



Platinum International Fund

(Quoted Managed Hedge Fund)[®]

(ARSN 620 895 301 | ASX Code: PIXX)

Quarterly Investment Manager's Report

31 March 2022

Investment Update

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



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Performance

(compound p.a.* to 31 March 2022)

	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PIXX*	-7.6%	-6.4%	8.6%	4.5%	4.8%
MSCI AC World Index^	-8.4%	8.8%	16.3%	11.7%	12.4%

* 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.

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 2022 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.

In Brief:

- Russia's invasion of Ukraine and the implication for energy and food prices was the focus for investors over the quarter. China's role in the conflict, specifically its "partnership" with Russia, as well as the re-emergence of COVID were also a concern. The uncertainty prompted investors to flock back to the 'safety' of growth stocks post the invasion.
- Commodity producers (Glencore, Mosaic) were strong performers for the Fund over the quarter. Our short positions also made a positive contribution. European banks (Raiffeisen Bank), Chinese stocks (Weichai Power, ZTO, Tencent) and industrials (Minebea, Lixil) detracted.
- We trimmed stocks that had performed well (Mosaic, China Overseas Land & Investments, AIA) and increased our exposure to energy (adding new positions in Shell and Suncor Energy) and Europe, notably in travel and banks.
- The Fund continues to maintain a conservative net invested position (62%), reflecting our concerns about interest rates, inflation and the geopolitical environment.
- The portfolio's investments (longs) predominantly comprise profitable businesses, though with some degree of cyclicality, trading at attractive valuations. The portfolio also holds short positions in market indices as well as the popular and expensive growth companies. While growth stocks have offered a place to hide for investors in recent weeks, our assessment is that the highly speculative growth stocks still have considerable downside.

PIXX returned -7.6% for the quarter, marginally ahead of the market's -8.4% return.¹

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

The performance within the Fund and markets differed dramatically over the course of the quarter. In the period prior to Russia's invasion of Ukraine, the Fund returned 2.3% while the market fell -8.6%. This period was marked by rising interest rate expectations as the global economy continued its post-pandemic recovery. During these initial weeks of the quarter, expensive growth stocks performed poorly with the Fund benefiting from short positions in these types of companies. Post the invasion, stocks that were poised to benefit from the economic recovery, such as cyclicals, travel stocks and European banks, experienced significant price falls, as did Chinese companies, reflecting concerns about geopolitical risk and the struggling Chinese economy as it faced a new wave of COVID-19 infections. Investors once again favoured the growth names, with the growth-heavy US Nasdaq 100 Index finishing up 10% over this period. During the final weeks of the quarter, the Fund ceded its strong absolute and relative performance of the earlier period to finish slightly ahead of the market.

Strong performers for the Fund over the quarter were our investments in commodity producers. Of note was **Glencore** (+33%), which benefited from broadly higher commodity prices for its mining activities and the dislocation in commodity markets, providing opportunities for its trading arm. **Mosaic** (+69%) benefited from higher potash and phosphate prices due to concerns regarding Russian/Belarus supplies of these important fertiliser products. The Fund did not have any investments in Russian stocks.

The largest detractor from performance was **Raiffeisen Bank International** (-50%), an Austrian bank which has major banking positions across Central and Eastern Europe (CEE). Other major detractors from performance were our Chinese holdings, notably **Weichai Power** (-19%), **Tencent** (-16%) and **ZTO Express** (-11%), where the market experienced a broad and indiscriminate sell-off as a result of concerns around China's partnership with Russia. Concerns that the US regulator, the Securities and Exchange Commission, would move to delist Chinese stocks from US stock exchanges exacerbated the market's weakness. Japanese industrial stocks **MinebeaMitsumi** (-17%) and **Lixil** (-25%) also detracted, reflecting supply chain and input cost issues following the strong rises in commodity prices.

