

## 31 July 2013

### Fact sheet

#### Fund Manager Comment

##### Market performance

Equity markets were strong during July, the FTSE World Index rising 4.9% in sterling terms with many indices making all time highs intra-month. Risk appetite was aided by dovish commentary from the Federal Reserve (Fed), with Chairman Bernanke suggesting that the health of the US employment market is overstated and that interest rates might remain low even if the current 6.5% 'target' unemployment rate is achieved (essentially re-iterating the existing position that withdrawal of support will remain data dependent). On this note, data was suggestive of a strengthening economy with limited signs of inflationary pressures with US 10 year Treasury yields rising further (ending the month at 2.59%), while Fed minutes highlighted the risk of inflation running "persistently" below their 2% target rate. Although the IMF cut its global growth estimate for 2013 to 3.1% (from 3.3%), economic indicators remained positive with solid June jobs data, robust Philly Fed, PMI and ISM readings offsetting mixed consumer sentiment and flat durable goods (ex transport). Corporate earnings and commentary was also supportive of an improving US economy, stabilisation in Europe offset by softness in Brazil and China.

##### Technology performance

The Dow Jones World Technology Index rose 4.3% in sterling terms, modestly trailing global equities during the month. As we expected IBM, Microsoft and Intel results marked a turning point (following a remarkably quiet pre-announcement season) with earnings related newsflow improving thereafter. Samsung's underperformance continued, due to fears of softening smartphone demand/penetration and specifically lacklustre demand for their flagship Galaxy 4S. Despite this, Apple was a notable outperformer rising 14% during the month due to better than expected iPhone sales combined with much better than feared Q3 guidance that implied gross margin stabilisation. Although Google, Amazon and Ebay all reported solid if unexciting quarters, the social media universe yielded some exceptionally strong results during the month. Facebook crushed consensus expectations, with mobile advertising up a remarkable 76% from the prior quarter reaching US\$656m or 41% of advertising revenues (just four quarters after the mobile launch). LinkedIn grew revenue 59% year-on-year with mobile page views up 69% year-on-year, TripAdvisor reported 41% hotel shopper growth (combined with better than expected CPC and less of a headwind from their recent move to meta-search) and Yelp surprised to the upside whilst releasing a new e-commerce platform. The only disappointment was Jive Software, which saw slowing bookings and lengthening sales cycles, perhaps due to rumours around potential M&A (we subsequently sold our small position).

While enterprise software expectations were low following Oracle and Accenture's lacklustre off-quarter results, Q2 appears to be genuinely healthier than Q1 with a number of our holdings including Akamai, Check Point Software, Teradata and VMware exceeding expectations, partially offset by a lack of sufficient upside at QLIK and Netsuite. Communications and networking stocks were generally stronger with robust earnings from Juniper, Citrix (Netscaler), Xilinx, Lattice Semi and upside to capex from both AT&T and Verizon. Unfortunately Ixia dragged on performance after negatively pre-announcing but this was a notable exception within this group. Semiconductor performance was mixed with smartphone and PC related stocks underperforming but those with broad industrial, automotive and communications exposure faring well. DRAM, NAND and HDD stocks (all segments we favour given significant supply-side consolidation) reported strong earnings but gave up some ground as investors (including us) took profits following a stellar period of performance. Small-caps continued to outperform, aided by M&A activity including the acquisition of one of our small-cap security stocks, Sourcefire, by Cisco Systems for a 33% premium.

