Polar Capital Technology Trust plc

INTO THE EYE OF THE STORM: Cloud computing makes landfall

Half Year Report for the
six months ended 31 October 2016

Polar Capital Technology Trust plc

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Objective

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

Investment Approach

Stocks are selected for their potential shareholder returns, not on the basis of technology for its own sake. The Investment Manager believes in rigorous fundamental analysis and focuses on:

- management quality
- the identification of new growth markets
- the globalisation of major technology trends
- exploiting international valuation anomalies and sector volatility

INTO THE EYE OF THE STORM:
Cloud computing makes landfall

Please see the Annual Report for more on this subject

Financial Highlights
as at 31 October 2016

Financial Summary

	(Unaudited) As at 31 October 2016	(Audited) As at 30 April 2016	Movement %
Total net assets	**£1,131,349,000**	£801,307,000	**41.2**
Net assets per ordinary share	**854.91p**	605.51p	**41.2**
Benchmark (see below)			**39.1**
Price per ordinary share	**795.00p**	566.00p	**40.5**
Discount of ordinary share price to the net asset value per ordinary share	**7.0%**	6.5%	
Ordinary shares in issue	**132,336,159**	132,336,159	**–**

Key Data

	For the six months to 31 October 2016	
Benchmark	**Local Currency %**	**Sterling Adjusted %**
Dow Jones World Technology Index (total return, Sterling adjusted, with the removal of relevant withholding taxes)	**15.9**	**39.1**
Other Indices (total return)		
FTSE World	**3.0**	**23.2**
FTSE All-share	**–**	**12.2**
S&P 500 composite	**4.1**	**24.5**
Nikkei 225	**5.6**	**30.0**
Eurostoxx 600	**1.0**	**15.8**

Exchange rates	As at 31 October 2016	As at 30 April 2016
US$ to £	**1.2209**	1.4649
Japanese Yen to £	**128.30**	156.74
Euro to £	**1.1138**	1.2790

Manager's Report

Ben Rogoff

Market Review

The half-year to 31 October 2016 saw global equity markets register modest gains in local currency terms – driven by valuation expansion – as sovereign yields fell to new lows. However, Britain's unexpected decision to leave the EU following the June referendum led to pronounced weakness in Sterling, which fell by 17%, 13% and 18% against the Dollar, Euro and Yen respectively during the period. As a result, the FTSE World index advanced by 23.2% during our half year, with currency accounting for c.3/4 of the return. The US market (+23.1% in Sterling terms) continued to perform well in both absolute and relative terms, driven by earnings progress (ex. oil and gas), heightened M&A activity and a robust US Dollar. Stocks also benefited from ongoing dovish Federal Reserve commentary and global concerns that continued to constrain interest rate expectations. Waning fear of a Chinese 'hard landing' saw Japanese stocks (+30%) reverse some of their earlier underperformance, further aided by supportive central bank policy and Yen strength. Europe (+15.8%) continued to trail as political uncertainty, Sterling weakness and concerns about the health of the banking system weighed on returns. After a sustained period of underperformance, emerging markets (EM) roared back as the biggest equity beneficiaries of Chinese economic and commodity price stabilisation, with particular strength reserved for Brazil (+56.2%) and Russia (+24.3%).

Equity markets began the half-year against the backdrop of improving US economic data – consumer sentiment, new home sales and the non-manufacturing ISM – all showing marked improvement. More hawkish commentary from the US Federal Open Market Committee (FOMC) saw interest rate expectations move higher and the trade-weighted US Dollar rise over 3% during May alone. While first quarter S&P 500 all-sector corporate earnings were disappointing (falling at a blended rate of 7.1%) this was largely due to weakness in energy/oil and selected retail-related stocks.

In contrast, UK data was noticeably weak ahead of the June 'Brexit' referendum with uncertainty weighing on the UK economy – the all-sector PMI (Purchasing Managers' Index)pointed to just 0.1% GDP growth, while the UK's trade deficit hit an eight-year high. Brexit fears were realised in June as Britain decided to leave the EU, surprising financial markets and pundits alike. Sterling fell 8% on the day and considerably further in the weeks that followed, revisiting levels against the Dollar last seen in the mid 1980s. Prime Minister David Cameron tendered his resignation triggering a leadership contest, intensifying post-Brexit uncertainty. The Bank of England (BoE) responded by announcing that it would likely cut rates and loosen bank capital requirements while opening the door for further Quantitative Easing (QE). Yield curves flattened globally and bank shares fell reflecting a 'lower for longer' outlook for interest rates, a view seemingly supported by muted second-quarter US economic growth, a third consecutive monthly fall in China's manufacturing PMI and a downward revision to global growth expectations by the World Bank. Rising risk aversion (masked by Sterling weakness) saw US ten year Treasury yields hit all-time lows of 1.4% and 70% of all German sovereign debt trade with negative yields.

However, equity markets continued to climb the proverbial 'wall of worry' in July as a post-Brexit rebound gained momentum on hopes of accommodative central bank policy. Economic data remained mixed with a strong US housing market offset by more muted UK/US consumer confidence surveys. Second-quarter (Q2) GDP numbers were lacklustre on both sides of the Atlantic with US GDP annualising at +1.2% (impacted by an inventory drawdown) dampening US rate hike expectations. European GDP growth also slowed to +0.3% in Q2 from +0.6% in Q1 whilst Chinese GDP at +6.7% proved a relative bright spot. Central bank policy remained accommodative with the BoE delivering a 25bp cut in interest rates, a larger than expected round of QE and the suggestion that rates could be cut further.

Manager's Report

continued

Post-Brexit concerns were further allayed by the unexpected early appointment of Theresa May as UK Prime Minister. In the US, the probability of an interest rate hike increased following a more hawkish message from the Federal Reserve (Fed) which noted that 'near-term risks to the economic outlook have diminished', a view supported by a notably strong July nonfarm payroll report. US economic data continued to strengthen during August, with the New York Fed's real-time estimate for third-quarter GDP growth as high as 2.8%. Fed Chair Janet Yellen acknowledged this improved backdrop in her annual speech at Jackson Hole where she noted, 'the case for an increase in the federal fund rate has strengthened in recent months'. Economic improvement was also evident in China where the earlier easing of fiscal and monetary policy had helped stabilise the economy. Real-time estimates of economic growth indicated around 7.8% in stark contrast to the c.5% recorded in January. This stabilisation helped emerging markets recover back towards trend growth while Japanese manufacturing production rose for the first time since February.

Although equity markets made limited further progress in local terms during the final two months of the period, another leg down in Sterling drove strong returns following PM Theresa May's October announcement of her intention to trigger Article 50 before April 2017. September was an eventful month for macroeconomic developments, with three Central bank policy meetings taking place. While the European Central Bank (ECB) meeting was largely uneventful (no extension of QE), the Bank of Japan (BoJ) shifted its focus from moving deeper into negative interest rate policy (NIRP) by setting a goal to cap ten year bond yields at zero, aimed at steepening the yield curve and improving bank profitability. Although the Fed opted not to raise rates, it disclosed that the case for a hike had further strengthened. Two other macro factors impacted markets during September – an OPEC agreement to limit production (Brent rallying more than 6%) and a $14bn proposed settlement demand made by the US Department of Justice to Deutsche Bank (DB) related to mis-selling of mortgage-securities prior to the financial crisis.

This led to speculation over a potential capital shortfall and the inability of German Chancellor Angela Merkel to provide support given Germany's strong stance during Greek and Italian bank negotiations.

A relatively lacklustre third-quarter (Q3) earnings season set the tone for softer equity markets in October ahead of the US Presidential election. US economic data was generally strong with manufacturing PMIs at twelve-month highs, nonfarm payrolls confirming a healthy rate of job creation and US average hourly earnings growing 2.6% y/y. International data was constructive too – the Global PMI edged up to an eight-month high, Chinese factory output grew at the fastest rate in five years and Eurozone employment rose for the 23rd consecutive month. While Janet Yellen continued to sound dovish (arguing that it may be beneficial to run a 'high-pressure economy') markets looked through her measured commentary: ten-year US Treasury yields rose 23bps to end the period essentially unchanged at 1.83% while the trade-weighted US Dollar rose a further 3.1%. Within equity markets, there was a sharp rotation among sectors with rate sensitivity – a trend that has intensified post period end. Equities ended October on a weak note following news that the FBI was once again investigating Hilary Clinton over her use of private email servers.

Technology Review

The technology sector materially outperformed the broader market during the past half year; the Dow Jones World Technology index advanced a remarkable 39% in Sterling terms. As in previous periods, some of this outperformance was passive (reflecting the sector's disproportionate exposure to the US/US Dollar and very limited UK exposure). Pronounced Sterling weakness also benefited the Trust's absolute return during the period. That said, technology outperformed materially in most major markets, as the sector roared back from a difficult first-quarter once US recession fears abated.

Against a backdrop of limited global growth, the sector's ability to deliver (well) above average growth continued to attract incremental investors. This was particularly true within the Internet subsector where strong fundamentals at each of Alphabet, Amazon and Facebook highlighted the structural attractions of Internet-based global platforms. Next-generation companies also performed well as most continued to deliver strong growth amidst macroeconomic uncertainty in stark contrast to a number of incumbents on the wrong side of Cloud and Mobile technology trends. Heightened M&A also proved very supportive with the return of strategic deals (post the Q1 dislocation in next-generation valuations) in addition to substantial financial/debt-driven transactions in legacy/slower growth segments.

The sector got off to a solid start to the half-year with a number of next-generation stocks held in the Trust delivering strong first quarter results and the return of strategic M&A. Salesforce.com surprised to the upside with billings +31% y/y, Splunk delivered 41% licence growth while Electronic Arts (EA) reported strong results as digital distribution increased to 77% of its mix in the quarter. AMD guided positively ahead of its new GPU architecture release and games console launch, ServiceNow reiterated its $4bn 2020 revenue target while Universal Display benefited from increased speculation that Apple will adopt OLED display technology in late 2017. In addition, M&A activity picked up significantly with the focus shifting from value and financial engineering-driven to more strategic, growth orientated deals as buyers took advantage of the earlier hiatus in next-generation valuations. Having acquired Textura in late April, Oracle bought another software-as-a-service company Opower in May while Cvent, Marketo and SciQuest each succumbed to private equity interest. M&A activity stepped up significantly during June with the Trust directly benefitting from the acquisitions of Demandware, LinkedIn and QLIK Technology. Microsoft surprised Wall Street with its US$26bn offer for LinkedIn, in an attempt to strengthen its Office 365 and Dynamics franchises. Salesforce.com agreed to buy Demandware for US$3bn (at a 71% premium to its prior close) while QLIK Technologies was acquired by private equity firm Thoma Bravo. Tesla also announced its intention to acquire SolarCity for US$5.7bn in a move that was strategically questioned by both analysts and shareholders.

