

Platinum International Technology Fund



Alex Barbi Portfolio Manager

Disposition of Assets

REGION	JUN 2012	MAR 2012
Asia	37%	36%
North America	21%	21%
Europe	20%	19%
Japan	4%	4%
Cash	18%	20%
Shorts	2%	7%

Source: Platinum

Performance and Changes to the Portfolio

The Fund's value decreased by 5.9% during the quarter, while the MSCI World Information Technology Index (A\$) was down 7.2% for the same period. Over 12 months, the Fund has recorded a negative 1.7% while the Index was up by 10.1%.

During the quarter the more defensive stocks operating in services, media and telecoms (an aggregated 26% exposure of the Fund), performed well:

- Amadeus IT Holding +18%
- Far Eastone Telecom +7%, and
- Vodafone +4%.

More cyclical names in semiconductors and telecom equipment (33% aggregate exposure) suffered from a worsening macroeconomic outlook and growth slowdown in their sectors:

- Infineon Technologies -31%
- Advance Micro Devices -28%, and
- ZTE -28%.

Value of \$20,000 Invested Over Five Years

30 June 2007 to 30 June 2012



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

Commentary

Convergence across screens (phones, tablets, PCs and TVs)

The computer industry is going through a deep transformation. During the quarter we heard Hewlett Packard, the world's largest PC maker, announcing another restructuring plan and taking a \$1.2 billion write-off on Compaq Computer; on the same day Dell stock price plummeted by almost 20% as the company announced that consumer revenues had declined by 12% and sales to large enterprises were down by 3%. While blaming the European crisis and a general economic slowdown, most PC makers are in fact facing a significant shift in consumer preferences towards mobile devices like smartphones and tablets with a multitude of 'apps' (applications such as games, utility programs, media etc) all available on user friendly touch screens.

According to research house Gartner, total smartphone sales in 2011 reached 472 million units and accounted for 31% of all mobile device sales, up 58% from 2010. In 2011, end users bought 1.8 billion mobile devices, an 11% increase from 2010. Expectations for 2012 are for the overall market to grow by about 7% but smartphone growth is expected to be at around 34%. Similarly, worldwide media tablet sales to end users are forecast to total 119 million units in 2012, a 98% increase from 2011 sales of 60 million units. In contrast, worldwide PC shipments totalled 353 million units in 2011, a 0.5% increase from 2010.

The old desktops that 15 years ago introduced us to the Internet through a cable plugged in the wall, are now being replaced by thin/lightweight tablets or other mobile devices connected wirelessly to mobile Internet or Wi-Fi networks. The transition to cloud (web-based) services like music and video streaming, remote data storage of documents, photos etc is making the network and the applications (as opposed to the device per se) the centre of the user's experience.

Content previously viewed on a TV or a PC (say a movie, games or photos) can now be viewed on a tablet or a smartphone and increasingly through wireless connections. The new devices are no longer standalone entities but increasingly multi-functional. You can take a photo on your smartphone but you may want to watch it on your tablet later on. You may receive an email message on your PC but you want to review it on your TV from the comfort of your couch while you are watching the photos you had taken earlier on your smart-

phone and so on. Different devices have to be able to "talk to each other" and synchronise content, messages, photos, music etc. Applications running on one device have to be available across all other devices.

These trends risk making traditional software applications such as those running old PCs less relevant and are threatening to relegate the desktop to a sideshow. Apple with its iPods, iPhones and iPads was very early to understand this revolution which is changing the way we access and manage information on and off the Internet. The race is on and while Apple's competitors have been late to the game, they are now trying to catch up.

