

Platinum Global Fund

ARSN 600 630 537

Financial Report - 30 June 2015

Platinum Global Fund
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30 June 2015

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**Platinum Global Fund
Responsible Entity Report
30 June 2015**

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*" or "*scheme*"), present their report on the registered scheme from the date of registration on 22 July 2014 to 30 June 2015. This is the first Annual Report for Platinum Global Fund.

Principal Activities

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

The registered scheme may use derivatives to manage its foreign currency exposure. The registered scheme's investment objective is to provide capital growth over the long-term through searching out undervalued listed (and unlisted) investments around the world.

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

Directors of the Responsible Entity

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

Kerr Neilson
Andrew Clifford
Elizabeth Norman (appointed on 25 May 2015)
Philip Howard (until his resignation on 25 May 2015)
Andrew Stannard (appointed on 10 August 2015)

Significant Changes in the State of Affairs

There were no significant changes to the state of affairs of the registered scheme during the period, not otherwise disclosed in this report or the financial statements.

Operating and Financial Review (OFR)

The scheme was registered on 22 July 2014 and commenced trading on 5 September 2014. The Fund was seeded with a total of \$10 million and the Net Asset Value (cum-distribution) (NAV) of the Fund at 30 June 2015 was \$21.5 million. For the period to 30 June 2015 (since inception), the scheme generated a return of 20.2%. The benchmark MSCI AC World Index (A\$) achieved 20% over the same period.

The redemption price and distribution at 30 June 2015 was as follows:

	\$'000
Redemption price – (cum-distribution) at 30 June 2015	1.1986
Distribution payable	602
Distribution (cents per unit)	3.37

The Investment Manager expects to find interesting opportunities with robust growth potential and will deploy funds towards these stocks as opportunities present themselves, in order to increase the scheme's NAV. The method of operating the registered scheme is not expected to change in the foreseeable future.

The Investment Manager has recently reported that "we have placed its faith in the opportunities of Asia, with Japan achieving strong profit growth, an expectation that there will be a turn-up in profitability among Indian companies as the economy begins to expand, and China with its deep reforms and on-going transformation into a more service oriented economy".

Matters subsequent to the end of the period

Except as disclosed in the financial report, no other matter or circumstance has arisen since 30 June 2015 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 states of affairs of the registered scheme in future years.

**Platinum Global Fund
Responsible Entity Report (continued)
30 June 2015**

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 period 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 period.

Units on issue

The movements in units on issue in the registered scheme during the period have been disclosed in Note 6 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 the Australian Securities & Investments Commission's Class Order 98/0100 (as amended) and consequently amounts in the Responsible Entity Report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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 5.

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

Kerr Neilson
Director

Sydney
24 August 2015



Auditor's Independence Declaration

As lead auditor for the audit of Platinum Global Fund for the year ended 30 June 2015, 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.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
24 August 2015

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Platinum Global Fund
Statement of Comprehensive Income
For the period ended 30 June 2015

	22 Jul 14 to 30 Jun 15 \$'000
	Note
Investment income	
Dividends	321
Interest	10
Net gains on financial assets at fair value through profit or loss	1,823
Net foreign exchange gains on forward currency contracts	287
Net foreign exchange gains on bank accounts	136
Total net investment income	<u>2,577</u>
Expenses	
Management fee	169
Administration fee	12
Withholding tax on foreign dividends	20
Transaction costs	46
Total expenses	<u>247</u>
Net operating profit	<u>2,330</u>
Financing Costs	
Net operating profit attributable to unitholders	2,330
(Increase) in net assets attributable to unitholders	6 (1,728)
Distribution payable	7 <u>(602)</u>
Net profit for the period	-
Other comprehensive income	-
Total comprehensive income	<u><u>-</u></u>

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

Platinum Global Fund
Statement of Financial Position
For the period ended 30 June 2015

