

Platinum Global Fund

ARSN 600 630 537

Interim Financial Report - 31 December 2016

Platinum Global Fund
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31 December 2016

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The interim financial report was authorised for issue on 24 February 2017 by the Directors, who have the power to amend and re-issue the interim financial report.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the financial report for the year ended 30 June 2016. In addition, reference should be made to any public pronouncements made in respect of the registered scheme during the interim reporting period.

**Platinum Global Fund
Responsible Entity Report
31 December 2016**

The Directors of Platinum Investment Management Limited (trading as Platinum Asset Management®) ABN 25 063 565 006 AFSL 221935, the responsible entity of the Platinum Global Fund (*"the registered scheme"*), present their report on the registered scheme for the half-year ended 31 December 2016.

Principal Activities

Platinum Global Fund is part of the mFund Settlement Service (mFund) offered by the Australian Securities Exchange (ASX). mFunds are unlisted managed funds that investors can access through a broker or directly with Platinum.

The principal activity of the registered scheme during the half-year was the investment of funds internationally into securities of companies, in accordance with the Product Disclosure Statement (PDS) and the Constitution.

The registered scheme did not have any employees during the half-year.

Directors of the Responsible Entity

The Directors of Platinum Investment Management Limited during the half-year and up to the date of this report were:

Kerr Neilson
Andrew Clifford
Elizabeth Norman
Andrew Stannard

Significant Changes in the State of Affairs

There were no significant changes to the state of affairs of the registered scheme during the half-year.

Operating and Financial Review (OFR)

The registered scheme has maintained its investment strategy in listed equities and currency contracts.

The Investment Manager is reporting that our stock selection is paying off and we are starting to see strong performance. The registered scheme generated returns for the six months to 31 December 2016 of 11.0%. The benchmark Morgan Stanley Capital International All Country World Net Index (MSCI) in A\$ terms generated a return of 9.6% for the same period. This is an excellent result given the MSCI's heavy weighting to the US market, which we regard as being expensive and overvalued.

The performance of the registered scheme, as represented by the results of its operations for the half-year ended 31 December 2016, amounted to a net operating profit of \$2,663,000 (31 December 2015: net operating loss of \$548,000).

The registered scheme distributes annually at 30 June.

The redemption price of the registered scheme as at 31 December 2016 was 1.1626 (30 June 2016: (cum-distribution) 1.0709).

The method of operating the registered scheme is not expected to change in the foreseeable future.

Rounding of amounts to the nearest thousand dollars

The registered scheme is of a kind referred to in ASIC Corporations "Rounding in Financial/Directors' Reports" Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Platinum Global Fund
Responsible Entity Report (continued)
31 December 2016**

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is attached on page 4.

This report is made in accordance with a resolution of the Directors.

Andrew Stannard
Director

Sydney
24 February 2017



Auditor's Independence Declaration

As lead auditor for the review of Platinum Global Fund for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
24 February 2017

Platinum Global Fund
Statement of Comprehensive Income
For the half-year ended 31 December 2016

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Investment income		
Dividends	217	231
Interest	16	14
Net gains/(losses) on financial assets at fair value through profit or loss	2,491	(379)
Net foreign exchange gains/(losses) on forward currency contracts	188	(134)
Net foreign exchange gains/(losses) on bank accounts	17	(47)
Total net investment income	<u>2,929</u>	<u>(315)</u>
Expenses		
Management fee	184	160
Administration fee	13	11
Withholding tax on foreign dividends	16	8
Transaction costs	53	54
Total expenses	<u>266</u>	<u>233</u>
Net operating profit	<u>2,663</u>	<u>(548)</u>
Financing costs		
Net operating profit attributable to unitholders	2,663	(548)
(Increase)/Decrease in net assets attributable to unitholders	(2,663)	548
Other comprehensive income for the period	-	-
Total comprehensive income	<u>-</u>	<u>-</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Platinum Global Fund
Statement of Financial Position
As at 31 December 2016

	Note	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Assets			
Cash and cash equivalents		4,367	3,806
Receivables		38	36
Financial assets at fair value through profit or loss	3	<u>24,984</u>	<u>20,536</u>
Total Assets		<u>29,389</u>	<u>24,378</u>
Liabilities			
Unitholders' distribution payable		-	519
Payables		116	377
Financial liabilities at fair value through profit or loss	3	<u>308</u>	<u>166</u>
Total Liabilities (excluding net assets attributable to unitholders)		<u>424</u>	<u>1,062</u>
Net Assets Attributable to Unitholders	4	<u>28,965</u>	<u>23,316</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Platinum Global Fund
Statement of Changes in Equity
For the half-year ended 31 December 2016

