



# Generations<sup>®</sup> Investment Options

Additional information booklet

ASIC benchmarks and disclosure principles for Platinum International

## Important information

National Mutual Funds Management Ltd (NMF) (ABN 32 006 787 720, AFSL 234652) is the responsible entity of the International Equities No 4 Trust (ARSN 109 858 282) ('Platinum International' or 'the Fund') and issuer of this document.

The Fund invests into the Platinum International Fund (ARSN 089 528 307, the 'Platinum International Fund'), a registered managed investment scheme under the *Corporations Act 2001 (Cth)* (Corporations Act). The investment manager and responsible entity of the Platinum International Fund is Platinum Investment Management Limited ('Platinum', ABN 25 063 565 006, AFSL 221935). Platinum is responsible for selecting and managing the Platinum International Fund's investments.

In this document NMF is referred to as 'we' or 'us'.

Unless otherwise specified all dollar amounts in this document are Australian dollars.

**This document should be read in conjunction with and is taken to be included in the current product disclosure statement (PDS) for the Fund.**

The PDS contains important information about investing in the Fund and it is important that investors read the PDS before making a decision about whether to acquire or continue to hold or dispose of units in the Fund. This document has been prepared for the purpose of providing general information, without taking into account any particular investor's objectives, financial situation or needs. Investors should, before making any investment decisions, consider the appropriateness of the information in this document, and seek professional advice, having regard to their objectives, financial situation and needs.

The Australian Securities and Investments Commission (ASIC) has released ASIC regulatory guide 240 hedge funds: Improving Disclosure (RG240), which includes benchmarks and disclosure principles to help investors better understand the characteristics of hedge funds and the risks associated with them.

Benchmarks and disclosure principles for the Fund and the Platinum International Fund, as set out in this document, are taken to be included in the current PDS for the Fund and should be read in conjunction with the PDS.

This document will be reviewed annually and updated where material changes are identified.

A copy of the **ASIC benchmarks and disclosure principles for the Fund** and a current PDS for the Fund are available online at [northonline.com.au/generations](http://northonline.com.au/generations) and can also be obtained free of charge, on request.

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Jointly issued by National Mutual Funds Management Ltd and ipac asset management limited.

## Benchmarks

### 1. Valuation of assets

**Benchmark:** The responsible entity has and implements a policy that requires valuations of the hedge fund's assets that are not exchange traded to be provided by an independent administrator or an independent valuation services provider.

This benchmark does not apply to the Fund.

Platinum's valuation policy requires that Platinum International Fund's assets that are not exchange traded be valued using a price provided by State Street Australia Limited ('SSAL') or another independent third party, or otherwise determined in accordance with a valuation methodology that has been verified by an independent third party.

All valuations for the assets of the Fund are in accordance with the AMP Capital asset valuation policy.

### 2. Periodic reporting

**Benchmark:** The responsible entity has and implements a policy to provide periodic reports on certain key information as set out in the table below.

#### Periodic reporting of key information

<b>Monthly updates</b>	<p>The following information is available on the hedge fund's website and is disclosed monthly or, if less often, at least as often as investors have the right to redeem their investments and in reasonable time to allow investors to consider that information in making a decision whether to redeem their investment:</p> <ul style="list-style-type: none"><li>– the current total net asset value of the fund and the redemption value of a unit in each class of units</li><li>– as at the date the net asset value was calculated</li><li>– the key service providers if they have changed since the last report given to investors, including any</li><li>– change in their related party status, and</li><li>– for each of the following matters since the last report on those matters:<ul style="list-style-type: none"><li>– the net return of the fund's assets after fees, costs and taxes</li><li>– any material change in the fund's risk profile</li><li>– any material change in the fund's strategy</li><li>– any change in the individuals playing a key role in investment decisions for the fund.</li></ul></li></ul>
<b>Annual (or more frequent) reporting</b>	<p>The responsible entity has and implements a policy to report on the following information as soon as practicable after the relevant period end:</p> <ul style="list-style-type: none"><li>– the actual allocation to each asset type</li><li>– the liquidity profile of the portfolio assets as at the end of the period – the representation of asset liquidity (the estimated time required to sell an asset at the value ascribed to that asset in the fund's most recently calculated net asset value) in a graphical or other form that allows easy comparison with the maturity profile of the liabilities</li><li>– the maturity profile of the liabilities as at the end of the period – the representation of maturities in a graphical form that allows easy comparison with the liquidity profile of the portfolio assets</li><li>– the leverage ratio (including leverage embedded in the assets of the fund, other than listed equities and bonds) as at the end of the period</li><li>– the derivatives counterparties engaged (including capital protection providers)</li><li>– the monthly or annual investment returns over at least a five-year period (or, if the hedge fund has not been operating for five years, the returns since its inception), and</li><li>– the key service providers if they have changed since the latest report given to investors, including any change in their related party status.</li></ul> <p>This information must be given to members as often as, and no later than or as soon as practicable after, any periodic statement required by s1017D (but in any event no later than six months after the end of the relevant period).</p>
<b>Ongoing availability</b>	<p>The latest report, which addresses the above matters, is available on the hedge fund's website.</p>

This benchmark is met.

