

Platinum International Fund



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Performance

(compound p.a.⁺, to 30 September 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	1%	-6%	1%	5%	11%
MSCI AC World Index [^]	4%	4%	10%	10%	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.

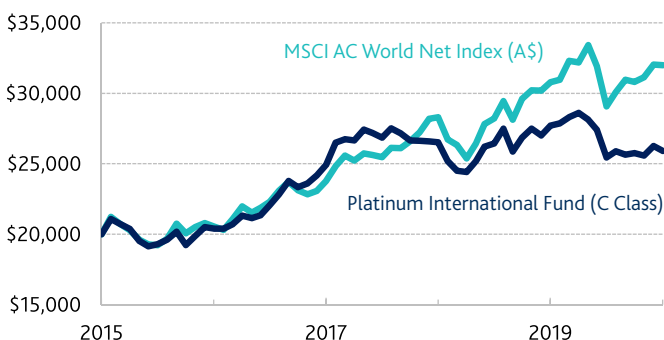
Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance.

See note 1, page 4. Numerical figures have been subject to rounding.

Value of \$20,000 Invested Over Five Years

30 September 2015 to 30 September 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 Research Systems. See notes 1 & 2, page 4.

Global equity markets continued their rally over the quarter, rising an additional 4%.¹ At their highest point during the quarter, markets were just 6% below the peak levels reached in February this year. The result is even more impressive when considering a strong Australian dollar reduced returns by 4% over the period. In US dollar (USD) terms, markets briefly surpassed their previous peaks.

While the global economy is recovering well as it approaches the beginning of the post-COVID era, the damage in terms of business closures and job losses is far from clear. In the context of the extraordinary uncertainty, this is a surprising performance by markets. However, underlying the headline index numbers, is a very different picture - one of a two-speed share market.

The 'high-speed market' is forging strongly ahead, led by fast-growing stocks, many of which have had their bright prospects reinforced by the events of the last eight months. While this is a relatively small group of companies, they are large by market capitalisation (and thus have a disproportionate effect on market indices) and many of these stocks have reached extraordinary valuations (please see our discussion on Tesla versus Toyota in our Macro Overview).

In the past, we have used the performance of 'growth' indices as a representative of these high-performing stocks. During the quarter, growth stocks rose over 8%, surpassing their peak mid-February levels by over 4%.² Within this group, there are numerous stocks, like Tesla for example, that are above levels of earlier this year by 100% or more. The prospects of many of these companies are no doubt very bright, and on this we have no argument. Interest rates have fallen further over the course of the last eight months and this supports a disproportionate increase in valuations for fast-growing companies over their more sluggish peers. Though we would point out that this fall in interest rates has perhaps been offset by a significant increase in uncertainty and risk, which would usually have the opposite effect.

Over the course of the last two years, we have steadily

1 MSCI All Country World Net Index. 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 Source: MSCI AC World Growth Index, Australian dollars.

reduced our exposure to these higher-growth names, which has impacted the Fund's performance. Prior to COVID, these companies had achieved generous valuations that on average implied poor future returns. The monetary and fiscal responses of central banks and governments around the world to the pandemic have created a huge inflationary pulse that has been experienced not in goods and services, but in asset prices, including these 'growth' stocks. Today, our view is that this part of the stock market is in the grip of a good old-fashioned speculative bull market. We have been here before numerous times, and we believe this will most likely end badly, particularly for those who invest late in the cycle. We cover our views on this phenomenon in much greater detail in our Macro Overview.

Meanwhile, the 'low-speed market' comprises all the other stocks, that by and large are performing as expected during a major economic collapse. As we have noted in past reports, we use the performance of 'value' indices to represent this low-speed stock market. Over the last three months, value stocks were essentially flat, they remain 19% below their February peaks, and have bounced just 10% off their March lows.³ Now, admittedly, the companies that we own and have been buying, have typically performed somewhat better than this, as the stocks represented in these value indices are not really our hunting ground. These tend to be the stocks that are out-of-favour for good reason. But it gives a sense of how different performance has been across the market. And as we have noted previously, over long periods of time, value has outperformed growth, though it has been over a decade since this has happened for any length of time. **The important point though, is that the weak part of the stock market is where we see the most interesting opportunities.** It is in companies from this part of the market, that we expect will see their prospects continue to improve as we move toward a post-COVID environment.

The other element of the Fund's performance has been the cautious positioning of the portfolio in recent years, with cash holdings and short positions detracting from returns. While this cautiousness has resulted in the Fund lagging the market's performance, this disparity in performance has predominantly occurred over the last two years. As can be seen in the performance chart on the previous page, the Fund delivered a similar performance to the market over the period to 31 December 2018. The performance in the subsequent period has dragged down the results across the longer time frames shown in the performance table. Undoubtedly, investors will be disappointed and frustrated with these results. However, we strongly believe that markets remain in a highly speculative phase, and despite results to date,

cautious positioning remains warranted. At an individual stock level, we continue to see good outcomes from many of our individual holdings. **LG Chem** (+33%) has seen strong demand for its electric vehicle batteries and continues to invest to expand its capacity in battery manufacturing. **FedEx** (+79%) has seen an impressive turnaround in profitability as e-commerce deliveries have risen sharply. **Freeport-McMoRan** (+35%) responded to increases in the copper price. The Fund's low exposure to the USD was also beneficial to returns as it broadly fell against the major currencies over the quarter.

Changes to the Portfolio

The Fund's net invested position was reduced over the quarter from 78% to 75%, though cash fell from 13% to 9%, and short positions were increased from 9% to 16%. The short positions were predominantly on the Nasdaq 100 Index as the make-up of this index has a significant weighting of highly valued growth stocks. A number of small individual stock shorts were also added as we continue to look for opportunities to provide downside protection for the Fund.

