Polar Capital Technology Trust plc

Trust Fact Sheet

Ordinary Shares

Share Price	2145.00p
NAV per share	2508.62p
Premium	-
Discount	-14.49%
Capital	123,249,257 shares of 25p*

*Excluding Ordinary shares held in treasury

Assets & Gearing [1]

Total Net Assets	£3,092.3m
AIC Gearing Ratio	n/a
AIC Net Cash Ratio	5.63%

Fees [2 3]

Management Fees	
£0 - £2bn	0.80%
£2bn - £3.5bn	0.70%
Over £3.5bn	0.60%
Performance	10.00% over Benchmark
Ongoing Charges	0.81%

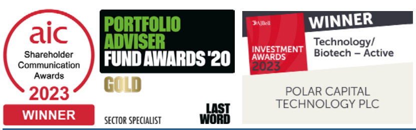
Fund Managers

Ben Rogoff
Partner
Ben has directed the Trust since 2006, he joined Polar Capital in 2003 and has 28 years of industry experience.

Alastair Unwin
Deputy Manager
Alastair became Deputy Manager in 2023, he joined Polar Capital in 2019 and has 12 years of industry experience.

Nick Evans	Partner
Xuesong Zhao	Partner
Fatima Iu	Fund Manager
Paul Johnson	Investment Analyst
Nick Williams	Investment Analyst
Patrick Stuff	Investment Analyst
Fred Holt	Investment Analyst
Lina Ghayor	Investment Analyst

Fund Awards



Trust Profile

Investment Objective

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

Key Facts

- One of the largest dedicated tech investment teams in Europe
- Theme-based approach to stock selection
- Looking for the best small, medium or large companies across the globe
- Launched in 1996, it has a multi-cycle track record

Investment Policy

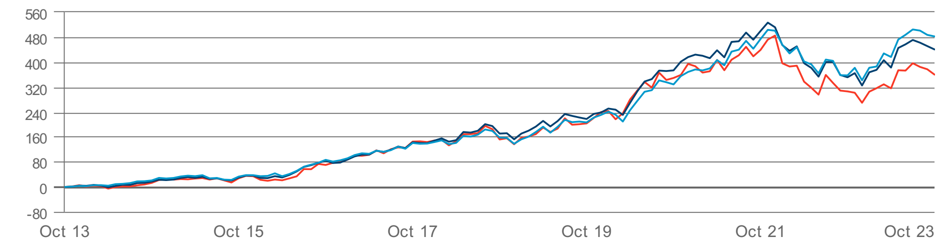
The Company invests its technology assets in a portfolio comprised primarily of international quoted equities which is diversified across both regions and sectors within the overall investment objective to reduce investment risk.

Investment Approach

The Polar Capital Technology team selects companies for their potential for shareholder returns, not on the basis of technology for its own sake. The team believe in rigorous fundamental analysis and focus on: management quality, the identification of new growth markets, the globalisation of major technology trends, exploiting international valuation anomalies and sector volatility.

Performance

Performance over 10 years (%)



	1 month	3 month	YTD	1 year	3 years	5 years	10 years
Ordinary Share Price (TR)	-3.60	-7.34	24.42	13.25	2.39	82.40	359.81
NAV per share	-1.95	-5.32	27.18	19.75	14.15	99.50	440.38
Benchmark	-0.85	-3.69	31.81	27.28	35.87	125.57	482.12

Discrete Annual Performance (%) [4]

	Financial YTD	31.10.22 31.10.23	29.10.21 31.10.22	30.10.20 29.10.21	31.10.19 30.10.20	31.10.18 31.10.19
Ordinary Share Price (TR)	10.57	13.25	-24.66	20.00	47.95	20.41
NAV per share	12.03	19.75	-24.73	26.65	49.01	17.29
Benchmark	12.77	27.28	-20.30	33.94	39.67	18.87

Performance relates to past returns and is not a reliable indicator of future returns.
Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, total return, Net of Fees in GBP terms.
1. Gearing calculations are exclusive of current year Revenue/Loss.
2. The performance fee is subject to a high watermark and cap. Further details can be found under Corporate Documents of the Company's website: http://www.polarcapitaltechnologytrust.co.uk.
3. Ongoing charges are calculated at the latest published year end date, and exclude any performance fees.
4. The end of the financial year for the Company is the final day of April each year.

