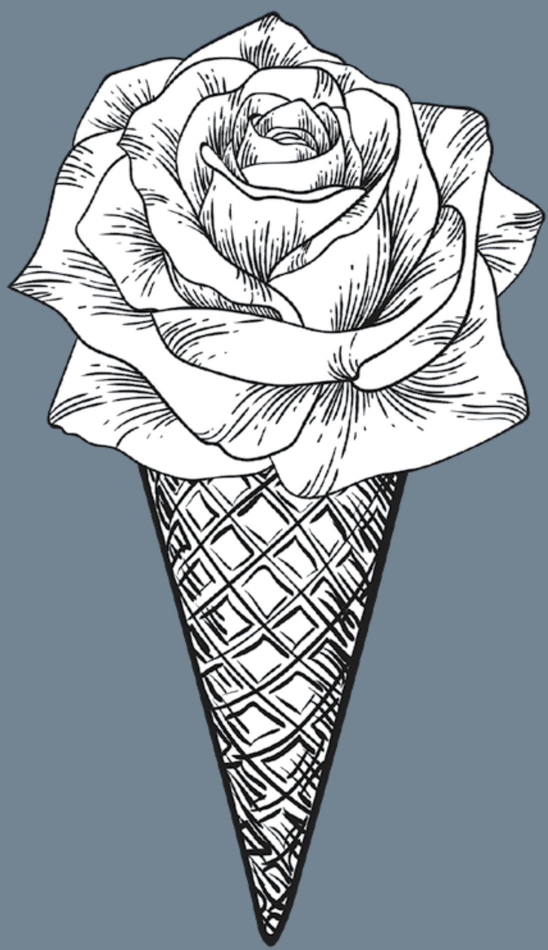
Platinum International Fund
Platinum Global Fund (Long Only)
Platinum Asia Fund
Platinum European Fund
Platinum Japan Fund
Platinum International Brands Fund
Platinum International Health Care Fund
Platinum International Technology Fund

Quarterly Report

31 DECEMBER
2021



Contents

The Platinum Trust quarterly report is available on our website from approximately the 15th of the month following quarter end.
Visit www.platinum.com.au/Investing-with-Us/Investment-Updates

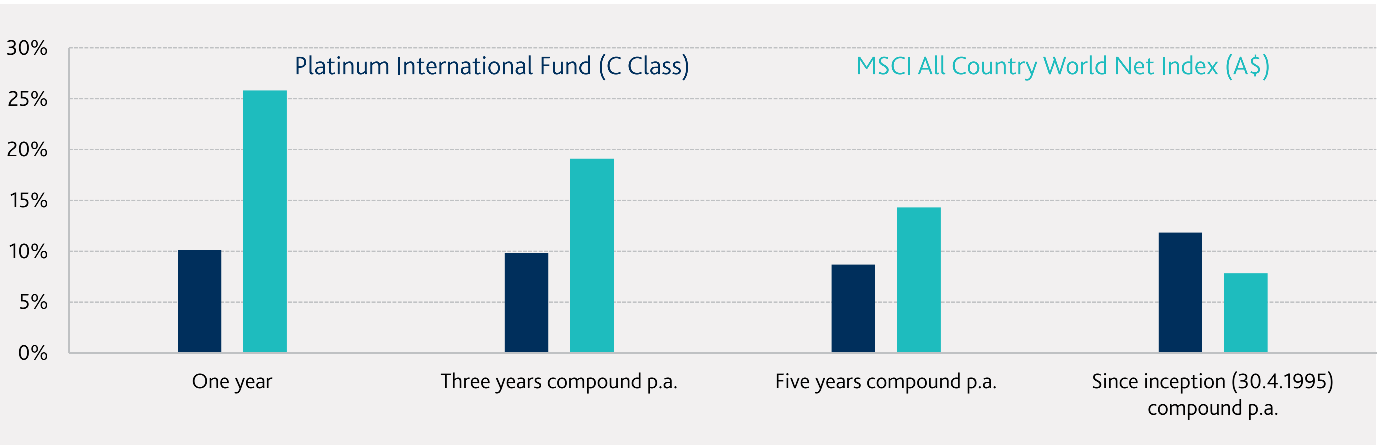
Performance Returns to 31 December 2021

FUND (C CLASS – STANDARD FEE OPTION) (P CLASS – PERFORMANCE FEE OPTION)	PORTFOLIO VALUE A$ MIL	QUARTER	1 YEAR	2 YEARS COMPOUND P.A.	3 YEARS COMPOUND P.A.	5 YEARS COMPOUND P.A.	SINCE INCEPTION COMPOUND P.A.	INCEPTION DATE
Platinum International Fund (C Class)	**7867.1**	**0.2**	**10.1**	**6.3**	**9.8**	**8.7**	**11.8**	**30 Apr 1995**
Platinum International Fund (P Class)	28.7	0.3	10.4	6.5	10.1	-	7.3	3 Jul 2017
MSCI All Country World Net Index (A$)		6.0	25.8	15.4	19.1	14.3	7.8	30 Apr 1995
Platinum Global Fund (Long Only) (C Class)	**216.5**	**0.2**	**14.8**	**7.0**	**11.6**	**10.7**	**10.8**	**28 Jan 2005**
Platinum Global Fund (Long Only) (P Class)	2.2	0.3	15.1	7.2	11.9	-	8.8	3 Jul 2017
MSCI All Country World Net Index (A$)		6.0	25.8	15.4	19.1	14.3	8.7	28 Jan 2005
Platinum Asia Fund (C Class)	**3945.2**	**-2.2**	**-2.5**	**12.3**	**14.0**	**12.5**	**14.0**	**4 Mar 2003**
Platinum Asia Fund (P Class)	11.7	-2.1	-2.3	11.9	13.9	-	10.2	3 Jul 2017
MSCI All Country Asia ex Japan Net Index (A$)		-1.9	1.1	7.3	10.9	11.2	10.0	4 Mar 2003
Platinum European Fund (C Class)	**546.6**	**-3.1**	**11.8**	**3.1**	**8.1**	**8.6**	**11.0**	**30 Jun 1998**
Platinum European Fund (P Class)	4.4	-3.0	12.1	3.3	8.4	-	6.5	3 Jul 2017
MSCI All Country Europe Net Index (A$)		4.5	23.3	8.5	13.5	9.9	3.9	30 Jun 1998
Platinum Japan Fund (C Class)	**598.9**	**-2.0**	**13.4**	**4.7**	**9.2**	**7.4**	**13.4**	**30 Jun 1998**
Platinum Japan Fund (P Class)	3.1	-2.0	13.7	4.9	9.5	-	7.1	3 Jul 2017
MSCI Japan Net Index (A$)		-4.6	7.9	6.1	10.5	8.4	3.5	30 Jun 1998
Platinum International Brands Fund (C Class)	**637.9**	**-7.2**	**9.4**	**14.1**	**16.3**	**13.4**	**12.6**	**18 May 2000**
Platinum International Brands Fund (P Class)	3.1	-7.2	9.6	14.3	16.6	-	11.4	3 Jul 2017
MSCI All Country World Net Index (A$)		6.0	25.8	15.4	19.1	14.3	4.8	18 May 2000
Platinum International Health Care Fund (C Class)	**625.7**	**-10.4**	**5.5**	**17.5**	**19.5**	**16.1**	**11.0**	**10 Nov 2003**
Platinum International Health Care Fund (P Class)	14.0	-10.3	5.3	16.0	18.6	-	14.6	3 Jul 2017
MSCI All Country World Health Care Net Index (A$)		6.0	24.7	14.2	17.0	15.0	10.2	10 Nov 2003
Platinum International Technology Fund (C Class)	**200.8**	**4.6**	**15.6**	**20.1**	**21.6**	**15.8**	**10.5**	**18 May 2000**
Platinum International Technology Fund (P Class)	4.0	4.7	15.9	20.4	21.9	-	15.6	3 Jul 2017
MSCI All Country World IT Net Index (A$)		11.9	35.2	33.9	38.2	29.4	5.0	18 May 2000

Fund returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for Fund returns and FactSet Research Systems for MSCI index returns.
See note 1, page 44.

Platinum International Fund vs. MSCI All Country World Net Index (A$)

To 31 December 2021



Fund returns are net of fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for fund returns and FactSet Research Systems for MSCI index returns. See note 1, page 44.

In Brief

Platinum International Fund

- Inflation continued to rise across the globe during the quarter, while concerns that China's recovery would stall and Omicron added further uncertainty to the economic outlook. As has been the case in recent years, when faced with uncertainty, investors favoured companies that have a high degree of certainty and avoided those that are sensitive to economic growth.
- Our semiconductor stocks performed well, reflecting a strong business environment, while our travel-related stocks were negatively impacted by Omicron and our Chinese stocks were weighed down by economic uncertainty.
- The Fund continues to maintain a conservative position, with a net invested position of 67% (10% cash, 23% shorts), reflecting our concerns about inflation and interest rates, and the level of speculative activity in markets.
- The last three years have seen a huge divergence in the performance and valuation between the much-loved growth and defensive names and the rest of the market. It is amongst these out-of-favour names where we continue to find opportunities to make investments in attractively valued businesses.
- One new holding was Barclays (UK bank), which is benefiting from buoyant capital market activities, lower credit costs and a potentially more benign competitive environment in the UK mortgage lending market. We also added to our positions in China Resources Land, Suzano (South American pulp producer) and InterGlobe Aviation (Indian low-cost airline).
- The average P/E of the Fund's (long) investments is 13x, and for each company we hold, we believe their earnings will grow over the next three to five years and the portfolio will be able to produce good absolute returns over that period.
- Markets are likely to be very volatile in 2022, as we work our way through the end of the pandemic and possibly exit the era of ever-lower interest rates and end of one of the longest-running bull markets in stock market history.

Platinum Global Fund (Long Only)

- During the quarter, our semiconductor and technology hardware companies provided a positive contribution to performance. Ciena, a leading player in optical networking and transport, was a standout, benefiting from the return of 5G spending.
- Our travel stocks and a couple of small cap stocks detracted from performance, including AK Medical, the largest domestic manufacturer of orthopaedic products in China. The stock weakened on short-term profit concerns, however, this is a longer-term investment for us. We expect AK Medical to benefit from government initiatives encouraging innovation in medical devices, and we believe the market for hip and knee procedures in China could grow five to ten times its current size.
- We continued to build our exposure to the 'decarbonisation' theme, adding a new position in Chinese software company, Longshine Technology. Longshine is benefiting from a large grid upgrade program in China, following the government's move to market-based pricing for electricity, as part of its CO_2 reduction and energy efficiency targets.

Platinum Asia Fund

- Most major markets across the region were flat to down during the quarter, with Chinese-related stocks in particular continuing to decline, reflecting poor investor sentiment towards the country. Travel-exposed companies Trip.com and hotel chain Huazhu detracted from the Fund's performance, while Leader Harmonious Drive, the Chinese domestic champion in producing strain wave gears in robotics, provided strong performance, as did Longshine Technology.
- During the quarter, we purchased a small position in Estun Automation, a leader in industrial robotics, motion control and welding. The company is taking market share in growing markets, with automation becoming increasingly necessary as populations age and labour costs rise.
- While the shorter-term economic picture is not entirely clear, opportunities still abound for the more entrepreneurial management teams across the region. We continue to believe the current valuations across much of Asia ex-Japan are undemanding and reasonably attractive for longer-term investors.

Platinum European Fund

- The emergence of Omicron punished travel stocks and beneficiaries of economies reopening late in the quarter, including some of the Fund's holdings. Elsewhere, Beazley (UK insurance group) and Raiffeisen Bank provided strong performance.
- Before the recent pullback, we had meaningfully reduced our exposure to travel-related names at a profit. The sell-off gave us a small window of opportunity to add back positions which we believe will enjoy favourable structural growth trends, such as Wizz Air, which straddles two themes within our portfolio – travel recovery and secular growth in Central and Eastern Europe (CEE) consumer spending. As income grows in CEE, people will likely fly more.

Platinum Japan Fund

- Japanese equity markets fell in the final quarter of the year, with broad-based weakness across sectors offset only by areas of strength in electronic materials and the semiconductor supply chain.
- Three diverse businesses, Katakura Industries, Oyo and Daisue Construction provided strong performance for the Fund, reflecting their exposure to the key themes of improving governance and shareholder returns, stimulated by activist involvement and regulatory changes.
- Nintendo was added back to the portfolio during the quarter. The stock had fallen on fears we have reached the peak of the cycle for its Switch console. While we acknowledge this is likely the case, we believe the market is failing to give enough weight to changes in the underlying business model that mean the cycle is likely to be extended relative to history, with better profitability experienced throughout. We also added to our position in packaging manufacturer Toyo Seikan.

Platinum International Brands Fund

- Our low net exposure to the US, large exposure to China, and not holding strong-performing mega-caps such as Apple, Microsoft and Procter & Gamble hurt the Fund's performance over the quarter.
- We took advantage of weakness in many of our key holdings to add to our position sizes (Alibaba, ASOS, F45 Training, Pigeon). Reflecting the extreme divergence in valuations present in the consumer sector, near the end of the quarter we established a number of short positions in headily valued European quality/growth consumer stocks.
- The primary theme in the portfolio is the transition to a digital world, with around 38% of our portfolio now comprised of digital platforms; more than half of that in China. The second high-level theme (with some overlap with the digital platforms), with around 45% exposure, is a broad collection of well-positioned and attractively valued businesses that will likely benefit from an end to the pandemic and a return to economic normalcy.

Platinum International Health Care Fund

- While 2020 was a good year for investors in biotech, 2021 was a rather different story, with US biotech stocks experiencing the largest, most prolonged drawdown in five years. Our holdings were dragged lower on the sentiment shift, despite gaining product approvals or making very solid business progress.
- On the bright side, Australian biotech Telix received its first cancer imaging product approval during the quarter, while US oncology biotech company Merus continued to progress its pipeline - both delivered strong share price gains over the quarter.
- We have been adding to various tool companies, along with biotechs that have recently launched new drugs for rare diseases. In the coming decade, we believe there will be significant progress in diagnosing and treating neurodegenerative diseases. Similarly, we believe the way that drugs will be discovered and developed will also change, and hence we continue to invest in the next-generation drug developers.

Platinum International Technology Fund

- Technology stocks ended the year on a high note. Our semiconductor holdings provided a positive contribution to performance over the quarter, while our Chinese stocks detracted.
- During the quarter, we trimmed Apple and Motorola Solutions after strong performance, and added to our semiconductor memory holdings (SK Hynix and Micron).
- We also added to our position in social gaming platform Roblox, reflecting the trend for consumers to embrace virtual experiences. Roblox has a unique model, which we believe is superior compared to traditional gaming businesses. More than half of US children and teenagers under the age of 16 play on Roblox and the average user spends 2.5 hours a day on it.

Macro Overview: A Case of Catch-22 for Policymakers in 2022?

by Andrew Clifford, Co-Chief Investment Officer

In late December, CEO and co-CIO Andrew Clifford sat down with Investment Specialist Douglas Isles to discuss inflation, labour market pressures, interest rates, China, decarbonisation, and Omicron - and the challenges these pose for policymakers and markets in 2022. An edited transcript of the conversation is below.*

DI: Andrew you've been talking about the risks of inflation since June 2020 and now everyone's talking about it. Can you give us an update on your thoughts?

AC: The way the inflation story has progressed is really quite interesting. A few months ago, many still regarded it as being 'transitory' – citing the lumber price, and a whole series of prices for that matter, moving up, down and back up again. We've always maintained that the underlying cause of inflation is the amount of money that's been printed. As a result, you're not going to be able to track it by looking at used car prices, copper prices or the like. What's happening in labour markets is a much more important indicator to focus on now, particularly in the US.

The US economy is booming and currently there are about 10 million job vacancies, give or take. There are around seven million people who identify as being unemployed, so we have more jobs than people who are unemployed. Small, medium and large companies are all finding it hard to fill jobs and there's anecdotal evidence of companies needing to increase wage rates to attract staff. I would also add that in our discussions with companies, many have commented that in the past, when copper prices and steel prices rose, pressuring margins for those companies that use these as inputs, they couldn't really increase prices and needed to find cost savings elsewhere. Today, there's a very relaxed attitude from corporates - they're just putting up prices. I think these factors will create a potentially self-perpetuating cycle of inflation.

DI: Would you say these labour shortages are emboldening workers' sense of self?

AC: Lower-income households have really struggled over the past few decades, their real living standards have not improved, particularly in places like the US. Their real living standards have actually worsened over the last couple of years, because they suffered the most from the COVID lockdowns and subsequent job losses. They may have been given some financial assistance along the way with the various government benefit schemes around the world, but as always, it's these groups that are impacted the most by inflation. They don't have the big stock or property portfolios, which is where the money has been made.

So, this divide is getting wider, but interestingly, they now have the upper hand with labour being in such short supply. As a result, we are seeing labour strikes, such as the well-publicised ones at Deere and Kellogg's that have gone on for some time. In the case of Deere, the workforce has been awarded some pretty healthy wage increases.

Perhaps symbolically, large parts of the US labour force have not been unionised, but now the first Starbucks store (out of around 9,000) has been unionised – and that's just one store in New York. Amazon workers at different warehouses are trying to unionise, and we also have teacher strikes. Things are changing, which again, links back to the potential for a self-perpetuating inflation cycle.

