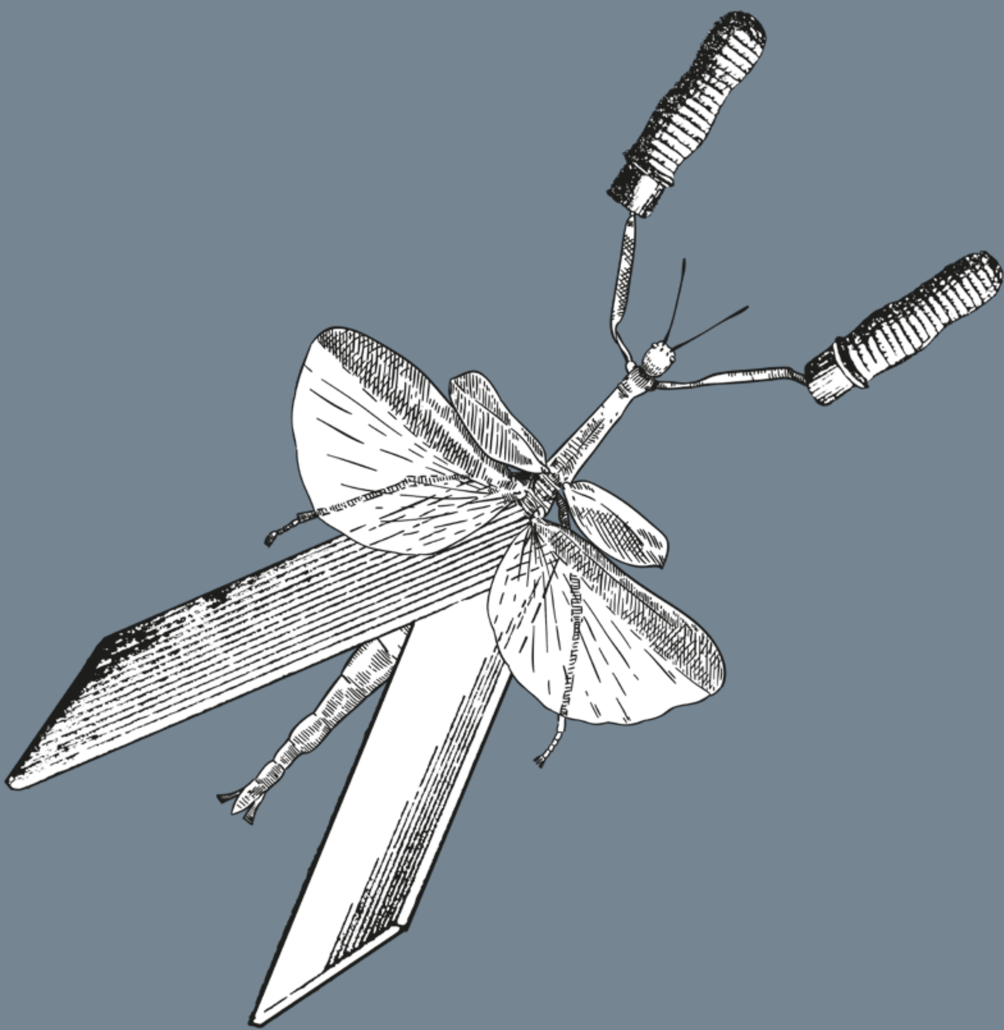
Platinum International Fund
Platinum Unhedged Fund
Platinum Asia Fund
Platinum European Fund
Platinum Japan Fund
Platinum International Brands Fund
Platinum International Health Care Fund
Platinum International Technology Fund

Platinum
ASSET MANAGEMENT

Quarterly Report

31 DECEMBER
2019



Contents

The Platinum Trust quarterly report is available on our website from approximately the 15th of the month following quarter end.
Visit www.platinum.com.au/Investing-with-Us/Investment-Updates

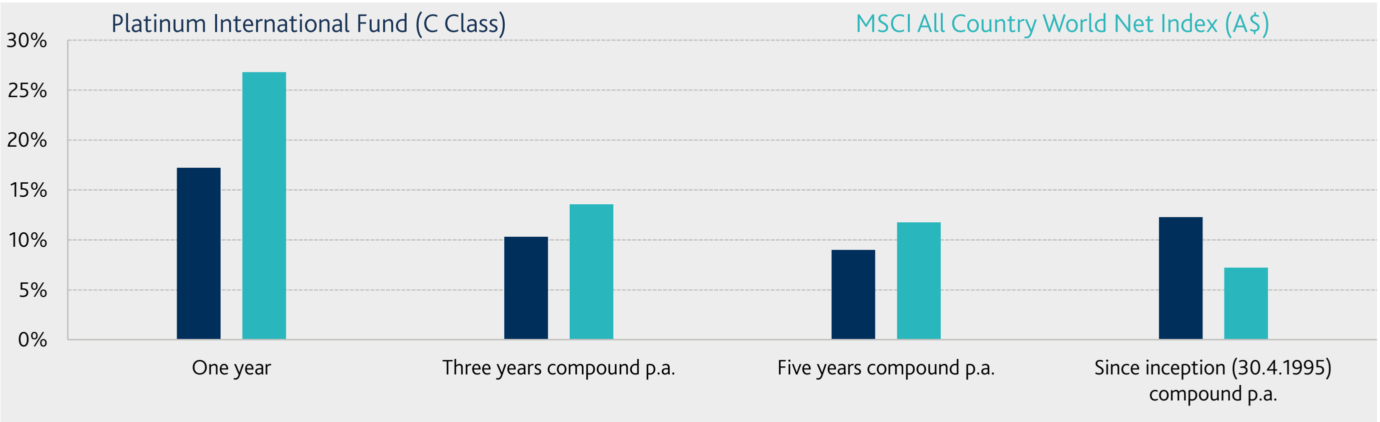
Performance Returns to 31 December 2019

FUND (C CLASS – STANDARD FEE OPTION) (P CLASS – PERFORMANCE FEE OPTION)	PORTFOLIO VALUE (A$ MIL)	QUARTER	1 YEAR	2 YEARS COMPOUND P.A.	3 YEARS COMPOUND P.A.	5 YEARS COMPOUND P.A.	SINCE INCEPTION COMPOUND P.A.	INCEPTION DATE
Platinum International Fund (C Class)	**9,952.9**	**3.2%**	**17.2%**	**3.6%**	**10.3%**	**9.0%**	**12.3%**	**30 Apr 1995**
Platinum International Fund (P Class)	13.9	3.3%	17.5%	3.8%	-	-	7.9%	3 Jul 2017
MSCI All Country World Net Index (A$)		4.5%	26.8%	13.0%	13.6%	11.8%	7.2%	30 Apr 1995
Platinum Unhedged Fund (C Class)	**292.1**	**6.9%**	**21.5%**	**5.2%**	**13.3%**	**11.4%**	**11.3%**	**28 Jan 2005**
Platinum Unhedged Fund (P Class)	2.3	7.0%	21.8%	5.4%	-	-	10.0%	3 Jul 2017
MSCI All Country World Net Index (A$)		4.5%	26.8%	13.0%	13.6%	11.8%	7.8%	28 Jan 2005
Platinum Asia Fund (C Class)	**4,408.2**	**6.1%**	**17.6%**	**2.8%**	**12.6%**	**7.9%**	**14.2%**	**4 Mar 2003**
Platinum Asia Fund (P Class)	8.5	6.2%	17.9%	3.0%	-	-	8.9%	3 Jul 2017
MSCI All Country Asia ex Japan Net Index (A$)		7.3%	18.3%	6.1%	13.9%	9.8%	10.3%	4 Mar 2003
Platinum European Fund (C Class)	**780.8**	**4.1%**	**18.9%**	**6.2%**	**12.4%**	**11.4%**	**11.7%**	**30 Jun 1998**
Platinum European Fund (P Class)	4.0	4.2%	19.2%	6.3%	-	-	9.2%	3 Jul 2017
MSCI All Country Europe Net Index (A$)		4.6%	24.3%	8.5%	10.9%	8.4%	3.5%	30 Jun 1998
Platinum Japan Fund (C Class)	**791.3**	**2.2%**	**18.9%**	**3.4%**	**9.3%**	**12.7%**	**14.3%**	**30 Jun 1998**
Platinum Japan Fund (P Class)	3.6	2.2%	19.2%	3.7%	-	-	8.9%	3 Jul 2017
MSCI Japan Net Index (A$)		3.3%	19.8%	7.7%	10.0%	11.0%	3.3%	30 Jun 1998
Platinum International Brands Fund (C Class)	**649.8**	**5.8%**	**20.9%**	**5.5%**	**12.9%**	**11.2%**	**12.4%**	**18 May 2000**
Platinum International Brands Fund (P Class)	2.2	5.8%	21.2%	5.7%	-	-	9.0%	3 Jul 2017
MSCI All Country World Net Index (A$)		4.5%	26.8%	13.0%	13.6%	11.8%	3.8%	18 May 2000
Platinum International Health Care Fund (C Class)	**278.3**	**12.0%**	**23.8%**	**16.0%**	**15.2%**	**13.4%**	**10.2%**	**10 Nov 2003**
Platinum International Health Care Fund (P Class)	4.6	12.0%	24.1%	15.7%	-	-	13.5%	3 Jul 2017
MSCI All Country World Health Care Net Index (A$)		9.1%	22.9%	17.8%	15.6%	11.6%	9.7%	10 Nov 2003
Platinum International Technology Fund (C Class)	**115.0**	**5.1%**	**24.7%**	**10.3%**	**13.0%**	**11.1%**	**9.6%**	**18 May 2000**
Platinum International Technology Fund (P Class)	1.7	5.1%	25.0%	10.5%	-	-	11.9%	3 Jul 2017
MSCI All Country World IT Net Index (A$)		9.9%	47.1%	24.1%	26.4%	21.5%	2.4%	18 May 2000

Fund returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for Fund returns and FactSet for MSCI index returns. See note 1, page 40.

Platinum International Fund vs. MSCI All Country World Net Index (A$)

To 31 December 2019



Fund returns are net of fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for fund returns and FactSet for MSCI index returns. See note 1, page 40.

In Brief

Platinum International Fund

- The Fund delivered a strong absolute return over the quarter and year, however, lagged the performance of global equity markets. The Fund's long positions returned 28% for the year (in AUD terms), which was slightly ahead of the broader market. 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.
- Key contributors to performance over the quarter and year were our semiconductor and related stocks, reflecting an easing in trade tensions, signs of increased data centre spending in the US, and good sales of 5G mobile handsets in China. Key stocks included, Samsung Electronics, Micron, Skyworks, Microchip and Intel. Other strong performers included a number of our Chinese investments, such as Ping An Insurance, Anta Sports Products, Weichai Power and ZTO Express.
- 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.
- 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.

Platinum Unhedged Fund

- Major contributors to performance over the year (and quarter) were our semiconductor holdings (Skyworks, +80%, Micron, +69%, Samsung Electronics, +44%, Microchip, +46% and Intel, +28% in local currency terms over the year).
- Other major contributors to performance included Weichai Power (+106%), IHS Markit (+57%), Facebook (+57%) and ZTO Express (+47%). All of these companies are benefiting from structural change in their respective industries.
- There are signs the narrative on the economic picture is turning. While our investments are not based on macro forecasts, we believe the portfolio is well placed to benefit from any improvement in investor confidence in the economic environment. With the starting valuation levels across the portfolio still relatively low, and investor sentiment still far from jubilant, we are optimistic about future returns for the portfolio.

Platinum Asia Fund

- It was a stronger quarter in an otherwise lacklustre year for Asian markets. Given the attractive valuations in the region, a partial resolution of the trade dispute in mid-December was sufficient to prop up the equity markets.
- An improvement in investor sentiment assisted performance, with our fast-growing Chinese internet stocks making a positive contribution, including 58.com, Meituan Dianping and Alibaba. The arrival of 5G also assisted our semiconductor names, including Taiwan Semiconductor Manufacturing and Samsung Electronics.
- We added to our exposures in the region when opportunities presented themselves, resulting in the Fund's net invested position rising to 91% by the end of the quarter.
- The easing of the uncertainty brought about by the trade dispute may reinvigorate economic activity. As the market is not positioned for a pick-up in activity, any upturn could surprise the market in terms of its magnitude and duration. We see this as a positive development for the region's attractively valued asset markets.
- We have been able to identify a large number of strong businesses with resilient characteristics that are cheap in absolute terms and relative to most other global markets. Given the likelihood of improving economic prospects and extremely attractive valuations, the Fund will continue to deploy capital into quality companies with resilient characteristics.

Platinum European Fund

- Our best-performing positions were businesses with significant operations in the UK, including Bank of Ireland, Ryanair and Foxtons. Our holdings in German biotechnology companies, MorphoSys and BioNTech, also performed well.
- The European equity market is enjoying a period of improved sentiment. The prime beneficiaries of this improved sentiment have been export-focused cyclicals. As recovery takes hold, and as political support for fiscal stimulus grows, domestic cyclicals may follow.
- Plenty of risks remain however. We are particularly concerned about the distortions created by a decade of financial repression, which is mainly expressed through the high valuations on so-called 'defensive growth' and 'bond proxy' stocks. Accelerating economic growth and potential fiscal stimulus makes this segment of the market a high-risk proposition indeed. Having said that, valuations continue to be attractive in many other sectors of the market.

Platinum Japan Fund

- Key contributors to performance over the quarter included MinebeaMitsumi, Takeda Pharmaceutical, Inpex and Kyocera.
- Generational change is widely evident across Japan. The 1980's bubble era is fading and current realities are permeating behaviours and the economy. This is creating distortions in the stock market and presenting a wide range of investment opportunities.
- There are broad swathes of the Japanese stock market, which are valued at historically low valuations, despite good medium- to long-term prospects. The Fund has continued to shift toward these investments and is now effectively fully invested in a diversified portfolio.

Platinum International Brands Fund

- Global equity markets continued their strong run in the final quarter of the calendar year, which is reflected in the Fund's performance. A key contributor was online gaming firm, Stars Group, which agreed to an all-stock merger at a premium price with UK-listed Flutter Entertainment. Other contributors included online apparel retailer ASOS and UK real estate brokerage Foxtons, as well as several Chinese names, including 58.com, Alibaba and Meituan Dianping.
- The bifurcation in valuations between perceived winners and losers in the broader consumer sector is providing us with opportunities to deploy capital. We will continue to manage our net exposure with a view to the overall buoyancy of market conditions, and the continued opportunities that unbridled investor optimism provides us with on the short side.

