POLAR CAPITAL

Polar Capital Funds plc
Emerging Market Stars Fund

29 February 2024

GBP Class I Acc | ISIN: IE00BFMFDG40

NAV per Share

GBP Class I Acc	£9.73

Fund Details

Fund Size	£1,257.0 m
Base Currency	USD
Denominations	USD/GBP/EUR
Fund Structure	UCITS
Domicile	Ireland
Launch Date	29 June 2018
Investment Manager	Polar Capital LLP
SFDR Classification	Article 8

Fund Managers

Jorry Nøddekær
Fund Manager
Jorry has managed the fund since launch, he joined Polar Capital in 2018 and has 24 years of industry experience.

ALPHA MANAGER 2022

Naomi Waistell
Fund Manager
Naomi has managed the fund since she joined Polar Capital in 2020 and has 16 years of industry experience.

Fund Profile

Investment Objective

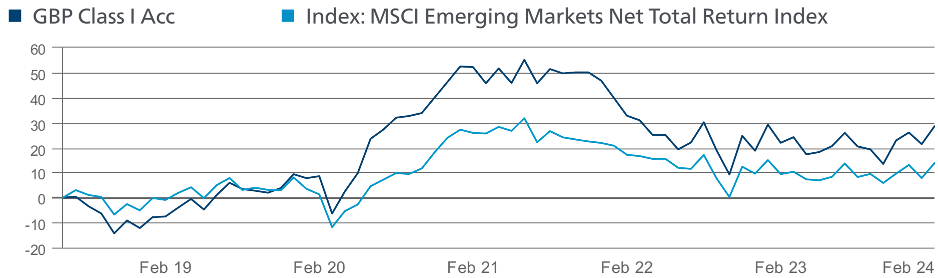
The Fund's investment objective is to achieve long term capital growth. The Fund seeks to achieve its objective by investing in a broad range of shares from companies in emerging markets (developing countries), or from companies which generate a significant amount of their business from emerging market countries.

Key Facts

- Team of dedicated sector specialists
- Fundamentally-driven analysis and stock selection
- ESG-based analysis incorporated as part of the investment process
- Typically 45-65 positions

Share Class Performance

Performance Since Launch (%)



	1m	3m	YTD	1yr	3yrs	5yrs	Since Launch Cum.	Since Launch Ann.
GBP Class I Acc	5.88	4.62	1.99	5.42	-15.54	39.00	28.53	4.52
Index	5.51	3.83	0.64	4.01	-9.12	15.45	14.39	2.40

Discrete Annual Performance (%)

12 months to	29.02.24	28.02.23	28.02.22	26.02.21	28.02.20
GBP Class I Acc	5.42	-8.16	-12.76	40.15	17.43
Index	4.01	-6.11	-6.94	24.23	2.26

Calendar Year Performance (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
GBP Class I Acc	6.12	-19.08	0.36	33.70	24.51	-	-	-	-	-
Index	3.70	-10.06	-1.67	14.68	13.85	-	-	-	-	-

Performance relates to past returns and is not a reliable indicator of future returns.
Performance for the GBP Class I Acc. The class launched on 29 June 2018. Performance data is shown in GBP. Source: Northern Trust International Fund Administration Services (Ireland) Ltd. Benchmark performance shown in GBP. Source: Bloomberg. If this is not your local currency, exchange rate fluctuations may cause performance to increase or decrease when converted into your local currency. Performance data takes account of fees paid by the fund but does not take account of any commissions or costs you may pay to third parties when subscribing for or redeeming shares or any taxes or securities account charges that you may pay on your investment in the fund. Such charges will reduce the performance of your investment. A 5% subscription fee can be charged at the Investment Managers discretion.

Fund Awards

Excellence in Institutional Fund Management Awards 2023

Fund Ratings

Morningstar ★★★★ Morningstar Bronze

Ratings are not a recommendation. Please see below for further information.

