Polar Capital Funds plc
Global Absolute Return Fund

31 March 2022

EUR Class I Acc Hdg | ISIN: IE00BDTYJC81

NAV per Share

EUR Class I Acc Hedged	€124.02

Fund Details

Fund Size	€96.4 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 Managers

David Keetley
Fund Manager
David has managed the fund since launch, he joined Polar Capital in 2010 and has 35 years of industry experience.

Stephen McCormick
Fund Manager
Stephen has managed the fund since launch, he joined Polar Capital in 2010 and has 35 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 19 years of industry experience.

Fund Profile

Investment Objective

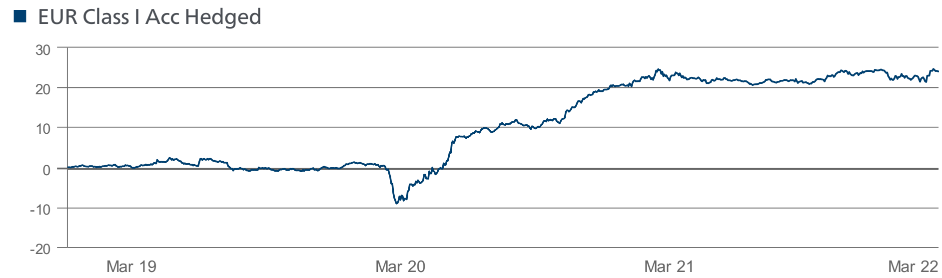
The Fund's investment objective is to generate a positive absolute return over rolling 12-month periods, in all market conditions. There is no guarantee the Fund will achieve this objective over any given period.

Key Facts

- Team of five sector specialists based in London and Connecticut
- The team has 120+ years of combined industry experience
- Portfolio consists of 40-80 positions (long + short), grouped into five categories
- Ability to hedge credit exposures and interest rates
- Absolute Return seeking fund – no benchmark constraints

Share Class Performance

Performance Since Launch (%)



	1m	3m	YTD	1yr	3yrs	5yrs	Since Launch Cum.	Since Launch Ann.
EUR Class I Acc Hedged	0.82	0.08	0.08	1.10	24.16	-	24.02	6.85

Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Return
2022	-1.32	0.60	0.82	-	-	-	-	-	-	-	-	-	0.08
2021	0.82	1.59	0.23	-0.28	-0.51	0.23	-0.69	0.45	-0.33	0.94	1.19	0.02	3.71
2020	1.28	-1.08	-7.20	5.72	3.57	6.12	1.04	2.24	-1.26	0.90	4.67	2.85	19.69
2019	0.29	0.07	-0.47	1.06	0.56	0.57	-0.92	-1.92	0.56	-0.31	0.33	0.03	-0.17

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

Portfolio Exposure & Attribution

As at 31 March 2022

Top 5 Positions (LMV) (%)

BP 1% 04/23	5.1
Gmo Payment Gateway 0% 06/2026	5.0
Deutsche Post 0.05% 06/2025	4.1
Siemens / JP Morgan 0% 02/24	3.9
JDE Peets/ Mondelez 0% 09/24	3.8
Total	**22.0**

Top 5 Net Equity Exposures (%)

Dexcom Inc	-1.5
The Middleby Corp	-1.4
Gmo Payment Gateway	1.3
Pioneer Natural Resources	-1.1
Lumentum Holdings	-1.1

Total Number of Positions 97

Long	52
Short	45

Net Equity Exposure (%) 4.0

Market Cap Underlying Stocks (%)

Large (>US$5bn)	78.7
Medium (US$500m to 5bn)	21.3
Small (<US$500m)	0.0

Capital Structure (%)

Long (LMV)	141.2
Short (Equity)	-85.2
Gross	226.4

Modified Duration 1.95

Risk / Return Since Inception

Best Month (%)	6.12
Worst Month (%)	-7.20
Positive Months (%)	69.23
Volatility of Returns (%)	5.42
Sharpe Ratio	1.35

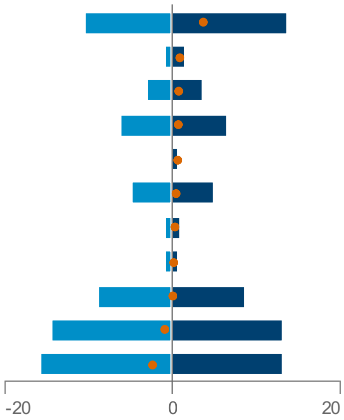
Performance Attribution - 1 Month (bp)

Long Positions	52
Short Positions	30

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

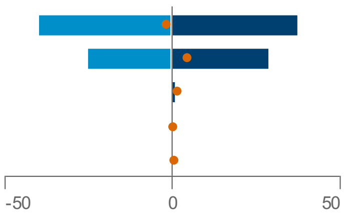
Sector Equity Exposure (%)

