

Platinum Global Fund
ARSN 600 630 537

Annual Report - 30 June 2020

Platinum Global Fund
Contents
30 June 2020

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These financial statements cover Platinum Global Fund ('PGF') as an individual entity. The responsible entity of PGF is Platinum Investment Management Limited (ABN: 25 063 565 006). The responsible entity's registered office is Level 8, 7 Macquarie Place, Sydney NSW 2000

**Platinum Global Fund
Responsible Entity Report
30 June 2020**

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 (referred to as the “registered scheme”, “scheme” or “Fund”) present its report, together with the financial statements, on the registered scheme for the year ended 30 June 2020.

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 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 was registered on 22 July 2014 and commenced trading on 5 September 2014.

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

Directors of the Responsible Entity

The Directors of Platinum Investment Management Limited (‘PIML’) during the year and up to the date of this report unless otherwise stated were:

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 year.

Operating and Financial Review (OFR)

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

The performance of the registered scheme, as represented by the results of its operations for the year ended 30 June 2020, was as follows:

	Year ended	
	30 June 2020	30 June 2019
Net operating loss (\$'000)	(1,004)	(411)
Distribution paid and payable (\$'000)	1,873	2,803
Distribution (cents per unit)	5.20	7.78
Redemption price – (cum-distribution) (dollar per unit)	1.2384	1.3460

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

*Source: All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided “as is” without any warranties by MSCI. MSCI assumes no liability for or in connection with this data.

^ Investment returns are calculated using PGF’s net asset value per unit (which does not include the buy/sell spread) and represent PGF’s combined income and capital returns over the specified period. Returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions.

Index returns assume the reinvestment of dividends from constituent companies, but do not reflect fees and expenses. Platinum does not invest by reference to the weightings of any index or benchmark, and index returns are provided as a reference only. PGF’s underlying assets are chosen through Platinum’s bottom-up investment process and, as a result, PGF’s holdings may vary considerably to the make-up of the index.

The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility of the underlying assets of PGF and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

**Platinum Global Fund
Responsible Entity Report (continued)
30 June 2020**

Matters subsequent to the end of the year

No matter or circumstance has arisen since 30 June 2020 that has significantly affected or may significantly affect:

- (i) the operations of the registered scheme in future years; or
- (ii) the results of those operations in future years; or
- (iii) the state of affairs of the registered scheme in future years.

Likely Developments and Expected Results of Operations

The registered scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the PDS of the registered scheme and in accordance with the provisions of the registered scheme Constitution.

The results of the registered scheme's operations will be affected by a number of factors, including the performance of investment markets in which the registered scheme invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the registered scheme with regard to insurance cover provided to either the Investment Manager, Platinum Investment Management Limited, or the Auditor of the registered scheme. As long as the officers of the responsible entity act in accordance with the scheme's Constitutions and the Law, they remain fully indemnified out of the assets of the registered scheme against any losses incurred while acting on behalf of the registered scheme. The Auditor of the registered scheme is in no way indemnified out of the assets of the registered scheme.

Fees paid to and interests held in the registered scheme

Fees paid to the responsible entity out of registered scheme's property during the year are disclosed in Note 12 to the financial statements. No fees were paid out of the registered scheme's property directly to the Directors of the responsible entity during the year.

Units on issue

The movements in units on issue in the registered scheme during the year have been disclosed in Note 5 to the financial statements.

Environmental regulation

The operations of the registered scheme are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

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.

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
31 August 2020



Auditor's Independence Declaration

As lead auditor for the audit of Platinum Global Fund for the year ended 30 June 2020, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'CJ Cummins', written over a horizontal line.

CJ Cummins
Partner
PricewaterhouseCoopers

Sydney
31 August 2020

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Liability limited by a scheme approved under Professional Standards Legislation.

