Polar Capital
North American Fund
January 2025

The Fund (I USD Dist Share Class) returned 0.2% during Q4 and 18.2% in 2024.

The fundamental progress of the companies in the portfolio has, for the most part, been pleasing and this has contributed to the bulk of the Fund's strong absolute returns across the year. Performance in 2024, when compared with equally-weighted indices such as the MSCI North America Equal Weight Net Total Return Index, which was up 13.8%, was as strong as it has been since its launch.

However, as has been a feature of US markets recently, the outstanding performance of a handful of formidable mega-cap technology stocks led to even better returns from market cap-weighted benchmarks in 2024, making it tough for investors with a genuine active[1], multi-cap approach to keep up with market-cap-weighted benchmarks[2]. The MSCI North America Net Total Return Index was up 24.0% over the year (and 2.5% over the quarter).

Fishing in a big pond

Market concentration remains at or near record levels. For instance, measured by the weight of the largest 10 stocks as a percentage of the top 500, US market concentration reached an all-time (going back at least as far as 1875) high in 2024. To our knowledge there has never been a period where US market concentration has increased to the same extent it has over the past decade, with a particularly sharp increase occurring over the past 24 months. It is this rate of change, not the absolute level of market concentration, that makes life relatively more difficult for multi-cap and active investors. Prior periods of extreme market concentration have reverted over time and this has turned a relative tailwind into a relative headwind for multi-cap investors with high active share. We would be surprised if the recent increase in market concentration were to be repeated.

However, although the current period of index concentration is unusual, it is not entirely without fundamental justification, nor is it necessarily the case that levels of market concentration will reverse any time soon. Nevertheless, as the headwind likely abates, the full breadth of the opportunities in North America will come back into focus.

We have always employed a genuine multi-cap and active approach to investing. We do not invest in a business based on size alone. Active share has been over 80% since launch, consistently ranking the Fund in the top decile of active funds. We continue to believe this is both the right approach to take and one that offers attractions to investors. We highlight a few reasons below:

- The long-term fundamentals of, and the price you pay for, a business will, over time, be more of a determinant of future returns than the size of the company (passive funds or quasi-active managers focus on size first).
- American exceptionalism can be found across a broad array of industries and across the market-cap spectrum, not just in the current crop of mega-cap technology companies. It makes sense, therefore, to fish in a large pond to find the best opportunities that fit our long-term value creation and value criteria.

1. By active, we are referring to being actively managed and having high active share

2. For instance, NOT owning NVIDIA accounted for nearly all of the Fund's lagging of the official benchmark

Past performance is not indicative or a guarantee of 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. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of securities in this document. A list of all recommendations made within the immediately-preceding 12 months is available upon request. Past performance is not indicative or a guarantee of future returns.

Andrew Holliman
Fund Manager
Andrew joined Polar Capital in August 2011 to establish the North American Equities team.

Richard Wilson
Fund Manager
Richard joined Polar Capital in August 2011 to establish the North American Equities team.

Colm Friel
Fund Manager
Colm joined Polar Capital in June 2014 to work on the North American Equities team.

Awards & ratings

Morningstar ★★★

Morningstar Silver

Analyst-driven **10%**
Data coverage **96%**

For disclosure and detailed information about this fund please request the full Morningstar Managed Investment Report from investor-relations@polarcapitalfunds.com.

- That breadth provides a greater ability to diversify drivers of returns as opposed to being dependent on one or two prominent themes that may work out or could equally disappoint. As we illustrate later, the portfolio has exposure to a broad array of industries and value drivers.
- If market concentration levels plateau, the broader approach should add value compared to the most widely used benchmarks and if market concentration levels fall from record highs, it should add even more value.
- As we show later, one can invest in highly attractive compounding potential at a very reasonable price in the US, but this does require active management across a broad universe.

Whether market concentration levels fall or rise, we think, based on the points laid out above, it is important that investors do not merely allocate to North America through the largest companies. Even if this small cohort continues to do well, the rest of North America as an asset class has a great deal to offer compared to other opportunities and we believe should be a key part of any investor's portfolio.

> One can invest in highly attractive compounding potential at a very reasonable price in the US, but this does require active management across a broad universe

Business environment

The current business environment is conducive for most decent North American businesses to progress. Leading indicators of the economy, in general, do not give us much cause for concern nor are there many parts of the economy that are notably above normalised levels.

