POLAR CAPITAL

Polar Capital Technology Trust plc

29 April 2022

Trust Fact Sheet

Ordinary Shares

Share Price	2040.00p
NAV per share	2304.35p
Premium	-
Discount	-11.47%
Capital	132,356,426 shares of 25p

Assets & Gearing [1]

Total Net Assets	£3,050.9m
AIC Gearing Ratio	n/a
AIC Net Cash Ratio	7.67%

Fees [2 3]

Management Fees	
£0 - £800m	1.00%
£800m - £1.6bn	0.85%
£1.6bn - £2bn	0.80%
Over £2bn	0.70%
Performance	10.00% over Benchmark
Ongoing Charges	0.82%

Trust Profile

Investment Objective

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

Key Facts

- One of the largest dedicated tech investment teams in Europe
- Theme-based approach to stock selection
- Looking for the best small, medium or large companies across the globe
- Launched in 1996, it has a multi-cycle track record

Investment Policy

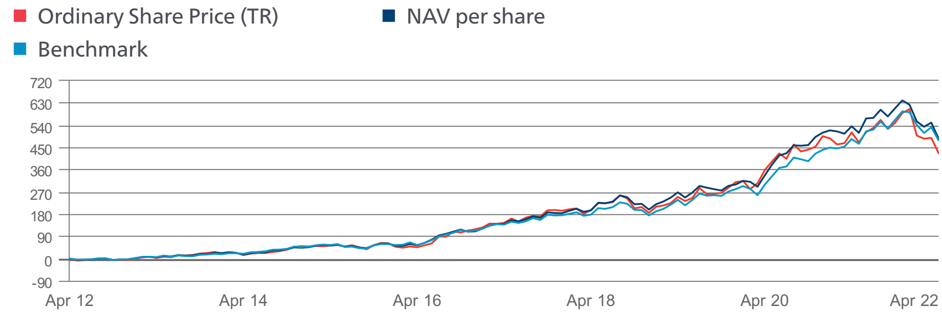
The Company invests its technology assets in a portfolio comprised primarily of international quoted equities which is diversified across both regions and sectors within the overall investment objective to reduce investment risk.

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, exploiting international valuation anomalies and sector volatility.

Performance

Performance over 10 years (%)



	1 month	3 month	YTD	1 year	3 years	5 years	10 years
Ordinary Share Price (TR)	-10.45	-11.84	-25.22	-13.71	50.66	115.42	427.13
NAV per share	-9.80	-10.46	-18.81	-7.69	59.34	143.74	486.74
Benchmark	-8.38	-9.67	-16.40	-0.87	71.36	143.58	478.91

Discrete Annual Performance (%) [4]

	Financial YTD	30.04.21 29.04.22	30.04.20 30.04.21	30.04.19 30.04.20	30.04.18 30.04.19	28.04.17 30.04.18
Ordinary Share Price (TR)	-13.71	-13.71	33.26	31.02	17.94	21.22
NAV per share	-7.69	-7.69	45.52	18.62	24.70	22.66
Benchmark	-0.87	-0.87	46.35	18.11	21.44	17.05

Performance relates to past returns and is not a reliable indicator of future returns.
Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, total return, Net of Fees in GBP terms.
1. Gearing calculations are exclusive of current year Revenue/Loss.
2. The performance fee is subject to a high watermark and cap. Further details can be found under Corporate Documents of the Company's website: http://www.polarcapitaltechnologytrust.co.uk.
3. Ongoing charges are calculated at the last published year end date, and exclude any performance fees.
4. The end of the financial year for the Company is the final day of April each year.

Risk Warning Your capital is at risk. You may not get back the full amount you invested. Please note the Important Information at the end of this document 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.

Fund Managers

Ben Rogoff
Partner
Ben has directed the Trust since 2006, he joined Polar Capital in 2003 and has 26 years of industry experience.