Platinum Global Fund
Statement of Comprehensive Income
For the year ended 30 June 2020

		Year ended	
		30 June 2020	30 June 2019
	Note	\$'000	\$'000
Investment income			
Dividends		646	856
Interest		6	30
Net losses on financial assets at fair value through profit or loss		(5,639)	(957)
Net foreign exchange gains on forward currency contracts		669	8
Net foreign exchange gains on bank accounts		4,067	469
Total net investment income		<u>(251)</u>	<u>406</u>
Expenses			
Management fee	12	614	636
Withholding tax on foreign dividends		61	103
Transaction costs		78	78
Total expenses		<u>753</u>	<u>817</u>
Net operating loss		<u>(1,004)</u>	<u>(411)</u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>(1,004)</u></u>	<u><u>(411)</u></u>

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

Platinum Global Fund
Statement of Financial Position
For the year ended 30 June 2020

		As at	
	Note	2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents	13(a)	2,857	12,616
Receivables	7	205	112
Financial assets at fair value through profit or loss	4	37,095	36,196
Total Assets		<u>40,157</u>	<u>48,924</u>
Liabilities			
Unitholders' distribution payable	6	1,873	2,803
Payables	8	48	133
Financial liabilities at fair value through profit or loss	4	77	137
Total Liabilities		<u>1,998</u>	<u>3,073</u>
Net Assets Attributable to Unitholders - Equity	5	<u>38,159</u>	<u>45,851</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 year ended 30 June 2020

	Note	Year ended 30 June 2020 \$'000	30 June 2019 \$'000
Total equity at the beginning of the year		45,851	47,816
Loss for the year		(1,004)	(411)
Other comprehensive income		-	-
Total comprehensive income for the year		(1,004)	(411)
Transactions with equity holders			
Applications	5	2,615	6,487
Redemptions	5	(8,382)	(5,882)
Units issued upon reinvestment of distribution	5	952	644
30 June distribution paid/payable	6	(1,873)	(2,803)
Total transactions with unitholders		(6,688)	(1,554)
Total equity at the end of the year		38,159	45,851

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 year ended 30 June 2020

		Year ended	
		30 June 2020	30 June 2019
	Note	\$'000	\$'000
Cash flows from operating activities			
Purchase of financial assets		(19,931)	(11,710)
Proceeds from sale of financial assets		17,198	18,805
Interest received		9	31
Dividends received		573	777
Management fees paid		(615)	(643)
Other expenses paid		(43)	(111)
Net cash outflow from operating activities	13(c)	(2,809)	7,149
Cash flows from financing activities			
Proceeds from units issued (applications)	5	3,567	7,131
Payment for units redeemed (redemptions)	5	(8,382)	(5,882)
Distribution paid		(2,803)	(3,174)
Net cash inflow from financing activities		(7,618)	(1,925)
Net increase in cash and cash equivalents		(10,427)	5,224
Cash and cash equivalents at beginning of the year		12,616	6,928
Effects of exchange rate changes on cash and cash equivalents		668	464
Cash and cash equivalents at the end of the year	13(a)	2,857	12,616
Non-cash financing activities	13(b)		

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

Platinum Global Fund
Notes to the Financial Statements
30 June 2020

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.

The registered scheme may be wound up on the day immediately preceding the 80th anniversary of the date of commencement 8 September 2014, unless terminated earlier in accordance with the provisions of the Constitution.

The financial report was authorised for issue by the Directors of the responsible entity on 31 August 2020. The Directors have the power to amend the financial report after issue.

Note 2 Summary of Significant Accounting Policies

(a) Basis of preparation of the financial statements

The financial statements are general purpose financial statements and have been prepared in accordance with the requirements of the registered scheme's Constitution, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The registered scheme is a for-profit entity for the purpose of preparing the financial report.

The financial statements have been prepared on a historical basis, except for financial assets and liabilities measured at fair value.

The Statement of Financial Position is presented on a liquidity basis. Specifically, assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All investment-related balances are expected to be recovered or settled within 12 months, except for financial assets at fair value through profit or loss and net assets attributable to unitholders.

The registered scheme manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, a precise estimate of that amount cannot be determined as at balance date.

In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's discretion. However, it is recommended that holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

Compliance with International Financial Reporting Standards

The financial statements of the registered scheme also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Critical Accounting Estimates

The preparation of the financial statements requires the use of certain critical accounting estimates and judgements, which are included in the accounting policies below.

(b) Income Tax

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.

The registered scheme currently incurs withholding taxes imposed by certain countries on foreign dividend income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income.

Note 2 Summary of Significant Accounting Policies (continued)

(c) Financial Assets and Liabilities at Fair Value through Profit or Loss

Recognition

The registered scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in the fair value of financial assets or financial liabilities from this date. Investments are derecognised when the contractual right to receive cash flows from the investments have expired or have been transferred, and the registered scheme has transferred substantially all of the risks and rewards of ownership.

