POLAR CAPITAL

Polar Capital Technology Trust plc

30 June 2022

Trust Fact Sheet

Ordinary Shares

Share Price	1846.00p
NAV per share	2104.51p
Premium	-
Discount	-12.28%
Capital	131,112,342 shares of 25p

Assets & Gearing [1]

Total Net Assets	£2,759.3m
AIC Gearing Ratio	n/a
AIC Net Cash Ratio	6.82%

Fees [2,3]

Management Fees	
£0 - £800m	1.00%
£800m - £1.6bn	0.85%
£1.6bn - £2bn	0.80%
Over £2bn	0.70%
Performance	10.00% over Benchmark
Ongoing Charges	0.82%

Fund Managers

Ben Rogoff
Partner
Ben has directed the Trust since 2006, he joined Polar Capital in 2003 and has 27 years of industry experience.

Nick Evans	Partner
Xuesong Zhao	Partner
Fatima Iu	Fund Manager
Alastair Unwin	Fund Manager
Brad Reynolds	Investment Analyst
Paul Johnson	Investment Analyst
Nick Williams	Investment Analyst
Patrick Stuff	Investment Analyst

Fund Awards

Trust Profile

Investment Objective

The Company aims to maximise long-term capital growth through investing in a diversified portfolio of technology companies around the world.

Key Facts

- One of the largest dedicated tech investment teams in Europe
- Theme-based approach to stock selection
- Looking for the best small, medium or large companies across the globe
- Launched in 1996, it has a multi-cycle track record

Investment Policy

The Company invests its technology assets in a portfolio comprised primarily of international quoted equities which is diversified across both regions and sectors within the overall investment objective to reduce investment risk.

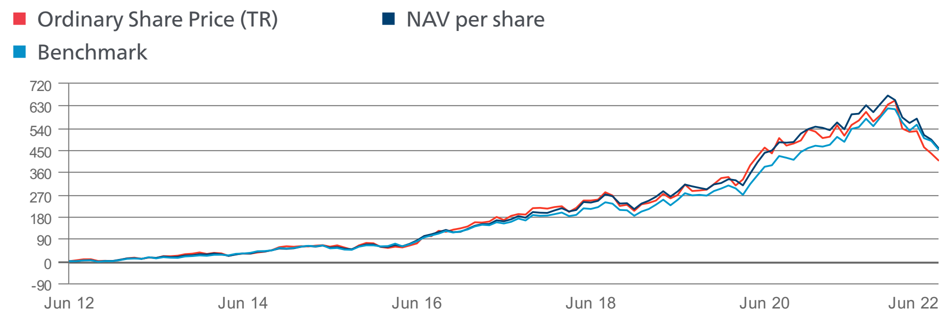
Investment Approach

The Polar Capital Technology team selects companies for their potential for shareholder returns, not on the basis of technology for its own sake. The team believe in rigorous fundamental analysis and focus on: management quality, the identification of new growth markets, the globalisation of major technology trends, exploiting international valuation anomalies and sector volatility.

Performance

Performance over 10 years (%)

Ordinary Share Price (TR) NAV per share
Benchmark



	1 month	3 month	YTD	1 year	3 years	5 years	10 years
Ordinary Share Price (TR)	-5.24	-18.96	-32.33	-22.04	37.97	90.51	408.54
NAV per share	-5.82	-17.62	-25.85	-19.70	45.79	113.44	458.49
Benchmark	-5.83	-15.31	-22.72	-13.03	58.59	118.84	453.45

Discrete Annual Performance (%) [4]

	Financial YTD	30.06.21 30.06.22	30.06.20 30.06.21	28.06.19 30.06.20	29.06.18 28.06.19	30.06.17 29.06.18
Ordinary Share Price (TR)	-9.51	-22.04	16.36	52.09	6.53	29.62
NAV per share	-8.67	-19.70	28.97	40.78	13.43	29.07
Benchmark	-7.56	-13.03	31.77	38.38	11.91	23.31

Performance relates to past returns and is not a reliable indicator of future returns.
Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, total return, Net of Fees in GBP terms.
1. Gearing calculations are exclusive of current year Revenue/Loss.
2. The performance fee is subject to a high watermark and cap. Further details can be found under Corporate Documents of the Company's website: http://www.polarcapitaltechnologytrust.co.uk.
3. Ongoing charges are calculated at the latest published year end date, and exclude any performance fees.
4. The end of the financial year for the Company is the final day of April each year.

