

Polar Capital Technology Trust plc

**Half Year Report**  
for the six months ended  
31 October 2021



## **YOUR COMPANY AT A GLANCE**

### **PURPOSE**

The purpose of the Company is to provide a vehicle in which investment is spread across a diversified portfolio of technology companies which aim to deliver long term capital growth to shareholders. The purpose is achieved through the Investment Objective and policy incorporating parameters to ensure excessive risk is not undertaken.

### **INVESTMENT 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 for the year ended 30 April 2021.

### **INVESTMENT RATIONALE AND APPROACH**

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 can offer the potential for substantially faster earnings growth than the broader market.

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 investment universe and covers many different companies, the portfolio focuses on 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, e-commerce and renewable energy, as well as the more obvious applications such as computing and associated industries.

### **MANAGEMENT STRUCTURE**

The Company is an investment trust led by an experienced Board of Non-executive Directors with extensive knowledge of investment matters, the regulatory and legal framework within which your Company operates. The role of the Board is to provide oversight of the Company's activities and to seek to ensure that the appropriate financial resources and controls are in place to deliver the Investment Objective and manage the risks associated with such activities. The Directors have appointed various third-party suppliers to provide a range of services including investment management, depositary and administrative services to the Company.

Polar Capital LLP has been the appointed Investment Manager and AIFM throughout the year. 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. Polar Capital LLP is authorised and regulated by the Financial Conduct Authority.

## FINANCIAL HIGHLIGHTS

	(Unaudited) As at 31 October 2021	(Audited) As at 30 April 2021	Movement %
Total net assets	£3,763,061,000	£3,408,763,000	10.4
Net Asset Value (NAV) per ordinary share	2782.81p	2496.44p	11.5
Price per ordinary share	2514.00p	2364.00p	6.3
<b>Benchmark</b> Dow Jones World Technology Index (total return, Sterling adjusted, with the removal of relevant withholding taxes)	4006.92	3535.05	13.3
(Discount)/premium of ordinary share price to NAV per ordinary share	(9.7%)	(5.3%)	
Ordinary shares in issue	135,225,396	136,544,764	(1.0)
Ordinary shares held in treasury	2,089,604	770,236	171.3

### KEY DATA

	For the six months to 31 October 2021	
	Local Currency %	Sterling Adjusted %
<b>Benchmark (see above)</b>	12.2	13.3
<b>Other Indices over the period (total return)</b>		
FTSE World	7.8	9.0
FTSE All-share	-	5.4
S & P 500 composite	10.9	12.2
Nikkei 225	1.1	-2.0
Eurostoxx 600	10.2	6.9
	<b>As at</b>	<b>As at</b>
<b>Exchange rates</b>	<b>31 October 2021</b>	<b>30 April 2021</b>
US\$ to £	1.3708	1.3846
Japanese Yen to £	156.30	151.34
Euro to £	1.1845	1.1502

No interim dividend has been declared for the period ended 31 October 2021, nor were there for periods ended 31 October 2020 or 30 April 2021, and there is no intention to declare a dividend for the year ending 30 April 2022.

*References throughout this document to "the Company" or "the Trust" relate to Polar Capital Technology Trust PLC while references to "the portfolio" relate to the assets managed on behalf of the Company.*

## INVESTMENT MANAGER'S REPORT

### Market Review

The half year to 31 October 2021 saw global markets make further progress, the FTSE World index delivering a total return of 9%, in sterling terms. While the COVID-19 death toll surpassed 5m during the period, positive equity returns reflected economic recovery made possible by the global vaccination rollout, upward revisions to earnings estimates, rampant M&A activity, and record equity inflows. Returns would likely have been greater but for elevated commodity prices and cycle-high inflation. While policymakers believe this is likely to prove transitory, higher inflation (and the risk posed to accommodative monetary policy and future economic growth) exerted downward pressure on valuations during the period. Nevertheless, stocks achieved positive returns in every month bar September against a supportive backdrop of ongoing monetary and fiscal stimulus, although – unlike last year - progress was subject to significant regional variation, much like the pace of vaccine rollouts and economic reopening. The return of US exceptionalism saw the S&P 500 deliver total returns of 12.2% in sterling terms, well ahead of those achieved in Europe (Eurostoxx 600 +7.0%), Japan (Nikkei 225 -2.0%) and Asia ex Japan (MSCI Asia ex-Japan -5.9%-). US performance was driven by strong positive earnings revisions, technology outperformance and Dollar strength, the trade-weighted USD basket gaining 3% during the period. Weakest performance was reserved for Asian stocks as the region struggled with the Delta variant, soaring energy prices and a deluge of regulatory changes and market unfriendly developments in China, that took their toll on investor sentiment and stock prices alike. Lower risk-free rates saw growth outperform value, while large-cap stocks significantly outpaced smaller names, the Russell 1000 returning 11% versus 3% for the Russell 2000. Despite US stocks ending the period at highs, this deteriorating breadth left only 41% of NYSE stocks above their 200-day moving average, compared to 58% in April.

If last year owed everything to policymakers and unprecedented stimulus, 2021 belongs to science. Despite the higher-transmission Delta variant becoming the dominant variant globally, vaccination programmes appear to have succeeded in breaking the link between COVID-19 infections and deaths. In Israel – one of the earliest countries to roll-out vaccines – case numbers in August 2021 that reached similar levels to those seen in October 2020 and January 2021 have not translated into similar numbers of deaths thanks to 81% of people having received two vaccine doses. In the UK, the rate of hospitalisation per 100,000 cases has declined by nearly 80% from January highs. Vaccine rollouts continue to make good progress, with over 50% of the world now having received at least one dose of a COVID-19 vaccine, while the EU reached its goal of fully vaccinating 70% of its adult population in August. However, vaccine rollouts remain uneven and not just because of affordability and availability; in early October, less than 55% of Americans were fully vaccinated. Despite this, vaccines still allowed countries and economies to significantly reopen. The recovery in consumption and labour markets has seen global GDP rebound sharply with forecast growth this year of 5.9% in stark contrast to the 3.1% contraction experienced in 2020 driving a near-record recovery in corporate fortunes, too. At time of writing, third-quarter results season has seen the S&P 500 deliver year over year revenue and earnings growth of 17.3% and 27.4% respectively.

Perhaps inevitably given the pandemic backdrop, the global economic recovery has been complicated with several negative developments weighing on forward growth prospects such that the US ten-year Treasury yields declined during the half year from 1.63% to 1.56%. These included waning stimulus as old programmes rolled off and new ones – such as Biden's \$3.5trn infrastructure bill – were delayed or meaningfully scaled back. This, together with power cuts, supply chain issues and real estate developer Evergrande on the brink of defaulting on \$300bn debt, saw Chinese Q3 GDP grow just 4.9% in Q3, down from +7.9% in Q2. Stalling labour market recovery represented another growth headwind as the Delta-variant, together with enhanced unemployment benefits resulted in little to no improvement in the labour force participation rate which at 61.7% remained well below pre-pandemic levels (>63%). Instead, average hourly earnings growth of 4.6% took the strain while the number of unfilled job openings in the US ended at record highs. The UK economy continues its robust recovery despite persistently high covid cases and inflation in October reaching 4.2%. There is also evidence of labour shortages and a 'great resignation' similar to the US, as the share of workers changing employment increased to a record high of 3.2% during the third quarter.

However, the most significant headwind to growth (and investor sentiment) was commodity shortages and soaring energy prices as strong demand outstripped supply constrained by earlier underinvestment, environmental considerations and frustrated by pandemic outbreaks in critical links of global supply chains. The CRB index advanced 19%, led by WTI Crude +37% (exceeding \$80/barrel for the first time since 2014).

Moves in natural gas were even more extreme with prices 1.5x higher in the US and Asia, and up fivefold in Europe – equivalent to oil trading at \$200 per barrel. Higher energy prices fed into higher electricity prices that represented an additional indirect growth headwind, both to consumer spending and industrial production, already challenged by raw material shortages. Sharply higher input prices saw US producer price inflation (PPI) rise 8.3% y/y in August, the largest y/y increase on record, while stresses and strains in the global supply chain resulted in used UK car prices rising 24% in a year, fuel outages at UK pumps and magnesium shortages threatening aluminum and steel production. The combination of shortages and stresses, together with a surfeit of freshly printed liquidity saw CPI increase 5% y/y in May – the fastest growth in consumer prices since August 2008.

Despite this (or perhaps because it finds itself trapped between a rock and a hard place) the Federal Reserve (Fed) has maintained that “above-average” inflation is both transitory and somewhat welcome having spent the post-financial crisis period fighting deflationary impulses. This consistent dovish message from the Fed (repeated by the ECB) combined with keeping asset purchases steady at \$120bn per month allowed equity markets to shrug off concerns about inflation forcing the central banks to tighten policy ahead of schedule. That said, a slightly more hawkish June FOMC saw the so-called ‘dot plot’ imply two hikes in 2023 from zero in March and in October, Fed Chair Powell indicated that the Fed could begin scaling back asset purchases (‘tapering’) as soon as November and complete the process by mid-2022. However, he also emphasised that the economy remained “still a long way” from maximum employment, a necessary condition for raising rates under the Fed’s forward guidance – a view supported by weaker Q3 data including GDP that missed expectations at just 2% annualised down sharply from growth of 6.5% in Q2.

### **Technology Review**

After a difficult start to 2021, the technology sector outpaced the broader market during the half year, the Dow Jones Global Technology Index advancing 13.3%, in sterling terms (total return). However, and even more extreme than in the broader market, returns were dominated by US stocks which advanced 13.1% while non-US technology stocks (as measured by the W2TEC index) fell 3.8% during the half year. Breadth deteriorated within US technology too, as large caps outperformed significantly, the Russell 1000 (large) and Russell 2000 (small) technology indices gaining +20% and +12% respectively. US relative strength was driven by the performance of software stocks (IGV +23%) led by Microsoft (+34%) and a narrower group of next-generation winners. Semiconductors performed surprisingly well too, the Philadelphia Semiconductor Index (SOX) rising +13%, well ahead of the semiconductor-rich Asia ex-Japan technology (-16%) due to the underperformance of memory and smartphone-related chipmakers relative to datacentre / AI and capital equipment suppliers. Internet stocks trailed significantly despite stellar returns from Alphabet (+27%) and Netflix (+36%) as weaker engagement due to reopening, difficult comparisons, changes to user tracking and supply chain stresses challenged nearly all the earlier pandemic beneficiaries. This included most work from home (WFH) segments including PC-related stocks, video communications, telemedicine, and home fitness. However, weakest performance was reserved for Chinese Internet stocks following a regulatory crackdown that for investors was both unexpected and unwelcome.

Having been well-positioned during lockdown, the Internet sector was challenged by reopening trends which initially impacted engagement trends. Pinterest had exploded into relevance during 2020 but in Q2, the company announced that its US monthly active user (“MAU”) had declined 7% y/y amid reopening, and it declined to offer Q3 MAU guidance due to their lack of visibility. In hindsight, Pinterest was the proverbial canary in the coalmine, but at the time most of its peers continued to deliver strong growth. Ecommerce platform Shopify epitomised this when in June its President declared that it had seen “no slowdown whatsoever”. However, many of the key ecommerce and payment-related stocks such as Amazon (-2%) and PayPal (-10%) saw their stock prices peak in the summer and drift lower during the remainder of the half year. Amazon itself struggled to maintain its earlier momentum; its Prime Day held in June rather than July (some said to help the company make Q2 numbers) was lackluster with Morgan Stanley estimating just 9% y/y Gross Merchandise Value growth from the event. The company still missed Q2 revenue forecasts and guided Q3 lower. With Amazon sneezing, it was inevitable that most other ecommerce players would catch a cold. Indeed, the combination of reopening, supply tightness and higher input prices resulted in widespread profit warnings and/or guidance resets with very few exceptions. Unsurprisingly travel-related names such as Booking.com\* performed better as the end of lockdowns spurred demand. Airbnb (flat) delivered strong results driven by robust domestic travel as well as long-term stays of 28 days or more, which in Q2 accounted for 24% of nights booked, up from 14% in 2019, highlighting the company’s positive exposure to the ‘work from anywhere’ use case and the sustainability of new working and living modalities. However, third-quarter earnings season once again saw Amazon fall short of consensus with weaker trends (exacerbated by several billion dollars of additional costs due to labour shortages and supply chain issues) as did Shopify, which missed revenue forecasts for the first time in at least five years.

