Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	JUN 2016	MAR 2016
North America	32%	30%
Asia and Other	28%	29%
Europe	13%	13%
Japan	7%	7%
Russia	3%	2%
Cash	17%	19%
Shorts	-3%	-3%

Source: Platinum. Refer to note 3, page 5.

Performance

(compound pa, to 30 June 2016)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	-1%	-5%	11%	11%	8%
MSCI AC World IT Index	2%	4%	21%	19%	-2%

Source: Platinum and MSCI. Refer to note 1, page 5.

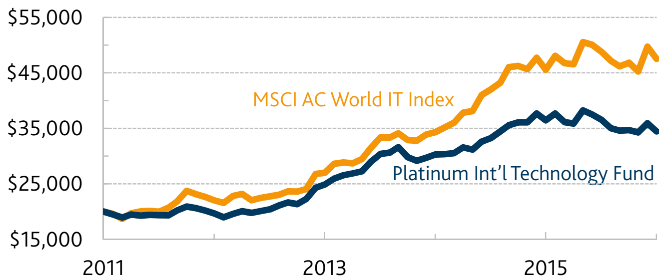
Over the quarter the Fund returned -0.6% while the MSCI AC World Information Technology Index (A$) was up +1.5%. For the 12 month period to 30 June, the Fund's return was -5.5%, compared to +4.3% for the Index. The Fund had a net invested position of 80% as of 30 June (before year-end distribution).

The divergence in performance between the Fund and the Index over the last 12 months can be largely attributed to the Fund's lower exposure to the outperforming large US technology stocks, and overweighting in underperforming Chinese and Japanese holdings. On the positive side, South Korea was a bright spot with all our positions reporting improved performance particularly in the last quarter, with our long-standing holding Samsung Electronics being a strong contributor.

Investors in the tech sector continue to pay a premium for "certainty" and "predictability", especially in light of recent market volatility and uncertainty in global macroeconomic and geopolitical outlook (Brexit being the most recent

Value of $20,000 Invested Over Five Years

30 June 2011 to 30 June 2016



Source: Platinum and MSCI. Refer to note 2, page 5.

example). Hence, the preference of the majority has been to invest more in the supposedly “safer” US tech names, even though they have already had eight years of almost uninterrupted bull market and signs of weakness in global demand for technology products have started to appear.

Our best performers (in local currencies) during the quarter were: Russian Internet company Yandex (+43%), semiconductor manufacturers Micron Technology (+31%) and SK Hynix (+15%), and South Korean electronics giant Samsung Electronics (+9%).

Among the performance detractors were China-based telecommunication equipment group ZTE (-31%), still suffering from the legal dispute with the US Department of Commerce, and US-listed Chinese Internet companies (SouFun, JD.com and Baidu), each down between -13% and -20%. In Europe, Ericsson (-21%) disappointed investors with unexpected poor results in their services division, suggesting that a more radical restructuring may be required. We are reviewing our position in this company.

We remain committed to our decision to allocate a sizeable portion of the Fund’s capital to Asia where we believe the long-term growth potential remains superior to the more mature Western economies.

As at 30 June 2016, the Fund’s major exposures by geography were: USA (32%), China and Taiwan (together 19%), Europe (13%), South Korea (9%), and Japan (7%).

Changes to the Portfolio

During the quarter we made a few changes to the portfolio.

We increased our position in **Alphabet** (formerly Google) as the stock underperformed due to concerns about decelerating growth. While the digital advertising market has seen the emergence of powerful competitors such as Facebook, we believe there is still plenty of potential for Alphabet to grow. Valuation has again returned to a level we consider attractive, and we believe Google’s main assets (Search, YouTube, Maps, etc.) have room for further monetisation and are capable of superior long-term growth.

We added to **JD.com**, China’s second largest e-commerce operator, as the stock declined following slower than expected revenue growth in the first quarter. We believe this slowdown is only temporary. With 169 million active users reported at March end (growing at 73% year-on-year), an annual revenue estimated at US$38 billion for 2016 (growing at 44% year-on-year), and an unparalleled logistics footprint, JD.com is growing faster than its much larger competitor Alibaba. As profitability of the core JD Mall business starts to improve (currently at break-even), investors should regain confidence in the long-term potential of this e-commerce platform.

We also increased our holding in **Cirrus Logic**, the semiconductor supplier specialising in audio-codec[1] hardware, amplifiers and MEMS[2] microphone products. A supplier of key components to major smartphone makers (including Apple, Samsung and other Android-based manufacturers), Cirrus is poised to benefit from increased audio content in their future models. With its industry-leading product portfolio, Cirrus is also well positioned to benefit from increased adoption of audio/voice user interface in adjacent markets (connected home, smart TV/remotes, automotive, etc.).

We exited **Meyer Burger** at a loss as the Swiss solar equipment maker continued to struggle financially in an industry where its immediate customers (solar cell makers) are plagued by intense competition and tight margins despite robust end user demand.

We sold our remaining position in **Qlik Technologies** at a modest profit. After Qlik’s stock price had declined by almost 50% in the early part of the year, a private equity entity made an offer for the totality of its shares and we decided to exit. Qlik was struggling with strategy execution in an increasingly competitive marketplace for software visualisation tools. The bidders acted opportunistically which unfortunately limited our upside.

Commentary

Samsung Electronics, the Fund’s largest holding, performed well during the quarter with evidence pointing to recovering revenue growth after last year’s decline and improving profitability across all divisions.

Historically investors have been critical of Samsung’s corporate governance (and South Korean groups in general) amid (valid) accusations of poor consideration for minority shareholders and favouritism towards the powerful families with controlling stakes. This scepticism has been the main reason behind the relatively depressed valuation of Samsung

1 A piece of audio-codec hardware is a single device that encodes analogue audio as digital signals and decodes digital back into analogue.

