



GBP Class S Acc | ISIN: IE00BKRVM323

### NAV per Share

GBP Class S Acc £9.94

### Fund Details

Fund Size	£631.3 m
Base Currency	USD
Denominations	USD/GBP/EUR
Fund Structure	UCITS
Domicile	Ireland
Listing	Euronext Dublin
Launch Date	30 August 2013
Investment Manager	Polar Capital LLP
SFDR Classification	Article 8

**Historic Yield (%)<sup>1</sup>** **5.08**

### Fund Managers


**David Keetley**  
Fund Manager

David has managed the fund since launch, he joined Polar Capital in 2010 and has 36 years of industry experience.


**Stephen McCormick**  
Fund Manager

Stephen has managed the fund since launch, he joined Polar Capital in 2010 and has 36 years of industry experience.


**David Sugarman**  
Fund Manager, Head of Convertible & Credit Research

David has managed the fund since 2022, he joined Polar Capital in 2011 and has 20 years of industry experience.

### Fund Ratings



Ratings are not a recommendation.

## Fund Profile

### Investment Objective

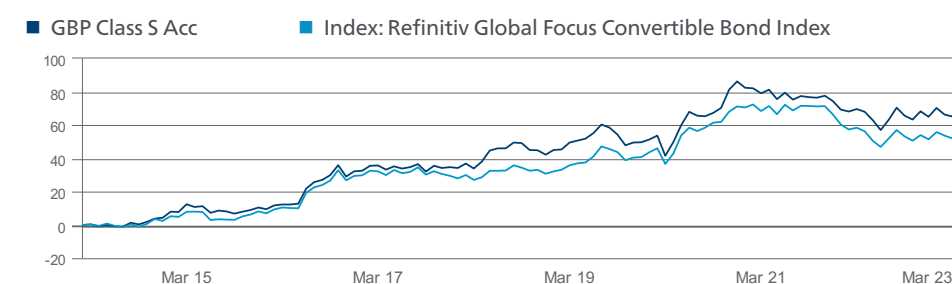
The Fund's investment objective is to generate both income and long term capital growth by investing in a diversified portfolio of securities, primarily in the global convertible market.

### Key Facts

- Team of six sector specialists based in London and Connecticut
- The team has 125+ years of combined industry experience
- Typically 60-100 positions with geographic and sector diversification
- Fundamentally-driven convertible analysis. No benchmark constraints
- Ability to hedge interest rates

## Share Class Performance

### Performance Since Launch (%)



	1m	3m	YTD	1yr	3yrs	5yrs	Since Launch	
							Cum.	Ann.
GBP Class S Acc	-0.70	0.10	0.10	-2.64	16.67	23.33	65.12	5.72
Index	-1.12	0.35	0.35	-4.06	11.21	19.60	51.97	4.75

### Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Return
2023	3.22	-2.34	-0.70	-	-	-	-	-	-	-	-	-	0.10
2022	-2.95	-0.69	0.89	-0.98	-2.97	-3.67	3.92	4.48	-2.83	-1.40	3.05	-1.97	-5.43
2021	-2.05	-0.18	-1.64	1.21	-3.12	2.18	-2.31	1.23	-0.37	-0.19	0.66	-1.78	-6.33
2020	1.11	1.54	-7.89	5.75	6.88	4.98	-1.38	-0.20	1.21	1.79	6.44	2.75	24.42
2019	1.99	0.23	2.86	0.78	0.77	2.19	3.32	-1.14	-2.62	-4.20	1.12	0.11	5.26
2018	-0.37	1.98	-2.18	3.10	4.81	0.92	0.00	2.39	-0.22	-2.78	-0.11	-1.83	5.55
2017	0.25	2.26	0.12	-1.84	1.50	-0.98	0.62	1.36	-3.28	2.64	-0.98	0.37	1.88
2016	-0.90	2.12	0.45	0.00	0.44	8.10	3.13	1.06	2.22	4.60	-5.01	2.45	19.70
2015	3.50	-0.15	4.31	-1.48	0.45	-3.58	1.24	-0.46	-1.23	1.09	0.92	1.37	5.89
2014	-	-	0.33	-1.16	0.84	-0.83	-0.17	2.35	-0.98	1.49	1.96	0.48	4.32

**Performance relates to past returns and is not a reliable indicator of future returns.**

Performance for the GBP Class S Acc. The class launched on 27 March 2014. 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.

