Polar Capital Technology Trust PLC

POLAR CAPITAL

Fund Manager Comment

Market review

Despite softer macroeconomic newsflow, equity markets made modest gains during April with the FTSE World Index gaining 0.3% in sterling terms. US economic data was particularly mixed, with fiscal retrenchment and associated uncertainty impacting business confidence. Durable goods orders (-1.4% ex-transportation) and retail sales (-0.4%) were both weak while the University of Michigan sentiment survey came in light of expectations. Although first quarter US GDP registered a respectable +2.5% on an annualised basis, it was aided by higher inventories while government spending was weak (-4.1%). It is likely to weaken further in the second quarter as the impact of sequestration is more fully felt. Non-farm payrolls also disappointed, with further contraction in the headline unemployment rate reflecting the lowest participation rate since the late 1970s, rather than better than expected job creation. Weak economic data was far from unique to the US, with European and Chinese data confirming the first quarter 'soft patch' which weighed on commodities and ten year US Treasury yields that fell from 1.85% to 1.68% during the month. Despite a more challenging first quarter earnings season, equity markets shrugged off the top-down malaise, although cyclical stocks materially trailed during the month. Japan once again led, even on a currency-adjusted basis (the yen weakening further in April) while Asian and US markets trailed.

Technology review

A disappointing start to first quarter earnings season and the underperformance of US equities saw the technology sector trail the broader market during the month, the Dow Jones World Technology Index falling 1.1% in sterling terms. Reporting season began where pre-announcement season left off, with enterprise and service provider orientated companies bearing the brunt of macroeconomic uncertainty and cautious capital spending trends. This combination was responsible for weak earnings/guidance at a number of companies including F5 Networks, Fortinet, VMware and IBM (the first time they have missed earnings since 2005). Respectable earnings from Microsoft and reduced capital spending plans at Intel helped both stocks shrug off dreadful PC data, IDC reporting that units shipped declined 14% year-on-year during the first quarter. While Apple reported inline with (reduced) expectations, guidance once again proved disappointing with new product releases apparently delayed from the second quarter to the third. However, the stock responded positively to encouraging developments on capital redeployment as the company announced plans to return US$100bn to shareholders via increased dividends and share buybacks (followed shortly after by near-record US$17bn bond issue). Semiconductor stocks modestly outperformed (excluding Apple and industrial-related names) while internet stocks continued to lead, despite slightly disappointing guidance from Amazon (mostly FX-related), largely due to strong numbers from Google. Despite few disappointments, next-generation companies largely delivered, evidenced by strong reports/guidance from the likes of Akamai, Concur (bookings), and Netsuite.

Outlook

Having underperformed the broader market over the past six months, largely due to the continued drag from bellwether Apple, a challenging first quarter earnings season has created further sector headwinds as macroeconomic uncertainty and typical first quarter caution have combined to create a soft capital spending backdrop. In addition to broad softness in enterprise and government-related spending, telecom capex has also been disappointing largely due to seasonality, exacerbated by late telecom service provider budget approval. While we are hopeful that the uncertainty that has weighed on overall IT spending in the first quarter will alleviate as the year progresses, we also believe that the current earnings season is likely to prove a key inflection point (similar to mid-2010) when intra-sector fortunes diverged and stock-picking became more important.

As we have previously argued, we believe that the technology cycle has entered a more pernicious period with new, cheaper alternatives becoming more broadly adopted which are likely to cut across incumbent vendors that hitherto have co-existed with next-generation companies. This view appears to be borne out by weaker than expected first quarter earnings from both IBM and Oracle (two companies that have been relatively unaffected by the new cycle so far). While we cannot know how much of their respective earnings misses were secular vs. cyclical (given the challenging backdrop), IBM's weakest first quarter sequential performance since 2009 suggests that there is more to its current malaise than simply softer IT budgets.

The belief that we have entered a more challenging phase for incumbents explains our decision to continue shifting away from our underlying benchmark. This is despite the headwind our investment style faced between April 2011 and September 2012, when Apple outperformed significantly and other mega-caps 'crowded out' smaller issues as investors sought refuge in 'bond-like' equities. Since then, we have fared somewhat better as risk appetite has improved although the last couple of months have proved challenging as so-called 'defensives' have driven markets happily to new highs. Although this is 'unusual', there has been almost nothing 'usual' about markets post the financial crisis. New highs in equity markets with US ten year Treasury yields back at c. 1.75%? Why not, with weak economic data all but guaranteeing central bank intervention and continued low rates.

