021: same).

### (c) Fair Value of Open Derivative Contracts

	30 November 2022 £'000	30 November 2021 £'000
ICF Long Gilt March 2023 Futures	6	–
<b>Total</b>	<b>6</b>	<b>–</b>

### (d) Fair value hierarchy

The Company's financial instruments within the scope of IFRS 7 that are held at fair value comprise its investment portfolio and derivative financial instruments.

They are categorised into a hierarchy consisting of the following three levels:

Level 1 – valued using quoted prices in active markets for identical assets or liabilities.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to 'the fair value measurement of the relevant asset'.

Details of the valuation techniques used by the Company are given in note 2(g) on page 89.

The following tables set out the fair value measurements using the IFRS 7 hierarchy at 30 November 2022 and 2021:

	30 November 2022			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments and derivative financial instruments	526,173	–	4,551	530,724
Interest bearing securities	42,030	–	–	42,030
<b>Total</b>	<b>568,203</b>	–	<b>4,551</b>	<b>572,754</b>

The Level 3 investment relates to the shares in Atom Bank and Moneybox.

	30 November 2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	470,165	–	1,921	472,086
Interest bearing securities	10,014	–	–	10,014
<b>Total</b>	<b>480,179</b>	–	<b>1,921</b>	<b>482,100</b>

The Level 3 investment relates to the shares in Atom Bank.

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below.

#### Level 3 investments at fair value through profit or loss

	30 November 2022 £'000	30 November 2021 £'000
Opening balance	1,921	2,120
Additions at cost	3,000	256
Total loss included in the Statement of Comprehensive Income - on assets held at the year end	(370)	(455)
<b>Closing balance</b>	<b>4,551</b>	<b>1,921</b>

Level 3 Investments are recognised at fair value through profit or loss on a recurring basis.

Level 3 investments are valued in accordance with the accounting policy in Note 2(g) on page 89.

A +/- 10% change in the price used to value the investment in the level 3 investments at the year end would result in a +/- £455,000 (2021: £192,000) impact on the gains or losses on investments held at fair value in the Statement of Comprehensive Income.

#### (e) Unquoted investments

The value of the unquoted investments as at 30 November 2022 was £4,551,000 (2021: £1,921,000) and the portfolio comprised the following holdings:

	30 November 2022 £'000	30 November 2021 £'000
Atom Bank	2,241	1,921
Moneybox	2,310	–
	<b>4,551</b>	<b>1,921</b>

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 13. Investments Held at Fair Value Through Profit or Loss continued

### (e) Unquoted investments (continued)

Atom Bank is a UK digital bank founded in 2014 and based in Durham. It currently offers fixed rate and instant access savings products, business banking loans and retail mortgages.

At 31 March 2022 (Atom Bank's financial year end), Atom Bank announced that it had made pre-tax losses of £11,927,000 (2021: £62,379,000) and had net assets attributable to Shareholders of £251,094,000 (2021: £141,330,000).

The valuation of Atom Bank was reviewed by the Manager and the Board during both the half year and full year financial results process. In February, the investment of Atom Bank was increased to the price at which the bank raised £70m of capital. In November the bank announced a further capital raise at the same valuation.

Moneybox is an on-line UK savings and wealth platform and provides mobile applications which enable customers to make regular savings into tax efficient products, such as ISAs, or a personal pension, as well as various savings accounts.

At 31 May 2021 (Moneybox's financial year end), Moneybox announced that it had made pre-tax losses of £10,198,000 and had net assets attributable to Shareholders of £31,917,000.

The valuation of Moneybox was reviewed by the Investment Manager and the Board during both the half year and full year financial results process. During the year, the valuation of Moneybox was reduced following a sharp fall in the valuations of listed comparators.

## 14. Receivables

	30 November 2022 £'000	30 November 2021 £'000
Securities sold awaiting settlement	527	—
Net proceeds due from issue of treasury shares	—	341
VAT recoverable	25	123
Dividends and interest receivable	1,395	473
Prepayments	30	22
	<b>1,977</b>	<b>959</b>

## 15. Cash and Cash Equivalents

	30 November 2022 £'000	30 November 2021 £'000
Cash at bank	29,652	26,383
Cash held at derivative clearing houses	141	5
	<b>29,793</b>	<b>26,388</b>

## 16. Payables

	30 November 2022 £'000	30 November 2021 £'000
Securities purchased awaiting settlement	2,427	—
Repurchase of treasury shares awaiting settlement	38	—
Accruals	1,313	659
	<b>3,778</b>	<b>659</b>

## 17. Bank Loans

### i) Bank loans

	30 November 2022 £'000	30 November 2021 £'000
The Company has the following unsecured term loans:		
£20m at 0.939% repayable 8 July 2022	—	20,000
£15m at 3.921% repayable 8 July 2025	15,000	—
US\$18.4m at 4.208% repayable 8 July 2025	15,469	—
	<b>30,469</b>	<b>20,000</b>
The Company made the following drawdowns from the RBS revolving credit facility of £50m as at year ended 30 November 2022 (30 November 2021: RBS revolving credit facility of £40m):		
US\$20.4m repayable 8 July 2022	—	15,418
£10m repayable 8 July 2022	—	10,000
£5m repayable 8 July 2022	—	5,000
£20m repayable 8 July 2025	20,000	—
£5m repayable 8 July 2025	5,000	—
US\$6m repayable 8 July 2025	5,038	—
	<b>60,507</b>	<b>50,418</b>

During the year, the Company repaid the one-year term loan of £20m, and the £40m revolving credit facility (of which £15m and US\$20.4m were drawn at expiry) from RBS on their expiry on 8 July 2022. The Company entered into replacement arrangements with RBS for two three-year term loans of £15m and US\$18.4m and a three-year £50m revolving credit facility, all expiring on 8 July 2025.

As at 30 November 2022, the Company had drawn down £25m and US\$6m (£5m) respectively from the revolving credit facility, with £20m remaining available.

The term loans of £15 million and USD\$18.4 (£15.5m) held at the year end is due for settlement within 3 years and is stated at its fair value, which equates to amortised cost.

Both of the term loan and credit facility are unsecured but subject to certain covenants and restrictions, all of which have been complied with during the year. The main covenants relating to the term loan and credit facility are:

- (i) Consolidated Gross Borrowing not to exceed 30% of the Adjusted Portfolio Value at any time.
- (ii) The number of Eligible Investments shall not be less than 50 at any time.
- (iii) The Adjusted Portfolio Value shall at all times be equal to or more than £240,000,000.

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 17. Bank Loans continued

### ii) Reconciliation of bank loans

	30 November 2022 £'000	30 November 2021 £'000
Bank loans held as at 1 December 2021	50,418	19,900
RCF drawn under ING facility	–	12,566
Term loan of £10m and RCF of £7.5m & US\$20.4m under ING facility expired in July 2021	–	(32,245)
Term loan of £20m and RCF of US\$20.4m under RBS facility due to expire in July 2022	–	34,745
Prior year RCF drawn under RBS facility	–	15,000
Term loan of £20m and RCF of £15m & US\$20.4m under RBS facility expired in July 2022	(52,000)	–
Term loans of £15m & US\$18.4m and RCF of £20m under RBS facility due to expire in July 2025	50,353	–
RCF drawn under RBS facility due to expire in July 2025	10,094	–
Exchange losses/(gains) on settlement of RCF balances	2,254	(302)
Effect of changes in foreign exchange rates on Term loan and RCF	(612)	754
<b>Bank loans held as at 30 November 2022</b>	<b>60,507</b>	<b>50,418</b>

The movement in the liability arising from the bank loans due to changes in foreign exchange rates is a non-cash movement and is included in the Statement of Comprehensive Income within 'Other currency losses'.