Online advertising stocks performed significantly better led by Alphabet (+27%) as any drag from ecommerce normalisation was lost in easier comparisons, the rebounding travel vertical (said to represent 10-15% of Google's revenue pre-pandemic) and the broader ad spend recovery with the advertising market forecast at \$669bn this year, representing 11.2% y/y and \$40bn ahead than pre-pandemic levels. However, privacy changes made by Apple to its Identifier for Advertisers (IDFA)– intended to give users the options of not sharing their personal data – created a new challenge to user targeting and ROI measurement. Facebook had previously warned about the risk posed by the removal of personalised ads. Unfortunately, this risk materialised in Q3 when Snap results and guidance missed on larger than expected headwinds from Apple's IDFA changes as well as weaker ad demand from some of its customers due to supply chain disruption and cost inflation. Facebook (+1%) also underestimated the IDFA impact with Q3 advertising revenue 'only' growing 32% y/y in constant currency (cc) during the quarter. However, this disappointment was overshadowed by capex guidance for 2022 which at \$29-34bn is higher than TSMC! The company will introduce a new reporting structure in Q4 splitting the business into two operating segments (Family of Apps and Facebook Reality Labs) and announced it will rebrand itself Meta Platforms to reflect its growing focus on the 'metaverse' (discussed in Outlook). With limited exposure to direct response ad budgets, Twitter (+2%) was able to deliver solid Q3 results, but this did not stop the stock selling off sharply in sympathy. In contrast, Alphabet appeared to be the least affected by Apple's IDFA changes and delivered a reassuring quarter in the face of advertising market concerns, with revenue growing +41% y/y and operating income up +88% y/y, both ahead of expectations, predominately driven by continued strength in Search.

Digital entertainment stocks were mixed too, with a sharp recovery in Netflix stock (reflecting better subscriber trends and a surprise hit in Squid Game) in contrast with fortunes at Spotify where MAU growth disappointed. Video gaming stocks also struggled to maintain their earlier momentum amid reopening while several publishers also delayed release dates for AAA titles putting additional downward pressure on estimates. Roblox (+14%) was the standout performer driven by continued progress on daily active users which grew 29% and 31% in Q2 and Q3 respectively against very tough lockdown comparisons. Take-Two (+4%) also performed relatively well, thanks to its GTA franchise while Activision Blizzard (-13%) became mired in a workplace harassment scandal that prompted us to engage with the company before making the decision to exit our position. Other earlier COVID beneficiaries struggled too. Peloton (-6%)– a company synonymous with lockdown – failed to adequately respond to demands for a recall of its Tread+ product following the death of a child. This ESG shortfall prompted us to reduce our position before a price cut on its core Bike offering hinted at demand weakness. Thankfully, we had all but exited our holding ahead of a significant Q3 miss and guidance reset in early November. Logitech (-25%) lowered its growth forecasts due to normalising demand for PCs and webcams, as well as supply chain challenges while Zoom (-13%) also struggled with churn in its SMB segment. Weakness in the Zoom stock saw the company fail to gain shareholder approval to acquire Five9 in September and both companies agreed to mutually terminate their merger agreement.

Weakness elsewhere, together with lower risk-free rates saw software stocks regain their leadership status. Digitisation of the enterprise remained a corporate imperative, evident at Microsoft which in Q3 delivered y/y revenue growth of +22% its best showing in 16 quarters and remarkable given the scale of the company (operating at more than a \$180bn run rate). The strong digital transformation spend environment saw Adobe, ServiceNow, HubSpot and Salesforce.com and many other SaaS companies post robust results during the period. Likewise, an increased attack surface (in part due to WFH) and Cloud migration provided a supportive backdrop for next-generation security vendors such as Cloudflare (+132%) and CrowdStrike (++)37%) where extraordinary valuations in part reflected extraordinary near-term fundamentals while less expensive second liners such as CyberArk (+30%) and Tenable (+44%) also delivered strong returns. While fundamental progress somewhat ameliorated elevated valuations, the hypergrowth tier of software stocks actually saw their valuations expand further as their strong run extended and their scarcity value increased. However, elevated valuations meant that any misstep or controversy was punished which impacted several of our names including Coupa, Okta and Smartsheet where relatively minor blemishes left them in the proverbial 'penalty box'.

Semiconductor stocks also delivered positive returns despite earlier concerns about double-ordering and the durability of the cycle, as well as downward revisions to global growth. PC, smartphone, and automotive-related names lagged as demand waned and/or went unfilled due to component shortages. Memory stocks were particularly lacklustre with Hynix\*, Micron and Samsung tracking the DRAM spot price lower. However, this did not prevent the Philadelphia Semiconductor index making a new all-time high in November as robust overall industry demand led to healthy upward revisions post Q3 results for most diversified semiconductor companies. Strong growth at the hyperscale companies led to continued strength in cloud data centre capex benefitting both AMD (+49%) and Nvidia (+72%), the latter also enjoying strong demand from gaming and cryptocurrency mining. In contrast Intel\* (-13%) underperformed as it continued to lose market share while a more detailed plan to turnaround the business made the enormity of the task all too apparent.

Semiconductor capital equipment stocks performed particularly well as the industry continued to invest in technology to combat Moore's Stress, add capacity and build out domestic manufacturing to reduce reliance on Taiwan. In June, the US Senate passed the \$250bn US Innovation and Competition Act to provide subsidies for domestic manufacturing.

While most of the automotive industry struggled with the global chip shortages, Tesla (+59%) enjoyed a stellar period delivering a record number of vehicles (and record margins) in Q3 against a supportive backdrop for electric vehicles. Apple (+16%) fared less well with chip shortages, blaming "larger than expected supply constraints" for a c.\$6bn headwind when the company missed revenue expectations in Q3 despite growing sales 29% y/y in Q3. Supply constraints have made it difficult to gauge true demand for the evolutionary iPhone 13 (launched in September) while the company declined to offer Q4 guidance even as it indicated that it expects all major product lines ex iPad to grow y/y. Apple also suffered a legal setback in September when it lost one of nine counts in its high profile and acrimonious case with Epic which will force it to change its App Store policies and allow alternative payment solutions for in-app purchases. This decision followed one in South Korea during August that banned monopolies on app store purchases, while in October Alphabet cut its app store fees. Despite this focus on app stores, the US regulatory backdrop remained relatively benign during the period, with the FTC suffering a small setback in its case against Facebook. Unfortunately, the same was not true in China where a regulatory crackdown has been both unexpected and unwelcome. President Xi's bid for a third term by adopting a populist agenda saw wealthy elites and technology billionaires targeted under the guise of 'common prosperity'.

#### **Portfolio Performance**

The Trust modestly underperformed its benchmark with the net asset value per share rising 11.5% during the fiscal year versus 13.3% for the Dow Jones World Technology index. The largest individual detractor to relative performance was the drag associated with our average cash position of 4.6% (which cost 51bps) and NASDAQ put options (which cost 50bps). The rest of this shortfall was largely explained by adverse stock selection. The impact of this adverse stock selection was somewhat offset by our underweight allocation to Asia (adding c.140bps). While lower risk-free rates saw growth outperform, this was mostly contained to large caps while the broader underperformance of small companies during the period acted as an additional performance headwind. The Trust's share price increased by 6.3% reflecting the 11.5% increase in NAV offset by the discount widening from (5.3%) to (9.7%) during the period. We continue to monitor the discount and the Trust bought back 1,319,368 shares during the period.

The half-year proved a more active period within the portfolio as economic reopening and supply chain challenges pressured several of our core themes that had earlier mapped well to beneficiaries of the pandemic. Having previously reduced our exposure to areas that we felt were likely to prove non-recurring beneficiaries of the move to work from home (WFH), we pared exposure to markets such as edtech (exiting Coursera, reducing Chegg and 2U), home fitness (Peloton) and ecommerce / payments (Zalando, PayPal) as our conviction waned in their ability to grow through difficult comparisons. The proceeds were redirected in favour of recovery names amid vaccine rollout and staggered reopening, although this was focused in areas exposed to our core investment themes and done incrementally as the delta variant and supply chain travails exerted downward pressure on global growth. While we took advantage of select weakness in several high growth stocks such as Affirm and Tesla (having sold the stock in February), we remained unwilling to fully participate in a select group of software stocks where strong fundamentals and retail sponsorship continued to support valuations which leave little room for any disappointment at the macro or micro level.

At the stock level, strongest relative performance was delivered by AMD (+49%) as it continued to win server share from rival Intel (-14%); the combination of our sizeable overweight in AMD and our zero exposure to Intel contributed 85bps. The portfolio also benefited from overweight positions in next-generation software / security stocks such as Cloudflare (+132%) HubSpot (+55%), Snowflake (+54%), CrowdStrike (+36%) and Tenable (+43%). Companies leading the EV charge also delivered strong returns with Tesla (+58%) and BYD (+87%) both top ten relative contributors. The portfolio also benefited from strong performance from several stocks in the portfolio tail including Affirm (+132%), Unity (+50%) and Upstart (+198%). However, the most significant positive contribution to relative performance was generated by our underweight exposure to China which added 165bps as regulatory crackdowns significantly pressured Internet stocks and other Chinese ADRs such as Alibaba (-28%), Tencent (-22%), Kuaishou\* (-60%) and Baidu (-22%). As in prior years, the Trust also benefited from underperformance of incumbents such as Ericsson (-19%) IBM (-11%) and SAP (+4%) where we have zero exposure. Not only do we perceive these companies to be negatively impacted by technology change but accelerated cloud adoption during the pandemic had a disproportionate impact on legacy vendors as IT budgets migrated away from on premise solutions.

As previously discussed, liquidity and our NASDAQ put options represented the most significant drag on performance during the period as markets moved sharply higher. At the stock level, Microsoft (+33%) proved the most significant detractor to relative performance despite it being our largest absolute position (averaging 9.2% of NAV versus 12.6% weight in the benchmark). However, our exposure to earlier COVID beneficiaries proved more costly in aggregate. Work from home (WFH) stocks such as Zoom (-13%) and Logitech (-25%) gave up earlier gains due to more difficult comparisons and reopening headwinds while video gaming had to contend with similar dynamics with Activision (-14%) and Nintendo (-22%) struggling to maintain their earlier lockdown momentum. Reopening headwinds, combined with supply chain challenges, also weighed on ecommerce stocks such as Amazon (-2%) and Zalando (-9%) as well as payment companies including PayPal (-10%) and Mastercard (-11.3%). Although software stocks generally performed well, we were priced out of some of the strongest performers while several of our own names – Twilio (-20%), Zendesk (-30%) and Okta (-7%) – struggled with consistent execution and/or messaging against a backdrop of heightened expectations. As ever, there were also a few genuine disappointments such as Chegg, Kahoot! and Zillow all falling short of expectations, but these were contained to the portfolio tail.

#### **Market Outlook**

The official covid death toll passed 5m at the start of November, although a measure based on ‘excess deaths’ rather than official statistics suggests a number closer to 17m may have died as a direct and indirect result of the virus. The shape of the public health recovery into a post-covid world remains steeped in uncertainty, driven by the rate of worldwide vaccination uptake and its efficacy, potential further virus mutations, and the success of ongoing public health measures and restrictions on activity. We remain hopeful the virus moves from the pandemic to endemic phase, although the recent emergence of the highly-mutated Omicron variant has raised fresh doubts about this. The heavily mutated spike protein present in the Omicron variant could bring increased transmissibility and reduce current vaccine efficacy (as the Moderna CEO expects), but should still hopefully be effective in preventing hospitalizations, according to the BioNTech and Pfizer CEOs. Pre-Omicron, the WHO had already warned covid may kill another 500k Europeans by February as vaccination rates remain low and case numbers could rebound over the winter. Rapid vaccination campaigns in developed countries have (for now) broken the link between case numbers – which remain elevated but manageable in many parts of the world – and hospitalizations and deaths. The Omicron variant itself serves as a sobering reminder of the inherent unpredictability of macroeconomic (and market) conditions, and a reminder of the need for a highly liquid and well-diversified portfolio. After the stunning speed and success of vaccine development and proliferation, therapies have recently shown meaningful progress as Pfizer announced very positive interim Phase 2 and 3 data for Paxlovid. This demonstrated an 89% reduction in the risk of hospitalization or death (and 0 deaths) in non-hospitalized, high-risk covid patients, improving markedly on the ~50% reduction demonstrated by Merck’s Molnupiravir. What excites us is the role technology has played underpinning more rapid vaccine and anti-viral drug development; a fantastic example of the accelerating pace of innovation occurring, enhanced by artificial intelligence, in the real world.