Risk Warning Your capital is at risk. You may not get back the full amount you invested. Please note the Important Information at the end of this document and the Investment Policy and full Risk Warnings set out in the Prospectus, Annual Report and/or Investor Disclosure Document.

Discount Warning The shares of investment trusts may trade at a discount or a premium to Net Asset Value for a variety of reasons including market sentiment and market conditions. On a sale you could realise less than the Net Asset Value and less than you initially invested.

Portfolio Exposure

As at 30 June 2022

Top 10 Positions (%)

Microsoft	11.5
Apple	9.0
Alphabet	8.0
Advanced Micro Devices	2.8
NVIDIA	2.7
TSMC	2.7
Samsung Electronics	2.5
ServiceNow	2.2
ASML Holding	2.0
Crowdstrike Holdings	1.6
Total	**45.0**

Total Number of Positions 98

Market Capitalisation Exposure (%)

Large Cap (>US$10 bn)	85.7
Mid Cap (US$1 bn - 10 bn)	14.1
Small Cap (<US$1 bn)	0.3

Trust Characteristics

Launch Date	16 December 1996
Year End	30 April
Results Announced	Mid July
Next AGM	September 2022
Continuation Vote	2025 AGM
Listed	London Stock Exchange

Benchmark

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

FX Rates

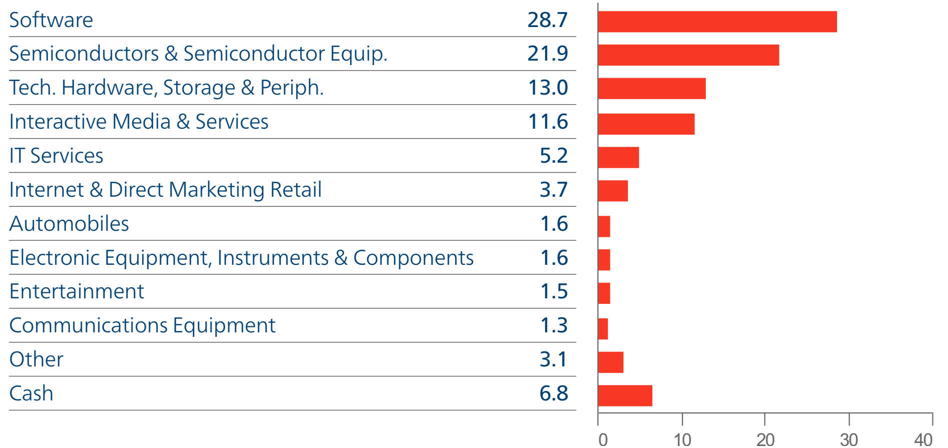
GBP/USD	1.2145
GBP/EUR	1.1617
GBP/JPY	164.9891

Codes

Ordinary Shares

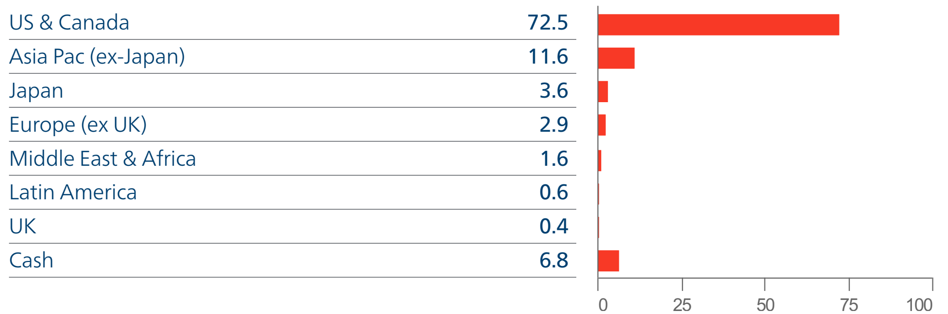
ISIN	GB0004220025
SEDOL	0422002
London Stock Exchange	PCT

