Polar Capital Technology Trust plc

Trust Fact Sheet
31 January 2017

Trust Facts

Ordinary Shares

Share Price	874.50p
NAV per share	870.33p
Premium	0.48%
Discount	-
Capital	132,336,159 ordinary shares of 25p

Assets & Gearing [1]

Total Net Assets	£1,151.8m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	1.85%

Benchmark

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

Fees [2,3]

Management	1.00%
Performance	15% over Benchmark

FX Rates

GBP/USD	1.2581
GBP/EUR	1.1642
GBP/JPY	141.6306

Company Profile

Investment Objective

The Company aims to maximise capital growth for shareholders 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.

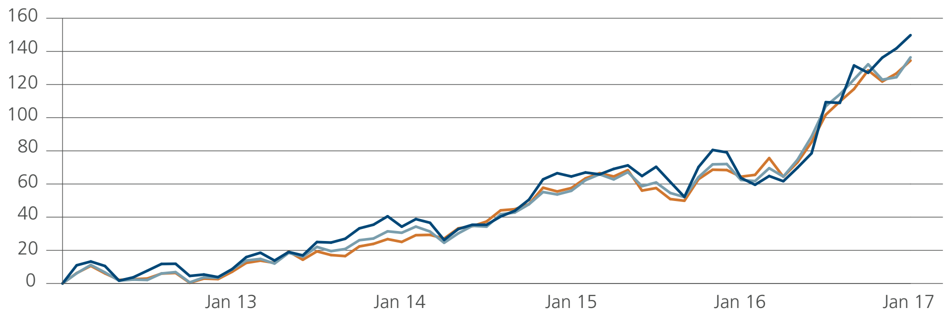
Full details of the Investment Objective, Rationale and Strategy are available on the company's website.

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	3.31	10.00	19.30	52.62	149.79
NAV per Share	5.35	1.80	14.26	45.53	136.40
Benchmark	3.44	2.58	16.22	42.62	134.47

Discrete Annual Performance (%)

	30/04/16 31/01/17	30/04/15 30/04/16	30/04/14 30/04/15	30/04/13 30/04/14	30/04/12 30/04/13
Ordinary Share Price	54.51	-4.39	33.94	10.92	2.97
NAV per Share	43.73	1.05	30.71	11.17	5.01
Benchmark	42.66	-0.11	29.46	13.07	5.98

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.

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.

1. Gearing calculations are exclusive of current year Revenue/Loss.
2. Management fee is 1% of net assets up to £800m and 0.85% on assets over £800m.
3. The performance fee is subject to a highwater mark and cap. Further details can be found in the latest Report and Accounts.

Awards & Ratings

Polar Capital LLP 16 Palace Street, London, SW1E 5JD

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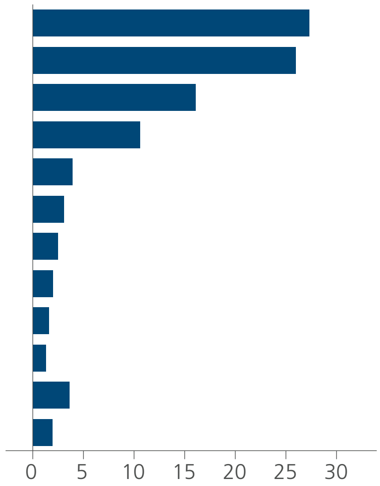
Portfolio Exposure

As at 31 January 2017

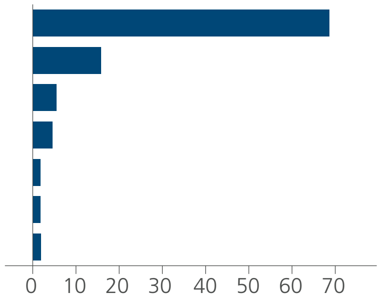
Sector Exposure (%)

Software	27.3
Internet Software & Services	26.0
Semiconductors & Semiconductor Equip.	16.1
Tech. Hardware, Storage & Peripherals	10.6
Internet & Direct Marketing Retail	3.9
Elec. Equip. Instruments & Components	3.1
IT Services	2.5
Communications Equipment	2.0
Machinery	1.6
Healthcare Technology	1.3
Other	3.6
Cash	2.0



Geographic Exposure (%)

US & Canada	68.6
Asia Pac (ex-Japan)	15.8
Japan	5.6
Europe (ex UK)	4.6
Middle East & Africa	1.8
UK	1.8
Cash	2.0



Top 15 Holdings (%)

