Polar Capital Technology Trust plc

POLAR CAPITAL

Trust Fact Sheet
31 January 2019

Trust Facts

Ordinary Shares

Share Price	1200.00p
NAV per share	1257.58p
Premium	-
Discount	-4.58%
Capital	133,825,000 ordinary shares of 25p

Assets & Gearing [1]

Total Net Assets	£1,683.0m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	7.34%

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	1.3155
GBP/EUR	1.1464
GBP/JPY	143.1604

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.

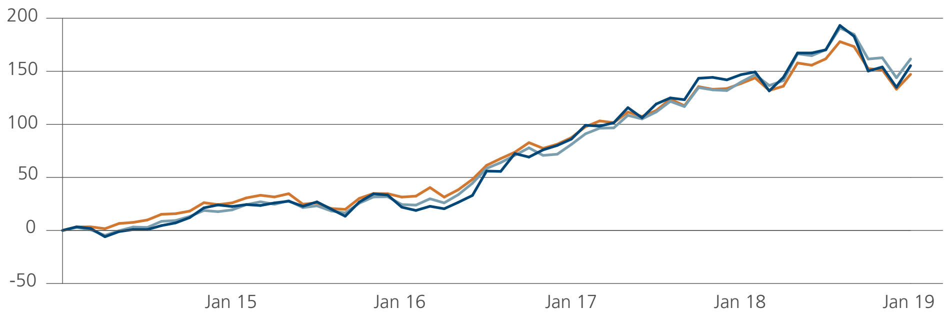
Full details of the Investment Objective, Rationale and Strategy are available on the company's website.

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)	8.70	2.04	8.70	3.45	109.42	155.32
NAV per share	7.25	0.01	7.25	9.08	110.28	161.59
Benchmark	6.02	-2.11	6.02	3.62	87.98	147.12

Discrete Performance (%)

	30.04.18 31.01.19	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	4.53	21.22	67.31	-4.39	33.94
NAV per share	8.44	22.66	56.13	1.05	30.71
Benchmark	4.74	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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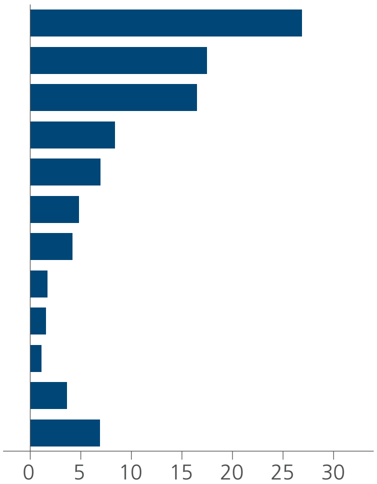
Polar Capital Technology Trust plc

Portfolio Exposure

As at 31 January 2019

Sector Exposure (%)

Software	26.9
Interactive Media & Services	17.5
Semiconductors & Semiconductor Equip.	16.5
Tech. Hardware, Storage & Peripherals	8.4
Internet & Direct Marketing Retail	6.9
Elec. Equip. Instruments & Components	4.8
IT Services	4.2
Entertainment	1.7
Communications Equipment	1.5
Healthcare Equipment & Supplies	1.1
Other	3.6
Cash	6.9



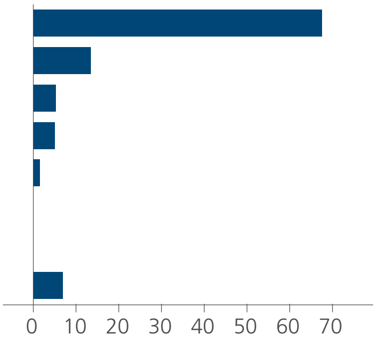
Top 15 Holdings (%)

Alphabet	9.3
Microsoft	8.1
Apple	4.5
Facebook	3.7
Tencent	3.4
Alibaba	3.3
Samsung	3.0
Amazon.com	2.3
Taiwan Semiconductors	2.2
Adobe Systems	1.9
Salesforce.com	1.7
ServiceNow	1.6
Advanced Micro Devices	1.5
PayPal Holdings	1.3
Texas Instruments	1.3
Total	**49.1**

Total Number of Positions 114

Geographic Exposure (%)

