Platinum International Fund ARSN 089 528 307

31 October 2018

Facts

Portfolio value	$10.53 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 – 1.9590 Red – 1.9492
Unit prices P Class	App – 0.9400 Red – 0.9353

Fees

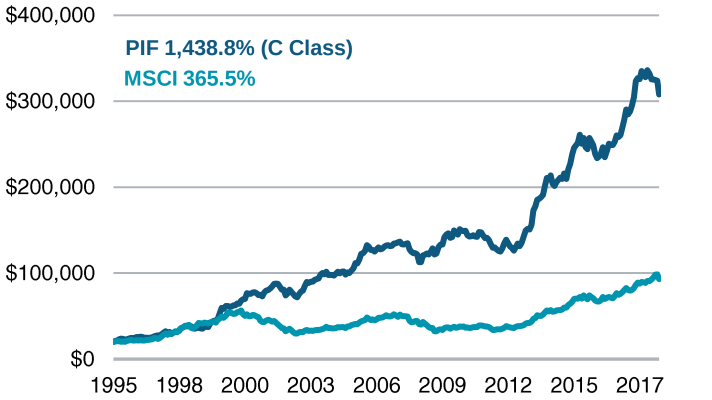
Entry fee		Nil
Buy/sell spread		0.25%/0.25%
Fee:	C Class	Investment Management 1.35% p.a.
		Investment Performance N/A
	P Class	Investment Management 1.10% p.a.
		Investment Performance 15.00% p.a.*

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

Performance[1]

	P Class %	C Class %	MSCI %
1 month	(4.99)	(5.01)	(5.56)
3 months	(5.39)	(5.45)	(1.78)
6 months	(8.34)	(8.45)	2.31
Calendar year to date	(5.32)	(5.52)	5.99
1 year	(4.68)	(4.93)	7.62
2 years (compound pa)		11.15	14.71
3 years (compound pa)		6.14	7.98
5 years (compound pa)		10.00	12.48
7 years (compound pa)		13.38	15.24
10 years (compound pa)		9.61	8.96
Since inception (compound pa)*	4.65	12.33	6.76

Performance graph[2]



Invested positions[3]

	LONG %	NET %	CURRENCY %
Australia	0.3	0.3	1.9
Austria	0.7	0.7	
Brazil	0.3	0.3	0.3
Canada	2.7	2.7	2.6
China	5.6	5.6	6.6
China Ex PRC	13.2	13.2	
Hong Kong	0.6	0.6	11.3
Denmark	1.0	1.0	1.0
France	2.8	2.8	
Germany	4.8	4.8	
Hungary	0.2	0.2	0.2
India	5.1	5.1	5.3
Italy	0.7	0.7	
Japan	11.7	10.9	9.3
Korea	6.1	5.6	5.6
Malaysia	0.2	0.2	0.2
Netherlands	0.0	(0.2)	
Norway	2.6	2.6	2.6
Russia	0.1	0.1	
Switzerland	4.6	4.6	2.0
Thailand	0.6	0.6	0.6
United Kingdom	2.6	2.3	5.0
United States	14.6	0.5	33.8
	81.3	65.3	
Euro Currency			11.6
Cash	18.7	34.7	
Total	100.0	100.0	100.0

Long - 111 stocks, 2 swaps Short - 16 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	2.9
Glencore PLC	Switzerland	Materials	2.7
Alphabet Inc	USA	Info Technology	2.7
Siemens AG	Germany	Industrials	2.3
Technip FMC	UK	Energy	2.3
Sanofi SA	France	Health Care	2.3
China Overseas Land & Invst	China	Real Estate	2.2
Facebook Inc	USA	Info Technology	2.1
Roche Holding AG	Switzerland	Health Care	2.0

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

Industry breakdown[3]

SECTOR	LONG %	NET %
Info Technology	19.7	17.8
Financials	13.9	13.9
Materials	10.1	10.1
Industrials	10.0	10.0
Cons Discretionary	8.0	5.3
Energy	6.7	6.7
Health Care	6.0	3.7
Consumer Staples	3.1	1.8
Real Estate	2.2	2.2
Telecom Services	1.2	1.2
Utilities	0.2	0.2
Other*	0.0	(7.8)

* 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. *The since inception figure for P Class is from 3 July 2017.

