Platinum International Fund
Platinum Global Fund (Long Only)
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

30 JUNE 2021

Contents

*The Platinum Unhedged Fund was renamed Platinum Global Fund (Long Only) on 14 May 2021.

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

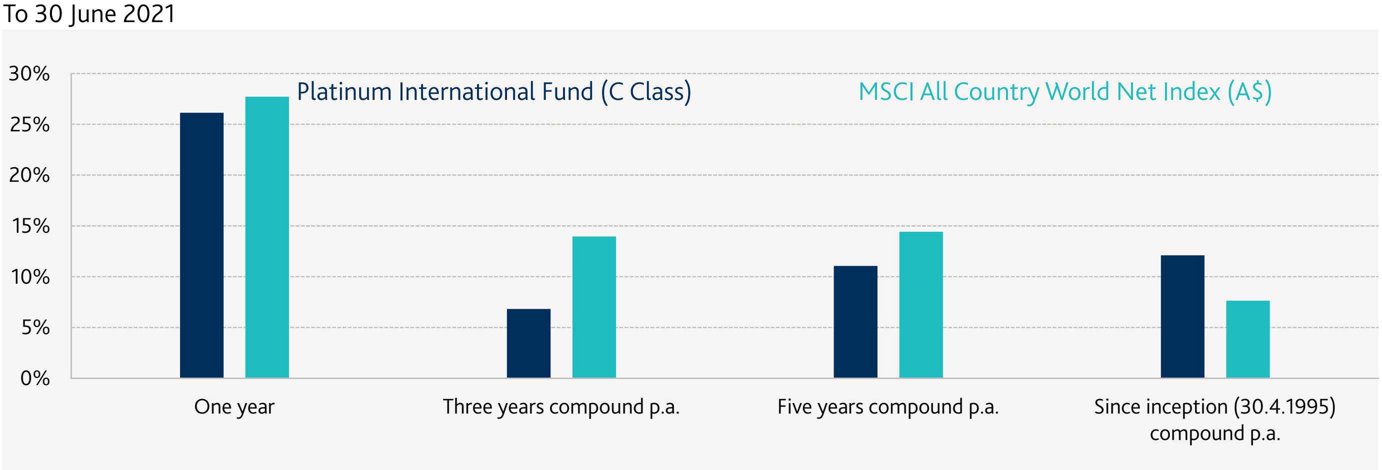
Performance Returns to 30 June 2021

FUND CLASS – STANDARD FEE OPTION) (P CLASS – PERFORMANCE FEE OPTION)	PORTFOLIO VALUE (POST 30 JUNE CASH DISTRIBUTION 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)	**8,422.0**	**1.6%**	**26.1%**	**10.0%**	**6.8%**	**11.1%**	**12.1%**	**30 Apr 1995**
Platinum International Fund (P Class)	20.7	1.7%	26.5%	10.3%	7.1%	-	8.4%	3 Jul 2017
MSCI All Country World Net Index (A$)		9.0%	27.7%	15.3%	14.0%	14.4%	7.6%	30 Apr 1995
Platinum Global Fund (Long Only) (C Class)*	**225.6**	**3.2%**	**32.8%**	**11.8%**	**7.3%**	**14.1%**	**11.1%**	**28 Jan 2005**
Platinum Global Fund (Long Only) (P Class)*	2.0	3.2%	33.2%	12.1%	7.6%	-	9.9%	3 Jul 2017
MSCI All Country World Net Index (A$)		9.0%	27.7%	15.3%	14.0%	14.4%	8.4%	28 Jan 2005
Platinum Asia Fund (C Class)	**4,473.0**	**1.3%**	**26.2%**	**20.3%**	**13.3%**	**15.2%**	**14.8%**	**4 Mar 2003**
Platinum Asia Fund (P Class)	13.3	1.3%	25.9%	19.9%	13.1%	-	13.6%	3 Jul 2017
MSCI All Country Asia ex Japan Net Index (A$)		5.1%	28.1%	15.2%	11.6%	14.3%	10.8%	4 Mar 2003
Platinum European Fund (C Class)	**554.8**	**6.2%**	**26.2%**	**5.9%**	**4.4%**	**11.2%**	**11.1%**	**30 Jun 1998**
Platinum European Fund (P Class)	3.4	6.2%	26.5%	6.1%	4.7%	-	6.9%	3 Jul 2017
MSCI All Country Europe Net Index (A$)		9.2%	23.8%	8.3%	8.1%	10.2%	3.6%	30 Jun 1998
Platinum Japan Fund (C Class)	**611.4**	**0.8%**	**18.3%**	**6.3%**	**5.2%**	**10.0%**	**13.5%**	**30 Jun 1998**
Platinum Japan Fund (P Class)	3.9	0.9%	18.6%	6.6%	5.5%	-	6.8%	3 Jul 2017
MSCI Japan Net Index (A$)		1.2%	14.5%	9.7%	6.7%	10.0%	3.4%	30 Jun 1998
Platinum International Brands Fund (C Class)	**680.1**	**5.1%**	**50.6%**	**23.4%**	**14.3%**	**17.6%**	**13.3%**	**18 May 2000**
Platinum International Brands Fund (P Class)	2.4	5.5%	50.8%	23.7%	14.5%	-	15.2%	3 Jul 2017
MSCI All Country World Net Index (A$)		9.0%	27.7%	15.3%	14.0%	14.4%	4.5%	18 May 2000
Platinum International Health Care Fund (C Class)	**592.1**	**9.1%**	**31.9%**	**31.5%**	**21.9%**	**20.4%**	**12.0%**	**10 Nov 2003**
Platinum International Health Care Fund (P Class)	13.6	9.4%	29.6%	29.8%	20.9%	-	19.8%	3 Jul 2017
MSCI All Country World Health Care Net Index (A$)		11.0%	13.2%	15.0%	15.1%	12.2%	9.8%	10 Nov 2003
Platinum International Technology Fund (C Class)	**195.5**	**6.1%**	**29.2%**	**25.4%**	**18.1%**	**18.2%**	**10.7%**	**18 May 2000**
Platinum International Technology Fund (P Class)	4.0	6.2%	29.6%	25.7%	18.4%	-	17.0%	3 Jul 2017
MSCI All Country World IT Net Index (A$)		12.1%	33.9%	34.1%	27.7%	29.1%	4.3%	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. *The Platinum Unhedged Fund was renamed Platinum Global Fund (Long Only) on 14 May 2021.

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

To 30 June 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

- The global economy continued its strong recovery out of the COVID-induced recession. This surprising economic boom has resulted in a shortage in a wide range of commodities and manufactured goods, leading to higher prices and a spike in inflation in the US and China. The market's response was curious, with concerns about inflation prompting investors to turn away from economically sensitive stocks, back to buying certainty (growth and defensive businesses) late in the quarter.
- Our commodity stocks were amongst our largest contributors to performance over the quarter, including Glencore (+9%) and First Quantum Minerals (+19%), which were beneficiaries of generally higher commodity prices. China's decision to rein in the use of credit across its economy impacted our Chinese financial sector and real estate holdings, notably Ping An Insurance (-18%) and China Vanke (-20%).
- After very strong performance across a wide range of holdings, we have been actively selling down positions, notably our commodity-related stocks (particularly copper), as well as our semiconductor and travel-recovery plays. New holdings included Allfunds Group, which provides distribution, clearing, settlement and a custody platform for managed funds.
- Our portfolios always reflect the opportunities that we can find in individual stocks, and on that front, we remain of the opinion that good returns are still on offer. While many of our holdings have appreciated strongly, we believe they are still reasonably valued given our expectations for strong earnings prospects over the next two to three years.
- However, there remain reasons to be cautious on the stock market, particularly given such strong returns over the past year and the extraordinary valuations of market favourites. There is also the risk that the recent increases in inflation remain persistent and undermine the foundation of low interest rates on which asset valuations are currently based.

Platinum Global Fund (Long Only)

- Small steps toward policy normalisation, notably messaging from the US Federal Reserve that they would bring the timing of their first interest rate increase slightly forward, generally drove profit taking in the more economically sensitive stocks and saw buying demand return for high-growth/high-priced names. This trend was evident in the portfolio, with our technology and growth holdings performing better than our cyclical holdings.
- The standout contributors to the Fund's performance over the quarter were two Chinese stocks, CStone Pharmaceuticals (+85%) and Li Ning (+88%). ThyssenKrupp (-23%) was a key detractor, weakening on concerns that China's move to cool commodity prices would impact steel prices and demand for their product.
- Stock markets have appreciated materially and there are several areas of wild excess. In response, we have sold stocks where the investment case had a large reliance on an economic recovery and increased our cash holding. We continue to explore opportunities that will be the next defining area of focus, such as decarbonisation, automation and new drug modalities.

Platinum Asia Fund

- Our Chinese apparel brands Li Ning (+88%) and Anta Sports Products (+44%) were strong contributors to performance, as was our new addition, Indian property developer Macrotech Developers (+40%). On the negative side, Chinese property developers China Vanke (-20%) and China Resources Land (-16%) were key detractors from performance.
- We initiated a new position in TAL Education, a Chinese tutoring services company. We adjusted our positioning in the Indian banking sector, reducing our exposure to HDFC Bank while re-introducing ICICI Bank. We also reduced our exposure to companies that had experienced dramatic rises in their share price, including Country Garden Services, Huazhu, Anta Sports Products and LG Chem.
- Asia represents an incredible prospective opportunity set for investors. The dynamism of the region, ongoing reforms and development which underpins growth, as well as the depth and breadth of the opportunity set, gives us confidence we can continue to find plenty of attractive opportunities to ensure the portfolio is set up for long-term success.

Platinum European Fund

- European equity markets continued to rally on rebounding business sentiment and a rapid recovery in consumer confidence.
- BioNTech was the Fund's best performer (+105%) and our bank holdings also performed well. Our low exposure to the best-performing sectors, notably Real Estate and Consumer Staples, was a key detractor from performance. These sectors have been prime beneficiaries of 30 years of falling interest rates. We do not believe this trend can plausibly continue and, indeed, fear it may begin to reverse.
- While the business and financial environment is highly favourable, in our view, prevailing investor sentiment more than reflects this. Asset valuations are skewing toward optimistic rather than realistic. We are also sceptical that the current trajectory of improvement can be maintained. Hence, our predilection to trim positions that have performed well and increase our cash holding.

Platinum Japan Fund

- The Japanese equity market was broadly flat, as the cyclical rally in the stocks of beneficiaries of stronger global growth and higher interest rates took a time-out. Given the Fund's exposure to growth cyclicals and deep value plays, it was pleasing that the Fund delivered a similar return to the broader market.
- Key contributors to performance included Toyota (+13%), CyberAgent (+20%), Astellas Pharma (+14%), Eisai (+47%) and Doosan Bobcat (+14%). Detractors included Komatsu (-19%), Oracle Japan (-13%) and NEC (-12%). A range of new positions were added to the portfolio, including Toyo Seikan, Hokuetsu, Fujitec, Hi-Lex, Heiwa Real Estate and Katakura Industries.
- Continued improvement in corporate governance should be a boon for Japanese stocks over the long term, as companies increasingly adopt more shareholder-friendly policies, enhance their capital allocation and improve returns on equity.

Platinum International Brands Fund

- Key contributors to performance included TCS Group (+51%), Facebook (+18%) and Alphabet (+18%). Our discretionary retailers Signet Jewelers (+39%), Pandora (+24%), American Eagle Outfitters (+28%) and Aritzia (+27%) also performed well, benefiting from strength in consumer spending and positive news on vaccine rollouts. Our short positions detracted, as many of the highly speculative names staged rebounds.
- It is difficult to envisage that current shortages in goods, commodities and labour will not impact inflation, particularly as economies reopen. The Fund is well positioned for this scenario with exposure to financials, value plays and highly cash-generative reasonably priced growth stocks. The contrary scenario, however, does not worry us too much, as the businesses we own, by and large, enjoy solid growth outlooks, operational restructuring or other investment angles.

Platinum International Health Care Fund

- It was an eventful quarter for the biotech sector, with accelerated approval for an antibody for Alzheimer's disease and advancements in gene editing. These helped drive strong performance across the Fund. Key contributors included Intellia Therapeutics (+102%), Prothena (+105%), Denali Therapeutics (+37%) and Eisai (+47%).
- During the quarter, we increased our holdings in German biotech Centogene (-14%) and US biotech Esperion Therapeutics (-25%) following share price weakness.
- Consolidation in the therapeutic biotech space has been limited for now, while fund raising in the private market continues unabated and valuations have never been as high as they are today. While we follow and engage with private companies regularly, we find it hard to fully comprehend valuations that are being paid. We know that patience is an absolute virtue in this space and we will remain very disciplined.

Platinum International Technology Fund

- The Fund's performance benefited from strong performance of some of its largest positions, driven by excellent earnings results. Key contributors included Alphabet (+18%), Facebook (+18%) and Medallia (+21%). Key detractors included our Chinese internet platforms, notably Tencent (-6%) and JD.com (-5%).
- Uncertainty about the future direction of inflation and interest rates remains elevated and that will continue to impact the direction of technology stocks in the medium term. Despite the challenges posed by higher valuations, we continue to find new and exciting ideas to add to the portfolio, while reducing or exiting positions with very limited upside.

Macro Overview

by Andrew Clifford, Co-Chief Investment Officer

Rising Inflation Signals the Need for Wariness in Highly Favoured Names

"The burden of today's spending measures by governments will either be funded by taxation (today or in the future) or through a loss of value in money or cash (i.e. inflation)."

March 2020 Macro Overview

"Assuming that limits do exist on this financial engineering, we need to understand at what point these limits will be reached and what will be the implications of exceeding them. These questions are not easily answered, but certainly, possibilities include a rise in goods and services inflation…"

June 2020 Macro Overview

"While there is no evidence of a rise in inflation in goods and services in the major economies yet, it is easy to see an inflation scare unfolding as the year progresses."

December 2020 Macro Overview

"Daily readings of consumer prices already show inflation heading back to levels last seen in mid-2019."

March 2021 Macro Overview

Regular readers will know that since the outset of the COVID-19 pandemic, we have focused on the role of 'money printing' in funding government rescue packages and the potential for this to flow through to inflation in goods and services. Our concern has been that a surprising outcome in inflation would threaten the low interest rate environment, which has been a major factor underpinning the worldwide bull market in asset prices. The last six month-period has been interesting as we moved from there being no evidence of inflation, to nascent signs, and now some of the highest rates of inflation, at least in the major economies, that we have seen in decades.

Meanwhile, on other fronts, the relationship between the US (and the developed world) and China, on face value, continues to deteriorate. Attempts by governments around the world to rein in fast-growing monopolies in e-commerce and related areas continue. We are also seeing waves of COVID-19 variants continuing to spread across the globe. Yet, despite these developments, equity markets have broadly moved higher this year, with most markets at, or near, record highs. These share price moves mean valuations remain somewhere between stretched to speculative for much of the market. Admittedly, there has been some nervousness around bond yields, interest rates and inflation at various points along the way, however, by and large, markets have remained bullish. Of course, the positive news has been the very strong economic recovery in regions that are moving steadily toward a post-COVID era.

Making predictions on economic variables is fraught with danger. However, the risk for markets with respect to inflation and the direction of interest rates is unlikely to be symmetric. If the inflationary spike turns out to be short-lived and interest rate rises remain a distant possibility, then the market can likely continue along the same path with valuations remaining elevated for the moment. However, the alternative scenario of persistent inflation that results in much earlier-than-expected interest rate increases by central banks is likely to result in dramatic falls in share prices, especially for the highly valued growth stocks. We would continue to argue, that in this environment, investors should remain cautiously positioned.

Inflation – a temporary blip or here to stay?

The US economy continues to power out of the COVID-induced recession. This is happening, even as unemployment benefits and other government transfer payments are progressively being wound back across the country. Employment growth, higher wages and a drawdown on the extraordinary level of savings stashed away last year are more than offsetting the cutbacks in government spending. In Europe, the economy is steadily making progress, even if at a slower pace than the US, and the Chinese economy is strong enough that the government is focused once again on slowing credit growth and reducing leverage across the economy. While growth rates will fall naturally as the year progresses and comparisons are no longer made against the trough of the recession, we do expect that, absent any other shock, global economic growth will remain robust as such momentum in the economy does not dissipate quickly.

