Polar Capital Funds plc
Global Insurance Fund

Fund Fact Sheet
29 December 2017

GBP Class I Dist (E)
ISIN: IE00B4XZ9Q84

NAV per Share

GBP Class I Dist (E)	4.94p

Fund Particulars

Fund Size	£1,028.3 million
Base Currency	GBP
Denominations	GBP / US$ / EUR
Fund Structure	Open-ended
Domicile	Dublin, Ireland
Listing	Irish Stock Exchange
Launch Date[1]	16 October 1998
Management	Polar Capital LLP

Historic Yield (%)[2] 1.70

Fund Managers

Nick Martin
Fund Manager
Nick joined the team in 2001 and manages the Fund. He joined Polar Capital in 2010 and has 19 years of industry experience.

Alec Foster
Partner
Alec became an adviser to the Fund in January 2016. Previously he was Fund Manager from its launch in October 1998 and Co-Manager with Nick since 2008. He joined Polar Capital in 2010 and has 50 years of insurance industry experience.

Fund Profile

Investment Objective

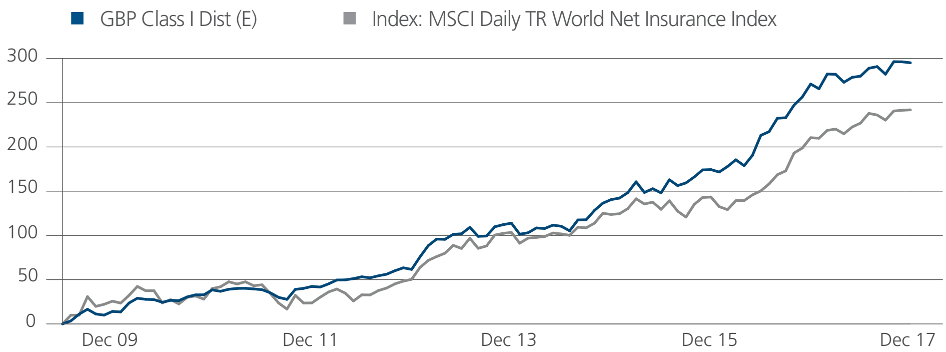
The Fund aims to provide an attractive total return, irrespective of broader economic and financial market conditions, by investing in companies operating within the international insurance sector.

Key Facts

- Managed by industry professionals
- Low correlation to broader equity markets
- 15+ year track record (since launch)
- Typically own 30-35 holdings with low turnover
- No benchmark or tracking error constraints
- Fundamentally-driven analysis and stock selection

Share Class Performance

Performance Since Launch (%) [1]



	1 month	3 month	YTD	1 year	3 years	5 years	10 years	Since Launch Ann.	Since Launch Cum.
GBP Class I Dist (E)	-0.27	3.39	6.48	6.48	64.30	144.53	-	17.67	295.13
Index	0.15	3.51	10.55	10.55	53.40	128.16	-	15.72	243.20

Discrete Annual Performance (%)

12 months to	29.12.17	30.12.16	31.12.15	31.12.14	31.12.13
GBP Class I Dist (E)	6.48	35.23	14.11	12.47	32.33
Index	10.55	27.54	8.80	10.01	35.20

Source: Northern Trust International Fund Administration Services (Ireland) Ltd, monthly percentage growth, GBP and has been calculated to account for the deduction of fees, **with reinvestment of all principal, dividends, interest and profits.** Fund performance does not take account of any commissions or costs incurred by investors when subscribing for or redeeming shares. The GBP Class I Dist (E) was launched on 21 July 2009. The index performance figures are sourced from Bloomberg and are in GBP terms. These figures refer to the past. Investments in funds are subject to risk. **Past performance is not a reliable indicator of future returns.** The money invested in a fund can increase and decrease in value and past performance is not a reliable indicator that you will get back the full amount invested. The performance calculation is based on GBP. If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. Please see the Important Information on the last page of this document for further information on the risks to your investment.

