



## Facts

Portfolio value	\$10.98 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 – 2.0719 Red – 2.0615
Unit prices P Class	App – 0.9936 Red – 0.9886

## Performance<sup>1</sup>

	P Class %	C Class %	MSCI %
1 month	0.00	(0.02)	2.39
3 months	(3.12)	(3.17)	4.17
6 months	(2.59)	(2.83)	5.76
Calendar year to date	0.07	(0.08)	7.92
1 year	11.93	12.92	19.17
2 years (compound pa)		15.80	15.26
3 years (compound pa)		8.17	8.50
5 years (compound pa)		11.90	13.23
7 years (compound pa)		13.54	14.90
10 years (compound pa)		11.18	8.93
Since inception (compound pa)*	11.36	12.75	6.92

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

	LONG %	NET %	CURRENCY %
Australia	0.4	0.4	1.9
Austria	0.6	0.6	
Brazil	0.3	0.3	0.3
Canada	2.6	2.6	2.6
China	6.2	6.2	7.0
China Ex PRC	16.0	16.0	
Hong Kong	0.7	0.7	11.9
Taiwan	0.4	0.4	0.4
Denmark	1.0	1.0	1.0
France	2.3	2.3	
Germany	5.6	5.6	
Hungary	0.2	0.2	0.2
India	5.6	5.6	5.8
Italy	0.5	0.5	
Japan	12.8	12.8	10.5
Korea	6.3	6.3	6.3
Malaysia	0.5	0.5	0.5
Norway	2.3	2.3	2.3
Russia	0.1	0.1	
Switzerland	4.1	4.1	1.8
Thailand	1.0	1.0	1.0
United Kingdom	3.2	3.2	4.9
United States	14.9	1.5	29.2
	87.7	74.4	
Euro Currency			12.4
Cash	12.3	25.6	
Total	100.0	100.0	100.0

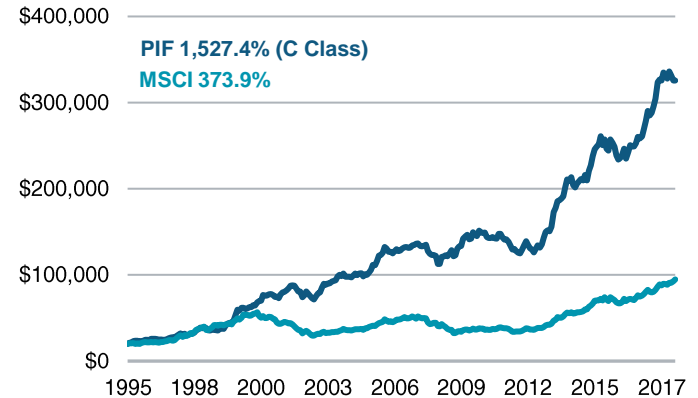
Long - 114 stocks, 2 swaps    Short - 9 stocks, 2 indices

## 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>



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

STOCK	COUNTRY*	INDUSTRY	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.0
Alphabet Inc	USA	Info Technology	2.9
Ping An Insurance Grp	China	Financials	2.8
Technip FMC	UK	Energy	2.6
Siemens AG	Germany	Industrials	2.6
Glencore PLC	Switzerland	Materials	2.3
Facebook Inc	USA	Info Technology	2.1
Sanofi SA	France	Health Care	2.0
Nexon Co Ltd	Japan	Info Technology	2.0
Jiangsu Yanghe Brewery	China	Consumer Staples	2.0

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

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

SECTOR	LONG %	NET %
Info Technology	22.4	20.9
Financials	15.4	15.4
Industrials	10.5	10.5
Materials	9.0	9.0
Cons Discretionary	8.8	7.0
Energy	7.0	7.0
Health Care	6.6	5.3
Consumer Staples	3.6	2.5
Real Estate	1.9	1.9
Telecom Services	1.5	1.5
Utilities	0.9	0.9
Other*	0.0	(7.6)

\* 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.

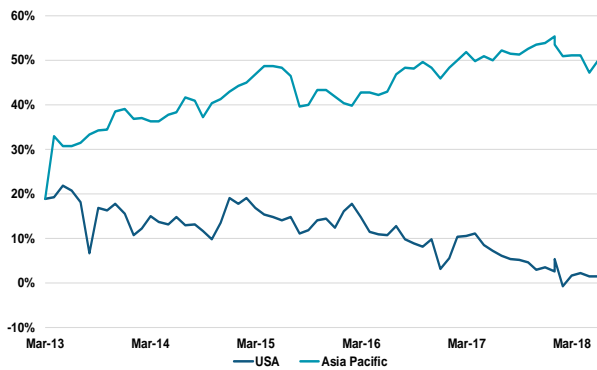
4. Top Ten positions shows the Fund's top long share exposure positions as a % of NAV. Long derivative exposures are included, however, short derivative exposures are not.

