Platinum International Brands Fund

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Portfolio Manager

Performance

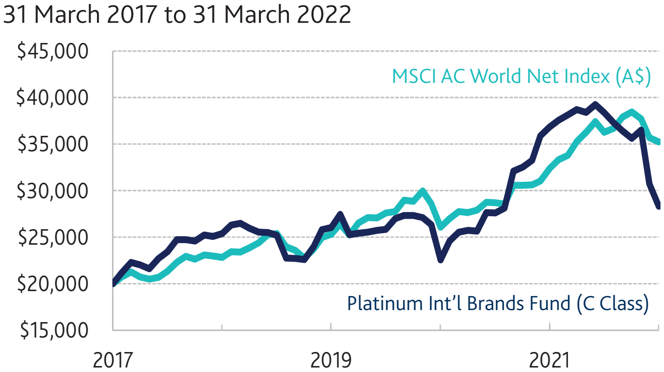
(compound p.a.+, to 31 March 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	-20%	-23%	3%	7%	11%
MSCI AC World Index^	-8%	9%	12%	12%	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 2017 to 31 March 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.

We experienced a particularly difficult period for performance in the March quarter, with the Fund (C Class) buffeted by multiple negative market currents that resulted in a decline of -20.5%.[1]

While the general market was also weak, Fund performance was particularly affected due to our sector and geographical positioning, which overrode the benefits of our low net market exposure and gains on our short positions (+1.6% contribution).

Rapidly increasing interest rates led market instability earlier in the quarter, but it was the Russian invasion of Ukraine and its consequences that was at the core of the Fund's losses – and not just in relation to our direct Russian exposure. The ramifications of the invasion echoed through global markets, particularly businesses directly exposed to Central and Eastern Europe, and those reliant on commodity inputs or supply chains disrupted by the conflict and the related sanctions and fears of further sanctions.

The Fund held a position of 6.1% in two Russian stocks immediately prior to the Russia-Ukraine invasion. These were in **TCS Group** (3.2%) and **Sberbank Russia** (2.9%). Our assessment was that these would prove attractive investments should an invasion not occur, or should there be a speedy resolution to a conflict with a stern but ultimately manageable Western response. We viewed these two scenarios together as more likely than what has in fact eventuated – a bloody and drawn out conflict with a severe Western response and financial market reaction.

We marked down the value of our holding in London-listed Russian financial super-app TCS Group to zero after the London Stock Exchange (LSE) suspended trading in Russian global depository receipts (GDRs) including TCS, the Moscow Stock Exchange was closed for an extended period, and a Russian presidential order barred foreigners from selling Russian assets. We also suffered a large loss on our position in Sberbank in the quarter, with the stock falling -75% to our exit point. We sold into the brief post-invasion relief rally on 25 February that was triggered by initial sanctions that were less stringent than the market had feared.

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.

We sold Sberbank while keeping TCS, as with the tide of Western opinion becoming clear, Sberbank as a state-owned enterprise (SOE), was, we felt, at much greater risk of further sanctions, including potentially forced divestment by Western investors at even lower prices. There was precedent for such action, with the US sanctioning of various state-owned Chinese companies in 2021. Following the discovery of alleged atrocities in Bucha, the US has announced a ban on all new investment in Russia, and the imposition of full blocking sanctions on Sberbank – freezing all of Sberbank's assets in the US financial system, and the prohibition of US persons from doing business with Sberbank. Conversely, TCS remains unsanctioned at this point

Other holdings with operations in Russia and/or Central and Eastern Europe were also disproportionately affected by the invasion. Such stocks included **Raiffeisen Bank International** (-50% over the quarter), Japanese brewer **Asahi Group** (-15% from its February highs) and online fashion retailer **ASOS** (-33% over the quarter). European stocks more generally were hit hard too, as were companies exposed to the dramatic increases in various commodity prices triggered by the war. For example, automaker **BMW** fell -21% from its January highs, jeweller **Pandora** fell -21% during the quarter and Japanese window and bathroom manufacturer **Lixil** dropped -25% on the prospect of increased commodity input costs.

The potential for China to align closely with Russia and itself become subject to aggressive Western sanctions caused a panic on the Hong Kong Stock Exchange, with many major companies registering huge moves downward, before partially recovering in equally as violent a manner. Super-app **Meituan** fell -55% from peak to trough during the quarter, before jumping 32% on 16 March following positive comments from the Vice-Premier around support for the markets and the regulatory environment for the large consumer internet businesses. Likewise, dominant e-commerce platform **Alibaba** fell -46% from peak to trough before rallying 57% from the lows through the end of the quarter, and travel platform **Trip.com** more than halved before rallying to finish the quarter only down -6%. Overall, our China exposure detracted -5.2% from Fund performance in the quarter, but these stocks have continued their rallies after quarter-end.

