Platinum International Fund
Platinum Unhedged Fund
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Platinum® ASSET MANAGEMENT

Quarterly Report

30 SEPTEMBER 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

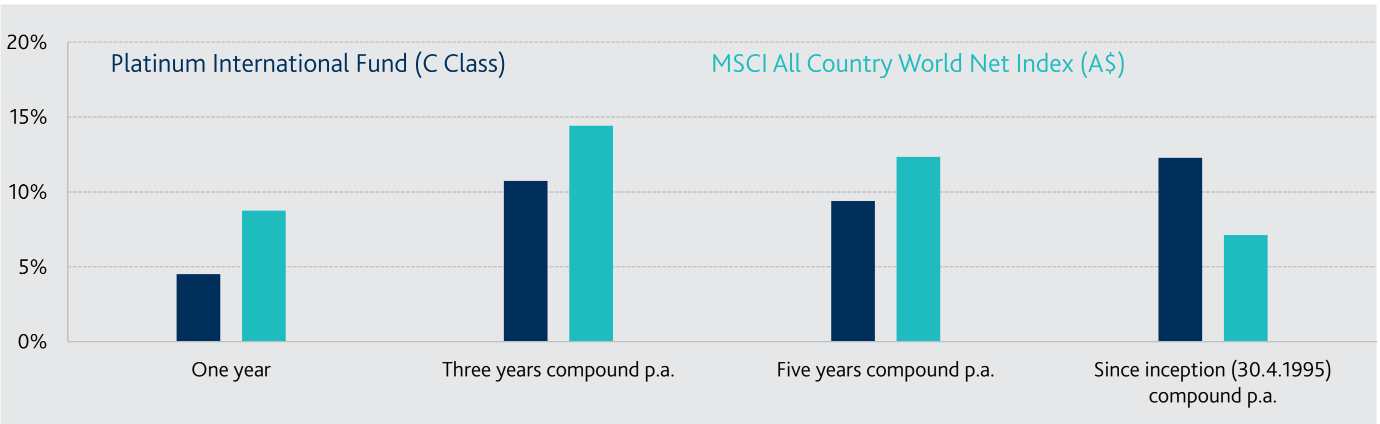
Performance Returns to 30 September 2019

FUND (C CLASS – STANDARD FEE OPTION) (P CLASS – PERFORMANCE FEE OPTION)	PORTFOLIO VALUE (A$ MIL)	QUARTER	1 YEAR	2 YEARS COMPOUND P.A.	3 YEARS COMPOUND P.A.	5 YEARS COMPOUND P.A.	SINCE INCEPTION COMPOUND P.A.	INCEPTION DATE
Platinum International Fund (C Class)	**9,845.2**	**3.2%**	**4.5%**	**5.5%**	**10.7%**	**9.4%**	**12.3%**	**30 Apr 1995**
Platinum International Fund (P Class)	10.6	3.3%	4.8%	5.5%	-	-	7.3%	3 Jul 2017
MSCI All Country World Net Index (A$)		4.0%	8.8%	13.8%	14.4%	12.4%	7.1%	30 Apr 1995
Platinum Unhedged Fund (C Class)	**288.5**	**2.1%**	**0.5%**	**6.3%**	**13.2%**	**10.5%**	**11.0%**	**28 Jan 2005**
Platinum Unhedged Fund (P Class)	2.1	2.2%	0.7%	6.2%	-	-	7.9%	3 Jul 2017
MSCI All Country World Net Index (A$)		4.0%	8.8%	13.8%	14.4%	12.4%	7.6%	28 Jan 2005
Platinum Asia Fund (C Class)	**4,278.2**	**0.5%**	**3.8%**	**4.4%**	**9.8%**	**8.7%**	**14.0%**	**4 Mar 2003**
Platinum Asia Fund (P Class)	7.3	0.5%	4.1%	4.5%	-	-	7.0%	3 Jul 2017
MSCI All Country Asia ex Japan Net Index (A$)		-0.6%	3.6%	6.8%	10.9%	9.8%	10.0%	4 Mar 2003
Platinum European Fund (C Class)	**770.7**	**3.0%**	**1.1%**	**7.0%**	**14.2%**	**11.4%**	**11.7%**	**30 Jun 1998**
Platinum European Fund (P Class)	3.8	3.1%	1.5%	6.8%	-	-	8.3%	3 Jul 2017
MSCI All Country Europe Net Index (A$)		2.1%	6.9%	7.5%	11.3%	7.8%	3.3%	30 Jun 1998
Platinum Japan Fund (C Class)	**774.5**	**5.4%**	**7.4%**	**6.7%**	**11.1%**	**13.9%**	**14.3%**	**30 Jun 1998**
Platinum Japan Fund (P Class)	3.0	5.5%	7.7%	6.8%	-	-	8.8%	3 Jul 2017
MSCI Japan Net Index (A$)		7.3%	2.2%	10.5%	10.8%	11.3%	3.2%	30 Jun 1998
Platinum International Brands Fund (C Class)	**643.3**	**1.7%**	**2.6%**	**5.0%**	**12.5%**	**10.8%**	**12.2%**	**18 May 2000**
Platinum International Brands Fund (P Class)	2.0	1.8%	2.8%	5.2%	-	-	7.3%	3 Jul 2017
MSCI All Country World Net Index (A$)		4.0%	8.8%	13.8%	14.4%	12.4%	3.6%	18 May 2000
Platinum International Health Care Fund (C Class)	**251.4**	**0.1%**	**-3.8%**	**9.8%**	**11.0%**	**12.9%**	**9.6%**	**10 Nov 2003**
Platinum International Health Care Fund (P Class)	3.9	0.2%	-3.6%	9.5%	-	-	9.5%	3 Jul 2017
MSCI All Country World Health Care Net Index (A$)		2.6%	4.6%	13.7%	12.2%	11.8%	9.2%	10 Nov 2003
Platinum International Technology Fund (C Class)	**110.2**	**6.1%**	**8.6%**	**10.1%**	**13.3%**	**11.2%**	**9.5%**	**18 May 2000**
Platinum International Technology Fund (P Class)	1.6	6.2%	8.8%	10.4%	-	-	10.8%	3 Jul 2017
MSCI All Country World IT Net Index (A$)		6.8%	14.1%	23.3%	24.4%	21.7%	1.9%	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 40.

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

To 30 September 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 40.

In Brief

Platinum International Fund

- The markets had to contend with numerous issues over the quarter, including the further deterioration in US-China relations, anti-government protests in Hong Kong, attacks on Saudi Arabia's oil facilities and the ongoing Brexit saga. Interest rates also continued to fall, with a strong consensus developing that low rates will persist for a considerable period to come. This has continued to drive investors toward perceived safe havens, such as utilities and consumer staples, and growth stocks, such as technology, that have continued to lead the market higher. Meanwhile, the performance of cyclical sectors such as energy, materials, financials and industrials has continued to lag.
- Chinese stocks (ZTO Express and Anta Sports) and semiconductor stocks (Micron, Intel and Microchip), provided a strong contribution to the Fund's performance over the quarter. Our investments in energy and materials detracted.
- The Fund's net exposure increased over the quarter, largely reflecting a reduction in short positions. We also continued to take advantage of attractive prices, by adding to European banks, Japanese industrials, and copper producers. We trimmed a number of our strong performers, including ICICI Bank, Ping An Insurance and Kweichow Moutai.
- The last 18 months has been characterised by a slowing global economic environment, significant political uncertainties, and a collapse in interest rates back to low levels. At some point we should move through this period of weakness in activity and we would expect this to coincide with better stock price performance from our investments.
- We continue to be cautiously optimistic about the Fund's future returns. The valuations of the Fund's holdings compare favourably with market averages and both our quantitative and qualitative assessments lead us to believe that the portfolio remains more profitable and faster growing than our global universe of stocks.

Platinum Unhedged Fund

- Micron and Seven Generations were key contributors to quarterly performance. A number of the Fund's Chinese stocks detracted from performance, with many weakening on the intensification of the trade war. Our holdings are predominantly domestic-focused businesses with most benefiting from structural growth drivers and we believe it's unlikely the tariffs will have a significant influence on their progress.
- During the quarter, we took advantage of market weakness. We doubled our position in Bank of Ireland and increased our position in Raiffeisen Bank. We added a new position in Japanese precision components maker MinebeaMitsumi and Italian oil refiner Saras. We added to our holdings in Glencore, copper producer MMG, and Peabody Energy.
- History provides a good reminder that the best-returning areas of the stock market tend to move in cycles. The valuation divergence within markets has not been this high since the tech bubble. Stocks with any cyclicality are priced at recessionary levels. The Fund continues to rotate into companies that offer a better risk/reward trade-off.

Platinum Asia Fund

- It was a lacklustre quarter for Asian markets. Our semiconductor stocks performed well, namely Taiwan Semiconductor Manufacturing, ASM Pacific Technology and SK Hynix. Stocks that displayed resilient growth characteristics also provided a positive contribution, including MicroPort, Country Garden and Anta Sports. Bank stocks generally detracted.
- We took advantage of attractive valuations for very strong secular growth businesses, establishing a new position in Midea Group and adding to Tencent, Samsung Electronics and Taiwan Semiconductor Manufacturing. We exited our positions in Hong Kong related assets early in the quarter before the significant sell-off in the market.
- Many central banks have eased interest rates. This should be positive for the region's asset markets and currency values. China has been relaxing policies, which is gradually translating into a stabilisation in economic activity. The Fund remains conservatively positioned and will continue to invest in strong companies with resilient characteristics when appropriate.

Platinum European Fund

- Bond yields fell significantly during the quarter in anticipation of further monetary stimulus, which eventuated in September. Slower growth and falling interest rates motivate investors to pay ever-higher prices for defensive and growth stocks, while avoiding cyclicals. Utilities, consumer staples and healthcare were the best-performing sectors, while energy and materials were the worst-performing sectors.
- Despite the unfavourable backdrop, most of the Fund's holdings appreciated during the quarter, including Pandora (+18%), Qiwi (+12%) and Infineon Technologies (+6%).
- Calls for fiscal stimulus are increasing and the beneficiaries of this may differ from those that benefited from monetary easing. Valuation is the ultimate leveller and on present estimates, we are optimistic about the risk-reward trade-off for our portfolio. The current paradigm doesn't need to change for our investments to perform well at current valuations.

Platinum Japan Fund

- The Fund delivered a strong absolute performance over the quarter. Oracle Corporation Japan (+19%), ZOZO (+22%), Itochu (+8%), Lixil Group (+12%) and Toyota Motor Corp (+8%) were key contributors to performance.
- The portfolio's gradual shift to a mix of high-quality companies at multi-decade low valuations and reasonably priced growth companies accelerated during the quarter.
- The dramatic rise in shareholder activism and private equity agitation against Japanese companies, together with a backdrop of continuing improvement in corporate governance, domestic pressure for improved financial performance and the need for higher dividends in an environment of low interest rates, presents clear opportunities.

Platinum International Brands Fund

- The so-called 'defensive' consumer staples and utility stocks were the clear winners during the quarter, as investors fretted about the global growth outlook. Retail stocks were highly volatile.
- The Fund delivered a respectable return given our average 72% net long exposure and lack of consumer staples holdings. WW International (the former Weight Watchers), At Home Group, Kontoor Brands and Anta Sports provided a positive contribution to quarterly performance.
- We continue to uncover attractive opportunities thanks to the extremes in market positioning between the highly valued on-trend brands and defensive stocks, and stocks that are attractively valued due to the market over-weighting concerns as to their future – whether macroeconomic, regulatory, or structural. The value in the Fund's holdings is quite apparent to us, even in the cases of those stocks demonstrating the weakest recent performance. This places us well going forward.

Platinum International Health Care Fund

- The Fund's quarterly and annual return was disappointing. Our European pharmaceutical holdings performed well, while a number of our biotech investments had a dismal period. Sanofi, SpeeDx, Telix, The Medicines Company and Alnylam were key positive contributors to performance.
- The upcoming US election is focusing attention on US drug prices and making investors nervous. We are also seeing more diligent trade regulators delaying the review and approval of acquisition deals, and several biotechs have raised additional capital. Any biotechs lacking positive newsflow are seeing their valuations decline significantly. In the long term, we believe this will be an advantage for us, but for now, volatility has risen significantly.

Platinum International Technology Fund

- The Fund returned 6.1% over the quarter. We continued to avoid the hottest areas of the market and reduced exposure to strong performing names, such as Roku, Adevinta, Lam Research and AMS. We added to Intel, Vodafone, and Ericsson.
- We maintain a balanced portfolio with the majority of our positions in reasonably valued names growing at a sustainable rate. We are however, keeping an open mind on opportunities that may arise due to a potentially more volatile market in the next few months.

Macro Overview

by Andrew Clifford, Chief Investment Officer

Markets priced for recession on trade and political uncertainty

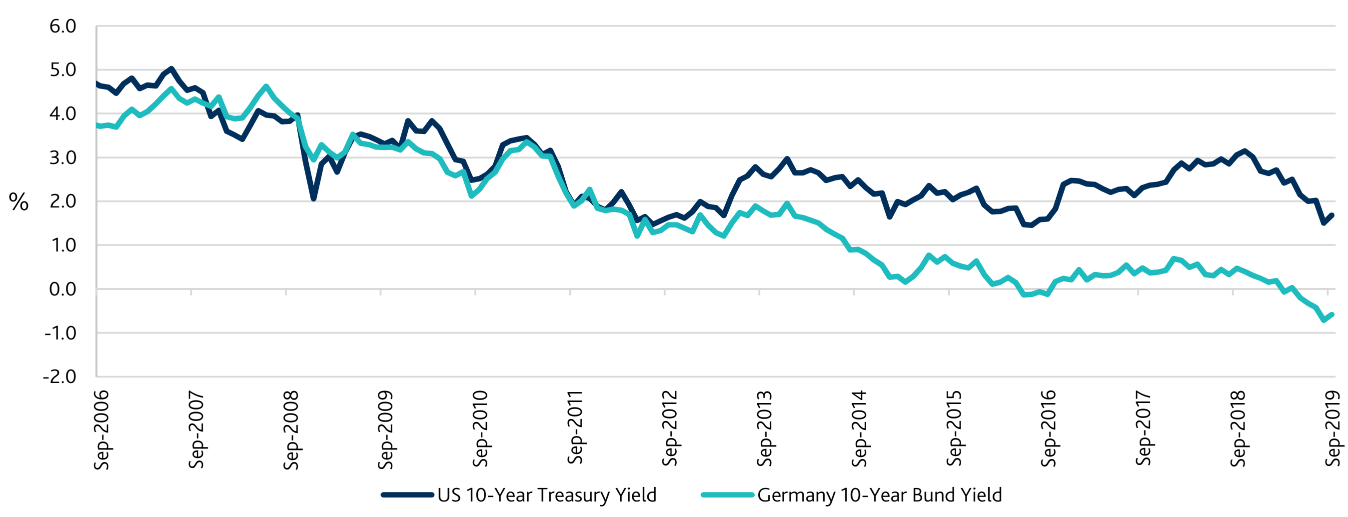
The notable feature of the September quarter was the global collapse in long-term interest rates following cuts in official interest rates by the US Federal Reserve (Fed), European Central Bank (ECB), Reserve Bank of Australia (RBA) and other central banks. At one point, the yield on the US 10-year Treasury fell to 1.5%, which was the lowest level since the European sovereign crisis of 2012 and the China slowdown of 2016 (see Fig. 1). This level compares with a yield of 2.1% reached in 2008 during the global financial crisis (GFC). More significantly, German 10-year Bund yields fell to -0.7%, a rate that results in an investor receiving $93 in 10 years' time for $100 invested today. In prior periods of economic and financial stress, Bunds had previously fallen to -0.1% in 2016, 1.2% in 2012, and 3% in 2008.

