Platinum International Fund
Platinum Unhedged Fund
Platinum Asia Fund
Platinum European Fund
Platinum Japan Fund
Platinum International Brands Fund
Platinum International Health Care Fund
Platinum International Technology Fund

Quarterly Report

31 MARCH
2019

Contents

The Platinum Trust quarterly report is available on our website from approximately the 15th of the month following quarter end.
Visit www.platinum.com.au/Investing-with-Us/Investment-Updates

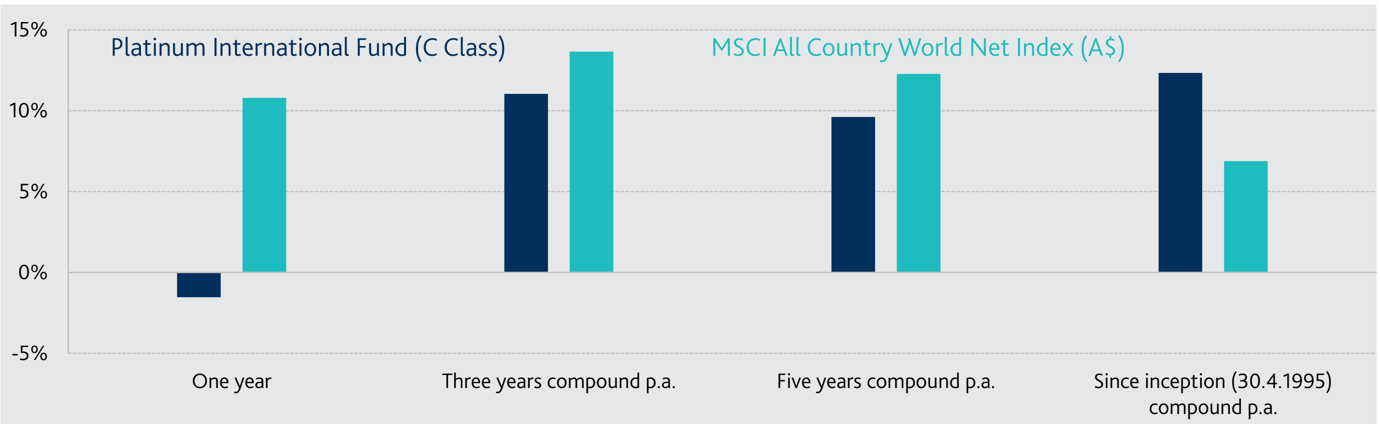
Performance Returns to 31 March 2019

FUND (C CLASS – STANDARD FEE OPTION) (P CLASS – PERFORMANCE FEE OPTION)	PORTFOLIO VALUE (A$ MIL)	QUARTER	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	5 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA	INCEPTION DATE
Platinum International Fund (C Class)	**10,476.7**	**8.3%**	**-1.5%**	**9.5%**	**11.0%**	**9.6%**	**12.3%**	**30 Apr 1995**
Platinum International Fund (P Class)	13.6	8.4%	-1.3%	–	–	–	6.5%	3 Jul 2017
MSCI All Country World Net Index (A$)		11.2%	10.8%	12.5%	13.7%	12.3%	6.9%	30 Apr 1995
Platinum Unhedged Fund (C Class)	**303.8**	**10.5%**	**0.4%**	**11.4%**	**14.8%**	**11.2%**	**11.2%**	**28 Jan 2005**
Platinum Unhedged Fund (P Class)	2.2	10.6%	0.7%	–	–	–	8.5%	3 Jul 2017
MSCI All Country World Net Index (A$)		11.2%	10.8%	12.5%	13.7%	12.3%	7.2%	28 Jan 2005
Platinum Asia Fund (C Class)	**4,551.6**	**10.1%**	**-0.8%**	**11.8%**	**13.1%**	**11.6%**	**14.4%**	**4 Mar 2003**
Platinum Asia Fund (P Class)	7.5	10.1%	-0.6%	–	–	–	8.6%	3 Jul 2017
MSCI All Country Asia ex Japan Net Index (A$)		10.4%	2.3%	13.2%	14.9%	12.3%	10.3%	4 Mar 2003
Platinum European Fund (C Class)	**907.1**	**4.0%**	**-6.5%**	**9.7%**	**11.8%**	**9.1%**	**11.5%**	**30 Jun 1998**
Platinum European Fund (P Class)	4.6	4.1%	-5.7%	–	–	–	4.9%	3 Jul 2017
MSCI All Country Europe Net Index (A$)		9.7%	3.8%	8.8%	9.5%	6.5%	3.0%	30 Jun 1998
Platinum Japan Fund (C Class)	**759.3**	**4.3%**	**-5.2%**	**7.0%**	**11.4%**	**13.9%**	**14.1%**	**30 Jun 1998**
Platinum Japan Fund (P Class)	4.9	4.3%	-5.0%	–	–	–	4.7%	3 Jul 2017
MSCI Japan Net Index (A$)		5.7%	-0.5%	8.8%	11.0%	11.4%	2.8%	30 Jun 1998
Platinum International Brands Fund (C Class)	**755.1**	**15.1%**	**2.6%**	**14.1%**	**15.8%**	**11.0%**	**12.6%**	**18 May 2000**
Platinum International Brands Fund (P Class)	1.8	15.2%	3.1%	–	–	–	9.9%	3 Jul 2017
MSCI All Country World Net Index (A$)		11.2%	10.8%	12.5%	13.7%	12.3%	3.2%	18 May 2000
Platinum International Health Care Fund (C Class)	**261.4**	**13.4%**	**16.6%**	**13.9%**	**16.1%**	**14.8%**	**10.1%**	**10 Nov 2003**
Platinum International Health Care Fund (P Class)	3.6	13.5%	16.5%	–	–	–	13.9%	3 Jul 2017
MSCI All Country World Health Care Net Index (A$)		7.0%	19.8%	14.4%	12.6%	13.8%	9.2%	10 Nov 2003
Platinum International Technology Fund (C Class)	**109.1**	**9.0%**	**4.0%**	**10.3%**	**12.4%**	**10.6%**	**9.2%**	**18 May 2000**
Platinum International Technology Fund (P Class)	1.6	9.0%	4.2%	–	–	–	8.6%	3 Jul 2017
MSCI All Country World IT Net Index (A$)		17.7%	17.1%	22.8%	23.8%	22.0%	1.3%	18 May 2000

Fund returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for Fund returns and FactSet for MSCI index returns. See note 1, page 44.

Platinum International Fund vs. MSCI All Country World Net Index (A$)

To 31 March 2019



Fund returns are net of fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for fund returns and FactSet for MSCI index returns. See note 1, page 44.

In Brief

Platinum International Fund

- Markets rebounded strongly in the first quarter of 2019, in response to the US Fed's signalling that interest rate rises are now on hold as well as signs of a pick-up in China's economic activity following a loosening of credit conditions. We expect to see further stabilisation in the Chinese economy in response to the monetary and fiscal stimulus measures implemented.
- The Fund's Chinese holdings were the strongest contributor to performance (Ping An Insurance +38%, Weichai Power +53%, Jiangsu Yanghe Brewery +40%). Our US holdings also made a significant contribution to returns, while shorts detracted.
- We added to our semiconductor holdings (Samsung Electronics, Intel, Micron Technology), attracted by their low valuations following a cyclical slowdown in the sector and a heavy sell-off last quarter, as well as their long-term prospects as key beneficiaries of multiple technology trends. Other additions to the portfolio included Booking Holdings (the world's largest online travel agent) and Kweichow Moutai (premium Chinese liquor maker).
- The valuation disparity within markets continues to widen, with investors eschewing cyclicals while chasing certainty and growth (such as the highly favoured software-as-a-service (SaaS) businesses, some with valuations as high as 15-25 times sales). The Fund's net invested position increased slightly to 73% over the quarter. This relatively low net invested position continues to reflect the significant divergence in valuation between the crowded stocks and markets in which we are short and the out-of-favour companies in which we are invested.
- While a number of our positions have performed strongly over the quarter, the valuations of our holdings give us reason to be optimistic regarding the Fund's prospective returns. There remain significant uncertainties and risks in the economic and market environment, but an improving outlook for China and a resolution to the US-China trade dispute would certainly augur well for markets over the rest of 2019.

Platinum Unhedged Fund

- The Fund's gains this quarter were fairly broad-based, but the major clusters of appreciation tended to come from our China positions and oil-exposed holdings, with the latter benefiting from a higher oil price and increased capex in offshore activity. Offshore oil service companies TechnipFMC and Transocean were among the key contributors to the Fund's performance.
- We initiated a new position in Booking Holdings, the world's largest hotel-focused online travel search and booking platform, while continuing to add to our semiconductor holdings (Samsung Electronics, Micron Technology, Skyworks Solutions).
- Despite the recent rally, there is still a large amount of investor scepticism around the health of the global economy. While we suspect that economic conditions will most likely improve in the near-term, our enthusiasm for the portfolio is not driven by macro factors, but rather by the individual companies and the low valuations on offer. A large portion of the portfolio is trading on an earnings yield of 10% or higher, suggesting good prospects of solid returns going forward.

Platinum Asia Fund

- The Chinese A-share market was the stand-out performer in what was a very strong quarter for global equities, rising 29%. The country's efforts to clean up its shadow banking sector have largely drawn to a close and economic activity has once again begun to pick up, which was a major factor spurring this quarter's strong recovery in stock markets globally.
- Unsurprisingly, key contributors to the Fund's performance over the quarter were our Chinese holdings (Alibaba, Sany Heavy Industry, Anta Sports, Ping An Insurance). Our private Indian bank holdings also performed well, notably Axis Bank and IDFC First Bank, as corporate loan growth began to pick up after years of stagnation.
- After trimming our net exposure late last year, we seized the market trough and began adding significantly to our China positions. Many Chinese companies with strong market positions and a long runway of growth ahead were trading on attractive valuations. The Fund's net invested position has increased to 83%, including a 4% short exposure.
- Key concerns over the Asian markets are easing. Apprehensions of an economic slowdown facing both the US and China led to a synchronised policy loosening globally. We believe the Asian stock markets still hold much promise and investor interest has returned as macroeconomic and geopolitical concerns abated. We continue to find interesting companies in the region.

Platinum European Fund

- The best performing sectors this quarter were those that are most sensitive to interest rates (the high-growth companies and the bond proxies). The worst performing segments were companies with cyclical earnings, as investors remained concerned by the mixed data from China and the Fed's change of stance on interest rates, implying slower growth in the US.
- Our portfolio is increasingly skewed to businesses with cyclical earnings, where we are finding the most attractively-valued opportunities. We have modest exposure to fast-growing businesses and almost none to the bond proxies. This largely explains why our recent performance lagged the broader market, but is consistent with Platinum's bottom-up approach.
- We trimmed a number of our better performing positions over the quarter, including Roche, Scout24 and Schibsted. We also added to a number of existing positions, mostly in Eastern Europe, and initiated a few new holdings such as Ryanair.

Platinum Japan Fund

- The Japanese stock market shifted mode during the year, with many high-quality companies with longer duration cashflow streams further de-rated to historically low valuations while prices rose for high-growth and high-valuation stocks. This is not a style which has historically worked in Japan, nor one that is sustainable for the medium to longer term, in our view.
- Corporate governance in Japan is slowly improving, though there is undoubtedly still a long way to go. The worst is behind us and the ongoing substantial changes will be an incremental positive tailwind for the whole economy and the stock market.
- The rebound has been rapid, despite ongoing weak economic, corporate and political news. The narrative is dominated by *hopes* of a strong and enduring recovery, but overall market sentiment remains weak. Japan is one of the few global markets with multiple structural tailwinds and longer-term opportunities, which we will seek to capture for the Fund's investors.

Platinum International Brands Fund

- Our exposure to outperforming Chinese stocks (Kweichow Moutai +48%, Anta Sports +42%, Alibaba +33%) and an increased exposure to internet platforms (Carvana +57%, Zalando +43%, each from time of purchase), which bore the brunt of the vicious market sell-off in late 2018, were key contributors to the Fund's strong performance over the quarter.
- We took the opportunity of the market rebound to trim exposure to several companies that have rallied strongly and thus now have less enticing valuations (e.g. Chinese auto dealers ZhengTong and Yongda, LVMH, Kering, Hanesbrands).
- With the US and China having loosened monetary policy, and Europe and Japan keeping their policies accommodative, the environment for equities looks benign, barring an all-out trade war. While markets have rallied, we continue to find pockets of value scattered around the consumer landscape, and will continue to exit positions that have reached full valuations.

Platinum International Health Care Fund

- It was an eventful quarter for the health care sector, with announcements of acquisitions, readouts of clinical trials, IPOs of Chinese biotechs, and US politics, all in stark contrast to the last quarter of 2018 when everyone was feeling miserable.
- Many of our biotech holdings recovered well this quarter, as new data readouts continued to demonstrate the progress of their drug pipelines. Key contributors to performance included Magenta (+186%), NanoString (+61%) and Quanterix (+41%).
- We trimmed some of our holdings that performed well, while adding a number of new investments in neurology as well as in China, excited by the scientific progress being made in the former and the increasing pace of innovation in the latter.
- Gene and cell therapies have been attracting increasing interests from investors, as well as from large tool companies that provide the equipment and technologies needed to manufacture and deliver these new drug modalities. The Fund has a number of positions in this space, and we will continue to pay attention to any new opportunities arising.

Platinum International Technology Fund

- The tech sector rebounded strongly this quarter with the Nasdaq Composite Index rising 16% after an 18% decline in the last quarter. The Fund's performance was also positive, though it was partly weighed down by our sizable cash position.
- The onset of 5G technology will generate many opportunities, from network operators to equipment suppliers, to companies working on new 5G-enabled use cases. The Fund holds multiple positions that will likely benefit (some are already benefiting) from these trends (e.g. Samsung Electronics, Ericsson, Analog Devices, Xilinx, Skyworks, Intel, TSMC).
- The sell-off late last year gave us an opportunity to add to some of our existing holdings at attractive prices (e.g. Carvana, Microsoft, TSMC), and to initiate small positions in some interesting new names, including Booking Holdings.

Macro Overview

by Andrew Clifford, Chief Investment Officer

A tale of two yield curves – what interest rates tell us about the world's two largest economies

Investors have been preoccupied with US interest rates in recent months as the Federal Reserve changed its stance on the likelihood of future rate increases. The resulting inversion of the US yield curve[1] has garnered significant attention as this is widely seen as a harbinger of a recession and weaker stock markets. And of course, where the US goes the world follows! There is no question that not only are interest rates an important variable for economic growth, they are also a key factor in driving stock market performance. As such, it is neither surprising nor inappropriate that the discussion around interest rates receives so much attention.

However, while the US economy is important for the global economy and financial markets, the lesson of 2018 was that China is now equally important. As we sought to explain in previous reports, China's financial sector reforms which commenced in 2017, reduced the availability of credit and precipitated a significant economic slowdown in the following year. The situation was exacerbated by the trade war with the US. While China's economy is only around two-thirds of the size of the US economy,[2] its impact on the markets for many physical goods is often the world's largest due to the scale of its demand. While this is well appreciated when it comes to iron ore and copper, of which China consumes about half of the world's output,[3] some may find it hard to believe that China is also the world's largest market[4] for autos (more than 23 million passenger vehicles sold in 2018 versus 17 million for the US),[5] smartphones (454 million handsets shipped in 2017 versus 201 million for North America),[6] and just about any other physical good one might nominate. As such, the result of China's credit tightening, compounded by its trade disputes with the US, was a slowdown not only in China's economic activity, but also in Europe, Japan, and many emerging economies which had otherwise been growing well until the latter half of last year.

The idea that China plays a large and important role in the global economy is hardly a controversial one, yet few participants in financial markets direct a proportionate amount of attention to what is going on in China and most remain focused firmly on the US. By way of illustration, many readers are likely to be well aware of the recent inversion of the US yield curve, and while some may not know exactly what the yield is on the US 10-year Treasuries, most probably have an approximate idea. (For the record, as of the end of March, the US 10-year rate was 2.39%, marginally lower than the 1-year rate at 2.40%[7]). Keener followers of markets may also know that the German 10-year bunds and the Japanese 10-year government bonds currently have a yield close to or even below zero! However, how many market participants know where the Chinese 10-year government bonds are trading at, let alone the shape of the Chinese yield curve?

