



Platinum International Fund

(Quoted Managed Hedge Fund)[®]

(ARSN 620 895 301 | ASX Code: PIXX)

Quarterly Investment Manager's Report

30 June 2022



Platinum[®]
INTERNATIONAL FUND
(QUOTED MANAGED HEDGE FUND)

Investment Update

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



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Performance

(compound p.a.* to 30 June 2022)

	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PIXX*	2.5%	-5.6%	9.3%	4.7%	5.0%
MSCI AC World Index^	-7.9%	-8.0%	8.4%	6.9%	9.8%

* 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 30 June 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:

- The US Federal Reserve's decision to sharply increase interest rates from 0.5% to 1.75% over the course of the quarter in response to the accelerating rate of inflation was the key driver of markets. This resulted in a significant setback for the popular growth stocks that have led the bull market over the last three years. Asia, particularly China, was the notable outperformer for the quarter.
- Our short positions were the strongest contributor to the Fund's performance, adding 7% to returns. On the long side, many of our Chinese investments provided a positive return. Energy companies (Saras, Suncor Energy), global insurance player Beazley, and Japanese bathroom fixtures manufacturer Lixil also contributed positively.
- The Fund's net invested position fell from 62% to 56%. The make-up changed significantly, with short positions reduced from 28% to 20%, and cash increased from 10% to 24%. This cautious positioning continues to reflect our concerns regarding the impact of rising interest rates on what has been a very speculative stock market.
- The months ahead will likely remain volatile as markets transition away from the near-zero interest rate environment. The Fund is positioned for this environment with investments predominantly comprising profitable businesses trading at attractive valuations. Short positions continue to be held in popular growth stocks and market indices to reduce the Fund's exposure to further market declines. Ample cash reserves will allow the Fund to take advantage of new opportunities as they arise.

PIXX returned 2.5% for the quarter, well ahead of the market's -7.9% decline.¹

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

The key factor driving markets was the decision by the US Federal Reserve (Fed) to sharply increase interest rates from 0.5% to 1.75% over the course of the quarter in response to the accelerating rate of inflation. This resulted in a significant setback for the popular growth stocks that have led the bull market over the last three years. Notably, the US market was the weakest of the developed markets over the period (-17% in local currency terms), reflecting its heavy weighting to such companies. Asia (-6%), particularly China (+5%), was the notable outperformer for the quarter.²

Our short positions were the strongest contributor to the Fund's performance, adding 7% to returns. On the long side, many of our Chinese investments provided a positive return, a good outcome given market circumstances. Online travel agent **Trip.com** (+19% over the quarter), parcel delivery giant **ZTO Express** (+10%) and property developer **China Overseas Land & Investment** (+6%) were key contributors to performance. Contributors outside of China included energy companies **Saras** (+99%) and **Suncor Energy** (+11%), global insurance player **Beazley** (+19%) and Japanese bathroom fixtures manufacturer **Lixil** (+11%).

Detractors from performance included **Allfunds** (European fund platform, -30%) and **St. James's Place** (UK wealth management, -24%). Both businesses have revenue streams based on assets under management, and as such, falling stock markets reduce short-term earnings. **MinbeaMitsumi** (industrial and electronic components, -14%) and **Microchip Technology** (semiconductors, -23%) saw share price declines due to concerns around slowing global growth prospects.

Changes to the Portfolio

The Fund's net invested position was reduced from 62% to 56% over the quarter. The make-up of that position changed substantially, with short positions reduced from 28% to 20%, and cash increased from 10% to 24%. This cautious positioning continues to reflect our concerns regarding the impact of rising interest rates on what has been a very speculative stock market.

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 MSCI USA Index, MSCI Asia ex Japan Index and MSCI China Index, respectively, in local currency. Source: MSCI.

