Platinum®
ASSET MANAGEMENT

Quarterly Report

31 March 2013

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

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

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Performance Returns to 31 March 2013

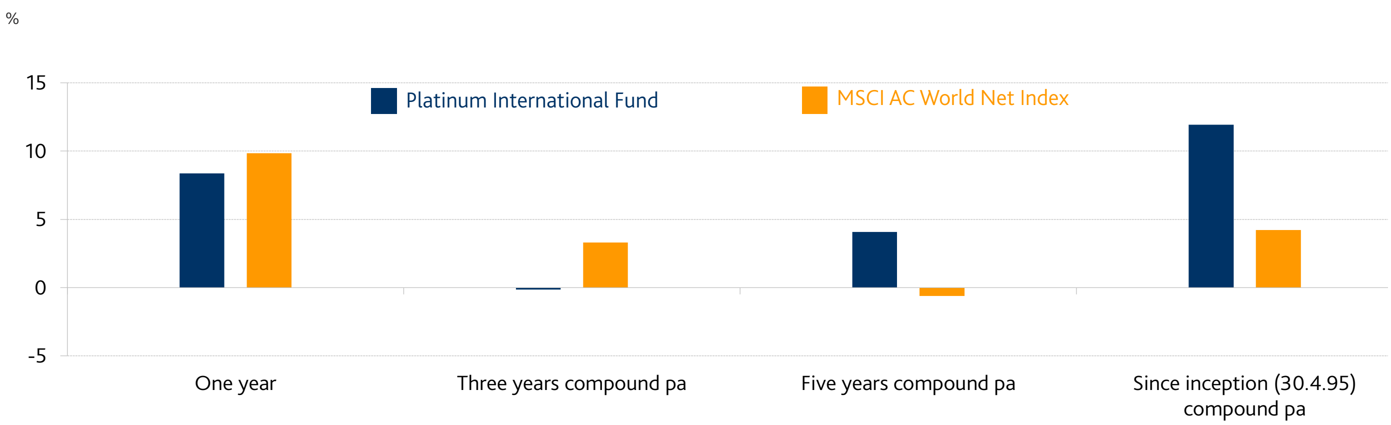
FUND	PORTFOLIO VALUE	QUARTER	1 YEAR	2 YEARS *COMPOUND PA*	3 YEARS *COMPOUND PA*	5 YEARS *COMPOUND PA*	SINCE INCEPTION *COMPOUND PA*
International Fund	**$7,355m**	**5.3%**	**8.4%**	**2.4%**	**-0.1%**	**4.1%**	**11.9%**
MSCI AC* World Net Index		6.1%	9.8%	4.3%	3.3%	-0.6%	4.2%
Unhedged Fund	**$177m**	**5.8%**	**8.3%**	**2.5%**	**3.1%**	**5.8%**	**8.2%**
MSCI AC World Net Index		6.1%	9.8%	4.3%	3.3%	-0.6%	1.6%
Asia Fund	**$3,397m**	**2.4%**	**12.4%**	**3.2%**	**2.5%**	**3.8%**	**15.4%**
MSCI AC Asia ex Japan Net Index		-0.9%	6.4%	-0.6%	1.6%	0.2%	8.9%
European Fund	**$145m**	**2.7%**	**11.7%**	**6.4%**	**8.0%**	**6.7%**	**10.9%**
MSCI AC Europe Net Index		2.0%	9.4%	0.1%	0.2%	-4.8%	-0.5%
Japan Fund	**$293m**	**15.6%**	**19.7%**	**9.0%**	**3.9%**	**7.6%**	**12.7%**
MSCI Japan Net Index		11.2%	7.9%	3.9%	-0.9%	-3.1%	-1.1%
International Brands Fund	**$857m**	**1.3%**	**13.7%**	**8.1%**	**9.3%**	**10.3%**	**12.4%**
MSCI AC World Net Index		6.1%	9.8%	4.3%	3.3%	-0.6%	-1.9%
International Health Care Fund	**$55m**	**10.2%**	**23.3%**	**16.1%**	**11.5%**	**8.9%**	**5.6%**
MSCI AC World Health Care Net Index		13.5%	23.9%	17.8%	9.1%	6.3%	3.9%
International Technology Fund	**$36m**	**4.6%**	**2.2%**	**1.0%**	**-0.5%**	**4.9%**	**6.7%**
MSCI AC World IT Net Index		3.8%	-0.6%	5.8%	3.0%	2.5%	-7.9%

* Morgan Stanley Capital International All Country

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

Platinum International Fund Versus MSCI AC World Net Index

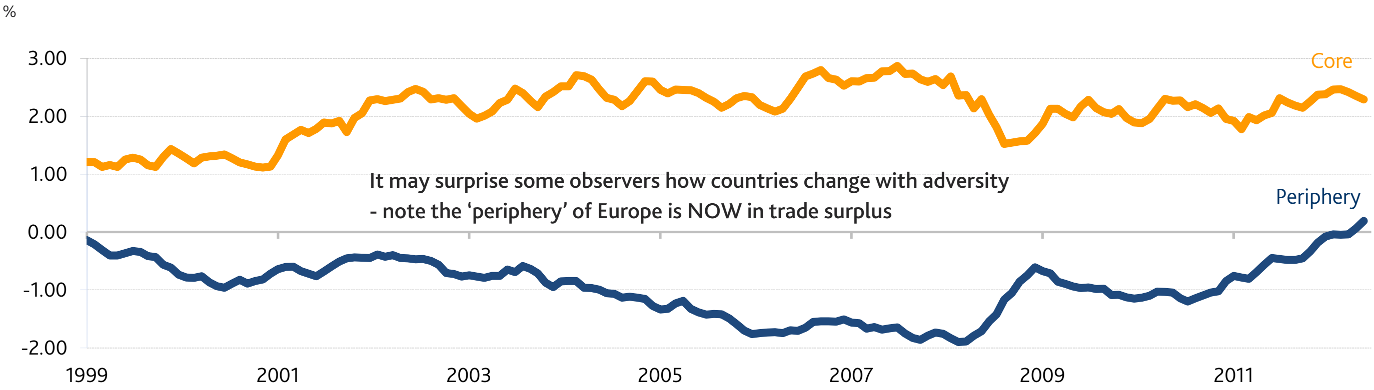
To 31 March 2013



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

Market Panorama

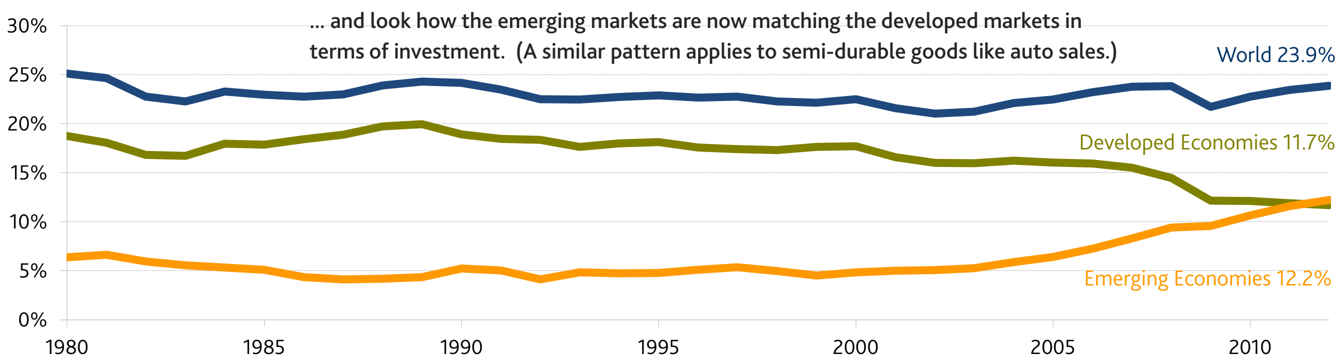
Euro Area Trade Balances (%, Euro area GDP, 3 month moving average)



Source: Credit Suisse, Eurostat

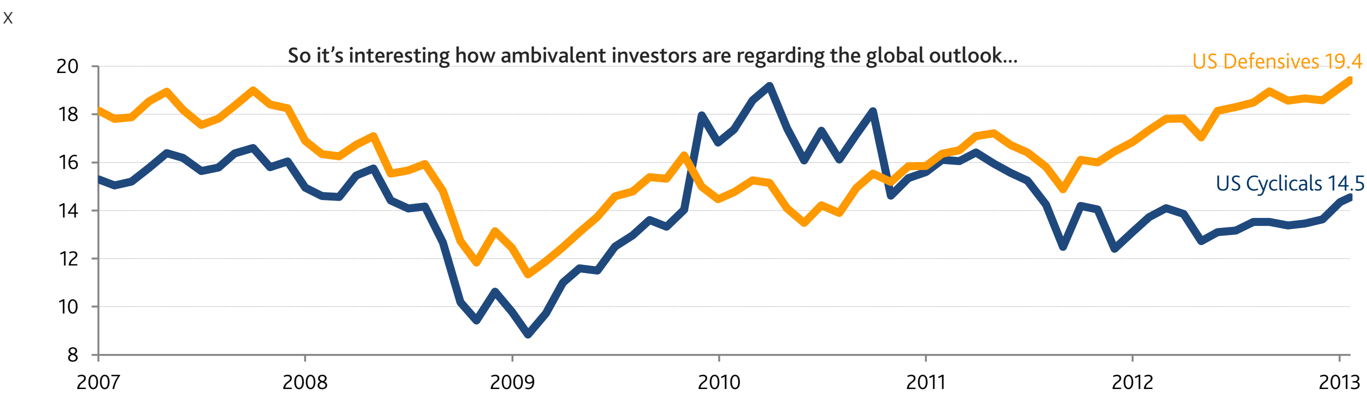
Note: 'Periphery' comprises Italy, Spain, Portugal, Ireland, Greece and Cyprus. 'Core' comprises Germany, Luxembourg, the Netherlands, Austria and Finland.

IMF Gross Investment to Global GDP



Source: IMF

US Defensives and Cyclicals Price to Earnings Ratio



Source: Factset, Platinum

Note: 'Defensive' comprises content, infrastructure, communications, healthcare, staples, software, insurance and precious metals.

'Cyclical' comprises energy, materials, industrials, industrial services, process industries, tech hardware, banks, property, retail, autos and commerical services.

Platinum International Fund

Kerr Neilson Portfolio Manager

Disposition of Assets *

REGION	MAR 2013	DEC 2012
North America	29%	31%
Europe	29%	28%
Japan	16%	21%
Asia	16%	17%
Australia	1%	1%
Africa	1%	1%
Cash	8%	1%
Shorts	12%	11%

The Fund also has a 13% short position in Japanese Government Bonds.

* The invested position represents the exposure of physical holdings and long stock derivatives

Source: Platinum

Performance

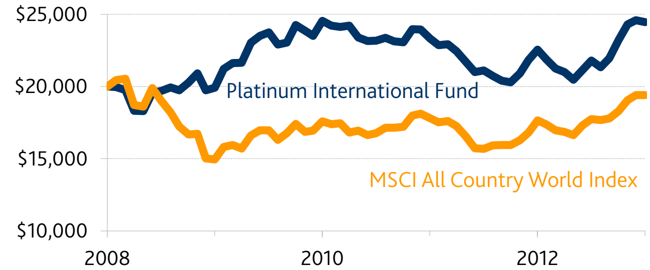
(compound pa, to 31 March 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l Fund	5%	8%	0%	4%	12%
MSCI AC World Index	6%	10%	3%	-1%	4%

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

Value of $20,000 Invested Over Five Years

31 March 2008 to 31 March 2013



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

There were some interesting divergences within and among the major indices this last quarter. The US S&P 500 Index has broken to new highs and is now above the apparent ceiling that was established in 2000 and 2007. Money-flows into equities have been strong with institutional allocations the highest in two years and indications that money has been coming out of cash, bonds and commodities to fund equity purchases. As we had anticipated, Japan bounded ahead in response to changes in the Bank of Japan's (BOJ) quantitative easing (QE) policy and the consequent weakening of the yen. Europe continued to be harassed by over-indebtedness with Cyprus being the latest victim requiring resuscitation. After some haggling, which included the unprecedented step of requiring depositors to bear some of the burden, this latest disruption seems to have settled. Even with their apparent superior growth and prospects, the emerging markets of China, India, Brazil and Russia all recorded declines.

