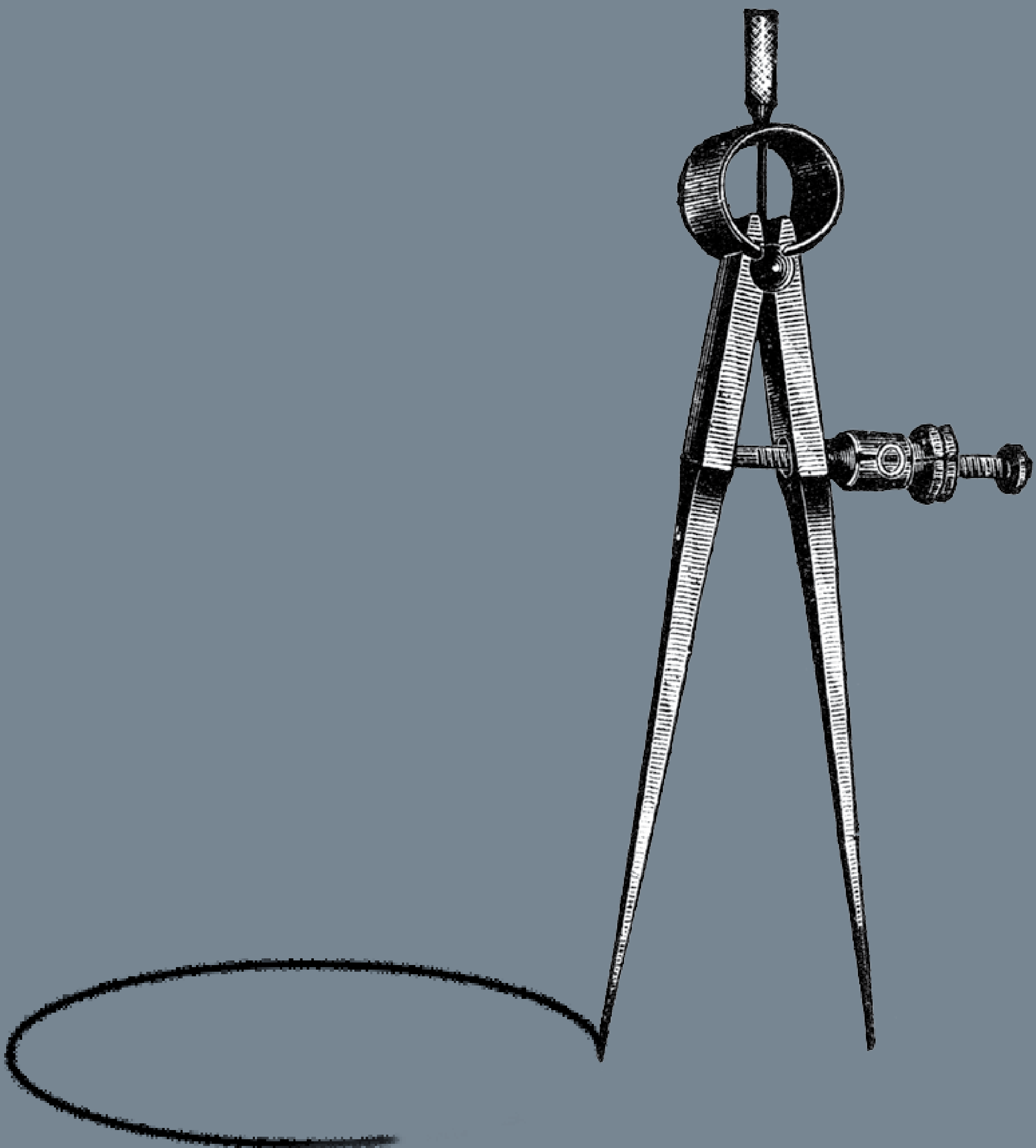
Platinum International Fund
Platinum Unhedged Fund
Platinum Asia Fund
Platinum European Fund
Platinum Japan Fund
Platinum International Brands Fund
Platinum International Health Care Fund
Platinum International Technology Fund

Platinum
ASSET MANAGEMENT

Quarterly Report

30 JUNE
2017



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The Platinum Trust quarterly report is available on our website, www.platinum.com.au, from approximately the 15th of the month following quarter end.

Performance Returns to 30 June 2017

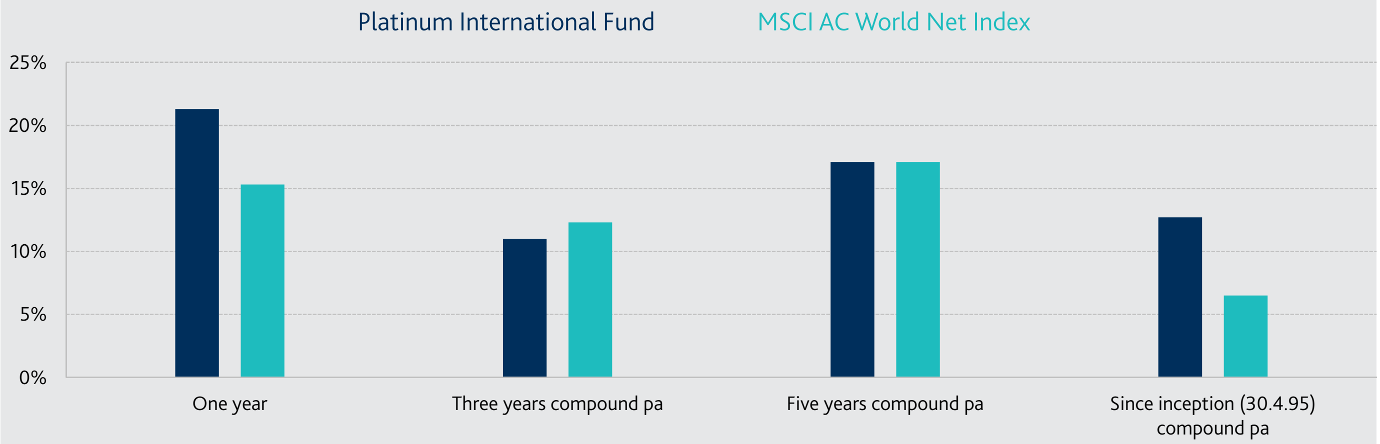
FUND	PORTFOLIO VALUE (POST 30 JUNE CASH DISTRIBUTION)	QUARTER	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	5 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA
Platinum International Fund	**$9,718m**	**5.8%**	**21.3%**	**6.6%**	**11.0%**	**17.1%**	**12.7%**
MSCI AC* World Net Index		3.7%	15.3%	7.0%	12.3%	17.1%	6.5%
Platinum Unhedged Fund	**$233m**	**6.6%**	**31.7%**	**9.0%**	**12.4%**	**18.6%**	**11.5%**
MSCI AC World Net Index		3.7%	15.3%	7.0%	12.3%	17.1%	6.6%
Platinum Asia Fund	**$4,101m**	**7.1%**	**19.7%**	**3.6%**	**11.7%**	**16.0%**	**15.0%**
MSCI AC Asia ex Japan Net Index		7.7%	23.0%	5.7%	12.5%	14.4%	10.3%
Platinum European Fund	**$523m**	**8.7%**	**28.5%**	**9.6%**	**11.5%**	**16.6%**	**12.0%**
MSCI AC Europe Net Index		6.6%	17.5%	3.8%	6.6%	14.8%	2.7%
Platinum Japan Fund	**$631m**	**5.6%**	**24.0%**	**9.1%**	**18.9%**	**25.4%**	**15.0%**
MSCI Japan Net Index		4.6%	15.7%	4.3%	13.1%	16.1%	2.4%
Platinum International Brands Fund	**$844m**	**10.1%**	**27.7%**	**10.2%**	**12.6%**	**16.1%**	**12.9%**
MSCI AC World Net Index		3.7%	15.3%	7.0%	12.3%	17.1%	2.3%
Platinum International Health Care Fund	**$177m**	**2.0%**	**18.2%**	**7.9%**	**16.0%**	**20.4%**	**9.5%**
MSCI AC World Health Care Net Index		6.3%	6.4%	2.3%	14.6%	21.6%	8.7%
Platinum International Technology Fund	**$89m**	**6.0%**	**24.6%**	**8.5%**	**12.3%**	**16.9%**	**9.3%**
MSCI AC World IT Net Index		6.0%	31.5%	17.2%	22.1%	23.2%	-0.6%

*Morgan Stanley Capital International All Country

Source: Platinum and MSCI Inc. Refer to note 1, page 40.

Platinum International Fund versus MSCI AC World Net Index

To 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 1, page 40.

Facts, Feelings and the Importance of Composition

by Kerr Neilson, CEO

Among the gifts of the Internet is the ability to gain access to almost **inexhaustible flows of information**. It can be a blessing to analysts who are trying to become familiar with a new industry or process. For example, when we were examining aspects of a new chip design affecting Intel, we were able to attend remotely a course run by a well-respected university on some of the technical issues that impinge on the semiconductor manufacturing process. This was available on YouTube. The drawback to this access to world-wide information and knowledge is that it can also give one a **false sense** of knowledge, a false sense of control.

The Internet also results in one being bombarded with news and viewpoints, and some may be inclined to respond to this deluge by using heuristics and relying on gut feel to cope with the overload. The alternative may be to read only those sources of information or news that accord with one's own comfort zone.

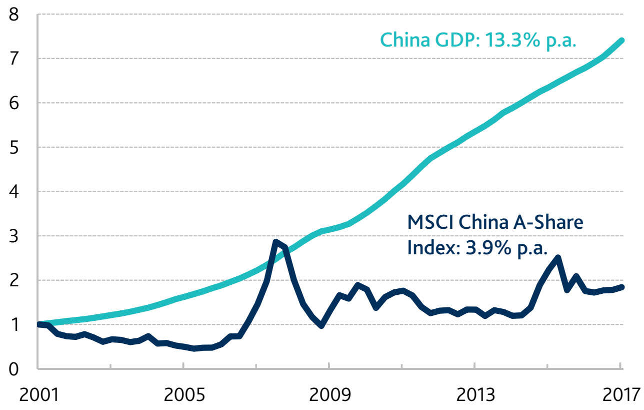
Let's take a concrete example of how **news can be nuanced**. Consider what constitutes news, who chooses the headlines, what or who prioritises what we see or read. For example, weather patterns are presumably far more interesting to a drought-stricken farmer than an urban millennial. And even when it has been determined what should be transmitted, there is still the need to understand the **perspective of the reporter** or the editor.

Think of yourself as a reporter for CCTV, China's national broadcaster. In view of the national admission that China can no longer guarantee food self-sufficiency for its 1.3 billion inhabitants, how would you report on China's behaviour in one of its critical supply routes, the South China Sea? Protection or aggression? By contrast, a Washington-based reporter may see matters from a completely different position and report the same events as a demonstration of the territorial ambitions of a new hegemon.

Let's now turn to the purpose of this note. **Some may believe that the stock market directly reflects the health of the economy**, that there is a tight correlation between an economy, profit growth and the stock market. **Academic studies show that there is virtually none** – though this may still leave many sceptical! Take for example the Chinese domestic market, despite the economy growing feverishly at an average annual rate of 13% over the last 16 years, magnifying economic activity by more than sevenfold over that time, the stock market has risen by only 1.8 times.

China GDP vs. MSCI China A-Share Index

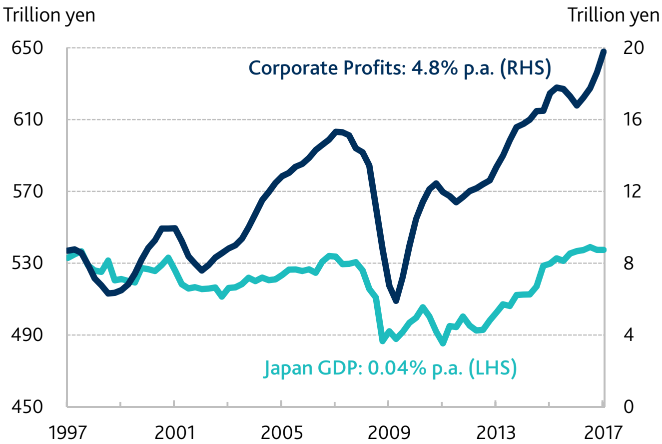
Index, March 2001 = 1



Source: FactSet, Platinum.

Consider also the experience of the Japanese market. The Japanese economy has grown very little over the last 20 years, yet corporate profits grew by nearly 5% per annum since June 1997. Stranger still, Japan's stock market for the most part was in chronic decline over the same period. Incidentally, with a falling population, real GDP growth per head in Japan has not been so different from that of the USA over this period, at 1% per annum.

Japan GDP vs. Corporate Profits



Source: FactSet, Platinum.

Q1 2002 TO 30 JUNE 2017 (4Q AVERAGE)	STOCK MARKET PERFORMANCE (USD)	GROWTH		VALUATION		PROFITABILITY	
	15 yr p.a.	EPS 15 yr p.a.	BPS 15 yr p.a.	Current forward P/E	15 yr average forward P/E	Current ROE	15 yr average ROE
World	7%	6.4%	5.0%	18	15	10%	12%
North America	8%	6.1%	6.0%	22	18	13%	14%
Western Europe	7%	4.6%	4.5%	20	15	10%	12%
Asia ex Japan	11%	9.9%	7.3%	17	15	11%	13%
Japan	5%	16.4%	4.7%	17	18	8%	8%
India	15%	8.7%	8.9%	24	17	12%	17%
Greater China (China, Hong Kong, Taiwan)	12%	10.8%	7.7%	16	16	11%	13%

Source: FactSet, MSCI Inc, Bloomberg.

The above table tends to cement the argument that our **impressions are often very different from the underlying facts**. In aggregate, earnings across the globe have grown by around 6.4% a year over the last 15 years (somewhat higher than the 100-year nominal average). Earnings growth among Japanese companies (16%) has far outshone that of investors' favourite, India (9%), and yet the Japanese stock market has been a sad laggard.

Clearly, time frames matter for this type of exercise. For example, though the Japanese market has lagged, if one focuses only on the last five years, it looks far better, having doubled in a strong burst off the bottom in mid-2012.

For all the talk of a dysfunctional Europe, European shares have nevertheless risen faster than earnings. This is explained partly by the relatively low valuations back in 2002, and the subsequent lift in prices. Either way, the link between stock market moves and earnings is far from precise.

Earnings forecasts can be just as rickety. Back in 2008, optimistic analysts were forecasting the S&P 500 Index to earn over US$100. We nearly got there several years later, and only now, with the aid of possible tax cuts and furious share buy-backs, is the S&P 500 Index likely to earn US$130. Yet, the stock market is up 58% from the 2008 peak.

The table also shows that Asian shares have risen faster than their earnings with the consequent re-rating showing in the rise in the price-to-earnings (P/E) ratio.

How often do you check whether your "feelings" are backed by facts?

For all their experience, fund managers are also prone to being influenced by impressions and the prejudice of stale information or an out-of-date understanding of a company's status. One way of reducing and coping with the complexity is for fund managers to concentrate on the principal companies within a large index. This is rather less challenging than trying to pick the eyes out of, say, the 6000+ listed entities that have a market capitalisation of more than US$1 billion, which is the Sisyphean endeavour we have tasked ourselves with here at Platinum.

The approach favoured by the majority tends to lead to portfolios that mimic the underlying index as these managers over-weight here or under-weight there, so-called "index awareness" or "**index–hugging**". Alternatively, if a manager's style is driven by news events, they may have a tendency towards **momentum investing** and bet on the latest hot topic: lithium, autonomous driving, artificial intelligence, you name it.