	Note	30 Jun 15 \$'000
Assets		
Cash and cash equivalents	13(a)	2,401
Receivables	8	20
Financial assets at fair value through profit or loss	5	<u>19,109</u>
Total Assets		<u>21,530</u>
Liabilities		
Unitholders' distribution payable	7	602
Payables	9	28
Financial liabilities at fair value through profit or loss	5	<u>35</u>
Total Liabilities (excluding net assets attributable to unitholders)		<u>665</u>
Net Assets Attributable to Unitholders	6	<u><u>20,865</u></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 period ended 30 June 2015**

	30 Jun 15 \$'000
Total equity at the beginning of the period	-
Profit/(loss) for the period	-
Other comprehensive income	-
Total comprehensive income for the period	-
Transactions with equity holders	-
Total equity at the end of the period	-

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

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

Platinum Global Fund
Statement of Cash Flows
For the period ended 30 June 2015

	22 Jul 14	To
		30 Jun 15
	Note	\$'000
Cash flows from operating activities		
Purchase of financial assets		(23,912)
Proceeds from sale of financial assets		6,927
Interest received		10
Dividends received		303
Manager's fees paid		(153)
Other expenses paid		(48)
Net cash outflow from operating activities	13(c)	<u>(16,873)</u>
Cash flows from financing activities		
Proceeds from units issued		19,158
Payment for units redeemed		(21)
Net cash inflow from financing activities		<u>19,137</u>
Net increase in cash and cash equivalents		2,264
Cash and cash equivalents at beginning of the period		-
Effects of exchange rate changes on cash and cash equivalents		137
Cash and cash equivalents at the end of the period	13(a)	<u><u>2,401</u></u>

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

Platinum Global Fund
Notes to the Financial Statements
For the period ended 30 June 2015

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 was registered on 22 July 2014 and commenced trading on 5 September 2014. This is the first set of financial statements, and because the registered scheme commenced trading during the year, no comparative financial information can be presented.

The registered scheme may be wound up on the day immediately preceding the 80th anniversary of the date of commencement, 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 24 August 2015. 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 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 the basis of fair value measurement of assets and liabilities, except where otherwise stated.

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 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 are presently entitled to the income of the Fund.

The benefits of any offsets for foreign tax paid are passed on to unitholders.

Note 2 Summary of Significant Accounting Policies (continued)

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

Under AASB 139: *Financial Instruments: Recognition and Measurement*, investments are classified in the registered scheme's Statement of Financial Position as "financial assets at fair value through profit or loss". Derivatives and foreign currency contracts are classified as financial instruments "held for trading" and equity securities are designated at fair value through profit or loss upon initial recognition. The registered scheme has applied AASB 13 *Fair Value Measurement*. AASB 13 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". AASB 13 increases transparency about fair value measurements, including the valuations techniques and inputs used to measure fair value.

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 last-sale 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.

AASB 13 also requires reporting entities to disclose its valuation techniques and inputs. This is described below.

Fair value in an active market

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. Financial assets are valued using "last-sale" pricing. Gains and losses arising from changes in the fair value of the financial assets/liabilities are included in the Statement of Comprehensive Income in the period they arise.

Forward currency contracts are initially recognised at fair value on the date contracts are entered into and are subsequently remeasured at each reporting date. The fair value is the unrealised profit or loss on the foreign currency position (in Australian dollars).

Fair value in an inactive market or unquoted market

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.

Recognition/derecognition

The registered scheme recognises financial assets on the date they become party to the purchase contractual agreement (trade date) and recognise changes in fair value of the financial assets from this date.

The registered scheme no longer recognises financial assets on the date they become party to the sale contractual agreement (trade date).

(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 on issue give the unitholder a right to redeem units at the redemption price. The registered scheme has more than one class of unit on issue. Therefore, net assets attributable to unitholders are considered a liability rather than equity. The liability represents the balance of the net assets of the registered scheme at reporting date. As unitholders' funds are classed as a liability under Australian Accounting Standards, it will be necessary to recognise "(increase)/decrease in net assets attributable to unitholders" in the Statement of Comprehensive Income as a financing cost.

Note 2 Summary of Significant Accounting Policies (continued)

(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 for the Statement of Financial Position are translated at exchange rates at the closing rate at the date of the Statement of Financial Position. Resulting exchange differences are brought to account in determining profit and loss for the period.