To some extent this reflects the strength of the US dollar which is tending to draw money away from the periphery, as we had projected in the December quarterly report, but it also marks a certain ambivalence in markets. While there is growing evidence of improving economic activity in the US, suggested by measures such as consumer confidence, manufacturing activity and rising housing prices, investors are still reluctant to throw caution to the wind. This is shown by the divergence in the valuations of defensive companies versus cyclicals. While the valuations of defensive companies have now climbed to multi-year highs, both in absolute and in relative terms, the performance of cyclical industries such as energy, materials and commodities has been dull and in a relative sense their valuations are low. This is well-illustrated by the accompanying sectoral performance table.

Overall this has been a profitable period for holders of common shares with the MSCI World Index in A$ terms rising 6.1% for the quarter and 9.8% for the last 12 months. This masked the very weak showing of the BRICs (Brazil, Russia, India and China), with emerging markets as a group achieving only 1.3%. This influenced the performance of the Fund which achieved 5.3% for the quarter and 8.4% for the rolling 12 months.

MSCI World Index Regional Performance (AUD)

REGION	QUARTER	1 YEAR
Japan	**11%**	**8%**
United States	**10%**	**12%**
Australia	9%	21%
Developed Markets	**7%**	**11%**
Hong Kong	3%	16%
United Kingdom	2%	9%
Europe	**2%**	**9%**
France	0%	8%
Germany	0%	8%
Asia ex Japan	**-1%**	**6%**
Emerging Markets	**-2%**	**1%**
India	-3%	2%
Korea	-4%	1%
China	-5%	6%

Source: MSCI

MSCI World Index Sector Performance (AUD)

SECTOR	QUARTER	1 YEAR
Health Care	14%	24%
Consumer Staples	11%	18%
Consumer Discretionary	8%	14%
Industrials	7%	10%
Financials	6%	16%
Utilities	5%	4%
Telecommunication Services	4%	10%
Information Technology	4%	-1%
Energy	3%	0%
Materials	-5%	-5%

Source: MSCI

Changes to the Portfolio

Changes were progressive rather than dramatic with incremental additions to several existing positions and a thinning of highly productive holdings. We added to **Vodafone**, **Carnival Corp** (cruise lines) and **Baker Hughes** (oil field services) and re-entered **TNT Express** when the stock tumbled after the failed take-over by UPS (see the European Fund quarterly report on page 19). Holdings of **Halliburton** (oil field services) and **Gilead** (pharmaceuticals) were eliminated after strong gains and **Electronic Arts** (video games) and **Cisco** (internet systems) were trimmed.

Among our Japanese holdings there was elevated activity with some stocks moving as much as 60% in weeks; some were eliminated like **Daiken**, up 50% since entry in October 2012; and others reduced like **Mitsubishi Corp** and **Shin-Etsu,** up 40% and 50% respectively. The overall reduction in Japanese exposure is attributable to closing the option and futures positions over the broad Topix Index.

Not all our purchases are household names and some might even regard them as somewhat risky. Two such new holdings are **PDG Realty**, a Brazilian home builder and **Jaiprakash Associates**, an Indian based infrastructure owner/builder and home builder. Both have been tainted by having large indebted balance sheets and have been stung by weaker economic activity which has seen their share prices decline to a fraction of their former glory. We think they are worthy of inclusion in the portfolio because of their now reviled status (in markets which only now seem to have tumbled to the dangers of debt) and the substantial equity that is realisable from their significant saleable asset bases. While clearly constrained by tighter credit conditions, both face markets that are benefitting from the drift of people to the big cities and have sufficient scale to meet diverse sections of the market. We believe that neither company need aggressively realise their best assets to meet debt calls and over the next three to five years will achieve strong capital appreciation as market conditions normalise.

Shorting

There were few changes to our short positions at quarter end which were equivalent to 12% of the portfolio.

The Japanese Government Bond shorts are predicated on the likely success of the BOJ achieving their charged goal of inflation of 2%.

Currencies

There has been little change in our underlying currency holdings. The US dollar and Hong Kong dollar account for 45% of the portfolio, followed by the Euro and European currencies 34%, Asian currencies ex Japanese yen 15%, Japanese yen 3% and the Australian dollar 2%.

Commentary

In December we highlighted the likely shift of funds away from cash and perhaps bonds into equities, caused partly by unsatisfactory yields but more importantly, because of improving sentiment. There has been a change in perception about tail risk (market disruptions from unexpected sources) and a widely acknowledged acceptance that the principal Central Banks, now wholeheartedly joined by the BOJ, will do what is necessary to suppress interest rates until their economies begin to grow again. This realisation has encouraged investors to push-up share prices well-ahead of earnings revisions. In other words, the surge in share prices since August 2012 has been mainly driven by the P/E expansion. It is not that hope has buried fear and this can be shown by the continuing preference for defensive companies, which are now at extreme valuations, both absolute and relative, to their long-term history; a 30% premium in fact. At the same time, companies with more cyclical characteristics reveal some evidence of neglect. The interesting point here is that this valuation bias is as true in the US as in other markets. This is strange given the fact that US companies have delivered the most impressive earnings improvements since the crisis and that the market as a whole has expectations of low anticipated variability of returns in share prices, as predicted by the VIX[1]. This probably means we should expect some rotation to other markets in coming months as their underlying fundamentals gradually improve. As it stands, markets are displaying a fine balance between gradually improving expectations, but with sentiment still tinged with uncertainty. Valuations in markets outside the US are 15 to 20% lower; this should provide upside potential.

1 VIX is a ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 Index options. Often referred to as the fear index, it represents one measure of the market's expectation of stock market volatility over the next 30 day period.

In the last quarterly report we expressed general optimism based on improving economic factors, change in risk tolerance and attractive valuations. While the latter has deteriorated somewhat in the intervening three months because of strong upward share price moves, prospects for the other two variables have probably improved.

What can unsettle this seemingly finely balanced opportunity?

As a sense of well-being is predicated on Central Banks maintaining control of **cheap money** and encouraging credit growth, anything that disrupts this **intravenous feed** can be expected to unsettle markets.

- **Inflation** is seen as the most likely disruptive threat but it needs great selectivity of data to find evidence of it picking-up speed. Even in countries with relatively weak currencies like the United Kingdom, inflation is still remarkably subdued reflecting under-utilised resources while in the US, the general price index seems to be heading lower.
- Ironically, the more subdued growth rates in emerging markets, together with a strong supply response to recently elevated prices of commodities, is helping to **subdue raw material prices**. So while demand continues to grow, for the moment it seems that supply is more than adequate. Improved energy self-sufficiency for the US is the big topic of the day but we should not lose sight of the fact that the supply-demand balance for liquid hydrocarbons is as tight as it has ever been. The gap between supply and demand globally is a mere 2 to 3 million barrels per day out of consumption of 87 million barrels per day.
- **Political disruption** could be another destabiliser and here again one would be hard pressed to identify wide-spread civil unrest caused by fiscal austerity. In fact, the European Union seems to be softening its position on budget deficits and seems willing to extend the time scale for fiscal rebalancing.
- **Earnings shortfalls** cannot be ruled out and analysis of the extraordinary resilience of US company profits reveals that productivity gains have been kept by companies. Obviously, European and Japanese companies do not, as of yet, have the same buoyant domestic economic conditions.
- **Currency manipulation** which causes undue competitiveness could also produce negative surprises for corporate earnings. With the weakness of the yen, European manufacturers face renewed competition which must impinge on their profitability. By the same token, a strong US dollar will have some adverse effects on foreign earnings translations as well as international competitiveness for US-based companies.
- **Suppression of borrowing costs** to well-below long-term clearing levels seem bound to create misallocation of capital but this for the moment is a more distant threat. By way of example, the search for yield is enabling emerging countries which were former credit outcasts to sell sovereign bonds at well-below double digit yields and indeed companies within these countries are engaging in cross-exchange borrowing. This over-dependence on foreign funding was indeed the cause of problems for parts of Asia in the late 90s but it is our view that is far too early to make a similar call.

It is not as though we have become born-again believers in QE as we remain convinced that the steps now being taken, to ameliorate what is essentially a deleveraging cycle, will have some longer term negative consequences, particularly the misallocation of capital. However, markets are still tinged with caution and we are finding investment opportunities without having to stretch expectations beyond the probable. Useful markers in the months ahead may be a weak gold price in US dollars (reflecting improving confidence), relative strength among banks (revealing improving economic conditions and falling solvency fears) and upward trending bond yields (suggesting an improvement in underlying growth and the demand for credit).

Outlook

After the strong start to the year it would be unusual if there was not some backfilling of prices as investors wait for more confirmation of their hopes both on the economic and company earnings fronts. We are encouraged by the large divergence in stock price behaviour and the fact that there are interesting companies we can buy at attractive valuations. There is certainly no shortage of social and economic issues that need to be addressed around the world but so long as yields are suppressed, investors will be faced with the difficult choice about how much risk they should carry. This should give sound companies a solid underpinning.

Platinum Unhedged Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	MAR 2013	DEC 2012
North America	30%	30%
Japan	26%	24%
Europe	22%	23%
Asia	13%	16%
Australia	2%	2%
Africa	1%	1%
Cash	6%	4%

Source: Platinum

Portfolio Position

Changes in the quarterly portfolio composition:

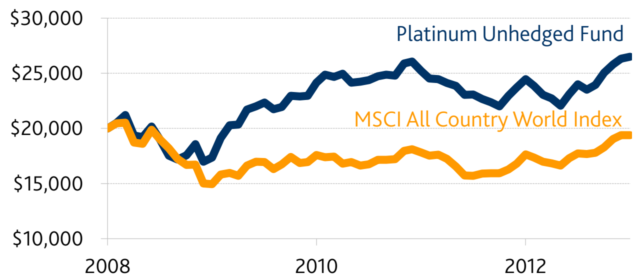
Sector Breakdown

SECTOR	MAR 2013	DEC 2012
Consumer Globalisation (brands, retail etc)	17%	17%
Emerging World Consumer (locally listed)	13%	13%
Healthcare	11%	11%
Internet Ubiquity	10%	10%
Technology (software & components)	10%	11%
Japanese Reflation	7%	4%
Global Financials	6%	8%
Energy and Materials	5%	8%
Gold	5%	6%
US Capex Renaissance	5%	3%
Capital Equipment (yen sensitives)	5%	5%
Gross Long	94%	96%

Source: Platinum

Value of $20,000 Invested Over Five Years

31 March 2008 to 31 March 2013



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

Performance

(compound pa, to 31 March 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Unhedged Fund	6%	8%	3%	6%	8%
MSCI AC World Index	6%	10%	3%	-1%	2%

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

Over the quarter the global stock market was led higher primarily by the US and Japan, with the emerging markets lagging badly, down 2% versus a 7% rise in developed markets. The underperformance of emerging markets is now quite conspicuous over three years, down 1% pa versus a 4% pa rise in developed markets – the significant emerging market outperformance in the ten years ending 2010 now a gradual fading memory along with the commodities boom. As evidence that fund flows are at best a coincident performance indicator, mutual fund investors emerging market love affair has only recently started to fade with such funds taking over 42% and 63% of all US mutual fund inflows over the past one and three years.

The global sector bias remains skewed towards healthcare, consumer staples and consumer discretionary with materials the laggard, down 5%.

The quarter ran almost as a compressed vignette of the prior few years with the Cypriot crisis triggering another bout of Euro weakness and European and emerging equity market underperformance, with the only notable pattern break coming from Japan; the yen has not yet experienced a knee-jerk safe haven appreciation and related local stock market sell-off. For now, the new-found commitment of the Japanese political class to the virtues of unlimited monetary easing are keeping the ever-stronger yen crowd sidelined.

The Fund's performance tracked the market with outperformance from our global consumer stocks (e.g. Ryohin Keikaku, Toyota, Pepsico), Japanese 'reflation' holdings (e.g. Japan Exchange Group, Orix), healthcare (e.g. Johnson and Johnson, Novartis) and mobile data (Google, Vodafone) offset by weakness in our gold, energy and emerging market consumption related names.

Changes to the Portfolio

The key new stocks added to the Fund included Yamada Denki (see the Platinum Japan Fund quarterly report), TNT Express (see Platinum European Fund quarterly report) and Baker Hughes. These stocks were largely funded from the partial sell-down of larger holdings such as Toyota Motor and Bank of America and the complete sale of Gilead as price performance removed some or all of the valuation upside relative to new opportunities.