We at Platinum try to eschew both these approaches with **our contrarian style** which is **augmented by solid quantitative analysis**. One needs to inculcate independent thinking and use tools to assess when there is a wide divergence between "feelings" and the underlying data.

This leads to the essence of this note – **how does the weight of evidence compare with the strength of conviction**.

Essentially we are verifying the strength of our emotional conviction against the strength of the evidence underpinning it. When does one feel over-confident and when is more conviction warranted? The importance of this matrix in markets is quite unlike that of a personal exchange of opinions. In stock markets, indeed in markets in general, there is the extra dimension. **That dimension is price**, and it changes with information flow, fashion and other very human frailties. It is almost certain that the day-to-day volatility of a company's share price bears little correlation to the real changes in the intrinsic value of the business!

Having a hunch about the weather or some other matter may not be threatening, but in markets "feelings" matter because they pertain to the ***price*** at which one transacts.

Do the feelings match the realities, or are market participants acting with **availability bias, anchoring, framing or other heuristics that individuals subconsciously use to simplify their choices**? Should short-term considerations, which in the moment can seem so blindingly certain, form an important part of the decision?

To apply this **matrix** to the real world, let's cast our mind back to early/mid 2016. The over-riding fear about negative interest rates, weak growth, the over-supply of commodities, banking fears in China, the solvency of the European banks and so on was all-consuming, so much so that to most people it seemed at the time that these issues could not possibly be transitory.

A Matrix of Facts vs. Feelings

	WEAK EVIDENCE	STRONG EVIDENCE
LOW CONVICTION	• Mid-range companies • Neither great price-makers nor price-takers • Moderate growth • Average valuations	• Commodity producers in early 2016 • Perceived as weak businesses • Little regard shown to producers low in the cost curve • Prices relative to replacement cost at decade lows
HIGH CONVICTION	• Consumer packaged goods companies in mid-2016 • Virtually no inherent profit growth • Well above average valuations • Trend followers accentuate over-valuation	• "FANG" stocks (Facebook, Amazon, Netflix, Google) • Strong and persistent growth • Qualities recognised with high valuations • Highly crowded institutional ownership

At that time the market was **fixated on avoiding uncertainty** and investors favoured companies that they "knew" would grow (conviction) and, indeed, had every likelihood of continuing to grow as they had done since their inception (evidence). The so-called "FANG" companies (Facebook, Amazon, Netflix, Google) were much in demand and this showed in their high valuations (***high conviction/strong evidence***).

In sharp contrast, **commodity producers** were the companies that investors loathed with a visceral fear, accentuated by the prevailing uncertainty. This was so despite the baseline logic that low commodity prices would clear away high cost supply and in due course allow lower cost producers to earn at least a modest return on assets – demand was not in contention. At that time commodity producing companies were selling at valuations previously seen in the depths of despair of the post-Lehman carnage. The logical case to own them was strong, but the conviction was pitiful (***low conviction/high strong evidence***).

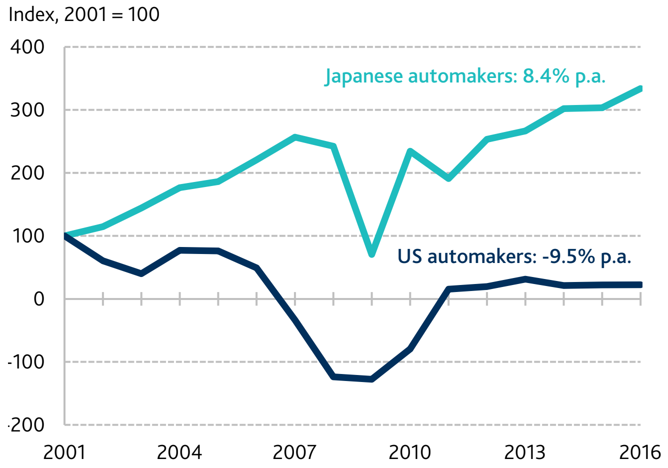
The other area that was attracting investors in early/mid 2016 included ***high conviction/weak evidence*** companies such as consumer packaged goods producers, like Kellogg's, Colgate-Palmolive, The Campbell Soup Company, and General Mills. Here was a group of companies that had barely seen any sales growth for several years, but through various devices were sustaining their profits or lifted their EPS, and this met the prevailing need for certainty, almost regardless of price. We contend that these companies should be classified as "weak evidence" because they were being priced well above the average (with P/E ratios above 20 times) while achieving EPS growth that barely matched the average company.

The last group – the ***low conviction/weak evidence*** companies – were left to their own devices and satisfied neither optimists nor pessimists. Our quantitative model will generally steer us away from these candidates. Priority is given to the first two groups where there is **dissention caused by fear or greed**.

Another common error made by investors as they participate in the daily battle to find opportunities is that of **composition**. The general should not be mistaken for the specific. We have for a long time argued that the Japanese stock market is refulgent with opportunity. Invariably, we are reminded by the interlocutor of the aging population and, when we skilfully evade that ambush, are parried with the many other imperfections that investors would rather not expose themselves to. The fact that the market has more than doubled off a 35-year low carries no weight among the doubters, as their conviction, shaped largely by news headlines, carries them blithely along with the crowd. The point that we are able to buy international corporations that simply have their headquarters in Japan and most of their business and assets abroad is conveniently ignored.

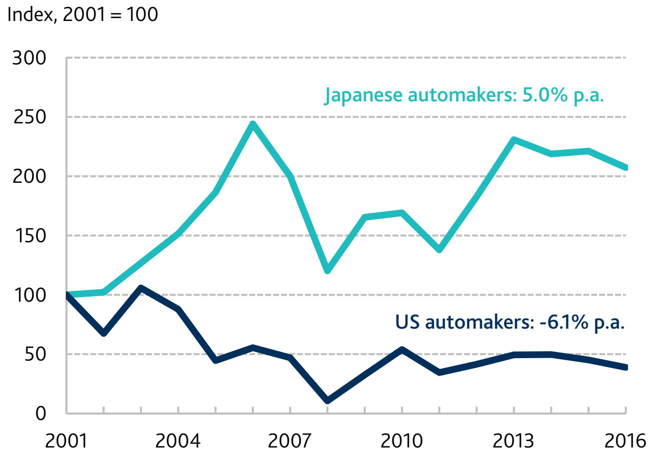
So let's look at the particular. The accompanying charts on the next page illustrate the aggregate performance of two pairs of leading car companies, Toyota and Honda on the one hand versus Ford and GM on the other. For simplicity, we have created a composite number to represent each pair's **growth in sales, profit and book value per share** over the

Japanese vs. US Automakers' Earnings Growth



Source: FactSet, Platinum.

Japanese vs. US Automakers' Share Prices



Source: FactSet, Platinum.

last 15 years. These are numbers generated after taking into account all of those headline-grabbing issues, varying from product recalls and consequential excruciating fines to Japan's supposedly sleepy management.

Evidently, the difference in share price performance has been night and day. The lesson again is to rely on a baseline numeric assessment rather than the far less reliable yardstick of one's intuition. Here we have a classic extension of the same problem described earlier where general impressions can corrupt clear judgment. Even though the host markets were very different, the opportunities given by these Japanese auto companies were just shy of those available from world markets over the last 15 years, viz 5% p.a. for Japan versus 7% p.a. for the MSCI All Country World Index in USD terms!

Mind you, **this is not a one-off**. Take China today, overall the market may not be so interesting, particularly if one pays heed to the press about all the careless lending and state-sponsored capex. All are reasonably accurate, but the question that needs to be asked is where the opportunities lie, and whether the bad lending does anything to diminish the prospects of those attractive companies. Chinese banks will in all likelihood have large bad loan write-offs, which will likely impair their equity. However, they won't be taken in one hit. Rather, the bad loans may be tantamount to writing off a good part of the next five years' earnings. The question that interests us is **where else in the world one can buy insurance companies that are growing at 10 to 15% p.a., yielding 3 to 4%, are priced at 1.5 times book value and less than 15 times earnings**. Recall that the global P/E average is now 18x while historic EPS growth rate is under 7% per annum. The market's general aversion to China has allowed us to own some marvellous consumer companies like liquor-maker Moutai, which we have recently sold after a huge run, regardless of the fears about the economy.

The experience in India has been very different. Local investors are very active and companies that will benefit from rising living standards tend to be very enthusiastically priced. They have grown strongly, but with P/E ratios above 30, there is little margin for error. By contrast, one can own relatively slow growers among the utilities that have a promised return on assets, where earnings will grow with high probability and which sell on low teen P/E multiples. Our choice is to favour this **opportunity of composition** by owning the utilities rather than the more obvious high growth consumer companies.

In Europe, we had the same experience by owning the Italian banks which we believed were being tarred by availability bias, i.e. investors' attitude towards them were unduly influenced by feelings heightened by recent events.

There will be many times when there is high emotional conviction but weak factual evidence, and yet investors want to support these causes. The chances are that they are backing an index, because it *feels* safe, while in all likelihood they are falling into **the wrong quadrant in the matrix**.

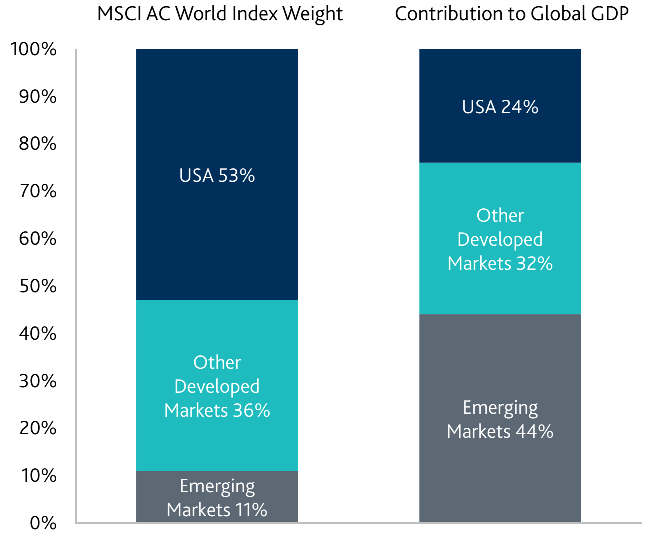
For those that find it challenging to deal with this paradox or with the ambiguity of markets, owning a global ETF may seem to be the solution, but it may run the risk of backing yesterday's winners. From our perspective, we believe there is a place for investors to apportion part of their assets to fund managers who are obsessed with the opportunities created by the imperfections in this matrix.

To conclude, today one might have the feeling that the US represents the best and brightest opportunity, but there are two snags with this.

Firstly, it is "over-indexed" in the MSCI (a term consumer product marketing companies use to denote a disproportionate market share versus market relevance). Secondly, the historical outperformance is approaching a significant extreme and we all live in the same round world!

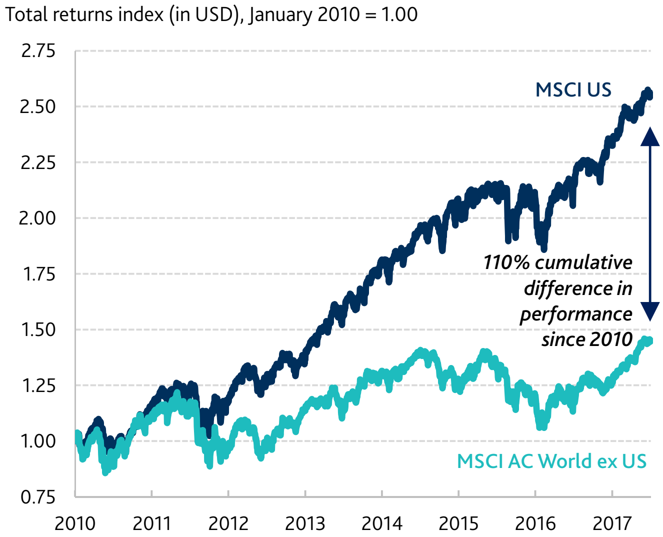
Do note that US GDP represents less than 25% of the global total, and even when adjusting for the reach of its highly successful multinationals, this variance in weighting is questionable. Our quantitative work suggests that there is no need for investors to have over 50% of their international share exposure in the US today, which is indeed the position of nearly every international fund with one notable exception!

The "Over-Indexing" of US Companies



Source: MSCI Inc, RIMES Technologies, World Bank.

US vs. The Rest of the World – Can the Trend Continue?



Source: FactSet, MSCI Inc, RIMES Technologies.

Macro Overview

by Andrew Clifford, CIO

The focus in our last quarterly macro overview was on the massive imbalances in global trade that have arisen over the last 20 years. While China has been a well-known and recognised source of these imbalances, we noted that since the Global Financial Crisis, the Eurozone has moved from a small current account deficit to a surplus of over US$400 billion, and that South Korea has seen a fivefold increase in their surplus to US$100 billion. For comparison, China generated a surplus of a mere US$271 billion in 2016, having peaked at US$421 billion in 2008. What is important to remember is that when a country or region generates a current account surplus, these "excess earnings" (savings) are exported abroad and invested in other countries. Over the last two decades, the major recipients of these flows have been the US, the UK, Australia and Canada, who have benefited from this capital being invested in their real economies and financial markets – bonds, shares, and property alike. We think this pattern of trade and capital flows, which has been part and parcel of the global economy and financial markets, is set to change. In China, the ongoing strong growth in consumption spending, and in Europe a cyclical recovery, will result in lower current account surpluses and less capital exported abroad.

If this rebalancing is indeed underway, then we think there are potentially significant implications for Australian investors. Foreign capital inflows have long been a characteristic of the Australian economy. All of our investment cycles, whether it is the mining investment boom that is now coming to an end or the current cycle in residential apartment construction in the capital cities, have been in part funded by foreign money. At times foreign participation is clearly visible (as it has been in the case of property and mining), but it also plays an indirect and less conspicuous role via our debt markets and by funding our banking system. **There is nothing intrinsically wrong with this.** However, if the current account surpluses of the likes of Europe and China decline in the years ahead, we would be faced with a choice between:

1. saving more (and reducing our dependence on foreign money),
2. competing for our portion of a dwindling pool of funds by raising rates of return for investors (i.e. higher interest rates), and
3. experiencing a fall in our living standards via a fall in the Australian dollar.

If this occurs, it will come at a time when the Australian economy and markets are particularly vulnerable. We are hardly the first to make the observations that appear in the following paragraphs, and, indeed, the financial press has for some time been littered with predictions of a coming demise of our property market and, with it, our economy. We don't intend for this article to be another "bell ringing" prediction of an Australian property market collapse, though we do not discount this as a possibility.

The indebtedness of Australian households has been rising steadily over the last two decades and now stands at 189% of household income, high by global standards and ranking us fourth in the world. Of course, this has been brought about by ever falling interest rates. Nevertheless, it leaves Australian households vulnerable to either higher interest rates or falling asset prices, if and when either of these events occurs. Falling interest rates and expanding household debt have clearly been a driver of residential property prices across much of the country. A global study of property prices conducted in late 2016 shows that Sydney property prices were 12.2 times the medium household income (up from 7.6 times in 2004), making it the second least affordable property market in the world after Hong Kong.[1] Melbourne, at 9.5 times, is ranked the sixth most expensive market globally. That Australians are highly indebted and our property prices are high is hardly news to readers, and indeed these observations could have been made for much of the last decade.

