Polar Capital Global Healthcare Growth and Income Trust plc

Report and Financial Statements for the half year ended 31 March 2017

Half year ended
2017

About Us

Future of the Company
As announced on 15 March the Board plans to bring forward proposals for shareholder approval at a general meeting of shareholders for reorganisation of the Company. The principal proposals are noted in the Chairman's statement and include an extension to the life of the Company by changing the Articles of Association, adopting a new investment mandate focused on growth from the healthcare sector, as well as a 100% tender offer for existing shareholders. The Company will also seek to raise new capital by the issue of new ordinary shares and zero dividend preference shares. Full details of all these proposed changes and details of the share issues will be contained in a separate circular to shareholders and prospectus to be published shortly.

History
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 2017, the Company's share capital comprised 122,650,000 ordinary shares of 25p each of which 120,475,000 were in issue and 2,175,000 were held in treasury.

Life
The Articles of Association currently require the Directors to put forward at the seventh Annual General Meeting a resolution to place the Company into liquidation. The Board is bringing forward proposals to amend the Articles of Association for shareholder approval at a general meeting of the Company to be held shortly so that the winding up resolution will instead be proposed at the 14th Annual General Meeting of the Company expected to be held in early 2025.

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 and AIFM 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.

Under the current Investment management agreement 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 current performance fee is calculated and payable at the liquidation of the Company which was expected to occur at the seventh AGM in January 2018. No performance fee is currently due and no accrual has been made. As noted above the Board is bringing forward proposals for the reorganisation of the Company that will result in changes to the fee arrangements, which will be put to shareholders along with the other proposals at a general meeting of the Company to be held shortly.

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Financial Highlights
For the half year ended 31 March 2017

Performance	
Net asset value per ordinary share (total return) (note 1)	**3.9%**
Benchmark index – (MSCI ACWI/Healthcare Index (total return in Sterling with net dividends reinvested))	**6.4%**
Total return for investors since inception (note 2)	**154.2%**

Financials	As at 31 March 2017	As at 30 September 2016	% Change
Net asset value per ordinary share	212.23p	205.71p	3.2%
Ordinary share price	206.25p	194.50p	6.0%
Discount	2.8%	5.4%	
Ordinary shares in issue	120,475,000	120,475,000	
Ordinary shares held in treasury	2,175,000	2,175,000	

Expenses	
Ongoing charges for the half year ended 31 March 2017 (note 3) (Ongoing charges for the half year ended 31 March 2016: 1.02%)	1.0%

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 2016:	30 Nov 2016	0.75p	4 Nov 2016	03 Nov 2016	27 Oct 2016
The Company has paid the following dividend relating to the current financial year:	28 Feb 2017	0.75p	10 Feb 2017	09 Feb 2017	31 Jan 2017
The Company has declared the following dividend relating to the current financial year:	9 June 2017	1.65p	19 May 2017	18 May 2017	05 May 2017

All data sourced from Polar Capital LLP

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.

Note 2 – The total return for investors since inception calculation is adjusted to account for any dividends to have been reinvested on the payment date in ordinary shares at the prevailing share price and assumes that all investors have exercised their subscription rights.

Note 3 – 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

For the six months to 31 March 2017, your company recorded a Net Asset Value total return of 3.9% compared to a return of 6.4% for our benchmark index, the MSCI Healthcare Index (total return in Sterling with dividends reinvested). Our share price rose by 6.0% as our discount narrowed from 5.4% to 2.8%.

The principal reasons for the underperformance against benchmark in the past six months are elaborated in the Investment Manager's report. Since inception we have shown a tendency to underperform our benchmark and I feel I should point out some reasons why this has been the case. First and foremost has been the income part of our mandate; at launch we undertook to run a portfolio with a much lower risk profile to produce an initial dividend yield of 3%, whilst aiming to increase dividends per share over time. In this we have been successful but it has meant that the bulk of our portfolio has, of necessity, been invested in large cap pharmaceutical shares because this is where the highest yields in the healthcare sector are found. It has also meant that our exposure to the low yielding biotech area has been fairly minimal throughout which has cost us considerably in terms of capital return. This should not have come as a surprise to anyone as both these factors were made abundantly clear in our launch prospectus. With the benefit of hindsight we should perhaps have chosen a pharmaceutical index as our benchmark as this would more fairly have represented our investment universe but the Board did not believe it was appropriate to make a change part way through the fixed life of the Trust, especially as the Manager's performance fee is based on performance against the MSCI Healthcare Index over the whole seven and a half year period.

Share Capital

There has been no activity in terms of share capital during the period so we still have 122,650,000 shares in issue with 2,175,000 of these shares in treasury.

Dividends

We have paid a total of 0.75p in dividends in respect of the six months ended 31 March 2017. In light of the Board's proposals explained further below, it has been decided to distribute substantially all the income generated in the portfolio in the current financial and a dividend of 1.65p per share has been declared payable on 9 June 2017 to shareholders on the register at 19 May 2017.

