Polar Capital Global Healthcare Growth and Income Trust plc

Report and Financial Statements for the half year ended 31 March 2014

Half year ended
2014

About Us

Profile

The Company was incorporated on 12 May 2010. On 15 June 2010, it issued Ordinary Shares plus one Subscription Share for every five Ordinary Shares which were admitted to trading on the Main Market of the London Stock Exchange. The original subscription price for each Ordinary Share was £1 and the Net Asset Value ("NAV") per Ordinary Share on 15 June 2010 was 98p (after launch costs).

On 31 January 2014, 17,800,000 Subscription Shares were converted into Ordinary Shares on the exercise of the subscription rights to purchase one Ordinary Share at 100p per Ordinary Share for each Subscription Share.

Investors may purchase Ordinary Shares through their stockbroker, bank or other financial intermediary.

Investment Objective

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

Investment Policy

The Company seeks to achieve this 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 diversified by geographic location and size of investee companies.

The full details of the investment policy are set out in the annual report.

Benchmark

The Benchmark is the MSCI ACWI/Healthcare Index total return in Sterling with dividends reinvested.

Capital Structure

At 31 March 2014, the Company had in issue 122,650,000 Ordinary Shares of 25p each of which 930,000 Ordinary Shares are held in Treasury.

Life

The Articles of Association require the Directors to put forward at the seventh Annual General Meeting a resolution to place the Company into liquidation. The voting on that resolution will be enhanced such that, provided any single vote is cast in favour, the resolution will be passed. The seventh AGM is expected to be held in January 2018.

Gearing

It is not intended that the Company incur borrowings to provide long-term structural debt. However, the Company may borrow up to 15% of its NAV at the time of drawdown for tactical deployment when the Board believes that gearing will enhance returns to shareholders.

Management

The investment manager is Polar Capital LLP and Dr Daniel Mahony and Mr Gareth Powell have managed the portfolio since launch. The Manager is entitled to a fee at the rate of 0.85% per annum of the lower of the Company's market capitalisation and the Company's net asset value. 80% of the management fee is charged to the capital account.

The investment manager is also entitled to a performance fee paid in cash. The fee is equal to 10% of the excess return over the performance fee hurdle. The hurdle is 100p increased or decreased by reference to the return on the Benchmark plus 15p. The performance is adjusted for these purposes to take into account the dividends paid by the Company and the conversion of the Subscription Shares in early 2014. The fee is calculated and payable at the liquidation of the Company expected at the seventh AGM in January 2018. No performance fee is currently due and no accrual has been made.

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Financial Highlights

For the half year ended 31 March 2014

Performance (note 1)	
Net asset value per Ordinary Share (total return)	**13.5%**
Benchmark Index	
MSCI ACWI/Healthcare Index (total return in Sterling with dividends reinvested)	**11.8%**

Financials		31 March 2014	30 September 2013	% Change
Net asset value per Ordinary Share	Undiluted	158.14p	148.54p	6.5
	Diluted	158.14p	141.50p	11.8
Share price	Ordinary	147.25p	144.00p	2.3
Shares in issue (notes 2 & 3)	Ordinary	121,720,000	104,850,000	16.1

Expenses	
Ongoing charges for the half year ended 31 March 2014 (note 4) **(Ongoing charges for the half year ended 31 March 2013: 1.15%)**	1.02%

Dividends

Dividends paid and declared in the period:

	Pay Date	Amount	Record Date	Ex-Date	Declared date
The Company has paid the following dividend relating to the financial year ended 30 September 2013:	29 November 2013	0.55p	8 November 2013	6 November 2013	31 October 2013
The Company has paid the following dividend relating to the current financial year:	07 March 2014	0.55p	21 February 2014	19 February 2014	28 January 2014
The Company has declared the following dividend relating to the current financial year:	31 May 2014	0.55p	16 May 2014	14 May 2014	8 May 2014

Note 1 – The total return NAV performance for the period is calculated by reinvesting the dividends in the assets of the Company from the relevant pay date and adjusting for the subscription share dilution. The undiluted and diluted NAVs became the same following the subscription share conversion on 31 January 2014.

Note 2 – Following the exercise of the subscription rights attached to the subscription shares 17,800,000 new ordinary shares were issued at 100p each to the holders of the subscription shares on 31 January 2014. The subscription shares were originally issued free to investors on 15 June 2010 on the basis of one subscription share for every five ordinary shares.

Note 3 – The issued share capital comprises 122,650,000 ordinary shares of which 930,000 are held in treasury by the Company.

Note 4 – Ongoing charges represents the total expenses of the fund, excluding finance costs, expressed as a percentage of the average daily net asset value, in accordance with AIC guidance issued in May 2012.

Chairman's Statement

Performance

During the six months to 31 March 2014 your Company generated a Net Asset Value total return of 13.5% which was ahead of our benchmark, the MSCI Global Healthcare Index (Total Return) which rose by 11.8% over the same period. Since the Company's inception in June 2010 we have achieved a total return of 86.1% compared to the benchmark return of 81.5%. Our managers should be congratulated on these excellent performance numbers which have been achieved notwithstanding our structural underweight position in biotechnology which has been the best performing area of healthcare since the Company was launched. Meanwhile our share price closed the period at 147.25p which represents a discount of 6.9% to our net asset value compared to a premium of 1.7% at the beginning of the period.

Share Capital

On 31 January 15,206,136 Subscription Shares were converted into Ordinary Shares at £1 per share. A trustee was appointed to administer the remaining 2,593,864 unexercised Subscription Shares which were subsequently exercised during February. As part of this process the Company bought back 650,000 ordinary shares into Treasury which was followed by a further purchase of 280,000 Ordinary Shares in March. At the end of the period the Company had 122,650,000 Ordinary shares in issue, of which 930,000 are currently held in Treasury. Your Board will continue to watch the Ordinary Share discount to underlying assets closely and will consider further share buybacks where it considers this to be in the best interests of shareholders as a whole.

