Polar Capital Funds plc
Emerging Market Stars Fund

30 April 2024

USD Class I Acc | ISIN: IE00BFMFDD19

NAV per Share

USD Class I Acc	US$12.60

Fund Details

Fund Size	US$1,721.6 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

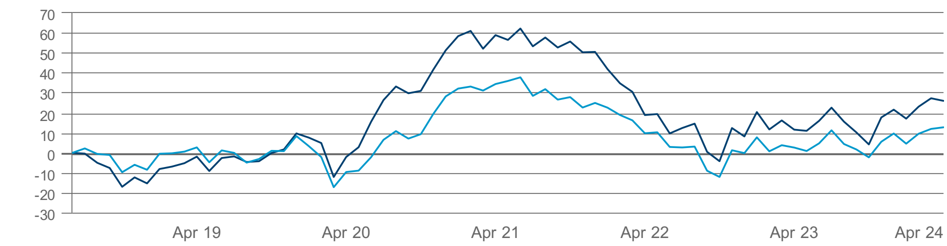
The Fund's investment objective is to achieve long term capital growth. The Fund seeks to achieve its objective by investing in a broad range of shares from companies in emerging markets (developing countries), or from companies which generate a significant amount of their business from emerging market 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.
USD Class I Acc	-1.02	7.60	3.62	12.90	-20.70	28.44	26.00	4.04
Index	0.72	7.83	2.83	9.88	-16.11	9.79	12.77	2.08

Discrete Annual Performance (%)

12 months to	30.04.24	28.04.23	29.04.22	30.04.21	30.04.20
USD Class I Acc	12.90	-6.14	-25.17	62.31	-0.20
Index	9.88	-6.51	-18.33	48.71	-12.00

Calendar Year Performance (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
USD Class I Acc	12.38	-28.11	-0.53	37.92	29.52	-	-	-	-	-
Index	9.83	-20.09	-2.54	18.31	18.42	-	-	-	-	-

Performance relates to past returns and is not a reliable indicator of future returns.
Performance for the USD Class I Acc. The class launched on 29 June 2018. Performance data is shown in USD. Source: Northern Trust International Fund Administration Services (Ireland) Ltd. Benchmark performance shown in USD. 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

Fund Ratings

Bronze

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

Portfolio Exposure & Attribution

As at 30 April 2024

Top 10 Positions (%)

TSMC	9.9
Samsung Electronics	6.4
Tencent	5.8
Reliance Industries	5.0
Phoenix Mills	4.2
Ivanhoe Mines	3.9
ICICI Bank	3.1
Grupo Financiero Banorte SAB	2.7
SK Hynix	2.6
MercadoLibre	2.5
Total	**46.2**

Total Number of Positions **54**

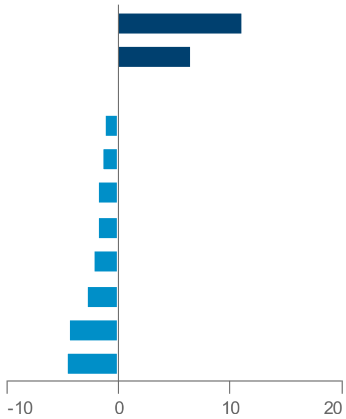
Active Share **75.50%**

Market Capitalisation Exposure (%)

Large Cap (>US$10 bn)	62.3
Mid Cap (US$1 bn - 10 bn)	32.3
Small Cap (<US$1 bn)	3.2
Cash	2.3

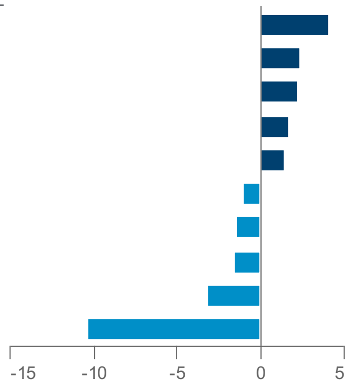
Sector Exposure - Top Overweights & Underweights Relative to Index (%)

	Fund	Relative
Information Technology	34.3	11.2
Real Estate	8.1	6.6
Energy	5.9	0.3
Industrials	5.2	-1.2
Consumer Discretionary	11.7	-1.4
Materials	5.9	-1.7
Communication Services	7.0	-1.8
Health Care	1.1	-2.3
Utilities	0.0	-2.9
Consumer Staples	1.0	-4.4
Financials	17.6	-4.7



