Polar Capital Funds plc
Asian Stars Fund

EUR Class I Acc | ISIN: IE00BG43QG46

NAV per Share

EUR Class I Acc	€14.54

Fund Details

Fund Size	€138.6 m
Base Currency	USD
Denominations	USD/GBP/EUR
Fund Structure	UCITS
Domicile	Ireland
Listing	Euronext Dublin
Launch Date	31 December 2018
Investment Manager	Polar Capital LLP

Fund Manager

Jorry Nøddekær
Lead Fund Manager
Jorry has managed the fund since launch, he joined Polar Capital in 2018 and has 22 years of industry experience.

CITYWIRE AA

ALPHA MANAGER 2022

Peter Andersen
Fund Manager
Peter has managed the fund since 2020, he joined Polar Capital in 2018 and has 9 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 domiciled in developed and developing (emerging market) Asian countries, or from companies which generate a significant amount of their business from these countries.

Article 8 SFDR

Key Facts

- Team of five sector specialists
- The team has 65+ years of combined industry experience
- Fundamentally-driven analysis and stock selection
- ESG based analysis incorporated as part of the investment process
- Typically 40-55 positions

Fund Ratings

MORNINGSTAR ★★★★★ MORNINGSTAR Bronze

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

Share Class Performance

Performance Since Launch (%)

	1m	3m	YTD	1yr	3yrs	5yrs	Since Launch Cum.	Since Launch Ann.
EUR Class I Acc	-3.52	-11.99	-11.99	-8.50	44.53	-	66.17	16.92
Index	-1.84	-5.96	-5.96	-9.82	17.22	-	33.01	9.18

Discrete Annual Performance (%)

12 months to	31.03.22	31.03.21	31.03.20	29.03.19	29.03.18
EUR Class I Acc	-8.50	63.98	-3.68	-	-
Index	-9.82	46.80	-11.45	-	-

Performance relates to past returns and is not a reliable indicator of future returns.
Performance for the EUR Class I Acc. The class launched on 31 December 2018. Performance data is shown in EUR. Source: Northern Trust International Fund Administration Services (Ireland) Ltd. Benchmark performance shown in EUR. 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 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.

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Portfolio Exposure

As at 31 March 2022

Top 10 Positions (%)

TSMC	9.7
Tencent	7.1
Samsung Electronics	7.1
Reliance Industries	4.2
AIA Group	4.2
Alibaba Group Holding	4.2
Phoenix Mills	3.3
Naver	3.3
ICICI Bank	3.3
JD.com	3.1
Total	**49.6**

Total Number of Positions **44**

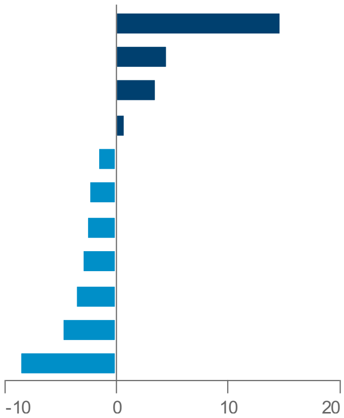
Active Share **67.42%**

Market Capitalisation Exposure (%)

Large Cap (>US$10 bn)	71.0
Mid Cap (US$1 bn - 10 bn)	19.7
Small Cap (<US$1 bn)	6.4
Cash	2.8

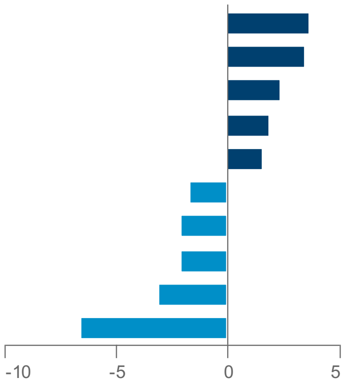
Sector Exposure - Top Overweights & Underweights Relative to Index (%)