(g) Investment income

Interest Income

Interest income is recognised in the Statement of Comprehensive Income, using the nominated 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.

(h) Distributions

In accordance with the registered scheme's Constitution, the registered scheme fully distributes any distributable income to unitholders by cash or reinvestment. Distributable income is determined by reference to the taxable income of the registered scheme.

(i) Receivables

All receivables are recognised when a right to receive payment is established. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised where there is evidence the amount will not be collected.

(j) Payables

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

(k) 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.

(l) Rounding of amounts to the nearest thousand dollars

The registered scheme is of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/0100 (as amended) and consequently amounts in the Responsible Entity Report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(m) Goods and Services Tax (GST)

The GST paid on the costs of various services provided to the registered scheme, such as Investment Management fees, has 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.

(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.

Note 2 Summary of Significant Accounting Policies (continued)

(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) Due to/from brokers for unsettled trades

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

(q) Offsetting a financial asset and a financial liability

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where 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.

Please refer to Note 10(g) for further information.

(r) New accounting standards and interpretations

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 annual reporting period ended 30 June 2015. The registered scheme's assessment of the impact of the one new or amended Accounting Standard and Interpretation, most relevant to the registered scheme, is set out below.

AASB 9 Financial Instruments (and applicable amendments)

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 is not applicable until 1 January 2018. The standard has been assessed as not having a significant impact on the recognition and measurement of the registered scheme's financial instruments as the financial instruments are carried at fair value through profit or loss.

AASB 15 Revenue from contracts with customers

The main objective of this new standard is to provide a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The registered scheme's main sources of income are gains on equities and derivatives, forward currency contracts and overseas bank accounts, as well as interest and dividend income. All of these income types are outside the scope of the standard. The standard was assessed as not having a material impact on the registered scheme in the current or future reporting period.

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

Platinum Global Fund
Notes to the Financial Statements
30 June 2015

Note 3 Auditor's Remuneration

	22 Jul 14
	To
	30 Jun 15
	\$
Auditing of the financial report	15,000
Auditing the Compliance Plan	5,000
Taxation and regulatory services – Compliance	9,834
	<u>29,834</u>

In 2015, Auditor's Remuneration was paid by the responsible entity and reimbursed by the registered scheme via the administration fee.

Note 4 Taxation

Under current tax legislation, the registered scheme is not subject to income tax, as taxable income (including assessable net realised capital gains) is distributed in full to unitholders.

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss

	30 Jun 15
	\$'000
Financial assets	
Equity securities	19,090
Forward currency contracts	19
	<u>19,109</u>
Financial liabilities	
Forward currency contracts	35
	<u>35</u>
Total of financial assets less liabilities	<u><u>19,074</u></u>

For 30 June 2015, all equity securities are valued using "last" pricing.

Note 6 Net Assets Attributable to Unitholders

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

	22 Jul 14
	To
	30 Jun 15
	\$'000
Opening balance	-
Applications during the period	19,158
Redemptions during the period	(21)
Increase in net assets attributable to unitholders	1,728
Closing balance	<u>20,865</u>
	Units
	'000
Opening balance	-
Number of units issued during the period	17,881
Number of units redeemed during the period	(17)
Closing balance	<u>17,864</u>

Platinum Global Fund
Notes to the Financial Statements
30 June 2015

Note 7 Distributions Payable

	30 Jun 15 \$'000
The distributions were payable as follows:	
30 June final payable	<u>602</u>

Note 8 Receivables

	30 Jun 15 \$'000
GST receivable	2
Dividends receivable	16
Dividend tax refund receivable	<u>2</u>
	<u><u>20</u></u>

Proceeds on sale of investments are usually received between 2 and 5 days after trade date. Interest is usually received within 3 days of becoming receivable and dividends are usually received within 75 days of the ex-dividend date.

Information relating to the ageing of receivables for 2015 is provided in Note 10.