While it may be at odds with the current market focus on defensives/yield, we remain focused on identifying key beneficiaries of technologies and themes that are taking hold. Cycles such as these occur every ten years or so (mainframe > client server > PC/Internet) with each being driven by a step down in the cost of delivering computing. The current cycle is being driven by three powerful forces – cloud computing, social media and mobile devices. The difficulty for investors is that much of the secular growth is occurring outside of traditional IT budgets and is not captured by a large-cap, index-centric approach or an ETF (which we believe provides disproportionate exposure to legacy vendors closely tied to IT budgets and the economy). It is also important to note that new technologies drive a significant rotation of spending within budgets. This creates pockets of significant growth and opportunities for smaller companies to gain share, but in the absence of stronger IT budget growth, this has to be at the expense of incumbent vendors.

The recent re-rating of defensives/value and the pursuit of yield has created a headwind to both the sector and our relative performance. However, we remain convinced that 'value investing' within technology is a dangerous pursuit due to the relative lack of corporate longevity and the so-called 'innovator's dilemma' that precludes incumbent technology companies from reinventing themselves. Unfortunately for us – at least recently – this finesse has been overwhelmed by investors reallocating to equity markets, looking for cashflow generative, dividend paying alternatives to their money market, bond or (now technically challenged) gold investments. As a result, we have seen some of the poorest positioned technology companies (at least as we perceive them) generate some of the strongest year-to-date performances, a dynamic likely exacerbated by hedge fund repositioning. We are hopeful that this odd dynamic will prove short-lived, particularly now that disruption associated with a new technology cycle is becoming apparent.

Ben Rogoff, 13 May 2013

30 April 2013

Fact sheet

Trust Facts

Ordinary Shares	
Share Price (p)	398.50
NAV (undiluted) per Share (p)	412.42
Premium (%)	-
Discount (%)	3.38
Capital Structure	128,231,742 shares of 25p

Subscription Shares†	
Share Price (p)	7.88
Exercise Price (p)	
- From 1 April 2012 to 31 March 2014	478.00
Capital Structure	24,774,460 shares of 1p

Total Net Assets (£m)	529
AIC Gearing Ratio (%)*	0.00
AIC Net Cash Ratio (%)*	3.00

*Gearing calculations are exclusive of current year Revenue/Loss

Trust Characteristics

Launch Date	16 December 1996
Lead Manager	Ben Rogoff
Year End	30 April
Results Announced	Mid June
Next AGM	September 2013
Continuation Vote	2015 AGM; every 5 years
Listed	London Stock Exchange

Benchmark

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

Fees*

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

* Further details can be found in the Report & Accounts

** Subject to high watermark and cap

Trust Overview

Objective

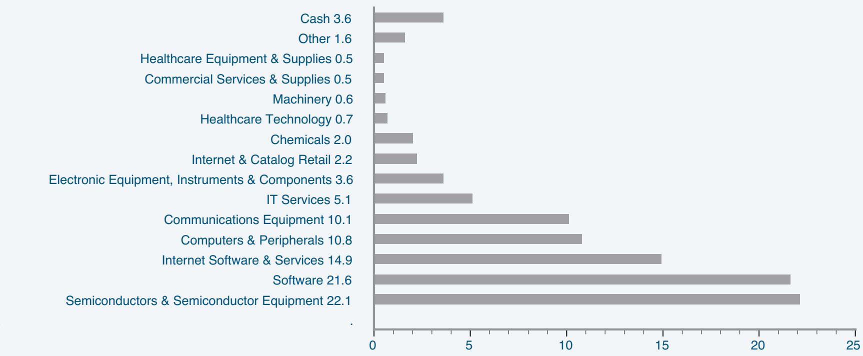
The investment objective is to maximise capital growth for our shareholders through investing in a diversified portfolio of technology companies around the world.

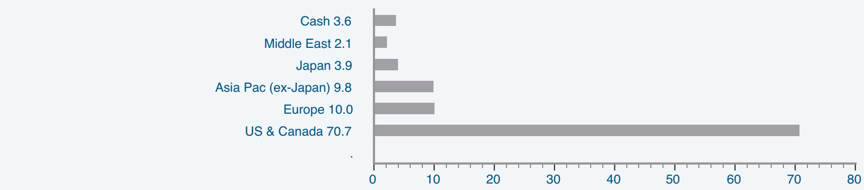
†For full details of the subscription shares and their exercise terms please refer to the prospectus of 18 January 2011 and the notes on the company's website.

