Platinum Asia Fund

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Disposition of Assets

REGION	MAR 2015	DEC 2014
China (Listed Ex PRC)	22%	25%
China (Listed PRC)	15%	14%
Hong Kong	3%	2%
Taiwan	1%	1%
Greater China Total	**41%**	**42%**
India	19%	19%
Korea	12%	13%
Philippines	6%	6%
Thailand	6%	6%
Malaysia	3%	4%
Singapore	2%	2%
Vietnam	2%	2%
Indonesia	1%	2%
Cash	8%	4%

Source: Platinum. Refer to Note 3, page 4.

Performance

(compound pa, to 31 March 2015)

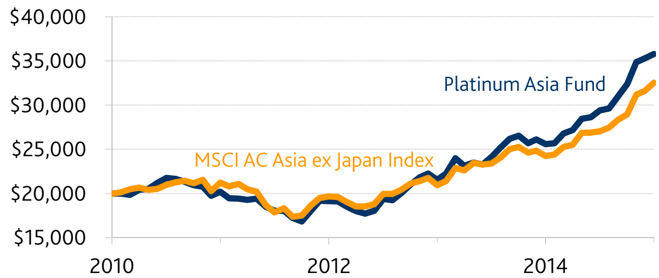
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund	11%	40%	23%	12%	18%
MSCI AC Asia ex Jp Index	12%	34%	18%	10%	11%

Source: Platinum and MSCI. Refer to Note 1, page 4.

The benchmark MSCI All Country Asia ex Japan Index (A$) was up 12% for the quarter and the US dollar's continued strength added to returns for local investors. The Fund's minimal Australian dollar exposure meant its devaluation accrued to performance. The Fund achieved a return of 11% for the quarter, slightly short of the benchmark, but well ahead over longer periods.

Value of $20,000 Invested Over Five Years

31 March 2010 to 31 March 2015



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

Stock markets in the Asian region delivered reasonable returns against a backdrop of cheaper oil prices. The Chinese A-share market (+15%) continued its strength from the previous quarter. The authorities pushed on with their reform agenda and implemented policies to support real estate which bolstered market performance. The Philippines (+10%) benefited from the structural trend of growing homebound remittances from those working overseas (now exceeding US$2 billion a month) and the development of capabilities to undertake business process outsourcing from foreign corporations (i.e. call centres, back office outsourcing).

The Fund's key contributors were **Hyundai Development** (Korean property developer, +47%), **SAIC Motor** (the GM and Volkswagen joint venture in China, +16%), and **Ayala Land** (the dominant Philippine property developer, +15%). Chinese Internet stocks also contributed to gains, with **Tencent Holdings** (China's Facebook, +31%), **Qunar** (China's TripAdvisor, +45%), **58.com** (China's Craiglist, +27%) and **JD.com** (China's Amazon, +27%). Key detractors were predominantly the Fund's smaller holdings.

Changes to the Portfolio

The Fund's invested position declined slightly from 96% to 92%. We took profit on **Yonyou Network Technology** (a Chinese enterprise software company). The stock spiked after announcing its foray into cloud computing, sending it to 60x prospective earnings! We also took profit in **Hyundai Development** as it reached our assessment of fair value, but we continued to participate in Korea's simmering property market recovery through our positions in the very attractively valued Korean financial companies.

We started a position in **Qingdao Haier**, a dominant white goods manufacturer in China. Headed by a visionary chairman, it has an innovative culture, a broad product portfolio and an enviable distribution network. We also added to **Weifu High-Technology Group**, a best-in-class manufacturer of truck engine components which saw a dramatic rise in demand with the implementation of more stringent emission standards in China.

In India, we added to **NTPC** and **GAIL**, leaders in the hitherto trouble-prone *power* and *gas* sectors. With these sectors on the mend, these attractively valued companies look set to prosper!

The Fund maintained a minimal exposure to the Australian dollar.

Commentary

China

As China continued its gradual slowdown, the Chinese stock market climbed another 15% on the back of enthusiasm over economic reforms. The Chinese Premier, Li Keqiang, made the following statements in March at the National People's Congress (NPC) – China's annual legislative session.

Answering questions on difficulties undertaking economic reforms, Li said:

> *Pain is only natural, but however painful it may be, we are determined to keep going until the job is done.*
>
> *The government must not secretly hold onto powers that should be delegated – releasing the hand brake while still keeping the foot brake on.*

To understand China's reforms, we have to start with an improbable story: entrenched interests were littered over this vast nation after a decade of breakneck economic prosperity, the one-party government was perceived as out of touch, corruption was widespread, and pollution was a serious but conveniently ignored issue.