Update re Future of the Company

On 15 March your Board announced brief details of its proposals for the future of the Company which are summarised below. Subject to the approval of shareholders and regulatory approvals as required, it is proposed that:

- the Company's existing mandate will be changed to a growth mandate. The Company will expect to pay a dividend going forward but at a lower level than hitherto;
- the Company's name will be changed to Polar Capital Global Healthcare Trust plc;
- an issue of new ordinary shares will be made by way of an open offer to qualifying shareholders, an institutional placing and an offer for subscription;
- in order to provide gearing to the Company an issue of zero dividend preference shares (ZDP's) will be made on a 1 for 8 basis; and
- a tender offer will be made to all eligible shareholders enabling those who so wish to realise all or part of their investment in the Company at the prevailing net asset value per ordinary share less costs.

As part of the proposals and with the approval of shareholders the Company's Articles of Association will be amended so that the existing commitment to wind up the Company on or around 31 January 2018 will be deferred by seven years until early 2025.

The proposals will also be conditional on the Company's assets immediately following implementation being not less than £200 million compared with an existing asset base of around £260 million.

It is expected that a shareholder circular setting out full details of the proposals and convening a shareholder meeting will be published shortly and that the effective date of the proposals will be in June.

Outlook

We are now over eight years into this bull market which is about as good as it usually gets! Valuations are high and with the Federal Reserve now starting to tighten monetary policy there are some warning signs out there. Encouragingly however, investors are far from exuberant so perhaps we still have some further upside ahead of us.

As far as healthcare is concerned we can take some comfort from the fact that the sector is cheap relative to the market as a whole and also has superior growth prospects. The combination of these two factors should ensure good investment returns over the long-term.

James Robinson
Chairman
4 May 2017

Investment Manager's Report
For the half year ended 31 March 2017

For the six months to 31 March 2017, the Company delivered a total return of 3.9%, which was behind the benchmark performance of 6.4% over the same period.

Over the reporting period, global stock markets were weak ahead of the US Presidential election in November and then rallied strongly following the election of President Trump and the Republican Party taking control of the US Congress.

The healthcare sector underperformed broader markets over the reporting period. President Trump's plans for infrastructure spending and tax reform raised investor expectations of a reflation of the US economy that would benefit more cyclical sectors. In addition, the uncertainty around healthcare policy and a potential repeal of the Affordable Care Act (ACA) created a headwind for healthcare stocks that began to wane towards the end of the reporting period.

The best performing healthcare sub-sectors were managed care and healthcare facilities – the former rallied strongly following the US election and the latter performed well in the second half of the reporting period. Small cap healthcare, particularly smaller biotechnology stocks, also performed well over the period to 31 March.

Government Healthcare Policy Continues to Drive Investor Sentiment

Since his election in November, the US stock market has been focused on President Trump's political agenda and the political machinations in Washington. President Trump's election and the Republican Party taking control of both the House and the Senate was a major surprise to most commentators. Historically, a Republican administration combined with Republican control of the Congress has led to government policy that is positive for business.

The emphasis has been on three key policy items – healthcare, tax reform and infrastructure spending. The potential for corporate tax reform and infrastructure spending has led to a belief that this could provide a major stimulus to the US economy and is often referred to as the 'Trump reflation trade'.

From a healthcare perspective, the situation is a little more complex. On the election trail, President Trump was clear in his intention to 'repeal and replace' the Affordable Care Act (ACA) – often referred to as 'Obamacare'. While there seems to be broad consensus amongst Republicans on the need to repeal, there are divergent opinions on what the ACA should be replaced with.

In March, the Republican Party leadership produced its American Healthcare Act (AHCA) but it failed to receive broad support from across the Republican Party and it did not even make it to the floor of the House for a vote. The Congressional Budget Office (CBO) had estimated the new bill would provide significant savings to the budget but had also projected that up to 24 million Americans could lose healthcare coverage under the new plan. The latter was the major stumbling block for more moderate Republicans.

While the Trump Administration continues to say that healthcare is a priority, it seems likely that political expediency will over-ride this intention and the AHCA may be put on hold so that President Trump can pursue his other major policy initiatives. If healthcare moves down the political agenda then we think this could be a catalyst for improved investor sentiment towards the sector.

Drug Pricing Remains a Talking Point

The other area of healthcare policy that concerns investors is the ongoing debate on drug pricing. President Trump continues to be vocal with his view that US drug prices are too high and that he will create a more competitive market. Under current legislation, the US government is not allowed to negotiate drug prices for Medicare – the federal programme for the over 65s – directly with the pharmaceutical manufacturers. Therefore, it is not possible for the President to address this by executive order and it is unclear how legislation could create competition without a major re-organisation of the drug supply chain.

At the end of January, a group of pharmaceutical company executives visited the White House and described the conversation with the President as constructive and conciliatory. The pharmaceutical industry has been quite vocal in highlighting the amount of margin that is extracted by the drug supply chain – noting that the reported high single digit gross price increases are far higher than the low single digit net price increases actually received by the drug manufacturers.

We would not be surprised to see the Administration demand greater transparency on the profit taken by different parts of the drug supply chain. This may be a significant negative for the pharmacy benefit managers as it may highlight how much profit they are making from the drug supply chain. While the noise around drug pricing is a cause for negative investor sentiment, we believe that pharmaceutical companies developing innovative therapies that improve clinical outcomes meaningfully will continue to have robust pricing power.