Key information in relation to the Fund is provided on the website, [northonline.com.au/generations](http://northonline.com.au/generations) or upon request, free of charge.

### Monthly reporting

The Fund issues the following information on a monthly (or in some instances more frequent) basis, which is available on request from the North Client Services team and on the website, [northonline.com.au/generations](http://northonline.com.au/generations):

- actual allocation to each asset type as at each month end per the asset allocation guidelines in the PDS
- current total net asset value of the Fund as at month end (the method of how we value assets is explained in the relevant asset valuation policy, a summary of which is available from us on request)
- daily application and redemption unit prices, and
- net investment return for the Fund as at month end, after management costs, for periods of one month, three months, six months, one year, and since inception. We report investment performance on a before tax basis.

### Annual reporting

The Fund issues the following report on an annual basis:

- fund financial statements. This is available on request from the North Client Services team and on the website, [northonline.com.au/generations](http://northonline.com.au/generations)

Each year from Generations you will receive an annual statement by post, which includes the:

- cash account statement – showing all transactions
- portfolio allocation statement – detailing the latest value of your investments
- portfolio summary – detailing any income earned and expenses paid during the year
- annual tax report – shows your tax information for the year
- annual audit report (available electronically only)

This report will also be available on North Online.

### Ongoing availability

The Fund issues the following information on an ad-hoc basis:

- details of key service providers if they have changed since the latest report given to investors, including any change in related party status.
- the derivative counterparties engaged. This is available on the website, [northonline.com.au/generations](http://northonline.com.au/generations)
- to the extent applicable:
  - any material change in the Fund's risk profile or investment strategy
  - any material change in the Fund's custodian, administrator or investment manager, and
  - any change in the individuals playing a key role in investment decisions (as noted under disclosure principle 2).

## Disclosure principles

### 1. Investment strategy

**Disclosure principle 1: The responsible entity should disclose the following information:**

1. a description of the fund's investment strategy, including:
  - the typical asset classes to be invested in
  - the typical location and currency denomination of the assets, and
  - the role of leverage, derivatives and short selling
2. an explanation of how the strategy will produce investment returns
3. any key dependencies or assumptions underpinning the strategy's ability to produce investment returns
4. what the diversification guidelines or limits are
5. any specific risks associated with the relevant investment strategy
6. disclosure of the key aspects of the Fund's risk management strategy, and
7. if and how the investment strategy can change and what notification would be provided to investors.

The Fund meets this disclosure principle.

#### Investment strategy

Platinum seeks investments in companies whose businesses and growth prospects are being inappropriately valued by the market.

The constitution for the Platinum International Fund permits a wide range of investments. However, Platinum typically invests in listed equity securities of companies, cash and cash equivalents, derivatives (including OTC derivatives) and foreign exchange transactions.

The Platinum International Fund will not invest in unlisted equity securities, except in the case of initial public offers of securities, or where an unlisted securities holding arises inadvertently, for example due to a corporate event. Any investments in such unlisted securities will be kept to a de minimis amount at all times.

#### Explanation of how the strategy will produce investment returns

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.

#### Any key dependencies or assumptions underpinning the strategy's ability to produce investment returns (eg market conditions or interest rates)

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 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 or limits

The Platinum International Fund will typically have a net equity exposure of between 50 – 100%.

In general, the Platinum International Fund will seldom invest more than 5% of the Platinum International Fund's Net Asset Value ('NAV') in the securities of a single issuer.

## Any specific risks associated with the relevant investment

Please refer to the **What risks apply to investing** section of the relevant PDS. In addition to the risks outlined in this section, below are some specific risks of investing in the Platinum International investment option.