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Total equity at the beginning of the half-year	-	-
Profit for the half year	-	-
Other comprehensive income for the half-year	-	-
Total comprehensive income for the half-year	-	-
Transactions with equity holders	-	-
Total equity at the end of the half-year	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity and, accordingly, the registered scheme has no equity for financial reporting purposes.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Platinum Global Fund
Statement of Cash Flows
For the half-year ended 31 December 2016

	Note	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Cash flows from operating activities			
Purchase of financial assets		(10,180)	(11,155)
Proceeds from sale of financial assets		8,272	10,667
Interest received		16	14
Dividends received		216	233
Manager's fees paid		(192)	(169)
Other expenses paid		(53)	(55)
Net cash inflow/(outflow) from operating activities		<u>(1,921)</u>	<u>(465)</u>
Cash flows from financing activities			
Proceeds from units issued	4	4,492	4,010
Payment for units redeemed	4	(1,506)	(766)
Distributions paid		(519)	(602)
Net cash inflow/(outflow) from financing activities		<u>2,467</u>	<u>2,642</u>
Net increase/(decrease) in cash and cash equivalents		546	2,177
Cash and cash equivalents at the beginning of the half-year		3,806	2,401
Effects of exchange rate changes on cash and cash equivalents		15	(45)
Cash and cash equivalents at the end of the half-year		<u>4,367</u>	<u>4,533</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1 General Information

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 is the responsible entity of the registered scheme. The registered office is Level 8, 7 Macquarie Place, Sydney, NSW 2000.

Note 2 Basis of Preparation of the Interim Financial Report

This general purpose financial report for the interim half-year reporting period ended 31 December 2016 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 30 June 2016 and any public pronouncements made in respect of the registered scheme during the interim reporting period.

The accounting policies are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated. Comparative information has been reclassified, where appropriate, to enhance comparability.

New Accounting Standards and Interpretations not mandatory for the 31 December 2016 reporting period

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the registered scheme for the interim reporting period ended 31 December 2016. The registered scheme's assessment of the impact of the new or amended Accounting Standards and Interpretations, most relevant to the registered scheme, are set out below.

AASB 9: Financial Instruments (and applicable amendments) (effective from 1 January 2018)

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It now includes revised rules around hedge accounting and impairment. The standard has been assessed as not having a significant impact on the recognition and measurement of the registered schemes' financial instruments as the financial instruments are carried at fair value through profit or loss.

AASB 15: Revenue from contracts with customers (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services (and AASB 111 which covers construction contracts). The new standard is based on the principle that revenue is recognised by an asset manager to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in future periods. The registered schemes' main source of income is interest, dividends and gains on financial assets held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of the new revenue recognition rules are not expected to have a significant impact on the registered schemes' accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective that are expected to have a material impact on the registered scheme in the current or future reporting periods and on foreseeable future transactions.

Platinum Global Fund
Notes to the Financial Statements
31 December 2016

Note 3 Financial Assets and Liabilities at Fair Value through Profit or Loss

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Financial assets		
<i>Held for trading</i>		
Forward currency contracts	225	52
Total held for trading	<u>225</u>	<u>52</u>
<i>Designated at fair value through profit or loss</i>		
Equity securities	24,759	20,484
Total designated at fair value through profit or loss	<u>24,759</u>	<u>20,484</u>
Total financial assets held at fair value through profit or loss	<u>24,984</u>	<u>20,536</u>
Financial liabilities		
<i>Held for trading</i>		
Forward currency contracts	308	166
Total held for trading	<u>308</u>	<u>166</u>
Total financial liabilities held at fair value through profit or loss	<u>308</u>	<u>166</u>
Total of financial assets less liabilities	<u>24,676</u>	<u>20,370</u>

Note 4 Net Assets Attributable to Unitholders

Movements in number of units and net assets attributable to unitholders during the half-year were as follows:

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Opening balance	23,316	20,865
Applications during the period	4,492	4,010
Redemptions during the period	(1,506)	(766)
Increase/(decrease) in net assets attributable to unitholders	2,663	(548)
Closing balance	<u>28,965</u>	<u>23,561</u>
	Units '000	Units '000
Opening balance	22,201	17,864
Number of units issued during the period	4,010	3,447
Number of units redeemed during the period	(1,362)	(669)
Closing balance	<u>24,849</u>	<u>20,642</u>

Note 5 Fair Value Measurement

AASB 13 *Fair Value Measurement* requires the registered scheme to classify its assets and liabilities held at fair value based on the following fair value hierarchy model (consistent with the hierarchy model applied to financial assets and liabilities at 30 June 2016):

- a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- b) inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices) (level 2); and
- c) inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (level 3).