Risk Warning Your capital is at risk. You may not get back the full amount you invested. Please note the Risks and Important information at the end of this document, and the Investment Policy and full Risk Warnings set out in the Prospectus, Annual Report and/or Investor Disclosure Document.

Discount Warning The shares of investment trusts may trade at a discount or a premium to Net Asset Value for a variety of reasons including market sentiment and market conditions. On a sale you could realise less than the Net Asset Value and less than you initially invested.

Portfolio Exposure

As at 31 October 2023

Top 10 Positions (%)

Microsoft	12.4
Apple	8.2
Alphabet	7.4
NVIDIA	7.1
Meta Platforms (Facebook)	4.1
Advanced Micro Devices	3.1
Samsung Electronics	2.8
TSMC	2.5
Amazon	2.3
ServiceNow	2.0
Total	**51.9**

^The Trust may hold call and/or put options for Efficient Portfolio Management. The Microsoft position reflects an equity holding of 10.89% with the remainder explained by a call option with delta-adjusted exposure of 1.49% and premium value of 0.10% at month end.

Total Number of Positions 95

Market Capitalisation Exposure (%)

Large Cap (>US$10 bn)	89.4
Mid Cap (US$1 bn - 10 bn)	9.9
Small Cap (<US$1 bn)	0.7

Trust Characteristics

Launch Date	16 December 1996
Year End	30 April
Results Announced	Mid July
Next AGM	September
Continuation Vote	2025 AGM
Listed	London Stock Exchange

Benchmark

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

FX Rates

GBP/USD	1.2135
GBP/EUR	1.1480
GBP/JPY	183.7709

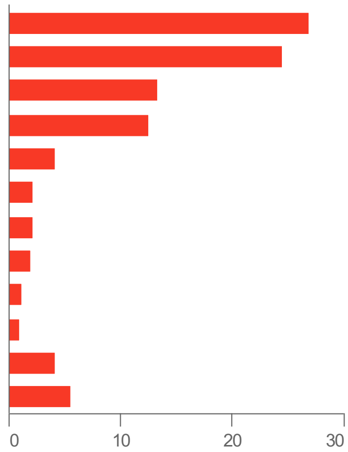
Codes

Ordinary Shares

ISIN	GB0004220025
SEDOL	0422002
London Stock Exchange	PCT

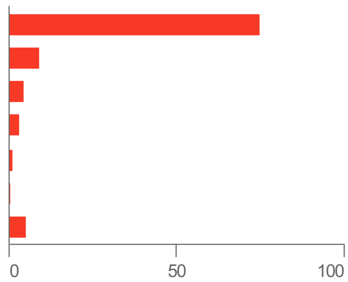
Sector Exposure (%)

Software	27.0
Semiconductors & Semiconductor Equip.	24.5
Interactive Media & Services	13.3
Tech. Hardware, Storage & Periph.	12.6
IT Services	4.1
Broadline Retail	2.3
Electronic Equipment, Instruments & Components	2.1
Communications Equipment	2.0
Entertainment	1.2
Financial Services	1.0
Other	4.3
Cash	5.6



Geographic Exposure (%)

US & Canada	75.6
Asia Pac (ex-Japan)	9.5
Japan	4.4
Europe (ex UK)	3.2
Middle East & Africa	1.4
UK	0.4
Cash	5.6



The entire investment portfolio is published in the annual and half year report as well as being announced to the London Stock Exchange on a quarterly basis.

Note: Totals may not sum due to rounding. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.

Investing in the Trust and Shareholder Information

Market Purchases

The shares of Polar Capital Technology Trust PLC are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary.

Share Dealing Services

Details of the different ways of dealing in the company's shares are given on the website. Equiniti, the company's registrars provide an internet share sale service.

