Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	MAR 2016	DEC 2015
North America	30%	28%
Asia and Other	29%	29%
Europe	13%	14%
Japan	7%	7%
Russia	2%	2%
Cash	19%	20%
Shorts	-3%	0%

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

Performance and Commentary

(compound pa, to 31 March 2016)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	-5%	-4%	18%	11%	9%
MSCI AC World IT Index	-4%	1%	26%	17%	-2%

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

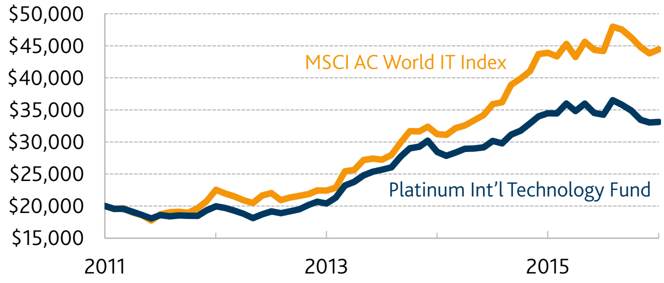
During the quarter the Fund was down -5% while the MSCI AC World Information Technology Index (A$) was down -4%. For the 12 month period to 31 March, the Fund's return was -4%, compared to +1% for the Index. The Fund had a net invested position of 78% as of 31 March.

The single-digit decline for the quarter does not quite convey the turmoil that transpired over the period. After a good performance for technology stocks in 2015, the new year started with a negative bias and high volatility. In fact, the tech-heavy Nasdaq 100 plunged more than -15% in the first five weeks of 2016, only to recover most of the losses and finish with -2% at quarter end. A reversal in the long decline of oil prices in early February and more cautious statements by US Federal Reserve officials about the "normalisation" of monetary policy (read: no urgency to raise interest rates) helped to restore some confidence in the markets.

Our best performers during the quarter were mostly in the US: semiconductor supplier Cirrus Logic (+23%), global information and measurement leader Nielsen (+13%), media conglomerate Time Warner (+12%), software powerhouse Oracle (+12%) and on-line payment platform PayPal (+7%).

Value of $20,000 Invested Over Five Years

31 March 2011 to 31 March 2016



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

In particular we were pleased to see two of the Fund's largest holdings reporting improved results.

PayPal's subscriber base is still expanding at a solid pace and Total Payment Volume (TPV) is accelerating on a yearly basis. As of December 2015 the platform had nearly 180 million users (growing by 9.5% per annum) and its TPV had reached US$282 billion, growing at a remarkable 29% in constant currency. Despite emerging threats from new and established players, PayPal has shown an ability to maintain a solid growth trajectory, and we believe it has only just started to diversify and expand in many interesting areas adjacent to its core business (i.e. mobile, credit, on-line international remittance, payment gateways, off-line merchant payment). Ultimately, we think these developments will make the platform stronger and more competitive.

We were also encouraged by **Oracle's** results for the quarter that ended in February 2016 after a relatively long period of underperformance. Readers may remember that our original investment case (see our December 2014 Quarterly Report) was based on the conviction that the market was unduly penalising Oracle at a time of profound change for the software industry. The way in which software is delivered is changing. From software packages sold and installed "on-premises" to "Cloud-based" applications hosted remotely and off-premises, and from upfront payment for perpetual licences to subscription/annuities paid on a recurrent basis. During this transition, Oracle's revenue profile has been changing and in the short-term total growth is decelerating: a customer transitioning from a traditional licence to a subscription contract will initially spend only a fraction of the price charged under the old model. But Oracle claims that ultimately it will be able to charge customers between two and three times the amount it used to receive over the typical life of a contract and thus improve its operating margins. The main reason? Cloud-based customers are going to save a lot of money in hardware investments, software installation and maintenance costs, as all these functions will now be performed directly (and covertly charged for) by Oracle at its remote data centres.

As Oracle has disclosed only a few profitability metrics or forecasts on the roadmap to the new business model, investors have so far been sceptical about its long-term promises. Recent results were, however, very encouraging, with Oracle's Cloud Software sales on track to reach US$3 billion annualised by mid-2016, and strong growth reported in its key segments of Software-as-a-Service and Platform-as-a-Service (bookings and net billings increased respectively by 77% and 50% per annum). One strong quarter does not make a trend, but if these data are affirmed in May, we should be closer to the inflection point where growth in Cloud revenues will more than offset declines in licence royalties and profitability should follow.

Among the performance detractors were some of the US-listed Chinese Internet companies (SouFun, JD.com and Autohome) which were indirectly impacted by the volatility of the Chinese stock market. However, we remain confident of the merits and attractive valuation of these investments vis-à-vis their long-term growth potential.

