

Platinum International Fund



Andrew Clifford
Portfolio Manager*



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Portfolio Manager*

Performance

(compound p.a.⁺, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	9%	26%	6%	11%	12%
MSCI AC World Index [^]	6%	24%	12%	13%	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.

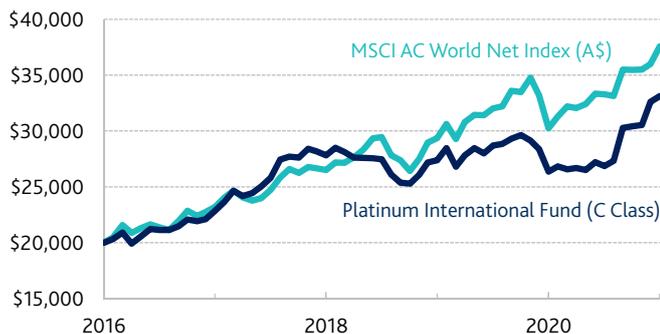
Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance.

See note 1, page 5. Numerical figures have been subject to rounding.

Value of \$20,000 Invested Over Five Years

31 March 2016 to 31 March 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 5.

The Fund (C Class) returned 8.9% for the quarter and 25.6% for the last 12 months.¹

As discussed in our December 2020 quarterly report,² the announcement of successful COVID-19 vaccine trials and the commencement of vaccine programs, together with the election of President Biden in the US, provided a clear pathway to economic recovery and improving business and investor confidence. The result of these events saw markets perform strongly into the end of 2020, with a focus on companies that would benefit from the ongoing recovery.

During the past quarter, while there have been disappointments with the rollout of vaccine programs in some countries, most notably within Europe, countries such as the US and UK have demonstrated that large portions of the population can be vaccinated within relatively short periods of time. At the beginning of April, 32% of the US population and 46% of the UK population, had at least received their first dose of the vaccine.³ Evidence that we are transitioning to a post-COVID era over the course of 2021 has further strengthened investor confidence in the ongoing recovery. This was given an additional boost with the passing of a US\$1.9 trillion fiscal package in the US, which was enabled by Democrats winning both seats in the Georgia Senate run-off elections, providing them with effective control of both houses of Congress.

The result was a continuation of the strong rally in the share prices of companies that are expected to benefit from the ongoing global economic recovery. Similar to last quarter, there was strong performance across the portfolio, with many of our investments poised to benefit from the recovery.

¹ References to returns and performance contributions (excluding individual stock returns) in this Platinum International Fund report are in AUD terms, unless otherwise specified. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

² https://www.platinum.com.au/PlatinumSite/media/Reports/pifqtr_1220.pdf

³ Source: <https://ourworldindata.org/covid-vaccinations#what-share-of-the-population-has-received-at-least-one-dose-of-the-covid-19-vaccine> as at 3 April 2021.

* Effective from 1 April 2021, Nik Dvornak will join Andrew Clifford and Clay Smolinski as co-manager for the Fund. Nik joined Platinum in 2006 as an analyst in the financials and services sector and is also co-manager for the Platinum European Fund.

A leading contributor to the Fund's performance was **MinebeaMitsumi** (up 38% over the quarter), a producer of industrial components that will benefit from the recovery in autos, mobile phones and manufacturing activity in general. Financial stocks generally performed better, buoyed by the prospect of higher interest rates, with **Ally Financial** (up 27%), a US online bank and auto lender, performing well. Our semiconductor stocks featured amongst our top contributors again with **Micron** (up 17%), a manufacturer of memory chips, having another strong quarter. **General Electric** (up 22%) continued to perform well as prospects for air travel further improved, which will result in a recovery in the spares and maintenance earnings stream of their aerospace division. **Weichai Power** (up 23%), a Chinese producer of heavy-duty diesel engines for trucks, performed strongly, as investors embraced the company for its strong potential in fuel cell-powered drive trains for heavy vehicles. Short positions in aggregate provided a small contribution to performance.

