Platinum International Technology Fund

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Performance

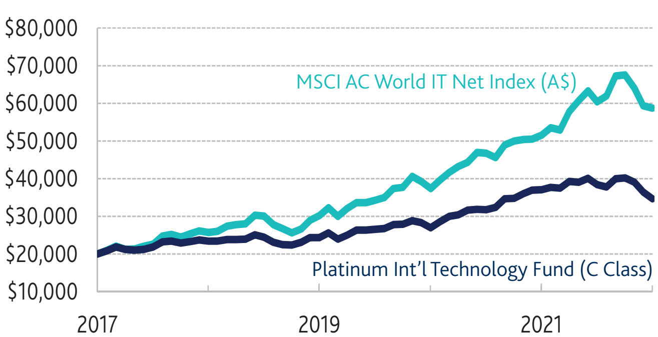
(compound p.a.⁺, to 31 March 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	-14%	-6%	13%	12%	10%
MSCI AC World IT Index^	-13%	14%	25%	24%	4%

⁺ 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

31 March 2017 to 31 March 2022



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 -13.7% for the quarter and -6.3% for the year.[1]

After a stellar performance in 2021, technology stocks started 2022 on a more sombre note. The Nasdaq-100 Technology Sector Index returned -13% for the quarter, with weakness spread across all sub-sectors of the technology space. The more cyclical PHLX Semiconductor Sector Index was also down -13% for the quarter, as investors started worrying about a potential slowdown in economic growth.

Software stocks suffered as well, as investors realised the risks of owning extremely highly valued names just as the US Federal Reserve (Fed) started tightening monetary policy to fight rampant inflation. The S&P North America Technology Software Index returned -14% for the quarter.[2] High-growth but unprofitable technology companies were down again during the quarter, with the Morgan Stanley Unprofitable Tech basket down -24%[3] and the ARK Innovation ETF down -30%.

The Fund was not immune from the turmoil. Investor sentiment turned negative during the first week of January, once it became clear the Fed would move more decisively towards raising interest rates from current ultra-low levels. This accelerated investors' switch away from growth into value stocks.

In late February, Russia's invasion of Ukraine and the subsequent spike in the oil price became the catalyst for a sell-off in European stocks and the more-cyclical companies, as fears emerged of a potential global economic slowdown. In mid-March, most markets finally found a temporary bottom and bounced, as investors' fears about China potentially providing direct military support to Russia were played down by the Chinese authorities. Chinese Vice-Premier Liu He, President Xi Jinping's top economic adviser, also played a part when he reassured jittery investors by promising support for real estate and technology companies after the recent regulatory crackdowns.

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.

2 Source: Bloomberg.

3 Source: Bloomberg.

In contrast to the above, the so-called 'tech mega-caps' (mega capitalisation companies) were fairly resilient, with the likes of Amazon and Apple only marginally down, while Microsoft and Alphabet declined by -8% and -4% respectively for the quarter. This resilience can be partly explained by a 'flight-to-safety' from investors during uncertain times.

Among our holdings, there were a few winners in areas that were more isolated from the global turmoil. In Europe, defensive telecom operator **Vodafone** was up 12%, supported by a bid for its Italian subsidiary from French rival Iliad. In Japan, gaming platform franchise **Nintendo** was up 15%, as it reported strong revenues and operating profit growth driven by software sales.

Several small short positions in highly valued and/or unprofitable technology stocks also contributed positively to the Fund's performance.

On the negative side of the ledger **Meta Platforms** (-34%, formerly known as Facebook) detracted from the Fund's performance as investors reacted negatively to its latest quarterly results. Moderate revenue growth forecast for the current year was below investors' expectations, while the company has aggressively stepped up its expenses in its new Facebook Reality Labs (Metaverse).

As people have diverted their attention to new large social platforms based on short video interactions (e.g. TikTok), Meta has shifted engagement towards similar formats by launching new products. Already very successful on Instagram, Reels has now been extended to the core Facebook App. Reels are fun and inspiring short videos consisting of music, audio, augmented reality (AR) effects, text overlays and more, that users can now create on the Facebook app. They can be shared with friends and fans in their core News Feed and to new audiences in a dedicated Reels section on Facebook and they should help to increase users' engagement.

Format transitions, however, tend to impact negatively on monetisation in the short term, as ads published in the new format initially do not earn the same amount of dollars per view/click/contact, while advertisers need to familiarise themselves with it. Facebook previously had to navigate through similar transitions (from desktop to mobile News Feed, from text to photos, and more recently from News Feed to Stories, another successful format). The company thinks they can successfully make the transition again and pointed out that Reels is now the biggest driver of engagement growth in Instagram.