1. Historic yield is based on a NAV per share of GBP6.93 and income of GBP0.3518 per unit paid in the last 12 months, based on GBP 5 distribution units. **WARNING: Investors should note that historic yield does not measure the overall performance of a fund. It is possible for a fund to lose money overall but to have a positive historic yield. Historic yield cannot be considered as being similar to the interest rate an investor would earn on a savings account.**

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## Portfolio Exposure & Attribution

As at 31 March 2023

### Top 5 Positions (Net Exposure by LMV) (%)

Dufry 0.75% 03/2026	3.8
Jet2 1.625% 06/2026	3.8
MP Materials 0.25% 04/2026	3.7
Blackline 0% 03/2026	3.7
Nutanix Inc 0.25% 10/2027	3.4

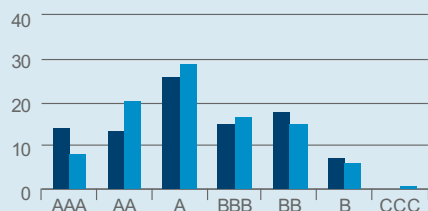
**Total** **18.5**
**Total Number of Positions** **79**
**Modified Duration** **1.76**
**Leverage (LMV/AUM)** **114.80%**

### Market Cap Underlying Stocks (%)

Large (>US\$5bn)	69.6
Medium (US\$500m to 5bn)	29.8
Small (<US\$500m)	0.6

**Fund Delta** **50.82%**

### ESG Rating (%) ■ Fund ■ Index



Source: MSCI

### Currency Breakdown AUM (%)

USD	59.9
EUR	25.4
JPY	7.4
CHF	4.0
Other	3.3

### Risk / Return Since Inception

Best Month (%)	8.10
Worst Month (%)	-7.89
Positive Months (%)	58.72
Volatility of Returns (%)	9.49
Sharpe Ratio	0.54

### Performance Attribution - 1 Month (%)

#### Top Contributors

Kingsoft 0.625% 04/2025	0.33
Ivanhoe Mines 2.5% 04/2026	0.18
Sea Ltd 2.375% 12/2025	0.18
SSR Mining 2.5% 04/2039	0.12
Nippon Steel 0% 10/2026	0.12

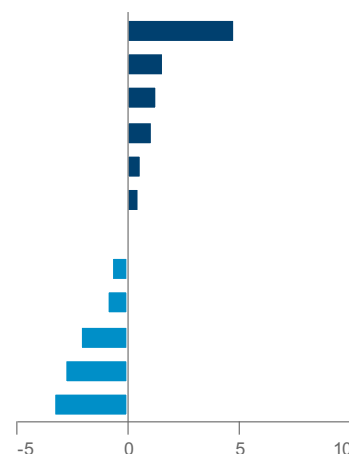
#### Top Detractors

MP Materials 0.25% 04/2026	-0.37
Swiss Re / ELM 3.25% 06/2024	-0.08
Nutanix Inc 0.25% 10/2027	-0.07
Wolfspeed 1.875% 12/2029	-0.07
Sika 0.15% 06/2025	-0.06

Performance attribution is calculated in USD on a relative basis over the month.

### Sector Exposure (LMV) (%)

	Fund	Relative
Materials	9.9	4.8
Real Estate	4.9	1.6
IT	27.7	1.3
Consumer Discretionary	15.5	1.1
Financial	5.3	0.6
Transportation	8.2	0.5
Energy	2.9	-0.1
Telecom	3.4	-0.7
Consumer Staples	1.2	-0.9
Utilities	1.1	-2.1
Healthcare	9.8	-2.8
Industrial	10.0	-3.3



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

### Credit Quality (%)

A-AAA	13.7
BBB	15.1
BB	50.9
B	20.3

Source: Polar Capital

### Maturity Distribution by LMV (%)

0 to 3 Years	42.8
3 to 5 Years	43.0
5 to 7 Years	12.5
7 to 10 Years	1.7

**Weighted Avg Credit Quality** **BB+**

### Regional Exposure by LMV (%)

#### Polar Capital Global Convertible Fund

US	41.3
Europe	35.1
Japan	5.5
Asia ex Japan	11.1
Other Markets	7.0



#### Refinitiv Global Focus Convertible Bond Index

US	51.9
Europe	28.0
Japan	8.0
Asia ex Japan	8.5
Other Markets	3.6



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.

## Fund Managers' Comments

The Fund returned 1.46% in March, taking its return since inception to 38.60% (USD I Acc Share Class). In comparison, the Refinitiv Global Focus Convertible Bond Index returned 1.05% and 24.51%, respectively (in dollar terms).

### Macro Background

March began where February left off with investors re-pricing interest rates higher on the back of inflation readings and economic data releases. Indeed, early in the month at the semi-annual congressional testimony on 7<sup>th</sup> March, Powell commented he would be prepared to increase the pace of rate hikes. This led short yields to reach their highest levels in the post-GFC era (two year US yield reached 5.07%) while expectations for the Fed funds terminal rate climbed to 5.69%, implying over 50bp more rate hikes.