Technology stocks significantly outperformed during July as second-quarter earnings season proved a positive catalyst. Some of the most impressive results were delivered by Internet bellwethers – Alphabet, Amazon and Facebook. Even by Facebook's standards, its Q2 was particularly impressive with earnings per share increasing 94% y/y. Alphabet (aka Google) also surpassed expectations with revenue growth accelerating to a remarkable +25% y/y in constant currency terms. Amazon also delivered a solid set of results as all of its business units produced impressive growth and operating margin expansion. Beyond the Internet behemoths, next-generation fundamentals were in rude health during second quarter earnings season, demonstrated by strong reports from a slew of small/mid-caps including Criteo, Hubspot, Medidata, Proofpoint and Zendesk. This was in contrast to continued travails at many incumbents, particularly those with disproportionate exposure to challenging PC and smartphone end markets. The semiconductor sector also delivered strong returns during July driven by renewed M&A activity as Softbank made an audacious $32bn bid for ARM Holdings while Linear Technology was acquired by long-term rival Analog Devices. It was also an eventful month within software as Oracle agreed to purchase next-generation rival Netsuite for $9.3bn and Pokémon Go was unleashed on the world. In a matter of days, the smartphone-based augmented reality game became a global phenomenon with more than 100m installs worldwide (as of the first weekend in August).

Manager's Report
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Second-quarter earnings season continued to support next-generation companies during August as Splunk again delivered, reporting revenue growth of 43% year-over-year (y/y) and doubled its Cloud business in a year. AMD shares rose to new highs, following the formal launch of its Zen chipset. AMD reiterated its performance claims of a year ago and still targets volume production early next year. Gaming companies continued to perform well with Activision materially beating analyst expectations due to the strength of its newest franchise Overwatch while EA also surprised positively, announcing that it expects to grow revenues by $1.5bn over the coming four to six years. On the negative side Salesforce and Palo Alto reported lacklustre results, reflecting deal slippage and an evolving IT security environment respectively. Asian e-commerce/mobile results were outstanding. Alibaba reported its fastest rate of growth since its IPO as mobile monetisation exceeded desktop for the first time. Tencent's results were similarly strong, reflecting its dominant position in mobile where gaming revenues increased 114% y/y while its social networking business grew by 57% y/y. Apple also made the news ahead of its September iPhone launch when it was ordered by the European Commission to pay up to US$14.5bn for illegal tax benefits in Ireland. Although this represents less than 10% of Apple's net cash (and the company, together with the Irish government announced it would appeal the verdict) the decision raised the question around the sustainability of low international tax rates at large multinationals.

The final two months of the period saw the technology sector extend its leadership, aided by supportive 'off-quarter' reports from the likes of Adobe, Accenture and Red Hat. Apple released the iPhone 7 – an incremental improvement on the previous product, as we suspected – but early demand was better than feared which aided the stock. Oracle reported another mixed quarter which likely reflected ongoing secular pressures on their core business from cloud computing. Semiconductor stocks continued to outperform, boosted by Intel positively pre-announcing their third-quarter results (citing replenishment of PC supply chain inventory and some signs of improving demand) while Qualcomm rallied on speculation (later confirmed) that it could bid for NXP Semiconductor.

Third-quarter earnings season saw large-caps end the half-year with a flurry as each of Alphabet, Facebook and Microsoft made all-time highs in October. Alphabet delivered another strong quarter (core website revenues increasing 26% y/y) while announcing a new $7bn buyback programme. Microsoft reported strong numbers, particularly relating to its Cloud efforts with Azure revenue growth accelerating to 121% y/y while its Office 365 commercial monthly active users increased 40% y/y to exceed 85m. Amazon also reported another strong quarter but top-line outperformance was not accompanied by margin expansion as the company opted to invest heavily behind growth. Conservative gross margin guidance took the shine off a reasonable quarter from Apple with iPhone unit sales (-5.3% y/y) in-line with expectations, although there may have been hopes of upside given travails at Samsung who opted to discontinue its Galaxy Note 7 following a series of issues with batteries overheating and catching fire.

Although third-quarter earnings season was generally positive for small and mid-caps, disappointments were heavily punished by increasingly risk-averse investors. ServiceNow reported excellent results, billings growth accelerating to 46% y/y. Proofpoint continued to defy the general weakness in security stocks, reporting its eighth successive quarter of 40%+ revenue growth. Cirrus Logic beat and raised numbers as it began volume shipments of its new digital headset solution and gained market share with its boosted amplifiers. On the negative side, Twitter shares fell sharply as various potential acquirers ruled out buying the company while Vasco shares were weak due to their European bank customers delaying orders. Once again earnings season revealed the challenges facing legacy technology companies. IBM's revenues contracted y/y for the eighteenth consecutive quarter while Hewlett Packard guided below expectations and announced a plan to cut 3–4,000 jobs by 2019. Intel guided lower as server demand continues to move to the cloud. M&A ended the period on a high note as AT&T agreed to acquire Time Warner Inc. for US$85.4bn while Qualcomm bought NXP Semiconductor for US$47bn in the largest semiconductor deal yet.

Portfolio Performance

Our total return performance came in ahead of our benchmark, with the net asset value per share rising 41.2% during the first half versus 39.1% for the Sterling adjusted benchmark. The most significant individual contributor to performance was Advanced Micro Devices (AMD), which advanced 144% during the period as the company began to win back discrete GPU market share and talk more about its Zen CPU product due to be released in early 2017. Computer gaming companies such as Activision and Electronic Arts continued to deliver strong absolute and relative performance with particular strength enjoyed by Japanese holdings DeNA and Nintendo, both of which benefited from the latter's decision to embrace smartphone gaming and (indirectly from) the subsequent debut of Pokemon Go. The Trust also benefited from elevated M&A activity with seven of our positions – Arcam, ARM Holdings, Demandware, QLIK Technologies, Linear Technology, LinkedIn, Netsuite – acquired during the period at premiums that ranged between 26%–71%. The Trust also continued to benefit from the underperformance of a number of incumbent companies where Cloud adoption appears to be causing greater disruption, to a number of companies where the Trust has no exposure. However, this positive contribution was offset by strong performances from a number of PC-related stocks including NVIDIA, Micron, and Western Digital and smartphone stalwarts Apple, Qualcomm and Samsung. Our underweight position in Microsoft also dragged on relative performance as the company continued to execute well on its Cloud transition. Outside of the US we managed to add value in all regions with particularly strong performance in Japan. Unfortunately liquidity proved costly as the drag associated with our modest cash position was amplified by the precipitous move in Sterling, our base currency. Performance was also negatively impacted by a number of disappointing individual stock moves due to poor execution (Athenahealth, TripAdvisor) and/or valuation de-rating (Palo Alto Networks, Salesforce.com).

Market Outlook

Despite a strong recent run, we remain constructive on markets for many of the same reasons outlined in our last Annual Report. However, earlier hopes for economic reacceleration once again look premature with 2016 forecasts for global GDP growth of 3.1%, in-line with growth achieved in 2015 and marginally lower than the 3.2% expected in our last Annual Report. This (modest) downward revision is largely the result of developed market performance where forecast growth of 1.6% is 0.3% light of earlier expectations (and 0.5% below 2015 levels) due to a weaker than expected second-quarter and Brexit-related fallout. Despite encouraging underlying performance, the US economy delivered materially below expectations in Q2 due to a sizeable inventory drawdown, worth 1.2% of GDP while capital spending remained subdued. In contrast, emerging market growth is expected to strengthen to 4.2% after five consecutive years of deceleration and likely to deliver more than three-quarters of projected world growth in 2016. Strong policy support and credit growth (aided by currency weakness) saw Chinese GDP growth stabilise within the 6.5%–7% targeted range while the rebound in commodity prices allowed both Brazil and Russia to recover from their respective nadirs.

At the risk of sounding something of an investment Pollyanna – the prospects for global economic reacceleration next year look reasonable with current expectations of 3.4% which is yet to incorporate any additional fiscal stimulus following Donald Trump's US Presidential election victory. After performing below expectations this year, the US economy should reaccelerate in 2017 with growth pegged at 2.2% (2016E: 1.6%); lacklustre business investment (in part due to energy-related retrenchment and US Dollar strength) is likely to be offset by healthy job creation, a recovering housing market and robust consumer spending.

Manager's Report
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Progress in the Euro area is likely to remain uneven with lower forecast growth of 1.5% in 2017 (2016E: 2%) capturing Brexit-related uncertainty and continued banking system fragility in the periphery, ameliorated by improving domestic demand and labour market improvement. Naturally the UK is likely to witness the greatest deceleration with 2017 growth forecast at half that achieved in 2015 (1.1% vs. 2.2%) while Japan is expected to continue 'bumping along the bottom' with 0.5% forecast growth supported by the postponement of a consumption tax hike originally slated for next year. Absent further stimulus, growth in China is expected to slow towards 6.2% next year as the economy continues to be rebalanced from investment to consumption. However, we remain hopeful that a 'hard-landing' remains a tail outcome (for now) while the impact of slower Chinese growth should be absorbed by normalization of conditions in commodity-heavy Brazil and Russia.

While we are hopeful that global growth will finally accelerate in 2017, as investors we must be a little careful what we wish for given that current macroeconomic conditions have created a unique (and financially rewarding) investment backdrop driven by an unusual alignment of interests between policymakers and investors. As a result, inflation remains the key determinant of whether the existing backdrop will persist because subdued inflation has allowed policymakers to remain dovish and (in the US) 'behind the curve'. Clearly progress has been made, most evident from the aggregate unemployment rate in advanced economies that today is less than 1% above its 2007 level. Headline inflation has also picked up (and this will likely continue in 2017) as commodity/oil prices stabilise and/or rebound from 2016 lows. However, in the US wage growth has remained subdued (likely a function of limited labour force participation improvement) while in selected Euro countries GDP remains well below pre-crisis levels as banks continue to struggle with impaired assets. Given that 'crisis scars are still quite visible' – as recent election outcomes attest – and with core inflation well below target in most of the developed world, we expect accommodative policy to persist for now.

