Platinum Unhedged Fund

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Portfolio Manager

Performance

(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund	7%	32%	12%	19%	11%
MSCI AC World Index	4%	15%	12%	17%	7%

Source: Platinum and MSCI Inc. Refer to note 1, page 3.

Disposition of Assets

REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
Asia	38%	35%	28%
North America	21%	24%	29%
Europe	20%	24%	24%
Japan	8%	9%	8%
Russia	1%	2%	3%
South America	1%	0%	0%
Cash	11%	6%	8%

Source: Platinum. Refer to note 3, page 3.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Raiffeisen Bank International	Austria	Financials	4.1%
Applus Services SA	Spain	Industrials	3.7%
KB Financial Group	Korea	Financials	3.5%
Jiangsu Yanghe Brewery	China	Consumer Stap	3.2%
Alphabet Inc C Class	USA	IT	3.1%
Lixil Group Corporation	Japan	Industrials	3.1%
PICC Property & Casualty Co	China Ex PRC	Financials	3.0%
IHS Markit Ltd	USA	Industrials	2.9%
Gree Electric	China	Consumer Disc	2.8%
Kweichow Moutai	China	Consumer Stap	2.7%

As at 30 June 2017. Source: Platinum. Refer to note 4, page 3.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

We highlighted in our March report that perceptions around Asia are becoming more positive which, combined with low valuations, were attracting investors back to these markets. This trend has continued over the last three months with the Asian (ex Japan) region rising 8.7%, outperforming the US 3.0% and Europe 1.8% (each in local currency terms).

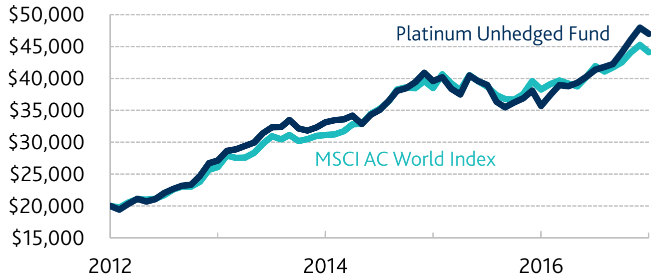
Over the past 12 months, the Fund has held substantial positions in Asia and Europe, with an increased emphasis on European banks after the UK Brexit vote. The strong rebound of these stocks has contributed to the Fund's recent performance. Overall, the Fund returned 6.6% for the quarter and 31.7% for the year (in Australian dollar terms). This compares to 3.7% and 15.3%, respectively, for the Index.

For the quarter, the major performers tended to come from our technology and China-exposed holdings. Examples include:

PayPal – We have owned PayPal for a number of years (including while it was still part of eBay) and upped our stake when concerns over new entrants like Apple Pay were running high. We thought the concerns were exaggerated because

Value of $20,000 Invested Over Five Years

30 June 2012 to 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 3.

history shows that gaining mass adoption of a new payment method is extremely difficult, a lesson again reinforced by the subsequent underwhelming adoption of Apple Pay. Having cemented its position as the most popular online wallet in the western world, we see PayPal as a long-term structural grower as more of our spending moves online.

The stock rose 25% after the release of its first quarter results, as growth in the number of active users (+11%) and sales (+19%) continued to impress.

Qiwi – While PayPal is the most popular online wallet in most Western countries, there are some countries where regional competitors dominate, such as Alipay in China and Qiwi in Russia.

While Qiwi has been a profitable investment for the Fund, it has been a volatile ride, where we got the entry price wrong, but brought our average purchase cost down by adding at the lows. Qiwi saw its share price more than halve in response to the recession in Russia post the Crimean incursion as the value of the Ruble collapsed and transaction volumes and remittances went backwards.

From a base of US$12 per share at the start of 2017, the stock has doubled to US$24 as the economy stabilised, the Ruble appreciated and the business began growing again. In an added twist, minority shareholder Otkritie has recently made a tender offer for 50% of the free float at US$28 per share, roughly 15% above the current price.

Wynn Resorts – Wynn is an international casino developer and operator with 70% of its revenue derived from its two Macau-based casinos.

We purchased Wynn in late 2015. At the time the stock had fallen 70% in response to the perfect storm then hitting the Macau gaming market. The corruption crackdown in China had seen gambling volumes from high rollers (VIPs) fall by 50%. Compounding the pain, the gaming market had collapsed just as several multibillion dollar new casino resorts (Wynn's included) were opening.

At the time we were unsure if the VIP volume would ever come back, but given the popularity of gaming and the fact that Macau remains the only legalised gambling venue within China, we felt that the casinos would still be able to fill their capacity at a decent return. While the stock has risen considerably from its lows, it rose another 20% during the quarter as VIP volume has recovered much faster than expected.