This strong recovery, together with the fact that large service industries, such as travel, are still being impacted by COVID-related restrictions, has resulted in a surprising boom in demand for manufactured goods. This strong demand, together with supply chain disruptions in the early stages of the pandemic, has caused a wide range of commodities and manufactured goods, from copper to semiconductors and new homes, to be in short supply. This has resulted in rising prices for many goods and a spike in the consumer price index (CPI) to an annual rate of 5%.[1]

A most curious example of this phenomenon is evidenced in the US auto market, which is known for its endless supply of new vehicles. As new car sales reached the highest level recorded on a monthly basis since the global financial crisis (GFC) in April, production of new vehicles has simultaneously fallen to depressed levels as a result of component shortages (see Fig. 1). This has resulted in a 30% increase in the price of used cars and trucks over the past 12 months (see Fig. 2),[2] with stories that used cars are selling at levels well above the listed price for the same vehicle on the showroom floor!

So, is this the beginning of a new era where inflation heads higher and remains persistent? The argument that this is a temporary phenomenon caused by unusual circumstances generally rests on two key propositions. The first is that the supply/demand imbalances we are experiencing will be temporary, even if they take a year or two to resolve, and prices will fall back to where they were. We strongly agree with this proposition. If the economy is good at one thing, it is resolving shortages in the supply of goods and services. The second part of the argument, is that, as government spending winds back, economies will slow dramatically. As we have pointed out, this isn't actually happening to date, and we don't expect it will. Still, that would only suggest that it may take a little longer for prices to fall away.

The debate on inflation is quickly moving to the cost of labour. Despite high unemployment rates in most economies, employers are universally reporting that it is hard to fill roles. This is true not only in the developed world, but also in China. There is strong anecdotal evidence that wages are rising and it is expected that various measures of employment costs will post high numbers as the year progresses. There were some expectations that the roll back of government benefits would help ease wage cost pressure as more people returned to the labour force, but it's not clear that this is happening. Time will tell.

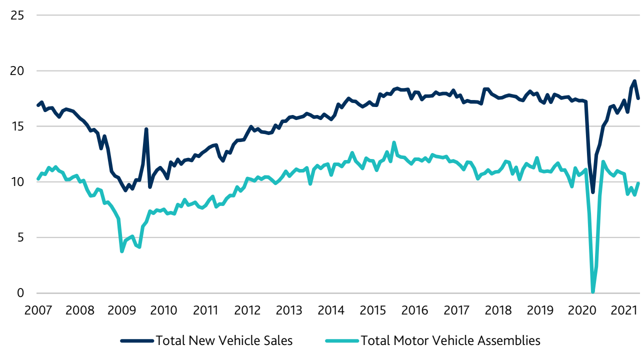
However, the escalating cost of labour is not the concern that leads us to be wary about the re-emergence of inflation. Rather, it is the economic premise that if the rate of growth in money circulating in the economy is faster than the growth in the value of the economy's output (i.e. nominal GDP) it will necessarily be inflationary. It is an idea that has long been out of fashion and ignored because it wasn't apparently true.

1 Source: US Bureau of Labor Statistics.

2 Source: Federal Reserve Bank of St. Louis.

Fig. 1: US New Vehicle Sales vs. Production

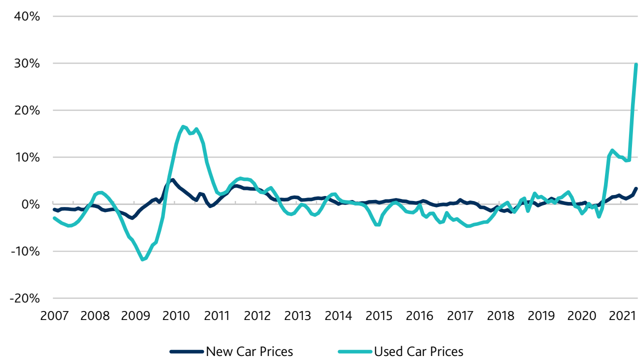
Millions of Units, Monthly, Seasonally Adjusted Annual Rate, May 2021



Source: Federal Reserve Bank of St. Louis.

Fig. 2: US New Car vs. Used Car Prices

% change p.a.



Source: Federal Reserve Bank of St. Louis.

Money printing post the GFC didn't seem to create huge inflationary pressures, at least in the price of goods and services. This is partly because the excess growth in money supply (using aggregates such as M2 or M3) was quite timid. Additionally, inflation was only apparent in the price of assets such as property and shares – not goods and services. In the past 12 months in the US, the printing of money has been prodigious and there has been inflation not only in assets, with residential property prices up 15% over the year to June[3] and the stock market up strongly, but now also in the CPI, with some of the highest numbers recorded in decades.

As fiscal spending initiatives roll off, the printing presses will slow. What is not known though is what happens to the so-called velocity of money (or more simply, how often money is spent in a given period). Where households had received government payments and simply left them in the bank, this money was passive and had no influence on the financial system. Economists would view this as driving down the velocity of money. As economies recover, if US households now elect to spend these savings over the next year or two, the velocity of money will start to recover and it remains possible that additional inflationary effects of the money printing last year could be experienced.

Does it really matter though if the Fed and other central banks keep interest rates at low levels?

It is important to appreciate that the role of central bank statements is not to tell us what they think is the likely course of interest rates, but to tell us what "they want us to believe" will be the likely course of interest rates. This is not quite as Machiavellian as it sounds. Central banks have rates set low for a reason and they want consumers and businesses to act as if they will stay low for the foreseeable future. When the central banks see the need to change, they will let us know, but the idea that they have the predictive powers to know that this will be sometime in 2023 or 2024 is insane. I think a far better premise for investors is that central banks will increase rates if it becomes clear that inflation is likely to be persistent.

Does it really matter if inflation is persistent? Why should the central banks respond at all?

Ultimately, the issue with inflation is that it represents a transfer of wealth between different groups in society. This is clearly seen in the discussion around the question of house affordability for first-time buyers that has been taking place in many countries. With goods and services inflation, the impact is usually felt mostly by lower-income households who struggle to put food on the table as prices rise faster than wages. Ultimately, workers will respond and demand higher wages, sparking a wage-price spiral. For this reason, inflation historically has been a serious problem for governments.

Even if central banks don't respond initially to persistent inflation, it is ultimately a political issue. The experience of the 1970s and 1980s was that, the longer it took for governments to respond to rising inflation, the longer and more persistent the problem became.

What does this all mean for markets?

After the US Federal Reserve's (Fed) Open Market Committee meeting in mid-June, where the comments post the meeting were interpreted as bringing forward the first rate increase from 2024 to 2023, the stock market's reaction was curious. Investors returned to buying their favourite growth stocks and avoiding those more dependent on a good economic environment. This is an odd reaction, as a rate increase is literally years away (if we believe what the Fed tells us) and generally the economically sensitive stocks would be expected to perform well throughout the period of rising rates. This is quite possibly a reflex action by investors to return to perceived certainty (growth stocks and defensive businesses) at a time of uncertainty, rather than a statement that a possible rate increase in two years' time will immediately stifle the economic recovery. This period is also coincident with a rise in concerns around the spread of the COVID Delta variant.

How will the China/West relations play into the market's concerns?

The Group of Seven (G7)[4] meeting held in mid-June and celebrations of the centenary of the Chinese Communist Party in early July have brought the topic of China's relationship with the West to the front pages of the newspapers once again. As we have discussed previously, the interdependence of our economic systems is a significant limiting factor on actions that can be taken by either side. Certainly, statements from both sides in recent months appear to be more theatre for domestic politics than an intention of meaningful action. This is not to say there are not serious issues at stake here that need attention. When interviewed by the *Financial Times*, Armin Laschet, who is the current frontrunner to become Germany's next chancellor, was quoted as saying, "The question is — if we're talking about 'restraining' China, will that lead to a new conflict? Do

3 As measured by the S&P Case-Shiller National Home Price. Source: FactSet Research Systems.

4 The G7 includes Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

we need a new adversary?" He also said "And there the European response was cautious, because, yes, China is a competitor and a systemic rival, it has a different model of society, but it's also a partner, particularly in things like fighting climate change."[5] This more nuanced approach to the issue of China relations is one that provides some small hope of resolving the current conflicts. In the meantime, the markets are treating the issue as a sideshow, which short of some dramatic developments, it probably is.

Finally, the issue of the anti-monopoly movement continues in the background. In China, action has been taken in regulating areas such as fintech and anti-competitive behaviours in e-commerce. The approach in the West is clearly more process driven and will most likely be a drawn-out affair. In the US, President Biden appointed Lina Kahn, a high-profile academic who has argued for a reframing of US competition laws, to chair the Federal Trade Commission (FTC). This is a pretty clear statement of intent. In the short term though, the FTC case against Facebook has been dismissed. We expect this movement to be a feature of the investment environment for the large e-commerce and payments businesses around the globe.

5 Source: Financial Times, 21 June 2021.

The outlook for markets?

In this overview, we have focused on a number of negative elements in the current investment environment. However, the one real positive is the strength of the global economy coming out of the 2020 recession. Generally, one would expect this to be a good time to own shares. Certainly, there are many companies that we hold across our portfolios that we expect will likely benefit from the recovery and still trade at reasonable valuations.

While there are reasons to be optimistic about stock market returns, there are obvious areas of concern, notably the risk of persistently high levels of inflation and the impact on interest rates. It is not a definitive prediction but a reason to remain wary, particularly for investors in the highly favoured growth stocks trading at extremely high valuations.

MSCI Regional Index Net Returns to 30.6.2021 (USD)

REGION	QUARTER	1 YEAR
All Country World	**7.4%**	**39.3%**
Developed Markets	**7.7%**	**39.0%**
Emerging Markets	**5.0%**	**40.9%**
United States	**8.8%**	**41.9%**
Europe	**7.6%**	**35.0%**
Germany	4.7%	31.8%
France	9.1%	40.9%
United Kingdom	6.0%	31.3%
Italy	3.6%	36.6%
Spain	5.3%	30.7%
Russia	14.0%	38.6%
Japan	**-0.3%**	**24.8%**
Asia ex-Japan	**3.6%**	**39.6%**
China	2.3%	27.4%
Hong Kong	2.5%	28.9%
Korea	4.8%	66.2%
India	6.9%	56.4%
Australia	6.9%	39.6%
Brazil	22.9%	46.6%

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.

MSCI All Country World Sector Index Net Returns to 30.6.2021 (USD)

SECTOR	QUARTER	1 YEAR
Information Technology	10.5%	46.0%
Health Care	9.4%	23.5%
Energy	9.3%	39.1%
Real Estate	8.4%	27.0%
Communication Services	8.0%	42.0%
Financials	6.2%	48.9%
Materials	6.0%	49.0%
Consumer Discretionary	5.9%	46.3%
Consumer Staples	5.7%	20.7%
Industrials	4.7%	44.6%
Utilities	-0.4%	14.7%

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.

Diversified Screening Approaches for COVID and Booster Shots are Paramount

by Dr Bianca Ogden

If Australia is to open its borders, we need to follow Europe's lead and broaden our approach to fighting the pandemic with more proactive testing and monitoring. We certainly have the expertise and capability to do so.

In September last year, we suggested that a diversified vaccination strategy should be our Plan A to allow Australia to reopen and start our post-pandemic life. As we highlighted then, the SARS-CoV-2 virus will remain with us forever and we need to learn to live with it.

The presence of the highly contagious COVID Delta variant recently forced a number of Australians back into lockdown. So, how do we reach the point where we are comfortable booking holidays without worrying about yet another lockdown? Or taking that next step and opening Australia up to the rest of the world?

We don't have a crystal ball; however, we know that vaccinations, testing and monitoring are paramount to fighting the virus, along with continued work on therapeutics and contact tracing. Neither will be one-offs. Vaccinations will include booster shots, with various countries already securing their allocations, particularly for the mRNA-based vaccines, and Australia must do likewise. The mRNA companies are already working on predicting future variants of concern to stay ahead of the virus. Vaccinating children and adolescents, which is occurring in some parts of the world, is also a very important part of the battle plan to combat this coronavirus.

Testing is as important as vaccinations and Australia has some work to do. ***We need to progress to screening for asymptomatic carriers, not just diagnosing symptomatic carriers.*** This is of paramount importance if we are to return to our pre-COVID lives, like many have overseas. While testing levels increase at times of outbreaks, for the general Australian population, we remain focused on diagnosing an infection as opposed to screening and monitoring for it. Therein lies a significant difference to what is happening in Europe, where efforts have shifted to screening and monitoring. It is by no means perfect, but it is about both: symptomatic and most importantly, asymptomatic testing. It is about offering choice and convenience for the "testing customer". If you want to capture asymptomatic viral carriers and stem outbreaks you must make it as easy and accessible as possible.

Different tests are widely available in parts of Europe, which are funded by governments, companies or individuals out of their own pocket. These include rapid antigen tests, PCR tests and those that detect antibodies against SARS-CoV-2. There are many testing sites, including pharmacies for rapid antigen testing and PCR testing facilities within airports and shopping centres (see https://www.centogene.com/). German schools and childcare facilities are gearing up to use child-friendly "lollipop" pooled PCR tests (provided by companies such as SYNLAB), while in certain office environments, employees perform antigen rapid tests every morning prior to going to work. Rapid antigen tests are by no means the answer, they are transitory due to their lower sensitivity versus PCR-based tests.

The debate in Europe, however, is exactly where it should be: about PCR screening infrastructure and moving away from the dreaded nasal swab, toward sample collections that can be done at home. Vienna has been embarking on such a screening program using a "gargle" kit. Once registered, the person receives four kits per week, completes their tests and hands them in at the supermarket or petrol station. They receive their results 24 hours later. Holland is similarly assessing its SARS-CoV-2 screening infrastructure, looking at easy-to-do saliva swabs and routine testing twice a week.

There is no reason why Australia cannot establish monitoring infrastructure too. Australia has highly experienced and proficient scientists and companies that are more than capable of supporting a PCR screening approach. Some of them have developed PCR tests for screening projects overseas. We need a concerted effort of connecting these companies with the ones that have automation and high throughput testing infrastructure, along with government support. We have all the pieces in this country, we just need to put them together.

Again, as we stipulated in September last year, diversification is key not only for vaccines but also for how we detect SARS-CoV-2 variants in circulation versus simply diagnosing an infection. To us, diagnostic companies, both large and small, are crucial partners in this pandemic.

China's Societal Change: Centralised Command and Capitalist Entrepreneurs

by Cameron Robertson and Charles Brooks

The focus and behaviour of commentators and investors often reflect their assumed knowledge and individual experience. These factors, if not guarded against, create natural biases that are not easy to overcome. Perhaps, this is no more apparent than in investor sentiment towards China today. In this article we explore a number of observable social and economic trends and associated policy responses currently taking place in China, that with a slightly different perspective, may surprise many.

Targeted Policy Response

China is known for its centralised command. However, like all political systems, within this, there is a set of behaviours highly focused on survival of the status quo; the maintenance of power and authority. Therefore, there is a highly developed streak of policy action that seeks to look after the people's interests. This is, front and centre, the implementation of populist policy. The policies may not always be successful or seem sensible to the outsider, but the 'protectionist' intent is here.

There are currently three areas of populist policy that are of interest to us.

Multiple Child Policy

The aging and future declining population needs resolution. This is typically mitigated via increased birth rates (although, for many countries these remain stubbornly low), migration and/or productivity increases. While there was a recent relaxation in the 'number of children policy' to three, this is purely a signal trying to encourage families to increase their population replacement rate. Although signalling in such a fashion is logical, there is also an understanding that they need to address the root cause: the prohibitive cost of raising a child in China.

China is a hugely competitive country, where there is a strong desire to see their offspring have a higher standard of living than they experienced themselves. The meritocracy and associated hugely competitive environment has resulted in a massive after-school tutoring industry, growing from RMB 203 billion (US$32 billion) in 2011 to an expected RMB 564 billion (US$88 billion) in 2021,[1] supplementing the standard school system.

