

PLATINUM EUROPEAN FUND



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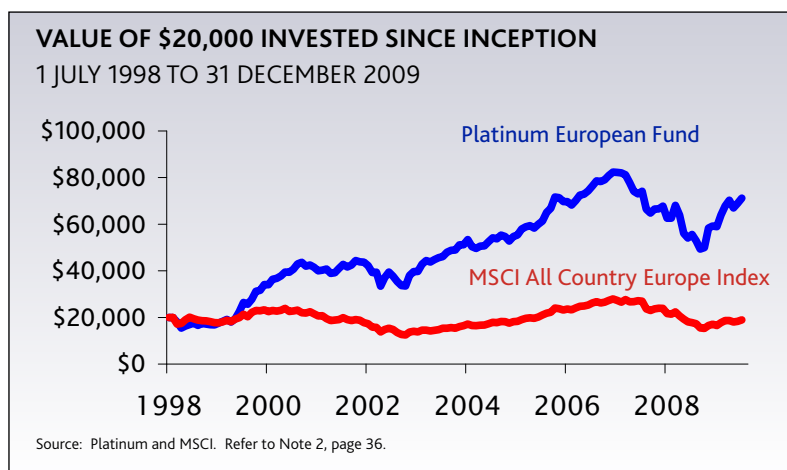
PERFORMANCE

In Australian dollar terms, the Platinum European Fund returned 1.3% for the quarter compared to 1.6% for the MSCI All Country Europe index. The returns of the Fund for the six and 12 month period were 21% and 28% respectively versus 15% and 7% for the index.

The standout sector for the quarter was Metals and Mining (Anglo-American +35%, Rio-Tinto +26%, Norsk Hydro +26%) boosted by higher commodity prices (price increases over the quarter: Aluminium +22%, Copper +17%, Coal +20%) and in Anglo's case buoyed by Xstrata's £41 billion merger proposal. Other areas of strength were the Agricultural stocks (Norwegian nitrogen fertiliser producer Yara +46% and Swiss crop protection and seed producer Syngenta +23%) and many of the consumer brand stocks (SABMiller +20%, Nestlé +15%).

In contrast to the previous six months the clear area of underperformance was the Financials (Barclays -26%, ING -25%, Unicredito -16%). Over the quarter the Bank of International Settlements released their first discussion papers over future regulation of the banking sector. The changes were similar to our expectations: requirements for more common equity, lower total leverage and limits to the extent banks can rely on 'wholesale' (ie. non-deposit) funding. All these measures are designed to reduce the risk of the sector and protect the depositor to the possible detriment of profitability.

On the currency front, the Australian dollar strengthened modestly against most of its European counterparts, rising 3% against the Euro and Swiss franc respectively, and 2% against the Norwegian kroner.



COMMENTARY

Company visits

The November research trip saw us meet 21 companies during our tour through France, Switzerland, Germany and the UK, and while the nature of the industries and themes/situations explored during the trip were quite diverse, the common thread among the meetings is that all had an appealing valuation angle and the majority were 'new' stories, in the sense that most were not currently held by the Funds.

One industry explored was global cement. The valuations of the global cement players (Lafarge, Holcim, Heidelberg Cement and Cemex, three of which are headquartered in Europe) were suitably punished during the credit freeze, as the reality of collapsing demand and overleveraged balance sheets came to the fore. The high debt load that each of the top four carry was the product of a decade long 'global contest', that saw aggressive consolidation across the sector and a build-out of kiln capacity in the developing nations. To illustrate, the percentage of global (ex China) cement capacity controlled by the top ten majors has increased from 16% in 1988 to 50% today, whilst sales in emerging markets now account for over 60% of Lafarge's and Holcim's operating profits. In most geographies cement demand by volume is down between 10% to 40% (the stark example being the US, where cement consumption has fallen from a peak of 120 million/t pa in 2006, to 75 million today) however, giving some credence to the idea that consolidation has led to far better price discipline in the industry, cement pricing has remained very stable across the board, with prices flat to slightly up in most regions.