Alphabet	8.5
Microsoft	6.2
Facebook	5.6
Apple	5.2
Samsung Electronics	3.7
Amazon	2.9
Tencent	2.4
Alibaba Group Holding	2.3
Intel	2.0
Splunk	1.7
Salesforce.com	1.5
Texas Instruments	1.5
Adobe Systems	1.4
Advanced Micro Devices^	1.4
Proofpoint	1.4
Total	**47.7**

Total Number of Positions **124**

Market Capitalisation Exposure (%)

Large Cap (>$10bn)	66.2
Mid Cap ($1bn - $10bn)	26.8
Small Cap (<$1bn)	7.0

^The Fund holds AMD call option which represents 6 bps of NAV and delta adjusted exposure of 0.27%. The delta adjusted impact of these options is only reflected in the top 10 positions table all other exposure tables are based on MTM figures.

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 2017
Continuation Vote	2020 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 31 January 2017

Market Review

Equity markets modestly extended their gains during the month, the FTSE World Index gaining +0.7% in GBP terms. January 2017 will likely best be remembered for the Inauguration of Donald Trump as 45th President of the United States. To the surprise of many (who had hoped for a milder rhetoric once in office), President Trump wasted no time in following up on his campaign promises, signing a total of 22 executive orders within his first two weeks in office. For comparison, President Obama issued a total of 277 executive orders over his two terms. Markets have remained resilient in the face of early evidence he intends to fulfil his main campaign pledges – regardless of how controversial they may be – and his unorthodox approach (tweeting many policy decisions). This suggests investors are instead focusing on the underlying health of the US economy and the hope that the new President will deliver market-friendly policies including corporate tax reform, overseas cash repatriation, deregulation and fiscal stimulus. While these would likely prove supportive to markets, any announcements relating to a more protectionist agenda (border taxes/tariffs) or the removal of tax deductibility of interest payments would likely result in short-term volatility.

Economic data points continue to portray a robust US and European economic environment, albeit seemingly within a subdued growth trajectory. Fourth quarter US GDP came in at an annualised rate of +1.9% (+1.6% for the full-year 2016). On a brighter note, US industrial output rose at the fastest pace in more than two years in December (with the year-over-year (y/y) growth rate crossing back into positive territory). The December ISM Manufacturing purchasing managers index provided further evidence of improving factory output as the index hit 56.0, the highest point in two years. The US Dollar and inflation data produced arguably the most noteworthy moves. The trade-weighted US Dollar fell 2.6%, reversing some of its Q4 strength. There were also signs of inflation picking up in the US as December CPI reached +2.1% y/y, breaching 2% for the first time since 2014. In Europe CPI jumped to +1.1% in December, a high not seen for almost four years. However, these moves are in part influenced by the oil-related base effect – due to the significant y/y declines in early 2016 – as such 10-year US Treasuries yields remained virtually unchanged at 2.45%.

Technology Review

The technology sector outperformed the broader market during the month as growth stocks recovered some ground lost during late 2016, the Dow Jones World Technology Index gaining +3.4% (in GBP terms). At time of writing we are in the thick of fourth-quarter earnings season with results thus far generally positive. Within hardware, Apple* returned to revenue growth this quarter and delivered iPhone units ahead of consensus estimates. The company aims to double its services business over the next four years which will help to offset potential iPhone margin degradation. During the quarter its services business grew +18% y/y driven by the App store which grew +43% y/y. With guidance better than feared, Apple stock rallied post earnings as investors begin to anticipate the iPhone 8 cycle due to be launched in the autumn. While we have de-emphasised the maturing smartphone theme over recent years, this could be a year where Apple delivers a more innovative iPhone upgrade (with OLED screens, new form factors and wireless charging all expected to make a debut). As such, we have modestly increased our Apple exposure given that the stock remains inexpensive (trading at 13.1x FY18 consensus earnings, before adjusting for its balance sheet) with the potential for earnings and/or its multiple to move upwards over the next six months.

Within the semiconductor sector, arguably the best turnaround story has been AMD* – its Q4 earnings and recent product release announcements providing evidence of another positive step towards recovery. After four consecutive years of PC chip market share loss (and nine-years of server market share loss) several new product launches have the potential to reverse this trend. AMD's Naples server chip, Ryzen/RavenRidge desktop/notebook CPU and their Polaris/Vega GPU chips (for high performance computing and graphics) are now expected to regain share in their respective markets. TSMC* also produced strong results as margins hit 19-year highs. Utilisation swings have been more moderate since 2010 than the last 2002-2007 cycle and TSMC's margins, like many semiconductor companies, have benefited from this trend.

