Platinum International Technology Fund

Alex Barbi
Portfolio Manager

Jimmy Su
Portfolio Manager

Performance

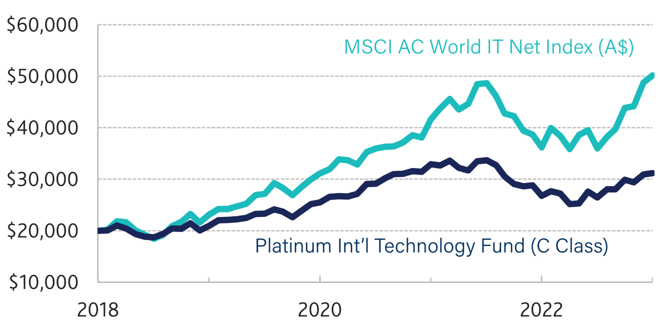
(compound p.a.+, to 30 June 2023)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	4%	17%	7%	9%	9%
MSCI AC World IT Index^	14%	39%	17%	20%	5%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 18 May 2000.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World IT Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance.
See note 1, page 4. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

30 June 2018 to 30 June 2023



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems.
See notes 1 & 2, page 4.

The Fund (C Class) returned 4.2% for the quarter.[1]

Since the start of the year, the US Federal Reserve (Fed) has raised the federal funds rate on three occasions for a cumulative 75 basis points to 5.25%, representing a slowing in its more aggressive pace adopted in 2022. A more cautious approach was justified to allow the Fed to assess the impact on the economy of previous rate rises, as monetary policy tends to work with lagging effects. Moreover, the collapse of three regional banks in the US and Credit Suisse in Europe during the space of a few days in March 2023 most likely made the Fed board members more cautious about the potential negative repercussions on the global financial system.

As the world avoided another global financial crisis and with bank depositors' confidence restored, US markets were largely flat during April, only to face another hurdle with the looming deadline of the US debt ceiling legislation in early June.[2] With the US Congress finally approving the higher debt limit on 3 June, the US stock markets rallied strongly in the last month of the quarter, with technology stocks particularly supported by the emerging and new powerful thematic of artificial intelligence (AI).

In this context, technology stocks in aggregate finished the quarter strongly. The Nasdaq-100 Technology Sector Index returned 13% for the quarter, while the PHLX Semiconductor Index returned 14%. Even high-growth/unprofitable technology companies recovered strongly, with the ARK Innovation ETF up 9% during the quarter.

The Fund's positive performance for the quarter can be attributed to strong moves in US communication services, semiconductors and semiconductor equipment names in the US and Asia. European holdings lagged on a weaker economy, particularly Germany, which after two consecutive quarters of negative GDP growth is now technically in a recession. Similarly, China's struggle to recover post-COVID lockdowns negatively impacted our holdings which are more exposed to consumer demand.

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

2 The debt ceiling is the maximum amount of money that the United States government can borrow cumulatively by issuing bonds.

Our selective short-selling of stocks with dubious business models or unreasonable valuations delivered mixed results, as many investors are still enthusiastic about paying high prices for what we feel are unrealistic expectations.

Key contributors to performance included core holdings **Meta Platforms** (+35%) and **Alphabet** (+15%), with both stocks extending their rally since the start of the year as investors regained confidence in the strength of their underlying business models. **Oracle** (+28%) and **Netflix** (+28%) were also strong performers after investors welcomed quarterly results that were above consensus expectations.

In Korea, **Samsung Electronics** (+13%) and **SK Hynix** (+30%) benefited from expectations for an improvement in the oversupply of semiconductor memory chips following the decision by Samsung Electronics to limit production expansion due to tough industry conditions.

Detractors from performance included Chinese internet names (**Alibaba** -18%, **Tencent** -14% and **JD.com** -23%) as consumer confidence in China remained lacklustre, negatively impacting the e-commerce, digital advertising and gaming sectors.

Telecom equipment stocks **Ciena** (-19%) and **Ericsson** (-7%) also detracted from performance as telecom operators slowed down the pace of new orders following strong demand patterns in recent quarters.

At the end of the quarter, the Fund was 82% net invested, with 12% in cash and 6% in short positions.

Changes to the Portfolio

During the quarter, we re-introduced a position in gaming platform leader **Nintendo**, as we believe that the market is underappreciating its earnings resilience during the transition from its current Switch console to the new "Switch 2". We are confident that the management team is approaching the console cycle very differently this time than in prior cycles. The pieces are in place for Nintendo to launch games concurrently for both the Switch 2 and Switch. We believe that should make the transition more profitable and less volatile.

After reviewing **Western Digital's** financial position, we felt uncomfortable with the level of risk, and we decided to exit the position in light of the challenging industry conditions. We opted to consolidate our exposure to memory semiconductors around the three major players (**Micron Technology**, **Samsung Electronics** and **SK Hynix**).