## 18. Non-current Liabilities

	30 November 2022 £'000	30 November 2021 £'000
Performance fee provision	–	1,164
Indian capital gains tax provision	151	556
Bank loan	60,507	–
<b>60,658</b>	<b>1,720</b>	

The performance fee is payable at the end of each five-year tender period, the next being in year 2025.

## 19. Called Up Share Capital

	30 November 2022 £'000	30 November 2021 £'000
<b>Allotted, Called up and Fully paid:</b>		
<b>Ordinary shares of 5p each:</b>		
Opening balance of 272,980,000* (30 November 2021: 123,050,100)	13,649	6,153
Issue of 25,644,680 (2021: nil) new ordinary shares	1,282	–
Issue of 26,775,320 (2021: nil) new ordinary shares pursuant to placings	1,339	–
Issue of 6,350,000 (2021: 73,374,900) ordinary shares out of treasury	318	3,668
Issue of nil ordinary shares (2021: 76,555,000) from conversion of C shares	–	3,828
Repurchase of 6,356,000 (2021: nil) ordinary shares into treasury	(318)	–
<b>Allotted, Called up and Fully paid: 325,394,000 (30 November 2021: 272,980,000) ordinary shares of 5p</b>	<b>16,270</b>	<b>13,649</b>
6,356,000 (2021: 6,350,000) ordinary shares held in treasury	318	318
<b>At 30 November 2022</b>	<b>16,588</b>	<b>13,967</b>

\* Excluding shares held in Treasury.

This reserve is not distributable

During the year, there were 6,356,000 ordinary shares repurchased into treasury for a total net consideration of £9,175,000 (2021: nil). A total of 6,350,000 (2021: 73,374,900) ordinary shares were issued out of treasury for a total net consideration of £10,960,000 (2021: £117,187,000).

The Company also issued 25,644,680 new ordinary shares from the block listing facility (2021: nil) for a total consideration of £45,140,000 less expenses of £93,000 (2021: £nil).

The Company also undertook a share placing programme, the first placing at the end of January 2022 and second placing at the end of February 2022 under the Prospectus issued on 12 May 2021. This resulted in a total allotment of 26,775,320 new ordinary shares for a total consideration of £46,022,000 less expenses of £714,000.

In the prior year the Company issued 122,000,000 C Shares for gross proceeds of £122,000,000. On admission, the C Shareholders held rights over a ring-fenced portfolio attributable to the C shares and this portfolio was invested in accordance with the Company's Investment Policy. These were duly converted into 76,555,000 ordinary shares on 13 August 2021, based on a conversion ratio as calculated in accordance with the terms and conditions of the Company's Articles which was approved at the General Meeting on 16 June 2021 and as summarised in the Prospectus.

Subsequent to the year end to 16 February 2023, the Company has purchased a further 790,000 shares out of treasury for a total net consideration of £1,247,000 into treasury.

The ordinary shares held in treasury have no voting rights and are not entitled to dividends.

## 20. Capital Redemption Reserve

	30 November 2022 £'000	30 November 2021 £'000
At 1 December 2021	251	251
<b>At 30 November 2022</b>	<b>251</b>	<b>251</b>

The capital redemption reserve represents the nominal value of shares repurchased and cancelled.

This reserve is not distributable

## 21. Share Premium Reserve

	30 November 2022 £'000	30 November 2021 £'000
At 1 December 2021	219,163	55,890
Issue of 25,644,680 (2021: nil) new ordinary shares	43,858	—
Issue of 26,775,320 (2021: nil) new ordinary shares pursuant to placings	43,969	—
Issue of 6,350,000 (2021: 73,374,900) ordinary shares out of treasury	4,483	42,351
Issue cost	(93)	(49)
Issue of nil (2021: 76,555,000) ordinary shares from C share conversion	—	120,971
<b>At 30 November 2022</b>	<b>311,380</b>	<b>219,163</b>

The cost to the block listing application of £93,000 (2021: £49,000) has been accounted as an issue cost as defined under IAS 32.

The share premium from the C share conversion in 2021 is calculated as the net assets attributable to the C shares on conversion of £124,799,000 (note 23) less the nominal value of converted shares of £3,828,000 (note 19).

The share premium arises from excess of consideration received on the issue of the shares over the nominal value.

This reserve is not distributable

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 22. Special Distributable Reserve

	30 November 2022 £'000	30 November 2021 £'000
At 1 December 2021	131,947	57,111
Issue of 6,350,000 (2021: 73,374,900) ordinary shares out of treasury	6,477	74,836
Repurchase of 6,356,000 (2021: nil) ordinary shares into treasury	(9,175)	–
Interim dividends paid*	(993)	–
<b>At 30 November 2022</b>	<b>128,256</b>	<b>131,947</b>

\* The second interim dividend of 2.00p per share for the year ended 30 November 2021 was paid on 28 February 2022. Part of this dividend, amounting to £831,000 was paid out of the special distributable reserve. In addition, the first interim dividend of 2.40p per share for the year ended 30 November 2022 was paid on 31 August 2022. Part of this dividend amounting to £162,000 was paid out of the special distributable reserve.

The special distributable reserve was created following approval from the Court, received on 4 September 2013, to cancel the share premium account from initial share offering.

Surpluses to the credit of the special distributable reserve can be used to purchase the Company's own shares. In addition, the Company may use this reserve for the payment of dividends.

## 23. Capital Reserves

	30 November 2022 £'000	30 November 2021 £'000
At 1 December 2021	83,744	35,469
Net (losses)/gains on disposal of investments	(44,638)	15,157
Valuation gains on investments held during the year	39,098	41,785
Net losses on derivative contracts	(103)	(115)
Exchange gains/(losses) on currency balances	823	(885)
Exchange losses on the loan facility	(1,642)	(452)
Investment management fee charged to capital	(2,907)	(1,795)
Performance fee credited to capital	1,164	105
Research costs charged to capital	(19)	(10)
Finance costs charged to capital	(996)	(365)
Finance costs relating to C shares	–	(4,480)
Indian capital gains tax	368	(670)
Greek sales tax	(6)	–
Tax relief due from revenue	19	–
<b>At 30 November 2022</b>	<b>74,905</b>	<b>83,744</b>

The balance on the capital reserve represents a profit of £65,778,000 (2021: profit of £58,403,000) on investments held and a gain of £9,127,000 (2021: gain of £25,341,000) on investments sold.

The balance on investments held comprises holding gains on investments (which may become realised) and other amounts, which are unrealised. An analysis has not been made between the amounts that are realised (and may be distributed or used to repurchase the Company's shares) and those that are unrealised.

The balance on investments sold are realised distributable capital reserves which may be used to repurchase Company's shares or be distributed as dividends subject to meeting the definition of qualifying consideration as noted in Note 2(o).

## 24. Revenue Reserve

	30 November 2022 £'000	30 November 2021 £'000
At 1 December 2021	8,175	6,883
Revenue profit	14,289	8,365
Interim dividends paid*	(12,572)	(7,073)
<b>At 30 November 2022</b>	<b>9,892</b>	<b>8,175</b>

\* Part of the dividends for the year ending November 2022 were paid from the special distribution reserve as noted in Note 22.

