

Facts

Portfolio value	\$11.14 bn
Fund commenced	30 April 1995
Minimum investment	A\$20,000 or NZ\$20,000
Regular Investment Plan (min.)	A\$200 or NZ\$200 per mth/qtr
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Unit prices	App - 2.1004 Red - 2.0899

Performance¹

	FUND %	MSCI %
1 month	2.90	5.47
3 months	5.41	7.60
6 months	(2.68)	0.03
Calendar year to date	(0.94)	2.28
1 year	(5.55)	(0.07)
2 years (compound pa)	9.39	12.99
3 years (compound pa)	12.50	15.50
5 years (compound pa)	11.77	13.60
7 years (compound pa)	9.18	11.10
10 years (compound pa)	6.86	4.73
Since inception (compound pa)	12.65	6.28

Fees

Entry fee	Nil
Exit fee	Nil
Management Expense Ratio/ Indirect Cost Ratio (MER/ICR)	1.54% per annum (inclusive of investment & administration costs)
Brokerage paid	Nil
Buy/sell spread	0.5% total

Performance graph²

Invested positions³

	LONG %	NET %	CURRENCY %
Australia	0.8	0.8	13.9
Austria	0.4	0.4	
Canada	0.7	0.7	1.6
China	5.0	5.0	(3.1)
China Ex PRC	13.0	13.0	
Hong Kong	0.8	0.8	10.8
France	4.4	4.4	
Germany	2.7	2.7	
Hungary	0.2	0.2	0.2
India	5.8	5.8	5.9
Italy	4.4	4.4	
Japan	11.0	11.0	6.9
Korea	4.7	4.7	2.4
Malaysia	0.6	0.6	0.6
Norway	0.9	0.9	3.7
Russia	1.2	1.2	
Singapore	0.2	0.2	0.1
Sweden	1.8	1.4	1.9
Switzerland	1.1	1.1	1.1
Thailand	0.3	0.3	0.3
United Kingdom	5.7	5.7	3.8
United States	21.4	9.1	41.7
	87.1	74.4	
China Renminbi Off Shore			(5.9)
Euro Currency			14.1
Cash & Accruals	12.9	25.6	
Total	100.0	100.0	100.0

Long - 131 stocks, 4 swaps, 1 bond Short - 6 stocks, 2 indices

Top ten positions⁴

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co Ltd	Korea	Info Technology	2.9
Alphabet Inc	USA	Info Technology	2.8
Tencent Holdings Ltd	China Ex PRC	Info Technology	2.7
AstraZeneca PLC	UK	Health Care	2.2
Sanofi SA	France	Health Care	2.1
Intesa Sanpaolo SpA	Italy	Financials	2.1
Cisco Systems Inc	USA	Info Technology	2.1
PICC Property & Casualty Co	China Ex PRC	Financials	2.0
Paypal Holdings Inc	USA	Info Technology	2.0
Carnival Corp	UK	Cons Discretionary	1.9

Industry breakdown³

SECTOR	LONG %	NET %
Info Technology	23.4	23.4
Financials	14.7	14.7
Cons Discretionary	12.2	11.0
Health Care	9.9	9.9
Consumer Staples	5.8	4.4
Energy	5.6	5.6
Industrials	5.6	5.2
Materials	4.1	4.1
Telecom Services	3.3	3.3
Utilities	2.7	2.7
Other*	0.0	(9.7)

* Includes index short positions

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No company and the directors in the Platinum Group® guarantee the performance of the Fund, the repayment of capital, or the payment of income. To the extent permitted by law, no liability is accepted by any company of the Platinum Group and their directors for any loss or damage as a result of any reliance on this information.

1. Investment returns are calculated using the Fund's unit price and represent the combined income and capital return for the specified period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax, and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Fund and other risk factors associated with investing, investment returns can be negative (particularly in the short-term).

2. The investment returns depicted in this graph are cumulative on A\$20,000 invested in the Fund since inception relative to the MSCI All Country World Net Index in A\$ ("Index") (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist). The investment returns are calculated using the Fund's unit price. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax, and assume the reinvestment of distributions. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably to the make-up of the Index. The Index is provided as a reference only.

3. The Long% represents the exposure to physical holdings, corporate fixed income securities and long stock derivatives. The "Net %" represents the exposure of physical holdings and both long and short derivatives. The "Currency %" represents the currency exposure for the Fund's Portfolio, taking into account currency hedging.

4. Top Ten positions shows the Fund's top long share exposure positions. Long derivative exposures are included, however, short derivative exposures are not.

Platinum International Fund

Platinum's approach



Current US valuations predict low future returns



Key Chinese Consumer-facing holdings



Platinum's current portfolio: key themes



Market update and Commentary

The Fund has delivered a disappointing -5.6% over the last year while the market return, in A\$, aided by our weak local currency, has been zero.

The reason for this loss can primarily be attributed to asset allocation rather than stock selection. The US market which looms largest, at over 50% of the benchmark, but less than 20% of global economic activity, delivered 7% (1% in local) while the Rest of the World was down 6%. Our portfolio has been heavily skewed towards Asia, Europe and Japan, where we find assets more reasonably priced.

With this skew in weightings, our performance can be placed in context. While the China A-share market has fallen 37% in the last year, outside of our insurance stocks which were hit hard, our Chinese holdings were down around 6% on average. Exposure to Chinese domiciled companies cost the Fund 2.5% over 12 months. We believe that our holdings in strong consumer-facing companies with strong balance sheets are well-placed within the context of a country going through tremendous change. We also note that those following markets professionally are aware of China's financial problems, and the questions are focused around how it unfolds and who will take the pain. Our assessment is that the strongest businesses will be able to grow over the medium term and are priced attractively. We cannot know the path of their share prices so are alert to the risks of a bumpy ride.

On the other hand, our lack of exposure to the US, outside of technology, and stock-specific ideas like Coke and McDonald's, is predicated on valuation. Using the cyclically adjusted P/E for this market, we note that it has only been more expensive on three occasions – 1929, which preceded an 85% market rout; from 1997 into the peak of the tech bubble, which saw a 40% fall; and in the lead up to the GFC, where the market fell 60%. It does not seem prudent to add to US market exposure at this time. We have a short on the broader market to provide some portfolio smoothing in the event of a market sell-off. Our shorting has made a positive contribution of 1% over the last 12 months.

When we look at the Fund's valuation, the weighted median forward P/E is 14X. This compares with the US S&P500 Index on about 18X (higher if one uses GAAP accounting) and the structurally compromised Australian market on 17X. As price is the best predictor of future returns, we are comfortable with the portfolio's valuations. When we do a deeper analysis of the long portion of the portfolio, we own stocks that are of higher quality, faster growing and have less debt than the opportunity set, yet it is also cheaper. Relative to the global opportunity set it is as strong a portfolio as we have owned over the last 20 years (see the 31 March 2016 Quarterly Report for more detail) and we believe this bodes well, with some firepower (cash), protection (shorts) and currency management overlaid – the tools at our disposal will be critical in what we believe will be a low market return environment in the years ahead.

Our recent investor and adviser roadshow addressed this in much detail, and The Journal section of our website (www.platinum.com.au) has a lot of relevant content that provides the context.