Value-Based Reimbursement is Growing in Importance

While government price controls seem to be a concern for investors, we think the real structural change in healthcare is being driven by commercial insurers. Almost every large healthcare company we have spoken to in the last few months has referred to 'value-based reimbursement' – a system where any drug, device or service will be paid on the basis of clinical outcomes and the quality it delivers.

While value-based reimbursement is not a near-term threat to pharmaceutical industry sales growth, this is an area that is evolving rapidly. On a five year view, we see a risk that the use of data and analytical tools to evaluate products and services may create unexpected pricing pressure for healthcare companies that have not grasped the scope of the impending structural change across the industry.

As a result, we continue to focus on identifying companies that are developing products or services that can deliver better and/or more cost-effective care. Companies that do not adjust to these changes, and are not seen as part of a solution to the problem, are likely to face pricing pressure and lose significant market share. Conversely, companies that adapt to change and take advantage of the new market opportunities should gain market share and grow.

Structural Change Shows the Impact of Changing Demographics

These political pressures and reimbursement changes need to be seen in the context of changing demographics. A key concern for governments and health insurers around the world is how to manage the impact of an ageing population. Governments realise that they need to take advantage of new technology to deliver better care to patients – as highlighted in the recent report published in March 2017 by National Health Service (NHS).

We believe that the healthcare industry is entering a period of major structural change driven by the need to improve the efficiency of healthcare systems. For this reason, healthcare is likely to remain high on the political agenda and further disruption of the industry seems inevitable.

Nevertheless, healthcare continues to be one of the few long-term secular growth sectors in a low growth world suffering from persistent deflationary pressures. The drivers of demographics, innovation and the need for greater efficiency should create a number of different investment opportunities across the healthcare sector.

Dispersion of Returns and an Evolving Investment Strategy

The original investment thesis for the Company was based on the pharmaceutical sector being unloved, undervalued and under-owned by investors. We expected the price to earnings (P/E) ratio for the sector to return to the long-term average over the life of the Company. This thesis has now played out and so our investment strategy for the pharmaceutical sector has begun to evolve.

Over the last year, we have seen the dispersion of returns within the pharmaceutical sector increase. Stock-picking is becoming much more important and while we continue to have a significant exposure to the large pharmaceutical stocks we have been a little more active in managing the risk of the portfolio.

We try to limit our exposure to pharmaceutical companies that are under the threat of pricing pressure. We look for pharmaceutical companies where we think pipelines are underestimated or under-valued by the market. At the same time, we try to avoid companies where pipelines are 'priced in' or where expectations are elevated and the risk/reward is unfavourable.

Portfolio Review

The Company's investments are split into an income and growth portfolio with an 80:20 division of assets, respectively. All of the companies in the income portfolio pay a dividend and the large weighting towards income reduces the volatility and the overall risk of the Company's investment portfolio.

Over the course of the reporting period, we have continued to reduce our exposure to some of the more illiquid, smaller capitalisation stocks in the portfolio. Consistent with this, we have made no new investments in companies with a market capitalisation of less than $100 million over the last six months.

We have also reduced the size of our positions in both AstraZeneca and Roche ahead of significant clinical trial announcements for each company. As a result, the portfolio had a 4.9% cash position as of 31 March 2017. We would expect to re-deploy this capital in due course. As a measure of risk, the beta of the portfolio decreased modestly from 0.86 to 0.82 throughout the reporting period. We continue to manage the portfolio conservatively and this has helped to limit the volatility of the portfolio.

Our Income Portfolio

In-line with the original investment mandate, the Company maintains large positions in most of the major global pharmaceutical companies. The remainder of the income portfolio is invested in a number of medical device, healthcare service companies and healthcare real estate investment trusts (REITs). The turnover in the income portfolio has been low over the reporting period.

Over the course of calendar year 2016, we have seen a high dispersion of returns across the pharmaceutical sector. Our focus has continued to be on identifying companies with what we believe to be under-appreciated clinical pipelines; avoiding companies that may face unexpected pricing pressure; and reducing exposure to any major clinical event that could have a significant negative impact on the share price.

The largest contributor to performance during the reporting period was Sanofi – a position we added to during the period. Sanofi has had a difficult period as it has faced pricing pressure and competition in its core diabetes franchise but we believed this had been factored into the stock during 2016. The stock appreciated during the reporting period as expectations began to grow ahead of the launch of Dupixent, its new atopic dermatitis drug developed with Regeneron. Other positive contributors during the reporting period were Johnson & Johnson, Merck & Co. and Pfizer.

The largest negative contributors were Astellas, AstraZeneca and Teva. Teva has underperformed due to concerns that generic competition to Copaxone, its multiple sclerosis drug, would be approved at some point in 2017. The company also lowered guidance during the reporting period and we finally sold the stock in February on the announcement that the CEO would be standing down from the company.