Portfolio Exposure & Attribution

As at 29 February 2024

Top 10 Positions (%)

TSMC	10.2
Samsung Electronics	6.6
Reliance Industries	5.0
Tencent	4.6
Phoenix Mills	4.1
Ivanhoe Mines	3.2
Grupo Financiero Banorte SAB	2.9
ICICI Bank	2.7
MercadoLibre	2.7
eMemory Technology	2.6
Total	**44.6**

Total Number of Positions **58**

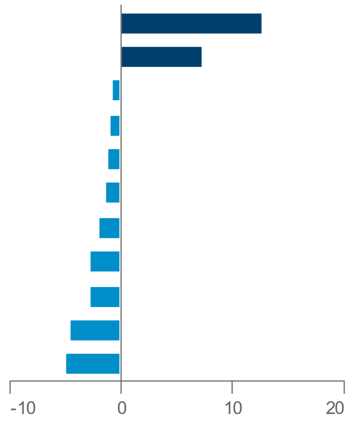
Active Share **76.80%**

Market Capitalisation Exposure (%)

Large Cap (>US$10 bn)	61.0
Mid Cap (US$1 bn - 10 bn)	33.7
Small Cap (<US$1 bn)	3.7
Cash	1.6

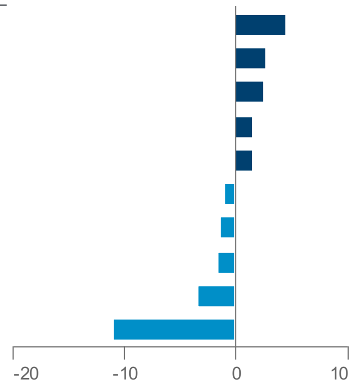
Sector Exposure - Top Overweights & Underweights Relative to Index (%)

	Fund	Relative
Information Technology	35.6	12.8
Real Estate	9.0	7.4
Energy	5.0	-0.7
Industrials	5.2	-1.0
Consumer Discretionary	11.6	-1.3
Materials	6.0	-1.5
Health Care	1.7	-2.0
Utilities	0.0	-2.8
Communication Services	5.6	-2.8
Consumer Staples	1.2	-4.5
Financials	17.7	-5.1



Geographic Exposure - Top Overweights & Underweights Relative to Index (%)

	Fund	Relative
Viet Nam	4.5	4.5
Argentina	2.9	2.9
Uruguay	2.7	2.7
Mexico	4.3	1.7
India	19.3	1.6
Poland	0.0	-1.0
Malaysia	0.0	-1.4
Thailand	0.0	-1.6
Saudi Arabia	1.1	-3.3
China	14.7	-10.9



The column headed "Fund" refers to the percentage of the Fund's assets invested in each country/sector. The column headed "Relative" refers to the extent to which the Fund is overweight or underweight in each country/sector compared (relative) to the index.

Note: Totals may not sum due to rounding. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.

Share Class Information

Share Class	Bloomberg	ISIN	SEDOL	Minimum Investment	OCF†	Ann. Fee	Perf. Fee††
EUR I Acc	POEMSIE ID	IE00BFMFDF33	BFMFDF3	-	0.89%	0.75%	10%
GBP I Acc	POEMSIG ID	IE00BFMFDG40	BFMFDG4	-	0.89%	0.75%	10%
USD I Acc	POEMSIU ID	IE00BFMFDD19	BFMFDD1	-	0.89%	0.75%	10%
EUR R Acc	POEMSRE ID	IE00BFMFDB94	BFMFDB9	-	1.39%	1.25%	10%
GBP R Acc	POEMSRG ID	IE00BFMFDC02	BFMFDC0	-	1.39%	1.25%	10%
USD R Acc	POEMSRU ID	IE00BFMFD979	BFMFD97	-	1.39%	1.25%	10%

†**Ongoing Charges Figure (OCF)** is the latest available, as per the date of this factsheet. The Ongoing Charges Figure is based upon the expenses incurred by the Fund for the previous 12 month period. The OCF incorporates the Annual Fee charged by the Fund.

††**Performance Fee** 10% of outperformance of MSCI Emerging Markets Total Return Index.

Fund Managers' Comments

Market review

February turned out to be a strong month for emerging markets (EMs) and for the Polar Capital Emerging Market Stars Fund, as we managed to regain January's negative performance.

The Fund (USD I Acc Share Class) returned 5.1%, outperforming the broader EM market (represented through the benchmark, MSCI Emerging Markets Net Total Return Index) by 0.3%. EMs finally had a month where they beat developed markets (DMs), though only on the margin. The performance for February also takes the Fund back into a positive return of 1.2% for the year, driven by our outperformance of 1.3% versus the benchmark so far year-to-date (all figures in dollar terms).

