

Platinum International Technology Fund



Alex Barbi Portfolio Manager

Disposition of Assets

REGION	JUN 2014	MAR 2014
Asia and Other	29%	24%
North America	24%	20%
Europe	18%	19%
Japan	13%	12%
Russia	3%	1%
Africa	2%	3%
Cash	11%	21%
Shorts	3%	4%

Source: Platinum. Refer to Note 3, page 4.

Performance and Changes to the Portfolio (compound pa, to 30 June 2014)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	2%	22%	15%	9%	9%
MSCI AC World IT Index	4%	27%	20%	13%	-5%

Source: Platinum and MSCI. Refer to Note 1, page 4.

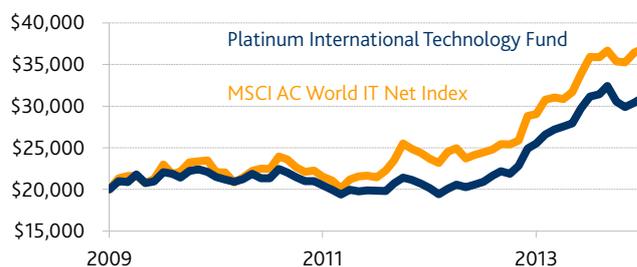
During the quarter the Fund was up by 1.7% and the MSCI World Information Technology Index (A\$) was up by 4.3%. For the year, the Fund's return was 21.7% compared to 27.1% for the Index, with the net invested position at 86%.

Among the Fund's best performers and major contributors were: semiconductors stocks (Skyworks +25% and Intel +20%) and DRAMs (Micron +39% and SK Hynix +35%). Detracting from performance were: Chinese Internet stocks (Sina -18% and Sohu -11%).

Currencies detracted from performance with the Australian dollar up between 3 and 5% against major counterparts.

Value of \$20,000 Invested Over Five Years

30 June 2009 to 30 June 2014



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

During the quarter we added to ASML Holding (semiconductors), Google (Internet advertising) and Ciena (optical networking). We exited Amadeus IT Holding (software) and cut our holding in Safaricom (mobile communications) and Apple.

Commentary

Smartphones accounted for 63% of all mobile phone shipments in first quarter 2014, up from 51% the year before. According to the International Data Corporation (IDC) Worldwide Quarterly Mobile Phone Tracker, vendors shipped more than 280 million smartphones worldwide, up 29% from the first quarter of 2013. This compares to the worldwide mobile phone market generally, where vendors shipped 449 million units, up 4% on the 2013 first quarter.

While these numbers are impressive, the reality is somewhat more complicated. After several years of strong growth, smartphones are becoming to some extent more commoditised, particularly in the lower price segment.

While high-end top selling models like Apple iPhone and Samsung Galaxy together represented more than 35% of shipments, the markets dynamics are changing to reflect the rise of China, which shipped a record 40% of the smartphones globally. China Mobile, the country's largest mobile operator, is in the early stages of a nationwide 4G network roll-out. Its competitors are likely to embark soon on similar upgrade plans. These initiatives underscore the rising importance of the Chinese consumer.

With a lower budget than their Western counterparts, Chinese mobile subscribers are now being offered smartphones at more affordable prices. According to Sina News, in May 2014, Samsung Electronics and Apple ranked number 2 and 3 respectively by market share, losing the top spot to a brand named Coolpad. In fact eight of the top spots were taken by domestic brands, with Lenovo in fourth spot, followed by vendors like OPPO, K-Touch, Huawei, ZTE, Hisense and BBK. These brands are almost unheard of outside of China.

IDC expects total smartphone shipment volumes to reach 1.2 billion units in 2014, up 19% year-over-year from the 1.0 billion units shipped in 2013. While this is still respectable growth, volumes have retreated from their 2013 highs. China is expected to be the major driver while developed markets like Europe, Japan, Korea and the US are showing signs of plateauing. Prices are declining, reflecting change in product mix and a bigger weight of lower-priced smartphones. Overall, the average selling price for all smartphones this year will reach \$314, down 6% from last year's average selling price of \$335. By 2018 the average price is expected to be \$267.

