Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

(compound pa, to 30 June 2018)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	2%	18%	13%	13%	13%
MSCI AC World Index	4%	15%	10%	14%	3%

Net of accrued fees and costs. Refer to note 1, page 5.
*C Class – standard fee option. Inception date: 18 May 2000.
Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.

The past quarter was a tumultuous one for the market, and the Fund was not immune to the many events that led to a whipsawing effect in various market regions, sectors, and sub-sectors. For the quarter, the Fund (C Class) produced a return of +2.3%, compared with +4.4% by the MSCI AC World Net Index (A$). This reflects a relative deterioration in performance of more than 4% in the month of June following a reasonably productive first two months of the quarter. Over the last year, the Fund has returned +18%, which compares favourably to the index's +15% performance over the same period.

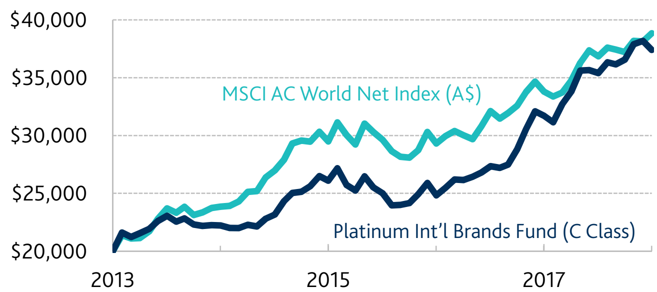
Disposition of Assets

REGION	30 JUN 2018	31 MAR 2018	30 JUN 2017
Asia	33%	38%	35%
North America	18%	18%	15%
Europe	13%	17%	17%
Japan	10%	12%	9%
Russia	4%	5%	2%
Latin America	2%	3%	5%
Africa	<1%	1%	<1%
Cash	20%	6%	16%
Shorts	-15%	-18%	-10%

Source: Platinum Investment Management Limited. See note 3, page 5.

Value of $20,000 Invested Over Five Years

30 June 2013 to 30 June 2018



Fund returns are net of accrued fees and costs. Refer to note 2, page 5.
Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Facebook	USA	IT	5.0%
Alibaba Group	China	IT	4.6%
Asahi Group Holdings	Japan	Consumer Staples	4.0%
Alphabet Inc	USA	IT	3.8%
Jiangsu Yanghe Brewery	China	Consumer Staples	3.4%
Callaway Golf	USA	Consumer Discretionary	3.1%
Ain Holdings Inc	Japan	Consumer Staples	3.0%
Sberbank of Russia	Russia	Financials	2.9%
Guangzhou Baiyunshan	China	Health Care	2.9%
Lixil Group	Japan	Industrials	2.8%

As at 30 June 2018.
Source: Platinum Investment Management Limited. See note 4, page 5.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pibf.

The Fund's performance first took a hit in April owing to deteriorating sentiment in relation to Russian equities as a result of Trump's latest round of sanctions (discussed in more detail in the Platinum European Fund quarterly report). Our positions in Sberbank and Qiwi, each falling -18% in local currency for the quarter,[1] suffered investor displeasure as a result, despite the sanctions having limited to no direct impact on these strong businesses.

Trump struck again later in the quarter with actions that could be the first salvo in a global trade war, and that run the risk of destabilising an otherwise strong global economy. Tariffs on steel and aluminium came first at the beginning of June, followed by the imposition of tariffs on US$50 billion of Chinese imports in mid-June, and then further rhetoric later in the month around retaliation to China's response to this action, floating further tariffs on as much as another US$200 billion of Chinese imports. Later in the month he also began to speak out on imports of European automobiles and automobile parts, floating the potential for a 20%-25% tariff on these goods. This was obviously negative for our positions in BMW (-8% in the quarter) and Hyundai preferred shares (-3%). At the time of writing, the European Commission has submitted a document to the US Department of Commerce, warning of retaliation against as much as US$300 billion of US goods should Trump proceed with his plan. This would be a significant escalation from the EU's very targeted response to Trump's initial round of steel and aluminium tariffs, where they imposed measures against goods such as Brown-Forman's Jack Daniel's Tennessee Whiskey along with Harley-Davidson's namesake large motorcycles.