One may well gain some insights from China's yield curve, and investors might not have been caught completely off guard by last year's downturn had they paid nearly as much attention to China's interest rates in the year before as they typically do to every statement made by members of the US Fed.

At the end of 2017, as can be seen from the chart overleaf, Chinese interest rates had risen significantly from the lows of 2016, with the 1-year Chinese government bond yield just 0.1% below the 10-year rate. Not quite an inverted yield curve, but close. While the People's Bank of China (PBoC) does not manage interest rates in the same manner as the central banks of developed economies, these market-set rates should provide a reasonable indicator of the credit conditions in China. In the second half of 2018, the PBoC, together with China's banking regulator, implemented a

1 A yield curve plots the interest rates (or yields) of comparable debt instruments with different maturities. Starting on the left with the yields of shorter-term instruments, the curve typically slopes upwards to the right, reflecting investors' desire to be compensated for the uncertainty associated with locking their money away for longer periods of time. An inverted yield curve occurs when longer-term debt instruments have a lower yield than short-term debt instruments, reflecting expectations of weaker economic conditions – and hence lower interest rates – in the future.

2 Based on 2018 (estimate) nominal GDP, US Dollars. Source: IMF World Economic Outlook Database.

3 https://www.businessinsider.com.au/china-global-commodity-demand-rank-gdp-2018-10

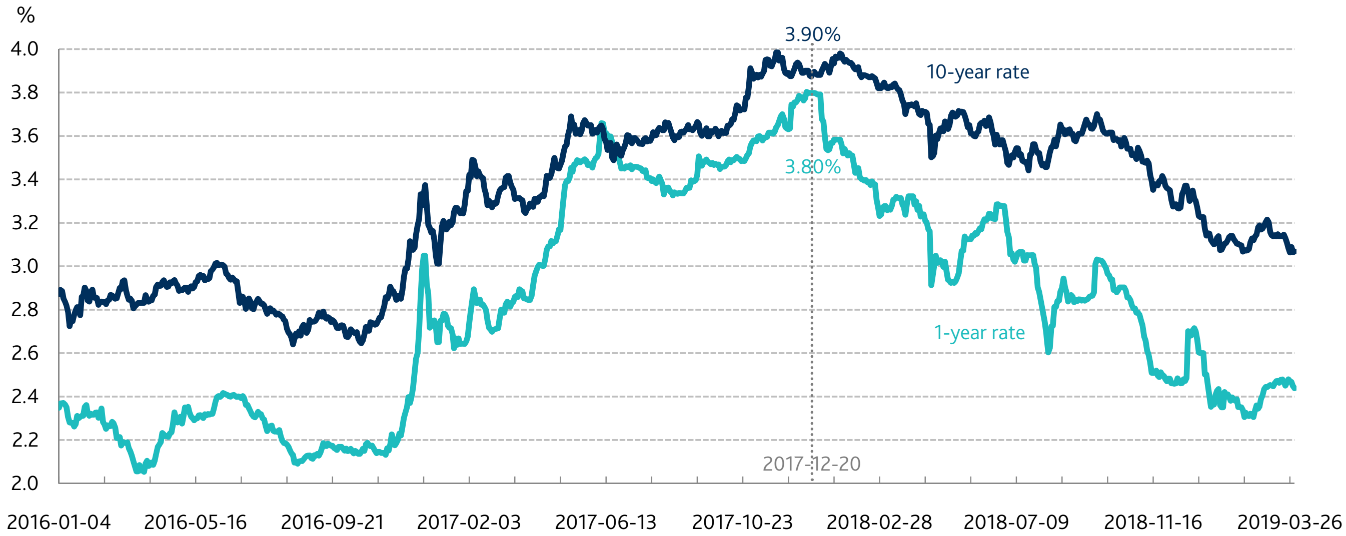
4 Typically in volume terms, though this may be very different in value terms.

5 Source: VDA and https://www.best-selling-cars.com/international/2018-full-year-international-worldwide-car-sales/

6 https://www.gfk.com/nl/insights/press-release/smartphone-unit-sales-rose-6-in-north-america-in-4q17-highest-growth-in-two-years/

7 Source: US Treasury. 29 March 2019 rates.

1-Year versus 10-Year Chinese Government Bond Yields



Source: China Central Depository & Clearing (CCDC), Platinum Investment Management Limited.

number of policy measures to ease liquidity conditions and loosen credit availability, and as a result, interest rates fell significantly.

In addition to lower interest rates, the Chinese government also introduced a range of corporate and personal tax cuts, as well as increased its spending on infrastructure. In developed economies, budget estimates published by the government would typically disclose the nature and scale of the various fiscal policy initiatives. While no such official numbers exist in China, estimates of this year's fiscal stimulus are as high as 3% or more of GDP, not dissimilar in size to the stimulatory measures put in place during the 2015/16 slowdown.

So, while the recent inversion of the US yield curve may be indicative of a potential slowdown or even a recession in that country, it is important to note also that fiscal and monetary policies in China are firmly set on an expansionary path.

The other positive development during the quarter is the deferral of the imposition of additional tariffs on Chinese imports into the US, as the two sides work towards a new trade agreement.

Global macroeconomic outlook

Indeed, there are signs of stabilisation in China's economy, though these remain inconclusive for the moment. There has been a pick-up in credit demand, car retail sales volume for the first two months of 2019 were only down slightly (2.9%[8]) from the peak a year ago (see chart on page 19), the Purchasing Managers' Index (PMI)[9] has improved, and at least anecdotally, the numbers of bidders at government land auctions have substantially increased. On the other hand, import and export numbers have been very weak. This is most likely the result of US and Chinese importers having brought forward their orders at different points last year, ahead of the imposition of tariffs, and may take some time to recover even if a successful trade deal transpires in the near future.

In the US, interestingly, despite (or perhaps because of) the Fed halting interest rate hikes, citing weaker economic growth, the data actually suggests that the economy remains relatively robust, with employment and wage growth remaining buoyant. Housing, the area that had been impacted most heavily by last year's rate increases, saw a strong rebound in new and existing home sales this quarter as lower bond yields fed through to lower mortgage rates.

As for Japan and Europe, as both regions have been impacted by the trade issues, there may well be a delay in the return of stronger momentum in economic growth. Having said that, domestic indicators such as employment and household expenditures remain strong in Japan and in key economies within Europe.

8 Source: CAM and Bernstein.

9 The PMI is an indicator of the economic health of the manufacturing sector. It is derived from monthly surveys of purchasing executives at private sector companies and is based on five major indicators: new orders, inventory levels, production, supplier deliveries and employment environment. A PMI reading of greater than 50 indicates expansion of the manufacturing sector when compared to the previous month, while a reading of under 50 represents a contraction and a reading at 50 indicates no change.

Looking ahead, our expectation is that China's economy will respond positively to the monetary and fiscal stimulus measures that the government has instituted. A resolution to the trade dispute with the US would also help considerably. Even if the recent inversion of the US yield curve is of significance, there can often be a lag before the economy and stock markets peak. The housing market's response to lower mortgage rates is quite supportive of the possibility that the cycle may yet have a little way to run in the US.

However, some caution is due. Given the size of the Chinese economy, it is to be expected that growth rates will steadily decline over time and, as such, the recovery may not be as spectacular or as impactful for the rest of the world as similar episodes have been in the past. Another risk to the relatively benign outlook is that a rebound in both the US and China could see the Fed change tack once again to raise rates. In addition, clearly, any stumble in the US-China trade negotiations would also be very detrimental.

Market Outlook

Markets have run strongly in the first three months of 2019 in response to the Fed's signalling that interest rate rises are on hold for the moment. Amongst developed markets, the US once again led the way (up 13.7%), then Europe (up 11.4%), followed by Japan (up 7.6%) (each in local currency terms).[10] These divergences are not particularly notable on a three-month basis, though they continue a pattern of the US outperforming the rest of the world.

As we have repeatedly observed over the past year, there has been a significant divergence within markets, with a strong preference for stocks with certainty and growth, as investors sought to avoid or reduce risk. This has most notably been manifested in the extraordinary performance of high-growth

10 Local currency quarterly returns of the MSCI USA Net Index, the MSCI All Country Europe Net Index, and the MSCI Japan Net Index respectively.

MSCI Regional Index Net Returns to 31.3.2019 (USD)

REGION	QUARTER	1 YEAR
All Country World	**12.2%**	**2.6%**
Developed Markets	**12.5%**	**4.0%**
Emerging Markets	**9.9%**	**-7.4%**
United States	**13.7%**	**8.8%**
Europe	**10.7%**	**-3.9%**
Germany	6.9%	-13.7%
France	10.7%	-3.7%
United Kingdom	11.9%	-0.1%
Italy	14.6%	-10.6%
Spain	7.0%	-8.8%
Russia	12.2%	2.2%
Japan	**6.7%**	**-7.8%**
Asia ex-Japan	**11.4%**	**-5.2%**
China	17.7%	-6.2%
Hong Kong	15.6%	8.0%
Korea	4.9%	-16.7%
India	7.2%	6.8%
Australia	11.4%	4.5%
Brazil	8.1%	-4.2%

Source: FactSet.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

MSCI All Country World Sector Index Net Returns to 31.3.2019 (USD)

SECTOR	QUARTER	1 YEAR
Information Technology	18.8%	8.5%
Energy	14.1%	2.9%
Industrials	13.8%	-1.0%
Consumer Discretionary	13.2%	2.7%
Consumer Staples	11.4%	4.8%
Communication Services	11.1%	4.7%
Materials	11.1%	-3.1%
Utilities	9.5%	12.4%
Financials	8.2%	-7.8%
Health Care	8.0%	10.9%

Source: FactSet.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

technology stocks, best represented by the new software-as–a-service (SaaS) businesses. Examples include Salesforce, Workday and ServiceNow. Each of these companies provides cloud-based software applications that help companies run their business. During the quarter, many of these SaaS companies (easily in excess of 50 in the US alone, plus more listed elsewhere) not only rebounded, some even proceeded to reach significant new highs. While many of these companies hold great promise and some have the capability to execute, it is not uncommon for their stock prices to be trading at **15 to 25 times *sales***. These are extraordinarily high valuations, and while the future success of some of these companies may ultimately justify their current stock prices, it is unlikely that all of them will. It should be noted that the performance of high-growth areas such as information technology and healthcare explains much of the US market's outperformance over the rest of the world, reflecting its higher weighting in these sectors.

But perhaps these high-growth sectors will continue to rise, you might say. Why should one expect the strong price ascent of these well-loved companies to stall, or even reverse, at some point? Firstly, when interest rates ultimately move higher, the stock prices of highly-valued companies tend to be more sensitive. We saw a preview of this in the fourth quarter last year when, faced with the prospect of further interest rate hikes, the high-growth tech and healthcare stocks finally had a setback. However, with the Fed's now more dovish stance on rates, a similar sell-off appears to be off the agenda for the moment. Another possible trigger for a correction is the supply of new "growth stock investment opportunities". On this front, there is reason to be cautious as there is a substantial pipeline of new IPOs coming to market. These include Lyft (Uber's competitor in ride-sharing, listed in the last week of March), Pinterest (web application for sharing images), and Uber. Ultimately, the very high valuations of growth stocks will likely attract a steady supply of new listings which, once reaching enough volume, will at some point potentially suppress the share price performance of companies already listed.

Outside of these expensive pockets of "growth", the end of 2018 saw many other stocks sold down to very attractive valuations. Broadly speaking, these out-of-favour companies all had elements of uncertainty or cyclicality in their businesses. Afflicted by apprehensions of a global recession, investors were unwilling to look through the cycle to a potential recovery. These included many semiconductor, energy, metals, banking, auto, and industrial stocks, as well as much of the Chinese market. In many cases, the stocks were already trading at or close to the valuations reached at the bottom of prior economic and market downturns. In such cases, the likelihood of a recession had become a moot point as the stock valuation had already priced in a substantial discount as if a major recession was already occurring. Some of these companies had a strong recovery this quarter, most notably Chinese stocks (up 17.9%).[11] Easier monetary conditions in China, fiscal expansion, and relief on the trade front were all contributors to the rebound in the Chinese market. Despite this move, however, sentiments of both Chinese and foreign investors remain cautious and valuations are still highly attractive. Similarly in the other depressed areas (such as semiconductor, energy and industrials), while there has been a broad lift, valuations remain attractive and prospective returns promising.

11 MSCI China Net Index (local currency).

Platinum International Fund

Andrew Clifford
Portfolio Manager

Clay Smolinski
Portfolio Manager

Performance

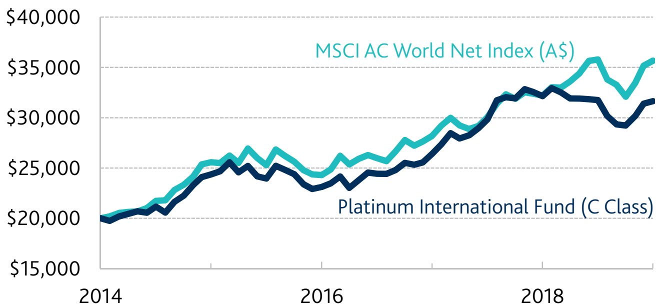
(compound pa, to 31 March 2019)

	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 44. 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 44.

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 44. 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 44. 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 44.
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 44. 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.

Platinum Unhedged Fund

Clay Smolinski
Portfolio Manager

Performance

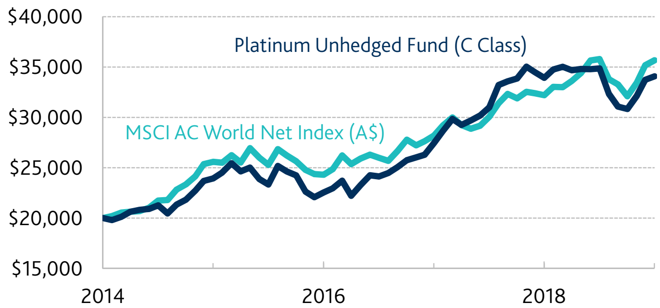
(compound pa, to 31 March 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund*	11%	0%	15%	11%	11%
MSCI AC World Index^	11%	11%	14%	12%	7%

* C Class – standard fee option. Inception date: 28 January 2005.
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 44. 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 44.

In the Fund's December 2018 quarterly report, we mentioned that price weakness, low valuations and a more cautious investor sentiment meant that risk had reduced and outlook had improved, and we felt that it was a good time to add stocks to the portfolio. We took the view that given such price falls, the prospect of better returns had increased, albeit it was likely to be a volatile ride.

The markets did indeed rebound in the first three months of this year – at a much faster pace than we envisioned.

The Chinese A-share market was the standout performer, rising 29%,[1] while Chinese stocks listed in Hong Kong (H-shares) were a little more muted, rising 12%.[2] Elsewhere, the US market rose 13%, while Europe and Japan climbed 12% and 6% respectively.[3]

Overall, the Fund (C Class) returned 10.5% for the quarter, whilst the MSCI index returned 11.2%.

Gains across the Fund over the quarter were fairly broad-based, but the major clusters of appreciation tended to come from our China and oil-exposed holdings. Several key contributors to performance are discussed below.

Kweichow Moutai – A long-time holding in the Fund, Moutai-branded 'baijiu' (white liquor made from sorghum) is one of China's few home-grown luxury brands, with its brand heritage reinforced by being the drink of choice at state banquets.

Moutai's brand positioning gives the company immense pricing power, with a bottle carrying a retail price of RMB1,700 (A$350). We have long argued that Moutai has historically given its distributors an overly generous share of the margin relative to the value that they bring. Of the RMB1,700 retail price, Moutai receives RMB970 (A$200), while the distributor captures RMB730 (A$150) in mark-up, which is considerably higher than the RMB200 (A$40) distributors typically earn from selling other luxury brand baijiu.

