

Facts

Portfolio value	\$10.02 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 - 2.0206 Red - 2.0125
Unit prices P Class	App - 0.9665 Red - 0.9626

Fees

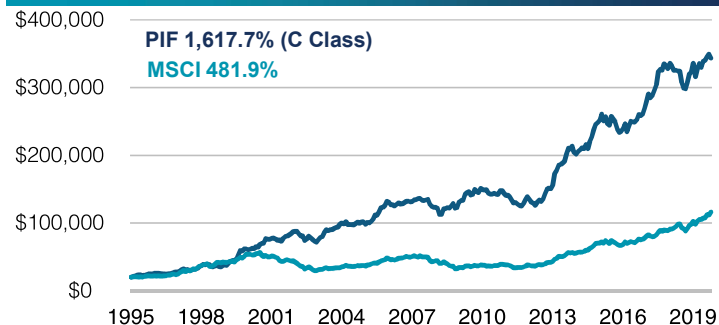
Entry fee	Nil
Buy/sell spread	0.20%/0.20%
Fee:	C Class Investment Management 1.35% p.a. Investment Performance N/A
	P Class Investment Management 1.10% p.a. Investment Performance 15.00% p.a.*

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

Performance ¹

	C Class %	P Class %	MSCI %
1 month	(1.71)	(1.69)	3.84
3 months	0.96	1.03	7.93
6 months	2.33	2.45	10.58
Calendar year to date	(1.71)	(1.69)	3.84
1 year	11.69	11.96	26.38
2 years (compound pa)	1.27	1.58	13.95
3 years (compound pa)	9.96		15.78
5 years (compound pa)	7.64		11.84
7 years (compound pa)	12.58		15.97
10 years (compound pa)	8.86		12.29
Since inception (compound pa)*	12.17	6.96	7.37

Performance graph ²



Invested positions ³

	Long %	Short %	Net %	Currency %
Asia-Pacific	45.7	(7.7)	38.0	34.8
Australia	0.2	(0.3)	(0.1)	0.2
China	5.5		5.5	6.6
China Ex PRC	14.2	(4.3)	9.9	
Hong Kong	1.3		1.3	13.0
India	4.2		4.2	4.4
Japan	13.5	(3.1)	10.4	20.1
Korea	6.3		6.3	6.4
Thailand	0.5		0.5	0.5
China Renminbi Off Shore				(16.5)
North America	27.8	(6.3)	21.5	49.1
Canada	3.3		3.3	3.0
United States	24.5	(6.3)	18.3	46.1
Europe	15.8	(3.0)	12.8	15.6
Austria	1.3		1.3	
Denmark	0.7		0.7	0.7
France	2.9		2.9	
Germany	1.5	(3.0)	(1.5)	
Ireland	1.4		1.4	
Italy	1.5		1.5	
Norway	0.8		0.8	0.9
Switzerland	4.1		4.1	1.4
United Kingdom	1.8		1.8	3.8
Euro				8.8
Other	0.5		0.5	0.5
Brazil	0.5		0.5	0.5
Sub-Total	89.9	(17.0)	72.9	100.0
Cash	10.1		27.1	
Total	100.0		100.0	100.0

Long - 95 stocks, 2 swaps Short - 13 swaps, 4 indices

Top ten positions ⁴

Stock	Country	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	4.1
Alphabet Inc	United States	Comm Services	3.6
Ping An Insurance	China	Financials	3.5
Facebook Inc	United States	Comm Services	3.2
Intel Corp	United States	Info Technology	2.7
Glencore PLC	Switzerland	Materials	2.7
ZTO Express Inc	China	Industrials	2.5
Skyworks Solutions	United States	Info Technology	2.4
Itochu Corporation	Japan	Industrials	2.1
China Overseas Land & Investment	China	Real Estate	2.0
Total			28.8

Industry breakdown ³

Sector	Long %	Short %	Net %
Financials	14.6		14.6
Info Technology	16.1	(2.1)	14.1
Industrials	12.8	(0.0)	12.7
Communication Services	12.3		12.3
Materials	9.8		9.8
Consumer Discretionary	8.7	(1.1)	7.6
Health Care	7.1		7.1
Energy	4.4		4.4
Real Estate	2.2		2.2
Utilities	0.2		0.2
Consumer Staples	1.6	(2.8)	(1.2)
Other		(11.0)	(11.0)

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the responsible entity of the Platinum International Fund (the "Fund"). The Fund's latest Product Disclosure Statement (the "PDS") provides details about the Fund. You can obtain a copy of the PDS from Platinum's website 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. This information is general in nature and does not take into account your specific needs or circumstances. You should consider your own financial position, objectives and requirements and seek professional financial advice before making any financial decisions. Numerical figures have been subject to rounding. Platinum does not guarantee the performance of the Fund, the repayment of capital or the payment of income. The market commentary reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by Platinum as to their accuracy or reliability. To the extent permitted by law, no liability is accepted by Platinum for any loss or damage as a result of any reliance on this information.