The cost associated with this has grown commensurately, making it prohibitively expensive to raise a child. In response, legislation has been introduced to cap both the duration and cost of tutoring. A pilot trial placing restrictions on tutoring is expected to be conducted in nine cities/municipalities including Beijing, Shanghai and Jiangsu for twelve months, before being rolled out across the country.[2] Furthermore, there is the potential increase in school hours, beyond 4:30pm, allowing parents to continue to work longer (and for teachers to work longer too), therefore removing the need for the gap between school and work to be picked up elsewhere.

Effectively, this legislation is an attempt to narrow the inequality gap as well as help improve the affordability of having additional children. The outcome has been catastrophic for the tutorial suppliers, providing opportunities for us to invest in, such as TAL Education.

1 Source: Deloitte China https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/technology-media-telecommunications/deloitte-cn-tmt-china-education-development-en-report-2018.pdf

2 Source: https://www.reuters.com/world/china/exclusive-china-unveil-tough-new-rules-private-tutoring-sector-sources-2021-06-16/

Property Affordability

In the midst of a requirement to transform the quality of the country's property stock to a modern standard, there is currently a property boom in China and resultant affordability issues, which is also replicated in many countries globally. Such is the level of demand that the sale of new apartments is managed through a lottery system, with potential buyers hoping their number is selected, and if successful, they must choose a property on the spot.

The demand is also seen through the secondary market, with property being more expensive than the primary market. For example, in Shenzhen, new builds are being developed at rates of up to RMB 40,000 (US$6,200) per square metre (sqm) less than neighbouring properties in popular areas.[3] In response, a range of controls have been established to direct development towards the lower-quality tiers, as well as an attempt to constrain demand to avoid a 'bubble then bust' cycle.

These controls are aimed at both developers and individuals. Developers are faced with apartment price caps, forcing them to build lower-margin, lower-quality tier property (social housing for the mass population). There has also been a forced reduction in financial leverage available to the developers (a similar edict exists against individuals, as well as restrictions associated with owning second homes). Finally, there is now centralised land bidding, with multiple blocks of land being released at the same time. This requires the ability to access significant funding all at once, a clear constraint when coupled with restricted access to credit.

These impositions are clearly having an impact on property developers' operations. Block land releases favour the larger and better-funded players. Pricing restrictions further impact the profitability of firms. The combination of these factors has meant that the higher-quality, better-managed developers are more likely to survive as lower-quality operators are forced out. We are starting to see this impact through the likes of China Evergrande, a developer currently being forced to sell assets (its land bank) to lower its debt exposure in order to survive.[4] As its financial position becomes more untenable, a vicious circle emerges as property buyers are reluctant to transact with them (all purchases are paid for up front), fearing the property developer will not be able to deliver the property. It does not take much imagination to see where this is going.

3 Source: https://sg.news.yahoo.com/bad-news-shenzhen-housing-speculators-080146565.html

4 See: https://www.reuters.com/article/us-china-evergrande-breakingviews-idUSKBN29O08R

Stock market investor reaction has been to (not surprisingly) shy away from developers. Despite long-term historical earnings growth and the expected long runway of growth ahead, we have been able to buy selected high-quality Chinese developers, such as China Resources Land, China Vanke and China Overseas Land & Investment on single-digit earnings multiples on depressed earnings. Ultimately, we believe that there will need to be a return to the provision of properties of a quality expected by the wealthier demographic, with associated margin improvement.

Technology Giant Crackdown

To be clear, this is not unique to China, it's a global phenomenon. Governments, regardless of their persuasion, are not in favour of wealthy entrenched interests. Whenever organisations hold significant power, both in terms of vast resources and audience, it is only natural for governments to want to curb that power.

China has a long history of cracking down across a wide range of anti-competitive (and anti-societal) practices, whether that be film stars not paying taxes or the destructive practice of uneconomical parcel delivery.

The fear of manipulation gives us the opportunity to buy stocks at attractive prices, and the curtailment of unprofitable practices allows our investment in independent, well-managed, high-quality and profitable companies, such as parcel delivery firms, the potential to realise normal/reasonable margins and profits.

Over the past few years, the Chinese government has placed various restrictions on the technology sector, including limiting online advertising practices in the medical sector and restricting the hours that minors can play computer games. More recently, we've seen an increased focus on e-commerce, as they look to push back against monopolistic practices and try to ensure the large internet platform companies don't take advantage of their positions to the detriment of staff, consumers, retailers or manufacturers. It is an ever-shifting battleground, as the reach of these platforms grows, touching more and more areas of daily life.

For example, this is readily seen in the rapidly growing e-commerce parcel delivery market (with over 80 billion parcels delivered in China in 2020, up from just under 10 billion in 2013[5]), where unprofitable practices, through a brutal price war, have been an attempt to grab market share away from the well-run independent players such as ZTO Express. While this has severely constrained ZTO's profitability, legislation has emerged stopping the likes of Alibaba from supporting the delivery of parcels at

5 Source: Platinum, FactSet Research Systems, ZTO Express.

unprofitable prices in an attempt to control the market. Financial services are also increasingly shifting online, again sparking concerns about the power of platforms, as well as their potential impact on financial stability.

Unfettered Dynamism

These examples of centralised intervention, lead us nicely to thinking about the hyper-competitive and capitalist nature of the Chinese commercial environment. Within this, there is, not surprisingly, a changing perspective on local Chinese entrepreneurial activity, an increased confidence in the ingenuity of domestic entrepreneurs and what it means to consume locally made products.

We touch on three examples of this emerging entrepreneurial activity and consumer behaviour below.

Made in China

There has been a notable shift toward the acceptance of locally designed and made brands. Where 'Made in China' used to have a stigma, it now has some cache. According to a survey by Statista of Chinese consumers in 2020, around 66% of respondents preferred to buy products from local brands, up from 61% the previous year.[6]

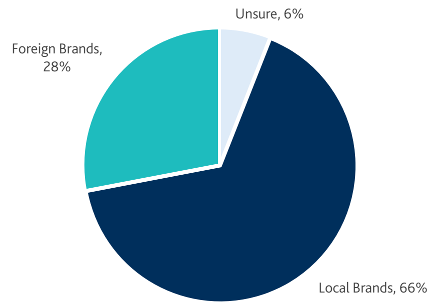
Certainly, there is a way to go for home-grown luxury goods to be accepted. However, for the likes of Anta Sports Products and Li Ning, their sport apparel and trainers are now increasingly preferable to the US and European brands.[7]

This has a significant impact for both sides to the story. With a deep and growing customer base, China has always been held out for Western brands as the next potential leg of their growth story, benefiting the valuations of many. The demise of this 'given' growth path will not be helpful for valuations. Conversely, as this momentum grows, local brands stand to benefit, providing the ability to improve their margins. It is also reasonable to anticipate this preference for locally made brands to move to a wider range of consumer goods. For example, the rise of China Feihe (a leading provider of infant formula and other dairy products), compared to a2 Milk. Historically, it was the trusted nature of the Western brand that furnished their impressive growth and associated valuations. As the faith in the domestic produce increases, the halo effect for a2 Milk diminishes.

6 Source: https://www.statista.com/statistics/1183456/china-preference-of-local-and-foreign-brands/

7 Source: https://www.scmp.com/lifestyle/fashion-beauty/article/3129648/anta-sports-and-li-ning-rival-nike-and-adidas-sportswear

Fig. 1: Chinese Consumers' Brand Preference: Local vs. Foreign (2020)



Source: Statista.

Technological Development

There has been a history of Chinese firms being 'encouraged' to support domestic technology development, thereby spurring the development of local expertise. This reflected an early recognition of the need and desire to avoid the reliance on foreign firms. In a competitive global market, this directive to adopt what may potentially be inferior technology, is uncomfortable; it probably dilutes your edge and ability to compete.

While lately, given tensions with the US, this approach seems like prudent anticipation, after a long period (decades) of commitment, Chinese firms are now in a position where companies are choosing local technology on its own merits. Indeed, we are also seeing the adoption and recognition of Chinese technology advances being accepted beyond China.

Within this framework, Huawei's experience frames the perception of many investors. Huawei has for a long time been one of the main providers of telecommunications technology – a position that was not as easy to remove as first hoped by the Trump administration. Huawei's technology was first-rate, providing a vital contribution that could not be readily replaced by non-Chinese solutions. Directions by the US government to cease using Huawei components proved difficult, resulting in delays in implementation of the directive. By 2019, in the face of Trump's anti-Huawei edicts, rural networks that were built using lower-cost Huawei components were still struggling to find replacements, despite the original directive being made in 2012.[8]

8 See https://www.wsj.com/articles/rural-u-s-carriers-resist-proposed-chinese-telecom-ban-11549886402

This perception of inferiority may result in missing opportunities such as OneConnect (which was part of Ping An Insurance and a factor in our original Ping An investment). OneConnect produces auto insurance claim assessment technology, where post a car accident, drivers are able to send a video of the damage to their vehicle to their insurance company and they assess the damage and process the claim on the spot. This technology is now starting to be adopted by Western insurers. Furthermore, we are also starting to see Chinese technology firms popping up in various other high-end applications such as robotics, machine vision and power controls.

Financials

As China moves through the various stages of socio-economic development, consumer expectations and needs shift. This is seen in many of the subjects above, but the development of a financial ecosystem has a long path to follow. While housing and industries all need funding, via debt or equity, insurers also stand to benefit. With the rise in consumerism, there is a meaningful growth runway in the insurance industry. A report by McKinsey and Company released in November 2020 on the Chinese consumer, stated that four out of five Chinese consumers intend to purchase more insurance products post the COVID crisis.[9]

The Western world is used to financial products being a major component of our lifestyles, but in China this is only just beginning (see Fig. 2 and Fig. 3). For firms like AIA, who have over many years proved themselves to be a trustworthy operator, this has meant progressive expansion of licences into additional regions.

9 Source: China Consumer Report 2021 - Understanding Chinese Consumers: Growth Engine of the World (Special edition Nov 2020)

This has been an identifiable trend for some time and accordingly, an area our strategies have exposure to. The natural next step for the Chinese financial system is the development of a more mature savings industry. China's pension system is multi-dimensional. There is a basic state pension as well as a mandatory employee contribution second tier. Provisions also differ between urban and rural regions. The State pension system consists of various provincial pension plans and accounts for two-thirds of total pension assets. While we won't delve into the detail in this paper, needless to say, the demand for personal long-term saving mechanisms is growing, and with it, the opportunity for players to enter the market. According to McKinsey and Company, a survey in 2020 of post-COVID consumer behaviour found that 41% of consumers planned to increase their sources of income through wealth management, investments, and mutual funds.[10]

This is a rapidly changing model, and as regulators open the gates and allow access, the lure of the potential savings pool will see all-comers arrive. While today, this means the likes of Goldman Sachs opening-up in China, the local players such as leading independent Chinese wealth manager Noah Holdings and China Merchants Bank are of greater interest to us.

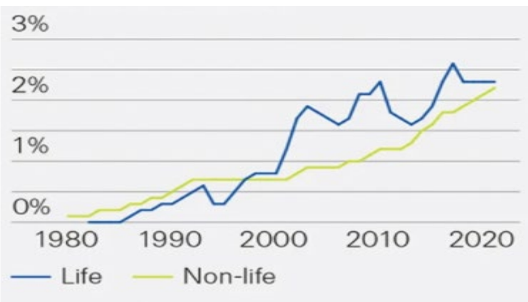
Biases and Opportunity

In this article, we have merely touched on a range of changes within the Chinese ecosystem that we believe provide further opportunities. As we are aware, and our investment process dictates, this does require that our natural biases be put aside.

By no means do we advocate making observations around China through rose-tinted glasses, simplistically suggesting volume, duration and development offer a failsafe opportunity. However, it highlights to us, how our immediate reactions need to be tempered.

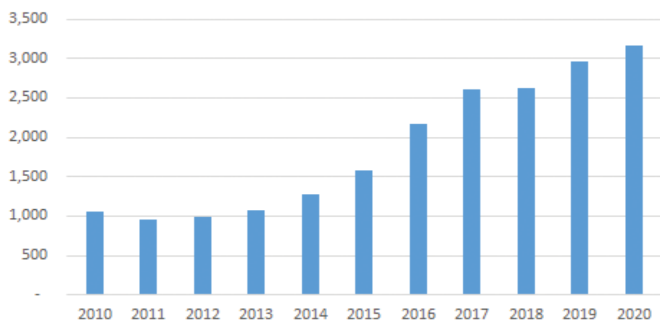
10 Source: See previous footnote.

Fig. 2: Insurance Penetration in China



Source: Swiss Re Institute.

Fig. 3: Life Insurance Premiums in China (RMB)



Source: Credit Suisse.

Platinum International Fund

Andrew Clifford
Portfolio Manager

Clay Smolinski
Portfolio Manager

Nik Dvornak
Portfolio Manager

Performance

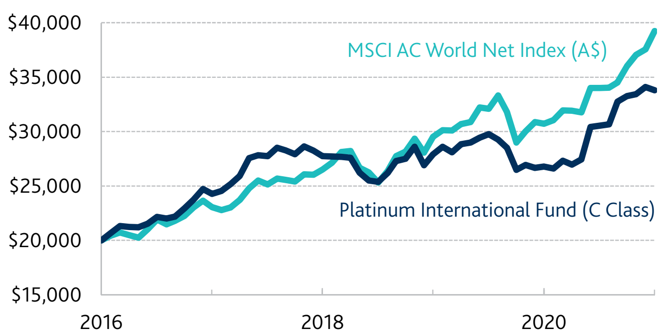
(compound p.a.+, to 30 June 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	2%	26%	7%	11%	12%
MSCI AC World Index^	9%	28%	14%	14%	8%

+ 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

30 June 2016 to 30 June 2021



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 1.6% for the quarter and 26.1% for the year.[1]

The global economy continued its strong recovery out of the 2020 COVID-induced recession. In the US, employment growth, higher wages and a drawdown in the extraordinary level of savings stashed away last year, have more than made up for reduced government spending following the winding back of unemployment benefits and other government payments. In Europe, the economy is making steady progress, even if at slower rates than the US, while the Chinese economy is strong enough that the government is once again focused on slowing credit growth and deleveraging the economy.

One result of this surprising economic boom has been a shortage in a wide range of commodities and manufactured goods. This has resulted in higher prices and a spike in inflation in the US and China to levels not seen in decades. This raises the question of whether the burst of inflation will be transitory, or will it be more persistent, with the implication that interest rates may rise much earlier than had been expected. For a full discussion on this question please see our Macro Overview.

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.

The impact on the stock market has been curious. Post the latest US Federal Reserve (Fed) meeting in June, expectations for the timing of the first interest rate increase have been brought forward from 2024 to 2023. This seems unlikely to crush the current economic expansion. Indeed, confirmation that the economy is travelling well, would usually benefit stocks that are sensitive to growth. Instead, the market turned away from such companies and back to the highly valued growth stocks over the final weeks of the quarter. It seems likely that this is a continuation of investors' reflex action of recent years when faced with uncertainty. In this case, concerns about inflation have prompted investors to buy certainty (growth and defensive businesses) and avoid all else. It was this phenomenon in the closing weeks of June that resulted in the Fund producing a softer return over the quarter.

Amongst the largest contributors to performance over the quarter were our commodity stocks, including **Glencore** (+9% over the quarter), **First Quantum Minerals** (+19%) and pulp and specialty paper company **UPM-Kymmene Oyj** (+4%), which were beneficiaries of generally higher commodity prices. US auto lender **Ally Financial** (+10%) benefited from the strength in the car market, including the boom in used cars.

On the other side of the ledger, our Chinese holdings in aggregate detracted from performance. China's decision to rein in the use of credit across its economy, particularly in the real estate sector, impacted our Chinese financial holdings, such as **Ping An Insurance** (-18%), where there are concerns around exposures to non-performing assets in the real estate sector.

Similarly, companies such as our residential real estate developers **China Vanke** (-20%) and **China Overseas Land & Investment** (-13%), home appliances business **Midea**, (-13%) and heavy-duty truck engine maker **Weichai Power** (-10%) all saw their share prices move lower on concerns about tightening in the availability of credit as well as profit taking in some instances. In each case, we remain confident in our investment case and view these downward moves as buying opportunities and hence continue to hold the positions.

