Platinum International Technology Fund

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Performance

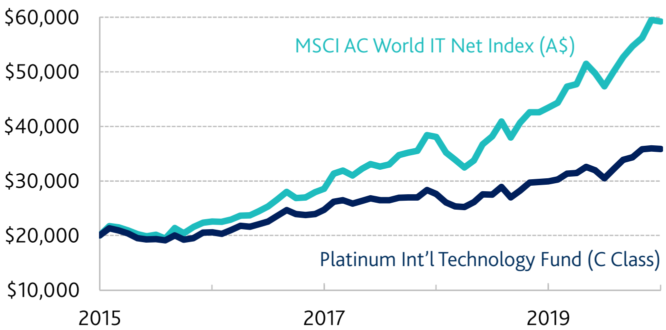
(compound p.a.⁺, to 30 September 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	4%	20%	13%	12%	10%
MSCI AC World IT Index^	8%	36%	27%	24%	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 September 2015 to 30 September 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 4.5% for the quarter and 19.9% for the year.[1]

The March rally in technology stocks continued through to August, with the market narrative driven by the post-COVID recovery theme, positive news on the vaccine front, a supportive US Federal Reserve and the approval of a US$2 trillion recovery package from the European Union to support those countries most severely impacted by the virus. At the end of August, the Nasdaq 100 Index had climbed nearly 20% since the end of June.

Early September saw a correction in the trend, as a resurgence of COVID cases in Europe and the USA, and weak US economic indicators raised doubts about the sustainability of the recovery. A political impasse between the US Congress and Senate on the approval of a new economic stimulus package also added to uncertainty. Without some form of additional fiscal support, it is highly unlikely that US economic activity will re-accelerate anytime soon, as long as the virus is still circulating in the community. This contributed to technology stocks retracing some of their gains, with the Nasdaq 100 Index finishing up 12.4% for the quarter.

Top contributors to performance for the quarter were:

- **Taiwan Semiconductor Manufacturing (TSMC)** (+38%). TSMC reported a record high gross margin in the second quarter and guided to much stronger third-quarter growth and full-year sales expectations of more than 20%. Its leading position in advanced lower node semiconductor fabrication technology (which results in faster and more efficient transistors) has made TSMC the essential (and often the only) foundry partner for most semiconductor design companies. TSMC cited 5G and the related applications of the internet of things (IoT) as a strong driver of growth expectations.
- **Schibsted** (+65%). The online media and publishing group reported better-than-expected margins, driven by better cost control. More importantly, investors were also pleased that subsidiary, Adevinta had acquired eBay's

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.

online classifieds business, giving it a leading position in general classifieds. The deal, valuing the eBay assets at US$9.2 billion, will leave eBay owning 44% of Adevinta (the 'combined entity'), creating a group with US$2 billion revenues and a presence in 20 countries covering one billion people with three billion monthly visits.

- **Carvana** (+86%). After an initial deceleration in unit sales in March 2020 due to COVID, the online car sales platform bounced back with solid 25% year-on-year unit growth for the June quarter (recording +40% unit growth in the month of June alone). More recently, the company announced that it is expecting record results for retail units sold, total revenue, total gross profit per unit and EBITDA margins for the September quarter. Impressively, they now expect to reach EBITDA break-even this year, well ahead of the market's 2022 expectations.
- **Facebook** (+15%). Facebook reported much better-than-expected second-quarter results, driven by advertising spend from small and medium-sized businesses moving online during lockdowns, while the much-publicised boycott from large advertisers proved to be less impactful in the end. Although still cautious on the macro environment, management also pointed out improving trends in the advertising business. More than 3.1 billion people (+14% year-on-year) use at least one of Facebook's family of apps every month.
- **Samsung SDI** (+19%). Samsung SDI continued to benefit from investors' enthusiasm for companies exposed to the themes of vehicle electrification and renewable energy. As a supplier of lithium batteries to major European automakers, it has indirectly benefited from the increased subsidies recently offered by European governments. Investors are also anticipating future strong orders from North American renewable energy companies for its energy storage systems.

On the negative side of the ledger, our short positions were key detractors from performance, as investors' enthusiasm for cult stocks pushed some valuations well above even the most bullish scenarios. With the benefit of hindsight, we should have covered some of the names much earlier.

Intel (-13%) was another key detractor from performance, with the stock weakening after announcing a disappointing delay in the fabrication of its 7 nanometre (nm) computer processing units (CPUs), widening the performance gap with rival TSMC. Even more surprising was Intel's suggestion of possibly outsourcing manufacturing to third-party foundries if the production of the 7nm CPUs slips any further. This is a huge departure from Intel's traditional role as an integrated device manufacturer. The stock has now de-rated and with a price-to-earnings valuation of 10.7x 2020 earnings, we believe that most of the negative impacts have likely been priced in.

Changes to the Portfolio

During the quarter we established five new positions. We initiated positions in three small companies that supply software and semiconductors to automotive component makers for advanced driver-assistance systems (ADAS) applications. We invested in a leading handset camera lens maker that dominates the high-end segment and is benefiting from the proliferation of high-end cameras in the smartphone industry. We also established a position in a communication equipment and software provider that specialises in critical mission applications (i.e. for emergency and security services).

We also added to our existing positions in **Analog Devices**, **Micron Technology** and **Medallia**, at prices we considered were attractive after some temporary price corrections.

