Platinum International Fund

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Performance

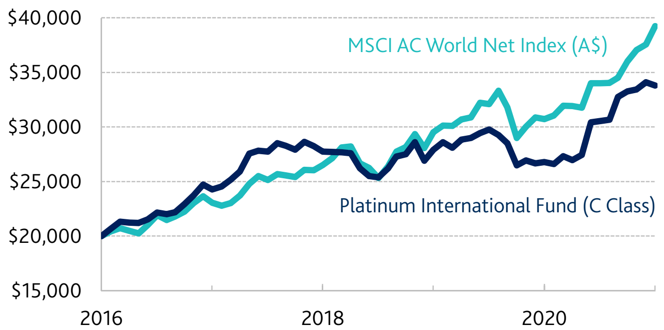
(compound p.a.+, to 30 June 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	2%	26%	7%	11%	12%
MSCI AC World Index^	9%	28%	14%	14%	8%

+ 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 5. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

30 June 2016 to 30 June 2021



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 5.

The Fund (C Class) returned 1.6% for the quarter and 26.1% for the year.[1]

The global economy continued its strong recovery out of the 2020 COVID-induced recession. In the US, employment growth, higher wages and a drawdown in the extraordinary level of savings stashed away last year, have more than made up for reduced government spending following the winding back of unemployment benefits and other government payments. In Europe, the economy is making steady progress, even if at slower rates than the US, while the Chinese economy is strong enough that the government is once again focused on slowing credit growth and deleveraging the economy.

One result of this surprising economic boom has been a shortage in a wide range of commodities and manufactured goods. This has resulted in higher prices and a spike in inflation in the US and China to levels not seen in decades. This raises the question of whether the burst of inflation will be transitory, or will it be more persistent, with the implication that interest rates may rise much earlier than had been expected. For a full discussion on this question please see our Macro Overview.

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum International Fund 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.

The impact on the stock market has been curious. Post the latest US Federal Reserve (Fed) meeting in June, expectations for the timing of the first interest rate increase have been brought forward from 2024 to 2023. This seems unlikely to crush the current economic expansion. Indeed, confirmation that the economy is travelling well, would usually benefit stocks that are sensitive to growth. Instead, the market turned away from such companies and back to the highly valued growth stocks over the final weeks of the quarter. It seems likely that this is a continuation of investors' reflex action of recent years when faced with uncertainty. In this case, concerns about inflation have prompted investors to buy certainty (growth and defensive businesses) and avoid all else. It was this phenomenon in the closing weeks of June that resulted in the Fund producing a softer return over the quarter.

Amongst the largest contributors to performance over the quarter were our commodity stocks, including **Glencore** (+9% over the quarter), **First Quantum Minerals** (+19%) and pulp and specialty paper company **UPM-Kymmene Oyj** (+4%), which were beneficiaries of generally higher commodity prices. US auto lender **Ally Financial** (+10%) benefited from the strength in the car market, including the boom in used cars.

On the other side of the ledger, our Chinese holdings in aggregate detracted from performance. China's decision to rein in the use of credit across its economy, particularly in the real estate sector, impacted our Chinese financial holdings, such as **Ping An Insurance** (-18%), where there are concerns around exposures to non-performing assets in the real estate sector.

Similarly, companies such as our residential real estate developers **China Vanke** (-20%) and **China Overseas Land & Investment** (-13%), home appliances business **Midea**, (-13%) and heavy-duty truck engine maker **Weichai Power** (-10%) all saw their share prices move lower on concerns about tightening in the availability of credit as well as profit taking in some instances. In each case, we remain confident in our investment case and view these downward moves as buying opportunities and hence continue to hold the positions.

Changes to the Portfolio

The Fund's net invested position increased from 67% to 79% over the quarter. This was the result of a reduction in short positions from 22% to 6% and an increase in cash from 11% to 15%.

Disposition of Assets

REGION	30 JUN 2021	31 MAR 2021	30 JUN 2020
Asia	25%	27%	27%
North America	23%	26%	28%
Europe	20%	18%	16%
Japan	12%	13%	13%
Australia	3%	3%	3%
Other	1%	1%	1%
Cash	15%	11%	13%
Shorts	-6%	-22%	-9%

See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 JUN 2021	31 MAR 2021	30 JUN 2020
Industrials	20%	21%	16%
Financials	16%	15%	11%
Materials	16%	18%	10%
Information Technology	11%	9%	17%
Consumer Discretionary	8%	9%	10%
Health Care	6%	3%	8%
Real Estate	3%	3%	2%
Communication Services	1%	2%	8%
Energy	0%	1%	2%
Consumer Staples	-1%	-1%	-2%
Other	-2%	-11%	-3%
TOTAL NET EXPOSURE	79%	67%	78%

See note 4, page 5. Numerical figures have been subject to rounding.
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.

The Fund has seen very strong performance across a wide range of its holdings and as a result, we have been actively selling down positions across the portfolio. We have significantly reduced our commodity-related positions, particularly our copper plays **Freeport-McMoRan**, **First Quantum Minerals**, **Glencore** and **MMG** (exited). The stocks have performed strongly on the back of higher copper prices, which have exceeded levels reached in the Chinese commodity boom a decade ago. We remain very bullish on the prospects for copper given the enormous rush to decarbonise economies, however, given the stock price performance of these companies, the potential has been, at least in part, recognised by the market. The portfolio continues to hold positions in copper miners.

