Polar Capital Technology Trust plc

Trust Fact Sheet
30 September 2014

Trust Facts

Ordinary Shares

Share Price	503.50p
NAV per share	525.68p
Premium	-
Discount	-4.22%
Capital	132,336,159 ordinary shares of 25p

Assets & Gearing[1]

Total Net Assets	£695.7m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	6.45%

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

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 full Risk Warnings in the Prospectus.

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.

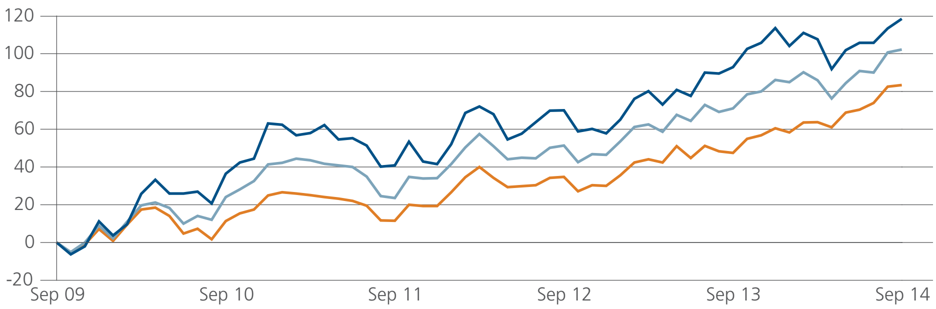
Full details of the Investment Objective, Rationale and Strategy are available on the company's website.

Investment Approach

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	2.44	6.20	5.27	13.27	118.63
■ NAV per Share	0.73	5.96	8.72	18.21	102.23
■ Benchmark	0.48	7.62	11.98	24.28	83.43

Discrete Annual Performance (%)

	30/04/14 30/09/14	30/04/13 30/04/14	30/04/12 30/04/13	28/04/11 30/04/12	30/04/10 28/04/11
Ordinary Share Price	13.91	10.92	2.97	3.61	21.74
NAV per Share	14.66	11.17	5.01	6.64	16.88
Benchmark	13.93	13.07	5.98	8.12	4.87

Source: Lipper & HSBC Securities Services (UK) Limited, percentage growth, total return. 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 in the Report and Accounts.

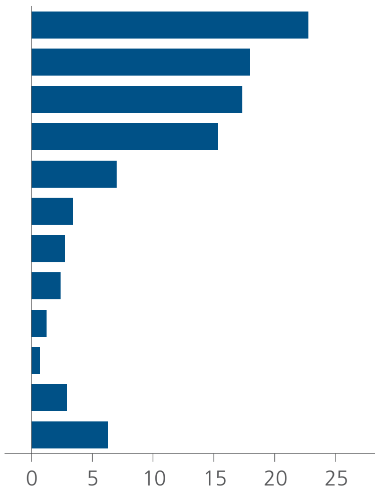
Polar Capital Technology Trust plc

Portfolio Exposure

As at 30 September 2014

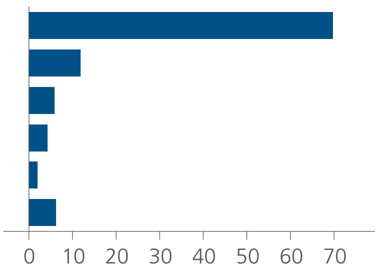
Sector Exposure (%)

Internet Software & Services	22.8
Semiconductors & Semiconductor Equip.	17.9
Software	17.3
Tech. Hardware, Storage & Peripherals	15.3
Communications Equipment	7.0
Elec. Equip. Instruments & Components	3.4
Internet & Catalog Retail	2.8
IT Services	2.4
Healthcare Technology	1.2
Machinery	0.7
Other	2.9
Cash	6.3



Geographic Exposure (%)

US & Canada	69.8
Asia Pac (ex-Japan)	11.8
Europe	5.9
Japan	4.3
Middle East & Africa	1.9
Cash	6.3



Top 10 Holdings (%)

Apple	9.0
Google*	7.8
Facebook	3.9
Microsoft	2.9
Intel	2.8
Baidu	2.1
Samsung Electronics	1.9
Qualcomm	1.8
Cisco Systems	1.7
Splunk	1.7
Total	**35.6**
Total Number of Positions	**125**

Market Capitalisation Exposure (%)

Large Cap (>$10bn)	70.8
Mid Cap (>$1bn - $10bn)	22.4
Small Cap (<$1bn)	6.8

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 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

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

Codes

Ordinary Shares

ISIN	GB004220025
SEDOL	422002
London Stock Exchange	PCT

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

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.

