

# Polar Capital Global Financials Trust plc

Annual Report and Financial Statements for the year ended 30 November 2021



## Contents

Your Company at a Glance	1
Summary of Share Capital Movements	2
Financial Highlights	3
Performance	4
Performance Highlights	5
Chairman's Statement	6
Board of Directors	12
Investment Managers	14
<b>Expert Knowledge</b>	
Investment Manager's Report	16
Attribution Analysis	26
Portfolio Composition:	
Ten Largest Investments	27
Full Investment Portfolio	28
Portfolio Review	30
<b>Governance</b>	
Strategic Report	32
Section 172 Statement	42
Report of the Directors	45
Report on Corporate Governance	49
Directors' Remuneration Report	57
Audit Committee Report	62
Statement of Directors' Responsibilities	71
Independent Auditors' Report	72
<b>Financial Statements</b>	
Statement of Comprehensive Income	81
Statement of Changes in Equity	82
Balance Sheet	83
Cash Flow Statement	84
Notes to the Financial Statements	85
<b>Shareholder Information</b>	
Alternative Performance Measures (APMs)	113
Glossary of Terms	116
Investing	118
Warning to shareholders	120
Additional Information	122
Contact Information	124

Polar Capital Global Financials Trust plc (the Company) 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.



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

The Company has appointed Polar Capital as its Investment Manager. Since its foundation in 2001, Polar Capital has grown steadily and currently has 16 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.

### Investment Company of the year 2021 Awards

**"Highly Commended"**

*Judging Panel: "the trust is so differentiated and seen real comeback, outperforming its benchmark and issuing shares"*

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# 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 pages 32 and 33 of the Strategic Report.

## 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 Investment Manager and AIFM is Polar Capital LLP and the portfolio has been jointly managed by Mr Nick Brind and Mr John Yakas since launch on 1 July 2013. With effect from 1 December 2020, Mr George Barrow was also appointed as Co-Fund Manager with Mr Brind and Mr Yakas.

Details of the fees payable to the Investment Manager can be found on pages 39, 40, 91 and 92. The Management Fee is charged 80% to capital and 20% to revenue; the Performance Fee, when payable, is charged 100% to capital.

## Benchmark

In April 2020, following the reconstruction of the Company, the benchmark was changed to the MSCI ACWI Financials Net Total Return Index (in Sterling with dividends reinvested) in recognition of the Company's level of portfolio exposure to emerging market financials equities and its limited portfolio exposure to real estate equities. Prior to this, the Company was benchmarked against the MSCI World Financials + Real Estate Net Total Return Index. See page 23 for more information.

## Gearing and use of Derivatives

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

In July 2021, the Company entered into a new agreement with RBS International for a one-year revolving credit facility ("RCF") in the amount of £40m and a one-year term loan facility of £20m. At the year end, £35m in sterling and £15.4m in US dollars had been drawn down under these facilities. Subsequent to the year end there were no additional amounts drawn down under these facilities and the net gearing equated to 2.8% as at 7 March 2022.

Further details of how the borrowings may be utilised are given in the Strategic Report on page 32.

## Capital Structure

As at 30 November 2021, the Company had 279,330,000 ordinary shares of 5 pence each in issue, of which 6,350,000 shares were held in treasury (2020: 202,775,000 ordinary shares of 5 pence each in issue of which 79,724,900 were held in treasury). Please refer to the table on page 2 for further information on share capital changes.

# Summary of Share Capital Movements

	Ordinary shares	Treasury shares	C Shares
<b>As at 1 December 2020</b>	<b>123,050,100</b>	<b>79,724,900</b>	<b>-</b>
<b>Share capital change during the financial year</b>			
Shares issued since 1 December 2020 and up to General Meeting held 1 February 2021:			
Reissue out of treasury <b>(1)</b>	11,624,900	(11,624,900)	-
<b>As at 1 February 2021</b>	<b>134,675,000</b>	<b>68,100,000</b>	<b>-</b>
Shares issued since 1 February 2021 and up to Annual General Meeting held 30 March 2021:			
Reissue out of treasury <b>(2)</b>	27,275,000	(27,275,000)	-
<b>As at 30 March 2021</b>	<b>161,950,000</b>	<b>40,825,000</b>	<b>-</b>
Shares issued since 30 March 2021 and up to the year ended 30 November 2021:			
Reissue out of treasury <b>(2)</b>	34,475,000	(34,475,000)	-
C Share issue <b>(3)</b>	-	-	122,000,000
C share conversion <b>(3)</b>	76,555,000	-	-
C Share cancellation <b>(3)</b>	-	-	(122,000,000)
<b>As at 30 November 2021</b>	<b>272,980,000</b>	<b>6,350,000</b>	<b>-</b>
<b>Share capital change subsequent to the financial year end</b>			
Shares issued since 30 November 2021 and up to General meeting held on 1 February 2022:			
Reissue out of treasury <b>(2)</b>	6,350,000	(6,350,000)	-
Issues of new shares out of 2021 AGM authority <b>(4)</b>	15,150,000	-	-
<b>As at 1 February 2022</b>	<b>294,480,000</b>	<b>-</b>	<b>-</b>
Shares issued since 1 February 2022 and up to the date of this Annual Report 7 March 2022:			
Issue of new shares pursuant to Subsequent Placing 1 in Jan 2022 <b>(3)</b>	16,869,893	-	-
Issue of new shares pursuant to Subsequent Placing 2 in Feb 2022 <b>(3)</b>	9,905,427	-	-
Issues of new shares out of 2022 GM authority <b>(5)</b>	7,550,107	-	-
<b>As at 7 March 2022</b>	<b>328,805,427</b>	<b>-</b>	<b>-</b>

The shares above have been issued under the following authorities:

**Note 1:** AGM authority granted by Shareholders on 28 May 2020.

**Note 2:** General Meeting ("GM") authority granted by Shareholders on 1 February 2021. This was in addition to the authority granted under (1).

**Note 3:** Prospectus following the GM authority granted by Shareholders on 16 June 2021. This was in addition to the authority granted under (4).

**Note 4:** AGM authority granted by Shareholders on 30 March 2021. This replaced the authority granted under (1).

**Note 5:** GM authority granted by Shareholders on 1 February 2022. This replaced the authority granted under (4).

# Financial Highlights

## Financial Highlights as at 30 November

### Total net assets<sup>^</sup> (+175.9)



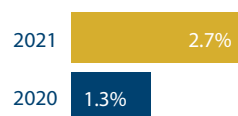
### Net asset value (NAV) per ordinary share (+24.4)



### Ordinary share price (+26.0)



### Premium per ordinary share\*



### Net gearing\*



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



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



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



## Dividends<sup>†</sup>

The Company has paid or declared the following dividends relating to the financial year ended 30 November 2021:

Pay date	Amount per Ordinary share	Ordinary Shares in Issue	Record Date	Ex-Date	Declared date
First interim: 31 August 2021	2.40p	182,475,000	6 August 2021	5 August 2021	1 July 2021
Second interim: 28 February 2022	2.00p	281,730,000	7 January 2022	6 January 2022	15 December 2021
<b>Total (2020: 4.40p)</b>	<b>4.40p</b>				

<sup>^</sup> The change in net assets reflects shares reissued from treasury in the year, new shares issued, including those from conversion of the C share issue, dividends paid and market movements.

\* See Alternative Performance Measure on pages 113 to 115.

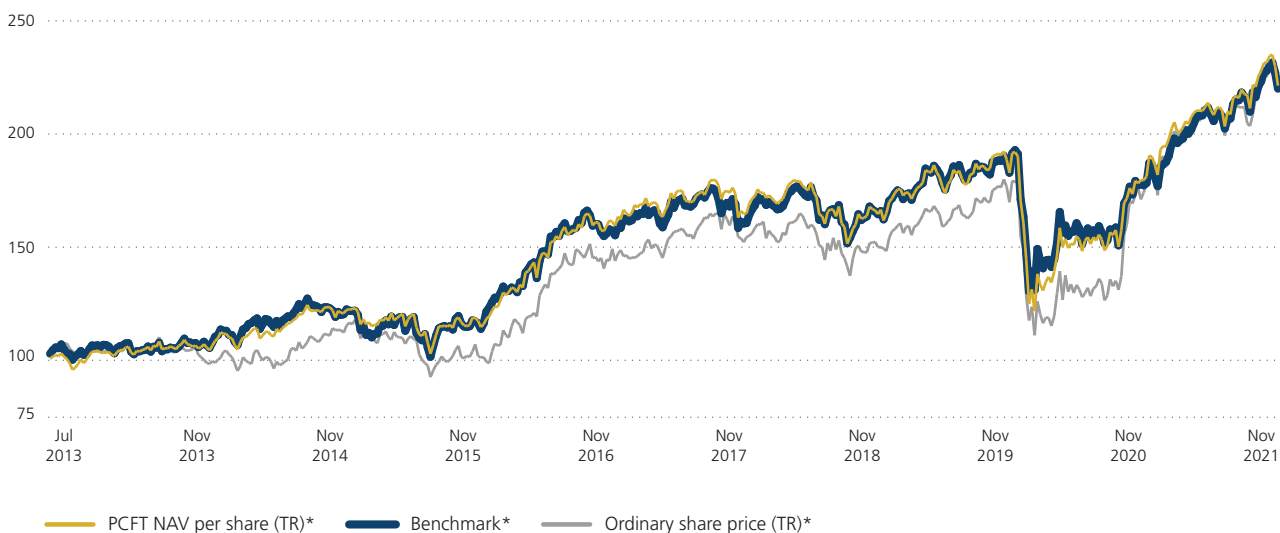
<sup>†</sup> Refer to Note 12 on pages 94 and 95 for more details.

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

# Performance

## Performance since Inception

Rebased to 100 at 1 July 2013



## Discrete Performance (%)

For the year ended 30 November

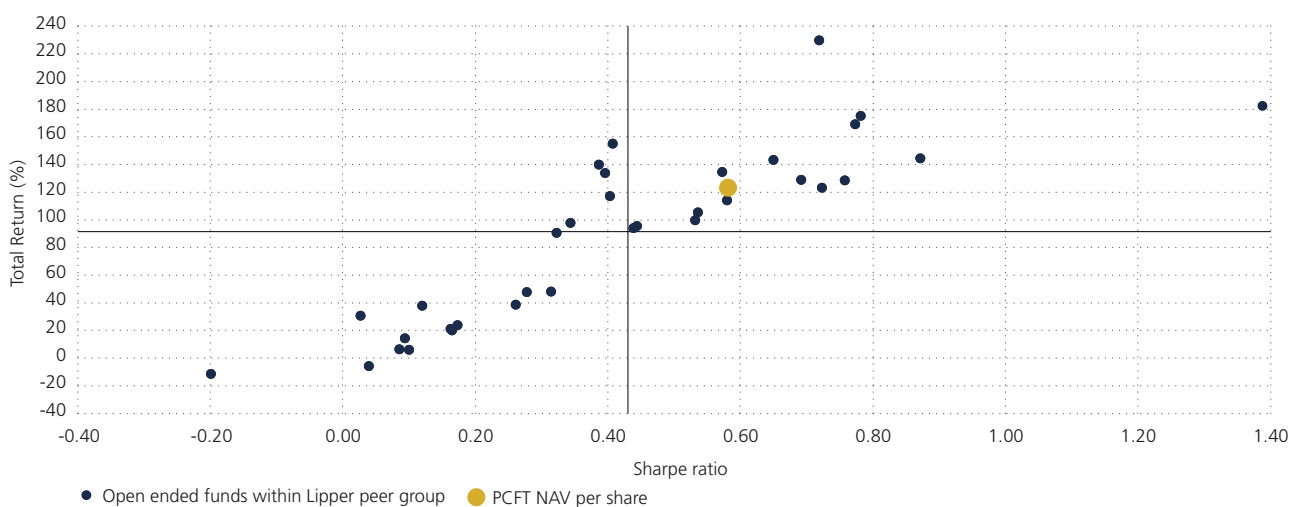
	2013~	2014	2015	2016	2017	2018	2019	2020	2021
NAV per share (TR)*	3.7	9.8	5.3	22.2	16.4	-1.5	10.4	-6.5	27.9
Ordinary share price (TR)*	5.8	-2.2	6.2	21.4	16.7	-1.7	12.4	-1.6	29.7
Benchmark (TR)*	6.4	11.0	0.9	24.5	14.2	-0.1	9.9	-6.4	27.0

\* 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.

Source: Polar Capital

## NAV per Share Total Return Performance since Inception within Lipper Peer Group



**Note:** Source Lipper: Data quoted from 1 July 2013 through 30 November 2021. The Lipper peer group includes mainly open ended funds and had an average Sharpe ratio of 0.43. The Company's Sharpe ratio over the same period was 0.58. Performance is based on the Company's NAV per share, net of fees in GBP terms. Sharpe ratio based on monthly frequency. The Sharpe ratio is a measure of risk adjusted return. It is the excess portfolio return over the risk-free rate relative to its standard deviation.

# Performance Highlights

	For the year ended 30 November 2021 %	Since Inception %
<b>Performance (Sterling total return)</b>		
NAV per ordinary share <sup>(1)*</sup>	27.9	121.8
Ordinary share price <sup>(2)*</sup>	29.7	119.5
Ordinary share price including subscription share value <sup>(3)*</sup>	-	124.4

	For the year ended 30 November 2021 %	Since Inception %
<b>Benchmark (Sterling total return)<sup>(4)</sup></b>		
MSCI ACWI Financials	27.0	109.2
Chain-linked benchmark	27.0	120.0
<b>Other Indices and peer group (Sterling total return)</b>		
MSCI World Index	22.6	187.4
FTSE All Share Index	17.4	62.8
Lipper Financial Sector <sup>(5)</sup>	22.7	90.5

	Since Reconstruction %
<b>Performance since the Reconstruction on 22 April 2020 (Sterling total return)</b>	
NAV per ordinary share <sup>(6)*</sup>	70.4
Benchmark <sup>(4)</sup>	56.6

	For the year ended 30 November 2021	For the year ended 30 November 2020
<b>Earnings per Ordinary share<sup>(7)</sup></b>		
Revenue Return	4.42p	3.01p
Capital Return	24.57p	(33.01p)
<b>Total</b>	<b>28.99p</b>	<b>(30.00p)</b>

	For the year ended 30 November 2021	For the year ended 30 November 2020
<b>Expenses<sup>*</sup></b>		
Ongoing charges	1.02%	1.09%
Ongoing charges including performance fee <sup>†</sup>	0.98%	1.74%

**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 2021. Dividends are deemed to be reinvested on the ex-dividend date as this is the protocol used by the Company's benchmark and other indices.

**Note 2** The total return share price performance is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date. Performance since inception has been calculated using the launch price of 100p to the closing price on 30 November 2021.

**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 2021.

**Note 4** The benchmark changed on 23 April 2020 to MSCI ACWI Financials Net Total Return Index (in Sterling) due to the Company's exposure to Emerging Market financials equities and its limited exposure to real estate equities. Prior to this the Company's benchmark was MSCI World Financials + Real Estate Net Total Return Index. Preceding 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. Benchmark performance above illustrates linked performance of these benchmarks.

**Note 5** Dynamic average of open ended funds in the Lipper Financial Sector Universe which comprised 47 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 94 for more details.

\* See Alternative Performance Measure on pages 113 to 115.

† The performance fee calculation methodology has been amended to remove an unintended outcome of the previous methodology, see note 29 on page 112.

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

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# Chairman's Statement

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**Robert Kyprianou** Chairman



On 17 February 2022, the Company released Preliminary Results to the market which included my Chairman's Statement to you at that date, as below. Given the continued strong demand for the Company's shares, the release of the Preliminary Results updated the market ahead of a second subsequent placing of shares under the terms of the Prospectus issued in May 2021.

Despite closing on the first day of Russia's military attack on the Ukraine, the second subsequent placing resulted in the issue of 9,905,427 new Ordinary Shares for a total consideration of £16.6m, demonstrating the confidence shareholders have in the Company and the global financial sector. Shares were issued at a price of 167.75 pence per share, representing the NAV plus 1.5% costs. My Chairman's Statement below was released before Russia began military operations in Ukraine. Events are fast moving and unpredictable and it will likely be some time before the full effects of Russia's attack on Ukraine and how they impact our sector play out. We are closely monitoring developments with the Manager and assessing how best to respond on behalf of shareholders. In the meantime our thoughts are with those directly involved or who have links to the region.

9 March 2022

Dear Shareholders,

2021 was the year of the COVID-19 vaccine – two doses and a booster battling new variants and conspiracy theorists. As I write the battle continues, but with signs suggesting a cohabitation with the virus that allows some kind of return to normality is on the horizon.

In last year's Chairman's statement, I spoke of green shoots for the Company with signs of a change in sentiment towards the financial sector. These shoots blossomed in 2021. During the financial year under review the Company recorded a net asset value total return of 27.9%, outperforming broader market indices.

The dramatic improvement in sentiment towards the sector and Company is best demonstrated by share capital changes between the latest and previous financial years. In the 2020 financial year (FY20) the Company bought into treasury a total of 79,159,235 ordinary shares following the tender offer in April 2020 and made further purchases to support liquidity in the Company's shares. In sharp contrast, during the financial year 2021 (FY21) a total of 76,555,000 new ordinary shares were issued following the conversion of a successful C Share issue and a further 73,374,900 shares were re-issued from treasury to meet strong demand for the Company's shares. Further significant new ordinary share issuance has taken place following the year end in response to continuing strong demand. These changes in share capital are described in more detail below.

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As a result of the changes to share capital combined with strong investment performance, the NAV of the Company increased from £166m to £457m over the period under review. The Board believes these capital changes have had the beneficial effect of enhancing liquidity in the shares and expanding the breadth and depth of our shareholder base.

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. The Board has announced a second interim dividend of 2.00p payable on 28 February 2022, maintaining the total dividend for the year at 4.40p for the second year running.

I am pleased to welcome to the Board Cecilia McAnulty who joined on 1 November 2021. Cecilia was appointed as phase one of the Board's succession plan, with the original Board members in place at the IPO retiring as their nine year tenures expire. Cecilia has joined as Audit Chair-elect to ensure a smooth transition with the current Audit Chair, Joanne Elliot, who will step down from the Board following the forthcoming AGM in April 2022.

## Performance

The sharp improvement in sentiment towards the financials sector in FY21 was evident in the performance of the Company's benchmark, the MSCI ACWI Financials Index, which delivered a total return in sterling terms of 27.0%, comfortably ahead of the MSCI ACWI Global index's 20.6% total return.

Your Manager was able to match this strong performance by delivering a total return of 27.9% after all expenses over the year. Since the reconstruction of the Company on 22 April 2020, the portfolio has generated a total return of 70.4% (net of expenses) compared to the benchmark's total return of 56.6%. The Manager was also able to successfully manage significant and regular capital inflows in a rising market, which can often be a drag on investment performance. In addition, the use of the C Share structure for a large portion of share issuance ensured that both performance and the revenue reserve were protected for our existing shareholders until the proceeds were fully deployed.

In FY21 the Manager's stock selection, previously a consistent source of added value, was for the first time a drag on performance relative to the benchmark. This was compensated by an overweight allocation to the strongly performing banks sub-sector, in particular US regional banks, and by the Manager's use of leverage in a rising market. Other key features of the Manager's investment style included broad diversification across sectors and regions, including emerging markets, and a high active share of over

75% when positioning the portfolio against the benchmark. Drivers of performance are described in more detail in the Manager's Report.

Gearing is one of the tools that many investment trusts have at their disposal and the Manager deployed gearing during the year in order to enhance returns. The Board regularly reviews the borrowing arrangements that enable gearing and during the year switched providers to ensure the Company had the best available terms for both the revolving credit and term facilities.

## Share Capital Changes - A Year of Extraordinary Growth

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. The tender resulted in the Company buying into treasury 79,159,235 ordinary shares, accounting for 39.1% of the shares in issue at that time. In addition to the tender the Company bought into treasury a further 670,000 ordinary shares in FY20 to support trading in the Company's shares, which traded for much of the year at a discount to NAV, reflecting the very negative sentiment towards the financials sector at that time.

The experience in FY21 could not provide a greater contrast. In my statement last year, I noted the positive change in sentiment towards the sector that followed the announcement of successful vaccination trials in November 2020. By the end of the same month, this resulted in the Company's share price trading at a premium to NAV and, on the very last day of the financial year, the first re-issue of shares out of treasury to satisfy investor demand.

During FY21 demand for the Company's shares remained consistently strong with its share price trading at a persistent premium to NAV. As I reported in my half year statement, the Board responded to the strong interest in the Company's shares by concluding a successful new issue of £122m C shares in June 2021, which were converted to 76,555,000 ordinary shares in August 2021. In addition, over the year, the Company re-issued a further 73,374,900 ordinary shares from its treasury account to satisfy persistent strong demand and to help facilitate orderly trading. Interestingly, the treasury shares were bought back in 2020 at an average price of 103.00p per share and re-issued during 2021 at an average price of 162.15p. Both exercises had the additional benefit of enhancing NAV per share for existing shareholders.

As a result, the number of ordinary shares in issue increased by 150m in aggregate from 123m ordinary shares at the beginning of the financial year to a total of 273m at the financial year end. The total cash raised during the financial year through the C share issue and treasury sales amounted

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## Chairman's Statement continued

to £239m. Coupled with the rise in the share price, the Company's market capitalisation rose by a remarkable 180% from £168m to £470m over the course of the financial year.

Ordinary shares remaining in treasury at the financial year end stood at 6.35m. Since then, demand for the Company's shares has continued to be strong, exhausting the remaining shares held in treasury within the first two weeks of the start of the 2022 financial year (FY22).

At the 2021 AGM the Company was given authority to issue 16.2m ordinary shares without pre-emption rights. By the end of January 2022, the remaining authority had reduced to 1m shares through issuance to satisfy demand; the Company was granted shareholder approval to renew the authority to issue shares on a non pre-emptive basis at a General Meeting on 1 February 2022 to provide additional flexibility to manage ongoing demand for shares. This authority, unless renewed earlier, will expire at the AGM to be held in April 2022, at which time a new authority to issue up to 10% of the enlarged share capital will be sought from shareholders.

Any shares sold into the market by the Company from either treasury or from its new issuance authority are only sold at a premium to the 'live' NAV calculated at the time of the transaction and are therefore accretive to NAV. In FY21, the cumulative effect of treasury share sales provided a 0.3617p uplift to NAV per share.

Apart from a brief period in the summer after the C shares were converted to ordinary shares, the Company's share price has consistently traded at a premium to NAV despite the extraordinary growth in shares in issue. The widest premium was 4.96% and at the end of the financial year the premium was calculated at 2.69%.

The rise in the number of shares in issue has not only brought critical mass to the Company and improved the liquidity of trading in its shares, it has also expanded and deepened our shareholder register. At the time of the tender in April 2020 the largest shareholder held 30% of the shares in issue. By 1 February 2022 the largest holding was 13% while a number of new investors were added to the list of shareholders. The Board is very appreciative of the support it has received from its longstanding shareholders and warmly welcomes its new shareholders.

The Board remains ready and willing to respond to any further demand for the Company's shares. The Directors have the ability, under the Prospectus issued on 12 May 2021, to undertake a second C share issue or subsequent placings of ordinary shares. The first such subsequent placing was undertaken at the end of January 2022 and resulted in the allotment of 16,869,893 ordinary shares for an aggregate value of £29.4m. The Directors believe that having the ability to ensure a ready supply of ordinary shares under the

shareholder authorities, in any tranche size, should assist with reducing share price volatility by maintaining liquidity and satisfying demand in the market.

### Dividends

In August 2021 the Company paid a first interim dividend of 2.4p per ordinary share. On 15 December 2021 the Company announced a second interim dividend of 2.0p per ordinary share, payable on 28 February 2022. The total dividend of 4.4p per ordinary share is unchanged from the total dividend paid in the previous financial year.

One of the advantages of the investment trust structure is the ability to support dividend payments through periods of volatility in underlying earnings. The COVID dominated environment of the past couple of years has certainly been such a period. Up to the 2019 financial year the Company was able to grow the dividend steadily by an average of 7.28% p.a. while building up revenue reserves. Since then, the portfolio's earnings have been adversely affected by the pandemic-induced recession. Despite this the Company has been able to maintain the level of dividend with the help of its distributable reserves.

Revenue earnings for the year ended November 2021 amounted to £8.4m. The higher number of shares ranking for the second interim dividend at the "ex" date will result in a total cash dividend paid for the year ended 30 November 2021 of £10m. On a per share basis the total dividend in respect of FY21 appears covered as the earnings per share is calculated based on the weighted average number of shares in the year. However, on a cash basis, the dividend is paid on the number of shares in issue at the record date. Due to the significant share issuance throughout the financial year and up to the ex-dividend date, the number of shares ranking for the dividend is higher than the number of shares used for the earnings per share calculation and, as a result the dividend is not fully covered in cash terms and will partially be paid from distributable reserves.

The Company's Articles of Association allow the Company to make distributions from any of its distributable reserves, both capital and revenue. For the dividend relating to FY21, although there are sufficient revenue reserves to cover the shortfall mentioned above, the Board has chosen to make part of the distribution from capital reserves for reasons explained below.

