



## Facts

Portfolio value	\$11.06 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 – 2.0622 Red – 2.0519
Unit prices P Class	App – 0.9894 Red – 0.9844

## Performance<sup>1</sup>

	P Class %	C Class %	MSCI %
1 month	(0.25)	(0.27)	0.39
3 months	(0.42)	(0.49)	6.48
6 months	(1.08)	(1.21)	11.14
Calendar year to date	(0.35)	(0.54)	12.23
1 year	6.27	6.42	19.04
2 years (compound pa)		14.02	17.37
3 years (compound pa)		9.86	12.27
5 years (compound pa)		11.46	14.38
7 years (compound pa)		13.92	16.42
10 years (compound pa)		10.31	9.13
Since inception (compound pa)*	9.39	12.63	7.05

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

	LONG %	NET %	CURRENCY %
Australia	0.4	0.4	1.8
Austria	0.7	0.7	
Brazil	0.3	0.3	0.3
Canada	2.7	2.7	2.7
China	6.7	6.7	7.5
China Ex PRC	13.9	13.9	
Hong Kong	0.7	0.7	11.9
Taiwan	0.4	0.4	0.4
Denmark	0.9	0.9	0.9
France	2.5	2.5	
Germany	4.8	4.8	
Hungary	0.2	0.2	0.2
India	5.1	5.1	5.3
Italy	0.6	0.6	
Japan	11.3	10.9	9.8
Korea	6.4	6.4	6.4
Malaysia	0.2	0.2	0.3
Norway	2.7	2.7	2.7
Russia	0.1	0.1	
Switzerland	4.5	4.5	1.8
Thailand	1.0	1.0	1.0
United Kingdom	3.2	3.1	5.0
United States	14.9	0.0	30.4
	84.2	68.8	
Euro Currency			11.6
Cash	15.8	31.2	
Total	100.0	100.0	100.0

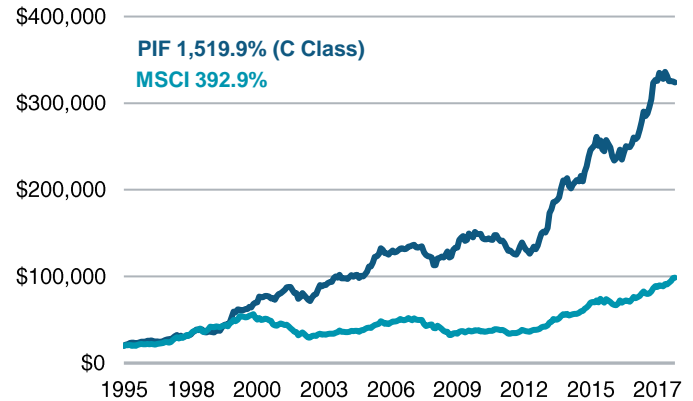
Long - 113 stocks, 2 swaps      Short - 9 stocks, 2 indices

## 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	%
Ping An Insurance Grp	China	Financials	3.2
Samsung Electronics Co Ltd	Korea	Info Technology	3.1
Alphabet Inc	USA	Info Technology	2.7
Glencore PLC	Switzerland	Materials	2.6
Technip FMC	UK	Energy	2.5
Siemens AG	Germany	Industrials	2.4
Sanofi SA	France	Health Care	2.1
Facebook Inc	USA	Info Technology	2.1
China Overseas Land & Invst.	China	Real Estate	2.1
Lixil Group Corporation	Japan	Industrials	2.0

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

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

SECTOR	LONG %	NET %
Info Technology	19.7	17.7
Financials	15.3	15.3
Industrials	10.2	10.2
Materials	10.1	10.1
Cons Discretionary	8.2	6.3
Energy	7.4	7.4
Health Care	6.1	5.1
Consumer Staples	3.6	2.4
Real Estate	2.1	2.1
Telecom Services	1.3	1.3
Utilities	0.2	0.2
Other*	0.0	(9.2)

\* Includes index short positions

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the responsible entity and issuer of units in the Platinum International Fund (the "Fund"). The Platinum Trust Product Disclosure Statement No. 11 dated 3 July 2017 ("PDS") and the Supplementary Product Disclosure Statement dated 23 February 2018 (together the "PDS") provide details about the Fund. You can obtain a copy of the PDS from Platinum's website [www.platinum.com.au](http://www.platinum.com.au), or by contacting Investor Services on 1300 726 700 (Australian investors only), or 0800 700 726 (New Zealand investors only), or 02 9255 7500, or via [invest@platinum.com.au](mailto:invest@platinum.com.au).

