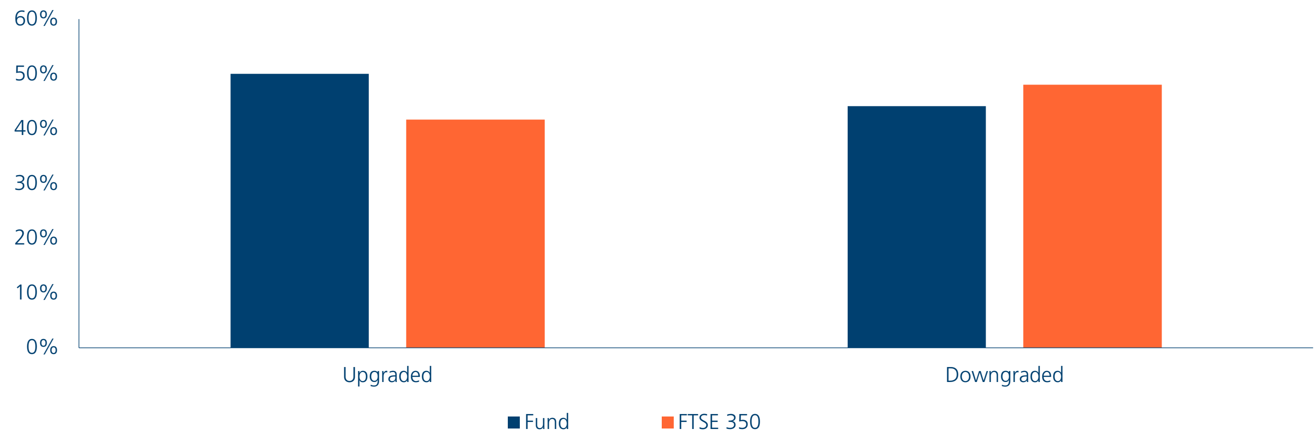
POLAR CAPITAL

George Godber, Fund Manager

UK Value Opportunities Fund

Now that the majority of the H1 earnings numbers have been reported, we wanted to give an update on how the Fund's holdings have done compared to the market. Overall, the Fund has seen more upgrades and fewer downgrades than the FTSE 350. This is a good result, but of course we would have hoped for an even bigger differentiation versus the market overall.

Reporting season - Q2 2025



Source: Polar Capital UK Value Team and Bloomberg, 8 August 2025.

The upgrades in the Fund have been driven by banks and a range of shares across the market cap spectrum, including IAG, Morgan Sindall, Mitie Group, Great Portland Estates and Hiscox. We have sadly seen downgraded estimates at Breedon Group and easyJet, and we would note that in the UK market at the moment, bad news tends to hit share prices hard. But this has also been the case for most global markets so far in Q3.

Overall, we see this as a decent outcome, given the sluggish UK economy, the effect of the national insurance hike and, for some companies, FX headwinds.

Best performing shares since the end of Q2

The strongest performing share for the Fund in Q3 so far has been Alpha FX Group, which rose over 30% having finally agreed a takeover from US payments business Corpay. Alpha has been a great investment for the Fund – it is a very high-quality business.

The takeover premium was 70% to the undisturbed price before the first approach to the company was made earlier in the year. That take-out price represents 38x 2026 consensus earnings. Alpha is a brilliant business, but we are happy that we have received a full and fair price for our holding.

Rank Group benefited from favourable legislation regarding gaming machines within casinos, but also from the company's reported profits being ahead of expectations. We see good opportunities for meaningful profit upgrades in the coming years and maintain a healthy weighting in the Fund.

Standard Chartered delivered a very good set of H1 numbers and announced a share buyback that was ahead of expectations. Although the shares have done well this year, rising at just over 40%, we feel the valuation at eight times forward earnings is hardly a stretch.

Clarksons, the ship broker, has benefited from an improved trading environment this year as the fog of tariff uncertainty has begun to clear. We still regard this as a world-class franchise.

Materials company Sigma Roc delivered very solid H1 numbers. The business is notably starting to attract overseas interest in terms of new investors. Despite strong share price performance, with the company trading at sub 12x forward earnings, we feel the valuation is still attractive.

