

BT External International Shares 3 enhanced disclosure for hedge funds – February 2014

The Australian Securities and Investments Commission (ASIC) has issued a set of benchmarks and disclosure principles, contained in ASIC Regulatory Guide 240: *Hedge Funds: Improving disclosure* (RG 240), which is aimed at helping investors understand and assess hedge funds.

The disclosure benchmarks and principles set out in RG 240 apply to the Wrap Essentials Investment Fund investment option listed below, which is offered through Wrap Essentials and Super Wrap Essentials (together, Wrap Essentials).

- BT External International Shares 3 (ARSN 105 250 726) the Investment Option referred to as Platinum International (the Fund).

The responsible entity of the Fund is Westpac Financial Services Limited (WFSL) ABN 20 000 241 127, AFSL 233 716 (WFSL).

The Fund will fall within the definition of a ‘fund of hedge funds’ because it invests in another fund, Platinum International Fund ARSN 089 528 307 (the Underlying Fund), which has been identified as a hedge fund for the purposes of RG 240.

Investors should review this information in conjunction with the Wrap Essentials Investment Funds Product Disclosure Statement (“PDS”) dated 27 November 2009 as amended by the Supplementary Product Disclosure Statement (“SPDS”) dated 16 March 2010, the Second SPDS dated 1 July 2010, the Third SPDS dated 20 March 2012 and the Fourth SPDS dated 1 July 2013.

What additional information should I expect?

ASIC requires a responsible entity of a fund of hedge funds to enhance existing disclosure by providing specific information regarding how the fund’s assets are valued, the periodic reporting it will provide and the relevant details set out in the disclosure principles outlined under RG240.

Enhanced disclosure for the Fund

The table in *Section 1* below summarises the benchmarks and principles relevant to the Fund, for which WFSL is the responsible entity. The information relevant to the Underlying Fund is set out separately in *Section 2: Underlying Fund Information*.

Section 1

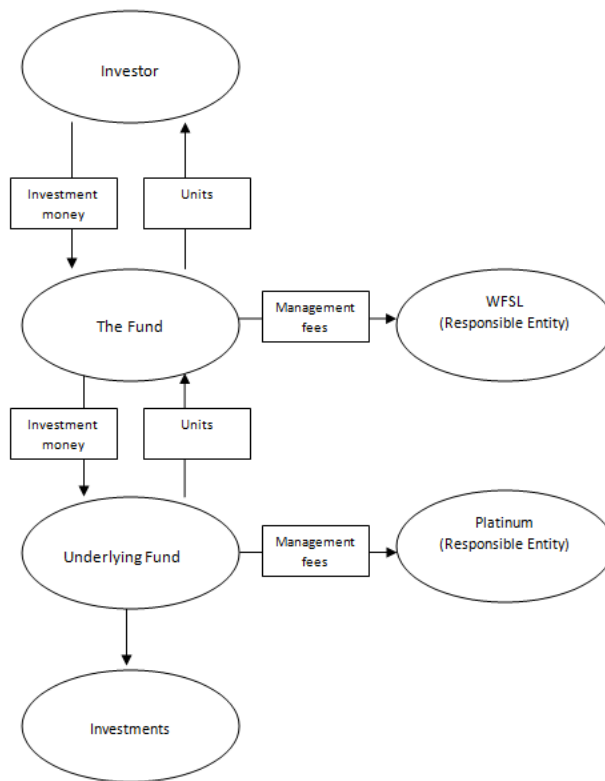
Disclosure benchmarks

Benchmark	Description
1. Valuation of assets	<p>The Fund’s underlying non-exchange traded assets are not valued by an independent administrator or independent valuation service provider considering the Fund invests wholly into the Underlying Fund.</p> <p>Refer to the Unit prices section on pages 83 and 84 of the PDS for further information.</p> <p>Refer to page 5 of this document for further information on the valuation of assets for the Underlying Fund.</p>

2. Periodic reporting	<p>WFSL implements a policy to provide monthly and annual reports to investors on certain key information in relation to the Fund. The monthly reports are available through your financial adviser, via investorwrap.com.au or by contacting Client Relations. Annual financial reports are available at bt.com.au.</p> <p>Refer to the Additional disclosure information section on page 84 of the PDS for further information.</p> <p>WFSL will also make the periodic disclosure issued by the responsible entity of the Underlying Fund on key information relating the Underlying Fund available to investors via Wrap Online.</p> <p>Refer to page 6 of this document for further information on the periodic reporting for the Underlying Fund.</p>
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Disclosure principles

