Platinum ASSET MANAGEMENT

# Platinum International Fund

## (Quoted Managed Hedge Fund)®

(ARSN 620 895 301 | ASX Code: PIXX)

# Quarterly Investment Manager's Report

31 March 2021

Platinum INTERNATIONAL FUND (QUOTED MANAGED HEDGE FUND)

# Investment Update

## Platinum International Fund (Quoted Managed Hedge Fund) (PIXX)

**Andrew Clifford**
Portfolio Manager*

**Clay Smolinski**
Portfolio Manager*

## Performance

**(compound p.a.+ to 31 March 2021)**

| | QUARTER | 1 YR | 2 YRS | 3 YRS | SINCE INCEPTION |
|---|---|---|---|---|---|
| PIXX* | 9.0% | 26.0% | 10.3% | 6.4% | 8.1% |
| MSCI AC World Index^ | 5.9% | 24.2% | 13.1% | 12.3% | 13.4% |

+ Excluding quarterly returns.

* PIXX's returns are net of accrued fees and costs, are before tax, and assume the reinvestment of distributions. Inception date: 12 September 2017.

^ 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 11.

* Effective from 1 April 2021, Nik Dvornak will join Andrew Clifford and Clay Smolinski as co-manager for the Fund. Nik joined Platinum in 2006 as an analyst in the financials and services sector and is also co-manager for the Platinum European Fund.

### In Brief:

- Evidence that we are transitioning to a post-COVID era over the course of 2021, together with the passing of a US$1.9 trillion fiscal package in the US, further strengthened investor confidence in the ongoing economic recovery over the quarter.
- At a sector level, our semiconductor stocks featured amongst our top contributors again, while our financial stocks were buoyed by the prospect of higher interest rates. Elsewhere, at an individual stock level, MinebeaMitsumi (+38%), General Electric (+22%) and Weichai Power (+23%) also performed strongly.
- Following strong performance, we have been actively selling down positions, notably in our travel-recovery plays, semiconductors and copper miners.
- The continuation of the reopening of economies as vaccination programs proceed across the globe, together with significant ongoing government spending, underpin what should be a very strong recovery in 2021. However, our optimism is tempered with a degree of caution. There remain many risks to our scenario for economic growth and the markets. Higher bond yields are likely, which will be a challenge for the more speculative elements of the market at some point in time.
- While the stock prices of many of our holdings have appreciated strongly in the last six months, we believe they are still reasonably valued given the strong earnings prospects for the next two to three years. We continue to identify new investments for the Fund, giving us confidence that reasonable returns can be earned on our portfolio in the medium term.

The Platinum International Fund (Quoted Managed Hedge Fund) (ASX code: PIXX) is a feeder fund that primarily invests into Platinum's flagship international equity fund, the Platinum International Fund ("PIF"), which was established on 4 April 1995.

The following is the 31 March 2021 Quarterly Investment Manager's Report prepared for PIF by its Portfolio Managers. Please note that in this report, the "Fund" refers to PIF and portfolio details, such as portfolio disposition, top 10 holdings and currency exposure, pertain to PIF's portfolio. Please be aware that PIXX and PIF (C Class - standard fee option) have different fee structures and therefore different returns. PIXX's returns may also vary from PIF's performance fee class (P Class) returns due to different cash holdings as well as gains and losses arising as a result of PIXX's market making activities.

PIXX returned 9.0% for the quarter and 26.0% for the last 12 months.[1]

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

As discussed in our December 2020 quarterly report,[2] the announcement of successful COVID-19 vaccine trials and the commencement of vaccine programs, together with the election of President Biden in the US, provided a clear pathway to economic recovery and improving business and investor confidence. The result of these events saw markets perform strongly into the end of 2020, with a focus on companies that would benefit from the ongoing recovery.

