

# Platinum International Fund



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## Performance

(compound p.a.<sup>+</sup>, to 30 September 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	3%	5%	11%	9%	12%
MSCI AC World Index <sup>^</sup>	4%	9%	14%	12%	7%

<sup>+</sup> Excluding quarterly returns.

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

After fees and costs, before tax, and assuming reinvestment of distributions.

<sup>^</sup> Index returns are those of the MSCI All Country World Net Index in AUD.

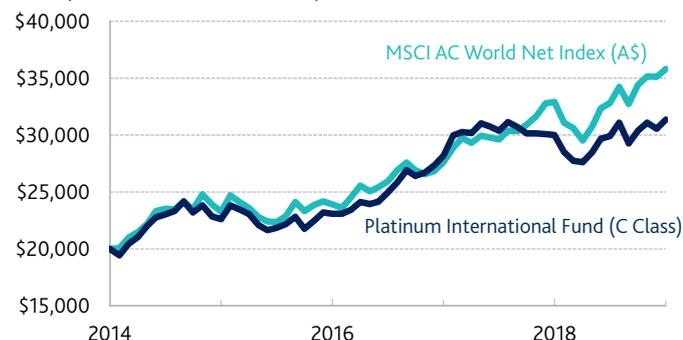
Source: Platinum Investment Management Limited, FactSet.

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

30 September 2014 to 30 September 2019



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.

The Fund (C Class) returned 3.2% for the quarter and 4.5% for the last 12 months. These returns lagged the performance of global equity markets, which returned 4.0% and 8.8% respectively.

The markets had to contend with numerous issues over the last three months. Chief among these was the further deterioration in US-China relations. The US imposed additional tariffs on China's exports to the US with threats of more to come, there was no resolution to the bans on the sale of components to Huawei, and sanctions were placed on COSCO, the world's fourth-largest shipping company. In addition, there were anti-government protests in Hong Kong, attacks on Saudi Arabia's oil facilities, and the ongoing Brexit saga in the UK. Interest rates also continued to fall, with a strong consensus developing that low rates will persist for a considerable period to come. As we have discussed in this quarter's Macro Overview, this has continued to drive investors toward perceived safe havens such as utilities and consumer staples, and growth stocks such as technology, that have continued to lead the market higher. Meanwhile, the performance of cyclical sectors, such as energy, materials, financials and industrials, has continued to lag.

As we noted previously in our March 2019 quarterly report<sup>1</sup>, our approach of avoiding the crowd and seeking out those assets that are out-of-favour with investors, has resulted in the Fund migrating to investment opportunities in China, and cyclical sectors such as semiconductors, autos, energy, and metals, where we believe there is significant value. It is our assessment that stock prices in these sectors indicate far better future investment returns than the fashionable growth and defensive sectors that are currently attracting investors' attention.

While overall the portfolio's returns have lagged the market, our investment approach has resulted in good returns from numerous holdings during the quarter and the last 12 months. Amongst these were a number of our high-quality and fast-growing Chinese companies, such as **ZTO Express** (express parcel delivery) and **Anta Sports Products** (sports apparel). Our semiconductor names such as **Micron**, **Intel**, and **Microchip Technology** also provided a strong contribution to performance.

<sup>1</sup> [https://www.platinum.com.au/PlatinumSite/media/Reports/ptqtr\\_0319.pdf](https://www.platinum.com.au/PlatinumSite/media/Reports/ptqtr_0319.pdf)

Our investments in energy and materials detracted from performance, largely reflecting stagnating commodity prices due to softer economic conditions. Key stocks that detracted included **Peabody Energy, Transocean, MMG and Glencore**. We continue to maintain our exposure, as we believe the strong long-term story of undersupply in these core commodities remains intact. Short positions, while detracting from returns in the most recent quarter to the tune of -0.2%, have contributed positively to annual returns.

## Changes to the Portfolio

The net exposure of the portfolio increased over the quarter from 62% to 73%. A large part of this change was due to the reduction in index shorts early in the quarter when the US and China indicated that they would return to the negotiating table on trade.

Otherwise, over the course of the quarter we continued to add to a range of existing holdings to take advantage of the attractive prices on offer. This included European banks (Raiffeisen Bank and Bank of Ireland), Japanese industrials (Mitsumi Minebea and Sumco), and copper producers (Glencore and First Quantum). A new position was initiated in Meituan Dianping, a Chinese e-commerce platform that provides food delivery services (similar to Uber Eats) and a hotel room booking service.

These purchases were funded by trimming a number of our strong performers, including ICICI Bank (India), Ping An Insurance (China), Kweichow Moutai and Jiangsu Yanghe Brewery (Chinese white spirits producers) and Anta Sports (Chinese sports apparel). In addition, we exited our position in China Merchants Bank, which was approaching our target valuation levels. The net outcome of these transactions was a reduction in cash holdings from 17% to 11%.

## Outlook

Over the last 12 months, we have noted the attractive valuations across the portfolio as a reason to be cautiously optimistic about the Fund's future returns. We continue to hold this view. The average forward price-earnings-ratio (P/E) for the long positions in the portfolio is 11.2x, which continues to compare favourably with market averages. Further, our quantitative and qualitative assessments lead us to believe that the portfolio remains more profitable and faster growing than our global universe of stocks.

