Platinum International Technology Fund

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Portfolio Manager

Overview

- Tech stocks struggled this quarter, and the Fund declined 9.6%. Investor caution around future AI capital expenditures weighed on key holdings, including **Broadcom** (-30%), **Alphabet** (-18%), and **Microsoft** (-11%) as well as new positions in **Nvidia** and **Arista**. **Amazon** also fell ~13% as tariff concerns raised fears of weaker consumer spending.
- We misjudged the quality and durability of **Trade Desk's** earnings. The company reported much weaker results than we had expected and was a ~70bps drag on performance. On the positive side, defensive holdings such as **Veeva** (+10%), **Visa** (+10%), **Mastercard** (+4%), and **SAP** (+9%) held up well. The short book also added ~40 basis points to total returns.

Performance

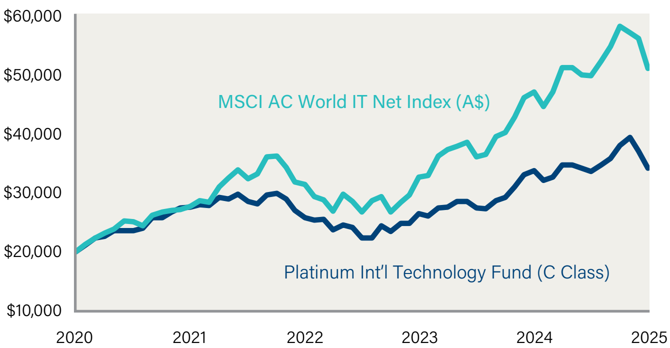
compound p.a.+, to 31 March 2025

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	-10%	2%	10%	11%	10%
MSCI AC World IT Index^	-12%	9%	18%	21%	6%

+ 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 5. Numerical figures have been subject to rounding.

Value of $20,000 invested over five years

31 March 2020 to 31 March 2025



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 5.

We made several key changes to the portfolio:

- We took advantage of market volatility to build a 4% position in GPU maker **Nvidia** at a relatively attractive price. Nvidia is effectively a monopoly on selling GPUs for AI training and inferencing.
- Similarly, we bought a ~2% position in **Arista Networks**. The company makes high performance networking hardware and software for datacentres and enterprises and fits into our entrenched hardware business model. It's likely AI driven demand for networking infrastructure will drive another phase of profitable revenue growth. That potential is not priced in – the company is currently priced at ~31x PE – roughly in line with its long term averages.
- We funded these positions by trimming **Meta** and **Google**. It's likely both companies will increase AI capex to match OpenAI's spending. Given market scepticism around monetisation and ROI on AI capex, that increase could be negatively perceived by investors.
- We exited our positions in **Nice Ltd.** and **Trade Desk** following weaker-than-expected earnings reports. Despite further research, we were unable to gain full clarity on the drivers on the poor results, nor could we mount a confident case that the weakness was temporary.

The portfolio exposure based on the Quality / Growth matrix are as follows:

Portfolio exposure (positions >1%)

BUSINESS QUALITY	GROWTH POTENTIAL		
	LOW POTENTIAL	AVERAGE POTENTIAL	HIGH POTENTIAL
BEST IN CLASS	4%	30%	7%
ABOVE AVERAGE	2%	31%	16%
AVERAGE	–	–	–
BELOW AVERAGE	–	–	–

Source: Platinum

Key portfolio holdings

BUSINESS QUALITY	GROWTH POTENTIAL		
	LOW POTENTIAL	AVERAGE POTENTIAL	HIGH POTENTIAL
BEST IN CLASS	Visa	Google, Meta, Microsoft, ASML, Cadence, Synopsys, Mastercard, Adobe	Autodesk, SAP
ABOVE AVERAGE	Texas Instruments, Analog Devices, Siemens	Netflix, TSMC, AMAT, Broadcom, Lam Research, Constellation, Tokyo Electron, Amphenol, Block	Amazon, Veeva, Adyen, Uber, PTC, Coupang
AVERAGE	–	–	–
BELOW AVERAGE	–	–	–

Source: Platinum

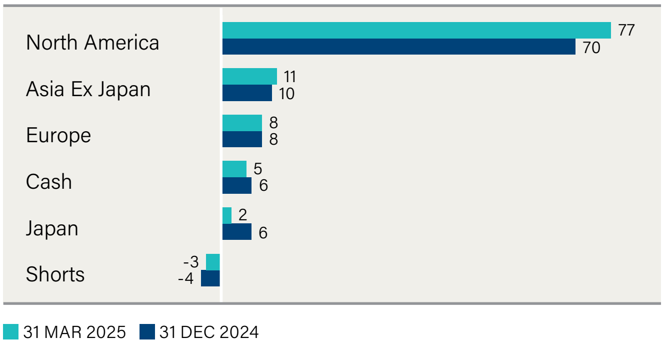
Commentary – the Nvidia quandary part II

Over the past two years, we have been reluctant to invest in Nvidia. As outlined in our Oct 2023 webinar and December 2023 quarterly, we worried about the medium term demand for GPUs. Whilst generative AI is a promising technology and Nvidia is undisputedly a strong business, uncertainties around use cases, business models and adoption kept us cautious. We thought that after a period of high investment by the industry and very little profit to show for them, big tech customers would pull back and private market funding dry up, reducing demand for GPUs.