2 “MEMS” stands for micro-electro-mechanical systems. It is the technology of very small devices.

Electronics compared to its international peers, despite its strong profitability track record.

More recently, however, the company's management seems to have adopted a more investor-friendly attitude: they approved reasonable-sized stock buy-backs and gradually increased dividend distributions long promised to yield-starved shareholders (mind you, the company still sits on a cash pile of US$62 billion!) While progress at Samsung, like many other South Korean *chaebols*, is only happening gradually, we are encouraged by what we have seen so far. As the younger Vice-Chairman Lee Jae-yong (the grandson of Samsung's founder and son of the powerful but ailing Chairman Lee Kun-hee) increases his authority within the organisation, he has gradually started to instil a new culture: faster decision-making, flat and open organisation, and greater focus on innovation.

After a difficult 2015, which saw declining profitability in Samsung's smartphone division, all four major divisions of the group (Semiconductors, Display Panels, Mobile Communications and Consumer Electronics) are expected to report improving or stabilising results in both 2016 and 2017.

Last year, Semiconductors, driven by the company's leading Memories divisions (DRAM and NAND) contributed 21% of group revenue and 48% of group operating profit. This year, Samsung is expected to further increase its market share in both DRAM (47%) and NAND (39%). Thanks largely to its superior scale and technology, achieved after years of heavy R&D investments, Samsung remains ahead of all its peers in this space (SK Hynix, Micron, Toshiba/SanDisk) and it should maintain its lead for the foreseeable future.

Mobile Communications is also improving after the company reduced costs by streamlining its mid-to-low-end smartphone supply chain to efficiently leverage component sourcing across different models. With sales of more than 310 million smartphones each year and US$12 billion in operating profits, Samsung remains the number one smartphone vendor globally, well ahead of Apple (another holding of the Fund).

But the area of Samsung's prospects that we are most excited about is the Organic Light Emitting Diode (OLED) business. We have been following the development of OLED technology for more than a decade and some of you may remember that the Fund used to own Cambridge Display Technology, the owner of key patent OLED technology developed at Cambridge University in the 1980s (refer to the Fund's June 2005 quarterly report[3]).

As is often the case, early excitement did not translate immediately into economic success as the technology took longer than expected to achieve commercialisation. In 2007, Cambridge Display Technology was acquired by Japan-based Sumitomo Chemical and the majority of other display makers scrapped their OLED R&D programs, concentrating their efforts instead on the cheaper Liquid Crystal Display (LCD) alternatives.

The exception was Samsung which persisted with its R&D on OLED. This led to US$13 billion being invested in its OLED project with a further US$7.4 billion planned for the next two years. South Korean rival LG Electronics also invested heavily in OLED technology, but adopted a slightly different version which relies on a separate light source.

The adoption of OLED technology for small and, eventually, large display screens is going to be driven by: 1) better picture quality, 2) faster response time, 3) lower power consumption, 4) thinner form factor, and 5) wider viewing angle. The downside is that OLED still has a shorter lifespan than LCD and the manufacturing process is more complex and more capital-intensive.

Samsung used its own OLED screen in its original Galaxy S1 smartphone, which was launched in 2010, while Apple until now has not used OLED in its iPhones, relying instead on its LCD-based Retina display technology. In 2013 both Samsung and LG Electronics started commercial production of "flexible" OLED displays on plastic substrate, now being used in their flagship smartphone models. While the device maker bends or curves the screen to create new shapes to adapt to the phone's contour, they are not yet quite bendable from the user's perspective. Apart from allowing novel designs, OLED displays are also lighter, thinner and more durable compared to glass-based screens. Second generation flexible OLED displays may indeed be flexible for the final user, but there is

3 See www.platinum.com.au/documents/funds/pitf/quarterly_reports/pitfqtr_0605.pdf.

"OLEDs are molecules that glow when stimulated by electric current. You may recall that any liquid crystal display comprises, in very simple terms, millions of liquid crystals sandwiched between two sheets of ultra thin glass. Each panel needs to be lit by a number of fluorescent tubes mounted at the back. OLED displays do not require such a crude lighting mechanism. Instead of liquid crystals, millions of OLED molecules are embedded between the two sheets of glass. While in LCD panels, each crystal acts like a shutter to allow light to pass, in OLED displays it is the electric current that passes through the organic molecules that produces the glow."

still some distance to go before the technology is mature and economically viable.

Nevertheless, we are likely to see more brands launching smartphones with OLED screens in the near future, and even Apple is expected to release one in 2017. That would make Samsung a major beneficiary as it is currently the only supplier with the know-how and sufficient manufacturing capacity to supply Tim Cook's highly demanding engineers. We believe increasing OLED adoption will contribute to Samsung's profit growth trajectory for the next few years.

In light of these developments, at a P/E multiple of 10 times and 1.2 times book value for December 2016, the current valuation of Samsung Electronics looks remarkably attractive.

Outlook

Market volatility increased dramatically at the end of the quarter with the Brexit episode, and we expect global markets to continue to react to policy announcements by central banks and governments. Despite this uncertainty and a slowing global growth outlook, we are still able to selectively invest in interesting opportunities driven by secular growth themes (namely Cloud Software, E-commerce and Internet advertising), particularly in Asia. We also remain very excited by the opportunities available to invest in companies benefiting from the ongoing smartphone upgrade cycle (Radio Frequency components, OLED screens, Memories, Sensors, etc.).

Notes

1. The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified 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 in the 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$20,000 invested in the relevant Fund over five years from 30 June 2011 to 30 June 2016 relative to the relevant benchmark index (in A$) as per below (the "Index"):
   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 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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Some numerical figures in this publication have been subject to rounding adjustments.

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