Polar Capital Global Healthcare Growth and Income Trust plc

POLAR CAPITAL

Trust Overview

Objective: The company's investment objective is to generate capital growth and income by investing in a global portfolio of healthcare stocks.

Investment Rationale: The Managers believe there is significant growth opportunities which apply not only to pharmaceutical companies but across the whole healthcare sector.

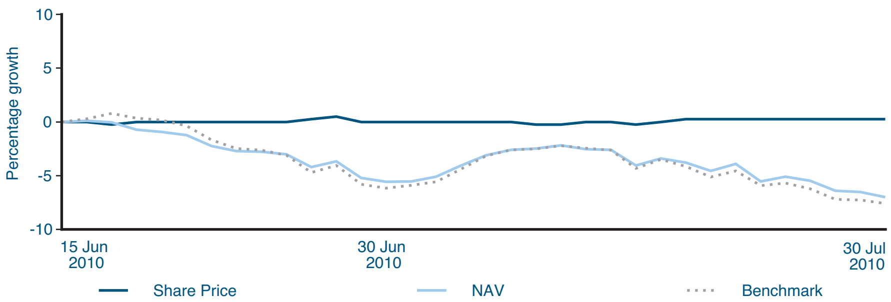
Approach: The Company will seek to achieve its objective by investing in a diversified global portfolio consisting primarily of listed equities issued by healthcare companies involved in pharmaceuticals, medical services, medical devices and biotechnology. The portfolio is expected to be diversified by the geographic location and size of the constituent companies and achieve growth by focusing on three themes: inefficiency reduction, innovation and infrastructure.

Dividends: The company aims to pay interim dividends totalling not less than 3p per ordinary share in the period to 30 September 2011.

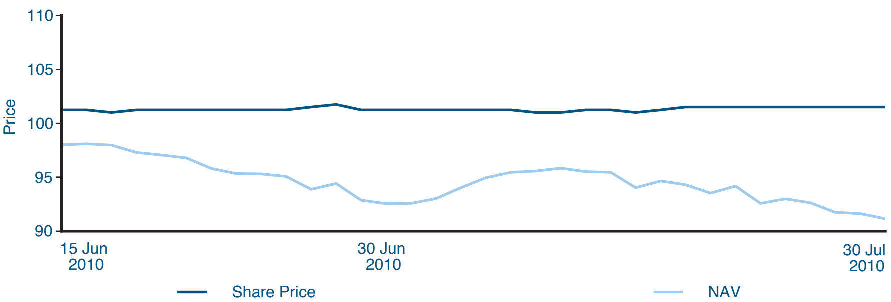
Monthly Returns US$ Class (%)

	1 Month	3 Months	6 Months	1 Year	5 Years
Ordinary Share Price	-0.25	N/A	N/A	N/A	N/A
Subscription Share Price	-25.71	N/A	N/A	N/A	N/A
NAV per Share	-3.47	N/A	N/A	N/A	N/A
Benchmark	-3.90	N/A	N/A	N/A	N/A

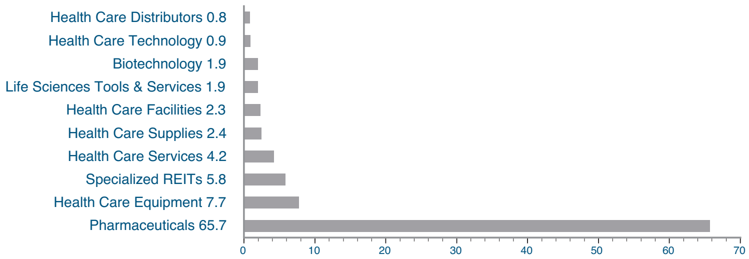
Ordinary Share Performance Since Launch

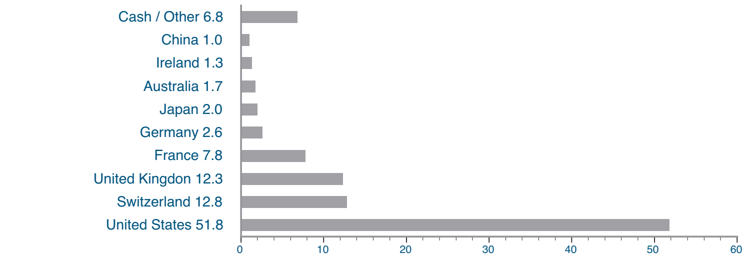


Ordinary Share Price & NAV per Share Since Launch



Sector & Geographic Exposure (%)





