Polar Capital Technology Trust plc

Trust Fact Sheet
28 August 2015

Trust Facts

Ordinary Shares

Share Price	564.50p
NAV per share	569.15p
Premium	-
Discount	-0.82%
Capital	132,336,159 ordinary shares of 25p

Assets & Gearing [1]

Total Net Assets	£753.2m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	2.84%

Benchmark

Dow Jones World Technology Index Total Return adjusted for withholding taxes (from 1 May 2013)

Fees [2]

Management	1.00%
Performance	15% over Benchmark

FX Rates

GBP/USD	1.5354
GBP/EUR	1.3682
GBP/JPY	185.7850

Risk Warning

Your capital is at risk. You may not get back the full amount you invested. Please note the Important Information on Page 4 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.

Company Profile

Investment Objective

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

Investment Rationale

Over the last three 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 broader market, reflecting the longer-term secular uptrend in technology spending.

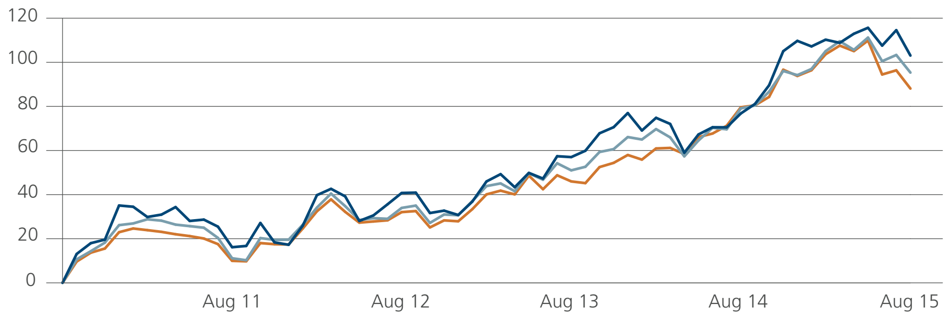
Full details of the Investment Objective, Rationale and Strategy are available on the company's website.

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, and exploiting international valuation anomalies and sector volatility.

Performance

Performance over 5 years (%)



	1 Month	3 Months	6 Months	1 Year	5 Years
Ordinary Share Price	-5.36	-5.84	-3.42	14.85	103.06
NAV per Share	-3.92	-7.52	-4.74	9.06	95.34
Benchmark	-4.21	-10.37	-7.64	4.72	88.09

Discrete Annual Performance (%)

	30/04/15 28/08/15	30/04/14 30/04/15	30/04/13 30/04/14	28/04/12 30/04/13	30/04/11 28/04/12
Ordinary Share Price	-4.65	33.94	10.92	2.97	3.61
NAV per Share	-5.01	30.69	11.17	5.01	6.64
Benchmark	-8.28	29.46	13.07	5.98	8.12

Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, total return, Net of Fees in GBP terms. Past performance is not indicative or a guarantee of future results.

1. Gearing calculations are exclusive of current year Revenue/Loss.
2. The performance fee is subject to a highwater mark and cap. Further details can be found in the latest Report and Accounts.

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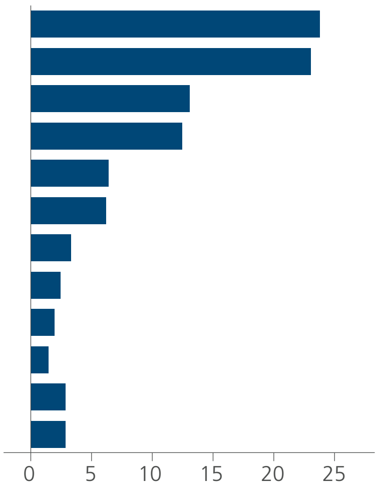
Polar Capital Technology Trust plc

Portfolio Exposure

As at 28 August 2015

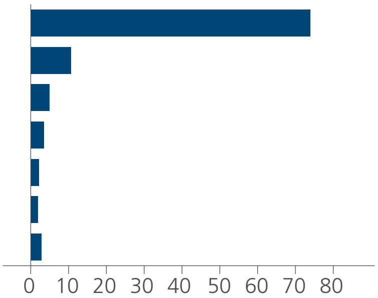
Sector Exposure (%)

Internet Software & Services	23.8
Software	23.1
Tech. Hardware, Storage & Peripherals	13.1
Semiconductors & Semiconductor Equip.	12.5
Internet & Catalog Retail	6.4
Communications Equipment	6.2
IT Services	3.3
Elec. Equip. Instruments & Components	2.5
Healthcare Technology	2.0
Machinery	1.5
Other	2.9
Cash	2.9



Geographic Exposure (%)

US & Canada	73.9
Asia Pac (ex-Japan)	10.7
Europe (ex UK)	4.9
Japan	3.5
Middle East & Africa	2.2
UK	2.0
Cash	2.9



Top 15 Holdings (%)

Apple	9.9
Google (Class A & C shares)	8.7
Facebook	4.8
Microsoft	3.6
Amazon	2.5
Cisco Systems	2.0
Salesforce.com	1.8
Tencent	1.5
Red Hat	1.4
Alibaba Group Holding	1.3
NXP Semiconductor	1.3
TripAdvisor	1.3
Samsung Electronics	1.2
TSMC	1.2
Netsuite	1.2
Total	**43.7**

Total Number of Positions **136**

Market Capitalisation Exposure (%)

Large Cap (>$10bn)	68.1
Mid Cap (>$1bn - $10bn)	24.3
Small Cap (<$1bn)	7.6

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

Savings Scheme & ISA

Shares in the company may be purchased through a share saving scheme or an ISA.

