

POLAR CAPITAL FUNDS PLC - HEALTHCARE OPPORTUNITIES FUND - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

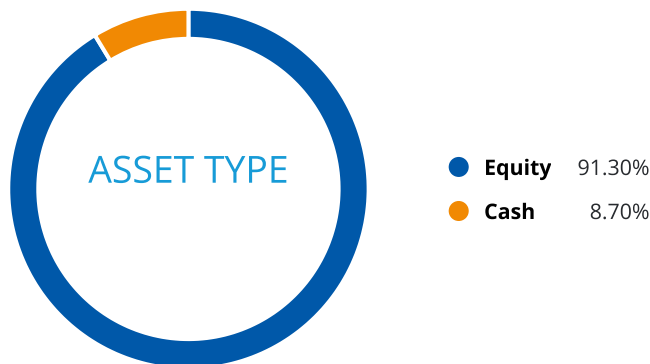
DESCRIPTION

SUMMARY

Polar Capital is an investment boutique founded in 2001 and currently manages over £13bn in assets. It has offices across Asia, the US and Europe. It has a specialist, active investment approach to managing assets.

The managers are Daniel Mahony and Gareth Powell, both of whom joined the firm in 2007 from Morgan Stanley and Framlington respectively, where they had previously covered the healthcare sector. Mahony was bought in to set up the Healthcare team at Polar. Both also run the Polar Healthcare Opportunities Fund and Polar Global Healthcare Trust. Supporting them are two fund managers and two dedicated analysts.

A concentrated, long only equity strategy focusing on the 'transformation' of secular growth in the healthcare industry with a bias to US stocks. The Fund is part of a suite of 4 strategies established at Polar from 2007 when the co-managers joined the firm to set up the healthcare desk. It is an all-cap strategy, slightly riskier than the Blue Chip Fund, for example. The thesis is to gain exposure to structural trends in the healthcare sector, ranging from demographics (ageing population), to striking changes in innovation (new technology), pricing and regulation (the last two emanating from the US in particular). The team recognise the inefficiencies of the sector and the structural changes required, and look for companies that can overcome that.



INVESTMENT PROCESS

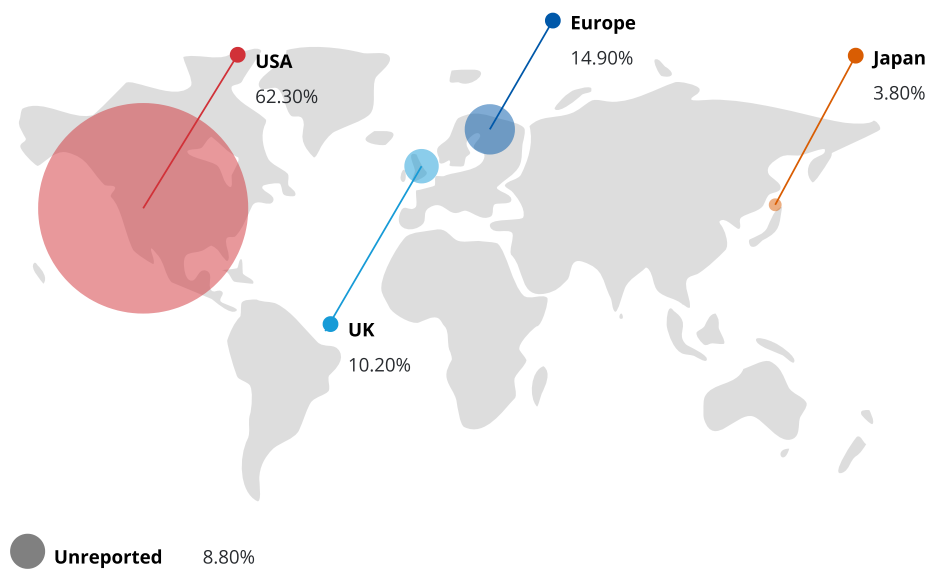
There is a long-term, GARP ('Growth at a Reasonable Price') focused structural growth bias to the strategy, with 20% spent on formulating established healthcare themes or fundamentals at a top-down level, complemented by a bottom-up stock-selection process to populate those themes within sub-sector due diligence. The portfolio is concentrated by nature with between 40-45 names, and while being a multi-cap mandate, tends to have a large-cap bias in reality. The core idea is based on an ageing population driving a low-growth world and hence leading to an attractive healthcare industry as companies seek to cope with rising demand for their products. The Polar team believe that the industry is at its most innovative for over 20 years given that the delivery of healthcare products to date has been too inefficient. They aim to invest in companies that make healthcare costs cheaper and have argued for a 10-year structural change to the industry

