



# Quarterly Investment Manager's Report

Platinum World Portfolios - International Fund

**30 September 2021**

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# Performance

## to 30 September 2021

SUB-FUND	PORTFOLIO VALUE (US\$ MIL)	QUARTER	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	5 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA	INCEPTION DATE
<b>Platinum World Portfolios - International Fund</b>								
Class A (USD)	34.7	-4.3%	26.4%	11.8%	7.1%	8.4%	8.7%	27 Apr 2016
Class B (USD)	4.2	-4.4%	25.6%	11.1%	6.4%	-	8.5%	2 Dec 2016
Class D (USD)	15.1	-4.4%	25.6%	11.0%	6.4%	7.7%	6.9%	16 Nov 2015
Class E (EUR)	0.9	-2.0%	-	-	-	-	-	16 Oct 2020
Class F (EUR)	0.8	-2.1%	27.1%	7.7%	6.5%	-	5.2%	4 Apr 2017
Class G (GBP)	14.7	-1.7%	21.0%	6.8%	5.9%	7.6%	10.3%	27 Apr 2016
MSCI All Country World Net Index (USD) <sup>(1)</sup>		-1.1%	27.4%	18.6%	12.6%	13.2%	12.3%	16 Nov 2015
MSCI All Country World Net Index (USD) (EUR) <sup>(2,3)</sup>		1.2%	28.9%	15.1%	12.7%	-	10.8%	4 Apr 2017
MSCI All Country World Net Index (USD) (GBP) <sup>(2,4)</sup>		1.4%	22.2%	13.4%	11.3%	12.4%	14.5%	27 Apr 2016

(1) For the purpose of calculating the "since inception" returns of the Index in USD, the inception date of Class D of the Fund is used, since Class D was the first USD-denominated share class activated.

(2) The MSCI Index returns in USD have been converted into the specified currency (EUR or GBP, as the case may be) using the prevailing spot rate.

(3) For the purpose of calculating the "since inception" returns of the Index in EUR, the inception date of Class F of the Fund is used, since Class F was the first EUR-denominated share class activated.

(4) For the purpose of calculating the "since inception" returns of the Index in GBP, the inception date of Class G of the Fund is used, since Class G was the first GBP-denominated share class activated.

Fund returns are net of accrued fees and expenses, are pre-tax, and assume the accumulation of net income and capital gains. Where a particular share class is not denominated in USD, the net asset value per share in USD, being the Fund's base currency, is converted into the denomination currency of that share class using the prevailing spot rate.

**Historical performance is not a reliable indicator of future performance. Returns could be reduced, or losses incurred due to currency fluctuations**  
See note 1, page 19.

Source: Platinum Investment Management Limited for Fund returns; FactSet Research Systems for MSCI Index returns.

# Macro Overview

by Andrew Clifford, Co-Chief Investment Officer

We have taken a different approach to our Macro Overview this quarter, adopting a 'Q&A' format, with investment specialist Douglas Isles asking CEO and co-CIO Andrew Clifford the key questions on many of our investors' minds, covering China regulation, income inequality/redistribution, rising inflation and what it all means for global markets. An edited transcript of the conversation is below and the full interview is available on The Journal page on our website.

**DI: It's been a very eventful quarter, particularly in China. With your 30+ years of experience investing there, can you provide some context?**

**AC:** I think one of the issues that people struggle the most with in regards to China is the idea of government interference in the economy. There's been a lot of discussion, not just in the last three months but over the last several years, about China returning to a command economy. This is in stark contrast to the China that I know and have invested in. From my experience, China is one of the most market-based economies in the world, and indeed, that is the reason for its enormous success.

Over the last decade we have seen a period of constant regulation coming into what is just a very fierce market environment. Probably the most important of these was the reform of the shadow banking system. Entrepreneurs and banks were finding loopholes in the regulations that had been introduced to restrict the funding of activities such as property development. In response, the government implemented new rules to clamp down on that behaviour, and slowly all those assets and liabilities have been brought back onto bank balance sheets.

In recent times, there's been a lot of focus on the regulation of the tech sector, but most of it is not that different to what we're seeing in the rest of the world. Europe, for example, introduced restrictions on the use of private data by e-commerce companies. The Chinese regulators are incredibly sophisticated in their approach to regulation, they study best practice around the world. Where they feel that free markets have gone too far, they introduce rules, which for the most part are very much modelled on the European approach.

**DI: It seems that every time there is a reform program in China, the rest of the world reacts badly to it, why do you think that's the case?**

**AC:** It's important to remember that in China there is a different process to enact change. For us to implement new rules around the use of data or controlling the behaviour of large e-commerce or social media companies, it would be a drawn-out process and there would be significant pushback. For example, in the US, the Federal Trade Commission case against big tech companies is likely to be a protracted affair. However, in China, it's quite the opposite, the rules appear to change 'overnight'. While the process may be different, the political motivation is not that different from ours. These changes are being made because people are unhappy with the behaviour of big tech in China, just as they are elsewhere.

**DI: Property developer Evergrande received considerable media attention over the quarter. The property market in China has been an area of scrutiny for many years, what are your thoughts?**

**AC:** We don't own Evergrande in any of the Platinum portfolios. Its issues were widely known, and while it is naturally unsettling for investors, we don't believe it will be a systemic event. At Platinum, we talk a lot about the role of cognitive biases in investing and the need to go beyond our intuitive responses, or our System One thinking as Daniel Kahneman would put it, and move to System Two thinking, where we really try to understand the realities of the situation. There has long been this story about the great Chinese property bubble, but let me share some numbers. Over the last decade, in the six largest cities, residential property prices increased in the order of 8-10% p.a. In the tier two and tier three cities it was much lower at around 4-5% p.a. Now, 8-10% p.a. is a big appreciation over that timeframe, but this needs to be seen in the context that

nominal GDP in China is around 9% p.a. Additionally, you need to consider who's buying property in China, it's not the average household, it's the wealthy households and their incomes are growing even faster than that.<sup>1</sup>

There is also a lot of focus on the number of apartments that are being built, and yes, since private ownership of property was allowed in 1999, about 200 million apartments have been built. But you have to remember that's the entirety of the modern housing stock in China, because everything else prior to these newbuilds was pretty much communist-era housing. So, given there are around 300 million urban households and 900 million people living in urban areas, we haven't even built enough modern housing stock yet.<sup>2</sup>

We hear a lot of talk about the 20% of apartments that are sitting empty, but in China, investment properties typically aren't rented out because the laws are quite harsh against landlords. Interestingly, in Australia, at any point in time, around 10% of our homes are unoccupied and I'm not talking about home rental vacancy, these are properties owned by people who own more than one home and leave them unoccupied.<sup>3</sup>

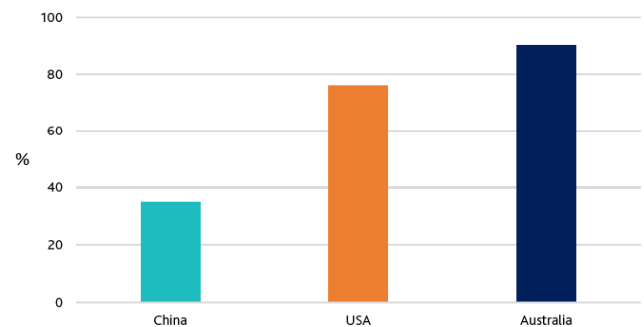
I would add that it's actually been difficult to get a property loan in China in recent years. A 30% deposit is required to buy a first property and 50% for a second. Mortgages have grown very quickly from being almost non-existent a decade ago, to be around 35% of GDP, which is well below what pure mortgage debt is in Australia or the US.

