

How Platinum invests

Investment philosophy

Platinum is an active manager seeking to deliver absolute returns over the long-term. (i.e. returns in absolute terms, rather than relative to any benchmark).

Platinum's investment philosophy is centred around the idea that stock prices are heavily influenced by our cognitive biases and that, from time to time, this can lead to mispricing, particularly where there is temporary uncertainty or long-term change.

Platinum believes these opportunities are more likely found away from the spotlight and that the best decisions will often be uncomfortable, while noting that the price paid for an investment is a key driver of its return.

Investment approach and process

Platinum's portfolios are built via a process of individual stock selection ("bottom-up") – this is neither by macro-economic modelling ("top-down") nor by reference to any index weightings ("benchmarking").

Platinum applies qualitative and quantitative analyses when selecting stocks. Considerations for each company typically include, but are not limited to:

- whether the company's business is competitive and sustainable;
- the quality of the company's management;
- the company's ownership structure;
- whether the company is financially sound; and
- the company's valuation metrics.

Such analyses are augmented by observations and studies of broader socio-political and macroeconomic themes and trends.

Platinum's investment process generally involves the following key elements:

Idea generation

The Portfolio Managers for the Platinum International Fund are supported by a dedicated sector-based research team. The Platinum Asia Fund has its own focused research resources.

Generation of themes and ideas in Platinum's investment process draws on a wide range of sources, observations, and market analysis, and benefits from the cross-pollination of ideas.

The location, organisational structure, range of team meetings and internal infrastructure is designed to foster a collaborative open approach and to facilitate the free flow of information between analysts and Portfolio Managers with different geographic and industry responsibilities. Platinum believes global context is critical.

Quantitative analysis

Platinum uses a range of financial screens to drive short-lists of companies for more intense analysis. This is helpful in uncovering companies that are not part of the popular narratives of the day. The quantitative analysts run a portfolio of best ideas which demonstrates their conviction to the broader team.

Intensive research

Having identified a company as a potential investment, it is explored in greater depth, utilising a wide range of resources, which may include material from the company and its competitors, consultation with experts, reports from stockbroking analysts and industry material, and potentially visiting the company, its competitors and its suppliers.

The investment case should highlight why any mispricing exists and what the company is expected to achieve over the intended investment time horizon. Platinum seeks to draw on the broad experience of the investment team to drive debate, reduce the risk of bias and ultimately lead to better investment outcomes.

Each Portfolio Manager is ultimately responsible for their investment decisions.

Portfolio construction

As a consequence of the investment approach, each Fund's Portfolio will be built-up from a series of individual stock selections rather than either a pre-determined asset allocation or with reference to any benchmark index.

At any point in time there will be newly introduced ideas, some that have made an initial contribution and others that are getting closer to maturity. In arriving at portfolio weightings, attention is paid to the relationship between stocks, sectors and geographies.

When undervalued securities cannot be found, Platinum may leave funds in cash. Therefore, after periods when the markets have performed strongly a Fund may hold a significant cash position.

Likewise, when Platinum's research reveals companies whose prospects are seen as overvalued, Platinum may short sell positions in securities (and indices).