

PLATINUM INTERNATIONAL TECHNOLOGY FUND



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PERFORMANCE AND CHANGES TO THE PORTFOLIO

During the quarter the Fund increased by 0.4% compared to an increase of 4.9% in the MSCI World Information Technology Index (in Australian dollar terms).

The good performance of our Asian and North American holdings was offset by a decline in our Japanese stocks, with European companies' contribution being largely neutral. Our short positions also detracted from the Fund's return.

The strength of the Australian Dollar against all major currencies again impacted negatively on the Fund's performance. The Fund's currency positions remain largely in line with geographic exposure, with the exception of the US dollar where we are partially hedged (9% versus 25% country exposure). The Fund's cash position is held in Australian dollars.

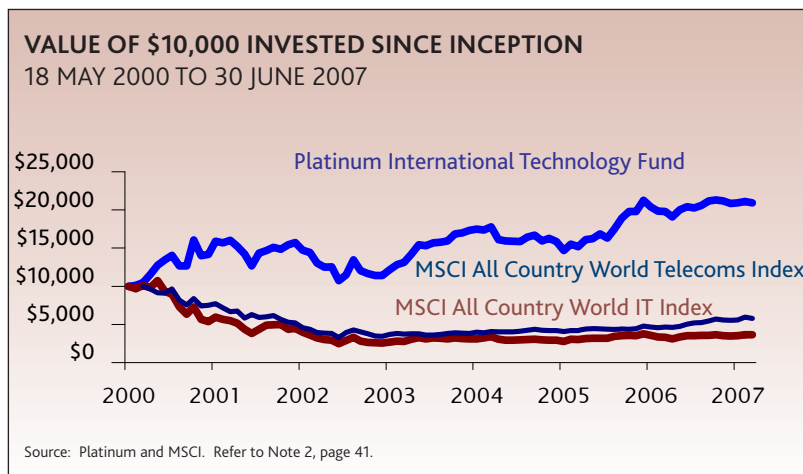
Major purchases

We re-established a position in Chinese solar cell and module manufacturer Suntech Power (featured in our Dec 2005 quarterly report) at what we consider is an attractive valuation in light of its medium term growth potential (PE 19x on 2008 vs. + 35-50% growth).

We increased our position in IXIA, a US based company selling testing equipment for routers and switches used by telecom operators, cable TV providers and equipment manufacturers. IXIA will profit from a growing global trend in the deployment of high-capacity broadband networks. With nearly 35% of its market capitalisation represented by cash and a solid track record in its sector, we are confident that IXIA represents a good opportunity.

DISPOSITION OF ASSETS		
REGION	JUN 2007	MAR 2007
OTHER ASIA (INCL KOREA)	33%	25%
NORTH AMERICA	25%	24%
JAPAN	15%	17%
EUROPE	14%	15%
CASH	13%	19%
SHORTS	7%	5%

Source: Platinum



We initiated a position in AAC Acoustic, a Hong Kong listed Chinese manufacturer of acoustic components for mobile phones. AAC is a major beneficiary of a trend to equip mobile handsets with smaller and better acoustic components (stereo speakers, hands-free kits, receivers, microphones, etc.).

Major sales

We reduced our position in LG Electronics after a significant stock appreciation (+25% in the quarter), and we exited several positions in smaller Asian and Japanese stocks which did not perform up to original expectations.

As a result of the above changes, the Fund has increased its exposure to Hong Kong and Greater China to a combined 22%, while North America at 25% remains the largest weighting in the portfolio. The fund positions in Japanese and European stocks have been slightly reduced to 15% and 14% respectively.

COMMENTARY

We have discussed the theme of mobility (wi-fi, 3G, TV phones etc.) in previous reports and we have often highlighted how the constant evolution of wireless technology will change the way we use our mobile phones. More recently we have identified another emerging trend in the mobile communication arena which we believe will develop into a multi-billion dollar market opportunity - Location Based Services.

The mobile phone meets the satellites

Location Based Services leverage the ability of telecom operators and other providers to send targeted information and advertising to mobile subscribers, according to their location. New mobile phones are being launched with embedded GPS (Global Positioning Systems) which allow it to pin-point the exact location of the phone to

within five metres. In countries like the USA, Europe and Australia, where competitive and mature voice markets are restraining profit growth for telecom operators, this new technology will help carriers to increase subscribers' loyalty and to add more value to their services.

In Europe Vodafone is already offering Vodafone Navigator, a service providing up-to-date pan-European map data coverage, integration of points of interest, and real-time traffic information. Similar services based on the same platform are offered by Orange in France, O2 in the UK, and by Telstra in Australia.

In Japan, KDDI's users of GPS enabled handsets can acquire information about a location (such as a building or a shop) simply by pointing their phone at it! In the USA, the Amber Watch Foundation, a non-profit organisation focussing on preventing child abduction, is launching a web-based service called Amber Watch Mobile. Its software can be installed on a child's GPS-enabled mobile phone. Parents can then log on to a dedicated web site and quickly pinpoint their child's mobile phone location and track their daily movements. Gone are the days when telephones were used only to make and receive a phone call!



