

## Trust Fact Sheet

29 May 2015

## Company Profile

### Investment Objective

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

### Investment Rationale

Over the last three decades the technology industry has been one of the most vibrant, dynamic and rapidly growing segments of the global economy. Technology companies offer the potential for substantially faster earnings growth than the broader market, reflecting the longer-term secular uptrend in technology spending.

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

### Investment Approach

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

### Trust Facts

#### Ordinary Shares

Share Price	599.50p
NAV per share	615.42p
Premium	-
Discount	-2.59%
Capital	132,336,159 ordinary shares of 25p

#### Assets & Gearing <sup>1</sup>

Total Net Assets	£814.4m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	3.20%

### Benchmark

Dow Jones World Technology Index Total Return adjusted for withholding taxes (from 1 May 2013)

### Fees <sup>2</sup>

Management	1.00%
Performance	15% over Benchmark

### FX Rates

GBP/USD	1.5260
GBP/EUR	1.3918
GBP/JPY	189.3628

### Risk Warning

Your capital is at risk. You may not get back the full amount you invested. Please note the Important Information on Page 4 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.

## Performance

### Performance over 5 years (%)



	1 Month	3 Months	6 Months	1 Year	5 Years
■ Ordinary Share Price	1.27	2.57	5.18	28.92	106.80
■ NAV per Share	2.71	3.01	7.74	28.38	99.94
■ Benchmark	2.34	3.05	6.72	26.36	86.29

### Discrete Annual Performance (%)

	30/04/15 29/05/15	30/04/14 30/04/15	30/04/13 30/04/14	28/04/12 30/04/13	30/04/11 28/04/12
Ordinary Share Price	1.27	33.94	10.92	2.97	3.61
NAV per Share	2.71	30.69	11.17	5.01	6.64
Benchmark	2.34	29.46	13.07	5.98	8.12

Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, total return, Net of Fees in GBP terms. Past performance is not indicative or a guarantee of future results.

1. Gearing calculations are exclusive of current year Revenue/Loss.
2. The performance fee is subject to a highwater mark and cap. Further details can be found in the latest Report and Accounts.

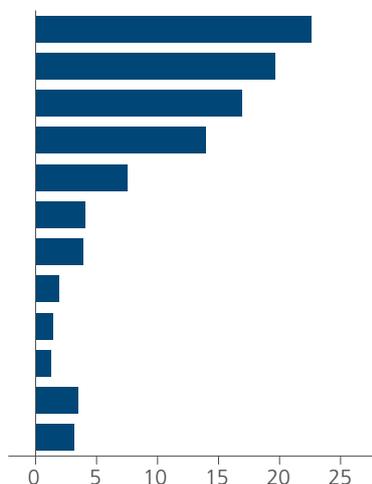
# Polar Capital Technology Trust plc

## Portfolio Exposure

As at 29 May 2015

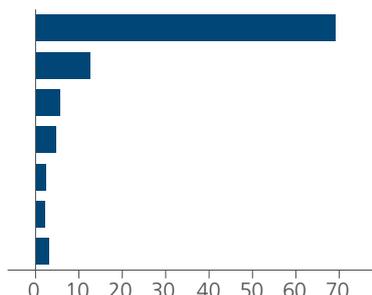
### Sector Exposure (%)

Internet Software & Services	22.6
Software	19.6
Semiconductors & Semiconductor Equip.	16.9
Tech. Hardware, Storage & Peripherals	14.0
Communications Equipment	7.5
Internet & Catalog Retail	4.1
Elec. Equip. Instruments & Components	3.9
IT Services	1.9
Healthcare Technology	1.4
Machinery	1.3
Other	3.5
Cash	3.2



### Geographic Exposure (%)

US & Canada	69.1
Asia Pac (ex-Japan)	12.6
Europe (ex UK)	5.6
Japan	4.8
UK	2.4
Middle East & Africa	2.3
Cash	3.2



### Top 15 Holdings (%)

Apple	10.4
Google (Class A & C shares)	6.4
Facebook	3.9
Microsoft	3.2
Cisco Systems	2.6
Amazon	2.3
Tencent	2.3
Oracle	1.9
Intel	1.7
Samsung Electronics	1.7
Alibaba Group Holding	1.6
Salesforce.com	1.6
Baidu	1.5
TSMC	1.5
NXP Semiconductor	1.3

**Total** 43.9

**Total Number of Positions** 130

### Market Capitalisation Exposure (%)

Large Cap (>\$10bn)	72.8
Mid Cap (>\$1bn - \$10bn)	22.3
Small Cap (<\$1bn)	4.9

## 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](http://www.shareview.co.uk)

### Savings Scheme & ISA

Shares in the company may be purchased through a share saving scheme or an ISA.