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

	Fund	Relative
Viet Nam	4.2	4.2
Uruguay	2.5	2.5
Argentina	2.3	2.3
South Korea	13.8	1.8
Hong Kong	1.6	1.5
Poland	0.0	-1.0
Malaysia	0.0	-1.4
Thailand	0.0	-1.5
Saudi Arabia	1.0	-3.1
China	16.3	-10.4



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	-	0.88%	0.75%	10%
GBP I Acc	POEMSIG ID	IE00BFMFDG40	BFMFDG4	-	0.88%	0.75%	10%
USD I Acc	POEMSIU ID	IE00BFMFDD19	BFMFDD1	-	0.88%	0.75%	10%
EUR R Acc	POEMSRE ID	IE00BFMFDB94	BFMFDB9	-	1.38%	1.25%	10%
GBP R Acc	POEMSRG ID	IE00BFMFDC02	BFMFDC0	-	1.38%	1.25%	10%
USD R Acc	POEMSRU ID	IE00BFMFD979	BFMFD97	-	1.38%	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

April turned out to be a weak month for the Fund. We gave up some of the good absolute and relative returns we had gained in the first quarter, however we are relatively comfortable we will be able to reverse this performance given our view of the market fundamentals and our portfolio right now.

Key drivers during April were a significant selloff in US technology which spread into Asian technology (where we have a large overweight) as well as a significant extension of the higher for longer narrative around US inflation and interest rate policy, which historically has not been positive for a growth-biased emerging market (EM) fund like ours. China showed significant outperformance within EMs and globally, so we also took a hit from our large underweight here. Given this negative global macroeconomic backdrop and technology sector headwind, the Fund (USD I Acc Share Class) being down by 1%, in dollar terms, is a relatively good outcome, in our view. Looking at specific stocks in the portfolio and the overall valuation level, we would be extremely disappointed if we are not able to regain this return within the relatively near future.

From a macroeconomic perspective, the headline news in EMs once again came from the US. US inflation disappointed to the upside for the third month in a row in April, with the market quickly concluding there is some stickiness there. Expectations of roughly three rate cuts in 2024 from March quickly turned into the market now expecting one rate cut over the remainder of 2024. We therefore saw the extension of the higher for longer narrative, not a great outcome for a growth investment style. US 10-year Treasury yields shot up by c50bps on the back of the inflation numbers, which translated into value regaining leadership from a style perspective. In particular, we saw Asian value stocks, and Asian financials, do well with financials in Hong Kong and China outperforming on the back of a strong rebound in China-related stocks.

This is not our dream scenario and we have to acknowledge the stickiness in US inflation and revise our own forecasts. Our base case at the beginning of the year was that we would get the first rate cut from the Federal Reserve (Fed) around the summer, however this looks unlikely now. Given that 2H24 will be the beginning of the election cycle, we see a real likelihood that the first rate cut will now be in the early part of 2025, though we are happy to go with market expectations and expect one rate cut by the end of the year.

In our defence, we did get the call on a steep drop in goods inflation right post-Covid, however we have been surprised by how strongly the service economy keeps performing in the US, and the stickiness that has worked itself into pricing here, driven by a US government that keeps spending above our expectations. We have also been arguing that the shelter component is an obstacle for inflation in the US, but our view is shelter is much more supply-driven than demand-driven and is out of control from a Fed perspective. That is an issue for the Federal and local governments across key cities in the US, and is where the chain breaks down as politicians have clearly failed (as is the case for most of the developed world).

From an EM perspective, the importance of US inflation and monetary policy links to the monetary cycle in EMs, as well as the overall discount rate environment towards EMs. Having learned painful lessons in the past, in this Fed tightening cycle we have seen most key EM countries run very conservative monetary policies, despite most of them not experiencing any inflationary issues, which has led to high real interest rate levels in these economies. We believe this has also negatively impacted discount rates.

We therefore see significant upside towards many EMs initiating a monetary easing cycle as soon as the Fed sends the first signal that rates are going the other way. We believe this will lead to the beginning of strong investment and consumption in a number of key EM economies and will eventually also drive an earnings cycle.

