Platinum International Technology Fund

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Performance

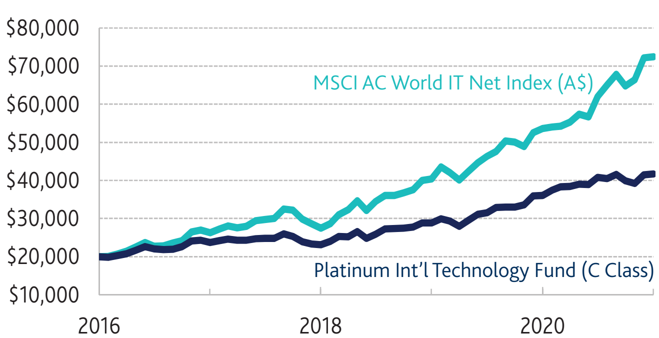
(compound p.a.+, to 31 December 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	5%	16%	22%	16%	11%
MSCI AC World IT Index^	12%	35%	38%	29%	5%

+ 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 2016 to 31 December 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 4.6% for the quarter and 15.6% for the year.[1]

Technology stocks ended the year on a high note with the Nasdaq-100 Technology Sector Index returning 11% for the quarter and 27% for the year. The more cyclical part of the market represented by the PHLX Semiconductor Sector Index rose 21% for the quarter and 41% for the year.

Software stocks were less exuberant as investors questioned extreme valuations following several disappointing earnings announcements. The S&P North American Technology Software Index (trailing price-to-earnings ratio 103) rose 1% over the quarter. High growth but unprofitable technology companies fell sharply during the quarter: the Morgan Stanley Unprofitable Tech basket fell -15% and the ARK Innovation ETF Basket fell -14%.

Major contributors to the Fund's performance during the quarter were semiconductor stocks. **Micron Technology** (+31%), **SK Hynix** (+27%) and **Lam Research** (+26%) performed strongly as the companies reassured investors that recent price weakness for DRAM and NAND memory semiconductors should abate by mid-2022. Customer demand from cloud/data centre and 5G smartphone manufacturers remains solid and should support unit shipments. Supply shortages of non-memory components in the PC market appear to have stabilised and customer inventory adjustments have largely been resolved.

Xilinx (+40%) reported strong revenue growth (+22% year-on-year), driven by the Data Centre, Industrial, Broadcast and Consumer segments. The company was the target of a takeover bid from Advanced Micro Devices (AMD) and is effectively trading in lockstep with the bidder's stock.

Ciena (+50%) also reported strong revenue growth (+26% year-on-year) as hyper-cloud customers and telecommunication operators returned to more normal spending patterns to address the continued bandwidth demands, following around two years of slow investment due to the pandemic. Optical networking, switching and routing

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.

equipment are back in demand again, as witnessed by **Cisco Systems** (+16%), another holding in the Fund.

PayPal (-28%) was detrimental to the Fund's performance after investors reacted negatively to rumours suggesting a possible acquisition of social media platform Pinterest. We trimmed our position, as we frankly struggled to see the benefits of such a large acquisition without clear synergies. While adding 440 million new members to its existing 415 million customer base may look good on paper, we suspect management were perhaps trying to jump-start membership growth without giving proper consideration to Pinterest's largely non-transactional business nature. Management soon reconsidered the idea and officially stated they have no interest in pursuing the deal. We maintain a reduced position in the company, as we like its secular growth characteristics, but we are more cautious about a short-term slowdown after last year's pandemic-induced boom in online payments.

Exposure to Chinese names also detracted from performance with e-commerce giant **Alibaba** (-16%) still a target of domestic regulatory actions, and online travel portal **Trip.com** (-19%) suffering from recurrent waves of regional lockdowns in China. **China Communication Services** (-12%) was also weak as investors worried about the slower-than-expected rollout of 5G base stations in the medium term. Our investment case is predicated on strong growth in the non-telco business, which remains on track.

During the quarter, we exited our residual holdings in **Carvana** and **Twilio**, and trimmed **Apple** and **Motorola Solutions** after strong performance. We added to our semiconductor memory holdings (**SK Hynix** and **Micron**) and added a new position in a leading hardware/storage player benefiting from strong long-term capital expenditure (capex) trends in data centres. We also added to **Ericsson**, the 5G infrastructure leader, after it announced the acquisition of Vonage, a leading cloud-based enterprise IP applications platform, used by around one million developers.

Commentary

At Facebook Connect, the company's virtual reality and augmented reality conference, CEO Mark Zuckerberg showcased several examples of future applications where physical, virtual and augmented reality converge in a novel online world commonly known as a "metaverse". Among them was "Horizon Home", an application allowing users to socialise as avatars in a shared, imaginary home while wearing its Oculus virtual reality headsets. Other concepts involved sending a holographic image of yourself to a concert with a friend attending in real life, sitting around a table in a virtual meeting with colleagues, or playing immersive games with friends.

