

Net flows of £1.2bn in Q2'27, momentum maintained

12 October 2026

AUM grew 43% over H1-27 to £43.7bn (Q1: +47%; Q2: -3%). Most importantly, Polar continued to attract significant capital from investors. In Q2, net flows were +£1.2bn compared to +£2.4bn in Q1 and +£1.4bn in Q4-26, in an environment where most active equity funds in the UK have suffered heavy outflows (page 3). Investment performance was -£2.4bn in Q2 (+£9.5bn over H1), mostly driven by a fall in technology valuations in July (NASDAQ 100: -6.6%).

Over 18 months, AUM has doubled (page 2), and our FY27 forecasts reflect y-o-y revenue growth of +35%, core operating profit +90%, and PBT +72%. Fundamentals are hugely impressive, yet Polar's shares trade on the lowest forward PER in the sector (page 4), which supports our argument that there is a substantial gap between fundamental valuation (1,250p per share) and share price (805p). We see no logical reason for this.

Specialist strategies dominate flows in Q2

Polar has stated that the strongest client demand was for its differentiated specialist strategies: Global Technology; Artificial Intelligence; Biotechnology; and Smart Energy – this maintains recent trends. It also flagged that the geographic mix of new business has continued to broaden.

Mark-to-market performance fee profits, net of staff allocations, are higher than our previous FY27 forecast: £8.8m v. £4.8m. Most performance fees crystallise in December, although there is no guarantee that these crystallise at or above current mark-to-market levels, or at all.

Fundamental value 1,250p, >50% above share price

Other than updating performance fee forecasts to align with current mark-to-market levels, our forecasts are unchanged (page 5). We also highlight that, given such rapid growth, the key variable driving the large increase in FY27 forecasts over FY26 is *average AUM*. And Polar's current AUM trajectory suggests it is on track to meet or exceed this (page 6). **Given the gap between fundamental valuation and share price, and a lowly forward PER, it seems to us that Polar's rating does not adequately reflect its earnings potential.**

Company data

EPIC	POLR.L
Price (last close)	805p
52 weeks Hi/Lo	979p/513p
Market cap	£801m
ED Fair Value / share	1250p
Net cash 2026A	£151m
Avg. daily volume (3m)	416k

Share price, p



Source: Investing.com

Description

Polar Capital is an active fund manager, established in 2001. It has 13 autonomous investment teams managing specialist portfolios with a thematic, sector, geographic, or financial instrument focus, including:

- Global Technology
 - Global Healthcare
 - Emerging Markets & Asia
 - Global Insurance
 - UK Value
 - North America
 - Sustainable Thematic
- AUM 30 Sep 26: £43.7bn

Next event

H1-27 results 24 Nov 2026

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Key financials & valuation metrics