We do, however, see a hangover in some areas of the economy following the period of high inflation and the sea change in borrowing costs. Less affluent consumers seem to be bearing most of the brunt, with this pain showing up in patchy retail numbers, weaker low-end restaurant visits and increasing credit card delinquencies. Those with higher incomes are more insulated, but they are not unaffected. For example, the much higher cost of rolling over a long-term mortgage is putting people off moving home and existing home sales are at levels seen only during the global financial crisis.

Other large purchases typically financed on credit have also been affected. In a recent meeting with a distributor of swimming pool consumables and pool construction products, we learned that the cost of constructing a new swimming pool in the US rose by 72% from 2019 to 2024. When combined with higher interest rates, the per-month financing cost for the homeowner has increased by 120%. It stands to reason that if you had not installed a new pool before you might not be diving into the idea now.

Perhaps the key anomaly in the economy is the budget deficit which remains very high and at a level rarely seen outside of periods of geopolitical crisis. The related concern is the projected mounting government debt burden and the upward pressure it puts on longer-term interest rates which drive most of the borrowing costs in the real economy. It is difficult to say when the negative impact of this imbalance will truly bite – large fiscal deficits are not a problem until they are. The large deficit may have imminent consequences or instead be a much longer-term issue.

Either way, clearly we are in a very different interest rate and financial environment to the 2010s. If there is a more systemic issue over time, we think there is a much better case to be invested in higher quality businesses at attractive prices as opposed to companies with high leverage, weak pricing power or expensive equities, let alone in bonds.

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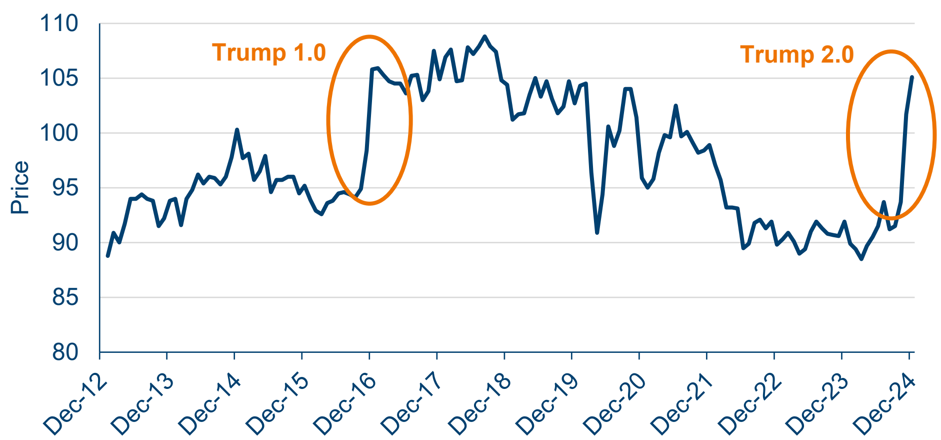
The new administration is most likely positive news for corporate America, on average. Reflecting this, and similar to the last time Donald Trump was elected, small business optimism jumped after the election. These businesses account for the bulk of employment in the US.

NFIB Small Business Optimism Index



Source: National Federation of Independent Business (NFIB)/Bloomberg. 31/12/2012-31/12/2024

Trump is pro-US growth, albeit less concerned about global growth given proposed tariffs, and relatively pro-business. He will at least seek to reduce red tape and corporate tax rates. While he has not historically shown much concern about addressing the fiscal deficit and most of his intended policies would likely put further pressure on it, the new Department of Government Efficiency (DOGE) is a step in the other direction. It will be fascinating to watch progress here, even if structural issues in government entitlement spending largely prohibit the kind of savings he talked about on the campaign trail.

On the negative side, given his unpredictability and his appetite to move boldly and often without warning, Trump will likely increase investment tail risk.

Nonetheless, despite an undeniably important shift in the US political landscape, we maintain that other factors will likely be more important in shaping the progress of most US businesses over the next four years and thereafter.

The business environment is everchanging and by its nature unpredictable but, for what it is worth, we are upbeat about the progression of the businesses in the portfolio in the medium and long term.

Attractive business compounding from a diverse set of businesses

As noted above, we have been broadly pleased with the operational performance of the portfolio over 2024. The Fund has continued its record of double-digit business compounding[3] and this drove the bulk of its return. As we illustrate below with examples of some of the best as well as worst performers during 2024, we feel the portfolio has a diverse set of positive long-term fundamental drivers.

The Fund has continued its record of double-digit business compounding and this drove the bulk of its return

In 2024, notable positive operational as well as stock performances have come from a broad array of businesses. We highlight some of these below.

