Polar Capital Technology Trust plc

Trust Fact Sheet
31 December 2018

Trust Facts

Ordinary Shares

Share Price	1104.00p
NAV per share	1172.56p
Premium	-
Discount	-5.85%
Capital	133,825,000 ordinary shares of 25p

Assets & Gearing [1]

Total Net Assets	£1,569.2m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	6.46%

Benchmark

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

Fees [2,3,4]

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

FX Rates

GBP/USD	1.2736
GBP/EUR	1.1141
GBP/JPY	139.7330

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

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.

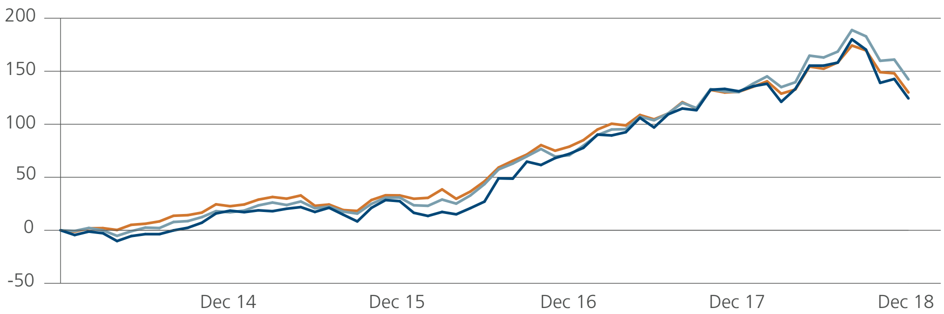
Full details of the Investment Objective, Rationale and Strategy are available on the company's website.

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.

Performance

Performance over 5 years (%)



	1 month	3 month	YTD	1 year	3 years	5 years
Ordinary Share Price (TR)	-7.54	-16.99	-2.90	-2.90	76.08	124.39
NAV per share	-7.17	-14.36	5.21	5.21	85.12	142.28
Benchmark	-7.27	-14.70	-0.26	-0.26	73.08	129.98

Discrete Performance (%)

	30.04.18 31.12.18	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	-3.83	21.22	67.31	-4.39	33.94
NAV per share	1.11	22.66	56.13	1.05	30.71
Benchmark	-1.21	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.

1. Gearing calculations are exclusive of current year Revenue/Loss.
2. 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.
3. The performance fee is subject to a highwater mark and cap. Further details can be found in the latest Annual Report.
4. Ongoing charges are calculated at the latest published year end date, and exclude any performance fees.

Awards & Ratings

Money Observer Trust Awards 2018
Best Large Trust Highly Commended
Polar Capital Technology

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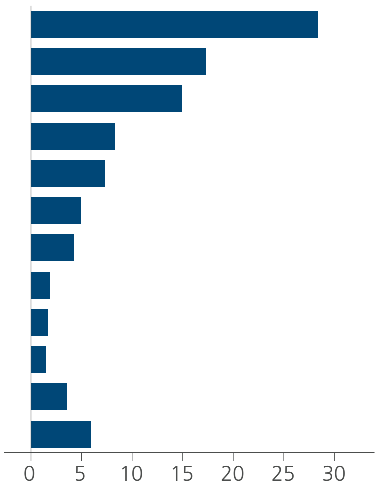
Portfolio Exposure

As at 31 December 2018

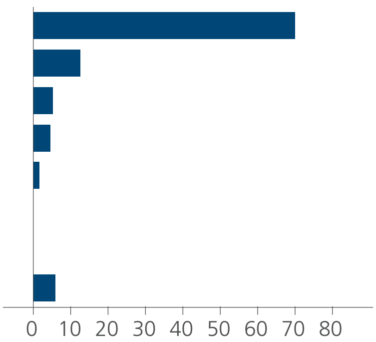
Sector Exposure (%)

