Platinum Asia Fund

Andrew Clifford Portfolio Manager

Disposition of Assets

REGION	MAR 2010	DEC 2009
China (Listed Ex PRC)	17%	19%
China (Listed PRC)	9%	7%
Hong Kong	7%	6%
Taiwan	6%	7%
Greater China total	**39%**	**39%**
Korea	15%	13%
Thailand	9%	8%
India	9%	9%
Malaysia	6%	6%
Singapore	5%	5%
Indonesia	3%	3%
Philippines	3%	3%
Vietnam	1%	0%
Cash	10%	14%
Shorts	2%	0%

Source: Platinum

Performance

Performance (compound pa, to 31 March 2010)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund	0%	33%	8%	14%	21%
MSCI AC Asia ex Jp Index	-1%	31%	0%	10%	12%

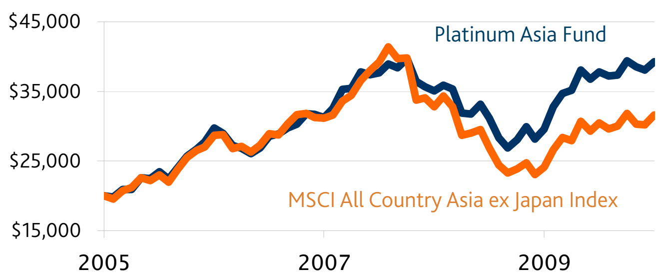
Source: Platinum and MSCI. Refer to Note 1, page 36.

Asian stock markets were flat for the quarter with key China related markets of Hong Kong, Shanghai, and Taiwan all recording falls up to 5% as a result of rising concern over inflation in China and the potential for tighter monetary and fiscal policy. The ASEAN markets were generally amongst the better performers with Indonesia (up 9%) and Thailand (up 7%) as these economies continued to show better economic performance, particularly with respect to exports. A strong Australian dollar further reduced returns over the quarter to the tune of approximately 2%.

The Fund's performance was slightly ahead of the market over the quarter and for the last 12 months. In line with developments of the market, the better performing holdings were from the ASEAN market, for example Bangkok Bank (up 13%), Ayala Land (Philippine property developer, up 15%), and Astra International (Indonesian auto distributor, up 20%). The poorer performing positions included two of the December quarter's strongest, Denway Motors (Chinese auto producer, down 16%) and GOME Electrical (Chinese retailer, down 7%).

Value of $20,000 Invested Over Five Years

31 March 2005 to 31 March 2010



Source: Platinum and MSCI. Refer to Note 2, page 4.

Changes to the Portfolio

There were a significant number of new holdings added to the portfolio this quarter. Included among these were Dongbu Insurance, a Korean non-life insurer. The Korean property and casualty insurers are currently suffering from a couple of short-term setbacks in their business: a rising loss ratio in auto insurance; and a slow down in health insurance after there was a rush by customers last year to insure before new rules limited coverage. We see both as short-term setbacks and that Dongbu, along with Samsung Fire and Marine (another Fund holding) will shortly recommence their strong growth in earnings.

Bank of China (Hong Kong) is one of the four dominant banks in Hong Kong and has a highly profitable business. The Hong Kong mass residential property market has been showing signs of finally coming to life which bodes well for BOC-HK's mortgage business. The stock has been trading at valuations which have been lower only during periods of severe financial distress. KT Corporation is Korea's incumbent telecom operator and along with SK Telecom has one of the country's two dominant mobile phone businesses. The introduction of the iPhone has the potential to significantly increase the utilisation (and thus profitability) of KT's mobile network. The Fund also purchased small positions in a number of Vietnamese companies, the Fund's first direct purchases in this market.

Funding of these acquisitions was provided through the disposal of our holding in China Resources Enterprise (Chinese brewer and retailer) that had almost doubled since our initial purchase a year ago, along with the sale of a number of smaller names in the portfolio. Small short positions were introduced in a number of commodity related companies. The net invested position of the portfolio has increased from 86% to 88%.

Commentary

During the quarter we completed three trips to the region, visiting companies in Korea, Vietnam, and China. In each case we were able to uncover new investment opportunities and confirm the attractiveness of existing holdings, which augurs well for the longer-term returns of the Fund. However, before discussing our recent findings it is worth restating what we see as the key risk to regional markets in the short-term. In our last report, we discussed at length the issue of inflation across the region, and in particular in China. While at the moment there is room to debate that inflation is not yet an issue, when this view changes, monetary and fiscal policy will be tightened. As China remains the key engine for economic growth, not only in the region but globally, such actions have the potential to create significant uncertainty and subsequent falls in markets. It would seem likely that such an outcome will occur within the next one to two years.

Many people would associate Korea with consumer electronics products of the likes of Samsung and LG and with Hyundai's motor vehicles. A decade ago these companies would have been primarily considered as cheap alternatives to the Japanese brands, but through product development and brand-building, these companies now stand as either market leaders or as serious competitors in global markets.