Clearly, the global economy has lost momentum over the last 18 months, most notably with a collapse in manufacturing activity. Purchasing manager surveys for the manufacturing sector have fallen below 50 in the major economies (see Fig. 2), indicating that activity has declined. As we have noted in past reports, the slowdown in manufacturing initially resulted from China's reform of its financial system in 2017 that resulted in an unexpected tightness in the availability of credit in that economy. As China is the largest market for most manufactured goods, this has had a significant impact beyond its borders. Subsequently, the US trade war with China has created additional uncertainty for the manufacturing sector, reinforcing this slowing tendency.

Unquestionably, global manufacturing is already in a recession, and in this regard, cuts in interest rates by central banks and falling bond yields make sense. However, other indicators suggest that the major economies are relatively resilient, at least for the moment. Most notably, employment remains strong in the US, Europe and Japan. Employment is generally regarded as a lagging indicator of economic activity. However, the fact that the developed economies are still creating jobs (even in the US, which is more than 10 years into its post-GFC recovery) is indicative that we are far from the extraordinarily problematic environment of the GFC, European sovereign crisis, or Chinese slowdown of 2016. It is in this context that the collapse in long-term interest rates is somewhat confounding. That is, that we are at record low long-term interest rates even though we are far from the crises of recent years.

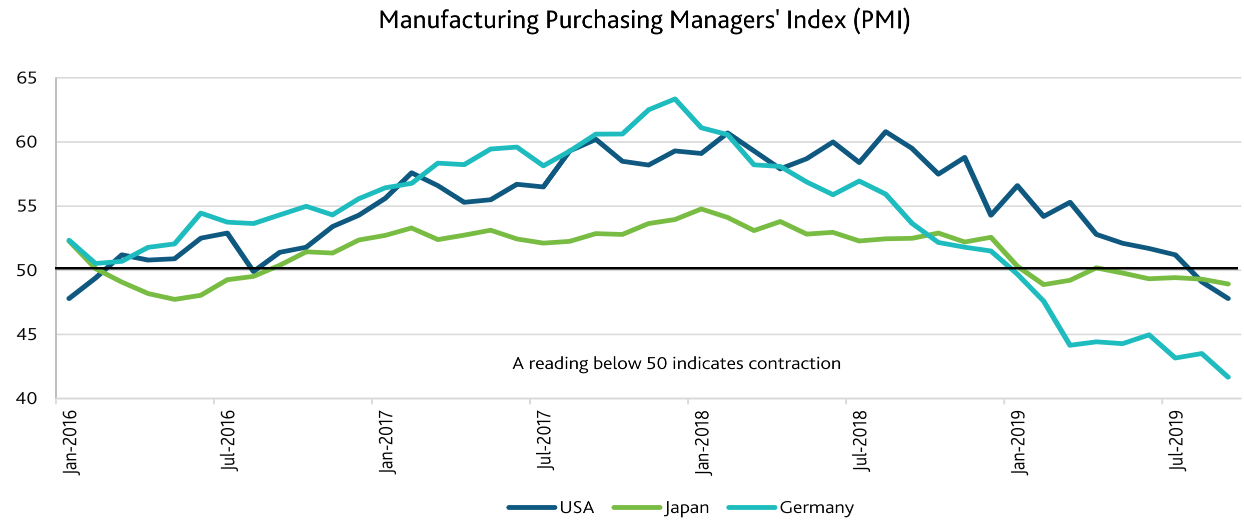
In attempting to resolve this conundrum, it is worth noting that central banks have played an important role in setting long-term rates in recent years through their quantitative easing (QE) policies where they are active buyers of bonds. In September, the ECB confirmed its intention to continue with its QE policy, and the Bank of Japan's QE program is ongoing.

Fig. 1: US and German Bond Yields Plummet in 2019



Source: FactSet, as at 30 September 2019.

Fig. 2: Global Manufacturing in Contraction Territory



Source: FactSet, as at 30 September 2019.

Thus, the collapse in bond rates in Europe and Japan partly reflects the actions of their central banks. While yields in other bond markets, such as the US or Australia, should reflect local conditions, there is a high degree of correlation between the global bond markets. As such, long-term interest rates in these markets have been heavily influenced by the policies of other central banks. Certainly, there is a sense that the short-term interest rate decisions of some central banks are being driven by concerns around unwanted currency appreciation resulting from interest rate differentials between countries.

The other explanation for the plunge in long-term interest rates is simply that the market is anticipating a significant global recession. It is not hard to arrive at such an outcome. The US approach to trade policy, not just with China but also the rest of the world, is increasingly erratic. It is possible (for an optimist) to interpret their most recent action of delaying the implementation of some of the tariffs until after the Christmas shopping period as an acknowledgement that the latest round of tariffs will impact US consumers and potentially signals a limit to the pain they are prepared to inflict on themselves. Then again, this could also be read as part of the 'on again – off again' approach of the last 18 months. Our base case is that a resolution between the US and China in the near term is unlikely.

The trade situation isn't the only uncertainty facing the world. There are the ongoing protests in Hong Kong and the growing tensions in the Middle East with the attack on the Saudi Arabian oil facilities. Either of these situations could readily escalate into a major event, impacting the global economy and markets. There is also the ongoing Brexit circus, which is undoubtedly weighing on consumer and business confidence in the UK. The US 2020 election campaign could be the next issue that dampens confidence. On the one hand, the leading Democrat nominees for president have policy agendas that are unlikely to engender business or market confidence. On the other hand, a second term for President Trump could be even more drama filled than the first, as he won't need to filter his actions by a desire to be re-elected.

At this point, while interest rate markets appear to be anticipating a significant slowdown, it is by no means a guaranteed outcome. Firstly, short-term interest rates are falling and while we, along with many others, question the likely effectiveness of such measures in encouraging growth, it is probably an improvement on 12 months ago when rates were rising. The one economy where rates may yet make a significant difference is China, where short-term interest rates have fallen from around 5% at the beginning of 2018 to below 3% today.[1]

1 Source: FactSet, China 3-Month Shanghai Interbank Offered Rate (SHIBOR), as at 30 September 2019.

There is of course a very real economic limitation on how long the policy of low to zero rates can persist. Banks play a critical role in the economy of taking deposits and recycling them as loans. While banks may resort to offering their customers zero rates on their deposits when interest rates are very low, the cost of gathering these deposits in terms of operating their branch networks is not insignificant. If banks are unable to lend at a margin above the total cost of raising these funds, then the banking system will break down. This is why the system cannot support rates significantly below zero.

Whether the current cuts in interest rates have any impact on engendering a recovery or not, it is very clear monetary policy is approaching its limitations. As such, it is not surprising to hear central banks around the world arguing that it is time for governments to pursue expansionary fiscal policies.

As such, it is likely in our view that governments around the world will be more inclined to boost spending and cut taxes. The US has already started down this path with significant tax cuts implemented in 2018. Over the last year, China has cut taxes and increased government spending, though the impact on the economy to date has been muted. Recently, France, the Netherlands and India have each announced significant tax cuts. In Germany, the debate has started on whether the government should enact fiscal stimulus. We expect this move towards larger government deficits to become part of the economic landscape over the next few years. Whether this generates a pick-up in activity will depend on the speed at which governments act and the effectiveness of their programs. It is interesting that to date the actions have primarily focused on cutting taxes, but there is a risk that consumers and businesses will save some of the windfall rather than spend it, thus reducing the benefit hoped for by their government.

MSCI Regional Index Net Returns to 30.9.2019 (USD)

REGION	QUARTER	1 YEAR
All Country World	**0.0%**	**1.4%**
Developed Markets	**0.5%**	**1.8%**
Emerging Markets	**-4.2%**	**-2.0%**
United States	**1.4%**	**3.5%**
Europe	**-1.8%**	**-0.4%**
Germany	-4.0%	-7.1%
France	-1.7%	-1.6%
United Kingdom	-2.5%	-2.9%
Italy	-0.1%	3.9%
Spain	-3.8%	-3.5%
Russia	-1.4%	18.0%
Japan	**3.1%**	**-4.7%**
Asia ex-Japan	**-4.5%**	**-3.4%**
China	-4.7%	-3.9%
Hong Kong	-11.9%	-1.8%
Korea	-4.5%	-13.8%
India	-5.2%	4.7%
Australia	-1.4%	6.1%
Brazil	-4.6%	25.4%

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 30.9.2019 (USD)

SECTOR	QUARTER	1 YEAR
Utilities	5.5%	19.3%
Consumer Staples	3.6%	10.8%
Information Technology	2.6%	6.3%
Communication Services	0.3%	8.0%
Consumer Discretionary	-0.2%	1.0%
Industrials	-1.0%	-0.6%
Financials	-1.2%	-0.3%
Health Care	-1.4%	-2.5%
Materials	-4.6%	-4.8%
Energy	-5.5%	-14.9%

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

Market Outlook

With the collapse in interest rates over the course of this year, there has developed an extraordinary belief that interest rates will stay low for a long time to come. On one level, this is not a surprise to us, as we covered this topic at our investor and adviser roadshows in 2016.[2] What is interesting though is the high degree of certainty that this view is held, particularly when we believe that now is the time to start questioning whether this will continue to be the case. Simply, if there are co-ordinated fiscal expansions across the globe in the next few years, we may potentially see competition for funding drive up the cost of money. If this occurred during a period of relative full employment and high capacity utilisation in many industries, it may also result in higher inflation due to competition for resources. Currently, such a scenario is almost inconceivable, and certainly, we are not suggesting a significant change in the interest rate landscape in the next year. However, given the yield on the US 10-year Treasury was over 3% just nine months ago, it's not implausible that such levels could be readily regained within the next two to three years.

The implications of this strong global consensus on interest rates is critical for not only the overall performance of equity markets, but trends within the markets. Low interest rates have driven investors to seek returns elsewhere, including the stock market. Yet this is occurring at a time when there are many reasons to discourage investment in the market. Besides the political environment that we find ourselves in, there is the ongoing disruption of traditional business models by e-commerce and other technologies, that make investing in many of the traditional blue chip stocks a difficult proposition. The intuitive response of investors has been to avoid businesses that have any exposure to the economic cycle, trade war, or any other uncertainty. As such, investors have preferred to own defensive businesses including consumer staples, infrastructure, utilities and property, as well as fast-growing companies in areas such as e-commerce, payments, and biotechnology. As a result, as we have noted in past reports, the valuations of these companies have been pushed to very high levels.

If interest rates were to deviate from current expectations that they will remain low indefinitely, it is likely that this would result in significant falls in the prices of these popular and fashionable investments. Of course, with weak PMI readings and central banks in the midst of rate cuts it is early days to be making such a call. Nevertheless, when consensus views and positioning are clearly in one direction, investors should be cautious and consider alternative views. We expect that calls for fiscal stimulus by governments will continue to build and ultimately cast doubt on the "lower for longer view" on interest rates.

2 https://www.platinum.com.au/Insights-Tools/The-Journal/Platinum-Roadshow-2016

Shareholders to Stakeholders - A Significant Shift in Focus for Corporate America

by Janelle McKimm, Investment Content Writer

The recent announcement by influential US business lobby group, the Business Roundtable (BRT), to change the definition of the 'purpose of a corporation' marks a significant turning point for the way businesses may operate and the nature of investment returns in the future.

The decision is startling. It is highly unusual for chief executive officers (CEOs) to acknowledge that the focus on maximising shareholder returns, which has been highly beneficial for many executives in a 'super bull market', cannot continue.

The move from principally focusing on ***shareholders*** to ***all stakeholders*** is welcome. We may at last see a shift away from a fixation on short-term share price performance and inexplicable executive salaries to long-term value creation and importantly, a much fairer society.

The New Governance Principles

BRT is a not-for-profit association founded in the US in 1971. Its members comprise roughly 200 CEOs of major US companies across broad sectors of the economy. Since 1997, the association has endorsed the principle of 'shareholder primacy'.

On 19 August 2019, this changed when 181 CEOs in the BRT voted to redefine and modernise the 'Statement on the Purpose of a Corporation' to "promote an economy that serves all Americans".[1] In doing so, they broadened their charter to five constituents (in no particular order of priority).

BRT's new operating principles:

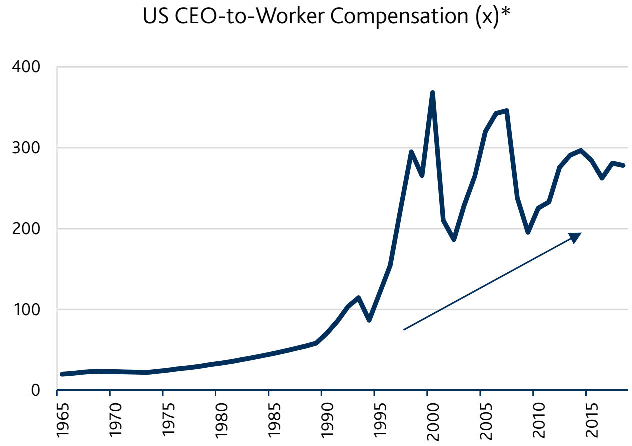
1. Delivering value to our ***customers***.
2. Investing in our ***employees***.
3. Dealing fairly and ethically with our ***suppliers***.
4. Supporting the ***communities*** in which we work.
5. Generating long-term value for ***shareholders***, who provide the capital that allows companies to invest, grow and innovate.

The decision reflects growing community dissatisfaction with the status quo, particularly the widening gap in incomes, which is a key driver of the global rise in populism. With the average income of CEOs 300 times that of the average employee's income in the US, this is not surprising (see Fig. 1). The discontentment is not just about money though, it extends to poor corporate behaviour. For politicians to behave badly is one thing, but, perceived unfair treatment in the workplace is intolerable.

There have been a number of incidents of poor corporate behaviour in recent years. Notable instances have occurred in technology (mishandling and abuse of personal data, elaborate tax structures amounting to fiscal fraud, antitrust activities), healthcare (opioid pill crisis), airlines (lack of disclosure to pilots on new plane features), and in Australia, banking (fee for no advice). The list is long.

Signatories to the new purpose of corporation features a diverse list of household names (including some of the perpetrators of the recent bad behaviour). Signatories include Amazon, American Express, Apple, Caterpillar, Exxon Mobil, Johnson & Johnson, JPMorgan Chase, The Coca-Cola Company, The Goldman Sachs Group, United Airlines and Walmart, which may cause some reservations.