Software	28.4
Interactive Media & Services	17.3
Semiconductors & Semiconductor Equip.	14.9
Tech. Hardware, Storage & Peripherals	8.3
Internet & Direct Marketing Retail	7.3
Elec. Equip. Instruments & Components	4.9
IT Services	4.2
Entertainment	1.9
Communications Equipment	1.6
Healthcare Equipment & Supplies	1.5
Other	3.6
Cash	6.0



Geographic Exposure (%)

US & Canada	70.0
Asia Pacific (ex-Japan)	12.5
Europe (ex UK)	5.2
Japan	4.5
UK	1.6
Latin America	0.1
Middle East & Africa	0.1
Cash	6.0



Top 15 Holdings (%)

Alphabet	9.4
Microsoft	8.7
Apple	5.5
Tencent	3.5
Facebook^	3.2
Alibaba	3.0
Amazon.com	2.6
Taiwan Semiconductors	2.4
Salesforce.com	2.0
Samsung	1.9
Adobe Systems	1.9
ServiceNow	1.5
PayPal Holdings	1.5
Texas Instruments	1.3
Arista Networks	1.2
Total	**49.6**

Total Number of Positions **110**

Market Capitalisation Exposure (%)

Large Cap (>$10bn)	72.8
Mid Cap ($1bn - $10bn)	26.1
Small Cap (<$1bn)	1.1

^The Trust holds AMD and Facebook Call options which represent 0.1bps of NAV and a delta adjusted exposure of 1bps. The Trust also currently holds a QQQ (NASDAQ) Put option, which represents 10bps of NAV and a delta adjusted exposure of -1.27%. 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

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 December 2018

Market review

Equity markets suffered significant declines in December as the MSCI All Country World fell 7.1%, while the S&P 500 decreased by 9.1% and the DJ Euro Stoxx 600 declined 4.4%, all in sterling terms.

The weak finish to 2018 led to full-year losses of 5.8% for the MSCI All Country World, with the S&P 500 outperforming falling only 0.5%, both in sterling terms. The year also saw a number of major equity markets deliver their worst annual performance in local terms since the financial crisis, accompanied by a resurgence of volatility that had been absent for much of 2017. Commodities were also pressured by fears of slowing global growth/ trade war concerns with Brent Crude Oil falling 9.7% during the month while the wider CRB Commodity Index declined 6.6%, both in dollar terms. Importantly, the significant fall in oil and other commodities since October helps moderate near-term inflation concerns and should provide central banks with some breathing space with regards to the interest rate hiking cycle.

Despite market volatility the US Federal Reserve pressed ahead with a widely expected interest rate increase of 25bps at their December meeting although their own dot plot forecasts for 2019 were revised downwards with the median projection for two rate hikes in 2019, down from three hikes previously. Unfortunately, Fed Chairman Jerome Powell's commentary at the time was perceived to be not adequately dovish for a jittery market and at odds with the outlook implied by the pricing of many financial instruments including, arguably, the much-followed yield curve. In early January 2019, the Fed funds futures indicated a c90% probability that the central bank's interest rate will remain at/or below current levels by year end – and the US 10-year yield has fallen to 2.67% – a remarkable reversal of sentiment from early November when yields were 3% and futures prices anticipated higher future interest rates.

Fortunately, a more recent change in tone from the Fed/Powell reassured investors with the acknowledgment that while US economic momentum remains solid (2.3% Fed median growth forecast), the central bank is sensitive to an array of risks and will take a more patient/flexible approach to monetary policy. Economic data has certainly been mixed. The US ISM manufacturing index for December came in at 54.1 (the lowest reading since November 2016), below the forecast and last month's reading of 59.3. The accompanying statement revealed that six industries reported a contraction in December with trade issues highlighted by numerous participants. On a more positive note, the November US retail sales report exceeded expectations with headline growth of 0.2% month-on-month and 0.5% ex auto and gas. Early 2019 has also seen the release of stronger than expected employment data – with the addition of 312,000 jobs in December and 2.6 million in 2018 (the best year since 2015) while average hourly earnings rose 3.2% in 2018.

