Platinum International Technology Fund

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Performance

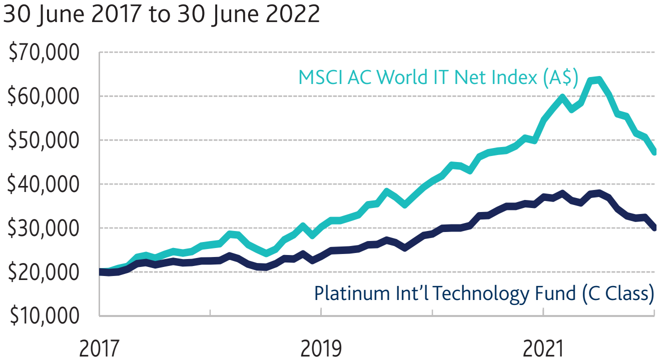
(compound p.a.⁺, to 30 June 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	-8%	-19%	9%	9%	9%
MSCI AC World IT Index^	-14%	-13%	16%	19%	3%

⁺ 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 2017 to 30 June 2022



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 -8.0% for the quarter and -18.8% for the year.[1]

A relatively low exposure to the US market, high cash position, positive contributions from shorts, and a recovery in some of our Chinese internet holdings, assisted the Fund's performance during what was a very weak quarter for markets, particularly technology stocks. The 8% decline in the Australian dollar vs. the US dollar also provided a positive contribution to performance.[2]

Markets continued their bearish trend established at the beginning of the year, largely driven by the repercussions of the war in Ukraine, including the higher cost of energy and food, as well as disruptions to supply chains. Concerned about rampant inflation, most central banks around the world have signalled more restrictive monetary policies, trying to contain what is no longer considered a transitory phenomenon. During the quarter, the US Federal Reserve (Fed) raised the Fed Funds rate on two occasions by a cumulative 125 basis points to 1.75%, negatively impacting asset valuations.

The recent trajectory of US leading economic indicator indices[3] is also turning down, pointing to sluggish growth in the near term and possibly a recession later in the year, as the Fed continues its aggressive monetary tightening and reducing liquidity in the financial system.

In this context, technology stocks suffered another downdraft as investors reassessed valuations and prospects in light of the more difficult environment. The Nasdaq-100 Technology Sector Index returned -25% for the quarter, accelerating the decline from the previous quarter. The more cyclical PHLX Semiconductor Sector Index fell 25% over the quarter as investors started factoring in a more severe slowdown in demand for smartphones, PCs and consumer electronics after the strong demand experienced during the last two years.

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.

2 Source: FactSet Research Systems.

3 Refer to The Conference Board Leading Economic Index®- LEI https://www.conference-board.org/topics/us-leading-indicators

Software stocks were also very weak as investors avoided highly valued names where valuations can no longer be justified given rising interest rates. The S&P North American Technology Software Index returned -22% for the quarter. High growth but unprofitable technology companies were sold down aggressively during the quarter as investors avoided anything with very expensive valuations that were hard to justify. The Morgan Stanley Unprofitable Tech Index fell 37%, and the ARK Innovation ETF declined 40%.[4]

A common theme among many large tech companies was a deterioration in economic prospects in the medium term, after the huge rise in demand experienced during 2020 and 2021 as a result of the Covid-19 lockdowns.

The poster child of this trend is **Netflix**. The stock collapsed by 35% the day after announcing that its subscriber growth had gone into reverse, raising doubts about its ability to achieve its ambitious goal of global domination in the streaming market. After a decade of strong growth, the company now expects a decline of two million subscribers in the June quarter after losing 200,000 subscribers in the previous quarter. A return to normal life after the end of the lockdowns, increased competition from alternative services (e.g. Disney+, Apple TV, HBO, Paramount), and market saturation in the richest countries like the US and Canada suggest that it will be harder to grow the business in the future. Netflix has fallen 71% for the calendar year to date.

Similarly, **Amazon** fell 14% after reporting decelerating revenue growth in the March quarter (+7.3% year-on-year, down from +44% in the March 2021 quarter). Online sales were particularly weak, falling 4% vs. the previous year when the company hugely benefited from consumers increasingly ordering goods for home delivery during lockdowns. The company revised down its plans for warehousing space expansions, implying that it now had excess capacity. It also mentioned high staffing costs due to a competitive labour market and supply chain issues were creating headwinds for the remainder of 2022. Amazon is down 36% for the calendar year to date.

The Fund had its fair share of decliners, as most sectors were affected by similar macroeconomic issues. Semiconductor and semiconductor capital expenditure (capex) stocks were hit particularly hard by fears that demand for consumer electronics (Smartphones, PCs, TVs, game consoles) will decelerate sharply in the second half of the year. Specifically, **SK Hynix** (-23%), **Micron Technology** (-29%) and **Samsung Electronics** (-18%) all weakened as prices for memories (DRAM and NAND) used in PCs, servers, cars and smartphones weakened.

Communication equipment stocks were impacted by a lack of availability in components (mostly semiconductors) and supply-chain disruptions in China due to recurring waves of Covid-19 restrictions, which effectively shut down entire regions in the country. Despite strong demand for optical switches and 5G radios from telecom operators in almost every region, both **Ciena** (-25%) and **Ericsson** (-12%) reported revenue growth below their original targets as they struggled with restricted supplies.