Disposition of Assets of PIF

REGION	31 MAR 2022	31 DEC 2021	31 MAR 2021
Asia	25%	28%	27%
Europe	24%	21%	18%
North America	21%	21%	26%
Japan	13%	14%	13%
Australia	5%	3%	3%
Other	3%	2%	1%
Cash	10%	10%	11%
Shorts	-28%	-23%	-22%

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

Net Sector Exposures of PIF

SECTOR	31 MAR 2022	31 DEC 2021	31 MAR 2021
Industrials	18%	20%	21%
Materials	16%	14%	18%
Financials	13%	15%	15%
Consumer Discretionary	7%	10%	9%
Information Technology	6%	12%	9%
Health Care	5%	5%	3%
Energy	4%	1%	1%
Communication Services	4%	5%	2%
Real Estate	3%	3%	3%
Consumer Staples	1%	1%	-1%
Other	-16%	-18%	-11%
TOTAL NET EXPOSURE	62%	67%	67%

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

Top 10 Holdings of PIF

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Glencore PLC	Australia	Materials	4.0%
Microchip Technology Inc	US	Info Technology	3.2%
MinebeaMitsumi Co Ltd	Japan	Industrials	3.1%
Samsung Electronics Co	South Korea	Info Technology	2.8%
ZTO Express Cayman Inc	China	Industrials	2.8%
Ping An Insurance Group	China	Financials	2.7%
China Overseas Land & Inv	China	Real Estate	2.5%
Tencent Holdings Ltd	China	Comm Services	2.3%
Mosaic Co	US	Materials	2.3%
UPM-Kymmene OYJ	Finland	Materials	2.2%

As at 31 March 2022. See note 4, page 11.

Source: Platinum Investment Management Limited.

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.

Contributions from short positions, which are concentrated in the expensive growth stocks, also followed the rotation within the markets, adding significantly to the Fund's performance in the early weeks of the quarter, and then detracting as the markets rebounded during March. Overall, our short positions contributed 1% to performance over the quarter.

Changes to the Portfolio

The Fund's net invested position was reduced over the course of the quarter from 67% to 62%. The decrease in the net invested position reflects an increase in short positions from 23% to 28%. The shorts consist of market indices (14%), individual stocks (12%) predominantly in very highly valued growth names, and baskets of expensive growth stocks in the clean energy sector (2%). The cautious positioning reflects our concerns about interest rates and inflation, and the deteriorating geopolitical environment.

New holdings for the Fund included energy producers **Shell** and **Suncor Energy** (Canadian oil producer and refiner). As outlined below, energy markets were already tight prior to Russia's invasion of Ukraine, and it is now likely that the world will experience elevated energy prices for an extended period. While stock prices of energy companies have risen, broadly they are not reflecting this longer-term outlook.

In Europe, we bought a number of stocks that were impacted by concerns regarding European economic growth. These included a new holding in **Wizz Air**, a fast-growing low-cost carrier, that returned to valuations approaching those reached in the COVID-19 sell-off in March 2020. We also increased our holdings in European banks **Intesa Sanpaolo** (Italy), **Barclays** (UK) and **Erste Bank** (Eastern Europe). A number of stocks that had performed well during the period were trimmed, including **Mosaic** (fertilisers), **China Overseas Land & Investments** (Chinese residential property developer) and **AIA** (Asian insurance).

Commentary

Russia's invasion of Ukraine and the implications for markets has been the focus of attention for investors in recent weeks. Not only is the world facing higher energy and food prices as a result of the conflict, there is the possibility of outright shortages of these commodities, potentially creating serious humanitarian as well as economic issues globally. There have also been concerns regarding China's role in the conflict and the potential for sanctions on China if they were seen to be aiding Moscow either militarily or in avoiding sanctions. Meanwhile, China is dealing with the re-emergence of COVID-19 at a time when the economy is facing its most severe slowdown since its reopening, as a result of the common prosperity reforms introduced during 2021. We will address each of these issues, but before doing so, it is

important to understand the economic and market context in which these events are occurring.

Prior to the invasion of Ukraine, inflation and interest rates were the key issues. Inflation in much of the developed world was continuing to rise, reaching levels not seen since the early 1980s. While inflation had been rising throughout the second half of 2021, tight labour markets and commodity markets, ahead of a full reopening of economies post the COVID-19 pandemic, made it clear that it would not fade away as matter of course. The result was a clear change in expectations for the future course of interest rates, most notably in the US where 2-year Treasury yields rose from 0.73% to 2.29% over the quarter. It was not that long ago that increases in interest rates were not expected until 2024. The US economy continued to show strong momentum through the quarter and inflationary pressures have been exacerbated by the conflict. As a result, the Federal Open Market Committee (FOMC) affirmed at their March meeting that they expected numerous interest rate increases to occur over the course of 2022.