Disclosure principles	Description
1. Investment strategy	<p>The Fund invests wholly into the Underlying Fund and therefore has the same investment strategy as the Underlying Fund.</p> <p>WFSL focuses on a range of factors including skills of key staff, organisational strength and stability, investment process and philosophy, business management, service capabilities and technology when selecting an underlying fund in which to invest. WFSL is responsible for selecting, monitoring and, where appropriate, replacing these underlying investment managers. WFSL may also use the services of specialist investment consultants to assist where we consider it appropriate.</p> <p>Refer to the Manager selection process section, the Changes to investment managers section and the Change to Investment Options details section on page 8 of the PDS for further information.</p> <p>Refer to page 6 of this document for further information on the investment strategy for the Underlying Fund.</p>
2. Investment manager	<p>WFSL is the responsible entity for the Fund. The Fund invests wholly into the Underlying Fund. The investment manager and responsible entity for the Underlying Fund is Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935. Refer to page 9 of this document for further information on the investment manager and responsible entity for the Underlying Fund.</p> <p>WFSL may remove or replace the investment manager by making a full redemption of units in the Underlying Fund, where the Underlying Fund is open to redemptions. Refer to the Changes to investment managers section and the Changes to Investment Options details section on page 8 of the PDS for further information.</p>
3. Fund structure	<p>The Fund invests wholly into the Underlying Fund. Please refer to the below diagram for the investment structure.</p>



Amounts we may receive

We may receive fees as payments back from the investment managers of the underlying funds of up to 0.75% (GST inclusive) of the total amount invested in the Underlying Fund. Any such payments are not additional to the fees payable by you and are retained by us.

Key service providers:

Key service providers	Scope of service	Jurisdiction
Platinum Investment Management Limited (trading as Platinum Asset Management)	Investment manager and responsible entity of the Underlying Fund	Australia
HSBC Custody Nominees (Aus) Ltd (HSBC)	Custodian of the Fund	Australia
PricewaterhouseCoopers (PwC)	Auditor of the Fund	Australia

WFSL have entered into separate agreements with each key service provider which sets out the terms and conditions of the relationship, as well as any consequences of any breaches to the terms of the relationship.

WFSL has in place procedures to periodically monitor key service providers with the aim of ensuring services are rendered are in accordance with the service agreements and service level standards.

	<p>Related party arrangements There are no related party arrangements for the Fund.</p> <p>Material arrangements There are no material arrangements in connection with the Fund that are not on arm's length terms.</p> <p>Risks The Fund invests wholly in the Underlying Fund. This means that it shares the same risks as the Underlying Fund.</p> <p>Refer to page 10 of this document for further information on the fund structure for the Underlying Fund.</p>
4. Valuation, location and custody of assets	<p>The Fund invests wholly in the Underlying Fund. Unit prices for the Underlying Fund are received from the responsible entity of the Underlying Fund and used to value the assets of the Fund.</p> <p>WFSL has appointed HSBC as the custodian of the Fund to hold the assets of the Fund (the units in the Underlying Fund) on the terms set out in the custody agreement between the parties.</p> <p>Refer to the Unit prices section on pages 83 and 84 of the PDS for further information.</p> <p>Refer to page 11 of this document for further information on the valuation, location and custody of assets for the Underlying Fund.</p>
5. Liquidity	<p>During normal market conditions, WFSL expects to be able to realise at least 80% of the Fund's assets at the value ascribed to those assets in calculating the Fund's net asset value, within 10 days.</p> <p>During periods of abnormal market conditions or extreme volatility, normally liquid assets may become illiquid meaning that it may not be possible to realise these investments in sufficient time to pay Fund withdrawal proceeds. If this occurs, we may suspend withdrawals from the Fund for the protection of investors of the Fund.</p> <p>Refer to the Liquidity risk section on page 5 of the PDS for further information.</p> <p>Refer page 13 of this document for further information on the liquidity disclosure for the Underlying Fund.</p>
6. Leverage	<p>The Fund does not use leverage. However, it may be used by the Underlying Fund. Refer to page 13 of this document for further information on the use of leverage by the Underlying Fund.</p>
7. Derivatives	<p>The Fund does not use derivatives. However, it may be used by the Underlying Fund. Refer to page 15 of this document for further information on the use of derivatives by the Underlying Fund.</p>
8. Short selling	<p>The Fund does not use short selling. However, it may be used by the</p>

