PLATINUM INTERNATIONAL TECHNOLOGY FUND

Alex Barbi Portfolio Manager

PERFORMANCE

During the quarter, technology shares suffered as a consequence of a sharp inventory correction affecting semiconductor stocks. This was triggered by a slowdown in sales growth of mobile phones, PCs, flat panel displays and communication equipment in Asia and the US. No fewer than three dozen semiconductor companies pre-announced negative earnings surprises! During the same period, the Philadelphia Semiconductor Index (SOX), representing most US semiconductor companies, collapsed by 21% and the broader Nasdaq Composite Index fell 7.4%. The MSCI World Information Technology Index (in A$ terms) declined by 13.5% and the MSCI Telecommunications Index (A$) lost 1.6%.

Within technology, fund managers generally abandoned the more cyclical stocks and found refuge in seemingly more defensive stocks like incumbent telecom operators. The Fund's performance was a disappointing -10.8%, with the largest losses experienced by our semiconductor and hardware stocks. Recent additions to our positions in semiconductors and telecom equipment were, with the benefit of hindsight, premature. Asian holdings partly offset the negative performance thanks to the strength of our Indian, Chinese and Indonesian stocks.

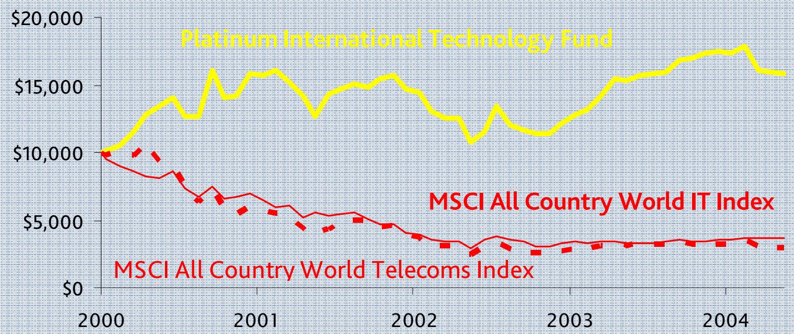
Over the last twelve months, the Fund returned +3.8%, while the MSCI World IT Index (A$) declined 5.2%, and the MSCI World Telecommunications Index (A$) returned +9.1%.

DISPOSITION OF ASSETS

REGION	SEP 2004	JUN 2004
NORTH AMERICA	24%	29%
OTHER ASIA (INCL. KOREA)	22%	18%
JAPAN	18%	20%
EUROPE	10%	15%
CASH	26%	18%
SHORTS	15%	5%
NET INVESTED	59%	77%

Source: Platinum

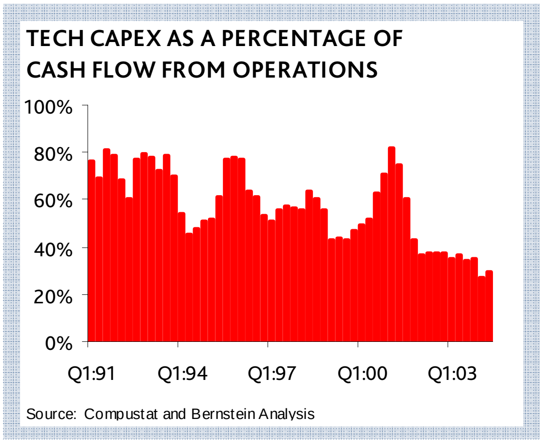
VALUE OF $10,000 INVESTED SINCE INCEPTION 18 MAY 2000 - 30 SEPT 2004

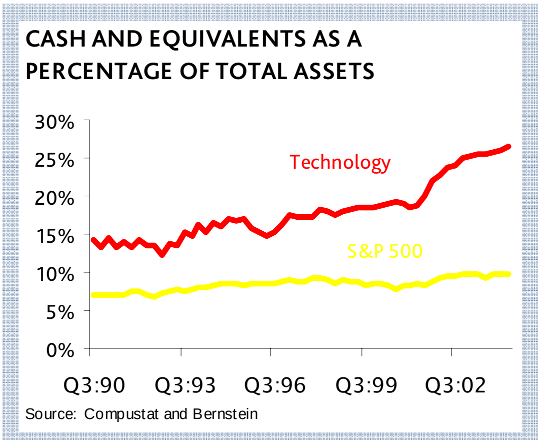


Source: Platinum and Factset. Refer to Note 2, page 5.