Note 9 Payables

	30 Jun 15 \$'000
Management and administration fees	<u>28</u>
	<u><u>28</u></u>

Payables on purchase of investments are usually paid between 2 and 5 days after trade date. Information relating to the registered schemes' exposures of payables to liquidity risk is provided in Note 10.

Note 10 Financial Risk Management

(a) Financial Risk Management Objectives, Policies and Processes

The registered scheme's primary risks are related to the investment activities undertaken on its behalf by the responsible entity. The risks that the scheme is exposed to include market risk (including foreign exchange currency risk and price risk), credit risk and liquidity risk.

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.

Note 10 Financial Risk Management (continued)

(b) Investments at Fair Value

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

	30 Jun 15 \$'000
Japan	2,416
Other Asia	8,451
Europe – Euro	1,939
Europe – Other	2,290
North America	3,994
	<u>19,090</u>

(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 currency(ies). At 30 June 2015, the portfolio remains heavily hedged back into US Dollars (64%, including 10% in Hong Kong Dollars), with 12% in various European currencies, including the Norwegian Krone and Swiss Francs. The scheme's exposure to the Japanese Yen remains low and it had 10% in the Australian Dollar prior to the 30 June cash distribution.

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 hedged using a different currency from which the exposure is maintained (for example, US dollar hedges 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).

Note 10 Financial Risk Management (continued)

(c) Market Risk (continued)

(i) Foreign Exchange Risk (continued)

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

	30 Jun 15			Net Exposure \$'000
	Physical \$'000	Bought \$'000	Sold \$'000	
Japan	2,403	-	(1,510)	893
Other Asia	3,967	-	-	3,967
Australia	2,075	-	-	2,075
Europe – Euro	1,807	57	(592)	1,272
Europe – Other	1,525	401	(634)	1,292
North America	9,698	2,409	(131)	11,976
	<u>21,475</u>	<u>2,867</u>	<u>(2,867)</u>	<u>21,475</u>

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 79 to 344 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.

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.

	30 Jun 15	30 Jun 15
	+10% \$'000	-10% \$'000
United States Dollar	(1,054)	1,289
Hong Kong Dollar	(187)	229

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. Throughout 2014/2015, the registered scheme has had minimal exposure to the Australian Dollar, whilst emphasising stronger currencies, such as the United States Dollar.

Note 10 Financial Risk Management (continued)

(c) Market Risk (continued)

(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. Therefore, there is no liability exposure to interest rate risk.

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. This is not capable of precise estimation. The impact of interest rate movements on our investments is also not capable of precise estimation.

At 30 June 2015, 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.

Platinum Asset Management's stock selection process is core to the management of price risk. Moreover, whilst we use the MSCI 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). Platinum adopts a thematic stock selection approach and is referred to as an "active manager". Platinum 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 Platinum seek to outperform the market as represented by an appropriate index.

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 equity index or indices affecting the market that the registered scheme invests in, with all other variables held constant is indicated as follows:

	30 Jun 15 +10% \$'000	30 Jun 15 -10% \$'000
United States S&P	537	(537)
Luxembourg LUXX	260	(260)
Japanese Topix	242	(242)
Hong Kong Hang Seng	182	(182)
Korean KOSPI	133	(133)

If all other markets moved +/- 10% the impact would be \$309,000/(\$309,000).

A sensitivity of 10% has been selected as this is considered reasonably possible. However, given the volatility of the 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 index or indices. The index or indices provided above is a reference point only. Actual movements in stock prices may vary significantly to movements in the index.

An investment management style where the composition of the portfolio is by reference to global share index weightings is often referred to as an "index manager". An index manager tries to match a particular index by investing in securities that are representative of that index.

Note 10 Financial Risk Management (continued)

(c) Market Risk (continued)

(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	30 Jun 15 \$'000
AA-		1,754
A+		1,476
A		2,052
A-		271
BBB+		551
		<u>6,104</u>

(Source: Platinum and Standard & Poor's)

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 and net settlement contracts, 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.