Disposition of Assets of PIF

REGION	30 JUN 2022	31 MAR 2022	30 JUN 2021
Asia	24%	25%	25%
Europe	23%	24%	20%
North America	16%	21%	23%
Japan	8%	13%	12%
Australia	3%	5%	3%
Other	2%	3%	1%
Cash	24%	10%	15%
Shorts	-20%	-28%	-6%

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

Net Sector Exposures of PIF

SECTOR	30 JUN 2022	31 MAR 2022	30 JUN 2021
Industrials	15%	18%	20%
Financials	12%	13%	16%
Materials	11%	16%	16%
Consumer Discretionary	8%	7%	8%
Information Technology	5%	6%	11%
Energy	4%	4%	0%
Health Care	3%	5%	6%
Real Estate	3%	3%	3%
Communication Services	2%	4%	1%
Consumer Staples	0%	1%	-1%
Other	-8%	-16%	-2%
TOTAL NET EXPOSURE	56%	62%	79%

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
ZTO Express Cayman Inc	China	Industrials	3.5%
Glencore PLC	Australia	Materials	2.9%
Ping An Insurance Group	China	Financials	2.8%
Microchip Technology Inc	US	Info Technology	2.6%
MinebeaMitsumi Co Ltd	Japan	Industrials	2.4%
UPM-Kymmene OYJ	Finland	Materials	2.3%
Trip.com Group Ltd	China	Cons Discretionary	2.2%
Shell PLC	Netherlands	Energy	2.0%
Beazley PLC	UK	Financials	2.0%
Samsung Electronics Co	South Korea	Info Technology	1.9%

As at 30 June 2022. See note 4, page 11.

Source: Platinum Investment Management Limited.

The reduction in the short positions simply reflects that many positions were closed for significant gains. Indeed, the closure of short positions was greater than it appears, as a number of new short opportunities were identified and added during the period.

The increase in cash reflects both the banking of profits on shorts and the trimming of existing long positions that had performed well. These included **Mosaic** (fertilisers), **China Overseas Land & Investment** (Chinese residential property developer) and **Glencore** (mining, commodities trading).

We have been relatively cautious about putting funds to work in this environment, as we expect the market to provide a range of new opportunities in the months ahead. Having said that, we did add to existing positions in **JD.com**, **Allfunds** and **Infineon Technologies** (German semiconductor manufacturer).

Commentary

The focus of markets over the last quarter has returned to inflation and interest rates. While there is much debate around how many interest rate rises will be needed to suppress inflationary pressures and whether this pushes economies into recession, this misses the critical point for investors. The mechanism that created inflation is precisely the same one that created the extraordinary speculative bubble in stock prices. As discussed over the last two years in our reports, that mechanism was the rapid growth in money supply that resulted from the funding of government spending that occurred throughout 2020 and 2021 in response to the COVID-19 pandemic. As has been experienced in the past, this excessive growth in money supply found its way into rising asset prices over the course of the next two years.

Now, as government spending has receded over the last 12 months, money supply growth has fallen. In the US, M2 growth, having peaked at an annual rate of around 25% in 2020, then falling back to mid-teen levels during 2021, is now running at only 6%.³ In addition, interest rate rises will further suppress any potential bounce in money growth by discouraging private sector borrowing. Not only can one expect inflation to recede over the course of the next two years, but asset prices will also come under pressure. Additionally, we have the Fed starting to unwind its quantitative easing (QE) policy of the last decade. While QE had little discernible impact on the consumer price index (CPI) over the last decade, it almost certainly resulted in lower long-term interest rates. In doing so, it created a strong

tailwind for not only stock markets but across a range of asset prices, including property, infrastructure and private equity.

Of course, this is already apparent with stock markets falling this year, particularly in the more speculative end of the market. The question is how much further is there to go. Many commentators will observe that valuations already look far more reasonable, particularly for many of the large market cap favourites of recent years, such as the FANGs and Microsoft. While certainly, this is the case, we would debate whether they are at attractive levels. More importantly, though, once monetary conditions change and bear markets take hold, what becomes more significant are the real-world effects on company earnings.

We can already see that funding has dried up for start-ups and private companies, particularly in high-growth technology and e-commerce sectors. One can observe high-profile venture capital firms directing their investee companies to conserve cash and move toward profitability. Similarly, companies that have already listed and seen their stock price collapse will likely struggle to raise additional funds and will be under similar pressures to achieve profitability. Cost-cutting measures will see fewer software engineers writing code, cuts to advertising and promotional expenditures, and smaller sales teams. This will impact the sales and profits of a range of providers of software tools, cloud services and digital advertising. Additionally, the companies making the cuts will see their own growth rates slow, further impacting the price investors are willing to pay for their shares. Similar dynamics will play out across the broader economy, not just the technology sector, with impacts on profits across the board. Weakening profits will likely drive the next leg down in share prices.