During the past quarter, while there have been disappointments with the rollout of vaccine programs in some countries, most notably within Europe, countries such as the US and UK have demonstrated that large portions of the population can be vaccinated within relatively short periods of time. At the beginning of April, 32% of the US population and 46% of the UK population, had at least received their first dose of the vaccine.[3] Evidence that we are transitioning to a post-COVID era over the course of 2021 has further strengthened investor confidence in the ongoing recovery. This was given an additional boost with the passing of a US$1.9 trillion fiscal package in the US, which was enabled by Democrats winning both seats in the Georgia Senate run-off elections, providing them with effective control of both houses of Congress.

The result was a continuation of the strong rally in the share prices of companies that are expected to benefit from the ongoing global economic recovery. Similar to last quarter, there was strong performance across the portfolio, with many of our investments poised to benefit from the recovery.

A leading contributor to the Fund's performance was **MinebeaMitsumi** (up 38% over the quarter), a producer of industrial components that will benefit from the recovery in autos, mobile phones and manufacturing activity in general. Financial stocks generally performed better, buoyed by the prospect of higher interest rates, with **Ally Financial** (up 27%), a US online bank and auto lender, performing well.

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

2 https://www.platinum.com.au/PlatinumSite/media/Reports/pixxqtr_1220.pdf

3 Source: https://ourworldindata.org/covid-vaccinations#what-share-of-the-population-has-received-at-least-one-dose-of-the-covid-19-vaccine as at 3 April 2021.

## Disposition of Assets of PIF

| REGION | 31 MAR 2021 | 31 DEC 2020 | 31 MAR 2020 |
|---|---|---|---|
| Asia | 27% | 30% | 29% |
| North America | 26% | 28% | 26% |
| Europe | 18% | 19% | 14% |
| Japan | 13% | 12% | 12% |
| Australia | 3% | 4% | 2% |
| Other | 1% | 2% | 1% |
| Cash | 11% | 5% | 16% |
| Shorts | -22% | -7% | -24% |

Numbers have been subject to rounding. See note 2, page 11.
Source: Platinum Investment Management Limited.

## Net Sector Exposures of PIF

| SECTOR | 31 MAR 2021 | 31 DEC 2020 | 31 MAR 2020 |
|---|---|---|---|
| Industrials | 21% | 21% | 12% |
| Materials | 18% | 17% | 6% |
| Financials | 15% | 14% | 11% |
| Information Technology | 9% | 17% | 13% |
| Consumer Discretionary | 9% | 11% | 8% |
| Real Estate | 3% | 2% | 2% |
| Health Care | 3% | 6% | 9% |
| Communication Services | 2% | 4% | 8% |
| Energy | 1% | 2% | 2% |
| Utilities | 0% | 0% | 0% |
| Consumer Staples | -1% | -1% | -3% |
| Other | -11% | -6% | -10% |
| TOTAL NET EXPOSURE | 67% | 87% | 60% |

Numbers have been subject to rounding.
Source: Platinum Investment Management Limited. See note 3, page 11.

Our semiconductor stocks featured amongst our top contributors again with **Micron** (up 17%), a manufacturer of memory chips, having another strong quarter. **General Electric** (up 22%) continued to perform well as prospects for air travel further improved, which will result in a recovery in the spares and maintenance earnings stream of their aerospace division. **Weichai Power** (up 23%), a Chinese producer of heavy-duty diesel engines for trucks, performed strongly, as investors embraced the company for its strong potential in fuel cell-powered drive trains for heavy vehicles. Short positions in aggregate provided a small contribution to performance.

There were a limited number of detractors from performance. The most notable was **Barrick Gold** (down 13%), continuing to sell-off in line with the gold price, which has fallen out of favour as investors' confidence in the recovery continues to build. **Midea** (down 16%) weakened in line with Chinese consumer discretionary-related stocks, which faded after a strong January amid concern regarding Chinese tightening.

## Changes to the Portfolio

The Fund's net invested position fell from 87% to 67% over the quarter, as we significantly increased our short positions from 7% to 22% and cash was increased from 5% to 11%.[4] In addition, all the Fund's currency hedges were removed, with the main impact being an increase in exposure to the US dollar from 17% to 29%, while reducing exposure to the Euro from 25% to 17%. Our decision to add more US dollar exposure to the portfolio was premised on the likelihood that the US will be the epicentre of a strong global rebound this year, as outlined in our Macro Overview.

