



Quarterly Investment Manager's Report

Platinum World Portfolios - International Fund

31 December 2021

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Performance

to 31 December 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
Platinum World Portfolios - International Fund								
Class A (USD)	33.4	2.2%	5.5%	9.1%	11.8%	9.1%	8.7%	27 Apr 2016
Class B (USD)	4.2	2.1%	4.8%	8.4%	11.1%	8.5%	8.5%	2 Dec 2016
Class D (USD)	15.4	2.1%	4.8%	8.4%	11.1%	8.5%	7.0%	16 Nov 2015
Class F (EUR)	0.6	3.9%	12.4%	7.6%	11.3%	-	5.7%	4 Apr 2017
Class G (GBP)	14.9	1.8%	6.5%	7.9%	9.6%	7.2%	10.1%	27 Apr 2016
MSCI All Country World Net Index (USD) ⁽¹⁾		6.7%	18.5%	17.4%	20.4%	14.4%	12.9%	16 Nov 2015
MSCI All Country World Net Index (USD) (EUR) ^(2,3)		8.7%	27.5%	16.6%	20.6%	-	12.1%	4 Apr 2017
MSCI All Country World Net Index (USD) (GBP) ^(2,4)		6.2%	19.6%	16.1%	17.9%	12.3%	15.0%	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 16.

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

Macro Overview: A Case of Catch-22 for Policymakers in 2022?

by Andrew Clifford, Co-Chief Investment Officer

In late December, CEO and co-CIO Andrew Clifford sat down with Investment Specialist Douglas Isles to discuss inflation, labour market pressures, interest rates, China, decarbonisation, and Omicron - and the challenges these pose for policymakers and markets in 2022. An edited transcript of the conversation is below.*

DI: Andrew you've been talking about the risks of inflation since June 2020 and now everyone's talking about it. Can you give us an update on your thoughts?

AC: The way the inflation story has progressed is really quite interesting. A few months ago, many still regarded it as being 'transitory' – citing the lumber price, and a whole series of prices for that matter, moving up, down and back up again. We've always maintained that the underlying cause of inflation is the amount of money that's been printed. As a result, you're not going to be able to track it by looking at used car prices, copper prices or the like. What's happening in labour markets is a much more important indicator to focus on now, particularly in the US.

The US economy is booming and currently there are about 10 million job vacancies, give or take. There are around seven million people who identify as being unemployed, so we have more jobs than people who are unemployed. Small, medium and large companies are all finding it hard to fill jobs and there's anecdotal evidence of companies needing to increase wage rates to attract staff. I would also add that in our discussions with companies, many have commented that in the past, when copper prices and steel prices rose, pressuring margins for those companies that use these as inputs, they couldn't really increase prices and needed to find cost savings elsewhere. Today, there's a very relaxed attitude from corporates - they're just putting up prices. I think these factors will create a potentially self-perpetuating cycle of inflation.

DI: Would you say these labour shortages are emboldening workers' sense of self?

AC: Lower-income households have really struggled over the past few decades, their real living standards have not improved, particularly in places like the US. Their real living standards have actually worsened over the last couple of years, because they suffered the most from the COVID lockdowns and subsequent job losses. They may have been given some financial assistance along the way with the various government benefit schemes around the world, but as always, it's these groups that are impacted the most by inflation. They don't have the big stock or property portfolios, which is where the money has been made.

So, this divide is getting wider, but interestingly, they now have the upper hand with labour being in such short supply. As a result, we are seeing labour strikes, such as the well-publicised ones at Deere and Kellogg's that have gone on for some time. In the case of Deere, the workforce has been awarded some pretty healthy wage increases.

Perhaps symbolically, large parts of the US labour force have not been unionised, but now the first Starbucks store (out of around 9,000) has been unionised – and that's just one store in New York. Amazon workers at different warehouses are trying to unionise, and we also have teacher strikes. Things are changing, which again, links back to the potential for a self-perpetuating inflation cycle.

*The full interview is available in audio format on The Journal page of our website <https://www.platinumworldportfolios.ie/Insights/The-Journal>

DI: Is there a deep social problem emerging? How does this factor into your thinking?

AC: Well, there is an issue here and I think one of the most interesting social phenomena's is on the Reddit discussion platform, where 'anti-work' is the fastest-trending thread. Rather than during the 1970s, 1980s or communism era, where people were agitating for everyone to be paid the same, the anti-work thread is that none of us should have to work. Now, that might sound appealing, but we shouldn't underestimate the strength of this movement and it poses a real problem for governments to solve. I believe it actually points the way to some very fundamental changes, one of which I think is going to be interest rates.

DI: The US Federal Reserve is now talking about rate rises in 2022 of around three-quarters of a percent, how does that impact things and what is the outcome from that?

AC: The first thing to note is that we're now talking about rate hikes in 2022 - previously, they were meant to be somewhere far off, in 2023 or 2024. I don't think this should surprise anyone though, and we've been focused on this for quite some time. The issue again, comes back to the impact of inflation across the economy. The higher-income groups will probably be relatively immune to it if their grocery bill goes up 10%-15%, but for others it's very damaging. Of course, in terms of politicians who fundamentally want to be re-elected, solving inflation is more important. Ultimately, what history showed through the 1960s, 1970s and 1980s, is that governments need to deal with inflation or they will lose the next election.

