Platinum International Fund

Andrew Clifford
Portfolio Manager

Clay Smolinski
Portfolio Manager

Performance

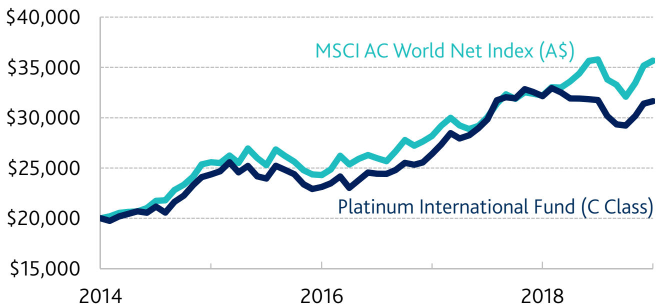
(compound pa, to 31 March 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	8%	-2%	11%	10%	12%
MSCI AC World Index^	11%	11%	14%	12%	7%

* 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 4. Numbers have been subject to rounding adjustments.

Value of $20,000 Invested Over Five Years

31 March 2014 to 31 March 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 4.

The Fund (C Class) returned 8.3% for the quarter and a loss of 1.5% over the last 12 months. These returns lagged the performance of global equity markets, which were up 11.2% for the quarter and 10.8% for the 12 months (in AUD terms).

It is worth noting the underlying components of the Fund's performance. The Fund's long positions gained 13.2%[1] over the quarter, which compares favourably with the broader market. However, given their 83% average weighting in the portfolio (the Fund held an average cash position of around 17% through the quarter), this only translated into a contribution of about 11% towards the Fund's performance.

Looking at the underlying companies, the Fund's Chinese holdings returned 23% and contributed 4.6% to the Fund's performance. The strongest contributors amongst our Chinese holdings included Ping An Insurance (insurance and banking, up 38%), Weichai Power (diesel engine manufacturer, up 53%), and Jiangsu Yanghe Brewery (white spirits producer, up 40%). The other significant contributor to performance came from our US holdings, which rose 16%, well ahead of the US market, and contributed 2.6% to the Fund's returns.

Detracting from performance were losses on short positions which reduced the Fund's returns by 1.6%, as well as the minor appreciation of the Australian dollar over the period.

Over the 12-month period, the Fund's long equity exposure provided only a small positive return, which was offset by small losses on short positions. Within the portfolio, Chinese holdings were up an average of 10% and contributed 2.5% to performance. However, it should be noted that these returns were boosted by a weak Australian dollar over this period. Across the portfolio, strong contributors over the 12 months included Ping An Insurance (up 25%), Schibsted (online classifieds, up 54%) and Alphabet (owner of Google, up 23%). Our Japanese holdings were the major detractors from performance, reducing returns by 3.1%.

1 References to returns and performance contributions in this Platinum International Fund report are in AUD terms, unless otherwise specified.

One question that naturally arises from consideration of the above results is the merit of running short positions[2] in the portfolio. In a 12-month period where markets sold off sharply before rebounding, one would have perhaps expected a greater contribution from shorting.

As we have outlined in this quarter's Macro Overview, the uncertainty in markets created by China's slowdown and its trade dispute with the US resulted in many stocks being sold down to very attractive valuations. These stocks represent a significant opportunity for investors. On the other hand, the extraordinarily high valuations that have resulted from investors crowding into high-growth companies represent a very real risk.

Since the Fund was established nearly 24 years ago, we have seen numerous examples of financial excesses across a broad range of geographies and assets. Many have unwound with the damage relatively contained to the particular asset involved. The crash in cryptocurrencies is one such example, the current account crisis in Turkey during 2018 being another. However, as was experienced in the tech wreck of 2000/01 and the global financial crisis (GFC) in 2008, in some cases the unwinding of the financial excesses in one area can have broader ramifications for all markets. Today, we can see numerous areas that give cause for concern. Besides the mania for high-growth stocks, other examples include the enthusiasm for debt securities despite very low yields, the popularity of risk parity strategies,[3] and a frenzied FoMo (fear-of-missing-out) over unlisted investments such as private equity and infrastructure.

