

FACTS

Portfolio value	\$8.25 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 - 2.1511 Red - 2.1446
Unit prices P Class	App - 1.0197 Red - 1.0166

PERFORMANCE¹

	C Class %	P Class %	MSCI %
1 month	1.9	1.9	1.4
3 months	0.2	0.3	6.0
6 months	(0.5)	(0.4)	9.0
Calendar year to date	10.1	10.4	25.8
1 year	10.1	10.4	25.8
2 years (compound pa)	6.3	6.5	15.4
3 years (compound pa)	9.8	10.1	19.1
5 years (compound pa)	8.7		14.3
7 years (compound pa)	8.2		12.8
10 years (compound pa)	12.2		15.8
Since inception (compound pa)	11.8	7.3	7.8

INVESTED POSITIONS³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	45.6		45.6	42.5
Australia	3.5		3.5	3.6
China	19.4		19.4	20.3
Hong Kong	1.8		1.8	1.8
India	2.1		2.1	2.1
Japan	13.6		13.6	9.6
Kazakhstan	0.2		0.2	0.2
South Korea	4.8		4.8	4.8
Thailand	0.2		0.2	0.2
Europe	21.0	(0.9)	20.2	23.9
Austria	1.7		1.7	
Belgium	0.1		0.1	
Denmark	0.5		0.5	0.5
Finland	2.5		2.5	
France	3.0	(0.4)	2.5	
Germany	3.9	(0.2)	3.7	
Ireland	0.9		0.9	
Italy	1.4		1.4	
Netherlands	0.2		0.2	
Spain	0.6		0.6	
Switzerland		(0.2)	(0.2)	
United Kingdom	6.1		6.1	6.2
Euro				17.1
North America	20.9	(21.8)	(0.9)	31.6
Canada	1.6		1.6	2.9
United States of America	19.3	(21.8)	(2.5)	28.7
Other	2.0		2.0	2.0
Sub-Total	89.5	(22.7)	66.8	100.0
Cash	10.5	22.7	33.2	
Total	100.0		100.0	100.0

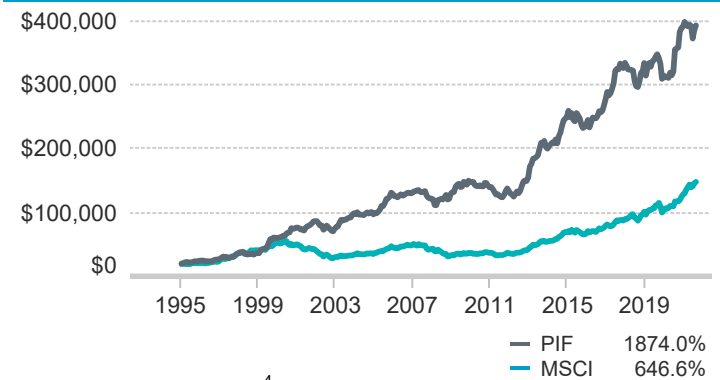
Long - 127 stocks, 2 swaps, 1 option Short - 24 swaps, 2 indices

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 GRAPH²



TOP TEN POSITIONS⁴

STOCK	COUNTRY	INDUSTRY	%
Minebea Co Ltd	Japan	Industrials	3.6
Microchip Technology Inc	United States	Info Technology	3.3
Micron Technology Inc	United States	Info Technology	3.1
Samsung Electronics Co	South Korea	Info Technology	3.1
ZTO Express Cayman Inc	China	Industrials	2.9
Glencore PLC	Australia	Materials	2.7
Tencent Holdings Ltd	China	Comm Services	2.6
Ping An Insurance Group	China	Financials	2.5
UPM-Kymmene OYJ	Finland	Materials	2.5
Weichai Power Co Ltd	China	Industrials	2.4
Total			28.9

INDUSTRY BREAKDOWN³

SECTOR	LONG %	SHORT %	NET %
Industrials	19.6	(0.1)	19.5
Financials	15.2		15.2
Materials	13.7	(0.1)	13.6
Information Technology	13.8	(2.1)	11.7
Consumer Discretionary	12.0	(1.9)	10.1
Health Care	5.4	(0.3)	5.1
Communication Services	5.1	(0.2)	5.0
Real Estate	3.1		3.1
Consumer Staples	0.9		0.9
Energy	0.6		0.6
Other		(18.0)	(18.0)

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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

- Market bifurcation is extreme, creating opportunities to add value on the long and short side.
- 2021 returns were consistent with long-term expectations and efforts to avoid permanent impairment of capital.
- Quarterly report (to be released on 14 January) provides more detail on the macro backdrop and portfolio positioning.

