Platinum International Technology Fund

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Performance

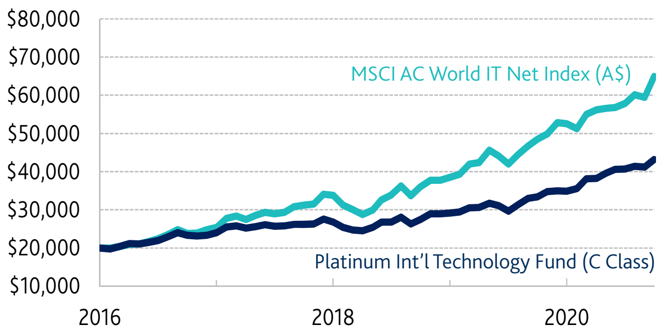
(compound p.a.+, to 30 September 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	-2%	21%	16%	16%	10%
MSCI AC World IT Index^	4%	29%	26%	28%	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

30 September 2016 to 30 September 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 4.

The Fund (C Class) returned -2.2% for the quarter and 20.9% for the year.[1]

Technology stocks were unable to replicate the strong performance of the first-half of the year in the third quarter. The Nasdaq 100 Technology Sector Index, which is representative of the largest US-listed technology stocks, fell -1% for the quarter compared to the strong 15% advance recorded in the first-half of the year. The PHLX Semiconductor Sector Index fell -3% for the quarter compared to an impressive 20% increase for the first-half. The software sector was, however, more resilient than other (more) cyclical sectors exposed to the uncertainties of the economic recovery. Some high growth/highly valued cloud/software as a service (SaaS) companies fared better. Market highlights included cloud data warehousing software specialist Snowflake (+25%), local darling Atlassian (+52%) and digital workflow specialist ServiceNow (+13%).

While an increasingly larger portion of the population in many developed countries has now been vaccinated, the rapid spread of the highly infectious COVID Delta variant has once again disrupted many governments' plans for a return to a more 'normal' life. Supply chain disruptions persist across several geographies and industries, as the emergence of COVID hotspots in many key industrial/logistic hubs force local authorities to lockdown cities and shut down factories and ports. That creates a domino effect, where even countries with low or minimal COVID cases cannot receive finished goods, components or raw materials because of bottlenecks elsewhere. Shipping and air freight channels have also slowed compared to the pre-COVID era, as scarcity of shipping containers and low air cargo capacity create frictions for 'just-in-time' assembly lines of industrial operations worldwide.

These disruptions have particularly impacted the semiconductor industry. As we previously described in the March 2021 quarterly report,[2] semiconductor makers have not been able to supply enough product to their customers

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

2 https://www.platinum.com.au/PlatinumSite/media/Reports/pitfqtr_0321.pdf

across several industries (automotive, smartphones, power management, industrial applications). These conditions persist with many industry executives recently indicating that:

1. Purchase order lead times are being extended.
2. Inventories at semiconductor factories are at extremely low levels.
3. Semiconductor prices are likely to increase in the future to reflect the higher costs incurred by semiconductor makers for materials, assembly, shipping etc.

The Fund's semiconductor holdings were negatively impacted by these dynamics. **Micron Technology** (-16% for the quarter), **SK Hynix** (-19%) and **Samsung Electronics** (-6%) all weakened, as the scarcity of various components in supply chains forced PC makers to cut back DRAM and NAND memory orders.

In China, we underestimated local regulators' impetus to implement President Xi Jinping's new "common prosperity" policies. Government intentions in relation to the after-school tutoring industry turned out to be much more draconian than we expected. **TAL Education** (-81%) suffered a large fall as the government effectively shut down the industry altogether, preventing private companies to run for-profit operations.

Similarly, **Alibaba** (-35%) and **Tencent** (-21%) detracted from the Fund's performance, as many Chinese internet platforms continued to suffer from concerns about regulatory scrutiny and newly introduced policies. We believe, however, that those risks are manageable and the government doesn't want these businesses to shut down permanently. While these changes are likely to temporarily slow down their growth trajectories, we believe the quality of their businesses should ensure sustainable long-term growth.

On the positive side, **Alphabet** (+9%) reported another strong set of results for the June quarter, with revenues +59% and net profit +86% compared to the corresponding period in 2019 i.e. pre COVID.

Software was an area of strong performance with **Constellation Software** (+11%) and its recently spun-out European business **Topicus.com** (+48%), **Oracle** (+12%) and **Microsoft** (+4%) all contributing positively to the Fund's performance.

In the semiconductor space, we were pleased to see **Ambarella** (+46%) record stronger-than-expected revenues, driven by orders for their computer vision chips. **ASML** (+11%) reported strong adoption of its dominant extreme ultra-violet (EUV) lithography technologies.

Changes to the Portfolio

During the quarter, we introduced a new position in **Longshine Technology**, a leading Chinese provider of software systems for the utility sector. At a time of transformation and modernisation for the Chinese electricity grid, Longshine is very well placed to offer multiple software solutions addressing grid interconnection, utility fees billing and electric vehicle (EV) charging payments. We found its revenue growth profile (+25%) and valuation (18x 2022 earnings) very attractive.

