

Fund Manager Comment

31 January 2014

Fact sheet

Market performance

Disappointing economic data in the US and China, together with evidence of distress in some emerging markets (EM), saw equities commence the year on a weak note; the FTSE World Index falling 3.4% in sterling terms. Having ended the year at highs, both markets and investor sentiment adjusted lower following a lacklustre December non-farm payroll report (74k jobs added vs. expectations of 197k) and the lowest PMI reading (51.3) since May 2013. Chinese macroeconomic data was scarcely better with the January PMI (49.5) pointing to contracting manufacturing activity, while a rumoured potential default of a \$500m investment trust raised the spectre of contagion within the shadow banking system. To add insult to injury, the SEC censured the Chinese units of the 'Big Four' accounting firms for failing to disclose documents requested that involved US-listed companies under investigation for accounting fraud. In addition to weaker data, a number of emerging markets began to show signs of tapering-related "turbulence" with three (India, South Africa, Turkey) opting to raise interest rates in order to protect their currencies and/or curtail inflation. The magnitude of Turkey's response (raising rates by 4.45%) was seemingly not lost on investors who rotated away from risk (equities, EM currencies), in favour of relative safe-havens such as the yen and US Treasuries, ten-year yields falling from over 3% to 2.67% during the month. These top-down developments overshadowed an encouraging start to fourth-quarter earnings season with c.70% of the S&P 500 Index (that had reported by month-end) beating expectations.

Technology performance

The technology sector outperformed the broader market during the month, with the Dow Jones World Technology Index falling 1.5% in sterling terms. While some of the sector's relative strength was passive (USD/yen strength, modest EM exposure), fourth quarter earnings season began well with more than 84% of the technology companies in the S&P 500 Index that had reported by month-end surpassing expectations. Although large/small-cap performance was broadly inline, this belied a significant divergence within large-caps as a number of incumbents (including Apple, IBM and Samsung) posted disappointing reports in stark contrast to the strong numbers delivered by both Facebook and Google. While headline Apple earnings came in ahead of expectations, ensuing stock weakness reflected disappointing iPhone sales (51m vs. expectation of more than 55m) and Q1 guidance below sell-side estimates. Apple's malaise echoed that of Samsung, who posted disappointing Q4 results earlier in the month, as high-end smartphone sales stalled. IBM (not held) also reported a weak quarter, with plunging hardware sales (-26% year-on-year) resulting in light revenues for the fourth straight quarter while earnings would have missed expectations significantly but for a sharply lower tax rate. In addition, incumbents Canon (not held - earnings down 10% year-on-year, despite the weaker yen) and Intel (PC client revenues falling 4% year-on-year) both posted disappointing results.

In contrast, internet giants Facebook and Google both delivered strong quarters, the latter also announcing it was selling Motorola Mobility (acquired in May 2012) to Lenovo for US\$2.9bn. While Google beat expectations comfortably (earnings increasing 17%, driven by paid click growth of 31%), Facebook crushed forecasts for the second consecutive quarter with revenues and earnings per share increasing by 76% and 82% year-on-year respectively. While the Trust benefited from both Facebook and Google, disappointing results from Amazon (revenue growth decelerating to 20% year-on-year) detracted from performance. In addition, the Trust benefited from a number of strong earnings-related performances including Harman, Illumina, Netscout and Proofpoint, although respectable quarters from both Microsoft and Qualcomm detracted from relative performance. The Trust also benefited from two non-earnings related developments during the month as the US Court of Appeals voided key provisions of the FCC's 'net neutrality' order (benefiting DPI vendor Allot Communications) while activist investor Elliott Management took a 6.2% stake in Juniper Networks.

Outlook

We strongly believe we have entered a second, more pernicious phase of the technology cycle and as such we are likely to maintain/extend our off-benchmark exposure during the course of 2014. Our preferred themes and focus areas for investment include, public cloud computing (infrastructure as a service 'IaaS' and software as a services 'SaaS'), cyber security, 40/100G optical networking, online advertising/social media, digital marketing, ecommerce, 'big data'/analytics and factory automation (sensors & robotics). In addition, other emerging technologies that are likely to garner attention during 2014 include mobile / contactless payments, biometrics, home automation, wearable technology (including the long awaited Apple iWatch) and the Internet of Things (IoT). It is these areas we believe will be best placed to deliver sustained secular growth and most likely to benefit from a stronger economy.

