

Platinum International Fund (Quoted Managed Hedge Fund) - ASX: PIXX



MONTHLY REPORT 30 April 2021

FACTS

Portfolio value	\$359.13 mn
Fund commenced	12 September 2017
Fund launch	14 September 2017
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Net asset value (\$ per unit)	\$5.2216

PERFORMANCE¹

	Fund %	MSCI %
1 month	0.6	2.9
3 months	9.1	8.9
6 months	22.0	16.6
Calendar year to date	9.6	9.0
1 year	24.5	23.5
2 years (compound pa)	8.5	12.3
3 years (compound pa)	5.8	12.5
Since inception (compound pa)	8.1	14.0

INVESTED POSITIONS OF PLATINUM INTERNATIONAL FUND³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	42.0	(0.6)	41.4	46.2
Australia	3.2		3.2	3.4
China	15.5		15.5	16.1
Hong Kong	2.5		2.5	5.4
India	2.2		2.2	2.2
Japan	12.4	(0.5)	11.9	12.9
New Zealand		(0.1)	(0.1)	(0.1)
South Korea	6.1		6.1	6.3
Thailand	0.2		0.2	0.2
Europe	19.0	(0.4)	18.6	20.4
Austria	1.1		1.1	
Belgium	0.1		0.1	
Denmark	0.4		0.4	0.4
Finland	2.4		2.4	
France	3.5		3.5	
Germany	4.7		4.7	
Ireland	1.5		1.5	
Italy	1.6		1.6	
Netherlands		(0.4)	(0.4)	
Spain	1.5		1.5	
United Kingdom	2.2		2.2	3.5
Euro				16.5
North America	23.9	(11.0)	13.0	31.8
Canada	1.9		1.9	4.7
United States of America	22.0	(11.0)	11.0	27.1
Other	1.6		1.6	1.6
Sub-Total	86.5	(12.0)	74.5	100.0
Cash	13.5	12.0	25.5	
Total	100.0		100.0	100.0

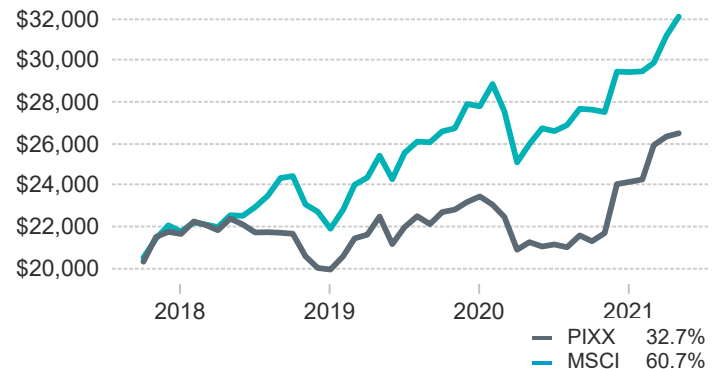
Long - 105 stocks, 2 swaps Short - 22 swaps, 1 index

FEES

Entry fee	Nil
Buy/sell spread	0.15%/0.15%
(Platinum International Fund)	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 POSITIONS OF PLATINUM INTERNATIONAL FUND⁴

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co	South Korea	Info Technology	4.0
ZTO Express Cayman Inc	China	Industrials	3.1
Glencore PLC	Australia	Materials	2.8
Ping An Insurance Group	China	Financials	2.5
Micron Technology Inc	United States	Info Technology	2.5
Minebea Co Ltd	Japan	Industrials	2.5
Weichai Power Co Ltd	China	Industrials	2.5
AIA Group Ltd	Hong Kong	Financials	2.5
Microchip Technology Inc	United States	Info Technology	2.4
UPM-Kymmene OYJ	Finland	Materials	2.4
Total			27.1

INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND³

SECTOR	LONG %	SHORT %	NET %
Industrials	20.1		20.1
Materials	18.0	(0.3)	17.7
Financials	15.4		15.4
Consumer Discretionary	10.0	(0.8)	9.2
Information Technology	12.4	(4.4)	7.9
Real Estate	3.5		3.5
Health Care	5.7	(2.6)	3.1
Communication Services	1.2		1.2
Energy	0.2		0.2
Consumer Staples		(1.1)	(1.1)
Other		(2.7)	(2.7)

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the responsible entity of the Platinum International Fund (Quoted Managed Hedge Fund) (the "Fund"). The Fund's latest Product Disclosure Statement (the "PDS") provides details about the Fund. You can obtain a copy of the PDS from Platinum's website www.platinum.com.au, or by contacting Investor Services on 1300 726 700 (Australian investors only), or 0800 700 726 (New Zealand investors only), or 02 9255 7500, or via invest@platinum.com.au. This information is general in nature and does not take into account your specific needs or circumstances. You should consider your own financial position, objectives and requirements and seek professional financial advice before making any financial decisions. Numerical figures have been subject to rounding. Platinum does not guarantee the performance of the Fund, the repayment of capital or the payment of income. The market commentary reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by Platinum as to their accuracy or reliability. To the extent permitted by law, no liability is accepted by Platinum for any loss or damage as a result of any reliance on this information.

