

## Facts

Portfolio value	\$9.63 bn
Fund commenced	30 April 1995
Minimum investment	A\$10,000 or NZ\$10,000
Regular Investment Plan (min.)	A/NZ\$5000 plus A/NZ\$200 mth/qtr
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Unit prices C Class	App - 1.9687 Red - 1.9608
Unit prices P Class	App - 0.9419 Red - 0.9381

## Performance <sup>1</sup>

	C Class %	P Class %	MSCI %
1 month	(2.57)	(2.55)	(4.56)
3 months	(3.16)	(3.10)	(1.27)
6 months	1.43	1.56	5.68
Calendar year to date	(4.24)	(4.20)	(0.89)
1 year	4.48	4.74	14.63
2 years (compound pa)	0.38	0.66	11.58
3 years (compound pa)	8.68		13.43
5 years (compound pa)	6.36		9.72
7 years (compound pa)	11.98		14.90
10 years (compound pa)	8.73		11.71
Since inception (compound pa)*	12.01	5.71	7.15

## Invested positions <sup>3</sup>

	Long %	Short %	Net %	Currency %
<b>Asia-Pacific</b>	<b>42.2</b>	<b>(2.8)</b>	<b>39.3</b>	<b>28.5</b>
Australia	0.4	(0.6)	(0.2)	0.4
China	4.5	(2.1)	2.5	4.3
China Ex PRC	12.6		12.6	
Hong Kong	1.5		1.5	10.5
India	3.7		3.7	4.1
Japan	13.1		13.1	20.3
Korea	5.8	(0.2)	5.7	6.1
Thailand	0.4		0.4	0.4
China Renminbi Off Shore				(17.7)
<b>Europe</b>	<b>14.6</b>	<b>(0.1)</b>	<b>14.5</b>	<b>14.9</b>
Austria	1.2		1.2	
Denmark	0.3		0.3	0.3
France	2.9	(0.1)	2.8	
Germany	1.4		1.4	
Ireland	1.2		1.2	
Italy	1.4		1.4	
Norway	0.3		0.3	1.0
Sweden		(0.1)	(0.1)	
Switzerland	3.8		3.8	1.4
United Kingdom	2.1		2.1	3.6
Euro				8.6
<b>North America</b>	<b>26.0</b>	<b>(11.6)</b>	<b>14.4</b>	<b>56.1</b>
Canada	3.0	(0.4)	2.7	2.5
United States	23.0	(11.3)	11.7	53.6
<b>Other</b>	<b>0.6</b>		<b>0.6</b>	<b>0.5</b>
Brazil	0.6		0.6	0.5
<b>Sub-Total</b>	<b>83.4</b>	<b>(14.6)</b>	<b>68.7</b>	<b>100.0</b>
<b>Cash</b>	<b>16.6</b>	<b>14.6</b>	<b>31.3</b>	
<b>Total</b>	<b>100.0</b>		<b>100.0</b>	<b>100.0</b>

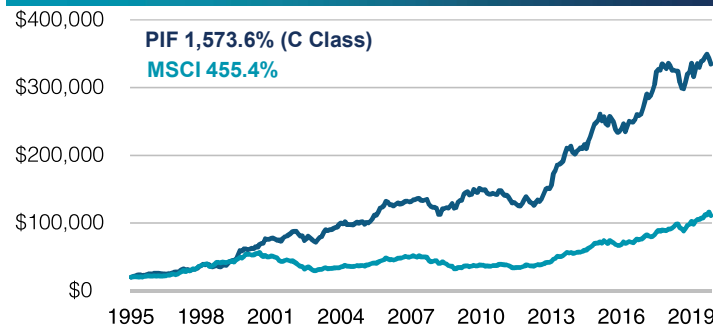
Long - 94 stocks, 2 swaps Short - 29 swaps, 3 indices

## Fees

Entry fee	Nil
Buy/sell spread	0.20%/0.20%
Fee:	
	C Class
	Investment Management 1.35% p.a.
	Investment Performance N/A
	P Class
	Investment Management 1.10% p.a.
	Investment Performance 15.00% p.a.*
*of the amount by which the Fund's return exceeds its index return	