At some point, we will see inflation subside and the central banks reverse their course on interest rates. The unanswered question is where will interest rates settle beyond this inflationary spike. We think it is unlikely they will return to near-zero levels, as investors, having suffered the inflationary consequences of very low rates, are likely to demand a positive real return on their funds. This means that even if inflation returns to pre-Covid levels of approximately 2%, interest rates of at least 2% to 3% should be expected. This would mean the strong tailwind of falling interest rates that have helped drive asset prices over the last decade will no longer be present. In this new environment, what has worked well for investors over the last 10 years, is unlikely to work in the years ahead.

³ Source: Federal Reserve Bank of St. Louis. M2 includes cash, checking deposits, and easily-convertible near money.

Outlook

The backdrop of rising interest rates points to a difficult environment for stock market investors. However, despite the headwinds of rising rates, there are parts of the market that are attractively priced and offer the prospect of good returns in the medium term, as outlined below.

- **Assets that have been priced in a completely different economic and interest rate environment.** China is the most significant opportunity in this set. Today, as a result of the collapse in residential property sales last year, the country has experienced its most significant economic slowdown since the opening of its economy in the 1980s. This slowdown has been exacerbated in recent months by the Covid-19 lockdowns in Shanghai and other major cities. However, prior to this slowdown, policymakers' intent to deleverage the economy in recent years has meant that there has been little in the way of monetary or fiscal measures to support the economy. Not only does this give the government leeway to now stimulate the economy as it moves beyond the Covid-19 lockdowns, but it also means that Chinese assets have been priced in a much less-supportive environment than in developed markets. Additionally, geopolitical concerns have weighed further on Chinese share prices. Today, investors can acquire a wide range of high-quality Chinese assets at very attractive valuations.
- **Businesses that have been harmed by low interest rates.** Most notably here are banks, particularly those that have strong deposit franchises. Before the era of low rates, these banks were very profitable as their branch networks provided a low-cost source of funding for their business. However, when interest rates approach zero, this advantage is lost. Rising rates should boost the profitability of such banks, particularly in Europe, where many banks are trading at heavily discounted valuations.
- **Businesses that are yet to fully recover from the pandemic.** Travel-related businesses remain in the early stages of recovering from the travel restrictions of the last two years. Many have forgotten that travel has been a long-term secular growth story. We expect there will be a long period of "catch up" in leisure travel and a steady recovery in business travel, even in a subdued economic environment. The auto market has also been suppressed due to supply-chain issues throughout the pandemic. Once these are resolved, the sector should see a period of strong demand, buoyed by a combination of replacement demand and the move to electric vehicles.

- **Other sectors that have been and remain deeply out of favour with investors.** We have frequently noted that in recent years, investors' risk aversion has led them to avoid businesses that display any degree of variability or cyclicity in their earnings. While these companies may not have the steady and reliable earnings streams that investors crave, they nevertheless can grow from one cycle to the next while displaying highly desirable characteristics, such as high returns on capital. We would include industrial and electronic components suppliers such as MinebeaMitsumi and Microchip Technology in this category. Again, with the setback in markets, many of these companies are trading at highly attractive valuations, even in a weakening economic environment.

The months ahead are likely to remain volatile as markets transition away from the near-zero interest rate environment. The Fund is positioned for this environment with its investments predominantly comprising profitable businesses trading at attractive valuations. Short positions continue to be held in the popular growth stocks and market indices to reduce the Fund's exposure to further market declines. Ample cash reserves will allow the Fund to take advantage of new opportunities as they arise.

Macro Overview: A 'Garden Variety' Correction or Much More?

by Clay Smolinski, Co-Chief Investment Officer

It's been another challenging quarter for markets. In late June, Co-CIO and portfolio manager Clay Smolinski sat down with investment specialist Julian McCormack to share his thoughts on inflation, the weakening US consumer, Covid lockdowns in China and the energy crisis in Europe - and what they all mean for markets and Platinum's portfolios. An edited transcript of the conversation is below.*

JM: US markets have clearly had a pretty good adjustment. Is it time to 'bottom fish' for bargains there?

