

## Fund Manager Comment

### Market performance

Equity markets fell modestly during October despite a challenging third quarter earnings season, the FTSE World Index falling 0.6% in sterling (GBP) terms. Macroeconomic data was mixed with bears pointing to the lowest US factory orders since January 2009 and an oil price that ended the month nearly 7% lower, while bulls were emboldened by better ISM and consumer confidence readings, together with a surprise fall in US unemployment (from 8.1% to 7.8%). US markets floundered, the S&P 500 Index falling 1.9% due to the combination of a more challenging than anticipated third quarter earnings season and a close-run Presidential election that brought the so-called 'fiscal cliff' into greater focus. Japanese stocks also fared poorly, a challenging earnings season more than offsetting efforts by the Bank of Japan to weaken the yen. European indices (and the euro) were notable outperformers, particularly given some initial concern that a Spanish aid request was not imminent. M&A activity continued apace with Japanese operator Softbank purchasing a 70% stake in US carrier Sprint for US\$20.1bn, while Disney's US\$4.05bn acquisition of Lucasfilm appeared to delight and dismay Star Wars fans in equal measure! Unfortunately, October 2012 will be remembered most for Superstorm Sandy that wreaked havoc along the US eastern seaboard causing an estimated US\$50bn of damage and forcing the closure of US stock markets for two consecutive days, the first time the weather has done so since 1888.

### Technology performance

Technology stocks fared poorly during the month due to a combination of passive (US underperformance) and active (earnings season) factors, the Dow Jones World Technology Index falling 5.8% in GBP terms. Third quarter earnings season dominated proceedings with announcements largely skewed to the downside as a more challenging economic environment and uncertainty ahead of leadership changes in US, China and Japan weighed on technology spending. In addition from a consumer perspective, there have been more significant new product launches than at any time we can remember (including iPhone 5, Google Nexus 7, iPad Mini, Windows Surface, Nexus 10 and Amazon Kindle Fire HD tablets) and as such consumers may be sitting back waiting for product availability, reviews and peer feedback before rushing into purchasing decisions, resulting in a pause in spending magnified by the economic backdrop. PC-related newsflow remained particularly weak with earnings misses and guidance resets from the likes of HP, Intel and Marvell reflecting the malevolent combination of cyclical and secular headwinds, exacerbated by a hiatus ahead of the imminent release of Windows 8 based devices. The weaker economic backdrop, together with tough FX comparisons also left their mark on results from tech stalwarts IBM and EMC, while Google missed forecasts due to a shortfall at Motorola and unfavourable FX (made worse by their premature release during market hours). Communication stocks experienced further selling pressure as AT&T appeared to deflate expectations of a 2H12 CAPEX flush, supported by lowered guidance from the likes of Juniper Networks and JDS Uniphase, although there were also encouraging early signs of increased 4G infrastructure spending from semiconductor vendors such as Cavium.

Not even Apple could lift the gloom as they delivered another lacklustre earnings report with supply constraints and a plethora of new product launches leading to sharply lower gross margin guidance for Q4. We had reduced our Apple position following the iPhone 5 launch (being slightly underwhelmed by the new form factor). In the near term, given the recent pullback in the stock and with supply constraints Apple is likely to be given the benefit of the doubt (new products always have lower margins during the early ramp but improve over time) but we will be watching this closely and will not hesitate to further reduce our exposure should we feel that margins are unlikely to rebound. Similarly a number of other next-generation holdings (such as Citrix and F5 Networks) issued disappointing results and/or guidance citing macroeconomic deterioration and lengthening sales cycles. Fortunately, it was not all doom and gloom, evidenced by strong results from a number of our holdings including ARM Holdings, eBay, Facebook, Ixia and Radware. The Trust also directly benefited from the acquisition of OPNET by Riverbed Technology for a c.30% premium.

### Outlook

Markets have been robust this year largely because policymakers have been alive to the challenge and need for intervention. Diminished likelihood of worst case scenarios following the return of the Fed (and ECB) 'put' have driven a modest re-rating of equities, investors sharing our long held view that their interests remain clearly aligned with those of policymakers. However, as evidenced by a worse than expected third quarter earnings season, this intervention is necessary because economic recovery remains fragile. Despite mixed US data (ex-housing) and European growth remaining elusive we continue to adhere to our 'muddling through' thesis, as we are hopeful that the conclusion of US and Japanese elections together with the Chinese leadership transition should reduce political and policy uncertainty going forward.

While reporting season has been disappointing, third quarter has always been a tricky seasonal period for technology earnings even without the added distraction of the Olympics, ongoing uncertainty regarding Greek and Spanish bailouts and leadership change in three of the world's most important economies. From a top-down perspective, markets continue to look well supported even if earnings may be subject to some modest further downward revision. This is particularly true relative to other asset classes, especially versus so-called 'safe havens' and their promise of negative real returns. Having looked a little overbought and with sentiment full, if not ebullient at recent highs, markets appear more attractive now that investors have become decidedly more bearish (evidenced by our favoured bull-bear indicator and German two year bond yield which hit zero this week). As such (and having retained some liquidity ahead of what we feared could prove a trickier earning season) we have moved the portfolio to a more fully invested position in order to take advantage of modest technology valuations, strong balance sheets, favourable seasonality and de-risked fourth quarter earnings expectations.

