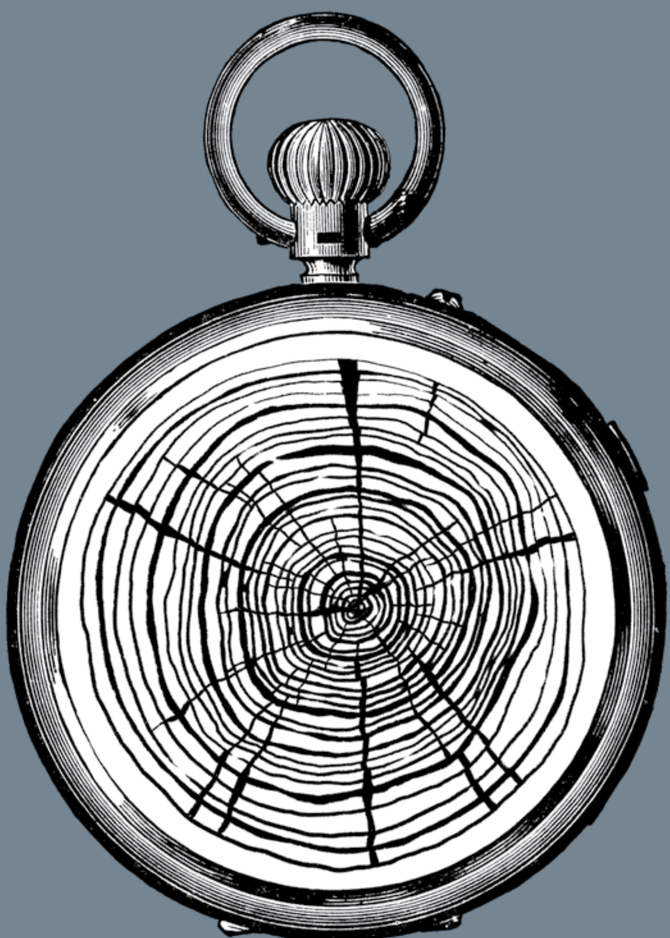
Platinum International Fund
Platinum Unhedged Fund
Platinum Asia Fund
Platinum European Fund
Platinum Japan Fund
Platinum International Brands Fund
Platinum International Health Care Fund
Platinum International Technology Fund

Platinum ASSET MANAGEMENT

Quarterly Report

31 MARCH 2021



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The Platinum Trust quarterly report is available on our website from approximately the 15th of the month following quarter end.
Visit www.platinum.com.au/Investing-with-Us/Investment-Updates

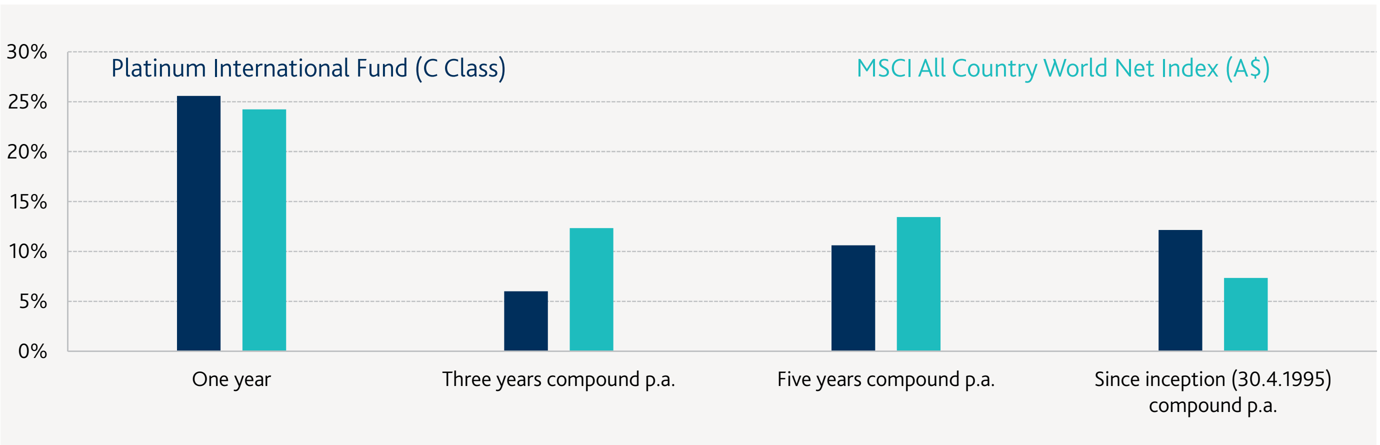
Performance Returns to 31 March 2021

FUND (C CLASS – STANDARD FEE OPTION) (P CLASS – PERFORMANCE FEE OPTION)	PORTFOLIO VALUE A$ MIL	QUARTER	1 YEAR	2 YEARS COMPOUND P.A.	3 YEARS COMPOUND P.A.	5 YEARS COMPOUND P.A.	SINCE INCEPTION COMPOUND P.A.	INCEPTION DATE
Platinum International Fund (C Class)	**8,704.9**	**8.9%**	**25.6%**	**10.0%**	**6.0%**	**10.6%**	**12.1%**	**30 Apr 1995**
Platinum International Fund (P Class)	23.5	9.0%	25.9%	10.3%	6.3%	-	8.5%	3 Jul 2017
MSCI All Country World Net Index (A$)		5.9%	24.2%	13.1%	12.3%	13.4%	7.4%	30 Apr 1995
Platinum Unhedged Fund (C Class)	**231.3**	**11.3%**	**36.1%**	**10.5%**	**7.0%**	**13.0%**	**11.1%**	**28 Jan 2005**
Platinum Unhedged Fund (P Class)	2.0	11.4%	36.4%	10.7%	7.3%	-	9.7%	3 Jul 2017
MSCI All Country World Net Index (A$)		5.9%	24.2%	13.1%	12.3%	13.4%	7.9%	28 Jan 2005
Platinum Asia Fund (C Class)	**5,120.2**	**3.6%**	**34.2%**	**19.6%**	**12.4%**	**15.7%**	**15.0%**	**4 Mar 2003**
Platinum Asia Fund (P Class)	12.7	3.7%	33.1%	19.3%	12.2%	-	14.2%	3 Jul 2017
MSCI All Country Asia ex Japan Net Index (A$)		4.0%	26.4%	12.7%	9.1%	14.0%	10.6%	4 Mar 2003
Platinum European Fund (C Class)	**556.9**	**3.6%**	**27.7%**	**6.1%**	**1.7%**	**9.5%**	**11.0%**	**30 Jun 1998**
Platinum European Fund (P Class)	3.2	3.6%	28.0%	6.3%	2.2%	-	5.7%	3 Jul 2017
MSCI All Country Europe Net Index (A$)		5.3%	16.3%	6.7%	5.7%	8.3%	3.3%	30 Jun 1998
Platinum Japan Fund (C Class)	**643.1**	**7.7%**	**12.2%**	**8.9%**	**4.0%**	**10.4%**	**13.6%**	**30 Jun 1998**
Platinum Japan Fund (P Class)	3.6	7.8%	12.5%	9.2%	4.3%	-	7.1%	3 Jul 2017
MSCI Japan Net Index (A$)		2.9%	12.3%	10.3%	6.6%	10.7%	3.4%	30 Jun 1998
Platinum International Brands Fund (C Class)	**694.1**	**13.3%**	**63.3%**	**19.0%**	**13.2%**	**17.1%**	**13.2%**	**18 May 2000**
Platinum International Brands Fund (P Class)	1.9	12.8%	62.9%	19.0%	13.4%	-	14.7%	3 Jul 2017
MSCI All Country World Net Index (A$)		5.9%	24.2%	13.1%	12.3%	13.4%	4.1%	18 May 2000
Platinum International Health Care Fund (C Class)	**557.0**	**8.0%**	**36.7%**	**24.2%**	**21.6%**	**19.3%**	**11.6%**	**10 Nov 2003**
Platinum International Health Care Fund (P Class)	11.3	7.4%	32.7%	22.5%	20.4%	-	18.4%	3 Jul 2017
MSCI All Country World Health Care Net Index (A$)		1.8%	4.6%	10.5%	13.6%	11.8%	9.3%	10 Nov 2003
Platinum International Technology Fund (C Class)	**180.8**	**6.5%**	**37.3%**	**23.4%**	**16.5%**	**16.7%**	**10.5%**	**18 May 2000**
Platinum International Technology Fund (P Class)	3.5	6.6%	37.7%	23.7%	16.8%	-	16.4%	3 Jul 2017
MSCI All Country World IT Net Index (A$)		3.1%	38.0%	30.7%	26.0%	26.6%	3.8%	18 May 2000

Fund returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for Fund returns and FactSet Research Systems for MSCI index returns.
See note 1, page 44.

Platinum International Fund vs. MSCI All Country World Net Index (A$)

To 31 March 2021



Fund returns are net of fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for fund returns and FactSet Research Systems for MSCI index returns. See note 1, page 44.

In Brief

Platinum International Fund

- Evidence that we are transitioning to a post-COVID era over the course of 2021, together with the passing of a US$1.9 trillion fiscal package in the US, further strengthened investor confidence in the ongoing economic recovery over the quarter.
- There was strong performance across the portfolio, with many of our investments poised to benefit from the recovery. At a sector level, our semiconductor stocks featured amongst our top contributors again, while our financial stocks were buoyed by the prospect of higher interest rates. Elsewhere, at an individual stock level, MinebeaMitsumi (+38%), General Electric (+22%) and Weichai Power (+23%) also performed strongly.
- Following strong performance, we have been actively selling down positions, notably in our travel-recovery plays, semiconductors and copper miners. The Fund acquired a new position in China Vanke, one of China's leading residential property developers, and continued adding to existing positions in European financials.
- The continuation of the reopening of economies as vaccination programs proceed across the globe, together with significant ongoing government spending, underpin what should be a very strong recovery in 2021. However, our optimism is tempered with a degree of caution. There remain many risks to our scenario for economic growth and the markets. Higher bond yields are likely, which will be a challenge for the more speculative elements of the market at some point in time.
- While the stock prices of many of our holdings have appreciated strongly in the last six months, we believe they are still reasonably valued given the strong earnings prospects for the next two to three years. We continue to identify new investments for the Fund, giving us confidence that reasonable returns can be earned on our portfolio in the medium term.

Platinum Unhedged Fund

- The Fund's strong performance continued in the March quarter, as investor confidence in the broad economic recovery continued to build. The most notable contributors to performance were Louisiana-Pacific (+49%), MinebeaMitsumi (+38%) and our financials, including Ally Financial (+27%), Bank of Ireland (+28%) and Intesa Sanpaolo (+21%).
- After some strong price moves, a number of our holdings reached fair value and we rotated into more prospective names. In commodities, we exited MMG and United States Steel, while in travel, we exited Amadeus and Booking.com. We added a new position in Subaru. These investments all made strong contributions to performance over the past 12 months.
- While the share price rises in economically sensitive names (i.e. cyclicals) over the past five months feels dramatic, we would argue it is a rebound from very depressed levels and is supported by fundamentals, as the earnings power of these companies have the most to gain from the economic recovery. That said, for us, the outlook for future returns is really about the quality and diversity of ideas we are finding – and we are still finding reasonably priced companies with good prospects.

Platinum Asia Fund

- Taiwan Semiconductor Manufacturing (+11%) and SK Hynix (+12%) were among the largest contributors to performance, as the semiconductor cycle goes from buoyant to extremely tight globally. Chinese travel stocks Huazhou Group (+22%) and Trip.com (+17%) were also major contributors, benefiting from strength in China's services sector late in its reopening from COVID-19 restrictions.
- While we were reducing exposure during the quarter, we did add notably to Chinese property developers. We see significant potential for consolidation, with higher-quality operators with stronger balance sheets poised to benefit. We reduced exposure to India on concerns regarding the escalation in COVID-19 cases.
- Despite the pause in the performance of Asian markets in March, we do not see this as a turning point – the "value rotation" is far from over. We believe the drivers of economic recovery are durable – namely the post-pandemic reopening, renewed investment in global supply lines and strong fiscal support. Markets are not positioned for ongoing global growth in our view, and we think global growth will prove persistent. This is a very positive setup for growth-exposed Asian equities.

Platinum European Fund

- European equity markets continued to rally over the quarter. Cyclical businesses led the market higher, with automotive and semiconductor stocks particularly strong. Interest-rate sensitive sectors lagged. Investors are growing anxious that ongoing debt-funded fiscal spending will lead to broad price inflation and higher nominal interest rates.
- Our best-performing stocks were Bank of Ireland (+28%), Fondul Proprietatea (+19%) and ASML (+30%).
- While Europe has largely escaped the heady excesses of some other markets, we are struggling to find attractive new investment ideas. We are also concerned that investors and companies themselves are too complacent about a range of risks. We intend to continue trimming stocks that have performed well and build our cash position.

Platinum Japan Fund

- Key contributors to performance over the quarter included MinebeaMitsumi (+38%), Rakuten (+33%), Inpex (+36%) and Lixil (+38%).
- A range of existing positions were added to the portfolio, including Takeda, Mitsubishi Corp and Kyocera. New positions included Mitsubishi UFJ Financial, Ube Industries and Nikon, while Rakuten, Oracle and Iida were reduced.
- There is abundant evidence that Japan is changing and the outcome will surprise most, and perhaps even astound. Profit margins have been increasing, record profits can be seen in many of the recent results and corporate governance has been on an improving trend for decades. It is clear that a digital transformation is underway. Most importantly, the whole system is aligned behind improved corporate performance.

Platinum International Brands Fund

- The Fund benefited again from the strong performance of our holdings in discretionary retailers, financials and leisure-related assets. Strong performers included Signet Jewelers (+113%), Kohl's (+46%), outerwear brand Canada Goose (+50% to exit) and American Eagle Outfitters (+46%). Our theme park holdings Six Flags Entertainment (+36%) and SeaWorld Entertainment (+59% to exit) also contributed strongly.
- We believe portions of our portfolio may continue to benefit from the economic recovery, but see the greatest opportunity in stocks that are likely to do well in an environment of steepening interest rate curves, such as our holdings in financials.
- We continue to be wary of the level of valuation amongst very fast-growing and perceived 'high-quality' businesses and see opportunities in this area on the short side.

Platinum International Health Care Fund

- After a stellar 2020, the biotech sector had a subdued start to the year. Several holdings performed well during the quarter with Five Prime Therapeutics (+121%) the standout after Amgen announced it will acquire the company for US$1.9 billion. Our Australian biotech holdings, including Kazia Therapeutics (+37%), Antisense Therapeutics (+62%) and Telix Pharmaceuticals (+13%) also performed well.
- During the quarter, we exited several investments due to stretched valuations (including Moderna and PerkinElmer) and added to Assembly Biosciences and Coherus Biosciences.
- Sell-offs, consolidations and equity market corrections are uncomfortable for investors, as it signals change and uncertainty. To us, these times offer very interesting opportunities. We believe there are very interesting times ahead and biotech will play a crucial role, especially with Asian biotechs also maturing.

Platinum International Technology Fund

- Technology stocks took a breather after their impressive run in calendar 2020. Highly valued software stocks were, in general, weaker when compared to more cyclical names.
- The relatively large exposure to the semiconductor sector benefited performance. Key contributors included Taiwan Semiconductor Manufacturing (+11%), Intel (+28%), Micron (+17%), SK Hynix (+12%), Microchip (+12%) and Skyworks (+20%). Other major contributors included Alphabet (+18%) and Carvana (+10%).
- We continue to find new and exciting ideas to invest in, and we have been adding new names to our portfolio, despite the challenges posed by the rising valuations.

Macro Overview

by Andrew Clifford, Co-Chief Investment Officer

Challenging Times for the Market's Speculative Elements

We are now one full year on from the COVID-19 outbreak and the subsequent initial lockdowns that resulted in a collapse in global economic activity and stock markets. While the pathway of the virus has been one of rolling waves in response to lockdowns, reopenings and now the rollout of vaccines, since the March 2020 lows, economic activity has experienced a strong and steady recovery, as have stock markets. Indeed, many of the world's major stock markets have comfortably surpassed their pre-COVID highs.[1] Fuelling this recovery in both economies and stock markets has been unprecedented (peace time) government deficit spending, funded through the printing of money.