With headlines like these, and in light of the increase in US interest rates and monetary tightening in China, it is perhaps understandable that emerging markets suffered a particularly brutal sell-off in June, as reflected in the record US$3 billion of outflows from the iShares MSCI Emerging Markets exchange-traded fund in the week ended June 22.[2] Thankfully, our exposure to the worst-hit markets (Argentina, Brazil, Turkey, Philippines, Vietnam, Thailand, China) was negligible outside of our Chinese exposure, having exited our positions in Vietnam's Masan Group and Vietnam Dairy last quarter at close to the peak in their share prices, for very healthy profits. However, our position in Brazilian-listed Latin American brewer Ambev (-25% for the quarter in local currency, and -33% in AUD terms) cost us. The limited exposure to emerging markets outside of China is a function of our bottom-up approach to portfolio construction, where we look for the best opportunities. Markets such as Vietnam and the Philippines have been notably expensive for some time, with consumer-focused companies particularly so. We have also been unable to find attractive opportunities in the consumer space in Turkey and Thailand, while Brazil's opportunity set has been limited.

The performance of our Chinese companies was mixed during the quarter, with strong returns from herbal tea and traditional Chinese medicine manufacturer Guangzhou Baiyunshan (+43%) which, together with white-spirit maker Jiangsu Yanghe (+14%), offset the weak performances from social network Sina/Weibo (-19% and -26% respectively) and the luxury auto dealers Zhengtong (-6%) and Yongda (-4%). The overall Chinese market was very weak in the quarter, with various market measures showing declines of anywhere from -4% to -16%. The Fund avoided the worst of the rout, with our Greater China stocks contributing +1.1% (in AUD) to overall performance.

The underperformance in emerging markets is the corollary of a resilient US economy featuring low unemployment, a strong US dollar and an equity market that only began to roll over from mid to late June as the trade rhetoric heated up, well after performance turned south elsewhere in the world. Unfortunately, the US is where our short positions against structurally challenged businesses have been concentrated, and being largely domestically focused, these companies are seen as being safe from tariffs and exposed to the positive US economic outlook. As a result, our short positions failed to protect the Fund from the market sell-off and cost us money in the quarter (-0.4% AUD contribution to overall performance). This was a better result than we could have had, as we undertook a timely reduction in short exposure across a range of positions in April following a period where the positions had been moving in our favour. We also had a couple of outright wins on the short side, exiting our positions in Kellogg and General Mills for a tidy profit, generating local currency (USD) returns of 16% and 21% respectively since the positions were initiated. Several other short positions also delivered positive contributions for the quarter.

Trump has so far sought to avoid decreeing tariffs on finished consumer products that would directly hit the wallets of his voter base. Maintaining this approach will become more difficult should he seek to expand his Chinese tariffs to encompass a broader range of goods. This could result in increased costs for the retailers in the Fund's short book, given that nearly all of their merchandise is imported, and much of it from China.

1 For the remainder of this report, all references to stock and index returns are in local currency terms, unless otherwise specified.

2 Source: Bloomberg.

Despite the global trade fracas and emerging market maelstrom, many of our key investments, in addition to the Chinese names mentioned above, provided solid returns as companies continued to deliver strong results or rebounded from overly depressed valuations. Gucci owner, Kering (+36%), was in the former camp as its key brands continued their resurgence, while underwear manufacturer Hanesbrands (+19% in the quarter, and more than +30% from its lows) was in the latter. Hanesbrands rebounded from an overdone sell-off as the performance of its retail partners improved and the market became excited about the potential benefit to its Champion athleisure brand from the current "retro" sportswear trend. We opportunistically added to the stock near its recent lows. Hanesbrands' performance was particularly pleasing, as one of the ancillary reasons for including it in the portfolio was to act as a partial hedge to our short positions against US retailers, given its optically similar exposure to the US consumer and the shift to e-commerce; a role it played well this quarter.

Other key contributors to performance in the quarter included Facebook (+18%), which was added to the Fund near its lows following the sell-off due to the Cambridge Analytica data scandal and contributed almost half of the Fund's total return for the quarter. This immensely powerful business was available at a very modest valuation in relation to its earnings given its future growth prospects, and there seems to be no impact to user behaviour as a result of the negative press surrounding the data leaks. Do you use Facebook, Instagram or WhatsApp less as a result of the breach?

Europe's leading frozen food company Nomad Foods (+17%) was another winner in the quarter, having been added to the Fund in May on the basis of its attractive valuation and potential to grow via value-enhancing acquisitions throughout Europe in this highly fragmented category. At the beginning of June, Nomad announced the acquisition of Aunt Bessie's, which is the leading brand in frozen Yorkshire Puddings in the UK and is highly complementary to Nomad's existing portfolio. This demonstration of its roll-up strategy in action, joined with its progress on cost-savings and solid underlying sales growth, to drive the stock higher.

