Polar Capital Technology Trust PLC

POLAR CAPITAL

Fund Manager Comment

31 January 2012

Fact sheet

Market review

Equity markets rallied sharply in January due to a better than feared fourth quarter earnings season, constructive macroeconomic data and a significant improvement in bank and sovereign CDS spreads (post Long Term Refinancing Operation (LTRO)), the FTSE World Index rising 5.5% in US Dollar terms. US macroeconomic data remained constructive with strong nonfarm payrolls early in the month (unemployment falling to 8.5%), likely fueled by improved confidence, as measured by small business sentiment and University of Michigan data. Despite encouraging jobless claims data later in the month, the Federal Reserve used the January FOMC to reiterate their accommodative credentials by stating that their zero interest rate policy (ZIRP) would prevail at least until 2014. In addition, Chinese macroeconomic data took on a more constructive hue with positive industrial production numbers and Q4 GDP ahead of expectations. Investor sentiment was buttressed further by a relatively upbeat fourth quarter earnings season, despite expectations that European macroeconomic weakness would begin to show up in corporate reports. While equity markets would have likely rallied on these positive developments alone, it was sharp declines in sovereign (for instance Italian 5 year CDS spreads falling from 484 to 413) and bank CDS spreads (Societe Generale 5 year CDS spreads falling to 273 from 340) that provided the greatest impetus to risk assets as the mollifying impact of the ECB's recent LTRO became more fully felt.

Technology review

The Technology sector outperformed during the month driven by a better than expected earnings season and strong contribution from cyclical subsectors, the Dow Jones World Technology Index rising 8% in US Dollar terms. Despite investor concern that European macroeconomic uncertainty would weigh on fourth quarter corporate earnings, reporting season has (thus far) proved relatively benign as robust corporate spending has more than offset weakness in Europe and in selected verticals. In line with the broader market, small-caps outperformed (by c. 1%) albeit by a more modest margin than one might have expected due to strong earnings and stock action from a number of large-cap incumbents including Microsoft (+14%), SAP (+14%) and Intel (+9%). Strongest sub-sector performance was reserved for Semiconductor / related stocks, despite mixed near-term business conditions (due to inventory adjustments), as management teams were uniformly willing to 'call' the cycle low. This strength in Semiconductor and other component stocks resulted in Asia ex. Japan generating the best regional performance during the month. Software stocks also recovered some of their relative lustre as cautious commentary from Oracle during December proved at odds with strong reports from SAP, VMware and Informatica. However, the most significant upside surprise came from Apple (+13%) who delivered well ahead of expectations driven by record iPhone and iPad units. On the negative side, Internet stocks lagged following a lacklustre report from Google and a rare miss from Amazon.com while companies with disproportionate service provider exposure such as Juniper Networks and Ericsson delivered disappointing earnings reflecting the recent hiatus in US telecom spending.

Outlook

Although constructive macroeconomic data and a robust Q4 earnings season has been helpful, the recent rally has largely been driven by a sharp recovery in investor sentiment sparked by the recent ECB LTRO, which essentially makes all sub three year European sovereign debt risk free. While we obviously did not anticipate this particular development it is consistent with our overarching top-down view that our interests as equity investors remain remarkably aligned with policy makers even if our timelines were not. While the LTRO is not designed to provide massive additional liquidity (à la QE) it should allow European banks to withstand a managed Greek (and potential Portugese) default, all but removing the worst case (EU / systemic collapse) scenario. Little wonder then that markets have rallied consistently since the LTRO was announced on 8th December. Given that the oil price ended January largely unchanged and that ten year US Treasury yields actually fell during the month it appears that – unlike during QE1 and QE2 – the recent rally has more to do with recalibration of portfolios (with risk firmly 'on') rather than material disallocation from bonds in favour of equities. With European stocks up just 7% (using the Bloomberg European 500 Index in Euro terms as proxy) post the LTRO announcement, as compared to 50% and 22% rallies in US stocks post QE1 and QE2, this rally may yet extend despite markets looking overbought in the short-term.

While we remain fully invested (having previously highlighted how reasonable equities appeared against anything other than a worst case outcome), the recent rally has obviously increased the chance of a correction, not least because by month end investor sentiment as measured by our favoured indicator, the AAIIBEAR, had registered its most ebullient reading since late 2010. However, we are hopeful that any pullback should prove short-lived given the combination of genuine new news (LTRO) and a robust Q4 earnings season. Furthermore, even though some equity markets are approaching their April 2011 highs, forwards earnings expectations in the US are 6-7% greater than where they were nine months ago while 'risk free' alternatives, such as US Treasuries, are trading at materially lower yields which could yet presage a more material asset reallocation than has been evident thus far during the recent rally. As such, parallels with the evanescent Q1'11 rally may yet prove specious given that risk assets had performed strongly into last year's highs in contrast to their materially underperformances post April 2011.

