

## Fund Fact Sheet

29 January 2021

EUR Class I Dist  
ISIN: IE00B3WVRB16



### NAV per Share

EUR Class I Dist €33.47

### Fund Particulars

Fund Size €1,095.7 million  
Base Currency US\$  
Denominations US\$ / GBP / EUR  
Fund Structure Open-ended UCITS  
Domicile Dublin, Ireland  
Listing Irish Stock Exchange  
Launch Date 31 October 2013  
Management Polar Capital LLP

### Fund Manager



#### David Pinniger

#### Lead Fund Manager

David has managed the Fund since launch, he joined Polar Capital in 2013 and has 20 years of industry experience.

## Fund Profile

### Investment Objective

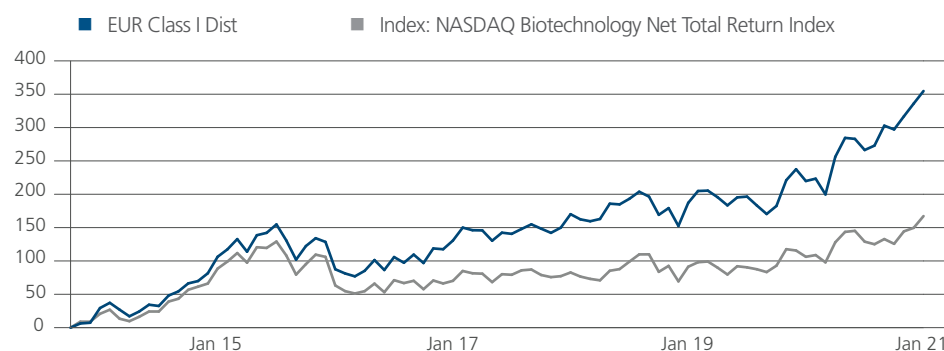
The Fund aims to preserve capital and achieve long-term capital appreciation by investing throughout the biotechnology ecosystem, across geographies and market capitalisations.

### Key Facts

- Team of 6 sector specialists
- The team has 130+ years of combined industry experience
- Typically 40-60 positions
- No benchmark or tracking error constraints
- Fundamentally-driven analysis and stock selection

## Share Class Performance

### Performance Since Launch (%)



	1 month	3 month	YTD	1 year	3 years	5 years	Since Launch	
							Ann.	Cum.
EUR Class I Dist	4.30	14.51	4.30	42.18	68.36	142.54	23.23	354.76
Index	7.02	18.41	7.02	29.58	46.09	63.49	14.50	166.92

### Discrete Annual Performance (%)

12 months to	29.01.21	31.01.20	31.01.19	31.01.18	31.01.17
EUR Class I Dist	42.18	11.41	6.29	17.15	22.97
Index	29.58	7.67	4.71	7.38	4.22

Source: Northern Trust International Fund Administration Services (Ireland) Ltd, monthly percentage growth, EUR and has been calculated to account for the deduction of fees. Fund performance does not take account of any commissions or costs incurred by investors when subscribing for or redeeming shares. The EUR Class I Dist was launched on 31 October 2013. The index performance figures are sourced from Bloomberg and are in EUR terms. These figures refer to the past. Investments in funds are subject to risk. **Past performance is not a reliable indicator of future returns.** The money invested in a fund can increase and decrease in value and past performance is not a reliable indicator that you will get back the full amount invested. The performance calculation is based on EUR. If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. Please see the Important Information on the last page of this document for further information on the risks to your investment.

# Polar Capital Funds plc - Biotechnology Fund

## Portfolio Exposure & Attribution

As at 29 January 2021

### Performance Attribution - 1 Month (%)

#### Top Contributors

Name	Active Weight	Attrib. Effect
Summit Therapeutics	2.46	0.94
Renalytix AI	1.31	0.81
Sarepta Therapeutics	-0.72	0.60
Valneva SE	4.01	0.57
Bridgebio Pharma	-0.71	0.23

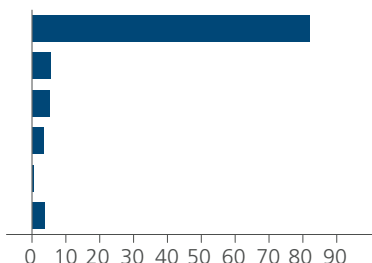
#### Top Detractors

Name	Active Weight	Attrib. Effect
Moderna	-3.97	-2.05
Acceleron Pharma	3.15	-0.54
Novavax	-0.61	-0.42
illumina	-4.43	-0.40
Gilead Sciences	-6.40	-0.39

Performance attribution is calculated in US\$ on a relative basis over the month.

