Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

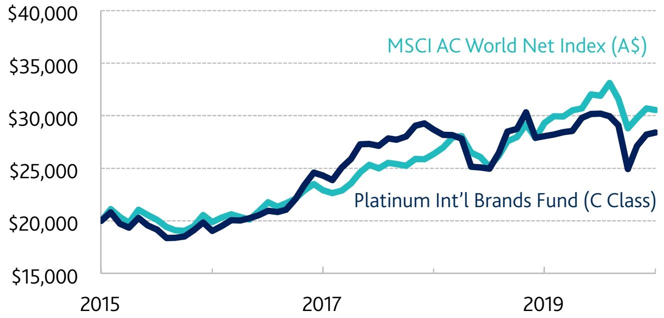
(compound p.a.+, to 30 June 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	14%	1%	5%	7%	12%
MSCI AC World Index^	6%	4%	10%	9%	3%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 18 May 2000.
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 June 2015 to 30 June 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 markets began the quarter bouncing sharply, as signs emerged that lockdowns were having the intended effect on reducing the spread of coronavirus. The market recovery then continued through late May and early June, led by consumer discretionary stocks, as economic activity resumed with the relaxation of social distancing measures. The general buoyant trend received an additional boost from unprecedented monetary and fiscal stimulus from governments and central banks around the world, targeted at maintaining credit availability and reducing the impact to incomes of enforced business closures and the consequent spike in unemployment.

Market jitters resumed from the second week of June, before intensifying in late June as a new outbreak in the US gained momentum and controls on activity were tightened in many states. However, it is unclear whether US states will re-enter the condition of extreme lockdowns characteristic of March/April given popular and political resistance to such measures in many of the states now suffering outbreaks.

For the quarter, global markets bounced 6% in Australian dollar terms (AUD), with the strength in the underlying stock markets partially obscured by a 13% surge in the value of the AUD relative to the US dollar (USD), back to pre-crisis levels.

The Fund (C Class) generated performance of 13.9% over the quarter, benefiting primarily from our large positions in discretionary stocks, as well as a relatively low exposure to the weak USD and positions in natural resource-linked currencies such as the AUD and Norwegian krone.[1] Top stock contributors included online apparel retailers **Zalando** (+83% from the beginning of the quarter to our exit point) and **ASOS**, which almost tripled during the period from heavily depressed levels. Online used car retailer **Carvana** likewise jumped 118%. A step-change in market share for e-commerce pure-plays has been a key theme of the pandemic and we view this as a structural shift (for more detail on pandemic-related shifts in consumer behaviour, please refer to the feature article in our June 2020 Quarterly Report, *Will the Pandemic Change our Spending Habits Long Term?*").

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

Other beneficiaries of this theme were Chinese super-app **Meituan Dianping**, which appreciated 84% to new highs, Russian online bank **TCS Group** (+76%), which recovered much of its drastic sell-off as fears of a large increase in default rates dissipated, and online gambling operators Stars Group which became **Flutter Entertainment**[2] (+48%), which benefited as gamblers shifted online due to the closure of betting shops and physical casinos.

Encouraging progress in reopening stores as well as solid e-commerce revenue growth drove strong returns for jeweller **Pandora** (+63%), as well as apparel retailers **Aritizia** (+54%) and **American Eagle Outfitters** (+37%). Reopening hopes also benefited our positions in theme park operators. **Six Flags** (+53%), **Cedar Fair** (+50%) and **SeaWorld Entertainment** (+34%). Our large position in the significantly mispriced **2024 Euro-Stoxx 50 Dividend Future** generated a 1.6% contribution to our return for the quarter.

Given the market strength, our short positions were a detractor from performance, costing the Fund 5.6%. We ended the March quarter conservatively positioned at 65% net long, but also sitting at 97% gross due to the abundance of opportunities. As we moved through April, it quickly became apparent that investor fear had peaked in March, so we rapidly reduced our shorts so as to sit at 87% net by the end of April, allowing us to capture much more of the rally than we otherwise would have.

Changes to the Portfolio

Portfolio turnover was again elevated in the quarter as the market rally provided opportunities to recycle capital into several newly established positions, as well as existing positions that became increasingly attractive on a relative basis as our more volatile discretionary stocks rebounded. The primary additions amongst our existing holdings were the digital giants **Facebook**, Google-parent **Alphabet** and their Chinese counterparts, **Alibaba** and **Tencent**. Alongside new investments in various retailers and leisure operators poised to benefit from improved market perceptions as stores reopen and movement resumes as well as industry consolidation as a result of the pandemic, we also started a new position in game and console developer, Nintendo.

Nintendo has been a key beneficiary of the stay-at-home world, which is well appreciated by all. What is less well understood are the changes to its underlying business model. The business has historically been one of boom and bust around console cycles, with a device flop (e.g. the Wii U) leading to many years of pain for investors. The shift to digital downloads boosts and smooths earnings as Nintendo can sell follow-on content and subscriptions to supplement lumpier console and software purchases. The pandemic has driven a step-change in consumer adoption of the digital channel, likely leading to much improved future profits for Nintendo.

Having exited our position in jeweller **Tiffany** in early April, we took the opportunity to re-establish the position after the stock sold off in early June. Luxury conglomerate LVMH has agreed to acquire Tiffany at a price of US$135, with the deal due to close imminently. The stock sold off in response to reports LVMH wished to renegotiate the transaction. Our view was that the merger agreement was airtight, provided Tiffany could meet its debt covenants in an environment where many of its stores were closed, which we thought highly likely. Tiffany later announced it had renegotiated these covenants, removing this issue. Despite this, the stock remains around our average purchase price, but we expect it to rerate to the agreed merger price once European competition approval is secured. This position has the added benefit of the stock being much less responsive to market whims, so provided a buffer to market sell-offs.