*The full interview is available in audio format on The Journal page of our website https://www.platinum.com.au/Insights-Tools/The-Journal

DI: Is there a deep social problem emerging? How does this factor into your thinking?

AC: Well, there is an issue here and I think one of the most interesting social phenomena's is on the Reddit discussion platform, where 'anti-work' is the fastest-trending thread. Rather than during the 1970s, 1980s or communism era, where people were agitating for everyone to be paid the same, the anti-work thread is that none of us should have to work. Now, that might sound appealing, but we shouldn't underestimate the strength of this movement and it poses a real problem for governments to solve. I believe it actually points the way to some very fundamental changes, one of which I think is going to be interest rates.

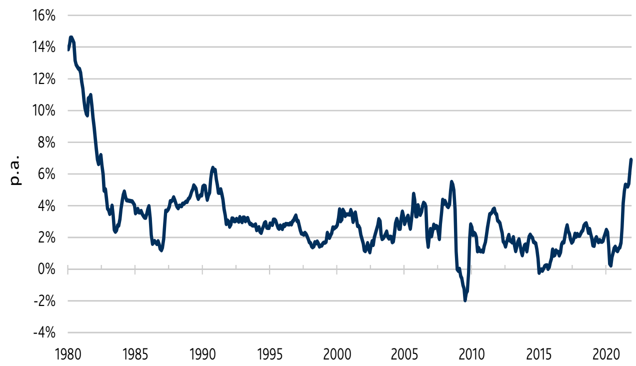
DI: The US Federal Reserve is now talking about rate rises in 2022 of around three-quarters of a percent, how does that impact things and what is the outcome from that?

AC: The first thing to note is that we're now talking about rate hikes in 2022 - previously, they were meant to be somewhere far off, in 2023 or 2024. I don't think this should surprise anyone though, and we've been focused on this for quite some time. The issue again, comes back to the impact of inflation across the economy. The higher-income groups will probably be relatively immune to it if their grocery bill goes up 10%-15%, but for others it's very damaging. Of course, in terms of politicians who fundamentally want to be re-elected, solving inflation is more important. Ultimately, what history showed through the 1960s, 1970s and 1980s, is that governments need to deal with inflation or they will lose the next election.

I think we're on the cusp of changing the way we think about interest rates. It's really interesting that the market had predicted this change in interest rates, with yields on the US two-year Treasury edging higher in the closing weeks of 2021. If you think about it though, if interest rates increase to 1% or 2% and inflation is 6%, with a strong economy, 1% or 2% is not going to make a whole lot of difference. Indeed, there's a huge incentive for the private sector to continue to borrow money at still very low rates and essentially, in one way or another, speculate on inflation. That's how these cycles really take hold - it just creates more monetary growth when we already have too much money. These are the things investors need to be thinking about.

Monetary policy changes, whether it's interest rates or quantitative easing, impact the economy with long lags – traditionally 12-18 months. So, regardless of whether inflation moves beyond 6% or not, we should expect that it's going to be at elevated levels for some time to come, and the ultimate end to deal with that, will be much higher interest rates than people are expecting.

Fig. 1: US Inflation Soars to Highest Level Since the Early 1980s



Source: Federal Reserve Bank of St. Louis, US Consumer Price Index, annual rate, as at November 2021.

DI: Is this a pattern that is starting to emerge in other economies as well, or is it still primarily a US phenomenon?

AC: If you look at the monetary expansions we had in Europe, money supply is up roughly 30% on two years ago, while in the US, it's closer to around 40-45% and the monthly rates continue to be quite strong. In China, it's less so, let's call it in the mid-20s.[1] This is very clearly US led, but we are seeing inflation numbers at the highest levels in decades in many economies and rate increases in much of the emerging world already. So, I think the US is the centrepiece, but it is something that we're seeing pretty much everywhere.

DI: Last time we spoke, we talked a lot about China's reform program. Perhaps you could give us an update on what's happening on the ground there?

AC: As we discussed last time, what's most important in China, in terms of downside risk, are the reforms in the property sector. It's not about Evergrande and the indebted developers, it is about the fall-off we've seen in the sale of new apartments, which will then flow through to much lower construction activity in the months ahead. This is the one clear negative for global economic growth. The property sector is a very important part of the Chinese economy and thus the global economy. We haven't seen any improvement there yet, but we have clearly seen a change in approach from the government. For instance, there has been a change in rules for how the better-managed developers, the ones who have strong balance sheets, can access money and potentially acquire the good projects from those in trouble. We have also seen better mortgage terms for buyers, as well as cuts in the reserve requirement ratio for the banking system to ease liquidity. The Chinese policymakers are aware that there's an issue here, and they are starting to act, as one would expect.

1 Source: FactSet Research Systems, Federal Reserve Bank of St. Louis.

The market's response? By and large, stocks in the areas that have been the most impacted by these reforms bottomed in July/August, with stock prices for the good property developers up roughly 15-20% by year end. That's not to say that it's all over, but the market is indicating that we've probably seen the worst of it in China.

DI: The Chinese government has a pattern of going hard, the market reacts and then the government eases off a little through a number of years of reform, do you agree?

AC: Absolutely. China is the one government that actually does implement reform - they do it aggressively and there's always the chance of policy mistakes and overreach. We saw exactly the same thing occur at the end of 2018 with the banking system, and they had to step back and relax their measures. I think we have a similar situation here, they've recognised the issue and are talking about measures to help regain some momentum in the economy.

DI: You touched on stock price reactions, let's turn to markets more broadly. Are you seeing any parallels with the technology boom in 2000, where everyone wanted to own a narrow collection of stocks?

AC: I think the tech boom in 2000 is a very good model to look at. There are a number of measures we look at. There's a very high concentration of big companies in the indices now. On the Nasdaq for example, the big 10 names, including the FANGs, Microsoft, Nvidia and Tesla, account for roughly over half of the market, which is very substantial - and most of them are trading on very high valuations of 40, 50, or 70 times earnings. Here's the other thing though, if you look at Nasdaq's performance for 2021, it's up around 17% in US dollar terms for the year to date, but if you exclude the best five of those big 10, the market is actually down c. 20%.[2]

Interestingly, a lot of the speculative, very highly valued growth names have been selling off, but not in a straight line up and down. Another measure we look at is 'advance decline', which measures the number of companies that are going up on any day versus the number going down, and steadily over time, less and less stocks are going up. There's also been a fall-off in the number of stocks making new highs versus those making new lows. These are classic patterns that have historically pre-empted a bear market. It is all very similar to 2000, so yes, it's a very interesting parallel.

DI: So, this might not have much longer to run then?

AC: Well, I think we have to go back to interest rates. We've been in an environment of falling inflation and interest rates for three or four decades. Particularly during the last decade, it has been the predominant financial variable propelling stock markets and driving investors into high-growth stocks and these big tech names. It looks like the end of that era is fast approaching and we're already seeing many of the companies that benefited from that, falling. It's not the first interest rate increase that really knocks a stock market down though, and it looks like we're going to have numerous ones. On that basis, I would say that there's very little value in these big-favoured names. We are looking elsewhere in the market and finding that all those other stocks people didn't want to know about are actually pretty good value, and we expect them to be beneficiaries of this stronger growth environment we're in (see the Platinum International Fund report for more details on stock positioning).

DI: During the December quarter, we had COP26 and there was a lot of talk about net zero emissions, how are you thinking about that from an investment perspective?

AC: The move to decarbonise the world is a key thematic that we've been researching and investing in for a long time. A good example is LG Chem, one of the leading providers of electric vehicle (EV) batteries, which has delivered us strong returns over the last couple of years. A lot of the obvious themes are very expensive and there are plenty of other more interesting ways to play it. Let's look at EVs for example, we have Tesla obviously, but there's also Rivian, an electric truck maker that has barely sold a truck and can scarcely make trucks yet. It recently peaked with a market capitalisation of around US$120 billion. Now, even when Tesla was in its exciting days and everyone thought it was expensive, its market cap was US$20 billion not US$120 billion, and it was actually making quite a lot of cars back then.[3]

But let's think about how we're really going to decarbonise our transportation fleet, it's a big task and we have lots of companies out there that have invested heavily in the electrification of vehicles, Toyota is the leader and BMW is right up there. These companies have been investing in this area for a long time, but everything can't just go electric, that's not a feasible outcome. Even if the developed markets are fully electrified in a decade from now, there'll still be large parts of the world that don't have the infrastructure or the generation capacity for that. Companies like BMW and Toyota are thus very focused on reducing the carbon emissions from their traditional internal combustion engines and hence we believe these companies are a very good play. Companies like Valeo, who have a lot of componentry in the exciting areas in auto, but most notably the electric drive train, is another potential play. They're not the obvious "buy" on the electric vehicle theme, but we're buying companies that stand to benefit from that very same trend. Another one

2 Source: https://realmoney.thestreet.com/markets/just-5-stocks-are-the-difference-between-a-bull-market-and-a-bear-market-15854516

3 Source: FactSet Research Systems.

is copper, a material that's seen very little investment of substance for years now. We need it for EVs, renewable energy and charging stations. We've had big investments there and done well, but again, it's not always the obvious "buy the wind farm" or "buy the wind turbine maker", there are other ways of playing this theme and that's very much our focus.

DI: You mentioned some successes; another big success was the vaccine producers. How is COVID factoring into your thinking as we enter 2022?

AC: It's been such an uncertain environment for the last couple of years and we now have the Omicron variant. What does that mean exactly? There are as many different opinions, as there are articles written about it. I think the thing for investors, and answering in that context, is that when we're buying companies, we're buying them for the next 10 and 20 years of their earnings, not the next six months. Now, the market might fluctuate around those concerns, but we are of the view that we will move beyond COVID - simply because you can see how populations just want to do that, even with the risk that entails. While there will be short-term fluctuations around concerns and stocks will go up and down depending on what investors think is going on, the way to navigate through this, again as an investor, is to look at the longer-term potential of your investments.

DI: Is there any final comment you would like to share?

AC: I think we're in an interesting market, and we've talked about this many times over recent years, where we have some parts that are extraordinarily expensive and we have focused on that here. However, there is the other side of the market, the real companies that have been ignored that are valued sensibly, that are in a position to benefit from the economic environment we're in. Again, going back to 2000, that's exactly what we had back then, where people at that time, only had eyes for the tech sector. It's very similar and the lesson from that time, was not to just avoid the over-hyped and expensive stocks, but to buy the other stocks that people wanted to ignore.

MSCI Regional Index Net Returns to 31.12.2021 (USD)

REGION	QUARTER	1 YEAR
All Country World	**6.7%**	**18.5%**
Developed Markets	**7.8%**	**21.8%**
Emerging Markets	**-1.3%**	**-2.5%**
United States	**10.0%**	**26.5%**
Europe	**5.1%**	**16.2%**
Germany	0.8%	5.3%
France	7.1%	19.5%
United Kingdom	5.6%	18.5%
Italy	5.6%	15.0%
Spain	-1.4%	1.4%
Russia	-9.2%	19.0%
Japan	**-4.0%**	**1.7%**
Asia ex-Japan	**-1.2%**	**-4.7%**
China	-6.1%	-21.7%
Hong Kong	-3.5%	-3.9%
Korea	-0.9%	-8.4%
India	-0.2%	26.2%
Australia	2.1%	9.4%
Brazil	-6.5%	-17.4%

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

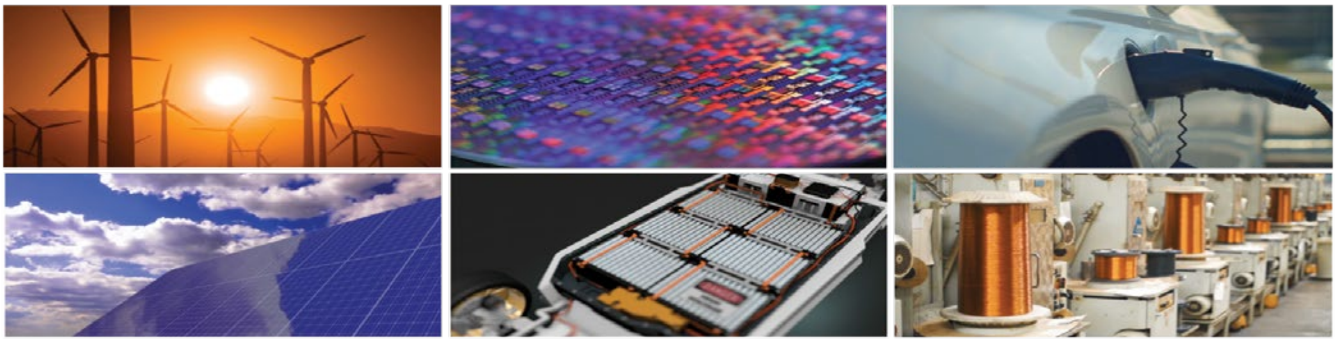
MSCI All Country World Sector Index Net Returns to 31.12.2021 (USD)

SECTOR	QUARTER	1 YEAR
Information Technology	12.6%	27.4%
Utilities	10.2%	10.1%
Real Estate	8.9%	22.8%
Consumer Staples	8.3%	11.1%
Materials	7.1%	14.8%
Health Care	6.7%	17.5%
Consumer Discretionary	6.1%	9.0%
Industrials	5.5%	16.1%
Financials	3.1%	24.4%
Energy	2.8%	36.0%
Communication Services	-1.6%	10.4%

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

Why 'Negative Screens' are Bad ESG

by Jan van der Schalk



In what has been cast as a win for the ESG movement, in August 2021, BHP announced it was selling its petroleum assets (to Woodside Petroleum). While we recognise that, from an economic viewpoint, this transaction makes sense for BHP, we are at something of a loss to understand how it is a positive outcome for the purpose of reducing greenhouse gas (GHG) emissions.

This action will see BHP reduce its fossil fuel exposure to ~9% of revenue. It's not unsurprising that the sale takes BHP's hydrocarbon assets to the point which most ESG funds consider as an allowable threshold for revenues from 'bad' assets. Our issue is that this is merely the shifting of assets to another owner, which is not the intention of establishing ESG criteria and it isn't a win for the environment.

The reason ESG is an important force in the investing world is that it is driven by investors' belief that their money can be used to do good, to help improve the world. The investment industry's response to this moral imperative for 'doing good' has become just another risk to be managed to maintain funds.

By casting climate change in terms of risk, it transforms this existential moment to a mere 'input' where, if you eliminate the risk, you (by proxy) eliminate the issue. We contend that this is dangerous and leads to the kind of fruitless, in terms of GHG emissions, corporate action where assets are shifted, not extinguished.

This is, we believe, bad ESG.

Good ESG, instead, has as its defining purpose: 'change'.

Change, however, is hard. It takes time, effort and application. To begin with, a good investment manager will need to understand the business in its entirety - ***from what it does, to how it does it, to why it is done, to working out how long it can be sustained.*** By means of this analysis, the investment manager can form an insight about how 'good' the organisation is and where it can improve. Once this exercise has been completed, investors, as part-owners, are able to begin a dialogue with management. A dialogue, which is always a two-way street, can hopefully lead to change.

Bad ESG chooses to short-cut this process through applying so-called 'negative screens' as if, by not investing in bad actors (by means of non-engagement) those organisations will change their ways (for the betterment of our world).

Negative screens are the current prevailing methodology deployed in the world of ESG investing: as a solution it is simple, easily observed and, as evidenced by the above example, ineffective.

The problem is that negative screens are not moving the world forward, they are, in fact, doing nothing – the solution on climate change is not as simple as pivoting (overnight?) to renewable energy and shuttering coal mines and petroleum installations: the lights would go out. **Negative screens that exclude polluters are, *ipso facto*, bad ESG.**

Now, we are not suggesting that good ESG companies are bad investments (clearly, they're not, though it does depend on what you pay for them), it's more the case that to solve the world's environmental issue, it's just as important that we encourage all companies to be better.

What does good ESG look like?

At Platinum, we emphasise a balanced approach, looking at what both detracts and contributes, and combine this with engagement rather than divestment.

Two months before BHP divested their petroleum assets, there was another event involving BHP which caused much ESG consternation: Glencore, one of the world's largest mining companies, bought its junior partners' interests in one of the world's largest open-pit coal mines. BHP was one of those partners.

This, in our view, is a positive ESG action. But how could buying (more) mining assets, thermal coal ones at that, make sense from an environmental pollution perspective? How could this be an ESG-positive decision?

"Disposing of fossil fuel assets and making them someone else's issue is not the solution and it won't reduce absolute emissions," said Glencore's former CEO, Ivan Glasenberg.