##### Outlook

As we have suggested for some time, we believe equity markets are in a secular bull phase, supported by the Fed and other central banks' unwillingness to tighten policy until developed economies have reached 'escape velocity'. The combination of recent Fed commentary and the latest ISM report is very supportive of this view, pointing to lack of inflationary pressures despite improved growth prospects - a divergence which we have not experienced for a sustained period since the 1980/90's and one which tends to lead to periods of PE expansion. Tapering of US monetary policy (asset purchases) in the fourth quarter is now a consensus view and with bond yields continuing to trend higher, we are not surprised to see changes of leadership occurring. This is normal in the early stages of a tightening cycle, particularly one driven by non-inflationary growth re-acceleration. Against this backdrop, the technology sector remains well positioned but we believe a more selective (non-index) approach is required because disruptive new technologies are driving a reallocation of profits within the sector. While we understand the attractions of the sector - high margins, strong balance sheets and compelling valuations - corporate fortunes are diverging, with a number of incumbents showing increased signs of stress. As such, many of these stocks are likely to prove 'value traps' and may drag on overall sector performance while flattering market-cap weighted valuation measures. This effect may obscure a stealth bull market in those companies supplying or taking advantage of disruptive new technologies and business models (with reach into industries well beyond the traditional technology boundaries). As such, we have continued to rotate the portfolio away from incumbents with much to lose (and little to gain) from the new cycle such that today c. 51% of the portfolio is 'unexplained' by our underlying benchmark.

Ben Rogoff, 8 August 2013

#### Trust Facts

Ordinary Shares	
Share Price (p)	437.60
NAV (undiluted) per Share (p)	449.34
Premium (%)	-
Discount (%)	2.61
Capital Structure	128,233,796 shares of 25p

#### Subscription Shares†

Share Price (p)	9.08
Exercise Price (p)	
- From 1 April 2012 to 31 March 2014	478.00
Capital Structure	24,772,406 shares of 1p

Total Net Assets (£m)	576
AIC Gearing Ratio (%)*	0.00
AIC Net Cash Ratio (%)*	3.00

\*Gearing calculations are exclusive of current year Revenue/Loss

#### Trust Characteristics

Launch Date	16 December 1996
Lead Manager	Ben Rogoff
Year End	30 April
Results Announced	Mid June
Next AGM	September 2013
Continuation Vote Listed	2015 AGM; every 5 years 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
Ongoing Charges (historic)	1.16%

\* Further details can be found in the Report & Accounts

\*\* Subject to high watermark and cap

#### Trust Overview

##### Objective

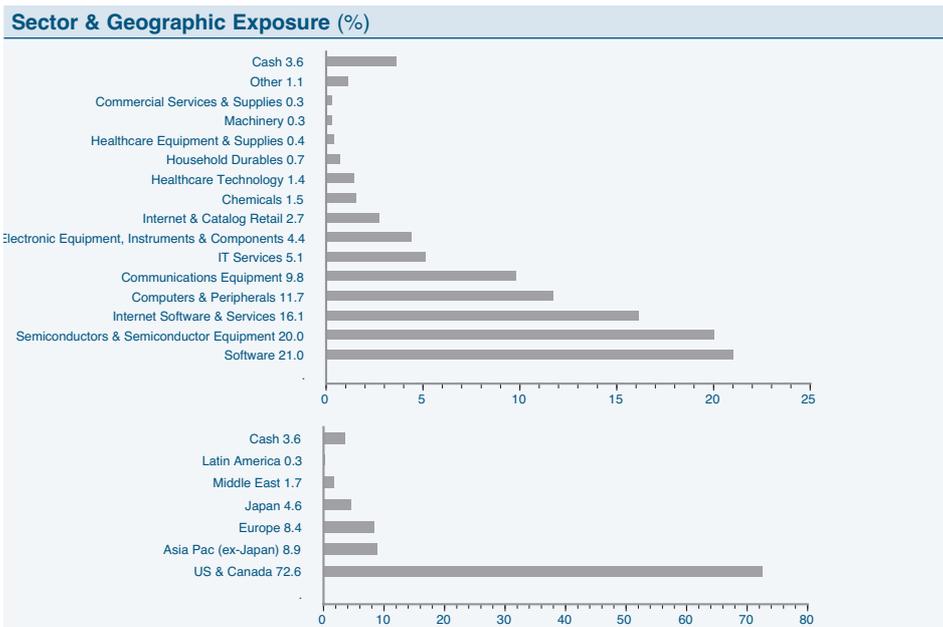
The investment objective is to maximise capital growth for our shareholders through investing in a diversified portfolio of technology companies around the world.

