Platinum Asia Fund

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Performance

(compound pa, to 30 June 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund	8%	29%	4%	7%	16%
MSCI AC Asia ex Jp Index	8%	22%	3%	4%	9%

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

While Asian stock markets started the quarter in a positive fashion, this quickly reversed as markets become wary regarding the potential ending of quantitative easing (QE) in the US and poor economic data coming out of China. This downtrend was further reinforced by a spike in the Shanghai interbank interest rate market in the latter weeks of June. The net result was that MSCI Asia ex Japan Index fell by 3.5% during the quarter. However, the sharp depreciation of the Australian dollar in response to concerns about the state of China's economy, meant that the MSCI Asia ex Japan Index in Australian dollar terms **actually rose by 7.9%** during the period. The Fund's performance was essentially in line with the Index for the quarter though well in front over the prior 12 months with a return of 28.5% versus 21.9% for the Index.

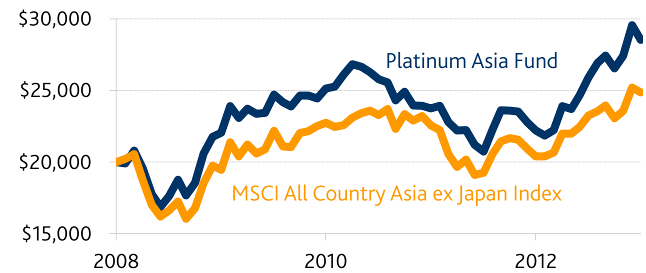
Disposition of Assets

REGION	JUN 2013	MAR 2013
China (Listed Ex PRC)	21%	19%
China (Listed PRC)	7%	6%
Taiwan	4%	4%
Hong Kong	2%	1%
Greater China total	**34%**	**30%**
Korea	16%	15%
Thailand	11%	13%
India	10%	9%
Philippines	8%	9%
Singapore	5%	5%
Malaysia	5%	6%
Vietnam	2%	2%
Indonesia	1%	2%
Canada	1%	1%
Cash	7%	8%
Shorts	0%	1%

Source: Platinum

Value of $20,000 Invested Over Five Years

30 June 2008 to 30 June 2013



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

As a result of fears of credit tightening in China (discussed later in this report), Chinese shares were the worst performers with the Shanghai market down 12% and the Hong Kong listed "H" shares down 15%. The other weak markets around the region included the previously high flying Asean markets of Thailand (down 7%) and the Philippines (down 6%), as well as South Korea (down 7%) which were driven by both concerns around China, as well as the potential end of capital flows resulting from QE in the US. India (up 3%) proved to be relatively immune to these macro issues. Interestingly, some of the Fund's Chinese holdings were amongst the biggest contributors to performance despite the poor market returns, with China Mengniu Dairy (up 25%) and our Chinese internet companies, Sina (up 14%), Youku (up 14%) and Baidu (up 8%) performing well. Gamuda (Malaysian construction company, up 39%) and United Spirits (Indian spirits, up 14%) were other good contributors. The Fund's minimal exposure to the Australian dollar meant that the full benefit of the depreciation against regional currencies was accrued to performance over the quarter.

Changes to the Portfolio

During the quarter we continued to trim our strongly performing holdings in Thailand, the Philippines and Indonesia, with the funds raised primarily put to work in a number of new and existing holdings in China and India. At the end of the quarter, the net invested position of the Fund was 93%, slightly up from the end of March. The Fund has maintained a minimal exposure to the Australian dollar.

New holdings included Power Grid Corp of India, the country's key electricity transmission company. Power Grid operates under a favourable regulatory regime and is poised to benefit from a multi-year build-out of India's power generation infrastructure. Uni-President China is a successful purveyor of instant noodles and beverages in China and the sell-off in markets has allowed the Fund to acquire stock at an attractive valuation. SK Hynix, one of the world's three major suppliers of memory chips was also added to the portfolio as we expect there to be a long period of tightness in memory chip capacity resulting in a much improved pricing environment for all the key players in this industry.

