Platinum Asia Fund

Andrew Clifford Portfolio Manager

Disposition of Assets

REGION	SEP 2010	JUN 2010
China (Listed Ex PRC)	18%	17%
China (Listed PRC)	8%	9%
Hong Kong	4%	6%
Taiwan	6%	6%
Greater China total	**36%**	**38%**
Korea	17%	17%
India	11%	9%
Thailand	11%	9%
Malaysia	6%	6%
Singapore	5%	6%
Indonesia	3%	3%
Philippines	3%	3%
Vietnam	1%	1%
Cash	7%	8%
Shorts	8%	1%

Source: Platinum

Performance

Performance (compound pa, to 30 September 2010)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund	7%	13%	4%	13%	21%
MSCI AC Asia ex Jp Index	2%	9%	-5%	8%	12%

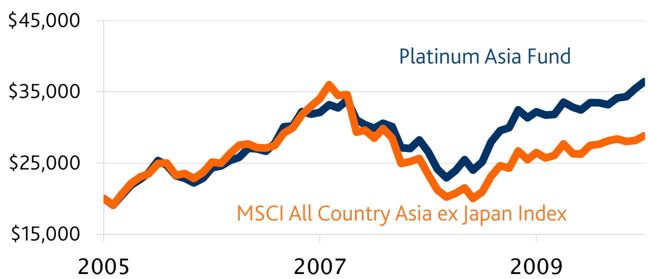
Source: Platinum and MSCI. Refer to Note 1, page 4.

Asian stock markets had a strong quarter returning 13% in local currency terms, though this was reduced to 2% due to the strength of the Australian dollar. Entering the period, markets were concerned by the sluggishness of the developed economies and fears of a slowing Chinese property market. However, as the quarter progressed signs of an improvement in US employment and improving sales of residential property in China encouraged investors to take a more optimistic view.

Over the last 20 years, whenever Central Banks in the developed economies have suppressed interest rates, money has flowed to the "best" investment story of the day. The technology bubble after the Asia and Russian debt crisis or the US property market after the "tech wreck" are two examples. Today, Asia is one of the few obviously good investment stories globally and is attracting significant investment flows as a result. The regional Central Banks policy of not allowing significant appreciation of their exchange rates exacerbates the impact of these flows. In the last quarter we have seen sharp rises across the region, in particular in the ASEAN markets where Thailand has led the way, rising almost 19% for the quarter. The sustainability of such moves are at best difficult to assess.

Value of $20,000 Invested Over Five Years

30 September 2005 to 30 September 2010



Source: Platinum and MSCI. Refer to Note 2, page4.

The Fund has performed well in the latest quarter outperforming the market by 5%. Much of this can be attributed to holdings in ASEAN market with stocks such as Genting (Malaysian and Singapore casinos, up 39%), Jardine Matheson (regional conglomerate, up 29%), and Ayala Land and Vista Land (Philippine property developers, up 28% and 85% respectively) amongst the Funds biggest contributors. The one disappointment of note during the quarter was China Life whose most recent results saw a drop-off in the growth in sales of life policies.

Changes to the Portfolio

Recent trips to India and China proved productive with a number of new holdings added to the Fund. Educomp is a provider of educational materials to Indian schools and has also entered into the business of running private schools in that country. A change to the way the company is financing its rapid growth has caused concerns for the market leading to a fall in the stock price and an opportunity for the Fund to buy in at attractive levels. Shree Renuka Sugar is an Indian sugar miller and refiner that have acquired Brazilian mills, significantly increasing the company's cane crushing capacity. The company is well-positioned to take advantage of a tight global sugar market and the transformation of India into a sugar importer.

In China, Sohu and Sina are both internet portals with other associated businesses that are trading at very attractive levels compared with prices typically being paid for consumer-related companies in China. China Telecom is benefiting from growth in its mobile phone business where it is taking share from China Mobile who has been forced to use less well-supported local technology in rolling out 3G services. Generally we have been adding to our telecom holdings across the region as 3G rollouts combined with smartphones are creating a new source of revenue growth. Typically these companies are throwing-off significant free cash flow and are trading at very attractive dividend yields.

The Fund sold out of its position in Hutchison Whampoa. The company's European telecom businesses continued to be a drag on profitability and we took advantage of a move-up in the stock to sell, freeing funds for more prospective opportunities. In the last weeks of the quarter, we put in place index short positions in a number of markets to reduce market exposure, reflecting our short-term view that markets were somewhat overextended.