Corporate Contacts

Registered Office and Website

16 Palace Street, London SW1E 5JD
www.polarcapitaltechnologytrust.co.uk

Custodian

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

Registrar

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

Trust Characteristics

Launch Date	16 December 1996
Year End	30 April
Results Announced	Mid June
Next AGM	September 2015
Continuation Vote	2015 AGM
Listed	London Stock Exchange

Codes

Ordinary Shares

ISIN	GB0004220025
SEDOL	0422002
London Stock Exchange	PCT

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.

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.

Note: Totals may not sum due to rounding.

Fund Manager Comments

As at 28 August 2015

Market Review

Equity markets fell sharply in August, the FTSE World Index dropping 5.2% (in GBP terms). If headline declines were not painful enough, they actually masked dramatic volatility and a "flash crash" on 24 August which saw mainstream stocks such as General Electric and Colgate collapse 20% shortly after the US market opened – whilst the Dow Jones Industrial Average (INDU) Index traded down 1,000 points initially before recovering to close down 'only' 394 points (-3.8%). Even with a sharp rebound off those intra-day lows, the S&P 500 Index posted a 4.6% fall over the month – the largest monthly decline in more than three years. The VIX Index, which measures implied volatility and is a useful 'fear' gauge, closed above 40 intra-month and remains at a still elevated 28.4 at month end (itself a 3.5 year high).

The root cause of these dramatic swings and shifting sentiment relates to China and continued commodities weakness. Whilst crude oil closed the month up at $49.2, it hit intra-day lows of $38 during the month. The Shanghai Composite Index, which as recently as June had been up 60% year-to-date (YTD), shed another 13.3% in August, wiping out all its gains for the year. The catalyst for the recent capitulation appears to have been the combination of weak Chinese export data (reported at -8.9% year-on-year (y/y) in July) and the People's Bank of China (PoBC) decision to float the Renminbi, allowing it to devalue a record 1.9% against the US Dollar in a single day (and weaken further subsequently – until the government intervened). The positive interpretation of this policy shift is that it is another step towards financial liberalisation, which will assist China's ambition of becoming the fifth currency component of the IMF's Special Drawing Rights currency basket (alongside the US Dollar, Euro, British Pound and Japanese Yen). A more negative take – which bears seized upon – is a policy reversal in favour of exports due to rapidly deteriorating economic growth. Perhaps the truth is somewhere in-between, a small devaluation providing precious support to exporter margins and welcome monetary stimulus, especially when combined with subsequent decisions to loosen bank reserve requirements and cut interest rates.

Elsewhere, more promising data continued to proliferate in the US and Europe, the clear bright spots in the global economy. The US economy grew faster than initially expected in the second quarter at a 3.7% annualised pace, ahead of the earlier estimated rate of 2.3% reported in July. Domestic demand in the form of consumer spending was one of the factors behind the upward revision with consumer confidence buoyed by solid employment trends and housing data. In Europe, the Eurozone unemployment rate fell to 10.9%, its lowest level since February 2012. Encouragingly, the improved employment trends include countries hit hardest following the global financial crisis such as Italy, Portugal and Ireland. Another potential positive for US stocks is that the weakness in China is pushing out US rate hike expectations which led the trade-weighted US Dollar to fall 1.6% to 95.8, although somewhat surprisingly US 10-year Treasury yields remained consistent around 2.2%.

Technology Review

The Technology sector modestly outperformed the broader market during the month, the Dow Jones World Technology Index declining 4.2% (in GBP terms). Given the market volatility it was at times challenging to stay focused on technology fundamentals, but the end of second-quarter (Q2) earnings season provided a welcome respite from macro news. Salesforce.com (held) delivered strong results, surpassing expectations with 25% y/y billings growth and an operating margin beat. Networking companies reported reassuring quarters with emerging market weakness at Cisco (held) offset by service provider strength, whilst Arista Networks (held) reported a strong quarter driven by data centre and cloud growth. Asian internet stocks were a little disappointing with Baidu and Alibaba (both held) dragging on returns due to China growth concerns and mixed Alibaba results – revenue and GMV growth missed expectations due to the impact from the online lottery suspension and perhaps some economic sensitivity (although importantly they made solid progress towards closing the gap between mobile and desktop take rates). Tencent (held) results were better than expected with WeChat advertising revenue doubling and offsetting expected weakness in online gaming (due in part to share loss to another holding, NetEase).