Ageing analysis of receivables

The registered scheme's ageing analysis of receivables (disclosed in Note 8) at 30 June 2015 is as follows:

Ageing	30 Jun 15 \$'000
0-30 days	2
31-60 days	12
61-90 days	-
90+ days	6
	<u>20</u>

The amounts 90 days and over are past due, but no receivables are impaired.

Note 10 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 readily disposed.

Contractual maturity analysis

(i) Non-financial liabilities

The amounts below represent the contractual maturity of non-financial liabilities. Note that net assets attributable to unitholders are only included in the maturity analysis below because, under Australian Accounting Standards, unitholders' equity is classified as a liability. For management purposes, net assets attributable to unitholders are not an operating liability.

	30 Jun 15 \$'000
Payable within 3 months	
Management and administration fees	28
Unitholders' distribution payable	<u>602</u>
Operating liabilities	630
Net assets realisable in 1 year or less to meet operating liabilities	<u>21,495</u>
Net assets attributable to unitholders	20,865

Assets realisable in 1 year or less include equities, foreign currency contracts and cash and cash equivalents.

(ii) Financial liabilities

The amounts below represent the maturity of foreign exchange outflows based on the position at 30 June.

	30 Jun 15 \$'000
Payable within 3 months	
Forward currency contracts	<u>35</u>
	<u>35</u>

At 30 June 2015, there are no other contractual amounts due or payable after 1 year.

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.

Note 10 Financial Risk Management (continued)

(f) 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, pursuant to AASB 13, on a recurring basis:

- equity securities; and
- forward currency contracts.

The table below analyses within the fair value hierarchy model, the registered scheme's assets and liabilities measured at fair value at 30 June 2015. The registered scheme has no assets or liabilities classified as level 3.

30 June 2015	Level 1 \$'000	Level 2 \$'000	Total \$'000
Financial assets			
Equity securities	15,388	3,702	19,090
Forward currency contracts	-	19	19
	<hr/> 15,388	<hr/> 3,721	<hr/> 19,109
Financial liabilities			
Forward currency contracts	-	35	35
	<hr/> -	<hr/> 35	<hr/> 35
Total of financial assets less liabilities	<hr/> <hr/> 15,388	<hr/> <hr/> 3,686	<hr/> <hr/> 19,074

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 period. There were no transfers between levels 1 and 2 for any assets or liabilities measured at fair value during the period.

Valuation techniques used to classify assets and liabilities as level 1

Nearly all of the equity securities held by the registered scheme are valued using quoted prices in active markets. 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:

- 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.

Note 10 Financial Risk Management (continued)

(g) Offsetting Financial Assets and Financial Liabilities

The registered scheme enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, when a credit event occurs (e.g., default), all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the Statements of Financial Position, as the registered scheme does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Amounts offset in the Statement of Financial Position			Related amounts not set-off in the Statement of Financial Position		
	Gross amounts \$'000	Gross amounts set-off in the Statement of Financial Position \$'000	Net amounts presented in the Statement of Financial Position \$'000	Financial Instruments (1) \$'000	Cash Collateral \$'000	Net Amount \$'000
Financial assets						
30 June 2015						
Forward currency contracts	19	-	19	(19)	-	-
			19			
Financial liabilities						
30 June 2015						
Forward currency contracts	35	-	35	(19)	(16)	-
	35	-	35	(19)	(16)	-

(1) Shows the impact of arrangements between the registered scheme and the relevant counterparty on financial instruments that provide a right to set-off that becomes enforceable and affects settlement of individual financial assets and liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business. These arrangements are not set-off in the Statement of Financial Position, as they are not currently enforceable.

(h) Capital Risk Management

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

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

The following persons were key management personnel of Platinum Investment Management Limited during the period up to 30 June 2015:

Kerr Neilson
Andrew Clifford
Elizabeth Norman (appointed on 25 May 2015)
Philip Howard (until his resignation on 25 May 2015)

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

Platinum Global Fund
Notes to the Financial Statements
30 June 2015

Note 11 Key Management Personnel Disclosures (continued)

Key management personnel compensation

The Directors are all employees of Platinum Investment Management Limited and are paid remuneration in their capacity as employees of Platinum Investment Management Limited. The Directors are not compensated by the registered scheme. The total remuneration paid in aggregate terms is as follows:

	2015
	\$
Cash salary	1,275,000
Increase/(decrease) in annual and long service leave (1)	(20,843)
Short and long-term incentives	1,125,000
Post-employment benefits - superannuation	<u>56,352</u>
	<u>2,435,509</u>

(1) These amounts were not received as cash or as compensation by the Directors.