Disposition of Assets

REGION	30 SEP 2020	30 JUN 2020	30 SEP 2019
Asia	29%	27%	34%
North America	27%	28%	25%
Europe	18%	16%	14%
Japan	13%	13%	11%
Australia	3%	3%	3%
Africa	1%	1%	1%
Cash	9%	13%	11%
Shorts	-16%	-9%	-16%

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

Net Sector Exposures

SECTOR	30 SEP 2020	30 JUN 2020	30 SEP 2019
Industrials	19%	16%	12%
Information Technology	17%	17%	11%
Materials	13%	10%	10%
Consumer Discretionary	12%	10%	6%
Financials	11%	11%	15%
Health Care	8%	8%	4%
Communication Services	6%	8%	13%
Real Estate	2%	2%	2%
Energy	1%	2%	5%
Utilities	0%	0%	0%
Consumer Staples	0%	-2%	0%
Other	-13%	-3%	-4%
TOTAL NET EXPOSURE	75%	78%	73%

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

³ Source: MSCI AC World Value Index, Australian dollars.

A number of new holdings were added to the Fund during the quarter. **Largan Precision** (Taiwan) is the leading provider of camera lenses for mobile phones. Generally, component suppliers to phone makers have been out-of-favour due to flat sales and uncertainty created by US bans on the sale of technology to Huawei, the world's largest manufacturer of handsets. We are of the view there is likely to be a pick-up in handset sales as a result of both investment by 5G networks and camera upgrades in new models. Of course, cameras have taken on an even greater importance as a feature given the boom in video conferencing.

Li Ning is a Chinese sports apparel business that competes with the likes of Nike, Adidas, and local companies, such as Anta Sports Products (also held in the Fund). Li Ning was established by its namesake, who won a gold medal in gymnastics at the 1984 Los Angeles Olympic Games. The brand was the "original" domestic sports brand, but struggled for a number of years in what has been a torrid competitive environment. Improvements in product design and a refreshed brand has seen the company turn its fortunes around, resulting in a strong improvement in sales and profits. Given the deterioration in US-China relations, we think that Chinese consumers will show a tendency to move toward brands with Chinese heritage in the years ahead.

InterGlobe Aviation is our most recent travel-related investment. InterGlobe is the owner of India's largest airline, IndiGo, whose low-cost carrier model, which started in 2006, has become the dominant airline in India with almost half of the domestic passenger market. India is already the third-largest domestic air travel market (behind only the US and

Net Currency Exposures

CURRENCY	30 SEP 2020	30 JUN 2020	30 SEP 2019
US dollar (USD)	21%	11%	38%
Euro (EUR)	20%	23%	9%
Chinese yuan (CNY)	18%	18%	22%
Japanese yen (JPY)	13%	19%	17%
Australian dollar (AUD)	10%	13%	3%
Korean won (KRW)	7%	6%	6%
Hong Kong dollar (HKD)	3%	3%	3%
Canadian dollar (CAD)	3%	2%	3%
Indian rupee (INR)	2%	1%	5%
Taiwan dollar (TWD)	1%	0%	0%
British pound (GBP)	1%	1%	4%
Zambian kwacha (ZMK)	1%	1%	1%
Norwegian krone (NOK)	0%	1%	2%
Chinese yuan offshore (CNH)	0%	0%	-16%
Swiss franc (CHF)	0%	0%	2%

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

China) with over 140 million annual trips (pre-COVID) and growing at rates of around 10% p.a.⁴ The company is poised to continue its impressive growth rate for some time to come given the low penetration of air travel in India relative to other emerging markets.

Otherwise, activity in the Fund included trimming a large number of holdings that have performed well, including Tencent, Alibaba, Alphabet, LG Chem and ZTO Express.

Outlook

Our portfolio consists of companies that typically have strong positions in their respective industries, are poised to benefit as economies recover in the post-COVID era over the next three to five years, and are attractively priced relative to our assessment of their prospects. This assessment would generally lead us to be quite optimistic about future returns. On the other hand, there are extraordinary developments within the global economy. Spending patterns are changing, reflecting the response by consumers, businesses and governments to the pandemic, some of which will recede as we move beyond the lockdowns and travel restrictions. There has been an unprecedented creation of new money (and debt), contributing to what appears to be a speculative mania taking place in parts of the stock market. The US election outcome and US-China relations could also be added to the list. It is, without doubt, a complex environment and predictions are fraught with danger. So, we will conclude simply stating that while the opportunities that we see in the Fund's holdings are reason to expect that reasonable investment returns can be produced, there are likely to be many market, political and economic surprises ahead.

⁴ Source: InterGlobe Aviation, Directorate General of Civil Aviation (DGCA).

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	Korea	Info Technology	4.3%
Ping An Insurance	China	Financials	3.2%
Amadeus IT Holdings	Spain	Info Technology	2.9%
Glencore PLC	Australia	Materials	2.6%
Takeda Pharma Co	Japan	Health Care	2.5%
Microchip Technology	US	Info Technology	2.5%
Booking Holdings Inc	US	Cons Discretionary	2.5%
Minebea Co Ltd	Japan	Industrials	2.4%
Sanofi SA	France	Health Care	2.4%
AIA Group Ltd	Hong Kong	Financials	2.4%

As at 30 September 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

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 net exposures to the relevant currencies through its long and short securities positions, cash at bank, cash payables and receivables, currency forwards and long and short securities/index derivative positions, as a percentage of its portfolio market value. Currency classifications for securities reflect the relevant local currencies of the relevant Bloomberg country classifications. 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 ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

Disclaimers

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