Dividends

Dividends totalling 1.1p have been paid or declared in respect of the six months ended 31 March 2014 which compares with 1.0p for the corresponding period last year. Following the pattern set last year the dividends paid in February, May and November are likely to be smaller than the dividend paid in August. The Company's policy remains to increase the dividend on an annual basis progressively but there can be no guarantee that this will be achieved.

Alternative Investment Fund Managers Directive (AIFMD)

In my Chairman's Statement in December I informed shareholders that we had agreed in principle to appoint Polar Capital LLP as our Alternative Investment Fund Manager. Since then we have also agreed in principle to appoint HSBC as our depositary to oversee the Company's custody and cash management operations. It is anticipated that the new arrangements will be in place by July 2014.

Outlook

We have recently seen a significant correction in the biotechnology sector which has prompted questions as to whether the prolonged rally in healthcare has now come to an end. Our managers believe that a correction in biotechnology was probably overdue and would not be surprised to see the sector recover from this setback. From the Company's perspective the pharmaceutical sector is of much greater significance as it accounts for around two-thirds of our portfolio. Our manager believes that large pharmaceutical companies will be beneficiaries of current and forthcoming innovation through their in-licensing and M&A strategies with biotechnology and we are also increasingly optimistic about the strength of pipeline development at several of these companies where any success should have a favourable impact on share prices.

James Robinson

Chairman

7 May 2014

Investment Manager's Report

For the half year ended 31 March 2014

For the six months to 31 March 2014, the Company delivered a total return of 13.5%, which was ahead of the reported benchmark performance of 11.8% over the same period.

Global stock markets performed reasonably well over the last 6 months with investor focus primarily on growth sectors as the appetite for risk increased. The healthcare sector was a good performer over this period but this was driven in large part by certain sub-sectors, notably biotechnology and speciality pharmaceuticals. However, towards the end of March, the dynamics in the stock market changed. The release of minutes from the Federal Reserve meeting, suggesting that tightening in the US could occur sooner than the market had been expecting, led to a swift sell off in growth stocks – especially in biotechnology and technology.

The implementation of President Obama's healthcare reform finally began in October 2013 and was probably the most important fundamental issue during the reporting period. The key part of healthcare reform is an increase in the number of people with health insurance through an expansion of Medicaid, the programme run by States for the poor, and the initiation of the healthcare insurance exchange programme. The latter enables individuals to obtain coverage from private healthcare providers with a government subsidy for those earning less than 400% of the Federal poverty level.

The exchange programme was initially mired in controversy due to website problems that prevented individuals from enrolling and led some to conclude that healthcare reform would be cancelled. These problems have since been ironed out and by the end of March it was reported that 7 million Americans had enrolled through this programme. We estimate that nearly 15 million people who were without any coverage last year now have health insurance. As a result, we would expect patient volumes to pick up in the second half of the year, which will have a positive impact for all healthcare companies but especially for hospitals and other healthcare providers.

The biotechnology sector has been one of the strongest performing areas in the stock market over the last two years and this continued through the six months to the end of March. Over the reporting period, we saw a number of biotechnology companies come to the market with an initial public offering (IPO). In the past, an ebullient IPO market for biotechnology has been a sign that supply is about to outstrip demand. As a result, we were not too alarmed to see the sector run out of steam towards the end of March, coinciding with the change in market sentiment, but the speed of the decline was a surprise.

The decline in the biotechnology sector has continued into April and we think certain stocks are now looking attractive on a risk/reward basis, however since the launch of the Company, we have maintained a low weighting in biotechnology. While we see investment opportunities in the high risk/reward biotechnology sector, not least because we see biotechnology companies as the key drivers of innovation in drug development, we have limited the portfolio's exposure to this sub-sector.

The key investment thesis supporting the launch of the Company in 2010 was that the pharmaceutical sector was significantly undervalued and looked primed for a multi-year recovery. We expected this recovery to occur in three phases – (1) large drug companies would manage the earnings impact of patent expirations much better than expected, (2) emerging markets would provide a mid-term growth driver and (3) R&D productivity would improve raising the prospects of a return to long-term growth. We believe that we are at least halfway through the re-rating process and this has been reflected in the rise in valuations across the sector seen over the last 4 years.

Most companies have now passed through their major patent expirations and the impact on earnings, while negative, has in general been well managed. For most companies, we think the patent cliff is now in the rear-view mirror and no longer a major concern for investors. Our thesis on emerging markets has not quite played out as anticipated. Large pharmaceutical companies reported emerging markets sales growth in the region of 10% p.a. from 2010 to 2012. However, over the last year we have begun to see the sales growth rate decline due to weakening currency and increased government pricing pressure – we expect sales growth in the mid- to high-single digits going forward.

The improvement in R&D productivity has probably begun to change faster than we had anticipated in 2010 – in large part driven by innovation in the biotechnology sector. Over the last two years we have seen a series of positive clinical trial announcements and, more importantly, an increase in the number of new drug approvals in the United States. In particular, there have been some significant advances in the treatment of different types of cancer. The pharmaceutical sector has been a beneficiary of this progress largely through in-licensing and M&A with the biotechnology sector.

Our income portfolio

For the overall portfolio, we have maintained the 80:20 split between the income and growth portfolios. The emphasis on income has resulted in a low portfolio weighting in some of the best performing sub-sectors of healthcare over the last year, such as biotechnology and speciality pharmaceuticals. However, this approach to portfolio construction has reduced the volatility and lowered the risk of the portfolio.

