

Platinum International Fund



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Performance

(compound p.a.⁺, to 31 December 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	3%	17%	10%	9%	12%
MSCI AC World Index [^]	5%	27%	14%	12%	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.

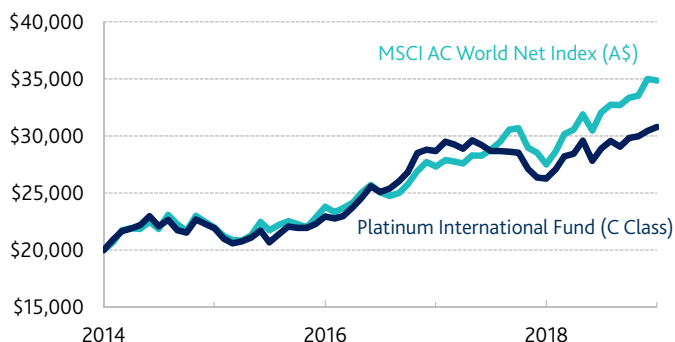
Source: Platinum Investment Management Limited, FactSet.

Historical performance is not a reliable indicator of future performance.

See note 1, page 4. Numerical figures have been subject to rounding.

Value of \$20,000 Invested Over Five Years

31 December 2014 to 31 December 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 3.2% for the quarter and 17.2% for the year. While these are strong absolute results, they lagged the performance of global equity markets.

The breakdown of the year's performance is worth noting. The Fund's long positions returned 28% for the year (in AUD terms),¹ which was slightly ahead of the broader market. This return was achieved with a highly differentiated portfolio, with the Fund having an average weighting of 44% in Asian markets (including Japan) and 24% in North America over the year.

The returns earned from our positions in Asia ex Japan (+28%), US (+36%) and Japan (+42%), were ahead of their respective market returns, with only our European returns (+17%) trailing. While admittedly, this is only a 12-month period, we see this as evidence that our stock selection process continues to produce good outcomes at the individual stock level, particularly in light of the strong performance of global growth stocks (+33% for the year) versus global value stocks (+21%).²

Our decision to not be fully invested, with an average invested (i.e. long) position of 87% over the year, detracted 5% from the Fund's annual return. Losses on short positions³ reduced returns by a further 5%. The question that naturally arises from these outcomes is the merit of holding cash reserves and shorting. In a year where markets have steadily moved higher, it certainly appears to be a futile exercise. However, as we have stressed in our updates over the course of last year, there are many signs of speculative behaviour by investors. This is evident not just with respect to the mania in high growth and defensive stocks in listed markets, but also in unlisted investments, such as private equity and infrastructure, as well as the enthusiastic use of debt across

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum International Fund report are in AUD terms. Individual stock returns are quoted in local currency terms.

2 MSCI AC World Growth and Value in AUD terms.

3 Short-selling or "shorting" is a transaction aimed at generating a profit from a fall in the price of a particular security, index, commodity or other asset. To enter into a short sale, an investor sells securities that are borrowed from another. To close the position, the investor needs to buy back the same number of the same securities and return them to the lender. If the price of the securities has fallen at the time of the repurchase, the investor has made a profit. Conversely, if the price of the securities has risen at the time of the repurchase, the investor has incurred a loss.

much of the global economy. While it is difficult to predict when any of these excesses will be unwound, and to what extent that impacts stock prices, we continue to adopt a prudent approach by maintaining cash holdings in order to take advantage of opportunities when presented, and maintaining a level of short positions to provide a degree of downside protection.

At an individual stock level, key contributors to performance over the year (which were also reflective of the quarter) were our semiconductor and related stocks, **Samsung Electronics** (up 44% in local currency terms), **Micron Technology** (up 69%), **Skyworks Solutions** (up 80%), **Microchip Technology** (up 46%), **Intel** (up 28%), and **Sumco** (up 49%). While some of these stocks have been held for a number of years, the positions were increased at different times over the last 12 months on share price weakness, with the stocks sold off in response to weak demand, trade-related issues, and the Huawei bans. In recent months, stock prices have rallied, reflecting an easing in trade tensions, signs of increased data centre spending in the US, and good sales of 5G mobile handsets in China.

Other strong performers included a number of our Chinese investments, **Ping An Insurance** (up 52%), **Anta Sports Products** (up 86%), **Weichai Power** (heavy duty diesel engines, up 106%) and **ZTO Express** (express parcel delivery, up 47%). In each case, the underlying businesses of these companies continued to perform well over the course of the year, driving their stock price performance. Key detractors from performance were our energy and materials investments, such as **Seven Generations** and **Glencore**.

Changes to the Portfolio

The net exposure of the portfolio increased over the quarter from 73% to 84%. Short positions fell from 16% to 9%, the most significant change being the closure of index shorts early in the quarter.

New holdings included Takeda (Japanese pharmaceuticals) and Schlumberger (oil services).