Nick Evans	Partner
Fatima Iu	Fund Manager
Xuesong Zhao	Fund Manager
Alastair Unwin	Fund Manager
Brad Reynolds	Investment Analyst
Paul Johnson	Investment Analyst
Nick Williams	Investment Analyst
Patrick Stuff	Investment Analyst

Fund Awards

Money Observer Trust Awards 2019 Best Large Trust Highly Commended Polar Capital Technology
PORTFOLIO ADVISER FUND AWARDS '20 GOLD SECTOR SPECIALIST LAST WORD
AJBell Awards 2021 TECHNOLOGY/BIOTECH - ACTIVE

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Portfolio Exposure

As at 29 April 2022

Top 10 Positions (%)

Microsoft	11.0
Apple	10.1
Alphabet	8.2
NVIDIA	3.1
Advanced Micro Devices	2.8
Samsung Electronics	2.7
TSMC	2.7
ASML Holding	1.9
Amazon	1.9
ServiceNow	1.8
Total	**46.3**

Total Number of Positions	**97**

Market Capitalisation Exposure (%)

Large Cap (>US$10 bn)	88.0
Mid Cap (US$1 bn - 10 bn)	11.7
Small Cap (<US$1 bn)	0.3

Trust Characteristics

Launch Date	16 December 1996
Year End	30 April
Results Announced	Mid July
Next AGM	September 2022
Continuation Vote	2025 AGM
Listed	London Stock Exchange

Benchmark

Dow Jones Global Technology Index Total Return Sterling adjusted with the removal of relevant withholding taxes (from 1 May 2013)

FX Rates

GBP/USD	1.2555
GBP/EUR	1.1901
GBP/JPY	162.6626

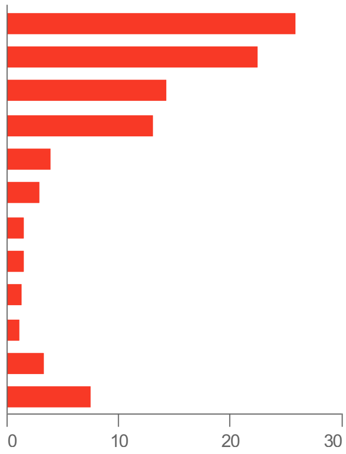
Codes

Ordinary Shares

ISIN	GB0004220025
SEDOL	0422002
London Stock Exchange	PCT

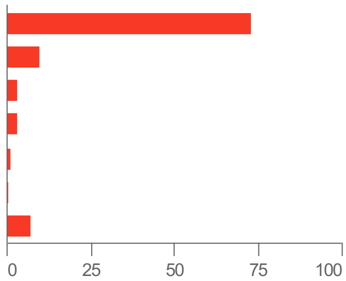
Sector Exposure (%)

Software	25.9
Semiconductors & Semiconductor Equip.	22.6
Tech. Hardware, Storage & Periph.	14.4
Interactive Media & Services	13.3
IT Services	4.1
Internet & Direct Marketing Retail	2.9
Automobiles	1.6
Electronic Equipment, Instruments & Components	1.6
Communications Equipment	1.5
Entertainment	1.2
Other	3.3
Cash	7.6



Geographic Exposure (%)

US & Canada	73.4
Asia Pac (ex-Japan)	10.2
Europe (ex UK)	3.5
Japan	3.4
Middle East & Africa	1.4
UK	0.4
Cash	7.6



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.

Note: Totals may not sum due to rounding. 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.

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

Corporate Contacts

Registered Office and Website
16 Palace Street, London SW1E 5JD
www.polarcapitaltechnologytrust.co.uk

Registrar
Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA
www.shareview.co.uk

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

Fund Manager's Comments

Market review

Global equity markets fell sharply in April, as measured by the MSCI All Country World (-3.9%), while the S&P 500 fell -4.7% and the DJ Euro Stoxx 600 -1.1% (all returns are in sterling terms). After a weak first quarter, there was little respite in April as concerns over global growth and supply disruption tied to further lockdowns in China, the war in Ukraine and stubbornly high inflation all remained elevated.

US treasuries declined -3.2%, marking the fifth consecutive month of declines and leading to year-to-date losses of -8.6%. Currencies were highly volatile too – the trade-weighted dollar strengthened +4.7% while the yen weakened -6.2% against the dollar. Oil and agricultural commodities gained as Russia's invasion of Ukraine further compounded existing supply chain dislocation trends. Brent Oil increased for a fifth consecutive month (+4.3%), benefitting from the continued speculation of a potential EU embargo on Russian oil. The Commodity CRB Index gained +4.4% in April, taking its year-to-date increase to over +30%.