Weakest performers

Housebuilder Bellway has suffered from poor news flow elsewhere in the sector, especially some peers reporting weaker volume growth. However, we believe Bellway is the best positioned company in the industry. The company has reported good results and yet trades on a discount to book value. We have been adding to our holding.

Pharmaceuticals group Hikma reported lower margins in its injectables division, but maintained its full year guidance. With the company trading on sub 10x forward earnings, we have been happy to add to our holding.

Johnson Service Group has seen share price weakness as the shares transitioned from the AIM index to the main market. We have been using this event to build a position in this very high-quality franchise.

Marks & Spencer Group. We reported earlier in the year that we took a meaningful reduction in our holding after the cyber-attack incident. Underlying results prior to the cyber-attack showed just how strongly the company is trading in both divisions – food and clothing and home. As the cyber-attack retreats into the rearview mirror, we are very happy to be adding the shares back at roughly 10x forward earnings, because we still fundamentally believe in the Marks & Spencer recovery story.

Great Portland Estates has delivered a really strong set of numbers, and the business has great momentum. The shares are probably suffering from profit taking as UK domestic stocks weakened in July. But this is a company that trades on a significant discount to book value, and it is in a sector that has seen a notable increase in M&A activity.

Macro-economic background

Turning now to the wider environment, the macro-economic news can be summarised in just one word: Trump. The US president's impact on world markets has not slowed at all. However, as shown in the chart below, the UK has been less affected by tariffs than other countries. We think that this is in part explains some of the decent performance we have seen from the UK equity market this year.

Tariff intensity by country: tariff rate x US export/GDP

While there has been an enormous amount of negative sentiment towards the UK, if we look at GDP in 2024, what is forecast for 2025 and the consensus expectations for 2026 and compare it to the rest of the G7, the UK actually looks okay and the differential versus the US is much improved. The UK economy is hardly motoring along, but it is not as bad as many of the doom-mongers would have you believe.

UK GDP growth outlook – differential relatively improved

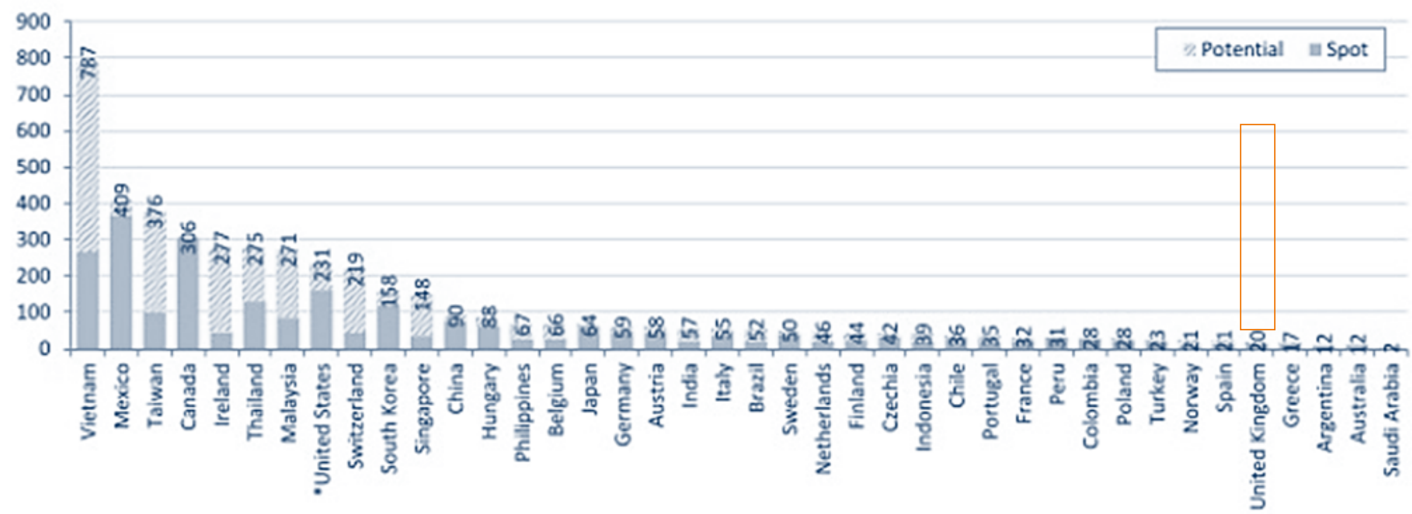
2024 actual (%)		2025 forecast (%)		2026 forecast (%)	
US	2.8	US	1.9	US	2.0
Canada	1.6	Canada	1.6	Canada	1.9
France	1.1	**UK**	**1.2**	**UK**	**1.4**
UK	**1.1**	Japan	0.7	France	1.0
Italy	0.5	France	0.6	Germany	0.9
Japan	0.2	Italy	0.5	Italy	0.8
Germany	-0.2	Germany	0.1	Japan	0.5

Source: Polar Capital UK Value Team, Bloomberg, International Monetary Fund, August 2025.