Changes to the Portfolio

The Fund's net invested position increased from 67% to 79% over the quarter. This was the result of a reduction in short positions from 22% to 6% and an increase in cash from 11% to 15%.

Disposition of Assets

REGION	30 JUN 2021	31 MAR 2021	30 JUN 2020
Asia	25%	27%	27%
North America	23%	26%	28%
Europe	20%	18%	16%
Japan	12%	13%	13%
Australia	3%	3%	3%
Other	1%	1%	1%
Cash	15%	11%	13%
Shorts	-6%	-22%	-9%

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

Net Sector Exposures

SECTOR	30 JUN 2021	31 MAR 2021	30 JUN 2020
Industrials	20%	21%	16%
Financials	16%	15%	11%
Materials	16%	18%	10%
Information Technology	11%	9%	17%
Consumer Discretionary	8%	9%	10%
Health Care	6%	3%	8%
Real Estate	3%	3%	2%
Communication Services	1%	2%	8%
Energy	0%	1%	2%
Consumer Staples	-1%	-1%	-2%
Other	-2%	-11%	-3%
TOTAL NET EXPOSURE	79%	67%	78%

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.

The Fund has seen very strong performance across a wide range of its holdings and as a result, we have been actively selling down positions across the portfolio. We have significantly reduced our commodity-related positions, particularly our copper plays **Freeport-McMoRan**, **First Quantum Minerals**, **Glencore** and **MMG** (exited). The stocks have performed strongly on the back of higher copper prices, which have exceeded levels reached in the Chinese commodity boom a decade ago. We remain very bullish on the prospects for copper given the enormous rush to decarbonise economies, however, given the stock price performance of these companies, the potential has been, at least in part, recognised by the market. The portfolio continues to hold positions in copper miners.

Other commodity-related positions that were reduced included **Louisiana-Pacific,** a US building materials business that has benefited from record prices in OSB (oriented strand board). The Fund sold out of **Seven Generations Energy** after the stock rallied strongly in line with rising energy prices and was also subject to a takeover offer by ARC Resources.

We continued to trim our semiconductor holdings **Samsung Electronics** and **Micron Technology**, as well as travel and travel-related stocks **Ryanair** and **Amadeus**.

New holdings included **Allfunds Group**, which provides distribution, clearing, settlement and a custody platform for managed funds. The Allfunds network connects over 1000 fund managers with over 800 advisor groups, predominantly in Europe. The network facilitates transactions through the adoption of a common set of protocols rather than a technology infrastructure or wrap account solution. It is also provided free of charge to the advisor networks and their clients, with a very low fee paid by fund managers. This is a business that has been growing 25%-30% p.a. and although this rate is expected to slow, we believe there remains significant growth opportunities ahead.

In recent months, we have been building a position in **Showa Denko**, a Japanese specialty materials and chemical company. There are two key elements to the business. The first is specialty chemicals and gases used in the production of semiconductors. The other is graphite electrodes used in the production of steel in electric arc furnaces (EAF). One benefit of producing steel using scrap material in EAFs is that it produces significantly less carbon emissions. After China's boom of the last 20 years, it is now finding itself with an increasing supply of scrap material and thus we are likely to see increasing investment in EAFs and accordingly, demand for graphite electrodes. Given the boom in steel underway already, there are already shortages of graphite electrodes and there are a limited number of suppliers globally. These trends indicate profit growth for Showa Denko in the years ahead.

Additionally, funds were put to work across a number of existing holdings. We added to express parcel delivery company **ZTO Express**, as severe price competition that has plagued the industry started to recede. We continued to accumulate a position in **China Vanke**, a residential developer that has seen its share price weaken in response to concerns about the availability of credit for property developers in China. China Vanke is one of a small number of developers that we feel is well positioned for this environment due to its strong balance sheet. Short-term weakness in the gold price allowed us to add to our position in **Barrick Gold**, which we expect to act as a hedge if the worst expectations on inflation are realised.

Finally, short positions were reduced as the market showed great resilience in the face of very poor inflation outcomes, indicating that our concerns around inflation and the impact on interest rates are not necessarily shared by the market at this point, but should that change, we may adjust our positioning accordingly.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	South Korea	Info Technology	3.2%
ZTO Express Cayman Inc	China	Industrials	3.2%
Glencore PLC	Australia	Materials	2.8%
MinebeaMitsumi Co Ltd	Japan	Industrials	2.7%
Micron Technology Inc	US	Info Technology	2.6%
Weichai Power Co Ltd	China	Industrials	2.6%
AIA Group Ltd	Hong Kong	Financials	2.5%
Microchip Technology Inc	US	Info Technology	2.4%
UPM-Kymmene OYJ	Finland	Materials	2.4%
Ping An Insurance Group	China	Financials	2.2%

As at 30 June 2021. See note 5, page 44.
Source: Platinum Investment Management Limited.

Outlook

Our conclusion on what lies ahead is essentially unchanged from our last report. The global economy has, as we expected, continued its strong rebound, even in the US where government spending has started to fall. The hand over to higher employment and wages plus households drawing down on their excess savings accumulated over the last 12 months has commenced. Europe's recovery continues to gather pace and China is travelling well. All this has occurred well ahead of a full reopening of economies, as vaccination programs continue to progress. All is not perfect though, with the COVID Delta variant causing further waves of infection and lockdowns in populations that have not had access to effective vaccination programs. China's attempts to slow credit growth in its economy is another potential risk to the recovery. Overall though, the global economy is expected to continue to improve and provide an environment that is conducive to strong profit growth.

Typically, good returns from the stock market are expected in the early stages of an economic recovery and we haven't been disappointed, with the global stock market up 28% over the last 12 months.[2] Our portfolios always reflect our market view and the opportunities that we can find in individual stocks, and on that front, we remain of the opinion that good returns are still on offer. As we said last quarter, while many of our holdings have appreciated strongly, they were from deeply depressed levels, and while they may not be as attractive investments as they were, we believe they are still reasonably valued given our expectations for strong earnings prospects over the next two to three years.

There also remain reasons to be cautious. Given such strong returns over the past year, one should naturally expect a quieter period ahead. This is especially so given the double-digit returns provided to investors over a long period of time, almost 14% p.a. over the last decade. We have written at length about the speculative activity in stocks that is reflected in the extraordinary valuations of market favourites, which is another reason for caution. Additionally, as discussed in this report and at length in our Macro Overview, there is the risk that the recent increases in inflation remain persistent and undermine the foundation of low interest rates on which asset valuations are currently based.

2 MSCI AC World Net Index ($A).

Platinum Global Fund (Long Only)#

Clay Smolinski
Portfolio Manager

Performance

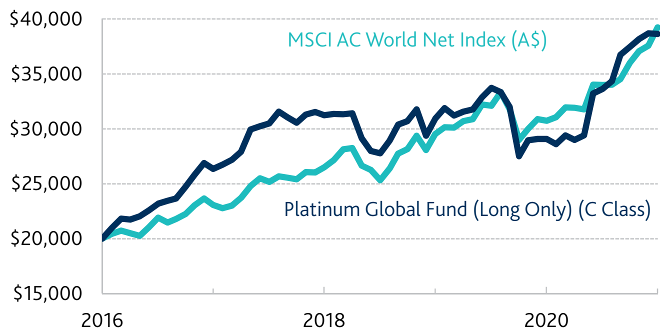
(compound p.a.⁺, to 30 June 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Global Fund (Long Only)*	3%	33%	7%	14%	11%
MSCI AC World Index^	9%	28%	14%	14%	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

30 June 2016 to 30 June 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 3.2% over the quarter and 32.8% over the year.[1]

The global economic picture is still one of strong recovery. The pace of consumer and manufacturing activity in Europe (which had been lagging the US and China) accelerated over the quarter, while company surveys monitoring activity in retail, capital equipment, housing and automobiles point to the US economy being 'red hot'. Overall, we expect the global recovery to continue, albeit naturally slowing from its current pace.

Investors are alert to any situations that may derail the recovery and two events received a lot of focus in this regard. The first was the Chinese government's attempts to lower commodity prices by slowing the build-out of some of its infrastructure projects and then announcing they would sell a portion of their strategic stockpiles of copper, aluminium etc. to increase supply. The second event was the messaging from the US Federal Reserve (Fed) that due to the strength in the economy and labour market, they would bring the timing of their first interest rate increase slightly forward.

These small steps toward policy normalisation generally drove profit taking in the more economically sensitive stocks and saw buying demand return for high-growth/high-priced names. This trend was evident in the portfolio, with our technology and growth holdings performing better than our cyclical holdings.

The standout contributors to the Fund's performance over the quarter were two Chinese stocks, **CStone Pharmaceuticals** and **Li Ning**.

CStone is a Chinese biotech that develops its own drugs (with a focus on oncology) and is also an active partner with Western biotech companies. In partnerships, it tends to licence already approved or late-stage phase 3 drugs in the

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum Global Fund (Long Only) 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.

#The Platinum Unhedged Fund was renamed Platinum Global Fund (Long Only) on 14 May 2021. In addition to the name change, the Fund is now able to actively manage its currency positions, but short selling of stocks or indices is still not permitted.

West and conduct the required bridging studies/sales process to commercialise the drugs in China. Its share price rose 85% over the quarter on promising phase 3 trial data for its non-small cell lung cancer treatment, along with approval of several of its partnership drugs.

Li Ning is a Chinese sportswear brand that carries the name of its founder Li Ning, a famous Chinese gymnast who is the equivalent of China's 'Michael Jordan' in terms of national recognition. The revitalisation of the brand has been a product of six years of hard work, both in developing its own direct-to-consumer distribution and re-establishing its fashion credibility via the development of retro sub-brand China Li Ning and collections with leading international designers. The fruits of these efforts are coming through, with Li Ning sales now growing at 60% p.a. and its stock price rising 88% over the quarter.

The most notable detractor from performance was German steel and industrial conglomerate **ThyssenKrupp**. The company is implementing major restructuring, with the strategy to sell multiple divisions in the coming years, a process that will be greatly helped if industrial activity and steel prices remain strong. The stock fell 23% over the quarter, as investors worried that China's move to cool commodity prices would impact steel prices and demand for their product.

Outside of this, the price moves across the Fund tended to be more muted. Of the large positions, US auto lender **Ally Financial** and Indian truck manufacturer **Ashok Leyland** rose 10% and 8% over the quarter respectively after strong results, while DRAM semiconductor player **Micron Technology** (-4%) and Chinese heavy-duty truck engine maker **Weichai Power** (-10%) drifted lower on the aforementioned profit taking.

Changes to the Portfolio

We have continued the pattern of rotating our holdings after strong price moves.

In this regard, we sold completely out of aerospace engine manufacturer **General Electric** and trimmed our holdings in US building products player **Louisiana-Pacific**, Italian bank **Intesa Sanpaolo** and miner **Glencore**.

We deployed these funds in a number of positions. In terms of companies with structural growth, we added to our position in Chinese e-commerce parcel giant **ZTO Express** and established new positions in financial derivatives exchange operator **Intercontinental Exchange** and European funds management distribution platform **Allfunds Group.** In terms of cyclicals, we increased our position in **Showa Denko**.

Disposition of Assets

REGION	30 JUN 2021	31 MAR 2021	30 JUN 2020
Asia	27%	27%	27%
North America	26%	28%	41%
Europe	22%	21%	20%
Japan	10%	10%	7%
Australia	3%	3%	2%
Other	1%	1%	0%
Cash	11%	10%	3%

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

Net Sector Exposures

SECTOR	30 JUN 2021	31 MAR 2021	30 JUN 2020
Industrials	23%	25%	26%
Financials	19%	17%	11%
Materials	18%	17%	7%
Information Technology	13%	13%	20%
Consumer Discretionary	5%	4%	6%
Health Care	5%	5%	10%
Real Estate	3%	6%	4%
Communication Services	3%	3%	13%
Energy	0%	0%	2%
TOTAL NET EXPOSURE	89%	90%	97%

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	4.9%
Microchip Technology Inc	US	Info Technology	4.0%
Micron Technology Inc	US	Info Technology	3.7%
Applus Services SA	Spain	Industrials	3.4%
Samsung Electronics Co	South Korea	Info Technology	3.3%
Weichai Power Co Ltd	China	Industrials	3.3%
ZTO Express Cayman Inc	China	Industrials	3.3%
Raiffeisen Bank Intl	Austria	Financials	3.2%
MinebeaMitsumi Co Ltd	Japan	Industrials	3.0%
Glencore PLC	Australia	Materials	2.9%

As at 30 June 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 http://www.platinum.com.au/our-products/pgflo

Showa Denko is a Japanese specialty materials and chemical company, with two main thrusts to the business:

1. Graphite electrodes are a consumable used in the production of steel using electric arc furnaces. Essentially, they conduct the electricity that is used to melt the scrap steel.

2. Speciality chemicals and gases are consumables used in the production of semiconductors, such as slurries to polish silicon wafers before production steps, or high purity gases used to dry etch transistor designs.

Fuelled by the growth in semiconductor demand, the semiconductor materials division has a solid growth outlook and operates in an attractive niche. They are a small part of the total cost of producing a chip but have a high cost of failure, and given the long qualification processes, once a semiconductor specifies a particular company's chemicals into their production, they are unlikely to be replaced.

The outlook for the graphite electrode business is intriguing, with the business potentially benefiting from the global push towards decarbonisation.

There are two main ways to make steel: either in a blast furnace or electric arc furnace (EAF). Virgin steel is produced in a blast furnace using coking coal, iron ore and limestone, whereas an EAF melts steel scrap via an electrical current. The energy consumption in the EAF process is considerably less, with a tonne of EAF-produced steel generating 67% less CO_2 vs. a blast furnace.[2]

Steel has not been an attractive place to be for the last decade. China, without a large base of scrap steel to tap into, built-out roughly one billion tonnes of blast furnace capacity in the early 2000s to produce the steel required for its rapid industrialisation. Post 2010, this huge steel build-out led to overcapacity, with Chinese steelmakers routinely exporting up to 100 million tonnes per year, suppressing global steel prices, and electric arc furnace utilisation in the process.

However, the situation is beginning to change. Firstly, after 20 years of rapid economic development, China now has a large enough pool of scrap steel (e.g. old cars, appliances) to feed considerably more EAF capacity. Secondly, the government is taking more action around its CO_2 emissions goals, with the practice of overproducing polluting and high CO_2-generative products for export increasingly being questioned.

We are starting to see a number of policy measures along these lines. Over the past nine months, the Chinese tax credit on steel exports was removed, blast furnace production curbs were implemented in Tangshan (a major steelmaking hub) and the ban on scrap steel imports was removed. These moves disincentivise exports, reduce blast furnace capacity and pave the way for China's steel capacity to shift more to EAFs.

With strong global steel demand, inventories of graphite electrodes have been run down to low levels and prices are now rising. The prospect of lower Chinese export tonnes, increasing EAF utilisation in the West, and in time, more EAF production in China, should have a large positive impact on the pricing of graphite electrodes, and in turn, we would expect on Showa Denko's profits.

Outlook

Looking forward, on the positive side, the broad economic environment is highly favourable, there is considerable scope for further employment gains and thanks to the generosity of government stimulus payments, the household sector in countries like the US is in excellent shape.

The counter to this, we are at peak fiscal and monetary support and investor sentiment is very much up-to-date with a rosy view. Stock markets have appreciated materially and there are several areas of wild excess in plain view.

In response to this, we have sold down stocks where the investment case had a large reliance on an economic recovery and increased our cash holding.

In thinking about the next areas of opportunity it's always worth identifying the defining investment focus of the time. In the mid-1990s, we had the enablement of the internet and mobile telephones, with huge wealth and activity created in internet services, networking equipment, servers and the mobile phone supply chain.

Today, when thinking about the defining investment focus, it's about:

- **Decarbonisation or changing the electricity mix.** This captures electric vehicles (EVs), renewables and the fact that every major corporation has an Environmental, Social and (corporate) Governance (ESG) mandate, whether they like it or not (e.g. for Pepsi this means a greater demand for recycled or bioplastics).

