Polar Capital Technology Trust plc

Half-Year Report for the
six months ended 31 October 2019

SOFTWARE CONTAINERISATION
Building blocks for the Digital Economy

YOUR COMPANY AT A GLANCE

INVESTMENT OBJECTIVE

The Investment Objective is to maximise long-term capital growth through investing in a diversified portfolio of technology companies around the world. The investment policy is set out in full in the Strategic Report on pages 40 and 41 of the Annual Report for the year ended 30 April 2019.

INVESTMENT RATIONALE AND APPROACH

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 can offer the potential for substantially faster earnings growth than the broader market.

Technology may be defined as the application of scientific knowledge for practical purposes and technology companies are defined accordingly.

While this offers a very broad and dynamic investment universe and covers many different companies, the portfolio focuses on companies which use technology, or which develop and supply technological solutions as a core part of their business models. This includes areas as diverse as information, media, communications, environmental, healthcare, financial, e-commerce and renewable energy, as well as the more obvious applications such as computing and associated industries.

MANAGEMENT

The Company is an investment trust led by an experienced Board of Non-executive Directors with extensive knowledge of investment matters, the regulatory and legal framework within which your Company operates, as well as the various roles played by investment companies in shareholders' portfolios. The role of the Board is to provide oversight of the Company's activities and to seek to ensure that the appropriate financial resources and controls are in place to deliver the Investment Objective and manage the risks associated with such activities. The Directors have appointed various third-party suppliers to provide a range of services including investment management, depositary and administrative services to the Company.

Polar Capital LLP has been the appointed Investment Manager and AIFM throughout the year. Ben Rogoff, the appointed portfolio manager, has been responsible for the Company's portfolio since 1 May 2006 and is supported by a team of technology specialists. Polar Capital LLP is authorised and regulated by the Financial Conduct Authority.

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FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

	(Unaudited) As at 31 October 2019	(Audited) As at 30 April 2019	Movement %
Total net assets	£1,973,858,000	£1,935,646,000	2.0
Net assets per ordinary share	1474.95p	1446.40p	2.0
Price per ordinary share	1416.00p	1354.00p	4.6
Benchmark – Dow Jones World Technology Index (total return, Sterling adjusted, with the removal of relevant withholding taxes)	2141.9	2045.1	4.7
Discount of ordinary share price to net asset value per ordinary share	4.0%	6.4%	
Ordinary shares in issue	133,825,000	133,825,000	–

KEY DATA

	For the six months to 31 October 2019	
	Local Currency %	Sterling Adjusted %
Benchmark (see above)	4.0	4.7
Other Indices over the period (total return)		
FTSE World	3.8	4.6
FTSE All-share	-	0.4
S&P 500 composite	4.2	5.0
Nikkei 225	4.1	7.5
Eurostoxx 600	3.3	3.5

EXCHANGE RATES

	As at 31 October 2019	As at 30 April 2019
US$ to £	1.2940	1.3037
Japanese Yen to £	139.89	145.19
Euro to £	1.1599	1.1632

No interim dividend has been declared for the period ended 31 October 2019, nor were there for periods ended 31 October 2018 or 30 April 2019, and there is no intention to declare a dividend for the year ending 30 April 2020.

References throughout this document to "the Company" or "the Trust" relate to Polar Capital Technology Trust PLC while references to "the portfolio" relate to the assets managed on behalf of the Company.

INVESTMENT MANAGER'S REPORT

MARKET REVIEW

The half year to 31 October 2019 saw global equities make further progress, the FTSE World index delivering a total return of 4.6%, in sterling terms. The period was dominated by trade war machinations while associated uncertainty weighed on corporate confidence, putting downward pressure on economic progress across the world. However, risk assets added to their remarkable Q1 gains, supported by the Fed (and other central banks) easing monetary policy and hopes of a trade war détente. Trade negotiations entered something of a phoney war with both sides threatening to escalate tariffs before repeatedly stepping back from the brink. October saw actual progress with China agreeing to buy $40–50bn of US agricultural products in exchange for a delay in the tariff increase planned for 15 October. This was followed by rumours that a partial phase one deal, which excludes the more intractable structural reform issues, was close to being concluded.

However, lack of tangible trade progress for most of the period weighed on global growth. This was most apparent in export-sensitive economies like Korea and Japan, as well as Europe where manufacturing PMIs continued to weaken, falling to 45.7 in September (near seven-year lows), exacerbated by the trade war and Brexit fears. While the pace of deceleration in China slowed, manufacturing PMIs remained in contraction territory for five consecutive months while third-quarter GDP growth came in at 6% y/y, the weakest figure in 30 years. Although the US economy remained a relative safe-haven, 10-year US treasury yields fell below 2% in May, for the first time since 2016, and ended the period at just 1.74%. This reflected weakening data that in August recorded the first contraction in the manufacturing sector since 2009, followed a month later by the lowest reading in the US ISM manufacturing index in more than 10 years. In addition, political risk remained elevated and weighed on sentiment with investors having to contend with oil disruption following Iranian attacks on oil tankers in the Straits of Hormuz and Saudi oil facilities. In addition, Brexit risk reached fever pitch with Prime Minister Boris Johnson adopting a more belligerent approach to EU intransigence and Parliament all but seizing up before a deal was reached and an election called. In the US, the launch of an impeachment enquiry into President Trump by the Democrats added to the prevailing political uncertainty.

As trade tensions remained unresolved and economic data points deteriorated, markets began pricing in and demanding policy easing by the world's central banks. Central banks played their part in ameliorating the softening economic outlook; the Fed went beyond signalling and delivered its first rate cut since 2008 as it lowered rates by 25bps in August, followed by two subsequent cuts in September and October. In Europe, the September ECB meeting saw measures that included a 10bps cut to headline interest rates (to a record low -0.5%) and a restart of its quantitative easing ('QE') programme of bond purchases set at €20bn per month. While Fed Chair Jerome Powell stated that its actions should not be viewed as a resumption of QE, the Fed also began injecting liquidity into money markets from September, when a spike in the overnight lending rate caused concern. The scope of its repo operations was expanded in October while the Fed also began purchasing Treasury bills at $60bn/month, expected to continue into Q2 2020 or longer. This 'stealth QE' together with three interest rate cuts successfully un-inverted the US yield curve.

TECHNOLOGY REVIEW

The technology sector modestly outpaced the broader market during the half year, the Dow Jones World Technology Index advancing 4.6%, in sterling terms. As in prior years, this outperformance was aided by the sector's disproportionate exposure to the US. However, the dollar provided less of a tailwind as potential light at the end of the Brexit tunnel, in the form of a UK general election, saw sterling regain its poise, ending the period little changed against the dollar. The half year began with a continuation of returns concentrated in the software and payment subsectors, where growth remained impressive and relatively sheltered from trade war machinations. However, this trend reversed abruptly in July with early-cycle stocks responding to the first US interest rate cut since 2008, a move up in US 10-year treasury yields and hopes for a trade deal. The outperformance of value and cyclical groups continued, resulting in semiconductor stocks delivering the strongest subsector returns over the half year – the Philadelphia Semiconductor index rising 8.1%, in sterling terms – while the component and robotics-heavy Japanese market delivered the best geographic returns (6.5%). This outperformance was significantly divorced from fundamentals that remained mixed at best as the semiconductor industry remained mired in a prolonged downturn with revenues forecast to fall by nearly 13% in 2019. However, semiconductor (and other cyclical subgroups such as robotics) stocks shrugged this off as investors instead focused on pockets of improvement as well as hope for a better 2020 and a positive trade war outcome.

Fundamental improvement was most apparent where it was least expected, with Apple and the smartphone supply-chain delivering some of the best returns. Following earlier news in April that Qualcomm and Apple had settled all pending litigation between the two companies (suggesting a 5G iPhone might be released in 2020), Apple's stock price strength continued before and after the September launch of the iPhone 11. Against a backdrop of low expectations, the new smartphone (with a better camera and noticeably improved battery life) surprised to the upside. In addition, further progress in services and persistent strength in wearables (a $16bn run-rate business growing more than 50% propelled by AirPods) saw Apple (up 26%) again become the world's most valuable company as it added a remarkable $159bn to its market capitalisation during the half year. Another relative bright spot for chipmakers was 5G, despite Huawei-related uncertainty, as investors (ourselves included) became excited about the size of the addressable market and the deployment timeline. This was in contrast to weaker trends elsewhere, particularly in automotive (where China auto sales fell 12.4% during 1H19) and in datacentre (reflecting slowing cloud capex). The latter weighed heavily on server, networking and CPU demand while spot DRAM prices fell more than 30% during the period.