AstraZeneca shares have been volatile as expectations have oscillated ahead of the data from MYSTIC, a clinical trial evaluating the use of its immunotherapy durvalumab with or without tremelimumab for the treatment of front-line non-small cell lung cancer (NSCLC). We are a little nervous on the risk/reward going into this event in mid-year and have reduced our exposure to the stock. The move in Astellas was driven more by a shift out of defensives into cyclical stocks in Japan rather than by any fundamental change in the company's fortunes and we have maintained our holding.

Our Growth Portfolio

For the growth portfolio, at the end of March 2016 the Company had 28 holdings in a range of biotechnology, device, service and pharmaceutical stocks. Over the reporting period, we continued to reduce the risk in the growth portfolio that has historically had a bias to smaller companies. At the end of March, 70% of the growth portfolio was invested in companies with a market capitalisation greater than $5 billion.

The most significant positive contributors in the growth portfolio were biotechnology companies – Incyte and Summit. Incyte is a large U.S. biotechnology company that has a blockbuster drug on the market, Jakafi for the treatment of myelofibrosis. The company has also developed a rheumatoid arthritis drug, baricitinib, as part of a collaboration with Eli Lilly that is set for launch in Europe in 2017 – the Food and Drug Administration (FDA) has requested additional data before approving a launch in the US. Moreover, over the course of the reporting period, the company has made a series of disclosures about its emerging drug pipeline that includes several interesting immuno-oncology agents. Investor enthusiasm over the pipeline has been the main reason for the appreciation in the shares.

Summit is a UK biotechnology technology company that is developing a treatment for Duchenne' Muscular Dystrophy (DMD), a rare disease that affects young boys, as well as an antibiotic to treat drug-resistant C. difficile. There has been a significant valuation difference between Summit and its US peer group – partly because Summit has been further behind in clinical development. However, the company continues to make good progress and its US dual listing means that it is attracting the attention of US-based investors.

The two most significant detractors to performance were US medical technology stocks Endologix and Novadaq. We have owned Endologix for several years but over the last few quarters there have been a series of mishaps including product delays and poorly communicated financial guidance. We finally lost confidence in the company and sold our position in November following the announcement that the US launch of Nellix, its key product for the treatment of abdominal aortic aneurysms, would be delayed even further. Novadaq's CEO took over last July with a remit to drive a recovery in the sales and marketing side of the business. However, in January the company announced weaker than expected 2016 revenues and lowered guidance for 2017. We continue to hold the shares but are closely monitoring the company's progress.

Outlook

As we look forward, it seems likely that the political headwinds that have kept investors away from healthcare are set to dissipate. If the Republican leadership continues to have difficulties with its plans for AHCA then it seems highly likely that it will disappear from the political agenda within a matter of months. Even so, healthcare spending will remain on the political agenda, and not just in the United States, as governments around the world grapple with the issue of how to deliver better healthcare to more people for less money.

Importantly, we have greater conviction in our view that the healthcare industry is at the beginning of a major structural transformation driven by the need to improve efficiency. The biggest perceived risks for healthcare – that current government spending is unsustainable and healthcare systems are at breaking point – are probably the biggest catalysts for change. Major structural transformation occurs when innovative technological change meets economic necessity – we think that the healthcare industry has crossed the Rubicon and the process has already begun.

There is still a case to be made for growth in healthcare but you need to be selective. In this respect, we see two strategies for investing in healthcare – (a) a focus on companies that can adjust to the ongoing changes and deliver stable and predictable cash flow growth and (b) to identify companies that are the innovators or disruptors driving structural change.

On a relative Price to Earnings (P/E) basis, healthcare is back to a multi-decade low and on an absolute basis the sector P/E is still just below the long-term average. In addition, the relative earnings revisions for the healthcare sector are also beginning to turn more positive compared to the market, which has historically been correlated with relative outperformance of the sector.

We think the sector is well positioned for further outperformance over the balance of 2017 – a view that few investors held at the beginning of the year.

