Platinum®
ASSET MANAGEMENT

Quarterly Report
31 March 2014

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 2014

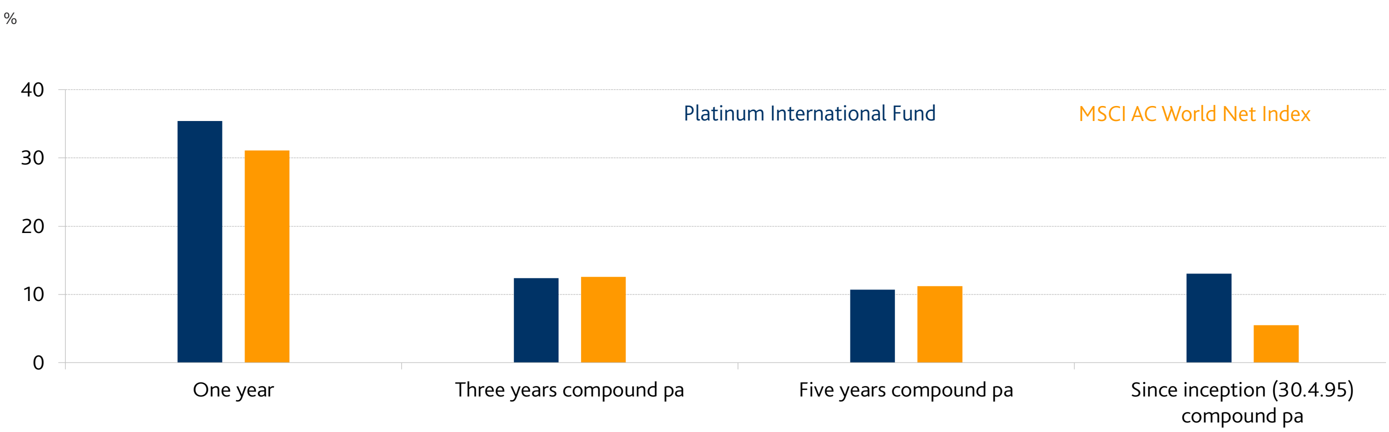
FUND	PORTFOLIO VALUE	QUARTER	1 YEAR	2 YEARS *COMPOUND PA*	3 YEARS *COMPOUND PA*	5 YEARS *COMPOUND PA*	SINCE INCEPTION *COMPOUND PA*
International Fund	**$9,693m**	**-3.2%**	**35.4%**	**21.1%**	**12.4%**	**10.7%**	**13.1%**
MSCI AC* World Net Index		-2.4%	31.1%	20.0%	12.6%	11.2%	5.5%
Unhedged Fund	**$286m**	**-0.7%**	**37.8%**	**22.2%**	**13.1%**	**16.0%**	**11.1%**
MSCI AC World Net Index		-2.4%	31.1%	20.0%	12.6%	11.2%	4.6%
Asia Fund	**$4,298m**	**-3.5%**	**18.9%**	**15.6%**	**8.2%**	**11.2%**	**15.7%**
MSCI AC Asia ex Japan Net Index		-4.2%	15.6%	10.9%	4.5%	9.7%	9.5%
European Fund	**$273m**	**-2.5%**	**33.9%**	**22.3%**	**14.9%**	**19.7%**	**12.2%**
MSCI AC Europe Net Index		-1.8%	38.2%	22.9%	11.5%	10.7%	1.9%
Japan Fund	**$413m**	**-7.4%**	**37.5%**	**28.3%**	**17.8%**	**11.9%**	**14.2%**
MSCI Japan Net Index		-8.9%	20.9%	14.2%	9.3%	4.2%	0.2%
International Brands Fund	**$1,251m**	**-3.3%**	**25.1%**	**19.3%**	**13.5%**	**18.4%**	**13.2%**
MSCI AC World Net Index		-2.4%	31.1%	20.0%	12.6%	11.2%	0.1%
International Health Care Fund	**$98m**	**-0.4%**	**31.8%**	**27.5%**	**21.1%**	**17.2%**	**7.9%**
MSCI AC World Health Care Net Index		2.0%	41.6%	32.5%	25.2%	13.5%	7.0%
International Technology Fund	**$59m**	**-2.0%**	**39.5%**	**19.4%**	**12.5%**	**12.2%**	**8.7%**
MSCI AC World IT Net Index		-1.5%	39.3%	17.7%	16.0%	12.9%	-5.3%

* 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

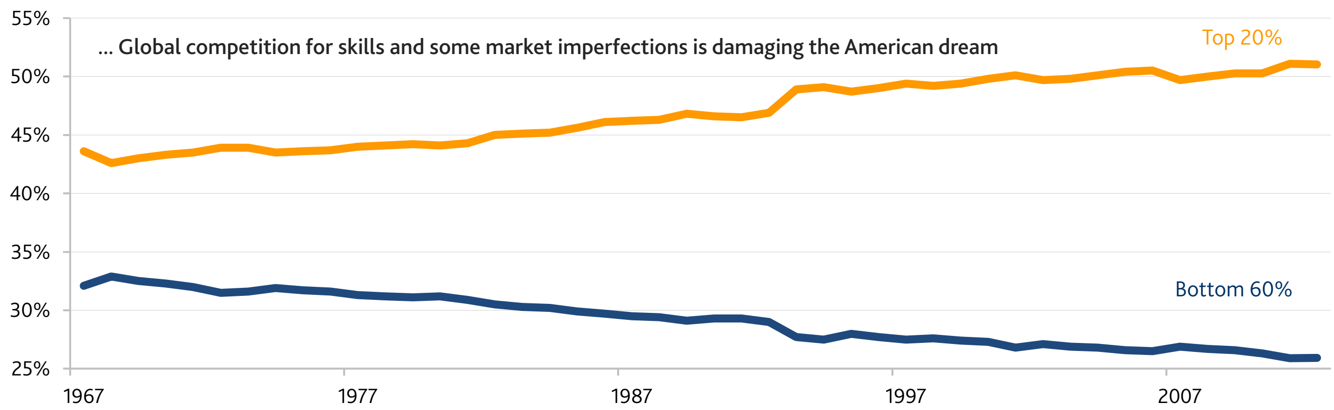
To 31 March 2014



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

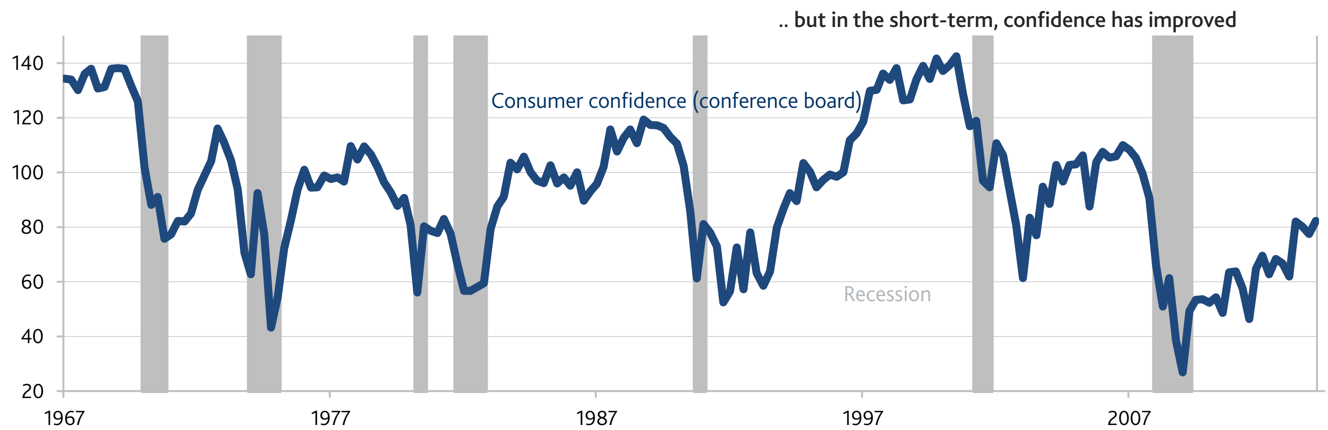
Market Panorama

US Real Household Aggregate Income Share by Income Bracket



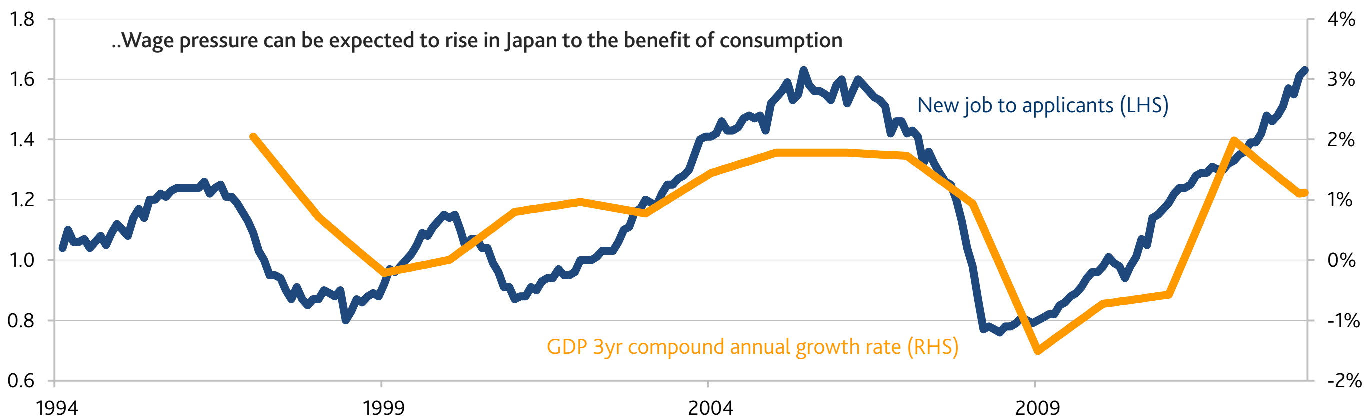
Source: US Census Bureau

US Consumer Confidence - Conference Board



Source: https://www.conference-board.org/data/consumerconfidence.cfm

Japan - New Job to Applicant versus Real GDP Growth



Source: IMF and INDB, compiled by SMBC NIKKO

Platinum International Fund

Kerr Neilson Portfolio Manager

Disposition of Assets

REGION	MAR 2014	DEC 2013
North America	26%	27%
Europe	26%	24%
Asia	21%	20%
Japan	15%	18%
Russia	1%	1%
Australia	1%	1%
South America	1%	1%
Cash	9%	8%
Shorts	13%	14%

Source: Platinum

Performance

(compound pa, to 31 March 2014)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l Fund	-3%	35%	12%	11%	13%
MSCI AC World Index	-2%	31%	13%	11%	6%

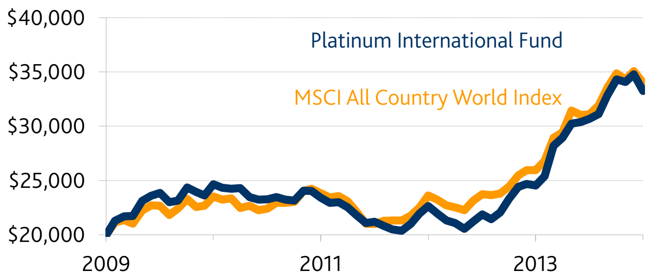
Source: Platinum and MSCI. Refer to Note 1, page 40.