The question is then, when are returns likely to be realised from the portfolio? This is not easy to answer, but we would note the last 18 months has been a period characterised by a slowing global economic environment, centred on a weakening manufacturing sector. It has also been a period

## Disposition of Assets

REGION	30 SEP 2019	30 JUN 2019	30 SEP 2018
Asia	34%	35%	34%
North America	26%	24%	18%
Europe	17%	16%	20%
Japan	11%	9%	11%
South America	1%	0%	0%
Cash	11%	17%	16%
Shorts	-16%	-22%	-15%

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

## Net Sector Exposures <sup>^</sup>

SECTOR	30 SEP 2019	30 JUN 2019	30 SEP 2018
Financials	15%	16%	15%
Communication Services	13%	13%	14%
Industrials	12%	10%	10%
Information Technology	11%	8%	7%
Materials	10%	9%	10%
Consumer Discretionary	6%	5%	5%
Energy	5%	5%	7%
Health Care	4%	2%	5%
Real Estate	2%	3%	2%
Utilities	0%	0%	1%
Consumer Staples	0%	1%	2%
Other*	-4%	-12%	-9%
TOTAL NET EXPOSURE	73%	62%	69%

<sup>^</sup> A major GICS reclassification was implemented during the December 2018 quarter. The changes affected the Information Technology, Communication Services (previously Telecommunication Services) and Consumer Discretionary sectors. Historical exposures have been updated for continuity.

\* Includes index shorts and other positions.

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

## Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics	Korea	Info Technology	3.9%
Ping An Insurance	China	Financials	3.9%
Alphabet Inc	US	Comm Services	3.2%
Facebook Inc	US	Comm Services	3.0%
Glencore plc	Switzerland	Materials	2.6%
Intel Corp	US	Info Technology	2.6%
ZTO Express Inc	China	Industrials	2.4%
TechnipFMC Ltd	UK	Energy	2.4%
Bharti Airtel Ltd	India	Comm Services	2.2%
Sanofi SA	France	Health Care	2.1%

As at 30 September 2019. See note 6, page 4.

Source: Platinum Investment Management Limited.

marked by significant political uncertainties, most notably US and China relations, and a collapse in interest rates back to low levels. At some point we should move through this period of weakness in activity and we would expect this to coincide with better stock price performance from our investments.

After such a period of deterioration, it is difficult to imagine this inflexion point. Yet when we turn our mind to the many exciting developments unfolding, such as the roll-out of 5G mobile phone networks, ongoing investment in data centres required for e-commerce and artificial intelligence, electric vehicles, autonomous vehicles, and the ongoing growth of the Chinese consumer, there are many reasons to be positive. The risk is that the rhetoric and actions of political leaders around the world damage this potential.

The main concern for markets is the crowding of investors into the popular growth and defensive sectors. Valuations for many businesses in these areas are high, but it is the eulogising of some of these companies, particularly in the software and payments sector, that is indicative of a relatively well-developed mania. What is interesting is that the enthusiasm of investors appears to have not been significantly damaged by the poor performance or failure of initial public offerings (IPO) of former high-flying concepts such as Uber (-36% since its May 2019 listing) and WeWork (IPO withdrawn in September 2019).

## Net Currency Exposures

CURRENCY	30 SEP 2019	30 JUN 2019	30 SEP 2018
US dollar (USD)	47%	42%	30%
Japanese yen (JPY)	17%	15%	10%
Hong Kong dollar (HKD)	13%	12%	12%
Euro (EUR)	9%	10%	12%
Chinese yuan (CNY)	6%	9%	8%
Korean won (KRW)	6%	5%	6%
Indian rupee (INR)	5%	6%	5%
British pound (GBP)	4%	4%	5%
Canadian dollar (CAD)	3%	2%	3%
Norwegian krone (NOK)	2%	2%	3%
Swiss franc (CHF)	2%	1%	2%
Brazilian real (BRL)	1%	0%	0%
Thai baht (THB)	1%	1%	1%
Danish krone (DKK)	1%	0%	1%
Australian dollar (AUD)	0%	4%	2%
Chinese yuan offshore (CNH)	-16%	-15%	0%

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

## 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. Returns for P Class are net of any accrued investment performance fee.  
The MSCI Index returns are in Australian Dollars and are inclusive of net official dividends, but do not reflect fees or expenses. For the purpose of calculating the "since inception" returns of the MSCI Index, the inception date of C Class of the Fund is used. Where applicable, the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then. Fund returns are provided by Platinum Investment Management Limited; MSCI index returns are sourced from FactSet.  
Platinum does not invest by reference to the weightings of the Index. A 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.  
The stated portfolio values of C Class and P Class of the Platinum International Fund (PIF) do not include funds invested in PIF by the Platinum International Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PIF. The stated portfolio values of C Class and P Class of the Platinum Asia Fund (PAF) do not include funds invested in PAF by the Platinum Asia Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PAF.
2. The investment returns depicted in this graph are cumulative on A\$20,000 invested in C Class (standard fee option) of the specified 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 Fund's net asset value, the Fund's exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices.
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. In the case of the Platinum Unhedged Fund, the Fund does not undertake any short-selling. Its net exposures are therefore the same as its long exposures.
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.

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