Platinum International Fund

ARSN 089 528 307

30 November 2019

Facts

Portfolio value	$10.24 bn
Fund commenced	30 April 1995
Minimum investment	A$10,000 or NZ$10,000
Regular Investment Plan (min.)	A/NZ$5000 plus A/NZ$200 mth/qtr
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Unit prices C Class	App - 2.0330 Red - 2.0248
Unit prices P Class	App - 0.9720 Red - 0.9681

Fees

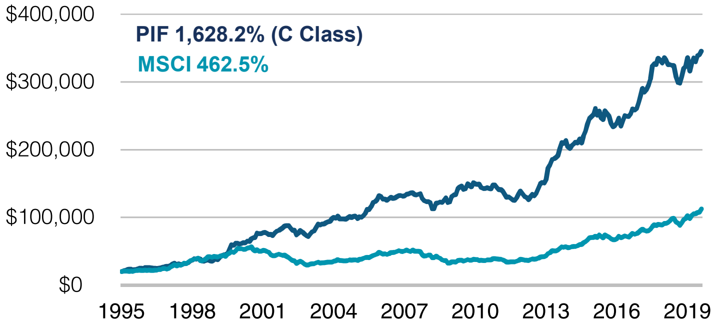
Entry fee		Nil
Buy/sell spread		0.20%/0.20%
Fee:	C Class	Investment Management 1.35% p.a.
		Investment Performance N/A
	P Class	Investment Management 1.10% p.a.
		Investment Performance 15.00% p.a.*

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

Performance [1]

	C Class %	P Class %	MSCI %
1 month	1.58	1.60	4.34
3 months	4.74	4.81	7.04
6 months	9.37	9.51	14.83
Calendar year to date	15.92	16.19	27.28
1 year	15.48	15.77	22.73
2 years (compound pa)	2.84	2.99	12.40
3 years (compound pa)	10.97		15.29
5 years (compound pa)	9.38		12.35
7 years (compound pa)	14.33		16.53
10 years (compound pa)	9.30		11.97
Since inception (compound pa)*	12.29	7.72	7.28

Performance graph [2]



Invested positions [3]

	Long %	Short %	Net %	Currency %
Asia-Pacific	**47.1**	**(0.6)**	**46.5**	**33.7**
Australia		(0.2)	(0.2)	(0.1)
China	6.0		6.0	6.3
China Ex PRC	15.0		15.0	
Hong Kong	1.0		1.0	13.1
India	5.0		5.0	5.0
Japan	13.2		13.2	18.8
Korea	6.3	(0.4)	5.9	5.9
Thailand	0.5		0.5	0.5
China Renminbi Off Shore				(15.9)
North America	**27.9**	**(8.6)**	**19.4**	**48.8**
Canada	3.4		3.4	3.1
United States	24.6	(8.6)	16.0	45.7
Europe	**17.3**	**(0.4)**	**16.9**	**16.9**
Austria	1.2		1.2	
Denmark	0.5		0.5	0.5
France	3.4		3.4	
Germany	1.8		1.8	
Ireland	1.6		1.6	
Italy	1.7		1.7	
Norway	0.8		0.8	1.2
Switzerland	4.4		4.4	1.6
United Kingdom	2.0	(0.4)	1.6	3.8
Euro				9.8
Other	**0.6**		**0.6**	**0.5**
Brazil	0.6		0.6	0.5
Sub-Total	**93.0**	**(9.6)**	**83.4**	**100.0**
Cash	**7.0**		**16.6**	
Total	**100.0**		**100.0**	**100.0**

Long - 92 stocks, 2 swaps   Short - 16 swaps

Top ten positions [4]

Stock	Country	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	4.1
Ping An Insurance	China	Financials	3.8
Alphabet Inc	United States	Comm Services	3.4
Facebook Inc	United States	Comm Services	3.4
Intel Corp	United States	Info Technology	2.9
Glencore PLC	Switzerland	Materials	2.8
Bharti Airtel Ltd	India	Comm Services	2.5
ZTO Express Inc	China	Industrials	2.4
Skyworks Solutions	United States	Info Technology	2.3
Itochu Corporation	Japan	Industrials	2.2
		Total	29.6

Industry breakdown [3]

