

Shifting sands

The cycle looks to have changed –
Should your investments change too?

What should we talk about?

An historic US equity bubble is currently deflating

Inflation is real, durable and a threat to asset prices

China is in a very different situation

Portfolio performance and positioning



US equity markets are falling from extreme levels

US equities versus select prior bubble episodes.

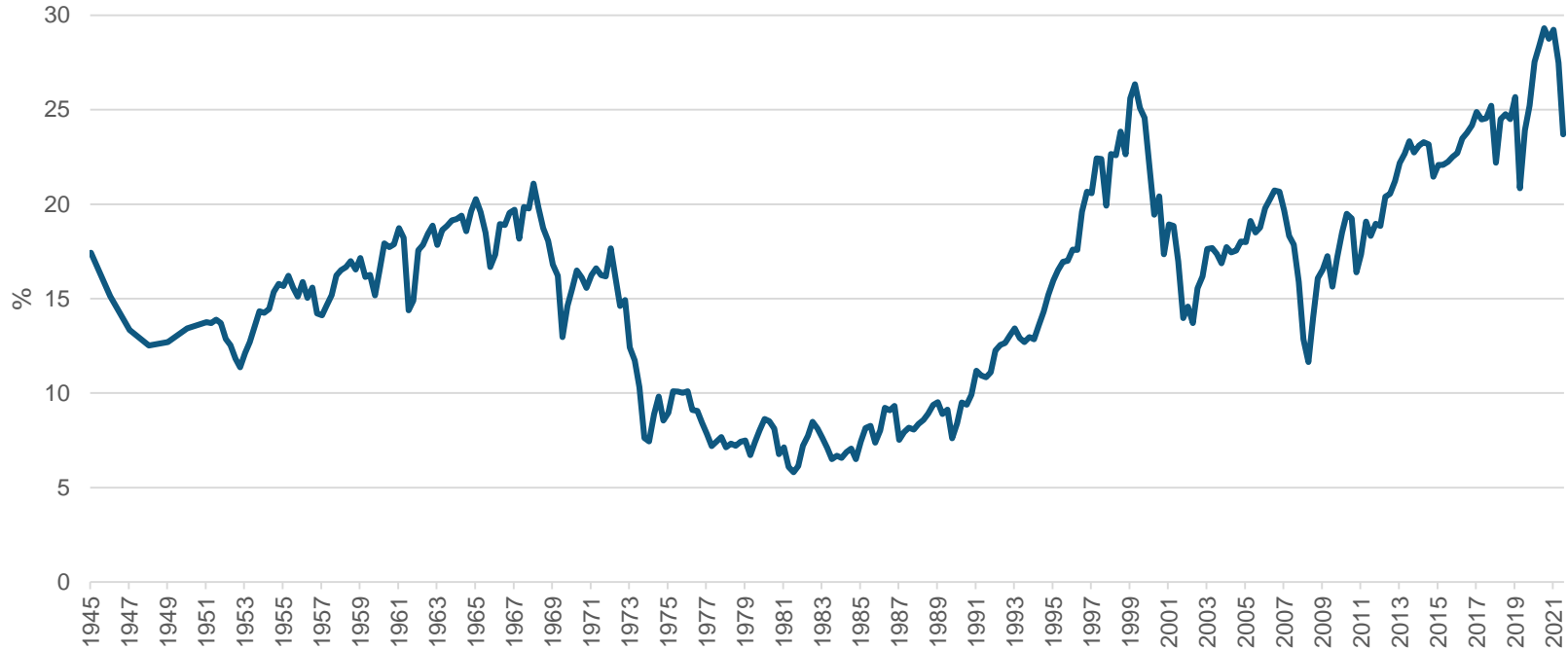
Peak US equity market valuations were comparable to the great bubble episodes of market history. Yes, we think this was a bubble.

	USA 1929	USA 1967	Japan 1989	USA 2000	China 2007	USA 2007	USA 2021
Market cap to GDP	100%	75%	140%	153%	126%	138%	205%
Cyclically Adjusted P/E (CAPE)	33	24	77	44	40	27	38



US retail had never been so long equities – ever

Households and Nonprofit Organisations; Directly and Indirectly Held Corporate Equities as % of Total Assets



US margin debt: coming off unprecedented levels...

Debt Balances in Customers' Securities Margin Accounts



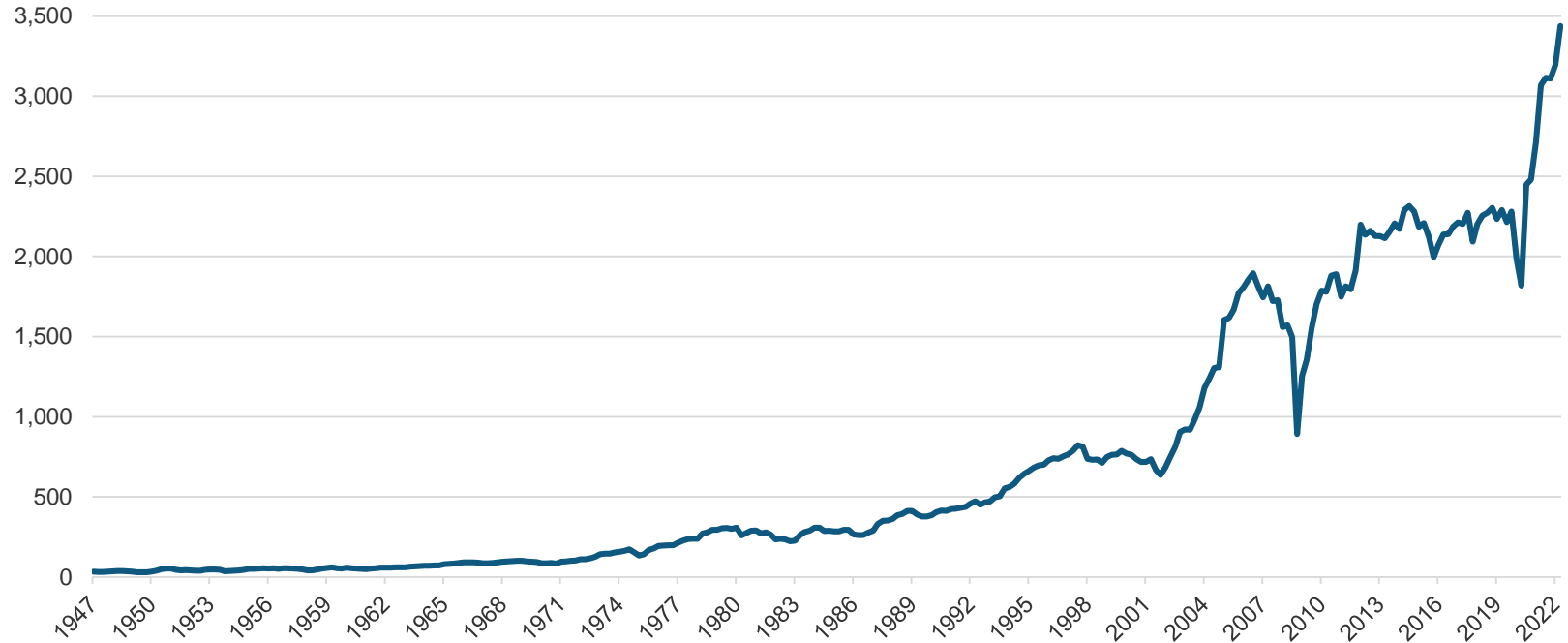
...US margin debt grew VERY fast, and is now falling

US margin debt % change year on year



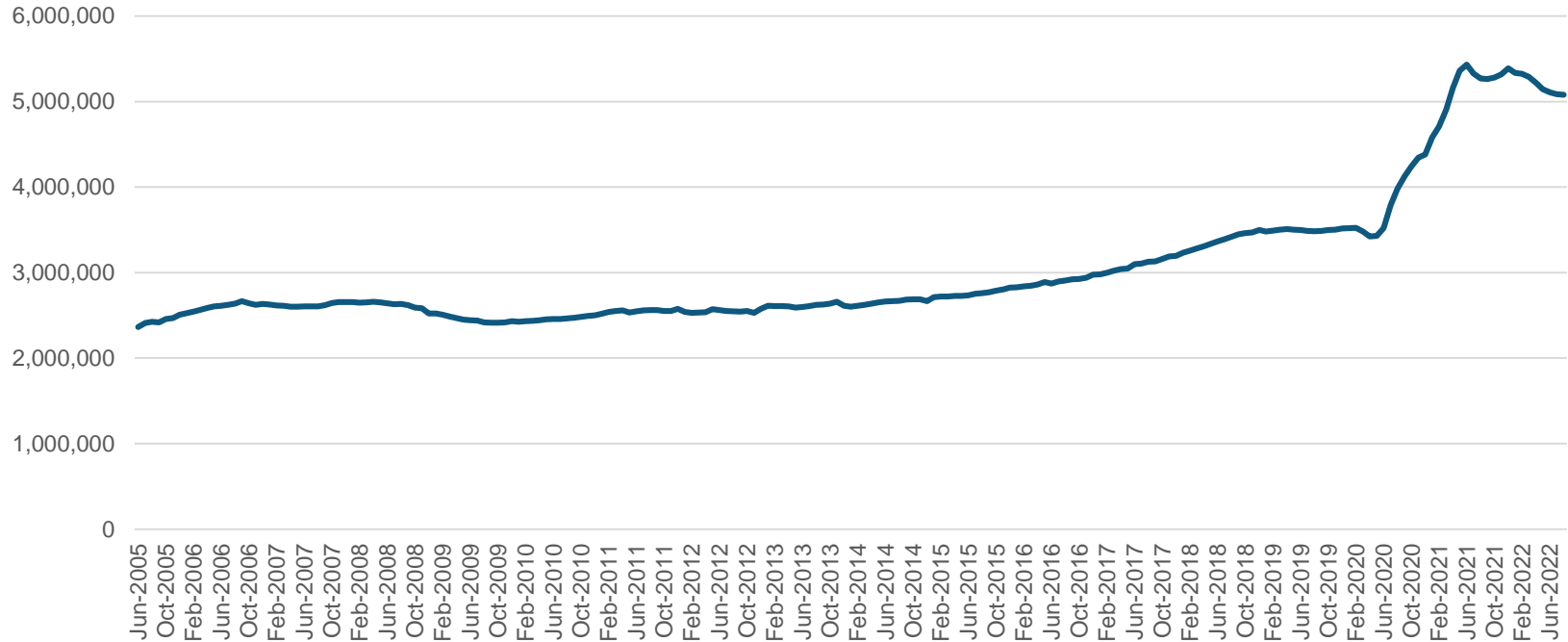
US companies appear to be over-earning

National income: Corporate profits before tax, non-IVA and non-CC adjusted, \$bn, seasonally adjusted annual rate



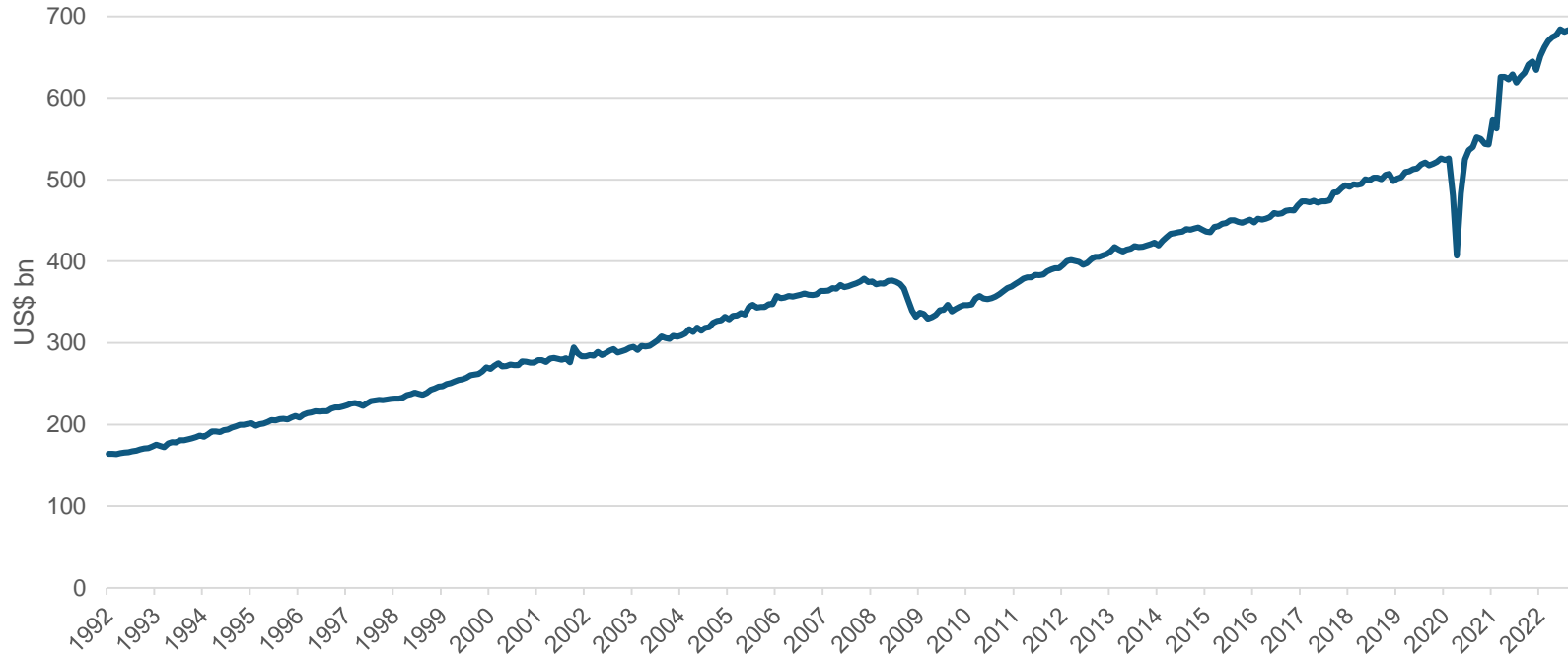
New US businesses were formed at an unprecedented rate