The ramifications from the covid crisis continue to have an impact on global growth even as the risk of widespread national lockdowns diminishes. Goldman Sachs research suggests from now until the end of 2022 the ‘global protection rate’ (share of the population with some covid immunity via vaccination or prior infection) should move from 70% today to 85% on a GDP-weighted basis. This should support the economic recovery. The IMF now projects global GDP growth to be 5.9% in 2021 and 4.9% in 2022, up from expectations this time last year of +5.2% for 2021, although this has moderated slightly from expectations for 6.0% 2021 global growth as recently as July. This recent tempering of growth expectations reflects the impact of supply chain disruptions on developed markets and the ongoing impact of covid in developing ones (impeded by slower vaccine rollouts). The balance of risks to growth is tilted to the downside given Chinese growth is likely to remain relatively weak due to deleveraging in the property sector, government spending and consumption. This is partly a function of Chinese government efforts to engineer a reduction in macroeconomic risk around excess leverage (especially in the property sector), but also indicates the government’s shifting focus from supporting GDP growth to an emphasis on income (re)distribution, stability and decarbonization.

The equity market collapse at the outset of the covid crisis and the recovery since have been quicker than historical market cycles. This must partly reflect the unique nature of the crisis and the overwhelming fiscal and monetary response to it (which has both supported real demand and inflated asset prices), but also a robust economic recovery and the impact of a very supportive rates environment for valuation multiples. It is possible that just as the decline and rebound in markets around covid took place on a compressed timescale versus history, so the entire market cycle may follow a ‘shorter, sharper’ trajectory.



Following the Q1'20 collapse which saw MSCI World Index P/E multiples compress by a third in six weeks, the 'rebound' or 'hope' phase over the following ten months saw multiples more than double from their lows as investors anticipated a strong rebound in earnings. 2021 has seen the global market move into a 'growth' phase – more classically mid-cycle – as returns have been delivered by strong EPS growth and modest multiple contraction. In the US in particular, companies have been able to deliver upside against conservative expectations as the median S&P 500 earnings 'beat rate' between 2Q20 and 2Q21 was ~19%, against a more typical ~4-5%. Q3'21 S&P earnings remained strong with index-level earnings growth of +39% y/y, although the beat rate declined substantially to ~10%. Somewhat surprisingly, reported net margins (ex-Financials) continued to expand +150bps q/q in the third quarter despite well-publicised cost inflation from labour, inputs and logistics. It is possible that as with the late-cycle collapse and early-cycle rebound of global equity markets, the timeline for the mid-cycle 'growth' phase (not yet a year old) will also be compressed, although typically these have lasted 4-5 years.

Another major factor likely to drive market returns is the fate of the mega cap technology companies (Apple, Amazon, Microsoft, Alphabet, Facebook), which now represent a combined market capitalization around c\$9tn – similar to the combined GDP of Germany and Japan. Each company has idiosyncratic drivers of performance, but as a group have benefitted from strong equity inflows, perceived 'safe-haven' status (despite intensifying regulatory scrutiny) and strong growth. They also trade on a two-year forward P/E ratio in the high-20s which – while hardly cheap – reflects strong long-term growth prospects. While their aggregate valuation multiple remains meaningfully different from the 5 largest tech companies in 2000 (which traded in the mid-50s forward PE), more aggressive regulatory scrutiny could pressure valuations, with the recent Chinese experience a pertinent warning. We believe the risk of comparable draconian Western government actions remains very low given the difference in legal and political systems, but such is the dominance of the large players on the market that it will be hard for the overall index to perform should investors have concerns that it is even a possibility. Furthermore, it is worth highlighting the concentration risk inherent with building a portfolio around a market-cap weighted index. At the time of writing, our three largest holdings - Microsoft, Alphabet and Apple – represented c.28% and c.36% of our NAV and benchmark respectively. Five years ago, our top three holdings (Alphabet, Facebook and Microsoft) accounted for c.22% of NAV while the largest three positions of our benchmark (Apple, Microsoft, Alphabet) represented 28.9% of it. That said, overall concentration within the portfolio as represented by the top 15 positions remains fairly consistent, at c.54% at the end of October versus c.49% five years earlier.

The potential for persistent inflation and the magnitude of the global central bank response it may necessitate and/or the demand destruction it may induce represent a material risk to global equity markets in the near term. The US 5-year breakeven reached 3% during November - for the first time based on data going back to 2002 - and the yield curve flattened materially due to a move higher in 2-year rates as investors become more concerned about tighter Fed policies. Short-dated rates moves were even more acute in Canada, Australia and New Zealand and there is a concern that central banks (including the Fed and ECB) will need to scramble to catch up in their response to upward pressure on inflation expectations (earlier tapering and rate hikes).

Whether inflation is transitory will depend on whether supply chain blockages remain as acute and, on the willingness, and ability of central banks to respond effectively to it. US core CPI inflation were running at a 4.6% annualized rate in October (the highest since 1991), although US consumer spending remains strong, and the US savings rate is relatively high (7.5% in September) despite the cessation of extended unemployment benefits. The labour market could continue to exert upwards inflationary pressure (US wages rose 4.2% y/y in the third quarter, the highest growth since 2001) as the 'Great Resignation' makes it challenging for companies to hire and retain staff as demand recovers. There are 10.4m US job openings but 5m fewer people on payrolls than there were pre-pandemic, and a recent Fed study found more than 3m Americans retired early during the covid period. There remains ~\$2.4tn in pent-up US savings, financial obligations near record lows and low household debt levels which suggests that in the near-term the economy may be able to absorb inflation and support persistent consumer spending in the face of higher prices, although consumer confidence is waning by some measures.

Our view is that inflation is more likely to remain 'transitory' in the sense that central banks will ultimately still prove willing and able to respond to it effectively (long-dated yields suggest the market is still broadly accepting of this), and that some moderation in the price of goods and services will meet a similar moderation in demand as excess savings are spent down and the fiscal impulse wanes. There are also longer-term deflationary pressures which leave us circumspect about a regime change in the inflation environment given aging global populations, excess savings and (of course) the impact of technology. We concur with Microsoft CEO Satya Nadella's recent comment that "Digital technology is a deflationary force in an inflationary economy".

We remain alive, however, to the fact that we may be wrong and that inflation expectations could continue to rise and eventually become 'de-anchored' should supply and demand not evolve in this manner, or if doubts emerge about central banks' willingness or ability to take effective action to contain inflation. The mechanism for such a regime shift might involve: a policy error (central banks move too slowly, too late or too softly to curtail an upwards price-expectations spiral); a change in the political economy which makes sufficient action impossible (are central bankers and governments willing to stomach sparking a recession to control inflation?); or force majeure in the form of an exogenous threat (perhaps a full-blown energy crisis, a pre-emptive strike on Iran by Israel as it continues to make progress towards nuclear weapons, or a climate change-related crisis) which brings a fresh inflationary impetus to the economy. It is notable that analyst expectations for a cumulative 'green capex' splurge over the next decade are already in the order of ~\$12tn versus the ~\$4tn China capex wave in the 2000s, while increases in extreme weather events, combined with public support for green initiatives could provide further momentum. The move from a fundamentally low-inflation/deflationary regime to a fundamentally high-inflation/inflationary regime would have a major impact on the value of all financial assets, especially in the growth equity space in which we invest.

Despite the increasingly inflationary backdrop valuations remain elevated by historic standards as the S&P 500 continues to make all-time highs. EV/Sales, EV/EBITDA and Price/Book multiples all sit higher than the 90th percentile versus history. The S&P 500 is trading at ~21.5x on a forward P/E basis, although based on an Equity Risk Premium model with the 10-year yield at ~1.55%, this is not egregious. Animal spirits remain buoyant with elevated call buying, hedge fund net leverage in the 95th percentile, retail investor equity allocations at record highs and cash holdings at record lows. Equities as a percentage of financial assets reached 34.5% at the end of Q2 – the highest level since 1955. March 2000 was 30.8%. There are other signs of late-cycle exuberance such as SPAC issuance, buoyant crypto asset prices, pre-revenue companies like Rivian coming public at remarkable valuations. Private technology markets remain incredibly robust with more than 890 'unicorns' (private companies with a valuation > \$1bn), and more than 50 'decacorns' (valuation > \$10bn), for a combined paper valuation of almost \$3tn.

Market leadership has become narrower as 16% of constituents are at 52-week highs compared to ~45% during prior May highs this year. S&P 'equity duration' (a measure of the amount of time to recover an initial investment based on the Dividend Discount Model as calculated by Bank of America) sits near a record of 35 years given the index shift to longer duration companies (often technology), low dividend yields and high P/E ratios. Longer duration increases the sensitivity of the market to small changes in cost of capital. One of the unusual features of the recovery has been the failure of real yields to rebound from their c (1)% lows even as the economic and earnings recovery has progressed. This environment presents a potential headwind for growth equity investors: research by Bernstein has suggested long-duration stocks are more expensive than ever before – the group of stocks most negatively exposed to a rise in yields are trading around their highest relative multiple ever versus the broader market.

There has been mounting concern around higher corporate tax rates given the likely change in the US statutory tax rate to 25%, higher GILTI tax, the establishment of a 15% global minimum tax rate and a 1% tax on buybacks. The 15% global minimum tax and 1% buyback tax could increase the S&P 500 effective tax rate from 17.8% to 20.9%, which would bring a ~300bps headwind to earnings growth in 2022. We expect tax rates to rise structurally over the coming years as governments are required to pay back the costs of their covid-induced largesse, support the health and social care costs deriving from aging populations and invest in digitizing and decarbonising their economies. US government debt is currently in excess of 120% of GDP, the post-War period being the only other occasion where it was more than two standard deviations higher than average. It is not clear, however, that high government debt burdens are of themselves problematic for equity market returns, but the likely outcome is that a substantial portion of the debt burden will be dealt with by (being transferred to) households and corporates, and this could ultimately impact demand and financial stability.

Political risk has been relatively subdued as covid and climate change –both supranational challenges- took centre stage. With Biden in the White House, US-Sino relations remain becalmed although Taiwan represents a key fault-line, as well as a critical part of the technology supply chain. Following the US/UK withdrawal from Afghanistan there was some concern that this might embolden President Xi to move on Taiwan, prompting Biden to state that the US would defend the island if attacked, a notable departure from its previous policy of 'strategic ambiguity'.

It is also important to note upside risks to our outlook and the potential for a continued post-covid boom as the world transitions successfully to a post-pandemic phase. Stocks still look very attractive versus bonds (especially in a higher inflation environment), real rates remain negative and the S&P 500 dividend yield versus the 10-year bond remains at the 80th percentile.

Small caps lagged from late 2013 to March 2020 and have recently broken out of a trading range. Corporate and household balance sheets remain healthy, and the digital revolution remains early in its trajectory.

#### **Technology Outlook**

Worldwide IT spending is expected to reach \$4.5trn in 2021 in current dollar terms, a 9% y/y increase, and a healthy upgrade to forecasts of c.\$4trn at the end of our last financial year. This upward revision has been apparent in corporate results so far this year with the S&P technology sector now expected to deliver revenue and earnings growth of 15.8% and 27.7% in 2021, as compared to earlier estimates of 12.6% and 21.2% respectively. After such a strong rebound (aided by easy comparisons) growth will inevitably slow in 2022 with current forecasts for IT spending + 5.5% y/y commensurate with S&P 500 technology revenue and earnings expectations of 9.5% and 8.4% respectively. Despite this, technology growth should still outpace the S&P 500 which is currently forecast to grow at 6.9% / 8.6% respectively. That said, Q3 reporting season has proved more challenging with less than half of US technology companies raising Q4 guidance – better than the market, but a significant downtick from Q2 when 64% of companies raised Q3 guidance. This likely reflects the combination of weaker global growth and supply chain disruption which looks set to extend into 2022 according to Maersk. Despite these headwinds (especially input cost inflation) the technology sector has continued to demonstrate its criticality and/or inherently better business models by expanding its net profit margin to c.25.4%, well ahead of all other sectors (apart from real estate) and up from 22.2% a year ago.