Google has advocated an open software environment with its Android Operating System freely available to phone/tablet manufacturers and software developers, aiming to develop an alternative to Apple's successful iOS. Google's main interest is to expand its advertising based Google Search franchise in the mobile world. In 2011, Android phones have in fact achieved a dominant 50% market share of the smartphone market, overtaking Apple now second with 24% share. The Android universe remains, however, fragmented across several phone manufacturers (with the exception of Samsung's large share) with many developers and phone operators lamenting a lack of consistency across the various software releases and excessive costs in managing this fragmentation (as opposed to Apple's monolithic/closed environment). Despite its weaknesses, Android has also achieved a good presence in tablets with a forecast 32% market share in 2012, second only to Apple with 62%. What about Microsoft? Five years ago, well before Apple had launched its iPad, Bill Gates was enthusiastically showing off an innovative tabletop touch screen device called Surface, effectively anticipating most of the functions embedded in today's smartphones and tablets. Microsoft, however, never released the product or its innovative interface and that gadget remained in the labs. Perhaps too worried about protecting its dominant Windows software franchise, Microsoft has been unable so far to meaningfully participate in the high growth smartphone and tablet markets.

The recent presentation of Microsoft's innovative tablet named (again) Surface and the launch in October of the new Windows 8, designed specifically with touch interaction in mind, seems to address most of the issues that have so far prevented Microsoft from being a contender in these emerging areas. Unusually, Microsoft has decided to directly sell this

'converged' or 'hybrid' device (a tablet with a detachable and foldable keyboard) under its own brand, without relying on its traditional PC makers. We believe this is a sign that Microsoft has finally realised the urgency of addressing its weaknesses in this newly created market. It is also a message to its traditional PC partners to show a template on which to build tablets attractive and competitive enough against existing Apple and Android devices. We consider the launch of Windows 8 as the greatest chance that Microsoft has to re-gain the ground lost to Apple and Android in the consumer segment.

Surface



Source: Microsoft website

Tim Cook, Apple's CEO has derided hybrid/converged devices comparing them to "an attempt to converge a toaster and a refrigerator" and he claimed that Apple will not make one. As a hardware manufacturer it would of course rather sell two devices than one... but perhaps Tim Cook is forgetting that the iPhone itself was created as a 'hybrid' between a phone and a music player effectively, partly cannibalising its own iPod.

Consumers value integration, so we think the game is still open and the market's preferences can change very quickly when new products are introduced. Moreover, even Apple understands very well the need for inter-operability and common/consistent user interfaces. That is why it is working to improve inter-operability between its iOS devices (iPhones/iPad) and its OSX devices (Mac notebooks and desktops) with its new Mountain Lion software update for Macs.

MacBook Air



Source: Apple website

Samsung Electronics is also well-placed to benefit from the proliferation of devices based on Android and Windows 8 platforms (the Koreans have been partners of both Google and Microsoft) thanks to its scale, vertical integration and access to in-house leading components (semiconductors, memories, screens and batteries). Admittedly though, Samsung will play a role more akin to an arms' merchant to Google and Microsoft given its strengths are more in hardware than software.

The Fund has positions in Samsung, Google and Microsoft. We have recently increased our position in Microsoft as we believe that it will benefit from:

1. Adoption of tablets bundled with the familiar Office applications (Outlook, Excel etc).
2. Sales acceleration of Windows 7 for the corporate sector (Windows Xp will soon cease to be supported by Microsoft and corporate clients will have a strong incentive to upgrade).
3. Consistent strong sales in Server and Tools (Servers and Database software).

Outlook

Once again, with everybody waiting for a solution to the Eurozone banking/sovereign crisis, stock markets globally have followed the news flow coming from Europe as much as company results and fundamentals.

Another meeting of Eurozone politicians at the end of the quarter provided some hope that a path to banking union/solidarity will be implemented in a reasonable timeframe removing the risk of countries like Spain and Italy potentially exiting the Eurozone. A recourse to monetary easing by the European Central Bank along the lines followed previously by the Federal Reserve in the US and the Bank of England in the UK is quite frankly the only powerful tool available to the authorities to avoid a disorderly implosion of the area.

Valuations of our major holdings remain quite attractive and we have increased weights in our top holdings during the quarter. With such an uncertain economic picture in the background, we continue to adopt a strategy of finding the best investment themes and selecting the best companies within them.

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 2007 to 30 June 2012 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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