Property is a booming and important part of the Chinese economy, but if house prices get out of control, it becomes a political issue. It's a well-founded market, not a bubble by any standards that I can see.

**DI: When the ultimate goal of the government is one of "common prosperity" is it fair to say that housing is front and centre for that?**

**AC:** Absolutely. For the last decade there's been continued efforts to keep property prices down. The sentiment that "property should be an end-user asset not a speculative asset" is often attributed to President Xi Jinping, but this was around long before he was President. China has the same problem that the rest of the world has on that front. I think the real issue here for the world economy is that the latest regulations are trying to control not just the price that property is sold at, but also the price that developers pay to acquire land to develop properties. It's a thoughtful approach

**Fig. 1: Pure Mortgage Debt as % of GDP, 2020**



Source: PBOC (China); Federal Reserve Bank of St. Louis (USA); Business Insider Australia, OECD (Australia). As at Q4 2020.

to my mind, as it is essentially trying to regulate property development in a similar fashion to how utilities, such as electricity or gas businesses, have been regulated over the years. While there is a risk that this approach may not be successful in a market like property development, with developers already stepping back from buying land and property buyers now nervous, I think the concern of any great disaster is overstated. Past experience tells us that as soon as the Chinese authorities take their foot off the brakes, even in the slightest way, buyers come flooding back in, and if it gets to that stage, that's what I would expect here as well.

**DI: Over the last decade there has been a clamp down on corruption, supply side reform, financial reform, and now "common prosperity". On balance, do you think they have done a reasonably good job for China over that period?**

**AC:** When you look at the government's approach to introducing thoughtful, sensible regulation and rules in their economy, I think they've done an extraordinarily good job. As I said earlier, a lot of it is modelled on what the rest of the world does and I think there's nothing to be feared there. The recent event where they basically banned after-school tutoring due to cost concerns, is a bit more of an extreme measure, but again, they're very important social issues the government is reacting to, just like a democratically elected government would react to important popular issues.

**DI: Let's now look at the rest of the world, particularly the other large economy, the US. Inequality is something that the Chinese and US governments are both trying to address, can you reflect on how it's being approached in the US and what the implications might be for investors?**

**AC:** I think that income disparity is behind a great deal of discontent across much of the world. In the last decade or so, people keep referring to the world being in a low-growth environment, but that's actually not the case. The world economy grew pretty much the same rate in the decade from 2010-2020 as it did in the prior decade, but what has

<sup>1</sup> Source: CSLA; FactSet Research Systems.

<sup>2</sup> Source: CSLA; State Council of the People's Republic of China.

<sup>3</sup> <https://www.abc.net.au/news/2021-04-14/house-prices-australia-climbing-not-for-the-reason-you-think/100065644>

changed is the disparity of income, with lower-income groups clearly not doing as well as the top 20 or 40%.

Ultimately, everyone gets a vote and it then becomes an issue. I think one of the really interesting things the pandemic has shown politicians is that a lot of the support payments which have been introduced or increased during the pandemic, have clearly helped lower-income households far more than the average. And with that, I think politicians have seen the benefit of redistributing income toward lower-income groups. China faces the same issue. In fact, there are far more extremes between those who have benefited from China's prosperity than those who haven't. The call for "common prosperity" is thus one of redistributing income through the economy.

A number of years ago, we wrote about the huge benefit to economic growth of putting \$100 in the hands of lower-income households vs. high-income households through tax cuts. The latter group will most likely save it and buy another property or more shares. The lower-income households on the other hand, will most likely spend it on basic necessities. On that basis, I think it would be very good for global growth if we get some degree of income redistribution that is being discussed across the world.

**DI: On the topic of economic growth, inflation is a hot topic right now for markets, what are your thoughts on that front and expectations for interest rates?**

**AC:** As we've been talking about for some time, the creation of money through quantitative easing and funding government deficits this way is unquestionably inflationary. For a long time, inflation has mainly appeared in asset prices, the stock market, private equity infrastructure assets and house prices, which has been much more extreme in the past 18 months. But now we are seeing inflation in goods and services. There's always a lot of discussion of whether this bout of inflation is due to temporary shortages. As we mentioned in our June quarterly report, the market economy is good at dealing with temporary shortages. We have seen this in iron ore and lumber where there were huge price increases and then for one reason or another, supply adjusted and the prices retreated. But we're also seeing many 'sticky' prices. We can't get enough semiconductors to meet motor vehicle demand currently or a whole range of other projects that require semiconductors. The cost of shipping a container from Shanghai to Los Angeles is up six-fold or so. Gas prices are up four- or five-fold in Europe and thermal coal prices have pretty much doubled in recent months.<sup>4</sup> So, there are price increases coming through everywhere. Adding to the

mix, is a shortage in labour at a time when the jobs market is as strong as we've ever seen, which is a bit odd given that we're still not fully out of the pandemic, but this is what all the numbers tell you. We are seeing companies raise prices at record rates. There is also anecdotal evidence, with UK gas bills, for example, doubling in the last couple of months. This is going to cause real pain in households, not to mention rising rents, so we have a real problem here and it's a question of how it unfolds.

While central banks are all saying they won't raise interest rates soon, we shouldn't pay too much heed to that, because their whole role is to set our expectations, and they will increase rates when they see fit. This poses a real dilemma though. People are going to start struggling to pay their bills following these price moves. How will governments respond? Will they spend even more money and announce yet another round of rescue packages, which are inflationary again? I think the end destination here, one way or the other, is interest rates are going up and there's a risk this happens earlier than many expect.