At the risk of sounding overly sanguine about the macro outlook, we believe that the US remains in the early stages of an economic recovery and that inflation/risk of policy error remains modest. As such, the remarkable alignment of interests between policy makers and investors that has underpinned our constructive view on markets since 2008/9 is likely to persist. Although the Federal Reserve (Fed) has begun taper their asset purchases, we expect policy to remain extremely accommodative over the next few years with the Fed likely to lower its unemployment threshold towards 6%, pushing out the prospect of the first rate hike into 2015, even if the economy strengthens. After a strong period for markets driven largely by the combination of steady growth and PE expansion, accelerating growth is exactly what is needed to drive stocks over the coming year.

Markets have had a shaky start this year due to the unhelpful combination of weaker economic data (US payrolls and softer PMI surveys in the US and China) and ebullient investor sentiment. Emerging markets have borne the brunt of the current correction, as tapering has resulted in adverse financial flows presaging recent interest rate hikes in countries with larger current account deficits, such as South Africa and Turkey. Given the unprecedented scale of quantitative easing, we clearly cannot know how disruptive the unwind will prove. That said, emerging markets (EM) are in vastly better shape than during the late 1990s crisis and very few countries in the region today have fixed currencies. As such, further equity market weakness due to fears of an EM/China slowdown would represent a significant buying opportunity, in our opinion.

Against this backdrop, we believe the technology sector looks well placed supported by reasonable valuations and pristine balance sheets. However, investors buying seemingly cheap traditional IT vendors are likely to be disappointed that these companies fail to benefit from a stronger economy, largely because there is far less pent up demand for legacy technologies than most believe. This is largely due to the deflationary shift towards public cloud computing, which by 2014 should account for 17% of total workloads (units of computing) according to Morgan Stanley – a pace of adoption even faster than we envisioned.

While Q4 earnings season has thus far been robust as expected, management teams have set a conservative bar for 2014 growth expectations and this, combined with market weakness, has begun to create more interesting opportunities in individual stocks. As such we have begun to increase our cyclical exposure as well as adding to our preferred secular growth stocks. Short periods of stock price mean reversion are not unusual and in our view we may already be half way through the current one.

Ben Rogoff, 7 February 2014

Trust Facts

Ordinary Shares

| | |
|-------------------------------|---------------------------|
| Share Price (p) | 470.00 |
| NAV (undiluted) per Share (p) | 480.74 |
| Premium (%) | - |
| Discount (%) | 2.23 |
| Capital Structure | 128,994,475 shares of 25p |

Subscription Shares[†]

| | |
|--------------------------------------|-------------------------|
| Share Price (p) | 6.60 |
| Exercise Price (p) | |
| - From 1 April 2012 to 31 March 2014 | 478.00 |
| Capital Structure | 24,709,624 shares of 1p |

| | |
|-------------------------------------|------|
| Total Net Assets (£m) | 620 |
| AIC Gearing Ratio (%) [*] | 0.00 |
| AIC Net Cash Ratio (%) [*] | 6.00 |

^{*}Gearing calculations are exclusive of current year Revenue/iLoss

Benchmark

Dow Jones World Technology Index (Total Return)
(from 1 May 2006)

Trust Overview

Objective

The investment objective is to maximise capital growth for our shareholders through investing in a diversified portfolio of technology companies around the world.