The question is, where to now? **It is highly likely that the global economy will continue its strong recovery path over the course of the next two years. In concert with this recovery, government bond yields will likely head higher, which will prove challenging for the speculative elements within stock markets.**

Economic activity will likely continue to recover

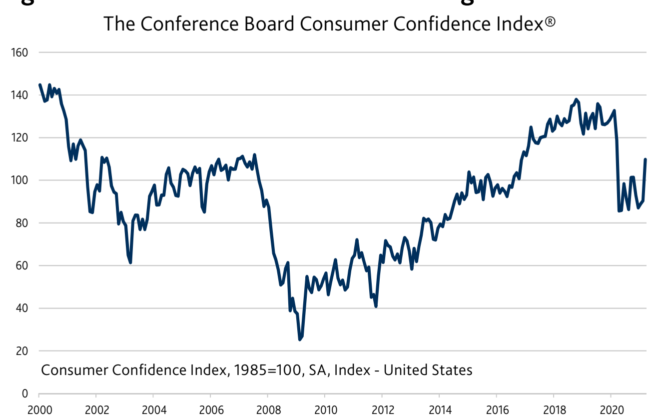
There are numerous reasons to expect that global economies will continue to recover. The most obvious is the ongoing reopening of economies, as vaccination programs take us toward the post-COVID era. With current headlines focused on the failure of vaccination rollouts and the outbreak of new variants of the virus, this may seem an overly optimistic statement to many. However, the success of the vaccination programs in the US and the UK, where 32% and 46% of each population respectively has received at least one vaccine dose, shows what can be achieved once health systems swing into gear.[2] Where vaccination programs have been slow to start in some locations, such as Europe, an acceleration is likely, especially as the availability of dosages continues to improve. Variants in the virus are an expected setback, but fortunately the vaccines are being refined to address the variants, as they normally would with the annual flu vaccine.

Over the course of 2021, it is highly likely that we will move toward a situation where we return to freedom of movement across the world's major economies. With this, we expect industries such as travel and leisure will continue their recovery, and with that, elevated levels of unemployment will continue to fall. With a light at the end of the tunnel on COVID and rising employment, consumer confidence has started to bounce back (see Fig. 1). As such, a release of pent-up consumer demand across a range of goods and

1 Source: FactSet Research Systems.

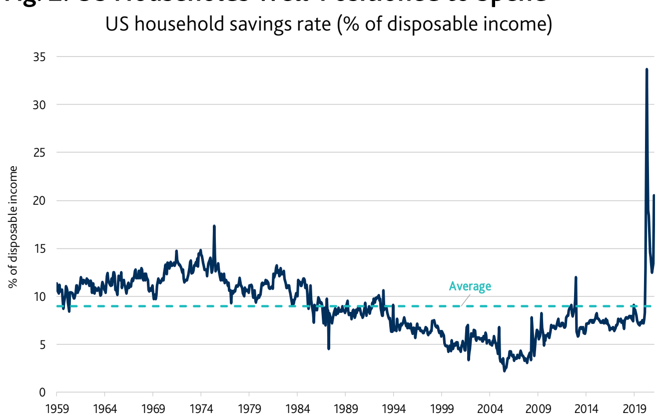
2 Source: https://ourworldindata.org/covid-vaccinations#what-share-of-the-population-has-received-at-least-one-dose-of-the-covid-19-vaccine

Fig. 1: US Consumer Confidence Bouncing Back



Source: FactSet Research Systems.

Fig. 2: US Households Well-Positioned to Spend



Source: Federal Reserve Bank of St. Louis.

services should be expected. Indeed, households are well-positioned to increase their spending, as large portions of government payments last year were saved and not spent, resulting in unprecedented increases in savings rates (see Fig. 2 on previous page).

Additionally, in the US, consumers' bank accounts will be further inflated, with the recent passing of the US$1.9 trillion fiscal package. It is estimated that US consumers would need to spend an additional US$1.6 trillion dollars, or 7.5% of GDP,[3] just to return to trend savings levels. The recovery from the COVID-19 collapse is likely to be a very strong rebound that will play out over the next two to three years.

Given the levels of fiscal and monetary stimulus across the globe during 2020 and 2021 to date, the US will be at the epicentre of the recovery. The ongoing stimulus efforts in the US, including a potential additional US$3 trillion of spending on infrastructure and healthcare over the next decade, make the rest of the world's efforts pale into insignificance. Indeed, China appears to be stepping back from stimulus programs, having already achieved a strong economic recovery. Nevertheless, the US stimulus will help growth in Asia and Europe via the trade accounts, as is already apparent in the strong recovery in China's trade surplus (see Fig. 3).

3 https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/consumers-to-unleash-trillions-of-dollars-in-excess-savings-when-pandemic-ends-62511820

Long-term interest rates will likely move higher with the recovery

As a result of the strong rebound in economic activity, interest rates will likely rise and indeed, they already have. The reference here is to long-term interest rates, such as the yield on the US 10-year government bond, rather than short-term interest rates set by central banks (e.g. the Reserve Bank of Australia). In the fastest-recovering economies, US 10-year government bond yields have increased from 0.51% in August 2020 to 1.74% at the end of March, while Chinese 10-year government bond yields have risen from their April 2020 lows of 2.50% to 3.21% at the end of March (see Fig. 4). In both cases, these yields have returned to pre-COVID levels. It is not surprising that yields on government bonds are rising, as this is generally the case during a recovery. The issue is just how much further they may rise, given expectations for a very robust growth environment in 2021, the substantial amount of new bonds that will be issued in the months ahead and nascent signs of inflationary pressures.

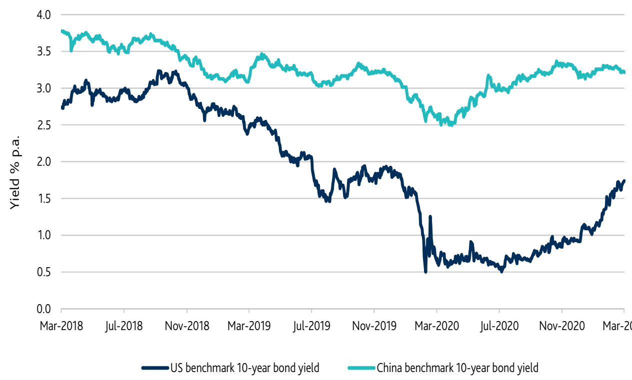
Daily readings of consumer prices already show inflation heading back to levels last seen in mid-2019. As we discussed in our December 2020 quarterly report,[4] markets in a broad range of commodities and manufactured goods are seeing shortages in supply, resulting in significant increases in prices. One high-profile example has been the auto industry having to cut production due to shortages in the supply of components. Given the complexity of supply chains and the various factors that have been impacting them in recent years, such as the trade war and then the sudden collapse and recovery in demand in 2020, predicting how long such shortages will persist is difficult. However, it is interesting that these price rises, usually associated with the end of an economic cycle, are occurring at the start of the cycle instead.

4 https://www.platinum.com.au/PlatinumSite/media/Reports/ptqtr_1220.pdf

Fig. 3: China's Trade Surplus Expands

Source: FactSet Research Systems.

Fig. 4: US and China 10-Year Bond Yields on the Rise



Source: FactSet Research Systems.

Beyond the current supply shortages and associated price rises, the longer-term issue for inflation is how governments will finance their fiscal deficits. As we have discussed in past quarterly reports, when governments use the banking system (including their central banks) to finance deficits, it results in the creation of new money supply. The idea that the creation of money supply in excess of economic growth is inflationary, has lost credibility in recent years, as inflation didn't arrive with the quantitative easing (QE) policies of the last decade. However, the mechanisms by which banking systems are funding current fiscal and monetary policies of their governments are clearly different to what was applied during QE. Rather than delve into a deep explanation, we would simply point to the extraordinary growth in money supply aggregates, where in the US, M2[5] increased by a record annual rate of 25% almost overnight in mid-2020. These types of increases did not occur during the last decade of QE policies. Further growth in M2 awaits in the US, following the latest rounds of fiscal stimulus, though the percentage growth figures will at some point fall away as we pass the anniversary of last year's outsized increases.

So, we have a strong economic recovery from the ongoing reopening post COVID, fuelled by fiscal stimulus, already tight markets in commodities and manufactured goods, plus excessive money growth. Given that we also have central banks committed to keeping short-term interest rates low for the foreseeable future and allowing inflation to exceed prior target levels, it is hard to see how we can avoid a strong cyclical rise in inflation. It is an environment where there is likely to be ongoing upward pressure on long-term interest rates. To see US 10-year Treasury yields above 3%, a level last seen in only 2018, would not be a surprising outcome.

5 M2 includes M1 (currency and coins held by the non-bank public, checkable deposits, and travellers' cheques) plus savings deposits (including money market deposit accounts), small time deposits under $100,000, and shares in retail money market mutual funds. Source: https://fred.stlouisfed.org/series/M2SL

Rising long-term interest rates will represent a challenge for the bull market in growth stocks

In recent years, we have emphasised the two-speed nature of stock markets globally. As interest rates fell and investors searching for returns entered the market, their strong preference was for 'low-risk' assets. At different times they have found these qualities in defensive companies, such as consumer staples, real estate and infrastructure, and at other times, in fast-growing businesses in areas such as e-commerce, payments and software. At the same time, investors have been at pains to avoid businesses with any degree of uncertainty, whether that be natural cyclicality within their business or exposed to areas impacted by the trade war. Last year, this division was further emphasised along the lines of 'COVID winners', such as companies that benefited from pantry stocking or the move to working from home, and 'COVID losers', such as travel and leisure businesses.

Over the last three years, these trends within markets created unprecedented divergences in both price performance and valuations within markets. However, as we noted last quarter, this trend started to reverse at the end of 2020, as a combination of successful vaccine trials and the election of US President Biden pointed to a clearly improved economic outlook. The result was 'real world' businesses in areas such as semiconductors, autos and commodities started to see their stock prices perform strongly and this has continued into the opening months of 2021.

Meanwhile, the fast-growing favourites continued to perform into the new year, though these have since faded as the rise in bond yields accelerated. Many high-growth stocks have seen their share prices fall considerably from their recent highs, with bellwether growth stocks such as Tesla (down 27% from its highs), Zoom (down 45%) and Afterpay (down 35%).

Theoretically, rising interest rates have a much greater impact on the valuation of high-growth companies than their more pedestrian counterparts. As such, it is not surprising to see these stocks most impacted by recent moves in bond yields and concerns about inflation.[6] Many will question whether this is a buying opportunity in these types of companies.

6 Growth companies tend to rely on earnings in the more distant future. When valuing a company, future earnings are discounted back to a present value using a required rate of return, which is related to bond yields. As bond yields rise, the discounting process leads to a lower value in today's dollars, for the same level of future earnings.

While they may well bounce from these recent falls, we would urge caution on this front, as for many (but not all) of the favourites of 2020 we would not be surprised to see them fall another 50% to 90% before the bear market in these stocks is over. If our concerns regarding long-term interest rates come to fruition, this will be a dangerous place to be invested, and as we concluded last quarter, "*when a collapse in growth stocks comes, it too should not come as a surprise*".

If there is a major bear market in the speculative end of the market, how will companies that investors have been at pains to avoid in recent years (i.e. the more cyclical businesses and those that have been impacted by COVID-19) perform? While these companies have seen good recoveries in their stock prices in recent months, generally they remain at valuations that by historical standards (outside of major economic collapses) are attractive. It should be remembered there are two elements to valuing companies: interest rates and earnings. Of these, the most important is earnings, and these formerly unloved companies have the most to gain from the strong economic recovery that lies ahead. As such, we would expect good returns to be earned from these businesses over the course of next two to three years.

For many, the idea that one part of the market can rise strongly while the other falls, seems contradictory, even though that is exactly what has happened over the last three years. In this case, for reasons outlined in this report, we are simply looking for the relative price moves of the last three years to unwind. We only need to look to the end of the tech bubble in 2000 to 2001 for an indication of how this may play out - when the much-loved 'new world' tech stocks collapsed in a savage bear market, while the out-of-favour 'old world' stocks rallied strongly. This was a period where our investment approach really came to the fore, delivering strong returns for our investors.

MSCI Regional Index Net Returns to 31.3.2021 (USD)

REGION	QUARTER	1 YEAR
All Country World	**4.6%**	**54.6%**
Developed Markets	**4.9%**	**54.0%**
Emerging Markets	**2.3%**	**58.4%**
United States	**5.4%**	**58.6%**
Europe	**4.0%**	**44.7%**
Germany	4.2%	59.3%
France	4.4%	50.0%
United Kingdom	6.2%	33.5%
Italy	6.3%	53.0%
Spain	1.0%	36.9%
Russia	4.9%	44.3%
Japan	**1.6%**	**39.7%**
Asia ex-Japan	**2.7%**	**57.3%**
China	-0.4%	43.6%
Hong Kong	7.3%	37.3%
Korea	1.6%	89.5%
India	5.1%	76.4%
Australia	3.4%	68.4%
Brazil	-10.0%	46.5%

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

MSCI All Country World Sector Index Net Returns to 31.3.2021 (USD)

SECTOR	QUARTER	1 YEAR
Energy	17.7%	49.9%
Financials	11.4%	56.9%
Industrials	7.5%	62.2%
Communication Services	6.6%	57.4%
Materials	6.4%	76.6%
Real Estate	6.0%	30.1%
Consumer Discretionary	2.3%	77.7%
Information Technology	1.8%	71.7%
Utilities	0.6%	22.8%
Health Care	0.4%	30.2%
Consumer Staples	-0.8%	24.6%

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

Automakers: Driving Over a Cliff?

by Nicholas Markiewicz, Senior Investment Analyst

The automotive industry is at a tipping point. Hundreds of billions of dollars are now in the process of being permanently redirected towards electric vehicles. This disruption means a large part of the existing US$3 trillion automotive market is in play, with incumbents, entrepreneurs and governments all scrambling for share. The hyper-valuation of new entrants and historically low valuations of incumbents points to the market's assessment of the winners and losers. We're less sure.

In 1974, on what was likely a smoggy day in downtown Los Angeles, a young progressive named Jerry Brown won California's Governorship, in part, on a mandate to fix the State's deepening pollution crisis. Over the following years, California's environmental regulator began introducing the world's most draconian vehicle emission, mileage and fuel standards. As the world's largest auto market, California's legislation had a disproportionate impact on the research budgets of automakers, spawning major innovations like catalytic converters, ultra-efficient engines and lightweight materials.

The most consequential legislation, however, came in the 1990s, when California mandated that zero-emissions vehicles had to comprise a small portion of each automaker's annual sales, or be forced to buy emissions credits. This was, in effect, one of the world's first carbon taxes, and while it was met with open hostility from industry executives, it probably marked an imperceptible tipping point for electric vehicle (EV) development, now 25 years ago.

In the years that followed, research breakthroughs and smart engineering slowly made the huge costs and daunting physics required for electric driving slightly less overwhelming. New technologies trickled into vehicles, first in the form of 'conventional' hybrids (1998), then plug-in-hybrids and battery electric vehicles (BEVs) with acceptable driving range (2008). Despite this, EVs remained a footnote in the broader industry, with small research budgets implying inherent doubts around whether EVs would displace the tried-and-tested internal combustion engine.

This view, however, has changed dramatically over the last 24 months, fuelled by accelerating advancements in battery technology, rapidly falling costs, regulation, rising consumer interest and perhaps most importantly, the success of entrants like Tesla. BEVs have now firmed as the market's chosen solution (for now) to lowering the auto sector's carbon intensity. There is also rising confidence that EV ownership costs can fall below conventional powertrains in the coming years, making them a viable option for a broad swath of consumers. An added industry complication is the prospect of autonomous driving, which has been enabled by advances in computing power, reduced hardware costs and the advent of artificial intelligence.

The seemingly inevitable shift of a large part of the market towards EVs as well as the potential for autonomous driving, raises fundamental questions around the future structure of the industry. EVs require new supply chains, new expertise in battery chemistry, a mastery of software and new manufacturing techniques. This array of newly required technologies and skills does not play to the historic strengths of the existing automakers and their suppliers, whose internal innovation and pace of change is additionally hampered by the maintenance of their old, yet still highly profitable legacy businesses.

This has opened the door to a flood of new entrants, including entrepreneurs, governments, quasi state-backed companies, and large businesses currently serving different industries seeking to exploit gaps left by incumbents.

The prize for whoever can crack the EV market and its various sub-segments (manufacturing, components, infrastructure, software, batteries) is massive. The sheer scale of the industry, means even taking a small share of the pie could be incredibly profitable. The pie gets even bigger if we also try to estimate the potential value of the autonomous driving economy.

The market has to date, responded enthusiastically to new entrants, with their valuations implying that they not only will collectively take large market share, but will also become highly profitable. The new EV entrants that are publicly listed are cumulatively valued at close to US$800 billion and have raised close to US$50 billion in new capital, which is despite large losses, and in many cases, products are either still being proto-typed or not available in large volume.[1] These figures do not include the long tail of large unlisted start-ups, meaning the cumulative valuation and capital raised is likely to be far higher again.