CHANGES TO THE PORTFOLIO

During the quarter, we reduced our net exposure and raised cash holdings from 18% to 26%, reflecting our more cautious view of technology after the short but impressive recovery of the last 12-18 months. We exited our investments in Vivendi Universal and Ericsson after they reached our valuation targets. We introduced a new position in Alcatel, convinced of the need to upgrade existing telecom networks to next-generation technology (ie. fibre optics, internet protocol and broadband). We believe Alcatel has the right combination of strong global presence among telecom operators, and technology know-how to profit from the coming telecom infrastructure upgrade.





COMMENTARY

Technology companies awash with cash

We have written extensively about the need for more IT industry consolidation and more specifically, in software. While the Oracle-Peoplesoft saga may be finally close to resolution (with US courts approving the deal and European courts expected to deliberate this month), the majority of large technology companies still seem reluctant to engage in mergers or acquisitions. Most technology companies able to survive the March 2000 tech crash have managed to restructure their balance sheets, courtesy of a general economic recovery and the US Federal Reserves accommodative monetary policy. Cash on balance sheets has been piling up, but appetites for capital expenditure and acquisitions have not returned to the pre-bubble level. Why?

A cynical mind would suggest that many in management prefer to issue options to themselves in large quantities, while buying back shares on market to avoid share dilutions, rather than expanding capacity or acquiring competitors. A celebrated example is Cisco, which bought back roughly US$8 billion of shares over the last two years though in total the number of shares on issue stood rock steady. (Cisco still has US$20 billion cash on their balance sheet.)

On the other hand, there is a growing clamour from the investing community demanding explanations. If there are no suitable investment opportunities, why not give the cash back to shareholders! Even Microsoft had to face reality: with annual free cash flow generation of US$16 billion, it has hitherto not been a champion for dividend distributions. The surprise announcement came last July when Microsoft announced a doubling of their annual dividend, though still a paltry 1.1% yield, and a one-off US$3.2 billion distribution as well as a US$30 billion buy-back over the next four years.

We believe management's greed can only partly explain this reticence. More likely, the overcapacity of many technology sectors and emerging competition from Asian companies is putting more pressure on Western companies' margins and reducing their appetite for investment. Outsourcing is the new name of the game. Manufacturing and design are increasingly seeing moves overseas.

Indeed in some sectors in Asia, capital expenditure has been decidedly buoyant. In Korea, Japan, Taiwan and China for example, flat panel display makers are all rushing to build multi-billion dollar factories in order to achieve the latest economies of scale. Samsung forecast $17 billion of capital expenditure to build liquid crystal display (LCD) capacity over seven years and LG-Philips (a JV between LG Electronics and Philips) is budgeting $22 billion for a ten-year period. In Taiwan, ChiMei and AUOptronics have similarly ambitious plans. NEC set up a factory in China in a joint venture with a local company.

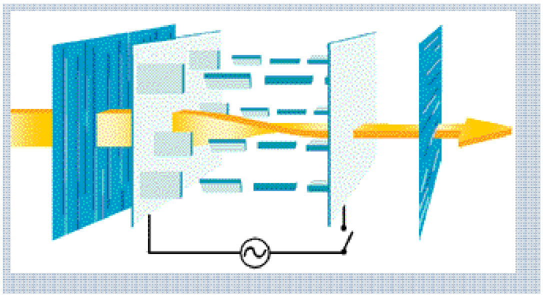
Digital revolution in the living room

Why are Asian display manufacturers spending such huge sums on new plant and equipment? We have spoken before about the digital revolution in consumer electronics. Digital cameras now outsell traditional film cameras. DVD has replaced VHS as the preferred video recording technology. Yet the digital consumer revolution is still at the very beginning. The next big transition is going to be the replacement of existing cathode ray tube (CRT) TVs with new flat panel displays. This presents a major opportunity for the electronics sector in the medium term. Every year, around 150 million CRT TVs are sold: roughly the same size as the PC market. It is not unrealistic to suggest that there exists more than one billion CRT TVs waiting to be replaced. To put this in perspective, in 2004, 8-9 million LCD TVs and 3.7 million plasma TVs are expected to be sold.

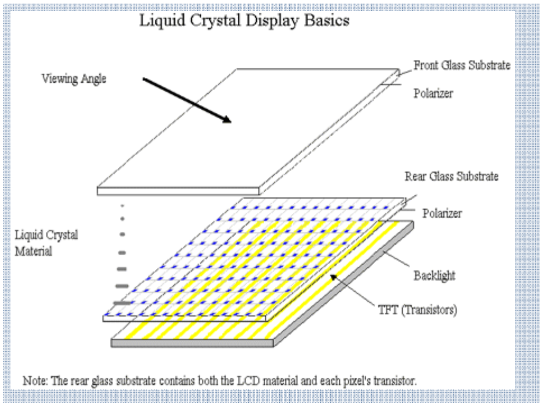
The aesthetic design and reduced mass of flat panel TVs certainly appeal to consumers looking to replace their old TV sets. Paradoxically though, despite the nice appearance and status symbol attached to these products, CRT TVs offer the best visual experience (in terms of contrast, brightness, longevity and viewing angle). Even more important, the price gap in favour of traditional CRT TVs is still too wide. For these reasons we think that the replacement cycle will unfold gradually.

