Polar Capital Technology Trust PLC

POLAR CAPITAL

Fund Manager Comment

31 May 2011

Fact sheet

Market Review

With first-quarter earnings season all but complete macro events dominated markets during May, as investors refocused on the softening economic environment, the FTSE World Index fell 1.0% in Sterling (GBP) terms. The month commenced on a weak note as commodities and the Euro bore the brunt of weaker US data and the resurfacing of sovereign risk in the form of a potential Greek default. The US dollar rallied as risk aversion jumped, sparking a flight to safety and supporting defensive sectors such as Healthcare. Markets found a firmer footing mid-month despite lacklustre guidance from retailers such as Home Depot and Wal-Mart, both of which highlighted the impact elevated oil prices are having on consumer disposable income. Below consensus private employment, weak payroll data and a disappointing ISM manufacturing report reinforced investor concerns towards month end, evidenced by sharply lower ten year US Treasury yields which fell below 3% for the first time this year.

Technology Review

Technology stocks performed broadly inline with the market, the Dow Jones World Technology Index falling 0.7% in GBP terms during the month. Meanwhile, news flow in the sector highlighted the extent of the growing fundamental divide between legacy incumbent vendors and their new cycle peers. Cisco Systems, Hewlett Packard and Nokia all disappointed investors with profit warnings or poor guidance – whilst some of this weakness can be attributed to a softer macro economic backdrop, much is due to disruptive new technologies or competitors and highlights the challenges facing incumbents as a new technology cycle gathers pace. That technology stocks performed as well as they did reflected positive developments elsewhere which made plain the bifurcation of fortunes within sector today, including the remarkable IPO of the social networking company, LinkedIn (which more than doubled on its debut), strong numbers from Salesforce.com and Microsoft's $8.5bn acquisition of Skype which provided a boost to next-generation valuations.

Outlook

We thought we would cover the outlook section this month by addressing directly a question that we are being frequently asked - since the LinkedIn IPO - namely 'does the recent hype around social media stocks and their valuations suggest we are in a technology bubble?'… This is, of course, a sensitive issue for long-term technology investors such as ourselves, not least because the notion of using 'different valuation techniques' in order to value 'unique' assets is how the final leg of the 1990s bull market or dotcom bubble began. In terms of the positives, we believe social media companies such as Facebook, LinkedIn and Twitter are revolutionising (literally in the Middle East) the way companies and individuals communicate and consume media. Due to the immense power of the so-called network effect, these companies should be able to solidify their substantial first mover advantages which may prompt the likes of Google and others into defensive social media acquisitions.

Where we are less certain is how many emerging social media companies will be able to replicate the phenomenal success of Facebook and its 600m+ unique users, not least in terms of their ability to sustainably monetise their rapidly expanding user bases. Our fear is that investors are failing to differentiate between those companies with high barriers to entry, and therefore the potential for sustainably higher growth and profitability, and those that are likely to face significant competitive challenges. We are also mindful of how fast things change in this rather fickle space, given the experiences of former darlings such as Bebo (bought for $850m in 2008 by AOL only to be sold for $10m in 2010), MySpace (News Corp looking to unload the asset having acquired it for $580m) and Friends Reunited (bought by ITV for £120m in 2005 only to be sold for £25m four years later). As such, we are having difficulty justifying many of the scarcity-induced valuations being applied to potential IPO candidates. One such example being Groupon which recently filed its S-1 and is expected to be worth $15-20bn upon listing, having been valued at just $1.3bn in April 2010 – note they are also rumoured to have spurned a $6bn approach from Google earlier this year. Despite these concerns, we continue to do detailed research in the space, not least to understand the wider implications, but also because disruptive assets rarely come cheap (especially on forward price-earnings ratios) evidenced by the post IPO experiences of a number of our now core holdings such as Google, Amazon and Salesforce.com.

Where we strongly disagree, is the assertion that there is a more widespread bubble in technology stocks, not least because the sector trades at a market multiple, despite boasting a vastly superior balance sheet. Given record levels of net cash, the sector is likely to witness further M&A and buyback activity which should help underpin valuations and augment earnings growth. Furthermore, we continue to believe that we remain in the early stages of a new technology cycle of which social media is only one component. The combination of a number of highly disruptive technologies and business models will eventually enable what we call the 'mass production of IT', effectively a step down in the cost of delivering computing, which in turn should significantly expand the addressable market for those suppliers unencumbered by legacy exposure.

In conclusion, with three of our team having recently returned from investment trips to both the US and China, we have increased confidence that while macro concerns remain elevated, bottom up fundamentals continue to improve. This is clearly at odds with the disruption being felt by Nokia, Cisco and Hewlett Packard as each company struggles to remain relevant against a backdrop of single, rather than double-digit IT budget growth and a pronounced change in IT priorities. The poor performance of a number of these incumbents, together with a top-down rotation in favour of defensive groups, has resulted in the technology sector underperforming so far this year. Although macro uncertainty may create further volatility ahead of the end of QE2, we expect to use any weakness as an additional buying opportunity ahead of second-quarter earnings season and a seasonally stronger second half.

