

## LWM FUND SPOTLIGHT POLAR CAPITAL GLOBAL INSURANCE FUND

### INVESTMENT OBJECTIVE

The Fund aims to provide an attractive total return irrespective of broader economic and financial market conditions. The Fund will seek to achieve its investment objective by investing primarily in securities of insurance-related companies worldwide. These companies include insurance and reinsurance companies, life assurance companies, insurance brokerage companies and other insurance-related businesses including, but not limited to, insurance claims administration companies, insurance support service companies and companies that own insurance-related assets.

### INCEPTION DATE

16<sup>th</sup> October 1998

### FUND FACTSHEET

<https://www.trustnet.com/factsheets/o/nau4/polar-capital-global-insurance-i-acc-gbp>

### MANAGEMENT

#### Manager Name

#### Start Date

Nick Martin

1<sup>st</sup> September 2001

Dominic Evans

1<sup>st</sup> March 2022

### RATIO DATA (3-years)

Alpha	Beta	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
14.51	0.60	10.76	-9.88	67	89	12.81

### OTHER DATA

#### Benchmark

MSCI Daily TR World Net Insurance

#### Fund Size

£2,070.90 Million

#### Fees

1.35% (R Share Class)

### BULL POINTS (PRO)

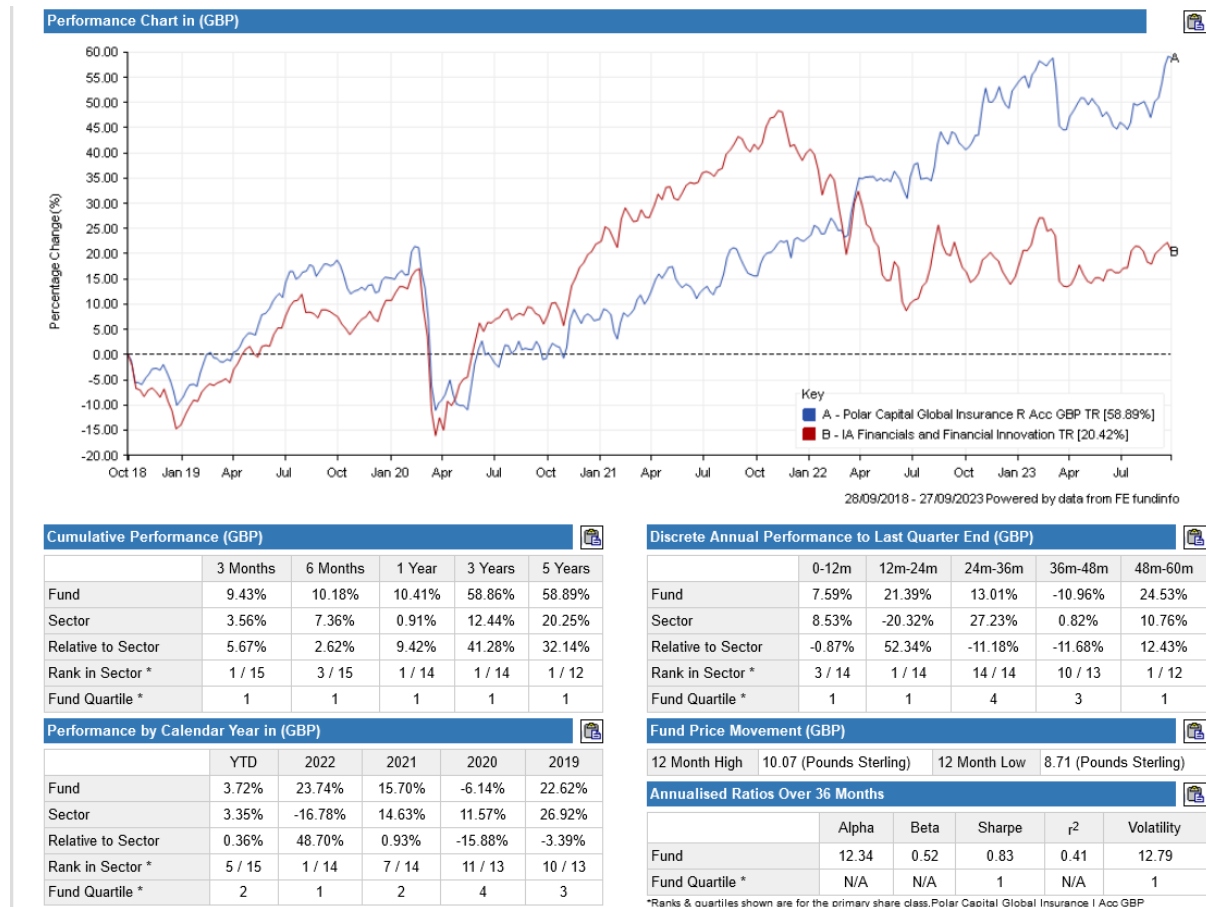
- Consistent performance.
- Resilience across market cycles.
- Access to a wide range of high-quality insurance firms.
- Consistent team.
- Lower levels of volatility.

