Platinum International Fund

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Performance

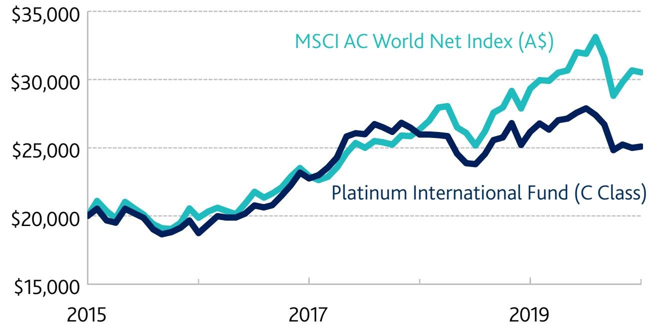
(compound p.a.+, to 30 June 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	1%	-4%	3%	5%	12%
MSCI AC World Index^	6%	4%	10%	9%	7%

+ Excluding quarterly returns.
* C Class – standard fee option. Inception date: 30 April 1995.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ 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 4. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

30 June 2015 to 30 June 2020



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 4.

Global equity markets have staged an extraordinary rally, up 6% over the quarter, to be just 12% below their February peak,[1] despite the global economy only just starting to recover from the depths of the largest economic setback in modern economic history. The remarkable nature of this feat is further highlighted when considering that at the start of the year, equity markets had been in a 10-year bull market and the global economy was in reasonable shape, albeit recovering from a manufacturing recession.

As we have discussed at length in our Macro Overview, while economic activity around the world is picking up from April's trough, the performance of the stock market can best be attributed to initiatives by governments and central banks around the world to backstop the collapse in economic activity as a result of the COVID-related lockdowns. In short, central banks, in conjunction with their governments, have created a significant increase in the amount of money outstanding in the economy. In the US alone, M2 money supply was up 25% on a year-on-year basis in June,[2] at a time when economic output was collapsing. Inevitably, this is inflationary, and it hasn't appeared in the price of goods and services, but in the price of bonds (reflecting further falls in interest rates) and certain sectors of the equity market.

Within equities, investors at a time of significant uncertainty have further increased their preference for ownership of businesses that are fast growing or defensive in nature, which is a reasonable response, except for the already very high valuations of these companies. The result has been a further widening of the differential in valuations and stock price performance between 'growth' stocks and 'value' stocks.[3] This is illustrated in Fig. 1 (overleaf), which shows that growth stocks have returned 35% over the last two years vs. 0.2% for value stocks. Interestingly, of this differential, around 25% occurred in the first six months of 2020.

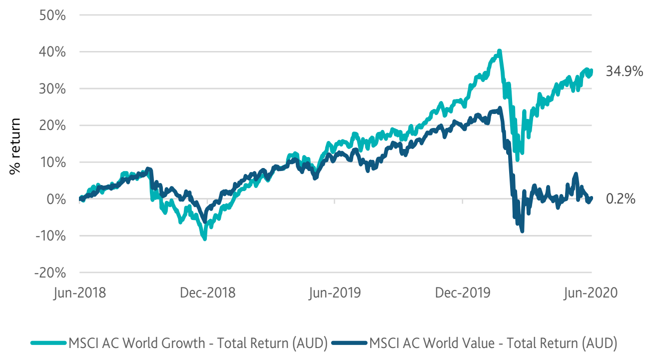
1 MSCI AC World Net Index. All index and market returns in this Platinum International Fund report are in AUD terms and sourced from FactSet Research Systems, unless otherwise specified.

2 As at 22 June 2020. Source: https://fred.stlouisfed.org/series/M2#0

3 Growth stocks are the top 20% of stocks with the highest price to book (P/B) and value stocks are the 20% of stocks with the lowest P/B. The P/B is a ratio of a company's current share price to its book value.

Fig. 1: MSCI Total Return Index - Value vs. Growth (AUD)

June 2018-June 2020



Source: MSCI, Platinum Investment Management Limited.

