

MONTHLY REPORT November 30, 2021

## FACTS

Portfolio value	\$8.18 bn
Fund commenced	30 April 1995
Minimum investment	A\$10,000 or NZ\$10,000
Regular Investment Plan (min.)	A/NZ\$5,000 plus A/NZ\$200 mth/qrt
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Unit prices C Class	App - 2.1115 Red - 2.1051
Unit prices P Class	App - 1.0007 Red - 0.9977

## PERFORMANCE<sup>1</sup>

	C Class %	P Class %	MSCI %
1 month	3.5	3.6	3.4
3 months	(2.2)	(2.1)	1.4
6 months	(3.2)	(3.1)	12.3
Calendar year to date	8.1	8.3	24.0
1 year	8.5	8.8	23.9
2 years (compound pa)	5.9	6.1	14.4
3 years (compound pa)	9.0	9.3	17.1
5 years (compound pa)	8.9		14.9
7 years (compound pa)	8.4		12.9
10 years (compound pa)	11.9		15.6
Since inception (compound pa)	11.8	7.0	7.8

## INVESTED POSITIONS<sup>3</sup>

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	46.1		46.1	43.0
Australia	3.1		3.1	3.3
China	20.2		20.2	21.1
Hong Kong	2.0		2.0	2.0
India	1.9		1.9	1.8
Japan	13.6		13.6	9.5
Kazakhstan	0.3		0.3	0.3
South Korea	4.8		4.8	4.8
Thailand	0.2		0.2	0.2
<b>Europe</b>	20.2	(0.3)	19.9	23.0
Austria	2.0		2.0	
Denmark	0.5		0.5	0.5
Finland	2.4		2.4	
France	3.1		3.1	
Germany	3.8	(0.3)	3.5	
Ireland	0.9		0.9	
Italy	1.4		1.4	
Netherlands	0.2		0.2	
Spain	0.6		0.6	
United Kingdom	5.2		5.2	5.8
Euro				16.7
<b>North America</b>	20.6	(22.7)	(2.0)	32.1
Canada	1.9		1.9	3.2
United States of America	18.7	(22.7)	(3.9)	28.8
<b>Other</b>	1.9		1.9	1.9
<b>Sub-Total</b>	88.8	(23.0)	65.8	100.0
<b>Cash</b>	11.2	23.0	34.2	
<b>Total</b>	100.0		100.0	100.0

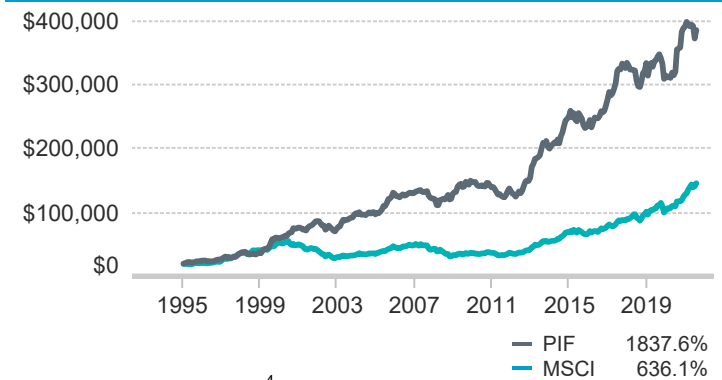
Long - 126 stocks, 2 swaps Short - 21 swaps, 3 indices

## FEES

Entry fee	Nil
Buy/sell spread	0.15%/0.15%
C Class	Investment management 1.35% p.a. Investment performance N/A
P Class	Investment management 1.10% p.a. Investment performance 15.00% p.a.*

\* of the amount by which the Fund's return exceeds its index return

## PERFORMANCE GRAPH<sup>2</sup>



## TOP TEN POSITIONS<sup>4</sup>

STOCK	COUNTRY	INDUSTRY	%
Minebea Co Ltd	Japan	Industrials	3.4
ZTO Express Cayman Inc	China	Industrials	3.4
Microchip Technology Inc	United States	Info Technology	3.3
Samsung Electronics Co	South Korea	Info Technology	2.9
Micron Technology Inc	United States	Info Technology	2.9
Tencent Holdings Ltd	China	Comm Services	2.7
Glencore PLC	Australia	Materials	2.6
Ping An Insurance Group	China	Financials	2.5
Weichai Power Co Ltd	China	Industrials	2.4
UPM-Kymmene OYJ	Finland	Materials	2.4
<b>Total</b>			28.6

## INDUSTRY BREAKDOWN<sup>3</sup>

SECTOR	LONG %	SHORT %	NET %
Industrials	19.4	(0.1)	19.3
Financials	14.6		14.6
Materials	13.6		13.6
Consumer Discretionary	12.2	(1.5)	10.6
Information Technology	13.2	(4.1)	9.1
Communication Services	5.3	(0.1)	5.2
Health Care	5.9	(1.5)	4.4
Real Estate	3.1		3.1
Consumer Staples	0.8		0.8
Energy	0.7		0.7
Other		(15.6)	(15.6)

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1. & 2. Source: Platinum for Fund returns and Factset Research Systems for MSCI returns. Investment returns are calculated using the Fund's NAV unit price (i.e. exclude a buy/sell spread) for C Class and P Class (as indicated), and represent the combined income and capital returns for each of these unit classes in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Returns for P Class are net of any accrued investment performance fee. The returns are calculated relative to the MSCI All Country World Net Index in A\$ (the gross MSCI Index was used prior to 31/12/98). Since inception date for C Class is 30/04/95 and for P Class is 03/07/17. Since inception date of C Class has been used for the purposes of calculating since inception returns of the index. The investment returns depicted in the graph are cumulative on A\$20,000 invested in C Class units in the Fund since the C Class inception date. **Past performance is not a reliable indicator of future returns.** Platinum does not invest by reference to the weightings of the index. The index is provided as a reference only.