### BEAR POINTS (CONS)

- Relatively high fees.

# Polar Capital Global Insurance Fund – September 2023

## FUND PERFORMANCE

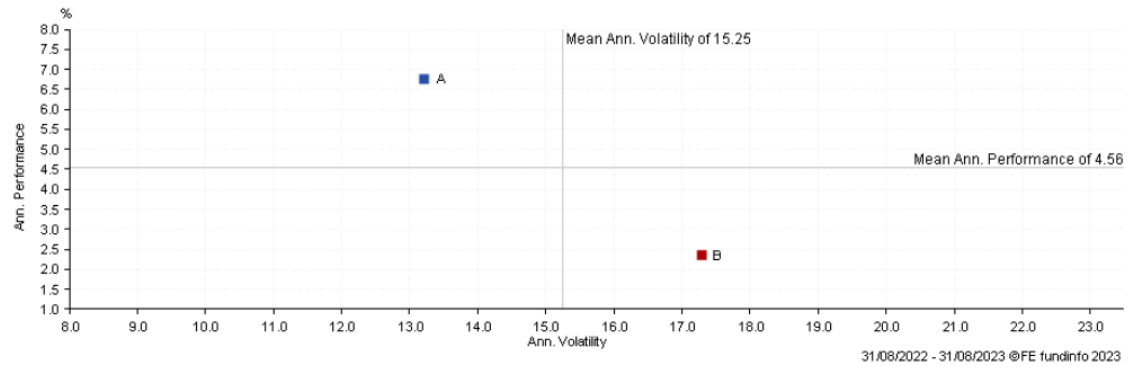


*Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall and rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and taxation consequences, the performance quoted would be reduced.*

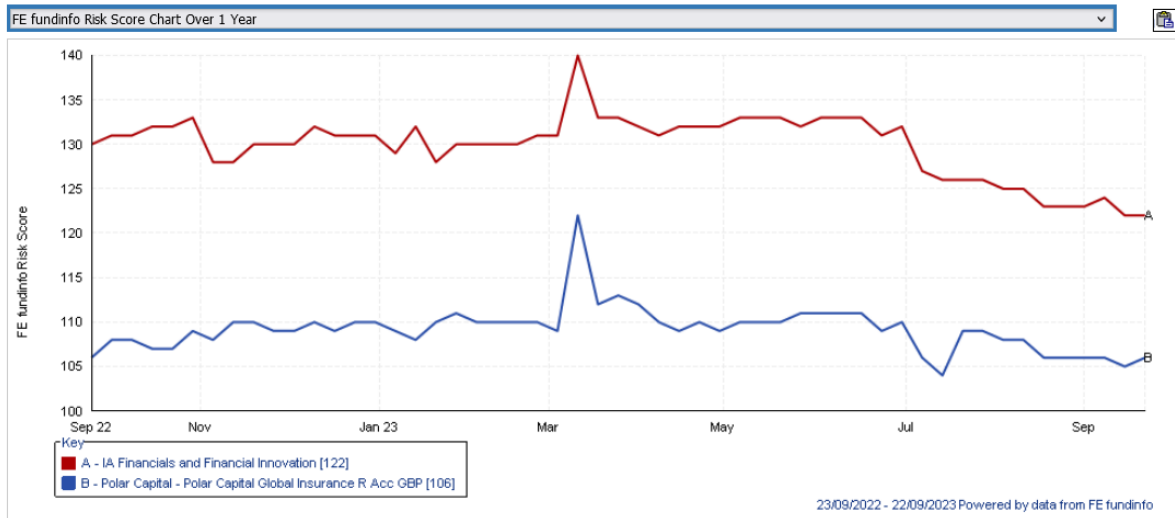
# Polar Capital Global Insurance Fund – September 2023