1. The Polar Capital Global Insurance Fund was launched on 27 May 2011 (the Hiscox Insurance Portfolio Fund, launched 16 October 1998, was merged into the Polar Capital Global Insurance Fund on the date). Performance data prior to 27 May 2011 relates to the Hiscox Insurance Portfolio Fund. Whilst the investment management team and strategy are identical between the Hiscox Insurance Portfolio Fund and the Polar Capital Global Insurance Fund, please note not all terms are consistent, including fees. Please refer to the Fund Prospectus for details of the Polar Capital Global Insurance Fund. Past performance is not indicative or a guarantee of future returns. Prior to the amalgamation of both funds, the benchmark was the Datastream World Insurance Index (£). The benchmark was changed at the launch of the Polar Capital Global Insurance Fund to the MSCI Daily TR World Net Insurance Index as it is the benchmark upon which performance fees are calculated.
2. Historic yield is based on a NAV per share of 4.94p and income of 0.0840p per unit paid in the last 12 months, based on GBP Institutional distribution units. **WARNING: Investors should note that historic yield does not measure the overall performance of a fund. It is possible for a fund to lose money overall but to have a positive historic yield. Historic yield cannot be considered as being similar to the interest rate an investor would earn on a savings account.**

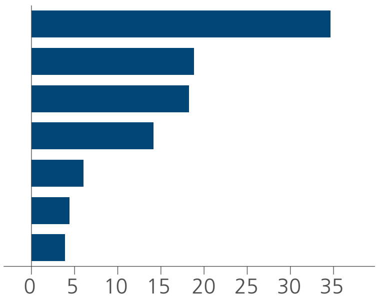
Polar Capital LLP 16 Palace Street, London, SW1E 5JD
T: +44 (0)20 7227 2721 | **E:** investor-relations@polarcapital.co.uk | **W:** www.polarcapital.co.uk

Portfolio Exposure

As at 29 December 2017

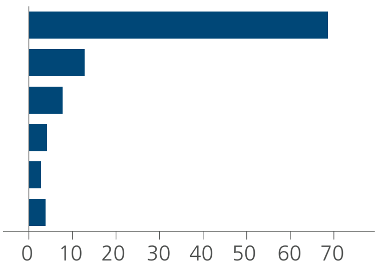
Sector Exposure (%)

Commercial	34.6
Retail	18.8
Reinsurance	18.2
Insurance Brokers	14.1
Life and Health	6.0
Multi-line Insurance	4.4
Cash	3.8



Geographic Exposure (%)

US Listed	68.7
UK	12.8
Canada	7.7
Europe	4.2
Asia	2.8
Cash	3.8



Top 10 Positions (%)

Chubb	6.5
Marsh & McLennan	6.3
Arch Capital	6.1
Markel	4.7
Alleghany	4.6
WR Berkley	4.5
Berkshire Hathaway	4.3
Fairfax Financial Holdings	4.3
Jardine Lloyd Thompson	4.0
Validus Holdings	4.0
Total	**49.3**

Total Number of Positions **33**

Active Share **74.96%**

Market Capitalisation Exposure (%)

Large Cap (>US$5 billion)	74.8
Mid Cap (US$1 billion - US$5 billion)	22.1
Small Cap (<US$1 billion)	3.1

