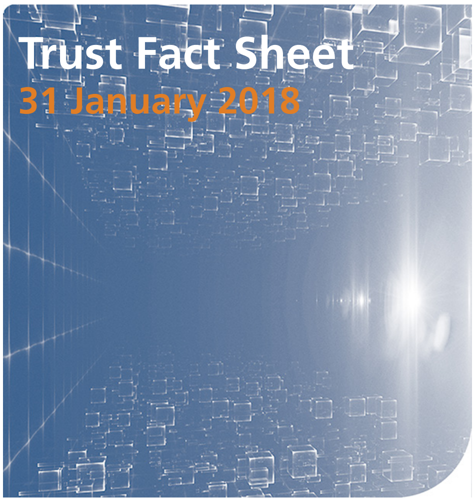
Polar Capital Technology Trust plc



Trust Facts

Ordinary Shares

Share Price	1160.00p
NAV per share	1152.88p
Premium	0.62%
Discount	-
Capital	133,795,000 ordinary shares of 25p

Assets & Gearing [1]

Total Net Assets	£1,542.6m
AIC Gearing Ratio	0.00%
AIC Net Cash Ratio	5.48%

Benchmark

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

Fees [2,3,4]

Management	1.00%
Performance	15% over Benchmark
Ongoing Charges	1.01%

FX Rates

GBP/USD	1.4221
GBP/EUR	1.1415
GBP/JPY	155.2239

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.

Company Profile

Investment Objective

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

Investment Policy

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.

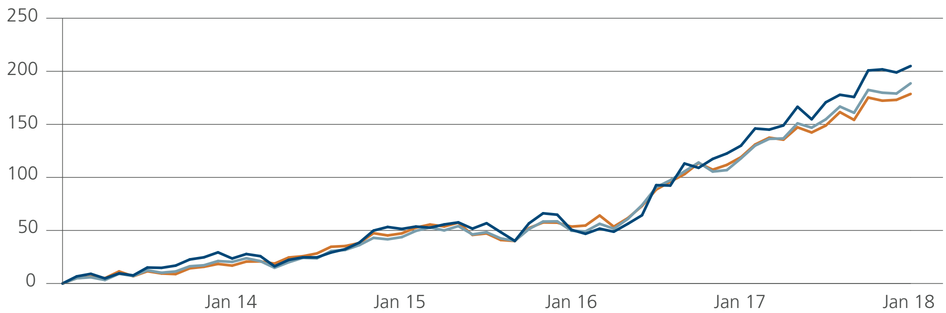
Full details of the Investment Objective, Rationale and Strategy are available on the company's website.

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, 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	2.02	1.40	12.62	32.65	204.94
NAV per Share	3.44	2.19	13.32	32.46	188.62
Benchmark	2.04	1.24	11.97	27.20	178.63

Discrete Performance (%)

	30/04/17 31/01/18	30/04/16 30/04/17	30/04/15 30/04/16	30/04/14 30/04/15	30/04/13 30/04/14
Ordinary Share Price	22.49	67.31	-4.39	33.94	10.92
NAV per Share	21.94	56.13	1.05	30.71	11.17
Benchmark	18.31	53.38	-0.11	29.46	13.07

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. Management fee is 1% of net assets up to £800m, 0.85% on net assets over £800m to £1700m and 0.8% on net assets above £1700m.
3. The performance fee is subject to a highwater mark and cap. Further details can be found in the latest Annual Report.
4. Ongoing charges are calculated at the latest published year end date, and exclude any performance fees.

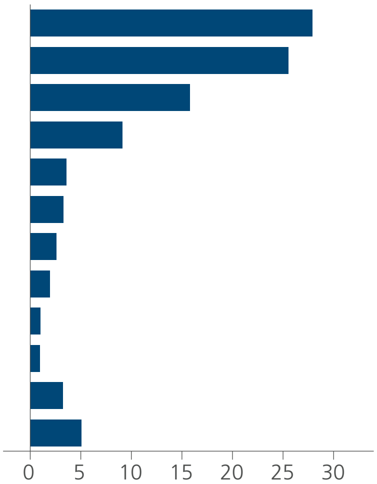
Polar Capital Technology Trust plc

Portfolio Exposure

As at 31 January 2018

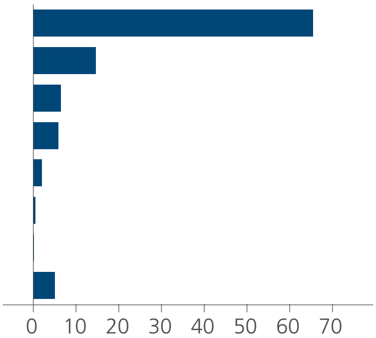
Sector Exposure (%)