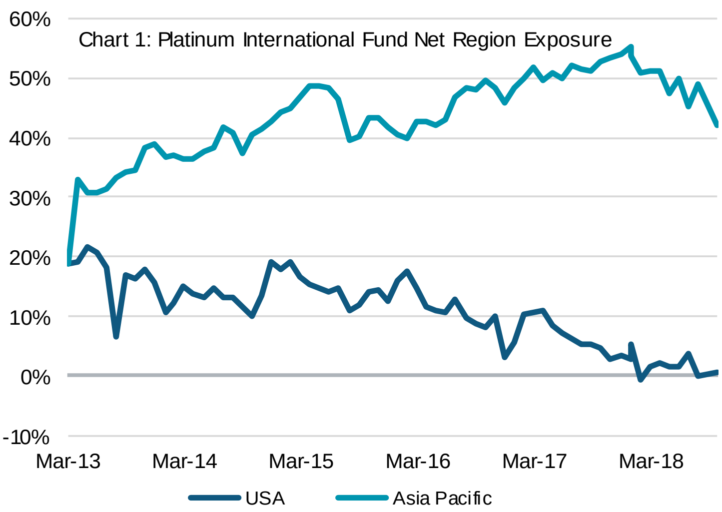
2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the Fund since inception relative to the MSCI All Country World Net Index in A$ ("Index") (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist). The investment returns are 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.

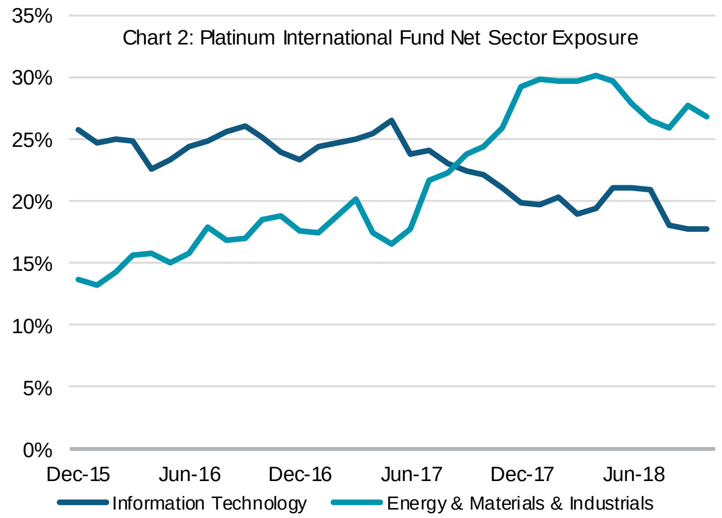
3. The Long% represents the exposure to physical holdings, corporate fixed income securities and long stock derivatives as a % of NAV. The "Net %" represents the exposure of physical holdings and both long and short derivatives. The "Currency %" represents the currency exposure for the Fund as a % of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

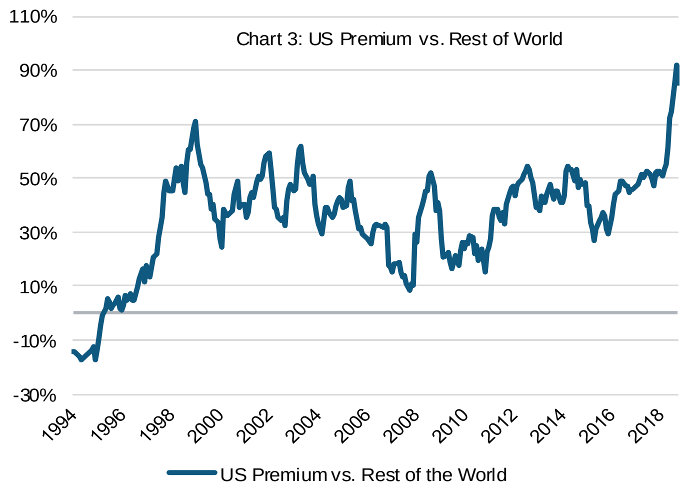
- **Multi-year portfolio migration away from US (now 0%) toward Asia Pacific (now 42%).**
- **Energy, Materials and Industrials seen increased allocation in recent years (now 27%).**
- **Tough 2018 YTD. After returning 40% in two years to 30 April 2018, last six months have been hard.**