One now has to overlay this backdrop of inflation and rising interest rates with a number of additional complications. Russia is responsible for approximately 10% of the world's oil production, of which approximately 75% is exported, and provides Europe with 34% of its oil imports.² Russia is also responsible for supplying 40% of Europe's total gas consumption and around 18% of globally traded volumes of thermal coal.³ For the moment, Europe has not sanctioned purchases of Russian energy (though some private companies have stopped trading with Russia) and Russia has continued to supply oil and gas since the start of the conflict. However, this has occurred at a time when energy markets were already tight and prices were trending higher. In agricultural commodities, Russia and Ukraine provide significant volumes of globally traded wheat (29%), corn (19%) and sunflowers (33%).⁴ In fertiliser, Russia accounts for 20% of global potash supply and Belarus supplies a further 18%.⁵ Russia is also a significant supplier of other commodities such as steel, palladium, platinum, nickel, iron ore, copper and aluminium. Given that it is highly likely that Russia, short of a regime change, will remain a pariah state, it is also likely that energy and food prices will remain at elevated levels for a considerable period of time. The possibility of humanitarian crises in parts of the developing world is significant, and in the developed world, there will be pressure on household budgets, particularly for lower-income earners. And of course, headline inflation numbers are more likely to continue their upward trend.

2 Source: International Energy Agency (IEA).

3 Source: IEA.

4 Source: US Department of Agriculture, Morgan Stanley Research.

5 Source: ICIS, CRU consultants, Morgan Stanley Research.

In the short term, the conflict has damaged consumer and business confidence, especially in Europe, and indicators are consistent with a sharp slowdown in European economic activity. In the medium term, there are reasons to expect Europe to recover as government spending increases in response to the current situation. We already know that Europe will increase defence spending substantially in the years ahead, and there will be significant investment in diversifying energy sources away from Russia, including the region's ongoing push into renewable energy. The full benefits of the reopening post the COVID-19 pandemic have also yet to be experienced. Unless some of the more extreme scenarios play out, such as Russia cutting off energy supplies or the use of nuclear weapons in Ukraine, it is likely that increases in government spending, together with a progression to a full reopening post COVID-19, will underwrite a robust recovery in the European economy.

The Chinese economy was struggling in the second half of 2021 as a result of the "common prosperity" reforms. As we have discussed in previous quarterly reports, the most important of these reforms, with respect to economic activity, has occurred in the residential property market, which saw a substantial decline in the sale of new apartments with a flow-on effect to construction activity. While policy measures have helped property sales stabilise, the country has now been impacted by the Omicron variant of COVID-19. Having avoided the worst of the pandemic, the arrival of Omicron is likely to effectively bring an end to the country's zero-COVID policy. Unfortunately, the relatively low efficacy of the Sinovac vaccine means that the country's health system will now face the same stress and overloading that the rest of the world has experienced over the last two years. The use of lockdowns to slow the spread of the virus will disrupt economic activity and supply chains. The government has indicated they will pursue measures to support the economy and that the pace of economic reform will slow in order to re-establish business confidence.

The other concern regarding China is its "partnership" with Russia, affirmed in the days leading up to the invasion of Ukraine. Concerns range from potential military support via the supply of weapons, to aiding Russia in avoiding sanctions, and the possibility that China could use this moment to invade Taiwan. China's progress over the last 40 years has been a result of being integrated into the global economic system. Undoubtedly, over time, China has sought to bend this system to their advantage, however, it is highly unlikely that the country would do anything to damage the system and their place in it. If anything, the events of recent weeks will have highlighted to political leaders globally the high level of interdependence of the economic systems of China and the West.

Outlook

The economic and geopolitical backdrop for markets is the most complex it's been for over 40 years. In such an environment, one might expect that investors would be demanding a significant increase in risk premiums, yet the world's major stock markets are only down 5-10% from their recent highs. The one exception to this, is China, which is down 30%. How this unfolds in the stock market is likely to vary greatly by sector and geography.

In recent weeks, the stocks that have been heavily impacted by the conflict in Ukraine are those that have been directly affected. These include a range of cyclical businesses from auto original equipment manufacturers (OEMs) and component providers, to industrial businesses, European banks and travel-related businesses. Chinese stocks have suffered a broad and indiscriminate sell-off as a result of geopolitical fears and the weak economic environment in that country. In many cases, stock prices have approached crisis-level valuations seen in previous sell-offs, such as the global financial crisis or March 2020 COVID-19 sell-off. Many of these companies represent excellent value and we would expect them to perform well in the medium term, as Europe and China recover and uncertainties dissipate.