The Chinese digital platform stocks had already been under pressure as investors soured on consumer tech due to fears around regulatory action, growing competition and rising interest rates. These pressures were reflected more widely across our portfolio, with weak stock performance from food delivery operator **Just Eat Takeaway.com** (-36%), **Meta Platforms**, previously known as Facebook (-34%) and **ASOS** as mentioned above.

The list of stocks generating positive returns was short, but included small cap milk powder maker **Yashili** (+87%) after announcing a potential takeover by its parent company Mengniu at a significant premium. Game console maker **Nintendo** (+15%) rose as new games sold well and investors warmed to the idea of continued profitability driven by software sales, even as console sales fall. Vietnamese retailer **Mobile World Investment** (+7%) pleased investors with improvements in profitability at its fast-growing grocery chain.

Disposition of Assets

REGION	31 MAR 2022	31 DEC 2021	31 MAR 2021
Asia	43%	45%	27%
Europe	21%	23%	29%
Japan	17%	15%	5%
North America	10%	11%	25%
Other	0%	0%	0%
Cash	8%	5%	15%
Shorts	-15%	-21%	-13%

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

Net Sector Exposures

SECTOR	31 MAR 2022	31 DEC 2021	31 MAR 2021
Consumer Discretionary	49%	41%	34%
Consumer Staples	11%	12%	3%
Communication Services	11%	12%	19%
Industrials	3%	2%	4%
Financials	3%	7%	17%
Real Estate	1%	1%	1%
Other	0%	0%	-4%
Materials	0%	0%	-1%
Information Technology	-1%	0%	0%
TOTAL NET EXPOSURE	76%	74%	72%

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

Changes to the Portfolio

Readers may recall our discussion in the December 2021 quarterly report on the dramatic fall from grace of plant-based dairy-replacement brand-owner **Oatly**. At that time, Oatly had fallen more than 70% from its highs. We began to acquire a small initial position in March this year, by which time it had fallen a further 15%. The decline in the stock has continued but we see the risk/reward of a position as reasonably attractive at this point given the company's long growth runway as the plant-based category continues to expand, and Oat milk takes share from Almond and Soy due to its more favourable environmental characteristics, better taste, and frankly – Oatly's great marketing.

We also initiated a small position in European low-cost gym chain **Basic-Fit**, leveraging our knowledge of the space from our investment in Planet Fitness in the US. Basic-Fit is the dominant chain in a number of Western European markets, and just announced a further expansion into Germany where it will face an incumbent competitor that appears distracted by other ventures. As earnings likely recover from pandemic effects, and the gym rollout continues, we believe the market may reappraise the stock further.

We exited our holding in UK grocer **Tesco** (+26% from our first purchase in July 2021 to February 2022 exit point), as the stock had performed relatively well in a weak market and we saw better opportunities elsewhere. For similar reasons we substantially trimmed our holdings in Google owner **Alphabet** (+157% from our first entry point in May 2018), group fitness concept **F45** at prices between US$11.80 and US$14.81 (now US$10.70), and Chinese dairy company **China Mengniu** in the high HK$40s (now HK$43).

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Meta Platforms Inc	US	Comm Services	4.7%
Trip.com Group Ltd	China	Cons Discretionary	4.5%
Nien Made Enterprise Co	Taiwan	Cons Discretionary	4.3%
Alibaba Group Holding	China	Cons Discretionary	4.2%
Meituan Dianping	China	Cons Discretionary	4.2%
Tencent Holdings Ltd	China	Comm Services	3.7%
ASOS PLC	UK	Cons Discretionary	3.7%
Prosus NV	China	Cons Discretionary	3.5%
Fu Shou Yuan Intl	China	Cons Discretionary	3.5%
Asahi Group Holdings	Japan	Consumer Staples	3.5%

As at 31 March 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/pibf.

Outlook

With the war in Ukraine continuing and Omicron outbreaks spiking again, there is no shortage of issues for investors to contend with when surveying the investment road ahead. Volatility in interest rates and commodities appears likely to continue, while a portion of the human suffering evident in Ukraine may spill over into the Middle East and North Africa, where the populace, which is very reliant on Ukrainian and Russian wheat exports, is experiencing a dramatic spike in the cost of bread in an echo of the period leading up to the "Arab Spring".

Markets appear to be shrugging off these issues, with stocks rebounding from lows, and well-loved 'high-quality' consumer companies marching back toward their previous lofty valuation levels. We have assembled a portfolio of businesses with attractive growth profiles and reasonable valuations, many of which are suffering from temporary headwinds that should dissipate as we fully reopen from the pandemic. The underlying earnings growth of our portfolio should support stock prices as we move forward given the attractive valuation levels.

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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