Platinum International Health Care Fund

- The Fund delivered a strong performance for the quarter and year. Both small and large companies contributed, with Takeda and Sanofi showing investors that they indeed have a commercial portfolio as well as a drug pipeline. The standout performers during the quarter were BioNtech (+138% since its listing on the Nasdaq Stock Market on 10 October 2019, in local currency terms) and Myovant Sciences (+198% over the quarter).
- We see tremendous opportunities in the healthcare industry in the coming years. Innovation is thriving and the focus on disease prevention and detection before a disease shows any tangible symptoms will change the way healthcare is delivered. We believe that technology and healthcare will converge and our priority will be on that journey, rather than being caught up with the latest obsession.

Platinum International Technology Fund

- Apple and Skyworks rose 31% and 53% respectively over the quarter, as smartphone sales stabilised in China and people began anticipating a cyclical recovery, coupled with expectations that both firms could be beneficiaries of the adoption of 5G. Other holdings exposed to more cyclical sectors of the market, including automotive, industrial, and capital equipment, also rallied on increased optimism of a stronger demand environment.
- In the context of the current easy money, low interest rate environment, aggregate valuations across the technology space appear fair. Over the past few months, many of the highest fliers within the software and internet space have traded sideways. Meanwhile, many of the more cyclical companies have started to bounce as fears have dissipated. Technology remains a dynamic sector, and as such, we expect we will continue to find attractive investment opportunities.

Macro Overview

by Andrew Clifford, Chief Investment Officer

Interest rates – a tailwind or headwind for equities in 2020?

In our September quarterly update[1] we discussed the strong consensus that had developed among investors and commentators that interest rates would remain at low levels for some time to come, or as it has become known as, the "lower for longer" view. Whenever such strong agreement is present amongst investors it is important to consider the alternative view.

As noted in our last report, long-term interest rates have fallen to the same levels (or lower) as those experienced in prior periods of significant weakness in the global economy, such as the 2012 European sovereign crisis or the 2016 Chinese investment slowdown. While global manufacturing has certainly weakened, and there is significant political uncertainty, is the environment really that weak to justify such low levels of interest rates?

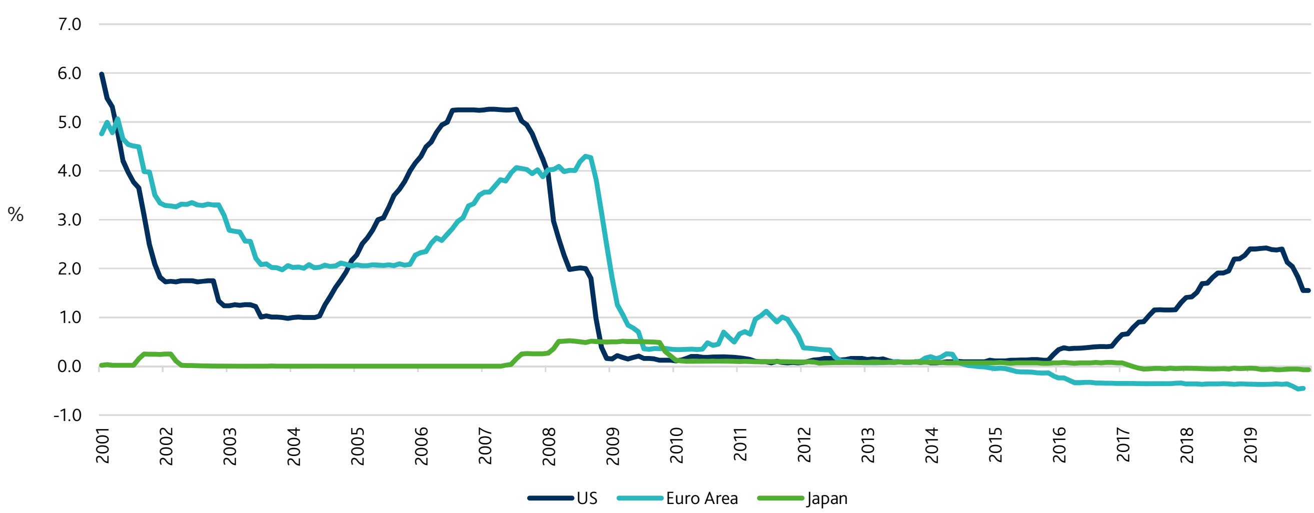
Employment in the major economies suggests otherwise. Over the last five years, the US economy has added 9.8 million jobs, representing a 7% increase in the workforce over that period. Similarly, Europe has added 8.7 million jobs, an increase of 6%, and Japan, with a declining working age population, has added over 1 million jobs, an increase of 2%. While employment is a lagging indicator of economic activity in the short term, these numbers suggest we have experienced a period of relatively robust global growth - one that is not consistent with such low interest rates.

Many investors may observe that interest rates have been low for much of the last 30 years, reaching new lows each cycle, irrespective of the severity of the downturn. The answer then, is simply that **interest rates do not reflect the level of economic activity, but rather the interest rate policies of the world's central banks.** With official interest rates below zero in Japan and Europe (see Fig. 1), the limitations of such policies are coming to the fore. The central banks cannot simply continue to reduce rates to ever-more negative levels as depositors, where feasible, will seek to leave the banking system, potentially threatening its viability.

With central banks either close to, or having reached, the end of the road on lower interest rates, it is interesting to note that central banks around the world are calling for an increase in government spending and fiscal deficits to support economic activity. The European Central Bank, the Bank of Japan and Reserve Bank of Australia all made calls in late 2019 for their respective governments to increase fiscal stimulus.

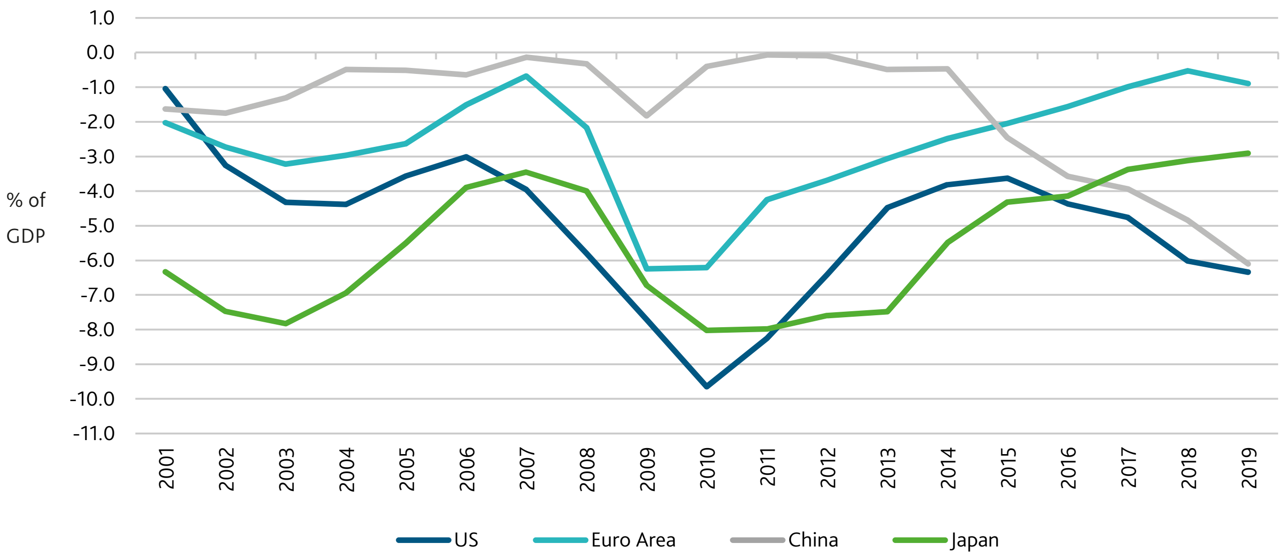
1 https://www.platinum.com.au/PlatinumSite/media/Reports/ptqtr_0919.pdf

Fig. 1: Central Bank Official Interest Rates - At the End of the Road for Europe and Japan?



Source: FRED - Federal Reserve Bank of St. Louis Economic Data, as at November 2019.

Fig. 2: Government Budget Balances (% of GDP) - Europe and Japan are Best Placed for Fiscal Stimulus



Source: IMF, as at December 2019.

The effectiveness of low and negative rates in encouraging economic activity and the potential side effects, such as increasing indebtedness, is also under discussion. In December, Sweden's central bank, Riksbank increased its repo rate from -0.25% to 0%, in spite of a slowing economy, quoting concerns about the "negative effects" that may arise from long periods of negative rates. It would not surprise us to see further discussion around the effectiveness of very low interest rates, with central banks ultimately looking for a way out of the corner they have painted themselves into. The immediate issue facing the central banks, as they try to normalise rates, is the level of indebtedness in their economies that these policies have encouraged. It is interesting to note, that such a strong consensus on "lower for longer" has developed at a time when central banks are signalling that current interest rate policies may have run their course.

While any move toward normalising interest rate structures may be a long way off, other factors may lead to a pick up in activity in 2020 and beyond, leading to an uptick in inflationary pressures and interest rates. With encouragement from central banks to increase spending and deficits, it is hard to imagine that governments will not follow this recommendation. The US has already undertaken significant fiscal expansion as a result of the 2018 tax cuts, with its deficit currently running at around 6% of GDP (see Fig. 2). Nevertheless, given that the markets are happy (for the moment) to finance this debt at interest rates of less than 2% p.a., and with concerns around the impact of the trade war and an election year underway, an additional round of stimulus is conceivable. China's fiscal deficit has also increased substantially (currently estimated at 6% of GDP) due to tax cuts and spending initiatives over the last 18 months. Given the Chinese government's stated desire to restrain the growth of debt across the economy, policy makers are probably somewhat constrained on additional fiscal measures.

This leaves Europe, where the fiscal deficit is around 1% of GDP, and Japan where the fiscal deficit has fallen to 3% of GDP, as the most likely sources of significant additional fiscal stimulus. As discussed last quarter, France and the Netherlands have announced tax cuts, and during the December quarter, Japan passed a supplementary budget of 13.2 trillion yen (or 2% of GDP). Today, Europe and Japan run the world's largest current account surpluses in absolute dollar terms, which means these economies are significant sources of funding for activity across the rest of the world. If fiscal stimulus results in European and Japanese excess savings being applied within their own economies in any significant way, it is likely to result in greater competition for financial resources across the globe, resulting in upward pressure on long-term interest rates. In addition to the competition for financial resources, any stimulus will come at a time when labour markets in the major economies are relatively tight, which could create some degree of wage inflation, and a further source of upward pressure on interest rates.

Finally, the December quarter saw the promise of a 'phase one' trade deal between the US and China, to be signed in the New Year.[2] Based on events of the last 18 months, even if the deal is signed, we shouldn't expect that the trade issue will be set aside completely. Nevertheless, it represents a clear retreat by the US administration from its most extreme positions on trade.

The UK general election result reduces the uncertainty in both the UK and European economies, with the UK exiting the European Union in a more orderly fashion. Both of these outcomes should result in an improvement in business confidence globally.

2 The US and China announced details of a 'phase one' trade deal on 13 December 2019. The US agreed not to proceed with the new tariffs that were due to commence on 15 December 2019 and to also cut existing tariffs on ~US$120 billion in Chinese goods to 7.5% (from 15%) after 30 days of signing the deal. The US's 25% tariffs on ~$US250 billion on Chinese goods will remain. In exchange, China agreed to buy ~US$200 billion in US products over two years, including US$40-50 billion in agricultural goods. The deal also included Chinese concessions on intellectual property (IP) protections and forced tech transfers, and currency and financial-services provisions. Source: FactSet

While the consensus remains that interest rates are not going to rise anytime soon, it is not inconceivable that the economic environment improves over the course of 2020, as a result of fiscal stimulus and less uncertainty around issues such as trade and Brexit. Indeed, we would not be surprised to see rates moving higher over the next 18 to 24 months, back to levels seen at the end of 2018, when US treasuries peaked at above 3%. Certainly problems remain that may derail such an outcome. Most notably the US election process has the potential to create significant noise and uncertainty. Additionally, domestic political protests such as those in Hong Kong and elsewhere, look difficult to resolve, and could potentially escalate further.

Nevertheless, our suggestion is that rates may return to where they were a little over 12 months ago. At that time, the world did not look so different to today.

MSCI Regional Index Net Returns to 31.12.2019 (USD)

REGION	QUARTER	1 YEAR
All Country World	**9.0%**	**26.6%**
Developed Markets	**8.6%**	**27.7%**
Emerging Markets	**11.8%**	**18.4%**
United States	**9.0%**	**30.9%**
Europe	**9.0%**	**24.1%**
Germany	9.9%	20.8%
France	8.5%	25.7%
United Kingdom	10.0%	21.0%
Italy	8.1%	27.3%
Spain	6.0%	12.0%
Russia	16.8%	50.9%
Japan	**7.6%**	**19.6%**
Asia ex-Japan	**11.8%**	**18.2%**
China	14.7%	23.5%
Hong Kong	7.3%	10.3%
Korea	13.4%	12.5%
India	5.3%	7.6%
Australia	4.3%	22.9%
Brazil	14.2%	26.3%

Source: FactSet.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

MSCI All Country World Sector Index Net Returns to 31.12.2019 (USD)

SECTOR	QUARTER	1 YEAR
Information Technology	14.5%	46.9%
Health Care	13.7%	22.7%
Materials	9.3%	20.1%
Financials	9.0%	23.2%
Consumer Discretionary	8.2%	27.7%
Communication Services	8.2%	24.6%
Industrials	7.4%	26.4%
Energy	5.8%	12.8%
Consumer Staples	2.6%	21.6%
Utilities	2.3%	21.1%

Source: FactSet.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

Market Outlook

While a discussion of interest rates rarely makes for exciting reading, it is currently the critical issue for investors in all asset classes. There are three ways that interest rates are impacting markets today, the first two are perennial features of markets, and the third is peculiar to current circumstances.

The most obvious of these, is the role interest rates play in the valuation of assets. The value of any given asset is a function of the future cashflows that it will produce and the appropriate risk-adjusted interest rate.[3] This is true for all assets, whether it is a listed company, rental property, toll road, or government bond. In theory, the lower interest rates are, the higher the value that should be ascribed to an asset for a given set of expected future cashflows. The impact of ever-falling interest rates has been a significant tailwind for the performance of all asset classes globally for over 30 years. This is a phenomenon we have all experienced, not only in our investment portfolios, but also in the prices of residential property in most markets. While there may be questions of the efficacy of low rates on economic growth, there can be no question regarding the impact of low interest rates on the performance of asset markets. Of course, the role of interest rates in the price of assets is one of the most basic concepts in finance, but worth remembering at this time because as rates reach their bottom, we lose this tailwind and it potentially becomes a headwind. While some postulate that if rates stay low, valuations will continue to head higher, the experience in Japan where rates have been below 2% for 20 years, was that the average valuation of the market halved.