*Combination of Class A and Class C Google shares.

Fund Manager Comments

As at 30 September 2014

Market Review

September proved to be a volatile month for global markets as the spectre of another growth scare together with continued geopolitical uncertainties triggered a sell-off in equities. Fortunately pronounced US Dollar strength (the trade-weighted basket rising almost 4%) left the FTSE World Index only 1% lower in sterling terms during the month. Having largely decoupled from European and emerging market (EM) equities, the S&P 500 began to show signs of fatigue, having made a new all-time high mid month, before pulling back to finish the month 1.6% lower. Small-caps continued to underperform in this risk-off environment, the Russell 2000 declining 6.2% versus the Russell 1000 down 1.9% and S&P 500 down 1.6%, taking small-cap year-to-date relative underperformance to 11.7% and 12.0% respectively. Economic data continued to be negatively skewed, with indicators in Europe, Japan and Latin America mostly deteriorating, while US data was more mixed and China numbers were not as bad as feared. The ECB, in its latest attempt to stem deflation, cut its main refinancing and deposit rates in the September meeting, and announced a new Targeted Long-Term Refinancing Operation (TLTRO) as well as plans to buy asset-backed securities. However, initial uptake of TLTRO fell way short of analyst expectations and the investor community remained sceptical of the central bank's ability (and willingness) to affect a US-style full-blown QE. Geopolitical tensions also weighed on investor sentiment with the situation in Ukraine unresolved while the US began airstrikes against Islamic State. Elsewhere, student protests in Hong Kong were showing some signs of deterioration (although the Chinese government had so far been restrained in the use of force) while news that the Ebola virus had reached Europe and the US only added to the malaise.

Technology Review

The technology sector modestly outperformed during the month, the Dow Jones World Technology rising 0.2% in US Dollar (US$) terms aided by the relative strength of the US market and the Dollar. Small-caps continued to underperform, the Russell 2000 (small-cap) and the Russell 1000 (large-cap) technology indices falling 5.2% and 0.9% respectively. Despite the style-related headwinds, relative performance was aided by underweight positions in Asia and a number of legacy names that performed poorly during the month including Oracle, Samsung and SAP. Although corporate newsflow was relatively limited ahead of third-quarter earnings season, off-quarter reports – skewed towards incumbent companies - were lacklustre at best, supportive of our 'new cycle' thesis. While Adobe and Red Hat reported solid quarters, US Dollar strength (a theme likely to resonate during earnings season) took its toll on guidance at both companies, resulting in modest share price weakness. Oracle was also impacted by foreign exchange, but that alone did not explain another disappointing quarter with management citing headwinds associated with the Cloud / subscription model shift, while Larry Ellison's decision to step down as CEO did little to alleviate investor concerns. Incumbent weakness also showed up at TIBCO (subsequently acquired) and Accenture, both companies failing to beat modest expectations. In contrast, security appliance vendor Palo Alto Networks reported a very strong quarter with billings growth accelerating to +64% year-over-year while memory chip vendor Micron delivered another solid quarter, supported by positive commentary about DRAM supply/demand balance.

Beyond earnings, newsflow was dominated by the launch of the Apple iPhone 6/6+ which – we believe - was inline with (heightened) expectations. In addition, Apple revealed its payment strategy (ApplePay) and the much-awaited Apple Watch. While the pace of smartphone hardware innovation is clearly slowing, ApplePay (utilising NFC and the fingerprint reader for authentication) should be an important enough new feature to drive a strong handset replacement cycle. At this stage too little is known about the Apple Watch but concerns regarding its design, tethering, lack of GPS and limited battery life may limit its immediate appeal. All in all we remain comfortable with our large absolute but underweight position in Apple given the maturity of the smartphone market, a dynamic that continued to take its toll on Samsung (-8% during the month). M&A activity remained at elevated levels with SAP acquiring Concur Technology (held in the Trust) for $7.2 billion, representing 8.4x forward revenues, while private equity buyers paid a substantial 16.7x ev/ebitda (15E) for struggling TIBCO. Microsoft also returned to M&A deploying $2bn of its offshore cash to acquire Mojang, owner of the Minecraft franchise while Intel spent $1.5bn in order to buy a 20% stake in Tsinghua Unigroup, the Chinese state-owned semiconductor holding company.

