Polar Capital Holdings

Core profits exceed forecast, AUM +6% in Q1'26

30 June 2025

The period of Polar's FY25 (1 Apr 24 – 31 Mar 25) was horrific for many asset managers – but not for Polar. It was one of only two in our peer group to record net inflows (page 4), with heavy outflows commonplace. Polar's AUM fell 2% over the year, with a sharp decline in Q4 on falling markets. Investment performance was -£495m, net flows +£123m, and fund closures -£111m. Post year-end, AUM has bounced back, up 6% since 31 Mar to £22.6bn (page 3).

Gross income increased 14% y-o-y to £226.1m, mostly as a result of higher average AUM. **Core operating profit jumped 27% from £44.8m to £56.7m (previous forecast £53.9m)**, with revenue margin slightly higher than forecast and core operating costs slightly lower. Statutory profits were hit by a non-cash impairment of £13.6m (2021 acquisition of Dalton – page 10). PBT fell 6% to £51.6m.

Polar maintains its exceptionally strong balance sheet, with **cash and equivalents up from £98.9m to £121.8m (now 26% of market cap)**, this after paying out £44.4m in dividends. **Polar has no debt**. An unchanged dividend of 46.0p for FY25 has been recommended, a **yield of 10%.**

CEO transition

Current CEO Gavin Rochussen has announced his retirement from Sep '25, with Iain Evans set to take over the role. Iain has 30+ years of investment industry experience, joining Polar in 2004 and is currently *Global Head of Distribution*. He has been a member of the Executive Team for 10+ years.

Well positioned, fundamental value unchanged at 550p

While the short-term environment is uncertain, **Polar's specialist strategies and track record could attract significant inflows longer term**. EM, European, UK, Japan, and International Small Co. strategies should benefit from investors' reducing US-overweight positions; and Polar's technology expertise should capitalise on the AI mega-trend, especially as investors look beyond the mag-7.

Our FY26 forecasts are upgraded (page 16), mostly on the AUM jump in Q1-26. We have however **pared back our outer year net flow forecasts** slightly. These two adjustments largely offset each other with our fundamental valuation unchanged at 550p (page 17).

Key financials & valuation metrics

Year to 31 Mar (£m)	FY23A	FY24A	FY25A	FY26E	FY27E
AUM (£bn)	19.2	21.9	21.4	23.4	25.1
Rev	182.9	195.1	222.1	204.7	219.1
Management fees	176.2	176.4	206.1	195.1	208.8
Performance fees	6.7	18.7	16.0	9.6	10.2
PBT	45.2	54.7	51.6	49.7	55.7
Core operating profit	47.9	44.8	56.7	45.7	51.4
Performance fee profit	1.7	9.6	8.1	4.2	4.5
EPS basic (p)	36.8	42.3	36.6	38.0	42.0
EPS adjusted diluted (p)	44.3	44.0	53.5	40.9	44.9
PER	12.5	10.9	12.6	12.1	10.9
Div (p)	46.0	46.0	46.0	46.0	38.6
Yield	10.0%	10.0%	10.0%	10.0%	8.4%
Net assets	142.9	135.9	134.4	134.3	139.4
Net cash	107.0	98.9	121.8	118.7	127.7

*Source: Company data, Equity Development, priced at 27/06/25 **ex leases.*

Company data

EPIC	POLR.L
Price (last close)	460p
52 weeks Hi/Lo	608p/350p
Market cap	£467m
ED Fair Value / share	550p
Net cash** 2025A	£122m
Avg. daily volume (3m)	293k

Share price, p

Source: Investing.com

Description

Polar Capital is an active fund manager, established in 2001. It has 14 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
- Global Financials
- North America

AUM 20 Jun 25: £22.6bn

Next event

Q1'26 AUM update Jul 2025

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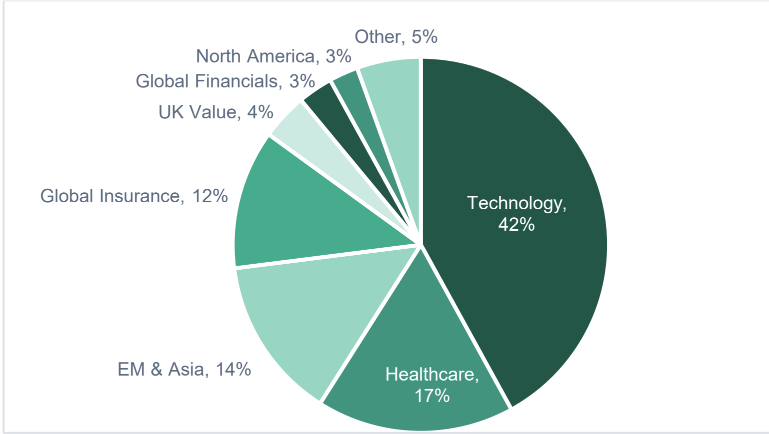
Polar at a glance

History and operating structure

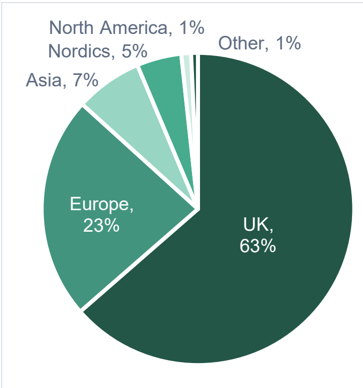
- Polar Capital is a fund management group, specialising in active management. It was founded in 2001 and listed on AIM in 2007. Headquartered in London, it has a presence in 9 countries (UK, USA, Germany, Switzerland, France, Spain, Sweden, China, and Singapore).
- 14 investment teams manage specialist portfolios and operate as semi-autonomous business units, heavily incentivised on investment performance. 'Centralised' operations support these teams.
- Technology funds have always been core to Polar, although over the years, additional investment strategies have diversified its AUM base. It manages investments primarily for institutional clients. Europe is its largest market.

Split in AUM by investment strategy (100% = £21.4bn*)



Source: Company, as at 31 Mar 25. Seven strategies, each with AUM <£0.5bn included in 'other'. Totals may not sum to 100% due to rounding.

Split in AUM by client geography and client type

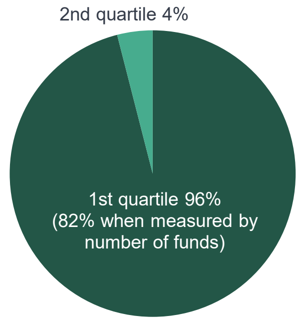


Bank	24%
Polar Investment Trusts	23%
Private Wealth Manager	18%
Platform	13%
Asset Manager	10%
Fund of Funds	5%
Family Office	3%
Other	2%
Insurance Company	1%
Pension Fund/Foundation	1%
Sovereign Wealth Fund	0.5%
Consultants	0.2%

Source: Company, as at 31 Mar 24. Totals may not sum to 100% due to rounding.

Impressive track record of delivering superior returns

% of UCITS funds AUM by quartile ranking*
(measured since fund inception)



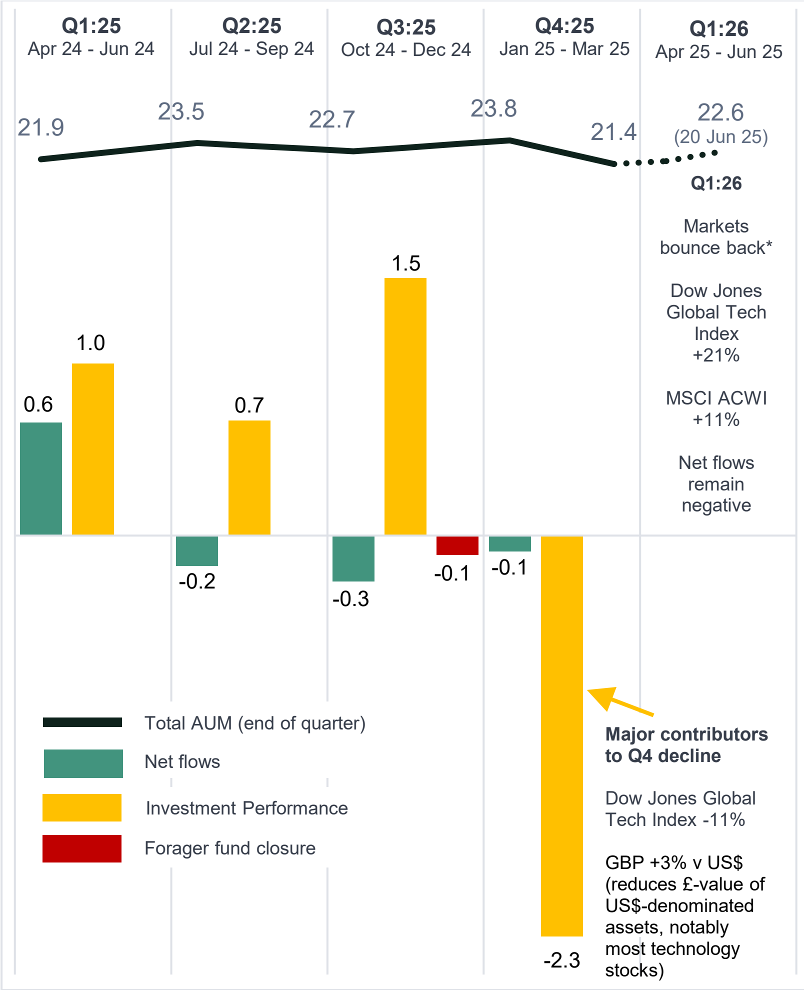
*Source: Company, as at 30 May 25. *c73% of total Polar AUM. According to Lipper peer groups/ Lipper provides performance data for homogeneous groups of funds with comparable investment objectives: lipperleaders.com*

