

### Facts

Portfolio value	\$11.76 bn
Fund commenced	30 April 1995
Minimum investment	A\$10,000 or NZ\$10,000
Regular Investment Plan	A/NZ\$5000 plus A/NZ\$200 mth/qrt
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Unit prices C Class	App – 2.3838 Red – 2.3719
Unit prices P Class	App – 1.1556 Red – 1.1498

### Performance<sup>1</sup>

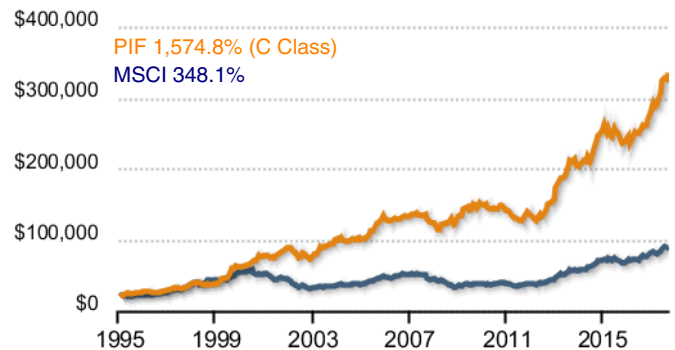
	P Class %	C Class %	MSCI %
1 month	2.74	2.83	2.04
3 months	3.43	3.48	3.61
6 months	14.91	16.21	12.68
Calendar year to date		2.83	2.04
1 year		29.63	19.51
2 years (compound pa)		18.49	14.59
3 years (compound pa)		12.09	10.45
5 years (compound pa)		17.46	16.79
7 years (compound pa)		12.41	12.64
10 years (compound pa)		10.12	7.17
Since inception (compound pa)*	15.27	13.18	6.81

### Fees

Entry fee	Nil	
Buy/sell spread	0.25%/0.25%	
Fee:	C Class	Investment Management 1.35% p.a. Investment Performance N/A
	P Class	Investment Management 1.10% p.a. Investment Performance 15.00% p.a.*

\*of the amount by which the Fund's return exceeds its index return

### Performance graph<sup>2</sup>



### Invested positions<sup>3</sup>

	LONG %	NET %	CURRENCY %
Australia	0.4	0.4	1.6
Austria	0.6	0.6	
Brazil	0.6	0.6	0.6
Canada	0.7	0.7	0.7
China*	24.8	24.8	7.1
Hong Kong	0.2	0.2	14.6
Taiwan	0.4	0.4	0.4
Denmark	1.0	1.0	1.1
France	2.3	2.3	
Germany	6.0	6.0	
Hungary	0.2	0.2	0.2
India	6.1	6.1	6.2
Italy	1.3	1.3	
Japan	14.6	14.6	11.9
Korea	8.0	8.0	8.1
Malaysia	0.6	0.6	0.6
Norway	1.2	1.2	5.2
Russia	1.1	1.1	
Switzerland	3.3	3.3	0.8
Thailand	0.3	0.3	1.3
United Kingdom	6.4	6.4	5.3
United States	13.6	2.7	19.8
	93.8	82.9	
Euro Currency			14.4
Cash	6.2	17.1	
Total	100.0	100.0	100.0

Long - 139 stocks, 2 swaps Short - 8 stocks, 1 option, 2 indices

\*China includes exposure to Chinese A shares, H shares and ADRs.

### Top ten positions<sup>4</sup>

STOCK	COUNTRY	INDUSTRY	%
Ping An Insurance Grp	China	Financials	3.3
Samsung Electronics Co Ltd	Korea	Info Technology	2.9
Alphabet Inc	USA	Info Technology	2.8
Inpex Corporation Ltd	Japan	Energy	2.7
Glencore plc	Switzerland	Materials	2.5
Technip FMC	UK	Energy	2.2
Lixil Group Corporation	Japan	Industrials	2.2
Royal Dutch Shell PLC	UK	Energy	2.0
Jiangsu Yanghe Brewery	China	Consumer Staples	1.9
China Overseas land	China	Real Estate	1.9

### Industry breakdown<sup>3</sup>

SECTOR	LONG %	NET %
Info Technology	19.6	19.6
Financials	17.1	17.1
Cons Discretionary	12.1	11.0
Industrials	10.3	10.3
Energy	10.0	10.0
Materials	9.6	9.6
Health Care	6.7	6.7
Consumer Staples	3.3	(0.0)
Utilities	1.9	1.9
Real Estate	1.9	1.9
Telecom Services	1.1	1.1
Other*	0.0	(6.4)

\* Includes index short positions

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1. Investment returns are calculated using the Fund's NAV unit price (i.e. exclude a buy/sell spread) for C Class and P Class, and represent the combined income and capital returns for each of these unit classes in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Returns for P Class are net of any accrued investment performance fee. Investment returns are calculated relative to the MSCI All Country World Net Index in A\$ (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist). The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Fund and other risk factors associated with investing, investment returns can be negative (particularly in the short-term). Source: Platinum for Fund returns and RIMES Technologies for MSCI returns. \*The since inception figure for P Class is from 3 July 2017.

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

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

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

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The Fund has had a profitable 12 months, returning 30%, dominated by Asia-Pacific and to a lesser extent Europe. IT, Financials and Consumer sectors made a strong contribution with top stocks including China's Ping An Insurance, Tencent and 58.com, along with Samsung Electronics and Kering (Gucci parent). Over the last few month, Energy and Materials has started to make an impact.