Fig. 1: CEOs Receiving Compensation 300x the Average Income is Unconscionable



Source: Macquarie Research.
*Including realisation of options, as at August 2019.

1 Source: https://opportunity.businessroundtable.org/ourcommitment/

Tricia Griffith, President & CEO of insurance company, Progressive Corporation, and member of the BRT, captures the intention of the change in corporate purpose well, stating, "CEOs work to generate profits and return value to shareholders, but the best-run companies do more. They put the customer first and invest in their employees and communities. In the end, it's the most promising way to build long-term value."[2]

Platinum shares that view. As a fundamental equity investor, we believe that private enterprise plays a central role in wealth creation and social advancement. It is also our belief that value creation for shareholders ought to align with value creation for society. As part owners of the companies we invest in, it is paramount to us that they maintain their social licence to operate.

Mixed Reception

The change in the purpose of a corporation has received a mixed reception. Those in favour applaud the shift to a longer-term focus for the benefit of all stakeholders, and see it as a good step forward for businesses operating in the 21st century. While the naysayers question the CEOs' motivation, legality of their ability to change a company's purpose, implementation of the change, and accountability to all stakeholders (serving many masters may result in serving none).

The change in purpose does indeed pose a number of questions, but to be fair, it is early days. At this stage, it is just a statement of intention. The signatory CEOs have committed to preparing a proposal on how their companies will fulfil their new obligations.

Metrics allowing investors to judge a company's fulfilment of its commitment will need to follow. Metrics for employees could include staff turnover, staff engagement surveys, relative salary levels, and training levels. For customers, it could include rates of product returns, customer satisfaction surveys, and response time to customer queries/complaints. For communities, the level of charitable contributions and the training of local workers could be meaningful metrics.

2 Source: https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans

Broader Implications

We cannot know the outcome of BRT's decision. What we do know though, is that there is a shift in mood in corporate America, which will have repercussions for the way companies operate and how they are valued.

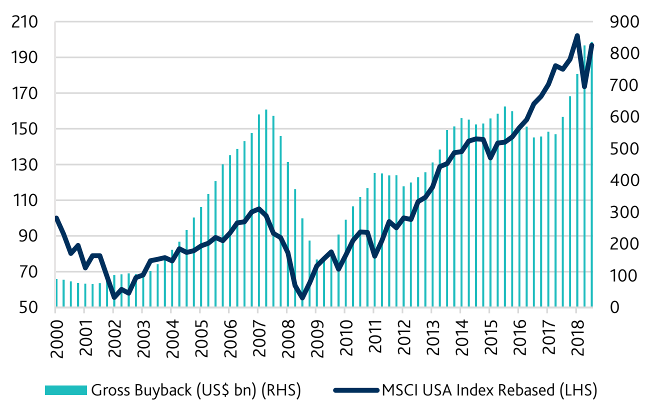
Management's focus on the benefit for "all Americans" is an interesting revelation after such a protracted bull run. The 200% rally in the US market over the last 10 years[3] has been a huge bonanza for company management, particularly for those who held stock options and participated in share buybacks. In March 2019, share buybacks climbed to a record high value of over US$836 billion in the US, well up from the previous peak of US$632 billion in 2007 (see Fig. 2). Record low interest rates and the Trump administration's 2018 corporate tax rate cuts played a role in funding the buybacks.

In principal, share buybacks are positive for shareholders as they receive the current market price plus a premium for their shares, and the share price and earnings per share (EPS) rise, as there are less shares on issue. Company management has however, been criticised for the large number of share buybacks; as holders of stock options, they stand to benefit from the higher share price. There is also criticism that management should have instead reinvested some of this cash back into their businesses to generate future growth and employment.

3 Source: FactSet, MSCI USA Price Index in US$, as at 30 September 2019.

Fig. 2: US Stock Buybacks Reached Record Highs in 2019

US$ bn vs. MSCI US



Source: Macquarie Research as at March 2019.

Going forward, share buybacks may be pared back in the US under the new governance principles. Stakeholders will expect corporations to invest in their business – in activities they deem appropriate and good for society – not just for shareholders. Executive remuneration packages will be in the firing line too. If corporates fail to abide by the stakeholders' wishes, the financial penalties and reputational damage could be severe – for both CEOs and companies.

Change Ahead

Despite a prolonged period of record low interest rates, society as a whole is not prospering as well as it could be. Low interest rates have actually contributed to widening the wealth gap, by spurring investment into other financial assets (primarily held by the wealthy), driving equity prices higher.

Record high company profits have accompanied the super bull market in US equities. Company profits have represented over 10% of gross national income for most of the last 15 years, versus the long-term average of 8% (see Fig. 3). However, the two can't co-exist forever. Capitalism always reverts to a lower order as investors look for assets that offer better future expected returns.

Ray Dalio, founder, co-chairman and co-chief investment officer of hedge fund manager, Bridgewater Associates, believes that paradigm shifts occur every 10 or so years, where markets operate in a completely different fashion to the previous period. He believes the current paradigm of quantitative easing (QE) and record low/negative interest rates, which started in late 2008, has "reached its limits" and a new paradigm is approaching.[4]

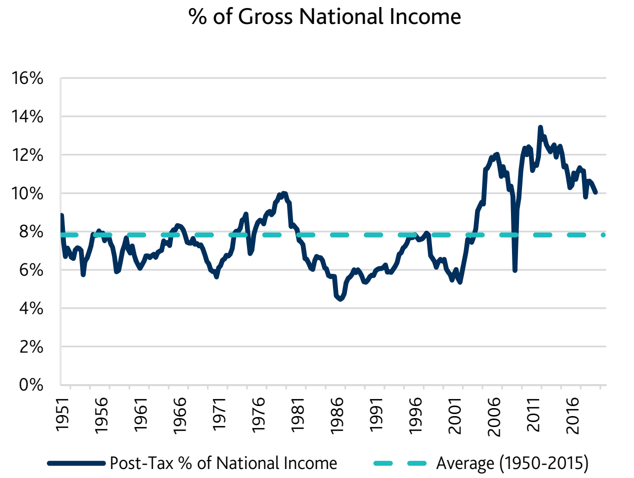
Central banks and politicians are increasingly echoing this view. As recently as September, the European Central Bank voiced its concern that monetary policy can't do anymore to stimulate economic growth and called for the European Union member states to step up their fiscal spending efforts to complement its stimulus efforts.[5]

Should governments go down this path, they have a number of options available to finance the expenditure. Traditional approaches include issuing more debt (which is already at record highs), or increasing taxes on the wealthy. The first option is perhaps more politically palatable, but if done in a globally co-ordinated fashion, competing demand could push interest rates higher. This would have implications for equities, particularly for those growth stocks that have rallied hard on expectations of low interest rates 'forever' (see the Macro Overview for more details).

Alternatively, a more modern-day (and controversial) approach gaining momentum is for governments to print money to pay for their expenditures and future liabilities (Modern Monetary Theory). This option could substantially reduce the value of money and prompt investors to diversify into alternative assets, which hold their value, such as gold.

Whatever the fiscal response, or combination thereof, one thing is certain, we are in interesting times. A shift in corporate behaviour, potential changes in government policy, plus a more powerful consumer will have a significant influence on markets and future asset returns. Consequently, the way investors have made their returns in the recent past may not be the same in the future.

Fig. 3: US Company Profits Well Above Long-Term Average



Source: Macquarie Research as at March 2019.

Beware that this ratio may have shifted higher due to the emergence of global service companies thriving in the informational age.

4 Ray Dalio's essay on paradigm shifts can be found at https://www.linkedin.com/pulse/paradigm-shifts-ray-dalio/

5 https://www.forbes.com/sites/anagarciavaldivia/2019/09/17/the-european-central-bank-pressures-eu-countries-to-stimulate-the-european-economy/#261249f34fea

Platinum International Fund

Andrew Clifford
Portfolio Manager

Clay Smolinski
Portfolio Manager

Performance

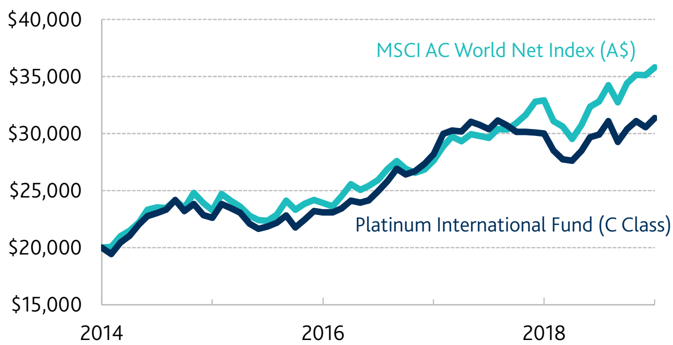
(compound p.a.+, to 30 September 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	3%	5%	11%	9%	12%
MSCI AC World Index^	4%	9%	14%	12%	7%

+ Excluding quarterly returns.
* 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 40. Numerical figures have been subject to rounding..

Value of $20,000 Invested Over Five Years

30 September 2014 to 30 September 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 40.

The Fund (C Class) returned 3.2% for the quarter and 4.5% for the last 12 months. These returns lagged the performance of global equity markets, which returned 4.0% and 8.8% respectively.

The markets had to contend with numerous issues over the last three months. Chief among these was the further deterioration in US-China relations. The US imposed additional tariffs on China's exports to the US with threats of more to come, there was no resolution to the bans on the sale of components to Huawei, and sanctions were placed on COSCO, the world's fourth-largest shipping company. In addition, there were anti-government protests in Hong Kong, attacks on Saudi Arabia's oil facilities, and the ongoing Brexit saga in the UK. Interest rates also continued to fall, with a strong consensus developing that low rates will persist for a considerable period to come. As we have discussed in this quarter's Macro Overview, this has continued to drive investors toward perceived safe havens such as utilities and consumer staples, and growth stocks such as technology, that have continued to lead the market higher. Meanwhile, the performance of cyclical sectors, such as energy, materials, financials and industrials, has continued to lag.

As we noted previously in our March 2019 quarterly report[1], our approach of avoiding the crowd and seeking out those assets that are out-of-favour with investors, has resulted in the Fund migrating to investment opportunities in China, and cyclical sectors such as semiconductors, autos, energy, and metals, where we believe there is significant value. It is our assessment that stock prices in these sectors indicate far better future investment returns than the fashionable growth and defensive sectors that are currently attracting investors' attention.

While overall the portfolio's returns have lagged the market, our investment approach has resulted in good returns from numerous holdings during the quarter and the last 12 months. Amongst these were a number of our high-quality and fast-growing Chinese companies, such as **ZTO Express** (express parcel delivery) and **Anta Sports Products** (sports apparel). Our semiconductor names such as **Micron**, **Intel**, and **Microchip Technology** also provided a strong contribution to performance.

1 https://www.platinum.com.au/PlatinumSite/media/Reports/ptqtr_0319.pdf

Our investments in energy and materials detracted from performance, largely reflecting stagnating commodity prices due to softer economic conditions. Key stocks that detracted included **Peabody Energy**, **Transocean**, **MMG** and **Glencore**. We continue to maintain our exposure, as we believe the strong long-term story of undersupply in these core commodities remains intact. Short positions, while detracting from returns in the most recent quarter to the tune of -0.2%, have contributed positively to annual returns.

Changes to the Portfolio

The net exposure of the portfolio increased over the quarter from 62% to 73%. A large part of this change was due to the reduction in index shorts early in the quarter when the US and China indicated that they would return to the negotiating table on trade.

Otherwise, over the course of the quarter we continued to add to a range of existing holdings to take advantage of the attractive prices on offer. This included European banks (Raiffeisen Bank and Bank of Ireland), Japanese industrials (MitsumiMinebea and Sumco), and copper producers (Glencore and First Quantum). A new position was initiated in Meituan Dianping, a Chinese e-commerce platform that provides food delivery services (similar to Uber Eats) and a hotel room booking service.

These purchases were funded by trimming a number of our strong performers, including ICICI Bank (India), Ping An Insurance (China), Kweichow Moutai and Jiangsu Yanghe Brewery (Chinese white spirits producers) and Anta Sports (Chinese sports apparel). In addition, we exited our position in China Merchants Bank, which was approaching our target valuation levels. The net outcome of these transactions was a reduction in cash holdings from 17% to 11%.

Outlook

Over the last 12 months, we have noted the attractive valuations across the portfolio as a reason to be cautiously optimistic about the Fund's future returns. We continue to hold this view. The average forward price-earnings-ratio (P/E) for the long positions in the portfolio is 11.2x, which continues to compare favourably with market averages. Further, our quantitative and qualitative assessments lead us to believe that the portfolio remains more profitable and faster growing than our global universe of stocks.

The question is then, when are returns likely to be realised from the portfolio? This is not easy to answer, but we would note the last 18 months has been a period characterised by a slowing global economic environment, centred on a weakening manufacturing sector. It has also been a period

Disposition of Assets

REGION	30 SEP 2019	30 JUN 2019	30 SEP 2018
Asia	34%	35%	34%
North America	26%	24%	18%
Europe	17%	16%	20%
Japan	11%	9%	11%
South America	1%	0%	0%
Cash	11%	17%	16%
Shorts	-16%	-22%	-15%

See note 3, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures ^

SECTOR	30 SEP 2019	30 JUN 2019	30 SEP 2018
Financials	15%	16%	15%
Communication Services	13%	13%	14%
Industrials	12%	10%	10%
Information Technology	11%	8%	7%
Materials	10%	9%	10%
Consumer Discretionary	6%	5%	5%
Energy	5%	5%	7%
Health Care	4%	2%	5%
Real Estate	2%	3%	2%
Utilities	0%	0%	1%
Consumer Staples	0%	1%	2%
Other*	-4%	-12%	-9%
TOTAL NET EXPOSURE	73%	62%	69%

^ 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 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics	Korea	Info Technology	3.9%
Ping An Insurance	China	Financials	3.9%
Alphabet Inc	US	Comm Services	3.2%
Facebook Inc	US	Comm Services	3.0%
Glencore plc	Switzerland	Materials	2.6%
Intel Corp	US	Info Technology	2.6%
ZTO Express Inc	China	Industrials	2.4%
TechnipFMC Ltd	UK	Energy	2.4%
Bharti Airtel Ltd	India	Comm Services	2.2%
Sanofi SA	France	Health Care	2.1%

As at 30 September 2019. See note 6, page 40.
Source: Platinum Investment Management Limited.

marked by significant political uncertainties, most notably US and China relations, and a collapse in interest rates back to low levels. At some point we should move through this period of weakness in activity and we would expect this to coincide with better stock price performance from our investments.

After such a period of deterioration, it is difficult to imagine this inflexion point. Yet when we turn our mind to the many exciting developments unfolding, such as the roll-out of 5G mobile phone networks, ongoing investment in data centres required for e-commerce and artificial intelligence, electric vehicles, autonomous vehicles, and the ongoing growth of the Chinese consumer, there are many reasons to be positive. The risk is that the rhetoric and actions of political leaders around the world damage this potential.