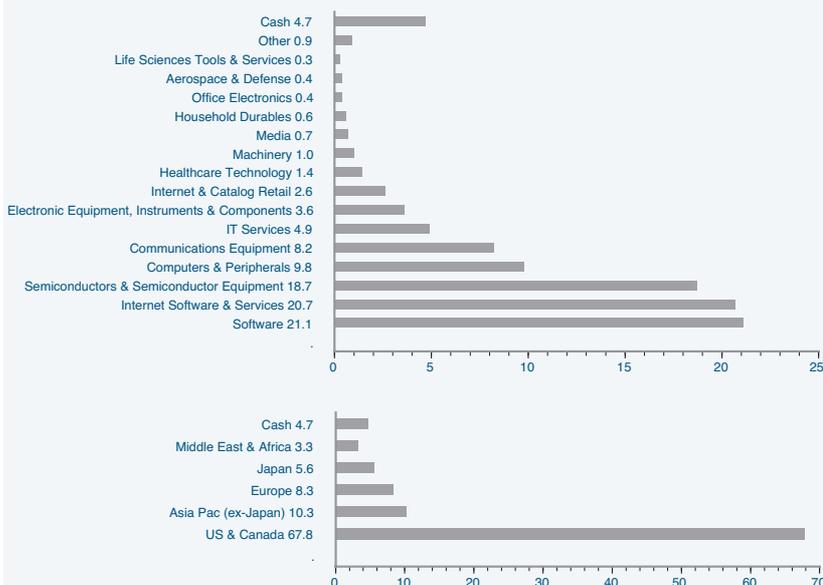
†For full details of the subscription shares and their exercise terms please refer to the prospectus of 18 January 2011 and the notes on the company's website.

It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this list. A list of all recommendations made within the immediately preceding 12 months is available upon request.

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Fact sheet

Sector & Geographic Exposure (%)



Total Number of Holdings 132

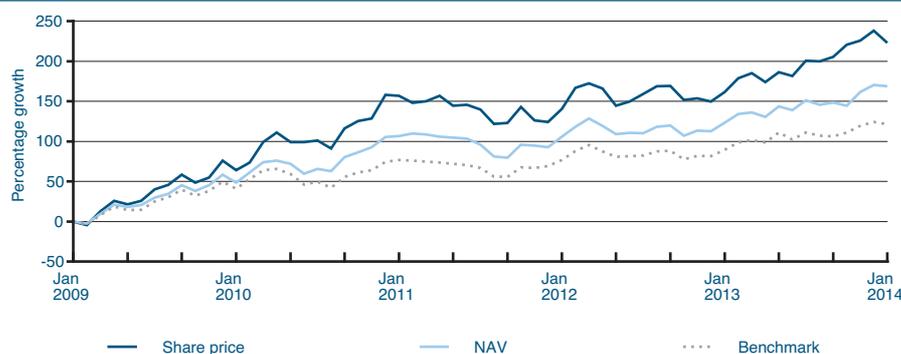
Top Ten Holdings (%)

| Company | Exposure (%) |
|---------------------|--------------|
| Google | 8.3 |
| Apple | 5.9 |
| Microsoft | 4.4 |
| Facebook | 3.7 |
| Intel | 2.6 |
| Samsung Electronics | 2.1 |
| Qualcomm | 2.0 |
| Salesforce | 1.9 |
| Tencent | 1.7 |
| Oracle | 1.7 |
| Total | 34.3 |

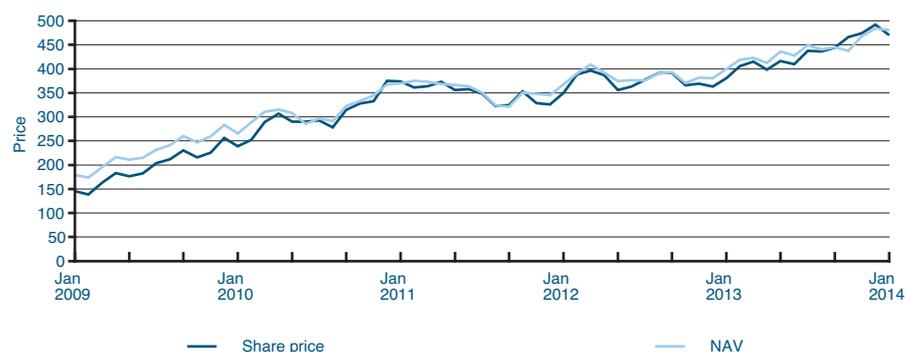
Market Capitalisation Exposure (%)

| Category | Exposure (%) |
|--------------------------------|--------------|
| Large (greater than US\$ 10bn) | 69.2 |
| Medium (US\$ 1bn to 10bn) | 22.2 |
| Small (less than US\$ 1bn) | 8.7 |

