

## Facts

Portfolio value	\$8.56 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 - 2.0118 Red - 2.0057
Unit prices P Class	App - 0.9576 Red - 0.9547

## Performance <sup>1</sup>

	C Class %	P Class %	MSCI %
1 month	0.42	0.44	(0.08)
3 months	13.25	13.33	6.52
6 months	14.00	14.15	10.65
Calendar year to date	2.59	2.85	5.90
1 year	2.59	2.85	5.90
2 years (compound pa)	9.67	9.94	15.88
3 years (compound pa)	3.25	3.51	10.56
5 years (compound pa)	7.58		10.95
7 years (compound pa)	7.89		11.20
10 years (compound pa)	9.70		12.27
Since inception (compound pa)*	11.90	6.46	7.18

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

	Long %	Short %	Net %	Currency %
<b>Asia-Pacific</b>	<b>46.1</b>	<b>(0.2)</b>	<b>45.9</b>	<b>51.6</b>
Australia	4.0		4.0	4.1
China	15.4		15.4	15.4
Hong Kong	2.9		2.9	3.5
Taiwan	1.0		1.0	1.0
India	2.4		2.4	2.4
Japan	12.4	(0.2)	12.2	12.4
Korea	7.9		7.9	7.9
Thailand	0.2		0.2	0.2
China Renminbi Off Shore				4.8
<b>North America</b>	<b>27.8</b>	<b>(7.1)</b>	<b>20.7</b>	<b>19.1</b>
Canada	2.3		2.3	2.5
United States	25.5	(7.1)	18.4	16.6
<b>Europe</b>	<b>18.9</b>		<b>18.9</b>	<b>27.6</b>
Austria	1.2		1.2	
Belgium	0.1		0.1	
Denmark	0.4		0.4	0.4
Finland	2.0		2.0	
France	3.6		3.6	
Germany	4.2		4.2	
Ireland	1.9		1.9	
Italy	1.4		1.4	
Norway	0.2		0.2	0.2
Spain	2.3		2.3	
United Kingdom	1.6		1.6	1.6
Euro				25.4
<b>Other</b>	<b>1.7</b>		<b>1.7</b>	<b>1.7</b>
Zambia	1.7		1.7	1.7
<b>Sub-Total</b>	<b>94.5</b>	<b>(7.3)</b>	<b>87.2</b>	<b>100.0</b>
<b>Cash</b>	<b>5.5</b>	<b>7.3</b>	<b>12.8</b>	
<b>Total</b>	<b>100.0</b>		<b>100.0</b>	<b>100.0</b>

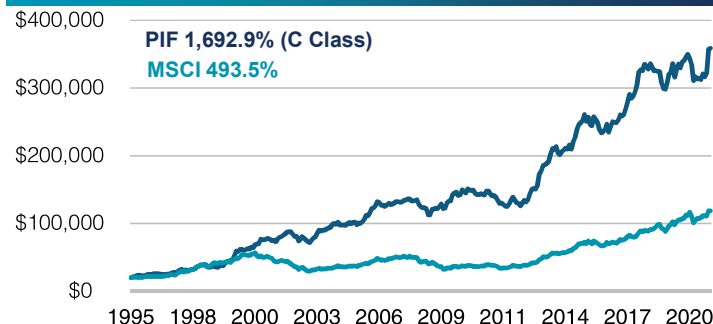
Long - 98 stocks, 2 swaps Short - 8 swaps, 1 index

## Fees

Entry fee	Nil
Buy/sell spread	0.15%/0.15%
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	5.1
Glencore PLC	Australia	Materials	3.5
Ping An Insurance	China	Financials	3.1
General Electric Co	United States	Industrials	3.0
AIA Group Ltd	Hong Kong	Financials	2.9
Micron Technology Inc	United States	Info Technology	2.8
LG Chem Ltd	Korea	Materials	2.8
Microchip Technology	United States	Info Technology	2.6
Minebea Co Ltd	Japan	Industrials	2.4
Ally Financial Inc	United States	Financials	2.0
		<b>Total</b>	<b>30.3</b>

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

Sector	Long %	Short %	Net %
Industrials	20.9	(0.1)	20.9
Info Technology	17.2		17.2
Materials	17.1	(0.2)	16.9
Financials	14.0		14.0
Consumer Discretionary	11.4	(0.1)	11.3
Health Care	6.2		6.2
Communication Services	4.0		4.0
Real Estate	1.8		1.8
Energy	1.8		1.8
Utilities	0.2		0.2
Consumer Staples		(0.6)	(0.6)
Other		(6.3)	(6.3)

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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".