US new business applications, rolling 12 months

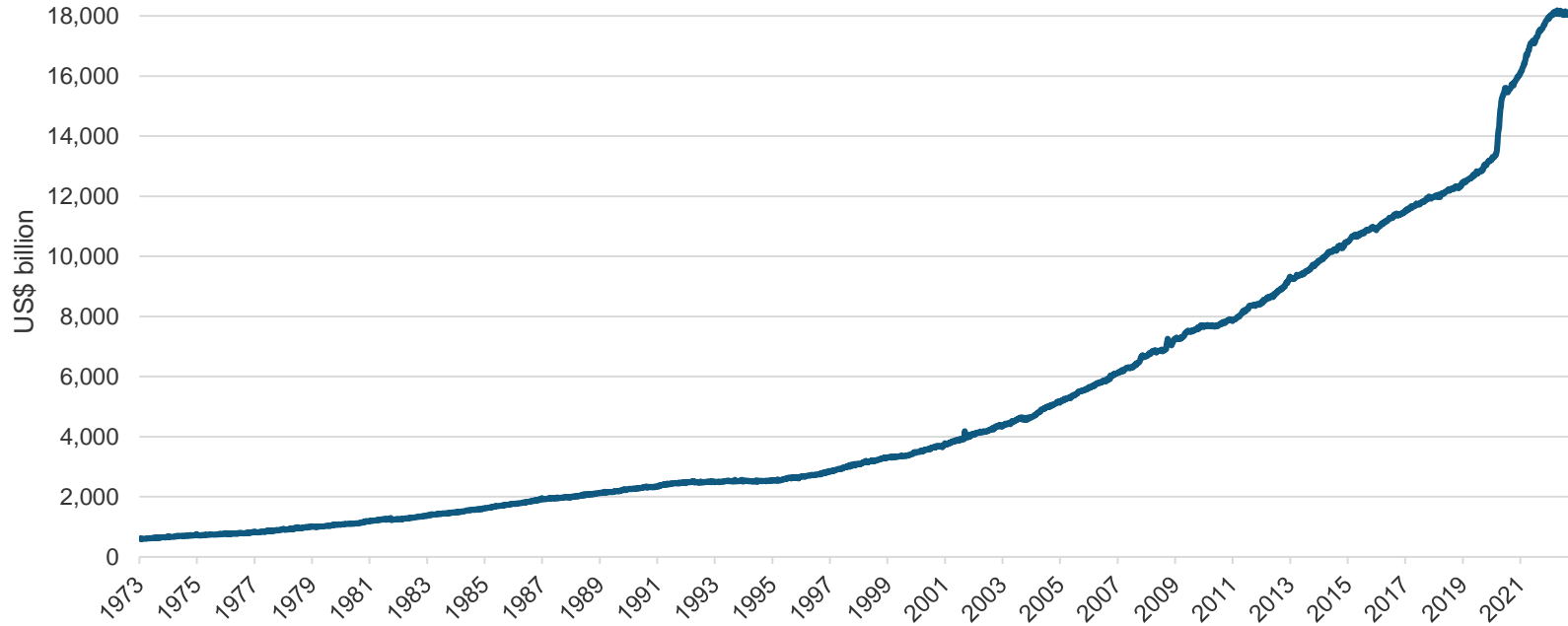


US retail sales exploded

US total retail sales

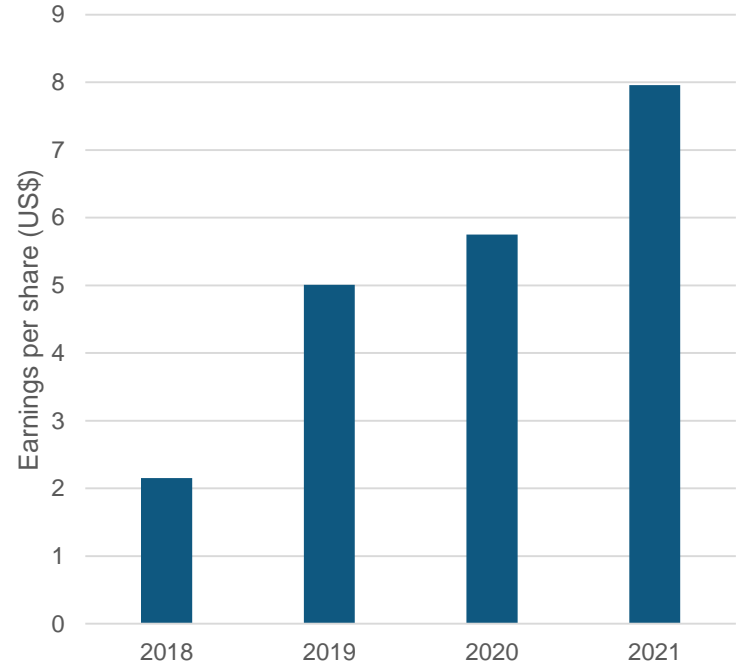
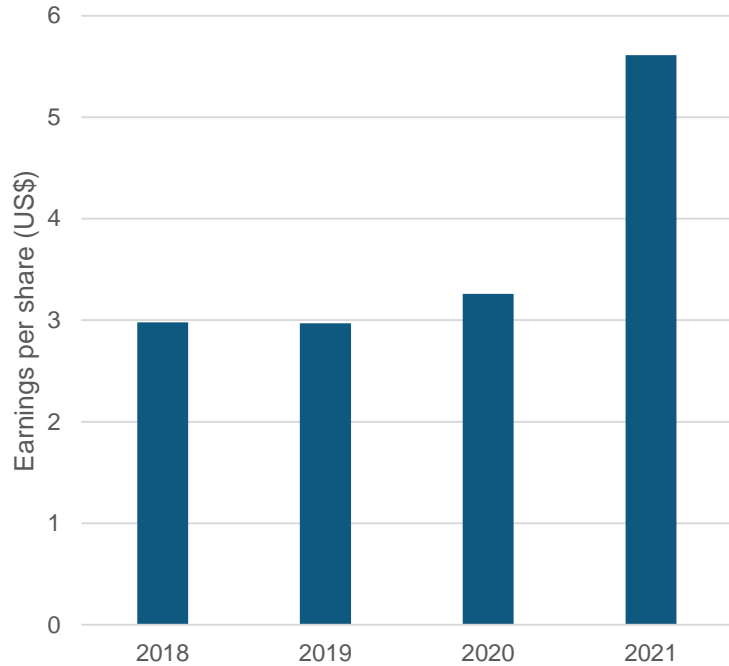


Money supply: US Bank Deposits



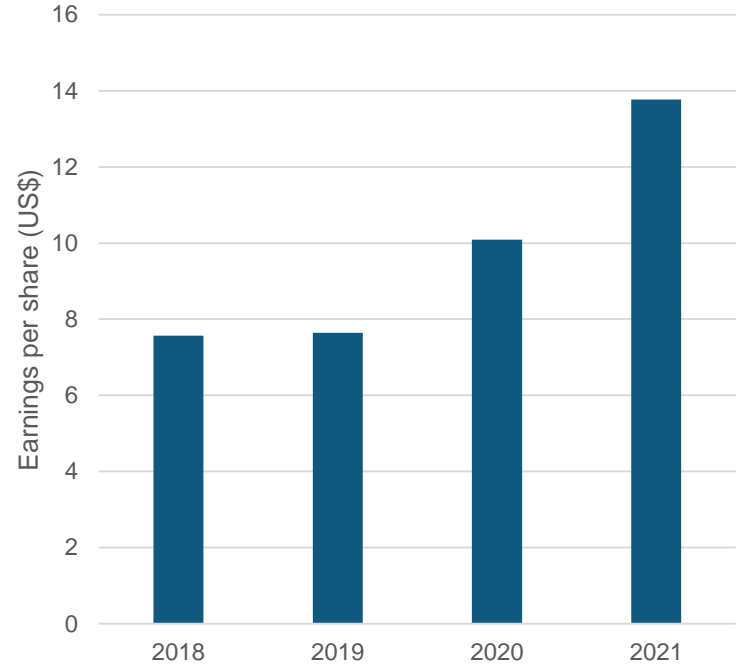
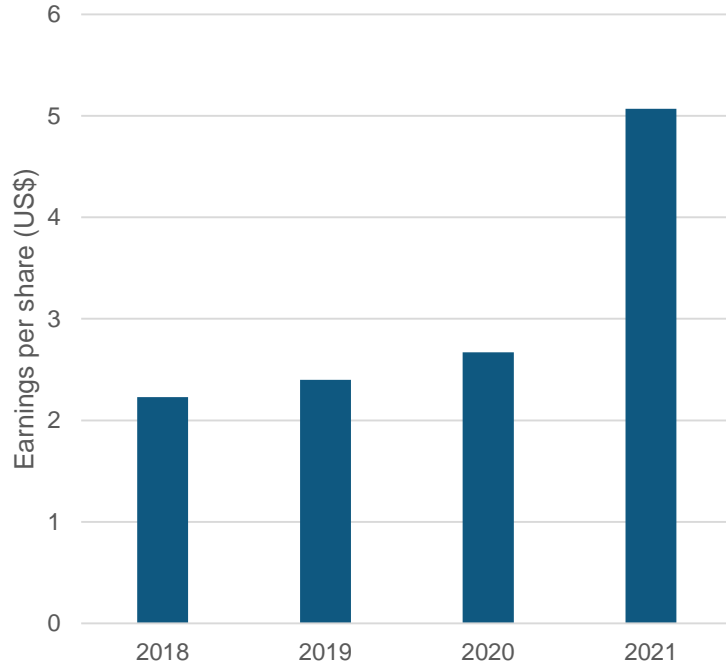
Earnings exploded, #1

Apple (left hand side) and Microsoft (right hand side)



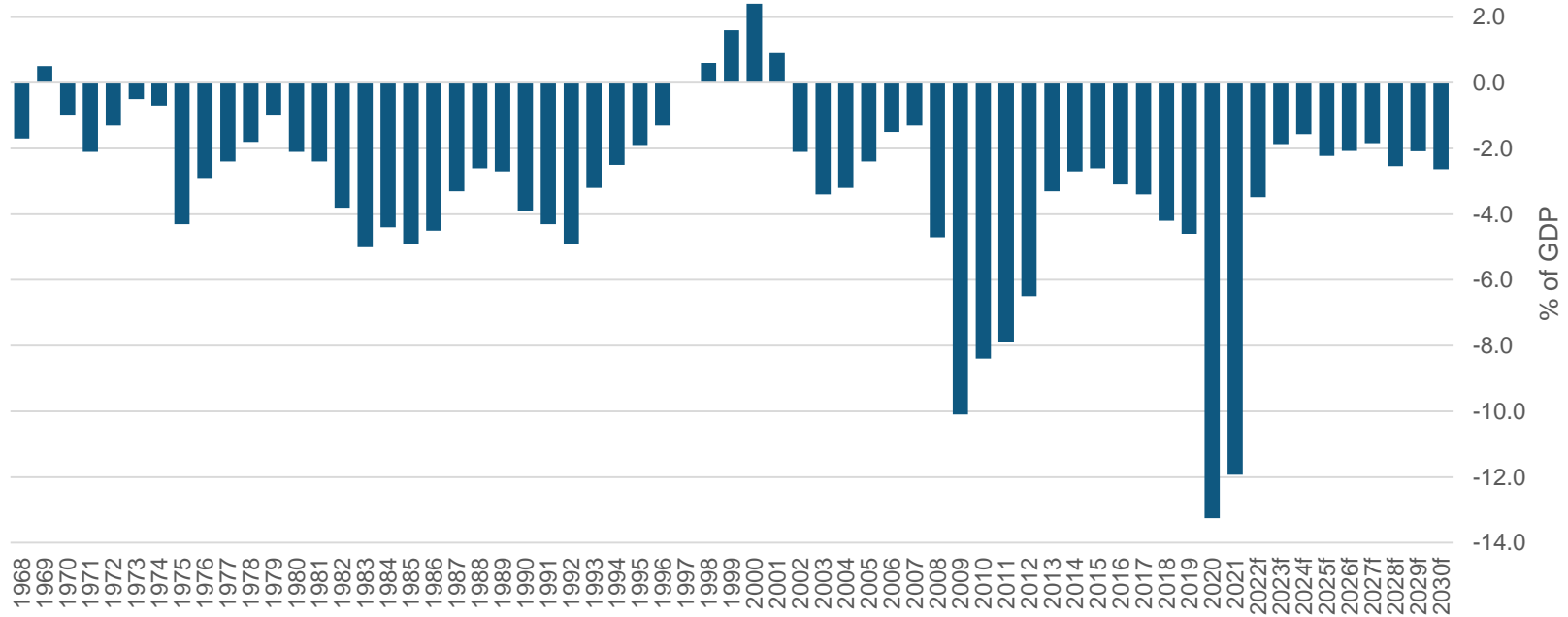
Earnings exploded, #2

Google (left hand side) and Meta (right hand side)



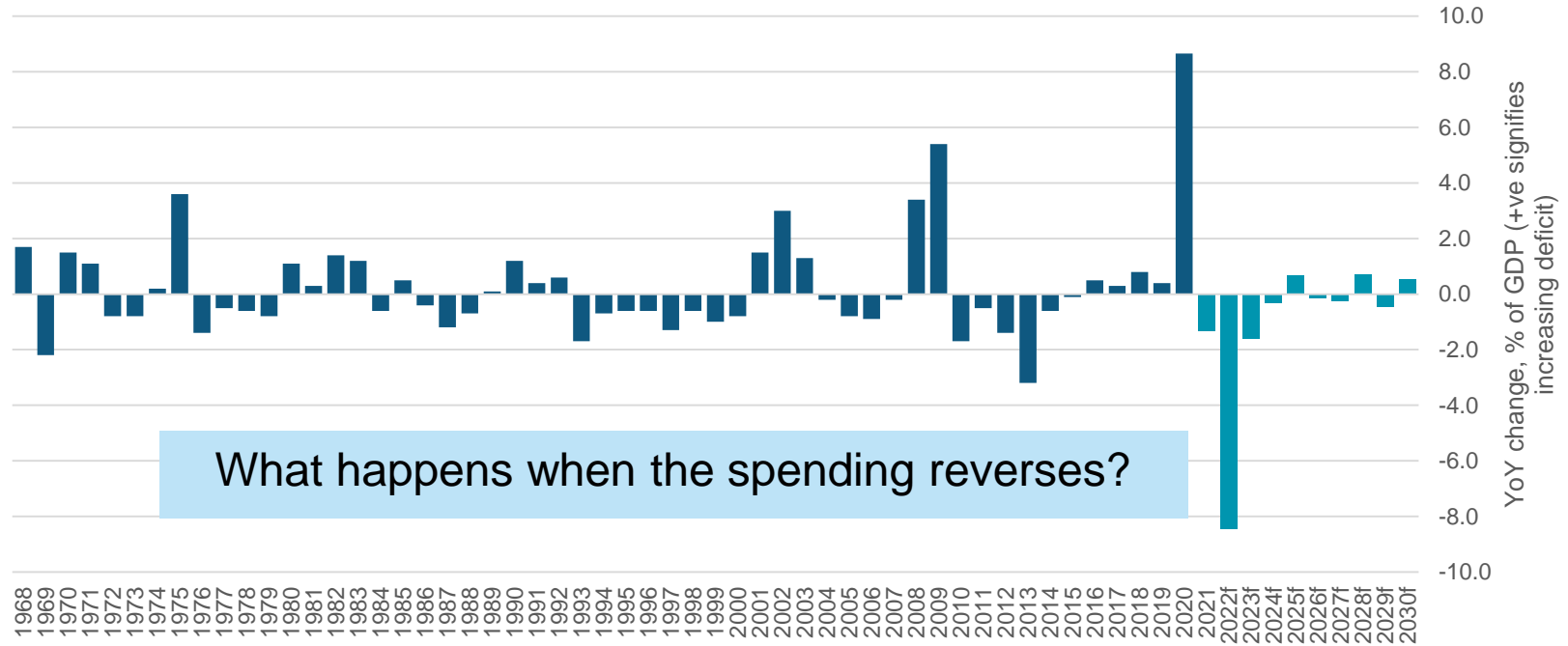
US Federal Budget deficits are forecast to shrink rapidly