Outlook

Post month-end, equity markets and investor sentiment have continued to weaken reflecting the combination of negative macroeconomic datapoints (EM auto sales, Chinese PMI, German factory orders / industrial output) and adverse political / other developments (Ebola, Islamic State). At time of writing, the S&P 500 is less than 4% from its highs – a modest correction – although the 'average' stock has been harder hit with UK and European benchmark indices down c. 6%, while the Russell 2000 officially entered bear market territory (-10%) in early October. Although we remain constructive over the medium term, we are a little anxious that the disconnect between equity markets / sentiment and deteriorating economic newsflow / geopolitical risk has yet to fully unwind, while a number of other indicators (German bund yields <1%, Eurodollar at 1.25, Oil <$90) suggest that the risk of a genuine growth scare has increased. We are also mindful of recent weakness in high yield markets where spreads have moved higher amid chatter of high levels of dealer inventory, a situation unlikely to be helped by some high profile bankruptcies and Bill Gross' decision to leave PIMCO for Janus. Of course, it is not all 'doom and gloom' – the US economy continues to perform well (in contrast with those economies most closely tied to commodity / energy prices), while the remarkable alignment of interests between policymakers and shareholders remains intact. However, the relative strength of the US economy has led to pronounced US Dollar strength which is likely to create significant FX headwinds for US-based companies, already evident in a number of off-quarter reports. In addition, the spectre of further adverse Ebola-related developments and negative newsflow often associated with pre-announcement season has led us to raising a little liquidity such that cash today accounts for c. 7% of NAV.

However – as we have outlined during previous commentaries –our 'top-down' nervousness is just that, rather than reflecting concern about next-generation technology stocks, our 'new cycle' thesis or the portfolio. In fact we are confident that - once the current proto-growth scare has resolved itself one way or another - investors will return to secular growth stocks given their relative insensitivity to a (still) faltering global economic recovery.

Fund Manager Comments

As at 30 September 2014

Of course, that has not been the story this year as investors have eschewed smaller and next-generation companies in favour of mega-caps that appear to 'get it', evidenced by them embarking on more shareholder-friendly paths. Markets love a story, and the 'self-help' mega-cap return of capital story certainly reads well. Clearly we should have been more alert to the risk that PE expansion of incumbents would 'crowd out' the superior growth on offer elsewhere. However, with incumbents trading at their highest relative PE's for years and with some now attempting to deconsolidate businesses (HP, Symantec, EMC possibly) to further 'create value,' we cannot help but think that it is late in the day for the value / large-cap tech trade. Why? These are not 'ports in a storm' – they are (largely) incumbents being picked off by new competitors, technology alternatives and new cycle deflation. Of course, financial engineering can paper over these cracks but – in the technology sector, at least – it is a finite process, evidenced by IBM's recent fall from grace. Nor are these stocks 'cheap' as their 'attractive free cash flow yields' comprehensively fail to capture the fact that much of this 'free cash' will be returned to a different set of shareholders, as the recent SAP / Concur deal amply demonstrates.

So far this year, small-caps have trailed their larger-cap peers by c. 20%, their worst relative calendar year for more than a decade. Fortunately, this underperformance remains largely divorced from next-generation fundamentals; as such, the combination of strong growth and lower stock prices means that many of our favourite names trade significantly cheaper than they did in March / April despite having recovered from lows. In contrast, large-cap earnings progress (ex Apple) has been modest such that recent large-cap outperformance has been largely driven by PE expansion. While we cannot know when this (finite) dynamic will play out, one of the key financial engineering 'levers' – global tax arbitrage – looks at risk following the US government's decision to clamp down on tax inversion. Another significant large-cap lever – synthetic repatriation of offshore cash via domestic debt issuance (necessary to fund dividends once US cash balances are exhausted) – may also be at risk should sovereign rates (and spreads) begin to normalise. In the near term, the lack of genuine growth at most of these incumbents is likely to become more apparent during Q3 earnings season given their disproportionate exposure to FX-related headwinds which should highlight the relative merits of secular growth alternatives.

Ben Rogoff

9 October 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 Iu - Fund Manager

Xuesong Zhao - Fund Manager

Paul Johnson - Junior Analyst

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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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