## VOLATILITY / RISK SCORE

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Annualised Performance	Annualised Volatility
A	Polar Capital - Global Insurance R Acc GBP in GB	6.76	13.21
B	MSCI World/Financials TR in GB	2.36	17.29



# Polar Capital Global Insurance Fund – September 2023

## REGION WEIGHTINGS

Country	■ Investment %	■ Category %
United States	71.11	36.85
United Kingdom	9.81	7.98
Canada	8.98	1.84
Switzerland	6.66	3.18
Hong Kong	2.32	0.87
Finland	1.11	1.89

## TOP TEN HOLDINGS

### Holdings

Equity ▾

Equity Holdings	Bond Holdings	Other Holdings	% Assets in Top 10 Holdings
39	0	1	57

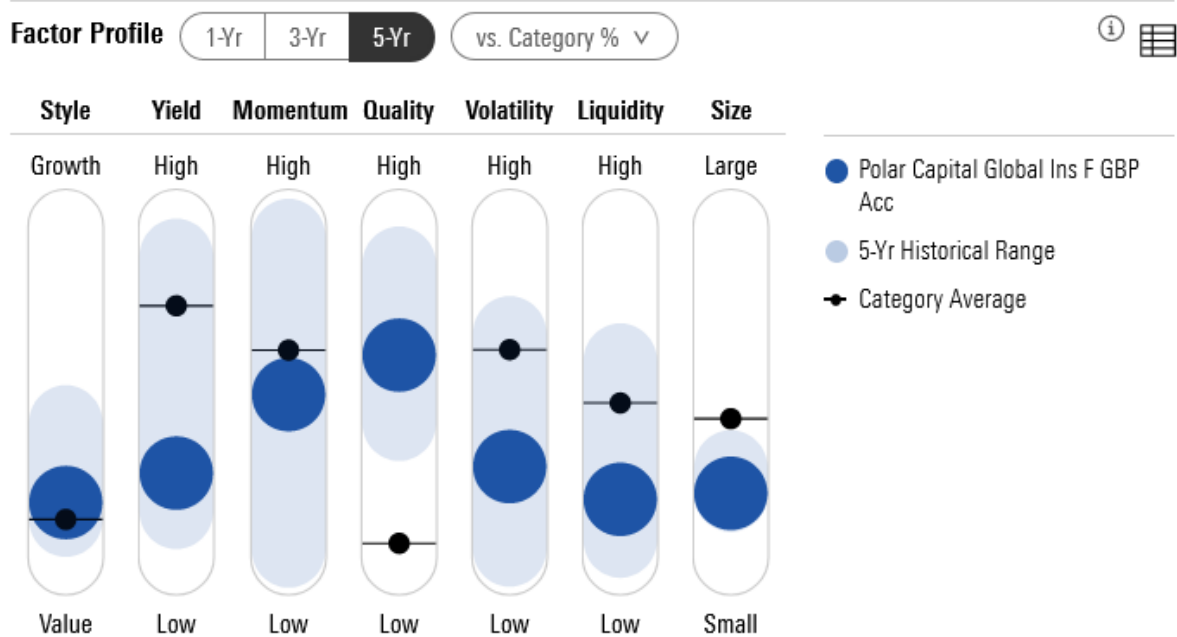
Reported Turnover %	Women Directors %	Women Executives %
12.48	30	21
As of 06/30/12		

Holdings	% Portfolio Weight	First Bought	Market Value GBP as of 31 Jul 2023
Arch Capital Group Ltd	9.33	30 Sept 2011	186,435,469
Marsh & McLennan Companies Inc	6.87	30 Sept 2011	137,295,002
Chubb Ltd	6.56	30 Sept 2011	131,072,789
RenaissanceRe Holdings Ltd	6.54	30 Sept 2011	130,642,002
Markel Group Inc	5.64	30 Sept 2011	112,677,600
Essent Group Ltd	4.87	30 Apr 2015	97,341,831
Fairfax Financial Holdings Ltd Shs Subord.Vtg	4.82	30 Nov 2016	96,286,527
WR Berkley Corp	4.80	30 Sept 2011	95,896,160
Intact Financial Corp	4.03	30 Nov 2016	80,521,315
Everest Group Ltd	3.93	31 Jan 2018	78,457,018

Holdings as of 31 Jul 2023 | This investment's holding data is suppressed to show the top 10.