The main concern for markets is the crowding of investors into the popular growth and defensive sectors. Valuations for many businesses in these areas are high, but it is the eulogising of some of these companies, particularly in the software and payments sector, that is indicative of a relatively well-developed mania. What is interesting is that the enthusiasm of investors appears to have not been significantly damaged by the poor performance or failure of initial public offerings (IPO) of former high-flying concepts such as Uber (–36% since its May 2019 listing) and WeWork (IPO withdrawn in September 2019).

Net Currency Exposures

CURRENCY	30 SEP 2019	30 JUN 2019	30 SEP 2018
US dollar (USD)	47%	42%	30%
Japanese yen (JPY)	17%	15%	10%
Hong Kong dollar (HKD)	13%	12%	12%
Euro (EUR)	9%	10%	12%
Chinese yuan (CNY)	6%	9%	8%
Korean won (KRW)	6%	5%	6%
Indian rupee (INR)	5%	6%	5%
British pound (GBP)	4%	4%	5%
Canadian dollar (CAD)	3%	2%	3%
Norwegian krone (NOK)	2%	2%	3%
Swiss franc (CHF)	2%	1%	2%
Brazilian real (BRL)	1%	0%	0%
Thai baht (THB)	1%	1%	1%
Danish krone (DKK)	1%	0%	1%
Australian dollar (AUD)	0%	4%	2%
Chinese yuan offshore (CNH)	-16%	-15%	0%

See note 5, page 40. Numerical figures have been subject to rounding.
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/pif.

Platinum Unhedged Fund

Clay Smolinski
Portfolio Manager

Performance

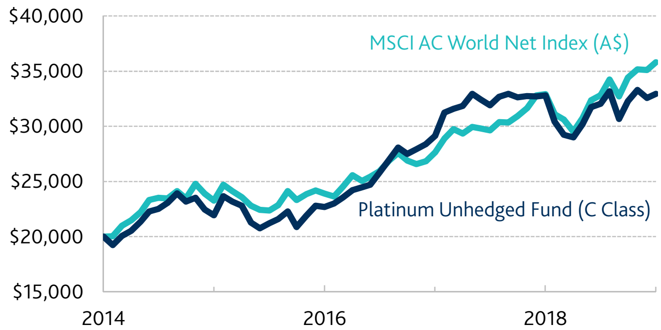
(compound p.a.+, to 30 September 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund*	2%	0%	13%	10%	11%
MSCI AC World Index^	4%	9%	14%	12%	8%

+ Excludes quarterly returns
* 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 40. Numerical figures have been subject to rounding..

Value of $20,000 Invested Over Five Years

30 September 2014 to 30 September 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 40.

The September quarter contained a lot of 'excitement' for asset markets, with a large fall in US interest rates, further escalation of the US-China trade war by the Trump administration, and some large moves in stock prices, particularly for cyclical stocks.

In terms of performance, the Fund (C Class) returned 2.1% in the quarter and 0.5% over the year.

Key performance highlights included:

Micron – Micron is a major manufacturer of DRAM (type of semiconductor memory widely used in modern computers and smartphones), with the DRAM industry currently going through a down cycle. We believe the attractiveness and through-the-cycle profitability of the industry has improved dramatically over the last decade. Competition has consolidated down to three major suppliers, Moore's Law[1] has slowed and the increased cost and difficulty of bringing on new DRAM production has resulted in much more disciplined behaviour from the producers.

So far, the behaviour from the three major producers (Micron, Samsung and SK Hynix) in the current down cycle supports this thesis, with all three taking moves to reduce future supply, by cutting capital expenditure (capex) and diverting production lines to produce other products. Micron's share price has risen 27% in local currency terms since mid-June, as evidence mounted that the fall in DRAM demand is bottoming.

Seven Generations – Seven Generations is a Canadian oil & gas producer with a portfolio of wells that have production efficiencies on par with Tier 1 Assets in the US Permian Basin. The management team, which has focused on growing production for the last five years, is now focusing on generating cash from the existing production base and returning it back to shareholders. In recent months, the stock was trading on a valuation of roughly 5x earnings at a WTI oil price of US$60, which was exceptional value. We added to our position at those valuations, and with the oil price strengthening from its mid-June lows, the stock rose 31% over the quarter.

1 Moore's Law is named after Gordon Moore, co-founder of Intel, who in 1965 predicted that the number of transistors per square inch on a silicon chip would double every year.

As a group, the main detractor from performance was our Chinese stocks, with the prices of a number of our holdings falling 15-20% over the quarter. The main driver of the weakness was not the underlying results of the businesses (which remain solid), but the intensification of the trade war, with the US administration announcing it will apply a 15% tariff to a further US$300 billion of goods from China.

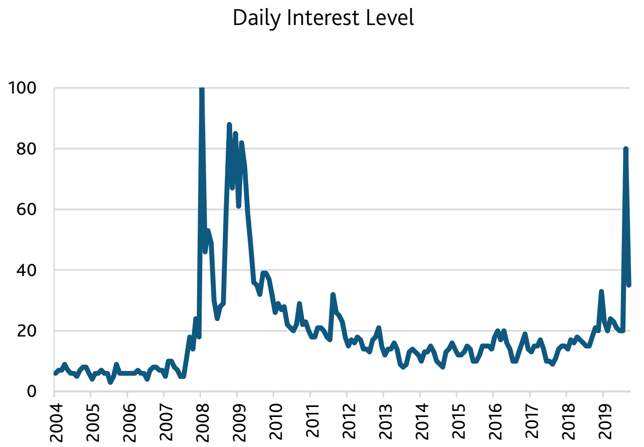
Our holdings in China are almost exclusively domestic-focused businesses, so the relevancy of the tariffs is more about how they may slow the overall Chinese economy and affect confidence, rather than having any direct impact on the individual companies themselves. Given most of our Chinese companies are benefiting from structural growth drivers (i.e. e-commerce, take-up of insurance by the middle class), we believe it's unlikely the tariffs will have a significant influence on their progress.

Commentary

To provide context for the performance of the stocks in the portfolio over the quarter, it's worth explaining the current sentiment and opportunity landscape in stock markets.

The most prominent feature of the macroeconomic environment today is that the global manufacturing/industrial sector is clearly in recession. Here, the trade war has played a role, as companies have delayed capex decisions and chosen to draw down on inventories, both of which result in lower near-term manufacturing orders and activity.

Fig. 1: Fears of a Recession Reached Fever Pitch in August



Source: Google Trends. The chart shows the number of times the term 'recession' is searched on Google worldwide. The daily interest level of 100 represents the peak level of interest over the whole period. In August 2019, the interest level soared to 80 from 20 in July, which was the highest level since 2009. The peak level of interest was recorded in 2008, at the onset of the GFC.

The key question is whether this recession in manufacturing could spread to the much larger services and consumption part of the economy, and create a broader recession. While activity has slowed, for now, the weight of evidence shows the service sector is still expanding. The Institute for Supply Management (ISM) non-manufacturing survey in the US and the Euro area services purchasing managers' index (PMI) have held up, and independent indicators such as parcel volumes, residential property prices and retail sales point to a similar situation in China. In this regard, the current situation has similar characteristics to late 2015, where we had an industrial recession in both China and the US, but the consumer and service economy held firm.

In response to the contraction in the industrial economy, central banks globally have moved to reduce interest rates further. The combination of falling interest rates and weak industrial data drove investor sentiment to extremes, and by August, we had a situation where:

- Investor expectations of an imminent recession had reached fever pitch (see Fig. 1).
- There was universal acceptance that interest rates in the major developed economies would go to zero or negative and remain there 'forever'.
- As investors ran for the exits at any price, many cyclical stocks were pushed down to extremely low prices.

At that time, we chose to buy many of the stocks that were harshly treated.

- In banking, we doubled our position in **Bank of Ireland** and increased our position in **Raiffeisen Bank** by 50%.
- In industrials, we added a new position in Japanese precision components maker **MinebeaMitsumi** and Italian oil refiner **Saras**, and we also added to our holdings in **General Electric**.
- In commodities, we added to our holdings in **Glencore,** copper producer **MMG,** and **Peabody Energy**.

It is worth highlighting that our decision to buy these stocks was not driven by any macroeconomic forecast.[2] Instead, it was based on the underlying value on offer in many stocks (with many on single digit starting P/Es), the quality of the individual businesses, and the extreme level of negative investor sentiment.

2 Most of these companies serve industrial end markets. What we can say about the macroeconomic climate is that given we are already in the middle of a recession for the industrial economy, it is in our view, fair to say that activity levels are suppressed and can improve with time.

To fund these purchases we exited our holdings in **Kweichow Moutai, Erste Group Bank, ICICI Bank, Owens Corning, China Oilfield Services** and **Inpex**. All of these stocks have been solid earners for the Fund, particularly Moutai, which has been one of the best-performing holdings since the Fund's inception.

Outlook

History provides a good reminder that the best-returning areas of the stock market tend to move in cycles, with no industry, geography or investing style dominating returns all of the time. The 1990s was the technology decade, where huge gains were made in the software, internet and telecom sectors. However, the decade from 2000 to 2010 was very different. Over that period, the returns in technology ranged from being a disaster to merely dull; while large gains were made in commodities and real estate - two industries that couldn't have been further from investors' minds during the tech bubble.

Today, with the market's complete embrace of businesses that offer 'perceived safety' or 'high growth', and investors seriously discussing whether 'value investing is dead' one has to wonder if we are at another cycle turning point.

As we detailed in our June report, the valuation divergence within markets has not been this high since the tech bubble. Stocks that have any cyclicality have already been priced at recessionary levels, and taking advantage of this, the Fund continues to be rotated into companies that offer a better risk/reward trade-off.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Applus Services	Spain	Industrials	3.7%
IHS Markit Ltd	US	Industrials	3.6%
Alphabet Inc	US	Comm Services	3.4%
Facebook Inc	US	Comm Services	3.2%
Raiffeisen Bank	Austria	Financials	3.1%
Skyworks Solutions	US	Info Technology	3.0%
Sanofi SA	France	Health Care	3.0%
Jiangsu Yanghe Brewery	China	Consumer Staples	2.8%
ZTO Express Inc	China	Industrials	2.6%
KB Financial Group	Korea	Financials	2.4%

As at 30 September 2019. See note 6, page 40.
Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	30 SEP 2019	30 JUN 2019	30 SEP 2018
US dollar (USD)	39%	38%	34%
Euro (EUR)	16%	14%	14%
Hong Kong dollar (HKD)	14%	13%	17%
Japanese yen (JPY)	10%	9%	7%
Indian rupee (INR)	7%	6%	5%
Korean won (KRW)	4%	4%	4%
British pound (GBP)	3%	3%	3%
Chinese yuan (CNY)	3%	6%	7%
Canadian dollar (CAD)	2%	2%	3%
Norwegian krone (NOK)	1%	1%	3%
Australian dollar (AUD)	0%	4%	2%

See note 5, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Disposition of Assets

REGION	30 SEP 2019	30 JUN 2019	30 SEP 2018
North America	32%	30%	27%
Asia	27%	34%	36%
Europe	21%	17%	18%
Japan	4%	4%	5%
Cash	17%	16%	15%

See note 3, page 40. Numerical figures have been subject to rounding.
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.

Net Sector Exposures ^

SECTOR	30 SEP 2019	30 JUN 2019	30 SEP 2018
Industrials	20%	18%	15%
Financials	14%	16%	16%
Communication Services	14%	13%	12%
Information Technology	12%	10%	8%
Energy	8%	8%	12%
Health Care	4%	3%	3%
Real Estate	4%	4%	3%
Consumer Discretionary	3%	3%	3%
Materials	3%	2%	3%
Consumer Staples	3%	6%	7%
Utilities	0%	0%	3%
TOTAL NET EXPOSURE	84%	84%	87%

^ 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 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Platinum Asia Fund

Joseph Lai
Portfolio Manager

Performance

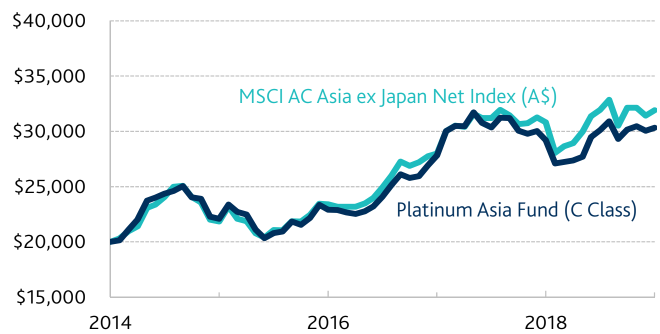
(compound p.a.+, to 30 September 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	0%	4%	10%	9%	14%
MSCI AC Asia ex Jp Index^	-1%	4%	11%	10%	10%

+ Excludes quarterly returns
* 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 40. Numerical figures have been subject to rounding..

Value of $20,000 Invested Over Five Years

30 September 2014 to 30 September 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 40.

It was a lacklustre quarter for Asian markets with the continuing trade dispute between the US and China sapping business confidence.

The Fund (C Class) returned 0.5% over the quarter.

The semiconductor sector was a key contributor to the Fund's performance over the quarter, benefiting from the advent of 5G. Stocks that performed well included **Taiwan Semiconductor Manufacturing** (semiconductor foundry, +14% in local currency terms), **ASM Pacific Technology** (semiconductor equipment manufacturer, +25%) and **SK Hynix** (DRAM manufacturer, +18%).

Stocks that displayed resilient growth characteristics also provided a positive contribution to performance. These included **MicroPort Scientific** (Chinese cardiac stent manufacturer, +22%), **Country Garden Services** (Chinese property management company, +25%) and **Anta Sports Products** (Chinese sports apparel brand, +21%).

The Fund's holding in bank stocks generally detracted from performance, notably **Kasikornbank** (-17%) and **Axis Bank** (-15%), reflecting a global decline in interest rates, impacting their profitability.

Changes to the Portfolio

With many stock markets in Asia trading on attractive valuations, this has opened up a more interesting opportunity set for investors.

During the quarter, the Fund's net invested position increased from 75% to 80% by the end of September (up from a low of 63% in May), as we took advantage of the attractive valuations on offer for very strong secular growth businesses.

A new position was established in Midea Group (biggest home appliances company in the world) during the quarter. Existing stocks added to the Fund included Tencent, Samsung Electronics, Taiwan **Semiconductor Manufacturing**, Axis Bank (India) and Kasikornbank (Thailand). We expect these companies to deliver strong earnings growth even in a difficult global environment.

We exited our positions in Hong Kong related assets (real estate companies, Sun Hung Kai, New World Development and Wheelock & Co, plus Hong Kong Exchange) early in the quarter before the significant sell-off in the market, as we had concluded that the volatile situation in Hong Kong was likely to persist for a while, potentially dimming long-term economic prospects.

Commentary

During the quarter, we undertook an extensive research trip, meeting with numerous companies in China. The key takeaway from the trip was that the pace of reform is accelerating. While the days of rampant growth are over, the more moderate pace of growth is of significantly better quality. *A brief summary of key insights on market trends from our trip is provided at the end of this fund commentary.*

The Fund has accumulated very attractive names that are exposed to the region's growth themes. The companies we have invested in are typically leaders in their respective fields, and are taking market share from competitors. This includes companies in the consumption, internet, insurance, food delivery, sports apparel and financial sectors. They are domestic-oriented businesses and are therefore less impacted by the trade war than export-facing businesses and we expect that they will continue to grow in the next three to five years, irrespective of the global economic environment.