1 CSI 300 Index (local currency).

2 Hang Seng China Enterprises Index (local currency).

3 Respectively referring to the S&P 500 Index, the STOXX Europe 600 Index, and the Japan Nikkei 225 Index, each in local currency terms.

This situation is now changing following Moutai's appointment of a new chairman, Baofang Li, last year. Moutai has announced it will limit the volume of liquor sold via distributors and sell more via its direct channels through which the company will be able to capture more than the RMB970 that it currently earns through indirect sales, which should provide a significant boost to its future profits. This news, along with the rebound in general sentiment towards China, saw Moutai's stock price rise 48% over the quarter.

TechnipFMC and **Transocean** – In our December 2018 quarterly report, we outlined the investment case for our offshore oil service companies, a sector of the market that had been deeply discounted and out-of-favour.

Over the course of the December quarter, the Brent oil price had collapsed from US$80 to US$50 due to a sharp ramp-up in US shale oil production out of the Permian Basin, which drove a rebuild in US oil inventories (signalling oversupply), and Saudi Arabia's move to boost its production to 11 million barrels per day in expectation of additional US sanctions on Iran (which were subsequently delayed).

Since then, the picture has improved. In response to lower oil prices, US shale producers reduced their spending, with shale production capex now expected to fall by 10% in 2019, while the Saudis throttled back their production to 9 million barrels per day. This led the oil price to a quick rebound from US$50 back to US$69.

More importantly, we are seeing increasing evidence of a pick-up in offshore activity. Over the past three months, TechnipFMC won a number of new offshore contracts (including the Petrobras Mero project in Brazil and Eni's Merakes field in Indonesia), and Transocean has continued to raise the tender rates for its deep-water drill ships. In response to the positive trends in activity and the higher oil price, the stock prices of Transocean and TechnipFMC have risen 40% and 25% from their respective lows.

Changes to the Portfolio

The market is currently valuing investment opportunities in the tech sector in a very bipolar manner. On the one hand, sectors such as the mid-cap 'software-as-a-service' (SaaS)[4] companies are in bubble territory, trading on price-to-sales (P/S) multiples as high as 30x, while on the other hand, semiconductor manufacturers, who are the logical beneficiaries of *the* growth in cloud computing and artificial intelligence, are trading on single digit P/E multiples.

Our research indicates that a number of semiconductor stocks are currently trading at fantastic value, and accordingly we continued to add to our holdings in **Samsung Electronics**, **Micron Technology** and **Skyworks Solutions** over the quarter.

A new addition to the portfolio this quarter was **Booking Holdings**. Booking is the world's largest hotel-focused[5] online travel search and booking platform, controlling brands and websites such as Booking.com, Agoda, Kayak and OpenTable.

Hotels are a product that is well suited to be sold via online search portals and marketplaces. There are many reasons for this. For example, the hotels market is very fragmented and each hotel is easily substitutable for another, but the offerings are also differentiated enough that users want to compare them. However, what truly makes an online aggregator of hotels an attractive business is that ***hotel pricing is dynamic***. Hoteliers are constantly adjusting pricing to fill unsold rooms. While booking directly with a chain might get you the best price for that particular hotel, users know that they will often find a better deal on an aggregator site like Booking.com, as some hoteliers will discount their prices to fill vacancies.

On the 'supply' side, independent hotels represent 80% of the rooms sold on Booking's websites. These operators face a challenging mix of high fixed costs, huge marginal profitability for each extra guest, and inventory that expires on a daily basis. They also don't usually have the internal capability to build booking apps and conduct extensive direct response advertising to fill their excess inventory themselves. It is easy to see how a marketplace that can fill rooms on a success-based fee is an attractive channel. The value provided to both the customer and the hotelier results in attractive economics for the platform, with Booking enjoying a long history of making 30% or more in operating margins.

So, if Booking's business is so attractive, why was the stock recently sold down by investors? It was for two main reasons:

1. Slower growth – Booking's revenue growth has slowed from a trend rate of 20% p.a. to 14% in 2018. Booking's business is heavily weighted to Europe (65% of the transactions conducted on its platforms are from European customers) and management estimates that the economic slowdown in the region will taper growth further to 6-8%.
2. Higher investments – Booking's management team has said that it is seeing good opportunities to increase investments in countries like the US and China to drive

4 Software-as-a-service (SaaS) is essentially software that is hosted off a company's premises from a third-party data centre (typically called 'the cloud'), and is charged on an ongoing subscription-based model, rather than the traditional one-off licence fee + maintenance fee.

5 In 2018, Booking sold 760 million room nights for a total value of US$92 billion through its websites.

long-term growth, but this will be at the expense of slower profit growth in 2019.

The uncertain near-term outlook for revenue and profit growth has prompted investors with short-time horizons to flee the stock. However, those with a longer-term perspective should find the future prospects for Booking more appealing. One can see multiple factors driving the global travel industry to continue to grow: the rise of outbound tourism in China, the trend of consumers shifting more spending to experiences from physical goods, as well as the increasing affordability of international travel driven by the rise of budget airlines focusing on international long-haul routes (such as Air Asia and Norwegian Air).

Booking, valued at a starting P/E of 16x, is overall a good example of a high-quality company trading at a reasonable price, and we believe it will be a sound long-term investment for the Fund.

Outlook

While markets have rallied over the past three months, there is still a large amount of investor scepticism around the health of the global economy. This scepticism is most clearly expressed by the relative valuations on offer today. Quality businesses operating in industries that have some cyclicality are often trading on single digit P/E multiples, while businesses with evident growth (even if that growth is only 5-10% p.a.) are often trading on P/E multiples of 25-40x.

Disposition of Assets

REGION	31 MAR 2019	31 DEC 2018	31 MAR 2018
Asia	37%	35%	41%
North America	29%	27%	21%
Europe	16%	17%	19%
Japan	3%	3%	7%
Russia	1%	1%	1%
South America	<1%	<1%	1%
Cash	15%	17%	10%

See note 3, page 44. 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	17%	18%	22%
Industrials	17%	17%	17%
Communication Services	13%	12%	9%
Energy	9%	9%	8%
Information Technology	9%	8%	11%
Consumer Staples	8%	6%	7%
Materials	4%	3%	3%
Health Care	4%	4%	3%
Real Estate	2%	2%	2%
Consumer Discretionary	2%	3%	4%
Utilities	0%	<1%	4%
TOTAL NET EXPOSURE	85%	83%	90%

^ 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.
See note 4, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

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/puf.

There are plenty of economic indicators today that support this scepticism. The US yield curve inverted at the end of March,[6] and the trends in European PMI[7] and temporary employment data are evident of some of the knock-on effect of the slowdown in China. However, in investing, the question is not what the indicators look like today, but what they will (most likely) look like in the future.

It's clear that the largest driver of the current economic weakness was the sharp tightening of credit conditions in China, a by-product of the government's financial sector reform. However, the situation has now reversed, interest rates have come down, and the Chinese government has instituted large tax cuts for both households and corporates to stimulate the economy. As Andrew Clifford stated in his December 2018 Macro Overview, if China's economy slowed in response to a tightening of credit, then one should also expect it to improve when credit conditions are loosened.

While we suspect that economic conditions will most likely improve in the near-term, our enthusiasm for the portfolio is not driven by macro factors, but rather by the individual companies and the low valuations on offer. A large portion of the portfolio is trading on an earnings yield of 10% or higher, suggesting good prospects of solid returns going forward.

6 This means that the interest rate on debt instruments with longer-term maturities is lower than the interest rate on those with short-term maturities, indicating that fixed income investors are placing a high probability that interest rates will be cut in the near future to support a weakening economy. As of 29 March 2019, the US 10-year rate was 2.39% versus the 1-year rate at 2.40% (Source: US Treasury).

7 The Purchasing Managers' Index (PMI) is an indicator of the economic health of the manufacturing sector. See Glossary on page 40.

Net Currency Exposures

CURRENCY	31 MAR 2019	31 DEC 2018	31 MAR 2018
US dollar (USD)	36%	34%	30%
Hong Kong dollar (HKD)	14%	13%	15%
Euro (EUR)	14%	14%	15%
Japanese yen (JPY)	12%	12%	9%
Chinese yuan (CNY)	8%	6%	8%
Indian rupee (INR)	6%	5%	7%
Korean won (KRW)	4%	4%	5%
British pound (GBP)	3%	3%	5%
Canadian dollar (CAD)	2%	2%	0%
Norwegian krone (NOK)	1%	3%	3%
Danish krone (DKK)	<1%	1%	1%
Australian dollar (AUD)	0%	2%	2%

See note 5, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Jiangsu Yanghe Brewery	China	Consumer Staples	4.0%
Kweichow Moutai	China	Consumer Staples	4.0%
IHS Markit Ltd	USA	Industrials	3.1%
Applus Services SA	Spain	Industrials	3.1%
Alphabet Inc	USA	Communication Serv.	3.0%
PICC Property & Casualty	China	Financials	2.9%
Facebook Inc	USA	Communication Serv.	2.7%
Sanofi SA	France	Health Care	2.6%
Skyworks Solutions	USA	Info Technology	2.6%
China Overseas Land	China	Real Estate	2.5%

As at 31 March 2019. See note 6, page 44.
Source: Platinum Investment Management Limited.

Platinum Asia Fund

Joseph Lai
Portfolio Manager

Performance

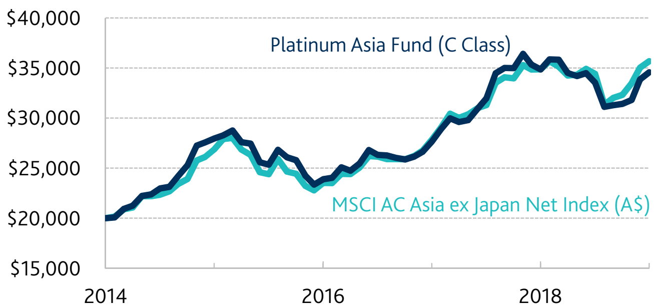
(compound pa, to 31 March 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	10%	-1%	13%	12%	14%
MSCI AC Asia ex Jp Index^	10%	2%	15%	12%	10%

* C Class – standard fee option. Inception date: 4 March 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Asia ex Japan Net Index in AUD. Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.
See note 1, page 44. 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 44.

It has been a positive quarter for global markets, particularly for Chinese equities with the Chinese A-share market[1] rising 29% over the period.

Considering the general negative sentiment which lingered after the heavy sell-off late last year, many may be surprised by how well the market has fared in the year to date. For those who took a contrarian view, though, it was perhaps to be expected, as extreme bearish sentiment met with a synchronised loosening of interest rates across all major economies.

In particular, China's efforts to clean up its shadow banking sector have largely drawn to a close and economic activity has once again begun to pick up, which was a major factor spurring this quarter's strong recovery in stock markets globally.

It should therefore come as no surprise that this quarter's top contributors to the Fund's performance were mostly Chinese companies, including Alibaba (e-commerce platform, +31%), Sany Heavy Industry (industrial equipment manufacturer, +47%), Anta Sports (sports apparel brand, +42%), and Ping An Insurance (+30%). Elsewhere, our private Indian bank holdings also performed well – Axis Bank was up 25%, IDFC First Bank up 27% – as corporate loan growth began to pick up after years of stagnation, perhaps a sign of better times to come for the Indian economy. The Fund's short positions generally detracted from performance in this rising market.

Changes to the Portfolio

After trimming our net exposure late last year, we seized the market trough and began adding significantly to our China positions since early January. Many Chinese companies with strong market positions and a long runway of growth ahead were trading on attractive valuations. Quality was on sale!

The Fund's net invested position has increased to 83%, including a 4% aggregate short exposure.

We have sold positions that have reached their fair value based on our assessment (Reliance Industries, Jiangsu Yanghe Brewery, ZTO Express) or whose fundamentals have deteriorated (Adani Ports, Edelweiss Financial).

1 CSI 300 Index (local currency).

The cash raised was deployed into new positions in Asian companies that we believe to be of very high quality, including:

- **Autohome** – China's leading online car portal. Consumers are accustomed to comparing the features of various models on Autohome's platform before making a purchase. In turn, the platform uses the data it collects from users to analyse consumer preference. This information is highly valuable to car manufacturers and distributors. Autohome's large-and-still-rapidly-growing user base makes the company a very attractive investment opportunity in our view.
- **ASM Pacific Technology** – the world's largest supplier of back-end semiconductor equipment. Increasing miniaturisation in the microchips built into our smart devices is driving demand for ASM's advanced microchip processing equipment, which gives the company a lot of pricing power. Concerns over a cyclical slowdown in semiconductor manufacturing led the stock price to decline over the last 12 months, which gave us an opportunity to initiate a position at a very reasonable valuation.
- **Taiwan Semiconductor Manufacturing Co (TSMC)** – a global leader in outsourced manufacturing of computer chips. TSMC manufactures a large proportion of the world's high-end microchips, particularly those found in smartphones. With the advent of 5G telecommunication technology, the proliferation of the "Internet of Things" and machine-to-machine communication, chip demand is set to increase and TSMC, in our view, will be a likely beneficiary of this secular trend.
- **Meituan Dianping** – a popular Chinese internet platform for lifestyle services. The company is one of the two dominant players in the duopolistic online food delivery market and a leader in online and in-store booking services for hotels, restaurants, entertainment, and more. Meituan Dianping has garnered some 400 million users and merchants onto its platform, and continues to expand its service categories as well as geographic coverage.

Commentary

China

Our team's recent research trips to China confirmed our view that there are many innovative private companies working to improve the way we live, work and consume through clever applications of technology such as artificial intelligence (AI), mobile internet connectivity, cloud computing and biotech. By way of illustration:

- Apps on smartphones are now able to link patients to the entire clinical experience in hospitals, from the initial appointment to consultation, to drug prescription and delivery, lowering costs while improving efficiency.

Disposition of Assets

REGION	31 MAR 2019	31 DEC 2018	31 MAR 2018
China^	43%	33%	45%
Hong Kong	10%	4%	5%
Taiwan	4%	0%	2%
India	12%	16%	13%
Korea	8%	11%	10%
Thailand	4%	4%	5%
Philippines	3%	3%	2%
Vietnam	2%	2%	1%
Malaysia	<1%	<1%	<1%
Singapore	0%	0%	1%
Indonesia	0%	0%	<1%
Cash	13%	26%	16%
Shorts	-4%	-4%	-2%

^ Inclusive of all mainland China-based companies, both those listed on exchanges within mainland China and those listed on exchanges outside of mainland China.
See note 3, page 44. 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	25%	21%	23%
Consumer Discretionary	18%	9%	10%
Communication Services	15%	11%	10%
Information Technology	9%	3%	6%
Real Estate	6%	4%	6%
Industrials	3%	8%	8%
Consumer Staples	3%	5%	3%
Health Care	2%	-1%	4%
Energy	1%	6%	6%
Materials	1%	2%	6%
Utilities	1%	1%	2%
Other*	-1%	2%	-1%
TOTAL NET EXPOSURE	83%	70%	82%

^ 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 shorts and other positions.
See note 4, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

- Processing huge amounts of data (typically hosted on the cloud) at unprecedented speed, AI is helping clinicians with disease diagnosis and prevention, as well as with drug discovery.
- Supported by policy reforms and unprecedented access to capital, more and more Chinese pharmaceutical and biotech companies are leapfrogging generic drugs to research and develop innovative drugs in cutting-edge areas ranging from immuno-oncology to cell and gene therapies.
- AI is also helping insurance companies with claim processing and assessments, both lowering processing costs and reducing fraudulent claims.
- Commercial banks are widely utilising AI to assist with (but not dictate) credit assessments and lending decisions.
- Subscription-based online services (think Netflix and Spotify) that have hitherto been dismissed as unviable in China due to the prevalence of piracy and the cultural expectation of digital content being free, are now steadily shaping up as a new business model across categories ranging from books to music to movies.