The revenue reserve may be distributed or used to repurchase the Company's shares (subject to being a positive balance).

## 25. Net Asset Value Per Ordinary Share

	30 November 2022	30 November 2021
Net assets attributable to ordinary Shareholders (£'000)	541,272	457,247
Ordinary shares in issue at end of year	325,394,000	272,980,000
Net asset value per ordinary share (pence)	166.34	167.50

As at 30 November 2022, there were no potentially dilutive shares in issue (2021: nil).

## 26. Transactions with the Investment Manager and Related Party Transactions

### (a) Transactions with the manager

Under the terms of an agreement dated 11 June 2013 the Company has appointed Polar Capital LLP ("Polar Capital") to provide investment management, accounting, secretarial and administrative services. Details of the fee arrangement for these services are given in the Strategic Report. The total fees, paid under this agreement to Polar Capital in respect of the year ended 30 November 2022 were £3,634,000 (2021: £2,244,000) of which £305,000 (2021: £272,000) was outstanding at the year end.

A performance fee based on cumulative relative performance since 23 April 2020, amounting to £nil (2021: £1,164,000) has been accrued at the year end, of which £1,164,000 (2021: £105,000) was written back in the current year. Any accrued performance fee is payable at the end of each five-year tender period, the next being in 2025. See Strategic Report on page 38 for more details.

In addition, the total research costs in respect of the period from 1 January 2022 to the year ended 30 November 2022 were £24,000 (2021: £13,000) of which £11,000 (2021: £7,000) was outstanding at the year end.

### (b) Related party transactions

The Company has no employees and therefore no key management personnel other than the Directors. The Company paid £144,000 (2021: £124,000) to the Directors of which £47,000 (2021: £33,000) was outstanding at the year end. The Remuneration Report is set out on pages 67 to 72. When dividends are paid by the Company these are received by the Directors who own shares at the same rates and terms as by all other Shareholders.

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 27. Derivatives and Other Financial Instruments

### Risk management policies and procedures for the Company

The Company invests in equities, debt securities and other financial instruments for the long-term to further the investment objective set out on page 36.

This exposes the Company to a range of financial risks that could impact on the assets or performance of the Company.

The main risks arising from the Company's pursuit of its investment objective are market risk, liquidity risk and credit risk and the Directors' approach to the management of them is set out below.

The Company's exposure to financial instruments can comprise:

- Equity and non-equity shares and fixed interest securities which may be held in the investment portfolio in accordance with the investment objective.
- Borrowings, the main purpose of which is to enhance returns.
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.
- Derivative transactions which the Company enters into may include equity or index options, contracts for difference, index futures contracts and forward foreign exchange contracts. The purpose of these is to manage the market price risks and foreign exchange risks arising from the Company's investment activities.

The overall management of the risks is determined by the Board and its approach to each risk identified is set out below. The Board and the Manager co-ordinate the risk management and the Manager assesses the exposure to market risk when making each investment decision.

#### (a) Market Risk

Market risk comprises three types of risk: market price risk (see note 27(a)(i)), currency risk (see note 27(a)(ii)), and interest rate risk (see note 27(a)(iii)). Further details are included in the Strategic Report on page 42.

##### (i) Market Price Risk

The Company is an investment company and as such its performance is dependent on its valuation of its investments. Consequently, market price risk is the most significant risk that the Company faces.

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

A detailed breakdown of the investment portfolio is given on pages 25 to 27. Investments are valued in accordance with the accounting policies as stated in note 2(g).

At the year end, the Company's portfolio included index futures contracts to the value of £6,000 (2021: nil).

#### **Management of the risk**

In order to manage this risk it is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce both the statistical risk and the risk arising from factors specific to a particular financial sub-sector. The allocation of assets to international markets, together with stock selection covering small, medium and large companies, and the use of options, are additional factors which act to reduce price risk. The Manager actively monitors market prices and reports to the Board, which meets regularly in order to consider investment strategy.

### Market price risks exposure

The Company's exposure to changes in market prices at 30 November on its investments was as follows:

	30 November 2022 £'000	30 November 2021 £'000
Investments held at fair value through profit or loss	572,748	482,100
Derivative financial instruments held at fair value through profit or loss	6	-
	<b>572,754</b>	<b>482,100</b>

### Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and the value of Shareholders' funds to an increase or decrease of 15% (2021: 15%) in the fair values of the Company's investments. This level of change is considered to be reasonably possible based on observation of current market conditions and historic trends. The sensitivity analysis is based on the Company's investments at each balance sheet date, adjusting for a change in management fee, with all other variables held constant.

	30 November 2022		30 November 2021	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income - profit after tax				
Revenue return	(120)	120	(101)	101
Capital return	85,432	(85,432)	71,910	(71,910)
<b>Change to the profit after tax for the year</b>	<b>85,312</b>	<b>(85,312)</b>	<b>71,809</b>	<b>(71,809)</b>
Change to equity attributable to Shareholders	85,312	(85,312)	71,809	(71,809)

### (ii) Currency Risk

The Company's total return and net assets can be significantly affected by currency translation movements as the majority of the Company's assets and revenue are denominated in currencies other than Sterling.

#### Management of the risk

The Manager mitigates risks through an international spread of investments.

Derivative contracts may be used to hedge against the exposure to currency risk at the Manager's discretion.

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 27. Derivatives and Other Financial Instruments continued

### (a) Market Risk continued

#### (ii) Currency Risk continued

##### *Foreign currency exposure*

The table below (as continued) with non-monetary items on page 109, shows, by currency, the split of the Company's monetary assets, liabilities and investments that are priced in currencies other than Sterling.

	30 November 2022 £'000	30 November 2021 £'000
<b>Monetary Assets:</b>		
<b>Cash and short term receivables</b>		
Australian dollars	10,373	–
Canadian dollars	7,654	17
US dollars	6,934	7,713
Japanese yen	4,267	189
Euros	1,104	511
Hong Kong dollars	1,064	–
Vietnam dong	530	950
Indian rupee	470	2,586
Taiwan dollars	112	112
Norwegian krona	103	102
Swiss francs	90	18
Indonesian rupiah	–	23
<b>Monetary Liabilities:</b>		
<b>Payables</b>		
US dollar	(21,314)	(15,477)
Indian rupee	(1,154)	(556)
Hong Kong dollars	(1,064)	–
Euros	(360)	–
<b>Foreign currency exposure on net monetary items</b>	<b>8,809</b>	<b>(3,812)</b>

	30 November 2022 £'000	30 November 2021 £'000
<b>Non-Monetary Items:</b>		
<b>Investments held at fair value through profit or loss</b>		
US dollars	279,038	232,205
Euros	43,925	52,734
Indian rupee	34,915	32,181
Canadian dollars	25,133	11,305
Hong Kong dollars	24,254	13,979
Indonesian rupiah	19,073	12,439
Japanese yen	17,418	9,264
Singapore dollars	13,200	8,269
Norwegian krona	9,896	–
Swiss francs	8,488	10,279
Thai baht	5,805	11,500
Swedish krona	5,502	11,718
Malaysian ringgit	4,775	–
Australian dollars	4,644	–
Vietnam dong	–	5,475
Taiwan dollars	–	4,994
Mexican peso	–	4,232
Korean won	–	2,199
<b>Total net foreign currency exposure</b>	<b>504,875</b>	<b>418,961</b>

