Platinum International Technology Fund

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Disposition of Assets

REGION	30 SEP 2017	30 JUN 2017	30 SEP 2016
North America	34%	35%	37%
Asia	27%	26%	25%
Europe	13%	14%	13%
Japan	3%	4%	10%
Russia	0%	0%	1%
Cash	23%	21%	14%
Shorts	0%	<0%	-2%

Source: Platinum Investment Management Limited. See note 3, page 3.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	USA	IT	5.9%
Samsung Electronics	Korea	IT	4.8%
Tencent Holdings	China Ex PRC	IT	4.3%
Oracle Corporation	USA	IT	3.5%
PayPal Holdings	USA	IT	2.8%
Taiwan Semiconductor	Taiwan	IT	2.7%
Apple Inc	USA	IT	2.6%
JD.com Inc	China Ex PRC	Consumer Disc	2.5%
Samsung SDI	Korea	IT	2.4%
Constellation Software	Canada	IT	2.3%

As at 30 September 2017.

Source: Platinum Investment Management Limited. See note 4, page 3.

Performance and Changes to the Portfolio

(compound pa, to 30 September 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	3%	20%	12%	17%	9%
MSCI AC World IT Index	6%	27%	21%	23%	0%

*C Class – standard fee option. Inception date: 18 May 2000.
Refer to note 1, page 3.
Source: Platinum Investment Management Limited, RIMES Technologies.
Historical performance is not a reliable indicator of future performance.

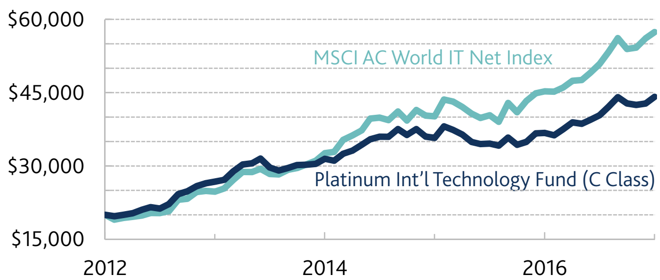
During the quarter the Fund (C Class) was up 3.1% while the MSCI AC World Information Technology Index (A$) was up 6.4%. The Fund's relatively large cash allocation (23% as at 30 September), its exposure to some British telecommunication stocks as well as the strength of the Australian dollar (against the US dollar, the Hong Kong dollar, the Korean won and the Japanese yen) were largely responsible for the under-performance.

Over the 12 months to 30 September, the Fund (C Class) returned 20%, a solid result in absolute terms, though trailing the benchmark which rose 26.8%.

Among this quarter's best performing industries (in US dollar terms) were Electronic Production Equipment (+20%), driven by semiconductor equipment stocks, and Semiconductors (+13%).[1]

Value of $20,000 Invested Over Five Years

30 September 2012 to 30 September 2017



Refer to note 2, page 3.
Source: Platinum Investment Management Limited, RIMES Technologies.
Historical performance is not a reliable indicator of future performance.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposure, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Persistently strong demand continues to drive revenues and profits for the producers of digital memory chips (such as NAND and DRAM). While in the past the bulk of the orders came from PC and digital camera manufacturers, smartphones and servers for cloud data centres have now become the core market for memory chips. Demand for graphic processing units (GPUs) has also been strong as this type of processor is increasingly used in Artificial Intelligence applications (e.g. for autonomous driving).

Data Processing Services[1] was another strong-performing area (+9.9%) as growth in global e-commerce volume goes from strength to strength and, with it, the demand for online payment solutions.

The Fund has selective exposure to the above themes, including companies operating in digital memory, semiconductor foundry, e-commerce (particularly the leading Chinese names) and digital payment.

The main laggards over the quarter were Media Conglomerates (-7.3%) and Broadcasting (-3.2%),[1] industries undergoing major disruption as new competitors offering 'all you can eat' online streaming services continue to threaten the business model of traditional free-to-air and cable TV providers.

Commentary

You may have recently seen some high profile product launches incorporating technologies such as facial recognition, or devices based primarily on voice interface. In the coming weeks or months software updates will also start enabling ‘augmented reality’ functions across a range of high-end smartphones. To some users these features may appear little more than gimmicks, but this is really the first phase of widespread adoption of ‘eyes and ears’ for machines.

