

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



MONTHLY REPORT 29 February 2024

## FACTS

|                               |                     |
|-------------------------------|---------------------|
| Portfolio value               | \$303.57 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) | \$4.8257            |

## PERFORMANCE<sup>1</sup>

|                               | Fund % | MSCI % |
|-------------------------------|--------|--------|
| 1 month                       | 3.4    | 5.9    |
| 3 months                      | 4.1    | 12.0   |
| 6 months                      | 0.4    | 11.1   |
| Calendar year to date         | 3.0    | 9.9    |
| 1 year                        | 3.6    | 27.5   |
| 2 years (compound pa)         | 6.1    | 12.2   |
| 3 years (compound pa)         | 4.6    | 13.1   |
| 5 years (compound pa)         | 6.7    | 12.5   |
| Since inception (compound pa) | 6.3    | 12.7   |

## INVESTED POSITIONS OF PLATINUM INTERNATIONAL FUND<sup>3</sup>

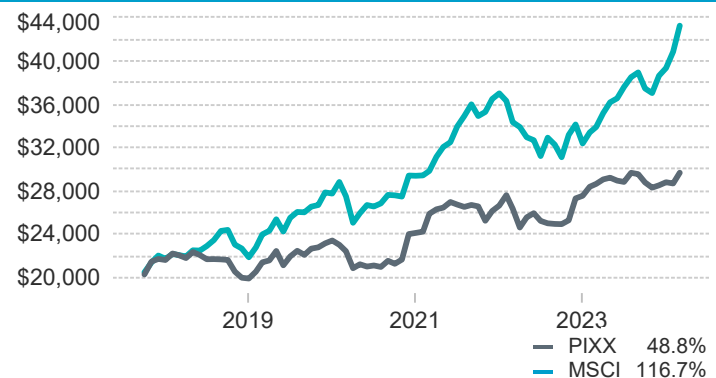
|                          | LONG % | SHORT % | NET % | CCY % |
|--------------------------|--------|---------|-------|-------|
| <b>Asia-Pacific</b>      | 40.2   | (0.3)   | 39.9  | 60.1  |
| Australia                | 1.1    | (0.2)   | 0.9   | 2.2   |
| China                    | 19.3   |         | 19.3  | 19.3  |
| Taiwan                   | 3.0    |         | 3.0   | 3.0   |
| India                    | 2.3    |         | 2.3   | 2.3   |
| Japan                    | 8.9    |         | 8.9   | 27.6  |
| South Korea              | 3.8    | (0.1)   | 3.6   | 3.6   |
| Other Asia-Pacific       | 1.9    |         | 1.9   | 2.0   |
| <b>Europe</b>            | 27.7   |         | 27.7  | 28.9  |
| Austria                  | 1.4    |         | 1.4   |       |
| Finland                  | 2.8    |         | 2.8   |       |
| France                   | 6.3    |         | 6.3   |       |
| Italy                    | 1.4    |         | 1.4   |       |
| Netherlands              | 1.8    |         | 1.8   |       |
| Switzerland              | 3.2    |         | 3.2   | 3.2   |
| United Kingdom           | 9.0    |         | 9.0   | 10.2  |
| Euro                     |        |         |       | 15.3  |
| Other Europe             | 1.8    |         | 1.8   | 0.3   |
| <b>North America</b>     | 21.6   | (4.6)   | 17.1  | 8.1   |
| Canada                   | 2.4    |         | 2.4   | 2.7   |
| United States of America | 19.2   | (4.6)   | 14.6  | 5.4   |
| <b>Other</b>             | 2.8    |         | 2.8   | 2.8   |
| <b>Sub-Total</b>         | 92.4   | (4.9)   | 87.4  | 100.0 |
| <b>Cash</b>              | 7.6    | 4.9     | 12.6  |       |
| <b>Total</b>             | 100.0  |         | 100.0 | 100.0 |

## 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 GRAPH<sup>2</sup>



## TOP TEN POSITIONS OF PLATINUM INTERNATIONAL FUND<sup>4</sup>

| STOCK                  | COUNTRY     | INDUSTRY           | %           |
|------------------------|-------------|--------------------|-------------|
| ZTO Express Cayman Inc | China       | Industrials        | 3.7         |
| Allfunds Group Plc     | UK          | Financials         | 3.5         |
| UBS Group AG           | Switzerland | Financials         | 3.1         |
| Samsung Electronics Co | South Korea | Info Technology    | 3.1         |
| Taiwan Semiconductor   | Taiwan      | Info Technology    | 2.9         |
| UPM-Kymmene OYJ        | Finland     | Materials          | 2.8         |
| Minebea Co Ltd         | Japan       | Industrials        | 2.4         |
| Airbus SE              | France      | Industrials        | 2.4         |
| Beazley PLC            | UK          | Financials         | 2.4         |
| Trip.com Group Ltd     | China       | Cons Discretionary | 2.3         |
| <b>Total</b>           |             |                    | <b>28.6</b> |

## INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND<sup>3</sup>

| SECTOR                 | LONG % | SHORT % | NET % |
|------------------------|--------|---------|-------|
| Industrials            | 20.4   | (1.1)   | 19.3  |
| Financials             | 17.4   | (0.3)   | 17.1  |
| Information Technology | 13.7   | (1.8)   | 12.0  |
| Consumer Discretionary | 12.4   | (1.4)   | 11.0  |
| Materials              | 8.4    | (0.1)   | 8.3   |
| Energy                 | 6.5    |         | 6.5   |
| Communication Services | 4.4    | (0.2)   | 4.2   |
| Health Care            | 3.4    |         | 3.4   |
| Real Estate            | 3.1    |         | 3.1   |
| Consumer Staples       | 2.5    |         | 2.5   |
| Utilities              | 0.2    |         | 0.2   |

Long - 125 stocks, 1 swap, 1 other Short - 19 swaps

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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.**

### Performance Analysis\*

The Platinum International Fund ("PIF") returned +3.4% for February 2024, bringing the rolling 12 month return to +3.3% net of fees. Fuelled once again by large cap US tech stocks, the MSCI AC World Index (AUD) returned +5.9% for February.

### Is now the right time to increase exposure to US large cap tech?

The US large cap tech segment was broadly higher for the month helped by a 28% rise from NVIDIA, +25% from Meta (Facebook's parent) and a 13% gain from Amazon. NVIDIA's 4Q results were ahead of consensus on a revenue and earnings basis and it also upgraded guidance. Meta's guidance was the bright spot of its 4Q results with the focus on AI tailwinds and a capital return (a US\$50bn buyback and its first dividend).

Amazon's result was ahead of consensus, driven by a reaccelerating AWS, expanding retail margins and ad growth. While NVIDIA, Meta and Amazon experienced stellar gains, the remaining Magnificent Seven stocks fared less well. Apple was up just 2% in February due to underwhelming guidance and a market focus on increased competition. Shares in Alphabet (Google's parent), Tesla and Microsoft have all declined since the end of February.

The graph below compares IT stock performance to the S&P500 and shows it exceeding the highs seen in the Tech bubble. We believe increasing exposure to these stocks now is risky given economic uncertainty and high earnings expectations. We have already seen expectations of US interest rate cuts pushed out from March to June 2024.

Figure 1: Ratio of S&P500 IT sector vs. S&P500 (monthly total return from 29 Sep 1989 to 26 Feb 2024)



Source: Bloomberg, indexed to 100 from 29 September 1989

### Platinum is positioned differently

The Fund is positioned very differently to the MSCI AC World Index and provides a hedge to the US large cap tech concentration discussed above. Top contributors to the Fund's performance in February included Chinese parcel delivery business ZTO Express and travel company Trip.com. ZTO Express is the largest and lowest cost parcel delivery business in China, delivering around 30 billion parcels a year (more than the whole of the US). The company is growing at 20-30% p.a. and is trading on a 2024 PE of 12x. Trip.com has benefited from the end of COVID lockdowns in China with domestic travel now exceeding 2019 levels. It also has a half share in India's biggest online travel business. We expect earnings to grow in the high teens as international travel opens up. Trip is trading on a 2024 PE of 17x.

### An attractively valued portfolio

The portfolio's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a ~42% higher earnings yield and a ~43% discount on a Price to Book basis (see table below).

| Metric                        | Platinum International Fund             | MSCI AC World Net Index (A\$)           |
|-------------------------------|---|---|
| NTM Earnings Yield            | 8.1% (Price-to-Earnings ratio of 11.6x) | 5.7% (Price-to-Earnings ratio of 17.4x) |
| NTM Dividend Yield            | 2.7%                                    | 2.5%                                    |
| NTM Enterprise Value-to-Sales | 1.6x                                    | 2.3x                                    |
| LTM Price-to-Book Ratio       | 1.6x                                    | 2.8x                                    |

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. MSCI data is sourced from Rimes, FactSet and Platinum. As at 29 February 2024. NTM = next twelve months. LTM = last twelve months.

\*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.**