Polar Capital Technology Trust PLC

31 October 2013

Fact sheet

Fund Manager Comment

Market performance

Global equities performed well during October, the FTSE World Index rising 4.7% in sterling terms. Strong returns over the period masked a challenging start to the month with debt ceiling and federal budget discussions resulting in a partial US government shutdown. Ultimately sense prevailed and the threat of a partial US default was pushed into 2014 as politicians 'kicked the can down the road' once again, allowing equities to rally. US bond yields slipped to 2.54% during the month as tapering expectations further faded due to political/budget uncertainty, softer US macroeconomic data (consumer confidence, durable goods, housing, retail sales and a weak September employment report) and lower energy prices. Corporate earnings were mixed with strength at companies like GE, Boeing, Google and Apple, offset by weakness at Stanley Black & Decker, Coach and Caterpillar. Japan lagged due to concerns over reform/sales taxes while China's recovery paused ahead of the seasonally soft fourth quarter and new leadership structural reform plans due to be announced in mid November. Despite the soft macro data, European CDS and bond yields remained tightly in check which, along with hopes of continued central bank support (aided by President Obama's nomination of the dovish Janet Yellen as successor to Ben Bernanke) enabled equities to power ahead, the NASDAQ Composite Index reaching a 13 year high during the month before slipping slightly into month-end.

Technology performance

The technology sector slightly outpaced global equities during the month, the Dow Jones World Technology Index rising 5.0% in sterling terms. However, large-cap technology stocks significantly outperformed their smaller peers, the Russell 1000 Index (large-cap) and Russell 2000 Index (small/mid cap) rising 5.1% and 0.6% respectively (all in GBP). Overall, third quarter earnings season for the technology sector was mixed with slightly greater macro headwinds (US federal budget uncertainty and China) dragging on results. That said, we were encouraged by the continued divergence of fortunes within the sector, a pattern that emerged during second quarter earnings that should continue to favour our decision to move further from the benchmark. New cycle beneficiaries such as Adobe, Baidu, Facebook, Google, Tibco and VMware all reported strong results while a number of incumbent vendors stumbled, including EMC and IBM both of which reported significant top-line (revenue) misses in the quarter. This highlights the challenge faced by enterprise vendors as the IT industry shifts from a capex (ownership) model towards an opex (rental) cloud-centric alternative.

Beyond the enterprise space, Apple and Samsung both reported remarkably solid quarters whilst most of the smartphone related food chain disappointed due to inventory adjustments and adverse pricing. We had previously reduced our overall smartphone exposure due to developed market penetration (saturation) and the slowing pace of device innovation, favouring those stocks exposed to emerging market unit growth, 4G/LTE content, mobile payments or the shift towards 64bit processors (primarily ARM). Although PC unit shipments remained weak (contracting -8% year-on-year in Q3 according to Gartner), Microsoft reported surprisingly solid results. Elsewhere, Internet stocks such as Amazon, Facebook, Google, LinkedIn and TripAdvisor all reported solid results, a notable exception being Ebay, which experienced and forecast slowing US ecommerce spending. Amazon also finally won the US$600m CIA cloud infrastructure deal (which IBM had appealed) after a favourable court ruling, further highlighting the challenges facing many incumbent enterprise IT providers.

However, a notable disappointment during earnings season was lacklustre spending in China generally, and specifically 4G/LTE investment at China Mobile. In part, we put this down to the new Chinese leadership making its mark and the resulting policy/leadership changes creating uncertainty. This appears to have been exacerbated by a soft economy and perhaps by anti US sentiment following curbs on Chinese vendors in the US. In fact a number of multinational companies cited weakness in Asia during the quarter, which we believe was due to a combination of the above reasons. With China failing to fill the void and with 3G-related capex declining, earnings/guidance for communications and networking stocks were disappointing with Ericsson, Juniper Networks and Xlilinx all suffering while network and handset test vendors were particularly weak.

Outlook

With stocks at or close to highs and with investor sentiment and implied volatility measures at extended/complacent levels, we would not be surprised if markets paused to consolidate recent gains, particularly given that the US debt ceiling and budget decisions remain unresolved. While valuations have expanded, we believe fundamentals for many 'new cycle' beneficiaries have strengthened and in aggregate we still believe our portfolio remains attractively valued. In part, this is because we have stuck to our valuation discipline recently exiting a number of stocks such as Concur, Netsuite and Yelp where growth remains enviable, but stock prices had exceeded our targets. We also continue to avoid a number of high profile stocks such as Fireeye, Tesla, Veeva and Workday where we struggle with valuations even though we are attracted to their exceptional growth profiles.