Telephone	0800 876 6889
Online	www.shareview.co.uk

Corporate Contacts

Registered Office and Website
16 Palace Street, London SW1E 5JD
www.polarcapitaltechnologytrust.co.uk

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

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

Fund Managers' Comments

Key points

- The technology sector outperformed global equity markets, which continued their decline since August
- Large-cap technology stocks again significantly outperformed their small and mid-cap peers
- We continue to position the portfolio in favour of companies we feel should prove important AI enablers and beneficiaries

Market review

Global equity markets registered their third consecutive monthly decline in October. The MSCI All Country World Net Total Return Index returned -2.5% while the S&P 500 Index and the DJ Euro Stoxx 600 Index delivered -1.6% and -3.2% respectively (in sterling terms). The S&P 500 entered correction territory, having fallen c7% from its July highs. Market sentiment was shaken by an increase in geopolitical risk following Hamas's terrorist attack in Israel. The interest rate environment provided a further headwind as the 10-year US Treasury yield breached 5% temporarily, having moved c50bps (or two standard deviations) higher during the month. Yields rose on the back of stronger than expected economic data, as well as other factors influencing the Treasury market including increased issuance (to fund government spending), ongoing quantitative tightening (lower demand from the Federal Reserve – the Fed) and commentary from the Fed which reiterated the 'higher for longer' interest rate message given strong economic growth and a still-tight labour market.

The US economy expanded at an annualised 4.9% in 3Q23, above market forecasts of 4.3% and up from the 2.1% expansion in 2Q23. The acceleration in economic growth (as measured by Gross Domestic Product – GDP) was primarily driven by increased consumer spending, private inventory investment and federal government spending. The labour market is gradually easing but remains resilient despite the Fed's tightening activity. The US economy added 336,000 jobs in September, well above forecasts of 170,000 and even more than the upwardly revised 225,000 jobs added in August. The jobs increase was driven by strength in understaffed sectors such as leisure, government and healthcare. It was the largest increase in eight months and well above the 70,000-100,000 needed per month to keep up with the growth in the working-age population. However, average hourly earnings only increased +0.2% m/m for the second month (below forecasts of +0.3%), which was more encouraging given concerns around wage inflation.

The US Consumer Price Index (CPI) rose +0.4% m/m in September (above forecasts of +0.3%), with rising shelter and energy costs large contributors. The annual inflation rate was unchanged at +3.7% year on year (y/y; above forecasts of +3.6% y/y), up from the June low at +3% y/y, but well below peak levels. Core CPI, which excludes volatile items such as food and energy, slowed for the sixth month to +4.1% y/y, down from +4.3% y/y in August. Forward-looking inflation measures increased but still appear relatively benign. The Producer Price Index (PPI) increased +2.2% y/y in September (well above forecasts of +1.6% y/y), up from +2% y/y in August and the preliminary University of Michigan Consumer Sentiment Survey noted renewed concern from consumers about inflation, likely reflecting higher gasoline prices. Year-ahead inflation expectations rose to 3.8% in September from 3.2% in August, the highest since May 2023, and the five-year outlook increased to 3% from 2.8%.

The minutes of the September Federal Open Market Committee (that sets the Fed's monetary policy) meeting indicated "a majority of participants judged that one more [rate] increase…would likely be appropriate, while some judged it likely that no further increases would be warranted." Consumers have continued to spend, but officials appear worried about the impact from tighter credit conditions, less fiscal stimulus and the resumption of student loan repayments. All members agreed they should proceed carefully on future decisions, which will be based on incoming data rather than any predetermined path.

Technology review

The technology sector outperformed the broader market in October, as the Dow Jones Global Technology Net Total Return Index returned -0.9%. Large-cap technology stocks once again significantly outperformed their small and mid-cap peers as the Russell 1000 Technology Index (large cap) and Russell 2000 Technology Index (small cap) delivered returns of -0.3% and -8.4% respectively. This year, the gap between the two has extended to a remarkable c40 percentage points (ppts) year-to-date as the Russell 1000 Technology Index's +41.7% return has dwarfed the Russell 2000 Technology Index's +1.9%. This has presented a structural headwind to the Trust's relative performance given our structural overweight to small and mid-cap growth technology companies.

There was also significant dispersion between technology subsectors. The Philadelphia Semiconductor Index (SOX) returned -5.8% on concerns around inventory destocking, while the NASDAQ Internet Index declined -1.8% and the Bloomberg Americas Software Index was flat.