There has never been a fiscal consolidation of the magnitude of that forecast for 2022



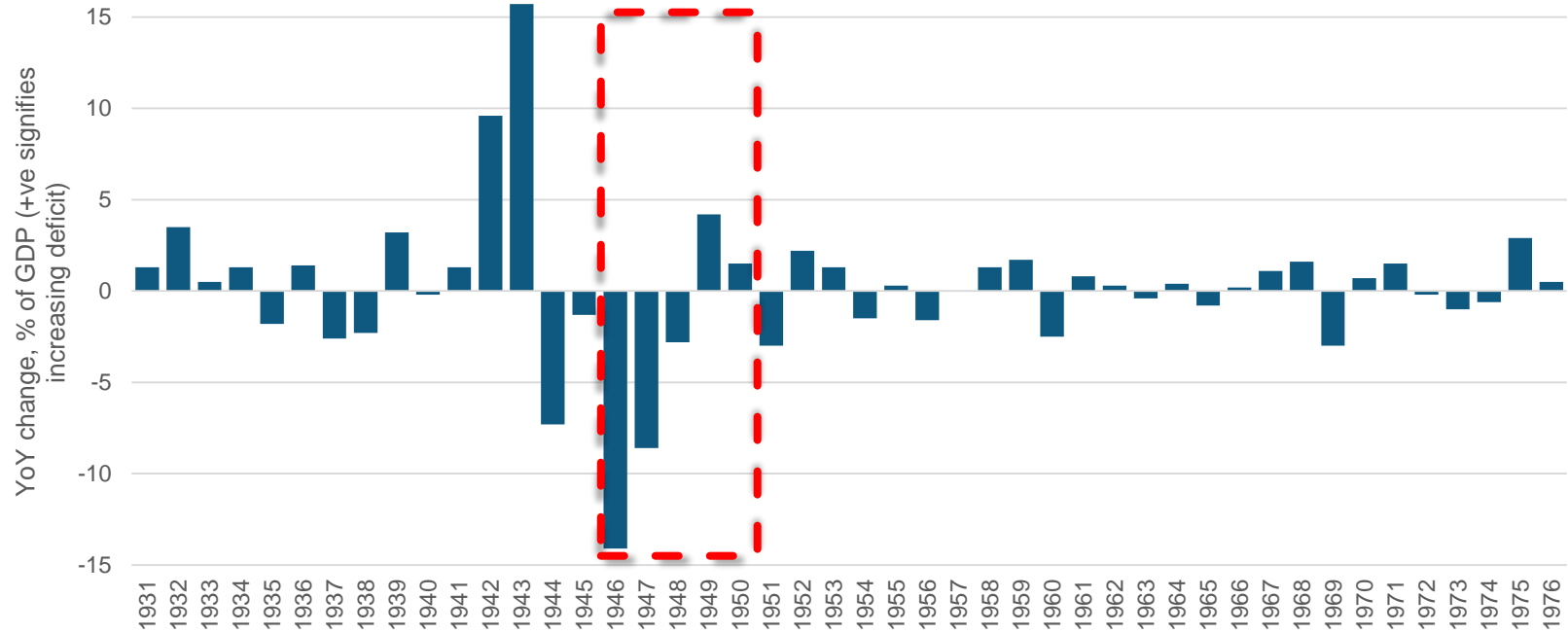
There has seldom been a fiscal consolidation like this

US Federal budget deficit change on year prior, % of GDP



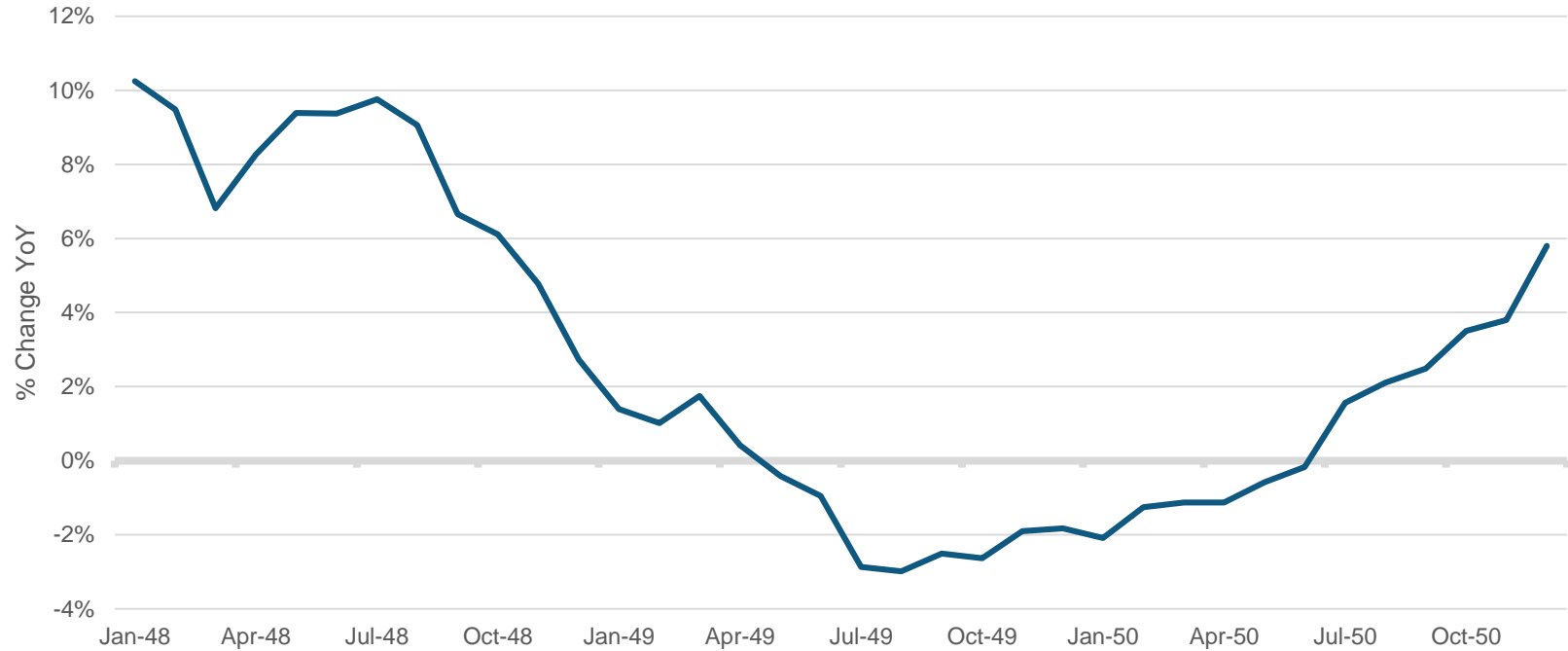
The 1940s: massive fiscal contraction

US Federal budget deficit change on year prior, % of GDP



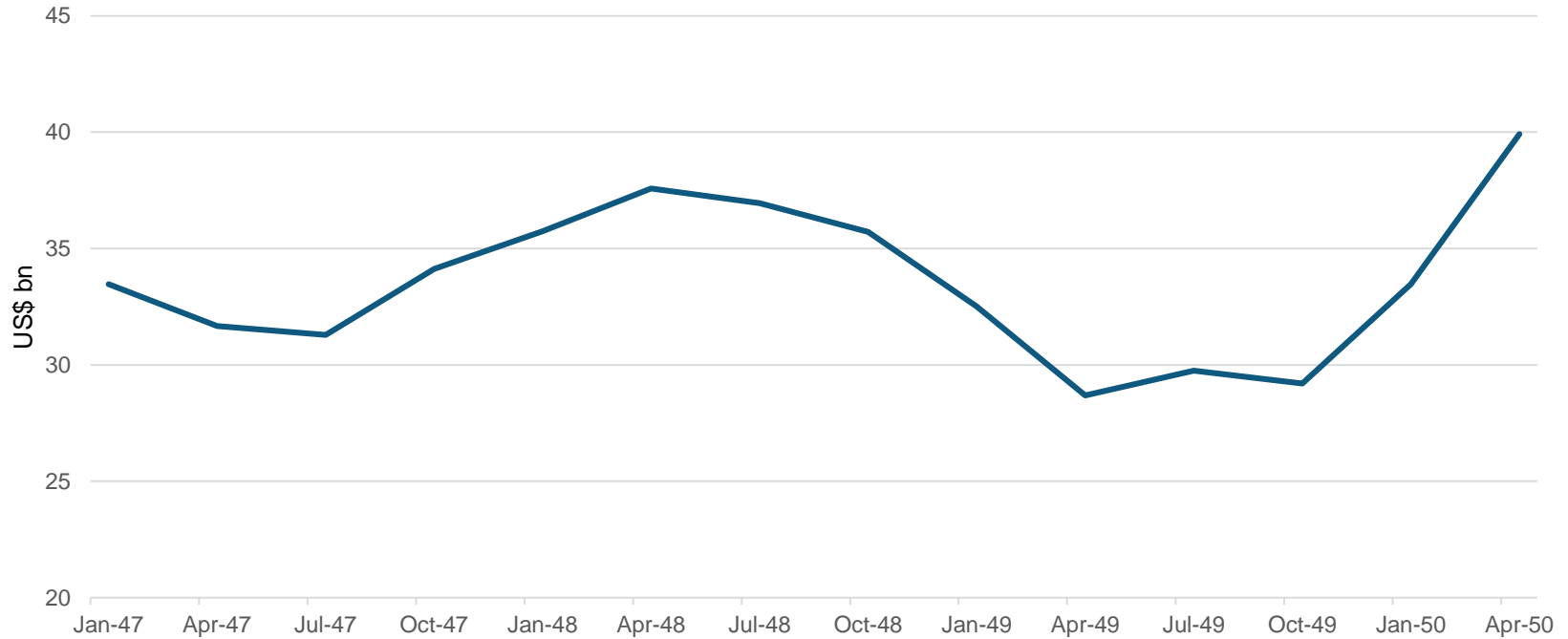
US CPI in the 1940s: outright deflation

Consumer Price Index for All Urban Consumers: All Items in U.S. City Average



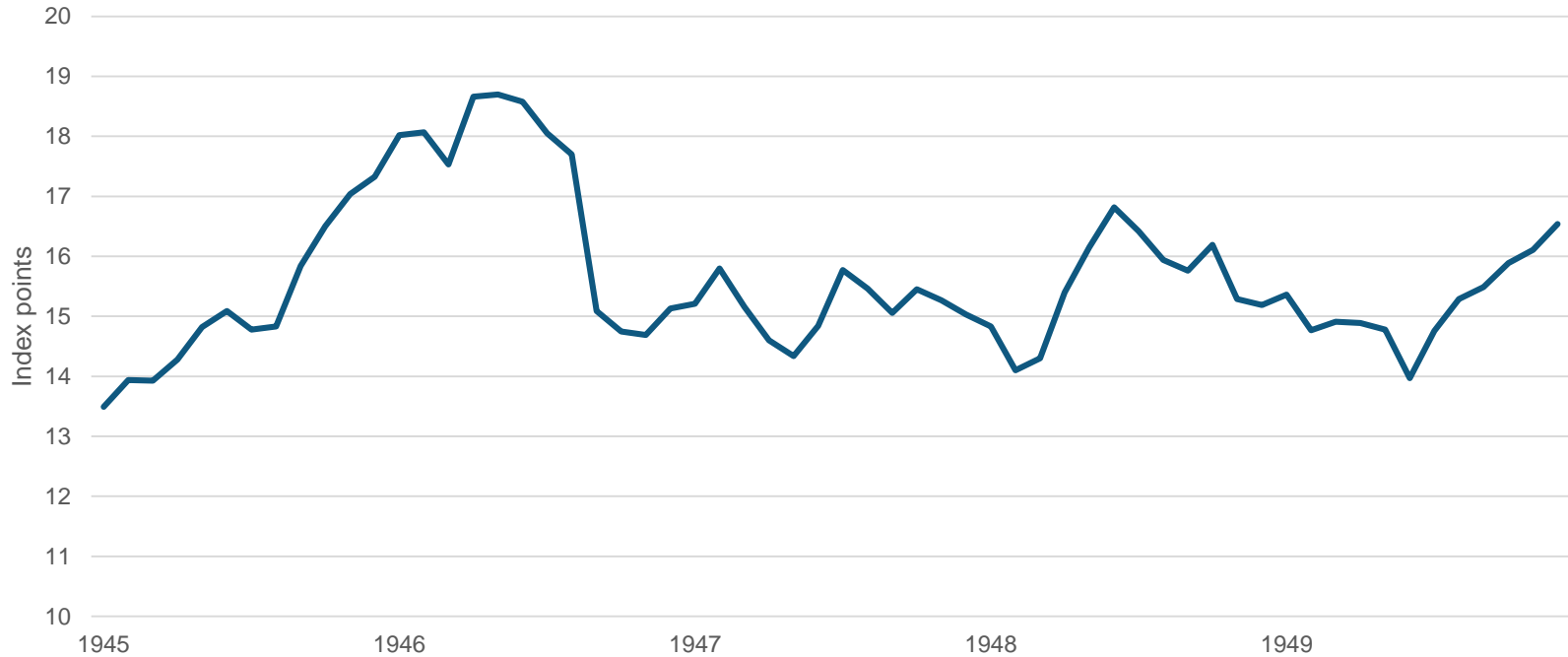
US Corporate Profits in the late 1940s

US corporate profits saw a >20% fall in the late 1940s



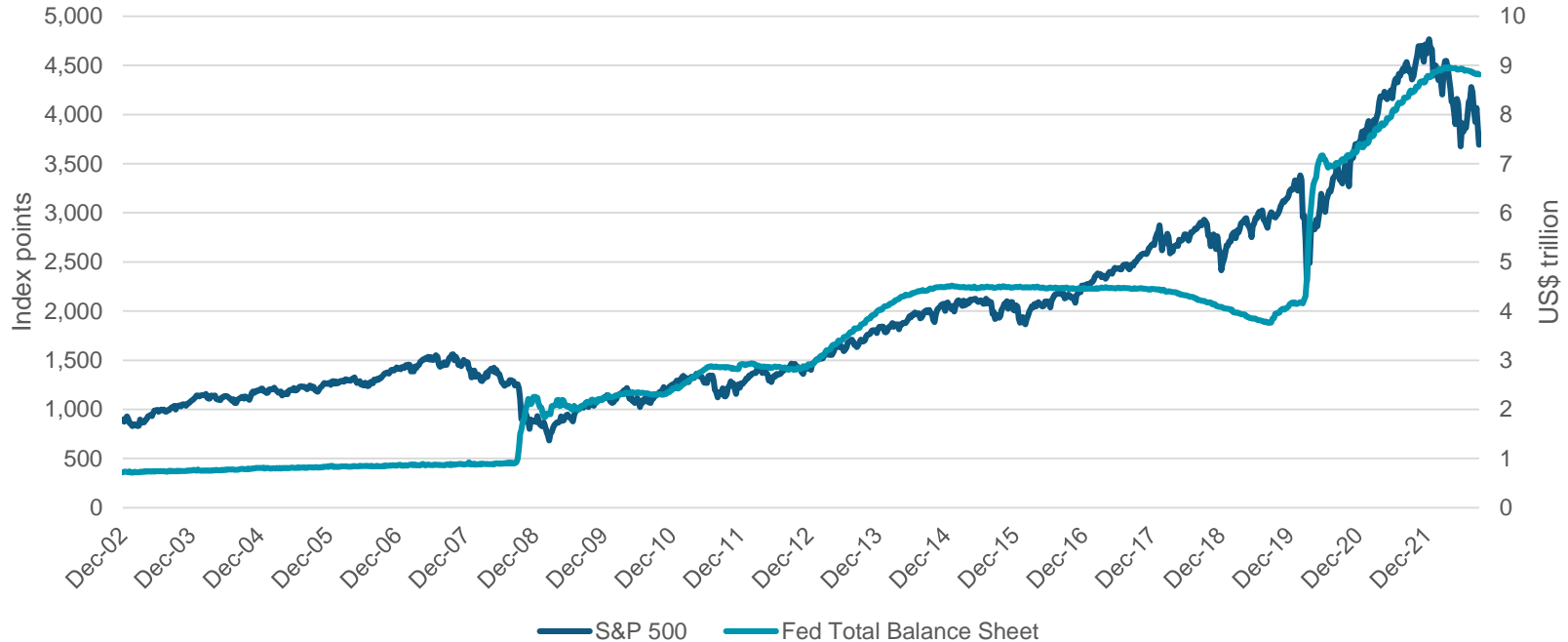
A grinding, if shallow bear market

The late 1940s witnessed a 25% bear market in the S&P 500, lasting over four years



