



Facts

Portfolio value	\$10.35 bn
Fund commenced	30 April 1995
Minimum investment	A\$10,000 or NZ\$10,000
Regular Investment Plan (min.)	A/NZ\$5000 plus A/NZ\$200 mth/qtr
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Unit prices C Class	App - 2.0558 Red - 2.0475
Unit prices P Class	App - 0.9832 Red - 0.9792

Fees

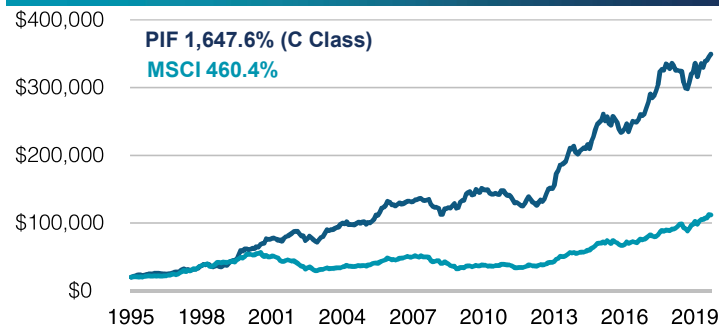
Entry fee	Nil
Buy/sell spread	0.20%/0.20%
Fee:	C Class
	P Class
	Investment Management 1.35% p.a.
	Investment Performance N/A
	Investment Management 1.10% p.a.
	Investment Performance 15.00% p.a.*

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

Performance¹

	C Class %	P Class %	MSCI %
1 month	1.12	1.14	(0.39)
3 months	3.24	3.31	4.53
6 months	6.57	6.70	8.74
Calendar year to date	17.23	17.52	26.79
1 year	17.23	17.52	26.79
2 years (compound pa)	3.59	3.85	12.96
3 years (compound pa)	10.32		13.56
5 years (compound pa)	9.01		11.75
7 years (compound pa)	13.60		16.01
10 years (compound pa)	8.86		11.50
Since inception (compound pa)*	12.29	7.94	7.24

Performance graph²



Invested positions³

	Long %	Short %	Net %	Currency %
Asia-Pacific	46.9	(0.7)	46.1	34.6
Australia		(0.3)	(0.3)	0.4
China	5.9		5.9	6.4
China Ex PRC	15.3		15.3	
Hong Kong	1.2		1.2	13.4
India	4.3		4.3	4.3
Japan	13.0		13.0	18.6
Korea	6.6	(0.5)	6.2	6.2
Thailand	0.5		0.5	0.5
China Renminbi Off Shore				(15.3)
North America	28.4	(8.6)	19.9	48.5
Canada	3.5		3.5	3.3
United States	24.9	(8.6)	16.3	45.2
Europe	17.0		17.0	16.4
Austria	1.3		1.3	
Denmark	0.5		0.5	0.5
France	3.2		3.2	
Germany	1.7		1.7	
Ireland	1.6		1.6	
Italy	1.7		1.7	
Norway	0.8		0.8	1.3
Switzerland	4.1		4.1	1.5
United Kingdom	2.1		2.1	3.7
Euro				9.5
Other	0.6		0.6	0.5
Brazil	0.6		0.6	0.5
Sub-Total	93.0	(9.3)	83.6	100.0
Cash	7.0		16.4	
Total	100.0		100.0	100.0

Long - 93 stocks, 2 swaps Short - 15 swaps

Top ten positions⁴

Stock	Country	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	4.4
Ping An Insurance	China	Financials	3.7
Alphabet Inc	United States	Comm Services	3.3
Facebook Inc	United States	Comm Services	3.3
Glencore PLC	Switzerland	Materials	2.6
Skyworks Solutions	United States	Info Technology	2.6
ZTO Express Inc	China	Industrials	2.5
China Overseas Land & Investment	China	Real Estate	2.4
Intel Corp	United States	Info Technology	2.3
Itochu Corporation	Japan	Industrials	2.2
Total			29.4

Industry breakdown³

Sector	Long %	Short %	Net %
Financials	15.6		15.6
Info Technology	15.7	(1.9)	13.8
Industrials	13.0	(0.0)	12.9
Communication Services	12.2		12.2
Materials	9.7		9.7
Health Care	7.1	(0.5)	6.6
Energy	5.4		5.4
Consumer Discretionary	9.6	(4.4)	5.1
Real Estate	2.5		2.5
Utilities	0.2		0.2
Consumer Staples	2.1	(2.5)	(0.4)

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1. & 2. Source: Platinum for Fund returns and Factset Research Systems 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 (as indicated), 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\$ (the gross MSCI Index was used prior to 31/12/98). Since inception date for C Class is 30/04/95 and for P Class is 03/07/17. Since inception date of C Class has been used for the purposes of calculating since inception returns of the index. The investment returns depicted in the graph are cumulative on A\$20,000 invested in C Class units in the Fund since the C Class inception date. Past performance is not a reliable indicator of future returns. Platinum does not invest by reference to the weightings of the index. The index is provided as a reference only.