There were a limited number of detractors from performance. The most notable was **Barrick Gold** (down 13%), continuing to sell-off in line with the gold price, which has fallen out of favour as investors' confidence in the recovery continues to build. **Midea** (down 16%) weakened in line with Chinese consumer discretionary-related stocks, which faded after a strong January amid concern regarding Chinese tightening.

Changes to the Portfolio

The Fund's net invested position fell from 87% to 67% over the quarter, as we significantly increased our short positions from 7% to 22% and cash was increased from 5% to 11%.⁴ In addition, all the Fund's currency hedges were removed, with the main impact being an increase in exposure to the US dollar from 17% to 29%, while reducing exposure to the Euro from 25% to 17%. Our decision to add more US dollars to the portfolio was premised on the likelihood that the US will be the epicentre of a strong global rebound this year, as outlined in our Macro Overview.

The Fund has seen very strong performance across a wide range of holdings and as a result, we have been actively selling down positions across the portfolio. In our travel-recovery plays, **Booking Holdings**, **Amadeus** and **General Electric** were trimmed. Within the semiconductor sector, our holdings in **Samsung Electronics**, **Micron**, **Microchip** and **Skyworks** were reduced.

⁴ Numbers have been subject to rounding.

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
Asia	27%	30%	29%
North America	26%	28%	26%
Europe	18%	19%	14%
Japan	13%	12%	12%
Australia	3%	4%	2%
Other	1%	2%	1%
Cash	11%	5%	16%
Shorts	-22%	-7%	-24%

See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Industrials	21%	21%	12%
Materials	18%	17%	6%
Financials	15%	14%	11%
Information Technology	9%	17%	13%
Consumer Discretionary	9%	11%	8%
Real Estate	3%	2%	2%
Health Care	3%	6%	9%
Communication Services	2%	4%	8%
Energy	1%	2%	2%
Utilities	0%	0%	0%
Consumer Staples	-1%	-1%	-3%
Other	-11%	-6%	-10%
TOTAL NET EXPOSURE	67%	87%	60%

See note 4, page 5. 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/pif>.

Amongst our copper miners, which had rallied strongly in response to a higher copper price during the quarter, we trimmed our positions in **Freeport-McMoRan** and **First Quantum Minerals**. We are of the view that while these companies, which are still held in the portfolio, remain at attractive valuations, they do not represent the extraordinary value that they did in mid-2020.

New positions in the Fund included **China Vanke**, one of China's leading residential property developers. The Chinese Government continues to regulate this sector heavily, with the goal of limiting rises in residential property prices. Recent rule changes that strictly limit the use of debt by property developers, place larger well-capitalised players like Vanke at an advantage in securing land banks for future projects. Generally, the sector is out of favour with investors, as this is the latest measure in a long line of regulations that China has enacted over the last decade to limit price appreciation of residential apartments. Even in this environment, developers such as China Vanke and another holding in the Fund, **China Overseas Land & Investment**, have managed to run highly profitable and growing businesses, that today, are available at single-digit price-to-earnings multiples.

Otherwise, additional funds were put to work across a number of existing holdings. We added to our European financials **Banco Santander** and **Intesa Sanpaolo** (banks) and **Beazley** (insurance). We continue to accumulate a position in US building materials manufacturer **Louisiana-Pacific** and Finnish-based pulp and specialty paper and wood products company **UPM-Kymmene Oyj**. The investment case for both of these companies was outlined in our December 2020 quarterly report.

On the short side of the portfolio, the increase in short positions was via an increase in Nasdaq 100 index shorts and positions that specifically targeted groups of stocks caught up in the speculative mania in growth companies. The booming exchange-traded fund (ETF) industry has become adept at creating ETFs that track the popular investment themes of the moment, and by doing so, create ideal portfolios of stocks to short that are far more targeted than traditional mainstream indices. We have used these ETF baskets to short software, renewable energy and biotech stocks that are trading at exorbitant valuations. Additionally, we have added a number of specific stock shorts with similarly high valuations.