During the months of July and August, with the Nasdaq Composite Index reaching new record highs, we prudently reduced some of our best-performing positions. We trimmed our **Apple** position (a stock we have owned since 2010) as stellar quarterly results triggered a re-rating to a P/E of 37 times prospective earnings and a market capitalisation above the US$2 trillion mark. We reduced **Carvana** as the stock climbed to US$200 - almost double its value since the end of June. While we believe the market opportunity remains open for Carvana, we thought it prudent to take some of the profit off the table. Similarly, we trimmed our positions in **PayPal** and **Schibsted**, taking advantage of some large upward price moves in these stocks.

One stock that we purchased in the June quarter and added to during this quarter was **Amadeus IT Group**, a technology provider of transaction processing solutions to the global travel and tourism industry. Amadeus adds value to the travel industry in two ways. Firstly, it helps travel providers, primarily airlines, to sell their products to customers in the most efficient way, through a large network of traditional and online travel agencies. Its core technology enables travel agents to do real-time search, pricing, booking and ticketing across 489 airlines (vs. 400+ for competitors) and 770,000 hotel properties.[2] It is the leading player with 44% market share, in a market with two other global players (Sabre and Travelport), that are weaker both financially and technologically. Secondly, Amadeus helps airlines, hotels and airports to run various business critical processes (reservations, inventory, departure controls), saving them money by transforming a fixed cost into a variable cost. COVID has had a dramatic impact on travel-related businesses and Amadeus has not been immune. But herein lies the opportunity. Amadeus has initiated a cost-saving program that should contribute to structurally slightly

2 Source: Amadeus 2019 annual report, Platinum Investment Management Limited.

Disposition of Assets

REGION	30 SEP 2020	30 JUN 2020	30 SEP 2019
North America	48%	56%	51%
Asia	20%	22%	20%
Europe	9%	9%	11%
Japan	1%	1%	2%
Cash	22%	12%	17%
Shorts	-4%	-3%	-2%

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

Net Sector Exposures

SECTOR	30 SEP 2020	30 JUN 2020	30 SEP 2019
Information Technology	44%	50%	45%
Communication Services	22%	26%	26%
Consumer Discretionary	5%	5%	4%
Industrials	4%	4%	6%
TOTAL NET EXPOSURE	74%	85%	81%

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

Net Currency Exposures

CURRENCY	30 SEP 2020	30 JUN 2020	30 SEP 2019
US dollar (USD)	43%	49%	58%
Australian dollar (AUD)	16%	7%	0%
Euro (EUR)	11%	10%	4%
Chinese yuan (CNY)	9%	11%	8%
Korean won (KRW)	7%	8%	8%
Taiwan dollar (TWD)	4%	3%	3%
Canadian dollar (CAD)	3%	4%	4%
Norwegian krone (NOK)	2%	2%	3%
Japanese yen (JPY)	2%	2%	6%
Swedish krona (SEK)	1%	1%	1%
British pound (GBP)	1%	2%	3%
Hong Kong dollar (HKD)	1%	0%	0%

See note 5, page 4. Numerical figures have been subject to rounding.
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.

higher profitability in a market where they are the dominant player. If one can look through the medium-term business deterioration and believe that people will eventually return to travelling again, Amadeus should emerge as an even stronger player against its competitors.

Outlook

After a 46% cumulated surge in the Nasdaq Composite Index over the last two quarters, questions abound on the sustainability of the current bull market in technology stocks, with valuations now above historic averages. The divergence in performance between high growth and cyclical or value stocks persists in light of a tentative economic recovery and an ultra-low interest rate environment. There are undoubtedly plenty of uncertainties to deal with at this stage. We are witnessing a resurgence in COVID cases in Europe and some US cities. The US economic data is not accelerating higher. A new US stimulus package is struggling to gain agreement. The US presidential election is likely to enter a protracted phase of litigation, should one of the candidates refuse to accept the results on election day or the ballot counting process becomes disorderly. Anti-trust investigations into the major technology platforms continue to present a potential risk. The long-standing trade war between China and the US is increasingly dragging global technology companies into the dispute. While we cannot predict exactly the outcomes of these events, we remain focused on understanding the companies we invest in, taking into consideration the geopolitical and macro background, and adjust the Fund's exposure accordingly. The Fund had a relatively high net cash position of 22% at quarter end, but we are continually screening the markets for new investment ideas. The rapid change of technology always creates disruption in the existing competitive landscapes and that often provides us with the best investment opportunities.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	US	Comm Services	5.4%
Facebook Inc	US	Comm Services	4.1%
Tencent Holdings	China	Comm Services	4.0%
Taiwan Semiconductor	Taiwan	Info Technology	3.7%
Samsung Electronics Co	Korea	Info Technology	3.6%
Constellation Software	Canada	Info Technology	2.8%
Carvana Co	US	Cons Discretionary	2.7%
Medallia Inc	US	Info Technology	2.7%
Skyworks Solutions	US	Info Technology	2.6%
Microchip Technology	US	Info Technology	2.6%

As at 30 September 2020. See note 6, page 4.
Source: Platinum Investment Management Limited.

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 net exposures to the relevant currencies through its long and short securities positions, cash at bank, cash payables and receivables, currency forwards and long and short securities/index derivative positions, as a percentage of its portfolio market value. Currency classifications for securities reflect the relevant local currencies of the relevant Bloomberg country classifications. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.
6. 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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