The other hit we took this month was in relation to our large technology overweight as technology in the US experienced weakness during April on a mix of interest rate fears along with the view that AI is now "overhyped" and it was time for profit-taking. This technology weakness spread quickly to EMs, particularly South Korea and Taiwan where the companies are primarily located. In general terms, we still see Asian technology companies trading at a discount to their US equivalents and still believe we are facing a new long upcycle in technology investments. Over the medium term, we see this future level of growth and profitability as mispriced which is why we are still comfortable with our high allocation of capital here. Of course, there will be swings over this longer investment cycle, however having seen quarterly results and forward guidance from some of the technology companies, such as Samsung Electronics, we still believe we are in a growth area.

We also see an additional factor behind the technology weakness we saw in South Korea in April. While both MSCI Korea and MSCI Taiwan indices were weak in the month, South Korea significantly underperformed Taiwan – we believe the South Korean election played a key role here, as the president lost seats and is now struggling to implement new policies. This was of particular importance for the South Korean market as the initiation of the 'Value-up' program was driven by the president and it now looks like its implementation will be more difficult. On the positive side, a number of companies have been alerted to value unlocking and there is still huge bottom-up potential in South Korea.

The final hit we took in April came on the back of our large underweight in China. We always knew there was a high likelihood that China could experience a strong rebound at some point, as it is under-owned by international investors, and there is a great deal of excess liquidity right now in the Chinese market. Many market participants were waiting for an inflection point around government-related support to the market and/or a broader stimulus for its economy. During the month, we saw the combination of positive political noise around capital market reforms, potential policies around the housing market (though this is still very unclear in our mind), relatively strong Q1 GDP growth numbers (5.3% year-on-year) and some positive Q1 corporate earnings.

However, the devil is in the detail. While some news out of China was positive, the housing market is still contracting and much of the stated growth seems to be linked to the government pouring in direct support to manufacturing and infrastructure. There are still a significant number of industries with overcapacity issues. Furthermore, by number of companies, China experienced the largest quarterly earnings miss on record so it is not out of the woods yet, which matches our current analysis. There are still growth areas within China – such as digitisation, some healthcare-related areas and exports to other EM countries – but there are also large parts of the economy still faced with weak demand and capacity issues. We still believe it is highly likely China will enter some form of real debt/deflation trend that will, from a structural perspective, have similarities to what Taiwan experienced in the 1980s and Japan saw in the late 80s and early 90s, which took a decade to work out. In China's case, this is happening during a period of high global trade tensions and geopolitical risk.

We do, as mentioned, see some interesting opportunities in China, however, given there are also many areas where we do not believe we should be allocating capital – and the benchmark weighting in China is a legacy issue of past bullishness – as stock-pickers we sleep well with a relatively large underweight in China. An additional risk is the intense US presidential election cycle, where the latest data clearly shows a Trump victory is a real risk. We believe this will carry a high risk of increased tension with China from both a trade and geopolitical (Taiwan) perspective. Again, we feel comfortable that, over the medium to longer term, our process and focus on stock selection will allow us to navigate a volatile China.

Staying in Asia, Indonesia's central bank hiked its interest rate in April, which was a negative surprise. The argument was that Indonesia felt the need to create an additional buffer to protect its economy from the risk of potentially importing inflation via a weak currency, on the back of the higher US inflation print and renewed strength in the US dollar. This hit a large part of the equity market in Indonesia; the banking sector (where we have no exposure) was hit hard and the consumer sector also had a difficult month. Here, we have exposure to Mitra Adiperkasa.

This leads us to our last topic on Asia, namely the increased debate regarding Asian currencies. The yen is making headlines with its extremely low level. Having very recently travelled in Japan, we can say that our Big Mac index indicates a very cheap currency, particularly in relation to the US where we have also been travelling. The weak yen has also impacted the South Korean won and the Taiwanese dollar, which have also been weak relative to the US dollar. This has been supporting the export markets there and has put some pressure on the domestic parts of these economies. A couple of questions are emerging now for investors, including us: will a change in Japanese monetary policy (moving away from yield-curve control) lead to a rise in the yen, and will that impact other Asian currencies? Will China start to let the renminbi drift lower to stay competitive? Will the US/EU soon step in with political pressure?

