# Platinum Int'l Fund ARSN 089 528 307

**28 February 2018**

## Facts

| | | |
|---|---|---|
| Portfolio value | $11.70 bn | |
| Fund commenced | 30 April 1995 | |
| Minimum investment | A$10,000 or NZ$10,000 | |
| Regular Investment Plan | A/NZ$5000 plus A/NZ$200 mth/qrt | |
| Income distribution date | Annual, 30 June | |
| Unit valuation | Sydney Business Day | |
| Unit prices C Class | App – 2.3641 | Red – 2.3523 |
| Unit prices P Class | App – 1.1470 | Red – 1.1412 |

## Fees

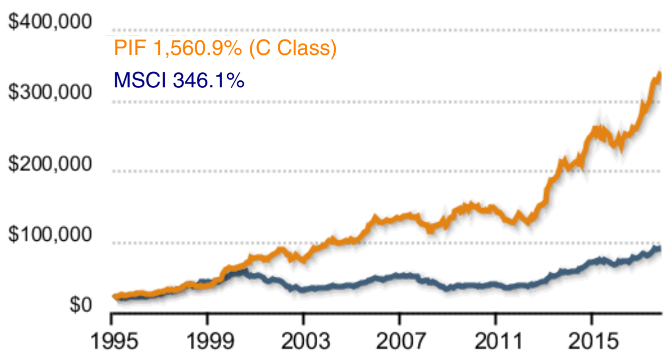
| | | |
|---|---|---|
| Entry fee | | Nill |
| Buy/sell spread | | 0.25%/0.25% |
| Fee: | C Class | Investment Management 1.35% p.a. |
| | | Investment Performance N/A |
| | P Class | Investment Management 1.10% p.a. |
| | | Investment Performance 15.00% p.a.* |

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

## Performance[1]

| | P Class % | C Class % | MSCI % |
|---|---|---|---|
| 1 month | (0.75) | (0.83) | (0.45) |
| 3 months | 1.45 | 1.65 | 0.18 |
| 6 months | 11.60 | 12.44 | 11.02 |
| Calendar year to date | 1.97 | 1.98 | 1.58 |
| 1 year | | 27.40 | 17.21 |
| 2 years (compound pa) | | 19.21 | 15.31 |
| 3 years (compound pa) | | 10.55 | 8.50 |
| 5 years (compound pa) | | 16.99 | 16.25 |
| 7 years (compound pa) | | 12.28 | 12.45 |
| 10 years (compound pa) | | 10.30 | 7.59 |
| Since inception (compound pa)* | 14.41 | 13.10 | 6.77 |

## Performance graph[2]




## Invested positions[3]

| | LONG % | NET % | CURRENCY % |
|---|---|---|---|
| Australia | 0.4 | 0.4 | 1.7 |
| Austria | 0.6 | 0.6 | |
| Brazil | 0.6 | 0.6 | 0.6 |
| Canada | 0.8 | 0.8 | 0.8 |
| China | 4.9 | 4.9 | 6.8 |
| China Ex PRC | 18.9 | 18.9 | |
| Hong Kong | 0.0 | 0.0 | 14.5 |
| Taiwan | 0.5 | 0.5 | 0.4 |
| Denmark | 1.1 | 1.1 | 1.1 |
| France | 2.2 | 2.2 | |
| Germany | 5.8 | 5.8 | |
| Hungary | 0.2 | 0.2 | 0.2 |
| India | 5.8 | 5.8 | 5.9 |
| Italy | 1.3 | 1.3 | |
| Japan | 14.9 | 14.9 | 12.0 |
| Korea | 7.7 | 7.7 | 7.9 |
| Malaysia | 0.6 | 0.6 | 0.6 |
| Norway | 1.6 | 1.6 | 5.7 |
| Russia | 1.1 | 1.1 | |
| Switzerland | 3.2 | 3.2 | 0.8 |
| Thailand | 0.3 | 0.3 | 1.4 |
| United Kingdom | 6.1 | 6.1 | 5.2 |
| United States | 14.3 | 5.4 | 20.6 |
| | 93.1 | 84.2 | |
| Euro Currency | | | 13.9 |
| Cash | 6.9 | 15.8 | |
| Total | 100.0 | 100.0 | 100.0 |

