

# Platinum International Fund

(Quoted Managed Hedge Fund) - ASX: PIXX

30 April 2020

## Facts

|                               |                     |
|-------------------------------|---------------------|
| Portfolio value               | \$328.43 mn         |
| Fund commenced                | 12 September 2017   |
| Fund launch                   | 14 September 2017   |
| Income distribution date      | Annual, 30 June     |
| Unit valuation                | Sydney Business Day |
| Net Asset Value (\$ per unit) | \$4.3211            |

## Fees

|                               |   |
|-------------------------------|---|
| Entry fee                     | Nil   |
| Buy/sell spread               | 0.20%/0.20%   |
| (Platinum International Fund) |   |
| Fee:                          | Investment Management 1.10% p.a.<br>Investment Performance 15.00% p.a.* |

## Performance<sup>1</sup>

|                               | Fund % | MSCI % |
|-------------------------------|--------|--------|
| 1 month                       | 1.74   | 3.50   |
| 3 months                      | (7.78) | (9.99) |
| 6 months                      | (6.83) | (2.85) |
| Calendar year to date         | (9.34) | (6.53) |
| 1 year                        | (5.45) | 2.18   |
| 2 years (compound pa)         | (2.55) | 7.30   |
| Since inception (compound pa) | 2.44   | 10.52  |

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

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



## Invested positions of Platinum International Fund<sup>3</sup>

|                      | Long %       | Short %       | Net %        | Currency %   |
|----------------------|--------------|---------------|--------------|--------------|
| <b>Asia-Pacific</b>  | <b>43.1</b>  | <b>(5.4)</b>  | <b>37.7</b>  | <b>57.2</b>  |
| Australia            | 0.5          | (2.7)         | (2.2)        | 10.3         |
| China                | 4.4          |               | 4.4          | 6.3          |
| China Ex PRC         | 15.1         |               | 15.1         |              |
| Hong Kong            | 1.5          |               | 1.5          | 11.4         |
| India                | 2.4          |               | 2.4          | 2.4          |
| Japan                | 12.7         | (2.7)         | 10.0         | 20.3         |
| Korea                | 6.1          |               | 6.1          | 6.1          |
| Thailand             | 0.3          |               | 0.3          | 0.3          |
| <b>North America</b> | <b>28.7</b>  | <b>(12.4)</b> | <b>16.2</b>  | <b>16.9</b>  |
| Canada               | 2.4          |               | 2.4          | 2.4          |
| United States        | 26.3         | (12.4)        | 13.8         | 14.5         |
| <b>Europe</b>        | <b>17.6</b>  | <b>(1.4)</b>  | <b>16.2</b>  | <b>25.6</b>  |
| Austria              | 1.1          |               | 1.1          |              |
| Denmark              | 0.3          |               | 0.3          | 0.3          |
| France               | 3.2          |               | 3.2          |              |
| Germany              | 3.2          | (1.4)         | 1.8          |              |
| Ireland              | 1.2          |               | 1.2          |              |
| Italy                | 1.1          |               | 1.1          |              |
| Norway               | 0.2          |               | 0.2          | 1.0          |
| Spain                | 1.8          |               | 1.8          |              |
| Switzerland          | 4.0          |               | 4.0          | 1.7          |
| United Kingdom       | 1.5          |               | 1.5          | 3.8          |
| Euro                 |              |               |              | 18.9         |
| <b>Other</b>         | <b>0.4</b>   |               | <b>0.4</b>   | <b>0.3</b>   |
| Brazil               | 0.4          |               | 0.4          | 0.3          |
| <b>Sub-Total</b>     | <b>89.8</b>  | <b>(19.3)</b> | <b>70.5</b>  | <b>100.0</b> |
| Cash                 | 10.2         | 19.3          | 29.5         |              |
| <b>Total</b>         | <b>100.0</b> |               | <b>100.0</b> | <b>100.0</b> |