I think we're on the cusp of changing the way we think about interest rates. It's really interesting that the market had predicted this change in interest rates, with yields on the US two-year Treasury edging higher in the closing weeks of 2021. If you think about it though, if interest rates increase to 1% or 2% and inflation is 6%, with a strong economy, 1% or 2% is not going to make a whole lot of difference. Indeed, there's a huge incentive for the private sector to continue to borrow money at still very low rates and essentially, in one way or another, speculate on inflation. That's how these cycles really take hold - it just creates more monetary growth when we already have too much money. These are the things investors need to be thinking about.

Monetary policy changes, whether it's interest rates or quantitative easing, impact the economy with long lags - traditionally 12-18 months. So, regardless of whether inflation moves beyond 6% or not, we should expect that it's going to be at elevated levels for some time to come, and the ultimate end to deal with that, will be much higher interest rates than people are expecting.

Fig. 1: US Inflation Soars to Highest Level Since the Early 1980s



Source: Federal Reserve Bank of St. Louis, US Consumer Price Index, annual rate, as at November 2021.

DI: Is this a pattern that is starting to emerge in other economies as well, or is it still primarily a US phenomenon?

AC: If you look at the monetary expansions we had in Europe, money supply is up roughly 30% on two years ago, while in the US, it's closer to around 40-45% and the monthly rates continue to be quite strong. In China, it's less so, let's call it in the mid-20s.¹ This is very clearly US led, but we are seeing inflation numbers at the highest levels in decades in many economies and rate increases in much of the emerging world already. So, I think the US is the centrepiece, but it is something that we're seeing pretty much everywhere.

DI: Last time we spoke, we talked a lot about China's reform program. Perhaps you could give us an update on what's happening on the ground there?

AC: As we discussed last time, what's most important in China, in terms of downside risk, are the reforms in the property sector. It's not about Evergrande and the indebted developers, it is about the fall-off we've seen in the sale of new apartments, which will then flow through to much lower construction activity in the months ahead. This is the one clear negative for global economic growth. The property sector is a very important part of the Chinese economy and thus the global economy. We haven't seen any improvement there yet, but we have clearly seen a change in approach from the government. For instance, there has been a change in rules for how the better-managed developers, the ones who have strong balance sheets, can access money and potentially acquire the good projects from those in trouble. We have also seen better mortgage terms for buyers, as well as cuts in the reserve requirement ratio for the banking system to ease liquidity. The Chinese policymakers are aware that there's an issue here, and they are starting to act, as one would expect.

¹ Source: FactSet Research Systems, Federal Reserve Bank of St. Louis.

The market's response? By and large, stocks in the areas that have been the most impacted by these reforms bottomed in July/August, with stock prices for the good property developers up roughly 15-20% by year end. That's not to say that it's all over, but the market is indicating that we've probably seen the worst of it in China.

DI: The Chinese government has a pattern of going hard, the market reacts and then the government eases off a little through a number of years of reform, do you agree?

AC: Absolutely. China is the one government that actually does implement reform - they do it aggressively and there's always the chance of policy mistakes and overreach. We saw exactly the same thing occur at the end of 2018 with the banking system, and they had to step back and relax their measures. I think we have a similar situation here, they've recognised the issue and are talking about measures to help regain some momentum in the economy.

DI: You touched on stock price reactions, let's turn to markets more broadly. Are you seeing any parallels with the technology boom in 2000, where everyone wanted to own a narrow collection of stocks?

AC: I think the tech boom in 2000 is a very good model to look at. There are a number of measures we look at. There's a very high concentration of big companies in the indices now. On the Nasdaq for example, the big 10 names, including the FANGs, Microsoft, Nvidia and Tesla, account for roughly over half of the market, which is very substantial - and most of them are trading on very high valuations of 40, 50, or 70 times earnings. Here's the other thing though, if you look at Nasdaq's performance for 2021, it's up around 17% in US dollar terms for the year to date, but if you exclude the best five of those big 10, the market is actually down c. 20%.²

Interestingly, a lot of the speculative, very highly valued growth names have been selling off, but not in a straight line up and down. Another measure we look at is 'advance decline', which measures the number of companies that are going up on any day versus the number going down, and steadily over time, less and less stocks are going up. There's also been a fall-off in the number of stocks making new highs versus those making new lows. These are classic patterns that have historically pre-empted a bear market. It is all very similar to 2000, so yes, it's a very interesting parallel.

DI: So, this might not have much longer to run then?

AC: Well, I think we have to go back to interest rates. We've been in an environment of falling inflation and interest rates for three or four decades. Particularly during the last decade,

it has been the predominant financial variable propelling stock markets and driving investors into high-growth stocks and these big tech names. It looks like the end of that era is fast approaching and we're already seeing many of the companies that benefited from that, falling. It's not the first interest rate increase that really knocks a stock market down though, and it looks like we're going to have numerous ones. On that basis, I would say that there's very little value in these big-favoured names. We are looking elsewhere in the market and finding that all those other stocks people didn't want to know about are actually pretty good value, and we expect them to be beneficiaries of this stronger growth environment we're in (see the PWP - International Fund report for more details on stock positioning).

