Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	DEC 2011	SEP 2011
Asia	35%	29%
North America	19%	20%
Europe	17%	21%
Japan	5%	6%
Cash	24%	24%
Shorts	3%	5%

Source: Platinum

Performance

The Fund's value declined by 0.6% during the quarter, while the MSCI Information Technology (A$) Index was up 1.3% for the same period. Over 12 months, the Fund recorded a negative 7%, while the MSCI World Information Technology (A$) Index was down by 4.4%.

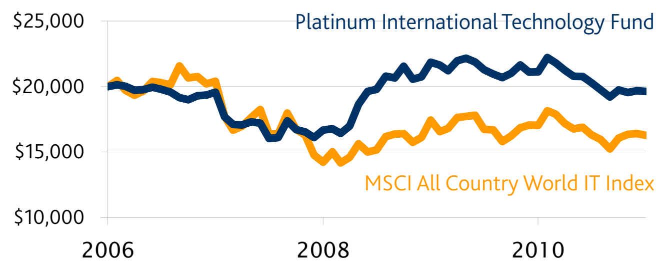
On a three year performance basis, the Technology Fund compounded 5.6% pa, ahead of the above Index which increased by 4.6% pa over the same period.

During the quarter, major contributors to performance were:

- Globe Telecom (Philippines telecom operator) +33%.
- Samsung Electronics (Korean electronics giant) +27% (more over).
- Far Eastone Telecom (Taiwan telecom operator) +22%.
- Brocade Communication System (leader in storage switching) +20%.

Value of $20,000 Invested Over Five Years

31 December 2006 to 31 December 2011



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

We were pleased to see our undervaluation thesis on the Philippines and Taiwanese telecoms (refer to our June and September Quarterly Reports) recognised by other investors and the positive effect on performance.

Among major detractors to performance were:

- Hirano Tecseed (Japanese electric batteries components maker) -35%, after it revised down its profit expectations due to increased price competition from Korean competitors.
- Infinera (Optical transport switching) -19%, partly due to supply chain disruptions created by floods in Thailand where the company sources some of its optical components.

During the quarter, the short positions worked in our favour, contributing positively to performance. The strength of the Australian dollar against the US dollar (+5% in the quarter) and similarly against the Hong Kong dollar, Singapore dollar and the Euro, detracted from performance. The Fund has maintained a minimal Australian dollar position in anticipation of a Chinese slowdown which could trigger a repeat of the 2008 dynamics when the Australian dollar depreciated heavily against major currencies.

Changes to the Portfolio

Major changes to the portfolio:

- We reduced our position in Microsoft as the company enters a six to nine month period of relative slowdown due to weakness in the PC market and maturity of its Windows 7 platform.
- We added to Apple as the market coldly reacted to the launch of its new iPhone 4S; we think it underestimates the incoming 2012 acceleration triggered by growing demand in emerging markets (China in particular).
- In Hong Kong, we reintroduced Comba Telecom and ZTE, the mobile telecommunication equipment providers which will benefit from the next round of mobile network upgrades in China. Comba in particular, at 8.4 times 2012 P/E, is trading well-below its recent average of 10.5 times despite having brilliant prospects in the medium-term.

Commentary

In December we visited several companies in Silicon Valley on the US West Coast and came back with a mixed picture. While companies operating in semiconductors and IT Hardware (PCs, servers, data networking) were lamenting sluggish demand and were cautious on their short-term prospects, those active in IT security, cloud computing, mobile handsets, e-commerce and social networking were more positive about their future prospects.

Areas of general recurrent concern during our conversations were the problematic situation in the euro zone and the slowdown in emerging economies (particularly China). As a result of the macro-economic uncertainties, we found management's attitude rather cautious and guarded in relation to expansion plans, capital expenditures, outlook for demand etc.

That contrasted with a more positive attitude towards their domestic market which recently seems on a weak, but encouraging, path to stabilisation (slightly improving jobs statistics, decent retail sales, gas exploration boom etc).

Despite the constant 'macro' noise, we try, however, to focus our efforts on fundamentals. Valuation is one. (Please refer to the article titled 'Why Valuation Matters'). Many companies in the stock market are now trading at very low levels despite positions of leadership in their respective sectors. In semiconductors for example, a number of companies were penalised by investors as they went through a typical temporary inventory correction. We believe that over the next few months these same names may become very interesting targets for our portfolio once the market goes through the (hopefully) final adjustment phase.