But we cannot avoid the UK fiscal situation. A tearful Chancellor of the Exchequer at Prime Minister's Questions caused a ripple of panic through the bond market that the Prime Minister might replace the Chancellor with someone less wedded to the strict fiscal rules. The subsequent backing by the Prime Minister and the explanation that there was a personal reason for her upset has calmed the bond market.

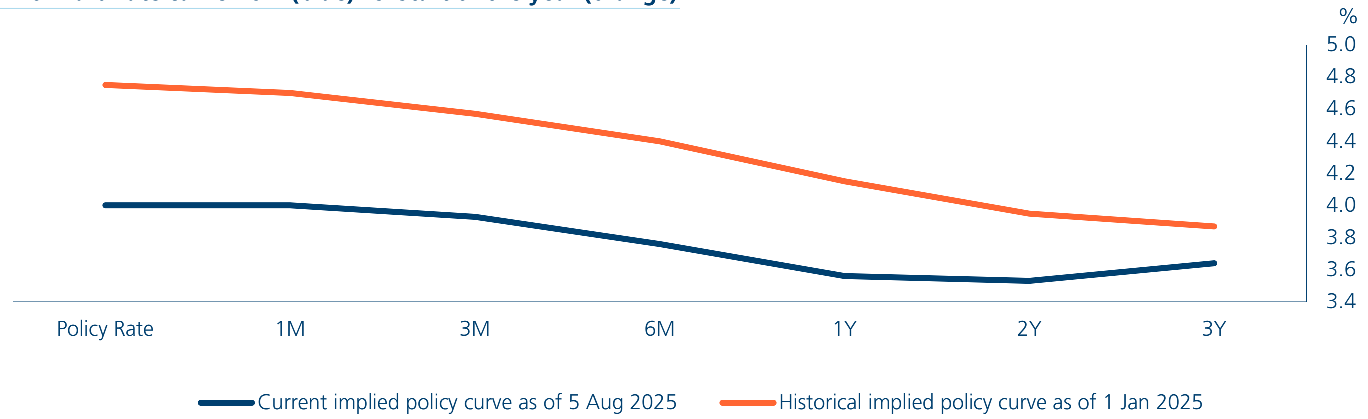
However, we have clear evidence that the Labour Party does not have a majority for cutting spending within the ever-burgeoning welfare budget. This suggests that there will have to be tax rises in the upcoming budget, which is starting to weigh on consumer confidence and UK growth. Despite all of this, if we take a step back, the 10-year gilt yield traded sideways in July.

Turning now to the interest rate curve, we have seen a decent shift down from where we were at the start of the year. Liberation Day triggered more rate cuts to be priced in and implied rates have moved down despite a more hawkish Bank of England meeting in August.



Source: Polar Capital UK Value Team and Bloomberg, 8 August 2025. "Liberation Day" – 2 April 2025. 1. Autonomous, USITC, USITA, USCBP, White House, IMG, World Bank, August 2025. Data shows tariffs applied multiplied by exports to the US as a % of GDP; labels refer to potential intensity. US total imports from RoW as % GDP multiplied by change in the average tariff level.