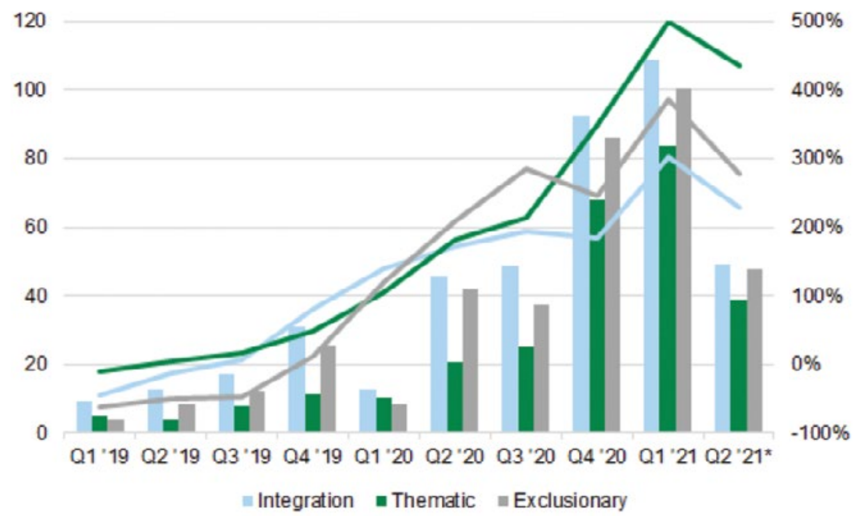
As Glencore has often argued, coal divestment is "pointless" – they view coal mines as a source of cash to be re-invested into the production of the raw materials, such as copper, cobalt and nickel, which will be needed for the world to shift (dramatically) to cleaner forms of energy, such as wind turbines. How can we ensure this? By targeted and thoughtful engagement ensuring that Glencore is held to account; Platinum, through being an (active) owner of Glencore, is doing exactly that.

Furthermore, Glencore pointed out that with full control it now holds the keys on how to reduce the life of the mine, whereas with having to manage other partners, Glencore ran the risk of the mine-life actually being extended.

The next part of this transaction is that, as investors, we can ensure that Glencore makes good on its promises. How can investors ensure Glencore 'stays honest'? It's called ***engagement***, of being part of their journey, no matter how reputationally uncomfortable that might be in the short term. While it is both glamourous (to a point!) and exciting to be part of building the new renewable energy economy, the success of this rests on combining this with helping the bulk of the economy adapt and transition – to make the current 'bad' players into tomorrow's 'good' operators.

Fig. 1: ESG Fund Flows Continue to be Strong Across Strategies

Quarterly flows (US$ bn; LHS) and trailing twelve-month growth (RHS) by ESG strategy

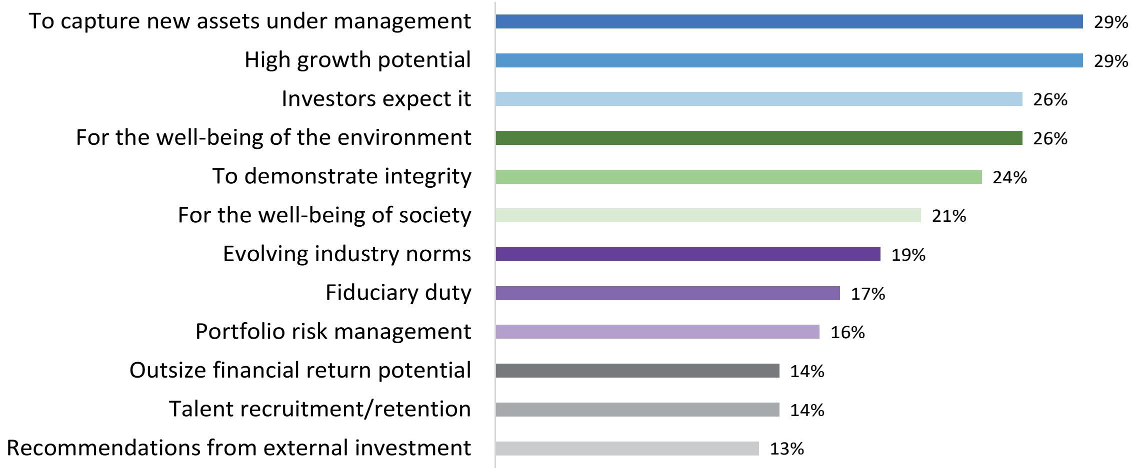


Q2 2021* only through May 2021

Source: Morningstar, Goldman Sachs Global Investment Research.

Fig. 2: Reasons Why Firms Adopt Sustainable Investing Practices

What do you believe are the primary reasons firms adopt sustainable investing practices? (n = 300)



Source: Morgan Stanley Institute for Sustainable Investing, Bloomberg.

So, not only is the outcome potentially ESG-good it was also a courageous thing to do, for it flies in the face of the "shut all coal mines" orthodoxy.

The seductive thing about negative screens is that they're easy to explain ("I won't invest in this because it's bad… ") and they're emotionally satisfying, as it plays to our negativity bias and therefore, signals (very simplistically), virtue - of doing the 'right' thing.

The problem is that negative screens reduce something very complex and long term (for instance, our environmental concerns and how we better our situation), to something so simple it's, at best, a lacklustre response and, at worst, destructive.

And yet, when looking at ESG funds, the exclusionary (negative screen) style has dominated (see Fig. 1):

We ended up here largely because the investment industry has, in the recent past, focused only on short-term returns (and then done so in the most simplistic of ways through measurement against some nominal index). Consequently, the industry has lost touch with its purpose - ***to generate wealth*** - and now, through its focus on excess return (alpha) it is incapable of deepening its offering in the form of generating wealth ***worth having.***

Is there proof? Fig. 2 says it all:

Though it might be a little unfair, but this chart would suggest that the investment industry's response is not about recognising what our customers intend to achieve and more about "what is the lowest hurdle we can get away with?".

We would go further - the current offering of the majority of ESG funds/ETFs actually are complicit in actively promoting cynical ESG behaviour, and potentially, are guilty of 'greenwashing'. At the beginning of this piece we pointed out the convenience of BHP's 10% fossil fuel revenue threshold – by this mechanism ESG funds/ETFs ensure they still get to partake in the upside if there is a lift in commodity prices (and stay near their index comparator). ***The 10% materiality threshold therefore actually encourages companies to sell their GHG-intense assets down to a nominal threshold – paradoxically, this approach encourages poor behaviour.***

We believe that a thoughtful long-term investor has an ability to be part of creating a better world through engaging, enabling (an investment supports an organisation in developing new ideas, processes and products) and contributing in the future, which is yet to emerge. Good ESG is patient and encourages new technologies whilst recognising that nobody can be left behind, and thus, will therefore also be part of transforming legacy 'smokestack' industries.

Solving the complexities of the climate isn't about taking sides or being non-inclusive, it's about harnessing all the technology, know-how and skill we can muster.

That's ESG: done responsibly.

Platinum International Fund

Andrew Clifford
Portfolio Manager

Clay Smolinski
Portfolio Manager

Nik Dvornak
Portfolio Manager

Performance

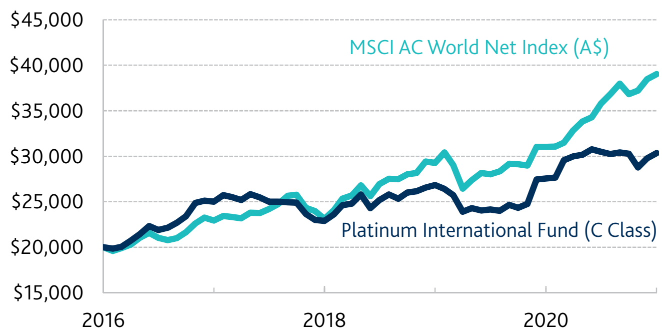
(compound p.a.+, to 31 December 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	0%	10%	10%	9%	12%
MSCI AC World Index^	6%	26%	19%	14%	8%

+ Excluding quarterly returns.
* C Class – standard fee option. Inception date: 30 April 1995.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance.
See note 1, page 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2016 to 31 December 2021



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 0.2% for the quarter and 10.1% for the year.[1]

During the quarter, inflation continued to rise across the globe, most notably in the US where the Consumer Price Index (CPI) recorded annual increases not seen since the early 1980s. As a result, interest rate rises in the US will likely occur much earlier than previously expected. Elsewhere, concerns continued to rise that the Chinese recovery would stall as a result of falling sales of new residential apartments due to reforms in the property sector. The appearance of the Omicron COVID-19 variant in the final weeks of the year added further uncertainty to the economic outlook.

As has been the case in recent years, when faced with uncertainty, investors have favoured companies that have a high degree of certainty (growth and defensive businesses) and avoided those that are sensitive to economic growth. Indeed, this pattern was highly evident during the December quarter and over the last 12 months.

This is not where the Fund's portfolio is positioned. From our experience, to follow the crowd into these growth and defensive companies could risk a considerable loss of our clients' capital.

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum International Fund report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

When one looks more closely at the numbers, positive returns over the quarter in the US (+9% in AUD terms) were again driven by an ever-smaller number of large-capitalisation growth stocks that are both highly valued and extremely hyped. Europe rose a strong 5% and was also propelled by a re-rating of its already expensive growth stocks. Meanwhile, the major Asian markets fell, led by China (-7%), Japan (-5%) and Korea (-2%).[2]

Strong stock performers included our semiconductor stocks (**Micron Technology** +31% over the quarter, **Microchip Technology** +13%, **Lam Research** +26%) and **MinebeaMitsumi** (Japanese manufacturer of industrial components, +14%), with gains reflecting a strong business environment for these companies.

Detractors included **LG Chem** (-21%), electric vehicle battery maker, weakening on manufacturing quality issues (which appear to have been resolved), as well as general industry headwinds arising from lower car production volumes due to semiconductor shortages. **Trip.com** (-20%), China's largest online travel agent, was impacted by Omicron further delaying the full reopening of Chinese overseas travel. **Alibaba** (-16%), e-commerce giant, was weighed down by increasing competition and ongoing regulatory concerns. **Saras** (-35%), an Italian oil refining company, faced significantly higher operating costs as a result of rising energy prices across Europe. The Fund's short positions slightly detracted from performance over the quarter (-0.4% contribution overall), primarily reflecting losses on our index shorts (Russell 2000, Nasdaq, S&P 500).

Changes to the Portfolio

The Fund's net invested position remains relatively unchanged at 67%. The net invested position reflects cash holdings (10%) and shorts (23%). The short positions consist of indices (13%), baskets of expensive growth stocks in the clean energy and technology sector (6%), and individual stocks (4%). Within the short positions, the main change was a substantial reduction in the biotech sector, which has already experienced significant stock price declines. The cautious overall positioning of the Fund reflects our concerns about inflation and interest rates, and the level of speculative activity in markets, as we outline in the commentary and outlook section below.

2 MSCI USA Net Index (A$), MSCI AC Europe Net Index (A$), MSCI China Net Index (A$), MSCI Japan Net Index (A$), MSCI Korea Net Index (A$), respectively. Source: FactSet Research Systems.

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
Asia	28%	29%	30%
Europe	21%	21%	19%
North America	21%	19%	28%
Japan	14%	13%	12%
Australia	3%	3%	4%
Other	2%	1%	2%
Cash	10%	13%	5%
Shorts	-23%	-18%	-7%

See note 3, page 44. Numerical figures have been subject to rounding. Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Industrials	20%	19%	21%
Financials	15%	15%	14%
Materials	14%	14%	17%
Information Technology	12%	9%	17%
Consumer Discretionary	10%	11%	11%
Health Care	5%	6%	6%
Communication Services	5%	4%	4%
Real Estate	3%	3%	2%
Consumer Staples	1%	1%	-1%
Energy	1%	1%	2%
Utilities	0%	0%	0%
Other	-18%	-14%	-6%
TOTAL NET EXPOSURE	67%	68%	87%

See note 4, page 44. Numerical figures have been subject to rounding. Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pif.

Otherwise, it has been a relatively quiet period with respect to changes in our investments. One new holding was **Barclays** (UK bank), which is benefiting from buoyant capital market activities, lower credit costs in the UK and a potentially more benign competitive environment in the UK mortgage lending market. Given its high level of excess capital, we would not be surprised to see Barclays ramp up its share buy-back program. The stock is trading on an undemanding 60% of tangible book value.[3] This position was more than funded by sales of other European bank holdings, **Bank of Ireland**, **Banco Santander** and **Raiffeisen Bank International**, following strong performance.

We added to our position in property developer **China Resources Land**, funded by the sale (exit) of our position in **China Vanke**. China Resources Land has more attractive assets, a stronger balance sheet and lower valuation. We added to existing positions in **Suzano** (South American pulp producer) and **InterGlobe Aviation** (Indian low-cost airline), where share price falls gave us the opportunity to add at attractive prices. We sold out of **Louisiana-Pacific** (US building materials), which had performed strongly, and trimmed our holdings in **Glencore**.

Finally, we hedged 5% of our Japanese yen position into US dollars. The case is simply that Japan is likely to be the last of the major economies to increase interest rates, given a more benign inflationary environment.

Commentary and Outlook

As we enter 2022, it is worth summarising the key issues that are likely to impact equity markets in the year ahead.

1. **The global economy is likely to continue on its strong recovery path.** Nearly any economic indicator you look at in the major economies, with the exception of China, shows economic growth continues to be robust. There are, however, a number of issues that cause some hesitancy that this will continue. One is the cut back in government spending that is occurring as the recovery unfolds. However, as often happens when government spending recedes, the resources of the economy are taken up by the private sector, which is clearly underway, as evidenced by strong employment markets around the world. The emergence of Omicron has delayed the full reopening of the service sector that was being anticipated. To date, there is little evidence of it impacting consumer spending. However, with large numbers of people impacted by the disease, creating shortages of labour, it may well result in a short-term slowing in the early months of 2022. As the Omicron wave recedes and the reopening of economies gets back on track, this will provide further impetus for growth. This leaves China as the most significant concern. The Chinese government is taking measures to boost growth, including cutting interest rates, reducing banking system reserve requirements and easing mortgage requirements for apartment buyers. Additionally, there are some early signs that activity, both in the property market and more broadly, is finding a base. China, having been restrained in its fiscal and monetary policy support for the economy over the last two years, is in a good position to continue to roll out supportive policy measures as needed.
2. **Inflation is back!** Broad price rises are being experienced across the globe, though to varying degrees. Most notable, and of greatest importance, is the US, where the CPI rose to almost 7% over the 12 months to November 2021, a level last seen in the early 1980s.[4] One school of thought is that the price rises are simply a function of supply shortages created by the events of the last two years, and as the shortages are resolved prices will recede. An alternate view, and the one we favour, is that the inflationary impulse is the result of a 41% increase in money supply (M2) in the US, created by various policy responses to the pandemic.[5] While we do accept that some prices will retrace as shortages are resolved, tight labour markets and wage demands are likely to underpin ongoing levels of inflation. Further, businesses that two years ago would not have countenanced increasing prices to cover cost increases are showing no hesitation today.

3 Source: FactSet Research Systems.

4 Source: Federal Reserve Bank of St. Louis.

5 Source: Federal Reserve Bank of St. Louis, over the period 2 March 2020 - 6 December 2021.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
MinebeaMitsumi Co	Japan	Industrials	3.6%
Microchip Technology Inc	US	Info Technology	3.3%
Micron Technology Inc	US	Info Technology	3.1%
Samsung Electronics Co	South Korea	Info Technology	3.1%
ZTO Express Cayman Inc	China	Industrials	2.9%
Glencore PLC	Australia	Materials	2.7%
Tencent Holdings Ltd	China	Comm Services	2.6%
Ping An Insurance Group	China	Financials	2.5%
UPM-Kymmene OYJ	Finland	Materials	2.5%
Weichai Power Co	China	Industrials	2.4%

As at 31 December 2021. See note 5, page 44.
Source: Platinum Investment Management Limited.

3. **Either way, interest rates will likely rise earlier and quite possibly by much more than expected.** Economic growth in the US, as previously noted, is already quite robust with significant tightness in labour markets. Even if inflation recedes well below the current 7% level, it would still warrant a higher Federal Funds rate than the current 0.25%. If inflation remains persistently at these levels, the impact on low-income households will create a political imperative to act. Often it is assumed that because of high levels of debt outstanding, a small interest rate increase will be enough to slow the economy. However, inflation often creates an incentive to borrow and buy ahead of future price rises, especially when the interest rate is well below the rate of inflation. The next stage in money growth and inflation could well be created by increasing private borrowings, which is already starting to occur in the US. To discourage such activity would probably require much higher interest rates.
4. **This is all occurring at a time when there is significant evidence of speculative behaviour in equity markets.** High valuations in favoured sectors, record holdings of equities by US households, high concentration of stock market indices in the largest companies, and a rapid increase in the use of margin debt, are indicative of speculative activity.[6] Historically, similar statements could have been made prior to major market peaks of the last 50 years. Add to this, the systematic ramping up of stock prices of companies such as GameStop and AMC Entertainment well beyond levels that can be justified by their underlying business, the billions of dollars raised by Special Purpose Acquisition Companies (SPACs), and the endless creation of new cryptocurrencies.

This is a backdrop that should give investors reason to be cautious. For 40 years, equity markets have benefited from falling interest rates and accommodating monetary policy, particularly post any of the big sell-offs that have been experienced in that timeframe. If we were to suffer a significant sell-off as a result of the need for higher interest rates to combat inflation, it may not be as straightforward for central banks to cut rates to rescue the market as it has been in the past.

The obvious question to address is, when will such an adjustment likely take place? In past interest rate cycles, it has usually taken numerous increases in interest rates before the market has been significantly impacted. So, it is possible the strong run may continue for some time yet. Still, we would caution against trying to time the market here. Most of the stocks that led the market higher in the last half of 2021 have high expectations for what they will achieve in the decade ahead and valuations that assume continuing low interest rates, as well as a significant number of cheerleaders looking for their stock prices to continue higher. Any disappointment on their business outcomes in an environment of increasing interest rates is likely to result in substantial adjustments in their stock prices.

