Polar Capital Technology Trust plc

Trust Fact Sheet
30 April 2014

Trust Facts

Ordinary Shares

Share Price	442.00p
NAV (undiluted) per share	458.47p
Premium	-
Discount	-3.59%
Capital	132,336,159 ordinary shares of 25p

Assets & Gearing[1]

Total Net Assets	£606.7m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	5.28%

Codes

Ordinary Shares

ISIN	GB004220025
SEDOL	422002
London Stock Exchange	PCT

Benchmark

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

Fees[2]

Management	1.00%
Performance	15% over Benchmark

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.

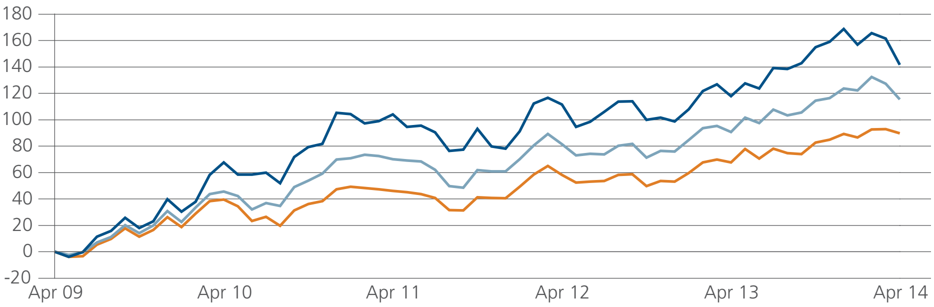
Full details of the Investment Objective, Rationale and Strategy are available on the company's website.

Investment Approach

Polar Capital selects companies for their potential for shareholder returns, 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.

Performance

Performance over 5 years (%)



	1 Month	3 Months	6 Months	1 Year	5 Years
Ordinary Share Price	-7.59	-5.96	-5.25	10.92	141.53
NAV (undiluted per Share)	-5.18	-4.63	-1.24	11.17	111.89
Benchmark	-1.71	1.63	3.89	13.07	89.72

Discrete Annual Performance (%)

	30/04/13 30/04/14	30/04/12 30/04/13	28/04/11 30/04/12	30/04/10 28/04/11	30/04/09 30/04/10
Ordinary Share Price	10.92	2.97	3.61	21.74	67.65
NAV (undiluted per Share)	11.17	5.01	6.64	16.88	45.63
Benchmark	13.07	5.98	8.12	4.87	39.63

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

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

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

Polar Capital LLP 4 Matthew Parker Street, London SW1H 9NP

T: +44 (0)20 7227 2721 | **E:** investor-relations@polarcapital.co.uk | **W:** www.polarcapital.co.uk

Fund Manager Comments

As at 30 April 2014

Market Review

Markets remained near highs despite escalating tensions between Russia and the US and Europe over the ongoing unrest in Ukraine, with the FTSE World Index declining just 0.3% during the month in sterling terms. The four-party agreement between Russia, Ukraine, US and Europe signed in Geneva mid-month was swiftly abandoned, as Russia issued more rhetoric around protection of Russian interests abroad, triggering more threats of economic sanctions. The US 10-year Treasury Yield retreated to 2.65% in the month, reflecting some flight to safety, although trade-weighted US Dollar actually weakened a further 0.8%. The same was true for gold, where spot prices rose only 0.5%, hardly a sign of nervousness in the broader market. Macroeconomic data remained supportive of a stable, recovering global economy, with inflation, unemployment, business and consumer confidence in major economies coming mostly in line with expectations. China data continued to disappoint, although the muted market reaction suggests that this was largely priced in. Likewise, many emerging market (EM) indices and currencies have seen some reprieve, temporary as it may be, over the past two months. Japan remained a notable exception as investors remain concerned about demand trends post the consumption tax hike and the likelihood of further policy stimulus, the TOPIX Index declining 3.6% (in sterling terms) over the month. Unfortunately, the rotation away from high growth/high beta stocks accelerated in April, resulting in some very material moves within certain sectors and geographies, not reflected in the stability of overall markets. While FOMC minutes revealed a much more sanguine view on rate hikes than that suggested by Fed Chair Janet Yellen's recent testimony (none of the members willing to commit to a specific time frame), the damage was already done such that further dovish comments from other FOMC members failed to stem the rotation away from high-growth/high-PE stocks.