Internet stocks also delivered returns in stark contrast t o fundamentals as the group struggled with regulatory headwinds and an adverse narrative despite continued growth at most of the key platforms. In June, the US Federal government announced it was stepping up scrutiny of big technology companies with the Department of Justice and the Federal Trade Commission said to have struck a deal to divide oversight of Facebook, Amazon, Alphabet (Google) and Apple. In the same month, Senator Elizabeth Warren – a leading candidate in the race to win the Democrat nomination – further raised the ante when she announced she would "break up big tech" if she became President. In addition, Apple lost a Supreme Court ruling that will allow antitrust lawsuits against the App Store to proceed, while in August France passed a 3% digital tax on sales for large internet companies. Despite these adverse developments and headline risk, fundamentals at the leading platforms remained strong. Google and Facebook both delivered impressive top-line growth, while Facebook added two million daily active users in Q3 in both the US and Europe, once again confounding engagement concerns. Deceleration at AWS and the decision to invest in free one-day shipping as the default to all Prime customers saw Amazon shares trail its peers. We have significantly reduced our Amazon holding, and in the summer trimmed our already underweight positions in Alphabet and Facebook on the regulatory developments. However, we have retained significant but smaller positions in both as their valuations remain compelling relative to their growth, which suggests that negative outcomes are at least partially priced in.

Next-generation software and payment stocks continued to deliver exceptional growth, but this was more than offset by an arguably overdue period of valuation compression, potentially triggered by limited evidence of macroeconomic uncertainty impacting earnings progress, while disappointing progress at Uber and the debacle at WeWork weighed on investor appetite for growth stocks. Having reduced our software exposure earlier in the year, we exited several more of our highfliers before beginning to modestly rebuild our sector exposure towards the end of the half year. A weaker than normal Q2 from PayPal hindered payment stocks which, like software, were also hampered by the rotation away from growth. Enterprise incumbents mostly struggled, as the shift towards the cloud continued to negatively impact organic growth at legacy vendors such as IBM and Oracle, as well as a number of IT services/outsourcing companies, including Cognizant and DXC Technologies.

PORTFOLIO PERFORMANCE

Our total return performance came in below our benchmark, with the net asset value per share rising 2% during the first half of the year versus 4.6% for the sterling-adjusted benchmark. This largely reflected the underperformance of our US exposure (stock selection) which was hindered by the relative strength of large-cap technology (where we remain underweight, as we have for many years) which outperformed small caps by 8%. In addition, portfolio performance was negatively impacted, by the drag of holding cash in a rising market and our NASDAQ puts.

At the stock level, continued share price strength at Apple (up 26%) proved the most significant detractor to relative performance as our largest underweight position cost 100bps during the half year. However, in aggregate the rotation from growth/momentum to value post July proved more expensive still as a number of our software holdings experienced significant valuation compression, triggered by evidence of macroeconomic uncertainty creeping into earnings. At the same time, semiconductor stocks enjoyed one of their most significant periods of re-rating in recent memory driven by improvement at Apple, strength in China (as Huawei and others likely built inventory or established alternative supply chains) and trade war hopes.

INVESTMENT MANAGER'S REPORT CONTINUED

PORTFOLIO PERFORMANCE CONTINUED

Decelerating growth at Amazon Web Services (AWS) contributed to weaker performance of Amazon (-7%) while slower cloud capital spending caught up with both Arista Networks (-21%) and Xilinx (-23%), although we reduced all three of these positions during the period. Disappointing progress at Uber (-30%) directly impacted our own performance but, together with the travails at WeWork, this cast a shadow over other so-called long duration assets including Netflix (-22%) which was also impacted by concerns over competition and the pace of new user growth. There were also a few genuine disappointments, but these were largely contained to the portfolio tail with 2U, Forescout and Ubisoft each falling short of expectations, while Infineon was weak following its thesis-changing acquisition of Cypress Semiconductor.

In terms of positives, AMD (up 24%) continued to add to returns as the company delivered on its product roadmap while benefitting from the general upswing in semiconductor stocks, a dynamic that also aided our holdings in Tokyo Electron (up 31%) and Advantest (up 64%). In addition, a select group of software stocks generated strong relative returns including RingCentral, LivePerson and Medallia, a recent IPO. The Trust also benefited from the underperformance of incumbents such as Baidu, Broadcom, Cisco, DXC Technology and Nokia where we have limited or zero exposure because we perceive them to be negatively impacted by technology change and/or market share shifts. Finally, M&A proved a modest positive following the acquisition of Tableau by Salesforce.com for a 42% premium in June.

MARKET OUTLOOK

Trade war uncertainty has taken its toll on the global economy which is now in a "synchronised slowdown" with growth this year estimated at just 3%, the slowest pace since the financial crisis. While growth next year is expected to improve to 3.4%, this is already 0.2% lower than forecast at our year end and considered "precarious", being dependent on emerging market (EM) reacceleration. According to the IMF, the negative impact of US/China trade tensions has cumulatively reduced GDP in 2020 by 0.8%. This has been most keenly felt in manufacturing where uncertainty, together with disruption in the automotive sector due to new emission standards, has weighed on capital spending. Fortunately, the services sector has remained robust, supporting employment, wage growth and consumption in developed markets. In addition, the absence of inflationary pressures (core inflation below target almost everywhere) has allowed policymakers to significantly ease financial conditions, which should boost GDP by an estimated 0.5% both this year and next. Despite this, risks to current growth forecasts appear skewed to the downside due to trade and geopolitical tensions, Brexit and risks associated with climate change.

In contrast, equity markets continue to grind higher led by cyclicals as the return of the Fed put and trade deal hope has ameliorated economic uncertainty and political risk. Third-quarter earnings season has also proved better than feared; as of 8 November, 89% of the S&P 500 had reported third-quarter results and, in aggregate, 75% and 60% have reported EPS and revenues respectively ahead of estimates. While earnings look likely to fall by c2.4% y/y (marking the first three straight quarters of y/y earnings declines since 4Q15-2Q16), this is better than the -4.1% forecast at the end of September. However, this positive surprise is insufficient to fully explain the rise in equity markets, which has largely been driven by multiple expansion; the forward 12-month P/E on the S&P has increased to 17.4x from 16.8x at our year end, modestly above both the five (16.6x) and 10-year (14.9x) averages. As in previous years, international markets appear better value, but less so on a sector-adjusted basis, with the exception of the UK which remains a cheap outlier following record Brexit/Corbyn-related outflows. Equities nonetheless continue to look attractive relative to bonds and cash with US stocks currently boasting higher dividend yields than 10-year treasuries.

That more S&P 500 constituents sport dividend yields in excess of 10-year US treasuries today than during the aftermath of the financial crisis and following the longest bull market on record, speaks volumes about the uniqueness of the current investment backdrop. Equally, it is highly unusual for an economy with full employment to experience three interest rate cuts in a calendar year, or for risk assets to stand at all-time highs in contrast to global PMIs at post-2009 lows based on hopes of a trade deal between two countries on an obvious and possibly unavoidable medium-term collision course. At a point when investors ought to be concerned about central banks being behind the curve, policymakers are so determined not to repeat their pre-financial crisis somnolence that around one quarter of the global government and corporate bond market currently trades with negative yields. The ECB's actions have enabled Greece to issue its first-ever negative yielding 13-week bills as investors – incredibly – now pay Athens for the privilege of lending it cash. Understandably the term 'Japanification' is in the air, capturing the *zeitgeist* of this new normal: permanently low growth, low inflation and super-loose monetary policy.

However, we remain cautiously optimistic that worst-case outcomes will continue to be avoided and expect a trade deal will be done, not least because both sides require one before brinksmanship does lasting damage at a time when limited conventional policy firepower still exists. President Trump (for all his many shortcomings) may have played a blinder, pressuring the Fed to fill the vacuum left by the trade war uncertainty he instigated before he calls a truce (aka interim deal) timed perfectly to juice the economy ahead of the 2020 Presidential election. While some of this is undoubtedly already baked into stock prices (especially cyclical subsectors where strong stock prices have contrasted with negative earnings revisions), the overall market trend may still be upwards, particularly as investors appear conservatively positioned and sentiment remains muted, if not downright bearish. Obviously in the absence of a trade deal, or if central banks reverse course as in 1999 (when a 1.4% core personal consumption expenditure index did not prevent the Fed from raising interest rates three times once the emerging market c risis had passed) then downside risk is likely to prove substantial from current levels.

Political risk also remains elevated with impeachment proceedings making progress in the Democrat-controlled House of Representatives. However, the removal of the President ahead of the 2020 election remains a tail risk requiring around 20 Republican senators to vote against him, unlikely given that Republican voters remain overwhelmingly against impeachment. In the UK, Brexit risk has been somewhat sidelined as Parliament finally agreed to a General Election due to be held on 12 December. Despite this new uncertainty, sterling has held its recent gains as Prime Minister Johnson is campaigning on the basis of getting his agreed deal done (ie seemingly reducing the risk of a no-deal outcome) while currently enjoying a sufficient lead over Labour to obviate the need for an electoral pact with the Brexit Party. Meanwhile, Jeremy Corbyn's own personal ratings continue to plumb new depths, the Labour leader's net approval score of -60 in a recent poll the worst score recorded since satisfaction ratings began 42 years ago.

We remain hopeful that equity markets can continue to move higher during the remainder of our financial year. Valuations that remain appropriate for the current low inflation environment are unlikely to expand easily from here given political/trade uncertainty and the potential for further negative earnings revisions in the absence of a trade deal. However, given that we still expect a trade deal to be concluded, downside risk to valuations should prove modest too, absent deflation or inflation, the two primary causes of sharply lower P/Es. Rather, we expect a return of volatility, which partially explains the current elevated level of cash in the portfolio.