While US growth remains robust for now, it is in contrast with several developed economies that experienced GDP contractions in the third quarter including Germany, Japan, Italy, Sweden and Switzerland. The eurozone manufacturing PMI index for December fell for a fifth consecutive month, to 51.4 from 51.8 in November. More central to market fears, the China Caixin manufacturing PMI entered contraction territory by falling to 49.7 and below the key 50 threshold (as did Taiwan, Malaysia and South Korea) suggesting the trade war is beginning to bite. Investors are therefore rightly focused on the 90-day window for US/China trade negotiators with the first set of talks scheduled for 7-8 January. This is much needed as recent negotiations have suggested the dispute may be escalating beyond the domain of trade and tariffs, with several citizens on both sides arrested or detained leading to suggestions that these are politically motivated.

Technology review

With few companies reporting in December, technology sector performance was largely driven by macroeconomic factors. The Dow Jones World Technology index fell 7.3% in sterling terms amid fairly indiscriminate selling with both the (large cap) Russell 1000 Technology Index and the (small cap) Russell 2000 Technology Index falling 8%.

2018 proved to be a rollercoaster of a year for equities and the technology sector alike, but over the full year the sector significantly outperformed the broader market falling just 0.4% in sterling terms. Overall, returns were aided by the weak pound, which fell 5.8% and 8.2% during the calendar year against the US dollar and yen respectively). The Trust outperformed, benefitting from an overweight position in the software sector and positive stock selection, as well as cash and modest put protection during a tumultuous Q4.

In what is normally a quiet month, there were some notable off-season reports during December. In the software sector, Adobe Systems posted solid results, beating consensus revenue expectations with strength in the digital media and digital experience segments, while EPS was better than expected once adjusted for the Marketo acquisition. The company also raised FY19 guidance for the key digital media annual recurring revenue (ARR) metric due to strong momentum in Q4 although EPS guidance was trimmed due to acquisition-related dilution and FX headwinds. The strength of the economy also provided a tailwind for Oracle (not held), which reported revenue in line with consensus forecasts and EPS higher than expected, aided by a lower tax rate and $10bn of share repurchases during the quarter. They reiterated FY19 guidance for 3% constant currency growth but noted currency headwinds in the forward quarter. We maintained our zero weighting given the company's reliance on M&A to fuel modest growth, a sign – we believe – of its waning relevance.

Within the internet sector, Google CEO Sundar Pichai's testimony before the House Judiciary Committee passed without significant fallout although he refused to rule out launching a censored search engine in China even though there are no plans to do so "right now". The company officially launched a commercial self-driving taxi service, Waymo One, in Arizona, albeit still a small scale with a human backup driver. Facebook, however, was in the firing line again as the New York Times revealed that internal documents showed the company had data-sharing deals with more than 150 companies with more intrusive access to users' personal data than it had previously disclosed.

In the semiconductor sector, the trade war is biting as China/EM economic softness, crypto currency unwind and smartphone malaise weighs on the group. Micron Technology posted results broadly in line with the November pre-announcement that sales would be at the low end of prior guidance due to weakening memory demand (blaming hyperscale/cloud capex slowdown and smartphones). While the digestion of excess inventory over the next couple of quarters was well flagged, forward-quarter guidance was worse than expected for both DRAM and NAND. We modestly reduced our exposure as we are not convinced by management's plan to continue accumulating DRAM inventory in the expectation of strong recovery in 2H2019, although the stock is trading at close to tangible book value based on our calculation. Escalation of tensions between the US and China after the arrest of Huawei Technologies' CFO Meng Wanzhou in Canada in early December, amid allegations the company had violated US trade sanctions on Iran, represented a material escalation in an IP war that has seen the US, UK, France, Germany, Japan and Australia shut Huawei out of their 5G network build-outs on security grounds.