While we hope that slower growth will ease inflationary pressures during the second half of 2022, there is limited evidence of this so far in headline measures. US consumer price inflation (CPI) data in March rose to a 40-year high of +8.5% with core inflation (ex-food and energy) rising above expectations to +6.5%. In Europe, the Eurozone CPI reading for April increased to +7.5%, hitting a record high since the formation of the single currency. Eurozone core inflation similarly jumped above expectations to +3.5%, while UK inflation hit a 30-year high of +7.0% in March. However, there are some grounds for optimism on the inflation front with moderating demand for auto vehicle sales and domestic appliances likely to precede price, especially if/when supply constraints ease. US retail sales ex-gas and autos were also flattish (+0.2% m/m) in April.

After starting its first 25bps rate hike of the current cycle in March, the minutes of the US Federal Reserve 15-16 March meeting showed several members of the committee were in favour of a 50bps rate hike and that a majority of members generally agreed to a balance sheet reduction of $95bn per month starting as soon as May. At the meeting on 3-4 May the Fed duly raised its benchmark interest rate by 50bps in response to escalating inflationary pressures. Fed Chairman Jerome Powell's comments suggested multiple 50bps rate hikes are ahead, but the committee were "not actively considering 75bps". The immediate reaction was positive with bond yields down and equities up, although this proved short-lived with 10-year US treasury yields subsequently rallying sharply (above 3.15%) and growth equities suffering several days of extreme selling.

The economic outlook is more challenging, with a European recession quite probable and a US recession possible. It is still unknown whether the Fed can fashion a soft landing with the fastest tightening schedule in three decades. In addition, the Fed outlined a quantitative tightening (QT) program whereby the Fed will shrink its balance sheet by $30bn treasuries and $17.5bn mortgage-backed securities, ramping to a maximum of $95bn after three months on an indefinite basis (in line with market expectations). As such, it is probably unsurprising we are in the middle of a risk-off phase for markets, with equity valuation multiples compressing and growth stocks hit the hardest, reflecting this uncertainty.

Leading economic activity indicators continue to fade. In the US, the ISM index of manufacturing activity declined to 55.4% in April, below the consensus of 57.8%, and indicated the industrial side of the economy growing at the slowest rate in 18 months. New orders edged down to 53.5, the lowest level since the pandemic began, as the disappointing manufacturing report reflected broad supply and labour bottlenecks alongside intense inflationary pressures. The US services ISM survey disappointed with a fall to 57.1 in April, against expectations for a modest improvement to 58.5. The Eurozone Manufacturing PMI was 55.5 in April versus 56.2 in March, its lowest reading since January 2021. In China, the official manufacturing PMI fell to 47.4 and into contraction territory, while export growth has slowed as the economic impact of an Omicron outbreak and its zero-Covid policy weighed heavily on both production and demand.

Technology review

The technology sector underperformed global equity markets during April, the Dow Jones World Technology Index falling -8.4%, in sterling terms, largely due to macroeconomic concerns rather than a change in the fundamental outlook. It is no wonder investors are a little shellshocked, with the NASDAQ (NDX) -9.4% in April (the worst monthly return since November 2008) taking the index into bear market territory with its worst start to a calendar year in 30 years.

The selloff was broad-based. Large-cap technology stocks, which had previously held up better, fell in tandem with their small and mid-cap peers; the Russell 1000 Technology Index (large cap) and Russell 2000 Technology Index (small cap) declined -9.1% and -8.6% respectively.

The NASDAQ Internet Index remained at the epicentre of the selloff, falling -13.3%, while the SOX Semiconductor Index fell -11.1% and the Bloomberg Americas Software Index declined -7.9%. Non-profitable technology, recent IPOs and high growth software were among the worst impacted segments; the GS Non-profitable Technology Index fell -19.4%, GS Recent Liquid IPO index -12.6% and the bellwether ARK Innovation ETF -25.7%.

Unfortunately, many of these trends have continued/worsened into early May, with the only positive being most valuation metrics, many of which had looked extended, are now back inside historical averages and in many cases back to pre-pandemic levels. While the NDX is still roughly one-third above pre-pandemic levels, much of this outperformance has been driven by larger stocks, with more than 40% of constituents now having unwound all (and more) of the early pandemic strength.

Encouragingly, first quarter earnings reports generally delivered strong quarterly results, although there were some notable disappointments. Guidance was unsurprisingly a little more guarded given the range of headwinds, including slower underlying growth (the pull forward of demand for Covid beneficiaries), supply chain disruption and cost inflation (exacerbated by the conflict in Ukraine and new lockdowns in China) as well as the stronger dollar.

