

POLAR CAPITAL PARTNERS

Polar Capital Technology Trust PLC Results Presentation

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12th June 2008



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Performance

Results Y/E 30 April 2008

Net Assets
NAV per share

£300.4m
-5.4%

Technology Performance

Technology Indices	Returns (%)	
	Local	Sterling
Dow Jones World Technology	0.5	1.5
NYSE Arca Technology 100 (US)	-5.6	-4.7
Morgan Stanley EUROTEC (USD)	-17.3	-16.5
MSCI Asia Pac ex Japan Info Tech	7.9	9.0
Tokyo SE Electronics	-18.7	-6.1

Index Performance

Market Indices	Returns (%)	
	Local	Sterling
FTSE World	-	1
S&P 500 Composite (US)	-4.7	-3.8
Bloomberg European 500	-12.8	0.2
MSCI Asia Pac ex Japan	18.4	19.5
Topix Japan	-18.8	-6.3

Source: Polar Capital Partners / Bloomberg



FY 2008 Performance

- **Issues:**
- **Non-US exposure a drag (Europe – 16.6%, Japan – 6.3% vs. W1TEC +1.5%)**
- **US mega caps significantly outperform (Russell 1000 Tech +0.9% vs Russell 2000 Tech -15.2%)**
- **Underperformance in Asia**

Source: Polar Capital. European and Japanese performance represented by the EUROTEC and TOPIX Electric Appliances Index respectively.

FY 2008 Performance

- **Response**
- **US weighting increased with more balance between large, mid and small cap**
- **Asian exposure reduced and rebalanced**
- **Tighter parameters introduced for European and Asian portfolios**
- **Team strengthened with recruitment of Nick Evans from Framlington**
- **BAR overseeing non-US portfolio construction**

Why Technology?



Why Technology?

Superior Earnings Profile

Global Sector P/E and Growth estimates (2008-9)

	<u>Cal PE 2008</u>	<u>Cal PE 2009</u>	<u>Growth 2008</u>	<u>Growth 2009</u>
World Basic Industries	12.6	11.4	11.6	10.4
World Capital Goods	13.4	11.8	11.6	12.8
World Consumer Cyclicals	13.7	12.0	6.9	13.6
World Consumer Staples	16.8	15.1	4.6	11.3
World Energy	10.8	10.4	14.2	4.1
World Financials	10.9	9.3	4.3	18.1
World Health	14.0	12.6	7.9	11.6
World Insurance	9.7	8.7	-7.5	11.0
World Media	14.6	12.8	7.3	13.8
World Technology	16.3	13.8	16.0	18.7
World Telecoms	13.6	12.2	1.7	11.4
World Utilities	16.4	14.5	2.4	13.4
World ex Fin	13.8	12.3	9.2	11.6

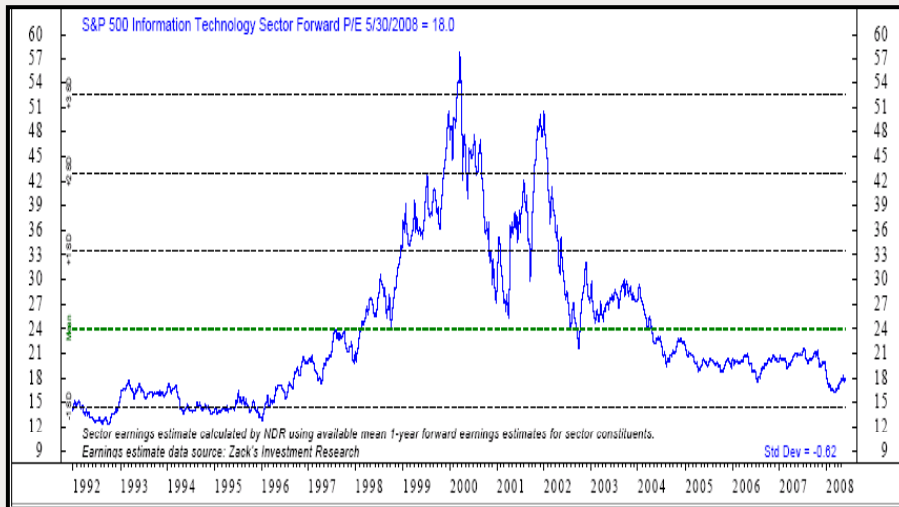
Source: Lehman Brothers



Why Technology?

