

# **Platinum Global Fund**

**ARSN 600 630 537**

**Interim Financial Report – For the half-year ended 31  
December 2017**

**Platinum Global Fund**  
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**31 December 2017**

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The interim financial report was authorised for issue on 27 February 2018 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 2017. In addition, reference should be made to any public pronouncements made in respect of the registered scheme during the interim reporting period.

The Financial report covers Platinum Global Funds as an individual entity.

**Platinum Global Fund  
Responsible Entity Report  
31 December 2017**

The Directors of Platinum Investment Management Limited (trading as Platinum Asset Management<sup>®</sup>) ABN 25 063 565 006 AFSL 221935, the Responsible Entity of the Platinum Global Fund ("*the registered scheme*" or "*Fund*"), present their report on the registered scheme for the half-year ended 31 December 2017.

**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 into securities of international 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, other than the reduction in the base fee rate as noted below.

**Operating and Financial Review (OFR)**

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

The strong returns generated for the 12 months to 30 June 2017 have continued for the six months to 31 December 2017 with the return for the six months to 31 December 2017 being 15.22%. The benchmark Morgan Stanley Capital International All Country World Net Index (MSCI) in A\$ terms generated a return of 9.06% for the same period. This outperformance of more than 5% for the 6 months period is an excellent result, and shows that the investment manager's index-agnostic investment style is well and truly paying off.

The performance of the registered scheme, as represented by the results of its operations for the half-year ended 31 December 2017, amounted to a net operating profit of \$5,500,000 (31 December 2016: net operating profit of \$2,663,000).

The registered scheme distributes annually at 30 June.

The redemption price of the registered scheme as at 31 December 2017 was \$1.4378 (30 June 2017: (cum-distribution) \$1.2801).

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, unless otherwise indicated.

**Reduction in the base fee rate**

From 3 July 2017, Platinum Global Fund adopted a management fee rate of 1.35% per annum. This represents a reduction of 0.05% from the previous management costs rate of 1.4% per annum, which benefits new and existing investor alike.

**Platinum Global Fund  
Responsible Entity Report  
31 December 2017**

**Change in portfolio management responsibilities from 1 July 2018**

From 1 July 2018, the portfolio management responsibilities for Platinum Global Fund will change. Platinum Global Fund is currently managed by Kerr Neilson and from 1 July 2018, the responsibility for managing the portfolio will be transferred to Clay Smolinski.

Kerr Neilson will continue as a full-time executive director of the Platinum Group and member of the Platinum investment team.

**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  
27 February 2018



## **Auditor's Independence Declaration**

As lead auditor for the review of Platinum Global Fund for the half-year ended 31 December 2017, 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.

Simon Cuthbert  
Partner  
PricewaterhouseCoopers

Sydney  
27 February 2018

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**Platinum Global Fund**  
**Statement of Comprehensive Income**  
**For the half-year ended 31 December 2017**

	<b>31 Dec 2017 \$'000</b>	<b>31 Dec 2016 \$'000</b>
<b>Investment income</b>		
Dividends	230	217
Interest	7	16
Net gains on financial assets at fair value through profit or loss	5,569	2,491
Net foreign exchange gains/(losses) on forward currency contracts	154	188
Net foreign exchange gains/(losses) on bank accounts	(104)	17
<b>Total net investment income</b>	<u>5,856</u>	<u>2,929</u>
<b>Expenses</b>		
Management fee	270	184
Administration fee	-	13
Withholding tax on foreign dividends	16	16
Transaction costs	70	53
<b>Total expenses</b>	<u>356</u>	<u>266</u>
<b>Net operating profit</b>	<u>5,500</u>	<u>2,663</u>
<b>Net operating profit attributable to unitholders</b>	5,500	2,663
Increase in net assets attributable to unitholders	-	-
Other comprehensive income for the period	-	-
<b>Total comprehensive income*</b>	<u><u>5,500</u></u>	<u><u>2,663</u></u>

\* Effective from 1 July 2017, the Fund's redeemable units have been reclassified from liability to equity. Under the liability treatment, distributions and changes in the net assets attributable to unitholders were presented as a finance cost in the statement of comprehensive income. Under the equity treatment, distributions and changes in net assets attributable to unitholders are recognised in the statement of changes in equity. Refer to note 2 for further detail.