Several other stocks delivered outsize gains, including LVMH (+16%) driven by ongoing strong demand for its luxury goods, online classifieds player Schibsted (+17%) as it rebounded from its recent lows on better results, and golf equipment maker Callaway (+16%) which continued its run of strong performance.

Changes to the Portfolio

We largely completed the exit of legacy portfolio positions during the quarter, closing out holdings in Chinese jeweller Luk Fook (+19% 12 month return), emerging markets telco Millicom (+13% 12 month return), luggage maker Samsonite (-9% 12 month return), and Greek jeweller Folli Follie (-65% 12 month return). Both Samsonite and Folli Follie were the target of short-seller reports in the quarter. In the case of Samsonite, the report raised a number of easily refuted issues, but effectively questioned the credibility of the CEO, leading to his resignation. The one other pertinent point raised in the report was around inventory accounting, leading the company to make a restatement. The company appointed the existing CFO to take the CEO's place. Given his responsibility for the accounts and unanswered questions around the inventories, we took a dim view of this move and exited the position.

Folli Follie, though fortunately a relatively small position, cost us money due to inertia on our part. An optically very cheap valuation, along with management promises to improve cash generation, led us to willingly overlook red flags in the financials and delay exiting the stock, hoping for a rally on an improved working capital situation. A detailed short-seller report was released in May, highlighting potentially massive fraud at the company, triggering a large decline in the stock price and eventually suspension from trading. Finding the report to be reasonably credible, having already had questions about the accounts, we fortunately exited the position for a loss before the suspension became effective (we did not allow our inertia to continue). The loss is particularly distressing, given that much of the work to rejuvenate the portfolio since the change of portfolio manager in early 2017 has been focused on removing companies with apparently cheap valuations that exhibited deteriorating market positions and limited cash generation. We will endeavour to avoid such 'folly' in future.

Other positions exited included small stakes in German travel and tourism group Tui AG (+23% AUD return since position initiation), casino and resort owner Wynn Resorts (+71% total AUD return since position initiation), and Indian telco Bharti Airtel (-13% AUD return since position initiation). Further work on Tui highlighted deterioration in its bread and butter package tour business masked by a shift to higher-end offerings. Wynn Resorts had reached a full valuation and faced new risks in relation to its casino licences as a result of harassment accusations against its founder. Bharti Airtel is experiencing a tough competitive environment that is likely some time from improvement. We may look to re-enter the stock should it fall further.

Gildan Activewear (+13% AUD return since initiation) and The Coca-Cola Company (+3% AUD 12 month return) were the final positions exited in the quarter. Gildan faces a slowing core business, and its push into branded underwear appears to be losing steam as it has now merged its very different branded and commodity businesses into one division to cut costs. Coke's valuation has become less attractive on a relative basis as the remainder of the consumer packaged goods sector has de-rated, while the case for a potential buy-out by AB InBev has weakened as the potential acquirer faces its own industry headwinds.

New positions were established in Facebook and Nomad Foods as mentioned above, and we increased our internet platform exposure by adding Google's parent Alphabet to the Fund's holdings. The reader will likely need no introduction to this immensely powerful platform, but one may be surprised that, with all the talk about high-flying FANG (Facebook, Amazon, Netflix, Google) stocks, a company of Alphabet's calibre, having demonstrated 17% p.a. growth in operating earnings over the last five years, is available for a multiple of only 25x this year's expected earnings. Remember also that these earnings are depressed by losses in Alphabet's many "moonshot" investments, including the clear leader in autonomous driving, Waymo. Should Waymo become commercially successful, it could conceivably in some scenarios have a future value worth a multiple of Alphabet's current market capitalisation. We are not paying anything for this optionality currently. In fact, Alphabet is likely being penalised for the losses Waymo is currently incurring.

Outlook

Despite the ructions in global markets, we remain optimistic regarding the investments within our portfolio in the context of a global economy that continues to exhibit strength, as demonstrated via record low unemployment in major developed markets such as the US and the UK.

We continue to take advantage of the large disconnects in valuation between companies in our opportunity set that face very different futures. Take the case of two companies we are short, one a retailer of grocery and general merchandise, and the other a manufacturer of household and personal care products. Both companies exhibit declining underlying earnings due to secular pressures, both are spending up to grow via acquisitions, and they are valued relatively highly on current-year estimated P/E multiples of 18x and 23x respectively. In contrast, perceived "high-flyer" Facebook, which has delivered 107% p.a. compound operating income growth over the last five years and is expected to continue to grow well under any scenario barring draconian regulation, was available for purchase during the quarter at 21x this year's estimated earnings (now 26x). If the reader has followed our quarterly reports for some time, it should not be surprising that Facebook is now our single largest stock position.