3. Typically we assess business compounding as growth in per share normalised cash earnings plus dividend return. For some businesses we see book value or NAV growth as an appropriate barometer of normalised cash earnings.

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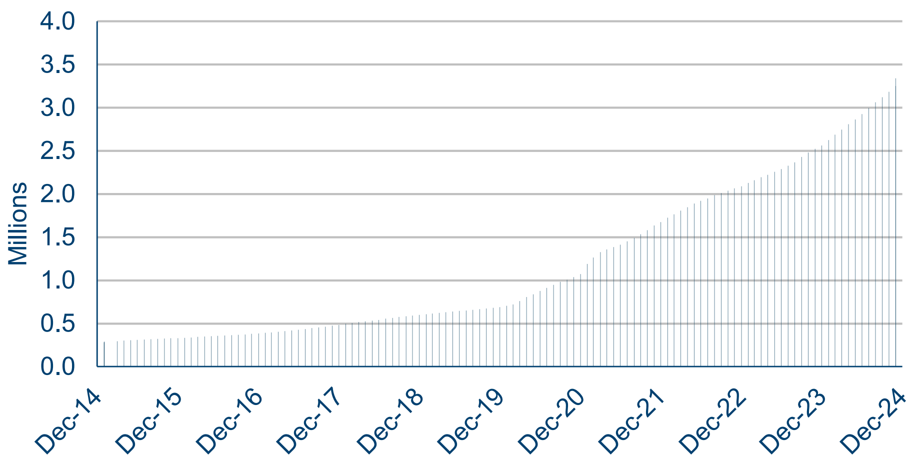
Interactive Brokers Group, the low-cost, high-tech provider of brokerage accounts, continues to see strong account growth and high engagement from its customers. The stock has also benefitted to some degree from the shifting outlook for interest rates – we have been expecting a gradual reduction in net interest margins but this is taking longer to happen which leads to a more favourable path for profits. We also think the strong account growth is both a reflection of its competitive advantages and a key driver of its long-term earnings power. Interest rates move in cycles, but the market share gains the business is seeing are durable and set the company up for a higher base of profitability over time. We continue to believe the superior competitive offering will keep attracting new customers across the globe and the company has multiple levers to keep increasing value for customers and for shareholders over time.

> We think [Interactive Brokers Group's] strong account growth is both a reflection of its competitive advantages and a key driver of its long-term earnings power

Interactive Brokers Group Client Accounts



Source: Interactive Brokers Group Company Filings; Dec 2014-Dec-2024.

Fairfax Financial Holdings (Fairfax), the Canadian insurance business, continues to grow its book value per share at an attractive rate, driven by solid insurance pricing trends and improving investment returns on its float and shareholder funds. We would expect the recent strength in insurance pricing to abate somewhat but still would expect Fairfax to compound book value per share at a solid double-digit rate over our investment horizon given its long-term approach to investing and underwriting. The stock performance has also been helped by a rerating of its price-to-book multiple from very low levels. However, at an estimated 1.3x 2024 price-to-book value, we continue to think it is attractively valued given its compounding potential.

Fiserv, a provider of financial processing systems and software, saw strong growth in its Clover payments system and solid growth in its sticky banking and wealth management processing and software businesses. The company's prospects continue to be bright and the stock is not unattractively valued, at around a 5% 2025 free cashflow yield. However, over the year the stock price increased significantly more than its fundamental growth and we felt the risk/reward became less favourable to investors. As a result, we reduced the position in Q4.

Liberty Formula One, the owner of the popular and storied race series, has exhibited strong fundamental progress since 2017 when Liberty Media bought the business and began increasing its appeal, accessibility and monetisation. Increased fan engagement – and with it broader demographics – has brought in more sponsors and raising the profile of races and drivers brings greater value to the whole ecosystem. We believe there is more room to run on the monetisation of its media rights, sponsorship and advertising and ancillary areas within the F1 business.

