Polar Capital Global Financials Team

Banks: Ignore them at your peril?

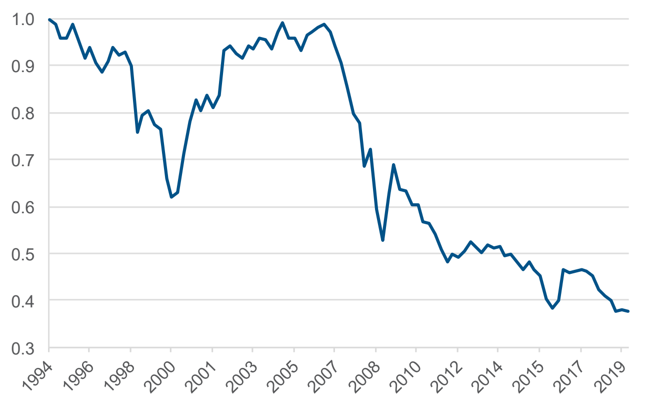
Executive summary

- Trading at multi-year lows, banks are the key driver of the underperformance of the financial sector
- But September highlighted how exposed investors could be to any change in sentiment to rates
- Lower interest rates are potentially undermining the current banking model as margins compress to unsustainable levels
- However, there is much evidence that banks have numerous levers to ensure future returns
- Fears over a recession impacting the banks are understandable, but current assumptions based on the last financial crisis are excessive – we expect a mild deterioration and question the current crisis valuations
- Low interest rates will change the model rather than destroy the banking system
- Expect a shift to arranging/structuring/fee-driven businesses/smaller balance sheets – positive for continued dividends
- Banks offer a geared exposure to interest rates, exceptionally low valuations and high dividend yields

Banks are the key component of the value trade

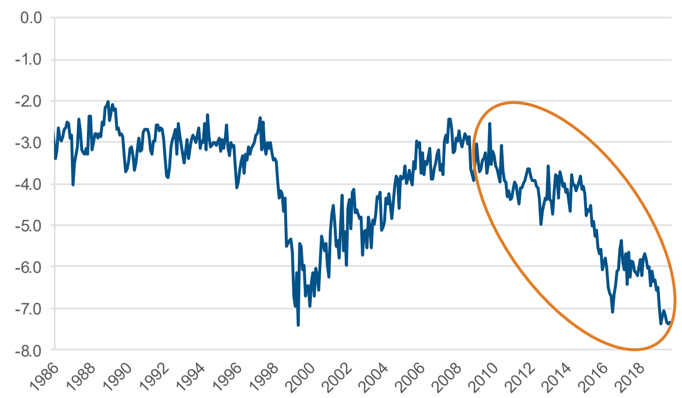
For many investors the banking sector is an area best avoided, as evidenced by the multi-year lows against general indices and crisis level valuations on offer (see Chart 1). They are also a driver of the underperformance of value stocks (see Chart 2) since they make up a large proportion of value in the market (Chart 3).

Chart 1: MSCI World Banks vs MSCI World



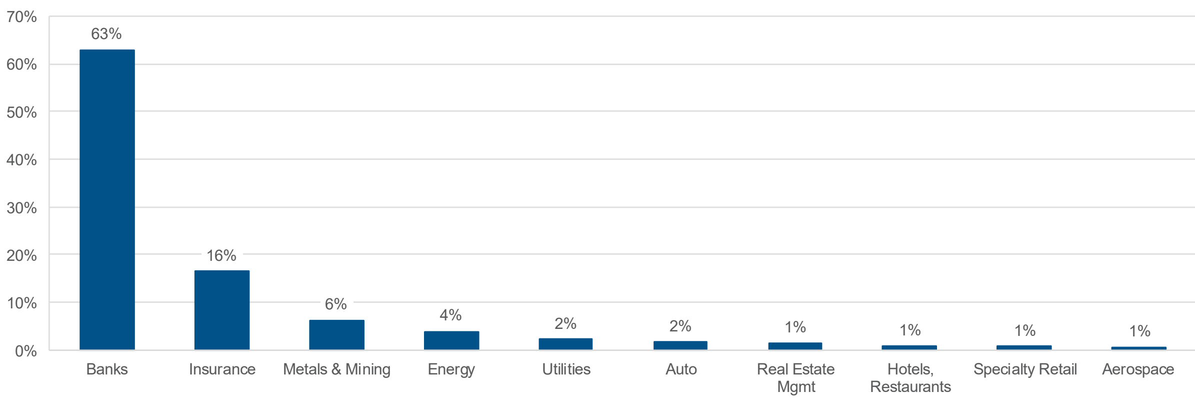
Source: Bloomberg, 26 September 2019.

Chart 2: S&P 500 P/E spread - Value vs Market



Source: JP Morgan, 12 September 2019.

Chart 3: Banks dominate value



Source: Bloomberg, 26 September 2019. Note: MSCI World <0.5x BV by sector (market cap).

All opinions and estimates constitute the best judgment of Polar Capital as of the date hereof, but are subject to change without notice, and do not necessarily represent the views of Polar Capital.

However, as was illustrated dramatically in September (see Chart 4), their performance could turn materially in the event of a change in interest rate expectations. As a driver of a rerating of value, continuing to ignore them leaves investors exposed, particularly as they remain the largest sub-sector worldwide accounting for 9% of the MSCI All Country World Index.

Chart 4: When views on rates change?

