

UK Value Opportunities Fund

Summary

This disclosure is made by Polar Capital LLP (the “Investment Manager”) on behalf of the UK Value Opportunities Fund (the “Fund”) – a sub-fund of Polar Capital Funds Plc - pursuant to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (“SFDR”).

The Fund promotes environmental or social characteristics through the application of its investment strategy.

The Investment Manager applies a three-stage investment approach to achieve the Fund’s ESG characteristics:

- (i) analysis of companies against the Investment Manager’s proprietary ESG analysis tool – the economic value-added sustainability scoring framework (‘EVA SS Framework’)
- (ii) exclusion of companies in accordance with the EVA SS Framework; and
- (iii) engagement with companies on material ESG issues.

The Investment Manager carries out this evaluation using a variety of sources, including information and data published by the companies themselves, information gathered directly through engagement with company management and sustainability teams, and third-party data and research providers.

Where a company flags on one or more of the EVA SS Framework categories (detailed below), the Investment Manager may choose to engage further with the company. Engagement may include written communications (letters, emails) to company management, meetings with the company and through shareholder votes. Where an investee company fails to address the concerns of the Investment Manager, the company’s weighting within the portfolio may be reduced, or excluded altogether.

Does this Fund have a sustainable investment objective?

No, this financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

What environmental or social characteristic does the Fund promote?

The Fund promotes environmental or social characteristics through the application of its investment strategy. Using the Investment Manager’s proprietary ESG analysis tool – the economic value-added sustainability scoring framework (‘EVA SS Framework’) - the Fund seeks to take higher conviction positions in companies with positive scores against six categories: carbon emissions, short termism, company efficiency, exposure to relevant ESG regulation, consumer demand and thematic trends.

What indicators are used to measure the attainment of these characteristics?

The Fund will use the EVA SS Framework to measure the attainment of the Fund’s ESG characteristics against the six categories above.

Description of the investment strategy of the Fund

As part of the Fund’s wider investment approach, the Investment Manager uses the EVA SS Framework to evaluate companies within the Fund’s investment universe. The Investment Manager seeks to take higher conviction positions in companies with positive EVA SS Framework scores and will exclude those issuers that do not meet the criteria of the EVA SS Framework.

For the avoidance of doubt, the Investment Manager may invest in companies that do not score highly on the EVA SS Framework where, in the Investment Manager’s view, the company presents an investment opportunity that is aligned with the investment objective of the Fund and has met the minimum threshold of the EVA SS Framework. Companies are continually reviewed by the Investment Manager.

The Investment Manager applies a three-stage investment approach to achieve the Fund’s ESG characteristics:

- (i) analysis of companies against the EVA SS Framework,
- (ii) exclusion of companies in accordance with the EVA SS Framework; and
- (iii) engagement with companies on material ESG issues.

EVA SS Framework Analysis

The Investment Manager uses the EVA SS Framework to evaluate the ESG performance of companies against the following six categories:

Carbon Emissions

The Investment Manager assesses the company's alignment with the goals of the Paris Climate Accords ('Paris Agreement') through the company's commitment to achieving net zero carbon emissions by 2050, and through assessing the company's carbon emission profile.

Short Termism

The Investment Manager assesses whether the company is focussed on short term profits, rather than longer term sustainability, through an evaluation of its corporate culture.

Company Efficiency

The Investment Manager assesses the company's policies (where available) concerning water and waste management, plastic usage and overall corporate efficiency.

Exposure to Regulation

The Investment Manager assesses the impact of any relevant ESG regulation on a company and its ability to minimise the impact of this.

Consumer Demand

The Investment Manager assesses the impact of ESG related customer purchasing decisions on the products and services of the company and whether these decisions represent a risk or an opportunity to the company.

Thematic Trends

The Investment Manager assesses whether the company's products and services have a positive ESG impact.

Description of how the Environmental or Social characteristics are monitored

The Investment Manager uses the EVA SS Framework to review the scores of investee companies against each of the six categories above to identify those which have failed to meet the minimum criteria for inclusion in the portfolio, or where engagement is required. The EVA SS Framework is updated with new information regularly and the scores of each investee company are reviewed at least annually. The Investment Manager monitors the evolution of the company's score over the entire holding period to identify negative trends.

Description of data sources and how they are used

A company's score against the six categories above is determined by the input of qualitative and quantitative data into the EVA SS Framework. Information and data come from a variety of sources, including those which are published by companies themselves, information gathered directly through engagement with a company's management and sustainability team, and third-party data and research providers.

Description of the limitations of the methodology and data

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 and industry experts. Where there is insufficient information to determine the level of risk and opportunity of a security, the Investment Manager does not automatically exclude a company from the investment universe, but reviews management quality and whether this is reflective of the company's early-stage approach or if poor strategy is driving the lack of information.

The Investment Manager believes that quantitative data is often backward looking, with a time lag between publication and the period to which the data relates, and therefore a qualitative approach is important to fully understand a company's ability to adapt to the changing ESG environment.

The Investment Manager believes a lack of available disclosure and consistent measurement on metrics such as water usage, waste recycling, staff turnover and health and safety limits the quality of information. Inconsistency in the use of terminology relating to carbon targets and measurements also presents a challenge as many metrics used are provided by the companies themselves and are not independently audited.

How does the Fund engage with investee companies?

The Investment Manager views engagement as an essential part of the investment process and believes that direct dialogue with investee, or potential investee, companies can have a meaningful impact on corporate behaviour. The Investment Manager engages with companies by providing feedback on each of the six categories outlined above and will seek to influence the way the company behaves in the future.

The Investment Manager considers voting a key part of its engagement strategy and will use its vote to protect stakeholders, and in line with Fund's ESG characteristics.

Does the Fund use an external benchmark to measure the achievement of its sustainability characteristics?

No, the Fund does not use a reference benchmark for the purpose of measuring the achievement of its characteristics.