PLATINUM ASIA FUND

Andrew Clifford
Portfolio Manager

PERFORMANCE

PERFORMANCE (compound pa, to 31 December 2009)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
PLATINUM ASIA FUND	**4%**	**40%**	**9%**	**17%**	**22%**
MSCI AC ASIA EX JP INDEX	**5%**	**33%**	**0%**	**10%**	**13%**

Source: Platinum and MSCI. Refer to Note 1, page 36.

The rebound in Asian markets continued this quarter with markets appreciating 6% during the period, a figure that was slightly lower when translated into Australian dollars. Having sold-off in the September quarter due to concerns about tighter monetary policy, Chinese A shares led the way rising by almost 18%. At the weaker end of the spectrum was the Vietnamese market which fell 14% as the country struggled with a balance of payments crisis.

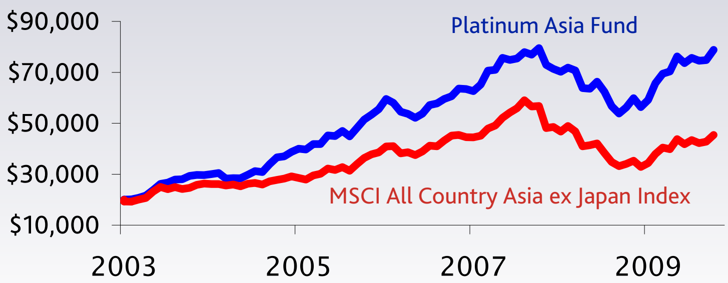
The Fund's performance slightly lagged the market this quarter, although it remains well ahead over the last 12 months. Financial and property stocks were generally poorer performers across the region this quarter as a result of expectations of rising interest rates. A number of the Fund's larger holdings in these sectors, such as KB Financial (Korean bank, down 1.3%), Bangkok Bank (down 4.1%), and Korean Investment Holdings (Korean broker and asset manager, down 4.3%), held back the Fund's performance. Better performing stocks included our more economically sensitive businesses such as Denway Motors (Chinese auto producer, up 43%) and Gome Electrical (Chinese retailer, up 36%).

DISPOSITION OF ASSETS

REGION	DEC 2009	SEP 2009
CHINA (LISTED EX PRC)	**19%**	**17%**
CHINA (LISTED PRC)	**7%**	**7%**
TAIWAN	**7%**	**7%**
HONG KONG	**6%**	**8%**
GREATER CHINA TOTAL	39%	39%
KOREA	**13%**	**12%**
INDIA	**9%**	**3%**
THAILAND	**8%**	**10%**
MALAYSIA	**6%**	**7%**
SINGAPORE	**5%**	**6%**
INDONESIA	**3%**	**4%**
PHILIPPINES	**3%**	**3%**
CASH	**14%**	**16%**
SHORTS	**0%**	**0%**

Source: Platinum

VALUE OF $20,000 INVESTED SINCE INCEPTION
3 MARCH 2003 TO 31 DECEMBER 2009



Source: Platinum and MSCI. Refer to Note 2, page 36.

CHANGES TO THE PORTFOLIO

United Spirits was reintroduced to the portfolio this quarter. The Company is the leading spirits producer in India, and by volume is the second largest in the world after Diageo. The Company's share price had been under pressure over concerns regarding the financial state of sister company Kingfisher Airways (India's no. 2 airline). Although the Indian airline industry had been deeply depressed as a result of weak volumes and prices, the strengthening domestic economy suggested that better times were ahead. The Fund also purchased shares in Jet Airways, the Country's no. 1 airline.

China Railway Construction is a privatised state owned entity, that as its name suggests, is a specialist railway construction company. The ongoing build out of the rail and metro networks in China will provide the Company with significant workload for some time to come. More importantly though are the Company's plans to improve cost controls that should lead to a significant improvement in profitability. Another new holding is Taewoong, a Korean manufacturer of heavy forgings for industrial plants, marine engines, and wind turbines. While Taewoong should do well on the back of ongoing global demand for wind turbines, the Company has a history of successfully entering new markets, its latest focus being on forgings for nuclear power plants, which would represent a large and growing market for the Company.

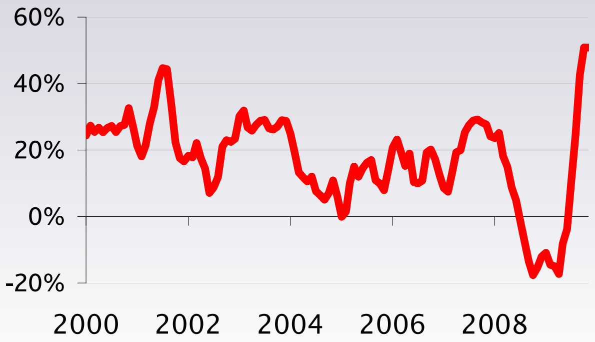
Acquisition of these (and other) new holdings during the quarter have been funded through the sale of positions in Hang Lung (HK and China property), Dongfeng Motors (China auto manufacturer) as well as net inflows into the Fund. The Fund's cash position remains little changed from last quarter at 14%.

