POLAR CAPITAL

Japan Value Fund

Q&A with Chris Smith, Co-Manager

Q: Gary Corcoran (GC): Chris, you've talked for a long while now about how important the most recent earnings season was going to be in Japan. Why is that? And did it live up to your expectations?

A: Chris Smith (CS): It's been a really interesting earnings season and we've been building to this for some time. The Tokyo Stock Exchange back in 2023 told companies they had two years to review and improve their capital return policies. We're now in that period – of spring 2025 – and we've seen already a huge improvement in many things across the earnings season, but share buybacks is one that really stands out. Share buybacks have been improving year on year for the past 10 years, and in the first two months of this year they've already exceeded the level announced across the entire fiscal year 2023, which in itself was a record level.

So, we think it's a really encouraging sign and if we look through these capital policies that have been announced, we believe those returns are only going to improve going forward. And we think it's also really encouraging that they've done this with a slightly weaker global economy. Over the past couple of months, with concerns on trade and tariffs, companies have still had the confidence to announce these returns to shareholders and we think that is really positive.

Q: GC: And what is Japan's current tariff position with the US?

A: CS: I think the global view has often been that Japan is a big exporter. That's slightly outdated and it's outdated for two reasons. After 2011, when they had the great earthquake, nuclear reactors shut down and they had to start sourcing energy from overseas. Secondly, exporters have moved offshore to reduce currency risks and they've been doing that for the past 10/15/20 years. However, with the US they do have quite a large trade surplus and a lot of that is within the auto industry so Japan and the US are currently negotiating – I suspect the two key topics will be the auto industry and the LNG [liquefied natural gas] industry, where we believe Japan can start sourcing a lot more from the US. The expectation was that Japan was going to be one of the first to announce a trade agreement, but they've taken a slightly tougher stance in negotiations and that's meant a longer timeframe. I think that in the short term it does decrease visibility, but in the long term it should be very positive for the Japanese economy.

Q: GC: Given what you think might happen with future tariff negotiations and what you have learned about the most recent earnings reports, have you changed the Fund significantly in terms of what you own?

A: CS: In regard to the tariffs, we've rotated slightly into higher-quality cyclicals where we think there will be smaller levels of disruption going forward, irrespective of what tariffs are announced. In regard to the earnings season, we've been positioning for this for some time – corporate reform is very much a core part of the portfolio. We are at an inflection point now for corporate Japan. We've been waiting for these data points from companies for two years and now shareholders can start getting engaged with companies. We can target the companies that aren't doing enough and we can focus on the companies where maybe we don't believe the market is really valuing what they're doing and the changes that have been made.

Past performance does not guarantee future returns. All opinions and estimates constitute the best judgment of Polar Capital as of the date hereof, but are subject to change without notice, and do not necessarily represent the views of Polar Capital.

This is a marketing communication.
For professional investor use only.

Q: GC: What's your economic outlook for Japan?

A: CS: The Japanese economy is coming off a slightly weaker quarter in Q1. It did contract slightly, but that is on the back of three quarters of fairly strong growth and it also came with a global economy that was seeing the risks of tariffs and reducing spending. That has had an impact. The visibility on tariffs is only going to improve going forward and we think that will have a positive impact on the Japanese economy.

The second impact for the contraction in Q1 was the consumer, which pulled back spending because of inflation pressures. Real wages are expected to increase from the second half of this year as that inflation pressure peaks out. So, I think, after a brief contraction in Q1, Japan should regain a firm footing going forward and see some positive growth from here.

Q: GC: Given everything that you've discussed, and more I'm sure, what's your longer-term view for (a) Japanese equities and (b) your Fund's positioning?

A: CS: We're still very constructive on Japanese equities. We think the market is going to rotate slightly. If you look over the past two years, it has been large caps doing the heavy lifting and that's because of the exposure to the yen and the weakening we've seen over the past few years, roughly a 25% weakening.