With regard to EM flows, February was a continuation of January, as we had net inflows to EMs but the mix was made up of relatively strong inflows into ETFs and an outflow from active (or non-ETF) funds. We find it sad to see ETFs moving into our asset class so strongly, however, in our view, it offers the potential to outperform as this passive money will buy the last long-cycle winners. It should be pointed out that this is only our 'guestimate' based on conversations with clients and prospects over the latest period, as we get a sense that some investors and asset owners are trimming their active EM value exposure but want to see the Fed cut rates before they commit to EM active growth. At the risk of appearing biased, as a growth and quality manager, we are sympathetic to such a view, though we would recommend getting ready for when the Fed cut comes.

One of the positive things about the strong EM performance this month was that it occurred in an environment in which the US market began to price in lower levels of rate cuts for 2024, and in which we saw a small uptick in the US 10-year yield, as well as some small gains for the US dollar. This would normally be a cocktail for EM weakness. However, the view of weaker inflation pressures to come supported the market, and it was more the timing that was a question mark.

Regarding our view and forecast for US inflation, we have not changed anything from a more structural perspective. We do, however, acknowledge that the last drop in getting inflation back to its 2% target is difficult, particularly as the shelter component is not really playing ball. In our mind, the shelter component is closer to being supply side-controlled than demand side-driven, given the structure that has developed in the US housing market over the past two decades (after the GFC). The point is that monetary tightening is, in general, doing the job. However, it has been a massive task to contend with such an extreme level of money printing; the US has printed 80% of all US dollars in existence in roughly the past three years, which we find mind blowing. On top of that, one can add that US debt rises by c$1trn every 100 days which is, again, a number that is difficult to fully grasp. In short, we believe US inflation will continue its downward projection but it will not be in a straight line.

There seems to be a consensus now among a number of sell-side strategists and key macroeconomists that June is a likely time for the Fed's first rate cut. We agree that if the current underlying inflation and growth trend continues in the coming months then this seems to be a reasonable forecast and something we are happy with as a base case. However, looking at the market-implied set of expectations for future Fed rate cuts, during a US presidential campaign period that will cover a large part of 2H24, we feel the current set of so-called consensus forecasts look slightly high.

This is, of course, a form of market risk. However, from an EM perspective, we believe this risk is relatively low, as there isn't as much of an inflation issue in EMs, and many countries have high real interest rates. This is why we find it very likely that EMs, in general, can start their rate cutting cycle when the first signal comes from the Fed, and do not have to be held hostage to a lack of Fed action during the presidential election campaign period.

The driver for strong performance in February in EMs was principally North Asia, and China, in particular. China had what can be described as a mini-rebound over the month, from very depressed levels, having not only had a weak 2022 and 2023 but also a very bad January 2024.

The mini-rebound was supported by better than expected consumer data over the Chinese New Year, where travel and other tourism-related data points performed better than anticipated. Credit data also held up well, which was viewed as an indication of some form of stabilisation in the economy. The PBOC also cut rates, leading to a small reduction in mortgage rates. We also saw support-buying in the market by the so-called "National Team" (Chinese sovereign funds and government pension funds) buying up ETFs on the A-share market, which prompted a number of market observers to call for the bottom of the Chinese market. We then had several companies reporting 4Q numbers which, in general, were acceptable, again helping the valuation argument. Finally, there are continuing suggestions the leadership in China is finally starting to grasp the fundamental pressure points in the economy – particularly those coming from the property sector – and will start to act. There is hope that the government will underwrite the excess property inventory, in some form, and turn it into social housing, both placing a hand under the market and dealing with a large social issue. We think some sort of deal is being worked on but there is a lot of complexity in such a structure and, in the end, someone needs to pay. One of the issues is that China has a very high debt level – the local governments have high levels of debt and no cash. Only the central government can pay for such a project but they are less willing to add to their debt burden and afraid of inadvertently creating a moral hazard.

We think there is a real risk of a debt-deflation trap evolving in China but a "Minsky moment" for the country carries an extremely low probability. First of all, all debt is domestic with the exception of a few private companies and, in China, the consumers (private individuals) carry all debt risk. We will therefore not get a situation like in the US during the GFC where the consumer just hands in the keys when they cannot pay the mortgage. History has shown us that the Asian consumer does not default on their mortgage; even during the Asian Financial Crisis, the level of mortgage defaults was extremely low among consumers. Therefore, we see China as entering a low growth phase, where the economy is working its way through inflated assets and overcapacity in a number of industries.