	Underlying Fund. Refer to page 16 of this document for further information on the use of short selling by the Underlying Fund.
9. Withdrawals	<p>During normal market conditions, there are no significant risk factors or limitations that may affect the ability for investors to withdraw.</p> <p>During periods of abnormal market conditions or extreme volatility, normally liquid assets may become illiquid meaning that it may not be possible to realise these investments in sufficient time to pay Fund withdrawal proceeds. If this occurs, we may suspend withdrawals from the Fund for the protection of investors of the Fund.</p> <p>Investors can exercise their right to withdraw by providing instructions to their financial adviser or by contacting Client Relations.</p> <p>Refer to the Processing times for applications and withdrawals section on page 83 and the Restrictions section on page 86 of the PDS for further information.</p>

Section 2: Underlying Fund Information

Information from the responsible entity of each underlying wholesale hedge fund

The table below summarises the benchmarks and principles relevant to the Underlying Fund. We have relied on information provided by the responsible entity of the Underlying Fund, being Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 (Platinum), to prepare this table. The responsible entity of the Underlying Fund has consented to the relevant statements relating to the responsible entity and the Underlying Fund in the table below and has not withdrawn its consent before the date of this disclosure notice.

Page references made throughout the tables below refer to relevant page number of the Platinum Investment Trust Product Disclosure Statement (Platinum PDS), available here:

https://www.platinum.com.au/Documents/Other/pds09_010214.pdf

Disclosure benchmarks

Benchmark	Description
1. Valuation of assets	Platinum's policy requires that Underlying Fund assets that are not exchange traded be valued using a price provided by SSAL or an independent service provider. The assets of the Underlying Fund are valued at market value or a value provided by an independent source in consultation with Platinum and in accordance with standard market practice. Market prices are electronically sourced from third party vendors such as Thomson Reuters, Markit Partners, VM Company, Bloomberg and from brokers.
2. Periodic reporting	<p>Platinum has policies in place to make available on their website the following information for the Underlying Fund as soon as practical after the relevant period:</p> <p>Daily unit prices</p>

	<p>Monthly</p> <ul style="list-style-type: none"> - Month-end invested positions/asset allocation - Month-end net performance and net return on the Underlying Fund's assets (after - fees, costs and fund taxes) - Key service providers to the Underlying Fund - Material changes in the Underlying Fund's risk profile <p>Annually</p> <ul style="list-style-type: none"> - Liquidity profile of the Underlying Fund - Maturity profile of financial liabilities relative to the liquidity profile of the portfolio assets - Leverage ratio - Derivative counterparties engaged
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Disclosure principles

Disclosure principles	Description
1. Investment strategy	<p>Investment strategy and typical assets</p> <p>Platinum seeks a broad range of investments whose businesses and growth prospects are being inappropriately valued by the market. For more information on Platinum's 'Investment Strategy' – refer to page 3 of the Platinum PDS.</p> <p>The Underlying Fund primarily invests in international equities and the Constitution permits a wide range of investments including but not limited to: cash; fixed income or debt securities; Derivatives (for example, options, futures, swaps); currency contracts; unlisted securities; bullion and other physical commodities. At times, Australian shares may be held, although the investment focus is on international opportunities. For the geographic location of invested positions for the Underlying Fund, please refer to the 'Invested position' information on page 16 of the Platinum PDS.</p> <p>The assets of the Underlying Fund are normally valued in the local currency, however the reporting currency of the Underlying Fund is the Australian dollar. The use of leverage, derivatives and short selling by the Underlying Fund is outlined in more detail on pages 10 – 12 of the Platinum PDS.</p> <p>Investment returns</p> <p>In Platinum's opinion, investing in a broad range of companies whose businesses and growth prospects are being inappropriately valued by the market provides a foundation for long-term investment returns. For more information on Platinum's 'Investment Strategy' – refer to page 3 of the Platinum PDS.</p> <p>Investment return assumptions</p> <p>Investing in the shares of a company is a claim on the underlying profits of a company's business. In simple terms, investment returns are determined by amongst other things: initial valuation, subsequent</p>

performance of the business, and valuation of the company at the end of the period. The assessment of a company's future prospects is a very significant and challenging part of the day-to-day process of investing. Not only do general economic conditions play a part, but issues such as the behaviour of competitors, technological change, government regulation and management decisions all have a bearing on the future outcomes for a company. Also understanding the future valuation that a company will attract is no simple task as often this can change quite dramatically with changes in growth rates of earnings.