30 July 2010

Fact sheet

Trust Facts

Ordinary Shares	
Share Price (p)	101.50
NAV per Share (p)	91.14
Premium (%)	11.37
Capital Structure	89,000,000 shares of 25p
Subscription Shares†	
Share Price (p)	13.00
Exercise Price† (p)	100.00
Capital Structure	17,800,000 shares of 1p
Total Net Assets (£m)	81
AIC Gross Gearing Ratio (%)*	100.00
AIC Net Gearing Ratio (%)*	94.00

*Gearing calcultaions are exclusive of current year Revenue/Loss

Trust Characteristics

Launch Date	15 June 2010
Co-Manager	Dan Mahony
Co-Manager	Gareth Powell
Portfolio Characteristics	80/20 (Income/Capital)
1st Year End	30 September 2011
Results Announced	Mid December
Next AGM	January 2012
Trust Term	Fixed life to 7th AGM
Listed	London Stock Exchange

Benchmark

MSCI All Country World Index / Healthcare (Sterling)

Fees*

Management Fee	0.85% of Market Cap
Performance Fee**	10% over benchmark

* Further details can be found in the Prospectus

** Subject to high watermark

Total Number of Holdings 50

Top Ten Holdings	(%)
Bristol Myers Squibb	8.0
Pfizer	8.0
Eli Lilly	7.9
Sanofi Aventis	7.8
GlaxoSmithKline	7.7
Novartis	7.6
Merck & Co	6.4
Roche Holding	4.1
AstraZeneca	3.0
Abbott Labs	2.1
Total	**62.5**

Market Capitalisation Exposure	(%)
Large (greater than US$ 5bn)	78.3
Medium (US$ 1bn to 5bn)	12.5
Small (less than US$ 1bn)	9.2

Investors attention is drawn to prospectus for full details.

†Subscription shares - each share confirms the right to subscribe for 1 Ordinary share at 100p per share on 31st January 2014.

It should not be assumed that recommendations made in the future will be profitable or will equal performance of the securities in this list. A list of all recommendations made within the immediately preceding 12 months is available upon request.

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Fund Manager Comments

This is the first monthly newsletter for the Polar Capital Global Healthcare Growth and Income Trust (PCGH) following the IPO on the 15th June 2010. We would like to take this opportunity to thank all the shareholders who supported the IPO.

The NAV declined by 3.5% over the course of July and was slightly ahead of the benchmark (Morgan Stanley Global Healthcare Index), which was down 3.7% in sterling terms over the same period. A major factor in the absolute performance was the strength of the pound versus the dollar – the pound has moved nearly 7% against the US dollar since mid-June – as both the benchmark and the fund have a significant US dollar exposure. In addition, as we describe below, healthcare continues to be out of favour with generalist investors.

We are disappointed by the decline in the NAV since launch and this probably reflects one of the risks of investing in a sector that is on a multi-year low with respect to relative valuation. However, we continue to believe in the longterm opportunity in healthcare and the Q2 results season has strengthened our view that emerging markets will become a key growth driver for large pharmaceutical companies over the next 5 years.

The portfolio is close to fully invested

The portfolio is now almost fully invested with a 6% cash weighting as of the end of July. As projected in the prospectus, the largest sub-sector weighting is in pharmaceuticals where we now have significant positions in most of the major global pharmaceutical companies. These investments were made in the first few days following the IPO and at this point we would expect to maintain a 60% weighting in the large cap pharmaceutical names throughout the life of the trust. These large pharmaceutical companies continue to offer some of the best dividend yields in healthcare.

In terms of other income generating stocks, we have diversified the portfolio with investments in a number medical device and healthcare service names that generate a decent dividend yield. We have also made a series of investments in healthcare REITs based in the US. Most of the current cash position will be invested in expanding the income generating part of the portfolio over the coming weeks. For the growth component of the portfolio, which represents nearly 20% of the initial portfolio, we have made twenty four investments in a range of biotechnology, device, service and pharmaceutical stocks.

The current portfolio is reasonably liquid with 78% of the fund invested in large cap ($5 billion-plus) stocks. We also have a low weighting in biotechnology, only 1.9% and we do not see this expanding materially in the nearterm. In terms of geographical concentration, we have a 52% weighting in the US, 13% in Switzerland, 12% in the UK and just under 12% in the rest of Europe.

A month of volatility for European pharmaceutical stocks

The last month has been quite volatile for the pharmaceutical sector, especially the European stocks. In particular, July was a story of three Food and Drug Administration (FDA) panel meetings evaluating different drugs.