Commentary and Outlook

The current extent of Chinese economic pessimism seems a little misplaced. Our view is that the economy experienced a significant slow-down in 2012 due to the tightening of policy and is now gradually recovering. However, we would also be the first to acknowledge that any transition by China away from investment-led debt-fuelled growth is unlikely to be smooth, but that in itself will provide opportunities for the Fund.

Whilst we build the Fund one stock at a time, for the purpose of investor communication, it is useful to group some of these holdings by theme. However, there will always be some specific, idiosyncratic ideas that defy grouping. In this sense, the Fund remains exposed to some major investment themes, including:

- US capital spending renaissance driven by a globally competitive supply of natural gas.
- Explosive growth in mobile data or 'internet ubiquity'.
- The rise of local emerging world consumer giants - the West only accounts for roughly 40% of global GDP (purchasing power parity basis).
- Consumer globalisation – Western brands, retailers and service providers positioned for global growth.
- Post-patent cliff pharmaceuticals and personalised medicine.
- Japanese reflation driven by a broad consensus on the need for change.

- Gold - a hedge against a self-reinforcing cycle of competitive quantitative easing (QE) from the three large developed world currency blocks (US, Europe and Japan) where the narrative morphs from necessary monetary easing to government debt monetisation and competitive exchange rate devaluation.

Over the ensuing quarters we will provide more detail around each of these broad ideas and the specific holdings.

Some complacency is creeping back into markets as they grind higher in the face of data disappointments, in particular, in Japan and the European economic periphery. Whilst it may be right to view this as backward looking, this does need monitoring. As we highlighted previously, the strength of the US recovery generally (and housing specifically) in the context of a weaker external environment, will be a key issue for 2013. We remain cautiously optimistic that a combination of a continued recovery in US investment spending and loosening European, Japanese and emerging market monetary policy, will be sufficient to offset a moderate level of global fiscal retrenchment.

Platinum Asia Fund

Andrew Clifford Portfolio Manager

Joseph Lai Co-Portfolio Manager

Disposition of Assets

REGION	MAR 2013	DEC 2012
China (Listed Ex PRC)	19%	20%
China (Listed PRC)	6%	7%
Taiwan	4%	4%
Hong Kong	1%	1%
Greater China total	**30%**	**32%**
Korea	15%	16%
Thailand	13%	13%
India	9%	10%
Philippines	9%	8%
Malaysia	6%	6%
Singapore	5%	6%
Vietnam	2%	2%
Indonesia	2%	2%
Canada	1%	1%
Cash	8%	4%
Shorts	1%	1%

Source: Platinum

Performance

(compound pa, to 31 March 2013)

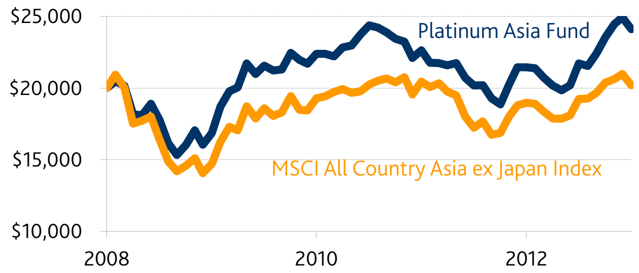
	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund	2%	12%	2%	4%	15%
MSCI AC Asia ex Jp Index	-1%	6%	2%	0%	9%

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

After a strong finish to 2012, Asian stock markets had a quiet start to the year posting a relatively flat first three months. Underlying this result though was a significant divergence of moves within the markets; with the key regional markets of China, whether that be the Hong Kong listed H shares (down 5%) or the Shanghai listed A shares (down 1%); India (down 4%); and Korea (flat) performing poorly. On the other side of the ledger were the ASEAN markets of Thailand (up 12%); Indonesia (up 14%); and the Philippines (up 18%) continuing their strong performance of 2012.

Value of $20,000 Invested Over Five Years

31 March 2008 to 31 March 2013



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

The performance of markets such as the Philippines and Thailand can be attributed to a number of factors. Generally, a rising level of competitiveness against China and India, at a time of improving political stability, has seen both countries once again attracting foreign investment. Together, with relatively low levels of indebtedness in these countries and reasonable stock market valuations in early 2012, this has provided an attractive investment case, in a region (or world?) where there are few simple investment stories.

Meanwhile, the current sentiment regarding Chinese stocks appears to be 180 degrees away from where markets were in late 2007, when despite signs of economic slowing after a period of policy tightening, the China growth story was seen as unbreakable and investors were valuing highly companies that were poised to benefit from that growth. Today, a strong recovery throughout 2012 in the pre-sales of residential property (a key driver of construction activity) and in credit growth, is being ignored by the market due to various concerns around the sustainability of the recovery and the impact of new government rules aimed at dampening speculation in the property market. With many economic indicators yet to reflect a pick-up in activity and many companies struggling with excessive capacity or inventories, the market today refuses to pay up for Chinese corporate earnings of 2013!

India remains mired in the same problems as it has for much of the last 18 months with high current account and fiscal deficits continuing to drive higher levels of inflation and thus interest rates are higher than ideal. While the recently delivered federal budget made some improvements on the fiscal front it is likely much more is required to place government finances on a stable footing. As for Korea, the key concerns have been a combination of the weak Japanese yen impacting competitiveness for the country's exporters as well as general concerns regarding China's growth.

The performance of the Fund's holdings has largely mirrored that of their home markets. The biggest contributors to performance have come from a number of our ASEAN holdings. In particular property related holdings such as Land and House (Thailand), Ayala Land (Philippines), Amata Corp (Thailand), and Ciputra Development (Indonesia) appreciated in the order of 20% to 50% during the quarter. Of course, offsetting these good returns were weak performances from the Fund's holdings in China, India and Korea. The net result is an outperformance by the Fund over the last quarter and last year by 3% and 6% respectively, and the Fund is now marginally ahead of the market on a three year basis.

Outlook

Our expectation is that we will continue to see an improving economic performance from China over the course of the next 12 months or so, though probably not back to the breakneck speed we saw in the recovery post the GFC. The Chinese economy is a large and complex economy and not particularly transparent so such predictions are clearly fraught with danger. However, given the expansion in credit we have already seen we would think that this is the most likely outcome. Of course, economic performance may bear little resemblance to stock market performance, but in this case we would also expect better earnings for many of the Fund's Chinese holdings and given their attractive starting valuations, we also expect better share price performance. Even if we are incorrect in these shorter term predictions, the valuations of many of our Chinese stocks augur well for medium to long-term returns. A stronger economic performance from China should also be beneficial for the rest of the region, though after the strong performance we have seen from the ASEAN markets one would not be surprised to see some setback in share prices.

The exception to this is India where intransigence from the government in getting its finances in order makes for a much less clear-cut view for the next year or so. Nevertheless there have been significant developmental benefits from the roll-out of critical infrastructure such as power generation, roads and mobile telephony, and the rural economy clearly has a momentum of its own. The roll-out of a national ID card promises some significant benefits in the administration of subsidies programs. As such we remain optimistic that India will ultimately provide investors with good returns. For a more in-depth look at what is happening in India, please see our trip note on page 13 from our field visit to India in February 2013.

Indian Field Trip

Changes to the Portfolio

During the quarter we began to slowly trim a number of our strongly performing holdings in Thailand, the Philippines and Indonesia. While an examination of the portfolio's geographical disposition may not show much change in holdings, this simply reflects the rapid appreciation of stocks in these markets. If these markets continue to hold or improve on current levels, one would expect the portfolio weightings in these markets to reduce. Funds arising from these disposals and inflows have been put to work across a number of new and existing holdings in China, India and Korea.

New holdings include SAIC Motor Corp, a joint venture partner of both General Motors and Volkswagen in China. These joint ventures were amongst the first foreign auto producers in China and as such have strongly positioned sales and distribution networks and well-recognised brands. PICC is China's leading general insurer and is well-positioned to benefit from a new regulatory regime that will allow them much greater freedom in pricing. Mahindra and Mahindra is India's largest producer of tractors as well as a manufacturer of commercial vehicles.

The net invested position of the portfolio at the end of the quarter was 91%, down from 95% at the end of 2012, but still reflecting an optimistic long-term outlook.

Over six days in February 2013, we visited Bangalore, Chennai, Ahmedabad, Chandigarh, Delhi and Agra.

It is said that for a foreigner to understand India is impossible, I concur! The film 'Slum Dog Millionaire' captures some sense of the corruption that pervades Indian life but it falls well short of revealing the immensity of the problem and the degree to which **corruption is accepted as a part of everyday life** across all strata of society. Whenever we came across some inexplicable contortion of logic which was to the benefit of one group but at the expense of another, those we asked felt it perfectly adequate to answer, "**it is a political issue**". The scale of kickbacks is colossal. For example, facilitation fees involved in the recent Augusta Westland bribery scandal are put at about 10% of the face value of the contract which was USS$720 million for the 12 helicopters. As one ranges over the social spectrum one comes across rent extraction at every level, be it teachers paying to procure jobs where the capital outlay is a multiple of their annual earnings which might be say, US$1,800 per year. Even on leaving this earth, there are reports of surviving family members needing to bribe the issuer for a death certificate!

Some argue that corruption has become even more entrenched, if that is possible, and that the system is more dysfunctional than ever. Our own observation is that this greed breeds huge uncertainty down the entire line of command as subordinates are unable to follow the logical course of action in performing their jobs for fear of treading on a deal that has been negotiated by their superiors and some influence peddler. The cost to the economy is enormous as it causes significant delays and invariably stifles competition. In case you feel that these claims are exaggerated, please note that some 160 MPs in the Lok Sabha, or lower house, have criminal cases pending. In total there are over 500 criminal cases against MPs and while the BJP MPs head the list, they by no means monopolise the rankings[1]. **Transparency International** provides a corruption perceptions index (CPI) which ranks India among the lowest for countries of large population at 3.1, this is slightly better than Indonesia at 3.0 and worse than China and Brazil at 3.6 and 3.8 respectively. For context, the least corrupt countries are considered to be Sweden and Finland in the 9s and most West European nations are in the 7 to 8s.

[1] There is a terrific site, http://www.Indiaassuperpower.blogspot.com that maps the location of 128 MPs currently facing legal proceedings, their parties and their alleged crimes.

Indian Subsidies * (Rupees bns)

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012Est
Fertiliser subsidy	262	325	766	613	623	672
Food subsidy	240	313	438	584	638	728
Petroleum subsidy	27	28	29	150	384	685

Source: Credit Lyonnaise
* These account for 95% of state subsidies, equivalent to 2.3% of GDP. See too how they have accelerated since the GFC! (Current exchange rate Rs54 = US$1).

One could argue that for all this apparent interference in the marketplace, the country has grown at 6% in real terms over the last 20 years and should we not simply ignore it. The problem with this view is that moneyed self-interest is eroding decision-making across the entire economy. Quick fix solutions take precedence over long-term planning; party rivalry results in delays in approval in those states in opposition to the Centre and hard decisions on matters such as labour law reform, transparent pricing and the reduction of distortions caused by subsidies are all deferred, seemingly in perpetuity. The legal system is used to thwart opposition and drag out resolution[2].

In the meantime, the economic environment is soft even with a fall in the savings rate, down from 34% in 2011 to 30% last year and exports are flat in the face of a 20% decline in the value of the rupee. In 2012, the current account deficit was met by strong foreign share purchases on the Indian market in the order of $20 billion. Some are projecting the current account deficit gap to widen to perhaps $80 billion in 2013 which indeed will be a challenge without further weakness in the rupee. We heard a lot about the high level of gold imports which have been running at an annual rate of 900 tonnes. This represents approximately half the current account deficit of about 5%. Considering that this preference for gold may principally reflect distrust of the rupee, and the money printing activities of the Central Bank, it is amusing to hear quite sensible people talking about mobilising this wealth via paper claims in order to improve the productivity of savings!

Now that we have set the scenario for India to face a miserable future, let us look at the **positive changes** that have been taking place within the country.

1. The country has reappointed Mr Chidambaram as Minister of Finance and he is acting as the Prime Minister's enforcer. Manmohan Singh has hitherto struggled to lead the coalition government led by the Congress Party. Helped by the threat of a sovereign downgrading to junk by the rating agencies, the finance minister has managed to convince the Cabinet of the need for a reduction in the budget deficit to 5.3% this current year, dropping to 4.4% in 2013/14. The budget will be delivered this week.