The largest weighting in the income portfolio is in pharmaceuticals, where the Company has significant positions in most of the major global pharmaceutical companies. The pharmaceutical stocks continue to offer some of the best dividend yields in the healthcare sector. However, as the sector has re-rated over the last four years, as shown by the increase in the price to earnings ratio, the dividend yields for these stocks have fallen. Nevertheless, we continue to see the potential for mid-single digit dividend growth in the mid-term.

The rest of the income portfolio is diversified across a number of medical device and healthcare service companies in combination with a small portfolio of investments in healthcare real estate investment trusts (REITs). As expected, turnover in the income portfolio has been low over the reporting period, although we continue to look for new income-producing names.

The major contributors to portfolio performance during the reporting period were AstraZeneca, Merck and Eli Lilly. All three of these stocks had lagged behind the peer group and were out of favour in the first half of calendar 2013.

In particular, AstraZeneca has been one of the best positions in the portfolio over the reporting period. We increased our weighting in AstraZeneca in February last year as we believed that the company was not being given sufficient credit for its R&D pipeline – at the time this was a contrarian view. There has been a growing realisation that AstraZeneca may have a better pipeline of oncology drug candidates than was previously believed.

This view is supported by Pfizer's announcement in the last week that it had made a written proposal to merge with AstraZeneca. While there are some tax advantages to this combination, we think that creating a company with a broader R&D pipeline is a key consideration behind Pfizer's approach. The AstraZeneca board has dismissed Pfizer's indicative offer of £50 per share but we would not be surprised to see Pfizer return with an improved offer over the next few weeks.

On a relative basis, Sanofi was the most significant underperformer of the large pharmaceutical peer group over the reporting period to the end of March. The company seems to be making slower progress than most of its peers in terms of strengthening its drug pipeline. Our holdings in US Healthcare REITs were also detractors to performance – the potential end to tapering by the US Federal Reserve had a negative impact on these stocks as they tend to be sensitive to moves in interest rates.

Our growth portfolio

In the growth portfolio, we had 40 holdings in a range of biotechnology, device, service and pharmaceutical stocks at the end of March 2014. There is a bias towards smaller market capitalisation stocks – with 56% of the growth book invested in companies with a market capitalisation less than $1 billion.

The most significant positive contributor in the growth book, by a significant margin, was Intercept Pharmaceuticals. This US-based biotechnology company has been held in the portfolio since its IPO in 2012. The lead development programme for the company was the use of obeticholic acid (OCA) as a treatment for primary biliary cirrhosis, a liver disease. Phase III data in this indication are expected later in 2014. This compound is also being investigated in earlier stage clinical studies as a treatment for other liver diseases such as portal hypertension, non-alcoholic steatohepatitis (NASH) and bile acid diarrhoea.

At the beginning of January, Intercept announced very positive data from the trial investigating the use of the compound in NASH. While only half of the patients in the clinical trial had completed treatment, an independent review body stopped the trial early on the basis of efficacy. If a drug candidate shows overwhelming efficacy in an ongoing clinical trial it is considered unethical to continue treating patients with a placebo. In our experience this is a very rare event as the data have to reach a very high level of statistical significance. Given the strong move in the shares, which moved from $72 to $445 in two days, the position was sold from the portfolio.

The largest negative contributor was Summit, which had a very strong move in September last year but gave back a significant proportion of these gains in October. The company raised additional capital in February to fund the development of its drug candidate to treat Duchenne Muscular Dystrophy (DMD). We participated in this fund-raising as we believe that the company is still significantly undervalued.

Outlook

Our investment thesis on the pharmaceutical industry has started to evolve. As investor concerns regarding patent expirations have dissipated, the key questions now relate to mid- and long-term growth potential. Drug pipelines seem to be improving across the sector, not least because of the way the large companies have looked to the innovators in the biotechnology sector as a source of new drug candidates. However, we think that we will begin to see a great dispersion of returns going forward based on the perceived strength of each company's pipeline and, therefore, its earnings growth potential.

This view is consistent with the business development activity across the sector. Large companies continue to compete with each other to in-license the best drug candidates from smaller biotechnology companies. In addition, we have seen management teams looking to dispose of business units that they see as non-essential and acquire assets that can help build strength and scale in their key growth areas. The most recent example of this was a three-way asset swap between Eli Lilly, GlaxoSmithKline and Novartis that was announced after the end of the reporting period. The industry seems to be "moving the chairs around" as companies prioritise their growth objectives and look to build competitive advantages accordingly.

We see these developments as a positive for the sector as a whole but it seems likely that certain companies will fare better than others in these endeavours. Therefore, while we will continue to maintain a large portfolio weighting in the pharmaceutical sector, our challenge will be to ensure that we pick the right stocks for the portfolio.

On a broader healthcare perspective, we continue to see a lot of innovation occurring within smaller companies in the biotechnology and medical technology sectors. We are also very interested in the emerging area of digital health that has the potential to disintermediate and disaggregate the current healthcare system – this has the potential to create new risks and opportunities within the sector. Our investment focus remains on companies that have products or services can help cut the costs of healthcare – a critical issue for governments given the aging population.

In summary, our investment approach for the Trust remains unchanged – we expect at least 60% of the portfolio to remain invested in large pharmaceutical companies throughout the life of the Company. While the healthcare sector has performed very well over the last three years, we still believe we can deliver on the goal of a total return of 10–12% per annum to the end of the life of the Company.

