Platinum International Fund

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Performance

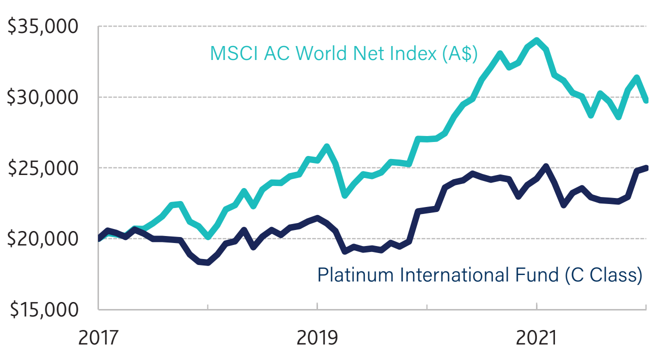
(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	10%	3%	5%	5%	12%
MSCI AC World Index^	4%	-12%	5%	8%	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 5. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2017 to 31 December 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 5.

The Fund (C Class) returned 10.4% over the quarter.[1]

The US equity market underperformed the rest of the world during the quarter, as markets started factoring in the impact of tighter fiscal and monetary policies on future company earnings. By region, in local currency terms, Europe led the way, returning 10.6%, followed by Asia ex-Japan (+8.2%) and North America (+6.9%).[2]

In line with these outcomes, our European holdings dominated the largest contributors to performance, with financial stocks **Intesa Sanpaolo** (+22%), **Beazley** (+21%), **Erste** (+32%) and **Raiffeisen Bank International** (+26%) amongst the best performers. In China, online travel agent **Trip.com** (+26%) was a strong performer on the back of China's pivot away from its zero-COVID policy. Heavy-duty truck engine manufacturer **Weichai Power** (+41%), insurer **Ping An Insurance** (+32%) and **Tencent** (+25%) also provided strong performance. Short positions contributed 0.9% to returns.

Key detractors at an individual stock level included **Allfunds Group** (-14%), which was impacted by volatile markets and the sell-down of significant stakes by two large shareholders, and precision components manufacturer **MinebeaMitsumi** (-8%), which weakened on a stronger Japanese yen.

1 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

2 MSCI AC Europe, MSCI Asia ex-Japan, MSCI North America, respectively, in local currency. Source: MSCI.

Over the year, the Fund returned 3.1%, a 15.6% outperformance of the market, which fell 12.5%. It is our view that to produce good absolute returns from investing in equities, it is critical to minimise the impact of large bear markets that come along periodically. Not only will long-term compound returns be improved by avoiding a good portion of the downside during these periods, but it also minimises the pressure on investors during these difficult times, when many succumb to the temptation to sell and lock in losses just as markets are finding their lows. **This past year represents a strong start to the Fund's performance in the current bear market in global equities.**

Changes to the Portfolio

The net invested position increased from 55% to 63% over the course of the quarter. This was predominantly the result of closures of short positions, which were reduced from 24% to 17%. The composition of the short portfolio changed, with less emphasis on highly valued growth names and a move toward COVID beneficiaries (e.g. retailers, e-commerce) that we expect will have weak earnings outcomes in the year ahead, as well as some of the more dubious and overvalued "energy transition" related companies.

There were no major new long positions for the Fund. We took advantage of share price weakness in existing positions to add to our holdings in **Allfunds**, **Micron Technology** and **ZTO Express**. We also trimmed a number of positions in strong performers such as **Trip.com** and **Microchip Technology**.

Commentary

In many respects, the economic environment is becoming clearer as we enter 2023, though not in all cases is it necessarily for the better.

The US economy is clearly slowing in response to falling government spending and rising interest rates. This is now becoming apparent in employment markets, which until recently, had remained resilient, as surveys show businesses are finding it easier to hire, and the number of layoff announcements has increased sharply (see Fig. 1 on the following page).