2. Steps have already been taken to cap the subsidies on fertilisers though the leader of the Congress Party, Sonia Gandhi, is pressing for greater food subsidies. The table above highlights the magnitude of these distortions within the Indian economy.

   We learned that the changeover to fixed subsidies based on the nutritional value has resulted in a fall in the use of phosphorus and potassium. Essentially by capping the rupee amount of the subsidy on these nutrients, the Indian government has removed the arbitrage that existed which enabled traders to acquire subsidised fertilisers in India which they then smuggled out of the country for sale to the likes of Indonesia, Vietnam etc. There has been a meaningful drop in the domestic demand for potash even as its global price has come off. Urea remains highly subsidised selling for about Rs5.5kg versus common salt which sells at Rs12kg. At US$100 a tonne, it is a quarter of the world price and is resulting in imbalanced application by farmers. The ideal ratio is 4:2:1 but at present it is running at 9:2:1. If this continues, there will be systematic degradation of the soil

[2] Indian judiciary would take 320 years to clear the backlog of 31.28 million cases pending in various courts including High Courts in the country. Andhra Pradhesh High Court judge Justice V V Rao said. "If one considers the total pendency of cases in the Indian judicial system, every judge in the country will have an average load of about 2,147 cases," while delivering the keynote address on 'E-Governance in Judiciary' from The Times of India, 6 March 2010.

and a decline in output. Why is urea sold so cheaply when 20% is imported and there are inadequate supplies of gas? Answer, "It is a political issue".

3. Through the canny use of the **judicial powers granted to Cabinet committees**, Mr Chidambaram is forcing through price increases for electricity distributed by the State Distribution Boards (SDB). There is a plan to fund these entities out of their debt problems but associated with this is the requirement for them to raise prices to fully reflect the current and rising costs of inputs, notably thermal coal. As we identified in previous visits to India, the problem with electricity deficiency lies in low plant load factors, which run at around 65% of installed capacity of 210 GW. They are under-utilised for several reasons but the most important by far is the unwillingness of politicians to pass through the full costs of electricity to their electorates which has resulted in a chronic rise in losses and hence of indebtedness of the SDB's. At present, sensible states such as Gujarat have fully funded Distribution Boards and are selling electricity at around Rs4.5kWh to the householder and Rs6kWh, which is around US11 cents, to industry. To date, all the distribution boards have complied to raise their prices and last year saw the more inefficient boards raising prices by as much as 37%. The idea is that they continue to raise prices progressively over the next several years to eventually eradicate their debt.

   The second issue around **power supply**, which is deficient to perhaps 10% in the interlinked grid of the North and 20% in the separate grid in the Southern states, relates to the availability of coal from Coal India and the pass-through provisions of earlier IPP (independent power producer) contracts which use imported coal. IPP's, like Tata Power and the Andani group, have suffered from changes in the cost of imported coal either because of the falling exchange rate or because of export pricing parity demanded by the Indonesians. This may well be resolved this year to the benefit of the IPP operators.

4. An important breakthrough is taking place with the work pursued by the **Unique Identification Authority of India** (UIDAI). This organisation, led by the retired head of Infosys, comprising only 300 employees and 10 offices has set up the so-called **AADHAAR scheme** to provide an ID number and card to all inhabitants of India. Using both fingerprints and an image of a person's iris, UIDAI, working in conjunction with local government, post offices and the like, has already signed up 245 million people to the system. The process is totally scalable and relies on a PC, printer, modem and camera to record and transmit details of each individual to a central repository. As we were reminded frequently, change in India invariably comes by stealth. The scheme has already faced its share of hurdles, in particular in states not controlled by the Congress coalition, there has been a reluctance to comply because of fears about the loss of power to the Centre. Even Sonia Gandhi was slow to appreciate the value of this registration system until the penny dropped. Congress has always believed that voters respond to the handouts at the local level and have little interest in the grand designs of the Centre. Having initially been lukewarm on unique identification, Congress now understands the benefits that can be derived from direct payments to the individual (voter) from Delhi, to the exclusion of middlemen. Ultimately,

this identification scheme is seen as a way of paying cash directly into the appropriate beneficiary's bank account be it supplementary food grants, entitlements for fertiliser inputs or the payment of bursaries for education. As always, nothing flows smoothly in India, and in this case the fact that some 600 million Indians do not yet have bank accounts will prove a hindrance.

In addition, registration takes around 15 minutes per person and in some cases labourers have so worn down their fingerprints, through toil, that it is hard to achieve a strong biometric image. One can expect resistance from non-complying states but it seems as though the Congress Party is going to use this as a large carrot to the great Indian peasantry in the forthcoming 2014 election. Various pilot schemes have been initiated in specific districts where direct cash transfers have been made in the place of subsidised products such as kerosene. In one district, kerosene consumption has fallen by over 80% as the subsidy was given to genuine users and not siphoned off as a supplement to dieseline.

5. **Periodic violent outbursts remind** the masters at the Centre of the molten fury of the underclass, an awareness perhaps amplified by the recent unrest in North Africa. This may be helping the proposals to changes in the land acquisition law. Should it go through it is likely to reduce compulsory acquisition provisions that have hitherto allowed cunning, greedy politicians to acquire and assemble parcels of land which are then rezoned and passed on to property developers in exchange for favours and participation. The early draft provides for compensation that is up to four times the appraised value, but the latter tends to be significantly understated as most transactions are executed at one price with the true value being completed with a cash payment. An example of this type of compulsory land acquisition is the Yamuna Expressway from Delhi to Agra which was built by Jaiprakash in exchange for some 6,250 acres of rezoned farmland in five separate parcels along the 165km route.

6. An older scheme, MRNREGA, the Mahatma Gandhi National Rural Employment scheme, that has had a huge effect on the labour market, is the provision of **100 days work a year for a minimum of Rs120 per day** for the adult member of any rural household willing to do public unskilled manual work. Even though they earn little, it has allowed workers who would otherwise be migrants seeking work in other states to stay at home and tend their own fields. This has reduced the migrant population and had interesting implications. For example, rice production in Bihar, now a well-led state, has risen from 3.1 mt to 8.2 mt in 2012. (This significant rise can in part be attributed to changes in land husbandry and cultivation techniques.) On several occasions we were told by disgruntled employers about the effects of the scheme and making rural workers lazy etc. It is evident from relative wage changes that the lot of rural workers has improved.

   One important side benefit has been the building of rural roads. This improvement in vital infrastructure has palpable benefits to local communities by enhancing trade and interaction with the 'outside' world.

7. When in Gujarat, we were given presentations by various **government bodies that are pro-business in terms of speeding-up approvals, providing serviced land** parcels to industry and so forth. The First Minister, Mr Modi, is consequently held in great esteem by the business sector for his ability to get things done and is seen as a promising future Prime Minister of India. Importantly, there are four or five other First Ministers who are running their states effectively and understand the importance voters attach to the reliable supply of electricity, water and sanitation rather than hearing

extravagant promises and receiving pathetic handouts. We feel that this will **gradually have a domino effect** across India. Rather like China, where provincial governors have enormous powers, it could be said that many First Ministers in India's 28 states, follow a similar pattern of crony capitalism with the least talented First Minister’s tending to be more concerned about near-term gratification than national development.

8. There are still many hurdles and it is noticeable that the discussion of the Hindu influence on the economy has diminished. However, the labour laws act as a huge impediment to industrialisation and a disincentive to hiring. Interestingly, only 50 million workers are registered taxpayers and my guess would be that half of these are probably government or semi-government employees. As we have noted previously, the tax take in India is simply too low at around 17% of GDP. The proposed introduction of a value added tax is way behind schedule and looks like being diluted by obstreperous state governments. Even so it could have the effect of raising the tax take by 3 to 4% of GDP. This could remove the money printing proclivities of the Central Bank.

9. Several commentators reflected on the threat from Chinese competition; our take is somewhat more optimistic and we suspect that the gradual improvement in infrastructure such as the **two new rail corridors**, which are admittedly some years off, combined with a relatively weak rupee may lead to some positive surprises for India. It is important to remember that recorded GDP per head is barely over US$1,000 pa though this is probably under-stated by a third, with few rural workers earning a couple of dollars a day and engineering graduates working in the IT sector, earning only US$6,500 a year. There is a clear distinction between the haves and have-nots as portrayed by Bollywood but the striking observation is that companies that have managed to survive and prosper in this environment are, in a perverse way, protected from new competition.

In summary, India faces gigantic hurdles, but this old and deep civilisation with its enormous diversity has achieved remarkable feats in the last 20 years with real growth of 6.7% pa, never mind its contribution to humanity over the ages. It has grown despite the machinations of its politicians and this gives one confidence that growth is unlikely to stop. Land values are continuing to rise and with 40% of households said to own at least one acre of land, one should expect this roller-coaster to be driven from the bottom-up. The unleashing of the great energy of the Indian people, is likely to surprise long-time observers.

Kerr Neilson
February 2013

Platinum European Fund

Clay Smolinski Portfolio Manager

Disposition of Assets

REGION	MAR 2013	DEC 2012
Germany	39%	40%
UK	19%	18%
France	13%	13%
Netherlands	4%	1%
Italy	3%	3%
Spain	3%	3%
US *	2%	2%
Sweden	1%	1%
Belgium	1%	1%
Russia	1%	1%
Cash	14%	17%
Shorts	9%	9%

* Pulp stock listed in the US but predominant business is conducted in Europe

Source: Platinum

Performance

(compound pa, to 31 March 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum European Fund	3%	12%	8%	7%	11%
MSCI AC Europe Index	2%	9%	0%	-5%	-1%

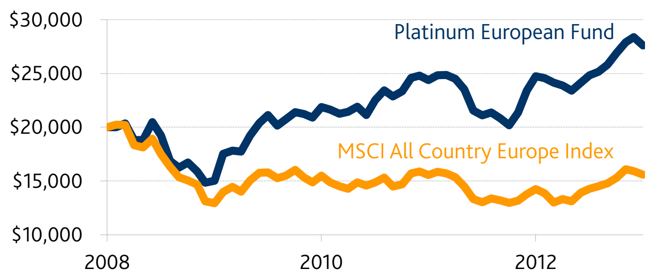
Source: Platinum and MSCI. Refer to Note 1, page 40.

After steady gains over the last six months, the performance of the European markets over the last quarter were mixed, with the UK FTSE Index +8%, the French CAC and German DAX Indices +2%, whilst the Spanish IBEX Index and Italian MIB Index fell -3% and -5% respectively. The Australian dollar performance of the Fund was 2.7% for the quarter, slightly outpacing the MSCI Europe Index which returned 2%.

In terms of specific performance, a number of the Fund's French holdings continued to make considerable gains over the quarter. **Eurofins** which is Europe's largest provider of laboratory food testing services rose 34%, buoyed by the recent horsemeat scandal where a number of supermarket 'beef burgers' were found to contain high levels of both horse and pig DNA. The implication is that regulatory requirements around food testing will be increased, creating a windfall of

Value of $20,000 Invested Over Five Years

31 March 2008 to 31 March 2013



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

new business for Eurofins. Our holding in luxury goods player **Kering** (formally known as **PPR**) rose 22%, both on continued strength of luxury brands Gucci and Bottega Veneta and further progress by the company to sell-off the remainder of their non-luxury retail businesses.

Other stocks of note were **Adidas** and UK professional information provider **Reed Elsevier**, with both stocks up 21% for the quarter and up 38% over the last 12 months. Adidas are doing particularly well in China and Russia, having released an interesting example of innovation in their new 'boost' running sole and investors are starting to give management more credit around hitting their 2015 profit goals. In regard to Reed, the business has now returned to growth and the market is taking a favourable view on CEO Erik Engstrom's plan to focus the business solely on business information content (Scientific journal, Lexis Nexis legal content) and face-to-face marketing (branded trade exhibitions).

Changes to the Portfolio

The last three months have been productive in terms of finding opportunities to add to our current holdings or establish new holdings for the Fund. A number of these opportunities were created by 'one-off' events that caused an immediate big fall in the share price but where we think the ultimate negative effects to the company will fade in time.

Our new position in Italian oil services engineer **Saipem** fell into this category. The attraction of Saipem is its expertise in deep water offshore engineering and construction services, with the company having laid marquee projects like the Blue Stream and Nord Stream pipelines which are respectively some of the deepest (2.2 km) and longest (1,200 km) offshore pipelines in the world.