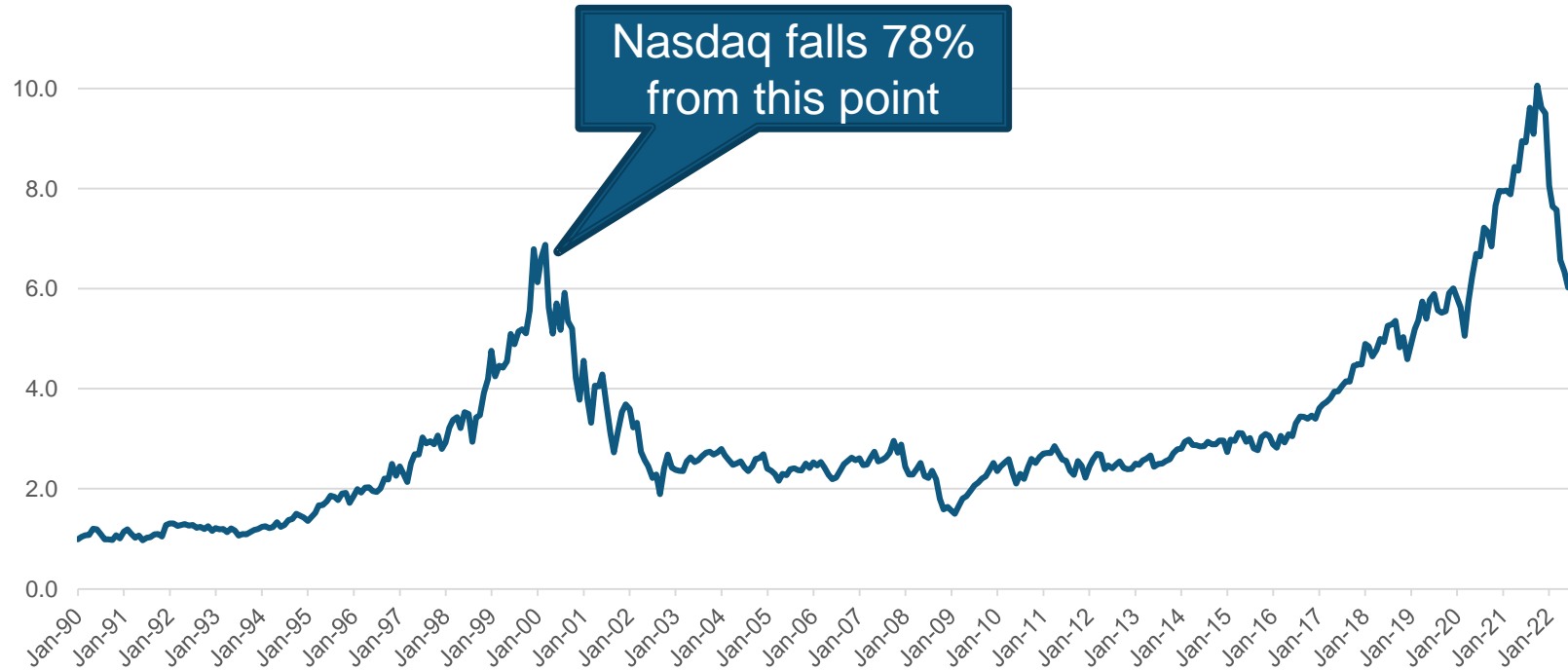
Understanding the impact of QE: a collateral spiral

US Federal Reserve Total Balance Sheet and S&P 500 index



Software valuations are near the peak of the dot.com boom

US Software enterprise value/sales multiple



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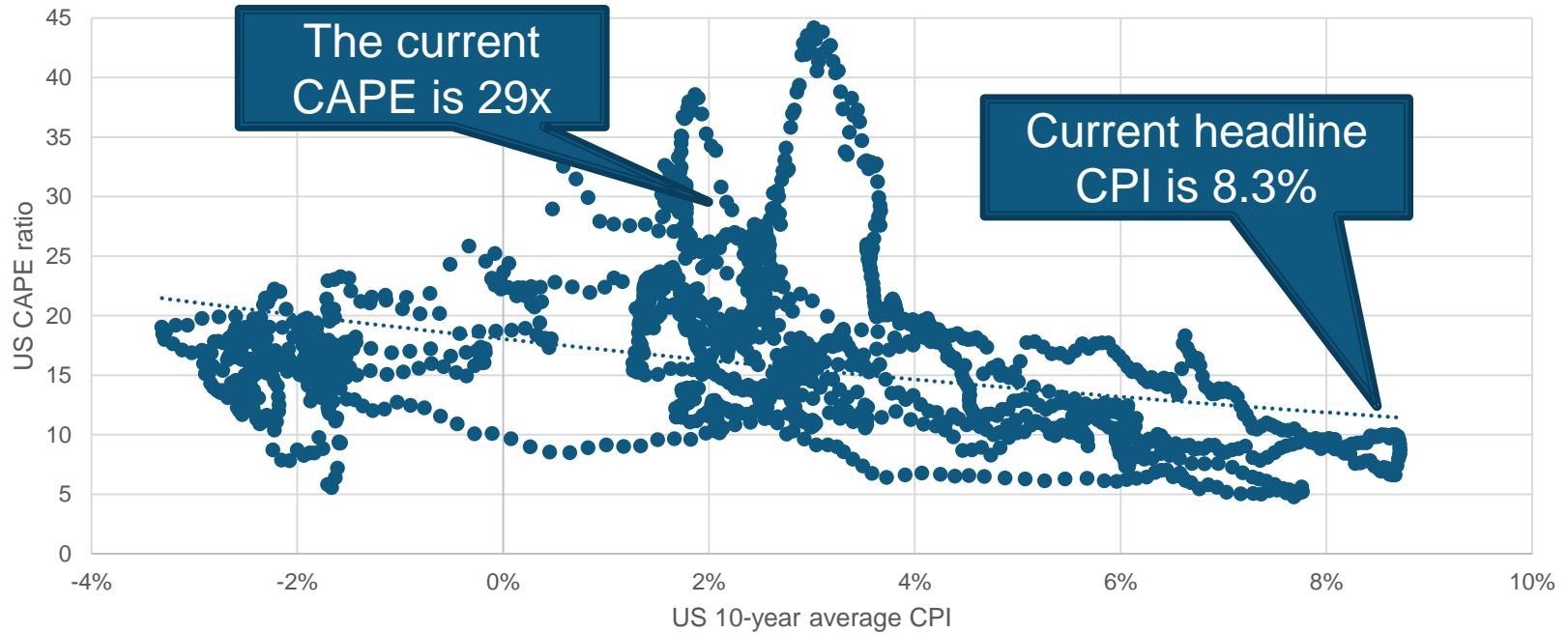
China is in a very different situation

Portfolio performance and positioning



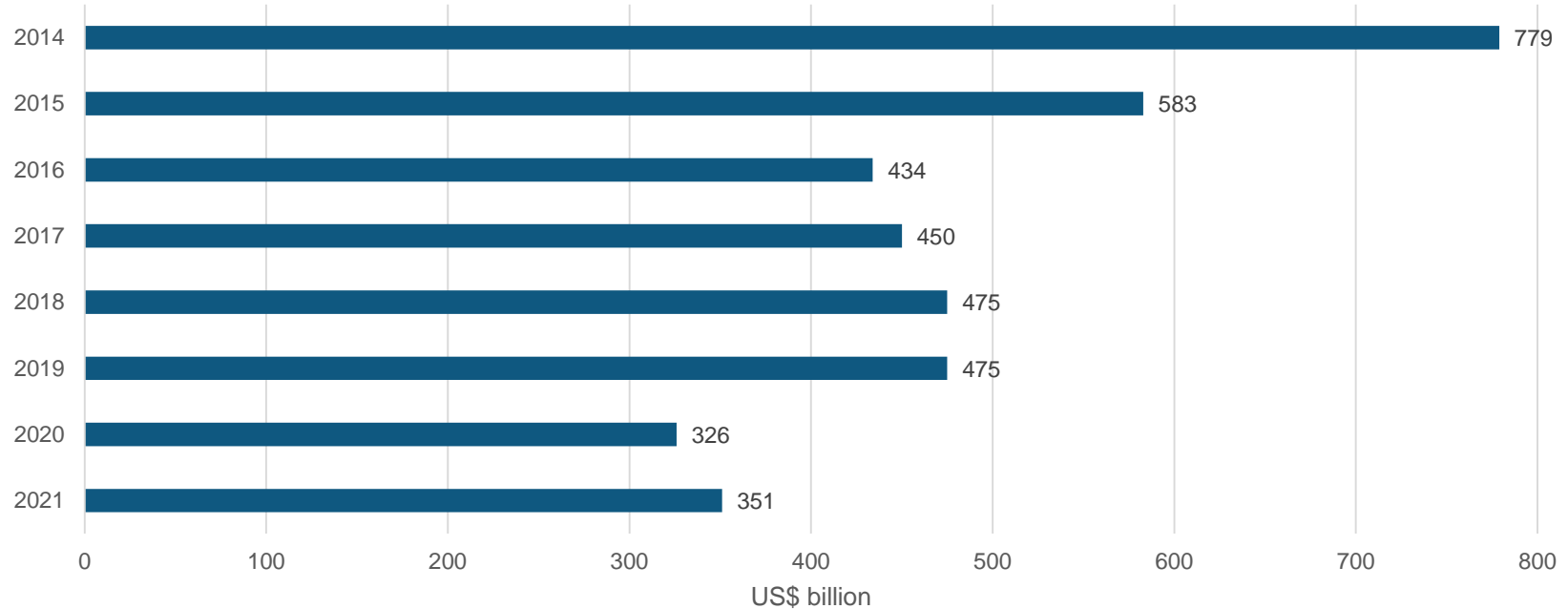
Inflation matters to asset pricing

US 10 year average CPI versus 10 year average PE ratio, OR Cyclically Adjusted PE Ratio (CAPE), 1945 to April 2022



