Polar Capital Holdings

EQUITY Development

Bumper Q2-26, AUM +15%. Forecasts & value raised.

9 October 2025

AUM jumped £3.5bn (15.3%) to £26.7bn over Q2 of FY26 (1 Jul 25 – 30 Sep 25). Investment performance contributed £3.6bn (Q1: +£2.7bn) with net flows marginally negative at -£58m (Q1: -£0.6bn). The net flow improvement is particularly impressive given that it was a quarter of heavy outflows for equity funds more generally (page 3). Mark to market performance fee profits, net of staff allocations, were £15.0m on 30 Sep 25 (most PFs crystallise in December).

The pace of AUM growth has seen end-H1 AUM far exceed our previous end-FY26 (31 Mar 26) forecast of £23.4bn. Performance fees are also currently substantially higher than previously modelled (£4.2m for FY26). We accordingly raise FY26 forecasts to: AUM: £27.0bn (previously £23.4bn); revenue £247.3m (£204.7m); core operating profit: £56.4m (£45.7m); and PBT £71.2m (£49.7m). FY27 forecasts and beyond also rise due to higher starting-AUM (see page 2).

Our revised AUM forecast may appear conservative, but we remind readers that market pullbacks and further outflows could still reduce AUM from current levels. We also flag that there is **no guarantee** that performance fees will crystallise at or above current mark-to-market levels, or at all.

Market tailwinds, very strong recovery in flows

Clearly, markets have provided a strong tailwind for Polar over the last six months, with the MSCI ACWI (GBP) up 15.1% over Polar's H1-26 (Q1: +5.1%; Q2: +9.6%). But Polar's returns have exceeded these by some distance: H1: +29.2% (Q1: +12.5%; Q2: +15.5%).

It also reported net inflows for a broad range of strategies: Artificial Intelligence, Global Technology, Asian Stars, Emerging Market Stars, Biotechnology, Japan Value, Financial Credit, Global Absolute Return, Smart Energy, and International Small Company (+£350m combined net flows in Q2). European and UK strategies remained out of favour, with combined net outflows of £175m.

Fundamental value upgrade to 650p, undemanding PER of 14.8

Our **fundamental valuation based on a DCF model rises to 650p from 550p**. We will provide full and updated details of this with our note covering the interim results in November. On page 4, we also detail that Polar does not trade at a significant premium to peers, which seems strange to us.

Key financials & valuation metrics

Year to 31 Mar (£m)	FY23A	FY24A	FY25A	FY26E	FY27E
AUM (£bn)	19.2	21.9	21.4	27.0	28.9
Rev	182.9	195.1	222.1	247.3	243.5
Management fees	176.2	176.4	206.1	213.2	233.2
Performance fees	6.7	18.7	16.0	34.1	10.3
PBT	45.2	54.7	51.6	71.2	70.2
Core operating profit	47.9	44.8	56.7	56.4	65.9
Performance fee profit	1.7	9.6	8.1	15.0	4.5
EPS basic (p)	36.8	42.3	36.6	54.5	52.9
EPS adjusted diluted (p)	44.3	44.0	53.5	57.2	55.6
PER	14.7	12.8	14.8	9.9	10.2
Div (p)	46.0	46.0	46.0	46.0	47.9
Yield	8.5%	8.5%	8.5%	8.5%	8.8%
Net cash	142.9	135.9	134.4	150.7	163.5

*Source: Company data, Equity Development, priced at 08/10/25 **ex leases.*

Company data

EPIC	POLR.L
Price (last close)	542p
52 weeks Hi/Lo	549p/350p
Market cap	£551m
ED Fair Value / share	650p
Net cash** 2025A	£122m
Avg. daily volume (3m)	286k

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 30 Sep 25: £26.7bn

Next event

Interim results Nov 2025

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Updated forecasts

We upgrade our FY26 and fY27 forecasts due to:

- The jump in AUM over H1-26 being higher than originally forecast, and
- Mark to market performance fee profits being higher than originally forecast.

