Platinum Asia Fund

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Disposition of Assets

REGION	SEP 2014	JUN 2014
China (Listed Ex PRC)	23%	24%
China (Listed PRC)	9%	6%
Hong Kong	2%	2%
Taiwan	1%	1%
Greater China Total	**35%**	**33%**
India	17%	20%
Korea	15%	15%
Thailand	7%	9%
Phillipines	7%	6%
Malaysia	4%	4%
Singapore	3%	4%
Vietnam	2%	2%
Indonesia	2%	2%
Cash	8%	5%
Shorts	5%	0%

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

Performance

(compound pa, to 30 September 2014)

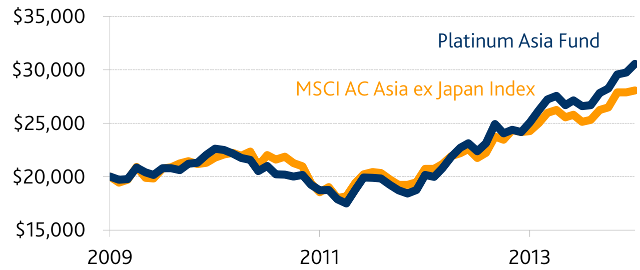
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund	8%	22%	18%	9%	16%
MSCI AC Asia Jp Index	6%	16%	15%	7%	10%

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

Asian stock markets return was flat over the quarter. The depreciation of the Australian dollar added returns to the local investors. Stock market performance was muted for most markets amidst concerns that the US Federal Reserve tightening may reduce liquidity. The Chinese stock market was the exception. The Shanghai A Share Composite Index saw an outstanding 15% gain as expectations of policy loosening grew.

Value of $20,000 Invested Over Five Years

30 September 2009 to 30 September 2014



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

The Fund outperformed the market by 2% over the period with strong performances from many of the Fund's larger holdings. Chinese stocks were strong, PICC (P&C Insurer) up 20%, SAIC (Volkswagen and GM JV) up 16% and Weichai Power (truck engine maker) up 16%. Korean stocks reversed their underperformance and added to returns this quarter as prospects for a cyclical recovery improved. Prime examples were our retail and financial companies, Hyundai Department Store, Korea Invest and GS Retail. Stocks that detracted from performance were the smaller Chinese Internet names (Youku and Soufun) and Indian conglomerates (Jaiprakash and Unitech).

Changes to the Portfolio

The portfolio's net invested position decreased from 95% to 87%. Cash was raised from strong performers and deployed to more prospective opportunities in China and Korea. Key funding sources were strong performers in Indian stocks (United Spirits, ICICI Bank and Adani Ports), Thailand stocks (Bangkok Bank and Kasikornbank) and Chinese Internet names (Baidu and Tencent).

The Fund added to Chinese A share names, including Weichai Power (major truck engine maker climbing the technology ladder), Kweichow Moutai (premier spirits brand in China) and the life insurers. These are 'best-in-class' operators with enviable brand positioning, available for what we believe to be tantalisingly attractive valuations. We also added Shinhan Financial, a premier commercial bank in Korea that is levered to economic recovery.

A 5% short position on the Hong Kong's Hang Seng Index was started to hedge against downside risk emanating from a potential escalation of political tension in the territory.

Commentary

In previous reports, we have written about China's shift from *investment* to *consumption*, the intensifying corruption crackdown and the focus on the *quality* rather than *quantity* of economic development. During the quarter, we visited Weifang, Jinan, Wuhan, Shanghai and Hong Kong, meeting with companies, many of which are in the construction sector. What we found generally supports our current thinking.

As expected, construction remains weak. Conversations with construction machinery dealers suggest that sales and utilisation rate of machines are low, readymix concrete processors are seeing decelerating growth and construction companies report a slowdown in activities. All these observations are relatively well-known and relatively uninteresting from our perspective.

A more remarkable and insightful observation is that adjustments *are* gradually occurring. Losses are being taken and smaller uncompetitive players in the construction machinery space have exited. The result is that competition in the sector has become more rational. Instead of offering attractive but uneconomic vendor financing terms to win business, companies are adopting better business practises and improving product offerings to compete.