We see Constellation Software as one of the best capital allocating businesses in the world

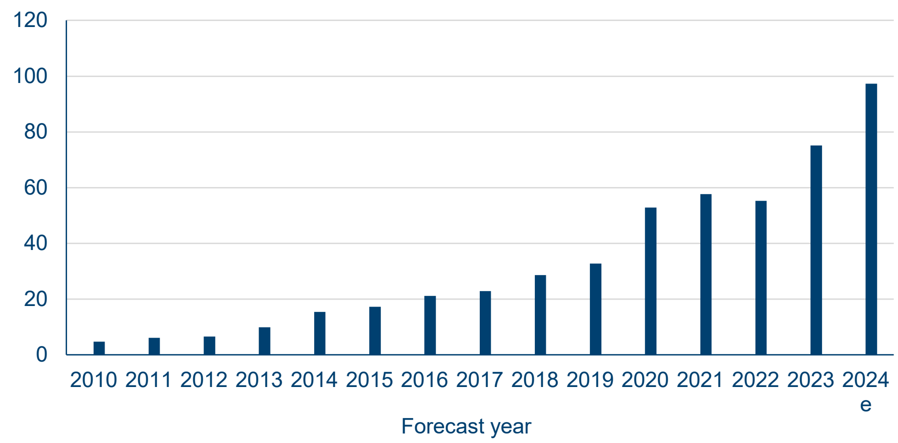
Earlier in 2024, the company announced the acquisition of another sports league, one with a longer history than F1: MotoGP. There is ample opportunity to raise the profile of motorbike racing and increase the aggregate revenue per race which stands at a sixth of F1's. Liberty's management has a tremendous record of managing media and entertainment businesses and we think the stock remains attractively valued considering the value creation potential ahead.

CRH, the largest building materials company in the US, is benefitting from a favourable backdrop in infrastructure markets, where spending increases and a structurally limited supply of materials have led to healthy conditions. There are still pockets where demand is below normal, notably in residential and some parts of commercial. When these recover, they could be a nice complement to the infrastructure and more government policy-driven areas of activity. We continue to like the company's favourable position in a large market and its ability to add value both through increasing its vertical integration and through the deployment of capital.

US Foods Holding, a distributor of foods to restaurants, progressed well despite difficult industry conditions resulting from lacklustre footfall at restaurants. Given its superior product selection, network density, reliability and technology investment, the company successfully grew revenue primarily via share gains from smaller players in a very large but fragmented market. Margins expanded too as a result of natural operating leverage and an improving mix to higher-margin business. The company used its attractive cash generation to reduce its share count. We expect all these positive drivers to sustain attractive compounding in the future.

Constellation Software, a conglomerate of small vertical software businesses, continued its exemplary record of cashflow per share growth driven by excellent allocation of capital. We see Constellation Software as one of the best capital allocating businesses in the world. The company achieves a high return on invested capital from the methodical reinvestment of most of its cashflow into very attractively valued vertical software companies. Its cashflow per share has nearly tripled over the five years it has been held in the Fund. It may not quite replicate that over the next five years but we expect its proven capital allocation process to result in a very high level of business compounding for many years to come.

Constellation Software Free Cashflow Per Share (US$)



Source: Bloomberg. 2010-2024e

Alphabet grew earnings per share by over 40%, driven by attractive revenue growth in its core search, YouTube and Google Cloud businesses, high incremental margins and a reduction in its share count which, although not a large proportion of the EPS growth, is material and additive to value creation.

> We note the significant investment [Alphabet] has made in areas including artificial intelligence, autonomous driving and quantum computing which have the potential to contribute new sources of revenue growth for years to come

Alphabet has been one of the Fund's largest positions since launch. We continue to believe it has a great many positive attributes including growth from the nine products with over one billion active users, an ability to expand margins via efficiency should it want to and a balance sheet and cash generation capability strong enough to fund both internal growth and share buybacks. We also note the significant investment it has made in an array of areas including artificial intelligence, autonomous driving and quantum computing which have the potential to contribute new sources of revenue growth for years to come.

However, the combination of potential increased competition, most notably from ChatGPT, to its core search business which makes up the bulk of its profits, antitrust actions that could impact its operations and significantly increased capital intensity from sharply increased investment in data centres means that we find the investment case somewhat murkier than before. Consequently, we have reduced the position.

Naturally in a portfolio, not all companies compounded business value as we would have liked. The most notable funds laggards were:

The health management companies Elevance Health and Centene had, along with the rest of the sub-industry, a very tough year that saw multiple headwinds combining to drive earnings lower and cause a derating in the stocks' normalised free cashflow multiples.

Within Medicaid (state-funded insurance for low income households), which is important for both companies but relatively more so for Centene, the process of redetermining members' eligibility after a Covid-related hiatus led to a mismatch in timing between insurers paying for treating members and being paid by the states for covering those members. This has had a sizeable impact on profitability in recent periods but is mostly a timing issue and we will likely see a normalisation here.

The election cycle always brings uncertainty for health insurance and, while the incoming administration has so far had little to say about changes to the system, we know that certain subsidies for individuals buying their own health insurance are due to end in late 2025. If they are not renewed, Centene may see a drop in members in part of its business but we believe the subsidies will either be renewed in some form or the loss of members will be relatively modest.