Assets under management – overview of FY25

Huge market swings in FY25, net flows hold up, strong start to FY26

- Over FY25, AUM was down 2% to £21.4bn.
- After starting the year strongly, net flows fell off but not dramatically so. **Net flows were positive for the year, contributing +£123m to AUM (excluding Forager fund closure), which was a standout performance compared to other asset managers** (see next page).
- But the relatively small total AUM move masks huge intra-year swings in markets, currencies, and hence Polar's investment performance. The strong investment performances of Q1-Q3 were completely wiped out, and then some, by the market sell-off in late-February and throughout March of 2025, driven by 'tariff-turmoil'. Investment performance over FY25 was ultimately responsible for a £495m decline in AUM.
- The closure of the Forager fund reduced AUM by £111m.
- In Q4, Polar's closing AUM value was also exposed to a significant currency headwind. Its reporting currency, GBP, strengthened 3% over the US$, depressing the £-value of US$-denominated assets.
- **FY26 has seen a strong start with some of Polar's strategies exposed to significant market bounces,** notably: the Dow Jones Global Technology Index is up 21% (1 Apr 25 – 27 Jun 25), the MSCI Emerging Markets Index 12%, and the FTSE All Share Index 4%. **Polar has reported AUM of £22.6bn on 20 Jun 25 (up 6% since 31 Mar 25).** We do however caution that markets are volatile and significant pullbacks would not be a surprise. Net flows are also volatile, with Polar reporting net outflows of £0.6bn from open ended funds and segregated mandates in the period 1 Apr - 20 Jun 25.

Quarterly AUM moves, £bn

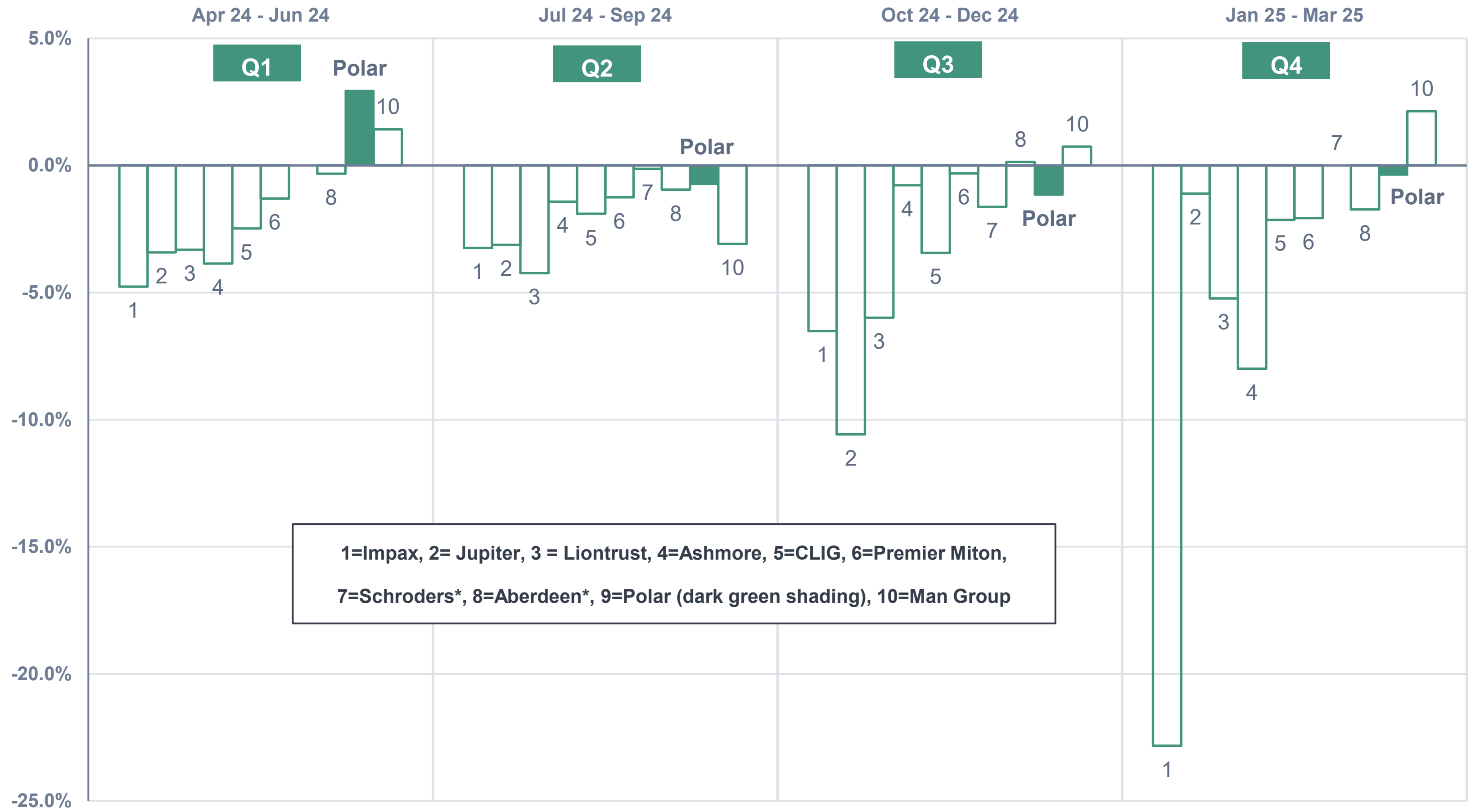


*Source: Company reports, ED analysis, Investing.com *1 Apr 25 – 27 Jun 25*

Net flows stronger than nearly all peers

When compared to peers, Polar's net flows over FY25 were very strong. **It was one of only two UK-listed active managers to record net inflows over the 12m period**, with some managers recording very heavy outflows. Polar's open-ended funds (before fund closures) recorded net inflows of £0.5bn in FY25. Particularly pleasing were the marginally negative flows of Q4 (-£89m), an improvement over Q3 (-£260m), given the decline in markets and investor sentiment, particularly in the technology space in that quarter.

UK-listed asset managers, net flow rates by quarter (net flows / opening AUM)



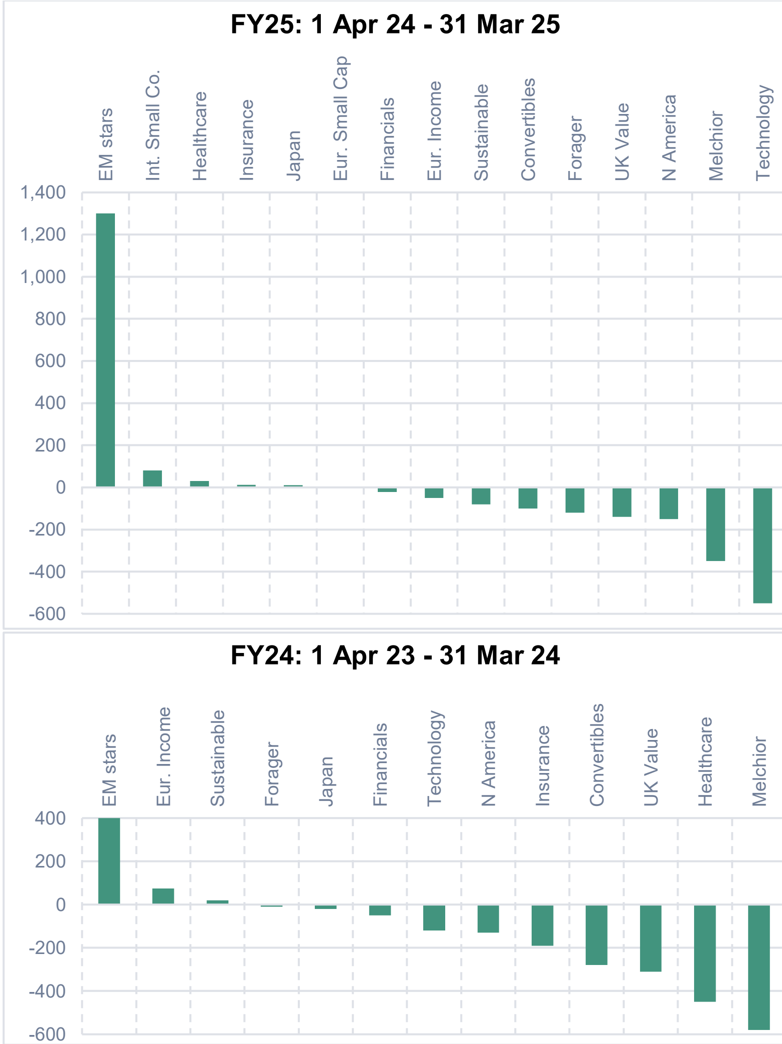
*Source: Company reports, ED analysis. *Asset management units only.*
Peer group includes London-listed asset managers running mostly portfolios of listed securities i.e. excludes private-asset-managers which have different flow characteristics