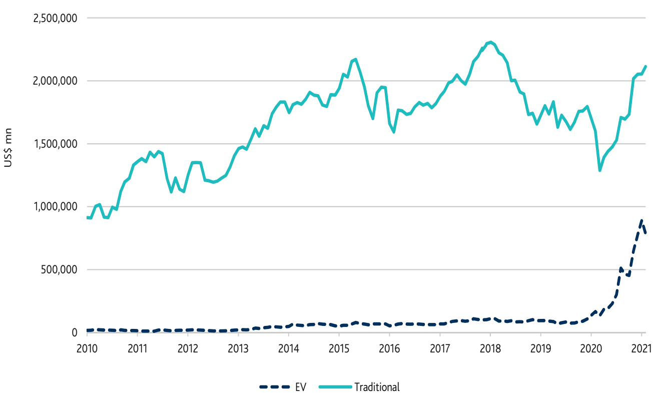
This is remarkable when considering the established auto industry (including brands and suppliers) has a cumulative market capitalisation of around US$2 trillion against a pre-pandemic profit pool of over US$180 billion.[2] Put another way, the listed value of the auto industry has increased by half, despite the low penetration of EVs and no clear indication (yet) that the industry can become inherently more profitable, or that the industry has escaped its historically high competitiveness, capital intensity and cyclicality. Historically, the opposite is true. When industries attract capital and new entrants, they go through prolonged periods of lower profitability and higher competitiveness, particularly when disruptive technology is involved.

1 FactSet Research Systems, Citi.

2 FactSet Research Systems.

Fig. 1: Market Capitalisation: Legacy Autos vs. New EVs

US$ million



Source: FactSet Research Systems.

Much of the market's enthusiasm has been focused on new brands themselves, which have proliferated over the last 10 years, as they exploited the apparent gaps in the market left by slow-moving legacy automakers. They have also taken advantage of innovative financing instruments like special purpose acquisition companies (SPACs), which offer private companies an alternate and simpler route to listing on a public market.[3]

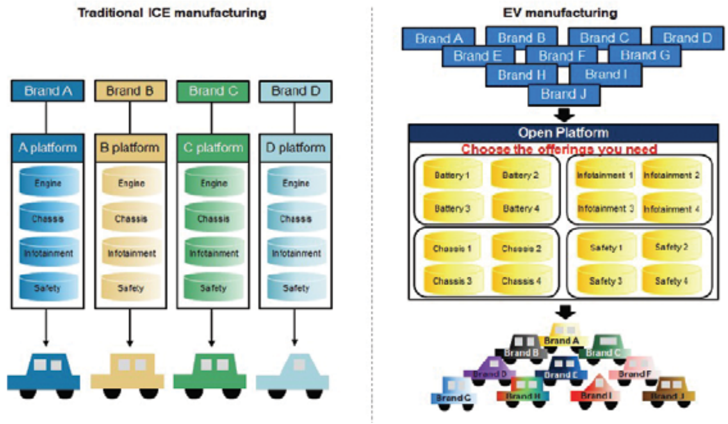
Tesla is the most prominent, owing to its crown as both the largest EV manufacturer (producing around 500,000 vehicles in 2020), as well as its US$614 billion valuation (reaching over US$1 trillion at its peak in February 2021),[4] which is roughly the size of the entire Western legacy auto market combined. Tesla shot to fame due to its high-profile CEO, innovative use of battery technology and 'software first' approach to car design. The secret ingredient to Tesla's success, however, is likely its high vertical integration, which is unique in the auto world. The company designs its own battery cells, computer chips and software. It also manufactures a high proportion of its value-added parts (including battery packs, motors), assembles its own vehicles, sells directly to consumers and runs its own charging network. This vertical integration was necessitated by holes in the nascent electric vehicle ecosystem at the time, and means the business is closer to its customers, can run on lower costs (by shaving supplier margins) and innovate quickly. However, the downside of this model is that it ties up significant capital and leaves the business chronically reliant on growth, which can be dangerous in a cyclical and competitive industry.

Tesla's success has paved the way for other EV-focused competitors, particularly in China, where the opportunity is the largest and the Government's will to dominate the EV market is the strongest. The three most prominent entrants are XPeng, Li Auto and NIO, which have each followed a relatively similar route to market as Tesla. All are founded by ambitious tech entrepreneurs, have high-profile backing companies (including Alibaba, Foxconn, Xiaomi, Tencent, Baidu) and have vehicles with similar software and battery specifications to Tesla. These companies are scaling up quickly and are collectively expected by analysts to produce over 200,000 units in 2021, which compares with Tesla's

3 SPACs raise money from investors via an initial public offering (IPO) with the intention of acquiring a private company at a later date. Investors do not necessarily know what company will be acquired at the time of investing in the IPO.

4 Source: Company data, FactSet Research Systems.

Fig. 2: 'Open Source' EV Platforms – A Radical Approach



Source: Morgan Stanley Research

China sales of close to 150,000 in 2020.[5] Gross margins are now also positive and are increasing alongside volumes. Their collective valuation at US$90 billion (10-25x trailing twelve-month sales) suggests the market expects this growth to continue.[6] Perhaps the highest expectations are around China Evergrande, which is valued at US$78 billion, despite the company having no prior auto manufacturing experience and largely remaining in pre-production phase for its EV ambitions.

In the US, new EV entrants have taken slightly different approaches, with most generally less ambitious than Tesla and their Chinese start-up peers. These companies (e.g. Rivian, Lordstown Motors, Bollinger Motors, Fisker) are still largely in pre-production phase and taking a lower-risk approach to expansion, including targeting small niches not currently served (e.g. pick-up trucks, larger SUVs, performance sedans). They are also using lower-cost approaches to vehicle development, including the use of existing off-the-shelf technology. Fisker is perhaps the most extreme example, which has outsourced nearly every single technological aspect of its business model, including the use of contract manufacturing, with the company in essence, a capital-light brand. The valuation of US EV entrants (excluding Tesla) is also remarkable, with these brands collectively valued at ~US$47 billion, which is more than Ford,[7] despite none of them having delivered a single vehicle, questionable intellectual property, unproven brands and many being asset light.

5 Source: FactSet Research Systems, Morgan Stanley, UBS, Citi.

6 Source: FactSet Research Systems.

7 Source: FactSet Research Systems.

Perhaps the biggest disruption to the entire industry, including new entrants, may come from the emergence of large-scale contract manufacturers like Hon Hai Precision (the parent company of Foxconn - the producer of Apple's iPhone). Hon Hai is pursuing a radically new approach to car development, which is based upon developing an 'open source' EV platform (see Fig. 2), with the goal being to cut costs by fully modularising all aspects of design, including hardware, electrical architecture, software and other applications. This leaves auto brands to choose parts/powertrains off a 'shopping list' and then design the upper body exterior themselves. An EV start-up named Canoo offers an example of the possibility of a modular platform, with simplistic delivery vans, pick-up trucks, sedans and ride-sharing cars all possible with one modular design.

Modularity has the potential to considerably lower costs, given a single platform and powertrain can theoretically be scaled over an infinite number of vehicles, which compares with the largest platform programs at Toyota and Volkswagen today, which produce an average of two to three million vehicles each per year.[8] This could also solve one of the largest historic problems in the automotive space – the billions of dollars of overlapping research and development (R&D) and capital expenditure, which go into technologies that are 'under the hood' and indiscernible to consumers that are duplicated at each automaker – this is up to 50% of the total development cost of a car. To date, Hon Hai has signed over 1,000 partners/developers and has also signed agreements with automakers like Fiat-Chrysler, Fisker and Byton (though the scope of these arrangements is unclear).

8 Source Company data, autonews.com

A modular hardware platform could also mean consumers place more value on software and 'killer apps' than on the cars themselves, opening the door to tech goliaths like Apple, Google, Baidu, Didi and Huawei to enter the auto space. These firms, if they enter, will likely be focused on developing a fully autonomous vehicle, which could displace vehicle ownership as we know it, and allow companies to offer transport as a service and monetise consumer time inside vehicles with high-margin services. This is a daunting prospect for both legacy manufacturers and recent entrants, though given the most sophisticated driverless technology still requires consistent human intervention, truly autonomous driving that can handle the multitude of 'edge cases' that humans expertly deal with could still be decades away. The delayed timelines for existing leaders like Cruise (General Motors) and Waymo (Google) point to the difficulty of safely replicating human driving.

Based on this evolving landscape, one may be led to believe that legacy manufacturers and brands could be 'finished', firstly by new EV entrants and then over the long term, by the tech entrants. Indeed, their ultra-low valuations imply the market thinks that the legacy manufacturing businesses are close to worthless, particularly when considering the equity in their profitable lending arms and cash on hand.

We're less sure it is likely to be this universal, with a formidable and credible response seemingly underway by many of the largest players.

The legacy automakers and their base of suppliers have been pouring billions of dollars into the development of their own EVs for a number of years with now promising results. The latest generation of vehicles are competitive with leaders such as Tesla on factors like range, acceleration, efficiency, connectivity and price. Furthermore, it is likely that EV functionality will soon exceed the minimum use for a vast majority of drivers, making the tech advances from leaders less valuable, at least for a large portion of the market.

This is likely why Elon Musk has stated that manufacturing will form a key part of Tesla's long-term competitive advantage, and is where the legacy manufacturers still have some form of edge. It is hugely challenging to produce a car every 45 seconds on an assembly line that can meet safety standards, is of sufficient quality to withstand a typical four-to-eight-year warranty, and importantly, is profitable. For this reason, making cars has been described as a game of 'picking up pennies'. In addition, most automakers can handle multiple powertrain types, multiple vehicles types, and individual customer specifications, down a single line. This flexibility is a key point of differentiation against new entrants and contract manufacturers, which thrive on scale and modularity. The legacy manufacturers also have other defences against modular vehicle concepts. While modular vehicles will likely have lower costs, traditional automakers will still have full control over their R&D spend, are better able to differentiate their products, better serve market niches, and have better control around safety and quality – a survey of the current auto market and indeed, most consumer goods markets, suggests consumers highly value individuality, choice and safety, as well as many of the other features of legacy autos (e.g. financing, servicing, warranties).

Finally, while the final shape and timing of the autonomous driving market is still playing out, it is likely that the legacy automakers will be competitive, owing to their own increasingly sophisticated software stacks, as well as deep technology partnerships of their own (e.g. NVIDIA, Intel).

Taking these points together, we think it is premature for the market to collectively 'write-off' the legacy automakers and ascribe such large valuations to unproven brands, particularly in an industry that has demonstrated consistently poor economics for new entrants and sub-scale players. Some, though not all, legacy brands are still likely to thrive in the coming years, particularly those with innovative technology and very strong consumer brands. We think the ultra-low starting valuations, highly profitable legacy businesses and compelling new EVs make some of these legacy companies attractive investments.

Platinum International Fund

Andrew Clifford
Portfolio Manager*

Clay Smolinski
Portfolio Manager*

Performance

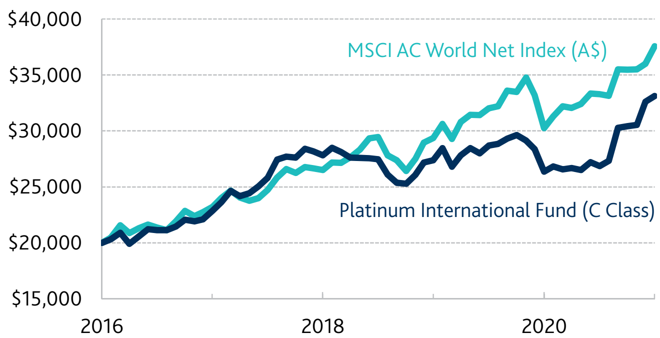
(compound p.a.+, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	9%	26%	6%	11%	12%
MSCI AC World Index^	6%	24%	12%	13%	7%

+ Excluding quarterly returns.
* C Class – standard fee option. Inception date: 30 April 1995.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2016 to 31 March 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 44.

The Fund (C Class) returned 8.9% for the quarter and 25.6% for the last the 12 months.[1]

As discussed in our December 2020 quarterly report,[2] the announcement of successful COVID-19 vaccine trials and the commencement of vaccine programs, together with the election of President Biden in the US, provided a clear pathway to economic recovery and improving business and investor confidence. The result of these events saw markets perform strongly into the end of 2020, with a focus on companies that would benefit from the ongoing recovery.

During the past quarter, while there have been disappointments with the rollout of vaccine programs in some countries, most notably within Europe, countries such as the US and UK have demonstrated that large portions of the population can be vaccinated within relatively short periods of time. At the beginning of April, 32% of the US population and 46% of the UK population, had at least received their first dose of the vaccine.[3] Evidence that we are transitioning to a post-COVID era over the course of 2021 has further strengthened investor confidence in the ongoing recovery. This was given an additional boost with the passing of a US$1.9 trillion fiscal package in the US, which was enabled by Democrats winning both seats in the Georgia Senate run-off elections, providing them with effective control of both houses of Congress.

The result was a continuation of the strong rally in the share prices of companies that are expected to benefit from the ongoing global economic recovery. Similar to last quarter, there was strong performance across the portfolio, with many of our investments poised to benefit from the recovery.

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

2 https://www.platinum.com.au/PlatinumSite/media/Reports/pifqtr_1220.pdf

3 Source: https://ourworldindata.org/covid-vaccinations#what-share-of-the-population-has-received-at-least-one-dose-of-the-covid-19-vaccine as at 3 April 2021.

* Effective from 1 April 2021, Nik Dvornak will join Andrew Clifford and Clay Smolinski as co-manager for the Fund. Nik joined Platinum in 2006 as an analyst in the financials and services sector and is also co-manager for the Platinum European Fund.

A leading contributor to the Fund's performance was **MinebeaMitsumi** (up 38% over the quarter), a producer of industrial components that will benefit from the recovery in autos, mobile phones and manufacturing activity in general. Financial stocks generally performed better, buoyed by the prospect of higher interest rates, with **Ally Financial** (up 27%), a US online bank and auto lender, performing well. Our semiconductor stocks featured amongst our top contributors again with **Micron** (up 17%), a manufacturer of memory chips, having another strong quarter. **General Electric** (up 22%) continued to perform well as prospects for air travel further improved, which will result in a recovery in the spares and maintenance earnings stream of their aerospace division. **Weichai Power** (up 23%), a Chinese producer of heavy-duty diesel engines for trucks, performed strongly, as investors embraced the company for its strong potential in fuel cell-powered drive trains for heavy vehicles. Short positions in aggregate provided a small contribution to performance.

There were a limited number of detractors from performance. The most notable was **Barrick Gold** (down 13%), continuing to sell-off in line with the gold price, which has fallen out of favour as investors' confidence in the recovery continues to build. **Midea** (down 16%) weakened in line with Chinese consumer discretionary-related stocks, which faded after a strong January amid concern regarding Chinese tightening.

Changes to the Portfolio

The Fund's net invested position fell from 87% to 67% over the quarter, as we significantly increased our short positions from 7% to 22% and cash was increased from 5% to 11%.[4] In addition, all the Fund's currency hedges were removed, with the main impact being an increase in exposure to the US dollar from 17% to 29%, while reducing exposure to the Euro from 25% to 17%. Our decision to add more US dollars to the portfolio was premised on the likelihood that the US will be the epicentre of a strong global rebound this year, as outlined in our Macro Overview.

The Fund has seen very strong performance across a wide range of holdings and as a result, we have been actively selling down positions across the portfolio. In our travel-recovery plays, **Booking Holdings**, **Amadeus** and **General Electric** were trimmed. Within the semiconductor sector, our holdings in **Samsung Electronics**, **Micron**, **Microchip** and **Skyworks** were reduced.

4 Numbers have been subject to rounding.

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
Asia	27%	30%	29%
North America	26%	28%	26%
Europe	18%	19%	14%
Japan	13%	12%	12%
Australia	3%	4%	2%
Other	1%	2%	1%
Cash	11%	5%	16%
Shorts	-22%	-7%	-24%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Industrials	21%	21%	12%
Materials	18%	17%	6%
Financials	15%	14%	11%
Information Technology	9%	17%	13%
Consumer Discretionary	9%	11%	8%
Real Estate	3%	2%	2%
Health Care	3%	6%	9%
Communication Services	2%	4%	8%
Energy	1%	2%	2%
Utilities	0%	0%	0%
Consumer Staples	-1%	-1%	-3%
Other	-11%	-6%	-10%
TOTAL NET EXPOSURE	67%	87%	60%

See note 4, page 44. 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/pif.

Amongst our copper miners, which had rallied strongly in response to a higher copper price during the quarter, we trimmed our positions in **Freeport-McMoRan** and **First Quantum Minerals**. We are of the view that while these companies, which are still held in the portfolio, remain at attractive valuations, they do not represent the extraordinary value that they did in mid-2020.

New positions in the Fund included **China Vanke**, one of China's leading residential property developers. The Chinese Government continues to regulate this sector heavily, with the goal of limiting rises in residential property prices. Recent rule changes that strictly limit the use of debt by property developers, place larger well-capitalised players like Vanke at an advantage in securing land banks for future projects. Generally, the sector is out of favour with investors, as this is the latest measure in a long line of regulations that China has enacted over the last decade to limit price appreciation of residential apartments. Even in this environment, developers such as China Vanke and another holding in the Fund, **China Overseas Land & Investment**, have managed to run highly profitable and growing businesses, that today, are available at single-digit price-to-earnings multiples.

