Platinum International Technology Fund

Alex Barbi
Portfolio Manager

Performance

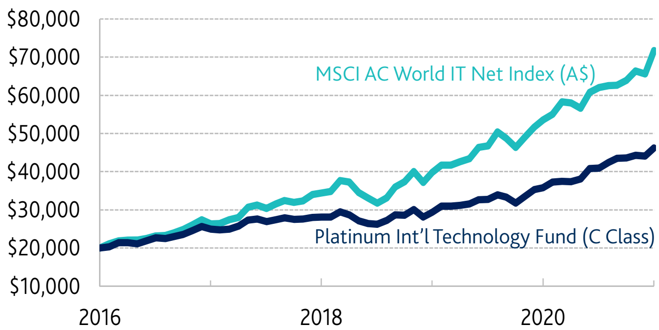
(compound p.a.+, to 30 June 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	6%	29%	18%	18%	11%
MSCI AC World IT Index^	12%	34%	28%	29%	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

30 June 2016 to 30 June 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 6.1% for the quarter and 29.2% for the year.[1]

Technology stocks performed strongly during the quarter, as investor sentiment in the US continued to improve, supported by improving economic data. US first-quarter gross domestic product (GDP) grew 6.4% quarter-on-quarter (qoq) on an annualised basis, consumer confidence rose strongly (albeit it remains below pre-COVID levels) and the unemployment rate was 5.9% in June, well down from its peak of 14.8% in April 2020.[2]

An increasingly large portion of the population in some developed countries has now been vaccinated, which has started to have a positive effect on economic activity.

Most importantly though, the robust earnings season was a key driver behind the strong performance. Earnings reported for companies in the S&P 500 Index were well above estimates. FactSet calculated that reported earnings per share (eps) grew 52% in the March quarter, which was more than double the estimated earnings growth rate of 24% originally predicted by analysts at the beginning of the quarter.

Within the S&P 500, while the Financials and Consumer Discretionary sectors recorded triple-digit earnings growth, Communication Services (+54%) and Information Technology (+42%) also delivered strong earnings growth.

The Nasdaq 100 Index rose 12% over the quarter, while the PHLX Semiconductor Sector Index rose 7% for the quarter and 70% for the 12 months to 30 June 2021.

The Fund's performance benefited from strong performance of some of its largest positions, driven by excellent earnings results.[3]

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum International Technology Fund report are in AUD terms. Individual stock and market returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

2 Source for all data: FactSet Research Systems.

3 All earnings and associated numbers in this report are sourced from individual company reports.

Key contributors included:

- **Alphabet** (+18%). First-quarter 2021 revenues accelerated strongly (+34% year-on-year) after the COVID-19 slowdown in 2020, driven by the core Google Search division, with many of its businesses still under-monetised and growing strongly. Google Maps now has one billion monthly active users but relatively little advertising presence and plenty of potential growth from newly introduced functionality and features. YouTube has more than two billion users. While not well known to the public, Google's Cloud Compute is the third-largest player behind Amazon and Microsoft in the cloud space. Over the last few months, Google has announced several deals confirming its growing momentum in the enterprise cloud space (Vodafone, SpaceX, Ericsson, Jio, LVMH, Johnson Controls, Whirlpool just to name a few). One of the reasons for its success is the ability to leverage its deep artificial intelligence/machine learning capabilities, as well its ancillary services in its core businesses.
- **Facebook** (+18%). Echoing Alphabet's results, Facebook's first-quarter 2021 numbers were solid, with revenues growing 48% year-on-year, albeit partly reflecting a favourable comparison with a COVID-impacted 2020 first quarter. Even when compared to first-quarter 2019 revenues though, revenues were up 73%, clearly showing a strong acceleration of advertising revenues over the last two years. Commerce is increasingly becoming a main area of focus: Facebook Marketplace has over one billion users each month; Facebook Shops now has one million monthly active shops and over 250 million visitors; WhatsApp Catalogs lets small and medium-sized enterprises create a store front in Whatsapp and update stock status; and WhatsApp payments is now live in India and will soon be launched in Brazil.

  Virtual reality/augmented reality (VR) is another area where Facebook is investing heavily. Its latest wireless VR headset Oculus Quest 2 was launched in time for the 2020 Christmas season and continues to sell well. Analysts estimate that five million units were shipped up to the end of the first quarter in 2021, making it the most successful VR headset product ever (by comparison, it took more than three years for Sony PlayStation VR to sell five million units from its date launch in late 2016).[4] Most importantly, recent surveys show that Oculus Quest 2 is now the preferred VR platform of choice for game developers.

4 Source: ISI Evercore, Sony.

- **Medallia** (+21%), the US-based customer and employee experience management company, performed strongly after last quarter's setback when it warned investors to expect weaker growth ahead. The stock recovered this quarter on rumours that the company is exploring options including a potential sale, reportedly to private equity firms interested in buying the company. Private equity firms have been buying publicly listed software companies in recent months (KKR acquired Cloudera for US$5.3 billion, Thoma Bravo purchased Proofpoint for US$12.3 billion), so Medallia's current market capitalisation of US$5.3 billion makes it an affordable target. However, we would not exclude possible bids from corporate buyers keen to integrate Medallia into their broader platform (e.g. Adobe, Salesforce, Oracle).