Going forward, we think that's unlikely to continue but what will continue is the impact that reform is having on the small and mid-cap part of the market and the impact that the much higher levels of shareholder returns are going to have on valuations for investors.

GC: Chris, thank you very much.

CS: You're welcome.

Chris Smith

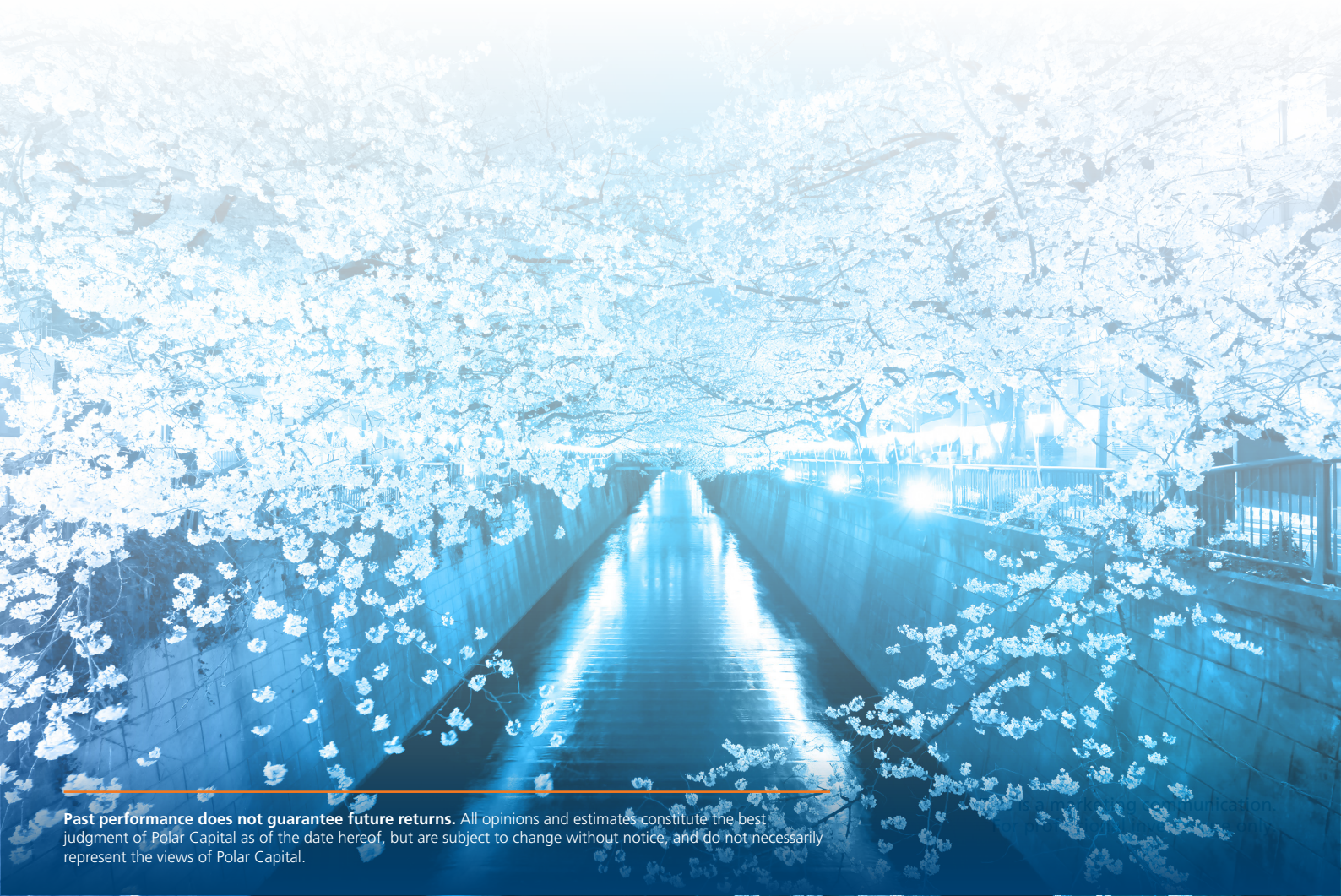
Co-Manager, Polar Capital Japan Value Fund

05 June 2025

Find out more

Client Services

E investor-relations@polarcapitalfunds.com
T +44 (0) 20 7227 2721
F +44 (0) 20 7227 2799
polarcapitalfunds.com



Past performance does not guarantee future returns. All opinions and estimates constitute the best judgment of Polar Capital as of the date hereof, but are subject to change without notice, and do not necessarily represent the views of Polar Capital.

