PLATINUM EUROPEAN FUND

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Portfolio Manager

PERFORMANCE

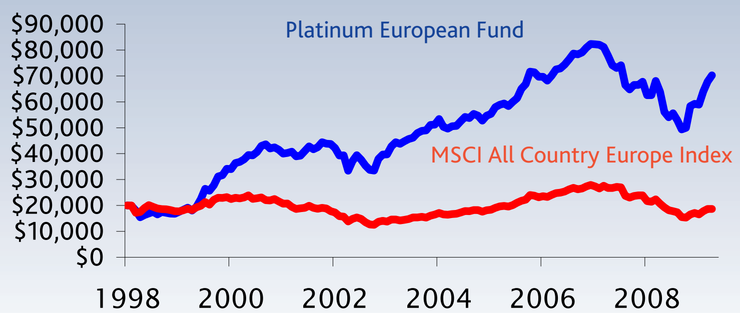
When we left off three months ago, European markets had just staged a strong recovery from their March 10th lows, with the DAX, CAC and FTSE having risen (in local currency) 23%, 18%, and 20% respectively. The main areas of action were the cyclicals, financials and anything that had been dragged down over concerns about excessive debt.

Over the last three months the play back has been remarkably similar with the standout performance coming from the financials (ING +70%, Unicredito +48%, HSBC +43%), industrials (Sandvik +34%, ThyssenKrupp +33%) and materials (Heidelberg Cement +68%, Saint-Gobain +49%). The laggards continue to be in the more defensive areas, most notably the food retailers (Delhaize -5%, Franz Colruyt -2%, Carrefour +2%).

As well, the Australian dollar strengthened against the majority of its European counterparts, rising 5% against both the Euro and Swiss Franc, and 12% against the Pound.

In regards to the portfolio, the best performing of our larger positions over the period included Infineon (semiconductors, +66%), which benefited financially from the removal of bankruptcy fears after they raised €725mn via an equity placement and sold their wire-line division for €250mn, and then from trading conditions as markets started to factor in better expectations for their auto and industrials

VALUE OF $20,000 INVESTED SINCE INCEPTION
1 JULY 1998 TO 30 SEPTEMBER 2009



Source: Platinum and MSCI. Refer to Note 2, page 5.

division. Another leader was Saint-Gobain (global diversified building materials, +49%) which performed strongly as the first signs of improvement in the US housing market gave the market more confidence in extrapolating such a recovery for the European building markets.

The weaker performing names in the portfolio include Reed Elsevier +4%, (professional publishing, detailed in last report) as the markets continue to struggle with the uncertainty of the additional investment being made in their LexisNexis legal platform. The fact that Svenska Cellulosa and Royal Dutch Shell, who both returned +17% for the quarter, feature as the next weakest performers within the portfolio is a (cautionary!) illustration to show just how broad the strength of the European markets has been.

In Australian dollar terms, the Platinum European Fund returned 19.2% for the quarter compared to 12.8% for the MSCI All Country Europe Index.

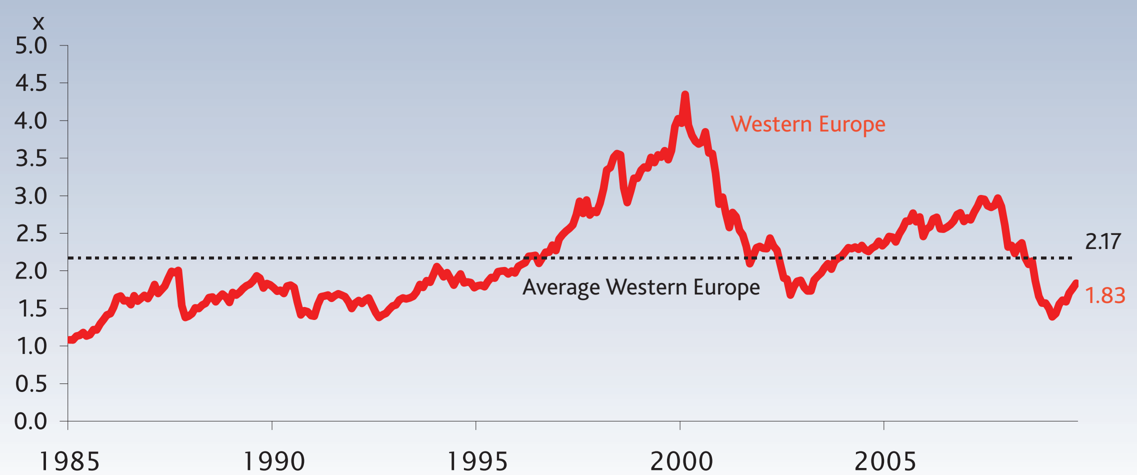
COMMENTARY

After the sharp rally we have seen in European markets over the last six months it is worthwhile to step back and identify where the markets are now, and how the opportunity set has changed for investors.