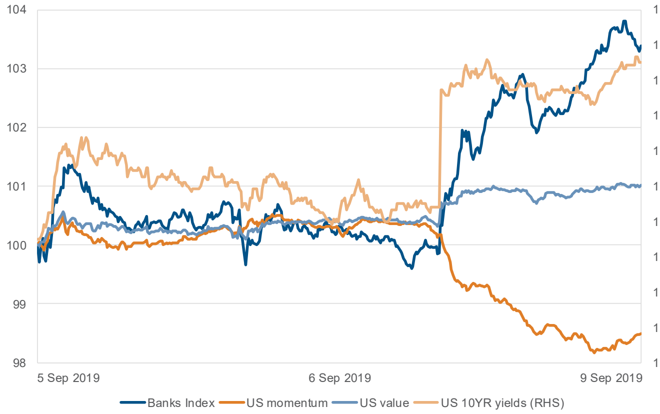
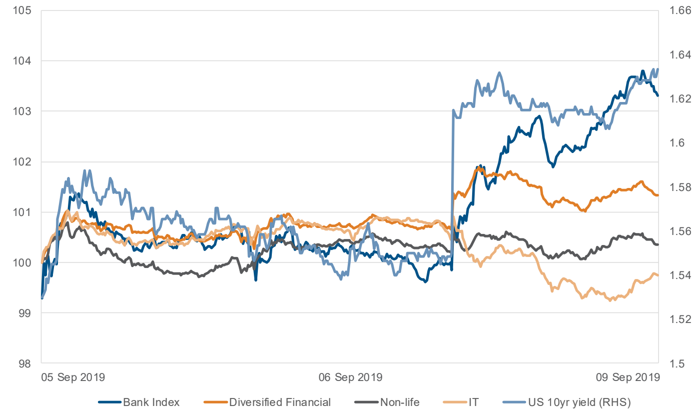


Chart 5: Banks are where you want to be

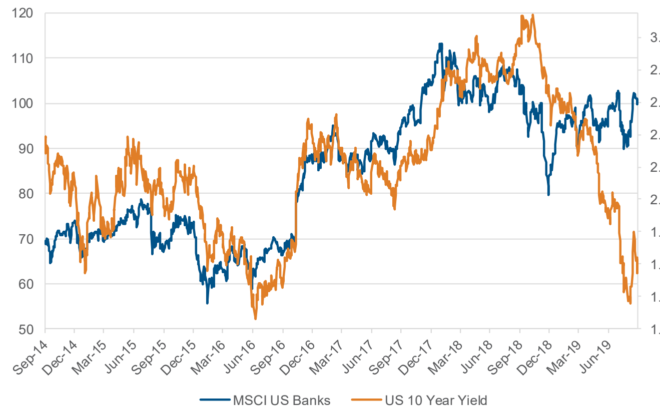


Source: Bloomberg, 26 September 2019. Note: Data points taken every three minutes from 14:30pm till 20:57pm over the 5, 6 & 9 September.

Banks failure to perform has dragged down returns for the overall financial sector and forced us to shift to specialist areas such as payments, REITs and non-life insurance (all of which banks outperformed during the September rotation to value – see Chart 5). But with bank valuations now at multi-year lows, it is time to take a second look at the banking sector since the gloom seems overdone and our portfolios **(Polar Capital Global Financials Trust – a 58%[1] of which is in banks – and Polar Capital Financial Opportunities Fund – 62%[1])** have started to shift back.

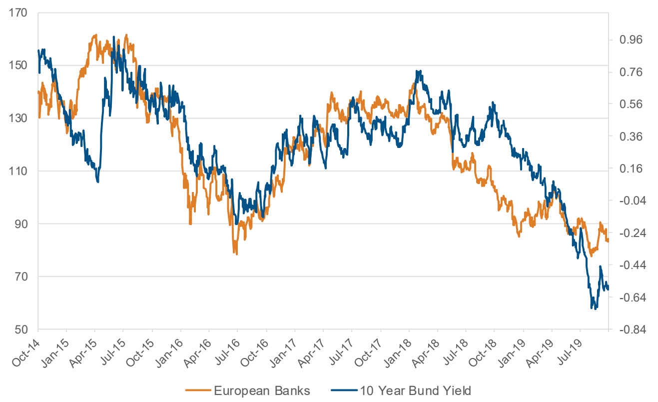
Investors are avoiding the sector because of two inter-related issues: **lower interest rates and the risk of a recession**, with banks perceived as being in the front line of any negative impact through falling margins and rising loan loss provisions. Furthermore, in an era of low interest rates, with limited benefit from deposit franchises, banks will be disrupted out of existence by new nimbler providers of financial services with lower transaction costs (see our Financials 2.0 note). Many investors can find few catalysts to start investing in the sector although we would argue it simply needs a change in interest rate expectations rather than a dramatic change in industry fundamentals.

Chart 6: US banks vs US 10 year yield



Source: Bloomberg, 26 September 2019.

Chart 7: European banks vs 10 year bund yields



Source: Bloomberg, 9 October 2019.

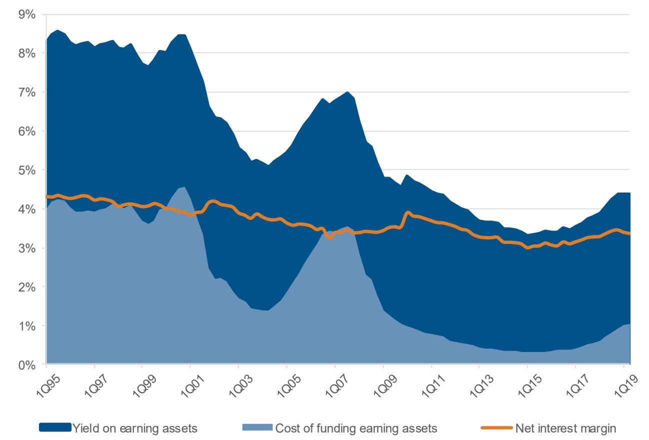
Charts 6 and 7 show the close correlation between US and European banks with rates, although, recently the US banking sector appears to have been more resilient (with the correlation potentially distorted by tax cuts).