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. Hedged share classes may have associated costs which may impact the performance of your investment.
- The Fund invests in a relatively concentrated number of companies and industries based in one country. This focused strategy can produce high gains but can also lead to significant losses. The Fund may be less diversified than other investment funds.

Important Information

This is a marketing communication and does not constitute a solicitation or offer to any person to buy or sell any related securities or financial instruments. Any opinions expressed may change. This document does not contain information material to the investment objectives or financial needs of the recipient. This document is not advice on legal, taxation or investment matters. Tax treatment depends on personal circumstances. Investors must rely on their own examination of the Fund or seek advice. Investment may be restricted in other countries and as such, any individual who receives this document must make themselves aware of their respective jurisdiction and observe any restrictions.

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 Information 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, Irealnd, 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 can be found here.

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.

Polar Capital LLP is a registered Investment Advisor with the SEC. Polar Capital LLP is the investment manager and promoter of Polar Capital Funds plc – an open-ended investment company with variable capital and with segregated liability between its sub-funds – incorporated in Ireland, authorised by the Central Bank of Ireland and recognised by the FCA. Bridge Fund Management Limited acts as management company and is regulated by the Central Bank of Ireland. Registered Address: Percy Exchange, 8/34 Percy Place, Dublin 4, Ireland.

Benchmark

The Fund is actively managed and uses the TOPIX 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 here. 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.

Third-party Data

Some information contained herein has been obtained from third party sources and has not been independently verified by Polar Capital. Neither Polar Capital nor any other party involved in or related to compiling, computing or creating the data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any data contained herein.

Country Specific Disclaimers

When considering an investment into the Fund, you should make yourself aware of the relevant financial, legal and tax implications. Neither Polar Capital LLP nor Polar Capital Funds plc shall be liable for, and accept no liability for, the use or misuse of this document.

The Netherlands

This document 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 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, KIDs, 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 is FundRock Switzerland SA, Route de Cité-Ouest 2, 1196 Gland, Switzerland. The paying agent in Switzerland is Banque Cantonale de Genève, 17 quai de l'Ile, 1204 Geneva, Switzerland.

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 investors in these countries.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor Pursuant to Section 304 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. The Prospectus and Information Memorandum are available to download at www.polarcapital.co.uk alternatively; you can obtain the latest copy from the Polar Capital Investor Relations team.

Hong Kong

The Fund is a collective investment scheme but is not authorised under Section 104 of the Securities and Futures Ordinance of Hong Kong by the Securities and Futures Commission of Hong Kong. Accordingly, the distribution of this document, and the placement of interests in Hong Kong, is restricted. This document may only be distributed, circulated or issued to persons who are professional investors under the Securities and Futures Ordinance and any rules made under that Ordinance or as otherwise permitted by the Securities and Futures Ordinance.

Australia

The Fund is not registered and has not authorised nor taken any action to prepare or lodge with the Australian Securities & Investments Commission an Australian law compliant prospectus or product disclosure statement. This document may not be issued or distributed in Australia and the shares/interests in the Fund may not be offered, issued, sold or distributed in Australia by the investment manager, or any other person, under this document other than by way of or pursuant to an offer or invitation that does not need disclosure to investors under Part 6D.2 or Part 7.9 of the Corporations Act, whether by reason of the investor being a 'wholesale client' (as defined in section 761G of the Corporations Act) or otherwise. The investment manager holds Australian financial services licence no. 528982 covering certain services to wholesale clients.