The growth stocks that led the bull market of the last decade are, however, likely to follow a different path. Investors had a preview of this in the early weeks of the March quarter as expectations of interest rate increases continued to rise and the growth stocks experienced significant selling pressure. Investors have subsequently returned to these companies as a place to hide, though we would expect this to be relatively short-lived as interest rates maintain their march higher. In particular, our assessment is that the highly speculative growth stocks (i.e. those with extremely high valuations, often trading on valuations in excess of 20 times sales) still have considerable downside.

The Fund is positioned for this environment, with its investments (longs) predominantly comprising profitable businesses, though with some degree of cyclicity, trading at attractive valuations. The Fund also holds short positions in the popular and expensive growth companies. It remains our view that the portfolio should be able to produce good absolute returns over the next three to five years. However, as we said last quarter, 2022 is likely to be an interesting and volatile year for investors as we work our way through the end of a pandemic and exit the era of ever-lower interest rates. The conflict in Ukraine has strengthened the case, and in the short term, investors should expect ongoing volatility in markets.

Macro Overview: Navigating Through Complex Times

by Andrew Clifford, Co-Chief Investment Officer

In late March, CEO and co-CIO Andrew Clifford sat down with Investment Specialist Julian McCormack to discuss the quarter's dramatic world events and what they mean for inflation, interest rates and markets. An edited transcript of the conversation is below.*

JM: Andrew, after starting the new year on a strong note, financials, industrials and materials, essentially cyclical stocks, reset lower in February on fears around the Russia-Ukraine conflict, what are your thoughts on a 3-5-year view?

AC: I think it's worth returning to where we were before the invasion of Ukraine and COVID really took hold in China. We were in a situation where we were clearly coming out of the pandemic, countries were reopening, there had been a huge amount of fiscal stimulus across the world and economies were looking in great shape. We also had an extraordinary rise in inflation to levels we haven't seen in 40 years, and with that, there was the realisation that interest rates were going to rise, and by a quite a lot. That environment was going to be very positive for financials, industrials, materials, travel stocks, and the like. Indeed, towards the end of last year and the first few weeks of the new year, they were doing very well. On the flipside, it was also an environment that was going to be very challenging for the stocks that had driven markets for the last three years, particularly the last two, the growth stocks or 'quality compounders' as they are often referred to. Indeed, some of the big favourite names like Facebook or Meta Platforms as it's now called, Netflix and other excitable growth names experienced some significant setbacks. These are the types of stocks that trade on 20, 30, 50 times sales and have serious valuation implications in a higher interest rate environment. I would add that when it comes to bull markets, there are two things that happen: there's a great story; and the story gets better in people's

minds as the prices reinforce it. The story is correct, but when rates suddenly start rising and stock prices stumble, people start looking more closely. A stock such as Facebook, for example, has gone from being an unsurpassed media giant for digital advertising, to a company really struggling in terms of competition and changes in its environment. Netflix, likewise, has been through similar challenges. So, as people start paying more attention to these stocks, we start to get a very different stock market environment.

JM: Interestingly, people have returned to those kinds of exposures, the quality compounders, in recent weeks, driving astounding performance in stocks like Tesla, Microsoft and Apple. What do you make of that?

AC: To me, it seems to be a reflex action for investors that's been driven into them over recent years. We have talked a lot over the past five years about how people were 'forced' into equities. They didn't really want to leave the safety of their bank deposits but had no other option in order to get returns. They wanted to invest in something they felt comfortable with, that was 'safe'. And that's certainly what the quality compounders and the Microsofts of the world appear to offer. We have gone from a period where investors were probably gaining confidence, there was an economic recovery underway and yes, interest rates were going to rise, but it wasn't the end of the world, to now facing a war on the Continent. There are also questions about China's role in the Russia-Ukraine conflict and the implications of that, as well as concerns about the strength of the Chinese economy,