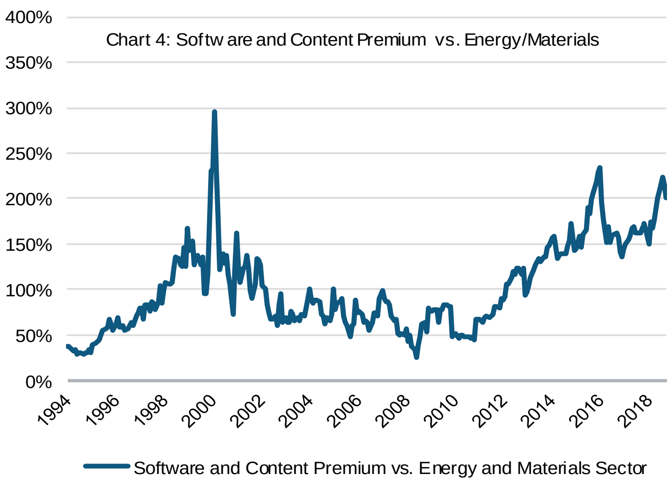
- October was the toughest month for global markets since February 2009. The factors increasingly causing investors angst in recent months extended to high-flying US technology names, which had previously defied gravity. These were rising US interest rates, trade issues (including Iran sanctions pressuring oil), US mid-term elections and China's reform.
- We have been reducing portfolio risk since March aiming to protect investors' capital. This has tended to involve reducing or selling companies whose shares held up, and increasing shorts on the hotter areas. Market exposure reached its lowest levels since 2009. By late October, we were starting to nibble again with many stocks we know over-punished. This will likely continue. The portfolio, carrying a meaningful degree of protection, is on a very attractive forward earnings yield above 9% (or P/E of 11x) on average.
- Over five years, we gradually reduced our US exposure and invested in Asia-Pacific on the back of surges around the elections of Abe (Japan) and Modi (India) and around the 2014 lows of the Chinese bear market. Similarly, the 2015-16 oil price decline and detailed analysis uncovering electric vehicle beneficiaries has seen a reduction of exposure to the technology winners fund a shift to Energy, Materials and Industrials.





Valuation drives our stock selection. Ideas tend to cluster in out-of-favour countries and sectors. In the history of Platinum (nearing 25 years), the US has not been more expensive relative to other markets; it came close in late 1998/early 1999 around the Asian crisis. Meanwhile, outside the tech bubble peak in 1999, Energy/Materials have not been cheaper relative to Software/Content. This explains the portfolio moves above.





Regional returns over the last six months explain the outcome. The US rose 10% while Japan fell 2%, Europe fell 5% and Asia ex Japan fell 12%. In the Fund, both our Asian and European exposures fell with their markets. Shorts offset longs in the US, but we did poorly in Japan, which cost almost 3%. This included investments among materials, computer games, a bank and Lixil, who announced a change in CEO. This is at odds with a solid economy and improving governance. Our risk management tools (shorts and FX) started to make a positive impact in October, contributing around 1.6%, and the top four contributors to the Fund this month were all short positions.

As absolute return managers, we aim to generate positive returns over the medium term, and pay no heed to index compositions. The last six months saw a sharp drawdown in the Fund from its all-time peaks. Similar, or worse outcomes, occurred around 1998/9, 2002, 2008 and 2011. Of these, only 1998/9 was similar in that it was sharply worse than the market. On that occasion, like today there was a dramatic bifurcation in returns and valuations offered no short-term relief. However, the chart suggests a similarity today, with that period.

From February 1999, as the US premium eroded and the technology bubble burst, the portfolio's positioning aided its returns over the five-year period. This of course is only one episode, but the point is, we have seen it before. The market's spring seems coiled far too tightly and we believe we are well positioned for when value trumps momentum.

Andrew Clifford (CEO, CIO and Co-Founder) recently presented at the Portfolio Construction Forum Strategies Conference 2018, on the topic of "RoI is everything – abstractions are distractions". You can view the presentation (and earn 0.5 CE hours) by clicking the following link:
https://portfolioconstructionforum.edu.au/perspectives/roi-is-everything-abstractions-are-distractions/

Notes: Chart 1 Portfolio Net Region Exposure – Platinum Investment Management Ltd
Chart 2 Portfolio Net Sector Exposure – Platinum Investment Management Ltd
Chart 3 US Premium v World: Based on Factset data ex-financials, using market cap weighted price to book, and price to earnings for US, Asia ex Japan, Japan and Europe. P/B premium and P/E premium measured as US Valuation relative to simple average of the other 3 regions. US Premium is average of the two metrics.
Chart 4 Software/Content Premium v Energy/Materials: Based on Factset data, using market cap weighted price to book, and price to earnings for software & content, and energy & materials. Premium in chart is simple average of P/B Premium and P/E Premium.