Classification

The contractual cash flows of equity securities, derivatives and foreign currency forward contracts held by the registered scheme are not comprised of principal and interest. Consequently, these financial assets and financial liabilities are measured at fair value through profit or loss.

Measurement

At initial recognition, the registered scheme measures financial assets and financial liabilities at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within "net (losses)/gains in equities and derivatives at fair value through profit or loss" or "net (losses)/gains on foreign currency forward contracts" in the period in which they arise.

Fair value

AASB 13: *Fair Value Measurement* defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The standard prescribes that the most representative price within the bid-ask spread should be used for valuation purposes. With respect to the registered scheme, the exit or "last" price is the most representative price within the bid-ask spread, because it represents the price that the security last changed hands from seller to buyer. The registered scheme has applied last-sale pricing as the fair value measurement basis for equities and derivatives it holds.

The fair value of financial assets and liabilities traded in active markets uses quoted market prices at reporting date without any deduction for estimated future selling costs.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques or any other valuation techniques that provides a reliable estimate of prices obtained in actual market transactions. Options are valued with reference to the quoted price of the underlying index or share. If there is no liquid market available, the options are valued based on the option prices provided by an arm's length broker. These valuations are based on option pricing models.

Participatory Notes are sometimes used as a convenient means of investing in local securities by a foreign investor. Participatory Notes are generally traded over-the-counter, as they are issued by a counterparty to provide the investor with exposure to an individual equity or a basket or index of equities, in markets where liquidity, custody or other issues make ownership of the local shares sub-optimal. The valuation of Participatory Notes depends on the level of trading. If the Participatory Notes are actively traded, then the market price is used. If the Participatory Notes are not actively traded, counterparties provide a daily valuation that is based on the intrinsic value of the individual security.

Note 2 Summary of Significant Accounting Policies (continued)

(d) Transaction costs

Initial measurement (cost) on acquisition of trading securities shall not include directly attributable transaction costs, such as fees and commissions paid to agents. Incremental transaction costs on financial assets at fair value through profit or loss are expensed immediately.

(e) Net assets attributable to unitholders

Units are redeemable at the unitholder's option, however applications and redemptions may be suspended by the responsible entity if it is in the best interests of the unitholders. The units are classified as equity as the Fund has only one class of units and no contractual obligation to pay distributions.

(f) Foreign currency translation

Items included in the registered scheme's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the country that the registered scheme is regulated, funds are raised and distributions are paid. The Australian dollar is also the registered scheme's presentation currency.

Transactions denominated in foreign currencies are translated into Australian currency at the rates of exchange prevailing on the date of the transaction. Foreign currency assets and liabilities are translated at the closing exchange rates at the date of the Statement of Financial Position. Resulting exchange differences are brought to account in determining profit and loss for the year.

(g) Investment income

Interest Income

Interest income is recognised in the Statement of Comprehensive Income, using the active interest rate available on the bank accounts held at various locations throughout the world.

Dividend Income

Dividend income is brought to account on the applicable ex-dividend date for equities and payment date for Participatory Notes.

(h) Distributions

Unitholders will be taxed on the income of the AMIT 'attributed' to them by the Responsible Entity.

The responsible entity 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.

(i) Goods and Services Tax ("GST")

The GST paid on the costs of various services provided to the registered scheme, such as Investment Management fees, have been passed onto the registered scheme. Investment Management fees have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). GST recoverable from the ATO at reporting date is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

(j) Receivables

Receivables include proceeds from the sale of financial assets, dividends, GST, Indian Capital Gains Tax and interest receivable. All receivables are recognised when a right to receive payment is established. Receivables are generally received within 30 days of being recognised as a receivable.

(k) Payables

All payables are recognised as and when the registered scheme becomes liable.

Amounts due to brokers represent payables for securities purchased that have been contracted for, but not yet delivered by the reporting date. Trades are recorded on trade date. Payables on purchase of investments are usually paid between 2 and 5 days after trade date.

Note 2 Summary of Significant Accounting Policies (continued)

(l) Applications and redemptions

Applications received for units in the registered scheme are recorded net of any entry fees payable prior to the issue of units in the registered scheme. Redemptions from the registered scheme are recorded gross of any exit fees payable after the cancellation of units redeemed. The redemption price is determined by reference to the net assets of the registered scheme divided by the number of units on issue at or immediately prior to close of business each day. Issues and redemptions of units are processed simultaneously.