KEY RISKS

As outlined during our latest Annual Report, there are myriad risks to our sanguine market view. The most critical of these relates to the loss of policymaker support that has significantly ameliorated trade-related uncertainty and reversed the recent US yield curve inversion. The alignment of policymakers and shareholders that has underpinned risk assets since 2009 depends on central banks fearing deflation more than inflation, which still holds today. However, there is no guarantee that this will persist, particularly given how tight the US labour market is. The Fed could also resume its rate-tightening path once external conditions improve and reflexivity risk has passed. Until a trade war resolution is found, policymaker support is likely to remain critical given record amounts of debt, the slowdown in the global economy and increased recession risk. The global economy continues to lose momentum and although the US remains relatively robust, recent data suggests that uncertainty is beginning to catch up with the world's largest economy. As we articulated at year end, clarity on trade remains essential to restore confidence and return the global economy to firmer footing. An interim deal will probably suffice for now, although we remain somewhat sceptical that a grand bargain is even possible. In addition, there are additional risks that investors should consider, including the systemic risk posed by the magnitude of debt in the world, populism (especially Brexit) and the challenge to nation states posed by terrorism.

TECHNOLOGY OUTLOOK

Twenty-five years ago, a new genre of fiction – cyberpunk – epitomised by William Gibson's Neuromancer, envisaged a dystopian future where real and virtual worlds collide. Around the same time, TCP/IP was introduced – the protocols used to interconnect devices on the internet, a network that now connects 4.4 billion people who on average spend six hours and 42 minutes online every day. Everywhere we look, the collision of real and virtual is happening as the internet delivers on its promise as a so-called general-purpose technology around which nearly everything is being reordered. Today, 14% of retail sales are captured online as the likes of Amazon and Alibaba forever change the behaviour and expectations of consumers across the globe. Massive social media platforms like Facebook – boasting more than 30% of the world's population as customers – allow information to travel at a velocity previously thought impossible, enabled by billions of smartphones, arguably the most empowering and democratising technology of all time. Nowhere is the collision of virtual and real worlds more apparent today than in our selection of life partners with c40% of people meeting online today as data and artificial intelligence (AI) disintermediate friendship.

INVESTMENT MANAGER'S REPORT CONTINUED

TECHNOLOGY OUTLOOK CONTINUED

The pace of internet-fuelled disruption has been so furious that is easy to forget that (The) Facebook was only launched in 2004, that the first Google search happened just over 20 years ago or that Tim Berners-Lee invented the World Wide Web in 1989. It was only 50 years ago that the first online message was sent when two academics used the ARPANET (the precursor of the internet) to communicate. At the time, only four universities in the world had computers which were room-sized and required underfloor air conditioning. Leonard Kleinrock had intended to send the word 'login' but the system crashed as he typed in the second letter and 'lo' –a biblical word used as an expression of surprise – appropriately became the first online message and "served as a premonition of what was to become". Last year, 65 billion messages were sent daily on WhatsApp alone.

A little more than two decades after the birth of the commercial internet, we are beginning to witness the first real efforts designed to slow its inexorable progress. In the aftermath of the Cambridge Analytica scandal, data privacy has become a hot topic with the EU adopting the General Data Protection Regulation (GDPR) in 2016 to replace a directive that was adopted in 1995 when the internet was in its infancy. The idea that a more innocent, decentralised internet has been transformed into one increasingly dominated by a handful of big technology companies has moved into the political mainstream with countries including France and Germany looking to introduce digital taxes. Cities are fighting back against the likes of Airbnb (apparently responsible for soaring long-term rents, rather than, say, soaring property prices and negative interest rates) and Uber has become a cause celebre with cities such as San Francisco looking to protect drivers rights that many appear comfortable waiving in order to be able to operate in the gig economy.

Senator Elizabeth Warren has significantly upped the ante with a progressive platform that includes the promise to "break up big tech" because "a handful of monopolists" should not "dominate our economy and our democracy". Her plan leans heavily on historical parallels with the Gilded Age and the monopolies associated with Carnegie, Ford, JP Morgan and Rockerfeller. Instead of robber barons, we are told that today's existential threat is posed by would-be data barons who have used people's private information for profit. As long-term investors in each of the internet winners "needing to be broken up" we would politely remind Senator Warren that at no point was the success of these platforms assured. Google's IPO was downsized, while arch-rival Yahoo! might have been a more formidable competitor had it accepted Microsoft's $45bn bid in 2008. Likewise, Facebook fell well below its IPO price once the risk associated with moving advertising from desktop to mobile became clear.

While both Google and Facebook made some important acquisitions that have extended their reach and relevance, these transactions were considered controversial and expensive at the time. We will never know how much of the subsequent success of YouTube, Instagram or WhatsApp would have happened had they remained standalone companies.

Amazon's dominance of US e-commerce has also been hard won, requiring years of losses and the deep pockets of Jeff Bezos as the company built out 150 million square feet of space across more than 175 fulfillment centres across the world. While it is true that Amazon employs fewer people per revenue dollar than Walmart did when Sam Walton was crowned America's richest person in 1985, Amazon relies extensively on third-party parcel carriers and agency workers; UPS alone has added 100,000 jobs in the past 16 years. Amazon's success has also spawned AWS, the leading public cloud company today which has not only transformed Amazon's financials but has enabled much of the disruption witnessed this cycle by providing cheap and flexible computing and storage to the likes of Lyft, Netflix, Pinterest and Slack, to name a few. Apple – a poster child for American technology if ever there was one – also falls foul of Senator Warren who insists that it should not operate a marketplace and compete in it at the same time, turning a blind eye to how supermarkets sell private label alternatives to branded goods in their own stores. For the record, Apple had paid out $100bn to developers as of June 2018, while apps like Netflix, Spotify and Uber would have struggled to become ubiquitous without Apple (and Google) distribution. Even the 30% take-rate – an understandable focal point for the likes of Spotify – is only in line with what software companies have typically paid distributors.

The second Gilded Age argument is beguiling but ultimately fallacious; it is simply too easy to compare Google with 89% search market share with Standard Oil which enjoyed c90% of US refineries and pipelines in the early 1880s. The idea of breaking up the tech giants harks back to the Sherman Antitrust Act of 1890 which outlawed trusts – monopolies and cartels – and demonstrated that the age of unbridled corporate excess was coming to an end. However, this all-too-easy historical parallel makes no distinction between monopolistic practices and natural monopolies, nor does it consider the value being delivered to customers and society as a whole. Jimmy Wales (a co-founder of Wikipedia) is said to have dreamt of "a world in which every single person on the planet is given free access to the sum of all human knowledge". Well, today billions of people ask more than one trillion questions of Google every year, of which 15% have never been asked before, while more than half of YouTube users rely on the video service to learn how to do things they have never done before.

Rather than the robber barons, it is to another 19th century group – the Luddites – that we should instead turn as a guide. Used today as a derogatory term to describe people opposed to new technology, the Luddites were a radical faction of English textile workers which destroyed textile machinery as a form of protest. The movement emerged from the harsh economic climate of the Napoleonic Wars, which at least rhymes with the post-financial crisis experience and the present climate of machine mania and stagnating incomes. After six years of protest, the Luddites were suppressed, leading some to conclude that the movement had little to no global significance on technological progress. However, there are better conclusions to be drawn. Contrary to popular belief, the Luddites were not opposed to the new technology but wanted a more gradual take-up of the machinery to give them time to learn new trades. Put differently, they were objecting to transformative change with no regard for the consequences and the fact that the new technology enabled less-skilled, lower-wage labourers.

After two furious decades that have seen the internet radically rewiring how our societies work we may be overdue a period of consolidation and some recalibration. This is likely to take the form of greater regulatory oversight, increased costs associated with taking responsibility for content and localising global networks, the right to be forgotten and, probably, higher taxes. We continue to believe that breaking up big tech remains highly unlikely, not least because the US internet giants represent the vanguard of American efforts to stay ahead of the Chinese in critical domains such as cloud computing, AI and even quantum computing. In time, the stocking frame (a popular Luddite target) helped the British textile industry grow and created many more jobs while their protests marked the beginning, rather than the end of what Thomas Carlyle later called "a mechanical age".

As we embark on the second half of our financial year and look to 2020, there is much to be excited about. The technology sector remains uniquely positioned as both source of and solution to disruption – the *zeitgeist* of this cycle – which continues to create an appropriate sense of urgency across myriad industries for companies to reinvent themselves to avoid disintermediation, obsolescence and/or irrelevance. We believe we are still in the early to middle stages of this process with $1.7trn of enterprise IT spending up for grabs with much of it being reallocated to modern cloud software and AI. This view was once again reinforced by my annual trip to the Gartner Symposium in Barcelona (along with 7,500 other people) where the pace of technology disruption remains palpable. According to one Gartner survey, the most important CEO priority today after revenue growth, is improving business agility – critical at a time when technology change is resulting in heightened corporate obsolescence.