The second impact of low rates occurs in the real world, where the hurdle rate for real investment is lowered. Today, this is most readily observed in the willingness of investors to fund new projects in e-commerce, software, biotech, and other high growth areas, where poor short-term returns on investment are accepted for the potential of a significant long-term pay-off. However, in many cases the amount of capital invested in an area will drive down the attractive return investors are after in the first place. Uber's ride-sharing business is an interesting example where a company, despite achieving a leading position in a new e-commerce field, faces the continual rise of new entrants, which we would simply put down to the generous funding these competitors have already received. Only once these funds have been lost, or access to them removed, will rationality prevail. A similar experience has occurred for investors in the US shale oil sector, where plentiful capital has ultimately led to very poor returns and consequently companies are now struggling to receive debt or equity funding for such ventures. The low cost of money will see funds attracted by the most exciting opportunity of the moment, ultimately driving down returns. Simply, the availability of cheap money actually changes the future cashflow of the industry, and thus the valuation. This premise fits neatly with our approach of avoiding the crowd, as any sector or business idea that is attracting significant capital today, is likely to have a difficult future.

The third impact of low interest rates has been to push investors to seek returns elsewhere, including the stock market. As we have previously discussed, this occurred at a time when there were many reasons to discourage investors from the market, from the global political environment to the disruption of traditional business models. As a result, investors in entering the market have sought either defensive names (i.e. consumer staples, infrastructure, utilities, and property) or high growth areas (i.e. e-commerce, software, payments, and biotech) that are regarded as relatively immune to these issues. Investors simultaneously avoided businesses facing uncertainty (i.e. cyclicals), and in particular those impacted by the trade war (i.e. China generally, automobiles, and electronics). This has resulted in a significant divergence in valuations, with the growth and defensive stocks trading at high levels and the rest of the market trading at generally more attractive valuations. A move to higher interest rates will be particularly challenging for these highly valued sectors.

On the back of optimism around the US-China trade negotiations and the UK general election, markets have entered 2020 on an enthusiastic note. This may continue for some time, but if it is the presage of better economic times, it is hard to see how long-term interest rates can remain suppressed. Given how important the higher-valued defensive and growth stocks have been in driving index levels, a period of softer returns is likely ahead in the broad market.

3 Usually referred to as the discount rate in finance.

Platinum International Fund

Andrew Clifford
Portfolio Manager

Clay Smolinski
Portfolio Manager

Performance

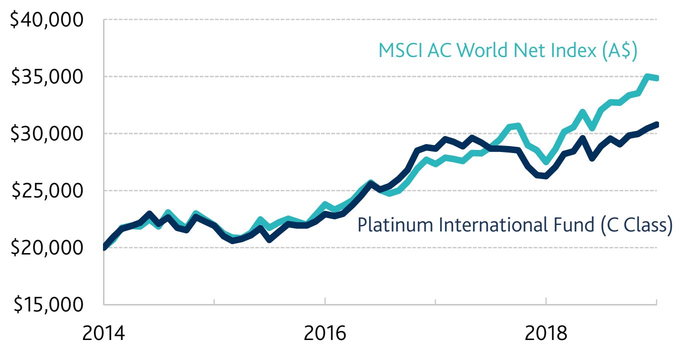
(compound p.a.+, to 31 December 2019)

	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 40. 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 40.

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 positions[3] 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 40. 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 40. 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 40. 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 40.
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.

Platinum Unhedged Fund

Clay Smolinski
Portfolio Manager

Performance

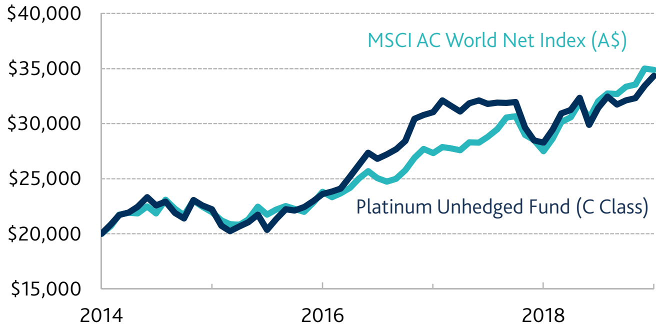
(compound p.a.+, to 31 December 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund*	7%	21%	13%	11%	11%
MSCI AC World Index^	5%	27%	14%	12%	8%

+ Excludes quarterly returns
* C Class – standard fee option. Inception date: 28 January 2005.
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 40. 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 40.

The Fund (C Class) returned 6.9% for the quarter and 21.5% for the year. Breaking down the year's performance, the Fund's long positions returned 27% (in AUD terms), but our decision to hold some cash as protection, with an average invested (i.e. long) position of 86% over the year produced a 4% drag on overall returns.

To give context to the Fund's holdings and performance, it is worth restating Platinum's approach and philosophy to investing in markets. Investors will often state that their ultimate goal is to purchase companies at prices that are below what they are worth. While true, this is an unhelpful statement. The interesting question is what situations lead companies to become undervalued, and can they be systematically repeated?

The 'value' of a listed company is very much in the eye of the beholder, and one of the largest determinants of its valuation at any point in time will depend on the nature of the investor narrative surrounding it.[1] In short, a company's valuation is heavily influenced by investor psychology.

Our investment approach is based around identifying and targeting situations where investor psychology is likely to cause companies to become mispriced. Major examples include:

1. **Companies that are facing temporary uncertainty**. When times are good, investors naturally extrapolate that success into the future and are comfortable paying high prices. However, if there is a problem, this process goes into reverse. Investors focus intensely on the current issue, which creates low expectations and, with that, low stock prices.

1 A past example is Microsoft. In the year 2000, Microsoft traded at US$55 per share, which was a valuation of 50x its earnings. Ten years later, Microsoft traded at US$25 per share, with investors choosing to place it on a multiple of a mere 10x earnings. What had changed? While the fundamentals of Microsoft's core business of selling the Windows operating system and enterprise tools like Office were the same, what had changed was the narrative. In the year 2000, Microsoft was seen as a fortress software provider who was going to power the internet age. In 2010 however, the narrative focused on Microsoft missing out on the smartphone revolution by not owning the operating system that would power these devices. Today, the narrative around Microsoft has again turned positive, with its price rising six-fold from those depressed levels of 2010, and investors excited about its Azure cloud computing division.

2. **Industries going through great change**. Companies in these areas are prone to mispricing simply because it is difficult for investors to accurately price a future that looks very different to today. Focusing on change is also key as the history of the stock market shows, truly large gains have been made in companies that benefited from long-term structural change.

With this context, we can turn to the source of the Fund's returns. The major contributors to performance over the year (and quarter) were our semiconductor holdings (**Skyworks,** +80%, **Micron,** +69%, **Samsung Electronics,** +44%, **Microchip**, +46%, and **Intel,** +28% in local currency terms over the year), with these stocks representing a 13% weighting in the Fund as at 31 December 2019.

These investments are a great illustration of the benefit of taking advantage of temporary uncertainty. In 2018, as the global economy slowed, the semiconductor industry suffered a mini industry recession. Smart phone sales in China fell 20%, large data centre providers, such as Amazon Web Services, reduced their IT purchases and distributors ran down their inventory levels – all of which reduced the demand for semiconductors in the short term. The semiconductor stocks fell sharply in response (with Skyworks, Micron and Microchip falling between 40-50%) and investors at the time were completely focused on how much worse the current downturn would get.

The appeal to us of investing in these companies was that while there was uncertainty in the short term, it was clear their businesses would grow in the long term. There is little question that cloud computing and artificial intelligence will fuel demand for DRAM and NAND memory, and consumers will buy 5G phones. As investors have begun to worry less about the cycle and focus more on the future opportunity, semiconductor stocks have risen dramatically.

Other major contributors to the Fund's performance over the quarter and year included our holdings in companies such as **Weichai Power** (+106% over the year), **IHS Markit** (+57%), **Facebook** (+57%), and **ZTO Express** (+47%). All of these companies are benefiting from structural change in their respective industries.

Chinese parcel delivery company, ZTO Express is a good example of this. In terms of parcels delivered, ZTO is now the world's largest parcel express company, on track to deliver roughly 12 billion parcels in 2019. The business benefits from several favourable trends. The first of which is the rise of e-commerce, which is continuing to fuel both the growth of parcel volumes, and complexity, as merchants and consumers demand faster deliveries, and services such as returns handling etc. In addition, the sheer scale of the delivery network ZTO has built in consumer parcels, should allow it to service the large business-to-business parcel market in China over time. Overall, parcel express networks are becoming more important to the economy, and should allow ZTO to grow its business profitably for years to come.

As we discussed extensively in our March and June 2019 quarterly reports, the main detractor from performance for the year, remains our energy and materials exposure, which as a group cost the Fund 1%. Of this group, the most notable falls were in our holdings of **Seven Generations** and **Peabody Energy.** The latter stock and **TechnipFMC** were also major detractors for the past quarter. While these investments have been ill timed in hindsight, for our oil names in particular, the growing evidence of more rational behaviour by the US shale drillers and a pick-up in offshore oil and gas capital expenditure, gives us confidence in the future returns for these investments.

Changes to the Portfolio

Over the quarter, we added two new holdings to the Fund, Japanese pharmaceutical company Takeda, and the US-based ultra-low cost airline, Spirit Airlines.

The story of **Takeda** is one of significant internal change. After a decade of weak results from its internal drug development efforts, the company took the very unusual approach for a Japanese company of replacing its senior management and head of research and development (R&D) with Western candidates from other global pharmaceutical companies in 2015. This has seen the company completely change its approach to drug development, and five years post these changes, the benefits are now becoming apparent.

Spirit Airlines is a low-cost airline with a fleet of 135 planes serving the US and Caribbean. It has a significant cost advantage versus its peers, with its cost per kilometre flown half that of the legacy carriers, and 50% below other lower-cost operators, such as Southwest and JetBlue. While investing in airlines rightly carries a stigma, we think this applies less to the ultra-low cost carriers. Once they have built enough network size to give them resilience to shocks, ultra-cost airlines tend to have financial metrics more akin to a quality industrial business, than a typical airline. People have a constant desire for air travel, and if an airline company can provide those seats at a cost well below their competitors, they tend to perform well.

A weather-related disruption gave us the opportunity to purchase Spirit, which saw its price fall 40% in 2019 after a series of hurricanes affected its main hub in Fort Lauderdale Florida, leading to flight cancellations and additional costs during the peak Easter travel period.

We expect that Spirit's low-cost position should allow it to profitability grow its fleet over the long term. The short term also looks favourable, with the unavailability of the Boeing 737 MAX making air capacity in the US very tight, which should produce a strong ticket price environment for 2020.

Outlook

Since late 2018, the dominant narrative in stock markets was investors' fear that a broad-based economic recession was imminent. This fear saw investors shift their money into companies perceived to be either defensive or very high growth, which pushed the valuations of these businesses to very high levels. The other side of this move was that investors discarded their holdings in companies that had cyclical exposure, forcing their prices down to valuations so low that they implied a deep recession was already in full swing. Based on the value on offer we bought a number of stocks in these more cyclical areas.

There are now signs that the narrative on the economic picture is turning. It is interesting to observe:

- The manufacturing sector of the global economy (which represents 15-20% of output in most developed countries) has been in recession for over a year. The fear that this would spill into the consumer/service side of the economy has not yet materialised.
- Throughout this period, permanent employment and wages in Europe and the US have continued to grow.
- We are potentially past the peak of the tariffs/trade war between China and the US.
- Activity in some of the hardest hit sectors of the economy, such as semiconductors and Chinese auto sales, is starting to improve.

While our investments are not based on macro forecasts, we believe the portfolio is well placed to benefit from any improvement in investor confidence in the economic environment. With the starting valuation levels across the portfolio still relatively low, and investor sentiment still far from jubilant, we are optimistic about future returns for the portfolio.

Disposition of Assets

REGION	31 DEC 2019	30 SEP 2019	31 DEC 2018
North America	35%	32%	27%
Asia	26%	27%	35%
Europe	21%	21%	18%
Japan	7%	4%	3%
Cash	11%	16%	17%

See note 3, page 40. 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
Industrials	21%	20%	16%
Financials	15%	14%	16%
Information Technology	13%	12%	8%
Communication Services	13%	14%	12%
Energy	7%	8%	9%
Health Care	6%	4%	4%
Real Estate	5%	4%	4%
Consumer Discretionary	4%	3%	3%
Materials	3%	3%	3%
Consumer Staples	2%	3%	6%
Utilities	0%	0%	2%
TOTAL NET EXPOSURE	89%	84%	83%

See note 4, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	31 DEC 2019	30 SEP 2019	31 DEC 2018
US dollar (USD)	41%	39%	34%
Euro (EUR)	16%	16%	14%
Hong Kong dollar (HKD)	11%	14%	13%
Japanese yen (JPY)	10%	10%	12%
Indian rupee (INR)	7%	7%	5%
Korean won (KRW)	5%	4%	4%
British pound (GBP)	5%	3%	3%
Canadian dollar (CAD)	2%	2%	2%
Chinese yuan (CNY)	2%	3%	6%
Australian dollar (AUD)	1%	0%	2%
Danish krone (DKK)	0%	0%	1%
Norwegian krone (NOK)	0%	1%	3%

See note 5, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Skyworks Solutions	US	Info Technology	4.4%
Alphabet Inc	US	Comm Services	3.6%
Facebook Inc	US	Comm Services	3.5%
Applus Services	Spain	Industrials	3.5%
Raiffeisen Bank	Austria	Financials	3.2%
IHS Markit Ltd	US	Industrials	3.2%
Sanofi SA	France	Health Care	3.1%
Weichai Power	China	Industrials	2.8%
China Overseas Land & Inv	China	Real Estate	2.7%
KB Financial Group	Korea	Financials	2.7%

As at 31 December 2019. See note 6, page 40.
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/puf.