UK forward rate curve now (blue) vs. start of the year (orange)

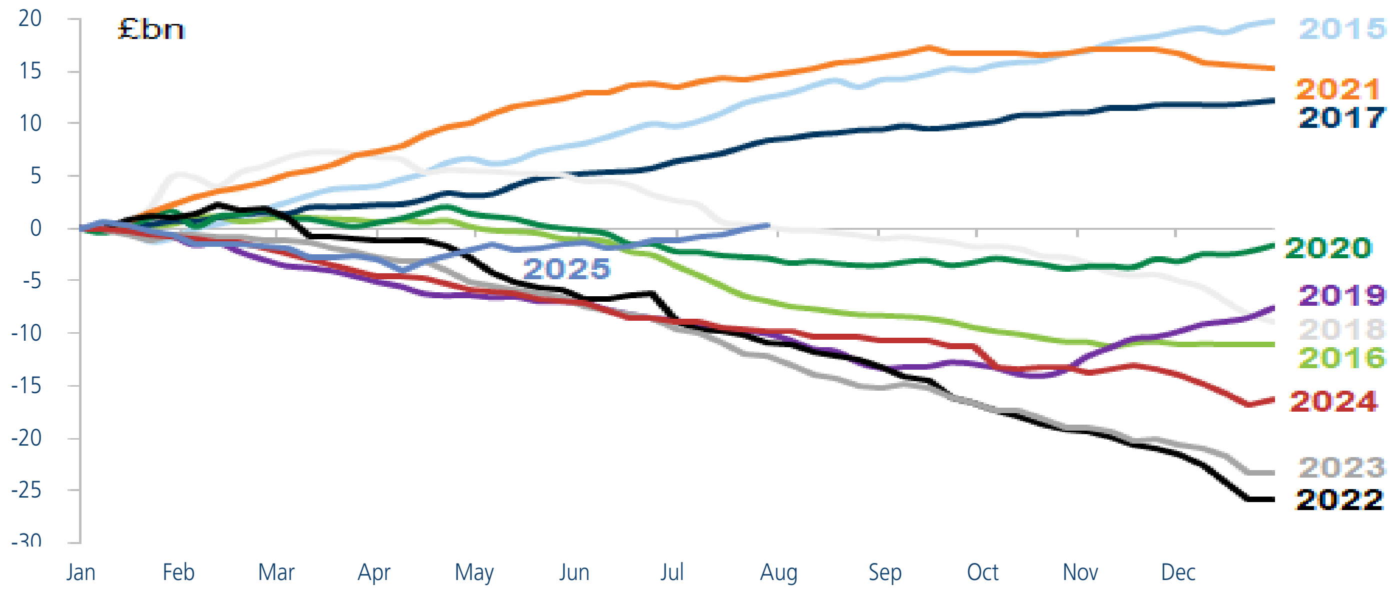


Source: Polar Capital UK Value Team and Bloomberg, August 2025

In time, lower mortgage rates and lower savings deposit rates should help underpin an improved outlook for UK consumer spending. The UK consumer is still saving an excess of £20bn a quarter compared to pre-Covid levels. If this were to be unlocked and we were to start to get over the potential three-year refinancing mortgage headwind that the UK consumer has been facing, there would be a notable positive impact on the economy. As a reminder, half a percent off UK interest rates is worth nearly £10bn to the UK economy in terms of interest savings, given the stock of mortgages at about £1.7trn. Clearly, further rate cuts are going to be central to driving economic growth within the UK.

On a positive note, there's been a notable change in the global flow environment for UK equities. While domestic investors have still been selling, analysis from Goldman Sachs shown below indicates that in 2025 so far the UK has had positive inflows from global investors. Flow data is notoriously hard to access, but we are certainly picking up from other companies a notable increase in interest from US investors for meetings and we can see that their holdings are starting to increase in share registers. This is a helpful relief after four years of continued outflows from the UK equity market.