More circumspection crept into the markets as the quarter progressed. The valuation-driven gains began to tire as investors assessed the prospect of higher rates later this year and the effect it has on discounting the distant earnings power of the much-favoured growth stocks. Late in the quarter the two strongest examples, biotechs and mobile Internet plays, swooned at this prospect.

The emerging markets were not helped by this or by the deteriorating Purchasing Managers' Index (PMI) from China which indicates a slowing economy. There was also evidence of pressure on housing prices in China and cash flow difficulties have begun to appear among the wealth management products.

Value of $20,000 Invested Over Five Years

31 March 2009 to 31 March 2014



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

Encouraging signs of recovery in Europe were spoilt by the fierce engagements in the Ukraine and Crimea, and consequent threats and counter threats.

Lastly, having slipped to 87 cents to the US dollar, the Australian dollar recovered to end the quarter up at 93 cents, which produces a negative effect on the MSCI World Index in A$ terms. Hence the Index was -2% for the quarter, but still a substantial +31% for the rolling 12 months. Hurting our Fund this quarter was the exposure to the mobile Internet companies and Japan. However, gains in India and some of our cyclical holdings partly offset this and we recorded a negative 3% for the quarter, but a positive 35% for the rolling 12 months.

Changes to the Portfolio

We were quite active in trading around our mobile Internet holdings. After strong rises from the likes of Naver, Tencent, Baidu and Sina, we cut back exposure and took advantage of the sell-off of the US-listed Russian Internet plays like Yandex (Russia's search provider) and Qiwi (a payments platform). We also bought into Qunar (a leading travel vertical in China that seems to have outplayed the incumbent C-trip) and Autohome (the leading car auction vertical). These companies display high price volatility and we tend to treat them as a diversified subset within the portfolio. The ground rules are fast-changing with web-based classifieds having attractive business fundamentals, but in many areas it is still an open contest. In China, the three giants of the industry are Alibaba (to be listed in New York), Tencent and Baidu. The first two seem to be the best-placed by offering a comprehensive wrap-around service of social media, on-line payment and commerce, and search or video. Unlike Google, Baidu does not have the diversity of applications to mitigate the risks of substitution by users directly addressing 'verticals' via an app downloaded to their handset.

The strong performers that were sold include FedEx, Las Vegas Sands (gambling), Micron Technologies (memory chips), Cisco, Microsoft, Eurotunnel and Sumitomo Chemical. Cisco has been the only disappointment among these and longer term faces the threat from software defined networks.

Later in the report we obliquely refer to China's deteriorating return on marginal investment. There are many reasons for this and no doubt this will receive a full airing in the months to come. However, it offers us interesting tangential opportunities. In particular, one can identify abnormal suppression of returns in other parts of the world as a consequence of misdirected investment in China.

MSCI World Index Regional Performance (AUD)

REGION	QUARTER	1 YEAR
India	4%	20%
Australia	2%	14%
France	-1%	45%
Europe	**-2%**	**38%**
United States	**-2%**	**36%**
Developed Markets	**-2%**	**34%**
Germany	-4%	47%
Emerging Markets	**-4%**	**11%**
Asia ex Japan	**-4%**	**16%**
United Kingdom	-4%	31%
Korea	-6%	18%
Hong Kong	-7%	17%
Japan	**-9%**	**21%**
China	-9%	15%

Source: MSCI

MSCI World Index Sector Performance (AUD)

SECTOR	QUARTER	1 YEAR
Utilities	4%	27%
Health Care	2%	42%
Information Technology	-1%	39%
Energy	-3%	25%
Materials	-3%	18%
Financials	-3%	30%
Consumer Staples	-3%	20%
Industrials	-4%	35%
Consumer Discretionary	-5%	38%
Telecommunication Services	-5%	30%

Source: MSCI

We believe the **aluminium industry** offers a classic opportunity. Over-investment in China caused by regional growth targeting, stranded coal reserves, lax pollution regulations and inefficient pricing of capital has seen this **power-hungry industry**[1] grow to represent half the globe's output of around 52 million tonnes a year. This is not sustainable. The local bauxite, like Chinese-sourced iron ore, is well-below average grade and expensive to beneficiate into alumina. Temporally adding to their problems is the legislated ban on Indonesian exports of un-beneficiated ores, which incidentally has interesting implications for nickel as well.

At present, half of China's 25 million tonnes pa aluminium metal capacity is loss making on a *cash basis* (i.e. before any charges for depreciation and interest etc) and cash breakeven is put at over US$2,200 per tonne. Some five million tonnes of new aluminium smelter capacity is coming on-line in the Far West, close to massive coal reserves, though Chalco, the largest State-owned enterprise (SOE) producer, and other high cost producers, are starting to close some of their older plants. The government has also introduced adverse discriminatory pricing of electricity to inefficient smelters.

This idea of buying into an over-supplied commodity in the face of a potential slowing in the hitherto growth engine of the world may not sound the smartest idea around. However, China is responsible for the entire rise in aluminium metal output world-wide and has effectively flattened the metal price for the last 20 years. This, when the oil price has gone from US$20 to $100 per barrel and the coal price has risen more than three fold. As a reminder, energy accounts for about half the selling price of the metal (presently US$1,780 per tonne) and fixed investment costs run above $3,000 per tonne. The industry itself has seen demand growth of 6 to 7% pa and any slowing of capacity additions could see a strong move in the metal price. The rise of the use of aluminium in the auto industry is causing much excitement as emission legislation tightens and weight reduction is seen as one remedy.

There are several ways to exploit this idea which plays to a repricing of capital; the abatement of pollution in China; the tightening of alumina supply with the closure of the Gove refinery and the export ban by Indonesia.

We like both Hindalco and Alcoa. **Hindalco** is an Indian-based pure play which is starting to ramp-up production having just spent over US$6 billion on a fully integrated bauxite-to-smelter-to-rolled-metal expansion binge. It is highly geared, but has nearby access to superior bauxite reserves and, where it generates its own power, has a highly competitive tariff of under three cents per kWh. Delays have added to their capital costs, but its funding is well-structured. In addition to its alumina/aluminium metal output in India, it also owns the aluminium rolling business formerly part of Alcan. This was bought expensively in 2007, but after some clever reconfiguration of its global mill network, it is generating over 15% cash flow on the $5.7 billion investment. It has continued to invest, particularly for automobile applications, with capacity tripling to 900,000 tonnes and in metal recycling. On account of the financial and operational leverage, Hindalco should be a big stock.

Alcoa is a tamer rendition of the above with less debt, good leverage from being a medium cost metal producer, but with the underpinning of a strong and highly visible off-take of its special engineered products. These account for some 20% of sales, but is highly profitable and benefits greatly from the still expanding aero-building cycle, with nine years of orders.

Shorting

Late in the quarter we swapped our S&P 500 Index shorts for more shorts on the Russell 2000 (small company) Index. The latter is trading at extreme valuations by virtually all measures. We have made some small cuts to the individual stock shorts. Overall, the shorts were a benefit this quarter.

Currency

No meaningful changes were made to the currency exposure. We remain largely positioned in the US dollar, Euro and Asian currencies, with little Japanese yen and virtually no Australian dollar.

[1] For the whole life-cycle analysis of aluminium production (includes mining, refining, smelting, transportation) the CSIRO estimates there is 58,600 kWh/tonne of embodied energy in aluminium equivalent to 27 tonnes of coal (35% power station efficiency and a generous 6,150 kWh per tonne of coal). Using the simple measure of 13,800 kWh of electricity to convert alumina to aluminium metal, it seems that the aluminium smelter industry alone is responsible for 4% of the Chinese national grid's industrial consumption - consuming about 150 million tonnes of coal.

Commentary

As this year began, there was a lot of concern expressed about the adverse effects that rising interest rates in the US might have on emerging markets. Having been the pin-up of the investment community this same time last year, this was an interesting change of perception regarding emerging markets. As the quarter progressed, this concern seems to have ebbed just, to our minds, as the malfunctioning of the Chinese growth models has become more evident!

We posted these concerns about China on our website in the first half of 2013, emphasising the dependence of so much of its debt being set against elevated property values, rather than the loans being made against cash flows. There is growing media coverage of the number of property development companies that are discounting recently completed homes to try to clear their backlogs. The downward drift in house prices, particularly in the smaller cities, combined with the failure of several so-called wealth management products, which are actually bank loans repackaged to well-off individuals to circumvent interest rate regulations, is sapping confidence. The notion that the economy will achieve its targeted real growth rate of 7.5% pa seems improbable as the economy grapples with its many conflicting goals.

Like many other developing countries, China has found that the marginal dollar of investment has progressively returned a lower payback in terms of additional activity. Numbers for other countries show the marginal dollar invested creates less than 50 cents of economic growth, however, none is spending 47% of GDP on investment! Such has been the ambition for rapid development that expediency has ridden supreme and certainly over matters relating to the protection of the environment. In effect, industry had been given a free ride at the expense of clean air and water. The cumulative nature of this damage means it cannot be corrected overnight and one can expect the clamour for action to intensify to everyone's dismay. This will put the government in an invidious position as their powers to provide instant remedies will fail to match their hitherto hard-earned reputation of being all seeing and all doing. For now though, the government seems determined to attempt to counter this loss of momentum.

Having recently spent time in India, it was instructive to witness the effects that low growth (4.5% real versus 7 to 8% for the last 10 years) have had on sentiment and general commentary. One is reminded that both India and China responded aggressively to the GFC by flooding their systems with credit and engaged in deficit spending starting in 2008-9. Like the end of any credit boom, the ceiling of 'affordability' intervened and in the case of the Indian version of *Chaebols*, met the uncomfortable reality of rising interest rates and frightened bankers. The Reserve Bank of India (RBI) has actively tightened its supervision of the banks[2] which in turn is pressuring these family-run conglomerates to disgorge assets to reduce their debts. With its directed lending and specific priority allocations, the Indian banking system has similarities with that of China except that interest rates are market set. For the moment confidence is down and debt repayment the priority, but the currency has stabilised/appreciated and it seems that food inflation is dropping quickly. The prospects for lower interest rates have improved sharply.

The most encouraging development in recent years has been the boom in rural India and in particular, agriculture. This is seen by officials as having origins quite separate from the transfers from the Centre to provide for the 100 days paid work entitlement scheme (National Rural Employment Guarantee Scheme - NREGS). With a loss of some 31 million workers to the cities, the rural labour market has tightened. This has had the dual effect of raising rural incomes and encouraging investment. From 2004 to 2011, rural wages rose by 16% pa (5%) real in contrast to a 2% pa contraction in the cities and investment rose from 12% to 20% of rural activity. This has been transformational for agricultural output with the country becoming a net food exporter[3].