- **Labour costs rising in traditional low-cost labour pools (e.g. China).** This will create demand for automation and re-shoring production.

- **New drug modalities and synthetic biology**.

Interestingly, the solutions to many of these issues will be industrial in nature and we are dedicating considerable time working through these areas.

2 Source: Nucor.

Platinum Asia Fund

Andrew Clifford
Portfolio Manager

Cameron Robertson
Portfolio Manager

Performance

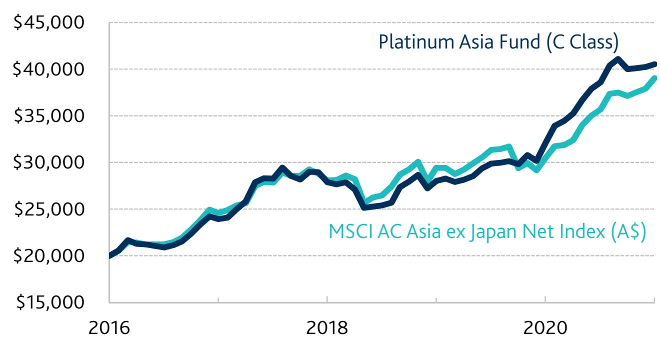
(compound p.a.+, to 30 June 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	1%	26%	13%	15%	15%
MSCI AC Asia ex Jp Index^	5%	28%	12%	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

30 June 2016 to 30 June 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 1.3% for the quarter and 26.2% for the year.[1]

Early in the quarter, weakness in markets coincided with rising inflationary concerns and a resurgence in COVID cases, particularly in India. However, as the quarter progressed, these concerns melted away. A consensus appears to have formed in the market that inflation is likely to be transitory, or at least is unlikely to elicit a policy response in the form of higher interest rates anytime soon. Meanwhile, India managed to get the disease somewhat back under control and ended up being the top contributing market to the Fund's performance over the quarter.

On the positive side of the ledger, during the quarter, we experienced strong returns from our Chinese apparel brands **Li Ning** (+88% over the quarter) and **Anta Sports Products** (+44%). This reflects both a growing preference among young Chinese consumers for domestic brands over foreign brands (as we discuss in our feature article *"China's Societal Change: Centralised Command and Capitalist Entrepreneurs"*), as well as continued solid execution against business plans by the management teams of both firms.

Shares in Indian property developer **Macrotech Developers** (+40%), which was only added to the portfolio at the beginning of the quarter, also performed well following its initial public offering (IPO).

One of our smaller Chinese holdings, which is active in the biopharmaceutical space, **CStone Pharmaceuticals** (+85%), saw its share price race up following positive news for their cancer therapies as well as updates on commercial partnerships.

On the negative side, the Macau companies **Melco Resorts & Entertainment** (-17%) and **Galaxy Entertainment** (-11%) both suffered from the ongoing COVID situation, with local outbreaks in Guangdong and Hong Kong being particularly disruptive to their clientele. There was also some weakness in Chinese property developers **China Vanke** (-20%) and **China Resources Land** (-16%), as the market's fears were stoked by financial challenges seen at industry peer Evergrande. We

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.

would hasten to point out that the developers we own are in a vastly better financial position than Evergrande, so we expect them to come out the other side of the current environment in a stronger competitive position than before.

The Fund had minimal short positions in place during the quarter and they proved to be a very minor drag on performance.

The Australian dollar weakened modestly, resulting in a slight benefit to reported results.

Changes to the Portfolio

During the quarter, we introduced a handful of new positions to the portfolio. We participated in the IPO of **Macrotech** (as mentioned above) and added to the position post the IPO. This was a tremendous opportunity to buy into one of the premier developers in the region, at a very attractive price. The Indian property market has been languishing the past few years, after reckless lending led to a boom and subsequent bust. The better-managed and more conservative developers, like Macrotech, which survived the bust, we believe are now well placed to capitalise on the mistakes of their peers, securing land rights at minimal costs and taking the opportunity to generate incredibly high returns on these projects. With the wreckage of the prior bust now firmly in the rear-view mirror, the sector has begun consolidating, household debt levels are low, the population is increasing and incomes are rising, laying a strong foundation for the Indian property market, where prices have stabilised and started to increase. We were able to secure our stake in this founder-owned and managed business at a low-teen earnings multiple, well below where listed peers were trading. While the stock has already performed well, we feel this story is just getting started.

We also initiated a position in **TAL Education**, a Chinese tutoring services company. This is a business we have kept an eye on for years and took the opportunity during the quarter to buy an initial position after the stock more than halved in the face of regulatory concerns relating to the duration and cost of tutoring. The government has turned its focus to the after-school tutoring sector, as they try to identify ways to reduce the costs and associated stress of raising children in China. The final form of regulation remains uncertain, leaving many market participants unwilling to invest in the sector until there is more clarity around the issue. We believe TAL is one of the highest-quality operators in the sector, providing genuinely good service. Our sense is that the government does not intend to eliminate quality providers and that education remains a foundational value of the country. Given the wide range of potential outcomes, however, we have to date, only taken a small position in the company. While time will tell which way the regulatory winds blow, our suspicion is this will prove to have been an opportune chance to acquire a stake in a quality business at a very reasonable price.

Disposition of Assets

REGION	30 JUN 2021	31 MAR 2021	30 JUN 2020
China	43%	42%	53%
South Korea	10%	11%	12%
India	7%	5%	8%
Hong Kong	7%	8%	9%
Taiwan	5%	6%	8%
Vietnam	4%	3%	2%
Philippines	1%	1%	0%
Singapore	1%	2%	0%
Thailand	1%	2%	2%
Macao	1%	1%	1%
Cash	18%	19%	5%
Shorts	-9%	-8%	-16%

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

Net Sector Exposures

SECTOR	30 JUN 2021	31 MAR 2021	30 JUN 2020
Consumer Discretionary	19%	17%	30%
Information Technology	17%	18%	21%
Financials	13%	13%	9%
Industrials	12%	12%	3%
Real Estate	9%	9%	4%
Materials	3%	3%	4%
Consumer Staples	2%	2%	6%
Communication Services	2%	2%	11%
Health Care	1%	1%	2%
Energy	0%	0%	4%
Other	-6%	-5%	-14%
TOTAL NET EXPOSURE	72%	73%	79%

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

Other smaller new positions include: a leading company in the Chinese power semiconductor market that's growing rapidly and taking market share from international competitors; a steel producer on a low single-digit price-to-earnings (P/E) multiple; and a very profitable Vietnamese retailer that has practically no debt, dominates their niche, delivers good growth and trades on a low-teen P/E multiple.

Within our Chinese property developers, we switched our holding in China Jinmao for **China Overseas Land & Investment**, as we have some concerns around Jinmao's ability to continue sourcing land parcels through their historic channels.

We also adjusted our positioning in the Indian banking sector, reducing our exposure to **HDFC Bank** while re-introducing **ICICI Bank** to the portfolio. HDFC has long traded at a premium to peers, but we feel the difference in execution between HDFC and ICICI has narrowed materially, justifying a modest re-allocation of our capital.

There are a couple of positions where the investment thesis has not been playing out as originally hoped, for example **Largan Precision** (Taiwan, camera lens provider) and **CP All** (Thailand, food and staples retailer), hence these positions have been trimmed.

Finally, we reduced our exposure to companies that had experienced dramatic rises in their share price. While in most cases their competitive positioning remains strong, this is increasingly reflected in the share price, hence necessitating a reduced allocation. In this category, we reduced our holdings in **Country Garden Services**, **Huazhu Group**, **Anta Sports Products** and **LG Chem**.

Commentary

Having had time to get properly acquainted with the portfolio, we thought there could be some value laying out our overarching thoughts on where we stand.

As a starting point, Asia presents an incredibly prospective opportunity set for investors. Across the region, we see vibrant societies, populated by remarkably well-educated citizens. These groups are filled with entrepreneurial zeal, making rapid progress toward healthier and wealthier lives. The path they are travelling along will present a broad opportunity set for businesses and investors. These populations are looking to improve their living conditions with better housing, cars, appliances, financial services, communications, holidays and entertainment. We will see growth and changes in the food industry, health service and exercise markets. There will be a continued modernisation of the retail sector, building-out of manufacturing facilities and office space, a shift toward service industries and increases in mechanisation, automation and digitisation. All these changes and many more will require energy, resources and infrastructure, and will have to be done in a manner such that the environment is preserved for the people to enjoy. The changes are happening at a rapid pace, presenting huge opportunities for ambitious entrepreneurs across the region.

Looking at the portfolio as it stands, we have a diversified mix of businesses, catering to domestic and export markets, serving consumers and corporates, touching on a broad swath of industries and ranging from discretionary items to basic necessities.

The largest holdings in the Fund, **Samsung Electronics** and **Taiwan Semiconductor Manufacturing (TSMC)**, along with **SK Hynix**, are world-class technology champions, with substantial competitive moats, long growth runways, healthy balance sheets and trading at quite reasonable valuations. These companies have featured across Platinum's portfolios for many years, and for good reason, they are great businesses. Collectively, these three positions account for 13% of the Fund, while a handful of other technology and internet businesses account for a further 10%.

Companies helping to upgrade people's day-to-day lives across the region, like property developers (8% holding in the Fund), white goods companies (2%) and autos (2%), also feature in the Fund, and are represented across China, India and the Philippines. These companies are often viewed by the market as being less exciting and somewhat cyclical, so are often available at relatively lower valuations, despite clear structural growth drivers, and in many cases, attractive industry dynamics. Related, but somewhat more popular with the market, are apparel and retail companies (6%), where popular brands and concepts can take off like wildfire, requiring relatively little capital to grow and generate substantial profits once a successful formula has been identified. Leisure and travel (8%) is the other major consumer-facing sector in the Fund. These businesses typically have a strong structural growth story, but have suffered temporary setbacks due to COVID.

Financials (13%) is another meaningful component of Fund, with the bulk of the holdings in this sector concentrated in China and Hong Kong. The growth and maturation of the financial services sector is a key, but often overlooked aspect of a country's development. When functioning well, the finance sector should facilitate a more appropriate sharing of risk via insurance markets, as well as helping to improve productivity through efficient capital allocation arising out of well-developed financial markets.

The remainder of the invested portion of the portfolio is a mix of healthcare, services, industrial businesses and other idiosyncratic opportunities.

Overall, we are comfortable with the current holdings in our portfolio. As always, however, there is a natural need to keep replenishing and replacing the ideas in the portfolio as individual investment cases play out. Over time, you may notice a shift toward longer duration investments in the portfolio and we would expect portfolio turnover to decrease from the elevated levels seen over the past year or two. Sector and geographic weights will be largely dictated by the opportunity set presented to us.

Outlook

Liquidity conditions appear to have tightened modestly across the region, which if managed carefully, may cool emerging inflationary pressures, setting us up for a period of sustainable expansion.

It is worth noting, however, such macroeconomic prognostications are not fundamental to our process. Rather, we start by identifying mispriced businesses, those which are overlooked or underappreciated, and assemble these opportunities into a portfolio. Given the dynamism of the region, ongoing reforms and development which underpins growth, as well as the depth and breadth of the opportunity set available to us, we feel confident we can continue to find plenty of attractive opportunities to ensure the portfolio is set up for long-term success.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	South Korea	Info Technology	5.0%
Taiwan Semiconductor	Taiwan	Info Technology	4.9%
AIA Group Ltd	Hong Kong	Financials	3.4%
ZTO Express Cayman Inc	China	Industrials	3.3%
Vietnam Ent Investments	Vietnam	Other	3.2%
Weichai Power Co Ltd	China	Industrials	2.9%
SK Hynix Inc	South Korea	Info Technology	2.8%
Ping An Insurance Group	China	Financials	2.6%
Alibaba Group Holding	China	Cons Discretionary	2.5%
InterGlobe Aviation Ltd	India	Industrials	2.3%

As at 30 June 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

Adrian Cotiga
Portfolio Manager

Performance

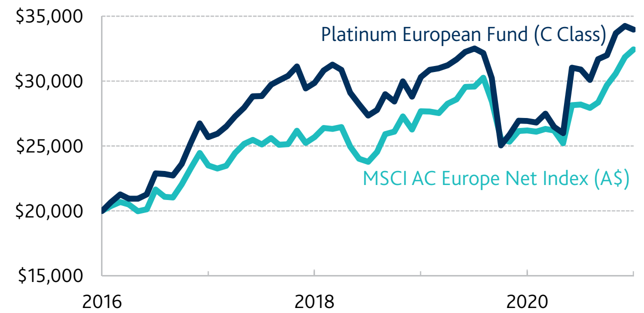
(compound p.a.+, to 30 June 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	6%	26%	4%	11%	11%
MSCI AC Europe Index^	9%	24%	8%	10%	4%

+ 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

30 June 2016 to 30 June 2021



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 6.2% for the quarter and 26.2% for the year.[1]

Business sentiment is rebounding throughout Europe, with surveys of business confidence back at 20-year highs. This upbeat outlook is confirmed by leading economic indicators like the IHS Markit Purchasing Managers' Index (PMI). The Composite PMI for the Euro Area now registers 59.2, the highest reading since June 2006, with strength evident in both manufacturing and services.[2]

Consumer confidence is also recovering rapidly. Employment is just two per cent below its pre-COVID peak with wages growing 2-3% p.a., markedly faster than the average wage growth realised over the past decade. Rising house prices are also helping, with double-digit price appreciation observed in a number of countries.

Loose monetary policy and aggressive fiscal stimulus have clearly helped businesses and consumers weather waves of rolling lockdowns. However, much of the recent improvement in sentiment derives from rising vaccination rates. Continental Europe had a slow start, when compared to the United Kingdom and the United States, but is catching up quickly with around 30% of the population now fully vaccinated in the larger countries.[3]

In this context, it is unsurprising that European equity markets continued to rally during the quarter. Somewhat counterintuitively, it was typically defensive sectors that led the market higher with Real Estate, Consumer Staples and Healthcare the best-performing sectors. Cyclical stocks generally underperformed, following very strong performance earlier in the year. However, this underperformance was not uniform, with some notable pockets of strength, particularly among automotive and luxury goods producers.

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.

2 Source: All economic data is sourced from https://tradingeconomics.com/

3 Source: https://ourworldindata.org/covid-vaccinations

Our bank holdings performed particularly well during the quarter. As concerns around the possibility of sustained inflation build, investors are increasingly pricing in the possibility of higher interest rates. Investors are also becoming more comfortable with the improved outlook for future credit losses as the economic environment improves. Banks aside, there were few common threads to the performance of our portfolio with large moves tending to be stock specific.

BioNTech (+105% over the quarter) was the Fund's best-performing holding. Demand is extremely strong for the BioNTech/Pfizer COVID-19 vaccine, which remains effective against all currently known variants of the virus and has a relatively benign side-effect profile. The same cannot be said for many competing vaccines, making it increasingly likely that BioNTech and US-based Moderna will dominate this market for another year or two at least. Investors are also reappraising the possibility that the success of mRNA-based vaccines against COVID-19 can be replicated with various other infectious diseases.

Prosus (-13%) was a notable detractor from our performance. While the company has reported significant operational improvement across its broad array of operating businesses, its stock price tends to track that of its largest investment, Chinese internet giant, Tencent. While Tencent's businesses are growing rapidly and profitably, the regulatory crackdown on dominant internet businesses by Chinese authorities is unsettling the market.

Our low exposure to the best-performing sectors was a key detractor from performance. With respect to Real Estate and Consumer Staples, our low exposure reflects the fact that these sectors were prime beneficiaries of 30 years of falling interest rates. We do not believe this trend can plausibly continue and, indeed, fear it may begin to reverse.

Changes to the Portfolio

Allfunds Group was the most significant addition to our portfolio during the quarter. Their story begins in 2003 when Spanish multinational financial services company Santander developed an internal distribution, clearing, settlement and custody platform. Its purpose was to enable advisors at Santander Private Bank to offer external, best-of-breed managed funds to their wealthy clients. In true Santander fashion they built a cutting-edge platform. This was subsequently marketed to third-party advisor groups who lacked the capability to build their own. Today, this network connects over 1,000 fund management houses from around the world with over 800 (mostly European) advisor networks.