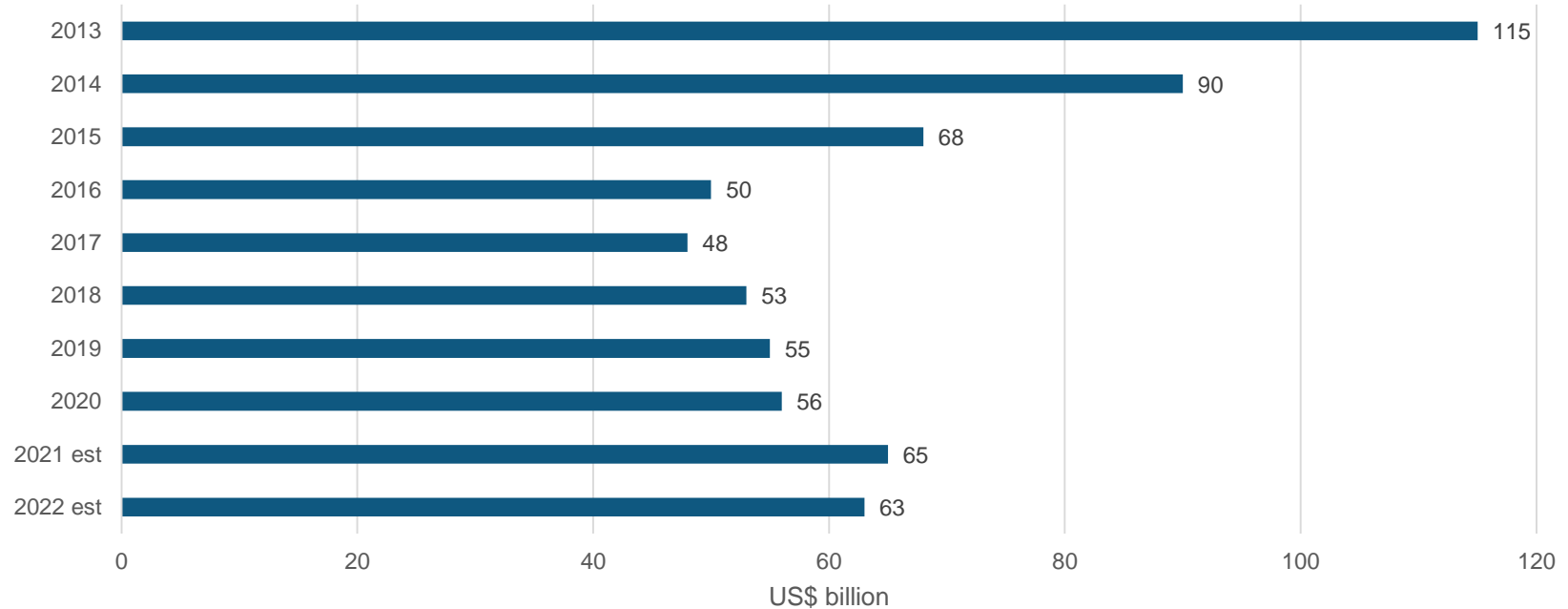
Oil & gas capex collapsed

Global oil and gas upstream capital spending



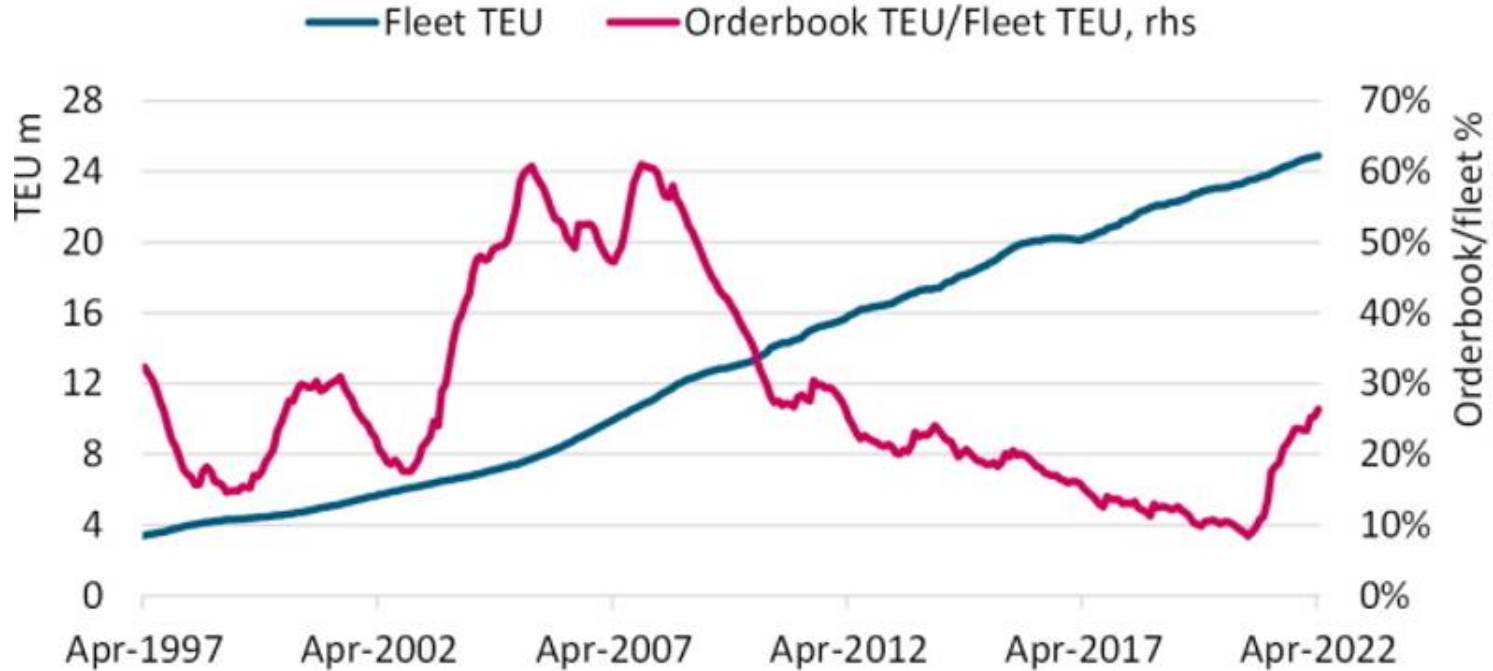
Global mining capex collapsed

Top 25 mining firms by market cap – capital expenditures



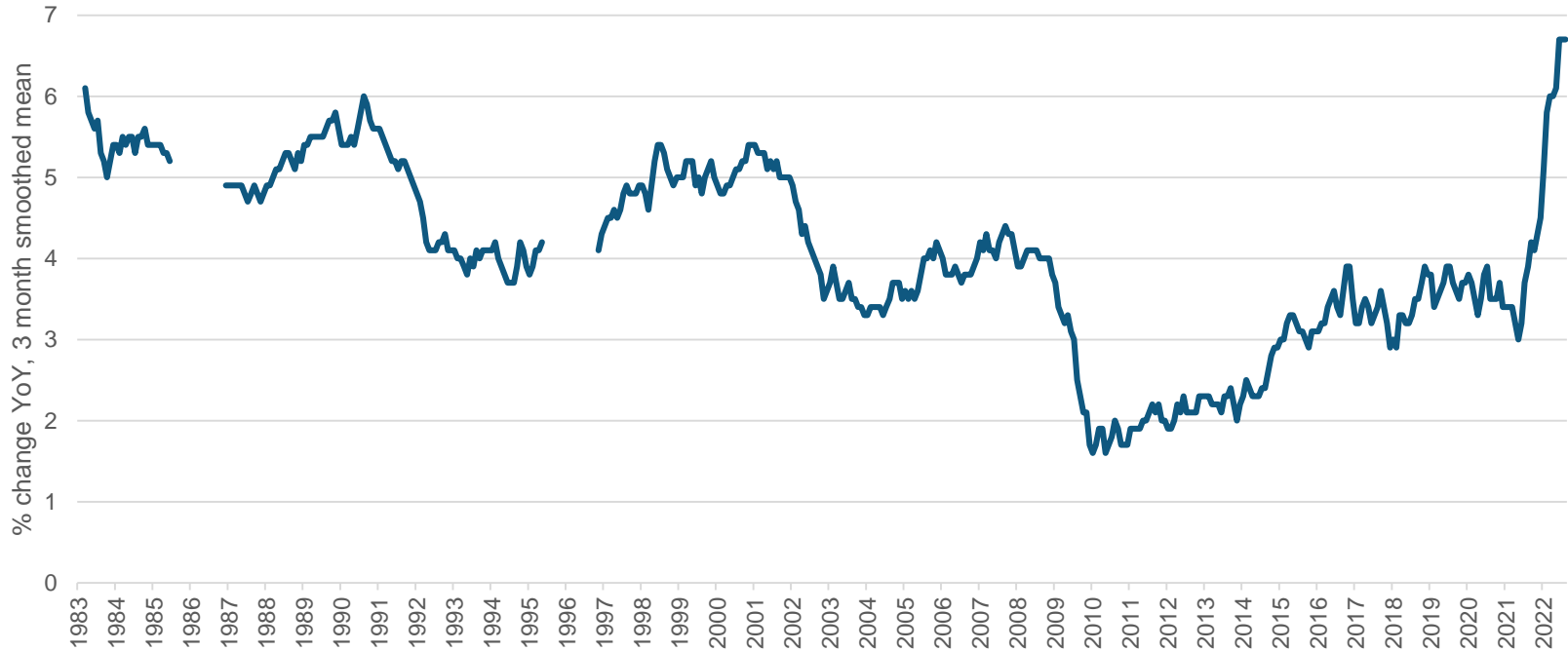
Shipping capex collapsed

Global containership orderbook as % of fleet



Atlanta Fed Wage Tracker

US wages are growing at their fastest rate ever in data back to 1983, at 6.7% YoY (3 month smoothed)



The problem with the US Federal Reserve...



“no one knows with any certainty where the economy will be a year or more from now..”



Don't fight the Fed?

"Transitory" was clearly (with hindsight for some) incorrect.

“The worst mistake we could make would be to fail, which—it’s not an option. We have to restore price stability.”

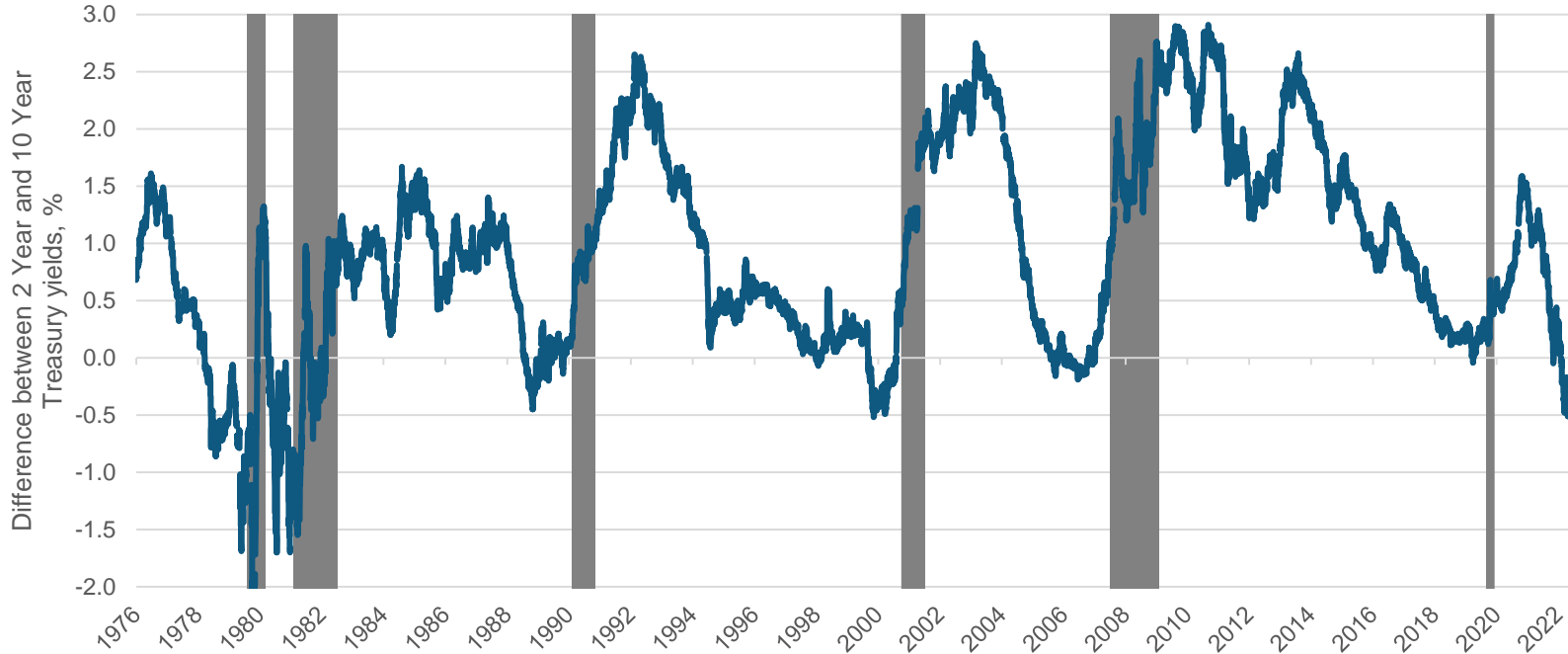
“Is there a risk we will go too far? Certainly, there is a risk. But it's not the biggest risk to the economy. **The bigger mistake to make would be to fail to restore price stability.**”

“Right now, there’s—demand is substantially higher than available supply, though, so we feel that **there’s a role for us in moderating demand.**”



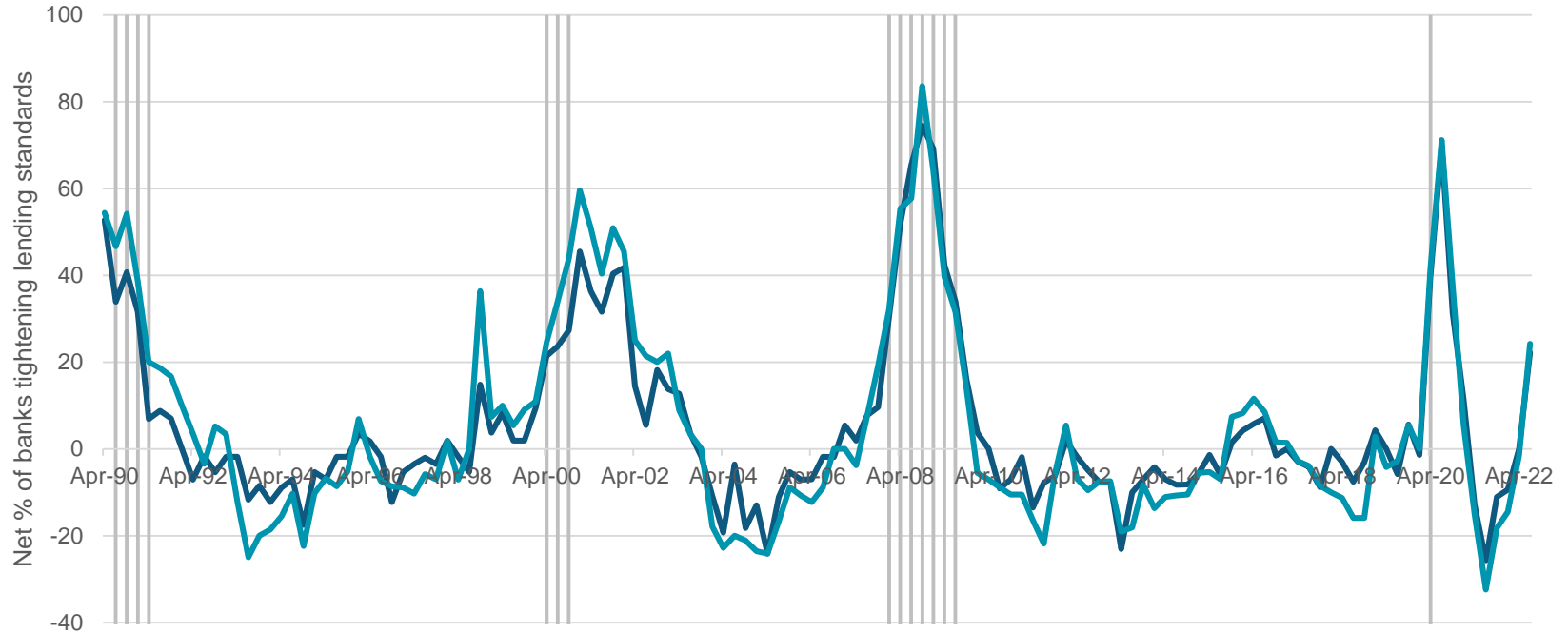
The US yield curve is inverted

US 2s – 10s more inverted than at anytime since 2000, with recessions shown in grey



US banks are tightening lending standards

Senior Loan Officer Survey, Small Business (dark blue) and Large and Mid-size Businesses (light blue)



