Platinum International Technology Fund

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Performance

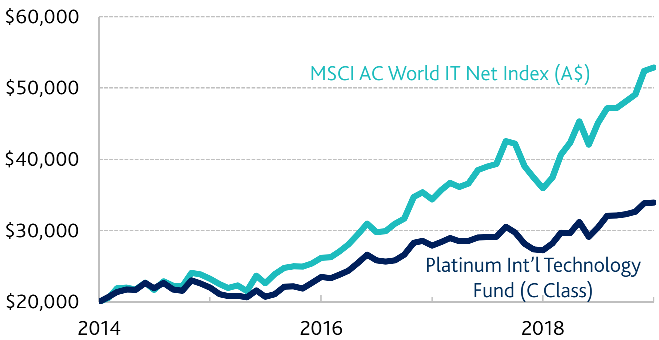
(compound p.a.+, to 31 December 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	5%	25%	13%	11%	10%
MSCI AC World IT Index^	10%	47%	26%	21%	2%

+ 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.
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 December 2014 to 31 December 2019



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.

The Fund (C Class) returned 5.1% over the quarter and 24.7% for the year.

There has been a significant turnaround in sentiment from a year ago. While it may seem like a distant memory, at that time the market was worried about rising interest rates, trade war concerns, fears surrounding more cyclical areas of the market, such as smartphones, automobiles, and industrials, and the seemingly perpetual regulatory concerns that loom over the tech sector. At the time, we had started selectively adding to existing positions exposed to these areas and entering new positions. With the benefit of hindsight, we perhaps could have been even more aggressive in increasing the size of these holdings.

Over the past quarter, sentiment improved towards many of these more cyclical areas that the market had been fretting about a year ago. Smartphone-exposed holdings, **Apple** and **Skyworks**, rose 31% and 53% respectively in local currency terms during the quarter, as smartphone sales stabilised in China and people began anticipating a cyclical recovery, coupled with anticipation that both firms could be beneficiaries of the adoption of 5G over the coming year.

Other holdings exposed to more cyclical sectors of the market, including automotive, industrial, and capital equipment, also rallied on increased optimism of a stronger demand environment. This benefited holdings like **Lam Research** (+27%), **Microchip** (+13%), **Infineon** (+23%), **Carvana** (+39%), and **Micron Technology** (+25%).

The increasingly optimistic cyclical outlook has also started to be priced into the Australian dollar, which had a relatively strong quarter and served as a modest headwind to our foreign currency denominated gains.

Offsetting some of the cyclical strength, our holdings in the telecommunications sector largely had a weak quarter (e.g. **Vodafone,** -9%), as many investors continue to shun businesses which are unable to demonstrate revenue growth.

The short position in **Tesla Motors** also moved sharply against us. Tesla reported a profit during the quarter and generated positive cash flows, versus expectations that they would continue making losses. With government subsidies (which have been helping Tesla) due to expire in January 2020, and new competition coming into the electric vehicle (EV) market this year, our belief remains that the market is pricing in too much success into Tesla's shares, but we must acknowledge the company's recent cost control has been better than we anticipated.

Changes to the Portfolio

During the quarter, we established a new position in promising young Japanese accounting software company, **Freee**. We only managed to secure a small allocation of shares in the Freee initial public offering (IPO), and with the shares trading up 75% from the IPO price within the first few weeks of listing, we have now largely exited the position.

The Fund also acquired a position in Chinese e-commerce giant, **Alibaba** during the quarter. Platinum has followed Alibaba for years, but it has not previously been held in the Platinum International Technology Fund. While the underlying business has continued to grow at a healthy clip, the shares, having gone sideways for two years as many US-based investors avoided Chinese shares in the face of the ongoing trade war, reached the point where we felt the valuation had become sufficiently attractive to justify taking a position in the Fund. The company remains the leading e-commerce player within China and should continue to benefit as purchases increasingly move online. The core e-commerce operation is only part of the Alibaba story however, as it also has strong positions in payments and financial services, the cloud computing market within China, and food delivery, among other things.

With the rising enthusiasm being reflected in market prices during the quarter, we took the opportunity to modestly reduce holdings in companies like Apple, Constellation Software, and IHS Markit. We also exited some small positions on both the long and the short side, including AMS and Just Eat.

