Platinum Global Fund (Long Only)

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Portfolio Manager

Performance

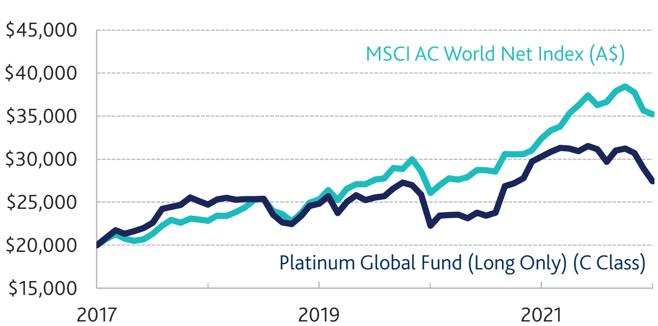
(compound p.a.+, to 31 March 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Global Fund (Long Only)*	-12%	-9%	3%	7%	10%
MSCI AC World Index^	-8%	9%	12%	12%	8%

+ Excludes quarterly returns
* C Class – standard fee option. Inception date: 28 January 2005.
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

31 March 2017 to 31 March 2022



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.

The Fund (C Class) returned -12.1% for the quarter and -9.4% for the year.[1]

The Russian invasion of Ukraine and the government and corporate-imposed sanctions that followed was the catalyst for the Fund's return over the quarter.

The first-order effect of the removal of Russian exports from global supply chains (Russia is a major exporter of oil, gas, steel, fertiliser and grains) at a time of already heightened global inflation has required investors to question their prior assumptions around the likelihood of a recession and the future level of interest rates. The invasion has also put the spotlight back on the state of US-China relations, with foreign investors selling Chinese stocks in fear of sanctions being broadened to that country.

In terms of our holdings, price falls tended to be clustered in our Chinese companies, businesses with exposure to Eastern Europe, and industrials. Our commodity producers posted strong gains.

The largest detractor from performance was **Raiffeisen Bank International**, a long-term holding in the Fund, which fell -50% over the quarter. Raiffeisen is an Austrian bank with major banking positions across Central and Eastern Europe (CEE) and an earnings base that is effectively 60% Austria and central Europe (Czech, Hungary, Slovakia) and 40% Russia, Ukraine and Belarus. As we mentioned in our last quarterly report, we sold half our position in Raiffeisen in response to growing geopolitical tensions, but with the benefit of hindsight, the optimal decision at the time would have been to sell it all.

As for our remaining position in the company, if we assume Raiffeisen's Russia, Ukraine and Belarus operations are worth zero (i.e. they effectively hand them over to the respective central banks), we are left with a market capitalisation of €4.1 billion backed by €850 million of net profit and €10 billion of equity. This produces a valuation of 5x and 0.4x book respectively, a level hard not to describe as cheap. Given a number of Raiffeisen's central European positions are

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

attractive acquisition targets and it recently sold its small Bulgarian operation to KBC bank for €1 billion (at a multiple of 14x earnings and 2x book value), there is a good case to maintain our holding now.

As mentioned, the other major detractors tended to be clustered in China (**Weichai Power** -19%, **Tencent** -16%, **ZTO Express** -11%) and industrials (**Lixil** -25%, **MinebeaMitsumi** -17%, **LG Chem** -13%), with the falls being more macro related rather than clear company specifics. For the Chinese holdings, the falls can be largely traced back to worries over the geopolitical situation, with the companies more widely held by foreign shareholders tending to fall the most. With regards to the industrial stocks, given rocketing commodity prices, the concern was largely supply chain and input cost related.

The key contributors to performance over the quarter were our commodity producers with major copper, nickel and coal miner **Glencore** rising 33%, while US fertiliser (phosphate and potash) producer **Mosaic** rose 69%. Russia's importance to global energy exports is well known, what garners less air time is their significant agricultural exports. Russia and Ukraine account for 29% of global wheat exports, while Russia and Belarus account for approximately 40% of the potash export market.[2] A disruption to the agriculture market of this scale has rarely been seen before. The grain and fertiliser markets were already tight in 2021, as China's grain stocks had been decimated due to flooding and the need to rebuild their pig herd post the swine flu in 2020. In the case of fertiliser, the lead time to replace this amount of tonnage is a minimum of three years, and the strong rise in Mosaic's share price represents the market finally coming to the view that high prices may persist for some time.

Changes to the Portfolio

There was a higher-than-usual level of activity in the Fund.

In the first two months of the quarter, we sold out of Chinese sportswear maker **Li Ning** and express logistics player **FedEx**. After a strong run, we also sold 25% of our holding in semiconductor manufacturer **Micron Technology**.

With the falls in equity markets post the Russian invasion, the pace of activity picked up. Similar to agriculture, the disruption to the global energy market, as a result of the West not wishing to buy Russian oil and gas, is hard to overstate, and there is potential for high prices to persist during a lengthy transition. In response, we bought positions in oil and gas producers **Suncor Energy** and **Shell**, with the latter of particular interest given its liquified natural gas (LNG) assets.