# Polar Capital Global Insurance Fund – September 2023

## FACTOR PROFILE



Investment as of 30 Jun 2023 | Category: Sector Equity Financial Services as of 30 Jun 2023

## STYLE MEASURES (MARKET CAP)

### Style Measures

Measures

**Market Cap**

#### Market Cap

##### Avg Market Cap

13.10 Bil

##### Category Avg Market Cap

34.99 Bil

##### Index Avg Market Cap

78.78 Bil

Size	Investment %	Cat. Average %	Index %
Giant	10.22	20.94	43.44
Large	23.82	38.81	39.62
Mid	42.07	22.72	16.33
Small	16.18	5.29	0.32
Micro	6.23	0.91	0.00

GBP | Investment as of 31 Jul 2023 | Category: Sector Equity Financial Services as of 31 Aug 2023 | Index: MSCI World/Financials NR USD as of 31 Aug 2023 | Data is based on the long position of the equity holdings.

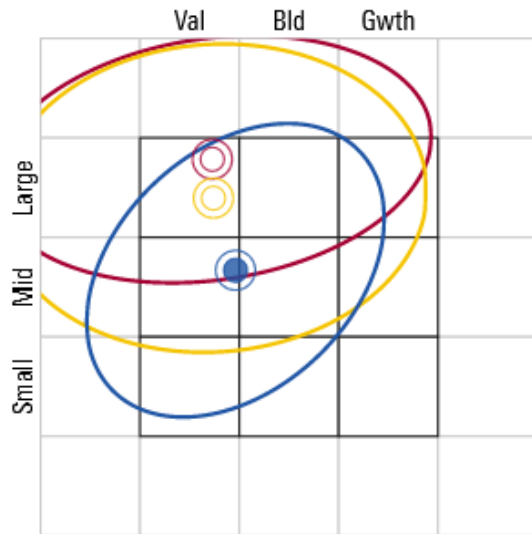
# Polar Capital Global Insurance Fund – September 2023

## Stock Style

Map

Weight

Historical



- Centroid
- Ownership Zone

■ Polar Capital Global Ins  
F GBP Acc  
as of 07/31/2023

■ Sector Equity Financial  
Services  
as of 08/31/2023

■ MSCI World/Financials  
NR USD  
as of 08/31/2023

## Style Measures

Measures

Market Cap

### Measures

Value & Growth Measures	Investment	Cat. Average	Index
Price/Earnings	11.30	8.27	11.46
Price/Book	1.74	1.07	1.36
Price/Sales	1.38	1.55	1.76
Price/Cash Flow	—	9.00	5.37
Dividend Yield %	1.63	3.91	3.32
Long-Term Earnings %	16.74	13.68	10.38
Historical Earnings %	11.20	16.74	15.35
Sales Growth %	5.84	5.39	3.30
Cash-Flow Growth %	—	2.38	15.91
Book-Value Growth %	-5.01	-1.98	1.25

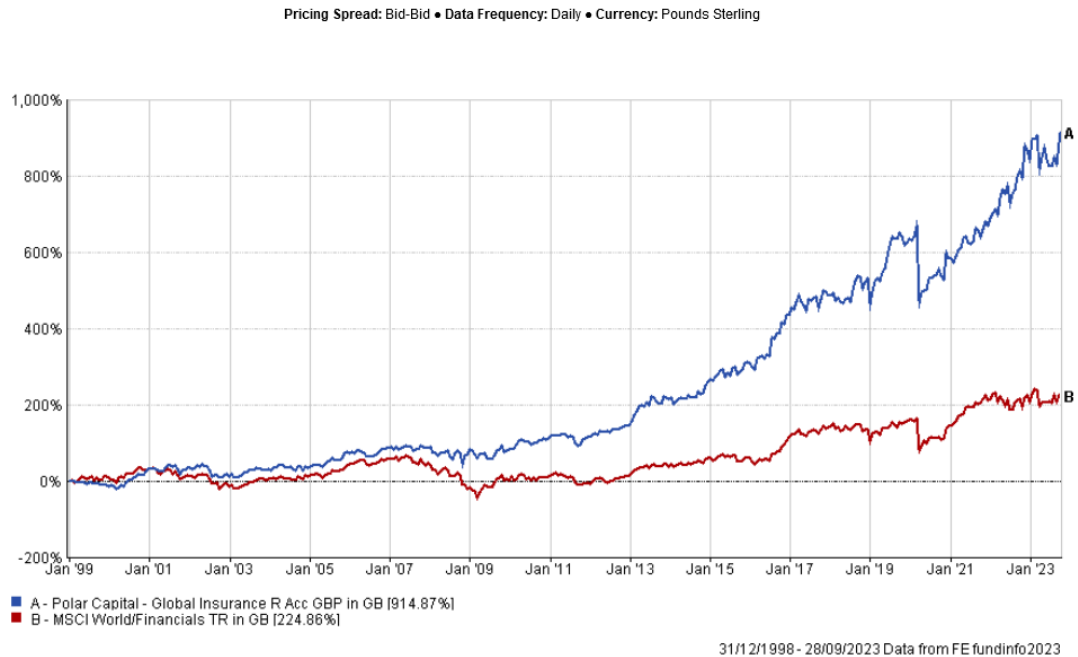
Investment as of 31 Jul 2023 | Category: Sector Equity Financial Services as of 31 Aug 2023 | Index: MSCI World/Financials NR USD as of 31 Aug 2023 | Data is based on the long position of the equity holdings.