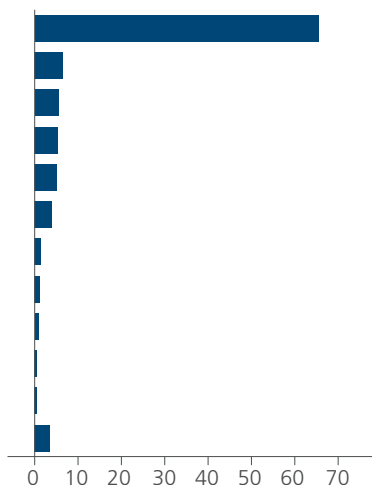
### Sector Exposure (%)

Biotechnology	81.9
Life Sciences Tools & Services	5.6
Pharmaceuticals	5.1
Healthcare Technology	3.4
Healthcare Supplies	0.5
Cash	3.6



### Geographic Exposure (%)

United States	65.5
United Kingdom	6.5
France	5.5
Netherlands	5.4
Germany	5.2
Denmark	4.0
Canada	1.4
China	1.2
Ireland	0.9
Sweden	0.5
Switzerland	0.5
Cash	3.6



## Share Class Information

### Codes & Fees

Share Class	Bloomberg	ISIN	SEDOL	OCF	Annual Fee
US\$ Class R Dist	POLBTRU ID	IE00B3XLHR60	B3XLHR6	1.64%	1.50%
GBP Class R Dist	POLBTRS ID	IE00B3XD3CF51	B3XD3CF5	1.64%	1.50%
EUR Class R Dist	POLBTRE ID	IE00B3VXGD32	B3VXGD3	1.64%	1.50%
US\$ Class I Dist	POLBTIU ID	IE00B42Z4531	B42Z453	1.14%	1.00%
GBP Class I Dist	POLBTIS ID	IE00B42POH75	B42POH7	1.14%	1.00%
GBP Class I Dist Hedged	PCPBIHG ID	IE00BFX4HX56	BFX4HX5	1.14%	1.00%
EUR Class I Dist	POLBTIE ID	IE00B3WVVR16	B3WVVR1	1.14%	1.00%

**Minimum Investment: Class I Shares;** US\$1 million (or its foreign currency equivalent).  
**Class R Shares;** No minimum subscription.

**Performance Fee** 10.00% of outperformance of NASDAQ Biotechnology Net Total Return Index.

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

### Top 10 Positions (%)

Alexion Pharmaceuticals	5.8
arGEN-X BV	5.4
Vertex Pharmaceuticals	4.7
Valneva SE	4.3
Biogen	4.2
Exelixis	3.8
Regeneron Pharmaceuticals	3.6
Acceleron Pharma	3.5
Synairgen	3.4
Incyte Corp	3.4

**Total** 42.1

**Total Number of Positions** 53

**Active Share** 70.01%

### Market Capitalisation Exposure (%)

Large Cap (>US\$5 billion)	54.0
Mid Cap (US\$1 billion - US\$5 billion)	24.9
Small Cap (<US\$1 billion)	17.5
Cash	3.6

### Administrator Details

Northern Trust International Fund  
Administration Services (Ireland) Ltd

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**Dealing** Daily

**Cut-off** 15:00 Dublin time

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.

# Polar Capital Funds plc - Biotechnology Fund

## Fund Managers Comments

As at 29 January 2021

The portfolio returned 3.5% (1 US\$ Share Class) in January versus 6.3% for the Fund's benchmark, the NASDAQ Biotechnology Net TR Index (NBI), for a relative underperformance of -2.8%. The biotechnology sector outperformed the broader market with the S&P 500 Index -1% (all figures in dollar terms), in a volatile month that started very strongly but gave back some gains into month end.

The new calendar year started to some degree as the old one finished, with the Fund struggling to keep up with a sector driven higher from investor enthusiasm for earlier stage concept technology stories as well as renewed enthusiasm for the leading COVID-19 vaccine biotech names. In addition, it is probably not unreasonable to say that the biotech sector was contaminated by the hedge fund de-grossing phenomenon as the GameStop retail investor versus Wall Street short-squeeze situation became front-page news. The de-grossing saw hedge funds scramble to buy back short positions in companies perceived to have unattractive fundamental prospects and/or valuations, at the same time as selling down long positions in companies perceived to have attractive fundamental prospects and/or valuations. Given some degree of commonality of view and ownership across specialist funds, this made for especially frustrating investment conditions, probably not just for us but other biotech specialists as well.