**DI: How do you think this changing interest rate dynamic will play out in the markets? Will we see a reversal of fortunes in stocks?**

**AC:** The beneficiaries of cheap money and inflation in asset prices have been the sectors that everyone is so excited about in the stock market, the so-called 'disruptors'. Consequently, there's been plentiful buyers of their shares and some crazy valuations of private companies that are raising capital at 20, 30 or 40 times their revenue. Yes, they are great companies and are growing fast, but many are losing money. The point is that they can only keep the game going while there are investors who are willing to fund them, and in many cases these investors are their own employees who are paid in stock. It's hard to go a day without hearing about a new start-up developing software to solve problems for companies or individuals. There's huge competition for the corporate IT budget or your personal budget to spend on all these things. That is the area, where the combination of valuations and the fact that they need money to keep going, that is a big risk for investors. It won't be a good place to be when the music stops.

On the other hand, there's a whole other part of the economy that people haven't wanted to fund, high-quality businesses at the centre of the future growth areas of the economy. Semiconductor companies like Microchip, for example, who makes microprocessor units used in electrical switches for a whole range of items, from microwaves to car windows. This is a very profitable business and it's growing because there's increasing demand for its products. Over time, as electronics usage increases, we will need more of

<sup>4</sup> Source: <https://tradingeconomics.com/>; <https://www.cnbc.com/2021/10/05/gas-price-surges-to-a-record-high-in-europe-on-supply-concerns-.html>

their products. But here is a company that's unable to deliver enough product to meet the demand in the auto industry, due to under-investment. And this has been a theme across a range of sectors for the last decade. This includes commodities like copper, for example, a vital component for all manner of things, such as electric vehicles (EVs). The world's going to need an extraordinary amount of copper, but there hasn't been any significant investment in finding new reserves for seven or eight years.

So, to me, the other side of all this capital that has been invested in the new, exciting and innovative areas is that there's some really interesting, growing businesses that haven't been able to access capital, who now find themselves in a very nice position where their product is in demand and they're able to exercise good pricing power simply because of shortages.

### DI: What do you think will ultimately make the 'music stop' so to speak?

**AC:** If you are looking for a catalyst, I think the most obvious is interest rates. While we are now seeing bond rates trending up again, we all struggle to ever be very precise in knowing when central banks will change official interest rates.

As an investor, I believe it's important to build a portfolio of stocks that are well positioned in terms of the markets they're in. I have given the example of Microchip, but in autos, we have BMW or Toyota, who are both very well positioned for the EV world. There are other themes too, such as travel, which is also a growth industry. Many travel stocks are very high-quality businesses, whether it's the online travel agents like Booking Holdings or Trip.com, which is the Chinese equivalent, or aerospace companies like General Electric, Safran and MTU Aero Engines, who are involved in the production of engines for aircraft - and again, based on the rate at which aircraft orders are coming in, we're potentially not going to have adequate capacity to produce enough engines. There's a whole array of opportunities out there and you need to buy each knowing what they can earn in a good period and assess against that.

### MSCI Regional Index Net Returns to 30.9.2021 (USD)

REGION	QUARTER	1 YEAR
All Country World	-1.1%	27.4%
Developed Markets	0.0%	28.8%
Emerging Markets	-8.1%	18.2%
United States	0.3%	29.9%
Europe	-1.2%	28.0%
Germany	-4.3%	16.5%
France	-2.0%	34.3%
United Kingdom	-0.3%	31.2%
Italy	-1.1%	33.4%
Spain	-3.3%	31.4%
Russia	9.5%	59.4%
Japan	4.6%	22.1%
Asia ex-Japan	-9.3%	14.4%
China	-18.2%	-7.3%
Hong Kong	-9.4%	15.0%
Korea	-13.2%	27.8%
India	12.6%	53.1%
Australia	-3.0%	31.7%
Brazil	-20.2%	21.0%

Source: FactSet Research Systems.

Total returns over time period, with net official dividends in USD.

Historical performance is not a reliable indicator of future performance.

### MSCI All Country World Sector Index Net Returns to 30.9.2021 (USD)

SECTOR	QUARTER	1 YEAR
Energy	2.8%	63.9%
Financials	1.9%	49.6%
Information Technology	0.5%	30.3%
Health Care	0.2%	18.3%
Utilities	-0.2%	10.1%
Real Estate	-1.8%	22.2%
Consumer Staples	-2.1%	10.2%
Industrials	-2.1%	27.3%
Communication Services	-2.6%	28.9%
Materials	-5.0%	26.8%
Consumer Discretionary	-5.2%	17.6%

Source: FactSet Research Systems.

Total returns over time period, with net official dividends in USD.

Historical performance is not a reliable indicator of future performance.



# Biotech: Driving Another Decade of Change in Healthcare

by Dr Bianca Ogden

COVID-19 has placed the healthcare sector front and centre in all our minds. The development of a vaccine in record time was truly remarkable, showing what can be achieved when great minds and innovative technology come together. Once the 'poor cousin', the biotech sector is coming into its own and is now at a key inflection point. Record funding and the entry of a 'new breed' of players, thanks to the wonders of AI and computer power, is driving considerable transformation, especially in drug discovery. What does this mean for the existing players, particularly traditional pharma? How can they compete with this new breed?

The past 18 months has shown us how a virus with a diameter of just 110 nanometres can stop the world in its tracks and impact our daily lives. I studied virology in the 1990s because I was fascinated by HIV, a virus that can integrate its genetic information into the human genome using its own enzyme. Through this integration, the virus hides from the immune system. It is a remarkable, efficient engineering process. So far, a vaccine or cure for HIV remain elusive, but fortunately, therapeutics are available. It took about two years to identify what causes AIDS in the early 1980s, and another four years to release the first drug. Biotech was in its infancy back then and pharma stepped up to the task.

This time, during the COVID-19 pandemic, biotech has taken charge, and molecular engineering and computer sciences have moved to the forefront. Progress was made in weeks vs. years. This is science at its best - and that is what the future of biotech has in store for us.

The biotech industry is all about efficiency; focusing on transforming the drug discovery process, by tapping into biology, engineering and computer sciences. These three disciplines, when working in unison, will continue to have wide-ranging ramifications for the healthcare sector and other industries over the next decade and beyond.

Challenges will arise and hesitation will persist, but if history is any guide, they will gradually be overcome, with humanity the chief beneficiary.

*"I think the biggest innovations of the 21st century will be at the intersection of biology and technology.*

*A new era is beginning."*

Steve Jobs (2011)<sup>1</sup>

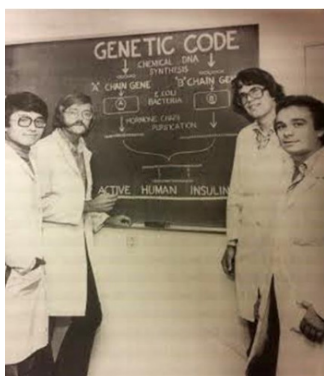
## New therapeutic modalities are successfully challenging the status quo

In the late 1970s, **Genetic Engineering Technologies** - Genentech, a San Francisco-based biotech, set out to commercialise genetic engineering, a technology that was rapidly being adopted in research labs. The idea of making therapeutics in bacteria or cells was frowned upon by many, as it challenged the status quo, which in this case, was the small molecule pill, chemically synthesised by machines and sold in the primary care market. Despite all the hesitation, Genentech persisted. Fast-forward to today and genomics and molecular engineering are at the core of the biotech and pharmaceutical industry. In April this year, the United States Food and Drug Administration (FDA) approved the 100th monoclonal antibody, a therapeutic modality that had its debut in 1986.

