Platinum International Technology Fund

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Portfolio Manager

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Portfolio Manager*

Performance

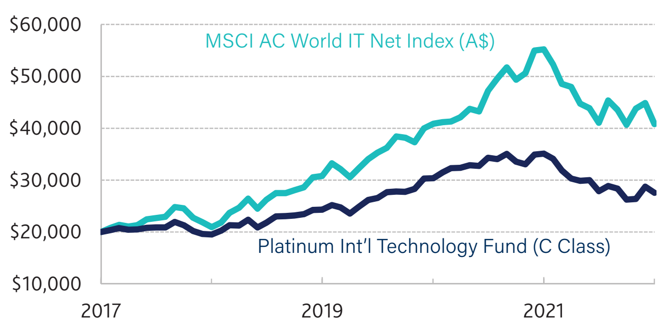
(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	5%	-22%	4%	7%	9%
MSCI AC World IT Index^	0%	-26%	10%	15%	3%

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

Value of $20,000 Invested Over Five Years

31 December 2017 to 31 December 2022



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 5.0% for the quarter.[1]

During the quarter, the US Federal Reserve (Fed) raised the Fed Funds rate twice for a cumulative lift of 125 basis points to a level of 4.5%, as Chairman Powell continued to stress the importance of preventing inflation from becoming entrenched in the economy. As previously mentioned, the Fed considers its current course of action necessary to restore price stability, and its renewed determination may eventually tilt the US economy into a recession. Many investors have started speculating that such an aggressive monetary policy in a relatively short period of time has already impacted consumer and business confidence, and the Fed will need to reverse course sooner than planned. Time will tell. In the meantime, investors have continued to try and second-guess the Fed's next move, by interpreting each economic data release (consumer price indices, jobless claims, hourly earnings, etc.) in the hope of the long-awaited "pivot" on the direction of interest rates. Realistically, though, it's a futile exercise as long as inflation shows no clear signs of permanently returning to more acceptable levels, as Mr Powell explained last quarter. Until then, as the old saying goes, don't fight the Fed!

In this context, technology stocks in aggregate finished the quarter largely flat, with investors re-assessing valuations and revising down growth prospects in light of the austere monetary policies implemented by the Fed and other major central banks. The Nasdaq-100 Technology Sector Index returned 0.5% for the quarter. The narrower PHLX Semiconductor Sector Index returned 10%, suggesting that investors are perhaps trying to look through the negative news flow and positioning for a 2023 recovery.

Once again, high-growth/unprofitable technology companies won the wooden spoon for performance: the ARK Innovation ETF fell 17% during the quarter and returned a cumulative -67% for the year.

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.

*Effective from 31 October 2022, Jimmy Su joined Alex Barbi as co-portfolio manager for the Fund. Jimmy joined Platinum in 2017 as an investment analyst in the consumer team. In April 2021, he moved to the technology and communications team.

The Fund's positive performance for the quarter can be attributed to a recovery in Chinese internet stocks, as well as strong performance from our European holdings and US hardware and semiconductor names. Our selective short-selling of hyper-valued/high-growth stocks also added to performance. The Australian dollar's strength against the US dollar detracted from the Fund's performance as it held a 26% net exposure to US names.

Among the Fund's strong performers were our Chinese internet names (**Alibaba** +10%, **Tencent** +25%, **JD.com** +12%), reversing the previous quarter's decline, as investors started anticipating a loosening of the draconian COVID-19 restrictions, as we expected. In Europe, **Infineon Technologies**, the market leader in power semiconductors, also recovered (+25%) after providing better-than-expected guidance for next year, reinforcing our investment thesis.

Among our US names, the best performers were telecom equipment manufacturer **Ciena** (+26%), software leader **Oracle** (+34%), travel portal **Booking.com** (+23%) and semiconductors **Analog Devices** (+18%) and **Applied Materials** (+19%).

On the negative side of the ledger, companies exposed to digital advertising suffered as investors discounted an economic slowdown impacting negatively on advertising budgets. Among negative performers were **Meta Platforms** (-11%) and **Alphabet** (-8%) in the US and **GA Technologies** (-21%) in Japan. For similar reasons, fears of a deceleration in global e-commerce transactions caused **PayPal** to decline over the quarter (-17%).

At the end of the quarter, the Fund was 75% net invested, with 11% in cash and 14% in shorts.

Changes to the Portfolio

During the quarter, we added to our position in France-based semiconductor substrate manufacturer **Soitec**. We believe the company is strategically positioned to benefit from the adoption of 5G wireless technology and electric vehicles.

We also initiated a new position in **Match Group**, the largest player in the online dating industry, comprising 45 brands, including Tinder and Hinge. After a 70% decline in its share price over the year, we believe it is now attractively valued and well-positioned in a secularly growing industry.

We also reviewed the investment case for **Netflix** after the sharp decline in the stock earlier in the year. We initiated a new position during the quarter, as we believe the introduction of a cheaper ad-supported subscription package will widen the platform's appeal to a broader audience and restore growth in the medium term.