China based **ZTE** was a laggard in the quarter and, adding insult to injury, its shares were temporarily suspended from trading as news emerged of a US Commerce Department investigation into ZTE's sales to Iran. It is somewhat ironic that at a time when the international community is finally trying to re-engage with Iran by removing a number of trade sanctions that the US Commerce Department should now impose restrictions on US semiconductor companies willing to supply ZTE. With a broad range of components essential to the manufacturing of its smartphones and telecommunication base stations being subject to the trade restrictions, ZTE and its US suppliers will be greatly damaged if this ruling is confirmed.

While the details of the dispute have not been fully disclosed, the company has apparently been talking with the US administration since 2012 on matters related to Iran, and we think that a more benign outcome can be achieved through ongoing negotiations. At the time of going to press, the US Commerce Department has granted ZTE a temporary reprieve from the restrictions while the company "cooperates with the investigators" and "undertakes internal reform to comply with US laws".

The above dispute supports our view that the semiconductor industry is of strategic importance to China. The risk now is that China retaliates in some form and this ends up damaging some of the US companies trying to do business in one of the fastest growing tech markets globally. There are precedents suggesting that this is not a remote possibility. In 2012 the US Congress effectively banned Chinese equipment vendors ZTE and Huawei from supplying major US telecom network operators on the ground of security concerns. As a result, the Chinese government retaliated by embarking on a process of foreign product substitution, demanding Chinese companies to privilege domestic suppliers over US based counterparts. The business of companies like Cisco and IBM in China has suffered heavily ever since. The silver lining could be that "neutral" European companies like Ericsson (a holding of the Fund) could potentially benefit from the dispute.

Changes to the Portfolio

We made a few changes to the portfolio in the quarter.

We exited **SanDisk** after the terms of the merger with Western Digital changed slightly from our original expectations. China based Unisplendour Corporation (refer to our December 2015 Quarterly Report) pulled out of the deal to acquire 15% of Western Digital after the acquisition was subjected to review by the Committee on Foreign Investment in the US (CFIUS), despite its minority interest nature. As a result, the SanDisk-Western Digital merger shall now proceed without the needed cash injection from the Chinese partner, but with a larger number of new shares being issued by Western Digital to SanDisk shareholders instead. The Chinese may still have a final say with China's Ministry of Commerce (MOFCOM) expected to verify that the combined entity will not have a dominant market position in storage/digital memory. Given the increased uncertainty and the less appealing terms of the merger, we decided to take our (reduced) profits and exited the position.

We also reduced our exposure to **Intel** as overall PC demand continues to struggle. According to research house IDC, total PC sales in the December 2015 quarter were down 11% year-on-year and 2015 was the first year since 2008 with annual PC shipments below 300 million units. Similarly, several data points from data centre equipment suppliers and operators indicate a slowdown in demand which does not bode well for Intel's already decelerating server business.

We have maintained exposure to semiconductors through specific segments of the industry and this quarter we re-invested in **Skyworks Solutions**, the leading radio frequency component maker for smartphones. We originally bought Skyworks in early 2013 and exited in early 2015 as the valuation had reached excessive levels. Following a disappointing demand for Apple iPhones (one of Skyworks' largest customers) the stock declined by 50% in the second part of 2015. While smartphone demand is not as exuberant as it was several years ago, we think there has been little change to the underlying investment thesis for Skyworks (i.e. increasing penetration of LTE/4G handsets globally and particularly in China). We were happy to buy it back at a much more attractive valuation of 11.5 times P/E for September 2016 forward earnings.

We also increased our position in **Apple** after a period of underperformance. Apple has been to some extent a victim of its own success. The 2014 launch of the iPhone 6 with two different screen formats has been a near impossible feat to replicate, and the "refreshed" iPhone 6S released only 12 months later has not been as successful. As a result Apple's revenues will decline in the first part of 2016. However, we believe that Apple's sales will recover with the launch of the new iPhone 7 in late 2016 as the "normal" smartphone upgrade cycle follows its course. The stock had declined by 30% between July 2015 and February 2016, and we found the valuation (less than 10 times P/E for September 2016 forward earnings) very attractive.

Outlook

We expect market volatility to continue as markets remain highly sensitive to announcements and decisions by central banks and governments around the world.

Revenue and profit growth in the Technology sector remains confined to a limited number of new areas (Cloud software, Internet advertising and E-commerce) while many of the traditional or legacy industries such as hardware, PCs and consumer electronics are struggling.

In the Fund we maintain a preference for longer duration investment themes such as Chinese Internet/E-commerce, while we are less inclined to invest in more cyclical companies linked to discretionary consumer demand.

The Fund has 19% of its capital in cash as of March end and we plan to invest it opportunistically should any market correction occur and present us with attractive entry points.

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$20,000 invested in the relevant Fund over five years from 31 March 2011 to 31 March 2016 relative to its benchmark index (in A$) 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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