That said, the surprise victory of Donald Trump in the recent US Presidential election and the accompanying Republican 'clean sweep' of Congress represents a new and significant risk to this view. In broad strokes, the Trump victory has raised the likelihood and magnitude of fiscal stimulus (which together with corporate tax reform and deregulation) is likely to prove pro-growth. Looking at the Reagan presidency – appropriate given that Trump's key election slogan 'make American great again' was borrowed from Reagan's 1980 campaign – we are likely to see similar moves designed to reinvigorate American entrepreneurship and 'restore the animal spirits lost in the post-Lehman Brothers years. This may focus on public works given the aged nature of US infrastructure (public construction spending is close to its lowest level since 2006. Some commentators suggest that Trump may deliver $300–500bn in infrastructure funding over five years, plus another $100bn in defence spending over the same timeframe which could add 0.4–0.6% to annual GDP. Comprehensive reform of the tax code could also incentivise job creation, particularly among small businesses. In addition to pro-growth measures, the current inflation backdrop could also be challenged by tax cuts. Difficult to reverse, $2tr of tax cuts over ten years could raise the budget deficit by as much as 1% of GDP which risks raising the neutral rate of interest by as much as 40bps. While this is necessarily speculation at this point, these measures should materially reduce the risk of a US recession while challenging the current 'low rates forever' view that recently assumed short-term rates would remain below zero in the Euro area and Japan through 2020.

The sharp increase in ten-year US Treasuries since the Trump victory reflects the increased risk to the prevailing growth/inflation backdrop and has presaged a profound rotation within equity markets. While the permanence of this rotation will depend on what the new President actually does (and how much Congress delivers) it appears that equity markets may be at something of a crossroads. Accommodative monetary policy appears to have run its natural cause and (together with austerity) has come at a not insignificant societal cost.

As such, fiscal policy is likely to become an increasingly attractive option to bolster growth as well as to 'avoid a lasting downshift in medium-term (inflation) expectations'. However, the world is already awash with debt (President Trump will inherit a $20tr national debt) while comprehensive tax reform and infrastructure spending will put substantial upward pressure on budget deficits. Under Reagan, annual budgets deficits averaged 4.2% of GDP as compared to a 2.7% deficit under Carter in 1980. Higher interest rates could also send debt service sharply higher. Coming at a time when post-crisis economic slack has been significantly absorbed, we have to ask whether higher interest rates beget higher interest rates or put differently, could a Trump presidency change the long-term view on interest rates?

Our sense is that it might because growth is likely to surprise to the upside (Reagan delivered 0.6% more annual GDP on average than Carter) and because estimates of the natural rate of interest may reverse having declined substantially post the financial crisis. As such, long-term interest rates have probably already seen their nadir, with more upside likely given that over $10tn of global sovereign bonds still trade with negative yields, while investors only anticipate 5 or 6 interest rate hikes in the US by the end of 2019. While policymakers will continue to tread carefully, they may be forced to act should expectations of future demand growth drive greater investment and reinforce a feedback mechanism that crushes the bond market and bond proxies alike.

Another key consideration that we need to ponder is whether or not we are experiencing the beginning of a major reversal that could last a decade akin to the end of 1970s stagflation under Reagan. While we can hardly claim any expertise here, from a distance it does feel that the current period characterised by globalisation, free trade and disinflationary (low) growth may have reached its zenith.

As we have previously opined, the persistence of sub-trend growth always ran the risk of political fragmentation and/or social unrest – a view supported by both the Trump and Brexit outcomes. Rather than stagflation, today's angst appears directed at the supposed excesses associated with globalisation – overseas manufacturing, open borders, free trade and tax arbitrage. Whether or not President-Elect Trump actually builds a wall or not, it seems likely that policy will become more pro-domestic and isolationist as a response to increased globalisation that accounted for 28% of US GDP in 2015, up from just 11% in 1970 (as measured by the sum of exports and imports). Tax reform and deregulation are likely to prove key policy tools (as under Reagan), designed to encourage entrepreneurship but potentially also to level the playing field in favour of domestic/small businesses vital to the performance of the US economy but hitherto unable to take advantage of cheap overseas labour and favourable tax treatment. In other words, 'pro-business' is not synonymous with 'pro-US multinationals', arguably the greatest beneficiaries of globalisation.

Despite these important (and largely unanswered) considerations, our market outlook remains broadly constructive for now: greater volatility seems likely, given a seemingly wider range of potential outcomes. The combination of modest earnings growth and PE expansion has resulted in the forward PE on the S&P 500 trading on c.17.8x today, as compared to 17.3x at our last year-end. As such, absolute valuations are no longer cheap with most traditional measures of value above long-term averages, which – as we have previously argued – is likely to result in returns becoming increasingly dependent on underlying earnings (and dividend) growth. Fortunately, earnings growth is likely to improve in 2017 as the energy sector rebounds with current consensus calling for 22% growth in S&P 500 operating earnings.

Manager's Report
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Even if early hopes prove typically optimistic (consensus estimates usually start 8–9% too high) earnings growth should still be attractive with upside associated with US tax reform yet to be factored in. As previously, stocks also continue to look compelling against both cash and bonds although we cannot know at what point higher nominal (and more importantly real) bond yields begin to hurt other asset prices. However, for now, it feels like upside risk is building as the potential for a so-called 'great rotation' from bonds to equities grows, evidenced by financial market resilience post the unexpected Trump/Brexit outcomes. Although near-term investor sentiment is a little ebullient, equity ownership remains below levels associated with major market tops – supportive of our long-held view that bull markets usually go out with a bang, not a whimper!

Key Risks

In addition to those outlined above, there are a number of additional risks that investors should consider particularly with equity valuations at new highs. As previously discussed, we are most concerned with the potential loss of policymaker support that has underpinned risk assets since 2009, should focus shift from deflation to inflation. Until/unless this occurs, equity market setbacks are still likely to take the form of growth scares with China, Europe and oil-sensitive countries likely focal points. While growth has stabilised, China's medium-term outlook remains 'clouded by a high stock of corporate debt and rising dependence on credit'. As such, policy-induced shifts in China's exchange rate may again raise questions about the underlying strength of the economy raising the risk of a repeat of the Q1'16 growth scare. Having focused on the potential upside to growth associated with fiscal expansion, we should also acknowledge the risk to global trade associated with more inward looking policies, particularly if President-Elect Trump's bite proves as potent as his bark. While Brexit is likely to remain a key source of uncertainty given 'the divorce could take the best part of a decade', there could be more political surprises following the Italian Referendum and France's presidential election in the spring.

Higher inflation represents the greatest risk to the modus operandi not least given that before 1998, rising bond yields were considered bearish for stock prices. Reflation is also likely to increase the risk of policy error due to increased uncertainty and an upward skew to neutral interest rates which may hinder the Fed's ability to 'feel its way' back to neutral. Higher interest rates may also weigh on profit margins via higher borrowing costs, while benefiting those with net cash positions (higher unearned income). Other risks include peaking profit margins, a second UK referendum, corporate tax reform and the challenge to nation states posed by Islamic extremism.

Technology Outlook

Having led the market for much of the calendar year, the technology sector has performed poorly following the surprise election victory of Donald Trump amid sharply higher sovereign yields and a broader rotation from 'growth' to 'value'. To some extent, recent underperformance is understandable as the technology sector has been one of the greatest beneficiaries (and drivers of) globalisation while US companies already dominate three of the most important subsectors – the Internet, software and semiconductors. On a more prosaic level, technology companies are also unlikely to enjoy significant upside from infrastructure spending while tax reform may only prove a modest positive (unlike elsewhere) given the global nature of the industry and existing lower than average effective tax rates. As such, it is 'easy' to see why generalist investors – already overweight the technology sector – might take some profits in order to fund greater allocation to perceived 'winners' from a Trump presidency such as biotechnology, financials and industrials. There are some additional risks worthy of mention including the end of net neutrality (open access to the Internet) and upside risk to tax rates for multinationals should reform include the end of international tax deferral. However, there are some clear positives too including repatriation of up to $1.2tr of cash stranded overseas while the technology sector disproportionately benefits from diminished risk of a US recession given that c.40% of IT spending today takes place in the United States.

Overall IT budgets remain highly dependent on the health of the global economy, with worldwide spending expected to grow 2.2% this year and next while there may be some upside to current forecasts (given our upbeat economic assessment) IT budgets continue to trail overall global growth consistent with our long-held deflation/new cycle view. Limited budget growth remains entirely incompatible with an unprecedented rate of change, driving a reallocation of spending towards our favoured areas at the expense of legacy ones. In line with the broader market, the technology sector has re-rated modestly leaving it trading at a forward PE of 16.4x as compared to 15.2x at our year-end. On a relative basis, the technology sector continues to trade at/around a market multiple (ignoring the balance sheet strength). As in prior years, we do not expect the sector to materially re-rate versus the market over the coming year given its lacklustre growth profile. Relative valuation downside should also be modest given that challenged incumbents seem to better understand their predicament (focusing on margins, rather than revenues) while efforts to improve shareholder returns have attracted a new audience. We also expect struggling or recalcitrant legacy companies to attract private equity interest given the continued availability of cheap debt. Epitomised by the $67bn acquisition of EMC by Dell/Silver Lake, we expect other challenged businesses to opt to go quietly into the night rather than do battle in a Cloud/mobile-centric world.

At the heart of enterprise IT disruption lies public cloud computing which – as we have previously discussed – went mainstream last year as companies such as GE evangelised the new architecture when it outlined its plan to move 60% of its workloads to the Cloud by 2020. Since then, adoption of this superior form of computing has continued to accelerate with market leader Amazon Web Services (AWS) generating more than $11bn of revenues over the past four quarters, growing sales 55% y/y in Q3'16 and already accounting for more than half of Amazon's profits. Microsoft has also continued to make strong progress with its public cloud service – Azure – growing 116% y/y during the third-quarter.

Google also rebooted its own public cloud effort, rebranding it ('Google Cloud') and hiring VMware co-founder Diane Greene to better address the 'enormous opportunity. Having debunked many of the earlier barriers to adoption, we expect Cloud penetration to accelerate over the coming years with the 'Infrastructure as a Service' (IaaS) market set to grow 15x faster than the overall IT market, reaching $43bn by 2019, up from $21bn this year. This is likely to result in significantly greater disruption as over $1tr in IT spending shifting to new areas by 2020. This trend looks inexorable with on-premise workloads predicted to decline to 20% from c.80% today commensurate with our view that Cloud adoption represents 'the beginning of the end for traditional IT.'