Dr Daniel Mahony and Mr Gareth Powell
Polar Capital LLP
7 May 2014

Portfolio
As at 31 March 2014

				Market Value (£'000)		% of total net assets	
			Country	31 March 2014	30 September 2013	31 March 2014	30 September 2013
1	(3)	Merck & Co	United States	14,988	10,288	7.8%	6.6%
2	(5)	Roche Holding	Switzerland	14,396	9,161	7.5%	5.9%
3	(1)	Novartis	Switzerland	13,241	11,383	6.9%	7.3%
4	(7)	GlaxoSmithKline	United Kingdom	13,084	8,784	6.8%	5.6%
5	(2)	Eli Lilly	United States	12,357	10,878	6.4%	7.0%
6	(4)	AstraZeneca	United Kingdom	11,628	9,647	6.0%	6.2%
7	(6)	Pfizer	United States	10,258	8,864	5.3%	5.7%
8	(8)	Sanofi	France	8,759	7,632	4.6%	4.9%
9	(13)	Abbvie	United States	7,840	3,869	4.1%	2.5%
10	(10)	Astellas Pharma	Japan	6,060	5,349	3.1%	3.4%
Top 10 investments				112,611		58.5%	
11	(9)	Johnson & Johnson	United States	5,892	5,353	3.0%	3.4%
12	(11)	Bristol-Myers Squibb	United States	4,985	4,571	2.6%	2.9%
13	(12)	Takeda Pharmaceutical	Japan	4,274	4,375	2.2%	2.8%
14	(14)	Consort Medical	United Kingdom	3,262	3,045	1.7%	2.0%
15	(15)	Summit	United Kingdom	2,343	2,946	1.2%	1.9%
16	(17)	Sonic Healthcare	Australia	2,218	2,159	1.2%	1.4%
17	(22)	Novadaq Technologies	Canada	1,737	1,331	0.9%	0.9%
18	(18)	Oxford Pharmascience	United Kingdom	1,725	1,680	0.9%	1.1%
19	(19)	Agilent Technologies	United States	1,677	1,583	0.9%	1.0%
20	(21)	Omega Healthcare	United States	1,508	1,383	0.8%	0.9%
Top 20 investments				142,232		73.9%	
21	(20)	HCA Holdings	United States	1,417	1,576	0.7%	1.0%
22	(26)	Covidien	Ireland	1,369	1,167	0.7%	0.8%
23	(30)	Asahi Intecc	Japan	1,344	1,125	0.7%	0.7%
24	(25)	Religare Health Trust	Singapore	1,280	1,174	0.7%	0.8%
25	(49)	Spectranetics	United States	1,270	725	0.7%	0.5%
26	(24)	National Health Investors	United States	1,269	1,230	0.7%	0.8%
27	(47)	Medical Properties Trust	United States	1,242	752	0.6%	0.5%
28	(28)	Senior Housing Property Trust	United States	1,212	1,153	0.6%	0.7%
29	(31)	Medical Facilities	Canada	1,176	1,004	0.6%	0.6%
30	(62)	Cardio3 BioScience	Belgium	1,174	467	0.6%	0.3%
Top 30 investments				154,985		80.5%	
31		Quintiles Transnational Holdings	United States	1,157	–	0.6%	–
32	(23)	Cerner	United States	1,157	1,298	0.6%	0.8%
33	(39)	Insulet	United States	1,137	895	0.6%	0.6%
34	(52)	Newron Pharmaceuticals	Italy	1,135	660	0.6%	0.4%
35	(46)	Synairgen	United Kingdom	1,130	768	0.6%	0.5%
36		Universal Health	United States	1,115	–	0.6%	–
37	(34)	Acadia Healthcare	United States	1,083	974	0.6%	0.6%
38	(36)	Team Health	United States	1,074	937	0.6%	0.6%
39	(27)	Health Care REIT	United States	1,072	1,155	0.6%	0.7%
40	(37)	UDG Healthcare	Ireland	1,053	911	0.5%	0.6%
Top 40 investments				166,098		86.4%	

				Market Value (£'000)		% of total net assets	
			Country	31 March 2014	30 September 2013	31 March 2014	30 September 2013
41	(29)	Pacira Pharmaceuticals	United States	1,049	1,149	0.5%	0.7%
42		Brookdale Senior Living	United States	1,005	–	0.5%	–
43	(67)	Leisureworld Senior Care	Canada	986	316	0.5%	0.2%
44	(33)	Vocera Communications	United States	977	976	0.5%	0.6%
45	(44)	Air Methods	United States	961	789	0.5%	0.5%
46		Novo Nordisk	Denmark	956	–	0.5%	–
47	(71)	HCP	United States	930	253	0.5%	0.2%
48	(45)	Coltene Holding	Switzerland	920	779	0.5%	0.5%
49		LDR Holding	United States	881	–	0.5%	–
50	(41)	Healthcare Reality Trust REIT	United States	869	856	0.5%	0.5%
Top 50 investments				175,632		91.4%	
51	(69)	Circle Holdings	United Kingdom	868	290	0.5%	0.2%
52	(56)	Hutchison China Meditech	China	858	616	0.4%	0.4%
53	(50)	Sabra Health Care REIT	United States	836	710	0.4%	0.5%
54	(59)	Futura Medical	United Kingdom	834	532	0.4%	0.3%
55	(51)	Ablynx	Belgium	790	668	0.4%	0.4%
56	(55)	NIB Holdings	Australia	782	627	0.4%	0.4%
57	(38)	Conatus Pharmaceuticals	United States	778	900	0.4%	0.6%
58	(32)	Endologix	United States	771	995	0.4%	0.6%
59	(53)	Sigma Pharmaceuticals	Australia	739	658	0.4%	0.4%
60		Dynavax Technologies	United States	734	–	0.4%	–
Top 60 investments				183,622		95.5%	
61		AtriCure	United States	726	–	0.4%	–
62		Sorin	Italy	717	–	0.4%	–
63	(54)	Optos	United Kingdom	692	637	0.4%	0.4%
64	(57)	Healthcare Services Group	United States	669	610	0.3%	0.4%
65		Intermune	United States	664	–	0.3%	–
66	(66)	Photocure	Norway	633	392	0.3%	0.3%
67		Receptos	United States	605	–	0.3%	–
68	(60)	AmSurg	United States	575	499	0.3%	0.3%
69	(58)	Meridian Biosciences	United States	559	584	0.3%	0.4%
70	(63)	Epistem	United Kingdom	480	459	0.2%	0.3%
Top 70 investments				189,942		98.7%	
71	(61)	Extendicare	Canada	467	493	0.2%	0.3%
72		Revance Therapeutic	United States	463	–	0.2%	–
73	(70)	EOS Imaging	France	392	282	0.2%	0.2%
74	(64)	Virtus Health	Australia	345	405	0.2%	0.3%
75	(72)	Stentys	France	240	223	0.1%	0.1%
76	(73)	Sul America	Brazil	121	134	0.1%	0.1%
Total equities				191,970		99.7%	
Options – (Put & Call)				(72)		–	
Total investments				191,898		99.7%	
Other net assets (excluding options)				594		0.3%	
Net assets				192,492		100.0%	

