Polar Capital Technology Trust plc

Trust Fact Sheet
31 July 2019

Trust Facts

Ordinary Shares

Share Price	1492.00p
NAV per share	1548.04p
Premium	-
Discount	-3.62%
Capital	133,825,000 ordinary shares of 25p

Assets & Gearing [1]

Total Net Assets	£2,071.7m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	6.04%

Benchmark

Dow Jones Global Technology Index Total Return Sterling adjusted with the removal of relevant withholding taxes (from 1 May 2013)

Fees [2,3]

Management Fees

£0 - £800m	1%
£800m - £1.6bn	0.85%
£1.6bn - £2bn	0.8%
Over £2bn	0.7%
Performance	10% over Benchmark
Ongoing Charges	0.95%

FX Rates

GBP/USD	1.2245
GBP/EUR	1.0997
GBP/JPY	132.9447

Risk Warning

Your capital is at risk. You may not get back the full amount you invested. Please note the Important Information at the end of this document 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 Company aims to maximise long-term capital growth through investing in a diversified portfolio of technology companies around the world.

Investment Policy

The Company invests its technology assets in a portfolio comprised primarily of international quoted equities which is diversified across both regions and sectors within the overall investment objective to reduce investment risk.

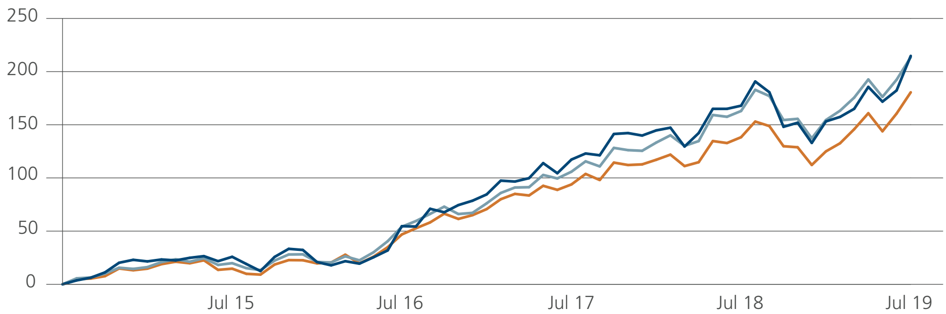
Full details of the Investment Objective, Rationale and Strategy are available on the company's website.

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, exploiting international valuation anomalies and sector volatility.

Performance

Performance over 5 years (%)



	1 month	3 month	YTD	1 year	3 years	5 years
Ordinary Share Price (TR)	11.51	10.19	35.14	17.48	103.55	214.77
NAV per share	7.24	7.04	32.02	19.12	103.22	213.24
Benchmark	7.67	7.55	32.20	17.71	91.01	180.53

Discrete Performance (%)

	30.04.19 31.07.19	30.04.18 30.04.19	30.04.17 30.04.18	30.04.16 30.04.17	30.04.15 30.04.16
Ordinary Share Price	10.19	17.94	21.22	67.31	-4.39
NAV per share	7.04	24.70	22.66	56.13	1.05
Benchmark	7.55	21.44	17.05	53.38	-0.11

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. The performance fee is subject to a highwater mark and cap. Further details can be found under Corporate Documents of the Company's website: http://www.polarcapitaltechnologytrust.co.uk.
3. Ongoing charges are calculated at the latest published year end date, and exclude any performance fees.

Awards & Ratings

Money Observer Trust Awards 2019 Best Large Trust Highly Commended Polar Capital Technology

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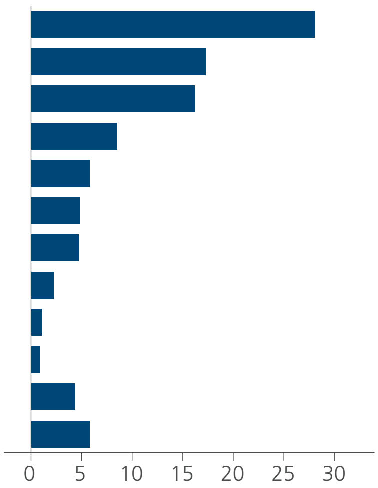
Polar Capital Technology Trust plc