Excluding the C share issue, between the beginning of FY21 and the second interim ex-dividend date on 6 January 2022, 82.1m new ordinary shares were issued or re-issued from treasury. Accounting convention requires that the proceeds from the issue of these shares are accounted for wholly as capital. However, the NAV at which they were issued to new holders in fact comprises both the capital value of the underlying portfolio and any accrued but undistributed earnings at the issue date and therefore comprises elements of both income and capital. When these new ordinary shares subsequently rank for a dividend,

the dividend is accounted for wholly from revenue even though part of the dividend has effectively been “purchased” at the issue date and recorded in the capital account. The Board has therefore provided for this “purchased” part of the dividend, which can be accurately calculated, to be deducted from the special distributable reserve rather than revenue reserves. The Board believes this accounting approach captures the “purchased” income portion of the NAV, which was recorded as capital at the time of issue, and helps protect the revenue reserves built up historically from the impact of share issuance.

During FY21 and up to the ex-dividend date for the second interim dividend on 6 January 2022, income received into the Capital account from shares issued out of the Company’s treasury account and through the shareholder authority amounted to £831,000. The Board has therefore decided to account for this amount in the second interim dividend through distributable capital reserves.

Looking forward, the Board expects the portfolio’s underlying earnings to continue to recover as economies learn to live with COVID and the financial sector benefits from favourable tailwinds outlined in the Outlook below. 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.

## Costs

Over the past two financial years the biggest drivers of movements in expenses as a percentage of NAV have been the significant changes in shares in issue, the growth in NAV from performance, and the Investment Manager’s compensation including the performance fee accrual. Since the Company’s reconstruction in April 2020 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. The fee is calculated on performance since the reconstruction and is accrued and only paid at the time of the five yearly tender. Due to the significant growth in the share capital during the year under review, the current calculation methodology presented an unintended outcome for the performance fee accrual. In order to address this, the Board worked with the Manager to amend the calculation to ensure that the performance fee accrual purely reflects investment performance as intended and is not distorted by share capital changes. This revised methodology has resulted in a reduction in the performance fee accrual in FY21. Any performance fee accrual can be reduced by subsequent underperformance of the benchmark plus hurdle rate measured over the five year period. Note 29 provides further detail.

At the time of the Company’s reconstruction in 2020, the Manager agreed to a reduction in their base 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. This helped to mitigate the impact on the

ongoing charges ratio (“OCR”) of the significant decline in NAV and shares in issue following the reconstruction in that year. In FY20 the relatively low average NAV following the tender resulted in the OCR (excluding performance fees) rising to 1.09%. The substantial growth in the Company’s NAV in FY21 has had a positive effect in reducing the OCR (excluding the performance fee) to 1.02%. Including the performance fee accrual, the OCR has fallen from 1.74% to 0.98%, reflecting the reduced performance fee accrual in the year under review.

The Board continues to work with the Manager to ensure that any discretionary spending represents value for money for shareholders and the Board seeks to minimise ongoing expenses wherever possible.

## Board Succession

The Company was launched in June 2013 with three Directors. A fourth Director, Simon Cordery, joined the Board in July 2019. The tenures of the three original Directors – Ms Elliot, Ms Hart and myself – are approaching the recommended maximum tenure of nine years, although the AIC Code allows companies with a formal policy to extend the period for the Chair to ease transition. In my statement last year I described the succession plan the Board had developed to provide refreshment in a managed way while being sensitive to appropriate diversity and experience mix. The plan was tabled to begin in 2021 and conclude in 2023 in order to ensure sufficient retention of Company knowledge at any one time and to avoid a cliff-edge of Director departures in the future.

As noted above, phase one of this plan was concluded with the appointment in November 2021 of Cecilia McAnulty as Audit Chair-elect to replace Joanne Elliot who will step down from the Board following the AGM in April 2022. Subsequent to this, the Board will move to the appointment of a new Director to replace Katrina Hart, to be completed by the end of 2022. At that point the Board will review its needs before completing the succession plan in 2023.

In advance of her retirement from the Board I would like to thank Joanne for her service. Joanne has been an excellent colleague and an outstanding Audit Chair, bringing her deep knowledge of the investment trust industry and her rigorous diligence to the role. As a member of the Board, Joanne has been our conscience, a constant and consistent advocate of shareholder interest and maximising shareholder value. Joanne takes with her the very best wishes of all who have shared the Polar Capital Global Financials Trust plc journey.

## Environmental, Social and Governance (ESG)

The transition to Net Zero represents a seismic transformation for capital markets, bringing both unprecedented opportunities and threats. Providers of finance, including

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## Chairman's Statement continued

banks, are playing a critical role in achieving Net Zero goals. The Board welcomes the escalating 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 little direct control over any environmental and social deliverables. Instead, it works with and through its suppliers to better understand their ESG strategy. Specifically, during the course of the past year the Board has continued to engage with the Manager to monitor progress on their adoption of ESG principles in both their investment process and their corporate conduct; has included ESG factors in its risk map as standalone risks; and has engaged with third party suppliers on their Task Force on Climate-Related Financial Disclosures (TCFD). Further detail is provided in the Manager's Report and the ESG Report within the Annual Report.

The Board believes that this journey is only just beginning, driven by a deepening of society's expectations and regulation. The Board will continue to monitor and review its progress against these expectations and respond accordingly.

### Outlook

The outlook for the year ahead at the time of writing would seem to be focused on two key drivers – inflation and COVID. The debate on inflation has – like that concerning the virus – centred on whether its upsurge can be characterised as elevated but transitory, or elongated and stubborn.

While the health battle is hopefully approaching its closing stages, the challenge facing central bankers to address rising inflation may only be beginning. As fiscal policy makers continue to focus on the cyclical and social fallout of the pandemic, there are early signs that central bankers are beginning to blink in their standoff with rising inflation. Among the 32 or so central banks that have already started to raise official rates, the Bank of England was the first of the major central banks to move rates higher.

The sharp pick up in non-wage inflation, unexpected supply disruptions in key markets and products, and the tightening of certain parts of the labour market do not seem to be a local story. The risk is that these pressures will be reflected in wage inflation, making the pick-up in general prices more severe and enduring. This is what many central bankers are now focusing on.

Importantly, the language from the Federal Reserve has clearly changed. Having been firmly in the 'transitory' camp on inflation, the Federal Reserve has removed this from its

guidance and is now openly planning for a tapering in its asset purchases followed by a programme of official interest rate rises, and eventually moving to reduce the central bank's highly bloated balance sheet. The ECB, for the time being, is lagging but commentators expect its resistance to be tested by evidence of the effect of its policy stance on inflation, economic recovery and the Euro. In January 2022, Eurozone inflation rose to 5%, the highest level recorded over the more than 20-year life of the single currency, while the US reported 7%, representing a four-decade high.

Banks remain the largest component of the financials sector. Their strong performance in FY21 reflected their original conservatism in provisioning for pandemic related loan losses in relation to the resilience they demonstrated subsequently, and to their positive sensitivity to rising interest rate expectations. Since the global financial crisis in 2008, banks in general have been on a long path to rebuilding capital buffers, enhancing the quality of their balance sheets and improving their operational leverage.

In the near term COVID and the outlook for inflation and interest rates are likely to be more significant drivers of fortunes for banks and the sector as a whole. Uncertainties over the pandemic and responses remain, although it appears that many governments and ways of life are moving towards a virus cohabitation rather than elimination reality. This would leave the door open to continued economic recovery with the accompanying inflation concerns.

It seems that we may be at an important turning point in the interest rate cycle and in the extraordinarily accommodative stance of the central banks that matter. The level of global interest rates and bond yields has arguably been at a disequilibrium low level for some time, reflecting the presence of humungous asset buyers at any price, prepared to expand central bank balance sheets without any limit. This has resulted in oceans of liquidity which has provided rocket fuel for financial asset markets, to the point where arguably risk has been systemically mispriced. It has also had collateral consequences such as the rise of crypto currencies which have been in part a response to the debasing of fiat currencies by central banks and which have taken on a life of their own as a beneficiary of limitless liquidity and the disequilibrium in the pricing of risk.

Defining an equilibrium level for interest rates is not straightforward. However, it is unlikely to be at a level where a number of key short-term rates and major longer bond yields are trading at negative or paltry levels; more so when evidence of rising inflation and tightness in key labour and product markets dominates headlines.

Traditionally banks receive more support from a steepening of the yield curve than from the absolute level of yields. This

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time many banks may be beneficiaries of a rise in rates all along the maturity range, whatever the impact on the shape of the yield curve. For quite some time banks have seen their capital buffers and profits challenged by low or negative short-term rates. Faced with the liquidity piling up on their books following central bank asset purchase programmes, and the paltry rates available on longer term lending/investing which does not adequately reward risk, banks have had little option but to take the pain of short-term placements at penal rates. A rise in short term rates will feed straight into the bottom line of banks from the large liquidity pools on their balance sheets, while a rise in longer term yields will reward better their lending and investment risk taking. The leverage banks experience in a rising interest rate environment may never have been so rewarding as it is in the current cycle. This leverage is described in more detail in the Manager's Report.

Of course, the sector is more than banks, comprising insurance companies, diversified financials such as investment banks, asset managers and stock exchanges, as well as FinTech companies. Although not all are as sensitive to interest rates as the banking sector, they generally respond well to a recovering economic background.

A number of new players have also entered the market, typically in the FinTech sector, offering digitally-driven transaction services, brokerage platforms and custody services. Although carrying the risks inevitable in start-ups and young enterprises, they are helping to redefine banking products to the benefit of all participants. Rather than being disrupters that threaten the traditional banks, FinTech companies are likely to see not only significant consolidation, but also their futures within or in partnership with the mainstream banks. The combination of digital solutions that meet the new expectations of customers at the core of FinTech offerings, coupled with the capital, client base, risk taking capacity and experience of traditional banks, will help power performance of the sector as a whole.

Overall, the sector is set to be one of the major beneficiaries of a return to normal, not just in the way of life but also in asset markets and prices.

Despite the generally constructive sentiment towards the sector, reports that as many as 75% of FinTech start-up ventures fail; the experience of Danske Bank with its Estonian subsidiary; Credit Suisse's missteps with Greensill Capital and Archegos; and the issues arising in Chinese property companies show the importance of stock picking. The Company benefits from a dedicated team of financials specialists who have extensive experience in the sector and a proven investment process. They are able to take advantage of the Company's flexibility to invest globally, including in emerging markets where they have particular knowledge, as

well as to deploy leverage tactically. The Board believes that the Company is in a good position to translate the current favourable tailwinds for the sector into shareholder value.

The Board has always placed high value on engagement with shareholders. At times, such as around the reconstruction of the Company in April 2020, these contacts have brought significant benefits to the Board's stewardship of the Company. Our AGM is scheduled for 7 April 2022 at the offices of Polar Capital in London, dependent on any COVID restrictions that may be in force at that time. The Board is very much looking forward to meeting shareholders in person once again.

**Robert Kyprianou**

Chairman

16 February 2022

# 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.

## 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.

## Board Rationale for supporting re-election

Robert brings a wealth of investment and strategic experience to the Board along with detailed and effective leadership skills; as well as understanding of investment company matters. The Board has and continues to value the contribution made by Robert to the running of the Company. During the year, Robert has rallied the Board and Managers to meet multiple times outside of formal Board meetings to ensure communication was effective and current. Robert continues to lead the Board with an inclusive and engaging manner and his nomination for re-election as Chair and non-executive Director is supported by both the Board and the Managers.

<b>Date appointed</b>	7 June 2013
<b>Share Interests</b>	93,368 shares
<b>Annual Remuneration</b>	£37,000



**Joanne Elliott ACA**  
Independent Non-executive Director

## Skills and Experience

Joanne is currently CFO of the property team at Thames River Capital LLP and has been the finance manager for TR Property Investment Trust plc since 1995. Joanne previously held the position of Director of Property, Finance and Operations Europe at Henderson Global Investors. Previously she was Corporate Finance Manager with London and Edinburgh Trust plc and prior to that was an investment/treasury analyst with Heron Corporation plc.

## Committee Memberships

Chair of the Audit Committee.

Member of the Nomination, Remuneration and Management Engagement Committees.

## Other Appointments

Whilst Joanne is a director of a number of private companies in connection with her role at Thames River Capital, she holds no other active external appointments.

## Re-election

Joanne is not standing for re-election as she has reached her nine-year tenure. Joanne assisted the Board in the recruitment of her successor Cecilia McAnulty who will assume the role of Chair of the Audit Committee following the AGM.

<b>Date appointed</b>	7 June 2013
<b>Share Interests</b>	30,000 shares
<b>Annual Remuneration</b>	£31,500*

\* Ms Elliott's remuneration is paid to Thames River Capital LLP in respect of her services as a Director.



**Katrina Hart**  
Independent Non-executive Director

## Skills and Experience

Katrina spent her executive career in investment banking, advising, analysing and commenting on a broad range of businesses. Initially working in corporate finance at ING Barings and Hawkpoint Partners, Katrina then moved into equities research at HSBC, covering the General Financials sector. Latterly, she headed up the Financials research teams at Bridgewell Group plc and Canaccord Genuity, specialising in wealth and asset managers. Katrina was a non-executive Director of Premier Miton Group Plc, an AIM listed asset management group, from 2011 to 2020.

## Committee Memberships

Chair of the Management Engagement Committee.

Member of the Audit, Nomination and Remuneration Committees.

## Other Appointments

Katrina is a non-executive director of Keystone Positive Change Investment Trust plc, Blackrock Frontiers Investment Trust plc and AEW UK REIT plc, each listed on the main market.

## Board Rationale for supporting re-election

Katrina has extensive knowledge of the investment sector and serves on the boards of several investment companies, enabling her to bring a wider understanding and breadth of knowledge to the Company from across the investment industry. Katrina also brings corporate finance and broking experience to the Board, having spent many years analysing and commenting on a broad range of businesses operating in the financial sector. Katrina's re-election as a non-executive Director and Management and Engagement Committee Chair is supported by the Board and the Managers.

<b>Date appointed</b>	7 June 2013
<b>Share Interests</b>	51,700 shares
<b>Annual Remuneration</b>	£26,500



**Simon Cordery FCSI**  
Independent Non-executive Director

**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.

**Committee Memberships**

Member of the Audit, Nomination, Remuneration and Management Engagement Committee

**Other Appointments**

No other current appointments.

**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.

<b>Date appointed</b>	1 July 2019
<b>Share Interests</b>	39,003 shares
<b>Annual Remuneration</b>	£26,500



**Cecilia McNulty**  
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 an Independent NED at Alcentra Limited, a global investment manager of sub-investment grade credit owned by BNY Mellon and managing \$40bn of AUMs.

**Committee Memberships**

Member of the Audit, Nomination, Remuneration and Management Engagement Committee

**Other Appointments**

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

**Board Rationale for supporting election**

Cecilia was appointed to the Board on 1 November 2021. She 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 has been a keen participant in meetings since joining the Board and her election as a non-executive Director is supported by the Board and the Managers.

Cecilia will assume the role of Chair of the Audit Committee following the retirement of Joanne Elliott from the Board.

<b>Date appointed</b>	1 November 2021
<b>Share Interests</b>	-
<b>Annual Remuneration</b>	£26,500

# 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 is also the manager of the Polar Capital Income Opportunities Fund. He 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.



**John Yakas** Co-Fund Manager

**Date appointed**

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

**Skills and Experience**

John is also the manager of the Polar Capital Financial Opportunities Fund. He 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 Fox-Pitt, 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.



**George Barrow** Co-Fund Manager

**Date appointed**

George joined Polar Capital in September 2010 as an analyst in the Financials Team.

**Skills and Experience**

George is a co-manager on the Polar Capital Financial Opportunities Fund, with John Yakas, and the Polar Capital Global Financials Trust, with John and Nick Brind. He has over 10 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.

# Expert Knowledge



# Investment Manager's Report



**Nick Brind**  
Co-Fund Manager

**John Yakas**  
Co-Fund Manager

**George Barrow**  
Co-Fund Manager

\*Shareholders should note that the Investment Manager's Report was written prior to the invasion of Ukraine and whilst the information contained within the report has been updated where possible, this will have been superseded in some places by the current uncertainties and market volatility.

## Performance

The period covered by this report was an excellent one for broader financial markets and the sector. The news in November 2020 of the efficacy of Pfizer's coronavirus vaccine, in collaboration with BioNTech, as well as those being developed by others provided the catalyst for sentiment to turn much more positive on the sector.

A quicker rollout of vaccines than had been previously expected led to a belief that economies would open up more quickly. Coupled with continued positive economic data underpinned by governments' and central banks' fiscal and monetary stimulus, financials, and in particular bank stocks, were seen as key beneficiaries of the recovery.

Consequently, equity markets were very strong, rising by 20.6% over the year as illustrated by the MSCI ACWI Index. Against this background, financials outperformed wider equity markets, with the Trust's net asset value total return rising by 27.9% while our benchmark index, the MSCI ACWI Financials Index, rose by 27.0%.

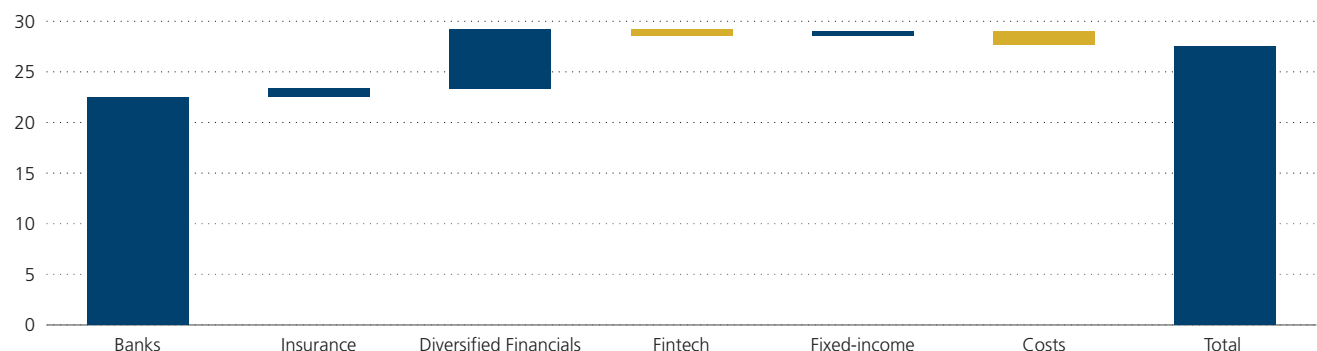
## Performance of the Company vs benchmark indices over the year and since inception

	One year	Since inception
NAV	27.9%	121.8%
Chain-linked benchmark	27.0%	120.0%
MSCI ACWI Financials Index	27.0%	109.2%

Figures are sterling total return calculated with dividends reinvested on ex-dividend dates. MSCI ACWI Financials Index is adjusted to exclude real estate securities prior to their actual removal in August 2016. See note 4 on page 5 for further information on the Chain-linked benchmark.

Our bank holdings, in particular our holdings in US regional banks, were the biggest driver of absolute and relative performance of the Trust, with gearing also being a positive contributor to returns. However, unlike all previous years, when stock selection was a positive driver of performance, stock selection was a drag on performance, with holdings in payment companies and the quality bias of the portfolio weighing on performance. The biggest stock contributors to performance included holdings in Signature Bank, Blackstone and EastWest Bancorp. Laggards included Alibaba Group, Mastercard and Lancashire Holdings.

## NAV total return performance (%)



Source: Bloomberg 1 December 2020 to 30 November 2021

## Investment Review

### Markets

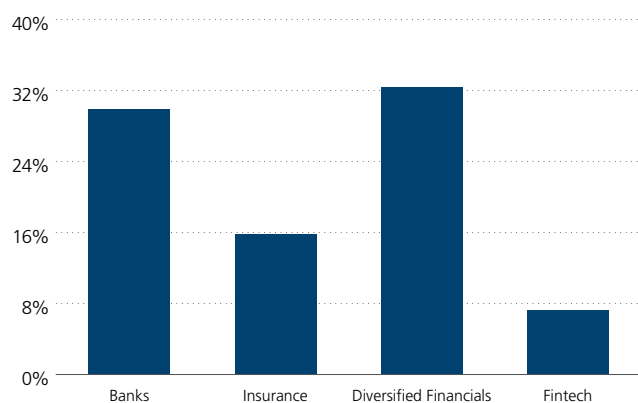
Equity markets performed extremely strongly over the year, once again led by the US. While there were ongoing concerns around more transmissible COVID-19 variants and the impact of rising inflation, these were not sufficient to offset the positive sentiment generated by the success and speed of the rollout of vaccines, recovery in economic growth and strength in corporate earnings. However, against this background Japanese and emerging markets lagged wider equity markets, the latter impacted by concerns around the Chinese property market and worries over a more interventionist approach to regulation in China, which hit several sectors.

Government bond yields consequently rose over the period with yield curves steepening as central banks continued to indicate that they would keep monetary policy loose for the foreseeable future despite concerns around inflation pressures. As the “transitory” debate shifted, with inflation continuing to surprise on the upside, there was some softening in government bond yields and a flattening of the yield curve towards the end of the period on expectations that the US central bank would follow other central banks that have raised interest rates, with a consequent impact on growth and inflation in later years.

### Sector

Banks led the sector recovery over the first half of the year, to be overtaken in the second half by Diversified Financials. The former’s outperformance was driven by strong results that significantly exceeded analyst expectations due to lower provisions for loan losses as well as continued strong investment banking and trading income. Positive earnings revisions and increased investor interest due to the sector’s sensitivity to rising bond yields against the background of rising inflation expectations provided a strong tailwind to share prices.

#### Financial sub-sector total return



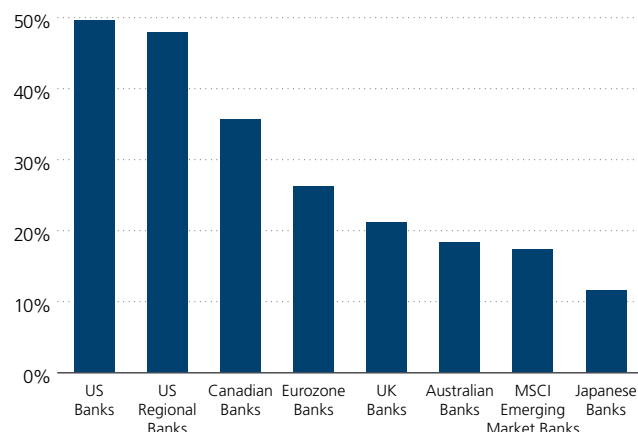
Source: Bloomberg – MSCI/Factset

US banks led the rally in bank shares, followed by those in Canada and the Eurozone, reflecting the stronger economic tailwinds in the US from a faster rollout of vaccines than nearly all other major economies, more significant fiscal stimulus and sharper rise in government bond yields than most other countries, reflecting expectations of a tightening in monetary policy. Conversely Australian, Japanese and emerging market banks lagged the rally in bank shares, having performed much more strongly over the initial stages of the pandemic and recovery, in part reflecting those countries’ more robust handling of it from a health perspective.

Not surprisingly, the largest rise in individual banks’ shares were a number in the US including Signature Bank, SVB Financial and Wells Fargo, all held in the portfolio. Other strong performers included TCS Group, a Russian bank which is also held, as well as a number of Israeli and Polish banks not held by the Trust. The weakest performing banks’ shares were for the most part emerging market banks in China and Turkey, the latter suffering from the collapse in the Turkish Lira as credibility in Turkey’s central bank faltered following a wave of firings and resignations as it was forced to cut interest rates. Indian banks also came under pressure due to their high valuations.

Diversified Financials, which includes asset managers, investment banks, consumer finance companies, custody banks, information services and stock exchanges, performed extremely strongly. Alternative asset managers led the sector on the back of continued strong fund inflows and buoyant financial markets with Blackstone, EQT, KKR and Apollo seeing the largest rise in share prices, the former a long-standing holding. Traditional asset managers, which have struggled in recent years on weaker investment performance and pressure on fees as flows have gone to passive funds or alternative asset managers, saw a sharp turn-around in flows which led to a strong rally in their shares.

#### Regional bank total return



Source: Bloomberg. KBW Banks Index, KBW Regional Banks Index, S&P TSX Banks Index, STOXX Europe Banks Index, FTSE All-Share Banks Index, S&P ASX Index, MSCI Emerging Market Banks Index and TOPIX Banks Index.

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## Investment Manager's Report continued

Credit Suisse fell on the back of its exposure to Greensill Capital, which collapsed during the year, as well as sustaining large losses from the default of Archegos, a hedge fund. But it was the exception as investment banks, in particular Goldman Sachs and Morgan Stanley, the latter a holding, performed well benefiting from a jump in investment banking and trading revenues on the back of strong equity markets, a record year for IPOs, SPACs and a jump in M&A. Information services companies, such as MSCI, S&P and Moody's also performed well. Laggards included London Stock Exchange, which fell on weak guidance on costs, as well as Japan Stock Exchange and B3, owner of the Brazilian stock exchange.