Portfolio continued
As at 31 March 2014

Geographical Exposure at	31 March 2014 %	30 September 2013 %
United States	45.6	45.1
United Kingdom	18.7	18.5
Switzerland	14.8	13.7
Japan	6.1	6.9
France	4.9	5.2
Canada	2.3	2.2
Australia	2.1	2.5
Ireland	1.2	1.4
Belgium	1.0	0.7
Italy	1.0	0.4
Singapore	0.7	0.8
Denmark	0.5	–
China	0.4	0.4
Norway	0.3	0.3
Brazil	0.1	0.1
Israel	–	1.5
Cash	0.3	0.3
Total	100.0	100.0

Sector Exposure at	31 March 2014 %	30 September 2013 %
Pharmaceuticals	69.7	68.6
Healthcare Equipment	6.0	6.2
Specialised REITs	5.3	5.6
Biotechnology	4.9	4.7
Healthcare Facilities	4.7	4.3
Healthcare Services	2.6	3.0
Healthcare Supplies	2.3	2.0
Life Sciences Tools & Services	1.7	1.3
Healthcare Technology	1.1	1.5
Healthcare Distributors	0.9	1.0
Life & Health Insurance	0.4	0.4
Multi-line Insurance	0.1	0.1
Drug Retail	–	0.5
Managed Healthcare	–	0.5
Cash	0.3	0.3
Total	100.0	100.0

Market Cap at	31 March 2014 %	30 September 2013 %
Large (>US$5bn)	73.4	72.2
Medium (US$1bn – US$5bn)	10.6	11.0
Small (<US$1bn)	16.0	16.8
Total	100.0	100.0

Statement of Directors' Responsibilities

Risks and Uncertainties

The Directors consider that the principal risks and uncertainties faced by the Company for the remaining six months of the financial year, which could have a material impact on performance, are consistent with those outlined in the Report and Financial Statements for the year ended 30 September 2013.

These principal risks can be summarised as market volatility, stock pricing and liquidity risk, currency and interest rate risk, counterparty risk, and differing economic cycles between different markets.

The investment manager's report comments on the outlook for market related risks.

The Company's risk management framework is a structured process for identifying, assessing and managing the risks associated with the Company's business. The investment portfolio is diversified by geography, which mitigates risk, but is focused on the healthcare sector and has a high proportion of investments listed on US markets or exposed to the US Dollar.

Directors' Responsibility Statement

The Directors of Polar Capital Global Healthcare Growth and Income Trust plc, who are listed in the Company Information Section, confirm to the best of their knowledge that:

- the condensed set of financial statements have been prepared in accordance with International Accounting Standard 34 as adopted by the European Union;
- the Interim Management Report (constituting the Investment Manager's report) includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7R;
- in accordance with DTR 4.2.8R there have been no new related party transactions during the six month period to 31 March 2014 and therefore nothing to report on any material effect by such transactions on the financial position or performance of the Company during that period. There have been no changes in any related party transaction described in the last annual report that could have a material effect on the financial position or performance of the Company in the first six months of the current financial year.

The half year financial report for the six months ended 31 March 2014 has not been audited or reviewed by the auditors.

The financial report for the six months ended 31 March 2014 was approved by the Board on 7 May 2014 and the responsibility statement was signed on its behalf by J P Robinson, Chairman of the Board.

James Robinson
Chairman
7 May 2014

Statement of Comprehensive Income

For the half year ended 31 March 2014

	Notes	(Unaudited) Half year ended 31 March 2014 Revenue return £'000	Capital return £'000	Total return £'000
Investment income	2	2,749	155	2,904
Other operating income	2	259	–	259
Gains on investments held at fair value		–	19,628	19,628
Other movements on written options		–	(1)	(1)
Other currency gains/(losses)		–	10	10
Total income		3,008	19,792	22,800
Expenses				
Investment management fee		(140)	(561)	(701)
Other administrative expenses		(223)	–	(223)
Total expenses		(363)	(561)	(924)
Profit before finance costs and tax		2,645	19,231	21,876
Finance costs		–	–	–
Profit before tax		2,645	19,231	21,876
Tax		(293)	(3)	(296)
Net profit for the period and total comprehensive income		2,352	19,228	21,580
Earnings per ordinary share (basic) (pence)	3	2.13	17.43	19.56
Earnings per ordinary share (diluted) (pence)	3	2.13	17.43	19.56

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the European Union.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The notes on pages 15 to 18 form part of these financial statements.

