Platinum International Brands Fund

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Portfolio Manager

Performance

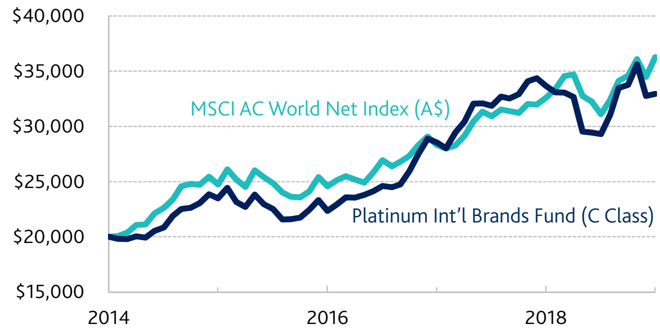
(compound p.a.+, to 30 June 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	-2%	-2%	14%	11%	12%
MSCI AC World Index^	5%	11%	14%	13%	3%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 18 May 2000.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.
See note 1, page 4. Numbers have been subject to rounding adjustments.

Value of $20,000 Invested Over Five Years

30 June 2014 to 30 June 2019



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet.
See notes 1 & 2, page 4.

It was a turbulent quarter for world markets, as developments in the conflict between the US and China over trade and security led to market ructions (see the June quarter Macro Overview for further details). The Fund (C Class) finished the quarter with a return of -2.3%. In the context of the MSCI AC World Index return of 4.9%, this was a disappointing result.

Weakness in both our Chinese consumer stocks and US retailers exposed to increased tariffs on their purchases of Chinese goods were the main detractors from performance.

However, a number of stock-specific factors also hindered the Fund's returns. Chief among those were the problems at Indian financial **Yes Bank** (-50% in local currency terms during the quarter to our exit point), where it emerged in April that Yes had been too aggressive in its corporate lending, and with the resulting losses, it will likely need to raise equity at a discounted valuation. While we continue to like the business' strong retail operation, we exited the position, as our assessment based on new data is that the capital risks were greater than the market anticipated. The timing of our initial entry, and trimming following strong performance mitigated our overall loss.

Another detractor was Japanese pharmacy chain **Ain Holdings** (-24%), where we underestimated the impact of a worsening regulatory environment for chain pharmacies, with the regulator increasingly favouring small independent pharmacies. The now lower valuation appears to reflect these concerns, and the stock retains interesting growth prospects.

Several short positions also detracted from performance as investors sought the 'safety' and 'certainty' of predictable and/or high growth stocks in the uncertain political environment, regardless of elevated valuations. Overall, our short positions detracted from the Fund's returns by 2% in the quarter.

Key positive contributors to the Fund's performance included our large position in **Facebook** (+16%) as it shrugged off regulatory concerns and gained favour with investors following the announcement of a move into electronic payments with its 'Libra' cryptocurrency. Leading Russian lender **Sberbank Russia** (+24%) continued its march upwards on solid results, and several Chinese stocks bucked the overall China weakness to deliver solid performance, including online food and lifestyle services delivery player **Meituan Dianping** (+29%), and auto-dealer **China Yongda Automobiles** (+20%).

Japanese bathroom and housing products company, **Lixil Group** (+15%) rebounded during the quarter on the news of a successful conclusion to a fight by shareholders to have its deposed CEO Kinya Seto reappointed. His removal from office did not reflect good corporate governance practice, and occurred part way through a turnaround plan (which we supported) after disagreements over business strategy with the (now former) Chairman Ushioda. Various foreign shareholders took exception to this, and sought to have Ushioda removed, and later, Seto and a slate of directors proposed by him and other shareholders appointed to the Board. Platinum does not usually take an active approach to shaping the governance and management of our investee companies, but we felt it was important for our investors' returns that the Chairman and his influence were removed from the Board and the former CEO reappointed. We thus went public with our views, releasing a statement and conducting press interviews in Japanese and English, with the aim of influencing the votes of both foreign and Japanese institutional investors, as well as Japanese retail investors.[1] Strong stock performance post the successful election of Seto's slate of directors, and his confirmation as Group CEO has somewhat validated our actions. The success of the shareholder annual general meeting (AGM) proposal in this matter is a major win and a big step forward for shareholder rights in Japan, and reflects several years of evolution following the Abe government's reforms. Japanese boards are now more likely to feel pressured to improve governance, profitability, and capital allocation, which should enhance investment returns in the long term.