3. The "Long %" is the exposure to long securities and long securities/index derivative positions, the "Short %" is the exposure to short securities and short securities/index derivative positions and the "Net %" is the exposure to long and short securities and long and short securities/index derivative positions, each as a percentage of the market value of the Fund's portfolio. The "Currency %" is the effective currency exposure as a percentage of the market value of the Fund's portfolio taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. For the "Industry breakdown", 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".

3. and 4. Country classifications for securities reflect Bloomberg's "country of risk" designations, and currency classifications for securities reflect the relevant local currencies of our country classifications.

4. The "Top ten positions" show the Fund's top ten long securities positions as a percentage of the market value of the Fund's portfolio (including long securities and long securities derivative positions).

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## MARKET UPDATE AND COMMENTARY

- Weak Australian dollar turned a soft month in equity markets into a strong month for the Fund.
- 2021 year-to-date returns are broadly consistent with the Fund's long-term returns (i.e. 5-7 years).
- Divergence in markets is extreme and speculative elements should be cause for alarm.

### Market Commentary

It is hard not to sound like a broken record, observing the craziness in markets – negative-yielding bonds, the value ascribed to unprofitable technology companies, the prevalence of special purpose acquisition companies “SPACs” (yesteryear’s “cash boxes”) and frenzies in cryptocurrencies and meme stocks. Experience tells us this will not end well, but the timing of the day of reckoning is uncertain.

However, while this has unfolded, we have been presented with opportunities to build a portfolio of solid reasonably priced businesses exposed to all the major themes of the world’s economic growth such as automation, travel and decarbonisation, while our holdings in semiconductors provide exposure to 5G, internet of things, cloud computing and other areas we feel people are over-paying to access directly.

The market is debating whether inflation will be transitory or longer lasting. Our portfolio would likely benefit from the latter, as the crowd’s positioning seems skewed to the former. A combination of looking for the ‘unloved’ and an assessment of the data, showing upward pressure in wages and rents, which tend to be sticky, lead us to feel comfortable with our positioning.

However, the longer we go without a meaningful correction, the more we are concerned about the risks of one occurring, and as such, the trend in the portfolio has been to increase the level of protection via short positions and cash.

### Performance Analysis

Last month we explored in detail the journey of the portfolio since the November 2020 – February 2021 rally had fizzled out. Now, as we approach year end, we break down the returns for 2021, with one month to go. At this point, the portfolio’s return of 8% for the calendar year to 30 November is broadly consistent with the Fund’s long-term returns (i.e. 5-7 years).

The long part of the portfolio contributed 11% - with an average weighting of 89%. This means the average stock returned almost 13% (aided by the translation into a weaker Australian dollar). This is in line with the returns of world markets outside of the US, as measured by the MSCI AC World ex US (Source: FactSet).

The main contributors to the returns were four sectors – Industrials, Materials, Financials and Information Technology (IT). Given that the bulk of our IT exposure is in the semiconductor sector, these are primarily cyclical exposures which are driving the portfolio. This is consistent with comments above and our ongoing commentary about the divergence in markets, leading us to these sectors.

Among these sectors the leading stock contributors this calendar year have included:

- **Industrials:** Japanese bearings maker, MinebeaMitsumi and US industrial conglomerate, GE
- **Materials:** Miners, Glencore and Freeport McMoRan, and US buildings materials company, Louisiana-Pacific
- **IT:** US semiconductor companies, Microchip and Micron
- **Financials:** US online car finance company, Ally Financial and Eastern European bank, Raiffeisen Bank International.

For all the ructions in the Chinese market, as further reform measures concerned investors, the impact of our Chinese holdings was less than 1%, and as highlighted last month, our exposure to China since around 2014 has been very lucrative. We increased our Chinese position during the sell-off, re-introducing Tencent and Alibaba, which we had sold previously in light of them becoming too popular.

On the risk management side, short-selling losses were partially offset by small currency gains, for an aggregate cost of just over 1%. The biggest impact was an effort to protect the portfolio by shorting the very expensive Nasdaq index.

### Valuation

The portfolio’s aggregate valuation metrics, for what it’s worth, are attractive in both an absolute sense and relative to the market, with a 42% higher starting earnings yield and a 39% discount on an asset basis (see table below).

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	7.8% (Price-to-Earnings ratio of 13x)	5.5% (Price-to-Earnings ratio of 18x)
NTM Dividend Yield	2.4%	2.5%
Price-to-Book Ratio	1.7x	2.8x
Enterprise Value-to-Sales	1.3x	2.1x

The valuations in the table in respect of the Fund have been calculated by Platinum and refer to the long portion of the portfolio, exclude negative net earnings and use FactSet consensus earnings. As at 30 November 2021.