US & Canada	67.5
Asia Pacific (ex-Japan)	13.5
Japan	5.3
Europe (ex UK)	5.0
UK	1.6
Latin America	0.1
Middle East & Africa	0.1
Cash	6.9



Market Capitalisation Exposure (%)

Large Cap (>$10bn)	75.8
Mid Cap ($1bn - $10bn)	23.2
Small Cap (<$1bn)	1.0

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 January 2019

Market review

Global equities experienced a sharp rally in January, the MSCI All Country World gaining 4.8%, while the S&P 500 and the DJ Euro Stoxx 600 appreciated 4.9% and 3.9% respectively, all in sterling terms. The S&P 500 rebounded from its worst December since 1931, delivering its best January since 1987, shrugging off concerns about global growth and a mixed start to earnings season, extending the rally from its late December low to gaining 11%. Small caps outperformed, the Russell 2000 gaining 8.1% reflecting rebounding investor sentiment, supported by an encouraging December employment report, dovish central bank commentary and increased optimism regarding US/China trade talks.

In keeping with the Fed's more dovish tone, the Federal Open Market Committee (FOMC) voted unanimously to keep the Fed Funds Target Rate unchanged at 2.25% to 2.5% and announced that it would be "patient" with regard to further rate adjustments as well as highlighting it is prepared to adjust the size and composition of its balance sheet holdings "in light of economic or financial developments". This more dovish tone resulted in moderate dollar weakness (the trade-weighted basket declining 0.6%) and commodity strength, with Brent crude oil gaining 12.6% during the month. In a sign investors are beginning to anticipate slower growth ahead, the 10-year treasury yield failed to rally despite stronger than expected employment data in January, with US non-farm payroll increasing by 304,000 (versus expectations of 163,000) and average hourly earnings up 3.2% y/y. Towards the end of the month, Congress and the White House reached a temporary agreement to reopen the government (for 21 days), enabling 800,000 furloughed Federal workers to return to work, while border wall negotiations continue.

The deceleration in China's economy remains a focus for investors. December trade data was disappointing, with exports -4.4% y/y (2% y/y expected) and imports -7.6% y/y (4.5% y/y expected), declining faster than in 2016. The China Caixin Manufacturing PMI for January came in at 48.3, representing the second consecutive monthly reading below the 50-mark, indicating contraction. While recent macroeconomic data has been weak, the Chinese government vowed to step up fiscal stimulus, cutting taxes "on a larger scale" and increase public spending, while the central bank promised to provide "enough" support for the economy without further fuelling the country's debt boom.

Global markets also benefited from growing optimism about US/China trade talks, with supportive news flow culminating at the end of the month in positive rhetoric from the White House after a meeting between China's Vice Premier Liu He and President Donald Trump in the Oval Office. That said, the Department of Justice announced two separate indictments, covering 23 criminal accusations, against Huawei and its executives and formally asked Canada to extradite the company's CFO Meng Wanzhou to the US to face charges which could complicate already difficult negotiations.

The European economy also softened, leading many government bond yields to weaken. Italy entered a technical recession with a second consecutive negative q/q GDP number (-0.2% versus -0.1% expected), the sixth time it has done so since the inception of the euro. Broader eurozone growth slowed to 1.2% in Q4 2018 down from 1.6% in Q3. The eurozone composite PMI for January came in light of expectations at 50.7, the lowest since July 2013. Fortunately, with limited inflationary pressure, central banks globally now appear on the same side as investors. As well as the Fed's remarkable reversal of policy, the ECB left interest rates unchanged and admitted that risks have "moved to the downside" stating the bank was ready to "adjust all of its instruments" if the economy ran into serious trouble.

Technology review

The technology sector outperformed the broader market during the month, the Dow Jones World Technology Index gaining 6% in sterling terms. Having passed the halfway mark of the Q4 2018 earnings season, technology sector performance has remained encouraging. Both software and internet stocks have continued to deliver robust results supported by their disproportionate exposure to the robust US economy. Meanwhile, sentiment around hardware and semiconductor stocks reached such a negative extreme (due to trade war and China concerns) that stocks are now reacting positively to negative revisions (particularly if not as bad as feared).