### Platinum International Fund's risks of strategy

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

- **Manager risk:** Platinum International 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 Platinum International Fund's investment objective may not be achieved and the market may continue to undervalue the securities held by the Platinum International 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.
- **Portfolio asset risk:** Investments in equity and equity related securities generally have greater price volatility risk than debt securities. The value of securities held in the Platinum International Fund may decline because of the quality of a company's management, financial condition, operations and the general health of the sector in which the company operates. Share markets can experience exceptionally high levels of volatility affecting the value of the securities traded in those markets.
- **Derivative risk:** Investments in derivatives may cause losses associated with changes in market conditions, such as fluctuations 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 Platinum International Fund to lose more than the amount of assets initially contributed to the transaction. As Over-the-Counter ('OTC') derivatives are customised instruments, the Platinum International Fund may be unable to liquidate the derivative contract at a fair market price within a reasonable timeframe. The OTC counterparty may be unable or unwilling to make the required delivery of the security or make the required payments.
- **Short selling risk:** Short selling can be seen as a form of leverage and may magnify the gains and losses achieved in the Platinum International Fund. While short selling may be used to manage certain risk exposure in the Platinum International Fund, it may also have a significantly increased adverse impact on its return. Losses resulting from a short position may exceed the amount initially invested.
- **Currency risk:** Investing in assets denominated in a currency other than the Platinum International Fund's base or reporting currency may cause losses resulting from exchange rate fluctuations. Platinum may not hedge or any hedging strategies employed may not be successful.
- **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. Such securities may be less liquid, more volatile, and harder to value. In times of market disruptions (including but not limited to market closures), security prices may be delayed or unavailable. 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 Platinum International Fund may not be able to purchase or sell a security in a timely manner or at a desired price or achieve its desired weighting in a security.
- **Counterparty risk:** This is the risk of loss resulting from a counterparty not meeting its obligations due to a dispute over terms, or the insolvency, financial distress or bankruptcy of a counterparty used by Platinum.
- **Global pandemic risk:** Health pandemics could significantly affect the industries that the Platinum International Fund invests in, as well as the normal operations of financial markets and the operation of custodians and Platinum's counterparties.
- **Fund and operational risks:** The following risks may adversely affect the Platinum International Fund and its performance: the Platinum International Fund could terminate, its features could change, Platinum may not be able to continue to act as responsible entity; third party service providers engaged by Platinum for the Platinum International Fund may not properly perform their obligations and duties to Platinum; or circumstances beyond the reasonable control of Platinum may occur, such as failure of technology or infrastructure, or natural disasters.
- **General regulatory and tax risk:** This is the risk that a government or regulator may introduce regulatory and/or tax changes, or a court makes a decision regarding the interpretation of the law, which affects the value of the Platinum International Fund's assets or the tax treatment of the Platinum International Fund and its investors. These changes are monitored by Platinum and action is taken, where appropriate, to facilitate the achievement of the investment objectives of the Platinum International Fund. However, Platinum may not always be in a position to take such action.
- **Performance fee risk:** Where performance fees are charged, Platinum may have an incentive to take higher investment risks in the Platinum International Fund.

Platinum has a duty to act in the best interests of the investors of the Platinum International 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. Platinum's portfolio managers and associated investment staff are required to comply with conflict management policies and compliance and risk management frameworks.

## Disclosure of the key aspects of the Platinum International Fund's risk management strategy

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

Platinum views risk primarily as being about the prospect of losing investors' capital. The greatest risk factor is the Platinum International Fund's security exposure and Platinum monitor and control risk through the following channels:

- Risk management is core to Platinum's stock selection process. As a result of their investment approach, the key risks in the Platinum International Fund are the specific risks associated with each individual stock position. Platinum view specific stock risk as a function of their knowledge base on the company and seek to manage and reduce risk via a process of thorough and in-depth research, detailed scrutiny by the relevant analysts and their peer group as well as ongoing monitoring. Within the Platinum International Fund, care will be taken to avoid excessive exposure to areas that have a high co-variance.
- Platinum's investment approach is focused on seeking out the out-of-favour and overlooked parts of the market. As a consequence, stocks are purchased when Platinum believes they offer good value and the price is already depressed, which may create an element of protection and the Platinum International Fund with below-average risk characteristics.
- Platinum's index-agnostic approach also contributes to the control of the absolute risk of the Platinum International Fund.
- From time to time, Platinum may utilise derivatives to manage risk, such as:
  - selling index futures or buying index put options to reduce market risk in the Platinum International Fund; and
  - where Platinum has identified stocks that Platinum believes to be overvalued, buying put options over that stock or taking short positions in the stock (see **Disclosure principle 7: Derivatives** for more details).

Platinum manages risk associated with currency exposure through the use of hedging devices (e.g. foreign exchange forwards, swaps, non-deliverable forwards and currency options) and cash foreign exchange trades.

Platinum also 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.

### If and how the investment strategy can change and what notification would be provided to investors

Platinum believes that the investment strategy of the Platinum International Fund is unlikely to change.

We will be notified by Platinum of any such changes in accordance with their obligations under the Corporations Act. We will notify you of these changes or events through North Online as soon as we can after we have been notified by Platinum.

## 2. Investment manager

### Disclosure principle 2: The responsible entity should disclose a description of the following:

1. the identity of, and information on any relevant significant adverse regulatory findings against, any investment manager appointed by the responsible entity of the hedge fund
2. the identities, relevant qualifications and commercial experience (including information on any relevant significant adverse regulatory findings against) of any individuals playing a key role in investment decisions and the proportion of their time each will devote to executing the fund's investment strategy
3. if any of the assets are not managed by the responsible entity, any unusual and materially onerous (from an investor's perspective) terms in the agreement or other arrangement under which any investment manager is appointed and the scope of this appointment, and
4. the circumstances in which the responsible entity is entitled to terminate the investment manager's appointment and on what terms (including any payments).