Commentary

Readers of past quarterly reports will be familiar with our view that a revaluation of the Chinese yuan will allow China and the region to move away from the boom-bust growth pattern that has developed over the last two decades. If the Yuan were allowed to float freely, or at least appreciate significantly in the medium-term, inflationary pressures in the property market and food prices would substantially dissipate. It would also be helpful for developed economies such as the US as it would provide a catalyst for investment, helping them dig their way out of the mountain of debt under which they are buried. A one-off improvement in export competitiveness providing a boost to investment and employment is perhaps one of the few genuine hopes for such economies to reignite growth, in the face of stretched government finances.

Recent announcements by the Chinese authorities suggest that change is afoot. Changes allowing greater access to the Chinese fixed interest markets have been announced for financial institutions that are already involved in Yuan trade and deposit taking in Hong Kong. While the quantum of access to China's money markets is still expected to be controlled, it is a significant step in the opening of China's capital account, and will certainly pave the way for a full opening in time. Hong Kong's position as the offshore trading centre for the Yuan appears to have been affirmed, with approval for the development of Yuan based financial products. Already we have seen McDonald's issuing a Yuan denominated bond and the Hong Kong Exchange is considering launching a Yuan exchange rate futures contract.

Since the decision in June to allow greater fluctuations in the exchange rate, the Yuan has appreciated by less than 2% against the US dollar, though the latter has been weak against the major currencies, so little impact has been felt as yet. Indeed the above steps are part of a series of announcements over the last five years, and many predictions of a stronger or floating Yuan throughout that period have come to nought, so why should it be different this time? While little may change, there are a number of pressures being brought to bear at the moment that could force China's hand.

Most significant of these is inflation in property prices. As discussed in past reports, this is a highly sensitive issue, one which has in the past been managed reasonably well through various administrative controls around lending for property. Recently, strong pick-up in transaction volumes suggest that these controls are no longer functioning as well as in the past and new solutions are required. A stronger exchange rate and the independent monetary policy it would allow would probably be the best chance of dampening property speculation. As an aside, the completion of new apartments this year is expected to exceed eight million; a number starting to stretch one's imagination with regard to the sustainability of this level of annual demand. Given the importance of residential construction in China's economy this represents a significant risk in the medium-term to the country's economic growth - reform of the exchange rate or not.

It is not only in property prices though that inflation is causing policy makers cause for concern with inflation continuing to move higher, in particular food prices, and as mentioned last quarter, ongoing increases in the cost of labour. Elsewhere in the region, as Central Banks have attempted to limit the appreciation of their currencies which have been steadily creeping higher, we have seen asset inflation expressing itself in the form of higher stock prices across the ASEAN and Indian stock markets. While equity investors may be enjoying the ride, Central Banks in these countries are very sensitive to the potential damage to the real economy caused by the rush of speculative money. The possibility of some form of capital controls to reduce the flows should not be discounted.

While China may or may not be sensitive to the plight of its neighbours, the state of its major trading partners in Europe and the US must be of significant concern. A boost to competitiveness that would come with a stronger Yuan is the best chance of boosting investment in these debt laden economies. If these economies do not begin to pick-up of their own accord in the next few months, the likelihood of further policy measures such as additional quantitative easing rises (so-called "QE2", or more simply, further printing of US dollars). This will only exacerbate the problems of cheap money finding its way into the economies of China and the rest of the region. Beyond this lies the threat of protectionism if action isn't taken. It is unlikely any of this is lost on China's leadership. However, deep concerns about creating enough jobs and an unwillingness to surrender the mercantilist model pioneered by Japan in the 1960s, suggest that conservatives will hamper moves for change, particularly in the face of the change in leadership set for 2011.

Outlook

Global trade imbalances, debt burdens in the west, and building inflation across Asia, are a mix of variables that could give rise to a wide variety of outcomes. In the short-term, it may well be the case that regional markets, particularly those at the periphery such as the ASEAN countries continue their strong run for the moment. But Asian markets will also remain vulnerable to developments in their export markets, as well as policy decisions at home. A significant revaluation of the Chinese yuan could lead to a much more sustainable platform for regional growth of economies and corporate profits. Describing the outlook for the region, the unhelpful "uncertain" comes to mind.

As investors in stocks rather than markets, a slightly more useful prognosis can be made. As noted earlier, we continue to unearth some interesting new investments; stocks that should make us reasonable returns over a three to five year period in most environments we envisage. Our older holdings, despite having moved up significantly in price, are still trading at sensible valuations.

This leads one to be optimistic about the returns that can be made in the medium-term though it would seem unlikely that it will be a smooth ride.

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$20,000 invested in the relevant Fund over five years from 30 September 2005 to 30 September 2010 relative to their Index (in A$) 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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