Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	MAR 2011	DEC 2010
Asia	28%	27%
North America	23%	25%
Europe	17%	17%
Japan	8%	8%
Cash	24%	23%
Shorts	3%	0%

Source: Platinum

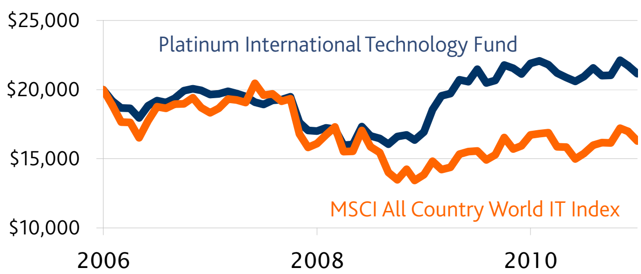
Performance and Changes to the Portfolio

The Fund's value increased by 0.6% during the quarter, in line with the increase of 0.9% for the MSCI World Information Technology (A$) Index for the same period. Over 12 months the Fund has recorded a negative 3.3% while the Index was down 2.6%

During the quarter positive contributions to performance came from small capitalisation stocks: in Korea, Melfas (touch screen integrated circuits) was up 59%; in Germany, SMA Solar (electrical inverters) +27%; in Japan, So-net Entertainment (Internet Service Provider) +22%; in Italy, Prysmian (electrical and fibre optic cables) +19% and in the US, Brocade Communication Systems (storage and data networking) +16%.

Value of $20,000 Invested Over Five Years

31 March 2006 to 31 March 2011



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

On the negative side, the major declines were recorded by:

Cisco Systems (data networking) -15% after warning of a challenging margin outlook for at least a couple of quarters; KT Corp (Korean telecom) -14% with the market fearing renewed competition among the three major players; LG Display (display panels) -13% following a worse than expected price decline in panels pricing; and Perfect World (Chinese online games) -10% and still in the early stages of its new titles launches.

The Fund's relatively large cash position (25% on average during the quarter) has also detracted from performance.

Major changes in the portfolio:

We have slightly reduced our exposure to Microsoft despite its relatively cheap valuation as we considered the momentum behind the Windows 7 cycle almost at peak (historically 18 months after launch, which in the case of W7 was October 2009). We reduced our position in Cisco (no longer a top ten holding) after the abovementioned revised outlook, as we believe its margins issues could last more than a "a couple of quarters" and have a more structural character. We will monitor its development with an eye to adding to what is still a very attractively valued stock.

We exited Google as we think a slowdown in its current revenue growth rate, an acceleration in corporate expenses and investments, and more scrutiny from regulators will prove to have a negative impact on the stock price in the medium-term.

We added to Yahoo as we believe the market has almost 'thrown in the towel'. It is getting tired of waiting for the long promised restructuring and it does not recognise the hidden value of its minority holdings of valuable Asian businesses (Yahoo Japan and Alibaba Group in China).

In semiconductors, we introduced Advanced Micro Devices (AMD) and in optical networking, we bought Infinera and added to Adva Optical Networking which we describe in more detail below.

Commentary and Outlook

During our recent trip to Silicon Valley on the US West Coast we met with more than 30 companies and we returned with some interesting conclusions and investment ideas.

The tone of each meeting was generally optimistic with the majority of the companies we visited expressing faith in the sustainability of the current recovery. This is not to say that we are back to the good old days, but one could definitely sense a general optimism when talking to people compared to only a year ago. Perhaps a common denominator to many comments we heard during the trip was the positive tone used to describe the increasing importance of developing markets in terms of both demand and innovation.

While these observations could easily be taken as an attempt to deflect attention from a still lukewarm US domestic economy, they confirm the increasingly important role of demand for global technology in developing countries. This is a long-held view here at Platinum and reflected in the Fund's exposure of 36% to Asia including Japan.

AMD is one of the largest suppliers of PC microprocessors and graphics processors to PC, notebook and server original equipment manufacturers. Historically, AMD has been the number two player within an industry (Central Processing Units or CPUs for PCs) dominated by the 800 pound Gorilla (Intel). In fact, partly because of its fragile financial structure and difficulties in gaining substantial market share against the market leader, life has never been easy for the challenger. So what has changed now? A few things.

To begin with, AMD has completed a major restructure and it is now a "fabless" IP company. After selling its manufacturing assets to GlobalFoundries, a newly created entity owned by the Abu Dhabi Sovereign Fund, AMD has now no exposure to the considerable fixed costs of semiconductor fabs. With this deal AMD has radically changed its strategy towards an asset-light business model with lower financial risks and the ability to focus its resources on its research and development efforts to deliver better products at more competitive prices. The company will have a net cash position on its balance sheet by year end; a huge improvement from the $4 billion net debt position reported three years ago.