Having reached a low of c20x early during the crisis, the forward P/E of the technology sector has continued to expand and today, the sector trades at 27.5x – new cycle highs – and well ahead of five (20.8x) and ten-year (17.4x) averages. While absolute valuations remain elevated, technology fundamentals are strong. However, the relative rating has expanded to a c.28% premium to the broader market ignoring its balance sheet strength, up from c.19% at year end. Although this premium is somewhat extended relative to the post Great Financial Crisis (GFC) range of c.0.9-1.1x, it likely reflects lower risk-free rates and a flatter yield curve which has driven the recent performance of growth stocks. The sector is also relatively less exposed to some of the near-term challenges facing the global economy. With average hourly earnings growing at 4.6%, the technology sector has experience of how to manage upward wage pressure and a tight labour market for skills in software development, cybersecurity, semiconductor manufacturing and enterprise sales, among other areas. In addition, digital goods and software are (obviously) not subject to physical supply-chain shortages!

While valuations are a little extended, they remain far from levels seen during the late 1990s bubble when the sector traded more than twice the market multiple. That said, aggregate valuations do not tell the whole story because they are diluted by ‘cheap’ incumbents such as Cisco, HP and Intel that trade on forward P/Es of 7-17x. Equally, the aggregate metrics fail to fully capture the extraordinary valuation premia enjoyed by a narrow group of high-growth, high multiple stocks even after accounting for their superior growth profiles and scarcity value. These are companies we know well but are unable to underwrite many of their current valuation multiples, which we believe are pricing in defiantly optimistic scenarios. While cognizant of how difficult it is to value technology winners (particularly recurring business models that prioritize investment in growth over near-term profits), we suspect that retail participation, concentrated portfolios and late-cycle exuberance is playing a part. We continue to tread carefully within this cohort of stocks because current valuations appear unsustainable and highly reminiscent of the late 1990s.

There are several other features of today’s market that are beginning to rhyme a little more with that earlier period, too, including deteriorating breadth / narrower participation as investors flock to perceived category-winners and retail excitement around new asset classes like cryptocurrency and non-fungible tokens (NFTs). For those unfamiliar with NFTs, they are “unique digital assets represented by lines of code on a decentralized ledger” often associated with art or collectibles. Earlier this year, an NFT created by artist Mike Winklemann, known as “Beeple” and previously unknown to the art world but followed by 1.8m people on Instagram, was bought at Christie’s for \$69m. The two high bidders for this digital asset (titled ‘Everydays: The First 5000 Days’) were both hugely successful (and early) cryptocurrency investors. A new digital frontier, or another speculative bubble fueled by an earlier frenzy only time will tell, but the excitement around NFTs feels highly reminiscent of the late 1990s boom in domain name registrations (also ‘unique digital assets represented by lines of code’) and we know how that ended. Finally, we must reference the IPO market which this year is expected to shatter the record for new deals set in 2000, when 406 companies raised \$93bn. According to Renaissance Capital, we will see 875 IPOs this year (comprised of 500 SPACs and 375 traditional deals) set to raise \$250bn – nearly 3x that achieved in 2000 with the NASDAQ a little more than 3x higher than where it stood when that earlier record was set.

Despite these ‘amber flags’, we remain constructive about our sector and its medium-term prospects. After all, we cautioned about late-cycle exuberance in our last annual report, highlighting SPAC issuance, retail

participation and concentrated portfolios. Since then, our benchmark has advanced 14% while SPAC issuance has moderated, the price of Dogecoin has more than halved, the Robinhood IPO came and went, and ARK Innovation – the actively managed ETF that perfectly captures the zeitgeist of TAM (total addressable market) investing – has fallen modestly while remaining c.25% off its March highs. In other words, exuberance can be contained and/or worked off without derailing the market. This is particularly true when fundamentals are strong and where asset prices are supported by a flood of liquidity looking for a haven from negative real rates. As public market investors, we are also encouraged by the quality and scale of many of the companies choosing to come to market, mitigating some concerns around the declining relevance of public markets in recent years as the number of listed companies almost halved in the US between 1996 and 2018. During the half year, these included: Marqueta – a next generation card issuer (\$15bn valuation); Monday.com – a work orchestration software tool (\$7.5bn); Confluent – a data streaming platform (\$10bn); SentinelOne – a cybersecurity platform (\$10bn); Toast – a restaurant technology company (\$20bn); Freshworks – a customer service platform (\$10bn). While we are not current holders of these companies (primarily on valuation grounds) they form part of a rich pipeline of future investments as technology companies continue to address wider industry profit pools.

Our own enthusiasm remains rooted in technology disruption and pervasion which underpins our view that technology outperformance does not have to end with the pandemic. Instead, we believe that the pandemic acted as a forcing function for companies to adopt the cloud and digitally transform to support vast numbers of remote workers and customers alike. This acceleration and broadening of technology adoption should continue to provide a powerful tailwind for our sector. A Q2'21 survey by Morgan Stanley revealed that 46% of CIOs expect to increase their IT spend as a percentage of revenues in the three years, up from 26% in Q4'19. Furthermore, the survey revealed that the largest increases from pre- to post-COVID-19 came from non-tech sectors such as retail, education, healthcare, financial services, and industrials, supportive of our thesis that the rate of technology diffusion is accelerating. Over the coming years we expect every industry to be transformed digitally and we expect artificial intelligence / machine learning (AI/ML) and cloud computing to be central to this.

The advent of a new work modality (hybrid work) will also continue to drive technology transformation, even if reopening and supply chain travails have recently challenged this view. Despite this near-term buffeting, our conviction remains undimmed as the pandemic has been a unique proving ground for the technologies necessary to support a new work modality that represents the best of both worlds – the efficiencies and focus of a remote working model as well as the social and cultural benefits of working in an office. More importantly, the pandemic allowed work to be abstracted from the workplace which prosaically has obsoleted many traditional workflows such as paper-based record keeping. However, in time it is likely to transform the nature of work in much the same way that virtualisation enabled new cloud applications impossible before computing was abstracted from on-premise servers. As such, we expect hybrid work to presage a wave of technology-enabled process automation and digitalisation which will become the norm. As the CEO of DocuSign puts it, “once businesses transform their business processes, they simply don’t go back”.

This wave could not be coming at a more critical moment with labour and other shortages threatening the recovery trajectory as well as longer-term potential economic growth. Today, S&P 500 companies are 27% more labour efficient than they were in the 1980s in real terms but there has been little change in this metric since the GFC, while productivity growth (as measured by real output per labour hour) has been just 1.25% pa during the last cycle. However, the acceleration in technological disruption catalysed by the pandemic may also support the creative destruction necessary to reallocate labour and capital to more productive enterprises and areas of the economy. In our last report, we described how we might be on the cusp of another tech-driven productivity boom as automation and hybrid work had the potential to “greatly transform service sector productivity via better stratification of work and the scaling of labour”. With worker productivity increasing 4.3% in Q1'21 and 2.3% in Q2'21, our thesis appears to be off to a good start which should be sustained if companies lean on their strong balance sheets to invest aggressively in labour automation and productivity-enhancing technologies. Technology spending as a percentage of GDP is expected to double over the next decade and again, there are already promising signs of this in macroeconomic data. R&D as a percentage of US capex has reached 20% from a low to mid-teens level over the past 20 years while software capex has reached a new high of 16.9% of total US capex from 10-11% pre-GFC and just ~7% in the early 1990s. This has been one of the key drivers of the strongest US capex cycle since the 1940s.

Artificial intelligence (AI) is likely to play a key part in driving these productivity gains, as well as providing the foundation for the next wave of technology disruption. We have already seen what is possible within healthcare as AI was used to accelerate virtual screening of a 1.3bn compound library to identify 1000 quality candidate compounds, helping discover multiple COVID-19 vaccines in just ten months compared to an average vaccine development cycle of 10 years.

PwC believe that the potential contribution to the global economy from AI could be as much as \$15.7trn by 2030, with labour productivity improvements expected to account for more than half of these gains. While diffusion of AI will take time (as it did with other general-purpose technologies), it may prove the most important technology that humanity will ever develop. As Sundar Pichai (CEO of Alphabet) puts it, “if you think about fire or electricity or the internet, it’s like that. But I think even more profound”. Cloud companies are well placed to capture this growth with AI forecast to capture as much as 50% of total public cloud services by 2025, while semiconductor companies represent leveraged ways to play ML-related compute which is doubling every 3.4 months. By 2025, AI-related demand is expected to account for 20% of total semiconductor demand representing the best incremental opportunity for the industry in decades.

AI is also likely to play a critical role enabling, populating, and supporting the so-called metaverse - “the convergence of physical, augmented and virtual reality in a shared online space”. Coined by writer Neal Stephenson in 1992, the term metaverse became a buzzword this year as the pandemic forced people to migrate to and collaborate in virtual platforms such as Zoom, Teams and Roblox. The recent move by Facebook to rename itself Meta Platforms (and to commit to spending \$10bn this year alone on Facebook Reality Labs) reflects the company’s excitement about the metaverse, the successor to the mobile internet according to Mark Zuckerberg. Other companies have also staked out early metaverse claims including Microsoft (‘Mesh for Teams’) and Nvidia, whose Omniverse is touted as “transforming workflows in industries (via) immersive visualization, accurate simulation, and faster reviews and discoveries”. While Facebook admits that many of its own efforts will only be realised in 10-15 years, the prize looks enormous; last year c\$54bn was spent on virtual goods, skins, and lives, more than the \$42bn spent at the movie box office and \$30bn on recorded music in 2019. The metaverse also comes at an interesting time given the rise of virtual alternatives to money (crypto) and collectibles / art (NFTs). While the adoption timeline remains highly uncertain, the Trust has a significant amount of metaverse exposure via holdings in Meta (Facebook), Nvidia, Roblox, Unity Software as well as chipmakers, component and cloud companies that should all benefit from the infrastructure required to support the metaverse.

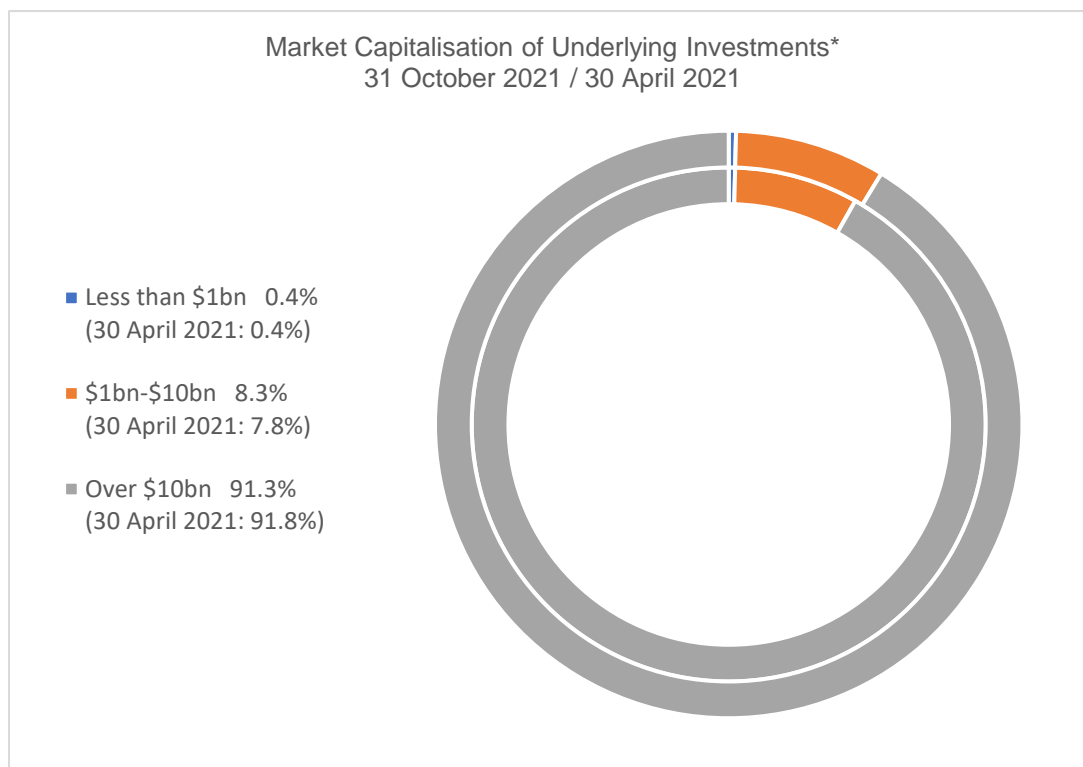
One of the most exciting aspects of the metaverse is what it means for dematerialisation – of physical space, distance, and objects. By continuing the trend of swapping ‘bits for atoms’ as physical goods and services are replaced with digital alternatives, the metaverse could further challenge the link between GDP growth and environmental impact in developed nations. Dematerialisation is just one way technology will help address the challenges associated with climate change. And, after a year of lockdowns resulted in global emissions only declining by c.6% , it should be even more apparent that only technology – by providing innovation at scale - has the singular capacity to get us to net-zero. Indeed, more than one third of the cumulative CO2 emissions reductions seen in the Sustainable Development Scenario (2070) derive from technologies currently at the prototype or demonstration phase, and a further 40% derive from technologies that have not yet moved beyond early adoption. We look forward to providing investors with more information about the sector’s ESG impact and more detail concerning the integration of ESG within our own investment process during the second half of the year.