The process is in three-parts: Initially, there is a universe of c.4000 healthcare stocks (minimum market cap of \$400m) which is filtered down to a core watchlist of 70 companies from which the final portfolio invests in 40-45 names. Stocks are broken into three pots which determines holding periods from 12 months to five years. Shorter held ideas tend to be larger-cap names and have lower volatility; longer held names tend to be smaller in size and more volatile but have greatest upside potential. This is driven mostly by a qualitative approach, drawing on the considerable experience and expertise of the healthcare team. The team do not favour quantitative screens given the many complexities of healthcare sectors and tend to instead use their combined knowledge base. They admit this is not the most efficient method but it works for them. The next stage is due diligence, where the team add most value through their various network of specialist consultants, broker research analysis, attending conferences, etc. They then prepare a financial model for names of interest, studying the balance sheets, cash flows, P&L's. They believe that their multi-cap approach, albeit with a large-cap bias, can reduce risk levels for the portfolio and deliver strong risk-adjusted returns over the long-term. The sell discipline is activated by a thesis not working or if there is no further upside in their estimates.

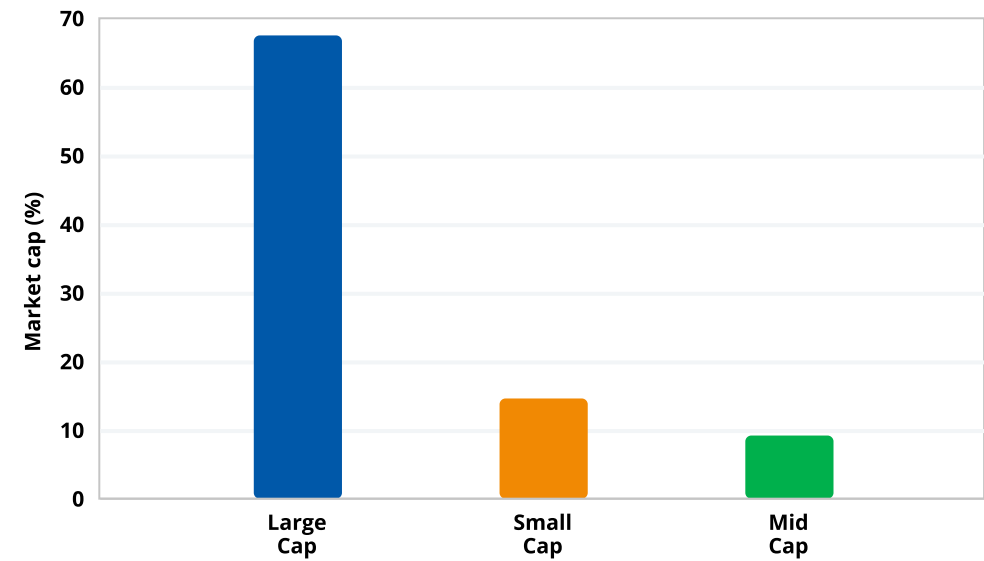
Sizing within the portfolio is determined by the categorisation of stocks by market cap - typically stocks with a market cap >\$5bn range between 20-60% of the portfolio weighting; stocks between \$1-5bn market cap range between 20-40% of the portfolio; stocks <\$1bn range between 10-40% of the portfolio.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