Commentary

In our June 2012 quarterly report we stated that *"over-investment in a range of related areas from property to infrastructure through to steel and cement is behind China's current loss of economic momentum. Much of the investment boom has been financed by bank debt (at least over the last four years or so) and many of the entities (private and state owned) now find themselves with stretched balance sheets. There is some evidence coming through of non-performing loans in the banking system".*

Further, in our September 2012 quarterly report we wrote that *"There is little question that China's investment boom has slowed dramatically. The collapse in iron ore prices in recent weeks serves to underscore this reality for even the most fervent believers in China's growth story. While China has not finished building apartments, roads, rail lines, and ports, it is our view (as discussed at length in past quarterlies) such investment is at, if not yet peak levels, close to them".*

Recent events in banking markets in China have given the market cause for much greater focus on the issues of over-investment and the use of credit. Chinese corporates have in recent years been borrowing money offshore outside of official channels and bringing the funds back into the country via over-invoicing of exports. These funds that have leaked through the closed capital account are in addition to sanctioned foreign borrowing by Chinese entities of $500 billion over the last five years. It is likely that a significant portion of these funds were subsequently invested in China in so-called "wealth management products" which provide returns well-above the going deposit rate by lending the money to parts of the economy that had limited access to bank lending such as property development.

In early May, authorities signalled that they would crack down on these illicit flows across their capital account, thus cutting off a source of funding to the economy and in particular the wealth management products. The result was dramatic with interbank interest rates spiking from around 2% at the beginning of May to over 6% in early June, causing some level of distress for banks reliant on the interbank market for funding. Typically, in such circumstances one might expect a Central Bank to intervene in such an occurrence but the People's Bank of China (PBoC) was slow to act, reinforcing the notion that China's new leadership wants to move the country's development onto a more sustainable footing.

The implications of all of this are relatively straightforward. Effectively, the PBoC has tightened the availability of credit. Thus the economy's growth rate which was already weighed down by the cumulative over-investment and rising indebtedness will be further challenged. However, while this should make one cautious about the prospects of industries that have grown large off the investment boom in China such as steel, cement, and property development, with implications for resource markets and commodity linked currencies such as the Australian dollar, it is not our view that one should be universally bearish about the prospects for investing in China. In our September 2012 quarterly report we noted, *"While it is often observed that the consumer side of China's economy has lagged, this represents a wide range of sectors from internet and media to automobiles as well as the more obvious consumer products such as beer and milk… The speed at which the economy makes the transition (toward the consumer) will be a function of the extent to which the government allows the market mechanism to work to reallocate resources".*

Interestingly, the new leadership in China has indeed shown all the signs of allowing market forces to operate. Market based energy prices, the deregulation of the financial system, rural land reform, and the relaxation of the hukou system that prevents free movement of labour, are all moves that suggest China is heading back toward the market based economy that was in place prior to 2008. It is our view that this augurs well for those part of China's economy **that have not been** at the centre of the investment boom of the last decade.

Outlook

It is difficult to know how the credit tightening in China will play-out in both its economy and stock markets. Some commentators are concerned that it will trigger a crisis of the type we have become familiar with as a result of experiencing the US sub-prime and European sovereign debt crises. It is our view such a dramatic unwinding is unlikely due to the closed nature of the capital account and the numerous short-term and long-term options policy makers have to prevent a dramatic collapse in activity. Nevertheless a sharp downturn in activity can't be entirely discounted. Our view is that a more likely scenario is a slower growing Chinese economy with the less developed consumer sector slowly taking over as a more significant driver of growth. Indeed it is interesting that consumer-related parts of the economy such as the sale of new apartments and cars continue to show resilience, at least for the moment!

What is happening in the economy and what happens in stock markets is not always directly linked. Indeed, as noted often in these quarterly reports, even when China's economy was in the midst of its investment boom post-2008, Chinese stocks were amongst some of the worst performers. Interestingly, if a year ago one had taken on board the dim view expressed regarding China's prospects at the start of this commentary and avoided investing in the Asia region, one would have missed out on returns of 9.5% in local currency terms which with the depreciation of the Australian dollar were magnified to 21.9% (not to mention this Fund's 28.5% return over the same period). To be fair though, Asia was one of the weakest regions globally in that period.

The reason for the differing outcome is simply that markets price in prospects for companies well ahead of them even being obvious to all, and in our view Chinese stocks had and continue to price in a very poor outlook. We therefore remain relatively optimistic about potential returns from regional equities given the valuations of the companies we own, and in particular, after the setback in prices many of our holdings have seen in recent weeks.

For further information on China, please refer to Kerr Neilson's recent trip notes on our website, www.platinum.com.au

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$20,000 invested in the relevant Fund over five years from 30 June 2008 to 30 June 2013 relative to their Index (in A$) 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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