DI: During the December quarter, we had COP26 and there was a lot of talk about net zero emissions, how are you thinking about that from an investment perspective?

AC: The move to decarbonise the world is a key thematic that we've been researching and investing in for a long time. A good example is LG Chem, one of the leading providers of electric vehicle (EV) batteries, which has delivered us strong returns over the last couple of years. A lot of the obvious themes are very expensive and there are plenty of other more interesting ways to play it. Let's look at EVs for example, we have Tesla obviously, but there's also Rivian, an electric truck maker that has barely sold a truck and can scarcely make trucks yet. It recently peaked with a market capitalisation of around US\$120 billion. Now, even when Tesla was in its exciting days and everyone thought it was expensive, its market cap was US\$20 billion not US\$120 billion, and it was actually making quite a lot of cars back then.³

But let's think about how we're really going to decarbonise our transportation fleet, it's a big task and we have lots of companies out there that have invested heavily in the electrification of vehicles, Toyota is the leader and BMW is right up there. These companies have been investing in this area for a long time, but everything can't just go electric, that's not a feasible outcome. Even if the developed markets are fully electrified in a decade from now, there'll still be large parts of the world that don't have the infrastructure or the generation capacity for that. Companies like BMW and Toyota are thus very focused on reducing the carbon emissions from their traditional internal combustion engines and hence we believe these companies are a very good play. Companies like Valeo, who have a lot of componentry in the exciting areas in auto, but most notably the electric drive train, is another potential play. They're not the obvious "buy" on the electric vehicle theme, but we're buying companies that stand to benefit from that very same trend. Another one

² Source: <https://realmoney.thestreet.com/markets/just-5-stocks-are-the-difference-between-a-bull-market-and-a-bear-market-15854516>.

³ Source: FactSet Research Systems.

is copper, a material that's seen very little investment of substance for years now. We need it for EVs, renewable energy and charging stations. We've had big investments there and done well, but again, it's not always the obvious "buy the wind farm" or "buy the wind turbine maker", there are other ways of playing this theme and that's very much our focus.

DI: You mentioned some successes; another big success was the vaccine producers. How is COVID factoring into your thinking as we enter 2022?

AC: It's been such an uncertain environment for the last couple of years and we now have the Omicron variant. What does that mean exactly? There are as many different opinions, as there are articles written about it. I think the thing for investors, and answering in that context, is that when we're buying companies, we're buying them for the next 10 and 20 years of their earnings, not the next six months. Now, the market might fluctuate around those concerns, but we are of the view that we will move beyond COVID - simply because you can see how populations just

want to do that, even with the risk that entails. While there will be short-term fluctuations around concerns and stocks will go up and down depending on what investors think is going on, the way to navigate through this, again as an investor, is to look at the longer-term potential of your investments.

DI: Is there any final comment you would like to share?

AC: I think we're in an interesting market, and we've talked about this many times over recent years, where we have some parts that are extraordinarily expensive and we have focused on that here. However, there is the other side of the market, the real companies that have been ignored that are valued sensibly, that are in a position to benefit from the economic environment we're in. Again, going back to 2000, that's exactly what we had back then, where people at that time, only had eyes for the tech sector. It's very similar and the lesson from that time, was not to just avoid the over-hyped and expensive stocks, but to buy the other stocks that people wanted to ignore.

MSCI Regional Index Net Returns to 31.12.2021 (USD)

REGION	QUARTER	1 YEAR
All Country World	6.7%	18.5%
Developed Markets	7.8%	21.8%
Emerging Markets	-1.3%	-2.5%
United States	10.0%	26.5%
Europe	5.1%	16.2%
Germany	0.8%	5.3%
France	7.1%	19.5%
United Kingdom	5.6%	18.5%
Italy	5.6%	15.0%
Spain	-1.4%	1.4%
Russia	-9.2%	19.0%
Japan	-4.0%	1.7%
Asia ex-Japan	-1.2%	-4.7%
China	-6.1%	-21.7%
Hong Kong	-3.5%	-3.9%
Korea	-0.9%	-8.4%
India	-0.2%	26.2%
Australia	2.1%	9.4%
Brazil	-6.5%	-17.4%

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 31.12.2021 (USD)

SECTOR	QUARTER	1 YEAR
Information Technology	12.6%	27.4%
Utilities	10.2%	10.1%
Real Estate	8.9%	22.8%
Consumer Staples	8.3%	11.1%
Materials	7.1%	14.8%
Health Care	6.7%	17.5%
Consumer Discretionary	6.1%	9.0%
Industrials	5.5%	16.1%
Financials	3.1%	24.4%
Energy	2.8%	36.0%
Communication Services	-1.6%	10.4%

