Polar Capital Technology Trust PLC

POLAR CAPITAL

Fund Manager Comment

Market Performance

Protracted US budget deficit negotiations, rising European sovereign bond yields and a more mixed Q2 earnings season led to profit-taking, resulting in the FTSE World Index falling 4.1% in Sterling terms during the month. The impasse on Capitol Hill, ahead of the 4th August deadline to raise the US debt ceiling, added greater significance to further macroeconomic weakness. A disappointing non-farm payroll number early in the month was augmented by light retail sales numbers before soft empire manufacturing and durable goods data deepened the gloom. In Europe, news flow remained challenging as Italian and Spanish sovereign spreads continued to widen despite the apparent 'resolution' of the recent Greek debt crisis. Unlike previous earnings seasons, which have acted as welcome distractions from 'top-down' developments, second quarter reporting season has proved more mixed, reflecting softening trends in Europe and in specific verticals such as the US government. This, together with rising risk aversion, led to further rotation out of both cyclical and small-caps resulting in the 'average' stock performing materially worse than market cap weighted benchmarks.

Technology Performance

Strong earnings reports from a number of US mega-caps led to the technology sector outperforming, the Dow Jones World Technology Index falling 2.3% in Sterling terms during the month. Stellar results from Apple and Google, augmented by solid reports from each of IBM, Microsoft and Intel were in stark contrast with more mixed earnings elsewhere, particularly in the most cyclical subsectors that reflected softening demand and a nascent inventory correction. In addition, weakening trends in Europe and in a number of specific verticals has meant that a number of 'next-generation' companies were unable to deliver requisite 'beat-and-raise' quarters in order to justify their premium valuations. This led to some significant share price weakness, particularly in the networking subsector, following a disappointing quarter from Juniper Networks and lacklustre reports from both F5 Networks and Riverbed Technology. The combination of significant negative reactions to poor quarters and limited upside associated with strong results naturally, led to increased risk aversion which contributed to profound underperformance of small-caps during the month, which trailed their larger-cap peers by c. 9%.

Outlook

Having warned investors that they were likely to have to contend with a greater level of volatility than that to which they may have become accustomed over the past two years, we clearly did not anticipate the magnitude of the current correction. At the time of writing, global equities have fallen c. 18% from their 2011 highs amid growing concerns about European sovereign risk and an ill-timed S&P downgrade of US credit worthiness, following the disconcerting last-minute budget deal that whilst averting default made it all too clear how difficult it is to deliver austerity. In that sense, the most significant recent development has not been widening sovereign spreads, nor has it been brinksmanship in Washington. Rather – evidenced by protracted budget negotiations in the US, and by vacationing leaders fiddling while Europe burns (literally in London) – recent events have presaged a massive loss of confidence in policymakers and their ability to keep a faltering global economy on an even keel.

Unsurprisingly, this loss of faith has had a significant impact on risk assets as prices adjust to this new perception. With stocks and oil prices down sharply in favour of stores of wealth such as gold and US Treasuries, investors have clearly dusted off their financial crisis 'playbooks' as they look to position for a recession and/or a repeat performance of 2008/9. As such, the current correction has had a disproportionate impact on stocks and sub-sectors that fared poorly during those dark days, with investors eschewing small-caps, higher multiples and companies with net debt on their balance sheets in favour of stolid, 'cheap' alternatives. This adverse rotation has been so significant that small-caps have given up c. two-thirds of their post 2008 outperformance since the 'risk on' trade reached its zenith in early April, while unweighted indices now trail weighted alternatives over the post 2008 timeframe.

Having held a little (c. 4%) cash ahead of this correction, we have used recent weakness to increase our exposure to US small and mid-cap stocks in line with our medium term strategy of 'flattening' the portfolio. While we cannot know how this change of perception will impact fundamentals (so-called 'reflexivity'), we are hopeful that the more favourable seasonality ahead will provide investors with a less jaundiced vantage point, and that falling energy prices may help ameliorate weaker recent consumer trends. While acknowledging that recession risk has risen, we do not think it is a given, despite headlines to the contrary. Instead, with the S&P 500 Index recently trading at 1120 we believe the market is beginning to price in negative earnings growth next year. Furthermore, with US stocks yielding more than ten-year US Treasuries we suspect that – once the dust settles - asset allocators that share our more sanguine view will find it difficult not to recycle US Treasury holdings that sport negative real yields into somewhat de-risked equities.