Performance v forecast and changes to forecast changes

Year to 31 Mar (£m)	FY27E Revised	FY26E Old	above/below forecast	FY27E Revised	FY27E Old	Change
AUM (£bn)	27.0	23.4	15.2%	28.9	25.1	14.9%
Rev	247.3	204.7	20.8%	243.5	219.1	11.1%
Management fees	213.2	195.1	9.3%	233.2	208.8	11.7%
Performance fees	34.1	9.6	256.6%	10.3	10.2	0.3%
PBT	71.2	49.7	43.4%	70.2	55.7	25.9%
Core operating profit	56.4	45.7	23.6%	65.9	51.4	28.0%
Performance fee profit	15.0	4.2	256.6%	4.5	4.5	0.3%
EPS basic (p)	54.5	38.0	43.4%	52.9	42.0	25.9%
EPS adjusted diluted (p)	57.2	40.9	39.8%	55.6	44.9	23.9%
PER	9.9	14.3		10.2	12.9	
Div (p)	46.0	46.0	0.0%	47.9	38.6	23.9%
Yield	8.5%	8.5%		8.8%	7.1%	
Net assets	150.7	134.3	12.3%	163.5	139.4	17.3%
Net cash	144.4	118.7	21.7%	157.1	127.7	23.0%

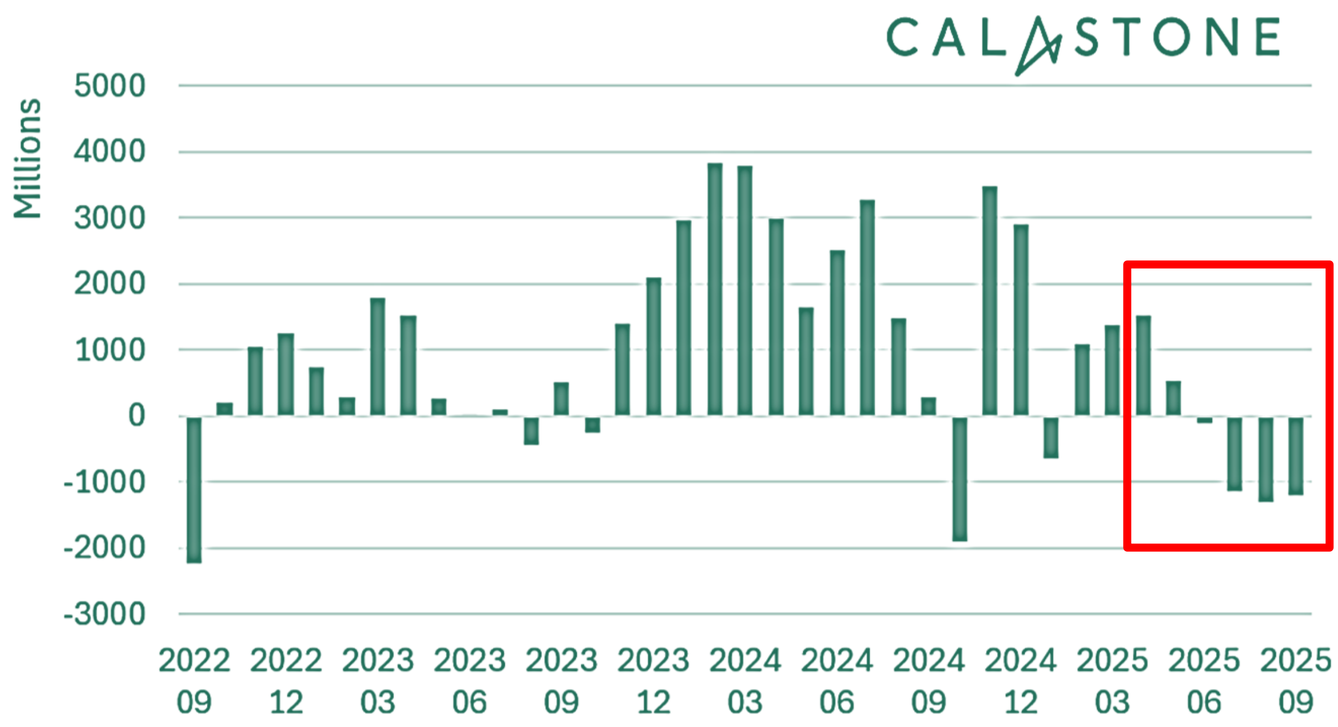
Source: Equity Development, Priced at 08/10/2025

UK equity funds saw heavy outflows in Q3-25*, Polar's marginal outflows are impressive

In calendar Q3 of 2025 (Q2 of Polar's FY26), UK funds saw a sharp deterioration in flows. Data provider Calastone commented: "*Q3 marked the worst quarter for equity fund outflows on record as investors ran scared of sky-high stock markets… Investors withdrew £1.20bn of their equity-fund holdings in September, taking the Q3 total to £3.64bn.*"

The very small net outflows recorded by Polar during the quarter are therefore impressive compared to peers.