†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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**Total Number of Holdings** 132

**Top Ten Holdings** (%)

Apple	7.4
Google	6.9
Cisco Systems	3.3
Microsoft	2.6
Samsung Electronics	2.1
Qualcomm	2.0
Facebook	2.0
Amazon	1.9
SAP	1.7
Intel	1.7
<b>Total</b>	<b>31.6</b>

**Market Capitalisation Exposure** (%)

Large (greater than US\$ 10bn)	68.2
Medium (US\$ 1bn to 10bn)	24.3
Small (less than US\$ 1bn)	7.5

**Trust Overview**

#### Investment Rationale

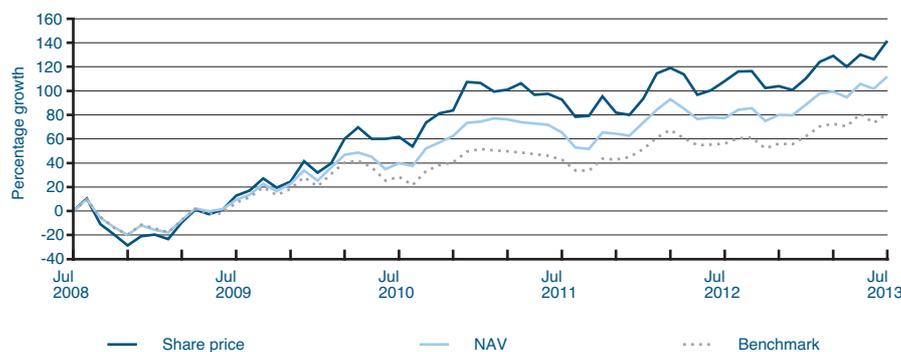
Over the last two decades the technology industry has been one of the most vibrant, dynamic and rapidly growing segments of the global economy. Technology companies offer the potential for substantially faster earnings growth than the broad market, reflecting the accelerating rate of adoption of new technology. Technology is transforming the competitive position of companies and entire economies, thereby fuelling a major secular increase in technology spending.

Full details of the Investment Objective, Rational and Strategy are available on the company's website.

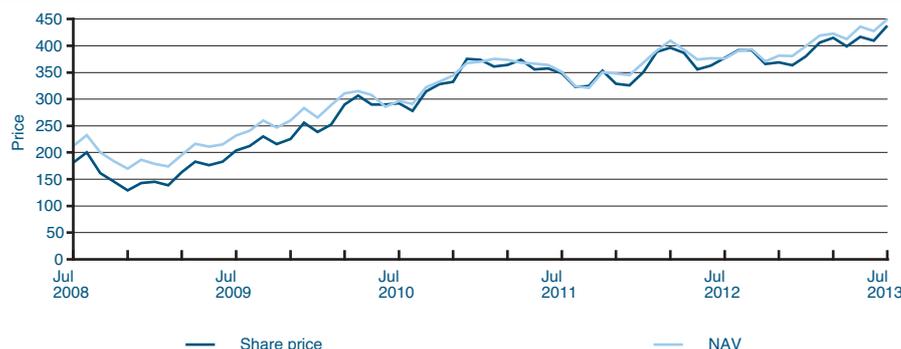
#### Approach

Polar Capital selects companies for their potential for generating capital growth, not on the basis of technology for its own sake. We believe in rigorous fundamental analysis and focus on: management quality, the identification of new growth markets, the globalisation of major technology trends, and exploiting international valuation anomalies and sector volatility

### Performance Over 5 Years



### Share Price & NAV per Share Over 5 Years



### Cumulative Performance (%) to 31/07/2013

	1 Month	3 Months	6 Months	1 Year	5 Years
Share Price	6.89	9.81	15.04	16.07	141.77
NAV per Share	5.08	8.95	12.49	19.52	112.02
Benchmark	4.44	6.19	11.52	15.91	80.87

### Discrete Annual Performance (%)

	30/04/13 31/07/13	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	9.81	2.97	3.61	21.74	67.65
NAV per Share	8.95	5.06	6.59	16.88	45.63
Benchmark	6.19	5.98	8.12	4.87	39.63

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

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Fact sheet

## Polar Capital Technology Investment Management Team

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

### Ben Rogoff - Director, Technology



Ben 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.