CS: We should step back and think about that market adjustment. Looking at the US, the S&P 500 is down about 20% in local currency terms and the Nasdaq is down roughly 30% for the calendar year to date.¹ In a historical context, that's a very reasonable repricing. However, you need to place that repricing in the context of where we came from, which was a bubble environment where valuations were historically very high because investors had been conditioned by low interest rates and the belief that they were going to stay low for a long time. That 20% fall is just skimming off the euphoria that was surrounding markets.

We now need to think about what the current situation is. Today, we have an inflation problem, everyone knows it, but why do we have it? During Covid, the US government essentially added 40% to the money stock, with US bank deposits rising from US\$13 trillion to US\$18 trillion over an 18-month period.² However, the productive capacity of the economy, and by that, I mean trained workers, plant and equipment, and the ability to produce real goods and services, did not change. As all that new money began to chase that productive capacity, with a lag, the price of that productive capacity has naturally increased - and that's not going to solve itself quickly. The central banks know they've overstepped with the money creation and now need to tame inflation. They're doing that by hiking interest rates and

trying to remove money from the system. The mechanism to tame inflation is really to trigger a recession that lowers the demand on those productive assets, be it wages or goods and services. Now, creating 40% new money is very good for asset prices. Withdrawing money from the system and driving a recession is bad for asset prices.

So, is it time to bottom fish? We have certainly seen a repricing in markets, and opportunities on the long side are becoming more plentiful, but they're not as plentiful as you may think, and that's simply because we are coming from such an extended and euphoric starting position.

JM: What are the potential bull cases? Where could we be wrong about being cautious on the US?

CS: Where we can be wrong firstly is on investor sentiment. We've gone from the market believing inflation was never going to come back, like in Japan, to inflation being transitory, to oh, we actually have an inflation problem, and a recession is nigh. There's nothing that says that we will fall off a cliff next week, and market sentiment has moved to more of a recessionary belief. If that takes longer to transpire, we could see some pretty interesting bounces.

A second bull case is that we have two very large economies in the world. We have the US, which people believe is heading into a recession. We also have China, which is already in a recession, and potentially, once it gets past Covid, it could move into a recovery phase. The Chinese government has not really stimulated its economy to date during the Covid pandemic, certainly not to the extent that other parts of the world have, and that could be another driver of aggregate demand, which could offset some of the weakness in the US.

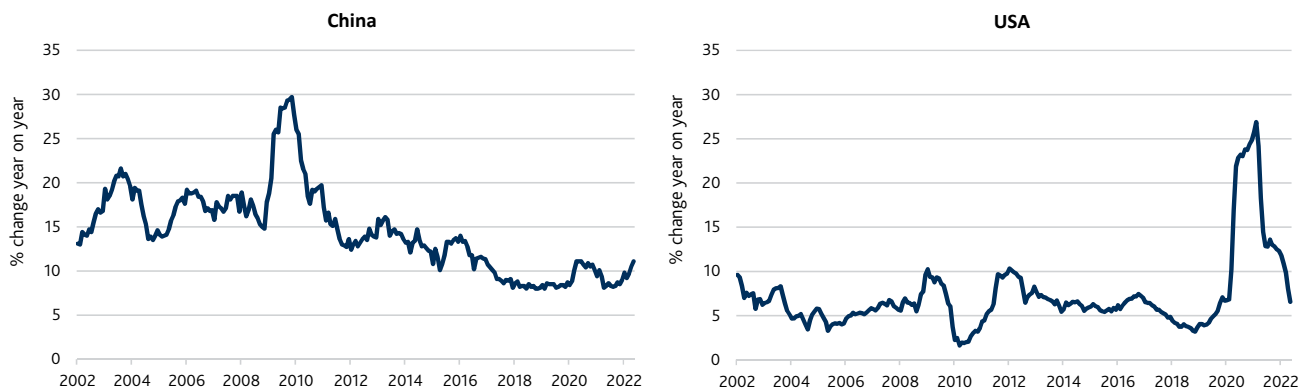
¹ References to returns and economic data in this Macro Overview are in quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

² Source: Reserve Bank of St. Louis, January 2020 to July 2021.