The stock price of Saipem dropped 47% (from a high of €38 to our entry price of €19.60) on the announcement that the company expected profits this year to be 50% below what they made in 2012. The cause is low profit contracts that are under construction now but which were signed during the crisis in 2009-2010, when many of the oil majors were deferring their projects and competition for available work was intense. Saipem, with a large construction workforce and billions of dollars worth of drill rigs, pipe-laying ships and construction yards, succumbed to the need to keep its assets utilised, at the expense of price and profit.

While the current book of projects creates a near term headwind, the future demand for offshore oil projects and Saipem looks bright. The search for new oil discoveries are increasingly pushing operators into ultra-deep water projects (West and East Africa, and Brazil), and this is creating a huge backlog of projects, which given their highly technical nature should limit competition and ensure handsome profit margins for experienced operators like Saipem.

Another technical event allowed us to re-establish a position in **TNT Express**. Avid readers will recall our investment case on TNT (detailed in the European Fund December 2011 quarterly report), with the company eventually being the subject of €9.50 per share takeout offer from US parcel giant UPS. After the offer was made we chose not to wait for the final approval of the merger and sold our entire holding for around €9 per share.

In January, the European Union (EU) competition commission officially blocked the merger on the grounds that a TNT/UPS combination would leave DHL and UPS as the only two providers of intra-European (i.e. UK to Germany) overnight express parcel services in a number of markets. In the wake of the deal falling through, the share price of TNT fell back to below €5, which was the original level we started acquiring the company during the heart of the Euro crisis sell-off and we decided to buy again.

TNT's current profits are suppressed by aggressive price competition in Europe and the under-utilisation of its air-fleet as customers trade down from using the overnight next day air service to the slower and cheaper 2-3 day delivery service via truck. However, longer term, given that TNT is essentially a road based express player, its strategic position is sound and there is considerable scope for profits to improve.

Finally, we added to our holding in **Carnival Cruise Lines** after the media fallout (and share price fall) surrounding the Carnival Triumph, which was left without power in the Mexican sea. At this stage we are willing to put the incident down to a string of bad luck (the coast guard investigation points to the fire taking place in the fuel line which meant the back-up engine could not be used) and the company is responding by upgrading the size of the back-up generators across the fleet to ensure no repeat of this incident in the future.

The thesis around Carnival is that they will be able to raise ticket prices back to levels last seen in 2008. In the short-term any price recovery will again be pushed out as the incident occurred during the peak season for cruise bookings and the company will need to discount to make up for the negative press. Given that prior to the Triumph incident the industry was seeing 5% price increases in the US and prices of leisure alternatives continue to move higher (prices of resort hotels etc), we still think Carnival can get back to those 2008 price levels going forward.

Commentary

After a period of relative calm, drama has returned to Europe, first in the inconclusive Italian elections where Beppe Grillo's anti-corruption Five Star Movement party went from nowhere to take 25% of the vote and secondly, around the conditions of the proposed bailout for Cyprus.

While Cyprus is a tiny country in the scheme of Europe, the precedent it has set with the restructuring of its banking system will have much wider ramifications. No further tax payer money will be used to recapitalise Cyprus's two largest banks and instead shareholders, large depositors and senior bondholders will take the loss. In the case of Cyprus's second largest bank Laiki, it is reported that losses for senior bondholders and large depositors with balances over €100,000 will likely be well-over 60% of their money. Only small depositors, with amounts below €100,000 will be protected.

The mathematics of why this has occurred is not complex. With a population of 1.1 million, the size of the Cypriot economy is a mere €18 billion. The government takes in €7.5 billion in tax revenue annually, but is currently spending roughly €8.7 billion pa, giving them a budget deficit of €1.2 billion. The government already has a high debt load of €15 billion or 83% of GDP, international bond investors will no longer lend the government money and it is relying on the European Central Bank (ECB) and EU as a lender of last resort.

The finances of the Cypriot government are clearly shaky and they are in no shape to provide further assistance to the banks. This is more obvious when you consider the size of the Cypriot banking system, which at €150 billion is a full eight times larger than the economy (if we only look at loans outstanding, the size of the banking system is still €92 billion, five times larger). The size of the banking system is heavily influenced by foreign capital (there are €34 billion of foreign deposits in Cyprus), in particular money belonging to Russian individuals and corporates taking advantage of tax loopholes generated by Cyprus's double tax treaty with Russia.

In essence, a large swathe of the €92 billion in loans (which included large exposures to Greek borrowers and Greek government debt) has gone into default with limited chance of recovery. An injection of at least €6 billion was required to stabilise the banking system. The government doesn't have the money and the EU, already providing €10 billion in aid to the government, was reluctant to be seen giving further taxpayer money to bailout Russian depositors. In the end the only choice was to hit large depositors and bondholders.

Unfortunately, the final decision of who should take the losses in the banking system was clumsily handled. The Cypriot governments first announced plan around the bank restructuring was to tax *all depositors (including small deposits below €100,000)* a minimum of 6.5% of their balance. While this was later revoked in favour of taxing large depositors, you can imagine that for most Cypriots having the government nearly confiscate 6.5% of your deposits is enough to lose confidence in the banking system and many are very keen to get their money out of the country.

The wider implications of this move is the effect it will have on confidence in lending to the banks of the other weaker peripheral nations. Depositors and lenders to banks in Portugal, Spain, Italy and Ireland seeing the losses and subsequent capital controls in Cyprus will surely ask themselves whether its 'worth the risk' to keep their funds there. At the least, in the short-term, these banks will need to pay up with higher rates to convince people to stay (with funding rates in the likes of Italy and Ireland spiking over the last week). The other knock-on effect is if people are trying to stash their money into 'safe havens' (offshore bank accounts etc), by definition this is money they are not spending which throws a wet blanket on any economic recovery as savings rates increase.

Outlook

There has been a growing sense of relaxation among investors that the worst of the sovereign crisis is now behind us and the European economy will begin to pull itself out of recession. The ECB has played its hand in offering unlimited support to the governments and the politicians are on-board to reduce their spending. In addition to the return in confidence, equity markets are now starting to get support from the record low interest rates. Investors faced with an opportunity-set of earning 2-3% on fixed income or owning a quality large capitalisation company which is paying a 5% dividend and offering some prospect of capital growth are, on the margin, shifting money into buying stocks.

Whilst we agree with the 'Europe healing' scenario, the wildcard remains the political will of the nations required to cut their spending. Given the strong run-up in European markets, the size of the budget adjustments in countries like Spain and the fickle nature of public opinion, we think it is highly unlikely it will be all smooth sailing from here and just like we have seen in Cyprus, there will be more events to test the nerve of markets. Based on this, since December we have kept the Fund roughly 77% net invested giving us the firepower to take advantage of lower prices should we see them.

Platinum Japan Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets *

REGION	MAR 2013	DEC 2012
Japan	96%	91%
Korea	4%	5%
Cash	0%	4%
Shorts	14%	5%

The Fund also has an 18% short position in Japanese Government Bonds.

* The invested position represents the exposure of physical holdings and long stock derivatives.

Source: Platinum

Portfolio Position

Changes in the quarterly long portfolio composition:

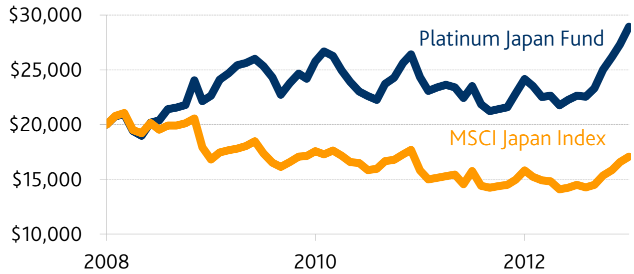
Sector Breakdown

SECTOR	MAR 2013	DEC 2012
DOMESTIC	56%	45%
Consumer and Healthcare	23%	15%
Financials	13%	14%
Real Estate and Infrastructure	12%	8%
Telco, IT and Internet	8%	8%
EXPORT	44%	51%
Tech/Capital Equipment	24%	27%
Autos	10%	17%
Commodities	7%	2%
Alternative Energy	3%	5%
Gross Long	100%	96%

Source: Platinum

Value of $20,000 Invested Over Five Years

31 March 2008 to 31 March 2013



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

Performance

(compound pa, to 31 March 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Japan Fund	16%	20%	4%	8%	13%
MSCI Japan Index	11%	8%	-1%	-3%	-1%

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

Over the quarter, at least in local currency terms, Japan continued to make up ground on global markets as more substance was added to the slogans surrounding 'Abenomics' and what was an overtly cheap market, closed some of its valuation discount. Over the quarter the local index rose by a table topping 21%. Due to ongoing yen weakness, the Australian dollar return was a more modest 11.2%, though still reasonable given the 6.1% rise in world markets, though lagging over 12 months. It will take a few more quarters like this before a broad cross-section of global money managers feels a need to brush the dust off the Japan file.

Whilst sector performance broadened out, domestic reflation beneficiaries (property and financials) gained ascendancy over exporters. The consumer sector also leapt into life as investors anticipate a better household spending environment. However, the most virulent outperformers were so-called 'hidden asset' land plays e.g. TV stations, warehousing companies, in fact, any company sitting on large real estate holdings as Japanese Government Bond yields cratered to near record lows and investors took the search for real yields to an extreme. For old Japanese hands, we suspect this is a tediously familiar pattern. The question for a fundamental investor is whether these companies, which have in the past stubbornly refused to realise the 'hidden' value to the benefit of shareholders, will reverse their behaviour.

The Fund's star contributors for the quarter included, unsurprisingly: banks and property developers, retailers such as Ryohin Keikaku, Toyota Group companies and stock specific stories such as Namco Bandai and Nitto Denko. Key laggards were found amongst our capital equipment exporters e.g. Tokyo Electron and Sumitomo Heavy Industries. We have been adding to these stocks.

The significant hedge on the Fund's yen exposure made a large positive contribution for the quarter and the shorts were a relatively small negative.

Changes to the Portfolio

Energy stocks appear cheap globally with well-voiced concerns regarding lack of capital spending discipline and heighted sovereign risk weighing on the sector. However, we have reached a point where these concerns are now more than discounted and the stocks represent reasonable value. Accordingly, over the quarter we added 5% to our energy holdings including Inpex and Mitsubishi Corporation, funded largely by reducing holdings in the auto sector. We sold all our Fuji Heavy as our valuation target was exceeded and reduced our large investment in the Toyota Group of companies including selling out of Denso. Whilst valuations are still undemanding, it makes sense to recycle some of this exposure into areas offering more attractive value.

Outside of our call on the energy sector, the major new stock addition was Yamada Denki, a family run business that over 40 years gained the leading market share in the highly competitive (and now unfashionable) business of electronics retailing. Yamada's current earnings are cyclically depressed due to a large correction on household durable demand resulting from a combination of the March 2011 expiration of the eco-point subsidies[1] and July 2011 deadline for the cessation of analogue broadcasts both of which triggered significant anticipatory buying of digital TVs. In the short-term we expect demand for TV sets to soon stabilise. More interestingly, we think the market is missing positives such as a general rebound in Japanese consumption due to a rise in

[1] This consumer subsidy was initiated in May 2009 as part of the Japanese Government's response to the Global Credit Crisis designed to encourage the replacement of ageing household durables (TVs, refrigerators and air conditioners) with more energy efficient versions. It resulted in TV demand spiking from a normal level of nine million units to 26 million units in 2010; TV demand in the year ended March 2013 at estimated 6 million units is now well-below trend.

export earnings and, hence, bonuses; the wealth effect of recent equity and property price rises; and the government's stated intention of spurring housing renovation and durable demand as a key offset to any consumption tax hike[2].

The secular pressures facing the electronics retailing industry are all well-vocalised, most obviously in the US where companies such as Best Buy are under attack from both well-capitalised general merchandise (GMS) retailers (e.g. Walmart and Target) and internet-only retailers (e.g. Amazon). In contrast, we assess that Yamada's position in Japan is far stronger. Firstly, the company has already competed the Japanese GMS retailers out of the electronics segment. Secondly, in Japan, Amazon is unable to use its US state based sales-tax advantage to undercut the traditional players. Thirdly, Yamada with roughly a 22% share and being 2.4x the size of the next competitor, is still taking market share as weaker operators either offer themselves for sale or fail. Accordingly, unlike Best Buy in the US, Yamada should continue to be the price leader in Japan. We accumulated our position at around 0.6x P/B, a bargain for a company of this calibre.