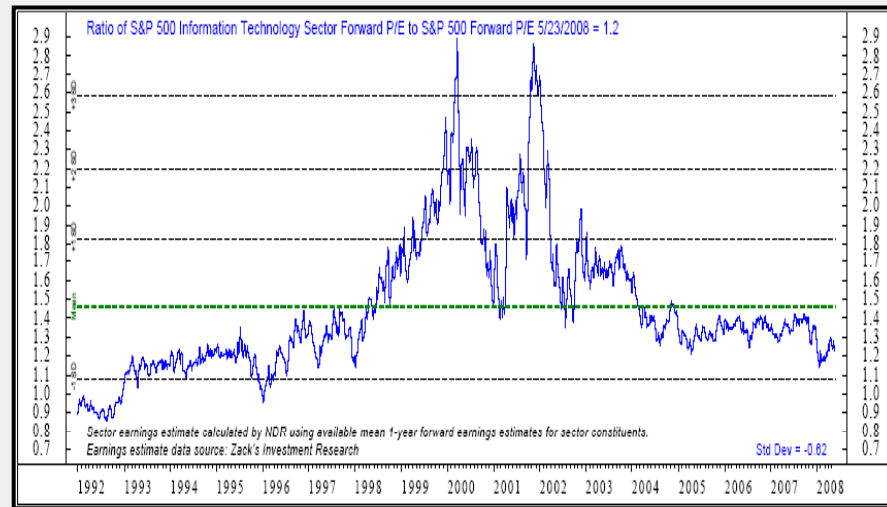
Undemanding valuations

Absolute P/E



Source: Ned Davis Research, as at 23/5/08

Current Relative P/E



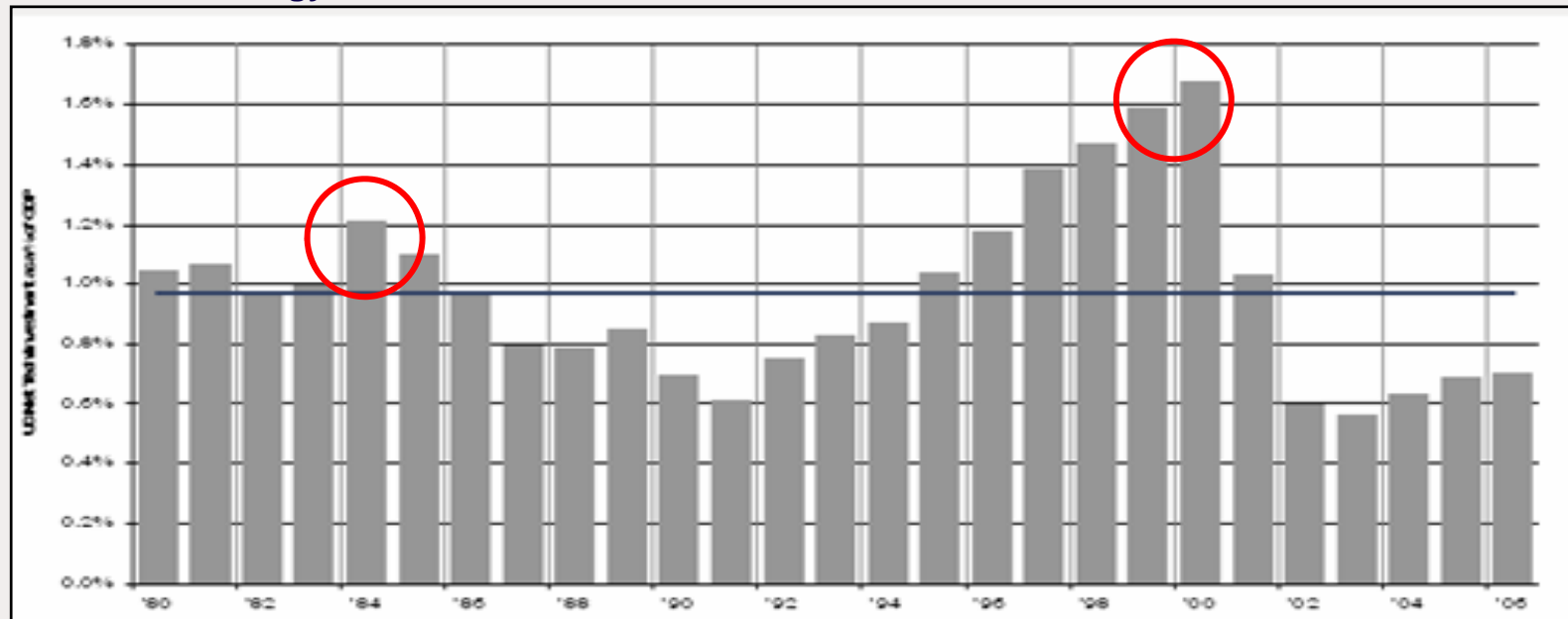
Source: Ned Davis Research, as at 23/5/08