*The full interview is available in audio format on The Journal page of our website <https://www.platinum.com.au/Insights-Tools/The-Journal>

which continues to struggle. The huge increase in uncertainty sees the "let's go back to safety" playbook come out yet again. While it doesn't surprise me, what I do find extraordinary this time, is that people actually want to return to these stocks, despite rates now rising. We always tend to focus on the US, but central banks across the world have been raising rates for a while. In the US, I follow the 2-year Treasury yield as an indicator of future rates and it's up around 150 basis points just this year (see Fig. 1). Investors wanting to go back to assets where the value won't be realised for many years out, so there's a discount effect,¹ is pretty bold in my view, especially when the US Federal Reserve (Fed) has reiterated they will be increasing rates. It's worth noting that following the invasion of Ukraine, European lead indicators, such as consumer confidence and business confidence, now look dismal and the economy is most likely going to have a very strong, short disruption at the least. China too is facing a difficult period because of COVID. In contrast, the US economy, for the moment, doesn't look to be skipping a beat, and in fact, taken in isolation, the worry there is that rates may go up much further than many expect.

JM: It's interesting in that context, maybe you could reflect on the process of going from extreme bullishness to bearishness, using past market cycles in terms of timing?

AC: It's always interesting to reflect on some of the timeframes involved. If you go back to 2008 for instance, and from recollection, it was around February when the Bear Stearns issue arose, there had been problems in the mortgage market leading up to that, but yet it wasn't until August that things really came to a head. In more ancient history, I was recently reviewing the end of the Japanese bull market in December 1989. Japanese government bond yields had risen sharply that year, from around 5% to 8%,² so it took a while for the market to crack, but then it certainly did happen. The lesson here is, it can just take time. I think it's worth talking about the other side of the equation too, the stocks that are out of favour, where valuations are back to crisis levels. While we don't know what the next three or six months will look like for companies such as BMW or Eastern European bank Erste Bank, two very high-quality businesses in our view, they are trading at levels last seen in the depths of the COVID sell-off or the 2009 sell-off in terms of their valuations and the strength of their underlying businesses.

¹ 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.

² Source: FactSet Research Systems.

Fig. 1: US 2-Year Treasury Yields



Source: Bloomberg as at 31 March 2022.

JM: I am reminded of the common refrain that as everything goes down all at once anyway, we might as well hold the current winners. Does it matter what you own?

AC: Well, if you look at history, there's one great exception to that, which was the end of the tech boom in 2000 and 2001. As tech stocks sold off, all of the out-of-favour companies back then, the 'old world' companies like spirits businesses and consumer staples that were trading on discounted valuations of around 11 or 12 times earnings, were actually rising. The sell-off in 2008/09 was indeed a case of everything going down at the same time. However, the better-valued stocks tend to not go down quite as much and recover much earlier.

Reflecting on last year, certainly there was some good buying to be done in a Microsoft or Facebook in March, however, there were much better buying opportunities in copper stocks, like Freeport-McMoRan or First Quantum Minerals, which were up 50% and 80% respectively over the year to the end of March 2022.³ At the end of the day, you have to get through the cycle to see how it all unfolds, but when we're buying a stock like BMW at 60% of its book value and there's a shortage of cars that will take two or three years to resolve, I think that's great long-term investing in the very traditional sense and not punting stock prices.

³ Source: FactSet Research Systems.

JM: Changing tack slightly, the other great area of focus for investors is China. We've seen an extraordinary response in perhaps some of the more speculative areas of the Chinese market following comments from Chinese Vice-Premier Liu He. Do you have any comments on that?

AC: Firstly, I would like to make an overall comment here, because there are a lot of fears about China, particularly its relationship with Russia. Clearly, China wants to play a very independent role, rather than a more neutral role. We need to remember that the US sanctions against Huawei effectively destroyed one of the greatest private companies of the world, so China naturally has genuine reasons to be fearful of the West and their role here. However, China's success is a product of being part of the global system. Their wealth and livelihood are a function of being part of that system, so to my mind, the likelihood that they will endanger that, is very low. I think that the worst fears are extreme here.

Now, clearly, the reforms of last year have hurt their economy, which they are well aware of, and COVID is now another blow for them. They need to get the economy going again, which explains why Vice-Premier Liu He, in a speech in mid-March, vowed to support economic growth and the capital markets, with notable mentions of the real estate and technology sectors, which have been impacted by regulatory crackdowns. There were also stimulatory measures announced, including tax cuts worth a percent or two of GDP.

