

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



MONTHLY REPORT 30 September 2022

FACTS

Portfolio value	\$297.76 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)	\$4.3228

PERFORMANCE¹

	Fund %	MSCI %
1 month	(0.1)	(3.6)
3 months	(1.2)	(0.3)
6 months	1.3	(8.2)
Calendar year to date	(6.4)	(15.9)
1 year	(6.1)	(10.9)
2 years (compound pa)	8.2	6.2
3 years (compound pa)	3.2	5.4
5 years (compound pa)	4.2	8.7
Since inception (compound pa)	4.5	9.2

INVESTED POSITIONS OF PLATINUM INTERNATIONAL FUND³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	34.6	(3.8)	30.8	44.5
Australia	1.7	(1.9)	(0.2)	3.2
China	18.6		18.6	19.7
Hong Kong				1.3
Taiwan	0.1		0.1	0.1
India	2.3		2.3	2.3
Japan	7.9	(1.8)	6.1	15.1
Kazakhstan	0.2		0.2	0.2
New Zealand		(0.2)	(0.2)	(0.2)
South Korea	3.7		3.7	3.7
China Renminbi Offshore				(1.0)
Europe	24.8	(0.1)	24.6	28.5
Austria	2.3		2.3	
Belgium	0.1		0.1	
Denmark	0.1	(0.1)		0.1
Finland	2.9		2.9	
France	3.5		3.5	
Germany	3.5		3.5	
Ireland	0.7		0.7	
Italy	2.4		2.4	
Netherlands	2.6		2.6	
Spain		(0.1)	(0.1)	
Sweden	0.1		0.1	0.1
Switzerland	0.7		0.7	0.7
United Kingdom	5.9		5.9	9.0
Euro				18.5
North America	17.6	(20.0)	(2.5)	25.0
Canada	1.6		1.6	1.7
United States of America	16.0	(20.0)	(4.1)	23.3
Other	2.0		2.0	2.0
Sub-Total	78.9	(24.0)	54.9	100.0
Cash	21.1	24.0	45.1	
Total	100.0		100.0	100.0

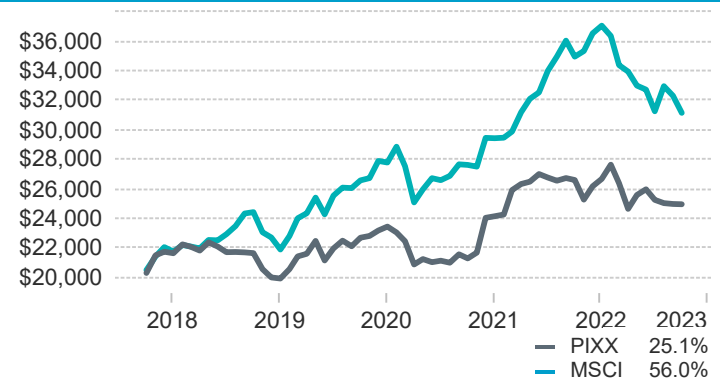
Long - 121 stocks, 2 swaps, 1 option, 2 other Short - 38 swaps, 2 indices

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	%
ZTO Express Cayman Inc	China	Industrials	3.6
Microchip Technology Inc	United States	Info Technology	3.2
UPM-Kymmene OYJ	Finland	Materials	2.9
Ping An Insurance Group	China	Financials	2.8
Minebea Co Ltd	Japan	Industrials	2.5
InterGlobe Aviation Ltd	India	Industrials	2.3
Shell PLC	Netherlands	Energy	2.3
Trip.com Group Ltd	China	Cons Discretionary	2.3
Beazley PLC	UK	Financials	2.1
Intesa Sanpaolo SpA	Italy	Financials	2.0
Total			26.0

INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND³

SECTOR	LONG %	SHORT %	NET %
Industrials	17.3	(1.6)	15.7
Financials	14.5	(1.3)	13.2
Materials	10.6		10.6
Consumer Discretionary	11.3	(4.0)	7.3
Energy	5.5		5.5
Health Care	3.5		3.5
Information Technology	9.6	(6.4)	3.3
Real Estate	2.6		2.6
Communication Services	3.4	(1.1)	2.3
Consumer Staples	0.5	(0.3)	0.3
Other		(9.2)	(9.2)

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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 "Long %" is the exposure to long securities and long securities/index derivative positions, the "Short %" is the exposure to short securities and short securities/index derivative positions and the "Net %" is the exposure to long and short securities and long and short securities/index derivative positions, each as a percentage of the market value of Platinum International Fund's ("PIF's") portfolio. The "Currency %" is the effective currency exposure of PIF's portfolio as a percentage of the market value of its portfolio, taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. 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".