Winding back the clock, we see that this is just the latest in a long line of innovations around computational inputs. Punch cards were prevalent until the mid-1970s, then keyboards, the mouse, touch screens, and now increasingly we see the proliferation of audio and visual inputs. Interactions with digital devices are becoming more natural and intuitive. The implications of this latest evolution are likely to be broad and far-reaching, although making the most of new functionality will undoubtedly take some time. Do you need a voice interface to start your washing machine? Probably not (and, yes, that is a thing). Is mapping your face to an animated poop character such an achievement? We can see why people may initially be sceptical of the value of this technology. Applications are still evolving. But what this functionality enables will surely have a greater impact, ranging from simple conveniences, through to productivity advances, new medical tools, and more.

1 Source: FactSet. Industry classification by FactSet.

Would it be handy to see exactly how a new sofa would fit in your living room without getting out the tape measure? Or quickly scanning your dimensions, creating a ‘virtual mannequin’, to see how clothes will fit before you order them online? How about pointing your phone at a sports field while watching a professional game, and seeing player profiles hover over the participants? Or walking into a store, picking up whatever you want, and simply flashing a smile at a camera to settle the bill as you leave? These are just a few examples of the consumer applications that are already being rolled out.

In the industrial field, speech and image recognition capabilities are increasingly being incorporated into manufacturing lines, helping employees reduce error rates and improve productivity. Facial recognition technologies are being used to do quick and cheap diagnoses of genetic diseases such as Down Syndrome and DiGeorge Syndrome. Autonomous driving is an area that is rapidly advancing and relies heavily on the vehicle being able to ‘see’ objects around it, detect distance, and build 3D maps of the world.

As well as the trivial, the entertaining, and the helpful, these technologies will throw up a range of issues, from privacy to data ownership, for society to grapple with.

A confluence of technologies underpins all of this, providing investors multiple bites at the apple – so to speak. There are companies that make accelerometers, gyroscopes, components for cameras, lasers and infrared sources. There are device assemblers and product designers. All this new sensory data needs to be stored, transported, and processed, which is driving demand for memory, connectivity, and cloud services. Opportunities are arising for companies to develop new services utilising these new audio and visual capabilities.

The Fund has been positioned with these developments in mind, investing in companies that have benefited – and will continue to benefit – from the ongoing proliferation of these new interfaces. Some elements of the supply chain are starting to reflect the hype in their share prices, however, we believe there continue to be attractive opportunities available for the diligent investor.

Outlook

With the Nasdaq 100 Index up more than fivefold since bottoming in early 2009, the current bull market has now entered its 9th year. While current valuations are nowhere near the crazy levels reached during the dot com bubble in 2000, they have no doubt been inflated by the artificially low interest rates that have prevailed since the GFC. As the US Federal Reserve starts to reverse its long-standing loose monetary policy, one may expect to see some headwinds for those companies with leveraged balance sheets and/or stretched valuations. Our efforts are concentrated in avoiding them while searching for the always present overlooked opportunities.

Notes

1. The investment returns are calculated using the net asset value unit price of C Class (standard fee option) of the relevant Fund and represent the combined income and capital return of C Class for the specified period. Returns are net of fees and costs (excluding the buy/sell spread), are pre-tax, and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

   The MSCI index returns have been sourced from RIMES Technologies. Index returns are in Australian dollars and include dividends, but, unlike the Fund's returns, do not reflect fees or expenses. The net MSCI index is used, except, where applicable, the gross MSCI index was used prior to 31 December 1998 as the net MSCI index did not exist then.

   For the purposes of calculating the "since inception" returns of the MSCI index, the inception date of C Class of the Fund is used.

   Platinum does not invest by reference to the weighting of the index. Underlying assets are chosen through Platinum's individual stock selection process and, as a result, the Fund's holdings may vary considerably to the make-up of the index. Index returns are provided as a reference only.

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in C Class of the Fund over the specified five year period relative to the relevant net MSCI index in Australian dollars.

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3. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents the Fund's exposure to physical holdings (equity and corporate fixed income securities) and long derivatives (of stocks and indices) as a percentage of the Fund's net asset value.

4. The table shows the Fund's top 10 long stock exposure (through physical holdings and long derivative positions) as a percentage of the Fund's net asset value.

5. Sector breakdown represents the Fund's net exposure to physical holdings and both long and short derivatives (of stocks and indices) as a percentage of the Fund's net asset value.

6. The table shows the Fund's major currency exposure as a percentage of the Fund's net asset value, taking into account any currency hedging.

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Some numerical figures in this publication have been subject to rounding adjustments.

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