Whilst in aggregate our gross long exposure has risen, we have cut our net equity exposure from 91% to 86% largely via index shorts and increasing our overall yen exposure to position the Fund for a pull-back. Over the past two quarters the yen has weakened in a dramatic fashion falling some 17% against the dollar, the Euro and the Korean won. Whilst we expect the yen will continue to weaken in the long-term, we are also cognisant of the potential negative impact of this devaluation on the current weak links in the global economy and specifically Europe. For this reason we have brought back some of our yen hedges finishing the quarter at 51% exposed to the yen (versus 31% at the beginning of the quarter).

Commentary and Outlook

Whilst we would concede that four of the most dangerous words for an investor are 'this time it's different', it makes some sense to keep an open mind on 'Abenomics'. Conspiracy theories abound on the source of Abe Mark II's new sense of purpose, but more important than the individual, a consensus seems to have formed across society that Japan needs to change. To this end, Abe has appointed two external committees to advise him on fiscal/monetary policy[3] and industrial revitalisation[4]. The goal of these committees is to formulate policy free of intense bureaucratic interference. Importantly, corporate management (Presidents of Lawson, Toray etc), entrepreneurs (e.g. Mikitani founder of Rakuten) and past champions of reform (Takenaka Heizo, Koizumi's Minister in charge of Japan Post privatisation) have decent representation on both these committees.

Regular readers will note that we have tracked the torturous journey to this point from the perspective of the rise and success of increasingly free-market orientated fringe parties (Your Party and Japan Restoration Party). However, more than anything else, the recent Chinese territorial disputes seem to represent a defining turning point, with Japan facing exogenous pressures, seemingly now willing to countenance change – or face accelerating socioeconomic marginalisation by China.

Whilst 'Abenomics' still remains ill-defined, most of the actions/commentary flowing from the newly formed government (and corporate sector) is encouraging (though statements that companies should arbitrarily pay their workers more to defeat deflation seem a tad out of step):

- Appointment of new Bank of Japan Governor, Kuroda, a confirmed believer in reflationary policy to replace the outgoing Masaaki Shirakawa, the most Austrian of all G20 central bankers.

2 In April 2014, the consumption tax rise is proposed to increase form 5% to 8% and then 10% the year after, however, the Abe administration has made both increases conditional on an improvement in the underlying vitality of the economy.

3 Council of Economic and Fiscal Policy.

4 Council of Industrial Competitiveness.

- Desire to attend tripartite talks with China and South Korea to address festering issues.
- Announcement of Japan's formal participation in Transpacific Partnership (TPP) talks.
- Abe acknowledges the importance of the stock market wealth effect and stresses the importance of lifting Japanese corporate governance standards i.e. shareholders may in fact matter.
- The Liberal Democratic Party (LDP) advisers suggest that one of the key impediments to industrial revitalisation has been cloistered banks that have fostered the survival of 'zombie' companies and that Japan needs to encourage far greater capital and labour mobility.
- Actions by high profile corporates such as Asahi Group and Kirin to lift shareholder distributions.

As regular readers will note, many of the Japan Restoration Party policies that we listed in the September 2012 quarterly report are now being subsumed in the mainstream LDP narrative. We expect the LDP will attempt to maintain the 'Japan is back' narrative leading into the July upper house election. We also highlighted in the September 2011 quarterly report the issues surrounding the Japanese Supreme Court's demands for electoral boundary changes to address the over-representation of rural voters – these reforms did not take place prior to the November lower house election and has resulted in the Hiroshima prefecture level High Court determining certain local results to be void. Whilst the market will not like the uncertainty related to a broader questioning of the new LDP coalition's legitimacy, if it actually results in reform and a more representative form of government, it is a longer term positive (the over-represented rural voter base is on average much older and conservative than the urban voter). We don't wish to bore readers with too much of this as we are guilty of all too often writing our own prescription for Japan's ills. Nevertheless, we do wish to keep readers up to speed on real changes, if they occur.

As far as share-prices are concerned, at some point the market will grow weary of the cure-all fiscal and monetary policy stimulus and will look for signs of real corporate reform. Japan's corporate return on invested capital[5] remains low by global standards (11% in 2012 versus just over 16% in the US and Western Europe). Whilst some of this underperformance is the result of cyclical factors (the over-valuation of the yen and disruptions caused by the March 2011 Great Tohoku Earthquake), it is more attributable to corporate management that does not answer to shareholders and is protected from the threat of aggressive corporate takeover by complicit bureaucrats and banks that won't ration debt capital. Any sign that this protection is being withdrawn would represent rocket fuel to this market.

Based on our analysis of Japanese corporate profitability versus the level of the trade weighted currency, at a yen level of 95, we estimate the Japanese market P/E at 12.5x versus 15.0x for the US and 13.5x for Western Europe (2013 earnings). Also, it would seem that at a yen level of 95 Japanese corporates are set to achieve a record 16% Return on Capital Employed (RoCE) which is impressive given that the last record of 14% set in 2008 required a 20% lower currency level.

As always, the question regarding the direction of markets is as much about valuation as it is 'animal spirits'. Last quarter, in the context of some return of the latter, we made the simple observation that Japanese equities were at least 30-50% undervalued based on an undemanding target for our marker stock Toyota Motor; that leaves a 10-30% move to hit our current target. Whilst, in the short-term it feels the market is due for a rest, we still see plenty of value in the stocks we own.

[5] Earnings Before Interest and Tax / (Book value of Equity + Net Debt).

Platinum International Brands Fund

Simon Trevett Portfolio Manager

Disposition of Assets

REGION	MAR 2013	DEC 2012
Europe	32%	35%
Asia and Other	27%	28%
Latin America	7%	7%
North America	7%	7%
Japan	3%	4%
Africa	2%	1%
Cash	22%	18%
Shorts	5%	6%

Source: Platinum

Performance and Changes to the Portfolio

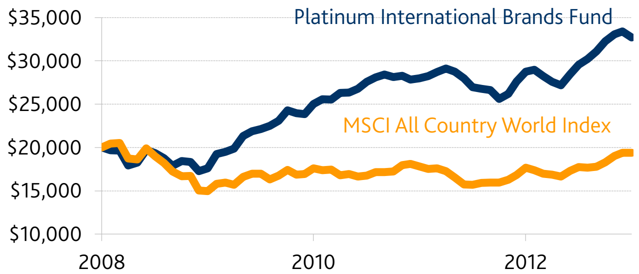
(compound pa, to 31 March 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	1%	14%	9%	10%	12%
MSCI AC World Index	6%	10%	3%	-1%	-2%

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

Value of $20,000 Invested Over Five Years

31 March 2008 to 31 March 2013



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

The Fund's performance for the quarter masks a wide range of underlying stock price moves. Amongst the Fund's top holdings, Grendene appreciated over 30% whilst Debenhams declined by a similar amount. The Fund took the opportunity to adjust accordingly and in the case of the Fund's holding in Honda, sell completely as the Japanese market surged.

The Fund has a low exposure to Japan. If changes in the underlying economy occur with the perception of inflation, or the anticipation of tax driven price increases encourages consumers to spend, then the Fund will ultimately benefit indirectly. The Fund's Indian holdings were weak, retracing some of the prior gains. The Fund took advantage of price moves and added two new stocks; Titan Industries, the largest jewellery retailer in India and Tata Global Beverages.

The fall in Sterling also detracted from performance. Despite the short-term impact this should ultimately benefit our companies with their orientation towards tourist spending.

Commentary

The Fund has an interest in a variety of themes: tourism; emerging Africa; the rise in consumerism and middle classes in large developing markets; and the lift in spending as millions across the globe start to earn and spend (!) above subsistence levels. The question, as always, is to determine how to invest and at what price? Whether through the predominantly western world multinationals; directly into their subsidiaries in emerging markets; via their local, if listed, joint venture partners; or alternatively without any multinational involvement and directly into regional companies and their brands. Each time it is a question of the facts and ultimately the price. We do, however, attach a degree of importance to the operational and governance benefits of having a multinational involved.

Tata Global Beverages Ltd (TGBL) is another slightly different example. This Indian multinational has transformed itself over the past decade from predominantly an Indian tea grower to an international branded consumer goods company and more recently added some involvement from iconic brand companies Pepsi and Starbucks.

Readers will likely be familiar with their lead brand Tetley Tea, a company they bought in 2000 and furthered by a series of acquisitions in both tea and coffee businesses including Eight O'Clock Coffee in the US. The company's brands now have a presence in over 40 countries and a claim that 250 million servings of their products are consumed a day! That places Tata as second only to Unilever in the global tea market.

More recently there's a joint venture with Starbucks to roll out the all too familiar Starbucks coffee shops across India. After the usual unexpected delays they now appear to be on track to open 50 stores relatively quickly and with the initial feedback, from both Tata and Starbucks, seemingly very positive. Undoubtedly, we will hear more on the enormous potential for a ubiquitous presence across India!

Many of the European luxury brand companies confirmed during their recent results presentations the importance of spending by tourists, especially in key markets like France. The focus is very clearly on the Chinese and Russian tourists and even a cursory glance at the global statistics would confirm their dominance, however, resurgence in Japanese tourism in 2012 is also encouraging. The World Tourism Organisation (UNWTO) highlighted that for the first time the number of international tourists passed one billion in a year. Europe was the recipient of just over half of them!

An analysis of the value added tax (VAT) refunds claimed by tourists reinforce that many of the Chinese visitors are well aware of the price differentials on luxury goods, some 20% to 40% lower between Europe and China. The trends are encouraging; even the latest International Airline passenger data show continued growth, especially in Asia. IATA also commented on improvements in China's economy supporting the outlook for increasing passenger numbers. The Fund has a number of investments that will benefit directly from these trends and is continuing to evaluate additional opportunities.

Outlook

The increased volatility in the markets and a weaker quarterly performance from the Fund has not detracted from an underlying cautious optimism in the themes and investments being pursued by the Fund. Valuations are now much less attractive amongst the more well-known developed market consumer stocks with the Fund tending to find more interesting opportunities in the developing markets such as India and Latin America.

Platinum International Health Care Fund

Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	MAR 2013	DEC 2012
Europe	41%	39%
North America	28%	27%
Japan	4%	4%
South America	1%	1%
Australia	1%	1%
Asia	0%	1%
Cash	25%	27%
Shorts	2%	2%

Source: Platinum

Performance and Changes to the Portfolio

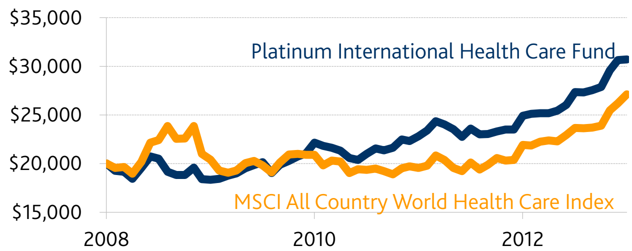
(compound pa, to 31 March 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l HC Fund	10%	23%	11%	9%	6%
MSCI AC World HC Index	13%	24%	9%	6%	4%

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

Value of $20,000 Invested Over Five Years

31 March 2008 to 31 March 2013



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

Healthcare continues its exciting time with companies like Johnson & Johnson (JNJ) trading at an all-time high. The company is steadily growing, divestments are being considered, while its pharma division continues its recovery with the approval of a new diabetes drug.

In general most pharma companies have entered the recovery phase and continue to perform well (our pharma holdings are up 15% on average).

Biotechs are very much in favour as new product cycles are indeed real, signalling good growth prospects for the industry in years to come. Medtech companies are also gaining ground reporting more stable patient flows, while pharma is no longer dominated by the patent cliff.

Acquisitions and divestments in healthcare continue; our Chinese trauma device maker, Trauson, was acquired by US device company, Stryker; while Pfizer successfully completed the first step of its animal health spin off (20% of the business is now publically listed).

Product launch stories in biotech are back on people's radar screens with Ironwood Pharma's new prescription constipation drug, Linzess, doing a lot better than expected, while Incyte's Jak inhibitor also surprised (Ironwood +60%; Incyte +37%).

Qiagen also performed above average this quarter (+19%). Results this quarter demonstrated that Therascreen, Qiagen's molecular diagnostic brand that will be sold alongside drug therapies, is now the next growth platform for the company.