1 See: https://www.platinum.com.au/Insights-Tools/Investment-Fundamentals/Investing-What-Matters/Article-Item/Platinum-Asset-Management-Supports-Action-to-Remov and https://www.platinum.com.au/PlatinumSite/media/ASX-Releases/Press-Release_11_June_2019_LIXIL.pdf

Disposition of Assets

REGION	30 JUN 2019	31 MAR 2019	30 JUN 2018
Asia	34%	40%	33%
North America	23%	24%	18%
Europe	11%	14%	13%
Japan	8%	8%	10%
Russia	5%	4%	4%
Middle East & Africa	2%	1%	1%
Latin America	0%	0%	2%
Cash	18%	9%	20%
Shorts	-22%	-15%	-15%

See note 3, page 4. Numbers have been subject to rounding adjustments. Source: Platinum Investment Management Limited.

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.

Changes to the Portfolio

Members of the Platinum consumer sector team visited the US and Europe during the quarter, meeting with the management teams of many consumer-related companies to gain a deeper understanding of their businesses and the environment in which they are operating. A key takeaway from the US is that the apparel retail space remains as competitive as ever. Chronic discounting was very visible in the malls we visited. For example, teen clothing retailer, Aeropostale (which has recently emerged from bankruptcy) had the majority of the store marked down by 50-70%. Likewise, Gap had heavy discounts, even on some of the newest products in store.

Ultimately, such discounting is a symptom of overcapacity, as legacy retailers attempt to fight against declining mall traffic as sales migrate online. Large chain stores continue to shrink their store base and cut stock, including Forever21, Gap, Victoria's Secret, Topshop and Charlotte Russe. In fact, more US retail stores have already closed in the first half of 2019 (4,000 net closures), than all of 2018 (2,613)[2]. While this store shakeout is likely to hit industry profitability in the near term (as inventory liquidations occur sparking price competition), we see opportunities for the stronger brands, which are likely to survive and even prosper as competitors reduce capacity.

2 https://www.pennlive.com/life/2019/07/retail-apocalypse-continues-thousands-of-retail-stores-will-close-this-year.html

Net Sector Exposures ^

SECTOR	30 JUN 2019	31 MAR 2019	30 JUN 2018
Consumer Discretionary	24%	33%	22%
Communication Services	19%	23%	15%
Financials	10%	9%	8%
Consumer Staples	2%	6%	11%
Industrials	4%	3%	4%
Real Estate	1%	1%	1%
Information Technology	0%	1%	1%
Health Care	0%	0%	3%
TOTAL NET EXPOSURE	60%	76%	65%

^ A major GICS reclassification was implemented during the December 2018 quarter. The changes affected the Information Technology, Communication Services (previously Telecommunication Services) and Consumer Discretionary sectors. Historical exposures have been updated for continuity.

See note 4, page 4. Numbers have been subject to rounding adjustments. Source: Platinum Investment Management Limited.

We added to our position in **American Eagle Outfitters** (AEO) during the quarter, as we see it being one of the winners in apparel retail. Despite the challenges mentioned, AEO managed to grow its revenue and earnings by 8% in the first quarter of 2019 thanks to its core denim franchise (now the #1 US women's denim brand/retailer) as well as further expansion of its successful "inclusive" Aerie lingerie sub-brand. This business trades at an enticing earnings yield of roughly 10%.

In accordance with our investment process, we added to many, primarily Chinese, stocks that had experienced sell-offs unjustified by fundamentals, and trimmed many of our stronger performing positions where the stocks had moved closer to our assessment of fundamental value. The latter category included Dutch food delivery marketplace, **Takeaway.com** (+22% in the quarter), online used-car seller, **Carvana** (+8%), **Yongda**, and online fashion retailer, **Zalando** (+12%).

In addition to exiting our Yes Bank position (discussed above), we also sold our holding in Russian payment platform **Qiwi** (-12% return from initial acquisition) after reviewing its business mix and in light of other more favourable opportunities in Russia. Additionally, we divested the remainder of our holding in German online real estate and auto classifieds player **Scout24** (+26% since initial acquisition) while it was under a takeover bid.