	Long	Short	Net
IT	14.0	-10.3	3.7
Transportation	1.6	-0.7	0.9
Materials	3.6	-2.9	0.7
Energy	6.8	-6.1	0.7
Telecom	0.9	-0.3	0.6
Consumer Staples	5.1	-4.7	0.4
Utilities	1.0	-0.7	0.3
Financial	0.8	-0.7	0.1
Consumer Discretionary	8.9	-8.9	0.0
Industrial	13.5	-14.4	-0.9
Healthcare	13.3	-15.7	-2.4



Geographic Equity Exposure (%)

	Long	Short	Net
US	38.3	-40.3	-2.0
Europe	29.4	-25.1	4.3
Japan	1.3	0.0	1.3
Asia ex Japan	0.0	0.0	0.0
Other Markets	0.4	0.0	0.4



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††
USD I Acc	PCGARIU ID	IE00BDTYJB74	BDTYJB7	-	1.09%	1.00%	15%
Currency Hedged[1]							
EUR I Acc Hdg	PCGAIHE ID	IE00BDTYJC81	BDTYJC8	-	1.09%	1.00%	15%
GBP I Acc Hdg	PCGAIHG ID	IE00BDTYJD98	BDTYJD9	-	1.09%	1.00%	15%

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

††**Performance Fee** 15% of any returns the Fund achieves above the high water mark.

1. Currency exposures hedged to the extent it is practicable.

Fund Managers' Comments

The Polar Capital Global Absolute Return Fund returned 0.94% in March, taking its return since inception to 31.20% (USD I Acc Share Class).

Macro background

Geopolitical tensions remained high in March as Ukrainian soldiers continued to defend against indiscriminate bombardment of domestic infrastructure and civilians by Russian forces, despite attempts at peace talks between the two countries. At the same time, western nations continued to provide defensive equipment to Ukrainian forces and implement punitive sanctions on the Russian economy and key personnel in an effort both to reduce the country's ability to finance the war and to mount pressure on its president, Vladimir Putin.

With Russia a behemoth in global oil and gas exports, as well as Russia and Ukraine historically producing and exporting a significant portion of global wheat demand, the conflict is resulting in a historic supply shock, notably in Europe which receives a significant portion of its energy from Russia. Against this backdrop, commodity prices remained elevated and volatile (S&P Agricultural Index (SPGCAG) +6.1%; WTI +4.5%).

In addition, ongoing wage inflation due to tight labour supply in developed markets and continued supply-chain issues – with the latest headwind being China, the global centre of manufacturing, implementing lockdowns to try and control an increasing spread of Omicron – are adding to supply-side issues and placing upward pressure on already high inflation. Indeed, consumer prices rose by a record 7.9% in the US in February, the highest year-on-year increase since 1982.

While governments and central bankers are taking measures to soften the impact of rising inflation on consumers, especially those at the lower and middle-income spectrum who are being disproportionately affected, it is likely to provide only partial relief, with inflation set to rise further in the coming months.

In the US, President Biden announced the release of 180 million barrels of oil over six months from the country's strategic petroleum reserve – the largest ever release. This follows a failure of the US government to convince Saudi Arabia and the UAE to release more oil as the Middle Eastern countries punish the west for what they deem a lack of security commitment by the US following ongoing Iranian-backed Houthi attacks on oil infrastructure and concerns around a potential revival of the 2015 nuclear accord between the US and Iran.

In addition, western central banks are trying to keep inflation from spiralling higher by communicating their intention to move to a more neutral policy rate sooner. Indeed, following a 25bp interest rate hike in March, markets now expect the Federal Reserve to raise rates by 50bp in May and June, which would be the first increase of this magnitude since 2000. At the European Central Bank, inflation continues to dominate the debate, with the ECB recently presenting plans for a quicker reduction in its asset purchase plans this year to try to counter inflationary pressures. This led to a volatile month in financial markets, with commodities appreciating and bond prices falling as yields rose (UST 5yr yield: +74bp to 2.46%). Regarding the latter, it was also notable that the yield curve inverted along the two-year and ten-year tenor (2's10's) as policy expectations drove short-dated yields higher than their longer-dated counterparts. This inversion is typically taken as a signal that monetary policy is set to become too restrictive, thereby choking economic growth and leading to a recession. For this reason, it is a closely watched and oft-talked about data point, albeit one that historically forecasts recessions with an unreliable time lag.

Perhaps surprisingly, equity markets fared generally well against this turbulent backdrop, with many indices moving higher (S&P500: +3.6%; Eurostoxx600: +0.6%; Topix: +3.2%). Market commentators suggest this price movement is likely due more to technical rather than fundamental factors, with the late-February price action suggesting markets had fallen too far too quickly and consequently were oversold and due a near-term rebound.

Fund performance

Against this backdrop, the Fund performed well in March despite maintaining only modest equity sensitivity and experiencing a small headwind from rising interest rates.

Encouragingly, the Fund generated positive returns in both its asymmetric and put profile investment categories. Within the asymmetric investment category, it predominantly purchases convertible bonds without hedging their underlying equity exposure. In recent months, market conditions have enabled the Fund to increase its weighting in convertibles that, from a medium-term perspective, look particularly attractive (ie convertible bonds trading at or near their bond floors, often offering a positive yield, and with long-term equity upside optionality at reasonable conversion premiums on equity underlyings we believe are oversold).