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).

All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in https://www.platinum.com.au/Special-Pages/Terms-Conditions

Ahead of the coronavirus outbreak, the year started somewhat anomalously with equity prices rising and bond yields falling. This was against a backdrop of political resolution (trade deal and Brexit) and was in line with our expectations, with economic data generally being encouraging. The initial reaction to the threat of the virus saw equities suffer and bonds continue to march higher (yields lower). With uncertainty around the virus and around the market's¹ response to it, we accelerated the de-risking of the portfolio by reducing our net equity exposure, after a strong run, and ended the month with only 73% net equity exposure.

The portfolio had a disappointing month, down 1.7% in A\$ terms, against a backdrop of a broadly flat global market and a falling local currency. In particular, our Energy & Materials exposures, and our short positions had a combined impact of detracting around 3%.

The last two years

Over the last two years, a combination of the geographic skew of the portfolio, our risk aversion and the portfolio's exposure to energy and materials, have led to a poor outcome versus both our own expectations and vis-a-vis the market.

The backdrop has been an environment dominated by ultra-low interest rates fuelling fanciful valuations in certain segments (growth and defensives), while economic sensitives appear to be shunned. Momentum as an investment strategy is working generally (buying what is going up, and selling what is going down), yet it is at odds with our philosophy of seeking the out-of-favour. The extreme sector divergence of Information Technology² versus Energy³ summarises this: +8% vs -4% return in January after a year of 47% vs 13% return and a decade of 420% vs 44% cumulative return to December 2019.

To breakdown our returns and understand the underperformance, the three key drivers were:

- Geographic skew. The index bias to the US (at well over 50%) contrasts with our portfolio being dominated by Asia-Pacific and Europe; the reasons have been oft-described. At an index level, Asia⁴ and Europe⁵/Japan⁶ (both 9% pa) significantly underperformed the World⁷ (+14% pa).
- Risk aversion. In addition to avoiding expensive sectors, our short-selling has cost us 2% pa in the last two years, though we made money in the 2018 sell-off before suffering during a strong 2019.
- Energy and materials. Our investments in this area are largely derived from our work on electric vehicles and in a belief that capex is needed in the oil industry. Despite having well-timed our entry to the oil sector generally around 2015-16, in the last two years it has cost us close to 3% pa across this broad group.

The highlights over this period have included: investments in semiconductor stocks (e.g. Intel, Micron, Samsung and Skyworks), increased exposure to the Japanese industrial sector (e.g. Itochu); and ongoing returns from our Chinese leaders despite the 2018 slowdown and trade tensions (e.g. Ping An Insurance and Anta Sports). Interestingly, traditional investment approaches (value/quality) are working in China at a broad level. Alphabet, Facebook and Roche have also been strong.

Longer term context

Previously, the only other episode of such significant two-year relative underperformance took place in the periods ending between December 1998 and April 1999. Interestingly, the Fund's peak five year outperformance was from March 1999 to March 2004 when the Fund delivered 163% while the market fell 19%, cumulatively led by the unwinding of the technology bubble and its aftermath.

A number of parallels can be drawn between that period and today, particularly the enthusiasm for technology stocks, the bifurcation of valuations in the market, several valuation and sentiment indicators, and observations on the prevalence of loss-making companies coming to market.

A side effect of short-term underperformance is its optical impact on long-term numbers (e.g. 10 years). Two years ago, the Fund's 10 year returns (to 31 January 2018) were 10% pa, against the market's 7% pa. Removing the Fund's strong performance in the GFC and its immediate aftermath from the now 10 year calculation and replacing it with the last two years softness, masks the fact that we had effectively kept up with the bull market until these recent events, despite our more cautious disposition than the market portfolio.

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM (Next 12 Months) Earnings Yield	8.5% (Price to Earnings ratio of 11.7x)	6.2% (Price to Earnings ratio of 16.2x)
NTM Dividend Yield	3.0%	2.9%
Price-to-Book-Ratio	1.4	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.

Please visit our website for an update on coronavirus as at 29 January 2020.

<https://www.platinum.com.au/Insights-Tools/The-Journal/Update-re-coronavirus>

¹ Market means MSCI AC World Net Index in A\$, source: FactSet.

² MSCI AC World Net IT Index in A\$, source: FactSet.

³ MSCI AC World Net Energy Index in A\$, source: FactSet.

⁴ MSCI AC Asia ex Japan Net Index in A\$, source: FactSet.

⁵ MSCI AC Europe Net Index in A\$, source: FactSet.

⁶ MSCI Japan Net Index in A\$, source: FactSet.

⁷ MSCI AC World Net Index in A\$. source: FactSet.