Besides China, we also saw Taiwan and South Korea perform well. Behind Taiwan is a relatively simple story, as this positivity was due to some technology companies doing well and posting improved outlooks, with the topic of artificial intelligence (AI) gathering momentum.

On the other hand, South Korea now seems to want to copy the Japanese stewardship and corporate governance programme, aimed at forcing underperforming and non-shareholder value creating companies to perform better, or risk being de-listed from the stock exchange. As such, Korea has now initiated a so-called "Value Up" project. There is no question that Korea as a market has been very disappointing over many years, and because of a particular set of conglomerates largely dismissing minority shareholders, we have

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seen a so-called Korea discount developing, which today is shown in the form of a very high implied cost of capital. One can then add additional cyclicality to many business models in the form of both operational and financial leverage. One of the issues, in this regard, is that many companies run very inefficient capital and corporate structures. Many seem to almost hoard Treasury shares as a way to gain control of companies, resulting in an inefficient use of capital, in our view, as well as significant dilution to the return profile, which argues for a very low multiplier from a market valuation perspective.

We have heard about reforms in Korea before but we must admit that it does feel different this time. The government seems to be applying more pressure and we believe the large pension funds are also working here. A bit like in Japan, these pension funds see a liability side that is going up, but very disappointing returns in the local equity market. In addition, and particularly in Japan, the government (central bank) is now a huge investor in the market. They want to see a return now and they are increasing the pressure. We find this pressure great, as we now have an ally in the market that also wants to see total shareholder return creation.

One of the reasons we believe this time is different in Korea is that we have already seen some large companies going out and cancelling their Treasury shares. Samsung C&T was the first mover here – we are not a shareholder but, as our readers and investors know, we do have a lot of exposure to Samsung Group companies, so seeing them acting does make us happy.

We have invested in SK Square; an example of the type of holding company where there is a large discount to the underlying assets but where we believe there will now be a firm strategy by the management to unlock additional value. One of the key assets in SK Square is SK Hynix which we feel we know well and we are already invested in. We feel comfortable owning more exposure, as we think the Korean Value Up programme offers favourable upside relative to downside risk here. Specifically for SK Square, we also want more Hynix exposure as we are increasingly positive on the HDB memory opportunities here.

Finally, we are also on our way to Korea to further explore the opportunities from this new programme. Korea is a large part of the EM benchmark, and we have always had a strong eye on its technology companies, but we are interested in the reforms as a helping hand to build on the narrative that there are a lot of attractive opportunities in EMs, and away from China, which has dominated the EM narrative over the past decade. Outside North Asia, Saudi Arabia also had a strong month. For our Fund, we saw strong operational performance from Alinma Bank, which was also rewarded in the equity market.

There was little news out of Latin America (LatAm), and the region was also the underperformer within EMs.

Fund performance

As mentioned above, the Fund returned 5.1% in February, relative to the benchmark's return of 4.8%, meaning we outperformed by 0.3%.

The stock selection effect worked well in India this past month, however the selection effect was weak within our consumer discretionary sector exposure.

For February, the five best contributing stocks to relative performance were: Phoenix Mills (Indian mall company), Chroma ATE (Taiwanese testing and technology company), Vietnam Technological and Commercial Joint Stock Bank (leading Vietnamese bank), Samsonite International (Chinese/Hong Kong-listed consumer brand) and Sea (ASEAN e-commerce, FinTech and digital entertainment company).

For February, the five weakest contributing stocks to relative performance were: MercadoLibre (LatAm e-commerce and FinTech company), eMemory Technology (Taiwanese technology company), Globant (LatAm IT service company), Faraday Technology (Taiwanese technology company) and Merdeka Copper Gold (Indonesian mining company).

In terms of changes to the portfolio in February, we bought SK Square, as described above, as well as Nu Holdings which is a company we have been following closely since its IPO some years back. We have been impressed with its operational performance and its optionality for growth (particularly around its payroll business as well as its expansion in Mexico).

Outlook

As we wrote last month, we have not changed our outlook for EMs, and the overall portfolio structure and position is very much intact from that perspective, with the exception of increasing our focus and work around Korea, given the potential large upside and evolving change around governance structures.

