Polar Capital Global Technology

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund benefits from a team led by two experienced and committed technology investors.
- A key strength is their ability to identify thematic opportunities and understand how they develop over time.
- Through its long-term success, the team has garnered significant assets under management. As the firm manages capacity carefully, the fund can experience periods of soft closure, during which it is not open to new investors. If you are considering a new investment in this strategy, we recommend checking the fund's status with the firm.

Key characteristics and expected outcome

- The fund is managed according to a high conviction, growth-centric approach, with a bias to smaller and medium-cap companies. The fund is likely to lag when market performance is led by the largest companies in the index.
- Whilst offering great potential, these stocks can be subject to violent shifts in sentiment and investors must be prepared for periods of performance weakness, relative to global equities and the fund's own index.
- However, the managers' valuation discipline, thorough fundamental analysis and willingness to raise cash and use derivatives are all designed to mitigate the extent of potential drawdowns.
- The fund is appropriate for investors who wish to express a positive view on technological innovation and are prepared to tolerate capital volatility. Specialist funds are often held as part of a spread of assets, given their specific risks. The technology sector is prone to periods of excessive optimism, as well as disappointments.

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 6. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 6 means the fund's historic volatility is between 15% and 25%.

The fund's five-year standard deviation is broadly in line with mainstream technology indices. The fund's overt growth-bias means that it can experience bursts of relatively strong and weak performance, depending upon prevailing market conditions. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	19 October 2001
Manager(s) Since:	Nick Evans (Sep 07) Ben Rogoff (May 03)
Fund Domicile:	Ireland
Base Currency:	US Dollar
Fund Benchmark:	Dow Jones World Technology
IA Sector:	Technology and Technology Innovations

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at fundresearchcentre.co.uk.

Fund Snapshot

A specialist equity fund that invests in the technology sector, with an emphasis on companies with high growth potential. The approach is framed by the team's thematic research and as a result, there is an emphasis upon innovative companies that have disruptive new technologies. Within its sector, the fund features in our 'Global Equity - Technology' category.

Investment Team

The lead manager, Nick Evans, is an experienced technology investor who managed the AXA Framlington Global Technology fund before joining Polar Capital. He is supported by Ben Rogoff, a long-standing co-manager on the fund. The managers are supported by a team of technology investment specialists, including Xuesong Zhao and Fatima Lu.

Investment Philosophy

The managers believe that the regularity and underestimated power and disruption of technological innovation benefits an investment strategy that is focused on longer-term growth stocks. They utilise an active growth-centric approach driven by bottom-up stock selection within a theme-based framework. The fund should be expected to be biased towards secular growth and to be underweight mega-cap companies.

Investment Process

The team aims to build a diversified portfolio of cash generative, next-generation technology leaders with above average growth potential that is not reflected in valuation. The approach is framed by the managers' thematic research combined with penetrations/ 'S' curve analysis, which leads to the identification of groups of stocks that are likely winners and losers from core themes. These core themes are crucial in directing the stock research and screening processes. They are supplemented by consideration of the macro-economic outlook and its impact on IT spending to help estimate penetration rates for different technologies and gauge their consequent attractiveness over time. The team prefers companies with strong balance sheets and high barriers to entry to ensure their ability to reach and maintain a sustainable growth trajectory. The managers also believe that meeting company management and talking to industry experts / consultants is extremely valuable. In practice, they aim to construct a portfolio with a blended revenue, earnings and cashflow growth rate of 15% to 25%.

Portfolio Construction and Risk Controls

The fund typically comprises 60-85 holdings, which are selected and sized with few benchmark constraints, given the managers' view that the index is dominated by large-cap names whose growth phase has passed. Position sizes are typically 0.7% - 3.5%, except for the small number of large-cap stocks that the managers believe have strong growth prospects. These are sized to be overweight relative to the benchmark, where possible. The precise sizing is based upon the managers' assessment of the stock-level risk/reward ratio, calculated by producing forecasts for each of a base case, bull case and bear case. Active 'positive' positions in individual stocks relative to the benchmark index tend not to exceed 3.5%. The managers often hold zero positions in the established companies that represent a large proportion of the benchmark. The managers aim to be fully invested but may on occasions choose to hold up to 20% in cash for tactical reasons. A portion of this cash balance can also be used to fund derivative positions including, but not limited to, futures, options, contracts for difference, swaps and forwards. These positions are designed to reduce the relative volatility of the fund and can be applied at both the individual company and an index level.

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