Changes to the Portfolio

A new addition to the Fund over the quarter was **Beijing Enterprise Holdings** (BEH). BEH is an infrastructure and utility holding company that owns operations in natural gas pipelines, wastewater treatment and garbage disposal/ incineration. In short, BEH is a utility business that stands to benefit from greater environmental spending in China.

In our experience, when something is made a priority by the Chinese government, it usually gets done. With China's air and water pollution being the worst in memory, it is clear that the government is now focused on improving the environmental impact of industry. This can be seen in the strong push to replace coal with gas as well as the tightening and enforcement of standards on sewage and waste disposal. This gives BEH a large opportunity to invest in and operate these facilities.

Even more interesting is that we are able to buy the stock on 7x P/E today. Why so cheap? BEH has some warts. It is a state-owned enterprise, it carries some debt and investors did not like the expensive acquisitions it made in 2016 (buying German waste incineration business EEW at 22x P/E to access technology and know-how). We understand these concerns, but with a credible plan to reduce debt, a growing end market and a very low starting valuation, we should be well remunerated for the risk in BEH.

In terms of sales, we fully exited our positions in Russian search engine **Yandex** and Swedish telecom equipment supplier **Ericsson**. We sold out of Ericsson at a modest loss, a disappointing outcome given that we had held the stock for four years. The original case hinged on Ericsson earning higher margins as the mix of their business moved from low margin hardware in the first phase of the 4G rollout towards highly profitable software designed to optimise the use of that hardware in the second phase. This thesis looked to be playing out through to 2015, but these profits were more than offset by losses in other divisions that emerged last year. With more prospective ideas elsewhere, we chose to move on.

Outlook

Our investment style is naturally risk-adverse, and in the spirit of avoiding the 'boiling frog' problem of ignoring the risks when times are good, we try to remain mindful of what can disrupt markets.

Markets have large falls when earnings experience a real decline, and the single largest driver of earnings is employment. On this front, the picture looks quite sanguine. The Chinese economy is recovering nicely, employment is rising across the board in Europe, and if the US could continue its current pace of job additions, its unemployment rate would be less than 4% in 2018.

Besides high valuations in the US, what other concerns are we facing? We are at the beginning of a global rate hike cycle, and like gravity, higher rates eventually pull down growth and valuation multiples. However, with subdued inflation and absolute rate levels still low, it is hard to be too alarmed right now.

Overall, often the best indicator of what's to come is the ease of finding new ideas, and on this measure the short to medium-term outlook is fairly positive as we are still seeing a number of opportunities in Asia and Europe.

Notes

1. The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax, and assume the reinvestment of distributions. 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 Funds' underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

   The Funds' inception dates are as follows:
   - Platinum International Fund: 30 April 1995
   - Platinum Unhedged Fund: 31 January 2005
   - Platinum Asia Fund: 4 March 2003
   - Platinum European Fund: 30 June 1998
   - Platinum Japan Fund: 30 June 1998
   - Platinum International Brands Fund: 18 May 2000
   - Platinum International Health Care Fund: 10 November 2003
   - Platinum International Technology Fund: 18 May 2000

   (NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then.)

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over the specified five year period relative to the relevant benchmark index as follows (the "Index"):
   - Platinum International Fund – MSCI All Country World Net Index ($A)
   - Platinum Unhedged Fund – MSCI All Country World Net Index ($A)
   - Platinum Asia Fund – MSCI All Country Asia ex Japan Net Index ($A)
   - Platinum European Fund – MSCI All Country Europe Net Index ($A)
   - Platinum Japan Fund – MSCI Japan Net Index ($A)
   - Platinum International Brands Fund – MSCI All Country World Net Index ($A)
   - Platinum International Health Care Fund – MSCI All Country World Health Care Net Index ($A)
   - Platinum International Technology Fund – MSCI All Country World Information Technology Net Index ($A)

   (NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then.)

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3. Geographic exposures (i.e. the positions listed other than "cash" and "shorts") represent any and all of the Fund's exposure to company securities and long derivatives (stock and index) as a percentage of the Fund's net asset value (before annual cash distribution).

4. The table shows the Fund's top ten long stock positions (including any company securities and long derivatives) as a percentage of the Fund's net asset value (before annual cash distribution).

5. Sector breakdown represents the Fund's net exposure to any and all company securities and both long and short derivatives (stock and index) as a percentage of the Fund's net asset value (before annual cash distribution).

6. The table shows the Fund's net currency exposures as a percentage of the Fund's net asset value (before annual cash distribution), taking into account any currency hedging.

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