The other variable worth noting is the use of "interest only" (IO) mortgages. According to the Reserve Bank of Australia (RBA), 23% of "owner occupied" mortgages are interest only, up from mid-teen levels a decade ago.[2] For investment properties, 64% of mortgages are interest only, though this has been relatively steady for some time. There are numerous reasons for using interest only loans. For investment properties, it can allow negative gearing benefits to be maximised, and for home owners it provides flexibility in the rate of repayment and allows for a simple redraw of funds. However, compared with a principal and interest loan, IO loans also allow a borrower to access more funds than one might otherwise be able to. To get a sense of the role IO

1 13th Annual Demographia International Housing Affordability Survey: 2017.

2 RBA Financial Stability Review, April 2017.

loans played in the US housing crisis, one can watch the movie *The Big Short*, or for a more in-depth understanding, read the book of the same title by Michael Lewis. Recently there has been much focus on the regulatory changes limiting banks' ability to issue IO loans. The result has been an increase in the interest rates on IO loans relative to traditional principal and interest loans. Some commentators see this reduction in the availability of IO mortgages as well as the rise in the cost of these loans as the catalyst that will bring down the housing market. That may be so, but it is problematic to have any degree of certainty without much more detail on household finances. Nevertheless, the enthusiasm for IO mortgages certainly points towards a higher degree of speculative behaviour by property buyers than one might otherwise assume.

We think it highly likely that at some point the Australian property market will have some sort of setback, and that potentially along with it we will see significant distress in household finances and a significant jump in the credit costs of the banking system. However, as we have seen elsewhere, the catalyst for and timing of such crises are notoriously difficult to predict, and when they do occur, it can happen in an instant. And such events are not usually accompanied by numerous experts predicting their occurrence, as seems to be the case here (though we would caution readers not to take too much comfort in this). Trying to prepare oneself for an onslaught that may not happen for some time, or that may not happen at all, is difficult.

So what should Australian investors be doing? Our observation from meeting with many individual investors and their advisors is that there remains significant potential for Australians to increase their exposure to international markets. Not only will it have the benefit of significantly diversifying the "Australia risk" in one's portfolio, it also provides the added protection that a fall in the Australian dollar, which will likely accompany any calamity in the local property market, will add to the returns from offshore assets. Now you may be thinking, Platinum, as a manager of global share funds, of course would be saying this! Nevertheless, we do truly believe that there are investment opportunities beyond our shores, particularly in Europe and Asia, that are substantially more attractive than those afforded by the Australian market. I would encourage you to read the following article by Nik Dvornak, *Europe's Road from Austerity to Prosperity*, in which he explores the experiences of the German economy and investor in contrast to those of the Australian economy and investor over the last 30 years. The paper provides valuable insights as to why we think now, more than ever, is the time for investors to head offshore.

Outlook

Over the last 12 months stock markets in Asia and Europe have handily outperformed the US as economic recoveries have taken hold in China and Europe. In local currency terms, Europe gained 20%, Japan 30.5%, and the rest of Asia 25.6%, while the US returned 17%.[3] The result has been strong in terms of absolute returns across Platinum's full suite of funds which also achieved good relative returns in most cases.

After a strong year of performance across markets, and remembering that global markets have now delivered to Australian investors over 17% p.a. for five years, one should be more cautious about the year ahead.

In the US, the Federal Reserve raised interest rates in June, and has now raised rates in each of the last three quarters. Additionally, the Fed will start to reduce its holdings in US Treasuries and mortgage backed securities, acquired during quantitative easing. The issue is that monetary policy cycles tend to proceed until economic growth slows and stock markets decline. The combination of rising interest rates and the high valuations of US stocks is the main reason to maintain a relatively cautious approach to markets. With the federal funds rate at only 1%, it is tempting to assume it is still early in the tightening cycle, but given that we have already experienced additional tightening by the removal of quantitative easing, it is difficult to judge. Certainly markets appear to have shrugged off that latest increase, but at some point we will likely see a setback resulting from higher interest rates.

Asia and Europe, on the other hand, seem to be offering better opportunities. Despite their strong returns over the last year, our Asian and European investments are still showing a combination of attractive absolute valuations and underlying earnings growth, which we think will see these investments continue to produce good returns over the next three to five years.

During the quarter, one of the key developments has been the reform of the Chinese financial system where authorities have been enacting clearer regulations around securitisation and financial products (i.e. the so-called shadow banking system). These reform measures, if successfully implemented, are without question a very positive development for China, as the reckless use of credit has clearly been a key risk for the country's economy. However, we have seen credit growth slow very significantly, and the short-term concern is whether this tightening in credit will cut short China's recovery. While robust pricing of industrial materials such as steel, cement and glass suggests that all is intact for the moment, there will be swings and roundabouts in China's progress. Importantly, most of our holdings in China have at the core of the investment case a strong secular growth story and tend to be less dependent on the short-term growth factors.

3 Respectively, MSCI AC Europe Net Index, MSCI Japan Net Index, MSCI AC Asia ex Japan Net Index, and MSCI US Index. Source: RIMES Technologies and MSCI Inc.

Europe's Road from Austerity to Prosperity

by Nik Dvornak, Portfolio Manager

In our March 2017 Quarterly Report, Andrew Clifford recounted in some detail the causes and effects of the current imbalances in major global economies. He also discussed some of the investment implications the trade imbalance and an impending rebalancing hold for China in particular. This article seeks to build on Andrew's framework and explore what these phenomena mean for investors in Europe.

Investors are wary of Europe. Understandably so. Their perceptions of the region have been shaped by recent experience, particularly the Sovereign Debt Crisis of 2012-13. When investors think of Europe, they are haunted by memories of the economic weakness and instability, the bickering policymakers incapable of decisive action and the political upheaval that defined this period. At present, investors assign an extremely high premium to safety and predictability. So the instability and uncertainty they associate with Europe repels them.

But, here lies a fundamental misunderstanding.

To illustrate, consider the following thought experiment. Imagine an individual who lives a lavish lifestyle. To do this, he spends a lot more than he earns. And he does this year after year for many years. Today, he owes a mountain of debt. Now suppose the economy takes a nasty turn, becoming less stable and more uncertain, but at the same time, interest rates collapse.

What would you do if you were in their shoes? Would you take advantage of low interest rates to borrow even more and spend harder? Or would you use the breathing space afforded by low interest rates to repay some debt and bring your affairs to order?

Many countries around the world were in precisely this position in 2009. Most took the advice of 'economic experts'. They borrowed more and spent harder. But if this doesn't make sense for an individual, then it doesn't make sense for a country. The arithmetic is the same.

Europe is interesting because Europeans made a different choice. They chose to get their financial house in order.

'Choice' is an exaggeration. Citizens of democracies don't volunteer to reduce their standards of living. Circumstances force adjustments upon them. Many stomped off to fiscal rehab only after an acrimonious process of negotiation, horse-trading, name-calling and brinkmanship. This unseemly drama played out in full view of the world; nothing is private in the Internet age. While eye-catching and highly memorable, the processes of how they got there is utterly irrelevant. Only one thing matters. Deficit nations bit the bullet. They began tightening their belts, repairing their balance sheets and reforming their economies.

Europe's Current Account Transformation

	CURRENT ACCOUNT TO GDP 2008	CURRENT ACCOUNT TO GDP 2016
Greece	-11%	0%
Portugal	-10%	+1%
Ireland	-6%	+12%
Spain	-4%	+2%
Italy	-3%	+3%
Germany	+4%	+8%

Source: Bloomberg

The price of rehabilitation was the recession Europe experienced in 2012-13. This is talked about a lot. The benefits barely rate a mention. In 2007, many Eurozone members ran substantial current account deficits. Today, practically none does. What this means is that Europeans today are:

- living within their means;
- repaying their debt; and
- competing effectively in the global economy.

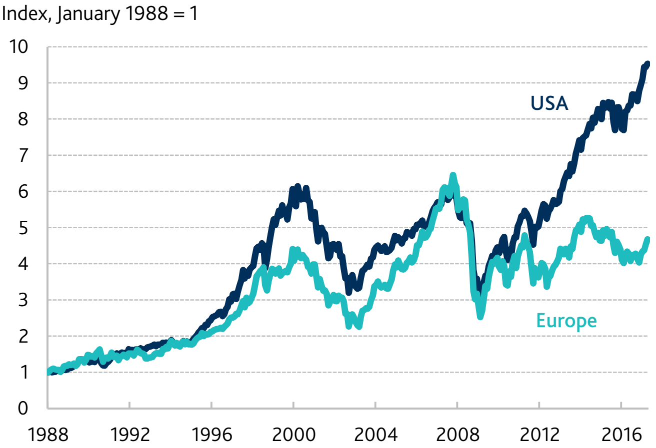
This matters. These changes have made European economies much more resilient and less vulnerable to economic shocks than they were in the past. And that's simply not true for those countries that chose more debt and more spending, including the United States, Great Britain and Australia.

To condemn the Europeans for the economic weakness and policy paralysis that we observed during the Sovereign Debt Crisis is to miss the point entirely. This was a period of profound change that set Europe up really well for the future.

That future is now here. Europe is growing once again. The recovery is robust. It is spreading across countries and sectors of the economy. Unemployment is falling. Economic growth is accelerating. Europe grew faster than the United States in 2016, and it is at a much earlier stage of its recovery, so this economic revival has room to run.

Corporate earnings in Europe are depressed, reflecting the region's weak economic performance since 2009. The United States, by way of contrast, is now in its eighth year of economic recovery. Corporate earnings there have grown steadily and have now comfortably surpassed their 2007 peak. As the European economy gathers momentum, it's not unreasonable to think European corporate earnings will follow a progression similar to what has been observed in the United States.

Corporate Earnings: USA vs. Europe



Source: Bank of America Merrill Lynch, Platinum.

This is not reflected in stock prices. European stocks trade on lower multiples of earnings than their American counterparts, on average (see table on page 4). This is the case despite the fact that earnings in Europe are severely depressed by comparison. Simply put, when you buy European stocks you receive more and pay less. You get this because Europe is unloved and misunderstood.

At Platinum we invest in businesses, not continents, regions or countries. However, having a framework for understanding global financial imbalances, along with how and why they persist, helps us understand how Europe is misunderstood and why this gives rise to investment opportunities. This framework is not the basis for our investment decisions, but we use it to guide our search for under-appreciated businesses. Rather than sifting through hundreds of companies at random, we can target our search, knowing much more systematically where to look.

In the European context, one of the places this framework has guided us to is Germany. Not to the export champions that the market knows and loves. But to the domestic economy: German companies that serve German consumers and the German property market.

So why do Germany's current account surpluses make the country's domestic economy a bountiful source of investment ideas? While highly technical, it's actually also quite intuitive.

Consider for a moment our own experience, as Australians, participating in this economy over the last thirty-odd years:

- We have enjoyed a period of unprecedented economic stability. We have not experienced a recession in 26 years. This is now officially a world record.
- During this time unemployment has been relatively low. Employers consistently complain of the difficulty of finding suitably skilled workers and lobby for more skilled migration. Our job security is high. Our prospects of finding employment are good.
- Reflecting this, wages have grown faster than inflation with Australian incomes now very high by international standards.
- House prices have appreciated phenomenally over this period. We have generated more wealth through capital gains on property than we ever could have by working and saving.

This experience has conditioned us to be confident about the future. We are confident enough to spend more than we earn. We are confident enough to take on a lot of debt. We are confident enough not to feel the need for precautionary savings. We feel wealthy.

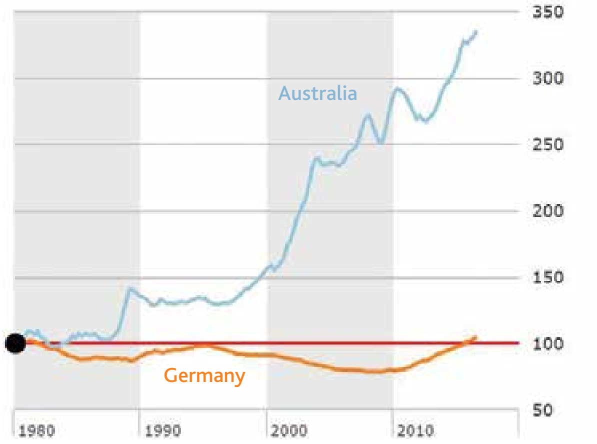
This experience is what a current account deficit economy feels like.

Now try and imagine the world through German eyes over the same thirty-year period:

- They endured not one but four recessions; one every seven years on average and two in the last decade alone.
- In 1990, 16 million East Germans joined their economy. Businesses were spoilt for choice, but for workers it meant two decades of high unemployment, low job security and poor prospects of finding employment.
- Reflecting this, inflation-adjusted wages did not increase at all between 1990 and 2010. That's twenty years without a pay increase.
- Many Germans own their homes, but inflation-adjusted house prices went sideways from 1980 to 2010. That's thirty years with no capital gain to speak of.

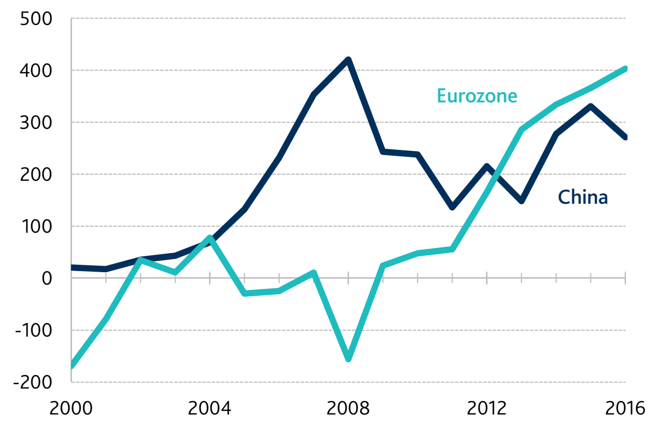
German vs. Australian Property Prices in Real Terms

Index, Q1 1980 = 100



Source: Deutsche Bundesbank, OECD, The Economist.

China and Eurozone Current Accounts (USD, billion)



Source: IMF, Platinum.

This experience has conditioned Germans to be cautious. They are miserly with their spending. They eschew debt. They hold significant precautionary savings. They invest their savings in bank deposits, not property and shares. Make no mistake, Germans are well off. But they got there the old-fashioned way. Slowly! By working and saving.

This experience reflects what a current account surplus economy feels like.

For over three decades, countries like Japan, China and Germany have generated large surpluses of savings. These were channelled by capital markets to deficit countries where they enabled households, businesses and governments to gear their balance sheets. This fuelled asset price booms in deficit countries and allowed households to live better and spend more than their own incomes would allow.

This is the world as we have known it for three decades. But it's changing.

China's provision of surplus savings to global capital markets has reduced significantly since 2010. Rising incomes and growing confidence have seen Chinese consumers opt to spend more on homes, cars, travel and consumer goods. They are spending more of their income and sending less of it overseas to be consumed by foreigners.

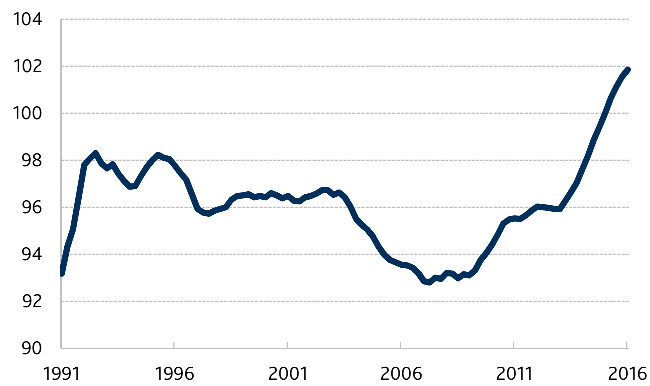
Surprisingly, this has so far done little to disrupt the status quo. And that's because Europe, in particular, has picked up the slack. In the act of getting their finances under control in 2012-13, peripheral European countries reduced an important source of demand for surplus savings and added to their supply. Meanwhile, the weak Euro has meant that Germany, a leading global supplier of surplus savings, is now producing more than ever.