Long - 128 stocks, 2 swaps Short - 8 stocks, 2 indices

## Top ten positions[4]

| STOCK | COUNTRY* | INDUSTRY | % |
|---|---|---|---|
| Ping An Insurance Grp | China | Financials | 3.0 |
| Samsung Electronics Co Ltd | Korea | Info Technology | 2.8 |
| Alphabet Inc | USA | Info Technology | 2.8 |
| Inpex Corporation Ltd | Japan | Energy | 2.6 |
| Glencore PLC | Switzerland | Materials | 2.4 |
| Technip FMC | UK | Energy | 2.0 |
| Lixil Group Corporation | Japan | Industrials | 2.0 |
| Royal Dutch Shell PLC | UK | Energy | 1.9 |
| KB Financial Grp | Korea | Financials | 1.9 |
| Sina Corp | China | Info Technology | 1.8 |

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

## Industry breakdown[3]

| SECTOR | LONG % | NET % |
|---|---|---|
| Info Technology | 20.3 | 20.3 |
| Financials | 16.7 | 16.7 |
| Cons Discretionary | 11.7 | 10.5 |
| Materials | 10.2 | 10.2 |
| Industrials | 10.0 | 10.0 |
| Energy | 9.5 | 9.5 |
| Health Care | 6.5 | 6.5 |
| Consumer Staples | 3.2 | 0.1 |
| Utilities | 1.9 | 1.9 |
| Real Estate | 1.8 | 1.8 |
| Telecom Services | 1.2 | 1.2 |
| Other* | 0.0 | (4.6) |

* Includes index short positions



1. Investment returns are calculated using the Fund's NAV unit price (i.e. exclude a buy/sell spread) for C Class and P Class, and represent the combined income and capital returns for each of these unit classes in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Returns for P Class are net of any accrued investment performance fee. Investment returns are calculated relative to the MSCI All Country World Net Index in A$ (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist). The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Fund and other risk factors associated with investing, investment returns can be negative (particularly in the short-term). Source: Platinum for Fund returns and RIMES Technologies for MSCI returns.

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the Fund since inception relative to the MSCI All Country World Net Index in A$ ("Index") (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist). The investment returns are calculated using the Fund's NAV unit price (C Class). They are net of fees and costs, pre-tax and assume the reinvestment of distributions. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's bottom-up stock selection process and as a result holdings will vary considerably to the make-up of the Index. The Index is provided as a reference only. Source: Platinum for Fund returns and RIMES Technologies for MSCI returns.

3. The Long% represents the exposure to physical holdings, corporate fixed income securities and long stock derivatives as a % of NAV. The "Net %" represents the exposure of physical holdings and both long and short derivatives. The "Currency %" represents the currency exposure for the Fund as a % of NAV, taking into account currency hedging.

4. Top Ten positions shows the Fund's top long share exposure positions as a % of NAV. Long derivative exposures are included, however, short derivative exposures are not.

## Market update and commentary

Over the last year, the fund delivered 27% which is pleasing for investors. Key drivers were the exposure to Asia-Pacific, and sectorially, IT and Financials stood out. Asian technology stocks, led by long held positions in Tencent and Samsung, dominate the top contributors list.

A long sequence of up months for the S&P500 ended in February. Ironically, despite Trump being the self proclaimed catalyst for this market strength, the US has lagged major markets other than the UK and Australia. We noted last year that these three countries had benefited for 20+ years from capital flows from surplus nations (eg China, Japan, Korea, Europe) and that this may reverse.

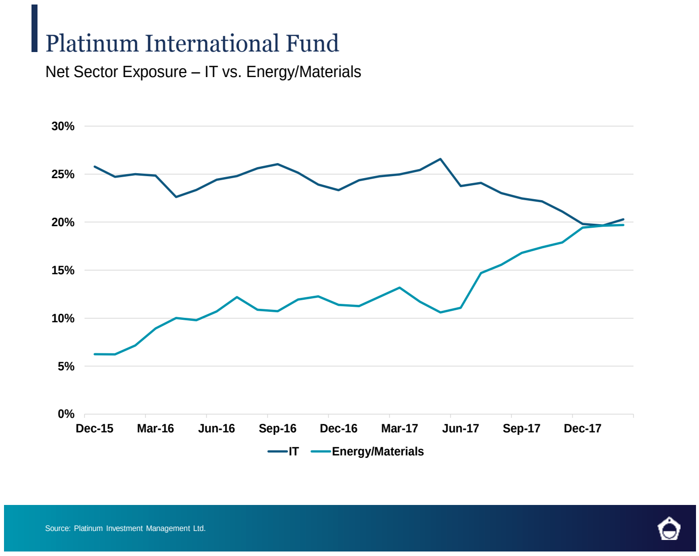
After a month like February, with heightened alarm in the media, it is important to focus on fundamentals. Today the portfolio longs trade on around 14-15X forward earnings which is around the average level markets have traded on through time.