In the internet subsector, Netflix (held, then subsequently sold) delivered a disappointing earnings report, with subscribers declining -200,000 in the quarter (+500,000 excluding the suspension of service in Russia), well below guidance for +2.5 million. Management explained the pull forward of demand due to Covid restrictions had obscured the picture until recently. Q2 guidance for subscribers expected to decline by two million was particularly disappointing versus consensus expectations for +2.4 million. While we had materially reduced our position, we subsequently exited due to a combination of high household penetration, >100 million accounts sharing passwords, competition intensifying, the macroeconomic environment and price increases. In short, we do not have enough conviction in new initiatives designed to reaccelerate growth including a crackdown on password sharing, an advertising-based

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version of the service (that does not cannibalise the core offering) and the company's ability to continue to raise prices.

Amazon's Q1 revenue was in line, but AWS growth modestly decelerated to +37% y/y, which was better than sell-side estimates but less impressive than the reacceleration at Microsoft Azure. Q1 operating income was, however, well below forecasts due to over-hiring and excess fulfilment capacity, exacerbating input cost inflation in the retail segment. The overbuild costs were substantial at $6bn and management expect them to be a $4bn headwind in Q2, leading to operating income guidance well below expectations. These costs should be transitory but are likely to delay the margin turnaround story by at least another quarter.

Snap stood out among the internet group with solid engagement metrics and revenue +30% y/y, only modestly below consensus despite macro/Ukraine headwinds. This helped counter fears about competition from TikTok which appears to be more negatively impacting Meta/Facebook and many other social media offerings. However, management issued conservative Q2 guidance for +20-25% y/y revenue growth, factoring in caution regarding ad spend given the macroeconomic environment and, to a lesser extent, Apple privacy policy risk.

Alphabet reported a strong quarter, with total revenue +23% y/y in line and operating income above consensus forecasts. Better than expected search performance driven by the retail and travel sectors (where searches for beaches and islands were up +27% versus 2019) offset weakness at YouTube which only grew +14% y/y versus +25% y/y expected (perhaps because of the TikTok effect, although that was not called out directly). That said, YouTube reached two billion monthly signed-in users and time spent continues to grow, while YouTube Shorts (short-form video) is now averaging over 30 billion daily views, growing 4x y/y. The company is likely to be impacted by weaker e-commerce trends (like its peers) heading into Q2 against a tough comparable period, while there is a risk of margin compression. However, these risks appear so be somewhat captured by the stock's market-like valuation of 17x forward P/E.

Meta Platforms (Facebook) reported better than feared results and guidance after expectations were revised lower following a poor previous quarter. After a surprising decline last quarter, the global daily active user (DAU) metric returned to growth driven by international markets (reducing concerns about competition from TikTok). Company-specific overhangs including the Reels (short-form video) transition, Apple IDFA tracking headwinds and metaverse spend remain, while macroeconomic risk has arguably increased in recent weeks. The biggest positive came in the form of a cut to expense guidance and reassurance the company intends to continue growing profits (FY23) while funding its metaverse investments, which should support earnings forecasts.

Tesla delivered strong 1Q22 results, with total revenues of $18.8bn, up +81% y/y, well above consensus estimates. Despite the lockdown in Shanghai, semiconductor shortages and increasing raw material/component costs, non-GAAP Automotive GM (excluding reg credits) was 30%, up +100bps q/q. This was driven by higher pricing, higher Model Y mix, and lower COGS per vehicle (50% of vehicles produced with lower cost LFP batteries). Management indicated that 2Q22 deliveries were likely to be approximately in line with 1Q22, which was better than feared given near-term supply chain challenges (managed much better than their auto peers), while production in Berlin and Austin is expected to rapidly ramp in 2H22. CEO Elon Musk remains confident in achieving the company's 50% growth target for vehicle production this year with a "reasonable shot" at +60% y/y.

Tesla's share price was, however, impacted by Elon Musk's acquisition of Twitter (held, subsequently sold) for $44bn, as he sold $8.5bn of Tesla shares to help finance the deal. Most investors see his motivation as a combination of free speech preservation and personal amusement, although Twitter is still a strategic, arguably undervalued asset lacking in execution, so having a tech visionary involved may help despite the added controversy.