[2] The State owned (public sector) banks account for about 75% of the formal system's assets and the Governor of the RBI, the outspoken Raghuram Rajan, has been actively promoting the need for more competition including more banking licences and economic inclusion. The informal system is calculated by the National Statistical Commission to represent 40% of the whole!

[3] There is now a net trade surplus in food products of US$21 billion pa. For the first time in 3,000 years, in the words of a high official, the country is a net exporter of rice; grain stores are running at 80 million tonnes against the normal level of 40 million tonnes, production of pulses has risen by 50% to 20 million tonnes pa and India now finds itself as the world's second largest exporter of beef (after Brazil) and cotton. Milk production is 50% higher than the US at 139 million tonnes pa. Remarkably, this has all occurred with still huge imperfections in subsidies, price support systems and restrictions on exports.

The juxtaposition of India to commentary on China serves to highlight the contrasts of the two systems. They are alike in some respects, but the legal and political impediments that have long been regarded as India's Achilles heel, may now be regarded as its salvation.

The outcome of the national elections[4] in May could see the Centre reassert its authority. The second five-year term of the rule by the Congress Party coalition has been marked by administrative paralysis. This can be partly attributed to the conflicts within the Congress Party itself, but equally significant has been the intervention by the judiciary. Fed-up with blatant corruption, the High Court has flexed its authority, aided by public interest pleas and the Right to Information Act, and according to some, has over-stepped its powers in an attempt to remedy blatant gaming of political power.

A strange phenomenon occurred in the State elections of November 2013, with the anti-corruption party, the AAP (Aam Aadmi Party) winning control of the Legislative Assembly of Delhi, in coalition. This party has found huge support from the average Indian citizen whose patience with bribery and corruption has seemingly reached breaking point. Apart from its strong base in Delhi, however, it doesn't seem likely to mobilise more than 10 to 12 seats in the national election and may be more of an irritant than an outcome-spoiler in the election.

The money is presently on Narendra Modi, of the Bharatiya Janata Party's (BJP) to romp home with perhaps 220 seats in the 543 seat house. Modi, along with the Chief Ministers of several other successful States, notably the traditionally backward Bihar, has shown the benefits of firm leadership led by an economic development agenda which may admittedly also have taints of crony capitalism. By contrast, the policies of the Congress Party have favoured hand-outs and subsidies. This is completely out-of-step with the prevailing mood as seen in the State elections and the tenor of discussion with senior civil servants. Long gone are references for the need for protectionism; the mantra of the day is the virtue of the market place where price helps match supply and demand.

Foreign investors have been actively adding to their Indian holdings in anticipation of stronger direction under a Modi-style of leader. We too have been adding and for all the higgledy-piggledy progress that characterises the Indian model, it has most of the ingredients for success. Masked by the crowded headlines proclaiming a succession of scams, there have been many successes such as in agriculture noted above, but also in areas such as energy supply and the growing sophistication and deepening of the economy in general. A free press and working democracy surely trumps the alternatives in this vocal Internet world!

Outlook

The principal drivers behind this bull market seem intact.

Most economies are expanding and even if China slows, one should not underestimate Beijing's willingness to use measures like fiscal stimulus to ensure a high level of growth from this now immense economy. Inflation is subdued and in Europe it looks to be particularly low and may cause the European Central Bank to consider further loosening measures.

We continue to find companies that are attractively priced and despite conflicting headlines, see opportunities for stock pickers.

[4] Almost 815 million citizens are eligible to cast their ballot in nine phases of voting over five weeks in April/May.

Platinum Unhedged Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	MAR 2014	DEC 2013
North America	28%	30%
Japan	23%	24%
Asia	19%	21%
Europe	18%	17%
Australia	2%	1%
South America	2%	1%
Africa	1%	1%
Russia	1%	1%
Cash	6%	4%

Source: Platinum

Portfolio Position

Changes in the quarterly portfolio composition:

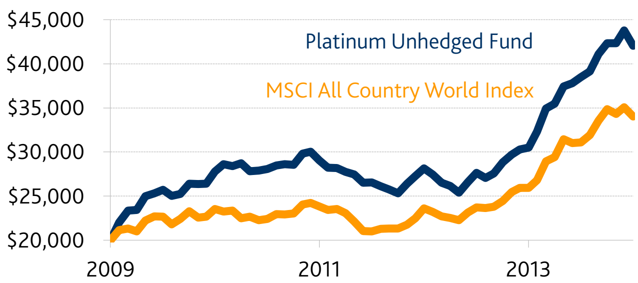
Sector Breakdown

SECTOR	MAR 2014	DEC 2013
Technology (software & components)	12%	12%
Mobile Internet Services	11%	13%
Consumer Globalisation (brands, retail etc)	10%	10%
Healthcare	10%	9%
Emerging World Financials	8%	8%
Mobile Internet Enablers	7%	7%
Emerging World Consumer	7%	8%
Japanese Revitalisation	6%	6%
Gold	5%	5%
Alternative Energy	5%	5%
US Capital Spending Renaissance	5%	5%
Western Financials	4%	5%
Energy and Materials	4%	3%
Gross Long	94%	96%

Source: Platinum

Value of $20,000 Invested Over Five Years

31 March 2009 to 31 March 2014



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

Some themes that are represented prominently within the Fund include:

- Post-patent cliff pharmaceuticals and personalised medicine.
- Consumer globalisation – Western brands, retailers and service providers positioned for global growth.
- Explosive growth in mobile data-based services and consumption in both the developed and emerging world.
- Emerging world home-grown consumer brands/retailers and recovering property-related companies in India and Brazil.
- Japanese revitalisation driven by a broad consensus on the need for change.
- Capital equipment suppliers to the solar cell industry; a secular growth industry undergoing a cyclical recovery.
- US capital spending renaissance driven by a globally competitive supply of natural gas.
- 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.

Performance

(compound pa, to 31 March 2014)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Unhedged Fund	-1%	38%	13%	16%	11%
MSCI AC World Index	-2%	31%	13%	11%	5%

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

The unwinding of long term outperformance of emerging markets continued during the quarter led by sharp drops in China, Russia and Latin America. Over the past 12 months, the ageing of China's credit boom has been felt most intensely in peripheral emerging market economies (especially where commodity dependence is high). Conversely, we would expect any loosening of Chinese policy would lead to a sharp bounce in commodity related emerging markets such as Brazil, though potentially short lived. Falls across global sectors were reasonably consistent with the exception of decent outperformance from utilities, healthcare, large-cap technology and gold stocks. In terms of developed markets, Japan was notable in its underperformance as investors used the impending consumption tax implementation and impatience with the pace of reform to sell the market. Later in the quarter, some of the heat came out of US momentum stocks with the sharp reversal in biotech, Internet and other crowded "growth" stocks.

Given the high weighting in Japan and emerging markets (primarily Asia), the Fund performed reasonably well, with stock selection offsetting some of the macro factors at play. Our two solar/alternative energy stocks, Meyer Berger and GT Advanced Technology continued their strong contribution due to the ongoing recovery in the solar end-market, and in the case of the later, an announcement by Apple of a major investment in sapphire cover glass production using GT's newly developed technology. Whilst we have sold some of our holding in both stocks around the recent highs, the longer term opportunity remains solid and we would look to add on any major pull-back. In the case of Meyer Burger, we are less than 12 months into a recovery and based on the company maintaining a 15% share of a steady-state solar capital equipment market of around 10GW pa or roughly equivalent to $2 billion in annual orders.

Changes to the Portfolio

Changes to the portfolio were minor. Having recently returned from a week in Europe with members of the technology team and a week in Japan with Bianca Ogden, Portfolio Manager of the Healthcare Fund, we have plenty of new ideas to consider.

Commentary and Outlook

As we noted last quarter, we expect more focus in the US on the sustainability of the current, very high profit share versus the long-term reality of meagre real income growth for the majority of wage earners.

We recently observed an interesting early manifestation of this debate as it relates to the escalating cost of pharmaceutical drugs. Gilead, a company we owned early on in the general reassessment of post-patent cliff healthcare opportunities which more than delivered on expectations with both its HIV combination and Hepatitis C therapies achieving far higher than expected selling prices and the stock morphing into the poster child of the resurgent US healthcare sector. We estimated that the Hepatitis C treatment, Sovaldi, would ultimately sell for around $50k with this high price reflecting an excellent success rate in curing the disease as opposed to just treating the symptoms. For Gilead shareholders, the outcome was far better than this with the drug on the market in the US at $84k for a 12 week treatment. The US household already pays dearly for healthcare, equivalent to a world beating 18% of GDP, and with US income share so heavily skewed towards an ever-narrowing proportion of the population (see the first chart on page 3), questions of affordability are inevitable.

Members of the US Congress Committee on Energy and Commerce sent a letter to Gilead expressing concerns regarding Sovaldi pricing and issues around access for patients with public and private insurance. Specifically, the letter noted, given the concentration of Hepatitis C in low-income and minority populations, pressure on State Medicaid programs was inevitable, highlighting that Colorado and Pennsylvania have already announced each will be limiting access.

We think more such vignettes to play-out as the US grapples with choices around subsidisation, rationing and price controls and, given the politically charged nature of healthcare policy, in the absence of serious crisis, rational debate will prove allusive.

In other news, Microsoft, this Fund's largest holding, has appointed Satya Nadella (based on a record of solid execution within Microsoft's Cloud and Enterprise Group) as replacement CEO for Steve Ballmer, which serves to highlight some of its latent business potential. Whilst many measure Microsoft's lack of success in terms of the apparent failure of the consumer oriented Windows 8 operating system, we think this is somewhat short-sighted (as does seemingly the stock market given the stock's recent strong performance) and ignores the continuing success of its enterprise offering that comprises some 80% of profits.

Microsoft's push with Office365, OneDrive, OneNote, Azure, Office for iPad all point to a company that is serious about unbundling its products from dependence on the Windows operating system. In the same way that Google services are hardware/operating system agnostic, we sense that Microsoft will leverage as many of its offerings as possible via "Cloud" based services. Google also provides multiple reasons to log into their 120+ services such as Gmail, YouTube, Maps, Drive or Docs (and stay logged in so it can collect information and ultimately improve the quality of their advertising business); Microsoft is increasingly playing the same game.

The tech blogging community seems intent on painting the three-way Apple-Google-Microsoft tussle as a winner takes all outcome – we suspect the reality is somewhat murkier. Apple remains a clear success as a consumer bundler of hardware, software and services; Google is the most disruptive as a pure Internet service company using advertising revenues to subsidise various offerings and Microsoft pursues a hybrid strategy from a position of enterprise strength. Given the explosion in cheap mobile devices, bandwidth and computing power, market growth remains sufficient to accommodate all three. In terms of investment merit, we favour Microsoft and Google, two of our largest holdings.