In the US market, where the data sets on value versus growth returns stretches back to the 1930s, the long record shows value has significantly outperformed growth. The last 13 years represents the longest winning streak for growth by a large margin. When one also considers that growth stocks are trading at around their highest valuations on record, 10-year government bond yields are below 1% across the developed world, at a time when government debt is rising rapidly (funded by central banks in many cases), in the midst of a global pandemic and a global economic collapse, it is clear that with respect to financial markets, we are sailing into uncharted waters.

In this context, the cautious positioning of the Fund (C Class) has resulted in significantly reduced investment returns over the 12-month and three-month period to 30 June, entirely attributable to losses on our short positions.[4] This again, raises the question of the merits of holding short positions at all. Certainly, in periods where markets are rising, it will always appear to be a futile exercise. However, as we stated earlier, we are in an unprecedented environment in financial markets and we continue to be of the view that maintaining short positions and cash holdings is appropriate to provide a level of downside protection.

The long portfolio in the Fund has performed slightly better than the market over the last quarter. Among the best contributors to performance were **ZTO Express** (China, express parcel delivery, up 39%), **Microchip Technology** and **Skyworks Solutions** (semiconductors, up 55% and 43% respectively), and **LG Chem** (batteries for electric vehicles and petrochemicals, up 61%).

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

Changes to the Portfolio

The net invested position of the portfolio has increased from 60% to 78% over the quarter. However, this positioning does not fully reflect the cautiousness of our current views on markets. We have closed some short positions as markets moved enthusiastically higher, and opened other short positions later in the quarter. We are continuing to look for new opportunities to provide downside protection for the Fund.

We continued to add to positions across a range of stocks that have suffered from the disruption to domestic and international travel. The travel industry is not only one of the most heavily impacted industries by the COVID-related lockdowns, but also has the longest recovery timeframe. Nevertheless, our view is that travel will return to favour in time and that the advent of an effective vaccine will facilitate a recovery. Either way, we expect it is likely to take at least three years to recover to prior levels and business travel will

Disposition of Assets^

REGION	30 JUN 2020	31 MAR 2020	30 JUN 2019
North America	28%	26%	23%
Asia	27%	29%	35%
Europe	18%	15%	16%
Japan	13%	12%	9%
Africa	1%	1%	1%
Cash	13%	16%	16%
Shorts	-9%	-24%	-22%

^ With effect from 31 May 2020, our country classifications for securities were updated to reflect Bloomberg's "country of risk" designations. These changes have been backdated to prior periods.
See note 3, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 JUN 2020	31 MAR 2020	30 JUN 2019
Information Technology	17%	13%	8%
Industrials	16%	12%	10%
Financials	11%	11%	16%
Materials	10%	6%	9%
Consumer Discretionary	10%	8%	5%
Health Care	8%	9%	2%
Communication Services	8%	8%	13%
Real Estate	2%	2%	3%
Energy	2%	2%	5%
Utilities	0%	0%	0%
Consumer Staples	-2%	-3%	1%
Other*	-3%	-10%	-12%
TOTAL NET EXPOSURE	78%	60%	62%

* Includes index shorts and other positions.
See note 4, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

potentially take longer, given the improved effectiveness of video conferencing solutions, such as Zoom. It should be remembered though, that prior to the pandemic, the travel industry had showed steady growth for many years. Obviously, companies that rely on travel have seen their businesses severely disrupted and not surprisingly their share prices sharply collapse. This has provided an interesting opportunity to buy high-quality travel-related businesses.

As such, travel has become a key theme within the portfolio and was a major focus of our purchases during the quarter. Companies include **Booking Holdings**, the owner of the world's largest online travel agent, and aerospace businesses, such as **General Electric**. We also added to our position in **Medallia**, a provider of customer experience management software, **Ally Financial**, a leading online bank and auto lender in the US, and **FedEx**, the US parcel delivery company.

Funding for these acquisitions was provided by the trimming of a number of our strong performers, such as **ZTO Express**, **Microchip** and **Bharti Airtel** (Indian mobile phone network), as well as exiting **Moderna** (a biotech company, which amongst other research and development projects was one of the first to trial a coronavirus vaccine).