The Fund has seen very strong performance across a wide range of holdings and as a result, we have been actively selling down positions across the portfolio. In our travel-recovery plays, **Booking Holdings**, **Amadeus** and **General Electric** were trimmed. Within the semiconductor sector, our holdings in **Samsung Electronics**, **Micron**, **Microchip** and **Skyworks** were reduced.

Amongst our copper miners, which had rallied strongly in response to a higher copper price during the quarter, we trimmed our positions in **Freeport-McMoRan** and **First Quantum Minerals**. We are of the view that while these companies, which are still held in the portfolio, remain at attractive valuations, they do not represent the extraordinary value that they did in mid-2020.

New positions in the Fund included **China Vanke**, one of China's leading residential property developers. The Chinese Government continues to regulate this sector heavily, with the goal of limiting rises in residential property prices. Recent rule changes that strictly limit the use of debt by property developers, place larger well-capitalised players like Vanke at an advantage in securing land banks for future projects. Generally, the sector is out of favour with investors, as this is the latest measure in a long line of regulations that China has enacted over the last decade to limit price appreciation of residential apartments. Even in this environment, developers such as China Vanke and another holding in the Fund, **China Overseas Land & Investment**, have managed to run highly profitable and growing businesses, that today, are available at single-digit price-to-earnings multiples.

Otherwise, additional funds were put to work across a number of existing holdings. We added to our European financials **Banco Santander** and **Intesa Sanpaolo** (banks) and **Beazley** (insurance). We continue to accumulate a position in US building materials manufacturer **Louisiana-Pacific** and Finnish-based pulp and specialty paper and wood products company **UPM-Kymmene Oyj**. The investment case for both of these companies was outlined in our December 2020 quarterly report.

On the short side of the portfolio, the increase in short positions was via an increase in Nasdaq 100 index shorts and positions that specifically targeted groups of stocks caught up in the speculative mania in growth companies. The booming exchange-traded fund (ETF) industry has become adept at creating ETFs that track the popular investment themes of the moment, and by doing so, create ideal portfolios of stocks to short that are far more targeted than traditional mainstream indices. We have used these ETF baskets to short software, renewable energy and biotech stocks that are trading at exorbitant valuations. Additionally, we have added a number of specific stock shorts with similarly high valuations.

4 Numbers have been subject to rounding.

## Outlook

The global economy looks set to continue its strong rebound from the COVID-induced recession of 2020. The continuation of the reopening of economies as vaccination programs proceed across the globe, together with significant ongoing government spending, underpin what should be a very strong recovery in 2021. A combination of better employment prospects and the move toward a post-COVID era is likely to result in improving consumer confidence. This has the potential to release significant household savings that were accrued across the world in 2020, as consumers held onto significant portions of government payments that they received. This should be an environment that is conducive to strong profit growth, particularly for economically sensitive businesses.

However, our optimism is tempered with a degree of caution. There remain many risks to our scenario for economic growth and the markets. We will end this recovery period in two to three years' time with significant government debt and ongoing fiscal deficits. Governments will either need to continue to print money or raise taxes, neither are likely to be good outcomes for markets. Indeed, it would not be surprising to see markets steadily incorporate such scenarios into valuations well ahead of time. There is significant indebtedness outside the governments as well, which adds another element of risk. We also have the ongoing political tensions between the developed world and China, and while it will likely unfold in a much more predictable manner under President Biden's leadership, it remains a risk. There also remains the question of the desire by governments to regulate the new internet monopolies and how that will potentially change their business models.

What this means for the stock market from here is not straightforward. In recent years, we have continually made references to the divergence of price performance and valuation between the much-loved growth and defensive names that have performed strongly and attracted very high valuations, and the stocks that investors have sought to avoid, those with any degree of uncertainty or cyclicality that have performed poorly and been priced at historically very attractive valuations. The environment that we expect, one of strong economic growth that results in higher profits but also higher bond yields, is one that is likely to challenge this trend of recent years. Indeed, the last six months show a clear move toward businesses that will benefit from the recovery and we expect this to continue.