Sector Exposure (%)



Software	28.7
Semiconductors & Semiconductor Equip.	21.9
Tech. Hardware, Storage & Periph.	13.0
Interactive Media & Services	11.6
IT Services	5.2
Internet & Direct Marketing Retail	3.7
Automobiles	1.6
Electronic Equipment, Instruments & Components	1.6
Entertainment	1.5
Communications Equipment	1.3
Other	3.1
Cash	6.8

Geographic Exposure (%)



US & Canada	72.5
Asia Pac (ex-Japan)	11.6
Japan	3.6
Europe (ex UK)	2.9
Middle East & Africa	1.6
Latin America	0.6
UK	0.4
Cash	6.8

The entire investment portfolio is published in the annual and half year report as well as being announced to the London Stock Exchange on a quarterly basis.

Note: Totals may not sum due to rounding. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.

Investing in the Trust and Shareholder Information

Market Purchases

The shares of Polar Capital Technology Trust PLC are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary.

Share Dealing Services

Details of the different ways of dealing in the company's shares are given on the website. Equiniti, the company's registrars provide an internet share sale service.

Telephone 0800 876 6889
Online www.shareview.co.uk

Corporate Contacts

Registered Office and Website
16 Palace Street, London SW1E 5JD
www.polarcapitaltechnologytrust.co.uk

Registrar
Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA
www.shareview.co.uk

Custodian
HSBC Plc is the Depositary and provides global custody of all the company's investments.

Fund Manager's Comments

Market review

Global equity markets continued to decline in June, the MSCI All Country World returning -5.1%, while the S&P 500 and the DJ Euro Stoxx 600 returned -4.9% and -6.9% respectively (all returns in sterling terms). Negative returns were ameliorated by US dollar strength which gained 3.5% against sterling during the month. Weakness was driven by higher-than-expected inflation readings (CPI and University of Michigan Consumer Sentiment) and an increasingly hawkish response from the Federal Reserve, raising concerns about global growth/recession as consumers are squeezed by a combination of high inflation and rising interest rates. Unfortunately, much of the uncertainty has been driven by supply-side factors beyond the control of central banks, with Russia's invasion of Ukraine and Covid-related lockdowns in China exacerbating supply-chain disruptions, food and energy shortages and stoking inflationary pressures.

May's CPI raised doubts about the validity of the 'peak inflation' thesis, rising +1% m/m and +8.6% y/y, up from +8.3% y/y in April, and well ahead of forecasts at +0.7% m/m and +8.3% y/y. Price increases were broad-based, while food prices hit a 40-year high. This took its toll on consumer confidence, with the preliminary June University of Michigan Consumer Sentiment Index declining to 50.2 from 58.4 in May (well below forecasts of 58), with around 79% of consumers pessimistic about future business conditions, the highest since 2009. The combination of higher inflation and weaker confidence left inflation expectations for the year little changed, at 5.4%, although the five-year inflation outlook rose to 3.3% from 3% in the previous month (before falling back to 3.1% by the end of the month).

Sustained inflationary pressures brought expectations the Fed would raise the federal funds rate by 75 basis points (bps) rather than 50bps at the June Federal Open Market Committee (FOMC) meeting, and the committee duly obliged, delivering the largest hike since 1994, increasing the rate to 1.5-1.75%. The Fed's median projection now suggests the benchmark rate will end the year at 3.4% – an upward revision of 150bps from the March estimate. The market has now, however, begun to discount economic softening leading to peak rates in the first half of 2023 and rate cuts in the second half. Peak interest rates could arrive sooner if the economy slows and inflationary pressures look contained, but for now that is not the case. Fed Chair Jerome Powell indicated the Committee is likely to hike rates by 50-75bps in July although he promised to be "flexible" in implementing policy as the Fed attempts to engineer a soft landing.

