Platinum International Technology Fund

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Disposition of Assets

REGION	31 DEC 2017	30 SEP 2017	31 DEC 2016
North America	33%	34%	34%
Asia	28%	27%	24%
Europe	14%	13%	11%
Japan	5%	3%	8%
Cash	20%	23%	23%

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

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	USA	IT	5.9%
Tencent Holdings	China	IT	5.1%
Samsung Electronics	Korea	IT	4.9%
PayPal Holdings	USA	IT	3.0%
Taiwan Semiconductor	Taiwan	IT	2.8%
Oracle Corporation	USA	IT	2.8%
Apple Inc	USA	IT	2.7%
JD.com Inc	China	Consumer Discretionary	2.5%
Samsung SDI	Korea	IT	2.4%
Constellation Software	Canada	IT	2.4%

As at 31 December 2017.

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

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposure, updated monthly, please visit https://www.platinum.com.au/Investing-with-Us/Investment-Updates.

Performance and Changes to the Portfolio

(compound pa, to 31 December 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	5%	19%	12%	18%	10%
MSCI AC World IT Index	8%	31%	20%	26%	0%

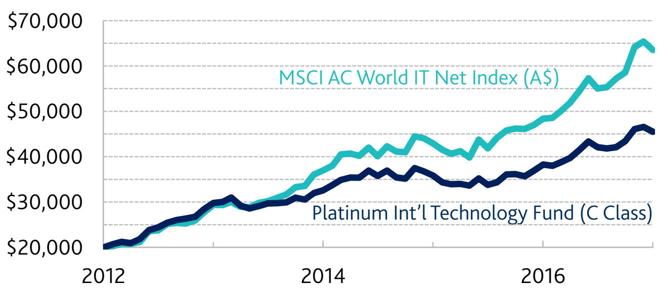
*C Class – standard fee option. Inception date: 18 May 2000.
Refer to note 1, page 4.
Source: Platinum Investment Management Limited, RIMES Technologies.
Historical performance is not a reliable indicator of future performance.

Technology stocks continued their strong performance during the last quarter of calendar year 2017, with the MSCI AC World IT Index (A$) rising 8.4%. The Fund (Class C) was up by 4.8%, lagging its benchmark as a result of its relatively large cash allocation (20%) and disappointing performance by our Korean stocks as well as the telecom and media holdings. The Fund's Chinese Internet holdings also faced some headwinds after an extended period of strong outperformance earlier in the year.

As the year entered its final month, investor attention in the US gradually turned to the government's tax reform legislation which is promising to substantially reduce corporate tax and create incentives for domestic producers to accelerate their capital spending. The new tax rules have been welcomed by the market. Interestingly, the major beneficiaries appear to be mainly "old economy" corporates as opposed to technology companies whose income in many

Value of $20,000 Invested Over Five Years

31 December 2012 to 31 December 2017



Refer to note 2, page 4.
Source: Platinum Investment Management Limited, RIMES Technologies.
Historical performance is not a reliable indicator of future performance.

cases is already subject to fairly low effective tax rates. This may partly explain some of the strong price action in December by US industrials (e.g. Emerson Electric +9.1%) and financials (e.g. Wells Fargo +7%), eclipsing large tech companies such as Apple (-0.2%) and Facebook (+0.8%).

A review of the major industries[1] for the quarter (in US dollar terms) shows strong performance for Internet Retail (+20.2%), with e-commerce juggernaut Amazon (+21.9%) continuing to gain market share at the expense of traditional brick–and-mortar retail chains. Computer Communications (+11.6%) was another top performing area with leading player Cisco Systems (+13.5%) a strong contributor.

Specialty Telecommunications (-3.4%) was a laggard as difficult competitive and regulatory conditions in Europe and the US continue to impact negatively on several telecom operators' profitability. Both Movies/Entertainment (+3.5%) and Broadcasting (+0.3%) were lacklustre with the notable exceptions being the companies involved in merger talks: Disney (+7.7%) and 21st Century Fox (+29.8%).