In conclusion, the recent growth stock correction serves to focus more attention on the emerging pockets of valuation extremes in the US. For example, the Russell 2000 Small Capitalisation Index (the smallest 2000 stocks in the Russell 3000) is now trading at a P/E of 21x (excluding loss makers); very close to an all-time peak multiple. Whilst much of the commentary remains focused on issues regarding the sustainability of Chinese growth, the US market is behaving as if this will remain a China ring-fenced issue. Regardless of the actual Chinese outcome, this attitude would seem somewhat wishful.

Platinum Asia Fund

Andrew Clifford Portfolio Manager

Joseph Lai Co-Portfolio Manager

Disposition of Assets

REGION	MAR 2014	DEC 2013
China (Listed Ex PRC)	24%	25%
China (Listed PRC)	6%	7%
Taiwan	2%	2%
Hong Kong	1%	2%
Greater China total	**33%**	**36%**
India	18%	14%
Korea	16%	20%
Thailand	9%	8%
Philippines	6%	6%
Malaysia	5%	5%
Singapore	4%	4%
Vietnam	2%	2%
Indonesia	1%	1%
Cash	6%	4%
Shorts	0%	3%

Source: Platinum

Performance

(compound pa, to 31 March 2014)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund	-4%	19%	8%	11%	16%
MSCI AC Asia ex Jp Index	-4%	16%	5%	10%	9%

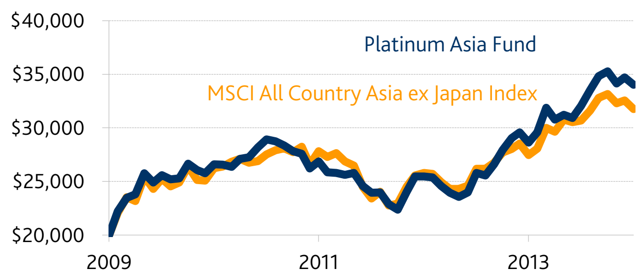
Source: Platinum and MSCI. Refer to Note 1, page 40.

In local currency terms, Asian markets returned -1% for the quarter. The Australia dollar appreciation has reduced the return for local investors by 3%. The Fund's performance matched the market during this period.

Although returns were mainly down across the region, divergence in underlying performance in different markets was significant. The Chinese H-share market was down (7%), while the Indian (up 3.5%), Indonesian (up 13%) and Thai (up 4%) markets saw better performance. The Chinese market continued its lacklustre performance as the country reported

Value of $20,000 Invested Over Five Years

31 March 2009 to 31 March 2014



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

weak economic data and concerns arose over development into a more worrisome systemic outcome. In India, the market grew increasingly optimistic over the outcome of the upcoming general election and the peaking of inflation portended a loosening of its monetary policy. Indonesia reported moderating inflation and the market was hopeful over constructive reforms post the Presidential election.

Our Indian holdings appreciated: ICICI Bank (a major private sector bank, up 15%), Adani Ports (major private ports operator, up 25%), Info Edge India (Internet, up 35%). Our Philippines holdings, Ayala Land (property developer, up 15%) and JG Summit (conglomerate, up 23%) also contributed. The Fund's Chinese holdings were the most significant drag on performance over the quarter.

Changes to the Portfolio

The Fund's invested position rose slightly to 94%. We have removed the index shorts as the markets softened during the quarter to reach our assessment of fair value. Although investment-related sectors continued to slow in China, the consumer sector (which we find more prospective) continued to grow. Elsewhere in the region, economic prospects remained positive.

We took advantage of recent market weakness and started new positions exposed to the burgeoning Chinese consumption theme. Chow Tai Fook is a best-in-class jewellery retailer with the biggest network of retail outlets in China where consumers' aspiration is broadening from gold to the more lucrative gem-sets. China Mobile is a national champion mobile telephony operator that is set to regain market dominance with its superior 4G voice and data network. With a growing middle class ever more connected on the Internet, we believe the Internet sector presents tantalising prospects and we added to our positions.

In India, we started positions in Yes Bank and State Bank of India, and added to ICICI Bank, as we believe that a falling inflation rate, stabilisation of the Indian Rupee and improvement in its current accounts have vastly improved India's economic prospects. The country is on the cusp of a new credit cycle, which these well-positioned banks will benefit from improving loan growth and easing credit concerns.

Commentary

During the quarter, weak economic data out of China once again raised the market's concern over the eventuality of a debilitating outcome. We feel that overly focusing on such an outcome distracts investors from appreciating the fundamental changes taking place in the country and overlooks the attractive opportunities present in the market.

A weak Purchasing Managers' Index (PMI), power demand growth and property sales volumes were indeed indicative of an economic slowdown in China. This was not unexpected, as we have written on previous occasions, that China's shift from investment to consumption would lead to a structural slowdown in its growth trajectory.

The current round of slowdown was preceded by at least six months of credit tightening as the government stepped up efforts to rein in the relatively under-regulated shadow bank system. Key funding sources for the shadow bank were the interbank market and the commodities-related foreign capital inflow. The rise of the interbank rate and cracking down on commodities financing resulted in a considerable slowdown in shadow bank lending. This translated simply to a tightening of credit for the recipient industries, which tended to be small property developers and industries with excess capacity. This tightening also resulted in the first ever default in the relatively insignificant corporate bond market in China.

Met with weakening economic indicators, the Chinese Government has started to moderate its tightening stance. Another credit surge could have provided instant relief (and it would further impair the banking system). This time the Chinese leadership were not prepared to head down this path, instead it implemented some incremental, but significant measures, with more accommodative moves expected.

- The RMB has reversed its long-term appreciation trend and depreciated 2.5% in six weeks.
- Interbank rates have declined indicating easing liquidity conditions.
- Property tax, a tightening measure, has been postponed to support the property market.
- More infrastructure project approvals came through.

Market commentators were also concerned with the build-up of debt in the Chinese banking system leading to a financial crisis. It has to be remembered that, by and large, debt was used to fund construction of infrastructure projects. These are the roads, airports, high-speed rail and power grids which will pay economic dividends for years to come. Further, formal and shadow banking debt ultimately has linkages to the State, which has abundant resources to contain any fallout, if needed, given the closed capital account, current account surplus and its considerable foreign reserves.

Decisive and important reforms are taking place in China, which augurs well for the country's longer term economic prospects. These market-based reforms promised to unleash a round of invigorating creative destruction, improve resource allocation and rebalance the economy towards consumption.

Giving financial institutions more flexibility to set interest rate marks the beginning of interest rate liberalisation. Artificially low interest rates historically encouraged investment at the expense of consumption, as cheap funding incentivised some State-owned Enterprises (SOEs) to over-invest, while low deposit rates suppressed returns to the households who have vast savings. Raising deposit rates can be very addictive to consumption, as a minor 1% move in deposit rates can deliver around US$150 billion into the hands of the aspirational Chinese consumer!

The new urbanisation plan involves a revamp of the long-standing Hukou (household registration) system, granting previously unavailable basic public services, like healthcare and education, to millions of migrant workers. The aim is to issue 100 million migrant workers (who typically have a rural Hukou) with an urban Hukou and to incentivise rural residents to move to nearby urban areas to enjoy better social benefits and housing in the next few years.

In this round of urbanisation, a much greater focus is placed on its associated environmental impact. Government is strictly enforcing closure of polluting industries, monitoring compliance and diversifying the country's energy sources (wind, solar and hydro).

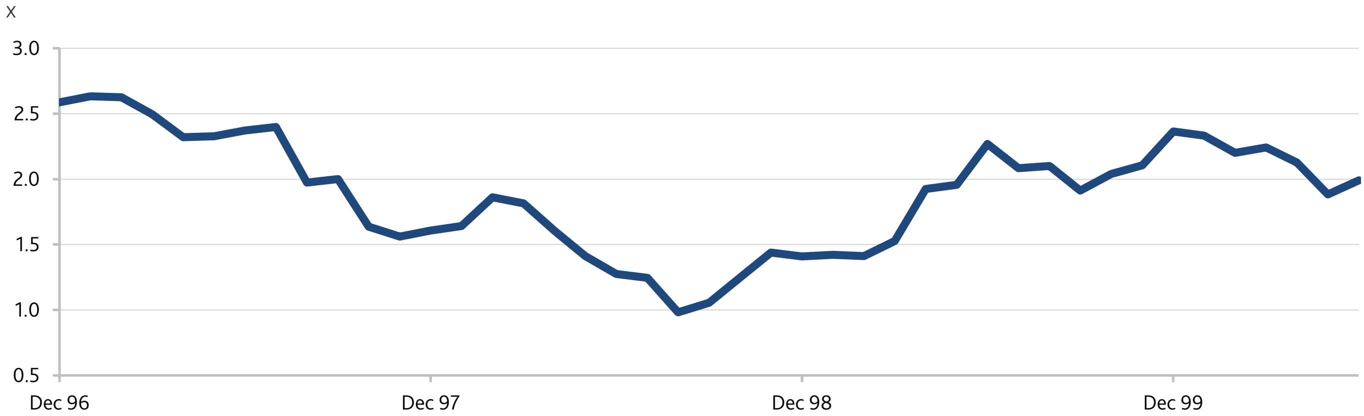
SOE reforms are a major item on the agenda, as SOEs still play a big part in the economy, but are often sheltered from competition and can be inefficiently run. SOEs are getting privatised, monopolies broken and private-sector incentives are being introduced. A more profitable SOE sector bodes well for fiscal receipt as well as improving economic productivity.

Despite these positive changes, with all the concerns hovering over China, the Hong Kong H-share Index has declined 30% in three and a half years. Stock price value relative to net asset value has declined from 2.5 to 1.1x (see chart below). The stock market has factored in a very dire outcome, especially considering that the Asian stock markets did not trade at a much lower valuation even at the height of the Asian financial crisis in 1998 (see chart over)!

Heng Sang China Enterprises Index - Price to Book Ratio

Source: Bloomberg

Asian Markets During Crisis - Price to Book Ratio



Source: CLSA, Datastream (Indonesia, Malaysia, Philippines, Singapore, Thailand, HK, Singapore and Taiwan)

With value emerging, the Chinese stock market is presenting investors with opportunities. We find the following consumption-related stocks particularly prospective.

China Mobile: Chinese consumers are rapidly adopting mobility. China Mobile is the national champion mobile network operator and is set to dominate with its superior 4G network. Currently, it is signing up an astounding 70% of new mobile phone subscribers in a three player market! The company is valued at less than 5x its cash flow and it has more than A$60 billion in cash on its balance sheet, not to mention its growing subscriber base of 800 million!

Internet companies: The smartphone is an empowering tool that is enabling the growing middle class to connect to the Internet at an unprecedented rate. An increasing number of activities are taking place on-line, be it entertainment, social-networking, e-commerce. Well-positioned Internet companies are exceptionally well-placed in this transformation and many Internet companies are growing at an extraordinary rate!

PICC: PICC is the dominant casualty insurer (predominantly auto) in China with the lowest cost structure in this growing industry. As consumers' incomes grow, demand for automobiles remain strong. Currently earning a return on its equity of 20%, it trades below 10x prospective earnings and 2x its net asset value.