### Corporate Contacts

#### Registered Office and Website

16 Palace Street, London SW1E 5JD  
[www.polarcapitaltechnologytrust.co.uk](http://www.polarcapitaltechnologytrust.co.uk)

#### Custodian

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

#### Registrar

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA  
[www.shareview.co.uk](http://www.shareview.co.uk)

### Trust Characteristics

Launch Date	16 December 1996
Year End	30 April
Results Announced	Mid June
Next AGM	September 2015
Continuation Vote	2015 AGM
Listed	London Stock Exchange

### Codes

#### Ordinary Shares

ISIN	GB0004220025
SEDOL	422002
London Stock Exchange	PCT

The entire investment portfolio is published in the annual and half year report as well as being announced to the London Stock Exchange on a quarterly basis. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.

Note: Totals may not sum due to rounding.

## Fund Manager Comments

As at 29 May 2015

### Market Review

Volatility returned to financial markets in May, although this was not clearly evident from the modest move in global equities, as measured by the FTSE World Index which gained just 0.2% (in GBP terms). Fixed income and foreign exchange markets felt the brunt of the increased volatility, the trade weighted US Dollar appreciating +2.4% during the month, whilst Eurozone bond yields spiked intra month. Impending fears of a Greek default (potentially triggering a Euro exit), a sell-off in bond markets and continued speculation on the timing of the Federal Reserve's (Fed) first rate hike certainly weighed on equity markets. Unfortunately, little progress was made with Greece's attempts to strike a deal with its international creditors. Deposit outflows increased pressure on its banking system but neither side is yet willing to make crucial/acceptable concessions. This status quo cannot persist indefinitely given the June deadline for recently rolled up IMF interest payments. The US 10-year Treasury yield moved from 2.05% to an intra-month high of 2.34% before falling back to 2.10% at month end.

The equity market bright spot remains China, as local equities added a further 2.5% (as measured by the Shanghai CSI 300 Index in sterling terms) to their recent gains. These more modest returns – compared to recent monthly moves – were likely a result of increased margin requirements at some Chinese brokers. As expected, US Q1 GDP growth was revised down to an annualised rate of -0.7% with a particularly soft retail sales component -1.1% (worsened by poor weather and US port strikes during the quarter). US economic data was certainly mixed during May, although markets were buoyed by the implication that the Federal Reserve will refrain from raising rates in the near term due to the uninspiring data, supported by commentary from Janet Yellen suggesting the need for continued improvements in the labour market combined with confidence that inflation will return to the 2% target (core CPI actually rose +0.3% in April, but the Fed's preferred measure, the core PCE deflator, was up only 0.1% m/m). Post month end, the ISM Manufacturing PMI Index for May increased to 52.8, showing signs of improvement having flat-lined during March and April.

### Technology Review

The Technology sector outperformed the broader market during the month, the Dow Jones World Technology Index rising +2.3% (in GBP terms). Trust performance was aided by small/mid cap growth companies outperforming their larger peers with robust results from many next generation stocks. However, relatively mature semiconductor companies led the gains with the SOX Index advancing an impressive +9.1% in May and registering multi-year highs driven by a wave of M&A activity. Avago Technologies' \$37bn bid for Broadcom was the highest profile deal, but Intel's acquisition of Altera for \$17bn was also worthy of mention. These deals along with Verizon's \$4.4bn bid for AOL are likely a harbinger of further M&A activity as incumbents look to revitalise lacklustre growth and utilise over-capacity balance sheets/take advantage of the record low interest rate environment. Many of our next generation holdings continued to impress with their execution. Palo Alto Networks in particular showed billings acceleration combined with standout profitability versus its high growth peers. Alibaba, Electronic Arts and TripAdvisor all reported solid quarters. Other noteworthy reports included Splunk, Salesforce and Nimble Storage all of which delivered strong revenue growth, although this was not reflected in share price reactions (we have subsequently increased exposure to this group of stocks). It was also reported/rumoured that Microsoft had floated a proposed \$55bn bid for Salesforce.com which, if true, would represent a watershed moment for our new cycle thesis. Selected incumbents also fared a little better during the month with Intuit and Hewlett Packard (not held) reporting respectable quarters and Cisco coming inline but citing continued weakness in emerging market and US service provider spending (offsetting enterprise/

switching product strength). Network Appliance (not held) stood out with particular disappointing results and guidance – perhaps a reflection of the significant share gains and revenue growth seen at Nimble and other next generation storage companies (including Amazon's cloud storage business). Apple supply chain data remained robust with Analog Devices and Avago Technologies (not held) delivering strong results, whilst Semtech (not held) reduced guidance citing weakness at Samsung.