In the Internet sector, Alphabet (Google)*, Facebook*, Alibaba* and Amazon* once again demonstrated the strength and durability of the key structural trends underpinning their business models – ecommerce, digital advertising and cloud computing. Alibaba* posted revenue growth of +54% y/y beating expectations. Both commission revenue and marketing services revenue contributed to the upside surprise. Active buyers grew +9% y/y to 443m while mobile MAUs grew +25% y/y to 493m, highlighting the scale and dominance of the platform. Cloud computing division AliCloud grew revenues +115% y/y off a low base (a very large market opportunity for Alibaba). Alphabet produced another impressive quarter with revenues growing +24% y/y (constant FX) with mobile search, YouTube and programmatic being the key drivers. An acceleration in Google's Paid Click growth to +43% y/y is very impressive considering the scale of the Google business. Operating margins continued their gradual progression higher as evidence of a more disciplined cost environment persisting.

Facebook* confounded sceptics with revenue growth of +51% y/y. A fifth consecutive quarter of growth in both Ad impressions and Price per Ad highlights the strong demand within its network. Guidance for 2017 included an expectation that expenses could grow approximately 47%-57% compared to 2016, showing Facebook remains in investment mode. This makes the Q4 +800bps y/y increase in GAAP operating margins even more impressive. If there was a soft spot amongst the Internet behemoths it was Amazon*, which after a collection of recent blow out quarters delivered a relatively moribund set of results. In combination with a step up in investment spend the near term outlook appears somewhat subdued but it retains a dominant position in both ecommerce and Cloud Computing. Whilst both slowed sequentially, North America Retail and International Retail grew +22% and 23% y/y (constant FX) respectively, alongside AWS at +47% y/y.

In Software, Microsoft* beat earnings but delivered slightly weaker guidance than expected. In the mid-cap space Proofpoint* and 8x8* both beat consensus revenue numbers although to a lesser extent than in prior quarters. A more impressive performance was delivered by ServiceNow* which significantly beat the important billings and bookings metrics that are much studied by investors. This made two strong quarters in a row for ServiceNow and its share price was duly rewarded. Post quarter end this trend has continued with robust results from many mid-cap software stocks including Medidata*, Paycom** and Zendesk*. Software stocks also received a boost during the month from Cisco's* acquisition of AppDynamics** for $3.7bn, one of the most expensive software acquisitions in recent history at 17.3x EV/trailing sales. We believe this highlights the strategic value of many mid cap software stocks to growth-challenged incumbents, especially those with greater distribution capability, able to significantly scale acquired assets. We expect M&A to remain at elevated levels this year (as Cloud disruption intensifies), aided by a likely tax/repatriation bill from the new President.

Market Outlook

This year has seen the sector (and our portfolio) get off to an encouraging start, aided by a robust earnings season and a partial reversal of the post-Trump reflation trade. While Q4'2016 was frustrating, the year-end valuation

Fund Manager Comments

As at 31 January 2017

compression experienced by growth stocks has likely enhanced the set-up for 2017 with many higher growth sub-sectors ending the year below their five-year EV/sales valuation averages while the premium paid for growth in our sector is the narrowest we have seen for some time. Fortunately, along with strong results from many higher growth technology stocks, Cisco's bid for AppDynamics has helped refocus investor attention on the considerable strategic value many small/mid-caps offer.

While we await greater clarity from President Trump and the Republicans regarding key corporation tax, repatriation and trade policies, the US appears to be strengthening naturally ahead of additional stimulus. With inflation under control for now, we believe our interests remain aligned with policymakers while a stronger US economy should prove beneficial to many of our small/mid cap domestically orientated US holdings. Whilst we expect continued volatility tied to policy announcements, we also remain constructive on the broader market believing that as the economy strengthens and bond yields rise (at a controlled pace) equities should benefit – particularly if accompanied by less regulation and lower taxes.

Against this backdrop – after a two-year period where higher growth stocks have suffered from multiple compression – we believe 2017 could mark a turning point, even if valuations only maintain current levels, allowing the underlying growth of our portfolio to drive absolute and relative returns. It is becoming obvious now that technology is disrupting almost every traditional industry but the advent of artificial intelligence (AI) and machine learning (ML) is only likely to accelerate the pace of technological innovation. This is expanding our addressable market – allowing technology to attack the profit pools of many traditional indices – but along with low levels of stock correlations should provide a significant tailwind for stock pickers. This may be particularly true in technology where market capitalisation weighted indices (on which most ETFs are based) are likely to face a headwind from smartphone maturity and the deflationary impact of cloud computing, now that adoption appears to have inflected.

*Held

**Not Held

Ben Rogoff

10 February 2017

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 21 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.

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 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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