Platinum International Technology Fund

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Disposition of Assets

REGION	JUN 2010	MAR 2010
Asia	26%	26%
North America	23%	28%
Europe	17%	16%
Japan	7%	12%
Cash	27%	18%
Shorts	2%	3%

Source: Platinum

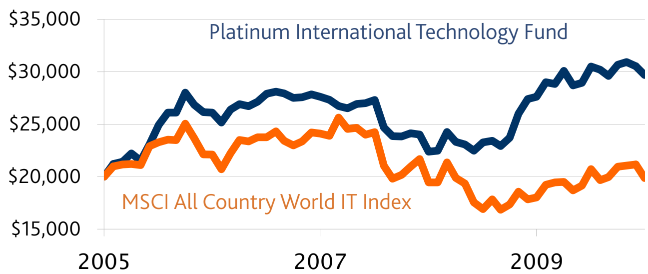
Performance and Changes to the Portfolio

The Fund's value decreased by 3.1% during the quarter, slightly less than the decline of 5.2% for the MSCI Information Technology (A$) Index for the same period. Over twelve months the Fund has recorded a positive 7.5%, while the MSCI Information Technology (A$) Index was up by 10.3% and the Nasdaq, measured in Australian dollars, by 10.7%. Since its inception in the year 2000, just over ten years ago, the Platinum International Technology Fund has compounded at 8.4% pa, while the MSCI Information Technology Index (A$) has recorded a net contraction of 11.2% pa compounded.

During the quarter the Fund has suffered as a result of large capitalisation holdings' underperformance. The Fund's large cap technology stocks such as Canon, Microsoft, Cisco, Corning and Amdocs have declined between 10% and 24% despite reasonably attractive valuations and good earnings perspectives. This has worked against our recent strategy to increase our investment in these names. The de-rating suggests that, either the market as an anticipatory mechanism is already discounting a global economic deceleration (or a "double dip"

Value of $20,000 Invested Over Five Years

30 June 2005 to 30 June 2010



Source: Platinum and MSCI. Refer to Note 2, page5.

into recession as US commentators call it), or that analysts have been too bullish with their forecast earnings, following the strong recovery from last year's collapse. Most likely both factors are behind the decline.

We have reduced our position in Canon as we believe that a stronger Yen in the short-term will have a negative impact on the export driven Japanese leader. We remain committed to the other names as we believe that all of them are trading at attractive valuations in light of their medium term earning prospects.

In terms of areas of major exposure we have moved the Fund towards a more defensive stance with an increase in the cash position and a reduction in the most cyclical sectors. The Fund has therefore increased its position in telecom operators and media companies (21%) and Internet advertising (5%) which we consider a secular growth story.

On the other end we reduced exposure to more cyclical sectors such as semiconductors and memories (4.7%) where we think that recent strong performance is more difficult to maintain. Software and IT services, more dependent on corporate IT spending, should perform relatively better even in a slowdown and we kept it stable at 10.5%.

With currencies we have realigned our geographic exposures to their natural currency exposures maintaining most of the cash position in Australian dollars. We partly hedged our positions in Euros and in US dollars back into Asian currencies and Swiss francs.

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), Amdocs (market leader in billing software and operating support systems for tier-1 telecom and pay-tv operators), KT Corp (the telephone operator with exclusive distribution rights for the iPhone in Korea), LG Display (the global leader in flat panel displays) and Prysmian (a leading player in the industry of high-technology cables and systems for energy and telecommunications).

At quarter end the Fund was 73% invested with a 2% short index position for a total 71% net exposure.

Commentary and Outlook

During the quarter a few events moved the spotlight firmly back on one of our favourite themes: smartphones and connected devices.

Earlier in April, Apple managed to attract a lot of attention with the launch of the much-hyped iPad, a so-called "tablet" – a portable computing device with a form factor in between a netbook PC and a smartphone, targeting users of media, magazines, movies, music and general web and email access. Later in June, Apple also launched a new version of its successful iPhone which was welcomed by the public and media with similar enthusiasm. Even discounting Apple's hype, the numbers speak for themselves… in the first few days after launch in both cases Apple sold many more devices than analysts initially estimated.

Ironically, just one week before the iPhone 4 launch, Nokia the global mobile phone leader, announced a profit warning sending its shares down to new lows, amid concerns that the Finnish company is increasingly losing ground to new competitors in the most profitable segments of the market.

What is happening really? Why is Nokia, once heralded as the dominant global leader in mobile phones, and still the largest manufacturer by units (39% market share), now valued at US$30 billion, down from US$220 billion a decade ago?

Why is a computer maker, Apple, which until three and a half years ago had never made a phone, now selling 30-40 million smartphones a year, and now the largest technology company on the planet by capitalisation valued at US$228 billion?