\*of the amount by which the Fund's return exceeds its index return

## Performance graph <sup>2</sup>



## Top ten positions <sup>4</sup>

Stock	Country	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.5
Ping An Insurance	China	Financials	2.8
Alphabet Inc	United States	Comm Services	2.7
ZTO Express Inc	China	Industrials	2.5
Facebook Inc	United States	Comm Services	2.4
Glencore PLC	Switzerland	Materials	2.4
Skyworks Solutions	United States	Info Technology	2.2
Itochu Corporation	Japan	Industrials	2.2
China Overseas Land & Investment	China	Real Estate	2.1
Sanofi SA	France	Health Care	2.0
<b>Total</b>			<b>24.9</b>

## Industry breakdown <sup>3</sup>

Sector	Long %	Short %	Net %
Financials	12.8		12.8
Industrials	12.8	(0.1)	12.7
Info Technology	14.0	(3.7)	10.3
Materials	9.3		9.3
Communication Services	9.4	(0.3)	9.1
Consumer Discretionary	10.1	(2.8)	7.4
Health Care	7.6	(0.4)	7.3
Energy	4.1		4.1
Real Estate	2.2		2.2
Utilities	0.2		0.2
Consumer Staples	0.8	(2.9)	(2.1)
Other		(4.5)	(4.5)

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1. & 2. Source: Platinum for Fund returns and Factset Research Systems for MSCI returns. Investment returns are calculated using the Fund's NAV unit price (i.e. exclude a buy/sell spread) for C Class and P Class (as indicated), and represent the combined income and capital returns for each of these unit classes in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Returns for P Class are net of any accrued investment performance fee. The returns are calculated relative to the MSCI All Country World Net Index in A\$ (the gross MSCI Index was used prior to 31/12/98). Since inception date for C Class is 30/04/95 and for P Class is 03/07/17. Since inception date of C Class has been used for the purposes of calculating since inception returns of the index. The investment returns depicted in the graph are cumulative on A\$20,000 invested in C Class units in the Fund since the C Class inception date. Past performance is not a reliable indicator of future returns. Platinum does not invest by reference to the weightings of the index. The index is provided as a reference only.

3. The geographic "Long %" is the exposure to long securities and long securities/index derivative positions, the geographic "Short %" is the exposure to short securities and short securities/index derivative positions and the geographic "Net %" is the difference between the geographic "Long %" and the geographic "Short %", each as a percentage of the market value of the Fund's portfolio. The "Currency %" is the effective currency exposure as a percentage of the market value of the Fund's portfolio taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. The cash "Long %" includes cash at bank, cashflows expected from forwards and effective cash exposures resulting from long securities/index derivative positions, the cash "Short %" includes effective cash exposures resulting from short securities/index derivative positions and the cash "Net %" is the difference between the cash "Long %" and the cash "Short %", each as a percentage of the market value of the Fund's portfolio. For the "Industry breakdown", 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".

3. and 4. China generally refers to securities or derivatives over securities, which securities are listed on the Shanghai or Shenzhen stock exchange. China Ex PRC generally refers to securities or derivatives over securities, which securities are listed outside of the PRC but provide exposure to PRC companies.

4. The "Top ten positions" show the Fund's top ten long securities positions as a percentage of the market value of the Fund's portfolio (including long securities and long securities derivative positions).

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- The coronavirus outbreak drove heavy market sell-off in late February.
- Early indications that protective actions served the portfolio relatively well.
- Poised to respond as situation unfolds.
- Potential long-term benefits from a large exposure to China, but China remains under-appreciated by the broader market.