Otherwise, additional funds were put to work across a number of existing holdings. We added to our European financials **Banco Santander** and **Intesa Sanpaolo** (banks) and **Beazley** (insurance). We continue to accumulate a position in US building materials manufacturer **Louisiana-Pacific** and Finnish-based pulp and specialty paper and wood products company **UPM-Kymmene Oyj**. The investment case for both of these companies was outlined in our December 2020 quarterly report.

On the short side of the portfolio, the increase in short positions was via an increase in Nasdaq 100 index shorts and positions that specifically targeted groups of stocks caught up in the speculative mania in growth companies. The booming exchange-traded fund (ETF) industry has become adept at creating ETFs that track the popular investment themes of the moment, and by doing so, create ideal portfolios of stocks to short that are far more targeted than traditional mainstream indices. We have used these ETF baskets to short software, renewable energy and biotech stocks that are trading at exorbitant valuations. Additionally, we have added a number of specific stock shorts with similarly high valuations.

Outlook

The global economy looks set to continue its strong rebound from the COVID-induced recession of 2020. The continuation of the reopening of economies as vaccination programs proceed across the globe, together with significant ongoing government spending, underpin what should be a very strong recovery in 2021. A combination of better employment prospects and the move toward a post-COVID era is likely to result in improving consumer confidence. This has the potential to release significant household savings that were accrued across the world in 2020, as consumers held onto significant portions of government payments that they received. This should be an environment that is conducive to strong profit growth, particularly for economically sensitive businesses.

However, our optimism is tempered with a degree of caution. There remain many risks to our scenario for economic growth and the markets. We will end this recovery period in two to three years' time with significant government debt and ongoing fiscal deficits. Governments will either need to continue to print money or raise taxes, neither are likely to be good outcomes for markets. Indeed, it would not be surprising to see markets steadily incorporate such scenarios into valuations well ahead of time. There is significant indebtedness outside the governments as well, which adds another element of risk. We also have the ongoing political tensions between the developed world and China, and while it will likely unfold in a much more predictable manner under President Biden's leadership, it remains a risk. There also remains the question of the desire by governments to regulate the new internet monopolies and how that will potentially change their business models.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	South Korea	Info Technology	4.5%
Glencore PLC	Australia	Materials	3.0%
General Electric Co	US	Industrials	2.8%
Ping An Insurance Group	China	Financials	2.8%
Micron Technology Inc	US	Info Technology	2.7%
Minebea Co Ltd	Japan	Industrials	2.7%
Weichai Power Co Ltd	China	Industrials	2.6%
Microchip Technology Inc	US	Info Technology	2.6%
AIA Group Ltd	Hong Kong	Financials	2.5%
China Overseas Land & Inv	China	Real Estate	2.4%

As at 31 March 2021. See note 5, page 44.
Source: Platinum Investment Management Limited.

What this means for the stock market from here is not straightforward. In recent years, we have continually made references to the divergence of price performance and valuation between the much-loved growth and defensive names that have performed strongly and attracted very high valuations, and the stocks that investors have sought to avoid, those with any degree of uncertainty or cyclicality that have performed poorly and been priced at historically very attractive valuations. The environment that we expect, one of strong economic growth that results in higher profits but also higher bond yields, is one that is likely to challenge this trend of recent years. Indeed, the last six months show a clear move toward businesses that will benefit from the recovery and we expect this to continue.

Taking all these factors into consideration, we expect that popular growth names will underperform, with significant falls likely in the most speculative names at some point in time. Indeed, this is what we are seeking to benefit from with our short positions.

As for the Fund's investments, it should be noted that the stock prices of many of our holdings have appreciated strongly in the last six months, though from deeply depressed levels. While they may not be as attractive as they were, we believe they are still reasonably valued given the strong earnings prospects for the next two to three years. We continue to identify new investments for the Fund, giving us confidence that reasonable returns can be earned on our portfolio in the medium term.

Platinum Unhedged Fund

Clay Smolinski
Portfolio Manager

Performance

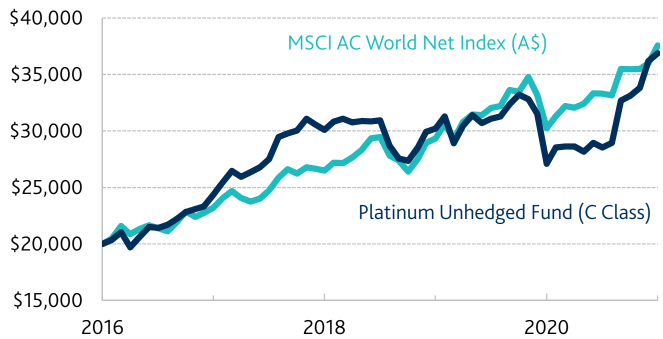
(compound p.a.+, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund*	11%	36%	7%	13%	11%
MSCI AC World Index^	6%	24%	12%	13%	8%

+ Excludes quarterly returns
* C Class – standard fee option. Inception date: 28 January 2005.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2016 to 31 March 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 44.

The Fund (C Class) returned 11.3% over the quarter and 36.1% over the year.[1]

As we mentioned in our December 2020 quarterly report,[2] post COVID, the portfolio has had a tilt to companies that we expect will benefit from a broad economic recovery or directly benefit from an end to lockdowns, such as travel. The successful vaccine news in November 2020 was the trigger for investors to return to these names and this strong performance continued through to the end of March, as investor confidence in the broad economic recovery continued to build.

The most notable contributors to the Fund's performance are noted below.

- **Louisiana-Pacific** is a US building products manufacturer that is transitioning its business from producing OSB (oriented strand board) towards making SmartSide, its engineered wood siding product where it makes high-teen margins and circa 30% returns on capital. Continued strength in the US housing market, along with more evidence they are gaining market share in premium siding, saw the stock rise 49% over the quarter.
- **MinebeaMitsumi's** expertise lies in high-precision manufacturing of small components on a mass scale, with the company most famous for producing miniature ball bearings, where they have 60% global market share. Investors have been cautious on MinebeaMitsumi's ability to grow, as some of their legacy products face technology obsolescence (e.g. LED backlights and hard disk drive motors). In response, the company has executed a series of acquisitions in the analogue power semiconductor space, that has both filled the potential hole from a loss of products and given them a new profit driver. The stock rose 38% over the quarter, as sentiment around the business improved, with investors now focusing on a recovery in their end markets, as well as potential new applications for their products in high-end camera phones and electric vehicles.

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

2 https://www.platinum.com.au/PlatinumSite/media/Reports/pufqtr_1220.pdf

- In **financials**, the banking sector is deeply out of favour with investors. The sector, already struggling with low interest rates and weak loan growth, experienced another setback during COVID, as investors were faced with higher loan losses as economies locked down. This resulted in the whole sector trading at incredibly low valuations. Our approach has been to seek out those banks with differentiated positions, that can grow despite the environment, such as Ally Financial, which is the leading online bank in the US, or Raiffeisen Bank International, which operates in Eastern Europe, where both loan growth and interest rates are rising. With the strengthening economy, our banking holdings in **Ally Financial** (+27%), **Bank of Ireland** (+28%), **Intesa Sanpaolo** (+21%) and **Raiffeisen Bank** (+12%) moved higher.

The strength across the portfolio was broad, with a limited number of detractors. A key detractor of note, was gold producer **Barrick Gold**, which largely tracked the gold price, falling 13% over the quarter.

Changes to the Portfolio

After some strong price moves, a number of our holdings reached fair value and we rotated into more prospective names.

In terms of commodities, we sold completely out of copper producer **MMG** and **United States Steel**. Within our 'growth industrials' we exited our position in US air conditioning manufacturer **Carrier Global** and dramatically reduced our holding in **FedEx**. Finally, in terms of our travel-exposed businesses we exited **Amadeus** and **Booking.com**. These investments all made strong contributions to the Fund's performance over the past 12 months.

We established a new position in automaker **Subaru** over the quarter. Subaru is a brand well known to Australians, however, the real driver of the company is their success in the US market, which makes up 70% of the company's sales.

Subaru's collection of small and mid-sized all-wheel drive sports utility vehicles (SUVs) has allowed the company to build a unique position as an ethical, on-trend brand for educated, outdoor-loving consumers. Despite a limited model range, Subaru has gone from strength to strength in the US, with the brand breaking sales records every year since 2009, more than doubling their market share from 2% to 5% and winning the number one spot in resale value, safety and customer loyalty surveys.[3]

3 Source: https://carsalesbase.com/us-subaru/ (market share); Kelley Blue Book (resale value); Insurance Institute for Highway Safety (IIHS) (safety); JD Powers 2020 Survey of Mass Market Brand Loyalty (loyalty).

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
North America	28%	32%	36%
Asia	27%	28%	26%
Europe	21%	23%	17%
Japan	10%	8%	6%
Australia	3%	4%	2%
Other	1%	0%	0%
Cash	10%	5%	13%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Industrials	25%	26%	20%
Financials	17%	16%	10%
Materials	17%	15%	5%
Information Technology	13%	17%	17%
Real Estate	6%	4%	4%
Health Care	5%	6%	10%
Consumer Discretionary	4%	5%	5%
Communication Services	3%	3%	13%
Energy	0%	2%	3%
TOTAL NET EXPOSURE	90%	95%	87%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Ally Financial Inc	US	Financials	4.6%
Microchip Technology Inc	US	Info Technology	4.3%
Micron Technology Inc	US	Info Technology	4.0%
Weichai Power	China	Industrials	3.8%
Applus Services	Spain	Industrials	3.8%
Samsung Electronics Co	South Korea	Info Technology	3.5%
Raiffeisen Bank	Austria	Financials	3.2%
Glencore PLC	Australia	Materials	3.1%
Minebea Co Ltd	Japan	Industrials	3.0%
China Overseas Land & Inv	China	Real Estate	2.9%

As at 31 March 2021. See note 5, page 44.
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/puf.

Investors' worries around Subaru have been on two fronts: weakness in the US dollar (Subaru's cost base is in Japanese yen); and electrification. News flow on both issues has improved recently. On electrification, Subaru benefits from its technology partnership with Toyota (which owns 20% of Subaru), with the pair to release a new fully-electric mid-sized SUV at the April Shanghai motor show. Success there can change the perception that both Toyota and Subaru are lagging on electric vehicle development.

With a stronger US dollar, good demand for their new large-sized Ascent SUV and a booming US auto market, there is scope for investor perception around Subaru to considerably improve.

Outlook

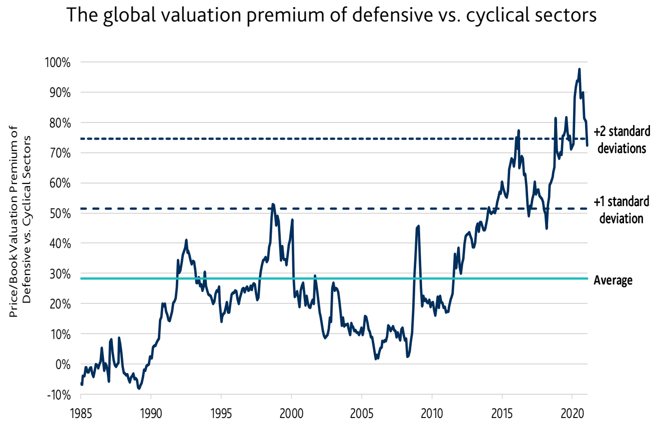
The most popular question[4] we are receiving today, is whether the investor rotation into more economically sensitive stocks is 'done'.

In past reports, we have pointed out the extreme valuation difference that had formed in markets over the past three years. As the US/China trade war intensified and the US began cutting interest rates in late 2018, investor demand has focused on high-growth stocks or defensives. This trend was super-charged post COVID, with the valuation differences reaching historic levels (see Fig. 1). While the share price rises in economically sensitive names (i.e. cyclicals) over the past five months feels dramatic, we would argue it is a rebound from very depressed levels and is supported by fundamentals, as the earnings power of these companies have the most to gain from the economic recovery.

That said, for us, the outlook for future returns is really about the quality and diversity of ideas we are finding. Whether it be **IndiGo**, India's dominant low-cost airline that can look forward to a decade of strong passenger growth, or **UPM-Kymmene Oyj**, a world-class producer of virgin pulp, that has seen demand for its renewable diesel and plastics products boom as companies move to meet their ESG goals, we are still finding reasonably priced companies with good prospects.

4 A close second, is our view on the direction of interest rates and inflation. For those interested in this topic please see Andrew Clifford's Macro Overview for a more extensive commentary.

Fig. 1: Current Markets are More Extreme than 2000



Source: FactSet Research Systems. Note: A standard deviation is a statistic that measures the dispersion of a dataset relative to its mean. If the data points are further from the mean, there is a higher deviation within the data set; thus, the more spread out the data, the higher the standard deviation. (Source: Investopedia)

Platinum Asia Fund

Andrew Clifford
Portfolio Manager*

Performance

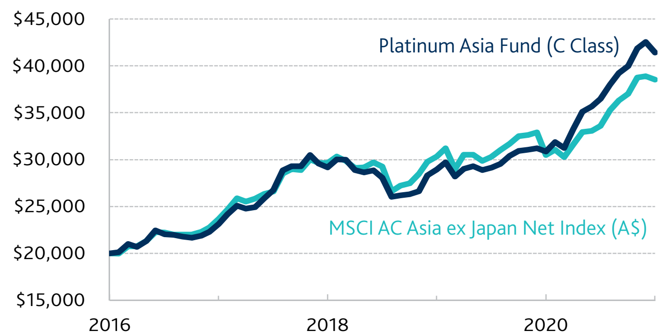
(compound p.a.+, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	4%	34%	12%	16%	15%
MSCI AC Asia ex Jp Index^	4%	26%	9%	14%	11%

+ Excludes quarterly returns
* C Class – standard fee option. Inception date: 4 March 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Asia ex Japan 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2016 to 31 March 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 44.

The Fund (C Class) returned 3.6% over the quarter and 34.2% over the year.[1]

An interesting factoid helps frame the quarter just past: the USA looks likely to grow faster than China for the first time since 1976.[2]

China is tightening at the margin, while the US is both reopening and providing fiscal stimulus. Indeed, Chinese officials are becoming vocal in their critiques of Western fiscal and monetary largesse: Guo Shuqing, chairman of the China Banking and Insurance Regulatory Commission, warned in February of speculative excess in US and European markets, and spoke of "[reducing] the high leverage within the financial system."[3] We cannot help but be struck by the delicious irony of this, given the Chinese response to the global financial crisis (GFC).

With that in mind, it is understandable that the March quarter saw US dollar strength, commodity prices such as crude oil and copper pause in their ascent and Asian markets weaken in March, albeit posting positive returns over the quarter.

Given the somewhat economically sensitive nature of the portfolio, the Fund's recent strong performance paused in March, again though with positive performance over the quarter as a whole.

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

2 Minack Advisers.

3 Ollari Consulting.

* Effective from 1 April 2021, Cameron Robertson will join Andrew Clifford as co-manager for the Fund. Cameron joined Platinum in 2010, initially focusing on resources and industrial companies, and later on the technology and communications sectors. Cameron was previously co-manager for the Platinum International Technology Fund (2017-2021).

Once again, **Taiwan Semiconductor Manufacturing** (TSMC) (+11% over the quarter) and **SK Hynix** (+12%) were among our largest contributors, as the semiconductor cycle goes from buoyant to extremely tight globally.

Chinese travel stocks **Huazhou Group** (+22%) and **Trip.com** (+17%) were also major contributors for the quarter, benefiting from strength in China's services sector late in its reopening from COVID-19 restrictions.

Ping An Bank (+14%) and **China Merchants Bank** (+21%) were significant contributors for the quarter, with both beneficiaries of economic resilience and resulting positive net interest margins in China.

China's ongoing recovery from COVID-19 saw Macau lift its final quarantine and travel restrictions for travellers from Mainland China in February, providing a boost to Gaming operators **Melco Resorts & Entertainment** (+7%) and **Galaxy Entertainment** (+16%).

Detractors in the March quarter included Indian holdings **Reliance Industries** (-4% to exit point) and **Maruti Suzuki** (-10%), amid the market impact of India's COVID-19 reacceleration. It is worth noting, Reliance was one of the Fund's top performers over the 12 months to 31 March 2021.

Chinese consumer discretionary-related companies **Midea** (-16%) and **ZTO Express** (-4% from first entry point), a new portfolio inclusion, were weak, fading after a strong January amid concern regarding Chinese tightening.

Changes to the Portfolio

Given the macro setting described above, we increased our exposure to the US dollar and Hong Kong dollar, at the expense of the Chinese yuan and Australian dollar.

We continued trimming our holdings in semiconductor stocks **Samsung Electronics**, **TSMC** and **SK Hynix** amid very strong share price performance and an ongoing global shortage in DRAM chips. These have been excellent investments over the last three years and the story is far from over, but we have lowered overall exposure and breathless headlines about years of chip shortages leave us inclined to believe trimming is the prudent course of action.

We have added significant exposure to high-quality Chinese property developers, namely **China Vanke** and **China Resources Land**, which join fellow developer **China Overseas Land & Investment** in the Fund. We bought a new sizeable position in Chinese logistics firm **ZTO Express**, which stands to benefit from an improved competitive landscape and the ongoing march of Chinese consumption, in our view.