Pockets of investor interest, but muted net flows across many strategies in FY25

Demand for EM & AI; Technology strategies impacted by market volatility

- The standout feature of the charts which show net flows by strategy for FY24 (bottom) and FY25 (top), is the **strong demand and market share gains for the highly successful EM team**, with net flows of +£1.3bn in FY25.
- In FY25, the **International Small Company Fund (launched Sep 24) had a good start**, raising c$90m in AUM in its first 6 months (now > $100m).
- Healthcare recorded net inflows with **strong demand for the specialist active strategies of Biotechnology and Healthcare Blue Chip**.
- For technology, the net flow environment was weak, driven by heightened market volatility and uncertainty, with total net outflows for FY25 of £567m. However, within the technology strategy, there were **£173m of net inflows into the Polar Capital Artificial Intelligence Fund**.
- Polar has also provided an update on calendar year-to-date flows:
    - Investor caution is increasing amid ongoing volatility and global uncertainty.
    - Rotation into money market funds continues (perceived as safe-haven assets).
    - Active equity outflows accelerated following the 2 Ap 25 "Liberation Day" announcement.
    - Redemptions seen primarily from: **Technology:** outflows slowed vs. prior quarter; net inflows into the AI strategy continues; **Healthcare:** impacted by the closure of one institutional mandate; **Emerging Markets:** allocation-driven outflows, primarily from a single client; pipeline remains strong; **Polar Capital Global Financials Trust completed a tender offer** (44% of issued capital with £350m of remaining assets to provide a solid platform for future growth).

Net flows by strategy: FY24 v FY23



Source: Company

Flows should be underpinned by longer-term investment performance record

Flows are driven by investors believing that Polar can deliver superior returns over the long term – and then allocating capital to Polar for it to manage. Performance is typically judged in two ways: 1) versus benchmarks (this page), and 2) versus peers (next two pages).

When looking at performance versus benchmarks, it is clear that **Polar's largest strategies and underlying investment vehicles have nearly all outperformed versus benchmark over the longer term** (right hand columns in table below 'Since launch'). Outperformance v benchmark is shaded green, underperformance red. It is also worth highlighting that over three and five years, Polar's technology strategies have underperformed v benchmark due to relative underexposure to 'mag 7' stocks, which have dominated 'market-cap-weighted' technology index returns. Over one year, this turned around for its largest fund, the Global Technology Fund, although performance v benchmarks over one year can vary a great deal and does not carry the weight of longer horizons.

Largest strategies' performance versus benchmarks (to 30 May 2025)

			1 year		5 years		Since launch (cumulative)		Since launch (annualised)	
	Launch	AUM	Polar	benchmark	Polar	benchmark	Polar	benchmark	Polar	benchmark
Technology strategy										
Global Technology Fund[1]	19/10/01	£5.0bn	10.7%	8.4%	77.6%	118.1%	1,384%	1,169%	12.1%	11.4%
Technology Trust*[1]	16/12/96	£4.3bn**	3.1%	5.1%	62.6%	89.6%	494%***	499%***	17.3%***	17.4%***
Artificial Intelligence Fund[2]	06/10/17	£0.8bn	3.4%	7.3%	71.2%	71.6%	135%	98%	11.8%	9.3%
Healthcare strategy										
Biotechnology Fund[3]	31/10/13	£1.3bn	-8.2%	-12.0%	25.5%	-9.2%	413%	135%	15.2%	7.7%
Healthcare opportunities Fund[4]	30/11/07	£1.2bn	-7.0%	-9.8%	20.2%	17.6%	688%	475%	12.5%	10.5%
Global Healthcare Trust*[4]	20/06/17*	£0.4bn**	-9.8%	-9.9%	5.9% (3Y)	-0.6% (3Y)	68%	60%	6.7%	6.1%
Emerging Markets & Asia										
Emerging Market Stars Fund[5]	29/06/18	£2.4bn	4.6%	13.0%	29.7%	40.7%	33.3%	28.19%	4.2%	3.7%
Asian Stars Fund[5]	31/12/18	£0.3bn	7.2%	14.8%	40.6%	39.5%	71.5%	44.9%	8.8%	6.0%
Insurance strategy										
Global Insurance fund[6]	16/10/98	£2.6bn	11.1%	19.4%	111.6%	134.0%	760%	662%	14.5%	13.7%
		£18.3bn	(c81% of AUM)							

Source: Polar Capital fund fact sheets: 30 May 2025. *All returns for GBP class* I Distr. *shares except Artificial Intelligence fun (GBP Class I Acc), Emerging Market Stars & Asian Stars Fund (both USD Class I Acc), Polar Capital Technology Trust & Polar Capital Global Healthcare Trust (change in NAV per share). *Full names = Polar Capital Technology Trust plc, Polar Capital Global Healthcare Trust plc. ** NAV of trust. ***10 years, not since launch. Benchmarks: [1]Dow Jones Global Technology Net Total Return Index (in Sterling for Technology Trust), [2]MSCI ACWI Net TR Index, [3]NASDAQ Biotechnology Net Total Return Index, [4]MSCI AC World Daily Total Return Net Health Care Index (in Sterling for Healthcare Trust), [5]MSCI Emerging Markets Net Total Return Index. [6]MSCI Daily Total Return World Net Insurance Index.*

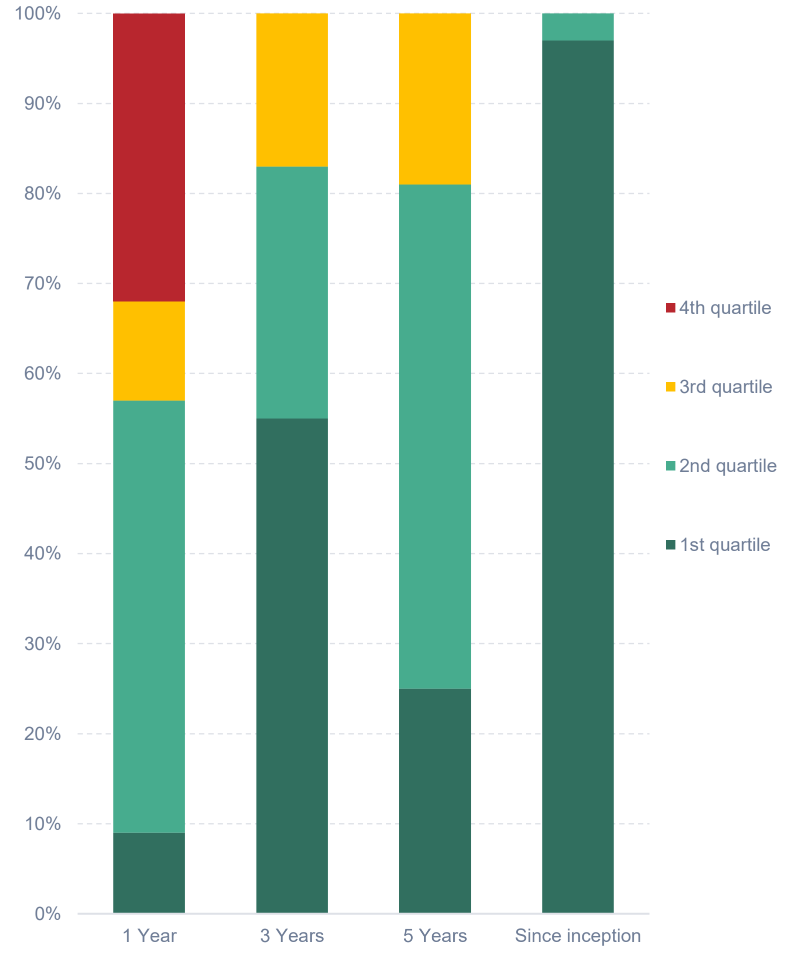
Versus peers, Polar's performance is hugely impressive…

Top-quartile long-term performance for >95% of UCITS AUM

- For Polar's UCITs fund range (around 73% of total group AUM), the proportion of AUM in each benchmark quartile is shown on the right (data as at 30 May 2025).
- **When measured since fund-inception, 100% of Polar's total UCITS AUM is in the top two quartiles of relevant Lipper peer groups*, with c97% in the first quartile.**
- Over five years, 82% of UCITS AUM is in the top two quartiles.
- Over three years, 84% of UCITS AUM is in the top two quartiles.
- Over one year, 57% of UCITS AUM is in the top two quartiles.
- Of 22 Polar funds listed within the UCITS umbrella, 55% (by number of funds) were in the top two quartiles over one year, 79% over three years, 81% over five years, 86% since fund inception.

