Platinum Asia Fund

Andrew Clifford Portfolio Manager

Joseph Lai Co-Portfolio Manager

Performance

(compound pa, to 31 March 2014)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund	-4%	19%	8%	11%	16%
MSCI AC Asia ex Jp Index	-4%	16%	5%	10%	9%

Source: Platinum and MSCI. Refer to Note 1, page 5.

In local currency terms, Asian markets returned -1% for the quarter. The Australia dollar appreciation has reduced the return for local investors by 3%. The Fund's performance matched the market during this period.

Although returns were mainly down across the region, divergence in underlying performance in different markets was significant. The Chinese H-share market was down (7%), while the Indian (up 3.5%), Indonesian (up 13%) and Thai (up 4%) markets saw better performance. The Chinese market continued its lacklustre performance as the country reported

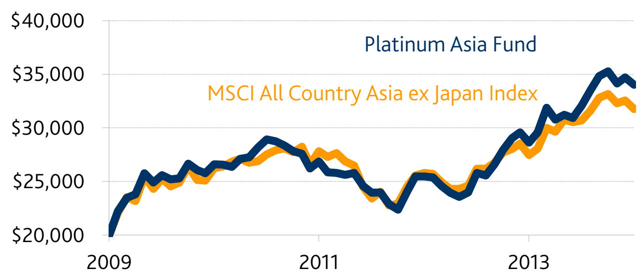
Disposition of Assets

REGION	MAR 2014	DEC 2013
China (Listed Ex PRC)	24%	25%
China (Listed PRC)	6%	7%
Taiwan	2%	2%
Hong Kong	1%	2%
Greater China total	**33%**	**36%**
India	18%	14%
Korea	16%	20%
Thailand	9%	8%
Philippines	6%	6%
Malaysia	5%	5%
Singapore	4%	4%
Vietnam	2%	2%
Indonesia	1%	1%
Cash	6%	4%
Shorts	0%	3%

Source: Platinum

Value of $20,000 Invested Over Five Years

31 March 2009 to 31 March 2014



Source: Platinum and MSCI. Refer to Note 2, page 5.

weak economic data and concerns arose over development into a more worrisome systemic outcome. In India, the market grew increasingly optimistic over the outcome of the upcoming general election and the peaking of inflation portended a loosening of its monetary policy. Indonesia reported moderating inflation and the market was hopeful over constructive reforms post the Presidential election.

Our Indian holdings appreciated: ICICI Bank (a major private sector bank, up 15%), Adani Ports (major private ports operator, up 25%), Info Edge India (Internet, up 35%). Our Philippines holdings, Ayala Land (property developer, up 15%) and JG Summit (conglomerate, up 23%) also contributed. The Fund's Chinese holdings were the most significant drag on performance over the quarter.

Changes to the Portfolio

The Fund's invested position rose slightly to 94%. We have removed the index shorts as the markets softened during the quarter to reach our assessment of fair value. Although investment-related sectors continued to slow in China, the consumer sector (which we find more prospective) continued to grow. Elsewhere in the region, economic prospects remained positive.

We took advantage of recent market weakness and started new positions exposed to the burgeoning Chinese consumption theme. Chow Tai Fook is a best-in-class jewellery retailer with the biggest network of retail outlets in China where consumers' aspiration is broadening from gold to the more lucrative gem-sets. China Mobile is a national champion mobile telephony operator that is set to regain market dominance with its superior 4G voice and data network. With a growing middle class ever more connected on the Internet, we believe the Internet sector presents tantalising prospects and we added to our positions.

In India, we started positions in Yes Bank and State Bank of India, and added to ICICI Bank, as we believe that a falling inflation rate, stabilisation of the Indian Rupee and improvement in its current accounts have vastly improved India's economic prospects. The country is on the cusp of a new credit cycle, which these well-positioned banks will benefit from improving loan growth and easing credit concerns.

Commentary

During the quarter, weak economic data out of China once again raised the market's concern over the eventuality of a debilitating outcome. We feel that overly focusing on such an outcome distracts investors from appreciating the fundamental changes taking place in the country and overlooks the attractive opportunities present in the market.

