Platinum Global Fund (Long Only)

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Portfolio Manager

Performance

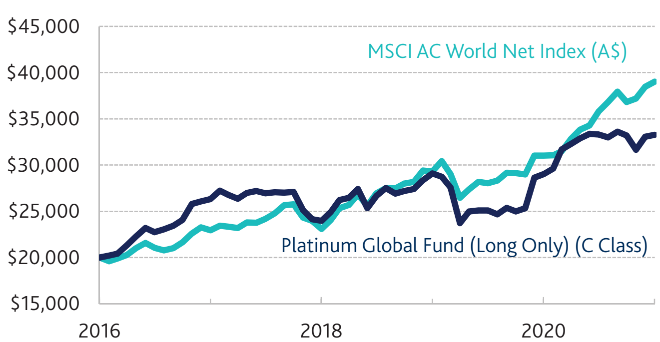
(compound p.a.+, to 31 December 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Global Fund (Long Only)*	0%	15%	12%	11%	11%
MSCI AC World Index^	6%	26%	19%	14%	9%

+ 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

31 December 2016 to 31 December 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 0.2% for the quarter and 14.8% for the year.[1]

Looking at the contributors and detractors for the quarter, a main driver on the positive side was the strength in a number of our semiconductor and technology hardware companies, namely **Micron Technology** (+31% over the quarter), **Lam Research** (+26%), **Microchip Technology** (+13%) and **Ciena** (+50%).

Ciena is a leading player in the field of optical networking and transport, producing equipment that is essentially used to transmit large amounts of data across distances. We started building our position in March 2021, with the investment case to buy Ciena underpinned by two key factors:

1. The competitive environment for this equipment had improved via both consolidation (the Alcatel, Lucent, Siemens and Nokia assets were all brought together under one roof) and the fact that Chinese giant Huawei had been blacklisted from a number of Western markets.
2. Ciena was about to enjoy a large spending cycle as major telecommunication companies around the world roll out 5G, which had slowed due to COVID disruptions.

The return of 5G spending was always a matter of when, not if, and Ciena's recent results confirmed the rollout by the operators was back on, with revenue up 25% and their backlog of orders doubling vs. 2020.

The major detractors over the quarter fell into two categories, travel and a couple of our small cap positions. Our travel positions retraced (**Trip.com** -20%, **MTU Aero Engines** -8%) with the emergence of the Omicron variant. On the small positions, there were two notable falls, Chinese orthopaedic device manufacturer **AK Medical** (-39%) and UK real estate agent **Foxtons** (-20%).

AK Medical is the largest domestic manufacturer of orthopaedic products (mainly hip and knee) in China. Founded by prominent surgeon Li Zhi Jiang and businessman Zhang Chao Yang in 2015, AK has been the most research and

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

development (R&D) focused of the domestic players, building roughly 20% market share[2] and being the first to get approvals for a number of 3D printed implants.

The stock has been weighed down by the short-term impact on profits from the new 'volume-based procurement' system, which is essentially a form of centralised buying/bidding aimed at reducing costs for the health system. AK was very successful in both rounds of bidding, which will see it gain further market share, but at lower pricing/profit levels than in the past.

To us, the appeal in AK is longer term. The government clearly wants to encourage domestic capability and innovation in medical devices (it's currently doing so via R&D tax incentives to the manufacturers and preferential insurance rebates to encourage use of the domestic brands) and as a R&D focused player, AK stands to benefit here. Also, the potential for AK to grow unit volume long term is immense. With roughly 600,000 primary knee and hip implants per year, the Chinese market is tiny compared to its population, and as China's standard of living rises over time, you would expect procedure rates to trend higher. Using procedure rates in Japan (the lower end) or Europe (the higher end) as a guide would indicate the market can grow to be five to ten times its current size over time.

Changes to the Portfolio

During the quarter, we sold out of our positions in **Louisiana-Pacific** and **Merck KGaA** as both reached prices we deemed as fair value. We also halved our positions in **Bank of Ireland** and **Raiffeisen Bank International**, with the reduction in Raiffeisen in response to the tail risk around the brinksmanship between Russia and the West over Ukraine's future involvement with the North Atlantic Treaty Organization (NATO).

