Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

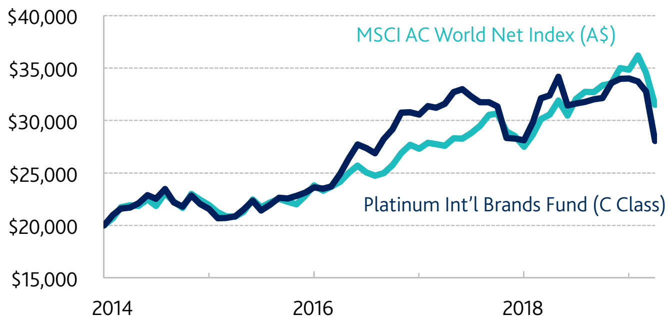
(compound p.a.+, to 31 March 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	-17%	-13%	4%	5%	11%
MSCI AC World Index^	-10%	3%	9%	8%	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 Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet.
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 March 2015 to 31 March 2020



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.
See notes 1 & 2, page 4.

The coronavirus pandemic induced dramatic market volatility during the quarter, as investors digested the implications of the severe curtailment of economic activity brought about by government attempts to curb the spread of the virus. While containment measures are crucial to saving lives, the concomitant disruption is unprecedented in modern times.

Global markets fell 9.7% in Australian dollar (AUD) terms during the quarter, cushioned by a weak AUD which depreciated 12.9% against the US dollar. This return understates the day-to-day experience of the market maelstrom, with most leading stock indices falling 30%-50% peak to trough in local currency terms and many stocks experiencing intra-day moves of more than 40%. The Fund (C Class) returned -17.5% in AUD terms for the quarter as our conservative market exposure (average 68% net long during the quarter) was more than offset by the market response to the evaporation of consumer spending on discretionary products and services.

As spending ceased in some areas, in others, supply chains struggled to respond to panic buying of food and household essentials. These patterns of consumer behaviour, coupled with the collapse in Treasury bond yields, led to more resilient performance from the traditionally 'defensive' consumer staples stocks and food retailers. Unfortunately for our recent performance, we had limited exposure to these areas going into the sell-off, viewing them as generally expensive and unattractive opportunities. We have previously mentioned our short positions in this space, which unfortunately were not effective market hedges to the outsized declines in our holdings of stocks exposed to discretionary spending. Overall, however, our short positions contributed 2.6% to Fund performance in AUD terms.

The extreme market moves were reflected in only a few of our long positions generating a positive return in local currency terms. This included **Tencent**, the dominant player in gaming and social media in China, which gained 1%,[1] as the market viewed it as benefiting from more people staying at home spending on games. Many of our core holdings were, however, relatively resilient in this downturn. For example, Chinese e-commerce marketplace **Alibaba** (-8% in local

1 All individual stock returns in this report are in local currency terms and sourced from FactSet unless otherwise specified.

currency terms), which is relatively better off in a world where more shopping is done online; food delivery and local services leader **Meituan Dianping** (-8%) as restaurants remained open for takeaways; and luxury car dealer **China Yongda Automobiles** (-11%) as it reported better-than-expected volumes and generated extra cash through shrinking its proprietary auto finance book. Similarly, Japanese pharmacy chain **Ain** (-8%) was relatively resilient, as was our newly initiated position in UK household products and consumer healthcare company **Reckitt Benckiser** (-4% holding period return) as demand surged for its products and investors valued its defensive characteristics.

Detractors from performance were numerous. Our positions in various apparel and footwear brand owners and retailers suffered as the market capitalised the implied losses from enforced store closures and expressed fears of depressed demand over an extended period as people reduce their social activity. Included in this basket were **ASOS** (-65%), **SMCP** (-59%), **Kontoor Brands** (-54%), **American Eagle Outfitters** (-46%), **Aritzia** (-35%) and **Foot Locker** (-43%). Likewise, our financial services investments took a hit despite already very cheap valuations as investors worried about a potential rise in credit losses and the impact of lower interest rates on net interest margins. Suffering from this dynamic were online banks **Ally Financial** (-53%) and **TCS Group** (-46%), as well as dominant Russian lender **Sberbank** (-42%), with the latter two also hurt by the negative consequences to the Russian economy of a falling oil price.