Another headwind was an industry-wide mispricing in the Medicare Advantage market. Medicare Advantage is a private version of the health insurance programme for over 65s. This mispricing has been a modest headwind for Elevance Health and of only minor importance for Centene. One of the features we like about the whole sub-industry is the short tail nature of the insurance which means pricing and profitability reset quickly. We expect Medicare profitability to normalise and share gains for private players to continue.

Towards the end of the year, a further shadow was cast over this whole area when a divisional CEO at the country's largest health insurer, UnitedHealth Group, was murdered on his way to the company's investor conference. The response from the media and public has shone a spotlight on, among other things, frustrations about the healthcare system and the role of insurance companies. We believe there is no such thing as a perfect healthcare system and, although it has shortcomings, the US private healthcare system (where multiple insurance companies compete) does have its positives. For instance, there are clear incentives that lead to more innovation and investment and competition and choice means that consumers and companies can switch coverage relatively easily. The alignment of incentives can certainly be improved so that patient outcomes do not conflict with a profit motive, but by and large the system functions well. We think the role played by health insurers is and will remain important.

Both Elevance Health and Centene have strong recovery potential in the medium term as the headwinds outlined above abate and profitability normalises. We think the system will keep improving and that health insurers will play a part in that improvement. We see attractive long-term business compounding as the companies effectively take a royalty on growing healthcare spending and as they deploy the significant cashflow they generate.

> Ferguson Enterprises and Builders FirstSource both have a long-tailed opportunity to expand market share organically in what are large and fragmented domestic markets that should grow over time

The Fund's Canadian oil producers, Canadian Natural Resources and Cenovus Energy also struggled to grow business value by much over the year given a slightly lower average oil price compared to the previous year. Cenovus Energy has also not performed well operationally in its downstream (refining) division. Both companies have long-lived reserves of oil with low decline rates which results in an ability to produce a huge amount of cash at the current oil price each year while still managing to modestly grow production. Given the high free cashflow yields on offer at the current oil price, the cash return alone almost equals (in the case of Canadian Natural Resources) or exceeds (in the case of Cenovus Energy) our 10% pa hurdle for annual business value creation. Any operational growth would be additive. Canadian Natural Resources has one of the best records of capital allocation among all resource businesses around the world and there is optionality that they can generate better returns for shareholders by reinvesting capital rather than returning it. Cenovus Energy has the potential for a recovery in profitability in its downstream operations.

Although we think both companies are well placed to compound business value at a double-digit rate and are attractively valued, we reduced the Fund's energy exposure throughout the year. This was partly done by reducing the position in Canadian Natural Resources but also by selling Imperial Oil which had performed very well compared to other oil stocks and whose qualities we felt had become more appreciated. The primary reason for the reduction in our exposure to these businesses is a reflection that there is more supply of the commodity compared to our expectations a few years ago when we thought there was a good chance of a supply shortfall after a long period of depressed investment in the industry. This has made us structurally less keen on the commodity and, in turn, less optimistic than our original expectations about the amount of cash these companies can produce.

Littelfuse, a manufacturer of fuses and other circuit protection devices, lagged given cyclically weak demand for its products, particularly from the automotive industry. We continue to like its secular prospects as electronification is resulting in a growing need for its products. On top of this, the business should benefit from cyclical upside potential and sensible deployment of capital.

Some of the Fund's holdings in businesses related to the housing market have also seen headwinds as the higher interest rate environment has negatively impacted affordability of home purchases and large renovation projects. Ferguson Enterprises, a distributor of plumbing products, and Builders FirstSource, a distributor of lumber and manufactured products to builders and a new addition to the Fund in 2024, suffered from weaker housing starts and product deflation. Masterbrand, a leading manufacturer of kitchen cabinets and another new addition, suffered more from weaker existing house sales rather than new house sales.

All of these companies have executed well given a somewhat lacklustre demand environment and we are enthusiastic about their long-term compounding potential. Ferguson Enterprises and Builders FirstSource both have a long-tailed opportunity to expand market share organically in what are large and fragmented domestic markets that should grow over time. They also have astute management teams and highly cash-generative businesses – shareholders will benefit from both capital return and judicious consolidation of smaller competitors at attractive prices. Masterbrand has less organic market share growth potential, though we still expect it to gain share, nonetheless we expect reasonable long-term operational growth given GDP-like demand growth as well as potential to expand margins further given productivity initiatives driven by their highly capable CEO. We also think the company can drive double-digit compounding from sensible deployment of cash generation alone, given the company's double-digit free cashflow yield, so long as industry conditions do not deteriorate significantly.

