Platinum Unhedged Fund

Clay Smolinski
Portfolio Manager

Performance

(compound pa, to 30 September 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund*	6%	28%	13%	19%	12%
MSCI AC World Index	3%	16%	11%	17%	7%

*C Class – standard fee option. Inception date: 28 January 2005.
Refer to note 1, page 3.
Source: Platinum Investment Management Limited, RIMES Technologies.
Historical performance is not a reliable indicator of future performance.

Disposition of Assets

REGION	30 SEP 2017	30 JUN 2017	30 SEP 2016
Asia	40%	38%	27%
Europe	21%	20%	22%
North America	21%	21%	29%
Japan	9%	8%	9%
South America	1%	1%	0%
Russia	1%	1%	3%
Cash	7%	11%	10%

Source: Platinum Investment Management Limited. See note 3, page 3.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Raiffeisen Bank International	Austria	Financials	5.0%
Jiangsu Yanghe Brewery	China	Consumer Stap	3.5%
Applus Services SA	Spain	Industrials	3.4%
Inpex Corporation	Japan	Energy	3.2%
KB Financial Group	Korea	Financials	3.1%
Lixil Group Corporation	Japan	Industrials	3.0%
Alphabet Inc C Class	USA	IT	3.0%
PICC Property & Casualty Co	China Ex PRC	Financials	2.9%
PayPal Holdings Inc	USA	IT	2.9%
Kweichow Moutai	China	Consumer Stap	2.8%

As at 30 September 2017.
Source: Platinum Investment Management Limited. See note 4, page 3.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposure, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Global stock markets continued with their positive trend over the last three months, with almost all countries experiencing rising prices. The emerging markets were the standout, buoyed by higher commodity prices, with Brazil up 17% and Russia up 15% (in local currency). More broadly, Asia remained strong, appreciating 6.6%, whilst the US and Europe were up 4.3% and 3.6% respectively (in local currency).

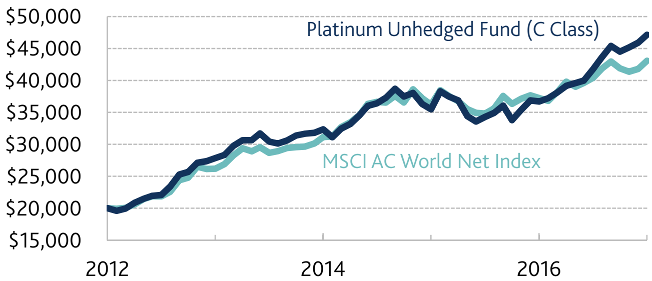
The Fund (C Class) returned 6.0% for the quarter and 20.4% for the nine months year to date. This compares to 2.8% and 8.2%, respectively, for the MSCI AC World Index (A$).

Performance over the quarter was concentrated in a number of our large holdings. It was a situation where we had several large gains (detailed below) with few detractors. The best performing positions were ideas highlighted in our recent reports.

Raiffeisen Bank: Raiffeisen is an Eastern European bank with operations spanning as far as Russia and Ukraine. The bank has endured a long winter, suffering losses first from the 2012-13 European sovereign crisis and, more recently, the Russia/Ukraine conflict.

Value of $20,000 Invested Over Five Years

30 September 2012 to 30 September 2017



Refer to note 2, page 3.
Source: Platinum Investment Management Limited, RIMES Technologies.
Historical performance is not a reliable indicator of future performance.

However, with Europe's economy on a steady recovery, Raiffeisen's future is looking much brighter. Credit costs (losses on defaulted loans) are now much lower than expected, and demand for new lending has increased. With many Eastern European countries now experiencing strong growth, rapidly rising wages and soaring house prices, the next leg in the story is the prospect of rate hikes across Eastern Europe, which will help the bank's net interest margin. The Czech central bank has been the first to increase interest rate (by 0.2% in August) and we suspect there is plenty more to come. Raiffeisen is the largest position in the Fund and, with the stock climbing 28% over the quarter, was the largest contributor to performance.