Samsung Electronics Co (Samsung)

In light of Samsung's outperformance this quarter, we provide an update on the progress made by the company, a top three holding of the Fund (refer also to our previous comments in the June 2009 Quarterly Report where we explained our reasons for adding to our position).

Two years ago we wrote about Samsung transitioning to a new organisational structure with management made accountable for divisional results aligned to more stringent capital return parameters. We also wrote about Samsung's leadership in DRAM (Dynamic Random Access Memories) and of its success in the flat panel TV market. Building on its leadership in

DRAM and display panels, the company has now progressed further by also achieving success in mobile handsets and further expanding into new semiconductor areas.

In fact, Samsung is transforming from a company dependent mostly on unattractive 'commodity' sectors like DRAM and flat panel displays, into an integrated mobile and consumer electronics leader.

While Samsung is the recognised leader in DRAM thanks to its superior scale and technology, the segment remains highly cyclical and profitability can swing wildly over the years. Therefore, the company has pursued a strategy of diversifying away from the more commoditised segment of generic DRAMs into more NANDs (flash memories) and most importantly, into LSI (Large Scale Integrated) chips.

NAND flash memories, in particular, are expected to become an important growth driver for the company, the market leader with 40% share, ahead of Toshiba. According to Gartner, NAND is expected to be the fastest-growing semiconductor category in 2012 (+16%) thanks to strong growth in mobile consumer devices and the proliferation of tablets and lighter notebooks. NAND are increasingly used in Solid State Drives as an alternative to traditional Hard Disk Drives thanks to their lower weight and fast read-write speed.

Samsung's broad line of 'new' logic products also includes mobile application processors, ASICs, microcontrollers, image sensors and other System LSI chips. In other words, Samsung is gradually evolving into a well-diversified semiconductor supplier able to provide its major clients with complex systems as opposed to simple components. These investments in non-DRAM semiconductors will also have the positive effect of broadening their addressable market and increasing market share with some of its most important clients. Already we find they have integrated multiple Application Processors, memories and LCD panels for devices made by companies like Apple, Sony, Dell and Hewlett Packard.

As a result of this transition, DRAMs as a percentage of revenues are expected to decline from 11% of sales in 2010, to 7% of revenues in 2014. Most importantly, while in 2010 DRAMs represented more than 40% of group operating profit, this is expected to be around 15% by 2014, greatly reducing cyclicality of group profits.

Similarly, with its successful Galaxy smartphones, Samsung has quickly advanced to a leadership position and it has taken the number one spot in the segment in 2011 (ahead of Apple). It is also expected to become the absolute leader in total handsets in 2012 (ahead of Nokia). In 2011, Samsung's mobile phone revenues represented around one third of its total consolidated sales and more than half of its operating profits.

While we are not oblivious to the risk of being exposed to the highly competitive mobile phones industry (refer to our September 2011 Quarterly Report for a more detailed analysis on the subject), we believe the company has unique advantages over its competitors.

Unlike most consumer electronics makers, they manufacture almost everything in-house. They also command a leadership role in key components as previously explained (memories, displays and application processors). A vertically integrated structure also allows for faster design, development and production; key factors when one has to rapidly react to sudden changes in demand trends. Samsung also has strong supplier relationships with Samsung Group affiliates providing other components such as LEDs, batteries and glass; further enhancing its ability to quickly adapt to market changes.

Trading at 9.9 times P/E for 2012, Samsung remains quite attractive considering its strong leadership positions and growth prospects.

Outlook

With a 'macro' landscape heavily clouded by Euro zone troubles and a general global growth slowdown, markets are likely to trade sideways for the next year until a trigger event (a country leaving the Euro or the European Union, a sovereign default?) will force policymakers to intervene with measures more aggressive than those adopted so far. While we cannot predict exactly which event will likely force the hands of the European Central Bank into a more aggressive behaviour (i.e. printing more money), we are ready to profit from ongoing volatility and we will look at adding to our positions as opportunities arise, particularly now that valuations have been reset at lower levels. The Fund's relatively high cash position will allow us to participate opportunistically.

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$20,000 invested in the relevant Fund over five years from 31 December 2006 to 31 December 2011 relative to their Index (in A$) 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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