Commentary

During the quarter, there was a notable change within the management team at the Fund's largest investment, **Alphabet**, the holding company for Google. Co-founders Larry Page and Sergey Brin, formerly CEO and President of Alphabet respectively, decided to step down from their operational roles within the organisation and hand over the reins to Sundar Pichai. Pichai has been CEO of the Google division within Alphabet since 2015, and has been with the firm since 2004. Page and Brin will remain on the board and shareholders. Given that the Google division – which includes YouTube and its cloud computing business – is by far the largest part of Alphabet, and Pichai was already running that, this management change isn't as big of a shift as it may initially appear. Essentially, this change is putting Pichai in charge of the capital allocation decisions across a number of Alphabet's more peripheral 'other bets', which include healthcare, autonomous driving, and drone delivery. These projects present exciting prospects, but typically have longer-dated and more uncertain pay-offs, which many investors are unwilling to ascribe value to, and some simply consider the billions of dollars cumulatively spent on such projects as a waste of money.

We are of the view that many of these projects likely do have real value however, and watch with interest as promising signs continue to build. Recently, a paper was published in the prestigious academic journal ***Nature***, showing Alphabet's artificial intelligence (AI) systems were able to outperform radiologists in accurately interpreting mammograms, presaging a future whereby their systems may be able to significantly enhance clinicians' effectiveness in detecting breast cancer. Meanwhile, Waymo continues to make slow and steady progress in autonomous driving; now offering an increasing number of truly unsupervised driverless vehicles, which can be hailed by members of the public via the Waymo One app in Phoenix Arizona. Partnerships and investment from industry also signal some of these early-stage projects may be on the right track. Energy giant Shell, for example, recently took a stake in Alphabet's kite-based wind-energy start-up, Makani, while biotech company, Gilead Sciences entered into a contract with Alphabet's Verily to investigate inflammatory autoimmune diseases.

Of course, when pursuing such new ventures, there will invariably be failures, but we believe these 'other projects' are largely being ascribed no, or even negative, value by the market and that the current share price can be more than justified by the core Google division – even acknowledging the regulatory scrutiny it is currently under. Its position in web search engines remains strong, YouTube is in a category of its own, there are increasing efforts to enhance and monetise its Google Maps asset, and even its cloud computing business is building a valuable position. Alphabet remains a core holding of the Fund, one that we believe, should continue to provide attractive returns over the coming years.

Disposition of Assets

REGION	31 DEC 2019	30 SEP 2019	31 DEC 2018
North America	52%	51%	40%
Asia	22%	20%	18%
Europe	9%	11%	11%
Japan	2%	2%	2%
Cash	16%	17%	29%
Shorts	-2%	-2%	-2%

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

Net Sector Exposures

SECTOR	31 DEC 2019	30 SEP 2019	31 DEC 2018
Information Technology	47%	45%	37%
Communication Services	24%	25%	25%
Consumer Discretionary	6%	5%	2%
Industrials	5%	5%	4%
TOTAL NET EXPOSURE	82%	81%	69%

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

Outlook

In the context of the current easy money, low interest rate environment, aggregate valuations across the technology space appear fair. Over the past few months, many of the highest fliers within the software and internet space have traded sideways, allowing this segment of the market to somewhat grow into their prices, although there does remain examples of exuberance. Meanwhile, many of the more cyclical companies have started to bounce as fears have dissipated. The demand outlook seems benign to modestly positive, although largely appears to have been priced into the market. Technology remains a dynamic sector, and as such, we expect we will continue to find attractive investment opportunities.

Net Currency Exposures

CURRENCY	31 DEC 2019	30 SEP 2019	31 DEC 2018
US dollar (USD)	59%	62%	58%
Korean won (KRW)	9%	8%	7%
Hong Kong dollar (HKD)	6%	6%	10%
Euro (EUR)	5%	3%	3%
Canadian dollar (CAD)	4%	4%	3%
Japanese yen (JPY)	4%	6%	6%
Australian dollar (AUD)	4%	0%	1%
Taiwan dollar (TWD)	3%	3%	2%
Norwegian krone (NOK)	3%	3%	3%
British pound (GBP)	2%	2%	5%
Swedish krona (SEK)	1%	1%	2%
Swiss franc (CHF)	0%	1%	1%

See note 5, 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	6.8%
Samsung Electronics Co	Korea	Info Technology	4.9%
Facebook Inc	US	Comm Services	4.4%
Tencent Holdings	China	Comm Services	4.2%
Constellation Software	Canada	Info Technology	3.5%
Skyworks Solutions	US	Info Technology	3.5%
Taiwan Semiconductor	Taiwan	Info Technology	3.4%
Microchip Technology	US	Info Technology	3.3%
IHS Markit Ltd	US	Industrials	2.5%
Apple Inc	US	Info Technology	2.5%

As at 31 December 2019. 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

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 market value of the Fund's positions, the Fund's effective exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices. "Shorts" relates to the effective exposures to short securities and short securities/index derivative positions.
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.

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