We will continue to be opportunistic going forward as such opportunities present themselves, and will continue to rebalance our portfolio as existing ideas play out and new ones are presented by the investment team.

Notes

1. Fund returns are calculated using the net asset value per unit (which does not include the buy/sell spread) of the stated unit class of the Fund and represent the combined income and capital returns of the stated unit class over the specified period. Fund returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. 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 in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

   Index returns are in Australian dollars and assume the reinvestment of dividends from constituent companies, but do not reflect fees and expenses. For the purpose of calculating the "since inception" returns of the MSCI index, the inception date of C Class of the Fund has been used. Where applicable, the gross MSCI indices were used prior to 31 December 1998 as the net MSCI indices did not exist then. Fund returns have been provided by Platinum Investment Management Limited; MSCI index returns have been sourced from FactSet.

   Platinum does not invest by reference to the weightings of any index or benchmark, and index returns are provided as a reference only. A Fund's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, the Fund's holdings may vary considerably to the make-up of the index that is used as its reference benchmark.

   The stated portfolio values of C Class and P Class of the Platinum International Fund (PIF) do not include funds invested in PIF by the Platinum International Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PIF. The stated portfolio values of C Class and P Class of the Platinum Asia Fund (PAF) do not include funds invested in PAF by the Platinum Asia Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PAF.

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in C Class (standard fee option) of the specified Fund over the specified period relative to the specified net MSCI index in Australian dollars.

   Fund returns are calculated using the net asset value per unit (which does not include the buy/sell spread) of C Class of the Fund and represent the combined income and capital returns of C Class over the specified period. Fund returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. 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 in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

   Index returns are in Australian dollars and assume the reinvestment of dividends from constituent companies, but do not reflect fees and expenses. Fund returns have been provided by Platinum Investment Management Limited; MSCI index returns have been sourced from FactSet.

   Platinum does not invest by reference to the weightings of any index or benchmark, and index returns are provided as a reference only. A Fund's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, the Fund's holdings may vary considerably to the make-up of the index that is used as its reference benchmark.

3. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents the Fund's effective exposures to the relevant countries/regions as a percentage of the Fund's net asset value, taking into account direct stock holdings and long derivative positions (stocks and indices).

4. The table shows the Fund's top 10 long stock positions as a percentage of the Fund's net asset value, taking into account direct stock holdings and long derivative positions. The designation "China" in the "Country" column means that the company's business is predominantly based in mainland China, regardless of whether the company's securities are listed on exchanges within mainland China or on exchanges outside of mainland China.

5. The table shows the Fund's effective net exposure to the relevant sectors as a percentage of the Fund's net asset value, taking into account direct stock holdings and both long and short derivative positions (stocks and indices).

6. The table shows the Fund's effective exposures to the relevant currencies as a percentage of the Fund's net asset value, taking into account stocks holdings, cash and the use of derivatives.

Disclaimers

This publication has been prepared by Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 trading as Platinum Asset Management (Platinum®). Platinum is the responsible entity and issuer of units in the Platinum Trust® Funds (the "Funds"). This publication contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons') investment objectives, financial situation or particular needs, and should not be used as the basis for making investment, financial or other decisions. This publication may contain forward-looking statements regarding our intent, belief or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. Platinum does not undertake any obligation to revise any such forward-looking statements to reflect events and circumstances after the date hereof.

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

You should read the entire Product Disclosure Statement for the Platinum Trust® Funds ("PDS") and consider your particular investment objectives, financial situation and needs prior to making any investment decision to invest (or divest) in a Fund. You should also obtain professional advice prior to making an investment decision. You can obtain a copy of the current PDS from Platinum's website, www.platinum.com.au or by phoning 1300 726 700 (within Australia), 0800 700 726 (within New Zealand) or +61 2 9255 7500, or by emailing to invest@platinum.com.au.

No company or director in the Platinum Group® guarantees the performance of any of the Funds, the repayment of capital, or the payment of income. To the extent permitted by law, no liability is accepted by any company in the Platinum Group or their directors for any loss or damage as a result of any reliance on this information. The Platinum Group means Platinum Asset Management Limited ABN 13 050 064 287 and all of its subsidiaries and associated entities (including Platinum).

MSCI Inc Disclaimer

Neither MSCI Inc nor any other party involved in or related to compiling, computing or creating the Index data (contained in this publication) makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI Inc, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the Index data is permitted without express written consent of MSCI Inc.