While anti-US sentiment in China is a headwind, it was not the only factor that drove Apple to negatively preannounce (for the first time in over a decade) in early January, with management cutting December quarter revenue guidance from $89-93bn to $84bn. Commentary cited significantly greater macroeconomic weakness in Greater China due to the escalation of trade tensions, as well as fewer iPhone upgrades in developed markets due to lower carrier subsidies, price increases related to dollar strength and customers taking advantage of inexpensive battery replacements. While we had previously reduced our exposure to smartphone unit growth and the supply chain, we maintained a significantly underweight Apple position as the company's unique business model and mass affluent customer base has allowed it to outgrow the industry via higher average selling prices and increasing service revenues. We significantly pared this exposure in Q418 following the company's decision to no longer disclose unit data (making it much more difficult to gauge the health and value of the Apple-installed base) and again following the recent preannouncement.

Outlook

The December stock market plunge (the second worst December for US markets since records began) has left equity markets at something of a crossroads. On one hand, valuations have retreated to their lowest levels since 2016, markets look very oversold and investor sentiment has reached levels normally associated with a snapback. However, equity market weakness has not happened in a vacuum, rather it reflects growing concerns about the health of the global economy, risk of policy error in the US (10-year US treasury yields falling to as low as 2.6% recently from >3.2% in November, although they have rebounded a little on recent employment

Fund Manager Comments

As at 31 December 2018

data) together with deterioration in other risk assets including energy (oil >44% down from highs) and high-yield bonds.

Fortunately, at the time of writing equity markets are rallying hard (the S&P recapturing around one third of its post-October losses) which is certainly encouraging, aided by the return of liquidity notably absent during December. Investor sentiment has likely been assuaged by a number of recent positive developments including dovish Fed commentary – reminding investors that central banks are at least listening to the market – a strong US jobs report and hopes that an understanding can be reached during the current trade negotiations between China and the US. In addition, the early days of 2019 have witnessed a notable uptick in M&A activity with corporate buyers yet again filling the void left by skittish equity investors. The highest profile of these – the proposed acquisition of Celgene by Bristol Myers Squibb for $95bn is the largest healthcare deal on record and represented a premium of 53%. In addition, IT services incumbent DXC Technology announced it would buy peer Luxoft for $2bn, a healthy 89% premium to the prior close.

Healthy M&A premia epitomise the equity market crossroads to which we referred to earlier with the recent reset in stock prices and valuations, in the absence of significant downward earnings revisions, creating significant upside should negative outcomes fail to materialise (notably a US recession). However, sharply lower risk-free rates and the ever-flattening yield curve highlight the risk that trade war-related woes extend and ultimately draw this business cycle to a close. The recent deterioration in manufacturing PMIs in the US (54.1 in December), China (49.4) and Germany underscore the importance in securing a trade deal sooner rather than later. As we have previously opined, the technology sector is not immune to macroeconomic travails, with weakness already apparent in some of the more cyclical (and China-reliant) subsectors such as automotive. However, recent macroeconomic malaise feels relatively contained for now despite efforts by Apple to lay blame for its recent revenue shortfall on Chinese macroeconomic weakness.

While we remain constructive on the outlook for our portfolio, this relatively sanguine view reflects our own positioning and our overweight exposure to secular growth themes. This is particularly true of next-generation software stocks where growth has been driven by a shift to the cloud, the business imperative of digital transformation, and where China represents just 1% of revenues. In contrast, the smartphone theme is one we have been reducing exposure to for some time given high penetration and slowing/contracting units following 10 years of growth since the iPhone was first introduced in 2007. As is the norm in highly penetrated markets, this has left the industry increasingly reliant on the developing world for incremental growth, with so-called Greater China representing 18% of Apple's revenues in Q318.