Platinum Asia Fund

Joseph Lai
Portfolio Manager

Performance

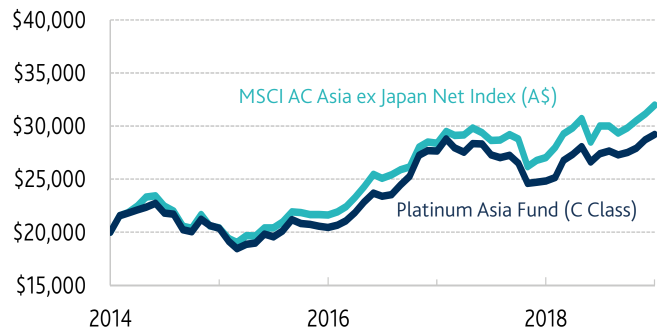
(compound p.a.+, to 31 December 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	6%	18%	13%	8%	14%
MSCI AC Asia ex Jp Index^	7%	18%	14%	10%	10%

+ Excludes quarterly returns
* C Class – standard fee option. Inception date: 4 March 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Asia ex Japan Net Index in AUD. Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.
See note 1, page 40. 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 40.

The Fund (C Class) returned 6.1% for the quarter and 17.6% for the year.

It was a stronger quarter in an otherwise lacklustre year for Asian markets. Given the attractive valuations in the region, a partial resolution of the trade dispute in mid-December was sufficient to prop up the equity markets.

An improvement in investor sentiment assisted the Fund's performance over the quarter with our fast-growing Chinese internet stocks making a positive contribution. Key contributors included **58.com** (classified advertising, +31% in local currency terms over the quarter), **Meituan Dianping** (food delivery, +27%), and **Alibaba** (e-commerce, +27%). Chinese property developers also performed well, benefiting from the incremental relaxation of the very strict property purchase policies. **China Jinmao** gained 35% and **China Overseas Land & Investment** rose 23%.

Elsewhere, with the arrival of 5G, semiconductor names continued to perform well. **Taiwan Semiconductor Manufacturing** (semiconductor foundry) and **Samsung Electronics** (DRAM) rose 22% and 14% respectively over the quarter. **Bharti Airtel** (Indian Telco) rose 24%, benefiting from an increase in mobile user tariffs (charges).

Changes to the Portfolio

We added to our exposures in the region when opportunities presented themselves. The Fund's net invested position has risen from a low of 63% in May to 91% by the end of the December quarter.

We are particularly interested in companies that are investing in research and development (R&D) or infrastructure, and can set themselves apart from their competitors, gain market share and become industry champions in due course.

One such example is **Reliance Industries**, a new position in the Fund during the quarter. Based in India, its traditional business is in oil refining and petrochemicals. Over the last decade, it has invested ~US$45 billion to build a brand new pan-Indian 4G mobile network. Reliance started with zero customers and in just three years has accumulated 400 million users. It has become the dominant 4G operator in India and is still capturing the lion's share of new subscribers.

The company has very ambitious plans of being the dominant player in the cloud, internet and mobile payments businesses in India. Given its dynamic and capable management, and the nascency of these businesses in India, we believe it has incredible potential. Earnings growth is in its early stages and the stock is only trading on a price-to-earnings (P/E) multiple of 16x.

Commentary

There were a number of topical issues during the quarter.

Firstly, the trade war that has plagued the Asian markets over the last 18 months is finally seeing some resolution. This is clearly a positive development as it reduces uncertainty (to some degree) in business decision making.

While welcomed, it may be too optimistic to assume this is a permanent end to the strategic competition between these two superpowers. Some of our readers may remember members of the US Congress using a sledgehammer to destroy a Toshiba radio on top of Capitol Hill in the late 1980s, when significant tariffs were levied on Japanese electronics and automobiles exports. The Japanese yen strengthened against the US dollar, reducing the competiveness of Japan's exports. Despite this, the Japanese economy continued to grow, and its stock market enjoyed a raging bull run, culminating in a bubble, which subsequently burst. This was a decade of intense trade friction between the US and Japan. Unlike Japan, the Chinese stock market is far from a being a bubble and we believe strong domestic businesses can do well even in the face of severe trade tensions.

Secondly, the Hong Kong protests continued throughout the quarter. From our perspective, the situation is complex and is most likely rooted in severe wealth disparity, lack of opportunities for the youth, and perhaps missteps made by the Hong Kong authorities in effectively dealing with the concerns of its people. As many of the issues are structural in nature, it is likely that the protests and unease will persist for some time, which will negatively impact Hong Kong's economic prospects, particularly in the tourism and retail trade sectors.

From an investment perspective, the impact is relatively minor. Hong Kong is only ~3% of the Chinese economy, and there is little prospect of the unrest spilling over to the mainland. We have no exposure to assets directly linked to the Hong Kong economy.

Often it is during these periods of turbulence and macroeconomic uncertainties that provide us with rare opportunities to acquire good and strong businesses at exceptional prices, for the longer term.

Despite these issues, Asian economies will continue to grow by simply catching up to the productivity levels of the more developed countries, to the point that they will be too big to ignore. For example, in 10 years' time, three Asian economies (China, India and Indonesia) will rank amongst the top five economies in the world in terms of economic output (i.e. gross domestic product).

Disposition of Assets

REGION	31 DEC 2019	30 SEP 2019	31 DEC 2018
China^	46%	39%	33%
Hong Kong	9%	7%	4%
Taiwan	7%	5%	0%
Korea	11%	10%	11%
India	11%	10%	16%
Thailand	3%	4%	4%
Philippines	3%	3%	3%
Vietnam	3%	3%	2%
Cash	8%	20%	26%
Shorts	-1%	-1%	-4%

^ Inclusive of all mainland China-based companies, both those listed on exchanges within mainland China and those listed on exchanges outside of mainland China.
See note 3, page 40. 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
Consumer Discretionary	20%	17%	9%
Information Technology	19%	14%	3%
Financials	18%	15%	20%
Communication Services	12%	15%	11%
Industrials	6%	5%	8%
Real Estate	6%	5%	5%
Energy	3%	1%	6%
Health Care	2%	2%	-1%
Consumer Staples	1%	0%	5%
Materials	1%	1%	2%
Utilities	0%	1%	1%
Other*	3%	3%	2%
TOTAL NET EXPOSURE	91%	80%	70%

* Includes index shorts and other positions.
See note 4, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

The key focus for us, is to find domestically oriented companies that can effectively tap into the resilient growth trajectory. Below are the key themes and companies the Fund has exposure to.

China - We have exposure to the 'best-in-class' **life insurance** companies – AIA Group and Ping An Insurance. Life insurance in China is under penetrated, and the best players will take the lion's share of this growing market as people seek to protect their emerging wealth. For example, despite the concerns over China slowing down, AIA grew its Chinese business by about 40% in the first half of the year. Currently, AIA is only operating in four regions in China, and the opening up of the financial services sector will allow AIA to provide insurance cover for the entire Chinese market i.e. six times more people then they can currently sell their products to.

Internet companies - All of the internet companies that we are invested in are industry champions with large under-penetrated markets to tap into, which are growing by at least 20% p.a., for example:

- **Momo** – the 'Tinder of China' - is growing by 25% p.a. and trading on a P/E multiple of 12x .
- **Meituan Dianping** – the 'Uber Eats of China' – is growing by 40% p.a..
- **Trip.com** – the 'Bookings.com of China' – is growing by 20% p.a. (as it benefits from outbound tourism) and is trading on a P/E of 21x.

Healthcare companies – A range of innovative domestic companies are supplying, or seeking to supply, the latest in medical devices, immunotherapy and gene therapy in a grossly under-served Chinese market. Their products are world class – with some Chinese companies working with reputable Western companies, while others have acquired the necessary technologies or invested heavily in R&D. China has a long way to go to catch up to the level of healthcare provisioning required. The market is nascent. The ramp up of medical coverage will create an enormous market for those companies that have good products and are well positioned.

India – We have exposure to **telecom companies,** including Reliance Industries (mentioned above). Investment in telecom infrastructure is a 'game changer' in India. The problem has been that tariffs are too cheap – with customers paying just US$2 per month on average for unlimited access to the internet. The industry has consolidated with only three players left, and all of them are now raising prices. The impact will result in a drastic improvement in profitability, which should be favourable for the companies we are invested in.

Net Currency Exposures

CURRENCY	31 DEC 2019	30 SEP 2019	31 DEC 2018
US dollar (USD)	37%	57%	41%
Hong Kong dollar (HKD)	28%	29%	27%
Indian rupee (INR)	11%	10%	17%
Korean won (KRW)	11%	10%	10%
Chinese yuan (CNY)	9%	5%	15%
Taiwan dollar (TWD)	7%	5%	0%
Thai baht (THB)	3%	1%	4%
Philippine peso (PHP)	3%	3%	3%
Vietnamese dong (VND)	3%	3%	2%
Australian dollar (AUD)	0%	0%	1%
Chinese yuan offshore (CNH)	-12%	-24%	-20%

See note 5, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Tencent Holdings	China	Comm Services	6.0%
Alibaba Group Holding	China	Cons Discretionary	5.7%
Samsung Electronics Co	Korea	Info Technology	5.6%
AIA Group Ltd	Hong Kong	Financials	4.9%
Taiwan Semiconductor	Taiwan	Info Technology	4.7%
Midea Group	China	Cons Discretionary	3.8%
Ping An Insurance	China	Financials	3.5%
SK Hynix Inc	Korea	Info Technology	3.4%
58.com Inc	China	Comm Services	3.0%
Reliance Industries Ltd	India	Energy	3.0%

As at 31 December 2019. See note 6, page 40.
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/paf.

Korea - We like **semiconductors**. There are three memory chip producers in the world and demand for these products continues to grow, especially with the advent of 5G, iPhone 11, Internet of Things (IoT) and the cloud. The industry had been over-supplied but has recently reduced its capacity. Trading on around 1.4x price-to-book (P/B), Samsung Electronics is set to grow its earnings by 30% p.a. for a few years – that's not even assuming enthusiastic memory prices, and it is trading on a P/E of only 13x. It is very attractively valued in this secular growth oligopolistic industry.

Vietnam/Philippines – These economies have been beneficiaries of the US-China trade dispute. Their incomes are still very low but growing and economic prospects are improving. We continue to hold a position in two Vietnam companies, Tech Comm Bank and Vietnam Enterprises, and two Philippines companies, Ayala Land and SM Investments.

Outlook

The best predictor of returns is the starting valuation, and valuations in the Asian markets are very attractive with share prices weighed down by concerns over global economic prospects. Yet curiously, the fundamental drivers of economic development in Asia are, and continue to be, firmly entrenched in the region.

The markets are grappling with the gradual reconfiguration of the uni-polar world towards a multi-polar one, and this seismic change is understandably creating uncertainty in the markets. The most likely outcome is an inexorable rise of Asian economies encompassing not just China, but an amazing mix of diverse and dynamic economies like India and Asean economies, constraining and collaborating with one another. The region has more than half of the world's population, and their industrialisation will catch up with the developed countries. This will usher in a true realisation of the Asian century and we believe Asia's longer-term prospects look bright.

Regardless, the economic outlook has improved with a trade deal reached between the two superpowers, signs that global monetary policy loosening is having a positive effect on the global economy, and most importantly, leading economic indicators suggesting that the manufacturing slowdown has bottomed.

The easing of the uncertainty brought about by the trade dispute may reinvigorate economic activity. As the market is not positioned for a pick-up in activity, any upturn could surprise the market in terms of its magnitude and duration. We see this as a positive development for the region's attractively valued asset markets.

In Asia, we have been able to identify a large number of strong businesses with resilient characteristics that are cheap in absolute terms and relative to most other global markets.

Given the likelihood of improving economic prospects and extremely attractive valuations, the Fund will continue to deploy capital into quality companies with resilient characteristics.

Platinum European Fund

Nik Dvornak
Portfolio Manager

Performance

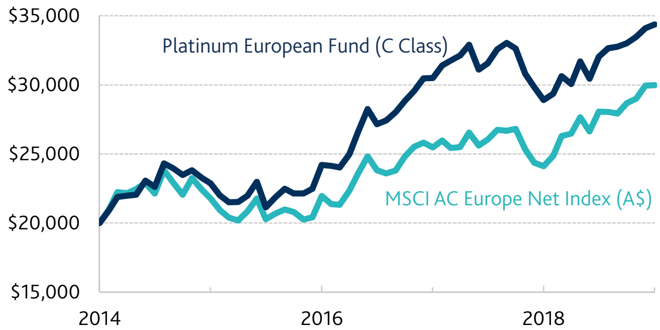
(compound p.a.+, to 31 December 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	4%	19%	12%	11%	12%
MSCI AC Europe Index^	5%	24%	11%	8%	3%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Europe Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.
See note 1, page 40. 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 40.

The Fund (C Class) returned 4.1% over the quarter and 18.9% for the year.

Three developments, in particular, influenced equity markets during this period.

1. Manufacturing Purchasing Managers' Indices (PMIs) in the United States and China rebounded, fuelling hopes that the year-long industrial recession in Europe may soon end.
2. The United States and China announced a partial trade deal. While the deal is too narrow in scope to address the underlying grievances, it likely heralds a ceasefire that will limit further disruption to business and trade, at least until the 2020 US presidential election is concluded.
3. The Conservative Party won a strong parliamentary majority in the United Kingdom general election. For financial markets, this eliminates the disturbing prospect of a Corbyn government while promising a resolution to the Brexit-related uncertainty that has disrupted business and financial decision making alike.

These developments signal improving economic prospects and reduced uncertainty, providing a favourable backdrop for equity markets. Stock prices responded accordingly. Our best-performing positions were businesses with significant operations in the UK. These included **Bank of Ireland** (+34% over the quarter in local currency terms), **Ryanair** (+39%) and **Foxtons** (+76%).

Investors fled these stocks when Boris Johnson replaced Theresa May as Prime Minister. Johnson's ascent seemed to promise more acrimony and less compromise in negotiations with the exasperated Europeans, while doing little to secure the necessary support from within his own party. As fears of a 'No Deal Brexit' escalated, subsequent signs of pragmatism on both sides were disregarded. Within months, Johnson had not only secured a revised deal from the Europeans but a resounding mandate to 'Get Brexit Done' from the electorate. Realisation has set in that while he may not deliver the outcome investors would ideally like, nor will he deliver the outcomes they most fear. Prevailing valuations largely reflected the latter.

Our holdings in healthcare companies also contributed significantly to the Fund's performance. Foremost amongst these were our German biotechnology companies, **MorphoSys** (+25%) and **BioNTech** (+138% since its listing on the Nasdaq Stock Market on 10 October 2019).

The most significant detractor from performance was our short position in the **STOXX Europe 600** index. This position serves to protect the portfolio in the event of a large negative shock to stock markets; however, it detracts from performance when markets appreciate.