#### Foreign currency sensitivity

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at the balance sheet date and assumes a 20% (2021: 15%) appreciation or depreciation in Sterling against the currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

If Sterling had weakened by 20% (2021: 15%) this would have had the following effect:

	30 November 2022 £'000	30 November 2021 £'000
Statement of Comprehensive Income - profit after tax		
Revenue return	2,616	1,279
Capital return	(692)	(711)
<b>Change to the profit after tax for the year</b>	<b>1,924</b>	<b>568</b>
<b>Change to equity attributable to Shareholders</b>	<b>1,924</b>	<b>568</b>

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 27. Derivatives and Other Financial Instruments continued

### (a) Market Risk continued

#### (ii) Currency Risk continued

Conversely if Sterling had strengthened by 20% (2021: 15%) this would have had the following effect:

	30 November 2022 £'000	30 November 2021 £'000
Statement of Comprehensive Income - profit after tax		
Revenue return	(2,616)	(1,279)
Capital return	692	711
<b>Change to the profit after tax for the year</b>	<b>(1,924)</b>	<b>(568)</b>
<b>Change to equity attributable to Shareholders</b>	<b>(1,924)</b>	<b>(568)</b>

In the opinion of the Directors, while these are regarded as reasonable estimates, neither of the above sensitivity analysis are representative of the year as a whole since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

#### (iii) Interest Rate Risk

The Company will be affected by interest rate changes as it holds interest-bearing financial assets. Interest rate changes will also have an impact on the valuation of investments, although this forms part of price risk, which is considered separately above.

#### *Management of the risk*

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

Derivative contracts may be used to hedge against the exposure to currency risk at the Manager's discretion.

#### *Interest rate exposure*

The exposure, at 30 November 2022, of financial assets and liabilities to interest rate risk is shown by reference to:

- Floating interest rates (i.e. giving cash flow interest rate risk) - when the rate is due to be re-set; and
- Fixed interest rates (i.e. giving fair value interest rate risk) - when the financial instrument is due for repayment.

	30 November 2022		
	Within one year £'000	More than one year £'000	Total £'000
<b>Exposure to floating interest rates:</b>			
Cash and cash equivalents	29,793	–	29,793
Bank loans	–	(30,038)	(30,038)
Non-current asset investments held at fair value through profit or loss	–	33,989	33,989
<b>Exposure to fixed interest rates:</b>			
Non-current asset investments held at fair value through profit or loss	–	8,041	8,041
Bank loans	–	(30,469)	(30,469)
<b>Total exposure to interest rates</b>	<b>29,793</b>	<b>(18,477)</b>	<b>11,316</b>

	30 November 2021		
	Within one year £'000	More than one year £'000	Total £'000
<b>Exposure to floating interest rates:</b>			
Cash and cash equivalents	26,388	–	26,388
Bank loans	(30,418)	–	(30,418)
Non-current asset investments held at fair value through profit or loss	–	7,627	7,627
<b>Exposure to fixed interest rates:</b>			
Non-current asset investments held at fair value through profit or loss	–	2,387	2,387
Bank loans	(20,000)	–	(20,000)
<b>Total exposure to interest rates</b>	<b>(24,030)</b>	<b>10,014</b>	<b>(14,016)</b>

The weighted average interest rate for the fixed rate financial assets was 12.1% (30 November 2021: 7.1%) and the effective period for which the rate was fixed was 6.2 years (30 November 2021: 3.1 years).

During the year, the Company entered into a £15 million and USD\$18.4m term loan with The Royal Bank of Scotland International Ltd (2021: £20 million), interest is payable at fixed rates of 3.921% and 4.208%. The loan will be expiring on 8 July 2025. Details of the amounts drawn on the term loan are given in note 17.

The Company also agreed a three-year revolving credit facility for the amount of £50 million with The Royal Bank of Scotland International Ltd (30 November 2021: £40 million). Interest is payable at the Compounded Reference Rate based on the secured overnight financing rate (SOFR) as quoted in the market for the relevant currency and period, plus a margin of 1.30%, plus mandatory costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At the year end, the Company had drawn down £25m and US\$6m (£5m) respectively from the revolving credit facility.

The above amounts are not necessarily representative of the exposure to interest rates in the year ahead, as the level of cash and investment in fixed interest securities varies during the year according to the performance of the stock market, events within the wider economy and the Manager's decisions on the best use of cash or borrowings over the year.

#### Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 100 basis points (2021: 25 basis points) in interest rates in regard to the Company's monetary financial assets, which are subject to interest rate risk. This level of change is considered to be reasonably possible based on observation of current market conditions.

The sensitivity analysis is based on the Company's monetary financial instruments held at each balance sheet date, with all other variables held constant.

	30 November 2022		30 November 2021	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Effect on revenue return	238	(238)	51	(51)
Effect on capital return	(240)	240	(61)	61
<b>Effect on net profit and on equity attributable to Shareholders</b>	<b>(2)</b>	<b>2</b>	<b>(10)</b>	<b>10</b>

In the opinion of the Directors, the above sensitivity analysis may not be representative of the year as a whole, since the level of exposure may change.

# Notes to the Financial Statements continued

For the year ended 30 November 2022

## 27. Derivatives and Other Financial Instruments continued

### (b) Liquidity Risk

Liquidity risk is the possibility of failure of the Company to realise sufficient assets to meet its financial liabilities.

#### *Management of the risk*

The Company's assets mainly comprise readily realisable securities which may be sold to meet funding requirements as necessary.

#### *Liquidity risk exposure*

At 30 November the financial liabilities comprised of:

	30 November 2022 £'000	30 November 2021 £'000
<b>Due within 1 month:</b>		
Balances due to brokers	2,465	–
Accruals	1,313	659
<b>Due after 3 months and within 1 year:</b>		
Bank loan	–	50,418
<b>Due after 1 year:</b>		
Indian capital gains tax provision	151	556
Performance fee provision	–	1,164
Bank loan	60,507	–
	<b>64,436</b>	<b>52,797</b>

The performance fee is payable at the end of each five-year tender period, the next being in year 2025.

### (c) Credit Risk

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposal of investments or to repay deposits.

#### *Management of the risk*

The Company manages credit risk by using brokers from a database of approved brokers and by dealing through Polar Capital. All cash balances are held with approved counterparties.

HSBC Bank plc is the custodian of the Company's assets. The Company's assets are segregated from HSBC's own trading assets and are therefore protected in the event that HSBC were to cease trading.

These arrangements were in place throughout the current and prior year.

#### *Credit risk exposure*

The maximum exposure to credit risk at 30 November 2022 was £31,715,000 (2021: £27,202,000) comprising:

	30 November 2022 £'000	30 November 2021 £'000
Balances due from brokers	527	341
Accrued Income	1,395	473
Cash and cash equivalents	29,793	26,388
	<b>31,715</b>	<b>27,202</b>

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered low. None of the Company's financial assets are past due or impaired. All deposits were placed with banks that had ratings of A or higher.

#### **(d) Gearing Risk**

The Company's policy is to increase its exposure to markets through the judicious use of borrowings. When borrowings are invested, the impact is to magnify the impact on Shareholder's funds of changes, both positive and negative, in the value of the portfolio.