The Fund meets this disclosure principle.

Current portfolio managers of the Platinum International Fund:

Portfolio manager	Key individual	Investment management experience (years)	Qualifications
Chief Executive Officer	Kerr Neilson	48	BCom
Chief Investment Officer	Andrew Clifford	28	BCom (Hons), Dip. SIA
Portfolio Manager	Clay Smolinski	11	BCom

Effective 1 July 2018, the portfolio managers of the Platinum International Fund will be:

Portfolio manager	Key individual	Investment management experience (years)	Qualifications
Chief Executive Officer and Chief Investment Officer	Andrew Clifford	28	BCom (Hons), Dip. SIA
Portfolio Manager	Clay Smolinski	11	BCom

Platinum International Fund's portfolio managers are investment analysts with stock research responsibilities and retain ultimate responsibility for the Platinum International Fund's portfolio construction. Investment analysts not identified above may share portfolio management responsibilities with Platinum International Fund's portfolio managers. The level of their portfolio management responsibilities will vary from time to time and will be determined by Platinum's Chief Investment Officer. Platinum International Fund's portfolio managers may also manage different funds. Platinum's Chief Investment Officer has responsibility for the implementation of the Platinum International Fund's investment strategy and the investment process across the investment team. The Platinum International Funds' investment personnel spend as much time as required to accomplish the investment objectives of the Platinum International Fund.

There have been no regulatory findings against any of the Platinum International Fund's portfolio managers.

### 3. Fund structure

**Disclosure principle 3: The responsible entity should disclose the following information:**

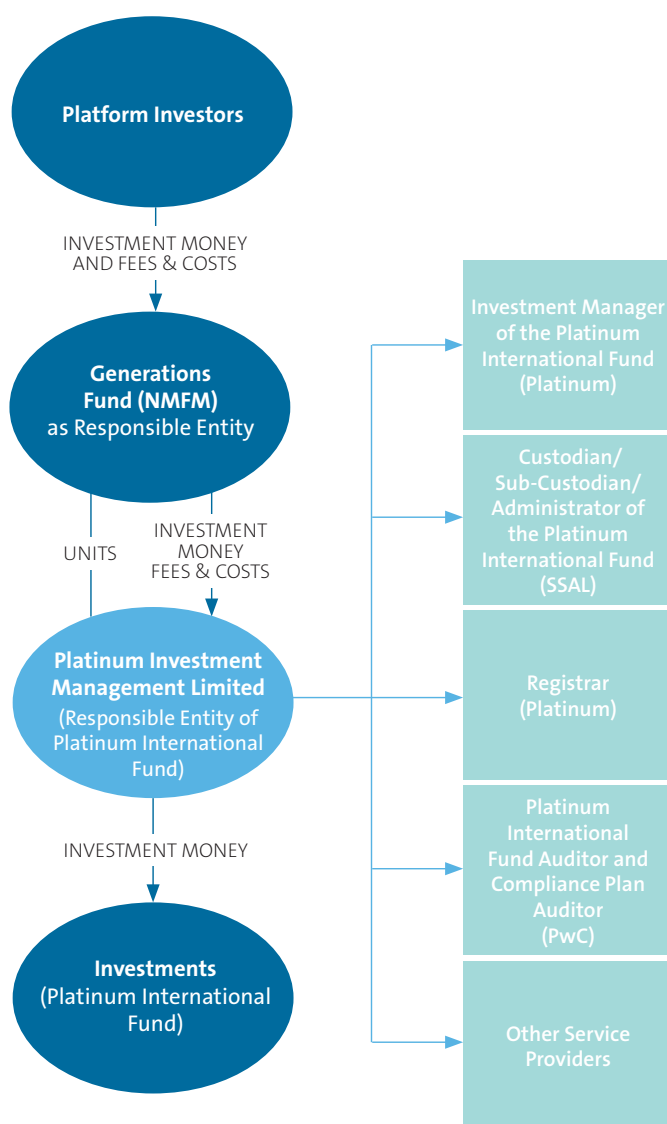
1. the fund's investment structure - that is, the key entities involved (eg companies, schemes, and limited partnerships), their relationship to each other and their roles, together with a diagram showing the flow of investment money through the structure
2. the identities of the key service providers (eg investment managers, prime brokers, custodian, administrator, valuation service provider and auditor) and scope of their services where applicable
3. how the responsible entity ensures that its key service providers will comply with their service agreement obligations
4. any related party relationships within the structure including any related party relationships between the responsible entity and the investment managers or between the responsible entity and the investment managers and any underlying funds, counterparties or any key service providers (including executing brokers) to the fund
5. the existence and nature of material arrangements in connection with the hedge fund that are not on arm's length terms (see **regulatory guide 76 – related party transactions (RG76)**)
6. for funds of hedge funds, the due diligence process performed on underlying funds and their key service providers
7. a reasonable estimate of the aggregate amount of any fees and costs that would be disclosed by all underlying funds (that are not listed entities or corporations that are not investment companies) as if each of these entities were a registered scheme disclosing in accordance with Sch 10 of the Corporation Regulations 2001, but so as to exclude double counting to the extent that those management costs include management costs of the hedge fund
8. the jurisdiction of the entities involved in the fund's structure, and
9. the risks of the structure, including any risks associated with the holding assets overseas or, for funds of hedge funds with investing in underlying funds overseas.

