Platinum International Technology Fund

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Disposition of Assets

REGION	JUN 2011	MAR 2011
Asia	30%	28%
North America	20%	23%
Europe	19%	17%
Japan	7%	8%
Cash	24%	24%
Shorts	3%	3%

Source: Platinum

Performance and Changes to the Portfolio

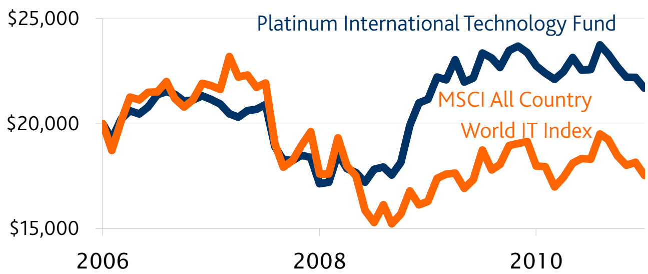
The Fund's value declined by 4.5% during the quarter, slightly less than the decrease of 5.1% for the MSCI Information Technology (A$) Index for the same period. Over 12 months, the Fund has recorded a negative 4.6% while the Index was down 2.5%.

Among the major detractors to performance:

- Germany, Adva Optical Networking (optical and Ethernet telecommunication) -34%;
- Japan, Nintendo (electronic gaming) -33% following a disappointing launch of its new 3DS platform;
- Korea, Melfas (touch screen integrated circuits) -27% in a partial reversal of fortunes compared to the previous quarter; and
- the US, Advance Micro Devices (semiconductors) -21% driven by a slowdown in demand for PCs.

Value of $20,000 Invested Over Five Years

30 June 2006 to 30 June 2011



Source: Platinum and MSCI. Refer to Note 2, page 5.

On the positive side of the ledger, we find more defensive telecom and media stocks in:

- China, Changyou.com (on-line gaming) +34%;
- Germany, Freenet (Mobile telephony reseller) +19%;
- Japan, So-net Entertainment (Internet Service Provider) +17%; and
- Taiwan, Chunghwa Telecom (Integrated Telecom operator) +8% and FarEastone (Mobile Telecom operator) +5%.

During the quarter, our short positions on selected stocks, the semi-conductor sector and Taiwan indices have marginally added to performance.

Major changes in the portfolio:

In the Asian telecom sector, we introduced two telecom holdings in the Philippines: Philippine Long Distance Telephone Company (PLDT) and Globe Telecom. Why the Philippines? While the country has had a long history of fiscal indiscipline, things have changed remarkably since Gloria Arroyo came to power a decade ago. Since 2003, the fiscal deficit as a percentage of GDP has been below the level of real GDP growth for every year with the only exception in 2009 during the global financial crisis. The government is targeting a reduction of deficit to 2% of GDP by 2013 from the current 3.7% and it should be achievable, considering that GDP is expected to grow by 5% in 2011.

An interesting feature of the Philippines economy is the explosive growth of Business Process Outsourcing (BPO) from virtually zero in 2000 to an estimated $9 billion of revenues in 2010. These services which employ an estimated 600,000 people are now providing revenues equal to 50% of foreign workers remittances and are indicative of a country investing heavily on its telecommunication and services sector.

We decided to invest in the telecom sector after market leader PLDT announced the take-over of n.3 mobile player Digitel. With the consolidation of the wireless market from three players (PLDT with 55% market share, Globe with 35% and Digitel with 10%) to two, the competitive landscape is expected to improve dramatically. Pricing wars experienced so far should gradually abate and a more peaceful environment will be the driver of improved revenue and profitability growth from 2012 onwards. Trading at 11x PE for 2011 with dividend yields in the 8%-10% range (against a 10 year domestic bond yielding 7.5%), we believe they are both attractive investments.

Commentary

The connected TV

More than 15 years after the Internet was introduced to the masses in the mid-90s, all the predictions about viewers gradually shifting from TV viewing to the on-line world have proved wrong. While the masses have adopted the Internet, people keep watching TV… and more than ever!

In the US, at the end of 2010, according to Nielsen surveys, viewing hours per user, per month were 154, up 1% year-on-year and up 8% from the beginning of the decade. The proliferation of channels delivered to the home (in the US they have grown on average from 30 channels in 1990 to currently more than 140) has been the main reason to keep the average viewer glued to the screen.

More recently, the increased availability of high-speed Internet connections through ADSL and fibre optic links has created another category of video content aggregators. First it was **Youtube**; the video portal where individuals could upload home-made videos which is now increasingly becoming a destination for commercial music videos, TV episodes, old TV shows etc, all funded by advertising. Then **Netflix**, originally a provider of flat-rate DVD-by-mail service, launched on-demand Internet streaming video services available on a per month subscription basis (starting from $8 per month). It has currently more than 23 million subscribers and it is now a force that incumbent pay-TV operators (cable and satellite) have to start paying more attention to. Similarly, **Hulu** (a company owned by Newscorp, Disney and NBC Universal), has launched a so-called Over-The-Top (OTT) subscription service offering ad-supported on-demand-streaming video of TV shows, movies, webisodes (an episode initially aired on the Internet as opposed to pay or free-to-air TV) and other new media, trailers, clips, and behind-the-scenes footage from NBC, Fox, ABC etc. Then Walmart launched **Vudu** of which **Amazon** has a similar service, and **Apple** has offered movies to buy/rent through iTunes and it should soon launch a new streaming service as part of its new iCloud initiative. More will be announced for sure.