58.com: Introduced in our March 2017 quarterly report, 58.com owns the leading internet advertising sites for residential property and blue-collar job search in China. The stock had been hit at the start of the year due to government measures aimed at cooling the property market, along with investor disappointment that the company's advertising spend had not fallen post consolidating its competitors and achieving market dominance. Subsequently, these concerns have receded as property site subscriptions have held up, revenue at the job site continues to grow at 50% p.a. and management have begun to demonstrate their ability to control ad spend, resulting in much higher profits.
In response, the stock rose 43% during the quarter.

Baidu: Despite its enviable position as the dominant search engine in China, investor perception around Baidu turned negative about 18 months ago due to a series of events. Investor patience was beginning to wear thin regarding the higher losses stemming from the company's new 'O2O' (online-to-offline) ventures (e.g. restaurant delivery, group-buying platforms). Short-term revenue had taken a hit due to the government crackdown on medical advertising and the need for advertisers to be re-certified. Finally, Baidu had come to be seen as a weaker internet business when compared with the likes of Tencent and Alibaba.

Recent evidence points to the company addressing these issues. Investments in the unsuccessful O2O platforms have been scaled back, resulting in a decent lift to profits. The revenue disruption from the recertification process has been subdued, with advertisers returning and search revenues growing again. Finally, management's intention to partially list their iQiyi video platform (similar to Netflix) will further highlight the earnings power of the core search business. The stock reacted strongly to these events, rising 38%.

Changes to the Portfolio

Over the quarter we increased our holdings in the metals and energy sectors.

Much of the hard commodity complex has been on a negative price trend since 2012, climaxing with the huge sell-off in early 2016. So far in 2017 we have seen a decent rebound in commodities such as copper, zinc and coal, along with some incredible moves in niche commodities like cobalt and needle coke.

While the specifics for each commodity differ, these price moves are broadly being driven by several key factors:

1. Almost all major economies are now in an expansionary phase, and most importantly, the recovery in China has been strong.
2. The forced closure of excess capacity by the Chinese government for both environmental and economic reasons has produced visible results. Several mines and heavy industries like steel, coal and chemicals have seen capacity cuts.
3. Electric vehicles and the associated infrastructure needs can provide a sizeable new demand driver for many of these commodities, which extend beyond the obvious candidates like lithium and cobalt.

As is common after a brutal price collapse, investors are reluctant to believe that higher prices will hold, and this is creating opportunities. We were able to buy a selection of miners/producers that are trading at roughly 8x (and some as low as 4x) prospective earnings, assuming prices merely stay flat at current levels.

The recent large sell-off in energy stocks also gave us an opportunity to increase our oil & gas related holdings. Counter to the stock price action, the underlying data around oil has actually improved. OECD oil inventories are now starting to fall, indicating the market is now in deficit, and there is incremental evidence that US shale costs are starting to rise for some operators due to the growing technical complexity needed to drill in more marginal acreage. Encouragingly, the oil price is following these developments, pushing past US$56 a barrel.

Outlook

Despite rising stock prices and increasingly positive news flow, investors are still highly sceptical of putting their money in China. If we are correct in our assessment, this is a positive sign for future performance as sentiment can improve.

More generally, investors are confident and markets are reasonably buoyant. Markets 'feel good' and this is a signal for ***increased caution***.

Over the last nine months, we have pointed to rising interest rates as a potential risk to keep in mind. Interest rates are a dominant factor in investing. Higher rates change the opportunity cost of investment decisions (e.g. is the expected return from this stock attractive compared to what I will receive by owning risk-free bonds or cash deposits?), and increases the cost of doing business and the cost of living for large parts of the economy, which have a knock-on effect on growth. Low rates over the last decade have undoubtedly boosted stock prices in the US and, to a lesser extent, Europe.

We cannot predict how high rates will rise, but we can invest in areas less affected. The Fund has 40% of its assets in Asia (ex-Japan), where stock market valuations have been less distorted, given that interest rates in those countries are still well above zero. We also have 19% of the Fund invested in banks that will be natural beneficiaries of higher rates.