The transformation of Samsung Electronics (a long held position of the Fund) from a consumer AV goods maker 15 years ago to a global giant with strong positions in a range of markets from mobile phones to flat screen TVs is a well-known story. It is also well understood that the group is more than just a producer of electronic goods, as its now long dominance of the market for memory chips used in PCs and other devices demonstrates. But what is impressive is how Samsung Electronics or its group companies manage to continually pop-up in new markets. Consider the following list, all areas where the group has come to establish itself in recent years as a significant player: LCD panels used in TVs or PC screens, rechargeable batteries for phones, laptops, and possibly autos, electronic components such as multi-layered ceramic condensers and LEDs, as well as new technologies such as AMOLED (Active-matrix organic LEDs) screens being used in high-end mobile phones. And in most cases Samsung has come into markets already dominated by strong players.

The story for its arch rival, the LG group is almost as good. It has established leading positions in LCD panels, rechargeable batteries, mobile phones and consumer electronics.

The Hyundai Motors story is almost as impressive. The company has fought its way to a 4% market share in the US, the most competitive auto market globally. US surveys of vehicle quality show a remarkable improvement of Hyundai vehicles to above the market average over the last decade. While having a US business may not be that desirable today, Hyundai has a greater contribution to sales coming from China and India than the other major auto companies as a result of its early efforts to build its businesses in these developing markets.

However, the Korea story extends well beyond these household names. OCI commenced operations at its first polysilicon plant in early 2008 with its output destined for the booming solar panel market. Already, the company has established itself not only as a clear number three in the global polysilicon market, its cost of production would appear to be at similar levels to long established market leaders. Samsung Engineering and Construction has been wildly successful in building its plant engineering business in the Middle East and in a period marked by significant fluctuations in materials prices it has had significantly more success at turning revenues into profits than many of its better established international peers. In LEDs, Seoul Semiconductor has established itself almost overnight as a manufacturer with a technological platform that will allow it to compete with the industry leaders, a process that has taken others several years.

The depth of these Korean businesses exceeds what one finds in most of the region, with the exceptions being many of their Taiwanese counterparts (and of course the Japanese.) It is interesting to think that much of Korea's development has occurred post the 1997 crisis when restrictions imposed by foreign lenders and the IMF resulted in the country taking a very different path post its credit crisis than that chosen by Western nations today or Japan post its debt bubble of the 1980s. Korea went through a very traumatic adjustment that saw GDP fall by over 30% in USD terms and it was over five years before economic activity fully recovered. However, adjustments in balance sheets and spending were made and the Korean economy has since gone from strength to strength.

Still it is the case that the country is highly dependent on global trade (exports are 50% of GDP) and thus the slowdown in spending by Western consumers remains a drag on growth. However, with China becoming the largest consumer of many manufactured products (flat screen TVs, mobile phones, cars) where the Koreans excel, perhaps this may not be as big an issue as many may fear. Meanwhile, the Korean stock market already to a large extent reflects global growth concerns as many of the companies we visited traded on quite modest valuations. While the Fund has holdings in a number of the Korean export names mentioned above, it is our view that many of the more interesting investments in the country are to be made in domestic businesses that are placed to take advantage of a fast developing consumer market.

Vietnam proved to be an interesting trip, the details of which we will share in a later report. Our concern prior to the trip, as outlined in the December 2009 report, was that the country was heading into a major balance of payments crisis. The short summary would be that a combination of high interest rates (lending rates are at 15%) and an already considerable fall in the Vietnamese dong should act to substantially reduce the current account deficit. Meanwhile foreign direct investment and repatriations from overseas Vietnamese will more than finance the current account deficit. As we found many companies to be trading at attractive prices, the Fund has made its first direct investments in this country.

Notes

1. The investment returns are calculated using the Fund's unit price and represent the combined income and capital return for the specific period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax, and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Funds and other risk factors associated with investing, investment returns can be negative (particularly in the short-term).

   The inception dates for each Fund are as follows:
   Platinum International Fund: 1 May 1995
   Platinum Unhedged Fund: 31 January 2005
   Platinum Asia Fund: 3 March 2003
   Platinum European Fund: 1 July 1998
   Platinum Japan Fund: 1 July 1998
   Platinum International Brands Fund: 18 May 2000
   Platinum International Health Care Fund: 10 November 2003
   Platinum International Technology Fund: 18 May 2000

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 31 March 2005 to 31 March 2010 relative to their Index (in A$) as per below:
   Platinum International Fund - MSCI All Country World Net Index
   Platinum Unhedged Fund - MSCI All Country World Net Index
   Platinum Asia Fund - MSCI All Country Asia ex Japan Net Index
   Platinum European Fund - MSCI All Country Europe Net Index
   Platinum Japan Fund - MSCI Japan Net Index
   Platinum International Brands Fund - MSCI All Country World Net Index
   Platinum International Health Care Fund - MSCI All Country World Health Care Net Index
   Platinum International Technology Fund - MSCI All Country World Information Technology Net Index
   (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist).

   The investment returns are calculated using the Fund's unit price. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax and assume the reinvestment of distributions. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably to the make-up of the Index. The Index is provided as a reference only.

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