

Platinum International Fund



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Performance

(compound p.a.⁺, to 30 June 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	2%	1%	12%	9%	12%
MSCI AC World Index [^]	5%	11%	14%	13%	7%

⁺ Excluding quarterly returns.

* C Class – standard fee option. Inception date: 30 April 1995.

After fees and costs, before tax, and assuming reinvestment of distributions.

[^] Index returns are those of the MSCI All Country World Net Index in AUD.

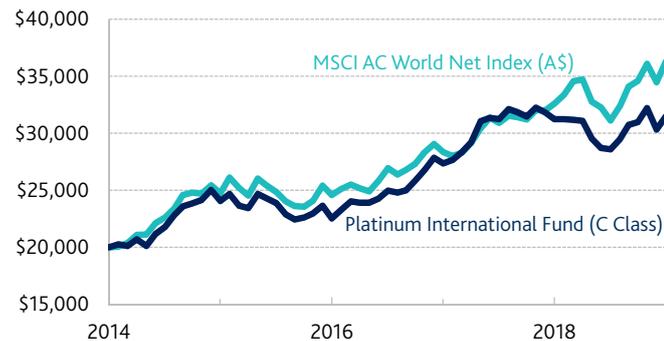
Source: Platinum Investment Management Limited, FactSet.

Historical performance is not a reliable indicator of future performance.

See note 1, page 4. Numbers have been subject to rounding adjustments.

Value of \$20,000 Invested Over Five Years

30 June 2014 to 30 June 2019



After fees and costs, before tax, and assuming reinvestment of distributions.

Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited, FactSet.

See notes 1 & 2, page 4.

The Fund (C Class) returned 1.6% for the quarter and 0.7% for the last 12 months. These returns lagged the performance of global equity markets, which returned 4.9% for the quarter and 11.3% for the 12 months.

The collapse of US-China trade negotiations, the US government's decision to restrict sales of key US technologies to Huawei (China's telecom equipment provider), and growing expectations of interest rate cuts, were the key drivers of equity markets since early May. Broadly, these concerns saw investors once again seek safe havens in perceived low-risk equities, such as real estate, utilities, infrastructure, and consumer staples. Growth stocks, considered immune to the trade issues, were also sought after. This trend was further reinforced by expectations that lower interest rates would support the already highly generous valuations of these stocks. Generally, more cyclical companies, such as commodity producers, were sold off. Companies facing specific exposure to trade issues, such as auto companies, or to the Huawei ban, such as semiconductor companies, came under selling pressure.

As we outlined in this quarter's Macro Overview, these moves continue the long-term trend of growth stocks outperforming value stocks, which has resulted in the disparity of valuations between these groups of stocks widening to extreme levels. The last time the relative performance of growth over value was at current levels, was in 1999-2000 at the height of the tech bubble (see Fig. 2, in the June quarter Macro Overview).

While we would not categorise ourselves as a 'classic value' investor, our approach of avoiding the crowd and seeking out those assets that are out-of-favour with investors, has resulted in the Fund migrating to investment opportunities in China, and cyclical sectors such as semiconductors, autos, energy, and metals, where we assess there is significant value.

While portions of the portfolio have lagged the market over the last year, it is worth noting that our investment approach has performed well in a number of key investments. Positions in **Ping An Insurance** (Chinese insurance and banking), **ICICI Bank** and **Axis Bank** (Indian banks), **Weichai Power** (Chinese diesel engine manufacturer), and **Anta Sports Products** (Chinese sports apparel producer), have made strong contributions. Short positions in **Nvidia** (US graphic microchip producer) and **Tesla** also made significant

contributions to performance. Each of these investments were made following our traditional investment approach.

Offsetting these good returns were declines in our energy-related investments, notably **Transocean** (offshore contract oil drilling services), **Seven Generations** (Canadian onshore oil and gas producer), and **TechnipFMC** (oil services), as well as other commodity producers such as **Glencore** (copper and cobalt, zinc, coal, and trading), **First Quantum** (copper) and **MMG** (copper).

Changes to the Portfolio

The net exposure of the portfolio was reduced from 73% to 62% over the quarter. The reduction in the net exposure was a result of a significant increase in short positions from -10% to -22%, predominantly in index futures. This was in response to indications that the US and China were unlikely to conclude a trade agreement anytime soon and the decision to ban sales of US technology to Huawei. The downside risk to markets of a significant escalation in tariffs is, in our view, significant and the additional index short positions were put in place to reduce market exposure. Subsequent to quarter end, the portfolio's net invested position was increased to 75%, with a number of short positions taken off on improved market sentiment following the trade truce between the US and China.

Over the course of the quarter, we added to a wide range of existing holdings that offered good value after being sold off on concerns around trade and the Huawei bans. These included semiconductor and related companies, **Micron Technology**, **Skyworks Solutions**, **Microchip Technology** and **Sumco**. Similarly, we added to auto and related businesses such as **BMW** and **Valeo**. New positions were added in **Ryanair** (European budget airline), **Owens Corning** (US building materials), and **BRF** (Brazilian producer of pork and poultry). These new investments and additions to existing positions accounted for over 4% of the Fund.

These purchases were funded by exiting positions in **Siemens** (German industrial conglomerate) and **Reliance Industries** (Indian Petrochemical and Telecoms), and trimming our holdings across a range of positions such as **Schibsted** (online classifieds), **Equifax** (US information solutions), and **Alphabet** (owner of Google).