Having witnessed and studied these exciting developments, driven by entrepreneurial companies undertaking interesting innovations, we find it perplexing that all that one can find about China in Western media is doom and gloom. Indeed, there appears to be a rather large disconnect between reality and the popular narrative.

Perhaps this is where the opportunity lies for those willing to take a different perspective and seek out a more logical explanation of reality.

From the perspective of China's policymakers, the focus for the past four decades has been on fostering economic development and lifting the standard of living for the people. This focus remains today. The Chinese leaders' modus operandi has been "crossing the river by feeling the stones", as propounded in the late 1970s by Deng Xiao Ping – the architect of China's economic reform and opening-up policy.

"Crossing the river by feeling the stones" roughly entails a gradual transition towards adopting the market mechanisms of capitalism, letting market forces dictate prices and direct resource allocation. Capitalism works, but from time to time it leads to excesses or the creation of "bubbles", especially when the regulatory framework is immature. This has been the case with China. When regulators detect excesses in an area, they have historically sought to contain them by "popping the bubble", taking the view that short-term pain will deliver long-term gain.

Casting our minds back over the years, one realises that we have witnessed many such "crackdowns": the shut-down of excess capacity in coal, steel and other heavy industries; the revamp of environmental standards to tackle pollution; the clean-up of shadow bank lending; the credit tightening following the initial stimulus prompted by the global financial crisis; and the stringent macro-prudential measures to cool the property market… ***It felt bad each time.***

Net Currency Exposures

CURRENCY	31 MAR 2019	31 DEC 2018	31 MAR 2018
US dollar (USD)	41%	41%	16%
Hong Kong dollar (HKD)	28%	27%	37%
Chinese yuan (CNY)	17%	15%	12%
Indian rupee (INR)	10%	17%	13%
Korean won (KRW)	8%	10%	11%
Thai baht (THB)	4%	4%	4%
Taiwan new dollar (TWD)	3%	0%	2%
Philippine piso (PHP)	3%	3%	2%
Vietnamese dong (VND)	2%	2%	1%
Australian dollar (AUD)	<1%	1%	<1%
Malaysian ringgit (MYR)	<1%	<1%	1%
Chinese yuan offshore (CNH)	-19%	-20%	0%

See note 5, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alibaba Group	China	Consumer Discretionary	4.8%
Ping An Insurance	China	Financials	3.8%
Tencent Holdings	China	Communication Services	3.8%
Taiwan Semiconductor	Taiwan	Information Technology	3.7%
Samsung Electronics	Korea	Information Technology	3.5%
AIA Group	Hong Kong	Financials	3.5%
Axis Bank	India	Financials	2.7%
Kasikornbank PCL	Thailand	Financials	2.7%
58.com Inc	China	Communication Services	2.6%
Ayala Land Inc	Philippines	Real Estate	2.6%

As at 31 March 2019. See note 6, page 44.
Source: Platinum Investment Management Limited.

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/paf.

China's policymakers have endeavoured to engender long-term growth, typically by introducing more effective regulations and improving the economic infrastructure. However, reform rarely succeeds at the first attempt, over-correction can occur, and it may take years of trial and error (or "feeling the stones") before getting things more or less right.

More importantly for investors, when the regulator is in "clean-up" mode, economic activity tends to slow. When policies are relaxed, the economy tends to pick up again. This has been a recurrent pattern over the last 40 years, although the duration of each cycle varied.

What should be of interest to investors is the phenomenon that, once the rules of engagement are clarified, private enterprises will become active again, sometimes even getting into a frenzy. Because the prize is big, there is no shortage of smart and driven entrepreneurs battling to win.

It is this continual, interactive process of the government improving on the rules of engagement catalysed by the unleashing of the animal spirits that has created the economic miracle that is modern China.

With this context in mind, we can re-examine some of the commonly held conceptions (or misconceptions) about China. The dominant narrative in the press at the end of last year was that China's economy was in trouble and it was heading into a major recession. In fact, most of the gauges of economic activity were still quite robust.

While car sales fell 7% in 2018, and the second half of last year being particularly weak, it was by no means a major slowdown. However, given that China is now the world's largest auto market by a wide margin, selling 23 million cars a year, a mild slowdown was enough to lead to a significant de-stocking of unsold cars and components all along the supply chain, so much so that the impact was quite palpable in economies outside of China, such as Japan and Europe.

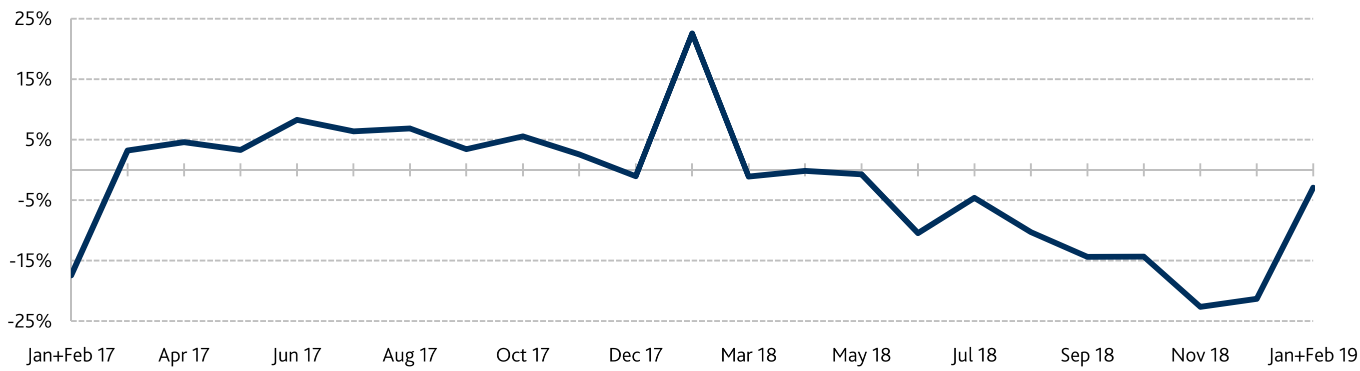
It was in fact an engineered slowdown which came as a result of regulators putting a brake on the risky shadow bank lending activities which, among other things, funded some of the car purchases during the boom. Regulators wanted to clean house and auto makers (and the entire supply chain) got caught up in the process. Recent data on car retail sales volume shows that we are already seeing clear signs of stabilisation, with January and February numbers only 2.9% lower than the peak of a year ago (see Fig 1 below). The ending of last year's major credit tightening has allowed car sales to grow again.

Another commonly touted opinion is that China is a debt-fuelled bubble economy that is about to implode. We simply cannot find any convincing evidence to support the claim. What we have observed from historical experience is that China's regulators regularly pop the bubbles in their own economy. Compared to policymakers in major developed economies, Chinese authorities are often more likely to intervene and rein things in when they see an area of the economy getting out of control.

For an economy that has been growing on average at 10-15% per annum nominally for 15 years, China's property price appreciation has in fact been rather lacklustre – particularly when compared to that experienced in many Australian cities over the last 10 years, despite Australia's average income growth being far slower. The reason for China's more modest property price increase is that Chinese regulators have been tightly controlling mortgage credit over the years, requiring significant down-payments and during particularly heated periods or locations even resorting to draconian policies such as limiting purchases to "one household one property".

Debt growth over the last 10 years has in fact been at a reasonably measured pace, more or less in line with nominal GDP growth. As a result, China's debt-to-GDP ratio is comparable to that of the US and Europe, and much lower than Japan's debt levels.

Fig 1: Car Retail Sales Volume in China, Year-on-Year Change



Source: CAM, Bernstein, Platinum Investment Management Limited.
Note: January and February sales were aggregated for seasonal adjustment to account for Lunar New Year.

Looking ahead, having now concluded the clean-up of the shadow banking sector, Chinese regulators have evidently re-focused their attention on economic growth, and policies are once again supportive of growth and expansion for private enterprises.

China has a strong private sector, which has for some time been the growth engine of the economy, employing some 80% of the urban workforce. The private sector is getting lots of help from the government this year. The cost of doing business is being reduced by cuts to fees and charges. Tax cuts for businesses and households to the tune of 3% of GDP are being rolled out. Banks are once again being encouraged to lend to private enterprises.

These are all significant measures, and China's A-share market has responded enthusiastically, up 29% year to date while trading volumes have exceeded the RMB 1 trillion (A$200 billion) mark.

We are comfortable with the Fund's China exposure which includes many quality companies that are leaders in their respective industries and have promising growth prospects (such as the above-mentioned Alibaba, Meituan Dianping, Anta Sports, and Ping An Insurance).

India

After years of waiting, investors may finally be seeing a nascent capital expenditure cycle brewing in India. Notably, the industrial sector, which had been paying down debt, started to borrow again in the last six months.

The story is not a straightforward one, however, as the exciting germination of the capital expenditure cycle happens to coincide with a necessary adjustment in the non-bank financial sector. The last few years saw a rapid rise of a group of non-bank lending companies which filled some of the void left by the banks by providing loans for, among other things, home and auto purchases. As is often the case, loan growth in under-regulated sectors entailed some bad lending.

Over the next few quarters, we expect to see more bad debt being recognised while sales of housing, auto and other consumption categories which benefited from financing will likely weaken as this recognition comes to pass.

The Fund's Indian holdings have been positioned with these concerns and opportunities in mind. We have avoided exposure to the expensive consumer-related stocks which have been very popular with many of them trading on price-to-earnings multiples in excess of 40x. Instead, we have significant exposure to India's private sector banks which we believe will benefit from market share gains.

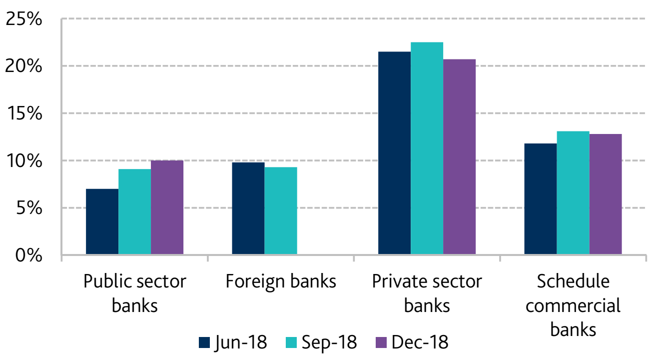
Indian private banks are taking an overwhelming share of the new lending (as can be seen in their faster growth rate in Fig 2 below), while the stale public sector/state-owned banks and the non-bank lenders are both struggling to keep up due respectively to poor service and capital constraints. As well as gaining market share, the private sector banks are also seeing their cost of bad debt fall (see Fig 3 below for their gross non-performing asset ratio), creating the right conditions to generate earnings growth. We are optimistic that these private banks will become the key pillars of India's gradually maturing banking system.

Outlook

As discussed in our previous report, key concerns over the Asian markets are easing. Apprehensions of an economic slowdown facing both the US and China led to a synchronised (intentionally or coincidentally) policy loosening globally, particularly from the two largest economies. Trade talks between the two countries are also close to reaching a resolution at the time of writing.

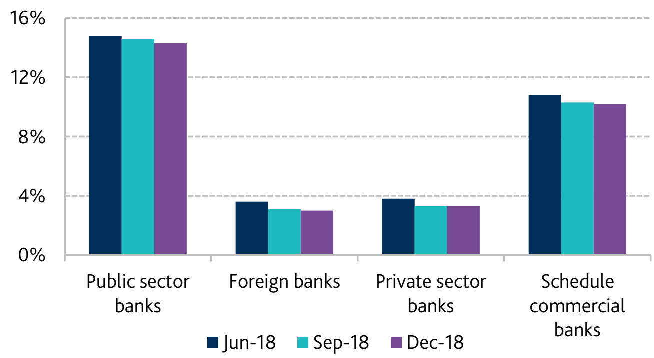
As the recovery of this past quarter shows, the Asian stock markets still hold much promise and investor interest has returned as soon as the macroeconomic and geopolitical concerns abated. We continue to find interesting companies in the region and will add to positions when valuations are attractive.

Fig 2: Year-on-Year Credit Growth of Indian Banks



Source: RBI FSR 2018, IDFC FIRST Bank Economics Research, Platinum.

Fig 3: Gross Non-Performing Asset Ratio of Indian Banks



Source: RBI FSR 2018, IDFC FIRST Bank Economics Research, Platinum.

Platinum European Fund

Nik Dvornak
Portfolio Manager

Performance

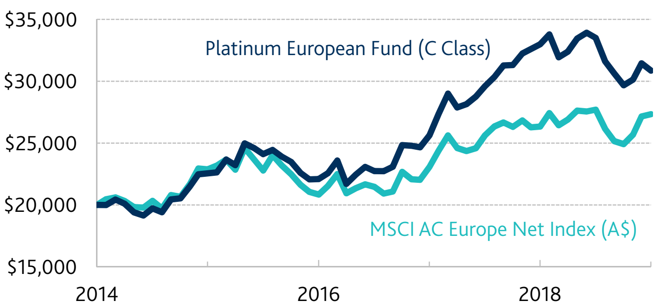
(compound pa, to 31 March 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	4%	-6%	12%	9%	11%
MSCI AC Europe Index^	10%	4%	9%	6%	3%

* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Europe Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.
See note 1, page 44. 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 44.

During 2018, investor concerns coalesced around two key issues: slowing economic growth in China and rising interest rates in the US. These concerns weighed heavily on stock prices, afflicting emerging markets in the first instance, then spreading to developed markets later in the year.

As we entered 2019, the US Federal Reserve surprised the market by signalling a halt to its tightening campaign. It indicated that interest rate increases would be put on hold and attempts to unwind Quantitative Easing (QE)[1] would be curtailed. This change in stance eradicated one of the two main concerns tormenting investors. Bond yields fell and stock markets rallied vigorously in response.

The Platinum European Fund (C Class) returned 4.0% over the first three months of 2019.

The best performing segments were those that are most sensitive to interest rates. This includes fast-growing businesses whose life-time earnings mostly accrue in the distant future, as well as slow-growing businesses with defensive earnings and high dividend payouts (the so-called bond proxies).

The worst performing segments were those with cyclical earnings. The data coming out of China were mixed, while the Federal Reserve's change in stance implied slower growth in the US, adding to investor concerns.

Our portfolio is increasingly skewed to businesses with cyclical earnings. We have modest exposure to fast-growing businesses and almost no exposure to the bond proxies. This largely explains why our performance lagged the broader market in recent months.

Commentary

But why have we invested so heavily in cyclical businesses?

As a starting point, we don't set out to construct the portfolio in a certain way. The investment process works the other way around. We investigate a broad range of investment ideas at the company level and invest in those we think have merit. Our portfolio positioning is a by-product of these decisions. It just so happens that the opportunities that

1 QE provides liquidity to the bond market, driving yields lower. The winding back of QE reduces the liquidity in the market and therefore drives yields higher.

are currently appealing to us are increasingly clustered in the cyclical category.

Investors today are assigning tremendous value to safety and predictability. The best example of this is the global bond market where some US$10 trillion worth of bonds are currently trading at negative yields. To be clear, if you buy these bonds, you are guaranteed to lose money. This is not so much investing as voluntary taxation. Yet investors are buying these bonds because they are so risk averse that a small loss with certainty is preferred to the wide range of possible outcomes that uncertainty can bring.

In the stock market, this phenomenon is reflected in the high valuations paid for businesses with defensive but growing earnings. Equally, it is evident in the very low valuations assigned to businesses whose earnings are subject to the vagaries of economic cycles.

Such polarisation creates great opportunities. The most tangible way to demonstrate this is through a real-life example. In the table below we show the growth and profitability of two well-known European companies over the period between 1998 and 2018.

	COMPANY A	COMPANY B
Growth (1998-2018)		
Sales growth (p.a.)	6%	19%
Profit growth (p.a.)	11%	20%
Profitability (1998-2018)		
Return on capital employed (p.a.)	21%	31%
Profit margin	12%	20%
Current valuation		
Price-to-earnings	36x	12x
Volatility of earnings growth		
1 standard deviation range	1% to 21%	-33% to +73%

Source: FactSet, Platinum Investment Management Limited.