SAIC: SAIC is the SOE joint venture partner of quality carmakers in General Motors and Volkswagen, whose cars are highly sought after by the Chinese consumers. Revenue is growing at a 10% clip, the stock is only trading on 6x P/E and offers an 8% dividend yield, and SAIC earnings can materially pick-up with the implementation of more SOE reforms.

Outlook

We are seeing positive reforms occurring across a number of countries in the Asia region and this adds to our optimism.

The Chinese leadership appears to be implementing the much needed reforms to reduce economic distortions which have led to resource misallocation and steer the nation onto a more sustainable path. The journey has been turbulent thus far, but the fact that the country is making the difficult decisions, makes the stock market a vastly superior prospect in the long run.

Elsewhere, many countries coming from a lower base, continue to see uplifts in productivity from technology transfer and investments in infrastructure and are experiencing robust economic growth.

We are continuing to find interesting opportunities that offer strong growth prospects at attractive valuations. As these opportunities present themselves, we will add these stocks to the Fund's holdings.

Platinum European Fund

Clay Smolinski Portfolio Manager

Disposition of Assets

REGION	MAR 2014	DEC 2013
Germany	24%	26%
UK	23%	25%
France	8%	9%
Italy	7%	8%
Russia	4%	2%
Spain	3%	3%
Austria	3%	0%
Switzerland	2%	2%
Sweden	1%	1%
US *	1%	2%
Netherlands	1%	1%
Turkey	1%	1%
Belgium	1%	1%
Cash	21%	19%
Shorts	2%	3%

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

Source: Platinum

Performance and Changes to the Portfolio

(compound pa, to 31 March 2014)

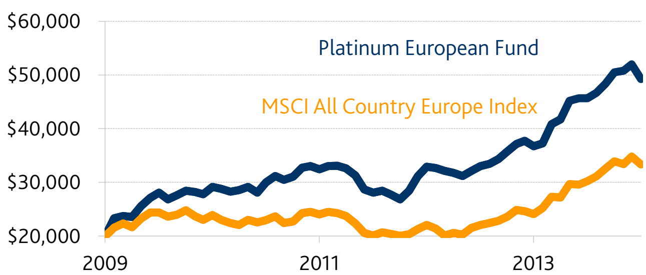
	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum European Fund	-3%	34%	15%	20%	12%
MSCI AC Europe Index	-2%	38%	11%	11%	2%

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

Macro trends over the quarter were supportive to Europe's peripheral nations. The economic data continues to indicate a gradual recovery is underway and the borrowing cost of the respective governments continues to tumble – the yield on Italian 10 year debt was 4.2% at the end of December versus 3.3% at quarter end. In response, investors pushed the peripheral markets higher, with Italy +13%, Portugal +15% and Greece +14% the standout performers, with the core markets fairly weak in comparison (France +3%, Germany flat, UK -1%).

Value of $20,000 Invested Over Five Years

31 March 2009 to 31 March 2014



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

The standout performers for the Fund were our Italian holdings, in particular our Italian banks with Intesa Sanpaolo SpA and Mediobanca up 34% and 25% respectively. The major detractors for the quarter had the common theme of emerging market exposure, with consumer stocks Adidas (-15%) and Henkel (-7%) falling back from recent highs and Sberbank of Russia down -26% as investors fled the region.

Overall the performance of the Fund measured in Australian dollars was -2.5% versus -1.8% for the MSCI Europe Index.

Commentary

In the September 2013 quarterly we wrote that despite having a number of worthy ideas to pursue post our trip to Russia "*the pace of which these ideas will translate into new holdings for the Fund will be tempered by the need for us to continue to build our knowledge base around the Russian market and of course, the individual valuations of the stocks on offer*". Post the overthrow of the Ukrainian government and the annexation of Crimea by Russia, the go-slow approach has proved prudent, with the Russian stock market having fallen 20% since October.

The Fund currently has 3.8% invested in Russian companies. Russia's action in the Crimea creates a lot of uncertainty and investors may question whether it is worth having *any* investments in Russia at a time like this. In this case we need to separate the political uncertainty which is unknowable (i.e. whether Russia escalates further by attempting to control territory in Eastern Ukraine) from the business uncertainty - namely how these events will likely affect the day-to-day operations of our companies in Russia.

In assessing business uncertainty, if we have a company that:

- serves a need that is important to the day-to-day life of Russians;
- 95% of the business is serving the domestic Russian market;
- has no debt, is growing fast and does not directly rely on imports and exports in-and-out of Russia; and
- has been founded by independent entrepreneurs without deep ties to the government;

we can make a reasonable prediction that this business is going to continue to operate and do quite well in spite of what happens with western sanctions and Russia's movements in Ukraine. **Qiwi** is a Russian stock that meets the above criteria and given the share price has fallen 50% over the past three months, we feel it is a company that is worth owning today.

What is Qiwi? Qiwi is a payments network that combines an on-line 'virtual wallet' that a customer loads money into to make on-line purchases, along with a physical network of 170,000 cash accepting terminals, where users can top-up their on-line wallet with cash, pay bills and buy credit for their mobile phone. Today, 65 million Russians use the terminals at least once a month, with a further 15 million using the on-line Visa-Qiwi[1] virtual wallet. The most comparable business in the West is **PayPal**, with the key difference being PayPal can only be funded electronically, lacking the presence of the physical terminals.

The evolution of Qiwi as a popular method of payment must be seen within the quirks of the Russian system. Firstly, there is still a lingering distrust in banks, a product of the 1998 banking crisis, which results in people holding a large percentage of their savings in cash. This has led to Russia remaining a cash-based economy, with greater than 80% of retail payments made in cash. Secondly, Russia lacks a direct debit system to conveniently pay recurring bills. The combination of these factors meant that paying your electricity bill in cash involved travelling to a branch, carefully filling out a paper-based form and lots of queuing up.

The Qiwi terminal, linked into the payment systems of the utilities, government and telcos offered a more convenient option – you could now just go to a convenience store, punch your bill number into the terminal, feed in your cash and get instant confirmation your bill was paid. Usage took off and more merchants wanted to be able to accept payments via Qiwi.

[1] Product of a co-operation agreement between Visa and Qiwi, in late 2012 the Qiwi on-line wallet was rebranded Visa-Qiwi wallet. This is a rare occasion when Visa has co-branded a payment tool that does not go over the Visa network, a move that speaks to the integrity of Qiwi's proprietary network in Russia. The agreement with Visa also increased the reach of the wallet, allowing users to pay wherever Visa is accepted globally via the issuance of a Visa-Qiwi credit card number.

From its origins in bill payment, the development of the on-line wallet has allowed Qiwi to evolve into a far broader payment tool. The wallet can be used to now pay 70,000 participating merchants directly, with wallet transaction volume growing at 50% pa. The shift in the utility of the service can be illustrated via activity at the terminals – four years ago 90% of transactions were bill payment, whereas today 50% of transactions are users topping-up their wallets.

Today the bulk of wallet transactions are for non-physical goods and services, e-commerce such as on-line games, iTunes, Skype and apps. This is a large and growing retail category, but the real prize for Qiwi is to crack the e-commerce market for physical goods. On-line retail in Russia is impeded by poor transport infrastructure, along with suspicious consumers who insist on paying cash-on-delivery to ensure they are not duped. Qiwi is working with merchants to solve the trust issue. Merchants will offer discounts for customers who pre-pay before delivery and Qiwi will hold the cash in trust until the goods are delivered. If the goods don’t arrive, the money is returned.

What should Qiwi be worth? Payment systems are true network businesses. Communication links and settlement protocols are easy to replicate; the problem for new competitors is always how to sign-up accepting merchants when you don’t have customers and vice versa. Qiwi’s 70,000 merchants make it valuable to customers and Qiwi’s 65 million users make it valuable to merchants. Similarly, once users have one on-line wallet, there is little incentive to start using another. Overall while not a natural monopoly, entry barriers limit competition and allow firms to make handsome profits.

Qiwi is currently priced at 22x 2014 earnings, growing revenue at 30% pa – at face value an attractive valuation given the quality of the business, but not mouth-watering. A more prospective way to look at it is that we are paying $1.6 billion for Qiwi, which can be viewed as a business that takes a clip on the consumer spending of a nation of some 150 million people, where incomes should rise over time. A $1.6 billion market cap is modest versus comparable businesses globally. PayPal is mooted to be worth $40 billion, whilst payment networks that facilitate a far narrower niche of spending like Edenred (spending in cafés and restaurants in France and Brazil) and WEX (US and Australian fuel cards) are valued at $7 billion and $4 billion respectively. Given the potential, it is reasonable to expect both Qiwi’s business and market capitalisation to be significantly larger a few years out.

Outlook

Investors continue to view Europe in a favourable light. The current picture is that investors want to avoid emerging markets, but the US market is seen as expensive. Europe, which is cheaper than the US on a relative basis, is viewed as a good alternative. Furthermore, with European interest rates expected to remain low and the countries emerging from a five year recession, earnings can surprise on the upside.

Given the proximity to Ukraine, we are taking an approach of measured caution, maintaining a cash balance of 21%. As always there are good reasons behind the current enthusiasm, but given investor preference can be fickle and European markets have already risen considerably, we prefer to have cash available should better buying opportunities arise.

Platinum Japan Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets *

REGION	MAR 2014	DEC 2013
Japan	88%	90%
Korea	7%	9%
Cash	5%	1%
Shorts	5%	14%

The Fund also has a 11% 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:

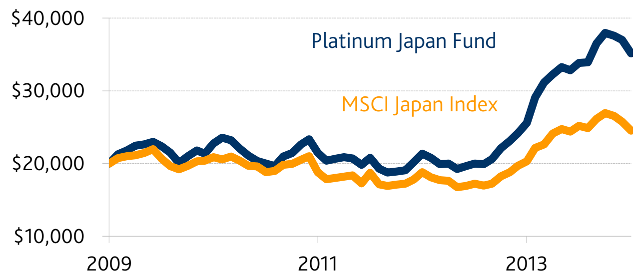
Sector Breakdown

SECTOR	MAR 2014	DEC 2013
DOMESTIC	52%	61%
Consumer and Retail	14%	15%
Financials	12%	15%
Healthcare	10%	8%
Services	7%	13%
Telco and Utilities	6%	6%
Property and Construction	3%	4%
EXPORT	43%	38%
Tech/Capital Equipment	22%	22%
Durables	15%	13%
Commodities	6%	3%
Gross Long	95%	99%

Source: Platinum

Value of $20,000 Invested Over Five Years

31 March 2009 to 31 March 2014



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

Some themes that are represented prominently within the Fund include:

- Emergent industrials with leading global positions.
- Corporate revitalisation, industry reorganisation and potential merger and acquisition targets.
- Potential policy change beneficiaries (e.g. industry deregulation, labour market reform, tax reform, new business incubation incentives).
- Internet 2.0 and service sector growth opportunities.
- Emergent energy management opportunities (smart cities/grids, smart buildings).
- Cheap real asset exposures that domestic investors will seek as inflation hedges.