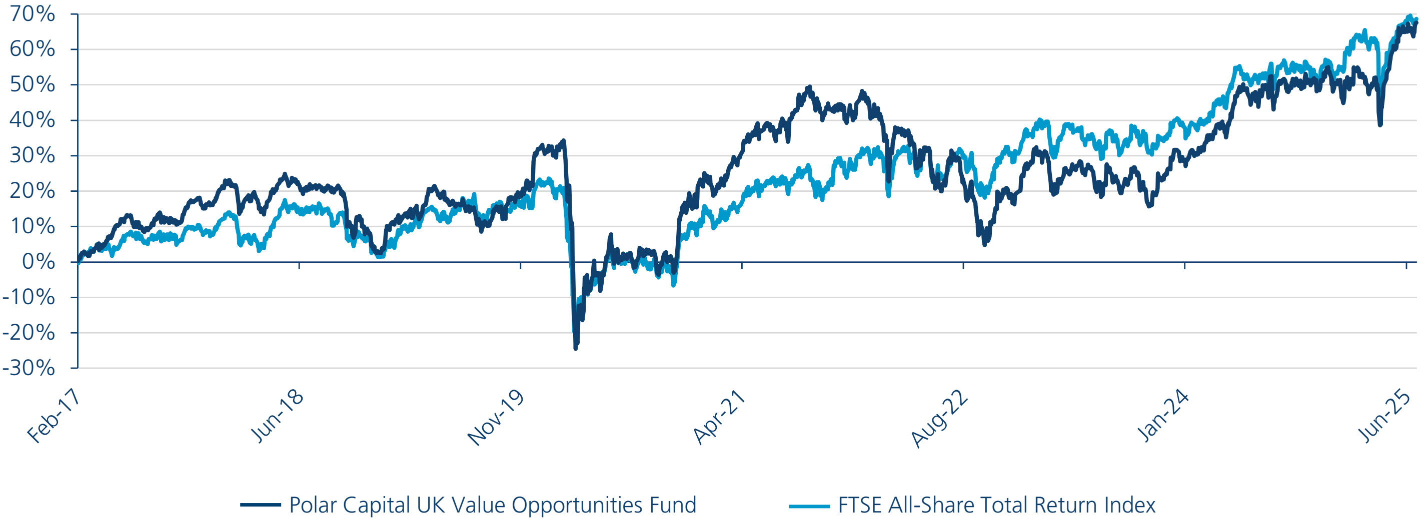
Calendarised flows from global investors into UK equity funds



Past performance is not indicative or a guarantee of future returns. Source: EPFR, Haver Analytics, Goldman Sachs Global Investment Research, 1 August 2025.

Polar Capital UK Value Opportunities Fund

Polar Capital UK Value Opportunities Fund vs FTSE All Share TR Index



(%)	3M	6M	1Y	3Y	2024	2023	2022	2021	2020	Since Launch
Polar Capital UK Value Opportunities Fund I GBP Accumulation[1]	12.79	10.77	14.32	38.51	14.96	9.76	-18.10	20.10	-7.72	67.60
FTSE All Share TR Index[1]	5.28	9.57	10.88	36.06	9.42	7.69	0.74	17.78	-9.52	68.59
IA UK All Companies[2]	7.49	7.32	8.37	28.96	7.65	6.98	-9.10	17.28	-5.68	54.03
Quartile[2]	1	1	1	1	1	1	4	1	3	1
IA Sector Rank[2]	24/196	26/195	20/194	28/189	9/202	41/204	155/201	40/196	96/190	40/163

Past performance is not indicative or a guarantee of future returns. Source: 1. Polar Capital and Bloomberg, 30 June 2025. **Fund inception:** 31 January 2017. Returns quoted in GBP and net of fees. Performance data takes account of fees paid by the fund but does not take account of any commissions or costs you may pay to third parties 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. A 5% subscription fee can be charged at the Investment Managers discretion. The index performance figures are sourced from Bloomberg and are in GBP terms. **2.** Lipper, 30 June 2025, in GBP terms. IA UK All Companies Universe, based on share class GBP I Acc.

Fund performance

In terms of performance, June was a very good month, but in July the Fund was behind the benchmark. The Fund's one-year return remains well ahead of the benchmark, and you will see a notable improvement in our three- and five-year relative rankings now.

In conclusion, the reporting season has been positive overall for the Fund. The UK market remains cheap – and is a cheap diversifier. This is starting to attract the attention of overseas investors. Our focus remains relentless on finding cheaper stocks that are growing faster than the market, delivering on profit expectations and with bulletproof balance sheets. And when we put this together with the earnings growth, the dividend yield and the buyback yield of the portfolio, we feel the outlook – despite all the uncertainty in the world – is attractive and any form of a re-rating would prove to be the icing on the cake.

12 August 2025

Polar Capital UK Value Opportunities Fund

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 may invest 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.
- 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.

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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, Ireland, 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.

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Benchmark The Fund is actively managed and uses the FTSE All-Share Total Return Index as a performance target. 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.

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Gibraltar/Guernsey/Jersey/Ireland/Switzerland and the United Kingdom The Fund is registered for sale to investors in these countries.

Find out more

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