Company A grew sales at an average compounded rate of 6% p.a. and earnings at 11% p.a. This is an impressive track record of growth. However, Company B has performed much better, growing sales at 19% p.a. and earnings at 20% p.a. To illustrate the difference, over a 20-year period, Company A grew earnings 7½-fold while Company B grew earnings 40-fold.

Company A averaged a 12% profit margin and a 21% return on capital employed (RoCE) over this period, testifying to the quality of this business. However, it was once again outshone by Company B, which averaged a 20% profit margin and a staggering 31% return on capital employed.

These statistics are backward looking and the future may well be different to the past. However, two decades are a sufficiently long time period to include many episodes of adversity and provide a good sense of the mettle of each business.

At this point most people would gravitate towards Company B. It has grown much more quickly and has been considerably more profitable over a long period of time. But this is not reflected in its valuation. Company A trades on 36x earnings, while company B trades on just 12x earnings. What's going on?

Company A is Lindt, the Swiss chocolatier. Demand for chocolate is considered recession-proof. Lindt has a strong brand and an excellent global distribution network, insulating it from competition and bestowing it with a degree of pricing power. Its earnings are highly defensive. They grow slowly but steadily each year. Over the last 20 years, the typical change in its earnings ranged between +1% and +21%. Lindt's earnings rarely fall.

Company B is Ryanair, a European airline. Airlines are notoriously difficult businesses. Demand is fickle. Supply regularly overshoots. Competition is fierce. Ryanair is a pure price taker with largely fixed costs, making earnings terribly volatile. Over the last 20 years, the typical change in its earnings fluctuated between -33% and +73%. This year, earnings are likely to fall by over 30% and this is not uncommon.

Knowing the identity of these companies will likely curtail enthusiasm for Company B. Instinctively, people will want to discount its higher growth and profitability to adjust for the higher risk. The market valuation may even begin to seem plausible. Yet, this is where one needs to tread carefully. The identity of the companies is new information and human beings have a natural urge to respond to new information. ***But is this new information actually relevant***? Or is it merely triggering a deeply ingrained bias?

Company B (Ryanair) is a great business with an outstanding track record. This remains true. It also happens to be an airline; a brutal business with volatile earnings. But it has always been an airline! Over the last 20 years, Ryanair has grown its earnings 20% p.a. and averaged a 31% return on capital employed, ***by being an airline***. During this period the industry was savaged by the World Trade Centre attacks, SARS (severe acute respiratory syndrome) and the global financial crisis. Yet, Ryanair did not once report an operating loss. Over the last decade, Europe experienced two recessions and a sovereign debt crisis. Yet, Ryanair's profitability matched that of the much lauded Coca Cola Company. Airlines may be terrible businesses, but nobody seems to have told Ryanair.

Nor is Lindt without its challenges. New brands face lower barriers to entry than ever, thanks to digital marketing and online retailing. Consumer tastes are skewing to products that are authentic, craft and artisan, sentiments which global mass market brands inherently struggle to evoke. Supermarkets are increasingly devoting premium shelf space to their own-label products. Promotions are becoming increasingly frequent to fend off competition, but risk eroding brand cachet. With a proliferation of flavours, Lindt must walk a fine line between being innovative and appearing ridiculous.

Lindt is a fine business that we've owned in the past. But its moat is shrinking, it is facing non-trivial threats and is valued on a multiple that means even a slight misstep can be very costly. Lindt is not a very risky business. But it may well prove to be a risky investment while the rewards seem slim.

Ryanair is a fantastic business that faces plenty of challenges. It is valued as if all manner of things will go wrong, which they mostly probably will. That's just business as usual. But if things go only a little right for them, investors stand to make handsome gains. Ryanair is a risky business. But it is not necessarily a very risky investment and the rewards are potentially very high.

So returning to the original question: Why are we so heavily invested in cyclical stocks? Today, investors are clamouring for safety and predictability. The Lindt and Ryanair examples showcase how this affects the opportunity set at the individual stock level. We think opportunities like Ryanair are quite attractive on a risk-reward basis. Conversely, on the same basis, we think Lindt is downright scary. The portfolio skew to cyclical stocks reflects many decisions like these at the individual stock level, rather than a preference for cyclicality or a macroeconomic view.

This investment approach is what Platinum has consistently practised for 25 years. It does occasionally result in periods of significant underperformance. However, Platinum's long-term track record testifies to the enduring merits of this approach.

Changes to the Portfolio

During the last three months we have trimmed a number of our better performing positions. These included **Roche** (Swiss multinational healthcare company), **Scout24** (digital marketplace operator specialising in real estate and automobiles) and **Schibsted** (international media group). We also added to a number of existing positions, mostly in Eastern Europe, and initiated a couple of new positions such as **Ryanair**.

Disposition of Assets

REGION	31 MAR 2019	31 DEC 2018	31 MAR 2018
Germany	19%	19%	23%
Switzerland	11%	11%	9%
UK	10%	9%	15%
Norway	9%	9%	4%
Spain	8%	7%	5%
Austria	7%	8%	8%
France	6%	4%	2%
Romania	5%	4%	1%
US*	5%	3%	2%
Poland	3%	3%	0%
Ireland	3%	2%	1%
Italy	2%	2%	3%
Russia	2%	2%	6%
Denmark	2%	2%	3%
Hungary	1%	1%	2%
Netherlands	1%	0%	1%
Cash	7%	13%	15%
Shorts	-8%	-8%	-2%

* Stocks that are listed on US exchanges, but whose businesses are predominantly conducted in Europe.
See note 3, page 44. 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
Industrials	23%	21%	17%
Financials	18%	18%	25%
Health Care	11%	10%	9%
Consumer Discretionary	9%	7%	10%
Energy	8%	8%	6%
Communication Services	7%	7%	7%
Materials	5%	4%	7%
Information Technology	4%	4%	4%
Other	2%	2%	0%
Consumer Staples	-2%	-1%	-1%
TOTAL NET EXPOSURE	85%	79%	84%

^ 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.
See note 4, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

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/pef.

Net Currency Exposures

CURRENCY	31 MAR 2019	31 DEC 2018	31 MAR 2018
Euro (EUR)	41%	36%	33%
Swiss franc (CHF)	15%	11%	6%
Norwegian krone (NOK)	13%	13%	9%
British pound (GBP)	12%	13%	17%
Czech koruna (CZK)	8%	13%	12%
US dollar (USD)	3%	5%	13%
Polish złoty (PLN)	3%	3%	0%
Romanian leu (RON)	3%	2%	6%
Danish krone (DKK)	2%	2%	3%
Hungarian forint (HUF)	1%	3%	3%
Australian dollar (AUD)	<1%	<1%	-2%

See note 5, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Schibsted ASA	Norway	Comm Services	4.2%
Glencore PLC	Switzerland	Materials	4.2%
Raiffeisen Bank International	Austria	Financials	4.0%
TechnipFMC	UK	Energy	3.6%
Roche Holding AG	Switzerland	Health Care	3.4%
Siemens AG	Germany	Industrials	3.3%
RELX PLC	UK	Industrials	3.1%
Applus Services SA	Spain	Industrials	3.0%
Siemens Gamesa Renewable	Spain	Industrials	3.0%
IHS Markit Ltd	USA	Industrials	2.9%

As at 31 March 2019. See note 6, page 44.
Source: Platinum Investment Management Limited.

Outlook

Following the global financial crisis, Europe has addressed a range of economic and financial vulnerabilities. Competitiveness has been restored, as evidenced by current account surpluses across the region. Private sector indebtedness has been reduced. Government budgets are generally drifting from a deficit position to a surplus. These changes leave the European economy much more resilient to shocks than was the case a decade ago.

European economic growth is currently slowing. However, the weakness is largely confined to exports and manufacturing. This is consistent with experiencing a large external shock, namely slower economic growth in China. Now the world's second largest economy, China is an important trading partner for Europe.

Yet this shock has had minimal impact on the broader economy. Domestic-facing sectors remain resilient. The services sector remains comfortably in expansion territory. Unemployment continues to fall, while labour force participation rates are high and continue to rise. Wages continue to grow and this growth is accelerating, not slowing. House prices are rising. Construction activity remains robust. Private sector credit is expanding again. While both consumer and business confidence have retraced, they remain at high levels.

We continue to see the greatest risks as being on the political front. Populist and nationalist sentiment continues to build across the region. Britain is set to leave the European Union imminently with receding hopes of an accord being reached. Europe is likely to be next in the firing line with respect to possible trade sanctions, should the US reach a deal with China. However, asset prices are increasingly reflecting these concerns.

The most encouraging phenomenon for us is that markets are becoming ever more polarised. Companies with certain traits are held in extremely high regard while others are deeply out-of-favour. Such divergence will inevitably create opportunities and we have been finding plenty of them.

Platinum Japan Fund

Scott Gilchrist
Portfolio Manager

Performance

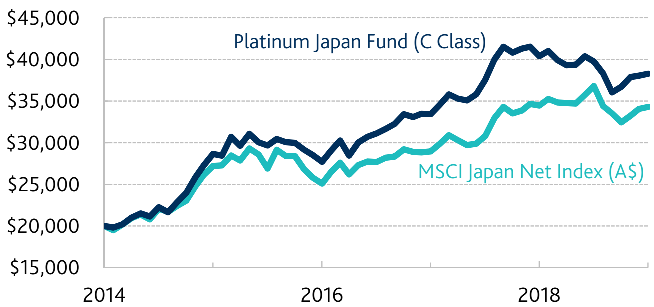
(compound pa, to 31 March 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund*	4%	-5%	11%	14%	14%
MSCI Japan Index^	6%	0%	11%	11%	3%

* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI Japan Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.
See note 1, page 44. 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 44.

The Fund (C Class) returned -5.2% over the past 12 months, a disappointing result in a weak market. Recent performance has been more encouraging with the Fund's health care and technology holdings being the strongest contributors to the 4.3% gain over the quarter. Cyclical sectors, while having rebounded from the steep declines of late last year, continued to underperform the so-called growth stocks.

The Japanese stock market shifted mode during the year. In summary, many high-quality companies with longer duration cashflow streams were further de-rated to valuations which in some cases are the lowest in many decades. At the same time, prices rose for high-growth and high-valuation stocks. This is not a style which has historically worked in Japan, nor one that is sustainable for the medium to longer term, in our view. It's certainly not a behaviour that we practise and is a key factor weighing down the Fund's performance. A broad range of studies show that large parts of the Japanese market now trade at valuations which have low future return profiles.

The portfolio has been positioned cautiously in the last six months, with a low net invested position. This benefited the Fund during the market weakness towards the end of 2018, and has not been a major detractor from performance during the market's rebound in the first three months of 2019. In hindsight, the missed opportunity of not buying some assets which reached low valuations in December is now clear.

Commentary

While the topic of corporate governance is often couched in dry and procedural rhetoric, the reality is very different. In Japan, the issue has been visited many times over the last three decades of slow but steady progress. At a recent meeting with the CFO of a large pillar of the Japanese corporate establishment, I received laughter in response to raising the topic. He gleefully reminded me that corporate governance is often skin-deep and ineffective. However, the changes, both in the mood towards, and through the implementation of, improved corporate governance, are deepening and becoming ever more pervasive.

On the surface, the indications are positive. Stock buybacks by listed companies are at 15-year highs and dividend payouts are at record levels. Some recent high-profile decisions by Nintendo, Shin-Etsu and the Bank of Kyoto show

Disposition of Assets

REGION	31 MAR 2019	31 DEC 2018	31 MAR 2018
Japan	75%	67%	86%
Korea	6%	7%	0%
Cash	19%	26%	14%
Shorts	-20%	-16%	-2%

See note 3, page 44. 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
Communication Services	17%	17%	11%
Consumer Discretionary	13%	10%	12%
Information Technology	11%	12%	13%
Industrials	9%	7%	16%
Materials	7%	5%	11%
Energy	4%	5%	7%
Health Care	3%	3%	4%
Financials	3%	3%	10%
Real Estate	<1%	<1%	<1%
Consumer Staples	-5%	-4%	0%
TOTAL NET EXPOSURE	61%	58%	84%

^ 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.
See note 4, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

widespread behavioural changes, even in the core of the corporate system. However, it's important to note that the highest absolute amount of stock buybacks was in 2003, near the bottom of the market cycle. This was arguably far too early, but shows the system's willingness to act in the pursuit of profit when the time and conditions are correct.

It's easy to argue that recent share buybacks, dividends, Treasury stock cancellations and other behaviours by managements are typical for this stage of the cycle. Cash balances have built up significantly across the corporate system. In many cases, the level of cash is now at unjustifiable levels, even using the often contorted logic that corporate offices employ as resistance, and thus massive amounts of pressure have been applied to many companies.

At a deeper level, there is clear government support for ongoing improvements. This is reinforced by widely available databases listing multifactor corporate governance rankings. These have increasingly been used proactively in discussions with management teams, leading to positive outcomes. There have also been important linkages shown between corporate governance and corporate performance, closing the loop and removing one of the pillars upon which the recalcitrants resist change.

After three decades of slow and undulating progress, there is undoubtedly still a journey ahead for corporate governance improvement in Japan. What's clear is that the worst is far behind us and the ongoing substantial changes will be an incremental positive tailwind for the whole economy and the stock market.

Net Currency Exposures

CURRENCY	31 MAR 2019	31 DEC 2018	31 MAR 2018
Japanese yen (JPY)	98%	85%	95%
US dollar (USD)	29%	41%	4%
Korean won (KRW)	-7%	-6%	0%
Australian dollar (AUD)	-20%	-20%	1%

See note 5, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Kangwon Land Inc	Korea	Consumer Discretionary	4.6%
Takeda Pharmaceutical	Japan	Health Care	4.5%
Nippon Telegraph	Japan	Communication Services	3.9%
Itochu Corporation	Japan	Industrials	3.8%
Rakuten Inc	Japan	Consumer Discretionary	3.6%
KDDI Corporation	Japan	Communication Services	3.4%
Nintendo Co Ltd	Japan	Communication Services	3.3%
Kyocera Corp	japan	Information Technology	3.3%
Canon Inc	Japan	Information Technology	3.1%
Nexon Co Ltd	Japan	Communication Services	3.1%

As at 31 March 2019. See note 6, page 44.
Source: Platinum Investment Management Limited.

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/pjf.

Lixil

It's hard to discuss corporate reform without highlighting Toshiba and Lixil. In brief, it's important to note Toshiba's shareholder structure, portfolio changes and implicit societal and government approval as it reforms itself. It's a very important signal for large parts of the Japanese economy and for Japanese listed companies. However, of more importance to the Fund are the dramas at Lixil, which has been a significant underperformer in the portfolio.

Lixil in its current form is the roll-up of a large number of businesses which have been slowly integrated by former owner management and external hires. This process has not been easy, and there have been significant missteps including failed international acquisitions. The former CEO, Seto-san, had been very successful at his previous start-up business MonotaRO and accepted the top job at Lixil with a view to reforming an existing company with a global footprint and strong brands in sanitary ware and housing materials.

His style and action-oriented approach, however, was at odds with the needs of the vested interests of some of the founding families and he was unceremoniously ejected and replaced by the son of one of them. A subsequent investigation by an external legal firm found irregularities in the dismissal process, but no action was taken. In a startling development, an Extraordinary General Meeting has been called by a group of shareholders, including the members of another founding family. The aim of the meeting is to remove the newly-appointed CEO and his key offsider. While the outcome is uncertain, the structure of Lixil's shareholder register means that there is a reasonable chance of success which should lead to a positive outcome for the company.[1] It's worth highlighting that this process is occurring at a major Japanese company with political and societal significance.

Seto-san's involvement in this story is important for a myriad of reasons, as MonotaRO under his leadership stood out as a disruptive technology success. MonotaRO is an internet-based distributor of industrial goods and consumables founded jointly by Sumitomo and US company W. W. Grainger. It disrupted the incumbent multi-tiered Japanese distribution systems with a more efficient network. MonotaRO's financial performance and growth rates have far outpaced the Japanese market and rank in the top league globally. This success was built on disruption, energy and speed.