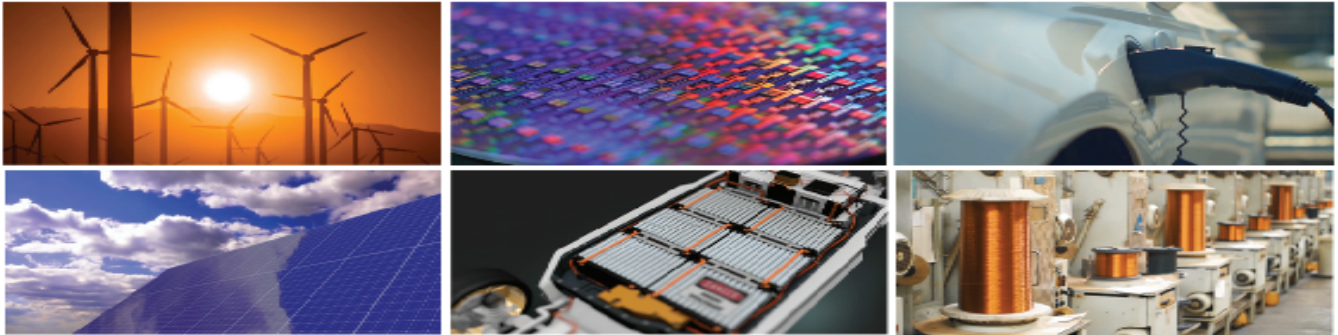
Source: FactSet Research Systems.

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

Historical performance is not a reliable indicator of future performance.

Why 'Negative Screens' are Bad ESG

by Jan van der Schalk



In what has been cast as a win for the ESG movement, in August 2021, BHP announced it was selling its petroleum assets (to Woodside Petroleum). While we recognise that, from an economic viewpoint, this transaction makes sense for BHP, we are at something of a loss to understand how it is a positive outcome for the purpose of reducing greenhouse gas (GHG) emissions.

This action will see BHP reduce its fossil fuel exposure to ~9% of revenue.¹ It's not unsurprising that the sale takes BHP's hydrocarbon assets to the point which most ESG funds consider as an allowable threshold for revenues from 'bad' assets. Our issue is that this is merely the shifting of assets to another owner, which is not the intention of establishing ESG criteria and it isn't a win for the environment.

The reason ESG is an important force in the investing world is that it is driven by investors' belief that their money can be used to do good, to help improve the world. The investment industry's response to this moral imperative for 'doing good' has become just another risk to be managed to maintain funds.

By casting climate change in terms of risk, it transforms this existential moment to a mere 'input' where, if you eliminate the risk, you (by proxy) eliminate the issue. We contend that this is dangerous and leads to the kind of fruitless, in terms of GHG emissions, corporate action where assets are shifted, not extinguished.

This is, we believe, bad ESG.

Good ESG, instead, has as its defining purpose: 'change'.

Change, however, is hard. It takes time, effort and application. To begin with, a good investment manager will need to understand the business in its entirety - **from what it does, to how it does it, to why it is done, to working out how long it can be sustained**. By means of this analysis, the investment manager can form an insight about how 'good' the organisation is and where it can improve. Once this exercise has been completed, investors, as part-owners, are able to begin a dialogue with management. A dialogue, which is always a two-way street, can hopefully lead to change.

Bad ESG chooses to short-cut this process through applying so-called 'negative screens' as if, by not investing in bad actors (by means of non-engagement) those organisations will change their ways (for the betterment of our world).

Negative screens are the current prevailing methodology deployed in the world of ESG investing: as a solution it is simple, easily observed and, as evidenced by the above example, ineffective.

¹ Internal estimate November 2021.

The problem is that negative screens are not moving the world forward, they are, in fact, doing nothing – the solution on climate change is not as simple as pivoting (overnight?) to renewable energy and shuttering coal mines and petroleum installations: the lights would go out. **Negative screens that exclude polluters are, *ipso facto*, bad ESG.**

Now, we are not suggesting that good ESG companies are bad investments (clearly, they're not, though it does depend on what you pay for them), it's more the case that to solve the world's environmental issue, it's just as important that we encourage all companies to be better.

What does good ESG look like?

At Platinum, we emphasise a balanced approach, looking at what both detracts and contributes, and combine this with engagement rather than divestment.

Two months before BHP divested their petroleum assets, there was another event involving BHP which caused much ESG consternation: Glencore, one of the world's largest mining companies, bought its junior partners' interests in one of the world's largest open-pit coal mines. BHP was one of those partners.

This, in our view, is a positive ESG action. But how could buying (more) mining assets, thermal coal ones at that, make sense from an environmental pollution perspective? How could this be an ESG-positive decision?

"Disposing of fossil fuel assets and making them someone else's issue is not the solution and it won't reduce absolute emissions," said Glencore's former CEO, Ivan Glasenberg.