Sector	Long %	Short %	Net %
Financials	15.5		15.5
Info Technology	15.5	(2.2)	13.3
Communication Services	13.0		13.0
Industrials	12.6	(0.0)	12.5
Materials	9.7		9.7
Health Care	7.5	(0.4)	7.1
Consumer Discretionary	9.9	(4.3)	5.6
Energy	4.4		4.4
Real Estate	2.3		2.3
Utilities	0.2		0.2
Consumer Staples	2.4	(2.7)	(0.3)

1. & 2. Source: Platinum for Fund returns and Factset Research Systems for MSCI returns. Investment returns are calculated using the Fund's NAV unit price (i.e. exclude a buy/sell spread) for C Class and P Class (as indicated), 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. The returns are calculated relative to the MSCI All Country World Net Index in A$ (the gross MSCI Index was used prior to 31/12/98). Since inception date for C Class is 30/04/95 and for P Class is 03/07/17. Since inception date of C Class has been used for the purposes of calculating since inception returns of the index. The investment returns depicted in the graph are cumulative on A$20,000 invested in C Class units in the Fund since the C Class inception date. Past performance is not a reliable indicator of future returns. Platinum does not invest by reference to the weightings of the index. The index is provided as a reference only.

3. The "Long %" is the exposure to long securities and long securities/index derivative positions, the "Short %" is the exposure to short securities and short securities/index derivative positions and the "Net %" is the exposure to long and short securities and long and short securities/index derivative positions, each as a percentage of the market value of the Fund's portfolio. The "Currency %" is the effective currency exposure as a percentage of the market value of the Fund's portfolio taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. For the "Industry breakdown", index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".

3. and 4. China generally refers to securities or derivatives over securities, which securities are listed on the Shanghai or Shenzhen stock exchange. China Ex PRC generally refers to securities or derivatives over securities, which securities are listed outside of the PRC but provide exposure to PRC companies.

4. The "Top ten positions" show the Fund's top ten long securities positions as a percentage of the market value of the Fund's portfolio (including long securities and long securities derivative positions).

Market update and commentary

- The Fund had a solid November (+1.7%) with year-to-date returns now a strong 16%.
- Strong consensus on rates outlook is driving extreme divergence between “expensive” and “cheap”.
- Current portfolio positioning reflects strong idea flow and temporary reduction in protection.

As 2020 approaches, expect a lot of play on words around 20/20 vision and the customary belief that markets operate in discrete periods – years or decades, providing ample opportunity for commentators to infer that markets are not a continuum. As investors, this kind of thinking is not helpful. As we enter the twenties, we remain challenged by the very strong consensus that has formed around interest rates staying very low or negative for a very long time or perhaps forever.

Behaviour being what it is, we know that when a consensus is too strong, it pays to look the other way, to consider what might happen if it is not the case, and to look for conflicting rather than confirmatory data. US 10-year treasury yields, below 1.8% at the time of writing are much closer to their 2012, 2016 & 2019 lows, (noting 2019 was not a crisis!), than they are to being over 3% only a year ago and well-below the levels of the GFC. These ultra-low rates have forced people to hunt for yield and consistent lowering of the discount rate has led to ever more fanciful valuations for predictable earnings streams (“bond proxies” such as Nestle) or growth stories (such as ‘software as a service’).

Against this backdrop, we have taken our traditional approach and looked where others are avoiding, which in its broadest sense is anywhere seen as vulnerable to economic cycles (including last year’s slowdown in China), trade disputes, populism or disruption. The tendency of the herd to focus on the near term is leading to some great companies being overlooked.

After decades of fiscal restraint acting as a deflationary pulse, we are reaching the limits of monetary policy effectiveness (ironically as Australia considers Quantitative Easing) and it is increasingly likely that fiscal spending picks up, in a time when many resource markets are tight, and labour markets too. It is not too difficult to envisage the consensus being caught offside on the rates view, without having to imagine rampant inflation of rates much higher than they were in the US only a year ago. We believe we are well-positioned on the long and short side for a small change in view here, and each of the last three months have shown signs of what could happen if this takes hold, albeit as yet, we are yet to see a follow through. It certainly feels increasingly like we are getting closer to a turning point in what has been a challenging market for contrarian or value focused investors, in a relative sense.

Portfolio

Looking at the portfolio, valuation metrics are enticing in both an absolute and relative sense, giving us plenty of encouragement.

Metric	Platinum International Fund	MSCI AC World Net Index (A$)
NTM (Next 12 Months) Earnings Yield	8.5% (Price to Earnings ratio of 11.8x)	6.3% (Price to Earnings ratio of 15.8x)
NTM Dividend Yield	3.0%	2.9%
Price-to-Book-Ratio	1.5	2.3
Enterprise Value-to-Sales	1.1	1.5

Valuation refers to the long portion of the Fund’s portfolio, excluding negative net earnings, and using FactSet consensus earnings.