Internet Software & Services	27.9
Software	25.5
Semiconductors & Semiconductor Equip.	15.8
Tech. Hardware, Storage & Peripherals	9.1
Elec. Equip. Instruments & Components	3.6
Internet & Direct Marketing Retail	3.3
IT Services	2.6
Machinery	1.9
Communications Equipment	1.0
Chemicals	1.0
Other	3.2
Cash	5.0



Geographic Exposure (%)

US & Canada	65.4
Asia Pac (ex-Japan)	14.6
Japan	6.4
Europe (ex UK)	5.9
UK	2.1
Middle East & Africa	0.5
Latin America	0.1
Cash	5.0



Top 15 Holdings (%)

Alphabet	8.4
Microsoft	7.2
Apple	6.3
Facebook	5.5
Tencent	3.7
Samsung Electronics	2.7
Alibaba Group Holding	2.7
Amazon	2.6
TSMC	2.1
Salesforce.com	1.5
NVIDIA	1.5
ASML Holding	1.5
Advanced Micro Devices^	1.5
Adobe Systems	1.3
ServiceNow	1.2
Total	**49.7**

Total Number of Positions 117

Market Capitalisation Exposure (%)

Large Cap (>$10bn)	76.9
Mid Cap ($1bn - $10bn)	21.2
Small Cap (<$1bn)	1.9

^The Trust holds AMD Call options which represent less than 1bp of NAV and a delta adjusted exposure of 0.01%. The Trust also holds a QQQ (NASDAQ) Put option which represents 9bps of NAV and a delta adjusted exposure of -2.29%. All are held to reduce risk/beta (in the event of a market correction) whilst maintaining optimal portfolio structure (efficient portfolio management). The delta adjusted impact of these options is only reflected in the top 15 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	6 September 2018
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 2018

Market Review

Equities rallied sharply in local terms during January although this was largely offset by US Dollar weakness/Sterling strength, the FTSE World Index TR gaining 0.5% (in GBP terms). Macro-economic data remained supportive, the IMF revising higher their latest global growth projection by 0.2% to +3.9% for both 2018 and 2019. Particularly noteworthy was China GDP data which showed full-year growth of +6.9% in 2017, above the +6.7% achieved in 2016 and the first full-year acceleration since 2010.

Unfortunately, the sell-off in US treasuries that began in January continued into early February causing ten-year US sovereign yields to breach 2.8% following better than expected US Payroll and hourly earnings data, triggering a "Taper Tantrum" a la 2013. The VIX Volatility Index jumped sharply (crossing 50 in early February) as risk aversion spiked and equities dropped sharply. The magnitude of the move was seemingly exacerbated by losses from highly speculative short volatility products and compounded by quantitative and momentum investors. Prior to this correction the S&P had enjoyed over 300 trading days without a meaningful pullback; as such we are inclined to view this as a necessary and healthy correction after an exuberant start to the year.

Stepping back, the US and global economy remain in excellent shape. To quote the Economist "To say that the fundamentals are strong tempts fate, but the fundamentals are as strong as they have been in over a decade". While we recognise that inflationary pressures are likely to build over coming years, for now they appear contained. The US Core CPI data for December lifted annual inflation to +1.8% year-over-year (y/y) with annualised 3/6 month core inflation exceeding 2%. As such, we remain of the view that central banks will continue to tighten policy but at a measured pace (3-4 US rates hikes expected this year). Meanwhile, the stronger economy should provide a tailwind to corporate earnings and a supportive backdrop for equity markets – albeit with more volatility than in 2017 – at least as long as the rise in yields remains orderly.

Technology Review

The technology sector outperformed the broader market during the month, the Dow Jones World Technology Index gaining +2.0% in Sterling terms. We are midway through fourth-quarter 2017 (Q4 2017) earnings season and although stock reactions have been somewhat muted (largely reflecting strong January stock price moves), technology reports have been generally robust. There have been some exceptions but these have been largely smartphone related (particularly Apple*) or stock specific news (such as PayPal* losing an eBay** contract) rather than suggestive of any broader demand slowdown.

Amazon* produced a particularly impressive quarter, with North America retail margins jumping to 4.5% the highest Q4 margin since 2010. Other revenues increased +60% y/y in part due to the growing advertising business within Amazon. Meanwhile, AWS experienced both margin improvement and a re-acceleration of growth to 44% y/y – an impressive feat considering this is now a US$17.5bn revenue business on a trailing twelve month (TTM) basis.

ServiceNow* delivered strong results, beating on revenues, EPS and billings as large deal momentum remains durable. Adoption of their newer products outside ITSM continues with 18 out of the top 20 deals this quarter including at least four products. Games software stocks performed strongly during the month with Activision*, Nintendo* and Electronic Arts* all advancing. EA announced an in-line quarter which was better than expected as anticipated weakness in Star Wars Battlefront II game sales was offset by strong growth of +39% y/y in Live Services. Meanwhile Nintendo launched its Labo range of cardboard accessories for the Switch console, a product which garnered strong reviews and has to be seen to be appreciated (https://www.theverge.com/circuitbreaker/2018/2/3/16965900/nintendo-switch-labo-cardboard-features-youtube-video).