Personnel changes in pharma are always worthwhile to watch. At Novartis, Dr Vasella retired this quarter as Chairman; the clearest signal yet that the post-Vasella era is finally here. As his replacement, Dr Reinhardt will return to Novartis. Dr Reinhardt used to be COO at Novartis but left in 2010 to supervise Bayer's research and development. We understand that Dr Reinhardt always wanted to stay on at Novartis and in our view his strategic approach and follow-through will be a long-term benefit for the company.

This quarter we added to AstraZeneca and Lundbeck. Both companies have serious patent problems which are reflected in their valuations. We see value in AstraZeneca's respiratory and diabetes franchise as well as antibody expertise. At Lundbeck we see a company that is one of the last biotechs investing into depression and schizophrenia with the help of a Japanese partner.

Commentary

The notion of using antibodies[1] as a therapeutic has been the nirvana of drug developers.

In the 70s, the structure of antibodies was discovered. Scientists progressively refined their understanding and began to grow monoclonal antibodies in petri dishes. In the 80s, humanisation techniques became available removing the potential side effect that murine antibodies exhibited. By the mid-80s, the first monoclonal antibody was approved and by the late 90s, the antibodies that dominate the top 10 global drugs today were approved.

Today, six out of the top 10 global drugs are antibody therapies generating almost $46 billion in sales last year. The excitement around this drug class is set to continue, as pharma companies stock-up on antibody drugs and technology. However, more importantly we are about to enter stage two of antibody therapy with the approval of **Antibody Drug Conjugates (ADC)** and the emergence of more potent antibody molecules or fragments thereof (e.g. nanobodies).

ADCs combine the specificity of the antibody world with the cell killing ability of the anti-cancer small molecule world. The antibody carries a potent chemical drug and essentially functions like a 'guided missile' delivering the payload right to where it belongs, inside a tumour. The idea is to spare healthy cells, while the cancerous cells get the full impact of the cancer drug.

[1] Antibodies are produced by our immune system. They identify and neutralise pathogens. In drug therapy antibodies are engineered to attack disease targets instead. Drug developers like them for their high target specificity.

The linker between antibody and drug is a crucial aspect of this ‘partnership’ and has represented a stumbling block in the past. Stability was a problem and often the chemical was released too early, seldom reaching the actual tumour. Ideally the antibody binds to a target on the surface of the tumour cell, the target-antibody complex gets internalised and only then, is the chemical released.

Immunogen, one of our antibody holdings, is an ADC company that developed a successful linker technology and earlier this year, got its first ADC, Kadycla, approved for advanced breast cancer. Kadycla is the ADC version of Roche’s breast cancer antibody Herceptin. While Herceptin binds to Her2 and stops cancer cells from growing, Kadycla goes one step further: once inside the cell it releases its toxin and kills the cells. Herceptin now has some serious competition! No surprise that Roche has licensed Kadycla (and developed it) to again increase the standard of care for breast cancer.

Immunogen has a pipeline of ADCs and has alliances with a number of pharma companies. Kadycla is the first success for Immunogen and we see it as a confirmation that the linker technology does work.

We believe that antibodies as well as antibody-like proteins have a very bright future. Companies with strong antibody technology expertise will be in demand in years to come.

Outlook

Domestic companies in emerging markets are of interest to us, but often valuations are high and competition among the locals is rising fast. This requires changes to the business or to expand geographically, all tasks that require time. Over time we will add companies that we can buy at the right price.

Overall, we are excited about the new product cycles. Healthcare has been a strong performer and we are careful not to get swept away by the excitement. We continue to identify multi-year themes such as the antibody one described above that should result in returns over time.

Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	MAR 2013	DEC 2012
Asia and Other	32%	34%
North America	22%	19%
Europe	20%	18%
Japan	6%	6%
Africa	1%	1%
Cash	19%	22%
Shorts	1%	1%

Source: Platinum

Performance and Changes to the Portfolio

(compound pa, to 31 March 2013)

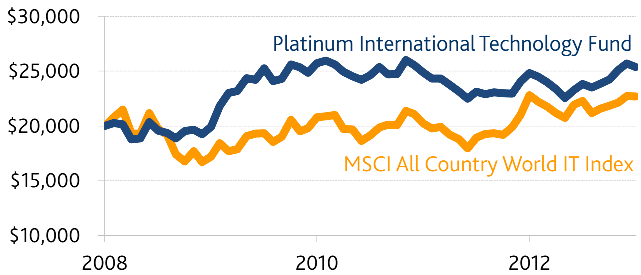
	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	5%	2%	0%	5%	7%
MSCI AC World IT Index	4%	-1%	3%	3%	-8%

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

During the quarter technology stocks in aggregate underperformed the global market rally; the MSCI World Information Technology Index (A$) was up by 3.8% compared to the 6.1% increase for the MSCI World Index for the same period.

Value of $20,000 Invested Over Five Years

31 March 2008 to 31 March 2013



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

In this context, the Fund's best performers were Marvell Technology (semi-conductors for storage, mobile and networking applications), Anritsu Corp (mobile infrastructure testing – see more below), AAC Technologies (acoustic components for mobile devices) and Freenet AG (telecommunication services).

Detracting from performance were Melfas (touch screen semiconductors), Baidu (leading Chinese search engine) and O-Net (optical networking components).

Currency fluctuations had only a marginal impact in the quarter. The Fund remains hedged out of the Japanese yen while the Australian dollar was virtually unchanged against the US dollar and Hong Kong dollar. The Euro and Korean won weakness marginally detracted from performance.

Commentary and Outlook

In the Fund's December 2012 quarterly report, we described the 4G/LTE smartphones proliferation as one of the most interesting investment themes for 2013.

During this quarter several announcements from telephone operators in Europe and Asia confirmed our thesis that a capital expenditure upgrade cycle to LTE is only a matter of WHEN not IF, for those operators willing to remain competitive in their respective marketplaces.

In fact, in Europe we noticed that KPN (Netherlands), Telecom Italia and Deutsche Telecom all reinforced their intentions to spend more money developing and building next generation mobile networks.

Moreover, in Asia we had another confirmation of this trend from China Mobile, the giant wireless operator with the largest wireless capital spending budget in the world. China Mobile announced its 2013 capital expenditures will increase by 49% compared to 2012, well-above analyst expectations.

More recently, we added to the portfolio two holdings in companies that we believe are going to specifically benefit from this LTE technology transition and expanding market opportunity: Anritsu Corporation in Japan and Skyworks Solutions Inc in the US.

Anritsu is not a name most Australians would be familiar with, but many may remember the metallic green, built-like-a-tank payphones that were once an almost ubiquitous sight on our streets. Anritsu manufactured and supplied these to Telecom starting in the 1970s. As one might suspect, payphones are no longer a growth market, but in the interim Anritsu has transformed into one of the world's leading mobile infrastructure testing companies.

Anritsu is a rare example of a mid-cap Japanese company that has managed to break free of its reliance on its parent company (in this case NEC) and become globally competitive. For many years though it didn't look like it would. For about twenty years to 2008, there were few signs of life at Anritsu – growth was slow, returns dismal and management insular. But there were two events, one fortuitous, the other deliberate, that changed the direction of the company.

The first was Japan's early rollout of 3G mobile services. Turning on a new network requires extensive testing, both of the network itself and the handsets that run on it, and being the leading domestic manufacturer of this testing equipment, Anritsu, got a head start on its global peers by a couple of years when Japan started the first commercial 3G network in 2001. While they ran on different frequencies, 3G was the first wireless standard that was more or less identical globally and Anritsu was able to leverage that lead into sales at global carriers and handset manufacturers. The second, while significant, took time to take effect. After the IT bubble burst, Anritsu embarked on a comprehensive restructuring program that focused on improving returns and setting key objectives; one area that got cut was wasteful research and development projects that had no clear path to sales. The result was a fundamental shift in the underlying profitability of the business that has only emerged in the last two to three years. So today, not only do we have a transformed business that has the potential to be more profitable through investment cycles, but handset makers and carriers are in the early stages of rolling out 4G/LTE networks which should drive another wave of investment in Anritsu's testing equipment.

Skyworks Solutions is a supplier of high performance radio frequency (RF) components[1] and compound semiconductors to the global mobile industry. The company also provides analogue and mixed signal semiconductors to markets like automotive, broadband, energy management, industrial and military applications. Skyworks was formed through the merger of the wireless communications business of Conexant Systems Inc and Alpha Industries Inc in 2002.

The company is a leader in design and manufacturing of Gallium Arsenide (GaAs) semiconductors which tend to have superior electronic properties compared to those made of silicon. In particular GaAs transistors can generally perform better than their silicon-based peers at frequencies in excess of 250 GHz and they are relatively insensitive to heat. These properties make GaAs circuitry ideal in mobile phones, satellite communications, microwave point-to-point links and higher frequency radar systems. Skyworks' key RF products include a number of essential components for mobile devices, smartphones and tablets: power amplifiers, front-end module and switches. Skyworks is one of the few companies in this industry able to provide a full set of components (from antenna to transceiver) for the needs of mobile device manufacturers. Attesting to the company's unique position in the mobile supply chain are its 35% market share and its marquee customer list, especially industry leaders Apple and Samsung.

We believe that Skyworks is well-positioned to benefit from some important trends developing in the mobile devices industry. More specifically:

1. The global smartphone market is expected to more than double in volume from 700 million units shipped in 2012 to 1.5 billion in 2017.

2. Later generation cellular technologies (4G/LTE) require exponentially higher RF content because these phones have to support more frequency bands. While a feature phone may need to support between 2 to 4 bands of spectrum frequency, an entry level 3G smartphone may support between 6 and 8 bands. High-end smartphones (e.g. iPhone, Galaxy etc) that are both 3G and 4G can support up to 15 bands. One reason for this exponential growth is backward compatibility – a 4G phone must be able to pick up 3G frequencies when it cannot find a 4G network.

3. The added complexity and functionality of the RF components provides an opportunity for higher value added products that benefit RF semiconductor manufacturers like Skyworks.

For the above reasons we consider Skyworks, trading at less than 10x P/E for September 2013, a very attractive investment.

In addition to the abovementioned mid-cap stocks, the Fund is also exposed to the LTE theme through large-cap names such as Ericsson, Samsung Electronics, Vodafone and Cisco Systems.

Large-cap technology stocks valuations remain extremely attractive compared to their historic level, as well as smaller-cap stocks and the Fund remains accordingly positioned in order to benefit from their eventual re-rating. Samsung Electronics trades at 7.7x P/E for 2013 with an expected earnings growth of 27%. Similarly, Microsoft trades at 10.1x P/E for June 2013 and Cisco trades at 10.7x July 2013.

[1] In a radio receiver circuit, the RF front-end is a generic term for all the circuitry between the antenna and the first intermediate frequency (IF) stage. It consists of all the components in the receiver that process the signal at the original incoming radio frequency (RF), before it is converted to a lower intermediate frequency (IF). (Wikipedia).

Africa Rising

Ten to fifteen years ago it was common to be asked, "What about Africa?" At the time one would grimace and enter into a tirade about its many shortcomings. **The time has now come**. Rather like the spreading of revolution across South America in the first half of the 19th century as the Spanish colonial grip slackened and which was to bring fundamental change, the base line (trend) for change in Africa is now in place. The lesson from Latin America, and for that matter the transformation of the Asia Pacific Rim in this last century, was to understand this change of trend. This did not reduce the bumpiness of the ride, which involves significant swings of investor sentiment and hence asset prices, but it can settle one's anxiety in the face of periodic losses of confidence and provide one with an anchor through the turbulence.

What follows is a description of some of the contributing and detracting factors. This is not meant to be a comprehensive study but to set out markers, some anecdotal, gathered from a recent trip to parts of South Sahara Africa (SSA).

The Internet and mobile phone

Like elsewhere, SSA has been a huge beneficiary of these two leaps in technology. There are the obvious benefits of improved dissemination of information and knowledge at a capital cost that is a fraction of earlier telephonic iterations. With mobile handset prices dropping precipitously, including those of smartphones, market penetration is already typically 80% of the population with outliers in the Democratic Republic of Congo at around 30% and the Republic of South Africa at 150%, a function of multi-sim card ownership. This degree of mobile ownership is remarkable when one considers the lack of electrical supply, and in places like Zimbabwe, there is a roaring trade in small solar panel chargers.

