

## Trust Fact Sheet

29 January 2016



### Trust Facts

#### Ordinary Shares

Share Price	573.00p
NAV per share	598.06p
Premium	-
Discount	-4.19%
Capital	132,336,159 ordinary shares of 25p

#### Assets & Gearing <sup>1</sup>

Total Net Assets	£791.5m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	5.10%

### Benchmark

Dow Jones World Technology Index Total Return adjusted for withholding taxes (from 1 May 2013)

### Fees <sup>2,3</sup>

Management	1.00%
Performance	15% over Benchmark

### FX Rates

GBP/USD	1.4185
GBP/EUR	1.3109
GBP/JPY	171.7307

### Risk Warning

Your capital is at risk. You may not get back the full amount you invested. Please note the Important Information on Page 4 and the Investment Policy and full Risk Warnings set out in the Prospectus, Annual Report and/or Investor Disclosure Document.

### Discount Warning

The shares of investment trusts may trade at a discount or a premium to Net Asset Value for a variety of reasons including market sentiment and market conditions. On a sale you could realise less than the Net Asset Value and less than you initially invested.

## Company Profile

### Investment Objective

The investment objective is to maximise long-term capital growth through investing in a diversified portfolio of technology companies around the world.

### Investment Rationale

Over the last three 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 broader market, reflecting the longer-term secular uptrend in technology spending.

Full details of the Investment Objective, Rationale and Strategy are available on the company's website.

### Investment Approach

The Polar Capital Technology team selects companies for their potential for shareholder returns, not on the basis of technology for its own sake. The team 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.

## Performance

### Performance over 5 years (%)



	1 Month	3 Months	6 Months	1 Year	5 Years
Ordinary Share Price	-8.61	-3.86	-3.94	-0.52	53.25
NAV per Share	-5.58	-1.04	0.96	4.21	61.71
Benchmark	-2.38	0.93	4.36	4.33	64.41

### Discrete Annual Performance (%)

	30/04/15 29/01/16	30/04/14 30/04/15	30/04/13 30/04/14	30/04/12 30/04/13	28/04/11 30/04/12
Ordinary Share Price	-3.21	33.94	10.92	2.97	3.61
NAV per Share	-0.19	30.69	11.17	5.01	6.64
Benchmark	-0.08	29.46	13.07	5.98	8.12

Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, total return, Net of Fees in GBP terms. Past performance is not indicative or a guarantee of future results.

1. Gearing calculations are exclusive of current year Revenue/Loss.

2. Management fee is 1% of net assets up to £800m and 0.85% on assets over £800m.

3. The performance fee is subject to a highwater mark and cap. Further details can be found in the latest Report and Accounts.

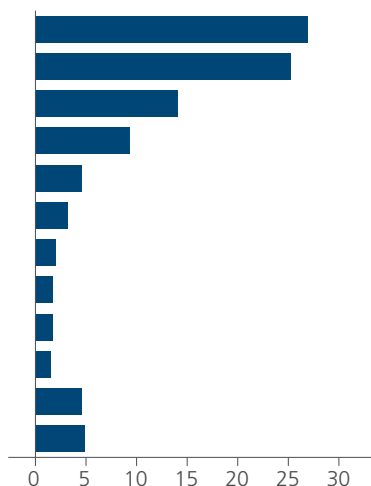
# Polar Capital Technology Trust plc

## Portfolio Exposure

As at 29 January 2016

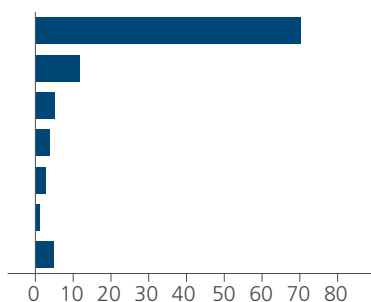
### Sector Exposure (%)