Pleasingly, companies in Asia generally outperformed, with some contributing positively to the Fund's performance.

In China, e-commerce giant **JD.com** (+11%) reported solid March quarter results, with revenues growing by 18% year-on-year, well above the industry average of 9% for online goods. JD remains a leading retailer with its unique first-party and third-party businesses supported by 1,400 warehouses and strong supply-chain capabilities. Despite the difficulties posed by Covid-19 lockdowns in China during April and May, the company has shown strong resilience and subsequently reported gross merchandise value (GMV) growing 10% during the "6.18 Chinese shopping festival" (held annually between 1 June and 18 June).

China-based online travel agent **Trip.com** (+19%) performed strongly, despite a tough period due to Covid-19 restrictions effectively closing the borders for outbound and inbound travellers. Its domestic business recorded a solid recovery, with recent hotel booking volumes rising 20% year-on-year to near pre-pandemic levels, but it was impacted by a resurgence in Covid cases from March to May. More recently, however, Chinese authorities have signalled more flexibility in implementing virus control measures, relaxing quarantine rules and travel restrictions. That bodes well for a more sustained recovery in the second half of the year.

In Japan, IT integration specialist **DTS Corp** (+13%) benefited from a return to growth (revenues +4% year-on-year and operating profits +13% year-on-year in the March quarter). Orders also grew by 8% during the same period, driven by a 14% increase from banking sector customers.

Our short positions in the Nasdaq-100 Index, ARK Innovation Fund, Unprofitable Technology Index, and individual stocks characterised by extremely high valuations and slowing momentum, also contributed positively to the Fund's performance.

4 Source: Bloomberg.

Disposition of Assets

REGION	30 JUN 2022	31 MAR 2022	30 JUN 2021
North America	38%	43%	48%
Asia	30%	25%	22%
Europe	10%	11%	8%
Japan	5%	6%	3%
Cash	17%	15%	19%
Shorts	-5%	-7%	-1%

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

Net Sector Exposures

SECTOR	30 JUN 2022	31 MAR 2022	30 JUN 2021
Information Technology	54%	51%	46%
Consumer Discretionary	12%	9%	9%
Communication Services	11%	17%	21%
Industrials	4%	4%	3%
Financials	1%	1%	0%
Other	-3%	-3%	0%
TOTAL NET EXPOSURE	78%	78%	80%

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Microchip Technology Inc	US	Info Technology	4.2%
JD.com Inc	China	Cons Discretionary	4.2%
Ciena Corp	US	Info Technology	4.2%
SK Hynix Inc	South Korea	Info Technology	4.1%
Samsung Electronics Co	South Korea	Info Technology	4.1%
Taiwan Semiconductor	Taiwan	Info Technology	3.8%
Meta Platforms Inc	US	Comm Services	3.3%
Ericsson LM-B	Sweden	Info Technology	3.2%
Micron Technology Inc	US	Info Technology	3.2%
Alibaba Group Holding	China	Cons Discretionary	3.2%

As at 30 June 2022. 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.

Changes to the Portfolio

We reduced our large exposure to **Alphabet** in light of a likely deceleration in advertising revenues in the second half of the year. We trimmed our position in software consolidator **Constellation Software** as it reached what we believe is a fair valuation. We also reduced the position in **Cisco Systems** as we believe the next few quarters will be much tougher for the company compared to the strong performance recorded in 2021.

We took the opportunity of share price weakness to add to some of our positions in memory chips and hard disk drives (**Western Digital**) and electric vehicle batteries (Samsung **SDI**). We added to **Infineon Technologies**, a leading German manufacturer of discrete power semiconductors, as we believe the company will hugely benefit from the proliferation of electric vehicles, renewable energy generation and electricity storage. We also re-introduced a position in **Applied Materials**, the leading semiconductor equipment manufacturer, as we think the company will be a major beneficiary of a structural capital expenditure increase in the semiconductor industry, driven by the introduction of new technologies.

At the end of the quarter, the Fund had a net invested position of 78%, with 17% in cash and 5% in shorts.

Outlook

The prospect of a prolonged conflict in Ukraine, inflated oil prices and worsening consumer confidence globally, potentially tilting major Western economies into a recession, does not offer a very promising outlook for the rest of the year. This is particularly so when considering the restrictive monetary policies adopted by central banks in major economies over the last six months.

The paradox is that as central banks have been late in recognising the non-transitory nature of inflation, an economic slowdown or recession will reduce aggregate demand and most likely reduce inflationary pressures. That would also remove the need for central banks to continue tightening monetary policy and potentially force them into a new easing cycle, which could signal a return to growth for the markets. In terms of sectors, we are likely to see more rotation from so-called cyclical to growth-oriented areas, depending on how investors interpret these lagging monetary policy changes.

Against this backdrop, however, we are excited to see many of the stocks we like now trading at more attractive valuations. We will seek to invest in these opportunities while maintaining relatively high cash and short positions to protect the Fund from the downside.

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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