On the negative side of the ledger, Chinese internet platforms weakened over the quarter, with **Tencent** (-6%) and **JD.com** (-5%) both falling, while **Alibaba** delivered a flat return. Investors grew increasingly worried about: a) frequent regulatory intervention

s from local authorities aiming to contain the platforms' burgeoning market power; and b) the emergence of new players promoting alternative distribution models (i.e. community group buying - a form of collective online shopping). While these factors can create short-term negative headwinds for the dominant players, we believe the risks are manageable and the quality of their businesses should ensure sustainable long-term growth.

The Fund had a 19% cash position at quarter end, reflecting our more cautious attitude to the industry's extended valuations. It also provides the Fund with the firepower to invest opportunistically and rapidly, should any opportunities arise from temporary dislocations.

Changes to the Portfolio

During the quarter we introduced a position in **Trip.com**, the leading online travel agency (OTA) in China by market share, variety of product offerings (domestic and international) and quality of services. It's a key beneficiary of a recovery in the travel market. During the May Day holiday period (1-5 May), Trip.com's domestic hotel and airline reservations were up by 50% and 30% respectively compared to the 2019 level, clearly showing a lot of pent-up demand.[5] Unfortunately, in late May, a resurgence of COVID-19 infections in Guangdong caused travel demand to slowdown meaningfully due to travel restrictions. With Chinese authorities seemingly able to keep COVID-19 under control and nearly 1.2 billion vaccines doses administered, despite the recent setback, we believe that

5 Source: Company results conference call 18 May 2021.

Disposition of Assets

REGION	30 JUN 2021	31 MAR 2021	30 JUN 2020
North America	48%	47%	56%
Asia	22%	19%	22%
Europe	8%	8%	9%
Japan	3%	2%	1%
Cash	19%	24%	12%
Shorts	-1%	-3%	-3%

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

Net Sector Exposures

SECTOR	30 JUN 2021	31 MAR 2021	30 JUN 2020
Information Technology	46%	46%	50%
Communication Services	21%	20%	26%
Consumer Discretionary	9%	4%	5%
Industrials	3%	3%	4%
TOTAL NET EXPOSURE	80%	73%	85%

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	6.6%
Facebook Inc	US	Comm Services	4.0%
Samsung Electronics Co	South Korea	Info Technology	3.9%
Taiwan Semiconductor	Taiwan	Info Technology	3.9%
Tencent Holdings Ltd	China	Comm Services	3.3%
Micron Technology Inc	US	Info Technology	2.8%
Constellation Software	Canada	Info Technology	2.7%
Microchip Technology Inc	US	Info Technology	2.7%
JD.com Inc	China	Cons Discretionary	2.6%
Lam Research Corp	US	Info Technology	2.6%

As at 30 June 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.

demand from the local population will return and be even stronger once they regain more confidence in travelling and restrictions are relaxed.

The Chinese online travel market is still underpenetrated. Trip.com should also benefit in the long term from the reopening of outbound travel, where it earns four to five times higher gross profit per trip compared to a domestic trip. With its well-established franchise, resources and cost control to drive constant cost savings in its domestic and outbound businesses, Trip.com should deliver increasing operating profitability once business conditions gradually normalise.

We added to **JD.com** and **Alibaba**, as we considered their recent price weakness an interesting buying opportunity. We added to our position in **Ciena** after it reported strong quarterly results, confirming our thesis of a recovery in the telco and datacentre capital expenditure environment post last year's slowdown. We added to our positions in **Micron Technology** and **SK Hynix** after their stock prices declined from recent highs, as we remain confident of a sustainable recovery in semiconductor memory prices.

We reduced some of the recent strong performers where valuations are now full in our view. These included **Carvana**, **Roku**, **Oracle** and **IHS Markit**. We exited our position in **Boingo Wireless**, which became a target of a takeover offer.

Outlook

During the quarter, the market narrative has oscillated around the abovementioned strong earnings recovery, the so-called 'reopening' thematic (i.e. the acceleration of economic activity post COVID-19) and the omnipresent debates about if, and when, the US Federal Reserve (Fed) will start 'tapering', tightening or normalising its unorthodox monetary policies.

As previously mentioned, investors seek to anticipate the future direction of interest rates and factor them in their valuations. If the first quarter of 2021 was the period of rotation from growth to cyclical stocks, as interest rates were creeping up to a less comfortable level, the second quarter was a reversal of that trend, with investors jumping back into high growth/expensive stocks as the Fed calmed everybody with messages depicting current inflationary trends as only a transitory phenomenon. Despite the Fed's reassurances, uncertainty about the future direction of inflation and interest rates remains elevated and that will continue to impact the direction of technology stocks in the medium term.

Despite the challenges posed by higher valuations, we continue to find new and exciting ideas to add to the portfolio, while reducing or exiting positions with very limited upside.

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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