Platinum International Brands Fund

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Portfolio Manager

Performance

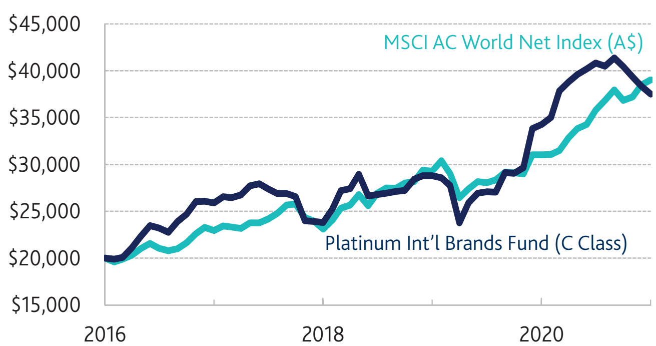
(compound p.a.+, to 31 December 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	-7%	9%	16%	13%	13%
MSCI AC World Index^	6%	26%	19%	14%	5%

+ 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 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 -7.2% for the quarter and 9.4% for the year.[1]

Our weak performance for the quarter was particularly disappointing in the context of positive global markets and a rotation out of lower-quality highly rated 'hot' consumer stocks, an area where we have tended to maintain a number of short positions. We were hurt by our low net exposure to the US (with that market up 9% over the quarter in AUD terms), our large China exposure (with that market down -7%),[2] as well as not holding strong-performing mega-caps such as Apple (+25%), Microsoft (+19%) and Procter & Gamble (+17%), as news of the Omicron COVID-19 variant drove a 'flight to safety' accompanied by falling interest rates.

Having staged a rally at the beginning of the quarter, our Chinese digital platform investments such as **Meituan** (-9%), **Alibaba** (-16%) and **Trip.com** (-20%) reversed their gains and continued their downtrends, driven by a combination of weak Chinese economic data and ongoing concerns around intensifying competition and regulatory interference. Likewise, baby products maker **Pigeon** declined -15% as Chinese birth rates likely continue to be affected by the pandemic.

Food delivery operator **Just Eat Takeaway** lost -26% as investors generally looked to exit unprofitable consumer tech stocks. Apparel e-commerce retailer **ASOS** fell a further -20% as disruptions to the global supply chain continued to hurt via increased costs and a weakened delivery proposition. Gym franchisor **F45 Training** fell -27% on disappointing profit numbers and investor fears around the impact of the spread of the Omicron COVID-19 variant on new openings and member recruitment.

We are happy to continue to hold these weaker performers, as we see solid market positions and positive long-term outlooks for the businesses. In many cases, we have added to our holdings on weakness and are likely to continue to do so.

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 MSCI USA Net Index (A$), MSCI China Net Index (A$) respectively. Source: FactSet Research Systems.

Our losses in the quarter were mitigated slightly by the performance of our short book, as we benefited from the downward re-rating of many of the 'hot' areas in the consumer sector. In several cases, rapid expected growth and improved profitability failed to materialise, as input cost increases and supply chain disruptions weighed on performance. These dynamics combined with extreme valuations drove severe downward moves in many stocks that were previous on-trend favourites, such as **Beyond Meat** (plant-based meat, -38%) and **Freshpet** (fresh-chilled pet food, -33%).

Regular readers may recall the discussion of plant-based milk brand Oatly in our June 2021 quarterly report, where we commented that the US$17 billion valuation of the company at that time, required "perfect execution for the next decade". Investors who held the stock from its June 2021 peak have experienced a greater than 70% loss as at 31 December, as sales and costs were hurt by supply chain disruptions and rising input costs, which in turn drove a negative multiplier effect on the stock price via a de-rating of the valuation metrics the market has applied.

Unfortunately, due to our admiration for the company's marketing and growth story, we did not have a short position. However, we mention the stock nonetheless as a highly pertinent example of the recent collapse of many of the consumer 'concept stocks' and the losses investors can experience when they pay too much, notwithstanding a great story and fast-growing sales (note that sales still grew 49% year-on-year in Oatly's third quarter despite the disruptions). Dreams of a rosy future drive stocks on the way up, while cash generation relative to a decreasing market capitalisation generally provides support on the way down. For stocks that do not generate cash, it can be a lengthy journey downwards.