Outlook

The global economy looks set to continue its strong rebound from the COVID-induced recession of 2020. The continuation of the reopening of economies as vaccination programs proceed across the globe, together with significant ongoing government spending, underpin what should be a very strong recovery in 2021. A combination of better employment prospects and the move toward a post-COVID era is likely to result in improving consumer confidence. This has the potential to release significant household savings that were accrued across the world in 2020, as consumers held onto significant portions of government payments that they received. This should be an environment that is conducive to strong profit growth, particularly for economically sensitive businesses.

However, our optimism is tempered with a degree of caution. There remain many risks to our scenario for economic growth and the markets. We will end this recovery period in two to three years' time with significant government debt and ongoing fiscal deficits. Governments will either need to continue to print money or raise taxes, neither are likely to be good outcomes for markets. Indeed, it would not be surprising to see markets steadily incorporate such scenarios into valuations well ahead of time. There is significant indebtedness outside the governments as well, which adds another element of risk. We also have the ongoing political tensions between the developed world and China, and while it will likely unfold in a much more predictable manner under President Biden's leadership, it remains a risk. There also remains the question of the desire by governments to regulate the new internet monopolies and how that will potentially change their business models.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	South Korea	Info Technology	4.5%
Glencore PLC	Australia	Materials	3.0%
General Electric Co	US	Industrials	2.8%
Ping An Insurance Group	China	Financials	2.8%
Micron Technology Inc	US	Info Technology	2.7%
Minebea Co Ltd	Japan	Industrials	2.7%
Weichai Power Co Ltd	China	Industrials	2.6%
Microchip Technology Inc	US	Info Technology	2.6%
AIA Group Ltd	Hong Kong	Financials	2.5%
China Overseas Land & Inv	China	Real Estate	2.4%

As at 31 March 2021. See note 5, page 5.

Source: Platinum Investment Management Limited.

What this means for the stock market from here is not straightforward. In recent years, we have continually made references to the divergence of price performance and valuation between the much-loved growth and defensive names that have performed strongly and attracted very high valuations, and the stocks that investors have sought to avoid, those with any degree of uncertainty or cyclicalities that have performed poorly and been priced at historically very attractive valuations. The environment that we expect, one of strong economic growth that results in higher profits but also higher bond yields, is one that is likely to challenge this trend of recent years. Indeed, the last six months show a clear move toward businesses that will benefit from the recovery and we expect this to continue.

Taking all these factors into consideration, we expect that popular growth names will underperform, with significant falls likely in the most speculative names at some point in time. Indeed, this is what we are seeking to benefit from with our short positions.

As for the Fund's investments, it should be noted that the stock prices of many of our holdings have appreciated strongly in the last six months, though from deeply depressed levels. While they may not be as attractive as they were, we believe they are still reasonably valued given the strong earnings prospects for the next two to three years. We continue to identify new investments for the Fund, giving us confidence that reasonable returns can be earned on our portfolio in the medium term.

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. [The gross MSCI index was used prior to 31/12/98]. 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

This publication has been prepared by Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management (Platinum®). Platinum is the responsible entity and issuer of units in the Platinum International Fund (the "Fund"). This publication contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons') investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. You should read the entire Platinum Trust® Product Disclosure Statement (including any Supplement(s) thereto) ("PDS") and consider your particular investment objectives, financial situation and needs before making any investment decision to invest in (or divest from) the Fund. You can obtain a copy of the current PDS from Platinum's website, www.platinum.com.au or by phoning 1300 726 700 (within Australia), 0800 700 726 (within New Zealand) or +61 2 9255 7500, or by emailing to invest@platinum.com.au. You should also obtain professional advice before making an investment decision.

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