Recent high profile business combinations such as the one announced between Disney and 21st Century Fox clearly signal that leading media groups can no longer dismiss or ignore the fast growing video streaming services of Netflix and Amazon. We suspect this is not the end of the consolidation process in media. In fact, it would not be surprising to us if tech giants like Alphabet, Apple and Facebook are also looking to acquire content businesses: Netflix itself could become a target and so are other movie production studios.

Commentary

Over the past year there has been rapid advancement in autonomous driving, which, despite the hype in the tech community, may have gone largely unnoticed by the wider public. For many, the idea of a self-driving car remains a futuristic fantasy, but recent events show that this technology is very much here, now, and the time for its widespread adoption may be fast approaching. Small pilot programs operating in defined areas and under the supervision of human drivers have been running in various locations around the world for the past couple of years. We have been watching these with great interest, and believe that autonomous driving could evolve into a trillion dollar opportunity for the commercial ecosystem that brings it to market. Some of these pilot programs have now reached the point where human driver supervision is no longer required and the services are expanding to cater to a larger user base. Take a look at this YouTube video, posted by Waymo (Google's self-driving car subsidiary) in November 2017: https://www.youtube.com/watch?v=aaOB-ErYq6Y.

1 Source: FactSet. Industry classification by FactSet.

The race is on to bring this technology to market, and a number of commercial players agree we should start seeing broader roll-outs some time around 2019-2021. Looking forward to the day when you can read, take a nap, or catch up on your favourite TV show, instead of navigating a traffic jam as you commute to work? It could be just around the corner!

Having made huge progress in relatively simple environments, the focus is now on bringing the technology to the wider world. The challenges are multiple, and stretch well beyond the technical. Governments will need to design and implement new licensing regimes for autonomous vehicles to operate on our roads. Legislators and courts need to establish how liability will be dealt with in the case of an accident where a machine is directing itself. The insurance industry will need to devise new pricing models for their policies. Ethical dilemmas that were once hypothetical thought experiments may now be real world engineering problems. (For example, if a small child runs onto the road in front of a car and a crash is unavoidable given the car's speed, should the car hit the child or swerve and hit a concrete pole next to the road, likely killing the passengers in the process?)

Of course, plenty of technical challenges also remain. These can be fairly common across the industry, or in some cases are unique to a specific approach a company is pursuing. Varying weather conditions can be tricky to deal with. Learning to operate in new areas can be a time-consuming process, with one of the first hurdles being the need for extremely detailed maps. Unlike the maps for human use, self-driving cars require maps that are down to the level of the precise location of curbs, lane markings and street signs, among other things, ***within 20 millimetre accuracy***. Local road rules and driving behaviour also need to be accounted for. One simple example familiar to many readers would be Melbourne's "hook turn" rule whereby a car wishing to turn right (in left-handed traffic) must first move into the left-most lane. A huge range of unexpected local quirks may be encountered as companies move outside their initial testing and training areas. When one manufacturer started testing in Australia, they found their system confused by the hopping kangaroos that occasionally grace our roads. Their algorithms had been using the ground as a reference point for measuring distance, and the hopping action makes the kangaroos appear to be moving rapidly towards and away from the car.

Refining the systems will also be an ongoing process. Autonomous systems are fantastic at many things, and they don't drink or get distracted in the same way that humans do, which holds great promise from a road safety perspective, but there's much room for improvement, particularly in dealing with unexpected or ambiguous situations. Machines aren't yet quite so good at improvising as we are! To give a simple

Source: Waymo, Business Insider

example, if you see a car stopped in the road in front of you, you may have a sense of whether you should go around it or whether it will likely start moving soon by listening to the sound of a running engine or watching the movements of the driver and trying to gauge his intention. Watch an autonomous vehicle in a similar situation and you quickly realise this can be a confusing scenario, as the vehicle jerks and waits, unsure of how best to respond. Similarly, in situations with high pedestrian activity, human drivers may be inclined to drive very slowly while effectively "bully" pedestrians into letting us through – an unspoken negotiation process conducted via a combination of signals of speed, body movement and often subtle eye contact. For a machine, however, this can be an understandably tricky scenario where it waits (all too) patiently for the incessant stream of pedestrians who cannot gauge driver intention by exchanging eye contact or a simple hand gesture.