February ended with a dramatic sell-off. Fear gripped investors as the coronavirus went global. This followed the US market reaching all-time highs; it had appeared that China's containment strategy had limited the problem. Stocks responded to the likely hiatus in economic activity that comes from restrictions on movement and reduced labour capacity. We saw double digit falls in many major markets. We have taken swift protective action as both episodes of coronavirus outbreak came to light (China in late January, globally in late February). After the first outbreak, we removed much of the protection at close to no cost. Our net invested position at the end of February was 69%; close to our historic averages. We remain alert to responding quickly in either direction as news flow and market reactions warrant. This is an unfolding situation but the loss of productive capacity is the key issue for markets. Valuations are concerning in the hotter areas of markets and while perhaps deferred for now, we believe that the risks of rising interest rates as fiscal spending increases, becomes a greater possibility.

On 26 February we published this coronavirus update: [https://www.platinum.com.au/Insights-Tools/The-Journal/Update-re-coronavirus-\(1\)](https://www.platinum.com.au/Insights-Tools/The-Journal/Update-re-coronavirus-(1))

#### **Analysis of prior market corrections:**

To give context to the sell-off in late February, so far, we are able to compare with outcomes in prior market corrections, as opposed to bear markets though noting the current market correction may deepen. Our "downside capture" so far has been a little better than for these other events.

Event	Start	End	Months	Market <sup>1</sup> Return	Fund <sup>2</sup> Return	% Capture	Market Recovery	Fund Recovery
Russia/LTCM	July 1998	September 1998	2	-10.1	-8.2	81	3 months	9 months
Europe	February 2011	September 2011	7	-13.4	-11.9	89	15 months	16 months
China Slowdown	October 2015	March 2016	5	-9.4	-8.4	89	9 months	9 months
Trade/rates	September 2018	December 2018	3	-10.3	-8.0	78	4 months	4 months
Coronavirus	20 February 2020	28 February 2020	6 days	-8.6	-5.6	65	n/a	n/a

It is worth noting that in the bear markets of 2000-2003 and 2007-2009 there were a series of sell-offs. The first meaningful sell-off in each case lasted around two months and was of similar magnitude to a correction. With the change in positioning in the portfolio, we are well-poised to act should things deteriorate further.

**Contributions:** As such, the first two months of 2020 have been challenging and it is worth noting where returns have been impacted:

The Fund's negative returns can almost entirely be attributed to the investments in energy, materials and financials, which have been the three sectors hit hardest so far this year. Shorts made a positive contribution in February, most notably in the last week. The long positions making the biggest positive impact were Bharti Airtel, Alphabet, Tencent, Gilead and ZTO Express. The outcomes of the last two years were explored in detail in last month's commentary.

#### **Valuations and outlook:**

Looking forward we are comforted by the valuations of the stocks that we own, commensurate with a meaningful, albeit dynamic, level of protection in the portfolio. Some of the areas providing the most opportunity relate to climate change, China and commodities. Our biggest concern is what could happen to markets should interest rates start to rise. Given the strong consensus, though the coronavirus has likely deferred this issue further.

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM (Next 12 Months) Earnings Yield	9.3% (Price to Earnings ratio of 10.7x)	6.8% (Price to Earnings ratio of 14.8x)
NTM (Next 12 Months) Dividend Yield	3.2%	3.2%
Price-to-Book-Ratio	1.3	2.1
Enterprise Value-to-Sales	1.1	1.4

The valuations in the table refer to the long portion of the portfolio, excluding negative net earnings, and using FactSet consensus earnings.

**Longer term:** China benefit to the Fund's returns:

Building a large exposure to China near the bottom of its bear market in 2014 has had a major positive impact to the Fund's returns. Given the scepticism that many hold towards the world's largest physical economy and the second largest stock-market, in our view China remains somewhat under-appreciated by the broader market.

	2010-2014	2015-2019
PIF: Average Weight in China	7%	21%
PIF: Chinese stock returns	9.3% pa	18.0% pa
MSCI AC World Index Net A\$: Total Return	11.3% pa	11.8% pa

<sup>1</sup> Market/s means MSCI AC World Net Index in A\$, source: FactSet Research Systems.

<sup>2</sup> Refer to footnote 1 on page 1.