Why Technology?

Sector should fare relatively well in a downturn

US Net Technology Investment as % of GDP



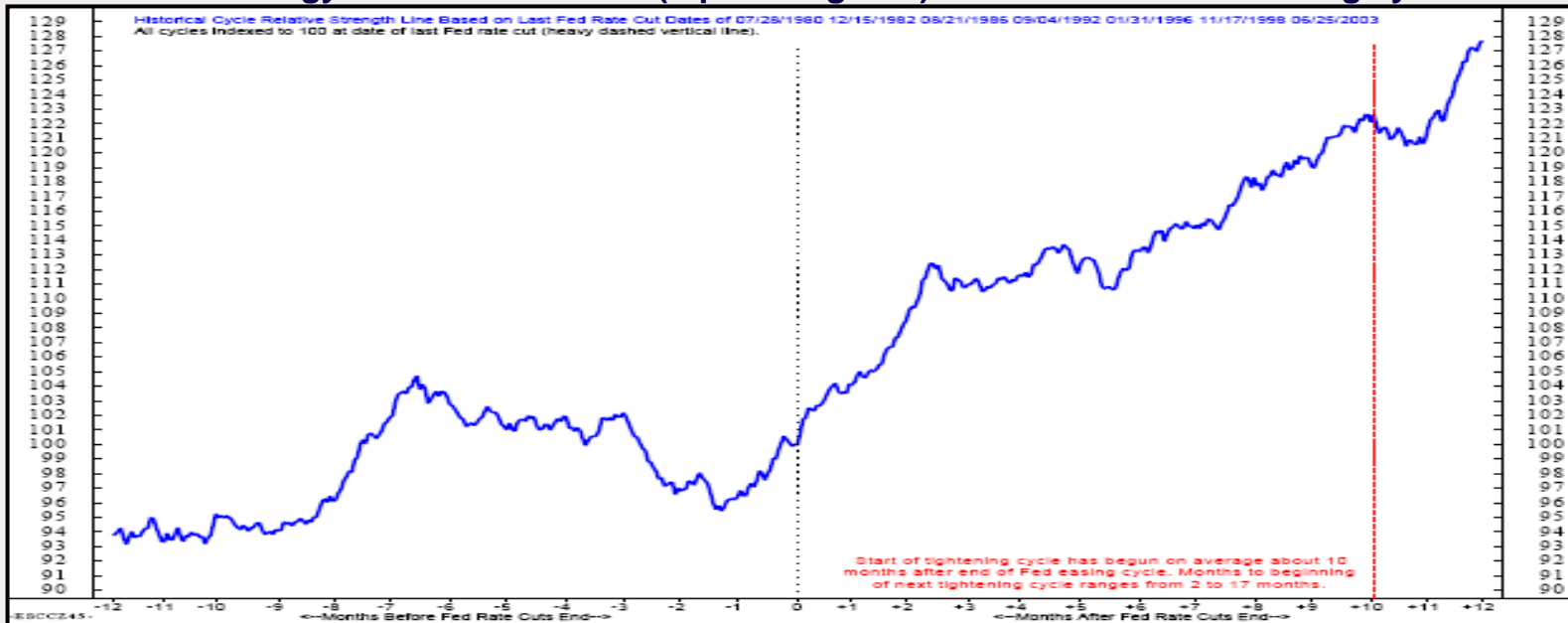
Source: CSFB



Why Technology?