[1] Polar Capital, 26 September 2019.

Low interest rates do not mean all bank models are doomed

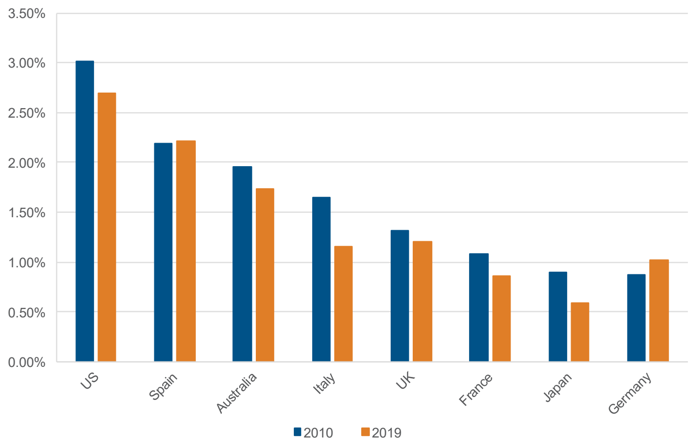
Lower rates are feeding into margin pressure although recent updates from US banks suggest a lower impact than feared, and a consequent rise in analyst expectations (Chart 10). Many investors are simply assuming the experience of Japanese and now European banks will be replicated in the critical US bank sector. This ignores the fact that these banking sectors are structured differently, with US banks not having the drag of low earning, price-sensitive mortgages and large corporate loans on balance sheets which have been disintermediated to capital markets. Bank lending only accounts for approximately 20% of all corporate finance in the US compared to 60% in Europe. Much of US bank on-balance sheet lending is made up of more lucrative and less price-sensitive consumers, real estate and mid/small corporate loans, ie the lending margin could be more resilient than generally assumed (when was the last time you saw a bank cut credit card rates simply because long-term rates have fallen?) with clear evidence in the trend in margins holding up much better in the US during the last downward cycle. Charts 8 and 9 highlight the Armageddon scenario is simply not playing out and guidance from companies' management is not catastrophic.

Chart 8: US bank net interest margin development



Source: Barclays, 25 February 2019.

Chart 9: Bank net interest margins 2010 vs 2019



Source: Polar Capital, Company Annual Reports 2010 and 2019.

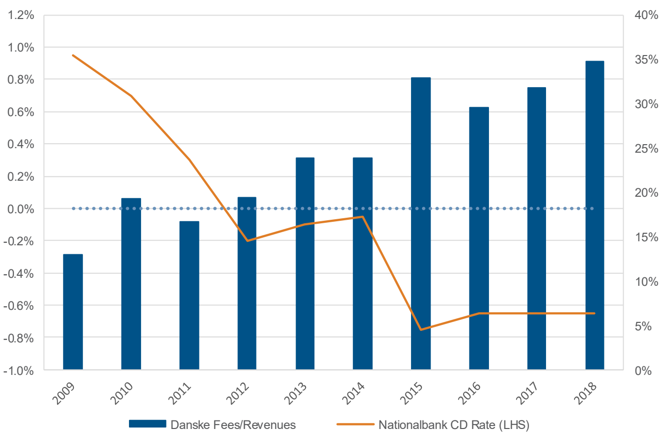
Chart 10	FY19 NII management guidance at 2Q19 results	Subsequent impact on FY19 analyst consensus NII
Wells Fargo	Upper end of 2%-5% reduction	+0.5%
JP Morgan	Reduced NII from $58bn to $57.5bn	+1.1%
Citigroup	NII guidance maintained	-0.1%
Bank of America	Downgrade from +3% growth to +1%	+0.3%
US Bancorp	Mid single digit NIM reduction for 25bps cut	+0.7%
PNC	No change to guidance	-0.9%
KeyCorp	100bps cut reduces NII by <1%	+0.1%
Citizen	Guidance maintained	+0.3%

Source: Polar Capital, September 2019.

Negative rates are the key fear and they are clearly a drag on profitability. However, Denmark's experience of a banking system that has functioned with negative rates since 2012 highlights the scale of the impact (Danmarks Nationalbank calculates a cumulative drag of $590m since 2012, 1.8% of profit) with support from a higher proportion of fee income. Recent announcements by UBS and Jyske Bank regarding the introduction of negative deposit rates (UBS on deposits of >CHF2m, Jyske on all corporate deposits and retail deposits >DKK755,000) also shows a willingness to pass on the costs to customers.