##### ***Management of the risk***

The Company uses short-term loans to manage gearing risk, details of which can be found in note 17.

##### ***Gearing risk exposure***

The loans are valued at amortised cost, using the effective interest rate method in the Financial Statements.

#### **(e) Capital Management Policies and Procedures**

The Company's capital, or equity, is represented by its net assets which amounted to £541,272,000 as at 30 November 2022 (2021: £457,247,000), which are managed to achieve the Company's investment objective set out on page 36.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis.

This review includes:

- (i) the need to issue or buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
- (ii) the determination of dividend payments; and
- (iii) the planned level of gearing through the Company's fixed and variable rate revolving credit facility.

The Company is subject to externally imposed capital requirements through the Companies Act with respect to its status as a public company. In addition, in order to pay dividends out of profits available for distribution by way of dividend, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

## **28. Capital Commitments, Contingent Assets and Liabilities**

### **Capital Commitments**

The Company has no commitments to further investment in Atom Bank, Moneybox or any other investee companies (2021: £nil).

## **29. Post Balance Sheet Events**

Subsequent to the year end, a further 790,000 ordinary shares were bought back and held in treasury. Following these buy backs, the total number of ordinary shares in issue was 324,604,000 and the share held in treasury was 7,146,000.

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.



# Shareholder Information

# 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 25 on page 105 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.

		Year ended 30 November 2022	Year ended 30 November 2021
Opening NAV per share	a	167.5p	134.7p
Closing NAV per share	b	166.3p	167.5p
Dividend reinvestment factor	c	1.026183	1.028548
Adjusted closing NAV per share	d = b*c	170.7p	172.3p
<b>NAV total return for the year</b>	(d/a)-1	1.9%	27.9%

## 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.

		Year ended 30 November 2022	Year ended 30 November 2021
NAV per share at inception	a	98.0p	98.0p
Closing NAV per share	b	166.3p	167.5p
Dividend reinvestment factor	c	1.331251	1.297759
Adjusted closing NAV per share	d = b*c	221.4p	217.4p
<b>NAV total return since inception</b>	(d/a)-1	125.9%	121.8%

## 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 night before the tender offer on 22 April 2020, assuming that dividends paid to Shareholders are reinvested on the ex-dividend date in ordinary shares at their net asset value.

		Year ended 30 November 2022	Year ended 30 November 2021
Rebased NAV per share at reconstruction	a	102.8p	102.8p
Closing NAV per share	b	166.3p	167.5p
Dividend reinvestment factor	c	1.073252	1.045722
Adjusted closing NAV per share	d = b*c	178.5p	175.2p
<b>NAV total return since reconstruction</b>	(d/a)-1	73.6%	70.4%

# Alternative Performance Measures (APMs) continued

## 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.

		Year ended 30 November 2022	Year ended 30 November 2021
Opening share price	a	172.0p	136.5p
Closing share price	b	154.6p	172.0p
Dividend reinvestment factor	c	1.028037	1.029365
Adjusted closing share price	d = b*c	158.9p	177.1p
<b>Share price total return for the year</b>	<b>(d/a)-1</b>	<b>-7.6%</b>	<b>29.7%</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.

		Year ended 30 November 2022	Year ended 30 November 2021
Share price at inception	a	100.0p	100.0p
Closing share price	b	154.6p	172.0p
Dividend reinvestment factor	c	1.311772	1.276163
Adjusted closing share price	d = b*c	202.8p	219.5p
<b>Share price total return since inception</b>	<b>(d/a)-1</b>	<b>102.8%</b>	<b>119.5%</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.

		Year ended 30 November 2022	Year ended 30 November 2021
Share price at inception	a	100.0p	100.0p
Closing share price	b	154.6p	172.0p
Dividend reinvestment factor	c	1.340750	1.304651
Adjusted closing share price	d = b*c	207.3p	224.4p
<b>Share price total return including subscription share value since inception</b>	<b>(d/a)-1</b>	<b>107.3%</b>	<b>124.4%</b>

## (Discount)/Premium (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.

		30 November 2022	30 November 2021
Closing share price	a	154.6p	172.0p
Closing NAV per share	b	166.3p	167.5p
<b>(Discount)/premium per ordinary share</b>	<b>(a/b)-1</b>	<b>-7.0%</b>	<b>2.7%</b>

## Ongoing Charges (APM)

Ongoing charges are calculated in accordance with AIC guidance by taking the Company's annual ongoing charges, excluding performance fees and exceptional items, if any, and expressing them as a percentage of the average daily net asset value of the Company over the year.

Ongoing charges include all regular operating expenses of the Company. Transaction costs, interest payments, tax and nonrecurring expenses are excluded from the calculation as are the costs incurred in relation to share issues and share buybacks.

Where a performance fee is paid or is payable, a second ongoing charge is provided, calculated on the same basis as the above but incorporating the movement in the performance fee provision

		Year ended 30 November 2022	Year ended 30 November 2021
Investment Management Fee (Note 7 on page 93)		£3,634,000	£2,244,000
Other Administrative Expenses (Note 8 on page 94)		£889,000	£875,000
	a	<b>£4,523,000</b>	<b>£3,119,000</b>
Average daily net assets value	b	£519,515,000	£306,287,000
<b>Ongoing Charges excluding performance fee</b>	a/b	0.87%	1.02%
Performance fee (Note 7 on page 93)	c	(£1,164,000)	(£105,000)
	d = a+c	<b>£3,359,000</b>	<b>£3,014,000</b>
<b>Ongoing charges including performance fee</b>	d/b	0.65%	0.98%

## 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.

		30 November 2022	30 November 2021
Net assets	a	£541,272,000	£457,247,000
Bank loan	b	£60,507,000	£50,418,000
Total assets	c = (a+b)	£601,779,000	£507,665,000
Cash and cash equivalents (including amounts awaiting settlement)	d	£27,855,000	£26,729,000
<b>Net gearing</b>	<b>(c-d)/a-1</b>	<b>6.0%</b>	<b>5.2%</b>

# Glossary of Terms

<b>AAF Report</b>	A report prepared in accordance with Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales. Utilised within the review of internal controls.
<b>AGM</b>	The Annual General Meeting, to be held at 11:30am on Thursday 30 March 2023 at the office of the manager, Polar Capital, 16 Palace Street, London SW1E 5JD.
<b>AIC</b>	Association of Investment Companies, the industry body for closed ended investment companies.
<b>AIFM</b>	Alternative Investment Fund Manager – Polar Capital LLP.
<b>AIFMD</b>	Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that, while the Board of Directors of an Investment Trust remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations, all alternative investment Funds ('AIFs') in the European Union, must appoint a Depositary and an Alternative Investment Fund Manager ('AIFM'). The Company's AIFM is Polar Capital LLP.
<b>Benchmark</b>	The Benchmark is the MSCI World Financials Net Total Return Index (in Sterling with dividends reinvested).
<b>Closed-ended Investment Company</b>	An Investment Company with a fixed issued ordinary share capital, the shares of which are traded on an exchange at a price not necessarily related to the net asset value of the company and which can only be issued or bought back by the company in certain circumstances.
<b>Custodian</b>	The Custodian is HSBC Bank plc, a financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Group and Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services.
<b>Depositary</b>	The Depositary is also HSBC Bank plc. Under AIFMD rules the Company must appoint a Depositary whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under the AIFMD rules, the Depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe-keeping duties. The Depositary's oversight duties will include but are not limited to share buybacks, dividend payments and adherence to investment limits.
<b>Derivative</b>	A contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. Examples of derivatives are Put and Call Options, Swap contracts, Futures and Contracts for Difference. A derivative can be an asset or a liability and is a form of gearing because it can increase the economic exposure to Shareholders.
<b>ESEF</b>	European Single Electronic Format is the requirement whereby reports are prepared and filed in XHTML format, such requirement applies with effect from 1 January 2021 to all annual reports and accounts issuers on UK (or EU) regulated markets. In addition, for issuers preparing consolidated annual accounts in accordance with IFRS, the XHTML file will require tagging under the IFRS taxonomy.
<b>ESMA</b>	The European Securities and Markets Authority is an independent EU authority whose purpose is to improve investor protection and promote stable, orderly financial markets.
<b>FCA</b>	The Financial Conduct Authority regulates the financial services industry in the UK. Its role includes protecting consumers, keeping the industry stable, and promoting healthy competition between financial service providers.