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<sup>1</sup> Source: <https://xconomy.com/national/2011/12/05/steve-jobs-dying-realization-about-biology-and-technology/>





These gentlemen were responsible for the first cloning of insulin for Genentech. Source: Sally Smith Hughes, "Genentech – The Beginnings of Biotech", The University of Chicago Press, April 2013.

The increase in diversity of therapeutic modalities has been a key theme over the past decade, and given molecular engineering advances, more expansion is expected, helping us to pair the right modality with the ideal drug target. Most recently, despite many naysayers, messenger RNA (mRNA) was added to the therapeutic armamentarium. Again, it showed how hard work, persistence, solid funding and exceptional teams can overcome negativity and resistance. On numerous occasions, a new approach is greeted with great hesitation, **but that is what science is about - testing a hypothesis, not reinventing an already validated concept.**

It is not just therapeutic modalities that have seen great advances; our understanding of the molecular profile of diseases has progressed immensely as well. We are big believers in precision medicine and are confident that neurology will similarly follow oncology's targeted therapy pathway. Oncology once had chemotherapy as its only weapon at its disposal. Today, we can classify cancer by its molecular profile rather than its location and treat it accordingly.

Neurological diseases are complex and they take years to manifest clinical symptoms. There are genes that when mutated can cause, or put you at risk of developing, neurodegenerative diseases. In the case of Alzheimer's disease, there are 35 known genetic associations and many are linked to the brain's immune system, while in the case of Parkinson's disease, there are over 95. The ability to identify and develop a targeted drug for each mutated gene is not beyond the realms of possibility in the future. We are already seeing success in this space.

In the coming decade, the speed of scientific progress will accelerate. With the standard of care for many diseases improving, disease prevention will take centre stage and biology will play a role in sectors outside of healthcare. It will not be without challenges, but nothing is in this industry. It is about embracing the unknown and carefully and factually considering "what if it works?".

## Biotech is reaching a key inflection point

There is no doubt in our minds that the biotech industry is at a key juncture in its short history. Today, the two worlds of biology and technology are colliding. Both had a key moment in the 1950s. James Watson and Francis Crick provided us with the chemical structure of our genetic code; while Claude Shannon and Alan Turing gave us computer code. As Walter Isaacson wrote in his recent book *"The Code Breaker"*:

***"Now we have entered a third and even more momentous era, a life science revolution. Children who study digital coding will be joined by those who study genetic code."***

Walter Isaacson<sup>2</sup>

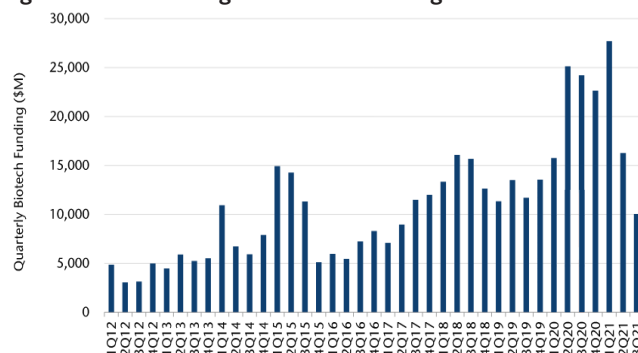
There is a mindset shift occurring in the biotech industry that is driven by the convergence between biotech, engineering and technology. This shift is particularly interesting in the drug development industry. Pharma is no longer the epitome of drug development; it is biotech that offers very attractive alternative business models.

Over the past 10 years, the drug discovery process has been changing, partly due to advanced drug discovery tools, but also due to a significant increase in funding. In 2020, biotech funding soared to a new record high of around US\$90 billion, up c.60% from the previous annual record of US\$55 billion (see Fig. 1).<sup>3</sup> 2021 is also shaping up to be another strong year, with funding reaching US\$54 billion for the year to date as at July (+2% year-on-year vs. 2020).

<sup>2</sup> Walter Isaacson, "The Code Breaker Jennifer Doudna Gene Editing and the Future of the Human Race", Simon & Schuster, March 2021.

<sup>3</sup> Source: FactSet Research Systems and Jefferies LLC. As at July 2021.

**Fig. 1: Biotech Funding Reached Record Highs in 2020**



Source: FactSet Research Systems and Jefferies LLC.

The funding environment for biotech companies has changed immensely. The idea that pharma companies represent one of a few funding options for biotechs is history. Today, there are several dedicated healthcare funds, various cross-over funds and tech-oriented funds that have expanded the funding universe. With the understanding that this can be a long and sometimes 'bumpy' journey, companies will often only seek those investors/funds who have a similar long-term horizon.

The calibre of management teams has also changed. Many teams are no longer novices, they have runs on the board and often know the pitfalls of large organisations. Different business models are emerging and many senior executives are leaving big pharma/biotech companies and joining biotechs.

## Drug discovery is undergoing a huge transformation

The most significant change, however, is occurring in drug discovery itself. Developing new drugs is a lengthy process, starting with target and lead drug identification, moving to clinical trials and finally, commercial manufacturing. It takes years and considerable investment. This longstanding, traditional process is, however, being challenged as new discovery and drug engineering tools, automation and machine learning come together. Today, scientists, thanks to advances in computer power, can collect more data than ever before, and analysing the data is cheaper than it has ever been. Over the past 10 years, new biotechs have emerged that are taking advantage of these computer advances and challenging different stages of the drug development and manufacturing process. The aim is to make it more efficient, reduce time and ultimately save significant money.

It all starts with a specific target (e.g. a protein) and the notion that it plays a significant role in causing a disease. Initially, literature review along with experimental validation occur to confirm the importance of the target. This is followed by understanding the composition of the target better and deciphering how a drug can best interfere with the pathological activity of the target. Drug engineers will then get together and design leads that will be tested in screens to determine if they have the desired effect. The engineers also have to consider how the drug will 'distribute' in humans.

A lot of analysis has to occur, which is ideal for machine learning and artificial intelligence (AI). Yes, AI is a buzzword these days, but companies are really making incredible progress in drug discovery using this approach. They have focused on combining a myriad of externally sourced datasets with their own datasets generated in their laboratories. This new breed of companies employs a combination of computer and data scientists, as well as 'drug hunters' and 'drug engineers'. These companies have managed to bring together different skillsets and merge cultures – which is a tremendous achievement.

