

Platinum International Technology Fund



Alex Barbi Portfolio Manager

Disposition of Assets

REGION	MAR 2010	DEC 2009
North America	28%	26%
Asia	26%	22%
Europe	16%	21%
Japan	12%	11%
Cash	18%	20%
Shorts	3%	1%

Source: Platinum

Performance and Changes to the Portfolio

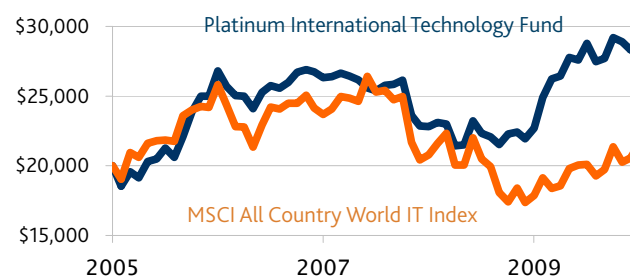
The Fund's value increased by 0.5% during the quarter substantially in line with an increase of 1.1% for the MSCI Information Technology (A\$) Index for the same period. Over twelve months the Fund has recorded a strong positive 29.3% return and outperformed both the MSCI Information Technology (A\$) Index by 8.6% and Nasdaq measured in Australian dollar by 9%.

During the quarter, the best contributors to the Fund's performance were in Japan, Korea and selected European stocks.

In Korea we introduced two new names and their performance has made a positive contribution even earlier than expected. KT Corp, the integrated telecom operator, was up 21% thanks to its progress in the restructuring of its fixed-line business, the announcement of favourable competition policies from the telecom regulator and its introduction of the iPhone in the country on an exclusive basis. LG Display, the global leader in Liquid Crystal Display panels was up 20% from our entry point thanks to expectations that demand for flat panel TVs and PC/laptop monitors will accelerate this year by 30% and 20% respectively driven by consumer demand for electronic devices.

Value of \$20,000 Invested Over Five Years

31 March 2005 to 31 March 2010



Source: Platinum and MSCI. Refer to Note 2, page 4.

In Japan we sold our entire holding in Jupiter Telecom after major international shareholder Liberty Global Inc sold its 38% to local competitor KDDI at 40% premium to the market price. Unfortunately we learned at our expense how convoluted and poor Japanese market governance rules are, when we found out that minority shareholders would receive no equivalent offer, or any offer for that matter. We divested our position on the market accepting a gain of 22% on our entry cost.

Canon, the leader in digital camera and office equipment machines, is now our largest holding in Japan as we believe it will benefit from a recovery in consumer and corporate spending with hopefully extra benefits derived from a weakening yen.

In France, SES-Global, the provider of satellite broadcasting services to pay-tv operators, was up 19% and we partially trimmed our position as valuation is approaching fair value. In Italy, Prysmian, a leading player in the industry of high-technology cables and systems for energy and telecommunications, was up 18% as the market becomes more interested in specific names related to the infrastructure capex cycle.

In the US we recorded some losses with Brocade Communications (-25%) and Ener1 (-26%). Brocade, the leader in storage networking hardware, is suffering from what we believe to be a temporary crisis with its integration of recently acquired Foundry Networks. We believe that its low valuation at 10x PE more than reflects its issues and it should gradually recover.

Ener1, a developer of lithium-ion batteries for the nascent electric and hybrid vehicles industry, has been negatively impacted by their decision to interrupt collaboration with one of their customers. Operating in an industry at its infancy stage, Ener1 remains a potentially promising investment if adoption of hybrid/electric cars takes off within a reasonable timeframe (say 3-4 years).

In currencies the big event for the quarter was the rapid deterioration of sentiment versus weak elements of the European Monetary Union (namely Greece) which put pressure on the Euro against all major counterparties. We reduced our exposure to the European common currency to 10% of the Fund as we believe the political complexity and the structural imbalances within the Eurozone will hinder the currency. On the positive side a weaker Euro will benefit European based exporters.

The Fund's largest individual positions are:

Microsoft (the global software leader in PC and servers applications), Amdocs (market leader in billing software and operating support systems for tier-1 telecom and pay-tv operators), Samsung Electronics (the global leader in electronic goods, memories and components), Cisco Systems (the global leader in data networking and advanced video technologies) and Prysmian (a leading player in the industry of high-technology cables and systems for energy and telecommunications).

At quarter end the Fund was 82% invested with a 3% short position on selected US stocks and indices for a total 79% net exposure.

Since its inception in the year 2000 the Platinum International Technology Fund has compounded at 8.9% pa, while the MSCI Information Technology Index (AUD) has recorded a net contraction of 11% pa compounded.