Taking all these factors into consideration, we expect that popular growth names will underperform, with significant falls likely in the most speculative names at some point in time. Indeed, this is what we are seeking to benefit from with our short positions.

As for the Fund's investments, it should be noted that the stock prices of many of our holdings have appreciated strongly in the last six months, though from deeply depressed levels. While they may not be as attractive as they were, we believe they are still reasonably valued given the strong earnings prospects for the next two to three years. We continue to identify new investments for the Fund, giving us confidence that reasonable returns can be earned on our portfolio in the medium term.

### Top 10 Holdings of PIF

| COMPANY | COUNTRY | INDUSTRY | WEIGHT |
|---|---|---|---|
| Samsung Electronics Co | South Korea | Info Technology | 4.5% |
| Glencore PLC | Australia | Materials | 3.0% |
| General Electric Co | US | Industrials | 2.8% |
| Ping An Insurance Group | China | Financials | 2.8% |
| Micron Technology Inc | US | Info Technology | 2.7% |
| Minebea Co Ltd | Japan | Industrials | 2.7% |
| Weichai Power Co Ltd | China | Industrials | 2.6% |
| Microchip Technology Inc | US | Info Technology | 2.6% |
| AIA Group Ltd | Hong Kong | Financials | 2.5% |
| China Overseas Land & Inv | China | Real Estate | 2.4% |

As at 31 March 2021. See note 4, page 11.
Source: Platinum Investment Management Limited.

# Macro Overview

**by Andrew Clifford, Co-Chief Investment Officer**

## Challenging Times for the Market's Speculative Elements

We are now one full year on from the COVID-19 outbreak and the subsequent initial lockdowns that resulted in a collapse in global economic activity and stock markets. While the pathway of the virus has been one of rolling waves in response to lockdowns, reopenings and now the rollout of vaccines, since the March 2020 lows, economic activity has experienced a strong and steady recovery, as have stock markets. Indeed, many of the world's major stock markets have comfortably surpassed their pre-COVID highs.[1] Fuelling this recovery in both economies and stock markets has been unprecedented (peace time) government deficit spending, funded through the printing of money.

The question is, where to now? **It is highly likely that the global economy will continue its strong recovery path over the course of the next two years. In concert with this recovery, government bond yields will likely head higher, which will prove challenging for the speculative elements within stock markets.**

1 Source: FactSet Research Systems.

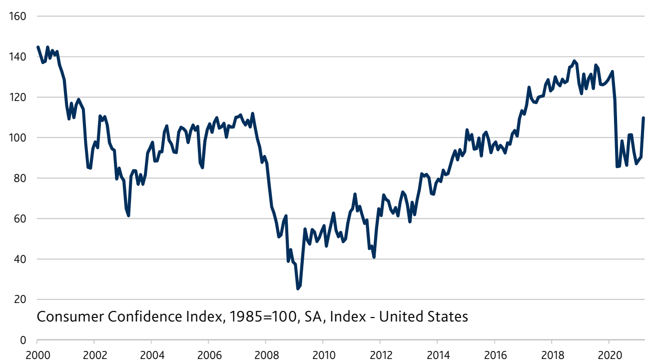
### Economic activity will likely continue to recover

There are numerous reasons to expect that global economies will continue to recover. The most obvious is the ongoing reopening of economies, as vaccination programs take us toward the post-COVID era. With current headlines focused on the failure of vaccination rollouts and the outbreak of new variants of the virus, this may seem an overly optimistic statement to many. However, the success of the vaccination programs in the US and the UK, where 32% and 46% of each population respectively has received at least one vaccine dose, shows what can be achieved once health systems swing into gear.[2] Where vaccination programs have been slow to start in some locations, such as Europe, an acceleration is likely, especially as the availability of dosages continues to improve. Variants in the virus are an expected setback, but fortunately the vaccines are being refined to address the variants, as they normally would with the annual flu vaccine.