(m) 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 these financial statements have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(n) Operating segments

The registered scheme is outside the scope of AASB 8: *Operating Segments* as it does not satisfy the requirement, under AASB 8, of having debt or equity instruments traded in a public market, or file their financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

(o) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes deposits held at call with financial institutions, cash held in margin accounts and other short term, highly liquid investments with original maturities of 3 months or less that is readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of financial assets are classified as "cash flows from operating activities" as realised and unrealised gains (and losses) on financial assets represent the registered scheme's main operating activity.

(p) Offsetting a financial asset and a financial liability

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(q) 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.

(r) 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.

(t) New accounting standards and interpretations adopted for the first time

New and amended accounting standards adopted by the registered scheme

There are no new standards, interpretations, or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods, or will affect the current or future periods.

New Accounting Standards and Interpretations not yet mandatory for the 30 June 2020 reporting period.

A number of other new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2020 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the registered scheme.

Platinum Global Fund
Notes to the Financial Statements
30 June 2020

Note 3 Auditor's Remuneration

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC) as the auditor of the registered scheme and by PwC's related network firms:

	2020	2019
	\$	\$
Audit and review financial statements	13,801	21,219
Auditing the Compliance Plan	3,511	4,774
Taxation and regulatory services – Compliance	31,499	44,430
Other advisory services - Foreign tax agent	-	6,788
	<u>48,811</u>	<u>77,211</u>

Note 4 Financial Assets and Liabilities at Fair Value through Profit or Loss

	2020	2019
	\$'000	\$'000
Financial assets		
<i>Forward currency contracts at fair value through profit or loss</i>		
Forward currency contracts	21	75
Total forward currency contracts	<u>21</u>	<u>75</u>
<i>Equity securities at fair value through profit or loss</i>		
Equity securities	37,074	36,121
Total equity securities at fair value through profit or loss	<u>37,074</u>	<u>36,121</u>
Total financial assets held at fair value through profit or loss	<u>37,095</u>	<u>36,196</u>
Financial liabilities		
<i>Forward currency contracts at fair value through profit or loss</i>		
Forward currency contracts	77	137
Total forward currency contracts	<u>77</u>	<u>137</u>
Total financial liabilities held at fair value through profit or loss	<u>77</u>	<u>137</u>
Total of financial assets less liabilities	<u>37,018</u>	<u>36,059</u>

Platinum Global Fund
Notes to the Financial Statements
30 June 2020

Note 5 Net Assets Attributable to Unitholders

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

	30 June 2020 Number	30 June 2019 Number	30 June 2020 \$'000	30 June 2019 \$'000
Opening balance	36,050	35,079	45,851	47,816
Applications	2,026	4,981	2,615	6,487
Redemptions	(6,563)	(4,482)	(8,382)	(5,882)
Units issued upon reinvestment of distribution	749	472	952	644
Decrease in net assets attributable to unitholders	-	-	(2,877)	(3,214)
Closing balance	<u>32,262</u>	<u>36,050</u>	<u>38,159</u>	<u>45,851</u>

Note 6 Distributions Payable

	2020	2019
The distributions were payable as follows:		
30 June payable (\$'000)	1,873	2,803
30 June payable (cents per unit)	<u>5.20</u>	<u>7.78</u>

Note 7 Receivables

	2020 \$'000	2019 \$'000
GST receivable	4	7
Interest receivable	-	3
Dividends receivable	52	40
Swap income recoverable	-	34
Dividend tax refund receivable	28	28
Indian capital gains tax receivable	11	-
Proceeds on sale of financial assets	110	-
	<u>205</u>	<u>112</u>

Information relating to the ageing of receivables at 30 June 2020 is provided in Note 9.

Note 8 Payables

	2020 \$'000	2019 \$'000
Interest payable	-	2
Payables on purchase of financial assets/liabilities	-	82
Management fee	48	49
	<u>48</u>	<u>133</u>

Payables on purchase of investments are usually paid between 2 and 5 days after trade date. Information relating to the registered scheme's exposures of payables to liquidity risk is provided in Note 9.

Note 9 Financial Risk Management

(a) Financial Risk Management Objectives, Policies and Processes

In pursuing its investment objectives, the scheme is exposed to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The management of these risks is carried out by the investment manager under policies approved by the Board of Directors of the responsible entity. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the scheme's financial performance.

