

# PLATINUM INTERNATIONAL TECHNOLOGY FUND



Alex Barbi  
Portfolio Manager

## PERFORMANCE AND CHANGES TO THE PORTFOLIO

PERFORMANCE (compound pa, to 31 December 2008)					
	QUARTER	1 YR	3 YRS	5 YRS SINCE INCEPTION	
PLATINUM INT'L TECH FUND	0%	-15%	-2%	2%	7%
MSCI IT INDEX	-15%	-30%	-10%	-4%	-15%

Source: Platinum and MSCI. Refer to Note 1, page 36.

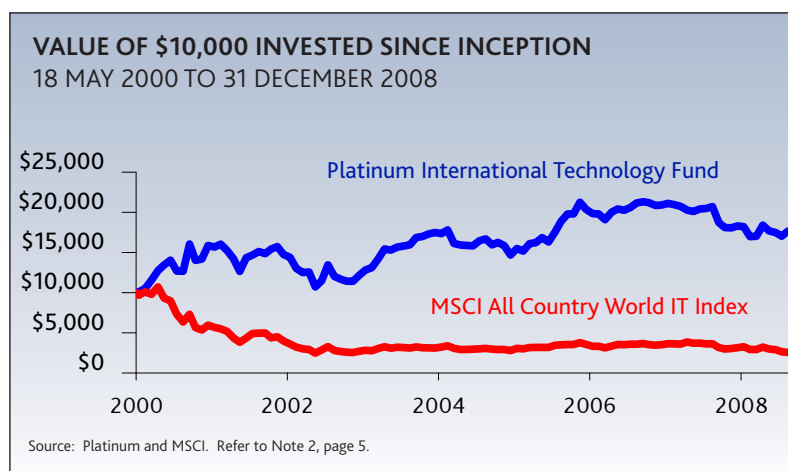
The Fund's performance during the quarter was flat and reasonably satisfactory considering the extreme market volatility and the sharp decline of the MSCI All Country World Information Technology (A\$) Index for the same period (-15%). Similarly, the tech-heavy Nasdaq was down 27% and 15% respectively in US dollars and in Australian dollars.

The outperformance can be credited to:

1. A positive contribution from short selling of overvalued stocks.
2. Strong performance of selected holdings in Japan, Hong Kong and Europe.
3. A further deterioration of the Australian dollar against major currencies (the Fund has now realised part of the currency profits and it has recently reduced exposure to the US dollar and Yen). On the negative side, our American holdings were heavily sold-off by investors worried about a sharp deceleration in global growth.

DISPOSITION OF ASSETS		
REGION	DEC 2008	SEP 2008
ASIA	26%	28%
NORTH AMERICA	20%	22%
EUROPE	20%	16%
JAPAN	11%	14%
CASH	23%	20%
SHORTS	3%	11%

Source: Platinum



The Fund's largest aggregate position (22%) is currently in telecom operators and media companies which tend to display more defensive characteristics at times of high volatility. Telecom equipment stocks (wireless, broadband, storage and networking) represent 16% of the Fund and largely they are a play on the incoming \$40 billion capital expenditure program to build three new next-generation wireless networks in China.

Software and IT services (10%) remain a relatively resilient/profitable part of our technology portfolio, while we further reduced exposure to semiconductors and related capital equipment (6%). We maintain a cautious stance on consumer electronics demand during this global recession.

The Fund's largest individual positions are:

Amdocs (market leader in billing software and operating support systems for tier-1 telecom and pay-tv operators), Jupiter telecommunications (a provider of pay-tv, internet and telephone services in Japan), Microsoft (the global software giant), Vivendi (French media and telecom conglomerate) and Cisco Systems (the global leader in data networking and advanced video technologies).

At quarter end the Fund was 77% invested with a 3% short position in selected US stocks for a total 74% net exposure.

