

## Trust Fact Sheet

31 August 2018

## 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

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, exploiting international valuation anomalies and sector volatility.

### Trust Facts

#### Ordinary Shares

Share Price	1378.00p
NAV per share	1397.93p
Premium	-
Discount	-1.43%
Capital	133,825,000 ordinary shares of 25p

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

Total Net Assets	£1,870.8m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	6.72%

### Benchmark

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

### Fees <sup>2,3,4</sup>

Management	1.00%
Performance	15% over Benchmark
Ongoing Charges	1.01%

### FX Rates

GBP/USD	1.2998
GBP/EUR	1.1171
GBP/JPY	144.1228

### Risk Warning

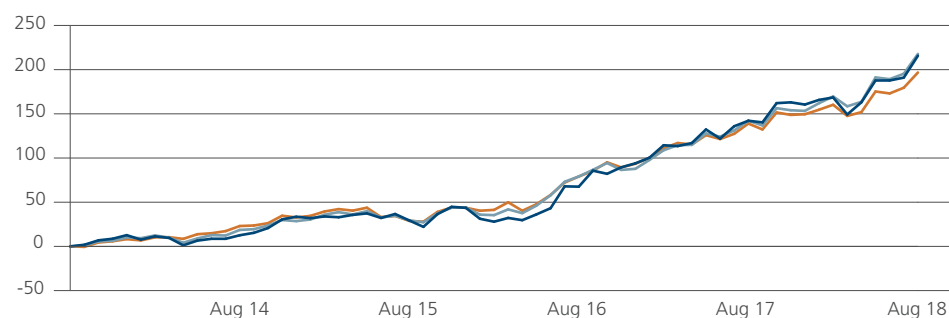
Your capital is at risk. You may not get back the full amount you invested. Please note the Important Information at the end of this document and the Investment Policy and full Risk Warnings set out in the Prospectus, Annual Report and/or Investor Disclosure Document.

### 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.

## Performance

### Performance over 5 years (%)



	1 month	3 month	YTD	1 year	3 years	5 years
■ Ordinary Share Price (TR) <sup>5</sup>	8.50	9.71	21.20	30.37	144.11	215.69
■ NAV per share	7.57	9.12	25.43	31.19	145.62	217.73
■ Benchmark	6.17	7.81	18.93	24.18	130.33	196.76

### Discrete Performance (%)

	30.04.18 31.08.18	30.04.17 30.04.18	30.04.16 30.04.17	30.04.15 30.04.16	30.04.14 30.04.15
Ordinary Share Price	20.03	21.22	67.31	-4.39	33.94
NAV per share	20.54	22.66	56.13	1.05	30.71
Benchmark	17.80	17.05	53.38	-0.11	29.46

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.

- Gearing calculations are exclusive of current year Revenue/Loss.
- Management fee is 1% of net assets up to £800m, 0.85% on net assets over £800m to £1700m and 0.8% on net assets above £1700m.
- The performance fee is subject to a highwater mark and cap. Further details can be found in the latest Annual Report.
- Ongoing charges are calculated at the latest published year end date, and exclude any performance fees.

### Awards & Ratings



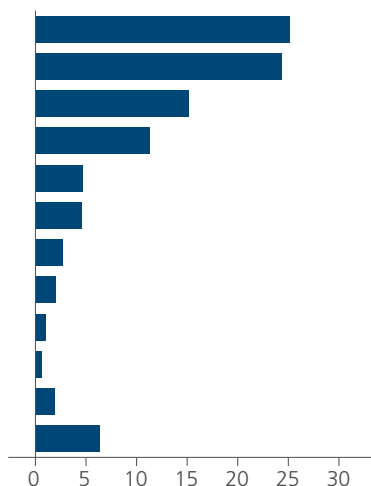
# Polar Capital Technology Trust plc

## Portfolio Exposure

As at 31 August 2018

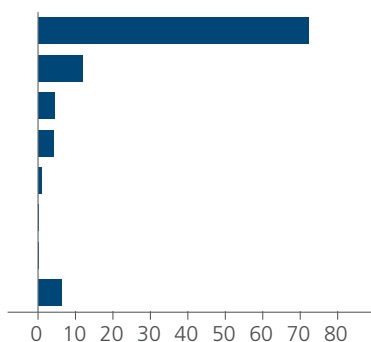
### Sector Exposure (%)

Internet Software & Services	25.2
Software	24.3
Semiconductors & Semiconductor Equip.	15.1
Tech. Hardware, Storage & Peripherals	11.3
Internet & Direct Marketing Retail	4.7
Elec. Equip. Instruments & Components	4.6
IT Services	2.7
Communications Equipment	2.0
Machinery	1.0
Aerospace & Defense	0.7
Other	1.9
Cash	6.4