	Fund	Relative
Information Technology	39.5	14.7
Real Estate	8.6	4.6
Communication Services	13.6	3.7
Energy	4.3	0.8
Consumer Discretionary	11.7	-1.6
Healthcare	1.6	-2.4
Industrials	3.8	-2.6
Utilities	0.0	-2.9
Materials	1.9	-3.7
Consumer Staples	0.0	-4.8
Financials	12.2	-8.6



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

	Fund	Relative
Viet Nam	3.7	3.7
India	18.5	3.5
South Korea	16.8	2.4
Australia	1.9	1.9
Japan	1.6	1.6
Malaysia	0.0	-1.7
Indonesia	0.0	-2.1
Thailand	0.0	-2.1
Hong Kong	4.2	-3.1
China	28.0	-6.6



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 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	PCCASIE ID	IE00BG43QG46	BG43QG4	-	0.89%	0.75%	10%
GBP I Acc	PCCASIG ID	IE00BG43QH52	BG43QH5	-	0.89%	0.75%	10%
USD I Acc	PCCASIU ID	IE00BG43QF39	BG43QF3	-	0.89%	0.75%	10%
EUR R Acc	PCCASRE ID	IE00BG43QC08	BG43QC0	-	1.39%	1.25%	10%
GBP R Acc	PCCASRG ID	IE00BG43QD15	BG43QD1	-	1.39%	1.25%	10%
USD R Acc	PCCASRU ID	IE00BG43QB90	BG43QB9	-	1.39%	1.25%	10%

†**Ongoing Charges Figure (OCF)** is the latest available, as per the date of this factsheet.

††**Performance Fee** 10% of outperformance of MSCI AC Asia ex Japan Total Return Index.

Fund Managers' Comments

Macro background

March turned out to be yet another very difficult and volatile month for Asian markets. In developed markets (DM), we saw a partial recovery from the shock in February related to the Russian invasion of Ukraine, particularly for North America, those European markets with some form of energy independence, as well as markets like Australia (an energy exporter), which led to DMs significantly outperforming Asian markets.

There was a distinct difference between Asia by region and the underlying countries. A particularly strong headline was which countries can best deal with the new energy and commodity regime on the back of Russia invading Ukraine which led to Indonesia, Malaysia and Vietnam holding up relatively well while China significantly underperformed, showing negative absolute returns. The trigger point here seems to be the new Covid outbreak and the closing down of mega-cities like Shanghai, though we suspect there is also an element of continued growth and regulation fear for the dominant sectors in the Chinese market. Taiwan also suffered though to a lesser degree, over technology growth fears as well as geopolitical risk.

India performed well, down to the strong election wins by the BJP (*Bharatiya Janata Party)* in key state elections. In South Korea's national elections, Yoon Seok Yeol, considered a more hard liner towards China, came into power. The market was more or less flat over the month.

The headlines for this month were around inflation and the renewed inflation risk coming from energy and commodities on the back of the war in Ukraine, the Fed rate hike cycle and the Covid situation in China which seem to be the main explanation for its extreme underperformance compared to the rest of the EMs and Asia.

Fund performance

The Fund had another weak month, resulting in the worst ever quarter since we have run this strategy in Asia. We are extremely disappointed with our performance. Our growth and quality style seems to have been expensive, as most stock-specific news was generally positive, and not owning energy caused us to lose out relative to the benchmark.

In March, the Fund returned -4.4% (USD I Acc Share Class) against the MSCI AC Asia ex-Japan Total Return Index (the Fund's benchmark) returning -2.8% (in dollar terms), thereby underperforming by 1.4%. Given the market backdrop and events this is perhaps understandable, but still frustrating as it comes on the back of two previous weak months.

The Fund survived the extreme value rally over the past 12 months and is up 1.3% (USD I Acc Share Class) relative to the benchmark. Over the past three years, the Fund is up 43.3% relative to the benchmark of 16.2%, an excess return of 27.1%, driven by our stock picking.

The 'inflation scare' theme was hard on our more growth-oriented companies (even though a number of them have strong pricing power, generate strong cash flow and have huge levels of cash on the balance sheet). We also took a hit in China on its Covid situation, even though we have been underweight in the Chinese market.