1 Platinum issued a press release on 4 April 2019 in support of the action to remove Mr Ushioda (CEO) and Mr Yamanashi (COO) from Lixil's Board of Directors. The press release, together with a letter from Platinum to Lixil's Board dated 22 February 2019, is available at www.platinum.com.au/Platinum_Supports_Action_to_Remove_Lixil_CEO_and_COO.

A similar culture is evident at Rakuten, where recent developments have the potential to change investor sentiment. At the 2019 Mobile World Congress in Barcelona, Mikitani-san, CEO of Rakuten, announced details of its new mobile phone network. It's a next generation platform, along the lines of cloud internet services with large data centres, edge computing and virtualised, packet-based network communication. It promises to deliver lower capex, reduced operating costs and freedom from legacy network costs. A similar model worked very well for Reliance in India, and a key member of Rakuten's team worked on that network. Japan presents very different challenges, but the global industry has been waiting for this type of mobile network innovation and at this stage it seems likely to be a technical breakthrough. The core team is strong, including Cisco, Intel, Red Hat, Qualcomm, Altiostar, Ciena, Tech Mahindra and Nokia. Whether it is a commercial success will depend on global applicability and the rapid identification of 5G use cases requiring large volumes of data, video or the base case of wireless home internet pipes.

Corporate Visits

A series of recent corporate visits highlighted the ongoing development of a start-up and innovation culture in Japan. The core of this extends from Japan's gaming industry and has been augmented by Softbank's multi-decade success and models such as MonotaRO. These new companies, of which there are many hundreds, have a range of business models and target industries. Software, network effects and AI feature prominently, facilitated by cheap high-speed internet and low-cost handsets. The productivity gains from products such as Robot Process Automation (complex business process macros) are nothing short of amazing and, in combination with a myriad of other factors, illustrate the difficulty that central banks globally are having with their inflation targeting.

Corporate and economic news for the last six months has been weak with negative indicators from a broad range of industries globally. It appears as though many companies have built quite significant inventories as their expectations for demand growth led them to expand capacity, only to find themselves in a weaker-than-expected environment. This is not an isolated situation, but a widespread phenomenon.

At the same time, there are interesting developments on the supply side of many industries. Having lived in Indonesia with a deep connection to the country, it is amazing to me that Tsingshan has been able to build a US$4 billion integrated stainless steel plant in Central Sulawesi. The commissioned capacity is 1.5 million tonnes p.a. of nickel pig iron with a contained nickel content of 150,000 tonne p.a., the largest in the world. They are now building a similar but much larger project on the site of one of the world's largest nickel ore deposit in Halmahera, Maluku. While natural resources are depleting assets, human ingenuity continually discovers substitutes and alternative process routes which, combined with consumption efficiency, will cap many prices through elastic production growth.

Outlook

The rebound from the lows of last December has been rapid, despite ongoing weak economic, corporate and political news. The narrative is dominated by a range of hopes such as the possibility of a strong second-half economic recovery, an enduring Chinese monetary reflation and a delayed signal from the US yield curve inversion. The overriding assumption is that central banks have a complete understanding of the varied influences on the global economy and are in firm control. Similar narratives in the past have been proven to be based on hope rather than reality. In an era of significant disruption and change, it's hard for leaders to balance the many signals.

Against this difficult backdrop, the Fund will continue to invest in assets that we believe offer good long-term prospects but are selling at historically low valuations. This opportunity set continues to grow. At the same time, the very high valuations of a significant part of the market are vulnerable to disappointment from investors' very high expectations. The present issue for some of the portfolio's core holdings is that short-term earnings growth is scarce, temporarily masking the true long-term value of the assets.

Overall market sentiment remains weak. This is reflected by the renewed focus on corporate governance as a cover-all. This phenomenon is real, but is unlikely to be a true panacea if recent weak economic indicators and earnings don't reverse rapidly. Nevertheless, the Fund's cash position provides the flexibility to invest in what is undoubtedly one of the major global markets with multiple structural tailwinds and longer-term opportunities.

Great Wave, **Hokusai, 1805.** https://mag.japaaan.com/archives/62662

Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

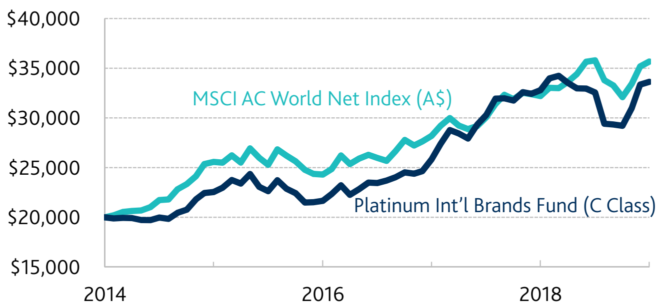
(compound pa, to 31 March 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	15%	3%	16%	11%	13%
MSCI AC World Index^	11%	11%	14%	12%	3%

* C Class – standard fee option. Inception date: 18 May 2000.
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 44. 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 44.

The first quarter of 2019 again demonstrated the power of financial markets to confound investor expectations, and the value in investing with the mindset of being "fearful when others are greedy and greedy when others are fearful".

The Fund (C Class) returned 15.1%, rebounding solidly ahead of global markets (+11.2%[1]), aided by both our exposure to outperforming Chinese stocks and an increased exposure to internet platforms (which had borne the brunt of the vicious market sell-off in late 2018). A number of headlines may be cited as an explanation for the global rebound, from dovish statements by the US Federal Reserve to a loosening of monetary policy in China (discussed in our December 2018 quarterly report), and growing expectations that a resolution will be reached in the US-China trade dispute. Perhaps more simply, market participants had become too pessimistic about the outlook for the global economy and what that implied for the earnings prospects of the companies that make up the global stock markets. A partial reversal of this pessimism was enough to send stocks on a rally from their December lows.

After a torrid 2018, who would have expected key domestic Chinese stock market indices to show increases of 20-30% in the first three months of 2019, leading other markets in the rebound? Markets will often catch investors out by the rapidity with which a change in sentiment – often based on some slight movements in reported data or company commentary – can drive large re-ratings of stocks, at both an aggregate and individual stock levels. As investors, our aim is to turn these market movements to our benefit. Volatility such as that we have recently experienced provides many opportunities for investors who can remain rational in the face of the noise of market commentary and the negative feedback loop of falling stock prices.

During the sell-off late last year and in the early stages of the subsequent rebound, we sought to practise what we preach and increased the Fund's net exposure by reducing our aggregate short exposure and deploying available cash into long positions in stocks that had become significantly more attractively priced. This approach boosted our returns in the March quarter.

1 MSCI All Country Word Net Index in AUD terms.

Key contributors to the Fund's performance during the quarter included India's fast-growing Yes Bank (+52%), which benefited from the resolution of internal management upheaval, causing investors to take a more positive view on its prospects. Underwear and sports fashion apparel manufacturer Hanesbrands (+44%) rebounded from depressed levels after reporting better-than-expected financial results. Ultra-premium Chinese liquor maker Kweichow Moutai (+48%) impressed investors with a level of consumer demand for its products that remained undented by the country's economic slowdown, as well as its plan to sell more products direct to the consumer, which will allow the company to capture more of the (large) distributor margins. Likewise, continued strong results and the change in sentiment towards Chinese stocks drove outsize gains for sportswear maker Anta (+42%), e-commerce giant Alibaba (+33%), and liquor maker Jiangsu Yanghe (+41%). Quarterly performance by French luxury goods makers Kering (+26%) and LVMH (+27%), car dealer China Yongda (+31%), Chinese auto maker Guangzhou Auto (+19%) and casino operator Melco International Development (+15%) all benefited from the dramatic shift in investor perception of the health of the Chinese consumer as well as the depressed starting valuations.

Due to the rebound in the quarter, our short exposure was a net drag to the Fund's performance, taking about 90 basis points off our return. This is a reasonably pleasing result, however, given that the collective increase in the stock prices of our short positions (6% in AUD terms) was well below the increase in the overall market. We will continue to selectively target shorts on certain secularly challenged and/or dramatically overvalued companies, as we believe we can generate positive absolute returns while also managing our overall portfolio risk in this manner. Indeed, we successfully closed for a profit two short positions in the "dramatically overvalued" category in early February.

Long-term investors in the Fund (as well as regular readers of this quarterly report) will be familiar with the ongoing repositioning of the portfolio to reflect the changing behaviour of consumers and the growing influence of internet platforms on our everyday lives. Whether you are "liking" a photo on Facebook or Instagram, learning from one of the seemingly infinite number of tutorials on YouTube, getting directions from Google Maps, or researching properties or cars for sale on your preferred websites, you are engaging with consumer services that increasingly add value to our daily lives. These services allow us to stay in touch with friends and family, access almost endless pools of global expertise instantaneously, easily locate that hole-in-the-wall restaurant your friend told you about in the back streets of a bustling metropolis, and even find the house or car of your dreams (not to mention your preferred price-point).

Fortunately for the Fund, many of the companies in this area that were considered high-flying market darlings lost some of their attraction for investors as stock markets sold off last quarter, which provided the Platinum investment team with a bounty of opportunities unseen for some time. We took the opportunity to add several new stocks to the portfolio, and increased our weighting in others. For this, we were rewarded handsomely as the market rebounded this quarter.

Disposition of Assets

REGION	31 MAR 2019	31 DEC 2018	31 MAR 2018
Asia	40%	41%	38%
North America	24%	23%	18%
Europe	14%	12%	17%
Japan	8%	8%	12%
Russia	4%	4%	5%
Middle East & Africa	<1%	1%	1%
Latin America	0%	2%	3%
Cash	9%	9%	7%
Shorts	-15%	-16%	-18%

See note 3, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

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/pibf.

Net Sector Exposures ^

SECTOR	31 MAR 2019	31 DEC 2018	31 MAR 2018
Consumer Discretionary	33%	29%	37%
Communication Services	23%	20%	12%
Financials	10%	11%	10%
Consumer Staples	6%	9%	9%
Industrials	3%	4%	4%
Information Technology	1%	1%	1%
Health Care	0%	0%	2%
TOTAL NET EXPOSURE	76%	76%	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.
See note 4, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Changes to the Portfolio

One former high-flyer added to the portfolio was **Carvana**, which has risen 57% since our first purchase in January. Carvana is seeking to do for used cars what Amazon did for books two decades ago. We believe its online model has a good chance of success, because the attractions for the consumer are obvious – a near endless inventory of used cars to choose from, all makes, models, ages and colours, delivered to your door, with complete price transparency. No more spending days on end visiting numerous dealerships or private sellers to find the right car, and no more negotiating deals with battle-hardened, sometimes less-than-scrupulous salespeople. As a result of this appealing proposition for consumers, Carvana's revenues more than doubled to almost US$2 billion in 2018. This represents a tiny fraction of the circa US$750 billion US used car market, so one can imagine the potential, especially if one considers the company's ability to sell ancillary services – warranties, insurance and finance. The stock hit an all-time high of over US$72 in September 2018, with a valuation that placed it right into the market-darling category, before collapsing to below US$29 in December as investors soured on the prospect of owning a business that does not yet generate a profit. The Fund initiated a position in January at a very satisfactory entry point.

Another new addition to the Fund during the quarter was **Zalando**, the leading online fashion platform in Europe. Zalando has a dominant market share in Germany, and has successfully pushed into neighbouring geographies. The company has many long-term advantages relative to its competition, and we expect it will continue to take market share of online fashion sales as well as benefit from the ongoing shift away from physical stores. Its share price fell from a high of over €50 in July 2018 to a low of €21 in December 2018 on a combination of stock-specific issues and the general (but short-lived) eschewing of internet companies by investors during the sell-off. We initiated a position in the stock before the company reported its better-than-expected fourth quarter results which drove the stock price higher (+43% from our initial purchase to quarter-end).

The portfolio currently has an aggregate long exposure of around 44% to what can be broadly classified as "internet platforms". While such concentration may initially seem alarming, the aggregate is a simplistic measure that overlooks significant diversification by geography, business type, customer exposure, and valuation/growth prospects. The Fund has positions in a range of attractive opportunities, including:

- reasonably-valued, broad-based advertising giants, **Facebook** and **Alphabet** (Google), as well as their Chinese counterparts, **Alibaba**, **Tencent**, and **Sina/Weibo**;
- gravely undervalued US online bank and car-loan provider **Ally Financial**;
- the above-mentioned online fashion platform **Zalando** and its UK peer **ASOS**;

Net Currency Exposures

CURRENCY	31 MAR 2019	31 DEC 2018	31 MAR 2018
US dollar (USD)	46%	40%	42%
Euro (EUR)	25%	25%	28%
Hong Kong dollar (HKD)	11%	13%	9%
Chinese yuan (CNY)	7%	6%	4%
Indian rupee (INR)	6%	6%	2%
Japanese yen (JPY)	4%	6%	<1%
British pound (GBP)	3%	1%	2%
Norwegian krone (NOK)	3%	3%	2%
Canadian dollar (CAD)	1%	1%	<1%
Turkish lira (TRY)	1%	1%	0%
Sri Lankan rupee (LKR)	<1%	1%	1%
Korean won (KRW)	0%	1%	2%
Australian dollar (AUD)	0%	<1%	<1%
Brazilian real (BRL)	-1%	<1%	3%
Chinese yuan offshore (CNH)	-6%	-6%	0%

See note 5, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Facebook Inc	USA	Communication Serv.	4.7%
Alphabet inc	USA	Communication Serv.	4.7%
Jiangsu Yanghe Brewery	China	Consumer Staples	3.6%
Stars Group Inc	Canada	Consumer Discretionary	3.4%
Autohome Inc	China	Communication Serv.	3.3%
Melco International	Hong Kong	Consumer Discretionary	3.0%
Kweichow Moutai	China	Consumer Staples	3.0%
Alibaba Group	China	Consumer Discretionary	3.0%
Lixil Group Corporation	Japan	Industrials	2.9%
China ZhengTong Auto	China	Consumer Discretionary	2.9%

As at 31 March 2019. See note 6, page 44.
Source: Platinum Investment Management Limited.

- the rapidly growing but highly-valued **Carvana**;
- **Qiwi**, Russia's equivalent of PayPal that is now rolling out the Russian version of Afterpay;
- **Schibsted**, owner of multiple leading classifieds platforms across both geographies and verticals (e.g. real estate, cars, jobs, general classifieds);
- **Scout24**, the dominant portal for real estate and autos in Germany; and
- **Autohome**, Chinese consumers' go-to website for autos.

This is by no means an exhaustive list, with further exposures to food delivery companies in various markets as well as travel and restaurant booking service providers. While this has been a significant evolution for the composition of the Fund, it is reflective of the times as consumers increasingly engage with brands such as these, as well as the value that these companies are able to generate over the long-term from their strong market positions.

The Fund exited several positions during the quarter, including Chinese dairy company Mengniu (-6% 12-month return), Latin American brewer AmBev (-10% loss from entry in August 2017), and the preference shares of auto manufacturer Hyundai (-14% loss from entry).

Mengniu looks to be facing increased competition in its core product category, while investor expectations for growth and margin improvement are elevated. AmBev is struggling with increased competition from Heineken in its home market of Brazil, alongside general consumer trends eschewing beer consumption and weak macroeconomic conditions in core markets such as Argentina. The stock is valued at a multiple that requires growth to justify, and growth is looking difficult to come by.

We exited Hyundai after a large rebound from the lows, but below our entry price. Despite the bargain-basement valuation, the problems for the company seem insurmountable. Our key concerns include the power of the Korean Metal Workers Union, which extracts higher per-worker all-in compensation than any other auto workforce around the world while simultaneously hindering Hyundai's growth in emerging markets by preventing the company from opening lower-cost plants through threats of industrial action. Another concern is Hyundai's outdated model line-up in China which is facing increasing competition from cheaper domestic brands that have dramatically closed the quality gap. We prefer to own Chinese manufacturers Dongfeng Motor and Guangzhou Auto which, while being "boring" state-owned enterprises that manufacture in joint ventures with foreign brands, feature low valuations supported by high dividend yields and large cash balances.

