Fund Manager Comment

Market review

August was a challenging month for equity markets, as increased macro economic uncertainty pushed the FTSE World Index down 2.09% in Sterling terms. Downward revisions to US GDP, weak non farm payrolls and very poor US new and existing home sales triggered the initial correction. The resulting cuts to consensus growth expectations drove 10yr US Treasury yields to new lows, leading more bearish commentators to speculate that the US may be headed for a period of Japanese style deflation. Unusually, given elevated levels of risk aversion, the US Dollar fell to a four month low. However, markets began to stabilise following commentary from Fed Chairman Ben Bernanke who suggested that whilst he "expects a pick up in growth in 2011" he was ready to use "unconventional measures... if the outlook (was) to deteriorate". Equities ended the month on a more positive note supported by better than consensus employment data, improving consumer confidence and a strong ISM survey.

Technology review

The Dow Jones World Technology index fell a disappointing 5.04% in Sterling terms during the month, significantly trailing the broader market. There was plenty of technology news flow during the month much of which also aided our performance. The dismissal of Mark Hurd, the highly regarded CEO of Hewlett Packard has to rank amongst one of the most unusual corporate departures we have seen for some time. Unfortunately the timing could not have been much worse, as this coincided with a series of negative data points from the PC supply chain indicating sub-seasonal consumer demand. The idea that top-down issues were finally 'catching up' with companies was supported by cautious guidance from Cisco (who called out macroeconomic uncertainty) and a (well-anticipated) profit-warning from Intel. Investor confidence in large cap technology stocks was further shaken by a significant pick up in M&A activity which substantially verified our basic thesis, namely that a new cycle has commenced which is reducing the value of incumbency. Intel's surprising (and that's us being polite) acquisition of security software vendor McAfee for a whopping 60% premium appeared to confirm that the PC market is likely to be impaired (rather than augmented) by a plethora of connected devices (TV, tablets and smartphones). The transaction also appeared to support the idea that supposed 'free cash flow' is far from 'free', and instead will be used to embark on the off-balance sheet R&D required for incumbent companies to 'retool' for a new cycle. This dynamic was most apparent in the most exciting piece of M&A activity that we have experienced for more than a decade - the acquisition of 3PAR by Hewlett-Packard, following a protracted bidding war with fellow technology incumbent Dell. That HP was willing to pay $33/share or *circa 10x forward revenues* for 3PAR, a small-cap high end storage company that a month ago the market thought was worth just $10/share highlights the strategic value of disruptive new technologies now that a new cycle has commenced.

Outlook

Given our relatively sanguine view on the risk associated with a 'double-dip' we were encouraged by some slightly better economic data towards month end. However, our base case remains a prolonged period of below trend global growth which will likely result in subdued IT budget growth. This view is supported by Gartner's most recent forecast for < 2% IT budget growth this year, particularly muted given the 8% contraction experienced last year. Unfortunately this is not a favourable backdrop for many larger, more cyclical technology companies who rely heavily on budget growth for their top line growth. This is particularly true for those (such as IBM and Hewlett Packard) where cost cutting is largely complete and margins are close to peak levels. Lack of organic growth in their respective core markets is resulting in increased competition between a number of the largest technology vendors which is likely to pressure margins going forwards. In addition, significant areas of technology spending such as consumer PCs are facing structural challenges represented by the startling rate of adoption of alternative computing platforms, such as Apple's iPad. No wonder a number of these companies appear 'cheap'....

The recent pick up in M&A activity suggests that management teams understand all too clearly that their core businesses are becoming impaired by new disruptive technologies. Unfortunately this realisation (together with the abatement of cyclical tailwinds) means that the technology story has transitioned from one where all companies share in a pick-up in IT spending to a more finessed alternative where value creation is likely to become significantly more uneven, and increasingly monopolised by companies that benefit from reallocation of existing IT budgets. This naturally dovetails into our new cycle thesis and thus the current backdrop should remain supportive of our stock picking based approach. We continue to focus on delivering a diversified portfolio of secular growth companies where the underlying growth will drive portfolio returns. This naturally leads us towards new cycle beneficiaries and "strategic" assets some of which are also likely to be M&A targets. We are also continuing to find many very compelling special situation investments - often over capitalised smaller cap companies which have quietly re-invented themselves, yet remain overlooked. As a result, (and despite a more mixed economic outlook) our confidence in our core thesis is stronger than it has been for a long time. As such we have taken advantage of weaker markets and subdued investor sentiment to reinvest much of the cash raised towards the end of July.