Net Currency Exposures

CURRENCY	30 JUN 2019	31 MAR 2019	30 JUN 2018
US dollar (USD)	44%	46%	42%
Euro (EUR)	23%	25%	24%
Hong Kong dollar (HKD)	12%	11%	9%
Chinese yuan (CNY)	6%	7%	5%
Australian dollar (AUD)	6%	0%	7%
Japanese yen (JPY)	4%	4%	<1%
Indian rupee (INR)	3%	6%	3%
British pound (GBP)	3%	3%	1%
Norwegian krone (NOK)	3%	3%	3%
Turkish lira (TRY)	2%	1%	0%
Canadian dollar (CAD)	1%	1%	1%
Korean won (KRW)	0%	0%	<1%
Sri Lankan rupee (LKR)	<1%	<1%	1%
Brazilian real (BRL)	-2%	-1%	2%
Chinese yuan offshore (CNH)	-6%	-6%	0%

See note 5, page 4. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Outlook

With the US economy continuing its record-long expansion, unemployment touching 50-year lows (3.6%)[3], near-record high consumer confidence and easy monetary conditions (low inflation, low interest rates), uniformly bullish sentiment across most US consumer companies might be expected. However, the mood across the 25 management teams visited in the US, which sat across a broad suite of consumer categories (travel, leisure, homewares, entertainment, apparel, cosmetics), painted a far more nuanced picture.

The prospect of further tariff increases was arguably the largest concern for most of the management teams, and this may now be weighing on real investment decisions, which could have a flow-on impact on the economy. Signs are also apparent of a weakening in spending amongst high-income earners, likely triggered by President Trump's tax changes, which cap federal deductions for state and local taxes, and lower the cap on mortgage interest deductions for high value mortgages. This has likely affected property prices as well as the cash flow of higher income earners, particularly in the high-tax, high property-value coastal states.

Given this environment, we remain conservatively positioned at the time of writing, with a net long exposure (after the annual cash distribution) of around 70%. In an increasingly divided stock environment where perceived certainty and/or growth are very highly valued, and uncertainty regarding the future is heavily penalised, we see little attraction in paying more than 30x earnings for market-favourite consumer stocks that only offer stable or low-growth profits. Instead, we prefer to continue our hunt for out-of-favour companies that can surprise on the upside.

3 Source: FactSet, June 2019

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Facebook Inc	US	Comm Services	5.4%
Alphabet Inc	US	Comm Services	4.5%
Meituan Dianping	China	Cons Discretionary	3.8%
Lixil Group	Japan	Industrials	3.7%
Alibaba Group	China	Cons Discretionary	3.2%
Sberbank Russia	Russia	Financials	3.1%
Autohome Inc	China	Comm Services	3.1%
Kweichow Moutai	China	Consumer Staples	3.0%
Zalando	Germany	Cons Discretionary	2.8%
China ZhengTong Auto	China	Cons Discretionary	2.8%

As at 30 June 2019. See note 6, page 4.
Source: Platinum Investment Management Limited.

Notes

1. Fund returns are calculated using the net asset value (NAV) unit price (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 fees and costs, are pre-tax, and assume the reinvestment of distributions. Returns for P Class are net of any accrued investment performance fee.

   The MSCI Index returns are in Australian Dollars and are inclusive of net official dividends, but do not reflect fees or expenses. For the purpose of calculating the "since inception" returns of the MSCI Index, the inception date of C Class of the Fund is used. Where applicable, the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then. Fund returns are provided by Platinum Investment Management Limited; MSCI index returns are sourced from FactSet.

   Platinum does not invest by reference to the weightings of the Index. 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. Index returns are provided as a reference only.

   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.

   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.
3. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices.
4. The table shows, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant sectors through direct securities holdings as well as both long and short derivatives of stocks and indices. In the case of the Platinum Unhedged Fund, the Fund does not undertake any short-selling. Its net exposures are therefore the same as its long exposures.
5. The table shows the effective net currency exposures of the Fund's portfolio as a percentage of the Fund's net asset value, taking into account the Fund's currency exposures through securities holdings, cash, forwards, and derivatives. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.
6. The table shows the Fund's top 10 long equity positions as a percentage of the Fund's net asset value, taking into account direct securities holdings and long stock derivatives. 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.

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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.

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