With the rebound in stock prices, we also took the opportunity to trim exposure to companies that have rallied strongly from their lows and thus now have less enticing valuations, warranting a smaller position. Such stocks include auto dealers China ZhengTong (up more than 30% from its October low) and China Yongda, Chinese liquor makers Jiangsu Yanghe and Kweichow Moutai, LVMH, Kering, Carvana, Hanesbrands, Anta Sports and Melco. We also exited Melco's US parent Melco Resorts and Entertainment after the stock rebounded 44% from its lows in last November.

Outlook

While markets have rallied, we are still finding pockets of value scattered around the consumer landscape, though they are becoming less obvious to the casual observer. Retail sales in the US look to be slowing as the housing market takes a downturn, but it remains to be seen whether this is a sustained trend. Given the recent decline in mortgage rates which should encourage more housing activity, the slowdown could be temporary, but a return to the tax stimulus-fuelled boom of 2018 is unlikely.

With the world's two largest economies, the US and China, having loosened monetary policy, and Europe and Japan maintaining their already extremely accommodative policies, the environment for equities looks benign, barring an all-out trade war. We will nevertheless endeavour to remain consistent in our approach, exiting positions that have reached full valuations and increasing our cash levels and/or short positions if we are unable to redeploy capital into attractive opportunities. For the present, we are some way from being in that predicament.

Platinum International Health Care Fund

Bianca Ogden
Portfolio Manager

Performance and Changes to the Portfolio

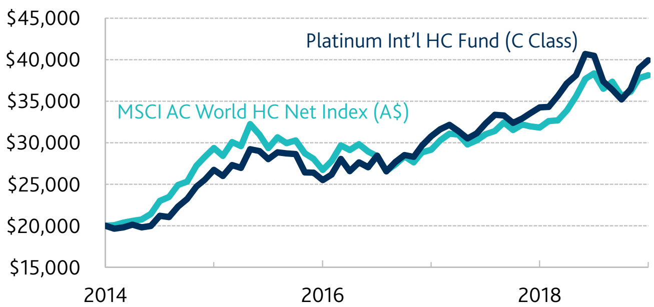
(compound pa, to 31 March 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	13%	17%	16%	15%	10%
MSCI AC World HC Index^	7%	20%	13%	14%	9%

* C Class – standard fee option. Inception date: 10 November 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World Health Care Net Index in AUD. Source: Platinum Investment Management Limited, FactSet. Historical performance is not a reliable indicator of future performance. See note 1, page 44. 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 44.

It was an eventful quarter right up to the last day. There were announcements of acquisitions, readouts of clinical trials, IPOs of Chinese biotechs, and US politics.

What a stark contrast to the last quarter of 2018 when everyone was feeling miserable. But don't be fooled! The sell-off provided a good backdrop for corporates to look for that nice purchase. Indeed, several acquisitions happened during the March quarter: Eli Lilly acquired biotech Loxo Oncology, while Bristol-Myers Squibb announced its intention to acquire big biotech Celgene. In addition, gene therapy companies also attracted much attention with acquisitions and licensing deals. On the clinical trial front, Biogen's Alzheimer's antibody aducanumab failed late stage testing. This was a widely anticipated event, but as we have seen before, Alzheimer's disease is complex and late stage trials have on more than one occasion failed to replicate the promise shown in earlier stage testing.

As highlighted in our last quarterly report, we added to a number of our biotech holdings during the sell-off in late 2018 as we saw an opportunity in the disconnect between stock valuations and the fundamentals of the companies. Many of our biotech holdings recovered well this quarter, as new data readouts continued to demonstrate the progress of their drug pipelines. In the case of our tool companies (those that supply the technologies and instruments for drug discovery and diagnostics), their sales results showed solid traction for their equipment and consumables, and stock prices responded accordingly (**Quanterix** up 41% for the quarter, **NanoString** up 61%).

One of our holdings, **Magenta Therapeutics**, had an exceptional recovery over the quarter (up 186%). This company focuses on making the process of stem cell transplants more efficient and safer for patients. Magenta is developing novel drugs for various steps of the transplant process. Cell transplantation is gaining a lot of attention due to the wave of new cell and gene therapies in development and hence there is a significant need for new technologies and therapies.

Daiichi Sankyo (up 46%) left things until the very end of the quarter, announcing a partnership with **AstraZeneca** for its late stage drug conjugated HER2-targeting antibody. It is a broad partnership with both companies working together on the development and commercialisation of the asset to treat various cancers, while sharing the profits. We always thought that these two companies would work well together, particularly as Daiichi Sankyo's head of oncology used to be a member of the team at AstraZeneca.

During the quarter, there were also a number of clinical data readouts. **Galapagos** (up 28%) released late stage data for its JAK inhibitor for rheumatoid arthritis. Galapagos has a partnership with **Gilead Sciences** (up 5%) to develop this asset and hence it is important for both companies. Now that the drug's good profile has been confirmed in late stage trials, the companies can proceed to advance regulatory filings.

Also in the area of inflammatory diseases, **Dermira** (up 88% for the quarter), a company that had a setback last year with its acne drug, released positive data during the quarter for its in-licensed IL-13 antibody in atopic dermatitis. Dermira's story again shows just how quickly the fortunes of a biotech can change and that companies with a good business development network or a solid internal pipeline can re-emerge strongly from temporary setbacks.

We trimmed some of our holdings that performed well during the quarter, while adding a number of new investments in neurology as well as in China. The scientific progress being made in the field of neurology and the pace of innovation and development at Chinese companies are both gaining speed, and hence we are gradually increasing our exposure to each.

Commentary

Gene therapy remains a hot topic with further acquisitions announced during the quarter. Roche is purchasing Spark Therapeutics, which has a haemophilia A gene therapy in clinical testing as well as other programs for rare genetic diseases. Biogen also added a gene therapy company called Nightstar Therapeutics, which has a focus on inherited retinal diseases. In April last year, Novartis acquired AveXis, a company developing a gene therapy for spinal muscular atrophy (SMA) that is expected to be approved later this year. Furthermore, there have been numerous licensing deals in this space as well.

While gene therapy has only in recent years made it into the financial press, in the science world it is not a new concept, with first clinical trials dating back to 1989. What has

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
SpeeDx	Australia	Health Care Providers	3.5%
Sanofi SA	France	Pharmaceuticals	3.0%
Roche Holding AG	Switzerland	Pharmaceuticals	2.8%
Quanterix Corp	USA	Pharmaceuticals	2.8%
Moderna Inc	USA	Pharmaceuticals	2.2%
Takeda Pharmaceutical	Japan	Pharmaceuticals	2.1%
Zai Lab Ltd	China	Biotechnology	2.1%
Gilead Sciences Inc	USA	Biotechnology	2.1%
Telix Pharmaceuticals	Australia	Biotechnology	2.1%
NanoString Technologies	USA	Health Equip & Serv.	2.1%

As at 31 March 2019. See note 6, page 44.
Source: Platinum Investment Management Limited.

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/pihcf.

Disposition of Assets

REGION	31 MAR 2019	31 DEC 2018	31 MAR 2018
North America	37%	33%	37%
Europe	24%	26%	39%
Australia	13%	14%	11%
Asia	5%	3%	<1%
Japan	4%	3%	4%
Cash	17%	21%	9%
Shorts	-8%	-7%	<1%

See note 3, page 44. 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
Health Care	74%	71%	90%
Consumer Staples	1%	1%	0%
Financials	0%	0%	1%
TOTAL NET EXPOSURE	75%	72%	91%

See note 4, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	31 MAR 2019	31 DEC 2018	31 MAR 2018
US dollar (USD)	51%	48%	39%
Japanese yen (JPY)	16%	15%	5%
Euro (EUR)	10%	19%	24%
British pound (GBP)	8%	10%	11%
Swiss franc (CHF)	7%	6%	6%
Swedish krona (SEK)	2%	2%	2%
Norwegian krone (NOK)	2%	0%	0%
Hong Kong dollar (HKD)	2%	<1%	0%
Australian dollar (AUD)	2%	<1%	12%
Danish krone (DKK)	1%	1%	1%
Canadian dollar (CAD)	<1%	<1%	1%
Korean won (KRW)	-1%	-2%	0%

See note 5, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

matured and improved is our understanding of the molecular basis of many diseases as well as the gene delivery technologies that allow more precise and reliable delivery of genes. In addition, large-scale manufacturing of gene delivery shuttles ("vectors" in science jargon) has come a long way, as have gene therapy clinical trials. In essence, gene therapy is simply a new drug modality that is now becoming a commercial reality. With that comes the demand for lower-cost manufacturing and automation.

Genetic information cannot simply be given in a pill form or by injection. The gene would very quickly get degraded and would never make it to its destination. It therefore needs to be packaged and delivered in very specific ways. Here, either lipids or special gene shuttles called vectors can come into play. Lipids are often used in gene editing, while vectors are used widely for gene therapy.

Vectors are genetically engineered viruses. Essentially, the viral genome has been modified so that it contains the desired gene as well as control elements, but does not carry the genetic information that causes viral infection (in science jargon, this is called a non-virulent virus). So, basically, the virus has all the pieces necessary to infect the target tissue and deliver the gene of interest without causing an infection in the traditional sense.

Companies and researchers are currently working on developing ways to make these viral vectors consistently and in large amounts. It reminds us of the time when monoclonal antibodies (large-molecules made in human cells) started to become a new drug modality. A lot of investment is happening and new expertise is required. Viral vector manufacturing requires significant expertise in vectorology, virology as well as downstream processing know-how, which was what attracted us to **Oxford BioMedica**, a holding in the Fund which we first introduced in our December 2015 report[1] and again in our September 2017 report.[2] At the time of that second report, Novartis' T-cell therapy *Kymriah* was gaining approval. Oxford BioMedica is the company that supplies Novartis with viral vectors for its T-cell therapy. In addition, Oxford BioMedica also has alliances with other gene therapy companies which over time should become lucrative.

Large tool companies are also paying attention to this space, given the demand for new tools as well as service offerings. This quarter, Thermo Fisher acquired Brammer Bio, another viral vector specialist which will fit in nicely with Thermo Fisher's biologics manufacturing capabilities, while Danaher will be acquiring GE BioPharma, adding to its portfolio a biomanufacturing division that has significant expertise in cell therapy, an area that overlaps with gene therapy.

Cell therapy is a broad subject. It encompasses therapies that simply use a particular cell population obtained from a patient, as well as therapies that require the patient's cells to undergo genetic modifications before being re-administered. The latter is obviously more complex as it involves a genetic engineering step that happens in an accredited lab. Overall, isolating the right cell population, characterising it, expanding it and then purifying it to produce a proper "drug" is a highly complex process and requires solid supply chain management. Many biotechs in this space are investing in all of the above by themselves, but at times these investments have attracted partners or even become the basis for acquisition.

As biotechs continue to innovate, we will also see "off-the-shelf" versions of cell therapies using donor master cells instead of the patient's own cells. This type of therapy has its own challenges (which we may discuss in a future issue). However, the key take-away message is that cell therapy as well as gene therapy are both areas of intensive activity where progress is being made to overcome challenges step-by-step, offering many opportunities for long-term investors.

Outlook

These are exciting times in biotech. For a long time, developments in small-molecule chemical drugs dominated the industry. Then came monoclonal antibodies which were initially seen as too complex, too expensive and too cumbersome to manufacture. Fast forward to today, simple monoclonal antibodies can be made on demand by several service providers and we now have generic versions of monoclonal antibodies (or biosimilars) commercially available. New drug modalities are emerging fast. Yes, they can be more complex, but they are tackling the molecular complexities of diseases more effectively. As always, as an investor, we look at the long-term potential of this sector and try to envisage what the industry may look like in the years to come. Oncology has made great strides. Neurology remains intriguing and more funding is being allocated to study diseases of the brain. While this quarter saw Biogen's Alzheimer's antibody fail its late stage trials, there are other companies looking deeply into the immune system and its role in Alzheimer's disease.

The flip side to all of this innovation is the demand for different pricing models. The debate is happening and will continue, but it is clear that pricing pressure has never stopped this sector from innovating. So we are excited, but as always, valuation remains important.

1 https://www.platinum.com.au/PlatinumSite/media/Investing-with-Us/Investment%20Updates%20PDF/pihfqtr_1215.pdf

2 https://www.platinum.com.au/PlatinumSite/media/Reports/pihfqtr_0917.pdf

Platinum International Technology Fund

Alex Barbi
Portfolio Manager

Cameron Robertson
Portfolio Manager

Performance

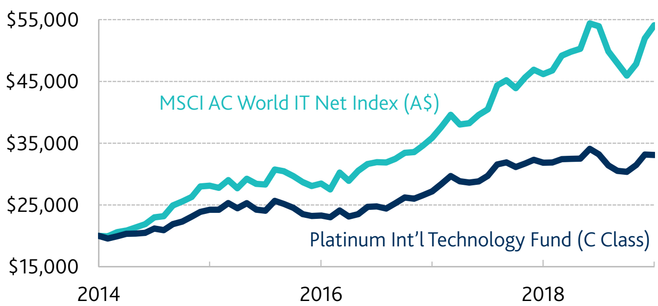
(compound pa, to 31 March 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	9%	4%	12%	11%	9%
MSCI AC World IT Index^	18%	17%	24%	22%	1%

* C Class – standard fee option. Inception date: 18 May 2000.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World IT Net Index in AUD. Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.
See note 1, page 44. 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 44.

Volatility remains a key characteristic of the current investment climate, and technology stocks are not immune. After declining by 18% in the December quarter, the tech-heavy Nasdaq Composite Index promptly rebounded by 16% in the March quarter. Against this market backdrop, the Fund (C Class) returned 9% for the quarter, in part weighed down by holding an average cash position of around 25%.

The market recovery began in early January with investors realising that most stocks had been heavily oversold, while hopes mounted for an imminent resolution to the long-standing trade war between the US and China. Sentiment further improved at the end of January when comments made by the Chairman of the US Federal Reserve, Jerome Powell, effectively signalled a U-turn in the Fed's current monetary policy stance. Not only did Mr Powell drop all references to further increases in interest rates, but he even hinted at possible rate cuts, if necessary. Perhaps more importantly, he stated that the process of reversing Quantitative Easing (QE)[1] was now being paused, indefinitely. He even left the door open for a possible re-acceleration of QE "if future economic conditions were to warrant a more accommodative policy that can be achieved solely by reducing the federal fund rates".

All of these factors contributed to the rebound of the stock markets, even though the underlying global macroeconomic conditions and corporate earnings outlook have not changed significantly compared to six months earlier.

Commentary

During the quarter we attended the Mobile World Congress (MWC) in Barcelona and met with several companies in the mobile communications industry. The focus of this year's MWC was 5G, the fifth-generation of the technology standard for cellular mobile communication, soon to be rolled out by telecom operators around the world. As often is the case with new technology, the excitement is high and marketing slogans are promising unlimited possibilities and vast numbers of new use cases waiting to be unleashed by the introduction of 5G. The reality is, however, much more nuanced.

1 See Glossary on page 40.

5G itself is not a revolutionarily new technology. It is an evolution of an existing technology, with important new features that enable faster data transmission rates and lower latency.[2] Superior spectral efficiency is another major technical improvement which will benefit the telecom operators adopting 5G. As the demand for mobile telecommunication services grows and the population consumes increasing volumes of calls, messages, data, video applications and so forth, radio spectrum licences are becoming more and more valuable. Therefore, the more efficiently the spectrum is utilised, the higher the return on the telecom operator's investments.

As for consumers, however, most users in developed markets (and many developing markets) already enjoy reasonably fast mobile connectivity, and so it is not immediately obvious that 5G will bring about any noticeable improvements for current applications. Where 5G will have a great impact is new applications. Consider autonomous cars[3] navigating through congested city streets without drivers at the wheel. Or if we entered into a "smart stadium",[4] checking our AR (Augmented Reality) enabled phones for real-time updates about players and immersing ourselves in the action on the pitch. Or imagine hailing a driverless 5G-powered air-taxi.[5]

All of these use cases will indeed require a large number of powerful and fast sensors and processors, and high-performing computing devices that react with very low latency. Any delay in data transmission would not only be disappointing, but could even be fatal. That's where the superior speed and power of 5G-based technology are needed to ensure safety and performance. These are complex tasks to achieve and will require more investments in R&D and numerous trials before the technology will reach the commercial stage.