GlaxoSmithKline faced a safety review of its blockbuster diabetes drug Avandia, which created investor concerns ahead of the meeting that the drug may be removed from the market. These safety concerns were not especially new and the FDA panel concluded that the drug could still be marketed but that additional safety warnings may be necessary.

The second panel meeting evaluated one of Roche's major cancer drugs, Avastin, for the treatment of breast cancer. This meeting had a surprisingly negative tone and the panel concluded that the drug had little to no activity in breast cancer and so the marketing approval should be withdrawn for this indication. This was a major surprise and led to a 10% decline in Roche's shares over the course of a few days.

The final panel meeting was for AstraZeneca's Brilinta, a treatment for Acute Coronary Syndrome. While there was reasonable caution ahead of this meeting, the panel concluded that the agent should be approved – the FDA will issue its final decision in September. AstraZeneca's shares duly rallied on the news.

The final major piece of news flow concerned Sanofi, where a generic version of its blockbuster drug Lovenox was approved late in the month. While the Lovenox patent expired some time ago, Sanofi had managed to delay the approval of generics through the use of various legal strategies. This has been an overhang on the stock but the announcement was clearly a negative surprise as Sanofi shares were down 10% over the course of July.

The global pharmaceutical sector ended the month on a forward P/E multiple of 8.5 and continues to indicate, in our view, that investors believe that the sector is now ex-growth. However, Q2 earnings for most of the companies have been reasonably positive – with some companies, notably Pfizer, beating consensus expectations. Cash flow remains strong with good coverage of dividends and the potential for dividend growth. In this respect, AstraZeneca expanded its buy-back to £2 billion and Pfizer announced that it would increase its dividend payout ratio to 40% next year.

Moreover, most companies are beginning to break out their emerging markets sales and those that did reported double-digit growth rates. The emerging market opportunity is a key part of our investment thesis and is the key reason behind our view that that large pharmaceutical companies can return to sustainable 8-10% EPS growth rates within the next five years.

An earnings season to forget for the rest of healthcare

Across the rest of healthcare, this has been one of the worst earnings seasons we can remember – especially for the US stocks where the US healthcare sector underperformed the S&P500 by 600bps in July. Structural concerns appear to be the major issue namely global government pricing, regulatory reform and healthcare utilisation. In some respects, it seems as though healthcare is no longer regarded as a defensive sector.

In our view, what we are seeing is that healthcare is not immune to an economic slowdown – it is a late cycle responder. Particularly in the US, the consumer is more exposed to the cost of healthcare through increased co-pays and deductibles in health insurance plans. There is also a link to employment as most people rely on their employer providing a health insurance plan.

Most of the health insurance companies significantly exceeded earnings expectations because healthcare utilisation was down in Q2 – it appears that the US consumer is cutting back on healthcare spending and deciding not to visit the doctor unless he/she has a serious complaint. As a result, many product and service companies reported revenue growth at the low end of expectations because patient volumes were down. This disappointing revenue growth was exacerbated by the effect of a weak dollar for the companies with a global spread of business.

Fund Manager Comments (Cont.)

However, the stock reaction to earnings announcements has been rather erratic and difficult to explain. Even beating consensus expectations and raising guidance was not enough to prevent a 5-10% decline in the share price in some cases. Following a year of uncertainty related to healthcare reform in 2009, generalist investors seem unwilling to come back to healthcare despite the low valuations and the strong cash flow that many of these companies continue to generate.

Outlook

What is clear to us is that healthcare as an industry is not going to disappear and demographic trends suggest that healthcare spending is not going to decline. However, how that money is spent and the types of services and products that will be purchased are likely to change in the future. This is why we believe there needs to be a focus on "value" and that companies that can save governments money by delivering better (or even the same) healthcare for less will ultimately be the winners.

Our growth portfolio continues to have focus on these aspects of healthcare, where we expect the companies that produce solid and sustainable earnings growth to deliver good share price performance.

Dan Mahony & Gareth Powell, 6th August 2010

30 July 2010

Fact sheet

Polar Capital Healthcare Investment Management Team

Dan Mahony - Co-Manager

Dan joined Polar Capital to set up the Healthcare Investment team in 2007. He has more than 11 years' investment experience in the healthcare sector, with over 2 years as a portfolio manager and 9 years as a sell-side analyst. Prior to joining Polar Capital, he was head of the European healthcare research team at Morgan Stanley, which covered the European biotechnology, medical technology and healthcare services industries. Dan was ranked second in the Institutional Investor Magazine All-Europe Research Team survey in 2003. He also previously worked in New York for ING Barings Furman Selz following the US biotechnology sector. Before working in the investment field, Dan worked as a research scientist for 7 years with the majority of his time at Schering Plough Corporation in California.

