

Fund Manager Comment

31 May 2012

Fact sheet

Market Review

Global equity markets pulled back materially in May. However, US Dollar strength ameliorated some of this weakness, with the FTSE World Index falling 4.2% in Sterling terms (GBP). US economic data was decidedly mixed, with disappointing non-farm payrolls and conflicting consumer confidence surveys offset by stronger housing starts and a generally solid first quarter earnings season. Poor PMI data in both the Eurozone and especially in China (where soft new orders and elevated inventories reignited fears of a hard landing) added to investor concerns, as did JP Morgan's disclosure of a \$2bn+ trading/hedging loss. It was, however, the fragile state of both the Greek and Spanish economies which drew the focus of investor attention. The failure of Greek political parties to form a coalition following recent elections, combined with the Spanish government's inability to decisively bolster the capital base of its stricken banks (particularly Bankia), re-introduced the real possibility of a euro exit and/or break-up which exacerbated 'deposit flight' from southern European banks. Forced to once again consider the prospect of a disorderly Eurozone break-up investors reached for their 2008 crisis 'playbooks'. Spain's CDS spreads expanded to a post crisis high, whilst ten-year Spanish sovereign yields rose to 6.6% almost reaching their 2011 peak of 6.7%. The associated spike in risk aversion saw the euro fall to a new two-year low against the US dollar, energy prices fall sharply while perceived 'safe havens' including ten-year US Treasuries and German Bunds entered uncharted territory, with yields collapsing to new lows of 1.47% and 1.20% respectively.

Technology Review

Whilst absolute technology returns were disappointing, market capitalisation weighted technology indices declined in line with global equities during the month, the Dow Jones World Tech Index falling 4.1% in GBP terms. Unfortunately, performance of the 'average' technology stock was considerably worse, as rising risk aversion led to higher growth and smaller stocks experiencing disproportionate selling pressure. Frustratingly, the much-awaited Facebook IPO did little to help lift sentiment, closing flat on its first day before falling subsequently as momentum investors rushed for the exit. We have since added to the stock on weakness, but it remains a small holding at 0.6% and therefore had limited direct impact on performance during the month. Technology stocks with above average European exposure were among the hardest hit during the month, due to the combination of deteriorating demand and headwinds created by recent euro weakness. The conclusion of earnings season also proved to be a negative catalyst with a number of larger incumbents reporting weak results or guidance including Cisco Systems and Dell. While Network Appliance delivered weak guidance, a number of other next-generation vendors posted strong results including Teradata, Salesforce.com, LinkedIn and Concur. The Trust also benefitted during the month from the acquisition of Ariba Networks (a SaaS vendor focused on procurement) by SAP for a 19% premium.

Outlook

With first quarter earnings season now behind us and with a number of the team having recently returned from research trips visiting both existing and potential holdings, our conviction in the "new technology cycle" remains strong. Most of the small and mid-cap technology companies that we met with are continuing to deliver robust growth and remain upbeat regarding their prospects despite the challenging backdrop, where we see IT budgets growing low single digits. The key is understanding that there has been a shift in IT spending priorities as companies try to reduce operating expenses (including real estate, people, power etc) and move towards a more flexible 'on demand' computing architecture and a variable cost model. While this IT budget rotation offers multi-year growth opportunities for many smaller companies, it also creates considerable challenges for larger incumbents. In itself, this goes a long way towards explaining the current weakness being experienced by many of the traditional PC and handset vendors, who now also have to contend with secular headwinds. Empirically more difficult macroeconomic environments have been associated with rapid adoption of new technologies, because customers - faced with budgetary pressures - are forced to experiment with new technologies and suppliers, which helps explain the current divergence of fortunes within the sector today.

That said, near-term market conditions may continue to be driven more by sentiment than fundamentals, as investors are forced to consider previously unthinkable outcomes in the absence of a longer lasting European solution. To date this dynamic has seen stocks like IBM and other mega-cap 'stores of wealth' materially outperform not because of their superior fundamentals (Big Blue reporting 0% year over year revenue growth in its most recent quarter) but because of their perceived 'safe haven' status (evidenced by the remarkable correlation between IBM's relative performance and the price of ten-year US Treasuries). In contrast, small and mid-cap stocks have been materially 'crowded out' during this 'risk off' phase which has created investment headwinds for us since April 2011. However, we continue to believe that our interests as equity investors remain aligned with those of policymakers. With that in mind, we are hopeful that the global economy and the financial system itself will continue to 'muddle through' which - at some point - should result in improved risk appetite and fundamentals returning as the principal driver of stock prices.

Although the next few weeks are likely to be a relatively quiet period for technology news flow, volatility is likely to persist given ongoing uncertainty in Europe, upcoming Greek elections and an FOMC meeting later during the month. Macroeconomic uncertainty aside, technology valuations appear compelling, particularly after the recent correction and even more so once adjusted for the sector's disproportionately strong balance sheets, which should also provide some downside support via buybacks and (in the case of small and mid-caps) M&A. As such, we will look to augment our exposure to small and mid-caps on further weakness should it occur.

Ben Rogoff

7th June 2012

Trust Facts

Ordinary Shares	
Share Price (p)	356.00
NAV (undiluted) per Share (p)	374.39
Discount / Premium %	-4.91
Capital Structure	128,208,085 of 25p

Subscription Shares[†]

Share Price (p)	10.00
Exercise Price (p)	
- From 1 April 2012 to 31 March 2014	478.00
Capital Structure	24,798,117 shares of 1p

Total Net Assets (€m)	504
AIC Gross Gearing Ratio (%) [*]	107.00
AIC Net Gearing Ratio (%) [*]	96.00

^{*}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 2012
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
Total Expense Ratio (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.