2 Source: https://ourworldindata.org/covid-vaccinations#what-share-of-the-population-has-received-at-least-one-dose-of-the-covid-19-vaccine

**Fig. 1: US Consumer Confidence Bouncing Back**

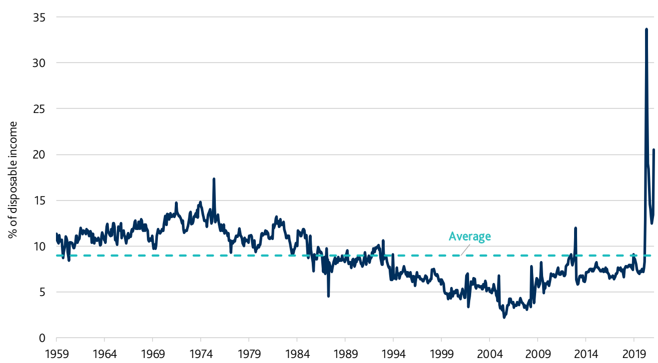
The Conference Board Consumer Confidence Index®




Source: FactSet Research Systems.

**Fig. 2: US Households Well-Positioned to Spend**

US household savings rate (% of disposable income)




Source: Federal Reserve Bank of St. Louis.

Over the course of 2021, it is highly likely that we will move toward a situation where we return to freedom of movement across the world's major economies. With this, we expect industries such as travel and leisure will continue their recovery, and with that, elevated levels of unemployment will continue to fall. With a light at the end of the tunnel on COVID and rising employment, consumer confidence has started to bounce back (see Fig. 1 on previous page). As such, a release of pent-up consumer demand across a range of goods and services should be expected. Indeed, households are well-positioned to increase their spending, as large portions of government payments last year were saved and not spent, resulting in unprecedented increases in savings rates (see Fig. 2 on previous page).

Additionally, in the US, consumers' bank accounts will be further inflated, with the recent passing of the US$1.9 trillion fiscal package. It is estimated that US consumers would need to spend an additional US$1.6 trillion dollars, or 7.5% of GDP,[3] just to return to trend savings levels. The recovery from the COVID-19 collapse is likely to be a very strong rebound that will play out over the next two to three years.

Given the levels of fiscal and monetary stimulus across the globe during 2020 and 2021 to date, the US will be at the epicentre of the recovery. The ongoing stimulus efforts in the US, including a potential additional US$3 trillion of spending on infrastructure and healthcare over the next decade, make the rest of the world's efforts pale into insignificance. Indeed, China appears to be stepping back from stimulus programs, having already achieved a strong economic recovery.

3 https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/consumers-to-unleash-trillions-of-dollars-in-excess-savings-when-pandemic-ends-62511820

Nevertheless, the US stimulus will help growth in Asia and Europe via the trade accounts, as is already apparent in the strong recovery in China's trade surplus (see Fig. 3).

## Long-term interest rates will likely move higher with the recovery

As a result of the strong rebound in economic activity, interest rates will likely rise and indeed, they already have. The reference here is to long-term interest rates, such as the yield on the US 10-year government bond, rather than short-term interest rates set by central banks (e.g. the Reserve Bank of Australia). In the fastest-recovering economies, US 10-year government bond yields have increased from 0.51% in August 2020 to 1.74% at the end of March, while Chinese 10-year government bond yields have risen from their April 2020 lows of 2.50% to 3.21% at the end of March (see Fig. 4). In both cases, these yields have returned to pre-COVID levels. It is not surprising that yields on government bonds are rising, as this is generally the case during a recovery. The issue is just how much further they may rise, given expectations for a very robust growth environment in 2021, the substantial amount of new bonds that will be issued in the months ahead and nascent signs of inflationary pressures.