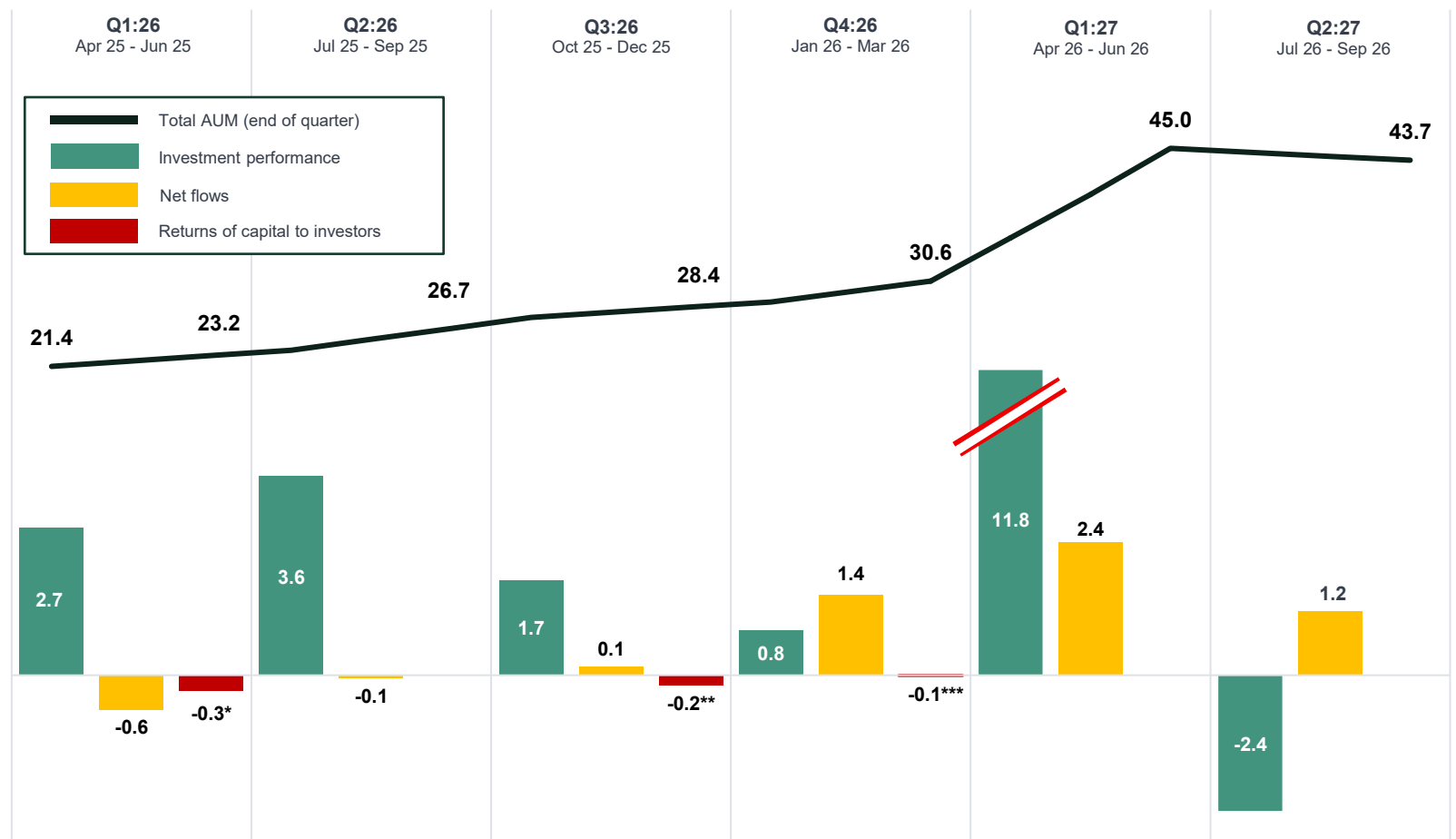
Year to 31 Mar (£m)	FY 24A	FY 25A	FY 26A	FY 27E	FY 28E
AUM (£bn)	21.9	21.4	30.6	46.9	49.8
Rev	195.1	222.1	264.3	357.3	425.4
Management fees	176.4	206.1	232.6	337.4	411.0
Performance fees	18.7	16.0	31.7	19.9	14.3
PBT	54.7	51.6	76.9	132.0	156.9
Core operating profit	44.8	56.7	62.8	119.4	146.8
Performance fee profit	9.6	8.1	16.1	8.8	6.3
EPS basic (p)	42.3	36.6	60.6	100.7	118.0
EPS adjusted diluted core (p)	35.0	43.0	46.4	88.7	107.5
EPS adjusted diluted (p)	44.0	53.5	57.8	97.2	114.1
PER	19.0	22.0	13.3	8.0	6.8
Div (p)	46.0	46.0	46.0	46.0	53.8
Yield	5.7%	5.7%	5.7%	5.7%	6.7%
Net assets	135.9	134.4	150.8	190.2	267.9
Net cash	98.9	121.8	151.0	209.9	301.9

Source: Company data, Equity Development, priced at 09/10/26.