The other question to address is where to invest one's savings in this environment. A wide range of assets from bonds to property and infrastructure are probably best avoided in a rising interest rate environment. Cash is doubly unattractive, as not only do rates remain close to zero for the moment, inflation is now also degrading the value of cash. The opportunity we see is in those parts of the market that are deeply out of favour with investors. The last three years have seen a huge divergence in the performance and valuation between the much-loved growth and defensive names and the rest of the market. It is amongst these out-of-favour names where we continue to find opportunities to make investments in attractively valued businesses. The average price-to-earnings (P/E) ratio of the Fund's (long) investments is 13x, and for each company we hold we are of the view that their earnings will grow over the next three to five years. It is our view that the portfolio will be able to produce good absolute returns over such a period. We will also hold cash, despite the limitations mentioned earlier, as it allows one to take advantage of opportunities as they arise in volatile markets. It is this optionality of cash holdings that is often underrated by investors. Finally, we will aim to protect the downside through the use of short positions, in both market indices and selected individual stocks.

2022 is likely to be an interesting year for investors. Markets are likely to be very volatile as we work our way through the end of the pandemic and possibly exit the era of ever-lower interest rates and end of one of the longest-running bull markets in stock market history.

6 Source: Federal Reserve Bank of St. Louis; NDR; FINRA.

Platinum Global Fund (Long Only)

Clay Smolinski
Portfolio Manager

Performance

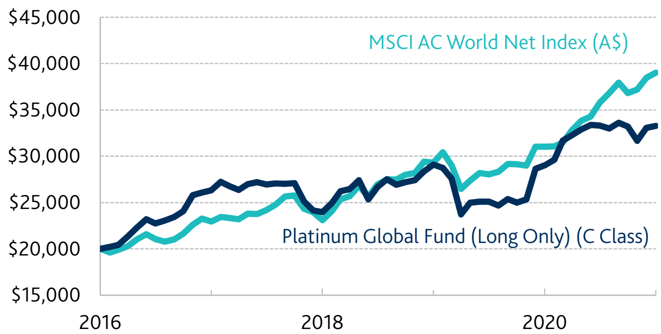
(compound p.a.+, to 31 December 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Global Fund (Long Only)*	0%	15%	12%	11%	11%
MSCI AC World Index^	6%	26%	19%	14%	9%

+ Excludes quarterly returns
* C Class – standard fee option. Inception date: 28 January 2005.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance. See note 1, page 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2016 to 31 December 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 0.2% for the quarter and 14.8% for the year.[1]

Looking at the contributors and detractors for the quarter, a main driver on the positive side was the strength in a number of our semiconductor and technology hardware companies, namely **Micron Technology** (+31% over the quarter), **Lam Research** (+26%), **Microchip Technology** (+13%) and **Ciena** (+50%).

Ciena is a leading player in the field of optical networking and transport, producing equipment that is essentially used to transmit large amounts of data across distances. We started building our position in March 2021, with the investment case to buy Ciena underpinned by two key factors:

1. The competitive environment for this equipment had improved via both consolidation (the Alcatel, Lucent, Siemens and Nokia assets were all brought together under one roof) and the fact that Chinese giant Huawei had been blacklisted from a number of Western markets.
2. Ciena was about to enjoy a large spending cycle as major telecommunication companies around the world roll out 5G, which had slowed due to COVID disruptions.

The return of 5G spending was always a matter of when, not if, and Ciena's recent results confirmed the rollout by the operators was back on, with revenue up 25% and their backlog of orders doubling vs. 2020.

The major detractors over the quarter fell into two categories, travel and a couple of our small cap positions. Our travel positions retraced (**Trip.com** -20%, **MTU Aero Engines** -8%) with the emergence of the Omicron variant. On the small positions, there were two notable falls, Chinese orthopaedic device manufacturer **AK Medical** (-39%) and UK real estate agent **Foxtons** (-20%).

AK Medical is the largest domestic manufacturer of orthopaedic products (mainly hip and knee) in China. Founded by prominent surgeon Li Zhi Jiang and businessman Zhang Chao Yang in 2015, AK has been the most research and

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum Global Fund (Long Only) report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

development (R&D) focused of the domestic players, building roughly 20% market share[2] and being the first to get approvals for a number of 3D printed implants.

The stock has been weighed down by the short-term impact on profits from the new 'volume-based procurement' system, which is essentially a form of centralised buying/bidding aimed at reducing costs for the health system. AK was very successful in both rounds of bidding, which will see it gain further market share, but at lower pricing/profit levels than in the past.

To us, the appeal in AK is longer term. The government clearly wants to encourage domestic capability and innovation in medical devices (it's currently doing so via R&D tax incentives to the manufacturers and preferential insurance rebates to encourage use of the domestic brands) and as a R&D focused player, AK stands to benefit here. Also, the potential for AK to grow unit volume long term is immense. With roughly 600,000 primary knee and hip implants per year, the Chinese market is tiny compared to its population, and as China's standard of living rises over time, you would expect procedure rates to trend higher. Using procedure rates in Japan (the lower end) or Europe (the higher end) as a guide would indicate the market can grow to be five to ten times its current size over time.

Changes to the Portfolio

During the quarter, we sold out of our positions in **Louisiana-Pacific** and **Merck KGaA** as both reached prices we deemed as fair value. We also halved our positions in **Bank of Ireland** and **Raiffeisen Bank International**, with the reduction in Raiffeisen in response to the tail risk around the brinksmanship between Russia and the West over Ukraine's future involvement with the North Atlantic Treaty Organization (NATO).

We used these funds to increase our holdings in travel-related names **InterGlobe Aviation** and **Trip.com** post the sell-off due to Omicron, and started a new position in UK banking group **Barclays**.

In our June 2021 quarterly report, we mentioned that the global push to decarbonise is of interest to us for potential investment ideas. Indeed, if the world only achieves half of its goal, it will still represent one of the largest capital works programs of the last 100 years. The issue from an investment perspective is finding companies not engulfed in hype, with investors now willing to pay huge prices for 'environmental' stocks.

2 Source: Company reports.

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
Asia	30%	31%	28%
North America	26%	21%	32%
Europe	22%	24%	23%
Japan	12%	12%	8%
Australia	3%	3%	4%
Other	1%	1%	0%
Cash	6%	7%	5%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Industrials	22%	22%	26%
Information Technology	18%	14%	17%
Financials	15%	16%	16%
Materials	15%	16%	15%
Communication Services	8%	7%	3%
Consumer Discretionary	7%	7%	5%
Health Care	4%	7%	6%
Real Estate	3%	4%	4%
Consumer Staples	1%	1%	0%
Energy	1%	1%	2%
TOTAL NET EXPOSURE	94%	93%	95%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Microchip Technology Inc	US	Info Technology	5.3%
Micron Technology Inc	US	Info Technology	4.7%
Applus Services SA	Spain	Industrials	3.7%
MinebeaMitsumi Co	Japan	Industrials	3.7%
Samsung Electronics Co	South Korea	Info Technology	3.5%
ZTO Express Cayman Inc	China	Industrials	3.5%
UPM-Kymmene OYJ	Finland	Materials	3.4%
Weichai Power Co	China	Industrials	3.4%
Tencent Holdings	China	Comm Services	3.0%
Lixil Group Corp	Japan	Industrials	2.8%

As at 31 December 2021. See note 5, page 44.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit http://www.platinum.com.au/our-products/pgflo

A new addition to the Fund that both benefits from this trend and is sensibly priced is **Longshine Technology**.

Longshine is a Chinese software company that specialises in software for demand and supply monitoring, customer relationship management (CRM) and billing systems for the electricity and gas utilities in China. A growing, profitable software company in its own right, Longshine is currently benefiting from a large grid upgrade program.

In China today, a large amount of electricity is still billed via flat-rate tariffs. This means you are charged the same 10-12 cents per kilowatt-hour (Kw/h) regardless if you are consuming electricity during a high- or low-demand period.

As part of the government's CO_2 reduction and energy efficiency targets, they are mandating a move to a market-based pricing system, more akin to what we have in the West. Under this system, the price corporates pay will move up and down depending on the level of demand, and this will incentivise both better energy usage planning and investment in more power-efficient equipment. This move requires a large upgrade to the supply/demand monitoring and response software, along with the billing software capability, with Longshine powering these upgrades.

With Longshine's core software business growing 40%,[3] with high visibility for that to continue, our initial purchase price of the company on a low 20x multiple of earnings was a good example of growth at a reasonable price. However, as a demonstration of the market's current enthusiasm for decarbonisation beneficiaries, other investors have recently jumped on the opportunity in Longshine, with its share price rallying strongly in the last two months.

3 Source: Company reports.

Outlook

A lost opportunity for the Fund over the past decade was not adjusting enough to the low-rate environment and how that could completely change what investors would pay for businesses with stable and growing cashflows. Holdings such as Kweichow Moutai, PayPal and IHS Markit are good examples, where in keeping with our valuation discipline, we either sold out or heavily reduced our position at valuations we deemed a rich 30-50x earnings, only to watch the stocks double again.

However, today the adjustment required may be in the opposite direction as evidence builds that the zero-interest rate environment of the past decade is coming to an end. As we detailed in our last quarterly report, the new factor driving rates is inflation, and over the quarter we saw global central banks begin to lift interest rates and the most expensive and speculative parts of the market start to fall.

In this regard, our message remains the same. While we could be wrong on the outlook for rates and inflation, we think the risk is asymmetric because huge swathes of the stock market are still pricing in a low interest rate environment. We continue to stand firm on our discipline that price matters, avoiding the 'hot' areas of the market and positioning the portfolio into companies where starting relative valuations are favourable.

Platinum Asia Fund

Andrew Clifford
Portfolio Manager

Cameron Robertson
Portfolio Manager

Performance

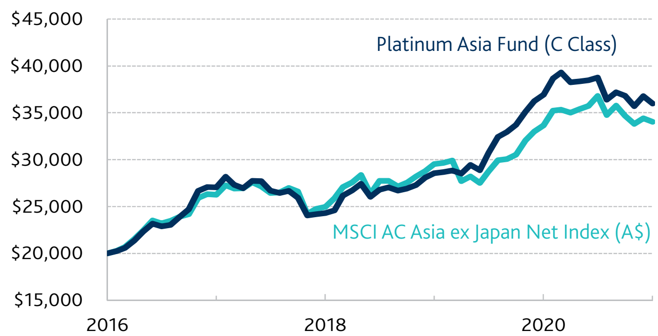
(compound p.a.⁺, to 31 December 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	-2%	-3%	14%	12%	14%
MSCI AC Asia ex Jp Index^	-2%	1%	11%	11%	10%

⁺ Excludes quarterly returns
* C Class – standard fee option. Inception date: 4 March 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Asia ex Japan Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance.
See note 1, page 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2016 to 31 December 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned -2.2% for the quarter and -2.5% for the year.[1]

Most major markets across the region were flat to down during the quarter, with Chinese-related stocks in particular continuing to decline, reflecting poor investor sentiment towards the country.

Our semiconductor holdings **SK Hynix** (+27%), **Taiwan Semiconductor Manufacturing** (+6%) and **Samsung Electronics** (+6%) all provided a positive contribution to the Fund's performance during the quarter. Demand for their products remains strong across a broad range of end markets, while industry supply has been constrained for a range of reasons, including pandemic-related disruptions. Expectations are increasingly reflecting this tight supply/demand outlook across most advanced semiconductors and the share prices have been adjusting to reflect this.

Leader Harmonious Drive (+29%), a smaller position that was added to the portfolio in 2021, continues to execute well on their mission and are seeing those efforts rewarded by the market. Leader Harmonious Drive is the Chinese domestic champion in producing strain wave gears, a small but profitable niche component in the robotics industry. During the quarter, the business grew in excess of 100% and profitability was strong, exceeding market expectations.

Longshine Technology (+43%), another recent smaller addition to the portfolio, also had a good quarter. This company provides software for utilities, particularly billing software for electric utilities. Investors have increasingly recognised the bright outlook for improved billing systems, the adoption of which is a necessary step in China transitioning to market-based electricity pricing and helping with the increasingly tricky task of balancing loads in an intermittent supply world, arising from the greater use of renewable power sources. It appears there has also been growing market enthusiasm for Longshine's electric vehicle charging platform, although the reality is that this is likely to remain only a small part of their business over the near to medium term.

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum Asia Fund report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

Turning to the weaker performers in the quarter, travel-exposed companies like hotel and flight booking portal **Trip.com** (-20%) and the hotel chain **Huazhu** (-19%), were impacted by the resurgence in COVID case numbers and subsequent lockdowns, leading to reduced growth expectations and lower share prices.

Alibaba's share price also declined during the quarter (-16%). China's e-commerce landscape has been maturing, with the attendant lower growth rates, while competition has increased. Alibaba has had to adapt their business practices after a run-in with the regulator, and with this backdrop, in an attempt to re-accelerate growth, has decided to reduce the fees charged to merchants and invest in new growth avenues, hoping that by reducing profits in the short term they can strengthen their longer-term positioning. The market has focused on the certainty of lower near-term profits, over the as-yet uncertain potential longer-term gains, hence the resultant decline in the share price.

Electric vehicle battery manufacturer, **LG Chem** (-21%), also saw its share price decline during the quarter. They suffered manufacturing quality issues, leading to a product recall for the GM Bolt vehicle platform, as well as general industry headwinds arising from lower car production volumes due to semiconductor shortages, and cyclically lower margins in some of their chemical businesses. At this point, the manufacturing issues leading to that recall appear to be resolved and the recall has been fully provisioned for. Meanwhile, the battery business has been partially listed in the hope that will help highlight the value of those assets on a standalone basis.

Our short positions were fairly small during the quarter and their contribution to performance was negligible.

The Australian dollar (AUD) strengthened modestly during the quarter, presenting a slight headwind to AUD reported performance.

Changes to the Portfolio

During the quarter, we bought a small position in **Estun Automation**. This family-owned and run business has, through a series of small smart acquisitions, built themselves to be a leader in industrial robotics, motion control and welding. The company is taking market share in growing markets, with automation becoming increasingly necessary as populations age and labour costs rise, while they cement their competitive positioning through extensive vertical integration and a lower cost structure. While their robots are used in a broad range of end markets, solar cells and battery manufacturing are two examples of areas where they have particular strength. Estun has been on our radar for a while, but had been trading at levels we were unwilling to pay. Fortunately for us, however, a brief down-cycle in end market demand led to a sell-off in the shares, affording us the opportunity to establish a small position.

We sold out of our position in **CITIC**. Having booked a healthy gain in a relatively short space of time, and in light of some questions we had around certain financial exposures of the group, we felt it was an opportune time to sell. We also sold our remaining small position in the power semiconductor company, **StarPower Semiconductor**, following a strong share price run, taking it to a level we felt was an overly demanding valuation.

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
China	45%	48%	45%
India	11%	10%	8%
South Korea	10%	9%	13%
Hong Kong	6%	7%	7%
Taiwan	6%	6%	7%
Vietnam	6%	5%	3%
Philippines	2%	2%	2%
Macao	1%	1%	1%
Singapore	1%	1%	1%
Thailand	0%	0%	2%
Cash	12%	11%	12%
Shorts	-1%	0%	0%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Consumer Discretionary	18%	20%	21%
Information Technology	16%	14%	22%
Financials	14%	15%	15%
Industrials	13%	14%	6%
Real Estate	10%	10%	5%
Other	4%	4%	3%
Communication Services	4%	4%	7%
Materials	3%	4%	3%
Consumer Staples	3%	2%	2%
Health Care	1%	2%	1%
Energy	0%	0%	3%
TOTAL NET EXPOSURE	87%	89%	88%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

We continued reducing our exposure to sportswear and fashion brand **Li Ning**. This has been an extremely strong performer for the Fund over the past few years, having gone from a lesser-known domestic Chinese brand with an interesting brand heritage, to now being seen on fashion runways around the world and having become an investor favourite trading at a much richer multiple of far higher earnings than when we first purchased our shares. We also continued trimming our position in **Anta Sportwear Products**, another similarly strong performer over recent years, which has seen its shares re-rated dramatically and now prices in a considerably rosier future.

China Merchants Bank was another stock we reduced. The shares of this bank have held up much better than others in the sector, and while still appearing to be well positioned, trades at a substantial premium valuation. This comes at a time when there are some modest concerns about the value of assets sitting on balance sheets across the sector. Hence, we felt it prudent to trim our holding.

Commentary

While **China** continues to capture the bulk of headlines and is still a source of significant concern for many, it feels as though there is little new fuel being added to the fire and some of those concerns may be starting to fade. In the middle of 2021, there was a widespread fixation with the risks emanating from the property developers, and there was a palpable fear from many that the sector was going to imminently implode and take down China's banking system with it. So far, however, the unwind of overindebted developers continues in a relatively orderly fashion, which in our view has always been, and remains, the most likely outcome. While system-wide debt levels are still being constrained, there has been targeted easing, with allowances made for the better-capitalised property developers to once again have greater access to markets, and in certain regions we are seeing a loosening of mortgage availability. Some of the broader concerns had spilled over into other sectors and resulted in a mild economic slowdown. However, we are starting to see some signs of stabilisation there as well, with industrial output rising in November and services output increasing in the December quarter. Even construction materials and residential property sales showed the first signs of possible stabilisation, and while it may yet be too early to call the bottom, the rate of change has been improving. Investors may take some comfort in noting that our holdings in higher-quality and less-indebted property developers held up reasonably well in the December quarter, despite the ongoing sell-off in the Chinese equity market. Perhaps this serves as a good reminder that, as a general rule, by the time an issue is being splashed across the newspaper headlines, the stock market has often already moved. We aren't out of the woods yet, risks remain and we continue to monitor it closely, but the trajectory so far seems consistent with an orderly and reasonable outcome.