We lowered our exposure to India amid ongoing COVID-19 travails, exiting **Reliance Industries**. We also exited Chinese energy company **CNOOC** and Chinese telecommunications companies **China Telecom** and **China Mobile**.

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
China	42%	45%	51%
South Korea	11%	13%	8%
Hong Kong	8%	7%	6%
Taiwan	6%	7%	7%
India	5%	8%	4%
Vietnam	3%	3%	2%
Thailand	2%	2%	0%
Singapore	2%	1%	0%
Philippines	1%	2%	0%
Macao	1%	1%	0%
Cash	19%	12%	22%
Shorts	-8%	0%	-10%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Information Technology	18%	22%	17%
Consumer Discretionary	17%	21%	27%
Financials	13%	15%	7%
Industrials	12%	6%	3%
Real Estate	9%	5%	2%
Materials	3%	3%	1%
Consumer Staples	2%	2%	4%
Communication Services	2%	7%	10%
Health Care	1%	1%	2%
Energy	0%	3%	3%
Other	-5%	3%	-8%
TOTAL NET EXPOSURE	73%	88%	68%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Commentary

Despite the pause in the performance of Asian markets and the Fund in March, we do not see this as a turning point – the "value rotation" is far from over.

In the immediate term, there is some cause for concern that central banks globally are tightening at the margin, with the ending of the Supplementary Leverage Ratio (SLR) exemption in the US a particular focus. This allowed banks to hold Treasuries with no capital charge – exempting them from capital requirement calculations.[4] There is the potential for this to see difficult Treasury auctions and rates increasing sharply – indeed we trimmed exposure in the Fund in advance of these concerns, as a yield spike in the US would be an effective global tightening and negative for Asian markets. However, this is not a "show stopper". Firstly, the reopening of the global economy post COVID-19 is likely to continue. Secondly, trade uncertainty is much reduced under the Biden administration. Additionally, fiscal support is likely to continue for years – as we mention in the Macro Overview, US stimulus is likely to assist growth in Asia and Europe. In terms of the likely outcome of a spike in rates following the ending of the SLR exemption – the US Federal Reserve (Fed) is likely to use repos and bond buying – as occurred in late 2019.[5] Put another way – if there is a hiccup, monetary policy officials are likely to run to the rescue. This is a very positive setup for growth-exposed Asian equities, potentially for several years.

While we were reducing exposure during the quarter, we did add notably to Chinese property developers. Investor sentiment toward the sector is negative, with the market appearing to believe that increased regulatory scrutiny on debt levels and home price limitations will hamper the profitability of developers for years to come. We see significant potential for consolidation, with higher-quality operators with stronger balance sheets poised to benefit in our view.

4 For more detail, see https://www.cnbc.com/2021/03/19/the-fed-will-not-extend-a-pandemic-crisis-rule-that-had-allowed-banks-to-relax-capital-levels.html

5 See for instance the response of the Fed in the repo market in late 2019 here: https://fred.stlouisfed.org/series/WORAL

During the quarter, it was announced that 22 cities in China would adopt a new policy to conduct land auctions for property development in three short windows each year. This will require more capital in short periods of time for property developers and may lower land prices – both would be beneficial to the larger property developers, we believe. Moreover, our research indicates the property developers are trading at close to record-low valuations – on low single-digit price-to-earnings ratios (PEs) in many cases. This is an intriguing starting point.

We wrote about the regulatory crackdown on big tech in China in the December 2020 quarterly report.[6] This appears to be affecting the behaviour of Alibaba. Chinese tech majors have long sought to establish "walled gardens" or exclusive ecosystems. Alibaba is now planning to set up a Taobao Deals lite app on Tencent's WeChat service. Selling through WeChat would mean that merchants would be able to accept payments through WeChat Pay, a service that has not previously been available on Alibaba's marketplaces. **Tencent** remains a significant holding and was a positive contributor in the March quarter. We continue to examine the investment case for Alibaba closely.

One slow moving reform program in China appears to be continuing, gradually. The Hukou, or residential permit, system is designed to prevent migrant workers from accessing services such as education or healthcare in any locale save that of their birth – meaning they may have to travel home for medical procedures, or send their children home to the village to be educated, or else pay upfront for such services if they can be accessed.[7] There are an estimated 230 million internal migrants in Chinese cities without an urban Hukou.[8] Recent changes across several Chinese cities have seen a relaxation of strict Hukou rules forcing migrants to stay in the same city for years to obtain an urban Hukou, providing: better access to healthcare for internal migrants in some cities; and exemptions from Hukou restriction for those with higher education.[9] The relaxation of the Hukou system allows for freer movement of labour in China and should be positive for the economy. This will likely apply to China's smaller cities – the so-called second and third tier cities – in our view.

6 https://www.platinum.com.au/PlatinumSite/media/Reports/pafqtr_1220.pdf

7 https://www.economist.com/china/2020/08/19/changes-to-chinas-hukou-system-are-creating-new-divides

8 Ibid.

9 Source: Bernstein.

China's economy continues to expand, as indicated by Purchasing Managers' Index (PMI) data for March. The official manufacturing PMI came in at 51.9 and non-manufacturing was 56.3, Bloomberg reported in early April. China's official PMI survey larger firms and skews more toward the state-owned sector. The Caixin China General Manufacturing PMI, which surveys smaller and more privately-owned firms, indicated a slower expansion with a reading of 50.6, while the non-manufacturing figure was robust at 54.3. Readings above 50 in PMIs indicate expansion.

We reduced exposure to India during the quarter. This is despite the fact that India's Finance Minister Nirmala Sitharaman told India's parliament that the budget deficit target for the year starting April will be 6.8% of GDP versus consensus forecasts of 5.5%. For 2020, the deficit will be 9.5% versus a planned 3.5%.[10] The news saw equity markets respond positively and bond markets sell-off in India amid ongoing optimism about the reopening of the Indian economy and the boost it would receive from the announced fiscal stimulus in early February. By the end of the quarter, this market optimism had faded. Daily COVID-19 cases were running at over 90,000 in early April 2021, near the peaks recorded in India in September 2020.[11] We see potential for meaningful economic interruption as a result. As mentioned earlier, we exited **Reliance Holdings** during the quarter.

Outlook

We see the likelihood of ongoing economic buoyance as high. However, this will be subject to setbacks and policy mistakes. At the time of writing, we may be seeing both, in regard to COVID-19 in India (and Europe), and the potential for interest rate volatility due to the SLR exemption's cessation. At such times, we think it will pay to remember that the drivers of economic recovery are durable – namely the post-pandemic reopening, renewed investment in global supply lines and strong fiscal support. We do not think markets are positioned for ongoing global growth, and we think global growth will prove persistent. This is a very positive setup for the Fund.

10 https://www.aljazeera.com/economy/2021/2/1/hey-big-spender-what-is-the-biggest-surprise-in-indias-budget; https://www.bbc.com/news/world-asia-india-55884215

11 Source: Google data, India covid stats: https://www.google.com/search?q=india+covid+stats&rlz=1C1GCEB_enAU875AU876&oq=india+covid+stats+&aqs=chrome..69i57.2575j0j7&sourceid=chrome&ie=UTF-8

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	South Korea	Info Technology	5.2%
Taiwan Semiconductor	Taiwan	Info Technology	5.0%
AIA Group Ltd	Hong Kong	Financials	3.6%
Ping An Insurance Group	China	Financials	3.2%
SK Hynix Inc	South Korea	Info Technology	3.1%
Weichai Power Co Ltd	China	Industrials	3.0%
China Resources Land	China	Real Estate	2.7%
Vietnam Ent Investments	Vietnam	Other	2.7%
Huazhu Group Ltd	China	Cons Discretionary	2.6%
Kingsoft Corp Ltd	China	Info Technology	2.6%

As at 31 March 2021. See note 5, page 44.
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/paf.

Platinum European Fund

Nik Dvornak
Portfolio Manager*

Performance

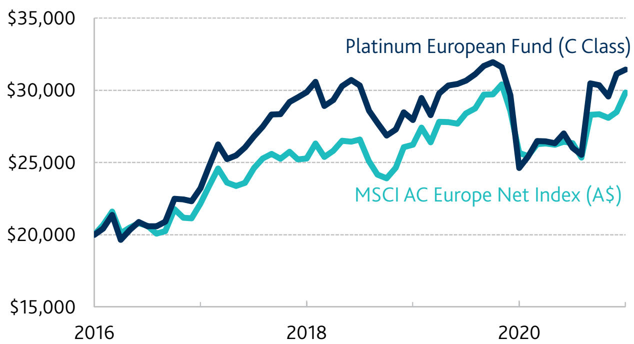
(compound p.a.+, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	4%	28%	2%	9%	11%
MSCI AC Europe Index^	5%	16%	6%	8%	3%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Europe 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2016 to 31 March 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 44.

The Fund (C Class) returned 3.6% for the quarter and 27.7% for the year.[1]

European equity markets continued to rally over the quarter. Cyclical businesses led the market higher, with automotive and semiconductor stocks particularly strong. European investors are expressing a clear preference for businesses that export to China and the United States, where strong economic recoveries are underway.

Interest-rate sensitive sectors lagged. Investors are growing anxious that ongoing debt-funded fiscal spending will lead to broad price inflation and higher nominal interest rates. Within the euro area, anecdotal evidence of input price pressure is increasingly evident in official consumer price index data too. Rate hikes have begun in Eastern Europe and central banks in Norway and Czechia are preparing their markets for the possibility. Traditional bond-proxy sectors like Utilities, Consumer Staples and Real Estate performed poorly as a consequence. So too did the Technology and Healthcare sectors. These fast-growing companies will ostensibly earn the bulk of their lifetime earnings in the distant future. The present value of these earnings rose as interest rates fell, but valuations are now extremely high and this is at risk of unwinding as interest rates rise.

Share price weakness among our travel-related companies (**MTU Aero Engines** -6% over the quarter) was a key detractor from performance. Initially, investors were optimistic that the development of highly effective vaccines would lead to a recovery in travel in time for the European summer peak. As the difficulty of producing and distributing billions of vaccine doses became clear, this enthusiasm evaporated. With new infections rising once more in the month of March, travel stocks fell sharply.

Various healthcare stocks (**MorphoSys** -21%) and technology firms (**Hypoport** -12%) also detracted from performance.

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

* Effective from 1 April 2021, Adrian Cotiga will join Nik Dvornak as co-manager for the Fund. Adrian joined Platinum in 2015 as an investment analyst in the Asia regional team. In December 2019, he moved to the financials and services sector team and continues as team leader.

Our best-performing stocks were cyclicals not exposed to the travel industry (**Bank of Ireland** +28%, **Fondul Proprietatea** +19% and **ASML** +30%).

Changes to the Portfolio

We exited our position in **IHS Markit**, having bought this company during its initial public offering in 2014. The business has grown significantly since then. It has also come to trade on a much higher valuation multiple as investors became more familiar with its strengths and prospects. IHS Markit is currently in the process of merging with S&P Global. Our main reason for selling the stock is that the successor entity will no longer meet the definition of a European company under our investment mandate.

We also sold our holding in Swiss pharmaceutical giant, **Roche**. This business has successfully navigated the patent cliff that was the source of so much investor angst when we bought it a few years ago. Today, the share price is significantly higher and we think the funds can be better applied elsewhere.

We added to our position in **Bayer AG,** a stock trapped in purgatory, as it slowly digests its much-maligned acquisition of Monsanto and attempts to manage a patent cliff in its pharmaceutical segment.

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
Germany	17%	15%	20%
United Kingdom	14%	13%	9%
Spain	10%	10%	8%
France	9%	9%	5%
Romania	8%	7%	8%
Ireland	7%	7%	4%
Switzerland	6%	9%	6%
Norway	6%	6%	9%
Austria	4%	4%	4%
United States	4%	6%	7%
China	4%	4%	4%
Finland	3%	3%	0%
Italy	2%	2%	4%
Netherlands	2%	2%	1%
Denmark	1%	1%	2%
Australia	0%	0%	3%
Russia	0%	0%	1%
Cash	4%	3%	3%
Shorts	-7%	-14%	-12%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Bayer and Corteva dominate the market for corn and soy seeds and associated chemicals. Specific traits are engineered into their seeds, including resistance to particular chemicals that can then be applied as herbicides or fungicides without harming the crop. The industrial structure is favourable: barriers to entry are high, with the companies having developed their seed libraries over decades, the market has consolidated and the customer base is fragmented.

Demand for corn and soy is supported by growing demand for meat in emerging markets and biofuels in developed markets. Competitive intensity is currently elevated as Corteva tries to capitalise on its improved competitive position. However, rational competition is in the interest of both parties and we expect this segment to be highly profitable over time.

Bayer's pharmaceutical business centres on cardiology, oncology, ophthalmology and women's health. Xarelto (anti-coagulant) and Eylea (macular degeneration) account for around 40% of the segment with both losing exclusivity in coming years. Until then, these drugs will continue generating a steady stream of cash, which is being funnelled into acquisitions to supplement the research pipeline. The company has been acquiring businesses in the highly prospective field of gene and cell therapy and can build on this bridgehead. While managing a patent cliff is tricky, pharmaceutical companies have proven remarkably adept at it. As Bayer's new pipeline takes form, we expect the narrative to shift from the paucity of the pipeline to excitement over the new products entering clinical trials.

Valued at merely 9x earnings it seems the market is still too obsessed by the sins of the past to contemplate how the future may develop. For our part, we readily acknowledge

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Financials	25%	25%	22%
Industrials	18%	19%	17%
Health Care	12%	11%	17%
Consumer Discretionary	9%	11%	14%
Communication Services	8%	9%	7%
Energy	6%	6%	6%
Materials	5%	5%	3%
Information Technology	4%	3%	7%
Real Estate	3%	2%	1%
Consumer Staples	-1%	0%	0%
Other	0%	-8%	-10%
TOTAL NET EXPOSURE	89%	83%	84%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

their past misdeeds, but also tend to see them as a spark that may ignite some much-needed cathartic change among the board and executive management team.

Outlook

A year ago, we repositioned the portfolio. European stock markets had fallen around 40% in a matter of weeks and the shares of businesses directly impacted by the pandemic had fallen much further. We consciously looked to add high-quality businesses that rarely offered buying opportunities, rather than simply trying to buy those stocks that had fallen farthest. We did so with a three-year investment horizon in mind.

Most of the businesses we bought at the time are worth considerably more today. However, many still trade well below their pre-COVID stock prices, whereas the broader market has recovered all its lost ground. This reflects underlying conditions. While many industries have returned to pre-COVID levels of activity, the businesses we bought tend to remain obstructed by the rolling lockdowns. This is particularly true for businesses dependent on freedom of travel. However, this needs to be seen in context. We are one year into a three-year recovery and the thesis is playing out as well as we would have hoped at the time. We retain high conviction in these positions and believe perseverance will be well rewarded.

Looking more broadly, however, we would reiterate the caution we expressed last quarter. Investors are increasingly willing to price in 'normalisation', no doubt responding to the development of effective vaccines, generous fiscal expansion and constant reassurance that central banks are willing to tolerate a prolonged period of higher inflation. Our expectation is that the struggle to contain COVID-19 will be drawn out and that, even when it is over, the world will be different in many respects.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
BioNTech	Germany	Health Care	4.6%
Fondul GDR	Romania	Financials	4.3%
Bank of Ireland	Ireland	Financials	4.1%
Raiffeisen Bank	Austria	Financials	3.9%
Booking Holdings Inc	US	Cons Discretionary	3.8%
Prosus NV	China	Cons Discretionary	3.7%
Banco Santander SA	Spain	Financials	3.6%
Informa PLC	UK	Comm Services	3.5%
Beazley PLC	UK	Financials	3.4%
Applus Services	Spain	Industrials	3.4%

As at 31 March 2021. See note 5, page 44.
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/pef.

Debt levels are rising with each subsequent wave of infections and lockdowns. This debt is being used simply to tide people over, not increase the productive capacity of the economy. Money is being spent but it's unclear who will foot the bill. Business owners cannot afford to be complacent, even if they navigate the pandemic without incurring any debt. They will still depend on customers and will still be subject to taxation by governments, both of whom will emerge heavily indebted. This burden will be shared, one way or another.

Inflation and rising interest rates will be a key determinant of how this burden is ultimately shared. That inflation and rising rates have suddenly become the subject of lively debate is perhaps a sign that this is dawning on investors. The problem is that a decade of quantitative easing, with seemingly no adverse outcomes, will have desensitised all of us to the inherent risks.

We are also acutely aware of some longer-term societal changes, which are easy to lose sight of in the pandemic.

- Following a hiatus since the mid-1980s, the traditional model of economic governance appears to be experiencing a resurgence in Western democracies; one where the national interest takes precedence over commercial imperatives.
- Nationalism is reasserting itself, both economically and politically.
- Calls for the redistribution of income and wealth are growing louder.
- A new superpower is assertively pursuing its interests on the global stage, highlighting some disturbing ideological differences in the process.