UK company Exscientia is one such example of this new breed of biotech company. Their AI-driven approach can save years of drug discovery, while also generating more precise leads and chemical structures that often would not have been considered.

Exscientia CEO, Professor Andrew Hopkins believes computers will see molecules that traditional screens would not have been able to:

***"You would never find these molecules by large-scale, high-throughput screening. It's not looking for a needle in a haystack. It's looking for a needle on the farm."***

Professor Andrew Hopkins, CEO, Exscientia.<sup>4</sup>

Exscientia is not the only company working on 'drug discovery 2.0'. Others, like Recursion, a US-based biotech, focus on imaging cells that have been treated with drugs or harbour genetic changes. The company runs millions of experiments a week imaging the cells. It then uses machine learning to gain an insight into the cellular networks, which can translate into future treatment approaches. The naked eye is unable to see minute differences, while computers can.

**To reiterate, the automation of experiments is providing the ability to collect considerably more data than ever before, with improved molecular lab tools along with computer science, making all this possible.**

In the coming years, we expect the drug discovery process for small molecules and biologics will be transformed and AI will play a key role in the drug engineering and drug discovery process. It is not just drug discovery though; clinical development will also follow suit as these companies look to recruit patients and improve the design of clinical trials.

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<sup>4</sup> Source: <https://www.nature.com/articles/d43747-021-00045-7>

The AI drug discovery model is at an early stage; drug candidates are just starting to move into clinical development. There are signs, however, that new molecules are being developed more quickly, as is the number of quality leads, which all means faster and more cost-effective clinical development. This is very exciting, but for investors like us, the question is how will it affect the drug development landscape and the players within it?

## An increasing role for new players

As always in this industry, there is deep ingrained hesitation about a "new way of doing things", but these new breeds of companies are not simple start-ups, they have the right ingredients, in terms of people, science and funding. Furthermore, they are making progress, gaining a foothold with biotech and pharma companies alike.

What is interesting, is that some of these next-generation drug-engineering companies are building their own drug pipelines and rapidly leapfrogging previous efforts by pharma companies. This begs the question: where does this leave the juggernaut pharma companies? For now, they have collaborated with the newcomers, making sure it does not disrupt their own internal drug discovery approach.

Some pharma companies have taken equity stakes to cement an alliance, but these biotechs will be cautious not to align themselves too closely with one partner. These 'new' companies have bigger ambitions and believe they can be more efficient than pharma. For pharma, the question will be how to rationalise research and development (R&D), but for now, running internal and external R&D in parallel continues.

Interestingly, some large drug developers, like Bayer, who struggled with internal R&D efficiency, have more gumption and are embracing drug discovery 2.0 a lot more.

Overall, today, there are now biotechs that resemble more efficient next-generation pharma companies. In many ways the cards are being reshuffled.

## Investing in the science and the people

Returning to where we began - the efficient virus, which systematically takes advantage of the biological system and adapts over time. The next decade of drug discovery is also about systematically engineering a drug, by taking advantage of computer science and translational biology. Over time, the approach will create variations and efficiency should prevail.

To us, investing in biotechs is not about following the crowd, monitoring catalysts, quarterly earnings numbers or marginal improvement; it is about leaps in science, ongoing progress, the people behind the ideas, their unrelenting determination, independent thinking and their ability to step-up to the challenge.

My time in the pharmaceutical and biotech industry taught me that facts drive decisions and can overcome preconceived opinions and challenges. In this industry, you cannot be complacent or rely on a spreadsheet. Investing in this sector requires a deep understanding of the industry, an intense and dogged approach to research, an open mind, and importantly, a long-term perspective.

A patient approach can be very rewarding for those who are prepared to do the ground work, dial down the market noise and stay the course, as our investment in Moderna and BioNTech can attest to (see our case study on the following page).

## Conclusion

As the industry evolves, the focus areas will change, but the process and thinking required to identify the next round of winners won't. Today, we have large pharma companies with some biotechs muscling in. However, in the future, there will be even more biotechs, and pharma companies will be forced to adapt and redefine themselves.

It is not just the advances in technology that are driving this incredible change, but also the funding environment for biotechs. Investors are happy to support new technology and starting a biotech is not as difficult as it once was, as the 'tools' can be outsourced.

We have the 'perfect storm'. It truly is a very exciting time to be investing in healthcare.

## mRNA Case Study - Moderna and BioNTech

Science is about learning and testing a hypothesis, it is not about maintaining the status quo or looking at quarterly earnings announcements. That's how it felt when we first spoke to Stephane Bancel (CEO of Moderna) more than five years ago when Moderna was a private company. We had been interested in mRNA as a personalised cancer vaccine using neoantigens. Moderna had one such program in collaboration with Merck. Genentech was also working with BioNTech in this area and we noticed an uptick in coverage in various science publications. Moderna was intriguing because its focus was squarely on mRNA, it had a solid balance sheet and the company polarised people's opinion. Some may find that off-putting, but we viewed that as a signal to dig deeper and form our own opinion. We are blessed in many respects by our remoteness - Sydney is a world away when it comes to the chatter of Wall Street, Silicon Valley and the biotech hubs of Boston and San Francisco. It is an ideal environment to think independently.

During our conversations with Stephane, we gradually learned about Moderna's approach to mRNA, its manufacturing process and its ambitions for vaccines. We had been closely following the vaccine field for years and had invested in Dutch company Crucell (acquired by Johnson & Johnson) and UK company Acambis (acquired by Sanofi), hence we felt the vaccine market was very interesting. So, when Moderna prioritised vaccines in 2017, we did not share the market's confusion and thought it was a natural decision. Over the years, we continued our conversation with Stephane, learning about the vision of the company, along with the challenges that have been mastered or the ones that lie ahead.

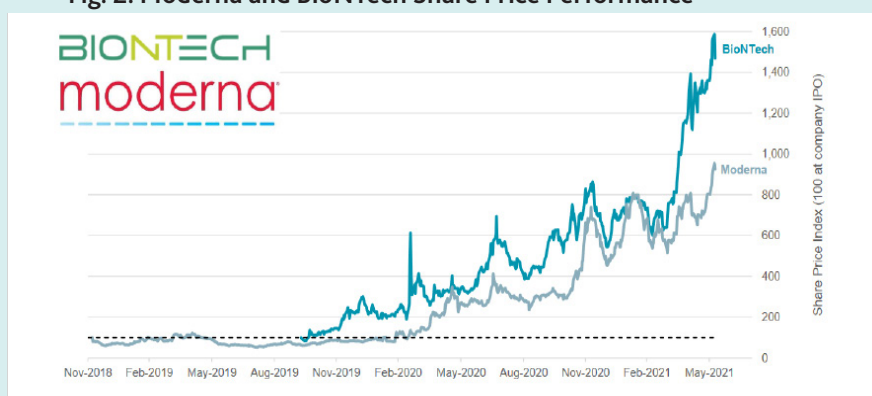
Similarly, we reached out to BioNTech in 2018 and learned about the company's cancer vision and their mRNA R&D efforts. In this area, we don't view one company over the other, it is about a new therapeutic modality that, if successful, could have far-reaching ramifications.