# Polar Capital Global Insurance Fund – September 2023

## LWM FUND ANALYSIS

When we see a Global Insurance Fund we can make assumptions about it. The strategy aims to be disconnected from the market, providing resilience in good and bad times.

The charts below look to demonstrate the aim of delivering positive outcomes. Over ten years the strategy has produced an analysed return of 12.22%.



(2 rows)

Pricing Spread: Bid-Bid • Performance Growth Option: Annualised • Currency: Pounds Sterling

Customise Columns	31/08/2022 to 31/08/2023	31/08/2021 to 31/08/2022	31/08/2020 to 31/08/2021	31/08/2019 to 31/08/2020	31/08/2018 to 31/08/2019	31/08/2017 to 31/08/2018	31/08/2016 to 31/08/2017	31/08/2015 to 31/08/2016	31/08/2014 to 31/08/2015	31/08/2013 to 31/08/2014	Select
Index MSCI World/Financials TR in GB	2.36	2.30	42.33	-13.53	0.15	5.61	28.46	16.76	2.65	10.88	<input type="checkbox"/>
Polar Capital Global Insurance R Acc GBP in GB	6.76	17.09	18.82	-13.39	18.48	8.07	17.21	28.60	17.27	8.78	<input type="checkbox"/>

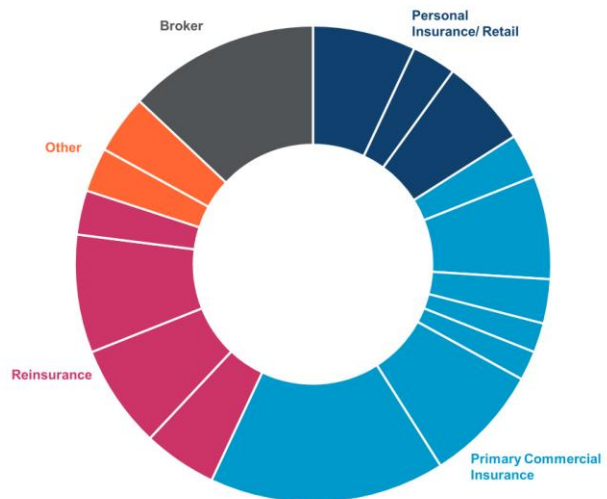
This doesn't invest in traditional insurance companies. They seek out the best underwriting businesses from across the world. These tend to be niche and in the small and mid-cap space. There is a strong emphasis on the US, Bermuda, and UK. One risk for investors is the skew towards the US dollar, which can create currency volatility.

The mix of the holdings is best shown in the charts below:

# Polar Capital Global Insurance Fund – September 2023

Personal insurance/retail = 16%	Auto	7%
	Homeowners	3%
	Personal Accident & Health	6%
	Workers' Compensation	3%
Primary Commercial Insurance = 41%	Mortgage Insurance	7%
	Commercial Multi-Peril	3%
	Commercial Auto	2%
	Marine & Energy	2%
	Property	8%
	Casualty	16%
	Property Catastrophe Reinsurance	5%
Reinsurance = 23%	Other Property Reinsurance	7%
	Casualty Reinsurance	8%
	Life Reinsurance	3%
	Life	3%
Other = 20%	Other	4%
	Broker	13%

A chart showing the annual change in underwriting mix since 2016 is shown on slide 27.



