Platinum International Technology Fund

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Disposition of Assets

REGION	SEP 2010	JUN 2010
Asia	28%	26%
North America	27%	23%
Europe	18%	17%
Japan	8%	7%
Cash	19%	27%
Shorts	0%	2%

Source: Platinum

Performance and Changes to the Portfolio

The Fund's value decreased by 1.2% during the quarter, slightly less than the 3% decline of the MSCI Information Technology (A$) Index for the same period. Over 12 months, the Fund has recorded a 2.5% decline while the MSCI Information Technology (A$) Index was down 1.1%.

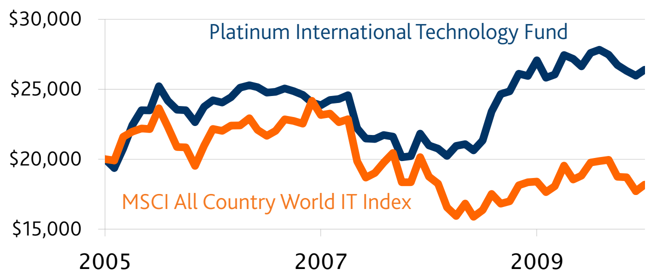
During the quarter we increased the Fund's net invested position from 71% to 81% as we introduced some new names, added to existing positions at interesting entry levels and exited or trimmed others after reaching our valuation targets.

We decided to exit our investment in Smartrac (Radio Frequency ID technology) after the German company became the target of a management buy-in assisted by private equity buyers. A full valuation and a solid 100% appreciation since our entry point prompted us to look for better value elsewhere.

We also reduced our position in Hutchison Whampoa as we believe that its recent stock price appreciation (+35% in the quarter) already fully reflects future improvements in its "3" telecommunication business.

Value of $20,000 Invested Over Five Years

30 September 2005 to 30 September 2010



Source: Platinum and MSCI. Refer to Note 2, page4.

Among the new names we introduced **eBay**. In the past, the Fund had not invested in eBay as we could not make a sense of the valuation and its management expensive diversifications. Early in the quarter we found the stock trading at levels depressed enough that we thought it was worth having another look. With investors worried about its weaker than expected outlook and its exposure to the "troubles of Europe", eBay was sitting at 11 times earnings with 18% of its market capitalisation in net cash. While the stock has appreciated by 20% since our initial entry point, we believe that management are on track to restore profitability of the core marketplace business and the company will continue to benefit from strong growth in its leading PayPal payment system. Moreover, with the recent devaluation of the US dollar against the Euro and other major currencies, suddenly what was seen as a weakness only three months ago will become a positive factor.

We also reintroduced an old name: **Infineon Technologies**. As already explained in the June 2010 quarterly reports for the International and European Funds, the German semiconductor company has radically transformed itself by exiting the capital intensive and money losing memory division, and by selling their mobile device chip business to focus their efforts on the more profitable industrial and automotive segments

The Fund's largest individual positions are:

Microsoft (the global software leader in PC and servers applications), Cisco Systems (the global leader in data networking and advanced video technologies), LG Display (the global leader in flat panel displays), Amdocs (market leader in billing software and operating support systems for tier-1 telecom and pay-tv operators) and KT Corp (the telephone operator with exclusive distribution rights for the iPhone in Korea).

Commentary

As highlighted in our recent commentary (please refer to the March 2010 Technology Fund quarterly report), cash reserves for technology companies have never been this high. Our analysis identified an aggregated $160 billion in the form of cash and quasi-cash on the balance sheets of 10 major companies including Microsoft, Cisco, Apple, Google etc.

Interestingly, this phenomenon is not unique to the technology sector, at least in the US. If we look at data of the Federal Reserve for the holdings of money market mutual funds of listed and unlisted US financial corporations, we discover a balance of $2.4 trillion as at first quarter 2010, up from $2.1 trillion at the end of 2007. This is after the worst recession of the post-war era with unemployment rates approaching 10%!

Perhaps even more surprising is the fact that this year the US corporate sector is on track to generate $1.7 trillion of cash flow or $400 billion more than it did in 2007 before the recession started (Source: NIPA – Bureau of Economic Analysis - BEA).