Performance

So far in 2019, the Fund has returned a strong 16%. Looking more closely, the average long position is up 24% (broadly in line with the 27% from the MSCI AC World Net Index (A$)) and with average exposure of 86%, these contributed 21% to returns. The long contributions are broken down to key regions and sectors in the below table.

Region/Country	Average weight %	Contribution %	Sector	Average weight %	Contribution %
US	21	6	Tech/Communications	25	8
China	22	5	Consumer/ Health	16	5
Japan	9	3	Industrials	11	4
Europe	18	3	Financial/Real Estate	18	4
Rest of Asia	13	3	Energy/Materials	15	0

Source: Platinum Investment Management Limited.

Our biggest contributors included Ping An Insurance, Facebook, Samsung Anta Sports and Bharti Airtel. Shorts have cost 4% with average exposure of 15% year-to-date.

Index returns for MSCI AC World Net Index (A$), suggest that in 2019 it has been beneficial to a company’s stock price to be listed in the US over being elsewhere. At a sector level, Information Technology has been a huge outperformer and Energy the laggard. Other sectors all clustered around market outcomes.

Thematics

While we are primarily stock-pickers, market behaviour and the identification of themes leads to concentrated exposure to particular areas of the opportunity set. It is worth reflecting on the outcomes from what are the major themes in the portfolio today.

China, particularly the consumer: as can be seen above China has been a significant contributor, led by companies like Ping An Insurance and Anta Sports.

Semiconductors: this has been a successful and substantial area, which we added a lot to around a year ago, led by Samsung, Skyworks and Micron.

Auto-makers and suppliers: a developing, but still small overall position, including BMW and Toyota has performed solidly, adding around 1% to returns year-to-date.

Asian and European banks: these have been moving in the right direction, driven by Intesa Sanpaolo in Italy, and Axis/ ICICI in India.

Japanese Industrials: our exposure to Japan has grown and companies like Lixil, Itochu and Minebea have been making a meaningful positive impact.

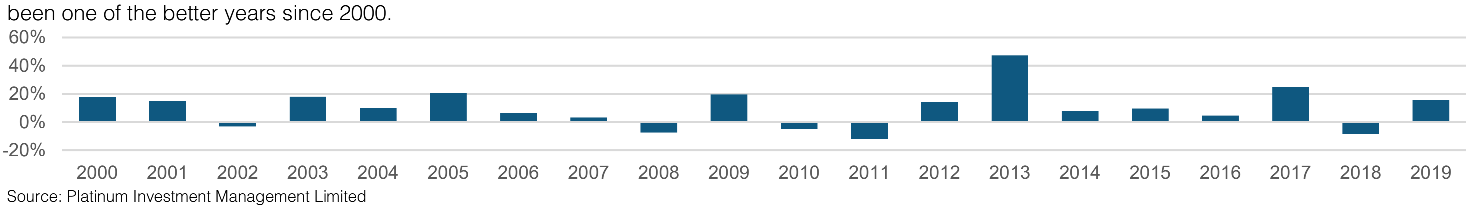
Energy/ Materials: this has been a key area of disappointment, soft in general, and it could be seen as an opportunity cost, but where we remain committed to our positions given the backdrop for several commodities including oil, copper, thermal coal and nickel. Seven Generations, Peabody and Transocean hurt us, but in aggregate the sector has had a neutral impact.

Short selling expensive growth and defensives: this has been the other area where we have been challenged by the market. While we have been dynamic in our exposure here given our reading of the macro tensions, trying to reduce risk in the overall portfolio via shorts in the hottest areas of technology, at both an index level and by targeting one corporate in particular, has been the biggest cost in 2019. Our trade tension related shorts mid-year broke even.

Context

2019 (year-to-date) has been a strong year for the Fund, and this can be seen when viewed in the context of the last 20 years of calendar year returns. It is worth noting that 2017 was also the second strongest year in that period, when the Fund delivered 25%. Sandwiched in-between was the disappointing 2018, which was the second weakest.

This graphic puts the current 11 months of 2019 in context versus the full year returns of each of 2000-2018. Aside from the 47% we delivered in 2013, it has been one of the better years since 2000.



Source: Platinum Investment Management Limited