The registered scheme uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

The responsible entity's investment style:

- adopts a bottom-up stock selection methodology such that long-term capital growth is sought through investing in undervalued securities across the world;
- seeks absolute returns and not returns relative to any index;
- invests excess funds in cash when undervalued stocks cannot be found; and
- actively manages currency.

The registered scheme uses financial derivative instruments (both Over-the-Counter (OTC) derivatives and exchange traded derivatives) for risk management purposes and to take opportunities to increase returns, including, for example:

- to gain access to markets not readily available to foreign investors;
- to create a short position in a registered scheme;
- to build a position in a registered scheme as a short-term strategy to be reversed when physical positions are purchased; and
- to aid in the management of the registered scheme's cash flows (e.g. some stock markets require pre-funding of stock purchases that may be avoided through the use of derivatives).

(b) Investments at Fair Value

The table below summarises the location of the registered scheme's investments.

	2020	2019
	\$'000	\$'000
Japan	3,672	2,216
China	5,448	3,150
Other Asia	5,583	12,254
Europe – Euro	6,182	3,050
Europe – Other	1,547	2,993
North America	14,642	12,458
	<u>37,074</u>	<u>36,121</u>

Note 9 Financial Risk Management (continued)

(c) Market Risk

(i) Foreign Exchange Risk

Foreign exchange risk is the risk the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates.

The registered scheme operates internationally and is exposed to foreign exchange risk arising from buying, selling and holding investments denominated in foreign currency.

Currency hedging is an integral part of the management of currency risk. The investment manager positions the registered scheme's portfolio in what it believes will be a stronger currencies. At 30 June 2020, the portfolio remains heavily hedged back into US Dollars 31% (2019: 44%), with 26% (2019: 20%) in various European currencies, including the Norwegian Krone and Swiss Francs. The scheme's exposure to the Japanese Yen was 12% (2019: 17%). In addition, the scheme had a hedge of Nil % (2019: 5%) against the Chinese Yuan.

The investment manager may use forward foreign exchange contracts to position the registered scheme's portfolio in the desired currencies. A currency exposure may be positioned using a different currency from which the exposure is maintained (for example, US dollar positions may be used to hedge the currency risk of holding investments in Hong Kong dollars).

Where there have been major currency movements, or where currencies are perceived to be over or undervalued, the investment manager may look for investments whose operating environment has been distorted by the currency as part of the search for undervalued stocks. There may even be opportunities for stocks impacted by a lower currency (for example, export-oriented stocks).

The table below summarises the registered scheme's exposures to foreign exchange risk:

	2020				2019			
	Physical \$'000	Bought \$'000	Sold \$'000	Net Exposure \$'000	Physical \$'000	Bought \$'000	Sold \$'000	Net Exposure \$'000
Japan	3,753	2,345	(1,254)	4,844	5,856	2,348	-	8,204
China	4,058	-	-	4,058	6,369	-	-	6,369
Other Asia*	4,245	-	-	4,245	6,489	-	(7,046)	(557)
Australia	19	3,771	-	3,790	102	-	-	102
Europe – Euro	6,240	2,133	-	8,373	5,140	-	-	5,140
Europe – Other	2,157	-	-	2,157	3,992	807	-	4,799
North America	19,403	-	(6,995)	12,408	20,727	7,046	(3,155)	24,618
	39,875	8,249	(8,249)	39,875	48,675	10,201	(10,201)	48,675

Forward foreign currency contracts are adjusted against the "Physical" column to arrive at a "Net Exposure" for each currency grouping. The registered scheme generally utilises short dated (90 day maturity) currency agreements with high credit rating counterparties. Generally, the existing forward currency maturity dates range from 0 to 79 days.

Foreign exchange risk sensitivity analysis

The sensitivity analysis below shows the impact a 10% movement in foreign currency at reporting date would have on the registered scheme's profit on monetary and non-monetary assets and liabilities such as cash, forward contracts and equities.

Note 9 Financial Risk Management (continued)

(c) Market Risk (continued)

(i) Foreign Exchange Risk (continued)

A sensitivity of 10% has been selected as this is considered reasonably possible given current exchange rates and the volatility observed both on a historic basis and possible future movements. The table presents the foreign currency or currencies with the largest impact on profit for the registered scheme.