*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 2017**

	Note	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<b>Assets</b>			
Cash and cash equivalents		4,079	4,505
Receivables		94	259
Financial assets at fair value through profit or loss	3	42,366	30,385
<b>Total Assets</b>		<u>46,539</u>	<u>35,149</u>
<b>Liabilities</b>			
Unitholders' distribution payable		-	877
Payables		138	247
Financial liabilities at fair value through profit or loss	3	213	67
<b>Total Liabilities 30 June 2017 (excluding net assets attributable to unitholders)</b>		<u>-</u>	<u>1,191</u>
<b>Net Assets Attributable to Unitholders - Liability*</b>		<u>-</u>	<u>33,958</u>
<b>Net Assets Attributable to Unitholders - Equity*</b>	4	<u>46,188</u>	<u>-</u>

\*Effective from 1 July 2017, the Fund's redeemable units have been reclassified from liability to equity. Refer to note 2 for further detail.

*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 2017**

	Note	31 Dec 2017 \$'000	31 Dec 2016 \$'000
<b>Total equity at the beginning of the half-year</b>		33,958	-
Profit for the half-year		5,500	-
Other comprehensive income for the half-year		-	-
<b>Total comprehensive income for the half-year</b>		5,500	-
<b>Transactions with unitholders</b>			
Applications	4	8,130	-
Redemptions	4	(1,400)	-
		6,730	-
<b>Total equity at the end of the half-year*</b>		46,188	-

\*Effective from 1 July 2017, the Fund's redeemable units have been reclassified from liability to equity. Refer to note 2 for further detail. As a result, equity transactions, including distributions since 1 July 2017, have been disclosed in the above statement for the half-year ended 31 December 2017.

*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 2017**

	Note	<b>31 Dec 2017 \$'000</b>	<b>31 Dec 2016 \$'000</b>
<b>Cash flows from operating activities</b>			
Purchase of financial assets		(15,268)	(10,180)
Proceeds from sale of financial assets		8,971	8,272
Interest received		7	16
Dividends received		302	216
Manager's fees paid		(262)	(192)
Other expenses paid		(70)	(53)
<b>Net cash outflow from operating activities</b>		<u>(6,320)</u>	<u>(1,921)</u>
<b>Cash flows from financing activities</b>			
Proceeds from units issued (applications)	4	8,130	4,492
Payment for units redeemed (redemptions)	4	(1,400)	(1,506)
Distributions paid		(877)	(519)
<b>Net cash inflow from financing activities</b>		<u>5,853</u>	<u>2,467</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(467)	546
Cash and cash equivalents at the beginning of the half-year		4,505	3,806
Effects of exchange rate changes on cash and cash equivalents		41	15
<b>Cash and cash equivalents at the end of the half-year</b>		<u><u>4,079</u></u>	<u><u>4,367</u></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 2017 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 2017 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.

**(a) Adoption of Attribution Managed Investment Trust (“AMIT”) regime**

On 5 May 2016, a new tax regime applying to Managed Investment Trusts (“MITs”) was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The AMIT regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. A key change in the new regime is the departure from the ‘present entitlement’ model of trust taxation for AMITs. Instead, unitholders will be taxed on the income of the AMIT ‘attributed’ to them by the Responsible Entity.

The Fund’s Constitution has been amended to allow it to elect into the AMIT regime, under which the Responsible Entity would have the discretion to pay (or not to pay) distributions. The Responsible Entity has approved the Fund’s election into the AMIT regime in respect of the year ending 30 June 2018, subject to the Fund’s satisfaction of the relevant criteria for AMIT election. Taken together, the Constitution’s amendments and the Responsible Entities intention to elect into AMIT mean that there is no contractual obligation to pay distributions for the year ending 30 June 2018. Consequently, the units in the Fund have been re-classified as equity rather than as liabilities. As a result of the change in classification, the below accounting policies are applicable from 1 July 2017.

Under current tax legislation, the registered scheme is not subject to income tax as unitholders will have the income of the Fund attributed to them.

In accordance with registered scheme’s Constitution, the registered scheme intends to fully distribute any attributable income to unitholders by cash or reinvestment. Attributable income is determined by reference to the taxable income of the registered scheme.

**(b) Unitholders’ funds**

Units are redeemable at the unitholder’s option and are classified as equity as the Fund has only one class of units and no contractual obligation to pay distributions.

A unitholder can redeem units at any time for cash based on the redemption price, which is equal to a proportionate share of the unitholders’ funds.

The units are carried at the redemption amount that is payable at the end of the reporting period if the unitholders exercise the right to redeem the units in the Fund.

**(c) Redeemable units**

The Fund issues redeemable units, which are redeemable at the unitholder’s option and are classified as equity in accordance with AASB 132: *Financial Instruments: Presentation*.