Performance Over 5 Years



Share Price & NAV per Share Over 5 Years



Cumulative Performance (%) to 31/01/2014

| | 1 Month | 3 Months | 6 Months | 1 Year | 5 Years |
|---------------|---------|----------|----------|--------|---------|
| Share Price | -4.47 | 0.75 | 7.40 | 23.55 | 223.02 |
| NAV per Share | -0.67 | 3.56 | 6.99 | 20.35 | 168.63 |
| Benchmark | -1.33 | 2.22 | 4.77 | 16.84 | 121.25 |

Discrete Annual Performance (%)

| | 30/04/13 31/01/14 | 30/04/12 30/04/13 | 28/04/11 30/04/12 | 30/04/10 28/04/11 | 30/04/09 30/04/10 |
|---------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Share Price | 17.94 | 2.97 | 3.61 | 21.74 | 67.65 |
| NAV per Share | 16.57 | 5.06 | 6.59 | 16.88 | 45.63 |
| Benchmark | 11.26 | 5.98 | 8.12 | 4.87 | 39.63 |

Source: Lipper & HSBC Securities Services (UK) Limited, percentage growth, total return

Trust Overview

Investment Rationale

Over the last two 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 broad market, reflecting the accelerating rate of adoption of new technology. Technology is transforming the competitive position of companies and entire economies, thereby fuelling a major secular increase in technology spending.

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

Approach

Polar Capital selects companies for their potential for generating capital growth, 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

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Fact sheet

Polar Capital Technology Investment Management Team

Polar Capital Technology Trust is managed by the Polar Capital technology team. Polar Capital was established by the senior technology fund managers previously responsible for Henderson's specialist technology funds. Today's Polar Capital technology team comprises of five investment professionals.

Ben Rogoff - Director, Technology



Ben joined Polar Capital in May 2003. He is lead manager of Polar Capital Technology Trust plc and is also joint manager of Polar Capital Global Technology Fund. He has been a technology specialist for 15 years. Prior to joining Polar Capital he began his career in fund management at CMI, as a global technology analyst. He moved to Aberdeen Asset Managers in 1998 where he spent four years as a senior technology manager. Ben graduated from St Catherine's College, Oxford in 1995.

Technology Investment Management Team:

Nick Evans - Senior Fund Manager

Nick joined Polar Capital in September 2007 and has 15 years' experience as a technology specialist. He has been lead manager of the Polar Capital Global Technology Fund since January 2008. Prior to joining Polar he was head of technology at AXA Framlington and lead manager of the AXA Framlington global technology fund and the AXA world fund (AWF) – global technology from 2001 to 2007 (both rated five stars by S&P). He also spent three years as a Pan-European investment manager and technology analyst at Hill Samuel Asset Management. Nick has a degree in Economics from Hull University.

Fatima Iu - Fund Manager

Fatima joined Polar Capital in April 2006 after working as an analyst with Citigroup Asset Management for 18 months. She focuses on European technology stocks and has responsibility for coverage of the global alternative energy and medical technology sub-sectors. Fatima graduated from Imperial College London in 2002 with a degree in Medicinal Chemistry. She is a CFA charterholder.

Colin Moar - Fund Manager

Colin joined Polar Capital in January 2011 as a Fund Manager, having spent 15 years covering Pan-European and then global equity markets, with the technology sector as his main focus. Prior to joining Polar Capital he started his career at Morley Fund Management in 1997 initially covering UK/European equities before moving to their global equity team in 2002. From 2006 he took responsibility for €450m of the team's focused global equity funds. In January 2010 Colin joined HSBC Asset Management's global equity team as a senior fund manager. Colin has a degree in Business Studies from the University of Edinburgh.

Xuesong Zhao - Fund Manager

Xuesong joined Polar Capital in May 2012, having spent most of the previous five years working as an investment analyst within the emerging market & Asia team at Aviva Investors, where he was responsible for the technology, media and telecom sectors. Prior to that, he worked as a quantitative analyst and risk manager for the emerging market debt team at Pictet Asset Management. He started his career as a financial engineer at Algorithmics, now owned by IBM, in 2005. He holds an MSc in Finance from Imperial College Science & Technology, a BA (Hons) in Economics from Peking University and is a CFA charterholder.