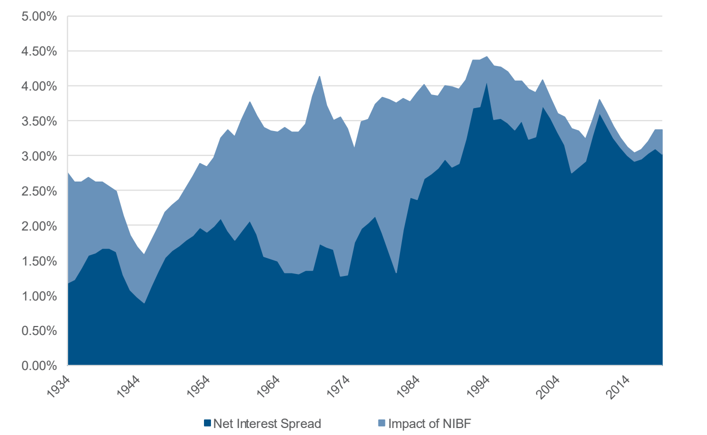
We do accept that low interest rates question the benefits of a strong retail deposit franchise since **deposit spreads** have collapsed (see Chart 12). Banks simply do not make any money from holding our deposits anymore and using that to cross-subsidise other products (eg transaction/current accounts) is not a realistic long-term strategy but that does not mean they make no money from **lending** to us.

Chart 11: Danske fees/revenues vs interest rates



Source: Danmarks Nationalbank & Danske Bank, September 2019.

Chart 12: Benefit from deposits has collapsed

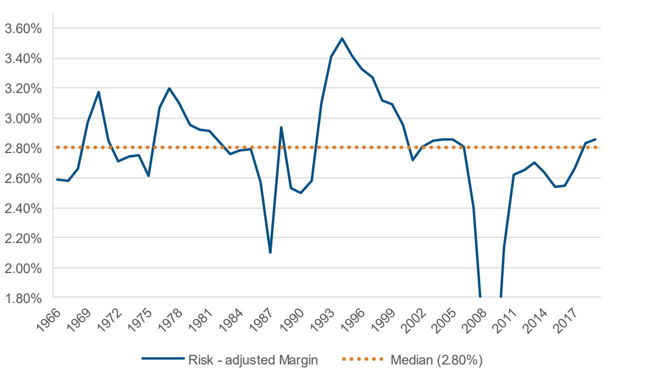


Source: Barclays, 25 February 2019.

The critical current concern is that with loan demand being weak, banks are being forced to park their surplus liquidity (loan/deposit ratios are low by historic standards) in very low-earning and even negative-rate securities. We suspect the current pressure on margins is being driven mostly by this issue rather than lending spreads. Deposit spreads collapsed many years ago. Furthermore, the shape of the curve also impacts bank earnings with sensitivity to changes reflecting the structure of a balance sheet. Banks with longer duration assets (commercial real estate, residential mortgages linked to long-term rates) and large security portfolios are more affected by lower, long-term rates and a flatter curve as the spread between their lending and borrowing rates declines. In general, US large-cap banks are more sensitive to changes in short rates while the extent to which small and mid-sized banks are affected depends on their loan weighting to commercial real estate. Added to this, banks have various means to mitigate the impact of movements in interest rates including collars or hedging strategies.

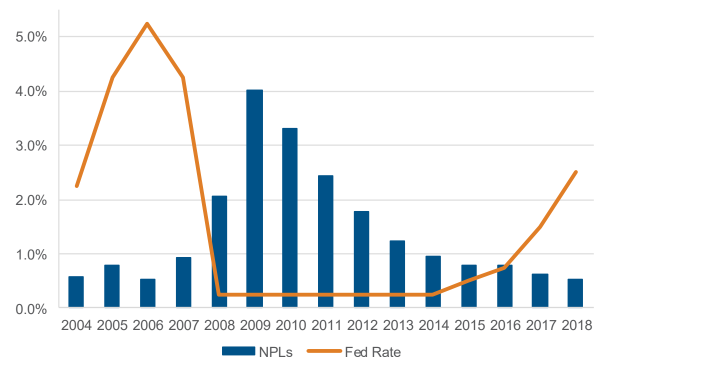
Equally, should interest rates fall then the burden of repayments will also reduce and so the severity of defaults could fall (albeit with a lag – see Chart 14 on non-performing loans). The recent financial crisis is a good example, where the rapid cuts in interest rates helped keep the overall level of non-performing loans at lower levels than would have been expected. **Some brokers are implying that better than expected asset quality could offset 30% of the pressure from margins**. Margins should also be looked at in the context of what types of loans banks are writing and margins, adjusted for the level of provisions, remain in line with the long-term average (Chart 13).

Chart 13: US risk adjusted margin - what's the fuss?



Source: KBW, 25 March 2019.

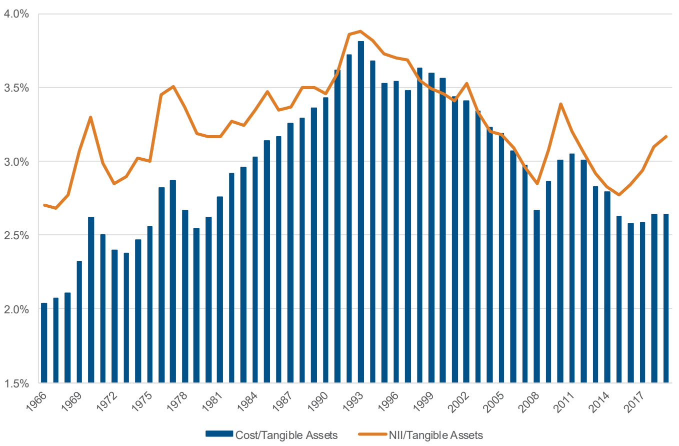
Chart 14: US bank NPLs vs US interest rates



Source: Bloomberg & Polar Capital, 26 September 2019.