The US economy has not typically gone into recession without labour market weakness and thus far employment has remained strong. May employment data remained robust but tighter financial conditions may be starting to cool the economy. The ISM manufacturing PMI unexpectedly rose to 56.1 in May (above forecasts of 54.5), up from 55.4 in April (a 20-month low), driven by increases in new orders, production and inventories, but was well below highs. Price pressures remain elevated but eased for a second month, while employment contracted modestly. The headline Producer Price Index (PPI) increased +10.8% y/y, moderating from +11% y/y in April and +11.5% y/y in March. The Personal Consumption Expenditure Price Index (PCE) – the Fed's preferred measure of inflation – increased +6.3% y/y in May (in line with forecasts), a deceleration from the record high +6.6% y/y in March.

Although the reopening of the Chinese economy and recent stimulus measures (including housing/auto sectors and direct consumer stimulus), should help alleviate global supply chain bottlenecks, it may also lead to higher energy prices, as we outlined last month. In addition, Russia could decide to further reduce the flow of gas to apply more acute economic and political pressure in Europe. This highlights the potential for higher energy prices and elevated volatility in the coming months – energy rationing over the summer months would undoubtedly hurt the European economy and particularly industrial sectors.

Technology review

The technology sector fell broadly in line with the US market in June as the Dow Jones World Technology Index declined -5.8%. There was again wide dispersion between technology subsectors as the Philadelphia Semiconductor Index (SOX) fell -17.4% while the NASDAQ Internet Index was down -9.4% and Bloomberg Americas Software Index slipped -5.5%.

June saw several companies host analyst days which provided a good reminder of the highly attractive long-term prospects and expanding addressable markets for many technology leaders. At its analyst day, Advanced Micro Devices (AMD) provided updated long-term targets for a 20% revenue growth CAGR and gross margins above 57% addressing a $30bn TAM by 2025. This positive update was driven by confidence in continued data centre strength, the Xilinx acquisition integration, and the company's product roadmap. Snowflake's investor day showcased its expanding platform capabilities that have the potential to drive additional workloads to their platform. New product announcements included Unistore (transactional database) and Python for Snowpark (machine learning) which further reinforce the company's transition from cloud-native data warehouse to complete cloud data platform.

As is typical for June, there were relatively few earnings announcements ahead of the Q2 earnings season which starts in mid/late July, with preannouncement season in the two weeks prior to this. Unsurprisingly given current macroeconomic uncertainty and poor investor and consumer sentiment, companies gave conservative guidance, albeit accompanied by relatively solid results and an upbeat tone around the longer-term opportunities.

The most notable slowdown in demand has been in the consumer internet/online retail space where there were sizeable profit warnings from European apparel e-commerce companies Boohoo*, Asos* and Zalando* all reducing guidance. This was due to weaker than expected Q2 trading since their updates in early May, a trend also seen at other retailers such as Nike and Bed, Bath & Beyond. This follows earlier warnings from Snap, Walmart, and Target who experienced a sudden slowing of demand during recent months as consumer budgets have been squeezed and the spending mix has tilted from goods towards services, including travel and entertainment.

The significant deterioration in consumer sentiment indicators seen in Europe has quickly translated into weaker consumer spending within online apparel, but it was notable that Zalando's share price quickly recovered early losses despite halving its profit outlook, which suggests investors may have already priced in material profit downgrades. Zalando has begun to undertake efficiency measures, including a reduction in marketing investments and the introduction of minimum order values in 15 additional markets.