Turning to technology, we remain highly confident in our 'new cycle' thesis which, if anything, is likely to be enhanced by more pronounced reallocation of IT budgets should macroeconomic uncertainty prevail. Following a period of relative valuation compression (stocks having fallen far more than 'justified' by earnings revisions), we are hopeful that small/mid-cap growth stocks will reassert themselves as their earnings prove more robust than 'cheap' incumbents such as IBM and Microsoft, whose fortunes are driven primarily by the waxing and waning of IT budgets. As last year's slew of deals attested, incumbent vendors are cognisant of this dynamic and – given the overarching move towards a new (cloud) computing model – we expect the recent market correction to presage a reacceleration in M&A activity as cash and cashflow-rich incumbents take advantage of cheaper next-generation assets to retool for the new cycle.

Ben Rogoff, 8th August 2011

29 July 2011

Fact sheet

Trust Facts

Ordinary Shares†	
Share Price (p)	348.80
NAV per Share (p)	350.71
Discount (%)	-0.54
Capital Structure	127,421,612 of 25p
Subscription Shares†	
Share Price (p)	17.50
Exercise Price (p)	
- Until 31 March 2012	401.00
- From 1 April 2012 to 31 March 2014	478.00
Capital Structure	25,284,590 shares of 1p
Total Net Assets (£m)	447
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
Deputy Manager	Craig Mercer
Year End	30 April
Results Announced	Mid June
Next AGM	August 2011
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

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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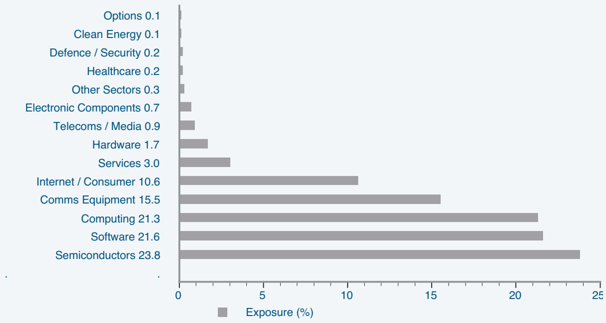
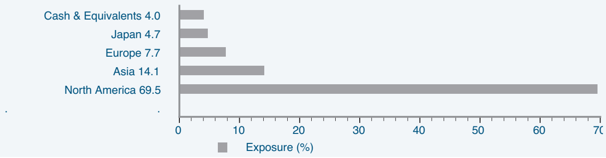
Telephone: +44 (0)20 7227 2709 Website: www.polarcapital.co.uk

29 July 2011

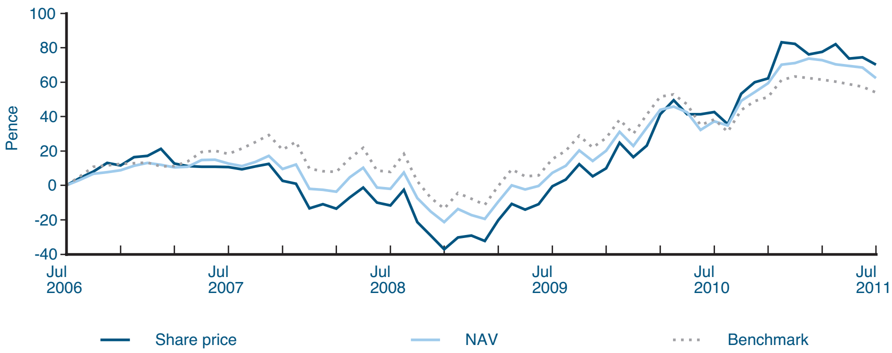
Fact sheet

Sector & Geographic Exposure (%)