Favourable rate cycle dynamics ahead

Ratio of Technology Sector to S&P 500 (equal-weighted) around end of Fed easing cycle



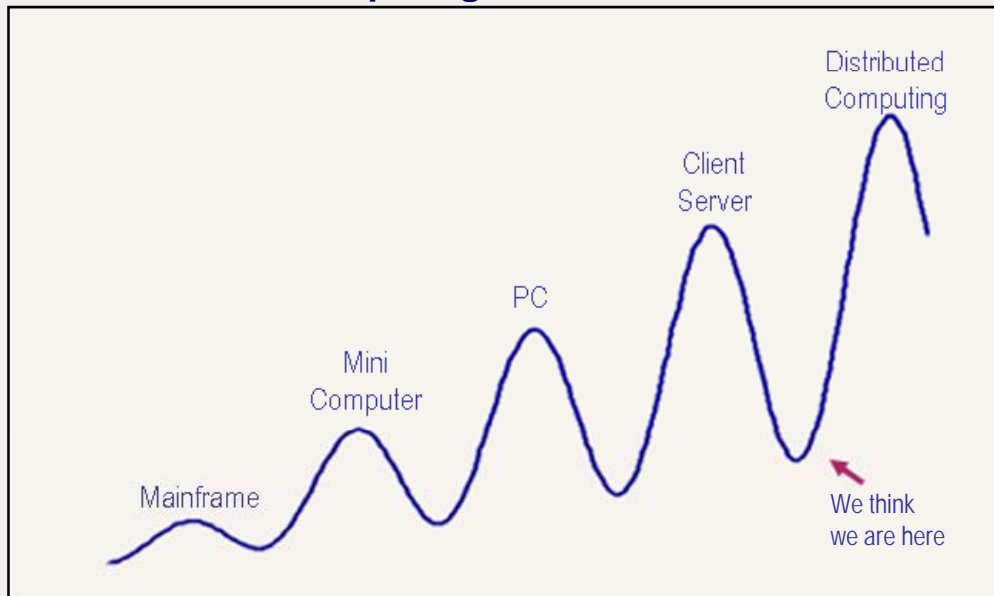
Source: Ned Davis Research, using rate cycle analysis since 1980.



Why Technology?

A new technology cycle underway

“The Distributed Computing Wave”



Source: SG Cowen, Polar Capital Partners

- **Plentiful bandwidth and internet-based technologies are driving the ‘distributed computing’ cycle**
- **Broadband proliferation resulting in ubiquitous computing / convergence**
- **Internet delivery mechanism creating incremental opportunities**
- **Shift towards new IT architecture should revitalise productivity proposition.**
- **New cycles rarely good for incumbents**



Key Themes

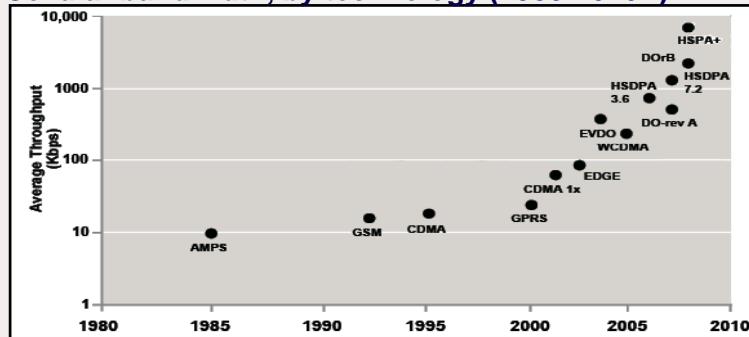
Why Technology?