Earlier this month, venerable Mothercare announced it would close all its UK stores. While many will point to price transparency facilitated by the internet and the role played by Amazon, retail disruption is far more embedded than being simply due to pricing or fulfillment. An estimated 70% of new mums now turn to YouTube for help while 'mommy bloggers' are the first people that brands go to when they want to launch new products – both roles once enjoyed by Mothercare. This disruption is fast becoming the norm; 83% of board directors expect their respective industries to be disrupted significantly by the web giants over the next five years. Business agility is one way to guard against unforeseen disruption but requires companies to rethink how they operate, where they compute and to embrace hyper-automation, a term used by Gartner to describe the need to automate anything that can be automated.

Meanwhile, the tide continues to move ever further from enterprise compute and legacy technologies. Dampened IT budgets are expected to grow just 0.6% in 2019 (before recovering to 3.7% next year) and this has been felt disproportionately by incumbents. Even in the cloud, hopes for so-called hybrid computing (the combination of public and private clouds) are already giving way to the 'distributed cloud' where, according to Gartner, public cloud companies provide the on-premise compute and storage too. This has made it even less likely that we will invest in hybrid-cloud and infrastructure companies as workloads continue to gravitate towards the public cloud which today accounts for c20% of overall compute and storage. In contrast, our investments in the largest public clouds (Microsoft, Amazon, Google and Alibaba) are approaching a quarter of assets.

In addition, the software sector remains a firm favourite of ours as companies adopt next-generation software in order to transform themselves, improve the customer journey and automate decision-making. The cloud software market – worth $122bn in 2018 – is forecast to reach $550bn by 2025 which would see it grow 24% annually or 2x the broader software industry. However, this remarkable growth profile and heightened M&A activity led to a material re-rating of software assets and this has begun to unwind since July, driven by the growth-to-value rotation in the broader market as well as some macroeconomic-related uncertainty at the margin at a time when stretched valuations could least afford it. This has presaged a significant and painful derating process with many individual names falling more than 30% from recent highs (and some more). While we have drifted money back into selected positions (many of which we reduced earlier on valuation grounds), we continue to tread carefully as growth stocks continue to act poorly, evidenced by asymmetric reactions to good and bad results thus far during earnings season.

INVESTMENT MANAGER'S REPORT CONTINUED

In contrast, semiconductor stocks have taken on the baton as investors better position themselves for the uptick in global growth expected once a trade deal is agreed. Having steadily increased our semiconductor weighting (primarily via preferred 5G beneficiaries) we are reluctant to chase them further from here, particularly when current strength beyond Apple and 5G may be partially explained by Huawei and other Chinese companies building inventory or, more likely, establishing secondary supply chains designed to reduce their reliance on US chips. As such, and unwilling to embrace value, we will continue to look for further opportunities to add to our favoured names and perhaps add a few new ones that have eluded us thus far. Until then, we are likely to retain above-average levels of cash (augmented by a small amount of out of the money NDX puts) designed to reduce the natural excess beta of our portfolio.

With the US IPO market on track this year to surpass the issuance record set in 2000 (at the height of dotcom mania), it is worth recalling that while technology valuations have expanded, they remain far from anything resembling a bubble. Today, the S&P technology sector trades at c20.6x forward earnings as compared to 18.9x at the start of our fiscal year, the c20% premium to the broader market (ignoring the sector's superior collective balance sheet) looking more than justified. We should also point out that our own portfolio remains highly liquid. According to internal risk team calculations, 95% of the combined portfolio of all three technology vehicles managed by Polar Capital could be liquidated in less than three days, assuming one third of daily traded volume. This is not a reaction to recent adverse industry developments; rather, we have long felt that the remarkable pace of technology change and associated obsolescence risk demanded sufficient liquidity to recalibrate the portfolio when necessary. While this may preclude us from investing in private companies, we are more than happy to trade a slightly smaller investment universe today (noting that most private companies will eventually come public) for best in class liquidity, particularly given the duration of this bull market.

Near term, the growth versus value debate is likely to be driven by the direction of risk-free rates and hopes of a trade deal. However, we remain hopeful that the current rotation is likely to prove a tremor rather than a seismic shift in investment style, particularly if the Japanese experience proves a useful guide. We certainly hope so as the past few months have been challenging for our investment approach and we have no desire to dust off our value playbook, nor hunt for value in washed-out enterprise tech, IT services companies and would-be turnarounds.

Ben Rogoff & Team

11 December 2019

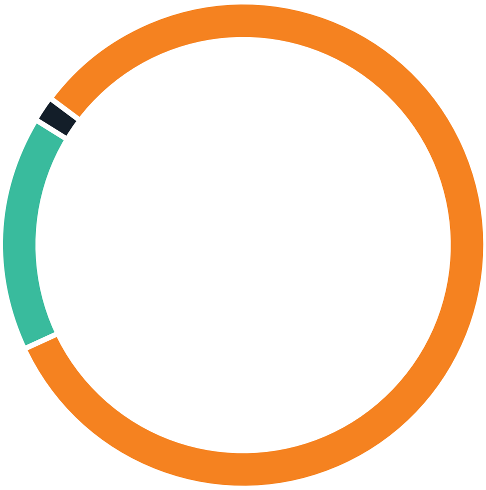
PORTFOLIO BREAKDOWN

MARKET CAPITALISATION OF UNDERLYING INVESTMENTS*
as at 31 October 2019

Over $10bn
82.9%
(30 April 2019: 77.6%)

$1bn–$10bn
15.6%
(30 April 2019: 21.2%)

Less than $1bn
1.5%
(30 April 2019: 1.2%)



* % of invested assets

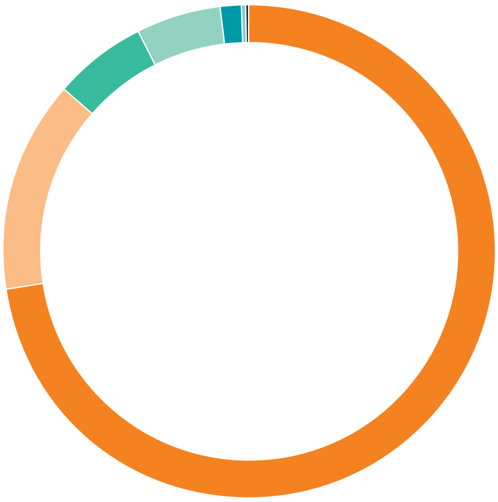
BREAKDOWN OF INVESTMENTS BY GEOGRAPHIC REGION*
as at 31 October 2019

North America
68.4%
(30 April 2019: 68.7%)

Asia Pacific (ex-Japan)
13.0%
(30 April 2019: 12.5%)

Japan
5.8%
(30 April 2019: 5.5%)

Europe
5.1%
(30 April 2019: 4.9%)



United Kingdom
1.3%
(30 April 2019: 1.4%)

Latin America
0.4%
(30 April 2019: nil)

Middle East & Africa
0.1%
(30 April 2019: 0.2%)

* % of Net Assets, excluding other net assets.

All data sourced from Polar Capital LLP

PORTFOLIO BREAKDOWN CONTINUED

CLASSIFICATION OF INVESTMENTS*

as at 31 October 2019

	North America (inc Latin America) %	Europe %	Asia Pacific (inc Middle East) %	Total 31 October 2019 %	Total 30 April 2019 %
Software	25.4	1.5	0.4	27.3	27.7
Semiconductors & Semiconductor Equipment	9.3	2.7	5.0	17.0	15.9
Interactive Media & Services	13.7	–	2.2	15.9	16.9
Technology Hardware, Storage & Peripherals	7.3	0.1	3.6	11.0	7.9
Electronic Equipment, Instruments & Components	2.0	–	3.3	5.3	3.8
IT Services	4.5	0.1	0.1	4.7	5.6
Internet & Direct Marketing Retail	1.6	0.3	2.8	4.7	6.9
Entertainment	1.9	1.0	–	2.9	2.3
Machinery	–	–	1.4	1.4	1.0
Communications Equipment	0.9	–	–	0.9	1.5
Healthcare Equipment & Supplies	0.5	–	–	0.5	0.9
Aerospace & Defense	0.5	–	–	0.5	0.7
Electrical Equipment	–	0.4	–	0.4	–
Auto Components	–	0.3	–	0.3	0.2
Life Sciences Tools & Services	0.3	–	–	0.3	0.4
Road & Rail	0.3	–	–	0.3	0.2
Diversified Consumer Services	0.3	–	–	0.3	0.5
Diversified Telecommunication Services	0.2	–	–	0.2	–
Professional Services	0.1	–	–	0.1	–
Building Products	–	–	0.1	0.1	–
Healthcare Technology	–	–	–	–	0.8
Total investments (£1,858,077,000)	68.8	6.4	18.9	94.1	93.2
Other net assets (excluding loans)	6.6	–	2.1	8.7	9.6
Loans	(0.9)	–	(1.9)	(2.8)	(2.8)
Grand total (net assets of £1,973,858,000)	74.5	6.4	19.1	100.0	–
At 30 April 2019 (net assets of £1,935,646,000)	74.7	6.4	18.9	–	100.0

* Classifications derived from Benchmark Index as far as possible. The categorisation of each investment is shown in the portfolio available on the Company's website. Not all sectors of the Benchmark are shown, only those in which the Company has an investment at the period end or in the comparative period.