<b>IFRS</b>	International Financial Reporting Standards; comprised of standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Committee (IFRC), including interpretations issued by the IFRS Interpretations Committee.
<b>Investment Company</b>	Section 833 of the Companies Act 2006. An Investment Company is defined as a company which invests its funds in shares, land or other assets with the aim of spreading investment risk.
<b>Investment Manager/Manager</b>	Polar Capital LLP is the Investment Manager. Nick Brind, John Yakas and George Barrow have delegated responsibility for the creation of the portfolio of investments subject to various parameters set by the Board of Directors. The responsibilities of the Investment Manager and the fees payable are set out in the Directors' Report.
<b>Investment Trust taxation status</b>	Section 1158 of the Corporation Tax Act 2010. UK Corporation Tax law allows an Investment Company (referred to in Tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 above but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received. The Directors' Report contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.
<b>Non-executive Director</b>	The Company is managed by a Board of Directors who are appointed by letter rather than a contract of employment. Neither the Group nor Company has any executive Directors. Remuneration of the nonexecutive Directors is set out in the Directors' Remuneration Report while the duties of the Board and the various Committees are set out in the Corporate Governance Statement. An example of the letter of appointment is available on the Company's website.
<b>PwC</b>	The Company's Auditors are PricewaterhouseCoopers LLP, represented by Kevin Rollo, Partner.
<b>PRIIPS</b>	The Packaged Retail and Insurance-based Investment Products regulations which came into force on 1 January 2018 in the UK and EU. The regulations require generic pre-sale disclosure of investment 'product' costs, risks and certain other matters.
<b>SORP</b>	The Statement of Recommended Practice. The financial statements of the Company are drawn up in accordance with the Investment Trust SORP issued by the AIC.

# Corporate Information – AGM

## 2023 Annual General Meeting ("AGM")

The Company's AGM will be held at 11:30am on Thursday 30 March 2023 at 16 Palace Street, London, SW1E 5JD. Further information including the full text of the resolutions to be proposed at the AGM and an explanation of each resolution is contained in the Notice of AGM which has been posted to Shareholders and is available on the Company's website.

This year, we will provide a recording of the Investment Managers' presentation on the Company's website ahead of the AGM as we are aware that many Shareholders are particularly interested in the Company's portfolio and its performance. We estimate that the Managers' presentation will be uploaded to the website mid-March 2023 to give Shareholders time to consider the content ahead of the deadline to submit their proxy votes on the formal business.

Given that the AGM will only cover formal business, please note that there will be no live presentation from the Manager and refreshments will be limited to tea/coffee and biscuits only.

Shareholders will have the option to ask questions at the meeting but are also encouraged to send any questions ahead of the AGM to the Board via the Company Secretary at [cosec@polarcapital.co.uk](mailto:cosec@polarcapital.co.uk) stating the subject matter as **PCFT-AGM**. We will endeavour to answer relevant questions at the meeting or on the Company's website as appropriate.

For ease of reference and understanding a brief explanation of the resolutions is given below.

**Resolution 1** relates to the statutory requirement of every company to lay before Shareholders the Annual Report and Financial Statements, i.e. this document. The Annual Report has been prepared and approved by the Board of Directors and audited by the externally appointed auditors. The document will be filed at Companies House once published to Shareholders. The Annual Report sets out the Company's business strategy, governance structure and procedures as well as the financial accounts for the financial year under review.

**Resolutions 2 and 3**, in compliance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulation 2013 (the 'Regulations'), The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the Listing Rules of the Financial Conduct Authority, the Company is required on a three-yearly basis to provide Shareholders with the opportunity to vote on the Company's Directors' Remuneration Policy. **Resolution 2** seeks Shareholder approval to renew the forward-looking Remuneration Policy which lasts for up to three years. The current Policy was approved by Shareholders at the 2020 AGM and will expire on 30 November 2023 unless renewed. The Policy being presented for renewal is unchanged from the current Policy and will expire on 30 November 2026.

In addition to this, on an annual basis, Shareholders are presented with the Directors' Remuneration Implementation Report which looks back at the year under review and advises how the Remuneration Policy was applied. **Resolution 3** therefore, is the annual advisory vote of Shareholders on the Remuneration Implementation Report. The Directors' Remuneration Report is presented on pages 67 to 72.

**Resolutions 4 to 7** relate to the annual election and re-election of directors. In line with good corporate governance the tenure policy of directors is nine years, with the exception of the Board's Chair tenure policy which allows the Chair to remain in role for up to twelve years in certain circumstances. It is recommended that directors stand for re-election on an annual basis in order to give Shareholders the opportunity to vote on each Director. Susie Arnott and Angela Henderson will be standing for election, with the AGM being the first since their appointments as Directors on 1 December 2022. Having undergone a Board Evaluation process, as described on page 58, the Directors have provided a rationale for their support for the reappointment of each director on pages 12 and 13 and within the Notice of AGM.

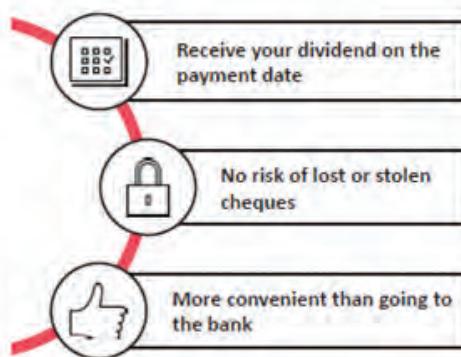
**Resolutions 8 and 9** relate to the statutory appointment or reappointment of the Company's external auditors and the Directors' authority to determine their remuneration. Further information is provided in the Audit Committee Report on page 63.

**Resolution 10** relates to the Company's dividend policy. The Company will aim to pay two interim dividends in respect of each full financial year. Despite the extraordinary volatility in the Company's fortunes over the past two years, the Board has been able to maintain a steady dividend through the careful management of distributable reserves. It continues to be the aim of the Company to maintain an income and growth mandate and the Board will utilise reserves to support the dividend where necessary. The interim dividends will not necessarily be of equal amounts because the dividends from the Company's underlying investments are expected to arrive irregularly throughout the financial year.