However, this narrative changed from the middle of the month as concern grew that the impact of the collapse of Silicon Valley Bank (SVB) – the second largest US Bank collapse in history – could spark wider deposit outflows and contagion within the financial system. As a reminder, SVB took in a large amount of deposits over the Covid era as technology companies – the bulk of its depositor base – became flush with cash from capital raisings. SVB tried to eke out extra profit by transferring these deposits into longer term securities. This caused a duration mismatch between the bank's assets and liabilities. As the Fed embarked on a policy of rapid rate rises to stem inflation, these longer dated assets declined in value. Depositors became concerned and began withdrawing, causing SVB to sell these assets and realise mark-to-market losses in order to meet depositor outflows. Similar fears ultimately led to the collapse of Signature Bank and an existential threat to First Republic Bank.

The risk soon transferred over to Europe where investors focussed on long time underperformer Credit Suisse. As has been well documented, the bank has had poor risk controls (Greensill, Archegos etc) and then experienced large deposit outflows. This ultimately culminated in the rescue of the bank by UBS at the behest of the Swiss government.

The above led to a large flight to safety (with money market funds attracting record inflows) as well as a significant repricing of recession risk and outlook for rate hikes by central banks. This resulted in a disorderly reduction in interest rates with five year Treasury yields declining nearly 100bp intra-month alongside a historic increase in interest rate volatility as the MOVE Index of the Treasury implied volatility reached its highest level since 2008.

Although these developments are concerning, we believe this a liquidity issue rather than a solvency issue. According to an NBER report, the mark-to-market declines in asset prices may result in negative uninsured deposits at 1,619 US banks with an aggregate asset value at all US banks declining by \$2tn. As that is the kind of risk that sparks bank runs we believe the decision by the Fed/FDIC to backstop uninsured monies at SVB was an important one to forestall the kind of reinforcing feedback loops that could see this situation escalate into a crisis.

Away from Financials, equities were remarkably stable. Mega-cap tech stocks helped (e.g. Apple +12%, MSFT +16%, Google +15%) as investors viewed them as beneficiaries of lower rates and also less impacted by banking risk. We also note that Chinese tech stocks moved higher in March driven by the perception that the government is reducing its crackdown on the sector in order to boost growth. This perception was driven by the public appearance of Jack Ma, the poster child of the tech crackdown, who was seen in mainland China giving a speech to his local school for the first

time since regulators clamped down on technology companies in 2020. This calm in equities led to them finishing the first quarter largely positive, with the S&P 500 achieving its strongest start to a year since 2019.

Against this backdrop, convertibles lagged the move in interest rates as the fixed income volatility caused investors to exercise caution. We believe this presents an opportunity not only in the near term for convertible valuations to improve as interest rates become less volatile, but also for investors to better dictate the pricing of new convertible issuance.

### Fund Activity

As noted above, convertibles lagged the move lower in interest rates as investors stepped back amid the elevated rate volatility. However, this was offset by generally higher equity prices.

The largest contributors to Fund performance in March were **Kingsoft, Ivanhoe Mines and Sea**.

**Kingsoft** is a Chinese technology company focussed on games development and office software. We recently added the convertible bond given its highly asymmetric return profile. The convertible benefitted from a +49.5% equity move in March following improving sentiment towards Chinese technology companies.

**Ivanhoe Mines** is predominantly an African-focussed copper miner. It is developing one of the highest grade and 'greenest' copper mines globally. We believe these copper assets will play an important role in the global electrification transition that will take place over the coming decades. We remain overweight the convertible bond which benefitted from the +6.9% stock price appreciation in March.

**Sea** is a South-East Asian technology company. The company provides an ecommerce platform for buyers and sellers to interact across the region as well as a games platform. The convertible bond benefitted from the stock which appreciated +38.5% in March following a strong earnings release in which Sea were able to cut costs and generate positive cash flow faster than expected.

The largest detractors to Fund performance in March came from **MP Materials, Swiss Re and Nutanix**.

**MP Materials** is a US-based rare-earth miner. The stock declined -20.0% in March following an announcement by Tesla, a key customer, that the company intends to reduce the amount of rare-earth materials used in its power train. We remain overweight as we believe the company's products are important for the broader automotive electrification trend taking place and will benefit from rising trade tensions between the US and China.

**Swiss Re** is a Swiss reinsurance company. This is one of our larger overweight exposures as the convertible provides a good yield and high asymmetry of returns on a high-quality company. The stock fell -4.4% in March as investors pulled back from Swiss financial companies following the turmoil at Credit Suisse. The stock recovered much of its intra-month loss towards the end of the month. We remain overweight the convertible bond.