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- Portfolio dominated by Asia-Pacific stocks (net exposure 47%); almost entirely out of the US (net exposure 1.5%)
  - We have been recycling technology profits into Resources and Industrials over last two years
  - Performance strong post-Brexit vote but we remain optimistic by not having a US-centric view
- Calendar year 2017 was very strong (25% return) for the Fund, driven by Asia and by beneficiaries of synchronous global growth such as commodities, banks and semi-conductors.
  - 2018 has been more of a grind (0% return calendar year-to-date). Each of trade wars, Chinese financial system reform and rising US rates have had an impact, though in anticipation of a harder slog, we had reduced the Fund's net exposure to around 75% in March. We saw a broad exodus from emerging markets and a rush to FAANGs. In the June quarter, the tech-heavy Nasdaq rose 9% while the Shanghai Composite fell 23%<sup>1</sup>.
  - Examining performance year-to-date, North America and European stocks have added 3% to returns (net exposure 27%) while in Asia Pacific (net exposure 52%) was a 2% drag, weighed by North Asian financials and value investments in a bifurcated Japan.
  - Sector wise, Healthcare and IT, led by Google's parent, Alphabet added 2% to returns year to date, while Financials, dragged down by North Asia cost 1% year to date. The effects of currency management and shorting have been broadly neutral.
  - Price is the key determinant of returns and hence we look at the portfolio with increasing enthusiasm. Over the last six months, while some stocks were weak, earnings have continued to grow and we have been recycling capital from winners towards those with improved return prospects. The charts show the longer term positioning trends.
  - At 31 January 2018, the average forward P/E in the long portfolio was 14.5x, while by 31 July 2018, it was 12.4x, or an effective earnings yield of over 8%. Additional protection seeks to remove market risk and targets a handful of companies.

Platinum International Fund

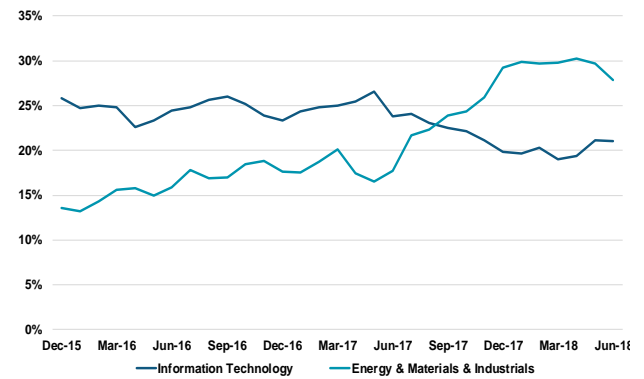
Net Region Exposure – US vs. Asia Pacific



Source: Platinum Investment Management Ltd. Net Region Exposure represents the Fund's exposure to these regions through securities and long and short derivatives as a % of the Fund's NAV.

Platinum International Fund

Net Sector Exposure – IT vs. Energy/Materials/Industrials



Source: Platinum Investment Management Ltd. Net Sector Exposure represents the Fund's exposure to these sectors through securities and long and short derivative positions as a % of the Fund's NAV.

We see China as the investment opportunity of a generation. Tighter credit availability due to financial reforms and trade tensions have weighed heavily. However, currently the Shanghai A share index is back to the lows of January 2016<sup>1</sup>. Then the country had just been through a period of capital flight, heavy industry was plagued by excess capacity and there loomed the possibility of non-performing loans triggering a banking crisis. Today, supply side reforms have resolved the issue of excess capacity, profitability of heavy industry is much improved, and the likelihood of a full blown banking crisis is much lower.

It is hard to know when these various fears will subside, allowing the market to move higher. We talked in 2016 about the coiled spring that was building up in the valuation discrepancies between cyclicals and Asian stocks, and the much-loved growth stocks. Recent moves suggest that spring is tightening again, with the torrent of money flowing out of emerging markets and rushing back into certainty.

Overall, a combination of negative sentiment and attractive valuations tend to be indicative of strong future returns from any market, at the moment this particularly applies to China and its neighbours in North Asia such as Korea and Japan.

Bear markets tend to be caused by either extreme valuation, or by an economic slowdown. We think recent reactions to news have re-calibrated prices and we can look forward from here.

The US market is the only one where valuation is a major headwind. We do not think that the US is yet heading for a dramatic economic slowdown but the Fund's exposure is hovering close to zero at a net level.

With Andrew and Clay running the Fund together since 1 July 2018, the transition of Kerr's former portion of the Fund has been smooth. Kerr in his role as an analyst, is engaging in debate and bringing new ideas to the group.

In summary, the last quarter was uncomfortable as investors fled to safety, but we are excited by the valuations and the prospects of the companies that we own, and with slightly higher levels of protection being carried than in recent years, we are ready to deploy capital into new ideas as they present themselves.

Platinum's Regional Roadshow will be coming to 27 locations between 27 August and 15 September.

Andrew Clifford (CIO and Co-Founder) will be presenting at the Portfolio Construction Forum in Sydney on 22 August, on the topic of "RoI is everything – abstractions are distractions".

Source: Factset

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