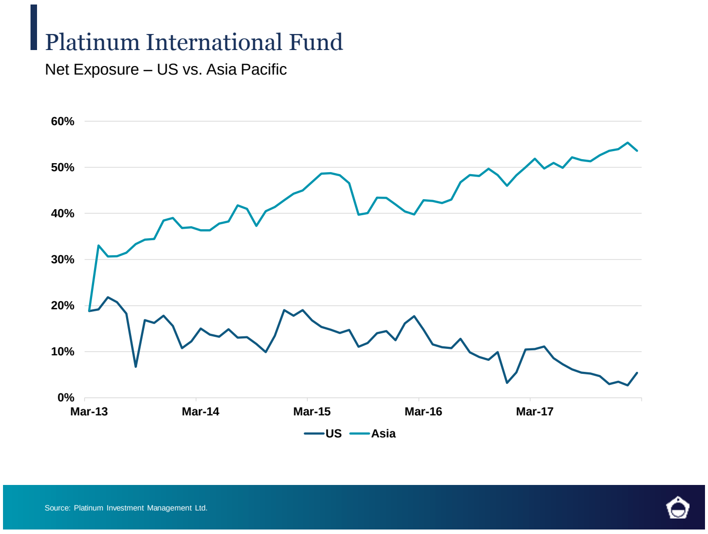
This month the value of short-selling was reiterated. Losses from the long portfolio (over 90% of assets) were halved simply by having around 10% of the portfolio short. Shorts often feel like a hand-break but prove their value when sentiment turns. When we near the end of the market cycle and good long ideas are harder to come by, we would expect to increase the protection we carry. For now, we remain comfortable with idea generation, and the portfolio.

A big difference between how we are seeing the world today, and how consensus sees it, is that China is generally described as the big risk. Our impression is that a cheap market exposed to a growing and changing economy is surely less risky than an expensive market exposed to a late cycle economy. China is our largest country exposure, followed by Japan, Korea and India.

Investment ideas tend to come in clusters, either geographical or sectoral, as a result of shifts in sentiment or major changes in the real world. Over time, this leads to a gradual movement of the portfolio from the hot to the cooler. In a regional sense, as the chart below shows, the last few years have seen us deploy money away from the US and towards Asia-Pacific, while in a sectoral sense this has seen us take profits in the strong Technology sector and redeploy them towards Energy and Materials.

Energy investments were generally presented to us by a sense of crisis brought on by an unsustainably low oil price from late 2015 through 2017. On the other hand, our increased interest in Materials has come from our work on developments around the Electric Car, as our recent quarterly reports have highlighted.




One of the latest hot investment concepts is that of passive investing, the appeal of which is simply that markets have been doing well and so temporarily it feels that the value add of active managers – stock selection and risk management – is diminished. At any point that investors have started to believe such rhetoric, they have generally been badly burned. This table shows that the returns we have delivered over the last year could not have been replicated passively.

| Region | Fund's (Net) Exposure % | Index Return % | "ETF Outcome%" | Fund's Contribution % |
|---|---|---|---|---|
| Asia | 38 | 30 | 11.5 | 16.5 |
| Europe | 23 | 19 | 4.4 | 6.1 |
| Japan | 14 | 20 | 2.8 | 4.5 |
| North America | 7 | 14 | 1.0 | 2.8 |
| Cash/FX | 19 | 2.0 (RBA) | 0.3 | (0.7) |
| Net Return (12 months)^ | | | 20.0 | 27.4 |

^"ETF Outcome%" = Net Exposure% X Index Return%/100
Net Exposure represents the Fund's exposure as a % of NAV of physical holdings and both long and short derivatives as at 28.02.18
The index returns relate to MSCI AC Asia ex Japan, MSCI AC Europe, MSCI USA, MSCI Japan. Cash is RBA Cash Rate.
ETF outcome is assumed to achieve index return.
The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance.
^to 28.02.18