Given we have just experienced a boom in global construction is there a case to be made for owning these diversified cement producers? One thesis may be this: on average the Western cement markets (US, Western Europe, Australia), due to consolidation and reinforced by the difficulty in obtaining building/quarry permits for new capacity, exhibit oligopoly-like market structures. Whilst a recovery of volumes back to levels seen in 2007 will take some time, we should see price discipline and strong cash generation. The emerging markets carry more risk of

price wars or political disruption, but given the low cement consumption per capita (India, Latin America and Africa cement consumption per head is a half to two thirds that of the developed world), their infrastructure needs and a decent supply/demand balance (ex China and the Middle East where there looks to be capacity overbuild), these markets should be a growth avenue over the medium term. The above factors, together with relatively modern plant and the aforementioned high debt loads across the sector may see the cements enter a period of strong cash-flow and de-leveraging in the near term and then benefit from a Western market recovery and emerging market growth further out.

PORTFOLIO CHANGES AND OUTLOOK

During discussions with management over the recent trip, some key themes were noted:

1. tempered expectations for businesses exposed to Western demand, with the focus usually around cost cutting efforts, reduction of capital expenditure and other self help measures;
2. a strategic awareness (including plans to expand and acquire other businesses) of the benefits of the growth in the Brazil, Russia, India and China (BRICs) nations.

This focus is likely to lead to new opportunities. We continue to investigate areas like retail, media and defence where both growth expectations and valuations remain low. However, where we can buy good companies that have a meaningful percentage of their sales from emerging markets *at an attractive price* we have been happy to add them to the portfolio.

One such addition over the quarter was CFAO. The business is familiar to us, being a part of the PPR group (French retail/and luxury goods), who sold a 50% stake via an IPO in order to reduce the company's debt burden. CFAO is an African new car dealership and pharmaceutical distribution business whose trading operations within the region date back 160 years. The potential for the Company is huge given what elevated resource prices and growing foreign investment by the likes of China can do to boost the

wealth of the African continent, which will in turn increase the rate of African car ownership and pharmaceutical use from pitifully low rates today. However, we are quick to remind ourselves that in the face of the market getting excited over these stories, it is still 'Africa' and CFAO needs to be tracked very much in tandem with resource prices!

Other additions to the portfolio include a position in the Swiss pharmaceutical giant Novartis and topping up our holdings in PPR and satellite operator SES. Funding for these purchases has come from trimming down some of our better performing holdings such as JCDecaux and MTU Aero Engines.

The outlook for markets always needs to be expressed with an eye on price and European markets are no longer significantly undervalued. Investors should not expect further broad advances of the nature we have seen over the last nine months. That said, there is still enough uncertainty around end-demand and profitability over the next two years to create pockets of opportunity for stock-picking. The valuations across the Fund's holdings remain relatively modest.

Currently the European Fund is 89% long, 11% cash and 4% short, giving a net 84% invested position.

DISPOSITION OF ASSETS		
REGION	DEC 2009	SEP 2009
BELGIUM	3%	3%
FINLAND	2%	4%
FRANCE	26%	24%
GERMANY	38%	39%
ITALY	2%	2%
NETHERLANDS	3%	3%
NORWAY	2%	2%
SWEDEN	3%	3%
SWITZERLAND	3%	1%
UK	7%	5%
CASH	11%	14%
SHORTS	4%	4%

Source: Platinum

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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The Platinum Trust Product Disclosure Statement No. 8 (PDS), is the current offer document for the Funds. You can obtain a copy of the PDS from Platinum's website, www.platinum.com.au, or by contacting Investor Services on 1300 726 700 (Australian investors only), 02 9255 7500 or 0800 700 726 (New Zealand investors only) or via invest@platinum.com.au.

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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