	Notes	(Unaudited) Half year ended 31 March 2013 Revenue return £'000	Capital return £'000	Total return £'000	(Audited) Year ended 30 September 2013 Revenue return £'000	Capital return £'000	Total return £'000
Investment income	2	2,362	313	2,675	4,607	314	4,921
Other operating income	2	164	–	164	244	–	244
Gains on investments held at fair value		–	25,638	25,638	–	25,749	25,749
Other movements on written options		–	–	–	–	–	–
Other currency gains/(losses)		–	(70)	(70)	–	(188)	(188)
Total income		2,526	25,881	28,407	4,851	25,875	30,726
Expenses							
Investment management fee		(110)	(439)	(549)	(244)	(975)	(1,219)
Other administrative expenses		(202)	–	(202)	(373)	–	(373)
Total expenses		(312)	(439)	(751)	(617)	(975)	(1,592)
Profit before finance costs and tax		2,214	25,442	27,656	4,234	24,900	29,134
Finance costs		–	–	–	–	–	–
Profit before tax		2,214	25,442	27,656	4,234	24,900	29,134
Tax		(260)	(25)	(285)	(482)	(25)	(507)
Net profit for the period and total comprehensive income		1,954	25,417	27,371	3,752	24,875	28,627
Earnings per ordinary share (basic) (pence)	3	1.95	25.42	27.37	3.68	24.38	28.06
Earnings per ordinary share (diluted) (pence)	3	1.88	24.51	26.39	3.51	23.28	26.79

Statement of Changes in Equity

For the half year ended 31 March 2014

	(Unaudited) Half year ended 31 March 2014					
	Called up share capital £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 1 October 2013	26,391	15,417	64,792	47,153	1,994	155,747
Total comprehensive income:						
Profit for the half year ended 31 March 2014	–	–	–	19,228	2,352	21,580
Transactions with owners, recorded directly to equity:						
Issue of ordinary shares on exercise of subscription shares	4,272	13,499	–	–	–	17,771
Repurchase of Ordinary shares to be held in Treasury	–	–	(1,358)	–	–	(1,358)
Equity dividends paid	–	–	–	–	(1,248)	(1,248)
Total equity at 31 March 2014	30,663	28,916	63,434	66,381	3,098	192,492

	(Unaudited) Half year ended 31 March 2013					
	Called up share capital £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 1 October 2012	24,653	7,360	64,792	22,278	1,655	120,738
Total comprehensive income:						
Profit for the half year ended 31 March 2013	–	–	–	25,417	1,954	27,371
Transactions with owners, recorded directly to equity:						
Issue of ordinary shares	538	2,164	–	–	–	2,702
Equity dividends paid	–	–	–	–	(1,001)	(1,001)
Total equity at 31 March 2013	25,191	9,524	64,792	47,695	2,608	149,810

	(Audited) Year ended 30 September 2013					
	Called up share capital £'000	Share premium reserve £'000	Special distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 1 October 2012	24,653	7,360	64,792	22,278	1,655	120,738
Total comprehensive income:						
Profit for the year ended 30 September 2013	–	–	–	24,875	3,752	28,627
Transactions with owners, recorded directly to equity:						
Issue of ordinary shares	1,738	8,057	–	–	–	9,795
Equity dividends paid	–	–	–	–	(3,413)	(3,413)
Total equity at 30 September 2013	26,391	15,417	64,792	47,153	1,994	155,747

The notes on pages 15 to 18 form part of these financial statements.

Balance Sheet
As at 31 March 2014

	Notes	(Unaudited) 31 March 2014 £'000	(Unaudited) 31 March 2013 £'000	(Audited) 30 September 2013 £'000
Non current assets				
Investments held at fair value		191,970	149,328	155,308
Current assets				
Receivables		797	480	3,197
Overseas tax recoverable		173	139	137
Cash and cash equivalents		336	162	844
		1,306	781	4,178
Total assets		193,276	150,109	159,486
Current liabilities				
Payables		(611)	(159)	(3,739)
Fair value of open derivative contracts		(72)	–	–
Bank overdraft		(101)	(140)	–
		(784)	(299)	(3,739)
Net assets		192,492	149,810	155,747
Equity attributable to equity shareholders				
Called up share capital		30,663	25,191	26,391
Share premium reserve		28,916	9,524	15,417
Special distributable reserve		63,434	64,792	64,792
Capital reserves		66,381	47,695	47,153
Revenue reserve		3,098	2,608	1,994
Total equity		192,492	149,810	155,747
Net asset value per ordinary share (pence)	4	158.14	149.74	148.54
Net asset value per ordinary share (diluted) (pence)	4	158.14	142.22	141.50

The notes on pages 15 to 18 form part of these financial statements.

Cash Flow Statement

For the half year ended 31 March 2014

	(Unaudited) Half year ended 31 March 2014 £'000	(Unaudited) Half year ended 31 March 2013 £'000	(Audited) Year ended 30 September 2013 £'000
Cash flows from operating activities			
Profit before tax	21,876	27,656	29,134
Adjustment for non-cash items:			
Gain on investments held at fair value through profit or loss	(19,628)	(25,638)	(25,749)
Adjusted profit before tax	2,248	2,018	3,385
Adjustments for:			
Purchases of investments, including transaction costs	(33,696)	(33,601)	(55,857)
Sales of investments, including transaction costs	15,994	30,243	47,375
Decrease in receivables	4	2	18
Increase/(decrease) in payables	8	(132)	(30)
Overseas tax deducted at source	(332)	(294)	(514)
Net cash used in operating activities	(15,774)	(1,764)	(5,623)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)	17,771	2,702	9,795
Cost of repurchase of Ordinary shares	(1,358)	–	–
Equity dividends paid	(1,248)	(1,001)	(3,413)
Net cash generated from financing activities	15,165	1,701	6,382
Net (decrease)/increase in cash and cash equivalents	(609)	(63)	759
Cash and cash equivalents at the beginning of the period	844	85	85
Cash and cash equivalents at the end of the period	235	22	844

The notes on pages 15 to 18 form part of these financial statements.

Notes to the Financial Statements

For the half year ended 31 March 2014

1 General Information

The unaudited financial statements to 31 March 2014 have been prepared using the accounting policies used in the Company's financial statements to 30 September 2013. These accounting policies are based on International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Accounting Standards Committee ("IASC"), as adopted by the European Union.