While the metaverse (and other ‘game-changing’ technologies such as autonomous vehicles, mRNA, and quantum computing) represent optionality today, our own enthusiasm remains rooted in our ability to assemble an attractively valued, diversified portfolio with exposure to 6-8 core themes that in aggregate should deliver more growth than our benchmark for a modest premium based on a forward EV/sales metric. This approach has served us and our shareholders well over the years, although it has been challenged during 2021 by narrower leadership, elevated next-generation valuations, reopening trends (and unexpected supply chain travails) that have pressured several of our themes, as well as being a little too conservatively positioned. However, we remain confident in our risk adjusted approach which we hope will allow long-term investors to continue to capture the best that the technology cycle has to offer without compromising on diversification, valuation discipline and liquidity.

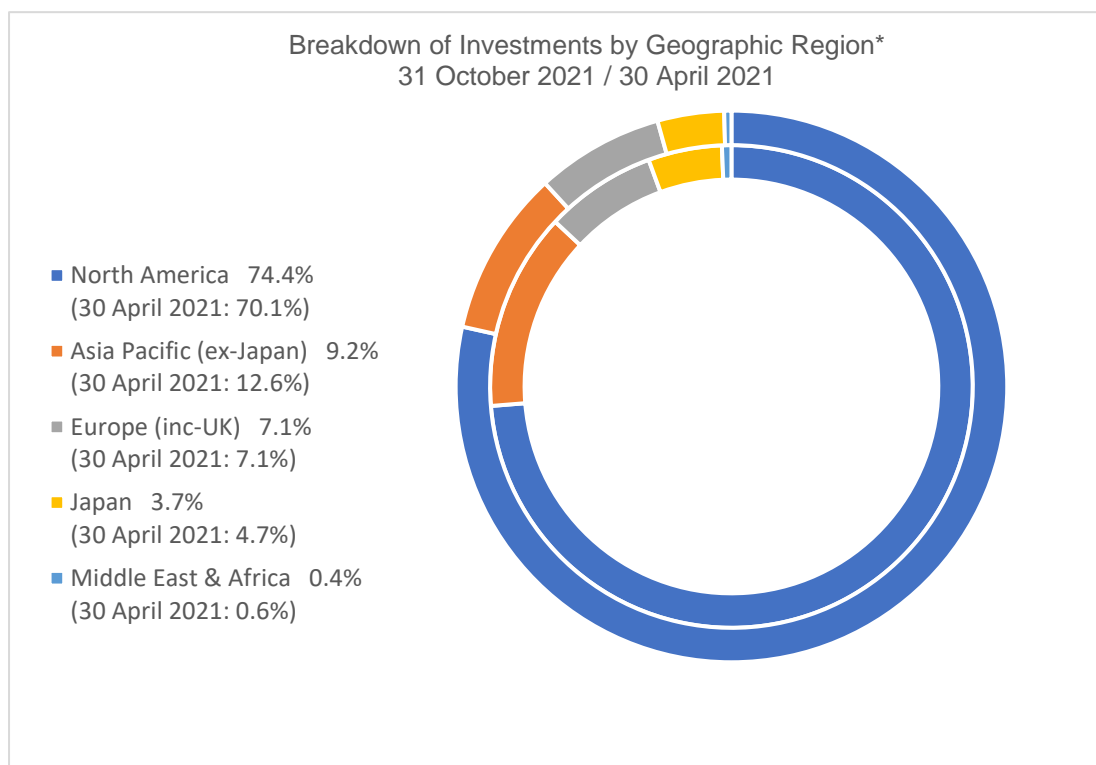
**Ben Rogoff**

13 December 2021

## PORTFOLIO BREAKDOWN



\* % of invested assets



\* % of Net Assets, excluding other net assets

Outer circles represent data as at 31 October 2021, inner circles data as at 30 April 2021

## CLASSIFICATION OF INVESTMENTS\*

As at 31 October 2021

	North America %	Europe %	Asia Pacific (inc. Middle East) %	Total 31 October 2021 %	Total 30 April 2021 %
Software	25.9	0.1	0.6	<b>26.6</b>	25.2
Semiconductors & Semiconductor Equipment	13.8	2.8	3.7	<b>20.3</b>	18.3
Interactive Media & Services	15.1	-	2.2	<b>17.3</b>	19.6
Technology Hardware, Storage & Peripherals	7.6	1.4	2.2	<b>11.2</b>	12.5
IT Services	3.6	0.2	0.1	<b>3.9</b>	3.5
Entertainment	1.3	0.8	1.0	<b>3.1</b>	2.5
Internet & Direct Marketing Retail	2.1	0.6	0.3	<b>3.0</b>	5.0
Automobiles	0.9	0.4	0.6	<b>1.9</b>	0.6
Electronic Equipment, Instruments & Components	0.2	-	1.3	<b>1.5</b>	2.8
Machinery	-	-	0.8	<b>0.8</b>	1.3
Hotels, Restaurants & Leisure	0.8	-	-	<b>0.8</b>	-
Communications Equipment	0.7	-	-	<b>0.7</b>	-
Healthcare Equipment & Supplies	0.4	-	0.3	<b>0.7</b>	0.3
Road & Rail	0.5	-	-	<b>0.5</b>	-
Aerospace & Defense	0.5	-	-	<b>0.5</b>	0.4
Auto Components	-	0.5	-	<b>0.5</b>	0.4
Diversified Consumer Services	0.4	-	-	<b>0.4</b>	0.9
Healthcare Technology	-	-	0.2	<b>0.2</b>	-
Healthcare Providers & Services	0.2	-	-	<b>0.2</b>	0.7
Life Sciences Tools & Services	0.2	-	-	<b>0.2</b>	-
Electrical Equipment	-	0.2	-	<b>0.2</b>	0.2
Media	-	0.1	-	<b>0.1</b>	0.1
Leisure Products	0.1	-	-	<b>0.1</b>	0.8
Consumer Finance	0.1	-	-	<b>0.1</b>	-
<b>Total investments (£3,566,649,000)</b>	<b>74.4</b>	<b>7.1</b>	<b>13.3</b>	<b>94.8</b>	95.1
Other net assets (excluding loans)	4.6	1.0	0.9	6.5	6.4
Loans	(0.7)	-	(0.6)	(1.3)	(1.5)
<b>Grand total (net assets of £3,763,061,000)</b>	<b>78.3</b>	<b>8.1</b>	<b>13.6</b>	<b>100.0</b>	-
At 30 April 2021 (net assets of £3,408,763,000)	72.4	8.5	19.1	-	100.0

\* Classifications derived from Benchmark Index as far as possible. The categorisation of each investment is shown in the portfolio available on the Company's website. Not all sectors of the Benchmark are shown, only those in which the Company has an investment at the period end or in the comparative period.

## PORTFOLIO OF INVESTMENTS

Ranking		Value of holding						
		£'000		% of net assets				
31 Oct 2021	30 Apr 2021	Stock	Sector	Region*	31 October 2021	30 April 2021	31 October 2021	30 April 2021
1	(1)	Microsoft	Software	North America	396,067	296,561	10.5	8.7
2	(2)	Alphabet	Interactive Media & Services	North America	340,531	292,143	9.0	8.6
3	(3)	Apple	Technology Hardware, Storage & Peripherals	North America	287,554	281,211	7.6	8.2
4	(9)	Nvidia	Semiconductors & Semiconductor Equipment	North America	140,466	74,141	3.7	2.2
5	(4)	Facebook	Interactive Media & Services	North America	123,026	143,131	3.3	4.2
6	(13)	Advanced Micro Devices	Semiconductors & Semiconductor Equipment	North America	97,438	52,175	2.6	1.5
7	(6)	Taiwan Semiconductor	Semiconductors & Semiconductor Equipment	Asia Pacific	88,460	110,029	2.4	3.2
8	(5)	Samsung Electronics	Technology Hardware, Storage & Peripherals	Asia Pacific	83,919	115,503	2.2	3.4
9	(12)	Adobe	Software	North America	74,790	53,963	2.1	1.6
10	(10)	ASML	Semiconductors & Semiconductor Equipment	Europe	72,020	61,023	1.9	1.8
<b>Top 10 investments</b>					<b>1,704,271</b>		<b>45.3</b>	
11	(8)	Tencent	Interactive Media & Services	Asia Pacific	62,621	78,674	1.7	2.3
12	(22)	ServiceNow	Software	North America	61,011	30,463	1.6	0.9
13	(27)	Salesforce.com	Software	North America	56,946	25,730	1.5	0.8
14	(44)	Marvell Technology	Semiconductors & Semiconductor Equipment	North America	53,177	16,803	1.4	0.5
15	(11)	Applied Materials	Semiconductors & Semiconductor Equipment	North America	53,065	59,068	1.4	1.7
16	(17)	HubSpot	Software	North America	52,906	44,270	1.4	1.3
17	(15)	Amazon.com	Internet & Direct Marketing Retail	North America	47,331	47,029	1.3	1.4
18	(28)	CrowdStrike	Software	North America	45,442	25,213	1.2	0.7
19	(-)	KLA Tencor	Semiconductors & Semiconductor Equipment	North America	42,912	-	1.1	-
20	(26)	Seagate Technology	Technology Hardware, Storage & Peripherals	Europe	38,704	28,123	1.1	0.8
<b>Top 20 investments</b>					<b>2,218,386</b>		<b>59.0</b>	
21	(21)	Toyko Electron	Semiconductors & Semiconductor Equipment	Asia Pacific	38,491	38,083	1.0	1.1
22	(19)	DocuSign	Software	North America	36,920	41,230	1.0	1.2