Ben Rogoff, 8th September 2010

31 August 2010

Fact sheet

Trust Facts

Share Price (p)	278.00
NAV per Share (p)	291.37
Discount (%)	-4.59
Total Net Assets (£m)	369
AIC Gross Gearing Ratio (%)*	108.00
AIC Net Gearing Ratio (%)*	99.00
Capital Structure	126,497,914 Ordinary shares of 25p

*Gearing calcultaions are exclusive of current year Revenue/Loss

Trust Characteristics

Launch Date	16 December 1996
Lead Manager	Ben Rogoff
Deputy Manager	Craig Mercer
Year End	30 April
Results Announced	Mid June
Next AGM	July 2010
Continuation Vote	2010 AGM; every 5 years
Listed	London Stock Exchange

Benchmark

Dow Jones World Technology Index (Total Return) (from 1 May 2006)

Fees*

Management Fee	1.00%
Performance Fee**	15% over Benchmark
Total Expense Ratio (historic)	1.31%

* Further details can be found in the Report & Accounts

** Subject to high watermark

Trust Overview

Objective

The investment objective is to maximise capital growth for our shareholders through investing in a diversified portfolio of technology companies around the world.

Investment Rationale

Over the last two decades the technology industry has been one of the most vibrant, dynamic and rapidly growing segments of the global economy. Technology companies offer the potential for substantially faster earnings growth than the broad market, reflecting the accelerating rate of adoption of new technology. Technology is transforming the competitive position of companies and entire economies, thereby fuelling a major secular increase in technology spending.

Full details of the Investment Objective, Rational and Strategy are available on the company's website.

Approach

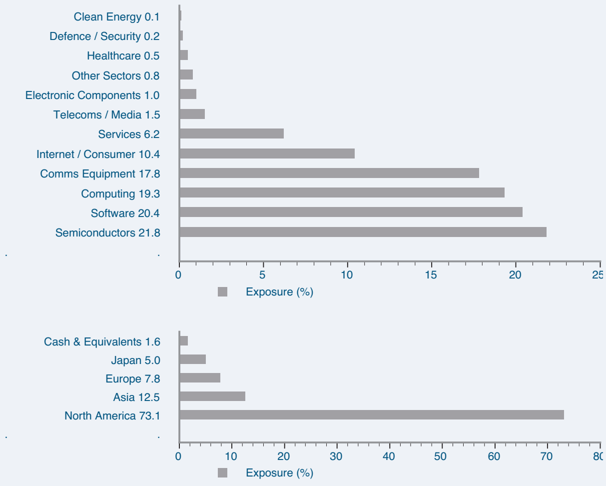
Polar Capital selects companies for their potential for generating capital growth, not on the basis of technology for its own sake. We believe in rigorous fundamental analysis and focus on: management quality, the identification of new growth markets, the globalisation of major technology trends, and exploiting international valuation anomalies and sector volatility.