One sector that is the exception though is semiconductors – an export-facing sector that is actually benefiting from the trade war. The deployment of 5G base stations throughout China is evidently starting an 'upcycle' in semiconductors. Smartphone sales have been declining in recent years, as users stretch out their replacement cycle – why replace a perfectly good handset? The arrival of 5G is likely to change this trend however, as it will prompt many to upgrade their handsets.

In addition to the upgrade cycle, developing economies are continuing their take-up of smartphones reflecting falling prices and investment in network infrastructure. Now that the 4G network has been rolled-out, India is adding circa 180 million new smartphone users each year. The same dynamic is driving smartphone adoption elsewhere.

While the global smartphone market has been stagnant over the last few years, it may indeed start to grow again. At present, there are about 3.6 billion smartphone users in the world, and this is expected to grow to 5 billion by 2025, representing 38% growth over the period.[1]

On this basis, we believe the semiconductor cycle can persist for quite a while. Our key exposures are at the epicentre of this huge dynamic - Taiwan Semiconductor (leader in a global duopoly in semiconductor manufacturing), Samsung Electronics (leader in an oligopolistic manufacturing of smartphones and memory), SK Hynix (memory) and ASM Pacific (leader in semiconductor equipment manufacturing).

1 Source: https://www.gsma.com/r/mobileeconomy/

Disposition of Assets

REGION	30 SEP 2019	30 JUN 2019	30 SEP 2018
China^	39%	33%	41%
Hong Kong	7%	13%	4%
Taiwan	5%	4%	2%
India	10%	12%	11%
Korea	10%	9%	13%
Thailand	4%	4%	5%
Philippines	3%	3%	2%
Vietnam	3%	2%	1%
Singapore	0%	0%	1%
Cash	20%	20%	19%
Shorts	-1%	-6%	-1%

^ 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 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures ^

SECTOR	30 SEP 2019	30 JUN 2019	30 SEP 2018
Consumer Discretionary	17%	16%	6%
Financials	15%	20%	24%
Communication Services	15%	14%	13%
Information Technology	14%	10%	6%
Real Estate	5%	10%	7%
Industrials	5%	4%	5%
Other	3%	-2%	1%
Health Care	2%	2%	4%
Energy	1%	0%	10%
Materials	1%	1%	2%
Utilities	1%	1%	1%
Consumer Staples	0%	0%	0%
TOTAL NET EXPOSURE	80%	75%	80%

^ 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 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Outlook

Many central banks have eased interest rates in recent months, including the US Federal Reserve, which is an interesting turning point for the region. The Asian region's interest rate policies are influenced by US policies, and as such, rate cuts there are positive for the region's asset markets and currency values. China has been relaxing monetary and fiscal policies, which is gradually translating into a stabilisation in economic activity.

It is unclear at this stage to what degree the policy changes will stimulate growth. The Fund remains conservatively positioned and we will continue to deploy capital into strong companies with resilient characteristics when appropriate opportunities arise.

Net Currency Exposures

CURRENCY	30 SEP 2019	30 JUN 2019	30 SEP 2018
US dollar (USD)	57%	41%	17%
Hong Kong dollar (HKD)	29%	31%	27%
Indian rupee (INR)	10%	13%	15%
Korean won (KRW)	10%	9%	13%
Taiwan dollar (TWD)	5%	4%	2%
Chinese yuan (CNY)	5%	18%	15%
Philippine peso (PHP)	3%	-5%	2%
Vietnamese dong (VND)	3%	2%	1%
Thai baht (THB)	1%	-1%	5%
Chinese yuan offshore (CNH)	-24%	-15%	0%
Australian dollar (AUD)	0%	2%	2%

See note 5, page 40. Numerical figures have been subject to rounding..
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics	Korea	Info Technology	5.8%
Tencent Holdings	China	Comm Services	5.5%
Taiwan Semiconductor	Taiwan	Info Technology	5.1%
Alibaba Group	China	Cons Discretionary	5.0%
Ping An Insurance	China	Financials	3.4%
AIA Group Ltd	Hong Kong	Financials	3.0%
Meituan Dianping	China	Cons Discretionary	2.9%
Vietnam Enterprise	Vietnam	Other	2.9%
Kasikornbank PCL	Thailand	Financials	2.8%
Axis Bank Limited	India	Financials	2.7%

As at 30 September 2019. See note 6, page 40.
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 Research Trip

Economic transformation continues apace

During September, members of the Platinum Asia team travelled to China to meet with a number of companies and industry contacts as part of our extensive research program. Our observation was that economic activity remains robust, particularly in investment in urbanisation and consumption growth.

Across China, **intra-city rail and road investments** are connecting various cities, forming highly efficient 'city clusters' such as the Greater Bay area in the south, and Beijing-Tianjin-Hebei area in the north, with each supporting hundreds of millions of people and generating significant economic output.

In Changsha, we visited Jinmao's **Meixi Lake City Operations** project, where it converted 1,800 hectares of vineyards and wetlands into prime real estate. The new district houses half a million inhabitants, replete with 11 schools, four hospitals, shopping malls, offices and an iconic opera house. Due to a much-improved city planning process, the apartments typically sell for double the price of apartments in surrounding areas. Investment in these large urbanisation projects is also evident in cities like Chongqing and Chengdu.

Not only has the quality of investment improved, a focus on the environment is also apparent. Water mist sprinklers and noise reduction walls were installed on a number of construction sites, and thanks to the nationwide upgrade of emission standards, the older polluting factories were retired early.

The **technology** sector is developing quickly. China's 5G deployment has begun in earnest, despite a restriction on semiconductor exports from the US, as alternative component providers have been found. Performance of these alternatives is comparable to the US product and the cost may actually be lower as volume ramps up. This is fuelling a rapid development of the domestic supply chain.

On the **consumption** front, there is greater effort to improve the consumer experience and encourage domestic consumption. The diagou channel (where syndicated groups of exporters outside of China purchase goods for customers in China) has been popular for Chinese consumers to access foreign products in the past, but it has struck a few hurdles – mainly product authenticity, tax avoidance and empty shelves in foreign shops, upsetting the locals.

To reduce the volume of goods sold via the daigou channel, customs officials are now screening inbound parcels more vigorously. Import duties have been reduced across many categories, especially on luxury cosmetics, to encourage imports via formal channels. Foreign brands are also opening stores more aggressively in China, with US brands such as **Estee Lauder** and **Tiffany & Co** establishing a local presence. In particular, Tiffany & Co unveiled its largest exhibition store in Shanghai in September and opened its first online store in China.

In the era of **e-commerce**, the sustainability of brick-and-mortar stores could be questioned. However, we visited a newly refurbished RT-Mart store in Shanghai that is combining the best of what online and offline has to offer. RT-Mart is the largest 'hypermarket' (supermarket and department store combined) chain in China with 485 big-box stores. The extensive product range includes fresh food, groceries and other consumer items.

RT-Mart has partnered with **Alibaba**, thereby gaining access to Alibaba's user data, customer insights, supply-chain management, retail technologies and the powerful electronic payment system Alipay. This allows them to gain insights into products that local consumers want, maximising their sales per square metre. It also helps the e-commerce experience by setting aside an area for products that allow customers to 'touch and feel' (e.g. private label homeware and baby products).

Products can be purchased in store or delivered home. The store layout is designed for this flexibility, with overhead conveyer rails carrying electronically tagged bags of groceries or fresh food for packing and delivery, like a conveyor belt. Most orders are typically **shipped within 10 minutes of ordering**, and one-hour delivery is offered for orders within a 3-kilometre radius.

The refurbished stores are showing 10% year-over-year same-store sales growth, and double-digit growth in fresh food segments. Bearing in mind that only less than half of fresh food purchased is done via modern channels, this new store format shows a great deal of promise, revolutionising the idea of what wet markets (fresh meat, fish and other perishables) look like in this rapidly transforming country.

Platinum European Fund

Nik Dvornak
Portfolio Manager

Performance

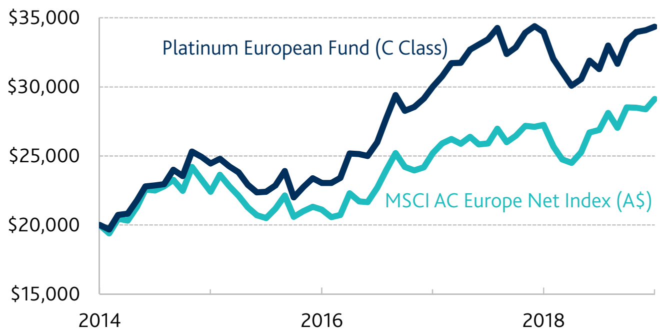
(compound p.a.+, to 30 September 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	3%	1%	14%	11%	12%
MSCI AC Europe Index^	2%	7%	11%	8%	3%

+ Excludes quarterly returns.
* 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 40. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

30 September 2014 to 30 September 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 40.

The Platinum European Fund (C Class) returned 3% over the quarter.

The European economy appears healthy. Unemployment is falling, wages are rising significantly faster than inflation and private sector credit continues to recover. However, investors and policy makers are concerned that weakness in the manufacturing sector will spread to the services sector.

During the quarter, bond yields fell significantly in anticipation of further monetary stimulus. This came in September, with the European Central Bank (ECB) announcing further cuts to interest rates and a new bond-buying scheme.

Slower growth and falling interest rates motivate investors to pay ever-higher prices for defensive stocks and growth stocks, while avoiding cyclical stocks. Utilities, consumer staples and healthcare were, therefore, the best-performing sectors during the quarter, while energy and materials were the worst-performing sectors.

Despite the unfavourable backdrop, most of our holdings appreciated during the quarter. Some of our better-performing positions included:

- **Pandora** (Danish jewellery manufacturer and retailer, +18% over the quarter in local currency terms) which reported sales results that were better than feared and provided a positive update on the new management team's progress in reinvigorating the brand.
- **Qiwi** (Russsian electronics payment network, +12%) which continued to report strong results in its core payments business and is making marked progress in getting its loss-making new ventures to break even.
- **Infineon Technologies** (German semiconductor, +6%) which rebounded amid an improved outlook for new power semiconductor orders from the troubled automotive and consumer electronics end-markets.

Bank of Ireland (-21%) was our worst-performing position. Investors fled European banks, fearing that falling interest rates will compress margins further, while Brexit concerns dialled up a notch following the ascent of Boris Johnson and the 'Brexiteer' faction within the governing Conservative Party.

Changes to the Portfolio

During the quarter, we significantly increased our position in Bank of Ireland.

We believe the economic backdrop for this business is favourable with the Irish economy having many merits. The country is a gateway to the European market. The workforce is well educated and highly competitive. Government policy and the regulatory environment are conducive to enterprise and foreign investment. Gross domestic product is growing over 5% p.a., incomes are rising and unemployment is falling. Housing supply is struggling to keep pace with demand. After many years of credit contraction, loan growth is now finally returning to Ireland.

Investors have two main concerns with this stock. Firstly, they fear that falling interest rates will compress profit margins regardless of the economic backdrop. Secondly, they worry that Europe may sink into recession and drag Ireland with it.

A bank's vulnerability to negative interest rates is heavily influenced by how competitive the market is. Ireland is a four-bank market, dominated by two large banks. All four banks are owned by listed entities; mutuals, credit unions and cooperatives do not play a significant role in the Irish market. Consequently, pricing is rational and Bank of Ireland's lending margins are comparable to those of the best Australian banks, half a decade of negative interest rates notwithstanding.

As for recession risk, it's worth remembering that during 2007-2014, Irish gross national product[1] fell as much as 10%, unemployment quadrupled to 16% and house prices halved. Consequently, many borrowers defaulted on their loans. The flip side to this however, is that the only borrowers left are those who did not default, making them as solid as they come. New borrowers face far more stringent underwriting criteria today. Despite carrying a fraction of the risk, the bank holds considerably more capital than it did in 2007.

Trading on 6x earnings and 0.4x book value, we believe Bank of Ireland offers exceptional value.

Outlook

The contraction in manufacturing is depressing consumer and business confidence. While the services sector remains resilient for now, the risk of contagion looms large. Bond yields are currently very low and most investors now expect them to remain at these levels indefinitely. Meaningful increases in interest rates seem just as unimaginable today as they seemed inevitable a year or two ago.

1 Includes net income from abroad.

Disposition of Assets

REGION	30 SEP 2019	30 JUN 2019	30 SEP 2018
Germany	16%	15%	21%
Norway	13%	11%	10%
Switzerland	11%	10%	11%
United States*	9%	7%	3%
Romania	8%	6%	2%
Spain	7%	7%	7%
Austria	7%	7%	8%
United Kingdom	7%	9%	12%
Ireland	5%	3%	2%
France	4%	5%	3%
Italy	3%	2%	3%
Poland	3%	3%	0%
Denmark	2%	2%	2%
Russia	2%	2%	3%
Netherlands	1%	0%	0%
Hungary	0%	1%	2%
Cash	4%	10%	13%
Shorts	-16%	-20%	-1%

* Stocks that are listed on US exchanges, but whose businesses are predominantly conducted in Europe.
See note 3, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures ^

SECTOR	30 SEP 2019	30 JUN 2019	30 SEP 2018
Industrials	23%	21%	22%
Financials	19%	18%	19%
Health Care	14%	14%	10%
Consumer Discretionary	12%	8%	9%
Energy	8%	9%	8%
Materials	5%	5%	7%
Information Technology	5%	5%	4%
Communication Services	4%	3%	7%
Real Estate	1%	1%	1%
Consumer Staples	-3%	-2%	-1%
Other*	-8%	-11%	0%
TOTAL NET EXPOSURE	81%	71%	86%

^ 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 40. Numerical figures have been subject to rounding.
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	30 SEP 2019	30 JUN 2019	30 SEP 2018
Euro (EUR)	36%	34%	37%
Swiss franc (CHF)	19%	21%	11%
Norwegian krone (NOK)	13%	15%	14%
British pound (GBP)	13%	11%	13%
US dollar (USD)	10%	5%	7%
Romanian leu (RON)	4%	3%	2%
Polish zloty (PLN)	3%	3%	0%
Danish krone (DKK)	2%	2%	2%
Australian dollar (AUD)	0%	4%	0%
Czech koruna (CZK)	0%	0%	11%
Hungarian forint (HUF)	0%	1%	2%

See note 5, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Raiffeisen Bank	Austria	Financials	4.9%
Booking Holdings	US	Cons Discretionary	4.7%
Roche Holding	Switzerland	Health Care	4.2%
Fondul GDR	Romania	Other	3.9%
IHS Markit	US	Industrials	3.8%
Applus Services	Spain	Industrials	3.7%
Golden Ocean Group	Norway	Industrials	3.7%
Banca Transilvania	Romania	Financials	3.7%
Schibsted ASA	Norway	Comm Services	3.7%
Glencore	Switzerland	Materials	3.5%

As at 30 September 2019. See note 6, page 40.
Source: Platinum Investment Management Limited.