Other commodity-related positions that were reduced included **Louisiana-Pacific,** a US building materials business that has benefited from record prices in OSB (oriented strand board). The Fund sold out of **Seven Generations Energy** after the stock rallied strongly in line with rising energy prices and was also subject to a takeover offer by ARC Resources.

We continued to trim our semiconductor holdings **Samsung Electronics** and **Micron Technology**, as well as travel and travel-related stocks **Ryanair** and **Amadeus**.

New holdings included **Allfunds Group**, which provides distribution, clearing, settlement and a custody platform for managed funds. The Allfunds network connects over 1000 fund managers with over 800 advisor groups, predominantly in Europe. The network facilitates transactions through the adoption of a common set of protocols rather than a technology infrastructure or wrap account solution. It is also provided free of charge to the advisor networks and their clients, with a very low fee paid by fund managers. This is a business that has been growing 25%-30% p.a. and although this rate is expected to slow, we believe there remains significant growth opportunities ahead.

In recent months, we have been building a position in **Showa Denko**, a Japanese specialty materials and chemical company. There are two key elements to the business. The first is specialty chemicals and gases used in the production of semiconductors. The other is graphite electrodes used in the production of steel in electric arc furnaces (EAF). One benefit of producing steel using scrap material in EAFs is that it produces significantly less carbon emissions. After China's boom of the last 20 years, it is now finding itself with an increasing supply of scrap material and thus we are likely to see increasing investment in EAFs and accordingly, demand for graphite electrodes. Given the boom in steel underway already, there are already shortages of graphite electrodes and there are a limited number of suppliers globally. These trends indicate profit growth for Showa Denko in the years ahead.

Additionally, funds were put to work across a number of existing holdings. We added to express parcel delivery company **ZTO Express**, as severe price competition that has plagued the industry started to recede. We continued to accumulate a position in **China Vanke**, a residential developer that has seen its share price weaken in response to concerns about the availability of credit for property developers in China. China Vanke is one of a small number of developers that we feel is well positioned for this environment due to its strong balance sheet. Short-term weakness in the gold price allowed us to add to our position in **Barrick Gold**, which we expect to act as a hedge if the worst expectations on inflation are realised.

Finally, short positions were reduced as the market showed great resilience in the face of very poor inflation outcomes, indicating that our concerns around inflation and the impact on interest rates are not necessarily shared by the market at this point, but should that change, we may adjust our positioning accordingly.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	South Korea	Info Technology	3.2%
ZTO Express Cayman Inc	China	Industrials	3.2%
Glencore PLC	Australia	Materials	2.8%
MinebeaMitsumi Co Ltd	Japan	Industrials	2.7%
Micron Technology Inc	US	Info Technology	2.6%
Weichai Power Co Ltd	China	Industrials	2.6%
AIA Group Ltd	Hong Kong	Financials	2.5%
Microchip Technology Inc	US	Info Technology	2.4%
UPM-Kymmene OYJ	Finland	Materials	2.4%
Ping An Insurance Group	China	Financials	2.2%

As at 30 June 2021. See note 5, page 5.
Source: Platinum Investment Management Limited.

Outlook

Our conclusion on what lies ahead is essentially unchanged from our last report. The global economy has, as we expected, continued its strong rebound, even in the US where government spending has started to fall. The hand over to higher employment and wages plus households drawing down on their excess savings accumulated over the last 12 months has commenced. Europe's recovery continues to gather pace and China is travelling well. All this has occurred well ahead of a full reopening of economies, as vaccination programs continue to progress. All is not perfect though, with the COVID Delta variant causing further waves of infection and lockdowns in populations that have not had access to effective vaccination programs. China's attempts to slow credit growth in its economy is another potential risk to the recovery. Overall though, the global economy is expected to continue to improve and provide an environment that is conducive to strong profit growth.

Typically, good returns from the stock market are expected in the early stages of an economic recovery and we haven't been disappointed, with the global stock market up 28% over the last 12 months.[2] Our portfolios always reflect our market view and the opportunities that we can find in individual stocks, and on that front, we remain of the opinion that good returns are still on offer. As we said last quarter, while many of our holdings have appreciated strongly, they were from deeply depressed levels, and while they may not be as attractive investments as they were, we believe they are still reasonably valued given our expectations for strong earnings prospects over the next two to three years.

There also remain reasons to be cautious. Given such strong returns over the past year, one should naturally expect a quieter period ahead. This is especially so given the double-digit returns provided to investors over a long period of time, almost 14% p.a. over the last decade. We have written at length about the speculative activity in stocks that is reflected in the extraordinary valuations of market favourites, which is another reason for caution. Additionally, as discussed in this report and at length in our Macro Overview, there is the risk that the recent increases in inflation remain persistent and undermine the foundation of low interest rates on which asset valuations are currently based.

2 MSCI AC World Net Index ($A).

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 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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