Changes to the Portfolio

The immense market volatility and dramatic dispersion in performance between subsectors provided us with a fantastic opportunity to recycle capital from the better performers mentioned above into both existing and new investments, where the stocks had sold off to highly attractive levels. Our new holdings are concentrated in travel, leisure and financial services; areas all hard hit by the current crisis. Timing the moment to buy in a sell-off is always difficult, so we took a gradual approach. Unfortunately, many of our purchases were too early in hindsight, which hurt recent performance. Some of these stocks fell as much as 80% to their lows in less than a month, but have since staged sizeable rallies as sentiment improved. Valuations remain highly attractive, with some of our new additions boasting price-to-earnings ratios as low as 4x and price-to-book ratios as low as 0.2x.

Amongst our existing holdings, online-only used car retailer **Carvana** is a strong example of the benefits of recycling capital into the hardest hit areas. Carvana sold off from a high of US$115 in February to an intraday low of US$22 in mid-March, as concerns grew around demand and its funding, before ending the quarter at US$55. We took the opportunity to add to our position at prices from US$58 all the way down to US$24, before selling around 1% of our position at prices in the high US$50s. Our buying at depressed levels led to the position generating a positive return in the quarter despite the large price fall.

We sought to manage the risks inherent in the approach outlined above via careful analysis of the ability of the businesses in question to withstand a protracted shutdown without suffering losses so large as to permanently impair our equity investment. Further risk mitigation came from the addition of short positions in many market darlings in sectors such as e-commerce, fast-casual restaurants and sportswear. We were also able to take advantage of the volatility and increase our long exposure in a low-risk manner via taking a large position in the jeweller, **Tiffany** at US$114. Tiffany is subject to a takeover by Moet Hennessy Louis Vuitton at US$135, with the deal to complete mid-year. Tiffany has since rallied to around US$130, providing a very respectable risk-adjusted return in a short period of time.

Disposition of Assets

REGION	31 MAR 2020	31 DEC 2019	31 MAR 2019
North America	37%	27%	24%
Europe	31%	22%	19%
Asia	24%	36%	40%
Japan	4%	8%	8%
Cash	3%	7%	9%
Shorts	-32%	-19%	-15%

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

Outlook

In the December 2019 quarterly report we mentioned the sizeable bifurcation in valuation between perceived winners

Net Sector Exposures

SECTOR	31 MAR 2020	31 DEC 2019	31 MAR 2019
Consumer Discretionary	45%	41%	33%
Communication Services	14%	21%	23%
Financials	12%	10%	9%
Industrials	3%	4%	3%
Real Estate	1%	1%	1%
Consumer Staples	-1%	-2%	6%
Information Technology	-2%	0%	1%
Other*	-7%	0%	0%
TOTAL NET EXPOSURE	65%	74%	76%

*Includes index shorts and other positions.
See note 4, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

and losers in the broader consumer sector. The recent market action has further compounded these disparities and produced a veritable smorgasbord of attractive opportunities. The stock market dislikes uncertainty about the future, but in reality, the future is always uncertain. It is only perceptions of that uncertainty that change.

We now have clear precedents in China, Italy, Singapore, South Korea and Spain of the measures required and timelines for tempering the exponential reproduction of the virus. A vaccine which can solve the problems is generally thought to be 12-18 months away, but could arrive sooner. What continues to worry the market is the medium-term economic impact of social distancing, the extent of the losses that companies will have to bear while lockdowns are in force, and the degree to which the current experience will drive longer-term shifts in consumer behaviour.

Apparel retail is in a particularly tough position as sales collapse. The industry as a whole has bought inventory it is currently unable to sell that is fast losing its value, has rent obligations for stores it is unable to use, and has committed in advance to further inventory purchases. Reduced demand could persist post-lockdown as people avoid social occasions, and thus the need for new outfits.

This all paints a very negative picture, but the other side of the coin is that weaker players will be unable to survive, leaving the stronger players in a position to gain market share and come out of the crisis in a better position. Rents will likely be reduced for the survivors, which assists their cost structures and thus profitability.