We used these funds to increase our holdings in travel-related names **InterGlobe Aviation** and **Trip.com** post the sell-off due to Omicron, and started a new position in UK banking group **Barclays**.

In our June 2021 quarterly report, we mentioned that the global push to decarbonise is of interest to us for potential investment ideas. Indeed, if the world only achieves half of its goal, it will still represent one of the largest capital works programs of the last 100 years. The issue from an investment perspective is finding companies not engulfed in hype, with investors now willing to pay huge prices for 'environmental' stocks.

2 Source: Company reports.

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
Asia	30%	31%	28%
North America	26%	21%	32%
Europe	22%	24%	23%
Japan	12%	12%	8%
Australia	3%	3%	4%
Other	1%	1%	0%
Cash	6%	7%	5%

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

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Industrials	22%	22%	26%
Information Technology	18%	14%	17%
Financials	15%	16%	16%
Materials	15%	16%	15%
Communication Services	8%	7%	3%
Consumer Discretionary	7%	7%	5%
Health Care	4%	7%	6%
Real Estate	3%	4%	4%
Consumer Staples	1%	1%	0%
Energy	1%	1%	2%
TOTAL NET EXPOSURE	94%	93%	95%

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Microchip Technology Inc	US	Info Technology	5.3%
Micron Technology Inc	US	Info Technology	4.7%
Applus Services SA	Spain	Industrials	3.7%
MinebeaMitsumi Co	Japan	Industrials	3.7%
Samsung Electronics Co	South Korea	Info Technology	3.5%
ZTO Express Cayman Inc	China	Industrials	3.5%
UPM-Kymmene OYJ	Finland	Materials	3.4%
Weichai Power Co	China	Industrials	3.4%
Tencent Holdings	China	Comm Services	3.0%
Lixil Group Corp	Japan	Industrials	2.8%

As at 31 December 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

A new addition to the Fund that both benefits from this trend and is sensibly priced is **Longshine Technology**.

Longshine is a Chinese software company that specialises in software for demand and supply monitoring, customer relationship management (CRM) and billing systems for the electricity and gas utilities in China. A growing, profitable software company in its own right, Longshine is currently benefiting from a large grid upgrade program.

In China today, a large amount of electricity is still billed via flat-rate tariffs. This means you are charged the same 10-12 cents per kilowatt-hour (Kw/h) regardless if you are consuming electricity during a high- or low-demand period.

As part of the government's CO_2 reduction and energy efficiency targets, they are mandating a move to a market-based pricing system, more akin to what we have in the West. Under this system, the price corporates pay will move up and down depending on the level of demand, and this will incentivise both better energy usage planning and investment in more power-efficient equipment. This move requires a large upgrade to the supply/demand monitoring and response software, along with the billing software capability, with Longshine powering these upgrades.

With Longshine's core software business growing 40%,[3] with high visibility for that to continue, our initial purchase price of the company on a low 20x multiple of earnings was a good example of growth at a reasonable price. However, as a demonstration of the market's current enthusiasm for decarbonisation beneficiaries, other investors have recently jumped on the opportunity in Longshine, with its share price rallying strongly in the last two months.

3 Source: Company reports.

Outlook

A lost opportunity for the Fund over the past decade was not adjusting enough to the low-rate environment and how that could completely change what investors would pay for businesses with stable and growing cashflows. Holdings such as Kweichow Moutai, PayPal and IHS Markit are good examples, where in keeping with our valuation discipline, we either sold out or heavily reduced our position at valuations we deemed a rich 30-50x earnings, only to watch the stocks double again.

However, today the adjustment required may be in the opposite direction as evidence builds that the zero-interest rate environment of the past decade is coming to an end. As we detailed in our last quarterly report, the new factor driving rates is inflation, and over the quarter we saw global central banks begin to lift interest rates and the most expensive and speculative parts of the market start to fall.

In this regard, our message remains the same. While we could be wrong on the outlook for rates and inflation, we think the risk is asymmetric because huge swathes of the stock market are still pricing in a low interest rate environment. We continue to stand firm on our discipline that price matters, avoiding the 'hot' areas of the market and positioning the portfolio into companies where starting relative valuations are favourable.

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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