Note 5 Fair Value Measurement (continued)

The registered scheme measures and recognises the following assets and liabilities at fair value, pursuant to AASB 13, on a recurring basis:

- equity securities; and
- forward currency contracts.

The following table analyses within the fair value hierarchy model, the registered scheme's assets and liabilities measured at fair value at 31 December 2016 and 30 June 2016. The registered scheme has no assets or liabilities that are classified as level 3.

31 December 2016	Level 1 \$'000	Level 2 \$'000	Total \$'000
Financial assets			
Equity securities	23,800	959	24,759
Forward currency contracts	-	225	225
	<u>23,800</u>	<u>1,184</u>	<u>24,984</u>
Financial liabilities			
Forward currency contracts	-	308	308
	<u>-</u>	<u>308</u>	<u>308</u>
Total of financial assets less liabilities	<u>23,800</u>	<u>876</u>	<u>24,676</u>
30 June 2016	Level 1 \$'000	Level 2 \$'000	Total \$'000
Financial assets			
Equity securities	19,022	1,462	20,484
Forward currency contracts	-	52	52
	<u>19,022</u>	<u>1,514</u>	<u>20,536</u>
Financial liabilities			
Forward currency contracts	-	166	166
	<u>-</u>	<u>166</u>	<u>166</u>
Total of financial assets less liabilities	<u>19,022</u>	<u>1,348</u>	<u>20,370</u>

The registered schemes' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for any assets or liabilities measured at fair value during the half-year.

Valuation techniques used to classify assets and liabilities as level 1

Nearly all of the equity securities held by the registered schemes are valued based on quoted prices in active markets, with the exception of P-Notes as listed below. Accordingly, nearly all equity securities are classified as Level 1 in the fair-value hierarchy model.

Valuation techniques used to classify assets and liabilities as level 2

There are some financial instruments that have been classified as level 2, because there is a degree of adjustment made to the quoted price i.e., whilst all significant inputs required for fair value measurement are observable and quoted on an active market, there is a degree of estimation or adjustment involved in deriving the fair value. Examples include:

- forward currency contracts are classified as level 2 even though forward points are quoted in an active and liquid market. The forward points themselves are based on interest rate differentials; and
- P-Notes are classified as level 2 because they are traded over-the counter and are often priced in a different currency to the underlying security.

Platinum Global Fund
Notes to the Financial Statements
31 December 2016

Note 6 Events Occurring after Balance Date

No significant events have occurred since balance date that would impact the financial position of the registered scheme as at 31 December 2016 and the results for the half-year ended on that date.

Note 7 Contingent Assets, Liabilities and Commitments

The registered scheme has no contingent assets, liabilities or commitments as at 31 December 2016 and 30 June 2016.

Platinum Global Fund
Statement of Net Asset Value
As at 31 December 2016

Reconciliation of Net Asset Value before Unitholders' Liability in accordance with Australian Accounting Standards to the Redemption Value

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Net assets attributable to unitholders per Statement of Financial Position	28,965	23,316
Distribution paid and payable to unitholders	-	519
Redemption cost of financial assets	(72)	(60)
Net Asset Value for redemption purposes	28,893	23,775
Redemption price	1.1626	1.0709

**Platinum Global Fund
Directors' Declaration
31 December 2016**

In the opinion of the Directors' of the responsible entity, the financial statements and notes of the Platinum Global Fund (*'the registered scheme'*) as set out on pages 5 to 11:

- (a) are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the registered scheme as at 31 December 2016 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial half-year ended on that date.
- (b) there are reasonable grounds to believe that the registered scheme will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Andrew Stannard
Director

Sydney
24 February 2017



Independent auditor's review report to the unitholders of Platinum Global Fund

- ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Platinum Global Fund (the registered scheme), which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

- ***Directors' responsibility for the half-year financial report***

The directors of Platinum Investment Management Limited (the responsible entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

- ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Platinum Global Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

- ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

- ***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Platinum Global Fund is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;



- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney
24 February 2017