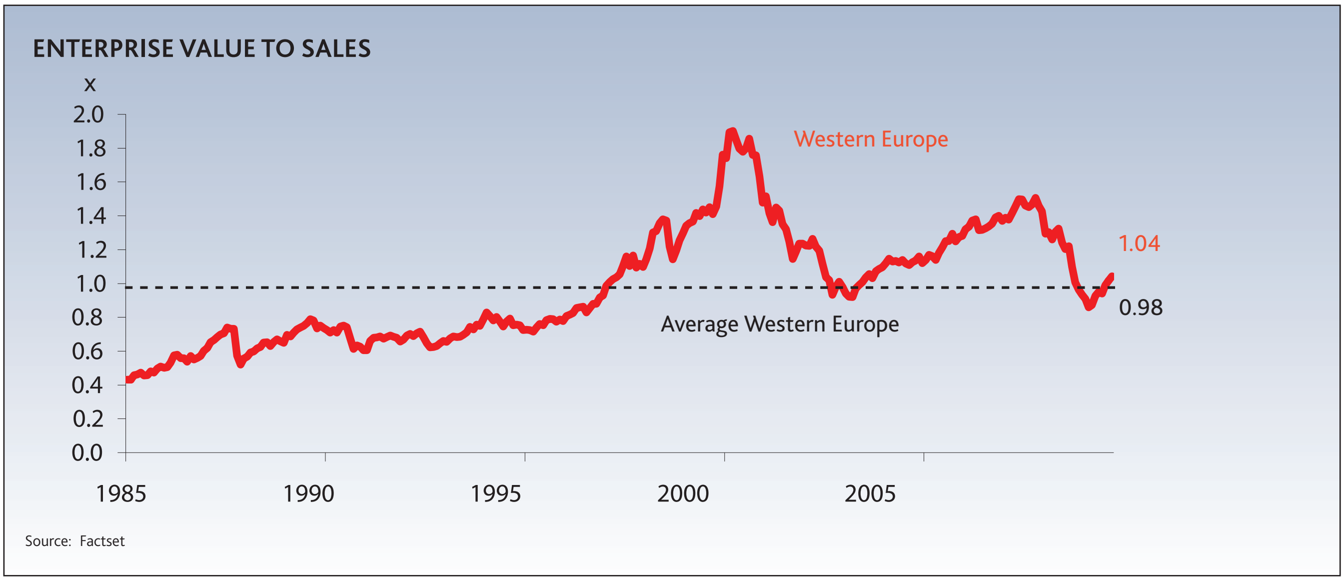
Firstly, the major European indices now sit between 25% to 40% below their respective 2007 peaks (CAC -40%, DAX -30%, FTSE -25%), with MSCI Europe trading on roughly 13x 2010 forecast earnings (implying on average a 30% earnings' improvement next year). On price to book and enterprise value to sales valuations (enterprise value = market capitalisation + value of net debt held by the company) Western Europe trades on 1.8x and 1.04x respectively, valuations that are *close to multi-decade averages but below ranges seen in the last 15 years*. From a 30,000ft view, markets are not yet at valuations that would leave us fraught with concern.

Moving a step closer, one topic that dominates the current market chatter is whether one should now own the cheaper 'defensive' stocks, or if the cyclicals still hold the best risk-reward trade off. The typical ideas brought forward may read something like this: at one end of the spectrum you have the optically 'cheap laggards', defensive or utility style businesses such as

PRICE TO BOOK VALUE



Source: Factset



the fixed line telecom operators, trading on 10x earnings and >5% dividend yields. In the case of the fixed line telcos these are currently seen as no growth businesses operating in mature markets, with wire-line revenues under continued threat from mobile broadband substitution. Next in the spectrum would be one of the cyclical recovery plays, which have typically risen between 50%-150%(!) from their March lows. An example is **SKF**, which is the global leader in the manufacture of bearings, and given the sheer diversity of its industrial and transport markets is a typical GDP growth reliant business. The company posted peak profits of 10 Swedish Krona (SEK) per share in 2008, with current analyst forecasts predicting earnings of (SEK) 5, 7.5 and 9.5 for 2009, 2010, and 2011 respectively. SKF, trading currently at SEK 105 implies a forward valuation of 14x 2010 and 11x 2011 earnings, which compares with a valuation band of 10-15x earnings over the last decade. The earnings and valuation expectations surrounding SKF are not atypical of the bellwether cyclical names today. Certainly a sustained recovery would allow SKF and many other names like it, to continue to perform, but it seems much of this is now being reflected in the price.