Businesses need to adapt to these changes. They may have to choose sides, serve the national interest, completely re-think their supply chains and justify their social licence as never before. Business is essentially a constrained optimisation problem where one needs to maximise profit subject to a list of constraints. The number of constraints look set to grow significantly and this has a direct bearing on how much profit they can extract.

Valuations have become much more demanding over the past year. While Europe has largely escaped the heady excesses of some other markets, we are struggling to find attractive new investment ideas. We are also concerned that investors and companies themselves are too complacent about a range of risks. We intend to continue trimming stocks that have performed well and build our cash position.

Platinum Japan Fund

Scott Gilchrist
Portfolio Manager

Performance

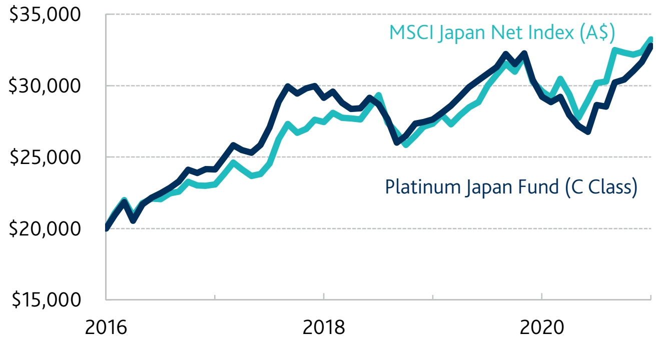
(compound p.a.+, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund*	8%	12%	4%	10%	14%
MSCI Japan Index^	3%	12%	7%	11%	3%

+ Excludes quarterly performance.
* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI Japan 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2016 to 31 March 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 44.

The Fund (C Class) returned 7.7% for the quarter and 12.2% for the year.[1]

Key contributors to performance over the quarter included **MinebeaMitsumi** (+38%), **Rakuten** (+33%), **Inpex** (+36%) and **Lixil** (+38%).

Key detractors included **Oracle** (-20%), **Nintendo** (-6%), **Gree** (-8%) and **Nihon Unisys** (-16%).

During the quarter, a range of existing positions were added to the portfolio, including **Takeda**, **Mitsubishi Corp** and **Kyocera**. New positions included **Mitsubishi UFJ Financial**, **Ube Industries** and **Nikon**, while **Rakuten**, **Oracle** and **Iida** were reduced.

The portfolio has been positioned conservatively for the last two years but is now fully invested. It's a diversified portfolio across industries, including: industrials, internet, semiconductors, health, games, autos, trading houses, consumers and financials.

From a valuation perspective, 28% of the stocks in the portfolio are at or near all-time highs (MinebeaMitsumi, Tokyo Electron), 12% are lower than three years ago (Doosan Bobcat) and 9% are below five years ago (Astellas Pharma, Sosei), while half of the stocks in the portfolio are priced below where they were 15 years ago (Toyota, Takeda). These companies have grown sales and earnings since 2005 and have good outlooks.

A few examples of the portfolio's holdings are noted below:

- The largest position in the portfolio is **MinebeaMitsumi**, a diversified engineering company focused on integrating mechanical, electrical and precision engineering at scale. The company produces 300 million miniature ball bearings per month, with a global market share of 60%. The management team is one of the best in Japan and their M&A execution has been superb. While they are looking for the next transformational product, it could well be their periscope lens for smartphones, perhaps for the iPhone.

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

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
Japan	90%	89%	79%
Korea	8%	11%	3%
Cash	2%	1%	19%
Shorts	0%	-1%	-24%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Information Technology	26%	31%	8%
Industrials	19%	15%	9%
Consumer Discretionary	19%	17%	14%
Health Care	13%	15%	13%
Communication Services	8%	9%	14%
Materials	6%	5%	3%
Financials	4%	2%	0%
Energy	3%	3%	0%
Consumer Staples	1%	1%	-3%
Real Estate	0%	0%	0%
TOTAL NET EXPOSURE	98%	98%	57%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
MinebeaMitsumi Co	Japan	Industrials	5.7%
Rakuten Inc	Japan	Cons Discretionary	5.2%
Toyota Motor Corp	Japan	Cons Discretionary	4.8%
Takeda Pharma Co	Japan	Health Care	3.7%
Nintendo Co Ltd	Japan	Comm Services	3.4%
GMO Internet Inc	Japan	Info Technology	3.4%
Samsung Electronics Co	South Korea	Info Technology	2.9%
Eisai Co Ltd	Japan	Health Care	2.8%
Mitsubishi Corp	Japan	Industrials	2.8%
Itochu Corporation	Japan	Industrials	2.7%

As at 31 March 2021. See note 5, page 44.
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/pjf.

- **Takeda** is Japan's leading pharmaceutical company that has transformed into a global biotech platform with deep roots in Boston, Massachusetts and the West Coast in the USA.
- The trading houses are valued at historically low valuations. **Itochu** is superbly managed, while **Mitsubishi Corp** has very high-quality assets. We have owned these stocks prior to Warren Buffett. **Daiwa Securities** has turned around its investment banking business over the last 10 years and is currently transforming its retail distribution business. The valuation reflects little to no success with these efforts.

Commentary

A useful framework for thinking about Japan at the moment:

- Japan has changed rapidly many times over its long history;
- There is abundant evidence that Japan is changing; and
- The outcome will surprise most, and perhaps even astound.

This situation is out in the open. It's discussed in many forums and well understood by some. Most will miss the opportunity due to a combination of being distracted by other opportunities and their backward-looking assessment of Japan.

One such 'missed' opportunity is **Toyota**, a well-known company with highly regarded products. The wider group produces 16 million vehicles per annum and the core group employs hundreds of thousands of people. Over the last decade, President and CEO Akio Toyoda, the grandson of the founder, has reorganised and refocused the business, which has resulted in sales growth through the current downturn, unlike the previous one.

Order and process can often impede progress, but Toyota seems to have achieved a decent balance between the two. The product range has been rejuvenated and recent models are receiving excellent consumer reviews with Lexus in the vanguard. Recent financial results confirm the progress and illustrate the potential for growth in Europe and China, together with an impressive foothold in India.

The market's perception of Toyota's prospects leads to a low valuation, with a single-digit earnings multiple, despite a 15% Treasury note shareholding and an enormous amount of surplus cash on the balance sheet. This dour view could change, as deep internal drivetrain electrification plans become more widely known and it becomes clearer that Toyota is very well-placed against their traditional peers, Tesla, Apple and a swarm of new electric vehicle competitors. Further, there is a misguided belief that transportation technology shifts happen quickly, when it has historically been a multi-decade process. With Toyota's share price at the same level as it was in 2006, despite higher sales, a much stronger balance sheet and an improved organisational coherency, set against a backdrop of investor disinterest, it presents an extremely attractive investment opportunity.

The historical context of the current Japanese market is worthy of a brief discussion. The major indices are below their levels of the late 1980s. Recently, the indices in Taiwan and Korea have risen to new highs, while the Japanese indexes have risen to multi-decade highs. Long-term charts like this are very rare. It has been a long 'bear market' in Japan, spanning more than 30 years. The current conditions are reminiscent of what is described in Russell Napier's book *Anatomy of the Bear: Lessons from Wall Street's Four Great Bottoms*. Today, Japan is analogous to the USA in 1921, 1932, 1949 and 1982. This is a broadly North Asian phenomenon due to the long duration deflationary impulse, after China entered the global market, combined with Taiwanese technology and Korean persistence. Japan of today has been forged in the furnace of North Asian competition.

Underlying the broad indices described above, there has been dramatic change in the composition with significant portions of the market listed in the last two or three decades. While many problems remain (demographics, debt, Bank of Japan balance sheet structure, to name just a few), these are broadly well-understood and debated.

Innovation and engineering are intertwined. In some ways, engineering is the more significant at most stages of the economic cycle and this is where Japan excels. Japan has maintained its manufacturing base on the back of continued engineering excellence and the Japanese economy, particularly technology and physical goods, remain important to employment and wage levels.

Global industrial production has been weak for three to four years on the back of supply chain reorganisation, destocking and global funding cycles. Historically, this pause has led to periods of above-trend growth, particularly for newer areas of the economy, notably during technological transitions such as today. It's possible that the many problems across the global economy (debt levels, geopolitical tension, trade imbalance, social dislocations and the ongoing pandemic to name but a few) lead to more years of below-trend growth.

Outlook

Technological revolutions and transitions receive a lot of discussion in the current market environment. Broadly, the changes are good for Japan due to their focus on energy efficiency, materials science and high-quality manufactured products. On a more practical basis, the end results of the initial framework and the subsequent discussion can be seen clearly in Japan. Profit margins have been increasing across companies and record profits can be seen in many of the recent results. Corporate governance has been on an improving trend for decades and recent levels of shareholder activism has increased further and is now above levels seen in many Western countries. It is clear that a digital transformation is underway, which can be seen in the small but thriving start-up ecosystem. Most importantly, the whole system is aligned behind improved corporate performance. After decades of low interest rates and no sign of a change, constituents just want higher investment returns.

North Asia has been a global deflationary impulse for many decades. Perhaps the worst of this has passed, which in combination with significant change across the Japanese market, society and economy will likely result in a change of mode. The outcome will surprise most, perhaps even astound. This opportunity is out in the open but poorly and narrowly understood. It's easy to get distracted by other seemingly more exciting opportunities. It's also uncomfortable for historical reasons, as the situation preys on many human biases. Sometimes great opportunities, such as what we are witnessing in Japan today, just pass by.

Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

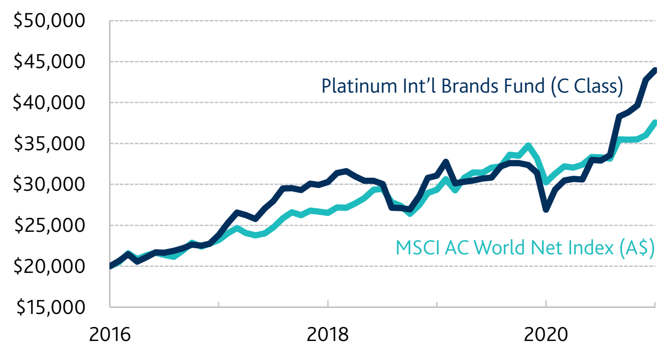
(compound p.a.+, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	13%	63%	13%	17%	13%
MSCI AC World Index^	6%	24%	12%	13%	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 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2016 to 31 March 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 44.

The March quarter continued the trend of steady appreciation in global equity markets, with the Fund benefiting again from the strong performance of our holdings in discretionary retailers, financials and leisure-related assets to deliver a return of 13.3% (C Class) for the quarter.[1] This performance takes the Fund's annual return to 63.3%, a very pleasing result, albeit one that is flattered by the starting point being near the market lows at the height of the pandemic panic. We are very happy to have validated the trust placed in us by investors through those trying times.

The seemingly inexorable march upward of the headline market indices masked substantial turbulence beneath the surface, with significant volatility experienced in many market segments, particularly amongst the fast-growing stocks previously favoured by retail investors. The GameStop short squeeze and bust, and the rise of the 'WallStreetBets' Reddit traders received much press commentary, but the sell-off from the peaks of the speculative excess at the beginning of February was widespread. Many fast-growing popular brands and 'COVID winners' were hit, including stocks such as electric vehicle maker Tesla, home-exercise platform Peloton Interactive, food-delivery leader DoorDash, and a little closer to home – 'buy-now-pay-later' service Afterpay.

All these stocks had exhibited rapid price appreciation in December and January, so despite dramatic declines approaching 40% or more from their peaks in February to the end of March, they are generally trading at about November 2020 levels. This correction has seen their valuations adjust from utterly incomprehensible to merely highly unpalatable levels. At the same time, we are seeing other signs the bull market may have reached its crescendo – notably, the Greensill Capital/Credit Suisse supply chain finance saga, Bill Hwang's Archegos Capital Management blow-up leaving a number of well-known investment banks with massive losses, and most recently, Deliveroo becoming the "worst IPO in London's history".[2]

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

2 https://www.ft.com/content/bdf6ac6b-46b5-4f7a-90db-291d7fd2898d

The Fund has largely avoided exposure to the hot stocks and we have generally been wary of excesses in the market, including the more recent exuberance in the US around the 'reopening' trade, despite having benefited from this dynamic. As such, we significantly reduced our net market exposure during the quarter to 72%, raising cash levels by selling down our holdings in leisure, financial and consumer discretionary stocks that had performed very well for us over the last year, and increasing our short positions.

It is not without reason that the market has become excited about the prospects for consumer spending in the US. A rapid vaccine rollout should see consumer behaviour normalise and the US$1.9 trillion American Rescue Plan Act of 2021 is an unprecedented fiscal transfer that goes well beyond the headline US$1,400 stimulus cheques received by anyone with an annual income of less than US$75,000. Indeed, adding the expansion of tax credits for dependent children and for childcare expenses, a family of four earning under US$150,000 annually, with two children aged under six in child care, could receive a boost of up to US$14,700[3] to their discretionary income. That's before accounting for reduced healthcare plan costs if they bought their healthcare plan through an exchange. The stimulus plan also boosts unemployment benefits and helps with rent, utility and mortgage payments for those impacted by the pandemic.

When considered in the context of unemployment falling back to 2014 levels at 6%, rising asset prices and the highest level of savings since the 1970s, the US consumer, on average, is likely feeling healthier than at almost any point in history.[4]

3 4 x US$1,400 stimulus cheques plus 2 x US$3,600 child tax credits (paid at US$600/month) less 2 x US$2,000 under prior regime plus 50% credit on 2 x US$8,000 childcare expense (US$8,000) less US$2,100 available under the prior regime. Total boost to discretionary income = US$14,700. Source: https://en.wikipedia.org/wiki/American_Rescue_Plan_Act_of_2021

4 Source: FactSet Research Systems and Federal Reserve Bank of St. Louis respectively.

A boost of US$14,700 on a base income of US$150,000 may seem sizeable in itself, but the impact on discretionary spending capability is much larger. It would be reasonable to expect that in many cases, families will be seeing increases of 50%-100% in their discretionary spending budgets.[5]

When viewed in that light, it seems sensible that consumer discretionary stocks have performed so strongly, with many rallying even beyond their pre-COVID levels. In fact, other dynamics also support this performance, whether that's the situation among apparel retailers of tightly managed inventories and bankruptcies of weaker competitors leading to much-reduced price competition, or the introduction of digital and automation technologies to reduce labour and enhance the consumer experience at theme park operators (imagine, with virtual queueing, there will be no more waiting in line for the roller-coaster!). It is for these reasons that we have maintained some exposure to these stocks, while being wary of the impermanence of much of the stimulus spending.

The strong performers among our North American discretionary retail exposures in the quarter included **Signet Jewelers** (+113% over the quarter), mid-tier department store **Kohl's** (+46%), outerwear brand **Canada Goose** (+50% to exit) and teen apparel retailer **American Eagle Outfitters** (+46%). Similarly, our theme park holdings **Six Flags Entertainment** (+36%) and **SeaWorld Entertainment** (+59% to exit) also contributed strongly. While we avoided the market-favourite hyper-growth names, we nevertheless realised meaningful contributions from strongly growing digital platforms, with this category comprising four of our top ten contributors to performance in the quarter. Russian fintech **TCS Group** (+76%), Google parent **Alphabet** (+18%), online apparel retailer **ASOS** (+16%) and US online bank and auto lender **Ally Financial** (+27%) boosted our returns in this

5 Discretionary income is income after making payments for taxes, mortgage/rent, utilities, healthcare, food and daily necessities.

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
Europe	29%	33%	31%
Asia	27%	22%	24%
North America	25%	36%	37%
Japan	5%	4%	4%
Cash	15%	5%	3%
Shorts	-13%	-4%	-32%

See note 3, page 44. 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/pibf.

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Consumer Discretionary	34%	47%	45%
Communication Services	19%	17%	14%
Financials	17%	18%	12%
Industrials	4%	3%	3%
Consumer Staples	3%	3%	-1%
Real Estate	1%	1%	1%
Information Technology	0%	0%	-2%
Materials	-1%	0%	0%
Other	-4%	2%	-7%
TOTAL NET EXPOSURE	72%	91%	65%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

regard. The general impetus driving these stocks higher was continued strong earnings growth coupled with reasonable starting valuations.

Detractors from performance included **Dongfeng Motor Group** (-20%), our new position in Chinese whitegoods manufacturer **Haier Smart Home** (-15% from first entry point) and video game company **Nintendo** (-6%).

Changes to the Portfolio

During the quarter we exited a number of our small remaining positions in strongly performing stocks exposed to a return to normality that we had accumulated from March 2020 onward, including **Canada Goose**, ski-resort owner **Vail Resorts**, **SeaWorld**, online travel agent **Booking Holdings** and hotel-franchisor **Wyndham Hotels & Resorts**. We also trimmed a number of other similarly exposed strong performers, including **Signet Jewelers**, **TCS Group**, **Six Flags**, **Kohl's**, theme park owner **Cedar Fair** and cosmetics retailer **Ulta Beauty**.