Our worst-performing stock was French apparel retailer, **SMCP** (-26%). The company warned that profits would fall short of expectations due to the unrest in Hong Kong, which caused foot traffic at its stores there to fall by more than 40%. Hong Kong only accounts for 4% of global sales for SMCP, but the stores there, which were exceptionally profitable, are now loss making. We don't know how or when the current unrest in Hong Kong will abate, but we doubt it will continue in perpetuity.

The subsequent collapse of SMCP's stock price was aggravated by concerns that its majority shareholder would default on bonds due to be repaid in December 2019. The shareholder had pledged its SMCP shares as collateral, meaning their default could lead to a fire sale of SMCP shares by creditors. This would have depressed SMCP's share price in the short term. Such a sale would have however, had no impact on SMCP's underlying business. We used the panicked selling to significantly increase our holding. The shareholder in question has since repaid its bonds in full. The stock subsequently rebounded from its lows, recovering some of its losses over the quarter.

Our European oil refinery stocks were another source of poor performance. These companies are currently grappling with unfavourable market conditions, including weak global diesel demand, disruptions from changing marine fuel regulations and changes to the mix of crude production globally. We think these headwinds are transitory with the market for both crude and refined products being self-correcting. The refineries we own have considerable operational flexibility to adapt to market conditions and they remain comfortably profitable. Moreover, demand for their products is growing, refining capacity in Europe is shrinking and earnings have significant leverage to improved market conditions, while the shares trade on single digit price-to-earnings (P/E) multiples.

Changes to the Portfolio

We initiated a position in the German molecular diagnostics business, **Qiagen**, during the quarter. In October, the company announced weaker-than-expected sales,

Disposition of Assets

REGION	31 DEC 2019	30 SEP 2019	31 DEC 2018
Germany	20%	16%	19%
Norway	13%	13%	9%
Switzerland	12%	11%	11%
Romania	7%	8%	4%
United States*	7%	9%	3%
United Kingdom	7%	7%	9%
Ireland	6%	5%	2%
Spain	6%	7%	7%
Austria	6%	7%	8%
Italy	3%	3%	3%
Netherlands	3%	1%	0%
France	2%	4%	4%
Poland	2%	3%	3%
Russia	1%	2%	2%
Denmark	1%	2%	2%
Hungary	0%	0%	1%
Cash	2%	2%	13%
Shorts	-5%	-16%	-8%

* Stocks that are listed on US exchanges, but whose businesses are predominantly conducted in Europe.
See note 3, page 40. 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	20%	19%	17%
Industrials	19%	23%	21%
Health Care	17%	14%	10%
Consumer Discretionary	13%	12%	7%
Energy	8%	8%	8%
Communication Services	5%	4%	7%
Materials	5%	5%	4%
Information Technology	3%	5%	4%
Real Estate	2%	1%	1%
Consumer Staples	-3%	-3%	-3%
Other*	4%	-8%	2%
TOTAL NET EXPOSURE	92%	81%	78%

* Includes index shorts and other positions.
See note 4, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	31 DEC 2019	30 SEP 2019	31 DEC 2018
Euro (EUR)	45%	36%	36%
British pound (GBP)	16%	13%	13%
US dollar (USD)	14%	10%	5%
Norwegian krone (NOK)	13%	13%	13%
Swiss franc (CHF)	6%	19%	11%
Romanian leu (RON)	4%	4%	2%
Polish zloty (PLN)	2%	3%	3%
Danish krone (DKK)	1%	2%	2%
Czech koruna (CZK)	0%	0%	13%
Hungarian forint (HUF)	0%	0%	3%

See note 5, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Booking Holdings Inc	United States	Cons Discretionary	4.7%
Raiffeisen Bank	Austria	Financials	4.6%
Roche Holding AG	Switzerland	Health Care	4.4%
Bank of Ireland	Ireland	Financials	4.0%
Banca Transilvania	Romania	Financials	3.8%
Fondul GDR	Romania	Other	3.7%
Golden Ocean Group	Norway	Industrials	3.5%
Glencore plc	Switzerland	Materials	3.4%
MorphoSys AG	Germany	Health Care	3.4%
Schibsted ASA	Norway	Comm Services	3.3%

As at 31 December 2019. See note 6, page 40.
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/pef.

capitulation in its efforts to develop their next-generation genome sequencing machine and the departure of its long-standing CEO. The stock dropped sharply on this announcement.

Qiagen is the undisputed leader in developing reagents that isolate DNA or Messenger RNA (mRNA) from a sample. This is a pre-requisite step, without which the DNA cannot be read and analysed. However, the company has had mixed success growing beyond their core, as illustrated by their failed attempt to develop next-generation sequencing machines. That being said, the core remains extremely valuable.

We funded our purchase of Qiagen through the sale of our long-standing position in French pharmaceutical giant, **Sanofi**, following strong share price performance.

We also exited our position in Danish jeweller, **Pandora**. A crucial pillar to our investment thesis was that the company's products enjoyed strong demand from Chinese consumers. China was a large, mostly untapped market that could support the business while challenges in some other markets were addressed. Over the past year, Chinese demand has progressively weakened, both onshore and in tourist hotspots like Sydney, Australia. Pandora's management struggles to explain this change, leading us to conclude that they are unsure what is happening and why. With this crucial plank of our investment thesis in doubt, we believe it is prudent to withdraw our capital and reassess the situation, even though the valuation is highly attractive.

Outlook

The European equity market is enjoying a period of improved sentiment. Manufacturing remains in recession but leading indicators have stabilised while those of Europe's major trading partners are recovering. The recently announced US-China trade deal should also help limit the disruption to business and the flow of bad news for now. The prime beneficiaries of this improved sentiment have been export-focused cyclicals. As recovery takes hold, and as political support for fiscal stimulus grows, domestic cyclicals may follow.

Plenty of risks remain. We are particularly concerned about the distortions created by a decade of financial repression. In stock markets, this is mainly expressed through the high valuations assigned to so-called 'defensive growth' and 'bond proxy' stocks. Accelerating economic growth and potential fiscal stimulus makes this segment of the market a high-risk proposition indeed.

That being said, valuations remain attractive in many other sectors of the market. We have had no shortage of attractive investment ideas, as illustrated by our very low cash holding.

Platinum Japan Fund

Scott Gilchrist
Portfolio Manager

Performance

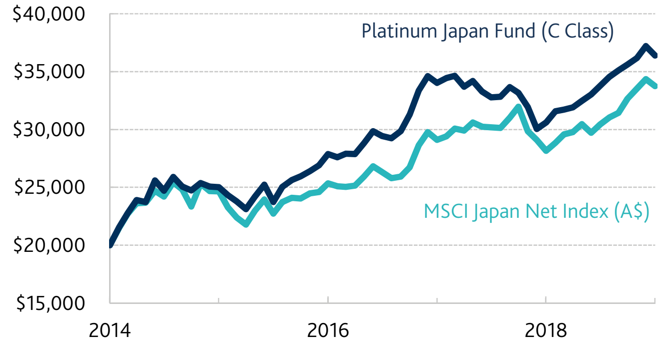
(compound p.a.+, to 31 December 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund*	2%	19%	9%	13%	14%
MSCI Japan Index^	3%	20%	10%	11%	3%

+ Excludes quarterly performance.
* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI Japan Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.
See note 1, page 40. 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 40.

The Fund (C Class) returned 2.2% for the quarter and 18.9% for the year.

Key contributors to performance over the quarter included, **MinebeaMitsumi** (+33% in local currency terms), **Takeda Pharmaceutical** (+17%), **Inpex** (+15%), and **Kyocera** (+12%).

A weaker Japanese yen pared the Fund's performance during the quarter. There are no currency hedges in place. The short positions used to hedge against the high valuations of some parts of the market have been a minor detractor from performance over the last 18 months.

The valuation dispersion continued to widen during the quarter and there are no signs of a psychological shift in investor preferences, with investors willing to pay ever-higher prices for assets with visible and reliable long-term growth prospects.

During the quarter, the Fund added to a range of existing positions, including Takeda, Minebea, Toyota and Samsung Electronics, while a number of short positions were reduced. New positions included Hitachi and Ajinomoto, while Canon and the holding of physical gold were sold.

There are broad swathes of the Japanese stock market, which are valued at historically low valuations, despite good medium- to long-term prospects. The Fund has continued to shift toward these investments and is now effectively fully invested in a diversified portfolio.

Corporate Governance

Corporate governance in Japan has been on a multi-decade arc of improvement. The current stable, domestic political environment is leading to further improvements.

The past poor behaviour of the Japanese corporate system has meant that large amounts of the massive domestic savings pool have flowed to more attractive opportunities overseas.

There are many practical examples of changes underway at early adopters, such as Itochu, Hitachi and NEC. More recently, companies such as Toshiba, Sony and Olympus have also changed course. In some cases, dramatic external pressure was required, as seen at Lixil (and outlined in our June 2019 quarterly report).

Disposition of Assets

REGION	31 DEC 2019	30 SEP 2019	31 DEC 2018
Japan	91%	84%	67%
Korea	6%	5%	7%
Cash	4%	12%	26%
Shorts	-6%	-13%	-16%

See note 3, page 40. 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
Consumer Discretionary	19%	19%	11%
Industrials	18%	12%	7%
Information Technology	15%	13%	13%
Health Care	12%	6%	3%
Communication Services	12%	11%	17%
Energy	5%	5%	5%
Materials	4%	7%	3%
Financials	2%	2%	3%
Consumer Staples	2%	-2%	-4%
Real Estate	0%	0%	0%
TOTAL NET EXPOSURE	91%	75%	58%

See note 4, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	31 DEC 2019	30 SEP 2019	31 DEC 2018
Japanese yen (JPY)	92%	102%	85%
Korean won (KRW)	4%	3%	-6%
US dollar (USD)	4%	15%	41%
Australian dollar (AUD)	1%	-20%	-20%

See note 5, page 40. Numerical figures have been subject to rounding.
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/pjf.

Half of the stock market has only been listed since 1990, and the behaviour of these younger entities is generally much better than the legacy group. Positive momentum is also evident in the record levels of dividend payments, which have been growing rapidly. Share buybacks are also at record levels and growing quickly. Corporate profit margins have risen over the last decade. Corporate balance sheets remain strong despite the higher payouts, leaving room for dividends to continue to rise. Merger and acquisition activity is at record high levels.

Following the Ito Review in 2014, a Corporate Governance Code and a Stewardship Code were published. These extensive documents gave broad and deep recommendations (non-binding) for improvement. Compliance has been slow. Discussions are underway with a view to making key provisions legally binding. One broker describes the current status of the Japanese stock market as being in the "pantheon of great turning points like 1985, 1989, 1997, 2003, and 2012". It's a reasonable assessment if current trends continue.

The most powerful impetus is that economic incentives are now generally aligned. Interest rates are effectively zero, so pension funds, insurance companies and households need higher dividend streams. This of course requires further improvement in corporate margins, improved corporate performance and higher payout ratios. Domestic investors, foreign investors, the bureaucracy, the government and management are aligned toward similar outcomes. The regional threats are a further significant impetus.

A less-discussed problem is the low level of domestic consolidation. Japan doesn't need seven photocopier/printer companies (and they should cease fax machine production). Eight camera companies is discordant with global industrial structures. There are still too many car companies in Japan - although the industry is relatively consolidated compared to the 200+ electric car companies in China.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Takeda Pharma Co	Japan	Health Care	6.6%
Oracle Japan	Japan	Info Technology	4.5%
Nintendo Co Ltd	Japan	Comm Services	3.9%
Itochu Corporation	Japan	Industrials	3.8%
Minebea Co Ltd	Japan	Industrials	3.5%
Toyota Motor Corp	Japan	Cons Discretionary	3.5%
Rakuten Inc	Japan	Cons Discretionary	3.4%
Kyocera Corp	Japan	Info Technology	3.3%
Nitto Denko Corp	Japan	Materials	3.1%
JXTG Holdings Inc	Japan	Energy	3.0%

As at 31 December 2019. See note 6, page 40.
Source: Platinum Investment Management Limited

Takeda – Adopting Change

Takeda spent US$30 billion on new drug research and development from 1999 to 2012 with almost zero tangible success, and yet they survived. There are many similar stories across Japan. Canon and Nikon have completely lost the semiconductor lithography race to their European competitor, ASML. A 'knowledge network', that has many links to academia, business, and research labs was more successful than a 'hermit kingdom'. In many cases, despite the obvious failure, lots of companies don't accept that there is a problem and thus cannot accept the need for change.

Takeda is an exception. They changed course, slowly at first, then accelerated. Takeda now has a large presence in Boston, one of the largest in the global biotech industry. Boston is regarded as the 'Silicon Valley' for biotech. The changes accelerated five years ago when Frenchmen Christophe Webber was appointed CEO, who was the first non-Japanese leader of the 200+ year-old industry stalwart. Andy Plump, an American from Merck/Sanofi, was then appointed head of research and development (R&D). More recently, Takeda bought Shire in a mega merger, which accelerated the broad strategy. Earlier changes, such as appointing the first non-family CEO, the acquisition of Millennium to gain a toehold in Boston and the acquisition of Nicomed for its emerging market footprint, were pre-meditated steps to drag the company from its cloistered shell into reality.

All of this activity has taken place in the open, but a myriad of confusions obscure the extent of the fundamental changes. It has been a 15-year process. The current concerns are the large amount of debt taken on to acquire Shire, the quality of its pipeline, two upcoming major patent expiries, the accounting treatment of Shire and the diverse leadership in light of the Nissan/Ghosn scandal. The extended period and dramatic extent of the changes is a concern to many. This is compounded by the nature of the industry, where patent life is roughly 10 years, the product suite is diverse and incredibly complex, and serendipity often governs discovery.

The market has deep familiarity with Takeda's journey and thinks the future is dull. Some valuation metrics put the valuation near the bottom of the global group. Our assessment of the base case is better than the embedded low expectations, and if the R&D approach is successful, then the potential upside is both significant and of extended duration. The first hints of success are visible in four areas: cell therapy, gene therapy, orexin agonists, and coeliac disease. Success in any of these potential endeavours would be significant, and there are many other opportunities across the 200 external collaborations, which span academia and all stages of the global biotechnology industry.

R&D productivity of the global pharmaceutical industry has been declining for more than a decade, a period during which a practically complete human genome has been available. As the cost of DNA sequencing has fallen more than 99% and a wide range of powerful imaging, testing and monitoring instruments have proliferated, the ability of scientists to understand the chemical processes underlying human life has increased dramatically. Unmet medical needs remain immense globally and it's easy to argue that a more productive period of novel drug discovery lies ahead.

