

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



MONTHLY REPORT 31 January 2023

FACTS

Portfolio value	\$336.61 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)	\$4.9189

PERFORMANCE¹

	Fund %	MSCI %
1 month	3.0	3.1
3 months	12.2	0.7
6 months	13.4	1.5
Calendar year to date	3.0	3.1
1 year	2.8	(8.0)
2 years (compound pa)	8.2	6.5
3 years (compound pa)	7.2	5.0
5 years (compound pa)	5.0	8.5
Since inception (compound pa)	6.8	10.0

INVESTED POSITIONS OF PLATINUM INTERNATIONAL FUND³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	39.1	(4.3)	34.8	51.7
Australia	1.6	(2.0)	(0.5)	1.8
China	22.2		22.2	23.2
Hong Kong	0.1		0.1	0.7
Taiwan	0.1		0.1	0.1
India	2.2		2.2	2.2
Japan	8.3	(2.1)	6.1	20.1
Kazakhstan	0.3		0.3	0.3
New Zealand		(0.2)	(0.2)	(0.2)
South Korea	4.4		4.4	4.4
China Renminbi Offshore				(1.0)
Europe	27.8	(0.1)	27.6	32.1
Austria	2.8		2.8	
Belgium	0.1		0.1	
Denmark	0.1	(0.1)		0.1
Finland	2.7		2.7	
France	3.3		3.3	
Germany	4.5		4.5	
Ireland	0.8		0.8	
Italy	2.7		2.7	
Monaco	0.5		0.5	
Netherlands	2.5		2.5	
Sweden	0.1		0.1	0.1
Switzerland	1.1		1.1	1.1
United Kingdom	6.7		6.7	10.1
Euro				20.7
North America	17.2	(9.9)	7.3	14.5
Canada	1.9		1.9	2.4
United States of America	15.3	(9.9)	5.3	12.1
Other	1.7		1.7	1.7
Sub-Total	85.8	(14.4)	71.4	100.0
Cash	14.2	14.4	28.6	
Total	100.0		100.0	100.0

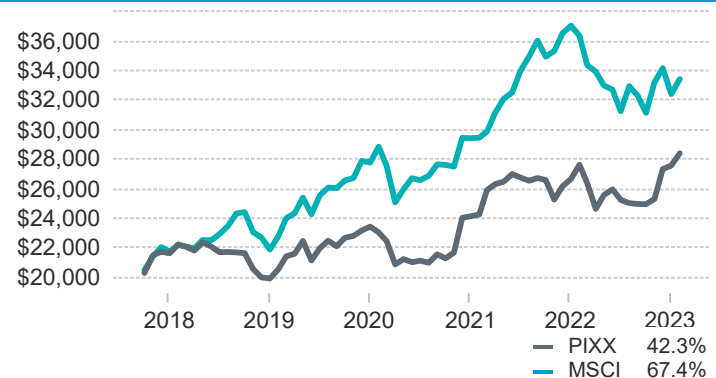
Long - 128 stocks, 2 swaps, 1 option, 2 other Short - 33 swaps, 1 index

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	%
ZTO Express Cayman Inc	China	Industrials	3.9
Ping An Insurance Group	China	Financials	3.1
Minebea Co Ltd	Japan	Industrials	2.9
Microchip Technology Inc	United States	Info Technology	2.9
UPM-Kymmene OYJ	Finland	Materials	2.7
Tencent Holdings Ltd	China	Comm Services	2.6
Intesa Sanpaolo SpA	Italy	Financials	2.5
InterGlobe Aviation Ltd	India	Industrials	2.2
LG Chem Ltd	South Korea	Materials	2.2
Samsung Electronics Co	South Korea	Info Technology	2.2
Total			27.2

INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND³

SECTOR	LONG %	SHORT %	NET %
Industrials	18.7	(2.3)	16.4
Financials	17.0	(1.3)	15.7
Consumer Discretionary	12.8	(3.2)	9.5
Materials	8.8		8.8
Information Technology	10.7	(3.6)	7.1
Energy	6.6		6.6
Health Care	4.1		4.1
Communication Services	4.1	(0.9)	3.2
Real Estate	2.5	(0.2)	2.3
Consumer Staples	0.5	(0.4)	0.1
Other		(2.4)	(2.4)

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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.