Share Class Information

Codes & Fees

Share Class	Bloomberg	ISIN	SEDOL	OCF	Annual Fee
US$ Class R Acc	PCFIRUA ID	IE00B5164B09	B5164B0	1.39%	1.25%
US$ Class R Dist	PCFIRUD ID	IE00B4X9QT28	B4X9QT2	1.39%	1.25%
GBP Class R Acc	PCFIRGA ID	IE00B4X2MP98	B4X2MP9	1.39%	1.25%
GBP Class R Dist	PCFIRGD ID	IE00B51X0H96	B51X0H9	1.39%	1.25%
EUR Class R Acc	PCFIREA ID	IE00B52VLZ70	B52VLZ7	1.39%	1.25%
EUR Class R Dist	PCFIRED ID	IE00B547TM68	B547TM6	1.39%	1.25%
US$ Class I Acc	PCFIIUA ID	IE00B4Y53217	B4Y5321	0.89%	0.75%
US$ Class I Dist	PCFIIUD ID	IE00B503VV16	B503VV1	0.89%	0.75%
GBP Class I Acc	PCFIIGA ID	IE00B5339C57	B5339C5	0.89%	0.75%
GBP Class I Dist	PCFIIGD ID	IE00B530JS22	B530JS2	0.89%	0.75%
EUR Class I Acc	PCFIIEA ID	IE00B55MWC15	B55MWC1	0.89%	0.75%
EUR Class I Dist	PCFIIED ID	IE00B4V4LB63	B4V4LB6	0.89%	0.75%
US$ Class I Acc Hedged	PCGIIHU ID	IE00BD3BW042	BD3BW04	0.89%	0.75%
EUR Class I Acc Hedged	PCGIIHE ID	IE00BD3BW158	BD3BW15	0.89%	0.75%
GBP Class RA Dist*	SNGIHPI ID	IE00B5NH4W20	B5NH4W2	1.39%	1.25%
GBP Class RB Acc*	SNGIHPA ID	IE00B63V4760	B63V476	1.39%	1.25%
GBP Class I Dist (E)*	HISIPEI ID	IE00B4XZ9Q84	B4XZ9Q8	0.89%	0.75%
GBP Class I Acc (F)*	HISIPFA ID	IE00B61MW553	B61MW55	0.89%	0.75%

Minimum Investment: Class I Shares; US$1 million (or its foreign currency equivalent). **Class R Shares;** No minimum subscription. *These share classes are closed to new investors.

Performance Fee 10.00% of outperformance of MSCI Daily TR World Net Insurance Index.

Ongoing Charges Figure (OCF) is correct as per the date of this factsheet.

Administrator Details

Northern Trust International Fund Administration Services (Ireland) Ltd

Telephone	+353 1 434 5007
Fax	+353 1 542 2889
Dealing	Daily
Cut-off	17:00 Dublin time

Note: Totals may not sum due to rounding. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.

Polar Capital Funds plc - **Global Insurance Fund**

Fund Managers Comments

As at 29 December 2017

In December the GBP Retail Accumulation units of the Fund were -0.3% versus the MSCI World Insurance Index (Net Total Return £) benchmark's return of +0.1%, for the FTSE All-Share Index +4.8% (Total Return £), the S&P 500 Index +1.0% (Total Return £) and for the MSCI World Index +1.2% (Total Return £).

The GBP Retail Accumulation units of the Fund were up +6.0% in 2017 versus the MSCI World Insurance Index (Net Total Return £) benchmark's return of +10.6%, the FTSE All-Share Index +13.1% (Total Return £), the S&P 500 Index +11.2% (Total Return £) and the MSCI World Index +11.7% (Total Return £). As was the case in 2016 the movement in the Sterling Dollar exchange rate had a material impact on performance. Excluding a £/US$ drag of c.7% (versus a 12% benefit in the prior year) the Fund rose c.13% in 2017 which is a very pleasing performance in a year that is set to rival 2005 and 2011 for record catastrophe activity. We estimate 10% of our return to have come from book value/earnings growth (in the middle of our 9-11% expectation for 2017) and the balance from modest price-to-book value expansion.