Portfolio Exposure

As at 31 July 2019

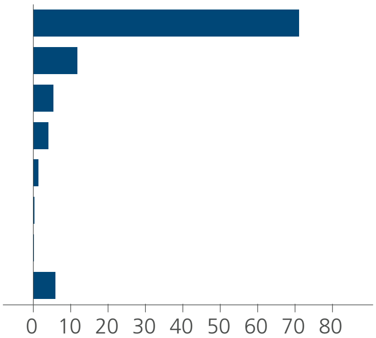
Sector Exposure (%)

Software	28.0
Semiconductors & Semiconductor Equip.	17.3
Interactive Media & Services	16.2
Tech. Hardware, Storage & Peripherals	8.5
Internet & Direct Marketing Retail	5.9
Elec. Equip. Instruments & Components	4.8
IT Services	4.7
Entertainment	2.3
Machinery	1.0
Communications Equipment	0.9
Other	4.3
Cash	5.9



Geographic Exposure (%)

US & Canada	71.0
Asia Pacific (ex-Japan)	11.7
Japan	5.4
Europe (ex UK)	4.0
UK	1.4
Latin America	0.3
Middle East & Africa	0.2
Cash	5.9



Top 15 Holdings (%)

Microsoft	9.4
Alphabet	7.6
Apple	5.1
Facebook	4.3
Alibaba	3.1
Samsung	3.0
Tencent	2.7
Amazon.com	2.2
Taiwan Semiconductors	2.2
Adobe Systems	2.0
Salesforce.com	2.0
Advanced Micro Devices	1.7
Analog Devices	1.5
ServiceNow	1.5
Texas Instruments	1.4
Total	**49.7**

Total Number of Positions **108**

Market Capitalisation Exposure (%)

Large Cap (>$10bn)	77.9
Mid Cap ($1bn - $10bn)	20.5
Small Cap (<$1bn)	1.6

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 July
Next AGM	September 2019
Continuation Vote	2020 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 31 July 2019

Market review

Although July witnessed more modest gains during the month, pronounced sterling weakness following the appointment of Boris Johnson as UK Prime Minister saw the MSCI All Country World Index gaining 4.1% in sterling terms. Macroeconomic data continued to deteriorate in July. The European Manufacturing PMI fell to 46.4 (a six-year low), down from 47.6 in June, remaining firmly in the contraction zone. In the US, the ISM manufacturing index declined to 51.2, a near three-year low, but crucially remains in expansion territory. In China, the Caixin Manufacturing Index stabilised in June but remains in contraction territory.

Over the recent months while trade tensions remained unresolved and economic data points deteriorated, markets had begun pricing in and demanding policy easing by the world's central banks. At their respective meetings in July the major central banks responded to these demands. Unfortunately, recent market action suggests that both the European Central Bank and Federal Reserve failed to meet heightened expectations. The ECB indicated a significant degree of monetary stimulus is both needed and forthcoming, but the lack of immediate action proved disappointing to markets. The Fed went beyond signalling and delivered its first rate cut since 2008 as it lowered rates by 25bps. Chairman Jerome Powell characterised the move as a "mid-cycle adjustment" which tempered market expectations for a series of further cuts.

The growing market optimism on US/China trade negotiations was dealt a blow in early August as President Trump announced the decision to impose a 10% tariff on the remaining $300bn tranche of Chinese imports so far exempt from tariffs. After seemingly agreeing a truce at the G20 summit in June, and the delaying of these tariffs, the sudden reversal was a surprise to markets.

Technology review

The technology sector continued to outperform the broader market during July, the Dow Jones Global Technology Index gaining 7.7% in sterling terms. Second quarter technology results were mixed overall, as were the stock price reactions. In the software sector, Microsoft reported better than expected top and bottom-line results, with Microsoft Azure growing 68% y/y constant currency (cc), while the on-premise server and tools segment was up 7% y/y cc, despite warnings from other infrastructure companies. Microsoft's muted share price move post earnings suggested that much of the good news had already been priced in. Microsoft and ServiceNow expanded their partnership, announcing that ServiceNow is planning to make its full software-as-a-service platform available on Microsoft Azure to better serve government customers. ServiceNow later disappointed the market with its 3Q19 billings guidance, but management reassured the market that the business is simply becoming increasingly Q4 weighted, given the higher mix of large deals. At the end of the month Zendesk reported 37% y/y revenue growth and 340bps of operating margin expansion y/y, but the stock was down on the day as the magnitude of the beat was less than prior quarters.