The nature of the game is changing and many astute domestic companies are investing in product development and technology acquisitions to meet higher efficiency and environmental benchmarks. Weichai Power, a heavy duty truck engine maker in the portfolio, acquired Linde hydraulics for its world-class complex hydraulics system. Sinotruk, another holding in the Fund and a truck manufacturer, has formed joint ventures to source superior engine technologies to produce the next generation of more fuel efficient and low emission vehicles in China. Sany Heavy, a leader in construction equipment, acquired the German-based Putzmeister, a global technology and market leader in concrete pump equipment, which has the distinction of setting a world record delivering cement to a height of 606 metres for the construction of the iconic Burj Dubai skyscraper!

Further, the ongoing graft crackdown is reducing distortion in business dealings, enabling companies to compete on a level playing field. The anti-corruption effort is showing no signs of fading, as the number of officials investigated exceeded 25,000 in first half this year, up 14% from last year. In fact, the campaign has been so fiercely pursued that the emphasis is shifting to institutionalising processes to *prevent* self-enrichment.

The weak property market in China has aroused significant concerns of late for investors. However, it is increasingly apparent that the authorities are eager to actively support the market. Implementation of stringent home purchase policies over a year ago triggered a 15% fall in property transaction volumes. Empty apartment blocks are not uncommon. Over the quarter, 42 out of 46 cities with home purchase restrictions have removed the limits on the number of properties individuals may own. Also the PBOC (China's Central Bank) has relaxed major macro-prudential measures on the property sector. While unlikely to lead to another property boom, the government's intention is clear.

Another country not shying away from stimulatory policies is South Korea. The country has been a victim of a strong Korean won which dampened corporate profits for exporters and a weak property market that dented the retail appetite.

Property prices are evidently rising as sales volume expands. The low cost of a mortgage vis-à-vis rental yield is adding extra incentive to purchase. Our investments in Hyundai Development (property developer) and Korean banks are beneficiaries.

The government is proposing a series of stimulatory and reform policies to boost a stagnant economy and weaken the Won, and there are plans to force companies to raise these dividend payments to bolster consumer spending power. Korean stocks currently offer on average a paltry 1% dividend yield, representing a tiny fraction of their inherent free cash flows.

We also visited Vietnam during the quarter and continue to be excited about the prospects of this relatively populous (90 million) and low-income (GDP/head US$1,500) country.

Vietnam joined the World Trade Organisation (WTO) in 2007, strengthening its integration with the globalised economy. The initial period post WTO entry was tumultuous. Initial enthusiasm, (followed by government stimulus spending after the GFC) brought forth a period of torrid credit growth (>50%) leading to serious inflationary outcome (>20%). In 2011, interest rates were hiked (>20%) which tempered the excesses but the economy was left dealing with the aftermath of the credit binge. The country is healing, and credit growth and the inflation rate have tapered to sustainable levels. Lending rates have fallen back and the property and auto markets have picked up!

Cheap labour and low electricity cost (40% power is hydro) afford Vietnam many advantages over its regional neighbours. The government is continuing to invest in basic infrastructure to enable industrialisation. The banking system is gradually lending to the small to medium sized businesses. Export growth is strong at 10%, bettering most of its regional peers. Foreign investments and remittances from Vietnamese diaspora are running at a healthy pace, particularly meaningful for a budding economy. Economic development will provide structural tailwinds for our Vietnamese holdings and rising consumer incomes are driving new consumption patterns that will lead to new and interesting investment opportunities. Vietnam is certainly one of the countries we are keeping a close eye on!

Outlook

With China and India's reform efforts continuing and loosening of policies elsewhere in the region, prospects for Asian stock markets should remain positive.

However, one shouldn't expect smooth sailing. Reform in both China and India is critical for the ongoing development of these economies. While progress thus far looks promising, much still needs to be done. Of course, disruptions can come from the developed world, which remains heavily indebted and growth challenged.

Valuation is a good predictor of returns. Valuation of the Fund's holdings remains attractive and we continue to find attractive opportunities. We remain optimistic that the Fund will continue to make good returns in the medium term.

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$20,000 invested in the relevant Fund over five years from 30 September 2009 to 30 September 2014 relative to their Index (in A$) 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. Invested position represents the exposure of physical holdings and long stock derivatives.

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