2 Source: US Department of Agriculture, ICIS, Morgan Stanley.

Disposition of Assets

REGION	31 MAR 2022	31 DEC 2021	31 MAR 2021
Asia	27%	30%	27%
Europe	26%	22%	21%
North America	26%	26%	28%
Japan	10%	12%	10%
Australia	4%	3%	3%
Other	1%	1%	1%
Cash	5%	6%	10%

See note 3, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2022	31 DEC 2021	31 MAR 2021
Industrials	21%	22%	25%
Materials	18%	15%	17%
Information Technology	15%	18%	13%
Financials	14%	15%	17%
Communication Services	7%	8%	3%
Consumer Discretionary	6%	7%	4%
Energy	5%	1%	0%
Real Estate	4%	3%	6%
Health Care	2%	4%	5%
Consumer Staples	2%	1%	0%
TOTAL NET EXPOSURE	95%	94%	90%

See note 4, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Microchip Technology Inc	US	Info Technology	5.2%
Glencore PLC	Australia	Materials	4.3%
Applus Services SA	Spain	Industrials	3.8%
Mosaic Co	US	Materials	3.8%
MinebeaMitsumi Co Ltd	Japan	Industrials	3.6%
ZTO Express Cayman Inc	China	Industrials	3.6%
Samsung Electronics Co	South Korea	Info Technology	3.5%
UPM-Kymmene OYJ	Finland	Materials	3.3%
Weichai Power Co Ltd	China	Industrials	3.1%
Micron Technology Inc	US	Info Technology	2.9%

As at 31 March 2022. See note 5, 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 http://www.platinum.com.au/our-products/pgflo

European banks, global travel stocks and industrials were hit hard in the sell-off. We initiated positions in **Erste Bank** and low-cost European airline **Wizz Air**, and reinstated a position in online travel agent **Booking Holdings**. In a similar vein, we added to our holdings in **Intesa Sanpaolo**, Chinese online travel agent **Trip.com**, Japanese precision component manufacturer **MinebeaMitsumi** and advertising giant **Meta Platforms** (previously known as Facebook).

Wizz Air is the second airline we now own in the Fund. Buying an airline whilst oil prices are rocketing may seem counter-intuitive, but there are several reasons Wizz can be a much larger business 3-5 years out. Firstly, we are generally interested in travel, as the industry is still suppressed by COVID and there is scope to see a boom in travel spending as people prioritise a holiday or visiting family. Indeed, we are seeing evidence of this building, with hotel room rates in the US now trending 20% higher than pre-COVID prices.[3]

Secondly, Wizz operates an 'ultra-low-cost carrier' business model, utilising young staff sourced from lower-cost central European countries and operating one of Europe's youngest and most-efficient plane fleets. As a result, Wizz is Europe's lowest-cost airline, a position it holds with Ryanair.[4] Thanks to the European Union (EU) open skies agreements, the bulk of European airspace operates like it would within Australia or the US, with national borders removed and carriers free to fly to whatever city pairs they wish. What is different to Australia and the US, is the structure of the EU airline market, with a significant amount of capacity still held by inefficient high-cost legacy state-run airlines, a situation particularly true in Wizz's central European home market.

The industry maxim of "there is never a demand problem for the airline with the cheapest seats", has generally rung true in practice, with airlines like Wizz and Ryanair being able to consistently expand and push out higher-cost competitors. Wizz operates a fleet of 150 aircraft today, but has an order book of 400 more airbus A321neo aircraft to be delivered over the next eight years. The transition of the fleet to a321neos will further extend Wizz's cost advantage over its peers, many of whom delayed their order books due to COVID. The a321neo effectively costs the same to run as the smaller a320 (via 15% less fuel burn) but carries an additional 59 passengers 'for free'.

The 50% fall in Wizz's share price post the invasion, gave us a great opportunity to buy it at a valuation of 13x what the airline made in 2019 pre COVID. The 2019 profit result was generated from a fleet of 100 planes, and with Wizz's larger fleet size there is the prospect of Wizz's earnings to be 2-3x higher in the future.

3 Source: Booking Holdings fourth-quarter company report.

4 Source: Wizz Air and Ryanair financial reports, Bernstein.

Outlook

A factor reinforced by the Russia-Ukraine conflict is our belief that a large global capital expenditure cycle is required. The attempt to move the globe to a low-carbon energy mix will require one of the largest capital works programs seen in the last 100 years, and on top of that, there is likely to be hundreds of billions of dollars spent to replace oil and gas flows in the medium term, an additional €100 billion of annual defence spending in Europe and a renewed emphasis on security of supply of a range of critical manufacturing (e.g. semiconductor fabrication plants) built closer to home. The Fund continues to hunt for prospective investments around these themes.

The picture at the end of December was one of strong economic growth in the US and Europe, with the Chinese government starting to stimulate their economy leading into the October re-election. At the same time, there was an inflation problem in the West, with the US Federal Reserve committed to raising interest rates throughout 2022. In that environment, our positioning was to avoid the expensive speculative areas of the market that were pricing in low interest rates and invest where relative valuations were more favourable.

While much of the above is still true, there are significant new factors on the economic front. Consumers are now facing higher fuel and food prices, the US 30-year mortgage rate has jumped to 4.6% (near the highest in a decade),[5] Germany is warning its companies that they may need to ration access to natural gas and China is returning to mass-scale lockdowns to control COVID. In short, the chances of a slowdown have dramatically increased, and in response, most Western markets have fallen 5-10% while China fell 30%.

Overall, we are happy to buy companies where this more difficult outlook has been fully reflected in their price (for example Wizz Air and Erste Bank that fell -50% and -40% respectively post the start of the war) but would observe still large chunks of the market have not reacted. The issues of inflation, energy security and shortages can't be solved with money printing and represent a different challenge than investors have experienced over the last decade. Given this, we are actively positioning the Fund to reflect this more cautious outlook.

5 Source: Federal Reserve Bank of St. Louis.

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. 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 net MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash") 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. "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 exposures to the relevant sectors through its long securities positions and long 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 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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