Perhaps one variable explains very effectively where the issue is: average selling price. Apple's iPhones are sold to telephone operators at an average wholesale price of US$600 BUT they are heavily subsidised to consumers who end up paying only US$200 for the device when included in monthly subscription plans. Nokia on the contrary is selling its 480-500 million phones a year on average at US$75 each, reflecting its large exposure to low-price entry level models and to countries like China and India where subscribers cannot yet afford more expensive devices.

Put it in another way, Nokia makes US$7.50 of operating profit for every phone they sell while Apple makes $180. In other words while Nokia leverages its size to generate unit volumes, it cannot generate enough value, hence the massive profit and valuation discrepancy.

The change of the mobile phone industry landscape in the last few years could not have been more dramatic. Only as recently as 2006 Nokia, Samsung and Motorola controlled nearly 65% of the industry revenues and nearly 75% of its operating profits.

In 2009 Apple and Research in Motion generated more than half of the industry profits despite achieving only a 17% market share of total sales.

Perhaps Apple's genius in 2007 was to understand from an early start that the mobile phone industry would eventually evolve in the same way the PC industry has: commoditisation and consolidation of hardware suppliers (Dell, HP etc) to the benefit of the Software/Chip platform (the Windows/Intel or Wintel monopoly). To avoid being another me-too competitor, Apple decided to play a highly differentiated strategy by offering a fully integrated high-end product (phone + music player + camera), with innovative functionality (multi-touch screen) and ease of use (fast internet browser) at a premium price (but subsidised by the telecom operators). A year after the launch Apple also offered a library of applications (the "Appstore") developed by third party software programmers which quickly became one of the major drivers of iPhones sales.

After witnessing Apple's success, traditional handset makers like Nokia, Motorola, Samsung, LG and Sony-Ericsson realised that their strategies had to adapt to the new rules of the game. How did they react?

Nokia had correctly identified the challenges ahead and decided to move in the right direction: it adapted Symbian - its operating system - to become a free open source to third party developers, and it also acquired Navteq to integrate navigation maps in its handsets. However, it has found it extremely difficult to rapidly adapt its platforms, organisation and business model (selling low-cost phones to the masses) to the new landscape. Given its scale and geographic footprint Nokia will not disappear but it seems unlikely at this stage that it can recover its original profitability margins unless it quickly improves its Symbian platform.

Apple iPhone

Source: Apple

Samsung Galaxy Phone

Source: Samsung

As for the other handset makers, many have taken up the offer from Google to use its FREE operating system called Android (based on open source Linux) to power their devices.

While Google does not make money directly by giving away its software, it hopes that by creating a large global footprint ultimately it will create an ecosystem of applications similar, if not superior, to the one pioneered by Apple. This will also allow Google to better defend its current dominant market share in Internet search and Internet advertising in light of the rapid adoption of mobile Internet.

The latest results from Motorola and Sony Ericsson suggest that their strategies have proved correct and their newly launched Android-based phones are proving popular, competitive and most important, profitable. The Koreans have also launched several Android based models (ie. Samsung Galaxy and LG Optimus) and it looks increasingly obvious that they will have to rationalise their disparate platforms around one only – most likely the Android.

We performed a quick search on the Internet and we found that over the last 18 months several handsets manufacturers have launched at least 50 Android based models.

Market statistics seem to confirm the trend. According to numbers recently published by independent research house Gartner, global smartphones unit sales during the March 2010 quarter were up 49% year on year, the strongest yoy increase since 2006. While Nokia retains the largest smartphones market share globally at 44%, it is losing nearly 4% points yoy. To the contrary, Apple has increased its share from 10.5% to 15.4% and Android has grown even more dramatically from 1.6% to 9.6% over the same period.

The Fund has direct exposure to this theme through names like Samsung Electronics (handsets) and AAC Acoustic (multi-media components). Cisco is also a major facilitator of wireless broadband with its leading wireless gateway/routers sold to telecom operators.

We also initiated a position in Apple in early April before the iPad launch and started buying Google after the recent correction in its stock price, as valuations became more attractive.

Despite the medium term headwinds caused by a general economic slowdown and the hurdles represented by the deleveraging happening in western economies, we remain optimistic about our holdings. Our efforts remain as usual focused on the selection of individual stocks and our investment strategy is centered around the targeting of themes such as those described above and in our previous reports, which will define the technology landscape over the next few years (ie. mobility, internet video, smartphones, alternative energy technologies etc).

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: 1 May 1995
   Platinum Unhedged Fund: 31 January 2005
   Platinum Asia Fund: 3 March 2003
   Platinum European Fund: 1 July 1998
   Platinum Japan Fund: 1 July 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$20,000 invested in the relevant Fund over five years from 30 June 2005 to 30 June 2010 relative to their Index (in A$) 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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