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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.

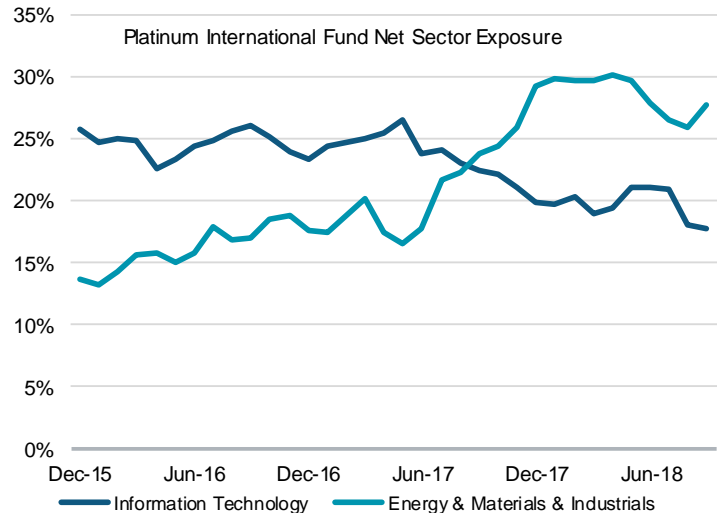
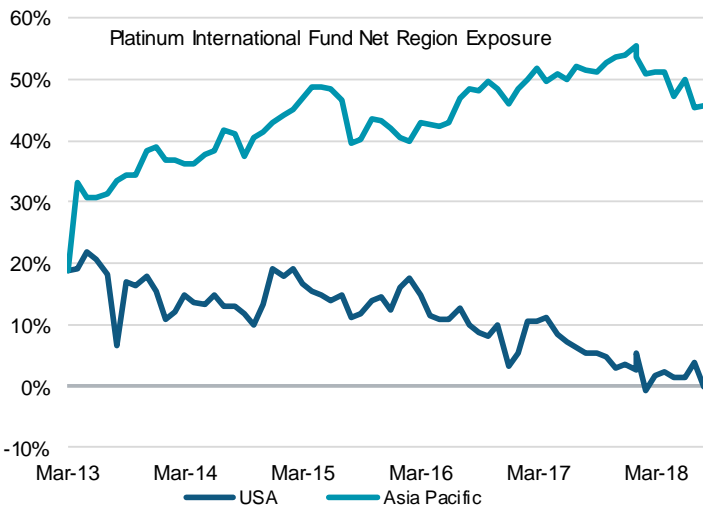
3. The Long% represents the exposure to physical holdings, corporate fixed income securities and long stock derivatives as a % of NAV. The "Net %" represents the exposure of physical holdings and both long and short derivatives. The "Currency %" represents the currency exposure for the Fund as a % of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

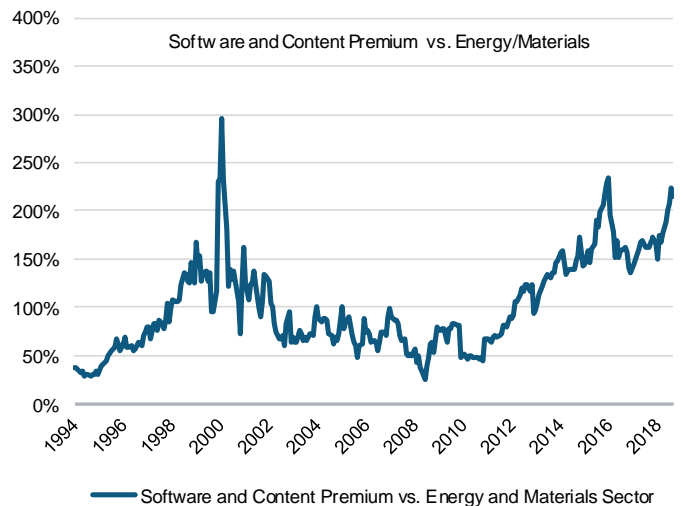
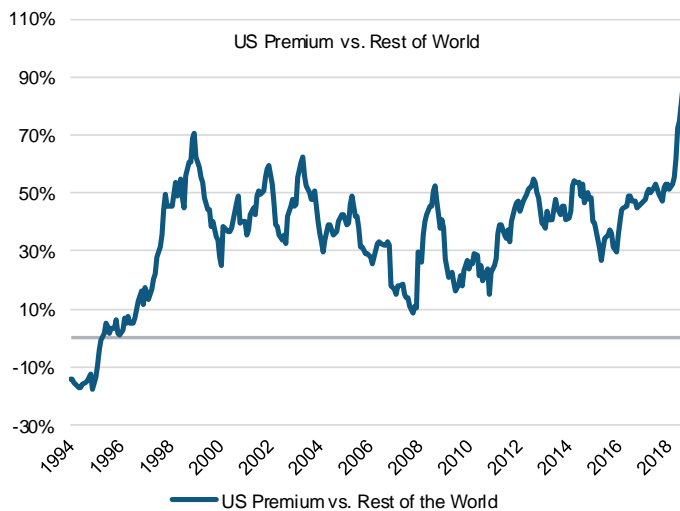
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- Multi-year portfolio migration away from US (now 0%) toward Asia Pacific (now 46%)
- Energy, Materials and Industrials seen increased allocation in recent years (now 28%)
- Tougher 2018, with market punishing cyclicals and Asia, yet the Fund remains essentially flat YTD