Earnings season began in earnest in October. Results and guidance were mixed, while stock reactions were volatile. In the internet sector, we added to our position in Amazon after the company delivered results ahead of expectations across the board. Total revenue grew +11% y/y in constant currency (cc[1]), with resilient performance in the retail business and acceleration in advertising revenue to +25% y/y cc from +22% y/y cc in Q2. Amazon Web Services' (AWS) growth was stable at +12% y/y, in line with muted investor expectations given concerns regarding further cloud optimisation headwinds. Operating income was $11.2bn, well above consensus estimates of $7.7bn. This was driven by strong retail margins in North America (continued shipping and fulfilment efficiency gains from regionalisation) and AWS operating margins which increased +6% quarter on quarter (q/q) to 30%, the highest level since 1Q22, driven by headcount reduction. Revenue guidance for 4Q23 was only in line with market forecasts despite positive commentary about holiday season sales and stronger new AWS project growth and artificial intelligence (AI) workloads growing rapidly. Operating income guidance of $7-11bn was well above consensus at $8.6bn and we added to our position following results.

We reinitiated a position in Netflix after it reported an 8.8 million increase in subscribers during the quarter, well above consensus forecasts of 6.1 million, driven by the ongoing crackdown on password sharing. A similar increase in subscribers is expected in 4Q23. The company also announced it is increasing the prices of two of its subscription plans in the US, the UK and France, which should also contribute to revenue growth going forwards. Management is focused on increasing free cashflow (FCF), with cash spending on content now expected to be c$13bn for the full year (below market forecasts at $15bn), enabling them to raise full year FCF guidance from >$5bn to c$6.5bn at the midpoint, implying FCF will be 50% above consensus forecasts in 4Q23.

Meta Platforms (Facebook) delivered a strong quarter, with revenue up +23% y/y, operating income and earnings per share (EPS) above

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market forecasts, driven robust engagement and monetisation in a recovering advertising market. Enthusiasm was tempered by 4Q23 revenue guidance, which was only in line with market forecasts, with management noting softer advertising spending at the start of the quarter coinciding with the turmoil in the Middle East. Management understandably characterised the FY24 revenue outlook as "uncertain" given the "volatile" macroeconomic and geopolitical environment. FY23 operating cost guidance was lowered and the FY24 outlook was below consensus expectations, despite the operating loss at Reality Labs (Metaverse) "meaningfully expanding" due to ongoing product development efforts in augmented reality and hiring activity coming back. Notably, FY23 capital expenditure (capex) guidance was also cut from $27-30bn to $27-29bn and the FY24 target of $30-35bn was well below expectations.

We reduced our position in Alphabet after mixed results. The overall advertising business was strong, with search revenue growth accelerating to +11% y/y (from +5% y/y in Q2) and YouTube accelerating to +12% y/y from +4% y/y in Q2, although expectations had been high given advertising market checks were generally positive. Management commentary around the integration of generative AI into search and advertising products was encouraging. However, cloud revenue growth decelerated to +22% y/y, below expectations at +26% y/y, due to ongoing spend optimisation efforts by clients. More positively, growth of the company's revenue backlog (which is mainly cloud) accelerated to +24% y/y from +18% y/y in Q2. Operating income was below expectations due to slightly higher expenses across divisions and some one-time items, and the company was non-committal regarding operating leverage in 2024.

We maintained our position in Microsoft after the company delivered strong top and bottom-line results. Revenue grew +13% y/y, while operating expenditure only grew +1% y/y, leading to a better-than-expected operating margin. Microsoft Azure (cloud) grew +28% y/y cc, with 3pts of growth from AI services above guidance for 2pts and up from 1pt last quarter, supported by increased graphics processing unit (GPU) capacity and utilisation. Azure AI services now has 18,000 customers (up from 11,000 last quarter) and is at a >$1.5bn annualised revenue run rate (for context it took Azure around seven years to reach this level). Management guided for Azure to grow +26-27% y/y cc next quarter with an "increasing contribution from AI" but growth is expected to remain "roughly stable" in 2H24 (June year-end), in line with consensus estimates, but implying a deceleration in non-AI Azure growth due to ongoing customer optimisation trends. Commentary about Microsoft 365 Copilot (AI assistant) was encouraging with 40% of Fortune 100 companies in the early access program, with management noting that "feedback is very, very positive" with users "hitting the Copilot button across every surface". The company continues to build out its AI infrastructure, guiding to capital expenditure of $11.2bn in the next quarter, above expectations at $10.8bn.