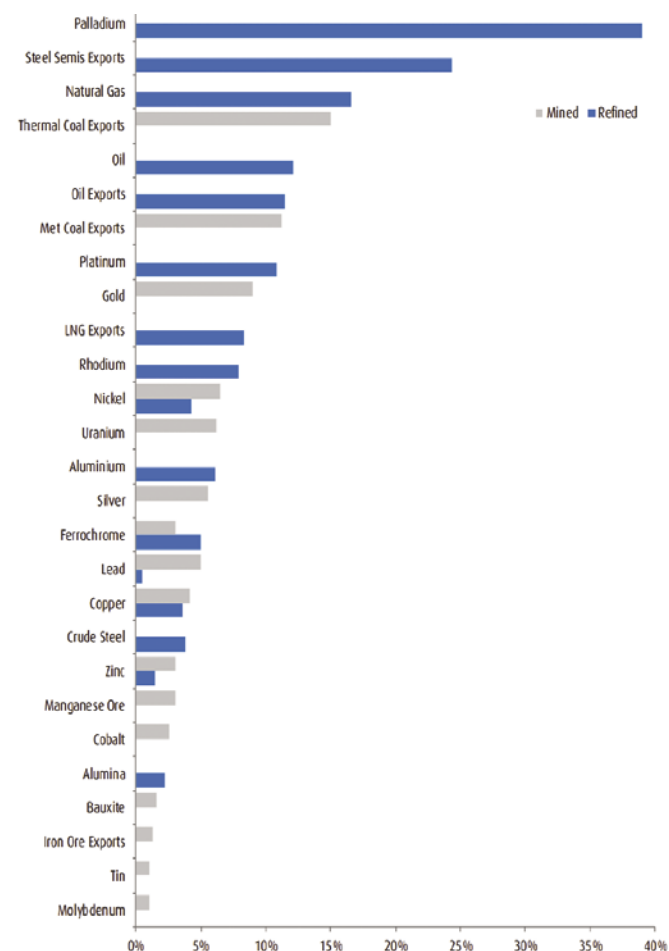
There are also a lot of concerns around Chinese American depository receipts (ADRs), with the US regulator, the Securities and Exchange Commission, looking at potentially delisting some Chinese companies from US stock exchanges. However, that is a sideshow really, because companies are just relisting in Hong Kong. Interestingly though, China has changed their position and is taking a highly conciliatory stance, trying to appease the US.

Back to your question regarding the market reaction, Chinese stocks were very cheap to start with, they were in a big bear market already, and then we had that extraordinary sell-off that only lasted for a couple of days. A bounce on the back of the positive statements was to be expected, but I think there is still some pretty interesting value in that market today.

JM: Apart from the human suffering from events in Ukraine, there are other real-world economic implications globally, can you touch on some of those?

AC: One major repercussion from the Russia-Ukraine conflict is obviously energy prices - not just oil, but also gas and thermal coal. These markets were already incredibly tight and while it's impossible to predict how the war will unfold from here, short of a regime change, Russia will most likely remain a pariah state. On that basis, it's reasonable to expect

Fig. 2: Percentage of Global Supply Sourced from Russia



Source: USGS, BMO Capital Markets.

elevated energy prices to continue. Another area that has been impacted is food prices and associated input costs, like fertilisers. Ukraine and Russia are huge suppliers of grains, notably wheat, but also fertilisers (potash). Our discussions with people in those markets indicate this is a very significant disruption, particularly in fertilisers, which is not going to be easily resolved. There are obviously humanitarian consequences of higher food prices in very poor countries. In terms of market implications, energy and food are the biggest components of household budgets, particularly for low-income earners in the West. This has a real impact on not just the average consumer but also businesses selling to those consumers. There are lots of swings and roundabouts, you can't ever assume that just because you are selling to lower-income households that you lose out, you might be able to increase prices, consumers may still buy your product, but then save elsewhere. However, there are going to be implications and it creates a very complex environment for investors.

JM: Obviously, it's different this time, but how would you compare and contrast that setup to how you were seeing the markets in 1999 and 2000?

AC: There's much greater complexity in the economic environment this time. Like the current situation, certainly in 1999/2000 we had interest rates going up and there were extraordinary valuations in some sectors, while a part of the market that had been left behind looked very attractive. But let's remember that in 2000, it was all about Y2K, which caused people to misread the situation. There was considerable demand for IT, which turned out to be driven by this artificial deadline for everyone to revamp their systems. This time, to some extent, I think we have the same possibility, with huge demand for physical goods. We have the potential now that everyone is misreading demand for say, homewares or other goods that have been in great demand. In the IT area, the amount of money available for

start-ups is extraordinary. You can see on the front page of the financial papers every day about someone raising another US\$100 million on a billion-dollar valuation - and they've barely even got started and that US\$100 million goes into a lot of IT services. For some of those much-loved software companies, sales aren't actually on trend, they're way above trend. In our view, it's very likely that we're going to have ongoing disappointments over the next year or so, particularly in those companies that are trading at incredibly stretched valuations.