Insurance stocks, in particular property & casualty insurance companies, lagged the sector materially, despite decent results and a continued increase in insurance rates. That said, insurance brokers such as Marsh & McLennan and life assurance companies performed well, the latter in part due to their greater sensitivity to financial markets and the pick-up in M&A activity. Non-life insurance companies suffered as they are seen as more defensive, so not benefiting from investors' positioning either for growth in sectors such as technology or more cyclical sectors such as banks. Furthermore, rising inflation and a higher incidence of large losses from hurricanes etc. also hit sentiment, along with the potential for climate change to increase the frequency and severity of such losses.

Fintech companies performed poorly and lagged the rally in wider equity markets. MasterCard and Visa, the former being a holding, suffered over concerns around the delay to the resumption of cross-border travel but also worries about increased competition from new entrants. More Fintech companies, such as Lemonade in the US, Wise in the UK, Kakao Pay in South Korea and PayTm in India, IPO'd during the period. While a number have performed well, others fell sharply over the period and have been disappointing investments for public market investors so far.

### Investment Activity

At the beginning of the period the portfolio had been positioned to take advantage of the recovery in economies on the basis that successful vaccine results would allow governments to relax restrictions and economies to open up. Gearing had been increased and the exposure to the banks sector raised to the highest it has been since the Trust's inception, at the expense of insurance and payment companies. During the period, the biggest shift was to reduce the Trust's exposure to emerging market financials by around 10%, due in part to rising numbers of COVID-19 cases in several Asian countries and our concern that new lockdowns had yet to feed through into economic data, although we have selectively been adding to holdings more recently.

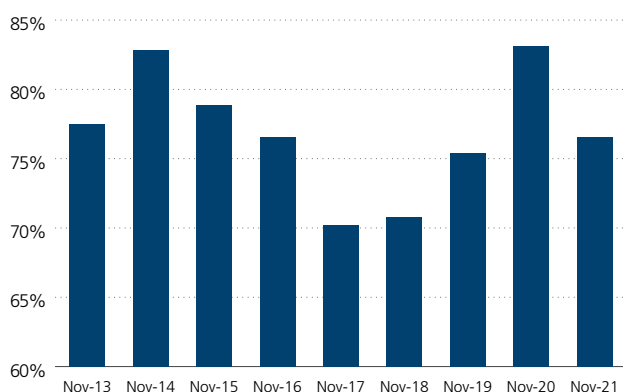
The other key reason for this shift was that momentum in markets was shifting towards the US, Europe and other developed markets as they rolled out vaccines and there was increasing confidence about the recovery in their economies. As a result, proceeds from the sales of stocks including China Merchants Bank, KasikornBank, Bank of the Philippine Islands and Axis Bank were used to increase our exposure to Europe and developed Asia. Holdings in Commonwealth Bank of Australia, BBVA, Sumitomo Mitsui Financial Group, ING Groep and Nordea were purchased, although the former two have since been sold.

Other investment activity included introducing a holding in Allfunds Group, a European investment platform, which was purchased on its IPO, while more recently new holdings were acquired in the non-voting shares of Schroders, Bandham Bank in India, and Shinhan Financial, a South Korean bank. We also changed our mix of US banks slightly following the strong performance of our US regional bank holdings, locking in some of the profit. Finally, we continued to reduce the Trust's exposure to fixed-income securities as the yields on offer continued to fall. Gearing, which began the year at 12.7%, was reduced on the back of the strength in equity markets and finished the year at 5.2%.

During the year the inflows from the issue of shares from treasury were used to add selectively to certain holdings. The larger proceeds from the C-share issue in June were used to replicate the portfolio on a pro-rata basis, with the exception of our holding in Atom Bank, which is unquoted, and a couple of the smaller less liquid holdings, prior to the conversion of C-shares and merger of the two pools of assets in August. We added to our holding in Atom Bank in May on the back of a capital raise and the bank has since announced that it has achieved its first monthly operating profit. In February 2022, it announced a further successful capital raise.

## Active Share

Active share, which is a measure of how actively managed a portfolio is, with 0% reflecting a fund that replicates its benchmark and 100% reflecting no overlap with the benchmark, fell from 83.1% to 76.5% during the period under review. This change is due to some of the changes highlighted on the previous page.



The high active share in part reflects our ownership of companies, which we consider to be part of the wider financials universe but which are not included in the Trust's benchmark. Examples include payment companies or HDFC Bank, India's largest private bank companies, which due to restrictions on foreign ownership do not meet the threshold required by MSCI for index inclusion. We also have significant overweight holdings in a number of smaller and mid-cap US banks but no holdings in some of their much larger peers such as Citigroup and US Bancorp.

## Outlook

### Inflation, bond yields and interest rates

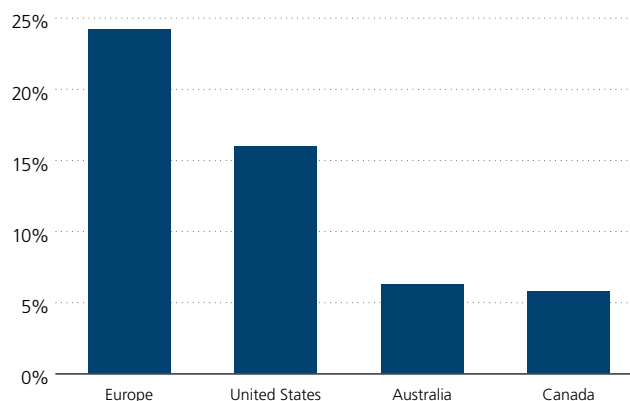
"You'll notice I brought a prop to the lectern. It's a jar with the word 'transitory' written on it. This has become a swear word to my staff and me over the past few months. Say 'transitory' and you have to put a dollar in the jar." *Raphael Bostic, President and CEO of the Federal Reserve Bank of Atlanta, 12 October 2021*

The level of interest rates is the single most important driver of asset prices and therefore critical in decisions on positioning between different asset classes and sectors. The recent uptick in inflation has been seen by the market if not as transitory then as something that will subside, based on investor surveys as concerns around supply-chain issues start to abate. Nevertheless, central banks globally have started raising interest rates, the fastest rate in over 15 years.

Against this background financials, in particular bank shares, have outperformed as they are one of the biggest beneficiaries of rising interest rates given the boost to their profitability.

Banks today have balance sheets which are much more sensitive to rises in interest rates than previously due to the actions of governments and central banks since the onset of the pandemic. For example, a 1% increase in interest rates over the course of a year would, all things being equal, result in the average earnings of US banks rising by over 15%. But as not all loans reset immediately when interest rates rise then the impact in the second year would be an increase to above 20% rise in their earnings. For Japanese banks and some European banks, the impact would be even greater reflecting their low level of profitability due to the current low or negative level of interest rates in their countries but almost all banks benefit from rising interest rates. So if interest rate expectations continue to rise, then we would expect the sector to follow.

### 2022 Sensitivity of Profit before tax to Rates +100bps

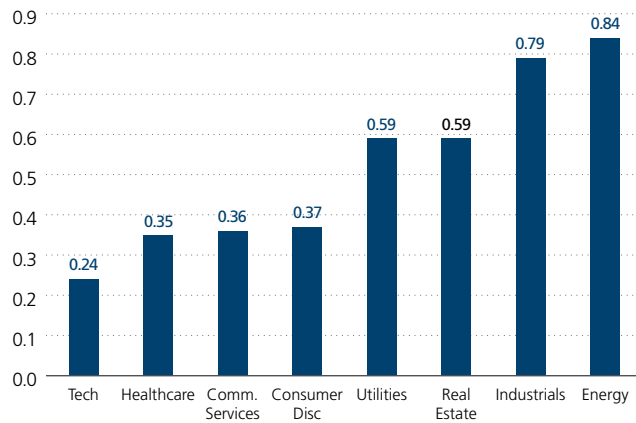


Source: Company filings, Bloomberg, Autonomous, November 2021

Furthermore, because the sector is the most sensitive to rising bond yields it also provides diversification benefits to some of the faster growing sectors at this point in the cycle, such as technology, which have been extremely profitable for investors. While we see significant opportunities and attractions to investing in Fintech, an investor who solely invests in a technology fund, an AI fund and a Fintech fund to benefit from the disruptive trends and growth in those sectors is not getting any diversification benefits. Conversely, the Trust's portfolio has a broad exposure to the financial sector, which while it includes exposure to Fintech, will still benefit if economies continue to recover and reflate.

# Investment Manager's Report continued

## Correlation of share prices of bank shares to that of other sectors



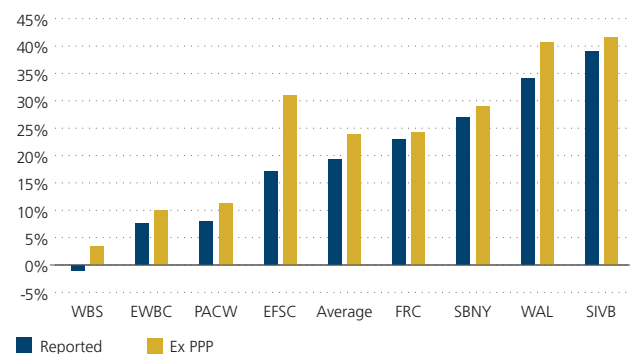
Source: Polar Capital, Bloomberg February 2021

## US equity markets

The other decision for investors is how to position themselves geographically. The extraordinary performance of US equity markets over the last ten years has resulted in US equity markets now representing 63% of global equity markets as illustrated by MSCI ACWI Index, well above the 24% that the US economy represents of global GDP. While some distortions can be put at the door of index providers, the statistic also reflects the global dominance of US technology companies and the higher profitability of US companies compared to their peers in other countries.

We continue to find some of the most interesting banks in the US. Either because they operate in a niche or in faster growing regions of the US, they offer attractive growth opportunities with good profitability while exhibiting growth that we would only normally find in emerging markets where the penetration of financial services is much lower. Loan growth has picked up in the last quarter even among the largest banks in the US and, anecdotally, management teams have highlighted increasing queries from corporate customers.

## US bank year-on-year loan growth for US small and mid-cap holdings



Source: Company filings, November 2021, PPP – Paycheck Protection Program.

## Fintech

Fintech offers some of the most interesting areas of the sector but equally valuations reflect that opportunity with companies trading on significant premiums to the market and peers. For example, the recent IPOs of KakaoBank in South Korea and Nu Bank in Brazil, both digital banks, were valued respectively at \$25bn and \$45bn in December larger than the largest incumbents in both countries, namely KB Financial and Itau Unibanco, despite significantly lower market shares and profitability so far.

We have been wary of balance sheet driven business models, and the likes of Funding Circle in the UK and Lending Club in the US have not performed as well as expected and have been disappointing investments for public investors, albeit now showing some improving trends. Similarly, in the insurance sector, the recent IPOs of Lemonade and Root have disappointed, despite their promise to disrupt the incumbent sector, with share prices down materially.

Equally, Buy Now Pay Later firms such as Klarna, Afterpay and Affirm have achieved huge growth, as they are seen as disrupting the credit card industry, and shareholders have been rewarded with strong rises in valuations. As a result, the attraction of the business model has led to Block, a payments company, to acquire Afterpay for US\$29bn in an all-stock transaction and Amazon to announce a tie-up with Affirm. However, some uncertainty around future regulation has seen share prices weaken on the back of an inquiry by a US regulator, exacerbated by the rotation out of growth stocks in recent months.

Listed UK investment platforms such as Hargreaves Lansdown and AJ Bell have significantly lagged equity markets, unlike Charles Schwab in the US, due to lower trading in recent months and cost pressures. However, the acquisition of Interactive Investor by abrtn and Nutmeg by JPMorgan highlight the value that incumbents see in these platforms long-term as they look to tap into long-term demand for investment products and pressure to invest in Fintech to protect their businesses.

Our exposure to Fintech remains for the most part focused on the payments sector where our largest holdings have been in Mastercard, Paypal Holdings and Adyen, the latter sold during the year following very strong share price performance. We like the business models and secular growth trends from expansion in e-commerce and shift from cash to card payments and we would expect that to continue, notwithstanding competition from new entrants.

As balance sheet Fintech models mature and become better at pricing risk and capturing deposits, we expect some may start appearing in the portfolio partly because we take a diversified approach to investing in this subsector. The technology sector is strewn with past leaders who have

now disappeared and it has consolidated around a few large players who control the ecosystem. We don't expect Fintech to be any different but the current environment remains very dynamic.

## 15 years on from the financial crisis

On 5 December 2006, 15 years ago, HSBC Holdings gave the first hint of trouble to the market on its US mortgage business in what would morph into the biggest financial crisis since the 1930s. Two months later, in February 2007, the conservative lender warned on profits, raising provisions by \$2bn, as sub-prime borrowers in the US were hit by much higher interest costs on their adjustable-rate mortgages as initial teaser rates fell away. The seriousness of the situation was not appreciated with the bank's shares falling by a mere 1.5% that day in December and by even less on the February announcement. US bank share prices were similarly unaffected.

HSBC was widely criticised at the time in 2002 for its acquisition of Household Finance, a US sub-prime lender that was the driver of its woes. However, the strength of its balance sheet meant the bank weathered the global financial crisis well, so well in fact that anyone who had bought its shares on that day in 2006, after taking into account dividends, would not have lost any money, assuming the shares had been held to the end of 2009. By comparison, the average US or European bank's share price was still down by over 50%, with many much worse.

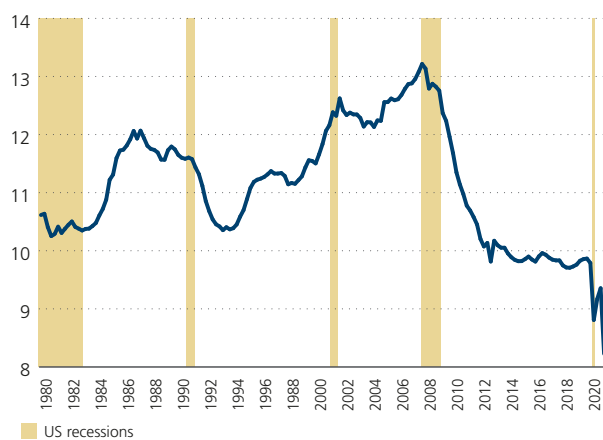
At that time the "smart" money in Wall Street was also packaging up and selling, to unsuspecting German bank treasury departments and Norwegian municipalities, sub-prime mortgages and an alphabet soup of structured

products. But either way, even if Chuck Prince had stopped dancing\* then, it was too late for regulators to have acted even if they had seen what was coming. For example, the Bank of England had reduced its staffing in its financial stability department in 2004 so it was not surprising it did not see what was coming. In a May 2007 report it stated that "the UK financial system remains highly resilient".

Moving on to today, the resilience of the banking sector during the pandemic highlights the steps regulators have taken since the global financial crisis that have made a significant difference. Today, banks are more like HSBC in that they have strong balance sheets, plenty of liquidity and are more cautious in their lending appetite. Consequently, in 2020 they were able to facilitate government-guaranteed lending programmes such as CBILs in the UK and Paycheck Protection Program "PPP" loans in the US and are well positioned to benefit from the continuing recovery of economies, notwithstanding any short-term impact from COVID-19 variants.

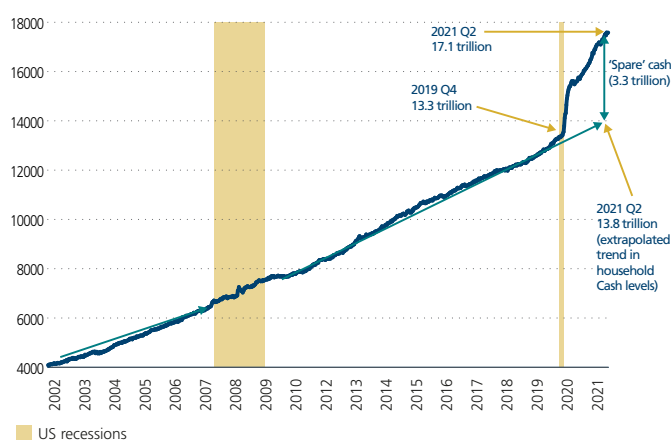
Furthermore, US household deposits are by some calculations over \$3 trillion more than they would otherwise have been if not for the pandemic. More importantly, as a consequence of the fall in interest rates and sharp fall in the levels of household debt since 2007, debt service ratios are at 40+ year lows. Equally corporate cash levels over the last year have hit levels not seen for 70+ years. Thanks in part to government and central bank largesse, consumers and corporates are in incredibly robust health and therefore defaults should not rise in any meaningful way in the short-term.

### US Household Debt Service Ratio



Source: Board of Governors of the Federal Reserve, Longview Economics, Macrobond

### US Household Bank Deposits



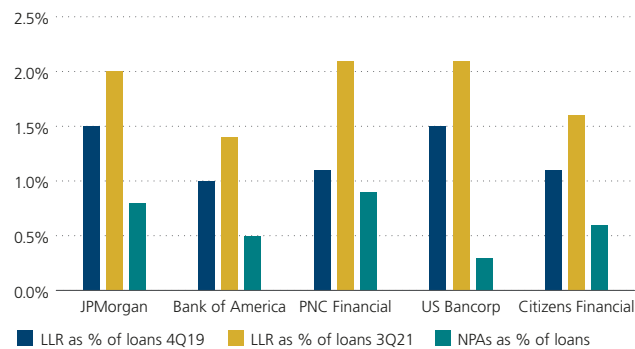
\*Chuck Prince, CEO of Citigroup was quoted as saying on the eve of the global financial crisis in July 2007, "When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance."

# Investment Manager's Report continued

## Risks

All things being equal this would suggest that growth, short-term impact of the latest COVID-19 variant aside, should be supportive of the sector looking forward, despite the flattening of the yield curve and volatility in financial markets in 2022. Failing that, if economic growth does disappoint, the risk of individuals or corporates defaulting should be much lower. In addition, banks continue to have significant provisions that they set aside during the pandemic for a much worse out-turn for growth and unemployment which would help soften any short-term weakness in revenues and earnings. Either way, the vast majority of companies in the sector remain sensitive to economic cycles and financial markets.

## US Bank Loan Loss Reserves vs Non-Performing Assets



Source: Company filings

Nevertheless, this will likely be overshadowed by the recent shocking events in Ukraine which will add to the uncertainty around the outlook for growth, inflation and interest rates especially in light of the potential ramifications for energy markets. Financial stocks underperformed wider equity markets, on the news of Russia's invasion and subsequent response by US, European and other governments, led by a sharp fall in European bank shares as investors attempted to digest the ramifications. While history would suggest wars have limited long-term impact on financial markets, despite the tragic human cost, only time will tell.

We expect greater disclosure around ESG issues will add to costs, especially for smaller businesses, but the regulatory headwinds which have affected the sector over the last 10 years have abated and there is much greater clarity on the outlook. Furthermore, some regulators have talked about the need to simplify regulations with the Bank of England admitting that some rules are overly complicated. As seen with BNPL, we would expect regulators to focus their attention on those parts of the sector such as non-bank lenders and Fintech that remain lightly regulated.

## Capital return

In 2020 regulators in the UK and Europe suspended all dividends for banks as well as for some insurance companies while regulators elsewhere put in less onerous restrictions allowing banks to continue to pay dividends, albeit buybacks were suspended. In the US, the Federal Reserve allowed banks to restart buybacks in January 2021, and at the end of June restrictions limiting the payout ratios of banks to no more than their earnings in any one year were lifted, resulting in high single to low double-digit increases in dividends from the sector.

UK and European regulators have similarly allowed dividends to resume and a number have announced large buybacks as they start to return the excess capital built up in 2020 and first half of 2021. Consequently, bank investors are benefiting from a sharp increase in the amount of capital returned to them through buybacks and dividends, in some cases reaching double-digit levels which should help underpin sentiment towards the sector.



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## Summary

Financials are inescapably a value sector even though there are companies within the sector that exhibit faster growth and consequently trade at much higher valuations, notably some of the faster growing asset management companies and data providers. Nevertheless, as market expectations for interest rates have increased sharply in 2022, the sector has benefited sharply outperforming wider equity markets as highly rated stocks have derated.

Consequently, we remain constructive on the outlook for the sector. Valuations are inexpensive, especially after recent falls on the back of the Russian invasion of Ukraine, and still historically low relative to wider equity markets. While sentiment has understandably taken a knock, the reasons for owning the sector have not changed; namely strong balance sheets, liquidity, good profitability with the upside from higher interest rates, albeit at a slower pace than previously assumed, a positive tailwind for the sector underpinned by increased capital return through buybacks and dividends.

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

9 March 2022



We would draw  
shareholders attention to  
**[www.polarcapitalglobalfinancials  
trust.com](http://www.polarcapitalglobalfinancials<br/>trust.com)**

for monthly factsheets, regular  
investment commentary and  
portfolio updates.

\*index performance figures are  
total return in Sterling

# Investment Manager's Report – ESG

## Environmental, Social and Governance (ESG)

ESG factors are integrated into the way we analyse companies as we believe they are a critical driver of long-term returns. Governance and risk management has always been an important component of our investment process as it sets the tone, along with culture, for how a business is managed and will perform in a stressed environment. We now also put more emphasis on environmental and social issues, for example, carbon emissions, financial inclusion, whistleblowing, diversity and so forth.

We rely on a mixture of data from the likes of MSCI, Bloomberg as well as publicly available data from firms that undertake customer or employee reviews such as TrustPilot or Glassdoor and complaints data from the likes of the Financial Ombudsman Service. To this we can add disclosures from the companies themselves through their website, accounts and meetings we have had with management and investor relations.

The availability and granularity of information at present remains patchy and will take time to improve, especially for smaller companies which are not yet sufficiently resourced to meet investor demands and for those outside Europe, which, for the most part, have been slower to react to the change in expectations. Unlike credit rating agencies, which provide fairly

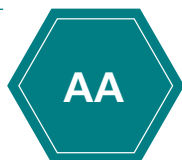
consistent views of individual companies' credit risk, the firms offering ESG ratings differ widely in their opinions, reflecting a lack of consensus.

During the year we undertook a review of bank loan books to analyse exposures to thermal coal. For the majority of banks there was no data available, reflecting the likelihood that their exposure was negligible but for those that did it was significantly less than 0.5% of loan books, with the exception of a couple of South African banks where the exposure was 0.6% and 0.7%, respectively. In our portfolio only HSBC disclosed any meaningful exposure at US\$1.35bn or 0.1% of its assets and has since announced it would phase out all of its investment in coal by 2040 at the latest.

In May 2021, the European Banking Authority (EBA) published the results of an EU-wide pilot exercise on climate risk, which indicated that more disclosure on transition strategies would be needed to allow more accurate analysis of climate risks. As a result, we expect the quality and comparability of data provided by the industry to improve materially. Indeed, we understand that the EU's Taxonomy Regulation requires EU banks to disclose qualitative information on taxonomy-eligible assets from 2022, with quantitative disclosure, such as the Green Asset Ratio, from 2024.



# MSCI ESG Fund RATING



CCC	B	BB	BBB	A	<b>AA</b>	AAA
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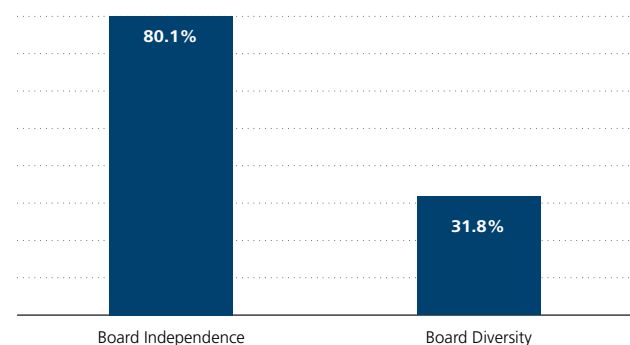
Each fund or ETF scores a rating on a scale from CCC (laggard) to AAA (leader). The rating is based first on the weighted average score of the holdings of the fund or ETF. We then assess ESG momentum to gain insight into the fund's ESG track record, which is designed to indicate a fund's exposure to holdings with a positive rating trend or worsening trend year over year. Finally, we review the ESG tail risk to understand the fund's exposure to holdings with worst-of-class ESG Ratings of B and CCC.

## How the MSCI ESG Rating is calculated

	Portfolio
<b>Weighted Avg ESG Score</b>	<b>6.32</b>
Adjustment	
+ ESG Trend Positive	35.59%
- ESG Trend Negative	5.77%
- ESG Laggards	4.46%
Adjustment Total	25.36%
Score Adjustment	1.60
<b>ESG Quality Score</b>	<b>7.93</b>
ESG Rating	<b>AA</b>

## Corporate governance

The Trust's weighted average percentage of independent board of directors is 80.1%, and its weighted average percentage of women on boards is 31.8%.