- The Fund rose 3.0% for the month – in line with broader market* moves.
- The net invested position is near historical averages with the closure of some short positions and cash deployed.
- Looking forward, there are exciting opportunities on the long side, but we remain wary of further market weakness.

Market Commentary

Markets roared back to life in January. Easing US inflation concerns saw participants shift their view from a near-certain recession to a chance that the Federal Reserve (Fed) may engineer a soft landing for the US economy. Some of the more speculative areas certainly saw a reprieve in January – Bitcoin rallied 39% to thaw out the crypto ‘winter’ and unprofitable technology stocks rallied 22% (source: FactSet).

Sentiment has bounced significantly off the December quarter lows, with investors now believing that China’s reopening will help offset a weaker US economy. At the start of the month, Fed officials suggested that maybe it was time to slow the rate of rate hikes. The consumer price index number was in line with expectations, and the market started to believe that peak inflation was behind us. Yields on 10-year US Treasuries fell over the month, along with mortgage rates, with the market now pricing in 200 basis points of rate cuts through to December 2024 (source: FactSet). The cocktail of a more dovish Fed, China’s reopening, and investors lightly positioned for upside saw the market bounce. We continue to think rate cuts are a long way off, considering that inflation remains high.

Large-cap technology companies announced more layoffs throughout the month. Sundar Pichai, Alphabet’s CEO, announced the company would be laying off 12,000 employees, noting in a memo that the company “hired for a different economic reality than the one we face today”. We continue to see a difficult period ahead, particularly for US corporate profits and earnings, with companies needing to ‘right-size’ their businesses. We are continuing to deploy capital in opportunities where there are pockets of attractive valuations.

It has been interesting to see just how quickly market sentiment has turned on Chinese equities. At the beginning of the December quarter, China’s geopolitical, COVID, and property concerns were all flashing peak fear in October. The Hang Seng Index is now up nearly 50% from its October lows thanks to further property stimulus and COVID relaxations (source: FactSet). We continue to believe that China is a much-unloved stock market – even post the recent bounce - and we remain confident in the Chinese businesses we hold. China is in a different part of its economic cycle from economies in the West, and the government is taking clear steps to stimulate the economy, particularly the property sector.

Our net exposure increased last month from 63% to 71%. We closed roughly 3% of our shorts and deployed 5% of cash. We continue to buy stocks that we think offer good value and remain excited by opportunities across decarbonisation, semiconductors, travel, Chinese consumers, financials, and growth industrials. Our short book remains dynamic and aims to protect capital. The composition of the short portfolio has changed, with less emphasis on highly valued growth names and more on COVID beneficiaries (e.g. retailers, e-commerce) that we expect will have weak earnings outcomes in the year ahead, as well as some of the more dubious and overvalued ‘energy transition’ related companies. We expect much more divergent markets over the course of 2023, which we think is a great environment for active ‘true’ investors.

Performance Analysis**

Over the past three months, the long positions contributed 13% to the Fund’s return (versus an underlying market return of 1%). The Fund’s return was driven heavily by our Chinese positions and helped by our European financials. Chinese holdings contributed 7% over the past three months, with ZTO Express, Tencent, Ping An Insurance, Trip.com and Weichai Power being the major contributors.

Valuation

The portfolio’s aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 25% higher starting earnings yield and a 35% discount on an asset basis (see table below).

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	8.5% (Price-to-Earnings ratio of 11.7x)	6.8% (Price-to-Earnings ratio of 14.6x)
NTM Dividend Yield	3.2%	2.8%
NTM Enterprise Value-to-Sales	1.2x	1.5x
LTM Price-to-Book Ratio	1.5x	2.3x

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 31 January 2023. NTM = next twelve months. LTM = last 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.