Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	DEC 2014	SEP 2014
Asia and Other	29%	27%
North America	28%	22%
Europe	15%	16%
Japan	9%	10%
Russia	1%	2%
Africa	1%	2%
Cash	17%	21%
Shorts	0%	3%

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

Performance

(compound pa, to 31 December 2014)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	5%	9%	20%	9%	9%
MSCI AC World IT Index	11%	26%	28%	14%	-3%

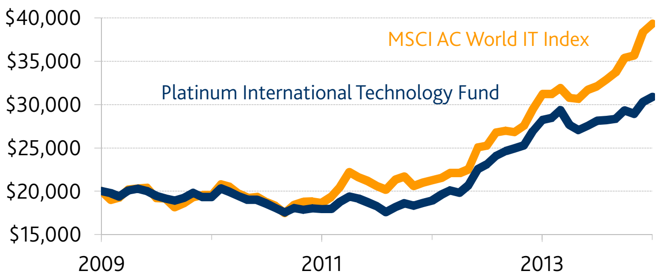
Source: Platinum and MSCI. Refer to Note 1, page 4.

During the quarter, the Fund was up by 5.3% and the MSCI AC World Information Technology Index (A$) was up by 11.1%. For the year, the Fund's return was 9.4% compared to 25.9% for the Index, with the net invested position at 83%.

The Fund's relatively low exposure to US stocks and more diversified exposure to Asian names was the main factor behind the performance gap with the Index this year. Despite that, we are happy to tolerate some volatility in the short-term and remain convinced that our holdings in Asia are very attractively valued and the Fund is properly positioned for long-term outperformance.

Value of $20,000 Invested Over Five Years

31 December 2009 to 31 December 2014



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

This quarter, currencies contributed substantially to performance, thanks to the Fund's net total exposure to the US dollar (65%), the Euro (10%) and the Hong Kong dollar (8%), respectively up 7%, 2% and 7% against the Australian dollar. The Japanese stocks exposure remains fully hedged into US dollars.

Changes to the Portfolio and Commentary

During the quarter, we exited our position in **NTT** in Japan after the stock's strong performance, with further upside limited by emerging weaknesses at its mobile telephony subsidiary, DoCoMo. We also exited **Avago** and **NXP Semiconductors** as valuations reached less comfortable levels in the context of our long-term growth assumptions for these businesses.

We added to **Cisco** as we found the valuation attractive at 12x P/E while its business is showing signs of stabilisation in the US and some recovery in Europe. More importantly, our analysis of the industry concluded that the market is overestimating the risk of a long-term transition to Software Defined Networking (SDN)[1] and Cisco is likely to maintain its current leadership position.

We also introduced two new positions: **Oracle** and **Nielsen**.

Founded by Larry Ellison in 1977, **Oracle** is the dominant provider of **Relational Database Management Systems** (RDBMS). In 1979, it launched the very first RDBMS for the commercial market for clients such as government agencies and US telecom operators. After growing to become one of the largest technology companies in the world with a vast product and solution portfolio across hardware and software, RDBMS still represents the lion's share of Oracle's business. Roughly two-thirds of revenues and around 80% of profits are directly related to database licences and support. The enterprise environment database is the plumbing upon which businesses build solutions. They are as integral as an operating system and as difficult to switch away from. According to research company IDC, the worldwide RDBMS market was US$30.2 billion in 2013 and is estimated to grow to US$49.2 billion by 2018 at a compound annual growth rate (CAGR) of 10.2%. Oracle has a 44% share of the RDBMS market, followed by Microsoft (21%), IBM (17%) and SAP (6%).

Oracle is also a significant force in **Middleware**, a sort of intermediary software or "glue"/"mediator" that provides a bridge between various commonly used pieces of software/applications.

The middleware software market was US$28 billion in 2013 and is expected to grow to US$39.1 billion by 2018 at a CAGR of 6.8%. Oracle's share of the middleware market is 15%, behind IBM (31%), but ahead of Microsoft (5%), SAP (4%) and TIBCO (3%).

Oracle is also a strong player in the huge **Enterprise Application Software** space (Customer Relationship, Human Resources, Supply Chain Management, etc), estimated at US$134 billion by IDC in 2013. Oracle is a solid number two with a 10% market share behind SAP (16%) and ahead of Microsoft (6%). This market is expected to grow to US$181 billion by 2018 at 6.3% CAGR.

Despite Oracle's strong position in these large addressable areas, the stock has recently underperformed the rest of the market due to persistent concerns about the threats posed by a secular shift to the "**Cloud**". Cloud software (also known as **Software as a Service – SaaS**) refers to a different way to deliver software applications: off-premises remotely-hosted software sold under a recurrent subscription model, as opposed to the traditional software package installed and maintained at customers' premises (a typical and popular example of Cloud software would be the Customer Relationship Management products offered by competitor Salesforce.com).