A number of key secular themes at inflection points

- Broadband proliferation → Ubiquitous computing
- Internet delivery mechanism → expanding the market
- Distributed Computing → reacceleration of IT productivity
- Energy supply demand imbalance → technology response

Broadband proliferation = ubiquitous computing

Cellular bandwidth, by technology (1980-2010E)



Source: Qualcomm

HOLDINGS



Source: Polar Capital Partners

Legacy

- PC's dominated computing limiting addressable market
- Broadband limited to fixed line networks

Now

- Proliferation of converged devices eg iPhone / iTouch
- Broadband available across WiFi / Cellular networks
- IP traffic set to double every two years through 2011*

Favoured areas:

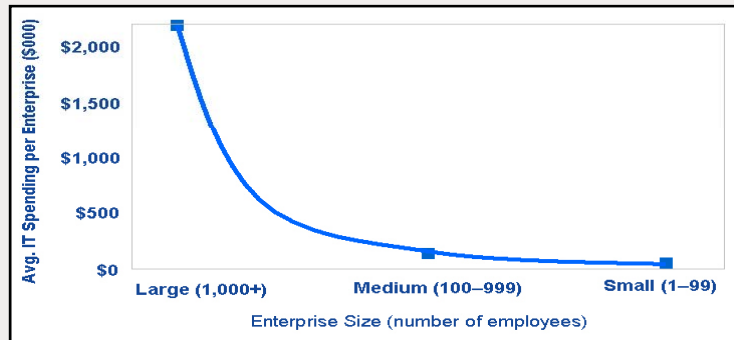
- 3G / Smart phones
- IP infrastructure

* Cisco, Morgan Stanley



New delivery mechanism = new opportunities

Average IT spending per Enterprise (\$000)



*Source: IDC

HOLDINGS



Source: Polar Capital Partners

Legacy

- Understandable focus on large enterprise market
- Upfront costs / IT expertise = barrier to adoption
- Consultancy / implementation = real cost of deployment

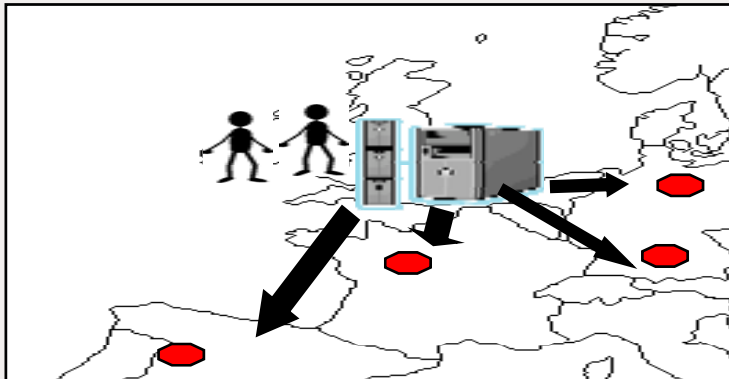
Now

- Internet delivery mechanism levels the playing field
- End of the licence model - why buy when you can rent?
- Lower upfront costs = \$150bn incremental opportunity*

Key examples

- Internet Advertising
- On-Demand Software

Distributed computing = reduced labour costs



Source: Polar Capital Partners

HOLDINGS



Source: Polar Capital Partners

Legacy

- Bandwidth expensive = Local Area Networks (LAN)
- Result = massive duplication of IT assets

Now

- Plentiful & cheap bandwidth / broadband ubiquity
- Hardware costs eclipsed by power/ labour costs
- WAN infrastructure = eliminate redundant assets

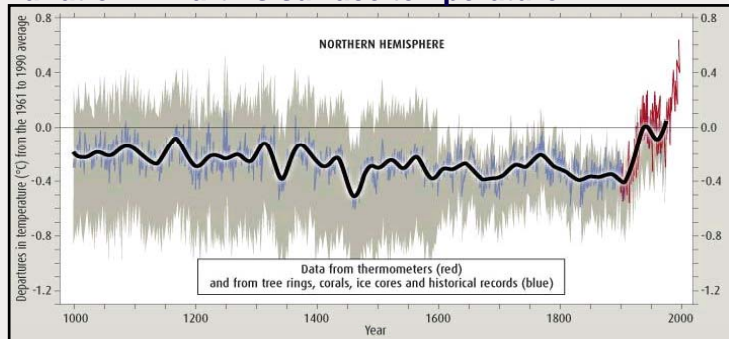
Key examples

- Data centre consolidation
- Virtualisation



Environmental Technology = uniquely positioned

Variation in Earth's surface temperature



Source: IPCC, New Scientist

HOLDINGS



Source: Polar Capital Partners

Alternative Energy

- High energy prices / externalities forcing agenda
- Government subsidies / regulatory requirements
- Renewables* < 1% of global electricity production*
- Preferred areas: solar, wind, nuclear