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
Asia	27%	25%	28%
Europe	26%	25%	21%
North America	16%	18%	21%
Japan	8%	8%	14%
Other	2%	2%	2%
Australia	2%	2%	4%
Cash	20%	21%	10%
Shorts	-17%	-24%	-23%

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

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Industrials	16%	16%	20%
Financials	14%	13%	15%
Materials	9%	11%	14%
Consumer Discretionary	8%	7%	10%
Energy	6%	6%	1%
Health Care	4%	3%	5%
Information Technology	4%	3%	12%
Real Estate	3%	3%	3%
Communication Services	3%	2%	5%
Consumer Staples	0%	0%	1%
Other	-4%	-9%	-18%
TOTAL NET EXPOSURE	63%	55%	67%

See note 4, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

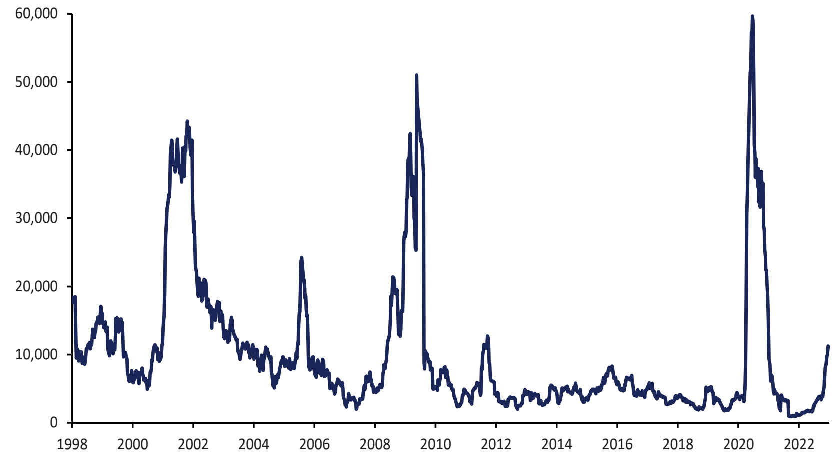
Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
ZTO Express Cayman Inc	China	Industrials	3.9%
UPM-Kymmene OYJ	Finland	Materials	3.0%
Ping An Insurance Group	China	Financials	2.9%
Microchip Technology Inc	US	Info Technology	2.7%
MinebeaMitsumi Co Ltd	Japan	Industrials	2.4%
Tencent Holdings Ltd	China	Comm Services	2.4%
Intesa Sanpaolo SpA	Italy	Financials	2.3%
InterGlobe Aviation Ltd	India	Industrials	2.2%
Shell PLC	Netherlands	Energy	2.2%
Beazley PLC	UK	Financials	2.2%

As at 31 December 2022. See note 5, page 5..
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.

Fig. 1: US Employee Layoff Announcements Have Increased Sharply
Seasonally adjusted 13-week average



Source: Evercore ISI. As at 30 December 2022.

However, there are large differentials in growth outlooks across sectors. We have noted previously that many sectors that benefited from COVID (e.g. e-commerce, video streaming, jewellery) would face significant headwinds as "lockdown-inspired" demand fell away. Interest rate-sensitive sectors are also among the weakest, with the housing sector experiencing a collapse in demand. Bright spots include areas still recovering from COVID (e.g. travel, autos), beneficiaries of the trend to return manufacturing to the US and diversify supply chains (e.g. capital equipment, automation), and spending on decarbonisation and energy transition projects. Overall, softer economic activity and receding inflationary pressures are the likely outcomes, and with that, *a peak in short-term interest rates in the year ahead.*

Meanwhile, the **Chinese economy is poised to recover strongly**. During the quarter, the government announced various measures to provide funding to residential property developers. This will allow cash-strapped developers to complete projects that have stalled due to a lack of financing. Residential construction activity is an important sector for the wider economy, and as work recommences on projects across the country, the impact on overall economic growth should be significant. Further, the government has pivoted away from its stringent zero-COVID policy measures that have suppressed economic activity. As witnessed elsewhere over the last three years, the path to reopening is not easy, with a huge increase in infections, an overwhelmed health system, and sadly, a rising death toll. Nevertheless, as we have experienced elsewhere, we expect the country will move beyond this period as herd immunity builds, and the increase in mobility as lockdowns end will add further to economic activity. For more detail on these developments in China, please refer to the Platinum Asia Fund's quarterly report, and for a more detailed examination of the property sector, see our feature article, "*The Chinese Property Market: The Most Important Industry Globally Which Few Understand*". Both are available in our December 2022 Platinum Trust Funds quarterly report.[3]

Of the major economies, the **outlook for Europe remains the most uncertain**. The spike in energy prices that resulted from Russia's invasion of Ukraine has resulted in an outright loss of competitiveness for European industries. Along with that, both consumer confidence and business confidence have plunged, with the former now at levels below those seen in the global financial crisis (GFC). Energy-intensive industries, such as petrochemicals and fertilisers, have seen significant capacity closures.