With respect to our currency exposure, notable changes included the removal of our remaining Chinese yuan hedge and increasing our euro exposure (from 18% to 23%). This further reduced the Fund's exposure to US dollars (from 20% to 11%). Our view is that the US dollar is likely to come under pressure at some point, as a result of the aggressive creation of new money by the US Federal Reserve, relative to its global counterparts.

Net Currency Exposures+

CURRENCY	30 JUN 2020	31 MAR 2020	30 JUN 2019
Euro (EUR)	23%	18%	10%
Japanese yen (JPY)	19%	22%	15%
Chinese yuan (CNY)	18%	18%	22%
US dollar (USD)	11%	20%	36%
Australian dollar (AUD)	11%	10%	4%
Korean won (KRW)	6%	6%	5%
Hong Kong dollar (HKD)	3%	3%	3%
Swiss franc (CHF)	3%	3%	4%
Canadian dollar (CAD)	2%	2%	2%
British pound (GBP)	1%	2%	4%
Indian rupee (INR)	1%	2%	6%
Norwegian krone (NOK)	1%	1%	2%
Zambian kwacha (ZMK)	1%	1%	1%
Thai baht (THB)	0%	0%	1%
Chinese yuan offshore (CNH)	0%	-9%	-15%

+ With effect from 31 May 2020, our currency risk exposure classifications for securities were updated to match the relevant local currencies of the relevant Bloomberg "country of risk" classifications. These changes have been backdated to prior periods.
See note 5, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Outlook

Our key concern relates to where we started this report. When taking into consideration the collapse in the global economy, very low interest rates, aggressive money creation by central banks, rapidly rising government debt, together with stock markets close to all-time highs and at near peak valuations, we are in uncharted waters for financial markets and there are likely to be shocks and surprises. There is the potential for a wide range of outcomes for stock markets and we most certainly expect markets to remain highly volatile for some time to come.

To reiterate, the rest of the stock market, outside a few popular sectors, is behaving much more like one would expect in a major economic collapse. That is, their stock prices have fallen significantly and although they have bounced from their March lows, they remain well below pre-COVID levels.

We expect that the major economies will slowly recover to previous levels of output over a period of three years or more, providing the basis for a strong recovery in earnings for many of the Fund's holdings. When we assess our holdings, we see the potential to earn good returns at the individual stock level over the next three to five years and thus for the portfolio as a whole. We strongly recommend reading the Macro Overview for a greater understanding of what a return to economic activity entails and to emphasise the correlation with the Fund's portfolio positioning.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	Korea	Info Technology	3.6%
ZTO Express Inc ADR	China	Industrials	3.0%
Amadeus IT Holdings	Spain	Info Technology	2.8%
Ping An Insurance	China	Financials	2.6%
Booking Holdings Inc	US	Cons Discretionary	2.6%
Glencore Plc	Switzerland	Materials	2.6%
Microchip Technology	US	Info Technology	2.6%
Alphabet Inc	US	Comm Services	2.5%
General Electric Co	US	Industrials	2.4%
LG Chem Ltd	Korea	Materials	2.4%

As at 30 June 2020. See note 6, page 4.
Source: Platinum Investment Management Limited.
For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pif.

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).

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. Fund returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class and represent the combined income and capital returns over the specified period. Fund 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. [The gross MSCI index was used prior to 31/12/98]. 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, the Fund's 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 the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The investment returns depicted in the graph are cumulative on A$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows the Fund'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 the Fund'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.
4. The table shows the Fund'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".
5. The table shows the Fund's net exposures to the relevant currencies through its long and short securities positions, cash at bank, cash payables and receivables, currency forwards and long and short securities/index derivative positions, as a percentage of its portfolio market value. Currency classifications for securities reflect the relevant local currencies of the relevant Bloomberg country classifications. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.
6. The table shows the Fund's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

Disclaimers

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