In this weak growth and low yield environment, businesses with defensive earnings or high growth prospects command very high valuations. Those with cyclical earnings are deeply out-of-favour.

This paradigm can change. Calls for fiscal stimulus are growing ever louder. The beneficiaries of fiscal stimulus may differ from those that benefited from monetary easing. Looking further afield, Chinese growth may pick up as the economic reform process begins to yield benefits or policy makers implement additional stimulus. Finally, manufacturing recessions typically do not last long and the current one is occurring against the backdrop of high rates of employment and income growth.

Meanwhile, we are finding many attractive opportunities among the cyclicals. Valuation is the ultimate leveller and on present estimates, we are optimistic about the risk-reward trade-off for our portfolio. The above paradigm does not need to change for our investments to perform well at ***current valuations***.

Platinum Japan Fund

Scott Gilchrist
Portfolio Manager

Performance

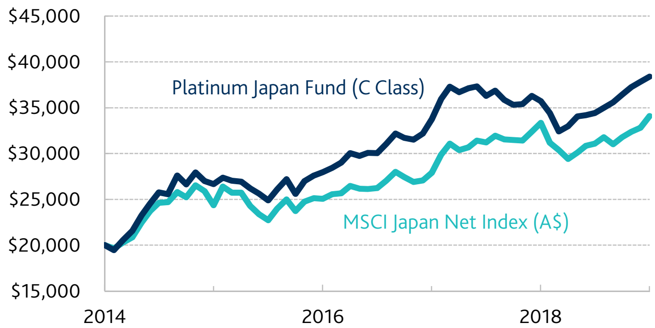
(compound p.a.+, to 30 September 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund*	5%	7%	11%	14%	14%
MSCI Japan Index^	7%	2%	11%	11%	3%

+ Excludes quarterly performance.
* 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 40. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

30 September 2014 to 30 September 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 40.

The Fund (C Class) returned 5.4% for the quarter and 7.4% for the year.

The Fund was conservatively positioned for most of the quarter, as it has been for the last 12 months, with an average 68% net invested position. Stocks that provided a positive contribution to performance during the quarter included **Oracle Corporation Japan** (+19% over the quarter in local currency terms), **ZOZO** (+22% to the date of exiting the position in late September), **Itochu** (+8%), **Lixil Group** (+12%) and **Toyota Motor Corp** (+8%). The short position in **Celltrion Inc** (-20%) also contributed to performance.

A stronger Japanese yen, especially relative to the Australian dollar, also contributed to the Fund's performance over the quarter and year, as did a weaker Australian dollar relative to the US dollar.

As discussed in last quarter's report, the market is projecting a deflationary environment and thus bidding up the prices for companies with predictable growth and dependable earnings. This is an awkward environment when valuation is such an important part of an investment process.

This current market environment is presenting many opportunities and the portfolio is gradually shifting to a mix of high-quality companies at multi-decade low valuations and reasonably priced growth companies. This shift accelerated during the quarter.

Commentary

The global debate around deflation, interest rates, debt and sustainable economic growth rates continues to ebb and flow. Japan's corporations and consumers are very familiar with a deflationary environment. Highlighting how the Japanese economic outcome is spreading, Korea's consumer price index fell for the first time in its history. The twin effects of low-cost labour in the developing world and technology-driven disruption in the West are the key factors behind this broad deflationary impulse in any product or sector which faces competition. Many sectors, which previously seemed protected, are now seeing encroachment.

One of the major talking points during the quarter were the ructions in the overnight repurchase market, or repo market on Wall Street, where the median rate soared from its usual

Disposition of Assets

REGION	30 SEP 2019	30 JUN 2019	30 SEP 2018
Japan	84%	84%	74%
Korea	5%	5%	3%
Cash	11%	11%	24%
Shorts	-13%	-26%	-10%

See note 3, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures ^

SECTOR	30 SEP 2019	30 JUN 2019	30 SEP 2018
Consumer Discretionary	19%	20%	12%
Information Technology	13%	12%	6%
Industrials	12%	9%	12%
Communication Services	11%	19%	13%
Materials	7%	7%	7%
Health Care	6%	3%	5%
Energy	5%	3%	5%
Financials	2%	3%	9%
Real Estate	0%	0%	1%
Consumer Staples	-2%	-2%	-2%
Other*	0%	-10%	0%
TOTAL NET EXPOSURE	75%	63%	67%

^ 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 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	30 SEP 2019	30 JUN 2019	30 SEP 2018
Japanese yen (JPY)	102%	97%	94%
US dollar (USD)	15%	15%	12%
Korean won (KRW)	3%	3%	3%
Australian dollar (AUD)	-20%	-16%	-10%

See note 5, page 40. Numerical figures have been subject to rounding.
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.

band of 2-2.25% to 5.25% in mid-September. The repo market is a key borrowing market in the US, used by banks and financial counterparties for short-term funding. The shortage of liquidity temporarily sent rates sharply higher, requiring the US Federal Reserve to step in and inject liquidity back into the system (by buying US bonds). This event and the subsequent discussion highlighted the lack of visibility in many markets, and the complexity of the highly leveraged global financial system.

This combination of deflation and system complexity gives rise to an important concept: most of our lived experiences are not a good frame of reference for the current environment. There are some episodes in the last few hundred years, which are perhaps analogous, but while history is an important guide, each episode or phase has its own unique characteristics. It's further complicated by the raw immediacy of living through the events, which brings a multitude of human biases into effect. In some past episodes, up to half of the value of the starting capital base was written down.

This year's annual report from **Itochu** highlights the uniqueness of Japan. The CEO wrote an extensive letter containing this sentence: "Each year, in the week after our General Meeting of Shareholders in June, I go to Otani Honbyo in Kyoto to visit the graves of Chubei Itoh I and II, where I make an annual management report."

He goes on to write, "...for example, every April we hold a Special Headquarters management Committee meeting, where we set the management plan for the fiscal year. Ten years ago, the documentation for this meeting ran to around 500 pages. We have gradually whittled this number down to just a fifth, or around 100 pages. We also shortened the meeting from three days to one. .....Nowadays, we start

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Takeda Pharma	Japan	Health Care	5.0%
Oracle Japan	Japan	Info Technology	4.5%
Rakuten Inc	Japan	Cons Discretionary	4.1%
Itochu Corporation	Japan	Industrials	3.6%
Japan Physical Gold ETF	Japan	Materials	3.4%
Nintendo Co	Japan	Comm Services	3.4%
JXTG Holdings	Japan	Energy	3.2%
Kyocera Corp	Japan	Info Technology	3.1%
Canon Inc	Japan	Info Technology	3.0%
Kangwon Land	Korea	Cons Discretionary	2.9%

As at 30 September 2019. See note 6, page 40.
Source: Platinum Investment Management Limited.

acting right after the meeting ends. Instead of simply accepting the status quo, we continue to press forward".[1]

We have met with Itochu management regularly over the years and have developed a good understanding of the progression of their corporate behaviour over the last three decades, in particular the continual business and profitability transformation of the last decade under CEO Okafuji. The current market valuation of a P/E of 7x and dividend yield of 4% implies a return to their former sub-optimal behaviours.

MinebeaMitsumi has a 60% global market share for miniature ball bearings. Last year it produced almost 2.4 billion of these products.

In its latest annual report, MinebeaMitsumi's CEO Yoshihisa Kainuma states: "In the past ten years, we have built up a successful track record including 17 M&As both in Japan and overseas. Implementation of these M&As contributed to an increase of approximately 500.0 billion yen in consolidated net sales. We recorded approximately 15.0 billion yen in goodwill, but with the recording of negative goodwill on certain M&As, net goodwill was just 0.3 billion yen".[2]

If you don't own parts of some of the best businesses in the world, which just happen to be valued at multi-decade low valuations in the cheapest developed market in the world, then what do you own?

Outlook

It's a common belief amongst the dominant news and economic media outlets that Japan's future is dull. This mode of thinking permeates the words, speech and subtext of Western culture and infects the rest. The majority of these accepted mantras are easily proven false. The core of the misrepresentation lies in the short time period used to frame the discussion and the adoption of an easily available template. With North American markets at historically high valuations after a multi-decade bull market it's hard to conceive their return to prior periods of neglect seen last century, even though the conditions and catalysts are already in place. Behavioural finance, valuations, history and contrarian thinking all suggest that investing in Japan should produce strong investment returns over most future timeframes.

The Fund commenced investing in Japan in the market trough of June 1998. Over the subsequent two decades, the Fund has returned 14.3% compound p.a. for a cumulative return of 1,621% (as at 30 September 2019). Over the same time period, the broad Japanese market returned 3.2% compound p.a. for a cumulative return of 93.6%. The Topix Index in June 1998 was roughly 1200, not far below today's level of 1600.

Since its inception, the Fund has experienced three multi-year episodes of significant returns. The first two episodes were followed by an extended fallow period. The last seven years have not been fallow with a compound return of 20.8% p.a., or a cumulative return of 274.9%.

As illustrated by the above quotes from the CEOs of Itochu and MinebeaMitsumi, Japan abounds in cheap investment opportunities combined with management that charts their own path, often far from global norms. A recent presentation highlighted the dramatic rise in shareholder activism and private equity agitation against Japanese companies. This is against a backdrop of continuing improvement in corporate governance, domestic pressure for improved financial performance and the need for higher dividends in an environment of low interest rates. Future returns are unlikely to be what your personal investment experience would lead you to expect, and are unlikely to be the same as those found in other regions, perhaps even diametrically opposed.

In contrast to the clear opportunity, sentiment towards the Japanese stock market is weak. Foreigners have been selling Japanese equities consistently for the last few years. Locals have been building their cash positions and they now hold many trillions of yen in bank deposits earning zero interest. They will presumably soon be confronted with negative rates as seen in other regions.

After an extended period of global uncertainty, it appears as though one of the underlying concerns has been partially addressed through the provision of bountiful short-term US dollar liquidity to global markets. The destination of liquidity is never certain. Many underlying issues remain to be addressed, but perhaps the rise of Modern Monetary Theory's veiled confirmation of the government's monopoly on the issue of money and thus their implicit ability to set the price level across the economy is a broad pacifier. Increasingly, global central banks are acting as liquidity providers of the first resort.

The ever-changing fads, whims and fashions of human behaviour are a constant, which is particularly evident and powerful in Japan. When combined with the current unsettled economic environment, these ebbs and flows of investor psychology present a broad range of investment opportunities at prices that are both rare and attractive. This is most certainly the case today, even after a long stretch of good performance by the Fund.

1 Source: https://www.itochu.co.jp/en/ir/doc/annual_report/index.html

2 Source: https://www.minebeamitsumi.com/english/corp/environment/integrated_report/

Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

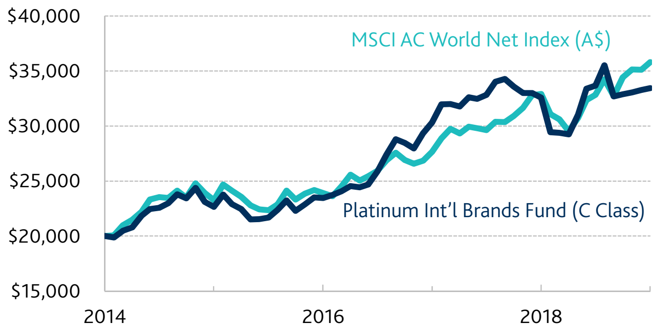
(compound p.a.⁺, to 30 September 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	2%	3%	13%	11%	12%
MSCI AC World Index^	4%	9%	14%	12%	4%

⁺ Excludes quarterly returns.
* 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 40. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

30 September 2014 to 30 September 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 40.

Performance

Global equity markets had another positive quarter, returning 4%. The market aggregates mask significant variance in performance. The so-called 'defensive' consumer staples and utility stocks were the clear winners as investors fretted about the global growth outlook. Interestingly, these stocks decoupled from the highly valued high-flying growth names typified by the software-as-a-service (SaaS) stocks, with the latter continuing their August sell-off through to the end of the quarter, even as the defensives rebounded. Retail stocks were highly volatile. With this market backdrop, the Fund (C Class) delivered a reasonably respectable 1.7% return for the quarter, given our average 72% net long exposure and lack of consumer staples holdings.

During the quarter, we benefited from the strong performance of our position in **WW International** (the former Weight Watchers, +98% in the quarter). Home and décor superstore-owner **At Home Group** rebounded +44% from severely depressed levels, **Kontoor Brands** (owner of the Lee and Wrangler jeans brands) appreciated 25% reflecting a depressed valuation, and **Anta Sports Products** (Chinese sports shoes and apparel) and **Meituan Dianping** (Chinese food delivery and lifestyle services app) appreciated 21% and 17% respectively.

Our short positions were a key detractor from performance in the quarter, costing us -1.8%. On the long side, weaker performers included **Axis Ban**k (-15%) as fears for the Indian economy increased, underwear-maker **Hanesbrands** (-11%) as worries about its department store distribution channel resurfaced, and the Chinese auto dealers **Zhengtong** (-30%) and **Yongda** (-10%) as Chinese vehicle sales disappointed and Zhengtong's results failed to keep pace with its peers.

Commentary

In previous quarterly reports, we have discussed the changes in consumer behaviour that pose major challenges to brand owners. E-commerce and digital media are simultaneously stimulating the fragmentation of consumer wants, while providing the mechanisms by which niche brands succeed. In this environment, legacy retailers must invest heavily in e-commerce, in an attempt to stay relevant that will be costly and in many cases unsuccessful.

Large fast-moving-consumer-goods companies could previously rely on their scale to dominate mass media and the supermarket shelves, but these barriers to entry for upstart brands are eroding as they can now utilise inexpensive targeted digital marketing to acquire customers, while supplying product via shelf-space that is practically infinite. Smaller local players and niche brands also have the advantage of being able to operate with much greater speed in developing products and new marketing approaches when compared to the process-driven and bureaucratic multi-national behemoths, while appearing more 'authentic' to consumers. All this while supermarkets increasingly push their own private label products, as well as fresh produce and prepared meals.

In light of the above observations, we can effectively categorise our stock universe into the following groupings:

1. **Disruptors** – the drivers of digital disruption and surfers of the e-commerce wave, including digital platforms (e.g. Amazon, Uber, Zalando); as well as upstart, on-trend, and/or digitally-native brands (e.g. Beyond Meat, Fevertree, Tesla).
2. **Thrivers** – existing brands that are unaffected by the digital migration, or can manage the transition from offline to online relatively easily, or even benefit from the transition (e.g. Sberbank Russia, Nike, Costco).
3. **Survivors** – existing brands that face challenges from digital disruption and changing consumer preferences, but still have a reason to exist and should survive the onslaught without huge falls in profit (e.g. Coca-Cola, Hanesbrands, BMW).
4. **Untouchables** – the legacy brands with questionable relevance longer term. These companies face a future of constant struggle and declining profitability, resulting in bankruptcy for many (e.g. department stores, many specialty retailers, several auto manufacturers).

In taking our positions, we consider these high level trends as well as the micro factors, such as the quality of a business, its management and growth potential, and then place a good deal of weight on how its stock is valued relative to our view of these fundamental qualities.

