Polar Capital Technology Trust PLC

POLAR CAPITAL

Fund Manager Comment

31 January 2013

Fact sheet

Market review

Equity markets got off to a promising start, driven by a combination of strong inflows and a better than feared fourth quarter earnings season, the FTSE World index rising 7.1% in Sterling (GBP) terms during January. The month was of course, dominated by the 'resolution' of the long-running 'fiscal cliff' crisis early in the new year, when Congress agreed to a compromise that averted automatic spending cuts that would have been enacted should a resolution not have been found. This positive political development naturally overshadowed mixed US economic newsflow, with positive personal consumption data and sharply higher business investment (+12.4%, the largest increase since Q3 2011) offset by light payrolls, soft GDP and a shortfall in consumer confidence. Aided by better than forecast 2012 China GDP, continued strength in Japan (partially offset by yen weakness) and a generally constructive fourth-quarter earnings season, the Dow Jones Industrials registered their best January since 1989 (source: Goldman Sachs). With worst case scenarios off the table, at least for now, 10 year US Treasury yields rose by more than 20bps and by month-end were approaching 2% for the first time since April 2012. The combination of strong equity markets and higher Treasury yields resulted in US stocks registering their best single month of risk-adjusted returns vs. Treasuries since 1962 (source: Goldman Sachs).

Technology review

The technology sector trailed the broader market during the month primarily due to the underperformance of Apple and its supply chain, the Dow Jones World Technology index rising 4.3% in GBP terms during the month. Having experienced significant stock price weakness since the release of the iPhone 5, investor attention was firmly focused on Apple's fourth-quarter results for signs of improving fortunes. Unfortunately a broadly inline quarter was marred by weak guidance as lower priced products (such as the iPad mini) continue to weigh on gross margins. Although we were already underweight the stock heading into earnings, we further reduced our holding (despite an undemanding valuation and strong balance sheet position) because we think the stock will struggle to outperform in the absence of compelling new products now that smartphone penetration in developed markets has likely exceeded 50%. Apple ended the month 12% lower in Sterling terms making it virtually impossible for the sector to outperform during the month.

However, beyond Apple, technology newsflow has proved relatively robust, evidenced by an encouraging fourth-quarter earnings season. Enterprise-focused companies (such as F5 Networks, IBM, Informatica and Radware) posted respectable earnings despite their sensitivity to corporate capital spending and the uncertainty associated with the 'fiscal cliff'. Semiconductor companies fared less well as most delivered inline quarters accompanied by conservative guidance for the coming quarter. However, with the first quarter looking like the cycle 'trough' (a view supported by higher energy prices and Treasury yields) stock action was encouraging. Semiconductor capital equipment stocks were particularly strong (despite weaker near-term trends) following sharply higher capital spending plans announced by Intel. Internet stalwarts, including eBay, Facebook and Google, posted thesis affirming results, while particular strength was reserved for telecom equipment providers such as Ericsson, Juniper Networks and JDS Uniphase as each delivered ahead of expectations, citing improved carrier capex trends driven by renewed focus on LTE / 100G investment. While there were a handful of earnings disappointments (eg. VMWare) these were more than offset by strong reports from the likes of Citrix, Fortinet and Ixia.

Outlook

Having adopted a contrarian, constructive view on markets last year, it is a little alarming to see that our long held position (based on a confluence of interests between policymakers and investors) appears to have become the consensus. Having eschewed equities for a decade, investors poured a record US$78bn into US listed mutual funds and exchange traded funds (ETFs) during January, besting the previous record achieved in February 2000 (source: Goldman Sachs). Given what happened to markets after equity inflows peaked more than a decade ago, we are naturally concerned about increasing chatter from Wall Street about the so-called 'great rotation' (from bonds into equities). However, we believe the historical parallels are largely specious and that equity valuations appear undemanding in an absolute sense, while remaining extremely attractive alternatives to both bonds and cash (in stark contrast with the late 1990s / early 2000s).

While recent technology performance has been disappointing, the average stock has performed materially better than weighted indices suggest. For instance, during January the Russell 2000 Technology Index almost kept up with the broader Russell 2000 Index. We expect small and mid-cap technology stocks to continue to fare well during 2013 due to a combination of bottom-up (superior growth, attractive valuations) and top-down (the end of the post April 2011 'crowding out') factors. Having highlighted the risk associated with smartphones during 2012, we have further reduced our exposure to the likes of Apple and Samsung (and their supply chains) as we suspect overall penetration has reached levels commensurate with slower growth and increased competition. While the smartphone theme has been an important leg of sector growth, we are encouraged that two of our other key themes (Internet infrastructure, Internet applications) are actually benefiting from higher levels of smartphone and tablet penetration.

