Platinum International Technology Fund

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Performance

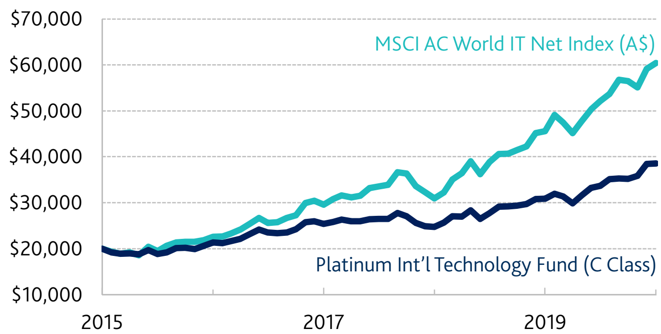
(compound p.a.⁺, to 31 December 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	9%	25%	15%	14%	10%
MSCI AC World IT Index^	7%	33%	27%	25%	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 December 2015 to 31 December 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 9.5% for the quarter and 24.9% for the year.[1]

With interest rates remaining firmly near zero, economic activity recovering and a vaccine within reach, the market rally continued during the quarter, with tech stocks remaining in favour.

Strength was fairly broad based across the portfolio. Our semiconductor memory holdings, **Samsung Electronics** (+39% for the quarter), **SK Hynix** (+41%) and **Micron Technology** (+60%), all reached new record highs during the quarter. This was driven by enthusiasm for cyclical improvements in end markets, like smartphones, as well as industry-specific developments, such as a power outage at a major fabrication plant, which reduced industry supply, as well as news that a leading Chinese competitor had defaulted on their debt during the quarter, which was taken as a sign that the competitive environment should remain favourable.

A number of holdings which are perceived to be secular winners still early in their life cycle, such as **Appian** (+150%), **Roku** (+76%) and **Twilio** (+37%), have continued to see their share prices race up. They all reported relatively strong results and the market seems increasingly comfortable extrapolating their continued success.

A broader-based economic recovery has also shown signs of taking hold. This, coupled with continued secular shifts towards electrification, renewables and digitisation across industrial and automotive sectors, resulted in a good showing for our analog and mixed-signal semiconductor investments. These include **Microchip Technology** (+34%), **Analog Devices** (+27%), **Infineon** (+30%) and **Rohm** (+23%). The market's enthusiasm for electric vehicle plays was also evident in battery maker **Samsung SDI's** shares (+45%).

Two of our holdings received take-over offers during the quarter. **Xilinx** (+36%) received a bid from AMD, as the latter continues to bolster their chip portfolio to help them compete in the data centre space. Also, data provider **IHS Markit** (+14%) received a bid from S&P Global.

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 are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

While the portfolio largely performed well, there were a small number of detractors during the quarter. **China Mobile** (-11%) and **China Communication Services** (-25%) both declined, as the trade war continues to take casualties and telecommunications remains firmly out of favour. **Lumen** (-3%) also continues to languish, as the market is showing a strong preference for businesses which can deliver fast growth. **Alibaba** (-21%) declined as regulatory scrutiny intensified and the initial public offering (IPO) of their electronic payment subsidiary 'AliPay' was cancelled.

Our short positions also detracted from performance, as the bull market rages on.

The Australian dollar continued to strengthen relative to the US dollar during the quarter, which tempered our reported returns.

Changes to the Portfolio

We have reduced our holdings in **Appian**, **Roku** and **Carvana**, which have all seen their share prices materially increase. While we continue to believe these companies are well placed, their share prices are increasingly reflecting this rosy future.

During the quarter, we also participated in a couple of IPOs, including software platform developers **Nuix** and **Plaid**, although we have since exited these positions as the share prices rose dramatically upon listing.

We also exited our position in **Focus Media**. This was an investment made earlier in the year, as investors were myopically focused on the short-term impacts that COVID-19 would have on their digital advertising business, as well as worrying about lingering competitive concerns. Over the past few months their business has recovered and the competitive environment is looking more benign, leading the shares to appreciate materially and providing us with a healthy exit price.

During the quarter, we established a handful of small new positions. These included companies exposed to: the growing demand for networking and data centre interconnection; cyber security; health data and analytics; and a firm looking to exploit changes that 5G will bring to the cellular market.

We also added to our position in **Boingo** during the quarter. Boingo controls wireless connectivity rights for a range of highly trafficked areas, like airports, stadiums and dormitories. We believe the company is well placed to benefit from the continued growth in wireless connectivity and throughput.