## 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](http://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](http://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](http://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](http://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.

## Important Information

All sources Polar Capital unless otherwise stated. It is not a recognised scheme under s.76 of the Financial Services Act 1986 and its promotion is restricted to persons permitted by the Financial Services (Promotion of Unregulated Schemes) Regulations 1991.

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

## Statements/Opinions/Views

All opinions and estimates in this report constitute the best judgment of Polar Capital as of the date hereof, but are subject to change without notice, and do not necessarily represent the views of Polar Capital. Polar Capital is not rendering legal or accounting advice through this material; readers should contact their legal and accounting professionals for such information.

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## Holdings

The top 10 positions were selected based on percentage of AUM. This portfolio data is "as at" the date indicated and should not be relied upon as a complete or current listing of the holdings (or top holdings) of the fund. The holdings may represent only a small percentage of the aggregate portfolio holdings, are subject to change without notice, and may not represent current or future portfolio composition. Information on particular holdings may be withheld if it is in the fund's best interest to do so. A complete list of the portfolio holdings may be made available upon request. It should not be assumed that any of the securities transactions or holdings discussed was or will prove to be profitable or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. The information provided in this document should not be considered a recommendation to purchase or sell any particular security.

## Benchmarks

The following benchmark index is used: Dow Jones World Technology Index (Total Return). This benchmark is generally considered to be representative of the Technology equity universe. This benchmark is a broad-based index which is used for comparative/illustrative purposes only and has been selected as it is well known and is easily recognizable by investors. Please refer to [www.djindexes.com](http://www.djindexes.com) for further information on this index. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the fund. For example, investments made for the fund may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the fund may differ from those of the benchmark. Also, the index noted in this presentation is unmanaged, are not available for direct investment, and is not subject to management fees, transaction costs or other types of expenses that the fund may incur. In addition, the performance of the index reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance. The information regarding the index is included merely to show the general trends in the periods indicated and is not intended to imply that the fund was similar to the index in composition or risk.

## Regulatory Status

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, 4 Matthew Parker Street, London SW1H 9NP.

## Information Subject to Change

The information contained herein is subject to change, without notice, at the discretion of Polar Capital and Polar Capital does not undertake to revise or update this information in any way.

## Forecasts

References to future returns are not promises or even estimates of actual returns Polar Capital may achieve, and should not be relied upon. The forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. In addition, the forecasts are based upon subjective estimates and assumptions about circumstances and events that may not yet have taken place and may never do so.

## Performance

Performance is shown net of fees and expenses and includes the reinvestment of dividends and capital gain distributions. Many factors affect fund performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment return and principal value of your investment will fluctuate, so that when your investment is sold, the amount you receive could be less than what you originally invested. Past performance is not a guide to or indicative of future results. Future returns are not guaranteed and a loss of principal may occur. Stock markets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. Where investments are made in emerging markets, unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, or the income from, the investment. Investments are not insured by the FDIC (or any other state or federal agency), are not guaranteed by any bank, and may lose value.

## Investment Process - Risk

No investment process or strategy is free of risk and there is no guarantee that the investment process or strategy described herein will be profitable. Investors may lose all of their investments.

## Allocations

The strategy allocation percentages set forth in this document are estimates and actual percentages may vary from time-to-time. The types of investments presented herein will not always have the same comparable risks and returns. Please see the private placement memorandum for a description of the investment allocations as well as the risks associated therewith. Please note that the fund may elect to invest assets in different investment sectors from those depicted herein, which may entail additional and/or different risks. The actual performance of the fund will depend on the Investment Manager's ability to identify and access appropriate investments, and balance assets to maximize return to the fund while minimizing its risk. The actual investments in the fund may or may not be the same or in the same proportion as those shown herein.