PORTFOLIO

FULL PORTFOLIO

as at 31 October 2019

Ranking 31 Oct 2019	Ranking 30 Apr 2019	Stock	Sector	Region	Value of holding 31 October 2019 £'000	Value of holding 30 April 2019 £'000	% of net assets 31 October 2019 %	% of net assets 30 April 2019 %
1	(1)	Microsoft	Software	North America	186,445	170,736	9.4	8.8
2	(2)	Alphabet	Interactive Media & Services	North America	157,958	149,210	8.0	7.7
3	(4)	Apple	Technology Hardware, Storage & Peripherals	North America	140,772	85,862	7.1	4.4
4	(3)	Facebook	Interactive Media & Services	North America	82,509	91,458	4.2	4.7
5	(8)	Samsung Electronics	Technology Hardware, Storage & Peripherals	Asia Pacific	71,992	52,421	3.6	2.7
6	(5)	Alibaba	Internet & Direct Marketing Retail	Asia Pacific	55,576	64,772	2.8	3.3
7	(9)	Taiwan Semiconductor	Semiconductors & Semiconductor Equipment	Asia Pacific	52,460	42,654	2.7	2.2
8	(6)	Tencent	Interactive Media & Services	Asia Pacific	42,891	55,788	2.2	2.9
9	(13)	Advanced Micro Devices	Semiconductors & Semiconductor Equipment	North America	38,513	28,936	2.0	1.5
10	(12)	Salesforce.com	Software	North America	37,604	29,987	1.9	1.6
Top 10 investments					866,720		43.9	
11	(7)	Amazon.com	Internet & Direct Marketing Retail	North America	31,652	54,350	1.6	2.8
12	(28)	Qualcomm	Semiconductors & Semiconductor Equipment	North America	31,416	15,645	1.6	0.8
13	(14)	PayPal	IT Services	North America	28,081	28,133	1.4	1.5
14	(18)	Analog Devices	Semiconductors & Semiconductor Equipment	North America	27,438	20,943	1.4	1.1
15	(11)	Adobe	Software	North America	24,110	37,303	1.2	1.9
16	(–)	Applied Materials	Semiconductors & Semiconductor Equipment	North America	24,018	–	1.2	–
17	(30)	Nvidia	Semiconductors & Semiconductor Equipment	North America	23,869	15,165	1.2	0.8
18	(19)	Toyko Electron	Semiconductors & Semiconductor Equipment	Asia Pacific	23,810	20,269	1.2	1.0
19	(17)	ASML	Semiconductors & Semiconductor Equipment	Europe	22,550	22,787	1.2	1.2
20	(62)	ST Microelectronics	Semiconductors & Semiconductor Equipment	Europe	22,466	7,922	1.1	0.4
Top 20 investments					1,126,130		57.0	

Notes:

North America includes Latin America.

Asia Pacific includes Middle East.

PORTFOLIO CONTINUED

FULL PORTFOLIO CONTINUED

Ranking 31 Oct 2019	Ranking 30 Apr 2019	Stock	Sector	Region	Value of holding 31 October 2019 £'000	Value of holding 30 April 2019 £'000	% of net assets 31 October 2019 %	% of net assets 30 April 2019 %
21	(10)	ServiceNow	Software	North America	21,984	37,452	1.1	2.0
22	(–)	Workday	Software	North America	21,345	–	1.1	–
23	(15)	Zendesk	Software	North America	19,884	26,100	1.1	1.3
24	(25)	Visa	IT Services	North America	16,743	16,460	0.9	0.9
25	(21)	Mastercard	IT Services	North America	16,242	18,298	0.8	0.9
26	(35)	Ansys	Software	North America	15,904	12,928	0.8	0.7
27	(23)	IAC Interactive	Interactive Media & Services	North America	14,794	17,427	0.7	0.9
28	(42)	Proofpoint	Software	North America	14,663	11,313	0.7	0.6
29	(27)	Synopsys	Software	North America	14,313	16,009	0.7	0.8
30	(16)	Texas Instruments	Semiconductors & Semiconductor Equipment	North America	14,086	23,814	0.7	1.2
Top 30 investments					1,296,088		65.6	
31	(46)	HubSpot	Software	North America	13,917	10,358	0.7	0.5
32	(–)	Marvell Technology	Semiconductors & Semiconductor Equipment	North America	13,525	–	0.7	–
33	(–)	Intuit	Software	North America	13,258	–	0.7	–
34	(64)	Alteryx	Software	North America	13,251	7,562	0.7	0.4
35	(40)	Spotify Technology	Entertainment	Europe	13,140	12,633	0.7	0.7
36	(54)	Everbridge	Software	North America	13,062	9,369	0.7	0.5
37	(–)	SAP	Software	Europe	12,765	–	0.7	–
38	(66)	Keyence	Electronic Equipment, Instruments & Components	Asia Pacific	12,727	7,425	0.6	0.4
39	(70)	LivePerson	Software	North America	12,445	7,140	0.6	0.3
40	(37)	Twilio	IT Services	North America	12,262	12,814	0.6	0.7
Top 40 investments					1,426,440		72.3	
41	(65)	Splunk	Software	North America	12,038	7,434	0.6	0.4
42	(60)	Dolby Laboratories	Electronic Equipment, Instruments & Components	North America	12,007	8,538	0.6	0.4
43	(–)	Keysight Technologies	Electronic Equipment, Instruments & Components	North America	11,941	–	0.6	–
44	(–)	Activision Blizzard	Entertainment	North America	11,873	–	0.6	–
45	(45)	8X8	Software	North America	11,543	10,806	0.6	0.6
46	(26)	Autodesk	Software	North America	11,387	16,329	0.6	0.8
47	(73)	Cognex	Electronic Equipment, Instruments & Components	North America	11,313	6,828	0.6	0.4
48	(33)	Mimecast	Software	Europe	11,307	13,510	0.6	0.7
49	(61)	Harmonic Drive Systems	Machinery	Asia Pacific	11,095	8,297	0.6	0.4
50	(41)	Pinterest	Interactive Media & Services	North America	10,943	12,390	0.5	0.6
Top 50 investments					1,541,887		78.2	

Notes:

North America includes Latin America.

Asia Pacific includes Middle East.

Ranking 31 Oct 2019	Ranking 30 Apr 2019	Stock	Sector	Region	Value of holding 31 October 2019 £'000	Value of holding 30 April 2019 £'000	% of net assets 31 October 2019 %	% of net assets 30 April 2019 %
51	(59)	Yaskawa Electric	Electronic Equipment, Instruments & Components	Asia Pacific	10,502	8,725	0.5	0.4
52	(32)	Five9	Software	North America	10,214	14,024	0.5	0.7
53	(76)	Intuitive Surgical	Healthcare Equipment & Supplies	North America	10,166	6,366	0.5	0.3
54	(57)	Fuji Machine Manufacturing	Machinery	Asia Pacific	9,967	8,835	0.5	0.5
55	(52)	RingCentral	Software	North America	9,625	9,636	0.5	0.5
56	(78)	TDK	Electronic Equipment, Instruments & Components	Asia Pacific	9,568	6,014	0.5	0.3
57	(20)	Arista Networks	Communications Equipment	North America	9,532	19,368	0.5	1.0
58	(22)	Xilinx	Semiconductors & Semiconductor Equipment	North America	9,407	17,572	0.5	0.9
59	(–)	Samsung Electro Mechanics	Electronic Equipment, Instruments & Components	Asia Pacific	9,329	–	0.5	–
60	(31)	Axon Enterprise	Aerospace & Defense	North America	9,169	14,774	0.5	0.7
Top 60 investments					1,639,366		83.2	
61	(43)	Aixtron	Semiconductors & Semiconductor Equipment	Europe	8,841	11,200	0.4	0.6
62	(69)	Square	IT Services	North America	8,595	7,280	0.4	0.4
63	(–)	PagSeguro Digital	IT Services	North America	8,326	–	0.4	–
64	(–)	Medallia	Software	North America	8,142	–	0.4	–
65	(55)	Electronic Arts	Entertainment	North America	8,017	9,343	0.4	0.5
66	(87)	Coupa Software	Software	North America	7,748	5,027	0.4	0.3
67	(71)	Shimadzu	Electronic Equipment, Instruments & Components	Asia Pacific	7,231	7,103	0.4	0.4
68	(36)	Advantest	Semiconductors & Semiconductor Equipment	Asia Pacific	7,119	12,845	0.3	0.7
69	(–)	Atlassian	Software	Asia Pacific	6,828	–	0.3	–
70	(95)	Aptiv	Auto Components	Europe	6,676	3,839	0.3	0.2
Top 70 investments					1,716,889		86.9	
71	(–)	Match Group	Interactive Media & Services	North America	6,493	–	0.3	–
72	(74)	Illumina	Life Sciences Tools & Services	North America	6,172	6,824	0.3	0.4
73	(89)	NetFlix	Entertainment	North America	6,032	4,830	0.3	0.2
74	(75)	CD Projeckt	Entertainment	Europe	6,017	6,768	0.3	0.3
75	(84)	Ocado	Internet & Direct Marketing Retail	Europe	5,796	5,495	0.3	0.3
76	(–)	Zynga	Entertainment	North America	5,427	–	0.3	–
77	(–)	Uber Technologies	Road & Rail	North America	5,389	–	0.3	–
78	(82)	Take-Two Interactive Software	Entertainment	North America	5,345	5,813	0.3	0.3
79	(108)	CKD Corporation	Machinery	Asia Pacific	5,323	1,331	0.3	0.1
80	(93)	PixArt Imaging	Semiconductors & Semiconductor Equipment	Asia Pacific	5,164	4,237	0.3	0.2
Top 80 investments					1,774,047		89.9	

Notes:

North America includes Latin America.

