Platinum International Technology Fund

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Performance

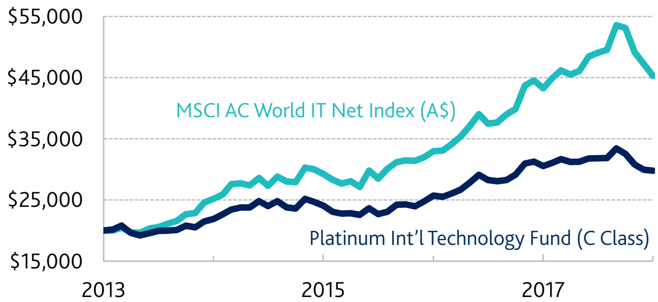
(compound pa, to 31 December 2018)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	-9%	-3%	7%	8%	9%
MSCI AC World IT Index^	-15%	5%	16%	18%	0%

* 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.
Historical performance is not a reliable indicator of future performance.
See note 1, page 4. Numbers have been subject to rounding adjustments.

Value of $20,000 Invested Over Five Years

31 December 2013 to 31 December 2018



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.
See notes 1 & 2, page 4.

Market volatility increased significantly during the quarter, and tech stocks were no longer spared (as many of them had been for the first nine months of 2018). We had increased the Fund's cash position fairly substantially through to early October, as well as introduced a handful of small short positions, which collectively helped to mitigate some of the impact of the market turmoil. The Fund (C Class) was down 8.5% for the quarter, while the tech sector benchmark fell 14.8%.[1] The Fund (C Class) is now down 2.5% for the year.

A range of factors impacted the tech sector. US interest rates have risen to a level where cash and fixed income securities now represent a relatively attractive asset class, making some investors reassess whether they are being appropriately rewarded for the risks associated with holding equities. Adding to this were trade war concerns, which can have broad ramifications for tech companies across what is now a globally integrated supply chain, and have led to a more cautious global consumer base. Some of the impact has been reflected in areas such as poor smartphone sales figures and weakening demand for automobiles.

As a result, some of our holdings saw their share prices marked down, particularly smartphone related companies such as Apple, AMS (3D sensors for smartphones), and Nissha (sensors for the touch screen interface). We had been reducing our positions in these three companies, but were nevertheless affected by the recent declines.

But it hasn't been all doom and gloom. As telcos around the world prepare to implement 5G, companies in our portfolio exposed to the infrastructure side of the communications industry have benefited, such as Ericsson and Xilinx (which make semiconductor chips for mobile base stations, data centres, and AI, among other things). Nevertheless, the market has been punishing towards companies with exposure to end devices, rather than network infrastructure, as it myopically focuses on month-to-month sales trends while ignoring the approaching opportunity in the proliferation of connected devices – be they smart cars, homes, or factories, which is set to be catalysed by the upcoming availability of 5G connectivity. As a result, we believe the sell-off has started to throw up some attractive opportunities, which we have selectively added to. These include, for example, a

1 MSCI All Country World Information Technology Net Index (A$).

well-run company with a duopoly position in specific areas of wireless connectivity, which is now trading on a single digit price-to-earnings (P/E) multiple. The company has net cash, is growing, and is earning high returns on capital.

Our holdings in memory chipmakers, such as Samsung Electronics, SK Hynix and Micron, experienced another weak quarter. This is another area where we had trimmed our holdings when prices were higher, but nevertheless suffered from the recent sell-off on our remaining positions. The memory chip market is a cyclical industry, which has consolidated down to a handful of companies over the past decade. As memory chip prices and profit margins are on a gradual decline from the current highly lucrative levels, investors have been shunning the sector, to the point where some of these companies are now trading on a low P/E multiple of 2 to 5 times and are priced below the cost it would take to replace their asset base. Such depressed valuations, we believe, are fully discounting any coming cyclical weakness. These companies have net cash, and are on lower valuations than we have seen for many years – in some cases **even cheaper, relative to the value of their assets, than at the troughs of 2008-09**. Again, taking advantage of the current price weakness, we have started to cautiously increase our positions in some of the firms in, or indirectly exposed to, the memory chip market.

Some of the Fund's smaller holdings had a tough quarter for company specific reasons. One telco we own saw its share price decline as a new management team (whom we have followed for years and have a lot of respect for) made the sensible decision to cut some unprofitable contracts. However, instead of looking forward to the improved profitability resulting from these actions, the market ignored the longer-term benefits and focused solely on the immediate lost revenue resulting from exiting the contracts. We expect the market will move beyond its knee-jerk initial reaction and recognise that this was a sensible trade-off. In the meantime, we are being paid a 14% dividend yield while we wait for the market to come around to our view.

Changes to the Portfolio

The market turmoil has also thrown up a range of other opportunities, which we have started to selectively take advantage of.

With the weaker than expected car sales numbers in some parts of the world during the last quarter, companies exposed to the automotive industry have been fairly indiscriminately discarded by investors. This has allowed us to start building a position in a high quality company with a key role in providing electrical components needed for the coming wave of electric vehicles – a firm we have admired for years but had previously

Disposition of Assets

REGION	31 DEC 2018	30 SEP 2018	31 DEC 2017
North America	40%	42%	33%
Asia	18%	20%	28%
Europe	11%	10%	14%
Japan	2%	3%	5%
Cash	29%	26%	20%
Shorts	-2%	-1%	0%

See note 3, page 4. Numbers have been subject to rounding adjustments.
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.

