

# Platinum International Technology Fund



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## Performance

(compound p.a.<sup>+</sup>, to 30 June 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	13%	22%	13%	11%	10%
MSCI AC World IT Index^	16%	34%	27%	23%	3%

<sup>+</sup> 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 4. Numerical figures have been subject to rounding.

## Value of \$20,000 Invested Over Five Years

30 June 2015 to 30 June 2020



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 4.

The Fund (C Class) returned 12.7% for the quarter and 21.7% for the year.<sup>1</sup>

The market rally, which started in March, continued through most of the quarter, as the effects of monetary and fiscal stimulus, low long-term rates, hopes for a vaccine and return to normality all played into investors' thinking.

The technology sector in particular, experienced a significant recovery, with the pandemic catalysing changes in the way people go about their daily lives, increasingly shifting their work, social and shopping activities to online. Last quarter, we discussed many of these impacts across work and entertainment and as time has gone by, more and more examples of these shifts have come to light. Within our portfolio, during the quarter, **Twilio** (+145%) benefited from playing a core part in facilitating so many services now commonplace in our lives, such as telehealth, food and retail delivery, and remote customer service teams. **Carvana** (+118%) has seen a negative short-term impact on sales from reduced activity in the used car market, but surveys suggest people are now far more likely to consider purchasing a used car online and having it delivered, than they were only a few months ago, which portends well for the longer-term structural shift towards online purchases as opposed to brick and mortar car yards. Holdings like **PayPal** (+82%), **eBay** (+75%) and **JD.com** (+50%) also benefited from consumers' shift towards e-commerce, with people avoiding shopping malls and developing new purchasing habits.

Another area of the portfolio which has been a slightly unexpected beneficiary, has been our holdings across the electric vehicle (EV) supply chain. Governments, across Europe in particular, have rolled out significant stimulus measures focusing on the electric vehicle market, as they aim to not just stimulate the economy but also shift their societies towards a more environmentally friendly future. These incentives have been very significant. For example, the cost of purchasing an electric vehicle in Germany has reduced in many cases by more than 20% as a result of these measures. Similar programs have been rolled out in France and elsewhere, while

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

in the longer term, VAT and registration cost exemptions are also in various stages of consideration or implementation.

These measures have represented a material change in the short-term outlook for a number of our more cyclical holdings exposed to vehicle electrification. A couple of months ago, it felt as though the automotive industry could be in for a bumpy ride and the share prices of related firms were marked down as a result, but now the market is embracing the space with enthusiasm. This has been reflected in the share prices of many of our holdings across the space, including battery manufacturer **Samsung SDI** (+51%), one of the leaders in automotive power semiconductors, **Infineon** (+55%) and **Analog Devices** (+37%) who, among their other activities, is the leading technology provider in EV battery management systems.

The primary stocks which detracted from performance during the quarter were our shorts, which rebounded sharply. With the benefit of hindsight, we should have reduced these short positions even more aggressively than we did during the sell-off earlier in the year.

The Australian dollar (AUD) also strengthened during the quarter, particularly relative to the US dollar (USD), which served to dampen reported returns. We did increase our exposure to the euro over the past few months, nevertheless the largest single exposure remains the USD, reflecting the domicile of our underlying assets.

## Changes to the Portfolio

During the quarter, we established small positions in two new stocks, one of which provides technology solutions to corporates in the travel sector, and the other operates in the out-of-home advertising space. Early in the quarter, we also continued adding to some of our existing holdings, taking advantage of the lower prices on offer.

One stock we purchased in the prior quarter and added to during the early part of this quarter is a company called **Medallia**. You may not be familiar with the company, but you have likely interacted with their products without knowing it. Medallia offers an "experience management platform",

helping organisations deliver a better experience to their customers and employees. Essentially the software platform collects feedback via simple surveys, for example a pop-up box that appears after you've bought something online saying "please rate your purchase experience from 1-5". This feedback is then collected and linked with a range of other information, such as purchase behaviour, loyalty, interactions across various touchpoints from stores, websites, call centres and so on. Having collated all this information, the platform funnels relevant findings and feedback to the appropriate teams within an organisation. This can catalyse suggestions for product changes, improvements to training programs, highlighting customers which might be at risk of leaving so that relationship managers can take corrective action, and a huge range of other potential actions. Medallia's customer list is comprised of major brands like Marriott, Telstra, Toyota and PayPal. For these large companies, even a small change in customer satisfaction can quickly have a meaningful financial impact. As a result, Medallia's platform is worth far more to clients than it costs. While the firm has operated for two decades, we believe the 'experience management' software industry is still relatively nascent and has a bright future. We are optimistic that over the course of time, our ownership stake in this industry leader will prove to be a rewarding investment.