ServiceNow, a leading enterprise software company, rallied after reporting current remaining performance obligation (cRPO) – the sum of deferred revenue and backlog that the company is obliged to deliver over the next 12 months – growth of +24% y/y cc (above market forecasts at +23% y/y cc), with no deceleration from Q2, although this was primarily driven by strong performance in their federal business (19 federal deals >$1m, three over $10m and a mega-deal with the US Air Force, the third largest deal in company history. Q4 cRPO guidance was in line with expectations at +21% y/y and operating margin guidance was better than expected at 29.5% due to revenue outperformance and better cost control. Encouragingly, ServiceNow closed four deals for its new generative AI-enabled Pro+ product on the first day of trading and called out a strong pipeline of more than 300 customers for the product. However, elsewhere within software, fundamentals appear more mixed. We reduced our position in marketing software company HubSpot due to nascent concerns about the health of its small/medium-sized business customer base and more mixed channel checks.

We also reduced our position in Tesla following its earnings report. Vehicle deliveries (+27% y/y) were lower than market estimates, due to planned factory downtime for production line upgrades, likely combined with softening demand. Revenue and automotive gross margin (ex-regulatory credits) were consequently lower than anticipated, while operating margin was impacted by a +43% y/y rise in operating expenses, driven by Cybertruck prototype builds and pilot production testing combined with spend on AI technologies like Full Self-Driving (FSD), Optimus (humanoid robot) and Dojo (AI supercomputer). Although full-year delivery guidance was maintained at 1.8 million units, commentary regarding 2024 was more downbeat due to challenging macroeconomic conditions, particularly higher interest rates which are reducing vehicle affordability. The $7,500 tax credit from the Inflation Reduction Act becomes a point-of-sale rebate starting in January 2024 and Tesla's new low-cost leasing options in the US may help offset this. Management commentary on FSD was encouraging, with progress inflecting since the company transitioned to an end-to-end neural net approach. Tesla raised its capital expenditure guidance from $7-9bn to >$9bn in 2023 due to AI investments. We remain excited about the potential for AI to transform Tesla, but our reduced position size reflects near-term auto industry/cyclical headwinds.

These cyclical headwinds were apparent within the semiconductor subsector as results outside AI were more mixed. Semiconductors were also buffeted by further restrictions from the US government on the sale of more advanced AI chips into China, which are expected to have a negative impact on NVIDIA and Advanced Micro Devices (AMD), as well as dampen China wafer fabrication equipment spending in 2024.

TSMC reported revenue of -14% y/y (in dollar terms), in line with market forecasts but better than expected gross profit driven by higher-than-expected utilisation and a currency tailwind. The company guided revenue +11% q/q for next quarter, 5% above forecasts, benefiting from the "continued strong ramp of 3nm" and "early sign of stabilisations" in PC and smartphone markets. The automotive segment was -24% q/q, -11% y/y, with an inventory correction in progress according to management who also highlighted the persistent strength of AI-related demand, which they expect to grow even stronger into next year. This strength is driven not only by data centres, but also by the growth of edge AI in devices like smartphones and PCs. Overall, "healthier growth" is expected in 2024, with limited impact from a US AI chip ban. Capital expenditure in 2023 was reduced to $32bn from $32-36bn, while in 2024 and beyond, management expect capital intensity to decline for the next few years.

We added to AMD after a solid print, with revenue up +8% q/q, +4% y/y, driven by data centre growth as sales of the company's next generation EPYC central processing units (CPU), Genoa and Bergamo, began to ramp (gaining market share). Q4 guidance for revenue to grow +5% q/q (+9% y/y) to $6.1bn was below market forecasts at $6.4bn. More importantly, the company still expects to hit their target for data centre to grow +50% half-over-half, while the company's new MI300 AI GPU is expected to generate $400m of revenue in both 4Q23 and 1Q24, and $2bn in 2024. Management also said that GPU gross margins would be accretive to the corporate

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average. AMD are holding an AI event in December which could be a positive catalyst.