Commentators would have you believe each year is a discrete investment timeframe, with copious volumes of 2018 forecasts produced by so-called experts. One suspects about half will be right and half will be wrong, while the markets continued in January as if it were still 2017.

The S&P 500 Total Return Index had its 14<sup>th</sup> consecutive positive month, and its 21<sup>st</sup> positive month out of 22 months. This has not happened since Platinum began in 1994. Speculative activity in crypto-currencies may be symptomatic of the world today; our Bitcoin Primer in the Quarterly Report [www.platinum.com.au/Insights-Tools/The-Journal/Bitcoin-A-Primer](http://www.platinum.com.au/Insights-Tools/The-Journal/Bitcoin-A-Primer) is a timely warning as to the risks here.

February started with a bang! In many ways it was symptomatic of the long positive run highlighted – complacency, particularly in the US, had set in. It appears that one of the main causes, other than the irony that a stronger US economy led to the initial reaction (via fear of higher inflation and hence rates), was the unwinding of volatility based strategies that have become popular. In simple terms, money has been sucked into products requiring markets to remain stable in order to make money. Following the crypto excitement of December, it seems another abstraction lay at the heart of disappointment for individual investors.

Closing of positions led to a sudden, violent move, but one which looks to be transient. Underlying economic growth is strong, and there is a lot to be excited about in non-US markets. By 5 February the long portion of the fund traded on 14X forward P/E with better growth prospects than global markets, which are on 16X with the US even higher.

A big difference between how we are seeing the world today, and how consensus sees it, is that China is generally described as the big risk. Our impression is that a cheap market exposed to a growing and changing economy is surely less risky than an expensive market exposed to a late cycle economy. China is our largest country exposure, followed by Japan, Korea and India.

Investment ideas tend to come in clusters, either geographical or sectoral, as a result of shifts in sentiment or major changes in the real world. Over time, this leads to a gradual movement of the portfolio from the hot to the cooler. In a regional sense, as the chart below shows, the last few years have seen us deploy money away from the US and towards Asia-Pacific, while in a sectoral sense this has seen us take profits in the strong Technology sector and redeploy them towards Energy and Materials.

Energy investments were generally presented to us by a sense of crisis brought on by an unsustainably low oil price from late 2015 through 2017. On the other hand, our increased interest in Materials has come from our work on developments around the Electric Car, as our recent quarterly reports have highlighted.

One of the latest hot investment concepts is that of passive investing, the appeal of which is simply that markets have been doing well and so temporarily it feels that the value add of active managers – stock selection and risk management – is diminished. At any point that investors have started to believe such rhetoric, they have generally been badly burned. This table shows that the returns we have delivered over the last year could not have been replicated passively.

Region	Fund's (Net) Exposure %	Index Return %	"ETF Outcome%"	Fund's Contribution %
Asia	38	35	13.1	18.2
Europe	23	22	4.9	6.9
Japan	14	17	2.3	4.4
North America	7	17	1.2	1.9
Cash/FX	18	1.5 (RBA)	0.3	(0.5)
<b>Net Return (12 months)*</b>			<b>21.8</b>	<b>29.6</b>

\*"ETF Outcome%" = Net Exposure% X Index Return%/100

Net Exposure represents the Fund's exposure as a % of NAV of physical holdings and both long and short derivatives as at 31.01.18

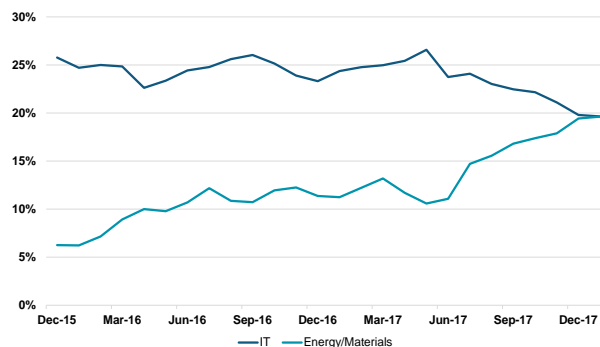
The index returns relate to MSCI AC Asia ex Japan, MSCI AC Europe, MSCI USA, MSCI Japan. Cash is RBA Cash Rate.

ETF outcome is assumed to achieve index return.

The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance. to 31.12.17

## Platinum International Fund

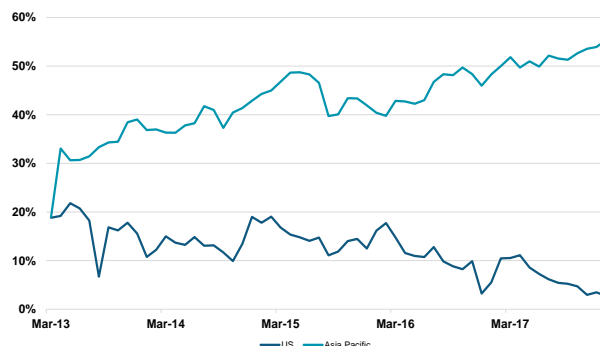
Net Sector Exposure – IT vs. Energy/Materials



Source: Platinum Investment Management Ltd.

## Platinum International Fund

Net Exposure – US vs. Asia Pacific



Source: Platinum Investment Management Ltd.

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