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

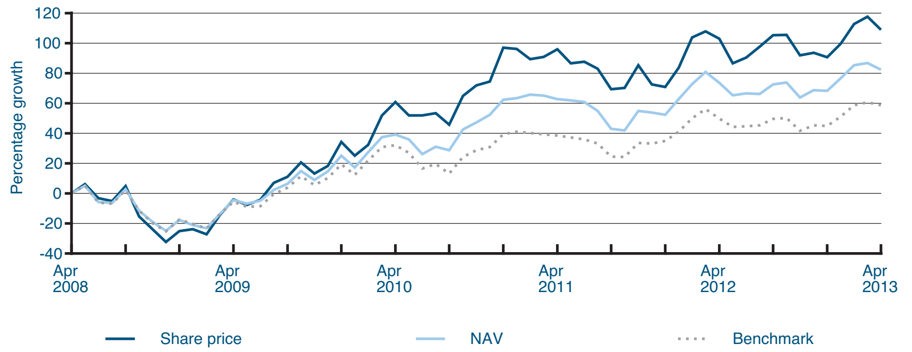
30 April 2013
Fact sheet

Sector & Geographic Exposure (%)

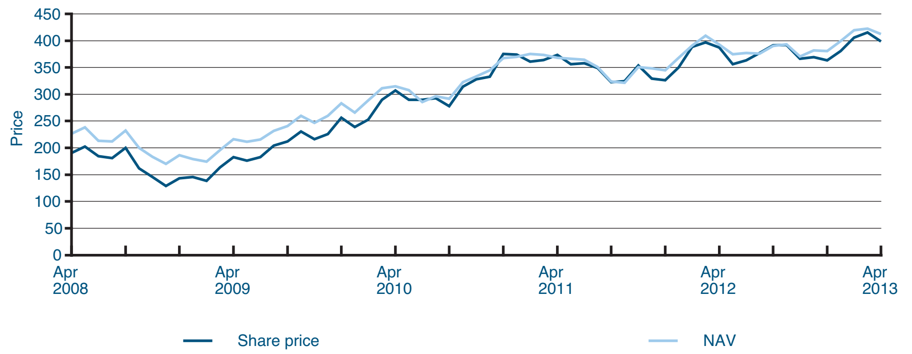




Performance Over 5 Years



Share Price & NAV per Share Over 5 Years



Cumulative Performance (%) to 30/04/2013

	1 Month	3 Months	6 Months	1 Year	5 Years
Share Price	-3.98	4.76	8.88	2.97	108.91
NAV per Share	-2.44	3.25	11.30	5.06	82.18
Benchmark	-1.20	5.02	11.97	5.98	58.65

Discrete Annual Performance (%)

	30/04/12 30/04/13	28/04/11 30/04/12	30/04/10 28/04/11	30/04/09 30/04/10	30/04/08 30/04/09
Share Price	2.97	3.61	21.74	67.65	-4.06
NAV per Share	5.06	6.59	16.88	45.63	-4.42
Benchmark	5.98	8.12	4.87	39.63	-5.45

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

Total Number of Holdings 130

Top Ten Holdings

Holding	(%)
Google	7.3
Apple	6.6
Microsoft	3.6
Samsung Electronics	3.4
Qualcomm	2.5
IBM	2.4
Cisco Systems	2.2
SAP	2.0
TSMC	1.9
Salesforce.com	1.8
Total	**33.7**

Market Capitalisation Exposure

	(%)
Large (greater than US$ 10bn)	66.6
Medium (US$ 1bn to 10bn)	24.3
Small (less than US$ 1bn)	9.1

Trust Overview

Investment Rationale

Over the last two decades the technology industry has been one of the most vibrant, dynamic and rapidly growing segments of the global economy. Technology companies offer the potential for substantially faster earnings growth than the broad market, reflecting the accelerating rate of adoption of new technology. Technology is transforming the competitive position of companies and entire economies, thereby fuelling a major secular increase in technology spending.

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

Approach

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

30 April 2013

Fact sheet

Polar Capital Technology Investment Management Team

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

Ben Rogoff - Director, Technology

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

Technology Investment Management Team:

Nick Evans - Senior Fund Manager

Nick joined Polar Capital in September 2007 and has thirteen years experience as a technology specialist. He has been lead manager of the Polar Capital Global Technology Fund since January 2008. Prior to joining Polar he was Head of Technology at AXA Framlington and lead manager of the AXA Framlington Global Technology Fund and the AXA World Fund (AWF) - Global Technology from Aug 2001 to July 2007 (both rated five stars by S&P). He also spent three years as a Pan European Investment Manager and Technology Analyst at Hill Samuel Asset Management. Nick graduated from Hull University with a degree in economics.