*Source: Company. *Lipper provides performance data for homogeneous groups of funds with comparable investment objectives: lipperleaders.com*

% of UCITS funds AUM by quartile ranking

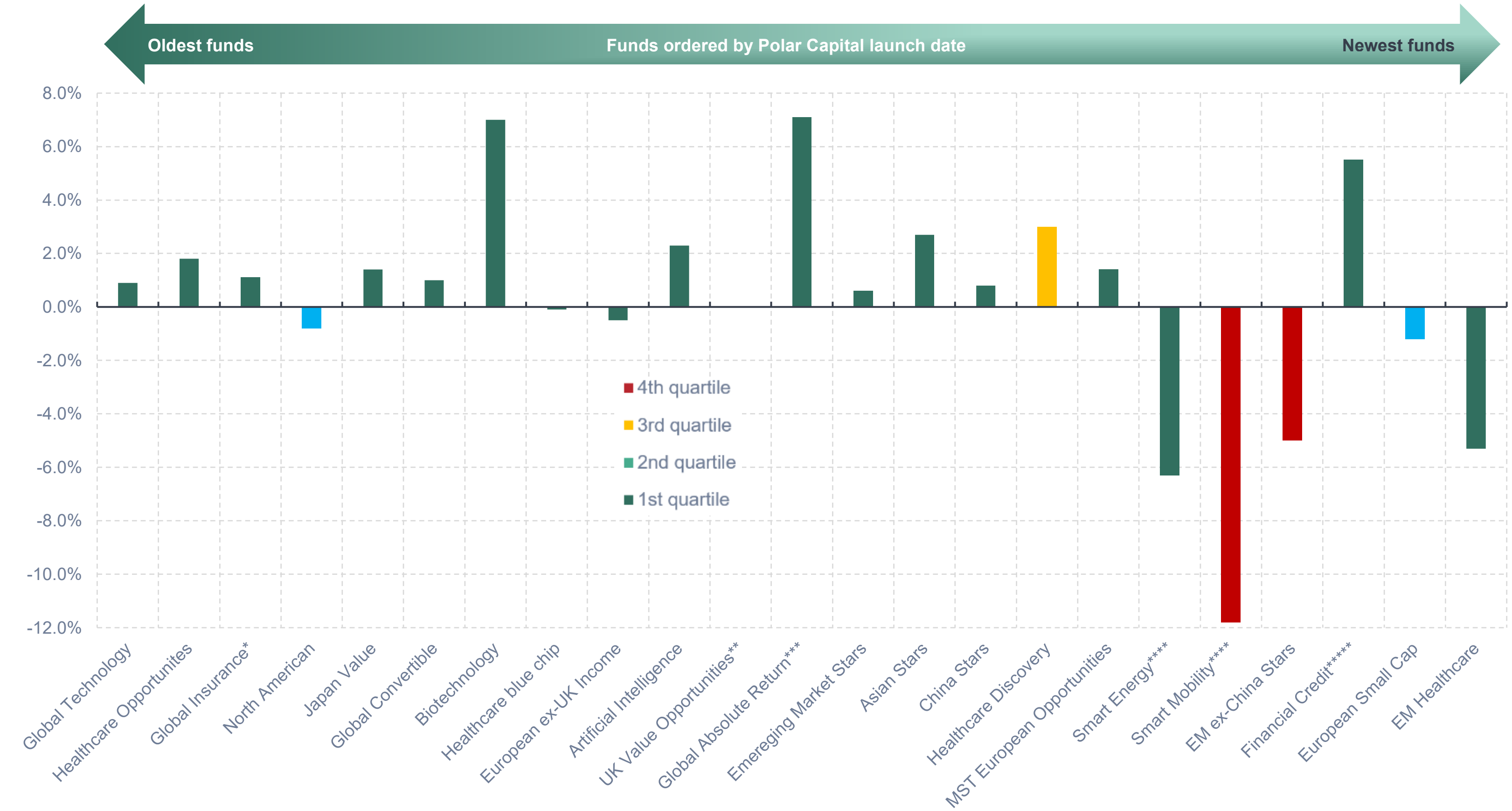


*Source: Company, as at 30 May 25. *c73% of total Polar AUM.*

… especially when measured over longer time horizons

Over the long term, 18 out of Polar's 23 UCITS strategies have delivered 1st quartile returns compared to peers since inception, with 2 delivering 2nd quartile returns. Only one is in the third quartile and two in the fourth.

Relative annualised fund performance against benchmark (since inception)



*Source: Company, Original source: Lipper. Lipper quartile rankings as at 30 May 2025. UCITS performance illustrative of Polar Capital Funds Irish UCITS and Melchior Selected Trust European Opportunities Luxembourg SICAV fund. Geometric performance shown for all periods greater than 1yr.*Lipper performance is not dated since inception of the Fund (19 October 1998), but from when Polar Capital assumed responsibility for the Fund on 31 May 2011. **UK Value Opportunities quartile rankings vs IA UK All Companies sector. ***The Global Absolute Return Fund does not have a benchmark, therefore figures shown reflect absolute performance, quartile ranking vs Targeted Absolute Return IA sector. ****Smart Energy and Smart Mobility benchmarked against the MSCI All Country World Index. *****Financial Credit: 29 December 2023, name, objective and policy changed. Funds ordered according to Polar Capital launch date. All data is based on the Fund's base currency.*

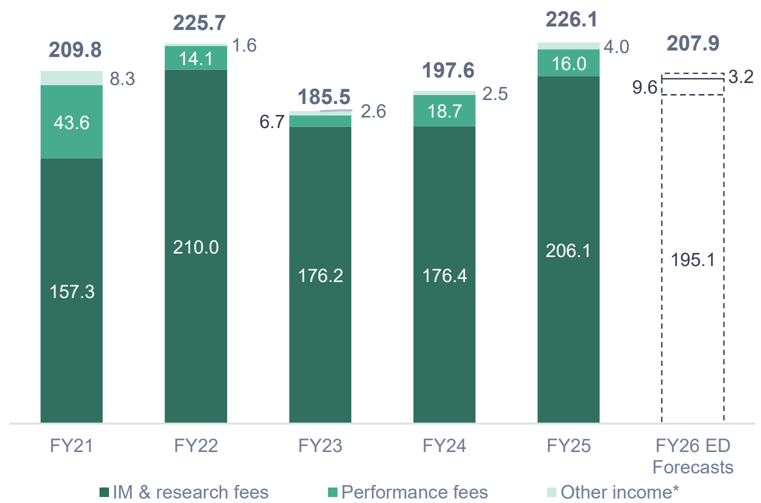
Analysis of FY25 financials

Revenue

Revenue up on jump in average AUM

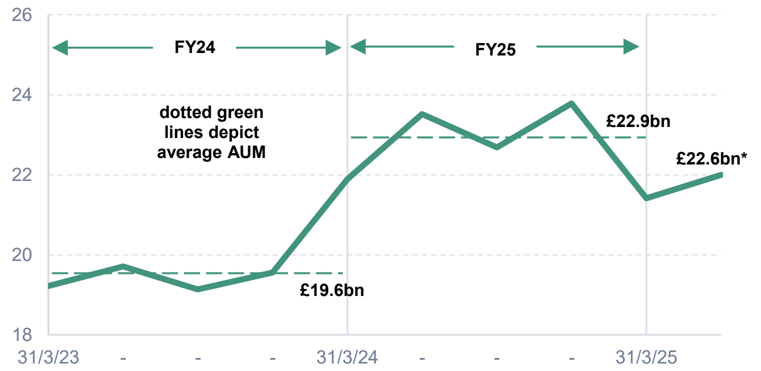
- Gross income increased 14% to £226.1m (FY24: £197.6m). Net income (less commissions + fees payable) increased 13% to £198.3m (FY24: £174.9m).
- **Investment management and research fees (IM fees) were primarily responsible for the jump, increasing 17% to £206.1m (FY24: £176.4m). This was in turn driven by a jump in average AUM levels** (bottom chart).
- Net management fee yield was unchanged at 78bps.
- Performance fees have been solid over the last two years at £18.7m in FY24 and £16.0m in FY25. This source of revenue is however volatile and there is no guarantee of these levels continuing into FY26.
- 'Other income' was up from £2.5m in FY24 to £4.0m in FY25, mostly as a result of mark-to-market gains on seed investments, with interest income slightly up from £2.3m to £2.7m.
- It will be seen from the top chart that we are forecasting a small drop in revenue in FY26, primarily due to the fall in AUM in Q425 (bottom chart) which results in a lower 'starting' AUM level for FY26, with the probability of average AUM for FY26 being lower than FY25 (although Q126 has had a strong start due to a sharp market recovery).
- We also note that we keep our **performance fee estimates conservative relative to historic levels** due to the uncertainty of performance fees. Polar's gross performance fees as a percentage of IM fees (from FY20 through FY25) have been: 17%, 28%, 7%, 4%, 11%, and 8%, while our forecast for FY25 is 5%.