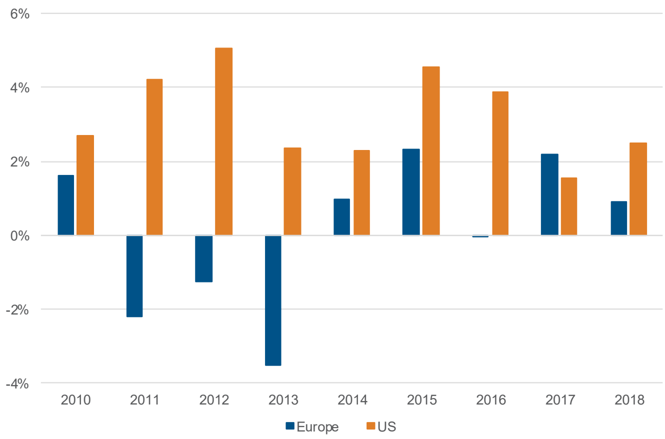
Banks have other levers to offset the pressure on margins. A reduced benefit from retail deposit gathering raises the potential to cut network costs – in our experience those countries which have had low interest rates for long periods of time also tend to have low cost/asset ratios (see Chart 15), although we accept lower costs do not necessarily offset the impact of lower rates. Revenues could be boosted from increasing fee income (see earlier comments on Swiss and Danish banks) and Chart 11.

Chart 15: Lower margins usually means lower costs...



Source: KBW, 25 March 2019.

Chart 16: US & European loan growth (Y/Y)



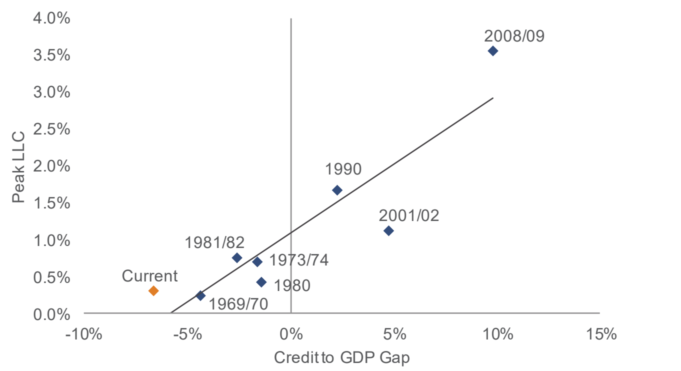
Source: Polar Capital, September 2019.

Not all pressures ahead are equal. Our greatest concern remains certain southern European markets which are more exposed to spread pressure given the shorter duration of their loan books and therefore faster repricing (Spanish banks' mortgages reprice on a one-year cycle compared to more than five years for Dutch banks). Japanese banks have faced a zero interest rate environment since 1999 and suffered from excess liquidity (loan/deposit ratio 62%) as well as low non-interest income (15% of gross operating profits, average between 2011-2017, versus a eurozone figure of 45%) and a balance sheet structure with significant weighting to securities and cash (40% of total versus 20% in Europe). Within the US, mid and small-sized banks are more exposed to this pressure since their fee incomes are less evolved and economies of scale can be smaller, although this is offset by their bias to less price-sensitive segments such as SME lending.

Banks are financially stronger with better quality assets today

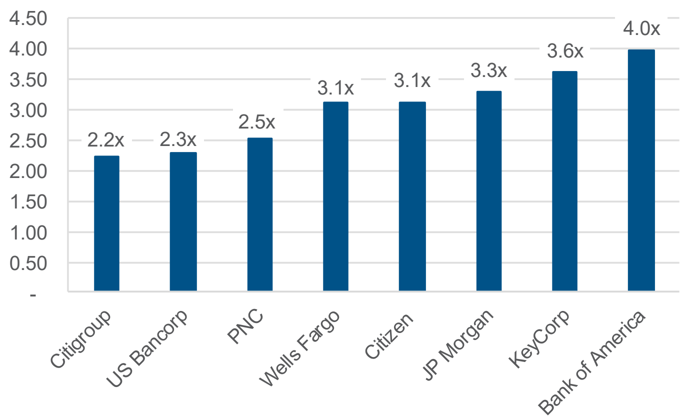
Worries about a recession are perfectly valid – the last time there was a downturn numerous banks had to be recapitalised by their respective governments (although we would argue this was more to do with lax capital and liquidity regulations rather than the severity of bad debt experience). They remain a cyclical business and currently loan loss provisioning is at very low levels implying it can only go upwards. What is often ignored is that there has been very little loan growth ahead of this possible downturn (Chart 16) and this usually limits the extent of deterioration in asset quality (Chart 17). However, valuations are expecting a very material further deterioration (Chart 18).

Chart 17: Implied peak provisioning for next downturn



Source: Autonomous Research, 3 January 2019.

Chart 18: Implied provision increase for fair value*

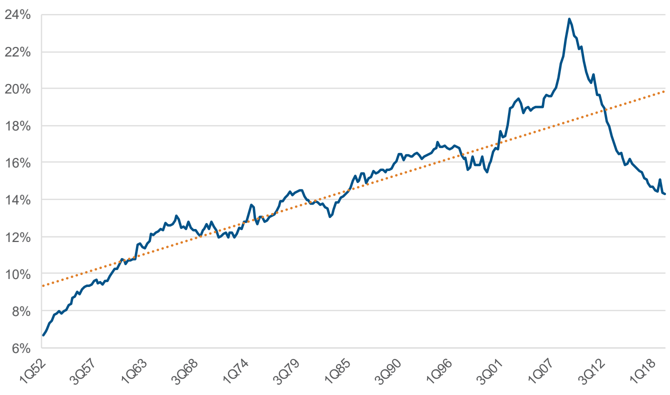


Source: Polar Capital & Bloomberg consensus estimates, September 2019.