Fatima Iu - Fund Manager

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

Colin Moar - Fund Manager

Colin joined Polar Capital in January 2011, having spent 13 years covering pan-European and then Global Equity markets with the Technology sector as his main focus. He started his career at Morley Fund Management in 1997 initially covering UK/European equities before moving to their global equity team in 2002. From 2006 he took responsibility for €450m of the team's focused Global Equity funds. In January 2010 Colin joined HSBC Asset Management's Global Equity team as a Senior Fund Manager. Colin Graduated from the University of Edinburgh with a degree in Business Studies.

Xuesong Zhao - Fund Manager

Xuesong joined Polar Capital in May 2012, having spent most of the previous four years working as an investment analyst within the Emerging Market & Asia team in Aviva Investors, where he was responsible for the Technology, Media and Telecom sectors. Prior to that, he worked as a quantitative analyst and risk manager for the Emerging Market Debt team at Pictet Asset Management. He started his career as a Financial Engineer at Algorithmics, an IBM company, in 2005. He holds an MSc in Finance from Imperial College Science & Technology and a BA (Hons) in Economics from Peking University and is a CFA charter holder.

How to Invest

Market Purchases

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

Share Dealing Services

The company has arranged for Shareview Dealing, a telephone and internet share sale service offered by Equiniti to be made available.

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

Savings Scheme & ISA

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

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

Registered Office

4 Matthew Parker Street, London SW1H 9NP

Custodian

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

Registrar

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

Codes

Ordinary Shares	
London Stock Exchange	PCT
Reuters	PCT.L
Bloomberg	PCT.LN
Subscription Shares	
London Stock Exchange	PCTS
Reuters	PCTS.L
Bloomberg	PCTS.LN

Website

www.polarcapitaltechnologytrust.co.uk

House View
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Holdings
The top 10 positions were selected based on percentage of AUM. This 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 fund. The holdings may represent only a small percentage of the aggregate portfolio holdings, are subject to change without notice, and may not represent current or future portfolio composition. Information on particular holdings may be withheld if it is in the fund's best interest to do so. A complete list of the portfolio holdings may be made available upon request. It should not be assumed that any of the securities transactions or holdings discussed was or will prove to be profitable or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. The information provided in this document should not be considered a recommendation to purchase or sell any particular security.

Benchmarks
The following benchmark index is used: Dow Jones World Technology Index (Total Return). This benchmark is generally considered to be representative of the Technology equity universe. This 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 recognizableby investors. Please refer to www.djindexes.com for further information on this index. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the fund. For example, investments made for the fund may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the fund may differ from those of the benchmark. Also, the index noted in this presentation is unmanaged, are not available for direct investment, and is not subject to management fees, transaction costs or other types of expenses that the fund may incur. In addition, the performance of the index reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance. The information regarding the index is included merely to show the general trends inthe periods indicated and is not intended to imply that the fund was similar to the index in composition or risk.

Regulatory Status
Polar Capital LLP is a limited liability partnership number OC314700. It is authorised and regulated by the UK Financial Conduct Authority ("FCA") and is registered as an investment adviser with the US Securities & Exchange Commission ("SEC"). A list of members is open to inspection at the registered office, 4 Matthew Parker Street, London SW1H 9NP.

Information Subject to Change
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Forecasts
References to future returns are not promises or even estimates of actual returns Polar Capital may achieve, and should not be relied upon. The forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. In addition, the forecasts are based upon subjective estimates and assumptions about circumstances and events that may not yet have taken place and may never do so.

Performance
Performance is shown net of fees and expenses and includes the reinvestment of dividends and capital gain distributions. Many factors affect fund performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment return and principal value of your investment will fluctuate, so that when your investment is sold, the amount you receive could be less than what you originally invested. Past performance is not a guide to or indicative of future results. Future returns are not guaranteed and a loss of principal may occur. Stock markets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. Where investments are made in emerging markets, unquoted sercurities or smaller companies, their potential volatility may increase the risk to the value of, an the income from, the investment. Investments are not insured by the FDIC (or any other state or federal agency), are not guaranteed by any bank, and may lose value.

Investment Process - Risk
No investment process or strategy is free of risk and there is no guarantee that the investment process or strategy described herein will be profitable. Investors may lose all of their investments.

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