But Germany is becoming a less reliable source of surplus savings. Two factors in particular are driving this change.

First, wages are rising. The German economy has been strong for so long that the labour market, for many years oversupplied, is now tight. Unemployed, which averaged 9% for two decades now sits at 4%. Wages, having been flat for twenty years, have increased 20% since 2010.

German Real Wages

Index, 2015 = 100

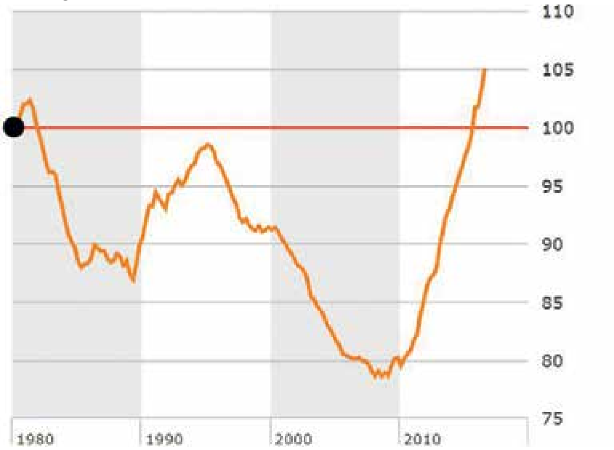


Source: FactSet, Deutsche Bundesbank, Platinum.

Second, interest rates are too low. The European Central Bank has set interest rates at -0.4% to support the likes of Greece and Italy. This is not appropriate for Germany where the economy is booming. The effect is rising house prices. Having gone sideways for thirty years, German house prices have appreciated by more than 30% in real terms since 2010.

German Property Prices in Real Terms

Index, Q1 1980 = 100



Source: Deutsche Bundesbank, OECD, The Economist.

When it comes to global financial imbalances, Germany and Australia sit at opposite ends of the spectrum. As Australians, we know the types of businesses that thrived in the environment we've experienced: banks, property developers, mortgage brokers, estate agents and various retailers. In Germany, we own a range of such companies, including:

- ING Group, the second largest retail bank in Germany by deposits.
- Hypoport, a leading mortgage broker and facilitator.
- Scout24, the most visited German online property classified.
- Hornbach, a leading German hardware retailer.

As incomes and house prices rise, Germany is becoming a bit more 'Australian' and these sorts of businesses will do better. Yet, the market isn't pricing this in. These businesses have boring track records because the German domestic economy has been deprived of oxygen for so long. As a consequence, they are overlooked by investors.

Investors focus on what was or what is, because that's knowable. It's easy. Yet, what really matters is what will be. Ascertaining that is hard. This is why it is crucial to have a framework to help us understand why the world is the way it is and how and why it is changing. Having such a framework allows us to invest looking to the future rather than to the past.

The future is by no means certain. These global financial imbalances will correct themselves, but the process may be slow and far from linear. We can't know how it will play out. But we don't need to. All we need to do is ask some simple questions:

- Would one rather own businesses that serve highly indebted consumers dependent on the savings of foreigners to maintain their level of spending? Or businesses that serve consumers with little debt, high levels of savings and rising incomes, and ones that have deferred consumption for many years?
- Would one rather own businesses that serve property markets where the incremental buyer has no savings and is geared to the hilt, and where property prices have already appreciated multi-fold? Or businesses that serve property markets where the incremental buyer has large pools of cash earning zero per cent in their bank account, little debt and rising incomes, and where prices have barely moved in thirty years?

The answer seems obvious enough. Yet, most global fund managers – of both active and index funds – have half of their portfolios invested in the United States and Great Britain, two economies that sit astride the very same economic fault line as Australia. This would seem particularly concerning for the average Australian investors who have their income and most of their assets dependent on the health of the Australian economy.

The Platinum International Fund by contrast has around 70% of its capital invested in Asia and Europe, predominantly in countries that generate excess savings. From Andrew's coverage in last quarter's report, it should be clear why Asia, particularly China, has presented us with an abundance of promising investments. And from this paper, it should be clear why Europe, for all the misunderstanding and negative sentiments it has engendered, is serving up no shortage of attractive ideas.

Platinum International Fund

Kerr Neilson
Portfolio Manager

Andrew Clifford
Portfolio Manager

Clay Smolinski
Portfolio Manager

Performance

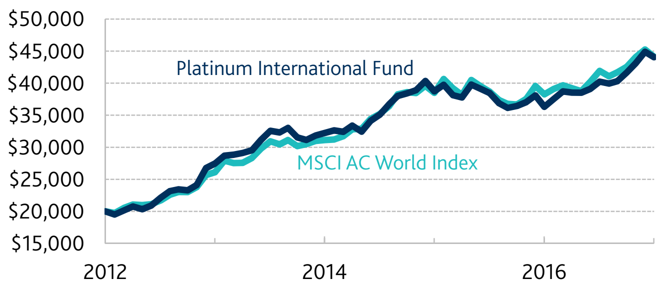
(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund	6%	21%	11%	17%	13%
MSCI AC World Index	4%	15%	12%	17%	6%

Source: Platinum and MSCI Inc. Refer to note 1, page 40.

Value of $20,000 Invested Over Five Years

30 June 2012 to 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 40.

Disposition of Assets

REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
Asia	37%	37%	31%
Europe	19%	22%	21%
North America	18%	20%	23%
Japan	13%	14%	11%
Russia	1%	<1%	1%
South America	<1%	0%	0%
Australia	0%	1%	1%
Cash	12%	6%	12%
Shorts	-9%	-8%	-13%

Source: Platinum. Refer to note 3, page 40.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics	Korea	IT	3.2%
Alphabet Inc	USA	IT	2.9%
Lixil Group Corporation	Japan	Industrials	2.5%
Ping An Insurance Group	China	Financials	2.5%
Oracle Corporation	USA	IT	2.3%
PICC Property & Casualty Co	China Ex PRC	Financials	2.3%
Tencent Holdings	China Ex PRC	IT	2.2%
Sanofi SA	France	Health Care	2.1%
KB Financial Group	Korea	Financials	2.1%
Baidu.com	China Ex PRC	IT	2.0%

As at 30 June 2017. Source: Platinum. Refer to note 4, page 40.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Performance

The core themes that were established during the first quarter persisted through the second, namely, the notion of improved and widespread growth in economic activity across the world with accompanying improved sentiment and a willingness to take more perceived risk by raising exposure to Emerging Markets. The departure from the view of the first quarter was **a surprisingly weak US dollar**, which reflects the difficulties that the Trump Administration is having in the legislative process and investors' perceptions about relative growth rates. This showed in the **recovery in the Euro** which was accompanied by a notable increase in European bond yields. Clearly, the election of Emmanuel Macron as the new President of France and the improving political climate for Angela Merkel in Germany have also played a part as has the whispering around changing monetary policy by the European Central Bank. The prospect of a tighter working relationship between Germany and France, together with the economic reform promised by the new President, led to strong investment flows into European equities. The poor showing of Theresa May in the British general election may promote a less bellicose initiation of the Brexit negotiations than previously intimated, though it seems probable that the process will be to the detriment of confidence in the UK economy which is running an abnormally low savings rate.

Having initially been concerned about the **new measures to tighten lending in China**, investors came around to the view that this was a positive development, particularly as it was evidenced in practice by the closure of redundant capacity in industries like cement and steel. The remaining operations have subsequently seen significant improvements to their profits, much to the delight of their creditors and the Chinese banking system in general!

India continues to grow strongly at over 6% p.a. despite credit growth being at the lowest since the country's 1947 independence – about 4.5% p.a. (This is noteworthy for those who believe credit growth is a precondition for economic growth. It is not, but it does serve as a lubricant.) At last, GST is being implemented largely to the benefit of the states and carries a messy range of rates depending on the priority needs for particular goods and services. While improving the country's tax base is crucial, the reform of the insolvency law is quite as far-reaching. Under the Insolvency and Bankruptcy Code of 2016, a large portion of the state-owned banks' non-performing loans – estimated to constitute 10 to 15% of their 'assets' – will no longer be sheltered from recovery by archaic legal processes. The removal of this blockage will help the banks to clear the backlog of non-performing borrowers and the benefits will be felt in a more vibrant corporate bond market as larger firms seek alternative funding sources.

Overall, the Emerging Markets, in particular Asia, led again with a rise of close to 8% (in AUD terms), but the powerful fund flows into Europe ensured it wasn't too far behind, up 6.6% (in AUD). While the leading tech names sold off towards the quarter's end, they had a spectacular lift-off in late April, achieving the best returns in the MSCI sector indices for the quarter as a whole, along with healthcare. The laggard sectors include energy, telecoms and utilities. This suited our positioning greatly, with the Fund outperforming over the quarter and the last 12 months. The Fund achieved 5.8% for the quarter and 21.3% for the year, compared to 3.7% and 15.3% respectively for the Index. Over the last five

MSCI Regional Index Performance to 30.6.2017 (AUD)

REGION	QUARTER	1 YEAR
Developed Markets	**3%**	**15%**
Emerging Markets	**6%**	**20%**
United States	**2%**	**14%**
Europe	**7%**	**17%**
Germany	6%	25%
France	9%	24%
United Kingdom	4%	10%
Japan	**5%**	**16%**
Asia ex Japan	**8%**	**23%**
China	10%	28%
Hong Kong	7%	20%
India	2%	14%
Korea	10%	31%
Australia	-2%	15%

Source: MSCI Inc

MSCI All Country World Sector Index Performance to 30.6.2017 (AUD)

SECTOR	QUARTER	1 YEAR
Information Technology	6%	32%
Health Care	6%	6%
Industrials	5%	19%
Financials	4%	30%
Consumer Discretionary	3%	17%
Consumer Staples	3%	1%
Utilities	3%	0%
Materials	2%	21%
Telecommunication Services	-1%	-5%
Energy	-5%	-3%

Source: MSCI Inc

years, the Fund has given investors over 17% p.a. which is in line with the MSCI, even though our average net invested position has been around 80% or less.

Holdings that strongly influenced the Fund's performance over the quarter include tech holdings such as Tencent, Samsung Electronics and Alphabet (Google), luxury goods group Kering, Italian bank Intesa Sanpaolo, and Chinese insurer Ping An.

Detractors were again the energy stocks, such as TechnipFMC and Inpex.

Shorting

We added to index shorts as the quarter came to an end with an eye to heat coming out of the very extended tech sector rally. Work on Amazon has encouraged us to broaden our stock specific shorts against consumer packaged goods companies that face both category weakness and the loss of protection from scale and channel access in an e-commerce enabled world.

Currency

The surprise to us has been the recovery of the Australian dollar. Having been long the AUD, we eliminated most of our position, figuring that the US dollar would have responded more to the tightening (a narrower interest rate differential). We also sold down the Korean won into strength against the US dollar and added to the Yen and the Euro while halving the hedge on the Chinese yuan after it weakened. It wasn't our best quarter for reading currencies.

CURRENCY	30 JUN 2017	31 MAR 2017	30 JUN 2016
US dollar (USD)	30%	32%	44%
Euro (EUR)	14%	12%	13%
Hong Kong dollar (HKD)	11%	10%	11%
Japanese yen (JPY)	10%	5%	4%
Korean won (KRW)	7%	9%	3%
Indian rupee (INR)	7%	7%	6%
Norwegian krone (NOK)	6%	6%	4%
Chinese yuan (CNY)	4%	-2%	-3%
Australian dollar (AUD)	4%	18%	16%
British pound (GBP)	3%	4%	4%
Chinese yuan offshore (CNH)	0%	-6%	-6%

Source: Platinum. Refer to note 6, page 40.

Changes to the Portfolio

It was a quarter characterised by opportunistic repositioning rather than adding many important new holdings. The strong run in tech stocks saw us trim positions in **Alphabet (Google)**, **Tencent**, **Samsung Electronics**, **Cisco** and **Ericsson**. We also reduced our exposure to European banks (**Lloyds**, **Intesa Sanpaolo** and **Mediobanca**) as they rose on improving prospects. The **gold ETF** and **Newcrest Mining** were removed. We haven't lost interest in this asset group, but for the moment are giving preference to producers of copper and nickel, like **Sumitomo Metal Mining** and **Norilsk**.

Additions were made to **Nielsen** after a period of share price weakness stemming from doubts around its video monitoring service and expenditure cuts by the consumer packaged goods companies. We also added to **Alibaba**, because of its tightening grip on e-commerce and broader payment footprint. We bought more **Oracle** on the view that the market is about to treat them more seriously as a cloud provider. Its subsequent quarterly earnings call supported this view.

The significant new name in the portfolio is **Royal Dutch Shell**. Like others in the oil industry, the company has been shaken by self-inflicted problems that partly had their origins in booming oil prices which rose from the lows of below US$11 in 1999 to the highs of over US$120 per barrel in 2012. Following the fiasco of overstated reserves in 2004, Shell went through a rudderless period when it wasted huge amounts of capex in every direction. This changed abruptly in 2013 with the appointment of a new CEO and the company embarked on a complete re-appraisal of its future. There followed the opportunistic acquisition of BG in early 2016 which, together with earlier exploration outlays, secures the company's reserves for over 25 years. The resolution of issues around efficiency, costs and capital spending is well underway. This involves a wholesale change in management, greater centralisation, and the establishment of 150 discrete profit centres with very explicit performance targets. Possibly the most important change is the grafting of top BG personnel into key positions and other heads being appointed from the less profligate downstream divisions.

The second string to Shell's reformation lies in a US$30 billion divestiture program which, apart from raising cash, is intended to bring debt to very low levels and will simplify the overall group. The company forecasts US$20 billion a year in free cash flow by 2020 on the basis of an oil price of US$60 per barrel, capex of US$25-30 billion p.a. and a free cash flow yield of 13% p.a. – more than enough to meet the current 7% dividend yield. On current forecasts, which we believe to be highly conservative, the cash dividend is covered at an oil price of US$52 per barrel. As the market re-appraises the sector, it is highly likely that the strength that Shell has in traded LNG, conventional and deep-water production as well as the downstream initiatives will result in a significant re-rating. A higher oil price is not a precondition for this to be a fine investment.

Outlook

We do not have very strong views about markets at present. We can see plenty of areas that are already pricing in a lot of promise, but equally, we are finding enough areas of neglect to keep us very busy. We are working on each area for longs and shorts.

Interest rates are evidently rising in the US with the paradox that so long as there is uncertainty around the US legislative process, the desire to tighten faces hesitancy. However, the bond markets have been signalling the rising trend since last year and improving trade numbers around the world reinforce the conviction about global growth.

The other area that has been plaguing confidence is concern around the tightening of credit in China. As we alluded to earlier, **a reallocation of credit within the system can ameliorate this reduction** in the growth rate of credit. What heartens us greatly is the rise in the prices of formerly oversupplied commodities within China, implying that the forced removal of surplus capacity is proving successful. Prices of steel, cement and float glass have respectively risen by 75%, 30% and 16% from this time last year. With strong profit growth reflecting this improved pricing power, think how this improves **the loan books of the Chinese banks**.

The prospect of more balanced global growth and capital flows should continue to favour our portfolio.

Platinum Unhedged Fund

Clay Smolinski
Portfolio Manager

Performance

(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund	7%	32%	12%	19%	11%
MSCI AC World Index	4%	15%	12%	17%	7%

Source: Platinum and MSCI Inc. Refer to note 1, page 40.