Source: www.army.mil

Global Positioning System

The GPS is a global network of 30 satellites placed in orbit by the United States and managed by the US Air Force. These satellites orbit the earth twice daily and are positioned so that at least six are in the line of sight of any point on earth at any time. Every satellite contains an atomic clock and broadcasts the same string of data. A GPS receiver (included in the Navigation Device or mobile phone) will compare the time delay of broadcast signals from multiple satellites and combine that information with knowledge of satellite positions to calculate receiver positions. In the 1980s GPS was also made available for civilian uses, free of charge, enabling a range of applications such as Personal Navigation Devices (PNDs) for cars, boats or outdoor activities in remote areas.

While the beauty of GPS is that it is literally available anywhere in the world, it has some drawbacks; a “cold start” may take up to several minutes to get a “fix” (jargon for connection) to the satellite network, and receivers also require line of sight (i.e. they do not work very well among urban “canyons”). These may be secondary issues if you are on a boat in the middle of the ocean, but they may be annoying if you are trying to follow the driving directions to the closest Chinese restaurant in town.

Source: www.navigadget.com



A new technology called Assisted GPS (A-GPS) has improved dramatically the level of accuracy and functionality of GPS. A-GPS uses an “assistance” server in a mobile network which hosts information about satellites’ positions and velocity. In such a system, the assistance server communicates with the GPS receiver on the mobile phone through the cellular network. With assistance from the network, the receiver can operate more quickly and efficiently than it would unassisted, because a set of tasks that it would normally handle is shared with the assistance server. The resulting A-GPS system boosts performance beyond that of the same receiver in a stand-alone mode. The combination of large computing power from the mobile network with the satellite network and a more power efficient handset, makes the system quicker and really ubiquitous.

Source: www.navigadget.com
Nokia N 95



Initially, the idea of being able to locate mobile handsets originated with the US Federal Communication authorities' mandate requiring the position of a mobile phone to be available to emergency call operators. However, even the best "terrestrial" mobile networks technologies cannot provide accuracy below 50 metres radius, hence the necessity of co-opting the satellite system for the task. Luckily there was already a GPS system up in the sky!

While the GPS is freely available, the fact that it is managed by the US Department of Defence has motivated other countries to build alternative systems. Russia has already set-up a system called GLONASS with 12 satellites but with reportedly limited reliability. The European Union is planning the launch of the Galileo project, consisting of 30 satellites and offering a base service for free or a premium one (one metre accuracy) at extra cost. China, originally a partner in the Galileo project, has recently indicated that their own system called Beidou will be launched in 2008. We believe that this proliferation of competing GPS systems will likely accelerate its adoption and that ultimately this choice will benefit consumers.

As GPS technology advances and prices come down, GPS will become increasingly available to a broader spectrum of applications. Mobile handsets, digital cameras, portable computers, personal navigation devices and other portable consumer applications will incorporate GPS functionality at affordable prices. Personal Navigation Devices (PNDs) are already available in Australia at prices as low as \$150-\$200 and GPS chipsets can be relatively easily designed into high-end mobile phones without adding much to the total bill of materials. According to independent consultants Frost & Sullivan, average selling prices of GPS chipsets have come down from US\$23 in 2002 to US\$12 in 2006, and they are expected to go below US\$5 by 2008. It is not far-fetched to imagine that by 2010 around 30-35% of mobile phones on sale will have a GPS chipset incorporated (currently it is less than 5%).

UBS estimates that total GPS-enabled units will grow to more than 450mil in 2010 from 9mil in 2002 and 32mil in 2006. While the key growth driver has so far been automotive (navigation devices in the car), we believe that the mobile handsets market will stimulate enormous growth for GPS applications.

Increased miniaturisation of semiconductors and improvements in power management are contributing to the development of new services such as the integrated GPS functionality in a mobile phone. Technology is becoming increasingly more accurate and the number of applications more disparate. Major beneficiaries of these trends will be mobile phone manufacturers, component makers, application providers and telecom operators. The Fund has positions in a number of these players including Samsung Electronics, AAC Acoustic, LG Electronics, Nokia and Ericsson.

OUTLOOK

The Fund remains invested along the lines of our favourite themes. Capital expenditure for next generation wireless networks remains the most important one (>10%) followed by growing penetration of flat panel TVs (8%), broadband (8%) and software upgrades (7%).

While the US consumers may have started slowing down due to the well-reported excesses in their domestic real-estate market, we are optimistic about the future prospects of our selected themes. Current trends on LCD TVs, next-generation mobile networks, broadband and software spending are not a western-only phenomenon, but part of a secular wave which is also accelerating in less-developed countries.