

Summary

This disclosure is made by Polar Capital Funds plc – China Stars Fund (the Fund) pursuant to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR).

The Fund is a financial product that promotes an environmental or social characteristic under Article 8 of the SFDR by investing in companies that have robust fundamental characteristics combined with positive environmental, social and governance (ESG) profiles.

To achieve its investment strategy, the Fund's investment manager, Polar Capital LLP, (the Investment Manager) analyses companies based on its proprietary, quantitative Economic Value Added (EVA) Wheel model. The EVA Wheel evaluates companies on six areas in total; three assess the fundamental characteristics of a company and three assess the ESG characteristics of a company.

The three ESG-specific areas evaluated by the Investment Manager are how a company contributes to future sustainable economic development (its Impact on Progress), how a company manages its key risks and opportunities from an ESG perspective (its Material ESG Issues) and how a company ensures it acts as a responsible corporate citizen (its Business Ethics). Each company is assigned a quantitative score based on these three areas.

The company's scores in these areas are then taken together to provide the Investment Manager with a company's Sustainability Delta, which shows both the current profile and future direction of a company from an ESG perspective.

The ESG analysis conducted by the Investment Manager on a company is then fed back into the financial analysis conducted on the company and helps the Investment Manager to form a view on how the company can remain competitive over the long term.

The Investment Manager sources the information it requires to evaluate a company's ESG profile directly from companies, including accounts and reports issued by the company, as well as from third parties such as data providers, research providers and ratings providers.

The Fund measures the ESG profiles of the companies it invests in, as well as the companies in its investment universe, with reference to the companies' scores on the Investment Manager's proprietary metrics, including a company's Impact on Progress, its Material ESG Issues and its Business Ethics.

No sustainable investment objective disclaimer

The Fund promotes environmental and social characteristics but does not have as its objective a sustainable investment as defined under the SFDR.

Environmental or social characteristics promoted by the Fund

The Fund will invest in companies situated in or with material exposure to Greater China that have the ability to remain competitive and deliver attractive profitability over the long term due to robust fundamental characteristics, only where these robust fundamental characteristics are combined with positive¹ environmental, social and governance profiles based on the Investment Manager's proprietary analysis.

The Fund excludes companies that have an unacceptable or controversial environmental, social or governance profile following the application of quantitative and qualitative analysis by the Investment Manager and through the use of exclusions lists, as further detailed below.

Description of the investment strategy of the Fund

The Investment Manager evaluates a company's ESG characteristics by analysing three ESG-specific areas, including the company's ability to contribute towards sustainable economic development (or its Impact on Progress), the company's management of its key ESG risks and opportunities (or its management of its Material ESG Issues) and the company's integrity and competitive practices (or its Business Ethics).

A company's scores in these three areas are then input into the Investment Manager's Sustainability Delta model, through which the Investment Manager analyses the current position of a company from an ESG perspective.

The Investment Manager's approach to evaluating a company's Impact on Progress, its Material ESG Issues and its Business Ethics, as well as how these feed into the Investment Manager's Sustainability Delta Model is outlined in further detail in the Description of Methodology section below.

Finally, the Investment Manager integrates its assessment of a company's ESG profile into its financial valuation models for the company to understand how the company's ESG profile impacts the company's ability to deliver attractive profitability in the long term.

A company's ESG scores are fed into the Investment Manager's financial valuation models in two ways:

1. The Investment Manager applies an additional risk premium to the company's weighted average cost of capital (WACC)
2. The Investment Manager incorporates a company's overall Sustainability Delta score into its assessment of how quickly the company's return on invested capital (ROIC) fades towards its WACC over the company's full life.

¹ Defined as at least in line with industry average, under the Investment Manager's analysis.

Exclusions

The Investment Manager's fundamental process indirectly excludes companies that have a material negative impact on long-term social progress.

The Investment Manager adheres to the Norges Bank exclusion list (which can be found at <https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies>), which comprises a list of companies that are or have been involved with severe environmental or social controversies. All companies on this list are entered into systems which prevent the Fund from trading them. The exclusion list is updated on an ongoing basis.

Proportion of the Fund's investments that promote the characteristics

All investments will attain the characteristics of the Fund on an individual basis.

The investment process consists of a detailed EVA analysis, to identify EVA Delta with a fully integrated sustainability analysis, identifying Sustainability Delta – ideal investment companies will have strong outcomes in both. The process excludes companies with weak Sustainability Delta.