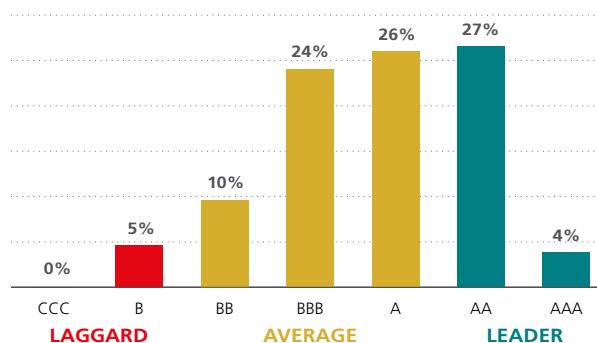
## Voting Record

Category	Number	Percentage
Number of votable meetings	88	
Number of meetings voted	84	95.45
Number of meetings with at least 1 vote against, withheld or abstain	27	30.68

Source: MSCI, ISS

## ESG Rating distribution of fund holdings

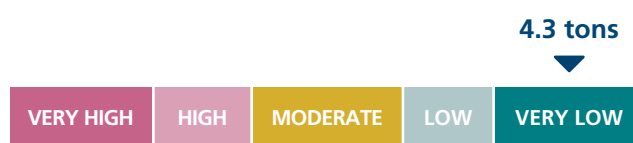
31% of the Trust's holdings receive an MSCI ESG Rating of AAA or AA (ESG Leaders) while only 5% receive an MSCI ESG Rating of B or CCC (ESG Laggards).



## Weighted average carbon intensity

(tCO<sub>2</sub>e / \$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	Rating	Change
Blackstone	B	↓
Signature Bank	B	↓
Pacific Premier Bancorp	B	↓
East West Bancorp	BB	→
Enterprise Financial Services	BB	→

Source: MSCI

## Top 5 Rated Holdings

Security	Rating	Change
Intesa Sanpaolo	AAA	→
Allianz	AAA	→
Schroders NV	AAA	→
Jupiter Fund Management	AAA	→
HDFC Bank	AA	→

Source: MSCI

## Vote cast statistics

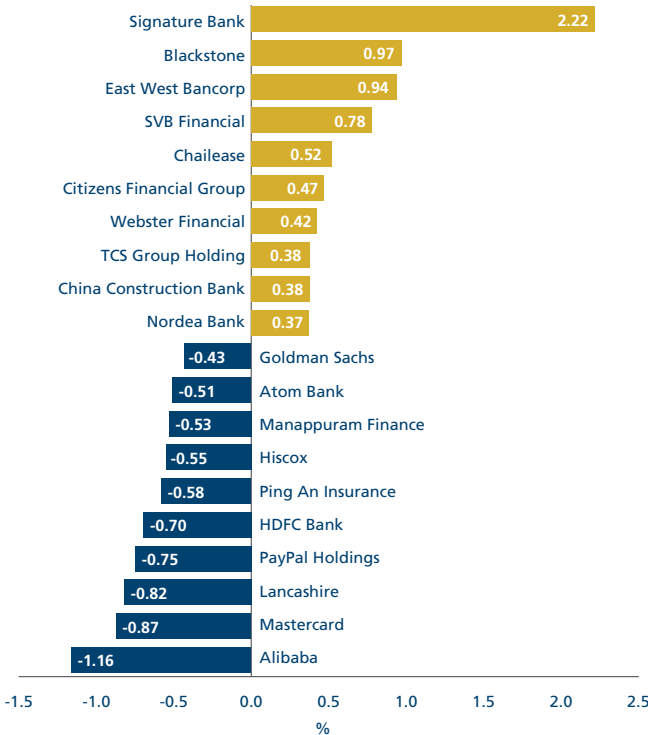
● Votes for	91.30%
● Votes against	4.26%
● Votes management say on pay	4.35%
● Votes withheld	0.09%

Source: MSCI, ISS

# Attribution Analysis

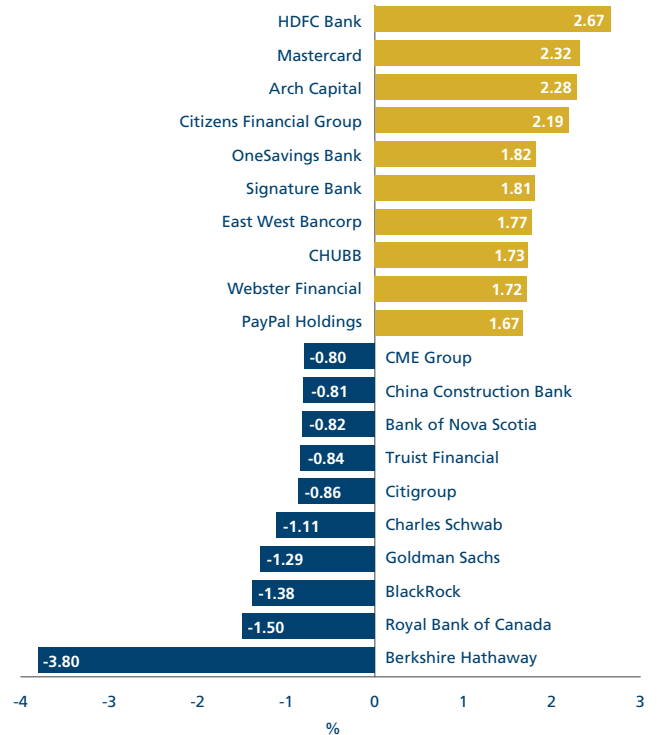
## The top ten relative contributors to and the bottom ten relative detractors from performance versus the benchmark

For the year ended 30 November 2021



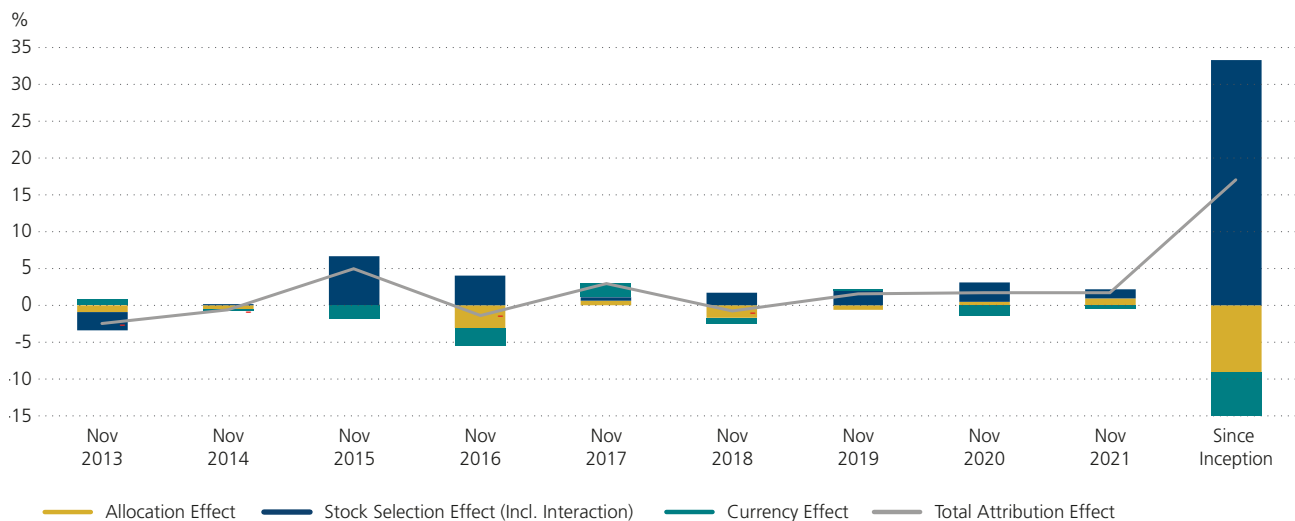
## Active positions – top ten and bottom ten active positions

For the year ended 30 November 2021



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 2021



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 Portfolio 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 Portfolio Manager's decision on selecting individual securities. Interaction Effect refers to the performance attributable to the combination of allocation effect and stock selection effect.

# Ten Largest Investments

As at 30 November 2021

Ranking		Stock	Sector	Country	Market Value £'000		% of total net assets	
2021	2020				2021	2020	2021	2020
1	(1)	 <b>J.P.Morgan</b>	Banks	North America	26,539	9,190	5.8%	5.5%
<p>JP Morgan Chase is the largest bank in the US, with a market capitalisation of US\$450bn, 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.</p>								
2	(2)	<b>Bank of America</b>	Banks	North America	18,455	5,658	4.0%	3.4%
<p>Bank of America is the 2nd largest bank in the US with a market capitalisation of US\$390bn. 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.</p>								
3	(4)	<b>HDFC Bank</b>	Banks	Asia (ex-Japan)	13,111	5,317	2.9%	3.2%
<p>HDFC Bank is the largest private sector bank in India with a market capitalisation of US\$105bn. 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.</p>								
4	(13)	 <b>Citizens</b> Financial Group, Inc.	Banks	North America	13,086	3,421	2.9%	2.1%
<p>Citizens Financial Group is one of the largest banks in the US with a market capitalization of US\$23bn. Citizens provides commercial and consumer banking services across 11 states in the Northeast, Mid-Atlantic, and Midwest. After being bought by Royal Bank of Scotland (RBS) in 1988, Citizens Financial went on an acquisition spree, making more than two dozen deals. In 2014, RBS sold 25% of its stake in what was then one of the largest bank IPOs and sold its remaining stake in 2015.</p>								
5	(11)	 <b>Arch</b>	Insurance	North America	12,572	3,489	2.7%	2.1%
<p>Arch Capital Group operations began in 2001. Through organic growth and strategic acquisitions, Arch has evolved into a leading diversified specialty insurer and reinsurer writing insurance, reinsurance and mortgage insurance on a worldwide basis. It has a market capitalisation of \$18bn.</p>								
6	(5)	 <b>CHUBB</b>	Insurance	Europe	11,340	4,629	2.5%	2.8%
<p>CHUBB, incorporated in Switzerland, has a market capitalisation of US\$88bn 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.</p>								
7	(12)	<b>Toronto-Dominion Bank</b>	Banks	North America	11,305	3,422	2.4%	2.1%
<p>Toronto-Dominion Bank is the second largest bank in Canada with a market capitalisation of US\$150bn. It was formed by the merger of Bank of Toronto and The Dominion Bank in 1955 with both banks dating back to the 1850s. In Canada, the bank operates as TD Canada Trust while in the United States, the company operates as TD Bank, which is itself the 9th largest bank in the United States by total assets.</p>								
8	(10)	 <b>PNC</b>	Banks	North America	11,112	3,717	2.4%	2.3%
<p>PNC Financial Services is the 7th largest bank in the United States with a market capitalisation of US\$88bn 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.</p>								
9	(-)	<b>Nordea Bank</b>	Banks	Europe	10,907	-	2.4%	-
<p>Nordea Bank is the largest bank in Scandinavia with a market capitalisation of \$48bn. Operating across Sweden, Finland, Norway and Denmark as well as internationally it was formed by the merger in 2001 of Nordbanken, Unidanmark, Christiana Bank og Kreditkasse and Merita Bank.</p>								
10	(25)	 <b>UBS</b>	Banks	Europe	10,279	2,849	2.3%	1.7%
<p>UBS Group is a diversified financial services business offering wealth management, asset management, personal &amp; corporate banking and investment banking services. It has a market capitalisation of \$77bn and is the world's largest wealth manager in the world with US\$3.3 trillion of assets under management.</p>								
<b>Top 10 investments</b>					<b>138,706</b>		<b>30.3%</b>	

# Full Investment Portfolio

As at 30 November 2021

Ranking		Stock	Sector	Country	Market Value £'000		% of total net assets	
2021	2020				2021	2020	2021	2020
1	(1)	JP Morgan Chase	Banks	North America	26,539	9,190	5.8%	5.5%
2	(2)	Bank of America	Banks	North America	18,455	5,658	4.0%	3.4%
3	(4)	HDFC Bank	Banks	Asia (ex-Japan)	13,111	5,317	2.9%	3.2%
4	(13)	Citizens Financial Group	Banks	North America	13,086	3,421	2.9%	2.1%
5	(11)	Arch Capital	Insurance	North America	12,572	3,489	2.7%	2.1%
6	(5)	CHUBB	Insurance	Europe	11,340	4,629	2.5%	2.8%
7	(12)	Toronto-Dominion Bank	Banks	North America	11,305	3,422	2.4%	2.1%
8	(10)	PNC Financial Services	Banks	North America	11,112	3,717	2.4%	2.3%
9	(-)	Nordea Bank	Banks	Europe	10,907	-	2.4%	-
10	(25)	UBS Group	Banks	Europe	10,279	2,849	2.3%	1.7%
<b>Top 10 investments</b>					<b>138,706</b>		<b>30.3%</b>	
11	(20)	BNP Paribas	Banks	Europe	9,616	2,982	2.1%	1.8%
12	(3)	Mastercard	Software & Services	North America	9,466	5,657	2.1%	3.4%
13	(31)	East West Bancorp	Banks	North America	9,452	2,411	2.1%	1.5%
14	(21)	OSB Group	Banks	United Kingdom	9,350	2,961	2.0%	1.8%
15	(-)	Sumitomo Mitsui Financial	Banks	Japan	9,264	-	2.0%	-
16	(-)	Morgan Stanley	Diversified Financials	North America	9,083	-	2.0%	-
17	(17)	SVB Financial	Banks	North America	8,600	3,152	1.9%	1.9%
18	(39)	Webster Financial	Banks	North America	8,559	2,211	1.9%	1.3%
19	(40)	Enterprise Financial Services	Banks	North America	8,424	2,209	1.8%	1.3%
20	(49)	Oversea-Chinese Banking	Banks	Asia (ex-Japan)	8,269	1,985	1.8%	1.2%
<b>Top 20 investments</b>					<b>228,789</b>		<b>50.0%</b>	
21	(14)	Housing Development Finance	Banks	Asia (ex-Japan)	8,209	3,414	1.8%	2.1%
22	(8)	Bank Central Asia	Banks	Asia (ex-Japan)	8,204	3,846	1.8%	2.3%
23	(-)	HSBC	Banks	United Kingdom	8,153	-	1.8%	-
24	(61)	Intesa Sanpaolo	Banks	Europe	8,100	1,520	1.8%	0.9%
25	(16)	Blackstone	Diversified Financials	North America	7,858	3,171	1.7%	1.9%
26	(6)	AIA Group	Insurance	Asia (ex-Japan)	7,833	4,425	1.7%	2.7%
27	(22)	Signature Bank	Banks	North America	7,712	2,922	1.7%	1.8%
28	(-)	PacWest Bancorp	Banks	North America	7,640	-	1.6%	-
29	(-)	Western Alliance	Banks	North America	7,137	-	1.6%	-
30	(-)	ING Groep	Banks	Europe	7,108	-	1.6%	-
<b>Top 30 investments</b>					<b>306,743</b>		<b>67.1%</b>	
31	(34)	Allianz	Insurance	Europe	7,079	2,370	1.6%	1.4%
32	(33)	Sampo	Insurance	Europe	6,858	2,371	1.5%	1.4%
33	(-)	S&P Global	Diversified Financials	North America	6,826	-	1.5%	-
34	(7)	PayPal	Software & Services	North America	6,773	4,205	1.5%	2.5%
35	(-)	Beazley	Insurance	United Kingdom	6,767	-	1.5%	-
36	(35)	Tisco Financial	Banks	Asia (ex-Japan)	5,999	2,300	1.3%	1.4%
37	(28)	Wells Fargo	Banks	North America	5,957	2,480	1.3%	1.5%
38	(-)	Pacific Premier Bancorp	Banks	North America	5,839	-	1.2%	-
39	(50)	Manappuram Finance	Diversified Financials	Asia (ex-Japan)	5,624	1,946	1.2%	1.2%
40	(-)	Srisawad	Diversified Financials	Asia (ex-Japan)	5,501	-	1.2%	-
<b>Top 40 investments</b>					<b>369,966</b>		<b>80.9%</b>	

Ranking		Stock	Sector	Country	Market Value £'000		% of total net assets	
2021	2020				2021	2020	2021	2020
41	(62)	Lancashire	Insurance	United Kingdom	5,485	1,490	1.2%	0.9%
42	(-)	Bank for Foreign Trade	Banks	Asia (ex-Japan)	5,475	-	1.2%	-
43	(-)	Bank of NT Butterfield	Banks	North America	5,240	-	1.1%	-
44	(-)	Standard Chartered	Banks	United Kingdom	5,129	-	1.1%	-
45	(38)	Chailease	Diversified Financials	Asia (ex-Japan)	4,994	2,270	1.1%	1.4%
46	(-)	Sberbank of Russia	Banks	Eastern Europe	4,910	-	1.1%	-
47	(56)	Direct Line Insurance	Insurance	United Kingdom	4,763	1,688	1.0%	1.0%
48	(32)	First Republic Bank	Banks	North America	4,340	2,392	1.0%	1.4%
49	(-)	Bank Rakyat	Banks	Asia (ex-Japan)	4,235	-	1.0%	-
50	(54)	Grupo Financiero Banorte	Banks	Latin America	4,232	1,758	0.9%	1.1%
<b>Top 50 investments</b>					<b>418,769</b>		<b>91.6%</b>	
51	(65)	Banca Generali	Diversified Financials	Europe	4,221	1,174	0.9%	0.7%
52	(-)	TCS Group	Banks	Europe	4,175	-	0.9%	-
53	(18)	Hong Kong Exchange	Diversified Financials	Asia (ex-Japan)	4,081	3,148	0.9%	1.9%
54	(-)	Allfunds	Diversified Financials	Europe	3,938	-	0.9%	-
55	(53)	Itaú Unibanco	Banks	Latin America	3,907	1,769	0.8%	1.1%
56	(-)	Bandhan Bank	Banks	Asia (ex-Japan)	3,446	-	0.7%	-
57	(-)	NatWest Group	Banks	United Kingdom	3,140	-	0.7%	-
58	(55)	Ares Capital	Diversified Financials	North America	2,998	1,728	0.7%	1.0%
59	(52)	Solar Capital	Diversified Financials	North America	2,880	1,841	0.7%	1.1%
60	(72)	Finacobank Banca Fineco	Banks	Europe	2,781	726	0.6%	0.4%
<b>Top 60 investments</b>					<b>454,336</b>		<b>99.4%</b>	
61	(45)	VPC Specialty Lending Investments	Fixed Income	Fixed Income	2,392	2,103	0.5%	1.3%
62	(-)	Shinhan Financial	Banks	Asia (ex-Japan)	2,199	-	0.5%	-
63	(64)	Alibaba	Software & Services	Asia (ex-Japan)	2,065	1,371	0.4%	0.8%
64	(-)	Chrysalis Investments	Diversified Financials	United Kingdom	1,981	-	0.4%	-
65	(44)	Atom Bank (unquoted)	Banks	United Kingdom	1,921	2,120	0.4%	1.3%
66	(-)	Gresham House	Diversified Financials	United Kingdom	1,803	-	0.4%	-
67	(-)	One97 Communications	Software & Services	Asia (ex-Japan)	1,791	-	0.4%	-
68	(63)	City of London Investment Group	Diversified Financials	United Kingdom	1,779	1,486	0.4%	0.9%
69	(-)	Schroders	Diversified Financials	United Kingdom	1,731	-	0.4%	-
70	(-)	Provident Financial 8.875% Bond	Fixed Income	Fixed Income	1,706	-	0.4%	-
<b>Top 70 investments</b>					<b>473,704</b>		<b>103.6%</b>	
71	(75)	Stichting AK Rabobank 6.5% Bond	Fixed Income	Fixed Income	1,676	596	0.4%	0.4%
72	(-)	PensionBee	Diversified Financials	United Kingdom	1,669	-	0.4%	-
73	(59)	International Personal Finance 9.75% Bond	Fixed Income	Fixed Income	1,357	1,546	0.3%	0.9%
74	(71)	Riverstone Credit Opportunities	Fixed Income	Fixed Income	1,325	781	0.3%	0.5%
75	(70)	International Personal Finance 7.75% Bond	Fixed Income	Fixed Income	1,030	940	0.2%	0.6%
76	(-)	VEF	Diversified Financials	Europe	811	-	0.1%	-
77	(77)	Jupiter 8.875% Bond	Fixed Income	Fixed Income	528	486	0.1%	0.3%
<b>Total investments</b>					<b>482,100</b>		<b>105.4%</b>	
<b>Other net liabilities</b>					<b>(24,853)</b>		<b>(5.4%)</b>	
<b>Total net assets</b>					<b>457,247</b>		<b>100.0%</b>	

Note: Figures in brackets denote comparative rankings as at 30 November 2020.

# Portfolio Review

As at 30 November 2021

<b>Geographical Exposure*</b>	<b>Benchmark weighting as at 30 November 2021**</b>	<b>30 November 2021</b>	<b>30 November 2020</b>
North America	53.5%	47.6%	49.3%
Asia (ex-Japan)	17.5%	19.9%	29.4%
Europe	15.5%	19.2%	17.3%
United Kingdom	4.8%	11.7%	8.6%
Fixed Income	-	2.2%	6.6%
Japan	3.7%	2.0%	-
Latin America	1.3%	1.7%	2.2%
Eastern Europe	-	1.1%	-
Other net liabilities	-	(5.4%)	(13.4%)
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

<b>Sector Exposure*</b>	<b>Benchmark weighting as at 30 November 2021**</b>	<b>30 November 2021</b>	<b>30 November 2020</b>
Banks	48.7%	70.2%	62.1%
Diversified Financials	30.6%	14.9%	15.2%
Insurance	20.6%	13.7%	20.4%
Software & Services	-	4.4%	7.8%
Fixed Income	-	2.2%	6.6%
Real Estate	-	-	1.3%
Other net liabilities	-	(5.4%)	(13.4%)
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

<b>Market Cap*</b>	<b>Benchmark weighting as at 30 November 2021**</b>	<b>30 November 2021</b>	<b>30 November 2020</b>
Large (>US\$5bn)	99.0%	85.6%	97.6%
Medium (US\$0.5bn - US\$5bn)	1.0%	18.2%	12.8%
Small (<US\$0.5bn)	-	1.6%	3.0%
Other net liabilities	-	(5.4%)	(13.4%)
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

\* Based on the net assets as at 30 November 2021 of £457.2m (2020: £165.7m)

\*\* 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.



# 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 it to succeed, including a fair review of the Company's performance during the year ended 30 November 2021, 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.

## History

The Company was originally launched with a fixed life of seven years ending in April 2020; at such time, proposals were made to shareholders for a 100% tender offer and replacement of the fixed life with subsequent five-yearly tender offers. Such proposals were passed at the General Meeting held on 7 April 2020; the first tender offer as a result of the proposals will be made to shareholders on or before 30 June 2025.

## 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.

The Company seeks to manage its portfolio in such a way as to meet the tests in section 1158 and 1159 of the Corporation Tax Act 2010 (as amended by Section 49(2) of the Finance Act 2011) and continue to qualify as an investment trust. This qualification permits the accumulation of capital within the portfolio without any liability to UK Capital Gains Tax. Further information is provided in the Directors' Report.

## 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 primarily in a global portfolio 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% (was 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 Investment 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. 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.

## Strategy and Investment Approach

The Investment 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 Investment 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 Investment 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 Investment Manager's team of seven fund managers and analysts who focus on the global financials sector.

There are no limits on the exposure of the investment portfolio to either smaller or mid-cap companies but the majority of the portfolio is invested in companies with a market capitalisation greater than US\$5bn. The Investment 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.

## Benchmark

The Company will measure the Investment Manager's performance against the MSCI ACWI Financials Net Total Return Index, in Sterling with dividends reinvested ('the Benchmark'). This is used to measure the performance of the Company from 23 April 2020, although the Investment 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 has a 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 Investment Manager earns a share of any outperformance it has delivered.

# Strategic Report continued

## Performance and Key Performance Objectives

The Board appraises the performance of the Company and the Investment 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
The provision of investment returns to shareholders measured by long-term NAV total return relative to the Benchmark and a comparator group.	The Board reviews at each meeting the performance of the portfolio and considers the views of the Investment Manager and the value delivered to shareholders through NAV growth and dividends paid.	The Company's NAV total return, over the year ended 30 November 2021, was 27.9%* while the Benchmark delivered 27.0% over the same period.
	The Board also receives monthly reports on performance against both the Benchmark and a comparator group of open-ended investment funds.	The Company ranks 14 out of a comparator group of 35 open ended funds within the Lipper Financial Sector universe since inception and 4 out of 7 within a smaller comparable group of funds regularly considered by the Board as at 30 November 2021.
The achievement of a progressive dividend policy.	Financial forecasts are reviewed to track income and distributions.	A total of two interim dividends amounting to 4.40p (2020: 4.40p) per ordinary share have been paid or declared in respect of the financial year ended 30 November 2021. While the aim to achieve dividend growth remains there is no guarantee that this can be achieved.
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.	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.	The premium of the ordinary share price to the NAV per ordinary share at the year end was 2.7%* compared with the widest discount over the year ended 30 November 2021 of 3.3%, reached on 24 September 2021.
	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. A daily NAV per share, calculated in accordance with the AIC guidelines is issued to the London Stock Exchange.	During the year under review, the Company issued a total of 149,929,900 ordinary shares, including the C shares which converted to 76,555,000 new ordinary shares during the C Share issuance programme in May 2021 (2020: 104,335). Subsequent to the year end, the Company issued a further 6,350,000 ordinary shares, exhausting the balance of shares held in the treasury account and, up to 7 March 2022 (the latest practicable date), a further 22,700,107 ordinary shares have been issued under the Company's general authority blocklisting facility. In addition to these regular issuances made under the shareholder authorities, the Company has 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. The Board believe that the regular issuance of shares into the market when trading at a premium aids a reduction in the volatility by satisfying excess investor demand and thereby reducing the premium at which the shares are trading.
To qualify and continue to meet the requirements for Sections 1158 and 1159 of the Corporation Tax Act 2010 ('investment trust status').	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.	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. The Directors believe that the tests have been met in the financial year ended 30 November 2021 and will continue to be met.
Efficient operation of the Company with appropriate investment management resources and services from third party suppliers within a stable and risk controlled environment.	The Board considers annually the services provided by the Investment Manager, both investment and administrative, and reviews on a cycle the provision of services from third parties including the costs of their services.	The Board, through the Audit Committee has received and considered satisfactory the internal controls report of the Investment 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.
	The annual operating expenses are reviewed and any nonrecurring project related expenditure approved by the Board.	The ongoing charges for the year ended 30 November 2021 excluding the performance fee were 1.02% of net assets (2020: 1.09%)*. The ongoing charges including the performance fee payable were 0.98% (2020: 1.74%)*.