Diversification guidelines and limits

The Underlying Fund will typically have a net equity exposure of between 50 – 100%. The Underlying Fund may hold shares, options for shares and convertible notes of a company not traded on a recognised market. The total value of such investments (at the time of acquisition) will not exceed 20% of the NAV of the Underlying Fund.

The Underlying Fund may invest in bullion and other physical commodities. The total value of such investments (at the time of acquisition) will not exceed 20% of the NAV of the Underlying Fund. These restrictions do not apply to an investment that comes within another category of authorised investments.

Risks of strategy

You could lose money by investing in the Underlying Fund and the Underlying Fund could underperform other investments. Performance may differ significantly from industry benchmarks such as indices issued by MSCI. You should expect the Underlying Fund's unit price and total return to fluctuate within a wide range. The Underlying Fund's performance could be affected by:

Issuer risk: Investments in a company may decline in value because of changes in the financial condition of the company.

Management risk: The Underlying Fund's performance depends on the expertise and investment decisions of Platinum. Platinum's opinion about the intrinsic worth of a company or security may be incorrect, the Underlying Fund's investment objective may not be achieved and the market may continue to undervalue the securities held by the Underlying Fund.

Market risk: Security prices may decline over short or extended periods due to general market conditions, including but not limited to, inflation, foreign currency fluctuations and interest rates.

Derivative risk: Investments in Derivatives may cause losses associated with changes in market conditions, such as fluctuation in interest rates, equity prices or exchange rates and, changes in the value of a Derivative may not correlate perfectly with the underlying asset. Derivative transactions may be highly volatile and can create investment leverage, which could cause the Underlying Fund to lose more than the amount of

assets initially contributed to the transaction. As Over-the-Counter (“OTC”) Derivatives are customised instruments, the Underlying Fund may be unable to liquidate the Derivative contract at a fair market price within a reasonable timeframe.

Currency risk: Investing in assets denominated in a currency other than the Underlying Fund’s base or reporting currency may cause losses resulting from exchange rate fluctuations.

Foreign issuer risk: Investments in foreign companies may decline in value because of sovereign, political, economic or market instability; the absence of accurate information about the companies; risks of unfavourable government actions such as expropriation and nationalisation. Some countries may have different legal systems, taxation regimes, auditing and accounting standards with less governmental regulation and transparency. These risks may be higher when investing in emerging markets.

Liquidity risk: The Underlying Fund may not be able to purchase or sell a security in a timely manner or at desired prices or achieve its desired weighting in a security.

Counterparty risk: The risk of loss resulting from the insolvency or bankruptcy of a counterparty used by Platinum to execute trades.

Global pandemic risk: Health pandemics could significantly affect the industries that the Underlying Fund invests in, as well as the normal operations of financial markets and the operation of custodians and Platinum’s counterparties.

Performance fee risk: The risk of a conflict of interest could potentially increase as portfolio managers, traders or analysts compensated in respect of performance of their portfolios may have incentives to take higher investment risks.

Platinum has a duty to act in the best interest of the investors of the Underlying Fund. Platinum’s investment strategy is applied to derive prospects for investment – this includes peer review of investment choices to investigate the merits of the case and the achievements that are expected from a company. Portfolio managers and associated investment staff are required to comply with company policies and compliance and risk management frameworks.

Please consult with a licensed financial adviser to determine your own risk/reward profile.

Risk management strategy

Risk management is an integral part of good management and corporate governance practice and in relation to investment strategy, an element of risk is inevitable.