Monolithic Power Systems reported in-line results and guidance. Weaker than expected results in the storage and computing, automotive, industrial, communications and consumer segments, which were all down q/q, were offset by strength in enterprise data, which grew +106% q/q (+31% y/y), driven by AI-related demand. GPU-related sales were >$60m and management expects sequential growth in 4Q23 and likely through 1H24.

Lattice Semiconductor also reported in-line results, with revenue +1% q/q (+11% y/y) and adjusted EPS +10% y/y. Lower than expected revenue in the automotive and industrial segment (-5% q/q; +28% y/y) was offset by higher than expected revenue in the communications and computing (+6% q/q; -6% y/y) and consumer (+30% q/q; +30% y/y) end markets. However, next quarter guidance for revenue to be -8% q/q was below expectations, driven by further weakness in industrial end markets, as well as weakening automotive demand which has now spread from Asia to Europe. However, management commentary about the design win pipeline for the new Avant platform was encouraging, being significantly larger than the Nexus platform was at the same point in its ramp.

ASML reported mixed quarterly results with revenue up +15% y/y, modestly below expectations, but earnings coming in better. The company reported a very low order intake, especially in extreme ultraviolet (EUV) equipment and announced its first view on 2024, which is expected to be a transitional year with a stable level of activity, followed by a marked recovery in 2025 driven by production from new semiconductor fabrication plants. Management believes only 10-15% of its China shipments (leading edge equipment) are likely to be impacted by the additional restrictions. Remaining China shipments should not be at immediate risk as they are trailing edge.

Despite underwhelming results from networking/telecommunication equipment peers, Arista Networks delivered strong results driven by market share gains in enterprise switching and routing, and management raised full-year revenue growth guidance to +33% (well ahead of its initial forecast at +25%). Unimicron Technology fared less well as softer demand from Intel (due to a slower than expected server chip ramp) offset increasing demand from AI servers, causing gross margin to miss, but we believe guidance looks achievable from here.

Outlook

While there are understandable concerns about a near-term cyclical slowdown, there are also potential early signs that technology adoption is having a positive impact on macroeconomic prospects. Third quarter productivity (a measure of output per labour hour and which is "not everything, but in the long run, it's almost everything", according to Nobel laureate Paul Krugman) positively surprised for the second consecutive quarter. Strong economic growth is not inflationary if it is driven by productivity and is one of the key levers by which living standards can rise sustainably. Goldman Sachs has estimated generative AI will affect productivity sufficiently within their 10-year forecast horizon to bring a potential boost of 10-15% to global GDP cumulatively and have upgraded their global GDP forecasts accordingly.

Meanwhile, central banks' aggressive tightening actions over the past 18 months appear to have had the desired effect. Inflationary concerns which weighed on the market last year have significantly abated, as US core personal consumption expenditure (PCE, which excludes volatile items such as food and energy) has fallen from c5-5.5% last year to 3.7% in September. In Europe, inflation is falling even more sharply, to 2.9% y/y in October from 4.3% in September, with some countries experiencing disinflation. The UK, however, for now remains an outlier with only a small reduction in September with core CPI at +6.1%, slightly above expectations.

Further disinflation is expected over the coming months as the labour market continues to rebalance. The US jobs-workers gap has declined to c2.5 million from six million while wage growth has fallen >1.5pts to 4.2% annualised, according to Goldman Sachs. US growth was also stronger than expected during this period, indicating the Fed has thus far managed to improve the inflation trend without tipping the economy into recession.

Tighter financial conditions and higher rates have raised other concerns (not least for risk assets), many of which are only beginning to be felt. Business models built on the availability of cheap debt have unsurprisingly come under pressure. We have seen this reflected already in the equity market as high quality, low leverage and low volatility factors have significantly outperformed. Furthermore, there are now alternatives to equities competing for investors' capital which were less appealing during the recent low interest rate era. This backdrop has provided further support for the technology sector where net cash is often the norm (the exceptions being mostly mature technology companies receptive to M&A and companies formerly owned by private equity) and where the potential returns from high growth companies can still be compelling when lower return strategies look relatively less appealing (albeit with commensurate risk/volatility).

