

**Facts**

Portfolio value	\$10.48 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 – 1.9580 Red – 1.9482
Unit prices P Class	App – 0.9401 Red – 0.9354

**Performance<sup>1</sup>**

	P Class %	C Class %	MSCI %
1 month	3.19	3.16	4.17
3 months	0.01	(0.05)	(1.07)
6 months	(5.38)	(5.50)	(2.83)
Calendar year to date	3.19	3.16	4.17
1 year	(7.83)	(8.17)	2.76
2 years (compound pa)		9.11	10.83
3 years (compound pa)		8.84	10.51
5 years (compound pa)		8.03	10.63
7 years (compound pa)		13.22	14.70
10 years (compound pa)		9.09	9.77
Since inception (compound pa)*	3.90	12.19	6.64

**Invested positions<sup>3</sup>**

	LONG %	NET %	CURRENCY %
Australia	0.3	0.2	1.3
Austria	1.1	1.1	
Brazil	0.3	0.3	0.3
Canada	2.7	2.7	2.7
China	6.7	6.7	6.9
China Ex PRC	14.6	14.6	
Hong Kong	0.7	0.7	12.6
Denmark	0.7	0.5	0.7
France	3.0	3.0	
Germany	4.2	4.2	
India	5.9	5.9	6.1
Italy	1.1	1.1	
Japan	8.6	8.6	16.8
Korea	6.8	5.8	5.8
Norway	2.5	2.5	2.5
Switzerland	4.7	4.6	2.1
Thailand	0.6	0.6	0.6
United Kingdom	2.0	1.5	4.4
United States	16.6	6.3	40.6
	83.3	71.0	

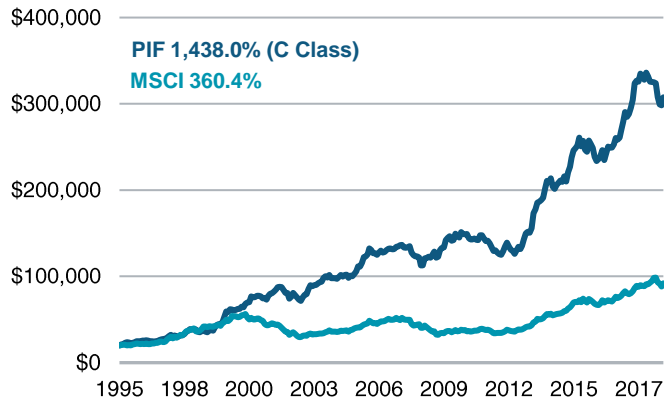
China Renminbi Off Shore			(15.1)
Euro Currency			11.7
Cash	16.7	29.0	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Long - 111 stocks, 3 swaps      Short - 17 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	3.5
Ping An Insurance Grp	China	Financials	3.1
Glencore PLC	Switzerland	Materials	2.7
Alphabet Inc	USA	Communication Serv.	2.7
China Overseas Land & Invst.	China	Real Estate	2.5
Facebook Inc	USA	Communication Serv.	2.4
Sanofi SA	France	Health Care	2.2
Roche Holding AG	Switzerland	Health Care	2.0
Technip FMC	UK	Energy	2.0
Siemens AG	Germany	Industrials	1.8

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

**Industry breakdown<sup>3</sup>**

SECTOR	LONG %	NET %
Financials	15.6	15.6
Communication Services	13.6	13.6
Industrials	11.1	11.1
Materials	10.2	10.1
Info Technology	9.5	8.5
Energy	6.2	6.2
Cons Discretionary	6.1	4.0
Health Care	5.8	3.0
Consumer Staples	2.7	1.1
Real Estate	2.5	2.5
Other*	0.0	(4.6)

\* Includes index short positions

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1. & 2. Source: Platinum for Fund returns and RIMES Technologies for MSCI returns. 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. The 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 depicted in the graph are cumulative on A\$20,000 invested in the Fund since inception. Past performance is not a reliable indicator of future returns. 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 from the make-up of the index. The index is provided as a reference only.

3. China refers to securities or derivatives over securities, which securities are listed on the Shanghai or Shenzhen stock exchange. China Ex PRC refers to securities or derivatives over securities, which securities are listed outside of the PRC but provide exposure to PRC companies. The "Long %" represents the exposure to direct securities holdings and long stock/index derivatives as a percentage of the Fund's net asset value. The "Net %" represents the exposure to direct securities holdings and both long and short stock/index derivatives as a percentage of the Fund's net asset value. The "Currency %" represents the effective currency exposure of the Fund's portfolio as a percentage of the Fund's net asset value, taking into account currency exposures through securities holdings, cash, forwards and long and short stock/index derivatives.