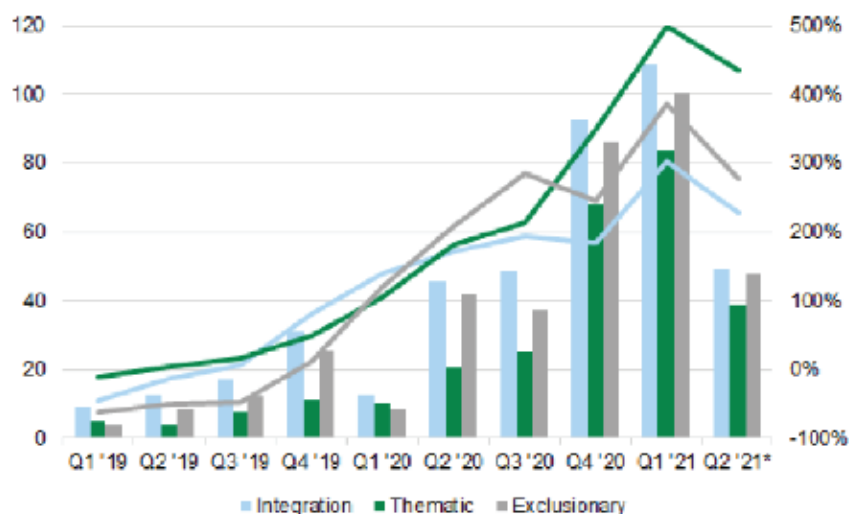
As Glencore has often argued, coal divestment is "pointless" – they view coal mines as a source of cash to be re-invested into the production of the raw materials, such as copper, cobalt and nickel, which will be needed for the world to shift (dramatically) to cleaner forms of energy, such as wind turbines. How can we ensure this? By targeted and thoughtful engagement ensuring that Glencore is held to account; Platinum, through being an (active) owner of Glencore, is doing exactly that.

Furthermore, Glencore pointed out that with full control it now holds the keys on how to reduce the life of the mine, whereas with having to manage other partners, Glencore ran the risk of the mine-life actually being extended.

The next part of this transaction is that, as investors, we can ensure that Glencore makes good on its promises. How can investors ensure Glencore 'stays honest'? It's called **engagement**, of being part of their journey, no matter how reputationally uncomfortable that might be in the short term. While it is both glamorous (to a point!) and exciting to be part of building the new renewable energy economy, the success of this rests on combining this with helping the bulk of the economy adapt and transition – to make the current 'bad' players into tomorrow's 'good' operators.

Fig. 1: ESG Fund Flows Continue to be Strong Across Strategies

Quarterly flows (US\$ bn; LHS) and trailing twelve-month growth (RHS) by ESG strategy



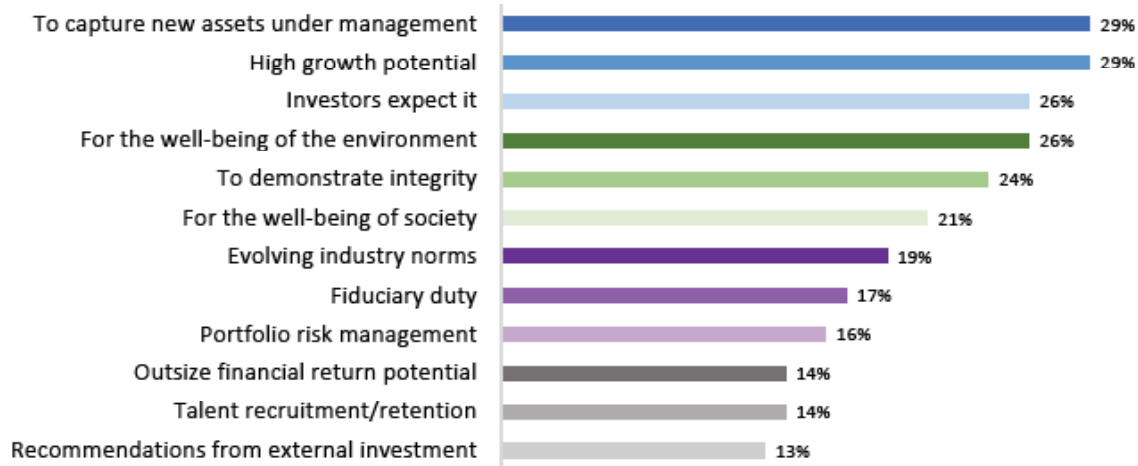
Q2 2021* only through May 2021

Source: Morningstar, Goldman Sachs Global Investment Research.

Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and investors may get less than they invested. Capital at risk.

Fig. 2: Reasons Why Firms Adopt Sustainable Investing Practices

What do you believe are the primary reasons firms adopt sustainable investing practices? (n = 300)



Source: Morgan Stanley Institute for Sustainable Investing, Bloomberg, 2018

So, not only is the outcome potentially ESG-good it was also a courageous thing to do, for it flies in the face of the “shut all coal mines” orthodoxy.

The seductive thing about negative screens is that they’re easy to explain (“I won’t invest in this because it’s bad...”) and they’re emotionally satisfying, as it plays to our negativity bias and therefore, signals (very simplistically), virtue - of doing the ‘right’ thing.

The problem is that negative screens reduce something very complex and long term (for instance, our environmental concerns and how we better our situation), to something so simple it’s, at best, a lacklustre response and, at worst, destructive.

And yet, when looking at ESG funds, the exclusionary (negative screen) style has dominated (see Fig. 1):

We ended up here largely because the investment industry has, in the recent past, focused only on short-term returns (and then done so in the most simplistic of ways through measurement against some nominal index). Consequently, the industry has lost touch with its purpose - **to generate wealth** - and now, through its focus on excess return (alpha) it is incapable of deepening its offering in the form of generating wealth **worth having**.