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

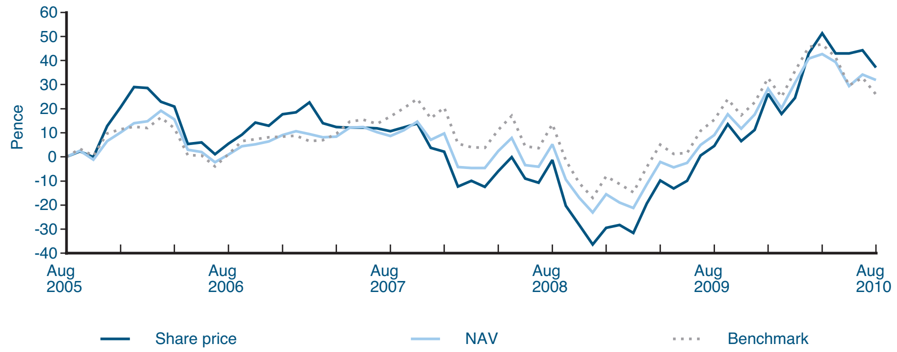
31 August 2010

Fact sheet

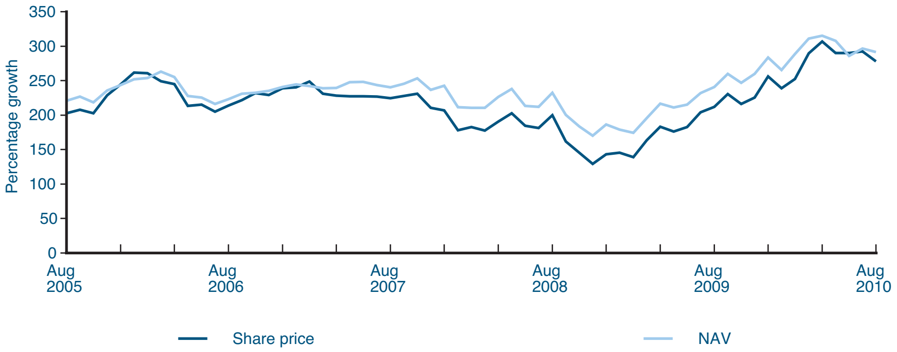
Sector & Geographic Exposure (%)



Performance Over 5 Years



Share Price & NAV per Share Over 5 Years



Cumulative Performance (%) to 31/08/2010

	1 Month	3 Months	6 Months	1 Year	5 Years
Share Price	-4.96	-4.10	10.10	31.13	37.11
NAV per Share	-1.75	-5.34	0.92	20.94	31.88**
Benchmark	-5.27	-10.89	-7.14	9.08	25.91

Discrete Annual Performance (%)

	30/06/09 30/06/10	30/06/08 30/06/09	29/06/07 30/06/08	30/06/06 29/06/07	30/06/05 30/06/06
Share Price	58.63	-0.95	-18.81	5.70	12.27
NAV per Share	32.68	0.92	-14.02	10.17	7.57
Benchmark	27.59	-2.62	-9.57	14.85	4.61

Source: Lipper & HSBC Securities Services (UK) Limited, percentage growth, total return
**Not Adjusted for warrant exercise in September 2005. NAV per share performance is calculated on the basis of diluted NAV for the entire period.

Total Number of Holdings 114

Top Ten Holdings (%)

Apple	8.0
Google	4.4
Microsoft	4.1
Cisco Systems	3.2
Oracle	2.4
International Business Machines	2.4
Qualcomm	2.2
Intel	2.2
Samsung Electronics	1.9
Infosys Techs	1.8
Total	**32.6**

Market Capitalisation Exposure (%)

Large (greater than US$ 10bn)	61.3
Medium (US$ 1bn to 10bn)	26.2
Small (less than US$ 1bn)	12.5

31 August 2010

Fact sheet

Polar Capital Technology Investment Management Team

Polar Capital Technology Trust is managed by the Polar Capital technology team. Polar Capital was established by the senior technology fund managers previously responsible for Henderson's specialist technology funds. Today's Polar Capital technology team comprises of six investment professionals.

Ben Rogoff - Fund Manager

Ben has been a technology specialist for twelve years having begun his career in fund management at CMI as a global tech analyst. He moved to Aberdeen Fund Managers in 1998 where he spent four years as a senior technology manager prior to joining Polar Capital in May 2003. He is lead manager of Polar Capital Technology Trust plc, with responsibility for the management of Polar Capital's US technology portfolios. He is also joint manager of Polar Capital Global Technology Fund. Ben graduated from St Catherine's College, Oxford in 1995.

Craig Mercer - Deputy Manager

Craig joined Polar Capital in 2002 from Scottish Equitable (later Aegon) where he managed their Japan OEIC. Craig is deputy manager of Polar Capital Technology Trust plc and is responsible for coverage of Asian technology and global alternative energy stocks. Craig has an Economics degree from York University.

Technology Investment Management Team:

Nick Evans - Fund Manager

Nick joined Polar Capital in September 2007 and has eleven years experience as a technology specialist. He was previously Head of Technology at AXA Framlington and Citywire 'A' rated. He was lead manager of the AXA Framlington Global Technology Fund and the AXA World Fund (AWF) - Framlington Global Technology (both rated five stars by S&P) between Aug 2001 and July 2007. Prior to this he spent three years as a Pan European Investment Manager and Technology Analyst at Hill Samuel Asset Management. Nick has an Economics degree from Hull University.

Fatima Iu - Analyst

Fatima joined Polar Capital in April 2006 after working as an analyst with Citigroup Asset Management for 18 months. She focuses on European technology stocks and has responsibility for coverage of the global medical technology sub-sector. Fatima graduated from Imperial College London in 2002 with a Masters in Chemistry.

