Polar Capital Technology Trust PLC

POLAR CAPITAL

Fund Manager Comment

Market review

Equity markets rebounded forcefully during October as expectations of an imminent plan to 'save' the Eurozone, better US and Chinese economic news and a change in tone from Fed Chairman Ben Bernanke (re: QE3), led to soaring risk appetite, the FTSE World Index returning 7.3% in Sterling terms, US Dollar weakness diluting overall returns. While there were a number of positive top-down developments early in the month (better non farm payrolls, ISM manufacturing and the UK increasing its asset purchase plan by £75bn), the pivotal moment came during the second week when Eurozone officials announced a timeline for developing a comprehensive plan to stabilize financial conditions. With investor sentiment at depressed levels, evidenced by implied volatility at post Lehman highs and stock cross-correlation at levels commensurate with indiscriminate selling, this commitment was more than enough to drive a short covering rally, which became self-sustaining as liquidity poured out of safe havens. Ten-year US Treasuries fell, pushing yields up from 1.9% to 2.2%, whilst risk assets such as oil (+17%) and US small-caps (which outperformed by more than 4%) benefitted. This improvement in risk appetite was well supported by a third-quarter earnings season, which - despite fears to the contrary - has thus far proved relatively benign. With investors able to see some light at the end of the European tunnel, positives appeared to come thick and fast - better US September retail sales, Q3 advanced GDP data ahead of expectations and just prior to month-end the revelation of a framework for the European bailout plan. While the basics appeared broadly in line with well managed expectations (the bailout fund expanded to c. $1.4Trn, a 50% 'haircut' to Greek obligations, and bank recapitalisations), equities moved sharply higher into month-end, likely reflecting cautious investor positioning amid understandable scepticism that a deal could be done.

Technology review

Technology stocks continued to outpace the broader market due to the combination of improved risk appetite and a better than expected Q3 earnings season, the Dow Jones World Technology Index rising 8% in Sterling terms during the month. Unfortunately, October began with the tragic news of Steve Jobs' untimely death, which naturally dominated news flow. However, attention soon returned to positive 'top-down' developments (described above) and an earnings season that, given the macroeconomic uncertainty, proved far less problematic than feared. That is not to say that fundamentals have been unaffected by events in Europe, as evidenced by weak reports and substantial cuts to Q4 guidance from a myriad of semiconductor and other component companies as their customers reduced inventories. However, no doubt aided by much improved risk appetite investors chose to look through near-term weakness focusing instead on the likelihood of a Q4 inventory and order trough. This allowed bad news to be absorbed with remarkable ease, the semiconductor sub-sector proving one of the strongest during the month.

For those companies more closely linked to end demand, third quarter earnings season essentially exploded the myth of an impending earnings collapse. This was particularly true of a plethora of next-generation 'winners' such as F5 Networks, Riverbed and Citrix who delivered ahead of expectations despite the macro-economic malaise. This was not altogether a surprise to us as our own recent research trips to the US and Asia revealed a disconnect between investor fear and near-term fundamentals. Earnings resilience, together with the return of the 'risk on' trade saw a marked rotation away from mega-cap 'stores of wealth' driving small-cap outperformance, a dynamic furthered by lacklustre reports from IBM, Microsoft and Apple, which more than offset the upside delivered by Intel and Google. We are confident that Apple's first miss for many years reflected savvy customers deferring their iPhone purchases ahead of the delayed launch of the '4S', and as such remain confident that this is far from a 'broken' story. However, with the onus firmly on Apple to 'prove' Q3 was merely a hiccup, we felt it appropriate to modestly pare our position, a decision made significantly easier by the extent of the stock's multi-year outperformance. Small-caps received a further boost late in the month on news of Oracle's acquisition of software as a service (SAAS) vendor RightNow for a c. 20% premium.

