Platinum Asia Fund

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Disposition of Assets

REGION	DEC 2014	SEP 2014
China (Listed Ex PRC)	25%	23%
China (Listed PRC)	14%	9%
Hong Kong	2%	2%
Taiwan	1%	1%
Greater China Total	**42%**	**35%**
India	19%	17%
Korea	13%	15%
Thailand	6%	7%
Philippines	6%	7%
Malaysia	4%	4%
Singapore	2%	3%
Vietnam	2%	2%
Indonesia	2%	2%
Cash	4%	8%
Shorts	0%	5%

Source: Platinum. Refer to Note 3, page 6.

Performance

(compound pa, to 31 December 2014)

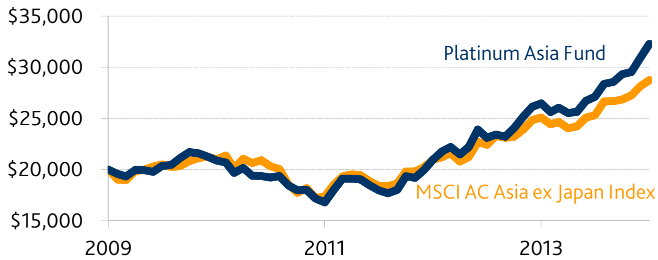
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund	10%	22%	24%	10%	17%
MSCI AC Asia ex Jp Index	7%	15%	18%	8%	11%

Source: Platinum and MSCI. Refer to Note 1, page 6.

The MSCI AC Asia ex Japan Index rose by 0.1% (in US$) over the quarter as concerns arose over interest rate tightening by the US Federal Reserve, negatively impacting liquidity for asset markets and detracting from the economic growth in the region. However, the depreciation of the Australian dollar resulted in the Index finishing the quarter up 7.1% (in A$) over the period. The Fund's performance was ahead of the Index by 3%.

Value of $20,000 Invested Over Five Years

31 December 2009 to 31 December 2014



Source: Platinum and MSCI. Refer to Note 2, page 6.

The Chinese A-share market was a standout performer, rising a blistering 37% over the quarter. The domestic A-share investors were excited over the launch of the Hong Kong-Shanghai Connect program (opening up access of the Shanghai A-share market to foreign investors), the Chinese Central Bank's rate cut and a pick-up of the residential property market. The Hang Seng H-Share Index similarly benefited and rose 3% over the same period.

The Indian market delivered a respectable 2% return, as progress of government reforms stayed on track and the inflation rate started to come down on the back of more sensible agricultural product pricing policies and a declining global crude oil price. Performance of other markets in the region were relatively muted, with Malaysia down 4%, Thailand down 6% and the Philippines down 1%.

As expected, the Fund's Chinese A-share holdings were significant contributors to performance, with the Chinese life insurers, **China Life** (H-share up 41%, A-share up 120%) and **Ping An Insurance** (H-share up 36%, A-share up 56%), featuring prominently. Other China-exposed shares also performed well, with **SAIC Motor** (the General Motors and Volkswagen joint venture car maker) up 19%, **Gree Electric Appliances** (dominant air conditioner manufacturer) up 34% and **China Vanke** (property developer) up 26%. Elsewhere, Indian financials were good contributors, with **ICICI Bank** up 24%, **Yes Bank** up 38% and **State Bank of India** up 29%. The Fund's minimal Australian dollar holding meant that the full benefit of depreciation accrued to performance.

Changes to the Portfolio

The Fund's net invested position increased from 87% to 96% during the quarter and maintained a minimal exposure to the Australian dollar.

We sold out of positions that have reached our estimation of fair value (**Daum Communications**, **Mahindra & Mahindra**), and funds raised were deployed into the more prospective ideas.

Early in the quarter, we added to our position in the Chinese life insurance companies (A-shares and H-shares) that bore the brunt of adverse regulatory changes leading to a collapse of insurance premium sales growth. The industry adapted to focus on selling more *complex* but *profitable* protection products. Premium sales growth subsequently bottomed, making these life insurers tantalisingly attractive given the prospect of sustainable growth ahead!

The Hang Seng H-Share Index short position was reversed once it became evident to us that the Hong Kong protests did not warrant mainland intervention.

Positions in **GAIL** and **NTPC** were started in India, as we were increasingly optimistic over the government's resolve to deal with bottlenecks faced by the country. GAIL is the near-monopoly owner of natural gas pipelines in a country that should see years of usage growth in natural gas. Improving gas throughput is set to lift pipeline returns and its ownership of the downstream city gas projects are interesting long duration assets at an embryonic stage of development. NTPC is a State-owned power generator that will benefit significantly from a ramp-up of coal supply, trading on the attractive valuation near the cost of replacement of plant and equipment!