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

Fig. 1: China Policy Has Been Restrained

Money supply (M2) growth p.a., China versus USA



Source: FactSet Research Systems (China), Federal Reserve Bank of St. Louis (USA). Monthly data to April 2022. M2 includes cash, checking deposits, and easily-convertible near money.

JM: In that context, the Chinese equity market had a massive setback in March, so cheap and unloved became less loved and cheaper, but what's happened since then and what's that telling us?

CS: We think China is in a very interesting space. Most of the indicators we are seeing today suggest we are in a bottoming process and it's time to buy. Again, we need to step back and think about the context. China is in a recession; there has been a huge repricing and a change in the level of activity in their property market following the property reforms, with new property transactions running at -40% for the calendar year to date.³ We also had a regulatory crackdown, which we think was more important for investor sentiment than the economy per se, and the former has certainly soured. Of course, we've also had the Covid lockdowns. Arguably, this is one of the toughest economic periods China has had over the past 20 years.

We also have investor apathy. There is clear value in China, but investors just don't want a piece of it, and that is linked to events in Russia and more worries around China from a geopolitical sense. It very much reminds us of the investor response during the European sovereign crisis, where investors didn't want to engage in the discussion, and we know how that played out in terms of future opportunities. People may remember the constant back and forth around the European sovereign crisis. Would Germany bail out the peripheral states? We had the President of the European Central Bank (ECB), Mario Draghi, draw a line underneath it with his "we will do whatever it takes" statement in July 2012. From that point, we saw a 50% rise in that market over the next few years, and there were some tremendous gains to be

made with European banks doubling in price, for example. And so, there are some interesting parallels - and when people don't want to engage in the subject anymore, it's a good time to take a look.

What will be the catalyst for China and what are we seeing now? It feels like things are starting to turn. The government is open to stimulus packages and we've seen some announced in autos and consumption. We're not going to see the effect of those though, until we move past this Covid period. We've seen every other country in the world move past Covid - a zero-Covid policy forever is not a realistic strategy and we think there will be a resolution there. We're also starting to see a turn in regulatory and government policies around markets, particularly on tech companies. The government was introducing a lot of regulation, which to be fair, was not that different from what the Europeans were doing on tech regulation, but now these companies are being viewed as more of the solution rather than the problem. Generating employment and new investment is something the government wants to do. Companies like Tencent are saying they will invest in building out a local domestic indigenous software as a service (SaaS) style industry, which is seen as a big positive. Importantly, this is now starting to be reflected in stock prices. The Chinese stock market felt like it bottomed after the Ukrainian invasion, and since then, whilst other markets have been rolling over, it has started to trend up, so we are quite positive on the outlook there.

³ Source: China Real Estate Information Corp (CRIC) and Morgan Stanley.

JM: Further on China, it looks like an mRNA vaccine may not be too far away there. Can you reflect on the impact of vaccines in the West?

CS: We saw the impact in our portfolios. In October 2020, what were the cheapest areas of the market? They were cyclical, industrials, travel, and any industries directly hurt by the lockdowns. The day the Moderna vaccine efficacy rate was announced, many of those stocks went up 20%-30% in a day, and there was a huge rotation in the market. The day indigenous vaccine efficacy data is announced in China, we would expect to see a very aggressive and accelerated rollout of the vaccine. When the Chinese government wants to get things done, they tend to do it. So, it will be a military-style effort to vaccinate the population. When that happens, we expect to see a very strong reaction in the Chinese market and potentially global markets.

JM: So, let's balance some of that potential in China versus a slowdown in the US, particularly the consumer, where consumption represents roughly 15% of global GDP. How are you balancing these very cheap markets, South Korea, Japan, China and Germany, against the slowdown in US demand?

CS: These are either export-led countries, especially in the case of Germany and South Korea, or have a very large export sector, in the case of Japan. I have no doubt that if we do see a recession or slowdown in the US, these countries will be hit; it's just the nature of the largest economy in the world starting to slow down. But why would anyone still be interested in opportunities in those markets? Well, there are a few factors.