Revenue breakdown: 5Y history & FY26 forecast, £m



*Source: Company reports, ED. *Other income = interest income; gains/losses on seed capital investments, financial assets and liabilities; gains/losses on currency contracts; investment income.*

AUM profile last two years, £bn



*Source: Company reports. *AUM on 20/6/25 £22.6bn*

Operating costs and operating profit

Core profits jump on revenue pick-up, limited cost rises

- **Core operating profit jumped 27% y-o-y from £44.8m to £56.7m, mostly because of increased average AUM and IM-fees, with costs increasing at a lower rate.** This is *profit before performance fee profits, other income, exceptional items and tax* – it presents a measure of the Group's profitability excluding investment-performance-related profits and other components which may be volatile, non-recurring or non-cash in nature (therefore it is mostly a function of growth and operating efficiency).
- Core operating costs were up 12% from £108.7m to £121.4m [these are made up of **core distributions** (formula-driven variable compensation paid to investment teams from management fee revenue – up 18%) and **other core operating costs** (other staff costs, office and administrative costs etc – up 7% with inflationary factors and the addition of the International Small Company Team being primarily responsible for the increase)].
- As a result, **core operating margin increased from 29.2% to 31.8%.**
- Polar's IFRS operating costs totalled £146.5m (up 22% from £120.0m in FY24), £25.1m above core operating costs with the main differences being:
    - Performance fee staff interests: £8.1m
    - Impairment of goodwill (a non-cash accounting entry): £13.6m. This related to the acquisition of Dalton Strategic Partnership in 2021. Due to the challenging environment for small and mid-cap European equities and continued net outflows the Group reassessed the value of the goodwill and intangible assets which have now been fully derecognised.
    - Amortisation of intangibles: £1.2m, also related to Dalton.

Breakdown of operating costs with y-o-y comparison

	FY25	FY24	
Staff compensation costs			
Salaries, bonuses & other staff costs[1]	39.6	35.0	+13%
Core distributions[2]	50.6	42.8	+18%
Share-based payments[3]	5.0	3.2	+56%
Performance fee interests	8.1	9.1	-11%
Total	**103.3**	**90.1**	**+15%**
Other operating costs			
IT	7.7	7.3	+5%
Rent & rates	5.1	4.6	+11%
Professional fees	2.2	2.6	-15%
Research & Corporate access	4.1	4.3	-5%
Travel & entertainment	2.5	2.6	-4%
Other	6.8	7.3	-7%
Total	**28.4**	**28.7**	**-1%**
Exceptional items			
Impairment of goodwill - Dalton	13.6	0.0	
Amortisation of intangibles - Dalton	1.2	1.2	
Total	**14.8**	**1.2**	
Total operating costs	**146.5**	**120.0**	**+22%**

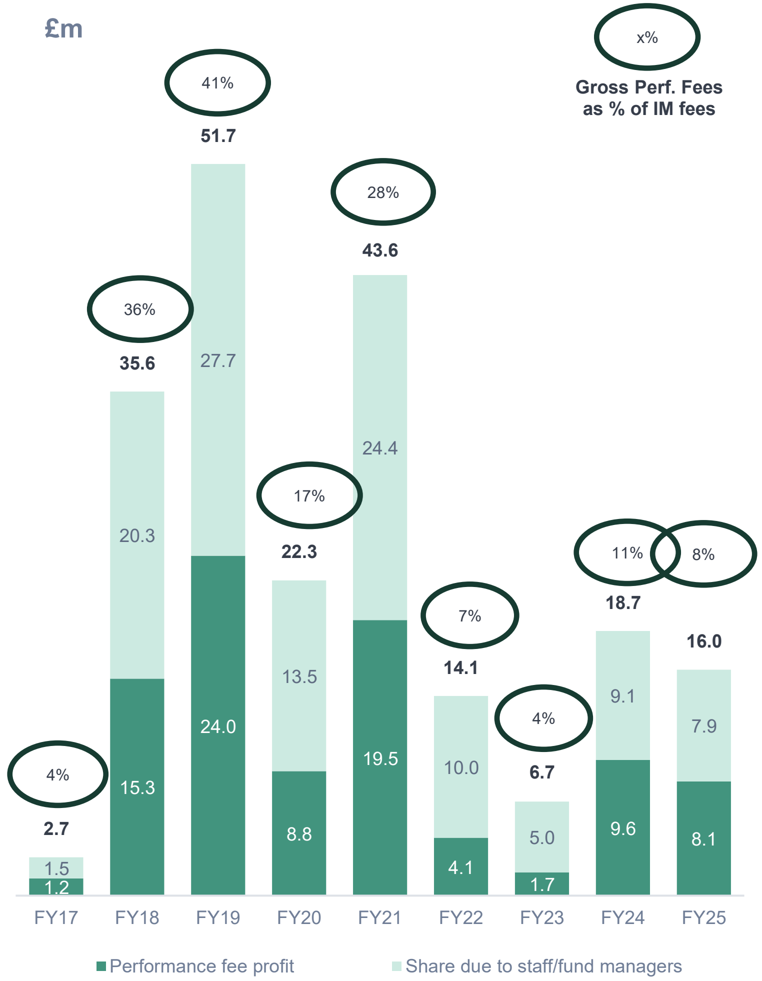
Source: Company
1. Including share awards under deferment plan of £0.8m (FY24: £0.7m)
2. Including share awards under deferment plan of £1.2m (FY24: £1.2m)
3. Share-based payments on preference shares of £1.9m (FY24: £0.7m), LTIPs of £2.4m (FY24: £1.9m) and equity incentive plan of £0.7m (FY24: £0.6m).

IFRS profits and per share profit metrics

IFRS profits hit by Dalton impairment

- The main differences between core and IFRS profits are: 1) performance fees; 2) 'other income' (primarily interest income, gains/(losses) on financial assets and liabilities, gains/(losses) on forward currency contracts, and investment income.); and 3) exceptional items (discussed on previous page).
- Performance fees (gross) were slightly down y-o-y at £16.0m v £18.7m in FY24. Net performance fees (after staff interests) decreased from £9.6m to £8.1m. Polar has disclosed that five funds earned a performance fee, but most of the performance fees earned in FY25 related to one fund.
- It is worth stressing the volatility of performance fees, and hence the volatility in statutory earnings compared to core earnings. We have illustrated this on the right. An additional observation is that even though performance fees were substantial in FY25, they still remained low by historical standards.
- 'Other income' (not included in the core profit calculation) was £4.0m (FY24: £2.5m), which was mainly interest income of £2.7m with the balance being fair value gains/losses & currency contracts.
- With exceptional items jumping in FY25, statutory profit before tax decreased 6% from £54.7m in FY24 to £51.6m in FY25. Profit after tax decreased by 13% from £40.8m to £35.3m (lower than the PBT due to a higher effective tax rate).
- Basic EPS fell by 14% to 36.6p (FY24: 42.3p), diluted basic EPS by 14% to 36.1p (FY24: 41.8p), while adjusted diluted core EPS increased 26% y-o-y to 44.0p (FY24: 35.0p).

Performance fees increase the volatility of statutory earnings



Source: Company historic data

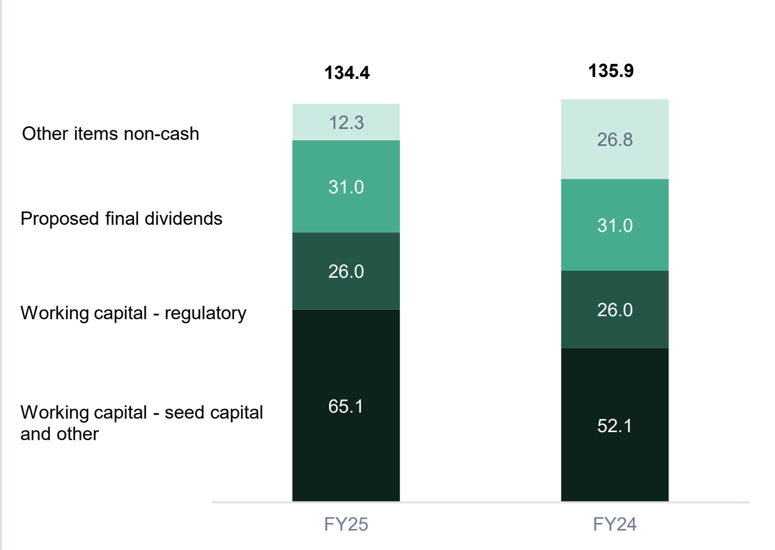
Balance Sheet and Cash Flow

Balance sheet robust with cash making up 26% of Polar's market cap

- Polar maintains its exceptionally strong balance sheet, with net assets slightly down from £135.9m to £134.4m.
- **Cash and equivalents were up by 23% to £121.8m from £98.9**, with the bulk of the movement as a result of: +£64m from operating activities (after tax) and -£44.4m paid in dividends.
- **Polar has no borrowings**.
- Polar considers capital in terms of four main categories: 1) capital used to seed new investment products, 2) a buffer for times of uncertainty, 3) to pay dividends, and 4) to fund the EBT to buy shares to reduce the dilutive effects of LTIP and option awards. The current and annual change of these is shown on the right.
- On 31 Mar 25 £37.3m of the Group's balance sheet (FY24 £35.8m) was invested to seed fledgling funds.

Source: Company

Capital allocation, £m



Source: Company

Regulatory capital position

- The Group produces a 'surplus capital' report which takes account of capital commitments and minimum levels of regulatory capital to illustrate the capital available to pursue growth opportunities, such as seeding new investment products or acquisitions.
- **Polar's surplus capital grew to £65.1m at the end of FY25 (FY24: £52.1m)**. This is the surplus over and above its regulatory capital minimum of £26m and its Jul 25 dividend commitment of £31.0m.