	<p>Platinum has a documented Risk Management Policy based on the relevant Australian/ New Zealand Risk Management Standards, ASIC and Australian Securities Exchange (“ASX”) Corporate Governance Council’s Corporate Governance Principles and Recommendations incorporating a structured approach to managing and reviewing risk.</p> <p>Platinum may use Derivatives for risk management purposes. Please refer to ‘Disclosure Principle 7: Derivatives’ on page 11 of the Platinum PDS for more details.</p> <p>Platinum will seek to manage the Underlying Fund’s currency exposure using hedging instruments (for example, foreign exchange forwards swaps, “non-deliverable” forwards, and currency options) and cash foreign exchange trades.</p> <p>Investment strategy changes The investment strategy of the Underlying Fund is unlikely to change. In the event of a material change, investors will be notified in writing.</p>																				
2. Investment manager	<p>Regulatory findings There have been no regulatory findings against Platinum.</p> <p>Portfolio Managers</p> <table border="1" data-bbox="512 981 1401 1666"> <thead> <tr> <th>Portfolio Manager</th> <th>Fund</th> <th>Qualifications</th> <th>Investment Management Experience</th> <th>Years with Platinum</th> </tr> </thead> <tbody> <tr> <td>Kerr Neilson (Chief Executive Officer)</td> <td>Platinum International Fund</td> <td>BCom, CFA (UK)</td> <td>44 Years</td> <td>19 Years</td> </tr> <tr> <td>Andrew Clifford (Chief Investment Officer)</td> <td>Platinum International Fund</td> <td>BCom (Hons), ASIA</td> <td>24 Years</td> <td>19 Years</td> </tr> <tr> <td>Jacob Mitchell (Deputy Chief Investment Officer)</td> <td>Platinum International Fund</td> <td>BCom</td> <td>18 Years</td> <td>13 Years</td> </tr> </tbody> </table> <p>All Portfolio Managers have stock research responsibilities, that is, they are also investment analysts. As the Portfolio Manager they retain ultimate responsibility for the Underlying Fund’s portfolio construction and hence the majority of their time is devoted to executing the Underlying Fund’s investment strategy. Kerr Neilson, Jacob Mitchell and Andrew Clifford each manage a portion of the Platinum International Fund and other portfolios. The Underlying Fund’s investment personnel spend as much time as required to accomplish the investment objectives of the Underlying Fund.</p>	Portfolio Manager	Fund	Qualifications	Investment Management Experience	Years with Platinum	Kerr Neilson (Chief Executive Officer)	Platinum International Fund	BCom, CFA (UK)	44 Years	19 Years	Andrew Clifford (Chief Investment Officer)	Platinum International Fund	BCom (Hons), ASIA	24 Years	19 Years	Jacob Mitchell (Deputy Chief Investment Officer)	Platinum International Fund	BCom	18 Years	13 Years
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Jacob Mitchell (Deputy Chief Investment Officer)	Platinum International Fund	BCom	18 Years	13 Years																	

In addition to managing portfolios, the Chief Investment Officer and Deputy Chief Investment Officer have responsibility for the implementation of the investment strategy and process across the investment team.

There have been no regulatory findings against the Portfolio Managers.

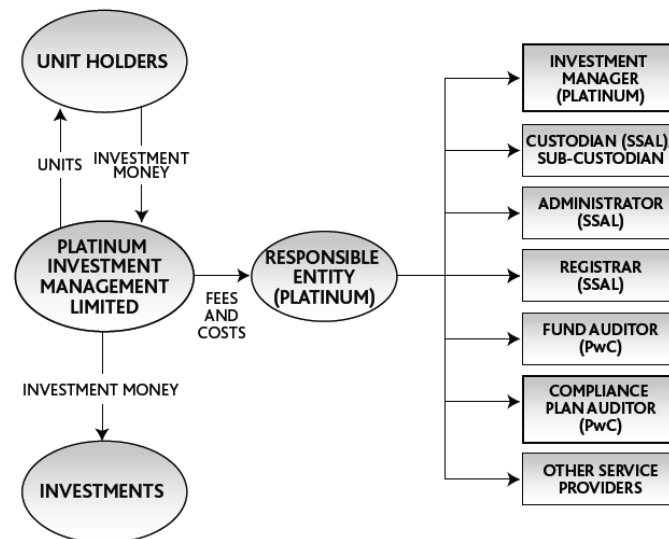
3. Fund structure

Investment Structure

The Underlying Fund is a managed investment scheme registered with the Australian Securities and Investments Commission (“ASIC”).

Platinum is ultimately owned by Platinum Asset Management Limited (ABN 13 050 064 287), a company listed on the ASX (ASX ticker: PTM). The majority of issued shares are held by staff and related parties.

Flow of investment money:



Key service providers

Custodian - Platinum has appointed State Street Australia Limited (“SSAL”) to act as global custodian for the Underlying Fund.

Auditor - PwC (PricewaterhouseCoopers) is the registered company auditor for the Underlying Fund. The auditor’s role is to audit the Underlying Fund’s annual financial report (which includes the financial statements), perform a half-yearly review (if required), and to provide an opinion on the financial statements.

Valuation of fund assets - Platinum has appointed SSAL to value the assets of the Underlying Fund and calculate the daily unit price.

Monitoring service providers

Platinum has in place procedures to periodically monitor key service providers to provide reasonable assurance that:

1. services rendered are in accordance with written agreements and service level standards; and
2. there is integrity in the data and information provided by service providers to Platinum.