We expect the portfolio to continue to be able to compound at an attractive long-term rate and expect it to maintain an advantage versus both the broader index and its equally-weighted equivalent

Continuing the long-term trend of attractive compounding

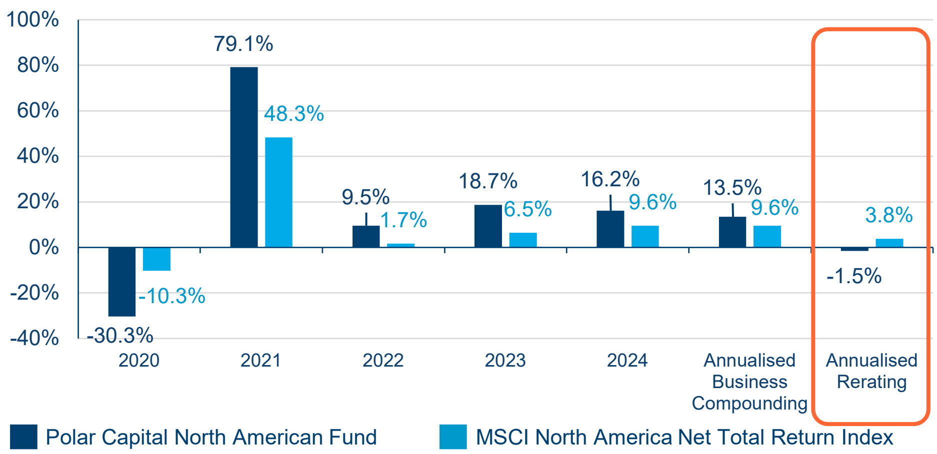
Since the Fund's launch, we calculate that the compounding of business value in the portfolio has averaged c11% pa net of withholding taxes on dividends. This is consistent with our expectations for businesses in the portfolio being able to compound at a double-digit rate over time. This level of compounding equates to nearly a threefold increase over 10 years, around fourfold since inception and, if sustained over 20 years, would amount to an eightfold increase.

By comparison, we calculate the rate of business compounding for both the market-cap-weighted benchmark and the equally-weighted benchmark at around 8% pa, just over doubling in 10 years and, if sustained over 20 years, nearly a fivefold increase.

Over the past five years, the rate of compounding for both the portfolio and the benchmark has been slightly higher than the long term (likely reflecting higher inflation), with the Fund actually expanding its compounding advantage versus the benchmark.

We expect the portfolio to continue to be able to compound at an attractive long-term rate and expect it to maintain an advantage versus both the broader index and its equally-weighted equivalent. This attractive compounding should provide a tailwind to returns for investors.

Annual Portfolio Business Compounding vs Benchmark (%)



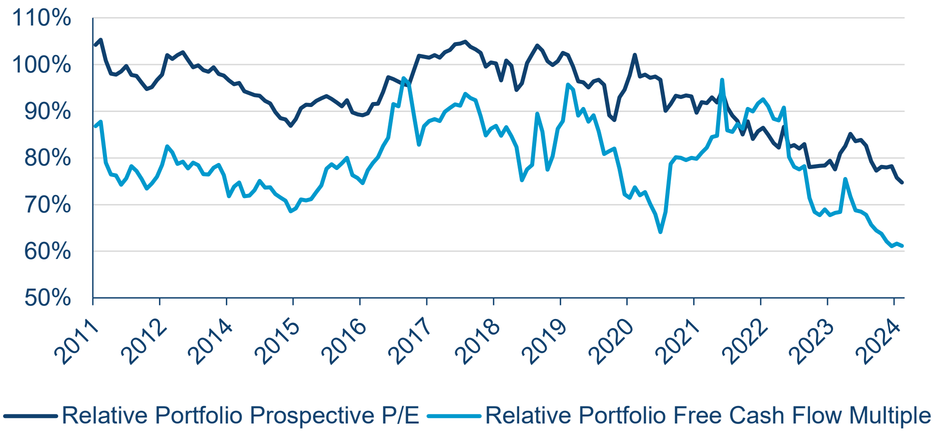
Source: Polar Capital, Style Analytics. Compiled in December 2024. Business compounding calculated as the difference between Fund (or Index) change in NAV less the change in the Fund (or Index) weighted mean current year P/E ratio over the equivalent period. Fund NAV grossed up to adjust for annual OCF charges. Data is provided for illustrative purposes.