## Indicative underwriting mix

		2016	2017	2018	2019	2020	2021	2022
Personal insurance/retail = 16%	Auto	13%	13%	12%	11%	8%	8%	7%
	Homeowners	5%	5%	5%	3%	4%	3%	3%
	Personal Accident & Health	2%	2%	2%	4%	4%	4%	6%
	Workers' Compensation	3%	4%	4%	3%	3%	3%	3%
Primary Commercial Insurance = 41%	Mortgage Insurance	5%	5%	6%	7%	8%	7%	7%
	Commercial Multi-Peril	3%	3%	4%	4%	4%	4%	3%
	Commercial Auto	1%	1%	1%	2%	2%	2%	2%
	Marine & Energy	2%	2%	2%	2%	3%	3%	2%
	Property	5%	5%	5%	7%	7%	8%	8%
	Casualty	15%	14%	14%	14%	15%	16%	16%
	Property Catastrophe Reinsurance	5%	5%	5%	5%	5%	4%	5%
Reinsurance = 23%	Other Property Reinsurance	5%	6%	5%	6%	6%	7%	7%
	Casualty Reinsurance	5%	6%	7%	7%	7%	7%	8%
	Life Reinsurance	4%	4%	4%	2%	3%	3%	3%
	Life	6%	4%	4%	3%	3%	2%	3%
Other = 20%	Other	6%	6%	7%	7%	7%	7%	4%
	Broker	15%	15%	13%	13%	11%	13%	13%

Ultimately, the management of the company is crucial. An example would be WR Berkley. The company is steeped in common sense and caution. They always put money aside to cover future claims and they expect these to be less than assumed.

By their nature, these businesses have a different culture from traditional insurance companies. What matters to the team is how these companies manage their book, and stick to areas they understand.

They wouldn't invest in UK motor insurance because there is no customer loyalty, which is a race to the bottom. It aims to be a concentrated portfolio of 30 to 35 names, with minimal turnover. Perhaps one or two names would change a year, mainly because they have been acquired.

The current top 10 names show how this differs from other strategies.



## Polar Capital Global Insurance Fund – September 2023

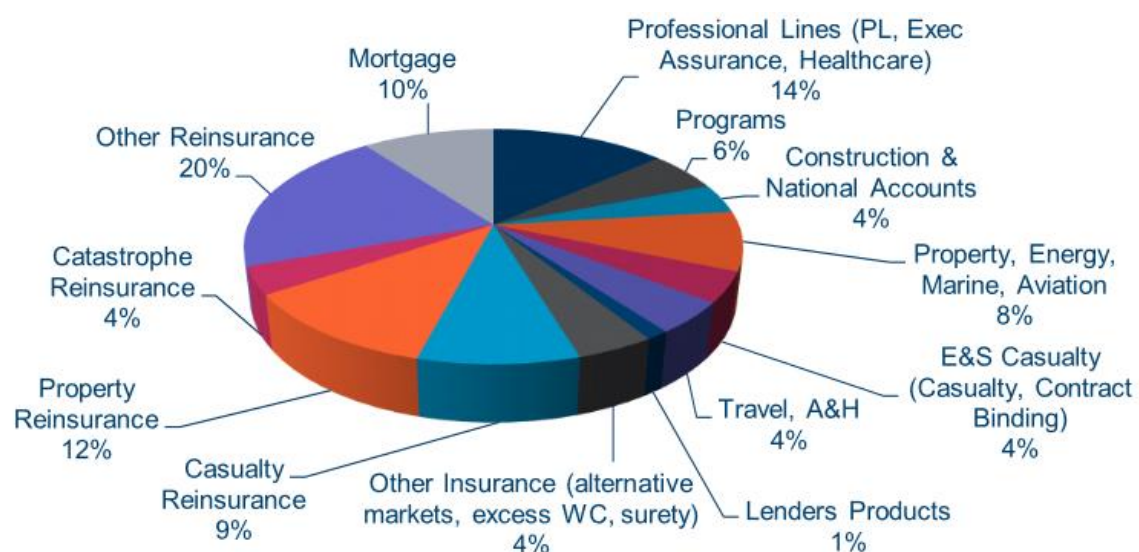
### Top 10 holdings

Arch Capital	9.3%
Marsh McLennan	7.2%
RenaissanceRe Holdings	6.9%
Chubb	6.5%
Markel	5.7%
Essent Group	4.9%
WR Berkley	4.9%
Fairfax Financial Holdings	4.8%
Everest Re Group	4.0%
Intact Financial Corp	3.9%

There is a risk with this strategy because these businesses operate in a risky environment. The nature of these companies is to reduce that risk. It will likely protect more in down markets and underperform in strong markets.