AMD has also a strong know-how in both CPU and Graphic Processing Unit (GPU) thanks to its ATI acquisition a few years ago and it has recently developed a very high-performing, power efficient and balanced platform called Accelerated Processing Unit (APU) and marketed under the name AMD Fusion. This combines the advantages of a CPU and a GPU (including 3D geometry processing) on a single silicon die allowing PCs to perform the most demanding computing tasks with the lowest possible power consumption.

Finally, the notebook market is becoming commoditised and driven by "good enough computing" rather than performance. Similarly to what happened in the desktop market, purchase considerations will be increasingly affected by price. Hence lowering the cost of the CPU becomes critical to reduce the hardware cost. AMD has developed a number of new products to compete against Intel and independent tests have shown they are superior in terms of power consumption and graphic performance while being very cost competitive (i.e. Netbook chip Ontario is 20-30% cheaper than Intel's Atom). With AMD's share in Notebook Microprocessors only at 13% and no presence in Netbooks yet, the scope for share and margins improvement is very high.

Lastly, AMD has currently only a small 5% market share in servers and the launch of next generation Bulldozer chip will likely help on this front (when AMD launched its Opteron server chip in 2003-04 its share went from 5% to more than 20%).

We believe AMD will benefit from its new product launches in 2011 and the market will reassess its growth prospects and rerate it above its current valuation (11x PE 2012) once it is clear that the "new AMD" is on a sustainable growth path.

During our company visits we also received confirmation that the long awaited capital expenditure upgrade of optical networks from telecom operators is finally happening. Thanks mostly to increased penetration of smartphones and video downloads through broadband connections, some portion of telecommunication networks are experiencing capacity constraints. Areas like wireless back-haul (the section of wireless networks between telecom towers and the core infrastructure) traditionally equipped with copper or microwave radio links are increasingly being upgraded with high-capacity fibre optical connections to cope with increased traffic.

We added to our position in Munich-based **Adva Optical Networking**, a company we have been following since its listing during the tech boom in 1999. From its early days as a start-up focused on enterprise customers, Adva has now graduated in the league of serious telecom equipment providers with Tier 1 clients such as Deutsche Telekom and British Telecom and reselling partnerships with important players like Nokia-Siemens and Juniper Networks.

Adva is operating in a very attractive niche of the global telecommunication equipment market, focusing on increasingly converged optical and ethernet transport solutions. The company believes its addressable market is worth US$3 billion globally and is expected to grow approximately by 16% pa over the next three years. With a market cap of only €300 million, Adva is valued at a fraction of major peers such as Alcatel-Lucent, Ciena and Tellabs and is trading at an attractive 12x PE for 2012.

New addition **Infinera** is also a thematic investment on the fast growing area of optical networking. Infinera's Photonic Integrated Circuits (PICs) are very innovative and address a problem which the industry has tried to solve for at least a decade. A traditional optical transport system would include discrete components such as lasers, modulators, amplifiers, repeaters etc to convert electrical signals into light and vice-versa in a process called Optical to Electrical to Optical conversion. Rather than coupling these components semi-manually as in the traditional optical components assembly process, Infinera's PIC is more akin to a semiconductor fabrication process. For this reason it can manufacture optical systems at much lower costs compared to competitors. Infinera has so far been successful mostly in North America as its products are better suited to the very long distances of long-haul transport networks between US cities but it is increasingly gaining visibility with some European and APAC customers as well. The new generation of PIC-based 100Gb products is also promising to place the company at a significant advantage against competition for the next generation network build-out.

Outlook

The outlook for technology stocks remains relatively positive. Emerging markets are driving the secular growth in consumer electronics demand and corporate buyers in developed markets are timidly starting to loosen up their purse and upgrading IT systems as they become more confident about economic recovery.

Large cap stocks remain mostly undervalued compared to high growth, small caps. We believe that we could be close to an inflection point where investors eventually rotate into safer names should the macroeconomic picture become more uncertain. The Fund is appropriately positioned for this scenario.

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: 30 April 1995
   Platinum Unhedged Fund: 31 January 2005
   Platinum Asia Fund: 4 March 2003
   Platinum European Fund: 30 June 1998
   Platinum Japan Fund: 30 June 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$20,000 invested in the relevant Fund over five years from 31 March 2006 to 31 March 2011 relative to their Index (in A$) 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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