4. The "Top ten positions" show the Fund's top ten long positions as a percentage of the Fund's net asset value. Direct securities holdings and long stock derivatives are included. However, short stock derivatives are not included.

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- Strong start to 2019 for the portfolio, as 2018 headwinds recede. Portfolio conservatively positioned.
- Portfolio contains incredible value – many stocks on single-digit PE's.

The fund started 2019 well, returning over 3% in January, as market fear receded. A rising Australian dollar masked higher underlying stock returns. The unit price is flat since 31 October, suggesting the recent journey was unnecessarily stressful.

2018 was about tightening via rising US rates and reduced credit availability in China due to well-intended financial reform. Trump's trade war added uncertainty and impacted business confidence and corporate decision making. More recently we have seen loosening, or stimulatory, policies in China coupled with patience from the US Fed and signs of more active trade dialogue.

Meanwhile there is incredible value on offer. The long portion of the portfolio is on an average 10x PE. There are a lot of stocks we own on single digit PEs, or double-digit earnings yields, which is indicative of strong return potential. This is a view on our portfolio and not a nebulous comment on markets. A bifurcation has emerged between stocks that are very expensive and those that are very cheap. This can be measured, and we do track this. In the US market for example, the 80th percentile of stocks ranked by PE shows up as far higher priced than normal. The flipside is the 20th percentile has fallen back to nearer lows. This is reminiscent of the late stages of the technology bubble, which was a great set up for managers with patience.

Our exposures to the US and China provoke strong responses. We stress that **we do not dislike the US, nor are we in love with China**. We are guided by price to the best opportunities. After a multi-year bull market, and with high index weights divorced from economic reality, the US market remains a firm favourite for many, while China is generally misunderstood, and shunned by many institutions. As investors, we simply evaluate stocks on their own true merits.

Within the world's 2nd largest stock market, China, we have meaningful positions in a small number of companies we think are wrongly priced relative to their prospects. These include insurer Ping An, property giant China Overseas Land, sportswear champion Anta Sports, spirit-maker Jiangsu Yanhe, logistics leader ZTO Express and technology dominator Tencent. Businesses like these are, in our view, well-positioned regardless of near term economic turbulence.

The US is our second largest long exposure at 17% – and note, to give this context, the US is 20% of world GDP. Network businesses like Facebook and Google, are joined by semiconductor stocks such as Intel and Skyworks. Oil services companies like Transocean will benefit from a pick-up in deep sea exploration, while recovering giant, General Electric is a recent addition, bought well and up substantially since. Post the market rout in Q4 2018, we could possibly continue to discover more value in that market.

The offsetting feature of the US market is that it is also where we are most inclined to find short ideas. This should be viewed in the context of overall portfolio protection and a reflection of the fact that in that market as highlighted, expensive stocks are far pricier than normal.

Throughout the period from January to September 2018, a lot of the portfolio activity had focused on reducing risk as China's slowdown started to impact the rest of the world, and as US rates rose. We sold stocks that had done well and added shorts which contributed in the final quarter. We have recently been mostly focused on adjusting positions after sharp moves and we reduced our shorts after the sell-off.

To analyse our returns in detail, the last year was characterised firstly by a period of "missing out" when the fund's performance was flat, but markets appeared strong as a narrow list of large US technology and healthcare companies produced all of the index's gains. In Q4 we saw our "normal" correction outcome of falling only a little less than the universe (see last month commentary). While Chinese exposure has cost 2% as investor fear overlooked strong operational performance from our companies, we suffered more from investments in Energy and Materials, and a small number of stock specific issues, primarily in Japan. Over five years our unique and considerable exposure to Chinese stocks has been very helpful for returns.

While the last three months were broadly flat, strong performance from our Chinese, Indian and Korean stocks, was offset by weakness in Oil-related investments, a couple of European consumer companies and a weaker US dollar where most of our cash was held.

As described above, and explored in more detail in the latest quarterly report, we have a cheap portfolio of stocks, and the headwinds of 2018 appear to be subsiding, so while there are reasons to remain somewhat cautious, there are plenty reasons to be optimistic.