Apple delivered a solid quarter, beating revenue and EPS expectations despite supply chain and inflation headwinds, driven by better-than-expected iPhone sales, with management noting a strong customer response to the iPhone 13 family and the new entry level SE launch. The introduction of M1-powered devices led to another quarter of record upgrades of Macs as the segment grew +15% y/y. However, management gave cautious forward guidance (in part due to supply constraints), implying revenue growth will be flat to down y/y next quarter (below consensus at +6% y/y) and the Services segment is expected to continue decelerating due to the tough comparable period caused by the pandemic-driven boost last year.

While results from consumer-focused internet companies were relatively soft, enterprise-focused software results were better than feared, particularly after Adobe Systems and UiPath had lowered expectations in March, blaming European weakness.

Microsoft reported strong results, with no evidence of a major slowdown in the Office Commercial segment, which was up +14% y/y in constant currency (cc), driven by Office365. Azure (cloud) growth accelerated 300bps sequentially to +49% y/y cc. Q2 guidance was constructive, with revenue expected to grow +17% y/y cc, despite the impact from Ukraine/Europe (c1% headwind) and China lockdowns assumed through the end of April, topped off by guidance for Azure to grow +47% y/y cc, only a modest deceleration.

ServiceNow results were also encouraging given concerns about European exposure, with subscription revenue growth of +29% y/y cc, slightly ahead of expectations despite a few deals slipping into the next quarter in Europe and a 300bps FX headwind, supporting the company's +28.5% y/y cc subscription revenue growth guidance for calendar year 2022. Management commented that demand remains robust in all regions and reiterated their 25% operating margin (flat y/y) and 31% FCF margin (-50bps y/y) targets, despite travel and entertainment spending resuming post-Covid.

Five9 reported a robust quarter and better-than-expected guidance. The company will remain in investment phase in the near term leading to margin pressures, but the company announced a $40m+ annual recurring revenue (ARR) super deal which demonstrates the company's ability to move upmarket into the largest enterprises. We believe the company remains a strategic acquisition target (after Zoom's failed attempt in 2021) in the cloud contact centre market, which should provide valuation support.

While payments results have generally been impacted by slowing e-commerce trends (explaining our dramatically reduced exposure), Visa, a recent addition to the portfolio delivered results that were better than expected. Net revenue was up +25% y/y, above the consensus forecast of +19% y/y, with cross-border transactions driving half the upside (+48% y/y versus consensus at +35% y/y) as travel bounced from 71% of 2019 levels in January to 90% in March (not expected until September). Commentary on the macroeconomic environment was encouraging, with management not seeing any impact on spending related to inflation, supply chain disruption or the Ukraine conflict. Visa's net revenue guidance for high-teens to

20% growth indicated that cross-border outperformance essentially offsets headwinds from Russia.

Semiconductor companies again reported strong results, with demand significantly greater than the industry's ability to supply. TSMC, the clear leader in outsourced semiconductor manufacturing, is a good indicator of broad industry demand trends. TSMC delivered an exceptional Q1, with revenue and EPS above consensus by 4% and 9% respectively, while Q2 guidance for revenue, gross margin and operating margin was significantly better than expected. TSMC did, however, note that demand for some consumer products (PC, tablet and smartphone) had weakened, but others remain very strong (data centre, auto/EV, AI and industrial).

Semiconductor production equipment manufacturer KLA Tencor (KLAC) reported top and bottom-line results above expectations and next quarter guidance was better than anticipated. Management commented there have been no order cuts and their forecast for low/mid-teens for H2 versus H1 growth provides visibility into year end. Unfortunately, the group is unlikely to materially outperform until some visibility is provided for 2023 WFE numbers (likely strong if the macroeconomic backdrop does not deteriorate significantly). KLAC remains well positioned in leading edge nodes (less sensitive to a macro downturn) relative to peers and the resurgence in Intel spending, particularly foundry-related, if it materialises, should provide a strong tailwind.

ASML Holding (ASML) delivered an in-line quarter against lowered expectations and gave softer guidance for Q2 as supply chain disruptions continue to linger, resulting in €800m of revenue delayed (adjusted for which the firm would have been in line with consensus forecast). However, orders remained strong and most importantly ASML decided to expand capacity to increase DUV production from 375 to 600 units, EUV from 70 to 90 units and high NA EUV from 5 to 20 units in 2025. Based on this updated capacity, ASML should generate revenue of €35-40bn versus previous guidance for €24-30bn. ASML along with KLAC stands out to benefit significantly from logic/foundry spending on "semiconductor sovereignty" as Europe and the US push towards more domestic capacity and less reliance on Taiwan and China.