Turning to **India**, during the quarter we saw the reversal of some previous agricultural reforms, which had proven unpopular with farmers, in the face of upcoming state elections. While the government may be slightly less confident in their popularity, there are still signs of ongoing reform. For example, they recently privatised the national airline, Air India, which is India's first privatisation in 17 years. Next in focus will be the upcoming power sector reforms, which should help improve energy distribution efficiency and reduce theft.

On the company specific front, it was interesting to see **Tencent** announcing plans to distribute the majority of its shareholding in e-commerce company **JD.com** to Tencent shareholders. It's fairly unusual to see Tencent dispose of major strategic holdings like this, and as such, the action has sparked speculation whether it may be a pre-emptive regulatory-driven move so that they aren't seen to be cooperating to the detriment of fair market competition, or whether it could be the first step in a broad effort to cash out and distribute some of the significant value tied up in Tencent's ~US$200 billion investment portfolio. To date, the companies are suggesting they remain on good terms, and both are largely independent at this point. It has been framed as simply being the right time to distribute that value given JD.com is now mature and no longer needs any financing or support. The President of Tencent, Martin Lau, is also stepping down from the JD.com board. Since that distribution was announced, Tencent further stated they will be modestly reducing their stake in Sea Ltd, selling down ~US$3 billion worth of shares. Meanwhile, Alibaba is also reportedly in talks to sell its stake in "China's Twitter", Weibo. Tencent's investment holdings account for 30%+ of the value of Tencent shares, so if these actions are part of a broader move to disband its competing ecosystems, it could result in a not insignificant realisation of value.

While we're talking about Tencent, one of their subsidiaries, Riot Games, operates what is arguably the world's largest eSport's event, League of Legends world championships. This year's event took place during the quarter and garnered a record peak live audience of nearly 74 million concurrent viewers, up ~60% on the prior year, showing that interest in eSports continues to grow.[2]

2 Source: https://www.sportsbusinessjournal.com/Esports/Sections/Media/2021/11/Worlds-2021-Finals-AMA.aspx

Within the computer game sector there appears to be an emerging use for blockchain, whereby games operate under a model called "play-to-earn" or "play-and-earn". In this model, the game developer launches their own cryptocurrency alongside a computer game, and the cryptocurrency can be exchanged for in-game items. Players wanting a more powerful character can buy the cryptocurrency and get in-game items, or the process can work in reverse whereby players can essentially earn cryptocurrency through gameplay, which can then be sold to other players who are less patient.

A Vietnamese game developer seems to be currently operating one of the largest of these "play-to-earn" games, and a listed Korean game developer is also actively participating in the space. It appears to be an interesting model to drive user acquisition, as players can have a monetary incentive to encourage their friends to play the same game as them. This business model does have a couple of variations, some strike us as interesting innovations, others appear to have a more Ponzi-scheme nature to them, nevertheless it is an interesting trend to follow.

Outlook

As always, there remains some risks and uncertainties, but we feel we are still able to find compelling new opportunities for the portfolio. The shorter-term economic picture is not entirely clear, but it is clear that opportunities still abound for the more entrepreneurial management teams across the region. At the risk of being repetitive, similar to last quarter, we continue to believe the current valuations across much of Asia ex-Japan are undemanding and should serve as a reasonably attractive level for longer-term investors.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	5.5%
Samsung Electronics Co	South Korea	Info Technology	5.1%
Vietnam Ent Investments	Vietnam	Other	4.1%
Tencent Holdings Ltd	China	Comm Services	4.1%
InterGlobe Aviation Ltd	India	Industrials	3.7%
ZTO Express Cayman Inc	China	Industrials	3.5%
SK Hynix Inc	South Korea	Info Technology	3.4%
Ping An Insurance Group	China	Financials	3.4%
Weichai Power Co Ltd	China	Industrials	3.3%
Alibaba Group Holding	China	Cons Discretionary	2.9%

As at 31 December 2021. See note 5, page 44.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/paf.

Platinum European Fund

Nik Dvornak
Portfolio Manager

Adrian Cotiga
Portfolio Manager

Performance

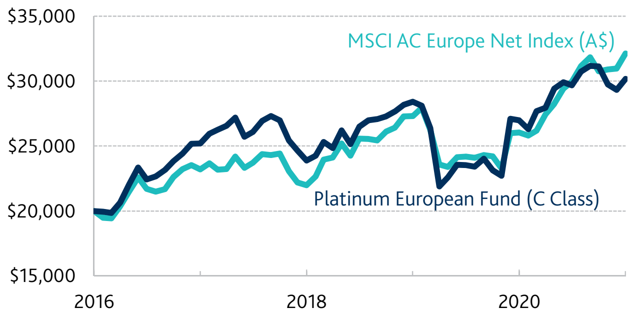
(compound p.a.+, to 31 December 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	-3%	12%	8%	9%	11%
MSCI AC Europe Index^	4%	23%	13%	10%	4%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Europe Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance.
See note 1, page 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2016 to 31 December 2021



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned -3.1% for the quarter and 11.8% for the year.[1]

Notwithstanding the emergence of the Omicron COVID-19 variant, sharp energy price increases and widespread supply chain disruptions, European equities continued to rally throughout the quarter. The market's initial response upon the World Health Organization (WHO) declaring Omicron a "variant of concern" in late November was to punish travel stocks and beneficiaries of economies reopening, including some of the Fund's holdings (e.g. Airbus fell more than 10% on the day). While some stocks have since recovered part of their losses, they weighed on the Fund's relative performance.

More importantly, the Index's strong performance was driven primarily by investors' preference for a group of companies that could be labelled as 'growth compounders'. Typically, these stocks have a modest, but relatively 'predictable' revenue and earnings growth trajectory and are trading at eye-watering multiples of 50-70 times price-to-earnings (P/E), having re-rated from 30-40 times P/E only a couple of years ago. Stocks such as French luxury brand Hermès International, which grew sales at single-digit annual rates over the previous five years and trades at over 60x P/E, enjoyed 28% price appreciation over the quarter, as investors searched for certainty in a very uncertain world. We believe that their lofty valuations render these stocks highly risky propositions and made a conscious decision not to own them.

Beazley, a UK specialty insurance group, was our best-performing position during the quarter (+23%). With each passing quarter, the market is becoming more confident that the company has adequate capital to pay out claims while growing its insurance book and resuming dividend payments. Claim increases have been more than offset by Beazley's ability to raise premiums across all product lines, which should significantly enhance the company's profitability.

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum European Fund report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

Raiffeisen Bank International was another strong performer (+14%) on the back of better-than-expected third-quarter revenues, lower provisions and improved loan growth outlook, although its share price drifted a little lower in the second half of the quarter on rising Russia-related concerns.

Saras (-35%), an Italian oil refining company, was the notable detractor this quarter. The company faced significantly higher operating costs as a result of rising energy prices across Europe. The Italian wholesale reference price of electricity (a key input cost for Saras) has increased by more than fivefold in the last 12 months.[2] High energy prices are a problem faced by most of the continent, partially the result of a natural gas shortage. More than a third of Europe's natural gas supply is sourced from Russia. Given the renewed geopolitical tension over Ukraine, Gazprom, Russia's chief gas exporter, has provided very limited additional supply on top of its long-term contractual obligations to the European Union (EU).

Various small positions in healthcare stocks and retailers also detracted from performance.

2 Source: https://www.enel.it/en/supporto/faq/cos-e-il-pun

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
United Kingdom	26%	18%	13%
Germany	9%	10%	15%
Switzerland	8%	7%	9%
France	7%	9%	9%
Romania	7%	6%	7%
Ireland	6%	5%	7%
Netherlands	4%	2%	2%
United States	4%	3%	6%
Austria	4%	4%	4%
China	4%	3%	4%
Spain	3%	8%	10%
Italy	2%	3%	2%
Norway	2%	2%	6%
Finland	2%	3%	3%
Czech Republic	1%	1%	0%
Hungary	0%	1%	0%
Denmark	0%	0%	1%
Cash	12%	13%	3%
Shorts	-8%	-3%	-14%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Changes to the Portfolio

Earlier in the year, we deployed additional capital into Central and Eastern European (CEE) banks, raising our position from 7% of the Fund to 10% by adding **Komercní banka** (a major Czech bank), **Erste** (a leading Austrian bank) and **OTP Bank** (the largest bank in Hungary) to our existing holdings in Austrian-based **Raiffeisen** and Romanian bank **Banca Transilvania**. The Czech Republic, Hungary, Romania and Poland were among the first central banks to enter an interest rate hiking cycle, driven by inflationary pressures and tight labour markets. In addition to benefiting from higher interest rates and growing their loan books at a decent pace, we also expect these CEE banks to start returning excess capital via dividends and/or share buy-backs. These positions have indeed performed well and we trimmed some of our exposure (primarily in Raiffeisen) after a strong run, even though we continue to be excited about the region's prospects. As the market starts to appreciate the value of these banks, we will re-deploy capital into the more prospective opportunities.

We have sold our position in **Banco Santander** (+70% on average cost) while initiating a position in **Barclays**. Santander was a star performer for the Fund over the last year. Barclays, in our view, now offers a more attractive risk/reward profile, with an undemanding valuation of 0.6x price-to-tangible book value (TBV),[3] for a likely return on TBV of 9% p.a. or more for the next few years. Barclays is benefiting from buoyant capital market activities, lower credit costs in the UK and a potentially more benign competitive environment in the UK mortgage lending market. Given its high level of excess capital, we would not be surprised to see Barclays ramping up its share buy-back program.

3 Source: FactSet Research Systems.

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Financials	31%	30%	25%
Industrials	17%	17%	19%
Consumer Discretionary	14%	12%	11%
Communication Services	6%	5%	9%
Health Care	5%	5%	11%
Materials	3%	5%	5%
Energy	2%	3%	6%
Real Estate	2%	2%	2%
Information Technology	1%	4%	3%
Consumer Staples	0%	0%	0%
Other	0%	0%	-8%
TOTAL NET EXPOSURE	80%	83%	83%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Before the recent pullback following the Omicron outbreak, we had meaningfully reduced our exposure to travel-related names at a profit, exiting **Aéroports de Paris** (+35% on average cost) and **Amadeus IT Group** (+27% on average cost). The sell-off then gave us a small window of opportunity to add back positions, which we believe will enjoy favourable structural growth trends, such as **Wizz Air**, **Booking Holdings**, **Airbus**, **Ryanair**, **Safran** and **Compass Group** – businesses we'd like to own over the long term.

Wizz Air straddles two themes within our portfolio – travel recovery and secular growth in CEE consumer spending. Wizz is the leading low-cost carrier operating in the CEE region. It currently operates a fleet of 144 aircrafts (Airbus A320s and A321s) and has an order backlog of more than 400 single-aisle Airbus aircrafts (mostly A321neos), meaning that it plans to more than triple its fleet size over the next 10 years. Despite the COVID-19 setback, the Fund has made more than 2.5x on its initial investment in Wizz in early 2017, but we see a longer growth runway ahead.

Wizz continues to benefit from three structural tailwinds: the shift from full-service carriers to lower-cost carriers for short-haul travel in Europe; weak incumbents (mostly state-owned flag carriers with shrinking capacity); and under-penetration of air travel in CEE, where the number of per capita short-haul flights per year is 25% lower than that in Western Europe.[4] As income grows in CEE, people will likely fly more.

4 Source: Bernstein Research.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Beazley PLC	UK	Financials	4.5%
Airbus SE	France	Industrials	3.8%
Banca Transilvania SA	Romania	Financials	3.7%
Booking Holdings Inc	US	Cons Discretionary	3.6%
Prosus NV	China	Cons Discretionary	3.6%
Barclays PLC	UK	Financials	3.3%
Allfunds Group Plc	UK	Financials	3.3%
Bank of Ireland Group	Ireland	Financials	3.2%
SMCP SA	France	Cons Discretionary	3.1%
Fondul Proprietatea SA	Romania	Financials	3.1%

As at 31 December 2021. See note 5, page 44.
Source: Platinum Investment Management Limited.
For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pef.

Wizz has an enduring cost advantage over its competitors who still rely on older and less-efficient aircrafts. Its unit economics of profit-per-passenger-flown is expected to improve even further in the coming years as its fleet utilises a greater number of the more fuel-efficient A321 model. The A321neo has a 15% lower fuel burn than the A320 while offering 33% greater seating capacity (239 vs. 180). Wizz also has a more defensive traffic mix than its competitors, with two-thirds of its passengers flying to visit friends and relatives and only single-digit exposure to business travel, which is more prone to COVID disruptions and economic slowdown.

Wizz's shares are trading on 17x pre-COVID earnings, and we expect its revenue to grow at 15-20% p.a. on a normalised basis. Given the latest COVID-19 resurgence, the ordeal is by no means over, and it feels uncomfortable to own an airline stock when the future of travel feels so uncertain. But the temporary uncertainty is what affords the longer-term opportunity. We are taking a three-year view to travel recovery, which we believe is achievable given the availability of highly effective vaccines and the recent approval of oral antiviral therapeutics.

Outlook

As European equity markets continued to march higher throughout the quarter, we have progressively reduced our net invested position and increased our shorts in those richly valued pockets of the market. Most of these companies have already benefited from a significant re-rating over the last year as they have been seen as bastions of stable growth. In our view, these stocks have priced in very high growth expectations and will likely be punished by the market if growth begins to slow down or if interest rates increase.

In the near term, Omicron-induced restrictions around the world are likely to further delay supply chain recovery, postpone normalisation of migration flows between countries, and potentially continue to put pressure on businesses to increase wages. Ongoing upward wage pressure could be a signpost of inflation becoming persistent, which may become the catalyst for broader market concerns and trigger further sell-offs in the coming months. If we are wrong in our assessment, we believe the downside from short positions is manageable and we will be quick to correct course.

In this ebullient environment, we believe it is prudent to position the portfolio cautiously and as such, cash represents 12% of the Fund's capital. We are acutely aware that our cash position may be a drag on performance under current market conditions, but it affords the Fund downside protection as well as the ammunition to act decisively in a correction.

Platinum Japan Fund

James Halse
Portfolio Manager

Performance

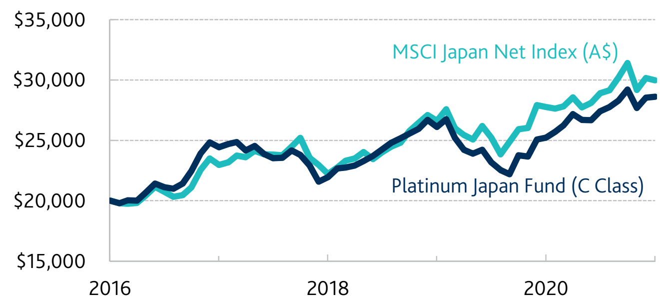
(compound p.a.+, to 31 December 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund*	-2%	13%	9%	7%	13%
MSCI Japan Index^	-5%	8%	10%	8%	4%

+ Excludes quarterly performance.
* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI Japan Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance. See note 1, page 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2016 to 31 December 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

Japanese equity markets fell in the final quarter of the year (MSCI Japan -4.6% in AUD terms), with broad-based weakness across sectors offset only by areas of strength in electronic materials and the semiconductor supply chain. In this context, the Fund (C Class) held up relatively well, declining only 2.0%.[1]

The weaker yen provided support for the majority of our holdings, given the export-focused nature of much of these businesses. However, we also benefited from idiosyncratic exposures – particularly in **Katakura Industries** (+44%), **Oyo Corporation** (+46%) and **Daisue Construction** (+43%). The commonality between these diverse businesses is exposure to the key themes of improving governance and shareholder returns, stimulated by activist involvement and regulatory changes.

Katakura, a conglomerate that makes everything from pharmaceuticals to fire trucks, saw its management launch a buyout offer for the company, likely in response to activist shareholder pressure. The major shareholder agreed to sell into the buyout, unless a better offer was forthcoming. We felt the price was egregiously low, below the reported value of the company's tangible assets, and at less than half the market value of those same assets. A buyer arose for the activist's 10.6% stake at a reported 10% premium to the bid price, and the stock has traded well above the bid price since that point. Katakura has now extended the offer period to 11 January. We have not tendered our stock and await developments with interest.