*Note: The implied increase in loan loss provisioning versus FY19 consensus estimates to reach Polar Capital fair value.

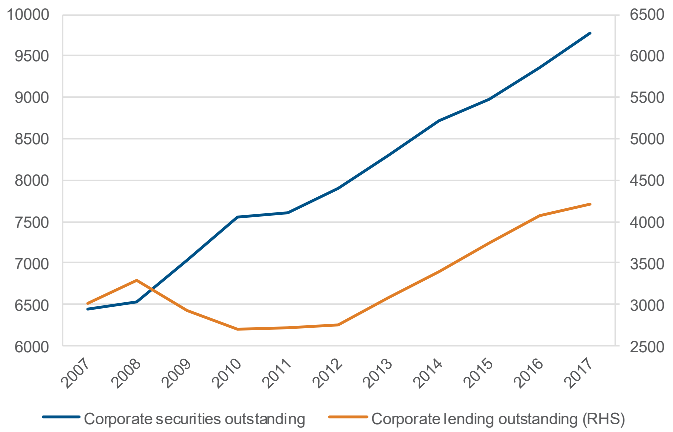
Further, since the global financial crisis, the regulatory environment has been much tougher, and continues to be monitored through stress tests and so more risky lending has generally shifted to the bond market and private loan markets (Chart 20). Also, the US consumer has de-geared ahead of any possible downturn (Chart 19).

Chart 19: US household leverage



Source: Federal Reserve, 20 September 2019.

Chart 20: Corporate securities vs corporate loans



Source: SIFMA & Federal Reserve, 24 August 2018.

Structural change is happening and is needed

The low-rate environment is raising structural challenges for the banks and they are responding to those challenges, albeit slowly. We remain baffled by the overly negative tone surrounding the sector (strong balance sheets, high dividend yields, low valuations are all completely ignored) and believe the structural change is often misunderstood. The growth in digitisation is both a benefit and a threat to the sector and our experience of this is that the benefits are only now beginning to be recognised, through lower costs, but the negatives of disruption make better headlines. Equally, the collapse in deposit spreads is easily understood but there is little acceptance that this has meant greater disintermediation ahead. This is particularly true for banking markets in Europe and Japan with large stocks of on-balance sheet, low-rate mortgages and large corporate lending with onerous capital requirements.

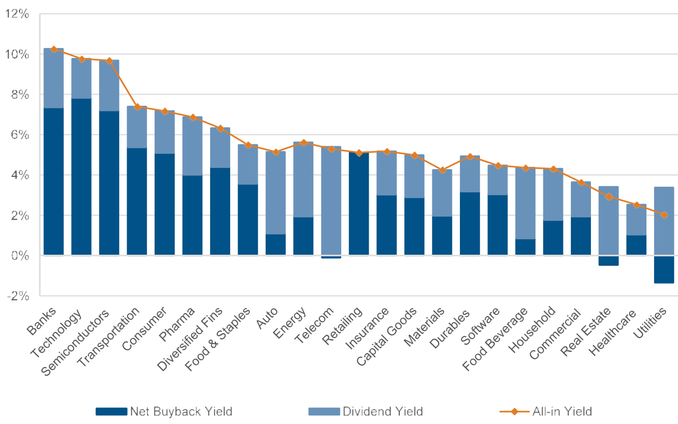
Though we accept the deposit-driven model of banking is being reassessed, we would warn that we have been here before and history is littered with failed banks that did not focus on the stability of funding provided by deposits. Deposit margins have collapsed and banks need to start charging for their services rather than relying on the benefit of the float left in customers' bank accounts. This is beginning to happen for larger deposits, but most banks remain wary of being a first mover and introducing fees since they may lose much of their customer base. Equally, we keep our deposits with banks since they are regulated and most countries have deposit guarantee systems in place for added reassurance. Eventually interest rates will rise so the benefit will flow through again with deposit-rich banks being greater beneficiaries.

The trend to banking becoming less capital intensive and balance sheet-driven will accelerate should interest rates remain low. Banks will become arrangers and facilitators in many areas, while holding on to their more lucrative consumer and SME lending. This will necessitate a shift to a more volume-driven approach which has implications for cultures and valuations – interestingly in financial services, the volume-driven models often trade on higher valuations than those which are more capital intensive/balance sheet driven.

Do not forget you are being paid to wait

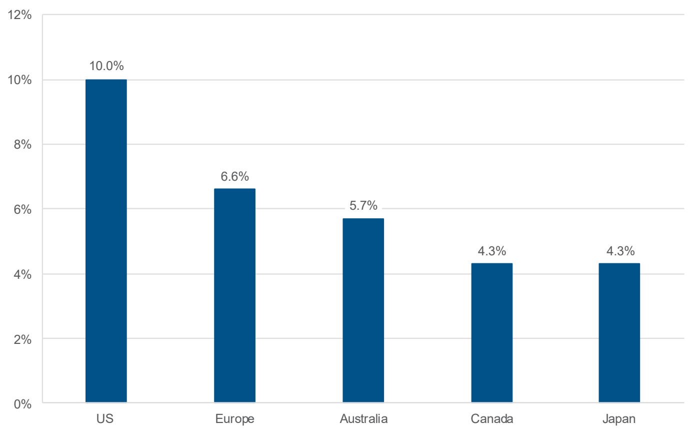
Finally, do not forget that investing in this sector also comes with the added benefit of high yields. Loan-loss provisions will rise, but this is more likely to hit earnings rather than book value so protecting dividends which are driven by the high capital levels and low balance sheet growth. While you wait for rates to rise you could also enjoy the highest yields in the market.

