The Daily Telegraph

Thursday 16 December 2021 *The Daily Telegraph*

Business

A top team, booming sector and 8pc discount. This rare opportunity won't last long

Questor
Trust Bargains

SAM BENSTEAD

Polar Capital Technology gives investors access to the world's best companies for a knock-down price

When we tipped Polar Capital Technology Trust in 2018, we praised its "experienced and respected management team" and said its "uncharacteristically wide" discount of 6pc made it a clear buy.

Three years later, the technology fund's team is the same, led by Ben Rogoff who took charge in 2006, but the prospects for the trust's investments are even brighter and the discount is even wider, currently at 8pc.

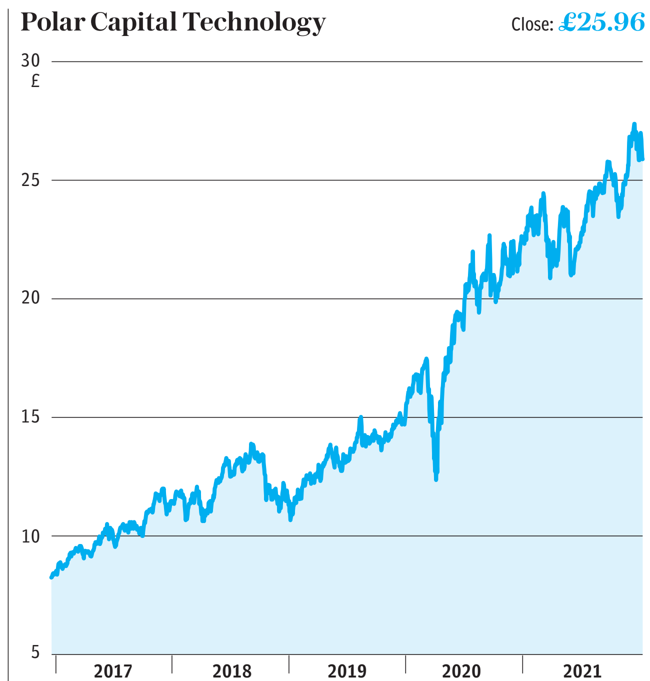
We continue to support the trust despite shares returning just 12.5pc this year when its benchmark, the Dow Jones World Technology Index, has returned 33.5pc.

One reason for this optimism is that the pandemic has made our lives more digital. We now work fluidly from home and the office, order more things than ever online and put a greater emphasis on cyber security. Microsoft chief executive Satya Nadella was right when he said in April last year that there had been two years of digital transformation in just two months.

Polar Capital Technology
Hold
Pandemic winners with more growth ahead – all at a discount

But the best is still to come for the likes of Google, Microsoft and Apple – which are the largest positions in PCT – in terms of demand for their products and services as more of the world moves online. Rising inflation will also play into their hands as they have loyal customers that will be happy to pay more for their favourite gadgets, and companies will look to software and cloud computing firms to lower headcount and run their businesses more efficiently to counter rising labour and raw material costs.

Stifel, the stockbroker, rates the trust and its 10-strong technology investment team highly. It said:



Key numbers

◆ **Market value: £3.5bn**
◆ **Year of listing: 1996**
◆ **Discount: minus 8.3pc**
◆ **Ave discount over past year: minus 7.6pc**
◆ **Yield: nil**
◆ **Most recent year's dividend: nil**
◆ **Gearing (Nov 2021): nil**
◆ **Annual charge (Nov 2021): 0.82pc**

"Polar Capital Technology has a long established and proven team with an excellent track record of five-year annualised NAV returns of around 30pc.

"The potential for the technology sector is huge. It continues to reshape established industries and in many cases it is a 'winner takes all' scenario, resulting in massive rewards for the dominant companies."

It added that the wide discount – its highest sustained level for five years – made an attractive entry point for investors. "We think the trust ticks all the right boxes of an attractive sector, a strong investment team and an attractive valuation," it said.

While Questor is always worried about buying overpriced shares, the types of technology stocks that Polar Capital Technology invests in are fairly valued, in our view. It builds its biggest positions in the largest technology companies, which tend to be the cheapest relative to earnings, and only invests small amounts in the more speculative ones that are very expensive relative to earnings.

For example, Google, its second largest holding, has a price-to-earnings ratio, based on earning forecasts for 2022, of 26. Microsoft is at 38 and Apple is at 32, according to Morningstar, the data firm. That is not widely different to the expected p/e of the S&P 500 for 2022 of 22, nor the 30 expected for the Nasdaq 100 index, which is more heavily weighted to technology stocks.

Allianz Technology Trust, another technology trust tipped by this column, invests in technology giants such as Apple, but also more expensive small companies that are more risky. Top 10 positions Tesla, CrowdStrike and Snowflake are all very expensive. They have p/e ratios of 121 and 222 for 2022 profits, while Snowflake is currently unprofitable. It also trades close to NAV, which makes it more expensive than PCT.

James Carthew, of research firm Quoted Data, said Polar Capital was a far less risky option than Allianz Technology and a better investment at its current discount.

"Manager Ben Rogoff's skill is to invest in companies when they are mature businesses but still have a lot of growth ahead of them. This keeps risk down but still provides lots of punch," he said.

Mr Carthew added that the discount was a good entry point and was likely to close soon.

"The trust is a beneficiary of more work-from-home rules, so I would expect the discount to close soon. Investors should hold the fund for the long term as the trends that have driven technology stocks higher over the past two years are here to stay," he said. Hold.