The best contributing stocks were **Phoenix Mills** (Indian malls), **Reliance Industries** (Indian industrial), **NAVER** (South Korean internet/media/e-commerce), **Oz Minerals** (Australian copper) and **Tokyo Electron** (Japanese semiconductor equipment maker).

The weakest contributors were: **MediaTek** (Taiwan technology/IC-design), **JD.com** (Chinese e-commerce/retail), **Sea** (ASEAN e-commerce/FinTech), **Sungrowth Power Supply** (Chinese renewable energy) and **Tencent** (Chinese internet).

These final five names have been mentioned for the wrong reasons yet we strongly believe in them and feel they all have significant valuation upside:

MediaTek is extremely profitable, has strong technology and product innovation in an attractive industry (structurally expanding TAM; industry consolidation), high ROIC, cheap on Economic Value Added and on earnings multipliers, pays a good dividend and has plenty of cash on its balance sheet. They have also raised their medium-term GP-margin assumption on a new product cycle and addressable market expansion.

Is this a growth and quality company? Yes, and we believe that even the most hardcore value investor could be excited by the cash flow and valuation matrix that MediaTek is offering. Our best guesstimate of its problem is the perception of long-duration technology and the short-term panic over how Chinese mobile phone demand will pan out due to Covid which has led to a significant sell-down. To us it is cheap relative to its structural trend and offers great long-term return opportunities but does come with the risk of volatility and short-term negative sentiment.

In our view, it is hard to see the fundamental justification for the sell-down in **Tencent** and **JD.com** given how much these names have already been beaten up over the previous 12-14 months on fears of regulation, weak Chinese consumers and a higher discount rate thanks to worries over inflation. Our point is that these companies have demonstrated they can operate and function in a lockdown environment, at the same time driving a new and much stronger focus on profitability. Clearly, the market does not believe in this – time will tell – but for now we believe they both offer attractive risk/reward. Currently they are on low earnings multipliers and are pricing in some form of combination of low growth/low future ROIC profile.

Sea has been rebounding from its low during the early part of March but is still significantly down for the month and year-to-date performance. We have always been of the view that we should own Sea as its an ASEAN e-commerce and FinTech business as digital entertainment and e-commerce expansion outside ASEAN is then almost a free option. In our strategic analysis, we need to look at Sea's cash flow from the digital entertainment division against what its competition can raise in the market which, for us, places Sea in a much better position than before the pandemic. Furthermore, and most importantly, Sea has been given a roadmap to profitability for its ASEAN e-commerce operations and its FinTech business. We differ from the market in this respect as we find it significant and believe this validates our long-investment case. We do not expect Sea to fly any time soon in the current environment but we do see an attractive return distribution playing out.

We have made good returns from **Sungrow Power Supply** over the past 12 months though, surprisingly as a renewable energy company and one of the leading inverter companies in the world, it has had a poor 2022. We believe Sungrow Power Supply will see a significant uplift in its business thanks to a growth in renewable energy projects in the coming years so we are happy to be long-term focused. We

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believe it is the right company for the global agenda on energy security and climate change.

Value versus growth

Since 9 November 2021, when the Covid vaccine was announced, value as a style has significantly outperformed growth and quality. This has been the case globally but particularly profound in EMs, within Asia especially thanks to the combination of China's regulation risk and general duration risk related to inflation and the Fed interest rate hike cycle. The surprise to us has been how much 'value tech' (pricing power; strong up-front cash flow; plenty of cash on the balance sheet; cheap on all financial matrices) has lost in the market and this reaction has not given us the result we expected given the macroeconomic trends.

For the calendar year 2021 we managed to navigate this value-style market relatively well, preserving capital while growth stocks in EMs saw significant negative returns. However, coming into 2022, many growth and quality stocks were (are) cheap. We saw the market having already discounted a significant level of much higher discount rates for long-duration cash flow assets, specifically for internet-related companies in China and the likes of Sea and MercardoLibre. Unfortunately, this did not turn out to be the case. The market took a turn for the worse thanks to US inflation data released in January and February followed by the Russian invasion of Ukraine at the end of February, a new outbreak of Covid in China and the lockdown of Shanghai.