Conservation

- Waste everywhere = Transmission, lighting, water
- Preferred areas: LEDs, smart meters

Other areas of interest

- Clean up, carbon capture, baseline power production

* IEA Energy Statistics, 2004. Renewables excluding hydropower

Portfolio Positioning

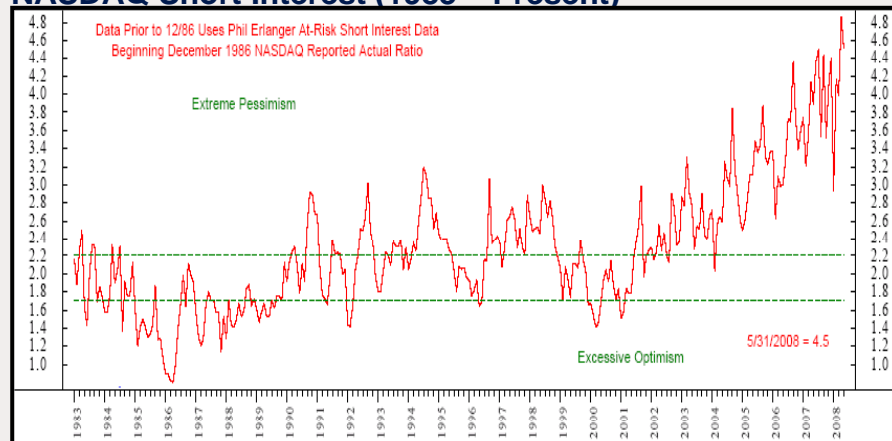
Short-term timing indicators

- High Valuations +
- Sector Overbought / Oversold 0
- New Issue Market +
- YOY Price Change +
- Short Interest Ratio ++
- US Retail Investor Sentiment 0

Source: Polar Capital Partners

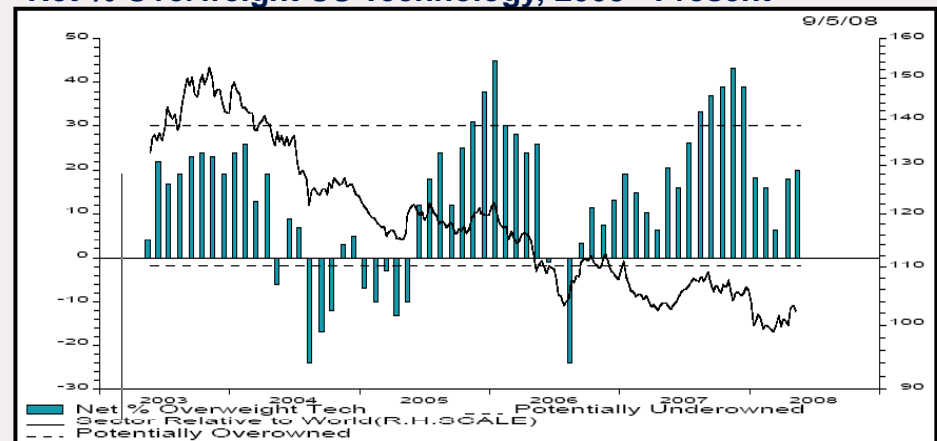
Sentiment Indicators

NASDAQ Short Interest (1983 – Present)