Alphabet* delivered strong top-line revenue growth +24% y/y ahead of expectations, but this was offset by lower operating margin (increased costs associated with data centres, mobile mix shift, hardware products and content acquisition costs for YouTube). Whilst the shares fell on the resulting EPS miss, we believe they remain attractively valued. PayPal* also saw strong demand with constant currency revenue growth accelerating (to +24%) for the third straight quarter alongside margin expansion. Net customer additions of 8.7million was a record. Unfortunately, the gloss was taken off earnings by the news that eBay will incorporate its own payment option to compete with PayPal in 2021, although the current contract stipulates PayPal will remain an option until at least 2023. We believe that the power of the PayPal brand will ensure that at least from a consumer's perspective, PayPal remains a prominent payment option on eBay.

Apple*, announced weak iPhone unit sales of 77.3m, essentially unchanged y/y – fortunately offset by a higher than expected average selling price (ASP) of US$796. Unfortunately, management guidance suggested this pricing tailwind may diminish next quarter. Whilst the resulting stock fall hurt our absolute returns, our relative performance benefited from our underweight Apple position which we had further reduced modestly ahead of numbers based on our own experience of the new phone and industry supply chain data. That said, other Apple-related stocks including Universal Display*, Lumentum*, TSMC* and Dolby* did drag on both absolute and relative performance even though most are yet to report.

For now, the so-called iPhone X 'super-cycle' thesis has been dispelled as total iPhones sold are likely to be close to flat for the third successive year. However, the stock remains supported by a Services segment that continues to impress (+18% y/y) at higher than corporate margins, the likelihood of significant cash return to shareholders as part of the repatriation process and the potential for a larger screen OLED iPhone that could be released in the autumn.

While January proved a strong month for the sector and the Trust, there were a number of detractors to performance. These included Universal Display, Netease, Lumentum, Renesas and Dolby, underweight positions in Microsoft and Nvidia and the drag from cash.

Market Outlook

Equity markets experienced an extremely strong start to 2018 but gave up these gains in early February amid rising bond yields, increased risk aversion and what appears to be a technically driven spike in volatility amid overbought conditions. To date, technology sector performance has been encouraging – demonstrating leadership during the upward move and giving back less during the correction – supported by strong balance sheets, tax reform, repatriation of overseas earnings and robust earnings growth as the sector continues to attack the profit pools of other industries. The latest high-profile examples of technology disruption being Amazon's push into both healthcare (in partnership with Berkshire Hathaway and JP Morgan) and groceries (following its acquisition of Whole Foods).

Whilst bouts of inflation angst may cause 2018 to be a more volatile year, gradual interest rate tightening should not be a concern in itself if reflective of economic strength. However, we are mindful that – at some point – higher inflation and/or rates will likely limit upside to equity valuations which are already above long-term averages. As we have previously opined, this should result in equity returns becoming increasingly dependent on underlying revenue and earnings growth, which should provide a tailwind

Fund Manager Comments

As at 31 January 2018

for active investors and hopefully benefit our underlying active/growth centric approach.

Turning back to technology, we remain excited about our new cycle thesis that appears to be gathering strength every earnings season with a growing divergence between incumbents and next-generation companies now that the Cloud has become the default computing platform. This bifurcation is intensifying as workloads continue to gravitate towards the public cloud, while emerging technologies such as artificial intelligence (AI) – where the Internet platforms enjoy a leadership position – are likely to accelerate this trend. Our eight core secular themes remain unchanged; eCommerce and digital payments, digital marketing and advertising, cyber and physical security, Cloud computing and artificial intelligence (AI), software as a service (SaaS), digital content and gaming, robotics and automation and rising semiconductor complexity. However, we have reduced exposure to the Apple iPhone X product cycle including semiconductor/component stocks which are exposed to overall smartphone demand.

In terms of the portfolio, we used the exceptional start to the year to take profits in selected robotics, payments and software as a service (SaaS) stocks which had performed well, aided by multiple expansion. Despite rotating some of the proceeds into our preferred holdings, our cash remained somewhat elevated at month end. Given the recent reversal in market direction/volatility, we expect to retain some of this additional liquidity for the time being but will look to add back to our preferred names as earnings season progresses, or on further market weakness given the pullback has little to do with technology fundamentals.

* Held

** Not held

*** Not held, not listed

Ben Rogoff

8 February 2018

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 22 years of industry experience.

Nick Evans - Senior Fund Manager

Fatima Iu - Fund Manager

Xuesong Zhao - Fund Manager

Chris Wittstock - Senior Investment Analyst

Bradley Reynolds - 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. 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 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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