Within software, one of the Fund's larger positions, ServiceNow delivered solid results as subscription billings growth accelerated to 39% y/y alongside a 33% y/y increase in the number of $1m+ annual contract value customers. Strong demand across all its product lines and geographies (defying macro data outside the US) allowed management to raise full year 2019 guidance. Proofpoint, a leader in next generation email security, posted a strong earnings report with improved billings growth and operating margins. This was notable in light of the new sales leadership which can cause near-term disruption. Disappointingly, unified communications vendor 8x8 fared less well as the company had execution issues as they rolled out their new X-series product suite to the mid-market which impacted new bookings and pushed out their 25% revenue target. We reduced our position modestly in light of elevated execution risks but continue to believe that the current valuation captures an attractive risk-reward profile.

The semiconductor sector rebounded strongly in January on the presumption of an H2 2019 recovery. Encouragingly, this positive reaction occurred despite semiconductor earnings results remaining mostly mixed to weak (including TSMC, Samsung Electronics, Intel, ASML Holding, Texas Instruments* and SK Hynix). For the most part, improved sentiment stemmed from results that were not as bad as feared and/or management comments predicting an H2 2019 recovery. However, NVIDIA fell sharply due to much weaker than expected demand for both gaming and data centre GPUs. China was blamed for the softness in gaming alongside delayed purchases of the new RTX platform. While the Trust holds some NVIDIA we remain underweight and reduced further post-results. Instead we believe the prospects for Advanced Micro Devices are brighter. Despite mixed earnings and Q1 guidance below expectations, management provided a robust 2019 revenue guide for high single-digit growth y/y, significantly above expectations. This implies management are very confident of substantial market share gains against Intel for their Ryzen-3 (PC) and Rome (Server) CPUs as well as some share gains against NVIDIA. With a strong slate of new products using TSMC 7nm process technology expected to launch mid-2019 AMD will have a manufacturing lead over Intel for the first time ever.

Weaker data centre spending was reported by both NVIDIA and Intel – which near term has weighed on some of our other holdings – due to a digestion period following above trend capex growth in 2018. However, once adjusted for falling memory prices we believe overall cloud capex growth rates may not slow as much as feared and instead see another robust year ahead. As well as data centre spend, one area we particularly favour within communications and networking is 5G exposure. Here Xilinx

Fund Manager Comments

As at 31 January 2019

beat expectations on both revenues and EPS. The company witnessed robust demand from its communication and data centre/test management end markets. Early 5G deployments in South Korea and China provided a boost alongside a greater than expected increase in aerospace and defence.

In the hardware sector, Apple's results were in line with their negative pre-announcement. Revenues declined 5% y/y driven by a 15% y/y decline in iPhone revenues. New disclosures including services segment gross margins and an installed base of 900 million iPhone devices were provided to assist in helping to model the transition to more of a services business. Q2 guidance was, however, worse than feared implying a further revenue decline of 3% to 10% y/y. Revenues from Greater China declined 27% y/y during the quarter highlighting the significance of China to any hope of a turnaround in the fortunes of Apple. For now (ahead of significant trade war progress or a 5G related product cycle) we remain materially underweight our largest benchmark constituent, preferring to allocate this capital elsewhere.

The internet sector's strong performance during the month, was largely supported by robust results. Alibaba Group Holding's core retail businesses of Tmall and Taobao experienced only a modest sequential deceleration of two percentage points to 35% y/y despite a weaker Chinese macro backdrop. The Cloud business was also strong, 84% y/y, although international retail underperformed (facing a revenue headwind in its shift to a third-party marketplace model from its first-party origin) and heavy investment in other newer areas continues to hold back margins. Facebook saw daily active user (DAU) growth return to both the US/Canada and Europe while a measure of engagement (DAU/MAU) remained stable at 66%. Encouragingly, advertising revenue came in better than feared, up 33% y/y, slowing from 35% y/y in the previous quarter (perhaps aided by two million advertisers now spending on its new Stories Ads). Amazon delivered good growth, but results were surprisingly lacklustre, with operating profit and revenues broadly in line versus the big upside of recent quarters and a muted Q1 outlook. Its cloud infrastructure business (AWS) remains a standout, with 46% y/y growth in constant currency, impressively holding its growth rate from Q3, while reaching the scale of a $26bn revenue business over the trailing-12 months. However, there were some disappointing areas within the earnings release including a slowdown in paid unit growth, subscription services and advertising that merit closer monitoring.