Outlook

While the survival of the Eurozone in its current form remains far from certain, events during October have been a useful reminder of the alignment of interests that today exist between policymakers and investors. While we are far from being experts on these matters, it appears that - faced with impending Greek default - decisions previously considered unfit for democratic consumption are becoming more palatable to European leaders. It has surely been this realisation (reinforced by recent soothing rhetoric from Ben Bernanke), rather than the minutiae of the plan itself that has presaged the recent recovery in equity markets. Although success is far from guaranteed as widening Italian sovereign spreads attest, we continue to believe this is best considered an 'echo' rather than a 'repeat performance' of the 2008 crisis. As such, we think it is unlikely that the September market lows are revisited, let alone breached. This view appears well supported by a number of indicators that were consistent with meaningful lows, including the VIX (S&P 500 Index implied volatility), which reached the highest level since May 2010, German equities experiencing a similar waterfall decline as UK stocks during the 1987 crash and ten-year US Treasury yields falling to previously unthinkable levels (1.7%), as the desire for capital preservation reached fever pitch. Just as investors were apparently rushing to lock in negative real returns for a decade, the S&P 500 Index dividend yield surpassed that of ten-year US Treasuries for only the second time since 1958.

Although markets have rebounded sharply over the past month, we continue to believe that absent another significant macroeconomic 'shock', the outlook for the Trust remains constructive. Given the likelihood of multiple years of sub-trend global growth ahead, we continue to believe that companies will remain focused on delivering productivity gains, which should support our sector over the medium-term. However, the same macroeconomic pressures, combined with a new IT delivery model ('cloud computing') will result in limited overall IT budget growth and pronounced rotation of spending in favour of disruptive technologies that allow companies to 'do more with less'. This dynamic should continue to disproportionately benefit small and mid-cap companies that are unencumbered by legacy exposures. We are particularly encouraged by the near term reversal in small/mid-cap fortunes, which has been supported by strong underlying results that look all the more secular given the cyclical hiatus. As such, we believe the combination of superior secular growth, attractive valuations, exceptionally strong balance sheets and the likely upside associated with ongoing M&A is likely to provide a very supportive backdrop for longer-term investors.

Ben Rogoff, 7th November 2011

31 October 2011

Fact sheet

Trust Facts

Ordinary Shares†	
Share Price (p)	353.50
NAV per Share (p)	350.46
Premium (%)	0.87
Capital Structure	127,730,248 of 25p
Subscription Shares†	
Share Price (p)	14.00
Exercise Price (p)	
- Until 31 March 2012	401.00
- From 1 April 2012 to 31 March 2014	478.00
Capital Structure	25,275,954 shares of 1p
Total Net Assets (£m)	448
AIC Gross Gearing Ratio (%)*	107.00
AIC Net Gearing Ratio (%)*	95.00

*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 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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31 October 2011