**Note 2 Basis of Preparation of the Interim Financial Report (Continued)**

Should the terms or conditions of the redeemable units change such that they no longer comply with the criteria for classification as equity in AASB 132, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the redeemable units' fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Redeemable units can be put back to the Fund at anytime for cash equal to a proportionate share of the Fund's net asset value.

Where the Fund re-purchases its redeemable units, the consideration paid, including any directly attributable incremental costs are deducted from equity attributable to Fund's unitholders until the units are cancelled, reissued or disposed of. Where such units are subsequently sold or re-issued, any consideration received, net of any incremental transaction costs directly attributable, are included in equity attributable to the Fund's unit holders.

The consideration received or paid for units is based on the value of the Fund's net assets value per redeemable unit at the date of the transaction. The Fund's net asset value per unit is calculated by dividing the Fund's net assets by the total number of outstanding units.

**(d) Increase/(decrease) in unitholders' funds**

Movements in unitholders' funds are recognised in the statement of changes in equity.

Apart from the above, the accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

**(e) New Accounting Standards and Interpretations not mandatory for the 31 December 2017 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 2017. 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. AASB9 will be adopted from the effective date.

*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. AASB15 will be adopted from the effective date.

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.

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

	<b>31 Dec 2017 \$'000</b>	<b>30 Jun 2017 \$'000</b>
<b>Financial assets</b>		
<i>Held for trading</i>		
Forward currency contracts	253	166
Total held for trading	<u>253</u>	<u>166</u>
<i>Designated at fair value through profit or loss</i>		
Equity securities	42,113	30,219
Total designated at fair value through profit or loss	<u>42,113</u>	<u>30,219</u>
Total financial assets held at fair value through profit or loss	<u>42,366</u>	<u>30,385</u>
<b>Financial liabilities</b>		
<i>Held for trading</i>		
Forward currency contracts	213	67
Total held for trading	<u>213</u>	<u>67</u>
Total financial liabilities held at fair value through profit or loss	<u>213</u>	<u>67</u>
Total of financial assets less financial liabilities	<u>42,153</u>	<u>30,318</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:

	<b>31 Dec 2017 Number</b>	<b>31 Dec 2016 Number</b>	<b>31 Dec 2017 \$'000</b>	<b>31 Dec 2016 \$'000</b>
Opening balance	27,144	22,201	33,958	23,316
Applications	5,925	4,010	8,130	4,492
Redemptions	(1,026)	(1,362)	(1,400)	(1,506)
Increase in net assets attributable to unitholders	-		5,500	2,663
Closing balance	<u>32,043</u>	<u>24,849</u>	<u>46,188</u>	<u>28,965</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 2017):

- 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).

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.

**Platinum Global Fund**  
**Notes to the Financial Statements**  
**31 December 2017**

**Note 5 Fair Value Measurement (continued)**

The following table analyses within the fair value hierarchy model, the registered scheme's assets and liabilities measured at fair value at 31 December 2017 and 30 June 2017. The registered scheme has no assets or liabilities that are classified as level 3.

<b>31 December 2017</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>			
Equity securities	40,223	1,890	42,113
Forward currency contracts	-	253	253
	<u>40,223</u>	<u>2,143</u>	<u>42,366</u>
<b>Financial liabilities</b>			
Forward currency contracts	-	213	213
	<u>-</u>	<u>213</u>	<u>213</u>
<b>Total of financial assets less liabilities</b>	<u>40,223</u>	<u>1,930</u>	<u>42,153</u>
<b>30 June 2017</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>			
Equity securities	28,938	1,281	30,219
Forward currency contracts	-	166	166
	<u>28,938</u>	<u>1,447</u>	<u>30,385</u>
<b>Financial liabilities</b>			
Forward currency contracts	-	67	67
	<u>-</u>	<u>67</u>	<u>67</u>
<b>Total of financial assets less liabilities</b>	<u>28,938</u>	<u>1,380</u>	<u>30,318</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 for the reason 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.

**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 2017 or 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 2017 and 30 June 2017.

**Platinum Global Fund  
Directors' Declaration  
31 December 2017**

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 12:

- (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 2017 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  
27 February 2018



## **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 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors of the Responsible Entity's declaration.

### ***Directors of the Responsible Entity's responsibility for the half-year financial report***

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity 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 2017 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*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *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:

1. giving a true and fair view of the entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Simon Cuthbert  
Partner

Sydney  
27 February 2018