Dr Daniel Mahony and Mr Gareth Powell
Polar Capital LLP
4 May 2017

Portfolio
As at 31 March 2017

		Stock	Country	Market Value (£'000) 31 March 2017	Market Value (£'000) 30 September 2016	% of total net assets 31 March 2017	% of total net assets 30 September 2016
1	(1)	Pfizer	United States	19,145	18,246	7.5%	7.4%
2	(2)	Merck & Co	United States	18,798	17,768	7.4%	7.2%
3	(5)	Johnson & Johnson	United States	15,932	12,275	6.2%	5.0%
4	(10)	Sanofi	France	13,387	8,778	5.3%	3.5%
5	(6)	GlaxoSmithKline	United Kingdom	12,861	11,497	5.0%	4.6%
6	(3)	Novartis	Switzerland	11,286	17,595	4.4%	7.1%
7	(11)	Merck KGAA	Germany	10,977	6,634	4.3%	2.7%
8	(7)	Roche	Switzerland	10,219	11,478	4.0%	4.6%
9	(8)	Astellas Pharma	Japan	8,943	10,151	3.5%	4.1%
10	(18)	Bristol-Myers Squibb	United States	8,263	4,151	3.2%	1.7%
Top 10 investments				129,811		50.8%	
11	(15)	Abbott	United States	7,105	4,882	2.8%	2.0%
12	(13)	Takeda Pharmaceutical	Japan	5,628	5,497	2.3%	2.2%
13	(16)	Medtronic	Ireland	5,154	4,656	2.0%	1.9%
14	(17)	Eli Lilly	United States	5,045	4,632	2.0%	1.8%
15	(14)	Consort Medical	United Kingdom	4,869	5,072	1.9%	2.0%
16	(4)	AstraZeneca	United Kingdom	4,421	12,508	1.7%	5.0%
17	(12)	AbbVie	United States	4,169	5,825	1.6%	2.4%
18	(23)	UnitedHealth	United States	3,279	2,156	1.3%	0.9%
19	(19)	Sonic Healthcare	Australia	3,116	2,982	1.2%	1.2%
20	(21)	Celgene	United States	2,985	2,414	1.2%	1.0%
Top 20 investments				175,582		68.8%	
21	–	HCA	United States	2,847	–	1.1%	–
22	(34)	Incyte Genomics	United States	2,672	1,814	1.0%	0.7%
23	–	Anthem	United States	2,645	–	1.0%	–
24	–	Alexion Pharmaceuticals	United States	2,605	–	1.0%	–
25	(24)	Spectranetics	United States	2,560	2,124	1.0%	0.9%
26	(20)	HCP	United States	2,501	2,921	1.0%	1.2%
27	(25)	Laboratory Corp of America	United States	2,294	2,117	0.9%	0.9%
28	(27)	Centene	United States	2,279	2,061	0.9%	0.8%
29	(22)	Medical Properties Trust	United States	2,266	2,273	0.9%	0.9%
30	(56)	Lundbeck	Denmark	2,109	1,141	0.8%	0.5%
Top 30 investments				200,360		78.4%	

		Stock	Country	Market Value (£'000) 31 March 2017	30 September 2016	% of total net assets 31 March 2017	30 September 2016
31	(32)	UDG Healthcare	Ireland	2,106	1,923	0.8%	0.8%
32	(30)	Biomarin Pharmaceutical	United States	1,966	1,994	0.8%	0.8%
33	(35)	Abiomed	United States	1,802	1,782	0.7%	0.7%
34	(48)	NIB Holdings	Australia	1,793	1,385	0.7%	0.6%
35	–	RHT Health Trust	Singapore	1,783	–	0.7%	–
36	(37)	Newron Pharmaceuticals	Italy	1,772	1,738	0.7%	0.7%
37	(46)	Sabra Health Care REIT	United States	1,673	1,453	0.7%	0.6%
38	(33)	Medical Facilities	Canada	1,647	1,916	0.6%	0.8%
39	(36)	Senior Housing Property Trust	United States	1,619	1,747	0.6%	0.7%
40	(47)	Coltene Holding	Switzerland	1,583	1,390	0.6%	0.6%
Top 40 investments				218,104		85.3%	
41	(29)	Virtus Health	Australia	1,576	2,001	0.6%	0.8%
42	(40)	Healthcare Reality Trust REIT	United States	1,559	1,573	0.6%	0.6%
43	(45)	Sienna Senior Living	Canada	1,558	1,489	0.6%	0.6%
44	(55)	Revance Therapeutic	United States	1,531	1,149	0.6%	0.5%
45	(39)	Summit Therapeutics	United Kingdom	1,511	1,603	0.6%	0.6%
46	(54)	Oxford Immunotec	United Kingdom	1,495	1,166	0.6%	0.5%
47	(44)	National Health Investors	United States	1,452	1,510	0.6%	0.6%
48	(42)	Neurocrine Biosciences	United States	1,385	1,559	0.5%	0.6%
49	(51)	Fresenius Medical Care	Germany	1,352	1,344	0.5%	0.5%
50	(53)	Healthcare Services Group	United States	1,323	1,169	0.5%	0.5%
Top 50 investments				232,846		91.0%	
51	(50)	Omega Healthcare	United States	1,319	1,364	0.5%	0.6%
52	(43)	Novadaq Technologies	Canada	933	1,556	0.4%	0.6%
53	(59)	Photocure	Norway	822	978	0.3%	0.4%
54	(62)	Primary Health Care	Australia	765	813	0.3%	0.3%
55	(41)	Ultragenyx Pharmaceutical	United States	759	1,572	0.3%	0.6%
56	(64)	Extendicare	Canada	756	688	0.3%	0.3%
57	(57)	PerkinElmer	United States	719	1,080	0.3%	0.4%
58	(63)	Brookdale Senior Living	United States	644	806	0.3%	0.3%
59	(61)	Oxford Pharmascience	United Kingdom	644	826	0.3%	0.3%
60	(65)	Meridian Biosciences	United States	490	662	0.2%	0.3%
Top 60 investments				240,697		94.2%	
61	(66)	Sigma Pharmaceuticals	Australia	438	458	0.2%	0.2%
62	–	Inogen	United States	336	–	0.1%	–
63	–	Quality Care Properties	United States	301	–	0.1%	–
64	(68)	Circle Holdings	United Kingdom	256	260	0.1%	0.1%
65	(70)	Genedrive	United Kingdom	60	83	–	–
Total equities				242,088		94.7%	
Other net assets				13,591		5.3%	
Net assets				255,679		100.0%	