A weak Purchasing Managers' Index (PMI), power demand growth and property sales volumes were indeed indicative of an economic slowdown in China. This was not unexpected, as we have written on previous occasions, that China's shift from investment to consumption would lead to a structural slowdown in its growth trajectory.

The current round of slowdown was preceded by at least six months of credit tightening as the government stepped up efforts to rein in the relatively under-regulated shadow bank system. Key funding sources for the shadow bank were the interbank market and the commodities-related foreign capital inflow. The rise of the interbank rate and cracking down on commodities financing resulted in a considerable slowdown in shadow bank lending. This translated simply to a tightening of credit for the recipient industries, which tended to be small property developers and industries with excess capacity. This tightening also resulted in the first ever default in the relatively insignificant corporate bond market in China.

Met with weakening economic indicators, the Chinese Government has started to moderate its tightening stance. Another credit surge could have provided instant relief (and it would further impair the banking system). This time the Chinese leadership were not prepared to head down this path, instead it implemented some incremental, but significant measures, with more accommodative moves expected.

- The RMB has reversed its long-term appreciation trend and depreciated 2.5% in six weeks.
- Interbank rates have declined indicating easing liquidity conditions.
- Property tax, a tightening measure, has been postponed to support the property market.
- More infrastructure project approvals came through.

Market commentators were also concerned with the build-up of debt in the Chinese banking system leading to a financial crisis. It has to be remembered that, by and large, debt was used to fund construction of infrastructure projects. These are the roads, airports, high-speed rail and power grids which will pay economic dividends for years to come. Further, formal and shadow banking debt ultimately has linkages to the State, which has abundant resources to contain any fallout, if needed, given the closed capital account, current account surplus and its considerable foreign reserves.

Decisive and important reforms are taking place in China, which augurs well for the country's longer term economic prospects. These market-based reforms promised to unleash a round of invigorating creative destruction, improve resource allocation and rebalance the economy towards consumption.

Giving financial institutions more flexibility to set interest rate marks the beginning of interest rate liberalisation. Artificially low interest rates historically encouraged investment at the expense of consumption, as cheap funding incentivised some State-owned Enterprises (SOEs) to over-invest, while low deposit rates suppressed returns to the households who have vast savings. Raising deposit rates can be very addictive to consumption, as a minor 1% move in deposit rates can deliver around US$150 billion into the hands of the aspirational Chinese consumer!

The new urbanisation plan involves a revamp of the long-standing Hukou (household registration) system, granting previously unavailable basic public services, like healthcare and education, to millions of migrant workers. The aim is to issue 100 million migrant workers (who typically have a rural Hukou) with an urban Hukou and to incentivise rural residents to move to nearby urban areas to enjoy better social benefits and housing in the next few years.

In this round of urbanisation, a much greater focus is placed on its associated environmental impact. Government is strictly enforcing closure of polluting industries, monitoring compliance and diversifying the country's energy sources (wind, solar and hydro).

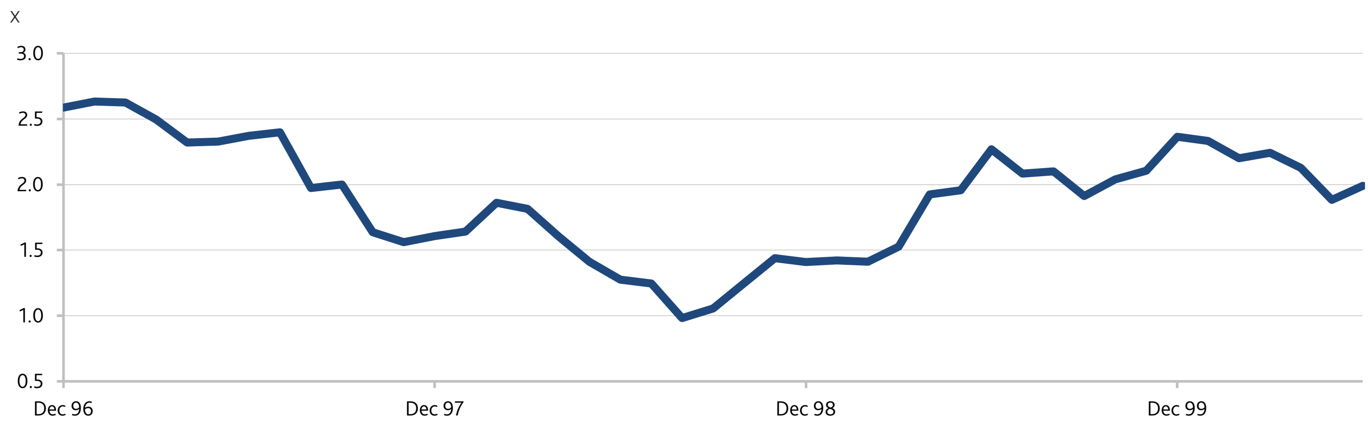
SOE reforms are a major item on the agenda, as SOEs still play a big part in the economy, but are often sheltered from competition and can be inefficiently run. SOEs are getting privatised, monopolies broken and private-sector incentives are being introduced. A more profitable SOE sector bodes well for fiscal receipt as well as improving economic productivity.