As previously mentioned, we added whiteware manufacturer **Haier Smart Home** (Haier) to the portfolio during the quarter. Readers may remember we previously owned Chinese A-share Qingdao Haier (Qingdao); Haier is the successor company, renamed following the integration of Qingdao with its Hong Kong listed subsidiary Haier Electronics. Haier now has not only A-share and H-share listings, but is also the only Chinese company with a D-share (German) listing, the line we have invested in. The German listing trades at a significant discount to the A and H shares and there are reasons to expect this discount to continue to narrow. Regardless, Haier is a leader in a growing market and we believe represents solid long-term value.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Facebook Inc	US	Comm Services	5.3%
Alphabet Inc	US	Comm Services	4.7%
Tencent Holdings	China	Comm Services	4.5%
Alibaba Group Holding	China	Cons Discretionary	4.4%
TCS Group Holding	Russia	Financials	4.2%
ASOS PLC	UK	Cons Discretionary	3.8%
Lixil Group	Japan	Industrials	3.5%
Sberbank	Russia	Financials	3.1%
Planet Fitness Inc	US	Cons Discretionary	2.6%
Noah Holdings Ltd	China	Financials	2.5%

As at 31 March 2021. See note 5, page 44.
Source: Platinum Investment Management Limited.

We also re-acquired a position in Macau casino owner **Melco International**. While many solid pandemic-affected businesses are trading at or above pre-COVID levels, Macau visitation numbers continue to be in the doldrums and so do the stock prices of the affected casinos. Barring a dramatic revision to government policy or a severe outcome to upcoming concession renewals, the casino business in Macau should continue to be a lucrative one and we believe Melco is well-placed to benefit.

Outlook

The global economy is experiencing a robust, if somewhat uneven, rebound from the depths of the pandemic. As vaccines continue to be rolled out around the globe, we can expect a gradual return to more normal patterns of consumer behaviour. Further, it is reasonable to assume some pent-up demand may be unleashed in the areas of leisure and travel, as people take advantage of their rediscovered freedom of movement. Massive fiscal stimulus serves to reinforce this demand impulse, with the likely outcome being inflation in consumer goods and services at a level that has not been experienced for some time.

Markets, as usual, appear to have anticipated much of this, with beneficiaries having seen their stock prices rally strongly. We believe we may continue to benefit from this trend in portions of our portfolio, but see the greatest opportunity in stocks that are likely to do well in an environment of steepening interest rate curves, such as our holdings in the financials sector. The other attractive area to which we are heavily exposed is one overlooked amongst the excitement around first; fast-growing COVID winners, and second; reopening beneficiaries. These are the large digital platforms such as Tencent, Facebook, Alibaba and Alphabet, where reasonable valuations, powerful business models and solid growth prospects have been discounted due to fears around regulation. While regulation is indeed a risk, we see these stocks as having been over-penalised by the market relative to their prospects, with a dire outcome required to justify such a penalty. Supporting this view, after quarter end, the announcement of a record fine imposed on Alibaba for anti-competitive behaviour resulted in the stock jumping 9%, as the fine was less than half the potential maximum.

We continue to be wary of the level of valuation amongst very fast-growing and perceived 'high-quality' businesses and see opportunities in this area on the short side.

Platinum International Health Care Fund

Bianca Ogden
Portfolio Manager

Performance

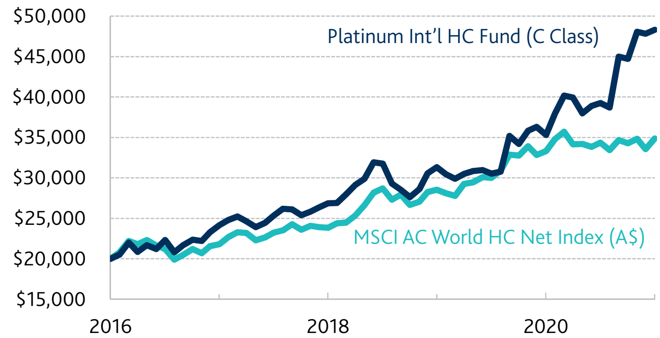
(compound p.a.+, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	8%	37%	22%	19%	12%
MSCI AC World HC Index^	2%	5%	14%	12%	9%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 10 November 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World Health Care 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2016 to 31 March 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 44.

The Fund (C Class) returned 8.0% for the quarter and 36.7% for the year.[1]

After a stellar 2020, the biotech sector had a subdued start to the year, with the XBI, an index of US biotechnology stocks, falling 2.5% over the quarter.[2] The Food and Drug Administration (FDA) delayed some high-profile approvals, which weighed on the sector, while consolidation in the sector was limited.

Several of our holdings performed well this quarter, with **Five Prime Therapeutics**, a US biotech we mentioned last quarter, the standout (+121% over the quarter). Amgen announced it will acquire Five Prime Therapeutics for US$1.9 billion. Five Prime Therapeutics is a classic example of a company that had a setback but was able to regroup, thanks to its research and development (R&D) engine. Last year, its gastric cancer drug bemarituzumab (bema) demonstrated efficacy in a phase 2 trial and 15 companies subsequently signalled interest in the drug, with Amgen finally succeeding.

It is clear that demand for good-quality assets remains high and that often the less-obvious companies are worthwhile exploring and understanding. A number of our lower-profile biotech holdings have been gradually advancing their pipeline and announcing promising clinical data. These include our Australian biotech holdings **Kazia Therapeutics** (+37%), **Antisense Therapeutics** (+62%) and **Telix Pharmaceuticals** (+13%).

During the quarter, we exited several investments due to stretched valuations, including **Moderna** and **PerkinElmer**. We also trimmed various biotech holdings for the same reason.

At the same time, we added to companies that had a setback or were simply caught up in the recent sell-off. **Assembly Biosciences** (-24%) is one biotech that had a setback. This company remains a laggard, despite being valued below its cash balance. Assembly is developing Hepatitis B Virus (HBV) core inhibitors. The aim is to provide finite therapy to treat

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

2 SPDR S&P Biotech ETF (XBI).

chronic HBV infection, a task that is not straightforward. Assembly's first core inhibitor failed to allow finite treatment last year. For Assembly, the focus is now on its more potent core inhibitors, together with other anti-HBV drugs. We are not deterred by this failure, given the expertise of the Assembly team, their deep knowledge of HBV and the core inhibitor pipeline the company has put together. Hence, we took the opportunity to add to our position.

We also added to **Coherus Biosciences**, a US biotech focusing on biosimilars. Coherus has established a commercial oncology company and during the quarter expanded its late-stage pipeline via an alliance with China's Junshi Biosciences. Coherus will commercialise various oncology antibodies, including toripalimab (anti-PD-1) in North America. Anti-PD-1 antibodies have proven to be an effective treatment of several types of cancer, including melanoma of the skin, non-small cell lung cancer, kidney cancer, head and neck cancers, and Hodgkin's lymphoma.[3] We believe that the pricing dynamics for these oncology antibodies will change in years to come, as several of the Chinese-produced antibodies gain approval in the US market. **CStone Pharmaceuticals**, one of our Chinese holdings, out-licensed its own oncology antibody last year to US EQRx, a very interesting company whose mission is to reduce drug prices.

Commentary

The speedy development of messenger RNA (mRNA) vaccines in 2020 has undoubtedly contributed to the current exuberance in the biotech sector. Combine this with the trend of getting excited about anything 'disruptive' and we have a recipe for hype.

While some may worry about the level of enthusiasm in the sector, to us, ***the reason to invest in biotech is far simpler and has always been the same: it is about improving the standard of care for the young and old, as well as allowing better access to healthcare for all.***

Improving the standard of care relies on better knowledge of disease pathology; hence better tools to study and diagnose diseases. While better access to healthcare is about improving the efficiency of today's healthcare systems.

3 https://www.coherus.com/immuno-oncology/toripalimab-program/

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
North America	34%	35%	38%
Europe	24%	23%	32%
Asia	10%	10%	6%
Australia	9%	11%	10%
Japan	5%	6%	7%
Other	1%	1%	0%
Cash	17%	13%	7%
Shorts	-3%	-3%	-5%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Biotechnology	49%	49%	51%
Pharmaceuticals	23%	26%	29%
Life Sciences Tools & Services	5%	7%	9%
Health Care Providers & Serv	1%	1%	0%
Machinery	1%	1%	0%
Health Care Equip & Supplies	0%	1%	-1%
TOTAL NET EXPOSURE	81%	84%	88%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Takeda Pharma Co	Japan	Pharmaceuticals	3.7%
Sanofi SA	France	Pharmaceuticals	3.6%
SpeeDx Pty Ltd	Australia	Biotechnology	3.0%
Bayer AG	Germany	Pharmaceuticals	2.8%
Almirall SA	Spain	Pharmaceuticals	2.4%
CStone Pharma	China	Biotechnology	2.1%
Kazia Therapeutics	Australia	Biotechnology	2.1%
Telix Pharmaceutical	Australia	Biotechnology	2.1%
Gilead Sciences Inc	US	Biotechnology	2.0%
Esperion Therapeutic	US	Biotechnology	1.9%

As at 31 March 2021. See note 5, page 44.
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/pihcf.

Lead times in biotech are years not months, and hence any success that happens today is due to investments made a decade ago. 2020 was a phenomenal year for biotech fund raising, with US$45 billion flowing into the sector and 84 new biotech listings on US stock exchanges alone.[4] While initial public offerings (IPOs) were 'hot', given insiders participated heavily, limiting the float available to new investors, we have already seen a gradual recalibration of valuations and many of these newly listed companies are becoming very interesting.

Biotech has come a long way from what it was in 2001. At that time, the human genome project had just been completed after 13 years of research. Since then, the biotech industry has matured, progressed and developed the tools to drill into the genome and map out signalling pathways. Protein engineering has been embraced to make better therapeutics and expand the therapeutic modality toolbox. The last five years have particularly seen immense advances. Today, we have desktop machines that can conduct gene sequencing at a fraction of the cost and time. Deciphering the protein universe is now on the agenda with semiconductor chips playing a significant role in simplifying what is a very cumbersome area of research. There are companies today that can conduct over a million molecular biology experiments a week, generating 80 terabytes of new data.

Automation and computer science are far more advanced versus 20 years ago, facilitating the scientific progress today, which will translate into a different healthcare industry in the future.

Yes, there is exuberance around, it rears its head occasionally, as we experienced with genomics in 2000/2001 and immuno-oncology in 2013/14. Each time, expectations race ahead and a reset follows.

The biotech industry requires these ‘exciting times’, as it needs to raise funds for the next step-change ahead. Biologic drugs were one of those step-changes in the late 1990s and 2000s. Many drug developers at the time did not think this therapeutic modality would gain traction, let alone be profitable. Today, biologics have a firm place in biotech.

Not that long ago, mRNA raised eyebrows, but dedication and persistence by mRNA scientists and companies over the past decade paid off, with regulatory approvals and rollouts of mRNA vaccines for COVID not only happening in 2020 - but occurring in record time.

4 Source: Jefferies Financial Group.

Biotech is the engine room of the healthcare industry. The breadth of the industry has expanded. The number of publicly traded biopharma companies has nearly doubled from 339 to 612 in the space of just seven years.[5] Furthermore, funding sources are more diverse and extend well beyond venture funds, allowing many more companies to be well-funded.

This is a solid starting point for the next decade of this industry, where we believe the balance between pharma and biotech will shift even further, with the latter set to play an even greater role.

Outlook

Sell-offs, consolidations and equity market corrections are uncomfortable for investors, as it signals change and uncertainty. To us, these times offer very interesting opportunities. The convergence between biotech and tech will have ramifications for the pharmaceutical sector, an industry that will have to adapt even further. Last year, we saw how the well-established vaccine companies struggled to develop a vaccine for COVID, while the biotech companies accelerated. Interestingly, Pfizer’s share price has hardly moved, despite all its efforts and success during the pandemic. These large companies have a lot of legacy issues to deal with. We believe there are very interesting times ahead and biotech will play a crucial role, especially with Asian biotechs also maturing.

5 Source: Jefferies Financial Group.

Platinum International Technology Fund

Alex Barbi
Portfolio Manager*

Cameron Robertson
Portfolio Manager*

Performance

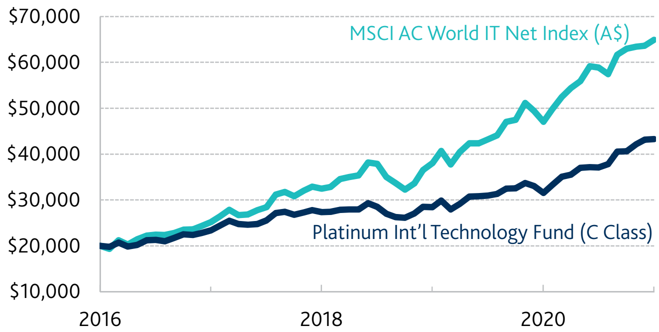
(compound p.a.+, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	6%	37%	17%	17%	11%
MSCI AC World IT Index^	3%	38%	26%	27%	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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2016 to 31 March 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 44.

The Fund (C Class) returned 6.5% for the quarter and 37.3% for the year.[1]

Technology stocks took a breather after their impressive run in calendar 2020, as investors started reacting to a different market narrative. While the Nasdaq 100 rose 1.6% for the quarter, there was divergence in the different sectors within the technology industry. Highly valued software stocks were, in general, weaker when compared to more cyclical names exposed to the economic recovery.

Primary examples were market darlings cloud/software as a service (SaaS) companies, such as Snowflake (-19% over the quarter), Okta (-13%) and Coupa Software (-25%). They have all retreated from their all-time highs, as investors started questioning the high valuation multiples these companies were trading on (between 34 and 101 times price-to-sales). Similar dynamics applied to internet retail stocks, such as Amazon (-5%) and Shopify (-2%).

On the other side of the ledger, more cyclical sectors such as computer hardware, semiconductors and electronic components performed strongly, as investors considered these areas more attractive and beneficiaries of the economic recovery ensuing from the depressed levels of 2020. The standout performer was the PHLX Semiconductor Sector Index up 12% for the quarter and 107% for the year.

The Fund's performance benefited from its relatively large exposure to companies operating in the semiconductor manufacturing and semiconductor capital equipment sectors (representing seven of the top ten contributors in the quarter). Performance was strong across all the sub-industries. Key contributors included **Taiwan Semiconductor Manufacturing** (+11%) as its leading foundries benefit from its dominant leading-edge technology, as well as **Intel** (+28%), with investors cheering the strategic plan announced by the newly appointed CEO. Memory stocks **Micron** (+17%)

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.

* Effective from 1 April 2021 the Fund will be solely managed by Alex Barbi following Cameron Robertson's appointment as co-manager for the Platinum Asia Fund.

and **SK Hynix** (+12%) strengthened on increases in DRAM (dynamic random-access memory) prices, suggesting higher revenues and profits ahead. Microcontroller manufacturer **Microchip** (+12%) reported strong book-to-bill metrics, suggesting strong demand recovery from industrial and automotive clients. **Skyworks** (+20%) saw strong demand for its 5G radio-frequency chips accelerating with smartphone upgrades. **Lam Research** (+26%) received strong orders for NAND (flash memory) semiconductor manufacturing equipment.

Other major contributors included **Alphabet** (+18%) and **Carvana** (+10%). Alphabet recovered strongly, driven by accelerating YouTube revenues (+46% year-on-year) and separately disclosing its Google Cloud divisional metrics for the first time, which showed strong 47% top-line growth year-on-year. The online car sales platform Carvana recorded strong revenue growth (+65% year-on-year) with operating leverage showing through to the margin levels.

On the negative side, we had some smaller losses from our short positions and suffered a (hopefully temporary) setback with **Medallia** (-16%), the US-based customer and employee experience management company. Investors were disappointed by the weak forward revenue guidance, despite the growing number of customer sign-ups. We are going to monitor the next few quarters to assess if our original investment thesis still holds and the recent setback is recoverable.

Changes to the Portfolio

During the quarter, we introduced three small positions to the Fund. We invested in **MYT Netherlands** (MyTheresa), a newly listed European-based luxury fashion platform formerly owned by Neiman Marcus, which was forced to spin-off the business ahead of its Chapter 11 bankruptcy. We established a position in a small, but fast-growing Japanese online real estate portal that offers retail and professional customers end-to-end services. We also invested in a video game platform powered by user-generated content, where people (mostly teenagers) connect with friends to play, communicate, learn and explore in 3D virtual spaces.

We reduced or exited some of the recent strong performers, where we considered valuations to be excessive in light of further potential upside. These included **Roku**, **Carvana**, **Twilio**, **Ambarella** and **Appian**. The Fund had a net cash position of 24% at quarter end, reflecting our more cautious attitude to the industry given extended valuations. It also provides the Fund with the firepower to invest opportunistically and rapidly should any opportunities arise from temporary dislocations.