3. The "Long %" is the exposure to long securities and long securities/index derivative positions, the "Short %" is the exposure to short securities and short securities/index derivative positions and the "Net %" is the exposure to long and short securities and long and short securities/index derivative positions, each as a percentage of the market value of the Fund's portfolio. The "Currency %" is the effective currency exposure as a percentage of the market value of the Fund's portfolio taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. For the "Industry breakdown", index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".

3. and 4. China generally refers to securities or derivatives over securities, which securities are listed on the Shanghai or Shenzhen stock exchange. China Ex PRC generally refers to securities or derivatives over securities, which securities are listed outside of the PRC but provide exposure to PRC companies.

4. The "Top ten positions" show the Fund's top ten long securities positions as a percentage of the market value of the Fund's portfolio (including long securities and long securities derivative positions).

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- **Strong year for portfolio with a return of 17%.**
- **Market bifurcation as previously highlighted remains in place; creates opportunity.**
- **31 December Quarterly Report* provides a deeper insight on the portfolio and markets.**

For investors, it is important to remember that time is a continuum while commentators bombard us with their “2020 Visions”, failing to recognise this nor acknowledging the futility of forecasting.

A new year or indeed a new decade is a chance to reflect, to look at the score-card and to look forward. This is broadly what we are forced to do every day as fund managers; to assess the portfolio’s suitability for the ever changing world and to be judged on how the portfolio performed in the recent and more distant past as other changes unfolded.

On this basis, 2019 was a strong year for the fund at 17% pa. When we look at the last 20 years, it ranked 7th with only 2013 (47%) and 2017 (25%) meaningfully superior. This is well ahead of the fund’s median return over 20 years at 10% pa.

The breakdown of last year’s returns on the long side is shown in the table below by sector and geography. In reconciling this with the market, our average stock was up 27% (in line with the index) but we had only 87% invested (consistent with our approach), so the contribution was 23%. Our shorts cost 5%, with overvalued technology stocks hurting us most. The top stock contributors were Ping An Insurance, Samsung Electronics, Facebook, Skyworks Solutions, Weichai Power and Bharti Airtel.

Region/Country	Average weight %	Contribution %	Sector	Average weight %	Contribution %
US	21	6	Tech/Communications	25	8
China	22	5	Consumer/ Health	16	5
Japan	9	3	Industrials	11	4
Europe	18	3	Financial/Real Estate	18	4
Rest of Asia	13	3	Energy/Materials	15	0

Source: Platinum Investment Management Limited

When we go back over the decade, which began with the clouds of the GFC still overhanging, the annualised return of 8.9% pa is likely one which would have been gratefully accepted as the fireworks welcomed in 1 January 2010, when “we [could] not bring ourselves to believe it would be plain sailing”**. This return achieved our simple stated goal of providing capital growth by investing in undervalued companies, yet fell short of the market’s return of 11.5% pa.

The gap could be attributed simply to our average net exposure of 76% across the period; we were too cautious in the early part of the decade and suffered in 2018 from a market bifurcation that saw the crowd chasing expensive, apparently safe havens. A core principal we apply is to try to avoid permanent impairment of capital, focusing on the absolute return we achieve rather than on whether or not we beat an arbitrary index. This leads us to using a number of risk management techniques which have an opportunity cost in rising markets, but which tend to pay off in bear markets. Ironically, in the previous decade which included the Tech Wreck and GFC, the fund returned a similar 9.7% pa.

To make such a crude simplification misses the dominance of the US over the period and its accordant dominance of index returns given its heavy weighting. Over 10 years, MSCI Indices show the US at 16% pa, Asia and Japan each on 9% pa, and Europe on 8% pa. For much of the period, our sense has been on a relative basis the best ideas lie outside of the US, yet it has continued to attract investors. For simple risk management reasons, we could not look to match the index’s weight in the US at over 50%, so have faced a challenge when the US dominates returns as it has in recent years.

On a sector basis, the biggest gap has been between Technology’s 18% pa and Energy’s 4% pa. Technology, in its broad sense, has been our largest exposure throughout much of the period and indeed Samsung has been ever-present in the portfolio over this time. The ultra-low monetary policy and the rise of China have also been significant and we built a large and profitable position in China in the middle of the decade, while most investors remain under-exposed to this great opportunity.

As it stands today, our portfolio is attractively valued and this is the best predictor of future returns that we can offer. This table shows how the portfolio looks on a number of measures and compares this to the opportunity set for context.

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM (Next 12 Months) Earnings Yield	8% (Price to Earnings ratio of 12.5x)	6.1% (Price to Earnings ratio of 16.5x)
NTM Dividend Yield	2.9%	2.9%
Price-to-Book-Ratio	1.6	2.3
Enterprise Value-to-Sales	1.2	1.6

The valuations in the table refer to the long portion of the portfolio, excluding negative net earnings, and using FactSet consensus earnings.

*The Quarterly Report will be out on 15 January 2020.

**December 2009 Quarterly Report.