Despite these positive changes, with all the concerns hovering over China, the Hong Kong H-share Index has declined 30% in three and a half years. Stock price value relative to net asset value has declined from 2.5 to 1.1x (see chart below). The stock market has factored in a very dire outcome, especially considering that the Asian stock markets did not trade at a much lower valuation even at the height of the Asian financial crisis in 1998 (see chart over)!

Heng Sang China Enterprises Index - Price to Book Ratio

Source: Bloomberg

Asian Markets During Crisis - Price to Book Ratio



Source: CLSA, Datastream (Indonesia, Malaysia, Philippines, Singapore, Thailand, HK, Singapore and Taiwan)

With value emerging, the Chinese stock market is presenting investors with opportunities. We find the following consumption-related stocks particularly prospective.

China Mobile: Chinese consumers are rapidly adopting mobility. China Mobile is the national champion mobile network operator and is set to dominate with its superior 4G network. Currently, it is signing up an astounding 70% of new mobile phone subscribers in a three player market! The company is valued at less than 5x its cash flow and it has more than A$60 billion in cash on its balance sheet, not to mention its growing subscriber base of 800 million!

Internet companies: The smartphone is an empowering tool that is enabling the growing middle class to connect to the Internet at an unprecedented rate. An increasing number of activities are taking place on-line, be it entertainment, social-networking, e-commerce. Well-positioned Internet companies are exceptionally well-placed in this transformation and many Internet companies are growing at an extraordinary rate!

PICC: PICC is the dominant casualty insurer (predominantly auto) in China with the lowest cost structure in this growing industry. As consumers' incomes grow, demand for automobiles remain strong. Currently earning a return on its equity of 20%, it trades below 10x prospective earnings and 2x its net asset value.

SAIC: SAIC is the SOE joint venture partner of quality carmakers in General Motors and Volkswagen, whose cars are highly sought after by the Chinese consumers. Revenue is growing at a 10% clip, the stock is only trading on 6x P/E and offers an 8% dividend yield, and SAIC earnings can materially pick-up with the implementation of more SOE reforms.

Outlook

We are seeing positive reforms occurring across a number of countries in the Asia region and this adds to our optimism.

The Chinese leadership appears to be implementing the much needed reforms to reduce economic distortions which have led to resource misallocation and steer the nation onto a more sustainable path. The journey has been turbulent thus far, but the fact that the country is making the difficult decisions, makes the stock market a vastly superior prospect in the long run.

Elsewhere, many countries coming from a lower base, continue to see uplifts in productivity from technology transfer and investments in infrastructure and are experiencing robust economic growth.

We are continuing to find interesting opportunities that offer strong growth prospects at attractive valuations. As these opportunities present themselves, we will add these stocks to the Fund's holdings.

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: 30 April 1995
   Platinum Unhedged Fund: 31 January 2005
   Platinum Asia Fund: 4 March 2003
   Platinum European Fund: 30 June 1998
   Platinum Japan Fund: 30 June 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$20,000 invested in the relevant Fund over five years from 31 March 2009 to 31 March 2014 relative to their Index (in A$) 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.

3. Long invested position represents the exposure of physical holdings and long stock derivatives. The net invested position represents the exposure of physical holdings and both long and short derivatives.

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