When Zuckerberg also announced that Facebook would change its name to Meta Platforms, many commentators suspected it was a public relations manoeuvre to divert public attention away from current scrutiny and into a distant future of new applications and experiences. In reality, his motivations are most likely grounded in the deeper conviction that while Facebook is a hugely profitable advertising business, built on a social media platform, it is at risk of potentially being disintermediated. It is in fact, relying on the current dominating technology platforms powering billions of smart devices (namely Apple's iOS and Alphabet's Android operating system). Zuckerberg's strategic decision is to invest aggressively and try to build the next-generation computing platform independently of Apple and Alphabet, before they establish their dominant metaverses. Facebook recently said it would recruit 10,000 people in Europe over the next five years to build the required infrastructure.

It's still early days to understand which one will be the metaverse 'killer app', how successful all these applications will be, or how they will be monetised. One area though where consumers are readily embracing virtual experiences is gaming, particularly social gaming.

We invested in social gaming platform **Roblox** when it first came to the market through a direct listing in March 2021 and we recently added to our position. Roblox is a platform where users (mostly teenagers) can create 3D experiences (games, virtual places to hang out with friends, virtual concerts or virtual stores) and share them with other users. Users can then interact with other gamers in these worlds. While this might sound absurd to non-digital natives, more than half of US children and teenagers under the age of 16 play on the Roblox platform, and the average user spends 2.5 hours a day on it.[2] A simplified way of thinking of this business, is as a YouTube of 3D games and experiences.

Gaming is generally a tough industry to compete in: AAA games can take several years to produce and development costs can reach into the US$100 million range. As a result, gaming studios tend to focus on producing sequels of established franchises or formats where they can achieve a certain and reasonable return on investment. Mobile games on the other hand, generally struggle to differentiate from one another, with a lot of the value accruing to the advertising networks.

Roblox has a unique model, which we believe is superior compared to traditional gaming businesses.

2 Source: https://www.theverge.com/2020/7/21/21333431/roblox-over-half-of-us-kids-playing-virtual-parties-fortnite, Roblox company reports, respectively.

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
North America	46%	47%	48%
Asia	24%	24%	20%
Europe	9%	10%	8%
Japan	5%	4%	2%
Cash	15%	15%	22%
Shorts	-3%	-3%	-3%

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

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Information Technology	52%	50%	49%
Communication Services	19%	19%	20%
Consumer Discretionary	7%	9%	3%
Industrials	5%	5%	3%
Health Care	0%	0%	0%
Other	-1%	-1%	0%
TOTAL NET EXPOSURE	81%	82%	75%

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	6.5%
Ciena Corp	US	Info Technology	4.3%
Taiwan Semiconductor	Taiwan	Info Technology	4.0%
Facebook Inc	US	Comm Services	3.9%
SK Hynix Inc	South Korea	Info Technology	3.9%
Samsung Electronics Co	South Korea	Info Technology	3.6%
Micron Technology Inc	US	Info Technology	3.6%
Constellation Software	Canada	Info Technology	3.4%
Microchip Technology Inc	US	Info Technology	3.2%
Lam Research Corp	US	Info Technology	2.9%

As at 31 December 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.

Ralph Lauren has come to Roblox.
Image Credit: Roblox

Roblox is vertically integrated and includes the equivalent of an 'app store', where users can choose from the millions of available experiences, a game engine to make it easy for non-technical users to create in 3D, back-end infrastructure, hosting services, and content moderation systems to ensure safety on the platform.

It has network effects, with around 230 million monthly average users.[3] Developers prefer to create games on the Roblox platform where they instantly address a large market, rather than use a separate app and try to build an audience from scratch. Similarly, users would rather play on Roblox given it has the most developers creating the best content for them. Furthermore, as users play with friends, similar to social media, they tend to stick together on the platform, feeding a virtuous loop of content creation, higher engagement and audience growth.

Roblox has an iterative and more efficient economic model of developing games. Developers can launch an initial basic concept and then adjust or fine-tune the game according to users' behaviour, engagement and feedback. Moreover, developers are remunerated in proportion to their game's success.

Outlook

While the world seems to be learning to adapt and live with COVID-19 and its new variants, disruptions persist across many industries and continue to hurt technology companies' supply chains. As inflation raises its head in developed and developing economies, fears are spreading that it may not be a temporary phenomenon. Investors are likely to be less forgiving with high-growth/highly valued technology stocks if they do not deliver the expected results. At the same time, a rotation into more cyclical stocks is likely to continue. We have positioned the portfolio accordingly, but we are ready to deploy our cash should the proverbial baby be thrown out with the bathwater.

3 Source: https://v3.rtrack.live/landing as at October 2021.

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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