Disposition of Assets

REGION	30 JUN 2019	31 MAR 2019	30 JUN 2018
Asia	35%	36%	35%
North America	24%	22%	18%
Europe	16%	18%	21%
Japan	9%	7%	12%
Australia	<1%	<1%	<1
South America	<1%	0%	<1
Russia	<1%	0%	<1
Cash	16%	16%	13%
Shorts	-22%	-10%	-15%

See note 3, page 4. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Net Sector Exposures [^]

SECTOR	30 JUN 2019	31 MAR 2019	30 JUN 2018
Financials	16%	16%	14%
Communication Services	13%	14%	14%
Industrials	10%	10%	10%
Materials	9%	10%	9%
Information Technology	8%	8%	8%
Energy	5%	6%	9%
Consumer Discretionary	5%	5%	6%
Real Estate	3%	3%	2%
Health Care	2%	2%	6%
Consumer Staples	1%	1%	2%
Utilities	<1%	<1%	1%
Other*	-12%	-2%	-9%
TOTAL NET EXPOSURE	62%	73%	72%

[^] A major GICS reclassification was implemented during the December 2018 quarter. The changes affected the Information Technology, Communication Services (previously Telecommunication Services) and Consumer Discretionary sectors. Historical exposures have been updated for continuity.

* Includes index short positions.

See note 4, page 4. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Ping An Insurance	China	Financials	4.3%
Samsung Electronics	Korea	Info Technology	3.5%
Facebook Inc	US	Comm Services	3.3%
Alphabet Inc	US	Comm Services	2.6%
China Overseas Land	China	Real Estate	2.5%
TechnipFMC Ltd	UK	Energy	2.5%
Glencore plc	Switzerland	Materials	2.3%
Intel Corp	US	Info Technology	2.2%
Bharti Airtel Ltd	India	Comm Services	2.0%
Jiangsu Yanghe Brewery	China	Consumer Staples	1.9%

As at 30 June 2019. See note 6, page 4.

Source: Platinum Investment Management Limited.

Outlook

At quarter end, the long positions in the Fund's portfolio were trading on an average price-to-earnings (P/E) multiple of 11.1x and a price-to-book (P/B) multiple of 1.4x. These valuations compare favourably with market averages and our quantitative indicators lead us to believe that our portfolio is both more profitable and faster growing than our global universe of stocks. Further, our qualitative assessment is that the valuations of our individual holdings are not just attractive relative to the averages, but attractive on an absolute basis. It is these factors, which we judge our assessment of likely future returns, and result in us being optimistic about the Fund's returns over the medium to long term.

However, significant risks remain in the macroeconomic and market environment in the short term; in particular, US trade policy and the impact on global growth. Valuations in the crowded sectors of equity markets, the safe havens and the high growth stocks, are also cause for caution on broader markets.

Net Currency Exposures

CURRENCY	30 JUN 2019	31 MAR 2019	30 JUN 2018
US dollar (USD)	42%	42%	26%
Japanese yen (JPY)	15%	16%	11%
Hong Kong dollar (HKD)	12%	14%	13%
Euro (EUR)	10%	11%	12%
Chinese yuan (CNY)	9%	8%	7%
Indian rupee (INR)	6%	6%	5%
Korean won (KRW)	5%	5%	6%
Australian dollar (AUD)	4%	<1%	5%
British pound (GBP)	4%	4%	6%
Canadian dollar (CAD)	2%	3%	2%
Norwegian krone (NOK)	2%	3%	2%
Swiss franc (CHF)	1%	2%	1%
Danish krone (DKK)	0%	1%	1%
Chinese yuan offshore (CNH)	-15%	-15%	0%

See note 5, page 4. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit <https://www.platinum.com.au/our-products/pif>.

Notes

1. Fund returns are calculated using the net asset value (NAV) unit price (which does not include the buy/sell spread) of the stated unit class of the Fund and represent the combined income and capital returns of the stated unit class over the specified period. Fund returns are net of fees and costs, are pre-tax, and assume the reinvestment of distributions. Returns for P Class are net of any accrued investment performance fee.
The MSCI Index returns are in Australian Dollars and are inclusive of net official dividends, but do not reflect fees or expenses. For the purpose of calculating the "since inception" returns of the MSCI Index, the inception date of C Class of the Fund is used. Where applicable, the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then. Fund returns are provided by Platinum Investment Management Limited; MSCI index returns are sourced from FactSet.
Platinum does not invest by reference to the weightings of the Index. A Fund's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, the Fund's holdings may vary considerably to the make-up of the Index that is used as its reference benchmark. Index returns are provided as a reference only.
The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.
The stated portfolio values of C Class and P Class of the Platinum International Fund (PIF) do not include funds invested in PIF by the Platinum International Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PIF. The stated portfolio values of C Class and P Class of the Platinum Asia Fund (PAF) do not include funds invested in PAF by the Platinum Asia Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PAF.
2. The investment returns depicted in this graph are cumulative on A\$20,000 invested in C Class (standard fee option) of the specified Fund over the specified period relative to the specified net MSCI Index in Australian Dollars.
3. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices.
4. The table shows, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant sectors through direct securities holdings as well as both long and short derivatives of stocks and indices. In the case of the Platinum Unhedged Fund, the Fund does not undertake any short-selling. Its net exposures are therefore the same as its long exposures.
5. The table shows the effective net currency exposures of the Fund's portfolio as a percentage of the Fund's net asset value, taking into account the Fund's currency exposures through securities holdings, cash, forwards, and derivatives. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.

6. The table shows the Fund's top 10 long equity positions as a percentage of the Fund's net asset value, taking into account direct securities holdings and long stock derivatives. The designation "China" in the "Country" column means that the company's business is predominantly based in mainland China, regardless of whether the company's securities are listed on exchanges within mainland China or on exchanges outside of mainland China.

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Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

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