While Oracle has been late to recognise the importance of Cloud, it has more recently accelerated its efforts to catch-up with the competition and the results are gradually becoming more evident. For the quarter ended November 2014, Oracle reported good results with improving trends. Cloud revenues in particular grew by 45% year-on-year (admittedly, from a low base) and management are confident that this business can reach US$3 billion (around 10% of Oracle's software revenues) by May 2016. The strong acceleration in Oracle's Cloud business shows their success in penetrating the Cloud computing market, despite being late to the challenge, and its rapid growth is more than offsetting declines in traditional licence sales.

At 14.8x P/E for calendar year 2015 and potentially at an inflection point, we think Oracle will remain a cornerstone position of the Fund in the medium term.

1 Software Defined Networking: a new networking equipment architecture that separates the control plane (the module deciding how packets are forwarded) and the forwarding plane (the module for sending and receiving packets) so that the two can be optimised independently. Traditionally, the two functions would be included in the same piece of hardware. The new approach allows instead greater flexibility in network management and the ability to customise the control software.

Nielsen is the biggest consumer behaviour measurement company in the world. They are best known for their panel of "Nielsen families" whose viewing habits are monitored to produce the TV ratings that decide if your favourite shows will stay on air. Their ratings data is the "currency" used by media companies and advertisers to price billions of dollars of TV advertising inventory.

Internet advertising is forecast to grow at an average of 16% annually to 2016 by research firm ZenithOptimedia. Display advertising, which includes traditional banners, online video and social media, is projected to grow at 21% during this period, with the last two the main drivers at 24% and 30% respectively. As advertisers continue to allocate a growing portion of their budget towards these mediums, they are now demanding the same level of accountability that comes with standardised industry measurement in traditional TV and radio advertising. Digital players like YouTube who are eyeing a bigger share from old media need their audiences to be measured. With the leading brand in audience measurement and deep relationships with advertisers, Nielsen is the logical choice and a clear beneficiary.

Over the past few years the company has invested heavily in measurement infrastructure to capture these new Internet audiences. Through data sharing partnerships with Facebook, Adobe, Experian, Twitter and Catalina, it has developed new ways of measuring audiences across these new platforms. With the growing popularity of online streaming on alternative platforms such as PCs, laptops, tablets and smartphones, the market is concerned that audiences are fragmenting away from the traditional living room covered by Nielsen and that this is weakening its monopoly position. In fact, rather than facing obsolescence, Nielsen has successfully leveraged its dominance in linear TV into a strong position in cross-platform measurement. Content owners and advertisers need more data than ever to understand changing viewership patterns and, importantly, Nielsen measures audience behaviour and **is not circumscribed by delivery channel**.

Nielsen is also a leader in retail transaction and buyer behaviour information that is related to consumer packaged goods. Its geographic reach here is simply unmatched – global presence in 104 countries, with 25 million retail partners, capturing transactions on 6 billion consumers and 30 million products categorised by over 25 million characteristics.

This data is critical to multinationals looking to expand into emerging countries whose growing middle class represents the next big growth opportunity. As local clients grow in size, they too become more sophisticated in the use of market data in order to compete. In October 2014, Nielsen announced that Chinese giant Alibaba will provide online purchasing data, allowing manufacturers and marketers to see both online and offline buying behaviour. Nielsen believes that in time players like Amazon will also follow.

Nielsen's data services are integral to its customers' business workflow. This is evident in its very high retention rate, giving Nielsen a stable and predictable revenue stream over the long term. This is a high quality business and at 15.5x P/E we find the current valuation compelling.

Outlook

The persistent strength of the US dollar against all major currencies contributes to keep US inflation very low and it helps the American consumer to pay less for imported goods.

It does, however, represent an increasingly stronger headwind for the US corporate sector.

In the September quarter alone the US dollar climbed 8% against the Euro and the Japanese yen, adding to the worries of those US companies exporting to countries in Europe and Asia where economic growth is already lethargic.

If these currency trends persist (and we cannot see why they would not at the moment, with the US Federal Reserve's policies potentially diverging from those of its European and Japanese counterparts), there will be an impact on profits and competitive positions. With 46% of S&P 500 companies' sales generated abroad, this is not a minor issue.

On the other end, with no signs of inflation on the horizon anywhere in the world (at least according to the classic CPI-definition of the term "inflation"), and the oil price plummeting, the consensus will probably gradually shift to a more dovish position in regard to the next move of the US Federal Reserve. As a result, interest rates will likely stay lower for longer and that should support equity performance.

In this context, technology stocks with predictable earnings growth and reasonable valuations should continue to perform well in the medium term, provided the above-mentioned headwinds do not become too disruptive.

Notes

1. The investment returns are calculated using the relevant 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: 28 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

   (NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist.)

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 31 December 2009 to 31 December 2014 relative to its benchmark Index (in A$) 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

   The investment returns are calculated using the relevant 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 benchmark 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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