Outlook

The probability of a US recession has clearly increased this year as a strong economy, tight labour market and a series of inflationary shocks (Ukraine invasion; China lockdowns) means inflation remains stubbornly high. A bearish paper by Larry Summers and Alex Domash (President Emeritus at Harvard University and Research Associate at Harvard Kennedy School respectively) pointed out that there have been eight occasions since 1955 where wage inflation was greater than 5% and the unemployment rate was below 4%, and a recession followed in all eight cases. However, others point out soft landings have been more common outside the US, and a US GDP growth slowdown to +1-1.5% would be consistent with a sufficient closing of the jobs/workers gap to give the Fed comfort around the path of slowing wage growth. The Fed's actions are already having a meaningful impact: US financial conditions tightened significantly during April, with Goldman Sachs' US Financial Conditions Index showing its largest monthly gain since October 2008 (ex-March 2020).

The challenging economic backdrop has meant there have been few places to escape the damage in the technology sector so far this year. Weakness has been broad-based with the software (IGV -25% YTD), semiconductor (SOX -26% YTD) and internet (BUSINT -29% YTD) subsectors providing no relief as the wider sector has been sold down. We are pleased to have had relatively little exposure to the very worst areas, such as high growth software trading >8x EV/revenues (down -37% YTD) and unprofitable tech (GS unprofitable Tech Index -42%). The forward EV/revenue multiple for the latter has compressed from 10x at the January 2021 peak to 3.6x today (GS), and the most expensive quintile of the US technology sector has fallen -47% since November, while the least expensive (value) quintile has only declined -8% (per Bernstein). Our growth bias has continued to serve as a structural headwind although our somewhat more conservative positioning, balance sheet focus and modest use of OTM NDX put options has ameliorated the drawdown/volatility versus our growth-centric peers.

E-commerce, digital entertainment and WFH-related companies clearly continue to face reopening headwinds and could be further impacted if consumer spending weakens or buying behaviour changes. While we still have some selected holdings here, we have significantly reduced exposure to all three areas over the past nine months. This was due to an element of demand pull forward, slowing growth on tough comparisons (causing multiple compression) and the added uncertainty around the consumer coming under further pressure. This month, Amazon (perceived as one of the last Covid beneficiary stock left standing) issued a softer than expected profit outlook which further weighed on already negative sentiment in the e-commerce and consumer internet areas.

Aligned with our concerns, content delivery network (CDN) provider Akamai* also called out the potential for "a moderation in internet traffic growth as many countries remove mask mandates". There is also potential to overshoot to the downside as consumer spending softens and the mix shifts from goods (which benefitted e-commerce and online advertising names) to services spending (rebounding from depressed levels) as we are seeing in areas like travel and entertainment. We continue to hold Airbnb, TripAdvisor, Mastercard and added Visa, all of which are likely to be reopening beneficiaries.

These notable headwinds and challenges at high profile consumer-focused stocks have captured a great deal of media attention, but beneath the surface many of our themes remain robust and companies with corporate exposure have continued to deliver good results. This is particularly true within software as companies continue to invest in digital transformation, with Microsoft's CEO noting he has never "seen this level of demand for automation technology to improve productivity, because in an inflationary environment, the only deflationary force is software." ServiceNow's CEO further highlighted how macro "challenges have underscored the urgency of investment in digital business". There are concerns that 'companies are just not seeing it yet', i.e., software fundamentals will follow price action as the macroeconomic backdrop deteriorates, so we are closely monitoring any negative commentary here. However, we are also becoming more constructive on names that have seen significant multiple compression well beyond any fundamental change in their outlooks.

Cloud computing also continues to deliver strong growth at extraordinary scale, with the three dominant vendors (Amazon, Microsoft and Google) now running at a collective annual revenue run rate of $140bn, up +41% y/y, a modest deceleration from +42% last quarter. Strong cloud growth necessitates cloud capex growth which should underpin demand for semiconductors, memory and networking equipment in cloud data centres; Morgan Stanley have increased their expectations for hyper-scaler capex growth in 2022 to +27% y/y, up from +23% before March earnings. AI continues to be a major driver of cloud adoption as companies move from proof

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of concept to production use cases; Gartner expects AI software revenue to reach $62.5bn this year, up +21% y/y.