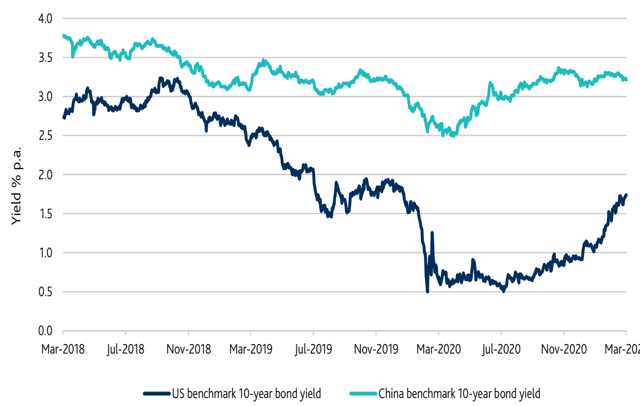
Daily readings of consumer prices already show inflation heading back to levels last seen in mid-2019. As we discussed in our December 2020 quarterly report,[4] markets in a broad range of commodities and manufactured goods are seeing shortages in supply, resulting in significant increases in prices. One high-profile example has been the auto industry having to cut production due to shortages in the supply of

4 https://www.platinum.com.au/PlatinumSite/media/Reports/pixxqtr_1220.pdf

**Fig. 3: China's Trade Surplus Expands**


Source: FactSet Research Systems.

**Fig. 4: US and China 10-Year Bond Yields on the Rise**




Source: FactSet Research Systems.

components. Given the complexity of supply chains and the various factors that have been impacting them in recent years, such as the trade war and then the sudden collapse and recovery in demand in 2020, predicting how long such shortages will persist is difficult. However, it is interesting that these price rises, usually associated with the end of an economic cycle, are occurring at the start of the cycle instead.

Beyond the current supply shortages and associated price rises, the longer-term issue for inflation is how governments will finance their fiscal deficits. As we have discussed in past quarterly reports, when governments use the banking system (including their central banks) to finance deficits, it results in the creation of new money supply. The idea that the creation of money supply in excess of economic growth is inflationary, has lost credibility in recent years, as inflation didn't arrive with the quantitative easing (QE) policies of the last decade. However, the mechanisms by which banking systems are funding current fiscal and monetary policies of their governments are clearly different to what was applied during QE. Rather than delve into a deep explanation, we would simply point to the extraordinary growth in money supply aggregates, where in the US, M2[5] increased by a record annual rate of 25% almost overnight in mid-2020. These types of increases did not occur during the last decade of QE policies. Further growth in M2 awaits in the US, following the latest rounds of fiscal stimulus, though the percentage growth figures will at some point fall away as we pass the anniversary of last year's outsized increases.

So, we have a strong economic recovery from the ongoing reopening post COVID, fuelled by fiscal stimulus, already tight markets in commodities and manufactured goods, plus excessive money growth. Given that we also have central banks committed to keeping short-term interest rates low for the foreseeable future and allowing inflation to exceed prior target levels, it is hard to see how we can avoid a strong cyclical rise in inflation. It is an environment where there is likely to be ongoing upward pressure on long-term interest rates. To see US 10-year Treasury yields above 3%, a level last seen in only 2018, would not be a surprising outcome.

5 M2 includes M1 (currency and coins held by the non-bank public, checkable deposits, and travellers' cheques) plus savings deposits (including money market deposit accounts), small time deposits under $100,000, and shares in retail money market mutual funds. Source: https://fred.stlouisfed.org/series/M2SL

## Rising long-term interest rates will represent a challenge for the bull market in growth stocks

In recent years, we have emphasised the two-speed nature of stock markets globally. As interest rates fell and investors searching for returns entered the market, their strong preference was for 'low-risk' assets. At different times they have found these qualities in defensive companies, such as consumer staples, real estate and infrastructure, and at other times, in fast-growing businesses in areas such as e-commerce, payments and software. At the same time, investors have been at pains to avoid businesses with any degree of uncertainty, whether that be natural cyclicality within their business or exposed to areas impacted by the trade war. Last year, this division was further emphasised along the lines of 'COVID winners', such as companies that benefited from pantry stocking or the move to working from home, and 'COVID losers', such as travel and leisure businesses.