Disposition of Assets

REGION	30 JUN 2021	31 MAR 2021	30 JUN 2020
United Kingdom	17%	14%	12%
Germany	14%	17%	19%
France	10%	9%	6%
Spain	9%	10%	9%
Romania	8%	8%	8%
Switzerland	6%	6%	6%
Ireland	5%	7%	4%
Austria	4%	4%	4%
Finland	3%	3%	0%
China	3%	4%	5%
Italy	3%	2%	2%
Norway	3%	6%	7%
United States	3%	4%	7%
Netherlands	2%	2%	1%
Czech Republic	1%	0%	0%
Hungary	1%	0%	0%
Denmark	0%	1%	3%
Poland	0%	0%	2%
Russia	0%	0%	2%
Cash	8%	4%	4%
Shorts	-1%	-7%	-21%

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

Net Sector Exposures

SECTOR	30 JUN 2021	31 MAR 2021	30 JUN 2020
Financials	31%	25%	22%
Industrials	17%	18%	16%
Consumer Discretionary	11%	9%	17%
Communication Services	9%	8%	8%
Health Care	7%	12%	18%
Materials	5%	5%	0%
Information Technology	4%	4%	8%
Energy	3%	6%	5%
Real Estate	2%	3%	1%
Consumer Staples	1%	-1%	0%
Other	0%	0%	-21%
TOTAL NET EXPOSURE	90%	89%	76%

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

The appeal of this network is that it facilitates seamless transaction processing between counterparties. The crucial element to this is neither infrastructure nor technology, both of which can be quickly replicated. Rather, it is getting thousands of institutions to adopt a common set of protocols, which took almost 20 years.

Over the last decade, the business has grown around 25-30% p.a., although we expect this to slow in the years ahead. While the business is now quite large, the industry is still growing faster than the overall economy and the company has a number of interesting tangential growth options to exploit. With a highly favourable industry structure we expect this to be a significantly larger and more profitable business in five years' time.

The other significant change was a material reduction in our BioNTech holding. The value of this company has more than doubled in the last three months to US$55 billion. This is explained by the tremendous commercial success of their mRNA-based COVID-19 vaccine, which is partly due to the shortcomings experienced by many competing vaccines. We are mindful, however, that there are still many competing products under development and with such a large prize at stake, these aspirants will be well-funded and highly motivated.

The challenge for BioNTech is to successfully turn the prodigious cashflow they are now receiving into new vaccines, both in the field of infectious diseases as well as oncology, their traditional area of focus. We have tremendous respect for the leadership team, who lack neither ambition nor vision. However, as investors, we are somewhat circumspect about the risk-reward trade-off at current valuations.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Fondul Proprietatea SA	Romania	Financials	4.0%
Banca Transilvania SA	Romania	Financials	3.6%
Airbus SE	France	Industrials	3.5%
Banco Santander SA	Spain	Financials	3.5%
Bank of Ireland Group	Ireland	Financials	3.4%
MTU Aero Engines AG	Germany	Industrials	3.4%
Raiffeisen Bank Intl	Austria	Financials	3.3%
UPM-Kymmene OYJ	Finland	Materials	3.2%
Allfunds Group Plc	UK	Financials	3.1%
Beazley PLC	UK	Financials	3.1%

As at 30 June 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.

Outlook

Stock prices have appreciated significantly over the past 12 months. Many indices are at record highs, signs of speculative excess abound and truly attractive investment ideas are difficult to find. We are strongly inclined to adopt an additional measure of caution in this environment.

We have previously outlined the tectonic shifts in the economic and political landscape. These will create considerable challenges to profit optimisation by enterprises at both the global and national level. However, even if we ignore these and focus just on the near term, we struggle to envisage how financial and economic conditions can meaningfully improve from here.

Monetary conditions are extremely loose. Further easing cannot be plausibly expected. Indeed, policy makers are incrementally shifting to a tightening bias. This is clear in the messaging from the latest US Federal Reserve meeting, in the actions Chinese authorities are taking to slow credit growth and contain property prices, and in the numerous rate increases observed in Eastern Europe in the last three months.

Fiscal tightening is also on the cards. In 2020, the United States recorded its largest budget deficit of the post-war era by a considerable margin; amounting to 15% of GDP.[4] This has been a tremendous boon to European companies that serve American consumers and businesses. However, to stimulate the economy further, this deficit needs to ***increase***. Given the quantum of spending and its one-off emergency nature, this is unlikely, infrastructure spending bills notwithstanding. That said, a valid counterargument is that consumer spending may more than offset any fiscal contraction as a significant portion of the fiscal transfers were saved by the household sector.

While the business and financial environment is highly favourable, in our view, prevailing investor sentiment more than reflects this. Asset valuations are skewing toward optimistic rather than realistic. We are also sceptical that the current trajectory of improvement can be maintained. Hence, our predilection to trim positions that have performed well and increase our cash holding.

4 Source: Federal Reserve Bank of St. Louis.

Platinum Japan Fund

James Halse
Portfolio Manager#

Performance

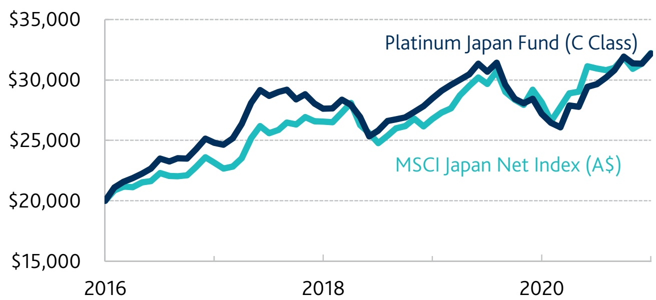
(compound p.a.⁺, to 30 June 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund*	1%	18%	5%	10%	14%
MSCI Japan Index^	1%	14%	7%	10%	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

30 June 2016 to 30 June 2021



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 0.8% over the quarter and 18.3% over the year.[1]

The Japanese equity market was broadly flat for the quarter in Australian dollar (AUD) terms, as the cyclical rally in the stocks of beneficiaries of stronger global growth and higher interest rates took a time-out, with the current elevated levels of consumer price inflation increasingly being viewed as transitory by market participants (please see our Macro Overview). Given the Fund's exposure to growth cyclicals and deep value plays, it was pleasing that the Fund delivered a similar return to the broader market.

From a Japan-specific standpoint, generally upbeat first-quarter earnings reports were offset by a reticence amongst company managements to raise profit forecasts due to the uncertainty generated by the pandemic. However, despite recurrent waves of infections and concomitant restrictions on movement, the latest Tankan business sentiment survey improved to the best level since mid-2018 for the country's large manufacturers.[2]

Toyota Motor (+13%) was the largest contributor to Fund performance during the quarter due to our large position size. Digital media company **CyberAgent** (+20%) continued its upward trend, as reported earnings and forward guidance beat expectations on a successful game release. **Astellas Pharma** (+14%) performed strongly following the release of an ambitious medium-term strategic plan that was well received by investors, supported by its cancer and anaemia drugs. **Eisai** (+47%) soared on approval of its Alzheimer's treatment by the US Food and Drug Association (FDA). Korean owner of the Bobcat brand of small excavators, **Doosan Bobcat** (+14%), rose on strong US construction-related demand.

Detractors from performance included: excavator manufacturer **Komatsu** (-19%) on fears of weaker demand

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.

2 Source: FactSet Research Systems.

\# James Halse now manages the Platinum Japan Fund following the departure of Scott Gilchrist in April 2021. James joined Platinum in 2011 and has been managing the Platinum International Brands Fund since 2017 and also heads up the consumer sector team.

Disposition of Assets

REGION	30 JUN 2021	31 MAR 2021	30 JUN 2020
Japan	84%	90%	90%
South Korea	7%	8%	4%
Cash	9%	2%	6%
Shorts	-3%	0%	-30%

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

Net Sector Exposures

SECTOR	30 JUN 2021	31 MAR 2021	30 JUN 2020
Information Technology	24%	26%	8%
Industrials	21%	19%	6%
Consumer Discretionary	12%	19%	11%
Health Care	9%	13%	14%
Materials	8%	6%	3%
Communication Services	7%	8%	25%
Financials	3%	4%	1%
Consumer Staples	3%	1%	-3%
Real Estate	1%	0%	0%
Energy	0%	3%	0%
TOTAL NET EXPOSURE	88%	98%	64%

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%
Toyota Motor Corp	Japan	Cons Discretionary	5.1%
Lixil Group Corp	Japan	Industrials	3.5%
Itochu Corp	Japan	Industrials	2.5%
GMO Internet Inc	Japan	Info Technology	2.4%
Nintendo Co Ltd	Japan	Comm Services	2.4%
NEC Corp	Japan	Info Technology	2.4%
Astellas Pharma Inc	Japan	Health Care	2.3%
Toyo Seikan Group	Japan	Materials	2.3%
Kangwon Land Inc	South Korea	Cons Discretionary	2.3%

As at 30 June 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.

and stronger Chinese competition; software distributor **Oracle Corporation Japan** (-13%) as earnings disappointed due to continued pandemic-driven weakness in its on-premise business; and IT services and network equipment firm **NEC Corp** (-12%) as weaker-than-expected near-term profit guidance disappointed the market. Other detractors included industrial tape and optronics manufacturer **Nitto Denko** (-11% to exit point) and trading company **Itochu** (-11%), as cyclical businesses generally pulled back from their highs.

Changes to the Portfolio

The first priority as a new portfolio manager is to acquaint oneself with the stocks held in the Fund and make an assessment with fresh eyes as to their attractiveness. As part of this process, we exited the Fund's large position in **Rakuten** over concerns around management's predilection for destroying capital in pursuit of its founder's empire building tendencies. The stock has been a COVID beneficiary due to its e-commerce exposure, so we were able to exit following strong recent performance. **Inpex Corp** was sold as we viewed its oil-linked exposure as less attractive following oil's strong rally. We also exited **Sony Corp** following a strong run of performance on the success of its gaming business. A number of other positions were exited or trimmed due to more attractive opportunities elsewhere.

Additions to the portfolio were primarily comprised of deep value and other opportunities where activist shareholder involvement provides a clear catalyst for improvement in governance and capital discipline. Stocks in this group included **Toyo Seikan**, **Hokuetsu**, **Fujitec**, **Hi-Lex Corp**, **Heiwa Real Estate** and **Katakura Industries**. We also added innovative property developer **Open House** based on its advantaged business model, growth outlook and attractive valuation. Brewer **Asahi Group** was the final major addition to the Fund as it looks likely to do well with its acquisition of Carlton United Breweries in Australia.

Commentary

Corporate governance was again the topic du jour, with revelations that Toshiba management colluded with government officials to pressure shareholders in relation to their votes at the 2020 Annual General Meeting (AGM). The revelations came in an independent report commissioned as a result of an Extraordinary General Meeting (EGM) in March called by activist shareholders. The report directly contradicted Toshiba's own internal investigation, which concluded there were no issues. CEO Kurumatani resigned not long after the EGM, amid criticism over a bid for the company from his previous employers, CVC Capital, and perhaps in anticipation of the report's conclusions. Recent pressure thus focused on Chairman Nagayama who despite joining Toshiba after the 2020 AGM, nevertheless fought against the establishment of an independent investigation. Proxy advisory firms ISS and Glass-Lewis recommended shareholders vote against Nagayama's reappointment at the 2021 AGM, and again demonstrated their influence at the EGM, with their advice to vote in favour of the shareholder proposals likely determinant of the outcome.

Activist shareholders have been involved with Toshiba, calling for change at a strategic and cultural level since 2017. Despite undertaking some restructuring, Toshiba has had an adversarial relationship with the activists. This stands in stark contrast to the approach taken by scandal-tainted Olympus, which welcomed Robert Hale, partner at shareholder ValueAct, on to the Board in 2019. The stock is up almost threefold since, as Olympus enacted changes including reforming its traditional seniority-based pay structure and selling its loss-making camera division. For reform-minded CEOs, activist shareholders can provide a compelling fulcrum on which to base a strategic rationale.

Emboldened shareholders are underpinned by former Prime Minister Abe's "third arrow" aimed at structural reforms in the management of Japanese companies. The Corporate Governance Code (applying to listed companies) and the related Stewardship Code (applicable to investment firms) are increasingly influential despite compliance being voluntary. The Toshiba scandal could be viewed as having the potential to throw a spanner in the works of this reform process, given the government's involvement. However, it seems more likely that Toshiba is a special case due to its size and the strategic importance of its nuclear business, and Toshiba shareholders appear to be winning the war in any case.

A further test of the appetite for reform may come with the latest scandal at Mitsubishi Electric. CEO Sugiyama resigned on 30 June after revealing that Mitsubishi had falsified inspection data in relation to air conditioning units and compressors used in brakes and doors for trains. The governance implications are particularly large as the conduct took place over 35 years and the revelation follows a similar issue at its rubber products subsidiary in 2018. This new malfeasance may open the door to calls for change from shareholders.

Meanwhile, shareholders continue to push companies for better behaviour, with an estimated 32 activist funds now operating in Japan,[3] and many other shareholders who would not traditionally be classed as activists now encouraged by the Stewardship Code to air their concerns with company managements. Upcoming additions to the Corporate Governance Code are supportive of further reform, including increasing the recommended proportion of independent directors to at least a third. Further reform of the Tokyo Stock Exchange's listing standards from 2022 may shock intransigent managements into action to avoid the loss of face associated with lack of inclusion in the "Prime" market.

Finally, the largest boon to those pushing for change at listed companies may be changes at the proxy advisory firms themselves. Glass-Lewis recently adopted a guideline, which states they will generally recommend voting against the chair of any company "…when the size of strategic shares held by the company exceeds 10% or more of the company's net assets."[4] The applicability of this in the Japanese environment is likely so wide as to be near-universal. Similarly, ISS will recommend voting against management of any company that allocates more than 20% of its net assets to cross-shareholdings.[5] The likely effect of these changes is to dramatically increase the probability of company managements losing shareholder votes, because of the reliance by many institutions on the proxy advisors to determine their voting behaviour. This should be a boon for Japanese stock prices, as companies are increasingly pushed to adopt more shareholder-friendly policies, enhance their capital allocation and improve returns on equity.

Outlook

With the manufacturing sector benefiting from robust global growth and demand for physical products amid pandemic-related restrictions in spending on services, such as travel and leisure, coupled with government fiscal largesse, we are optimistic about the outlook for our portfolio. Shortages of semiconductors should provide a tailwind to several holdings and recent strength in the US dollar will also assist exporters should it be maintained.

The key to the long-term outlook for the Japanese market, however, is the likely continued improvement in corporate governance, and thus capital allocation and shareholder returns. Around 31% of reasonably investable Japanese stocks trade below their net book value,[6] implying weak profitability and/or lazy balance sheets. This dynamic means improvements in returns on equity should not be difficult to achieve, and should provide a tailwind to the Japanese market over the medium-long term.

3 CLSA estimate.

4 Source: Glass Lewis 2020 Proxy Paper Guidelines, Japan

5 Source: https://www.issgovernance.com/iss-announces-2021-benchmark-policy-updates/

6 Stocks with a market cap greater than US$1 billion and daily average trading volume of greater than US$1 million. Source: FactSet Research Systems.

Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

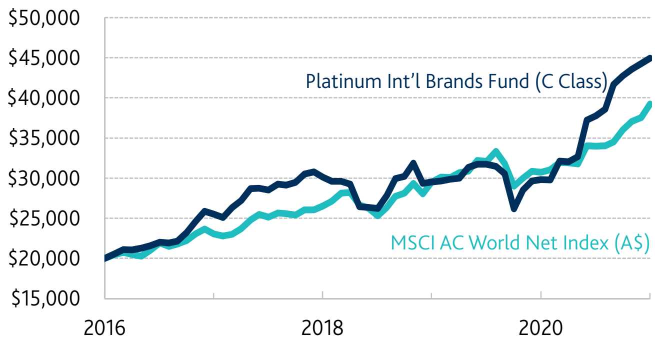
(compound p.a.+, to 30 June 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	5%	51%	14%	18%	13%
MSCI AC World Index^	9%	28%	14%	14%	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

30 June 2016 to 30 June 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

Global stock markets extended their upward trajectory over the June quarter, buoying the Fund (C Class) to a 5.1% return.[1] Unfortunately, we did not fully participate in the market upside, as we maintained a relatively low net invested position due to our view that many pockets of the market are heavily overvalued.