With newly elected/appointed leaders in the US, China and Japan we are hopeful that the worst of the political uncertainty that has acted as spending overhang is behind us. If so, we should expect to see better technology earnings performance (so far evident during Q4 earnings season, excl. Apple) which should translate into better sector performance. However, 2013 may prove to be a year similar to 2010 when smaller stocks outperformed due to their superior fundamentals (growth, valuation and balance sheet). We also anticipate further M&A activity as cash rich incumbents try to recover sales lost forever to disruptive new technologies. As such, we expect to continue to migrate further from our market-cap weighted index over the coming months.

Ben Rogoff, 11 February 2013

Trust Facts

Ordinary Shares

Share Price (p)	380.40
NAV (undiluted) per Share (p)	399.45
Premium (%)	-
Discount (%)	4.77
Capital Structure	128,220,357 shares of 25p

Subscription Shares†

Share Price (p)	7.13
Exercise Price (p)	
- From 1 April 2012 to 31 March 2014	478.00
Capital Structure	24,785,845 shares of 1p

Total Net Assets (£m)	512
AIC Gearing Ratio (%)*	0.00
AIC Net Cash Ratio (%)*	5.00

*Gearing calculations are exclusive of current year Revenue/Loss

Trust Characteristics

Launch Date	16 December 1996
Lead Manager	Ben Rogoff
Year End	30 April
Results Announced	Mid June
Next AGM	September 2013
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
Ongoing Charges (historic)	1.16%

* Further details can be found in the Report & Accounts

** Subject to high watermark and cap

Trust Overview

Objective

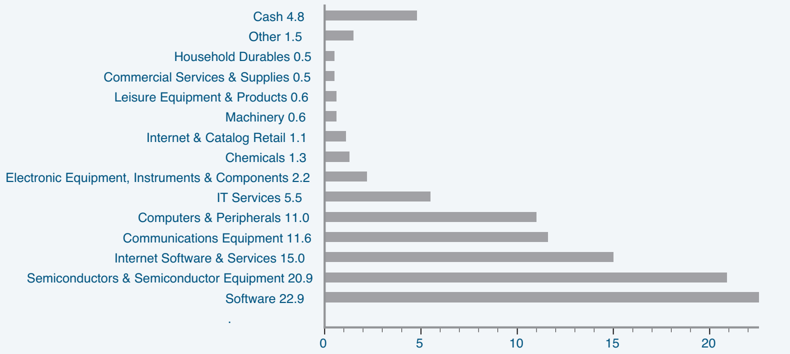
The investment objective is to maximise capital growth for our shareholders through investing in a diversified portfolio of technology companies around the world.

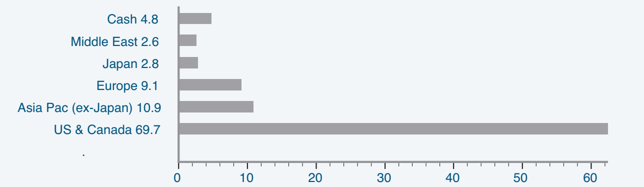
It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this list. A list of all recommendations made within the immediately preceding 12 months is available upon request.

31 January 2013

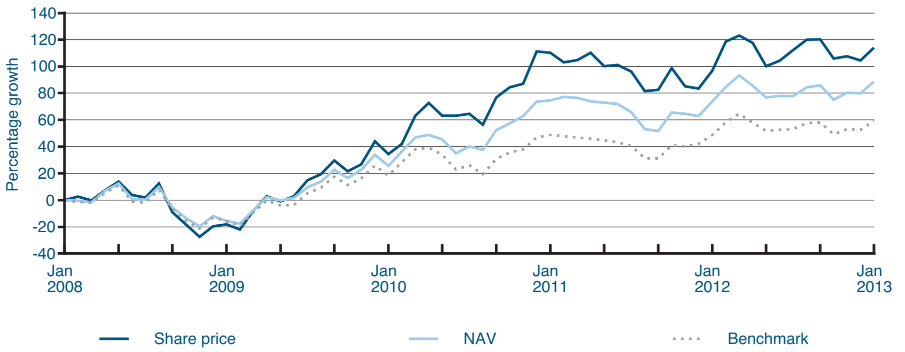
Fact sheet

Sector & Geographic Exposure (%)