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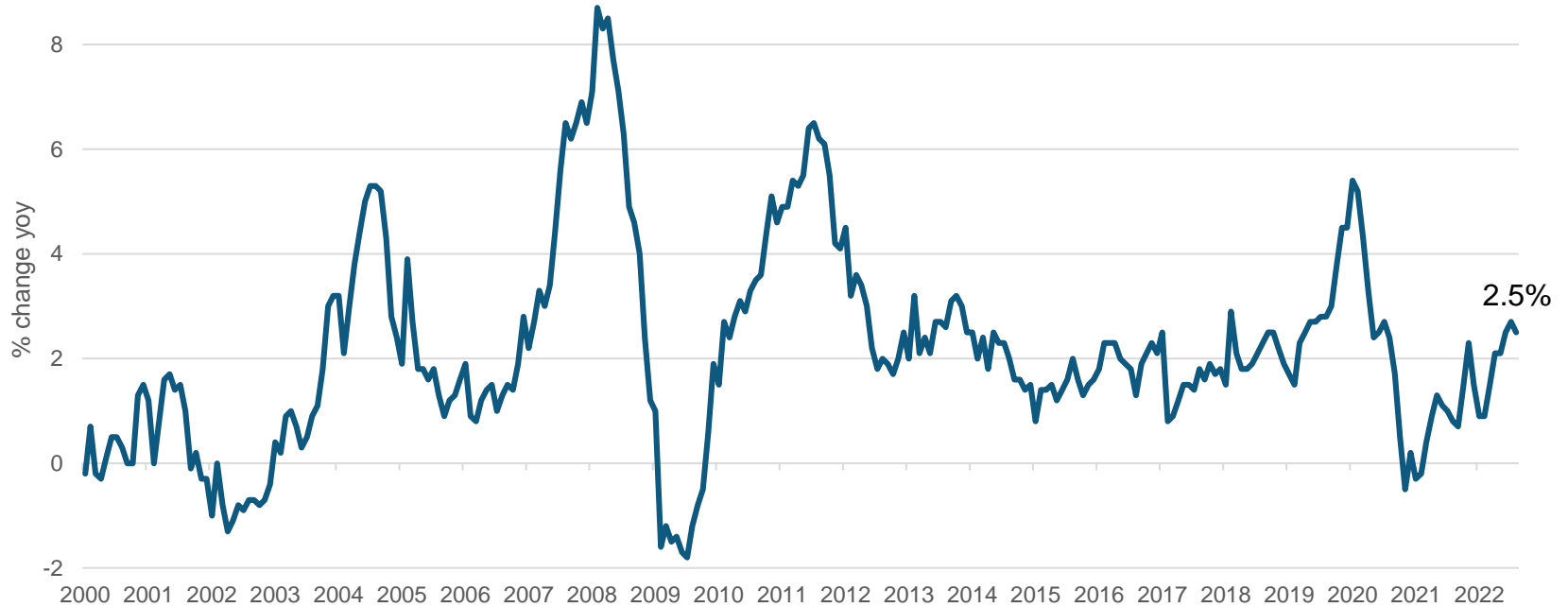
China is in a very different situation

Portfolio performance and positioning



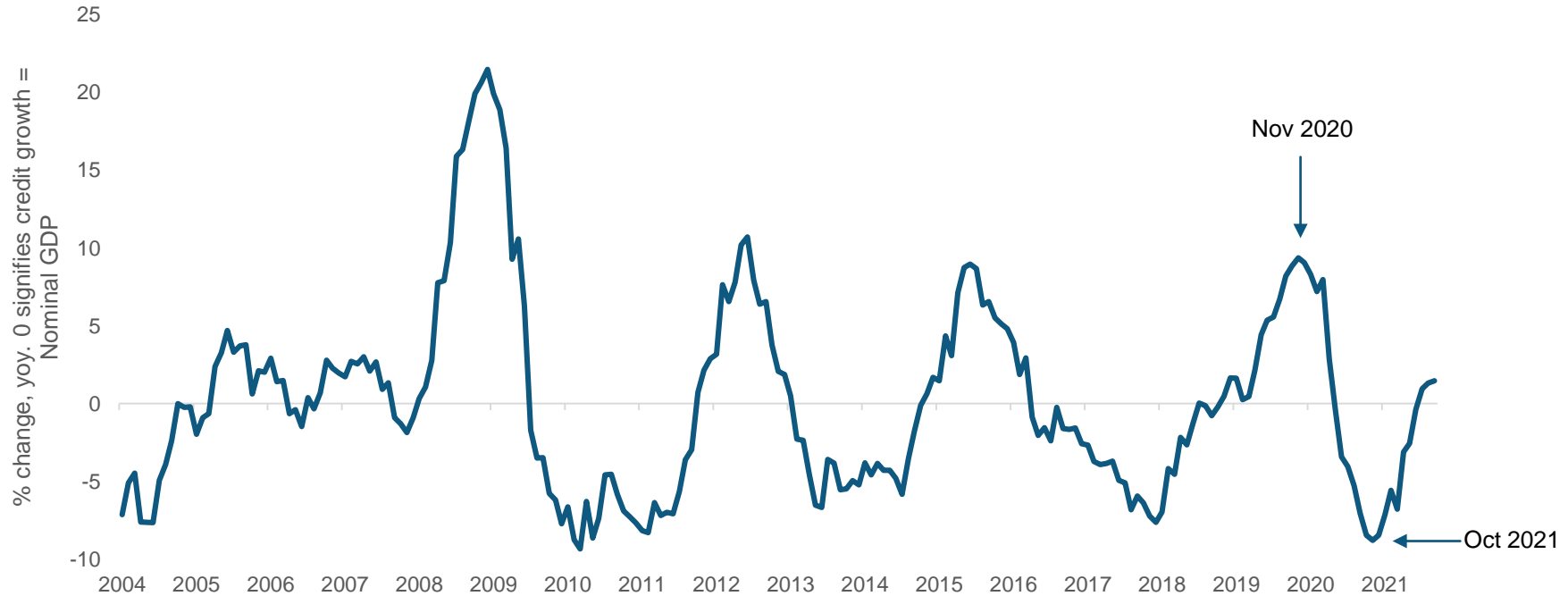
China appears to have no inflation problem

China Consumer Price Index, % p.a.



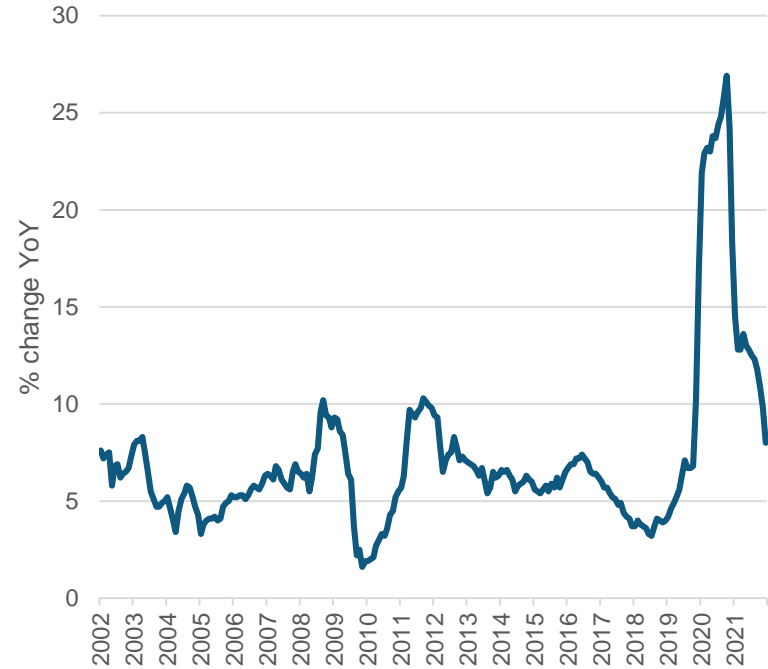
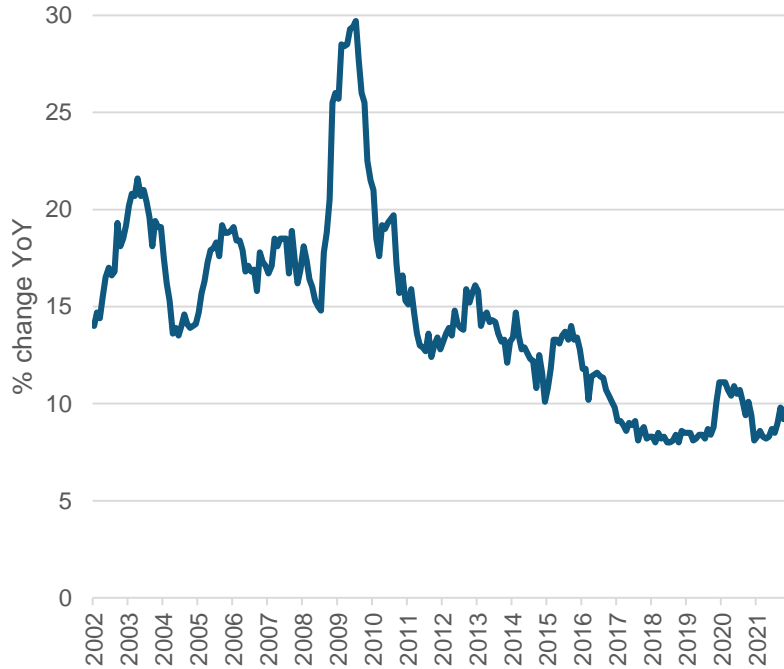
China policy has been restrained, part 1

China's "credit impulse" (credit growth – nominal GDP growth)



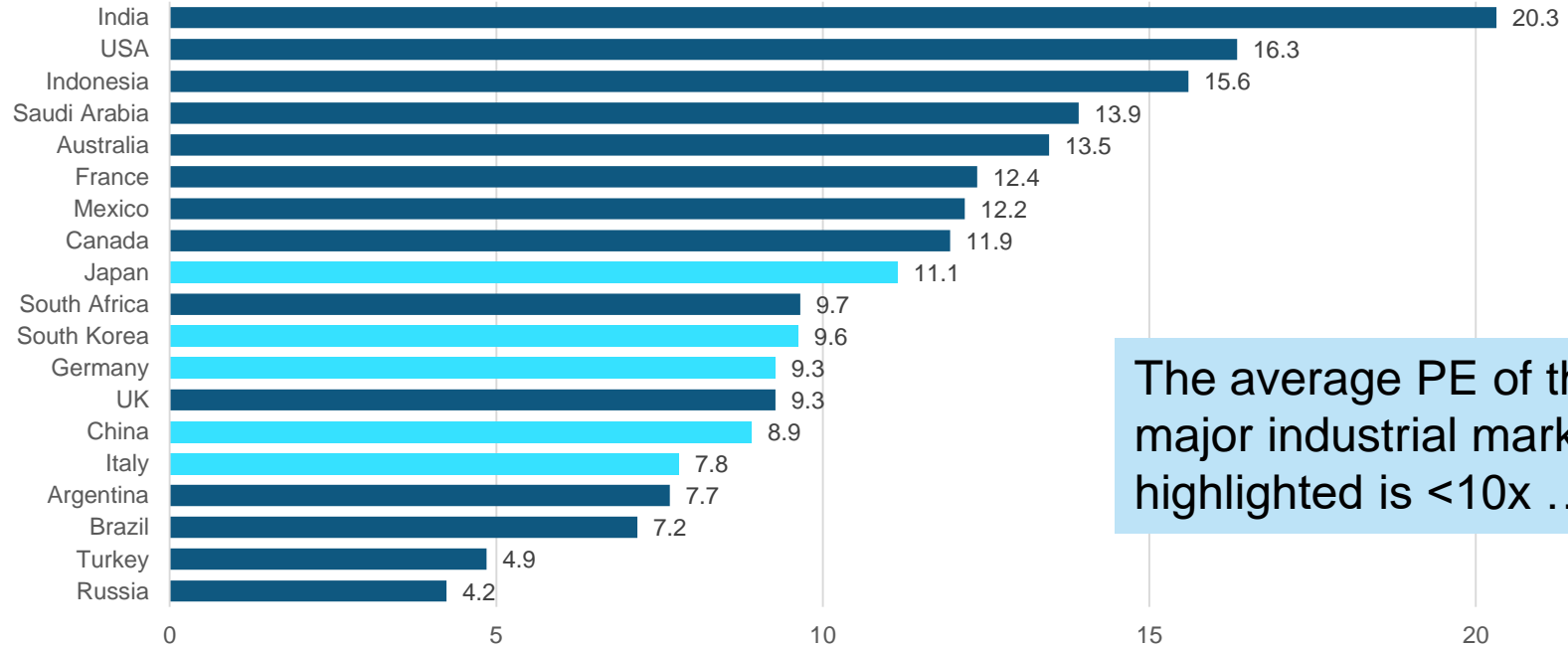
China policy has been restrained, part 2

Money supply (M2) growth p.a., China (left hand side) versus USA (right hand side)



Price-earnings ratios – Next 12 months

PE ratios of select major markets, MSCI national indices

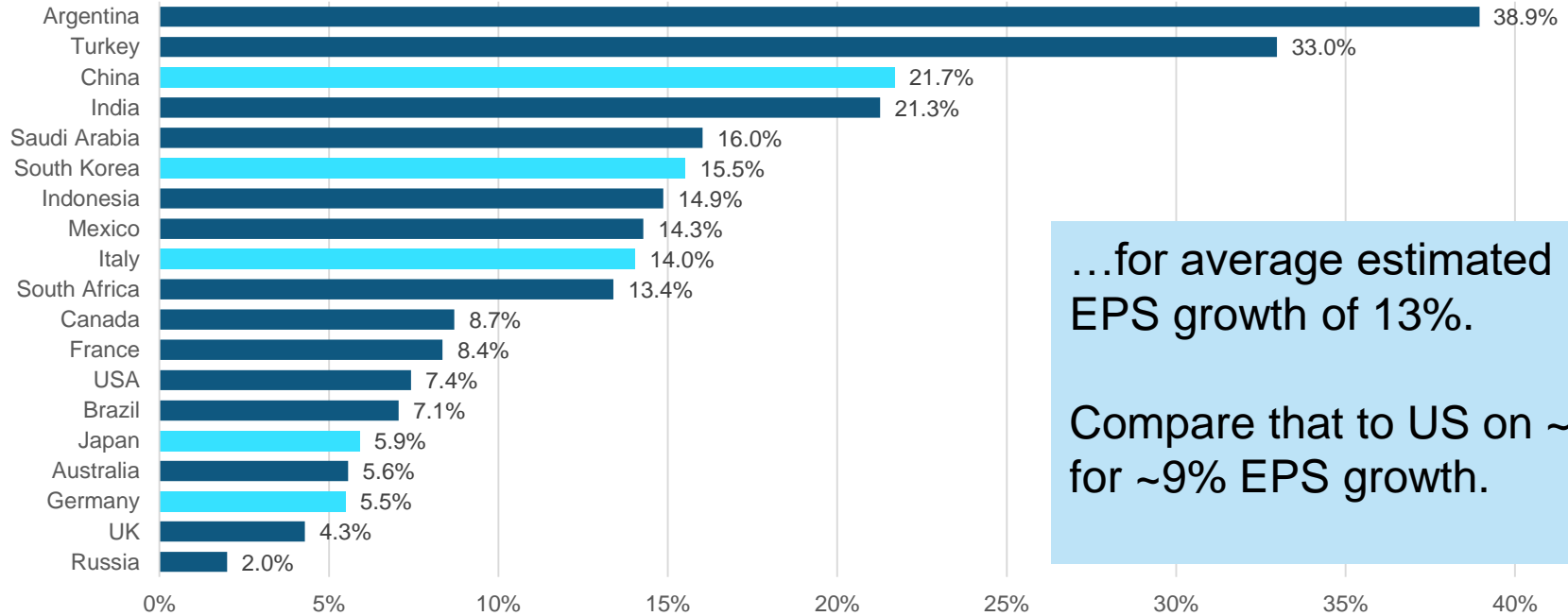


The average PE of the major industrial markets highlighted is <10x ...