...but at a good price

Although the market value of the portfolio advanced in excess of the portfolio's fundamental progression last year, it was not by much. The MSCI North America Net Total Return Index on the other hand posted a return well in excess of its underlying business growth. This divergence can be seen in the Fund's valuation against its benchmark.

The relative valuation of the portfolio versus the benchmark on a number of measures (e.g. price/forward earnings, price to free cashflow and EV/gross profits) is at its cheapest since inception.

Fund at low relative valuation vs MSCI North America Net Total Return Index



Source: Style Analytics. November 2011-December 2024.

> The relative valuation of the portfolio versus the benchmark on a number of measures is at its cheapest since inception

Moreover, the absolute multiples of the portfolio, at around a 6% free cashflow yield and under 17x[4] forward earnings, are attractive in our view given the portfolio's strong fundamental characteristics and compounding prospects.

This attractive relative and absolute valuation profile does not come at the expense of fundamental strength. Qualitatively our portfolio has strong attributes when measured against our 15-point checklist; quantitively the portfolio exhibits similar growth[5] and gross margin to the market-cap-weighted index. It also demonstrates superior attributes such as free cashflow margin and conversion[6] and has a stronger balance sheet as measured by net debt/EBITDA. The main areas it lags the benchmark in are profitability measures such as return on capital and cash return on equity. However, the portfolio's metrics still look highly attractive.

4. Source: Style Analytics.
5. Please note that expected long-term earnings growth is there to illustrate relative expectations of sell-side analysts. Such expectations are typically overly optimistic and we would not expect either the Fund or the Index to be as high.
6. All figures referred to are derived from Style Analytics and are portfolio-weighted, except net debt /EBITDA which is a median taken from Bloomberg. Style Analytics does not provide a similar figure.

Table 1 – Polar Capital North American Fund vs MSCI North America Index

	Polar Capital North American Fund	MSCI North America
Value		
Forecast P/E (2025)	16.7x	21.1x
FCF Multiple	16.5x	27.0x
EV/gross profits	3.5x	7.1x
Growth		
Earnings growth 5 yr	17%	17%
Forecast earnings growth LT	17%	13%
Quality		
FCF conversion	119%	90%
FCF margin	25%	22%
Cash return on equity	26%	32%
Net Debt/EBITDA[1]	1.4x	1.9x

Source: Value, Growth and Data sourced from Style Analytics, 31 December 2024. Number of stocks, active share and market cap analysis sourced from Polar Capital, as at 31 December 2024. **1.** Bloomberg, 31 December 2024. Style Analytics does not provide net debt/ebitda. Shows median figures. **Benchmark:** MSCI North America Net Total Return Index.

> We expect this combination of appealing fundamental characteristics and business compounding prospects to translate into attractive returns for investors

The attractions of the Fund are maintained when compared with other US indices such as the MSCI North America Equal Weighted Index and the MSCI North American Mid Cap Index[7]. It trades at a slight discount on a price/forward earnings basis and is much cheaper on a price/free cashflow basis. Quantitively it exhibits far superior earnings growth, has much higher margins, cash returns on equity and ROIC, has much superior free cashflow conversion and has a better balance sheet.

Table 2 – Polar Capital North American Fund vs MSCI North American Equal Weighted Index and MSCI North American Mid Cap Index

	Polar Capital North American Fund	MSCI North America Equal Weighted Index	MSCI North American Mid Cap Index
Value			
Forecast P/E (2025)	16.7x	17.1x	18.1x
FCF Multiple	16.5x	21.7x	24.4x
EV/gross profits	3.5x	5.4x	5.6x
Growth			
Earnings growth 5 yr	17%	11%	12%
Forecast earnings growth LT	17%	14%	16%
Quality			
FCF conversion	119%	84%	82%
FCF margin	25%	15%	13%
Cash return on equity	26%	17%	14%
Net Debt/EBITDA[1]	1.4x	1.9x	1.9x

Source: Value, Growth and Data sourced from Style Analytics, 31 December 2024. Number of stocks, active share and market cap analysis sourced from Polar Capital, as at 31 December 2024. **1.** Bloomberg, 31 December 2024. Style Analytics does not provide net debt/ebitda. Shows median figures. **Benchmark:** MSCI North America Net Total Return Index.

7. The MSCI North American Equal Weighted Index includes large and mid-cap companies; each quarter these companies are rebalanced so they are weighted equally. The MSCI North American Mid Cap Index is roughly the next largest 400 companies.