Long - 95 stocks, 2 swaps Short - 26 swaps, 4 indices

## Top ten positions of Platinum International Fund<sup>4</sup>

| Stock                            | Country       | Industry        | %           |
|----------------------------------|---------------|-----------------|-------------|
| Samsung Electronics Co Ltd       | Korea         | Info Technology | 3.8         |
| ZTO Express Inc                  | China         | Industrials     | 3.5         |
| Alphabet Inc                     | United States | Comm Services   | 3.0         |
| Facebook Inc                     | United States | Comm Services   | 2.9         |
| Ping An Insurance                | China         | Financials      | 2.9         |
| Skyworks Solutions               | United States | Info Technology | 2.6         |
| Takeda Pharma Co                 | Japan         | Health Care     | 2.6         |
| Microchip Technology             | United States | Info Technology | 2.5         |
| China Overseas Land & Investment | China         | Real Estate     | 2.5         |
| Micron Technology Inc            | United States | Info Technology | 2.4         |
| <b>Total</b>                     |               |                 | <b>28.5</b> |

## Industry breakdown of Platinum International Fund<sup>3</sup>

| Sector                 | Long % | Short % | Net % |
|------------------------|--------|---------|-------|
| Info Technology        | 17.8   | (2.2)   | 15.6  |
| Industrials            | 13.9   | (0.7)   | 13.2  |
| Financials             | 11.3   | (0.2)   | 11.2  |
| Communication Services | 10.0   | (0.1)   | 9.9   |
| Health Care            | 9.9    |         | 9.9   |
| Consumer Discretionary | 11.5   | (3.0)   | 8.6   |
| Materials              | 9.9    | (2.4)   | 7.4   |
| Real Estate            | 2.6    |         | 2.6   |
| Energy                 | 2.1    |         | 2.1   |
| Utilities              | 0.2    |         | 0.2   |
| Consumer Staples       | 0.6    | (2.9)   | (2.2) |
| Other                  |        | (7.9)   | (7.9) |

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the responsible entity of the Platinum International Fund (Quoted Managed Hedge Fund) (the "Fund"). The Fund's latest Product Disclosure Statement (the "PDS") provides details about the Fund. You can obtain a copy of the PDS from Platinum's website [www.platinum.com.au](http://www.platinum.com.au), or by contacting Investor Services on 1300 726 700 (Australian investors only), or 0800 700 726 (New Zealand investors only), or 02 9255 7500, or via [invest@platinum.com.au](mailto:invest@platinum.com.au). This information is general in nature and does not take into account your specific needs or circumstances. You should consider your own financial position, objectives and requirements and seek professional financial advice before making any financial decisions. Numerical figures have been subject to rounding. Platinum does not guarantee the performance of the Fund, the repayment of capital or the payment of income. The market commentary reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by Platinum as to their accuracy or reliability. To the extent permitted by law, no liability is accepted by Platinum for any loss or damage as a result of any reliance on this information.

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), and represent the combined income and capital returns in the specified period. All returns are pre-tax, net of fees (including any accrued performance fee) and costs and assume the reinvestment of distributions. The returns are calculated relative to the MSCI All Country World Net Index in A\$. The investment returns depicted in the graph are cumulative on A\$20,000 invested in the Fund since inception. 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 PIF's top ten long securities positions as a percentage of the market value of PIF's portfolio (including long securities and long securities derivative positions).

All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in <https://www.platinum.com.au/Special-Pages/Terms-Conditions>

This commentary related to the underlying fund, the Platinum International Fund.

- Despite the April rally, we are not convinced that we are in the clear; preferring to act as if we have had first warning of a bear market.
- Maintaining a relatively cautious approach to market – hoping to have opportunity to deploy more capital into future sell-offs.
- Bifurcation between “growth and defensives”<sup>1</sup> and “cyclicals”<sup>2</sup> widens further from already extreme levels.

**25-year milestone:** On 30 April, Platinum International Fund reached its 25th anniversary, having delivered a return of 11.7% p.a. net of fees since inception. This compares with the global market return (as measured by MSCI ACWI Index A\$) of 6.8% pa. For context, \$10,000 invested in the Fund at inception would have risen to over \$158,000 over this period vs. under \$53,000 if invested in the index. Note that this assumes full distribution reinvestment.

**April 2020 Update:** April saw the continuation of a rally from March lows as hope built about the world going “back to work” and enthusiasm for a medical solution (vaccine and/or treatment) grew, with the portfolio containing some of the prospective winners here.

In simple terms, forced removal of labour from the economy caused a global recession. We have argued that markets will struggle to make a sustained recovery until there is a clear path to a “return to work”. Our current view is that the market is getting ahead of itself in terms of enthusiasm. We can see a scenario where we revisit the recent March lows for global markets. These include a slower recovery than optimists are hoping for, further economic setbacks, and the clear and present danger of a “second wave”.