Third-quarter earnings season has been better than feared. With c75% of S&P 500 companies having reported Q3 earnings, 73% have beaten on earnings and 58% have beaten on sales. However, even as large-cap technology stocks have held up well, overall stock reactions have skewed negatively, materially so in some cases. Firms beating have outperformed by +100bps the following day, whereas companies missing have lagged by -330bps. We have also seen very big moves down where misses have been unusual (Paycom* -38% on the day) or outsized (SolarEdge* -27%). Fortunately, we have avoided most of these disappointments having earlier reduced our exposure to rate-sensitive areas such as solar, autos and small and mid-sized businesses (SMB).

Encouragingly, aggregate public cloud revenue growth has stabilised (at a >$190bn revenue run rate) after eight consecutive quarters of y/y deceleration, as AI-driven strength at Microsoft offset some softness at Google. However, the shape of any potential reacceleration is uncertain. Q4 guidance from technology companies has, on balance, remained conservative given uncertainties associated with the lagged impact of the higher rate environment on both consumer and corporate spending. The potential for a fourth quarter technology 'budget flush' remains, but it is possible/likely that the highest IT priorities (such as AI and cybersecurity) crowd out other areas of spend. Consensus expectations for mid-teens cloud capex growth for 2024 look highly achievable to us as hyperscale cloud providers invest aggressively ahead of anticipated AI-related demand.

There has, however, been a healthy tempering of expectations for some of the leading suppliers into the AI infrastructure buildout (most notably NVIDIA) after exuberance early in the year, but we see this as a buying opportunity in some of the stocks we believe will be best positioned to benefit from the build-out of the new AI computing stack which we believe remains in its infancy.

While it is early days, we are seeing encouraging early signs for the adoption of AI and the impact of the AI transformation on companies up and down the supply chain. AI services accounted for 3pts of Microsoft Azure's y/y growth, compared to just 1pt last quarter, indicating a $1.5bn run rate. Azure-OpenAI customers increased to

18,000 from 11,000 last quarter, and 40% of the Fortune 100 are trialling the M365 Copilot product (which launched on 1 November). Meta Platforms spoke to a mid-single-digit increase in time spent on their main platforms due to AI-powered recommendation improvements. Meanwhile Alphabet said generative AI projects on its AI Vertex platform were up 7x from the previous quarter.

While market returns have been strong at the index level they mask a challenging market characterised by poor/narrow breadth. While the NASDAQ 100 Index is up 32.1% year to date, its equal-weighted counterpart the NDXE is up 'only' 12.2%. Meanwhile the Bloomberg Magnificent Seven Price Index (an equal-weighted index of Microsoft, Meta Platforms, Amazon, Apple, Alphabet, NVIDIA and Tesla) is up a staggering 77.7%, in part due to the significant outperformance of stocks perceived to be AI winners. In contrast, the Russell 2000 has recently broken its 2022 lows (and is close to November 2020 levels). It would be unusual for such extremes to continue and we are alive to the potential for a period of mean reversion at some stage, perhaps accompanied by a retracement in real yields given current defensive investor positioning and supportive seasonality into the calendar year end.

Having held a higher-than-normal level of cash coming into earnings season, we have begun to put this to work. Given the highly uncertain geopolitical backdrop and the fact that our portfolio beta is naturally higher than the benchmark due to our growth-focused investment approach, we continue to hold some NASDAQ Index put options (to help ameliorate portfolio beta in the event of a sharp drawdown). Our primary focus remains on positioning the portfolio in favour of companies that should prove important AI enablers and beneficiaries; at the time of writing, we believe AI enablers and beneficiaries already explain more than three-quarters of the portfolio in aggregate.