Commentary

In the USA, with new COVID-19 cases reaching a peak in early January and the national vaccination campaign finally accelerating, investors started pricing in a gradual return to normal life and a strong economic recovery. The election of US President Biden also increased pressure on the US Congress and Senate to approve additional stimulatory fiscal measures. Since election day in November 2020, two separate economic relief bills worth US$900 billion and US$1.9 trillion respectively, were passed and a further US$2.1 trillion infrastructure plan was announced.

The increase in government spending in the US and across most developed economies has, however, raised fears that budget deficits are becoming excessive: higher deficits are funded by more government borrowing, adding to already high debt levels in many Western countries. Moreover, the first signs of resurgent inflation are emerging in some industries: partly as a result of temporary COVID-19 disruptions, but also driven more broadly by rising commodity prices (e.g. oil, base metals and agricultural products).

The result of these macroeconomic dynamics is clearly having an impact on investor behaviour. Investors in bond markets are now requiring higher interest rates to invest in long-term government bonds. For the calendar year-to-date, the yield on the 10-year US Treasury note has almost doubled from 0.92% to 1.74%. Similar trends are visible across all major government bond markets.

Higher long-term interest rates may well signal better economic prospects ahead and positively impact the stock markets. However, equity investors are now factoring in higher interest rates in their valuation models and this disproportionately affects highly valued growth stocks, as they tend to rely on earnings in the more distant future. As a result, growth stocks are more vulnerable to a rise in bond yields used to discount those earnings.

In this context, the strong performance of semiconductor stocks makes sense. More sensibly valued compared to high-flying ‘cloud’ stocks and considered to be more cyclical in nature, they became the obvious candidates for investors looking to bet on a global recovery post COVID-19. However, there are other factors at play.

When COVID-19 appeared on the global stage in late 2019/early 2020, the semiconductor industry had just experienced a tough year, with global revenues declining by 12% for the year 2019,[2] mostly due to memory prices falling as a result of excess supply. With many countries entering lockdowns, major automakers cautiously reduced chip purchases in

2 Source: Semiconductor Industry Association: https:www.semiconductors.org

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
North America	47%	48%	54%
Asia	19%	20%	23%
Europe	8%	8%	8%
Japan	2%	2%	1%
Australia	0%	0%	0%
Cash	24%	22%	14%
Shorts	-3%	-3%	-2%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Information Technology	46%	49%	48%
Communication Services	20%	20%	26%
Consumer Discretionary	4%	3%	5%
Industrials	3%	3%	5%
Health Care	0%	0%	0%
TOTAL NET EXPOSURE	73%	75%	84%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	US	Comm Services	5.9%
Samsung Electronics Co	South Korea	Info Technology	4.1%
Taiwan Semiconductor	Taiwan	Info Technology	4.0%
Tencent Holdings Ltd	China	Comm Services	3.6%
Facebook Inc	US	Comm Services	3.6%
Microchip Technology Inc	US	Info Technology	3.0%
Constellation Software	Canada	Info Technology	2.7%
Samsung SDI Co Ltd	South Korea	Info Technology	2.6%
Lam Research Corp	US	Info Technology	2.5%
Skyworks Solutions Inc	US	Info Technology	2.5%

As at 31 March 2021. See note 5, page 44.
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.

expectation of a slowdown in car sales. At the same time, demand for semiconductors enabling work from home devices, gaming and remote healthcare surged. From the end of the second quarter of 2020, car sales started recovering faster than expected, especially in the large Chinese market. This caused a subsequent supply shortage across the entire supply chain, especially from Chinese factories, which by then, had already sent their labourers home and shut down production lines.

In 2020, global semiconductor revenues grew by 6.8% year-on-year, as demand recovered, but scarcity in automotive components has extended into 2021. Major buyers of semiconductors found themselves with very low level of inventories in the supply chain and were unprepared for the quick and sharp recovery in demand. Several car factories across the world were forced to temporarily shut down production due to insufficient supply of semiconductors and other components.

The CEOs of Cisco and Intel, respectively major buyers and producers of semiconductors, recently predicted that this scarcity could last another couple of years, simply because "demand continues to increase" and "we can't build fabs overnight".[3]

Outlook

Recent strong stock market performance raises questions about its sustainability. As at 31 March 2021, the forward 12-month price-to-earnings ratio (P/E) for the S&P 500 Index was 21.9, above its 5-year and 10-year average of 17.8 and 15.9 respectively. For the Information Technology sector, the forward 12-month P/E was 25.9, above the 5-year and 10-year average of 18.3 and 16.3 respectively. Valuations are not crazy, but obviously stretched.

The most recent analysts' earnings estimates for the S&P 500 indicate an aggregate increase of 25.9% for the 2021 calendar year (compared to a decline in earnings of -11.2% for 2020). This is an extremely high and unusual growth rate due to a combination of rising economic estimates and an easier comparison to weaker earnings in the first quarter of 2020 due to COVID-19. For the Information Technology sector, analysts are forecasting earnings to increase by 22.4% in the first quarter of 2021 and 18.2 % for the 2021 calendar year. These are very strong numbers, which clearly rely on a sustainable recovery in the US economy. Most importantly, however, we continue to find new and exciting ideas to invest in, and we have been adding new names to our portfolio, despite the challenges posed by the rising valuations.

3 https://au.finance.yahoo.com/news/semiconductor-shortage-could-go-on-for-years-cisco-ceo-134921312.html

Glossary

Dividend yield

A ratio that indicates how much a company pays out in dividends each year relative to its share price.

Earnings yield

A company's earnings per share over a 12-month period divided by its share price and expressed as a percentage, the earnings yield is the reciprocal of the price-to-earnings (P/E) ratio and is a measure of the rate of return on an equity investment.

Earnings before interest and tax (EBIT)

A measure of a company's profitability, EBIT is all profits before deducting interest payments and income tax expenses. It is calculated as revenue minus cost of goods sold and operating expenses.

Price-to-book ratio (P/B)

The ratio of a company's current share price to its book value (total assets minus intangible assets and liabilities). It is an indicator of the value of a company by comparing its share price to the amount of the company's assets that each share is entitled to.

Price-to-earnings ratio (P/E)

The ratio of a company's current share price to its per-share earnings, P/E is used as an indicator of the value of a company by comparing its share price to the amount of per-share earnings the company generates. A high P/E ratio suggests that the company's share price is expensive relative to the company's profits, which usually implies that investors are expecting the company's future profits to grow quickly.

Price-to-sales ratio (P/S)

The ratio that compares a company's current share price to its revenue, P/S is an indicator of the value placed on each dollar of a company's sales and is typically calculated by dividing the company's market capitalisation by its total sales over a 12-month period.

Purchasing Managers' Index (PMI)

An indicator of the economic health of the manufacturing sector. It is derived from monthly surveys of purchasing executives at private sector companies and is based on five major indicators: new orders, inventory levels, production, supplier deliveries and employment environment. A reading of greater than 50 indicates expansion of the manufacturing sector when compared to the previous month, while a reading of under 50 represents a contraction.

Quantitative easing (QE)

A monetary policy used by central banks to increase the supply of money by buying government bonds (and, to a lesser extent, other assets such as corporate bonds and shares) from the market. The intended outcome is to lower the yield on those assets, increase the total money supply in the financial system, and encourage more lending by banks and thus greater economic activity. Central banks use QE to stimulate the economy when interest rates are already at or close to zero.

Shorting

Short-selling or "shorting" is a transaction aimed at generating a profit from a fall in the price of a particular security, index, commodity or other asset. To enter into a short sale, an investor sells securities that are borrowed from another. To close the position, the investor needs to buy back the same number of the same securities and return them to the lender. If the price of the securities has fallen at the time of the repurchase, the investor has made a profit. Conversely, if the price of the securities has risen at the time of the repurchase, the investor has incurred a loss.

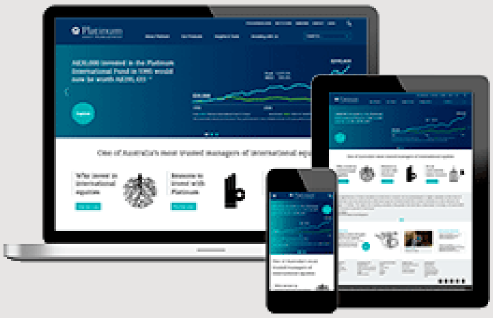
Yield

Yield refers to the income generated from an investment (such as interest from cash deposits, dividends from a shareholding, or rent from property), usually expressed as an annual percentage rate based on the cost of the investment (known as cost yield) or its market price (known as current yield). For bonds, the yield is the same as the coupon rate (assuming the bond is purchased at par or is trading at par). Any increase or decrease of the yield relative to the coupon rate is approximately inversely proportional to any change in the bond price (yields fall as prices rise, and vice-versa).

Yield curve

A yield curve plots the interest rates (or yields) of comparable debt instruments with different maturities. Starting on the left with the yields of shorter-term instruments, the curve typically slopes upwards to the right, reflecting investors' desire to be compensated for the uncertainty associated with locking their money away for longer periods of time. An inverted yield curve occurs when longer-term debt instruments have a lower yield than shorter-term debt instruments, reflecting expectations of weaker economic conditions – and hence lower interest rates – in the future.

The Journal



You can find a range of thought-provoking articles and videos on our website. For ad hoc commentary on the latest market trends and investment themes, look up **The Journal** under **Insights & Tools**.

If you find yourself short on time to read our in-depth **reports** and **articles**, have a listen to our Quarterly Reports in **audio podcasts** or watch brief market updates in **video** format.

Recent highlights include:

- **Video – 2021 Investor Presentation.**[1] Platinum recently completed its 2021 investor and adviser presentation and a video is now available for viewing. Andrew Clifford, Clay Smolinski and Dr Bianca Ogden discuss the ongoing speculative mania, the booming economic recovery in a partially vaccinated world, and the likely impacts of inflation as money printing continues around the globe.
- **Video - Dynamic Asia: From Manufacturing to Cutting-Edge Technology.**[2] From semiconductors to 'lights-out warehouses', telehealth, fintechs and 'cobots' where humans work alongside robots, there's incredible innovation going on in Asia. Drawing on his technology background, portfolio manager Cameron Robertson explains.
- **Video - Managing Risk When Speculative Manias Take Hold.**[3] A speculative mania has touched many parts of the market, with SPACs and GameStop the most recent cases in point. Speculation isn't investing. Trader/analyst Troy Augustus explains what's driving the mania and how Platinum manages risk in speculative market environments.
- **Article - Are Cyclicals the New Defensives?**[4] While cyclical stocks have rebounded sharply from their COVID-19 lows, our valuation analysis shows they're not expensive relative to historical levels. Meanwhile, valuations for defensive stocks are higher than most of the last 35 years, excluding the tech bubble. Investment specialist Douglas Isles explains.
- **Article - Embracing Opportunities That Crowds Avoid.**[5] Platinum's philosophy of "thinking differently" means we look for opportunities that are out of favour and against popular opinion, with the most recent and clearest example being our investment in travel and travel-related industries throughout 2020. Investment specialist Henry Polkinghorne explains.
- **Article - Semis: We're Halfway There?**[6] Semiconductors have had a good run, but longer-term fundamentals suggest we may be only "halfway there". Investment specialist Douglas Isles shares insights from our technology team on the sector dynamics driving share prices.
- **Video - European Banks: A Compelling Case to Invest.**[7] Portfolio manager Nik Dvornak explains why the 'unloved' European banking stocks were such a compelling investment opportunity in 2020.
- **Article - The New World of Risk: GameStop and Cryptos.**[8] Kerr Neilson provides his thoughts on GameStop and cryptocurrencies.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-2021-Investor-Presentation
2 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Dynamic-Asia
3 https://www.platinum.com.au/Insights-Tools/The-Journal/Managing-Risk-When-Speculative-Manias-Take-Hold
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8 https://www.platinum.com.au/Insights-Tools/The-Journal/The-New-World-of-Risk-Gamestop-and-Cryptos

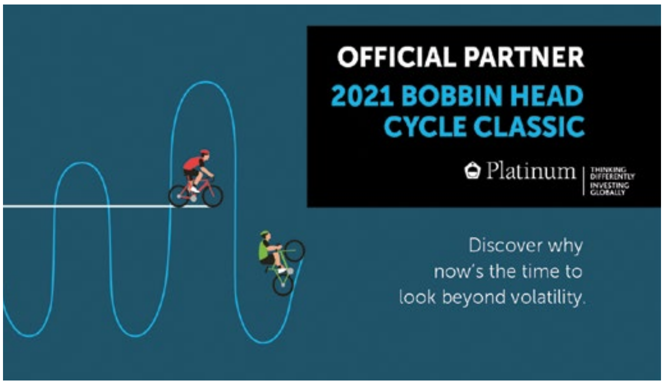
Bobbin Head Cycle Classic

Now in its 10th year, the Bobbin Head Cycle Classic is an annual fundraising event organised by the Rotary Clubs on Sydney's North Shore to help local charities.

After a break last year due to COVID-19, it was great to see a return of the loyal cycling aficionados and supporters to this year's event.

Once again, Platinum's staff took part with enthusiasm, who were also joined by their families and friends, young and old.

The funds raised in 2021 will be used to help Lifeline, a charitable organisation dedicated to providing crisis support and suicide prevention services.



From early May, estimates for the forthcoming 30 June distributions by the Platinum Trust Funds will be made available online (and updated weekly) at:

www.platinum.com.au/About-Platinum/Company-News

Please note, we will be introducing a 'fixed cash distribution' option for the annual 30 June distribution. This will be offered alongside the existing option of reinvesting your distribution in additional units or receiving cash. The concept allows investors to select a fixed 4% cash distribution with the purpose of providing investors with a more certain cash flow outcome.*

More information will be sent out around mid-May on this new option.

**If the distribution amount is less than 4%, units will be redeemed to make up the shortfall. If the distribution amount is greater than 4%, the excess distribution amount will be reinvested in additional units.*

Some Light Relief

"Good news -- remember all those growth stocks I sold you? They're now value stocks."

CartoonStock.com

"THE BULL'S STILL ALIVE AND WELL, MR. FILLMOND. UNFORTUNATELY HE'S NOT GRAZING IN YOUR FIELD."

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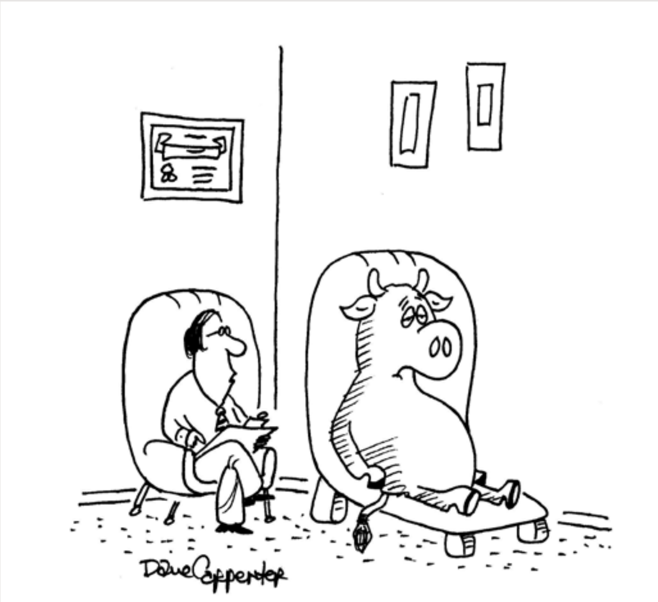

"Don't worry about it. Your buying compulsion is perfectly normal."

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"Be advised the information herein may not be current and is subject to change. Past performance is not necessarily indicative of future results."

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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 of the Fund 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. Where applicable, the gross MSCI index was used prior to 31/12/98. 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".

   The Platinum Unhedged Fund does not undertake any short-selling. As a result, its net sector exposures through its securities positions and securities/index derivatives positions are its sector exposures through its long securities and long securities/index derivatives positions.
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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About us

Investor services numbers

Monday to Friday, 8.30am – 6.00pm AEST

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0800 700 726
New Zealand only

Or visit us at our office

Level 8, 7 Macquarie Place, Sydney

Platinum Asset Management is a Sydney-based manager specialising in international equities. The investment team uses a thematic stock-picking approach that concentrates on identifying out-of-favour stocks with the objective of achieving superior returns for our clients. We pay no heed to recognised indices. We aim to protect against loss and will hedge stocks, indices and currencies in our endeavours to do so.

The firm was founded in February 1994 by a group of professionals who had built an enviable reputation. The investment team has grown steadily and Platinum now manages around A$24 billion. Platinum's ultimate holding company, Platinum Asset Management Limited (ASX code: PTM), listed on the ASX in May 2007. Directors, officers and employees of the Platinum group of companies have relevant interests in approximately 50% of Platinum Asset Management Limited's issued shares.

Since inception, the Platinum International Fund has achieved superior returns to those of the MSCI AC World Net Index (A$)* and considerably more than interest rates on cash.

* Please refer to page 2.

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