Chart 21: US total yields - sector breakdown



Source: Barclays Research, 16 May 2019.

Chart 22: 2019 Total bank yields



Source: Bloomberg, 27 September 2019.

Polar Capital Financials Team
29 October 2019

Important Information: This document is provided for the sole use of the intended recipient and is not a financial promotion it shall not and does not constitute an offer or solicitation of an offer to make an investment into any fund or Company managed by Polar Capital. It may not be reproduced in any form without the express permission of Polar Capital and is not intended for private investors. This document is only made available to professional clients and eligible counterparties. The law restricts distribution of this document in certain jurisdictions; therefore, it is the responsibility of the reader to inform themselves about and observe any such restrictions. It is the responsibility of any person/s in possession of this document to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Polar Capital Global Financials Trust plc is an Investment Company with investment trust status and as such its ordinary shares are excluded from the FCA's (Financial Conduct Authority'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. It is not designed to contain information material to an investor's decision to invest in Polar Capital Funds PLC – Asian Opportunities Fund, Polar Capital Funds PLC – Financial Opportunities Fund, Polar Capital Funds PLC – Global Insurance Fund, Polar Capital Funds PLC – Income Opportunities Fund or Polar Capital Global Financials Trust plc , which is an Alternative Investment Fund under the Alternative Investment Fund Managers Directive 2011/61/EU ("AIFMD") managed by Polar Capital LLP the appointed Alternative Investment Manager. In relation to each member state of the EEA (each a "**Member State**") which has implemented the AIFMD, this document may only be distributed and shares may only be offered or placed in a Member State to the extent that (1) the Fund is permitted to be marketed to professional investors in the relevant Member State in accordance with AIFMD; or (2) this document may otherwise be lawfully distributed and the shares may otherwise be lawfully offered or placed in that Member State (including at the initiative of the investor). As at the date of this document, the Fund has not been approved, notified or registered in accordance with the AIFMD for marketing to professional investors in any member state of the EEA. However, such approval may be sought or such notification or registration may be made in the future. **Therefore this document is only transmitted to an investor in an EEA Member State at such investor's own initiative.** SUCH INFORMATION, INCLUDING RELEVANT RISK FACTORS, IS CONTAINED IN THE COMPANY OR FUND'S OFFER DOCUMENT WHICH MUST BE READ BY ANY PROSPECTIVE INVESTOR.This document is only aimed at professional clients and eligible counterparties as defined by the European Directive n° 2004/39/EC dated 21 April 2004 (MIFID) as the same has been applied into French law by articles D. 533-11 and D.533-13 of the French Code monétaire et financier. This document is not destined for non professional clients who do not have the experience, knowledge or competence needed to take their own investment decisions and correctly evaluate the risks involved. Shares in the Fund should only be purchased by professional investors. Any other person who receives this presentation should not rely upon it. The law restricts distribution of this document in certain jurisdictions, therefore, persons into whose possession this document comes should inform themselves about and observe any such restrictions. It is the responsibility of any person or persons in possession of this document to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. This document does not provide all information material to an investor's decision to invest in the Fund. Before any subscription, it is recommended that you read carefully the most recent prospectus and review the latest financial reports published by the Fund. The Key Investor Information Document, full prospectus, articles and latest annual report are freely available upon request from BNP Paribas Securities Services, the centralising agent of the Fund in France: BNP Paribas Securities Services, 66, rue de la Victoire, 75009 Paris, France. Contact: Zaher Aridi, Tel : +33(0)1 42 98 50 57.

Please note that the prospectus of Polar Capital Funds plc and the supplement in relation to the Fund are only available in English.

The European Directive on collective investment schemes n° 2009/65/EC dated 13 July 2009 (UCITS) established a set of common rules in order to permit the cross border marketing of collective investment schemes complying with the directive. This common foundation did not prohibit different methods of implementation. This is why a European collective investment scheme may be marketed in France even though the activity of such scheme would not respect rules identical to those which are required for the approval of this type of product in France. The Fund received an authorisation for marketing in France from the Autorité des Marchés Financiers on 14 January 2014.

Statements/Opinions/Views: All opinions and estimates constitute the best judgment of Polar Capital as of the date hereof, but are subject to change without notice, and do not necessarily represent the views of Polar Capital. This material does not constitute legal or accounting advice; readers should contact their legal and accounting professionals for such information. All sources are Polar Capital unless otherwise stated.

Third-party Data: Some information contained herein has been obtained from third party sources and has not been independently verified by Polar Capital. Neither Polar Capital nor any other party involved in or related to compiling, computing or creating the data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any data contained herein.

Holdings: Portfolio data is "as at" the date indicated and should not be relied upon as a complete or current listing of the holdings (or top holdings) of the Company or Fund. The holdings may represent only a small percentage of the aggregate portfolio holdings, are subject to change without notice, and may not represent current or future portfolio composition. Information on particular holdings may be withheld if it is in the Company or Fund's best interest to do so. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request. This document is not a recommendation to purchase or sell any particular security. It is designed to provide updated information to professional investors to enable them to monitor the Company or Fund. No other persons should rely upon it.