	<p>Related party There are no related party relationships. Platinum may, in its personal capacity, invest in the Underlying Fund.</p> <p>Material arrangement There are no material arrangements in connection with the Underlying Fund that are not on arm's length terms.</p> <p>Jurisdictions of entities in funds' structure All Platinum entities involved in the Underlying Fund's structure are based in Australia and are subject to the jurisdiction of ASIC and the Australian Transaction Reports and Analysis Centre ("AUSTRAC").</p> <p>Holding assets overseas Fund assets are held in custody by SSAL and third party sub-custodians engaged by SSAL located globally. Cash, Derivative contracts and the respective cash margin held as collateral on such Derivatives are held by the global counterparty. This gives rise to counterparty risk.</p> <p>All investments are clearly identified as belonging to the Underlying Fund or are in Platinum's name as Responsible Entity and are segregated from the assets of SSAL, the sub-custodian and the counterparty.</p>
4. Valuation, location and custody of assets	<p>Valuation policy The assets of the Underlying Fund are valued by SSAL and the NAV is calculated in accordance with the Constitution of the Underlying Fund. Assets are normally valued on a Business Day at the closing price (the last sale price) in the respective local market as that date closes around the world. The Constitution provides that the value of the Underlying Fund will be increased by items such as the amount of money owing to the Underlying Fund, prepaid expenses and accrued or payable income. The value of the Underlying Fund will be decreased by the amount of any liability owing by the Underlying Fund, such as distributions to investors, the management costs paid to Platinum, including amounts accrued but not yet paid, provisions and contingent liabilities. SSAL values the Underlying Fund's assets in accordance with standard market practice and market prices are electronically sourced from third party vendors such as Thomson Reuters, Markit Partners, VM Company, Bloomberg and from brokers.</p> <p>If, in Platinum's opinion, the initial value of an asset as provided by SSAL is not a true reflection of the value that would reasonably be obtained if the security were to be sold in the market, Platinum has procedures and controls for reviewing, approving and documenting any changes to the initial valuation. Generally this will involve liaising with the investment analyst, SSAL and/or the counterparty for market feedback.</p> <p>Independent verifiable evidence of the appropriate price is obtained by Platinum if available and all such revaluations are subject to senior management approval. Platinum may also use an approved valuer to provide an independent evaluation of the fair market value of an</p>

investment.

Asset types and allocation ranges

The principal investments in the Underlying Fund are international equities.

Types of Asset	Allocation Range (%)
International Listed Equities	0 - 100
Cash Equivalent Investments	0 - 100

Under the Constitution of the Underlying Fund, the following types of assets may also be held within a range of up to 100% of the NAV: Australian listed equities, Australian government bonds, Australian corporate bonds, international government bonds, international corporate bonds, structured products, real property, infrastructure, exchange traded Derivatives, OTC Derivatives, commodity investments, and contracts to underwrite or sub-underwrite any issue of authorised investments. The Underlying Fund may also hold up to 20% of the NAV in international unlisted and Australian unlisted equities. For a list of 'Authorised investments' please refer to page 32 of the Platinum PDS.

Geographic location of assets

The Underlying Fund primarily invests in companies across the globe including emerging or frontier markets. For the geographic location of invested positions in the Underlying Fund, please refer to the 'Invested position' information for the Underlying Fund on page 16 of the Platinum PDS..

Geographic location of any material asset

A material asset is a significant holding or exposure relative to the Underlying Funds total assets. In general, the Underlying Fund will seldom invest more than 5% of the Underlying Funds NAV in the securities of a single issuer. For the geographic location of invested positions in the Underlying Fund, please refer to the 'Invested position' information for the Underlying Fund on page 16 of the Platinum PDS.

Custodial arrangements

The custody agreement between Platinum and SSAL sets out (among other things) the nature of the engagement and SSAL's obligations (and liability for any breach thereof) including the requirement to exercise reasonable care in carrying out its duties. It also prescribes how instructions will be given, how records are to be kept, notification and reporting requirements, and SSAL's obligation to give reasonable access and assistance to PwC and the standards by which SSAL's performance will be assessed.