\*See Alternative Performance Measures on pages 113 to 115.

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

A risk management process has been established to identify and assess various risks, their likelihood and the 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. The Audit Committee has identified the key risks faced by the Company. During the year the Audit Committee, in conjunction with the Board and the Investment Managers, 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 principal risks are detailed on the following pages along with a high-level summary of their management through mitigation over the past financial year.

The Committee continues to monitor the ongoing risks posed by COVID-19, which was classified as a Black Swan event in 2020. Further information on how the Committee has considered COVID-19 along with the other risks faced by the Company when assessing the effect on the Company’s ability to operate as a going concern and the Company’s longer-term viability can be found on pages 68 and 69 of the Report of the Audit Committee.



# Strategic Report continued

## 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 Investment Manager. The Board also receives a monthly commentary from the Investment 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 Investment 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 Investment 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.

## 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 Investment 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 Investment 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, either as a result of changes in underlying companies' policies or changes in the portfolio construction, regulatory intervention, or as a result of the currency exposure underlying the portfolio. This could result in a lower level of dividend being paid than intended or previously paid.

#### Management of Risks through Mitigation & Controls

The Board has set appropriate investment limits and monitors the position of the portfolio against such. These include guidelines on exposures to certain investment markets and sectors. The Board discusses with the Investment 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 Investment Manager as well as the Investment 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 Investment 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 Investment Manager's assessment of risk and reward. At 30 November 2021 the Company was 5.2% geared (2020: 12.7%).

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 101 to 103.

As explained in the Chairman's Statement and in Note 12 on pages 94 and 95, the shares re-issued by the Company to investors from the treasury account and blocklisting have directly contributed to capital reserves by the amount of £831,000 which reflects the accrued income within the NAV relating to the earnings for the year ended 30 November 2020 and up to 6 January 2022 (ex-dividend date). The Board believe that utilisation of this contribution to pay part of the dividend being received by the investors is wholly appropriate and mitigates dilution to revenue reserves which would otherwise occur as a result of the accounting treatment of capital raised through share issuance. Overall, the Board and the Manager will continue to assess the income capability of the portfolio and determine the appropriate longer-term dividend level as economies and businesses recover from the global pandemic.

# Strategic Report continued

## 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 Investment Manager including any subcontractors to which the Investment 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 Investment 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 Investment 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 general economic conditions and developments.

The Board continues to monitor the effects of COVID-19 in order to establish any longer-term impact this may have on underlying companies' ability to pay dividends and share price volatility.

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

## 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 Polar Capital LLP (the Investment Manager) will achieve the optimum return for shareholders and the Board and Investment Manager operate in a supportive, co-operative and open environment.

The Company has entered into an Investment Management Agreement (“IMA”) with 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 cash) and sole responsibility for decisions as to the purchase and sale of individual investments. The Investment 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.

Under the terms of the IMA, the Investment Manager also provides or procures accountancy services, company secretarial, marketing and day-to-day administrative services, including the monitoring of third-party suppliers, which are directly appointed by the Company. The Investment 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. 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 Investment Manager at each Board meeting and may ask representatives of the Investment 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 Investment 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 Investment Manager’s 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 Investment 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 Investment Manager; (ii) if the Investment 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 Investment 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 Investment Manager will be 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 (previously 0.85% per annum of 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.

## Strategic Report continued

### Performance Fee

The Investment 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 referred to in the Chairman's Statement, 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 has therefore been amended and a side-letter to the IMA was entered into between the Investment Manager and the Company which recalculates the performance fee accrual with effect from the reconstruction. As at 30 November 2021, a £1,164,000 performance fee had been accrued. Where a performance fee becomes payable it will be charged 100% to capital.

### Environment, Social and Governance (ESG) Corporate Responsibility

The Company's core investment and administrative activities are undertaken by the Investment Manager who seeks to limit the use of non renewable resources and reduce waste where possible. The Investment 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 further within the Investment Manager's Report the Investment 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 Board monitors the Investment Manager's approach to ESG including policies for improvement of impact on the environment, and they themselves take 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.

### Diversity and gender reporting

The Company has no employees and the Board is comprised of three female and two male Independent non-executive Directors. The Board is cognisant of the Hampton Alexander Review which set a target for all FTSE350 companies to have a board with a 33% female representation by the end of 2020. The Company falls outside of the FTSE350 and currently has 60% female representation.

The FCA issued a consultation document in July 2021 on Diversity and Inclusion which proposes various changes to the Listing Rules including the expansion of reporting beyond gender diversity. If approved, the revised rules are expected to come into force for financial years commencing on or after 1 January 2022. The Board will review and take any necessary action in due course and will continue to have regard to the benefits of diversity throughout any recruitment process, especially when compiling a shortlist of candidates and selecting individuals for interview, but will ultimately seek to ensure directors appointed to the Board are chosen on merit.

The Company has not adopted a policy on human rights as it has no employees or operational control of its assets.

### 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.

### Anti-bribery, Corruption and Tax Evasion

The Board has adopted a zero-tolerance policy (available on the Company's website) to bribery, corruption and the facilitation of tax evasion in its business activities. The Board uses the principles formulated and implemented by the Investment 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 Investment 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.

### 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 Board work 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 Investment Manager to provide more information as it becomes available. Polar Capital supports TCFD’s recommendations and is in the process of assessing the guidance to ensure compliance going forward.

### ESG and Third Party Service Providers

The Investment Manager (on behalf of all clients) 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 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.



“After two years of restricted attendance, the Board look forward to welcoming Shareholders to the AGM on Thursday, 7 April 2022.”

Send your  
AGM questions to  
[cosec@polarcapital.co.uk](mailto:cosec@polarcapital.co.uk)


## 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, including details of all relevant regulatory and legal duties as a Director and continue to receive regular and ongoing updates on relevant legislative and regulatory developments. They also have continued 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
<p><b>Shareholders</b></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 Investment Manager and the recommendation that Shareholders vote in favour of the resolutions proposed at both the General and Annual General Meetings in the year.</p> <p>Following the Company's year end and the continued positive market sentiment towards the financials sector, the Company continued regular share issues out of the shares held in treasury and subsequently exhausted the shares available. The Company made an application to increase its existing blocklisting to enable the Company to continue issuing shares expeditiously and a shareholder circular was sent out on 14 January 2022 to propose a GM to put forward proposals to renew and increase the Board's authority to issue further new Ordinary Shares on a non pre-emptive basis.</p> <p>The GM was held on 1 February 2022 and 67.3% of the issued share capital was voted on the resolutions. Of those votes cast, 99% were cast in favour.</p> <p>The Company's AGM will be held at 9:30am on Thursday 7 April 2022. The Board has been considering how best to deal with the continued uncertainties posed by the COVID-19 pandemic and possible future outbreaks which may impact the holding of the AGM. The health and wellbeing of our service providers, employees of our Manager, shareholders and the wider community in which we operate is of importance to the Board. The Board also recognises that the AGM is an important event for Shareholders and the Company and is keen to ensure that Shareholders are able to exercise their right to vote and participate. Unless circumstances change, and they may do so at any time between now and the AGM, the meeting will be held at the offices of Polar Capital, 16 Palace Street, London SW1E 5JD. Any changes to these arrangements will be communicated through the Company's website and via a Regulatory Information Service announcement.</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 Shareholders who attend. 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>. The investment manager gives a presentation and the Chairs of the Board and of the Committees attend and are 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 Investment Manager via the Company's website and attendance at events at which the Investment 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.

The Company, through the sales and marketing efforts of the Investment 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 there has been a growth in the share capital of 121% which is a direct result of investor demand. Such demand has been addressed by the Board via share issuance as detailed in the Chairman's Statement and the Strategic Report. When determining the routes for share issuance, whether the re-issue of the shares held in Treasury, issuance of new ordinary shares via regular use of the shareholder authority or publication of the Prospectus for issuance of C shares and conversion to ordinary shares thereafter, at all times the Board remained mindful of existing shareholders by ensuring the 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 plans or proposals put forward.

## Investment Manager



Through the Board meeting cycle, regular updates and the work of the Management Engagement Committee in reviewing the services of the Investment 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 Policy and reviewing the agreed management and performance fees; and
- Reviewing the Investment 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 Investment 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 Investment Manager, ensuring that the interests of shareholders and the Investment Manager are aligned, providing constructive challenge and making Directors' experience available to support the Investment 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 Investment Manager on the terms agreed within the Investment Management Agreement.

## Investee Companies



The Board has instructed the Investment Manager to take into account the published corporate governance policies of the companies in which they invest.

The Board has also considered the Investment Manager's Stewardship Code and Proxy Voting Policy. The Proxy Voting Policy directs the Investment Manager to vote at all general meetings of companies in line with Institutional Shareholder Services ("ISS") policy. However, in exceptional cases, where the Investment 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.

The Investment Manager voted at 85 company meetings over the year ended 30 November 2021, with 3% of all votes being against management and 4% of meetings having at least one withheld vote.




The Investment Manager reports to the Board, when requested, on the application of the Stewardship Code and Voting Policy. The Investment Manager's Stewardship Code and Voting Policy can be found on the Investment Manager's website in the Corporate Governance section ([www.polarcapital.co.uk](http://www.polarcapital.co.uk)). Further information on how the Investment Manager considers ESG in its engagement with investee companies can be found in the Investment Manager's report on pages 24 and 25.

**Outcomes and strategic decisions during the year**

During the year, the Board discussed the impact of ESG and how the Investment Manager incorporated ESG into their strategy and investment process. The Board continues to receive regular feedback from the Investment Manager on the development of its ESG processes and has separately engaged with third party suppliers in relation to how they also integrate ESG into their organisations.

# Strategic Report continued

## Section 172 Statement continued

Stakeholder Group	How we engage with them
<p data-bbox="148 551 264 607"><b>Service Providers</b></p> 	<p data-bbox="359 551 1434 678">The Directors have frequent engagement with the Company’s service providers through the annual cycle of reporting and due diligence meetings or site visits. 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 data-bbox="359 689 863 714"><b>Outcomes and strategic decisions during the year</b></p> <p data-bbox="359 716 1439 842">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 continue to conduct due diligence service reviews in conjunction with the Company Secretary and is satisfied that the service received continues to be of a high standard.</p>
<p data-bbox="148 887 256 943"><b>Proxy Advisors</b></p> 	<p data-bbox="359 887 1439 987">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 data-bbox="359 994 1431 1070">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 data-bbox="359 1077 1410 1178">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>
<p data-bbox="148 1223 245 1247"><b>The AIC</b></p> 	<p data-bbox="359 1223 1415 1323">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 also cast votes in the AIC Board Elections each year and regularly attend AIC events.</p>

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 fulfilling their duties, including those listed on s172 of the Companies Act. Accordingly, all Directors, with the exception of Joanne Elliott (who has reached her nine-year tenure), are standing for election or re-election at the Company’s AGM.

Approved by the Board on 9 March 2022

By order of the Board

**Tracey Lago, FCG**

Polar Capital Secretarial Services Limited  
Company Secretary

# 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 2021. In addition, the attention of Shareholders is drawn to the Strategic Report Section (Chairman's Statement, the Investment Manager's Report, Strategic Report, and the ESG and Section 172 Statements) which provides further commentary on the activities and outlook for the Company, including future arrangements and dividends.

## 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.

## Financial Regulation

The Audited Financial Statements are prepared in accordance with International Accounting Standards (IAS) in conformity with the requirements, including the legal requirements, of the Companies Act 2006 (the Act). On the conclusion of the BREXIT transition period, on 31 December 2020, the EU International Financial Reporting Standards (EU IFRS), against which the Company has previously reported, were frozen and companies preparing Financial Statements under IAS but with a filing process straddling the end of the transition period were required to prepare Financial Statements with reference to the frozen on-shored IFRS standards within IAS under the Act. The changes to presentation do not represent a change in the basis of accounting and do not necessitate a prior year restatement. Future years' Financial Statements will be prepared under the equivalent UK adopted standards.

## 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.

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.

## 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 9:30am on Thursday 7 April 2022. The Board continues to consider how best to deal with the continued uncertainties posed by the COVID-19 pandemic which may impact the logistics of the AGM. The health and wellbeing of our service providers, employees of our Manager, shareholders and the wider community in which we operate is of importance to the Board. The Board also recognises that the AGM is an important event for shareholders and the Company and is keen to ensure that shareholders are able to exercise their right to vote and participate. Based on the current conditions, the meeting will be held at the offices of Polar Capital, 16 Palace Street, London SW1E 5JD. Any changes to these arrangements required by a change in circumstances will be communicated through the Company's website and via a Regulatory Information Service announcement.

## Report of the Directors continued

Shareholders are 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**. The Board will endeavour to answer relevant questions at the meeting or via the website depending on the arrangements in place at the time.

The separate Notice of Meeting contains the usual resolutions to receive the Financial Statements, approve the Directors' Remuneration Implementation Report and the Company's Dividend Policy, to elect and re-elect Directors, re-appoint the Auditors and empower the Directors to set their fees, give authority to allot shares and issue shares for cash, and to make market purchases of the Company's shares. The full text of the resolutions and an explanation of each is set out in the Notice of Meeting

### 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. The Company has continued a strong level of share issuance throughout the financial year which has resulted in an increase in the capital received from the re-issue of shares out of the Company's treasury account and blocklisting into the Capital account. The Company has therefore determined that it is appropriate to use part of its Capital Reserves to support the payment of the second interim dividend of the financial year. During the period from 1 December 2020 to 5 January 2022, income received into the Capital account from shares issued out of the Company's treasury account amounted to £831,000. It has therefore been decided that a maximum of £831,000 will be contributed by the Capital account.

The Company aims to 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 94 and 95. 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 7 April 2022.

### Independent Auditors

Following a competitive audit tender process in December 2021, the Audit Committee and Board invited PricewaterhouseCoopers LLP (PwC) to continue as the Company's independent external auditors. 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 be proposed at the forthcoming AGM.

The fee agreed in respect of the audit of the 2021 annual financial statements was £37,800 (2020: £36,000). In May 2021, PwC were also appointed as Reporting Accountant to the Company in connection with the issue of the Prospectus in relation to the C Share Issuance programme which was undertaken during the year. Whilst such service is deemed to 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, its service providers and sponsors. PwC obtained a derogation from the FRC in order to carry out the role of Reporting Accountant in advance of undertaking the role.

See page 67 for further details.

### Share Capital History and Voting Interests

#### Issued share capital

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, tender offer proposals were made to shareholders in April 2020 as a result of which the Company bought back 79,159,235 ordinary shares, and these were placed into treasury.

Following the continued improvement in market sentiment towards the financials sector, the Company issued a prospectus and in May 2021 and undertook a C Share issue and placing resulting in 122,000,000 C shares with a nominal value of 5p each being issued. These shares were subsequently converted into 76,555,000 new ordinary shares in August 2021.

As at 30 November 2021, there were 279,330,000 ordinary shares in issue (2020: 202,775,000 ordinary shares), of which 6,350,000 (2020: 79,724,900) were non-voting shares held in treasury by the Company. In the year under review the Company issued a total of 149,929,900 ordinary shares (53.7% of issued share capital) at an average price of 162.15 pence per share.

In connection with the near exhaustion of the shares available in the treasury account for re-issue, in November 2021, the Company made an application to increase its existing blocklisting of 2,100,000 by 14,095,000 shares, resulting in a total blocklisting of 16,195,000 new ordinary shares available under the allotment authorities granted by shareholders at the AGM in March 2021. On 19 November 2021, the shares under the blocklisting were admitted to the Official List.

Subsequent to the year end and up to 7 March 2022 (the latest practicable date), the Company re-issued the 6,350,000 ordinary shares remaining in treasury and a further 22,700,107 new ordinary shares under the Company's general shareholder authorities; in addition, the Company completed two Subsequent Placings under the terms of the Prospectus amounting to a further 26,775,320 new ordinary shares. On 1 February 2022 shareholders approved the renewal of the authorities to issue shares on a non pre-emptive basis.

## Transferability and Voting Rights

Ordinary Shares in the Company carry voting rights which may be exercised on a show of hands or on a poll at a meeting; shares may be held in uncertificated form and,

subject to the Articles of Association (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)

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

At the AGM in 2021, the Board was granted by shareholders the power to allot equity securities up to a nominal value of £809,750, equivalent to 16,195,500 shares, this authority was renewed and replaced at the General Meeting of the Company held on 1 February 2022 to allot equity securities up to a nominal value of £1,472,400, equivalent to 29,448,000 shares. Each authority being 10% of the Company's issued ordinary share capital at the date of the resolution being passed, and each authority was accompanied by authority to issue such shares for cash without first offering those shares to shareholders in accordance with their statutory pre-emption rights.

The Board was granted authority by Shareholders at the AGM in 2021 to make market purchases of up to 20,055,037 ordinary shares of the Company (14.99% of the issued share capital as at 22 February 2021) in accordance with the terms and conditions set out in the shareholder resolution. No shares have been bought back by the Company in the financial year under review.

These authorities will expire at the 2022 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 March 2022. New ordinary shares will 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 2021, 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*
Rathbone Investment Management Ltd	Indirect	38,355,198	14.05%
Investec Wealth & Investment Ltd	Direct	38,042,995	13.94%
City of London Investment Management	Indirect	17,923,619	6.57%
Brewin Dolphin Ltd	Indirect	15,905,319	5.83%
Charles Stanley	Indirect	15,239,761	5.58%
Canaccord Genuity	Indirect	10,091,107	3.70%
Quilter Cheviot Investment Management	Indirect	9,093,979	3.33%
JM Finn & Company Ltd	Direct	8,774,569	3.21%

\* 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 2021 of 272,980,000 being all the issued ordinary shares except for those held in treasury where voting rights are suspended.

Since the year end and up to the date of this report, the Company has been notified of the following:

Shareholder	Type of Holding	Number of Shares	% of Voting Rights*
Rathbones Investment Management Ltd	Direct	42,412,513	12.90
Investec Wealth & Investment Limited	Direct	38,813,300	11.80
Brewin Dolphin Limited	Indirect	21,781,666	6.62

The above percentages are calculated by applying the ordinary shareholdings as notified to the Total Voting Rights of the issued ordinary share capital at 7 March 2022 of 328,805,427 and do not necessarily match the submitted TR1s.

## 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 93.

By order of the Board

### Tracey Lago, FCG

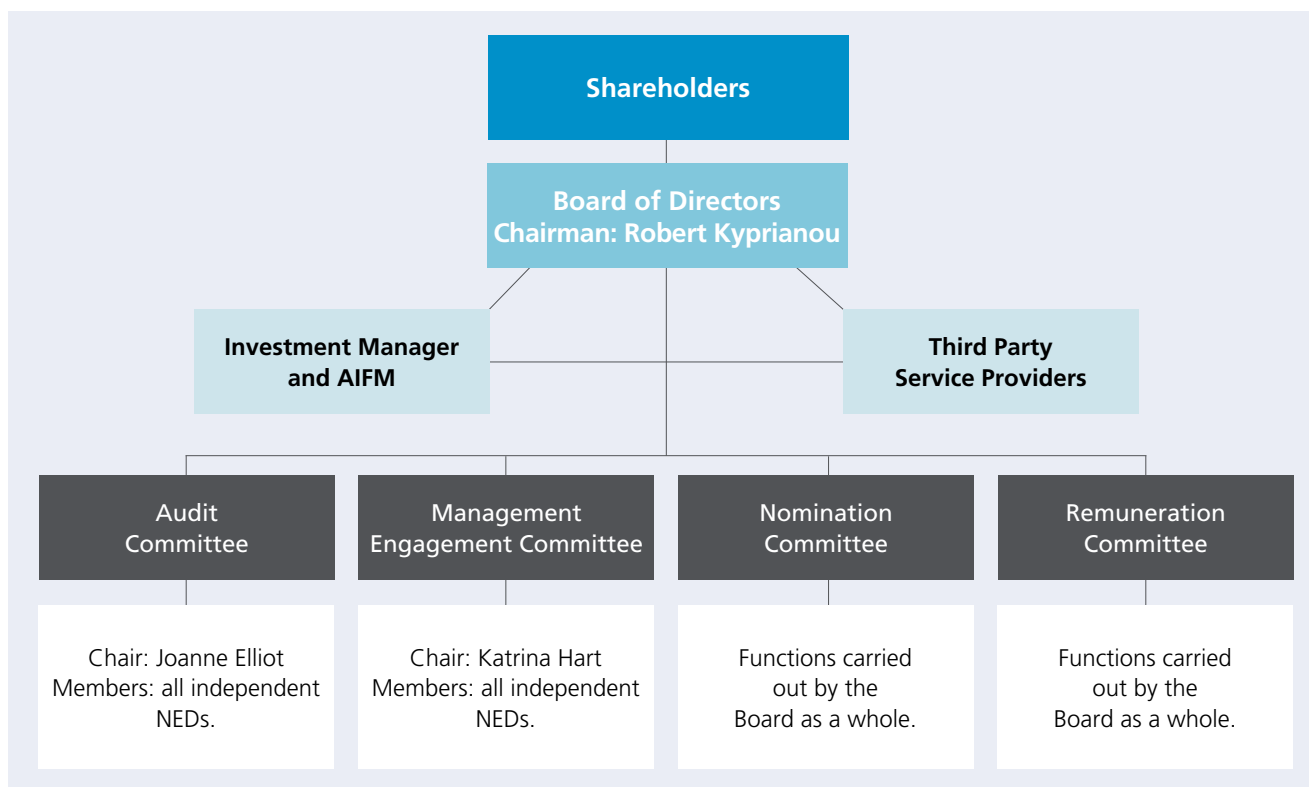
Polar Capital Secretarial Services Limited

9 March 2022

# 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 54 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)

### 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 Investment 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.

### Board Leadership

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 a new fee structure. The Investment Manager 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 42 to 44. 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 55.

### 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 2021 and the attendance of individual Directors are shown below:

<b>Number of Meetings</b>	<b>Board</b>	<b>Audit Committee</b>	<b>Management Engagement</b>	<b>2021 Annual General Meeting</b>	<b>2021 General Meeting</b>
Robert Kyprianou	5	3	1	1	1
Katrina Hart	5	3	1	1	1
Joanne Elliott	5	3	1	1	–
Simon Cordery	5	3	1	1	1
Cecilia McAnulty*	–	–	–	–	–

\*Joined the Board on 1 November 2021. The first formal meeting post joining took place on 2 December 2021.

In addition to the five formal meetings noted above, the Board met on an informal ad-hoc basis 15 times and when deemed necessary to discuss inter alia, the C Share issuance and placing programme during the year under review and other matters in connection with the Company's growth to ensure such was to the benefit of Shareholders. In connection with the social distancing measures implemented by the UK Government in relation to the COVID-19 pandemic, the majority of the meetings of the Board and its Committees during the year under review were held remotely utilising video conferencing facilities.

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

The Board and Investment 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. The Committee has formal terms of reference which clearly define its responsibilities and duties. The Management Engagement Committee reviews the performance and activities of the Investment Manager and considers the terms of the investment management agreement and other services and resources supplied by the Investment Manager prior to making its recommendation to the Board on whether the retention of the Investment Manager is in the best interests of shareholders.

During the year ended 30 November 2021 the Management Engagement Committee met once to carry out the review of the Investment Manager and consider its continued appointment for the next financial year ending 30 November 2022. 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.

## Report on Corporate Governance continued

The review of the Investment Manager also considered the overall performance by and strength of the investment team, depth of other 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 Investment Manager is continued.

The Company uses a variety of performance measures when monitoring the performance of the portfolio managed by the Investment Manager. These measures are considered to be alternative performance measures under the ESMA guidelines and are described further on pages 113 to 115.

### 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 Investment 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 under the chairmanship of Joanne Elliot. 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 62 to 70. As detailed within the Chairman's Statement and the Report of the Audit Committee, Joanne Elliott will be stepping down following the AGM to be held in April 2022 as she will have completed her nine-year tenure; Cecilia McAnulty joined the Board on 1 November 2020 as Non-executive Director and Audit Chair Elect and it is anticipated that Ms McAnulty will assume the Chair of the Audit Committee with effect from the close of the AGM.