Asia Pacific includes Middle East.

PORTFOLIO CONTINUED

FULL PORTFOLIO CONTINUED

Ranking 31 Oct 2019	Ranking 30 Apr 2019	Stock	Sector	Region	Value of holding 31 October 2019 £'000	Value of holding 30 April 2019 £'000	% of net assets 31 October 2019 %	% of net assets 30 April 2019 %
81	(–)	MediaTek	Semiconductors & Semiconductor Equipment	Asia Pacific**	5,152	–	0.3	–
82	(–)	F5 Networks	Communications Equipment	North America	5,018	–	0.3	–
83	(51)	Chegg	Diversified Consumer Services	North America	4,975	9,775	0.3	0.5
84	(–)	HORIBA	Electronic Equipment, Instruments & Components	Asia Pacific	4,742	–	0.2	–
85	(38)	Pure Storage	Technology Hardware, Storage & Peripherals	North America	4,419	12,791	0.2	0.7
86	(–)	Yext	Software	North America	4,350	–	0.2	–
87	(68)	Universal Display	Electronic Equipment, Instruments & Components	North America	4,274	7,304	0.2	0.4
88	(–)	Taiyo Yuden	Electronic Equipment, Instruments & Components	Asia Pacific	3,996	–	0.2	–
89	(80)	Dassault Systemes	Software	Europe	3,905	5,894	0.2	0.3
90	(39)	Aspen Technology	Software	North America	3,854	12,684	0.2	0.7
Top 90 investments					1,818,732		92.2	
91	(–)	Varta	Electrical Equipment	Europe	3,801	–	0.2	–
92	(–)	NEL	Electrical Equipment	Europe	3,556	–	0.2	–
93	(–)	Hirose Electric	Electronic Equipment, Instruments & Components	Asia Pacific	3,518	–	0.2	–
94	(94)	eMemory Technology	Semiconductors & Semiconductor Equipment	Asia Pacific	3,439	3,842	0.2	0.2
95	(–)	Bandwidth	Diversified Telecommunication Services	North America	3,305	–	0.2	–
96	(–)	Upwork	Professional Services	North America	3,298	–	0.1	–
97	(105)	Zuken	IT Services	Asia Pacific	2,589	1,649	0.1	0.1
98	(98)	MiX Telematics	Software	Asia Pacific	2,562	2,990	0.1	0.2
99	(107)	Seeing Machines	Electronic Equipment, Instruments & Components	Asia Pacific	2,338	1,540	0.1	0.1
100	(104)	Tobii	Technology Hardware, Storage & Peripherals	Europe	2,092	1,858	0.1	0.1
Top 100 investments					1,849,230		93.7	
101	(103)	KVH Industries	Communications Equipment	North America	1,993	1,897	0.1	0.1
102	(–)	Nitto Boseki	Building Products	Asia Pacific	1,855	–	0.1	–
103	(101)	First Derivatives	IT Services	Europe	1,700	2,384	0.1	0.1
104	(92)	E Ink	Electronic Equipment, Instruments & Components	Asia Pacific	1,033	4,350	0.1	0.2
105	(91)	Anaplan	Software	North America	922	4,703	–	0.2
106	(–)	Twitter	Interactive Media & Services	North America	787	–	–	–
107	(–)	MEC	Chemicals	Asia Pacific	491	–	–	–
108	(111)	Herald Ventures Limited Partnership	Other	Europe	66	55	–	–
Total equities					1,858,077		94.1	
Other net assets					115,781		5.9	
Total net assets					1,973,858		100.0	

Notes:

North America includes Latin America.

Asia Pacific includes Middle East.

CORPORATE MATTERS

THE BOARD

There have been no changes to the membership of the Board in the six months ended 31 October 2019. The Directors' biographical details are available on the Company's website and are provided in the Annual Report.

AUDITORS

KPMG LLP were re-appointed as the Company's external auditor at the AGM held on 4 September 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider that the principal risks and uncertainties faced by the Company for the remaining six months of the financial year, which could have a material impact on performance, remain consistent with those outlined in the Annual Report for the year ended 30 April 2019.

We continue to consider the risks arising from the uncertainties around Brexit. The vast majority of our assets are not denominated in Sterling and therefore sharp currency movements in either direction will have an impact on the NAV. This is consistent with our risk profile as stated within the last Annual Report. As also stated in the last Annual Report, the Board had discussed the diversification of cash held within the portfolio with the Investment Manager. Accordingly, an automatic cash sweep into money market funds has been implemented, further information is available in Note 8 to the Financial Statements.

The Company has a risk management framework that provides a structured process for identifying, assessing and managing the risks associated with the Company's business. The investment portfolio is diversified by geography which mitigates risk but is focused on the technology sector and has a high proportion of non-Sterling investments.

GEARING

As at 31 October 2019, the Company had drawn down two, two-year fixed rate, term loans of JPY 5.2bn and USD 23.3m from ING Bank N.V. Both loans fall due for repayment on 2 October 2020. The JPY loan has been fixed at an all-in rate of 0.80% pa and the USD loan has been fixed at an all-in rate of 4.2% pa. As these loans are due for repayment within 12 months of the half year end, they are classified as current liabilities. The Company's one-year revolving credit facility of USD46.6m with ING Bank N.V., expired on 2 October 2019 and has not been renewed.

RELATED PARTY TRANSACTIONS

In accordance with DTR 4.2.8R there have been no new related party transactions during the six-month period to 31 October 2019 and therefore nothing to report on any material effect by such transactions on thefinancial position or performance of the Company during that period. There have therefore been no changes in any related party transaction described in the last Annual Report that could have a material effect on the financial position or performance of the Company in the first six months ofthe current financial year or to the date of this report.

GOING CONCERN

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements. The assets of the Company comprise mainly of securities that are readily realisable and accordingly, the Company has adequate financial resources to meet its liabilities as and when they fall due and to continue in operational existence for the foreseeable future. Further, and in accordance with the AIC SORP, it is reasonable to believe that if good performance is achieved over the period until the next continuation vote in 2020 Shareholders will vote in favour of continuation.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of Polar Capital Technology Trust plc, which are listed in the Directors and Contacts Section, confirm to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS34 Interim Financial Reporting as adopted by the European Union;
- The Interim Management Report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Half Year Report for the six-month period to 31 October 2019 has not been audited or reviewed by the Auditors. The Half Year Report for the six-month period to 31 October 2019 was approved by the Board on 11 December 2019.

On behalf of the Board

Sarah Bates

Chair

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 October 2019

		(Unaudited)						(Audited)		
		Six months ended 31 October 2019			Six months ended 31 October 2018			Year ended 30 April 2019		
	Notes	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	2	8,475	–	8,475	6,683	–	6,683	11,965	–	11,965
Other operating income	2	776	–	776	421	–	421	1,105	–	1,105
Gains on investments held at fair value	3	–	43,751	43,751	–	126,483	126,483	–	393,226	393,226
Net (losses)/gains on derivative contracts	4	–	(6,556)	(6,556)	–	4,604	4,604	–	1,470	1,470
Other currency gains	5	–	2,710	2,710	–	4,710	4,710	–	1,913	1,913
Total income		9,251	39,905	49,156	7,104	135,797	142,901	13,070	396,609	409,679
Expenses										
Investment management fee	6	(9,009)	–	(9,009)	(7,588)	–	(7,588)	(15,341)	–	(15,341)
Performance fee	6	–	–	–	–	(1,903)	(1,903)	–	(6,644)	(6,644)
Other administrative expenses	7	(464)	–	(464)	(920)	–	(920)	(1,140)	–	(1,140)
Total expenses		(9,473)	–	(9,473)	(8,508)	(1,903)	(10,411)	(16,481)	(6,644)	(23,125)
(Loss)/profit before finance costs and tax		(222)	39,905	39,683	(1,404)	133,894	132,490	(3,411)	389,965	386,554
Finance costs		(648)	–	(648)	(404)	–	(404)	(1,090)	–	(1,090)
(Loss)/profit before tax		(870)	39,905	39,035	(1,808)	133,894	132,086	(4,501)	389,965	385,464
Tax		(823)	–	(823)	(1,030)	–	(1,030)	(1,827)	–	(1,827)
Net (loss)/profit for the period and total comprehensive (expense)/ income		(1,693)	39,905	38,212	(2,838)	133,894	131,056	(6,328)	389,965	383,637
(Losses)/earnings per ordinary share (basic) (pence)	9	(1.27)	29.82	28.55	(2.12)	100.06	97.94	(4.73)	291.41	286.68

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the European Union.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

The Company does not have any other comprehensive income.