Safaricom, listed in Kenya and 35% owned by Vodafone, has stretched the boundaries of value even further with its 'M-PESA' innovation. Subscribers have been given a safe way to send and receive money via their mobile phones. This is supported by a network of 39,000 agents nationwide. There are now over 15 million Kenyans using the M-PESA platform – and it keeps evolving. Safaricom is extending the facility (and augmenting its income) by allowing users to make payments remotely with their phones and better still, to even earn interest on current accounts and/or to gain access to micro credit via their phone. In countries where many do not have bank accounts, partly because of very limited savings and the high cost of running a bank account, this innovation is a huge

breakthrough. As you can imagine, in the past the principal way of delivering funds to a needy relative was to embark on a long, arduous and expensive bus ride up-country. Paying bills was as painful, with long queues and a reward of an indolent clerk. Safaricom's entry into micro finance – where it takes 7.5% of the monthly 2% lending fee earned by a partner bank, is causing consternation from the leading bank in this area, Equity Bank, which has been earning spreads of over 15% points on this business and which has been growing by over 30% pa!

These changes, however, relate mostly to **economic emancipation**. The more subtle and perhaps more invigorating aspect relates to **awareness of choices**. The manacles of ignorance are being corroded by a developing awareness by the populace of the opportunities in a modern and open(ing) society. This is quite apart from the aspirational aspects of materialism.

Time and urbanisations

Most of the countries in SSA cast-off colonial rule in the 1960s. In some cases the scars were deep, but over the last 50 years and with the examples of the enormous economic progress achieved by Asian countries of a similar economic standing at the outset, it has become evident to many that to blame the colonialist is no longer a sufficient explanation for SSA's relative economic under-achievement. In many cases the output per person was higher in SSA than in the countries of the Pacific Rim, India and China in the 1960s. This awareness of social and economic under-performance is made all the more stark by the large movement from the country to ever enlarging urban conurbations. In turn, this is reducing the influence of traditional affiliations. An interesting test of this will be the elections in Kenya at the end of February. This is likely to reveal the sharp distinction of voting patterns between urban and rural dwellers. There may also be revealed a preference for reform by the country's voting youth. While the fertility rate has been dropping (for example, women in Kenya typically would have had an astonishing eight children back in 1960 compared to under five now and with much improved survival rates), the **age pyramid of SSA** resembles that of the early experimental pyramids in Memphis rather than the Michelin man common in economically advanced countries. This tidal wave of new young voters, with all their awareness and aspirations is a force that will not be assuaged by glib promises delivered from the comfort of some presidential palace. Harking back to the ubiquitous mobile phone-come-camera, one can understand the concerns and challenges now facing the most thoughtless political tyrant.

Metal and mineral resources

George Soros wrote a book on the negative aspects of SSA's bountiful resources – arguing that it has simply **encouraged a kleptocracy** to the detriment of the broader population. This has undoubtedly been the case but because of the factors described above, it is probable that this behaviour will ever so gradually subside. Moreover, recent discoveries of oil and gas in countries formerly seen as largely agricultural, like Ghana, Mozambique, Uganda, and probably Kenya, is a **transformational event**. Though still nascent, exploration work is revealing whole new energy provinces with Mozambique having perhaps more offshore gas than Australia's NW shelf. Similar surprises have occurred in Uganda with oil discoveries in Lake Albert having in situ reserves to date of perhaps 3.5 billion barrels. Ghana is now producing over 110 thousand barrels of oil a day from the offshore Jubilee field, most of which is exported, and there are several other highly prospective areas for both oil and gas. Consider the economic impact of unlocking these huge resources on tiny economies; surging exports, exponential lift in governmental revenues and out-sized capital inflows to fund the necessary infrastructure. In the case of Ghana, GDP per capita has doubled in the last five years to around $1,300 pa.

On our trip we visited Vale's huge open cast coal mine in Tete province of Mozambique. This is a gigantic undertaking with the plan to gradually lift production of both coking and thermal coal to some 21 million tonnes a year, say export revenues of $3 billion pa. Compare this to current GDP of say $25 billion pa and a population of only 13 million. Moreover, a similar sized project is being undertaken by the likes of BHP which together with the creation of a new port and railway line gives one a hint as to how transformational these projects will be. SSA's average GDP per capita is still below $1,000!

The involvement of huge multinationals with their declared policies on ethical business practices, together with relatively clear national investment and fiscal agreements, is having the desired effect of reducing scope for side deals.

To avoid excessive leakage and for reasons of their own economic agenda, the Chinese use a model of actually building infrastructure such as roads, railways, bridges and ports in exchange for long-term concessions over fisheries, land and minerals etc. Unfortunately, football stadia and flashy new airports have also been a big winner with populist leaders. By sending in their own teams, the Chinese are delivering these projects in record time and apparently to budget. There may be longer term regrets as to the ultimate cost of these deals, with resources being surrendered at very cheap prices, but at least these facilities exist and offer immediate utility rather than being vague hopes. There are other issues that arise such as the staying-on of Chinese workers who then compete against established small holders to the latter's (short-term) detriment.

Having been one of the world's principal producers of copper in the 1950s and 60s, nationalisation and mismanagement saw Zambia's production slip to virtual insignificance by the turn of this century. After spending $2.5 billion on refurbishing the mine and the treatment plant, Vendanta Resources has completely rebuilt the Konkola copper mine at Ndola. The grades are extraordinary at 3.5% contained copper - by way of contrast Chilean grades are running at just over 1%, but the drawback is contact with aquifers. It has to pump 350,000 tonnes of water a day into the Kafue River. Similarly, other mines are re-opening on the copper belt and Zambia could find itself back as the second largest producer at 1.5 million tonnes of copper a year in 2015.

Apart from metals, Zambia also contains 60% of SSA's water resources which together with huge tracts of unworked land in a country the size of Texas, 750,000 km^2, provides it with huge potential. One listed company trying to exploit this opportunity is Zambeef. Its highly integrated model of food production from field-to-table is producing some remarkable growth rates against less organised competitors. Others are seeing the opportunity too with foreign demand for farm land escalating and Zambeef recently had to pay US$50 million for a 50,000 ha farm against fierce Russian bidding.

Potential is not the problem in SSA; graft certainly is

There are obviously many problems which include undue subsidies, expensive and scarce credit, land ownership uncertainties, unemployment, disease, inadequate infrastructure and the list goes on.

Poor segregation of the powers between the legislature, executive and judiciary, together with a deeply etched sense of entitlement **is stunting development**. Unlike the experience in other parts of the world, where rents are extracted for facilitation, the Africa version focuses more on creating blockages than the need to be facilitated. We came across some jaw-dropping examples that would put the best Monty Python sketch to shame were it not so debilitating. The World Bank's Economic update, edition No.7, has a whole section on corruption with over a dozen first-hand accounts of the experiences of individuals in their daily lives. It goes on to quantify the approximate annual cost of kickbacks for government contracts at Ks36 billion pa (approximately US$425 million) and other bribes paid by firms (alone!) at Ks69 billion (US$800 million), and estimates that this money could otherwise have been mobilised into creating 250,000 jobs at the average wage.

The encouraging aspect is that **political accountability is improving**. Zambia has now experienced four changes of presidents since Kenneth Kaunda left office in 1990 after his economic experiment of Zambian humanism failed. There are other examples of reform from Kenya to Ghana with notable exceptions in some countries where their all-powerful leaders still seem to have the final say in everything. However, as the Arab has demonstrated, there is no going back.

From our perspective the behaviour of a country's leadership will be the best barometer of a country's medium-term prospects. For this reason we would rather invest north of the Limpopo even though the physical size of these markets is at present much smaller than that of the continent's economic giant, South Africa. On account of its relatively huge economic base, South Africa will obviously benefit from this growing interest in the African continent. However, it is our view that the Johannesburg Stock Exchange is relatively fully priced and the exposure gained through owning these stocks to broader Africa is typically in the low teens at best. This puts them in the same category of other multinationals like Unilever, Heineken and so on. There are some listings elsewhere that we are working on, together with the gradual accumulation of stock on various African exchanges.

In summary, the base line is in, the continent vast (with a land mass exceeding that of the US, China and Brazil *combined*) and the potential enormous. Valuations are acceptable for risk-seeking investors in a world of slow growth.

Kerr Neilson
January 2013

Glossary

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

Japanese Government Bond (JGB)
A bond issued to investors by the Japanese Government, denominated in Japanese yen. Currently JGBs (10 year) offer a yield of about 0.5%. Bond prices have an inverse relationship to bond yields. This means that falling bond prices denote rising yields and vice versa. If the economic outlook in Japan begins to improve and long-term interest rates rise in Japan, JGB prices will fall. By short selling JGBs, the Platinum International and Japan Funds are positioned to benefit from an improvement in the Japanese economy.

MSCI Indices
Varying indices compiled by Morgan Stanley Capital International (eg. World, Asia, Healthcare etc) that are designed to measure equity market performance across different regions and industries.
Platinum does not structure its investment portfolios relative to a benchmark, 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 Book Ratio (P/B)
The ratio of a company's current share price to its current book value. Book value is the sum of a company's total assets minus its total liabilities and intangible assets. The P/B is used as an indicator of the value of a company by comparing its share price to the amount of the company's assets that each share is entitled to.

Price to Earnings Ratio (P/E)
The ratio of a company's current share price to its per share earnings. The 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.

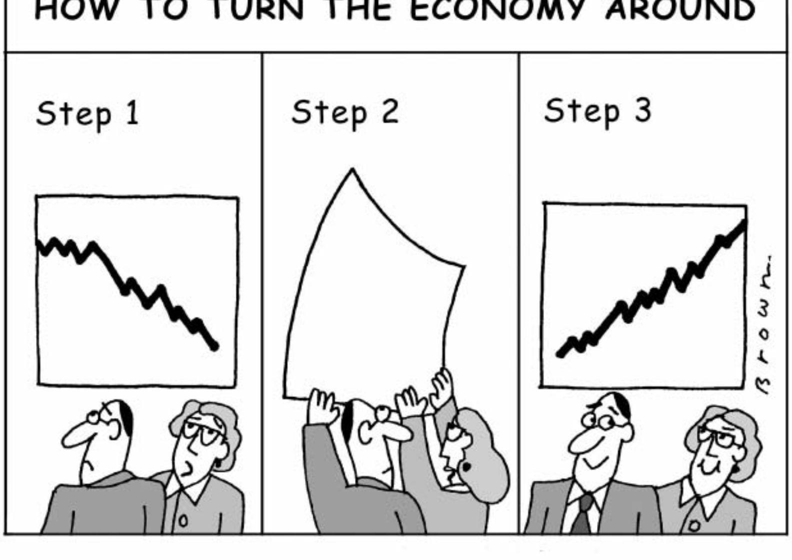
Return on Capital Employed (RoCE)
A measure of the returns that a business is achieving from the capital employed, usually expressed in percentage terms. Capital employed equals total assets minus current liabilities. It indicates the efficiency and profitability of a company's capital investments.

Short Selling or Shorting
A transaction by which an investor is able to generate profit from a fall in the price of a particular company 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 the Platinum Unhedged Fund.

Please utilise the "What's New" page on our website, http://www.platinum.com.au/Whats_New.htm as a reference point for updates and announcements.

From early May, we shall use this part of our website to advise of the estimations (updated weekly) for the forthcoming Platinum Trust Funds' 30 June distribution.

"It's not dead, it's negative growth."



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 historical performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Funds and other risk factors associated with investing, investment returns can be negative (particularly in the short-term).

   The inception dates for each Fund are as follows:
   Platinum International Fund: 30 April 1995
   Platinum Unhedged Fund: 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

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 31 March 2008 to 31 March 2013 relative to their Index (in A$) as per below:
   Platinum International Fund - MSCI All Country World Net Index
   Platinum Unhedged Fund - MSCI All Country World Net Index
   Platinum Asia Fund - MSCI All Country Asia ex Japan Net Index
   Platinum European Fund - MSCI All Country Europe Net Index
   Platinum Japan Fund - MSCI Japan Net Index
   Platinum International Brands Fund - MSCI All Country World Net Index
   Platinum International Health Care Fund - MSCI All Country World Health Care Net Index
   Platinum International Technology Fund - MSCI All Country World Information Technology Net Index
   (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.

3. Long invested position represents the exposure of physical holdings and long stock derivatives. The net invested position represents the exposure of physical holdings and both long and short derivatives.

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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 PAM now manages around $17 billion, with approximately 13% of this coming from overseas investors. The Company was listed on the ASX in May 2007 and staff remain the majority shareholders.

Since inception, the Platinum International Fund has achieved returns of nearly three times those of the MSCI All Country World Index* and considerably more than interest rates on cash.

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