Brian Ashford-Russell - Founder/Director of Polar Capital

Brian was head of the technology team at Henderson Global Investors (and prior to that Touche Remnant) from 1987 until his resignation in September 2000 to set up Polar Capital. He has been the appointed fund manager of Polar Capital Technology Trust plc, previously named Henderson Technology Trust and its predecessor TR Technology, since TR Tech's launch in 1988. He also managed the Henderson Global Tech Unit Trust from its launch in 1984 to 1996 as well as co-managing the Seligman Global Tech and Mackenzie Universal Science & Tech funds.

How to Invest

Market Purchases

The shares of Polar Capital Technology Trust PLC are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary.

Share Dealing Services

The company has arranged for Shareview Dealing, a telephone and internet share sale service offered by Equiniti to be made available.

Tel: 0870 850 0852
Online: www.shareview.co.uk/dealing

Savings Scheme & ISA

Shares in the company may be purchased through a share saving scheme and an ISA administered by BNP Paribas Fund Services, by contacting:

BNP Paribas Fund Services UK Ltd (Polar Capital)
Block C, Western House
Lynchwood Business Park
Peterborough, PE2 6BP

Tel: 0845 358 1109
Fax: 01733 285 822

Registered Office

4 Matthew Parker Street, London SW1H 9NP

Custodian

JP Morgan Chase NA acts as global custodian for all the Company's investments.

Registrar

Equiniti
The Causeway, Worthing, West Sussex BN99 6DA
www.shareview.co.uk

Codes

London Stock Exchange	PCT
Reuters	PCT.L
Bloomberg	PCT.LN

Website

www.polarcapitaltechnologytrust.co.uk

House View
This document has been produced based on Polar Capital research and analysis and represents our house view. All sources are Polar Capital unless otherwise stated.

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Holdings
The top 10 positions were selected based on percentage of AUM. This portfolio data is "as at" the date indicated and should not be relied upon as a complete or current listing of the holdings (or top holdings) of the fund. The holdings may represent only a small percentage of the aggregate portfolio holdings, are subject to change without notice, and may not represent current or future portfolio composition. Information on particular holdings may be withheld if it is in the fund's best interest to do so. A complete list of the portfolio holdings are available upon request. It should not be assumed that any of the securities transactions or holdings discussed was or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. The information provided in this document should not be considered a recommendation to purchase or sell any particular security.

Benchmarks
The following benchmark index is used: Dow Jones World Technology Index (Total Return). This benchmark is generally considered to be representative of the Technology equity universe. This benchmark is a broad-based index which is used for comparative/illustrative purposes only and has been selected as it is well known and is easily recognizable by investors. Please refer to www.djindexes.com for further information on this index. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the fund. For example, investments made for the fund may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the fund may differ from those of the benchmark. Also, the index noted in this presentation is unmanaged, are not available for direct investment, and is not subject to management fees, transaction costs or other types of expenses that the fund may incur. In addition, the performance of the index reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance. The information regarding the index is included merely to show the general trends in the periods indicated and is not intended to imply that the fund was similar to the index in composition or risk

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Performance
Performance is shown net of fees and expenses and includes the reinvestment of dividends and capital gain distributions. Many factors affect fund performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment return and principal value of your investment will fluctuate, so that when your investment is sold, the amount you receive could be less than what you originally invested. Past performance is not a guide to or indicative of future results. Future returns are not guaranteed and a loss of principal may occur. Stock markets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. Where investments are made in emerging markets, unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, an the income from, the investment. Investments are not insured by the FDIC (or any other state or federal agency), are not guaranteed by any bank, and may lose value.

Investment Process - Risk
No investment process or strategy is free of risk and there is no guarantee that the investment process or strategy described herein will be profitable. Investors may lose all of their investments.

Allocations
The strategy allocation percentages set forth in this document are estimates and actual percentages may vary from time-to-time. The types of investments presented herein will not always have the same comparable risks and returns. Please see the private placement memorandum for a description of the investment allocations as well as the risks associated therewith. Please note that the fund may elect to invest assets in different investment sectors from those depicted herein, which may entail additional and/or different risks. The actual performance of the fund will depend on the Investment Manager's ability to identify and access appropriate investments, and balance assets to maximise return to the fund while minimising its risk. The actual investments in the fund may or may not be the same or in the same proportion as those shown herein.