Certainly, coming into this current market downturn, these markets were considerably cheaper than their US counterparts. There were a number of reasons for this. Firstly, there was less of that sense of euphoria, fewer retail investors speculating via options and a general lack of all the froth that was going on in the US. Secondly, these stock markets also have less of those very 'hot' areas. The SaaS stocks, for example, are predominantly listed in the US; not many are listed in Germany and Japan. Generally, these markets have come off less than the US, and the starting valuations were considerably cheaper.

Another interesting factor is there have been some very large currency devaluations in these export-oriented countries, particularly the Japanese yen, and to a lesser extent, the euro and the South Korean won. In this type of environment, the yen trading at 135 to the US dollar places companies such as Toyota in an incredibly competitive position. It's the same for MinebeaMitsumi, a company we also own in our portfolios, which exports precision motors and ball bearings around the

globe. Those types of companies are in a fantastic position to gain market share and make quite good money in this environment.

It's the old adage that when Japan is looking pretty cheap as a holiday destination due to the yen, you should also think about buying some assets there. Hence, we have been interested in some of those export-led players, such as MinebeaMitsumi in Japan and Infineon Technologies in Germany, a large producer of power semiconductors.

JM: Aside from the human tragedy, clearly Europe has fundamental challenges, not least around energy policy. How are you thinking about Europe?

CS: The central issue in Europe is the energy crisis. There has been a fundamental change to the energy supply into Europe, particularly gas. Europe was sourcing 50% of its natural gas from Russia.⁴ It is very hard to change the trade flow of natural gas because it's difficult to transport, you either need a pipeline or liquefaction facilities, and both take a long time to come online. There's no quick and easy solution. Energy is a fundamental building block to everything; if the energy price triples, that will affect the competitiveness of your industrial base. And if you can't get energy, well, it gets much worse. So that is a clear problem. Never count the Europeans out though. There are 300 million pretty industrious people there, and when placed on a wartime footing, it's incredible what can be achieved. I believe they recently built two liquefaction plants in record time, whereas previously, it would take five years because of the need to obtain every permit underneath the sun. This shows that the market can respond, but we know there are limits to physics; it will take time.

What is our positioning in Europe? Importantly, we don't invest in Europe; we invest in companies. We need to acknowledge that there's a problem and then ascertain who has the solution and who could be the beneficiaries. In response, we know that natural gas will be in short supply in Europe for some time and businesses will try to substitute that and electrify processes where they can. Who's a beneficiary of that? Infineon, with their power semiconductors. When thinking about electric vehicles, other forms of high-voltage electrification, energy or electricity efficiency, a power semiconductor is involved. Energy and electricity is a giant industry, so even small changes in capital spending towards that can have an outsize effect. Infineon is a local company with a dominant position in the higher-voltage ranges – it's a great example of a high-quality European technology manufacturer, and it's trading at 13 times earnings today. Investors are concerned about the

⁴ Source: International Energy Agency (IEA).

cyclical element of the business currently. However, looking to the future, Infineon is likely to be a key supplier into electric vehicles and electrification, and one would assume there are going to be some very strong spending tailwinds around those two areas. So, that's how we're trying to view it.

JM: We continue to hold a low net invested position in the flagship global equity portfolio, but there is a lot to buy. What are we reflecting in that behaviour in our own exposure?

CS: It comes back to some of the guideposts that we can use and also to the start of our conversation – the repricing in markets, with most broad indices falling roughly 20% over the past six months. But let's put that into context, a 20% decline is a garden variety fall. If you look at a 90-year period in history, there will probably be 25 occasions where markets fell 20% or more. When you have a new and novel problem, and we've had three examples of that in the last 20 years, being the tech wreck, global financial crisis and global Covid shutdown, over those periods, markets fell roughly 40% on each occasion. So, that provides a band of where sentiment can take investors. This time, we have both inflation and a bubble popping. We never know how bad that will be for the

market, but we do know it's unlikely to be a garden variety style of problem.

We can then compare that with other measures of sentiment, and that sense of apathy by investors needs to be considered – are they still excited to buy now after a 10-year or 15-year bull market? Or are they starting to disengage? We suspect that we're not quite there yet, and the best measure is when opportunities are completely plentiful.

I would say there are more opportunities than there were, but they are not mouth-watering yet as we still have this hangover from the very distorted Covid spending. You can point to some big falls in these hot areas, but given that the starting valuations were so wild, there is less opportunity than you might first think.