We observed interesting changes in stock correlations, with returns on individual stocks beginning to diverge greatly from their typical peer groups, as investors reappraised differences in business quality and growth outlook. This contrasts with recent times, where stocks that have similar high-level characteristics have often moved in lockstep. This dynamic was particularly pronounced in the 'hot' or speculative areas, but extended to previous beneficiaries of the 'reopening' trade, as it has become clearer which companies are benefiting the most from government stimulus spending and a return of customers to stores.

The number of initial public offerings (IPOs) receded somewhat from the inundation of the March quarter, but that did not stop a few notable new listings in the broader consumer universe.

One would be hard pressed to imagine a business more firmly placed in the centre of the current consumer zeitgeist than **Oatly Group**. This Swedish company, which produces dairy replacement products using oats as a base substance using a proprietary enzymatic process, has obtained commanding market share positions in not only its home market, but also in Germany and the UK, while its US market position is on a steep upward trajectory.[2] Its rapid growth is supported by incredible irreverent marketing, that highlights the core propositions of the brand and the product.

Plant-based 'dairy' has taken market share from traditional dairy in developed markets for many years, with Oatly representing a continuation of this trend. Consumer reasons for switching to plant-based dairy products traditionally include cow's milk allergies, other perceived health benefits and animal welfare beliefs. Increasingly though, the core

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 Source: Oatly IPO Prospectus (Form F-1).

reason for switching has become environmental – particularly concerns around global warming. Oat milk offers a superior environmental profile to other plant-based milks, such as soy and almond. Almonds are primarily grown in California, a desert, and are large consumers of precious fresh water resources. Soy is perceived as a monoculture crop that is partly responsible for Amazon deforestation. Oats on the other hand, can be grown anywhere and in rotation, which benefits the soil. Oat milk has thus taken considerable market share from the almond and soy incumbents over the last few years.[3]

Within the Oat milk category, Oatly's manufacturing formula produced a product that not only consistently tops the reviews in the category in terms of taste and mouthfeel, but is also favoured by baristas in terms of its frothing performance and the ability to hold latte art. This latter aspect was a core part of the distribution and brand-building strategy in newer markets, as Oatly sought to initially penetrate high-end cafés to build a following before entering mass retail. This is all supported by brilliantly quirky marketing (all done in-house) and product packaging that serve to differentiate the brand and promote its premium positioning.[4] As is often the case, consumers, if aware, seem willing to overlook the potential health implications of the high glycaemic index maltose sugar content and highly processed rapeseed oil that assist in giving the product its taste and creamy texture. Sales more than doubled in 2020 to US$425.6 million and continued the growth into 2021, up 66% in the first quarter.[5]

We viewed this IPO as an interesting opportunity to acquire a stake in a company with the leading brand in the oat-based sub-category of plant-based dairy. The sub-category is likely

3 Source: Oatly IPO Prospectus (Form F-1).

4 See for example, Oatly's 2021 Superbowl advertisement: https://www.youtube.com/watch?v=r2-f-qBcQFs

5 Source: Oatly IPO Prospectus (Form F-1).

An example of Oatly's irreverent marketing

Source: Oatly investor presentation.

to continue its market share expansion within the plant-based category, which in turn, is expected to further increase its share of the total dairy market. We believed that Oatly would likely continue to gain market share of oat-based dairy and thus drive strong growth for an extended period. Our caution, as is often the case, was around the valuation of this story. The mooted price tag for the business was around US$10 billion, or 23.5x Oatly's 2020 sales (the business is loss-making, so does not have an earnings multiple).[6] This is a valuation level more typically associated with virtual products, such as cloud software, whereas Oatly requires real infrastructure to support its growth, making rapid scaling significantly more difficult.

Oatly listed in May this year at the top end of its price range and traded as much as 70% above the IPO price over the following month, implying a valuation of up to US$17 billion.[7] We thought US$10 billion was potentially justifiable, but US$17 billion required perfect execution for the next decade, including gaining dominant positions in not only the US and

6 Source: https://www.bloomberg.com/news/articles/2021-02-05/oprah-backed-oatly-said-to-weigh-10-billion-value-in-u-s-ipo

7 Source: https://www.bloomberg.com/news/articles/2021-05-19/oatly-is-said-to-price-ipo-at-top-of-range-with-markets-slumping

Disposition of Assets

REGION	30 JUN 2021	31 MAR 2021	30 JUN 2020
Europe	32%	29%	26%
Asia	26%	27%	21%
North America	25%	25%	40%
Japan	8%	5%	4%
Cash	8%	15%	8%
Shorts	-11%	-13%	-9%

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	30 JUN 2021	31 MAR 2021	30 JUN 2020
Consumer Discretionary	37%	34%	48%
Financials	18%	17%	11%
Communication Services	18%	19%	18%
Consumer Staples	5%	3%	2%
Industrials	3%	4%	2%
Real Estate	1%	1%	1%
Other	0%	-4%	2%
Materials	-1%	-1%	0%
TOTAL NET EXPOSURE	81%	72%	84%

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

EU, but also China, where soy is already much more accepted as a dairy alternative, and does not have the negative connotations it has in the West. The stock has since traded down somewhat, but this is a good example of how froth in the market has not entirely dissipated, despite examples of investor losses from IPOs, such as Deliveroo and various special-purpose acquisition companies (SPAC) issues. As ever, the market loves a good story and Oatly has one of the best in our view.

Performance

TCS Group is another business with a great story, that is rapidly gaining traction with investors. When we first bought TCS, it was priced as a high-risk lender facing potential credit losses. Now, investors are increasingly seeing it as a fintech leader, with the potential to become a true super-app. The stock has rerated from around 6x consensus current-year earnings expectations at the time of our first purchase in April 2019, to 21x currently. Meanwhile, quarterly earnings have grown 97% (from March 2019 to March 2021) in local currency terms. The stock appreciated 51% during the quarter and has returned close to five-fold (including dividends) to investors from our initial purchase, and more than six-fold from our best entry point during the COVID downturn. We love a good story, but we much prefer to buy a stock before it is reflected in the price!

Other key contributors to performance during the quarter included the Fund's large positions in **Facebook** (+18%) and **Alphabet** (+18%), as investors seem to increasingly appreciate the quality of these businesses. Our discretionary retail exposures, though now reduced in size, also continued to drive returns with **Signet Jewelers** (+39%), **Pandora** (+24%), **American Eagle Outfitters** (+28%) and **Aritzia** (+27%), all benefiting from strength in consumer spending and positive news on vaccine rollouts.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Facebook Inc	US	Comm Services	6.0%
TCS Group Holding PLC	Russia	Financials	5.6%
Alphabet Inc	US	Comm Services	5.3%
Tencent Holdings Ltd	China	Comm Services	4.3%
ASOS PLC	UK	Cons Discretionary	4.0%
Nien Made Enterprise Co	Taiwan	Cons Discretionary	3.3%
Sberbank of Russia PJSC	Russia	Financials	3.2%
Lixil Group Corp	Japan	Industrials	3.1%
Aritzia Inc	Canada	Cons Discretionary	2.9%
Planet Fitness Inc	US	Cons Discretionary	2.7%

As at 30 June 2021. See note 5, page 44.
Source: Platinum Investment Management Limited.

Detractors included our short positions, which cost the Fund 1.2% in performance over the quarter, as the market generally appreciated and many of the highly speculative names staged rebounds. We also experienced declines in our positions in **Alibaba** (-7% to exit point), **ASOS** (-10%) and vertical farming company **Kalera** (-23%), which combined, cost the Fund around 1% in performance.

Changes to the Portfolio

During the quarter we sold the final portion of a number of our 'reopening' plays where we felt the valuations had run ahead of the stock's prospects. This included stocks such as theme park operators **Six Flags Entertainment** (+84% from first purchase to exit) and **Cedar Fair** (+51% from first purchase to exit), mid-tier department store owner **Kohl's Corp** (+218% from first purchase to exit) and UK convenience food player **Greggs** (+81% from first purchase to exit). We sold **Alibaba** as the business seems to be slowing faster than we expected on heightened competition in the space. We also trimmed a number of our stronger-performing positions, including **American Eagle Outfitters**, **Ally Financial**, **Bank of Ireland**, **Tencent** and **TCS Group**.

Several new positions were established in the Fund, including food delivery player **Just Eat Takeaway.com**, which holds some strong geographic positions in this growth sector and has strategic options for its less well-positioned operations, combined with the most attractive valuation in the space. We also re-established a position in brewer **Asahi Group**, as we feel the market is underestimating the potential upside from its acquisition of Carlton United Breweries in Australia.

Outlook

Much of the market outlook depends on whether current inflation proves transitory or is sustained, forcing central banks to raise rates (please see our Macro Overview for more detail). Currently, there are shortages across a range of finished goods and commodities and many businesses are experiencing labour shortages. As consumers are again allowed to spend on services as economies reopen, it is difficult to envisage labour cost pressures not impacting inflation. The Fund is well positioned for this latter scenario, with exposure to financials, value plays and highly cash-generative reasonably priced growth stocks.

The contrary scenario, however, does not worry us too much, as the businesses we own, by and large, enjoy solid growth outlooks, operational restructuring or other investment angles. We believe these factors, coupled with attractive valuations, should drive solid returns over the medium term, almost regardless of the interest rate outlook.

Milk: A Nourishing Option for Investors in Asian Markets

By James Foreman

The milk, yoghurt, cheese and dairy industry might be viewed as well established, perhaps even dull, but it actually has rather a lot going on. On a per capita basis, Australians consume about 97 litres (L) of milk per year, along with 14 kilograms (kgs) of cheese and 9 kgs of yoghurt. We drink more milk than the European Union average (65 L) and Americans (64 L) – partly because of our coffee culture and low supermarket milk prices.[1]

The trend in Australia and across Western societies is declining milk consumption but growing cheese and yoghurt consumption. Declining milk consumption is partly due to consumers switching to plant-based alternatives. You may have heard of Swedish brand Oatly, which recently listed in the US (as detailed in the Platinum International Brands Fund report) and catchily brands itself as 'milk for humans'. Perhaps you've tried almond, soy or another plant-based dairy alternative? Last year, plant-based milk-alternative products represented approximately 9% of the global dairy milk category (excluding soy drinks in China).[2]

While plant-based milk-alternatives are getting considerable media attention, the traditional dairy industry continues to hold attraction, especially in Asian markets where dairy consumption is low and rising.

In China, annual dairy consumption per capita was just 21 kgs in 2020 (comprising around 14 L of milk, 0.3 kgs of cheese and 6.8 kgs of yoghurt), and is expected to grow by 5% p.a. in volume terms to 2025.[3] Milk consumption in China has been consistently promoted as a health drink for all ages and was a significant tool in tackling under-nourishment in the 1980s and 1990s. As recently as March 2020, in response to COVID, Chinese government bodies have reminded citizens of guidelines to consume 300 millilitres (ml) of liquid milk per day or 110 kgs per year. While reaching Western levels may never be realised, a pattern of increased per capita consumption in higher tier cities indicates that rising wealth and urbanisation in China is supportive of structural growth.

As well as consumption volumes increasing, Chinese consumers are trading up within the liquid milk category. Leading dairy processors China Mengniu and Inner Mongolia Yili, have a range of products spanning from affordable to premium prices and are benefiting from the perception of milk in China as a premium 'branded' and even giftable product. While it might seem odd to revere branded liquid milk, the combination of its perceived 'health properties' and Chinese focus on quality and safety as a result of the 2008 milk tainting scandal, go some way to explaining the mindset and opportunity for leading dairy companies to capitalise on. Another notable feature is that milk consumption is occurring throughout different age groups, as health and wellness becomes an increasing consideration, including amongst the elderly.

In Vietnam, dairy consumption is at similar levels to China, which is somewhat surprising given per capita incomes are about one-third of China's levels, and the average price of dairy is only slightly lower.[4] Interestingly, the consumption pattern in Vietnam is different. Estimates suggest 80% of milk consumption is by children. Explanations for this include Vietnam's younger population demographics, its less developed status, and the different stages of effect from central government nutrition policy and promotion of the dairy category. In China, public health programs began in the 1970s to address child malnutrition and development rates (e.g. height potential) and this issue has been widely solved.[5]

In Vietnam, a similar program began much later in 1995. Since then, the development rate amongst 5-year-old children has improved markedly,[6] but remains well below rates in other Asian economies today. With government policy and industry marketing still promoting milk firstly for the development of children, this is reflected in consumer perceptions and consumption patterns.

As Vietnam's economy continues to grow, consumers' purchasing power will improve. Consumption habits that have been formed over the past decade will have become ingrained. Vietnam's dairy industry should capitalise on this trend, either by serving milk products targeted to adult health needs, or as is already occurring, up-trading adult consumers to yoghurt and cheese.

The demographic trends and emerging wealth across Asia provides some interesting and attractive investment opportunities, with the dairy industry perhaps one of the overlooked beneficiaries.

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1 Source: Dairy Australia, Euromonitor.

2 Source: Euromonitor, Oatly prospectus.

3 Source: Euromonitor.

4 Source: Euromonitor, International Monetary Fund.

5 Source: https://bmcpublichealth.biomedcentral.com/articles/

6 Source: https://data.unicef.org/resources/dataset/malnutrition-data. Accessed: 30 November 2020

Platinum International Health Care Fund

Bianca Ogden
Portfolio Manager

Performance

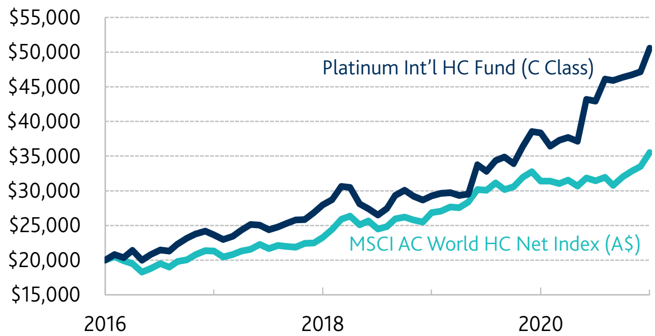
(compound p.a.⁺, to 30 June 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	9%	32%	22%	20%	12%
MSCI AC World HC Index^	11%	13%	15%	12%	10%

⁺ 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

30 June 2016 to 30 June 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 9.1% over the quarter and 31.9% over the year.[1]

It was an eventful three months for the biotech sector, one that will be etched in history we expect.

In a stunning move, the aducanumab antibody (sold under the brand name Aduhelm and developed by Biogen and Eisai) gained accelerated approval for Alzheimer's disease. This accelerated approval has wide-ranging ramifications for neurodegenerative diseases, given it was based on a measurable surrogate marker versus the more traditional cognitive benefits measure (discussed in more detail below in the Commentary).

Gene editing took centre stage. **Intellia Therapeutics** (+102% over the quarter) presented positive results for NTLA-2001, a therapy based on the Noble-prize winning CRISPR/Cas9 technology.[2] The technology essentially edits the mutated gene that causes hereditary Transthyretin Amyloidosis (ATTR), a rare disease where the liver produces misfolded proteins that deposit on organs, causing damage. Intellia has shown that by using lipid nanoparticles (LNPs), a "guide RNA" and "mRNA" encoding, the Cas9 enzyme (which acts like a pair of molecular scissors, capable of cutting strands of DNA) can be delivered systemically to the liver.

Apart from showing successful editing, it is exciting to see that Intellia is applying mRNA technology to achieve enzyme expression. Intellia has been our investment in the CRISPR gene editing space for some time, we liked the company's non-viral delivery approach and the gradual optimisation of the therapy. Targeting the liver first is smart, given LNPs naturally travel to the liver, however, extrapolating the recent data to other organs/tissue is not linear and further optimisation will be required. While the long-term safety of gene editing needs to be further explored, Intellia's progress marks a significant step in the next generation of therapeutic modalities.