Ben Rogoff, 12th November 2012

## 31 October 2012

### Fact sheet

#### Trust Facts

##### Ordinary Shares

Share Price (p)	366.00
NAV (undiluted) per Share (p)	370.55
Premium (%)	-
Discount (%)	1.23
Capital Structure	128,219,920 shares of 25p

##### Subscription Shares<sup>†</sup>

Share Price (p)	10.22
Exercise Price (p)	
- From 1 April 2012 to 31 March 2014	478.00
Capital Structure	24,786,282 shares of 1p

Total Net Assets (€m)	475
AIC Gearing Ratio (%) <sup>*</sup>	0.00
AIC Net Cash Ratio (%) <sup>*</sup>	2.00

<sup>\*</sup>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 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<sup>\*</sup>

Management Fee	1.00%
Performance Fee <sup>**</sup>	15% over Benchmark
Total Expense Ratio (historic)	1.16%

<sup>\*</sup> Further details can be found in the Report & Accounts

<sup>\*\*</sup> 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.

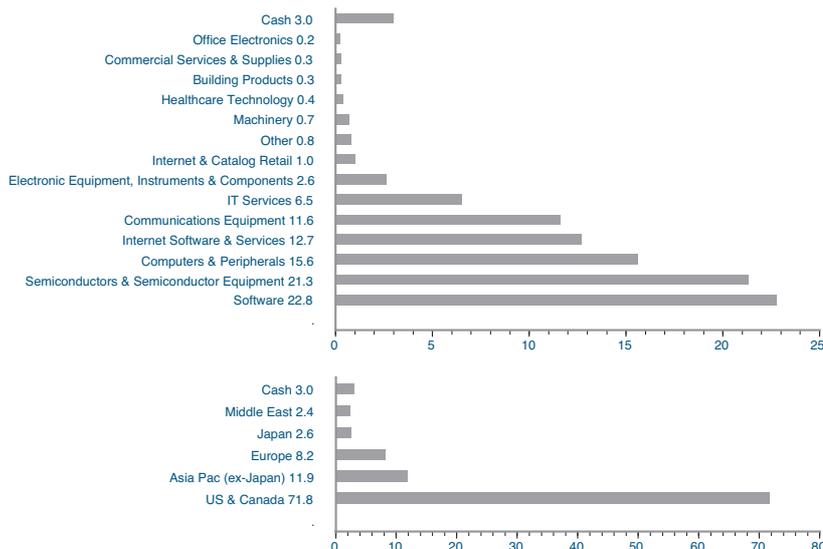
**†For full details of the subscription shares and their exercise terms please refer to the prospectus of 18 January 2011 and the notes on the company's website.**

**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.**

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Fact sheet

## Sector & Geographic Exposure (%)



## Performance Over 5 Years



## Share Price & NAV per Share Over 5 Years



## Cumulative Performance (%) to 31/10/2012

	1 Month	3 Months	6 Months	1 Year	5 Years
Share Price	-6.56	-2.92	-5.43	3.54	58.61
NAV per Share	-5.81	-1.44	-5.65	5.73	46.31
Benchmark	-5.60	-2.51	-5.35	6.01	26.93

## Discrete Annual Performance (%)

	30/04/12 31/10/12	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	-5.43	3.61	21.74	67.65	-4.06
NAV per Share	-5.65	6.64	16.88	45.63	-4.42
Benchmark	-5.35	8.12	4.87	39.63	-5.45

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

## Total Number of Holdings

127

## Top Ten Holdings

(%)

Apple	11.5
Google	5.6
Microsoft	4.7
Samsung Electronics	3.9
International Business Machines	3.7
Qualcomm	2.6
Oracle	2.3
Intel	2.3
Taiwan Semicon Manufacturing	2.3
SAP	1.9
<b>Total</b>	<b>40.8</b>

## Market Capitalisation Exposure

(%)

Large (greater than US\$ 10bn)	65.7
Medium (US\$ 1bn to 10bn)	24.6
Small (less than US\$ 1bn)	9.7

## 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 lu - 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](http://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](http://www.shareview.co.uk)

## Codes

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

## Website

[www.polarcapitaltechnologytrust.co.uk](http://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.

## Important Information

All sources Polar Capital unless otherwise stated. It is not a recognised scheme under s.76 of the Financial Services Act 1986 and its promotion is restricted to persons permitted by the Financial Services (Promotion of Unregulated Schemes) Regulations 1991.

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

## Statements/Opinions/Views

All opinions and estimates in this report constitute the best judgment of Polar Capital as of the date hereof, but are subject to change without notice, and do not necessarily represent the views of Polar Capital. Polar Capital is not rendering legal or accounting advice through this material; readers should contact their legal and accounting professionals for such information.

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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 recognizable by investors. Please refer to [www.djindexes.com](http://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.

## 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 securities or smaller companies, their potential volatility may increase the risk to the value of, or 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.