Portfolio continued
As at 31 March 2017

Geographical Exposure at	31 March 2017	30 September 2016
United States	49.4%	49.1%
United Kingdom	10.2%	13.2%
Switzerland	9.0%	12.3%
Japan	5.8%	6.3%
France	5.3%	3.5%
Germany	4.8%	0.5%
Australia	3.0%	3.1%
Ireland	2.8%	2.7%
Other	4.4%	8.7%
Cash	5.3%	0.6%
Total	100.0%	100.0%

Sector Exposure at	31 March 2017	30 September 2016
Pharmaceuticals	58.6%	62.2%
Healthcare Equipment	9.5%	11.2%
Biotechnology	7.8%	8.1%
Specialised Healthcare REITs	5.7%	6.0%
Healthcare Services	4.3%	4.7%
Healthcare Facilities	3.6%	2.9%
Managed Healthcare	3.2%	1.7%
Healthcare Supplies	0.8%	1.4%
Life & Health Insurance	0.7%	0.5%
Life Sciences Tools & Services	0.3%	0.5%
Healthcare Distributors	0.2%	0.2%
Cash	5.3%	0.6%
Total	100.0%	100.0%

Market Cap at	31 March 2017	30 September 2016
Large (>US$5bn)	81.7%	79.7%
Medium (US$1bn – US$5bn)	8.7%	9.7%
Small (<US$1bn)	9.6%	10.6%
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 2016.

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 has been prepared in accordance with International Accounting Standard 34 as adopted by the European Union;
- the Chairman's Statement together with the Investment Manager's Report provide a fair review of the information required by Disclosure and Transparency Rule 4.2.7R; and
- in accordance with DTR 4.2.8R there have been no new related party transactions during the six month period to 31 March 2017 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 transactions 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 2017 has not been audited or reviewed by the auditors.

The financial report for the six months ended 31 March 2017 was approved by the Board on 4 May 2017.

On behalf of the Board

James Robinson
Chairman

Statement of Comprehensive Income

For the half year ended 31 March 2017

		(Unaudited) Half year ended 31 March 2017		
	Notes	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	2	3,311	813	4,124
Other operating income	2	1	–	1
Gains/(losses) on investments held at fair value		–	7,347	7,347
Other currency (losses)/gains		–	(196)	(196)
Total income		3,312	7,964	11,276
Expenses				
Investment management fee		(199)	(798)	(997)
Other administrative expenses		(235)	–	(235)
Total expenses		(434)	(798)	(1,232)
Profit/(loss) before finance costs and tax		2,878	7,166	10,044
Finance costs		(1)	(2)	(3)
Profit/(loss) before tax		2,877	7,164	10,041
Tax		(372)	(7)	(379)
Net profit/(loss) for the period and total comprehensive income		2,505	7,157	9,662
Earnings per ordinary share (basic) (pence)	3	2.08	5.94	8.02

	Notes	(Unaudited) Half year ended 31 March 2016 Revenue return £'000	Capital return £'000	Total return £'000	(Audited) Year ended 30 September 2016 Revenue return £'000	Capital return £'000	Total return £'000
Investment income	2	3,410	162	3,572	6,358	162	6,520
Other operating income	2	294	–	294	314	–	314
Gains/(losses) on investments held at fair value		–	(1,219)	(1,219)	–	38,721	38,721
Other currency (losses)/gains		–	53	53	–	68	68
Total income		3,704	(1,004)	2,700	6,672	38,951	45,623
Expenses							
Investment management fee		(172)	(690)	(862)	(361)	(1,444)	(1,805)
Other administrative expenses		(235)	–	(235)	(467)	(5)	(472)
Total expenses		(407)	(690)	(1,097)	(828)	(1,449)	(2,277)
Profit/(loss) before finance costs and tax		3,297	(1,694)	1,603	5,844	37,502	43,346
Finance costs		–	–	–	–	–	–
Profit/(loss) before tax		3,297	(1,694)	1,603	5,844	37,502	43,346
Tax		(357)	(7)	(364)	(681)	(7)	(688)
Net profit/(loss) for the period and total comprehensive income		2,940	(1,701)	1,239	5,163	37,495	42,658
Earnings per ordinary share (basic) (pence)	3	2.43	(1.40)	1.03	4.28	31.07	35.35

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 17 to 18 form part of these financial statements.