Internet Software & Services	27.0
Software	25.3
Semiconductors & Semiconductor Equip.	14.0
Tech. Hardware, Storage & Peripherals	9.4
Internet & Catalog Retail	4.6
Communications Equipment	3.2
Elec. Equip. Instruments & Components	2.0
IT Services	1.8
Healthcare Technology	1.7
Machinery	1.5
Other	4.6
Cash	4.9



### Geographic Exposure (%)

US & Canada	70.4
Asia Pac (ex-Japan)	11.8
Europe (ex UK)	5.2
Japan	3.8
UK	2.7
Middle East & Africa	1.1
Cash	4.9



### Top 15 Holdings (%)

Alphabet	9.8
Apple	7.4
Microsoft	6.9
Facebook	5.4
Amazon	2.9
Alibaba Group Holding	2.0
Tencent	1.7
Salesforce.com	1.7
Intel	1.7
Splunk	1.7
TSMC	1.4
Netsuite	1.3
Cisco Systems	1.2
Red Hat	1.1
Baidu	1.1

**Total** 47.3

**Total Number of Positions** 128

### Market Capitalisation Exposure (%)

Large Cap (>\$10bn)	64.8
Mid Cap (\$1bn - \$10bn)	27.2
Small Cap (<\$1bn)	8.1

## Investing in the Trust and Shareholder Information

### 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

Details of the different ways of dealing in the company's shares are given on the website. Equiniti, the company's registrars provide an internet share sale service.

**Telephone** 0800 876 6889  
**Online** www.shareview.co.uk

### Savings Scheme & ISA

Shares in the company may be purchased through a share saving scheme or an ISA.

### Corporate Contacts

#### Registered Office and Website

16 Palace Street, London SW1E 5JD  
www.polarcapitaltechnologytrust.co.uk

#### Custodian

HSBC Plc is the Depositary and provides global custody of all the company's investments

#### Registrar

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA  
www.shareview.co.uk

### Trust Characteristics

Launch Date	16 December 1996
Year End	30 April
Results Announced	Mid June
Next AGM	September 2015
Continuation Vote	2015 AGM
Listed	London Stock Exchange

### Codes

#### Ordinary Shares

ISIN	GB0004220025
SEDOL	0422002
London Stock Exchange	PCT

The entire investment portfolio is published in the annual and half year report as well as being announced to the London Stock Exchange on a quarterly basis. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.

Note: Totals may not sum due to rounding.

## Fund Manager Comments

As at 29 January 2016

### Market Review

Equity markets fell sharply in January, with the FTSE World Index declining by 2.6% (in GBP terms). Investors became increasingly risk averse amid mounting concerns about China, the ongoing oil bear market and weaker US economic data. The depreciation of the Yuan appeared increasingly disorderly in December and at the start of January. Following near daily falls against the US Dollar, investors began to fear a larger devaluation, forcing the People's Bank of China (PBOC) to intervene in FX markets to restore confidence. The PBOC also announced its new exchange rate policy in some detail, targeting a "relatively stable" Renminbi against a basket of currencies. The denouements in FX markets were accompanied by ongoing weak Chinese economic data – the Caixin China manufacturing PMI fell to 48.2, down from 48.6 in November, and the services PMI fell to c. 50, the lowest level in over a decade. A 5.9% fall in China's producer prices (PPI) also stoked fears of a Japanese style deflation scenario. Though these data-points urged caution around China's policy apparatus and long-run growth potential, December Total Social Financing (TSF) – which includes local government bonds – grew at around 15%, compared to nominal GDP growth of around 6%, suggesting that fears of a near-term economic collapse may be overstated. The Yuan ended January near five-year lows, at 6.59 to the US Dollar. Oil prices touched an 11-year low during January, with WTI crude futures and Brent finishing the month down 11.9% and 6.6% respectively, driven by increased production potential in Iran, falling global GDP expectations and a large short-term supply/demand imbalance. Very low oil prices are leading to serious problems for oil producers and oil dependent economies.