As growth in the public cloud continues to eat into enterprise technology estates, legacy profit centres look increasingly challenged. This was apparent during the first-quarter when the server market declined 3% y/y (relative to expectations of 3% growth), the first decline in ten quarters. Intel also lowered growth forecasts for its Data Centre Group (DCG) in Q3 due to weakness in the enterprise storage market caused by the shift to the Cloud. While demand should rebound once Intel releases its new server architecture ('Skylake'), the long-term prognosis for enterprise hardware remains poor given Oracle's prediction that the number of corporate owned datacentres will have declined by 80% by 2025. The $800bn IT services industry also faces significant risks with poor results from Infosys and TCS in Q2, together with lower growth at Cognizant supportive of our view that Cloud-enabled Software-as-a-Service (SaaS) is reducing the need for custom application development (and maintenance) while shortening implementation times. On the device side, the PC market is expected to decline 8% in unit terms this year while tablets are likely to experience their worst growth year on record with units down 12% y/y. As the Cloud moves further up the computing stack, we expect segments that have been unaffected by disruption this far such as database to be sucked into the Cloud maelstrom.

Manager's Report
continued

In addition, smartphone demand has continued to falter, with unit growth likely to prove virtually non-existent this year. Average selling prices have also continued to slide as incremental units are added in emerging markets such as India where half of all smartphones sell for less than $120. As such, we remain cautiously positioned in smartphones and the supply chain. While Apple remains a special situation, the company has felt the twin impact of slower market growth and share loss, particularly in China where two local companies (Oppo and Vivo) have taken significant share with premium Android-based devices at value prices. Not only has Apple suffered its first revenue decline in thirteen years but the recently released and very incremental iPhone 7 has done little to challenge our view that replacement cycles may extend now that the pace of innovation has slowed. That said, we have retained a significant (albeit underweight) position because – even if the best years of growth are behind the company – the stock remains inexpensively valued relative to its likely longevity, evidenced by continued growth in its services business despite negative iPhone unit growth this year. We also expect a more significant iPhone redesign next year (when OLED technology and wireless charging may be adopted), which may drive a more significant upgrade cycle. We have also maintained a healthy position in Samsung Electronics despite the Galaxy Note 7 debacle due to market share gains, cost leadership in a number of key technologies (NAND, DRAM and OLED) and the potential for corporate restructuring.

While smartphone maturation has made it increasingly unattractive to invest in the space, the proliferation of 'connected devices' is facilitating change at an unprecedented rate, allowing the technology sector to permanently alter user behavior and reinvent myriad industries. In gaming, the Pokemon Go phenomenon saw 45m people use smartphones to capture virtual 'monsters', while in the recent US Presidential debates YouTube's viewership peaked at 124m versus just 63m for traditional TV. Able to reach 'almost 25m people' between Facebook and Twitter, President-Elect Trump's social media heavy campaign contributed to US election spending declining for the first time in a generation.

The spectacular success of Dollar Shave Club – bought earlier in the year for $1bn by Unilever – captured the zeitgeist perfectly. Launched in 2011 and built on AWS, Dollar Shave Club uses social media platforms like Facebook and YouTube to bypass traditional distribution with a subscription model ('for a dollar a month we send high quality razors right to your door'). This novel approach saw the company achieve 15% cartridge (blade) unit share last year undermining P&Gs market dominance with the combination of 'good enough' products and digital distribution. Aided and abetted by millennials that 'engage with their smartphones more than… humans', connected devices are making it possible for 'every industry to be digitally remastered'. This risk is not lost on CEOs, 50% of whom expect substantial industrial transformation by 2020 while a further 7% expect to operate in a 'new, almost unrecognizable industry compared to today'. Change is occurring at an unprecedented rate and opportunities abound, but the need for 'continuous delivery' of IT remains wholly incompatible with legacy, architectures. As a result, enterprises are increasingly adopting a 'Cloud first' strategy in order to both modernise and reduce IT costs.

The biggest beneficiaries of this change have so far been the Internet platforms – Google, Apple, Facebook, Amazon, Baidu, Alibaba and Tencent – which by 2021 may capture '20% of all activities an individual engages in'. While recent sector performance has been disappointing (sentiment-driven post the Trump victory) Internet fundamentals remain in rude health. Within online advertising, Alphabet has now delivered ad revenue growth of between 16–24% for 19 consecutive quarters, while Facebook has 55–63% growth for ten straight quarters. In Q1, these two companies captured a combined 84% share of incremental US advertising spend, a welcome reminder of Metcalf's law (where the value of a communications network is proportional to the square of the number of connected users of the system).

Handling more than 2 trillion searches a year (up from 1.2tr in 2012) Alphabet now captures c.12% of global media spend, 1.6x more than second-placed Disney.

Trends within e-commerce remain equally strong with online spending likely to account for 8.7% of worldwide retail sales this year. Despite being already worth $1.9tr, e-commerce penetration is accelerating its share of overall retail spending, driven by mobile commerce ('m-commerce') as users become more confident using their smartphones to make transactions. Recent Thanksgiving and Black Friday data supports this assertion with online sales up 18% y/y in contrast to offline sales that fell 10% y/y over the two days. These positive trends have allowed Amazon to grow its retail revenues between 17–28% for 16 consecutive quarters and Priceline to achieve 20%+ gross bookings growth for an astonishing 40 consecutive quarters. Amid recent concerns about 'slowing growth' and the so-called 'law of large numbers', we expect these positive trends to persist with or without President Trump. Alphabet is only just beginning to monetise its maps app (an asset with 1bn+ monthly active users – MAUs) while Facebook has yet to monetise either its Messenger or WhatApp messaging platforms, each with more than 1bn MAUs. Amazon's growth runway looks positive as it continues to add new product categories, geographic reach and near-real time delivery.

While Internet stocks remain prime beneficiaries of the unprecedented rate of change today, there are many other themes that we continue to favour within the portfolio. As previously discussed we remain excited about software as a service (SaaS), a market worth $38bn today and headed to $62bn by 2019. Vastly superior to the traditional licence/maintenance one, the usage-based SaaS model is rapidly becoming the default for software delivery and – by lowering barriers to adoption – is expanding the total addressable market. To date, SaaS adoption has largely been in new or user-centric domains such as marketing, travel and HCM but the success of Microsoft's Office 365 (>85m active users today) suggests that adoption is already extending into more 'mission critical' apps.

Heightened M&A activity is certainly supportive of this view, Oracle's $9.3bn acquisition of rival Netsuite perhaps the strongest signal yet that SaaS adoption is beginning to cause distress among software incumbents. We also continue to favour videogame companies, rare content beneficiaries of digital distribution made possible by the Internet due to their ability to bypass traditional retail and sell additional high margin content. They are also likely to benefit from growth in eSports (gaming as a spectator sport) and virtual reality (VR) following the recent release of Sony's PSVR in October. Cybersecurity also remains an important 'evergreen' theme as the proliferation of new devices and more heterogenous computing has created an ever greater 'attack surface'. Although overall growth has continued to moderate following a frenzied spending environment several years ago, upside remains to budgets as and when new threats materialise. For instance, a distributed denial of service (DDoS) attack launched from thousands of connected devices (such as IP cameras and network gateways) disrupted a number of high-profile Internet sites during October. As such we have retained our security exposure despite slowing overall growth (now pegged at c.8% through 2019 with our preferred areas still security and event management (SIEM), email security and privileged access management.

In addition, there are a number of other important themes within the portfolio that we have exposure to including payments where – over time – we expect the smartphone to replace the physical wallet, epitomised by the likes of Uber where payment is subsumed (made invisible) into its app. Automotive also remains a large and relatively untapped opportunity with advances in sensors, processing power and vehicle monitoring giving rise to so-called 'smart vehicles'. While we remain somewhat skeptical about the adoption timeline of fully autonomous vehicles (held back by ethical, regulatory and legal hurdles) we expect ADAS (advanced driver assistance systems) will become increasingly standard with penetration set to reach 50% by 2020.

Manager's Report
continued

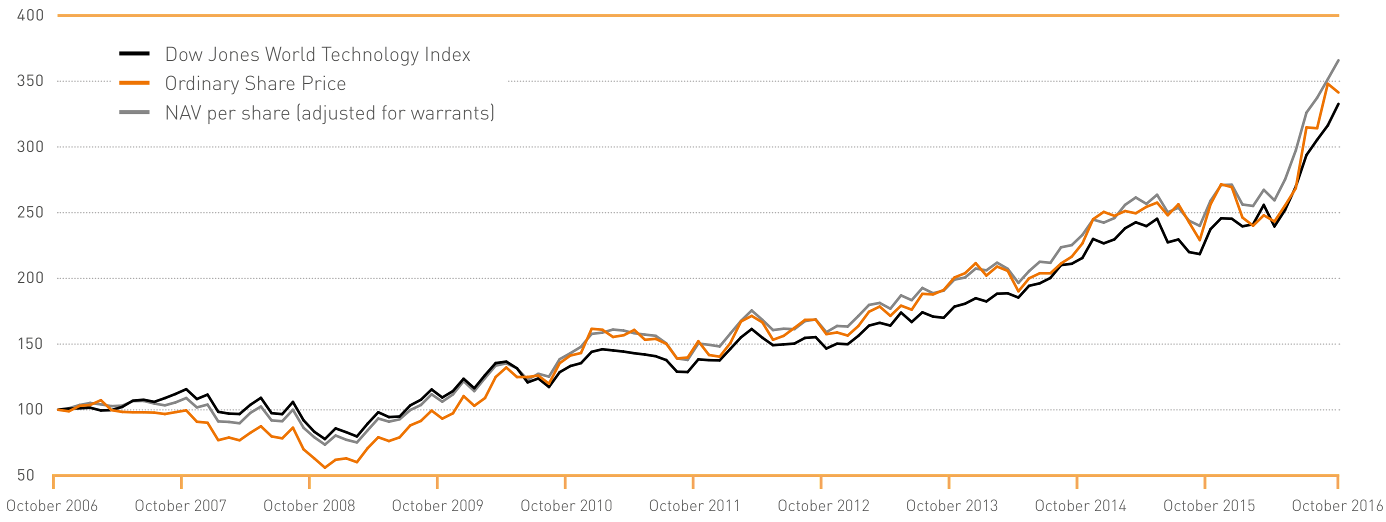
Semiconductor stocks look like prime beneficiaries of this trend (and ongoing industry consolidation) with companies like Mobileye and Nvidia taking advantage of increasing silicon content. The desire to access this large market is said to have driven Qualcomm's decision to acquire NXP Semiconductor in October. We are also excited about a number of emerging themes, such as Artificial Intelligence (AI) and deep learning that apply cheap compute to massive datasets in order to garner insights or better predict outcomes. While Internet companies are already using these technologies to deliver greater personalization and an improved user experience, early consumer applications such as Amazon's Echo and Google Home already deliver 'voice as a computing interface'. According to Microsoft, Cortana – its 'intelligent personal assistant' – already boasts more than 100m MAUs with 8bn questions asked to date.