Given the market's run and the fact that you might be left thinking these common headline ideas listed above sound relatively uninteresting, are we now struggling to find attractive investment opportunities? Thankfully we are still finding plenty of divergence where higher quality businesses are being priced the same as the average business. For example, if we wanted to project this simple 'defensive/utility' categorisation onto the portfolio, what do the holdings look like?

The opportunity we have seen in the defensive/utility areas has been in companies like **Veolia Environment** and **SES**. When our position was built, Veolia traded on a similar (10x) valuation to the fixed line telcos but in contrast, the concern about Veolia was how its large debt load would hinder its growth prospects (a far more transient concern), rather than any structural issues surrounding their markets (the water, waste and energy concessions/services markets Veolia operate in have a sound growth outlook). **SES** controls the second largest global fleet of satellites, providing the key infrastructure for the direct-to-home satellite TV markets. The outlook for the company is bright, it holds a duopoly position with Eutelsat in its core European markets, price per transponder (capacity) remains steady while the per transponder cost of new launches continues to fall, and the increasing global shift to multichannel TV broadcast in high definition will fuel continued strong demand for transponder capacity. These factors should allow SES to deliver strong earnings growth over the next few years, a not uninteresting prospect with the company priced at a 12x earnings multiple. Similarly, for our cyclical companies that do have some reliance on a general economic recovery rather than a specific theme related to their end markets, we favour names with a strong valuation case, such as **Lagardere** (<10x PE, 1x price/book) or where we believe significant operational improvements are progressing within the business (**BMW**).

The important political event over the quarter was the outcome of the German election that saw victory by the centre-right, with the formation of a coalition between Merkel's CDU and the liberal Free Democratic Party (FDP). This disbands the 'grand coalition' between the centre-right Christian Democrats (CDU) and the centre-left Social Democrats (SPD) parties, the product of the electoral stalemate in 2005. Merkel, no longer inhibited by a centre-left partner can now pursue policies closer to her original pro-reform agenda in 2005 which should bolster consumer and business confidence, with the headline changes being income tax cuts, extension of nuclear plant operating lifetimes, and labour market reforms (ie. dismissal regulations for small business).

DISPOSITION OF ASSETS

REGION	SEP 2009	JUN 2009
BELGIUM	3%	3%
FINLAND	4%	4%
FRANCE	24%	22%
GERMANY	39%	40%
ITALY	2%	2%
NETHERLANDS	3%	4%
NORWAY	2%	2%
SWEDEN	3%	3%
SWITZERLAND	1%	1%
UK	5%	5%
CASH	14%	14%
SHORTS	4%	2%

Source: Platinum

CHANGES TO THE PORTFOLIO AND OUTLOOK

During the quarter we fully exited our holdings in Infineon and IDS Scheer. In the case of IDS Scheer, we chose to take advantage of a €15 per share takeover bid made by Software AG for the company, a 30% premium to last close.

New additions to the Fund included German insurance giant Allianz, the aforementioned SES, and a London listed platinum miner. We find the story around platinum quite interesting at current price levels. The long-term demand outlook for the metal looks promising given booming Asian auto sales, whilst 70% of global supply is held by three producers (Anglo Platinum, Lonmin & Impala) all of which are facing supply constraints and spiralling extraction costs driven by wage inflation, unreliable access to power and the need to move to increasing mine depths. (We calculate Anglo Platinum requires a price of US$1,250 just to cover cash extraction costs and sustain capex.)

Regarding currency, we have continued to scale back our A$ holding, with the currency position of the Fund principally 55% Euro, 25% Australian dollar and 10% Norwegian kroner.

In terms of outlook, as a positive, it is interesting to see M&A activity starting to heat up between industry buyers (Kraft-Cadbury), but on the other hand we remain conscious of the large number of companies now looking to tap the equity markets via capital raisings (most recently Heidelberg Cement, Societe Generale and BNP Paribas). Overall, confidence in the idea that the global economies are back on track is building, and this is being reflected in valuations with European markets *in aggregate* looking more fairly priced than cheap.

Currently the European Fund is 86% long, 14% cash and 4% short, giving a net invested position of 82%.

NOTES

1. The investment returns are calculated using the Fund's unit price and represent the combined income and capital return for the specific period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. You should be aware that past performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Funds and other risk factors associated with investing, investment returns can be negative (particularly in the short-term).

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

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

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

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

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

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

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

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

Platinum International Technology Fund:
Inception 18 May 2000, MSCI All Country World Information Technology Index

(nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist).

The investment returns are calculated using the Fund's unit price. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax and assume the reinvestment of distributions. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably to the make-up of the Index. The Index is provided as a reference only.

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Before making any investment decision you need to consider (with your financial adviser) your particular investment needs, objectives and financial circumstances. You should consider the PDS in deciding whether to acquire, or continue to hold, units in the Funds.

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