Major market EPS growth – Next 12 months

EPS growth of select major markets, MSCI national indices



...for average estimated
EPS growth of 13%.

Compare that to US on ~16x
for ~9% EPS growth.



USA vs China over the last decade

Index Total Return



Isn't China “un-investable”?

Spain hits banks and utilities with windfall tax

Sánchez government targets lenders as it seeks funds to lessen pain of inflation

Among other measures, the government plans to use the funds raised to build 12,000 homes in Madrid, make most state railway journeys free between September and December, and provide €2bn in scholarships for over-16s.

June 3, 2022
7:59 AM GMT+10
Last Updated a month ago

Energy

White House weighs oil profits tax to fund consumer rebate

By Trevor Hunnicutt

India imposes \$8.3 billion windfall tax on oil producers

New levy imposed ‘by way of special additional excise duty’ and follows sharp rise in international oil prices

4 July 2022 10:27 GMT UPDATED 8 July 2022 14:08 GMT

EUROPE

U.K. imposes windfall tax on oil and gas company profits as inflation bites

Queensland politics

‘Pandora’s box’: experts say Queensland’s windfall from coal royalties could set a precedent



But doesn't China regulate markets too much?

Doesn't that make it uninvestable?

Janet Yellen urges Congress to do more to fight inflation

Affordable housing and investment in education would counter soaring costs, says US Treasury secretary

“**Asking high-income taxpayers and corporations to pay their fair share** is the right way to finance those investments,” she said, adding that tackling what is estimated to be a \$600bn annual gap in taxes that are owed but not paid is “absolutely important in ensuring fiscal responsibility”. “It would generate substantial revenue in a manner that’s efficient and fair,” she said. “**It would enable deficit reduction** and help ease price pressures by providing part of the funding we need for the urgent fiscal priorities we discussed.” – Janet Yellen to Congress in June 2022.



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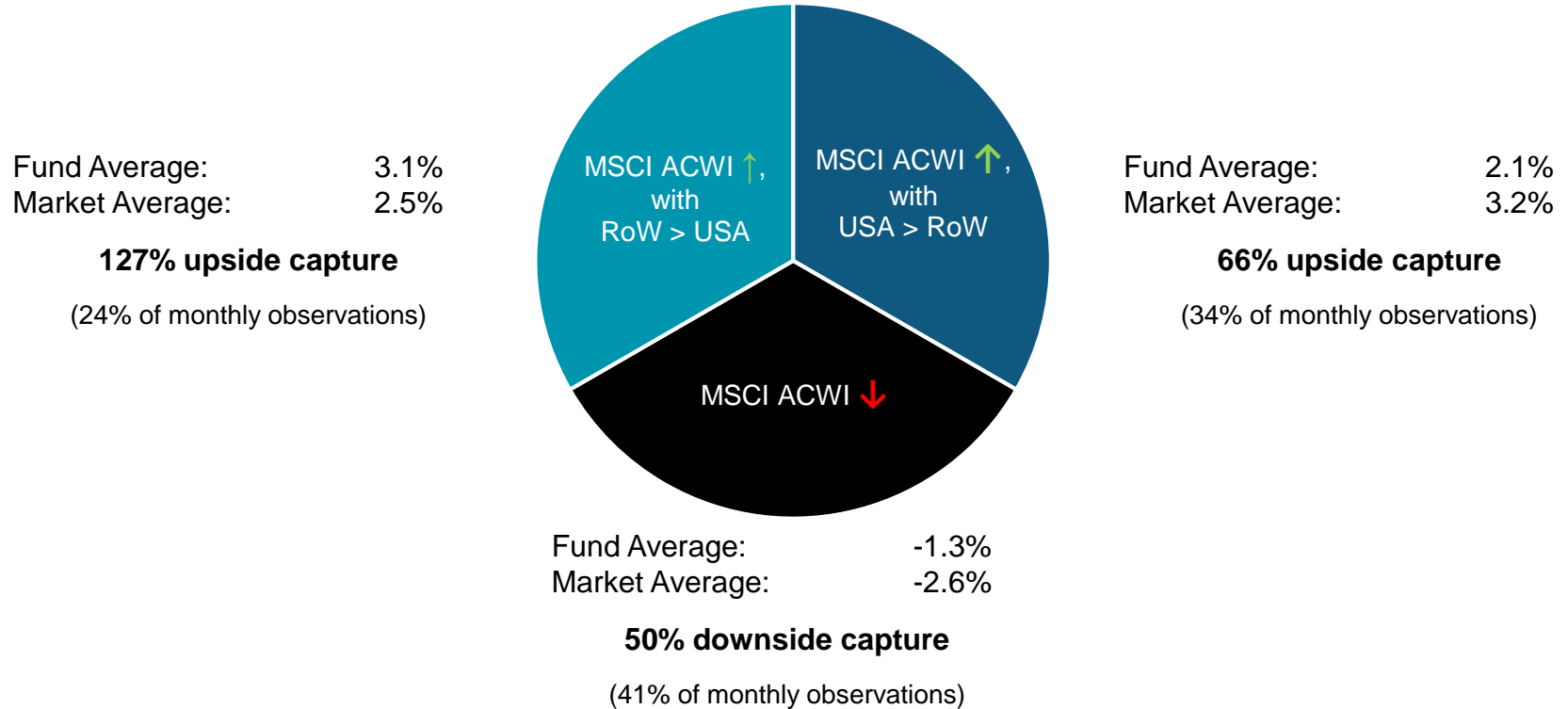
Platinum's investment approach and philosophy

- ◆ Bottom-up, index agnostic, active manager focused on long-term absolute returns / capital growth.
- ◆ Seek out the 'out of favour' and overlooked parts of the market.
- ◆ Seek out transitory events and change.
- ◆ View risk primarily as the prospect of losing investor's capital.

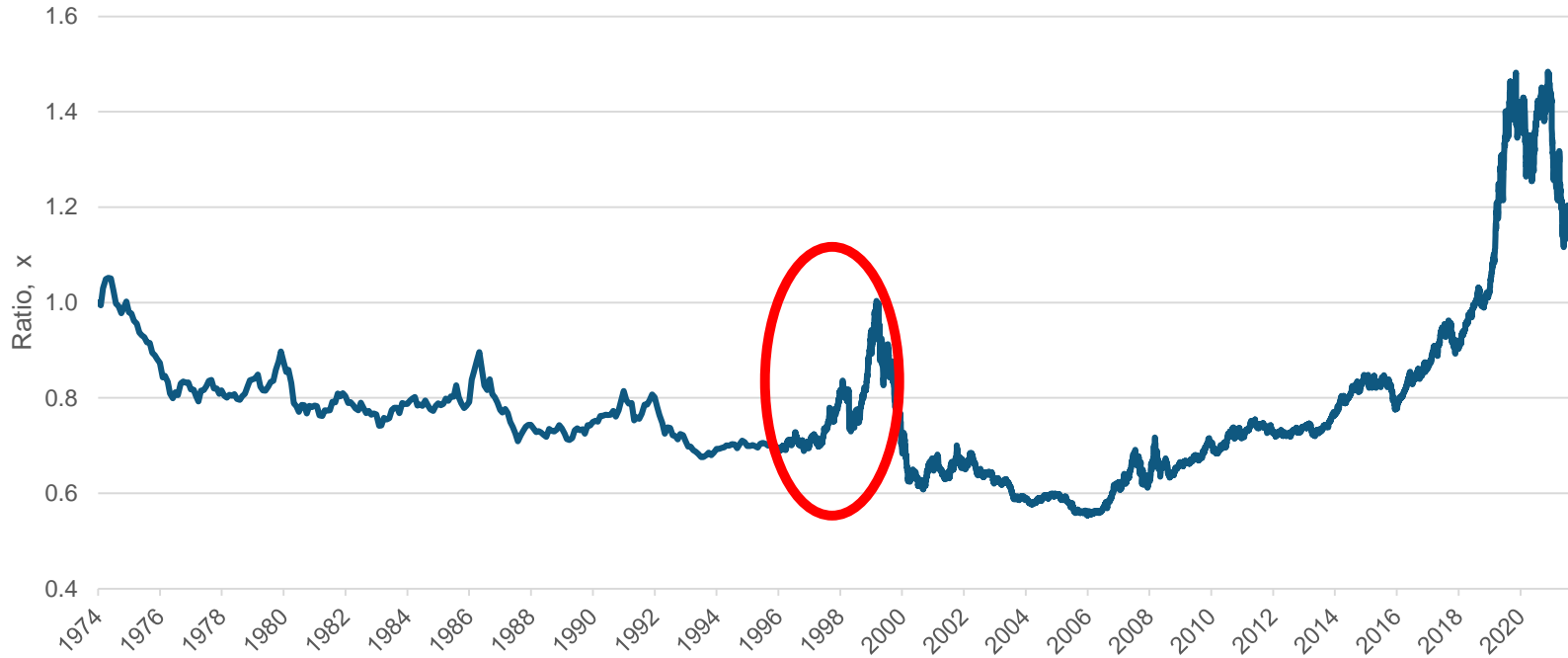


A simple guide for understanding fund returns

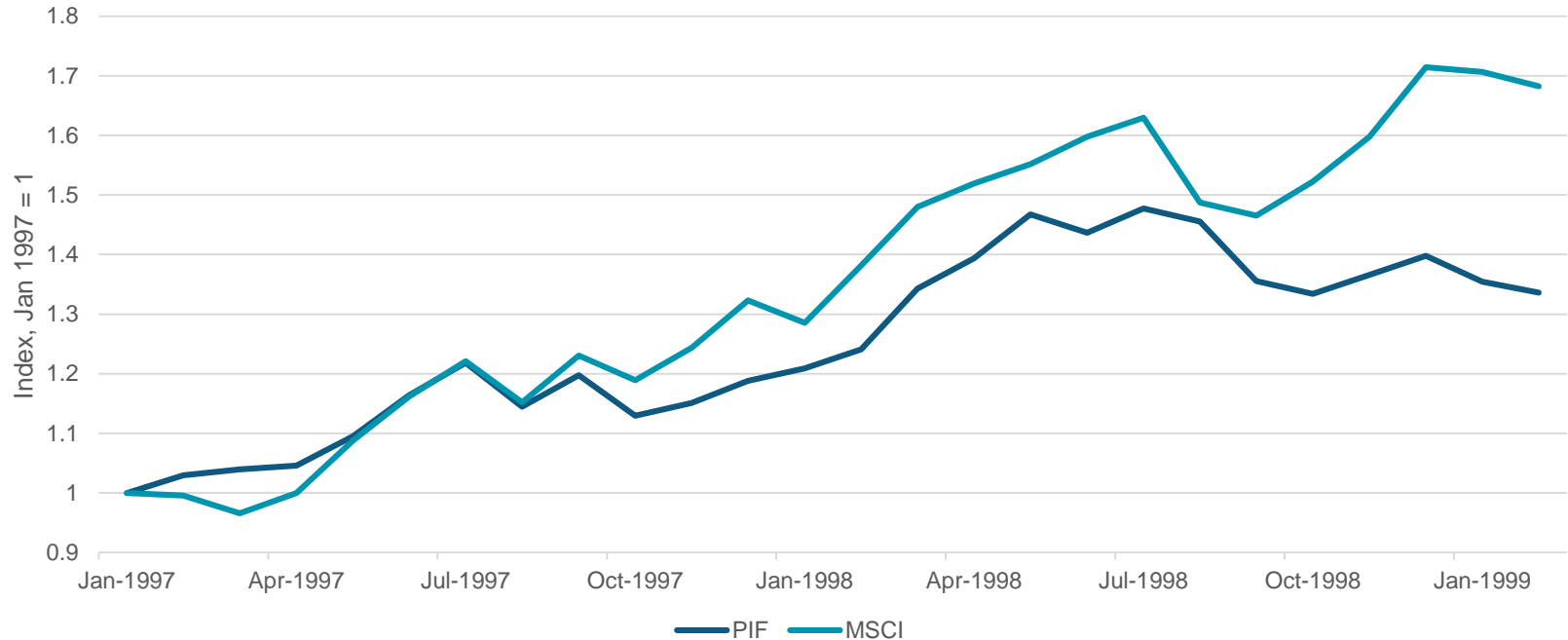
Outcomes in three market environments over the life of the Platinum International Fund from inception to 30 June 2022



Global Growth versus Value



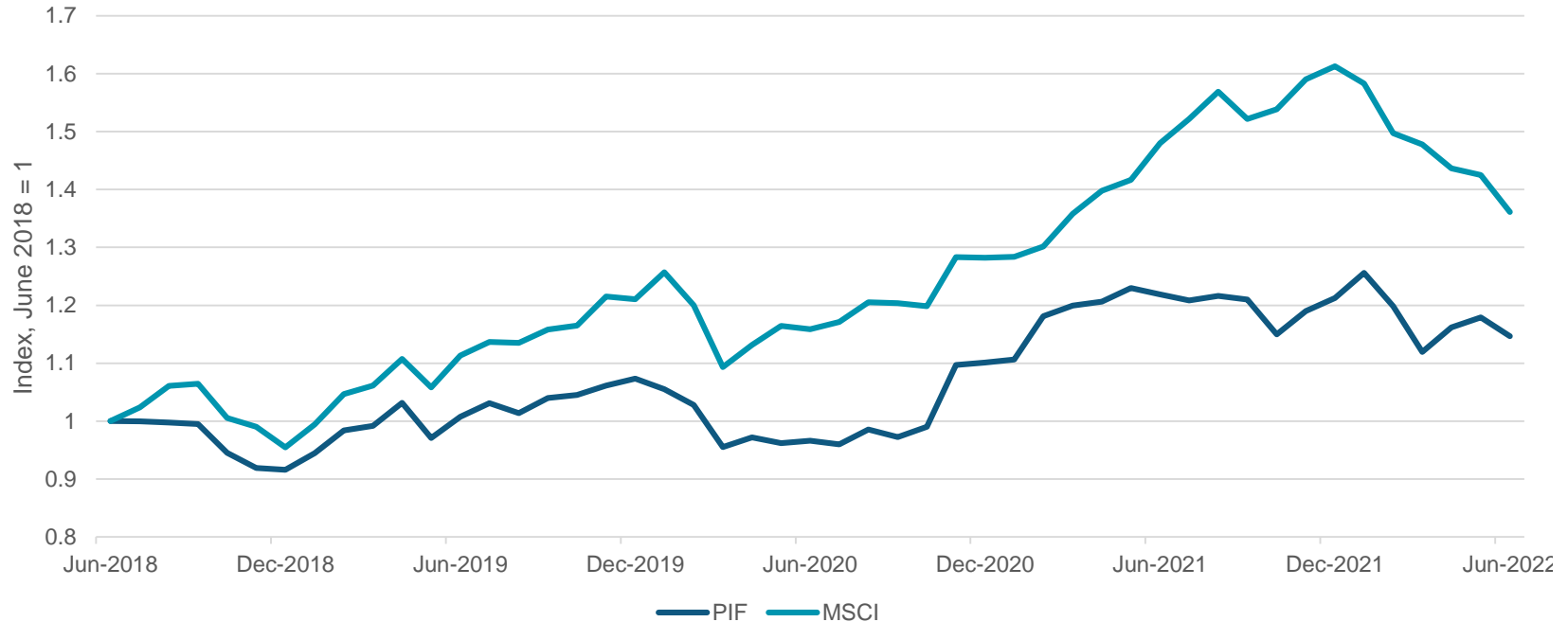
1997-1999: Platinum International Fund vs MSCI