Source: Company

Summary capital surplus position

	Year to Mar 25	Year to Mar 24
Capital after regulatory deductions	**£122.1**	**£109.1**
Less: dividend provision	(£31.0)	(£31.0)
	£91.1m	**£78.1m**
Regulatory capital requirement	(£26.0m)	(£26.0m)
Surplus capital	**£65.1m**	**£52.1m**

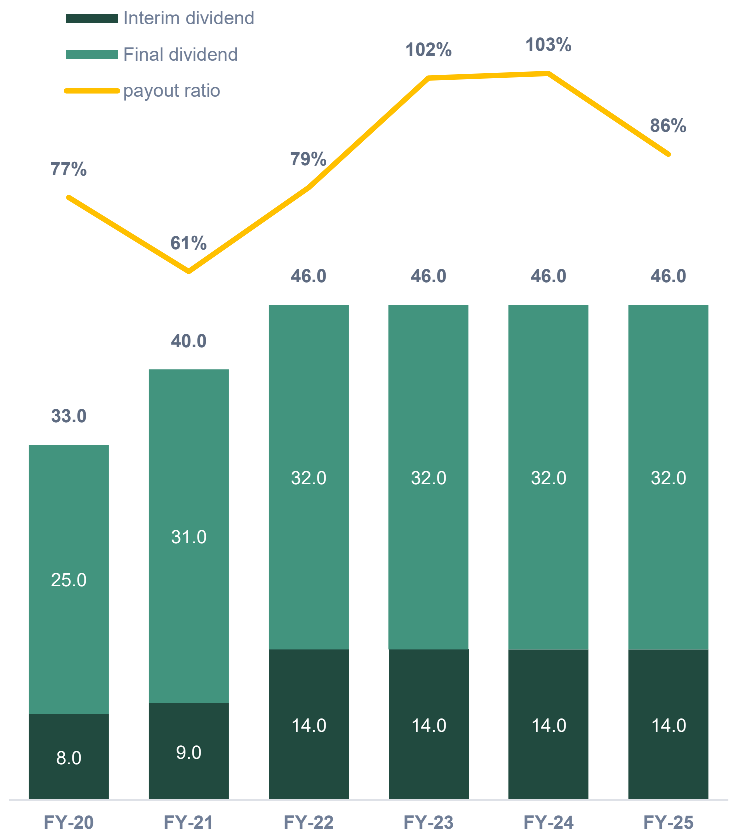
Source: Company

Dividends

Dividend unchanged with a yield of 10%

- Polar's dividend policy is to pay an annual dividend within a range of 55% and 85% of adjusted total earnings, dependent on the scale of performance fees in the relevant year and the anticipated trading conditions for the following year.
- In the last few years, Polar was confident enough in its outlook and its cash resources to maintain the dividend level reached in FY22 (46.0p per share), despite the payout ratio exceeding its policy payout range (79% in FY22, 102% in FY23, 103% in FY24).
- **Polar has again recommended an unchanged dividend for FY25 (46.0p per share total), with the payout ratio dropping significantly from the 103% of FY24 to 86%, only marginally above its policy payout range**.
- Given the strong performance of FY25 and the group maintaining its exceptionally strong balance sheet with cash resources of £121m (end-FY24: £99m), **the previous confidence to maintain dividend levels looks well justified**.

Historic and proposed dividends, pence per share



Source: Company historic data

Strategically well positioned to capitalise

Some significant opportunities in key strategies

We remind readers of Polar's 'growth with diversification' strategy and how it intends to grow its AUM organically from existing strategies and channels, and also from adding new:

1. *investment themes* (e.g. in 2021 launched Smart Energy and Smart Mobility, in 2024 International Small Company fund targeting US investors, EM Healthcare, European Small Cap);
2. *channels* (e.g. its acquisition of Dalton has added a range of Luxembourg SICAV funds and segregated mandates); and
3. *geographies* (e.g. Dalton has a strong European client base, particularly in Germany, and the abovementioned International Small Company fund complements its existing US offering).

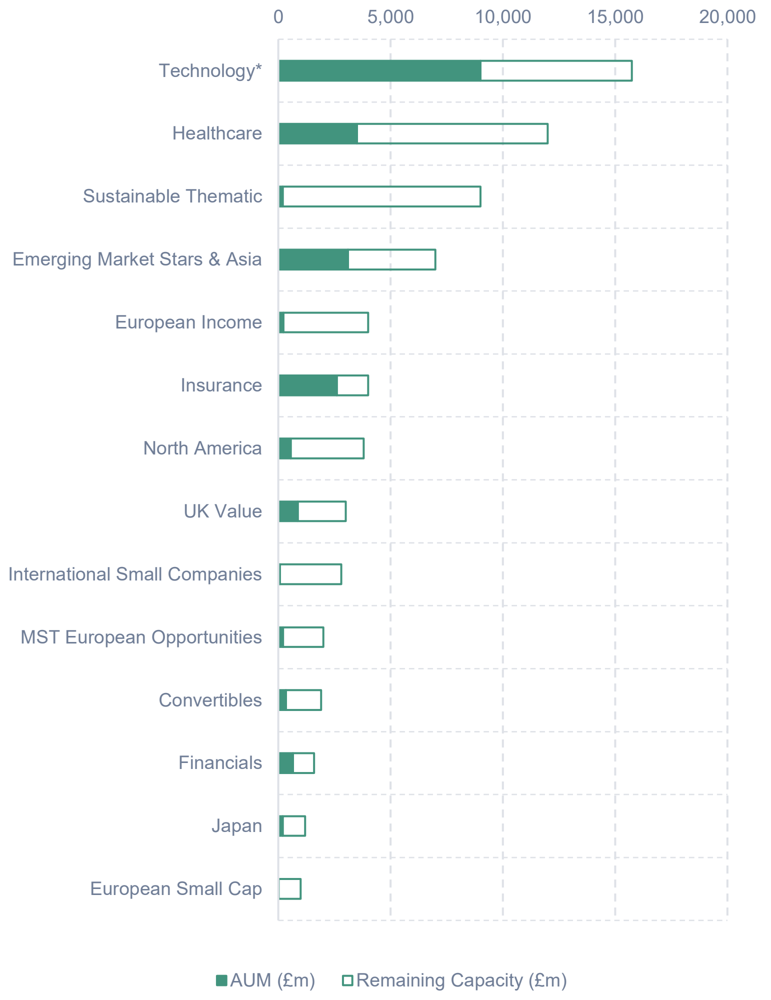
With respect to organic growth, a number of strategies look well positioned:

- **EM, European, UK, Japan, and International Small Company strategies should benefit from investors' reducing extreme US-overweight positions** in favour of seeking greater geographic diversification.
- The **deep expertise within Polar's Technology team should be able to capitalise on the AI mega-trend**, especially as investors look for opportunities beyond the mag-7 (Polar's AI strategy focuses not only on technology providers, but also on companies positioned to benefit from AI).
- Its Smart Energy fund should benefit from the many investment opportunities arising from the huge demand for energy provision and energy efficiency.

These opportunities arise not only out of market opportunities, but from Polar's available capacity, which is significant in many of the above areas (see chart). Currently, Polar has a total capacity of £66bn with a current remaining capacity (opportunity for growth) of £45bn.

Source: ED Commentary, Company

AUM and available capacity (31 Mar 25)