Overall consumption of gas across Europe has fallen by the order of 20%.[4] While it would appear, at the moment, that Europe has enough gas in storage to avoid severe shortages this winter, the longer-term picture remains highly uncertain. However, there are some positives to offset this difficult environment. Firstly, the depreciation of the euro will offset some or all of the loss of competitiveness due to higher energy prices, depending on the energy intensity of a given business. Further, the likely recovery of China, an important trading partner for Europe, will be helpful.

3 https://www.platinum.com.au/PlatinumSite/media/Reports/ptqtr_1222.pdf
4 https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20221220-3

Outlook

In summary, the world is looking like the mirror image of recent years, with a slowing US economy, a recovering Chinese economy, and a European economy somewhere in between. **The question is, what does all this mean for the outlook for equity markets?** In recent years, the huge divergence in valuations and share price performance across different sectors and geographies has made this general question difficult to answer. Today, some sectors and countries have experienced multi-year bear markets, where valuations are highly attractive and we are optimistic about future returns. On the other hand, many of the favoured growth names that led the bull market remain unappealing, in some cases due to questionable business models, and in other cases due to valuations that remain high despite deteriorating earnings growth. Also, defensive names remain highly valued as investors continue to seek out hiding places. The mix of these opportunity sets suggests that at a high level, the outlook for the broad market is muted, especially in the US, where there is a relatively higher weighting of growth stocks in the indices, while at a sector or stock-specific level, there remains the possibility of strong returns.

The one overriding risk for all markets is the monetary environment, not just interest rates, which we expect to peak sometime this year, but the lack of growth in the money supply in the major economies, except for China. This can change quickly if demand for credit from the private sector picks up strongly, though that seems an unlikely prospect at the moment. Many market participants are waiting for a sign that interest rates have peaked before diving back into the markets. We would be cautious on this front, as markets will still need to contend with poor earnings outcomes for some time after interest rates start to fall. With such a restrictive monetary environment, there is also the potential for a financial accident that broadly impacts markets. The collapse of the cryptocurrency markets does not appear to have had wider implications. We have long considered that such an accident is most likely to occur in unlisted assets (real estate, infrastructure, private equity) where there is little transparency, and we note with concern that some high-profile unlisted commercial real estate trusts in the US are reaching their monthly redemption limits.

Focusing on the opportunity side of the equation, there are some very prospective areas. One of the investment themes that will likely dominate the decade ahead is the **global energy transition as the world moves to reduce CO2 emissions**. This is a significant theme for the Fund, though we have broadly eschewed the obvious investment plays, such as solar panel makers, wind farms and electric vehicle (EV) producers. Instead, we see the current opportunity in companies that enable the transition through critical components and technologies. Examples include Infineon Technologies, a producer of the power semiconductors required to produce EVs, charging stations, and renewable energy technologies. UPM-Kymmene, a pulp producer that has developed technology to produce bioplastics and biodiesel from the waste materials from their current manufacturing lines, is another example. In mid-February, we plan to launch our new Platinum Global Transition Fund (Quoted Managed Hedge Fund) (subject to regulatory approvals), which will also provide access to this exciting and growing opportunity.

We continue to see **opportunities in companies that are yet to fully recover from the pandemic**, such as online travel agent Booking Holdings or low-cost airlines Ryanair in Europe and InterGlobe Aviation in India. **Businesses that were harmed by low interest rates**, such as European banks (Intesa Sanpaolo, Erste Group Bank, Raiffeisen Bank International), remain at interesting valuations. Meanwhile, **China, which has experienced a completely different economic and interest rate environment from the other major economies**, resulting in a prolonged bear market, is positioned for a strong rebound.

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. Country classifications for securities reflect Bloomberg's "country of risk" designations. "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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