Outlook

We had originally forecast that towards the end of last year we would see an easing of inflationary pressure. The stimuli and momentum in the US economy, combined with supply-chain issues being hard to solve quickly, meant this was too optimistic and we rolled our easing inflationary pressure forecast into 1H22.

In simple terms, we believe that of the 7-8% CPI inflation the US is seeing now, roughly 300 bps are demand-side driven and 400-500 bps are supply-side driven. The Fed should be able to significantly deal with the 300 bps – and we believe we are already seeing indications of this happening, looking at leading indicators – though the timing of the supply-side is more difficult to predict.

The Russian invasion of Ukraine changes this scenario again, adding to supply-side issues –particularly energy and commodities – and the inflation dynamics. However, it will probably also bring the risk of fast-tracking a multi-polar world and so-called de-globalisation. We should be careful not to panic as there is a tendency to see everything as negative and there will never be a new normal again. A great deal will eventually return to the new normal we forecast in 2018. There is a Cold War between China and the US around trade and technology (and their view on democracy); there are significant socio-demographic changes in the world; technology will play an even more significant and profound role in society; technology IP will carry a significantly more strategic value; and we are at the start of a significant transition from fossil fuels into renewable energy that will last for decades to come. We do not believe Covid changed anything structurally except to fast track some of the underlying structural trends and we believe the Russian invasion of Ukraine will further fast track most of these underlying structural trends.

This new world fits well into our longer-term investment mindset, which is what our process is set up to deal with and how we search for alpha opportunities within our investment universe. A large part of our key long-term investment themes, such as technology, changing supply chains and renewable energy, are still highly relevant both from a short and long-term perspective. It is an acceleration of trends we have been expecting to emerge and our companies will, in our view, be well positioned when it comes.

However, there are also themes where we originally believed we had time on our side but the pace of acceleration is such that we will make adjustments to the portfolio. The more short-term distribution curve of economic growth and inflation outcomes in both the US and EMs, on the back of geopolitics and political actions, is widening significantly and this will lead to us having a stronger eye on risk management, as EM volatility is very high. During March we have gone for a more barbell approach (owning Alinma Bank in Saudi Arabia), and one should expect this combination of optimisation and risk management to continue into April. We have not fully been receiving the rewards for this move as the magnitude of the falls in the so-called growth tail of the portfolio dropped far more significantly than we forecast, and we thereby lost performance at the portfolio level.

More structurally, we see the combination of an increased focus on supply-chain security, fast-tracking on renewable energy as well as the issues with frozen FX reserves will in our mind lead to a commodity boom in the coming decade, with the chance that it is already starting. This is, therefore, one of our focus areas, where we believe this Russian invasion of Ukraine has fast-tracked our research priorities.

This does not imply that we will not see cycles in commodities – not all commodities will be the same – but we see a high likelihood that more strategically important commodities will structurally move to a much higher level with time. On that note, Ivanhoe Mines is one of our largest overweight positions in the Fund and we believe they are extremely well positioned for the future.

More short term, and with an eye on the portfolio, we see the narrative in the market being around stagflation. Beyond the structural topics we have described above we do not think we are far away from data points that will show the Fed is successful in starting to get inflation down, the first positive data point to promote interest towards growth and quality as a style which should benefit our portfolio.

Jorry Nøddekær

12 April 2022

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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.
- 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.
- 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.

Administrator Details

Northern Trust International Fund Administration Services (Ireland) Ltd

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Dealing	Daily
Cut-off	15:00 Irish time

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.

Further information and any associated risks can be found in the Fund's Key Investor Information Document ("KIID"), the Prospectus, the Articles of Association and the annual and semi-annual reports. 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 or at www.polarcapital.co.uk. The KIID is available in Danish, Dutch, English, French, German, Italian, Spanish and Swedish; the Prospectus is available in English.

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 MSCI AC Asia ex Japan 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, 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.

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