Disposition of Assets

REGION	30 JUN 2023	31 MAR 2023	30 JUN 2022
North America	43%	45%	38%
Asia	28%	29%	30%
Europe	13%	13%	10%
Japan	4%	2%	5%
Other	0%	0%	0%
Australia	0%	0%	0%
Cash	12%	11%	17%
Shorts	-6%	-6%	-5%

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

Net Sector Exposures

SECTOR	30 JUN 2023	31 MAR 2023	30 JUN 2022
Information Technology	55%	56%	52%
Communication Services	17%	13%	11%
Consumer Discretionary	5%	8%	12%
Financials	4%	3%	3%
Industrials	1%	3%	4%
Health Care	1%	1%	0%
Other	0%	-1%	-3%
TOTAL NET EXPOSURE	82%	83%	78%

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Meta Platforms Inc	US	Comm Services	5.5%
SK Hynix Inc	South Korea	Info Technology	5.2%
Alphabet Inc	US	Comm Services	4.8%
Samsung Electronics Co	South Korea	Info Technology	4.8%
Infineon Technologies AG	Germany	Info Technology	4.8%
Microchip Technology Inc	US	Info Technology	4.7%
Taiwan Semiconductor	Taiwan	Info Technology	4.6%
Micron Technology Inc	US	Info Technology	3.8%
Samsung SDI Co Ltd	South Korea	Info Technology	3.1%
Constellation Software Inc	Canada	Info Technology	2.9%

As at 30 June 2023. See note 5, page 4.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pitf

We exited our position in **eBay** as macroeconomic headwinds in the US and the UK and expectations for weaker margins this year make it more difficult for management to reach their recently determined long-term growth targets.

Commentary

During the quarter, AI took centre stage. A technology that only a few months ago was the exclusive domain of a few scientists has now moved to the mass market and is accessible to anyone with a smartphone or a PC. On 30 November 2022, OpenAI, a privately owned AI research company, launched a chatbot called ChatGPT[3] (Chat Generative Pre-Trained Transformer) that is freely available to the public (chat.openai.com).

UBS analysts estimated that five days after launching, ChatGPT had over one million users, and by January 2023, it had reached over 100 million users, making it the fastest-growing consumer application to date. As a comparison, it took TikTok about nine months after its global launch to reach 100 million users, and Instagram two and a half years.

With such a rapid expansion, the hype has inevitably emerged, and excesses are evident in the market, with the share prices of many AI-labelled companies skyrocketing to extreme valuations. Incumbent technology companies have, however, taken notice and started incorporating the new technologies into their existing platforms. Microsoft, for example, is estimated to have invested a cumulative US$10 billion in OpenAI, and it has licenced ChatGPT technology to incorporate it into its Bing search engine and Edge browser.

Similarly, Google (owned by Alphabet) has accelerated the roll-out of Bard (bard.google.com), its version of an AI-assisted Chatbot. Some consider Google to be at risk of being overtaken by Microsoft and other emerging AI players, potentially eroding the popularity of its core search engine application. We would argue that Google has greatly contributed to AI advancements in the last decade or so and is unlikely to be disrupted by these other players, particularly since its acquisition of start-up DeepMind in 2014, which has demonstrated it can deliver innovative and ground-breaking solutions. These include Waymo self-driving cars, Google Assistant speech recognition software, and the AlphaFold Protein Structure Database, a system that is designed to predict a protein's 3D structure from its amino acid sequence.

Meta Platforms, the owner of Facebook, Instagram and WhatsApp, is also likely to benefit from the proliferation of AI. Meta has been investing heavily in AI, and while it may not have a comparable chatbot to ChatGPT or Bard, it has quietly incorporated AI behind many of Facebook's and Instagram's most important features (such as which Reels videos to show people or suggesting friends, photos and posts that one might not already be following).

Oracle, another holding in the Fund, is perhaps a less obvious AI beneficiary but nonetheless a key provider of key infrastructure to run generative AI workloads. Known more for its legacy database-software business and its late conversion to the cloud, Oracle, thanks to its high-performance/low-cost GPU (graphics processing unit) cluster technology, has now emerged as a provider of choice for many start-ups that are building and running complex AI models. Even NVIDIA, the chipmaker considered to be the poster child of this new AI era, has been confirmed as a customer of Oracle Cloud Infrastructure. We consider this to be a very positive endorsement.

Outlook

After such a strong start for technology stocks in the first half of this year, with the Nasdaq-100 Technology Sector Index up 40% to 30 June, valuations for US technology companies are no longer at bargain prices. Investors seem to have sidestepped concerns about an economic slowdown driven by tight monetary policies and reduced liquidity. However, many uncertainties persist about the strength of the global economy, China-US strategic and trade relations, and future developments in the Russia-Ukraine war.

As investors debate the shape of the economic slowdown (hard vs. soft landing, shallow recession, no recession, etc.) and with mixed signals from macroeconomic data, we prefer to follow our long-held stock-picking selection process. We believe that our careful selection of long and short positions in semiconductors, Asian e-commerce, digital advertising, streaming media, and enterprise software names should provide the Fund with attractive investments without exposing investors to unnecessary risks at this point in the cycle.

3 ChatGPT is a natural language processing tool driven by AI technology that allows you to have human-like conversations with the chatbot. The language model can answer questions and assist you with tasks, such as composing essays, giving suggestions about holidays, and helping you with software programming.

Notes

Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935).

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. Fund returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class and represent the combined income and capital returns over the specified period. Fund returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, the Fund's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. The investment returns shown are historical and no warranty is given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The investment returns depicted in the graph are cumulative on A$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows the Fund's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. Country classifications for securities reflect Bloomberg's "country of risk" designations. "Shorts" show the Fund's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through derivative transactions.
4. The table shows the Fund's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".
5. The table shows the Fund's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

Disclaimers

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