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 A more detailed explanation of CRISPR/Cas9 technology can be found here: https://www.livescience.com/58790-crispr-explained.html

Drug developers may be making big strides, but tool companies and manufacturers are also gearing up for genomic medicines. During the quarter, Danaher acquired Aldevron, a manufacturer of plasmids, mRNA and proteins (with annual sales of ~US$500 million), for around US$10 billion. Earlier this year, Merck KGaA acquired AmpTec to expand its mRNA manufacturing capabilities.

There are various industry and investment ramifications emanating from the above activities. New "genomic" therapeutic modalities have arrived and precision neurology is at a key inflection point (as we discuss below). We are invested in several companies in this exciting space including **Eisai** (+47%), **Prothena** (+105%) and **Denali Therapeutics** (+37%), three companies that have been good performers for the Fund over the quarter and indeed, the year.

Elsewhere in the portfolio, our Chinese biotech holdings also advanced nicely. **CStone Pharmaceuticals** (+85%) is a less-known China biotech that is rapidly progressing to becoming a commercial company. Its partnership with Pfizer and EQRx is progressing well. EQRx is a very interesting US-based private company that has secured the rights to both of CStone's oncology antibodies. EQRx seeks to make medicine more affordable for those who need it, and as such, is looking to disrupt the product pricing dynamics in the US, particularly in the oncology space.

Changes to the Portfolio

Small commercial US biotech **Esperion Therapeutics** continues to refine its sales approach for its non-statin cholesterol-lowering products. While its partner Daiichi-Sankyo has been successful in Germany, Esperion is only making gradual progress in the US. Broad cardiovascular drug launches have been difficult, particularly for a small biotech with limited resources. However, we do believe the products have significant value for patients who have high cholesterol, but cannot tolerate the more-traditional cholesterol-lowering medications (i.e. statins), or simply cannot reduce their cholesterol levels despite intensive treatment. The stock fell 25% over the quarter due to disappointing sales figures, however, we took advantage of the price weakness and continued to add to our position.

During the quarter, we gradually increased our holding in German biotech **Centogene**. The stock fell 14% over the quarter as worries persist about Centogene's SARS-CoV-2 testing business. To us, these worries distract from Centogene's core business, which is rare disease genetic testing, so we viewed the share price weakness as a buying opportunity. We also increased our holdings in a number of commercial biotechs.

Disposition of Assets

REGION	30 JUN 2021	31 MAR 2021	30 JUN 2020
North America	36%	34%	39%
Europe	21%	24%	27%
Asia	12%	10%	6%
Australia	10%	9%	10%
Japan	4%	5%	7%
Other	1%	1%	0%
Cash	16%	17%	10%
Shorts	-1%	-3%	0%

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

Net Sector Exposures

SECTOR	30 JUN 2021	31 MAR 2021	30 JUN 2020
Biotechnology	53%	49%	50%
Pharmaceuticals	22%	23%	26%
Life Sciences Tools & Services	7%	5%	9%
Health Care Equip & Supplies	0%	0%	2%
Machinery	0%	1%	0%
Health Care Technology	0%	0%	1%
Health Care Providers & Serv	0%	1%	1%
TOTAL NET EXPOSURE	83%	81%	89%

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
SpeeDx Pty Ltd	Australia	Biotechnology	4.6%
Takeda Pharmaceutical	Japan	Pharmaceuticals	3.7%
Sanofi SA	France	Pharmaceuticals	3.3%
CStone Pharmaceuticals	China	Biotechnology	2.8%
Bayer AG	Germany	Pharmaceuticals	2.5%
Telix Pharmaceuticals Ltd	Australia	Biotechnology	2.4%
Quanterix Corp	US	Life Sciences Tools	2.1%
Syneos Health Inc	US	Life Sciences Tools	2.0%
Gilead Sciences Inc	US	Biotechnology	1.9%
Almirall SA	Spain	Pharmaceuticals	1.9%

As at 30 June 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.

Commentary

As mentioned above, Aduhelm was approved because a surrogate endpoint (reduction of beta-amyloid plaques in the brain of Alzheimer patients) was positive. This is a measurable effect using a positron emission tomography (PET) scan, while measuring cognitive abilities remains more difficult and in the case of Aduhelm, the drug's cognitive benefits are widely debated (regulators have asked for additional confirmatory trials). The fact that the antibody was approved on the basis of a biomarker is akin to firing a starting gun. Eli Lilly has announced it is now looking to file for approval of its Alzheimer's antibody donanemab, while Roche is also considering an expedited filing with the US Food and Drug Association (FDA) for gantenerumab. Importantly, this will result in significant investment in this space, which we are very excited about.

We are believers in precision medicine and are confident that neurology will follow oncology's targeted therapy pathway. Oncology once had chemotherapy as its only weapon at its disposal. Today, we can classify cancer by its molecular profile rather than its location and treat it accordingly.

Many biotechs focus on deciphering the tumour microenvironment to guide drug development and subsequently drug therapy. There is no reason why neurology will be any different in years to come. Currently, we talk about Alzheimer's and Parkinson's disease at a high level but we already know there are subsets within these diseases. There are toxic protein deposits, like tau and beta-amyloid, that cause damage to neurons. The ratio of the two proteins can define if a patient responds to therapy. There are inflammatory processes causing nerve damage as well, opening another pandora's box of therapeutic targets.

These diseases are complex and they take years to manifest clinical symptoms. There are genes that when mutated can cause or put you at risk of developing neurodegenerative diseases. In the case of Alzheimer's disease, there are 35 known genetic associations and many are linked to the brain's immune system, while in the case of Parkinson's disease, there are over 95. Denali Therapeutics, a US biotech in the Fund, calls these genes degenogenes. Denali's lead drug DNL151, an inhibitor of the leucin-rich repeat protein kinase 2 (LRRK2) is being tested on patients with Parkinson's disease that harbour mutations in the LRRK2 gene. This is similar to targeting kinases that are troublemakers in cancer.

Besides these large neurodegenerative diseases there are other rare neurodegenerative diseases that are getting more attention like frontotemporal dementia (FTD), a form of dementia, or amyotrophic lateral sclerosis (ALS). These diseases are heterogeneous but we are gaining a greater understanding about the underlying genetic mutations, the molecular biology and clinical manifestation of these diseases. Alector, a US biotech we are invested in, is developing antibodies that can restore progranulin levels in FTD patients that harbour mutations in the progranulin gene and hence have an imbalance in progranulin. In early July, GSK announced an alliance with Alector to co-develop Alector's progranulin antibodies.[3]

There are other examples whereby genetic mutations are being uncovered to classify subsets of neurodegenerative diseases and allow for targeted therapies to be developed. Identifying patients with these mutations and building out a database of relevant phenotypes and molecular profiles is crucial in this space and here our research has led us to the small German company Centogene. It is this broad analysis that assists us in building out our neurodegenerative puzzle and discover new long-term investment opportunities.

Outlook

Consolidation in the therapeutic biotech space has been limited for now, while fund raising in the private market continues unabated and valuations have never been as high as they are today. It seems all the action is in unlisted biotechs, while public markets are drifting, and in some cases feel abandoned. Some recently listed biotechs were 'hot' not that long ago and are now trading at very exciting valuations. While we follow and engage with private companies regularly, we find it hard to fully comprehend valuations that are being paid. We know that patience is an absolute virtue in this space and we will remain very disciplined.

3 The two companies will co-develop these antibodies for various neurodegenerative diseases and co-commercialise in the US and share profits. Outside of the US, GSK will have exclusive rights. GSK will pay US$700 million upfront and a potential US$1.5 billion in milestone payments along with royalties.

Platinum International Technology Fund

Alex Barbi
Portfolio Manager

Performance

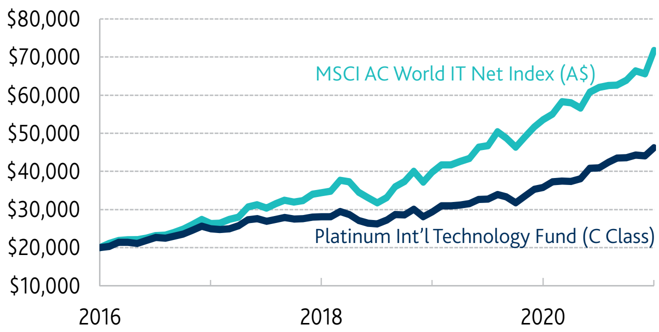
(compound p.a.+, to 30 June 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	6%	29%	18%	18%	11%
MSCI AC World IT Index^	12%	34%	28%	29%	4%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 18 May 2000.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World IT Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance. See note 1, page 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

30 June 2016 to 30 June 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 6.1% for the quarter and 29.2% for the year.[1]

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

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

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

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

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

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

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

2 Source for all data: FactSet Research Systems.

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

Key contributors included:

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

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

4 Source: ISI Evercore, Sony.

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

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

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

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

Changes to the Portfolio

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

5 Source: Company results conference call 18 May 2021.

Disposition of Assets

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

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

Net Sector Exposures

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

See note 4, page 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	6.6%
Facebook Inc	US	Comm Services	4.0%
Samsung Electronics Co	South Korea	Info Technology	3.9%
Taiwan Semiconductor	Taiwan	Info Technology	3.9%
Tencent Holdings Ltd	China	Comm Services	3.3%
Micron Technology Inc	US	Info Technology	2.8%
Constellation Software	Canada	Info Technology	2.7%
Microchip Technology Inc	US	Info Technology	2.7%
JD.com Inc	China	Cons Discretionary	2.6%
Lam Research Corp	US	Info Technology	2.6%

As at 30 June 2021. See note 5, page 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.

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

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

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

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

Outlook

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

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

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

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).

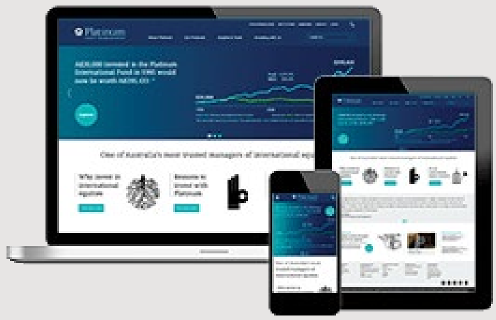
Yield curve

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 – Platinum's Four Guiding Investment Principles.**[1] Since our founding in 1994, Platinum has consistently applied four key investment principles, which have withstood the test of time. Co-CIO Clay Smolinski explains these four principles and how they guide the investment team's search for mispriced stocks in the market, with past stock picks Facebook and Samsung Electronics used as cases in point.
- **Video - A Long Highway of Growth for Autos?**[2] The dramatic change in consumer spending away from 'experiences' to 'products' coupled with supply disruptions has been a boon for the consumer sector over the past 18 months - with autos a standout. Far from being a short-term phenomenon though, we believe there is a long runway of growth ahead for the sector - especially given its return to pricing power and exciting product line-up.
- **Video – The Role of Mining in a Decarbonising World.**[3] ESG and mining is set to be one of the big stories over the next decade. Investment specialist Douglas Isles sits down with resources and industrials analyst Liam Farlow to discuss the role that mining and metals will play in the decarbonisation of the world.
- **Video - LG Chem: Powering the EV Shift.**[4] While LG Chem may look like an overnight success story based on its 2020 share price performance, it's been a decade of R&D and investment that has taken it to where it is today – the world's No. 1 electric vehicle battery maker. Having first invested in LG Chem back in 2017, what made Platinum look under the hood of LG Chem and what's driving the expected long runway of earnings growth? Investment analyst, Liam Farlow explains.
- **Funds in Focus: Webinar Series.** Platinum recently completed a 'Funds in Focus' adviser webinar series with the portfolio managers of the funds below. Each provided an update on key trends in their respective sectors and portfolio positioning.

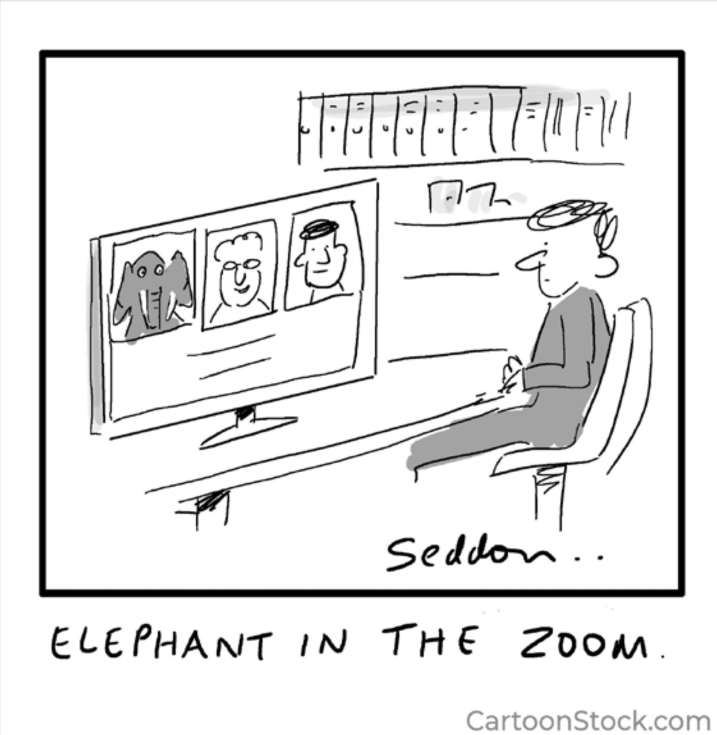
  - Platinum International Brands Fund, featuring James Halse[5]

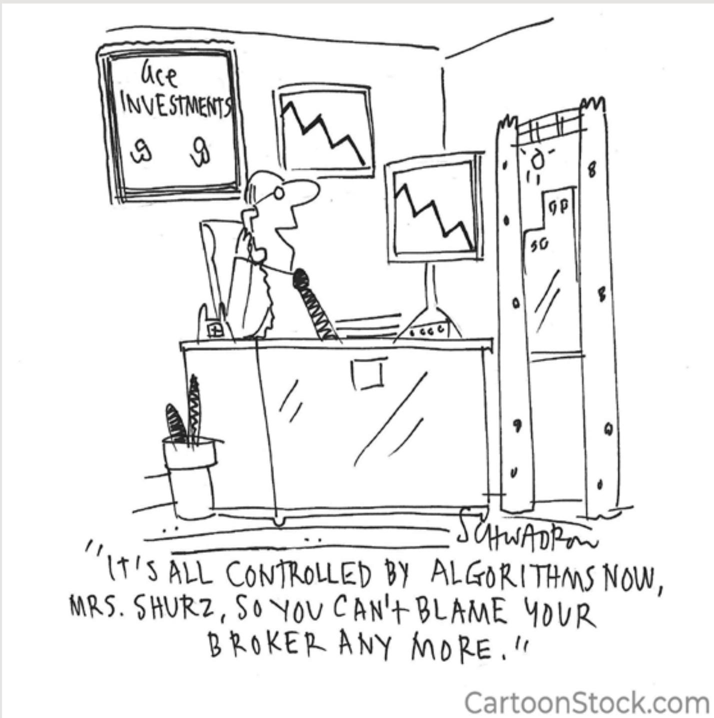
  - Platinum International Health Care Fund, featuring Dr Bianca Ogden[6]

  - Platinum International Technology Fund, featuring Alex Barbi[7]

1 https://www.platinum.com.au/Insights-Tools/The-Journal/Platinums-Four-Guiding-Investment-Principles
2 https://www.platinum.com.au/Insights-Tools/The-Journal/A-Long-Highway-of-Growth-for-Autos
3 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Role-of-Mining-in-a-Decarbonising-World
4 https://www.platinum.com.au/Insights-Tools/The-Journal/LG-Chem-Powering-the-EV-Shift
5 https://www.platinum.com.au/Insights-Tools/The-Journal/Fund-in-Focus-Platinum-International-Brands-Fund
6 https://www.platinum.com.au/Insights-Tools/The-Journal/Fund-in-Focus-Platinum-International-Health-Care
7 https://www.platinum.com.au/Insights-Tools/The-Journal/Fund-in-Focus-Platinum-International-Technology

Some Light Relief





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 Global Fund (Long Only) does not undertake any short-selling of stocks or indices. 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.

About us

Investor services numbers

Monday to Friday, 8.30am – 6.00pm AEST

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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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