Against the deteriorating global economic and financial market backdrop, the Federal Reserve remained resolute in continuing with US monetary policy tightening, with hawkish comments from several board members. However, weaker US economic data released subsequently (manufacturing PMI fell to 51.2, the lowest since October 2012; the Markit US "all sector" PMI hit a 12-month low at 54; real-time estimates of US GDP growth suggest a material slowdown) gave the market hope that the pace of rate rises will be even more measured, supported by FOMC meeting minutes released on 27 January which emphasised that the tightening path will be data-dependent. US 10-year treasury bonds ended January yielding just 1.93%. The biggest surprise came from the Bank of Japan (BoJ), which introduced a negative 0.1% interest rate on excess reserves in current accounts held by financial institutions at the BoJ. The Bank also hinted it may increase the scale of stimulus later in the year. Sadly, the positive impact on financial markets was short-lived; the concern being that we are entering the next phase of competitive devaluation, which will render the move ineffective in fighting deflation.

### Technology Review

The technology sector underperformed the broader market during January, the Dow Jones World Technology Index declining 2.4% (in GBP terms) while Trust NAV trailed, reflecting the monodimensional sell-off in high growth assets and the better performance of some incumbent technology companies perceived to be 'safe' (at least in the very short term).

Fourth quarter results from the mega-cap technology companies were mixed. Apple's fiscal Q1 results came in modestly below expectations and management provided Q2 guidance that was also below consensus. This was not a major surprise, given multiple weak supply chain data-points already seen in the run-up to results. Though iPhone ASPs and gross margins remained strong, iPhone unit numbers struggled to beat a tough comp, with some inventory build in the quarter, and Q2 guidance implies a c.10-15% contraction in iPhone units sold year-on-year (YoY). Despite a weak China

macro backdrop, Greater China revenues were up 14% YoY. CEO Tim Cook said on the call that c. 40% of the installed base prior to the iPhone 6 launch has upgraded to a larger screen size, from the low 30%'s in Q4. Despite this negativity, Apple stock is inexpensive and has an exceptionally strong balance sheet (net cash \$153bn) having completed \$153bn of its \$200bn capital return program which explains our large absolute (but significant underweight) position in Apple stock.

Among next generation names Facebook was once again the star of the show, as it continues to dominate mobile advertising. Revenue growth re-accelerated to 60% YoY (constant currency), with effective price per ad growing 21% YoY. Monthly Active Users (MAUs) grew to 1.59bn, up 14% YoY, while daily active users (DAUs) crossed 1bn. Its execution in growing Instagram, Facebook Messenger and WhatsApp users also impressed. Amazon's results came in at the top-end of guidance but fell short of lofty buy side expectations. Following a stellar 2015, CEO Jeff Bezos is embarking on another round of investment, which led to operating profit below expectations. Focusing on the long-term drivers, Amazon Web Services is now a \$9.6bn run rate revenue business growing at 69% YoY (constant FX), worldwide engagement statistics grew 26% YoY and worldwide paid Prime members grew 51% YoY. So, despite missing expectations Amazon is performing well. It guided Q1 '16 revenues to be between \$26.5bn and \$29bn, representing between 17% and 28% growth.

January was a noticeably weak month for smaller, high growth, pre-profitability businesses. Hortonworks (not held) positively pre-announced, but spooked investors with its announcement of a \$100m follow-on offering. ServiceNow shares fell 17% after it missed consensus billings (\$361m reported billings vs. consensus \$374m), despite the fact it guided to revenue growth of 34-36% in Q1 '16 and delivered operating leverage far above expectations. Twitter performed poorly, following a number of executive departures and ongoing concerns about its ability to grow MAUs. Shares in other high growth names such as Hubspot, Splunk and Fireye (not held) also performed poorly in the broader sell-off.