In semiconductors, Micron Technology announced in-line quarterly earnings, but accompanied by a notable guide down for the next quarter and a downbeat assessment of PC and smartphone markets (which saw weakness towards the end of the quarter). Customers

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are adjusting inventories and Micron expect these adjustments to continue into 2H22. Despite PC/smartphone weakness, the company expects continued strength within cloud/data centre, networking and automotive/industrial. Based on the demand environment, Micron is immediately taking action to cut its bit supply growth trajectory and reduce the level of bit supply growth in FY23 as well as protecting profitability by managing its capacity utilisation of older nodes. Encouragingly, Micron shares fell by less than estimate revisions, suggesting a weaker outlook had largely been anticipated.

In software, Adobe Systems reported quarterly results in line with expectations as revenues increased +15% in constant currency. Its key metric, net new Digital Media ARR, came in above consensus at $464m but Q3 net new Digital Media ARR guidance came in well below expectations due to more acute seasonality and macro headwinds. Despite the lowering of Q3 guidance, management maintained their FY22 Digital Media ARR guidance. However, this may prove optimistic given the worsening economic backdrop and we would have preferred to see more cautious guidance.

Smartsheet delivered in-line results but with billings +36% y/y, a smaller magnitude of upside than previously and a sequential deceleration. Full-year revenue guidance was only modestly raised and did not reflect the flow-through from the current quarter's outperformance. Encouragingly, management commented that the updated guidance was mindful of the current economic environment and incorporated an element of macro-related prudence by factoring in longer sales cycles. The company is not, however, seeing any macro impacts yet and underlying trends remain robust with record new customer bookings and the strongest new logo adds since the IPO.

Oracle* also delivered a strong quarter as revenues, margins and EPS all came in ahead of consensus, although upside was driven by strength in perpetual licence revenues (+25% y/y) and total database revenues up by double digits. Cloud growth was less impressive at +22% and only in line with expectations as the sequential deceleration saw growth below the targeted mid-20s level.

Software M&A activity continued as Zendesk was finally (after rumours, denials and a failed earlier sale process) acquired by a private equity investor group led by Permira and Hellman & Friedman for $10.2bn in an all-cash transaction. The 34% premium to the previous day's close resulted in a valuation multiple of c5x 2023 EV/Sales. This was a disappointing outcome for investors considering that as recently as February 2022 Zendesk had rejected an offer valuing the company at $127-$132 per share, but against a much more challenging backdrop and lower peer group valuations.

Outlook

Market sentiment remains extremely negative, with the lowest AAII (American Association of Individual Investor) bullish sentiment recorded since 1992 with just 15% of investors bullish. The consumer faces meaningful pressure from soaring inflation (CPI 8.6%), while high gas prices (>$5/gallon), oil prices (Brent >$100) and mortgage rates (6%) are all contributing to the tightening of financial conditions, on top of the Fed's biggest rate hike since 1994 (75bps).

Market breadth remains weak with just 19% NYSE stocks closing above their 200-day moving average at the half-year point and the average stock's correlation to the S&P 500 at the high end of recent ranges. Investors are concerned company earnings estimates need to be cut across the board. Within the technology space, almost half of NASDAQ composite stocks are down >50% from their 52-week highs, so hopefully negative revisions are to some degree already reflected in this weakness.

There are some encouraging signs, however. While growth stocks were weak for much of the second quarter, they performed better on a relative basis to value stocks towards the end of this period as bond yields rolled over (the US Treasury 10-year yield moved back down through 3%). Fed futures curves suggest US interest rates might peak as soon as 1Q23 and the demand destruction brought by an economic slowdown ease inflationary pressures. Meanwhile, the spread between the 10-year bond yields and 10-year inflation-adjusted bond yields (TIPS) – which reflects inflation expectations – also look to have peaked and the Bloomberg Commodity Index has rolled over in recent weeks, which hopefully suggests we are past the peak of inflation concerns.

In a slower economic environment, we are hopeful growth companies will regain at least some of their scarcity premium, assuming they are still able to deliver reasonable growth. If valuation multiples begin to stabilise, we are also hopeful the underlying growth of companies' revenue and cash flows should begin to drive stock returns. We believe many names in our portfolio fall into this category given the digital transformation imperative and the need for companies to adopt more technology not less to address cost, labour and efficiency issues and to continue to compete effectively. Even in the more cyclical areas such as semiconductors, very significant P/E compression should now at least partially reflect the likely negative revisions. As such, we will be watching stock price action in the coming months, particularly how stocks perform in response to negative revisions (better action is a precursor to stabilisation and part of a normal market-bottoming process).