In 2019, we visited the Moderna manufacturing site in Norwood and also met various members of the team. Their deep focus on mRNA, delivery technology and digital manufacturing was obvious to us and a rare occurrence in biotech. Yes, there could be challenges along the way, but in the end, this was a biotech that ensured it had the money, the talent and a sound plan to make a success of it. So, when it came to the initial public offering (IPO), we did question the valuation, but again it was a healthy conversation with Stephane that put it into context of the ambitions and diligence of the company. The IPO came and went, the stock price barely moved with many people continuing to be very sceptical about the company. However, this was a long-term investment for us, so we continued to add to our position. Similarly, in 2019 we visited BioNTech (we invested pre-IPO) and experienced first-hand the dedication of the team and the vision to offer comprehensive cancer therapeutics. The IPO itself was also subdued, again offering us an opportunity to add to our investment.

Both investments have been tremendously successful for Platinum. At the time we invested COVID-19 didn't exist, but we believed in the mRNA technology and the respective teams behind the science and technology. We believed this technology was the way forward for vaccines of the future – not just for viruses but also cancer and other diseases.

Following exceptionally strong share price performance over the past 12-18 months, on the back of both companies' success with their mRNA-based COVID-19 vaccines, we have trimmed our exposure to these two stocks. We admire and respect the leadership teams of both companies, and continue to engage with each, but we must remain disciplined on price.

**Fig. 2: Moderna and BioNTech Share Price Performance**



Source: FactSet Research Systems. Chart shows company prices indexed to 100 as at IPO price. Data as at 8 June 2021. IPO dates are Moderna: 6 December 2018; BioNTech: 9 October 2019. Historical performance is not a reliable indicator of future performance. Returns could be reduced, or losses incurred due to currency fluctuations.

# Platinum World Portfolios - International Fund



Andrew Clifford  
Portfolio Manager



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Portfolio Manager



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Portfolio Manager

## Performance

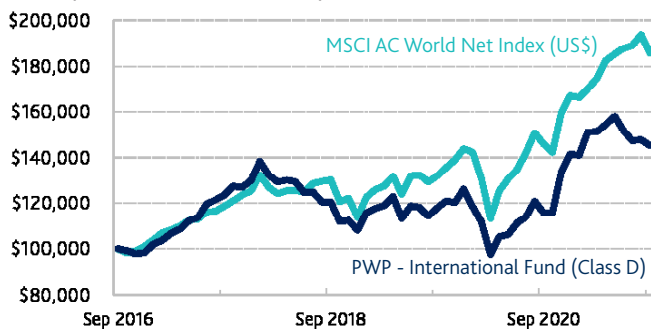
(compound p.a.<sup>+</sup>, to 30 September 2021)

SHARE CLASS	QUARTER	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PWP Int'l Fund Class A USD	-4%	26%	7%	8%	9%
PWP Int'l Fund Class B USD	-4%	26%	6%	-	8%
PWP Int'l Fund Class D USD	-4%	26%	6%	8%	7%
PWP Int'l Fund Class E EUR	-2%	-	-	-	-
PWP Int'l Fund Class F EUR	-2%	27%	7%	-	5%
PWP Int'l Fund Class G GBP	-2%	21%	6%	8%	10%
MSCI AC World Index (USD) <sup>^</sup>	-1%	27%	13%	13%	12%

<sup>+</sup> Excluding quarterly returns. Fund returns are net of accrued fees and costs. Class D inception date (16 Nov 2015) is used for Index "since inception" returns. <sup>^</sup> Index returns are those of the MSCI All Country World Net Index in USD. Source: Platinum Investment Management Limited, FactSet Research Systems. **Historical performance is not a reliable indicator of future performance. Returns could be reduced, or losses incurred due to currency fluctuations.** See notes 1 & 2, page 19.

### Value of US\$100,000 Invested Over Five Years

30 September 2016 to 30 September 2021



After fees and costs. See notes 1 & 3, page 19. **Historical performance is not a reliable indicator of future performance. Returns could be reduced, or losses incurred due to currency fluctuations.**

Source: Platinum Investment Management Limited, FactSet Research Systems.

The Fund (Class D) returned -4.4% for the quarter and 25.6% for the year.<sup>1</sup>

Throughout July and August, the continuing spread of the COVID-19 Delta variant raised concerns that the global economic recovery would falter. At the same time, China's regulatory reform program has created concerns around the country's economic prospects. As has been the case in recent years, when faced with uncertainty, investors reverted to favouring companies whose businesses have a high degree of certainty (growth and defensive businesses) and avoiding those that are sensitive to economic growth. As a result, while markets did grind higher in the first two months of the quarter, this was predominantly driven by large growth stocks (such as the 'FANMAGs'<sup>2</sup>), with more economically sensitive stocks left behind.

However, despite the concerns, the major economies by and large continued on a strong recovery pathway and inflationary pressures continued to emerge rather than recede as many had hoped. Most notable was the ongoing tightness in job markets in the major economies, leading to rising labour costs. Additionally, energy prices increased

1 References to returns and performance contributions (excluding individual stock returns) in this PWP - International Fund report are in USD terms. Individual stock returns and commodity prices are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

2 Facebook, Amazon, Netflix, Microsoft, Apple, and Google (now trading as Alphabet).



substantially with coal and gas prices reaching levels as much as two to five times higher than pre-COVID levels (depending on the location). These continuing signs of inflation resulted in rising yields on government bonds in the latter weeks of the quarter, a trend that was reinforced when the US Federal Reserve acknowledged that tapering in its purchases of bonds "may soon be warranted". This resulted in a rapid reversal of the trends in equity markets, as the more buoyant environment typically benefits economically sensitive companies, while higher bond yields have a greater impact on the valuations of growth and defensive stocks.

Usually we wouldn't focus on such short-term variations within the market over a three-month period. However, in this case, it provides an insight into not only the shorter-term performance of the Fund, which is currently weighted more toward economically sensitive businesses, but also provides a framework for thinking about markets in the months ahead. This will be covered later in the outlook section.