Unfortunately – as the recent Qualcomm transaction attests – most of these growth opportunities have little to do with incumbents whose franchises were largely built during the client-server era. While Microsoft may yet be the exception that proves the rule, tech reinvention is almost impossible, consistent with Clayton Christensen's oft-mentioned 'Innovator's Dilemma'.

As such we expect fundamentals for 'next-generation' technology companies to continue to diverge from legacy incumbents which have little to gain and much to lose from the new cycle. This is likely to support further strategic M&A which – after a two year hiatus – has returned with a vengeance, as incumbents use their balance sheets to soften the impact of the new cycle by extending product offerings and relevance while obfuscating the deterioration in their core business. Unfortunately, the compression in next-generation valuations since Q1'14 has masked significant fundamental divergence in sector fortunes. However, this period of de-rating appears to have bottomed amid US recession fears earlier this year. While next-generation valuations have rebounded with the equity market and strategic M&A, they remain at/around five-year averages, which feels too cheap given that the new technology cycle appears to be inflecting. While the lustre of our sector's superior growth profile may have dimmed recently as investors look to potential tax reform as an earnings driver, we expect our portfolio to continue delivering scarce top-line growth as next-generation technologies and vendors capture 'all' of the incremental growth associated with Cloud, Mobile and 'technology reinvention'.

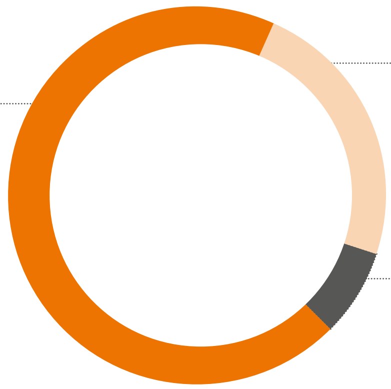
Ben Rogoff
15 December 2016

10 Year Performance Graph



Portfolio Review at 31 October 2016

Market Capitalisation of Underlying Investments
as at 31 October 2016

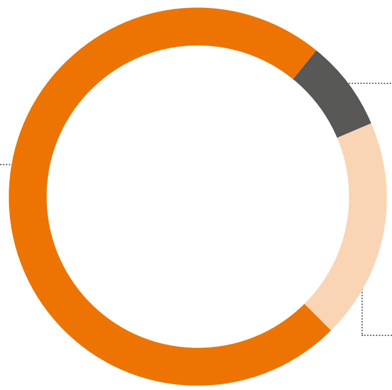


Over US$10bn
69.2%
(30 April 2016: 65.2%)

US$1bn–US$10bn
23.5%
(30 April 2016: 28.1%)

Less than US$1bn
7.3%
(30 April 2016: 6.7%)

Breakdown of Investments by Region
as at 31 October 2016



North America
£790,351,000
69.7% (30 April 2016: 70.3%)

Europe
£81,076,000
7.2% (30 April 2016: 7.2%)

Asia (including Middle East) & Pacific
£233,885,000
20.8% (30 April 2016: 17.9%)

Cash of 2.3% excluded (30 April 2016: 4.6%)

All data sourced from Polar Capital LLP

Portfolio Review at 31 October 2016
continued

Classification of Investments*
as at 31 October 2016

	North America %	Europe %	Asia & Pacific %	Total 31 October 2016 %	Total 30 April 2016 %
Internet Software & Services	19.7	0.6	6.9	**27.2**	27.7
Software	21.2	2.9	1.8	**25.9**	23.7
Semiconductors & Semiconductor Equipment	9.1	0.7	4.9	**14.7**	12.8
Technology Hardware, Storage & Peripherals	6.5	0.2	3.7	**10.4**	8.6
Internet & Catalog Retail	4.1	–	–	**4.1**	4.5
IT Services	2.1	0.4	0.1	**2.6**	2.6
Electronic Equipment, Instruments & Components	1.4	0.2	0.9	**2.5**	3.2
Communications Equipment	2.3	0.1	–	**2.4**	3.7
Healthcare Technology	1.0	0.5	–	**1.5**	2.3
Diversified Telecommunication Services	1.0	–	–	**1.0**	0.9
Machinery	0.1	–	0.8	**0.9**	1.6
Chemicals	0.1	–	0.8	**0.9**	0.4
Aerospace & Defense	0.8	–	–	**0.8**	0.6
Healthcare Equipment & Supplies	0.2	–	0.5	**0.7**	0.5
Other	–	0.6	–	**0.6**	0.9
Household Durables	–	0.2	0.4	**0.6**	0.4
Media	–	0.4	–	**0.4**	0.6
Internet & Direct Marketing Retail	–	0.3	–	**0.3**	–
Automobiles	0.1	–	–	**0.1**	0.1
Electrical Equipment	–	0.1	–	**0.1**	0.3
Total investments	69.7	7.2	20.8	**97.7**	95.4
Other net assets (excluding loans)	2.6	0.8	2.5	**5.9**	8.7
Loans	(1.7)	–	(1.9)	**(3.6)**	(4.1)
Grand total (net assets of £1,131,349,000)	70.6	8.0	21.4	**100.0**	–
At 30 April 2016 (net assets of £801,307,000)	72.1	10.4	17.5	**–**	100.0

* Classifications derived from Benchmark Index

Portfolio at 31 October 2016

North America

		Value of holding		% of net assets	
		31 October 2016 £'000	30 April 2016 £'000	31 October 2016	30 April 2016
Alphabet (previously Google)	Internet Software & Services	104,764	70,922	9.3	8.9
Facebook	Internet Software & Services	70,464	48,785	6.2	6.1
Microsoft	Software	68,563	39,490	6.1	4.9
Apple	Technology Hardware, Storage & Peripherals	67,363	50,659	6.0	6.3
Amazon.com	Internet & Catalog Retail	34,037	27,459	3.1	3.4
Splunk	Software	18,746	15,440	1.7	1.9
Intel	Semiconductors & Semiconductor Equipment	17,971	13,298	1.6	1.7
Adobe	Software	16,175	6,430	1.4	0.8
Texas Instruments	Semiconductors & Semiconductor Equipment	15,372	8,126	1.4	1.0
Electronic Arts	Software	13,741	6,979	1.2	0.9
Visa	IT Services	13,026	11,039	1.2	1.4
Salesforce.com	Software	12,897	13,154	1.1	1.6
Proofpoint	Software	12,177	9,635	1.1	1.2
8X8	Diversified Telecommunication Services	11,835	7,162	1.0	0.9
Dolby Laboratories	Electronic Equipment, Instruments & Components	11,724	9,027	1.0	1.2
Applied Materials	Semiconductors & Semiconductor Equipment	11,679	5,756	1.0	0.7
Cisco	Communications Equipment	11,212	8,370	1.0	1.0
Red Hat	Software	10,880	6,657	1.0	0.8
Qualcomm	Semiconductors & Semiconductor Equipment	9,359	–	0.8	–
Activision	Software	9,228	6,787	0.8	0.8
Taser International	Aerospace & Defense	9,186	4,553	0.8	0.6
ServiceNow	Software	9,043	5,933	0.8	0.7
Palo Alto Networks	Communications Equipment	9,024	10,111	0.8	1.3
HubSpot	Software	8,560	5,011	0.8	0.6
Power Integrations	Semiconductors & Semiconductor Equipment	8,351	–	0.7	–
New Relic	Internet Software & Services	8,325	–	0.7	–
Zendesk	Software	7,994	5,875	0.7	0.7
Xilinx	Semiconductors & Semiconductor Equipment	7,821	1,171	0.7	0.1

Portfolio at 31 October 2016

North America continued

		Value of holding		% of net assets	
		31 October 2016 £'000	30 April 2016 £'000	31 October 2016	30 April 2016
Cirrus Logic	Semiconductors & Semiconductor Equipment	7,361	–	0.7	–
Five9	Internet Software & Services	7,359	–	0.7	–
TripAdvisor	Internet & Catalog Retail	7,298	5,448	0.6	0.7
Akamai Technologies	Internet Software & Services	7,209	3,871	0.6	0.5
Medidata Solutions	Health Care Technology	7,209	9,436	0.6	1.2
LAM Research	Semiconductors & Semiconductor Equipment	7,176	6,907	0.6	0.9
Ultimate Software	Software	7,062	5,225	0.6	0.7
RingCentral	Software	6,919	1,720	0.6	0.2
Advanced Micro Devices	Semiconductors & Semiconductor Equipment	6,634	–	0.6	–
Arista Networks	Communications Equipment	6,089	6,504	0.5	0.8
Pegasystems	Software	5,854	–	0.5	–
Mastercard	IT Services	5,784	–	0.5	–
Nimble Storage	Technology Hardware, Storage & Peripherals	5,373	5,031	0.5	0.6
Kinaxis	Software	5,338	1,025	0.5	0.1
J2 Global	Internet Software & Services	4,696	1,717	0.4	0.2
KLA Tencor	Semiconductors & Semiconductor Equipment	4,640	–	0.4	–
Workday	Software	4,599	3,514	0.4	0.4
Priceline.com	Internet & Catalog Retail	4,594	2,971	0.4	0.4
Universal Display	Electronic Equipment, Instruments & Components	4,578	8,037	0.4	1.0
MINDBODY	Internet Software & Services	4,568	–	0.4	–
Ebay	Internet Software & Services	4,524	4,296	0.4	0.5
PayPal	IT Services	4,508	3,220	0.4	0.4
Rapid7	Software	4,384	857	0.4	0.1
Instructure	Internet Software & Services	4,042	–	0.4	–
Nvidia	Semiconductors & Semiconductor Equipment	3,754	–	0.3	–
Athenahealth	Health Care Technology	3,633	2,932	0.3	0.4
Mobileye	Software	3,485	3,488	0.3	0.4
Linear Tech	Semiconductors & Semiconductor Equipment	3,405	5,058	0.3	0.7
Everbridge	Software	3,312	–	0.3	–