Over the past quarter, the market narrative flipped and began to align with ours. Whilst underlying demand remained strong and big tech and OpenAI committed to even larger capex spending, Nvidia and other AI-capex names sold off. This was triggered by concerns that China's DeepSeek's ability to train comparable models at much lower cost will significantly reduce industry capital intensity. As often happens, this fuelled bearish commentary on the sustainability of AI capex given the lack of profits. We took advantage of the sell off to buy a ~4% position in Nvidia as we believe the asymmetry in the case is now more favourable. Three key factors drove our shift of view.

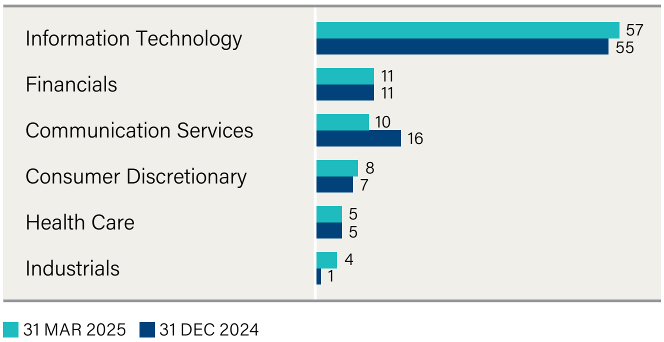
First, through industry discussions and by listening to commentary from industry participants we've become more open to the view that our focusing on short term profits is not the same lens in which industry participants view genAI's potential.

Disposition of Assets %



See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Amazon.com Inc	US	Cons Discretionary	6.0%
Broadcom Inc	US	Info Technology	5.8%
Microsoft Corp	US	Info Technology	5.5%
Veeva Systems Inc	US	Health Care	5.4%
SAP AG	Germany	Info Technology	5.1%
Constellation Software	Canada	Info Technology	5.0%
Taiwan Semiconductor	Taiwan	Info Technology	4.9%
Netflix Inc	US	Comm Services	4.8%
Mastercard Inc	US	Financials	4.4%
Visa Inc	US	Financials	4.4%

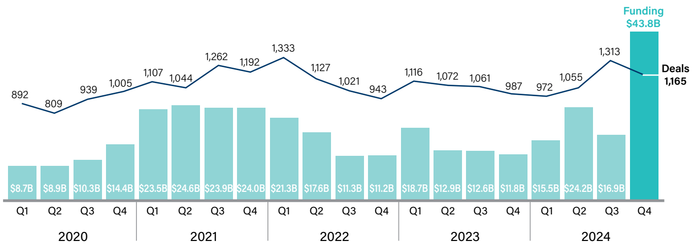
As at 31 March 2025. See note 5, page 5.
Source: Platinum Investment Management Limited.

OpenAI and other emerging competitors see AI as a way not just to disintermediate Google's search business, but other consumer services as well. If you can ask ChatGPT to call a ride share, this would commoditise Uber vs Lyft and grant OpenAI a larger share of the economics. To do so requires them to play the long game supported by large sums of capital. Incumbents like Apple, Alphabet and Meta view this threat as existential, making their continued investments a necessity.

So we see a scenario where big tech significantly increase AI related capex. OpenAI's announcement that they will spend ~$500bn over four years combined with private markets pouring even more capital into private AI companies (see chart below) will likely trigger more spending from Alphabet and Meta. Apple, who currently lag in AI investment, may be forced to accelerate efforts given the underwhelming performance of Apple Intelligence. With a combined ~$220bn in free cash flow and the ability to leverage their balance sheets, these companies have the ability to spend.

AI could also become a geopolitical issue with governments subsidising these capex investments, in the same way hundreds of billions subsidised the semiconductor industry over the past decade.