To put this phenomenon in perspective, one key statistical data is worth mentioning: Netflix alone now makes up a quarter of all total Internet traffic in North America!

Source: www.samsung.com

The success of these services is facilitated by their availability across multiple devices. Provided you have a fast and robust broadband connection, you can stream Netflix movies to your PC, to a game console (Xbox, Nintendo or Wii), to a Blu-ray Disc player or to a set-top box. More importantly, the constant progresses in miniaturisation and in speed and memory capacity from the semi-conductor industry, has allowed consumer electronics giants like Samsung, Sony and LG to deliver a new generation of web-connected TVs (TVs are in fact becoming more and more sophisticated and a quick look at their back panels reveals that of a PC-like architecture – Ethernet cards, USB ports, wireless ports etc).

We have always believed that "ease of use" is one of the key, if not the most important, driver for new technologies adoption (think the iPhone with its intuitive user interface). The availability of "plug-and-play" Internet connected TVs is definitely one step forward in the direction of allowing TV viewers to experience the long awaited benefits of media/Internet convergence.

The new Samsung "Smart TV" series, for example, illustrates the extent of the potential changes in viewers' habits and the threats/opportunities the entire media industry will have to deal with, if this phenomenon takes off.

The Samsung TV presents the user with a so-called "Smart-hub" on its screen (see picture) which provides TV-optimised content that can be customised, similarly to what you can do on a modern smart phone. It provides you with a wide selection of applications (200 "apps" expected by year end) available from an App store. The viewer can choose from a wide selection of categories such as Videos On Demand (including services like Netflix, Hulu etc), Games, Sports, Information, Lifestyle and obviously direct access to the Internet through a browser and to the various apps you are already familiar with through your PC or smart phone (Facebook, Google, Maps, Mail etc). You can see how suddenly our couch potato may have some incentives to sit on the couch for a few extra hours! You may find appealing to share your viewing experiences with friends and family through blogging and chatting services like Facebook, Twitter and Google Talk, all while watching live TV!

As we said earlier, ease-of use will be critical. At the moment the screens on these Smart TVs appear a bit too cluttered and confusing to the non-tech savvy and some of the keyboards required to interact are too complicated. But the industry is moving in the right direction as witnessed by the rapid adoption of these new TVs: in the US currently 15 million households have already bought one, and 50-60 million are expected to buy one by 2015 (Source: Morgan Stanley -SNL Kagan).

How will this trend change the landscape of the media industry?

The consumer will benefit and have more choice. Viewers will increasingly move to a time shifted pattern relying less on the traditional linear programming of pay-TV and free-to-air broadcasting. This will erode the value of advertising as content owners and aggregators will have to rely more on subscriptions and program syndication fees. TV studios and other creators of truly original content will benefit as they will see the number of distribution platforms multiplying and bidding up the value of the content on offer. Networks of inexpensive programming with high levels of repeats and syndicated third party contents will see the cost of their programming grow due to competition from the new platforms.

Existing distribution platforms (cable and satellite) are likely to see some profitability erosion if value of content goes up and/or many subscribers suddenly decide that paying $77 a month for dozens of premium channels is too much and they would rather spend $8 a month for a “good enough” alternative. That should be particularly appealing at a time of serious economic uncertainty and declining consumer’s purchasing power.

The predictable increase in broadband consumption triggered by this surge of video demand will no doubt create stress on the telecom operators’ networks. Telecom operators and cable companies will be able to get paid for the higher usage of their “pipes” if viewers take up these new services.

Change in viewing patterns will impact on audience measurement, ratings and hence advertising rates. Currently Nielsen does not measure TV viewing outside of its traditional TV measurement system. With the increased adoption of time shifting, there will have to be new ways of measuring viewership.

The Fund has exposure to this theme directly through **Samsung Electronics** (the leader in consumer electronics and a top ten investment position in the Fund), and indirectly through Apple, Adva Optical Networks (Ethernet and optical networks), Brocade (networked storage and Ethernet networking) and various telecom operators in Asia.

Outlook

Global economic growth indicators are sending conflicting signals with the US struggling to create jobs, the European economic zone having to deal with the de-facto bankruptcy of some of its junior members and excessive government’s debt. The major drivers of global growth remain in Germany and most of the emerging markets.

The valuation of technology stocks have, if possible, compressed even further and the market seems to discount extremely bleak scenarios and it is not prepared to pay up for large capitalisation companies showing acceptable growth. On the other end, we continue to see signs of excesses in the Internet/Cloud space where new companies have been floated at sky-high valuations.

On the positive side, the amount of liquidity in the markets and the potential impact of corporate cash being put at work via merger and acquisition activity, buy-backs and increased dividend distributions may trigger some interesting consolidation and offset any lack of news about an exciting economic recovery.

Large capitalisation stocks remain mostly undervalued compared to high growth, small capitalisation stocks and we maintain our positions confident that the market will close the valuation gap.

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$20,000 invested in the relevant Fund over five years from 30 June 2006 to 30 June 2011 relative to their Index (in A$) 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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