So while we are optimistic about the prospects for our portfolio, we remain cautious about the environment that we are investing in. As such, we believe it makes good sense to retain a conservative net invested position in the Fund through the use of cash and short positions.

2 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.

3 A risk parity strategy (also known as risk premia parity) is an approach to portfolio management that allocates capital across multiple asset classes based on risk (usually defined as volatility), rather than expected returns. Unlike most traditional multi-asset portfolios in which equities, rather than bonds, tend to determine returns as well as carry more of the risk, risk parity strategies generally aim to build diversified portfolios in which each group of assets contributes an equal amount of risk.

Disposition of Assets

REGION	31 MAR 2019	31 DEC 2018	31 MAR 2018
Asia	36%	34%	37%
North America	22%	18%	14%
Europe	18%	19%	22%
Japan	7%	9%	14%
Australia	<1%	<1%	<1%
South America	0%	<1%	1%
Russia	0%	<1%	1%
Cash	16%	20%	11%
Shorts	-10%	-11%	-14%

See note 3, page 4. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Net Sector Exposures ^

SECTOR	31 MAR 2019	31 DEC 2018	31 MAR 2018
Financials	16%	15%	15%
Communication Services	14%	14%	12%
Industrials	11%	11%	10%
Materials	10%	10%	10%
Information Technology	8%	7%	8%
Energy	6%	6%	9%
Consumer Discretionary	5%	4%	9%
Real Estate	2%	2%	2%
Health Care	2%	4%	6%
Consumer Staples	1%	<1%	1%
Utilities	0%	<1%	2%
Other*	-2%	-3%	-9%
TOTAL NET EXPOSURE	73%	69%	75%

^ A major GICS reclassification was implemented during the December 2018 quarter. The changes affected the Information Technology, Communication Services (previously Telecommunication Services) and Consumer Discretionary sectors. Historical exposures have been updated for continuity.
* Includes index short positions.
See note 4, page 4. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Ping An Insurance	China	Financials	3.8%
Samsung Electronics	Korea	Info Technology	3.3%
Alphabet Inc	USA	Communication Serv.	3.1%
Facebook Inc	USA	Communication Serv.	2.7%
Glencore PLC	Switzerland	Materials	2.7%
China Overseas Land	China	Real Estate	2.5%
Jiangsu Yanghe Brewery	China	Consumer Staples	2.1%
Sanofi SA	France	Health Care	2.1%
TechnipFMC	UK	Energy	2.0%
Intel Corp	USA	Info Technology	1.9%

As at 31 March 2019. See note 6, page 4.
Source: Platinum Investment Management Limited.

Changes to the Portfolio

The net invested position of the portfolio rose from 69.3% to 73.2% over the quarter, with cash holdings falling from 19.5% to 16.4% and short positions reduced slightly from 11.2% to 10.4%. As we reported last quarter, the change in the portfolio positioning was more significant than these aggregate numbers reveal, as there were substantial sales across the portfolio of companies that were either at or approaching full valuations as well as purchases in both new and existing holdings.

Of particular note was the addition to our holdings in **Samsung Electronics** and **Intel**, as well as a new position in **Micron Technology**. Each of these companies had been impacted by a slowdown in the investment in data centres in the second half of 2018. Micron is a US competitor to Samsung Electronics in memory chips, both DRAM and flash memory (NAND). Historically, the memory chip business has displayed erratic profitability as manufacturers raced to the next generation of chips to drive down costs, often moving supply well ahead of demand. In recent years the competitive landscape has changed as the industry consolidated down to three players in DRAM and five in flash memory, and profitability has significantly improved. While 2019 will likely see profits fall for these memory companies, their long-term prospects remain bright in our view. A return to data centre investment, and with it a pick-up in demand for memory chips, will be required to support the ongoing roll-out of e-commerce, software-as-a-service (SaaS), and artificial intelligence (AI) applications. At recent lows, both Micron and Samsung Electronics were trading slightly above book value, a very attractive valuation for businesses operating in an industry where the accumulated intellectual property and industrial know-how represent enormous barriers to entry.