Net Currency Exposures

CURRENCY	31 DEC 2018	30 SEP 2018	31 DEC 2017
US dollar (USD)	58%	53%	48%
Hong Kong dollar (HKD)	10%	9%	15%
Korean won (KRW)	7%	7%	8%
Japanese yen (JPY)	6%	6%	5%
British pound (GBP)	5%	4%	4%
Euro (EUR)	3%	3%	4%
Canadian dollar (CAD)	3%	3%	2%
Norwegian krone (NOK)	3%	3%	2%
Swedish krona (SEK)	2%	2%	2%
Taiwan new dollar (TWD)	2%	3%	3%
Australian dollar (AUD)	1%	6%	4%
Swiss franc (CHF)	1%	1%	2%

See note 5, page 4. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

balked at the valuation. Our patience and price discipline has paid off, and the opportunity came for us to buy at a reasonable valuation. We have also taken the opportunity to increase our holding in an exciting e-commerce company in the automotive space, which is in the process of disrupting the way people buy and sell used vehicles in the US. Consumers love the convenience that this company's offering affords them, and are rewarding it with rapid sales growth. The recent market downturn has brought this market darling back to earth, giving us the opportunity to buy its shares at half the price it was trading at not long ago.

Regular readers may remember our discussions of the rapidly evolving and booming computer gaming sector in our June 2018 quarterly report. The recent market volatility has given us the opportunity to build a small initial stake in one of the premier gaming studios which has strong operations across PC, console and mobile platforms, as well as a key position in the vibrant e-sports market. This business is widely recognised as one of the best in the field, and as such has historically traded at a demanding valuation. After a sizeable sell-off over the past few months, the shares are finally approaching levels that we feel are attractive for long-term investors.

During the quarter, we also initiated a range of other small positions, some long, some short, across ad tech, online classifieds, food delivery marketplaces, software, payment processing, and databases.

Outlook

The volatility in the market seems set to continue for at least a little while longer. Trade worries linger on, regulatory pressures remain for the major tech companies, and liquidity – at least for the moment – continues to tighten in the US. Valuations across the sector have started to come down, the frothiness is being squeezed out of those pockets where it had started to emerge, and in some cases we are starting to see more attractive opportunities present themselves.

We still have a significant cash position in the Fund and are on the lookout for sufficiently enticing investment opportunities to put that money to work. Lower asset prices set the stage for more attractive future returns, so, to the extent that market prices continue to move down, we feel increasingly positive about the long-term prospects available to us.

Net Sector Exposures ^

SECTOR	31 DEC 2018	30 SEP 2018	31 DEC 2017
Information Technology	37%	39%	43%
Communication Services	25%	26%	27%
Industrials	4%	5%	4%
Consumer Discretionary	2%	3%	4%
Utilities	0%	<1%	1%
Financials	0%	0%	1%
TOTAL NET EXPOSURE	69%	73%	80%

^ A major GICS reclassification was implemented during the quarter. The changes affected the Information Technology, Communication Services (previously Telecommunication Services) and Consumer Discretionary sectors. Historical exposures have been updated for continuity.
See note 4, page 4. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	USA	Communication Services	5.9%
Tencent Holdings	China	Communication Services	3.8%
Samsung Electronics	Korea	IT	3.6%
Facebook Inc	USA	Communication Services	3.2%
Constellation Software	Canada	IT	2.6%
Microchip Technology	USA	IT	2.6%
Oracle Corporation	USA	IT	2.5%
Apple Inc	USA	IT	2.4%
Samsung SDI	Korea	IT	2.2%
Taiwan Semiconductor	Taiwan	IT	2.1%

As at 31 December 2018. See note 6, page 4.
Source: Platinum Investment Management Limited.

Notes

1. Fund returns are calculated using the net asset value (NAV) unit price (which does not include the buy/sell spread) of the stated unit class of the Fund and represent the combined income and capital returns of the stated unit class over the specified period. Fund returns are net of fees and costs, are pre-tax, and assume the reinvestment of distributions. Returns for P Class are net of any accrued investment performance fee.

   The MSCI Index returns are in Australian Dollars and are inclusive of net official dividends, but do not reflect fees or expenses. For the purpose of calculating the "since inception" returns of the MSCI Index, the inception date of C Class of the Fund is used. Where applicable, the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then. Fund returns are provided by Platinum Investment Management Limited; MSCI index returns are sourced from FactSet.

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

   The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

   The stated portfolio values of C Class and P Class of the Platinum International Fund (PIF) do not include funds invested in PIF by the Platinum International Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PIF. The stated portfolio values of C Class and P Class of the Platinum Asia Fund (PAF) do not include funds invested in PAF by the Platinum Asia Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PAF.
2. The investment returns depicted in this graph are cumulative on A$20,000 invested in C Class (standard fee option) of the specified Fund over the specified period relative to the specified net MSCI Index in Australian Dollars.
3. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices.
4. The table shows, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant sectors through direct securities holdings as well as both long and short derivatives of stocks and indices. In the case of the Platinum Unhedged Fund, the Fund does not undertake any short-selling. Its net exposures are therefore the same as its long exposures.
5. The table shows the effective net currency exposures of the Fund's portfolio as a percentage of the Fund's net asset value, taking into account the Fund's currency exposures through securities holdings, cash, forwards, and derivatives. 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 10 long equity positions as a percentage of the Fund's net asset value, taking into account direct securities holdings and long stock derivatives. The designation "China" in the "Country" column means that the company's business is predominantly based in mainland China, regardless of whether the company's securities are listed on exchanges within mainland China or on exchanges outside of mainland China.

Disclaimers

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