**Nutanix** is a US-based provider of hybrid cloud solutions. The company has been rumoured to be in takeover talks which, should they come to fruition, will benefit the convertible valuation materially. However, the convertible bond price declined in March as these rumours receded.

## Market Outlook

Indicators of economic and consumer activity appear to be slowing. The US March ISM Manufacturing Index – a timely gauge of economic activity – slowed more than expected to 46.3, its lowest levels since May 2020 at the height of Covid shutdowns. As noted by Deutsche Bank, the ISM readings have been steadily weakening over the last few months but have now hit their weakest level in three years, indicating a possible recession in 12-18 months. Moreover, as of the time of writing, the JOLTS report – a measure of US job opening in the US – appears to be starting to roll over while ADP data surprised to the downside.

With the lagged impacts of the rapid rate rises of the past year filtering through to the real economy in the months ahead, it is reasonable to believe this data may continue to deteriorate. In addition, one cannot rule out the possibility of further shocks such as the recent banking turbulence as a result of the rapid pace of rate hikes.

Against this backdrop, we believe risk markets may remain volatile as we enter US earnings season.

Please note the Institutional USD Distribution Share Class goes ex its quarterly dividend on 3 April 2023, paying out \$0.1413.

**David Keetley and Stephen McCormick**

11 April 2023



## Share Class Information

Share Class	Bloomberg	ISIN	SEDOL	Minimum Investment	OCF <sup>†</sup>	Ann. Fee	Perf. Fee <sup>††</sup>
USD S Acc*	PCGCSUA ID	IE00BKRVLZ78	BKRVLZ7	USD 5m	0.75%	0.65%	10%
USD S Dist*	PCGCSUD ID	IE00BKRVL61	BKRVL6	USD 5m	0.75%	0.65%	10%
GBP S Acc*	PCGCSGA ID	IE00BKRVM323	BKRVM32	USD 5m	0.75%	0.65%	10%
GBP S Dist*	PCGCSGD ID	IE00BKRVM216	BKRVM21	USD 5m	0.75%	0.65%	10%
EUR S Acc*	PCGCSEA ID	IE00BKRVM109	BKRVM10	USD 5m	0.75%	0.65%	10%
EUR S Dist*	PCGCSED ID	IE00BKRVM091	BKRVM09	USD 5m	0.75%	0.65%	10%

\*These share classes are closed to new investors.

<sup>†</sup>**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.

<sup>††</sup>**Performance Fee** 10% of outperformance of Refinitiv Global Focus Convertible Bond Index.

## 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.
- 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.
- 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 may enter into a derivative contract. The Fund's use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as failure amongst market participants.

## 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

## Important Information

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This Fund promotes environmental and/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 Fund's prospectus or by visiting [www.polarcapital.co.uk](http://www.polarcapital.co.uk).

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.

Further information about fund characteristics and any associated risks can be found in the Fund's Key Information Document ("KID") or the Key Investor Information Document ("KIID"), the Prospectus, the Articles of Association and the annual and semi-annual reports. Please refer to these documents before making any final investment decisions. Investment in the Fund concerns shares of the Fund and not in the underlying investments of the Fund. These documents are available free of charge at Polar Capital Funds PLC, Georges Court,

54-62 Townsend Street, Dublin 2, via email by contacting [Investor-Relations@polarcapitalfunds.com](mailto:Investor-Relations@polarcapitalfunds.com) or at [www.polarcapital.co.uk](http://www.polarcapital.co.uk). The KID/KIID is available in Danish, Dutch, English, French, German, Italian, Spanish and Swedish; the Prospectus is available in English. ESG and sustainability characteristics are further detailed on the fund's prospectus and websites (<https://www.polarcapital.co.uk/gb/professional/ESG-and-Sustainability/Responsible-Investing/> and <https://www.polarcapital.co.uk/gb/professional/Our-Funds/Global-Convertible/#/ESG>).

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.

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**Benchmark** The Fund is actively managed and uses the Refinitiv Global Focus Convertible Bond 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

- The use of derivatives will result in the Fund being leveraged (where market exposure and the potential for loss exceeds the amount the Fund has invested) and in these market conditions the effect of leverage will magnify losses. The Fund makes extensive use of derivatives.
- If the currency of the share class is different from the local currency in the country in which you reside, the figures shown in this document may increase or decrease if converted into your local currency.

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 <https://www.refinitiv.com/en/financial-data/indices/convertible-indices>. 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

## Important Information (contd.)

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.

**Austria / Denmark (professional only) / Finland / Germany / Ireland / Italy (professional only) / Luxembourg / Norway / Spain / Sweden 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.