Source: Ned Davis Research

Net % Overweight US Technology, 2003 - Present



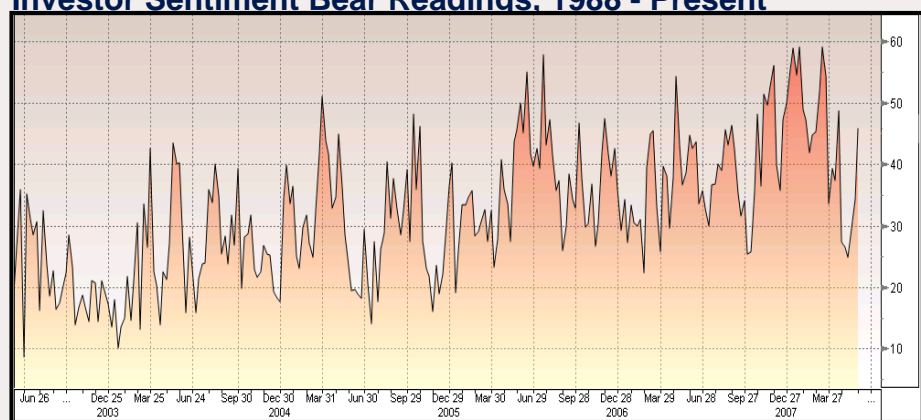
Source: Merrill Lynch, as at 9/5/08

ETF and other Tech assets as % of total domestic sector assets



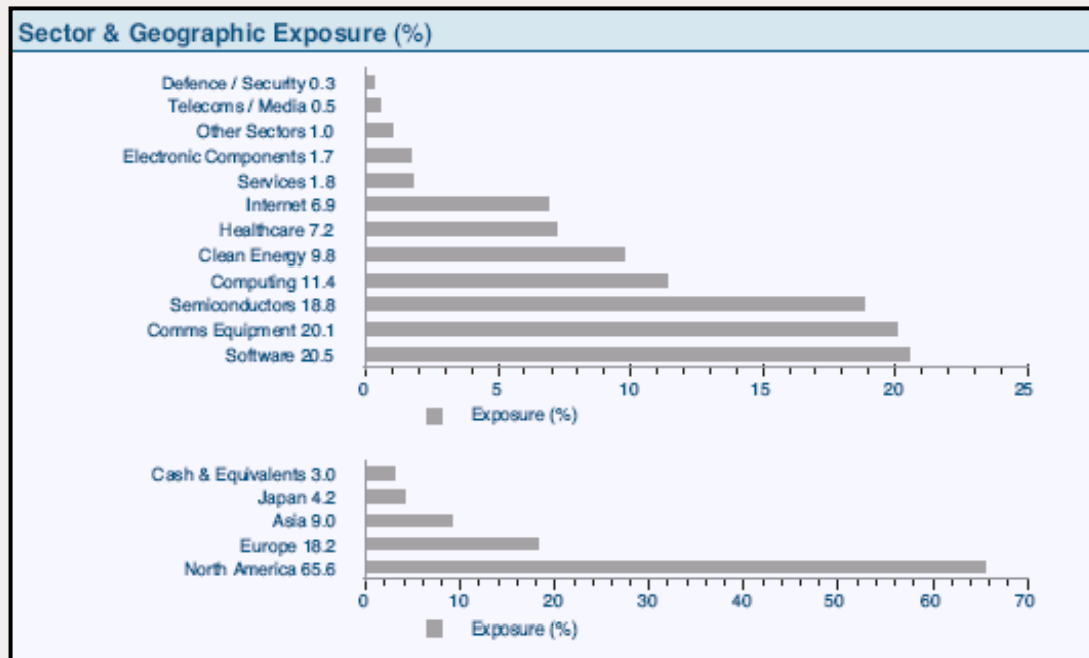
Source: Ned Davis Research, as at 30/5/08

Investor Sentiment Bear Readings, 1988 - Present



Source: Bloomberg, as at 29/5/08

Current Portfolio (as at end May 2008)



Total Number of Holdings	112
Top Ten Holdings	(%)
Google	3.8
Research In Motion	3.3
Oracle	3.2
Qualcomm	3.1
Cisco Systems	3.1
Apple	2.9
Samsung Electronics	2.3
Intel	2.3
Microsoft	2.2
Canon	2.1
Total	28.1
Market Capitalisation Exposure	(%)
Large (greater than US\$ 10bn)	62.5
Medium (US\$ 1bn to 10bn)	27.1
Small (less than US\$ 1bn)	10.4

Source: Polar Capital, as at 31/5/08

Conclusion

- We believe we are in the early stages of a significant new cycle
- Sector should prove more resilient to macroeconomic downturn given muted capital spending cycle to date
- Earnings estimate risk somewhat mitigated by attractive valuations / balance sheets
- Current positioning reflects liquidity preference / FX trends...
- ...but new cycles are rarely good for incumbents
- Anticipate reduction in US large-cap exposure before Q408.



House View

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