**Resolutions 11 to 13** relate to potential changes in the share capital. **Resolution 11** authorises the Directors to allot (i.e. sell) ordinary shares, whether these be newly created shares or shares held in the Company's treasury account which have been previously bought back in the market. Once allotted the shares are listed on the London Stock Exchange and have the same rights as any other ordinary shares of the Company. **Resolution 12** is proposed in connection with 11 and allows the Directors to allot the shares without pre-emption rights. Under the Companies Act, all Shareholders have the right of pre-emption which means that the Company must offer existing Shareholders an opportunity to buy the company's shares before they are offered to third parties; being a listed company with many Shareholders, the Directors ask to disapply the pre-emption rights which means they are able to offer and allot the shares to specific Shareholders or in specific ways to the market, noting that such allotments would be at a premium to the net asset value (NAV) per share and therefore accretive (i.e. positive) to overall Shareholder value. While all Shareholders can trade the ordinary shares of the Company on the open market there are times when a Shareholder would like to acquire greater amounts of shares than are available in the market and might approach the Company through the corporate broker to obtain shares. In a similar but opposite scenario, **Resolution 13** provides the Directors' the ability to buy back (i.e. purchase) shares of the Company in the market. Depending on the market environment, and various other factors, the shares of the Company may trade at a discount to NAV. When this is the case the Company may step in and buy back shares in an effort to reduce the discount. Each of these authorities require Shareholder approval and are regular resolutions proposed to each AGM. Each authority remains in place for 12 months or until the limits have been reached.

## Get your dividends paid direct into your bank account

Contact us using the details below to set up direct payments & receive your dividends (& any unclaimed dividends) direct into your bank account.



### If you need to contact us



[help.shareview.co.uk](http://help.shareview.co.uk)



0371 384 2977\* from within the UK  
+44 121 415 7053 from outside the UK



Equiniti, Aspect House, Spencer Road,  
Lancing, West Sussex, BN99 6DA, UK

# Corporate Information – Other

## Share Capital, Voting Rights and Transferability

The Company's share capital is divided into ordinary shares of 5p each. At the year end, there were 325,394,000 ordinary shares in issue (2021: 279,980,000 ordinary shares), of which 6,356,000 (2021: 6,350,000) were non-voting shares held in treasury by the Company. In the year under review the Company issued a total of 58,770,000 shares (2021: 149,929,900). Subsequent to the year end and up to 16 February 2023 (the latest practicable date), the Company bought back a further 790,000 ordinary shares remaining into treasury.

Ordinary shares carry voting rights which are exercised on a show of hands at a meeting, where each Shareholder has one vote, or on a poll, where each share has one vote. Ordinary shares held in treasury carry no voting rights. Arrangements for the casting of proxy votes are provided when a notice of meeting is issued.

Any shares in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Further information can be found in the Articles of Association available on the Company's website [www.polarcapitalglobalfinancialtrust.com](http://www.polarcapitalglobalfinancialtrust.com)

The Company is not aware of arrangements to restrict the votes or transferability of its shares.

The Company is registered under the United States' FATCA legislation and its Global Intermediary Identification Number (GIIN) is 8KP5BT.99999.SL.826. The Company's Legal Entity Identifier (LEI) code is 549300G5SWN8EP2P4U41.

## History and Structure

The Company was incorporated on 17 May 2013. On 1 July 2013, it issued 153,000,000 ordinary shares plus one subscription share for every five ordinary shares which were admitted to trading on the Main Market of the London Stock Exchange. In accordance with the Company's original prospectus, on 31 July 2017, the subscription Shareholders had the opportunity to exercise their rights to subscribe for one ordinary share per subscription share at a price of 115p per ordinary share, following which all subscription rights lapsed and the subscription shares were cancelled. As a result of the subscription exercise the Company issued 30,600,000 new ordinary shares.

In substitution of the fixed seven-year life, Shareholders approved changes to the Company's Articles of Association to extend the Company's life indefinitely, subject to further regular tender offers at the Company's Annual General Meeting held on 7 April 2020. The Articles of Association require the Board to make tender offers at five-yearly intervals, with the first to commence on or before 30 June 2025. The Company continues to operate as an investment trust with an independent Board and third party investment manager.

## Company Website

[www.polarcapitalglobalfinancialtrust.com](http://www.polarcapitalglobalfinancialtrust.com)

The Manager maintains a website on behalf of the Company which provides a wide range of information on the Company, monthly factsheets issued by the Manager and copies of announcements, including the annual and half year reports when issued.

Information on the Company can also be obtained from various different sources including:

- [www.theaic.co.uk](http://www.theaic.co.uk)
- [www.ft.com/markets](http://www.ft.com/markets)
- [www.londonstockexchange.co.uk](http://www.londonstockexchange.co.uk)

## Capital Gains Tax

Information on Capital Gains Tax ('CGT') is available on the HM Revenue & Customs website [www.hmrc.gov.uk/cgt/index](http://www.hmrc.gov.uk/cgt/index).

When shares are disposed of a capital gain may result if the disposal proceeds exceed the sum of the base cost of the shares sold and any other allowable deductions such as share dealing costs. The exercise of subscription shares into ordinary shares should not have given rise to a capital gain, however a capital gain may arise on the eventual disposal of those shares.

The calculations required to compute capital gains may be complex and depend on personal circumstances. Shareholders are advised to consult their personal financial advisor for further information regarding a possible tax liability in respect of their shareholdings.

The Company was launched on 1 July 2013 with the issue of ordinary shares at 100 pence per share with subscription shares attached (on a one-for-five basis). The Subscription Shares section provides further information regarding the calculation of the base cost of subscription shares for Capital Gains Tax purposes.

## Subscription Shares Tax Implications

The base 'cost' for UK tax purposes of the subscription shares is a proportion of the issue price paid for the ordinary shares to which the subscription shares were attached. The apportionment is made by reference to the respective market values of the ordinary shares and subscription shares at the close of business on 1 July 2013, the day the ordinary and subscription shares were admitted to trading. The market value for UK tax purposes of the Company's ordinary shares and subscription shares on such date were as follows:

Ordinary Shares 103.625p      Subscription Shares 11.75p

If you have exercised the subscription rights attaching to your subscription shares, the resulting ordinary shares are treated for UK tax purposes as the 'same' asset as the subscription shares in respect of which the subscription rights are exercised. The base 'cost' for UK tax purposes of the resulting ordinary shares will be the base cost attributed to the exercised subscription shares, increased by the amount of subscription monies paid.

## Statement by the Depositary

The statement of the Depositary's responsibilities in respect of the Company and its report to Shareholders for the year ended 30 November 2022 are available on the Company's website. The Depositary, having carried out such procedures as it considered necessary, was satisfied that in all material respects the Company was managed in accordance with the applicable FCA rules and AIFMD.

## Statement by the AIFM

The statement by the AIFM in respect of matters to be disclosed to investors for the year ended 30 November 2022 is available on the Company's website.

## Share Prices and Net Asset Value

The Company's Net Asset Value (NAV) is normally released daily, on the next working day, following the calculation date, to the London Stock Exchange. The mid-market price of the ordinary shares is published daily in the Financial Times in the Companies and Markets section under the heading 'Investment Companies'. Share price information is also available from The London Stock Exchange website: [www.londonstockexchange.co.uk](http://www.londonstockexchange.co.uk)

## Electronic Communications

If you hold your shares in your own name you can choose to receive communications from the Company in electronic format. This method reduces cost, is environmentally friendly and, for many, is convenient.