### Geographic Exposure (%)

US & Canada	72.2
Asia Pacific (ex-Japan)	11.8
Europe (ex UK)	4.3
Japan	4.1
UK	1.0
Middle East & Africa	0.1
Latin America	0.1
Cash	6.4



### Top 15 Holdings (%)

Alphabet	8.8
Microsoft	8.6
Apple	8.2
Facebook	4.2
Amazon.com	3.2
Tencent	2.9
Alibaba	2.8
Advanced Micro Devices^	2.2
Samsung	2.1
Taiwan Semiconductors	2.1
Salesforce.com	1.7
NVIDIA	1.7
Adobe Systems	1.5
Xilinx	1.4
ServiceNow	1.3

**Total** 52.7

**Total Number of Positions** 110

### Market Capitalisation Exposure (%)

Large Cap (>\$10bn)	75.8
Mid Cap (\$1bn - \$10bn)	22.6
Small Cap (<\$1bn)	1.6

^The Trust holds AMD Call options which represent 8bps of NAV and a delta adjusted exposure of 46bps. The Trust also currently holds QQQ (NASDAQ) Put options, which represent 10bps of NAV and a delta adjusted exposure of -1.74%. All are held to reduce risk/beta (in the event of a market correction) whilst maintaining optimal portfolio structure (efficient portfolio management). The delta adjusted impact of these options is only reflected in the Top 15 positions table and all other exposure tables are based on MTM figures.

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

### Trust Characteristics

Launch Date	16 December 1996
Year End	30 April
Results Announced	Mid July
Next AGM	6 September 2018
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 August 2018

### Market Review

Equity markets diverged in August as the MSCI All Country World gained 1%, while the S&P 500 increased 3.8%, and the DJ Euro Stoxx 600 fell 3%, all in sterling terms. FX and Commodity markets continued to bear the brunt of trade war concerns as the US Dollar Index (DXY) gained 0.6% during August. Following the China equity market entering bear market territory in June (defined as a peak to trough correction of over 20%), overall emerging markets (EM) are now close as measured by the MSCI Emerging Markets Index (MXEF). Weaker Chinese macroeconomic data along with US dollar strength have contributed while growing economic crises in Argentina and Turkey have sent shockwaves across the wider EMs. A contentious upcoming election in Brazil during October will likely keep the EM landscape at the forefront of market action.

During August, the US and China both imposed further tariffs on \$16bn of imports as meetings between the two sides failed to resolve their differences. Trade war intrigue will continue in September as the deadline for a public comment period passes (6 September) and the US administration looks set to impose tariffs on a further \$200bn of Chinese imports. With US mid-term elections approaching in early November it feels unlikely that either the US or China will capitulate, which suggests continued short-term volatility, demand uncertainty (as prices rise) and/or margin pressure (if companies choose to absorb these extra costs temporarily). Longer term we remain hopeful that a deal can be done and/or that multinationals will be able to relocate their businesses to ameliorate the impact of tariffs, but the near-term uncertainty is clearly unhelpful.

### Technology review

The technology sector significantly outpaced the broader market during the month. The Dow Jones World Technology Index (W1TEC) gained 6.2% in sterling terms with outperformance driven by a solid conclusion to Q2 reporting season that in the US saw the sector deliver 14.7% and 31.8% y/y revenue and earnings growth respectively. This compared favourably to the overall market which delivered 9.9% and 24.6% respectively, while 90% of technology companies beat estimates as compared to 79% overall (Factset, 2018). Stocks responded accordingly, with a number of mega caps also participating including Apple\* (20%), Cisco Systems\* (13%) and Microsoft\* (7%) all experiencing continued momentum following earlier positive reports.

The Q2 earnings season closed with results from those late reporting companies. In the semiconductor sector, NVIDIA\* delivered a mixed quarter as revenues and earnings were above consensus, but Q3 guidance disappointed. Gaming (52% y/y) and Datacenter (83% y/y) were key contributors to the revenue upside that was all the more impressive considering cryptocurrency sales were worse than feared. Unfortunately, Q3 guidance was below expectations with cryptocurrency weakness cited along with some likely conservatism due to the uncertain timings regarding the launch of NVIDIA's next-gen GPU platform, Turing. The Turing architecture was recently launched for workstation/rendering applications but Turing for gaming is the more significant launch which we will be watching closely.

