Platinum International Brands Fund

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Portfolio Manager

Performance

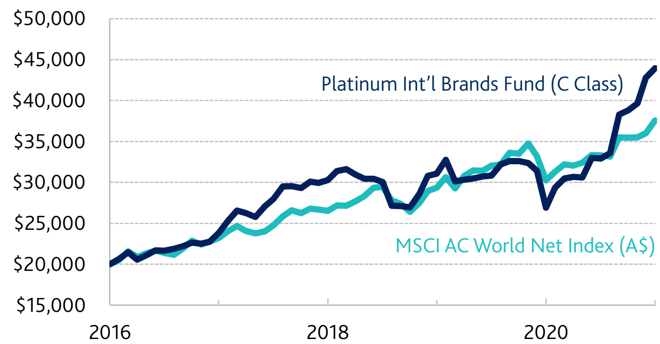
(compound p.a.+, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	13%	63%	13%	17%	13%
MSCI AC World Index^	6%	24%	12%	13%	4%

+ 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 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 March 2016 to 31 March 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 March quarter continued the trend of steady appreciation in global equity markets, with the Fund benefiting again from the strong performance of our holdings in discretionary retailers, financials and leisure-related assets to deliver a return of 13.3% (C Class) for the quarter.[1] This performance takes the Fund's annual return to 63.3%, a very pleasing result, albeit one that is flattered by the starting point being near the market lows at the height of the pandemic panic. We are very happy to have validated the trust placed in us by investors through those trying times.

The seemingly inexorable march upward of the headline market indices masked substantial turbulence beneath the surface, with significant volatility experienced in many market segments, particularly amongst the fast-growing stocks previously favoured by retail investors. The GameStop short squeeze and bust, and the rise of the 'WallStreetBets' Reddit traders received much press commentary, but the sell-off from the peaks of the speculative excess at the beginning of February was widespread. Many fast-growing popular brands and 'COVID winners' were hit, including stocks such as electric vehicle maker Tesla, home-exercise platform Peloton Interactive, food-delivery leader DoorDash, and a little closer to home – 'buy-now-pay-later' service Afterpay.

All these stocks had exhibited rapid price appreciation in December and January, so despite dramatic declines approaching 40% or more from their peaks in February to the end of March, they are generally trading at about November 2020 levels. This correction has seen their valuations adjust from utterly incomprehensible to merely highly unpalatable levels. At the same time, we are seeing other signs the bull market may have reached its crescendo – notably, the Greensill Capital/Credit Suisse supply chain finance saga, Bill Hwang's Archegos Capital Management blow-up leaving a number of well-known investment banks with massive losses, and most recently, Deliveroo becoming the "worst IPO in London's history".[2]

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

2 https://www.ft.com/content/bdf6ac6b-46b5-4f7a-90db-291d7fd2898d

The Fund has largely avoided exposure to the hot stocks and we have generally been wary of excesses in the market, including the more recent exuberance in the US around the 'reopening' trade, despite having benefited from this dynamic. As such, we significantly reduced our net market exposure during the quarter to 72%, raising cash levels by selling down our holdings in leisure, financial and consumer discretionary stocks that had performed very well for us over the last year, and increasing our short positions.

It is not without reason that the market has become excited about the prospects for consumer spending in the US. A rapid vaccine rollout should see consumer behaviour normalise and the US$1.9 trillion American Rescue Plan Act of 2021 is an unprecedented fiscal transfer that goes well beyond the headline US$1,400 stimulus cheques received by anyone with an annual income of less than US$75,000. Indeed, adding the expansion of tax credits for dependent children and for childcare expenses, a family of four earning under US$150,000 annually, with two children aged under six in child care, could receive a boost of up to US$14,700[3] to their discretionary income. That's before accounting for reduced healthcare plan costs if they bought their healthcare plan through an exchange. The stimulus plan also boosts unemployment benefits and helps with rent, utility and mortgage payments for those impacted by the pandemic.

When considered in the context of unemployment falling back to 2014 levels at 6%, rising asset prices and the highest level of savings since the 1970s, the US consumer, on average, is likely feeling healthier than at almost any point in history.[4]

3 4 x US$1,400 stimulus cheques plus 2 x US$3,600 child tax credits (paid at US$600/month) less 2 x US$2,000 under prior regime plus 50% credit on 2 x US$8,000 childcare expense (US$8,000) less US$2,100 available under the prior regime. Total boost to discretionary income = US$14,700. Source: https://en.wikipedia.org/wiki/American_Rescue_Plan_Act_of_2021

4 Source: FactSet Research Systems and Federal Reserve Bank of St. Louis respectively.

A boost of US$14,700 on a base income of US$150,000 may seem sizeable in itself, but the impact on discretionary spending capability is much larger. It would be reasonable to expect that in many cases, families will be seeing increases of 50%-100% in their discretionary spending budgets.[5]

When viewed in that light, it seems sensible that consumer discretionary stocks have performed so strongly, with many rallying even beyond their pre-COVID levels. In fact, other dynamics also support this performance, whether that's the situation among apparel retailers of tightly managed inventories and bankruptcies of weaker competitors leading to much-reduced price competition, or the introduction of digital and automation technologies to reduce labour and enhance the consumer experience at theme park operators (imagine, with virtual queueing, there will be no more waiting in line for the roller-coaster!). It is for these reasons that we have maintained some exposure to these stocks, while being wary of the impermanence of much of the stimulus spending.