As expected reinsurance pricing improved on 1 January, a key renewal date where two thirds of reinsurance business is placed. The rise, the first since 2012, follows the significant catastrophe losses in 2017, which Willis Re estimate at c.US$136bn, one of the highest years on record. US hurricane losses in the third-quarter of 2017 (Harvey, Irma and Maria) were then followed by large losses from the California wildfires late in the year. We have spoken to a variety of industry participants in the last few days about the renewal to take the temperature of the market. The broad view is that the reinsurance market has passed an inflection point and pricing is hardening. However, rate rises were described as more orderly than the pricing spike that some reinsurers were seeking. Two contributing factors to the slightly more modest increases were (1) the 2017 cat losses were relatively well spread out by event (rather than caused by a single huge catastrophe) and (2) the continued interest in cat risk from non-traditional market participants such as hedge funds, pension schemes and other institutions which access the market from ILS (Insurance Linked Securities) funds. Our sense is that loss affected US property catastrophe accounts typically rose +10-25% whereas non-loss affected US risks as well as European and other international catastrophe placements rose +0-5%. Overall JLT Re suggested reinsurance pricing overall was up 5%, a meaningfully better outcome than many expectations prior to the second-half losses.

The most significant rate increases were seen in the retrocession market. Retro refers to catastrophe reinsurance bought by reinsurers and is typically provided by ILS Funds. On average retro pricing rose c.20% but in some cases it was up materially more than this. As a consequence we have increased our retro exposure from c.0.7% of the Fund before the third-quarter 2017 cat losses to c.2% in order to take advantage of this better pricing. This was done through the addition to the Fund of two new retro vehicles. These vehicles are managed by two of our long-term portfolio companies where we have known the management teams for many years. The vehicles are not available to most investors. As a result our overall catastrophe exposure has moved towards 6-7% compared with the c.5% historic low we have maintained during the last four years. We expect the improvement in catastrophe pricing at 1 January to build momentum as 2018 progresses with more significant rate hardening expected ahead of the Atlantic hurricane season in June. However, catastrophe pricing in aggregate remains some way below the levels of five years ago and we would need to see materially better prospective margins for cat risk before we would consider returning our weighting towards our maximum c.10% holding.

It is also important to remember that the 1 January renewals are much broader than just catastrophe reinsurance which tends to get most of the headlines. Catastrophe reinsurance globally is c.US$22bn and represents c.10% of the overall reinsurance market and only c.1% of the global non-life market. Industry commentators and sell side analysts often get fixated on catastrophe rate changes but this only tells a small part of the story. Some of our more nuanced observations include clear indications that casualty reinsurance saw a better than expected renewal with reinsurers securing higher pricing as well as improved terms and conditions. In specialty, US property insurance rates are obtaining 10-25% rate increases with Caribbean exposed risks achieving significantly more. The renewal also saw primary lines such as aviation and energy experiencing rising prices for the first time in many years. In summary, pricing adequacy in 2018 is better than a year ago and is likely to improve further as the year progresses.

Last month the US Tax Cuts and Jobs Act was passed with the headline US corporate tax rate falling from 35% to 21%. This benefits all US based businesses which represents the majority of our portfolio. All else being equal, many of our companies will see double-digit increases in EPS including ten top holdings; Berkshire Hathaway, W.R. Berkley, Alleghany and Markel. At the margin a handful of our multinational companies with US operations will need to move more of their capital onshore to the US (and away from markets such as Bermuda). We have spoken to the companies affected and management teams expect an immaterial impact on profitability. However, the stock market has recently been discounting a significantly worse outcome for Bermudan domiciled companies such as Arch Capital, Validus and RenaissanceRe. We believe concerns are overdone and these companies are well positioned to take advantage of the improving (re)insurance market and we have added to these holdings accordingly.

This year in October the Fund will celebrate its 20th anniversary. It has compounded returns at +10% per annum since inception outperforming the MSCI World Index by over 3% a year. In a world of accelerating change and volatility the demand for insurance and the value it provides remain undiminished. With pricing improving in many parts of the (re)insurance market and valuations remaining undemanding in what is arguably an overheating stock market, we believe the Fund is poised for another good year. The team have added to their personal holdings in the Fund in early January.

Nick Martin

4 January 2018

CITYWIRE A

FE CROWN FUND RATING

PORTFOLIO ADVISER FUND AWARDS 2017 GOLD Specialist equity LAST WORD

FE ALPHA MANAGER 2017 NICK MARTIN

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