Oyo is a consulting business built on geological expertise, that has favourable exposure to offshore wind power projects, an area expected to see tens of billions of dollars of investment. The stock rallied on improved profit results and dividends as management elected to take the revolutionary step of centralising bid processes and foregoing bidding on unprofitable work. There is the clear potential that management chose this course of action based on conversations behind closed doors with its 12% sometimes-activist shareholder. The stock rallied further as management amended their mid-term plan to increase their guided

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum Japan Fund report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
Japan	80%	80%	89%
South Korea	7%	6%	11%
Cash	12%	13%	1%
Shorts	-8%	-5%	-1%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Industrials	25%	19%	15%
Information Technology	20%	20%	31%
Materials	16%	13%	5%
Consumer Discretionary	6%	8%	17%
Communication Services	5%	9%	9%
Consumer Staples	4%	6%	1%
Health Care	3%	5%	15%
Financials	2%	2%	2%
Real Estate	1%	1%	0%
Energy	0%	0%	3%
Other	-2%	0%	0%
TOTAL NET EXPOSURE	80%	82%	98%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
MinebeaMitsumi Co Ltd	Japan	Industrials	5.4%
Toyo Seikan Group	Japan	Materials	5.2%
Lixil Group Corp	Japan	Industrials	3.9%
SK Hynix Inc	South Korea	Info Technology	3.8%
Open House Co Ltd	Japan	Cons Discretionary	3.5%
Kawasaki Kisen Kaisha	Japan	Industrials	3.3%
Toyota Motor Corp	Japan	Cons Discretionary	3.3%
Tokyo Electron Ltd	Japan	Info Technology	3.2%
Hokuetsu Corp	Japan	Materials	3.2%
DeNA Co Ltd	Japan	Comm Services	2.9%

As at 31 December 2021. See note 5, page 44.
Source: Platinum Investment Management Limited

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pjf.

dividend payout ratio range and increase their planned spend on M&A, as well as announcing a share buyback for up to 2.3% of outstanding shares. These measures were likely viewed especially positively by the market as the company was sitting on net cash (earning no return) equivalent to more than 70% of its market cap at the time.

Daisue, a construction business that was trading at less than half the value of its net tangible assets, spiked after it announced it was doubling its dividend payout and committing to a 50% payout ratio going forward. It seems likely they too had benefited from conversations with two sizeable potential activist shareholders on their register.

Other major contributors included semiconductor production equipment manufacturer **Tokyo Electron** (+33%) on continued strong growth in its end markets; memory chip maker **SK Hynix** (+27%), as it recovered from depressed levels after issuing an optimistic outlook on memory demand; and shipper **Kawasaki Kisen Kaisha** (+14%) as freight rates remained elevated due to strong demand for products and pandemic-driven supply chain bottlenecks, which have resulted in shortages of container shipping capacity. Pleasingly, we added significantly to our Tokyo Electron position in September, meaningfully upweighted our SK Hynix position in August at levels below KRW100,500 (128,500 at the time of writing), and traded Kawasaki Kisen Kaisha well, reducing our position aggressively near the September peaks in the stock, and adding back to the position after the large sell-off into October.

Our largest holding, precision manufacturer **MinebeaMitsumi**, was a beneficiary of yen weakness, rallying 14% in the quarter. It recovered its post-election sell-off into its results announcement, following which it reached new highs as it upgraded earnings guidance and outlined initiatives to drive profits growing forward.

Major detractors from performance included brewer **Asahi** (-17%), which fell on a profit downgrade caused by rising input costs and crimping of on-premise demand due to pandemic restrictions. Likewise, investor sentiment toward baby products maker **Pigeon** (-15%) continues to be affected by pandemic-driven lockdowns in China and the implications for the depressed Chinese birth rate. Mobile games maker **DeNA** (-15%) and database software distributor **Oracle Corporation Japan** (-11%) also sold off on weak quarterly results.

Changes to the Portfolio

We exited our positions in video games maker **Gree** and digital advertising agency **CyberAgent** during the quarter. In Gree's case, we sold into its very large on-market share buyback, which had put upward pressure on the stock (up 54% in the quarter to our exit point in late October). This seems to have been well-timed as the stock has since traded down below our exit price. We sold CyberAgent after a detailed review of the company determined the business' positioning was not attractive enough to justify the premium multiple ascribed to the stock. The stock has been a strong performer for the Fund, up a cumulative 111% since the first entry point in June 2019 to final exit point in October 2021.

The major new addition was a return to the portfolio for gaming console maker **Nintendo**. The stock had fallen on fears we have reached the peak of the cycle for its Switch console. While we acknowledge this is likely the case, we believe the market is failing to give enough weight to changes in the underlying business model that mean the cycle is likely to be extended relative to history, with better profitability experienced throughout.

We also added to our position in packaging manufacturer **Toyo Seikan**. The company holds strong market positions, but has allocated capital inefficiently. An activist is involved, and the company has instituted a share-based incentive program for executives, while also implementing a meaningful stock buyback. Much further improvement is possible for this company, and it is valued very cheaply relative to its readily monetizable assets.

On the currency front, we reduced our Japanese yen exposure from 93% at 30 September to 62% at 31 December and increased our exposure to the US dollar from 1% to 31%, as it became clearer that Japan is likely to be one of the last countries to temper its monetary largesse as inflation remains benign. This move looks to have been timely as the yen continues to depreciate in the New Year.

Outlook

Japan has lagged other developed market equity indices in recent times, with an especially large performance gap to the US. With this in mind, investors may wonder why they should bother with Japan. In our view, the setup currently is especially attractive as global fund flows appear to be ignoring the fundamental improvements in the Japanese market.

As illustrated in Fig. 1-3 on the following page, return on equity for Japanese companies with a market value of greater than US$500 million has now improved to be close to North American levels, while dividends have risen strongly as companies have grown earnings and increased payout ratios.[2] Despite these factors and an increasing amount of share buybacks, Japan's relative price-to-book (P/B) ratio has de-rated to extreme levels.

It is a tenet of fundamental investing that the potential for investment returns should be examined on a prospective basis rather than looking at recent experience. Taking that approach, the outlook for Japanese stocks appears quite positive to us, given their attractive relative valuation, growing profitability and rapidly improving cash returns to shareholders.

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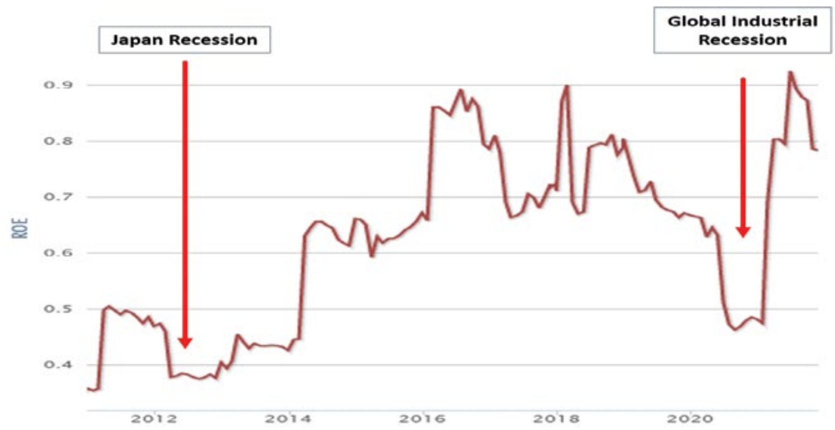
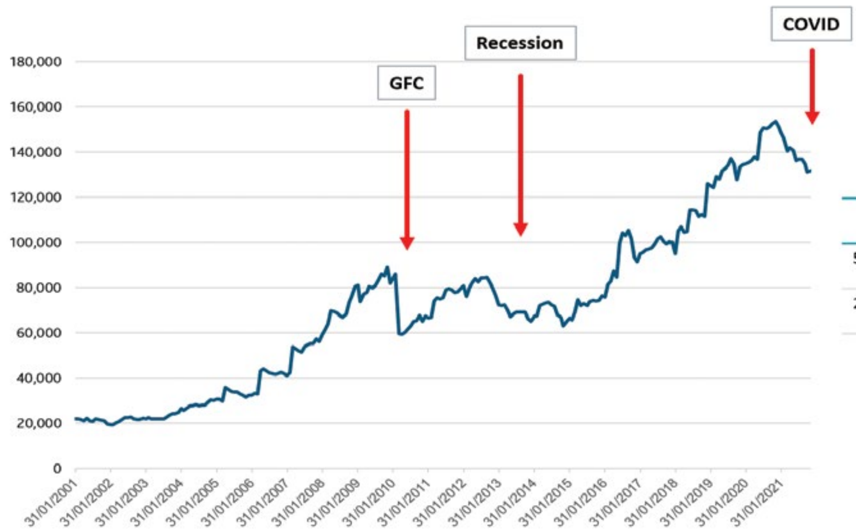
2 Not shown in the chart, the 5-year annualised growth in dividends to the period immediately preceding the pandemic was around 16%.

Fig. 1: Return on Equity (ROE) - Japan vs. North America, 2011-2020*



Source: FactSet Research Systems, Platinum Investment Management Limited, as at 1 December 2021.

Fig. 2: Dividend Increase – Japan Rolling 12-Month Dividend Payout (USD) (000's)*



	CAGR
5 year	7%
20 year	9%

Source: FactSet Research Systems, as at 30 November 2021.

Fig. 3: Price-to-Book (P/B) - Japan vs. North America*

Source: FactSet Research Systems, Platinum Investment Management Limited, as at 1 December 2021.

*Companies >US$500 million market capitalisation.

Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

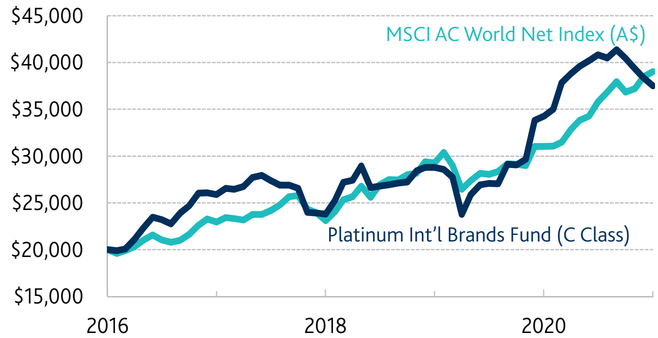
(compound p.a.+, to 31 December 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	-7%	9%	16%	13%	13%
MSCI AC World Index^	6%	26%	19%	14%	5%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 18 May 2000.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance. See note 1, page 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2016 to 31 December 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned -7.2% for the quarter and 9.4% for the year.[1]

Our weak performance for the quarter was particularly disappointing in the context of positive global markets and a rotation out of lower-quality highly rated 'hot' consumer stocks, an area where we have tended to maintain a number of short positions. We were hurt by our low net exposure to the US (with that market up 9% over the quarter in AUD terms), our large China exposure (with that market down -7%),[2] as well as not holding strong-performing mega-caps such as Apple (+25%), Microsoft (+19%) and Procter & Gamble (+17%), as news of the Omicron COVID-19 variant drove a 'flight to safety' accompanied by falling interest rates.

Having staged a rally at the beginning of the quarter, our Chinese digital platform investments such as **Meituan** (-9%), **Alibaba** (-16%) and **Trip.com** (-20%) reversed their gains and continued their downtrends, driven by a combination of weak Chinese economic data and ongoing concerns around intensifying competition and regulatory interference. Likewise, baby products maker **Pigeon** declined -15% as Chinese birth rates likely continue to be affected by the pandemic.

Food delivery operator **Just Eat Takeaway** lost -26% as investors generally looked to exit unprofitable consumer tech stocks. Apparel e-commerce retailer **ASOS** fell a further -20% as disruptions to the global supply chain continued to hurt via increased costs and a weakened delivery proposition. Gym franchisor **F45 Training** fell -27% on disappointing profit numbers and investor fears around the impact of the spread of the Omicron COVID-19 variant on new openings and member recruitment.

We are happy to continue to hold these weaker performers, as we see solid market positions and positive long-term outlooks for the businesses. In many cases, we have added to our holdings on weakness and are likely to continue to do so.

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum International Brands Fund report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

2 MSCI USA Net Index (A$), MSCI China Net Index (A$) respectively. Source: FactSet Research Systems.

Our losses in the quarter were mitigated slightly by the performance of our short book, as we benefited from the downward re-rating of many of the 'hot' areas in the consumer sector. In several cases, rapid expected growth and improved profitability failed to materialise, as input cost increases and supply chain disruptions weighed on performance. These dynamics combined with extreme valuations drove severe downward moves in many stocks that were previous on-trend favourites, such as **Beyond Meat** (plant-based meat, -38%) and **Freshpet** (fresh-chilled pet food, -33%).

Regular readers may recall the discussion of plant-based milk brand Oatly in our June 2021 quarterly report, where we commented that the US$17 billion valuation of the company at that time, required "perfect execution for the next decade". Investors who held the stock from its June 2021 peak have experienced a greater than 70% loss as at 31 December, as sales and costs were hurt by supply chain disruptions and rising input costs, which in turn drove a negative multiplier effect on the stock price via a de-rating of the valuation metrics the market has applied.

Unfortunately, due to our admiration for the company's marketing and growth story, we did not have a short position. However, we mention the stock nonetheless as a highly pertinent example of the recent collapse of many of the consumer 'concept stocks' and the losses investors can experience when they pay too much, notwithstanding a great story and fast-growing sales (note that sales still grew 49% year-on-year in Oatly's third quarter despite the disruptions). Dreams of a rosy future drive stocks on the way up, while cash generation relative to a decreasing market capitalisation generally provides support on the way down. For stocks that do not generate cash, it can be a lengthy journey downwards.

On the long side, UK grocer **Tesco** rallied 15% as it gained market share and boosted capital returns, while **Raiffeisen Bank International** (+14%) benefited from strong economic conditions and rising interest rates in Eastern Europe, which overshadowed the negative headlines referring to Russia and Ukraine tensions later in the quarter. Low-cost gym franchisor **Planet Fitness** (+15%) eluded fears around the Omicron variant through its strong membership numbers and a perceived lessening of the threat posed by home fitness competitors such as Peloton, as the latter posted weak numbers. Chinese whitegoods maker **Haier Smart Home** (+8%) stood out from the generally weak performance of our Chinese exposures, as management commented on strong sales performance during the key "11.11 Global Shopping Festival" (the world's biggest 24-hour online sale)[3] and strength in its overseas markets.

Changes to the Portfolio

We took advantage of weakness in many of our key holdings during the quarter to add to our position sizes. Stocks in this category included **Alibaba**, **ASOS**, **F45 Training** and **Pigeon**. Likewise, we reduced stronger performers as their relative valuations became less attractive. Google owner **Alphabet** was the key stock in this category, but we also trimmed **Meituan**, **Alibaba** and **Tencent** following their rallies at the beginning of the quarter. **Planet Fitness** was also reduced following its strong results.

3 Source: https://coresight.com/singles-day-the-11-11-global-shopping-festival/

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
Asia	45%	42%	22%
Europe	23%	25%	33%
Japan	15%	13%	4%
North America	11%	12%	36%
Cash	5%	7%	5%
Shorts	-21%	-14%	-4%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pibf.

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Consumer Discretionary	41%	41%	47%
Communication Services	12%	12%	17%
Consumer Staples	12%	15%	3%
Financials	7%	7%	18%
Industrials	2%	3%	3%
Real Estate	1%	1%	1%
Other	0%	0%	2%
TOTAL NET EXPOSURE	74%	78%	91%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

One significant new holding during the quarter was the re-establishment of a position in Japanese video game console maker **Nintendo**. The stock has fallen on fears we have reached the peak of the cycle for its Switch console. While we acknowledge this is likely the case, we believe the market is failing to give enough weight to changes in the underlying business model that mean the cycle is likely to be extended compared with history, with better profitability experienced throughout due to growing digital penetration (cutting out the retailer middleman, while the game price stays the same) and greater software attach rates (i.e. additional high-margin sales).

Reflecting the extreme divergence in valuations present in the consumer sector as investors crowd toward high-quality favourites, near the end of the quarter we established a number of short positions in headily valued European quality/growth consumer stocks. There are many fine companies in this list, but current valuations allow no room for error in execution, cyclical downturn, or increases in the discount rate.

Outlook

With the rise of the likely less-severe Omicron variant, the end of the pandemic may be drawing near. However, the implications for stocks are very different if the path to that end is accompanied by further lockdowns and government largesse, rather than continued fiscal and monetary tightening, along with a temporary slowdown in activity as people voluntarily stay home to curb infection rates.

The primary theme in the portfolio is the transition to a digital world, with around 38% of our portfolio now comprised of digital platforms; more than half of that in China. These businesses have strong market positions and medium- to long-term growth outlooks, and are trading at attractive valuations, so are well positioned to bounce back from regulatory and supply chain-related setbacks.

The second high-level theme (with some overlap with the digital platforms) is a broad collection of well-positioned and attractively valued businesses that will likely benefit from an end to the pandemic and a return to economic normalcy – including the free flow of global trade. Around 45% of the Fund is exposed to this theme via businesses as diverse as Planet Fitness (return to gyms), Raiffeisen Bank (normalisation of monetary policy), BMW (resolution of component shortages) and Pigeon (normalisation of China's birth rates).

The downside for our portfolio is primarily our low or negative exposure to the potential for continued monetary and fiscal largesse, coupled with an ongoing interruption of activity by the pandemic for an extended period. This became particularly apparent in recent months as Fund performance was weak in a period where interest rates fell on wariness over the economy and the Omicron variant, despite strong inflation numbers and announcements by central banks of tightening/tapering measures.