Disposition of Assets

REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
Asia	38%	35%	28%
North America	21%	24%	29%
Europe	20%	24%	24%
Japan	8%	9%	8%
Russia	1%	2%	3%
South America	1%	0%	0%
Cash	11%	6%	8%

Source: Platinum. Refer to note 3, page 40.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Raiffeisen Bank International	Austria	Financials	4.1%
Applus Services SA	Spain	Industrials	3.7%
KB Financial Group	Korea	Financials	3.5%
Jiangsu Yanghe Brewery	China	Consumer Stap	3.2%
Alphabet Inc C Class	USA	IT	3.1%
Lixil Group Corporation	Japan	Industrials	3.1%
PICC Property & Casualty Co	China Ex PRC	Financials	3.0%
IHS Markit Ltd	USA	Industrials	2.9%
Gree Electric	China	Consumer Disc	2.8%
Kweichow Moutai	China	Consumer Stap	2.7%

As at 30 June 2017. Source: Platinum. Refer to note 4, page 40.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

We highlighted in our March report that perceptions around Asia are becoming more positive which, combined with low valuations, were attracting investors back to these markets. This trend has continued over the last three months with the Asian (ex Japan) region rising 8.7%, outperforming the US 3.0% and Europe 1.8% (each in local currency terms).

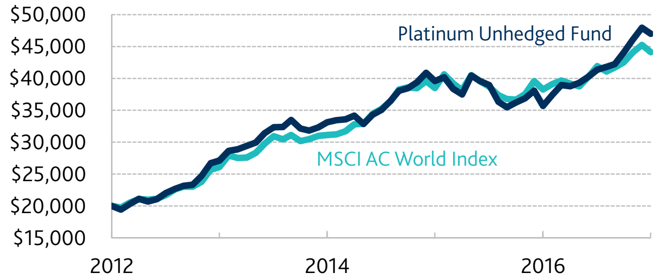
Over the past 12 months, the Fund has held substantial positions in Asia and Europe, with an increased emphasis on European banks after the UK Brexit vote. The strong rebound of these stocks has contributed to the Fund's recent performance. Overall, the Fund returned 6.6% for the quarter and 31.7% for the year (in Australian dollar terms). This compares to 3.7% and 15.3%, respectively, for the Index.

For the quarter, the major performers tended to come from our technology and China-exposed holdings. Examples include:

PayPal – We have owned PayPal for a number of years (including while it was still part of eBay) and upped our stake when concerns over new entrants like Apple Pay were running high. We thought the concerns were exaggerated because

Value of $20,000 Invested Over Five Years

30 June 2012 to 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 40.

history shows that gaining mass adoption of a new payment method is extremely difficult, a lesson again reinforced by the subsequent underwhelming adoption of Apple Pay. Having cemented its position as the most popular online wallet in the western world, we see PayPal as a long-term structural grower as more of our spending moves online.

The stock rose 25% after the release of its first quarter results, as growth in the number of active users (+11%) and sales (+19%) continued to impress.

Qiwi – While PayPal is the most popular online wallet in most Western countries, there are some countries where regional competitors dominate, such as Alipay in China and Qiwi in Russia.

While Qiwi has been a profitable investment for the Fund, it has been a volatile ride, where we got the entry price wrong, but brought our average purchase cost down by adding at the lows. Qiwi saw its share price more than halve in response to the recession in Russia post the Crimean incursion as the value of the Ruble collapsed and transaction volumes and remittances went backwards.

From a base of US$12 per share at the start of 2017, the stock has doubled to US$24 as the economy stabilised, the Ruble appreciated and the business began growing again. In an added twist, minority shareholder Otkritie has recently made a tender offer for 50% of the free float at US$28 per share, roughly 15% above the current price.

Wynn Resorts – Wynn is an international casino developer and operator with 70% of its revenue derived from its two Macau-based casinos.

We purchased Wynn in late 2015. At the time the stock had fallen 70% in response to the perfect storm then hitting the Macau gaming market. The corruption crackdown in China had seen gambling volumes from high rollers (VIPs) fall by 50%. Compounding the pain, the gaming market had collapsed just as several multibillion dollar new casino resorts (Wynn's included) were opening.

At the time we were unsure if the VIP volume would ever come back, but given the popularity of gaming and the fact that Macau remains the only legalised gambling venue within China, we felt that the casinos would still be able to fill their capacity at a decent return. While the stock has risen considerably from its lows, it rose another 20% during the quarter as VIP volume has recovered much faster than expected.

Changes to the Portfolio

A new addition to the Fund over the quarter was **Beijing Enterprise Holdings** (BEH). BEH is an infrastructure and utility holding company that owns operations in natural gas pipelines, wastewater treatment and garbage disposal/ incineration. In short, BEH is a utility business that stands to benefit from greater environmental spending in China.

In our experience, when something is made a priority by the Chinese government, it usually gets done. With China's air and water pollution being the worst in memory, it is clear that the government is now focused on improving the environmental impact of industry. This can be seen in the strong push to replace coal with gas as well as the tightening and enforcement of standards on sewage and waste disposal. This gives BEH a large opportunity to invest in and operate these facilities.

Even more interesting is that we are able to buy the stock on 7x P/E today. Why so cheap? BEH has some warts. It is a state-owned enterprise, it carries some debt and investors did not like the expensive acquisitions it made in 2016 (buying German waste incineration business EEW at 22x P/E to access technology and know-how). We understand these concerns, but with a credible plan to reduce debt, a growing end market and a very low starting valuation, we should be well remunerated for the risk in BEH.

In terms of sales, we fully exited our positions in Russian search engine **Yandex** and Swedish telecom equipment supplier **Ericsson**. We sold out of Ericsson at a modest loss, a disappointing outcome given that we had held the stock for four years. The original case hinged on Ericsson earning higher margins as the mix of their business moved from low margin hardware in the first phase of the 4G rollout towards highly profitable software designed to optimise the use of that hardware in the second phase. This thesis looked to be playing out through to 2015, but these profits were more than offset by losses in other divisions that emerged last year. With more prospective ideas elsewhere, we chose to move on.

Outlook

Our investment style is naturally risk-adverse, and in the spirit of avoiding the 'boiling frog' problem of ignoring the risks when times are good, we try to remain mindful of what can disrupt markets.

Markets have large falls when earnings experience a real decline, and the single largest driver of earnings is employment. On this front, the picture looks quite sanguine. The Chinese economy is recovering nicely, employment is rising across the board in Europe, and if the US could continue its current pace of job additions, its unemployment rate would be less than 4% in 2018.

Besides high valuations in the US, what other concerns are we facing? We are at the beginning of a global rate hike cycle, and like gravity, higher rates eventually pull down growth and valuation multiples. However, with subdued inflation and absolute rate levels still low, it is hard to be too alarmed right now.

Overall, often the best indicator of what's to come is the ease of finding new ideas, and on this measure the short to medium-term outlook is fairly positive as we are still seeing a number of opportunities in Asia and Europe.

Platinum Asia Fund

Joseph Lai
Portfolio Manager

Performance

(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund	7%	20%	12%	16%	15%
MSCI AC Asia ex Jp Index	8%	23%	13%	14%	10%

Source: Platinum and MSCI Inc. Refer to note 1, page 40.

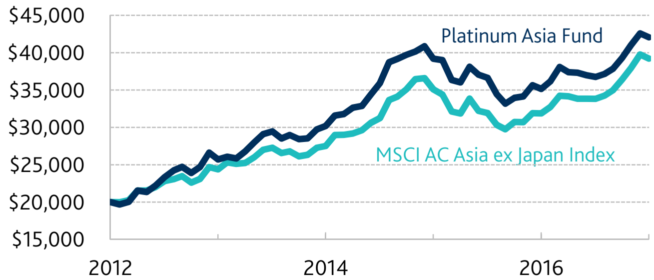
Disposition of Assets

REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
China (Ex PRC Listed)	35%	33%	25%
China (PRC Listed)	8%	11%	7%
Hong Kong	1%	1%	3%
Taiwan	4%	4%	4%
India	14%	14%	20%
Korea	10%	11%	10%
Thailand	6%	6%	6%
Philippines	4%	4%	5%
Vietnam	3%	3%	3%
Singapore	2%	2%	3%
Malaysia	1%	1%	0%
Cash	12%	10%	14%

Source: Platinum. Refer to note 3, page 40.

Value of $20,000 Invested Over Five Years

30 June 2012 to 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 40.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Alibaba Group	China Ex PRC	IT	3.8%
Ayala Corp	Philippines	Financials	3.5%
Kasikornbank PCL	Thailand	Financials	3.2%
Axis Bank Ltd	India	Financials	3.0%
Jiangsu Yanghe Brewery	China	Consumer Stap	2.9%
Samsung Electronics	Korea	IT	2.9%
Midea Group	China	Consumer Disc	2.7%
Tencent Holdings Ltd	China Ex PRC	IT	2.5%
Sina Corp	China Ex PRC	IT	2.4%
Vietnam Dairy	Vietnam	Consumer Stap	2.2%

As at 30 June 2017. Source: Platinum. Refer to note 4, page 40.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Performance

The MSCI AC Asia ex Japan Index was up 8.7% over the quarter in local currency terms, or 7.7% in Australian dollars. The Fund returned 7.1% over this period. Over the past 12 months, the Fund appreciated 19.7%.

Performance was generally positive across the region, with Korea being particularly buoyant as its market recovered from recent uncertainties surrounding both domestic politics and regional geopolitics. The MSCI Korea Index was up 12.8% for the quarter in local currency, led by strong-performing stocks such as Samsung Electronics.

The Philippines market rose 7.7% (in local currency). Last year, President Duterte issued some controversial policies that deterred multinational businesses from continuing to outsource their call centres and various middle-office functions to the country. After a brief lull, outsourcing by multinationals is returning, as witnessed on our recent field trip, with many taking up entire buildings to support their global operations.

Business process outsourcing (BPO) is the official name given to this sector. The cost advantage of an educated and English-literate workforce earning an average monthly salary of A$800 proves attractive. The impact of BPO on the bottom lines of foreign businesses is great, but its impact on the Philippines is even greater.

With some 200,000 Filipinos joining the BPO sector every year, the country is seeing a rapid expansion of a young working class that earns superior wages to its traditional white collar workers, significantly lifting demand for consumer goods and residential property. Snack food companies are seeing a need to upgrade their product offering, while real estate developers are experiencing robust demand across residential, commercial and retail properties. The Filipino property companies in the Fund's portfolio stand to benefit from this trend of rising income and growing consumption.

The MSCI China H-Share Index (up 2.8% in local currency) held its gains from the last quarter as economic activity remained strong, and the Chinese government is using this window to tackle longer-term problems. After months of buyer enthusiasm, the property market in major Chinese cities is now under-supplied and conditions are supportive of construction and other economic activity. On the supply side, closure of idle factory plants and heavy polluters is reducing excess capacity, helping commodity prices (steel, coal, cement, etc.) to firm up. This will improve producers' profitability and reduce the risk of loan default, in turn improving the health of the banking system.

The Chinese authorities are also taking steps to clean up the shadow banking sector (the so-called wealth management products), often cited as a source of financial risk for the country. While this is certainly a positive move for the long-term, stricter regulations, together with a mild tightening of financing conditions, can lead to a marginal slow-down in the economy and have indeed led to some volatility in the Chinese domestic A-share market.

The good news is that the A-share market seems to have already adjusted and, moreover, at the end of the quarter news came that A-shares were officially accepted into the MSCI Emerging Markets Index. Inclusion of companies on other exchanges by the MSCI has tended to lead to out-sized returns, and initial market reaction in the A-share market is hinting at a similar outcome. Interestingly, we are seeing a shift in the kinds of companies favoured by the market. Those with strong fundamentals and attractive valuations, some of which feature in the Fund's portfolio, received a boost, while the expensive, high-growth stocks previously favoured by domestic Chinese investors were left behind.

With rising income and an ever-improving social safety net, Chinese consumers are upgrading their consumption pattern, benefiting the e-commerce stocks and premium domestic brands held in the Fund's portfolio. Product quality has become a vital attribute in consumer products. The apparent insatiable demand for health supplements, baby formula milk powder, luxury goods, high-end cars and overseas travel is reflective.

Rising labour costs and stronger demand for quality also mean that China's growth is increasingly driven by technological innovation that can deliver quality at an affordable price. The fact is that China has already achieved global standards of excellence in a number of technology industries – telecommunication equipment, high-speed rail, auto manufacturing, etc. Robotics and automation are one of the key secular themes within the Fund, and the sector showed particular strength during the quarter.

The Fund's Chinese Internet holdings continued to be key contributors to performance. Sina Corp (social media platform) was up 28% (here we have to add 7% more for its distribution of Weibo shares), Alibaba and JD.com (e-commerce) were up 31% and 26% respectively, and Tencent was up 25%. Midea (whitegoods and robotics) and ZTE (telco equipment) were up more than 30% each, while Hon Hai Precision (assembler of the iPhone and both a maker and a user of robotics) was up 28%.

Elsewhere, the Indian market was up 2.4% for the quarter (in local currency) as the economy continued to recover from the demonetisation shock and the government carried on with its reform programs. A big part of the Fund's Indian exposure is to the private sector banks that have strong positions in Indian cities, banks that have found their way out of bad debt problems over the last four years and have come out stronger. Attractively priced, we believe they are primed to make strong returns when loan demand recovers. What makes this sector particularly appealing is that sensible interest rate policy has dampened inflation rate to close to 2%, which is extremely low by Indian standards, paving the way for eventual interest rate cuts.

Changes to the Portfolio

The Fund took advantage of share price weakness and deployed some cash into the longer term prospective ideas.

We started a position in **ZTE**, one of China's leading manufacturers of telecommunication equipment. The Chinese telecom giants are well-endowed with the know-how to build the next generation 5G technologies, and they have the money to build a gold-plated network in the next few years, likely before most other global players. This will likely help ZTE achieve cost and technological leadership globally in the years ahead. With the stock trading on 14 times 2017 earnings, its prospects appear to be under-appreciated by the market.

We also initiated positions in **BAIC Motor** and **Geely Auto**. BAIC Motor is a Chinese auto joint venture partner for global brands like Mercedes and Hyundai. Mercedes' China sales is skyrocketing by 40% a year, thanks to locals' desire for quality and prestige. Recent political tension between China and South Korea led to an opportunity to buy this stock at a tantalisingly attractive price. Geely Auto is a Chinese domestic carmaker that is evidently reaching global standards, having acquired Volvo in 2010. Chinese consumers are voting with their feet, leading to sales growing by 50% from a year ago. Geely is set to launch a mid-end brand globally at the end of this year, which promises high quality at a reasonable price. Trading on a P/E of 16 times 2017 earnings, this Chinese auto champion looks promising.

The Fund has reduced its exposure to the Australian dollar to a negligible level.

Outlook

Strong economic activity in China and the de-risking of the financial system are both positives for the Chinese market. Over the longer term, one may expect to see the entrepreneurial private companies in a broad range of industries swiftly climb up the technological ladder. The level of concern over China has subsided, but the market is still far from enthusiastic, hence offering up buying opportunities.

Given the enthusiasm that has been surrounding the Indian market, improvement in economic activity is yet to catch up to the optimistic expectations of the market. The possibility of an interest rate cut is interesting, as it can potentially ignite a long-awaited capex cycle. The Fund's exposure largely relates to areas that are sensitive to interest rate cuts and are less "hyped" than other parts of the market.

Despite the recent run, markets in the Asian region continue to present us with new opportunities.