- The portfolio has been hit by fear around rising US interest rates, Trump's "trade war" and financial reform in China. Some also fear Turkey is a canary in the coal mine. These issues are not new, but unlike in 2017, they now cause alarm. Market sentiment has been hit hard, especially in China, but most importantly, economic and company data remains robust. Andrew Clifford explores this in detail in the upcoming Quarterly Report.
- In light of the backdrop, we lightened net exposure around March and in July and August, took more pre-emptive action by trimming winners and increasing shorts but have also re-deployed some capital into over-sold stocks. There is tantalising value in pockets of the market. The portfolio is full of cheap stocks with growth drivers, coupled with a prudent degree of protection. The portfolio is on a forward P/E ratio below 12x.
- Over five years, we gradually reduced our US exposure and invested in Asia-Pacific with surges around the elections of Abe (Japan) and Modi (India) and around the 2014 lows of the Chinese bear market. Similarly, the 2015-16 oil price decline and detailed analysis uncovering electric vehicle beneficiaries has seen technology winners fund a shift to Energy, Materials and Industrials.



Valuation drives our stock selection. Ideas tend to cluster in out-of-favour countries and sectors. In the history of Platinum (nearing 25 years), the US has not been more expensive relative to other markets; it came close in late 1998/early 1999 around the Asian crisis. Meanwhile, outside the tech bubble peak in 1999. Energy/Materials have not been cheaper relative to Software/Content.



Year-to-date, the Fund is essentially flat with decent gains earned in Europe and the US longs offset by the cost of shorting (mostly of selected expensive US indices) and from Asia, specifically Japan and Korea. China has made a very small positive impact. Put another way, gains in Healthcare, Technology and Energy have been offset by Cyclicals and our shorting. However, FX gains have offset the cost of shorting if we look at risk management holistically. However, the Fund fell a touch over the last quarter, mostly impacted by the third of the portfolio positioned in China and Japan, which cost over 1%. US shorts offset gains on US longs. The biggest contributors were Alphabet (Google parent), Schibsted, Ping An, Sanofi and a short on Tesla. Over the quarter, the MSCI US Net Index (\$A) was up 10% while the MSCI All Country ex US Net Index (\$A) rose only 3%. Over 6 months (Apr-Sep 2018) this gap widens to +18% vs. +4%. Much of this has been driven by the rising US dollar and sector composition of markets. The key drivers of market returns are highly priced technology stocks.

We focus on absolute returns, but from a relative perspective it has been the toughest 4 months since late 1998 with this dramatic bifurcation of returns. From February 1999, as the US premium eroded and the technology bubble burst, the portfolio's positioning aided its returns over the five year period. This of course is only one episode, but the point is, we have seen it before. The market's spring seems coiled far too tightly and we believe we are well positioned for when value trumps momentum.

Notes:  
 Chart 1 Portfolio Net Region Exposure – Platinum Investment Management Ltd  
 Chart 2 Portfolio Net Sector Exposure – Platinum Investment Management Ltd  
 Chart 3 US Premium v World: Based on Factset data ex-financials, using market cap weighted price to book, and price to earnings for US, Asia ex Japan, Japan and Europe. P/B premium and P/E premium measured as US Valuation relative to simple average of the other 3 regions. US Premium is average of the two metrics.  
 Chart 4 Software/Content Premium v Energy/Materials: Based on Factset data, using market cap weighted price to book, and price to earnings for software & content, and energy & materials. Premium in chart is simple average of P/B Premium and P/E Premium.