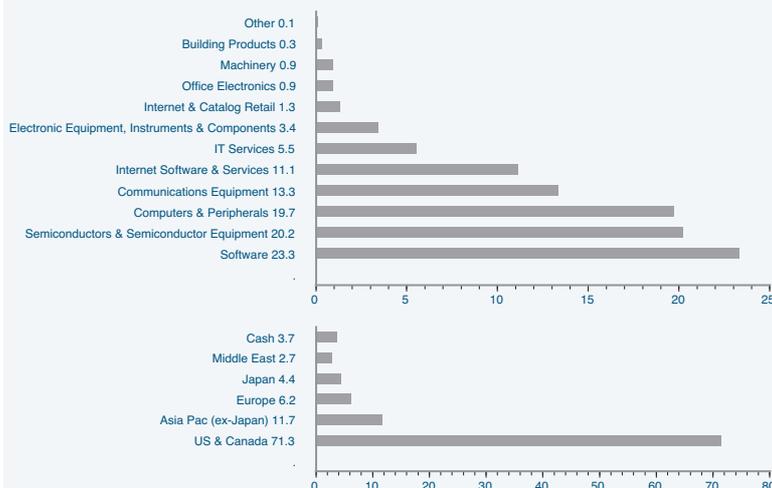
†For full details of the subscription shares and their exercise terms please refer to the prospectus of 18 January 2011 and the notes on the company's website.

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.

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Fact sheet

Sector & Geographic Exposure (%)



Total Number of Holdings 129

Top Ten Holdings (%)

Apple	13.3
Microsoft	4.7
Google	4.6
Samsung Electronics	3.6
Intel	2.9
International Business Machines	2.8
Qualcomm	2.7
Taiwan Semicon Manufacturing	2.4
Oracle	2.3
Cisco Systems	1.7
Total	41.0

Market Capitalisation Exposure (%)

Large (greater than US\$ 10bn)	67.2
Medium (US\$ 1bn to 10bn)	23.0
Small (less than US\$ 1bn)	9.8

Trust Overview

Investment Rationale

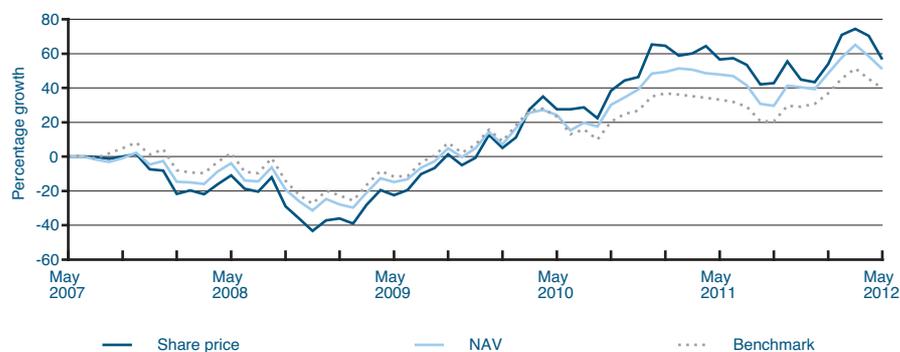
Over the last two decades the technology industry has been one of the most vibrant, dynamic and rapidly growing segments of the global economy. Technology companies offer the potential for substantially faster earnings growth than the broad market, reflecting the accelerating rate of adoption of new 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.

Performance Over 5 Years



Share Price & NAV per Share Over 5 Years



Cumulative Performance (%) to 31/05/2012

	1 Month	3 Months	6 Months	1 Year	5 Years
Share Price	-8.01	-8.37	8.21	0.00	56.66
NAV per Share	-4.67	-4.19	7.54	2.21	51.08
Benchmark	-3.70	-3.87	8.33	5.04	39.79

Discrete Annual Performance (%)

	31/03/11 30/03/12	31/03/10 31/03/11	31/03/09 31/03/10	31/03/08 31/03/09	30/03/07 31/03/08
Share Price	8.93	25.60	77.25	-7.89	-23.16
NAV per Share	9.57	20.08	58.94	-6.05	-12.77
Benchmark	11.97	6.51	52.05	-7.69	-3.00

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

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Fact sheet

Polar Capital Technology Investment Management Team

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

Ben Rogoff - Director, Technology



Ben 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.

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.

Fatima lu - 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.

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 BNP Paribas Fund Services, by contacting:

BNP Paribas Fund Services UK Ltd (Polar Capital)
Block C, Western House
Lynchwood Business Park
Peterborough, PE2 6BP
Tel: 0845 358 1109
Fax: 01733 285 822

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

London Stock Exchange	PCT
Reuters	PCT.L
Bloomberg	PCT.LN

Website

www.polarcapitaltechnologytrust.co.uk

House View

This document has been produced based on Polar Capital research and analysis and represents our house view. All sources are Polar Capital unless otherwise stated.

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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 recognizable by investors. Please refer to www.djindexes.com for further information on this index. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the fund. For example, investments made for the fund may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the fund may differ from those of the benchmark. Also, 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 in the periods indicated and is not intended to imply that the fund was similar to the index in composition or risk.

Regulatory Status

This document is Issued in the UK by Polar Capital. Polar Capital LLP is a limited liability partnership number OC314700. It is authorised and regulated by the Financial Services Authority. 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 securities or smaller companies, their potential volatility may increase the risk to the value of, and 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.