### 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 57 to 61.

### 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.

## 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.

## Senior Independent Director

Due to the size and structure of the Board it was 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. No Director has any former or current connection with the Investment 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. 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 Investment Manager operate in a supportive, cooperative and open environment.

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 C 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 re-purchase or issuance of new 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 51, 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 51.

## Directors' Professional Development

When new Directors are appointed, they are offered an induction course provided by the Investment Manager. 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.

## Report on Corporate Governance continued

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 conflicts 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 60 of the Directors' Remuneration Report.

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

#### Composition

The Board is responsible to shareholders for the overall management of the Company's affairs. For the year under review there were five non-executive Directors. Each Director has different qualities and areas of expertise on which they may lead where issues arise. 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, when making future appointments.

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 Investment Manager and had no relationship or conflicts which were likely to affect their judgement.

#### 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 with Trust Associates for the appointment of a new Audit Committee Chair to replace Joanne Elliot as she comes to the end of her nine-year tenure on the Board. The process culminated in the appointment of Cecilia McNulty as a Non-executive Director and Audit Chair Elect with effect from 1 November 2021. During the recruitment process, a long list of candidates was considered followed by interviews of shortlisted candidates with the Board. The next stage of recruitment will begin in Q2 2022 with the expectation that such process will conclude by December 2022. A similar process will be undertaken to replace Katrina Hart who will reach her nine-year tenure in mid-2022; the Board accepts that there will be a short extension to the recommended maximum tenure to allow for recruitment and transition.

#### 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). While the Chairman was appointed at the launch of the Company, as all three founding directors were appointed at the same time, the Board believes the additional time provided for within the maximum 12-year tenure policy will enable a smooth Board transition; and will also ensure future transitions are staggered.

## 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 Investment 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 Investment 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.

# Report on Corporate Governance continued

## 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 Investment 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 Investment 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 Investment Manager and various third-party suppliers, the Board has this year received COVID-19 Business Continuity Reports from the Investment Manager and certain other third-party suppliers, including 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 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 was put to shareholders for approval at the AGM on 28 May 2020 and is detailed within the Directors' Remuneration Report on page 57.

### Tracey Lago, FCG

Polar Capital Secretarial Services Limited  
Company Secretary

9 March 2022

# 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 2021. 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 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 2021.

## Directors' Remuneration Report continued

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 2020	Remuneration Policy for the three years ending on 30 November 2023
	Approved at the AGM on 30 March 2021	Approved at the AGM on 28 May 2020
Votes for	99.97% of votes cast	99.32% of votes cast
Votes against	0.03% of votes cast	0.68% of votes cast
Votes withheld	0%	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 2021

##### 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 2017 when a small inflationary increase was awarded, the first such increase to Directors' fees since the launch of the Company. The Board undertook the annual review of fees paid to the Directors in September 2021 which included a selection of peer comparisons and external reports including the Nurole Compensation Report and the Trust Associates 2020 Fee Review. Consideration was also given to the 11 percent rise in the retail price index since the last change in Directors' fees, the increased market capitalisation of the Company and the increased level of input and responsibility the members of the Board have in relation to enhanced regulations and requirements. As a result, the Committee decided to implement the following increases with effect from 1 December 2021:

- Non-Executive Director £29,500pa (+11.3%);
- Chairman £41,000pa (+10.8%); and
- Supplement for performing the role of Chair of the Audit Committee £5,500 (+10.0%).

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 2016	30 November 2017	30 November 2018	30 November 2019	30 November 2020	30 November 2021
Chairman	–	–	+5.7%	–	–	–
Non-Executive Director	–	–	+6.0%	–	–	–
Chair of the Audit Committee	–	–	+5.0%	–	–	–

## 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 (2020: nil). The policy for claiming such expenses was not changed during the year.

## 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 £37,000; other Directors £26,500 with the Chair of the Audit Committee receiving an extra £5,000 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 2021 £	Year ended 30 November 2020 £
Robert Kyprianou (Chairman)	7 June 2013	37,000	37,000
Joanne Elliott (Chair of the Audit Committee)*	7 June 2013	31,500	31,500
Katrina Hart (Chair of the Management Engagement Committee)	7 June 2013	26,500	26,500
Simon Cordery	1 July 2019	26,500	26,500
Cecilia McAnulty (Audit Chair Elect)	1 November 2021	2,208	n/a
<b>Total</b>		<b>123,708</b>	<b>121,500</b>

\* Joanne Elliott is currently CFO of the property team at Thames River Capital LLP and payment in respect her services as a Director of £31,500 is 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' Remuneration Report continued

### Directors' Share Interests (Audited)

The interests of Directors in the ordinary shares of the Company on 30 November 2021 and 30 November 2020 were as follows:

	30 November 2021	30 November 2020
Robert Kyprianou	93,368	91,025
Joanne Elliott	30,000	30,000
Katrina Hart	51,700	51,700
Simon Cordery	39,003	34,920
Cecilia McAnulty <sup>^</sup>	–	n/a
<b>Total</b>	<b>214,071</b>	<b>207,645</b>

<sup>^</sup> appointed to the Board with effect from 1 November 2021.

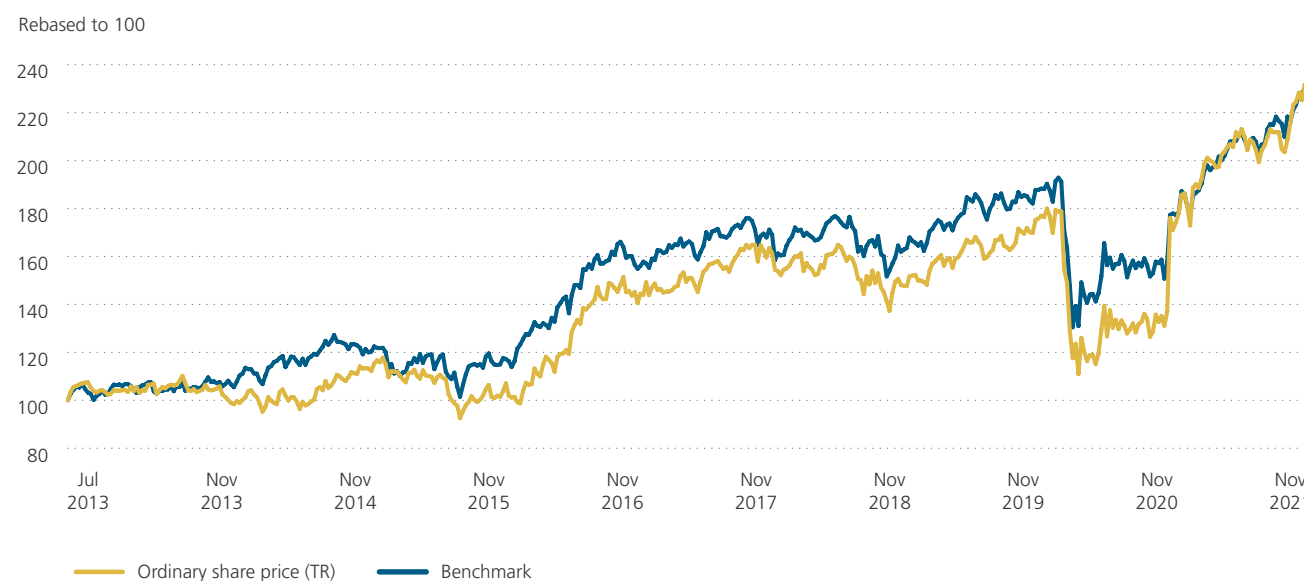
All holdings are beneficially held. Since the end of the financial year and up to 7 March 2022, Mr Cordery has purchased an additional 476 ordinary shares following an automatic dividend reinvestment. Following this, Mr Cordery is interested in a total of 39,470 ordinary shares. There have been no other changes to Directors' Share Interests.

Directors are actively encouraged to maintain a holding of ordinary shares in the Company, except for Joanne Elliott who does not receive her fees personally. It is recommended that such holding shall represent, at cost, at least 50% of five years' net cumulative fees based on the fee agreed on appointment.

### 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



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.

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 (in Sterling with dividends reinvested).

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.

## 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 has no employees and while the Directors do not consider that the comparison of Directors' remuneration with distributions to shareholders is a meaningful measure of the Company's overall performance, for comparison purposes the table below compares Directors' fees with the level of dividends paid, profit after tax and the cost of share buy backs undertaken by the Company.

	2021 £'000	2020 £'000	Change	
			£'000	%
Directors' total remuneration*	124	122	2	2%
Dividends paid or declared in respect of the financial year#	10,014	5,649	4,365	77%
Profit/(loss) on ordinary activities after tax	54,910	(46,329)	101,239	219%
Issue of C shares (gross proceeds)	122,000	–	122,000	100%
Issue of ordinary shares out of treasury	117,187	142	117,045	82,426%
Tender Offer to shareholders (including costs)~	–	81,568	(81,568)	(100%)

\* Increase directly relates to the appointment of Cecilia McNulty in November 2021.

# The total dividends paid or declared is based on the number of shares in issue on the ex-dividend date. First interim 2021, 182,475,000 shares (2020: 123,145,765 shares), second interim 2021, 281,730,000 shares (2020: 134,675,000 shares).

~ Tender Offer in relation to the reconstruction of the Company ahead of the fixed end of life.

No payments were made in the period to any past Directors (2020: £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 including any changes made on 9 March 2022.

**Robert Kyprianou**  
Chairman

# Audit Committee Report



**Joanne Elliott**  
Audit Committee Chair

“I am pleased to present my report to you which will be my last report as Chair of the Audit Committee (the ‘Committee’). As noted in the Chairman’s Statement I will be standing down at the Annual General Meeting in April 2022 having served nine-years on the Board as a non-Executive Director and as Chair of the Committee. I would like to thank my fellow Board members for their professionalism and enthusiasm and our Shareholders for their continued support during my time on the Board. I hand over to Cecilia McAnulty who joined the Board on 1 November 2021 and will become Chair of the Audit Committee following the AGM. I am happy to leave you in her capable hands and will continue to follow the Company with great interest as a fellow shareholder.”

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.polarcapitalglobalfinancialstrust.com](http://www.polarcapitalglobalfinancialstrust.com)

During the year the Audit Committee met three times, with all members of the Committee attending each meeting with the exception of Cecilia McAnulty who joined the Committee on 1 November 2021. The Committee continued to function remotely for most of the financial year due to the restrictions which were in place as a result of the COVID-19 pandemic. Zoom videoconferencing and online Diligent Boardbooks continue to be utilised to assist with the smooth running of meetings. I am pleased to confirm that this has continued to work well, with Committee members being able to operate as effectively as previously and can confirm that there has been no break in service from external providers.

## Matters Considered in Connection with the Financial Year Ended 30 November 2021:

During the year the Committee considered the following matters:

### Audit Regulation

- Since my last report to you, the Committee has not had to consider any new regulations. It does, however, regularly review guidance and determine how to apply any relevant best practice to the Company. The Committee also reviews the outcomes of the FRC's annual Audit Quality Reviews and discusses the findings with our Auditors.
- The Committee is aware of the extensive proposals outlined in the Department of Business, Energy and Industrial Strategy consultation ("BEIS") following the three independent reviews by Sir John Kingman, Sir Donald Brydon and the Competition and Markets Authority which seek to strengthen the UK's audit and corporate governance framework. The Audit Committee has considered the proposed recommendations outlined as part of the consultation and how they could impact the Company should they be implemented. Polar Capital, the Investment Manager, responded in detail to the consultation following collaboration with and on behalf of the investment trusts which it manages. The Committee will review the final requirements further once the outcomes of the consultation are published and ahead of the introduction of any primary legislation arising from the proposed reforms.

### Annual External Audit, including:

- 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 appointment of the Auditors;
- The appropriateness of and any changes to the accounting policies of the Company, including any judgments required by such policies and the reasonableness of such. The Committee confirmed there have been no changes to any accounting policies in the year under review;
- The financial disclosures in the annual and interim reports to shareholders;
- The policy for and extent of, including the fees charged for, any non-audit services in line with the FRC guidance, see further information below;
- The going concern statement, longer-term viability statement, including the impact of the events of 2021 and 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 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 85 to 90 were applied consistently throughout the year. The Committee confirmed there have been no changes to any accounting policies in the year under review. There were no new IFRSs or amendments to IFRSs applicable to the current year which had any significant impact on the Company's Financial Statements. The Committee also noted the FRC's latest Letter on Accounting & Corporate Reporting for the end of the Brexit transition period. From the financial year ending 30 November 2022 the Company will be required to prepare Financial Statements using UK-adopted IFRSs;
- The financial disclosures contained in the Annual Report and Half Year Report to shareholders;
- The Committee has noted ESEF Regulations which will now come into force for accounting years starting on or after 1 January 2021. The ESEF regulations will require all issuers of consolidated accounts prepared in accordance with IFRS and trading on a regulated market, to publish their annual financial statements in a common electronic format. As the Company has no subsidiaries and does not publish consolidated accounts the Company is required to prepare a simplified ESEF format of xHTML conversion. The regulations will first apply to the Company for the accounting year ending 30 November 2022.

# Audit Committee Report continued

## 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 risks, adjustments to existing risks and the mitigation and controls in place to manage those risks; and
- Reports from the Investment Manager and the Investment Manager's 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 March 2021 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 April 2022. As noted in the Chairman's Statement, the Board will be careful to balance its objective of growing dividends for shareholders with future earnings prospects and the availability of revenue reserves. For the first time, the Company has opted to utilise the ability to pay an element of the second interim dividend for financial year ended 30 November 2021 from capital reserves. As explained in the Chairman's Statement and in Note 12 on pages 94 to 95, the shares re-issued by the Company to investors from the treasury account and blocklisting have directly contributed to capital reserves in the amount of £831,000 which reflects the accrued income within the NAV relating to the earnings for the year ended 30 November 2020 and up to 6 January 2022 (ex-dividend date). The Board believe that utilisation of this contribution to pay part of the dividend being received by the investors is wholly appropriate and mitigates dilution to revenue reserves which would otherwise occur as a result of the accounting treatment of capital raised through share issuance. Tracking the elements of capital and income in the NAV on the date each share is issued is straightforward and the board is likely to continue to use the ability to utilise capital reserves in the same way in future periods in this respect. Overall, the Board and the Manager will continue to assess the income capability of the portfolio and determine the appropriate longer-term dividend level as economies and businesses recover from the global pandemic.

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

- Prior to publication, the Committee considered, reviewed and confirmed that the half year report and financial statements, which are not audited or reviewed by the Auditors, to ensure that they were prepared on a basis consistent with the accounting policies used in the Annual Report and Financial Statements for the year ended 30 November 2020.

## 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 reclaims and where necessary the payment or receipt of overseas tax. In the year under review, £79,000 was received by the Company from overseas tax reclaims and there remained £597,000 of outstanding reclaims at the year end. As at the year ended 30 November 2021, the outstanding tax reclaims were aged between 0.1 to 3.5 years and have been filed with the relevant tax authorities. Delays were experienced in processing these tax reclaims due to the impact of COVID-19 and some markets suspending the processing of reclaims resulting in a backlog. The outstanding reclaims at the year end are within the statute of limitations and we anticipate these would 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 represent 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 profit crystallised. Further details of the Indian capital gains tax can be found on pages 93 and 94.

## Significant Matters in Relation to the Financial Statements for the Year Ended 30 November 2021

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 and ownership of investments	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.
Non-Audit Services provided by the Auditors	The Committee reviewed the services required and considered the selection of service provider as detailed on page 67.
COVID-19	Consideration of disclosure in respect of COVID-19. Commercial and operational considerations are covered on page 68.

There were no adverse matters brought to the Committee's attention in respect of the 2021 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 Investment Manager and the Committee.

- The internal control environment as operated by the Investment 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 2021, 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.

# Audit Committee Report continued

## External Audit – Year Ended 30 November 2021

### 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, who has completed his first audit of the Company. There are no contractual obligations restricting the choice of external auditor.

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 £37,800 (2020: £36,000). The increase, whilst unwelcome, is in line with increases experienced across the investment trust sector in the current year. Audit firms generally have increased the fees that they charge to investment trusts in order to reflect the increased level of work that they have been 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 continues to keep fee levels under close review and considers that any fee increases must be justified, particularly given the impact of technology reducing audit man hours, the very high proportion of the Trust's balances which can be verified easily by reference to independent sources and the low incidence of management estimates within the accounts. Fees were a major topic of scrutiny and discussion in the Audit Tender process described below.

### 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 Investment 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 Investment Manager present, to raise any concerns or discuss any matters relating to the audit work and the co-operation of the Investment Manager and others in providing any information, and the quality of that information including the timeliness in responding to audit requests.

### External Audit Tender

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 Committee announced its intention in last year's annual report to undertake a tender process as a result of PwC's forthcoming ten-year anniversary as Auditors of the Company. The Committee led a full tender process which completed in December 2021 in compliance with legislation and having regard to the FRC guidance on audit tenders.

As part of the tender process, we initially approached 7 firms of auditors, including large, medium and small sized firms to gauge their interest in tendering and capacity for a November year-end audit. Two firms plus the incumbent submitted proposals. Firms were assessed 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. Receipt of the proposals was followed by virtual presentations to the audit committee from two of the firms. Following the conclusion of the audit tender process, the Committee recommended to the Board that PwC be re-appointed as independent Auditors for the financial year ending 30 November 2022 subject to shareholder approval at the AGM in April 2022 and following the Board's acceptance of such recommendation this was announced to the market on 22 December 2021. 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.

## 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. In line with the FRC ethical standards issued in April 2016, the nature of any non-audit services is considered in respect of their permissibility and any such services must be pre-approved by the 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.

A copy of the Company's Non-Audit Services Policy is available on the Company's website. When non-audit services are 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. During the year under review, following extensive search and invitation to a number of unconnected audit and accounting firms, PwC were appointed in May 2021 as Reporting Accountant to the Company in connection with the issue of the Prospectus in relation to the C Share Issuance programme which was undertaken during the year. Whilst such service is deemed to 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. By its nature this permissible non-audit assurance work is exceptional and one-off in relation to the Prospectus issuance therefore the audit committee are satisfied as to the continued independence of PwC. A charge of £50,000 was levied for this service equating to 140% of the average of the prior three years audit fee (2019-2021 average fee being £35,666).

## 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 35 and 38. 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 Investment Manager reported to the Committee on the system of internal controls that is in place for the performance of the Investment 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 virtual 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.

## Audit Committee Report *continued*

The Audit Committee has also discussed with the Investment Manager their policies on whistleblowing, cyber security, antibribery and the Modern Slavery Act and is satisfied that the Investment Manager has controls and monitoring processes to implement their policies across the main contractors which supply goods and services to the Investment Manager and indirectly 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 also considered the policy and controls used by the Investment 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 2021 and up to the date of this report.

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

#### The Impact of COVID-19

The Committee continues to consider the longer-term effects of the COVID-19 pandemic on the Company and the portfolio. COVID-19 is captured in our Risk Map as a Black Swan event and its effect also appears in our assessment of global geopolitical risk and the ability to achieve the Company's 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 COVID-19, in addition to the Company's financial performance during the period of market volatility and economic uncertainty since the outset of the pandemic. The external service providers have continuously demonstrated their ability to provide services to the expected level, whilst doing so remotely with no breaks in the services provided or operational failures. The Committee was assured by the level of detail and transparency offered by the service providers in reporting how they had committed resources in adapting their businesses to operate remotely for a longer period than many business continuity plans expect to be in operation for. We were further assured by the confirmation of no business failures being experienced. We also considered the guidance issued by the FRC when reviewing the stress testing required in considering the Company's ability to continue as a going concern and making a statement in regard to the Company's ongoing viability.

### 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 successful operational 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, and the continued regular tap issuance of shares into the market which has been ongoing since 30 November 2020 to date. 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 2022; 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. In the unlikely event that the loan facilities are not renewed in or before July 2022, the Board is satisfied that the Company could fund the repayment and ongoing cash flow requirements through the sale of a portion of the portfolio of listed securities. Exposure to credit risk and liquidity risk are also disclosed.

Based on the information provided to the Committee and its assessment of the financial position of the Company, the Committee has recommended that the going concern basis should be adopted by the Board for the preparation of the Financial Statements for the year ended 30 November 2021. 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 35 to 38 so that the Board may state that it has 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.

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 2021 as an appropriate period of assessment. The assessment period is selected as the period post the Company's reconstruction in 2020 through to and including 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. The current portfolio could be liquidated to the extent of 97.2% 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 one unquoted investment in Atom Bank, which at the year-end equated to 0.4% 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.

As well as considering the principal risks on pages 35 to 38, together with their mitigating factors which are assumed to operate appropriately, and the financial position of the Company, 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 wanted by investors;
- Regulation will not increase to a level that makes the running of the Company uneconomical in comparison with other competitive products;
- 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 Investment 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. COVID-19 was also factored into the key assumptions made by assessing its continued impact on the Company's key risks and whether the key risks had increased in their potential to affect the normal, favourable and stressed market conditions. 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.

## Audit Committee Report continued

### **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 Investment 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.

### **Joanne Elliott**

Chair of the Audit Committee

9 March 2022

# 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 international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Financial Statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, 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 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, 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 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 loss of the Company;
- 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

9 March 2022

# 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 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2021; 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.

### Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 (a) to the financial statements, the Company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### 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 Note 8, 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 and 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: £4,564,000 (2020: £1,600,000) based on 1% of net assets prior to adjustment of the performance fee as described in note 29.
- Performance materiality: £3,423,000 (2020: £1,200,000).

## 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.

Consideration of the impact of COVID-19, which was a key audit matter last year, is no longer included because of reduced uncertainty of the impact of COVID-19 in the current year as markets and economies continue to recover. Otherwise, the key audit matters below are consistent with last year.

## Independent auditors' report continued

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 (page 65), the Accounting Policies (page 87) and the Notes to the Financial Statements (pages 95 to 97).</i></p> <p>The investment portfolio at the year-end comprised listed investments valued at £482.1 million and an unlisted investment valued at £1.9 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 also focussed on the accounting policy for the valuation of investments held at fair value through profit or loss as incorrect application could indicate a misstatement in the valuation of investments.</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 investment in Atom Bank by comparing the valuation to the most recent funding round while considering the effects of subsequent Company specific trading data and comparable quoted market movements.</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 are accounted for in accordance with the stated accounting policy.</p> <p>We tested the existence of the investment portfolio by agreeing investment holdings to an independent confirmation obtained from the custodian, HSBC Bank plc.</p> <p>No material misstatements were identified by our testing.</p>

Key audit matter	How our audit addressed the key audit matter
<p><b>Income from investments</b>  Refer to the Accounting Policies (pages 85) and the Notes to the Financial Statements (page 91).</p> <p>We focused on the accuracy, occurrence and completeness both of net capital gains on investments and of dividend income recognition. We assessed the presentation of income in the Statement of Comprehensive Income in accordance with the requirements of The Association of Investment Companies' Statement of Recommended Practice (the "AIC SORP").</p> <p>ISAs (UK) presume there is a risk of fraud in income recognition. We considered this risk to relate to the risk of overstating investment gains and the misclassification of dividend income as either capital or revenue due to the pressure management may feel to achieve a certain level of capital or income growth in line with the objective of the Company and in order to maintain the level of dividends paid to shareholders in line with the dividend policy.</p> <p>Recognition and its presentation in the Statement of Comprehensive Income as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP") as incorrect application could indicate a misstatement in income recognition.</p>	<p>We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP, and that income from investments has been accounted for in accordance with the stated accounting policy.</p> <p>We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.</p> <p>We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. No material misstatements were identified.</p> <p>We tested occurrence 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. Our testing did not identify any material misstatements.</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 holdings during the year. Our testing did not identify any unrecorded dividends.</p> <p>We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any material misstatements.</p> <p>The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end, together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposals by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses.</p> <p>No material misstatements were identified by our 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.

## Independent auditors' report continued

### 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>	£4,564,000 (2020: £1,600,000).
<b>How we determined it</b>	1% of net assets prior to adjustment of the performance fee as described in note 29.
<b>Rationale for benchmark applied</b>	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this 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% (2020: 75%) of overall materiality, amounting to £3,423,000 (2020: £1,200,000) 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 £228,000 (2020: £80,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### 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' risk assessment and whether it has addressed the relevant ongoing threats presented by COVID-19;
- evaluating the management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements; and
- reviewing management's assessment of the Company's financial position in the context of its ability to meet future expected finance costs, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers.

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 2021 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, included within the Report on Corporate Governance 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.

## Independent auditors' report continued

Our review of the Directors' statement regarding the longer-term viability of the group 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.

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 the audit committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing relevant meeting minutes, including those of the 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;
- identifying and testing journal entries, in particular year end journal entries posted by the administrator during the preparation of the financial statements and including a sample of journals posted to income accounts; and
- 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 9 years, covering the years ended 30 November 2013 to 30 November 2021.