AUM +43% over H1, driven by investment returns in Q1, strong flows in Q1 & Q2

Polar's AUM has doubled in 18 months. Exceptional investment performance, especially in technology strategies, drove the bulk of these gains. But these were not merely index-driven gains. For example, in Q1-27 (Apr-Jun 26), its largest fund, the *Global Technology Fund* (AUM: £16.7bn), returned +60%, versus the +33% of its benchmark *Dow Jones Global Technology Index*. Net flows have also made a strong contribution to AUM growth and have been particularly strong over the last three quarters.

Quarterly AUM moves, £bn

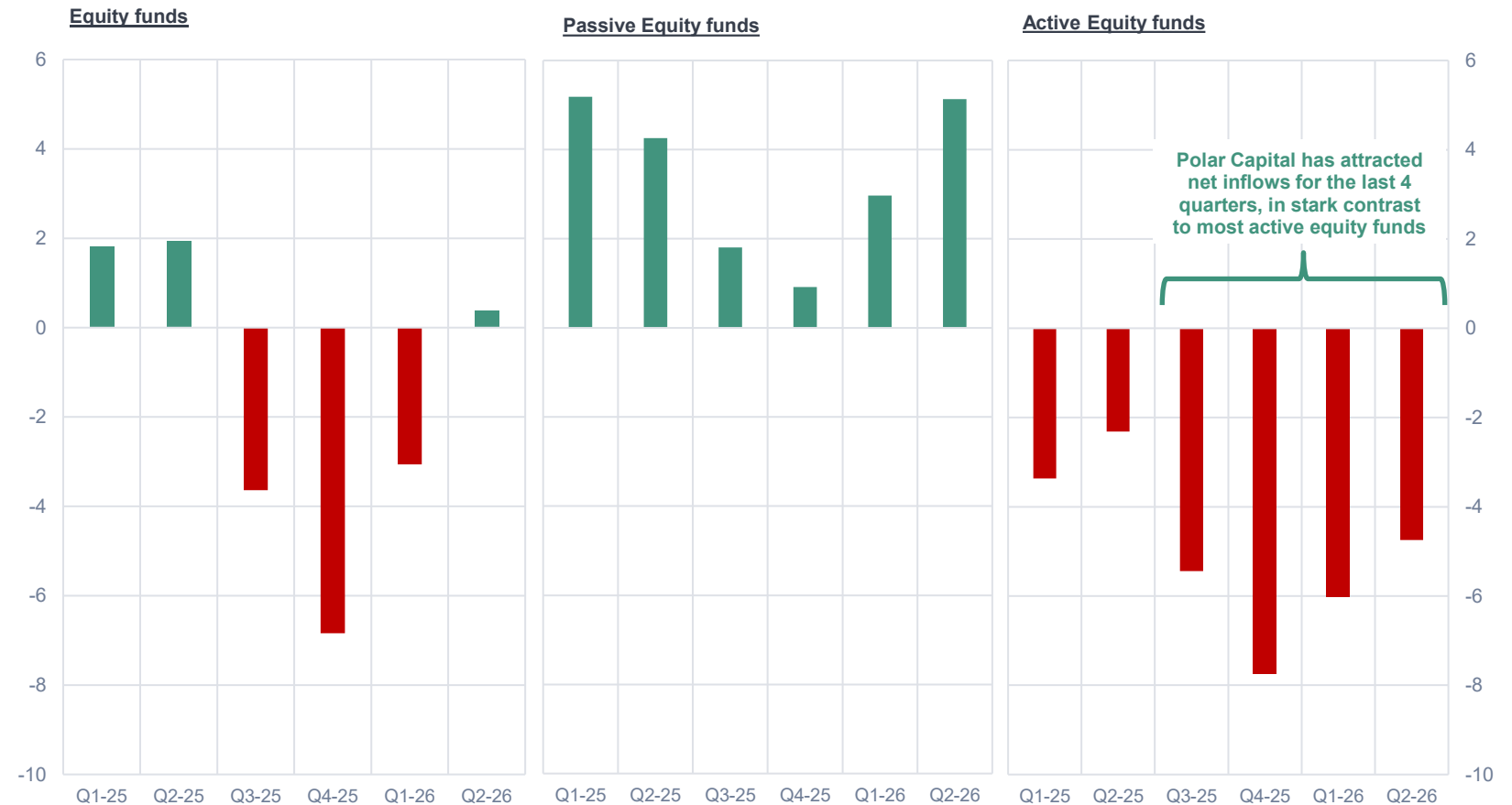


Source: Company reports, ED analysis. *Return of capital to investors (£280m) from Polar Capital Financials Trust. **Return of capital to investors (£116m) from Polar Capital Financials Trust. ***Return of funds to investors (£62m), closure of Melchior European Opportunities Fund.