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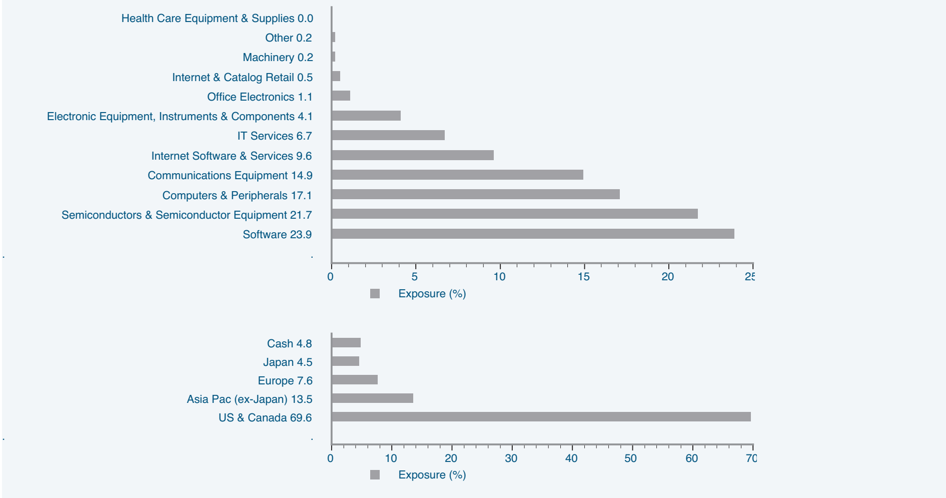
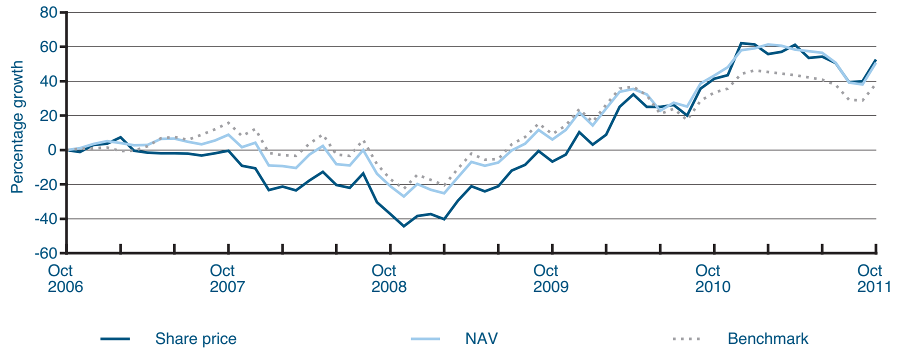
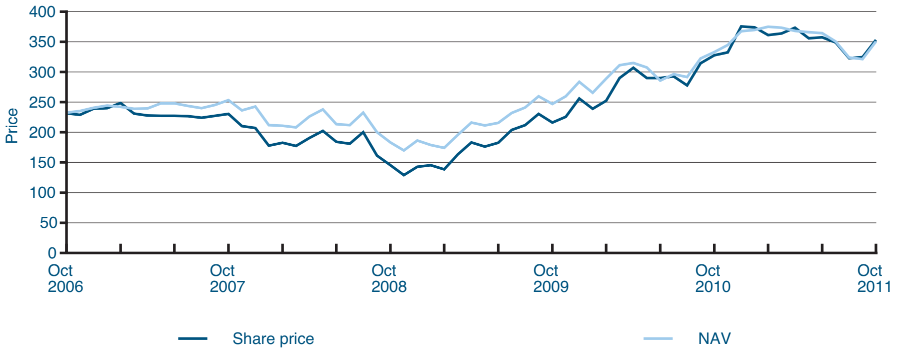
Sector & Geographic Exposure (%)



Performance Over 5 Years



Share Price & NAV per Share Over 5 Years



Cumulative Performance (%) to 31/10/2011

	1 Month	3 Months	6 Months	1 Year	5 Years
Share Price	8.94	1.35	-5.35	7.77	52.54
NAV per Share	9.11	-0.07	-4.84	5.20	50.68
Benchmark	7.52	0.40	-3.47	3.83	38.53

Discrete Annual Performance (%)

	30/09/10 30/09/11	30/09/09 30/09/10	30/09/08 30/09/09	28/09/07 30/09/08	29/09/06 28/09/07
Share Price	3.21	36.52	42.60	-29.01	2.71
NAV per Share	-0.38	24.04	29.79	-18.43	6.37
Benchmark	0.12	11.44	25.73	-18.03	12.86

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

Total Number of Holdings	130

Top Ten Holdings	(%)
Apple	9.3
Google	5.1
Oracle	4.1
Samsung Electronics	3.8
Microsoft	3.5
International Business Machines	3.3
Qualcomm	2.6
Cisco Systems	2.2
Taiwan Semicon Manufacturing	2.1
Intel	1.9
Total	**37.9**

Market Capitalisation Exposure	(%)
Large (greater than US$ 10bn)	69.8
Medium (US$ 1bn to 10bn)	19.6
Small (less than US$ 1bn)	10.6

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

Polar Capital, 4 Matthew Parker Street, London SW1H 9NP
Telephone: +44 (0)20 7227 2709 Website: www.polarcapital.co.uk

31 October 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.

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 Ç450m 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 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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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.