Statement of Changes in Equity
For the half year ended 31 March 2017

	(Unaudited) Half year ended 31 March 2017					
	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 2016	30,663	28,916	61,337	124,100	2,809	247,825
Total comprehensive income:						
Profit for the half year ended 31 March 2017	–	–	–	7,157	2,505	9,662
Transactions with owners, recorded directly to equity:						
Equity dividends paid	–	–	–	–	(1,808)	(1,808)
Total equity at 31 March 2017	30,663	28,916	61,337	131,257	3,506	255,679

	(Unaudited) Half year ended 31 March 2016					
	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 2015	30,663	28,916	61,844	86,605	2,410	210,438
Total comprehensive income:						
(Loss)/profit for the half year ended 31 March 2016	–	–	–	(1,701)	2,940	1,239
Transactions with owners, recorded directly to equity:						
Equity dividends paid	–	–	–	–	(1,570)	(1,570)
Total equity at 31 March 2016	30,663	28,916	61,844	84,904	3,780	210,107

	(Audited) Year ended 30 September 2016					
	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 2015	30,663	28,916	61,844	86,605	2,410	210,438
Total comprehensive income:						
Profit for the year ended 30 September 2016	–	–	–	37,495	5,163	42,658
Transactions with owners, recorded directly to equity:						
Shares bought back and held in treasury	–	–	(507)	–	–	(507)
Equity dividends paid	–	–	–	–	(4,764)	(4,764)
Total equity at 30 September 2016	30,663	28,916	61,337	124,100	2,809	247,825

The notes on pages 17 to 18 form part of these financial statements.

Balance Sheet
As at 31 March 2017

	Notes	(Unaudited) 31 March 2017 £'000	(Unaudited) 31 March 2016 £'000	(Audited) 30 September 2016 £'000
Non current assets				
Investments held at fair value		242,088	208,768	246,381
Current assets				
Receivables		1,540	708	665
Overseas tax recoverable		415	203	274
Cash and cash equivalents		11,912	5,771	7,367
		13,867	6,682	8,306
Total assets		255,955	215,450	254,687
Current liabilities				
Payables		(249)	(5,343)	(6,852)
Bank overdraft		(27)	–	(10)
		(276)	(5,343)	(6,862)
Net assets		255,679	210,107	247,825
Equity attributable to equity shareholders				
Called up share capital		30,663	30,663	30,663
Share premium reserve		28,916	28,916	28,916
Special distributable reserve		61,337	61,844	61,337
Capital reserves		131,257	84,904	124,100
Revenue reserve		3,506	3,780	2,809
Total equity		255,679	210,107	247,825
Net asset value per ordinary share (pence)	4	212.23	173.97	205.71

The notes on pages 17 to 18 form part of these financial statements.

James Robinson
Chairman

Cash Flow Statement
For the half year ended 31 March 2017

	(Unaudited) Half year ended 31 March 2017 £'000	(Unaudited) Half year ended 31 March 2016 £'000	(Audited) Year ended 30 September 2016 £'000
Cash flows from operating activities			
Profit before tax	10,041	1,603	43,346
Adjustment for non-cash items:			
(Gains)/loss on investments held at fair value through profit or loss	(7,347)	1,219	(38,721)
Adjusted profit before tax	2,694	2,822	4,625
Adjustments for:			
Purchases of investments, including transaction costs	(37,453)	(40,848)	(84,266)
Sales of investments, including transaction costs	41,682	44,251	91,466
Increase in receivables	(77)	(199)	(156)
Increase/(decrease) in payables	10	(6)	33
Overseas tax deducted at source	(520)	(355)	(750)
Net cash generated from operating activities	6,336	5,665	10,952
Cash flows from financing activities			
Cost of shares repurchased	–	–	(507)
Equity dividends paid	(1,808)	(1,570)	(4,764)
Net cash used in financing activities	(1,808)	(1,570)	(5,271)
Net increase in cash and cash equivalents	4,528	4,095	5,681
Cash and cash equivalents at the beginning of the period	7,357	1,676	1,676
Cash and cash equivalents at the end of the period	11,885	5,771	7,357

The notes on pages 17 to 18 form part of these financial statements

Notes to the Financial Statements

For the half year ended 31 March 2017

1 General Information

The financial statements comprise the unaudited results for Polar Capital Global Healthcare Growth and Income Trust plc for the six month period to 31 March 2017.

The unaudited financial statements to 31 March 2017 have been prepared using the accounting policies used in the Company's financial statements to 30 September 2016. 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 2017 and 31 March 2016 have not been audited. The figures and financial information for the year ended 30 September 2016 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 2016, 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 Company's accounting policies have not varied from those described in the financial statements for the year ended 30 September 2016.

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 2017 £'000	(Unaudited) For the half year ended 31 March 2016 £'000	(Audited) For the year ended 30 September 2016 £'000
Investment income			
Revenue:			
Franked: Listed investments			
Dividend income	540	812	1,308
Unfranked: Listed investments			
Dividend income	2,771	2,598	5,050
Total investment income allocated to revenue	3,311	3,410	6,358
Capital:			
Special dividends allocated to capital	509	–	–
Dividends from REITs allocated to capital	304	162	162
Total investment income allocated to capital	813	162	162
Other operating income			
Option premium income	–	292	311
Bank interest	1	2	3
Total other operating income	1	294	314

3 Earnings Per Ordinary Share

	(Unaudited) For the half year ended 31 March 2017 £'000	(Unaudited) For the half year ended 31 March 2016 £'000	(Audited) For the year ended 30 September 2016 £'000
Basic earnings per share			
Net profit for the period:			
Revenue	2,505	2,940	5,163
Capital	7,157	(1,701)	37,495
Total	9,662	1,239	42,658
Weighted average number of shares in issue during the period	120,475,000	120,775,000	120,693,033
Revenue	2.08p	2.43p	4.28p
Capital	5.94p	(1.40)p	31.07p
Total	8.02p	1.03p	35.35p

As at 31 March 2017 there were no potentially dilutive shares in issue (31 March 2016 and 30 September 2016: same).