Having benefited from elevated levels of cash in Q4 (augmented with a small amount of NASDAQ ETF put options – designed to soften the Fund's natural beta due to its growth bias), we took advantage of pronounced weakness in December to add to preferred names as the upbeat nature of a slew of recent corporate meetings was at odds with the reset in next-generation valuations. While we spend a considerable amount of time discussing macroeconomics, we have never professed to be top-down investors. Rather, we focus on bottom-up stock-picking and the identification of core growth themes – our goal is to assemble a portfolio of stocks that should in aggregate deliver growth well in excess of our benchmark in the hope that, over time, growth will manifest as outperformance. Thankfully our sector has a plethora of secular drivers that we believe are strong enough to withstand modest macroeconomic buffeting with short-term stock price volatility likely to be explained by valuation expansion (and contraction) rather than business fundamentals. Of course, there must be a point when macroeconomic weakness shows up in next-generation fundamentals and/or there are periods (usually growth scares) when multiple compression outweighs the growth. For now, we remain constructive and hopeful that markets will recover their poise although we acknowledge the growing importance of securing a trade deal.

Both risk and reward have increased over recent months which suggests that we may be stuck with higher than average volatility for now. In part, this explains our decision to hold more cash than normal as firepower to add to preferred names on potential weakness. This stance is unlikely to change dramatically as we enter Q4 pre-announcement season (where news flow is typically negatively skewed) but we would look to move back to a fully invested position should top-down uncertainty recede meaningfully or on unwarranted market weakness.

Ben Rogoff

10 January 2019

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.

Nick Evans - Senior Fund Manager

Fatima Iu - Fund Manager

Xuesong Zhao - Fund Manager

Chris Wittstock - Senior Investment Analyst

Bradley Reynolds - Investment Analyst

Paul Johnson - Investment Analyst

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Holdings Portfolio data is "as at" the date indicated and should not be relied upon as a complete or current listing of the holdings (or top holdings) of the Company. The holdings may represent only a small percentage of the aggregate portfolio holdings, are subject to change without notice, and may not represent current or future portfolio composition. Information on particular holdings may be withheld if it is in the Company's best interest to do so. 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. This document is not a recommendation to purchase or sell any particular security. It is designed to provide updated information to professional investors to enable them to monitor the Company.

Benchmarks

The following benchmark index is used: Dow Jones World 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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Forecasts References to future returns are not promises or estimates of actual returns Polar Capital may achieve. Forecasts contained herein are for illustrative purposes only and does not constitute advice or a recommendation. Forecasts are based upon subjective estimates and assumptions about circumstances and events that have not and may not take place.

Performance/Investment Process/Risk Performance is shown net of fees and expenses and includes the reinvestment of dividends and capital gain distributions. Factors affecting the Company's performance may include changes in market conditions (including currency risk) and interest rates and in response to other economic, political, or financial developments. The Company's investment policy allows for it to enter into derivatives contracts. Leverage may be generated through the use of such financial instruments and investors must be aware that the use of derivatives may expose the Company to greater risks, including, but not limited to, unanticipated market developments and risks of illiquidity, and is not suitable for all investors. Those in possession of this document must read the Company's Investment Policy and Annual Report for further information on the use of derivatives. Past performance is not a guide to or indicative of future results. Future returns are not guaranteed and a loss of principal may occur. Investments are not insured by the FDIC (or any other state or federal agency), or guaranteed by any bank, and may lose value. No investment process or strategy is free of risk and there is no guarantee that the investment process or strategy described herein will be profitable.

Allocations The strategy allocation percentages set forth in this document are estimates and actual percentages may vary from time-to-time. The types of investments presented herein will not always have the same comparable risks and returns. Please see the private placement memorandum or prospectus for a description of the investment allocations as well as the risks associated therewith. Please note that the Company may elect to invest assets in different investment sectors from those depicted herein, which may entail additional and/or different risks. Performance of the Company is dependent on the Investment Manager's ability to identify and access appropriate investments, and balance assets to maximize return to the Company while minimizing its risk. The actual investments in the Company may or may not be the same or in the same proportion as those shown herein.

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