The Fund meets this disclosure principle.

There are no material arrangements between NMF and Platinum that are not on arms-length terms. Platinum is ultimately owned by Platinum Asset Management Limited (ABN 13 050 064 287), a company listed on the ASX (ASX ticker PTM). Platinum staff have relevant interests in the majority of Platinum Asset Management Limited's issued shares.

The diagram on page 9 shows the flow of investment money:





### Key service providers

#### Fund administrator, custodian and unit registrar – responsible entity –BNP Paribas

BNP Paribas Fund Services Australasia Pty Limited (BNP Paribas) has been appointed to provide certain administration, registry services, accounting, and custodial services to the Fund. AMP Capital has a dedicated team responsible for the ongoing management of outsourced service provider relationships such as BNP Paribas in place. This activity is carried out by the Relationship & Service Delivery team in liaison with AMP Capital internal business units and senior management.

The risk management process includes a review of approximately 160 key performance indicators (KPIs) reported monthly by BNP Paribas. Failures of each of these KPIs carry a financial penalty, captured as part of the service credit model mechanism between AMP Capital and BNP Paribas. In addition, AMP Capital is able to enforce a formal operational review of BNP operational processes on the basis of recurring KPI failures.

A wider governance framework also regulates the relationship between AMP Capital and BNP Paribas, via which AMP Capital is able to monitor its custodian and fund administrator. This framework provides for an issues log (around which the two parties meet on a fortnightly basis), a monthly relationship meeting, a monthly risk forum, an executive council (which involves senior representatives from AMP Capital and AMP Limited), and an incident reporting system, which provides AMP Capital with the ability to raise any issues that it deems will necessitate remedial action.

BNP Paribas also provides AMP Capital with a report on internal controls in operation and tests of operating effectiveness and design, prepared in accordance with international service organisation reporting standards (ISAE3042). This report describes the controls surrounding certain custody, fund administration, and registry functions of BNP Paribas' business. It is prepared in accordance with the guidelines contained in the SAS70 standards, entitled reports on the processing of transactions by Service Organisations, issued by the American Institute of Certified Public Accountants. The focus of the report is on the internal controls of BNP Paribas and has been designed to provide information to be used by AMP Life, AMP Capital and their independent auditors. This is an internationally recognised official framework.

### **Administrator and Custodian – Platinum International Fund**

Platinum has appointed State Street Australian Limited (SSAL) to act as global custodian and administrator for the Platinum International Fund. Platinum has also appointed SSAL to value the assets of the Platinum International Fund and calculate the daily unit price.

### **Auditor – Responsible Entity**

Ernst and Young (EY) has been appointed as auditor to the Fund. AMP Capital uses EY as external auditors and they are appointed at the AMP Group level. EY has acted in this capacity for several years and their appointment is re-assessed on a periodic basis by the AMP Group Chief Financial Officer and the AMP Limited Audit Committee.

### **Auditor – Platinum International Fund**

PricewaterhouseCoopers (PWC) is the registered company auditor for the Platinum International Fund. The auditor's role is to audit the Platinum International 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.

### **Monitoring service providers – responsible entity**

AMP Capital has procedures in place to monitor the performance of those service providers to whom functions have been outsourced. Monitoring methods include, where appropriate, daily observation of service provider performance, review of regular compliance and audit reports, regular meetings with service providers and performance assessments.

### **Monitoring service providers – Platinum International Fund**

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.

### **Related party – Platinum International Fund**

There are no related party relationships. Platinum may, in its personal capacity, invest in one or more funds it manages.

### **Material arrangement – Platinum International Fund**

There are no material arrangements in connection with the Platinum International Fund that are not on arm's length terms.

### **Fees and costs**

The prime broker and lender are paid service providers to the Fund. In accordance with the Fund's Constitution, AMP Capital is entitled to receive fees for the provision of services to the Fund and to be reimbursed for certain expenditure incurred in the administration of the Fund.

The Platinum International Fund does not invest in any underlying funds.

### **Jurisdiction of the entities involved in the Fund structure**

All entities involved in the Platinum International Fund's structure are based in Australia and are subject to the jurisdiction of ASIC and the Australian Transaction Reports and Analysis Centre ('**AUSTRAC**').

### **Risks of holding assets overseas – Platinum International Fund**

The assets of the Platinum International Fund are held in custody by SSAL and third party sub-custodians engaged by SSAL located globally. Certain securities are held in omnibus accounts consistent with local market practice and in accordance with ASIC regulatory guide 133. In respect of these omnibus accounts, the Platinum International Fund's investments are always separately identified in the books and records of SSAL.