4 Net Asset Value Per Ordinary Share

	(Unaudited) For the half year ended 31 March 2017	(Unaudited) For the half year ended 31 March 2016	(Audited) For the year ended 30 September 2016
Net assets attributable to ordinary shareholders (£'000)	255,679	210,107	247,825
Ordinary shares in issue at end of period	120,475,000	120,775,000	120,475,000
Net asset value per ordinary share (pence)	212.23	173.97	205.71

As at 31 March 2017 there were no potentially dilutive shares in issue (31 March 2016 and 30 September 2016: same).

5 Dividends

The second interim dividend of 1.65p per Ordinary share will be paid on 9 June 2017 to shareholders on the register at 19 May 2017.

A first interim dividend of 0.75 pence per Ordinary Share was paid on 28 February 2017. In total, dividends of 2.40p per share have been declared for the six months ended 31 March 2017.

6 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 2017.

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 and AIFM
Polar Capital LLP

16 Palace Street
London SW1E 5JD

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
16 Palace Street
London SW1E 5JD

Independent Auditors
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Atria One
144 Morrison Street
Edinburgh EH3 8EX

Solicitors
Herbert Smith Freehills LLP

Exchange House
Primrose Street
London EC2A 2EG

Stockbrokers
Panmure Gordon & Co

1 New Change
London EC4M 9AF

Depository, Bankers and Custodian
HSBC Bank Plc

8 Canada Square
London E14 5HQ

Registrars
Equiniti Limited

Shareholders who have their shares registered in their own name, not through a share savings scheme or ISA, can contact the registrars with any queries on their holding. Post, telephone and Internet contact details are given below.

In correspondence you should refer to Polar Capital Global Healthcare Growth and Income Trust plc, stating clearly the registered name and address and if available, the full account number.

Aspect House,
Spencer Road
Lancing
West Sussex BN99 6DA

Shareholder helpline 0800 3134922
(or +44 121 4157047)

www.shareview.co.uk

Identification Codes
Ordinary shares

SEDOL: B6832P1
ISIN: GB00B6832P16
TICKER: PCGH
GIIN: ID3ME4.99999.SL.826.
LEI: 549300YV7J2TWLE7PV84

Electronic Communications
If you hold your shares in your own name you can choose to receive communications from the Company in electronic format. This method reduces costs, is environmentally friendly and, for many, is convenient too.

If you would like to take advantage of Electronic Communications please visit our registrar's website at www.shareview.co.uk and register. You will need your shareholder reference number. If you agree to the terms and conditions, in future, on the day that documents are sent to shareholders by post you will receive an e-mail providing the website address where the documents can be viewed and downloaded. Paper copies will still be available on request.

Share Prices and Net Asset Values

The Company's 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.

Information on the Company can be obtained from various different sources including:

www.theaic.co.uk
www.ft.com/markets
www.londonstockexchange.co.uk

aic

The Company is a member of the Association of Investment Companies

www.theaic.co.uk

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.

If you suspect that 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/scams

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 be 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 year ended 30 September 2016. 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.

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Investing

Market Purchases

The ordinary shares of Polar Capital Global Healthcare Growth and Income Trust plc 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 313 4922 (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

There are a variety of ways to invest in the Company however this will largely depend upon whether you would like financial advice or are happy to make your own investment decisions.

For those investors who would like advice:

Private Client Stockbrokers

Investors with a large lump sum to invest may want to contact a private client stockbroker. They will manage a portfolio of shares on behalf of a private investor and will offer a personalised service to meet an individual's particular needs. A list of private client stockbrokers is available from the Wealth Management Association at www.thewma.co.uk

Financial Advisers

For investors looking to find a financial adviser, please visit www.unbiased.co.uk

Financial Advisers who wish to purchase shares for their clients can also do so via a growing number of platforms that offer investment trusts including Alliance Trust Savings, Ascentric, Nucleus, Raymond James, Seven IM, Transact, Fidelity Funds Network, The Share Centre, Interactive Investor and Hargreaves Lansdown.

For those investors who are happy to make their own investment decisions:

Online Stockbroking Services

There are a number of real time execution only stockbroker services which allow private investors to trade online for themselves, manage a portfolio and buy UK listed shares. Online stockbroking services include Alliance Trust Savings, Barclays Stockbrokers, Halifax Share Dealing, Hargreaves Lansdown, Selftrade and TD Waterhouse.

Please remember that any investment in the shares of Polar Capital Global Healthcare Growth and Income Trust plc 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 plc is allowed to borrow against its assets and this may increase losses triggered by a falling market.

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

Polar Capital Global Healthcare Growth and Income Trust plc is an investment trust and as such its ordinary shares are excluded from the FCA's restrictions which apply to non-mainstream investment products. The Company conducts its affairs and intends to continue to do so for the foreseeable future so that the exclusion continues to apply.