* not held

Ben Rogoff

6 November 2023

[1] Constant currency reporting is an accounting technique used by companies to present financials year-over-year for comparative purposes without the effects of currency movements

Risks

- **Investors' capital is at risk and there is no guarantee the Company will achieve its objective.**
- **Past performance is not a reliable guide to future performance.**
- **The value of investments may go down as well as up.**
- **Investors might get back less than they originally invested.**
- **The value of an investment's assets may be affected by a variety of uncertainties such as (but not limited to): (i) international political developments; (ii) market sentiment; and (iii) economic conditions.**
- **The shares of the Company may trade at a discount or a premium to Net Asset Value.**
- **The Company may use derivatives which carry the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions.**
- **The Company invests in assets denominated in currencies other than the Company's base currency and changes in exchange rates may have a negative impact on the value of the Company's investments.**
- **The Company invests in a concentrated number of companies based in one sector. This focused strategy can lead to significant losses. The Company may be less diversified than other investment companies.**
- **The Company may invest in emerging markets where there is a greater risk of volatility than developed economies, for example due to political and economic uncertainties and restrictions on foreign investment. Emerging markets are typically less liquid than developed economies which may result in large price movements to the Company.**

Glossary

Active Share a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its benchmark. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the benchmark. An active share of 100 indicates no overlap with the benchmark and an active share of zero indicates a portfolio that tracks the benchmark.

Alpha is the excess return on an investment in the Company compared to the benchmark and can be used as a measure of performance, where the benchmark is considered to represent the market's movement as a whole.

Call Option This describes a contract between the buyer and seller of an asset, which gives the buyer the right to purchase the underlying asset at a specified price within a specific time period.

Delta This is a ratio used to compare the change in price of an asset with the change in price of an option or derivative. It is often used to determine how many options contracts are needed to hedge a long or short position in the underlying asset.

Delta Exposure/Delta-Adjusted Exposure This measures the price sensitivity of an option or portfolio to changes in the price of an underlying security. For an option, the delta exposure is equal to the delta of the option multiplied by the price of the underlying security. For example, if a portfolio contains 10 call options on a stock, each with a delta of 0.5, and the stock currently trades at £100, then the delta exposure of each option is £50 (0.5 x £100) and the delta exposure of all 10 options is £500.

Derivates are instruments whose value is linked to another investment, or to the performance of a stock exchange or to some other variable factor, such as interest rates.

Discount is where the share price of an investment company is lower than the net asset value per share.

Discrete Performance is the percentage performance of an investment over specific, defined time periods.

Emerging markets are countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body.

Gearing is all external borrowings of the Company and any subsidiaries.

Management Fee is the entitlement of the Investment Manager to an annual management fee. Please see the Explanation of Fee Arrangements available on the Company's website for further information, found at: https://www.polarcapitaltechnologytrust.co.uk/Corporate-Information/Overview/

"NAV" or **"Net Asset Value"** has the value of all assets of the Company less liabilities to creditors (including provisions for such liabilities) determined in accordance with the Company's accounting policies, applicable accounting standards and the Company's constitution.

Ongoing Charges are the measure of what it costs to invest in the Company, including the Management Fee and other operating costs.

Premium is where the share price of an investment company is higher than the net asset value per share.

Premium Value (options trading) This is the current market price of an option contract. The premium will generally be greater given more time to expiration or greater implied volatility.

For a complete glossary of investment terms, please refer to the Trust's website: https://www.polarcapitaltechnologytrust.co.uk/Glossary/

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Performance and Holdings All data is as at the document date unless indicated otherwise. Company holdings and performance are likely to have changed since the report date. Company information is provided by the Investment Manager.

Benchmark The Company is actively managed and uses the Dow Jones Global Technology Index (total return, Sterling adjusted) as a performance target. The benchmark is considered to be representative of the investment universe in which the Company invests. The performance of the Company is likely to differ from the performance of the benchmark as the holdings, weightings and asset allocation will be different. Investors should carefully consider these differences when making comparisons. Further information about the benchmark can be found at: https://www.spglobal.com/spdji/en/indices/equity/dow-jones-us-technology-index/#overview.

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Further Information about the Company Investment in the Company is an investment in the shares of the Company and not in the underlying investments of the Company. Further information about the Company and any risks can be found in the Company's Key Information Document, the Annual Report and Financial Statements and the Investor Disclosure Document which are available on the Company's website, found at: https://www.polarcapitaltechnologytrust.co.uk.