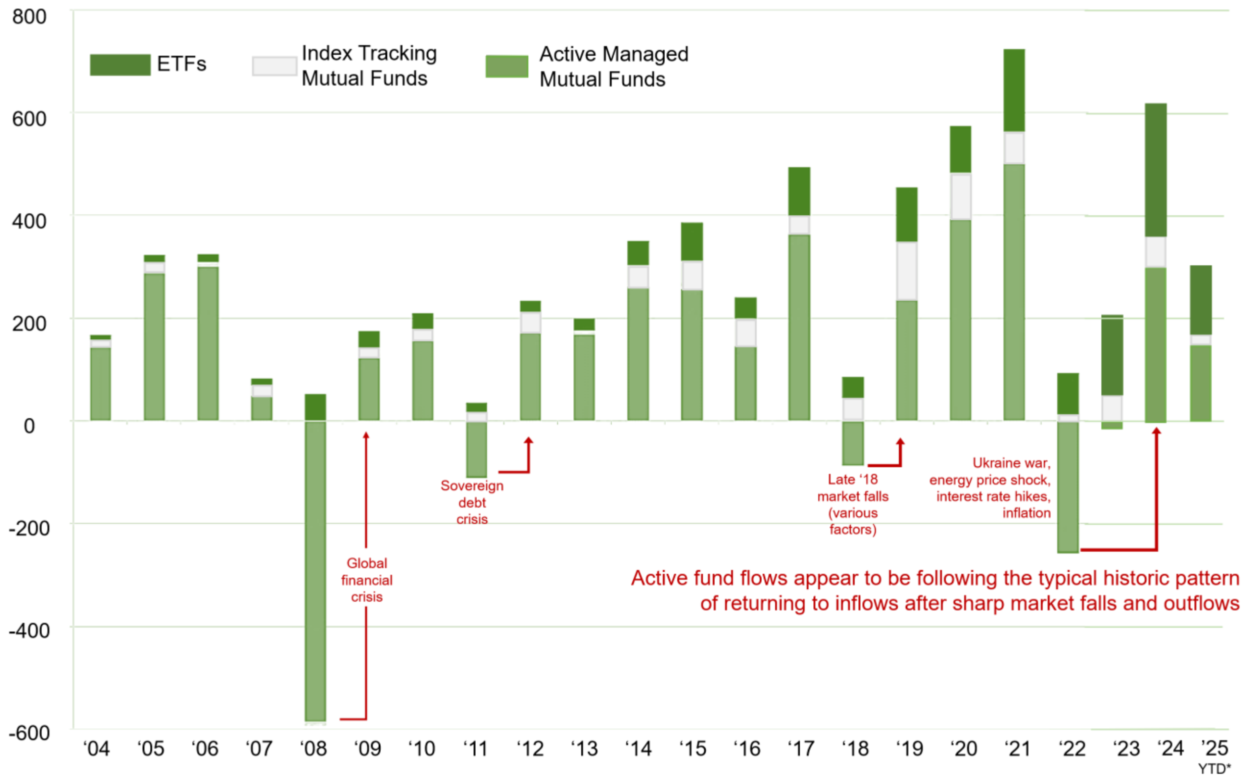


*Source: Company *Includes Artificial Intelligence Strategy*

Demand for active management muted in the US, better in Europe, but volatile

We feel it is important to highlight that amidst the boom in demand for passive investing, **there are perceptions that active management is in rapid decline. But that is not the case**. It is true that active fund flows appear more volatile and tend to turn negative during market falls. But recent history (in Europe, Polar's largest market) shows active funds typically return to net inflows. In the chart, the active outflows of 2008, 2011, and 2018 were soon followed by inflows. The same pattern appears to be developing following the market falls and active outflows of 2022/2023. An important point was also made in Boston Consulting Group's *Global Asset Management Report 2025*: "*Breaking down the shift to passive across mutual funds and ETFs by geography, however, reveals a strong regional tilt, in which North America's $337 billion in outflows from active funds was enough to drag global net flows into negative territory. **All other regions saw positive net flows into active funds***." (in 2024)

Annual estimated European net fund flows, €bn



Source: LSEG Lipper: European Fund Industry Review: 2023. Chart reproduced with permission. 2024 & 2025 YTD (Jan – May) data added from LESG Lipper European Fund Flow Report: December 2024 and European Fund Flow Report: May 2025

Updated forecasts

- **Polar has exceeded our FY25 forecasts at a core operating profit level**, due to revenue margin being slightly higher than forecast and core operating costs being slightly lower than forecast.
- IFRS profits are lower than forecast due primarily to the non-cash Dalton impairment (see page 10).
- **Our FY26 forecasts are upgraded**, primarily as a result of the rapid increase in AUM levels in Q1 being higher than previously forecast (investment performance much stronger than forecast, net inflows slightly weaker than forecast).
- **We have however pared back our outer year net inflow forecasts** slightly because of the persistency in net flow weakness arising from market uncertainty. In terms of valuation, these two adjustments largely offset each other with our fundamental valuation unchanged (see next page).

Performance v forecast and changes to forecast changes

Year to 31 Mar (£m)	FY25 Actual	FY25E Old	above/below forecast	FY26E Revised	FY26E Old	Change
AUM (£bn)	21.4	21.4	0.0%	23.4	22.6	3.8%
Rev	222.1	222.4	-0.1%	204.7	200.3	2.2%
Management fees	206.1	203.5	1.3%	195.1	190.8	2.3%
Performance fees	16.0	18.9	-15.5%	9.6	9.5	0.6%
PBT	51.6	57.3	-9.9%	49.7	45.3	9.6%
Core operating profit	56.7	53.9	5.3%	45.7	40.8	11.9%
Performance fee profit	8.1	8.3	-2.7%	4.2	4.2	0.2%
EPS basic (p)	36.6	42.6	-14.2%	38.0	33.8	12.4%
EPS adjusted diluted (p)	53.5	49.9	7.2%	40.9	35.9	14.1%
PER	12.6	10.8		12.1	13.6	
Div (p)	46.0	46.0	0.0%	46.0	46.0	0.0%
Yield	10.0%	10.0%		10.0%	10.0%	
Net assets	134.4	141.6	-5.1%	134.3	137.2	-2.1%
Net cash	121.8	86.1	41.5%	118.7	79.8	48.7%

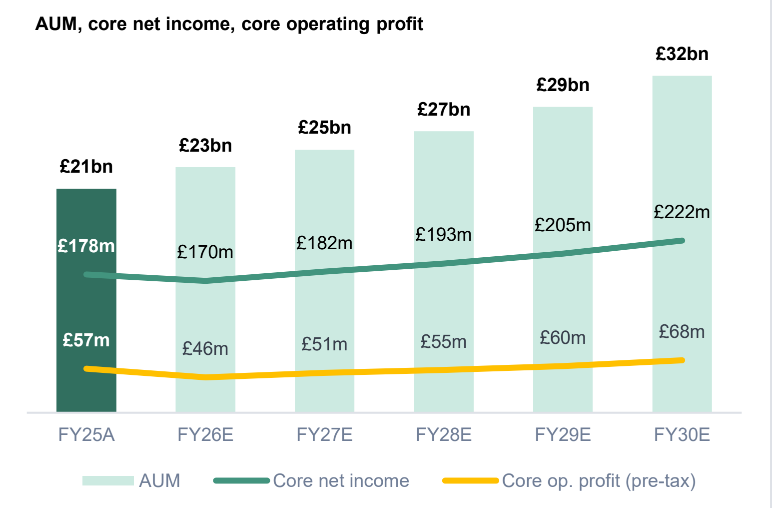
Source: Equity Development, Priced at 27/06/2025

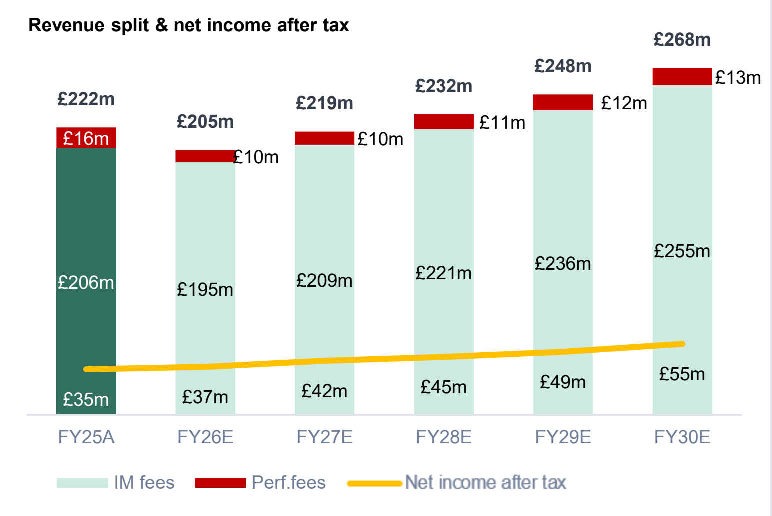
Fundamental Valuation of 550p

Underlying assumptions of fundamental valuation

- Our fundamental valuation uses a discounted cash flow methodology which is underpinned by a 5-year explicit growth forecast. This assumes:
- AUM grows at c8% CAGR, more specifically:
  - Polar's net flows are negative in FY26, before returning to small positive flows in FY27.
  - Net flows gradually build to around £1.5bn per year in the latter part of our forecast – noting that that Polar achieved net inflows of around £2bn per year in the bull markets of FY18 and FY21.
  - Investment returns contribute 5% p.a. to AUM.
- Revenue grows at c3% CAGR, pegged back by a lower starting AUM in FY26 (due to the fall in Q4 FY25) which is likely to lower average AUM and revenue for FY26. We also assume some price erosion and what would probably be considered as conservative performance fee assumptions (in red in lower chart on right). Actual performance fees achieved in previous 5Y period (FY21: £44m; FY22: £14m; FY23: £7m; FY24: £19m; FY25: £16m).
- Core operating margin falls in FY26 due to the assumed fall in revenue and then returns to above the 30%+ level over time - noting that Polar achieved margins of 36.1% and 37.1% in FY21 and FY22 (before AUM fell off with the tech stock rout of calendar-2022).
- For the terminal value of our DCF we assume that Polar is acquired at the end of the 5-year explicit forecast period at a PER of 15 (probably conservative (see overleaf).
- **All cash flows are discounted at a rate of 13%, which produces a fundamental valuation of 550 pence per share, almost 20% above the current share price (as at 27 Jun 25).**

Summary 5Y growth forecasts





Source: Company historic data, ED forecasts and analysis

Peer comparator valuations

A sector-median PER seems strange given strong performance & position

- We believe the UK asset management sector is deeply undervalued, especially so after sharp recent falls in many asset managers' share prices.
- Given its relatively robust net flows compared to peers, niche strategic positioning, strong profit margins, and strong balance sheet (£122m net cash at the end of FY25 and no debt), we would expect Polar to trade at a premium compared to peers.
- But Polar only trades around the peer group median PER of 12.7. Moreover, we would consider its current PER to be inflated due to the dip in statutory profits because of the non-cash Dalton impairment.
- We therefore see potential for this to adjust and for Polar's shares to re-rate over time and as markets settle.