The Fund may utilise financial derivative instruments including, but not limited to, futures, forwards, options (the Fund cannot write uncovered call options), contracts for difference, swaps and securities with embedded derivatives or elements of derivative exposure, including, but not limited to, equity warrants and structured notes, such as P-notes (which will not be leveraged).

These derivative instruments may be used to gain or reduce exposure to equity or equity-related securities meeting the environmental or social characteristics promoted by the Fund on a short or medium-term basis or to gain indirect exposure to these securities where the Investment Manager feels that such use of financial derivative instruments is in the best interest of the Fund.

Further information on how the Fund utilises derivatives can be found in the Investment Policies section of the Fund's prospectus supplement.

Description of methodologies used by the Investment Manager to evaluate the characteristics

The following outlines the Investment Manager's methodologies with respect to its evaluation of Impact on Progress, Material ESG Issues, Business Ethics and Sustainability Delta.

Impact on Progress: The Investment Manager examines how a company makes a positive impact on economic development by driving economic growth and productivity and/or through the company's optimisation of the use of natural resources.

Material ESG Issues: The Investment Manager analyses how well a company manages its material ESG exposures. For the environmental and social categories, the Investment Manager evaluates

factors specific to the company's industry and for the governance category, the Investment Manager evaluates a company against industry-agnostic system factors.

Business Ethics: The Investment Manager analyses whether a company acts with integrity, competes fairly and is open and honest with its stakeholders.

The Investment Manager analyses whether a company has established a Code of Conduct covering relevant areas such as competitive practice and compliance structures, and whether the company has adequate monitoring systems in place. Due to the relatively higher frequency and magnitude of ethics-related events, the Investment Manager chooses to place a separate focus in its analysis here.

Sustainability Delta: By combining the company's scores in each of the three areas identified above, the Investment Manager gives the company a score for the company's current level of sustainability. These scores are allocated on a numerical 1-10 basis and are relative to the company's industry peers. These scores are then combined to form the company's overall Sustainability Delta score.

Description of how the environmental or social characteristics are monitored

The Investment Manager continually monitors a company's Impact on Progress, Material ESG Issues, Business Ethics and Sustainability Delta scores for all companies held in the portfolio on an ongoing basis.

Typically, the Investment Manager will update these scores on an event-driven basis due to, for example, meeting with a company's management, a results announcement from a company, changes to a company's ownership structure or management, a corporate action from a company, a merger or acquisition or a major controversial event (eg an environmental disaster, data breach or fraud).

If a company's Sustainability Delta profile significantly deteriorates during the holding period of a security, the Investment Manager will, as a guideline, engage with a company first to better understand the materiality of the risks and management's strategic direction (if this fits the context).

Where a company is involved in a negative material ESG incident which compromises the integrity of the company's whole business and, in the belief of the Investment Manager, its ability to generate long-term sustainable EVA or the Investment Manager's comfort with the company as a corporate citizen, the Investment Manager's policy is to divest.

Description of the data sources used and how they are processed

The Investment Manager's research is based on primary sources, company meetings and regular engagement with companies on key issues, as well as purposeful interaction with key individuals in other areas of the business, competitors, industry experts and the supply chain.

Where there is insufficient information to determine the level of risk and opportunity of a security, the Investment Manager does not automatically penalise a company, but reviews management quality

and whether this is reflective of the company's early-stage approach or poor strategy is driving the lack of information. The Investment Manager then applies adjusted industry averages based on its experience.

Description of the limitations of the methodology and data

The Investment Manager's approach to evaluating the environmental, social and governance profiles of companies within its investment universe may be constrained by the availability, quality and relevance of sustainability-related data available to the Investment Manager.

The availability, quality and relevance of data relating to sustainability within the Greater China markets investment universe may be limited, both in an absolute sense and in comparison to data on sustainability within the developed markets' investment universe, due to a lack of sustainability-related regulations and reporting standards; changes in sustainability-related regulations and reporting standards; inconsistencies in sustainability-related regulations and reporting standards between jurisdictions; a lack of historic information available on sustainability for companies; low coverage on or inconsistencies with respect to the evaluation of, particular companies by third-party research and data providers; or material inaccuracies in the sustainability-related information reported by companies.

Limitations in the availability, quality and relevance of the sustainability-related data outlined above may make it difficult for the Investment Manager to ascertain the sustainability profile of a company, to assess the progress of a company from a sustainability perspective over a certain timeframe, to carry out consistent analysis on companies from a sustainability perspective against its industry peers in the same or other jurisdictions or to verify the Investment Manager's assumptions and calculations concerning a particular company.

Description of reference benchmark as an index

The Fund does not have a reference benchmark for the purpose of measuring its achievement of its characteristics.

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