

Platinum International Fund



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Performance

(compound p.a.⁺, to 31 March 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	-11%	-4%	5%	5%	12%
MSCI AC World Index [^]	-10%	3%	9%	8%	7%

⁺ Excluding quarterly returns.

* C Class – standard fee option. Inception date: 30 April 1995.

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.

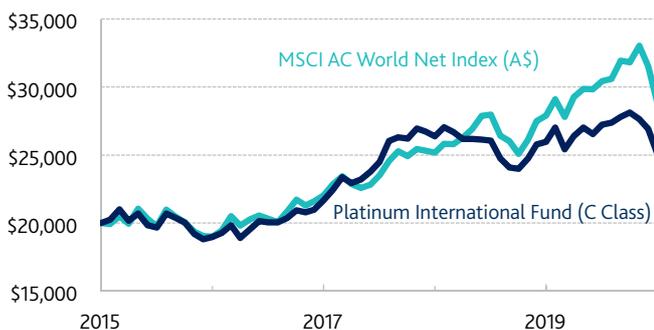
Source: Platinum Investment Management Limited, FactSet.

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 2015 to 31 March 2020



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.

See notes 1 & 2, page 4.

While the spread of the coronavirus pandemic across the globe and its impact on markets dominated the second half of the March quarter, what has now been long forgotten is the manner in which markets started 2020 versus the last six weeks of the quarter. The performance of the Fund within these two periods is worth noting, as it reflects the positioning of the portfolio both coming into the New Year and throughout the quarter.

1 January 2020 to 20 February 2020

In the first eight weeks of the New Year through to the peak on 20 February, markets forged ahead with the global index¹ rising 8.4% in Australian dollar (AUD) terms in this short period of time. The market's performance during this time was once again the result of 'growth' stocks being propelled to ever-more extravagant valuations. At the start of the period, the net invested position of the portfolio was 84%. As has been discussed in past reports, over the last two years as investors faced ever-lower interest rates, they found themselves forced into equity markets to seek returns at a time of great uncertainty (China's slowdown, trade war, Brexit). As a result, investors sought investments that are immune to these concerns and focused on high-growth stocks and defensive businesses, driving their valuations even higher, while avoiding stocks that face any degree of uncertainty. As you may know, our view is that the best long-term returns can be found in those areas that others are avoiding. As such, we have migrated the portfolio away from growth stocks towards areas that have been impacted by China's slowdown and the trade war, such as domestically focused Chinese businesses and semiconductors.

As a result of this positioning, the Fund continued to lag the performance of the broader market in the final weeks of the market's rapid ascent. In our market update on 29 January², we explained that in response to the outbreak of the coronavirus disease (COVID-19) in Wuhan and the lockdown of the city, we reduced the net invested position of the portfolio by selling or trimming our strongest performing holdings and adding to short positions. This acted as a further

¹ MSCI AC World Index. All index and market returns in this Platinum International Fund report are in AUD terms and sourced from FactSet, unless otherwise specified.

² <https://www.platinum.com.au/Insights-Tools/The-Journal/Update-re-coronavirus>

drag on performance in the run up to market's peak. The performance of the Fund (C Class) in the first eight weeks of the year to 20 February was 1.5%.³

21 February 2020 to 31 March 2020

As the gravity of the economic impact of COVID-19 and the lockdowns started to be better understood, markets subsequently collapsed 17% in the remaining weeks of the quarter. As markets fell away, the Fund's lower net invested position (which through this period varied between 85% and 55%) helped reduce the downside in performance. In these last weeks of the quarter from 21 February to 31 March, the Fund fell 12.3%, outperforming the market over this period.