Is there proof? Fig. 2 says it all:

Though it might be a little unfair, but this chart would suggest that the investment industry’s response is not about recognising what our customers intend to achieve and more about “what is the lowest hurdle we can get away with?”.

We would go further - the current offering of the majority of ESG funds/ETFs actually are complicit in actively promoting cynical ESG behaviour, and potentially, are guilty of ‘greenwashing’. At the beginning of this piece we pointed out the convenience of BHP’s 10% fossil fuel revenue threshold – by this mechanism ESG funds/ETFs ensure they still get to partake in the upside if there is a lift in commodity prices (and stay near their index comparator). ***The 10% materiality threshold therefore actually encourages companies to sell their GHG-intense assets down to a nominal threshold – paradoxically, this approach encourages poor behaviour.***

We believe that a thoughtful long-term investor has an ability to be part of creating a better world through engaging, enabling (an investment supports an organisation in developing new ideas, processes and products) and contributing in the future, which is yet to emerge. Good ESG is patient and encourages new technologies whilst recognising that nobody can be left behind, and thus, will therefore also be part of transforming legacy ‘smokestack’ industries.

Solving the complexities of the climate isn’t about taking sides or being non-inclusive, it’s about harnessing all the technology, know-how and skill we can muster.

That’s ESG: done responsibly.

Platinum World Portfolios - International Fund



Andrew Clifford
Portfolio Manager



Clay Smolinski
Portfolio Manager



Nik Dvornak
Portfolio Manager

Performance

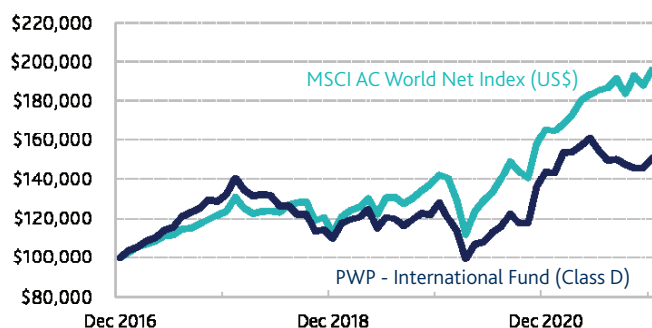
(compound p.a.⁺, to 31 December 2021)

SHARE CLASS	QUARTER	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PWP Int'l Fund Class A USD	2%	5%	12%	9%	9%
PWP Int'l Fund Class B USD	2%	5%	11%	9%	8%
PWP Int'l Fund Class D USD	2%	5%	11%	9%	7%
PWP Int'l Fund Class F EUR	4%	12%	11%	-	6%
PWP Int'l Fund Class G GBP	2%	7%	10%	7%	10%
MSCI AC World Index (USD) [^]	7%	19%	20%	14%	13%

⁺ 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. [^] 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 16.

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

31 December 2016 to 31 December 2021



After fees and costs. See notes 1 & 3, page 16. **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 2.1% for the quarter and 4.8% for the year.¹

During the quarter, inflation continued to rise across the globe, most notably in the US where the Consumer Price Index (CPI) recorded annual increases not seen since the early 1980s. As a result, interest rate rises in the US will likely occur much earlier than previously expected. Elsewhere, concerns continued to rise that the Chinese recovery would stall as a result of falling sales of new residential apartments due to reforms in the property sector. The appearance of the Omicron COVID-19 variant in the final weeks of the year added further uncertainty to the economic outlook.

As has been the case in recent years, when faced with uncertainty, investors have favoured companies that have a high degree of certainty (growth and defensive businesses) and avoided those that are sensitive to economic growth. Indeed, this pattern was highly evident during the December quarter and over the last 12 months.

This is not where the Fund's portfolio is positioned. From our experience, to follow the crowd into these growth and defensive companies could risk a considerable loss of our clients' capital.

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

When one looks more closely at the numbers, positive returns over the quarter in the US (+10% in USD terms) were again driven by an ever-smaller number of large-capitalisation growth stocks that are both highly valued and extremely hyped. Europe rose a strong 5% and was also propelled by a re-rating of its already expensive growth stocks. Meanwhile, the major Asian markets fell, led by China (-6%), Japan (-4%) and Korea (-1%).²

Strong stock performers included our semiconductor stocks (**Micron Technology** +31% over the quarter, **Microchip Technology** +13%, **Lam Research** +26%) and **MinebeaMitsumi** (Japanese manufacturer of industrial components, +14%), with gains reflecting a strong business environment for these companies.

Detractors included **LG Chem** (-21%), electric vehicle battery maker, weakening on manufacturing quality issues (which appear to have been resolved), as well as general industry headwinds arising from lower car production volumes due to semiconductor shortages. **Trip.com** (-20%), China's largest online travel agent, was impacted by Omicron further delaying the full reopening of Chinese overseas travel.

Alibaba (-16%), e-commerce giant, was weighed down by increasing competition and ongoing regulatory concerns.