The portfolio also stacks up well when compared to the rest of the world, though the relative trade-offs are different. For instance, when compared with the MSCI EAFE Index the portfolio trades at roughly a 20% premium on a forward earnings basis, but given much better free cashflow conversion it is much closer on a price/free cashflow basis. However, margins, returns on capital and growth are vastly superior and we are confident in its relative qualitative attributes and superior compounding potential.

Table 3 – Polar Capital North American Fund vs MSCI EAFE Index

	Polar Capital North American Fund	MSCI EAFE Index
Value		
Forecast P/E (2025)	16.7x	13.7x
FCF Multiple	16.5x	15.2x
EV/gross profits	3.5x	4.8x
Growth		
Earnings growth 5 yr	17%	9%
Forecast earnings growth CAP LT	17%	10%
Quality		
FCF conversion	119%	85%
FCF margin	25%	15%
Cash return on equity	26%	14%
Net Debt/EBITDA[1]	1.4x	1.6x

Source: Value, Growth and Data sourced from Style Analytics, 31 December 2024. Number of stocks, active share and market cap analysis sourced from Polar Capital, as at 31 December 2024. **1.** Bloomberg, 31 December 2024. Style Analytics does not provide net debt/ebitda. Shows median figures.

We expect this combination of appealing fundamental characteristics and business compounding prospects combined with attractive valuation measures to translate into similarly attractive returns for investors

All this augurs well for the future. We expect this combination of appealing fundamental characteristics and business compounding prospects combined with attractive valuation measures to translate into similarly attractive returns for investors.

Conclusion

The businesses in the Fund demonstrated very healthy fundamental progression in 2024, contributing to a trend of attractive compounding since the Fund's inception. Their fundamentals and prospects are such that we expect this trend to continue over the long term and the business environment makes us optimistic about shorter-term progress too.

2024 was another year in which market concentration increased sharply, to record levels on some measures. This makes life relatively more difficult for multi-cap and active investors. It is unlikely that such a relative headwind is repeated from current lofty levels though, even if it is, we think it is important for investors to have exposure to the rich opportunities on offer in North America outside the very largest companies.

The Fund has a diversified range of businesses which taken together lead to attractive absolute and relative aggregate fundamental and valuation characteristics. Its composition is very different to that of the official benchmark. We think this is the right recipe for long-term performance and feel very good about the prospects for the Fund.

To all our fellow investors, thank you for your support and best wishes for the year ahead.

Polar Capital North American Team

23 January 2025

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 region. 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 Investor 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. Investment in the Fund concerns shares of the Fund and not in the underlying investments of the Fund. 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 is available online at the above website, or by contacting the above email address. A link to the document can be found here.

This document is provided and approved by both Polar Capital LLP and Polar Capital (Europe) SAS.

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Benchmark

The Fund is actively managed and uses the MSCI North America Net 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 www.msci.com. 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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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 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/Finland/France/Germany/Gibraltar/Ireland/Italy/Luxembourg/Netherlands/Norway/Portugal/Spain/Sweden/Switzerland and the United Kingdom

The Fund is registered for sale to investors in these countries. Investors should make themselves aware of the relevant financial, legal and tax implications if they choose to invest. Please be aware that not every share class of the Fund is available in all jurisdictions.

Morningstar

The Morningstar Medalist RatingTM is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered via specific vehicles using a rating scale of Gold, Silver, Bronze, Neutral, and Negative. The Medalist Ratings indicate which investments Morningstar believes are likely to outperform a relevant index or peer group average on a risk-adjusted basis over time. Investment products are evaluated on three key pillars (People, Parent, and Process) which, when coupled with a fee assessment, forms the basis for Morningstar's conviction in those products' investment merits and determines the Medalist Rating they're assigned. Pillar ratings take the form of Low, Below Average, Average, Above Average, and High. Pillars may be evaluated via an analyst's qualitative assessment (either directly to a vehicle the analyst covers or indirect-ly when the pillar ratings of a covered vehicle are mapped to a related uncovered vehicle) or using algorithmic techniques. Vehicles are sorted by their expected performance into rating groups defined by their Morningstar Category and their active or passive status. When analysts directly cover a vehicle, they assign the three pillar ratings based on their qualitative assessment, subject to the oversight of the Analyst Rating Committee, and monitor and reevaluate them at least every 14 months. When the vehicles are covered either indirectly by analysts or by algorithm, the ratings are assigned monthly. For more detailed information about these ratings, including their methodology, please go to global.morningstar.com/managerdisclosures/.

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