Over the last three years, these trends within markets created unprecedented divergences in both price performance and valuations within markets. However, as we noted last quarter, this trend started to reverse at the end of 2020, as a combination of successful vaccine trials and the election of US President Biden pointed to a clearly improved economic outlook. The result was 'real world' businesses in areas such as semiconductors, autos and commodities started to see their stock prices perform strongly and this has continued into the opening months of 2021.

Meanwhile, the fast-growing favourites continued to perform into the new year, though these have since faded as the rise in bond yields accelerated. Many high-growth stocks have seen their share prices fall considerably from their recent highs, with bellwether growth stocks such as Tesla (down 27% from its highs), Zoom (down 45%) and Afterpay (down 35%).

Theoretically, rising interest rates have a much greater impact on the valuation of high-growth companies than their more pedestrian counterparts. As such, it is not surprising to see these stocks most impacted by recent moves in bond yields and concerns about inflation.[6] Many will question whether this is a buying opportunity in these types of companies.

6 Growth companies tend to rely on earnings in the more distant future. When valuing a company, future earnings are discounted back to a present value using a required rate of return, which is related to bond yields. As bond yields rise, the discounting process leads to a lower value in today's dollars, for the same level of future earnings.

While they may well bounce from these recent falls, we would urge caution on this front, as for many (but not all) of the favourites of 2020 we would not be surprised to see them fall another 50% to 90% before the bear market in these stocks is over. If our concerns regarding long-term interest rates come to fruition, this will be a dangerous place to be invested, and as we concluded last quarter, "*when a collapse in growth stocks comes, it too should not come as a surprise*".

If there is a major bear market in the speculative end of the market, how will companies that investors have been at pains to avoid in recent years (i.e. the more cyclical businesses and those that have been impacted by COVID-19) perform? While these companies have seen good recoveries in their stock prices in recent months, generally they remain at valuations that by historical standards (outside of major economic collapses) are attractive. It should be remembered there are two elements to valuing companies: interest rates and earnings. Of these, the most important is earnings, and these formerly unloved companies have the most to gain from the strong economic recovery that lies ahead. As such, we would expect good returns to be earned from these businesses over the course of next two to three years.

For many, the idea that one part of the market can rise strongly while the other falls, seems contradictory, even though that is exactly what has happened over the last three years. In this case, for reasons outlined in this report, we are simply looking for the relative price moves of the last three years to unwind. We only need to look to the end of the tech bubble in 2000 to 2001 for an indication of how this may play out - when the much-loved 'new world' tech stocks collapsed in a savage bear market, while the out-of-favour 'old world' stocks rallied strongly. This was a period where our investment approach really came to the fore, delivering strong returns for our investors.

## MSCI Regional Index Net Returns to 31.3.2021 (USD)

| REGION | QUARTER | 1 YEAR |
|---|---|---|
| **All Country World** | **4.6%** | **54.6%** |
| **Developed Markets** | **4.9%** | **54.0%** |
| **Emerging Markets** | **2.3%** | **58.4%** |
| **United States** | **5.4%** | **58.6%** |
| **Europe** | **4.0%** | **44.7%** |
| Germany | 4.2% | 59.3% |
| France | 4.4% | 50.0% |
| United Kingdom | 6.2% | 33.5% |
| Italy | 6.3% | 53.0% |
| Spain | 1.0% | 36.9% |
| Russia | 4.9% | 44.3% |
| **Japan** | **1.6%** | **39.7%** |
| **Asia ex-Japan** | **2.7%** | **57.3%** |
| China | -0.4% | 43.6% |
| Hong Kong | 7.3% | 37.3% |
| Korea | 1.6% | 89.5% |
| India | 5.1% | 76.4% |
| Australia | 3.4% | 68.4% |
| Brazil | -10.0% | 46.5% |