Conversely to the asymmetric investment category, the put profile investment category aims to benefit from falling equity prices. This is typically achieved by buying deep in-the-money convertible bonds and hedging their underlying equity exposure. As the stock declines, the convertible falls less than the equity, thereby generating a positive net return. Moreover, the premium paid to enter this position is small, meaning the downside from this set-up is very limited and well understood from the outset.

The Fund's equity-hedged investment category detracted modestly from performance as the macroeconomic backdrop pressured some convertible valuations. This was partially offset by the Fund's income and defensive investment category which contributed modestly, as expected.

The largest individual contributors to performance in March were Vianet, Coupa Software and Vertex Energy.

Vianet is a carrier-neutral internet data centre services provider in China. The shares were highly volatile in March, notably following the Chinese government's vow to keep markets stable midway through the month. The Fund was able to monetise this volatility.

Coupa Software is a leading software-as-a-service company for business procurement and expense management. Essentially, the company's platform helps businesses to better manage their spending. It is a high growth stock that has sold off in recent months as interest rates have risen. Because of this, the team were able to add the convertible to the Fund at an attractive price, offering positive yield and long-dated equity upside optionality. The convertible subsequently appreciated in value.

Vertex Energy is a high-conviction fundamental trade dependent on the completion of a merger. In the event of completion, we believe there to be significant upside potential in the stock. However, while financial risk has been substantially reduced following the recent convertible offering, there remains operational risk. Consequently, the Fund owns the position in a partially hedged, risk-controlled size.

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Nevertheless, the stock rose significantly in March and contributed well to performance.

The largest individual detractors to performance in March were Sofi Technologies, Innoviva, and Dufry.

Sofi Technologies is one of the largest neobanks in the US by membership, providing strong customer experience in a large market. Innoviva is a healthcare-focussed asset management company. Dufry is a global duty-free operator. All three declined during the month and the Fund had modest long positions. We have subsequently exited Innoviva.

Finally, we would highlight that several Russian companies have issued convertible bonds in recent years, totally approximately $2.4bn nominal. With their shares suspended from trading, these convertibles have had their 'delisting event' clauses triggered, enabling convertible bond holders to demand full redemption of their debt (par put). Bond holder groups appear to be forming to try and work out an amicable solution with the issuers given it seems each of these issuers would be unable to satisfy the par put redemption notice. As mentioned in our last fact sheet commentary, the Fund did not have any exposure to these names during this period and this remains the case as of the time of writing.

Outlook

We remain cautious on the outlook for financial markets in the months ahead. We believe there is a distinct possibility of increasing inflation contemporaneous with slowing growth as inflationary pressures from higher food and energy prices, labour market strength and supply-chain tightness combine with weakening consumer purchasing power as, despite wage growth amid tight labour markets, wage growth has failed to keep up with consumer prices meaning many employees have suffered negative real wage growth for almost three years. Moreover, much of the Covid-related stimulus cushion has been depleted. Taken together, the supply shock and decreasing ability of companies to pass higher costs onto consumers may present downside risks to earnings growth in the months ahead.

At the same time, markets must contend with growing central bank hawkishness, leading to greater interest rate hikes and a more rapid reduction of central bank balance sheets. We believe that since the global financial crisis more than a decade ago, financial market valuations have been greatly supported by central bank actions. That is, central bank asset purchases have artificially suppressed interest rates, which have reduced the return on offer by less risky instruments. This, in turn, has forced investors into riskier instruments in order to seek higher returns, thus lowering their volatility and inflating their prices. As central banks reverse course by taking liquidity out of the system and raising interest rates – both of which are only now starting or about to start – in order to combat higher inflation, we see no reason to believe their consequences will not have a similarly reverse effect on markets. That is, greater volatility and valuation pressure.

Against this backdrop, we believe security selection is likely to become increasingly important, in particular selecting securities that have high credit quality to mitigate downside risk while being able to benefit from a higher volatility environment.

We believe the convertible market is well placed to benefit from this turbulent macroeconomic backdrop. This is because of the current profile of the convertible market, with many convertible bonds trading at or near their bond floors, providing strong downside protection with good longer-term upside optionality.

We also believe the Fund is well placed to benefit from asset price dispersion that is likely to take place, for instance, by buying convertibles with low downside risk but theoretically unlimited upside potential while simultaneously buying fully hedged convertibles with little premium and potentially benefitting from asset price declines. For this reason, we believe the Fund is particularly well suited to the current macroeconomic backdrop.

David Keetley and Stephen McCormick

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

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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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The Netherlands This factsheet is for professional client use only in the Netherlands and it is intended that the Fund will only be marketed to professional clients in the Netherlands. Polar Capital Funds plc is authorized to offer shares in the Polar Capital Funds plc - Global Absolute Return Fund to investors in the Netherlands on a cross border basis and is registered as such in the register kept by the Dutch Authority for the Financial Markets ("AFM") www.afm.nl.

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.

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.