Equity Funds – Net Fund Flow, £



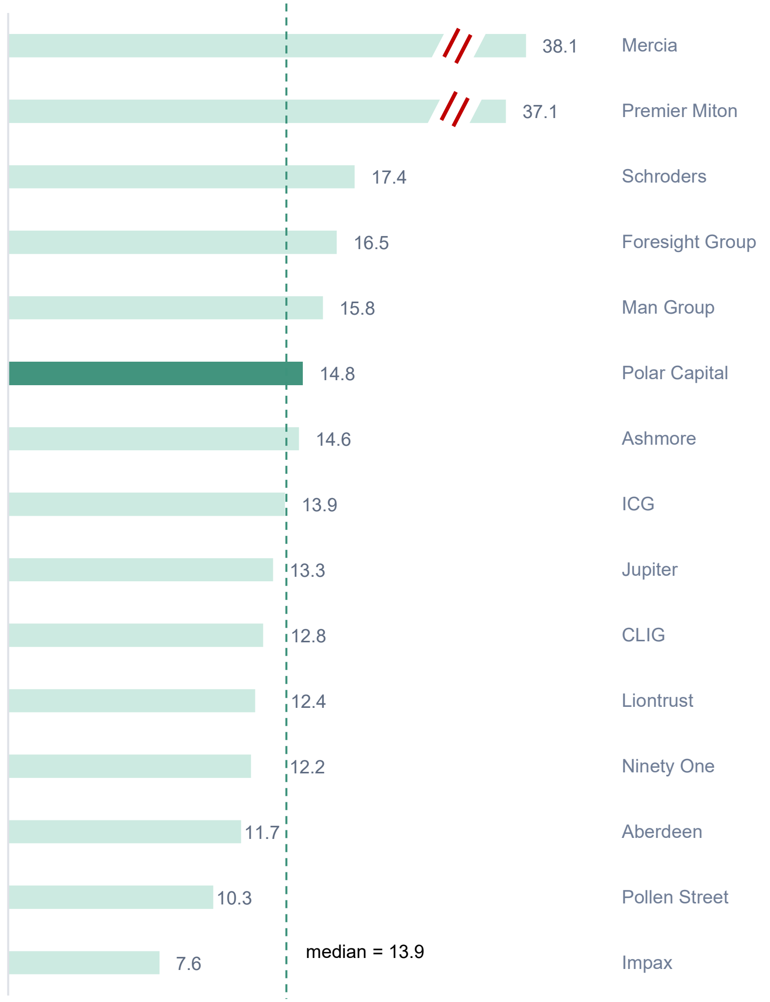
Source: Calastone Fund Flow Index: Record-Breaking Equity Fund Exodus in Q3 as Investors Shun Stock Markets. [Calastone only measures orders from UK-based investors into funds domiciled in the UK. Note that this has nothing to do with where the underlying assets are invested – a UK-domiciled fund may invest in Japanese equities, Australian fixed income, a global portfolio of mixed assets, or just UK equities.]
**Calendar Q3-25 = Polar FY Q2-26 (FY-end 31 Mr)*

Polar is a runaway growth leader, but is not valued as such

A PER slightly above sector median seems strange to us

- Given Polar's exceptionally strong AUM growth, relatively robust net flows, its 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 significant premium compared to peers.
- But it only trades at a slight premium (14.8 versus peer median of 13.9). Moreover, we would consider its current PER to be inflated due to the dip in FY25 statutory profits as a result of the recent non-cash Dalton impairment.
- **We therefore see potential for this to adjust and for Polar's shares to re-rate.**

PER peer group comparison



Source: London Stock Exchange, company announcements. PERs based on share prices as at 8 Oct 2025 and latest available basic EPS on Trailing Twelve Months (TTM) basis on that date.

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