		Value of holding		% of net assets	
		31 October 2016 £'000	30 April 2016 £'000	31 October 2016	30 April 2016
Paylocity	Software	3,189	–	0.3	–
IAC Interactive	Internet Software & Services	2,825	2,063	0.2	0.3
Cvent	Internet Software & Services	2,764	3,325	0.2	0.4
Vasco Data Security	Software	2,663	2,647	0.2	0.3
Take Two Interactive Software	Software	2,548	–	0.2	–
Paycom Software	Software	2,454	4,194	0.2	0.5
Box	Internet Software & Services	2,020	2,752	0.2	0.4
Novadaq Technologies	Healthcare Equipment & Supplies	1,725	–	0.2	–
Monsanto	Chemicals	1,469	1,599	0.1	0.2
Proto Labs	Machinery	1,381	3,649	0.1	0.5
Castlight Health	Health Care Technology	1,359	641	0.1	0.1
Telsa Motors	Automobiles	920	1,108	0.1	0.1
BlackLine	Software	130	–	–	–
Cermetek Microelectronics	Other	–	–	–	–
Total North American investments		790,351		69.7	

Portfolio at 31 October 2016

Europe

		Value of holding		% of net assets	
		31 October 2016 £'000	30 April 2016 £'000	31 October 2016	30 April 2016
UBI Soft Entertainment	Software	8,472	5,495	0.7	0.7
SAP	Software	8,023	5,680	0.7	0.7
Talend ADR	Software	7,631	–	0.7	–
Impax Environment	Other	7,249	5,525	0.6	0.7
Criteo	Internet Software & Services	6,692	3,604	0.6	0.4
Globant	Software	5,690	3,233	0.5	0.4
First Derivatives	IT Services	4,437	3,373	0.4	0.4
Relx	Media	3,241	3,777	0.3	0.5
Infineon Technologies	Semiconductors & Semiconductor Equipment	3,182	1,635	0.3	0.2
Zalando	Internet & Direct Marketing Retail	3,153	–	0.3	–
Compugroup Medical	Health Care Technology	2,965	2,698	0.3	0.3
TOM TOM	Household Durables	2,605	–	0.2	–
Aveva Group	Software	2,417	–	0.2	–
Tobii	Technology Hardware, Storage & Peripherals	2,337	–	0.2	–
ASML	Semiconductors & Semiconductor Equipment	2,169	–	0.2	–
Imagination Technologies	Semiconductors & Semiconductor Equipment	1,997	–	0.2	–
EMIS	Health care Technology	1,929	2,706	0.2	0.3
Accesso Technology	Electronic Equipment, Instruments & Components	1,777	1,318	0.2	0.2
TKH Group	Electrical Equipment	1,506	2,329	0.1	0.3
YouGov	Media	1,283	857	0.1	0.1
Materalise	Software	1,179	760	0.1	0.1
TRAKM8	Communications Equipment	850	–	0.1	–
Herald Ventures Limited Partnership I	Other	230	266	0.0	–
Herald Ventures Limited Partnership II	Other	62	32	0.0	–
Low Carbon Accelerator	Other	–	–	0.0	–
Unus Technologies	Other	–	–	0.0	–
Total European investments		81,076		7.2	

Portfolio at 31 October 2016

Asia & Pacific

		Value of holding		% of net assets	
		31 October 2016 £'000	30 April 2016 £'000	31 October 2016	30 April 2016
Samsung Electronics	Technology Hardware, Storage & Peripherals	31,202	8,181	2.8	1.0
Alibaba	Internet Software & Services	30,415	19,214	2.7	2.4
Tencent Holdings	Internet Software & Services	28,935	16,686	2.6	2.1
Taiwan Semiconductor	Semiconductors & Semiconductor Equipment	17,941	11,603	1.6	1.4
CyberArk Software	Software	13,825	5,343	1.2	0.7
NetEase	Internet Software & Services	10,737	3,489	0.9	0.4
Shin-Etsu Chemical	Chemicals	7,566	1,685	0.7	0.2
Broadcom	Semiconductors & Semiconductor Equipment	7,320	2,911	0.6	0.4
Toyko Electron	Semiconductors & Semiconductor Equipment	7,206	5,371	0.6	0.7
Nintendo	Software	6,781	4,901	0.6	0.6
SK Hynix	Semiconductors & Semiconductor Equipment	6,556	3,761	0.6	0.5
Baidu	Internet Software & Services	6,136	9,703	0.5	1.2
Nabtesco	Machinery	5,464	1,215	0.5	0.2
Keyence	Electronic Equipment, Instruments & Components	5,451	3,505	0.5	0.4
Hoya	Healthcare Equipment & Supplies	5,214	2,517	0.5	0.3
Gigabyte	Technology Hardware, Storage & Peripherals	4,549	2,307	0.4	0.3
Sony	Household Durables	4,343	3,290	0.4	0.4
Himax Technologies	Semiconductors & Semiconductor Equipment	4,046	3,654	0.4	0.5
Harmonic Drive Systems	Machinery	3,718	2,583	0.3	0.3
Murata Manufacturing	Electronic Equipment, Instruments & Components	3,178	2,618	0.3	0.3
Silicon Motion Technology	Semiconductors & Semiconductor Equipment	3,045	3,692	0.3	0.5
Pixart Imaging	Semiconductors & Semiconductor Equipment	2,981	1,844	0.3	0.2
Silergy	Semiconductors & Semiconductor Equipment	2,938	2,237	0.3	0.3

Portfolio at 31 October 2016

Asia & Pacific continued

		Value of holding		% of net assets	
		31 October 2016 £'000	30 April 2016 £'000	31 October 2016	30 April 2016
Asustek Computer	Technology Hardware, Storage & Peripherals	2,464	–	0.2	–
Ememory Technology	Semiconductors & Semiconductor Equipment	2,380	3,367	0.2	0.4
Acer	Technology Hardware, Storage & Peripherals	2,243	–	0.2	–
Mix Telematics ADR	Internet Software & Services	2,160	–	0.2	–
Eizo Nanao	Technology Hardware, Storage & Peripherals	1,669	1,139	0.1	0.1
SK Material	Chemicals	1,375	–	0.1	–
Zuken	IT Services	1,041	645	0.1	0.1
Seeing Machines	Electronic Equipment, Instruments & Components	1,006	817	0.1	0.1
Total Asian investments		233,885		20.8	

Corporate Matters and Statement of Directors' Responsibilities

Auditors

The Company completed a selection process for the appointment of external Auditors and will appoint KPMG LLP as its new external Auditor for the year ending 30 April 2018. The audit for the financial year ended 30 April 2017 will be carried out by the current Auditor, PricewaterhouseCoopers LLP.

The selection of KPMG LLP followed a competitive tender process, as announced in the Company's 2015 Annual Report and Accounts.

Shareholder approval to confirm the appointment of KPMG LLP will be sought at the 2017 Annual General Meeting.

Principle Risks and Uncertainties

The Directors consider that the principal risks and uncertainties faced by the Company for the remaining six months of the financial year, which could have a material impact on performance, remain consistent with those outlined in the Annual Report for the year ended 30 April 2016.

The investment manager's report comments on the outlook for market related risks, including the increased volatility in share prices and economic cycles.

The Company has a risk management framework that is a structured process for identifying, assessing and managing the risks associated with the Company's business. The investment portfolio is diversified by geography which mitigates risk but is focused on the technology sector and has a high proportion of non-Sterling investments.

Related Party Transactions

In accordance with DTR 4.2.8R there have been no new related party transactions during the six month period to 31 October 2016 and therefore nothing to report on any material effect by such transactions on the financial position or performance of the Company during that period. There have been no changes in any related party transaction described in the last Annual Report that could have a material effect on the financial position or performance of the Company in the first six months of the current financial year.

Responsibility Statement

The Directors of Polar Capital Technology Trust plc, which are listed in the Shareholder Information Section, confirm to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS34 as adopted by the European Union and gives a true and fair view of the financial position of the Company as at 31 October 2016 and the results for the six months ended 31 October 2016 as required by the Disclosure and Transparency Rules 4.2.4R;
- The Interim Management Report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7R and 4.2.8.R.

The half year financial report for the six month period to 31 October 2016 has not been audited or reviewed by the Auditors. The half year financial report for the six month period to 31 October 2016 was approved by the Board on 15 December 2016.

On behalf of the Board.

Michael Moule
Chairman

Statement of Comprehensive Income

for the half year ended 31 October 2016

		(Unaudited)						(Audited)		
		Half year ended 31 October 2016			Half year ended 31 October 2015			Year ended 30 April 2016		
	Notes	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	2	3,901	–	3,901	3,600	–	3,600	6,618	–	6,618
Other operating income	2	1	–	1	2	–	2	5	–	5
Gains on investments held at fair value	3	–	321,246	321,246	–	7,178	7,178	–	8,782	8,782
Net gains on derivative contracts	4	–	4,464	4,464	–	445	445	–	1,550	1,550
Other currency gains	5	–	6,226	6,226	–	407	407	–	1,040	1,040
Total income		3,902	331,936	335,838	3,602	8,030	11,632	6,623	11,372	17,995
Expenses										
Investment management fee		(4,445)	–	(4,445)	(3,943)	–	(3,943)	(7,921)	–	(7,921)
Other administrative expenses		(493)	–	(493)	(402)	–	(402)	(759)	–	(759)
Total expenses		(4,938)	–	(4,938)	(4,345)	–	(4,345)	(8,680)	–	(8,680)
(Loss)/profit before finance costs and tax		(1,036)	331,936	330,900	(743)	8,030	7,287	(2,057)	11,372	9,315
Finance costs		(331)	–	(331)	(162)	–	(162)	(445)	–	(445)
(Loss)/profit before tax		(1,367)	331,936	330,569	(905)	8,030	7,125	(2,502)	11,372	8,870
Tax		(527)	–	(527)	(426)	–	(426)	(582)	–	(582)
Net (loss)/profit for the period and total comprehensive income		(1,894)	331,936	330,042	(1,331)	8,030	6,699	(3,084)	11,372	8,288
Earnings per ordinary share (basic) (pence)	7	(1.43)	250.83	249.40	(1.01)	6.07	5.06	(2.33)	8.59	6.26

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the European Union.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations. The Company does not have any other comprehensive income.

