



Platinum International Fund

(Quoted Managed Hedge Fund) - ASX: PIXX

28 February 2019

Facts

Portfolio value	\$328.36 mn
Fund commenced	12 September 2017
Fund launch	14 September 2017
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Net Asset Value (\$ per unit)	\$4.7386

Fees

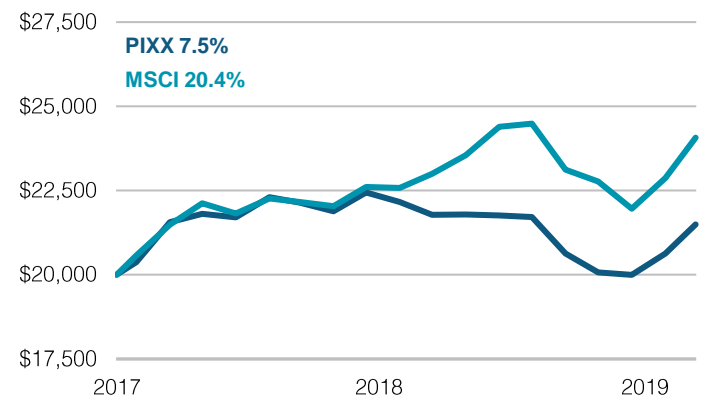
Entry fee	Nil
Buy/sell spread (Platinum International Fund)	0.20%/0.20%
Fee:	Investment Management 1.10% p.a. Investment Performance 15.00% p.a.*

Performance¹

	Fund %	MSCI %
1 month	4.17	5.23
3 months	7.09	5.71
6 months	(1.24)	(1.31)
Calendar year to date	7.49	9.62
1 year	(2.94)	8.63
Since inception	5.05	4.67

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

Performance graph²



Invested positions of Platinum International Fund³

	LONG %	NET %	CURRENCY %
Australia	0.2	0.2	0.7
Austria	1.1	1.1	
Brazil	0.3	0.3	0.3
Canada	2.7	2.7	2.7
China	7.5	7.5	7.6
China Ex PRC	15.7	15.7	
Hong Kong	0.8	0.8	13.1
Denmark	0.8	0.8	0.8
France	2.9	2.9	
Germany	4.2	4.2	
India	5.8	5.8	6.0
Italy	1.2	1.2	
Japan	8.2	8.2	16.1
Korea	6.4	5.4	5.5
Norway	2.8	2.8	2.8
Switzerland	4.3	4.3	2.2
Thailand	0.6	0.6	0.6
United Kingdom	2.0	1.3	4.3
United States	16.8	7.8	40.7
	84.1	73.3	
China Renminbi Off Shore			(15.0)
Euro Currency			11.6
Cash	15.9	26.7	
Total	100.0	100.0	100.0

Long - 112 stocks, 3 swaps Short - 14 stocks, 2 indices

Top ten positions of Platinum International Fund⁴

STOCK	COUNTRY*	INDUSTRY	%
Ping An Insurance Grp	China	Financials	3.4
Samsung Electronics Co Ltd	Korea	Info Technology	3.3
Alphabet Inc	USA	Communication Serv.	2.7
Glencore PLC	Switzerland	Materials	2.6
China Overseas Land & Invst.	China	Real Estate	2.4
Facebook Inc	USA	Communication Serv.	2.3
Sanofi SA	France	Health Care	2.1
PICC Property & Casualty Co	China	Financials	1.9
Schibsted ASA	Norway	Communication Serv.	1.9
Technip FMC	UK	Energy	1.9

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

Industry breakdown of Platinum International Fund

SECTOR	LONG %	NET %
Financials	16.1	16.1
Communication Services	13.8	13.8
Industrials	11.2	11.2
Materials	10.2	10.2
Info Technology	9.9	8.7
Cons Discretionary	6.3	3.9
Energy	5.8	5.8
Health Care	5.4	2.6
Consumer Staples	3.0	1.5
Real Estate	2.4	2.4
Other*	0.0	(2.9)

* 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), and represent the combined income and capital returns in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Returns are net of any accrued investment performance fee. The returns are calculated relative to the MSCI All Country World Net Index in A\$. 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 Platinum International Fund's ("PIF'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 PIF's net asset value. The "Currency %" represents the effective currency exposure of PIF's portfolio as a percentage of PIF'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 PIF's top ten long positions as a percentage of PIF's net asset value. Direct securities holdings and long stock derivatives are included. However, short stock derivatives are not included. 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>

- **The strong start to 2019 for the portfolio continues.**
- **The headwinds of 2018 continue to recede.**
- **The portfolio is conservatively positioned and contains great value.**

February saw a continuation of January's strong performance, with the Fund now up over 7% year to date, with markets having their best start to a year since the portfolio started.

Despite what has felt like a tough time in markets, the last six months have now seen a loss of only one per cent, despite a journey that no doubt felt more alarming. Since the end of August, our Chinese holdings added over 2% to returns and US shorts contributed a further 1.5%. On the flip side, holdings in developed market equities (US, Europe, Japan) offset these gains.

This emphasises the concept of loss aversion, whereby, according to the work of Daniel Kahneman we feel losses about twice as acutely as we feel equivalent gains. The path downwards to Christmas was more painful than the climb back up since.

The epicentre of 2018's woes was China, with its financial reform exaggerated by the impact of Trump's trade war. This rippled out to anyone who sells goods to the world's biggest physical market. With China now stimulating, and the trade war appearing to abate, it is noteworthy that the Chinese domestic market is the world's strongest year to date.

As our exposures to the US and China provoke strong responses, it is worth stressing that we do not dislike the US, nor are we in love with China. After a multi-year bull market, the US is a firm favourite for most investors, while China is still shunned by many institutions and widely misunderstood. These dynamics lead us to find a little more to buy in the world's second-largest market than in its largest, but the difference in net weights is largely driven by wide valuation dispersion creating short selling opportunities among several expensive US stocks and indices.

Ultimately, the prospects for the portfolio are best categorised by considering the stocks that we own, and the fact that it is price that drives all our decisions. When we look at the aggregate fundamentals for the portfolio today, the long stocks are on an average P/E ratio of 11x (or a 9% earnings yield) comparing very favourably to a global market on about 15x, or close to long-term averages.

Having spent the first nine months of 2018 reducing risk in the portfolio, we were able to close some shorts near the market lows, add a new position in General Electric, very close to its bottom, and have also been focussing on some great opportunity in semiconductor companies, which appear to be giving us exposure to all the excitement of artificial intelligence, cloud computing, autonomous driving and so on, on single-digit PE's in highly advanced, consolidated industry structures.

Looking forward, the next leg for equities could come from a sense that governments around the world may provide the next wave of aggregate demand growth via increased spending, but in the tighter labour markets this could simultaneously start to create fears of higher rates, which has choked off markets historically.