Outlook

Generational change is widely evident across Japan. The 1980's bubble era is fading and current realities are permeating behaviours and the economy. There are four defining aspects of the Japanese stock market:

1. The bear market in both equities and investor psychology is now more than three decades stale.
2. The overall valuation of the market is near the lows of its historical range.
3. The valuation dispersion of the market is near the widest points of its historical range.
4. The market composition continues to change, with more than 50% of companies having listed since 1990 and more than 50% of corporate profits earned overseas.

Each of these distortions presents a wide range of investment opportunities.

The total number of people employed in Japan is at record high levels. There are many such discordant statistics but there is a widespread lack of recognition, understanding and acceptance. The low valuation of broad parts of the market is obvious and most prominent private equity groups are now present in Japan. Activist behaviour is increasingly aggressive from all parts of the globe. The government has a broad sense of urgency that can be seen in recent legislation and political actions.

There are many domestic and regional risks in addition to the imbalances in the global economy. But the **most** pressing problem is the **shortage of high paying jobs**. Many long-term investments and fundamental R&D projects have been less successful than projected. Brutal competition continues across the region. Low-cost manufacturing and services continue to encroach, but significant amounts of capacity have already moved. Unemployment continues to fall to new generational lows, which allows deeper restructuring.

The current set-up looks like a once-in-a-generation opportunity and the current trajectory is positive.

Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

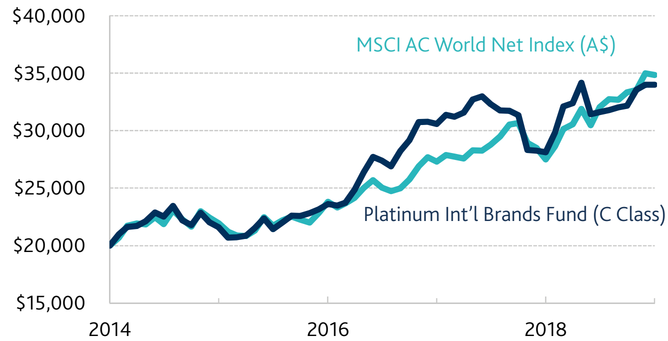
(compound p.a.⁺, to 31 December 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	6%	21%	13%	11%	12%
MSCI AC World Index^	5%	27%	14%	12%	4%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 18 May 2000.
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 40. 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 40.

Global equity markets continued their strong run in the final quarter of the calendar year, and this was reflected in the Fund's performance, which returned 5.8% (C Class). This compared favourably with the global index return of 4.5%, which is especially pleasing given the Fund's short and cash positions meant we maintained an average net market exposure of around 72% during the quarter.

The December quarter saw strong performance from our long positions (contributing 8.5% in AUD terms to performance, pre fees), but our short positions meaningfully detracted from overall performance (-2.3%).

A key contributor to performance was online gaming firm, **Stars Group** (+71% over the quarter in local currency terms), which agreed to an all-stock merger at a premium price with UK-listed Flutter Entertainment (formerly Paddy Power-Betfair). The businesses are highly complementary, with the merger giving the combined entity a very strong position in the nascent US sports betting market. This market is growing very quickly and will likely become the world's largest in the medium term.

Other contributors to performance included online apparel retailer **ASOS** (+36%), which reported a better-than-feared earnings result, and UK real estate brokerage, **Foxtons** (+76%), which benefited from improving sentiment on Brexit and the increasing prospect of the Conservative Party winning the general election.

Several Chinese names, including **58.com** (+31%), **Alibaba** (+27%), **Meituan Dianping** (+27%), and **Guangzhou Automobile** (+29%), benefited from solid earnings results and/or improving investor sentiment toward China and the potential for resolution of the trade conflict with the US.

Key detractors from performance on the long side, included **American Eagle Outfitters** (-9%), which disappointed investors with its fourth quarter earnings guidance, **Ally Financial** (-8%), as yields on its mortgage and corporate loan books fell, and **Asahi Group** (-7%) as its domestic results worsened.

The key driver of the weak performance on the short side was our **Tesla Motors** position. Tesla is our highest conviction short position,[1] but rose 74% during the quarter. The stock initially rallied after reporting a small quarterly profit. It then gained further momentum after the market became excited by talk of Tesla opening a factory in Berlin, and prospects for sales in China.

We remain comfortable with our negative view on the stock's prospects. US sales are now declining for all Tesla models, with the product pipeline somewhat bare (the "Model Y" and the "Cybertruck" do not look likely to replicate the Model 3's sales success). The company has struggled to be consistently profitable, despite running its US plant at close to 100% utilisation, and slashing research and development spend. Despite this, the current stock price values the company at almost US$90 billion, which is more than the value of Ford and General Motors combined! For context, Tesla is producing vehicles at an annualised run rate of around 400,000 units. Volkswagen produces around 11 million vehicles annually (i.e. almost 28x Tesla's production) to justify its US$98 billion market capitalisation.

1 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.

Our short positions against 'defensive' consumer packaged goods companies made a positive contribution to performance, with a number of the stocks weakening following the upward move in interest rates, as well as earnings results that could not support the elevated market valuations of several of these companies. As discussed in detail in the September 2019 quarterly report, these companies are experiencing ongoing market share losses, which we believe will result in future earnings decay as they are forced to cut prices and/or increase marketing to stem the bleeding. As a group, these stocks fell by an average of -1.9% in the quarter.

Changes to the Portfolio

We sold a number of stocks during the quarter, reflecting the strong performance of many of our positions amid buoyant market conditions. We trimmed our holding of Stars Group early in the quarter, following the stock's strong gains on its merger announcement. Other stocks that were trimmed included Meituan Dianping, Anta Sports (+8% in the quarter), Kweichow Moutai (+3%), Callaway Golf (+9%) and ASOS. In each of these cases, we felt that some of the opportunity initially identified had played out through stock appreciation and smaller position sizes were warranted.

We exited our position in US big-box retailer, At Home in November, following a strong rebound from its precipitous sell-off between June and August. We exited as we saw signs of the competitive environment deteriorating further, an assessment which was confirmed as the stock declined close to 40% after releasing its earnings result in December.

Disposition of Assets

REGION	31 DEC 2019	30 SEP 2019	31 DEC 2018
Asia	36%	42%	41%
North America	27%	27%	23%
Europe	22%	17%	17%
Japan	8%	8%	8%
South America	0%	0%	2%
Cash	7%	6%	9%
Shorts	-19%	-20%	-16%

See note 3, page 40. 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
Consumer Discretionary	41%	37%	29%
Communication Services	21%	23%	20%
Financials	10%	9%	10%
Industrials	4%	4%	4%
Real Estate	1%	1%	1%
Consumer Staples	-2%	0%	9%
Information Technology	0%	0%	1%
TOTAL NET EXPOSURE	74%	73%	76%

See note 4, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

We also closed our position in WW International (Weight Watchers), which more than doubled from our entry price in June to our December exit price. WW had sold off heavily as it faced declining subscribers, with the market fearing a continuation of that trend. As trends stabilised, the stock rebounded. However, the latest marketing campaign starring Oprah Winfrey (who has a stake in the business) does not appear to be gaining the traction the market was hoping for, so we elected to take our profits.

Outlook

The very strong market rebound from the nadir in December 2018 has lifted (nearly) all boats, which means we need to work harder to continue to uncover attractive opportunities on the long side. In doing so, we rely heavily on the in-depth industry knowledge the Platinum investment team has built up over many decades of combined investing experience.

The bifurcation in valuations between perceived winners and losers in the broader consumer sector is perhaps stronger than in any other area of the market, and this continues to provide us with opportunities to deploy capital. The key is effectively utilising our experience and understanding of the stocks in our universe to ensure we are buying businesses on sensible valuations relative to their potential for long-term cash flow generation.

We will continue to manage our net exposure with a view to the overall buoyancy of market conditions, and the continued opportunities that unbridled investor optimism provides us with on the short side.

Net Currency Exposures

CURRENCY	31 DEC 2019	30 SEP 2019	31 DEC 2018
US dollar (USD)	47%	48%	40%
Euro (EUR)	24%	23%	25%
Hong Kong dollar (HKD)	14%	12%	13%
British pound (GBP)	5%	4%	1%
Japanese yen (JPY)	4%	4%	6%
Indian rupee (INR)	2%	2%	6%
Turkish lira (TRL)	2%	2%	1%
Canadian dollar (CAD)	2%	1%	1%
Chinese yuan (CNY)	2%	6%	6%
Norwegian krone (NOK)	2%	4%	3%
Danish krone (DKK)	2%	1%	0%
Korean won (KRW)	0%	0%	1%
Sri Lankan rupee (LKR)	0%	0%	1%
Chinese yuan offshore (CNH)	-6%	-6%	-6%

See note 5, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Tencent Holdings	China	Comm Services	4.6%
Alibaba Group Holding	China	Cons Discretionary	4.5%
Facebook Inc	US	Comm Services	4.5%
Alphabet Inc	US	Comm Services	4.4%
58.com Inc	China	Comm Services	3.9%
Meituan Dianping	China	Cons Discretionary	3.9%
Lixil Group	Japan	Industrials	3.7%
China ZhengTong Auto	China	Cons Discretionary	3.6%
Stars Group Inc	Canada	Cons Discretionary	3.3%
ASOS PLC	UK	Cons Discretionary	3.1%

As at 31 December 2019. See note 6, page 40.
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/pibf.

Luxury Brands' Dilemma: Growth and Exclusivity?

By Nicholas Markiewicz, Investment Analyst

Trade in luxury goods dates back five millennia to the route between the Indus Valley and Mesopotamia. Later, much of the spending of the elite of ancient Rome went toward the importation of exotic products like silk, precious stones, spices and Ivory from the Far East. Perhaps the most storied item in the ancient world though, was purple dye, owing to the extreme difficulty of its manufacture. Each ounce of Tyrian dye required the mucus of 250,000 Phoenician sea snails, which had to be delicately extracted and then aged in vats. The final dye was worth three times its weight in gold, and its production and sale was monopolised by the State. Alexander the Great's motivations in pursuing a seven-month siege to take Tyre likely included the capture of this resource. Later, purple silk robes became the hallmark of Roman Emperors, and unauthorised use of the colour was punishable by death!

While the nobility managed to keep a stranglehold on purple, other exotic goods were freely available to anyone with enough money. Much to the chagrin of the remaining elites, this increasingly included the newly minted bourgeoisie (e.g. merchants, financiers). As aspirational consumption became widespread, the word 'lusso' (luxury) entered the Italian lexicon to denigrate the vulgar spending habits of these nouveau riche.

Today's luxury brands are still trying to manage these same contradictory forces, as they seek to accommodate new waves of Chinese middle class consumers and generate billions of dollars of new sales, whilst also maintaining a facade of exclusivity. **Louis Vuitton, Chanel**, and **Hermes** have written today's luxury playbook, collectively accounting for US$30 billion of consumer spending. The tactics they utilise are as follows:

- **Price discipline:** These brands have created a sense of steady value through rigid price controls, never discounting unpopular products, and raising prices on iconic lines each year. Like the Tyrians, they have maintained a monopoly on sale of their key products in order to limit exposure to wholesale partners that could discount product in an attempt to drive sales volumes.
- **Artificially restricting supply**: While the Tyrians actually possessed a scarce resource, luxury brands create an illusion of scarcity by mildly restricting the volume of their lowest priced iconic products. For example, the cheapest Hermes Birkin bag (US$10,000) is not available to walk-ins off the street. To buy a Birkin, one must work for it through spending some time on a mandatory waiting list, while buying other peripheral items (e.g. silk ties) in the meantime. While not quite equivalent to building a Tyrian causeway under constant bombardment[1], this small hardship makes the ultimate prize seem a rare object of desire, despite the reality that Hermes likely sells tens of thousands of units per year!
- **Ancillary categories:** Instead of reducing prices on core products to target a wider audience, most luxury brands sell more mass-produced products in tangential categories that feature lower price-points. Although the price-point is lower, brands maintain the illusion of luxury through pricing at a significant premium to the category average. For example, Chanel has a booming cosmetics business that sits comfortably alongside its couture/leather goods business at significantly lower price points, while branded sunglasses are one of the most commonly purchased 'luxury' items.
- **Style proliferation:** Brands that do become large can avoid ubiquity by offering a multitude of styles. Louis Vuitton for example has nearly 900 handbag varieties across 10 distinct styles.

Consumers have so far accepted these tactics from the leading Italian and French luxury houses, with desirability and profitability both touching all-time highs. However, the long-term success of these brands is dependent on how the concept of luxury and exclusivity evolves through time. Social media and the lifestyle-selfie phenomenon have given rise to demand for ultra-exclusive 'experiences' that existing luxury houses may not be able to provide. Online marketplaces for new and pre-owned products have significantly increased price and product transparency, which is potentially dangerous for an industry that achieves product margins as high as 90%.

In 1856, a UK laboratory created a synthetic purple for the first time in history, which smashed the purple cartel overnight by allowing the dramatic expansion of supply at lower price points, and thus widespread adoption by the masses. Equally, the large luxury brands cannot afford for their signature products to become 'common', lest the consumer perceptions of the marque's exclusivity deteriorate. Balancing this with the brand's growth aspirations is essential for long-term brand health, thus investors in the major brand houses should temper their expectations for ongoing rapid profit expansion.

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1 Alexander's successful conclusion of the siege of Tyre necessitated the engineering feat of building a kilometre-long causeway to the island-city's walls from which to launch a frontal attack. A mind-boggling expenditure of resources for a conquering army in the days before construction machinery.

Platinum International Health Care Fund

Bianca Ogden
Portfolio Manager

Performance and Changes to the Portfolio

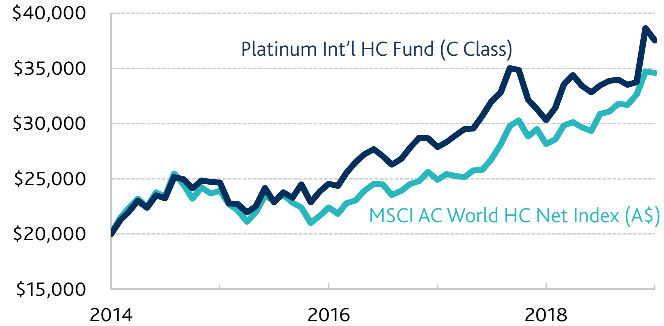
(compound p.a.⁺, to 31 December 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	12%	24%	15%	13%	10%
MSCI AC World HC Index^	9%	23%	16%	12%	10%

⁺ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 10 November 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World Health Care Net Index in AUD. Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.
See note 1, page 40. 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 40.