Benchmarks: The following benchmark indices are used: MSCI World Financials + Real Estate Net Total Return Index, MSCI ACWI Financials Net Total Return Index, MSCI AC Asia Pacific ex Japan Net TR Index, MSCI Daily TR World Net Insurance Index and STOXX Europe 600 Financial Net Return Index. These benchmarks are generally considered to be representative of the Financial equity universe. These benchmarks are broad-based indices which are used for comparative/illustrative purposes only and have been selected as they are well known and easily recognizable by investors. Please refer to www.mscibarra.com and www.stoxx.com for further information on these indices. Comparisons to benchmarks have limitations as benchmarks volatility and other material characteristics may differ from the Company or Fund. Security holdings, industry weightings and asset allocation made for the Company or Fund may differ significantly from the benchmark. Accordingly, investment results and volatility of the Company or Fund may differ from those of the benchmark. The indices noted in this document are unmanaged, unavailable for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the Company or Fund may incur. The performance of the indices reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance. Information regarding indices is included merely to show general trends in the periods indicated and is not intended to imply that the fund was similar to the indices in composition or risk.

Regulatory Status: Polar Capital LLP is a limited liability partnership number OC314700. It is authorised and regulated by the UK FCA and is registered as an investment adviser with the US Securities & Exchange Commission ("SEC"). A list of members is open to inspection at the registered office, 16 Palace Street, London, SW1E 5JD. FCA authorised and regulated investment managersare expected to write to investors in funds they manage with details of any side letters they have entered into. The FCA considers a side letter to be an arrangement known to the investment manager which can reasonably be expected to provide one investor with more materially favourable rights, than those afforded to other investors. These rights may, for example, include enhanced redemption rights, capacity commitments or the provision of portfolio transparency information which are not generally available. The Fund and the Investment Manager are not aware of, or party to, any such arrangement whereby an investor has any preferential redemption rights. However, in exceptional circumstances, such as where an investor seeds a new fund or expresses a wish to invest in the Fund over time, certain investors have been or may be provided with portfolio transparency information and/or capacity commitments which are not generally available. Investors who have any questions concerning side letters or related arrangements should contact the Polar Capital Desk at the Registrar on 0800 876 6889 (PCFT) or Administrator on +353 1 434 5007 (UCITS). The Fund is prepared to instruct the custodian of the Fund, upon request, to make available to investors portfolio custody position balance reports monthly in arrears.

Information Subject to Change: The information contained herein is subject to change, without notice, at the discretion of Polar Capital and Polar Capital does not undertake to revise or update this information in any way.

Forecasts: References to future returns are not promises or estimates of actual returns Polar Capital may achieve. Forecasts contained herein are for illustrative purposes only and does not constitute advice or a recommendation. Forecasts are based upon subjective estimates and assumptions about circumstances and events that have not and may not take place.

Performance/Investment Process/Risk: Performance is shown net of fees and expenses and includes the reinvestment of dividends and capital gain distributions. Factors affecting the Company or Fund's performance may include changes in market conditions (including currency risk) and interest rates and in response to other economic, political, or financial developments. The Company's investment policy allows for it to enter into derivatives contracts. Leverage may be generated through the use of such financial instruments and investors must be aware that the use of derivatives may expose the Company to greater risks, including, but not limited to, unanticipated market developments and risks of illiquidity, and is not suitable for all investors. Those in possession of this document must read the Company's Investment Policy and Annual Report for further information on the use of derivatives. Past performance is not a guide to or indicative of future results. Future returns are not guaranteed and a loss of principal may occur. Investments are not insured by the FDIC (or any other state or federal agency), or guaranteed by any bank, and may lose value. No investment process or strategy is free of risk and there is no guarantee that the investment process or strategy described herein will be profitable.

Allocations: The strategy allocation percentages set forth in this document are estimates and actual percentages may vary from time-to-time. The types of investments presented herein will not always have the same comparable risks and returns. Please see the private placement memorandum or prospectus for a description of the investment allocations as well as the risks associated therewith. Please note that the Company or Fund may elect to invest assets in different investment sectors from those depicted herein, which may entail additional and/or different risks. Performance of the Company or Fund is dependent on the Investment Manager's ability to identify and access appropriate investments, and balance assets to maximize return to the Fund while minimizing its risk. The actual investments in the Company or Fund may or may not be the same or in the same proportion as those shown herein.

Country Specific disclaimers: The Company or Funds have not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the "Investment Company") and the holders of its shares will not be entitled to the benefits of the Investment Company Act. In addition, the offer and sale of the Securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). No Securities may be offered or sold or otherwise transacted within the United States or to, or for the account or benefit of U.S. Persons (as defined in Regulation S of the Securities Act). In connection with the transaction referred to in this document the shares of the Fund will be offered and sold only outside the United States to, and for the account or benefit of non U.S. Persons in "offshore- transactions" within the meaning of, and in reliance on, the exemption from registration provided by Regulation S under the Securities Act. No money, securities or other consideration is being solicited and, if sent in response to the information contained herein, will not be accepted. Any failure to comply with the above restrictions may constitute a violation of such securities laws.

Country Specific disclaimers: Polar Capital LLP (Investment Manager) is exempt from the requirement to hold an Australian financial services licence in respect of the financial services it provides to wholesale investors in Australia and is regulated by the Financial Conduct Authority of the UK under UK laws which differ from Australian laws'.

Country Specific disclaimers: This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor Pursuant to Section 304 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. The Prospectus and Information Memorandum are available to download at www.polarcapital.co.uk alternatively; you can obtain the latest copy from the Polar Capital Investor Relations team. The Fund is a collective investment scheme but is not authorised under Section 104 of the Securities and Futures Ordinance of Hong Kong by the Securities and Futures Commission of Hong Kong. Accordingly the distribution of this document, and the placement of interests in Hong Kong, is restricted. This document may only be distributed, circulated or issued to persons who are professional investors under the Securities and Futures Ordinance and any rules made under that Ordinance or as otherwise permitted by the Securities and Futures Ordinance.