Platinum European Fund

Nik Dvornak
Portfolio Manager

Performance

(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund	9%	28%	12%	17%	12%
MSCI AC Europe Index	7%	17%	7%	15%	3%

Source: Platinum and MSCI Inc. Refer to note 1, page 40.

Disposition of Assets

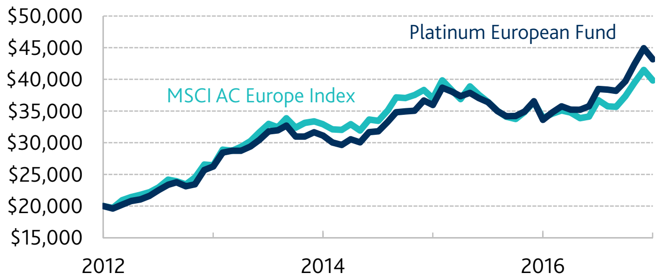
REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
Germany	23%	23%	21%
UK	14%	15%	15%
Austria	9%	9%	6%
France	6%	6%	6%
Switzerland	5%	5%	2%
Italy	5%	5%	7%
US *	4%	5%	4%
Russia	3%	3%	4%
Spain	3%	4%	6%
Hungary	3%	3%	2%
Denmark	2%	3%	0%
Netherlands	2%	2%	2%
Norway	2%	3%	2%
Sweden	0%	0%	1%
Cash	19%	14%	22%
Shorts	-1%	-1%	-1%

* Stocks listed in the US, but predominant business is conducted in Europe.

Source: Platinum. Refer to note 3, page 40.

Value of $20,000 Invested Over Five Years

30 June 2012 to 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 40.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Raiffeisen Bank International	Austria	Financials	5.5%
IHS Markit Ltd	USA	Industrials	3.7%
Erste Group Bank	Austria	Financials	3.2%
Mediobanca SpA	Italy	Financials	3.1%
Applus Services SA	Spain	Industrials	3.0%
Hypoport AG	Germany	Financials	3.0%
OTP Bank Plc	Hungary	Financials	2.9%
Kering	France	Consumer Disc	2.7%
Scout24 Holding	Germany	IT	2.7%
Sartorius AG	Germany	Health Care	2.5%

As at 30 June 2017. Source: Platinum. Refer to note 4, page 40.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Performance

Recent elections have demonstrated that while populists are now a force to be reckoned with, the majority of Europeans continue to reject their nationalist leanings and remain suspicious of easy fixes to issues like inequality and terrorism. Anxiety over changing political sentiments in Europe is receding. Attention is instead turning to the broadening and accelerating economic recovery currently underway.

Economic activity is growing at 2% per annum. With 2 million jobs having been created in the Eurozone over the last year, unemployment has fallen by almost a full percentage point to 9.5%. Surveys show that business and consumer confidence continues to build and even credit is growing once again, albeit at a cautious pace.

This has led to speculation that the era of Quantitative Easing may soon end. Mario Draghi's recent comment that the environment had become reflationary and the threat of deflation had diminished added fuel to the fire. The Euro appreciated 6.5% against the US dollar during the quarter while the yield on 10-year German government bonds rose to 0.46%, close to its highest level since the European Central Bank adopted Quantitative Easing in January 2015.

The election of Emmanuel Macron as the President of France adds to the cordial atmosphere. It reaffirms that most Europeans are wary of nationalist and populist sentiments. It raises hopes for a new era of Franco-German cooperation lending new dynamism to the European Project. And the strong mandate afforded to him in the subsequent parliamentary elections makes it highly likely that France is in store for the aggressive economic reform that its sclerotic economy so badly needs.

Plenty here to stir the animal spirits. Equity markets were led higher by cyclical sectors, although it is interesting to note the dispersion here. It was domestic-facing cyclicals (financials, transport) that led markets higher while global cyclicals (energy, mining, autos) were the worst performers.

The Fund returned 8.7% for the quarter and 28.5% for the year (in Australian dollar terms). This compares to 6.6% and 17.5%, respectively, for our benchmark.

The biggest contribution to our performance came from our holdings of banks and businesses operating in Eastern Europe. The main detractors were our holdings in the energy sector and the US dollar, which depreciated against the major European currencies.

Changes to the Portfolio

We added to a number of holdings, including **Deutsche Börse**, a European derivatives clearing house and securities custodian, **Pandora**, a purveyor of affordable silver jewellery, and **TechnipFMC**, a provider of engineering services to oil companies.

We trimmed a number of positions that had performed well. These include **IHS Markit**, a provider of information services, and cruise operator, **Carnival**.

Outlook

European economies are recovering and concern over political instability is diminishing. The Macron presidency will likely usher in much needed reform in France, potentially revitalising the region's second-largest economy. It may also see the re-emergence of close cooperation between France and Germany, giving the European Union the strong leadership it needs and presenting a united front against both internally divisive issues and external pressures.

The main risk we face is stretched valuations. That said, valuations in Europe are somewhat less stretched than in most other developed markets. And significant dispersion remains within the market. A number of sectors and countries within Europe continue to be unloved and we continue to uncover interesting investment ideas.

Platinum Japan Fund

Scott Gilchrist
Portfolio Manager

Performance

(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund	6%	24%	19%	25%	15%
MSCI Japan Index	5%	16%	13%	16%	2%

Source: Platinum and MSCI Inc. Refer to note 1, page 40.

Disposition of Assets

REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
Japan	95%	94%	88%
Korea	1%	0%	0%
Cash	4%	6%	12%
Shorts	-2%	-2%	-1%

Source: Platinum. Refer to note 3, page 40.

The Portfolio rose 24% for the financial year and 5.6% for the quarter. The performance table really highlights the great importance of treating the Fund as a long-term investment vehicle.

Changes to the Portfolio

The refinement of portfolio positioning towards companies with both attractive valuations and medium-term growth prospects continues. A multitude of opportunities are evident across Japan and Korea in a wide range of industries. The Fund remains effectively fully invested in Japanese equities.

Portfolio Position

Sector Breakdown

SECTOR	30 JUN 2017	31 MAR 2017
Information Technology	29%	29%
Industrials	18%	16%
Consumer Discretionary	14%	13%
Financials	10%	9%
Materials	9%	10%
Telecommunication Services	6%	6%
Energy	6%	7%
Health Care	4%	4%
Consumer Staples	-2%	-2%
TOTAL NET EXPOSURE	94%	92%

Source: Platinum. Refer to note 5, page 40.

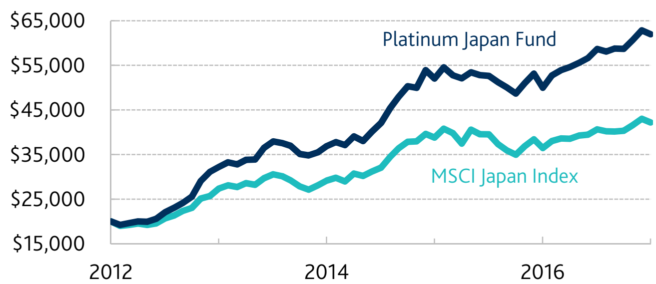
Currency Position

	30 JUN 2017	31 MAR 2017
Japanese yen	80%	72%
US dollar	19%	19%
Korean won	1%	0%
Australian dollar	<1%	9%

Source: Platinum. Refer to note 6, page 40.

Value of $20,000 Invested Over Five Years

30 June 2012 to 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 40.

Outlook

Electrons versus Molecules

Steam is an Englishman, yet Winston Churchill converted the Navy to imported oil. Energy transitions take time. They are both risky and expensive. They require difficult choices. The main transition from wood/biofuels to fossil energy occurred from 1850 to 1900, yet the world runs predominantly on a shifting mix of fossil coal, oil, natural gas and nuclear power just as it has done for over a century.

The trend towards electrification has been inexorable since it was introduced commercially in the 1880s. Electricity has become pervasive in our homes, offices, cities and industries. In 1900, 38% of American vehicles were electric, but the discovery of cheap oil quickly reduced them to a rounding error in the overall mix as the internal combustion engine rose to dominate with the launch of Ford's Model T in 1908.

Solar panel installations in rural India are growing like weeds. Global photovoltaic capacity is now over 300 GW, having grown at 30% per annum for the last five years. Global wind power is now over 460 GW, having grown at 22% per annum for the last decade. In total, renewable energy – including solar, wind, geothermal and biomass – now produces 8% of global electricity generation, but has contributed 40% of the growth in recent years.

Energy transitions take decades partly because the incumbent innovates and shifts. The phenomenon of fracking tight oil and gas reservoirs is now common knowledge. Nevertheless it is astounding that one current oil well design nicknamed "Prop-a-geddon" involves pumping 1,000 truckloads or 25,000 tons of sand down a 200 mm diameter production casing which is a few kilometres deep and three kilometres long laterally. North America is now awash in cheap natural gas, cheap chemical feedstocks, heavy oil from Canada and tight oil focused on the Permian Basin.

The five decades following the oil crises of the 1970s have seen development of a wide range of energy technologies which are now maturing and having real world impacts on incumbent industries. The current mania for electric vehicles and battery storage appears to be more substantial and pervasive than most prior attempts to transition away from oil as the primary transportation fuel. China's widespread efforts should not be underestimated, but Korean and Japanese firms will also play leading roles in solving the complex problems of battery assembly, anodes, cathodes, separators, electrolytes and pack design.

The ever-present risk for the oil industry is severe disruption in the Middle East or the broader OPEC & Russia complex where tensions have been fraught for centuries but seem particularly fragile right now. Their travails are reminiscent of upheavals experienced centuries ago in the West as civil wars changed the directions of nations. Higher oil prices and patchwork subsidies will only accelerate the inevitable waves of adoption of cleaner energy sources and the eventual electrification of the global transport system.

While the ancient enjoyment of the puckering flames of an open fire can wash away the problems of a chilly winter day, the chores of fuel gathering and ash disposal result in many unused chimneys.

Nintendo

Rigorous scientific analysis hardly seems to fit with the fun and excitement of computer games, yet both Nintendo and Nexon bring a range of mental models, psychology and algorithms to their software and customer interaction. In both cases, their approach has been underestimated by outsiders. Nintendo's new console, the Switch, remains sold out even after expanding production capacity in China. This outcome stands in stark contrast to the expectation of most commentators, many of whom wanted Nintendo to discontinue hardware development. Perhaps it was just luck, perhaps it was part genius part hard work, perhaps it was a change in the company's view of their place in the world, but Nintendo now stands at a juncture where mobile networks, CPU and GPU capability, manufacturing costs, and screen quality are melding to delight human desires and needs. Nintendo seems focused on bringing their industry leading Entertainment Properties to all the world's billions through mobile, console and handheld. The Switch launched as a home console with 80 software titles from over 50

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Nintendo	Japan	IT	4.3%
Nexon Co	Japan	IT	4.2%
Mitsubishi UFJ Financial	Japan	Financials	4.0%
Sumitomo Mitsui Financial	Japan	Financials	3.7%
Inpex Corporation	Japan	Energy	3.5%
NTT	Japan	Telecom	3.4%
Ushio	Japan	Industrials	3.2%
Lixil Group	Japan	Industrials	3.2%
Ibiden	Japan	IT	3.1%
Kyocera Corp	Japan	IT	3.1%

As at 30 June 2017. Source: Platinum. Refer to note 4, page 40.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

developers/publishers. The level of support has doubled in the subsequent six months as hardware sales momentum has accelerated. It now seems likely that the Switch is a hybrid handheld/home console which might see purchases of multiple units per household.

Nexon

Nexon's key Entertainment Property now has a higher lifetime gross revenue than Star Wars, Hollywood's leading franchise which has grossed US$7.6 billion across eight movies since 1977. Nexon's Dungeon Fighter has grossed over US$8 billion since it was first released in Korea in 2005. It is one of the top games in China where Tencent is the publisher. For many years, Nexon's CEO Owen Mahoney has talked extensively about games as art. Recently he elaborated on the background to this incongruous statement. He presented four mental models:

1. Games that maintain engagement as an interactive product rather than a static presentation;
2. Creation of joy and happiness through games which fulfil basic human needs;
3. Advertising and marketing methods which emphasise lifecycle cash flow; and
4. Innovative and fun games which push the boundaries of what is possible within the constraints of current hardware.

He describes an analytical pathway to customer engagement and enjoyment. Nexon's key games have lifecycles measured in years or decades, rather than a hit based cycle. Over the last two decades, Nexon's profits have risen spectacularly with margins that would cause most to salivate. They have done this by ignoring much industry convention and by innovating. The current valuation of Nexon is low in a global context, but the real attraction lies in the 35 innovative games in development, any one of which could be a hit large enough to change the trajectory of the company.

Left: The Legend of Zelda by Nintendo. Source: www.zelda.com
Right: Dungeon Fighter Online by Nexon. Source: www.wikipedia.com

Tokyo Election

One of the pillars of Japan's recent progress has been the stability of its political system, in stark contrast to other parts of the world. The Liberal Democratic Party's (LDP) historic loss in the recent Tokyo Metropolitan Assembly election seems on surface to be a repudiation of the overwhelming support for Prime Minister Abe, under whose leadership the LDP has dominated the nation's legislative agenda since late 2012. Indeed, the leader of the winning political party in the recent Tokyo election is Yuriko Koike, the first female Governor of Tokyo and a former member of PM Abe's Cabinet where she served as the Minister of Defense. She presents a fresh face and a sense of openness and accountability which seems to have resonated with the residents of Tokyo. She has served a long apprenticeship, having worked for Prime Minister Koizumi for many years.

Japanese unemployment is at multi-decade lows. The jobs-to-applicant ratio is at levels not seen since the Bubble years of the late 1980s. Overall, corporate profitability and margins appear to have moved structurally higher. Inbound tourism is at record levels and high quality Japanese products are in high demand across Asia. To the amazement of most, Japanese real per capita GDP has grown faster than almost all Western developed nations over the last two decades, a testament to their innate strengths and longer-term investment horizon. It hardly seems like an environment conducive to revolution or revision of political structures that have stood the test of decades. Yet, there is slow but steady change across the nation and it would not be surprising to see another experiment with a more progressive political agenda, most likely a negotiated subtle shift of direction.

Currency

The Japanese government estimates that the total value of all assets in the Japanese financial system is US$90 trillion. This number dwarfs most widely used financial statistics in Japan where GDP is roughly US$5 trillion, stock market capitalisation is US$5 trillion, government debt is US$10 trillion and customer deposits are US$12 trillion. The banking system loan-to-deposit ratio is one of the lowest in the developed world at 66%. The value of the Yen and the direction of the stock market can be trampled if a small set of asset owners change their outlook or risk preferences. At the moment, the Yen is slightly cheap on the standard metrics. The outlook is for continued loose monetary policy, somewhat in contrast to the tightening biases being uttered in many other parts of the world.

Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	10%	28%	13%	16%	13%
MSCI AC World Index	4%	15%	12%	17%	2%

Source: Platinum and MSCI Inc. Refer to note 1, page 40.

Disposition of Assets

REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
Asia	35%	38%	28%
Europe	17%	19%	23%
North America	15%	16%	9%
Japan	9%	10%	10%
Latin America	5%	5%	10%
Russia	2%	3%	2%
Africa	<1%	<1%	1%
Cash	16%	9%	17%
Shorts	-10%	-9%	-3%

Source: Platinum. Refer to note 3, page 40.

The Fund performed strongly during the quarter, returning +10.1%, versus +3.7% for the Fund's benchmark (MSCI All Country World Net Index) and +3.5% for both the Consumer Discretionary and the Consumer Staples portions of the MSCI. Over the past 12 months, the Fund has delivered a return of +27.7%, versus the benchmark return of +15.3%.