We find our portfolio very attractive at current valuation levels. We believe we are getting close to the inflection point of the equity market moving more towards a growth style, which could provide us with a tailwind, having been fighting a strong value style environment for the past three years now (since 9 November 2020 when the Covid vaccine was announced, and the market style fully swung around).

We expect the Fed to soon start its pivot and go into an easing cycle in 1H24; the specific timing will be difficult, but our best forecast is around June/July, acknowledging the still-strong labour market readings will move this back from our earlier forecast of around March. However, if we do see continued strong macro data, there is a real risk that cuts will be delayed until after the election in November, and then maybe even only come in 2025.

In such a scenario we would expect the cuts to be more aggressive but going from expecting cuts in June to then having them in early 2025 would likely give some volatility. How hard that would hit EMs is hard to forecast, and it would likely be down to the behaviour of the long end of the yield curve, as well as if some EM countries would feel comfortable starting to cut rates before the Fed, which we believe can be justified from a fundamental perspective, but would be unprecedented to some degree. However, we have already seen small cuts in EMs, so this is not a totally crazy scenario in our view.

Our top-down scenario for China has not changed, as also described above. We believe the recovery playing out will be very gradual and will result in a kind of 'muddle through' scenario for the domestic side of the economy. The risk of China turning Japanese in terms of being in a debt and deflation trap is high. However, we still believe there will be attractive areas in the domestic economy as we see a strong case for exporting to the rest of EMs playing out for China. For this reason, we also believe there will still be good EPS growth stories in China, and it is too early to call China un-investable.

Most of EM ex-China looks to be relatively sound given the global backdrop, and we believe many economies in ASEAN, India, LatAm and the CE-MENA region are well positioned for a strong cyclical growth period when inflation eases – key companies here are very attractively priced now.

We believe we are entering a new technology up-cycle and we see North Asia participating well here. We see the combination of inventory clean up, further supply-side consolidation (particularly

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within the semis area), and AI will give us a strong new up-cycle in technology over the next 12-24 months. Some of our investors hopefully participated in the Polar Capital Investor Day, and saw our technology team's keynote speech on AI – particularly around the whole re-design of the compute architecture that is needed for the AI age. We share the view that we could very easily be at the beginning of a massive technology cycle. We believe the leading Korean and Taiwanese tech names give us very attractive exposure here, and we can still get this exposure at what we believe are attractive valuation levels.

Finally, we see the evolution of a new multi-polar world that will underpin a strong structural trend for many EM countries, and likely develop an environment where de-dollarised trade will further boost spending power in many of these economies and create an investment and consumption uptrend. These structural trends will, in our view, likely create a very different EM universe relative to what we saw in the past decade and it makes us bullish from both an absolute and relative return perspective.

Jorry Nøddekær & Naomi Waistell

5 March 2024

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Risks

- **Capital is at risk and there is no guarantee the Fund will achieve its objective. Investors should make sure their attitude towards risk is aligned with the risk profile of the Fund before investing.**
- **Past performance is not a reliable guide to future performance. The value of investments may go down as well as up and you might get back less than you originally invested as there is no guarantee in place.**
- The value of a fund's assets may be affected by uncertainties such as international political developments, market sentiment, economic conditions, changes in government policies, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made. Please see the Fund's Prospectus for details of all risks.
- The Fund invests in the shares of companies, and share prices can rise or fall due to several factors affecting global stock markets.
- The Fund uses derivatives which carry the risk of reduced liquidity, substantial loss, and increased volatility in adverse market conditions, such as failure amongst market participants.
- The Fund invests in assets denominated in currencies other than the Fund's base currency. Changes in exchange rates may have a negative impact on the Fund's investments. If the share class currency is different from the currency of the country in which you reside, exchange rate fluctuations may affect your returns when converted into your local currency.

Administrator Details

Northern Trust International Fund Administration Services (Ireland) Ltd

Telephone	+(353) 1 434 5007
Fax	+(353) 1 542 2889
Dealing	Daily
Cut-off	15:00 Irish time

- The Fund invests in emerging markets where there is a greater risk of volatility due to political and economic uncertainties, restrictions on foreign investment, currency repatriation and currency fluctuations. Developing markets are typically less liquid which may result in large price movements to the Fund.

Important Information

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A decision may be taken at any time to terminate the marketing of the Fund in any EEA Member State in which it is currently marketed. Shareholders in the affected EEA Member State will be given notification of any decision and provided the opportunity to redeem their interests in the Fund, free of any charges or deductions, for at least 30 working days from the date of the notification.