## Polar Capital Technology Trust Plc

Half Year Report for the six months ended 31 October 2021

23	(20)	Micron Technology	Semiconductors & Semiconductor Equipment	North America	34,476	38,249	0.9	1.2
24	(16)	Infineon Technologies	Semiconductors & Semiconductor Equipment	Europe	34,256	44,581	0.9	1.3
25	(-)	Tesla Motors	Automobiles	North America	32,178	-	0.9	-
26	(47)	Workday	Software	North America	32,178	16,379	0.9	0.5
27	(29)	Spotify Technology	Entertainment	Europe	31,623	24,472	0.8	0.7
28	(33)	Everbridge	Software	North America	31,090	20,450	0.8	0.6
29	(18)	Snap	Interactive Media & Services	North America	30,386	41,944	0.8	1.2
30	(31)	Match Group	Interactive Media & Services	North America	29,591	23,888	0.8	0.7
<b>Top 30 investments</b>					<b>2,549,575</b>		<b>67.8</b>	
31	(42)	Airbnb	Hotels, Restaurants & Leisure	North America	29,153	17,276	0.8	0.5
32	(57)	Lattice Semiconductor	Semiconductors & Semiconductor Equipment	North America	28,030	14,916	0.8	0.4
33	(36)	Okta	IT Services	North America	28,025	19,789	0.7	0.6
34	(64)	Snowflake	IT Services	North America	27,788	13,956	0.7	0.4
35	(40)	Twitter	Interactive Media & Services	North America	26,928	18,248	0.7	0.5
36	(-)	Arista Networks	Communications Equipment	North America	26,740	-	0.7	-
37	(43)	Netflix	Entertainment	North America	23,196	17,127	0.6	0.5
38	(35)	Tenable	Software	North America	23,022	19,893	0.6	0.6
39	(30)	Twilio	IT Services	North America	22,400	24,094	0.6	0.7
40	(84)	Smartsheet	Software	North America	22,344	8,900	0.6	0.3
<b>Top 40 investments</b>					<b>2,807,201</b>		<b>74.6</b>	
41	(96)	BYD	Automobiles	Asia Pacific	22,058	7,073	0.6	0.2
42	(-)	Five9	Software	North America	20,889	-	0.6	-
43	(-)	Sea	Entertainment	Asia Pacific	20,577	-	0.6	-
44	(-)	Coupa Software	Software	North America	20,329	-	0.5	-
45	(14)	PayPal	IT Services	North America	20,277	49,636	0.5	1.5
46	(-)	Square	IT Services	North America	20,266	-	0.5	-
47	(-)	Etsy	Internet & Direct Marketing Retail	North America	19,472	-	0.5	-
48	(91)	Uber	Road & Rail	North America	19,314	8,232	0.5	0.2
49	(37)	Qualcomm	Semiconductors & Semiconductor Equipment	North America	19,160	19,753	0.5	0.6
50	(71)	Axon Enterprise	Aerospace & Defense	North America	18,794	12,144	0.5	0.4
<b>Top 50 investments</b>					<b>3,008,337</b>		<b>79.9</b>	
51	(70)	Aptiv	Auto Components	Europe	18,037	12,670	0.5	0.4
52	(-)	Elastic	Software	North America	17,327	-	0.5	-

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53	(76)	Power Integrations	Semiconductors & Semiconductor Equipment	North America	16,753	10,635	0.5	0.3
54	(-)	Naver	Interactive Media & Services	Asia Pacific	16,582	-	0.5	-
55	(50)	HelloFresh	Internet & Direct Marketing Retail	Europe	16,497	15,942	0.4	0.5
56	(89)	Shopify	IT Services	North America	16,411	8,338	0.4	0.2
57	(51)	CyberArk Software	Software	Asia Pacific	16,146	15,768	0.4	0.5
58	(54)	BlackLine	Software	North America	16,071	15,443	0.4	0.4
59	(86)	Dexcom	Healthcare Equipment & Supplies	North America	14,502	8,756	0.4	0.3
60	(23)	Zendesk	Software	North America	14,422	30,294	0.4	0.9
<b>Top 60 investments</b>					<b>3,171,085</b>		<b>84.3</b>	
61	(62)	Volkswagen	Automobiles	Europe	14,405	14,382	0.4	0.4
62	(88)	Nintendo	Entertainment	Asia Pacific	14,079	8,557	0.4	0.2
63	(59)	Roblox	Entertainment	North America	13,646	14,585	0.4	0.4
64	(-)	Ambarella	Semiconductors & Semiconductor Equipment	North America	13,485	-	0.4	-
65	(-)	E Ink	Electronic Equipment, Instruments & Components	Asia Pacific	13,029	-	0.4	-
66	(39)	Chegg	Diversified Consumer Services	North America	12,968	18,973	0.3	0.5
67	(53)	MediaTek	Semiconductors & Semiconductor Equipment	Asia Pacific	12,838	15,489	0.3	0.5
68	(-)	Intuit	Software	North America	12,428	-	0.3	-
69	(-)	Pinduoduo	Internet & Direct Marketing Retail	Asia Pacific	12,323	-	0.3	-
70	(-)	Hoya	Healthcare Equipment & Supplies	Asia Pacific	11,970	-	0.3	-
<b>Top 70 investments</b>					<b>3,302,256</b>		<b>87.8</b>	
71	(63)	Monolithic Power Systems	Semiconductors & Semiconductor Equipment	North America	11,855	14,258	0.3	0.4
72	(41)	Dolby Laboratories	Software	North America	11,430	17,502	0.3	0.5
73	(46)	Fanuc	Machinery	Asia Pacific	11,260	16,465	0.3	0.5
74	(55)	Keyence	Electronic Equipment, Instruments & Components	Asia Pacific	11,117	15,371	0.3	0.4
75	(81)	Unity Software	Software	North America	10,671	9,456	0.3	0.3
76	(100)	Hamamatsu Photonics	Electronic Equipment, Instruments & Components	Asia Pacific	10,648	5,299	0.3	0.2
77	(60)	Harmonic Drive Systems	Machinery	Asia Pacific	10,423	14,480	0.3	0.4
78	(94)	Take-Two Interactive Software	Entertainment	North America	10,170	7,108	0.3	0.2

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79	(48)	TripAdvisor	Interactive Media & Services	North America	10,090	16,227	0.3	0.5
80	(72)	Atlassian	Software	Asia Pacific	9,622	12,115	0.2	0.3
<b>Top 80 investments</b>					<b>3,409,542</b>		<b>90.7</b>	
81	(-)	Wise	IT Services	Europe	9,330	-	0.2	-
82	(58)	Fuji Machine Manufacturing	Machinery	Asia Pacific	9,326	14,793	0.2	0.4
83	(-)	Logitech	Technology Hardware, Storage & Peripherals	Europe	9,220	-	0.2	-
84	(75)	Littelfuse	Electronic Equipment, Instruments & Components	North America	8,584	10,787	0.2	0.3
85	(49)	TDK	Electronic Equipment, Instruments & Components	Asia Pacific	7,936	15,954	0.2	0.5
86	(68)	Zillow	Interactive Media & Services	North America	7,617	13,091	0.2	0.4
87	(-)	So-Net M3	Healthcare Technology	Asia Pacific	7,346	-	0.2	-
88	(32)	Guardant Health	Healthcare Providers & Services	North America	7,213	22,717	0.2	0.7
89	(-)	10X Genomics	Life Sciences Tools & Services	North America	6,951	-	0.2	-
90	(87)	Ceres Power	Electrical Equipment	Europe	6,808	8,743	0.2	0.2
<b>Top 90 investments</b>					<b>3,489,873</b>		<b>92.7</b>	
91	(93)	eBay	Internet & Direct Marketing Retail	North America	6,296	7,134	0.2	0.2
92	(-)	Affirm	IT Services	North America	6,207	-	0.2	-
93	(-)	Impinj	Semiconductors & Semiconductor Equipment	North America	5,507	-	0.2	-
94	(106)	Kinaxis	Software	North America	4,805	3,593	0.1	0.1
95	(99)	Qt	Software	Europe	4,744	5,731	0.1	0.2
96	(107)	Zuken	IT Services	Asia Pacific	4,624	3,582	0.1	0.1
97	(-)	CS Disco	Software	North America	4,230	-	0.1	-
98	(108)	Criteo	Media	Europe	3,913	3,492	0.1	0.1
99	(103)	Seeing Machines	Electronic Equipment, Instruments & Components	Asia Pacific	3,803	4,074	0.1	0.1
100	(66)	Peloton Interactive	Leisure Products	North America	3,800	13,683	0.1	0.4
<b>Top 100 investments</b>					<b>3,537,802</b>		<b>94.0</b>	
101	(56)	Zalando	Internet & Direct Marketing Retail	Europe	3,636	15,043	0.1	0.4
102	(102)	Tobii	Technology Hardware, Storage & Peripherals	Europe	3,593	4,140	0.1	0.1
103	(-)	Xometry	Internet & Direct Marketing Retail	North America	3,443	-	0.1	-
104	(98)	2U	Diversified Consumer Services	North America	3,354	6,098	0.1	0.2

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105	(73)	LivePerson	Software	North America	3,169	11,216	0.1	0.3
106	(95)	Delivery Hero	Internet & Direct Marketing Retail	Europe	3,082	7,106	0.1	0.2
107	(-)	Upstart	Consumer Finance	North America	2,064	-	0.1	-
108	(65)	Cloudflare	Software	North America	1,987	13,727	0.1	0.4
109	(-)	Cerence	Software	North America	1,630	-	-	-
110	(38)	Zoom Video Communications	Software	North America	1,501	19,029	-	0.6
<b>Top 110 investments</b>					<b>3,565,261</b>		<b>94.8</b>	
111	(109)	ilika	Professional Services	Europe	1,386	2,747	-	0.1
112	(110)	Cermetek Microelectronics	Electronic Equipment, Instruments & Components	North America	2	2	-	-
<b>Total equities</b>					<b>3,566,649</b>		<b>94.8</b>	
<b>Other net assets</b>					<b>196,412</b>		<b>5.2</b>	
<b>Total net assets</b>					<b>3,763,061</b>		<b>100.0</b>	

\*Notes: Asia Pacific includes Middle East.

## **CORPORATE MATTERS**

### **THE BOARD**

As announced on 25 August 2021, we have appointed two new independent non-executive Directors to your Board. Jane Pearce and Catherine Cripps were appointed with effect from 6 September 2021. This is in accordance with the Board's overall succession plan.

Jane Pearce is an experienced non-executive director and Chartered Accountant with over 20 years' financial markets experience. She is currently a non-executive director of Shires Income plc and a Co-opted External Member of the Audit and Risk Committee of the University of St Andrews. Jane has a number of years' experience as a Technology Equity Analyst and as an Equity Strategist at leading investment banks. She has strong and recent understanding of corporate governance and current accounting standards. As mentioned in my Chair's statement in the Company's Annual Report and Financial Statements for the year ended 30 April 2021, we announced our intention to recruit a new Audit Chair to succeed Charlotta Ginman (our current Audit Chair) who will come to the end of 9 years' service in 2024. Jane Pearce has agreed to join the Board as Audit Chair elect and it is intended that she will succeed Charlotta when she steps down.

Catherine Cripps is currently a non-executive director of Goldman Sachs International, Goldman Sachs International Bank and the Nuclear Liabilities Fund (NLF) Limited. She also acts as Chair of the Goldman Sachs International and Goldman Sachs International Bank Board Risk Committees and is a member of the Audit Committees. She is also Chair of the Investment Committee of NLF. She has recently stepped down as non-executive director of CQS Management Limited after 8 years of service Chairing the Remuneration Committee and the Performance Management Committee and as a member of the CQS Audit Committee. Catherine has in excess of 30 years' senior investment industry experience in a number of roles including Investment Director and Head of Research at GAM International.

Full biographical details for both Jane and Catherine can be found on the Company's website. Both will stand for election by Shareholders at the AGM to be held in September 2022. There have been no other changes to the membership of the Board in the six months ended 31 October 2021.

### **SHARE BUY-BACKS**

As described in the full year report and accounts for the year ending April 2021, the technology sector is volatile and shareholders should perhaps expect a degree of volatility in premia and discounts, but we are also aware both that too much volatility is unwelcome, and that having issued shares in our last financial year, we also should try to make sure we don't leave shareholders in the lurch if the discount widens significantly. We do not have an absolute target discount level at which we will buy back shares but we have historically bought back significant amounts of the outstanding share capital when deemed appropriate and we remain ready to do so again. As always, we keep the level of discount under careful review and have been buying back shares actively both last year and in the period under review, and we will continue to do so. Share buy backs, when undertaken, are funded from the capital reserve. In the six months under review, we have repurchased 1,319,368 shares, representing 2.1% of the total issued capital. Shareholders will also note that we have a continuation vote every 5 years.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")**

The Board continues to consider its ESG journey and how this will be developed in the future. As part of this process we are pleased that Catherine Cripps has agreed to be the Board's ESG lead. We continue to engage with our Investment Manager as they develop their ESG policies and processes on the corporate side and integrate ESG further into the investment processes. Further detail is provided in the Investment Manger's Report and will be provided in the next Annual Report.

## **AUDITORS**

KPMG LLP were re-appointed as the Company's external auditor at the AGM held on 1 September 2021.