In the video game subsegment, UBISOFT Entertainment reported revenues above consensus expectations, driven by Assassins Creed and Rainbow Six Siege. Facebook signed an exclusive deal with UBISOFT Entertainment for Oculus VR versions of Assassins Creed and Splinter Cell and announced it was potentially interested in acquiring game studios, adding to similar assertions from Sony earlier in the month. We expect to see a race for content as new platform providers try to penetrate the market with streaming services. Electronic Arts (EA) also reported encouraging results, with a reacceleration of Live Services, driven by FIFA Ultimate Team, Apex Legends and The Sims 4.

Within payments, Paypal Holdings reported revenues slightly below consensus as strong growth in core total payment volume and Venmo was offset by take-rate pressure and eBay softness, and management lowered full-year revenue guidance due to delayed price increases and product integrations. Visa results were modestly better than expected, benefiting from an uptick in cross-border transactions. Mastercard beat top and bottom-line estimates, while management noted "consumer sentiment and spending remain relatively strong with some moderation versus 2018". We believe contactless payment adoption and e-commerce growth will continue to drive cash-to-card conversion, underpinning strong transaction growth for the payment networks.

In the internet sector, Alphabet exceeded expectations and advanced by more than 10% following better than expected earnings. Sentiment was low coming into the earnings report, but websites growth reaccelerated to 21% y/y versus expectations for a deceleration given the miss last quarter. The company also began giving disclosure on Google Cloud, which is at an $8bn annual revenue run rate, while new ad formats are an upcoming catalyst in Q4 2020. Facebook ad revenue accelerated to 32% y/y in the quarter, driven by continued Facebook app growth along with Instagram adoption. Investors largely brushed off guidance for revenue to decelerate sequentially throughout the remainder of 2019 as typical conservatism. Amazon took another run at the $1trn market capitalisation level in the lead up to Amazon Prime Day, which was over two days for the first time. The company surpassed its Black Friday and Cyber Monday sales combined as Amazon Prime members purchased north of 175 million items. However, the stock pulled back after AWS missed its growth 'bogey' and the company missed profit expectations. Regulatory risk remains the greatest threat to the sector. In Europe, France passed a 3% digital tax on sales for large internet companies. Amazon faces a full-blown EU antitrust probe as Competition Chief Margrethe Vestager prepares a summer finale to her five-year crackdown on big tech, while Facebook faced continued regulatory opposition to Libra and executives from Facebook, Alphabet, Amazon and Apple faced regulatory hearings on Capitol Hill.

Semiconductors outperformed during the month, buoyed by better than expected earnings and optimistic commentary from several industry bellwethers. Taiwan Semiconductor noted that, while business continues to be impacted by the global slowdown, "we have also passed the bottom of the cycle", guiding 3Q up 18% q/q due to the return of Huawei orders and renewed demand from the broader smartphone market, as well as from 5G and high performance computing in 2H19. Texas instruments also posted better than expected results, with management commentary implying a cyclical upturn in 4Q19 or 1Q20. ASML rallied despite weak Q3 guidance, as management maintained their full year outlook (implying a stronger Q4) as lower memory spend is being offset by stronger logic spend. The sector also benefited from the resumption of trade talks between the US and China and Huawei-exposed names performed well after President Trump met with Huawei suppliers and reportedly agreed to "timely licensing decisions from the Department of Commerce, but only for products that do not jeopardise national security".

Market outlook

The trade relationship between the US and China continues to dominate the headlines and investor risk appetite. The latest setback in negotiations makes a near-term deal look unlikely. The hope is that another truce is negotiated during August and a further delay of tariffs due in September.

Uncertainty continues to place a strain on the global economy. Economic data on balance continues to soften but is being met with looser financial conditions. With the Fed acting and the ECB opening the door for further action, monetary policy remains aligned with investor interests and as such a soft landing still appears the most likely outcome for this business cycle.

Fund Manager Comments

As at 31 July 2019

However, a consequence of this has been falling risk-free rates such that about one third of the global government bond market and one quarter of the global aggregate bond market now sport negative yields. Even the Swiss ultra-long 2064 government bond now has a negative yield, taking the entire universe of Swiss government debt into negative territory.