Turning to Technology, we remain confident that our sector should continue to outperform the broader market as long as a worst case outcome is averted. Although valuations have expanded modestly in the recent rally the sector enjoys next to no premium to the broader market despite its vastly superior aggregate balance sheet. However, with IT budgets likely to remain subdued given the continued backdrop of sub-par global growth, we expect our 'new cycle' thesis to continue to play out as limited budget growth should lead to accelerated adoption of newer, disruptive alternatives at the expense of incumbent technologies and vendors. We continue to favour small and mid-caps which not only have less exposure to existing technologies but – having trailed their large-cap peers for much of 2011 – also trade at more modest premiums than when markets were last at these levels. Thematically we remain focused on our three core themes - cloud computing, broadband applications and mobility – while we are excited about a number of ancillary product cycles that should generate strong growth over the coming year including desktop virtualization, solid state drives (SSDs) and in-memory analytics to name but a few.

Nick Evans & Ben Rogoff, 6th February 2012

Trust Facts

Ordinary Shares†	
Share Price (p)	350.10
NAV (undiluted) per Share (p)	368.16
Discount / (Premium) %	4.91
Capital Structure	127,733,539 of 25p
Subscription Shares†	
Share Price (p)	11.50
Exercise Price (p)	
- Until 31 March 2012	401.00
- From 1 April 2012 to 31 March 2014	478.00
Capital Structure	25,272,663 shares of 1p
Total Net Assets (£m)	470
AIC Gross Gearing Ratio (%)*	107.00
AIC Net Gearing Ratio (%)*	97.00

*Gearing calculations 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	September 2012
Continuation Vote	2015 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)	1.16%

* Further details can be found in the Report & Accounts

** Subject to high watermark and cap

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.

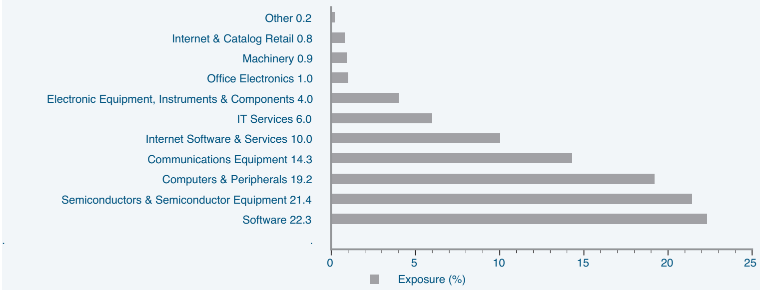
†For full details of the subscription shares and their exercise terms please refer to the prospectus of 18 January 2011 and the notes on the company's website.

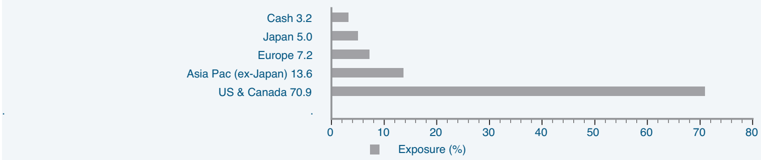
It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this list. A list of all recommendations made within the immediately preceding 12 months is available upon request.

31 January 2012

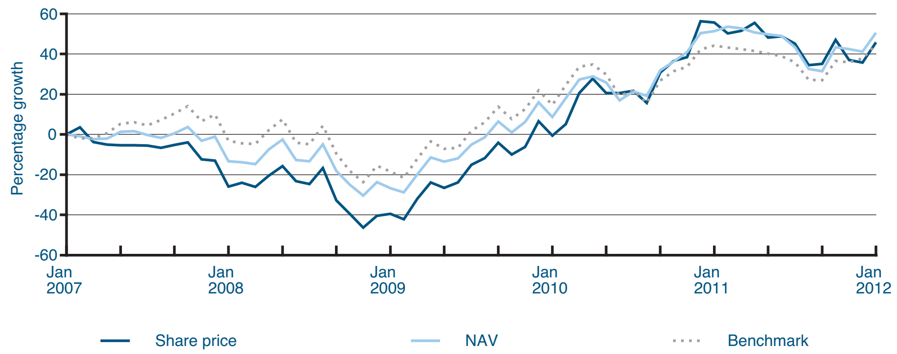
Fact sheet

Sector & Geographic Exposure (%)