The financial information in this half year Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the periods ended 31 March 2014 and 31 March 2013 have not been audited. The figures and financial information for the year ended 30 September 2013 are an extract from the latest published accounts and do not constitute statutory accounts for that year. Full statutory accounts for the year ended 30 September 2013, prepared under IFRS, including the report of the auditors which was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies.

The accounting policies have not varied from those described in the financial statements for the year ended 30 September 2013.

The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand pounds (£'000), except where otherwise stated.

2 Dividends and other income

	(Unaudited) For the half year ended 31 March 2014 £'000	(Unaudited) For the half year ended 31 March 2013 £'000	(Audited) For the year ended 30 September 2013 £'000
Investment income			
Revenue:			
Franked: Listed investments			
Dividend income	626	454	890
Unfranked: Listed investments			
Dividend income	2,123	1,908	3,717
Total investment income allocated to revenue	2,749	2,362	4,607
Capital:			
Special dividends allocated to capital	–	157	157
Dividends from REITs allocated to capital	155	156	157
Total investment income allocated to capital	155	313	314
Other operating income			
Option premium income	258	164	243
Bank interest	1	–	1
Total other operating income	259	164	244

3 Earnings per ordinary share

	(Unaudited) For the half year ended 31 March 2014 £'000	(Unaudited) For the half year ended 31 March 2013 £'000	(Audited) For the year ended 30 September 2013 £'000
Basic earnings per share			
Net profit for the period:			
Revenue	2,352	1,954	3,752
Capital	19,228	25,417	24,875
Total	21,580	27,371	28,627
Weighted average number of shares in issue during the period	110,337,730	99,990,934	102,032,603
Revenue	2.13p	1.95p	3.68p
Capital	17.43p	25.42p	24.38p
Total	19.56p	27.37p	28.06p

	(Unaudited) For the half year ended 31 March 2014 £'000	(Unaudited) For the half year ended 31 March 2013 £'000	(Audited) For the year ended 30 September 2013 £'000
Diluted earnings per share			
Net profit for the period:			
Revenue	2,352	1,954	3,752
Capital	19,228	25,417	24,875
Total	21,580	27,371	28,627
Diluted number of shares in issue during the period	110,337,730	103,717,006	106,864,230
Revenue	2.13p	1.88p	3.51p
Capital	17.43p	24.51p	23.28p
Total	19.56p	26.39p	26.79p

The calculation of the diluted total, revenue and capital returns per Ordinary Share are carried out in accordance with IAS 33 "Earnings per Share". For the purposes of calculating diluted returns per Ordinary Share, the number of Ordinary Shares is the weighted average used in the basic calculation plus the number of Ordinary Shares deemed to be issued for no consideration on exercise of all Subscription Shares by reference to the average share price of the Ordinary Shares during the year.

As at 31 March 2014 there were no potentially dilutive shares in issue as all Subscription Shares were converted into Ordinary Shares during the period.

4 Net asset value per ordinary share

	(Unaudited) For the half year ended 31 March 2014 £'000	(Unaudited) For the half year ended 31 March 2013 £'000	(Audited) For the year ended 30 September 2013 £'000
Undiluted:			
Net assets attributable to ordinary shareholders (£'000)	192,492	149,810	155,747
Ordinary Shares in issue at end of period	121,720,000	100,050,000	104,850,000
Net asset value per Ordinary Share (pence)	158.14	149.74	148.54
Diluted:			
Net assets attributable to ordinary shareholders (£'000)	192,492	167,610	173,547
Ordinary Shares in issue at end of period if subscription shares converted	121,720,000	117,850,000	122,650,000
Net asset value per Ordinary Share (pence)	158.14	142.22	141.50

As at 31 March 2014 there were no potentially dilutive shares in issue.

For the comparative periods shown, the diluted net asset value per Ordinary Share has been calculated on the assumption that 17,800,000 Subscription Shares in issue were converted at 100 pence per share, resulting in a total number of shares in issue of 117,850,000 (31 March 2013) and 122,650,000 (30 September 2013).

5. Share capital

During the six month period to 31 March 2014, holders of 15,206,136 Subscription Shares exercised their right to convert those shares into Ordinary Shares at a price of 100 pence per share. Following the subsequent appointment of a trustee, the remaining 2,593,864 Subscription Shares were exercised on the same terms and sold in the market.

In addition, 930,000 Ordinary Shares were repurchased into Treasury. The Ordinary Shares held in Treasury have no voting rights and are not entitled to dividends.

6. Dividends

The second interim dividend of 0.55 pence per Ordinary Share will be paid on 30 May 2014 to shareholders on the register at 16 May 2014. A first interim dividend of 0.55 pence per Ordinary Share was paid on 7 March 2014. In total dividends of 1.10 pence per Ordinary Share have been declared for the six months ended 31 March 2014.

7. Related party transactions

There have been no related party transactions that have materially affected the financial position or the performance of the Company during the six month period to 31 March 2014.

Company Information

Directors

J P Robinson, Chairman
J C Aston, OBE
A D Brampton
A B Milford

Company Registration Number

7251471

(Registered in England) The Company is an investment company as defined under Section 833 of the Companies Act 2006.

Investment Manager

Polar Capital LLP

4 Matthew Parker Street, London SW1H 9NP

Authorised and regulated by the Financial Conduct Authority.