Performance

(compound pa, to 31 March 2014)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Japan Fund	-7%	38%	18%	12%	14%
MSCI Japan Index	-9%	21%	9%	4%	0%

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

The Japanese market experienced a poor quarter, best described as indigestion, with record inflows from foreigners over the past 12 months leaving the market vulnerable to perceived policy disappointments. Some express disappointment that the Bank of Japan (BOJ) in not pre-emptively easing prior to the 1 April consumption tax rise (from 5% to 8%), whilst others are just losing patience with the apparent slowness of Abe's so called "Third Arrow" reforms. Our interpretation, given the large move over the prior 12 months, is that many investors are just looking for an excuse to sell the market.

The weakness in the market was also felt broadly across our portfolio with only a few exceptions, though our index and individual stock shorts did provide some protection as did a higher weighting in the Yen. Importantly, portfolio hedging strategies (via individual stock and index shorts, and currency hedging) have generated just over a quarter of the Fund's total returns over the past six years, with our long stock picking generating the residual. In practice we do not see these as separate strategies, but as one inter-related approach where the macro and stock/industry specific work is inextricably linked.

Changes to the Portfolio

There was some turnover in the portfolio as we attempted to concentrate around higher conviction ideas. This meant selling stocks that had reached valuation levels which made them less interesting as investments (e.g. Naver, Cyberagent, Obic and Mitsubishi Electric) and stocks where our original thesis had become less certain (e.g. Kurita Water and our two large bank holdings). We added to existing positions that had pulled back to attractive levels (Samsung Electronics, Toyota Industries and Pola Orbis) and initiated new investments in extremely neglected parts of the market such as energy and materials (more on that at a later date).

Pola Orbis has steadily crept up our holdings list and is now a sizable position. This is a family-owned, high quality company with two well-positioned skin-care brands in Japan; Pola, premium focus and Orbis, aspirational (code for more affordable). The company realised early on, given Japan's historical deflationary bias, that channel control would be important to managing the customer experience and ultimate price points, hence, almost all of the company's products are sold directly to the customer, either door-to-door, in company owned clinics or via the Internet. This has resulted in a highly focused product-portfolio rather than following retailer demands to broaden the number of stock keeping units. Further, the sales force of clinicians is paid on a contract commission basis in stark contrast with competitors such as Shiseido with job-for-life type obligations. This has its complications when the product on offer is eternal youth. Taking advantage of the Yen's strength, the company acquired two foreign skin-care brands in 2012, Jurlique and H20, to complement the existing focus on natural treatments. The focus is now on growing the affordable Orbis brand through

South East Asia and the premium Pola brand in China via a multi-channel strategy. Management have stated a clear commitment to lifting the return on equity (RoE) via both higher profitability and shareholder distributions which we find enticing given a starting P/E multiple of 15x ex-cash (normalising for goodwill amortisation).

Late last quarter and into this quarter we progressively took advantage of some of the euphoria around the broad Japan reform story (which at a corporate level is selectively real) to partially hedge the portfolio via the Nikkei Index and some stock specific shorts where we thought market expectations were running significantly ahead of reality – post the recent correction, these have been profitably closed (though we have retained a small residual Nikkei hedge). We also shorted the Topix Property Index, as investors had crowded into the space to gain exposure to the BOJ's reflationary policies, without any regard for valuation and the reality of what is a relatively slow, though persistent, recovery.

Commentary and Outlook

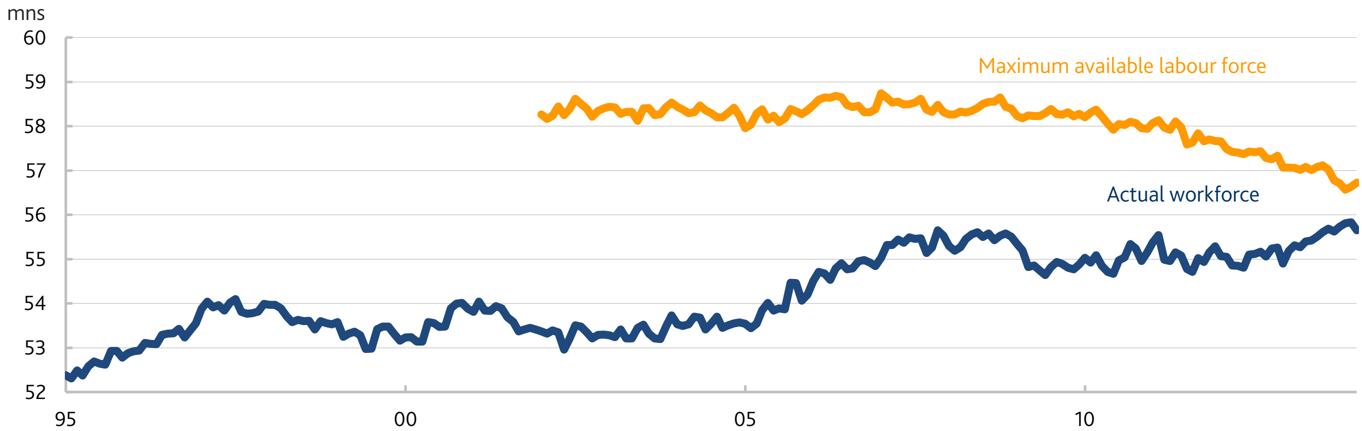
Most of the current weakness in the Japanese economic data seems related via the export channel to the slow-down in Asia ex Japan, the destination of some 50% of Japanese exports. For those with long memories, the parallels to 1997 are a bit too obvious i.e. the Japanese raised the consumption tax rate on the eve of the Asian currency crisis which went a long way to embedding Japanese deflationary expectations for the better part of the next two decades.

A more considered view would pay heed to some of the differences in both the macro and micro economic backdrop. Apart from a banking system that is in better shape, the most compelling of these is that just 18 months into an economic recovery in Japan, the workforce is showing signs of clear tightness (unemployment rate is 3.7%) and arguably this is happening much earlier than in previous recoveries (see the third chart on page 3). When one considers the longer-term trends, the tightness shouldn't surprise as the available workforce has simply been shrinking (see chart below) as Japan ages.

Notwithstanding that the emerging wage growth will help offset the consumption tax hike, the data could be interpreted negatively on a number of counts:

- Wage growth can negatively impact profit share (one reason US profit share has been rising is the lack of wage growth).
- Reflects a fundamental lack of **full-time** labour mobility (caveat to this is that the approximate 35% of the workforce that is employed on either a part-time or contract basis, a steadily rising proportion, has never experienced the "benefits" of guaranteed lifetime employment).

Japan's Available Labour Force



Source: National Institute of Population and Social Security Research, MIC, Bloomberg; compiled by SMBC NIKKO. Maximum available labour force = Population over 15 multiplied by participation rate minus structural unemployment. Actual Workforce = Current permanent employees plus contractors & part time staff.

It's a good thing we invest in companies not economies. At the Japanese corporate level, the labour tightness is potentially quite positive as a catalyst for ongoing full-time workforce reorganisation. Importantly, the shame associated with making a long-serving full-time employee redundant is clearly less when that person has other worthwhile employment opportunities available. The impact on productivity and profitability is potentially significant.

During the quarter we visited a range of Japanese pharmaceutical companies with Bianca Ogden to discuss some of these issues (for a more extensive analysis of this see the current Health Care Fund quarterly report on page 26). It is interesting that M3 (founded in Japan), an on-line information and marketing portal through which large pharmaceutical companies can communicate with doctors and specialists is so successful in Japan. The paradox is that widespread adoption of this productivity tool has not actually led to any improvement in Japan's pharmaceutical sector sales force productivity with benchmarks indicating more than twice as many sales representatives per doctor than in the West. When challenged some of the corporates are surprisingly open about the issue and simply conceded that they have too many sales reps and that outside of natural attrition, workforce reduction was difficult.

From a broader perspective, these companies are lagging reform initiatives in the industrial sector where memories of the truly life threatening nature of Yen strength are still fresh. Interestingly, the largest company in the sector, Takeda Pharmaceutical, is changing having appointed French executives into the key management positions with an announced plan to cut global costs by around $1 billion over three years with no exception made for the Japanese cost base; we think others will follow.

Trends in Japanese corporate willingness to distribute profits to shareholders are also an important indicator of corporate health and the signs are encouraging with the big-end of town taking the lead with buybacks (e.g. NTT, Hitachi, Mitsui and Toyota). In the case of Toyota, the company consistently bought back an average just over 2% pa of shares outstanding prior to the 2008 credit crisis and has just announced a resumption of this program, an important indicator of growing confidence.

Whilst there is always a long list of so-called "tail" risks that we have on our watch-list and we don't wish to down-play the structural issues facing many of the large economies (China's ageing credit binge, US long-term addiction to other people's savings, Japan's twin-deficits and high level of government debt and the real risk of deflation within the European periphery), it is also important to gauge these risks relative to starting valuations. In the case of Japan, a trailing multiple of 1.2x book for the entire market and a P/E discount (forward basis) relative to the world close to the all-time high, there remains some margin for error. However, as always, the stock specific remains far more interesting that the aggregate and on this count, not only do we remain comfortable with the stocks we own, we are also finding worthy new candidates. The issues facing the market more technically relate to the overhang of foreign buying and though we are approaching the point, at least from a sentiment perspective, where most foreigners have given up hope of any "Third Arrow" reforms, there may still be bouts of buyer remorse. As we have stated in earlier quarterlies, such "Third Arrow" success was never part of our base case for Japan and though we will keep a watching brief, our primary focus will remain actual change at the corporate level.

Platinum International Brands Fund

Simon Trevett Portfolio Manager

Disposition of Assets

REGION	MAR 2014	DEC 2013
Europe	34%	33%
Asia and Other	26%	26%
North America	10%	9%
Latin America	7%	7%
Japan	5%	5%
Russia	3%	2%
Africa	2%	2%
Cash	13%	16%
Shorts	6%	8%

Source: Platinum

Performance and Changes to the Portfolio

(compound pa, to 31 March 2014)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	-3%	25%	14%	18%	13%
MSCI AC World Index	-2%	31%	13%	11%	0%

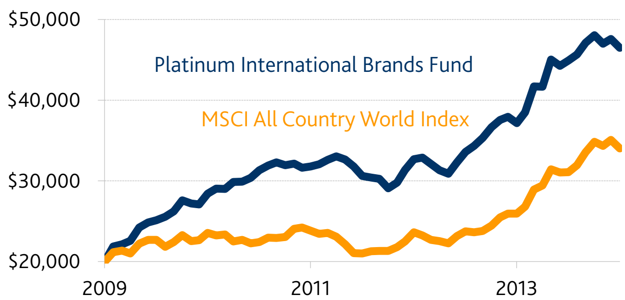
Source: Platinum and MSCI. Refer to Note 1, page 40.

The Fund declined by 3.3% over the quarter whilst showing an annual return of 25.1% and a five year return of 18.4% pa.

The Fund's limited exposure to both technology stocks and the Japanese market detracted from relative performance compared to the MSCI World Index which rose 31.1% for the year. The quarter was also characterised by the wide range of stock price movements amongst the Fund's holdings, from +90% to -30%. As noted in past reports, the increase in volatility is expected and can present opportunities albeit there will be periods where the Fund's overall performance is unduly impacted.