Market Commentary

The monthly evolution of the market narrative is slow. We continue to highlight a valuation chasm between speculative stocks and everything else, that reminds us of 1999/2000. For 18 months or so, we have talked about the risks of inflation and it feels like there is now more acceptance of this view. We have held the line on our view that Chinese reform is a continuation of a decade-long process where the government acts and then has a tendency to relax a little – this is happening in property currently – creating entry points.

The key thing to watch is the booming US labour market, which will indicate if we are on the cusp of a stickier period of rising prices – rising wages, skills shortages and strikes are starting to point the bond market to higher rates more imminently than previously thought. This would not be good for the more speculative stocks – which have seen some crazy events in the last couple of years.

The “market” as referred to via conventional indices, is increasingly dominated by a small group of six large US companies – Alphabet (was Google), Amazon, Apple, Meta Platforms (was Facebook), Microsoft and Tesla. Last year, this group, which trades on an average P/E of about 36x (almost triple that of our portfolio) returned an average of 41%/47% (in US\$/A\$) and now has a combined market capitalisation of US\$11.5 trillion – more than any stock market outside the US, including Shanghai, Tokyo or London (as at 31 December 2021). Three of these companies – Apple, Microsoft and Alphabet were each individually worth more than all listed Australian businesses combined (Source: FactSet).

These companies mask the weaker performance of stocks in general – markets outside the US offered only 8%/14% (in US\$/A\$) in 2021 (Source: FactSet). Successive waves of higher interest rates have shown up weaknesses in valuation arguments in hotter areas; we expect this to continue in 2022. With this in mind, we continue to take a dynamic approach to opportunities to short-sell, an element of the strategy that tends to contribute most in major sell-offs. The long portfolio’s key themes include decarbonisation, travel, semiconductors and Chinese growth.

Performance Analysis

The portfolio returned 10% in 2021. This was predominantly driven by the Fund’s cyclical exposures, particularly when one considers that the technology exposures are generally semiconductor companies. For all the perceived challenges in China, the Fund’s exposure to that market cost only 1% over the year; China has made a phenomenal contribution to returns since we made it the largest country exposure in 2014. The net impact of risk management - short-selling and actively managed currency positions - was a cost of 1%. Notably this was dominated by attempts to protect the portfolio using the highly valued Nasdaq index. Individual company shorts and FX both added value.

The top 10 contributors to the Fund over the year added 9% combined and could all be described as cyclical, including miners (Glencore, Freeport-McMoRan), financials (Ally Financial, Raiffeisen Bank), semiconductors (Micron, Microchip), Japanese industrials (Lixil, MinebeaMitsumi) and US industrials (General Electric, Louisiana-Pacific).

Valuation

The portfolio’s aggregate valuation metrics 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). Analyst forecasts suggest the portfolio has marginally higher growth prospects over the next two years than the broader market.

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 31 December 2021.

With the concentration of interest in the six big companies mentioned previously (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Tesla) and ultra-low bond yields, broader context comes from comparing this to two years ago, recalling that by the end of January 2020, we were dealing with a virus outbreak in China. At that time, we were concerned about the level of speculation in high-growth areas. The earnings yield of the portfolio has declined by far less than any of the alternatives listed below over this period.

Asset	NTM Earnings Yield (31.12.19)	NTM Earnings Yield (31.12.21)	Reduction in Earnings Yield
Platinum International Fund	8.0%	7.8%	3%
MSCI AC World Index	6.1%	5.5%	10%
“Big 6” average	3.3%	2.8%	15%
US 10-year bond	1.9%	1.5%	21%

Source: FactSet