## 4. Valuation, location and custody of assets

### Disclosure principle 4: The responsible entity should disclose the following information:

1. the key aspects of the valuation policy
2. the types of assets that the fund does or may invest in and the allocation range for each asset type, using the following assets types (including the assets of underlying funds):
  - Australian listed equities
  - Australian unlisted equities
  - international listed equities
  - international unlisted equities
  - Australian government bonds
  - Australian corporate bonds
  - international government bonds
  - international corporate bonds
  - structured products
  - real property
  - infrastructure
  - exchange traded derivatives
  - over-the-counter (OTC) derivatives
  - cash equivalent investments, and
  - other (provide details)
3. any policy about the geographic location of the asset
4. the geographic location of any material asset, and
5. the custodial arrangements, including details of the roles provided by custodians. Where assets are not held by a third-party custodian, the responsible entity should disclose the types and proportion of those assets relative to the fund's net asset value.

The Fund meets this disclosure principle.

### Key aspects of the valuation policy

Valuations for the assets that the Fund holds are covered under the AMP Capital asset valuation policy. This policy seeks to ensure that:

- valuations are calculated and applied consistently and equitably
- valuations include all assets of a fund at the point of valuation
- valuations are unbiased and are not subject to undue influence
- valuation processes are documented and transparent to ensure they are independently verifiable
- assets are valued as a 'going concern' basis, unless this assumption is inappropriate for a particular fund, for example where the fund is in the process of being wound up
- the methodologies used are appropriate for the nature of the assets
- the formulae or methods used are reviewed at appropriate periods, and
- the responsible entity satisfies its regulatory obligations.

The Fund primarily invests in global securities which are exchange traded and prices are available on exchanges. The Fund does not invest in direct assets. Investments in underlying index funds and currency forward contracts are valued on a daily basis by an independent administrator – BNP Paribas. The valuation methods applied by AMP Capital to value the Fund's assets and liabilities must be consistent with the range of ordinary commercial practice for valuing them and be reasonably current.

### Platinum International Fund

For the Platinum International Fund, the assets are valued by SSAL and the NAV is calculated in accordance with the Platinum International Fund's Constitution. The assets held by the Platinum International Fund are normally valued on each business day. The Platinum International Fund's Constitution provides that the value of the Platinum International Fund will be increased by items such as the amount of money owing to the Platinum International Fund, prepaid expenses and accrued or payable income. The value of the Platinum International Fund will be decreased by the amount of any liability owing by the Platinum International 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 Platinum International 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, WM Company, Bloomberg and from brokers.

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.

Platinum International Fund's assets that are not exchange traded are valued using a price provided by SSAL or another independent third party, or otherwise determined in accordance with a valuation methodology that has been verified by an independent third party.

The principal investments in the Platinum International Fund are international equities.

Platinum International Fund's Asset Class	Range
International equities	0-100%
Cash equivalent investments	0-100%

Cash and cash equivalents typically represents less than 40% of the Platinum International Fund's NAV.

The Platinum International Fund may invest in bullion and other physical commodities, but the total value of such investments at the time of acquisition will not exceed 20% of the NAV of the Platinum International Fund.

### Geographic location of assets

The assets of the Fund are located around the world.

The Platinum International Fund primarily invests in equity and equity related securities of international companies including those in emerging or frontier markets.

### Geographic location of any material asset

A material asset is a significant holding or exposure relative to a fund's total assets.

The material assets of the Fund, being units in the Platinum International Fund, are located around the world.

In general, the Platinum International Fund will seldom invest more than 5% of the fund's NAV in the securities of a single issuer.

### Custodial arrangements

The Fund's assets, whether securities or cash (other than cash posted as collateral for futures positions), will be held by an external custodian, BNP Paribas. See disclosure principle 3 for further information on BNP Paribas.

Platinum has appointed SSAL to act as global custodian for the Platinum International Fund. Platinum International Fund's assets are generally held by SSAL and third party sub-custodians engaged by SSAL. The securities of the Platinum International Fund are clearly identified from the assets of Platinum, SSAL, third party sub-custodians and SSAL's clients. SSAL custody staff are independent to Platinum and SSAL plays no investment management role. Cash is held by SSAL as custodian and is deposited with State Street Bank and Trust Corporation. The custody agreement between Platinum and SSAL sets out the required standards of care and conduct to be performed by SSAL and its sub-custodians in accordance with ASIC regulatory guide 133 and complies with the content requirements for custody agreements under ASIC class order [CO 13/1409], SSAL monitors sub-custodians and requires them to exercise reasonable care in carrying out the terms specified in their sub-custodial agreements with SSAL. For assets custodied at SSAL, Platinum performs a daily reconciliation to SSAL records.