In the software space after a generally strong earnings season, off-quarter newsflow was a little more mixed. Splunk\* beat estimates across most metrics. Licence revenues grew 36% y/y while Cloud revenues increased 90% y/y. Revenue growth continues to be aided by large deals as Splunk closed 61 million-dollar deals in the quarter, up from 43 in the prior quarter. Broad-based strength was witnessed from new and existing customers, both on-prem and in the cloud – although billings' metrics may exaggerate the strength due to extending duration. Encouragingly from our perspective, Splunk announced their subscription mix represented 72% of total

software bookings in 1H 2019 ahead of the full-year forecast of a 65% mix highlighting that the cloud transition is happening faster than expected. Salesforce.com\*, meanwhile, delivered a solid quarter which fell a little short of expectations that had risen with its rising stock price. Revenues grew 27% y/y in constant currency with strength across all four of their cloud divisions. Recent acquisition Mulesoft exceeded management expectations with a better than expected revenue contribution, although FX flipped from Q1 tailwind to a Q2 headwind.

In internet/gaming, Tencent\* posted a disappointing earnings report. Both revenues and EBIT were below consensus expectations that had been revised lower due to the company's inability to monetise its PUBG/Fortnite, Battle Royale-format mobile games. This has been caused by the Chinese government's restriction on granting new game licences. Both gaming and advertising revenues disappointed as total revenues in the quarter increased 30% y/y. A deceleration in advertising revenues was attributed to a tough comparison from last year where ad loads were increased. Payments remain an integral part of the Tencent business model as payment services have now penetrated approximately 80% of total WeChat users as payments MAU (monthly active users) surpassed 800 million at the end of June.

### Market outlook

The US bull market officially became the longest on record during August as the S&P 500 surpassed 3,453 days without a drop of 20%, the typical definition of a bear market. The rally which began on 9 March 2009 has seen the S&P 500 rise by over 300%. Beneath the surface, however, unprecedented disruption has occurred across almost every industry, fuelled by the internet, smartphones and AI. This impact is being increasingly felt by incumbents everywhere that are having to undertake digital transformations in order to ameliorate the impact of diminished relevance in a world of technology deflation, transparency and unbundling at the hands of disruptive data-driven technology companies. This provides a very supportive backdrop for technology fundamentals, with the expansion of the total addressable market (TAM) – as companies attack the profit pools of previously inaccessible industries resulting in technology sector leadership across equity markets.

Global earnings revisions remain in positive territory driven by both the US and Europe. Although stalling from recent highs, confidence indicators in the form of global PMIs remain elevated. These remain strong tailwinds to both global growth and equity markets. With US policy-tightening still in its early stages, the growth-policy trade-off remains supportive. Somewhat concerning developments in various EMs, with the accompanying dramatic currency moves and asset flows, highlights the increasing volatility likely to become more frequent as this market cycle extends and central bank policy potentially diverges. With the additional potential for an escalation of the ongoing US/China trade war in September we will remain vigilant to any potential risks that appear to be building.

With equity valuations modestly above long-term averages, we continue to believe that returns are likely to remain more dependent on underlying revenue/earnings/cashflow progress. That in itself is hardly bearish given the c10% y/y revenue growth posted in Q2, the highest growth achieved since Q3 2011 (Source: Factset). However, a narrower market, elevated valuations in several technology subsectors (such as software and payments) and a slightly less certain macroeconomic outlook has left us with more cash than we typically hold. Together with a modest amount of NASDAQ QQQ ETF put options, this liquidity is intended to soften the impact of any potential near-term setback while providing us with firepower should market volatility present us with a buying opportunity. This near-term view should not,

# Polar Capital Technology Trust plc

## Fund Manager Comments

As at 31 August 2018

however, be interpreted too negatively as higher valuations largely reflect a strengthening US economy and improved technology fundamentals.

We remain excited about our new cycle thesis that appears to be gathering strength with every earnings season, with a growing divergence between incumbents and next-generation companies now that the cloud has become the default computing platform. This bifurcation is likely to intensify from here as workloads continue to gravitate towards the public cloud, while emerging technologies such as AI – where the internet platforms enjoy a leadership position – are likely to accelerate this trend. We remain excited by eight core secular themes which include eCommerce and digital payments, digital marketing and advertising, cyber and physical security, cloud computing and AI, software as a service (SaaS), digital content and gaming, robotics and automation, and rising semiconductor complexity.

\* Held but underweight

\*\* Not held

**Ben Rogoff**

11 September 2018

## 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 23 years of industry experience.



**CITYWIRE** / **AA**

Source & Copyright: CITYWIRE. Ben Rogoff has been awarded an AA rating by Citywire for his 3 year risk-adjusted performance for the period 31/07/2015 - 31/07/2018.

**Nick Evans - Senior Fund Manager**

**Fatima Lu - Fund Manager**

**Xuesong Zhao - Fund Manager**

**Chris Wittstock - Senior Investment Analyst**

**Bradley Reynolds - Investment Analyst**

**Paul Johnson - Investment Analyst**



# Polar Capital Technology Trust plc

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