There were a number of contributors to the performance in the quarter, but if one is to isolate thematic drivers, the clear standouts are the strength of the Chinese consumer as the economy continues to rebalance away from savings and investment-driven growth, as well as the ongoing shift online of retail sales and media spend.

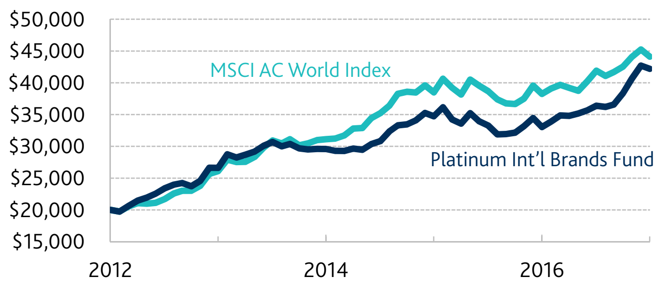
Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Asahi Group Holdings Ltd	Japan	Consumer Stap	3.7%
Callaway Golf Co	USA	Consumer Disc	3.7%
Pernod Ricard SA	France	Consumer Stap	3.1%
Jiangsu Yanghe Brewery	China	Consumer Stap	3.1%
Hanesbrands Inc	USA	Consumer Disc	3.1%
Anta Sports	China Ex PRC	Consumer Disc	2.9%
Grendene SA	Brazil	Consumer Disc	2.8%
Ain Holdings Inc	Japan	Consumer Stap	2.8%
Coca-Cola	USA	Consumer Stap	2.8%
LVMH	France	Consumer Disc	2.7%

As at 30 June 2017. Source: Platinum. Refer to note 4, page 40.

Value of $20,000 Invested Over Five Years

30 June 2012 to 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 40.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Top performing positions that benefit from both themes include recent additions to the portfolio Sina (+28%) and Alibaba (+12.5% from purchase in early June). Alibaba owns the dominant e-commerce platforms Taobao and Tmall in China, while Sina owns China's second-largest social media platform Weibo. Chinese whitegoods manufacturers Gree Electric and Qingdao Haier continued their strong run, delivering local-currency performance of +30% and +24% in the quarter respectively.

Gucci-owner Kering and luggage-maker Samsonite continued their strong string of results, boosted by Chinese demand, and delivered appreciation for the quarter of +23% and +15%. Wynn Resorts was also a strong performer (+17%), driven by a continued recovery in gaming revenue in Macau, and Anta Sports (+20%) recovered from a sell-off post a capital raising in March. The top performer for the quarter was hotel-owner/operator Mandarin Oriental (+54%), which stock price rose sharply after the company announced it may sell one of its properties in Hong Kong. The property could be worth the equivalent of the company's entire market capitalisation at the time of the announcement.

The Fund also benefited from short positions in the stock of several secularly challenged retail and packaged food companies that together added 0.4% to the overall return for the quarter in addition to providing a useful hedge to what is a generally expensive market environment.

Detractors from performance included Faberge-owner Gemfields (-38%) as ongoing bad results led to a takeover offer from the controlling shareholder at unattractive terms for minority investors. Sberbank was weak during the quarter as investors worried about the impact of the oil price decline on Russia's economy, exacerbated by an unfavourable court decision in a dispute with Transneft over a derivative contract. Other weak performers included new addition Schibsted, embattled UK real-estate agency Foxtons, Chinese dairy firm Mengniu, and Vietnamese conglomerate Masan Group.

Changes to the Portfolio

The repositioning of the portfolio continued during the quarter, with several more legacy positions exited as the review of all of the Fund's positions was largely completed. Stocks sold include Swedish investment company **Kinnevik** as its valuation appears to accurately reflect the market values of its portfolio investments, the vast majority of which are publicly listed. Indian jeweller **Titan Industries** was exited after the stock rallied 75% from its demonetisation-driven lows of November 2016, with the valuation now at eye-watering levels with a P/E of 47x consensus earnings. The position in British pub-owner **EI Group** was also closed following a rebound in the stock price. An apparently attractive single-digit P/E must be adjusted for what in practice is an ongoing requirement to bear responsibility for capital expenditure that should be the obligation of pub tenants, which makes the valuation much less appealing.

Strong performance from several other stocks saw their valuations become less attractive, thus warranting trimming the Fund's exposure. Jewellers **Chow Tai Fook** and **Luk Fook** fell into this category, having rallied strongly this year on a recovery in consumption in Greater China, as did the whitegoods producers **Gree Electric** and **Qingdao Haier**. The position in Indian soap and insecticide producer **Godrej Consumer Products** was also trimmed as its valuation better reflected its growth potential.

New additions to the portfolio primarily increase the Fund's exposure to the ongoing transition of retail and media consumption to the digital world. Positions were added in Norwegian media company **Schibsted**, a global leader in online classifieds verticals (real estate, cars, jobs, general classifieds), and **Alibaba**, China's e-commerce leader which has great potential given that it still monetises its platform's turnover at far lower rates than comparable players such as Amazon and has a significantly more attractive valuation. On the short side, positions were added in two large packaged food producers that are under pressure from shifts in consumer trends, influenced in no small measure by the rise of digital media and e-commerce.

Outlook

In the context of a global market that is expensive relative to its history, the Fund should be well-positioned for continued relative and absolute performance given its exposure to companies with higher-quality businesses, significantly better growth outlooks, and more attractive valuations than the average. Major disruption driven by e-commerce and digital media is ongoing, and continues to provide opportunities for the Fund to profit both on the long and short sides of the ledger, while the Chinese consumer is in rude health and will likely continue to drive growth for major brands exposed to tourism, luxury, and the ongoing upgrading of Chinese demand.

While we would caution investors not to expect continued returns as strong as those of the past year, we are nevertheless quietly confident that the current positioning of the Fund should preserve capital and generate satisfactory returns for investors going forward.

Platinum International Health Care Fund

Bianca Ogden
Portfolio Manager

Performance

(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund	2%	18%	16%	20%	9%
MSCI AC World HC Index	6%	6%	15%	22%	9%

Source: Platinum and MSCI Inc. Refer to note 1, page 40.

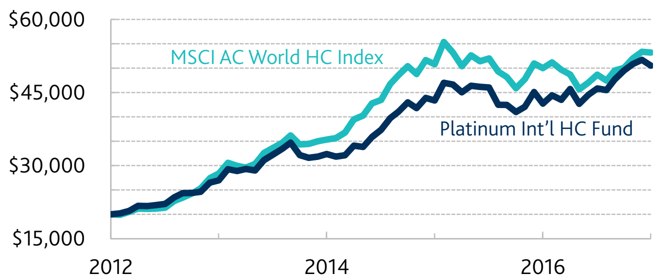
Disposition of Assets

REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
Europe	36%	39%	42%
North America	33%	35%	32%
Australia	6%	5%	1%
Japan	4%	5%	3%
Asia and Other	0%	1%	0%
Cash	21%	15%	22%
Shorts	-1%	0%	<1%

Source: Platinum. Refer to note 3, page 40.

Value of $20,000 Invested Over Five Years

30 June 2012 to 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 40.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Sanofi SA	France	Pharmaceuticals	3.6%
Roche Holding AG	Switzerland	Pharmaceuticals	3.3%
AstraZeneca Plc	UK	Health Equip & Services	3.1%
MorphoSys AG	Germany	Biotechnology	3.0%
Johnson & Johnson	USA	Pharmaceuticals	3.0%
Foundation Medicine	USA	Health Care Providers	2.5%
Prothena Corp	USA	Biotechnology	2.5%
Gilead Sciences Inc	USA	Biotechnology	2.4%
Qiagen NV	Germany	Health Equip & Services	2.4%
H Lundbeck A/S	Denmark	Pharmaceuticals	2.2%

As at 30 June 2017. Source: Platinum. Refer to note 4, page 40.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Performance

Interest in small US biotechs was muted this quarter, with limited news of acquisitions. A number of our holdings had little news to report, hence share prices drifted lower.

Medical meetings this quarter were plentiful, though the emphasis seemed to have been around the increased complexity of drug development, all adding to the sentiment that medtech provides a better hiding place.

On the flip side, our European holdings contributed strongly to performance over the last three months, along with significant currency contribution. Performance over the past year was very balanced with both US and European holdings doing well, while currency moves were negligible.

Changes to the Portfolio

A major disappointment during the quarter was to miss out on the listing of a Swiss heart valve company. At the eleventh hour, US medtech company Boston Scientific stepped in and acquired the Swiss company. Private companies have indeed been very successful in gathering funds, allowing them to remain private for longer. As such, we are paying close attention to that segment of the market and have added a private diagnostic company to the portfolio.

Diagnostic, and in particular precision medicine, remains an important theme for the Fund. Profiling the mutational make-up of a cancer as well as assessing the tumour environment are crucial in developing new oncology drugs. Gaining such molecular insights requires strong analytics and clever, adaptive trial design which are part of precision medicine. We are rapidly moving away from defining a tumour by where it resides in the body.

This quarter the US Food and Drug Administration (FDA) approved Keytruda (Merck's PD-1 antibody) for tumours with a particular genetic defect (mutations causing mismatch repair deficiencies) regardless of the location of the tumour. This move towards site-agnostic tumour diagnosis has been part of the thesis underpinning our investments in Foundation Medicine and Qiagen, two companies that focus on molecular profiling. Both companies have significantly added to performance with Foundation Medicine up 23% for the quarter and 113% for the year and Qiagen up 14% for the quarter and 54% for the year.

European biotechs are making good progress. MorphoSys (up 20% for the quarter, 71% for the year), a German antibody company, is getting closer to obtaining approval for its anti-inflammatory antibody guselkumab. MorphoSys's partner, Johnson and Johnson, has shown strong commitment to the product, funding several ongoing expansion studies which are all pointing to a nice future royalty stream for MorphoSys. In addition, the biotech is also progressing its own pipeline.

French biotech Ipsen and Danish company Lundbeck both have undergone significant changes. At the core of their transformation was a focus on key franchises along with the launch of new products. Ipsen in particular has been a very strong performer for the year (up 123%) and during the quarter we have trimmed our position to take some profit.

British respiratory biotech, Vectura, received disappointing feedback from the FDA (share price down 24% for the quarter). Approval for its generic version of Advair Diskus was delayed in the US and thus royalty income from its marketing partner will be postponed.

Teva Pharmaceutical Industries has been one of our worst investments over the year and we have now exited our position. Generics in the US are a challenge for the company and the changing dynamics in the multiple sclerosis market may add further pressure.

Outlook

Outlook for the biotech sector remains exciting, despite the market showing a lack of enthusiasm for the moment. Companies continue to accumulate cash on their balance sheets and we will see increased corporate activity which in turn will regain investor attention.

Platinum International Technology Fund

Alex Barbi
Portfolio Manager

Cameron Robertson
Portfolio Manager

Disposition of Assets

REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
North America	35%	34%	32%
Asia and Other	26%	25%	28%
Europe	14%	13%	13%
Japan	4%	5%	7%
Russia	0%	0%	3%
Cash	21%	23%	17%
Shorts	<0%	0%	-3%

Source: Platinum. Refer to note 3, page 40.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	USA	IT	5.9%
Samsung Electronics	Korea	IT	5.2%
Tencent Holdings	China Ex PRC	IT	4.2%
Oracle Corporation	USA	IT	3.8%
Taiwan Semiconductor	Taiwan	IT	2.8%
JD.com Inc	China Ex PRC	Consumer Disc	2.7%
Apple Inc	USA	IT	2.6%
ams AG	Austria	IT	2.5%
ZTE Corp	China Ex PRC	IT	2.4%
PayPal Holdings	USA	IT	2.4%

As at 30 June 2017. Source: Platinum. Refer to note 4, page 40.

Performance and Changes to the Portfolio

(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	6%	25%	12%	17%	9%
MSCI AC World IT Index	6%	32%	22%	23%	-1%

Source: Platinum and MSCI Inc. Refer to note 1, page 40.

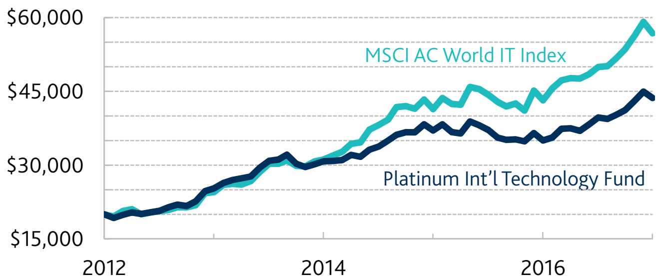
For the 12 month period to 30 June, the Fund returned 24.6%, trailing the very strong sector benchmark, MSCI AC World IT Index (A$) which rose 31.5%. Over the quarter the Fund was up 6%, matching the performance of the Index.

Investor enthusiasm for technology stocks seemed to have cooled in the later part of the quarter, and the optimism of prior months was replaced by profit-taking, mostly concentrated on recent favourites such as mega-capitalisation and semiconductor stocks.

A review of the best performing industries for the quarter (in US dollar terms) shows strong numbers across a diversified group: Electronic Components (+25%), Recreational Products (+16%), Internet Retail (+12%), Computer Peripherals (+12%)

Value of $20,000 Invested Over Five Years

30 June 2012 to 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 40.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

and Internet Software/Services (+12%).[1] Semiconductor stocks were up a more modest +5%, with some signs of buyer fatigue emerging in June (-1%).

Geographically, the Fund benefited from its exposure to Asian and, in particular, Chinese technology names which represented six of the top seven performers for the quarter. **Autohome Inc**, a China-based leading car advertising portal was up 43% while e-commerce giant **JD.com** and social and gaming platform **Tencent** were up 26% and 25% respectively. **ZTE**, a leading Chinese telecom equipment manufacturer, was up 30%, while **SK Hynix**, the South Korean digital memory manufacturer also extended its rally by growing 30%.

During the quarter we added to our position in **Samsung SDI** (+21% in the quarter). Our original investment case (refer to the Fund's March 2015 Quarterly Report) was based on the company's leadership in Lithium-ion batteries used in smartphones, electric/hybrid vehicles and energy storage. As sales of plug-in electric vehicles (PEV) continue to grow, electric battery makers have seen their revenue growth accelerate and their profits improve through economies of scale.

In 2016, while still only accounting for a small 0.85% of the total number of cars sold, total PEV sales almost reached 800,000 units, growing by 40% year-on-year.[2] The same trend persisted for the first six months of 2017, and it bodes well for Samsung SDI which counts BMW and Volkswagen among its major customers.

An additional leg to the investment case is Samsung SDI's 15% ownership in its sister company Samsung Display Corp, which manufactures organic light emitting diode (OLED) displays for mobile phones and TVs. The smartphone industry is currently at the inflection point for OLED screen adoption. While Samsung Electronics has been an early adopter of OLED technology for its smartphones (featuring OLED screens for the first time in its 2010 models), major competitor Apple is expected to launch its first OLED iPhone only later this year. The irony is that, given Samsung Display Corp's leadership in OLED know-how, Apple can only source OLED displays for its iPhones from a company closely affiliated with its biggest competitor.

In the US, notable contributors to performance include **PayPal** (+25%) and **Oracle** (+12%).

Global online payment solutions provider PayPal reported very robust growth with adjusted revenues up 19% for the March quarter, total transaction volumes growing strongly at 25% year-on-year and expected to soon reach US$400 billion annually, and a total user base now exceeding 200 million (up 11% year-on-year). Despite increasing competitive pressure from the numerous emerging players in the fintech space, we believe that adoption of digital payments is only at a relatively early stage and that the addressable market still has significant scope for growth. Moreover, we are of the view that PayPal has most of the key attributes necessary to profit from the proliferation of digital payments in a world of fast growing e-commerce transactions: a large installed base, advanced security and fraud protection technology, network effect, and ease of use.