	2020	2020	2019	2019
	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000
United States Dollar	(1,070)	1,307	(2,133)	2,607
Japanese Yen	(440)	538	(746)	912
Other	(1,788)	2,186	(1,438)	1,758

The sensitivity analysis shows that the registered scheme is materially affected by exchange rate movements (other things being equal), given the global nature of the investments held.

The above currencies have been used as proxies for the registered scheme's physical exposure in those currencies.

(ii) Interest Rate Risk

Interest rate risk is the possibility the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The overwhelming majority of the registered scheme's financial assets and liabilities are non-interest bearing. The registered scheme has a policy of not borrowing money, other than for settlement of trades. Cash holdings are directly affected by interest rate movements, but at balance date, interest rates on these cash accounts are low (and range from -1.75% to 0.05%).

Interest rate risk indirectly affects the registered scheme because interest rate movements will affect forward points used in determining gains or losses on forward contracts.

At 30 June 2020, if interest rates had changed by +/- 100 basis points with all other variables held constant, the direct impact on interest income would not be significant for the registered scheme.

(iii) Price Risk

Market prices fluctuate due to a range of factors specific to the individual investments or factors affecting the market in general.

The investment manager's stock selection process is core to the management of price risk. Moreover, whilst the investment manager to measure relative performance, risk in our view is not solely relative performance versus a benchmark - but also the prospect of losing money (i.e. absolute returns). The investment manager adopts a thematic stock selection approach and is referred to as an "active manager". The investment manager seeks a broad range of investments whose business and growth prospects are being undervalued by the market. Accordingly, holdings in the registered scheme vary considerably from the make-up of the index. Active fund managers such as The investment manager seek to outperform the market as represented by an appropriate index.

Platinum Global Fund
Notes to the Financial Statements
30 June 2020
Note 9 Financial Risk Management (continued)

(c) Market Risk (continued)

(iii) Price Risk (continued)

Price risk sensitivity analysis

Price risk exposure arises from the registered scheme's investment portfolio that comprises investments in securities. The effect on net assets attributable to unitholders due to a reasonably possible change in market factors, as represented by a +/- 10% movement in the key regional markets affecting the registered scheme's performance and results, with all other variables held constant is indicated as follows:

	2020	2020	2019	2019
	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000
United States	1,378	(1,378)	1,139	(1,139)
China*	659	(659)	899	(899)
India	96	(96)	270	(270)
Japan	367	(367)	222	(222)
Korea	288	(288)	315	(315)

* China includes Chinese stocks listed outside mainland China.

If all other markets moved +/- 10% the impact would be \$434,000/(\$434,000) (2019: \$461,000/(\$461,000)). A sensitivity of 10% has been selected as this is considered reasonably possible. However, given the volatility of investment markets, increases or decreases greater than this are possible.

Note that the above analysis is based on the assumption that the registered scheme's stocks moved in correlation with the respective markets or regions. The markets or regions provided above are a reference point only. Actual movements in stock prices may vary significantly to movements in the markets or regions.

(d) Credit Risk

Credit risk relates to the risk of a counterparty defaulting on a financial obligation resulting in a loss to the registered scheme (typically "non-equity" financial instruments or cash/deposit holdings).

The exposure to credit risk for forward currency contracts is any unrealised profit, margins and collateral paid on the positions (the money the registered scheme would lose if the counterparty defaulted) at reporting date.

The table below shows the registered scheme's counterparty credit risk exposure by credit rating.

Rating	2020	2019
	\$'000	\$'000
AA-	2,638	12,544
A	-	-
A-	36	966
BBB+	1,017	1,222
	<u>3,691</u>	<u>14,732</u>

The Investment Manager regularly monitors the registered scheme's credit risk exposures to counterparties and seeks to manage the risk by spreading exposure over a number of counterparties, by signing standard International Swaps and Derivatives Association (ISDA) master agreements, employing two-way symmetrical margining of unrealised profits and losses and by controlling the duration of contracts to be short-term.

Transactions in listed securities and investments are only entered into with approved brokers. Payment is only made once a broker has received securities and delivery of securities sold only occurs once the broker receives payment.

Note 9 Financial Risk Management (continued)

(e) Liquidity Risk

The registered scheme is exposed to cash redemptions of redeemable units. It holds equities that are traded on active markets and, if necessary, these can be disposed.

The maximum capital risk resulting from financial instruments is determined by the fair value of financial instruments.