Trust Characteristics

| | |
|-------------------|-------------------------|
| Launch Date | 16 December 1996 |
| Lead Manager | Ben Rogoff |
| Year End | 30 April |
| Results Announced | Mid June |
| Next AGM | September 2014 |
| Continuation Vote | 2015 AGM; every 5 years |
| Listed | London Stock Exchange |

Fees*

| | |
|----------------------------|--------------------|
| Management Fee | 1.00% |
| Performance Fee** | 15% over Benchmark |
| Ongoing Charges (historic) | 1.16% |

* Further details can be found in the Report & Accounts

** Subject to high watermark and cap

How to Invest

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.

Tel: 0870 850 0852
Online: www.shareview.co.uk/dealing

Savings Scheme & ISA

Shares in the company may be purchased through a share saving scheme and an ISA administered by Alliance Trust Savings Scheme, by contacting Alliance Trust.

Tel: 0800 326 323
Online: www.alliancetrust.co.uk

Registered Office

4 Matthew Parker Street, London SW1H 9NP

Custodian

JP Morgan Chase NA acts as global custodian for all the Company's investments.

Registrar

Equiniti
The Causeway, Worthing, West Sussex BN99 6DA
www.shareview.co.uk

Codes

Ordinary Shares

| | |
|-----------------------|-------|
| London Stock Exchange | PCT |
| Reuters | PCTL |
| Bloomberg | PCTLN |

Subscription Shares

| | |
|-----------------------|---------|
| London Stock Exchange | PCTS |
| Reuters | PCTS.L |
| Bloomberg | PCTS.LN |

Website

www.polarcapitaltechnologytrust.co.uk

House View

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This document does not provide all information material to an investor's decision to invest in the Polar Capital Technology Trust plc, including, but not limited to, risk factors. PROSPECTIVE INVESTORS SHOULD REVIEW THE FUND'S OFFER DOCUMENT, INCLUDING THE RISK FACTORS, BEFORE MAKING A DECISION TO INVEST.

The Fund has not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") and the holders of its shares will not be entitled to the benefits of the Investment Company Act. In addition, the offer and sale of the Securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). No Securities may be offered or sold or otherwise transacted within the United States or to, or for the account or benefit of U.S. Persons (as defined in Regulation S of the Securities Act). In connection with the transaction referred to in this presentation the shares of the Fund will be offered and sold only outside the United States to, and for the account or benefit of non U.S. Persons in "offshore- transactions" within the meaning of, and in reliance on the exemption from registration provided by Regulation S under the Securities Act. No money, securities or other consideration is being solicited and, if sent in response to the information contained herein, will not be accepted. Any failure to comply with the above restrictions may constitute a violation of such securities laws.

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This portfolio data is "as of" the date indicated and should not be relied upon as a complete or current listing of the holdings (or top holdings) of the fund. 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 fund's best interest to do so. A complete list of the portfolio holdings may be made available upon request. It should not be assumed that any of the securities transactions or holdings discussed was or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. The information provided in this document should not be considered a recommendation to purchase or sell any particular security.

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 and all 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 this index. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the fund. For example, 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, any indices noted in this presentation 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. In addition, 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 are 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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Investment managers which are authorised and regulated by the FCA 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 favourable rights, which are material, 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 Administrator on 0800 3134922. 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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References to future returns are not promises or even estimates of actual returns Polar Capital may achieve, and should not be relied upon. The forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. In addition, the forecasts are based upon subjective estimates and assumptions about circumstances and events that may not yet have taken place and may never do so.

Performance

Performance is shown net of fees and expenses and includes the reinvestment of dividends and capital gain distributions. Many factors affect fund performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment return and principal value of your investment will fluctuate, so that when your investment is sold, the amount you receive could be less than what you originally invested. 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), are not guaranteed by any bank, and may lose value.

Investment Process - Risk

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. Investors may lose all of their investments.

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 for a description of the investment allocations as well as the risks associated therewith. Please note that the fund may elect to invest assets in different investment sectors from those depicted herein, which may entail additional and/or different risks. The actual performance of the fund will depend on the Investment Manager's ability to identify and access appropriate investments, and balance assets to maximize return to the fund while minimizing its risk. The actual investments in the fund may or may not be the same or in the same proportion as those shown herein.