## COMMENTARY

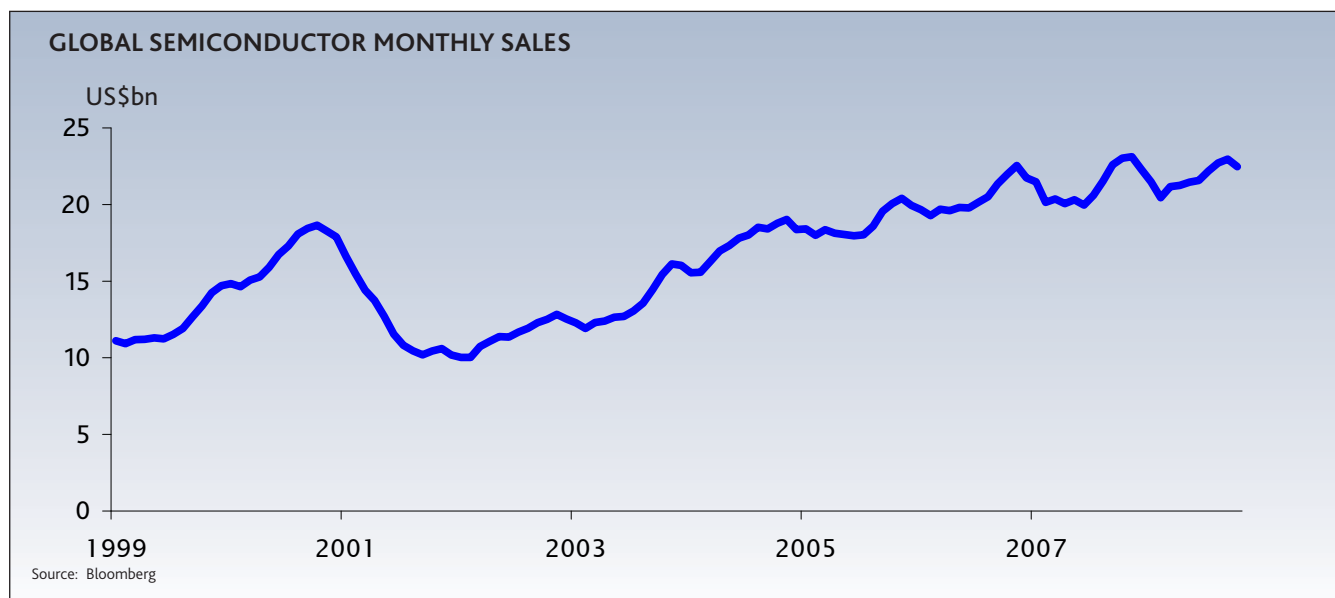
### Semiconductor blues

If there is an area which best reflects the current dramatic slowdown in economic growth, it is the semiconductor industry. If you read the news headlines, they are all about overcapacity, looming bankruptcies and government intervention/bail-outs. Doesn't this sound like the car industry?!

Over the last few years major semiconductor companies have invested heavily in new production facilities, attracted by huge business opportunities arising from the proliferation of new electronic devices (iPods, iPhones, Blackberrys, plasma and LCD TVs, laptops etc). With a global recession looming, demand for consumer electronics is slowing rapidly and semiconductor sales are literally falling off a cliff.

The chart below shows how global semiconductors' monthly sales rose from an admittedly depressed level of \$10 billion in 2001 to a recent \$23 billion in September 2008.

According to research house Gartner, global semiconductor sales in 2009 are forecast to drop by 16% because of the general economic slowdown and lower consumer spending for goods such as consumer electronics and autos. This would follow an estimated



4.5% decline in sales for 2008 and be the first time that the semiconductor industry has experienced revenue declines for two consecutive years.

*“The financial crisis is having an unprecedented negative impact on fourth quarter 2008 sales and profits... Chip sales in the current quarter are expected to fall by as much as 24% sequentially surpassing the 20% decline record set in the second quarter of 2001“.* Similarly, Gartner expects semiconductor capital equipment spending to decline 31% in 2008 and another 32% in 2009! *“Device makers across all segments... have begun to take steps to lower production rates and shutter fabs that are not cost-effective. We are seeing fabs postponed, and what little capex there is, it is selectively focused on new technologies”.* (Klaus Rinner, Gartner Inc.)

While many are trying to compare this downturn to the 2001 collapse (when semiconductor sales declined 32.5 % yoy) in fact there are some differences.

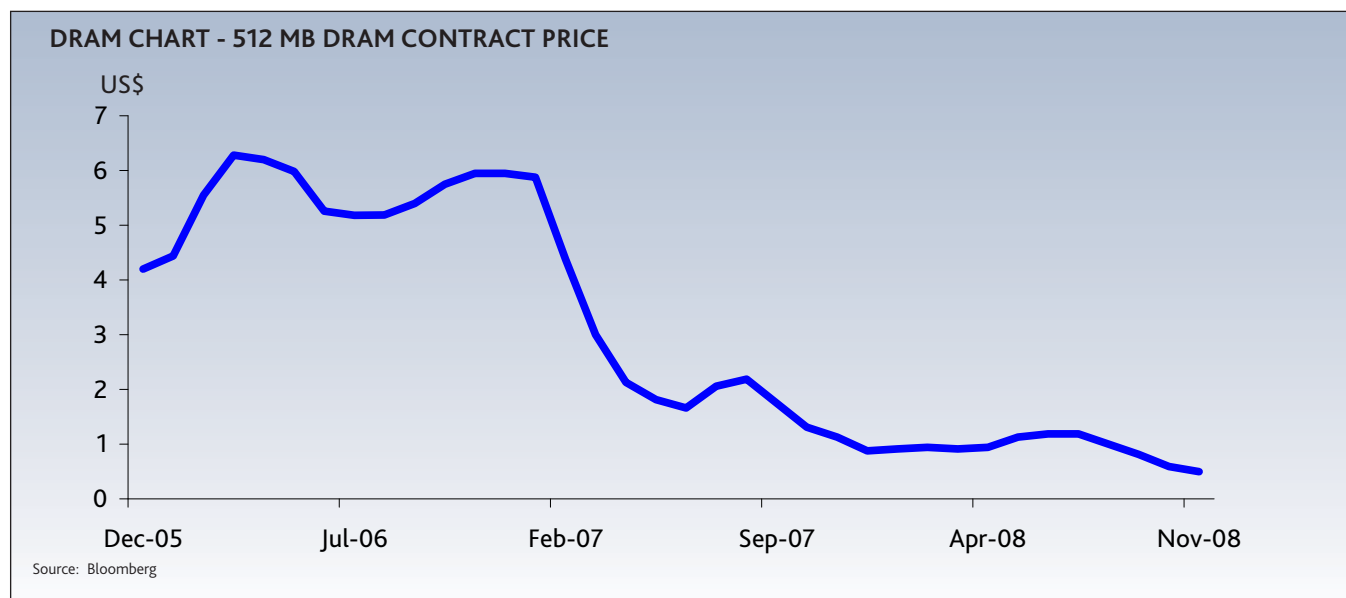
1. This recession is broad-based and not only limited to information technology: for example semiconductor sales in the automotive and industrial segments are also negatively affected.
2. The industry has learnt from the previous experience and the level of semiconductor inventory in the system is more tightly controlled and monitored through the supply chain. This should ensure a much