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), and represent the combined income and capital returns in the specified period. All returns are pre-tax, net of fees (including any accrued performance fee) and costs and assume the reinvestment of distributions. The returns are calculated relative to the MSCI All Country World Net Index in A\$. The investment returns depicted in the graph are cumulative on A\$20,000 invested in the Fund since inception. 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 geographic "Long %" is the exposure to long securities and long securities/index derivative positions, the geographic "Short %" is the exposure to short securities and short securities/index derivative positions and the geographic "Net %" is the difference between the geographic "Long %" and the geographic "Short %", each as a percentage of the market value of the Platinum International Fund's ("PIF's") portfolio. The "Currency %" is the effective currency exposure as a percentage of the market value of PIF's portfolio taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. The cash "Long %" includes cash at bank, cashflows expected from forwards and effective cash exposures resulting from long securities/index derivative positions, the cash "Short %" includes effective cash exposures resulting from short securities/index derivative positions and the cash "Net %" is the difference between the cash "Long %" and the cash "Short %", each as a percentage of the market value of PIF's portfolio. 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".

4. The "Top ten positions" show PIF's top ten long securities positions as a percentage of the market value of PIF's portfolio (including long securities and long securities derivative positions). All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in <https://www.platinum.com.au/Special-Pages/Terms-Conditions>

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MARKET UPDATE AND COMMENTARY

This commentary relates to the underlying fund, the Platinum International Fund

- Strongest financial year to date (30 June-30 April) for the Fund in 15 years, driven by good stock selection on the long side.
- Increasing signs that the market drivers are changing and rewarding cyclicals after a long trend favouring growth and defensives.

Market Commentary

Portfolio returns over the last six months are significantly higher than has typically been the case. The challenge looking forward is trying to ascertain, as bond yields rise, to what extent this is good for 'risk assets', against at what point this starts to put pressure on all asset markets.

Given how the market has arrived here, it may be sensible to assume that the critical level at which bond yields put pressure on growth and defensive stocks, will be lower than the level at which cyclicals stumble. The latter are expected to benefit from sector rotation, economic growth and recent shifts globally towards more accommodative government policy.

Our portfolio is dominated by cyclical assets, and within our technology exposures, semiconductor assets are the major component. It has been the case that a series of crises has been a catalyst for each of the major groups within the portfolio. Travel-related companies were the major COVID-related purchases, while semiconductors were introduced significantly during the trade war. With a decade plus of rolling crises and fiscal austerity culminating in a trade war and Chinese reform-induced industrial recession, it is likely no surprise to adherents of our approach, that 'growth industrials' in the broadest sense, are our major exposure.

Since the vaccine news in late 2020, the markets have focused on reopening. Economically sensitive stocks (i.e. 'COVID losers') have started to benefit and the discussion has moved more towards higher bond yields, off ultra-low levels. A pause in this rhetoric in April, after a sharp move, saw the portfolio take a breather. As highlighted last month, and for context, we have just had one of the strongest six months in the Fund's long history.

We see this as healthy, as sudden lurches higher in bond yields have historically been a concern for equity markets. The observed trends remain in place, with consolidation helpful while the data continues to exhibit signs of a strong recovery and rising risks of some inflation push rates further away from zero. The portfolio is more sophisticated than a simple thematic, but we expect that higher rates should help us in the near term, rather than hinder.

As we gain more clarity in the post-COVID world around earnings power, it is encouraging to see the valuation of the stocks in the portfolio, and we have taken advantage of the strong run-ups in a number of our holdings, to take a little risk off the table and calibrate the portfolio.

Events like Greensill and Archegos, among others, are typically dismissed at the time as one-offs, but after the fact, tend to prove to be canaries in the coal mine. Heeding these early warnings may ultimately prove to be very prudent.

Performance Analysis*

For the financial year to date (i.e. since 30 June 2020), FY2021 ranks 4th in the Fund's history, returning 25%, behind only 2000, 2004 and 2006.

Over this period, with a backdrop of rising markets (+21%), the long portfolio contributed an impressive +31% to returns. This can be broken down to: 'cyclicals' adding +25%; technology adding +8%; and 'defensives' costing -2%.[†] Shorts cost -5% over this period, mostly the Nasdaq.

The top 10 contributors, all cyclicals, added +15%, dominated by resources (Glencore, First Quantum Minerals, Freeport McMoRan, Seven Generations) and semiconductors (Samsung Electronics, Micron) plus Ally Financial, General Electric, LG Chem and Lixil.

Valuation

Aggregate valuation data is a useful gauge for the portfolio's attractiveness. There appears to be value in an absolute and relative sense, with the Fund offering a starting earnings yield 37% higher than the market and appearing 36% cheaper relative to the assets backing it.

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	7.4% (Price-to-Earnings ratio of 14x)	5.4% (Price-to-Earnings ratio of 19x)
NTM Dividend Yield	2.4%	2.4%
Price-to-Book Ratio	1.8x	2.8x
Enterprise Value-to-Sales	1.4x	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.

*Source: Platinum. Numbers for long and short positions are based on the total return of individual positions (in AUD) and do not take into account fees and costs (other than brokerage). Contribution numbers may not add up due to rounding and the effect of fees. Past performance is not a reliable indicator of future returns.

[†]Cyclicals (64% average weight) include: Industrials, materials, energy, real estate, financials and consumer discretionary; Technology (21% average weight) includes: IT and communication services; and Defensives (7% average weight) include: Healthcare, utilities and consumer staples.