Balance Sheet

at 31 October 2016

	Notes	(Unaudited) 31 October 2016 £'000	(Unaudited) 31 October 2015 £'000	(Audited) 30 April 2016 £'000
Non-current assets				
Investments held at fair value through profit or loss		**1,105,312**	774,442	764,771
Current assets				
Derivative financial instruments held at fair value through profit or loss		**2,811**	586	2,244
Receivables		**4,901**	13,298	12,811
Overseas tax recoverable		**92**	118	96
Cash and cash equivalents		**68,447**	58,927	70,325
		76,251	72,929	85,476
Total assets		**1,181,563**	847,371	850,247
Current liabilities				
Payables		**(9,546)**	(15,382)	(15,375)
Bank loans		**(40,663)**	(29,916)	(33,565)
Bank overdraft		**(5)**	(2,355)	–
		(50,214)	(47,653)	(48,940)
Net assets		**1,131,349**	799,718	801,307
Equity attributable to equity shareholders				
Share capital		**33,084**	33,084	33,084
Capital redemption reserve		**12,802**	12,802	12,802
Share premium		**141,955**	141,955	141,955
Special non-distributable reserve		**7,536**	7,536	7,536
Capital reserves		**1,015,647**	680,369	683,711
Revenue reserve		**(79,675)**	(76,028)	(77,781)
Total equity		**1,131,349**	799,718	801,307
Net asset value per ordinary share (pence)	8	**854.91**	604.31	605.51

Statement of Changes in Equity

for the half year ended 31 October 2016

	(Unaudited) Half year ended 31 October 2016						
	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special non-distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total Equity £'000
Total equity at 30 April 2016	33,084	12,802	141,955	7,536	683,711	(77,781)	801,307
Total comprehensive income:							
Profit/(loss) for the period to 31 October 2016	–	–	–	–	331,936	(1,894)	330,042
Total equity at 31 October 2016	33,084	12,802	141,955	7,536	1,015,647	(79,675)	1,131,349

	(Unaudited) Half year ended 31 October 2015						
	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special non-distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total Equity £'000
Total equity at 30 April 2015	33,084	12,802	141,955	7,536	672,339	(74,697)	793,019
Total comprehensive income:							
Profit/(loss) for the period to 31 October 2015	–	–	–	–	8,030	(1,331)	6,699
Total equity at 31 October 2015	33,084	12,802	141,955	7,536	680,369	(76,028)	799,718

	(Audited) Year ended 30 April 2016						
	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special non-distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total Equity £'000
Total equity at 30 April 2015	33,084	12,802	141,955	7,536	672,339	(74,697)	793,019
Total comprehensive income:							
Profit/(loss) for the year to 30 April 2016	–	–	–	–	11,372	(3,084)	8,288
Total equity at 30 April 2016	33,084	12,802	141,955	7,536	683,711	(77,781)	801,307

Cash Flow Statement

for the half year ended 31 October 2016

	(Unaudited) Half year ended 31 October 2016 £'000	(Unaudited) Half year ended 31 October 2015 £'000	(Audited) Year ended 30 April 2016 £'000
Cash flows from operating activities			
Profit before tax	330,569	7,125	8,870
Adjustment for non-cash items:			
Foreign exchange gains	(6,226)	(407)	(1,040)
Adjusted profit before finance costs and tax	324,343	6,718	7,830
Adjustments for:			
(Increase)/decrease in investments	(340,541)	(4,675)	5,582
Increase in derivative financial instruments	(567)	–	(2,244)
Decrease in receivables	7,910	1,277	1,764
(Decrease)/increase in payables	(5,829)	3,094	3,087
	(339,027)	(304)	8,189
Net cash (used in)/generated from operating activities before tax	(14,684)	6,414	16,019
Overseas tax deducted at source	(523)	(441)	(575)
Net cash (used in)/generated from operating activities	(15,207)	5,973	15,444
Cash flows from financing activities			
Loans matured	–	(13,732)	(13,649)
Loans drawn	–	30,621	30,621
Net cash generated from financing activities	–	16,889	16,972
Net (decrease)/increase in cash and cash equivalents	(15,207)	22,862	32,416
Cash and cash equivalents at the beginning of the period	70,325	33,815	33,815
Effect of foreign exchange rate changes	13,324	(105)	4,094
Cash and cash equivalents at the end of the period	68,442	56,572	70,325

Notes to the Financial Statements

for the six month period ended 31 October 2016

1. GENERAL INFORMATION

The financial statements comprise the unaudited results for Polar Capital Technology Trust plc for the six month period to 31 October 2016.

The unaudited financial statements to 31 October 2016 have been prepared using the accounting policies used in the annual financial statements to 30 April 2016. These accounting policies are based on International Financial Reporting Standards ('IFRS'), which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB') and the International Accounting Standards Committee ('IASC'), as adopted by the European Union.

The financial information in this half year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the six month periods ended 31 October 2016 and 31 October 2015 have not been audited. The figures and financial information for the year ended 30 April 2016 are an extract from the latest published financial statements and do not constitute statutory accounts for that year. Full statutory accounts for the year ended 30 April 2016, prepared under IFRS, including the report of the Auditors which was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies.

The accounting policies have not varied from those described in the Annual Report for the year ended 30 April 2016.

The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand Pounds (£'000), except where otherwise stated.

The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The assets of the Company consist mainly of securities that are readily realisable and accordingly, the Company has adequate financial resources to meet its liabilities as and when they fall due and to continue in operational existence for the foreseeable future.

2. INCOME

	(Unaudited) For the half year ended 31 October 2016 £'000	(Unaudited) For the half year ended 31 October 2015 £'000	(Audited) For the year ended 30 April 2016 £'000
Income from investments held at fair value through profit or loss			
Franked dividends	97	49	174
Unfranked dividends	3,804	3,551	6,444
	3,901	3,600	6,618
Other operating income			
Bank interest	1	2	5
Total income	3,902	3,602	6,623

3. GAINS ON INVESTMENT HELD AT FAIR VALUE

	(Unaudited) For the half year ended 31 October 2016 £'000	(Unaudited) For the half year ended 31 October 2015 £'000	(Audited) For the year ended 30 April 2016 £'000
Net gains on disposal of investments at historic cost	**70,544**	50,279	66,411
Transfer on disposal of investments	**(7,221)**	(68,640)	(91,024)
Gains/(losses) based on carrying value at previous balance sheet date	**63,323**	(18,361)	(24,613)
Valuation gains on investments held during the year	**257,923**	25,539	33,395
	321,246	7,178	8,782

4. GAINS ON DERIVATIVES

	(Unaudited) For the half year ended 31 October 2016 £'000	(Unaudited) For the half year ended 31 October 2015 £'000	(Audited) For the year ended 30 April 2016 £'000
Gains on disposal of derivatives held	**5,469**	–	646
(Losses)/gains on revaluation of derivatives held	**(1,005)**	445	904
	4,464	445	1,550

5. OTHER CURRENCY GAINS

	(Unaudited) For the half year ended 31 October 2016 £'000	(Unaudited) For the half year ended 31 October 2015 £'000	(Audited) For the year ended 30 April 2016 £'000
Exchange gains/(losses) on currency balances	**13,323**	(105)	4,177
Exchange losses on settlement of loan balances	**–**	(83)	(83)
Exchange (losses)/gains on translation of loan balances	**(7,097)**	595	(3,054)
	6,226	407	1,040

6. INVESTMENT MANAGEMENT AND PERFORMANCE FEES

Investment management fee

The investment management fee is 1% on the Net Asset Value per share multiplied by the arithmetic mean of the number of shares up to £800m and above £800m the investment management fee reduces to 0.85%. The fee is payable quarterly in arrears based on the Net Asset Value at the end of each quarter. Any investments in funds managed by Polar Capital are excluded from the management fee calculation.

During the period to 31 October 2016 the £800m value was exceeded and the lower management fee of 0.85% was charged on the excess resulting in a blended rated for the period.

Notes to the Financial Statements

for the six month period ended 31 October 2016

6. INVESTMENT MANAGEMENT AND PERFORMANCE FEES continued

Performance fee

The investment manager is entitled to a performance fee based on the level of outperformance of the Company's net asset value per share over its benchmark, the Dow Jones World Technology Index (total return, Sterling adjusted, with the removal of relevant withholding taxes) during the relevant performance period. A fuller explanation of the performance and management fee arrangements is given in the Annual Report.

At 31 October 2016 no performance fee was accrued but the quantum of any performance fee will be based on the net asset value at the year end on 30 April 2017.

7. EARNINGS PER ORDINARY SHARE

	(Unaudited) For the half year ended 31 October 2016 £'000	(Unaudited) For the half year ended 31 October 2015 £'000	(Audited) For the year ended 30 April 2016 £'000
Net loss for the period:			
Revenue	(1,894)	(1,331)	(3,084)
Capital	331,936	8,030	11,372
Total	330,042	6,699	8,288
Weighted average number of shares in issue during the period	132,336,159	132,336,159	132,336,159
Revenue	(1.43)p	(1.01)p	(2.33)p
Capital	250.83p	6.07p	8.59p
Total	249.40p	5.06p	6.26p

8. NET ASSET VALUE PER ORDINARY SHARE

	(Unaudited) 31 October 2016	(Unaudited) 31 October 2015	(Audited) 30 April 2016
Undiluted:			
Net assets attributable to ordinary shareholders (£'000)	1,131,349	799,718	801,307
Ordinary shares in issue at end of period	132,336,159	132,336,159	132,336,159
Net asset value per ordinary share	854.91p	604.31p	605.51p

9. DIVIDEND

In accordance with stated policy, no dividend has been declared for the period ended 31 October 2016 or the periods ended 31 October 2015 and 30 April 2016.

10. RELATED PARTY TRANSACTIONS

There have been no related party transactions that have materially affected the financial position or the performance of the Company during the six month period to 31 October 2016.

Investing

The ordinary shares of the Company are listed and traded on the London Stock Exchange.

Investors should be aware that the value of the Company's ordinary shares may reflect the greater relative volatility of technology shares. Technology shares are subject to the risks of developing technologies, competitive pressures and other factors including the acceptance by business and consumers of new technologies. Many companies in the technology sector are smaller companies and are therefore also subject to the risks attendant on investing in smaller capitalisation businesses.

Polar Capital Technology Trust plc is an investment trust and as such its ordinary shares are excluded from the FCA's restrictions which apply to non-mainstream investment products. The Company conducts its affairs and intends to do so for the foreseeable future so that the exclusion continues to apply.

There are a variety of ways to invest in the Company. However this will largely depend upon whether you would like financial advice or are happy to make your own investment decisions.

For those investors who would like advice:

Wealth Managers/Private Client Stockbrokers

Investors with a large lump sum to invest may want to contact a wealth manager or private client stockbroker. They will manage a portfolio of shares on behalf of a private investor and will offer a personalised service to meet an individual's particular needs.

A list of private client stockbrokers is available from the Wealth Management Association at www.thewma.co.uk

Financial Advisers

For investors looking to find a financial adviser, please visit www.unbiased.co.uk

Financial Advisers who wish to purchase shares for their clients can also do so via a growing number of platforms that offer investment trusts including Alliance Trust Savings, Ascentric, Nucleus, Raymond James, Seven IM and Transact.