However, the existence of a number of highly rated stocks is far from conclusive evidence of "another technology bubble" as some have recently argued. After all, high growth disruptive technology companies addressing large market opportunities rarely trade cheaply, particularly while they are investing for growth. At this point, earnings based metrics are remarkably poor measures of value, Facebook's recent renaissance being a good example of this dynamic while Cisco rarely looked cheap during the 1990's. Whilst we understand why some investors may be uncomfortable with this, we have always believed it appropriate to have a portion of the portfolio invested in genuinely disruptive stocks where we believe earnings estimates and/or addressable markets are likely to prove vastly conservative. Stocks that we currently own that epitomize this idea include Facebook, LinkedIn, Splunk and TripAdvisor – companies that (in our view) have the greatest probability of becoming significant index constituents of the future.

Returning to the markets and looking beyond the next month or so we remain very constructive on the outlook for equities, expecting fund flows to remain positive and for markets to continue to climb the proverbial 'wall of worry'. Policymakers' interests remain clearly aligned with investors, evidenced by the likely appointment of Janet Yellen as the next Federal Reserve Chairperson. Near-term, the mean reversion trade – which dragged on small-caps and our relative performance during October/early November – may continue to play out especially if markets drift lower. However, based on previous periods of small-cap underperformance, it feels like the current bout of profit taking may already be c.50% complete. Should investors continue to lock in gains ahead of the calendar year end we feel strongly this will provide an attractive re-entry point for our 'new cycle' thesis because although share prices may mean revert near-term, company fundamentals are likely to continue to diverge. This view has been well supported by a tricky third quarter earnings season that has continued to demonstrate how corporate fortunes are bifurcating now that the new cycle has become more pernicious, a dynamic that we believe explains why a number of large-cap legacy stocks appear as cheap as they do.

Ben Rogoff, 11 November 2013

Trust Facts

Ordinary Shares

Share Price (p)	466.50
NAV (undiluted) per Share (p)	464.23
Premium (%)	0.49
Discount (%)	-
Capital Structure	128,635,845 shares of 25p

Subscription Shares†

Share Price (p)	14.50
Exercise Price (p)	
- From 1 April 2012 to 31 March 2014	478.00
Capital Structure	24,770,357 shares of 1p

Total Net Assets (£m)	597
AIC Gearing Ratio (%)*	0.00
AIC Net Cash Ratio (%)*	5.00

*Gearing calculations are exclusive of current year Revenue/Loss

Benchmark

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

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.

POLAR CAPITAL

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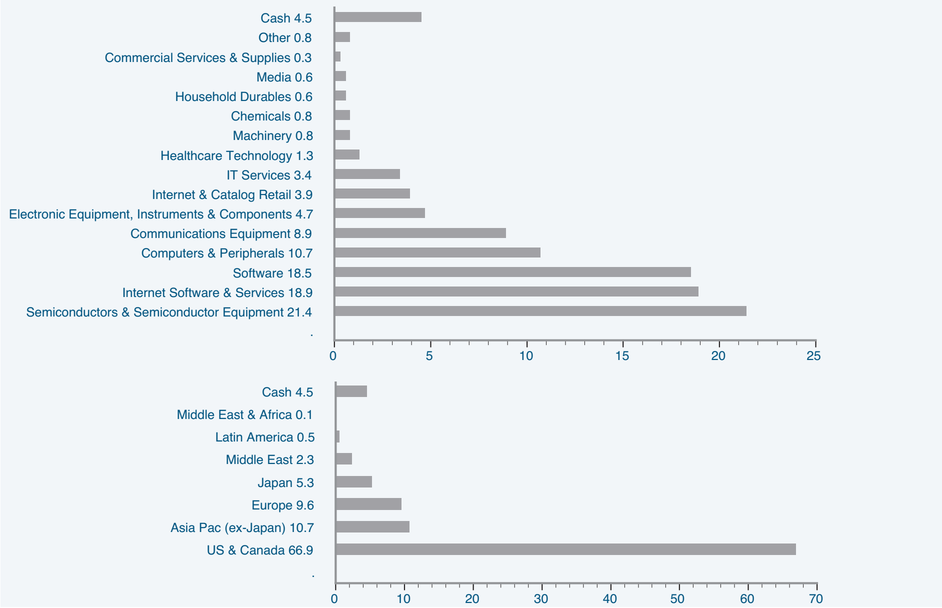
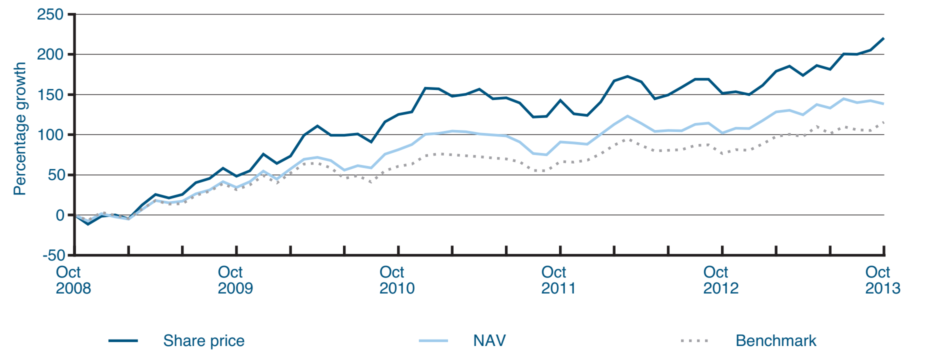
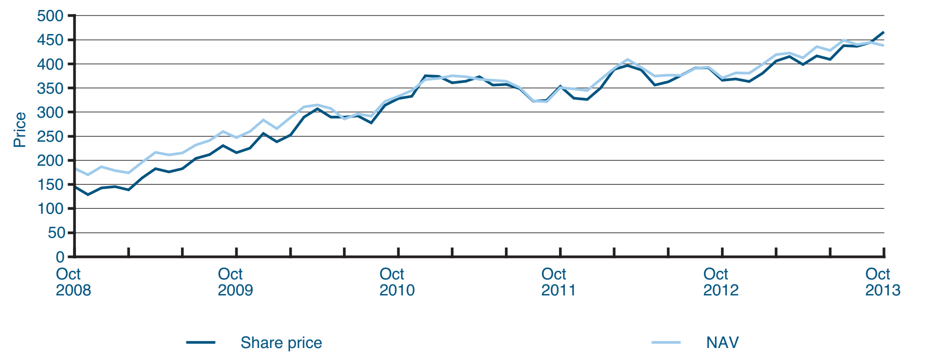
Sector & Geographic Exposure (%)