The main component in flat panel TVs is the liquid crystal display panel. Making LCD panels is a complex exercise, and so far the necessary expertise has been concentrated in Japan, Korea and Taiwan. An LCD panel consists of two polarising transparent panels and a liquid crystal solution sandwiched in-between. Liquid crystals are rod-shaped molecules that bend light in response to an electric current. Each crystal acts like a shutter, either allowing light to pass through or blocking the light. The induced pattern of transparent and dark crystals forms the image. It is the same display technology used in digital watches, only more sophisticated. Just imagine how difficult it would be to co-ordinate these millions of little molecular shutters to project rapidly-changing images !!

HOW A STANDARD TFT (TWISTED NEMATIC) DISPLAY WORKS



CROSS SECTION VIEW OF AN LCD PANEL



Source: www.necmitsubishi.com

Generally, LCD TVs are considered to offer better visual performance in the smaller sizes (40 inches and below), while plasma displays are better in larger sizes (40 inches and above). Plasma TVs offer a deeper colour range, brighter pictures and better contrast than LCD TVs. A plasma TV display can be thought of as having one million or more microscopic light bulbs (pixels) arranged between glass plates. These pixels are illuminated by plasma gas, and are able to produce red, green, and blue individually, as well as any of the 16.7 million colours in-between. The biggest shortcoming of plasma TVs is the risk of burn-in: this occurs when a static image is displayed for too long and a ghost image subsequently remains imprinted permanently on the phosphor coating of the display.

To date, a large plasma TV remains far cheaper than a LCD TV of similar size. However, over the next two to three years, the price gap between the two competing formats will narrow as the new LCD panel factories commence production. If one were planning to buy one of these expensive LCD TVs, 2005 may prove to be a good year to do so. We suspect it is almost inevitable that prices for LCD TVs drop substantially in 2005. We would not be surprised if large LCD panel prices decline by 25-30% (or even more) between 2004-2005 for the simple reason that all major LCD panel makers will have to cut prices to stimulate demand in order to keep their new factories fully utilised.

We are watching this industry with great interest and we believe that ultimately lower prices will trigger an acceleration in consumer demand. The Fund is exposed to this theme through our holdings in Samsung Electronics and other selected component makers.

OUTLOOK

To what extent has the recent slowdown been only a temporary setback? We believe the answer lies in the health of the US and Asian consumers and in the recovery of IT enterprise spending. Early signs of recovery in selected components markets may signal a rebuilding of inventory before the generally strong Christmas period. However, as long as the oil price stays around US$50 a barrel, we think that consumers will be met by strong head winds, and we remain invested accordingly.

Alex Barbi and Douglas Huey

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 paya*ble), 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 past 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).

2. The investment returns depicted in the graphs are cumulative on A$10,000 invested in the relevant Fund since inception relative to their Index (in A$) as per below:

   Platinum International Fund:
   Inception 1 May 1995, MSCI All Country World Net Index

   Platinum Asia Fund:
   Inception 3 March 2003, MSCI All Country Asia ex Japan Net Index

   Platinum European Fund:
   Inception 1 July 1998, MSCI All Country Europe Net Index

   Platinum Japan Fund:
   Inception 1 July 1998, MSCI Japan Net Index

   Platinum International Brands Fund:
   Inception 18 May 2000, MSCI All Country World Net Index

   Platinum International Health Care Fund:
   Inception 10 November 2003, MSCI All Country World Health Care Net Index

   Platinum International Technology Fund:
   Inception 18 May 2000, MSCI All Country World Information Technology 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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The Platinum Trust Product Disclosure Statement No. 5 (***PDS***), is the current offer document for the Funds. You can obtain a copy of the PDS from Platinum's web site, www.platinum.com.au, or by contacting Investor Services on 1300 726 700 (*Australian investors only*), 02 9255 7500 or 0800 700 726 (*New Zealand investors only*) or via invest@platinum.com.au.

Before making any investment decision you need to consider (with your financial adviser) your particular investment needs, objectives and financial circumstances. You should consider the PDS in deciding whether to acquire, or continue to hold, units in the Funds.

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