Examples of companies include Travelers. They are a US-focused primary insurer. They focus on business insurance, personal insurance and bond and speciality. The annual dividend per share has increased by 8% p.a. since 2016.

Another example is Arch Capital. This is a Bermuda-based reinsurer formed in 2001. This company offers significant diversification across business lines.



Marsh McLennan is the largest global insurance broker, looking to solve societies most significant and complex problems in risk, strategy and people.

# Polar Capital Global Insurance Fund – September 2023

<b>Cyber Risk</b> Global cyber crime estimated to be over <b>\$1 trillion</b> <ul style="list-style-type: none"> <li>Global cyber premiums expected to grow at <b>~24% CAGR</b> to <b>\$18 billion</b> through 2025</li> <li>Cyber risk remains among the <b>Top 10</b> most likely global risks for 2022</li> </ul>	<b>Retirement Savings Gap</b> Global retirement savings gap pegged at <b>~1.5x GDP</b> <ul style="list-style-type: none"> <li>US retirement gap was <b>~\$28 trillion</b> in 2015 and could rise to <b>~\$137 trillion</b> by 2050</li> <li><b>48%</b> of households aged 55+ have no retirement savings</li> </ul>	<b>Healthy Societies</b> By 2018, Healthcare spending expected to comprise <b>20% of GDP</b> <ul style="list-style-type: none"> <li>US healthcare spending expected to grow on average <b>5%</b> annually through 2028</li> <li>Number of Americans that have employer-sponsored insurance exceed <b>181 million</b></li> </ul>
<b>Protection Gap</b> Share of Global Natural Catastrophe Losses Insured <b>2021 42%</b> <b>10 Yr Avg. 36%</b> <ul style="list-style-type: none"> <li>2021 global catastrophe protection gap was <b>~\$145 billion</b></li> <li><b>\$30 - \$50 billion</b> food annual premium opportunity</li> </ul>	<b>Climate Change</b> Global economic losses from natural catastrophe events in 2021 <b>\$250 billion</b> <ul style="list-style-type: none"> <li><b>~£340 billion</b> of cumulative global insured losses in 2011-2020 from severe convective storms, flood and wildfires (<b>~\$218 billion</b> from severe convective storms)</li> </ul>	<b>Workforce of the Future</b> Percent of organisations planning to restructure in 2021 <b>45%<sup>10</sup></b> <ul style="list-style-type: none"> <li><b>52%</b> of companies say reinventing flexibility was core to 2021 transformation agendas</li> <li><b>40%</b> of OW survey respondents have switched jobs or are looking for new ones</li> </ul>

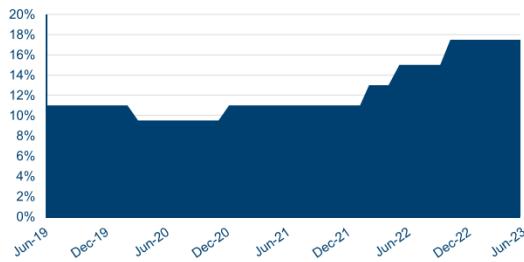
The opportunities for these types of businesses are likely to grow as technology becomes a disruptive force. Some of the key themes include:

- Risk Modelling
- Risk Mitigation
- Aerial/Spatial Pictometry
- Disaster Assessment
- Robotics, AI and API's
- Data Analytics
- Data Science
- Blockchain
- Micro Insurance
- Flood Insurance
- Cyber Insurance
- Crop Insurance
- Driverless cars
- Connected Homes
- Health and Wearables

# Polar Capital Global Insurance Fund – September 2023

The team have been disappointed with returns this year. However, they are confident they can deliver 10 to 11% p.a. over the long term.