Technology Review

This rotation has been most pronounced within the technology sector where our benchmark index, the Dow Jones World Technology Index, finished the month down only 1.7% in sterling terms, aided by strong performance from its largest constituent, Apple (+ 9.9%). In contrast, the Russell 2000 Technology Index (US small-cap tech) fell 8%, its largest monthly drawdown since May 2012 while the NASDAQ Internet Index declined a further 7.7%, following a 9% decline during March (all in sterling terms). While it is difficult to pinpoint exactly what triggered this rotation, momentum investors exiting and the poor performance of a number of large TMT hedge funds appear to be exacerbating some of these moves. While we are disappointed by recent performance, Q1 earnings thus far have been largely supportive of our thesis, even if share price action in many cases did not reflect the solid fundamentals. Although pre-announcement season, which is typically skewed towards negative news, did create some nervousness (two of the Fund's smaller holdings, Gigamon and Imperva, experiencing material share price corrections), first-quarter earnings season has been largely supportive of our 'new cycle' view, not withstanding poor weather in the US and the timing of Easter that had some negative impact. The greatest disconnect between earnings and share price performance was in the Internet sub-sector where solid reports from Amazon, eBay and Google were all poorly received while strong Facebook results (advertising revenues +82% year-on-year) saw investors "sell the news". Software-as-a-Service (SaaS) stocks suffered almost as much pain as their Internet peers where strong numbers from ServiceNow and Workday were unable to halt a pronounced de-rating process that has seen many former leaders decline 40-60% from their recent highs.

Despite the turmoil, it was 'business as usual' in many traditional technology sub-sectors, such as semiconductors, where product cycles, stabilising smartphone inventories and pockets of strength in communications infrastructure helped stocks such as Cavium, Mediatek and NXP post strong earnings reports. Likewise, memory vendors Micron, Sandisk and SK Hynix all continued to benefit from healthy pricing and continued capital spending discipline. However, the near-term outlook for semiconductor capital spending appears more mixed with both ASM Lithography (exited in January) and KLA-Tencor guiding orders down on weaker foundry spending. Despite relatively robust share price performances, legacy vendors IBM and SAP each delivered quarters that fell short of expectations with IBM (not held) reporting its eighth consecutive quarter of year-over-year revenue declines, only making the consensus EPS estimate by managing its tax rate lower (still) and buying back more than $8bn of its own stock while SAP was only able to grow licenses 1% year-on-year organically (in constant currency). As we expected, Microsoft reported another respectable quarter, aided by PC market stabilisation and the end of support for Windows XP. This, together with the excitement around the launch of Office for iPad saw the stock advance to post 2007 highs. Apple also reported solid Q1 earnings (against low expectations), with healthy iPhone sales more than offsetting weaker iPad units.

Outlook

The past two months have been among our most challenging as the sell-off in high growth/PE names stepped up a gear. At times like this it is all too tempting to look for external factors / 'wreckers' to help explain stock performance – hedge fund unwind, cross-correlation, disorderly selling and so on. Clearly we have been surprised by the magnitude and breadth of the high growth de-rating process. As the saying goes, "the man with hindsight has 20/20 vision." Well, in hindsight our hope that ebullience was limited to a select group of stocks was overly sanguine, as the remarkable de-rating of former hyper-growth 'winners' that we had largely avoided on valuation grounds has permeated throughout the next-generation technology universe, such that the valuation of our portfolio has contracted by more than 15% on an EV/Sales basis since the beginning of March.

At the risk of sounding complacent, the exodus from high-growth stocks has – so far – had little, if anything, to do with fundamentals/growth prospects that remain remarkably strong. Periods such as these are never easy for active managers but we would have expected our diversified portfolio to protect us somewhat. Unfortunately cross-correlation has been remarkably high, particularly given the absence of a broader market sell-off. In addition we have had to absorb the impact of several small-cap disappointments but - as frustrating as this is – it goes with the territory, particularly during the seasonally challenging first quarter. Instead, our underperformance largely mirrors the rotation away from growth/small-caps that has been driven by a change in sentiment likely brought on by the Fed reminder that monetary policy will not always be this loose. The extent of the rotation absent a market correction suggests that despite clearly diverging technology fundamentals the valuation elastic between the sector's 'winners' and 'losers' had become overly stretched. Two (brutal) months later, our conviction in these diverging fortunes remains as strong as ever – the pace of innovation within the sector is accelerating and alongside it the associated disruption.