Commentary

India

Despite possessing world-leading IT and pharmaceutical industries, India only registers an average national output per capita of US$1,500, highlighting at once the country's obvious impediments *and* vast potential.

Doing business in India has traditionally been difficult. Starting a business often required hundreds of government permits. Big ticket privately-funded infrastructure investments were often held up for years by land acquisition and environmental approval issues. Coal and gas based power plants were not supplied with sufficient fuel and constantly ran at abysmal utilisation rates. The Bharatiya Janata Party (BJP) swept to power in the general election in April-May 2014, and their promise was basically to remove structural impediments and re-energise the country through development.

We visited India during the quarter, covering cities of Mumbai, New Delhi, Ahmedabad, Nagpur, Lucknow and Gurgaon, meeting with a range of different people (villagers, small and large business owners and government officials) in order to gauge its progress and prospects. It is encouraging to report that the government has made sensible and coherent decisions in quick time, building momentum to tackle the more arduous problems.

Obvious observations can be made about the government's progress thus far. Numerous infrastructure projects stuck in the labyrinthine approval process were cleared, boosting public sector investment activities. The long-awaited diesel subsidy and natural gas pricing reforms were implemented, removing economic distortions. Minimal purchase price for agricultural products, politically popular, but highly inflationary, saw only tepid increases this year.

While low hanging fruit were being plucked, the current government leaders appeared to possess both the *will* and the *capability* to also undertake the more difficult reforms to lift the pace of economic development. Aims of the key policies were to enhance infrastructure construction and to improve the ease of conducting business for the private sector.

Government-funded infrastructure spending as a percentage of GDP is low in India (less than 4%). A persistently high budget deficit leaves little room for the government to undertake the necessary spending on vital infrastructure projects. The solution is to lift government revenue and cut wasteful expenditure.

A Goods and Services Tax (GST) can broaden the extraordinarily narrow direct-tax base, raising much needed funds for the government to balance its books. A GST can also remove the unnecessary complexities inherent in the State-based wholesale tax system, improving efficiencies for the logistics sector. While the benefits have been long recognised, passage of legislation was traditionally difficult given staunch opposition from the States. Under the current government, the GST is firmly on the agenda and implementation may occur by 2016!

The Universal Identity (UID) project can prove to be transformational in the allocation of government benefits, saving them US$12 billion a year! More than 700 million individuals in India have already signed up to the UID and full national coverage has been targeted for mid-2015. The ability to identify the correct beneficiaries of subsidies will enable the government to make payments directly into those recipients' bank accounts. This will bypass the infamous middlemen who would routinely use fake identities to secure subsidised items and then sell them into the vibrant black market.

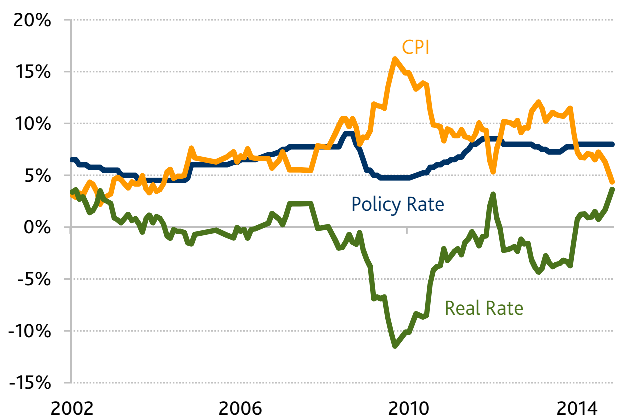
One of the missing elements to the Indian economic story is an environment that is conducive for private enterprise to prosper. Difficult land acquisition (for construction of factories and basic infrastructure) and rigidities in labour laws are recognised as key barriers to private sector investment.

In this context, it is interesting that some States are not waiting for a change in Central Government legislation, but have taken the initiative to streamline these procedures and are attracting business investment as a result. Indeed, early signs suggest that some States are starting to compete with each other to attract private investment to drive industrialisation, reminiscent of China in the early days.

Regardless of the changes being enacted by the Central and State governments, the companies we own and visited are diligently positioning themselves for the opportunities ahead. **IRB**, a toll road investor and construction company, is taking advantage of its competitors' lack of funding capacity to pocket road projects that promise extremely attractive returns. **Sobha**, a respected property developer with a vast land bank, is a pioneer in India to utilise prefabricated construction to shorten construction time. **Info Edge**, a dominant job board and real estate Internet website, is focusing on the authenticity of listing and improving market share to maintain its dominance in this growing and nascent Internet market. **Bharti**, India's biggest mobile telephony operator, is busily putting in infrastructure to take advantage of the booming mobile data demand of the young population. Smartphone ownership is very low and has vast opportunities ahead.