Dan acts as co-manager of the Polar Capital Healthcare Opportunities Fund alongside Gareth Powell. He has primary responsibility for medical devices, diagnostics, and healthcare services company sectors on a global basis. Dan received his PhD from Cambridge University in 1995 and a first class honours degree in biochemistry from Oxford University in 1991. Dan was involved in the recent UK government review of the biotechnology industry and is currently advising the UK Trade & Industry Department on its life sciences marketing strategy initiative.

Gareth Powell - Co-Manager

Gareth joined Polar Capital in 2007 to set up the Healthcare team. He has over 10 years' investment experience in the Healthcare sector, with 8 years as a portfolio manager. He joined Framlington in 1999 becoming a Portfolio Manager on the Framlington Health Fund. In 2002, he helped launch and then run the Framlington Biotech Fund. During his 3.5 year tenure as fund manager, his fund out-performed the Nasdaq Biotech Index by 17%. In 2007, he received both a "highly commended" designation from Investment Week and Framlington was rated "Best for Biotechnology" in the Extel European buy-side survey. Gareth became a CFA charterholder in 2003.

Gareth acts as co-manager of the Polar Capital Healthcare Opportunities Fund alongside Dan Mahony; this fund was launched in late 2007 and assets under management are now approaching US$80 million. Gareth has primary responsibility for the pharmaceuticals, specialty pharmaceuticals, generics, biotech and life science tools sectors in the developed markets. Gareth studied Biochemistry at Oxford University from 1995 to 1999 and during that time worked at Astellas, the Sir William Dunn School of Pathology, the Wolfson Institute for Biomedical Research and the Oxford Business School.

Anna Sizova - Analyst

Anna joined the Polar Capital Healthcare team in February 2008 as a specialist analyst covering the medical technology and medical services sectors. She has nearly 4 years' investment experience in the healthcare sector that started with her time at Morgan Stanley as a healthcare analyst covering the European medical technology sector. Before joining the investment management field, she spent 5 years at Johnson & Johnson, the world leading medical devices and diagnostics group, working in both the marketing and finance departments.

Anna has responsibility for healthcare IT (e.g. software) and medical technology (e.g. heart valves, pacemakers, stents) and covers all sectors in the emerging markets. Anna holds an MBA degree from the London Business School and a degree in Theoretical and Applied Linguistics from Moscow State University.

How to Invest

Market Purchases

The ordinary and subscription shares are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary.

Registered Office

4 Matthew Parker Street, London SW1H 9NP

Custodian

HSBC PLC acts as global custodian for all the company's investments.

Registrar

Equiniti
The Causeway, Worthing, West Sussex BN99 6DA
www.shareview.co.uk

Codes

Ordinary Shares

ISIN	GB00B6832P16
SEDOL	B6832P1
Ticker	PCGH

Subcription Shares

ISIN	GB00B68VXC96
SEDOL	B68VXC9
Ticker	PCGS

House View
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Holdings
The top 10 positions were selected based on percentage of AUM. This portfolio data is “as at” the date indicated and should not be relied upon as a complete or current listing of the holdings (or top holdings) of the fund. The holdings may represent only a small percentage of the aggregate portfolio holdings, are subject to change without notice, and may not represent current or future portfolio composition. Information on particular holdings may be withheld if it is in the fund’s best interest to do so. A complete list of the portfolio holdings may be made available upon request. It should not be assumed that any of the securities transactions or holdings discussed was or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. The information provided in this document should not be considered a recommendation to purchase or sell any particular security.

Benchmarks
The following benchmark index is used: MSCI All Country World Index/Healthcare These benchmarks are generally considered to be representative of the Healthcare equity universe and of the global emerging market universe. These benchmarks are broad-based indices which are used for comparative/illustrative purposes only and have been selected as they are well known and are easily recognizable by investors. Please refer to www.mscibarra.com for further information on these indices. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the fund. For example, investments made for the fund may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the fund may differ from those of the benchmark. Also, the indices noted in this presentation are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the fund may incur. In addition, the performance of the indices reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance. The information regarding the indices are included merely to show the general trends in the periods indicated and is not intended to imply that the fund was similar to any of the indices in composition or risk

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Performance
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