It is a mathematical fact that our expected return decreases as a company's valuation increases relative to the sum of its future cash flows. Further, the greater the starting valuation, the more our potential losses are magnified if our rosy expectations for the future turn out to be overstated, or if the market's expectations suddenly turn less rosy. With these points in mind, the positioning outlined below should make intuitive sense.

We have a large exposure to **Disruptors** (around **45%** of the Fund), primarily where the valuation does not properly reflect the growth potential or there are worries that a temporary setback is permanent (e.g. ASOS, Carvana, Alibaba). We own **Thrivers** (around **25%** of the Fund) where the market has concerns around geopolitical or macro-economic risks that we consider overstated (e.g. Sberbank Russia, Axis Bank, Melco International). We own **Survivors** (around **20%** of the Fund) that the market has valued as Untouchables (e.g. Foot Locker, Pandora, BMW). We do not own stocks we consider to be Untouchables, and indeed have short positions against some stocks we would put in this category that the market has valued more in line with how it values Survivors or even Thrivers. We also have **short positions** in overvalued Disruptors with deteriorating competitive positions, and Survivors that are valued as if they are Thrivers or even Disruptors.

Disposition of Assets

REGION	30 SEP 2019	30 JUN 2019	30 SEP 2018
Asia	42%	34%	35%
North America	27%	23%	23%
Europe	17%	17%	17%
Japan	8%	8%	12%
South America	0%	0%	2%
Cash	8%	20%	12%
Shorts	-20%	-22%	-19%

See note 3, page 40. Numerical figures have been subject to rounding.
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	30 SEP 2019	30 JUN 2019	30 SEP 2018
Consumer Discretionary	37%	24%	25%
Communication Services	23%	19%	17%
Financials	9%	10%	9%
Industrials	4%	4%	5%
Real Estate	1%	1%	1%
Consumer Staples	0%	2%	10%
Health Care	0%	0%	3%
Information Technology	0%	0%	1%
TOTAL NET EXPOSURE	73%	60%	71%

^ 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 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

So, how does this explain our longer-term performance?

The key drivers of stock prices in the Fund's universe have been investor fears around digital disruption and macroeconomic exposure (e.g. trade war impacts, slowing US consumer), as well as the environment of low and falling interest rates. In many cases, investors currently seem quite willing to ignore valuation risk in order to hold defensive or fast-growing companies that are perceived as safe in uncertain times.

We have generally not owned the expensive defensive brands, and have found compelling reasons to hold short positions in this area given secular challenges and deteriorating competitive positions. While some of these positions have worked out favourably, the upward march of valuations in this space has more than offset these wins. We have also been less likely to own US stocks in favour of Chinese holdings that are much more attractively valued. These holdings have underperformed as investors have sought the perceived safety of US stocks. Additionally, we have avoided the much-hyped consumer growth stories such as Beyond Meat (valued at 37x this year's sales) and Ferrari (trading on 36x P/E).

Changes to the Portfolio

We continued to trim a number of strong performers, including Facebook, Zalando, Alphabet, Ally Financial and Melco International. We also topped up positions that had sold off to levels we felt were attractive during periods of volatility, such as Hanesbrands, At Home, Autohome, Stars Group and Alibaba. Additionally, we exited the remainder of our positions in delivery operator Takeaway.com (+54% appreciation from first purchase), online classifieds player Adevinta (23% return post spin-off from Schibsted to exit), as well as Gucci-owner Kering (+14% 12-month return to exit) and its rival LVMH (+28% 12-month return to exit) as the stocks appreciated to levels that were no longer attractive.

New positions established included WW International (a Thriver) after the market over-reacted to cyclical subscriber losses, Chinese live-streaming platform and dating app owner Momo (a Disruptor), as well as Survivors valued as Untouchables (Kontoor Brands, and Foot Locker).

Outlook

We continue to uncover attractive opportunities to deploy capital thanks to the extremes in market positioning between the highly valued on-trend brands and defensive stocks on the one hand, and on the other, stocks that are attractively valued due to the market over-weighting concerns as to their future – whether macroeconomic, regulatory, or structural. Portfolio positioning is conservative at 73% net long because of the opportunities on the short side provided by the extreme dispersions in valuation. The value in the Fund's holdings is quite apparent to us, even in the cases of those stocks demonstrating the weakest recent performance. This places us well going forward.

Net Currency Exposures

CURRENCY	30 SEP 2019	30 JUN 2019	30 SEP 2018
US dollar (USD)	48%	44%	47%
Euro (EUR)	23%	23%	25%
Hong Kong dollar (HKD)	12%	12%	13%
Chinese yuan (CNY)	6%	6%	3%
Japanese yen (JPY)	4%	4%	-1%
British pound (GBP)	4%	3%	1%
Norwegian krone (NOK)	4%	3%	4%
Indian rupee (INR)	2%	3%	4%
Turkish lira (TRL)	2%	1%	0%
Canadian dollar (CAD)	1%	1%	1%
Danish krone (DKK)	1%	0%	0%
Australian dollar (AUD)	0%	6%	0%
Chinese yuan offshore (CNH)	-6%	-6%	0%
Brazilian real (BRL)	0%	-1%	1%

See note 5, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Meituan Dianping	China	Cons Discretionary	5.1%
Alphabet Inc	US	Comm Services	4.2%
Autohome Inc	China	Comm Services	3.9%
Alibaba Group	China	Cons Discretionary	3.8%
Lixil Group	Japan	Industrials	3.7%
Facebook Inc	US	Comm Services	3.6%
Kweichow Moutai	China	Consumer Staples	3.3%
Tencent Holdings	China	Comm Services	3.0%
Stars Group Inc	Canada	Cons Discretionary	3.0%
Sina Corp	China	Comm Services	3.0%

As at 30 September 2019. See note 6, page 40.
Source: Platinum Investment Management Limited.

Platinum International Health Care Fund

Bianca Ogden
Portfolio Manager

Performance and Changes to the Portfolio

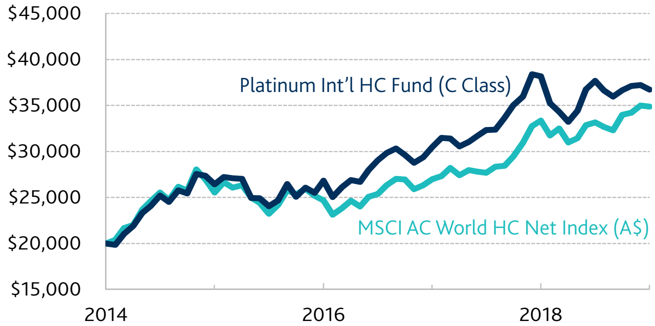
(compound p.a.+, to 30 September 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	0%	-4%	11%	13%	10%
MSCI AC World HC Index^	3%	5%	12%	12%	9%

+ Excludes quarterly returns.
* 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 40. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

30 September 2014 to 30 September 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 40.

The Fund (C Class) has delivered a disappointing return over the quarter and the last 12 months. Our European pharmaceutical (pharma) holdings performed well, while a number of our biotechnology (biotech) investments had a dismal quarter and year. The US small biotech index declined by more than 13% over the quarter and is down 20% for the year, while the US medical device index is up 9% for the year, highlighting the dispersion within the healthcare sector.[1]

French pharma company, **Sanofi** provided a positive contribution to performance (+12% over the quarter in local currency terms). The company welcomed its new CEO, Paul Hudson during the quarter. As we have witnessed at other pharma companies, such executive change can make all the difference. Sanofi now has a British pharma executive at the helm, a French CFO with a history in the auto industry, and a head of R&D who joined from Roche. The diabetes sales issues are well understood, the company has cleaned-up some of its equity holdings and the CEO is considering the future of the consumer division. In the end, however, the company needs to reinvigorate the R&D engine in order to significantly lift its valuation.

Swiss pharma and diagnostics company, **Roche** (+6%) continued its steady rise, gradually releasing new data for its products and pipeline, while dealing well with competing biosimilar products. The company also highlighted its strength in diagnostics, which will take centre stage in the era of personalised medicine.

SpeeDx (+51%), our Australian-based private diagnostic holding, completed a successful funding round at an increased valuation with a US venture capital fund. The company develops tests to pinpoint resistance to viral and bacterial infections and hence provide a guide to the best treatment. SpeeDx collaborates with American-based molecular diagnostics company, Cepheid (part of Danaher) and recently received CE-IVD Marking (certification that the medical device complies with the European safety and environmental requirements) for the ResistancePlus MG[2] FleXible cartridge, which uses SpeeDx's technology. In addition, SpeeDx has started selling two custom tests to US LabCorp.

1 SPDR S&P Biotech ETF and iShares U.S. Medical Devices ETF, respectively
2 Mycoplasma genitalium (sexually transmitted disease).

Telix Pharmaceuticals (+27%), another Australian biotech, is gradually making inroads with its targeted radiation portfolio. Radiation has been used in oncology for over a century; the challenge has been to deliver it in high dosages to cancer cells while sparing healthy tissue. Telix uses antibodies that are specifically for a tumour antigen to deliver radiation. These radiation-conjugated antibodies also function as a diagnostic, via a PET scan the cancer can be illuminated, assisting in identifying the size of the tumour, where it is in the body and if it has spread. Telix is progressing its asset to treat prostate cancer, while also gaining commercial acceptance of its diagnostic assets. On a global basis, the Telix valuation is appealing.

The Medicines Company (+37%) and **Alnylam Pharmaceuticals** (+11%) presented positive data on inclisiran during the quarter. In 2013, The Medicines Company licensed inclisiran from Alnylam. Inclisiran is a long-acting small interfering RNA[3] (siRNA) that prevents the synthesis of the PCSK9 protease. This protease plays a role in the cholesterol cycle and its inhibition results in lowering cholesterol. Commercially there are two anti-PCSK9 antibodies approved, however pricing has been a stumbling block to date; a long-acting siRNA has the opportunity to disrupt this market.

Apart from the stocks mentioned above, biotechs were generally disappointing over the quarter. The upcoming US election is placing the focus on US drug prices and making investors nervous. We are also seeing more diligent trade regulators delaying the review and approval of acquisition deals and several biotechs have tapped the market for additional capital. With this backdrop, any biotechs that lack positive newsflow are seeing their valuations decline significantly, which is further amplified by the significantly reduced analyst coverage over the last year for these smaller companies. Several of our biotech holdings fall into this group. In the long term, we believe this will be an advantage for us, but for now, volatility has risen significantly. We have been trimming a number of these biotechs but with some trading below cash levels we do see a lot of value at these levels.

3 Ribonucleic acid (RNA) is a polymeric molecule essential in various biological roles in coding, decoding, regulation and expression of genes.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
SpeeDx Pty Ltd	Australia	Biotechnology	5.5%
Sanofi SA	France	Pharmaceuticals	3.6%
Roche Holding AG	Switzerland	Pharmaceuticals	3.5%
Takeda Pharma Co	Japan	Pharmaceuticals	3.3%
Telix Pharmaceutical	Australia	Biotechnology	2.5%
Gilead Sciences Inc	US	Biotechnology	2.4%
Zai Lab Ltd	China	Biotechnology	2.3%
Almirall SA	Spain	Pharmaceuticals	2.2%
Quanterix Corp	US	Life Sciences T&S	2.0%
Coherus Biosciences	US	Biotechnology	2.0%

As at 30 September 2019. See note 6, page 40.
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	30 SEP 2019	30 JUN 2019	30 SEP 2018
North America	33%	37%	35%
Europe	26%	27%	29%
Australia	14%	11%	12%
Japan	6%	5%	3%
Asia	5%	5%	2%
Cash	16%	16%	19%
Shorts	-4%	-6%	-1%

See note 3, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 SEP 2019	30 JUN 2019	30 SEP 2018
Health Care	80%	77%	79%
Financials	0%	0%	1%
Consumer Staples	0%	1%	0%
TOTAL NET EXPOSURE	80%	78%	79%

See note 4, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	30 SEP 2019	30 JUN 2019	30 SEP 2018
US dollar (USD)	45%	50%	41%
Japanese yen (JPY)	18%	17%	4%
Euro (EUR)	12%	10%	18%
Swiss franc (CHF)	7%	8%	5%
British pound (GBP)	7%	7%	9%
Australian dollar (AUD)	4%	3%	19%
Norwegian krone (NOK)	2%	2%	0%
Hong Kong dollar (HKD)	2%	2%	0%
Swedish krona (SEK)	1%	2%	3%
Danish krone (DKK)	1%	1%	1%
Canadian dollar (CAD)	0%	0%	1%
Korean won (KRW)	0%	-1%	0%

See note 5, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

In the tool space (i.e. companies that supply the technologies and instruments for drug discovery and diagnostics), **Quanterix** conducted a capital raising, putting pressure on its valuation. We were trimming our position but believe that the company has valuable biomarker technologies and hence added to our position at this level.

During the quarter, we closed our Korean biosimilar short positions. When we opened these positions, the thesis was that the biosimilar market in Europe is much more competitive and hence the highly valued Korean biosimilar companies will struggle. This has played out, valuations have fallen, but the next step down may not be as easy given the US biosimilar market behaves differently to Europe.

During the quarter, we added to our Japanese pharma holdings. On a global basis, these companies have attractive valuations, while at the same time we are seeing new global products emerge from their pipelines.

Commentary

The pharmaceutical industry in the US is an easy target when it comes to elections. US drug prices are optically the highest in the world and the US healthcare system is not easy to decipher. Pharmacy benefit managers sit between drug developers and patients negotiating access to medicines, and then there is Medicare/Medicaid and the rebate system to grasp. Widely quoted US drug prices refer to so-called 'list prices', while real prices are a fraction of these and kept confidential. One pharma executive labelled the system "the vortex that is the US healthcare system". It is a fitting description of a system that has many layers but at the same time 'finances' innovation like no other country.

A dramatic change to the US system is not straightforward and neither is the impact on the bottom line of drug developers. These companies are agile and know that their success depends on new drugs and what some underestimate, new geographies.

China is rapidly updating its medicine cabinet and new drugs are gaining approval much faster, but more importantly have the opportunity to gain access onto the national reimbursement lists. This access means lower drug prices but this is far outweighed by the volume. Roche's most recent quarterly sales growth in international markets (now 19% of its pharma sales) was 16% higher than the same quarter last year, while its overall pharma sales growth was 11%. For AstraZeneca[4] China is even more important, as it is now 20% of product sales with exceptional (and we doubt to be continued) 44% growth in the recent quarter. For comparison, 33% of product sales at AstraZeneca are in the US, with 16% growth recorded in the recent quarter. While pharma companies have invested in their China infrastructure, local biotechs are not sitting back. Various local cancer antibodies are now approved, and Chinese biotechs are actively licensing US biotech drugs.

Zai Lab is an example of a Chinese biotech company that has a strong team who understands both the changes in the Chinese market and how to license drugs from Western biotechs. The team around chairman and CEO of Zai Lab, Samantha Du, realised early on that the Chinese regulators are starting to accept foreign clinical data and hence drugs will be introduced faster without having to repeat clinical trials. Given Du's link to the pharma sector, venture capital as well as the biotech industry, she set out to license new drugs that already had good data or, in the case of Zejula[5] were already commercially available outside of China. This year, Zai Lab started to sell Zejula and Optune[6] in Hong Kong/ Macau with mainland China approval to follow soon. The Chinese healthcare sector is in its infancy, but it is catching up quickly, and the European pharma companies in particular are not letting this opportunity pass by.