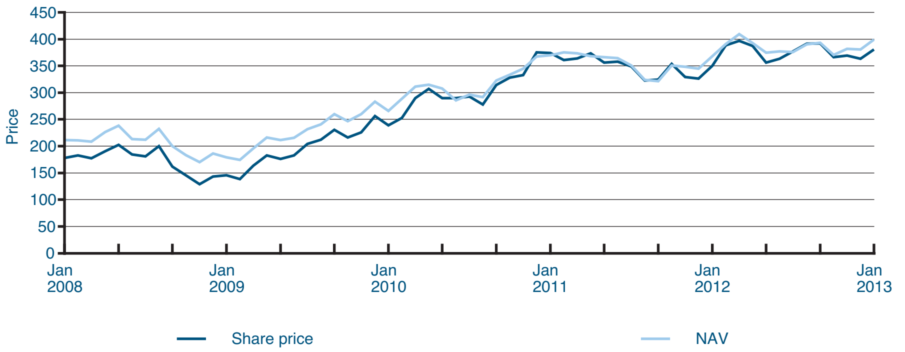




Performance Over 5 Years



Share Price & NAV per Share Over 5 Years



Cumulative Performance (%) to 31/01/2013

	1 Month	3 Months	6 Months	1 Year	5 Years
Share Price	4.65	3.93	0.90	8.65	114.01
NAV per Share	4.93	7.80	6.25	8.50	88.70
Benchmark	4.30	6.62	3.94	7.04	59.22

Discrete Annual Performance (%)

	30/04/12 31/01/13	28/04/11 30/04/12	30/04/10 28/04/11	30/04/09 30/04/10	30/04/08 30/04/09
Share Price	-1.71	3.61	21.74	67.65	-4.06
NAV per Share	1.76	6.59	16.88	45.63	-4.42
Benchmark	0.92	8.12	4.87	39.63	-5.45

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

Total Number of Holdings	129

Top Ten Holdings	(%)
Apple	7.2
Google	6.8
Microsoft	4.1
Samsung Electronics	3.7
IBM	3.3
Oracle	3.0
Qualcomm	2.4
TSMC	2.2
SAP	2.0
Cisco Systems	1.9
Total	**36.6**

Market Capitalisation Exposure	(%)
Large (greater than US$ 10bn)	68.2
Medium (US$ 1bn to 10bn)	22.5
Small (less than US$ 1bn)	9.2

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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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 five 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.

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.

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.

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.

Xuesong Zhao - Fund Manager

Xuesong joined Polar Capital in May 2012, having spent most of the previous four years working as an investment analyst within the Emerging Market & Asia team in Aviva Investors, where he was responsible for the Technology, Media and Telecom sectors. Prior to that, he worked as a quantitative analyst and risk manager for the Emerging Market Debt team at Pictet Asset Management. He started his career as a Financial Engineer at Algorithmics, an IBM company, in 2005. He holds an MSc in Finance from Imperial College Science & Technology and a BA (Hons) in Economics from Peking University and is a CFA charter holder.

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 Alliance Trust Savings Scheme, by contacting Alliance Trust.

Tel: 0800 326 323
Online: www.alliancetrust.co.uk

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

Ordinary Shares

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

Subscription Shares

London Stock Exchange	PCTS
Reuters	PCTS.L
Bloomberg	PCTS.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 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 recognizableby 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 inthe periods indicated and is not intended to imply that the fund was similar to the index in composition or risk.

Regulatory Status
Polar Capital LLP is a limited liability partnership number OC314700. It is authorised and regulated by the UK Financial Services Authority ("FSA") and is registered as an investment adviser with the US Securities & Exchange Commission ("SEC"). A list of members is open to inspection at the registered office, 4 Matthew Parker Street, London SW1H 9NP.

Information Subject to Change
The information contained herein is subject to change, without notice, at the discretion of Polar Capital and Polar Capital does not undertake to revise or update this information in any way.

Forecasts
References to future returns are not promises or even estimates of actual returns Polar Capital may achieve, and should not be relied upon. The forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. In addition, the forecasts are based upon subjective estimates and assumptions about circumstances and events that may not yet have taken place and may never do so.

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 Manager's 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.