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

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

9 March 2021



# Financial Statements

# Statement of Comprehensive Income

For the year ended 30 November 2021

	Notes	Year ended 30 November 2021			Year ended 30 November 2020		
		Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	3	10,640	–	10,640	6,297	–	6,297
Other operating income	4	–	–	–	7	–	7
Gains/(losses) on investments held at fair value	5	–	56,942	56,942	–	(47,908)	(47,908)
Losses on derivatives		–	(115)	(115)	–	–	–
Other currency losses	6	–	(1,337)	(1,337)	–	(506)	(506)
<b>Total income/(loss)</b>		<b>10,640</b>	<b>55,490</b>	<b>66,130</b>	6,304	(48,414)	(42,110)
<b>Expenses</b>							
Investment management fee	7	(449)	(1,795)	(2,244)	(299)	(1,195)	(1,494)
Performance fee	7	–	105	105	–	(1,269)	(1,269)
Other administrative expenses	8	(865)	(10)	(875)	(629)	(11)	(640)
<b>Total expenses</b>		<b>(1,314)</b>	<b>(1,700)</b>	<b>(3,014)</b>	(928)	(2,475)	(3,403)
Profit/(loss) before finance costs and tax		9,326	53,790	63,116	5,376	(50,889)	(45,513)
Finance costs	9	(91)	(6,575)	(6,666)	(61)	(241)	(302)
<b>Profit/(loss) before tax</b>		<b>9,235</b>	<b>47,215</b>	<b>56,450</b>	5,315	(51,130)	(45,815)
Tax	10	(870)	(670)	(1,540)	(661)	147	(514)
<b>Net profit/(loss) for the year and total comprehensive income/(expense)</b>		<b>8,365</b>	<b>46,545</b>	<b>54,910</b>	4,654	(50,983)	(46,329)
<b>Earnings/(losses) per ordinary share (pence)</b>	11	<b>4.42</b>	<b>24.57</b>	<b>28.99</b>	3.01	(33.01)	(30.00)

The total return column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS.

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 85 to 112 form part of these financial statements.

# Statement of Changes in Equity

For the year ended 30 November 2021

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	–	126,529
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>

Notes	Year ended 30 November 2020						
	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 2019</b>	<b>10,139</b>	<b>251</b>	<b>55,854</b>	<b>139,235</b>	<b>86,452</b>	<b>9,239</b>	<b>301,170</b>
<b>Total comprehensive (expense)/ income:</b>							
(Loss)/profit for the year ended 30 November 2020	–	–	–	–	(50,983)	4,654	(46,329)
<b>Transactions with owners, recorded directly to equity:</b>							
Issue of shares out of treasury 21, 22	–	–	36	106	–	–	142
Shares bought back into treasury pursuant to tender offer (including costs) 22	–	–	–	(81,568)	–	–	(81,568)
Shares bought back and held in treasury 22	–	–	–	(662)	–	–	(662)
Equity dividends paid 12	–	–	–	–	–	(7,010)	(7,010)
<b>Total equity at 30 November 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>

The notes on pages 85 to 112 form part of these financial statements.

# Balance Sheet

As at 30 November 2021

	Notes	30 November 2021 £'000	30 November 2020 £'000
<b>Non current assets</b>			
Investments held at fair value through profit or loss	13	482,100	188,011
<b>Current assets</b>			
Receivables	14	959	416
Overseas tax recoverable		597	273
Cash and cash equivalents	15	26,388	140
		<b>27,944</b>	<b>829</b>
<b>Total assets</b>		<b>510,044</b>	<b>188,840</b>
<b>Current liabilities</b>			
Payables	16	(659)	(1,545)
Bank overdraft	15	–	(383)
Bank loan	17	(50,418)	(19,900)
		<b>(51,077)</b>	<b>(21,828)</b>
<b>Non-current liabilities</b>			
Performance fee provision*	18	(1,164)	(1,269)
Indian capital gains tax provision	18	(556)	–
		<b>(1,720)</b>	<b>(1,269)</b>
<b>Net assets</b>		<b>457,247</b>	<b>165,743</b>
<b>Equity attributable to equity shareholders</b>			
Called up share capital	19	13,967	10,139
Capital redemption reserve	20	251	251
Share premium reserve	21	219,163	55,890
Special distributable reserve	22	131,947	57,111
Capital reserves	23	83,744	35,469
Revenue reserve	24	8,175	6,883
<b>Total equity</b>		<b>457,247</b>	<b>165,743</b>
Net asset value per ordinary share (pence)	25	167.50	134.70

\* The performance fee accrual for 2020 has been re-presented as a non-current liability from a previously presented current liability, see details in note 18 on page 99.

The financial statements on pages 85 to 112, including the associated notes, were approved and authorised for issue by the Board

of Directors on 9 March 2022 and signed on its behalf by:

**Robert Kyprianou**  
Chairman

The notes on pages 85 to 112 form part of these financial statements.

Registered number: 8534332

# Cash Flow Statement

For the year ended 30 November 2021

	Notes	Year ended 30 November 2021 £'000	Year ended 30 November 2020 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		56,450	(45,815)
Adjustment for non-cash items:			
(Gains)/losses on investments held at fair value through profit or loss		(56,942)	47,908
Scrip dividends received		(115)	(92)
Amortisation on fixed interest securities		(5)	(122)
Finance costs relating to C shares		6,210	–
Adjusted profit before tax		<b>5,598</b>	<b>1,879</b>
Adjustments for:			
Purchases of investments, including transaction costs		(454,569)	(111,398)
Sales of investments, including transaction costs		216,527	187,901
(Increase)/decrease in receivables		(229)	533
Increase in payables		9	1,353
Indian capital gains tax		(114)	–
Overseas taxation deducted at source		(1,194)	(471)
Exchange losses on the loan facility		452	–
<b>Net cash (used in)/generated from operating activities</b>		<b>(233,520)</b>	<b>79,797</b>
<b>Cash flows from financing activities</b>			
Shares repurchased from tender offer into treasury (including costs)	22	–	(81,568)
Shares repurchased into treasury	22	–	(662)
Net proceeds from issue of shares out of treasury		116,988	–
Issue cost paid		(57)	–
Gross proceeds from issue of C shares		122,000	–
C share issue costs paid		(1,773)	–
Loan repaid	17	–	(7,500)
Loan drawn	17	30,066	17,400
Equity dividends paid	12	(7,073)	(7,010)
<b>Net cash generated from/(used in) financing activities</b>		<b>260,151</b>	<b>(79,340)</b>
<b>Net increase in cash and cash equivalents</b>		<b>26,631</b>	<b>457</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(243)</b>	<b>(700)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>15</b>	<b>26,388</b>	<b>(243)</b>

The notes on pages 85 to 112 form part of these financial statements.

# Notes to the Financial Statements

For the year ended 30 November 2021

## 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 financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. See Director's Report on page 45 for further details.

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 April 2021 is consistent with the requirements of IFRS, in so far as those requirements are applicable to the financial statements, 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 2021 is shown in the balance sheet on page 83. As at 30 November 2021 the Company's total assets exceeded its total liabilities by a multiple of over 9.6. 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 32 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, including assessment of the continuing risks arising from COVID-19, 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.

# Notes to the Financial Statements continued

For the year ended 30 November 2021

## 2. Accounting Policies continued

### (c) Income (continued)

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.

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 40.

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 2021. 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 IFRS. 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.

All investments, classified as fair value through profit or loss, are further categorised into the fair value hierarchy detailed on page 96.

Changes in fair value of all investments and derivatives held at fair value and realised gains and losses on disposal are recognised in the capital return column of the Statement of Comprehensive Income.

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 2021

## 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 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 Investment 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) Critical Accounting Estimates and Judgements**

The preparation of financial statements in conformity with IFRS 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:

**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.

# Notes to the Financial Statements continued

For the year ended 30 November 2021

## 2. Accounting Policies continued

### (u) New and Revised Accounting Standards

There were no new IFRSs or amendments to IFRSs 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 has not had a material impact on the financial statements of the Company.

Standards & Interpretations		Effective for periods commencing on or after
IFRS 3 Business Combinations (amended)	Amendments to improve the definition of a business in order to help companies determine whether an acquisition made is of a business or a group of assets.	1 January 2020
IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (amended)	Amendments that provide certain reliefs which relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate.	1 January 2020
IAS 1 and IAS 8 Definition of Material (amended)	Amendments to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the Standards themselves.	1 January 2020
References to the Conceptual Framework in IFRS Standards (amended)	The Amendments to References to the Conceptual Framework in IFRS Standards were issued to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.	1 January 2020

- ii) At the date of authorisation of the Company's financial statements, the following new or amended IFRSs that potentially impact the Company are in issue but are not yet effective and have not been applied in the financial statements:

Standards & Interpretations		Effective for periods commencing on or after
IFRS 4 Insurance Contracts – temporary exemption from IFRS 9 (amended)	The temporary exemption permits companies whose activities are predominantly connected with insurance to defer the application of IFRS 9 to annual periods beginning on or after 1 January 2023.	1 January 2021
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.	1 January 2021
Covid-19 related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	Since lessors continue to grant COVID-19-related rent concessions to lessees and the effects of the pandemic are ongoing and significant, the IASB decided to extend the time period over which the practical expedient is available for use.	1 April 2021

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 2021 £'000	Year ended 30 November 2020 £'000
UK dividends	1,108	717
Overseas dividends	8,962	4,775
Scrip dividends	115	92
Interest on debt securities	455	713
<b>Total investment income</b>	<b>10,640</b>	<b>6,297</b>

Included within income from investments is £502,000 (2020: £250,000) of special dividends classified as revenue in nature in accordance with note 2 (c). No special dividends have been recognised in capital (2020: nil).

### 4. Other Operating Income

	Year ended 30 November 2021 £'000	Year ended 30 November 2020 £'000
Bank interest	–	7
<b>Total other operating income</b>	<b>–</b>	<b>7</b>

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

	Year ended 30 November 2021 £'000	Year ended 30 November 2020 £'000
Net gains/(losses) on disposal of investments at historic cost	32,893	(9,309)
Less fair value adjustments in earlier years	(17,736)	(43,289)
<b>Gains/(losses) based on carrying value at previous balance sheet date</b>	<b>15,157</b>	<b>(52,598)</b>
Valuation gains on investments held during the year	41,785	4,690
	<b>56,942</b>	<b>(47,908)</b>

### 6. Other Currency Losses

	Year ended 30 November 2021 £'000	Year ended 30 November 2020 £'000
Exchange losses on currency balances	(885)	(588)
Exchange (losses)/gains on the loan facility	(452)	82
	<b>(1,337)</b>	<b>(506)</b>

### 7. Investment Management and Performance Fee

	Year ended 30 November 2021 £'000	Year ended 30 November 2020 £'000
Management fee		
– charged to revenue	449	299
– charged to capital	1,795	1,195
<b>Investment management fee payable to Polar Capital LLP</b>	<b>2,244</b>	<b>1,494</b>
Performance fee payable to Polar Capital (charged wholly to capital)	(105)	1,269

# Notes to the Financial Statements continued

For the year ended 30 November 2021

## 7. Investment Management and Performance Fee continued

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 pages 39 and 40.

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

	Year ended 30 November 2021 £'000	Year ended 30 November 2020 £'000
Directors' fees <sup>1</sup>	124	122
Directors' NIC	9	9
Auditors' remuneration - for audit of the financial statements <sup>2</sup>	38	36
Depository fee <sup>3</sup>	29	22
Registrar fee	33	26
Custody and other bank charges <sup>4</sup>	84	40
UKLA and LSE listing fees	26	27
Legal & professional fees <sup>5</sup>	102	3
AIC fees	15	20
Directors' and officers' liability insurance	13	9
Corporate broker's fee	43	47
Marketing expenses <sup>6</sup>	105	80
Research costs - allocated to revenue <sup>7</sup>	3	3
Shareholder communications	23	23
HSBC administration fee <sup>3</sup>	180	140
Other expenses <sup>8</sup>	38	22
<b>Total other administrative expenses allocated to revenue</b>	<b>865</b>	<b>629</b>
Research costs - allocated to capital <sup>7</sup>	10	11
<b>Total other administrative expenses</b>	<b>875</b>	<b>640</b>

1 Full disclosure is given in the Directors' Remuneration Report on page 59.

2 In May 2021, PwC were appointed as Reporting Accountant to the Company in connection with the issue of the Prospectus in relation to the C Share Issuance programme, such service was deemed to be a non-audit service for which a fee of £50,000 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. Includes additional costs in relation to C shares.

4 Fee is based on the value of the assets and geographical activity and determined on the pre-approved rate card with HSBC. The size of the assets and level of activity have both increased following the issue of C share and re-issue of shares from treasury during the year.

5 2021 includes legal cost associated to disapply pre-emption rights of ordinary shares held in treasury and RBS credit facility legal fee.

6 Includes bespoke marketing expenses payable to Polar Capital LLP of £54,000 (2020: £27,000).

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

8 2021 includes a non-executive Director search cost.

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 for the year ended 30 November 2021 was 1.02% (2020: 1.09%). The ongoing charges ratio including the performance fee accrued was 0.98% (2020: 1.74%). See Alternative Performance Measures on page 115.

## 9. Finance Costs

	Year ended 30 November 2021			Year ended 30 November 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on loans and overdrafts	68	272	340	54	215	269
Loan arrangement fees	23	93	116	7	26	33
Net gains attributable to C shares	–	4,529	4,529	–	–	–
C share issues costs	–	1,681	1,681	–	–	–
	<b>91</b>	<b>6,575</b>	<b>6,666</b>	<b>61</b>	<b>241</b>	<b>302</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 2021			Year ended 30 November 2020		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Overseas tax	896	–	896	520	–	520
Tax relief in capital	–	–	–	147	(147)	–
Withholding tax recovered	(26)	–	(26)	(6)	–	(6)
Indian capital gains tax	–	670	670	–	–	–
<b>Total tax charge/(credit) for the year (see note 10b)</b>	<b>870</b>	<b>670</b>	<b>1,540</b>	<b>661</b>	<b>(147)</b>	<b>514</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 2021			Year ended 30 November 2020		
	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>9,235</b>	<b>47,215</b>	<b>56,450</b>	<b>5,315</b>	<b>(51,130)</b>	<b>(45,815)</b>
Tax at the UK corporation tax rate of 19% (2020: 19%)	1,755	8,971	10,726	1,010	(9,715)	(8,705)
Tax effect of non-taxable dividends	(1,773)	–	(1,773)	(839)	–	(839)
(Gains)/losses on investments that are not taxable	–	(10,543)	(10,543)	–	9,199	9,199
Overseas tax suffered	896	–	896	520	–	520
Indian capital gains tax	–	670	670	–	–	–
Current period expenses not tax deductible	–	1,180	1,180	–	–	–
Unrelieved current period expenses and deficits	25	392	417	–	349	349
Withholding tax recovered	(26)	–	(26)	(6)	–	(6)
Tax relief on overseas tax suffered	(7)	–	(7)	(24)	20	(4)
<b>Total tax charge/(credit) for the year (see note 10a)</b>	<b>870</b>	<b>670</b>	<b>1,540</b>	<b>661</b>	<b>(147)</b>	<b>514</b>

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

The Company has an unrecognised deferred tax asset of £1,345,000 (2020: £605,000). The deferred tax asset is based on a prospective corporation tax rate of 25% (2020: 19%). 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.

# Notes to the Financial Statements continued

For the year ended 30 November 2021

## 10. Taxation continued

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

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 2021, the Company has a deferred tax liability of £556,000 (2020: £nil) on capital gains which may arise if Indian investments are sold.

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

	Year ended 30 November 2021			Year ended 30 November 2020		
	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)	8,365	46,545	54,910	4,654	(50,983)	(46,329)
Weighted average ordinary shares in issue during the year	189,457,425	189,457,425	189,457,425	154,433,083	154,433,083	154,433,083
From continuing operations						
Basic - ordinary shares (pence)	4.42	24.57	28.99	3.01	(33.01)	(30.00)

As at 30 November 2021 there were no potentially dilutive shares in issue (2020: nil).

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

### Dividends paid in the year ended 30 November 2021

Payment date	No. of shares	Amount per share	Year ended 30 November 2021 £'000
26 February 2021	134,675,000	2.00p	2,694
31 August 2021	182,475,000	2.40p	4,379
			<b>7,073</b>

The revenue available for distribution by way of dividend for the year is £8,365,000 (2020: £4,654,000).

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	Amounts 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>

The total dividends payable in respect of the financial year ended 30 November 2020, 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 2020 £'000
28 August 2020	123,145,765	2.40p	2,955
26 February 2021	134,675,000	2.00p	2,694
			<b>5,649</b>

All dividends are paid as interim dividends, and all have been charged to revenue, where necessary utilising the revenue reserves, with the exception of the interim dividend payable on 28 February 2022. Part of this dividend, amounting to £831,000 is to be paid out of the special distributable reserve. See Chairman's Statement on page 8 and Report of the Directors on page 46 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 2021 £'000	30 November 2020 £'000
Opening book cost	152,439	239,434
Opening investment holding gains	35,572	74,171
<b>Opening fair value</b>	<b>188,011</b>	<b>313,605</b>
<b>Analysis of transactions made during the year</b>		
Purchases at cost	453,669	110,093
Sales proceeds received	(216,527)	(187,901)
Gains/(losses) on investments held at fair value	56,942	(47,908)
Amortisation on fixed interest securities	5	122
<b>Closing fair value</b>	<b>482,100</b>	<b>188,011</b>
Closing book cost	422,479	152,439
Closing investment holding gains	59,621	35,572
<b>Closing fair value</b>	<b>482,100</b>	<b>188,011</b>

The Company received £216,527,000 (2020: £187,901,000) from disposal of investments in the year. The book cost of these investments when they were purchased were £183,634,000 (2020: £197,210,000). 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 2021 £'000	30 November 2020 £'000
On acquisitions	570	151
On disposals	205	147
	<b>775</b>	<b>298</b>

# Notes to the Financial Statements continued

## For the year ended 30 November 2021

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

#### (b) Changes in Derivative Financial Instruments

	30 November 2021 £'000	30 November 2020 £'000
Contract for Difference*		
Opening fair value	–	–
Additions at cost	1,598	–
Proceeds of disposal	(1,483)	–
Losses on disposal	(115)	–
<b>Closing fair value</b>	<b>–</b>	<b>–</b>

\* The contract for difference was utilised during the year for the purpose of efficient portfolio management. There was no contract for difference held at year ended 30 November 2021 (2020: £nil).

#### (c) 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 87.

The following tables set out the fair value measurements using the IFRS 7 hierarchy at 30 November 2021 and 2020:

	As at 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>–</b>	<b>1,921</b>	<b>482,100</b>

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

	As at 30 November 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	174,955	–	2,120	177,075
Interest bearing securities	10,936	–	–	10,936
<b>Total</b>	<b>185,891</b>	<b>–</b>	<b>2,120</b>	<b>188,011</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 2021 £'000	30 November 2020 £'000
Opening balance	2,120	3,191
Additions at cost	256	–
Total loss included in the Statement of Comprehensive Income – on assets held at the year end	(455)	(1,071)
<b>Closing balance</b>	<b>1,921</b>	<b>2,120</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 87. The valuation of the investment in Atom Bank was arrived at taking into account the operating performance of the bank and comparing its valuation to that of listed UK bank peers. As a result, the valuation was reduced by 21%.

A +/- 10% change in the price used to value the investment in Atom Bank as at the year end would result in a +/- £192,000 (2020: £212,000) impact on the gains or losses on investments held at fair value in the Statement of Comprehensive Income.

### d) Unquoted investments

The value of the unquoted investments as at 30 November 2021 was £1,921,000 (2020: £2,120,000) and the portfolio comprised the following holdings:

	30 November 2021 £'000	30 November 2020 £'000
Atom Bank	1,921	2,120
	<b>1,921</b>	<b>2,120</b>

At 30 November 2021, the Company owned 0.64% (2020: 0.64%) of Atom Bank's issued share capital. Atom Bank was granted a full banking licence on 4 April 2016 and started to accept savings and loan business from this date.

At 31 March 2021 (Atom Bank's financial year end), Atom Bank announced that it had made pre-tax losses of £62,379,000 (2020: £63,945,000) and had net assets attributable to shareholders of £141,330,000 (2020: £200,503,000).

The valuation of Atom Bank was reviewed by the Investment Manager and the Board during both the half year and full year financial results process. At the half year end, the investment of Atom Bank was written down to the price at which the bank raised £40m of capital.

## 14. Receivables

	30 November 2021 £'000	30 November 2020 £'000
Net proceeds due from issue of treasury shares	341	142
VAT recoverable	123	7
Dividends and interest receivable	473	245
Prepayments	22	22
	<b>959</b>	<b>416</b>

# Notes to the Financial Statements continued

## For the year ended 30 November 2021

### 15. Cash and Cash Equivalents

	30 November 2021 £'000	30 November 2020 £'000
Cash at bank	26,383	140
Cash held at derivative clearing houses	5	–
<b>Cash and Cash Equivalents</b>	<b>26,388</b>	<b>140</b>
Bank overdraft	–	(383)
	<b>26,388</b>	<b>(243)</b>

### 16. Payables

	30 November 2021 £'000	30 November 2020 £'000
Securities purchased awaiting settlement	–	1,015
Accruals*	659	530
	<b>659</b>	<b>1,545</b>

\* The performance fee provision of £1,269,000 included in the year ended 30 November 2020 has been reclassified and shown as a non-current liability. See note 18 for further information.

### 17. Bank Loans

#### i) Bank loans

	30 November 2021 £'000	30 November 2020 £'000
The Company has the following unsecured Sterling loans:		
£10m at 1.008% repayable 12 July 2021	–	10,000
£20m at 0.939% repayable 8 July 2022	20,000	–
The Company made the following drawdowns from the RBS revolving credit facility of £40m as at year ended 30 November 2021 (30 November 2020: ING revolving credit facility of £12.5m*):		
£5m at 1.17288% repayable 12 July 2021	–	5,000
US\$3.3m at 1.34709% repayable 12 July 2021	–	2,443
US\$3.3m at 1.32184% repayable 12 July 2021	–	2,457
US\$20.4m repayable 8 July 2022	15,418	–
£10m repayable 8 July 2022	10,000	–
£5m repayable 8 July 2022	5,000	–
	<b>50,418</b>	<b>19,900</b>

\* Subsequent to the year ended 30 November 2020, on 21 January 2021, the Company increased the size of revolving credit facility with ING by £10m, raising the aggregate funds available under the ING revolving credit facility to £22.5m from £12.5m.

During the year, the Company repaid the one-year term loan of £10m, and the £22.5m revolving credit facility (on which £7.5m and US\$20.4m was drawn at expiry) from ING Luxembourg SA ("ING") on their expiry on 12 July 2021. The Company entered into replacement arrangements with The Royal Bank of Scotland International Ltd ("RBS") for a one-year term loan of £20m and a one-year revolving credit facility in the amount of £40m, both expiring on 8 July 2022.

As at 30 November 2021, the Company had drawn down £15m and US\$20.4m (£15.4m) respectively from the revolving credit facility, with £9.6m remaining available.

The term loan of £20 million held at the year end is due for settlement within 12 months and is stated at its fair value, which equates to amortised cost.

Both 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 £180,000,000.

## ii) Reconciliation of bank loans

	30 November 2021 £'000	30 November 2020 £'000
Bank loans held as at 1 December 2020	19,900	10,000
Loan repaid under July 2019 facility	–	(7,500)
Term loan of £10 and RCF of £5m under ING facility expired in July 2020	–	(15,000)
Term loan of £10m and RCF £5m under ING facility due to expire in July 2021	–	15,000
RCF drawn under ING facility	12,566	17,400
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	–
RCF drawn under RBS facility	15,000	–
Exchange gains on settlement of RCF balances	(302)	–
Effect of changes in foreign exchange rates on RCF	754	–
<b>Bank loans held as at 30 November 2021</b>	<b>50,418</b>	<b>19,900</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 2021 £'000	30 November 2020 £'000
Performance fee provision	1,164	1,269
Indian capital gains tax provision	556	–
	<b>1,720</b>	<b>1,269</b>

The performance fee is payable at the end of each five-year tender period, the next being in year 2025. The presentation of the performance fee provision of £1,269,000 as at the year ended 30 November 2020 has been amended from a current liability to non-current liability to reflect the next payable date which is more than 12 months after the reporting period. It was previously shown in note 16 within "Accruals".

Notes to the Financial Statements continued

For the year ended 30 November 2021

## 19. Called Up Share Capital

	30 November 2021 £'000	30 November 2020 £'000
<b>Allotted, Called up and Fully paid:</b>		
<b>Ordinary shares of 5p each:</b>		
Opening balance of 123,050,100* (30 November 2020: 202,775,000)	6,153	10,139
Issue of 73,374,900 (2020: 104,335) ordinary shares out of treasury	3,668	5
Issue of 76,555,000 ordinary shares (2020: nil) from conversion of C shares	3,828	–
Repurchase of nil (2020: 79,159,235) ordinary shares into treasury pursuant to tender offer	–	(3,958)
Repurchase of nil (2020: 670,000) ordinary shares into treasury	–	(33)
<b>Allotted, Called up and Fully paid: 272,980,000 (30 November 2020: 123,050,100) ordinary shares of 5p</b>	<b>13,649</b>	<b>6,153</b>
6,350,000 (2020: 79,724,900) ordinary shares held in treasury	318	3,986
<b>At 30 November 2021</b>	<b>13,967</b>	<b>10,139</b>

\*Excluding shares held in Treasury.