The key driver of underperformance during the month came from not owning Moderna, though the Fund did avoid the Sarepta gene therapy setback and benefited from the acquisition of the molecular diagnostics company Oxford Immunotec by PerkinElmer for \$591m.

As we settle into 2021, notwithstanding a wild and frenetic start to the year, it feels like investor sentiment towards the sector is starting to moderate from the post-vaccine success euphoria and emotionally charged exuberance of the final few months of last calendar year. The holiday period saw COVID-19 pandemic infection trends worsen materially in major economic regions, accompanied by renewed lockdown directives aimed at controlling further spread of the virus and preventing healthcare systems becoming overwhelmed. As we thought, the initial deployment of the first approved SARS-CoV-2 vaccines has been much slower than promised, particularly in the US, and has been accompanied by a number of hiccups, snafus and controversies of varying degrees of severity and importance. In the meantime, new variants of the SARS-CoV-2 virus have emerged that are causing some degree of nervousness, not necessarily because they represent a challenge to the efficacy of the vaccines (we do not think they do, at least not yet), but because the new variants appear to be spreading faster than previously, threatening to overwhelm the current pace of the vaccination effort.

The arguably worsening COVID-19 situation, combined with a potential final twist in the US election with the election of two Democrat candidates to evenly split the Senate (with Democrat Vice President Kamala Harris having the casting vote on proposed legislation) is threatening the risk-on appetite among investors to chase growth and momentum assets such as the biotech sector, particularly after last year's significant absolute and relative performance. With the Democrats able to set the agenda in Washington, investors will likely remain more wary of tax and healthcare reform initiatives over the coming few years than perhaps would have been the case if the Senate had remained controlled by the Republicans. Other issues that are starting to become headwinds for the sector include the valuations of, and investor appetite for, concept biotech companies such as those in the gene editing and gene therapy subsector which we feel have become almost totally irrational over the past couple of months, and the record capital markets activity for the sector in 2020 that has brought a large cohort of early-stage companies to the public markets at relatively high valuations, with tight private/crossover-oriented shareholder registers and very thin trading liquidity.

We believe the combination of these factors should make investors wary of expecting a similar magnitude of relative outperformance for the biotech sector in 2021, at least from investing in companies at the earlier-stage end of the spectrum. That said, the basic fundamentals of the sector responsible for the significant real value creation seen for investors in recent years remain intact. Accumulating scientific insight and understanding into human biology and powerful new drug development technologies continues to create exciting new medicines. The industry is well capitalised to invest in new drug discovery and development (and to some degree be

increasingly self-sustaining) and the regulatory environment in the shape of the behaviour and performance of the FDA remains constructive, with 53 new medicines approved last year (though perhaps in need of a refresh and reboot of leadership and focus under the incoming Biden administration after some high-profile controversies and missteps during 2020). In addition, we continue to expect further M&A activity over the coming 12 months. While we believe excessive technology platform company valuations and the continued ready availability of equity capital are creating a hard-to-reconcile mismatch for corporate buyers and sellers respectively, we do believe there are a number of companies in the revenue growth phase of their development that offer a strong risk/return profile and are potentially targets of acquisition in the relatively near term.

Sometimes, it seems possible to overthink the investment case for an asset class. In 2020 it was relatively simple for biotech (in retrospect) – it was all about the macro environment. Industry and company fundamentals, valuations and business conditions became almost completely irrelevant (when at least perceived to be sound) as money supply exploded and interest rates continued to be suppressed at historically low levels by central banks in order to protect the financial markets against COVID-19-induced chaos. The consequence was the capital markets developed an insatiable appetite for growth assets and were prepared to assign much higher present values to higher risk (some might say fantasy), long-dated future cashflows.

The macro environment was clearly the driver of the capital markets' activity for the sector, and of the exploding valuations for some of the sector's concept technology stories. How this macro environment evolves in 2021 might well be the main factor driving returns for the sector this year. That said, the importance and value of continued investment in biomedical research and more effective delivery of healthcare has been heightened over the past 12 months by the COVID-19 pandemic, in our view, and the recent successes of the first COVID-19 vaccine candidates have been a sensational case study of what biotechnology is ultimately capable of. This should hold the sector in good stead with investors for the foreseeable future as long as industry R&D productivity remains strong and there are no major changes to the pricing environment for new medicines. The Fund's focus remains on investing in what we believe to be the best people, using the best technologies, to develop the best new medicines.

**David Pinniger, CFA**

3 February 2021



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# Polar Capital Funds plc - Biotechnology Fund

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