## 5. Liquidity

**Disclosure principle 5: If the responsible entity of a hedge fund cannot reasonably expect to realise at least 80% of its assets, at the value ascribed to those assets in calculating the fund's net asset value, within 10 days, the responsible entity should disclose:**

1. a description of any asset class that has a value greater than 10% of the fund's net asset value and cannot be reasonably expected to be realised at the value ascribed to that asset in calculating the fund's most recent net asset value within 10 days, and
2. the key aspects of the liquidity management policy.

The Fund meets this disclosure principle.

This disclosure principle and additional disclosure is not applicable to the Fund as the responsible entity can reasonably expect to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund's net asset value, within 10 days.

As the Fund invests solely in the Platinum International Fund, the liquidity of the Fund depends on the liquidity of the Platinum International Fund.

The Platinum International Fund invests in listed international equities traded on regulated exchanges.

Platinum generally maintains adequate cash levels in the Platinum International 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.

## 6. Leverage

### **Disclosure principle 6: The responsible entity should disclose the following information:**

1. the circumstances in which the hedge fund may use leverage and any restrictions on its use of leverage
2. the sources of leverage, including the type, the amount and the providers of the leverage
3. whether any assets are used as collateral, and the extent to which they are otherwise encumbered or exposed to set-off rights or other legitimate claims by third parties in the event of the insolvency of the responsible entity, a service or credit provider, or a counterparty
4. the maximum anticipated and allowed level of leverage (including leverage embedded in the assets of the fund, other than the leverage embedded in holdings of listed equities and bonds) as a multiple of the net asset value of an investor's capital in the fund (eg for every \$1 of the fund's net asset value, the fund is leveraged \$x), and
5. a worked example showing the impact of leverage on investment returns and losses, assuming the maximum anticipated level of leverage (including leverage embedded in the assets of the fund, other than leverage embedded in holdings of listed equities and bonds).

The Fund meets this disclosure principle.

### **Use of leverage and restrictions on the use of leverage**

Leverage can be 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.

The Fund does not use leverage. However, the Platinum International Fund may gain leveraged market exposure through the use of derivatives.

Investment restrictions in relation to the use of derivatives are detailed below under disclosure principle 7.

Whilst there is no restriction on borrowing in the Platinum International Funds' Constitution, it is Platinum's policy not to borrow on behalf of the Platinum International Fund except to the extent short-term overdrafts arise from trade settlement delays. If Platinum amends this policy, Platinum will notify us by placing a notice on their website.

### **Source of leverage including type**

The Platinum International Fund may use derivatives including futures, options, swaps (currency and equity), credit default swaps and related instruments, to leverage the Platinum International Fund.

### **Collateral usage**

Platinum International Fund's derivative positions are collateralised with cash. No security holding of the Platinum International Fund is used as collateral, encumbered or otherwise exposed to claims by third parties. The Platinum International Fund is exposed to counterparty risk as described in **disclosure principle 1: investment strategy**

### **Maximum anticipated and allowed level of leverage**

The maximum allowable leverage in the Platinum International Fund is 150% of the NAV of the Platinum International Fund, that is, for every \$1 invested, the gross invested position of the Platinum International 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.

Although the maximum allowable leverage in the Platinum International Fund is 150% of the NAV of the Platinum International Fund, the Platinum International 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 Platinum International Fund's net exposure to markets. The underlying value of derivatives may not exceed 100% of the NAV of the Platinum International Fund.

The table below outlines the history of the use of leverage in the Platinum International Fund.

Restrictions on leverage and Platinum International Fund's experience over 5 Years to 31 March 2017 (figures are as a percentage of Platinum International Fund's NAV):

	Allowable		Average	Last 5 Years*	
	Maximum	Minimum		Highest	Lowest
Gross (Long + Short)	150%	50% <sup>1</sup>	104%	114%	91%
Long positions	150%	50% <sup>1</sup>	91%	100%	84%
Short Positions	50% <sup>1</sup>	0%	12%	24%	5%
Net (Long - Short)	150% <sup>2</sup>	50% <sup>3</sup>	79%	89%	66%

1. This restriction is implied only by the Platinum International Fund's requirement to be "typically at least 50% net invested".

2. Though maximum is 150%, typically the actual position will be 100%.

3. The restriction is implied only by the Platinum International Fund's requirement to be "typically at least 50% net invested".

\* Based on month-end positions.

### Impact of leverage on investment returns and losses

The maximum allowable leverage with greatest impact on Platinum International Fund's returns would likely be where the Platinum International Fund was 150% long. In such a case, if the value of the Platinum International Fund's securities (or the underlying securities of derivatives) increased in value by 10%, the increase in the Platinum International Fund's value would be 15%.

Conversely, a fall of 10% in the value of the Platinum International Fund's securities (or the underlying securities of derivatives) would result in a fall of the Platinum International Fund's value of 15%.