Over the last 12 months, the gross return on the invested (long) portion of the portfolio was 35%, which is a strong outcome, reflecting good underlying stock selection during this period. The difference between this result and the Fund's 26% return (after allowing for fees) is predominantly related to the cautious net invested position of the portfolio over the period, with cash holdings and short positions reducing the final return. As we have discussed over the last year, the extraordinary performance of stock markets and asset prices more generally, fuelled by excessive money printing by central banks, has led us to maintain a relatively cautious position. While this positioning has dented returns, we are of the view that such an approach has been (and continues to be) appropriate, given the risk that rising inflation represents to equity valuations.

Amongst the largest contributors to performance over the quarter were a diverse group of holdings. **Glencore** (+14%) rallied on ongoing strength in commodity prices. Japanese bathroom and housing products company **Lixil** (+13%) gained after reporting record quarterly earnings and indicating its full-year margin target may prove conservative. **InterGlobe Aviation** (+18%) strengthened on increasing optimism around the COVID situation with the Indian government lifting capacity restrictions on domestic flights, as well as rising hopes that international travel will start recovering from next year. **Raiffeisen Bank International** (+19%) benefited from the strong economic recovery and the prospect of higher interest rates. US fertiliser company **Mosaic** (+12%), a relatively new holding in the Fund, gained on signs of an up cycle in fertiliser prices.

## Disposition of Assets

REGION	30 SEP 2021	30 JUN 2021	30 SEP 2020
Asia	29%	25%	30%
Europe	22%	20%	17%
North America	20%	24%	27%
Japan	14%	12%	12%
Australia	3%	3%	3%
Other	1%	1%	1%
Cash	11%	13%	10%
Shorts	-18%	-5%	-16%

See note 4, page 19. Numerical figures have been subject to rounding.  
Source: Platinum Investment Management Limited.

## Net Sector Exposures

SECTOR	30 SEP 2021	30 JUN 2021	30 SEP 2020
Industrials	20%	20%	19%
Financials	14%	16%	11%
Materials	14%	16%	13%
Consumer Discretionary	11%	8%	12%
Information Technology	10%	12%	16%
Health Care	6%	6%	8%
Communication Services	4%	1%	6%
Real Estate	3%	3%	2%
Energy	1%	0%	1%
Consumer Staples	1%	-1%	-1%
Other	-14%	0%	-13%
TOTAL NET EXPOSURE	71%	82%	74%

See note 5, page 19. Numerical figures have been subject to rounding.  
Source: Platinum Investment Management Limited.

The sell-off in China, due to concerns around regulatory reforms and the risk of default by property developer China Evergrande Group, saw our Chinese holdings detract from returns during the quarter. **Ping An Insurance** (-25%) fell due to concerns around its exposure to property developers in its investment book. E-commerce giant **Alibaba** (-35%) fell in response to regulatory changes in the sector. **Trip.com** (-13%), China's largest online travel agent, was impacted by a deferred recovery in international travel as a result of the COVID-19 Delta variant.

Elsewhere, **LG Chem** (-9%), a global leader in batteries for electric vehicles, fell in response to a recall in General Motors' Chevrolet Volt that had seen a number of vehicle fires related to manufacturing faults in LG Chem's batteries. **Micron Technology** (-16%) and **Samsung Electronics** (-8%) were sold off on concerns around memory chip prices.

We remain confident in the investment case for each company. For the three Chinese companies mentioned, we took advantage of their share price weakness to add to our positions.

## Changes to the Portfolio

The Fund's net invested position fell from 82% to 71% over the quarter. This was the result of an increase in short positions from 5% to 18% and a reduction in cash from 13% to 11%. The short positions are a combination of index shorts (10%), baskets of expensive growth names (6%) in the technology, clean energy, and biotechnology sectors, in addition to some individual company shorts (2%).

The case for being short the expensive growth stocks is compelling at this point. If one is to examine the accounts of many of these much-loved growth companies, you would see not only revenues growing quickly, but losses growing almost as quickly! In a traditional business environment this is not possible, as companies would quickly run out of cash. However, this is typically achieved by paying employees a proportion of their compensation in the company's shares. The plan is generally not to do this forever, but to move slowly toward profitability as the business scales up, and often this will occur as growth prospects diminish. It is a clever piece of financial engineering, that has been used to build some very significant businesses over the last decade that are now profitable in a traditional sense. The risk is that if the company's share price falls, they need to progressively issue more and more shares to pay the bills. At some point, employees stop accepting this 'confetti' as payment, and without the oversized sales and R&D teams, revenue growth collapses. These 'fast-growing loss makers' face a serious risk,

## Net Currency Exposures

CURRENCY	30 SEP 2021	30 JUN 2021	30 SEP 2020
Chinese Renminbi (CNY)	20%	15%	17%
Euro (EUR)	16%	16%	20%
Japanese Yen (JPY)	15%	14%	13%
Canadian Dollar (CAD)	6%	6%	3%
UK Pound Sterling (GBP)	5%	4%	2%
South Korean Won (KRW)	5%	5%	7%
Australian Dollar (AUD)	4%	3%	10%
Hong Kong Dollar (HKD)	2%	6%	4%
Indian Rupee (INR)	2%	2%	2%
Brazilian Real (BRL)	1%	1%	0%
United States Dollar (USD)	22%	25%	19%
Zambia Kwacha (ZMK)	0%	1%	1%
New Taiwan Dollar (TWD)	0%	0%	1%

See note 6, page 19. 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	3.4%
Glencore PLC	Australia	Materials	3.0%
Samsung Electronics Co	South Korea	Info Technology	2.9%
Minebea Co Ltd	Japan	Industrials	2.9%
Microchip Technology Inc	US	Info Technology	2.8%
Tencent Holdings Ltd	China	Comm Services	2.6%
Weichai Power Co Ltd	China	Industrials	2.6%
Micron Technology Inc	US	Info Technology	2.3%
UPM-Kymmene OYJ	Finland	Materials	2.3%
Ping An Insurance Group	China	Financials	2.3%

As at 30 September 2021. See note 7, page 19.

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 [www.platinumworldportfolios.ie/The-Funds/PWP-International-Fund](http://www.platinumworldportfolios.ie/The-Funds/PWP-International-Fund).



as their valuations are based on profits that are often five or more years away and hence their share prices are much more sensitive to long-term interest rates. So, higher long-term rates have the possibility of not only driving down their share prices, it has the secondary impact of putting their entire business at risk.

**Tencent**, the Chinese social media, e-commerce and online gaming company, was added to the portfolio. The company had long been a holding in the Fund but the last of the position was sold earlier in the year. The company's share price fell in response to new regulations that will potentially impact the profitability of a number of their business units. Our assessment is that Tencent's dominant position in the online landscape in China (with over 1.2 billion monthly active users on its WeChat platform alone<sup>3</sup>), will allow the company to continue to perform well in the new environment.