This reserve is not distributable

During the year, there were no ordinary shares repurchased into treasury (2020: total of 79,829,235 ordinary shares were repurchased into treasury for a total consideration of £81,423,000 plus expenses of £807,000, of which £10,000 relates to non-audit services, as defined under IAS 32). A total of 73,374,900 (2020: 104,335) ordinary shares were issued out of treasury for a total consideration of £117,187,000 (2020: £142,000).

The Company also 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 December 2021, the Company has issued a further 6,350,000 shares out of treasury for a total consideration of £10,981,000, leaving no shares held in treasury. The Company undertook 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 and resulted in the total allotment of 26,775,320 ordinary shares for a total consideration of £46,022,000. Since financial year end and up to 7 March 2022, a total of 22,700,107 new ordinary shares have been issued from the block listing facility for a total consideration of £40,287,000. As at the same date, there remain 21,897,893 ordinary shares available for issue from the Company's blocklisting.

The ordinary shares held in treasury have no voting rights and are not entitled to dividends.

## 20. Capital Redemption Reserve

	30 November 2021 £'000	30 November 2020 £'000
At 1 December 2020	251	251
<b>At 30 November 2021</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 2021 £'000	30 November 2020 £'000
At 1 December 2020	55,890	55,854
Issue of 73,374,900 (2020: 104,335) ordinary shares out of treasury	42,351	36
Issue cost	(49)	–
Issue of 76,555,000 ordinary shares from C share conversion	120,971	–
<b>At 30 November 2021</b>	<b>219,163</b>	<b>55,890</b>

The cost to the block listing application of £49,000 has been accounted as an issue cost as defined under IAS 32.

The share premium from C share conversion 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

## 22. Special Distributable Reserve

	30 November 2021 £'000	30 November 2020 £'000
At 1 December 2020	57,111	139,235
Issue of 73,374,900 (2020: 104,335) ordinary shares out of treasury	74,836	106
Repurchase of nil (2020: 79,159,235) ordinary shares into treasury pursuant to tender offer (including costs)	–	(81,568)
Repurchase of nil (2020: 670,000) ordinary shares into treasury	–	(662)
<b>At 30 November 2021</b>	<b>131,947</b>	<b>57,111</b>

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.

Notes to the Financial Statements continued

For the year ended 30 November 2021

**23. Capital Reserves**

	30 November 2021 £'000	30 November 2020 £'000
At 1 December 2020	35,469	86,452
Net gains/(losses) on disposal of investments	15,157	(52,598)
Valuation gains on investments held during the year	41,785	4,690
Losses on contracts for difference	(115)	–
Exchange losses on currency balances	(885)	(588)
Exchange (losses)/gains on the loan facility	(452)	82
Investment management fee charged to capital	(1,795)	(1,195)
Performance fee charged to capital	105	(1,269)
Research costs charged to capital	(10)	(11)
Finance costs charged to capital	(365)	(241)
Finance costs relating to C shares	(4,480)	–
Indian capital gains tax	(670)	–
Tax relief due from revenue	–	147
<b>At 30 November 2021</b>	<b>83,744</b>	<b>35,469</b>

The balance on the capital reserve represents a profit of £58,403,000 (2020: profit of £35,564,000) on investments held and a gain of £25,341,000 (2020: loss of £185,000) 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).

On 17 June 2021 the Company issued 122,000,000 C shares with a nominal value of 5p at an issue price of £1.00 each. On 13 August 2021 these C shares were converted into 76,555,000 ordinary shares. The conversion ratio, which has been calculated by reference to the net assets of the Company attributable to the ordinary shares and the net assets of the Company attributable to the C shares as at the close of business on 9 August 2021, was 0.6275 for each C share held.

The C shares (when in issue) were listed on the London Stock Exchange. After the conversion of the C shares to ordinary shares, the share were delisted on 13 August 2021.

Whilst the C shares were in issue, the assets and liabilities attributable to the C Shares were accounted in a separate ring-fenced pool separately to the assets and liabilities of the ordinary shares. A proportion of management fee and other expenses for the period the C shares had been issued were allocated to the C shares. See note 2 (r) on page 89 for further details.

The table below gives a summary of the results of the C shares up to the date of conversion

#### For the period from issue to conversion

	£'000
Proceeds from the issue of C shares	122,000
C share issue costs*	(1,730)
Net revenue return	211
Investment management fee and finance cost allocated to capital	(115)
Indian capital gains tax	(35)
Net losses on disposal of investments	(90)
Exchange losses on currency balances and loans	(909)
Valuation gains on investments	5,467
<b>Value of C shares on conversion</b>	<b>124,799</b>

\*As at the date of conversion, the estimated C shares issue cost was £1,730,000, the actual issue cost after offsetting the expected recoverable VAT is £1,681,000 as stated in note 9.

## 24. Revenue Reserve

	30 November 2021 £'000	30 November 2020 £'000
At 1 December 2020	6,883	9,239
Revenue profit	8,365	4,654
Interim dividends paid	(7,073)	(7,010)
<b>At 30 November 2021</b>	<b>8,175</b>	<b>6,883</b>

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 2021	30 November 2020
Net assets attributable to ordinary shareholders (£'000)	457,247	165,743
Ordinary shares in issue at end of year	272,980,000	123,050,100
Net asset value per ordinary share (pence)	167.50	134.70

As at 30 November 2021, there were no potentially dilutive shares in issue (2020: 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 2021 were £2,244,000 (2020: £1,494,000) of which £272,000 (2020: £179,000) was outstanding at the year end.

A performance fee based on cumulative relative performance since 23 April 2020, amounting to £1,164,000 (2020: £1,269,000) has been accrued at the year end, of which £105,000 (2020: £1,269,000) was written back in the current year. The whole of this amount was outstanding at the year end. 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 40 for more details

In addition, the total research costs in respect of the period from 1 January 2021 to the year ended 30 November 2021 were £13,000 (2020: £14,000) of which £7,000 (2020: £7,000) was outstanding at the year-end.

# Notes to the Financial Statements continued

For the year ended 30 November 2021

## 26. Transactions with the Investment Manager and Related Party Transactions continued

### (b) Related party transactions

The Company has no employees and therefore no key management personnel other than the Directors. The Company paid £124,000 (2020: £122,000) to the Directors of which £33,000 (2020: £79,000) was outstanding at the year end. The Remuneration Report is set out on pages 57 to 61. 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.

## 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 32.

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 Investment Manager co-ordinate the risk management and the Investment 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 37.

#### (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 28 to 30. Investments are valued in accordance with the accounting policies as stated in note 2(g).

At the year end, there was no derivative instrument included in the Company's portfolio (2020: 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 Investment 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 2021 £'000	30 November 2020 £'000
<b>Investments held at fair value through profit or loss</b>	<b>482,100</b>	<b>188,011</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% (2020: 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 2021		30 November 2020	
	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	(101)	101	(39)	39
Capital return	71,910	(71,910)	28,044	(28,044)
<b>Change to the profit after tax for the year</b>	<b>71,809</b>	<b>(71,809)</b>	<b>28,005</b>	<b>(28,005)</b>
Change to equity attributable to shareholders	71,809	(71,809)	28,005	(28,005)

**(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 Investment Manager mitigates risks through an international spread of investments.

Derivative contracts may be used to hedge against the exposure to currency risk at the Investment Manager's discretion.

Notes to the Financial Statements continued

For the year ended 30 November 2021

**27. Derivatives and Other Financial Instruments continued****(a) Market Risk continued****(ii) Currency Risk continued****Foreign currency exposure**

The table below shows, by currency, the split of the Company's monetary assets, liabilities and investments that are priced in currencies other than Sterling.

	30 November 2021 £'000	30 November 2020 £'000
<b>Monetary Assets:</b>		
<b>Cash and short term receivables</b>		
US dollars	7,713	647
Indian rupee	2,586	5
Vietnam dong	950	–
Euros	511	195
Japanese yen	189	42
Taiwan dollars	112	–
Norwegian krona	102	104
Indonesian rupiah	23	–
Swiss francs	18	6
Canadian dollars	17	–
Hong Kong dollars	–	169
<b>Monetary Liabilities:</b>		
<b>Payables</b>		
US dollar	(15,477)	(5,589)
Indian rupee	(556)	(170)
Hong Kong dollars	–	(169)
<b>Foreign currency exposure on net monetary items</b>	<b>(3,812)</b>	<b>(4,760)</b>

	30 November 2021 £'000	30 November 2020 £'000
<b>Non-Monetary Items:</b>		
<b>Investments held at fair value through profit or loss</b>		
US dollars	232,205	82,792
Euros	52,734	19,508
Indian rupee	32,181	15,143
Hong Kong dollars	13,979	14,826
Indonesian rupiah	12,439	3,846
Swedish krona	11,718	–
Thai baht	11,500	3,956
Canadian dollars	11,305	5,492
Swiss francs	10,279	2,849
Japanese yen	9,264	–
Singapore dollars	8,269	4,119
Vietnam dong	5,475	–
Taiwan dollars	4,994	4,553
Mexican peso	4,232	1,758
Korean won	2,199	–
Norwegian krona	–	4,717
Philippine peso	–	2,010
<b>Total net foreign currency exposure</b>	<b>418,961</b>	<b>160,809</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 15% (2020: 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 15% this would have had the following effect:

	30 November 2021 £'000	30 November 2020 £'000
Statement of Comprehensive Income – profit after tax		
Revenue return	1,279	665
Capital return	(711)	(767)
<b>Change to the profit after tax for the year</b>	<b>568</b>	<b>(102)</b>
<b>Change to equity attributable to shareholders</b>	<b>568</b>	<b>(102)</b>

# Notes to the Financial Statements continued

For the year ended 30 November 2021

## 27. Derivatives and Other Financial Instruments continued

### (a) Market Risk continued

#### (ii) Currency Risk continued

##### Foreign currency sensitivity continued

Conversely if Sterling had strengthened by 15% this would have had the following effect:

	30 November 2021 £'000	30 November 2020 £'000
Statement of Comprehensive Income - profit after tax		
Revenue return	(1,279)	(665)
Capital return	711	767
<b>Change to the profit after tax for the year</b>	<b>(568)</b>	<b>102</b>
<b>Change to equity attributable to shareholders</b>	<b>(568)</b>	<b>102</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 Investment Manager's discretion.

##### Interest rate exposure

The exposure, at 30 November 2021, 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 2021		Total £'000
	Within one year £'000	More than one year £'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>

	30 November 2020		Total £'000
	Within one year £'000	More than one year £'000	
<b>Exposure to floating interest rates:</b>			
Cash and cash equivalents	140	–	140
Bank overdraft	(383)	–	(383)
Non-current asset investments held at fair value through profit or loss	–	8,450	8,450
<b>Exposure to fixed interest rates:</b>			
Non-current asset investments held at fair value through profit or loss	–	2,486	2,486
Bank loans	(19,900)	–	(19,900)
<b>Total exposure to interest rates</b>	<b>(20,143)</b>	<b>10,936</b>	<b>(9,207)</b>

The weighted average interest rate for the fixed rate financial assets was 7.1% (30 November 2020: 10.8%) and the effective period for which the rate was fixed was 3.1 years (30 November 2020: 4.2 years).

During the year, the Company entered into a £20 million term loan with The Royal Bank of Scotland International Ltd (2020: £10 million with ING Luxembourg SA), interest is payable at a fixed rate of 0.939%. The loan will be expiring on 8 July 2022. Details of the amounts drawn on the term loan are given in note 17.

The Company also agreed a one-year revolving credit facility for the amount of £40 million with The Royal Bank of Scotland International Ltd (30 November 2020: £22.5 million with ING Luxembourg SA). 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 0.80%, 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 £15m and US\$20.4m (£15.4m) 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 Investment Manager's decisions on the best use of cash or borrowings over the year.

# Notes to the Financial Statements continued

## For the year ended 30 November 2021

### 27. Derivatives and Other Financial Instruments continued

#### (a) Market Risk continued

##### (iii) Interest Rate Risk continued

##### 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 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 2021		30 November 2020	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Effect on revenue return	51	(51)	(1)	1
Effect on capital return	(61)	61	–	–
<b>Effect on net profit and on equity attributable to shareholders</b>	<b>(10)</b>	<b>10</b>	<b>(1)</b>	<b>1</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.

#### (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 2021 £'000	30 November 2020 £'000
<b>Due within 1 month:</b>		
Balances due to brokers	–	1,015
Accruals	659	530
Bank overdraft	–	383
<b>Due after 3 months and within 1 year:</b>		
Bank loan	50,418	19,900
<b>Due after 1 year:</b>		
Indian capital gains tax provision	556	–
Performance fee provision	1,164	1,269
	<b>52,797</b>	<b>23,097</b>

The performance fee is payable at the end of each five-year tender period, the next being in year 2025. The performance fee provision of £1,269,000 which was included in Accruals shown under Due within 1 month in the year ended 30 November 2020 has been reclassified to Due after 1 year.

**(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 2021 was £27,202,000 (2020: £527,000) comprising:

	30 November 2021 £'000	30 November 2020 £'000
Balances due from brokers	341	142
Accrued Income	473	245
Cash and cash equivalents	26,388	140
	<b>27,202</b>	<b>527</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 £457,247,000 as at 30 November 2021 (£165,743,000 as at 30 November 2020), which are managed to achieve the Company's investment objective set out on page 32.

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.

# Notes to the Financial Statements continued

For the year ended 30 November 2021

## 27. Derivatives and Other Financial Instruments continued

### (e) Capital Management Policies and Procedures continued

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 or any other investee companies (2020: £nil).

## 29. Post Balance Sheet Events

Subsequent to the year end, there has been one event that affects the financial statements. This relates to the revised performance fee calculation. The fee is calculated on performance since the reconstruction and is accrued and only paid at the time of the five yearly tender. Due to the significant growth in the share capital during the year under review, the current calculation methodology presented an unintended outcome for the performance fee accrual. In order to address this, the Board worked with the Manager to amend the calculation to ensure that the performance fee accrual purely reflects investment performance as intended and is not distorted by share capital changes. Consequently, the performance fee accrual was reduced from £1,948,000 under the old methodology to £1,164,000 as at the year ended 30 November 2021. Any performance fee accrual can be reduced by subsequent underperformance of the benchmark plus hurdle rate measured over the five year period.

Subsequent to the year end, the remaining 6,350,000 ordinary shares were issued from treasury and a total of 22,700,107 new ordinary shares were issued from the block listing facility. The Company undertook its 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 and resulted in the total allotment of 26,775,320 ordinary shares. Following these share issues, the total number of ordinary number of shares in issue as at 7 March 2022 (latest practical date) was 328,805,427 and the shares held in treasury was nil.

Subsequent to the year end, global stock markets have fallen sharply due to the uncertainties linked to the Russian invasion of Ukraine. As at close of business on 7 March 2022 (the latest practicable date), the Company's unaudited net asset value had decreased by 9.3% and the Company's share price has decreased by 14.0% since the year end.

There are no other significant events that have occurred after the end of the reporting period to the date of this report which require disclosure.

# Alternative Performance Measures (APMs)

In assessing the performance of the Company, the Investment 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 103 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 2021	Year ended 30 November 2020
Opening NAV per share	a	134.7p	148.5p
Closing NAV per share	b	167.5p	134.7p
Dividend reinvestment factor	c	1.028548	1.030871
Adjusted closing NAV per share	d = b*c	172.3p	138.9p
<b>NAV total return for the year</b>	(d/a)-1	27.9%	-6.5%

## 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 2021	Year ended 30 November 2020
NAV per share at inception	a	98.0p	98.0p
Closing NAV per share	b	167.5p	134.7p
Dividend reinvestment factor	c	1.297759	1.261641
Adjusted closing NAV per share	d = b*c	217.4p	169.9p
<b>NAV total return since inception</b>	(d/a)-1	121.8%	73.4%

## 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 2021	Year ended 30 November 2020
Rebased NAV per share at reconstruction	a	102.8p	102.8p
Closing NAV per share	b	167.5p	134.7p
Dividend reinvestment factor	c	1.045722	1.016790
Adjusted closing NAV per share	d = b*c	175.2p	137.0p
<b>NAV total return since reconstruction</b>	(d/a)-1	70.4%	33.3%

## 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 2021	Year ended 30 November 2020
Opening share price	a	136.5p	143.8p
Closing share price	b	172.0p	136.5p
Dividend reinvestment factor	c	1.029365	1.036881
Adjusted closing share price	d = b*c	177.1p	141.5p
<b>Share price total return for the year</b>	(d/a)-1	29.7%	-1.6%

### 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 2021	Year ended 30 November 2020
Share price at inception	a	100.0p	100.0p
Closing share price	b	172.0p	136.5p
Dividend reinvestment factor	c	1.276163	1.240293
Adjusted closing share price	d = b*c	219.5p	169.3p
<b>Share price total return since inception</b>	(d/a)-1	119.5%	69.3%

### 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 2021	Year ended 30 November 2020
Share price at inception	a	100.0p	100.0p
Closing share price	b	172.0p	136.5p
Dividend reinvestment factor	c	1.304651	1.267399
Adjusted closing share price	d = b*c	224.4p	173.0p
<b>Share price total return including subscription share value since inception</b>	(d/a)-1	124.4%	73.0%

## Premium/(Discount) (APM)

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

		30 November 2021	30 November 2020
Closing share price	a	172.0p	136.5p
Closing NAV per share	b	167.5p	134.7p
<b>Premium per ordinary share</b>	(a/b)-1	2.7%	1.3%

## 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 2021	Year ended 30 November 2020
Investment Management Fee (Note 7 on page 91)		£2,244,000	£1,494,000
Other Administrative Expenses (Note 8 on page 92)		£ 875,000	£640,000
	a	<b>£3,119,000</b>	<b>£2,134,000</b>
Average net assets value	b	£ 306,287,000	£195,842,000
<b>Ongoing Charges excluding performance fee</b>	a/b	1.02%	1.09%
Performance fee (Note 7 on page 91)	c	(£105,000)	£1,269,000
	d = a+c	<b>£3,014,000</b>	<b>£3,403,000</b>
<b>Ongoing charges including performance fee</b>	d/b	0.98%	1.74%

## 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 2021	30 November 2020
Net assets	a	£457,247,000	£165,743,000
Bank loan	b	£50,418,000	£ 19,900,000
Total assets	c = (a+b)	£507,665,000	£185,643,000
Cash and cash equivalents (including amounts awaiting settlement and overdrafts)	d	£26,729,000	(£1,116,000)
<b>Net gearing</b>	(c-d)/a-1	<b>5.2%</b>	12.7%

# 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>Active Share</b>	Active share represents how much an equity portfolio's holdings differs from its benchmark index constituents; 100% representing a portfolio that has no exposure to the underlying index and 0% that exactly replicates the index.
<b>AGM</b>	The Annual General Meeting, to be held at 9:30am on Thursday 7 April 2022 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>BREXIT</b>	The process of the UK leaving the European Union following the public referendum in 2016.
<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>IFRS</b>	International accounting standards in conformity with the requirements of the Companies Act 2006. They comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Financial Reporting Committee, including interpretations issued by the IFRS Interpretations Committee and interpretations issued by the International Accounting Standard Committee (IASC).
<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 non-executive 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 Group and Company are drawn up in accordance with the Investment Trust SORP issued by the AIC.

# Investing

## PRIIPS KID

The Packaged Retail and Insurance-based Investment Products (PRIIPS) regulations came into force on 3 January 2018 and require the manufacturer of a retail product to publish a Key Information Document (KID) for consideration by investors and potential investors. The KID has prescribed content and a formulaic approach. The KID is available on the Company's website; it should be noted that calculations are based purely on historical data and contain no judgemental analysis of the Board or Manager. It is strongly recommended that the KID is not looked at in isolation but is read in conjunction with other documents published by the Company.

## Market Purchases

The ordinary shares of Polar Capital Global Financials Trust plc are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary.

## Share Dealing Services

The Company has arranged for Shareview Dealing, a telephone and Internet share sale service offered by Equiniti to be made available.

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)

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.

For those investors who would like advice:

## Private Client Stockbrokers

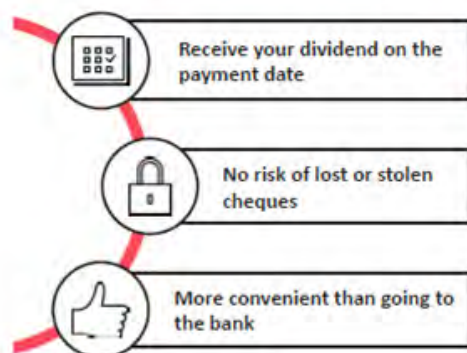
Investors with a large lump sum to invest may want to contact a private client stockbroker. They will manage a portfolio of shares on behalf of a private investor and will offer a personalised service to meet an individual's particular needs. A list of private client stockbrokers is available from The 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)

## 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

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, Interactive Investor, Barclays Stockbrokers, Halifax Share Dealing, Hargreaves Lansdown.

### **Investing Risks**

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. Past performance is not a guide to future performance.

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.

# Warnings to shareholders

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 and to the extent they do so, they 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.

Investors should note that tax rates and reliefs may change at any time in the future. The value of ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs may not be maintained.

## Boiler Room Scams

Shareholders of the 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.

**Investment and pension scams are often sophisticated and difficult to spot**



**Be a ScamSmart investor and spot the warning signs**

**Fraudsters will often:**

- contact you out of the blue
- apply pressure to invest quickly
- downplay the risks to your money
- promise tempting returns that sound too good to be true
- say that they're only making the offer available to you or even ask you to not tell anyone else about it



## 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, we urge you to look at the principal risks and uncertainties included in the Strategic Report within this Annual Report.

No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Global Financials Trust plc or any other entity, and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.

### 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)**

# Additional Information

## History

The Company was launched in July 2013 with a fixed seven-year life. Shareholders approved changes to the Company's Articles of Association to 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.

## Portfolio Details

Portfolio information is provided to the AIC for its monthly statistical information service ([www.theaic.co.uk](http://www.theaic.co.uk)). The portfolio is also published to the Company's website.

## Company Website

[www.polarcapitalglobalfinancialtrust.com](http://www.polarcapitalglobalfinancialtrust.com)

The Company maintains a website which provides a wide range of information on the Company, monthly factsheets issued by the Investment 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)

## 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 costs, 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) and register. 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.

## 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 Chairman.

## Capital Gains Tax

Information on Capital Gains Tax is available on the HM Revenue & Customs website at [www.hmrc.gov.uk/cgt/index.htm](http://www.hmrc.gov.uk/cgt/index.htm)

When shares are disposed of a capital gain may result if the disposal proceeds exceed the sum of the base cost of the shares disposed and any other allowable deductions such as share dealing costs. The exercise of a right of a subscription shareholder to subscribe for ordinary shares should not give 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 adviser 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
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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.

## Tax Advice

The Company is unable to provide tax advice in any form. Investors should contact their accountant or other financial adviser should they require advice or information in relation to their personal circumstances.

## 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 2021 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 2021 is available on the Company's website.

## 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.

You can contact our Registrars, Equiniti Limited, who have installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly by ringing 0870 600 3950 without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for the Deaf), you should dial 18001 followed by the number you wish to dial.

## AIC

The Company is a member of the Association of Investment Companies ('AIC') and the AIC website [www.theaic.co.uk](http://www.theaic.co.uk) contains detailed information about investment trusts including guides and statistics.

## Calendar

Year End	30 November
Half Year End	31 May
Dividend Payments	end August end February
Annual General Meeting	Thursday, 7 April 2022 at 9:30am

# 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  
Joanne Elliott  
Katrina Hart  
Simon Cordery  
Cecilia McAnulty

## 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

## Independent Auditors

**PricewaterhouseCoopers LLP**

7 More London Riverside  
London  
SE1 2RT

## Solicitors

**Herbert Smith Freehills LLP**

Exchange House  
Primrose Street  
London  
EC2A 2HS

## Stockbrokers

**Stifel Nicolaus Europe Limited**

150 Cheapside  
London  
EC2V 6ET

## Identification Codes

**Ordinary shares**

SEDOL: B9XQT11  
ISIN: GB00B9XQT119  
TICKER: PCFT  
GIIN: 8KP5BT.99999.SL.826  
LEI: 549300G5SWN8EP2P4U41

## Registrar

Shareholders who have their shares registered in their own name, not through a share savings scheme or ISA, can contact the registrars with any queries on their holding. Post, telephone and Internet contact details are given below.

In correspondence you should refer to Polar Capital Global Financials Trust plc, stating clearly the registered name and address and, if available, the full account number.

**Equiniti Limited**

Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

Shareholder helpline: 0800 313 4922  
(or +44(0)121-415-7047 from overseas)



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



This document is printed on Galerie Satin, a paper sourced from well managed, responsible, FSC® certified forests and other controlled sources. The pulp used in this product is bleached using an elemental chlorine free (ECF) process.



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TRUST™

[www.carbonbalancedpaper.com](http://www.carbonbalancedpaper.com)