COMMENTARY

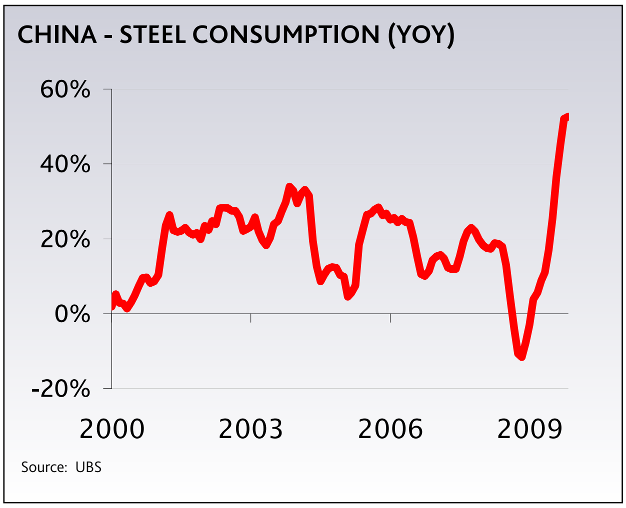
In our last quarterly report we discussed how the rapid economic recovery across the region was already giving rise to discussions about when central banks would move to increase interest rates or otherwise tighten monetary policy. These discussions were even before the potential additional impetus economies were due to receive from infrastructure spending that was only just getting underway and the potential rebound in export markets as inventories were rebuilt in developed economies. In addition, in the case of China, the resurgence in demand for residential property was expected to drive a pick-up in construction activity providing a further source of growth.

Events have continued to unfold much along these lines. Buoyant property sales in China have resulted in a significant pick-up in construction starts (see chart below). Auto sales in that Country have continued to boom with over 13 million vehicles expected to be sold in 2009, an increase of over 36% for the year, making China the world's largest car market. And while exports across the region remain below peak levels of 2008, there has generally been a steady improvement across the course of the year. Put together with accelerated infrastructure investment by government in many countries and healthy private capital expenditures in China and India, the picture is indeed a rosy one! The picture that perhaps tells the story the

CHINA - FLOORSPACE UNDER CONSTRUCTION (YOY)



Source: UBS



best is the remarkable increase in demand for steel in China (see chart above) which now equates to an extraordinary 590 million tonnes per annum.

The problem of course is that such rapid growth leads to concerns about inflation. Although, with the exception of India, the official inflation numbers are yet to reflect any significant increases in price levels, the trend for higher prices across a broad range of commodities in the last months of the year suggests that it is only a matter of time before they do. Indeed in China, surveys by China Reality Research suggest a clear increase in inflationary expectations by consumers. One of the more amusing responses to the survey was from a 38 year old man from Mianyang, Sichuan province:

> *"The Rmb today is worth less than it was yesterday. If you have Rmb100 in your pocket now, what can you buy with it? All prices are rising, and that's why I think it's a bubble economy. The Rmb might as well be the paper money you burn to honour your dead relatives."*

There are two key areas where price changes are likely to be the cause of some consternation for policy makers. In India, food prices recently registered increases of 20% to those one year ago, and although these numbers were impacted by poor harvests, it was the issue of higher food prices only two years ago that drove many central banks around the region to tighten policy. In China, property prices have been moving up, particularly in the bigger cities where price moves of more than 50% have been seen in mid-to-high end properties. Affordability of property is a significant political issue in urban China and authorities are already moving to dampen down this market with various measures, just as they have in the past.

Simply, one should expect to see a backing away from the pro-growth policies of central banks and governments that were put in place in the wake of the global financial crisis. It is also possible that the region may start to experience a strengthening of the various currencies as the US dollar (to which many of them are tightly linked) has shown some signs of ending its persistent depreciating trend of the last 12 months or so. If the regions' currencies were to show some strength in the coming months this would also act to slow economic growth. Given the momentum in growth, tighter policy and stronger exchange rates are unlikely to have much of an impact in economic terms in the year ahead. However, stock markets will continue to be wary of risks associated with inflation and likely policy responses. It is perhaps not surprising that in a quarter where the economic news could not have been much better, regional stocks have failed to gain much ground.

One country that is following a different path to the rest of the region is Vietnam, the high-flying market of the pre-global financial crisis period. At the end of November, due to sustained selling of the Dong, the central bank was forced to devalue its currency by 5% and increase interest rates by 1%. Despite an apparently healthy rebound in economic activity as a result of monetary and fiscal stimulus, the Country has a high current account deficit (expected to be approximately 9% of GDP in 2009) which has become problematic given a collapse in foreign investment. This is not a dissimilar position to that in which much of Asia found itself in 1997 when it suffered a major balance of payments crisis. Other than a strong recovery in exports the most likely way out of such a situation is a collapse in domestic demand, otherwise known as a recession. Of course such an eventuality would potentially result in interesting investment opportunities. We will be watching this market carefully in the months ahead. Currently the Fund has no direct exposure to the Vietnamese market.

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 past 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).

2. The investment returns depicted in the graphs are cumulative on A$20,000 invested in the relevant Fund since inception relative to their Index (in A$) as per below:

Platinum International Fund:
Inception 1 May 1995, MSCI All Country World Net Index

Platinum Unhedged Fund:
Inception 31 January 2005, MSCI All Country World Net Index

Platinum Asia Fund:
Inception 3 March 2003, MSCI All Country Asia ex Japan Net Index

Platinum European Fund:
Inception 1 July 1998, MSCI All Country Europe Net Index

Platinum Japan Fund:
Inception 1 July 1998, MSCI Japan Net Index

Platinum International Brands Fund:
Inception 18 May 2000, MSCI All Country World Net Index

Platinum International Health Care Fund:
Inception 10 November 2003, MSCI All Country World Health Care Net Index

Platinum International Technology Fund:
Inception 18 May 2000, MSCI All Country World Information Technology 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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Before making any investment decision you need to consider (with your financial adviser) your particular investment needs, objectives and financial circumstances. You should consider the PDS in deciding whether to acquire, or continue to hold, units in the Funds.

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