Value of $20,000 Invested Over Five Years

31 March 2009 to 31 March 2014



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

Detractors from performance were unsurprisingly those holdings with significant exposure to Russia, with the Fund taking the opportunity to selectively add to our investments both directly and indirectly impacted. More broadly, the Fund's holdings across the emerging markets were quite mixed; the Brazilian holdings declined whilst others across South East Asia and Africa showed strong gains.

Generally, the Fund has been adding to positions through the quarter with only one sale of note, an Indian consumer company that the Fund has held for many years. The holding has performed well, increasing in value several times over, however, there are now better opportunities on offer in that market.

Commentary

As tourism continues to grow strongly, the Fund's exposure to emerging market consumers is increasingly difficult to quantify. The growth in tourism has a remarkably consistent record, yielding some surprising numbers. Despite the economic and political concerns of the world, there were an *additional* 52 million tourist arrivals in 2013 taking the global tourist arrivals numbers up to 1,087 million.

The long-term chart shows little interruption from 25 million in 1950 to 278 million in 1980, 528 million in 1995 and passing one billion in 2012. The UN World Trade Organisation estimates this industry currently contributes 9% of global GDP with recent decades and projected growth ahead of world GDP growth.

A billion people going on holiday spending US$3.5 billion a day!

More than half of which decided on Europe and within that France remains the preferred destination. Perhaps then we shouldn't be surprised that the Mandarin Oriental on Rue Saint-Honoré can command average room rates in excess of €1,000 per night or that their Hyde Park, London hotel has maintained an 80% occupancy with an average rate above US$850. Also ranking highly, the New York Mandarin located alongside Central Park commands an average rate of US$950 per night. The prospects for the Fund's investment in Mandarin Hotels continue to look compelling against the backdrop of overall growth in tourism and the disproportionate rise in 'new millionaires' from emerging markets. The CEO observes that in his 15+ years in the role he has seen the proportion of leisure guests rise from 20% to more than double that and it continues to grow.

The Selective Retail division of LVMH, comprising predominantly of Sephora and DFS Galleria, is the second largest contributor to LVMH revenues and with strong underlying growth is likely to become the largest division within a few years. Clearly the growth in tourism numbers underpins a degree of confidence, particularly from China which surpassed 100 million outbound tourists and on relatively conservative assumptions that is set to nearly double over the next five years.

Studies have shown an exponential rise in tourism once certain GDP/capita income thresholds are reached. Chinese tourist numbers have increased by about 15% pa over the past decade, with the next decade likely to see even higher growth rates as more cities and regions in China pass disposable income thresholds. The progression over the past two decades in numbers of Chinese travellers is remarkably similar to that of Japan or Korea in the 1970s and 1980s from which point there was a more than doubling of outbound tourists.

China may yet surprise, as it has already in many areas, with the speed of adoption. Surveys are also highlighting that shopping remains a key purpose with an intention to increase spending budgets. That is certainly attracting the attention of many given an already relatively higher propensity to indulge in luxury purchases.

Even a cursory review of the pictures of Beijing's air pollution or the queues and crowds at domestic tourist sites such as the Great Wall in Golden week, support the notion that an increasing proportion of the domestic tourist market will venture further afield as confidence and means grows. Rising incomes, relaxed visa restrictions and perhaps an increase or some flexibility in annual leave will all contribute. Thailand, Japan and South Korea have experienced exponential increases in Chinese visitors and we note more recently, Baidu's search rankings are showing an increasing interest in shopping destinations such as Dubai and Singapore.

The scale of opportunity to invest in consumption-related products from rising emerging market incomes is not only demonstrated with tourism or the potential of Chinese consumption, even though we might note as an aside that the Chinese consumed 1.9 billion bottles of red wine last year, that's more than the French.

India has 485 million people of legal drinking age with another 150 million likely to be added over the next five years. Despite already being one of the largest alcohol markets in the world, it still has one of the lowest per capita consumptions. Diageo's acquisition of United Spirits is promising for the industry and certainly there is good reason to believe that they will lift the overall industry profitability as they migrate consumers up the quality and price range. The Fund's investments in United Spirits and Pernod Ricard are not without risk, however, the potential of this market warrants a degree of patience.

It is not just the progress towards premium products that is attracting the Fund's interest. As low income consumers generate even quite modest increases in disposable income, the spending patterns develop quickly. Mosquito borne Dengue Fever is prevalent in many highly-populated, low income countries and an even more difficult intrusion for those with limited access to modern healthcare. The progression of the insecticide market from smoke based coils to mats (or papers) through to vapourisers is well-understood in the now developed markets.

The potential of markets such as Indonesia, Nigeria or Kenya is vast, especially when it is estimated that the number of deaths due to Dengue Fever or Malaria is higher in Africa than from HIV. It is not unreasonable to believe that consumers will quickly adopt effective low cost options to protect themselves as their incomes permit. All three of those markets are currently of interest to the Fund.

Outlook

The Fund is adding to positions in emerging markets as volatility and falling share prices provide longer term opportunity. Basic foodstuffs through to insecticides are being added, mostly by direct investment in emerging markets. The tourism theme continues to show potential with the Fund adding to both existing and new positions. Developed market opportunities, particularly amongst US and European listed companies, are much less compelling given the progression of those markets and prices over the past five years.

Platinum International Health Care Fund

Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	MAR 2014	DEC 2013
Europe	45%	47%
North America	23%	24%
Japan	6%	7%
South America	1%	1%
Australia	1%	2%
Cash	24%	19%
Shorts	2%	2%

Source: Platinum

Performance and Changes to the Portfolio

(compound pa, to 31 March 2014)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l HC Fund	0%	32%	21%	17%	8%
MSCI AC World HC Index	2%	42%	25%	14%	7%

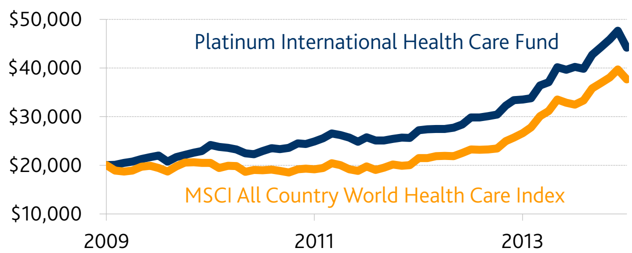
Source: Platinum and MSCI. Refer to Note 1, page 40.

Towards the end of this quarter, US biotech finally saw a decline. Tensions had been rising and the trigger in the end was a letter from the US Government to Gilead looking for an explanation as to why its new Hepatitis C virus (HCV) drug is priced as high as $84k for a 12 week course (for reference it costs $57k in the UK and $66k in Germany). It is not surprising that the US Government is starting to get a little worried; the new HCV drugs are being taken up like hot cakes and new immunotherapy drugs for cancer are being seen as multi-billion dollar drugs. Long forgotten is the consensus view that blockbuster drugs no longer exist, indeed these days they are multi-billion dollar ones!

Combine this belief with the fact that big biotechs pre-tax profit margins will rise up to 60% and one has a scenario that is not sustainable; something will have to give.

Value of $20,000 Invested Over Five Years

31 March 2009 to 31 March 2014



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

We think that the sector has entered a new innovation cycle, but sentiment has become far too positive and does require more level-thinking.

During the quarter we finally exited Gilead after a huge run. Our European holdings continue to do well, some have managed to raise money which is very rare in Europe, but indicates that the appetite for biotech in Europe has been rising. Valuations are a lot more sensible when one considers the new product cycles in the making.

Teva (up 23% for the quarter), a holding we have had for some time, has finally started to have some success. It does help to have been the cheapest company in the sector. However, its Copaxone defence strategy is paying off (from once a day to three times a week), as is its cost savings plan.

We will continue to look for investments that are neglected, but have a base business that can be built upon (e.g. AstraZeneca, a top 10 holding of the Fund). Such thinking has taken us to Japan this quarter.

Commentary

The Japanese pharmaceutical market is a decent size; about $110 billion, which is half the size of the European market. On the surface, its reputation is less exciting. Local pharmaceutical companies have been struggling; some have experienced patent cliffs overseas, others have run out of steam in the domestic market. Tight government regulations, unfavourable pricing and inefficient sales infrastructure are all being seen as the culprit of their demise.

Interestingly, this generalisation is at odds with what we have been hearing from the local Japanese heads of two UK pharmaceutical companies. They are excited about Japan and find it an environment that is favourable and easy to manage. This rather positive view is a sign that something is going on in Japan that is worth getting to the bottom of.

Japan in many ways is no different to Europe when it comes to pricing. US price flexibility does not exist; some may view this as sensible while others see it as restrictive. Remarkably, neither the Japanese companies nor the foreigners see it as bad; they simply say that one has to get the initial price right.

The Japanese government sets the initial reimbursement rate and then gradually, but progressively, reduces the price over the life of the drug. New drugs receive reasonably attractive prices, often better than in Europe. As is globally the case, the key is to introduce new drugs to maintain a healthy price-weighted product portfolio, something the Japanese companies have struggled to do. Foreigners have woken-up to this relatively protected opportunity and accelerated their Japanese product launches.

While Japanese drug prices reduce over time, a US-style patent cliff cannot occur. In Japan, the government guides generic prices and generic penetration is rising albeit at a slow, manageable pace. This has been a double-edged sword for domestic pharmaceutical companies (the foreigners see it as a luxury), who today rely far too much on their old “tail” products. So far there has been no urgency to change their sales infrastructure or their research and develoopment engine. However, we feel that this change is creeping-up and on our travels we saw hints of adjustments.

Currently, Japan has 93k sales representatives in total, including pharmaceutical and wholesale reps, meaning one rep per three doctors versus the US where the ratio is one to seven. Japan should be able to do better and M3, a Japanese company which offers virtual sales practices, is trying to tackle sales inefficiencies. Most pharmaceutical companies are signed up to M3 along with 200k doctors. eDetailing in Japan is growing nicely and so far sales rep numbers have been stable; the next step is a decline in real life reps. Foreign companies are at an advantage when it comes to sales reps; GSK and AstraZeneca as an example have a small number of sales reps in Japan (~1,900 reps each), a number that has managed to remain steady. They prefer to partner with local pharmaceutical companies and use their expertise and reps. This is a good example of the less tribal approach favoured by foreigners. Ultimately, this will bring pressure to bear on the local industry, as they are now launching a number of old drugs. Until recently most pharmaceutical companies launched their offerings to Japan years later than in their home markets. With new drugs, the foreigners will sometimes use their partners and otherwise go it alone.

Several of the Japanese pharmaceutical companies have the fundamentals of a good company, but have accumulated a lot of infrastructure and baggage. This will take time to dismantle and will require a change in thinking from the tradition-bound past. At Takeda, several French executives have been put in charge (CEO, CFO, Chief Procurement, and Chief IT) to return this company to growth. This change is being watched by many with the hope that it will be the showcase for the new style of Japanese pharmaceutical company.