The registered scheme is exposed to daily cash redemptions. If necessary, investments may be realised to cover these redemptions as they are generally readily convertible to cash. The risk management guidelines adopted are designed to minimise liquidity risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

The registered scheme prepares daily cash forecasts and maintains sufficient cash to meet normal operating requirements. The registered scheme has a policy of not borrowing money, other than on a short-term basis for settlement, trading and like purposes.

Contractual maturity analysis

2020	Within 3 months	Between 3 and 12 months	Total
	\$'000	\$'000	\$'000
Non-derivative instruments			
Interest payable	-	-	-
Management fees payable	48	-	48
Unitholders' distribution payable	1,873	-	1,873
Total non-financial	<u>1,921</u>	<u>-</u>	<u>1,921</u>
Financial			
Forward currency contracts	77	-	77
Total financial	<u>77</u>	<u>-</u>	<u>77</u>
2019	Within 3 months	Between 3 and 12 months	Total
	\$'000	\$'000	\$'000
Non-derivative instruments			
Interest payable	2	-	2
Management fees payable	49	-	49
Unitholders' distribution payable	2,803	-	2,803
Total non-financial	<u>2,854</u>	<u>-</u>	<u>2,854</u>
Financial			
Forward currency contracts	137	-	137
Total financial	<u>137</u>	<u>-</u>	<u>137</u>

At 30 June 2020, there are no other contractual amounts due or payable after 3 months.

(f) Capital Risk Management

The responsible entity manages the registered scheme's net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change on a daily basis as the registered scheme is subject to daily applications and redemptions at the discretion of unitholders.

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30 June 2020

Note 10 Fair Value Hierarchy

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:

- 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 on a recurring basis:

- equity securities; and
- forward currency contracts.

The table on the following page analyses within the fair value hierarchy model, the registered scheme's assets and liabilities measured at fair value at 30 June 2020.

30 June 2020	Level 1 \$'000	Level 2 \$'000	Total \$'000
Financial assets			
Equity securities	36,097	977	37,074
Forward currency contracts	-	21	21
	<u>36,097</u>	<u>998</u>	<u>37,095</u>
Financial liabilities			
Forward currency contracts	-	77	77
	<u>-</u>	<u>77</u>	<u>77</u>
Total of financial assets less liabilities	<u>36,097</u>	<u>921</u>	<u>37,018</u>
30 June 2019	Level 1 \$'000	Level 2 \$'000	Total \$'000
Financial assets			
Equity securities	34,002	2,119	36,121
Forward currency contracts	-	75	75
	<u>34,002</u>	<u>2,194</u>	<u>36,196</u>
Financial liabilities			
Forward currency contracts	-	137	137
	<u>-</u>	<u>137</u>	<u>137</u>
Total of financial assets less liabilities	<u>34,002</u>	<u>2,057</u>	<u>36,059</u>

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

Valuation techniques used to classify assets and liabilities as level 1

The majority of the equity securities held by the registered scheme are valued using quoted prices in active markets, and these 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:

- Foreign exchange 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
- Certain P-Notes/warrants 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
30 June 2020

Note 11 Key Management Personnel Disclosures

AASB 124: *Related Party Disclosures* defines key management personnel as “persons having authority and responsibility for planning, directing and controlling activities of the entity”. The only employees that have this authority and responsibility are the Directors of Platinum Investment Management Limited.

Key management personnel (KMP)

The following persons were key management personnel of Platinum Investment Management Limited during the financial year up to 30 June 2020:

Andrew Clifford
Elizabeth Norman
Andrew Stannard

There are no other key management personnel within Platinum Investment Management Limited.

There were no other persons with responsibility for planning, directing and controlling the activities of the responsible entity, directly or indirectly during the financial year.

Service Agreements

The Directors do not have service agreements as they are employees of Platinum Investment Management Limited.

Note 12 Related Parties

Responsible Entity

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 is the responsible entity of the registered scheme.

Directors of the Responsible Entity

The listing of KMP is shown in Note 11.

Transactions with key management personnel

Key management personnel services are provided by Platinum Investment Management Limited and included in the responsible entity fees below. There was no compensation paid directly by the registered scheme to any of the key management personnel.