There are also still opportunities to short. There are some incredibly dubious companies running lossmaking business models that are completely reliant on capital market funding, and we think that funding will be much harder to come by over the next 12 months. On balance, while things are starting to get interesting, we're not quite ready to phase out the short book and cash entirely just yet, but we are ramping up our buying activity.

MSCI Regional Index Net Returns to 30.6.2022 (USD)

REGION	QUARTER	1 YEAR
All Country World	-15.7%	-15.8%
Developed Markets	-16.2%	-14.3%
Emerging Markets	-11.4%	-25.3%
United States	-16.9%	-13.2%
Europe	-14.6%	-19.8%
Germany	-18.1%	-31.2%
France	-14.8%	-18.3%
United Kingdom	-10.5%	-4.0%
Italy	-17.7%	-22.7%
Spain	-8.4%	-16.3%
Japan	-14.6%	-19.9%
Asia ex-Japan	-9.0%	-25.0%
China	3.4%	-31.8%
Hong Kong	-1.1%	-15.2%
Korea	-20.9%	-38.5%
India	-13.6%	-4.8%
Australia	-18.1%	-13.0%
Brazil	-24.4%	-23.3%

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 30.6.2022 (USD)

SECTOR	QUARTER	1 YEAR
Energy	-5.2%	21.4%
Consumer Staples	-6.2%	-4.6%
Utilities	-7.2%	3.2%
Health Care	-7.3%	-4.6%
Real Estate	-14.0%	-13.1%
Financials	-15.8%	-11.9%
Industrials	-16.2%	-18.7%
Communication Services	-18.2%	-29.8%
Materials	-19.8%	-16.1%
Consumer Discretionary	-20.2%	-28.9%
Information Technology	-21.7%	-20.5%

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:

- 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.



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Recent highlights include:

- **Webinar and Article - Market Update: Inflation Takes its Toll on Markets.**¹ CEO and co-CIO Andrew Clifford talks about the impact of inflation, rising interest rates and the Russia-Ukraine conflict on global equity markets. Against this backdrop, Andrew discusses Platinum's investment approach, drivers of recent returns and where the team is investing.
- **Video – Biotech, Down but Absolutely Not Out.**² It has been a difficult 12 months or so for biotech, but portfolio manager Dr Bianca Ogden believes the sector is “absolutely not broken” – far from it. Innovation continues and balance sheets are stronger than ever with a lot of cash sitting on the sidelines, paving the way for industry consolidation and ongoing investment in next-generation technologies and drug discovery.
- **Video – Turmoil Provides Catalyst for Significant Investment in Europe.**³ It is no surprise that investor sentiment has turned negative on Europe. However, recent events are providing catalysts for significant change, with Europe looking to massively invest to be self-reliant in supply chains and energy. This is providing tailwinds for some of our long-term holdings, but it's also creating opportunities in new emerging companies, as portfolio manager Adrian Cotiga explains.
- **Video – Defensive Stocks Not So Defensive After All?**⁴ US consumer stocks have taken a hit this year. Rate rises, geopolitical issues, withdrawal of fiscal stimulus and excess inventory are all taking their toll on company sales and profit margins. Portfolio manager Jamie Halse discusses his thoughts on current valuations, why defensive companies aren't necessarily great investments and where he is finding value outside the US.
- **Investing for Life Podcast – Kerr Neilson, Co-Founder, Platinum Asset Management.**⁵ Kerr Neilson shares a rare insight into his life growing up, how his father's business challenges shaped his views on entitlement and hard work, learning the difference between luck and competitive advantage in investing, and how insecurities and the drive to win led to the creation of Platinum.

¹ <https://www.platinum.com.au/Insights-Tools/The-Journal/Market-Update-Inflation-Takes-its-Toll-on-Markets>

² <https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Biotech-Down-but-Definitely-Not-Out>

³ <https://www.platinum.com.au/Insights-Tools/The-Journal/Turmoil-Provides-Catalyst>

⁴ <https://www.platinum.com.au/Insights-Tools/The-Journal/Defensive-Stocks-Not-So-Defensive-After-All>

⁵ <https://www.platinum.com.au/Insights-Tools/The-Journal/Investing-for-Life-Podcast-11>

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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