1 January 2020 to 31 March 2020

The net result of both periods was a return of -11.0% for the Fund for the quarter relative to -9.7% for the broad market. For Australian investors, the impact of the falls in global markets were substantially reduced due to the 9% fall in the value of the AUD against the world's major currencies.⁴ Within the Fund, there were wide variations of performance within the portfolio. Interestingly, our China portfolio, while still registering a decline, far outperformed the MSCI AC World Index (returning -3.7% in AUD terms). This can probably be attributed to the fact that China has been in a prolonged bear market and that as a result of a rapid lockdown of Wuhan, may end up having less economic damage than the rest of the world. On the other side of the ledger, our energy-related investments performed poorly, reflecting a sharp fall in oil prices. Excess supply concerns, due to a price war between Saudi Arabia and Russia over a disagreement on production cuts, together with weak demand due to the impact of coronavirus on economic growth, saw oil prices plummet 67% to an 18-year low of US\$20.10 over the quarter.⁵

While equity markets may have found their lows, as we discuss in our Macro Overview, our view is that markets are likely to return to their recent lows and potentially fall further. Either way, we remain in the early days of this economic crisis. At this point, it is important to remember that for investors to attain good long-term performance from equity markets, one must not only avoid the downside from the crises that we live through, but also take advantage of the opportunities they present. In this context, it is important to consider the changes made to the portfolio at the individual stock level, as outlined below.

³ References to returns and performance contributions (excluding individual stock returns) in this Platinum International Fund report are in AUD terms. Individual stock returns are quoted in local currency terms.

⁴ Trade Weighted Index. Source: FactSet.

⁵ Crude Oil WTI, US\$. Source: FactSet.

Changes to the Portfolio

The portfolio's net invested position was reduced over the quarter from 84% to 60%. Cash holdings were increased from 7% to 16%, and short positions were increased from 9% to 24%. Of these short positions, 10% were held in index futures and the balance across a broad range of individual stocks.

This broad outline misses more significant changes that occurred within the portfolio to take advantage of the collapse in stock prices of so many companies. In aggregate, over the quarter 19% of our holdings were sold out or reduced, predominantly ones that had performed well for the Fund. These included exiting the positions in **Meituan Dianping** (China, food delivery), **ICICI** (Indian bank) and **Kweichow Moutai** (China, White Spirits) and trimming positions in **Yanghe Brewery**, **Samsung Electronics**,

Disposition of Assets

REGION	31 MAR 2020	31 DEC 2019	31 MAR 2019
Asia	29%	34%	36%
North America	27%	28%	22%
Europe	15%	17%	18%
Japan	12%	13%	7%
South America	0%	1%	0%
Cash	16%	7%	16%
Shorts	-24%	-9%	-10%

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

Net Sector Exposures

SECTOR	31 MAR 2020	31 DEC 2019	31 MAR 2019
Information Technology	13%	14%	8%
Industrials	12%	13%	10%
Financials	11%	16%	16%
Health Care	9%	7%	2%
Communication Services	8%	12%	14%
Consumer Discretionary	8%	5%	5%
Materials	6%	10%	10%
Real Estate	2%	3%	3%
Energy	2%	5%	6%
Utilities	0%	0%	0%
Consumer Staples	-3%	0%	1%
Other*	-10%	0%	-2%
TOTAL NET EXPOSURE	60%	84%	73%

* Includes index shorts and other positions.

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

Micron, Intel, Facebook, Alphabet, Tencent, Ping An Insurance and Bharti Airtel. Over 5% of the Fund was then invested in new holdings, with a focus on biotech, healthcare, and travel-related businesses. An additional 5% was invested in existing holdings that had fallen heavily, including companies such as Samsung Electronics and Micron that had previously been trimmed. The investment team is uncovering numerous new acquisition ideas and conducting reviews of existing positions in light of changed circumstances. We expect to deploy additional funds into both new and existing ideas in the weeks ahead.

We also made significant changes to the Fund's currency position. When the AUD plunged below 60 US cents, we hedged 10% of the Fund back into our local currency. Like all countries, Australia is facing challenges due to the collapse of service industries, but our close economic alignment with China is likely to be beneficial once again as we move into the recovery phase. Further, we increased our exposure to the euro from 9% to 19%, as the quantum of the stimulus measures in the United States are likely to place downward pressure on the US dollar. We also reduced our Chinese yuan (CNH) hedge by 6% as the country slowly navigates its way out of the lockdowns. The goal of these moves is to diversify the currency exposure away from the US economy, which is currently struggling to put in place a coherent response to the health crisis.