Outlook

Equities have rallied sharply during early 2019 due to a number of positive developments including a remarkable (dovish) U-turn by the Fed, reminding investors they are not only listening to the market, but that this tightening cycle may be over (for now at least). This, along with a strong US jobs market (both December and January non-farm payroll reports came in well ahead of expectations) and optimism regarding US/China trade talks (driven by the belief that neither the US or China can afford for talks to fail). In addition, there has been a welcome uptick in M&A activity with offers for Luxoft (by DXC), Ultimate Software (private equity) and Celgene (by Bristol-Myers Squibb), all at healthy premia.

While we remain concerned about the increasingly pervasive nature of the economic slowdown, the return of the so-called 'Fed put' has appeared to provide a floor under valuations for now. Although we have long felt the Fed remained on a more data-dependent path than believed, we have been genuinely (positively) surprised by how swiftly it has been willing to potentially capitulate on the rate tightening cycle. Meanwhile – as evidenced by Q4 results season – US corporate earnings have remained resilient. The US economy, while slowing from recent highs, remains solid and continues to provide a healthy backdrop for growth. US-centric corporates have so far reported strong growth and even Asian companies operating in more cyclical industries (for example, Yaskawa Electric and Keyence) reported strong demand growth from the US.

Excessively negative investor sentiment and positioning has provided a solid footing for this rapid recovery in markets (the pain trade has been, and appears to remain, upwards). Q4 2018 results and the positive market reaction to many of those who disappointed also acted as catalysts. According to Citigroup, with 66% of the S&P 500 reported, 71% of companies have beaten EPS (22% falling below) with a blended earnings growth rate of 13.3% thus far. This is despite a stronger US dollar, slower global economic growth and trade tensions. They go on to note that for companies with at least 50% of sales in the US, the earnings growth rate has been 16.6% y/y versus 8.4% y/y for those with less than 50% of revenue domestically. However, guidance has continued to disappoint (although this may in part reflect management desire to set conservative guidance), and 53 companies have downgraded their outlook compared to 12 improving their view.

We entered the year conservatively positioned ahead of preannouncement season, expecting macro headwinds to weigh on more cyclical stocks (including semiconductors) and lead to muted results and/or cautious guidance. While trade war risks remain, we have been particularly impressed by the strength of earnings, better than expected guidance and upbeat commentary from many of our preferred holdings and have therefore used some liquidity to rebuild these positions. Although we are encouraged by the 'action' of cyclical stocks amid earnings cuts (and have added to our overall exposure), we continue to prefer the outlook for our portfolio due to the underlying secular tailwinds from our core themes that should support the strong growth potential of many of our holdings. With the market PE having rebounded sharply from December lows, we expect returns to be driven by underlying growth which should favour our growth-centric approach. Should economic (and earnings) growth remain scarce, this could favour an increasingly narrow group of secular winners.

Our aim as always is to focus on bottom-up stock-picking and assemble a portfolio of next-generation winners trading at attractive valuations which should allow the portfolio to deliver growth in excess of the benchmark which should (over time) manifest as outperformance. 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. While we remain constructive for now, we do expect further volatility this year and will be watching a number of risks closely including credit spreads, yield curve inversion, China growth, bank lending and inflationary pressure.

Near term, market direction is likely to rest on the status (and outcome) of US/China trade negotiations – we continue to believe that both sides remain eager to hammer out a deal that they can each sell to their respective domestic audience. While we continue to expect some tough rhetoric during the process (especially in the run up to 1 March) and see an increasing chance of the talks taking longer to resolve (which may prove disappointing to some), ultimately, we believe de-escalation is likely. The only issue in our view, is whether President Trump will consider the likely concessions offered by China (IP protection, trade deficit and market access) enough for him

Fund Manager Comments

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to claim a victory absent any real progress in industrial policy (ie non-trade barriers/state subsidies), which we think China is unlikely to concede.

*Not Held

Ben Rogoff

12 February 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.

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 31/12/2015 - 31/12/2018.

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.

Information Subject to Change The information contained herein is subject to change, without notice, at the discretion of Polar Capital and Polar Capital does not undertake to revise or update this information in any way.

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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