It should be noted that as per the table above the Platinum International Fund has not historically held positions of this magnitude.

## 7. Derivatives

### Disclosure principle 7: The responsible entity should disclose the following information:

1. the purpose and rationale for the use of derivatives (eg investment hedging, leverage and liquidity), including how they form part of the hedge fund's investment strategy
2. the types of derivatives used or planned to be used
3. the criteria for engaging derivative counterparties (including principal protection providers)
4. the key risks to the hedge fund associated with the collateral requirements of the derivative counterparties, and
5. whether the derivatives are OTC or exchange traded.

The Fund meets this disclosure principle.

### Purpose and rationale

Derivatives are not used in the Fund. However, Platinum may use derivatives for the Platinum International Fund:

- for risk management purposes
- to take opportunities to increase returns
- to create 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 Platinum International Fund's cash flows (e.g. some stock markets require pre-funding of stock purchases that may be avoided through the use of derivatives).

Platinum has set the following investment restrictions in respect of the Platinum International Fund:

- the underlying value<sup>1</sup> of derivatives may not exceed 100% of the NAV of the Platinum International Fund, and
- the underlying value<sup>1</sup> of long stock positions and derivatives will not exceed 150% of the NAV of the Platinum International Fund.

1. 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).

### Types of derivatives used or planned to be used

Platinum currently uses the following derivatives for the Platinum International Fund: futures, options, swaps (currency and equity), credit default swaps and related instruments.

## Criteria for engaging derivatives counterparties

Platinum International Fund's over-the-counter (OTC) derivative transactions may only be entered into with counterparties that have been approved by the board of directors of Platinum.

Consideration is given to the financial position and credit rating of the counterparty. Counterparties for the Platinum International Fund are engaged through standard market contracts such as the International Swaps and Derivative Association Master Agreement.

The aggregate exposure of the Platinum International Fund to all OTC derivative counterparties will typically be no more than 5% of the Net Asset Value (NAV) of the Platinum International Fund, and in any event will not exceed 10% of the NAV of the Platinum International Fund.

## Key risks of derivative 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 via the OTC market 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).

## Whether the derivatives are OTC or exchange traded

Platinum uses both OTC and exchange traded derivatives (i.e. those traded on a recognised derivatives exchange) for the Platinum International Fund.

## 8. Short selling

**Disclosure principle 8: If a hedge fund intends or is likely to engage in short selling, the responsible entity should disclose the following information:**

1. the purpose and rationale for short selling, including how short selling forms part of the hedge fund's investment strategy
2. the risks associated with short selling, and
3. how these risks will be managed.

The Fund meets this disclosure principle.

### The purpose and rationale for short selling, including how short selling forms part of the Fund's investment strategy

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). The Fund does not engage in short selling.

However, from time to time, Platinum applies an active short selling strategy for the Platinum International Fund. Platinum may use short selling to reduce the Platinum International Fund's net invested position and thus reduce the Platinum International Fund's level of market risk, and to take opportunities to increase returns.

Platinum generally utilises equity swaps to short sell for the Platinum International Fund. 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).

Platinum may also effect a short selling strategy by borrowing the desired security for the Platinum International Fund. The security is repurchased in the market and repaid to the lender to close the short position.

### Risks of short selling

In taking a short position for the Platinum International Fund, 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.

### Short selling 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.

## Short selling examples

### Short selling example (loss)

Platinum short sells (via a swap agreement) 10,000 shares of ABC @ \$100 a share and closes the position when the share price rises to \$120 a share 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 a share and closes the position when the share price falls to \$80 a share.

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.

## 9. Withdrawals

### Disclosure principle 9: The responsible entity should disclose the following information:

1. any significant risk factors or limitations that may affect the ability of investors to withdraw from the hedge fund, including any gating restrictions that may be imposed or the requirement for requests for withdrawal only to be acted on under a statutory withdrawal offer if the hedge fund is not a liquid scheme as defined in the Corporations Act
2. how investors can exercise their withdrawal rights, including any conditions on exercise
3. if withdrawal is to be funded from an external liquid facility, the material terms of this facility, including any rights the external liquid facility provider has to suspend or cancel the facility, and
4. how investors will be notified of any material change to their withdrawal rights (eg if withdrawal rights are to be suspended).

The Fund meets this disclosure principle.

Please refer to the relevant Generations Personal Super and Personal Pension PDS or Generations Investment Portfolio IDPS Guide for further information regarding withdrawals. In addition to the information in the PDS and the IDPS Guide we would note that:

- withdrawals will be funded by using available cash and/or selling sufficient investments to meet the withdrawal
- due to the nature of the underlying assets, the Fund does not have an external liquidity facility in place to fund redemptions, and
- AMP Capital will notify all investors if there is any change to the withdrawal rights associated with the Fund.

### Contact us

If you would like to know more about how Generations can help you, please visit [www.northonline.com.au/generations](http://www.northonline.com.au/generations) or contact us:

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