2 Flutter completed an all-stock merger with The Stars Group on 5 May 2020.

Disposition of Assets^

REGION	30 JUN 2020	31 MAR 2020	30 JUN 2019
North America	40%	37%	23%
Europe	26%	31%	17%
Asia	21%	24%	34%
Japan	4%	4%	8%
Cash	8%	3%	18%
Shorts	-9%	-32%	-22%

^ With effect from 31 May 2020, our country classifications for securities were updated to reflect Bloomberg's "country of risk" designations. These changes have been backdated to prior periods.
See note 3, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 JUN 2020	31 MAR 2020	30 JUN 2019
Consumer Discretionary	48%	45%	24%
Communication Services	18%	14%	19%
Financials	11%	12%	10%
Industrials	2%	3%	4%
Consumer Staples	2%	-1%	2%
Real Estate	1%	1%	1%
Information Technology	0%	-2%	0%
Other*	2%	-7%	0%
TOTAL NET EXPOSURE	84%	65%	60%

* Includes index shorts and other positions.
See note 4, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

We trimmed a number of investments following appreciation to nearer fair value. Such stocks included ASOS, Carvana, Meituan Dianping, Six Flags, Cedar Fair and Chinese premium auto dealer China Yongda Automobile Services. We exited our position in Zalando at prices between €43 and €64, following a large re-rating by the market as it became clear that Zalando was a key beneficiary of the store closures and reduced movement occasioned by the pandemic.

Zalando has been a very successful investment for the Fund over time. We entered the stock at €23.77, near its lows during the January 2019 sell-off and exited the lion's share of our position later in 2019 and early 2020 at prices between €36–€47. A near 40% sell-off in the initial stages of the pandemic gave us the chance to re-enter the stock at a time when the market was concerned about an evaporation of spending on apparel and indeed, whether Zalando would be able to continue to deliver packages at all. Further investigation assuaged our concerns on the latter point, while we viewed the former as temporary and saw Zalando as a major longer-term beneficiary of any pandemic-driven retail bankruptcies. Zalando recently announced sales and earnings would be well above expectations, as a result of consumers shifting spend online, and many more brands and retailers adopting Zalando's marketplace offering as their other sales channels were closed. Zalando likely continues to be a winner in the European apparel market, but the valuation now incorporates much of that potential future success.

Outlook

The increase in market fears of further lockdowns in response to a dramatic rise in COVID cases in the US provides the opportunity for a second bite at the cherry with many of our discretionary retail and leisure-focused stocks having sold off dramatically in June. One way or another, the pandemic will end and sales and earnings will recover. While the general consumer environment may look somewhat different in the future, we are confident that people will still need to buy clothes and will still want to ride roller-coasters.

The risk to the downside from here, is that the US states again enforce strict lockdowns, bringing economic activity to a shuddering halt, leading to high unemployment and business bankruptcies. However, companies have already strengthened their balance sheets, renegotiated debt covenants and reduced overheads. The stocks we are invested in have the cash to survive through extended closures. Indeed, in the event of widespread containment measures and another stock market sell-off, the US Federal Reserve and federal government could engage in further large-scale stimulus to cushion the economic impact. This, perversely, could actually drive markets higher despite lockdowns.

In any event, ultimately what will drive our returns is buying stocks at attractive prices relative to their future cashflows. From that perspective, we think the Fund is well positioned.

Net Currency Exposures+

CURRENCY	30 JUN 2020	31 MAR 2020	30 JUN 2019
US dollar (USD)	25%	29%	30%
Euro (EUR)	23%	34%	24%
Chinese yuan (CNY)	19%	21%	26%
Norwegian krone (NOK)	12%	6%	2%
Russian ruble (RUB)	6%	6%	5%
British pound (GBP)	5%	6%	3%
Japanese yen (JPY)	4%	0%	5%
Australian dollar (AUD)	4%	5%	7%
Canadian dollar (CAD)	4%	13%	3%
Danish krone (DKK)	2%	2%	0%
Turkish lira (TRL)	2%	2%	1%
Hong Kong dollar (HKD)	-6%	-9%	-3%
Argentine peso (ARS)	0%	-1%	0%
Brazilian real (BRL)	0%	-1%	-1%
Chinese yuan offshore (CNH)	0%	-9%	-6%
Indian rupee (INR)	0%	-4%	3%
New Zealand dollar (NZD)	0%	0%	-1%
Ukrainian hryvnia (UAH)	0%	1%	1%

+ With effect from 31 May 2020, our currency risk exposure classifications for securities were updated to match the relevant local currencies of the relevant Bloomberg "country of risk" classifications. These changes have been backdated to prior periods.
See note 5, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Tiffany & Co	US	Cons Discretionary	5.4%
Facebook Inc	US	Comm Services	4.9%
Alphabet Inc	US	Comm Services	4.7%
Tencent Holdings	China	Comm Services	4.5%
Alibaba Group Holding	China	Cons Discretionary	4.0%
TCS Group Holding	Russia	Financials	3.3%
ASOS PLC	UK	Cons Discretionary	3.1%
Lixil Group	Japan	Industrials	2.8%
Sberbank	Russia	Financials	2.8%
China Yongda Auto	China	Cons Discretionary	2.5%

As at 30 June 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/pibf.

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. 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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