Except for a short blip in September/October 2022, Asian currencies on aggregate are now at a decade low, which does not make sense looking at the underlying fundamentals in the economies. Of course, a large part of the story is the extremely strong US dollar, as well as geopolitics. From an asset class perspective alone, Asia should have large upside on a fair value assumption/historical FX range.

It has been the right call to have an export bias in the investment portfolio within Asia, but we are starting to get to levels in the absolute lower band of what is fundamentally justifiable. We see the risk of some form of political pressure emerging, and our investors should not be too surprised if they see capital move towards domestic exposure to manage negative headline risk towards exporters. We believe many of our key exporters have pricing power but this is also to capture asset value upside, as this FX undervaluation is getting to a level where we believe it needs to be risk-managed.

Outside Asia, returns from Latin America (LatAm) have been disappointing, with Brazil one of the weaker markets in April. We believe this was partly due to the higher for longer narrative as much of the growth expectations here are strongly influenced by the idea that the central bank will be able to cut rates. We also saw disappointing budget deficit numbers from Brazil which did not please the market either.

Finally, the Middle East has been holding up very well considering the conflict. There seems to be a relatively strong consensus that it will remain an isolated one between Hamas and Israel.

Fund performance

The Fund (USD I Acc Share Class) returned -1%, relative to the MSCI Emerging Markets Net Total Return Index benchmark, which was up 0.7%, meaning we underperformed by 1.7% (all figures in dollar terms).

April was a frustrating month, as we had three headwinds against us: another strong US inflation print that led to a significant reduction in interest rate cut expectations for global markets, technology panic and a strong rebound in China where we are significantly underweight. We managed to preserve capital relatively well, only losing 1% in absolute terms. However, there is a large chunk of the EM market that is very value-driven and whose performance contributed to the benchmark being up. For April, we ended up with a big spread between the Fund and the benchmark, losing 174bps in relative performance in a market with relatively little absolute movements overall.

The best contributing stocks were Phoenix Mills (Indian mall operator), Ivanhoe Mines (African copper miner), Tencent (Chinese internet/software), Sea (ASEAN e-commerce, FinTech and digital entertainment) and IIFL Wealth Management (Indian wealth manager).

The weakest contributors were HPSP (South Korean technology), eMemory Technology (Taiwanese technology), Samsung Electronics (South Korean technology), Itau Unibanco Holding (Brazilian bank) and Faraday Technology (Taiwanese technology).

As can be seen from this, technology companies were well represented. The sector has, particularly around the semiconductor-related stocks, been a large and positive contributor to both our absolute and relative performance over the past 12 months, however we gave a bit back in April.

It should also be highlighted, after a difficult period with both Sea and Tencent, we have seen good performance year-to-date.

Outlook

We have not changed our longer-term outlook on EMs and the overall portfolio structure is very much intact from that perspective. However, realistically we see the Fed only cutting rates once by the end of the year and can easily see this being moved into early 2025.

Our outlook on technology and China has not changed despite a great deal of market movement in April. The sector is now slightly cheaper and one could argue this offers an attractive entry point. China showed some improvements, and there are always opportunities for stock-pickers, however there is still uncertainty on policy direction as well as structural issues for large parts of its economy. On top of that, the country is not out of the woods regarding geopolitics – it is hard to foresee a US election cycle devoid of rising tensions here. For that reason, we feel relatively comfortable with our large underweight in China relative to the benchmark.

Most of the EMs ex-China look to be in good condition given the global backdrop, and many economies in ASEAN, India, LatAm and the CE-MENA regions are very well positioned for a strong cyclical growth period when inflation eases and monetary conditions can become looser again. Key companies here are very attractively priced now, in our view.

We believe we are entering a new technology upcycle and see North Asia participating well. In particular, we think the combination of an inventory clean-up, further supply-side consolidation (particularly within semiconductors) and AI will give us a strong new upcycle over the next 12-24 months. While April saw a selloff on the back of US technology sentiment swings, rate moves and profit-taking, we still find this an attractive sector for capital over the medium term.

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

Jorry Nøddekær & Naomi Waistell

7 May 2024

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.

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.

Polar Capital (Europe) SAS is authorised and regulated by the Autorité des marchés financiers (AMF) in France. Polar Capital (Europe) SAS's registered address is 18 Rue de Londres, Paris 75009, France.

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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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