One could argue that the US economy still has to deleverage from the excesses of the past decade, so there will not be much money being positively recycled into the economic cycle. Putting aside for a moment the debate of whether credit is still contracting or not, one thing is certain: profitability is still robust. Perhaps the doubts are more justified when examining data from the household sector which is still struggling to show solid evidence of consumer's demand recovery.

Such a strong evidence of financial health from the corporate sector at a time when there is little evidence of jobs being generated on US soil, may become politically uncomfortable for Washington. While we know that higher taxes are anathema to the American public, the pile of hoarded cash in corporate hands may become an easy target after the stories of Wall Street bailouts. Unless the corporate sector itself decides to do something with the cash…

In this respect, it is interesting that some corporate leaders (Cisco's CEO John Chambers for one) have openly pointed to their large cash reserves as a potential source of jobs creation. The problem is that a large portion of US technology companies cash holdings is in overseas jurisdictions due to a combination of lower taxes and the fact that large parts of their business are now being generated abroad.

Our impression is that Chambers was trying to "tease" the US administration into making a deal along the lines of the 2004 *Homeland Investment Act*. In 2004, the US Congress approved a law which provided a one-time tax holiday on the repatriation of foreign earnings by US multinationals. Data suggests that in 2005 repatriations jumped to $300 billion from an average of $62 billion pa over the period 2000-2004 (Source: UBS - BEA). It may happen again, more likely after the US mid-term elections in November.

In recent months we have also seen technology companies taking the initiative on two fronts: merger and acquisition (M&A) activity and increased dividends.

Few would have predicted that Intel would bid $7.5 billion (or a 60% premium) for security software specialist McAfee. Or that Hewlett Packard would engage in a fierce bidding war against Dell to conquer the relatively small storage software specialist 3PAR for a hefty $2.4 billion (a price which ended up being more the three times the original 3PAR's stock price). On average, this year's premiums on $1 billion M&A deals, have been at 45% above the levels recorded during the boom period of 1999-2001. Interestingly, most of the bids are cash based (nearly 90%).

We think that deal premiums are increasing because companies have the cash, and technology valuations have in general, become lower versus history.

An interesting phenomenon over the last year or so is also the increased number of deals across sectors and outside the bidders core business: a semiconductor company (Intel) buying software (McAfee), a software company (Oracle) buying hardware (Sun) and so on. This trend suggests several factors in play: 1. maturing core businesses, 2. consolidation strategies pursued by the sector leaders, and 3. technology/device convergence where the separation lines between hardware, software and services are becoming increasingly less clear.

Another relatively new phenomenon in technology has been the chorus from institutional investors directed to cash hoarding companies to distribute more dividends. Traditionally, technology companies have been fairly stingy with their dividends, preferring to buy-back shares or using cash for acquisitions, and research and development. In the last month alone, we have heard from Cisco, announcing that they will start paying a dividend of 1-2% from 2011 and Microsoft saying they will raise their dividends to 64 cents (or a dividend yield of 2.6%). Oracle started paying dividends last year, but at a modest 0.75%, while Intel has been paying since 1992 and it offers a more attractive 3.2%. Admittedly these may seem still very low but they should be assessed in the context of the currently depressed US interest rate environment.

Outlook

If we look at current technology companies' valuations, they are not excessive in relation to their history (13.5 times PE estimated next 12 months earnings or a 30% discount to the 20 times historical average for 1990-2008 period excluding the dot com bubble).

On the negative side it is worth noting that recently in the US there has been a significant increase in negative earnings guidance revisions: in the month of September more than a third of total guidance revisions were negative, the highest level since March 2009, according to UBS. This may prelude to a generalised downward revision in analysts' estimates for the second half 2010, which are currently predicting a new peak in profit margins.

On the positive side the amount of liquidity in the system and the potential impact of corporate cash being put to work via M&A activity, buy-backs and increased dividend distributions, may offset any lack of underlying demand acceleration… at least in the short-term.

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$20,000 invested in the relevant Fund over five years from 30 September 2005 to 30 September 2010 relative to their Index (in A$) 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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