Another new holding in the Fund was **Pigeon**, a Japanese producer of baby and childcare products. The company has a leading position in both Japan and China. The pandemic has seen a significant drop in birth rates in China, its fastest growing market, impacting the company's short-term growth prospects. We expect that in time, birth rates will rebound as we move out of the pandemic, and with that, a rebound in the company's sales growth.

As mentioned earlier, we took advantage of the weakness in Chinese share prices to add to holdings in **Alibaba** (e-commerce), **Trip.com** (online travel agent) and **Ping An Insurance** (financial conglomerate). These purchases were funded by sales of US retailers **American Eagle Outfitters** (exited) and **Ulta Beauty**, **Ally Financial** (US auto lending) and **Bank of Ireland**.

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<sup>3</sup> Source: <https://www.statista.com/statistics/255778/number-of-active-wechat-messenger-accounts/>

## Commentary and Outlook

There are two key issues for markets currently: regulatory reforms in China, particularly their impact on residential property markets; and rising inflationary pressures as a result of the dramatic increases in energy prices and emerging wage inflation.

The pace of regulatory reform in China picked up speed over the last quarter, covering a wide range of industries from e-commerce, to online gaming, property, and after-school tutoring. Our view is simply that China's economy has historically been very loosely regulated and in recent years there has been a steady trend of introducing appropriate safeguards, similar to what we see in developed markets. The idea that this will quash Chinese entrepreneurial zeal or China's access to capital is in our view far-fetched.<sup>4</sup>

One area worthy of further examination is the impact of regulation on the property development industry, as construction is a significant source of economic activity for China. Our concern is not that there is an impending bursting of a bubble in residential property that will lead to a collapse in the Chinese economy. Our view is that China's residential market has solid fundamentals. There remains strong underlying end-user demand for modern housing stock and property buyers have long required substantial deposits, which has limited speculative investment. While one can never discount the possibility of a setback in property prices, we feel this is an unlikely scenario. For a more in-depth outline of our case, please read this quarter's Macro Overview.

However, there have been a raft of new regulations impacting the property sector, all aimed at capping the rate of price appreciation in residential apartments. The uncertainty caused by these changes, along with the widely reported financial troubles of Evergrande, has resulted in a sharp fall in the pre-sale of new apartments in recent months. If there is to be a period of subdued demand for apartments, this will likely have a broader impact on short-term economic growth. However, such impacts are likely to be relatively short-lived, as authorities have numerous tools at their disposal, such as easing the availability of mortgage finance, that will encourage the return of apartment buyers.

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<sup>4</sup> For a longer discussion please see our article <https://www.platinumworldportfolios.ie/Insights/The-Journal/China-Societal-Change>

On inflation, we have been writing on this topic in our reports since June 2020. Simply, our view has been that inflation was a risk as a result of the extraordinary money printing by banking systems that accompanied the policy relief efforts for the pandemic. Subsequently, there has been a substantial increase in inflation, with many commentators attributing this to short-term supply shortages that will naturally resolve in time and that this period of rising prices will be temporary. Our concern is the underlying causes are more deep-seated and not so easily resolved. Either way, new sources of inflationary impulses continue to arise. Energy markets are now seeing extraordinary price rises across the globe as referenced earlier. Labour shortages are present in the major economies and wages are starting to rise strongly. This all gives weight to there being more momentum in inflation than generally accepted.

Policy makers are being challenged here. Central banks appear fearful of raising interest rates, presumably because of the high levels of indebtedness and lofty asset prices. Meanwhile, the longer inflation runs, the higher interest rates will eventually rise. If inflation is not attended to, the impact will be felt in household budgets as they are squeezed by higher prices, especially in food and energy. Alternatively, if wages outrun general price increases, the impact may be felt in corporate profits.

The impacts on markets are likely to be varied. If China experiences a slowdown as a result of the various regulatory reforms, the market impact may be subdued as stock prices of companies likely to be directly affected have already been sold off heavily, with many down 50% or more. As such, with much of the risk already priced into stocks in that market, we generally see this as a buying opportunity.

Otherwise, many of the Fund's holdings are companies that are in the midst of the supply shortages in semiconductors, industrial components, autos and commodities, and we expect them to continue to experience robust profit growth. Their relatively modest starting valuations should make them good investments over the medium term. We still expect a travel boom as we exit COVID-related restrictions across the globe, which is expected to benefit our investment in travel-related sectors, while our financial (banks and insurance) holdings should benefit from the trend toward higher interest rates.

However, the short-term picture around inflation and the potential for interest rates to move higher is concerning. This is especially so given the high levels of indebtedness and excessive valuations in not only parts of the share market, but in many unlisted assets as well. It is our view that a cautious approach is required for the moment. Either way, the months ahead are shaping up to be an interesting period ahead for markets.

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1. Fund returns are calculated by Platinum using the Fund's net asset value per share (i.e. excluding the anti-dilution levy) attributable to the specified share class. Where a share class is not denominated in USD, the net asset value per share in USD, being the Fund's base currency, is converted into the denomination currency of that share class using the prevailing spot rate. Fund returns are net of fees and expenses, pre-tax, and assume the accumulation of the net income and capital gains, each as attributable to the specified share class. The MSCI index returns are in USD, are inclusive of net official dividends, but do not reflect fees or expenses. 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 portfolio inception dates for each active share class of the Fund are as follows:
  - Platinum World Portfolios - International Fund:
 

Class A USD (Accumulating) (ISIN: IE00BYRGQX37): 27 April 2016	Class B USD (Accumulating) (ISIN: IE00BYRGR076): 2 December 2016
Class D USD (Accumulating) (ISIN: IE00BYRGQZ50): 16 November 2015	Class E EUR (Accumulating) (ISIN: IE00BYRGR415): 16 October 2020
Class F EUR (Accumulating) (ISIN: IE00BYRGR183): 4 April 2017	Class G GBP (Accumulating) (ISIN: IE00BYRGR290): 27 April 2016

For the purpose of calculating the "since inception" returns of the MSCI index, the inception date of Class D of the Fund, being 16 November 2015, is used (as Class D was the first share class activated).
3. The investment returns depicted in this graph are cumulative on US\$100,000 invested in Class D of the specified Fund over the specified period relative to the specified net MSCI Index in US Dollars.
4. 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.
5. 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".
6. The table shows the Fund's net exposures to the relevant currencies through its long and short securities positions, cash at bank, cash payables and receivables, currency forwards and long and short securities/index derivative positions, as a percentage of its portfolio market value. Currency classifications for securities reflect the relevant local currencies of the relevant Bloomberg country classifications. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.
7. 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.

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PLATINUM WORLD PORTFOLIOS PUBLIC LIMITED COMPANY

An umbrella fund with segregated liability between sub-funds  
Company Registration Number: 546481

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