BALANCE SHEET

as at 31 October 2019

	Notes	(Unaudited) 31 October 2019 £'000	(Unaudited) 31 October 2018 £'000	(Audited) 30 April 2019 £'000
Non-current assets				
Investments held at fair value through profit or loss		1,858,077	1,601,029	1,803,242
Current assets				
Derivative financial instruments		925	2,881	150
Receivables		24,191	8,839	36,494
Overseas tax recoverable		374	39	69
Cash and cash equivalents	8	163,462	153,910	194,544
		188,952	165,669	231,257
Total assets		2,047,029	1,766,698	2,034,499
Current liabilities				
Payables		(14,759)	(29,337)	(44,775)
Bank loans*		(55,179)	(54,296)	–
Bank overdraft	8	(3,233)	–	(391)
		(73,171)	(83,633)	(45,166)
Non-current liabilities				
Bank loans*		–	–	(53,687)
Net assets		1,973,858	1,683,065	1,935,646
Equity attributable to equity shareholders				
Share capital	10	33,456	33,456	33,456
Capital redemption reserve		12,802	12,802	12,802
Share premium		157,868	157,868	157,868
Special non-distributable reserve		7,536	7,536	7,536
Capital reserves		1,858,100	1,562,124	1,818,195
Revenue reserve		(95,904)	(90,721)	(94,211)
Total equity		1,973,858	1,683,065	1,935,646
Net asset value per ordinary share (pence)	11	1474.95	1257.66	1446.40

* as detailed within the Corporate Matters Section.

STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 October 2019

		(Unaudited) Six months ended 31 October 2019						
	Note	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special non-distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 30 April 2019		33,456	12,802	157,868	7,536	1,818,195	(94,211)	1,935,646
Total comprehensive income/(expense):								
Profit/(loss) for the period to 31 October 2019	9	–	–	–	–	39,905	(1,693)	38,212
Total equity at 31 October 2019		33,456	12,802	157,868	7,536	1,858,100	(95,904)	1,973,858

		(Unaudited) Six months ended 31 October 2018						
		Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special non-distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 30 April 2018		33,449	12,802	157,477	7,536	1,428,230	(87,883)	1,551,611
Total comprehensive income/(expense):								
Profit/(loss) for the period to 31 October 2018	9	–	–	–	–	133,894	(2,838)	131,056
Transactions with owners, recorded directly to equity:								
Issue of ordinary shares	10	7	–	391	–	–	–	398
Total equity at 31 October 2018		33,456	12,802	157,868	7,536	1,562,124	(90,721)	1,683,065

		(Audited) Year ended 30 April 2019						
		Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special non-distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 30 April 2018		33,449	12,802	157,477	7,536	1,428,230	(87,883)	1,551,611
Total comprehensive income/(expense):								
Profit/(loss) for the year to 30 April 2019	9	–	–	–	–	389,965	(6,328)	383,637
Transactions with owners, recorded directly to equity:								
Issue of ordinary shares	10	7	–	391	–	–	–	398
Total equity at 30 April 2019		33,456	12,802	157,868	7,536	1,818,195	(94,211)	1,935,646

Note – Share capital, Capital redemption reserve, Share premium and Special non-distributable reserve are all non-distributable. Capital reserves and revenue reserve are distributable.

CASH FLOW STATEMENT

for the six months ended 31 October 2019

	Note	(Unaudited) Six months ended 31 October 2019 £'000	(Unaudited) Six months ended 31 October 2018 £'000	(Audited) Year ended 30 April 2019 £'000
Cash flows from operating activities				
Profit before tax		39,035	132,086	385,464
Adjustments:				
Gains on investments held at fair value through profit or loss	3	(43,751)	(126,483)	(393,226)
Losses/(gains) on derivative financial instruments	4	6,556	(4,604)	(1,470)
Proceeds of disposal on investments		725,483	601,385	1,228,104
Purchases of investments		(743,883)	(563,021)	(1,145,393)
Proceeds on disposal of derivative financial instruments		–	18,303	23,134
Purchases of derivative financial instruments		(7,331)	(14,211)	(19,445)
Decrease/(increase) in receivables		176	86	(329)
Decrease in payables		(10,573)	(9,154)	(773)
Overseas tax		(1,128)	(1,050)	(1,877)
Foreign exchange gains	5	(2,710)	(4,710)	(1,913)
Net cash (used in)/generated from operating activities		(38,126)	28,627	72,276
Cash flows from financing activities				
Loans repaid		–	(30,621)	(36,471)
Loans drawn		–	52,847	52,847
Issue of ordinary shares	10	–	398	398
Net cash generated from financing activities		–	22,624	16,774
Net (decrease)/ increase in cash and cash equivalents		(38,126)	51,251	89,050
Cash and cash equivalents at the beginning of the period		194,153	101,156	101,156
Effect of foreign exchange rate changes		4,202	1,503	3,947
Cash and cash equivalents at the end of the period		160,229	153,910	194,153
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:				
Cash at bank		103,417	153,910	194,153
BlackRock's Institutional Cash Series plc (US Treasury Fund), money market fund		56,812	–	–
Cash and cash equivalents	8	160,229	153,910	194,153

NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 31 October 2019

1. GENERAL INFORMATION

The financial statements comprise the unaudited results for Polar Capital Technology Trust Plc for the six-month period to 31 October 2019.

The unaudited financial statements to 31 October 2019 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies set out in the statutory annual financial statements of the Company for the year ended 30 April 2019. These accounting policies are based on International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Accounting Standards Committee ("IASC"), as adopted by the European Union.

Where presentational guidance set out in the Statement of Recommend Practice ("the SORP") for investment trusts issued by the Association of Investment Companies in October 2019 is consistent with the requirements of International Financial Reporting Standards, the accounts have been prepared on a basis compliant with the recommendations of the SORP.

The financial information in this Half Year Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the six-month periods ended 31 October 2019 and 31 October 2018 has not been audited. The figures and financial information for the year ended 30 April 2019 are an extract from the latest published financial statements and do not constitute statutory accounts for that year. Full statutory accounts for the year ended 30 April 2019, prepared under IFRS, including the report of the auditors which was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies.

The accounting policies have not varied from those described in the Annual Report for the year ended 30 April 2019.

The following new IFRS became effective for annual periods beginning on or after 1 January 2019. The adoption of these standards and interpretations have not had a material impact on the financial statement of the Company:

IFRS 16 Leases

As the Company neither holds, trades or has any lease obligations of any type, the provisions of this standard are not expected to have a material impact on the financial statements.

IFRS 9 (Amended) Prepayment Features with Negative Compensation

Negative compensation arises where the contractual terms permit a borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. The Company has no such terms in any of it's loan agreements in place and the amendment are not expected to have any impact on the financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation provides guidance on considering uncertain tax treatments in relation to taxable profit or loss and does not add any new disclosures. The Company complies with all relevant tax laws where applicable and the provisions of this interpretation are not expected to have a material impact on the financial statements.

IAS 19 (amended) Employee Benefits

As the Company has no employees, the amendment to this standard are not expected to have any impact on the financial statements.

IAS 28 (amended) Investments in Associates and Joint Ventures

As the Company has no investment in associates or joint ventures, the amendment to this standard are not expected to have any impact on the financial statements.

Annual Improvement Cycles 2015–2017 (Amendments)

This makes narrow-scope amendments to four IFRS Standards: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Incomes Taxes and IAS 23 Borrowing costs. These limited amendments are not expected to have any impact on the financial statements.

At the date of authorisation of the Company's financial statements, the following new IFRSs that potentially impact the Company are in issue but are not yet effective and have not been applied in these financial statements:

Effective for periods commencing on or after 1 January 2020:

IFRS 3 Business combinations (amended)

IAS 1 and IAS 8 Definition of Material (amended)

IAS 1 IAS 8 Definition of Material (amended)

References to the conceptual Framework in IFRS Standards (amended)

Effective for periods commencing on or after 1 January 2021:

IFRS 17 Insurance Contracts (issued on 18 May 2017)

The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand pounds (£'000), except where otherwise stated.

The majority of the Company's investments are in US Dollars, the level of which varies from time to time. The Board considers the functional currency to be Sterling. In arriving at this conclusion, the Board considered that Sterling is the most relevant to the majority of the Company's shareholders and creditors and the currency in which the majority of the Company's operating expense are paid.