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

## MSCI All Country World Sector Index Net Returns to 31.3.2021 (USD)

| SECTOR | QUARTER | 1 YEAR |
|---|---|---|
| Energy | 17.7% | 49.9% |
| Financials | 11.4% | 56.9% |
| Industrials | 7.5% | 62.2% |
| Communication Services | 6.6% | 57.4% |
| Materials | 6.4% | 76.6% |
| Real Estate | 6.0% | 30.1% |
| Consumer Discretionary | 2.3% | 77.7% |
| Information Technology | 1.8% | 71.7% |
| Utilities | 0.6% | 22.8% |
| Health Care | 0.4% | 30.2% |
| Consumer Staples | -0.8% | 24.6% |

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

# The Journal

Visit www.platinum.com.au/Our-Products/PIXX to find a repository of information about the Platinum International Fund (Quoted Managed Hedge Fund) (PIXX), including:

- NAV history and intra-day iNAV
- Distribution history and the Distribution Reinvestment Plan
- ASX releases and financial statements
- Monthly updates on performance, portfolio positioning and top 10 holdings.

You can also find a range of thought-provoking articles and videos on our website. For ad hoc commentary on the latest market trends and investment themes, look up **The Journal** under **Insights & Tools**. If you find yourself short on time to read our in-depth reports and articles, check out our brief market updates in **video** format, or have a listen to our **audio podcasts**.

**Recent highlights include:**

- **Video – 2021 Investor Presentation.**[1] Platinum recently completed its 2021 investor and adviser presentation and a video is now available for viewing. Andrew Clifford, Clay Smolinski and Dr Bianca Ogden discuss the ongoing speculative mania, the booming economic recovery in a partially vaccinated world, and the likely impacts of inflation as money printing continues around the globe.
- **Video - Dynamic Asia: From Manufacturing to Cutting-Edge Technology.**[2] From semiconductors to 'lights-out warehouses', telehealth, fintechs and 'cobots' where humans work alongside robots, there's incredible innovation going on in Asia. Drawing on his technology background, portfolio manager Cameron Robertson explains.
- **Video - Managing Risk When Speculative Manias Take Hold.**[3] A speculative mania has touched many parts of the market, with SPACs and GameStop the most recent cases in point. Speculation isn't investing. Trader/analyst Troy Augustus explains what's driving the mania and how Platinum manages risk in speculative market environments.
- **Article - Embracing Opportunities That Crowds Avoid.**[4] Platinum's philosophy of "thinking differently" means we look for opportunities that are out of favour and against popular opinion, with the most recent and clearest example being our investment in travel and travel-related industries throughout 2020. Investment specialist Henry Polkinghorne explains.
- **Article - Semis: We're Halfway There?**[5] Semiconductors have had a good run, but longer-term fundamentals suggest we may be only "halfway there". Investment specialist Douglas Isles shares insights from our technology team on the sector dynamics driving share prices.
- **Video - European Banks: A Compelling Case to Invest.**[6] Portfolio manager Nik Dvornak explains why the 'unloved' European bank stocks were a compelling investment opportunity for the Platinum funds in 2020.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-2021-Investor-Presentation
2 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Dynamic-Asia
3 https://www.platinum.com.au/Insights-Tools/The-Journal/Managing-Risk-When-Speculative-Manias-Take-Hold
4 https://www.platinum.com.au/Insights-Tools/The-Journal/Embracing-Opportunities-That-Crowds-Avoid
5 https://www.platinum.com.au/Insights-Tools/The-Journal/Semis-Halfway-There
6 https://www.platinum.com.au/Insights-Tools/The-Journal/European-Banks-A-Compelling-Case-to-Invest

**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).
"PIXX" refers to the Platinum International Fund (Quoted Managed Hedge Fund) (ARSN 620 895 301, ASX Code: PIXX). "PIF" refers to the Platinum International Fund (ARSN 089 528 307), the unlisted underlying fund into which PIXX invests primarily.

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. PIXX's returns are calculated by Platinum using PIXX's net asset value unit price (i.e. excluding the buy/sell spread) and represent the combined income and capital returns over the specified period. PIXX's 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, PIXX's underlying 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 PIXX's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows PIF'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 PIF'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.
3. The table shows PIF'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".
4. The table shows PIF's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

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