Outlook

Our short-term view is that markets are likely to return to the lows of March and possibly fall further as markets continue to grapple with the economic fall-out of the coronavirus pandemic. This view is clearly reflected in the net invested position of the portfolio at the end of the quarter. However, please note that as new information comes to light each day, this view and position can change quickly.

Our medium- to long-term view is dictated by the value that we see in the market and what we have in the portfolio. We are finding significant opportunities to add to both new and existing ideas as discussed above and as such, are of the view that good returns can be earned over the next three to five years. One note of caution though, many market favourites of recent years have not seen the valuation adjustments we would expect given the increasingly uncertain environment.

Net Currency Exposures

CURRENCY	31 MAR 2020	31 DEC 2019	31 MAR 2019
US dollar (USD)	27%	45%	42%
Japanese yen (JPY)	22%	19%	15%
Euro (EUR)	19%	9%	11%
Hong Kong dollar (HKD)	11%	13%	14%
Australian dollar (AUD)	10%	0%	0%
Korean won (KRW)	6%	6%	5%
Chinese yuan (CNY)	4%	6%	8%
British pound (GBP)	3%	4%	4%
Indian rupee (INR)	2%	4%	6%
Canadian dollar (CAD)	2%	3%	3%
Swiss franc (CHF)	2%	1%	2%
Norwegian krone (NOK)	1%	1%	3%
Thai baht (THB)	0%	0%	1%
Danish krone (DKK)	0%	1%	1%
Brazilian real (BRL)	0%	1%	0%
Chinese yuan offshore (CNH)	-9%	-15%	-15%

See note 5, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co Ltd	Korea	Info Technology	3.8%
ZTO Express Inc ADR	China	Industrials	3.3%
Ping An Insurance	China	Financials	2.9%
Alphabet Inc	US	Comm Services	2.8%
Facebook Inc	US	Comm Services	2.6%
Micron Technology	US	Info Technology	2.4%
Skyworks Solutions	US	Info Technology	2.4%
Takeda Pharma Co	Japan	Health Care	2.3%
China Overseas Land & Inv	China	Real Estate	2.2%
Sanofi SA	France	Health Care	2.2%

As at 31 March 2020. See note 6, 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/pif>.

Notes

1. Fund returns are calculated using the net asset value (NAV) unit price (which does not include the buy/sell spread) of the stated unit class of the Fund and represent the combined income and capital returns of the stated unit class over the specified period. Fund returns are net of fees and costs, are pre-tax, and assume the reinvestment of distributions. The MSCI Index returns are in Australian Dollars and are inclusive of net official dividends, but do not reflect fees or expenses. MSCI index returns are sourced from FactSet.
Platinum does not invest by reference to the weightings of the Index. The Fund's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, the Fund's holdings may vary considerably to the make-up of the Index that is used as its reference benchmark. Index returns are provided as a reference only.
The investment returns shown are historical and no warranty can be 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 this 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 net MSCI Index in Australian Dollars.
3. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents, as a percentage of the market value of the Fund's positions, the Fund's effective exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices. "Shorts" relates to the effective exposures to short securities and short securities/index derivative positions.
4. The table shows, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant sectors through direct securities holdings as well as both long and short derivatives of stocks and indices.
5. The table shows the effective net currency exposures of the Fund's portfolio as a percentage of the Fund's net asset value, taking into account the Fund's currency exposures through securities holdings, cash, forwards, and derivatives. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.
6. The table shows the Fund's top 10 long equity positions as a percentage of the Fund's net asset value, taking into account direct securities holdings and long stock derivatives. The designation "China" in the "Country" column means that the company's business is predominantly based in mainland China, regardless of whether the company's securities are listed on exchanges within mainland China or on exchanges outside of mainland China.

Disclaimers

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