As is standard practice for global investment dealings, SSAL engages third party sub-custodians around the world to transact and hold assets (located outside of Australia) for the Underlying Fund. In this respect, the sub-custodians are not required to comply with Australian laws or ASIC policy (such as standards for financial adequacy, professional indemnity

	<p>insurance and compensation for loss due to a breach of duty). SSAL monitors sub-custodians and requires them to exercise reasonable care in carrying out the terms specified in their sub-custodial agreements with SSAL.</p> <p>SSAL does not custody cash investments. Cash and Derivative contracts and the respective cash margin held as collateral on such Derivatives are held by the global counterparty. This gives rise to counterparty risk. Typically, these assets are less than 15% of the NAV of the Underlying Fund.</p>
5. Liquidity	<p>The Underlying Fund primarily invests in listed international equities traded on regulated exchanges. The Underlying Fund may make investments in companies that may not be readily liquidated within 10 days, at the desired price or at the value ascribed to that asset in calculating the Underlying Funds most recent NAV. In general, the Underlying Fund will seldom invest more than 5% of the Underlying Fund's NAV in the securities of a single issuer.</p> <p>Platinum maintains adequate cash levels in the Underlying Fund for the settlement of trades and to meet withdrawals made during the normal course of business. A key principle of Platinum's liquidity management policy is the fair and equitable treatment of all investors.</p>
6. Leverage	<p>Use of leverage and restrictions on the use of leverage Leverage is defined as the use of financial products (such as Derivatives) or borrowing (such as a margin facility) to amplify the exposure of capital to an investment.</p> <p>The Underlying Fund invests in Derivatives:</p> <ul style="list-style-type: none"> - for risk management purposes. Derivatives may be used to either increase or decrease the Underlying Fund's exposure to markets; - to take opportunities to increase returns; - to reduce transaction and administrative costs (e.g. the use of an equity swap to establish a short position in a security); - to establish positions in securities that may otherwise not be readily available (e.g. to gain access to particular stock markets where foreign investors face restrictions); and - to aid in the management of the Underlying Fund's cash flows (e.g. some stock markets require pre-funding of stock purchases that may be avoided through the use of Derivatives). <p>Investment restrictions in relation to Derivatives are detailed under a worked example showing the impact of leverage below.</p> <p>Whilst there is no restriction on borrowing in the Underlying Fund's Constitution, it is Platinum's policy not to borrow on behalf of the Underlying Fund (except to the extent short-term overdrafts arise from trade settlement delays). If Platinum amends this policy, investors will be notified by a notice on Platinum's website.</p> <p>Source of leverage including type</p>

The Underlying Fund may invest in Derivatives including futures, options, swaps (currency and equity), credit default swaps and related instruments.

The Underlying Fund enters into Derivative contracts with local branches of global investment banks through International Swaps and Derivative Association (“ISDA”) contracts.

Collateral usage

Derivative positions are collateralised with cash. No security of the Underlying Fund is held as collateral, encumbered or exposed to claims by third parties. The Underlying Fund is exposed to counterparty risk as described in ‘Disclosure Principle 1: Investment strategy’ on page 5 of the Platinum PDS.

Maximum anticipated and allowed level of leverage

The maximum allowed leverage in the Underlying Fund is 150% of the NAV of the Underlying Fund, that is, for every \$1 invested, the gross invested position of the Underlying Fund taking into account all securities and Derivatives held, is limited to \$1.50. For the purposes of this calculation, the underlying effective face value of the Derivatives is used. Further, this limitation includes all positions and does not allow for netting of any offsetting positions.

The maximum allowable leverage is 150% although the Underlying Fund’s positions in long securities and Derivatives would not typically be greater than 100%. Predominantly, the use of Derivatives is to establish short positions in securities and thus reduce the Underlying Fund’s net exposure to markets. The underlying value of Derivatives may not exceed 100% of the NAV of the Underlying Fund. The table below outlines the history of the use of Derivatives and leverage in the Underlying Fund.

Restrictions on Leverage and Platinum International Fund’s Experience Over 5 Years to 30 September 2013

Figures are as a percentage of the Underlying Fund’s NAV

	Allowable		Average	Last 5 years*	
	Maximum	Minimum		Highest	Lowest
Gross (Long +Short)	150%	50% ¹	107%	115%	98%
Long positions	150%	50% ¹	89%	100%	80%
Short positions	50% ¹	0%	18%	25%	11%
Net (Long – Short)	150% ²	50% ³	71%	88%	56%