Performance Over 5 Years



Share Price & NAV per Share Over 5 Years



Cumulative Performance (%) to 31/10/2013

	1 Month	3 Months	6 Months	1 Year	5 Years
Share Price	4.95	6.60	17.06	27.46	220.62
NAV per Share	4.39	3.31	12.56	25.28	153.03
Benchmark	5.01	2.50	8.84	21.87	115.42

Discrete Annual Performance (%)

	30/04/13 31/10/13	30/04/12 30/04/13	28/04/11 30/04/12	30/04/10 28/04/11	30/04/09 30/04/10
Share Price	17.06	2.97	3.61	21.74	67.65
NAV per Share	12.56	5.06	6.59	16.88	45.63
Benchmark	8.84	5.98	8.12	4.87	39.63

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

Total Number of Holdings	131

Top Ten Holdings	(%)
Google	7.2
Apple	7.0
Facebook	3.1
Samsung Electronics	2.6
Cisco Systems	2.6
Amazon	2.4
Microsoft	2.3
Qualcomm	2.0
Oracle	1.6
Salesforce	1.6
Total	**32.4**

Market Capitalisation Exposure	(%)
Large (greater than US$ 10bn)	70.7
Medium (US$ 1bn to 10bn)	22.5
Small (less than US$ 1bn)	6.8

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

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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 joined 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. He has been a technology specialist for 15 years. Prior to joining Polar Capital he began his career in fund management at CMI, as a global technology analyst. He moved to Aberdeen Asset Managers in 1998 where he spent four years as a senior technology manager. 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 15 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 2001 to 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 has a degree in Economics from Hull University.

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 alternative energy and medical technology sub-sectors. Fatima graduated from Imperial College London in 2002 with a degree in Medicinal Chemistry. She is a CFA charterholder.

Colin Moar - Fund Manager

Colin joined Polar Capital in January 2011 as a Fund Manager, having spent 15 years covering Pan-European and then global equity markets, with the technology sector as his main focus. Prior to joining Polar Capital 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 has a degree in Business Studies from the University of Edinburgh.

Xuesong Zhao - Fund Manager

Xuesong joined Polar Capital in May 2012, having spent most of the previous five years working as an investment analyst within the emerging market & Asia team at 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, now owned by IBM, in 2005. He holds an MSc in Finance from Imperial College Science & Technology, a BA (Hons) in Economics from Peking University and is a CFA charterholder.

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

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

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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This portfolio data is "as of" 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 and all benchmarks are broad-based indices which are used for comparative/illustrative purposes only and have been selected as they are well known and are 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, any indices noted in this presentation are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the fund may incur. In addition, the performance of the indices 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 indices are included merely to show the general trends in the periods indicated and is not intended to imply that the fund was similar to any of the indices 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. 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.