Database and enterprise software leader Oracle positively surprised investors. Recent quarterly results showed more evidence that the company is gradually, but successfully, transitioning to its new cloud-based business model. Upfront licences for software installed on customers' premises are gradually being replaced by subscription revenues for systems and applications managed by Oracle off-site. Most importantly, investors now seem more confident that the transition can be achieved while maintaining customer loyalty and a good level of profitability.

Among the worst performing industries this quarter were Media Conglomerates (-8%) and Broadcasting (-5%), driven by deteriorating audience metrics and slow advertising growth in traditional media. Computer Communications was also weak (-3%) with our holding **Cisco Systems** reporting a slowdown in data centre revenue. Major Telecommunications (-3%) remained a difficult area to invest with renewed signs of price competition across both sides of the Atlantic: AT&T, Deutsche Telekom and UK-based BT Group Plc were all down between 5% and 10% for the quarter.

We reduced our position in **Apple** as the valuation has re-rated substantially from our latest entry point in early 2016. The stock price seems to have mostly discounted expectations for a special 10th anniversary edition of the iPhone to be released later this year.

Outlook

As at the end of the quarter, the Fund had a net invested position of 79% (before annual cash distribution). We are keeping a reasonable cash position and are ready to re-deploy the Fund's capital should the recent weakness in technology stocks offer us attractive entry points in the names we are most interested in.

As the macro-economic conditions in the US seem to lose momentum, we intend to look for more opportunities in Europe and Asia where the local stock markets have been less exuberant and continue to offer more opportunities at attractive valuations.

1 Source: FactSet. Industry classification by FactSet.

2 Source: http://insideevs.com/world-ev-sales-hit-record-103000-deliveries-in-december-almost-800000-for-2016/.

Glossary

Book Value Per Share (BPS)

A measure of the per share value of a company based on shareholders' equity, BPS (also abbreviated as BVPS) is calculated by dividing a company's total book value (total assets minus total liabilities and intangible assets) by the total number of outstanding ordinary shares.

Dividend Yield

A ratio that indicates how much a company pays out in dividends each year relative to its share price (adjusted for any share splits).

Earnings Per Share (EPS)

An indicator of a company's profitability, EPS equals to profit, net of tax and dividends to preferred shareholders, divided by the total number of ordinary shares outstanding.

Free Cash Flow (FCF)

A measure of a company's financial performance calculated as operating cash flow minus capital expenditures, FCF represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base.

Generally Accepted Accounting Principles (GAAP)

A common set of accounting principles, rules and standards that companies follow to compile their financial statements. "GAAP" usually refers to US GAAP, which is followed by US companies and is issued by the Financial Accounting Standards Board (FASB).

Gross Domestic Product (GDP)

The primary indicator used to gauge the health of a country's economy, GDP represents the total dollar value of all goods and services produced over a specific time period.

MSCI Indices

Various indices compiled by MSCI Inc. (e.g. World, Asia, Health Care, etc.) that are designed to measure equity market performance across different regions and industries.

Platinum does not structure its investment portfolios relative to any benchmark index, however, the MSCI indices are used as a reference to determine how each Fund is performing in relation to the total market opportunity in which it invests.

Price to Earnings Ratio (P/E)

The ratio of a company's current share price to its per-share earnings, P/E is used as an indicator of the value of a company by comparing its share price to the amount of per-share earnings the company generates.

Quantitative Easing (QE)

A monetary policy used by central banks to increase the supply of money by increasing the excess reserves of the banking system.

Return on Equity (ROE)

A measure of the rate of return on ownership interest, ROE measures a firm's efficiency at generating profits from every unit of shareholders' equity. It indicates how well a company uses shareholders' funds to generate earnings growth.

Short Selling or Shorting

A transaction by which an investor is able to generate profit from a fall in the price of a particular stock or market index. To generate such a profit, an investor borrows securities and sells them, then when the price has fallen, the investor repurchases the securities at a lower price and returns them to the lender.

Platinum utilises short selling of stocks and indices for risk management (that is, to protect a Fund's portfolio from either being invested or uninvested) and to take opportunities to increase returns.

Short selling is not undertaken for Platinum Unhedged Fund.

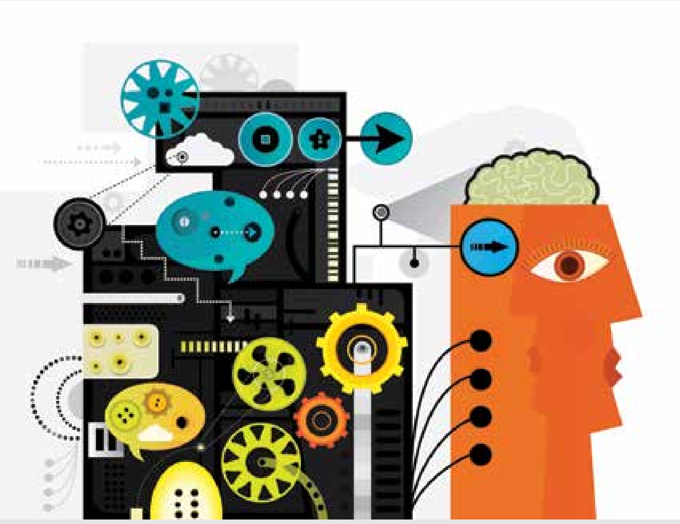
The Journal

We have a section on our website titled *The Journal*, providing in-depth market commentaries, industry insights, and the fundamentals of investing.

Recent highlights include:

- Cashing In, While Cash Is On Its Way Out – read about the phenomenal growth of mobile payment in China. Be prepared to be surprised by their pace!
- Opportunities Outside of the US – portfolio manager Clay Smolinski explains why investors should be looking beyond the US and explores the overlooked opportunities elsewhere around the globe.
- Is Passive the Way to Go? – investment specialist Julian McCormack explains why passive investing via ETFs may not always be the optimal path.

Visit www.platinum.com.au for more.



Fabulous India! (Part 1 of 2)

by Kerr Neilson

Varanasi

The digital age can blur the real from the unreal. How often have you found yourself reaching for the replay button when watching TV, only to recall that you are watching the show on live streaming? Varanasi brings this stark contrast into relief as a place of burials, rituals and beliefs which, for many, are as real as the water and the flames with which the rituals are performed.

The vast Ganga, as it passes the ghats (the steps on the river banks), moves with languid dignity and imparts a sense of serenity, particularly when viewed from a boat in the dawn light. In the winter, pilgrims and tourists jam onto small boats to pay their respects in this holy place of the Hindus and to witness the rising Sun. The slow-moving milky water, the soft morning light and the frantic swooping birds that swing and swirl to catch morsels cast by travellers, together create a strange contradiction – far from causing unease, these darting silhouettes enliven the scene, heralding the promise of a new day.

As the Sun ascends, the tourists gradually dwindle and the sweepers come out to clear the previous day's waste. The faithful absolve their sins by bathing in the shallows. Small groups sit facing the river and their teacher to receive instruction while others set up stalls for the day's business. The pace is unhurried with the participants following a well-rehearsed routine while children play nearby and a group of young boys show off their cricket strokes facing a tennis ball.

From the mundane to the sacred – a myriad of activities taking place on a ghat on the riverbank of the Ganga in Varanasi. Source: author

Sunrise on the Ganga. Source: author

There are two specific sites for cremations among the city's 87 ghats, the rest being reserved for other activities. These two locations witness over 180 burials around the clock. Relatives accompany the shrouded body to the edge of the water, having procured 350 kg of timber and the services of an official pyre maker (all-up cost about 10,000 Rupees). Once the body has been carefully laid among the timbers, the sacred flame is applied to ignite the straw. Billows of smoke rise up in response to the efforts of the keeper who adds butter, sandalwood and camphor and fans the flames. The process takes about three hours. It is an extraordinary thing to witness as the male relatives stand around watching and talking quietly, presumably comforted by the belief that the deceased will return in a new form. The son will have had his head shaven and wears a white robe as he oversees the proceedings and associated tasks.

One of the 'doms' gave us a thorough briefing on all the technical aspects of his job. This included the amount of wood needed, the cost, details about the effect of the flames on different genders and an explanation why there was no smell accompanying these open cremations.

For all the evident drama of the scene, with new pyres being prepared as others burn furiously, one has a sense of remote detachment where the real and unreal seem indistinguishable.

The Road to Lucknow

There was very little evidence of the efforts of the National Highways Authority of India as we crept skilfully out of the congested lanes and streets of Varanasi. Fortunately for this sacred and ancient city of some 3.5 million inhabitants, they elected Modi as their local MP. This has resulted in the building of an overpass towards the outer fringes of the city to the airport. Even so, it's taking a long time to take form as a result of the chronic delays caused by planning clearances and judicial protest.

The central pylons to support the forthcoming four-lane highway are so densely packed with rebars – comprising one-inch, half-inch and finished off in an elegant veneer of standard quarter-inch bars – one wonders how the concrete will penetrate the 'art work' itself. The road too is being thoroughly laid in 300 cm deep concrete, with its setting being carefully protected by wetted hessian sacks that are laid down in vast numbers.

As we negotiate our passage among all manner of road users, the din of cicada chirping is palpable. This emanates from the constant use of hooters, with few carrying authority and most delivering an irritating beep, growing in intensity as the traffic snarls. Our guide was bewildered by the suggestion that white lines could bring some order to this aggressive dodgem car rally (with no adjudicator present to ensure single directional traffic) as he correctly observed that potholes large enough to swallow a 50 kg bag of rice and meandering goats, cows, dogs or a chance elephant were unlikely to pay heed to such instruction. Even if these could be accommodated, what about the overloaded Tata 18 tonner whose load splays broad, proud and precarious? The front seat is undoubtedly the best viewing platform, ideal for an adolescent with ADD or an aggressive video gamer bored with one person shooter games.

It seems all users who venture onto the roads have honed their reflexes to take the gap, dangerous as it might be. Hooters are the means of avoiding strife to the extent that large trucks bear the slogan 'hoot to pass – obey the road rules' painted bright and bold. The habitual use of the horn is so entrenched that even when the path was clear, our driver would fire off a mini beep as a sort of comforter. For the most part, this contest of way is congenial. Occasionally there is a minor eruption, but there is a tacit acknowledgement of a common objective where haste is favoured over order.

Through village centres. Source: author

In case you sense exaggeration, it is a fact that the first 100 km of our 330 km journey took three and a half hours. We sped faster in the more sparsely populated areas, but in the first part, the villages are relatively closely strung along this road, so most of the time one passes though the centre of a village every few kilometres. There is an incessant movement of people and over this time lapse we saw the children both going and coming from school, hordes of kids, with the girls beautifully turned out in white salwar kameez (tunic and pants), maroon blazers, and finished with a draped starched sash.

Not much seems to have changed on the road trip since my earlier experiences of twenty years ago. Despite a concerted effort by the Centre to improve major arteries and secondary roads, in a vast country like India, past neglect is a costly legacy. Apparently, for 50 years post-independence, not a single new road was laid. As one drives along one notices the massive increase in powered two-wheelers and the arrival of modern cars and SUVs to replace and augment the diminishing fleet of trusted 'Hindustan Ambassadors'. But in general, the roads have changed remarkably little.

The food and vegetable vendors are still in abundance, accompanied by furniture makers, sellers of cooking utensils, nurseries and, of course, open air mechanical workshops repairing trucks, scooters and bikes. Many new buildings are going up, and one sights the occasional factory or dwelling that seems to have stopped in midstream. The adverts are changing, soft drinks are out while adverts for schools, two-heelers, Telenor (mobile carrier) and Samsung Galaxy phones dominate.

We stopped off at a roadside eatery, having initially been seeking a pit stop, but drawn by the delicious smell of the preparation of the midday meal, we couldn't resist a taste. It was quite as good as it smelled, though, with the paratha wringing in mustard oil, a hand-operated well pump and an old newspaper concluded the meal. Unfortunately, there were no facilities for women, while men were directed to behind the shed!

There was an interesting interlude at a railway crossing. A very long freight train edged past, dropping rail ballasts (stones), while at the booms on each side of the track travellers congregated and seemed contented, almost delighting at the opportunity to break their journey to exchange news and views. At a similar obstruction later, but with no train in sight, cyclists and pedestrians simply climbed under the boom or over the trodden-down barbed wire and sauntered across the line. No outrage of protest coming from the boom master.

Discovering a place on foot is optimal, but with time constraints, a long drive is a satisfactory alternative. It revealed to me how little rural India had changed even though rural incomes have periodically risen faster than those in the cities. Mobile phones are making a difference, but with population and vehicle density rising, the cost of weak planning and slow execution will strangle the flow of goods and commerce.

February 2017

Some light relief


CITY BANK
& INVESTMENTS
DON'T PUT ALL YOUR EGGS IN ONE BASKET, UNLESS THAT BASKET IS US!
CITY BANK
CartoonStock.com

Notes

1. The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified 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. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Funds' underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

   The Funds' inception dates 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

   (NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then.)

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over the specified five year period relative to the relevant benchmark index as follows (the "Index"):
   - Platinum International Fund – MSCI All Country World Net Index ($A)
   - Platinum Unhedged Fund – MSCI All Country World Net Index ($A)
   - Platinum Asia Fund – MSCI All Country Asia ex Japan Net Index ($A)
   - Platinum European Fund – MSCI All Country Europe Net Index ($A)
   - Platinum Japan Fund – MSCI Japan Net Index ($A)
   - Platinum International Brands Fund – MSCI All Country World Net Index ($A)
   - Platinum International Health Care Fund – MSCI All Country World Health Care Net Index ($A)
   - Platinum International Technology Fund – MSCI All Country World Information Technology Net Index ($A)

   (NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then.)

   The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified 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. Platinum does not invest by reference to the weighting of the Index. Underlying assets are chosen through Platinum's individual stock selection process and, as a result, the Fund's holdings may vary considerably to the make-up of the Index. The Index is provided as a reference only.

3. Geographic exposures (i.e. the positions listed other than "cash" and "shorts") represent any and all of the Fund's exposure to company securities and long derivatives (stock and index) as a percentage of the Fund's net asset value (before annual cash distribution).

4. The table shows the Fund's top ten long stock positions (including any company securities and long derivatives) as a percentage of the Fund's net asset value (before annual cash distribution).

5. Sector breakdown represents the Fund's net exposure to any and all company securities and both long and short derivatives (stock and index) as a percentage of the Fund's net asset value (before annual cash distribution).

6. The table shows the Fund's net currency exposures as a percentage of the Fund's net asset value (before annual cash distribution), taking into account any currency hedging.

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About us

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Platinum Asset Management is a Sydney-based manager specialising in international equities. The investment team uses a thematic stock-picking approach that concentrates on identifying out-of-favour stocks with the objective of achieving superior returns for our clients. We pay no heed to recognised indices. We aim to protect against loss and will hedge stocks, indices and currencies in our endeavours to do so.

The firm was founded in February 1994 by a group of professionals who had built an enviable reputation. The investment team has grown steadily and Platinum now manages around A$23 billion. Platinum's ultimate holding company, Platinum Asset Management Limited (ASX code: PTM), was listed on the ASX in May 2007, and Platinum's staff continue to have a relevant interest in the majority of PTM shares.

Since inception, the Platinum International Fund has achieved returns nearly twice those of the MSCI All Country World Net Index (A$)* and considerably more than interest rates on cash.

* Please refer to page 2.

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