Disciplined monetary and sensible fiscal policies over the last year and a half and a falling crude oil price have reined in inflation. Real interest rates are still at historically high levels and a reduction in rates will benefit the interest rate sensitive sectors and should help kick-start the long-awaited capital investment cycle that the country sorely needs.

India's Rates and Consumer Price Index (CPI)



Source: Bloomberg

China

In China, slowing economic activity and the falling inflation rate (1.6%) prompted the government to stimulate the economy. In November 2014, the Chinese Central Bank cut interest rates for the first time in two and a half years, signalling the start of a policy loosening cycle. The reversal of property purchase restrictions led to a recovery of sale volumes and developers are starting to purchase land again in the bigger cities. Stabilisation of property prices is important for the solvency of the banking system, given the ubiquitous use of property as collateral for lending.

While the potential loosening of interest rate policies can spur a cyclical recovery, escalation of reform efforts bodes well for the country's longer-term prospects.

Evidently, such efforts are gaining momentum on multiple fronts:

- Corruption crackdown continues unabated.
- Simplification of permit application procedures for private enterprises.
- Rural land reforms – liberalising trading of rural land rights.
- Opening-up of capital markets to foreign participation.
- State-owned enterprise (SOE) reforms – shifting focus to investment returns.
- Roll-out of more free trade zones (which have similar regulatory norms to global financial services hubs).

Outlook

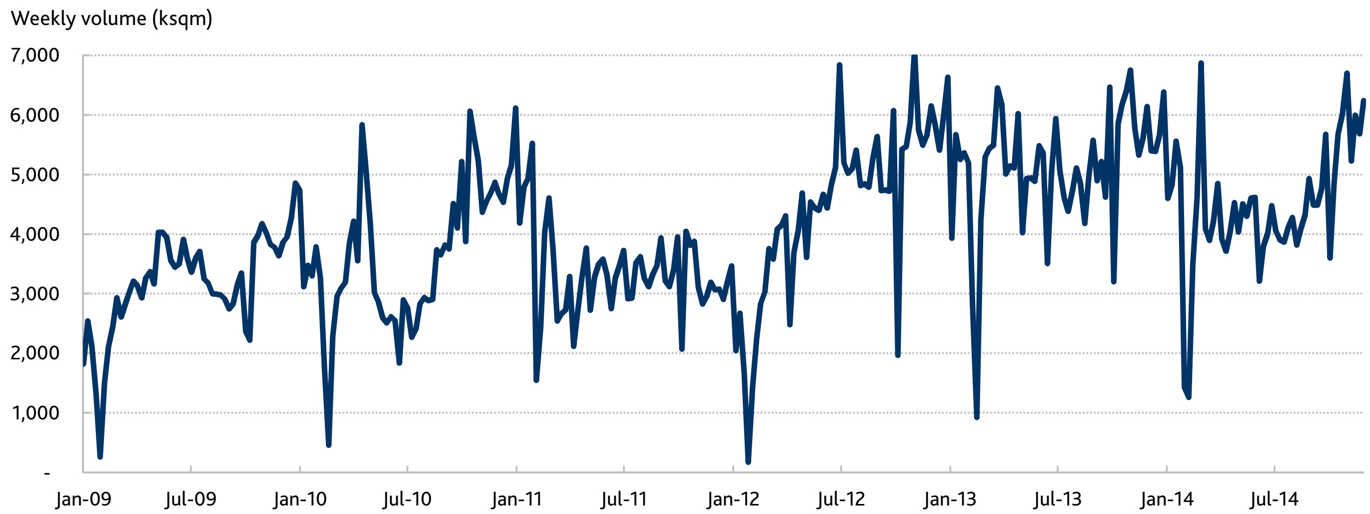
China and India are undertaking structural reforms to better their longer-term prospects, but opposition from various entrenched interests remain and one should not necessarily expect smooth sailing throughout.

For India, implementation of more sensible policies to encourage investment in infrastructure is a promising first step towards a sustained growth trajectory, but more reforms need to occur to reinvigorate private enterprise.

The Chinese economy is transitioning. Its growth rate will slow, but reforms undertaken will enhance sustainability. It is interesting that Chinese equities were in a bear market when the economy was growing at 8-9% per year and are now turning positive as the economy transforms and slows.

The starting valuation is a good predictor of future returns and stock market valuations in the region remain attractive. We continue to find prospective opportunities to deploy the Fund's capital.

Real Estate Transaction Volume of Tiers 2 and 3 Cities in China



Source: Soufun

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$20,000 invested in the relevant Fund over five years from 31 December 2009 to 31 December 2014 relative to its benchmark Index (in A$) 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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