Apple's Worldwide Developer Conference does not take place until 8-12 June but ahead of the conference multiple new products are rumoured/expected to be announced. Chief among them are big media pushes with a streaming music service, a refreshed Apple TV box and a subscription Pay TV service (although this may now be delayed until the Autumn). With regards to the latter, US network CBS' chief executive was recently quoted as saying "Apple is trying to change the universe" referring to the potentially disruptive nature of their proposed service (perhaps a threat to traditional media distribution companies). Apple Watches are now in the hands of consumers (including ours) and whilst initial impressions are solid, it still seems to be solving for a problem that does not yet exist. While we believe it will be a huge success in two or three iterations time (with vastly improved sensors and applications) investors in Apple should remain focused on demand for the iPhone 6/6+ which continues to dominate the revenue and operating profit trajectory (here trends appear to remain solid supported by strong demand in Asia). Our other concern with regards to Apple would be the so-called promotion of Sir Jonny Ive to Chief Design Officer, which to us seems to be a step away from day-to-day involvement with the company.

Google's I/O development conference took place at the end of May and included announcements on an updated Android operating system (Android M), a new operating system for the Internet of Things (IoT) (Project Brillo), Android Pay and Google Photos. The common theme for Apple and Google is that they are continuing to extend their reach into new industries and to disrupt the current incumbent players. Visa also caught the headlines with expectations mounting that they will acquire Visa Europe and significant announcements around the Visa Digital Enablement Programme (VDEP), which should speed up the global rollout of NFC based mobile payments (perhaps ultimately challenging Apple's payment revenue model outside the US). Regardless we remain bullish on the mobile payment opportunity, which remains a core theme within the portfolio.

### Outlook

The pullback experienced by many growth stocks in April appears (as we hoped) to be just an echo, rather than a repeat performance of the early 2014 experience as many of our underlying next generation stocks have regained much of their relative lost ground during May and early June. Whilst we remain upbeat regarding the outlook for the Trust, this is largely for secular reasons (the pace of innovation and disruption in our sector is clearly accelerating) rather than expectations of a strong US or global recovery. In addition, we believe that this technology cycle has entered a more pernicious phase where newer (lower cost) disruptive technologies begin to substitute, rather than complement existing ones. We believe this demands a more active investment approach and explains our continued move away from our underlying benchmark.

We continue to expect US interest rate increases later in the year, which may constrain significant market multiple expansion, although the tech sector may have an offset in the form of greater interest income reflecting the sector's net cash position. We therefore expect a return to fundamentals/growth as the primary drivers of stock prices which should favour our more growth-centric investment approach. At a minimum, the headwinds we experienced in 2014 – when large-cap incumbents re-rated and many

## Fund Manager Comments

As at 29 May 2015

higher-growth next generation stocks underperformed (despite delivering significantly stronger growth) are unlikely to be repeated. While we cannot say that growth stocks look cheap (unsurprisingly, given we are now in the seventh year of this bull market) they look much more interesting here on both an absolute and relative basis. This view reflects the fact that, while the broader market multiple has expanded, many of the new cycle “poster children” are trading significantly below their early 2014 forward revenue multiples despite robust growth anticipated this year and next.

We have been particularly busy meeting companies over the past few weeks with several team members attending conferences in the US and Asia and, in the main, these meetings have been supportive of our core positioning. We therefore see the most significant risk factors being market/macro related. Of most concern to us is the risk of investor complacency around a Greek default/other geopolitical events (leading to a spike in risk aversion) or the potential for a continued rapid rise in US bond yields (which reduces the attraction of defensive/yielding equities). Neither of these is our base case – and the latter may actually prove supportive of our approach, as it has been in recent days – but either could trigger a correction in markets. Given our conviction in our new cycle thesis, the fundamentals and relative growth profile of our core positions and our expectation for further M&A activity, we remain relatively fully invested although we would not be surprised to see greater volatility as the year progresses.

**Ben Rogoff**

12 June 2015

### Polar Capital Technology Trust Management Team

**Ben Rogoff**

**Director, Technology**

Ben has managed the Trust since 2006, he joined Polar Capital in 2003 and has 19 years of industry experience.



**Nick Evans - Senior Fund Manager**

**Fatima lu - Fund Manager**

**Xuesong Zhao - Fund Manager**

**Bradley Reynolds - Investment Analyst**

**John Gladwyn - Investment Analyst**

**Paul Johnson - Investment Analyst**

# Polar Capital Technology Trust plc

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