In China, Coolpad launched a model with 4G connectivity, priced below 1000 yuan (US\$160): the Coolpad 4G model 8705, costs only 799 yuan (US\$130) and with good tech specifications!

The growth divergence between developed and developing markets, slower innovation pace and increased competition from China, has driven the big players to introduce mobile devices and accessories with new designs and form factors. Over the last few months we have seen examples of so-called 'wearable devices'. Samsung launched a series of 'Gear' smart-watches and fitness bands with the ability to track your daily activities (running, walking, cycling) and monitoring your heartbeat. **Google** launched its 'Glass', a wearable computer with an optically head-mounted display which presents information in a smartphone-like hands-free format. Apple will soon start production of the long awaited iWatch, which should contain ten different sensors and will be wirelessly rechargeable!

An even more drastic vision for future mobile devices is the one explored by Google with its Project Ara, developed by a small team within the company called Advanced Technologies and Products (ATAP). Staffed with some of the brightest minds at Google, mostly ex-engineers from Defence Advanced Research Project Agency (DARPA) – the birthplace of the precursor to the current Internet - Ara has a mission to make a modular smartphone. It will be very different from existing models: you will basically assemble and upgrade your phone to your own preferences, by swapping in and out every component from the camera, to the display, to the battery, in order to always have the exact phone you want.

With Ara, Google wants to build a device that will make the smartphone accessible to the billions of people who can't afford the expensive models. Google management have given ATAP a two year deadline to turn Ara into a product people can buy: they are one year from the deadline now. While it could be easy to discount this project as a pie-in-the-sky Lego-like concept with very few chances of ever being completed, if successful it could change the industry forever. It would require new types of manufacturing, new ways of buying and selling phones and its modules/changeable parts, and consumers could adapt to new ways of interacting with their devices.

Next year, Google plans to produce a so-called 'grey phone', a bare-bones device with little more than a processor, Wi-Fi module, and screen. A consumer will buy and use the grey phone, or use a built-in app to buy module upgrades or custom shells. Google is targeting a production cost of **only \$50!**

Whichever the next best selling phone will be, the fact is that by 2020 there will likely be 50 billion connected devices (Ericsson's estimates). That in itself suggests that people will have multiple mobile devices and passive devices/sensors will probably represent the majority of these connections. The Internet of Things (or machine-to-machine communication) will become a new growth driver with applications as diverse

Google Project Ara



Source: <http://www.afrik.com/IMG/arton37858.jpg>

Also see video at: <http://www.youtube.com/watch?v=PQqudiUdGuo>

as traffic management, vehicle tracking, car safety, health monitoring, energy grid management, supply chain management etc all potentially benefiting from the proliferation of intelligent data collection.

We believe the Fund with its holdings in semiconductor companies such as **Intel**, **Skyworks** and **Samsung Electronics** is well-positioned to benefit also from these new opportunities.

Outlook

The Japanese market holds the best prospects of outperformance for the rest of 2014 as government institutions like the Government Pension Investment Fund (GPIF) and the Bank of Japan (BOJ) embark on unprecedented plans to stimulate the economy with unorthodox monetary policy forcing re-allocation from bonds to real assets like equities.

Recent developments in Iraq, however, could slow down economic growth in countries more dependent on imported energy and Japan is definitely one of them.

In China and Russia, valuations for the Fund's Internet stocks remain attractive after the recent de-rating and sharp sell-off triggered by macro-economic and geopolitical concerns.

In general, we are positive about technology stocks in the medium-term and the Fund is well-positioned in key investment themes (4G wireless capex, Internet/e-commerce, memories and emerging markets telecoms).

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 2009 to 30 June 2014 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.

3. Invested position represents the exposure of physical holdings and long stock derivatives.

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