On the long side, UK grocer **Tesco** rallied 15% as it gained market share and boosted capital returns, while **Raiffeisen Bank International** (+14%) benefited from strong economic conditions and rising interest rates in Eastern Europe, which overshadowed the negative headlines referring to Russia and Ukraine tensions later in the quarter. Low-cost gym franchisor **Planet Fitness** (+15%) eluded fears around the Omicron variant through its strong membership numbers and a perceived lessening of the threat posed by home fitness competitors such as Peloton, as the latter posted weak numbers. Chinese whitegoods maker **Haier Smart Home** (+8%) stood out from the generally weak performance of our Chinese exposures, as management commented on strong sales performance during the key "11.11 Global Shopping Festival" (the world's biggest 24-hour online sale)[3] and strength in its overseas markets.

Changes to the Portfolio

We took advantage of weakness in many of our key holdings during the quarter to add to our position sizes. Stocks in this category included **Alibaba**, **ASOS**, **F45 Training** and **Pigeon**. Likewise, we reduced stronger performers as their relative valuations became less attractive. Google owner **Alphabet** was the key stock in this category, but we also trimmed **Meituan**, **Alibaba** and **Tencent** following their rallies at the beginning of the quarter. **Planet Fitness** was also reduced following its strong results.

3 Source: https://coresight.com/singles-day-the-11-11-global-shopping-festival/

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
Asia	45%	42%	22%
Europe	23%	25%	33%
Japan	15%	13%	4%
North America	11%	12%	36%
Cash	5%	7%	5%
Shorts	-21%	-14%	-4%

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 DEC 2021	30 SEP 2021	31 DEC 2020
Consumer Discretionary	41%	41%	47%
Communication Services	12%	12%	17%
Consumer Staples	12%	15%	3%
Financials	7%	7%	18%
Industrials	2%	3%	3%
Real Estate	1%	1%	1%
Other	0%	0%	2%
TOTAL NET EXPOSURE	74%	78%	91%

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

One significant new holding during the quarter was the re-establishment of a position in Japanese video game console maker **Nintendo**. The stock has fallen on fears we have reached the peak of the cycle for its Switch console. While we acknowledge this is likely the case, we believe the market is failing to give enough weight to changes in the underlying business model that mean the cycle is likely to be extended compared with history, with better profitability experienced throughout due to growing digital penetration (cutting out the retailer middleman, while the game price stays the same) and greater software attach rates (i.e. additional high-margin sales).

Reflecting the extreme divergence in valuations present in the consumer sector as investors crowd toward high-quality favourites, near the end of the quarter we established a number of short positions in headily valued European quality/growth consumer stocks. There are many fine companies in this list, but current valuations allow no room for error in execution, cyclical downturn, or increases in the discount rate.

Outlook

With the rise of the likely less-severe Omicron variant, the end of the pandemic may be drawing near. However, the implications for stocks are very different if the path to that end is accompanied by further lockdowns and government largesse, rather than continued fiscal and monetary tightening, along with a temporary slowdown in activity as people voluntarily stay home to curb infection rates.

The primary theme in the portfolio is the transition to a digital world, with around 38% of our portfolio now comprised of digital platforms; more than half of that in China. These businesses have strong market positions and medium- to long-term growth outlooks, and are trading at attractive valuations, so are well positioned to bounce back from regulatory and supply chain-related setbacks.

The second high-level theme (with some overlap with the digital platforms) is a broad collection of well-positioned and attractively valued businesses that will likely benefit from an end to the pandemic and a return to economic normalcy – including the free flow of global trade. Around 45% of the Fund is exposed to this theme via businesses as diverse as Planet Fitness (return to gyms), Raiffeisen Bank (normalisation of monetary policy), BMW (resolution of component shortages) and Pigeon (normalisation of China's birth rates).

The downside for our portfolio is primarily our low or negative exposure to the potential for continued monetary and fiscal largesse, coupled with an ongoing interruption of activity by the pandemic for an extended period. This became particularly apparent in recent months as Fund performance was weak in a period where interest rates fell on wariness over the economy and the Omicron variant, despite strong inflation numbers and announcements by central banks of tightening/tapering measures.

Perhaps ironically, the incredibly rapid spread of Omicron may make this risk of less concern, with an end to the pandemic potentially in sight; an outcome we would expect to benefit the Fund.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alibaba Group Holding	China	Cons Discretionary	4.6%
Tencent Holdings Ltd	China	Comm Services	4.3%
Nien Made Enterprise Co	Taiwan	Cons Discretionary	4.3%
ASOS PLC	UK	Cons Discretionary	4.2%
Trip.com Group Ltd	China	Cons Discretionary	4.1%
Facebook Inc	US	Comm Services	4.1%
Lixil Group Corp	Japan	Industrials	3.8%
Prosus NV	China	Cons Discretionary	3.7%
Meituan	China	Cons Discretionary	3.7%
Melco Intl Development	Hong Kong	Cons Discretionary	3.5%

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

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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