Notes

1. The investment returns are calculated using the net asset value unit price of C Class (standard fee option) of the relevant Fund and represent the combined income and capital return of C Class for the specified period. Returns are net of fees and costs (excluding the buy/sell spread), are pre-tax, and assume the reinvestment of distributions. 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 MSCI index returns have been sourced from RIMES Technologies. Index returns are in Australian dollars and include dividends, but, unlike the Fund's returns, do not reflect fees or expenses. The net MSCI index is used, except, where applicable, the gross MSCI index was used prior to 31 December 1998 as the net MSCI index did not exist then.

   For the purposes of calculating the "since inception" returns of the MSCI index, the inception date of C Class of the Fund is used.

   Platinum does not invest by reference to the weighting of the index. Underlying assets are chosen through Platinum's individual stock selection process and, as a result, the Fund's holdings may vary considerably to the make-up of the index. Index returns are provided as a reference only.

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in C Class of the Fund over the specified five year period relative to the relevant net MSCI index in Australian dollars.

   The investment returns are calculated using the net asset value unit price of C Class (standard fee option) of the Fund and represent the combined income and capital return of C Class for the specified period. Returns are net of fees and costs (excluding the buy/sell spread), are pre-tax, and assume the reinvestment of distributions. 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 MSCI index returns have been sourced from RIMES Technologies. Index returns are in Australian dollars and include dividends, but, unlike the Fund's returns, do not reflect fees or expenses.

   Platinum does not invest by reference to the weighting of the index. Underlying assets are chosen through Platinum's individual stock selection process and, as a result, the Fund's holdings may vary considerably to the make-up of the index. Index returns are provided as a reference only.

3. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents the Fund's exposure to physical holdings (equity and corporate fixed income securities) and long derivatives (of stocks and indices) as a percentage of the Fund's net asset value.

4. The table shows the Fund's top 10 long stock exposure (through physical holdings and long derivative positions) as a percentage of the Fund's net asset value.

5. Sector breakdown represents the Fund's net exposure to physical holdings and both long and short derivatives (of stocks and indices) as a percentage of the Fund's net asset value.

6. The table shows the Fund's major currency exposure as a percentage of the Fund's net asset value, taking into account any currency hedging.

Disclaimers

This publication has been prepared by Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 trading as Platinum Asset Management (Platinum®). Platinum is the responsible entity and issuer of units in the Platinum Trust® Funds (the "Funds"). This publication contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons') investment objectives, financial situation or particular needs, and should not be used as the basis for making investment, financial or other decisions. This publication may contain forward-looking statements regarding our intent, belief or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. Platinum does not undertake any obligation to revise any such forward-looking statements to reflect events and circumstances after the date hereof.

Some numerical figures in this publication have been subject to rounding adjustments.

You should read the entire Product Disclosure Statement for the Platinum Trust® Funds ("PDS") and consider your particular investment objectives, financial situation and needs prior to making any investment decision to invest (or divest) in a Fund. You should also obtain professional advice prior to making an investment decision. You can obtain a copy of the current PDS from Platinum's website, www.platinum.com.au or by phoning 1300 726 700 (within Australia), 0800 700 726 (within New Zealand) or +61 2 9255 7500, or by emailing to invest@platinum.com.au.

No company or director in the Platinum Group® guarantees the performance of any of the Funds, the repayment of capital, or the payment of income. To the extent permitted by law, no liability is accepted by any company in the Platinum Group or their directors for any loss or damage as a result of any reliance on this information. The Platinum Group means Platinum Asset Management Limited ABN 13 050 064 287 and all of its subsidiaries and associated entities (including Platinum).

MSCI Inc Disclaimer

Neither MSCI Inc nor any other party involved in or related to compiling, computing or creating the Index data (contained in this Quarterly Report) makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI Inc, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the Index data is permitted without express written consent of MSCI Inc.