The essential ingredients of the technology required for autonomous driving are already in place. While there is still plenty of fine-tuning to be done to get self-driving cars ready for our roads more broadly, this is no longer science fiction. Some companies are confident that they are on track to start operating commercial driverless taxi services in busy cities like New York and San Francisco in the next couple of years! We live in exciting times, as individuals and as investors. The Fund has exposure to a number of companies across the ecosystem, such as Waymo (through our holding in Alphabet, our largest position), which we feel are well positioned to play a big part and reap big rewards in the coming autonomous driving revolution.

Outlook

The Fund's composition remains concentrated on key dominant Internet platforms (Alphabet, Apple, Microsoft, Tencent) and attractively valued global semiconductor leaders (Samsung Electronics and Taiwan Semiconductor Manufacturing Co). We also continue to search for and invest in mispriced opportunities in software, telecoms, media, gaming and other emerging technologies in the US, Europe and Asia.

The state of synchronised growth of the global economy and strong profit margins should extend further the current bull market in tech stocks. Newly introduced tax incentives for US based companies to repatriate their huge offshore cash reserves (Apple's foreign cash pile alone is estimated to be more than US$250 billion) are likely to provide additional support to US multinationals. While similar measures have historically[2] provided only limited economic stimulus, the possibility of more share buy-backs fuelled by tax reform will likely lift US media and technology stock prices to new highs in 2018. The risk for technology stocks in general remains the possibility of an accelerated path to monetary policy tightening in the US, which ultimately will draw liquidity from stock markets and subdue the rate of growth in valuations.

2 It is estimated that when President George W. Bush last approved a "repatriation tax holiday" in 2004, more than US$312 billion of overseas earnings were repatriated to the US, off which as much as 91% went to share repurchases. Source: Congress Research Services – Tax Cuts on Repatriation Earnings as Economic Stimulus: An Economic Analysis February 11, 2009 – December 21, 2012).

Notes

1. Fund returns are calculated using the net asset value per unit (which does not include the buy/sell spread) of the stated unit class of the fund and represent the combined income and capital returns of the stated unit class over the specified period. Returns are net of accrued fees and costs, 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.

   Index returns are in Australian dollars and assume the reinvestment of dividends from constituent companies, but do not reflect fees and expenses. For the purpose of calculating the "since inception" returns of the MSCI index, the inception date of C Class of the fund is used. Where applicable, the gross MSCI indices were used prior to 31 December 1998 as the net MSCI indices did not exist then. Fund returns have been provided by Platinum Investment Management Limited; MSCI index returns have been sourced from RIMES Technologies.

   Platinum does not invest by reference to the weightings of any index or benchmark, and index returns are provided as a reference only. A fund's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, the fund's holdings may vary considerably to the make-up of the index that is used as its reference benchmark.

   The stated portfolio values of C Class and P Class of the Platinum International Fund (PIF) do not include funds invested in PIF by the Platinum International Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PIF. The stated portfolio values of C Class and P Class of the Platinum Asia Fund (PAF) do not include funds invested in PAF by the Platinum Asia Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PAF.

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

   Fund returns are calculated using the net asset value per unit (which does not include the buy/sell spread) of C Class of the fund and represent the combined income and capital returns of C Class over the specified period. Returns are net of accrued fees and costs, 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.

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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 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 positions (through physical holdings and long derivatives) 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 currency hedging.

Disclaimers

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Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock performance are in local currency terms, unless otherwise specified.

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