Most observers correctly recognised that significant reforms were needed, but for the government to garner sufficient trust and support to overcome staunch resistance was thought to be impossible. Indeed, it required extraordinary determination from the country's leadership. Upon gaining power, the current leadership team embarked on significant reforms to lay the groundwork for the next chapter in China's remarkable story.

The previous model of growth had reached the end of its useful life as the country did not need to add more steel or cement capacities. The level of construction activity had obviously peaked. The focus therefore was to tilt the economy from secondary industries (manufacturing and investment) to tertiary (services and consumption). For this to occur, monumental institutional efforts were needed.

The relatively *simple* reforms of allowing the market to determine interest rates, improving efficiency of State-owned enterprises, implementing stricter environmental laws and combating corruption are ongoing. More *complex* cultural shifts are now underway, including a push to improve transparency and predictability in China's judicial system, strengthening intellectual property protection and improving accountancy system integrity.

The desired outcome of these reforms is quite clear: to move towards a more equitable society, so that the majority, not just the elite, can share in the spoils of economic progress. As this dramatic transformation occurs, new fascinating investment opportunities will emerge.

We have written about our relatively sanguine attitude towards China's ability to deal with the bad debt arising out of the spending binge in response to the global financial crisis. The bulk of that investment went into infrastructure. While some of these capacities were brought on ahead of demand, they remain assets for the country's future growth.

It must be remembered that China is a substantial and complex economy (US$10 trillion in GDP), has savings (current account surplus of US$500 billion) and its government is relatively un-indebted. It has the resources needed to deal with the bad debts. During the quarter, the authorities took over US$160 billion worth of problematic local government debt, effectively bailing out the banking system, and promising more, if needed! Further, new regulations in the financial markets added much transparency to the shadow banking system, reducing the chance of a further pile-up of bad loans.

With the country's prospects improving, local punters returned to the stock market in droves, deserting the relatively dull property market. One indicator to watch is the number of new stock trading account openings. These are reported weekly and have recently exceeded the million-per-week mark!

We are participating in the A-share market and our exposure in well-positioned companies in the consumer and services sectors of the economy (life insurers, Internet, jewellers, auto companies and telecoms) will benefit from China's economic transformation as they develop into bigger companies.

India

In India, too, things are improving. Over the last five years, civil servants were shocked into a state of paralysis following a spate of scandals and scams. The power sector went bust as a result of politically-motivated undercharging as well as outright theft. Coal production was hampered by a lack of infrastructure for transport and equipment for mining. The country's banking system was impaired by countless stuck projects due to land acquisition and various regulatory clearance issues.

We visited India during the quarter and witnessed promising reform progress. Structural problems were recognised and solutions found. Many infrastructure projects were *de-bottlenecked* and key bills were passed into law. Road construction, which has already picked up from 2 km a day to 15 km a day, is set to ramp up further to 30 km a day in 12 months!

The bull case for India is relatively straightforward. Infrastructure investment (to build roads, power and telecom networks) can kick start a virtuous cycle of improving the ease of doing business, unleashing private entrepreneurship, thereby generating the income needed to fund further investments. Undoubtedly, India is only at the beginning of this arduous and exciting journey. Our exposures in the attractively valued infrastructure and property sectors will benefit significantly as the capex cycle gathers momentum.

Outlook

The Indian government has taken steps to reverse the economic malaise caused by bad policy and the self-enriching behaviours of the infamous middlemen, and an incipient capital expenditure cycle, led by road construction, is in the offing. If the government can deliver on further reforms, India will undoubtedly be one of the most exciting investment stories of the decade. However, one has to caution against complacency as Indian politics can yield uncertain outcomes.

In China, the enterprising services sector is rising at a frantic pace. Economic liberalisation has reversed economic distortions, unleashing the *animal spirits* of the private sector. The reforms and loosening policies that are already in train need to continue in order for the market to go further, given the strong returns already achieved over the last two quarters.

The rest of Asia is not standing still. Countries such as Indonesia, Thailand, Malaysia and Vietnam, with exceptionally attractive demographic profiles, are embarking on much needed infrastructure expenditure programs to propel their economies into better trajectories.

We are cognisant of the new and exciting companies borne out of the economic transformations in Asia. Stock markets in the region remain attractively priced, and we are relentlessly searching and prioritising the most attractive opportunities to allocate the Fund's capital.

Notes

1. The investment returns are calculated using the relevant 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: 28 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

   (NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist.)

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 31 March 2010 to 31 March 2015 relative to its benchmark index (in A$) 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

   The investment returns are calculated using the relevant 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 benchmark 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. Invested position represents the exposure of physical holdings and long stock derivatives.

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