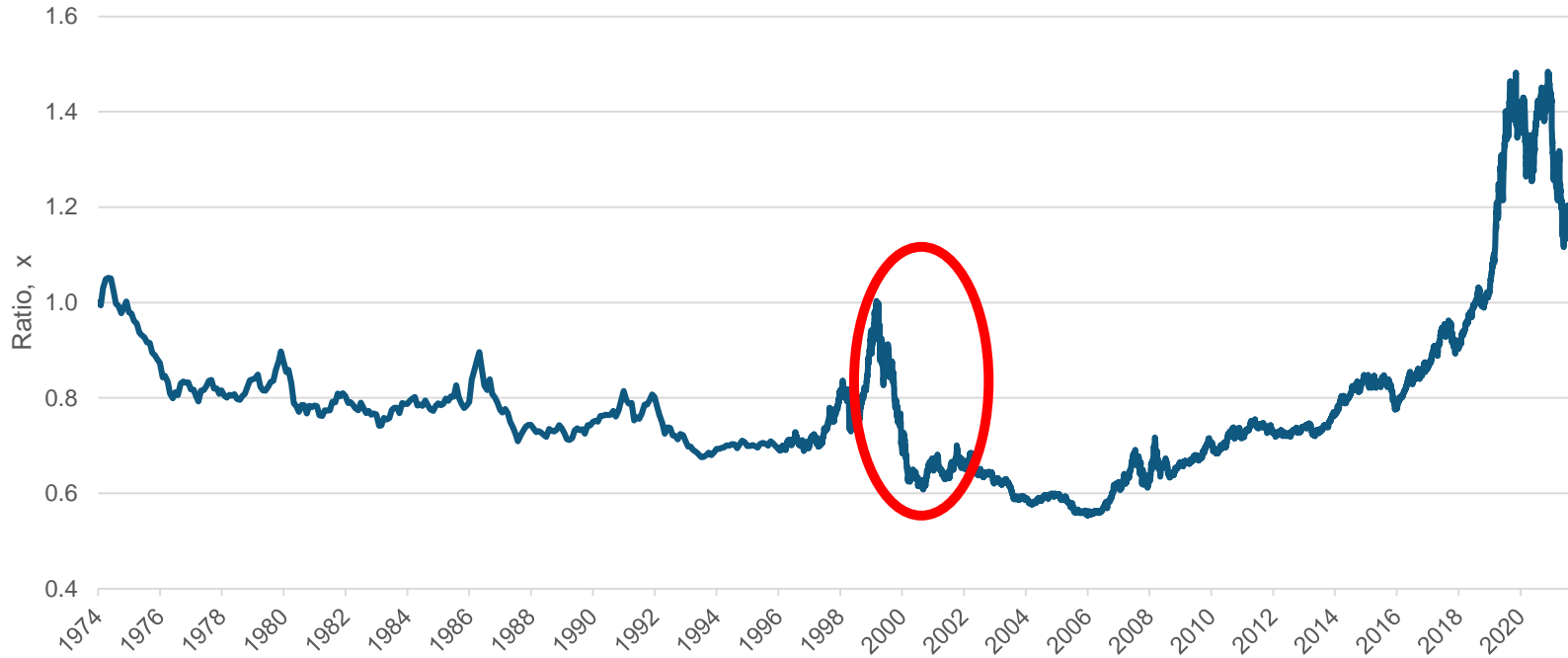
Global Growth versus Value



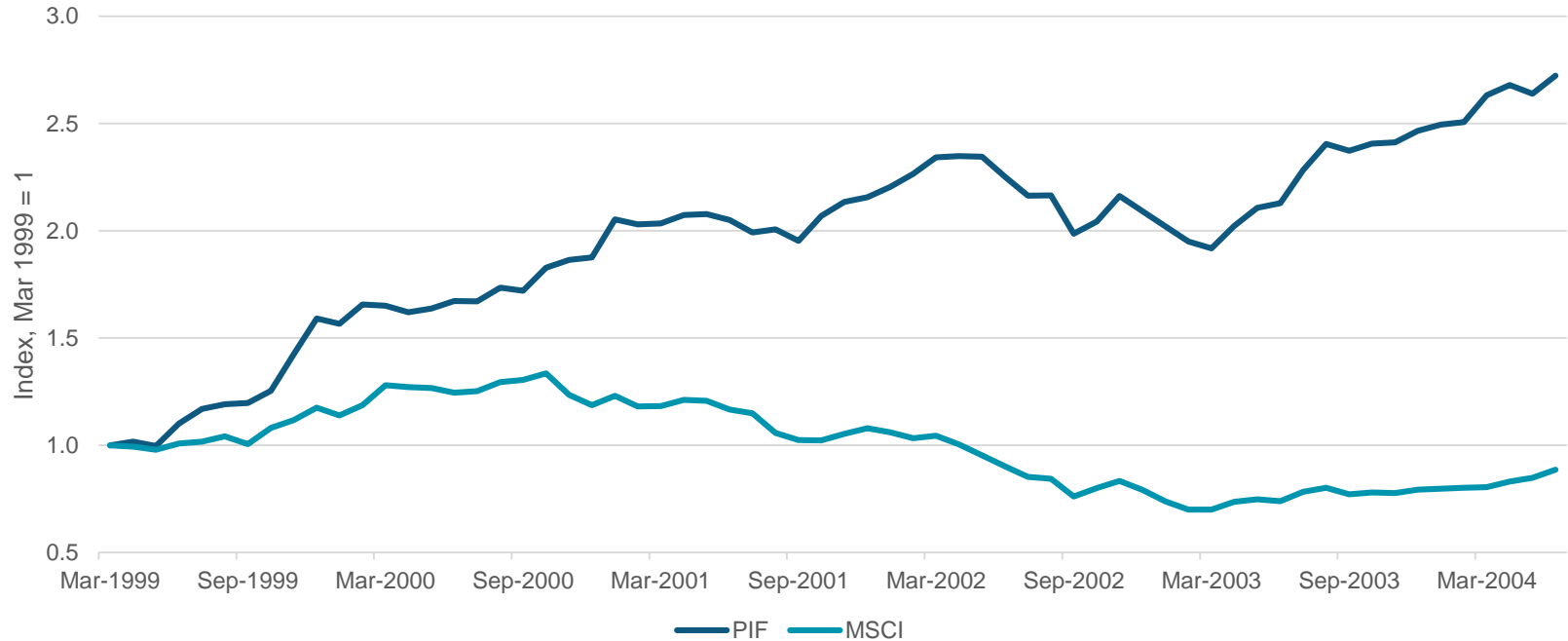
2018-2022: Platinum International Fund vs MSCI



Global Growth versus Value



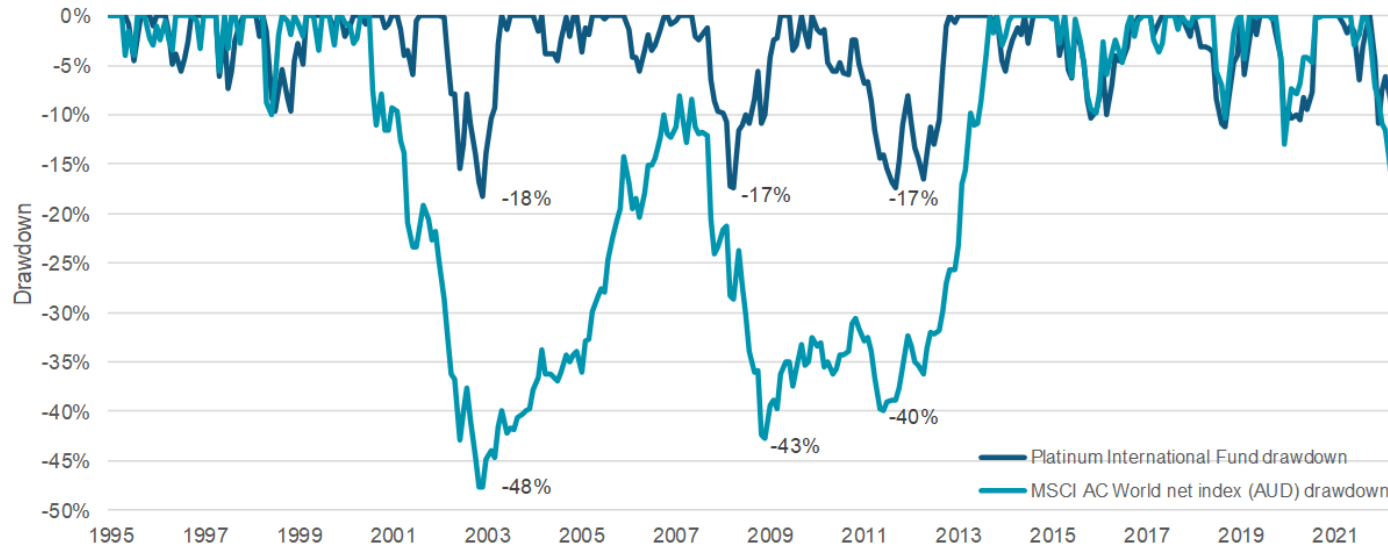
1999-2004: Platinum International Fund vs MSCI



Platinum International Fund

Drawdown summary since inception to 31 August 2022

	Platinum International Fund	MSCI All Country World net index (AUD)
Max drawdown	-18.3%	-47.6%
Max Length of drawdown	34 months	159 months
Period	Mar 10 to Jan 13	Oct 00 to Jan 14

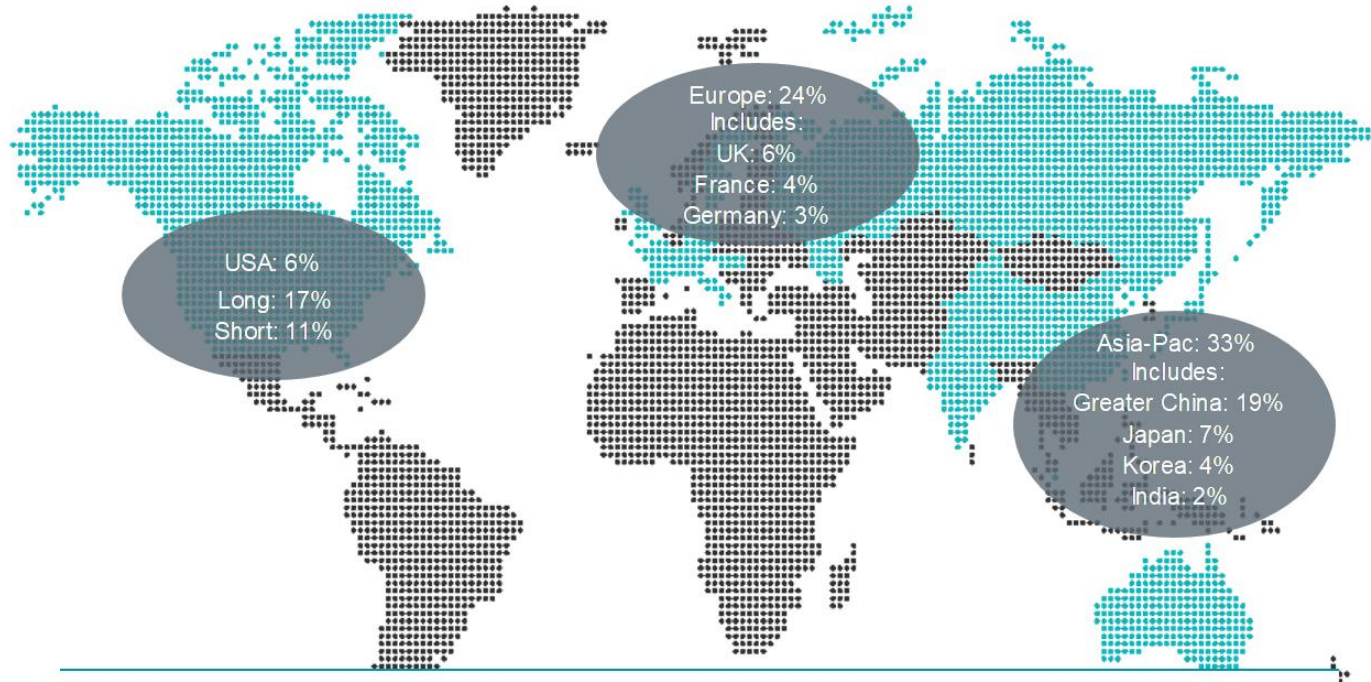


Source: Platinum and Factset Research Systems. Refer to disclaimer slide at the end of the presentation for information on the fund index performance calculation and the index. Drawdown shows the cumulative loss at a point in time from the point of the immediately preceding performance high. Platinum does not invest by reference to the weightings of the index. The index is provided as a reference only. Past performance is not a reliable indicator of future returns.



Platinum International Fund

Net geographical and currency exposures as at 31 August 2022



Major effective currency exposures

USD & HKD	European	AUD	JPY	Other Asian	Chinese RMB
22%	29%	4%	13%	7%	20%

Source: Platinum. Exposure represents the fund's exposure to the relevant countries/regions as a % of the fund's total market value of investment positions, taking into account direct and indirect long and short securities and derivative positions. Refer to disclaimer slide at the end of the presentation for information on long/short exposure. The currency exposure of the fund is calculated as a % of the fund's net asset value, with exposure through cash, forwards, long and short direct and indirect securities and derivative positions. Actual exposures may be changed from time to time by Platinum.



Platinum International Fund

Portfolio snapshot, as at 30 June 2022

Real estate, Financials	Chinese consumer	Growth Industrials	Materials	Travel	Semiconductors
~16%	~13%	~12%	~11%	~10%	~7%
					
					
					
					



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Unless otherwise expressly stated, investment returns for the Fund have been calculated using the Fund's NAV unit price (C Class) and are pre-tax, net of fees and costs and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance.

Any reference to long positions in this presentation means a position which the portfolio holds in an attempt to benefit from an increase in value of the underlying security of the position. Any reference to short positions means a position in which the portfolio holds in an attempt to benefit from a decrease in value of the underlying security of the position. Accordingly, long positions represent the fund's exposure to direct long securities positions and indirect long securities/index positions through derivatives, and short positions represent the fund's exposure to direct short securities positions and indirect short securities/index positions through derivatives, each as a percentage of the fund's NAV.

Where the returns are calculated relative to the MSCI Indices, it should be noted that prior to 31 December 1998, the gross MSCI Index was used as the net MSCI Index did not exist. MSCI data has been sourced from RIMES Technologies. All data where MSCI is referenced is the property of MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).



Q&A