For those investors who are happy to make their own investment decisions:

Online Stockbroking Services

There are a number of real time execution only stockbroker services which allow private investors to trade online for themselves, manage a portfolio and buy UK listed shares. Online stockbroking services include Alliance Trust Savings, Barclays Stockbrokers, Halifax Share Dealing, Hargreaves Lansdown, Selftrade and TD Waterhouse.

The Company has also made arrangements with its share registrars, Equiniti Limited, for investors to buy and sell shares through the Shareview.co.uk service. Further details can be obtained from the Shareview website or by calling the Shareholder helpline on 0800 876 6889.

Investing continued

Risks associated with investing

Please remember that the value of your investments and any income from them may go down as well as up. Past performance is not a guide to future performance. You may not get back the amount that you invest. If you are in any doubt as to the suitability of a plan or any investment available within a plan, please take professional advice.

Investors should be aware of the following risks when considering investing in the shares of Polar Capital Technology Trust plc:

- Past performance is not a guide to future performance. Please remember that any investment in the shares of Polar Capital Technology Trust either directly or through a savings scheme or ISA carries the risk that the value of your investment and any income from them may go down as well as up due to the fluctuations of the share price, the market and interest rates. This risk may result in an investor not getting back their original amount invested.
- Investors should be aware that the value of the NAV of the Company's shares may reflect the greater relative volatility of technology shares. Technology shares are subject to the risks of developing technologies, competitive pressures and other factors including the acceptance by business and consumers of new technologies. Many companies in the technology sector are smaller companies and are therefore also subject to the risks attendant on investing in smaller capitalisation businesses.
- As the Company invests in overseas companies changes in exchange rates may cause fluctuations in the value of the investments and of your investment in the Company.
- The Company takes on bank debt for investment purposes ('gearing') which exposes the company to exchange risk when the borrowings are in different currencies and the value of the investments made with the borrowings may fall and may not be sufficient to cover the borrowings and interest costs. However the Company may increase or decrease its borrowing levels to suit market conditions.
- If you are investing through a savings plan, ISA or other investment arrangement it is important that you read the key features documents and understand the risks associated with investing in the shares of the Company. If you are in any doubt as to the suitability of a plan or any investment available within a plan, please take professional advice.
- Tax rates and reliefs change from time to time and may affect the value of your investment.

Polar Capital Technology Trust plc is a public listed company on the London Stock Exchange Premium Market section and complies with the UK Listing Authority's Rules. It is not directly authorised and regulated by the Financial Conduct Authority.

Forward Looking Statements

Certain statements included in this report and financial statements contain forward-looking information concerning the Company's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Company operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the principal risks and uncertainties included in the Strategic Report section of the Annual Report. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Technology Trust plc or any other entity, and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.

Warnings to Shareholders

Warnings to Shareholders

Fraud

Shareholders should be on their guard from any approaches by persons seeking to offer services to buy or sell their shareholdings or being asked to make a 'facilitation or commission payment'. If you are in doubt you should contact the FCA (see below) and if you have any concerns over the 'facts' being presented in such approaches you can confirm the veracity of such statements direct with the Company or Registrars (details on page 36).

PLEASE TAKE ADVICE BEFORE TAKING ANY ACTION.

Beware of Share Fraud

Financial Conduct Authority

Fraudsters use persuasive and high-pressure tactics to lure investors into scams.

They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to Avoid Share Fraud

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advise before you hand over any money.
10. **Remember:** if it sounds too good to be true, it probably is!

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000

Report a Scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768.**

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040.**

In association with:

Company Information

For information, please visit www.polarcapitaltechnologytrust.co.uk

Profile

History

Polar Capital Technology Trust plc was launched on 16 December 1996 under the name Henderson Technology Trust plc, with the issue of ordinary shares plus one warrant attached to every five shares. The original subscription price for each share was £1. On 30 September 2005 the warrants reached their final exercise date and were converted into ordinary shares of the Company. On 14 February 2011, subscription shares were issued free of cost to qualifying shareholders on the basis of one subscription share for every five ordinary shares, these expired on 31 March 2014.

In 2015, the shareholders voted to continue the life of the Company and they will have in 2020 and every five years thereafter the right to approve, or otherwise, the continued existence of the Company.

Objective

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

The investment policy is set out in full in the Strategic Report of the Annual Report.

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 continue to offer the potential for above average earnings growth.

Technology may be defined as the application of scientific knowledge for practical purposes and technology companies are defined accordingly.

While this offers a very broad and dynamic investing universe and covers many different companies, the portfolio will be focused on technology companies which use technology or which develop and supply technological solutions as a core part of their business models. This includes areas as diverse as information, media, communications, environmental, healthcare, financial and renewable energy, as well as the more obvious applications such as computing and associated industries.

Investment Approach

Stocks are selected for their potential shareholder returns, not on the basis of technology for its own sake. The Investment Manager believes in rigorous fundamental analysis and focuses on:

- management quality;
- the identification of new growth markets;
- the globalisation of major technology trends;
- exploiting international valuation anomalies; and
- sector volatility.

Benchmark

The Company has a benchmark of the Dow Jones World Technology Index (total return, Sterling adjusted, with the removal of relevant withholding taxes) against which NAV performance is measured for the purpose of assessing performance fees.

Dividends

The Company has not historically paid a dividend as the objective is capital growth.

Management

The Company is led by an experienced Board of Directors with extensive knowledge of investment matters and the regulatory framework in which such activity is undertaken. The Directors are all non-executive and have appointed various third party suppliers to provide a range of services including investment management, depositary and administrative services to the Company.

The role of the Board is to provide oversight of the Company's activities and to ensure the appropriate financial resources and controls are in place to deliver the investment objective and manage the risks associated with such activities. Details of the Directors' skills and relevant experience are included in the Annual Report.

Polar Capital LLP has been the appointed Investment Manager throughout the year and was appointed the Alternative Investment Fund Manager ('AIFM') with effect from 22 July 2014. Mr Ben Rogoff, the appointed portfolio manager, has been responsible for the Company's portfolio since 1 May 2006 and is supported by a team of technology specialists. Details of the investment team are given in the Annual Report.

Polar Capital LLP is authorised and regulated by the Financial Conduct Authority.

Fees

The Company pays both a basic management fee and a performance fee. With effect from 1 May 2015 the basic management fee is 1% of the Net Asset Value per share basis up to £800m and above £800m the base fee will be reduced to 0.85%. The performance fee is 15% of the outperformance over the benchmark subject to a highwater mark and cap. Full details of the fees are set out in the Annual Report.

Share Price and Net Asset Value

Information on the Company including the Net Asset Value (NAV) and share price can be found on the Company's website at www.polarcapitaltechnologytrust.co.uk

The Company's Net Asset Value ('NAV'), is released daily, on the next working day, following the calculation date, to the London Stock Exchange.

The mid-market price of the ordinary shares is published on the Company's website and daily in the Financial Times in the Companies and Markets section under the heading 'Investment Companies'.

Share price information is also available from The London Stock Exchange Website www.londonstockexchange.co.uk (PCT), Bloomberg (PCT.LN), Datastream (PCT), Lipper (71000395) and Reuters (PCT.L).

The SEDOL code for the ordinary shares is 0422002 and the ISIN is GB004220025.

Portfolio Details

Portfolio information is provided to the AIC for its monthly statistical information service (www.theaic.co.uk) and monthly fact sheets, as well as previous copies of Annual Report and financial statements, are available on the Company's website at www.polarcapitaltechnologytrust.co.uk

A full portfolio listing is given in the annual, half year and published quarterly on the Company's website.

Gearing

The Company uses gearing in the form of bank loans which are used on a tactical basis by the Investment Manager, when considered appropriate. The overall level of net gearing is agreed between Polar Capital LLP as the Alternative Investment Fund Manager and the Board. The Board approves and controls all bank facilities and any net borrowings over 15% of the Company's net assets at the time of draw down will only be made after approval of the Board.

The Investment Manager's use of derivatives is controlled by the Board in accordance with the Company's investment policy and any leverage from the use of such derivatives will be subject to the restriction on gearing.

Directors and Contacts

Directors

MB Moule (Chairman)
BJD Ashford-Russell
SC Bates
C Ginman
PJ Hames
RAS Montagu (until retirement on 9 September 2016)

Investment Manager and AIFM

Polar Capital LLP
Authorised and regulated by the Financial Conduct Authority

Portfolio Manager

Ben Rogoff

Secretary

Polar Capital Secretarial Services Limited
represented by Neil Taylor

Registered Office and address for contacting the Directors

16 Palace Street,
London SW1E 5JD
020 7227 2700

Independent Auditors

PricewaterhouseCoopers LLP
Atria One, 144 Morrison Street,
Edinburgh EH3 8EX

Solicitors

Herbert Smith Freehills LLP
Exchange House, Primrose Street,
London EC2A 2HS

Stockbrokers

Cenkos Securities plc
6.7.8. Tokenhouse Yard,
London EC2R 7AS

Depositary, Bankers and Custodian

HSBC Bank Plc
8 Canada Square,
London E14 5HQ

Registered Number

Incorporated in England and Wales with company number 3224867 and registered as an investment company under section 833 of the Companies Act 2006

Company Website

www.polarcapitaltechnologytrust.co.uk

The Company maintains a website which provides a wide range of information on the company, monthly fact sheets, and copies of announcements and other useful details and further links to information sources.

Information on the Company can be obtained from various different sources including www.theaic.co.uk, www.ft.com/markets and www.telegraph.co.uk/funds

Registrar

Shareholders who have their shares registered in their own name, not through a Share Savings Scheme or ISA, can contact the registrars with any queries on their holding. Post, telephone and Internet contact details are given below.

In correspondence you should refer to Polar Capital Technology Trust plc, stating clearly the registered name and address and, if available, the full account number.

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Shareholder helpline: 0800 876 6889
(or +44 121 415 7047)

www.shareview.co.uk

Electronic Communications

If you hold your shares in your own name you can choose to receive communications from the Company in electronic format. This method reduces costs, is environmentally friendly and, for many, is convenient too.

If you would like to take advantage of Electronic Communications please visit our registrar's website at www.shareview.co.uk and register. You will need your shareholder reference number. If you agree to the terms and conditions, in future, on the day that documents are sent to shareholders by post you will receive an e-mail providing the website address where the documents can be viewed and downloaded. Paper copies will still be available on request.

AIC

The Company is a member of the Association of Investment Companies ('AIC') and the AIC website www.theaic.co.uk contains detailed information about investment trusts including guides and statistics.

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