Telephone: 020 7227 2700
www.polarcapital.co.uk

Fund Managers

Dr Daniel Mahony and Mr Gareth Powell

Secretary

Polar Capital Secretarial Services Limited represented by N P Taylor FCIS

Registered Office

4 Matthew Parker Street
London SW1H 9NP

Chartered Accountants and Statutory Auditors

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Erskine House
68 – 73 Queen Street
Edinburgh EH2 4NH

Solicitors

Herbert Smith Freehills LLP

Exchange House
Primrose Street
London EC2A 2EG

Stockbrokers

Panmure Gordon & Co

1 New Change
London
EC4M 9AF

Bankers and Custodian

HSBC Bank Plc

8 Canada Square
London E14 5HQ

Registrars

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Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Share holder helpline 0800 3134922 (or +44 121 4157047)

www.shareview.co.uk

Identification Codes

Ordinary shares

SEDOL: B6832P1
ISIN: GB00B6832P16
TICKER: PCGH

Share Prices and Net Asset Values

The Company's undiluted Net Asset Value (NAV) is normally released to the London Stock Exchange daily, on the next working day, following the calculation date. The mid-market price of the ordinary shares is published daily in the Financial Times in the Companies and Markets section under the heading 'Investment Companies'. Share price information is also available from The London Stock Exchange Website:

www.londonstockexchange.co.uk

Portfolio Details

Portfolio information is provided to the AIC for its monthly statistical information service and published on the Company's Website.

Company Website

www.polarcapitalhealthcaretrust.co.uk

The Company maintains a website which provides a wide range of information on the Company, monthly factsheets issued by the investment manager and copies of announcements, including the annual and half year reports when issued.

aic

The company is a member of the Association of Investment Companies

www.theaic.co.uk

Company Information continued

Warnings to Shareholders

Past performance is no guarantee of future performance.

The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stock markets in which the Company invests, and by the supply and demand for the Company's shares.

As the shares in an investment trust are traded on a stock market, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.

Although the Company's financial statements are denominated in sterling, it may invest in stocks and shares that are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.

Investors should note that tax rates and reliefs may change at any time in the future. The value of ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs may not be maintained.

Boiler Room Scams

We are aware that some shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

The Financial Conduct Authority ("FCA") estimates that share fraud costs around £200m a year through high-pressure techniques that persuade investors to enter into transactions involving shares. If you have been contacted by an unauthorised firm regarding your shares the FCA would like to hear from you. You can report an unauthorised firm using the FCA helpline on 0845 606 1234 or 0800 111 6768 or by visiting their website, which also has other useful information, at www.FCA.org.uk

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- If the calls persist, hang up

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. Details of any share dealing facilities that the company endorses will be included in company mailings.

More detailed information on this or similar activity can be found on the FCA website.

Forward-looking Statements

Certain statements included in this half year Report contain forward-looking information concerning the Company's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Company operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the principal risks and uncertainties included in the Annual Report for the financial period ended 30 September 2013. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Global Healthcare Growth and Income Trust plc or any other entity, and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.

Investing

Market Purchases

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

Share Dealing Services

The Company has arranged for Shareview Dealing, a telephone and Internet share sale service offered by Equiniti to be made available.

For telephone sales call 0800 876 6889 (or +44 121 415 7047) between 8.30am and 4.30pm for dealing and up to 6.00pm for enquiries, Monday to Friday.

For Internet sales log on to www.shareview.co.uk/dealing

Savings Scheme & ISA

UK residents can invest through a range of product providers which offer and administer a range of self-select investment plans, tax-advantaged ISAs and SIPPs (self-invested personal pensions).

Please remember that any investment in the shares of Polar Capital Global Healthcare Growth and Income Trust either directly or through a savings scheme or ISA carries the risk that the value of your investment and any income from them may go down as well as up due to the fluctuations of the share price, the market and interest rates. This risk may result in an investor not getting back their original amount invested. Past performance is not a guide to future performance.

Polar Capital Global Healthcare Growth and Income Trust is allowed to borrow against its assets and this may increase losses triggered by a falling market. The Company may increase or decrease its borrowing levels to suit market conditions.

If you are in any doubt as to the suitability of a plan or any investment available within a plan, please take professional advice.

Subscription Shares

Polar Capital Global Healthcare Growth and Income Trust plc issued Subscription Shares on 15 June 2010 on the basis of one Subscription Share for every five Ordinary Shares subscribed. The Subscription Shares were admitted to trading on the London Stock Exchange on 15 June 2010.

Subscription Shares offered the right to subscribe for Ordinary Shares of the Company at 100p per Ordinary Share on 31 January 2014. All the Subscription Shares were converted in to Ordinary Shares following the subscription date of 31 January 2014.

The base 'cost' for UK tax purposes of the subscription shares will be a proportion of the issue price paid for the Ordinary Shares to which the Subscription Shares were attached. The apportionment is made by reference to the respective market values of the Ordinary Shares and Subscription Shares at the close of business on 15 June 2010, the day the Ordinary and Subscription Shares were admitted to trading. The market value for UK tax purposes of the Company's Ordinary Shares and Subscription Shares on such date were as follows:

Ordinary Shares 101.0p

Subscription Shares 14.875p

If you exercised the subscription rights attaching to your Subscription Shares, the resulting Ordinary Shares will be treated for UK tax purposes as the 'same' asset as the Subscription Shares in respect of which the subscription rights are exercised. The base 'cost' for UK tax purposes of the resulting Ordinary Shares will be the base cost attributed to the exercised Subscription Shares, increased by the amount of subscription monies paid.

If you did not exercise your Subscription Share rights but left it to the trustee to take action you would have received 43.1822p per Subscription Share held if the total was in excess of £5.

Please note this is a summary of some of the information contained in the Prospectus issued by the Company on 26 May 2010 (the "Prospectus") in connection with the Placing and Offer for Subscription of Ordinary Shares and Subscription Shares and should be read as such. Full details of the Subscription Shares, their issue and conversion are set out in the Prospectus and reference should be made to that document for a complete and full understanding of the terms of the Subscription Shares.

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ACCRUE FULTON
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