The dramatic spike in demand for food and household products is likely to be short-lived and indeed one can already observe a return to some level of normalcy at the local supermarket. Makers of products such as canned soup and toilet paper are unlikely to observe a sustained uplift in demand for their products and indeed may see demand crater as pantry inventory is used. Supermarkets will continue to benefit as people prepare food at home rather than dining at restaurants and cafes due to ongoing social distancing, and perhaps even beyond the pandemic as a weak economy leads consumers to (figuratively) tighten their belts. That said, the underlying drivers of the shift to eating food prepared outside the home have not dissipated and the supermarkets will return to a more normal level of sales. The dramatic increase in the valuation of these 'defensive' stocks relative to the market suggests that investors either do not agree with these views, or that they have a significantly more pessimistic view on the ability of many discretionary stocks to manage through the crisis.

While we are optimistic on the timeframe for moving past the pandemic, we are likely more pessimistic relative to most on the rapidity of the recovery in economic activity, employment and corporate profits, despite the unprecedented fiscal and monetary stimulus being thrown at the problem by governments and central banks. There is the potential for the market to be disappointed and experience a further leg down. We thus maintain a relatively low net long exposure to markets at around 65%. Tempering this pessimism, however, is the fact that it has been some time since we have been presented with so many attractive investment opportunities, with the more moderate decline in the aggregate market indices belying the severe deratings seen in some areas. Consequently, we have been putting capital to work, with the Fund's gross long exposure sitting close to 97%.

Net Currency Exposures

CURRENCY	31 MAR 2020	31 DEC 2019	31 MAR 2019
US dollar (USD)	46%	47%	46%
Euro (EUR)	34%	24%	25%
Canadian dollar (CAD)	9%	2%	1%
Norwegian krone (NOK)	7%	2%	3%
British pound (GBP)	6%	5%	3%
Australian dollar (AUD)	5%	0%	0%
Hong Kong dollar (HKD)	4%	14%	11%
Turkish lira (TRL)	2%	2%	1%
Danish krone (DKK)	2%	2%	0%
Japanese yen (JPY)	-1%	4%	4%
Brazilian real (BRL)	-1%	0%	-1%
Indian rupee (INR)	-4%	2%	6%
Chinese yuan offshore (CNH)	-9%	-6%	-6%
Chinese yuan (CNY)	0%	2%	7%

See note 5, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Euro Stoxx 50 Div	Euro	Other	5.4%
Tiffany & Co	US	Cons Discretionary	4.7%
Lixil Group	Japan	Industrials	3.8%
Facebook Inc	US	Comm Services	3.2%
58.Com Inc	China	Comm Services	3.0%
Sberbank	Russia	Financials	3.0%
Alphabet Inc	US	Comm Services	2.9%
Carvana Co	US	Cons Discretionary	2.8%
ASOS PLC	UK	Cons Discretionary	2.8%
China Yongda Auto	China	Cons Discretionary	2.7%

As at 31 March 2020. See note 6, 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/pibf.

Notes

1. Fund returns are calculated using the net asset value (NAV) unit price (which does not include the buy/sell spread) of the stated unit class of the Fund and represent the combined income and capital returns of the stated unit class over the specified period. Fund returns are net of fees and costs, are pre-tax, and assume the reinvestment of distributions.

   The MSCI Index returns are in Australian Dollars and are inclusive of net official dividends, but do not reflect fees or expenses. MSCI index returns are sourced from FactSet.

   Platinum does not invest by reference to the weightings of the Index. The Fund's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, the Fund's holdings may vary considerably to the make-up of the Index that is used as its reference benchmark. Index returns are provided as a reference only.

   The investment returns shown are historical and no warranty can be 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 this 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 Australian Dollars.
3. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents, as a percentage of the market value of the Fund's positions, the Fund's effective exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices. "Shorts" relates to the effective exposures to short securities and short securities/index derivative positions.
4. The table shows, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant sectors through direct securities holdings as well as both long and short derivatives of stocks and indices.
5. The table shows the effective net currency exposures of the Fund's portfolio as a percentage of the Fund's net asset value, taking into account the Fund's currency exposures through securities holdings, cash, forwards, and derivatives. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.
6. The table shows the Fund's top 10 long equity positions as a percentage of the Fund's net asset value, taking into account direct securities holdings and long stock derivatives. The designation "China" in the "Country" column means that the company's business is predominantly based in mainland China, regardless of whether the company's securities are listed on exchanges within mainland China or on exchanges outside of mainland China.

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