Investment in the Fund is an investment in the shares of the Fund and not in the underlying investments of the Fund. Further information about fund characteristics and any associated risks can be found in the Fund's Key Investor Document or Key Investor Information Document ("KID" or "KIID"), the Prospectus (and relevant Fund Supplement), the Articles of Association and the Annual and Semi-Annual Reports. Please refer to these documents before making any final investment decisions. These documents are available free of charge at Polar Capital Funds plc, Georges Court, 54-62 Townsend Street, Dublin 2, Ireland, via email by contacting Investor-Relations@polarcapitalfunds.com or at www.polarcapital.co.uk. The KID is available in the languages of all EEA member states in which the Fund is registered for sale; the Prospectus, Annual and Semi-Annual Reports and KIID are available in English.

The Fund promotes, among other characteristics, environmental or social characteristics and is classified as an Article 8 fund under the EU's Sustainable Finance Disclosure Regulation (SFDR). For more information, please see the Prospectus and relevant Fund Supplement.

ESG and sustainability characteristics are further detailed on the investment manager's website: (https://www.polarcapital.co.uk/ESG-and-Sustainability/Responsible-Investing/).

A summary of investor rights associated with investment in the Fund is available online at the above website, or by contacting the above email address. This document is provided and approved by both Polar Capital LLP and Polar Capital (Europe) SAS.

Polar Capital LLP is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom, and the Securities and Exchange Commission ("SEC") in the United States. Polar Capital LLP's registered address is 16 Palace Street, London, SW1E 5JD, United Kingdom.

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Benchmark The Fund is actively managed and uses the MSCI Emerging Markets Net Total Return Index as a performance target and to calculate the performance fee. The benchmark has been chosen as it is generally considered to be representative of the investment universe in which the Fund invests. The performance of the Fund is likely to differ from the performance of the benchmark as the holdings, weightings and asset allocation will be different. Investors should carefully consider these differences when making comparisons. Further information about the benchmark can be found www.msci.com. The benchmark is provided by an administrator on the European Securities and Markets Authority (ESMA) register of benchmarks which includes details of all authorised, registered, recognised and endorsed EU and third country benchmark administrators together with their national competent authorities.

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Spain The Fund is registered in Spain with the Comisión Nacional del Mercado de Valores ("CNMV") under registration number 771.

Switzerland The principal fund documents (the prospectus, KID/KIIDs, memorandum and articles of association, annual report and semi-annual report) of the Fund may be obtained free of charge from the Swiss Representative. The Fund is domiciled in Ireland. The Swiss representative and paying agent is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich, Switzerland.

Important Information (contd.)

Austria / Belgium / Denmark (professional only) / Finland / France / Germany / Gibraltar / Ireland / Italy / Liechtenstein / Luxembourg / Netherlands / Norway / Portugal / Spain / Sweden / Switzerland and the United Kingdom The Fund is registered for sale to all investors in these countries. Investors should make themselves aware of the relevant financial, legal and tax implications if they choose to invest.

Morningstar Medalist Rating The Morningstar Medalist Rating™ is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered via specific vehicles using a rating scale of Gold, Silver, Bronze, Neutral, and Negative. The Medalist Ratings indicate which investments Morningstar believes are likely to outperform a relevant index or peer group average on a risk-adjusted basis over time. Investment products are evaluated on three key pillars (People, Parent, and Process) which, when coupled with a fee assessment, forms the basis for Morningstar's conviction in those products' investment merits and determines the Medalist Rating they're assigned. Pillar ratings take the form of Low, Below Average, Average, Above Average, and High. Pillars may be evaluated via an analyst's qualitative assessment (either directly to a vehicle the analyst covers or indirect-ly when the pillar ratings of a covered vehicle are mapped to a related uncovered vehicle) or using algorithmic techniques. Vehicles are sorted by their expected performance into rating groups defined by their Morningstar Category and their active or passive status. When analysts directly cover a vehicle, they assign the three pillar ratings based on their qualitative assessment, subject to the oversight of the Analyst Rating Committee, and monitor and reevaluate them at least every 14 months. When the vehicles are covered either indirectly by analysts or by algorithm, the ratings are assigned monthly. For more detailed information about these ratings, including their methodology, please go to global.morningstar.com/managerdisclosures/.

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