Despite strong fundamentals in certain subsectors, sentiment has become almost universally negative largely due to macro fears. The AAII Bull Index reached its ninth lowest reading since 1987 (with Bulls - Bears at -42, a recent and extreme low); hedge fund gross leverage is in the third percentile and net leverage is at two-year lows. Negative sentiment is usually a good contrarian indicator and can turn very quickly, especially if the worst-case macro outcomes are avoided. Such catalysts could include inflation softening into the second half of 2022 as economic growth slows and supply constraints ease, the situation in Ukraine at least stabilizing and/or China successfully rolling out MRNA-based Covid vaccines allowing them to ease their damaging zero Covid strategy. In addition, with stock prices having fallen significantly, if companies continue to deliver robust growth, then multiples could begin to stabilize.

Although we remain relatively conservatively positioned, we expect to start rebuilding our exposure to higher growth stocks in coming weeks/months absent a significant deterioration in the economic outlook. However, we are conscious that there exists a wider range of outcomes in both the macro and market environments, and it is difficult to predict the outcomes here. As such, we are focusing on companies with good growth prospects, strong balance sheets, cash flow support (or lack of significant cash burn) with the intention to move to a more fully invested position. Our initial focus is on cash-generative growth names and reopening beneficiaries, but the next step would be to begin to add back to ultra-high growth stocks where we believe the worst of the multiple compression is behind us, but there may be a little more to come.

We would also like to see a little more evidence of investor capitulation (retail flows have remained remarkably positive despite very negative sentiment) and perhaps see private company valuations being reset lower towards public-traded peers. As a reminder, the Trust only invests in publicly-listed investments, while the portfolio, and strategy, remains highly liquid by design. We would also like to see stocks act better with good news being rewarded and disappointing news better absorbed. That said, the valuation reset has been meaningful with many next-generation stocks trading below levels where private equity has recently been active, which suggests improved risk/reward.

* not held

Ben Rogoff

13 May 2022

Important Information

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Investor Rights A summary of investor rights associated with an investment in the Company can be requested via email by contacting Investor-Relations@polarcapitalfunds.com.

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Benchmarks The following benchmark index is used: Dow Jones Global 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 as benchmarks volatility and other material characteristics that may differ from the Company. Security holdings, industry weightings and asset allocation made for the Company may differ significantly from the benchmark. Accordingly, investment results and volatility of the Company may differ from those of the benchmark. The indices noted in this document are unmanaged, are unavailable for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the Company may incur. 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. Information regarding indices is included merely to show general trends in the periods indicated, it is not intended to imply that the Fund was similar to the indices in composition or risk. The benchmark used to calculate the performance fee is provided by an administrator on the ESMA register of benchmarks which includes details of all authorised, registered, recognised and endorsed EU and third country benchmark administrators together with their national competent authorities.

Regulatory Status Polar Capital LLP is a limited liability partnership number OC314700. It is authorised and regulated by the UK Financial Conduct Authority ("FCA") and is registered as an investment adviser with the US Securities & Exchange Commission ("SEC"). A list of members is open to inspection at the registered office, 16 Palace Street, London, SW1E 5JD. FCA authorised and regulated Investment Managers are expected to write to investors in funds they manage with details of any side letters they have entered into. The FCA considers a side letter to be an arrangement known to the investment manager which can reasonably be expected to provide one investor with more materially favourable rights, than those afforded to other investors. These rights may, for example, include enhanced redemption rights, capacity commitments or the provision of portfolio transparency information which are not generally available. The Fund and the Investment Manager are not aware of, or party to, any such arrangement whereby an investor has any preferential redemption rights. However, in exceptional circumstances, such as where an investor seeds a new fund or expresses a wish to invest in the Fund over time, certain investors have been or may be provided with portfolio transparency information and/or capacity commitments which are not generally available. Investors who have any questions concerning side letters or related arrangements should contact the Polar Capital Desk at the Registrar, Equiniti on 0800 876 6889. The Fund is prepared to instruct the custodian of the Fund, upon request, to make available to investors portfolio custody position balance reports monthly in arrears.

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