	<p>1 This restriction is implied only by the Underlying Fund’s requirement to “typically be at least 50% net invested”.</p> <p>2 Though maximum is 150%, typically will be 100%.</p> <p>3 The restriction is that the Underlying Fund will “typically be at least 50% net invested”.</p> <p>* Based on month-end positions.</p> <p>Impact of leverage on investment returns and losses</p> <p>The maximum allowable leverage with greatest impact on the Underlying Fund returns would likely be where the Underlying Fund was 150% long. In such a case, if the value of the Underlying Fund’s securities (or the underlying securities of Derivatives) increased in value by 10%, the increase in the Underlying Fund’s value would be 15%.</p> <p>Conversely, a fall of 10% in the value of the Underlying Fund’s securities (or the underlying securities of Derivatives) would result in a fall of the Underlying Fund’s value of 15%.</p> <p>It should be noted that as per the table above the Underlying Fund has not historically held positions of this magnitude.</p>
7. Derivatives	<p>Purpose and rationale for the use of derivatives</p> <p>Platinum may use Derivatives for risk management purposes and to take opportunities to increase returns (e.g. to gain access to markets not readily available to foreign investors, to build a position in selected companies or issues of securities as a short-term strategy to be reversed when physical positions are purchased, and to create short positions).</p> <p>Platinum has set the following investment restrictions in respect of the Underlying Fund:</p> <ul style="list-style-type: none"> - the underlying value[#] of Derivatives may not exceed 100% of the NAV of the Underlying Fund; and - the underlying value[#] of long stock positions and Derivatives will not exceed 150% of the NAV of the Underlying Fund. <p>[#] Where options are employed, the underlying value will be the Delta adjusted exposure. “Delta” is the theoretical measure of the sensitivity of the option price to a change in the price of the underlying asset (usually expressed as a percentage).</p> <p>Types of derivatives used</p> <p>Platinum currently uses the following Derivatives: futures, options, swaps (currency and equity), credit default swaps and related instruments.</p> <p>Criteria for engaging derivative counterparties</p> <p>OTC Derivative transactions may only be entered into with counterparties that have been approved by the board of directors of Platinum.</p> <p>Consideration is given to the financial position and credit rating of the counterparty. Counterparties are engaged through standard market contracts such as ISDA Master Agreements and Platinum negotiates for equal rights, and same credit thresholds and transactional limits.</p>

	<p>Key risks associated with collateral requirements Trading in OTC Derivatives generally requires the lodgement of collateral (also known as 'credit support', such as a margin or guarantee) with the counterparty. This gives rise to counterparty risk. Financial transactions that are conducted OTC generally carry greater counterparty risk than securities traded on a recognised exchange (where the other party to the transaction is the exchange's clearing house).</p> <p>Trading mechanism for derivatives utilised Platinum uses both OTC and exchange traded Derivatives (i.e. those traded on a registered Derivatives exchange).</p>
8. Short selling	<p>Rationale The rationale behind short selling is to profit from a fall in the price of a particular security (e.g. share, index, exchange traded fund). From time to time, Platinum applies an active short selling strategy for the Underlying Fund. Platinum may use short selling to reduce the Underlying Fund's net invested position and thus reduce the Underlying Fund's level of market risk, and to take opportunities to increase returns.</p> <p>Platinum generally utilises equity swaps to short sell. A swap is a derivative contract, in which two parties (counterparties) agree to exchange payments of value (or cash flows) for another. Normally they are cash settled non-deliverable contracts (i.e. settled for profit or loss).</p> <p>Platinum may also effect a short selling strategy by borrowing the desired security. The security is repurchased in the market and repaid to the lender to close the short position.</p> <p>Risks In taking a short position, Platinum expects the asset to depreciate although there is a risk that the asset could appreciate. Unlike a long security, losses can exceed the amount initially invested.</p> <p>Risk management The risks associated with short selling are managed in the same way as the risks associated with holding a long security, that is, thorough research, daily reporting and ongoing monitoring of positions held.</p>

Short selling example (loss)

Platinum short sells (via a swap agreement) 10,000 shares of ABC @ \$100 and closes the position when the share price rises to \$120 by entering into an equal and opposite trade.

Trade	No. Of Shares	Share Price (\$)	Total Income/ Cost (\$)
Opening sell	10,000	100	1,000,000
Borrowing cost and commission			(200)
Interest receivable			250
Closing buy	10,000	120	(1,200,000)
Loss			(199,950)

There will be additional costs and revenues from borrowing costs, commissions and the return of dividends.

Short selling example (profit)

Platinum short sells (via a swap agreement) 10,000 shares of ABC @ \$100 and closes the position when the share price falls to \$80.

Trade	No. Of Shares	Share Price (\$)	Total Income/ Cost (\$)
Opening sell	10,000	100	1,000,000
Borrowing cost and commission			(200)
Interest receivable			250
Closing buy	10,000	80	(800,000)
Profit			200,050

There will be additional costs and revenues from borrowing costs, commissions and the return of dividends.