The Fund (C Class) delivered a strong performance for the quarter and year, returning 12.0% and 23.8% respectively.

Overall, it was an exciting year for the healthcare sector, with the first half dominated by politics, while the second half focused on acquisitions, bringing the attention back to the biotech sector.

As we highlighted in our September 2019 quarterly report,[1] the performance gap between biotechs and medtechs was not sustainable. The change in sentiment, helped by acquisitions, only partially explains the Fund's strong performance. More importantly, several of our holdings significantly outperformed on company specific news. Further, throughout the year we have been adding consistently to our holdings when valuation disconnects occurred, adding to performance as the companies worked through their challenges and their shares rebounded.

The news for our holdings was wide ranging, including positive clinical data, new drug approvals, successful money raisings, positive research and development (R&D) days, and acquisitions (or drawing acquisition interest in the case of Qiagen). It was a busy and dramatic quarter for the sector overall, with the US Food and Drug Administration (FDA) approving drugs faster than expected, and companies resurrecting drugs that were previously deemed terminated.

Both small and large companies contributed to the Fund's performance, with Takeda and Sanofi showing investors that they indeed have a commercial portfolio as well as a drug pipeline.

The standout performers during the quarter were **BioNtech** (+138% since its listing on the Nasdaq Stock Market on 10 October 2019, in local currency terms) and **Myovant Sciences** (+198% over the quarter) – two companies that are not as straightforward as investors would like.

BioNtech is labelled as an mRNA[2] company, and while partly correct, it ignores its antibody and cell therapy activities. The

1 https://www.platinum.com.au/PlatinumSite/media/Reports/ptqtr_0919.pdf

2 mRNA stands for messenger RNA (ribonucleic acid) and is essential in the synthesis of proteins. During a process called transcription, a gene (encoded in the DNA) is copied into RNA language. This mRNA molecule then forms the transcript for the protein synthesis machinery to build proteins. Hence, using mRNA as a drug has the potential to use the patient as the drug manufacturer.

German biotech has a vision of personalised oncology and has strong support from industry partners such as Genentech. There is also the possibility of mRNA disrupting the vaccine industry. This all amounts to much more than just an mRNA company.

Myovant Sciences focuses on women's health and prostate cancer, but is a more complex story with a large shareholder dividing opinions. Myovant was formed in 2016 by Takeda and Roivant, with the aim of developing Takeda's relugolix, an oral non-peptide Gonadotropin-releasing hormone receptor (GnRH) antagonist that was in late-stage testing. GnRH antagonists block the release of hormones, such as testosterone and follicle-stimulating hormones, which play a role in uterine fibroids, endometriosis and prostate cancer. Targeting GnRH is valid and the disease indications are in need of new drugs, however, there is competition, and Roivant's large shareholding in Myovant has been an obstacle for some investors. This was further exacerbated by Roivant opting to sell its stake to a Japanese pharma company, which disappointed those investors who were hoping for a sale of the company. Furthermore, Myovant was likely to raise cash, adding more uncertainty. The share price drifted lower and lower, we kept buying more shares along the way, as we believe the drug has real commercial potential. During the quarter, Myovant reported positive data in prostate cancer and secured funding, which removed some of the market's concerns.

At times, issues unrelated to the asset itself, such as funding overhangs, can distort valuations of biotechs, but they can also offer great investment opportunities. **Agios Pharmaceuticals** also fell into this category, with concerns about competition to its commercial leukaemia drug and a potential equity raising pressuring its valuation. During this period of uncertainty, we gradually added to our position in the stock. During the quarter, the equity raising was successfully completed, and the company presented some positive clinical data, helping its share price to rise by 47%.

RNA therapeutics also received a lot of attention in the past few months. Novartis announced the purchase of **The Medicines Company** for US$9.7 billion, another holding in the Fund that we mentioned last quarter. This acquisition will add inclisiran to Novartis' cardiovascular franchise. Inclisiran is a long-acting small-interfering RNA (siRNA) that prevents

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
SpeeDx Pty Ltd	Australia	Biotechnology	5.0%
Takeda Pharma Co	Japan	Pharmaceuticals	4.1%
Sanofi SA	France	Pharmaceuticals	3.4%
BioNTech	Germany	Biotechnology	3.3%
Roche Holding AG	Switzerland	Pharmaceuticals	2.9%
Gilead Sciences Inc	US	Biotechnology	2.9%
UCB SA	Belgium	Pharmaceuticals	2.3%
Zai Lab Ltd ADR	China	Biotechnology	2.3%
Qiagen NV	Germany	Life Science & Tools	2.2%
Quanterix Corp	US	Life Science & Tools	2.1%

As at 31 December 2019. See note 6, page 40.
Source: Platinum Investment Management Limited.

Disposition of Assets

REGION	31 DEC 2019	30 SEP 2019	31 DEC 2018
North America	33%	31%	33%
Europe	31%	26%	26%
Australia	13%	14%	14%
Asia	7%	7%	3%
Japan	7%	6%	3%
Cash	10%	16%	21%
Shorts	-2%	-4%	-7%

See note 3, page 40. 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
Health Care	89%	80%	70%
Consumer Staples	0%	0%	1%
TOTAL NET EXPOSURE	89%	80%	71%

See note 4, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	31 DEC 2019	30 SEP 2019	31 DEC 2018
US dollar (USD)	45%	45%	49%
Euro (EUR)	19%	12%	19%
Australian dollar (AUD)	14%	4%	0%
Japanese yen (JPY)	7%	18%	15%
British pound (GBP)	6%	7%	10%
Swiss franc (CHF)	4%	7%	6%
Hong Kong dollar (HKD)	3%	2%	0%
Danish krone (DKK)	2%	1%	1%
Swedish krona (SEK)	1%	1%	2%
Norwegian krone (NOK)	0%	2%	0%
Korean won (KRW)	0%	0%	-2%

See note 5, page 40. Numerical figures have been subject to rounding.
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/pihcf.

the synthesis of the PCSK9 protease. The protease plays a role in the cholesterol cycle and its inhibition results in lowering cholesterol. Inclisiran has just completed late-stage development. It was originally identified by **Alnylam Pharmaceuticals** (also held in the Fund, +43% over the quarter), and will accordingly receive royalties for the drug. Alnylam also held a very interesting R&D day during the quarter, and received approval for its second siRNA drug.

These events have now firmly placed RNA interference (RNAi)[3] on the drug modality map, and after 17 years, Alnylam itself has shown its RNAi engine is humming nicely. We owned Alnylam when it started out a decade ago and added it back to the Fund earlier this year, when investors were worrying about the conclusion of the alliance with Sanofi.

Investing in the healthcare industry is a long-term endeavour. It is a journey rather than a short-term excursion. Along that journey, there will be challenges that represent great opportunities to invest more in particular stocks, and there will be times when things go exceptionally well and everyone says this is the place to be. Often that is precisely the time to explore other great areas and opportunities.

With that in mind, during the quarter, we added to our neurology holdings and redistributed money from solid performers to companies that have been left behind.

Commentary

During the quarter both Takeda and Sanofi held their R&D days. There was great anticipation leading up to their respective events, with both managing to avoid disappointment. All pharma companies encounter challenges, which are often attributed to their R&D engine failing and requiring an overhaul. Hence, these R&D updates offer a glimpse of potential changes and what the future may hold.

Takeda has been working on its changes for a couple of years with a non-Japanese management team in charge; while Sanofi recently appointed a new CEO (the CFO and Head of R&D are also relatively new). Both companies are no strangers to acquisitions and have had tremendous success in diabetes in the past. The future however, for both companies, will not feature diabetes, opting to prioritise other diseases instead. This again shows how pharma companies are not afraid to change course, which inevitably involves acquisitions, but also significant divestments – with the latter often overlooked by investors.

3 RNA interference is a biological process in which small interfering RNAs target the mRNA for degradation.

Takeda's recent acquisition of Shire is accelerating its much-needed transformation. The company had become very stale. Its last global drug launch before the launch of its successful inflammatory bowel antibody Vedolizumab for the treatment of ulcerative colitis and Crohn's disease in 2014, was its diabetes drug, Actos in 1999. That is a stunning 15-year gap. This fact alone highlights the need for a serious R&D overhaul and indeed that's what has and continues to occur. Today, Takeda resembles a truly global operating biotech company, embracing external partnerships and global product launches, rather than product launches for different geographic regions. Via Shire, Takeda now has a plasma-derived therapy business that will finally receive a serious budget. Innovation is coming through and there are acceleration opportunities.

Sanofi has launched new products, however there haven't been enough of them. There have been restructuring attempts in the past, but they failed to go far enough. At its recent R&D day, Sanofi indicated that changes would be more far reaching this time, announcing it is exiting diabetes and cardiovascular R&D - two areas that have been the commercial backbone of the company. The Consumer Healthcare business is now managed separately; while there is also talk of divesting older products. The head of R&D is making his mark as well, with the acquisition of a US biotech called Synthorx, while a CFO from the automotive industry will keep the spending habits of scientists in check.

Overall, while the impact will not be immediately felt in the sales numbers, both companies are putting structures in place that will allow for new products to have a bigger impact. Valuations for both companies are reasonable and in the end, it comes down to the right commercial infrastructure when launching innovative drugs.

Outlook

We always focus on the big picture and the changes occurring within the healthcare industry. We see tremendous opportunities in the coming years. Innovation is thriving and the focus on disease prevention and detection before a disease shows any tangible symptoms will change the way healthcare is delivered. We believe that technology and healthcare will converge and our priority will be on that journey, rather than being caught up with the latest obsession. Challenges along the journey are part of this industry and we see them as opportunities. Pricing pressure in healthcare will always be a popular news subject; however, as we have seen many times, innovation and persistence are what counts. We will continue to investigate cutting-edge technologies - be that within a large conglomerate like Johnson & Johnson or a small local biotech.

Platinum International Technology Fund

Alex Barbi
Portfolio Manager

Cameron Robertson
Portfolio Manager

Performance

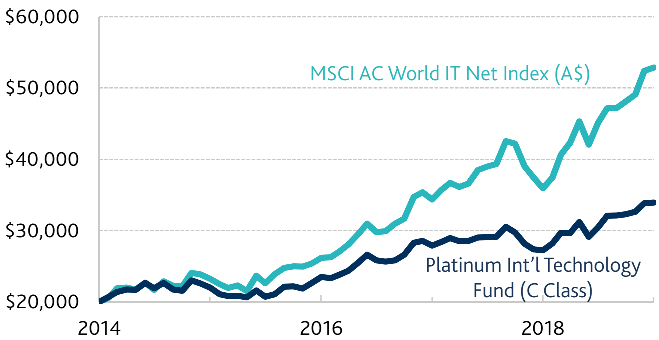
(compound p.a.+, to 31 December 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	5%	25%	13%	11%	10%
MSCI AC World IT Index^	10%	47%	26%	21%	2%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 18 May 2000.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World IT Net Index in AUD. Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.
See note 1, page 40. 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 40.

The Fund (C Class) returned 5.1% over the quarter and 24.7% for the year.

There has been a significant turnaround in sentiment from a year ago. While it may seem like a distant memory, at that time the market was worried about rising interest rates, trade war concerns, fears surrounding more cyclical areas of the market, such as smartphones, automobiles, and industrials, and the seemingly perpetual regulatory concerns that loom over the tech sector. At the time, we had started selectively adding to existing positions exposed to these areas and entering new positions. With the benefit of hindsight, we perhaps could have been even more aggressive in increasing the size of these holdings.

Over the past quarter, sentiment improved towards many of these more cyclical areas that the market had been fretting about a year ago. Smartphone-exposed holdings, **Apple** and **Skyworks**, rose 31% and 53% respectively in local currency terms during the quarter, as smartphone sales stabilised in China and people began anticipating a cyclical recovery, coupled with anticipation that both firms could be beneficiaries of the adoption of 5G over the coming year.

Other holdings exposed to more cyclical sectors of the market, including automotive, industrial, and capital equipment, also rallied on increased optimism of a stronger demand environment. This benefited holdings like **Lam Research** (+27%), **Microchip** (+13%), **Infineon** (+23%), **Carvana** (+39%), and **Micron Technology** (+25%).

The increasingly optimistic cyclical outlook has also started to be priced into the Australian dollar, which had a relatively strong quarter and served as a modest headwind to our foreign currency denominated gains.

Offsetting some of the cyclical strength, our holdings in the telecommunications sector largely had a weak quarter (e.g. **Vodafone,** -9%), as many investors continue to shun businesses which are unable to demonstrate revenue growth.

The short position in **Tesla Motors** also moved sharply against us. Tesla reported a profit during the quarter and generated positive cash flows, versus expectations that they would continue making losses. With government subsidies (which have been helping Tesla) due to expire in January 2020, and new competition coming into the electric vehicle (EV) market this year, our belief remains that the market is pricing in too much success into Tesla's shares, but we must acknowledge the company's recent cost control has been better than we anticipated.

Changes to the Portfolio

During the quarter, we established a new position in promising young Japanese accounting software company, **Freee**. We only managed to secure a small allocation of shares in the Freee initial public offering (IPO), and with the shares trading up 75% from the IPO price within the first few weeks of listing, we have now largely exited the position.

The Fund also acquired a position in Chinese e-commerce giant, **Alibaba** during the quarter. Platinum has followed Alibaba for years, but it has not previously been held in the Platinum International Technology Fund. While the underlying business has continued to grow at a healthy clip, the shares, having gone sideways for two years as many US-based investors avoided Chinese shares in the face of the ongoing trade war, reached the point where we felt the valuation had become sufficiently attractive to justify taking a position in the Fund. The company remains the leading e-commerce player within China and should continue to benefit as purchases increasingly move online. The core e-commerce operation is only part of the Alibaba story however, as it also has strong positions in payments and financial services, the cloud computing market within China, and food delivery, among other things.

With the rising enthusiasm being reflected in market prices during the quarter, we took the opportunity to modestly reduce holdings in companies like Apple, Constellation Software, and IHS Markit. We also exited some small positions on both the long and the short side, including AMS and Just Eat.