sharper rebound in sales when demand eventually comes back.

However, even if demand came back reasonably quickly, this industry’s profitability may still depend on other factors. The semiconductor industry has always been cyclical with weaker players leaving the market or being acquired during recessionary cycles. Unfortunately this time the practice of government bail-outs and interventions have been invoked from several quarters, supported by the arguments of protecting a strategic sector of the economy and/or employment. The likely consequence will be a prolonged deterioration in profitability and bleeding balance sheets to the detriment of all participants.

An illustrative example is the key area of digital memories (DRAM and NAND) which has been in a downturn for 18 months and with mounting losses.

A collapse in DRAM prices over the last 12 months has effectively ensured that nobody can currently make a profit. In Korea, Hynix is cutting capacity by 15% and asking for \$600 million from a consortium of private and state-owned banks. In Germany, the State of Saxony is offering Infineon a \$200 million injection to help support its subsidiary Qimonda. Japan’s Elpida is cutting capacity by 10-15% and is scrambling to raise fresh money from the market. In Taiwan, the



situation is well-described by Powerchip Chairman Frank Huang: *“It’s unbearable. Right now no chip company can make a profit. The government must support this industry.”*

While the Fund has a minimal direct exposure to the sector, we are directing our attentions to those leading players (like Samsung or Taiwan Semiconductor or ST Microelectronics) which we believe will benefit from the eventual and long overdue process of capacity reduction and consolidation.

## OUTLOOK

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During recent weeks, the world stock markets have attempted to recover from the dramatic collapse recorded in October and November (the S&P 500 is up 15% from the most recent bottom in November).

Partly for technical reasons (markets have been selling-off in true panic mode and a rebound can be expected given the low valuations), partly for

emotional reasons (the hope that a new Obama-led American administration can contribute to solving the problems), investors have to some extent stopped panicking and started to buy timidly. The reality is that it will take years rather than months before consumers start regaining levels of confidence supporting a significant recovery in GDP growth (current consensus estimates indicate a deep -4% for the current quarter in the USA).

The good news is that the stock market is an anticipatory mechanism and tends to discover in advance how good or bad things are. In the next year it will not be easy to find real “growth” stories to be excited about, but at least we can now find many high quality companies trading at attractive valuations. While we consider valuation a pre-requisite, the Fund will keep selecting future investment opportunities having regard to qualitative characteristics such as sustainability of the business model, competitive advantages, market leadership and financial strength. We believe these will be the key fundamental criteria helping us separate the winners from the losers.

## NOTES

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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 past 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).

2. The investment returns depicted in the graphs are cumulative on A\$10,000 invested in the relevant Fund since inception relative to their Index (in A\$) as per below:

Platinum International Fund:  
Inception 1 May 1995, MSCI All Country World Net Index

Platinum Unhedged Fund:  
Inception 31 January 2005, MSCI All Country World Net Index

Platinum Asia Fund:  
Inception 3 March 2003, MSCI All Country Asia ex Japan Net Index

Platinum European Fund:  
Inception 1 July 1998, MSCI All Country Europe Net Index

Platinum Japan Fund:  
Inception 1 July 1998, MSCI Japan Net Index

Platinum International Brands Fund:  
Inception 18 May 2000, MSCI All Country World Net Index

Platinum International Health Care Fund:  
Inception 10 November 2003, MSCI All Country World Health Care Net Index

Platinum International Technology Fund:  
Inception 18 May 2000, MSCI All Country World Information Technology 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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The Platinum Trust Product Disclosure Statement No. 8 (PDS), is the current offer document for the Funds. You can obtain a copy of the PDS from Platinum's website, [www.platinum.com.au](http://www.platinum.com.au), or by contacting Investor Services on 1300 726 700 (Australian investors only), 02 9255 7500 or 0800 700 726 (New Zealand investors only) or via [invest@platinum.com.au](mailto:invest@platinum.com.au).

Before making any investment decision you need to consider (with your financial adviser) your particular investment needs, objectives and financial circumstances. You should consider the PDS in deciding whether to acquire, or continue to hold, units in the Funds.

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