Our responsibility is to protect investors from permanent impairment of capital and hence we have a “bar bell” approach, with a long portfolio well-positioned for market recovery, coupled with a significant and actively managed short portfolio to protect from the downside.

**Current snapshot:** The big uncertainty remains the damage that has been done by recent events. Trying to work out what getting the economy back to, say, 90% challenges one’s imagination, as does working out who picks up the tab for governments’ efforts to redistribute the burden. So as of today, we are still some way from “clear vision” but markets after the rally have not fallen that far. We are approaching it through the lens of the first warning of a bear market, rather than the all-clear. As of 6 May, the portfolio is 89% long, 20% short, for a net position of 69%. We have 11% exposure to the Australian dollar. The biggest increase in sector exposure has been to travel, where we seek long-term winners with strong balance sheets who can withstand setbacks.

**Perspective:** During 2019, we were cautious as valuations moved higher and struggled with divergence between expensive growth / defensives and the market.

The coronavirus-induced sell-off validated our caution. Energy/Materials were, however, punished again, with an oil shock on top of an economic slowdown. We are confident in our case for migration to electric vehicles, but there is more uncertainty around the case for offshore oil capex, so we have not topped up these positions.

**Performance:** Portfolio outcomes were influenced by markets. The categorisation of “growth and defensive” versus “cyclicals” is instructive, as is geography, over the sell-off (20 February to 23 March) and the quarter.

Even during the sell-off, Gilead Sciences (leading race for COVID-19 treatment), Moderna (leading COVID-19 vaccine candidate) and Chinese logistics leader ZTO made positive contributions. China Overseas Land, Tencent and Barrick Gold joined these as top contributors for the quarter, alongside Nasdaq shorts. An average return<sup>3</sup> for the quarter of 17% from the portfolio’s Health Care names stood out.

| Quarter To 30/04/20 | Average Weight % | Contribution % | Average Return % | Sell-Off 20/02 to 23/03 | Average Weight % | Contribution % | Average Return % |
|---------------------|------------------|----------------|------------------|-------------------------|------------------|----------------|------------------|
| Growth/Defensive    | 36               | +1             | +2               | Growth/Defensive        | 33               | -6             | -17              |
| Cyclicals           | 51               | -9             | -18              | Cyclicals               | 50               | -16            | -33              |
| Shorts & cash/FX    | 18 & 14          | +1             |                  | Shorts & cash/FX        | 17 & 17          | +7             |                  |
| <b>Total</b>        | <b>69</b>        | <b>-8</b>      |                  | <b>Total</b>            | <b>66</b>        | <b>-15</b>     |                  |
| Asia Pacific (Net)  | 38               | -3             |                  | Asia Pacific (Net)      | 39               | -7             |                  |
| Rest of world (Net) | 30               | -7             |                  | Rest of world (Net)     | 27               | -10            |                  |

**Valuation:** Earnings forecasts at this stage have lesser value than normal but we can look at the valuation of the portfolio against historic earnings to get a sense of the earnings power of the portfolio in a recovery.

| Metric                              | Platinum International Fund             | MSCI AC World Net Index (A\$)           |
|-------------------------------------|---|---|
| LTM (Last 12 Months) Earnings Yield | 8.3% (Price to Earnings ratio of 12.0x) | 6.1% (Price to Earnings ratio of 16.3x) |
| LTM (Last 12 Months) Dividend Yield | 3.2%                                    | 3.3%                                    |
| Price-to-Book-Ratio                 | 1.3                                     | 2.0                                     |
| Enterprise Value-to-Sales           | 1.2                                     | 1.4                                     |

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

<sup>1</sup> Defined for purpose of this report, and used throughout as the following sectors of the MSCI ACWI, with their % returns over the quarter to 30 April 2020 in parenthesis: Health Care (+3), IT (-3), Communications (-4), Staples (-6), Utilities (-14).

<sup>2</sup> Defined for purpose of this report, and used throughout as the following sectors of the MSCI ACWI, with their % returns over the quarter to 30 April 2020 in parenthesis: Discretionary (-6), Materials (-10), Real Estate (-16) Industrials (-18), Financials (-23), Energy (-27).

<sup>3</sup> Average return is Contribution divided by Average Weight.