3. and 4. Country classifications for securities reflect Bloomberg's "country of risk" designations, and currency classifications for securities reflect the relevant local currencies of our country classifications.

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).

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MARKET UPDATE AND COMMENTARY

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

- An almost flat month for the portfolio as markets made new calendar year-to-date lows.*
- For the calendar year to date, shorts have continued to provide considerable cushioning in weak markets.
- Looking forward, there are exciting opportunities on the long side, but we expect further broad market weakness.
- Management of risk is paramount as we expect more volatile times ahead in markets.

Market Commentary

This has been one of the most extraordinary times in markets that the Fund has seen. The moves in currencies and bond yields during September looked, to use the much over-used phrase, “unprecedented” to us. In bear markets, we often find new and unknown corners of the market coming unstuck. In this bear market, one example seems to be the UK pension system’s hedging in so-called LDI trades or liability-driven investments. The fiscally lax mini-budget announced by the newly appointed UK Chancellor of the Exchequer, Kwasi Kwarteng, on 23 September 2022, sent bond yields skyrocketing and caused a near break in these LDIs - forcing the Bank of England to intervene in the bond market.

The US Federal Reserve (Fed) made it clear throughout September that they are not backing down on the inflation fight. We have seen an incredibly rapid increase in interest rates, which is causing real damage to the economy. However, we believe we are a long way from seeing dramatic cuts in rates from the Fed as this could very easily re-ignite its inflation problems. China continues to be in a completely different part of its economic cycle compared to the Western economies.

We have had an astonishing bull market in the US, driven by record levels of government spending and money printing. We are inclined to think that this will be a long and volatile bear market with similar drawdown levels to those seen in other cycles. Ahead of us is a very difficult period for corporate profits and earnings across the board. On the other hand, China has not experienced such speculation and remains an interesting area to explore for opportunities.

In recent weeks, we have reduced our net exposure to ~55%. The intra-month weighting was one of the lowest net market exposures that the Fund has ever had, and we will continue to protect capital by utilising short positions. We do, however, remain ~80% long-invested, and continue to buy stocks that we think have reached extremely cheap valuations.

We remain excited by opportunities across decarbonisation, semiconductors, travel, Chinese consumers, European financials, and growth industrials. On the short side, we continue to protect the portfolio with positions in stocks that, in our view, have alarming fundamentals and/or valuations, most of which are in the technology and consumer areas.

For more details, see the latest Quarterly Report to be released on 20 October 2022.

Performance Analysis**

The portfolio has benefited from its broad tool kit during this year’s market sell-off, with shorts contributing 9% to returns, providing considerable cushioning. These were skewed towards the “growthier” end of the market, which had been hot for some time leading into late 2021. The broad de-rating of equities, coincident with rising bond yields, meant the long side of the portfolio was not immune to the market sell-off. This is consistent with our experience in the two large bear markets of 2000-03 and 2007-09. On the positive side, within the long portfolio, the top contributors for the calendar year to date include Mosaic (fertiliser), Glencore (mining, commodities trading), China Overseas Land & Investment (Chinese property), Beazley (specialist insurer) and Trip.com (online travel agent).

Valuation

The portfolio’s aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 56% higher starting earnings yield and a 41% discount on an asset basis (see table below).

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	11.2% (Price-to-Earnings ratio of 8.9x)	7.2% (Price-to-Earnings ratio of 13.8x)
NTM Dividend Yield	3.7%	3.1%
Price-to-Book Ratio	1.3x	2.2x
Enterprise Value-to-Sales	1.3x	1.6x

The valuations in the table have been calculated by Platinum and for the Fund refer to the long portion of the portfolio, exclude negative net earnings and use FactSet consensus earnings. As at 30 September 2022. NTM = next twelve months.

*Market returns throughout this report refer to the MSCI AC World Net Index in A\$. Source: FactSet.

Source: Platinum. Contribution numbers are based on the total return of individual positions (in AUD) and are gross as they do not take into account the Fund’s fees and costs (other than brokerage). **Past performance is not a reliable indicator of future returns.