The other headwind faced by Meta is the change to Apple's privacy and data collection policy that requires apps to ask permission to track users' data. This has reduced Meta's ability to effectively target advertising audiences and measure the efficacy of its campaigns. Interestingly, this did not impact Google in the same way, as Apple's policy did not apply to search through a browser. Meta estimates that the impact on revenue is US$10 billion on an annualised basis (around 7-8%), in line with our forecast. The company is working on solutions to adapt the platform to the new reality, and while it will take a while to improve, we are confident that the strength of the core business remains on solid ground. Meta remains attractive at the current valuation of 11.1x historic Price-to-Cash Flow.

Chinese internet names also detracted from performance, with e-commerce giant **Alibaba Group** (-6%), **Tencent** (-16%) and **JD.com** (-17%) suffering from negative news flow on regulatory pressures, compounded by fears of China's economic slowdown and renewed COVID-19 lockdowns. It was only in the middle of March, as mentioned above, that the government felt compelled to declare its support for the local economic powerhouses and even invited regulators to be more "market friendly". Perhaps they are realising that excessive zeal on the "common prosperity" mantra may eventually kill the golden goose, and the economy with it. We remain vigilant on the evolving Chinese regulatory landscape but believe that at current valuations, most of these regulatory adjustments have already been discounted into these companies' business models.

Changes to the Portfolio

The sharp market correction also gave us the opportunity to add to some of our positions at more attractive prices in semiconductors (**Microchip Technology** and **Rohm**), memory chips (**SK Hynix** and **Western Digital**) and payments (**PayPal**). We also re-established a position in **Booking Holdings**, the global leading platform in online travel, as the world hopefully learns to "live with COVID-19" and people start travelling again.

Finally, we exited our long-held position in **Apple**, as the current valuation does not leave much upside in our opinion. We also sold out of **Xilinx** (taken over by AMD) and **IHS Markit** (merged with S&P global).

At the end of the quarter, the Fund held a net invested position of 78%, with 15% in cash and 7% in shorts.

Disposition of Assets

REGION	31 MAR 2022	31 DEC 2021	31 MAR 2021
North America	43%	46%	47%
Asia	25%	24%	19%
Europe	11%	9%	8%
Japan	6%	5%	2%
Cash	15%	15%	24%
Shorts	-7%	-3%	-3%

See note 3, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2022	31 DEC 2021	31 MAR 2021
Information Technology	51%	52%	46%
Communication Services	17%	19%	20%
Consumer Discretionary	9%	7%	4%
Industrials	4%	5%	3%
Financials	1%	0%	0%
Other	-3%	-1%	0%
TOTAL NET EXPOSURE	78%	81%	73%

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	US	Comm Services	5.5%
SK Hynix Inc	South Korea	Info Technology	4.4%
Ciena Corp	US	Info Technology	4.2%
Microchip Technology Inc	US	Info Technology	4.2%
Taiwan Semiconductor	Taiwan	Info Technology	3.8%
Samsung Electronics Co	South Korea	Info Technology	3.6%
Constellation Software	Canada	Info Technology	3.6%
Micron Technology Inc	US	Info Technology	3.4%
Meta Platforms Inc	US	Comm Services	3.3%
Ericsson LM-B	Sweden	Info Technology	3.0%

As at 31 March 2022. See note 5, 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.

Outlook

The conflict in Ukraine has added fuel to the rising inflation fire, creating more disruption through the oil, agriculture and industrial supply chains. While we hope that Russia and Ukraine will soon reach an armistice or make peace in the affected areas, we need to realistically prepare for an extended period of sustained inflation as the geopolitical landscape is unlikely to quickly return to what it was before the conflict and COVID-19. The recent events are a spanner in the wheels of the complex global supply chain, and they add to pre-existing frictions created by the trade war between the US and China.

The world is clearly moving away from the last few decades of globalisation, in a reversal of the trend accelerated with the entry of China into the World Trade Organization (WTO) in 2001. This will have implications for how companies invest, co-operate internationally and develop new markets. The future is more likely to see some strategic sectors like energy, defence and technology being 'on-shored' within the relative safety of domestic borders rather than 'off-shored' to distant and often unstable countries.

Despite inevitable disruptions, areas like semiconductor manufacturing, renewable energies, electric vehicles, and data centres, are some of the most interesting themes to monitor for future growth opportunities. We believe the Fund is well positioned for these exciting new trends.

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 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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