Outlook

US election chatter will continue, but at the same time biotech valuations following recent share price weakness will start to attract corporate interest. We closely track the number of biotechs that trade below their cash levels and this indicator rose during the September quarter.

Medical conferences are also on the agenda for the coming quarter, as are company R&D days. In November, Takeda will hold its first R&D update since the Shire acquisition, while Sanofi's new CEO will preside over his first R&D day in December, making for an interesting quarter.

4 AstraZeneca used to be a top 10 holding in the Fund, we have trimmed this holding in recent months but kept a small holding.

5 Zejula is a PARP inhibitor that has been developed by Tesaro for ovarian cancer. Last year GSK acquired Tesaro (the Fund had a position in Tesaro).

6 Optune is a wearable treatment for Glioblastoma, a type of brain cancer.

Platinum International Technology Fund

Alex Barbi
Portfolio Manager

Cameron Robertson
Portfolio Manager

Performance

(compound p.a.+, to 30 September 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	6%	9%	13%	11%	9%
MSCI AC World IT Index^	7%	14%	24%	22%	2%

+ Excludes quarterly returns.
* 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.
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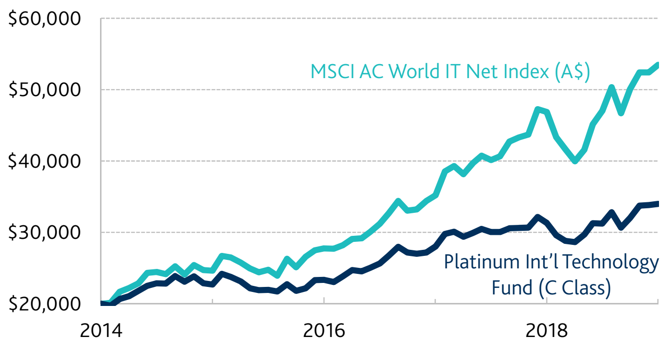
Value of $20,000 Invested Over Five Years

30 September 2014 to 30 September 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 40.

The Fund (C Class) returned 6.1% for the quarter and 8.6% for the 12 months ending 30 September. By comparison, the MSCI World IT Index returned 6.8% for the quarter and 14.1% for the year.

In keeping with Platinum's investment approach, the Fund is managed independently of the benchmark index. We would like to remind investors of the risks and potential losses that may result from adopting an investment approach that follows highly concentrated benchmarks or narrowly constructed funds. At points of major market corrections, these instruments have significantly underperformed.

Currently the performance of the MSCI World IT Index is strongly correlated with the fortunes of two large stocks - Apple and Microsoft (which have a combined weighting of around 25% in the Index vs. 4.4% in the Fund). While the Fund owns these stocks, we do not think it's prudent to hold the same level of concentration as the Index. At the other end of the spectrum, the Index does not include e-commerce, media, content and communication businesses. Some examples held in the Fund include Google's parent company Alphabet, global e-commerce platform, eBay and social network companies, Facebook and Tencent. The Fund's composition therefore reflects our selection of best ideas drawn from a wider and more diversified investment universe.

Changes to the Portfolio

During the quarter, there were very few changes to the portfolio. We continued to avoid the hottest areas of the market and reduced exposure to some strong performing names, such as **Roku** (smart TV platform), **Adevinta** (on-line classified ads spin-off from Schibsted), **Lam Research** (semiconductor equipment) and **AMS** (analogue semiconductors). We added to **Intel** (semiconductors), **Vodafone** (telecoms) and **Ericsson** (telecom equipment), as recent stock price weakness increased their attractiveness. We also initiated a new position in a leading company in the interesting space of low-code software development.

Implosion of a Unicorn

The performance of some recent initial public offerings (IPOs) is perhaps a sign that reason and sensibility are starting to prevail in some of the most hyped sectors of the market. Even the most optimistic investors are growing sceptical of buying so-called unicorns[1] that have unproven business models but attract stratospheric valuations. **Uber Technologies** and **Lyft** in the ride-sharing arena are two examples of companies that are now trading at 30-40% below their initial listing prices earlier this year. While these two companies command a combined market capitalisation of more than US$60 billion, neither has indicated when they expect to reach profitability. The popularity of innovative services and disruptor business models, facilitated by a booming mobile internet (i.e. smartphone apps), are no guarantee of future profitability, unless favourable industry and competitive conditions exist.

In September, investor protests against dubious business models and hyper-valued companies grew even louder. Some unicorns had to postpone or cancel their planned IPOs, including **WeWork**, the shared workspace and office solutions provider. A series of negative press articles and analyst reviews of its IPO prospectus revealed serious weaknesses in its business model, including appalling corporate governance, a highly leveraged balance sheet, precarious financial sustainability and over-optimistic profitability assumptions.

WeWork has been growing rapidly, appealing to a new generation of start-ups and companies looking for premises to rent in creative and well-serviced offices in major cities. It reported US$1.8 billion of revenues in 2018, up from US$900 million in 2017, as the company worked hard to grow its leasing portfolio in more cities across the US and internationally. Losses however, escalated from US$900 million in 2017 to US$1.9 billion in 2018, as the company prioritised footprint expansion and capital works (i.e. renovations) rather than obtaining full occupancy in its existing buildings. When expansion is financed by debt this can be a very risky strategy. An economic slowdown could suddenly reduce demand for commercial property space, leaving WeWork with a considerable number of empty offices. WeWork, as a large tenant of commercial space in the major US and international cities, essentially subdivides space and creates value for individual tenants (often start-ups) by offering them short-term leases in shared offices at attractive locations. This is not a particularly new idea and it has been tried and tested before. A listed company in Europe called **IWG**[2] provides very similar flexible workspace services.

Privately-held unicorns are usually valued by transactions between the issuing company and venture capital investors, and are often characterised by complex legal agreements, involving classes of securities with different voting rights and claims. This is a very different structure and process to listing on a stock exchange. WeWork's stratospheric ascent started in February 2014 when it was first pitched to investors with a valuation of US$1.5 billion. Barely 18 months later, another capital raising set the valuation at US$10 billion. In 2018, the valuation doubled to US$20 billion. In early 2019, it finally reached its highest 'official' valuation of US$47 billion, after raising US$6.5 billion of fresh capital from the Softbank-sponsored Vision Fund. Once the pre-IPO process started in August, three major US investment banks who were pitching for the deal, indicated a valuation 'range' of between US$43 and US$104 billion. It was at this point the scrutiny started: prospective investors did not like what they saw in the first public filing, and we didn't either.

We were astonished that the investment banks were quoting such outlandish valuations (the lowest was 23x revenue) for what is essentially a real estate service company. Not to mention that as one of the largest tenants in the US, WeWork also carries US$47 billion of long-term leasing liabilities, requiring it to pay millions of dollars of rent for years to come - regardless of the economic conditions. By comparison, competitor IWG reported revenue of $US3.3 billion in 2018, is profitable and valued at US$4.5 billion (or 1.5x revenue) on the London Stock Exchange where its shares are traded.

At Platinum, we undertook some preliminary work on WeWork before its IPO and we seriously considered short selling the stock on the first day of listing. Unfortunately, we never had the chance, as the company was forced to cancel its IPO in September and its CEO resigned. Its major financial supporter, Softbank, is now pondering how to rescue its seriously damaged investment.

It is interesting to note that over the last few years, many emerging unicorns have described themselves as technology companies, despite the technology only supporting mundane businesses. By categorising their businesses as 'software', 'on-line', 'subscription-based' or 'as a service', they can command valuations similar to the more established and highly successful software companies. For instance, instead of 'tenants', WeWork has 'members', it doesn't sub-lease offices, but offers a 'space-as-a-service' business. WeWork mentioned the word 'technology' more than 100 times in its prospectus. Its management stated that they see the company "moving towards a Google analytics for space"!

Another recent example is **Peloton Interactive,** a company that offers connected exercise machines and fitness classes

1 Unicorn: Most commonly known as a legendary creature with a horn protruding from its forehead. It is often used as a symbol of fantasy or rarity. In the financial world, it is jargon to describe a privately held start-up business valued at more than US$1 billion.

2 IWG was founded as Regus in 1989 to provide co-working spaces, virtual offices and flexible workspace. Its US business filed for bankruptcy in 2003 after struggling in the wake of the Dot-Com bubble.

Disposition of Assets

REGION	30 SEP 2019	30 JUN 2019	30 SEP 2018
North America	51%	48%	42%
Asia	20%	19%	20%
Europe	11%	10%	10%
Japan	2%	1%	3%
Cash	18%	22%	26%
Shorts	-2%	-2%	-1%

See note 3, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	US	Comm Services	6.7%
Samsung Electronics	Korea	Info Technology	4.4%
Facebook Inc	US	Comm Services	4.2%
Constellation Soft	Canada	Info Technology	4.2%
Tencent Holdings	China	Comm Services	4.0%
Microchip Technology	US	Info Technology	3.4%
Taiwan Semiconductor	Taiwan	Info Technology	2.9%
IHS Markit Ltd	US	Industrials	2.7%
Skyworks Solutions	US	Info Technology	2.5%
Samsung SDI Co	Korea	Info Technology	2.4%

As at 30 September 2019. See note 6, page 40.
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.

Net Currency Exposures

CURRENCY	30 SEP 2019	30 JUN 2019	30 SEP 2018
US dollar (USD)	62%	61%	53%
Korean won (KRW)	8%	8%	7%
Japanese yen (JPY)	6%	6%	6%
Hong Kong dollar (HKD)	6%	7%	9%
Canadian dollar (CAD)	4%	4%	3%
Norwegian krone (NOK)	3%	3%	3%
Taiwan dollar (TWD)	3%	3%	3%
Euro (EUR)	3%	3%	3%
British pound (GBP)	2%	2%	4%
Swedish krona (SEK)	1%	1%	2%
Swiss franc (CHF)	1%	1%	1%
Australian dollar (AUD)	0%	2%	6%

See note 5, page 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

streamed online on a subscription basis. Fitness as a Service (FaaS) one could say. Its CEO described the business as a "fitness, technology and media company". The concept is interesting and disruptive, and the business model may ultimately even become profitable (they have incurred heavy losses so far despite its fast revenue growth). Public investors however, don't appear to appreciate the qualities of the company yet: it listed with a 10x revenue valuation but the stock quickly fell by 22% within a week.

Outlook

The cancellation of WeWork's IPO is reminiscent of past events in the stock market that have marked key turning points and so-called 'tops' of secular trends. It reminds us of the listing of retailer Pets.com in February 2000, which was liquidated in November of the same year, and the US$165 billion merger of web portal AOL and Time Warner in January 2000 (the largest ever company merger in the US). We may have reached a point where the days of generous capital for unprofitable businesses are over. Then again, maybe not if the US Federal Reserve decides to pursue another aggressive quantitative easing program and once again support the markets and the economy with even lower interest rates.

We maintain a balanced portfolio with the majority of our positions in reasonably valued names growing at a sustainable rate. We are however, keeping an open mind on opportunities that may arise due to a potentially more volatile market in the next few months. We will not shy away from investing in fallen angels or unicorns, provided their business models are sound and valuations are attractive. The good news is, that often in downturns investors may end up throwing out the proverbial baby with the bath water, presenting us with attractive opportunities.

Net Sector Exposures ^

SECTOR	30 SEP 2019	30 JUN 2019	30 SEP 2018
Information Technology	45%	42%	39%
Communication Services	25%	24%	26%
Industrials	5%	5%	5%
Consumer Discretionary	5%	5%	3%
Utilities	0%	0%	0%
TOTAL NET EXPOSURE	81%	76%	73%

^ 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 40. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

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.

Enterprise value (EV)

A measure of a company's total market value, EV equals to a company's market capitalisation plus net debt, minority interest and preferred equity, minus cash and cash equivalents.

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.

Purchasing Managers' Index (PMI)

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 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.

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).

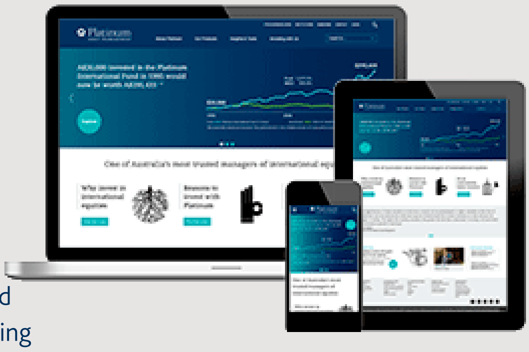
For bonds, the yield is the same as the coupon rate (assuming the bond is purchased at par or is trading at par). Any increase or decrease of the yield relative to the coupon rate is approximately inversely proportional to any change in the bond price (yields fall as prices rise, and vice-versa).

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** form.

In response to client feedback in our survey earlier this year, we have increased our video content. The short videos feature our portfolio managers commenting on market trends and where they are finding interesting investment opportunities.

Latest videos include:

- **Earnings Growth is the Key to Real Returns**[1]. CIO, Andrew Clifford, explains why individual company earnings and the cashflows they return to shareholders are the key driver of real returns over the medium to long term.
- **Perception vs. Reality Creates Opportunities in Europe**[2]. Despite the negative headlines, there's a lot of reasons to be positive about Europe. Employment and incomes are rising, while trade balances are back in the black. Nik Dvornak, portfolio manager for the Platinum European Fund explains how the disconnection between perception and reality is presenting attractive investment opportunities.
- **Innovation and Generational Change Shaping Japan**[3]. Change is afoot in Japan. Scott Gilchrist, portfolio manager for the Platinum Japan Fund explains how generational, technological and long-awaited corporate governance changes are transforming its economy - providing many exciting and interesting investment opportunities.
- **The Rise of the Consumer and Private Enterprise in China**[4]. China's rapid adoption of technology and urban population density are key drivers of its astonishing economic transition. Dr Joseph Lai, portfolio manager for the Platinum Asia Fund discusses where his team is finding attractive investment opportunities in the burgeoning consumer sector and what surprises him the most about China's economy.
- **The Growing Valuation Divergence Between Growth and Value**[5]. Clay Smolinski, co-portfolio manager for the Platinum International Fund and portfolio manager for the Platinum Unhedged Fund explains why there is a growing valuation divergence between growth and value stocks, how Platinum is responding, and why he expects the value-based approach will return to favour.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Value-Vs-Growth
2 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-%E2%80%93-Perception-vs-Reality-Creates-Opportunit
3 https://www.platinum.com.au/Insights-Tools/The-Journal/Innovation-and-Generational-Change-Shaping-Japan
4 https://www.platinum.com.au/Insights-Tools/The-Journal/The-rise-of-the-consumer-and-private-enterprise-in
5 https://www.platinum.com.au/Insights-Tools/The-Journal/The-growing-valuation-divergence-between-growth-an

Some Light Relief

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

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About us

Investor services numbers

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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$25 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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