If you would like to take advantage of Electronic Communications, please visit our registrar's website at [www.shareview.co.uk](http://www.shareview.co.uk). You will need your Shareholder Reference Number. If you agree to the terms and conditions, in future, on the day that documents are sent to Shareholders by post you will receive an e-mail providing the website address where the documents can be viewed and downloaded. Paper copies will still be available on request.

## Corporate Information – Other continued

### Nominee Shareholders

Where notification has been provided in advance the Company will arrange for copies of Shareholder communications to be provided to the operators of nominee accounts. Nominee service providers are encouraged to advise investors that they may attend general meetings when invited by the Chair.

### Disability Act

Copies of this Annual Report and Financial Statements or other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, either Braille or on audio tape or larger type as appropriate.

### Investing

The ordinary shares of the Company are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary. There are a variety of ways to invest in the Company. However, this will largely depend upon whether you would like financial advice or are happy to make your own investment decisions.

### Investing Risks

Investors should be aware of the following risks when considering investing in the shares of Polar Capital Global Financials Trust plc:

Past performance is not a guide to future performance.

Please remember that any investment in the shares of Polar Capital Global Financials Trust plc either directly or through a savings scheme or ISA carries the risk that the value of your investment and any income from them may go down as well as up due to the fluctuations of the share price, the market and interest rates. This risk may result in an investor not getting back their original amount invested.

As the shares in an investment trust are traded on a stock market, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares. Where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested. Although the Company's Financial Statements are denominated in sterling, it may invest in stocks and shares that are denominated in currencies other than sterling. To the extent that it does so, asset values may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.

Polar Capital Global Financials Trust plc is allowed to borrow against its assets and this may increase losses triggered by a falling market. The Company may increase or decrease its borrowing levels to suit market conditions. If you are in any doubt as to the suitability of a plan or any investment available within a plan, please take professional advice.

Polar Capital Global Financials Trust plc is an investment trust and as such its ordinary shares are excluded from the FCA's restrictions which apply to non-mainstream investment products. The Company conducts its affairs and intends to continue to do so for the foreseeable future so that the exclusion continues to apply.

If you are investing through a savings plan, ISA or other investment arrangement it is important that you read the key features documents and understand the risks associated with investing in the shares of the Company. If you are in any doubt as to the suitability of a plan or any investment available within a plan, please take professional advice.

Tax rates and reliefs change from time to time and may affect the value of your investment.

## For those investors who would like advice:

**Private Client Stockbrokers** – Investors with a large lump sum to invest may want to contact a private client stockbroker. They will manage a portfolio of shares on behalf of a private investor and will offer a personalised service to meet an individual's particular needs. A list of private client stockbrokers is available from The Personal Investment Management & Financial Advice Association (PIMFA) at [www.pimfa.co.uk](http://www.pimfa.co.uk)

**Financial Advisers** – Financial Advisers who wish to purchase shares for their clients can also do so via a growing number of platforms that offer investment trusts including AJ Bell, Interactive Investor, Ascentric, Embark, Nucleus, Raymond James, Seven IM and Transact. For investors looking to find a financial adviser, please visit [www.unbiased.co.uk](http://www.unbiased.co.uk)

## For those investors who are happy to make their own investment decisions:

**Online Stockbroking Services** – There are a number of real time execution only stockbroker services which allow private investors to trade online for themselves, manage a portfolio and buy UK listed shares. Online stockbroking services include AJ Bell, Barclays Stockbrokers, Charles Stanley, Fidelity, Halifax Share Dealing, interactive investor and Hargreaves Lansdown.

As an investor holding shares through one of these platforms, you are entitled to attend and vote at company general meetings. For example, interactive investor allow you to vote your shares at no extra cost through your account and new customers are automatically signed up to the voting and information service, which enables you to receive Shareholder materials and vote on decisions directly affecting your UK registered shareholdings. Please visit the AIC's pages below for further information:

<https://www.theaic.co.uk/how-to-attend-an-AGM>

<https://www.theaic.co.uk/availability-on-platforms/how-to-vote-your-shares>

## Share Dealing Services

The Company has also made arrangements with its share registrars, Equiniti Limited, for investors to buy and sell shares through the Shareview.co.uk service.

For telephone sales call 0345 603 7037 (or +44 121 415 7560) between 8.30am and 4.30pm for dealing and up to 6.00pm for enquiries, Monday to Friday. For Internet sales log on to [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing)

## Boiler Room Scams

Shareholders of Polar Capital Global Financials Trust plc may receive unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK Shareholders, offering to sell them what often turn out to be worthless or high risk shares in U.S. or UK investments or offering to act on the Shareholder's behalf on the payment of a retainer or similar in a spurious corporate event. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you have been contacted by an unauthorised firm regarding your shares the FCA would like to hear from you. You can report an unauthorised firm using the FCA helpline on 0845 606 1234 or 0800 111 6768 or by visiting their website, which also has other useful information, at [www.fca.org.uk](http://www.fca.org.uk)

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- If the calls persist, hang up

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. More detailed information on this or similar activity can be found on the FCA website.

# Corporate Information – Other continued

## Forward-Looking Statements

Certain statements included in this Annual Report and Financial Statements 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 have been 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, you should have regard to the principal risks and uncertainties included in the Strategic Report within this Annual Report.

No part of this Annual Report 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.

### How to avoid investment and pension scams

#### 1 Reject unexpected offers

Scammers usually cold call, but contact can also come by email, post, word of mouth or at a seminar. If you've been offered an investment out of the blue, chances are it's a high risk investment or a scam.

#### 2 Check the FCA Warning List

Use the FCA Warning List to check the risks of a potential investment – you can also search to see if the firm is known to be operating without our authorisation.

#### 3 Get impartial advice

Get impartial advice before investing – don't use an adviser from the firm that contacted you.

### If you're suspicious, report it

You can report the firm or scam to us by contacting our **Consumer Helpline** on **0800 111 6768** or using our reporting form using the link below.

If you've lost money in a scam, contact Action Fraud on 0300 123 2040 or [www.actionfraud.police.uk](http://www.actionfraud.police.uk)



**Be ScamSmart and visit**  
**[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)**

# Contact Information

## Company Registration Number

### 8534332 (Registered in England)

The Company is an investment company as defined under Section 833 of the Companies Act 2006.

## Directors

Robert Kyprianou, Chairman

Simon Cordery

Cecilia McAnulty

Susie Arnott (appointed 1 December 2022)

Angela Henderson (appointed 1 December 2022)

Katrina Hart (retired 1 December 2022)

Joanne Elliott (retired 7 April 2022)

## Registered Office and Contact Address for Directors

16 Palace Street  
London  
SW1E 5JD

## Investment Manager and AIFM

### Polar Capital LLP

16 Palace Street  
London  
SW1E 5JD

Authorised and regulated by the Financial Conduct Authority.

Telephone: 020 7227 2700

Website: [www.polarcapital.co.uk](http://www.polarcapital.co.uk)

## Co-Fund Managers

Mr Nick Brind

Mr John Yakas

Mr George Barrow

## Company Secretary

### Polar Capital Secretarial Services Limited

Represented by Tracey Lago, FCG

## Depository, Bankers and Custodian

### HSBC Bank Plc

8 Canada Square  
London  
E14 5HQ



See more at:  
[polarcapitalglobalfinancialtrust.com](http://polarcapitalglobalfinancialtrust.com)



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