Perhaps ironically, the incredibly rapid spread of Omicron may make this risk of less concern, with an end to the pandemic potentially in sight; an outcome we would expect to benefit the Fund.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alibaba Group Holding	China	Cons Discretionary	4.6%
Tencent Holdings Ltd	China	Comm Services	4.3%
Nien Made Enterprise Co	Taiwan	Cons Discretionary	4.3%
ASOS PLC	UK	Cons Discretionary	4.2%
Trip.com Group Ltd	China	Cons Discretionary	4.1%
Facebook Inc	US	Comm Services	4.1%
Lixil Group Corp	Japan	Industrials	3.8%
Prosus NV	China	Cons Discretionary	3.7%
Meituan	China	Cons Discretionary	3.7%
Melco Intl Development	Hong Kong	Cons Discretionary	3.5%

As at 31 December 2021. See note 5, page 44.
Source: Platinum Investment Management Limited.

Platinum International Health Care Fund

Dr Bianca Ogden
Portfolio Manager

Performance

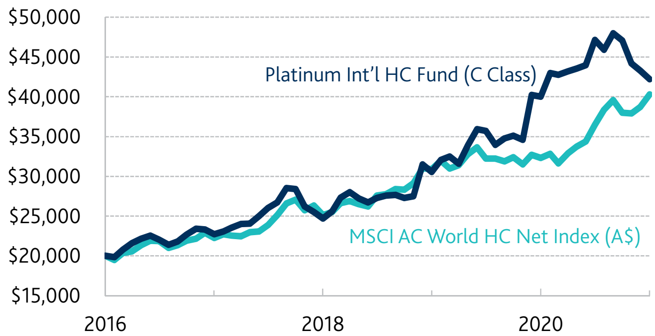
(compound p.a.+, to 31 December 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	-10%	5%	20%	16%	11%
MSCI AC World HC Index^	6%	25%	17%	15%	10%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 10 November 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World Health Care Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance. See note 1, page 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2016 to 31 December 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned -10.4% for the quarter and 5.5% for the year.[1]

While 2020 was a good year for investors in biotech, 2021 was a rather different story.

The MSCI All Country World Healthcare Index, which has very limited exposure to mid- and small-sized biotech stocks, had a strong year. In stark contrast, the XBI, an index of US biotech stocks,[2] experienced the largest, most prolonged drawdown in five years (see Fig. 1). Even more stark is the spread between the XBI and the S&P 500 Index and the XLV, an index of US healthcare stocks,[3] with performance of the latter driven by a concentrated group of companies, such as Pfizer (vaccine/antiviral therapy) and Eli Lilly (Alzheimer's disease/diabetes). Fig. 2 (on the following page) illustrates how wide the performance gap between the pharma and biotech sector was in 2021.

Many of our biotech holdings have been caught up in the decline. We had trimmed a number of our biotech stocks earlier in the year for valuation reasons following strong performance, but the overall dynamic in biotech continued to

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum International Health Care Fund report are in AUD terms, unless otherwise specified. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

2 SPDR S&P Biotech ETF (XBI) tracks an equal-weighted index of US biotechnology stocks.

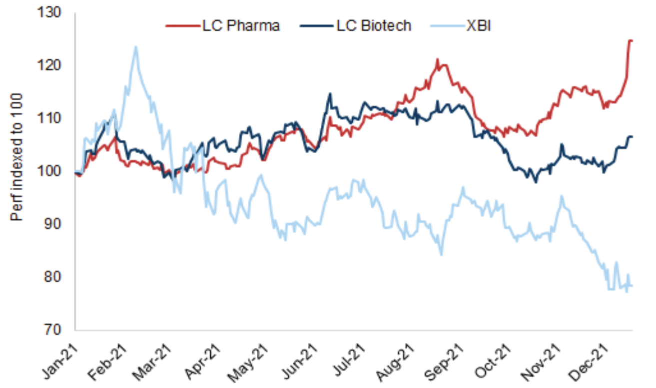
3 Health Care Select Sector SPDR Fund (XLV) tracks health care stocks from within the S&P 500 Index, weighted by market cap.

Fig. 1: 2021 - Biggest Drawdown in US Biotech in Five Years

Drawdown Period	Number of trading days	XBI	XBI vs S&P 500	XBI vs XLV
Jul 2015-Feb 2016	144	-49%	-35%	-32%
Apr-May 2016	14	-14%	-13%	-11%
Jun 2016	17	-17%	-12%	-11%
Sep-Oct 2016	30	-23%	-18%	-13%
Nov-Dec 2016	27	-13%	-17%	-11%
Mar-Apr 2018	19	-14%	-8%	-6%
Sep-Dec 2018	78	-35%	-16%	-22%
Apr-Sep 2019	123	-20%	-22%	-17%
Feb-Mar 2020	18	-33%	-3%	-11%
Jul-Sep 2020	35	-14%	-16%	-12%
Average	51	-23%	-16%	-15%
Median	29	-19%	-16%	-12%
Feb-Dec 2021	**218**	**-37%**	**-56%**	**-57%**

Source: Goldman Sachs, USD.

Fig. 2: 2021 – A Very Different Path for Pharma vs. Biotech



Source: Goldman Sachs, large cap, USD.

deteriorate. Chinese healthcare was also in the doldrums, due to a potential regulatory issue, which provided an excuse to sell Chinese biotech stocks. Our holdings were dragged lower on the sentiment shift, despite gaining product approvals or making very solid business progress.

Centogene (-52% over the quarter), a rare disease diagnostic company was a key detractor due to concerns about its balance sheet. We believe these will be resolved in the near future. **Genetron** (-56%), a Chinese diagnostic company, lost significant value during the quarter as investors reduced exposure to Chinese ADR listings. **Esperion Therapeutics** (-59%) sold off heavily after it raised money along with dilutive warrants. The launch of Esperion's cholesterol-lowering pill continues to be challenging and outcome data in the next 12 months will be key. **Albireo Pharma** (-25%), a company that develops treatments for rare diseases, recently received approval for odevixibat, a treatment for pruritus (chronic itchy skin due to higher levels of bile salt accumulating under the skin) in patients with progressive familial intrahepatic cholestasis, a disorder that causes progressive liver disease. Unfortunately, new product launches have been out of favour. Post quarter end, Albireo reported that the product launch had exceeded expectations.

On the bright side, **Telix Pharmaceuticals** (+29%), an Australian biotech who received its first cancer imaging product approval during the quarter, has been a great investment for us. Similarly, US oncology biotech company **Merus** (+45%) continued to progress its pipeline, resulting in share price appreciation. **Prometheus Biosciences** (+67%) rallied strongly on gaining interest in its therapeutic candidate that targets certain inflammatory diseases.

We have been adding to various tool companies, along with biotechs that have recently launched new drugs for rare diseases. In the coming decade, we believe there will be significant progress in diagnosing and treating

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
North America	43%	42%	35%
Europe	23%	20%	23%
Australia	12%	10%	11%
Asia	8%	8%	10%
Japan	4%	4%	6%
Other	1%	1%	1%
Cash	10%	15%	13%
Shorts	-4%	-1%	-3%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Biotechnology	54%	54%	49%
Pharmaceuticals	24%	21%	26%
Life Sciences Tools & Services	7%	6%	7%
Health Care Equip & Supplies	-3%	0%	1%
Health Care Providers & Serv	0%	0%	1%
Other	5%	3%	1%
TOTAL NET EXPOSURE	86%	84%	84%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
SpeeDx Pty Ltd	Australia	Biotechnology	4.7%
Takeda Pharmaceutical	Japan	Pharmaceuticals	3.7%
Sanofi SA	France	Pharmaceuticals	3.4%
Telix Pharmaceuticals Ltd	Australia	Biotechnology	3.2%
Bayer AG	Germany	Pharmaceuticals	2.6%
Exscientia Ltd	UK	Biotechnology	2.2%
Quanterix Corp	US	Life Sciences Tools	2.1%
Pardes Biosciences	US	Financials	2.0%
Gilead Sciences Inc	US	Biotechnology	2.0%
Zai Lab Ltd	China	Biotechnology	1.9%

As at 31 December 2021. See note 5, page 44.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pihcf.

neurodegenerative diseases. Similarly, we believe the way that drugs will be discovered and developed will also change, and hence we continue to invest in the next-generation drug developers.[4]

Commentary

Significant shifts happen periodically in healthcare. Initially, scepticism reigns, but over time, data trumps and momentum starts to build. In 1990, **Roche** invested in US biotech **Genentech**. At the time, biotech was a young industry with many of Roche's peers sceptical about large molecules targeting smaller disease indication. Manufacturing of these biologics was difficult, requiring significant investment versus very profitable small molecule pills (the standard at the time). Fast forward to today and biologics are omnipresent. For Roche, partnering with Genentech was a future-defining deal that culminated in the full acquisition of Genentech in 2009. It turned Roche into the oncology company it is today and added scientific foresight to the organisation. We are invested in Roche and pay close attention to its hiring and deal activity - regardless of how large or small. Often these corporate actions signal early industry trends.

In 2020, Roche hired Aviv Regev as head of Genentech Research and Early Development (gRED). Prior to Roche, Aviv Regev worked as a computational and systems biologist and was a Professor of Biology at the Broad Institute (of MIT and Harvard). She is not your typical drug hunter, chemist or protein engineer; for her, it is all about molecular circuitry, computation and mathematics. She recently said that "Advances in human biology, massively parallel high-resolution methods, modalities, and computation and mathematics are on track to change the nature of drug discovery."[5]

We fully agree and hence have invested in companies (such as Exscientia, Recursion and Roivant), that combine tech and biotech, as well as computers and wet labs. During the quarter, Roche further confirmed its ambition in deciphering the biological system as a priority by forming a broad alliance with Recursion, a US biotech founded in 2013. Recursion characterises cells (normal and diseased) at industrial scale and uses computers to pinpoint minute differences. Recursion essentially does what Aviv Regev refers to as "massively parallel high-resolution methods", conducting about one million experiments a week. Combining Recursion's capability with Roche's drug development expertise is a deal not to ignore. The scale of the deal is significant, potentially including up to 40 programs (US$150 million upfront, plus US$300 million per program over time), with neurosciences a focus. Genentech gave Roche oncology, could Recursion be a pillar for Roche's next chapter in neurosciences?

In neuroscience, we are years behind oncology in deciphering the molecular pathology of disease, hence Recursion's 'operating system' fits into unravelling new targets. While we are excited about this alliance, the market reaction has been subdued. There remains scepticism that the machine-learning approach will increase R&D efficiency, however, it improves with more experiments and additional data, and that is exactly what this alliance should achieve (and more), as Roche adds the therapeutics modalities, along with drug development experience to the mix.

Outlook

There are a myriad of reasons that contributed to the biotech conundrum in the second half of 2021, the simplest one being the fact that exuberance in the previous year was unlikely to continue. The economic environment also plays a role, but of most interest to us, is the dynamic that has developed in the biotech universe itself. Money has been plentiful for the past decade, particularly over the past five years. The shift by many healthcare-dedicated funds towards investing in private companies at all levels of maturity (founding, seed to crossover) has been unprecedented. The number of new companies being founded in gene editing is simply mind-boggling and we are seeing 'target' crowding, where many companies work on the same drug target with differentiation hard to come by.

Today, private biotech valuations are in stark contrast to their listed peers, they are booming and securing access in an investment round is akin to a pageant event, particularly in the US. In many ways, we are seeing a lack of buoyant public biotech investing as a consequence. Combine this with a flood of new biotech listings that fail to find ongoing investor support outside of equity raises and you get a trading dynamic that is disconnected from the fundamentals of a company. Topping it all off has been rather subdued M&A activity. Where to from here? Large life science tool companies, diagnostic companies and pharma all have solid balance sheets, and history has shown that they will go shopping. It is also clear that therapeutic innovation has not ceased. New laboratory tools are coming to the market, along with automation and machine learning that will facilitate the next chapter of innovation. Consequently, the fundamental reason why we invest in biotech has not changed: to invest in companies that increase our longevity and improve our quality of life.

4 For a more in-depth explanation of our thoughts on the future of the healthcare sector see: https://www.platinum.com.au/Insights-Tools/The-Journal/Biotech-Driving-Another-Decade-of-Change-in-Health

5 Source: *Nature*, March 2021.

Platinum International Technology Fund

Alex Barbi
Portfolio Manager

Performance

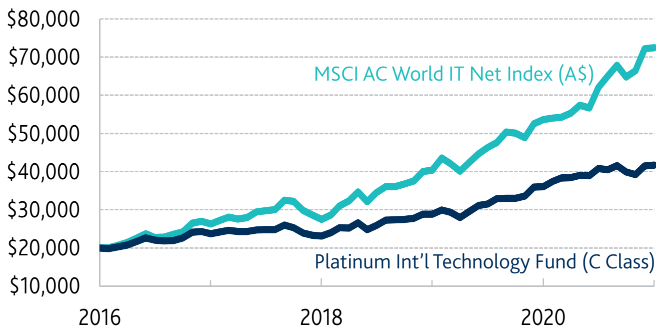
(compound p.a.⁺, to 31 December 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	5%	16%	22%	16%	11%
MSCI AC World IT Index^	12%	35%	38%	29%	5%

⁺ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 18 May 2000.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World IT Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance. See note 1, page 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2016 to 31 December 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 4.6% for the quarter and 15.6% for the year.[1]

Technology stocks ended the year on a high note with the Nasdaq-100 Technology Sector Index returning 11% for the quarter and 27% for the year. The more cyclical part of the market represented by the PHLX Semiconductor Sector Index rose 21% for the quarter and 41% for the year.

Software stocks were less exuberant as investors questioned extreme valuations following several disappointing earnings announcements. The S&P North American Technology Software Index (trailing price-to-earnings ratio 103) rose 1% over the quarter. High growth but unprofitable technology companies fell sharply during the quarter: the Morgan Stanley Unprofitable Tech basket fell -15% and the ARK Innovation ETF Basket fell -14%.

Major contributors to the Fund's performance during the quarter were semiconductor stocks. **Micron Technology** (+31%), **SK Hynix** (+27%) and **Lam Research** (+26%) performed strongly as the companies reassured investors that recent price weakness for DRAM and NAND memory semiconductors should abate by mid-2022. Customer demand from cloud/data centre and 5G smartphone manufacturers remains solid and should support unit shipments. Supply shortages of non-memory components in the PC market appear to have stabilised and customer inventory adjustments have largely been resolved.

Xilinx (+40%) reported strong revenue growth (+22% year-on-year), driven by the Data Centre, Industrial, Broadcast and Consumer segments. The company was the target of a takeover bid from Advanced Micro Devices (AMD) and is effectively trading in lockstep with the bidder's stock.

Ciena (+50%) also reported strong revenue growth (+26% year-on-year) as hyper-cloud customers and telecommunication operators returned to more normal spending patterns to address the continued bandwidth demands, following around two years of slow investment due to the pandemic. Optical networking, switching and routing

1 References to fund returns and performance contributions (excluding individual stock returns) in this Platinum International Technology Fund report are in AUD terms. Individual stock and index returns (excluding the MSCI AC World IT Index) are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

equipment are back in demand again, as witnessed by **Cisco Systems** (+16%), another holding in the Fund.

PayPal (-28%) was detrimental to the Fund's performance after investors reacted negatively to rumours suggesting a possible acquisition of social media platform Pinterest. We trimmed our position, as we frankly struggled to see the benefits of such a large acquisition without clear synergies. While adding 440 million new members to its existing 415 million customer base may look good on paper, we suspect management were perhaps trying to jump-start membership growth without giving proper consideration to Pinterest's largely non-transactional business nature. Management soon reconsidered the idea and officially stated they have no interest in pursuing the deal. We maintain a reduced position in the company, as we like its secular growth characteristics, but we are more cautious about a short-term slowdown after last year's pandemic-induced boom in online payments.

Exposure to Chinese names also detracted from performance with e-commerce giant **Alibaba** (-16%) still a target of domestic regulatory actions, and online travel portal **Trip.com** (-19%) suffering from recurrent waves of regional lockdowns in China. **China Communication Services** (-12%) was also weak as investors worried about the slower-than-expected rollout of 5G base stations in the medium term. Our investment case is predicated on strong growth in the non-telco business, which remains on track.

During the quarter, we exited our residual holdings in **Carvana** and **Twilio**, and trimmed **Apple** and **Motorola Solutions** after strong performance. We added to our semiconductor memory holdings (**SK Hynix** and **Micron**) and added a new position in a leading hardware/storage player benefiting from strong long-term capital expenditure (capex) trends in data centres. We also added to **Ericsson**, the 5G infrastructure leader, after it announced the acquisition of Vonage, a leading cloud-based enterprise IP applications platform, used by around one million developers.

Commentary

At Facebook Connect, the company's virtual reality and augmented reality conference, CEO Mark Zuckerberg showcased several examples of future applications where physical, virtual and augmented reality converge in a novel online world commonly known as a "metaverse". Among them was "Horizon Home", an application allowing users to socialise as avatars in a shared, imaginary home while wearing its Oculus virtual reality headsets. Other concepts involved sending a holographic image of yourself to a concert with a friend attending in real life, sitting around a table in a virtual meeting with colleagues, or playing immersive games with friends.

When Zuckerberg also announced that Facebook would change its name to Meta Platforms, many commentators suspected it was a public relations manoeuvre to divert public attention away from current scrutiny and into a distant future of new applications and experiences. In reality, his motivations are most likely grounded in the deeper conviction that while Facebook is a hugely profitable advertising business, built on a social media platform, it is at risk of potentially being disintermediated. It is in fact, relying on the current dominating technology platforms powering billions of smart devices (namely Apple's iOS and Alphabet's Android operating system). Zuckerberg's strategic decision is to invest aggressively and try to build the next-generation computing platform independently of Apple and Alphabet, before they establish their dominant metaverses. Facebook recently said it would recruit 10,000 people in Europe over the next five years to build the required infrastructure.