BOND
MATURITIES

Not Applicable



BOND
RATINGS

Not Applicable

OVERALL PERFORMANCE

● Polar Capital Healthcare Opportunities I Inc ● MSCI World Healthcare NR

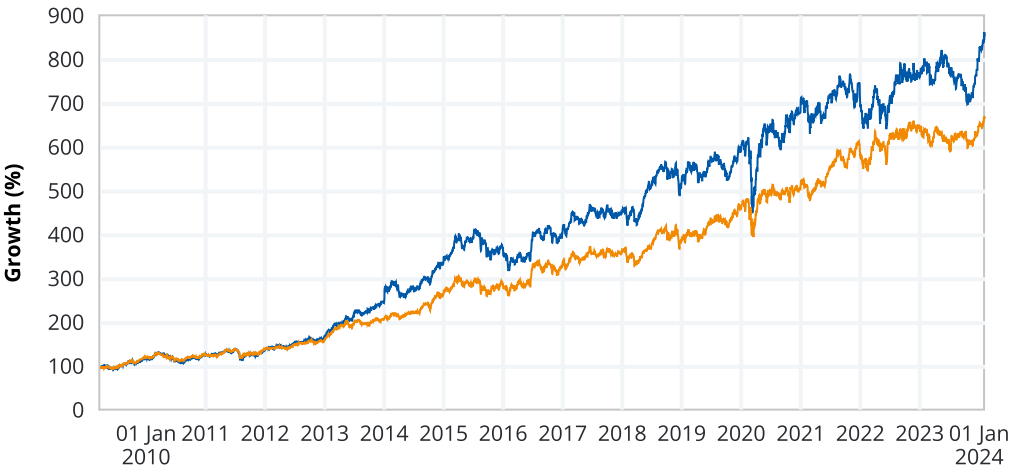
GROWTH (%) - OVER 1 YEAR

13 Feb 2023 - 12 Feb 2024



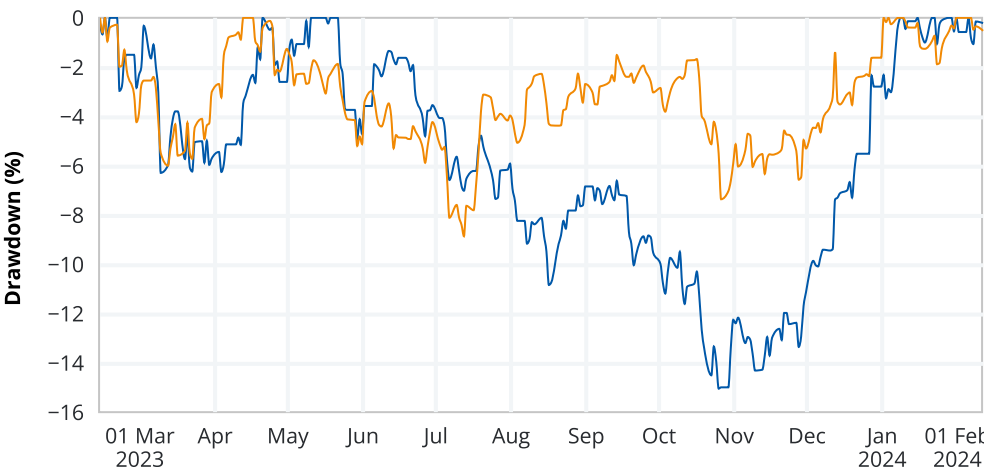
GROWTH (%) - FROM INCEPTION

1 Apr 2009 - 12 Feb 2024



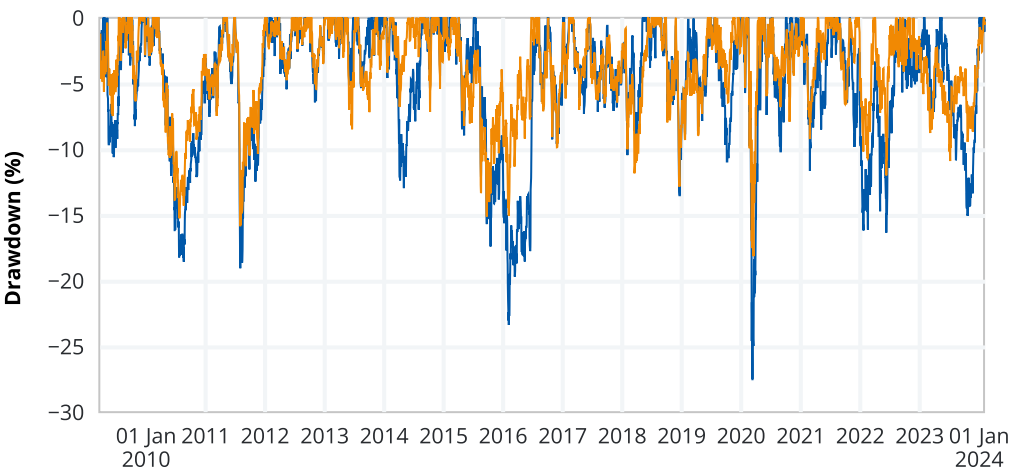
DRAWDOWN (%) - OVER 1 YEAR

13 Feb 2023 - 12 Feb 2024



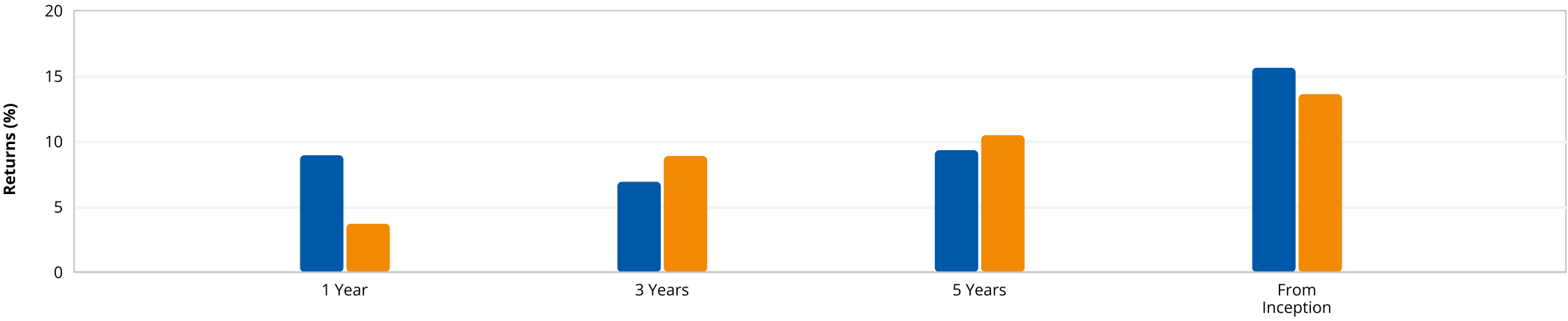
DRAWDOWN (%) - FROM INCEPTION

1 Apr 2009 - 12 Feb 2024



RETURNS

● Polar Capital Healthcare Opportunities I Inc ● MSCI World Healthcare NR



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	4.72	2.81											7.67
2023	1.73	-1.47	-2.96	3.41	1.85	0.60	-2.71	-1.54	-2.08	-4.28	1.98	10.08	3.88
2022	-10.79	1.27	5.71	-2.06	-0.97	-1.72	6.21	3.88	1.55	0.45	3.70	-2.92	3.16
2021	0.00	-2.88	1.83	4.35	-3.67	5.35	2.83	2.67	-0.86	-0.87	-4.99	6.56	10.01
2020	-1.68	-3.10	-9.15	16.10	10.21	-2.05	-2.56	-3.13	4.07	0.73	5.13	1.99	15.08
2019	3.87	2.39	2.44	-4.19	-0.85	6.11	2.28	-1.31	-3.69	-2.11	6.82	2.45	14.35