2. INCOME

	(Unaudited)		(Audited)
	For the six months ended 31 October 2019 £'000	For the six months ended 31 October 2018 £'000	For the year ended 30 April 2019 £'000
Income from investments held at fair value through profit or loss			
Franked dividends	15	54	76
Unfranked dividends	8,460	6,629	11,889
	8,475	6,683	11,965
Other operating income			
Bank interest	686	421	1,099
Money Market Fund interest	90	–	–
Other income	-	–	6
	776	421	1,105
Total income	9,251	7,104	13,070

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the six months ended 31 October 2019

3. GAINS ON INVESTMENT HELD AT FAIR VALUE

	(Unaudited)		(Audited)
	For the six months ended 31 October 2019 £'000	For the six months ended 31 October 2018 £'000	For the year ended 30 April 2019 £'000
Net gains on disposal of investments at historic cost	141,028	174,592	291,338
Transfer on disposal of investments	(149,309)	(107,739)	(197,726)
(Losses)/gains based on carrying value at previous balance sheet date	(8,281)	66,853	93,612
Valuation gains on investments held during the period	52,032	59,630	299,614
	43,751	126,483	393,226

4. (LOSSES)/GAINS ON DERIVATIVES

	(Unaudited)		(Audited)
	For the six months ended 31 October 2019 £'000	For the six months ended 31 October 2018 £'000	For the year ended 30 April 2019 £'000
(Losses)/gains on disposal of derivatives held	(4,236)	4,593	2,361
(Losses)/gains on revaluation of derivatives held	(2,320)	11	(891)
	(6,556)	4,604	1,470

The derivative financial instruments represent the call and put options, which are used for the purpose of efficient portfolio management. As at 31 October 2019, the Company held NASDAQ 100 Stock Index put options and the market value of the open put option position was £925,000 (31 October 2018: Powershares QQQ with a market value of £ 2,344,000, 30 April 2019: NASDAQ 100 Stock Index with a market value of £150,000). As at 31 October 2019, the Company did not hold any open call options (31 October 2018: Advanced Micro Devices and Facebook with market value of £11,000 and £526,000 respectively, 30 April 2019: nil).

5. OTHER CURRENCY GAINS/(LOSSES)

	(Unaudited)		(Audited)
	For the six months ended 31 October 2019 £'000	For the six months ended 31 October 2018 £'000	For the year ended 30 April 2019 £'000
Exchange gains on currency balances	4,202	7,352	3,947
Exchange losses on settlement of loan balances	–	(5,849)	(5,850)
Exchange (losses)/gains on translation of loan balances	(1,492)	3,207	3,816
	2,710	4,710	1,913

6. INVESTMENT MANAGEMENT AND PERFORMANCE FEES

Investment Management Fee

The investment management fee, which is paid by the Company quarterly in arrears to the Investment Manager, is calculated on the Net Asset Value ("NAV") on a per share basis as follows:

Tier 1: 1 per cent. for such of the NAV exceeds £0 but is less than or equal to £800million;

Tier 2: 0.85 per cent. for such of the NAV exceeds £800 million but is less than or equal to £1.6 billion;

Tier 3: 0.80 per cent. for such of the NAV exceeds £1.6 billion but is less than or equal to £2 billion; and

Tier 4: 0.70 per cent. for such of the NAV as exceeds £2 billion;

Any investments in funds managed by Polar Capital are excluded from the investment management fee calculation.

Performance Fee

The Investment Manager is entitled to a performance fee based on the level of outperformance of the Company's net asset value per share over its benchmark, the Dow Jones World Technology Index (total return, Sterling adjusted, with the removal of relevant withholding taxes) during the relevant performance period. A fuller explanation of the performance and management fee arrangements is given in the Annual Report.

At 31 October 2019, there was no accrued performance fee (31 October 2018: £1,903,000 and 30 April 2019: £6,644,000). The quantum of any performance fee will be based on the audited net asset value at the year end on 30 April 2020.

7. OTHER ADMINISTRATIVE EXPENSES

At 31 October 2019, the Company's other administrative expenses, were £464,000 (31 October 2018: £557,000, 30 April 2019: £902,000). From 1 January 2019, all research costs are payable by Polar Capital. The Company's other administrative expenses including research costs previously payable by the Company were £920,000 for the six months to 31 October 2018 and £1,140,000 for the year ended 30 April 2019 respectively.

8. CASH AND CASH EQUIVALENT

	(Unaudited)		(Audited)
	For the six months ended 31 October 2019 £'000	For the six months ended 31 October 2018 £'000	For the year ended 30 April 2019 £'000
Cash at bank	106,650	153,910	194,544
Money Market Funds	56,812	–	–
Cash and cash equivalent	163,462	153,910	194,544
Bank overdraft	(3,233)	–	(391)
Total	160,229	153,910	194,153

As at 31 October 2019, the Company held BlackRock's Institutional Cash Series plc – US Treasury Fund with a market value of £56,812,000 (31 October 2018 and 30 April 2019: nil), which is managed as part of the Company's cash and cash equivalents as defined under IAS 7.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the six months ended 31 October 2019

9. (LOSSES)/EARNINGS PER ORDINARY SHARE

	(Unaudited)		(Audited)
	For the six months ended 31 October 2019 £'000	For the six months ended 31 October 2018 £'000	For the year ended 30 April 2019 £'000
Net (loss)/profit for the period:			
Revenue	(1,693)	(2,838)	(6,328)
Capital	39,905	133,894	389,965
Total	38,212	131,056	383,637
Weighted average number of shares in issue during the period	133,825,000	133,817,826	133,821,384
Revenue	(1.27)p	(2.12)p	(4.73)p
Capital	29.82p	100.06p	291.41p
Total	28.55p	97.94p	286.68p

10. SHARE CAPITAL

At 31 October 2019 there were 133,825,000 Ordinary Shares in issue (31 October 2018 and 30 April 2019: 133,825,000). During the six months ended 31 October 2019, the Company issued no Ordinary Shares into the market (31 October 2018 and 30 April 2019: 30,000 Ordinary Shares were issued at a price of 1330.0p per share, for total consideration of £398,000). During the same period the Company bought back no Ordinary Shares (31 October 2018 and 30 April 2019: nil).

11. NET ASSET VALUE PER ORDINARY SHARE

	(Unaudited)		(Audited)
	31 October 2019	31 October 2018	30 April 2019
Undiluted:			
Net assets attributable to ordinary shareholders (£'000)	1,973,858	1,683,065	1,935,646
Ordinary shares in issue at end of period	133,825,000	133,825,000	133,825,000
Net asset value per ordinary share	1474.95p	1257.66p	1446.40p

12. DIVIDEND

No interim dividend has been declared for the period ended 31 October 2019 nor the period ended 31 October 2018 or 30 April 2019.

13. RELATED PARTY TRANSACTIONS

There have been no related party transactions that have materially affected the financial position or the performance of the Company during the six-month period to 31 October 2019.

14. POST BALANCE SHEET EVENT

There are no significant events that have occurred after the end of the reporting period to the date of this report which require disclosure.

DIRECTORS AND CONTACTS

COMPANY REGISTERED NUMBER

Directors (all independent Non-executive)

Sarah C Bates (Chair)
Charlotta Ginman (Audit Committee Chair)
Peter J Hames (Senior Independent Director)
Tim Cruttenden
Charles Park
Stephen White

INVESTMENT MANAGER AND AIFM

Polar Capital LLP

Authorised and regulated by the
Financial Services Authority

PORTFOLIO MANAGER

Ben Rogoff

COMPANY SECRETARY

Polar Capital Secretarial Services Limited
represented by Tracey Lago, FCG

REGISTERED OFFICE AND ADDRESS FOR CONTACTING THE DIRECTORS

16 Palace Street,
London SW1E 5JD
020 7227 2700

CORPORATE BROKER

Stifel Nicolaus Europe Limited
150 Cheapside
London EC2V 6ET

DEPOSITARY, BANKERS AND CUSTODIAN

HSBC Bank Plc,
8 Canada Square,
London E14 5HQ

REGISTERED NUMBER

Incorporated in England and Wales with company number 3224867 and registered as an investment company under section 833 of the Companies Act 2006

FORWARD LOOKING STATEMENTS

Certain statements included in this report and financial statements contain forward-looking information concerning the Company's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Company operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the principal risks and uncertainties included in the Strategic Report section on pages 44 to 46 of the Annual Report. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Technology Trust plc or any other entity and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.

HALF YEAR REPORT

The Company has opted not to post half year reports to shareholders. Copies of the Half Year Report will be available from the Secretary at the Registered Office, 16 Palace Street, London SW1E 5JD and from the Company's website at www.polarcapitaltechnologytrust.co.uk

NATIONAL STORAGE MECHANISM

A copy of the Half Year Report has been submitted to the National Storage Mechanism ('NSM') and will shortly be available for inspection at www.morningstar.co.uk/uk/NSM.

FINANCIAL CALENDAR

The key dates in the Company's financial year are as follows:

30 April	Financial year-end
Early July	Announcement of year-end results
Early September	Annual General Meeting
31 October	Half-year end
Mid December	Announcement of half-year results

Neither the contents of the Company's website nor the contents of any website accessible from the hyperlinks on the Company's website (or any other website) is incorporated into or forms part of this announcement.

Polar Capital Technology Trust plc

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Visit us at emperor.works

Cover image:
Container port, Thailand