It's still early days to understand which one will be the metaverse 'killer app', how successful all these applications will be, or how they will be monetised. One area though where consumers are readily embracing virtual experiences is gaming, particularly social gaming.

We invested in social gaming platform **Roblox** when it first came to the market through a direct listing in March 2021 and we recently added to our position. Roblox is a platform where users (mostly teenagers) can create 3D experiences (games, virtual places to hang out with friends, virtual concerts or virtual stores) and share them with other users. Users can then interact with other gamers in these worlds. While this might sound absurd to non-digital natives, more than half of US children and teenagers under the age of 16 play on the Roblox platform, and the average user spends 2.5 hours a day on it.[2] A simplified way of thinking of this business, is as a YouTube of 3D games and experiences.

Gaming is generally a tough industry to compete in: AAA games can take several years to produce and development costs can reach into the US$100 million range. As a result, gaming studios tend to focus on producing sequels of established franchises or formats where they can achieve a certain and reasonable return on investment. Mobile games on the other hand, generally struggle to differentiate from one another, with a lot of the value accruing to the advertising networks.

Roblox has a unique model, which we believe is superior compared to traditional gaming businesses.

2 Source: https://www.theverge.com/2020/7/21/21333431/roblox-over-half-of-us-kids-playing-virtual-parties-fortnite, Roblox company reports, respectively.

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
North America	46%	47%	48%
Asia	24%	24%	20%
Europe	9%	10%	8%
Japan	5%	4%	2%
Cash	15%	15%	22%
Shorts	-3%	-3%	-3%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Information Technology	52%	50%	49%
Communication Services	19%	19%	20%
Consumer Discretionary	7%	9%	3%
Industrials	5%	5%	3%
Health Care	0%	0%	0%
Other	-1%	-1%	0%
TOTAL NET EXPOSURE	81%	82%	75%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	US	Comm Services	6.5%
Ciena Corp	US	Info Technology	4.3%
Taiwan Semiconductor	Taiwan	Info Technology	4.0%
Facebook Inc	US	Comm Services	3.9%
SK Hynix Inc	South Korea	Info Technology	3.9%
Samsung Electronics Co	South Korea	Info Technology	3.6%
Micron Technology Inc	US	Info Technology	3.6%
Constellation Software	Canada	Info Technology	3.4%
Microchip Technology Inc	US	Info Technology	3.2%
Lam Research Corp	US	Info Technology	2.9%

As at 31 December 2021. See note 5, page 44.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pitf.

Ralph Lauren has come to Roblox.
Image Credit: Roblox

Roblox is vertically integrated and includes the equivalent of an 'app store', where users can choose from the millions of available experiences, a game engine to make it easy for non-technical users to create in 3D, back-end infrastructure, hosting services, and content moderation systems to ensure safety on the platform.

It has network effects, with around 230 million monthly average users.[3] Developers prefer to create games on the Roblox platform where they instantly address a large market, rather than use a separate app and try to build an audience from scratch. Similarly, users would rather play on Roblox given it has the most developers creating the best content for them. Furthermore, as users play with friends, similar to social media, they tend to stick together on the platform, feeding a virtuous loop of content creation, higher engagement and audience growth.

Roblox has an iterative and more efficient economic model of developing games. Developers can launch an initial basic concept and then adjust or fine-tune the game according to users' behaviour, engagement and feedback. Moreover, developers are remunerated in proportion to their game's success.

Outlook

While the world seems to be learning to adapt and live with COVID-19 and its new variants, disruptions persist across many industries and continue to hurt technology companies' supply chains. As inflation raises its head in developed and developing economies, fears are spreading that it may not be a temporary phenomenon. Investors are likely to be less forgiving with high-growth/highly valued technology stocks if they do not deliver the expected results. At the same time, a rotation into more cyclical stocks is likely to continue. We have positioned the portfolio accordingly, but we are ready to deploy our cash should the proverbial baby be thrown out with the bathwater.

3 Source: https://v3.rtrack.live/landing as at October 2021.

Glossary

Dividend yield

A ratio that indicates how much a company pays out in dividends each year relative to its share price.

Earnings yield

A company's earnings per share over a 12-month period divided by its share price and expressed as a percentage, the earnings yield is the reciprocal of the price-to-earnings (P/E) ratio and is a measure of the rate of return on an equity investment.

Earnings before interest and tax (EBIT)

A measure of a company's profitability, EBIT is all profits before deducting interest payments and income tax expenses. It is calculated as revenue minus cost of goods sold and operating expenses.

Price-to-book ratio (P/B)

The ratio of a company's current share price to its book value (total assets minus intangible assets and liabilities). It is an indicator of the value of a company by comparing its share price to the amount of the company's assets that each share is entitled to.

Price-to-earnings ratio (P/E)

The ratio of a company's current share price to its per-share earnings, P/E is used as an indicator of the value of a company by comparing its share price to the amount of per-share earnings the company generates. A high P/E ratio suggests that the company's share price is expensive relative to the company's profits, which usually implies that investors are expecting the company's future profits to grow quickly.

Return on equity (RoE)

RoE is a measure of a company's profitability and the efficiency with which it generates earnings from every unit of the funds that shareholders have invested in it. It is calculated as profit (or net income after taxes) divided by shareholders' equity.

Purchasing Managers' Index (PMI)

An indicator of the economic health of the manufacturing sector. It is derived from monthly surveys of purchasing executives at private sector companies and is based on five major indicators: new orders, inventory levels, production, supplier deliveries and employment environment. A reading of greater than 50 indicates expansion of the manufacturing sector when compared to the previous month, while a reading of under 50 represents a contraction.

Quantitative easing (QE)

A monetary policy used by central banks to increase the supply of money by buying government bonds (and, to a lesser extent, other assets such as corporate bonds and shares) from the market. The intended outcome is to lower the yield on those assets, increase the total money supply in the financial system, and encourage more lending by banks and thus greater economic activity. Central banks use QE to stimulate the economy when interest rates are already at or close to zero.

Shorting

Short-selling or "shorting" is a transaction aimed at generating a profit from a fall in the price of a particular security, index, commodity or other asset. To enter into a short sale, an investor sells securities that are borrowed from another. To close the position, the investor needs to buy back the same number of the same securities and return them to the lender. If the price of the securities has fallen at the time of the repurchase, the investor has made a profit. Conversely, if the price of the securities has risen at the time of the repurchase, the investor has incurred a loss.

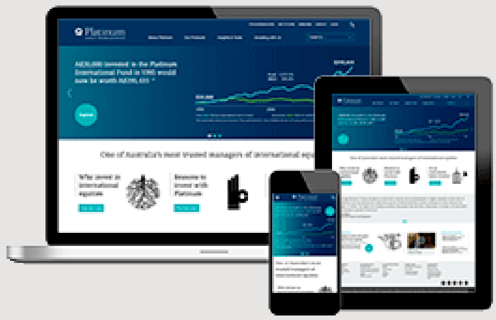
Yield

Yield refers to the income generated from an investment (such as interest from cash deposits, dividends from a shareholding, or rent from property), usually expressed as an annual percentage rate based on the cost of the investment (known as cost yield) or its market price (known as current yield). For bonds, the yield is the same as the coupon rate (assuming the bond is purchased at par or is trading at par). Any increase or decrease of the yield relative to the coupon rate is approximately inversely proportional to any change in the bond price (yields fall as prices rise, and vice-versa).

Yield curve

A yield curve plots the interest rates (or yields) of comparable debt instruments with different maturities. Starting on the left with the yields of shorter-term instruments, the curve typically slopes upwards to the right, reflecting investors' desire to be compensated for the uncertainty associated with locking their money away for longer periods of time. An inverted yield curve occurs when longer-term debt instruments have a lower yield than shorter-term debt instruments, reflecting expectations of weaker economic conditions – and hence lower interest rates – in the future.

The Journal



You can find a range of thought-provoking articles and videos on our website. For ad hoc commentary on the latest market trends and investment themes, look up **The Journal** under **Insights & Tools**.

If you find yourself short on time to read our in-depth **reports** and **articles**, have a listen to our Quarterly Reports in **audio podcasts** or watch brief market updates in **video** format.

Recent highlights include:

- **Video – Pandemic-Hit Travel Sector Gives Rise to Opportunity.**[1] Investing in the travel sector at the beginning of the pandemic may have seemed a crazy idea for some, but not for long-term investors like Platinum. Before taking the plunge, however, there were three questions that needed to be answered. Portfolio manager Nik Dvornak explains.
- **Video – Don't Stay too Long at the Party.**[2] After a 12-year bull market, valuations are high and there are many signs of speculative activity. Bull markets always run their course and it often ends badly for those who remain at the party for too long. CEO and co-CIO Andrew Clifford explains why a conservative strategy is appropriate at this time.
- **Video – Resurging Inflation and the Changing Story of Money.**[3] Extraordinary levels of fiscal spending over the last 18 months coupled with central bank lending has caused a resurgence in inflation. With markets seemingly yet to catch up, a reckoning is likely on the cards. Investment specialist Julian McCormack succinctly explains the current inflation dilemma for policymakers and what it means for money, markets and our portfolios.
- **Video – Investing for Net Zero.**[4] As investors, we can find many different companies on the journey to net zero. Jodie Bannan delves into one such company, which might surprise you. UPM-Kymmene Oyj, once a 'boring' paper company facing decline, is finding other applications for its wood pulp to produce sustainable packaging alternatives to plastic and lower CO_2-emitting biofuels and bioplastics.
- **Webinar – Market Update.**[5] CEO and co-CIO Andrew Clifford and senior investment analysts Kirit Hira and Jack Cao provide their thoughts on markets, the ongoing economic recovery, inflation and Chinese regulatory activity. They also delve into portfolio positioning, drivers of recent returns and the exciting opportunities we are seeing, especially in Asia.
- **Video – Sustainable Investing Requires a Sustainable Approach** [6] While wind turbines and solar companies may be popular thematics in the ESG space today, just because they are beneficiaries of growth and change, doesn't automatically make them good investments. Co-CIO Clay Smolinski talks with our ESG investment specialist Jan van der Schalk on Platinum's approach to sustainable investing.
- **Podcast Series – Investing for Life.**[7] Douglas Isles interviews a wide variety of successful business people, drawing on Platinum's investment principles to unpack their respective stories, focusing on how temporary setbacks shaped their lives, the long-term steps they took to ensure they were on the right path, and how they stand out from the crowd.

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1 https://www.platinum.com.au/Insights-Tools/The-Journal/Pandemic-Hit-Travel-Sector

2 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Dont-Stay-too-Long-at-the-Party

3 https://www.platinum.com.au/Insights-Tools/The-Journal/Inflation-and-the-Changing-Story-of-Money

4 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Investing-for-Net-Zero

5 https://www.platinum.com.au/Insights-Tools/The-Journal/Platinum-Market-Update

6 https://www.platinum.com.au/Insights-Tools/The-Journal/Sustainable-Investing-Requires-a-Sustainable-Appro

7 https://www.platinum.com.au/Insights-Tools/The-Journal/Investing-for-Life-Podcast-02

Australasia's Best Sporting Team 2021: Sydney FC

In 2018, Platinum Asset Management in conjunction with GAIN LINE Analytics created Australasia's Best Sporting Team (ABST) to recognise the best team in Australia and NZ across a range of team sports.

Douglas Isles, an investment specialist at Platinum and co-architect of the ABST initiative, provides a brief overview of the award and 2021's winners.

The ABST award seeks to recognise long-term excellence in team sport, based on the idea that a hidden element to team success is purity of shared experience, or "cohesion". Well-built teams tend to win more, in sport and business.

The first award in 2018 was based on a 25-year study and was won by the Crusaders (rugby union) from Canterbury, NZ. Since 2019, the annual award has reflected team performance over rolling five-year periods; Melbourne Storm (rugby league) claimed the first two titles.

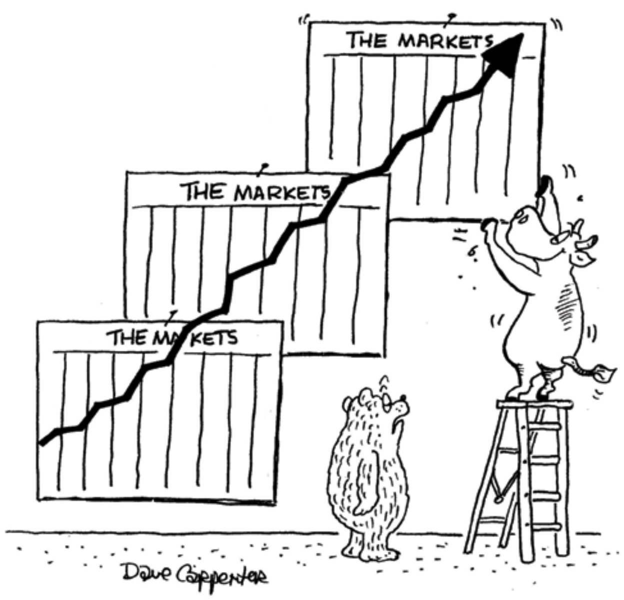
In 2021, we were delighted to announce Sydney FC (football) as the winners, recognising their achievements as a dominant football team in recent years. To make the award extra special, Sydney FC women's team, was the highest-performing female team and 5th placed team overall. With the Crusaders placed 2nd and Melbourne Storm 4th, it was Sydney Sixers (T20 cricket) in 3rd that rounded out the top five.

Sydney FC CEO Danny Townsend had previously shared the club's "vision to be the best sporting team in the country of any code". On receiving the ABST award for 2021, he said "to have the highest-rated men's and women's teams of all codes in Australia and New Zealand is a huge achievement. Over the last five years our Men's and Women's teams have competed in eight out of 10 grand finals and it is this consistency that has delivered this accolade."

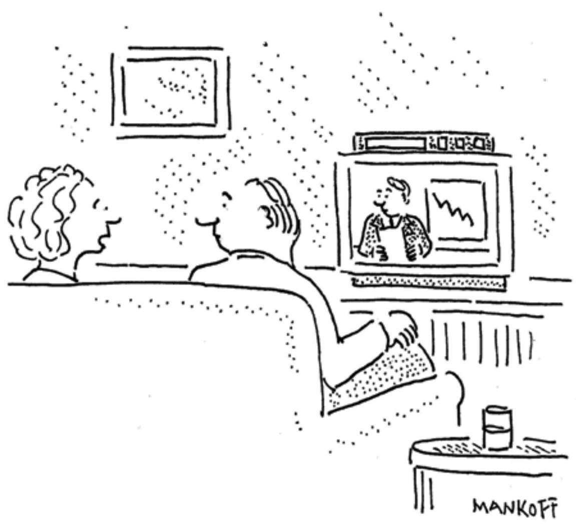
The award was presented to Sydney FC on the Opera House forecourt in late November, in the form of a grant to support the Sydney FC Foundation, specifically the Sydney FC Powerchair team.

(Left to Right): Dean McLelland (Platinum), Ally Green (Women's Player, Sydney FC), Steve Corica (Men's Coach, Sydney FC), Ben Darwin (GAIN LINE Analytics), Rhyan Grant (Men's Player, Sydney FC), Liz Norman (Platinum).

Some Light Relief



"Stop that gloating!"



"Why a market 'correction'? Why can't the market get it right the first time?

"I can't tell you what an honor it is
to be the keynote speaker
at the Supply Chain Management Seminar."

I promise not to make the same investment mistakes I made during the last boom. So, what's hot?

Notes: Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935).

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

1. Fund returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class of the Fund and represent the combined income and capital returns over the specified period. Fund returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. Where applicable, the gross MSCI index was used prior to 31/12/98. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, the Fund's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. The investment returns shown are historical and no warranty is 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.
2. The investment returns depicted in the graph are cumulative on A$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows the Fund's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. With effect from 31 May 2020, country classifications for securities were updated to reflect Bloomberg's "country of risk" designations and the changes were backdated to prior periods. "Shorts" show the Fund's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through derivative transactions.
4. The table shows the Fund's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".

   The Platinum Global Fund (Long Only) does not undertake any short-selling of stocks or indices. As a result, its net sector exposures through its securities positions and securities/index derivatives positions are its sector exposures through its long securities and long securities/ index derivatives positions.
5. The table shows the Fund's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

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Investor services numbers

Monday to Friday, 8.30am – 6.00pm AEST

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0800 700 726
New Zealand only

Or visit us at our office

Level 8, 7 Macquarie Place, Sydney

Platinum Asset Management is a Sydney-based manager specialising in international equities. The investment team uses a thematic stock-picking approach that concentrates on identifying out-of-favour stocks with the objective of achieving superior returns for our clients. We pay no heed to recognised indices. We aim to protect against loss and will hedge stocks, indices and currencies in our endeavours to do so.

The firm was founded in February 1994 by a group of professionals who had built an enviable reputation. The investment team has grown steadily and Platinum now manages around A$22 billion. Platinum's ultimate holding company, Platinum Asset Management Limited (ASX code: PTM), listed on the ASX in May 2007.

Since inception, the Platinum International Fund has achieved superior returns to those of the MSCI AC World Net Index (A$)* and considerably more than interest rates on cash.

* Please refer to page 2.

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