Service Agreements

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

Related parties

Disclosures relating to manager's fees payable to Platinum Investment Management Limited are set out in note 12.

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

Key management personnel include persons who were Directors of Platinum Investment Management Limited at any time during the financial period as follows:

Kerr Neilson
Andrew Clifford
Elizabeth Norman (appointed on 25 May 2015)
Philip Howard (until his resignation on 25 May 2015)

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

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.

Platinum Global Fund
Notes to the Financial Statements
30 June 2015

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	No. of Units held closing	Investment (cum- distribution) (\$)	Interest held (%)	No. of Units acquired	No. of Units disposed	Distributions paid/payable by the Fund (\$)
30 June 2015							
Key management personnel	-	5,000,000	5,993,000	27.99	5,000,000	-	168,485
Other related parties	-	5,517,657	6,613,464	30.89	5,517,657	-	185,439
	-						

Responsible Entity Fees

Fees paid by the registered schemes include management fees (calculated at 1.44% per annum inclusive of GST of the registered schemes' net asset value and payable monthly) and administration fees (calculated at 0.10 % per annum inclusive of GST of the registered schemes' net asset values and payable monthly). The fees, exclusive of GST, are as follows:

	22 Jul 14 to 30 Jun 15 \$
Fees for the period expensed by the registered schemes to the responsible entity	<u>180,556</u>
Aggregate amounts payable by the registered schemes at reporting date	<u>28,370</u>

Note 13 Reconciliation of Net Profit/(Loss) 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 and cash at bank. Cash at the end of the period, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	30 Jun 15 \$'000
Cash and cash equivalents	<u>2,401</u> <u>2,401</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 the majority bears floating interest rates in the range of -1.0% to 1.9%. Information in relation to the registered scheme's exposures to interest rate risk is provided in Note 10.

(b) Non Cash Financing Activities

	30 Jun 15 \$'000
During the period, the following distribution payments were reinvested in additional units	<u>142</u>

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

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

	30 Jun 15
	\$'000
Net operating profit/(loss)	2,330
(Increase)/decrease in investments	(19,074)
(Increase)/decrease in exchange rates	(137)
(Increase)/decrease in dividends and tax refund receivable	(18)
(Increase)/decrease in other receivables	(2)
Increase/(decrease) in management and administration fees payable	28
Net Cash Flows from operating activities	<u><u>(16,873)</u></u>

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 2015 and the results of the period 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 2015.

Platinum Global Fund
Statement of Net Asset Value
As at 30 June 2015

Reconciliation of Net Asset Value before unitholders' liability, in accordance with Australian Accounting Standards, to the Redemption Value:

	30 Jun 15
	\$'000
Net assets attributable to unitholders per Statements of Financial Position	<u>20,865</u>
Distributions payable to unitholders	602
Redemption cost of financial assets	<u>(54)</u>
Net Asset Value for redemption purposes	<u>21,413</u>
Redemption price	<u><u>1.1986</u></u>

**Platinum Global Fund
Directors' Declaration
30 June 2015**

In the Directors' opinion, the financial statements and notes of Platinum Global Fund:

- (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;
 - (ii) giving a true and fair view of the financial position of the registered scheme as at 30 June 2015 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the period 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.

Kerr Neilson
Director

Sydney
24 August 2015



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

Report on the financial report

We have audited the accompanying financial report of Platinum Global Fund (the registered scheme), which comprises the Statement of Financial Position as at 30 June 2015, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

Directors' responsibility for the financial report

The Directors of Platinum Investment Management Limited (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 determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



- (a) the financial report of Platinum Global Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the registered scheme's financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney
24 August 2015