We increased our position in HK-listed **China Communication Services** (CCS), a SOE (state-owned enterprise) provider of telecom infrastructure services, software applications and business process outsourcing to the domestic telecom operators. Trading at a very attractive 6x earnings and 0.7x book value for 2021 (with a very large net cash position) and an improving outlook post the COVID slowdown, the company has slowly but successfully diversified its customer base away from low-margin traditional domestic telecoms. CCS is benefiting from digitalisation trends in the domestic market, thanks to the expertise developed with decades of work in telecoms, and they are now leveraging into several adjacent verticals (smart cities, data centres, business parks, intelligent buildings, utilities, Internet of Things, big data platforms, emergency management, airports, and highway operators, just to name a few).

We also added to Chinese Internet platforms **Alibaba** and **Trip.com**, taking advantage of their recent price weakness, as they now represent attractive value, despite the temporary headwinds of regulation and COVID slowdown.

In Japan, we increased our position in **DTS Corp**, a beneficiary of the Ministry of Economy, Trade and Industry (METI) campaign launched in 2018 to modernise information technology (IT) at Japanese companies before 2025. DTS is part IT systems integrator and part data management solutions/software engineering provider and it has an excellent track record, despite its relatively small scale. DTS revenues have grown twice as fast as the enterprise software market since the 2003 financial year (FY), rising +150% vs. +75%, and its operating profit margin has doubled from 6% in FY2009 (i.e. during the global financial crisis) to 12% in FY2020. It is a high-quality company that we were able to buy at a valuation of 6.5x March 2022 earnings.

In semiconductors, we added to our positions in **Infineon Technologies** and **Rohm Co.**, two leading suppliers of components for the automotive industry and EVs in particular.

Disposition of Assets

REGION	30 SEP 2021	30 JUN 2021	30 SEP 2020
North America	47%	48%	48%
Asia	24%	22%	20%
Europe	10%	8%	9%
Japan	4%	3%	1%
Australia	0%	0%	0%
Cash	15%	19%	22%
Shorts	-3%	-1%	-4%

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

Net Sector Exposures

SECTOR	30 SEP 2021	30 JUN 2021	30 SEP 2020
Information Technology	50%	46%	44%
Communication Services	19%	21%	22%
Consumer Discretionary	9%	9%	5%
Industrials	5%	3%	4%
Health Care	0%	0%	0%
Other	-1%	0%	0%
TOTAL NET EXPOSURE	82%	80%	74%

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	6.3%
Facebook Inc	US	Comm Services	4.1%
Taiwan Semiconductor	Taiwan	Info Technology	4.0%
Samsung Electronics	South Korea	Info Technology	3.7%
Constellation Software	Canada	Info Technology	3.1%
Ciena Corp	US	Info Technology	3.0%
Microchip Technology	US	Info Technology	2.9%
Tencent Holdings	China	Comm Services	2.7%
Medallia Inc	US	Info Technology	2.6%
JD.com Inc	China	Cons Discretionary	2.5%

As at 30 September 2021. 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.

We also added to our positions in **Ciena** (optical networking) and **Ericsson** (5G wireless telecom) following minor revisions in their short-term outlook. As we believe nothing has changed in their medium-term prospects we were happy to add to our positions at lower prices and more attractive valuations.

We reduced (**Carvana**, **IHS Markit**) or exited (**Roku**) some of the recent strong performers where we considered valuations now to be full. We also reduced our position in **Alphabet** following its impressive performance over the last 12 months (+82%) and regulatory headwinds may put more pressure on the stock.

We have introduced some short positions targeting unprofitable technology stocks trading at extreme valuations, as the risk of downward valuation adjustments for these stocks increases in a scenario of a return to monetary policy normalisation (i.e. higher interest rates).

Outlook

Disruptions persisting across global supply chains, resurgent (and perhaps resilient) inflation emerging in several countries and China's recent slowdown in economic activity are some of the main headwinds on the path to a sustained global economic recovery. More recently, surging energy costs were added to the list of worries, as the oil price climbed to three-year highs.

Despite the US Federal Reserve's continual reassurances, uncertainty about the future direction of inflation and interest rates remains elevated, and that will continue to impact the direction of technology stocks in the medium term. A scenario where interest rates rise too rapidly in response to tapering[3] too early would negatively impact high-valuation tech stocks, particularly SaaS and unprofitable ones.

On the other hand, a demand-driven strong economic recovery, would support more cyclical sectors such as hardware, semiconductors, e-commerce, digital advertising, gaming, and media.

Despite the challenges posed by higher valuations in many sectors we nevertheless continue to find new and interesting opportunities across the technology investment universe, emerging from familiar and less-familiar areas that we are very keen to explore.

3 Tapering refers to the reduction in the rate at which a central bank accumulates new assets (i.e. buying bonds) on its balance sheet under a policy of quantitative easing (QE). Tapering is the first step in the process of either winding down - or completely withdrawing from - a monetary stimulus program.

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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