As the quarter wore on and share prices across the sector increased quite dramatically, we found ourselves trimming back a number of holdings, in some cases even reducing exposure to companies which we had recently been adding to. The volatility in certain stocks has been quite remarkable. Carvana for example, reached a low point earlier this year in the low US\$20s and a high point more recently above US\$130. Rest assured, that we were adding to our position on the way down and in the US\$20s, and have since been reducing our exposure once more as the stock raced towards its highs, booking a tidy profit. During the quarter we also modestly reduced our holdings in Twilio, JD.com, Intel and Skyworks, taking advantage of sizable positive moves in those stocks. Finally, one of our small holdings, a Chinese web portal for cars, received a long-awaited takeover bid, which we intend to accept.

## Disposition of Assets<sup>^</sup>

REGION	30 JUN 2020	31 MAR 2020	30 JUN 2019
North America	56%	54%	48%
Asia	22%	23%	19%
Europe	9%	8%	10%
Japan	1%	1%	1%
Cash	12%	14%	21%
Shorts	-3%	-2%	-2%

<sup>^</sup> With effect from 31 May 2020, our country classifications for securities were updated to reflect Bloomberg's "country of risk" designations. These changes have been backdated to prior periods.

See note 3, page 4. Numerical figures have been subject to rounding.

Source: Platinum Investment Management Limited.

## Net Sector Exposures

SECTOR	30 JUN 2020	31 MAR 2020	30 JUN 2019
Information Technology	50%	48%	42%
Communication Services	25%	25%	24%
Consumer Discretionary	6%	6%	5%
Industrials	4%	5%	6%
TOTAL NET EXPOSURE	85%	84%	76%

See note 4, page 4. Numerical figures have been subject to rounding.

Source: Platinum Investment Management Limited.

## Net Currency Exposures<sup>+</sup>

CURRENCY	30 JUN 2020	31 MAR 2020	30 JUN 2019
US dollar (USD)	49%	49%	57%
Chinese yuan (CNY)	11%	11%	8%
Euro (EUR)	10%	8%	4%
Korean won (KRW)	8%	8%	8%
Australian dollar (AUD)	7%	7%	2%
Canadian dollar (CAD)	4%	4%	4%
Taiwan dollar (TWD)	3%	4%	3%
Norwegian krone (NOK)	2%	2%	3%
British pound (GBP)	2%	2%	3%
Japanese yen (JPY)	2%	2%	6%
Swedish krona (SEK)	1%	2%	1%
Hong Kong dollar (HKD)	0%	0%	2%

<sup>+</sup> With effect from 31 May 2020, our currency risk exposure classifications for securities were updated to match the relevant local currencies of the relevant Bloomberg "country of risk" classifications. These changes have been backdated to prior periods.

See note 5, page 4. Numerical figures have been subject to rounding.

Source: Platinum Investment Management Limited.

## Outlook

When we step back to consider the environment we're in, there are a lot of moving pieces. A pandemic rages on, while scientists and doctors race to mitigate its effects. Governments and central bankers are similarly working to ameliorate its economic impacts. There are riots, geopolitical tensions and an approaching US election. The list seems endless. Add to all of this, the long-standing anti-trust concerns that continue to hang over the tech sector.

Nevertheless, the core of what we do remains centred around understanding businesses and industries, gaining an appreciation for products, grappling with competitive dynamics and identifying attractive investment opportunities as they emerge. Technology is a dynamic sector, constantly evolving and presenting new opportunities. We remain confident we will continue to find attractive opportunities, despite the fact we are once again faced with higher-than-average valuations across the sector.

## Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	US	Comm Services	6.7%
Tencent Holdings	China	Comm Services	5.1%
Facebook Inc	US	Comm Services	4.8%
Samsung Electronics Co	Korea	Info Technology	4.0%
Constellation Software	Canada	Info Technology	3.5%
Taiwan Semiconductor	Taiwan	Info Technology	3.3%
Microchip Technology	US	Info Technology	3.3%
Paypal Holdings	US	Info Technology	3.2%
Skyworks Solutions	US	Info Technology	2.9%
Medallia Inc	US	Info Technology	2.8%

As at 30 June 2020. See note 6, page 4.

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>.

## 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 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. 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".
5. The table shows the Fund's net exposures to the relevant currencies through its long and short securities positions, cash at bank, cash payables and receivables, currency forwards and long and short securities/index derivative positions, as a percentage of its portfolio market value. Currency classifications for securities reflect the relevant local currencies of the relevant Bloomberg country classifications. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.
6. 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.

## Disclaimers

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