Saras (-35%), an Italian oil refining company, faced significantly higher operating costs as a result of rising energy prices across Europe. The Fund's short positions slightly detracted from performance over the quarter (-0.4% contribution overall), primarily reflecting losses on our index shorts (Russell 2000, Nasdaq, S&P 500).

Changes to the Portfolio

The Fund's net invested position remains relatively unchanged at 70%. The net invested position reflects cash holdings (8%) and shorts (22%). The short positions consist of indices (13%), baskets of expensive growth stocks in the clean energy and technology sector (6%), and individual stocks (3%). Within the short positions, the main change was a substantial reduction in the biotech sector, which has already experienced significant stock price declines. The cautious overall positioning of the Fund reflects our concerns about inflation and interest rates, and the level of speculative activity in markets, as we outline in the commentary and outlook section below.

² MSCI USA Net Index (US\$), MSCI AC Europe Net Index (US\$), MSCI China Net Index (US\$), MSCI Japan Net Index (US\$), MSCI Korea Net Index (US\$), respectively. Source: FactSet Research Systems.

Otherwise, it has been a relatively quiet period with respect to changes in our investments. One new holding was **Barclays** (UK bank), which is benefiting from buoyant capital market activities, lower credit costs in the UK and a potentially more benign competitive environment in the UK mortgage lending market. Given its high level of excess capital, we would not be surprised to see Barclays ramp up its share buy-back program. The stock is trading on an undemanding 60% of tangible book value.³ This position was more than funded by sales of other European bank holdings, **Bank of Ireland**, **Banco Santander** and **Raiffeisen Bank International**, following strong performance.

We added to our position in property developer **China Resources Land**, funded by the sale (exit) of our position in **China Vanke**. China Resources Land has more attractive assets, a stronger balance sheet and lower valuation. We added to existing positions in **Suzano** (South American pulp producer) and **InterGlobe Aviation** (Indian low-cost airline), where share price falls gave us the opportunity to add at

³ Source: FactSet Research Systems.

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
Asia	28%	29%	30%
Europe	21%	22%	19%
North America	21%	20%	27%
Japan	14%	14%	12%
Australia	6%	3%	4%
Other	2%	1%	2%
Cash	8%	11%	6%
Shorts	-22%	-18%	-7%

See note 4, page 16. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Industrials	20%	20%	21%
Financials	15%	15%	14%
Information Technology	15%	10%	17%
Materials	14%	14%	17%
Consumer Discretionary	10%	11%	11%
Health Care	5%	6%	6%
Communication Services	5%	4%	4%
Real Estate	3%	3%	2%
Consumer Staples	1%	1%	0%
Energy	1%	1%	2%
Other	-18%	-14%	-6%
TOTAL NET EXPOSURE	70%	71%	87%

See note 5, page 16. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

attractive prices. We sold out of **Louisiana-Pacific** (US building materials), which had performed strongly, and trimmed our holdings in **Glencore**.

Finally, we hedged 4% of our Japanese yen position into US dollars. The case is simply that Japan is likely to be the last of the major economies to increase interest rates, given a more benign inflationary environment.

Commentary and Outlook

As we enter 2022, it is worth summarising the key issues that are likely to impact equity markets in the year ahead.

1. The global economy is likely to continue on its strong recovery path. Nearly any economic indicator you look at in the major economies, with the exception of China, shows economic growth continues to be robust. There are, however, a number of issues that cause some hesitancy that this will continue. One is the cut back in government spending that is occurring as the recovery unfolds. However, as often happens when government spending recedes, the resources of the economy are taken up by the private sector, which is clearly underway, as evidenced by strong employment markets around the world. The emergence of Omicron has delayed the full reopening of the service sector that was being anticipated. To date, there is little evidence of it impacting consumer spending. However, with large numbers of people impacted by the disease, creating shortages of labour, it may well result in a short-term slowing in the early months of 2022. As the Omicron wave recedes and the reopening of economies gets back on track, this will provide further impetus for

growth. This leaves China as the most significant concern. The Chinese government is taking measures to boost growth, including cutting interest rates, reducing banking system reserve requirements and easing mortgage requirements for apartment buyers. Additionally, there are some early signs that activity, both in the property market and more broadly, is finding a base. China, having been restrained in its fiscal and monetary policy support for the economy over the last two years, is in a good position to continue to roll out supportive policy measures as needed.

2. Inflation is back! Broad price rises are being experienced across the globe, though to varying degrees. Most notable, and of greatest importance, is the US, where the CPI rose to almost 7% over the 12 months to November 2021, a level last seen in the early 1980s.⁴ One school of thought is that the price rises are simply a function of supply shortages created by the events of the last two years, and as the shortages are resolved prices will recede. An alternate view, and the one we favour, is that the inflationary impulse is the result of a 41% increase in money supply (M2) in the US, created by various policy responses to the pandemic.⁵ While we do accept that some prices will retrace as shortages are resolved, tight labour markets and wage demands are likely to underpin ongoing levels of inflation. Further, businesses that two years ago would not have countenanced increasing prices to cover cost increases are showing no hesitation today.

⁴ Source: Federal Reserve Bank of St. Louis.

⁵ Source: Federal Reserve Bank of St. Louis, over the period 2 March 2020 - 6 December 2021.