Responsible Entity Fees

Fees paid by the registered scheme include management fees (calculated at 1.35% per annum (2019:1.35%) exclusive of GST of the registered schemes' net asset value and payable monthly). The fees, exclusive of GST, are as follows:

	2020	2019
	\$	\$
Fees for the year paid and payable by the registered scheme to the responsible entity	613,752	636,315
Aggregate amounts payable by the registered scheme at reporting date	48,214	49,372

Platinum Global Fund
Notes to the Financial Statements
30 June 2020

Note 12 Related Parties (continued)

Related party unitholdings

Units held by related parties of the registered scheme are as follows:

Unitholder	No. of Units held opening	Investment (cum- distribution) (\$)	Interest held (%)	No. of Units acquired	No. of Units Disposed /*Transferred out as Kerr Neilson was no longer a related party on 23 July 2018	No. of Units held closing	Distributions paid/payable by the Fund (\$)
30 June 2020							
Key management personnel	-	-	-	-	-	-	-
Other related parties	5,920,243	7,331,629	18.31	290,652	-	6,210,895	343,783
	<u>5,920,243</u>	<u>7,331,629</u>	<u>18.31</u>	<u>290,652</u>	<u>-</u>	<u>6,210,895</u>	<u>343,783</u>
30 June 2019							
Key management personnel	5,000,000	-	-	-	5,000,000	-	-
Other related parties	5,578,878	7,509,170	15.44	341,365	-	5,920,243	433,841
	<u>10,578,878</u>	<u>7,509,170</u>	<u>15.44</u>	<u>341,365</u>	<u>5,000,000</u>	<u>5,920,243</u>	<u>433,841</u>

* Kerr Neilson's interest has been excluded from the date of his resignation from the Platinum Investment Management Limited board on 23 July 2018.

Note 13 Reconciliation of Net Profit to Net Cash Inflow from Operating Activities

(a) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes deposits at call, cash at bank and short term investments with maturities of 90 days or less. Cash at the end of the year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2020 \$'000	2019 \$'000
Cash and cash equivalents	2,857	12,542
Cash on deposit held within the portfolio	-	74
	<u>2,857</u>	<u>12,616</u>

The registered scheme maintains bank accounts at various locations throughout the world to enable the settlement of purchases and sales of investments and to conduct other normal banking transactions. All accounts are at call and

Platinum Global Fund
Notes to the Financial Statements
30 June 2020

Note 13 Reconciliation of Net Profit to Net Cash Inflow from Operating Activities (continued)

the majority bears floating interest rates in the range of -1.75% to 0.05%. Information in relation to the registered scheme's exposures to interest rate risk is provided in Note 9.

(b) Non Cash Financing Activities

	2020	2019
	\$'000	\$'000
During the year, the following distribution payments were reinvested in additional units	649	952

(c) Reconciliation of Net Cash from Operating Activities to Operating Profit

	2020	2019
	\$'000	\$'000
Net operating loss	(1,004)	(411)
(Decrease)/ increase in investments	(959)	7,577
Decrease in exchange rates	(668)	(464)
(Increase)/decrease in settlements receivable	(110)	380
(Increase)/decrease in dividends and tax refund receivable	(12)	24
Decrease in interest receivable	3	1
Decrease/(Increase) in other receivables	26	(35)
(Decrease)/increase in settlements payable	(82)	82
(Decrease)/Increase in interest payable and other payable	(2)	2
Decrease in management payable	(1)	(7)
Net Cash Flows from operating activities	(2,809)	7,149

Note 14 Events Occurring after the Statements of Financial Position Date

No significant events have occurred since Statement of Financial Position date that would impact the financial position of the registered scheme as at 30 June 2020 and the results of the year ended on that date.

Note 15 Contingent Assets, Liabilities and Commitments

The registered scheme has no contingent assets, liabilities or commitments as at 30 June 2020.

**Platinum Global Fund
Directors' Declaration
As at 30 June 2020**

In the opinion of the Directors of the responsible entity:

- (a) the financial statements and notes set out on pages 5 to 23 are in accordance with the *Corporations Regulations 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the registered scheme's financial position as at 30 June 2020 and of its performance for the financial 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; and
- (c) Note 2 (a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Andrew Stannard
Director

Sydney
31 August 2020



Independent auditor's report

To the unitholders of Platinum Global Fund

Our opinion

In our opinion:

The accompanying financial report of Platinum Global Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity are responsible for the preparation of the 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 determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intends to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'CJ Cummins', written in a cursive style.

CJ Cummins
Partner

Sydney
31 August 2020