Network operators have already started to selectively deploy 5G infrastructure, with the first significant footprints likely to be built out gradually in the US, China, Korea and Japan. The initial uses are likely to include simply increasing network capacity in areas with the most congested digital traffic (CBDs, shopping malls and the like), as well as delivering home and enterprise broadband via Fixed Wireless Access (FWA)[6] where fibre-to-the-home is not available.

Our base case is that 5G will be rolled out gradually (similar to that of 2G, 3G and 4G). We are therefore conscious that it may take a number of years to see meaningful deployments. However, that does not mean there will be no interesting developments in the meantime. As with previous technological transitions, the entire ecosystem will likely go through further transformations.

The move from 2G to 3G saw many semiconductor companies exit the baseband[7] processor business (Texas Instruments being the most famous example). With 5G chips and LTE modems, currently the leader appears to be the US chip-maker Qualcomm, but China-based Huawei recently released a product with seemingly even better performance, according to several sources at the MWC.

What about handset makers? The first iPhone was launched in 2007 when Nokia was still the leading mobile phone manufacturer. Today, Samsung is the largest smartphone maker (with an 18% market share), ahead of Apple (17%), with the four biggest Chinese brands combined comprising 37% of the global smartphone market.

The largest telecom equipment maker by revenue is now Huawei, while former industry leaders such as Alcatel-Lucent and Nortel have all been acquired by Nokia after years of financial struggles. Ericsson and Nokia are the only remaining large Western companies in a field that is increasingly populated by stronger Asian competitors. **Samsung Electronics**, a major holding in the Fund, is also increasing its market share, albeit from a very low base.

There is evidence of many companies already benefiting as telecom operators increase their investments in existing 3G and 4G networks in anticipation of future 5G upgrades. In this respect, the Fund has been rewarded by the recent strong performance of **Ericsson, Analog Devices** and **Xilinx**, which are all highly exposed to the roll-out and upgrades of wireless base stations by telecom operators.

Other positions in the portfolio, including **Skyworks Solutions**, with its leading position in handset radio-frequency components, **Intel**, with its subsidiary Mobileye's pioneering products in ADAS (Advanced Driver Assistance Systems), and **Taiwan Semiconductor Manufacturing Co (TSMC)**, with its leading semiconductor fabrication capabilities, are also poised to benefit in different ways from the opportunities created by the introduction of 5G.

2 Latency is the time delay between the initiation of an event or input into a system and the outcome. In networking or telecommunications, latency typically describes the time lag between a sender initiating a change in a system and its reception by a receiver.

3 https://www.technologyreview.com/s/611883/how-5g-connectivity-and-new-technology-could-pave-the-way-for-self-driving-cars/

4 https://www.intel.com/content/www/us/en/communications/smart-stadium-powered-5g-video.html

5 https://www.gulf-times.com/story/623156/Ooredoo-s-5G-enabled-aerial-taxi-lands-at-Mobile-W

6 https://5g.co.uk/guides/what-is-5g-fixed-wireless-access-fwa/

7 A baseband processor is a device in a network interface that manages all the radio functions.

Disposition of Assets

REGION	31 MAR 2019	31 DEC 2018	31 MAR 2018
North America	48%	40%	38%
Asia	19%	18%	25%
Europe	11%	11%	12%
Japan	1%	2%	6%
Cash	21%	29%	19%
Shorts	-3%	-2%	0%

See note 3, page 44. 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
Information Technology	42%	37%	45%
Communication Services	26%	25%	26%
Industrials	4%	4%	5%
Consumer Discretionary	4%	2%	4%
Utilities	0%	0%	1%
Financials	0%	0%	<1%
TOTAL NET EXPOSURE	76%	69%	81%

^ 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.
See note 4, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	31 MAR 2019	31 DEC 2018	31 MAR 2018
US dollar (USD)	61%	58%	47%
Hong Kong dollar (HKD)	9%	10%	11%
Korean won (KRW)	7%	7%	8%
Japanese yen (JPY)	6%	6%	6%
Canadian dollar (CAD)	3%	3%	3%
Norwegian krone (NOK)	3%	3%	2%
Euro (EUR)	3%	3%	3%
Taiwan new dollar (TWD)	3%	2%	3%
British pound (GBP)	2%	5%	4%
Swedish krona (SEK)	1%	2%	2%
Swiss franc (CHF)	1%	1%	3%
Australian dollar (AUD)	<1%	1%	10%

See note 5, page 44. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Changes to the Portfolio

The dramatic sell-off late last year gave us an opportunity this quarter to add to some of our existing holdings at attractive prices, and to initiate smaller positions in some interesting new names.

With the media landscape transitioning from traditional broadcasting to new digital distribution models (video streaming to PCs, TV sets and mobile devices), many industry incumbents have to adapt or risk becoming irrelevant as companies like Netflix become the dominant platforms and capture more and more audiences. Disruption, however, will create opportunities for more innovative and nimble players.

We made an initial purchase in an innovative **video streaming platform** currently pre-installed in more than 25% of TVs sold in the US, reaching around 30 million US households. The company effectively provides TV makers with an operating system that allows viewers to stream thousands of channels of free content, supported by targeted advertising. The company's ambition is to become the gatekeeper to the TV advertising market as businesses shift more of their advertising budgets from traditional linear TV to video streaming.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	USA	Communication Services	6.5%
Tencent Holdings	China	Communication Services	4.2%
Samsung Electronics	Korea	Information Technology	4.1%
Facebook Inc	USA	Communication Services	3.9%
Constellation Software	Canada	Information Technology	3.4%
Microchip Technology	USA	Information Technology	2.9%
Schibsted ASA	Norway	Communication Services	2.9%
Apple Inc	USA	Information Technology	2.7%
Taiwan Semiconductor	Taiwan	Information Technology	2.6%
Skyworks Solutions	USA	Information Technology	2.5%

As at 31 March 2019. See note 6, page 44.
Source: Platinum Investment Management Limited.

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/pitf.

We also introduced a new position in **Booking Holdings**, the owner of several leading global online travel reservation platforms, including Agoda, Kayak and Booking.com. The stock price had declined due to concerns over increasing competition and the need for future investments to expand the offerings on Booking's platforms in other categories, such as alternative accommodation, in-travel experiences, restaurants, loyalty schemes and so forth. The negative share price reaction appeared to be excessive and we took the opportunity to invest in what we believe to be a high-quality operator in what is effectively a duopoly market with ample room for growth.

We added to our position in **Carvana**, an innovative e-commerce portal in the automotive space, as the company showed progress in the roll-out of its distribution network. We also increased our holding in **Microsoft** as we were encouraged by the strong performance of its Azure cloud business which has become a serious, credible and independent alternative to the dominant cloud platform Amazon Web Service (AWS). Additions were also made to our holding in **TSMC** as we believe the company's position as the leader in advanced chip fabrication will allow it to weather the current cyclical weakness in semiconductor demand and see promising growth in the longer-term.

Outlook

As we have noted in our previous reports, tighter financial conditions are typically viewed negatively by equity investors as cash and fixed income securities become more attractive relative to stocks. The recent pause in the monetary tightening by both the US and China should therefore not only stimulate economic growth through improved liquidity conditions, but should also be broadly supportive of equity markets. A resolution of the trade disputes between the US and China would help remove some of the uncertainties currently disrupting corporate investment plans and set the stage for a re-acceleration in global growth.

Macroeconomic considerations aside, ultimately a stock's price performance should correlate with its underlying profit growth. In this context, our main task remains to identify investment opportunities where the market has failed to appropriately value their long-term earnings potential. As valuations in the technology sector – particularly in the US market – remain elevated, we maintain a significant cash position which we will deploy as more attractively-valued ideas are converted into new positions for the Fund.

Glossary

Dividend yield

A ratio that indicates how much a company pays out in dividends each year relative to its share price.

Earnings yield

A company's earnings per share over a 12-month period divided by its share price and expressed as a percentage, the earnings yield is the reciprocal of the price-to-earnings (P/E) ratio and is a measure of the rate of return on an equity investment.

Price-to-book ratio (P/B)

The ratio of a company's current share price to its book value (total assets minus intangible assets and liabilities). It is an indicator of the value of a company by comparing its share price to the amount of the company's assets that each share is entitled to.

Price-to-earnings ratio (P/E)

The ratio of a company's current share price to its per-share earnings, P/E is used as an indicator of the value of a company by comparing its share price to the amount of per-share earnings the company generates. A high P/E ratio suggests that the company's share price is expensive relative to the company's profits, which usually implies that investors are expecting the company's future profits to grow quickly.

Price-to-sales ratio (P/S)

The ratio that compares a company's current share price to its revenue, P/S is an indicator of the value placed on each dollar of a company's sales and is typically calculated by dividing the company's market capitalisation by its total sales over a 12-month period.

Profit margin

A measure of a company's profitability, profit margin (also called net margin) is the ratio of net profits to net sales. It is typically expressed as a percentage that shows how much of each dollar of revenue earned by the company is translated into profits.

Purchasing Managers' Index (PMI)

The PMI is an indicator of the economic health of the manufacturing sector. It is derived from monthly surveys of purchasing executives at private sector companies and is based on five major indicators: new orders, inventory levels, production, supplier deliveries and employment environment. A PMI reading of greater than 50 indicates expansion of the manufacturing sector when compared to the previous month, while a reading of under 50 represents a contraction and a reading at 50 indicates no change.

Quantitative easing (QE)

A monetary policy used by central banks to increase the supply of money by buying government bonds (and, to a lesser extent, other assets such as corporate bonds and shares) from the market. The intended outcome is to lower the yield on those assets, increase the total money supply in the financial system, and encourage more lending by banks and thus greater economic activity. Central banks use QE to stimulate the economy when interest rates are already at or close to zero.

Return on capital employed (RoCE)

RoCE is a measure of a company's profitability and the efficiency with which its capital (which includes both equity and long-term debt) is employed. It is calculated as earnings before interest and tax (EBIT) divided by capital employed, where "capital employed" represents the sum of shareholders' equity and the long-term liabilities. The higher a company's RoCE ratio, the more efficient its use of capital.

Yield

Yield refers to the income generated from an investment (such as the interest from cash deposits, the dividends from a shareholding, or the rent from a property investment), usually expressed as an annual percentage rate based on the cost of the investment (known as cost yield) or its market price (known as current yield).

For bonds, the yield is the same as the coupon rate (assuming the bond is purchased at par or is trading at par). Any increase or decrease of the yield relative to the coupon rate is approximately inversely proportional to any change in the bond price (yields fall as prices rise, and vice-versa).

Yield curve

A yield curve plots the interest rates (or yields) of comparable debt instruments with different maturities. Starting on the left with the yields of shorter-term instruments, the curve typically slopes upwards to the right, reflecting investors' desire to be compensated for the uncertainty associated with locking their money away for longer periods of time.

An inverted yield curve occurs when longer-term debt instruments have a lower yield than shorter-term debt instruments, reflecting expectations of weaker economic conditions – and hence lower interest rates – in the future.

The Journal

You can find a range of thought-provoking articles and videos on our website. For ad hoc commentary on the latest market trends and investment themes, look up **The Journal** under **Insights & Tools**.

If you find yourself short on time to read our in-depth reports and articles, have a listen to our Quarterly Reports in **audio podcasts** or watch brief market updates in **video** format.

Recent highlights include:

- **Livewire interview with Andrew Clifford and Hamish Douglass**[1]
  Platinum's CEO and CIO Andrew Clifford joins James Marlay at Livewire Markets and Hamish Douglass of Magellan Financial Group for an animated discussion on global markets and the different investment approaches of Australia's two leading international equities managers.

1 www.platinum.com.au/Insights-Tools/The-Journal/Livewire-Interview-Andrew-Clifford-and-Hamish-Douglass

From early May, estimates for the forthcoming 30 June distributions by the Platinum Trust Funds will be made available online (and updated weekly) at www.platinum.com.au/About-Platinum/Company-News

Financial Planning Students Gain Valuable Work Experience at Platinum

Platinum recognises the important role financial advisers and planners play in helping Australians to achieve financial security.

As a small contribution towards raising the professionalism in the financial advisory industry, each year Platinum and The Neilson Foundation jointly fund 24 scholarships awarded to students majoring in Financial Planning across three Australian universities, each to the value of $12,500 per year. The participating universities are Griffith University, La Trobe University and Deakin University.

In addition, Platinum also offers a four-week work experience program to two of each year's scholarship recipients. Aidan Patterson of Deakin University and Amanda Barrow-Scott of Griffith University participated in this year's program. They share with us below their thoughts and feedback on their time at Platinum.

From left: Aidan Patterson, Kerr Neilson, Amanda Barrow-Scott, Andrew Clifford

Aidan Patterson
Bachelor of Commerce (Financial Planning)
Deakin University

I was fortunate to participate in Platinum's four-week work experience program as part of its generous scholarship package. The program provided me with the opportunity to experience all aspects of Platinum's business.

The majority of my time at Platinum was spent in the Consumer sector team within the broader Investment Team, under the guidance of a mentor. During my time with the team, I learned how Platinum conducts research and builds analytical models on companies being considered for investment. I was given the opportunity to research an industry in the Consumer sector and the changing trends within it, and then to present my findings to the Investment Team at a morning meeting. The experience also allowed me to observe fellow Investment Team members pitch their stock ideas to the portfolio managers, as well as undertake research calls with broker analysts, which helped me to expand my knowledge.

My time at Platinum gave me wonderful insights into how a fund manager operates as part of the broader asset management and financial planning industry. The knowledge gained at Platinum has deepened my passion for financial planning and helped to accelerate my career growth. My work experience at Platinum has been an extremely rewarding one.

Amanda Barrow-Scott
Bachelor of Commerce (Accounting & Financial Planning)
Griffith University

I was a lucky recipient of one of the 2018 Platinum Asset Management Scholarships. This provided essential financial support to my family of five, whilst I pursued my dream of completing a Bachelor of Commerce. The scholarship also provided me with the opportunity to participate in the four-week work experience program.

Platinum is a very inclusive workplace, so I quickly settled into the Financials/Services sector team within the broader Investment Team. I was given the opportunity to research the business model of a US company specialising in motor vehicle financing. The aim of the research was to uncover the inherent value differentiation of the company relative to its industry peers and competitors so as to assess it as a potential investment opportunity. I gained an appreciation of the depth of research undertaken by Platinum's Investment Team and the immense responsibility that the analysts and portfolio managers undertake each day to achieve the best possible financial outcome for the firm's clients.

I also participated in various internal stock meetings and conference calls with broker analysts which helped to further develop my communication skills. The Platinum work experience program has certainly bridged the gap between academia and real-world industry experience, enabling me to kick-start my career in financial planning.

Some Light Relief

"BUT ENOUGH ABOUT LOSSES, MRS. GOODWIN. LET'S TALK ABOUT SPIRITUAL GAIN."

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.

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Platinum Asset Management is a Sydney-based manager specialising in international equities. The investment team uses a thematic stock-picking approach that concentrates on identifying out-of-favour stocks with the objective of achieving superior returns for our clients. We pay no heed to recognised indices. We aim to protect against loss and will hedge stocks, indices and currencies in our endeavours to do so.

The firm was founded in February 1994 by a group of professionals who had built an enviable reputation. The investment team has grown steadily and Platinum now manages nearly A$26 billion. Platinum's ultimate holding company, Platinum Asset Management Limited (ASX code: PTM), listed on the ASX in May 2007, and Platinum's staff continue to have relevant interests in the majority of PTM's issued shares.

Since inception, the Platinum International Fund has achieved superior returns to those of the MSCI AC World Net Index (A$)* and considerably more than interest rates on cash.

* Please refer to page 2.

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