Net Currency Exposures

CURRENCY	31 DEC 2021	30 SEP 2021	31 DEC 2020
United States Dollar (USD)	26%	22%	15%
Chinese Renminbi (CNY)	19%	20%	16%
Euro (EUR)	16%	16%	26%
Japanese Yen (JPY)	11%	15%	12%
Australian Dollar (AUD)	7%	4%	4%
UK Pound Sterling (GBP)	6%	5%	2%
South Korean Won (KRW)	5%	5%	8%
Canadian Dollar (CAD)	3%	6%	2%
Indian Rupee (INR)	2%	2%	2%
Hong Kong Dollar (HKD)	2%	2%	4%
Brazilian Real (BRL)	1%	1%	0%
Zambia Kwacha (ZMK)	1%	0%	2%
New Taiwan Dollar (TWD)	0%	0%	1%
China Ren. Offshore (CNH)	0%	0%	5%

See note 6, page 16. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
MinebeaMitsumi	Japan	Industrials	3.5%
Microchip Technology Inc	US	Info Technology	3.3%
Micron Technology Inc	US	Info Technology	3.1%
Iris Energy Ltd	Australia	Info Technology	3.1%
Samsung Electronics Co	South Korea	Info Technology	3.1%
ZTO Express Cayman Inc	China	Industrials	2.9%
Glencore PLC	Australia	Materials	2.7%
Tencent Holdings Ltd	China	Comm Services	2.6%
UPM-Kymmene OYJ	Finland	Materials	2.5%
Ping An Insurance Group	China	Financials	2.5%

As at 31 December 2021. See note 7, page 16.

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.

3. **Either way, interest rates will likely rise earlier and quite possibly by much more than expected.** Economic growth in the US, as previously noted, is already quite robust with significant tightness in labour markets. Even if inflation recedes well below the current 7% level, it would still warrant a higher Federal Funds rate than the current 0.25%. If inflation remains persistently at these levels, the impact on low-income households will create a political imperative to act. Often it is assumed that because of high levels of debt outstanding, a small interest rate increase will be enough to slow the economy. However, inflation often creates an incentive to borrow and buy ahead of future price rises, especially when the interest rate is well below the rate of inflation. The next stage in money growth and inflation could well be created by increasing private borrowings, which is already starting to occur in the US. To discourage such activity would probably require much higher interest rates.
4. **This is all occurring at a time when there is significant evidence of speculative behaviour in equity markets.** High valuations in favoured sectors, record holdings of equities by US households, high concentration of stock market indices in the largest companies, and a rapid increase in the use of margin debt, are indicative of speculative activity.⁶ Historically, similar statements could have been made prior to major market peaks of the last 50 years. Add to this, the systematic ramping up of stock prices of companies such as GameStop and AMC Entertainment well beyond levels that can be justified by their underlying business, the billions of dollars raised by Special Purpose Acquisition Companies (SPACs), and the endless creation of new cryptocurrencies.

This is a backdrop that should give investors reason to be cautious. For 40 years, equity markets have benefited from falling interest rates and accommodating monetary policy, particularly post any of the big sell-offs that have been experienced in that timeframe. If we were to suffer a significant sell-off as a result of the need for higher interest rates to combat inflation, it may not be as straightforward for central banks to cut rates to rescue the market as it has been in the past.

The obvious question to address is, when will such an adjustment likely take place? In past interest rate cycles, it has usually taken numerous increases in interest rates before the market has been significantly impacted. So, it is possible the strong run may continue for some time yet. Still, we would caution against trying to time the market here. Most of the stocks that led the market higher in the last half of 2021 have high expectations for what they will achieve in the decade ahead and valuations that assume continuing low interest rates, as well as a significant number of cheerleaders looking for their stock prices to continue higher. Any disappointment on their business outcomes in an environment of increasing interest rates is likely to result in substantial adjustments in their stock prices.

The other question to address is where to invest one's savings in this environment. A wide range of assets from bonds to property and infrastructure are probably best avoided in a rising interest rate environment. Cash is doubly unattractive, as not only do rates remain close to zero for the moment, inflation is now also degrading the value of cash. The opportunity we see is in those parts of the market that are deeply out of favour with investors. The last three years have seen a huge divergence in the performance and valuation between the much-loved growth and defensive names and the rest of the market. It is amongst these out-of-favour names where we continue to find opportunities to make investments in attractively valued businesses. The average price-to-earnings (P/E) ratio of the Fund's (long) investments is 13x, and for each company we hold we are of the view that their earnings will grow over the next three to five years. It is our view that the portfolio will be able to produce good absolute returns over such a period. We will also hold cash, despite the limitations mentioned earlier, as it allows one to take advantage of opportunities as they arise in volatile markets. It is this optionality of cash holdings that is often underrated by investors. Finally, we will aim to protect the downside through the use of short positions, in both market indices and selected individual stocks.

2022 is likely to be an interesting year for investors. Markets are likely to be very volatile as we work our way through the end of the pandemic and possibly exit the era of ever-lower interest rates and end of one of the longest-running bull markets in stock market history.

⁶ Source: Federal Reserve Bank of St. Louis; NDR; FINRA.

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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 relevant 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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