The strong performers among our North American discretionary retail exposures in the quarter included **Signet Jewelers** (+113% over the quarter), mid-tier department store **Kohl's** (+46%), outerwear brand **Canada Goose** (+50% to exit) and teen apparel retailer **American Eagle Outfitters** (+46%). Similarly, our theme park holdings **Six Flags Entertainment** (+36%) and **SeaWorld Entertainment** (+59% to exit) also contributed strongly. While we avoided the market-favourite hyper-growth names, we nevertheless realised meaningful contributions from strongly growing digital platforms, with this category comprising four of our top ten contributors to performance in the quarter. Russian fintech **TCS Group** (+76%), Google parent **Alphabet** (+18%), online apparel retailer **ASOS** (+16%) and US online bank and auto lender **Ally Financial** (+27%) boosted our returns in this

5 Discretionary income is income after making payments for taxes, mortgage/rent, utilities, healthcare, food and daily necessities.

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
Europe	29%	33%	31%
Asia	27%	22%	24%
North America	25%	36%	37%
Japan	5%	4%	4%
Cash	15%	5%	3%
Shorts	-13%	-4%	-32%

See note 3, page 4. Numerical figures have been subject to rounding.
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.

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Consumer Discretionary	34%	47%	45%
Communication Services	19%	17%	14%
Financials	17%	18%	12%
Industrials	4%	3%	3%
Consumer Staples	3%	3%	-1%
Real Estate	1%	1%	1%
Information Technology	0%	0%	-2%
Materials	-1%	0%	0%
Other	-4%	2%	-7%
TOTAL NET EXPOSURE	72%	91%	65%

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

regard. The general impetus driving these stocks higher was continued strong earnings growth coupled with reasonable starting valuations.

Detractors from performance included **Dongfeng Motor Group** (-20%), our new position in Chinese whitegoods manufacturer **Haier Smart Home** (-15% from first entry point) and video game company **Nintendo** (-6%).

Changes to the Portfolio

During the quarter we exited a number of our small remaining positions in strongly performing stocks exposed to a return to normality that we had accumulated from March 2020 onward, including **Canada Goose**, ski-resort owner **Vail Resorts**, **SeaWorld**, online travel agent **Booking Holdings** and hotel-franchisor **Wyndham Hotels & Resorts**. We also trimmed a number of other similarly exposed strong performers, including **Signet Jewelers**, **TCS Group**, **Six Flags**, **Kohl's**, theme park owner **Cedar Fair** and cosmetics retailer **Ulta Beauty**.

As previously mentioned, we added whiteware manufacturer **Haier Smart Home** (Haier) to the portfolio during the quarter. Readers may remember we previously owned Chinese A-share Qingdao Haier (Qingdao); Haier is the successor company, renamed following the integration of Qingdao with its Hong Kong listed subsidiary Haier Electronics. Haier now has not only A-share and H-share listings, but is also the only Chinese company with a D-share (German) listing, the line we have invested in. The German listing trades at a significant discount to the A and H shares and there are reasons to expect this discount to continue to narrow. Regardless, Haier is a leader in a growing market and we believe represents solid long-term value.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Facebook Inc	US	Comm Services	5.3%
Alphabet Inc	US	Comm Services	4.7%
Tencent Holdings	China	Comm Services	4.5%
Alibaba Group Holding	China	Cons Discretionary	4.4%
TCS Group Holding	Russia	Financials	4.2%
ASOS PLC	UK	Cons Discretionary	3.8%
Lixil Group	Japan	Industrials	3.5%
Sberbank	Russia	Financials	3.1%
Planet Fitness Inc	US	Cons Discretionary	2.6%
Noah Holdings Ltd	China	Financials	2.5%

As at 31 March 2021. See note 5, page 4.
Source: Platinum Investment Management Limited.

We also re-acquired a position in Macau casino owner **Melco International**. While many solid pandemic-affected businesses are trading at or above pre-COVID levels, Macau visitation numbers continue to be in the doldrums and so do the stock prices of the affected casinos. Barring a dramatic revision to government policy or a severe outcome to upcoming concession renewals, the casino business in Macau should continue to be a lucrative one and we believe Melco is well-placed to benefit.

Outlook

The global economy is experiencing a robust, if somewhat uneven, rebound from the depths of the pandemic. As vaccines continue to be rolled out around the globe, we can expect a gradual return to more normal patterns of consumer behaviour. Further, it is reasonable to assume some pent-up demand may be unleashed in the areas of leisure and travel, as people take advantage of their rediscovered freedom of movement. Massive fiscal stimulus serves to reinforce this demand impulse, with the likely outcome being inflation in consumer goods and services at a level that has not been experienced for some time.

Markets, as usual, appear to have anticipated much of this, with beneficiaries having seen their stock prices rally strongly. We believe we may continue to benefit from this trend in portions of our portfolio, but see the greatest opportunity in stocks that are likely to do well in an environment of steepening interest rate curves, such as our holdings in the financials sector. The other attractive area to which we are heavily exposed is one overlooked amongst the excitement around first; fast-growing COVID winners, and second; reopening beneficiaries. These are the large digital platforms such as Tencent, Facebook, Alibaba and Alphabet, where reasonable valuations, powerful business models and solid growth prospects have been discounted due to fears around regulation. While regulation is indeed a risk, we see these stocks as having been over-penalised by the market relative to their prospects, with a dire outcome required to justify such a penalty. Supporting this view, after quarter end, the announcement of a record fine imposed on Alibaba for anti-competitive behaviour resulted in the stock jumping 9%, as the fine was less than half the potential maximum.

We continue to be wary of the level of valuation amongst very fast-growing and perceived 'high-quality' businesses and see opportunities in this area on the short side.

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. 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. "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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