Platinum Global Fund (Long Only)#

Clay Smolinski
Portfolio Manager

Performance

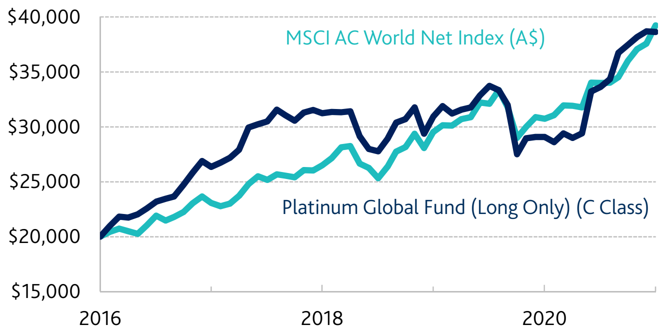
(compound p.a.+, to 30 June 2021)

	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 4. 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 4.

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 4. 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 4. 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 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 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.

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 net MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash") 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. "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 exposures to the relevant sectors through its long securities positions and long 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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