## **GEARING**

As at 31 October 2021, the Company had two, two-year fixed rate, term loans with ING Bank N.V expiring in September 2022 (JPY 3.8bn and USD 36m). The JPY loan has been fixed at an all-in rate of 0.90% pa and the USD loan has been fixed at an all-in rate of 1.335% pa. The prior loans were repaid in full at expiry. It is currently anticipated that the loans will be renegotiated ahead of expiry in October 2022.

## **PRINCIPAL 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 2021. A detailed explanation of the Company's principal risks and uncertainties, and how they are managed through mitigation and controls, can be found on pages 51 to 57 of the Annual Report for the year ended 30 April 2021.

The Company has a risk management framework that provides 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. Further detail on the Company's performance and portfolio can be found in the Investment Managers' Review.

## **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 2021 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 therefore 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 or to the date of this report.

## **GOING CONCERN**

As detailed in the notes to the financial statements and in the Annual Report for the year ended 30 April 2021, the Board continually monitors the financial position of the Company and have considered a detailed assessment, including for the continuing risks arising from COVID-19, of the Company's ability to meet its liabilities as they fall due. The review also included consideration of the level of readily realisable investments and current cash and debt ratios of the Company and the ability to repay the outstanding bank facilities with approximately 22% of the cash and cash equivalents readily available to the Company as at 31 October 2021. In light of the results of these tests on the Company's cash balances and liquidity position, the Directors consider that the Company has adequate financial resources to enable it to continue in operational existence. Having carried out the assessment, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial results of the Company. The Directors have not identified any material uncertainties or events that might cast significant doubt upon the Company's ability to continue as a going concern.

The assets of the Company comprise 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.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

- The condensed set of financial statements has been prepared in accordance with IAS34, in conformity with the requirements of the Companies Act 2006 and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at 31 October 2021;

The Interim Management Report includes a fair review of the information required by:

- a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Half Year Report for the six-month period to 31 October 2021 has not been audited or reviewed by the Auditors. The Half Year Report for the six-month period to 31 October 2021 was approved by the Board on 13 December 2021.

On behalf of the Board

**Sarah Bates**  
Chair

## STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

	Note	(Unaudited)						(Audited)		
		Six months ended 31 October 2021			Six months ended 31 October 2020			Year ended 30 April 2021		
		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	8,077	-	8,077	7,838	-	7,838	18,156	-	18,156
Other operating income	2	3	-	3	5	-	5	8	-	8
Gains on investments held at fair value	3	-	408,257	408,257	-	690,709	690,709	-	1,127,646	1,127,646
Net losses on derivatives	4	-	(15,516)	(15,516)	-	(22,952)	(22,952)	-	(49,111)	(49,111)
Other currency gains/(losses)	5	-	2,006	2,006	-	4,133	4,133	-	(4,379)	(4,379)
<b>Total income</b>		<b>8,080</b>	<b>394,747</b>	<b>402,827</b>	<b>7,843</b>	<b>671,890</b>	<b>679,733</b>	<b>18,164</b>	<b>1,074,156</b>	<b>1,092,320</b>
<b>Expenses</b>										
Investment management fee	6	(14,845)	-	(14,845)	(11,009)	-	(11,009)	(24,134)	-	(24,134)
Performance fee	6	-	-	-	-	(10,969)	(10,969)	-	-	-
Other administrative expenses	7	(700)	-	(700)	(509)	-	(509)	(1,071)	-	(1,071)
<b>Total expenses</b>		<b>(15,545)</b>	<b>-</b>	<b>(15,545)</b>	<b>(11,518)</b>	<b>(10,969)</b>	<b>(22,487)</b>	<b>(25,205)</b>	<b>-</b>	<b>(25,205)</b>
<b>(Loss)/profit before finance costs and tax</b>		<b>(7,465)</b>	<b>394,747</b>	<b>387,282</b>	<b>(3,675)</b>	<b>660,921</b>	<b>657,246</b>	<b>(7,041)</b>	<b>1,074,156</b>	<b>1,067,115</b>
Finance costs		(446)	-	(446)	(675)	-	(675)	(996)	-	(996)
<b>(Loss)/profit before tax</b>		<b>(7,911)</b>	<b>394,747</b>	<b>386,836</b>	<b>(4,350)</b>	<b>660,921</b>	<b>656,571</b>	<b>(8,037)</b>	<b>1,074,156</b>	<b>1,066,119</b>
Tax		(987)	-	(987)	(968)	-	(968)	(2,432)	-	(2,432)
<b>Net (loss)/profit for the period and total comprehensive (expense)/income</b>		<b>(8,898)</b>	<b>394,747</b>	<b>385,849</b>	<b>(5,318)</b>	<b>660,921</b>	<b>655,603</b>	<b>(10,469)</b>	<b>1,074,156</b>	<b>1,063,687</b>
<b>(Losses)/earnings per ordinary share (basic) (pence)</b>	9	<b>(6.54)</b>	<b>290.17</b>	<b>283.63</b>	<b>(3.89)</b>	<b>483.14</b>	<b>479.25</b>	<b>(7.65)</b>	<b>784.40</b>	<b>776.75</b>

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

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 AS AT 31 OCTOBER 2021

Note	(Unaudited) 31 October 2021 £'000	(Unaudited) 31 October 2020 £'000	(Audited) 30 April 2021 £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	3,566,649	2,837,408	3,243,034
<b>Current assets</b>			
Derivative financial instruments	6,024	8,738	4,090
Receivables	41,064	21,417	36,096
Overseas tax recoverable	227	125	162
Cash and cash equivalents	233,600	251,870	216,205
	<b>280,915</b>	<b>282,150</b>	<b>256,553</b>
<b>Total assets</b>	<b>3,847,564</b>	<b>3,119,558</b>	<b>3,499,587</b>
<b>Current liabilities</b>			
Payables	(33,928)	(45,873)	(36,241)
Bank loans*	(50,575)	-	-
Bank overdraft	-	-	(3,473)
	<b>(84,503)</b>	<b>(45,873)</b>	<b>(39,714)</b>
<b>Non-current liabilities</b>			
Bank loans*	-	(55,955)	(51,110)
<b>Net assets</b>	<b>3,763,061</b>	<b>3,017,730</b>	<b>3,408,763</b>
<b>Equity attributable to equity shareholders</b>			
Share capital	34,329	34,329	34,329
Capital redemption reserve	12,802	12,802	12,802
Share premium	223,374	223,374	223,374
Special non-distributable reserve	7,536	7,536	7,536
Capital reserves	3,604,029	2,844,649	3,240,833
Revenue reserve	(119,009)	(104,960)	(110,111)
<b>Total equity</b>	<b>3,763,061</b>	<b>3,017,730</b>	<b>3,408,763</b>
<b>Net asset value per ordinary share (pence)</b>	<b>2782.81</b>	<b>2197.67</b>	<b>2496.44</b>

\*As detailed within the Corporate Matters Section – see paragraph on Gearing.

## STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

(Unaudited) Six months ended 31 October 2021

Note	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special non-distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	<b>34,329</b>	<b>12,802</b>	<b>223,374</b>	<b>7,536</b>	<b>3,240,833</b>	<b>(110,111)</b>	<b>3,408,763</b>
	<b>Total equity at 30 April 2021</b>						
	<b>Total comprehensive income/(expense):</b>						
	Profit/(loss) for the period to 31 October 2021						
9	-	-	-	-	394,747	(8,898)	385,849
	<b>Transactions with owners, recorded directly to equity:</b>						
	Ordinary shares repurchased into treasury						
10	-	-	-	-	(31,551)	-	(31,551)
	<b>34,329</b>	<b>12,802</b>	<b>223,374</b>	<b>7,536</b>	<b>3,604,029</b>	<b>(119,009)</b>	<b>3,763,061</b>

(Unaudited) Six months ended 31 October 2020

Note	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special non-distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	<b>33,641</b>	<b>12,802</b>	<b>170,532</b>	<b>7,536</b>	<b>2,183,728</b>	<b>(99,642)</b>	<b>2,308,597</b>
	<b>Total equity at 30 April 2020</b>						
	<b>Total comprehensive income/(expense):</b>						
	Profit/(loss) for the period to 31 October 2020						
9	-	-	-	-	660,921	(5,318)	655,603
	<b>Transactions with owners, recorded directly to equity:</b>						
	Issue of ordinary shares						
10	688	-	52,842	-	-	-	53,530
	<b>34,329</b>	<b>12,802</b>	<b>223,374</b>	<b>7,536</b>	<b>2,844,649</b>	<b>(104,960)</b>	<b>3,017,730</b>

(Audited) Year ended 30 April 2021

Note	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special non-distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	<b>33,641</b>	<b>12,802</b>	<b>170,532</b>	<b>7,536</b>	<b>2,183,728</b>	<b>(99,642)</b>	<b>2,308,597</b>
	<b>Total equity at 30 April 2020</b>						
	<b>Total comprehensive income/(expense):</b>						
	Profit/(loss) for the year to 30 April 2021						
9	-	-	-	-	1,074,156	(10,469)	1,063,687
	<b>Transactions with owners, recorded directly to equity:</b>						
	Issue of ordinary shares						
10	688	-	52,842	-	-	-	53,530
	Ordinary shares repurchased into treasury						
10	-	-	-	-	(17,051)	-	(17,051)
	<b>34,329</b>	<b>12,802</b>	<b>223,374</b>	<b>7,536</b>	<b>3,240,833</b>	<b>(110,111)</b>	<b>3,408,763</b>

Note – Share capital, Capital redemption reserve, Share premium and Special non-distributable reserve are all non-distributable. Capital reserves and revenue reserve are distributable.

## CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

	Note	(Unaudited)		(Audited)
		Six months ended 31 October 2021 £'000	Six months ended 31 October 2020 £'000	Year ended 30 April 2021 £'000
<b>Cash flows from operating activities</b>				
Profit before tax		386,836	656,571	1,066,119
Adjustment:				
Gains on investments held at fair value through profit or loss	3	(408,257)	(690,709)	(1,127,646)
Losses on derivative financial instruments	4	15,516	22,952	49,111
Proceeds of disposal on investments		1,345,986	1,295,377	3,089,314
Purchases of investments		(1,271,030)	(1,216,096)	(2,998,482)
Proceeds on disposal of derivative financial instruments		4,557	-	8,735
Purchases of derivative financial instruments		(22,007)	(28,299)	(58,545)
Decrease in receivables		208	442	116
Increase in payables		1,063	9,945	5,720
Overseas tax		(1,052)	(999)	(2,500)
Foreign exchange (gains)/losses	5	(2,006)	(4,133)	4,379
<b>Net cash generated from operating activities</b>		<b>49,814</b>	<b>45,051</b>	<b>36,321</b>
<b>Cash flows from financing activities</b>				
Loans repaid		-	(56,364)	(10,300)
Loans drawn		-	55,935	9,870
Ordinary shares repurchased into treasury	10	(30,417)	-	(17,051)
Issue of ordinary shares	10	-	57,078	57,078
<b>Net cash (used in)/generated from financing activities</b>		<b>(30,417)</b>	<b>56,649</b>	<b>39,597</b>
<b>Net increase in cash and cash equivalents</b>		<b>19,397</b>	<b>101,700</b>	<b>75,918</b>
Cash and cash equivalents at the beginning of the period		212,732	146,677	146,677
Effect of movement in foreign exchange rates on cash held	5	1,471	3,493	(9,863)
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>233,600</b>	<b>251,870</b>	<b>212,732</b>
<b>Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:</b>				
Cash at bank	8	152,862	159,871	162,479
BlackRock's Institutional Cash Series plc (US Treasury Fund), money market fund	8	80,738	91,999	50,253
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>233,600</b>	<b>251,870</b>	<b>212,732</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2021**

### **1. GENERAL INFORMATION**

The financial statements comprise the unaudited results for Polar Capital Technology Trust Plc for the six-month period to 31 October 2021.

The unaudited financial statements to 31 October 2021 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies set out in the statutory annual financial statements of the Company for the year ended 30 April 2021. 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"), conformity with the requirements of the Companies Act 2006.

Where presentational guidance set out in the Statement of Recommended Practice ("the SORP") for investment trusts issued by the Association of Investment Companies in April 2021 is consistent with the requirements of International Financial Reporting Standards, the accounts have been prepared on a basis compliant with the recommendations of the SORP.