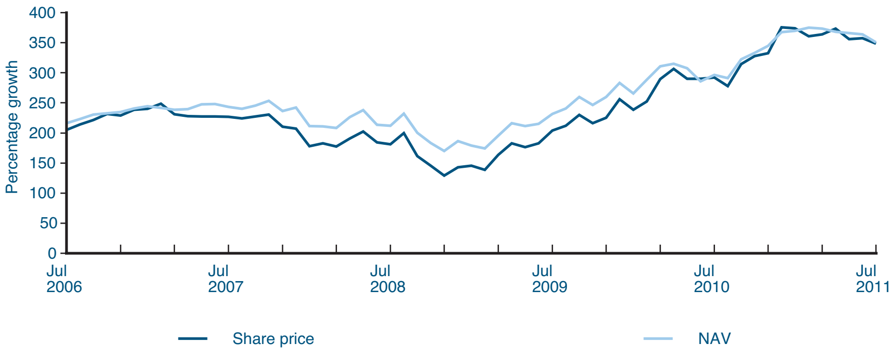




Performance Over 5 Years



Share Price & NAV per Share Over 5 Years



Cumulative Performance (%) to 29/07/2011

	1 Month	3 Months	6 Months	1 Year	5 Years
Share Price	-2.49	-6.61	-6.71	19.25	70.15
NAV per Share	-3.70	-4.77	-5.17	18.26	62.32
Benchmark	-2.12	-3.85	-5.68	11.36	54.10

Discrete Annual Performance (%)

	30/06/10 30/06/11	30/06/09 30/06/10	30/06/08 30/06/09	29/06/07 30/06/08	30/06/06 29/06/07
Share Price	23.39	58.63	-0.95	-18.81	5.70
NAV per Share	27.43	32.68	0.92	-14.02	10.17
Benchmark	16.60	27.59	-2.62	-9.57	14.85

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

Total Number of Holdings	134

Top Ten Holdings	(%)
Apple	9.8
Google	4.9
International Business Machines	4.4
Oracle	3.7
Microsoft	3.7
Samsung Electronics	3.4
Qualcomm	2.6
Taiwan Semicon Manufacturing	2.1
EMC Corporation	1.7
Cisco Systems	1.5
Total	**37.7**

Market Capitalisation Exposure	(%)
Large (greater than US$ 10bn)	68.3
Medium (US$ 1bn to 10bn)	20.6
Small (less than US$ 1bn)	11.1

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.

29 July 2011

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 six investment professionals.

Ben Rogoff - Fund Manager

Ben has been a technology specialist for twelve years having begun his career in fund management at CMI as a global tech 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, with responsibility for the management of Polar Capital's US technology portfolios. He is also joint manager of Polar Capital Global Technology Fund. Ben graduated from St Catherine's College, Oxford in 1995.

Craig Mercer - Deputy Manager

Craig joined Polar Capital in 2002 from Scottish Equitable (later Aegon) where he managed their Japan OEIC. Craig is deputy manager of Polar Capital Technology Trust plc and is responsible for coverage of Asian technology and global alternative energy stocks. Craig has an Economics degree from York University.

Technology Investment Management Team:

Nick Evans - Fund Manager

Nick joined Polar Capital in September 2007 and has eleven years experience as a technology specialist. He was previously Head of Technology at AXA Framlington and Citywire 'A' rated. He was lead manager of the AXA Framlington Global Technology Fund and the AXA World Fund (AWF) - Framlington Global Technology (both rated five stars by S&P) between Aug 2001 and July 2007. Prior to this he spent three years as a Pan European Investment Manager and Technology Analyst at Hill Samuel Asset Management. Nick has an Economics degree from Hull University.

Fatima Iu - Analyst

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 Masters in Chemistry.

Brian Ashford-Russell - Founder/Director of Polar Capital

Brian was head of the technology team at Henderson Global Investors (and prior to that Touche Remnant) from 1987 until his resignation in September 2000 to set up Polar Capital. He has been the appointed fund manager of Polar Capital Technology Trust plc, previously named Henderson Technology Trust and its predecessor TR Technology, since TR Tech's launch in 1988. He also managed the Henderson Global Tech Unit Trust from its launch in 1984 to 1996 as well as co-managing the Seligman Global Tech and Mackenzie Universal Science & Tech funds.

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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This document does not provide all information material to an investorís decision to invest in the Polar Capital Technology Trust PLC, including, but not limited to, risk factors.

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Holdings
The top 10 positions were selected based on percentage of AUM. This portfolio data is ìas atî 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 fundís 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.

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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 Managerís 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.