Commentary and Outlook

On 10 March 2000, the Nasdaq Composite Index reached its all time high at 5,048 and marked the peak of the technology bubble which preceded a long period of value destruction for many companies and stock market investors.

Ten years later the index at 2,398 is still more than 50% below its historic high but things could not look more different for technology stocks. The majority of technology companies are awash with cash and most have no net debt at all. The table over shows how some of the most familiar names in the technology sector have accumulated huge cash reserves.

How was this possible?

Partly it is due to their more cautious behaviour after some near-death experiences at the turn of the century. The financial stress experienced by century-old companies like Ericsson or Corning earlier in the decade or the government orchestrated rescues of some European telecom operators after the multi-billion dollar auctions for 3G licenses, have probably dictated a more cautious approach towards expansion at all costs over the rest of the decade.

One would expect that some of the cash flow generated by these industry leaders is re-invested in capital expenditures and R&D. Some of the names on the list (Microsoft, Google, Amazon) are clearly "asset-light" businesses, requiring relatively low levels of capital re-investment, yet even companies involved in capital intensive sectors like Intel (semiconductors) or Samsung Electronics (Digital memories) seem to be able to produce excess cash. Probably the now established trend of outsourcing manufacturing, assembly and even circuitry design to specialised foundries and IT integrators in Asia has been one of the key factors behind many Western technology groups' structural profit recovery. A slow consolidation process has also helped, strengthening the survivors in their respective industries.

Looking back at investment themes fashionable ten years ago, it is interesting to see how many of those ideas are eventually coming to fruition. Think of the internet advertising market which in 2000 in the US was worth around US\$5 billion and which is expected to reach US\$120 billion this year. Or at global mobile phone subscribers who totalled 740 million in 2000 and now are above 4 billion! Think of when Microsoft bought WebTv in 1997 with the idea of connecting a box to

your TV with a link to the Internet. Fast forward a decade and you can now download on-line movies directly onto your Xbox360 game console!

We find it reassuring that after so many years of uncertainties and false starts we can now invest in many names around these themes at reasonable valuations.

Valuation of technology stocks has now reached fair value and they are no longer the bargain they were a year ago. In the US, the Nasdaq 100 Index trades on a historic PE of 23x and on a 17.7x prospective PE, reflecting expectations for economic recovery. We are comforted, however, that we can still find individual investment opportunities trading globally at more attractive valuations.

Our efforts remain as usual focused on the selection of individual stocks. Our investment strategy is shaped around the monitoring of themes such as those described above and in our previous reports, which will define the technology landscape over the next few years (ie. mobility, internet video, smartphones, alternative energy technologies etc). Our challenge will be, as usual, to identify the right stocks.

Cash Reserves for Technology Companies

COMPANY	MKT CAP 31 MARCH 2010 \$BN	NET CASH \$BN	% OF MKT CAP
Microsoft	257	30	12%
Apple	213	25	12%
Google	139	24	18%
Cisco	149	24	16%
Qualcomm	71	12	17%
Intel	123	12	10%
Samsung	106	11	10%
Dell	29	7	24%
Canon	62	9	14%
Amazon	60	6	10%

Source: Factset

Notes

1. The investment returns are calculated using the Fund's unit price and represent the combined income and capital return for the specific period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax, and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Funds and other risk factors associated with investing, investment returns can be negative (particularly in the short-term).

The inception dates for each Fund are as follows:

Platinum International Fund: 1 May 1995

Platinum Unhedged Fund: 31 January 2005

Platinum Asia Fund: 3 March 2003

Platinum European Fund: 1 July 1998

Platinum Japan Fund: 1 July 1998

Platinum International Brands Fund: 18 May 2000

Platinum International Health Care Fund: 10 November 2003

Platinum International Technology Fund: 18 May 2000

2. The investment returns depicted in this graph are cumulative on A\$20,000 invested in the relevant Fund over five years from 31 March 2005 to 31 March 2010 relative to their Index (in A\$) as per below:

Platinum International Fund - MSCI All Country World Net Index

Platinum Unhedged Fund - MSCI All Country World Net Index

Platinum Asia Fund - MSCI All Country Asia ex Japan Net Index

Platinum European Fund - MSCI All Country Europe Net Index

Platinum Japan Fund - MSCI Japan Net Index

Platinum International Brands Fund - MSCI All Country World Net Index

Platinum International Health Care Fund - MSCI All Country World Health Care Net Index

Platinum International Technology Fund - MSCI All Country World Information Technology Net Index

(nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist).

The investment returns are calculated using the Fund's unit price. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax and assume the reinvestment of distributions. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably to the make-up of the Index. The Index is provided as a reference only.

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