Among incumbents, it is becoming clear which companies are able to successfully transition to new technology architectures. Microsoft delivered fiscal Q2 results above analyst expectations, beating (guided-down) numbers while once again showing increased discipline on operating expenses. The company continues to make progress with its cloud transition – Azure revenues grew 140% YoY at constant currency, Office365 seats grew 59% YoY with a positive mix shift up to premium SKUs, while Windows 10 now has over 200m users. As CEO Satya Nadella said "the enterprise cloud opportunity is massive, larger than any market we have ever participated in". Other companies, however, are looking increasingly challenged. IBM's (not held) revenue contraction came in worse than expected, with software revenues falling 6% YoY. Intel missed Q4 numbers, blaming weak Chinese macro, while reporting a significant slowdown in servers and changing its depreciation schedules.

### Outlook

History suggests that shifts in monetary cycles can have profound effects on risk assets, which in part explains the current skittishness in markets. However, we are convinced of the relative attraction of our asset class versus most alternatives. While we understand the considerable angst amongst market participants regarding the macro outlook for 2016, we believe the US economic recovery remains intact (albeit with a slightly lower growth trajectory than previously expected). US rate increases will almost certainly be more gradual than originally suggested by the Federal Reserve. We still believe policy makers are firmly on-side with recent action/rhetoric supporting this view – the BoJ setting negative interest rates, along with

## Fund Manager Comments

As at 29 January 2016

supportive commentary from the European Central Bank president Mario Draghi suggesting firm commitment to their 2% inflation target (raising the potential for further quantitative easing in March) and Federal Reserve officials are at pains to point out that they remain data dependent. Even if rates do rise, it should be remembered that empirically the early stages of US tightening have not derailed global equities and technology stocks have tended to outperform broader markets in the six months following the first rate increase.

Despite getting off to a disappointing start in January and early February, we remain constructive on the outlook for the Trust. Many high growth stocks have experienced significant multiple compression over the last two years, with successful companies 'growing into' their valuations even before recent 'waterfall' stock price declines. These factors combined have now led to significant valuation compression to levels we believe adequately reflect a softer (albeit non-recessionary) global backdrop. This is particularly true if you focus on enterprise value rather than market capitalization based metrics as we do, given the cash rich nature of many of our holdings. We are hopeful that absent a further deterioration in the US macro backdrop, valuations will stabilise and currently elevated correlations across financial markets will subside, allowing fundamentals to drive returns.

Whilst we are not attempting to call the bottom of the recent market correction, we are struck by the extent of the 'risk-off' trade which, to 9 February, has seen US small-cap underperformance reach -45% from Q1'14 highs, exceeding the 2011 sell-off (c.41%). The same is true within the technology sector itself where small-cap underperformance (over -50% since the 2015 peak) all but mirrors the 2011 experience. Lastly, the recent relative underperformance of new companies (as measured by the Bloomberg IPO Index) versus the S&P 500 (-65%) is now greater than both the 2011-12 period and during the so-called 'Great Recession'.

Despite a challenging market environment, we believe the fundamentals of our portfolio companies remain healthy. This combined with overly negative short-term investor sentiment and oversold technical conditions have led us to deploy some of our liquidity in our preferred stocks in anticipation of improving sentiment. We see many attractive opportunities ahead within our core themes, most of which have little to do with mature areas such as traditional 'enterprise computing' or 'smartphones' and therefore carry little baggage from the last technology cycle. Our preferred areas include: online advertising, e-commerce, Cloud infrastructure, software as a service (SaaS), games software, mobile payments, online travel, streaming video/TV, analytics, cyber-security, factory automation and additive manufacturing.

15 February 2016

### Polar Capital Technology Trust Management Team

#### Ben Rogoff

##### Director, Technology

Ben has managed the Trust since 2006, he joined Polar Capital in 2003 and has 20 years of industry experience.



#### Nick Evans - Senior Fund Manager

#### Fatima Iu - Fund Manager

#### Xuesong Zhao - Fund Manager

#### Bradley Reynolds - Investment Analyst

#### John Gladwyn - Investment Analyst

#### Paul Johnson - Investment Analyst

# Polar Capital Technology Trust plc

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