Polar proves demand for quality active managers exists, despite dominance of passive flows

Market fund flow statistics from Calastone show that **Polar has attracted capital in an environment where most active managers have experienced heavy outflows**. It is clear evidence that there continues to be strong demand for quality, high-performing active asset managers.

UK open-ended net fund flows by calendar quarter, £bn



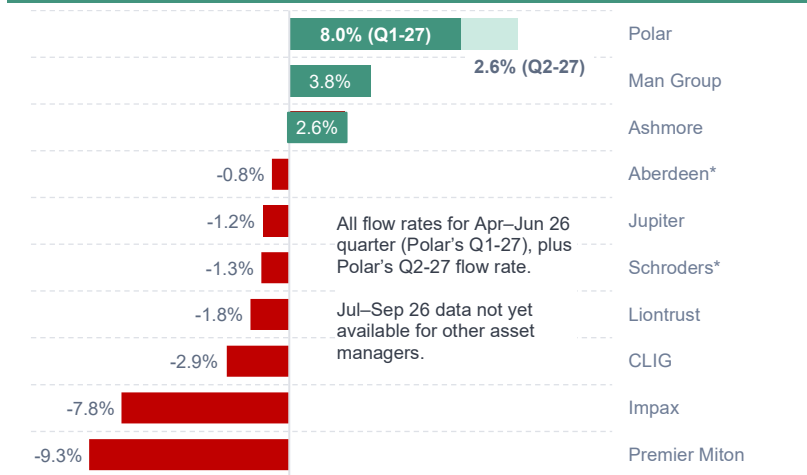
Source: [Calastone Fund Flow Index](#), October 2026. Chart reproduced with permission. Calastone measures orders from UK-based investors into funds domiciled in the UK. Note that this has nothing to do with where the underlying assets are invested – a UK-domiciled fund may invest in Japanese equities, Australian fixed income, a global portfolio of mixed assets, or just UK equities.

Superior performance not reflected in ratings

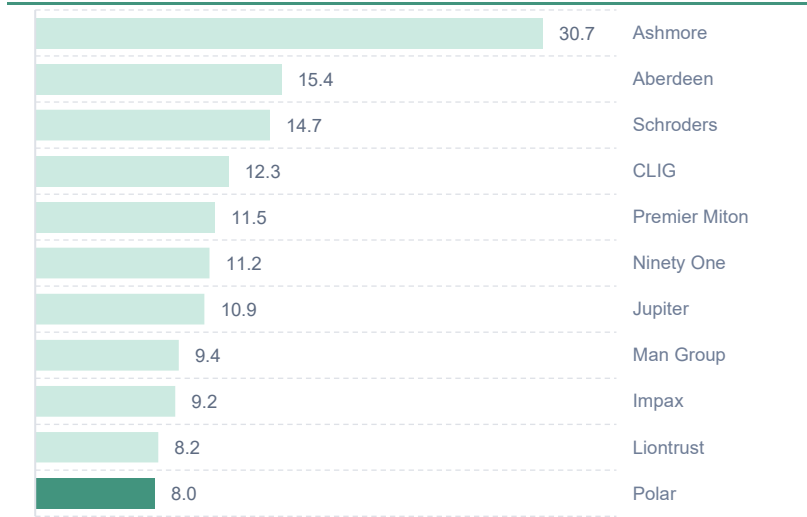
PER looks too low given strong performance & position