We remain cautious on the outlook for consumer spending, so remain biased to adding to our enterprise exposure. CIO spending surveys indicate solid IT budget growth this year and next. JP Morgan's 142 CIOs covering $114bn spend expect +5.3% 2022 IT budget growth and +5.7% in 2023 versus -4.8% expected during the pandemic. The massive rearchitecting of enterprise workloads to the cloud continues to offer a long runway for growth, with cloud accounting for just 22% of budgets today, expected to rise to 42% in five years. Morgan Stanley's CIO survey found similarly steady budget growth with cloud, security, digital transformation and AI remaining in the top five priorities. Obviously, this depends on the economic backdrop, but we expect many of these projects to prove relatively resilient in a mild economic downturn, absent a longer lasting, deeper recession which would have widespread impacts well beyond the technology sector.

We are naturally cognisant that CIO surveys may be a more coincident than forward-looking measure of IT spending. If the macroeconomic environment continues to deteriorate then even strategic vendors will feel some softness. Near term, there are clear risks from a further escalation of the war in Ukraine, possibly via potential economic contagion from Germany/Europe's heavy reliance on Russian gas. Even if there is a meaningful downturn, however, recent quantitative research from Bernstein shows the technology sector has historically performed in line with the overall market if its relative starting valuation is not elevated versus history. Today, the technology sector trades at 1.14x the market versus its 1.2x long-term average since 1977 and is supported by a stronger aggregate balance sheet.

We continue to hold a relatively high cash level and a small position in deep out of the money NDX put options to soften the portfolio beta, given the more challenging macro backdrop. However, we remain constructive on the opportunities available in technology following this material valuation reset and, at the margin, have begun to rotate back towards our favoured growth stocks and themes at the expense of more cyclical names. We will be paying very close attention during the forthcoming Q2 earnings season and will be looking to take advantage of any overreaction to more conservative outlooks (expectation resets would be healthy, in our view). We will

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also be travelling extensively in Q3, meeting many companies and looking for opportunities to add to those where there is a dislocation between strong long-term positioning/opportunities, near-term fundamentals and deflated stock prices.

*Not held in Fund

Ben Rogoff

4 July 2022

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Important Information

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Holdings Portfolio data is "as at" the date indicated and should not be relied upon as a complete or current listing of the holdings (or top holdings) of the Company. The holdings may represent only a small percentage of the aggregate portfolio holdings, are subject to change without notice, and may not represent current or future portfolio composition. Information on particular holdings may be withheld if it is in the Company's best interest to do so. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request. This document is not a recommendation to purchase or sell any particular security. It is designed to provide updated information to professional investors to enable them to monitor the Company.

Benchmarks The following benchmark index is used: Dow Jones Global Technology Index (Total Return). This benchmark is generally considered to be representative of the Technology Equity universe. This benchmark is a broad-based index which is used for comparative/illustrative purposes only and has been selected as it is well known and is easily recognizable by investors. Please refer to www.djindexes.com for further information on this index. Comparisons to benchmarks have limitations as benchmarks volatility and other material characteristics that may differ from the Company. Security holdings, industry weightings and asset allocation made for the Company may differ significantly from the benchmark. Accordingly, investment results and volatility of the Company may differ from those of the benchmark. The indices noted in this document are unmanaged, are unavailable for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the Company may incur. The performance of the indices reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance. Information regarding indices is included merely to show general trends in the periods indicated, it is not intended to imply that the Fund was similar to the indices in composition or risk. The benchmark used to calculate the performance fee is provided by an administrator on the ESMA register of benchmarks which includes details of all authorised, registered, recognised and endorsed EU and third country benchmark administrators together with their national competent authorities.

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

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

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

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