Commentary

During the quarter, there was a notable change within the management team at the Fund's largest investment, **Alphabet**, the holding company for Google. Co-founders Larry Page and Sergey Brin, formerly CEO and President of Alphabet respectively, decided to step down from their operational roles within the organisation and hand over the reins to Sundar Pichai. Pichai has been CEO of the Google division within Alphabet since 2015, and has been with the firm since 2004. Page and Brin will remain on the board and shareholders. Given that the Google division – which includes YouTube and its cloud computing business – is by far the largest part of Alphabet, and Pichai was already running that, this management change isn't as big of a shift as it may initially appear. Essentially, this change is putting Pichai in charge of the capital allocation decisions across a number of Alphabet's more peripheral 'other bets', which include healthcare, autonomous driving, and drone delivery. These projects present exciting prospects, but typically have longer-dated and more uncertain pay-offs, which many investors are unwilling to ascribe value to, and some simply consider the billions of dollars cumulatively spent on such projects as a waste of money.

We are of the view that many of these projects likely do have real value however, and watch with interest as promising signs continue to build. Recently, a paper was published in the prestigious academic journal *Nature*, showing Alphabet's artificial intelligence (AI) systems were able to outperform radiologists in accurately interpreting mammograms, presaging a future whereby their systems may be able to significantly enhance clinicians' effectiveness in detecting breast cancer. Meanwhile, Waymo continues to make slow and steady progress in autonomous driving; now offering an increasing number of truly unsupervised driverless vehicles, which can be hailed by members of the public via the Waymo One app in Phoenix Arizona. Partnerships and investment from industry also signal some of these early-stage projects may be on the right track. Energy giant Shell, for example, recently took a stake in Alphabet's kite-based wind-energy start-up, Makani, while biotech company, Gilead Sciences entered into a contract with Alphabet's Verily to investigate inflammatory autoimmune diseases.

Of course, when pursuing such new ventures, there will invariably be failures, but we believe these 'other projects' are largely being ascribed no, or even negative, value by the market and that the current share price can be more than justified by the core Google division – even acknowledging the regulatory scrutiny it is currently under. Its position in web search engines remains strong, YouTube is in a category of its own, there are increasing efforts to enhance and monetise its Google Maps asset, and even its cloud computing business is building a valuable position. Alphabet remains a core holding of the Fund, one that we believe, should continue to provide attractive returns over the coming years.

Disposition of Assets

REGION	31 DEC 2019	30 SEP 2019	31 DEC 2018
North America	52%	51%	40%
Asia	22%	20%	18%
Europe	9%	11%	11%
Japan	2%	2%	2%
Cash	16%	17%	29%
Shorts	-2%	-2%	-2%

See note 3, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Outlook

In the context of the current easy money, low interest rate environment, aggregate valuations across the technology space appear fair. Over the past few months, many of the highest fliers within the software and internet space have traded sideways, allowing this segment of the market to somewhat grow into their prices, although there does remain examples of exuberance. Meanwhile, many of the more cyclical companies have started to bounce as fears have dissipated. The demand outlook seems benign to modestly positive, although largely appears to have been priced into the market. Technology remains a dynamic sector, and as such, we expect we will continue to find attractive investment opportunities.

Net Sector Exposures

SECTOR	31 DEC 2019	30 SEP 2019	31 DEC 2018
Information Technology	47%	45%	37%
Communication Services	24%	25%	25%
Consumer Discretionary	6%	5%	2%
Industrials	5%	5%	4%
TOTAL NET EXPOSURE	82%	81%	69%

See note 4, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	31 DEC 2019	30 SEP 2019	31 DEC 2018
US dollar (USD)	59%	62%	58%
Korean won (KRW)	9%	8%	7%
Hong Kong dollar (HKD)	6%	6%	10%
Euro (EUR)	5%	3%	3%
Canadian dollar (CAD)	4%	4%	3%
Japanese yen (JPY)	4%	6%	6%
Australian dollar (AUD)	4%	0%	1%
Taiwan dollar (TWD)	3%	3%	2%
Norwegian krone (NOK)	3%	3%	3%
British pound (GBP)	2%	2%	5%
Swedish krona (SEK)	1%	1%	2%
Swiss franc (CHF)	0%	1%	1%

See note 5, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	US	Comm Services	6.8%
Samsung Electronics Co	Korea	Info Technology	4.9%
Facebook Inc	US	Comm Services	4.4%
Tencent Holdings	China	Comm Services	4.2%
Constellation Software	Canada	Info Technology	3.5%
Skyworks Solutions	US	Info Technology	3.5%
Taiwan Semiconductor	Taiwan	Info Technology	3.4%
Microchip Technology	US	Info Technology	3.3%
IHS Markit Ltd	US	Industrials	2.5%
Apple Inc	US	Info Technology	2.5%

As at 31 December 2019. See note 6, page 40.
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/pitf.

Glossary

Dividend yield

A ratio that indicates how much a company pays out in dividends each year relative to its share price.

Earnings yield

A company's earnings per share over a 12-month period divided by its share price and expressed as a percentage, the earnings yield is the reciprocal of the price-to-earnings (P/E) ratio and is a measure of the rate of return on an equity investment.

Enterprise value (EV)

A measure of a company's total market value, EV equals to a company's market capitalisation plus net debt, minority interest and preferred equity, minus cash and cash equivalents.

Price-to-book ratio (P/B)

The ratio of a company's current share price to its book value (total assets minus intangible assets and liabilities). It is an indicator of the value of a company by comparing its share price to the amount of the company's assets that each share is entitled to.

Price-to-earnings ratio (P/E)

The ratio of a company's current share price to its per-share earnings, P/E is used as an indicator of the value of a company by comparing its share price to the amount of per-share earnings the company generates. A high P/E ratio suggests that the company's share price is expensive relative to the company's profits, which usually implies that investors are expecting the company's future profits to grow quickly.

Price-to-sales ratio (P/S)

The ratio that compares a company's current share price to its revenue, P/S is an indicator of the value placed on each dollar of a company's sales and is typically calculated by dividing the company's market capitalisation by its total sales over a 12-month period.

Purchasing Managers' Index (PMI)

An indicator of the economic health of the manufacturing sector. It is derived from monthly surveys of purchasing executives at private sector companies and is based on five major indicators: new orders, inventory levels, production, supplier deliveries and employment environment. A reading of greater than 50 indicates expansion of the manufacturing sector when compared to the previous month, while a reading of under 50 represents a contraction.

Quantitative easing (QE)

A monetary policy used by central banks to increase the supply of money by buying government bonds (and, to a lesser extent, other assets such as corporate bonds and shares) from the market. The intended outcome is to lower the yield on those assets, increase the total money supply in the financial system, and encourage more lending by banks and thus greater economic activity. Central banks use QE to stimulate the economy when interest rates are already at or close to zero.

Return on capital employed (RoCE)

RoCE is a measure of a company's profitability and the efficiency with which its capital (which includes both equity and long-term debt) is employed. It is calculated as earnings before interest and tax (EBIT) divided by capital employed, where "capital employed" represents the sum of shareholders' equity and the long-term liabilities. The higher a company's RoCE ratio, the more efficient its use of capital.

Yield

Yield refers to the income generated from an investment (such as the interest from cash deposits, the dividends from a shareholding, or the rent from a property investment), usually expressed as an annual percentage rate based on the cost of the investment (known as cost yield) or its market price (known as current yield).

For bonds, the yield is the same as the coupon rate (assuming the bond is purchased at par or is trading at par). Any increase or decrease of the yield relative to the coupon rate is approximately inversely proportional to any change in the bond price (yields fall as prices rise, and vice-versa).

Yield curve

A yield curve plots the interest rates (or yields) of comparable debt instruments with different maturities. Starting on the left with the yields of shorter-term instruments, the curve typically slopes upwards to the right, reflecting investors' desire to be compensated for the uncertainty associated with locking their money away for longer periods of time.

An inverted yield curve occurs when longer-term debt instruments have a lower yield than shorter-term debt instruments, reflecting expectations of weaker economic conditions – and hence lower interest rates – in the future.

Australasia's Best Sporting Team 2019: Melbourne Storm

In 2018, Platinum Asset Management in conjunction with GAIN LINE Analytics launched Australasia's Best Sporting Team (ABST) to recognise the best team in Australia and NZ across a range of team sports.

The award seeks to recognise long-term excellence in team sport, based on the belief that in order to achieve this, a team must be well built or cohesive.

Douglas Isles, an Investment Specialist at Platinum and co-architect of the ABST initiative, provides a brief overview of the award, this year's winners and why Platinum is involved.

Cohesion is at the core of the work Platinum has done with GAIN LINE Analytics in recent years, with an understanding that this missing ingredient to success is not captured by traditional analysis.

New Zealand rugby union team, the Crusaders was the winner of the inaugural award in 2018 for its success over the 1994-2018 period. This year, we introduced an annual award, which analyses five years of results.

This year's winning team over the 2015-2019 period was National Rugby League's Melbourne Storm. The club has made the finals in all but three of its 22 seasons of existence, making the grand final nine times. They finished in the Top 10 in last year's analysis.[1]

The Crusaders were in second place, having won a hat trick of Super Rugby titles from 2017-2019.

The top-rated women's team and third overall, was cricket's NSW Breakers, who recently claimed their 20th title in 23 seasons of the Women's National Cricket League.

The methodology looks beyond titles won, to the results of every match in every season under consideration, finishing positions, competition stability, and competition size. Performing consistently well in large, stable competitions is deemed to be harder than in smaller, less stable ones.

1 The top 10 teams in the 2018 ABST rankings can be found at https://www.platinum.com.au/PlatinumSite/media/Reports/ptqtr_1218.pdf

GAIN LINE Analytics co-founder and former Wallaby player, Ben Darwin, Melbourne Storm player, Sandor Earl and Platinum's Douglas Isles. Source: Platinum Asset Management

Platinum was delighted to present a grant to the Leukaemia Foundation to recognise the club's achievements.

Coach Craig Bellamy, and player Sandor Earl (centre) were taking part in the "World's Greatest Shave", and our contribution, resulting from the team's success, accelerated the team's fund-raising efforts.

Australasia's Best Sporting Team 2019: Melbourne Storm
Source: Melbourne Storm

GAIN LINE's research has proven that there is a strong relationship between team cohesion and outcomes on the field. Teams benefit from accumulated experience – the more people play together, the more they understand each other and the better they perform. There is a preference for hiring young people, and developing them internally.

These attributes resonated with Platinum, having built a strong team over time by hiring younger analysts generally new to the industry and allowing them to grow. Over time, 14 people have successfully managed money for Platinum's clients. We believe it is unlikely that we simply have a skill for identifying great managers, but rather believe it's more plausible that our system generates a flow of great investment ideas for our managers to build portfolios from.

Melbourne Storm has been coached by Craig Bellamy since 2003, who has a winning record in all of his 17 seasons in charge. Over that time, three players - Cameron Smith, Cooper Cronk and Billy Slater - each played over 300 games for the club, and were a significant part of the core of the successful Queensland State of Origin side. Their intuitive relationship on the pitch was a great example of cohesion in action.

RANKING	TEAM	COMPETITION	COUNTRY/ STATE
1	Melbourne Storm	NRL	VIC
2	Crusaders	Super Rugby	NZ
3	New South Wales Breakers	WNCL	NSW
4	Sydney FC	A-League	NSW
5	Hurricanes	Super Rugby	NZ
6	Victoria	Sheffield Shield	VIC
7	Richmond Tigers	AFL	VIC
8	Sydney Roosters	NRL	NSW
9	CBR Brave	AIHL	ACT
10	Sydney University Lions	NWPL	NSW

Source: GAIN LINE Analytics

The Journal

You can find a range of thought-provoking articles and videos on our website. For ad hoc commentary on the latest market trends and investment themes, look up **The Journal** under **Insights & Tools**.

If you find yourself short on time to read our in-depth reports and **articles**, have a listen to our Quarterly Reports in **audio podcasts** or watch brief market updates in **video** format.

Recent videos and articles include:

- **In Conversation with Platinum's Founder, Kerr Neilson.**[1] Kerr Neilson chats with Douglas Isles on a wide range of topics - the relevancy of behavioural finance today, where he is seeing the greatest change around the world and the exciting investment opportunities it presents, as well as what lies ahead in 2020.
- **Disruption and Survival in the Consumer Market.**[2] The rapid adoption of new technologies is transforming consumer behaviour. Jamie Halse, portfolio manager for the Platinum International Brands Fund explains how the consumer team differentiates between the 'disruptors', 'thrivers', 'survivors' and 'untouchables', and the investment opportunities this creates.
- **Standing out from the Crowd.**[3] Phil Sellaroli explains the pivotal role Platinum's trading team plays in the investment process – from idea origination to trade execution and risk assessment. Providing a vital market filter to the investment team, they identify long-term buying/selling opportunities in a market often focused on short-term events.
- **Pencils,Balloons and BMWs – What's it all About?**[4] Julian McCormack, Investment Specialist at Platinum provides an entertaining analogy of the current market. While we never know what will be the catalyst that 'pops' an extended market, we do know what the inherent risk is. We need to be vigilant to not only avoid the danger but also identify the value that's on offer.
- **Food Delivery: Delivering Growth, but can they Deliver Profits?**[5] The food delivery space has evolved significantly over the past few years. With many of us now ordering takeaway food simply from an app on our phone, total food sales of listed food delivery platforms in the Western hemisphere have soared to US$18 billion in the first half of 2019. But not all operators are profitable. Jimmy Su and Jamie Halse explain what it takes to be successful.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/In-Conversation-with-Kerr-Neilson
2 https://www.platinum.com.au/Insights-Tools/The-Journal/Disruption-and-Survival-in-the-Consumer-Market
3 https://www.platinum.com.au/Insights-Tools/The-Journal/Standing-out-from-the-Crowd
4 https://www.platinum.com.au/Insights-Tools/The-Journal/Pencils-balloons-and-BMWs
5 https://www.platinum.com.au/Insights-Tools/The-Journal/Food-Delivery-Delivering-Growth

Some Light Relief

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 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.
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.

Disclaimers

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About us

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Platinum Asset Management is a Sydney-based manager specialising in international equities. The investment team uses a thematic stock-picking approach that concentrates on identifying out-of-favour stocks with the objective of achieving superior returns for our clients. We pay no heed to recognised indices. We aim to protect against loss and will hedge stocks, indices and currencies in our endeavours to do so.

The firm was founded in February 1994 by a group of professionals who had built an enviable reputation. The investment team has grown steadily and Platinum now manages around A$25 billion. Platinum's ultimate holding company, Platinum Asset Management Limited (ASX code: PTM), listed on the ASX in May 2007, and Platinum's staff continue to have relevant interests in the majority of PTM's issued shares.

Since inception, the Platinum International Fund has achieved superior returns to those of the MSCI AC World Net Index (A$)* and considerably more than interest rates on cash.

* Please refer to page 2.

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