Commentary

The television industry is going through a period of significant change. Services like Netflix have been educating consumers that they should be able to watch what they want, when they want it. The old model of scheduled viewing times on linear TV has been losing the attention of audiences and COVID-19 only served to exacerbate this trend, as sporting events – a major drawcard for linear TV – were paused for a period.

Paid services like Netflix are great, but linear TV also provided an enormous amount of free, ad-supported content. While audiences are abandoning linear TV, advertisers have continued to pour money into it. There's a growing need for broader adoption of a new model for free, ad-supported, on-demand viewing. This is where Roku comes in.

Roku provides the hardware to bring internet connectivity to old TVs, as well as a leading operating system for smart-TVs, its own ad-supported on-demand streaming service, and sophisticated advertising technology. Today, one-in-three televisions purchased in the US come with Roku's operating system pre-installed, and Roku's international presence is growing as well. Consumers love Roku's offering, as buying a TV with their operating system typically means getting a cheaper and higher-quality TV than they could have otherwise purchased. Roku's streaming service is seeing increasing adoption, which is no surprise – what's not to like about high-quality free content with significantly less ads than linear TV? Additionally, Roku's role as the television's operating system puts them in a unique position to understand viewers, in the personalised world of connected television content.

When we first invested in Roku a couple of years ago, the market remained somewhat sceptical about the outlook for its business. There were plenty of short-sellers and a high short-interest, oft-repeated concerns about competition from larger companies, and questions about how much money Roku would ever be able to earn. Since then, sentiment has flipped. Short-sellers have largely disappeared, and the stock is up seven-fold. It's been a profitable and remarkably rapid journey. While we have reduced our exposure in recent months, we retain a position in the business, as well-run, founder-led companies, with long growth runways have a tendency to positively surprise.

Dramatic industry transitions, such as the shift of scripted TV from linear to on-demand viewing, often present multiple opportunities for investors. It is a space we continue to watch closely, and do have other investments, which we believe could also end up benefiting from these trends.

Disposition of Assets

REGION	31 DEC 2020	30 SEP 2020	31 DEC 2019
North America	48%	48%	51%
Asia	20%	20%	22%
Europe	8%	9%	9%
Japan	2%	1%	2%
Cash	22%	22%	16%
Shorts	-3%	-4%	-2%

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

Net Sector Exposures

SECTOR	31 DEC 2020	30 SEP 2020	31 DEC 2019
Information Technology	49%	44%	47%
Communication Services	20%	22%	25%
Industrials	3%	4%	6%
Consumer Discretionary	3%	5%	5%
TOTAL NET EXPOSURE	75%	74%	82%

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	5.4%
Samsung Electronics	Korea	Info Technology	4.6%
Taiwan Semiconductor	Taiwan	Info Technology	3.9%
Tencent Holdings	China	Comm Services	3.6%
Facebook Inc	US	Comm Services	3.6%
Samsung SDI	Korea	Info Technology	3.1%
Constellation Software	Canada	Info Technology	2.9%
Microchip Technology	US	Info Technology	2.9%
Medallia	US	Info Technology	2.8%
PayPal Holdings	US	Info Technology	2.3%

As at 31 December 2020. 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

Equity markets remain attractively valued relative to bonds on some measures, however, there are increasing signs of speculative excess appearing in pockets of the market. In recent months we have seen companies, which have barely generated any revenues, being valued by the market in the tens-of-billions of dollars, and have seen huge spikes in the trading volumes in certain companies' securities. There have been an increasing number of new tech companies coming to market, taking advantage of the valuations and terms on offer. While many of these newly listed firms appear to be quite well-run businesses with attractive offerings, there certainly seems to be the odd bad egg slipping through. Investors have been scrambling over one another to get their hands on new issues, with many IPOs massively oversubscribed, and it's not uncommon to see shares rising more than 50% on the first day of trading. Bearing in mind the old adage to "be fearful when others are greedy, and greedy when they are fearful", these datapoints collectively suggest a bias towards caution may be warranted.

That said, other pockets of the market still appear relatively attractive, and we are also presented with a large number of interesting new businesses to better acquaint ourselves with. The net exposure of the Fund has increased slightly as we have continued to find some new prospective opportunities to put capital to work. As always, the dynamic nature of the technology sector should continue to offer up attractive opportunities for enterprising investors to make money on, and we remain firmly focused on ferreting out these opportunities.

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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