Takeda has undergone significant internal change in recent years and overhauled its research and development approach, which together with acquisitions and external partnerships, is driving much-needed innovation. A more detailed explanation of this company is provided in the Platinum Japan Fund report.

Disposition of Assets

REGION	31 DEC 2019	30 SEP 2019	31 DEC 2018
Asia	34%	34%	34%
North America	28%	26%	18%
Europe	17%	17%	19%
Japan	13%	11%	9%
South America	1%	1%	0%
Cash	7%	11%	20%
Shorts	-9%	-16%	-11%

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

Net Sector Exposures

SECTOR	31 DEC 2019	30 SEP 2019	31 DEC 2018
Financials	16%	15%	15%
Information Technology	14%	11%	7%
Industrials	13%	12%	10%
Communication Services	12%	13%	14%
Materials	10%	10%	10%
Health Care	7%	4%	4%
Energy	5%	5%	6%
Consumer Discretionary	5%	6%	4%
Real Estate	3%	2%	2%
Utilities	0%	0%	0%
Consumer Staples	0%	0%	0%
Other*	0%	-4%	-3%
TOTAL NET EXPOSURE	84%	73%	69%

* Includes index shorts and other positions.

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

Schlumberger is a leading provider of services to the oil and gas industry. Since the collapse in the oil price in 2014, spending by the oil and gas industry on exploration and production has fallen significantly. As a result, the revenues of the company have fallen by over 30% and operating profits by over 60%. We are expecting a pick-up in exploration and production activity by oil companies, in order to replace steadily declining production from existing fields, and with that, a recovery in Schlumberger's profitability.

We added to our position in **AIA**, the Hong Kong based life company that is a strong second player to Ping An Insurance in the Chinese life insurance market. The company was sold off on concerns of potential disruption to its business from the Hong Kong protests. Price weakness provided us with an opportunity to acquire more stock at attractive prices.

Otherwise, most activity centred on trimming positions that performed well over the course of the year such as, Roche (pharmaceuticals), Constellation Software, Anta Sports Products, and Bharti Airtel (Indian Telecom).

Outlook

In recent quarterly reports, we have noted the attractive valuations across the portfolio as a reason to be cautiously optimistic about the Fund's future returns. The average forward price-to-earnings (P/E) ratio for the long positions in the portfolio is 12.5x, which is higher than 11.2x in September and 10.0x at the end of 2018, reflecting the strong gains in a number of our stocks.

After such a strong year in the markets, an element of caution is warranted in the short term. Having said that, we remain comfortable with our portfolio positioning. Current valuations continue to remain attractive in comparison with market averages, and our quantitative and qualitative assessments lead us to believe that our portfolio is more profitable and faster growing than the global universe of stocks that we cover.

While a number of our long-term holdings have indeed rallied strongly in recent months, which is a pleasing result for our investors, other positions, notably in the energy and materials sectors, have not fared as well, largely reflecting negative sentiment towards cyclicals. Sentiment is however, lifting and as such, we remain confident in the long-term prospects for the businesses we own.

Net Currency Exposures

CURRENCY	31 DEC 2019	30 SEP 2019	31 DEC 2018
US dollar (USD)	45%	47%	41%
Japanese yen (JPY)	19%	17%	17%
Hong Kong dollar (HKD)	13%	13%	13%
Euro (EUR)	10%	9%	12%
Chinese yuan (CNY)	6%	6%	6%
Korean won (KRW)	6%	6%	5%
Indian rupee (INR)	4%	5%	6%
British pound (GBP)	4%	4%	4%
Canadian dollar (CAD)	3%	3%	3%
Swiss franc (CHF)	1%	2%	2%
Norwegian krone (NOK)	1%	2%	3%
Danish krone (DKK)	1%	1%	1%
Brazilian real (BRL)	1%	1%	0%
Thai baht (THB)	0%	1%	1%
Australian dollar (AUD)	0%	0%	2%
Chinese yuan offshore (CNH)	-15%	-16%	-16%

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	Korea	Info Technology	4.4%
Ping An Insurance	China	Financials	3.7%
Alphabet Inc	US	Comm Services	3.3%
Facebook Inc	US	Comm Services	3.3%
Glencore plc	Switzerland	Materials	2.6%
Skyworks Solutions	US	Info Technology	2.6%
ZTO Express Inc ADR	China	Industrials	2.5%
China Overseas Land & Inv	China	Real Estate	2.4%
Intel Corp	US	Info Technology	2.3%
Itochu Corporation	Japan	Industrials	2.2%

As at 31 December 2019. See note 6, page 4.
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

- 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.
- 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.
- The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents, as a percentage of the market value of the Fund's positions, the Fund's effective exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices. "Shorts" relates to the effective exposures to short securities and short securities/index derivative positions.
- 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.
- 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.
- 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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