Activision Blizzard, Nintendo and Priceline.com (all held) capped off an impressive earnings season for both the gaming and online travel sub-sectors. Activision and Nintendo exceeded consensus estimates with both revenue and EPS upside driven by digital downloads. Meanwhile, Priceline.com positively surprised on both gross bookings and hotel room night growth. The most notable area of weakness continues to be PC and Chinese smartphone related stocks, with Lenovo (not held) falling after reporting deteriorating PC demand (China slowing to its slowest growth since 1990) and MediaTek (held but subsequently sold) reporting an in-line quarter, but poor guidance due to margin pressure/intensifying competition. Hewlett Packard (not held) also reported a lacklustre quarter with disappointing cash flow ahead of its upcoming business split. Fortunately Apple-related suppliers continued to be an area of relative strength ahead of the pending iPhone 6S/6S+ launch with Analog Devices (held) reporting a strong quarter and upbeat guidance, which provided welcome support for our Apple-related stocks including Catcher, Murata and NXP Semiconductor.

Following on from a strong quarter the previous month, Google (held) unveiled a surprise corporate restructuring and a new name 'Alphabet' for its public holding company. By separating the core Google businesses (search, advertising, YouTube and Android) from the non-core investment phase businesses (Fiber, Life Sciences, Nest and Google Ventures) management appear to be demonstrating a desire to unlock value – an alignment of interest with shareholders that has not always been apparent. With their new CFO Ruth Porat (ex-Morgan Stanley CFO) reiterating her focus on cost control and capital allocation we remain confident in the positioning of one of our largest holdings.

Elsewhere, multiples of many growth stocks continued to compress with holdings such as Criteo, Cognex, Demandware and Universal Display all dragging on returns – despite most delivering respectable results (the exception being Cognex which suffered from Apple/China related capex weakness). Outside of technology, the accelerating pace of disruption caused by our sector remained at the forefront. While we do not typically focus on Media stocks, second-quarter results from Disney (not held) are worthy of mention because the company cut its long-term guidance citing so-called pay-tv 'cord cutting'. The realisation that incumbents, no matter how large or established, will be negatively impacted by new 'over the top' (OTT) online video delivery offerings such as Netflix (not held) pressured traditional media stocks. This is just one example of the technology sector reaching into and capturing some of the 'profit pool' of another industry.

Market Outlook

Deteriorating emerging market indicators, slowing Chinese growth and negative commentary from selected cyclical stocks led us to raise some cash during the early part of August. This was funded by reducing a number of positions exposed to domestic China (China ADRs) and profit taking in associated cyclical stocks, including Japanese machinery and our non-Apple smartphone exposed semiconductor stocks. At their peak, cash levels reached 7%. However, as the market corrected during the third week of the month we redeployed much of our liquidity by adding back to our Apple

Fund Manager Comments

As at 28 August 2015

position and topping up preferred secular growth stocks on weakness. Given continued uncertainty around China and the timing/pace of US interest rate increases, we believe volatility will remain elevated over coming weeks. That said, absent a major deterioration in global growth expectations we believe the market is in a bottoming process, with a number of capitulation indicators at historically high levels. Equity valuations also look increasingly compelling versus bonds, with the normalised earnings yield gap (10-year treasury yields less S&P 500 earnings yields) at 1.8 standard deviations below the 40-year average. This, according to Citigroup, is commensurate with a 95% historical probability of market gains in the next 12 months.

Turning to our sector, it is clear to us that this technology cycle has entered a more disruptive phase, where newer/cheaper technologies and rental compute models are becoming increasingly the norm and are capturing 'all' of the incremental spend. As such, we have continued to pare our exposure to larger (ex-growth) incumbents with the most to lose from new cycle deflation, emerging market weakness and FX headwinds. In contrast, we believe our increasingly 'next-generation' portfolio remains attractive with current consensus expectations pointing to a weighted revenue growth of c.16% this year, as compared to our benchmark index at c.7% (as at 24 August 2015). Ultimately we expect the superior underlying growth profile of our portfolio to be the primary driver of investment returns. While we are not counting on significant multiple expansion from here, this could also become a favourable tailwind, particularly if we see an acceleration in strategic M&A activity as we anticipate (a view supported by recent commentary from Hewlett Packard and Cisco).

Our focus now is on ensuring we have the right stocks for this environment and in this regard we are busy. Xuesong is just back from China visiting companies and will be in Taiwan/Hong Kong next week, whilst Brad and Nick are in the US. This feels like good timing as it will give us lots of bottom-up/company centric data points enabling us to take advantage of what feels like a relatively indiscriminate sell-off.

10 September 2015

Polar Capital Technology Trust Management Team

Ben Rogoff

Director, Technology

Ben has managed the Trust since 2006, he joined Polar Capital in 2003 and has 20 years of industry experience.

Nick Evans - Senior Fund Manager

Fatima Iu - Fund Manager

Xuesong Zhao - Fund Manager

Bradley Reynolds - Investment Analyst

John Gladwyn - Investment Analyst

Paul Johnson - Investment Analyst

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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 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.

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