- Polar's superior flow rate performance compared to the UK fund market (previous page), is also reflected in its **superior net flow rate compared to London-listed peers** (top chart on right).
- However, despite this far superior net flow rate and AUM growth rate, its niche strategic positioning, strong profit margins, and strong balance sheet (£151m net cash and no debt), it is actually the **lowest rated London-listed asset manager** on a forward PER basis [given the huge jump which is expected in Polar's earnings for FY27, forward PE ratios provide a far more meaningful comparison to peers than historic PE ratios].
- This seems bizarre to us, as **based on fundamentals we would expect Polar to trade at a significant premium to peers**.
- This anomaly also supports the large gap between the share price and our fundamental valuation (Share price: 805p, fundamental valuation: 1,250p, 55% above the share price - see our recent note covering FY26 results: [Flying into FY27, our valuation jumps to 1,250p.](#))

Quarterly net flow rates



Forward PE ratios



Source (top chart): company reports; ED analysis (bottom chart): Koyfin (PER based on next 12 months consensus earnings forecasts). *Asset management business units only. Schroders PER based on share price and 2027 earnings forecasts on date of de-listing (1 Oct 26).

Updated forecasts

We upgrade our FY27 and FY28 forecasts to include higher performance fees than previously forecast: Mark-to-market performance fee profits as at 30 Sep 26 were £8.8m versus our previous forecast of £4.8m. We remind readers that most performance fees crystallise in December, and there is no guarantee that these crystallise at or above current mark-to-market levels, or at all.

This pushes our revenue and statutory profit forecasts up slightly. As performance fees are not part of core profits, these forecasts are unaffected:

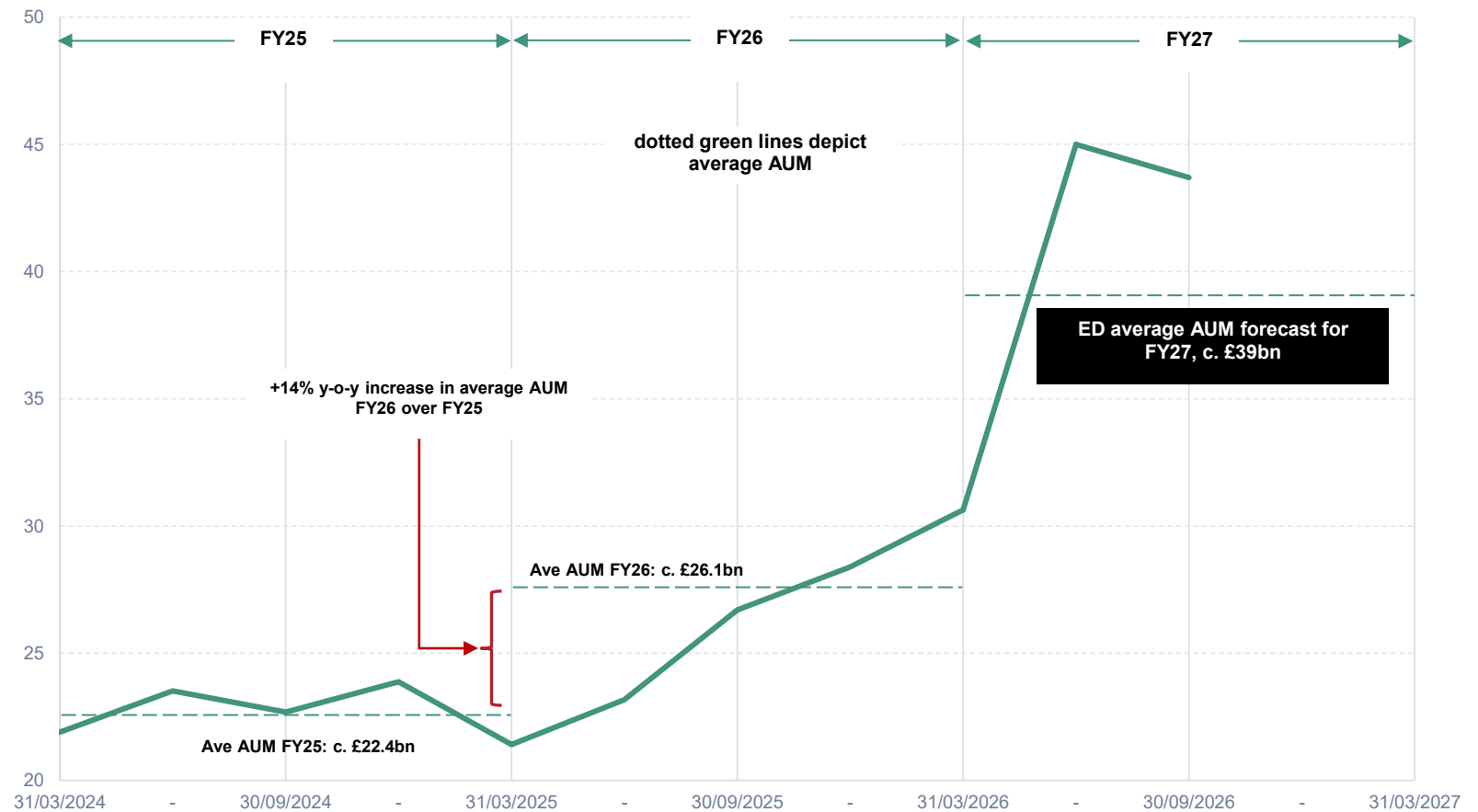
Changes to forecasts						
Year to 31 Mar (£m)	FY27E	FY27E	Change	FY28E	FY28E	Change
	Revised	Old		Revised	Old	
AUM, £bn	46.9	46.9	0%	49.8	49.8	0%
Rev	357.3	348.4	3%	425.4	425.4	0%
Management fees	337.4	337.4	0%	411.0	411.0	0%
Performance fees	19.9	11.0	81%	14.3	14.3	0%
PBT	132.0	128.1	3%	156.9	156.9	0%
Core op profit	119.4	119.4	0%	146.8	146.8	0%
Performance fee profit	8.8	4.8	81%	6.3	6.3	0%
EPS basic, p	100.7	97.7	3%	118.0	118.0	0%
EPS adjusted diluted core, p	88.7	88.7	0%	107.5	107.5	0%
EPS adjusted diluted, p	97.2	94.3	3%	114.1	114.1	0%
PER	8.0	8.2		6.8	6.8	
Div, p	46.0	46.0	0%	53.8	53.8	0%
Yield	5.7%	5.7%		6.7%	6.7%	
Net assets	190.2	187.3	2%	267.9	265.0	1%
Net cash	209.9	205.1	2%	301.9	298.9	1%

Source: Equity Development, Priced at 09/10/2026

AUM looks on track to meet forecasts

Average AUM is the main driver of Polar's largest source of revenue, investment management fees. And in the context of such rapid growth, average AUM assumptions are critical to FY27 forecasts. In the chart below we show our average AUM forecasts and how these compare to previous years. It should be evident that, save for a dramatic market pullback or net outflow, Polar currently looks comfortably on track to meet or exceed our FY27 average AUM forecast.

AUM profile, £bn



Source: Company reports, ED analysis

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