Other new holdings included **Booking Holdings**, the world's largest online travel agent, and **Kweichow Moutai**, a Chinese white spirits producer.

Stocks sold out from the portfolio included **PayPal** (US, payments system), **Scout24** (German, online real estate and auto marketplace), **Nexon** (Japan, computer games) and **Asahi Group** (Japan, brewery). Positions were trimmed in **Weichai Power** (China, diesel engines), **Roche** (Swiss, pharmaceuticals) and **ICICI** and **Axis Bank** (Indian banks).

Net Currency Exposures

CURRENCY	31 MAR 2019	31 DEC 2018	31 MAR 2018
US dollar (USD)	42%	41%	22%
Japanese yen (JPY)	16%	17%	12%
Hong Kong dollar (HKD)	14%	13%	14%
Euro (EUR)	11%	12%	14%
Chinese yuan (CNY)	8%	6%	7%
Indian rupee (INR)	6%	6%	5%
Korean won (KRW)	5%	5%	8%
British pound (GBP)	4%	4%	5%
Norwegian krone (NOK)	3%	3%	3%
Canadian dollar (CAD)	3%	3%	1%
Swiss franc (CHF)	2%	2%	1%
Denmark (DKK)	1%	1%	1%
Australian dollar (AUD)	<1%	2%	3%
Chinese yuan offshore (CNH)	-15%	-16%	0%

See note 5, page 4. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Outlook

While the Fund's net invested position has increased from last quarter, it remains moderately conservative. As we stated in the past two quarters' reports, this low net exposure is not an expression of a particularly bearish outlook on markets, but is the result of the significant divergence in valuation between the crowded stocks and markets in which we are short, and the unloved and under-appreciated companies in which we are invested.

While a number of our holdings have performed strongly over the first three months of 2019, the valuations of our holdings give us reason to be optimistic regarding the Fund's prospective returns. At quarter end, the long positions in our portfolio were trading on an average price-to-earnings (P/E) ratio of 11.2x (up from 10x three months ago) and a price-to-book (P/B) ratio of 1.4x (unchanged from the end of last quarter). These compare favourably with market averages, and our quantitative and qualitative indicators continue to show that our portfolio companies are both more profitable and growing faster than the average.

While significant uncertainties and risks remain in the macroeconomic and market environment, an improving outlook for China and a halt to the interest rate rises in the US have assuaged some of the pessimism. Further signs of stabilisation in China and a resolution to the US-China trade dispute would augur well for markets over the rest of 2019.

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.

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 Fund's net asset value, the Fund's exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices.
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

This publication has been prepared by Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management (Platinum®). Platinum is the responsible entity and issuer of units in the Platinum Trust® Funds (the "Funds"). This publication contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons') investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. You should read the entire Product Disclosure Statement (including any Supplement(s) thereto) for the Platinum Trust® Funds ("PDS") and consider your particular investment objectives, financial situation and needs before making any investment decision to invest in (or divest from) a Fund. You can obtain a copy of the current PDS from Platinum's website, www.platinum.com.au or by phoning 1300 726 700 (within Australia), 0800 700 726 (within New Zealand) or +61 2 9255 7500, or by emailing to invest@platinum.com.au. You should also obtain professional advice before making an investment decision.

Neither Platinum nor any company in the Platinum Group®, including any of their directors, officers or employees (collectively, "Platinum Persons"), guarantee the performance of any of the Funds, the repayment of capital, or the payment of income. The Platinum Group means Platinum Asset Management Limited ABN 13 050 064 287 and all of its subsidiaries and associated entities (including Platinum). To the extent permitted by law, no liability is accepted by any Platinum Person for any loss or damage as a result of any reliance on this information. This publication reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by any Platinum Person as to their accuracy or reliability. This publication may contain forward-looking statements regarding Platinum's intent, beliefs or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. No Platinum Person undertakes any obligation to revise any such forward-looking statements to reflect events and circumstances after the date hereof.

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

MSCI Inc Disclaimer