Quarterly equity funding & deals



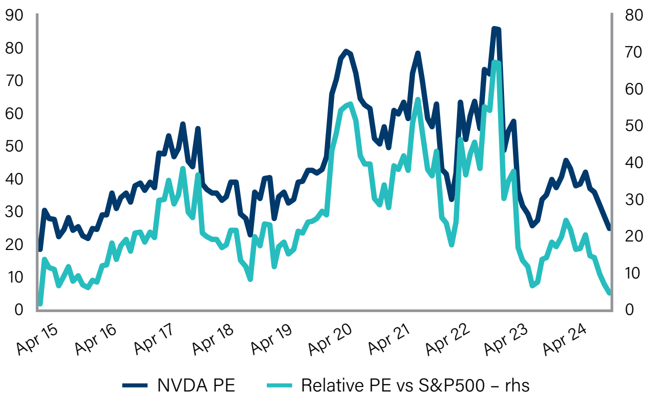
Source: CB Insights

Second, we are more open to the view that we are at the beginning of the product roadmap and a new generation of sophisticated tools will see faster adoption and monetisation as their usefulness improves. This should drive long term growth in inferencing driven by faster adoption curves for new workloads as well as increasing compute intensity of each workload New AI tools released over the past three months demonstrates this change.

- Adobe's AI-powered text-to-video tools have the potential to streamline tedious video editing workflows and disintermediate the stock video industry.
- OpenAI's Deep Research – an AI agent which autonomously browses the internet and compiles long form reports – is another promising development. As heavy users ourselves, we see its potential to replace tasks typically performed by interns or junior analysts.

Third, market scepticism is now reflected in Nvidia's valuations. The stock is now trading on ~25x fwd. PE, close to all-time lows on an absolute and relative basis. So the market pricing in either a ~40% decline in earnings (back to long-term mid cycle PE of ~40x), or a meaningful deceleration in growth to levels seen in FY14 and FY18. We are more optimistic than either of the two scenarios.

Nvidia: comparative valuation



Source: Platinum

Where could we be wrong? First, we could be wrong about industry participants' views as our conclusions were based on observations and interpretations. None explicitly spelt out the threats nor would we expect them to. Our case also hinges on public and private markets' appetite to fund these grand ambitions. Typically the appetite for funding capital intensive science projects dies during recessions. Non-conventional financing (e.g. Coreweave uses GPUs as collateral to borrow money to buy more GPUs) also dies off.

To provide some downside protection, we increased short exposure to more commoditised, low value parts of the value chain, to 'hype' stocks and companies who generative AI is disrupting (e.g. stock photo/video library businesses). If we are wrong on our core thesis, these names should provide us with some downside protection. If we are correct, Nvidia should outperform and grow earnings faster because it captures the majority of profits in the value chain.

Outlook

We are writing the morning after the US tariff announcement so the thoughts below are initial. Our portfolio can be categorised into three groups:

- Stocks where the *direct impact of tariffs is small* and there is *uncertainty* about future prospects including software companies like Microsoft (~40% of Fund) and domestic focused consumer platforms and services like Uber or Netflix (~25% of Fund). Most of these stocks are down 5 – 10% over the past month.
- Stocks where the *direct impact of tariffs is small* but there is *more uncertainty*. This include semiconductors and semi capex companies (~30% of the Fund). Both are exempt from tariffs but geopolitical uncertainty may impact growth in demand for high semi-content products like cars, mobile phones, servers and PCs. Most of these stocks are down 10 – 15% over the past month.
- Stocks where the *direct impact of tariffs is high* and there is *more uncertainty* about the future. This group makes up less than ~5% of the Fund and consist of real-world businesses like Arista and Siemens where there is a material mismatch between US revenues and US production. Most of the stocks in this group are down between 15 – 20% over the past month.

We are not macro economists and our decisions are based on bottom up assessments of companies, value chains and industries. We think the companies we own may be better insulated than average companies given most are mission critical, generate high value add and are in dominant positions, with the pricing power to flex up and down the supply chain to protect profits.

Take Amazon. Given the number of competing merchants on the platform, it's likely they will absorb the impacts of the tariffs as opposed to passing them on to consumers or Amazon.

We are trimming some of our semi capex exposures and rotating them into Electronic Design Automation software (software for chip design). Whilst we give up some of the upside if the cycle turns, we also have more downside protection as semi software spend is generally more durable vs capital spending.

We are waiting for attractive entry points on three types of stocks.

- Companies who have sufficient pricing power to offset tariff impacts – Apple is the obvious example.
- Companies who benefit from further de-globalisation of supply chains such as Texas Instruments which operates most of its fabs in the US.
- High quality/high growth companies with idiosyncratic drivers that have sold off recently along with the rest of the market. Intuitive Surgical is one example.

For the past year, we emphasised the need to be cautious amidst market exuberance and high valuations. Today, the situation is opposite. The market is fearful and valuations have retraced. This presents a great opportunity to own high quality businesses with high growth prospects at reasonable prices, thus increasing the likelihood of good returns over the medium term.

Notes

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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. Country classifications for securities reflect Bloomberg's "country of risk" designations. "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.

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