With interest rates likely to move higher, I think the long duration stocks, the quality compounders, are going to be, at best, very low-returning investments. We feel there's just far better value in a whole range of other stocks that we've already touched on - the industrials, materials and banks and so on.

MSCI Regional Index Net Returns to 31.3.2022 (USD)

REGION	QUARTER	1 YEAR
All Country World	-5.4%	7.3%
Developed Markets	-5.2%	10.1%
Emerging Markets	-7.0%	-11.4%
United States	-5.3%	13.6%
Europe	-9.6%	1.1%
Germany	-12.9%	-12.0%
France	-8.7%	4.5%
United Kingdom	1.8%	13.6%
Italy	-10.0%	-2.7%
Spain	-4.1%	-3.7%
Japan	-6.6%	-6.5%
Asia ex-Japan	-8.0%	-14.6%
China	-14.2%	-32.5%
Hong Kong	-1.8%	-12.0%
Korea	-9.6%	-18.5%
India	-1.9%	17.9%
Australia	7.3%	13.5%
Brazil	35.9%	24.7%

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 31.3.2022 (USD)

SECTOR	QUARTER	1 YEAR
Energy	21.2%	40.0%
Materials	2.8%	10.9%
Utilities	1.2%	10.7%
Financials	-0.4%	11.1%
Health Care	-3.8%	12.6%
Consumer Staples	-4.0%	7.5%
Real Estate	-5.5%	9.5%
Industrials	-6.0%	1.5%
Information Technology	-10.3%	12.3%
Communication Services	-10.6%	-7.4%
Consumer Discretionary	-11.3%	-5.5%

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.

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:

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



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- **2022 Investor Presentation: Beware the Crowd – Why Having a Differentiated Approach is Critical to Investing.**¹ CEO and co-CIO Andrew Clifford and portfolio manager Nik Dvornak provide a market update and explain why a focus on capital preservation and a differentiated approach are important in volatile markets. Investment specialist Jan van der Schalk also outlines how we continue to approach ESG and how ESG and investment returns are long-term bedfellows.
- **Video – Ready for a Market Leadership Change.**² Every bubble has two main ingredients: a great idea and easy money. With inflation now at 30-year highs and rates rising, the bubble is unravelling and market leadership is changing. Co-CIO Clay Smolinski talks with investment specialist Dean McLelland on who will be next decade's winners.
- **Video – Entrepreneurial Spirit Thriving in Asia.**³ Drawing on his extensive experience in analysing and investing in evolving businesses in the tech sector, co-portfolio manager for our Asia ex-Japan strategy, Cameron Robertson is finding plenty of "not-so-familiar" investment opportunities, with Chinese online grocery retailer Dingdong, a great example.
- **Video – Update on the Platinum Health Care Fund.**⁴ After a stunning performance in 2020, the biotech sector suffered a disappointing setback in 2021. Portfolio manager Dr Bianca Ogden talks about the challenges the sector is facing and why she believes recent share price weakness is the buying "opportunity of the decade".
- **Article – The Beautiful Game.**⁵ Our co-founder, Kerr Neilson provides his thoughts on the current market dynamics. A thoughtful and insightful read, as always.
- **Video – Reform Creates Compelling Opportunities in Japan.**⁶ Increasing compliance with Japan's Corporate Governance Code is driving significant reform in corporate Japan. Simple changes in capital allocation policies can deliver outstanding results, as portfolio manager Jamie Halse explains.

¹ <https://www.platinum.com.au/Insights-Tools/The-Journal/2022-Investor-Presentation>

² <https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Ready-for-a-Market-Leadership-Change>

³ <https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Entrepreneurial-Spirit-Thriving-in-Asia>

⁴ <https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Update-on-the-Platinum-Healthcare-Fund>

⁵ <https://www.platinum.com.au/Insights-Tools/The-Journal/The-Beautiful-Game>

⁶ <https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Reform-Creates-Compelling-Opportunities>

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).

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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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