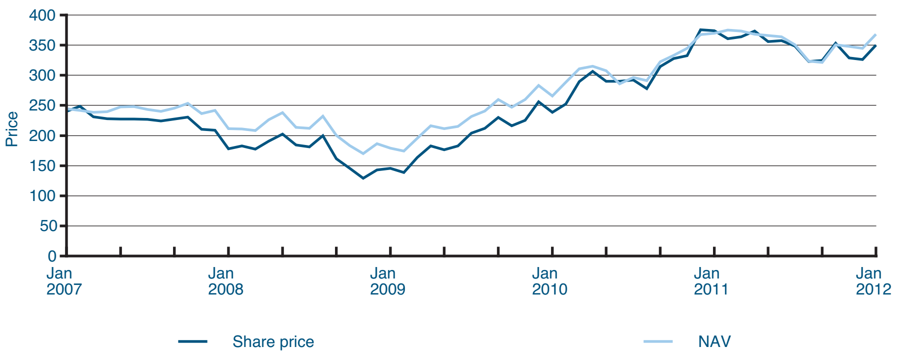




Performance Over 5 Years



Share Price & NAV per Share Over 5 Years



Cumulative Performance (%) to 31/01/2012

	1 Month	3 Months	6 Months	1 Year	5 Years
Share Price	7.39	-0.96	0.37	-6.37	45.72
NAV (undiluted) per Share	6.70	5.05	4.98	-0.45	50.61
Benchmark	6.18	5.60	6.02	0.00	44.15

Discrete Annual Performance (%)

	31/12/10 30/12/11	31/12/09 31/12/10	31/12/08 31/12/09	31/12/07 31/12/08	29/12/06 31/12/07
Share Price	-13.18	46.68	79.02	-31.50	-12.57
NAV (undiluted) per Share	-6.14	29.70	51.92	-22.80	0.34
Benchmark	-4.54	16.66	44.45	-23.23	10.39

Source: Lipper & HSBC Securities Services (UK) Limited, percentage growth, total return

Total Number of Holdings	131

Top Ten Holdings	(%)
Apple	11.3
Google	4.7
Microsoft	4.1
Samsung Electronics	3.8
Oracle	2.9
Qualcomm	2.8
International Business Machines	2.7
Cisco Systems	2.5
Intel	2.4
Taiwan Semicon Manufacturing	2.2
Total	**39.4**

Market Capitalisation Exposure	(%)
Large (greater than US$ 10bn)	68.1
Medium (US$ 1bn to 10bn)	20.9
Small (less than US$ 1bn)	11.1

Trust Overview

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

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31 January 2012

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 - Director, Technology

Ben has been a technology specialist for fourteen years having begun his career in fund management at CMI, as a global technology 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 and is also joint manager of Polar Capital Global Technology Fund. Ben graduated from St Catherine's College, Oxford in 1995.

Craig Mercer - Fund Manager

Craig joined Polar Capital in 2002 and he has over thirteen years' fund management experience. Craig is deputy manager of Polar Capital Technology Trust Plc and he has responsibility for the team's Asian and Japanese technology exposure. Prior to joining Polar Capital, Craig was at Scottish Equitable (now Aegon), where he was responsible for the Aegon Japan OEIC. Craig graduated from York University with a degree in economics.

Technology Investment Management Team:

Nick Evans - Senior Fund Manager

Nick joined Polar Capital in September 2007 and has thirteen years experience as a technology specialist. He has been lead manager of the Polar Capital Global Technology Fund since January 2008. Prior to joining Polar he was Head of Technology at AXA Framlington and lead manager of the AXA Framlington Global Technology Fund and the AXA World Fund (AWF) - Global Technology from Aug 2001 to July 2007 (both rated five stars by S&P). He also spent three years as a Pan European Investment Manager and Technology Analyst at Hill Samuel Asset Management. Nick graduated from Hull University with a degree in economics.

Colin Moar - Fund Manager

Colin joined Polar Capital in January 2011, having spent 13 years covering pan-European and then Global Equity markets with the Technology sector as his main focus. He started his career at Morley Fund Management in 1997 initially covering UK/European equities before moving to their global equity team in 2002. From 2006 he took responsibility for €450m of the team's focused Global Equity funds. In January 2010 Colin joined HSBC Asset Management's Global Equity team as a Senior Fund Manager. Colin Graduated from the University of Edinburgh with a degree in Business Studies.

Fatima Iu - Fund Manager

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 degree in Medicinal Chemistry.

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 ìas atî 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 fundís best interest to do so. A complete list of the portfolio holdings may be made 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 sercurities 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 Managerís ability to identify and access appropriate investments, and balance assets to maximize return to the fund while minimizing its risk. The actual investments in the fund may or may not be the same or in the same proportion as those shown herein.