This uncertainty largely explains our above average cash level, augmented by a modest amount of NASDAQ put options which are designed to ameliorate our higher than market beta. This remains tactical (rather than structural) and we remain upbeat on likely market progress. This relatively sanguine view reflects technology fundamentals that, beyond those areas directly impacted by trade war uncertainty, remain robust. This is particularly true for next-generation software stocks that continue to benefit from digital transformations and limited exposure to trade war uncertainty.

While valuations of growth stocks appear elevated relative to history, we remain of the view that companies able to deliver 30%+ growth at a time of trade war and macroeconomic uncertainty deserve to trade at higher than average premia. As previously discussed, this valuation divergence is a manifestation of sustained outperformance of growth stocks and, in our opinion, reflects a fundamental bifurcation of fortunes driven by an accelerated pace of technology change and the need for companies to digitally transform themselves in order to take advantage of new technologies such as AI. Without doing this they will struggle to remain relevant in a cloud/smartphone-centric world. However, we remain alive to the risk associated with investing in perceived ‘winners’ where investors may have already priced in excessively bullish outcomes. Instead we prefer to continue investing in more reasonably priced stocks where forecast growth is strong enough to withstand some multiple compression should it occur.

At present, the market is experiencing a valuation setback that we have previously highlighted as a risk; we are hopeful this will prove short-lived and ultimately another good buying opportunity. As ever we will continue to look for bottom-up opportunities that present themselves in a top-down market selloff, particularly within the software subsector where fundamentals remain strongest and most insulated from trade-related disruption. We continue to focus on our favoured secular themes where growth should prove resilient against anything other than the most challenging economic backdrop and remain excited about an accelerating pace of technology adoption, fuelled by demographic change, cloud computing and AI.

Ben Rogoff

12 August 2019

Polar Capital Technology Trust Management Team

Ben Rogoff

Partner, Technology

Ben has managed the Trust since 2006, he joined Polar Capital in 2003 and has 24 years of industry experience.

CITYWIRE A

Source & Copyright: CITYWIRE. Nick Evans & Ben Rogoff have been awarded an A rating by Citywire for their 3 year risk-adjusted performance for the period 30/06/2016 - 30/06/2019.

Nick Evans - Partner

Fatima Iu - Fund Manager

Xuesong Zhao - Fund Manager

Alastair Unwin - Fund Manager/Analyst

Chris Wittstock - Senior Investment Analyst

Bradley Reynolds - Investment Analyst

Paul Johnson - Investment Analyst

Nick Williams - Investment Analyst

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Benchmarks

The following benchmark index is used: Dow Jones Global 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 as benchmarks volatility and other material characteristics that may differ from the Company. Security holdings, industry weightings and asset allocation made for the Company may differ significantly from the benchmark. Accordingly, investment results and volatility of the Company may differ from those of the benchmark. The indices noted in this document are unmanaged, are unavailable for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the Company 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. Information regarding indices is included merely to show general trends in the periods indicated, it is not intended to imply that the Fund was similar to the indices in composition or risk. The benchmark used to calculate the performance fee is provided by an administrator on the ESMA register of benchmarks which includes details of all authorised, registered, recognised and endorsed EU and third country benchmark administrators together with their national competent authorities.

Regulatory Status Polar Capital LLP is a limited liability partnership number OC314700. It is authorised and regulated by the UK Financial Conduct Authority ("FCA") 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, 16 Palace Street, London, SW1E 5JD. FCA authorised and regulated Investment Managers are expected to write to investors in funds they manage with details of any side letters they have entered into. The FCA considers a side letter to be an arrangement known to the investment manager which can reasonably be expected to provide one investor with more materially favourable rights, than those afforded to other investors. These rights may, for example, include enhanced redemption rights, capacity commitments or the provision of portfolio transparency information which are not generally available. The Fund and the Investment Manager are not aware of, or party to, any such arrangement whereby an investor has any preferential redemption rights. However, in exceptional circumstances, such as where an investor seeds a new fund or expresses a wish to invest in the Fund over time, certain investors have been or may be provided with portfolio transparency information and/or capacity commitments which are not generally available. Investors who have any questions concerning side letters or related arrangements should contact the Polar Capital Desk at the Registrar on 0800 876 6889. The Fund is prepared to instruct the custodian of the Fund, upon request, to make available to investors portfolio custody position balance reports monthly in arrears.

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