The problem for now is that investor sentiment appears to have reversed so significantly that stocks are unable to hold gains following strong reports (e.g. Facebook, ServiceNow, Tableau, Yelp), while disappointments are being brutally punished, in part due to a dearth of buyers - momentum investors have vanished, TMT hedge funds are deleveraging and small/mid-cap growth investors with already substantial positions are not yet stepping up. While we cannot know when this sentiment driven rotation will run its course, we are comforted by the fact that the vast majority of our holdings (that have already reported) have continued to deliver strong fundamental performance. This is in stark contrast to incumbents such as IBM and EMC that appear increasingly beleaguered by the new cycle, the shift to cloud computing and slowing EM growth. As such we do not believe this current period of large-cap/value outperformance is sustainable, absent a significant top-down development/market 'shock'. Valuation measures have already pulled back to much more interesting levels while some of our preferred measures of investor sentiment are significantly closer to levels that have empirically been indicative of good buying opportunities. As such, we have begun adding to our favourite higher-growth positions (such as Amazon, Facebook and Google) while initiating small positions in a number of high quality next-generation companies (including Athenahealth and Ultimate Software) where we have long admired the fundamentals.

Ben Rogoff

11 May 2014

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 18 years of industry experience.

Nick Evans - Senior Fund Manager

Fatima Lu - Fund Manager

Colin Moar - Fund Manager

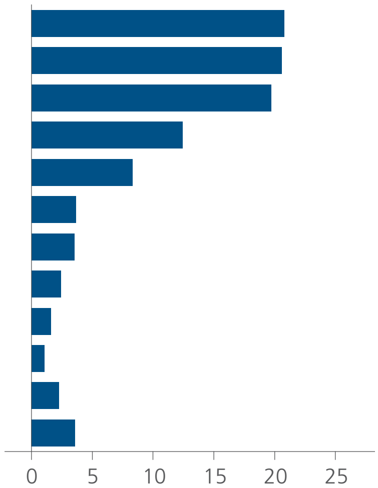
Xuesong Zhao - Fund Manager

Portfolio Exposure

As at 30 April 2014

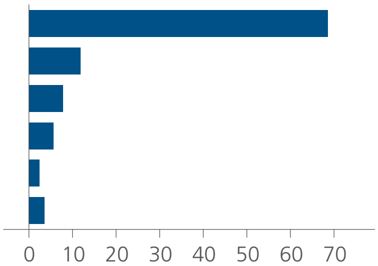
Sector Exposure (%)

Internet Software & Services	20.8
Semiconductors & Semiconductor Equip.	20.6
Software	19.7
Tech. Hardware, Storage & Peripherals	12.4
Communications Equipment	8.3
Elec. Equip. Instruments & Components	3.7
IT Services	3.5
Internet & Catalog Retail	2.4
Machinery	1.6
Healthcare Technology	1.0
Other	2.3
Cash	3.6



Geographic Exposure (%)

US & Canada	68.6
Asia Pac (ex-Japan)	11.9
Europe	7.8
Japan	5.7
Middle East & Africa	2.5
Cash	3.6



Top 10 Holdings (%)

Google*	7.9
Apple	7.7
Microsoft	4.6
Facebook	3.7
Samsung Electronics	2.5
Qualcomm	2.2
Intel	2.1
Oracle	1.9
Amazon	1.8
Cisco Systems	1.7
Total	**36.1**
Total Number of Positions	**133**

Market Capitalisation Exposure (%)

Large Cap (>$10bn)	70.4
Mid Cap (>$1bn - $10bn)	20.6
Small Cap (<$1bn)	8.9

The entire investment portfolio is published in the annual and semi annual reports and as part of the interim management statement.

Note: Totals may not sum due to rounding.

*Combination of Class A and Class C Google shares.

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

The company has arranged for Shareview Dealing, a telephone and internet share sale service offered by Equiniti to be made available.

Telephone	0800 326 323
Online	www.alliancetrust.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

4 Matthew Parker Street, London SW1H 9NP
www.polarcapitaltechnologytrust.co.uk

Custodian

HSBC PLC acts as global custodian for 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 2014
Continuation Vote	2015 AGM
Listed	London Stock Exchange

POLAR CAPITAL

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Benchmarks The following benchmark indices are used: Dow Jones World Technology Index (Total Return). These benchmarks are generally considered to be representative of the Technology Equity universe. These benchmarks are broad-based indices which are used for comparative/illustrative purposes only and have been selected as they are well known and are easily recognizable by investors. Please refer to www.djindexes.com for further information on these indices. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the fund. 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 indices noted in this document are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the fund may incur. The performance of the indices 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 indices is included merely to show the general trends in the periods indicated and is not intended to imply that the fund was similar to any of the indices in composition or risk.

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