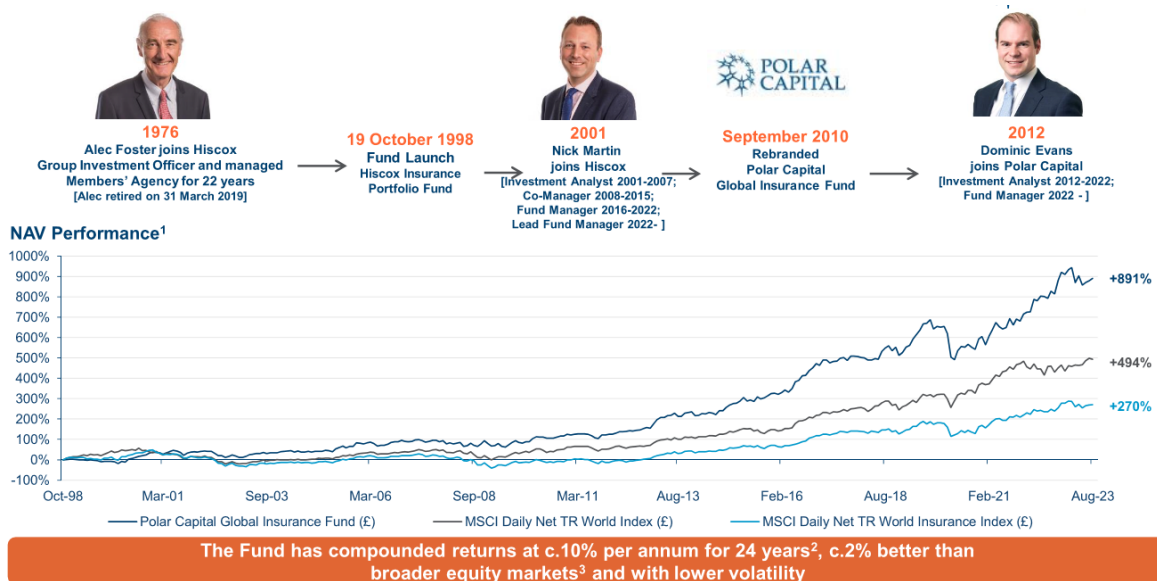
Polar Capital Expected Next 12 Month Book Value Growth<sup>2</sup>



- Longer term we expect Fund returns to largely track portfolio company book value growth as they have done historically.
- Valuations are attractive as price to book multiple expansion in 2022 reflected a substantial rise in company earnings power since 1Q22. Sector de-rating in 2023 could suggest re-rating potential that could add further to expected book value growth driven returns.
- Historic 10-11% book value growth has been valued at 130-140% book by the market = c.8% "cash on cash" return.
- Our current 16%+ next 12-month book value growth estimate is valued at 170% book at end June 2023 = c.10% cash on cash.

In terms of where this sits, we see this within an alternatives bucket, more to protect the downside and provide a different source of returns.

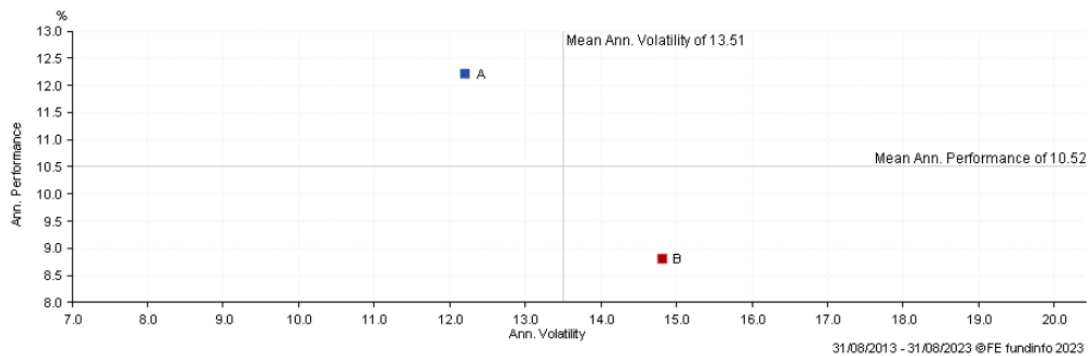
It doesn't focus on one area but drives return from multiple sources. The team has been running this strategy since 2001, providing stability and knowledge. They are also focused on a sector that they know well.



To end, it is worth showing this chart which demonstrates that over the long term, they have been able to deliver these returns with lower levels of volatility.

# Polar Capital Global Insurance Fund – September 2023

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



**Polar Capital has provided the source of information in this note, and it is correct as of September 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to decide based on these notes, we cannot take responsibility for this, and you should conduct your research before making a decision. We also recommend that you receive advice before following up on any decision. You should also note that past performance is no guide to the future.**

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