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	8.94	6.91	9.33	15.63
●	3.70	8.88	10.47	13.61

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	8.90	22.04	55.86	759.03
●	3.70	28.91	64.19	561.40

● Polar Capital Healthcare Opportunities I Inc ● MSCI World Healthcare NR

PERFORMANCE - OVER 1 YEAR

13 Feb 2023 - 12 Feb 2024

	●	●
RETURNS (%)	8.94	4.23
VOLATILITY (%)	14.24	11.24
ALPHA	-0.11 *	
BETA	0.96 *	1.00
CORRELATION	0.74 *	1.00
SHARPE RATIO	0.28	-0.05
SORTINO RATIO	0.40	-0.07
MAX DRAWDOWN (%)	-15.05	-8.86

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION

1 Apr 2009 - 12 Feb 2024

	●	●
RETURNS (%)	15.63	13.65
VOLATILITY (%)	17.13	14.59
ALPHA	0.15	
BETA	1.03	1.00
CORRELATION	0.81	1.00
SHARPE RATIO	0.85	0.86
SORTINO RATIO	1.22	1.25
MAX DRAWDOWN (%)	-27.50	-18.14

SIMPLE STRESS TEST DRAWDOWN (%)

13 Feb 2023 - 12 Feb 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

DISCLAIMER

Polar Capital Funds PLC - Healthcare Opportunities Fund - GBP | February 2024

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