Ben Rogoff, 6th June 2011

Trust Facts

Ordinary Shares†

Share Price (p)	356.00
NAV per Share (p)	366.28
Discount (%)	-2.81
Capital Structure	127,415,401 of 25p

Subscription Shares†

Share Price (p)	24.50
Exercise Price (p)	
- Until 31 March 2012	401.00
- From 1 April 2012 to 31 March 2014	478.00
Capital Structure	101,686,735 shares of 1p

Total Net Assets (£m)	467
AIC Gross Gearing Ratio (%)*	106.00
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	August 2011
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

Trust Objective

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.

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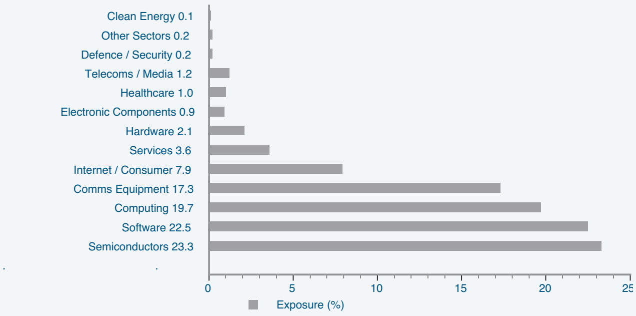
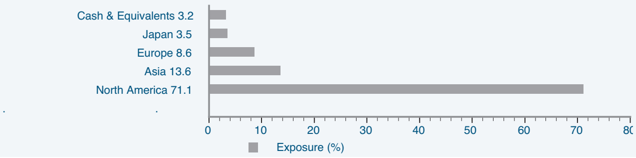
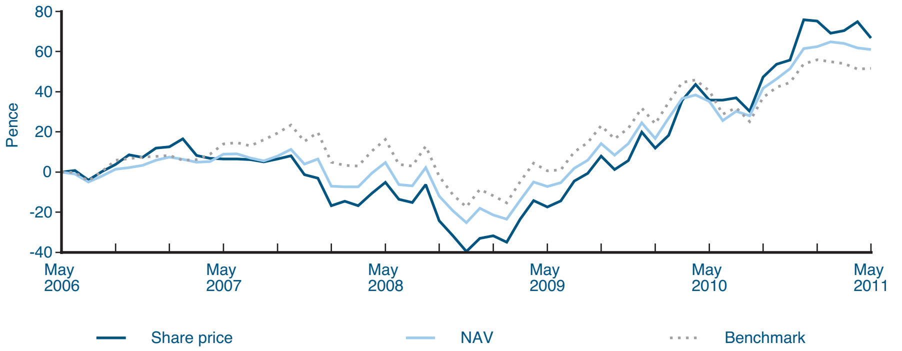
Fact sheet

Sector & Geographic Exposure (%)

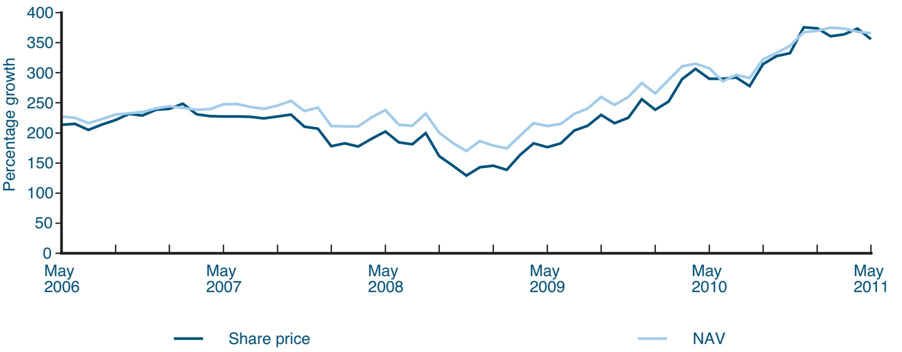




Performance Over 5 Years



Share Price & NAV per Share Over 5 Years



Cumulative Performance (%) to 31/05/2011

	1 Month	3 Months	6 Months	1 Year	5 Years
Share Price	-4.69	-1.39	7.07	22.80	66.74
NAV per Share	-0.54	-2.40	6.29	19.00	60.93
Benchmark	-0.88	-2.18	4.87	7.58	51.61

Discrete Annual Performance (%)

	31/03/10 31/03/11	31/03/09 31/03/10	31/03/08 31/03/09	30/03/07 31/03/08	31/03/06 30/03/07
Share Price	25.60	77.25	-7.89	-23.16	-7.32
NAV per Share	20.08	58.94	-6.05	-12.77	-9.27
Benchmark	6.51	52.05	-7.69	-3.00	-8.10

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

Total Number of Holdings	129

Top Ten Holdings	(%)
Apple	8.6
International Business Machines	4.4
Oracle	3.9
Google	3.9
Samsung Electronics	3.4
Microsoft	2.9
Qualcomm	2.8
Taiwan Semicon Manufacturing	2.1
EMC Corporation	2.0
Intel	1.7
Total	**35.8**

Market Capitalisation Exposure	(%)
Large (greater than US$ 10bn)	69.2
Medium (US$ 1bn to 10bn)	18.9
Small (less than US$ 1bn)	11.9

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.

31 May 2011

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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This document does not provide all information material to an investorís decision to invest in the Polar Capital Technology Trust PLC, including, but not limited to, risk factors.

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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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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 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.