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 2021 and 31 October 2020 has not been audited. The figures and financial information for the year ended 30 April 2021 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 2021, 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 2021.

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements. As at 31 October 2021 the Company's total assets exceeded its total liabilities by a multiple of over 45. The Board continually monitors the financial position of the Company. The Directors have considered a detailed assessment, including for the continuing risks arising from COVID-19, of the Company's ability to meet its liabilities as they fall due. The assessment took account of the Company's current financial position, its cash flows and its liquidity position. In light of the results of these tests, the Company's cash balances, and the liquidity position, the Directors consider that the Company has adequate financial resources to enable them to continue in operational existence. Accordingly, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial results of the Company.

There were no new IFRSs or amendments to IFRSs applicable to the current year which had any significant impact on the Company's Financial Statements.

i) The following new or amended standards became effective for the current annual reporting period and the adoption of the standards and interpretations have not had a material impact on the Financial Statements of the Company.

Standards & Interpretations		Effective for periods commencing on or after
IFRS 9, IAS 39, IFRS 7, IFRS 16 and IFRS 4: Interest Rate Benchmark Reform – phase 2 (amended)	IBOR Reform - Phase 2 address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.	1 January 2021

ii) At the date of authorisation of the Company’s financial statements, the following new or amended IFRSs that potentially impact the Company are in issue but are not yet effective and have not been applied in the financial statements:

Standards & Interpretations		Effective for periods commencing on or after
IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions Contingent Liabilities and Contingent Assets and Annual Improvements (2018 - 2020) - Amendments	Narrow-scope amendments to three Standards as well as the Board’s Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.	1 January 2022

The Directors expect that the adoption of the standards listed above will have either no impact or that any impact will not be material on the Financial Statements of the Company in future periods.

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

The majority of the Company’s investments are in US Dollars, the level of which varies from time to time. The Board considers the functional currency to be Sterling. In arriving at this conclusion, the Board considered that Sterling is the most relevant to the majority of the Company’s shareholders and creditors and the currency in which the majority of the Company’s operating expense are paid.

## 2. INCOME

	(Unaudited) For the six months ended 31 October 2021 £'000	(Unaudited) For the six months ended 31 October 2020 £'000	(Audited) For the Year ended 30 April 2021 £'000
<b>Income from investments held at fair value through profit or loss</b>			
UK dividend income	-	-	-
Overseas dividend income	<b>8,077</b>	7,838	18,156
<b>Total investment income</b>	<b>8,077</b>	7,838	18,156
<b>Other operating income</b>			
Bank interest	-	-	1
Money market fund interest	<b>3</b>	5	7
	<b>3</b>	5	8
<b>Total income</b>	<b>8,080</b>	7,843	18,164

## 3. GAINS ON INVESTMENT HELD AT FAIR VALUE

	(Unaudited) For the six months ended 31 October 2021 £'000	(Unaudited) For the six months ended 31 October 2020 £'000	(Audited) For the Year ended 30 April 2021 £'000
Net gains on disposal of investments at historic cost	<b>204,926</b>	302,885	736,118
Transfer on disposal of investments	<b>(210,520)</b>	(140,709)	(255,764)
(Losses)/gains on disposal of investments based on carrying value at previous balance sheet date	<b>(5,594)</b>	162,176	480,354
Valuation gains on investments held during the period	<b>413,851</b>	528,533	647,292
	<b>408,257</b>	690,709	1,127,646

## 4. LOSSES ON DERIVATIVES

	(Unaudited) For the six months ended 31 October 2021 £'000	(Unaudited) For the six months ended 31 October 2020 £'000	(Audited) For the Year ended 30 April 2021 £'000
Losses on disposal of derivatives held	<b>(13,350)</b>	(36,334)	(60,474)
(Losses)/gains on revaluation of derivatives held	<b>(2,166)</b>	13,382	11,363
	<b>(15,516)</b>	(22,952)	(49,111)

The derivative financial instruments represent the call and put options, which are used for the purpose of efficient portfolio management. As at 31 October 2021, the Company held NASDAQ 100 Stock Index put options, and the market value of the open put option position was £3,319,000 (31 October 2020: NASDAQ 100 Stock Index put options with a market value of £ 8,738,000. 30 April 2021: NASDAQ 100 Stock Index put options with a market value of £2,793,000). As at 31 October 2021, the Company held Apple Inc. Call options, and the market value of the open call option position was £2,705,000 (31 October 2020: No call options were held. 30 April 2021: Apple Inc. open call options with a market value of £1,297,000).

## 5. OTHER CURRENCY GAINS/(LOSSES)

	<b>(Unaudited)</b> <b>For the six</b> <b>months</b> <b>ended</b> <b>31 October</b> <b>2021</b> <b>£'000</b>	(Unaudited) For the six months ended 31 October 2021 £'000	(Audited) For the Year ended 30 April 2021 £'000
Exchange gains/(losses) on currency balances	1,471	3,493	(9,863)
Exchange losses on settlement of loan balances	-	(3,517)	(3,517)
Exchange gains on translation of loan balances	535	4,157	9,001
	<b>2,006</b>	<b>4,133</b>	<b>(4,379)</b>

## 6. INVESTMENT MANAGEMENT AND PERFORMANCE FEES

### INVESTMENT MANAGEMENT FEE

The investment management fee, which is paid by the Company quarterly in arrears to the Investment Manager, is calculated on the Net Asset Value ("NAV") on a per share basis as follows:

- Tier 1: 1 per cent. for such of the NAV that exceeds £0 but is less than or equal to £800 million;
- Tier 2: 0.85 per cent. for such of the NAV that exceeds £800 million but is less than or equal to £1.6 billion;
- Tier 3: 0.80 per cent. for such of the NAV that exceeds £1.6 billion but is less than or equal to £2 billion; and
- Tier 4: 0.70 per cent. for such of the NAV that exceeds £2 billion.

Any investments in funds managed by Polar Capital are excluded from the investment management fee calculation.

### 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 2021, there was no accrued performance fee (31 October 2020: £10,690,000 and 30 April 2021: £nil). The quantum of any performance fee will be based on the audited net asset value at the year end on 30 April 2022.

## 7. OTHER ADMINISTRATIVE EXPENSES

At 31 October 2021, the Company's other administrative expenses were £700,000 (31 October 2020: £509,000 and 30 April 2021: £1,071,000).

## 8. CASH AND CASH EQUIVALENTS

	(Unaudited) For the six months ended 31 October 2021 £'000	(Unaudited) For the six months ended 31 October 2020 £'000	(Audited) For the Year ended 30 April 2021 £'000
Cash held at bank and broker	152,862	159,871	165,952
Money market funds	80,738	91,999	50,253
Cash and cash equivalent	233,600	251,870	216,205
Bank overdraft	-	-	(3,473)
<b>Total</b>	<b>233,600</b>	<b>251,870</b>	<b>212,732</b>

As at 31 October 2021, the Company held BlackRock's Institutional Cash Series plc – US Treasury Fund with a market value of £80,738,000 (31 October 2020: £91,999,000 and 30 April 2021: £50,253,000), which is managed as part of the Company's cash and cash equivalents as defined under IAS 7.

## 9. (LOSSES)/EARNINGS PER ORDINARY SHARE

	(Unaudited) For the six months ended 31 October 2021 £'000	(Unaudited) For the six months ended 31 October 2020 £'000	(Audited) For the Year ended 30 April 2021 £'000
<b>Net (loss)/profit for the period:</b>			
Revenue	(8,898)	(5,318)	(10,469)
Capital	394,747	660,921	1,074,156
<b>Total</b>	<b>385,849</b>	<b>655,603</b>	<b>1,063,687</b>
<b>Weighted average number of shares in issue during the period</b>	136,038,501	136,796,098	136,938,993
Revenue	(6.54)p	(3.89)p	(7.65)p
Capital	290.17p	483.14p	784.40p
<b>Total</b>	<b>283.63p</b>	<b>479.25p</b>	<b>776.75p</b>

## 10. SHARE CAPITAL

At 31 October 2021 there were 135,225,396 Ordinary Shares in issue (31 October 2020: 137,315,000 and 30 April 2021: 136,544,764). During the six months ended 31 October 2021, the Company issued no Ordinary Shares (31 October 2020 and 30 April 2021: 2,749,000 Ordinary Shares, nominal value £688,000 were issued to the market to satisfy demand, for a total net consideration of £53,715,000), During the same period, a total of 1,319,368 (31 October 2020: nil and 30 April 2021: 770,236) Ordinary Shares were repurchased and placed into treasury for a total consideration of £31,332,000 ( 31 October 2020: £nil and 30 April 2021: £16,966,000).

Subsequent to the period end, and to 10 December 2021 (the latest practicable date), 691,383 Ordinary Shares were repurchased and placed into treasury at an average price of 2657.29p per share.



**11. NET ASSET VALUE PER ORDINARY SHARE**

	<b>(Unaudited) 31 October 2021 £'000</b>	(Unaudited) 31 October 2020 £'000	(Audited) 30 April 2021 £'000
<b>Undiluted:</b>			
Net assets attributable to ordinary shareholders (£'000)	<b>3,763,061</b>	3,017,730	3,408,763
Ordinary shares in issue at end of period	<b>135,225,396</b>	137,315,000	136,544,764
<b>Net asset value per ordinary share</b>	<b>2782.81p</b>	2197.67p	2496.44p

**12. DIVIDEND**

No interim dividend has been declared for the period ended 31 October 2021 nor the period ended 31 October 2020 or 30 April 2021.

**13. 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 2021.

**14. POST BALANCE SHEET EVENTS**

Subsequent to the period end, and to 10 December 2021, 691,383 Ordinary Shares were repurchased and placed into treasury at an average price of 2657.29p per share.

There are no other significant events that have occurred after the end of the reporting period to the date of this report which require disclosure.

## Alternative Performance Measures (APMs)

### Net Asset Value (NAV) and NAV per share

The NAV is the value attributed to the underlying assets of the Company less the liabilities, presented either on a per share or total basis.

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'Shareholders' funds' per share. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. See Note 11 on above for detailed calculations. The NAV per ordinary share is published daily.

### (Discount)/Premium (APM)

A description of the difference between the share price and the net asset value per share usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the NAV per share the result is a premium. If the share price is lower than the NAV per share, the shares are trading at a discount.

		<b>(Unaudited)</b> <b>31 October</b> <b>2021</b> <b>£'000</b>	(Audited) 30 April 2021 £'000
Closing share price	<b>a</b>	<b>2514.00p</b>	2364.00p
Closing NAV per share	<b>b</b>	<b>2782.81p</b>	2496.44p
<b>(Discount)/premium of ordinary share price to the NAV per ordinary share</b>	<b>(a/b)-1</b>	<b>(9.7%)</b>	(5.3%)

## DIRECTORS AND CONTACTS

### **Directors (all independent Non-executive)**

Sarah C Bates (Chair)  
Tim Cruttenden (Senior Independent Director)  
Charlotta Ginman (Audit Committee Chair)  
Catherine Cripps  
Charles Park  
Jane Pearce  
Stephen White

### **Investment Manager and AIFM**

Polar Capital LLP  
Authorised and regulated by the Financial Services  
Authority

### **Portfolio Manager**

Ben Rogoff

### **Registered Office and address for contacting the Directors**

16 Palace Street, London SW1E 5JD  
020 7227 2700

### **Company Secretary**

Polar Capital Secretarial Services Limited  
represented by Tracey Lago, FCG

### **Corporate Broker**

Stifel Nicolaus Europe Limited  
150 Cheapside  
London EC2V 6ET

### **Depository, 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

### **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 on pages 43 to 45 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.

### **Half Year Report**

The Company has opted not to post half year reports to shareholders. Copies of the Half Year Report will be available from the Secretary at the Registered Office, 16 Palace Street, London SW1E 5JD and from the Company's website at [www.polarcapitaltechnologytrust.co.uk](http://www.polarcapitaltechnologytrust.co.uk)

### **National Storage Mechanism**

A copy of the Half Year Report has been submitted to the National Storage Mechanism ('NSM') and will shortly be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

**Neither the contents of the Company's website nor the contents of any website accessible from the hyperlinks on the Company's website (or any other website) is incorporated into or forms part of this announcement.**