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
North America	43%	44%	46%
Asia	29%	30%	24%
Europe	12%	11%	9%
Japan	6%	7%	5%
Cash	11%	8%	15%
Shorts	-14%	-11%	-3%

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

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Information Technology	57%	58%	52%
Consumer Discretionary	11%	12%	7%
Communication Services	11%	12%	19%
Industrials	3%	4%	5%
Financials	2%	2%	0%
Other	-8%	-7%	-1%
TOTAL NET EXPOSURE	75%	81%	81%

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Ciena Corp	US	Info Technology	5.2%
Samsung Electronics Co	South Korea	Info Technology	4.8%
Microchip Technology Inc	US	Info Technology	4.1%
SK Hynix Inc	South Korea	Info Technology	4.1%
Taiwan Semiconductor	Taiwan	Info Technology	4.1%
Infineon Technologies AG	Germany	Info Technology	3.9%
JD.com Inc	China	Consumer Disc	3.9%
Analog Devices Inc	US	Info Technology	3.5%
Micron Technology Inc	US	Info Technology	3.4%
Tencent Holdings Ltd	China	Comm Services	3.3%

As at 31 December 2022. 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 sold out of **Nintendo** as our initial thesis had played out and the stock reached our valuation target. We also exited our positions in Nordic media and advertising groups **Schibsted** and **Adevinta**, as an economic slowdown in Europe negatively impacts advertising spend.

Commentary

The quarter saw an escalation in US-China trade tensions. The US Department of Commerce (DoC) introduced sweeping new export controls requiring companies to receive a license to export US-made advanced computing and semiconductor products to China. According to a release issued by the Bureau of Industry and Security,[2] the purpose of the export controls is to "protect US national security and foreign policy interests" and "restrict the People's Republic of China's (PRC's) ability to both purchase and manufacture certain high-end chips used in military applications". The export controls will affect both US companies and companies from a third-party country that sells US-made items to China. Moreover, it also "restricts the ability of US persons to support the development, or production, of ICs [integrated circuits] at certain PRC-located semiconductor fabrication "facilities" without a license".

In addition, several Chinese technology companies were added to the so-called Entity List, which prevents US companies from selling any product or service to them, unless the vendors receive specific approval from the US DoC. US persons are also prohibited from working for those companies on the Entity List. They will need a license to "assist the development or production of ICs meeting certain parameters," which is unlikely to be granted.

The most significant name on the list was Yangtze Memory Technologies (YMTC), the national champion NAND flash memory manufacturer, with a 5% global market share.[3] The ban effectively kneecapped YMTC, which will soon be unable to produce competitive chips without access to the latest equipment available only from Western suppliers. The vacuum left by YMTC most likely will be filled by Samsung Electronics, the industry leader, and a holding in the Fund.

It is difficult to estimate the impact of these restrictions on our semiconductor equipment holdings since a particular system is not necessarily specific to a process technology node. However, depending on the company, we estimate that the negative revenue impact could be between 3% (ASML) and 10% (Lam Research). In the very long term, of course, if high-end semiconductor manufacturing capacity is needed, it will get built in other jurisdictions (US, Japan, Europe), eventually offsetting the Chinese demand shortfall.

What started as a trade war during the Trump administration, has now gradually evolved into what some observers have defined as a "Chip War".[4] Gregory Allen, from the Washington-based Center for Strategic and International Studies, has articulated the rationale of the Biden administration in "*Choking Off China's Access to the Future of AI*",[5] a good piece that was written soon after the introduction of the export bans. An extract from the paper provides a succinct summary: "In short, the Biden administration is trying to (1) strangle the Chinese AI industry by choking off access to high-end AI chips; (2) block China from designing AI chips domestically by choking off China's access to US-made chip design software; (3) block China from manufacturing advanced chips by choking off access to US-built semiconductor manufacturing equipment; and (4) block China from domestically producing semiconductor manufacturing equipment by choking off access to US-built components."

Outlook

As consensus grows among investors that 2023 will bring a recession in the US and Europe, a number of unknowns remain on the horizon, which makes it difficult to predict the year's course with certainty. We don't know when, or if the Ukraine war will end. We don't know how quickly inflation will return to normalised levels. We don't know if the economic slowdown, partly induced by tighter monetary policies, will be prolonged, or a shallow and rapid adjustment.

In China, we recently witnessed the authorities performing an abrupt about-face on its strict zero-COVID policies, with the population now able to move freely again. This will help economic activity rebound in China, even as the country will likely face multiple COVID waves as experienced in other countries. That will help global growth and those businesses that depend on China's demand, including our holdings exposed to e-commerce and advertising.

More broadly, we believe that the Fund, through the careful selection of long and short positions, remains positioned to benefit from the ongoing shift away from expensively valued unprofitable technology stocks while holding core positions in semiconductors, e-commerce, digital advertising, fintech and enterprise software names at very attractive valuations.

2 https://www.federalregister.gov/documents/2022/10/13/2022-21658/implementation-of-additional-export-controls-certain-advanced-computing-and-semiconductor

3 Source: citi.

4 For an extensive review and historical perspective on the topic, we suggest the recently published *Chip War: The Fight for the World's Most Critical Technology* by Chris Miller, Simon & Schuster.

5 https://www.csis.org/analysis/choking-chinas-access-future-ai

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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