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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- Third-strongest calendar quarter return in Fund's more than 25-year history delivering a return of 13% for the calendar quarter ended 31 December 2020.
- Stock picking drove outperformance of 7% (vis a vis the MSCI AC World Net Index) this quarter.
- Signs that market drivers are changing and rewarding cyclicals after a long trend favouring growth and defensives.

### Market Commentary

The successful COVID-19 vaccine trial results in November provided the catalyst for stronger markets and for the portfolio.

Our quantitative work highlights that the key driver of market rotation was whether stocks were seen as COVID-19 beneficiaries or losers. Our portfolio benefited, being heavily exposed to economically sensitive stocks and particularly, our recent purchases in travel-related companies, along with chip-makers and materials.

We have seen better recovery data than anyone would have expected in April/May, increasing evidence governments will abandon fiscal restraint (a key contributor to low inflationary pressures) to restore full employment, and the vaccine added further encouragement.

While the long-established trend (dull growth) has favoured particular stocks (i.e. growth & defensives) and we cannot rule out its continuation, we feel that the market is moving towards recognising economic recovery and rewarding businesses sensitive to it. We believe that this should help non-US equities and cyclicals, based on our past experience.

We have made several comparisons with 1999, and it is worth noting that the December 2020 quarter was the second-strongest calendar quarter for the Fund since its incredible December 1999 quarter performance (+33%). At that time, as the technology bubble deflated, the Fund had a golden period – the 'old economy' was a great place to find cheap stocks then, and perhaps economically sensitives are similar today.

Over 80% of the portfolio can be classified as belonging to the following thematics: Growth industrials, semiconductors, travel-related, Chinese consumer, healthcare, internet-related (though much reduced) and metals.

### Performance Analysis\*

A lot is spoken about the divergence between growth and value. For the calendar year ended 31 December 2020, the MSCI AC World Growth Index returned 22%, while the MSCI AC World Value Index returned -9%, a gap of 31%. In the first three quarters of 2020, Growth returned 16% vs. Value's -16% return, and the December 2020 quarter 'reversal' saw Value return 8% vs. Growth's 5%. Over five years to 31 December 2020, Growth has returned 16% p.a. against Value's 6% p.a. return. There remains a long way to go.

It is encouraging to report the return of the long portfolio was substantially ahead of the MSCI AC World Net Index over the last calendar year to 31 December 2020, delivering a return of 10%, with the market up only 6% over the same period. The standouts were IT / Communications (contributing +8% to returns) and Industrials / Materials (adding +8% more). Currency management added another +3%. Energy and Financials (incl. Real Estate) suffered as a result of COVID-19 (costing -7%) and shorts (costing -9%) were disappointing, as we attempted to protect the portfolio but suffered from the momentum behind the mania in growth stocks.

The top ten contributors to 2020 returns (11% impact) were dominated by semiconductors (Samsung, Microchip and Micron) logistics (FedEx and ZTO Express) and platforms (Facebook, Tencent and Amadeus (travel)). They also included vaccine technology company, Moderna, and the top stock overall was leading electric vehicle (EV) battery maker LG Chem.

\*Source: Platinum. Numbers for long and short positions are based on the total return of individual positions (in AUD) and do not take into account fees and costs (other than brokerage). Contribution numbers may not add up due to rounding and the effect of fees. **Past performance is not a reliable indicator of future returns.**

### Valuation

Earnings forecasts at this stage may have less value than normal due to COVID-19 impacts, but we can still compare the portfolio to next twelve month's (NTM) earnings to get a sense of its earnings power. There appears to be value in an absolute and relative sense.

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	6.3% (Price-to-Earnings ratio of 16x)	5.1% (Price to Earnings ratio of 20x)
NTM Dividend Yield	2.3%	2.5%
Price-to-Book Ratio	1.7x	2.6x
Enterprise Value-to-Sales	1.5x	1.9x

The valuations in the table in respect of the Fund have been calculated by Platinum and refer to the long portion of the portfolio, exclude negative net earnings, and use FactSet consensus earnings.

The quarterly report will be available on 14 January 2021.