PER peer group comparison

Source: London Stock Exchange, company announcements. PERs based on share prices as at 27 Jun 25 and latest available basic EPS on Trailing Twelve Months (TTM) basis on that date.

Summary financials

Income statement

Year to 31 Mar (£m)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	182.9	195.1	222.1	204.7	219.1
Other Income	2.6	2.5	4.0	3.2	3.2
Gross Income	**185.5**	**197.6**	**226.1**	**207.9**	**222.3**
Commissions and fees payable	(21.4)	(22.7)	(27.8)	(25.0)	(26.7)
Net Income	164.1	174.9	198.3	182.9	195.5
Operating Costs	(118.7)	(120.0)	(146.5)	(133.1)	(139.6)
Profit for the year before tax	**45.2**	**54.7**	**51.6**	**49.7**	**55.7**
Taxation	(9.6)	(13.9)	(16.3)	(12.4)	(13.9)
Profit attributable to ordinary shareholders	**35.6**	**40.8**	**35.3**	**37.2**	**41.8**
Adjusted Profit					
Add exceptional items, acquisition related costs	5.0	-	-	-	-
Add exceptional items, amortisation of intangible assets	1.2	1.2	1.2	1.2	1.2
Add exceptional items, impairment of intangible assets	-	-	13.6	-	-
Add cost of share-based payments on preference shares	0.3	0.7	1.9	1.9	1.9
Add exceptional items - FV charge on def cons on acquisition	-	-	-	-	-
Less net amount of deferred staff rem	1.7	0.3	0.3	0.3	0.3
Adjusted Profit After Tax	**43.7**	**43.0**	**52.3**	**40.7**	**45.2**
Basic EPS, p	36.8	42.3	36.6	38.0	42.0
Diluted EPS, p	36.1	41.8	36.1	37.5	41.5
Basic adjusted EPS, p	45.2	44.6	54.2	41.5	45.4
Diluted adjusted EPS, p	44.3	44.0	53.5	40.9	44.9
Core operating profit					
Management fees	176.2	176.4	206.1	195.1	208.8
Commissions and fees payable	(21.4)	(22.7)	(27.8)	(25.0)	(26.7)
Net management fees	154.8	153.7	178.4	170.1	182.1
Profit/(loss) on foreign currency contracts	-	-	-	-	-
Core operating costs	(106.7)	(108.7)	(121.4)	(124.3)	(130.5)
Finance costs	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Core operating profits (before tax)	**47.9**	**44.8**	**56.7**	**45.7**	**51.4**

Source: Company data, Equity Development.

Balance sheet

Year to 31 Mar (£m)	FY23A	FY24A	FY25A	FY26E	FY27E
Non-current assets					
Goodwill and intangible assets	15.9	14.8	-	-	-
Property & equipment	10.5	8.3	6.1	5.3	4.6
Deferred tax assets	0.1	1.9	4.3	4.3	4.3
Sub-total NCAs	26.6	25.0	10.4	9.6	8.8
Current assets					
Assets at fair value through P&L	83.0	62.4	63.3	63.3	63.3
Trade & other receivables	19.5	21.1	22.9	21.1	22.6
Other financial assets	5.2	3.4	1.5	1.5	1.5
Assets at amortised cost	-	6.7	-	-	-
Cash & cash equivalents	107.0	98.9	121.8	118.7	127.7
Current tax assets	0.3	0.1	0.1	0.1	0.1
Sub-total CAs	215.1	192.6	**209.7**	**204.8**	**215.3**
TOTAL ASSETS	**241.7**	**217.6**	**220.1**	**214.4**	**224.1**
Current Liabilities					
Liabilities at fair value through P&L	16.4	5.4	5.8	5.8	5.8
Trade & other payables	68.7	64.1	71.2	65.6	70.2
Provisions	3.2	0.2	-	-	-
Other financial liabilities	0.0	0.0	-	-	-
Current tax liabilities	0.7	4.1	3.5	3.5	3.5
Sub-total CLs	88.9	73.9	80.5	74.9	79.5
Non-current Liabilities					
Provisions & other liabilities	8.9	7.5	5.1	5.1	5.1
Liabilities at fair value through P&L	0.5	0.2	0.1	0.1	0.1
Deferred tax liabilities	0.5	-	-	-	-
Sub-total NCLs	9.9	7.8	5.2	5.2	5.2
TOTAL LIABILITIES	**98.8**	**81.7**	**85.7**	**80.1**	**84.7**
NET ASSETS	**142.9**	**135.9**	**134.4**	**134.3**	**139.4**
Capital & Reserves					
Issued share capital	2.5	2.5	2.5	2.5	2.5
Share premium	19.4	19.4	19.4	19.4	19.4
Investment in own shares	(31.6)	(34.7)	(29.7)	(29.7)	(29.7)
Capital & other reserves	12.3	12.0	12.3	12.3	12.3
Retained Earnings	140.3	136.6	130.0	129.8	135.0
TOTAL EQUITY	**142.9**	**135.9**	**134.4**	**134.3**	**139.4**

Source: Company data, Equity Development

Cash flow statement (page 1 of 2)

Year to 31 Mar (£m)	FY24A	FY24A	FY25A	FY26E	FY27E
Operating activities					
Profit before taxation	**45.2**	**54.7**	**51.6**	**49.7**	**55.7**
Adjustment for:					
Interest receivable and similar income	(0.7)	(2.3)	(2.7)	(2.7)	(2.7)
Investment income	(0.6)	(0.4)	(0.3)	(0.5)	(0.5)
Interest on lease	0.2	0.2	0.2	0.2	0.2
Depreciation on property & equipment	2.2	2.5	2.5	2.5	2.5
Revaluation of liability at FVTPL	-	-	-	-	-
Amortisation & impairment of intantible assets	1.2	1.2	14.8	-	-
Decr/(Incr) in fair value of inv securities	-	-	-	-	-
Decr/(incr) in fair value of assets at FVTPL	(4.2)	2.9	(1.8)	-	-
(Decr)/incr in other financial liabilities	(0.5)	0.2	1.6	-	-
incr in other financial assets	-	-	-	-	-
Decr/(incr) in receivables	5.9	(1.5)	(1.8)	1.8	(1.5)
(Decr)/incr in trade and other payables	(8.7)	(7.1)	5.7	(5.6)	4.6
Share-based payment charges	4.4	5.1	7.0	7.2	7.6
Incr/(decr) in liabilities at FVTPL	0.3	(2.2)	0.1	-	-
Release of fund units deferred rem	7.4	(1.2)	3.8	-	-
Other non-cash items	-	-	-	-	-
Cash generated from operations	**52.0**	**52.0**	**80.7**	**52.6**	**65.9**
Corporation tax paid	(7.7)	(12.4)	(19.4)	(12.4)	(13.9)
Interest on lease	-	-	-	-	-
Interest received	0.9	2.3	2.7	2.7	2.7
Net cash from operating activities	**45.1**	**41.9**	**64.0**	**42.9**	**54.7**

Source: Company data, Equity Development

Cash flow statement (page 2 of 2)

Year to 31 Mar (£m)	FY24A	FY24A	FY25A	FY26E	FY27E
Investing activities					
Interest received	-	-	-	-	-
Investment income received	0.4	0.4	0.3	0.5	0.5
Sale of investment securities	-	56.1	44.0	-	-
Purchase of investment securities	-	-	-	-	-
Sale of assets at FV through P&L	55.3	-	-	-	-
Purchase of assets at FV through P&L	(62.8)	(36.4)	(46.9)	-	-
Purchase of assets at amortised cost	-	(6.7)	6.7	-	-
Purchase of property and equipment	(0.5)	(0.2)	(0.2)	(0.2)	(0.2)
Sale of property and equipment	-	-	0.0	-	-
Cash introduced via business combination	-	-	-	-	-
Payments in respect of business combination	-	-	-	-	-
Payments in respect of asset acquisition	(0.2)	(0.1)	(0.0)	-	-
Cash from disposal of cons seed investments	(11.7)	-	-	-	-
Net cash used in investing activities	**(19.5)**	**13.1**	**3.9**	**0.3**	**0.3**
Financing activities					
Dividends paid to shareholders	(44.5)	(44.3)	(44.4)	(44.6)	(44.2)
Lease payments	(1.4)	(1.7)	(1.5)	(1.5)	(1.5)
Interest on lease	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Issue of shares	-	-	-	-	-
Purchase of own shares	(10.7)	(8.2)	0.4	-	-
3rd party subs into cons funds	20.7	5.0	1.4	-	-
3rd party redemptions from consolidated funds	(3.9)	(13.4)	(1.1)	-	-
Dividends paid to 3rd party interests	-	-	-	-	-
Net cash from /(used in) financing activities	**(39.9)**	**(62.9)**	**(45.4)**	**(46.3)**	**(45.9)**
Net (decr)/incr in cash & equivalents	**(14.3)**	**(7.9)**	22.5	(3.2)	9.0
Cash & equivalents beginning of year	121.1	107.0	98.9	121.8	118.7
Effect of forex rate changes	0.1	(0.2)	0.4	-	-
Cash & equivalents at end of year	**107.0**	**98.9**	**121.8**	**118.7**	**127.7**

Source: Company data, Equity Development

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