Japan has a sound record of innovation; it is less vibrant than in the US and Europe, but companies like Daiichi Sankyo (a holding of ours) is seen as pretty creative. Daiichi Sankyo has been successful outside of Japan, but is struggling with its Indian subsidiary, Ranbaxy. This was acquired to try to expand geographically and to give it access to the global generic market. It has been a costly experience at several levels and has subsequently turned Daiichi into the lowest valued serious pharmaceutical company in Japan. GSK has formed a joint venture with Daiichi Sankyo dedicated to its vaccines, a big deal for GSK who considers vaccines as one of its strength.

Japanese companies can do good research, but lose the fight to successfully bring them to market and are trumped by foreigners tapping into these pipelines to licence drugs for development (e.g. Johnson & Johnson and Astellas, Biogen Idec and Eisai). Take Mitsubishi Tanabe for example. This company discovered Gilenya, Novartis' Multiple Sclerosis oral pill, while Johnson & Johnson's new diabetes drug Invokana also originates from their labs. These are two recent launches that earn Mitsubishi Tanabe an attractive royalty stream. If it can now reduce its cost structure it will become a good investment (it is another holding in the Fund). Japanese companies have also established venture funds and have been travelling more frequently to find licensing opportunities.

Outlook

It is easy to say that the progress of change in Japan will take time, but that misses the point that current valuations of several of these companies takes no account for advancements made thus far.

We believe that the pricing and rebate discussions in the US will get more coverage and that generalists in particular will review their exposure to US big biotechs. Big pharmaceutical continue to increase their cash balances; they have been wary of merger and acquisition valuations, but may start to reassess their options with corporate action. We are doing the same and remain optimistic of the various options open to us as we migrate the portfolio.

Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	MAR 2014	DEC 2013
Asia and Other	24%	32%
North America	20%	21%
Europe	19%	18%
Japan	12%	12%
Africa	3%	3%
Russia	1%	0%
Cash	21%	14%
Shorts	4%	4%

Source: Platinum

Performance and Changes to the Portfolio

(compound pa, to 31 March 2014)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	-2%	40%	12%	12%	9%
MSCI AC World IT Index	-1%	39%	16%	13%	-5%

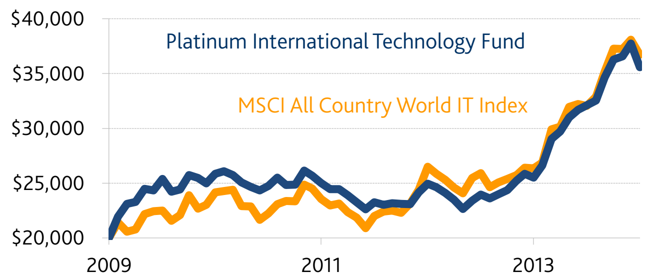
Source: Platinum and MSCI. Refer to Note 1, page 40.

During the quarter, the MSCI World Information Technology Index (A$) was down by 1.5% reversing some of the strong gains cumulated over the previous year. The Fund's performance was in line, declining by 2%. For the year to March, the Fund's return was a strong 39.5% compared to 39.3% for the Index, as we slightly reduced the net invested position to 75%.

Among the Fund's best performers and major contributors were analogue semiconductor stocks (Skyworks +31%, NXP Semiconductors +28%, Avago Technologies +22%), solar equipment (Meyer Burger +35%) and LED equipment (Veeco +27%).

Value of $20,000 Invested Over Five Years

31 March 2009 to 31 March 2014



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

Detracting from performance were Chinese Internet stocks (Sohu, Youku, Sina and Baidu -10% on average) reversing some of last year's strong performance (and Adva Optical Networking telecom equipment manufacturing and testing -12%).

Currencies detracted from performance with the Australian dollar up on average 4% against major Western counterparts and 2% against the Japanese yen.

During the quarter we introduced two new positions in the portfolio:

ASML Holding: the leading lithography equipment manufacturer for the semiconductor industry. While existing lithography technology is facing more challenges with transistor patterns increasingly narrower on the silicon wafers, ASML, with its latest product, Extreme Ultraviolet (EUV), has the technological lead over its competitors. Once ASML transitions EUV from test phase to full-scale manufacturing, we believe that will translate in higher market share and accelerating revenue growth for the company over the next few years.

Autohome: a recently listed company, is the leading Internet portal for the automotive market in China and is gradually becoming a comprehensive auto marketing/e-commerce platform. With exposure to both new and used car markets, through their www.autohome.com.cn and www.che168.com websites, it offers powerful tools to both car-dealers and the emerging Chinese middle class of car buyers. Telstra was a founding shareholder of the company and it retains a controlling stake after the recent IPO.

Commentary

We spent two weeks in Europe visiting telecom, media and technology companies and we also attended the Mobile World Congress (MWC) in Barcelona to check on emerging trends and recent developments. We came back with a sense of moderate optimism from our meetings: some timid signs of recovery in consumer spending are finally working their way through various layers of the European economy and many companies are well-positioned to benefit from it.

In Spain, we learned that the TV advertising market grew in value by 6% in the fourth quarter of 2013 after ten consecutive quarters of negative numbers! An indication perhaps that corporate advertising spending is ready to re-accelerate if consumer's demand awakens a bit. Similarly in Germany, local free to air and pay-TV broadcasters reported double digit revenue growth for 2013 driven by the emergence of new digital and on-demand services.

In telecommunications, the excitement was more about possible consolidation of telephone/cable service providers in specific national markets (i.e. France, Germany, Ireland). The hope is this could improve the profitability of a sector plagued by declining numbers of traditional (and highly profitable) fixed-line subscribers, fierce competition in mobile offerings and the prevalence of the handsets subsidy model (which mostly benefits Apple and Samsung).

During the first quarter of 2014, the level of merger and acquisition activity in the technology, media and telecommunication sectors reached US$174 billion, the highest level since 2006. The largest deal was Comcast's US$68.5 billion acquisition of rival cable operator Time Warner Cable in the US, which will create the dominant US broadband provider with 33 million subscribers. Facebook also made the headlines with the $16 billion acquisition of 'WhatsApp', a mobile messaging business based on a community of 450 million users, generating so far only around $20 million of revenues.

In Europe, we had Vodafone acquiring Spanish cable operator Ono for €7.2 billion, Liberty Global purchasing Dutch cable company Ziggo and Vivendi in France putting up for sale its telecom subsidiary SFR, now the target of a bidding war between conglomerate Bouygues and cable operator, Numericable.

This renewed level of activity is the result of several forces, but it can be largely ascribed to one major driver: the proliferation of media/communication across screens (TV, PC/laptop, tablet, phone), through multiple ways of delivery (fixed broadband, mobile Internet, WiFi etc) and in a continuously evolving fashion (voice, texts, social messaging, video calls, tweets, apps etc). This is forcing most players to reconsider their traditional strategies and to be open to embrace radical moves and expansion into new territories.

Add to this a regulatory regime which in Europe has enforced strict tariff deflation for certain mobile services and allowed entry of new competitors in almost every national market. You therefore understand why incumbent operators have seen their historically high margins deteriorate and stock price performances generally lag the broad market recovery.

That is why mobile operators are now buying cable operators, social networks are bidding for messaging networks or fixed line telecom operators are launching TV channels. The most striking example is probably the UK market where the traditionally dominant position of pay-TV operator BSkyB has been recently challenged by BT Group plc (the old British Telecom) very keen to bid top dollar for Football TV rights of both English Premiere League and Champions League.

When the traditional business model of charging a fee for a phone call/text message can be easily by-passed by simply logging into Skype or using messaging apps like Line or WhatsApp, then the incumbent has a problem.

If people start watching videos/TV series untethered from the large TV in the family lounge, on a tablet “where you want/when you want”, then advertisers have a problem because their traditional audience becomes mobile and less predictable. Prime-TV viewership tends to be less relevant, while new ways of measuring audiences across multiple media becomes more important and it potentially requires more accurate readings of their targets’ socio-demographic traits.

What is the ultimate prize for this rush to expand/acquire/consolidate? It’s a better way to extract value from you and me, to better understand the habits of the consumer/audience/subscriber, who can be part of multiple communities (i.e. the Facebook community, the Vodafone’s subscribers, the Twitter followers, the Master Chef audience etc).

The media/communication evolution is happening faster now courtesy of increasingly powerful technologies (fibre to the home, 4G wireless connectivity, WiFi etc) and converging trends. Those groups that are able to evolve from traditional businesses (fixed line voice, mobile voice, free to air TV, print media) to the new emerging digital channels will be the winners.

Outlook

A surge in the number of IPOs between the end of 2013 and the early months of 2014 was a clear sign of investors’ exuberance in the tech space. The first quarter of 2014 ended with some profit taking in the most excited technology stocks, specifically Internet, social networks, Cloud, big data names, many of which had only just been listed.

As investors are now rotating into more “traditional” and “value” technology names (i.e. Apple, Samsung, Microsoft etc), they are rushing to divest their most recent winners and so run the risk of throwing away the proverbial baby with the bath water. We are now spending more time investigating opportunities arising from these corrections/rotations and we maintain a slightly higher portion of cash to be put to work opportunistically. In markets like China and Russia for example, we can now find some interesting opportunities in recently de-rated Internet stocks following a sharp sell-off triggered by macro-economic and geopolitical concerns.

We remain positive about technology stocks in the medium term as we consider valuations (particularly for large capitalisation stocks) still attractive.

With signs of economic recovery emerging in some European countries, both enterprise and consumer spending in those countries should accelerate and positively impact on hardware, software and consumer electronics revenues.

Most of the Fund’s holdings, with their strong cash flow generation, strong balance sheets and attractive valuations, remain well-positioned to benefit from the recovery.

A visit to Tristan da Cunha and St Helena

Part 1

I was eight years old in 1961 when the volcano blew and the whole population of Tristan da Cunha, a British Overseas Territory in the South Atlantic discovered - but never claimed by - the Portuguese, was evacuated to England. Black and white TV showed the evacuees arriving by ship from South Africa and settling in to what was to become a two year enforced exile in the south of England. For some reason this extraordinary event stuck fast in the mind of this youngster and late last year an opportunity to visit the remotest inhabited island in the world (population 263 and 2,800 kms from the nearest land) became available in recognition of the 50th anniversary of the islanders' return to Tristan in 1963.

My wife, somewhat wary of a sea voyage through waters not known for their serenity, and I are leaving Cape Town on the last working Royal Mail Ship, the RMS St Helena, a 6,767 tonne passenger cargo vessel with 55 crew owned by the islanders of St Helena, five days north of Tristan. The journey to Tristan should take six, or possibly seven, days we are told. Ominously travel time in the South Atlantic is expressed in days and usually encompasses a range. This was no cruise; the 'RMS' is a working ship – its forward deck is obliterated by containers stacked high above a cargo hold crammed with the requirements of daily life in St Helena, its next port of call since there is no harbour in Tristan. She is carrying 115 of us - adventurous passengers, mainly British and including a small group of returning 'Saints'. I learn that several passengers have similar memories of the historic evacuation and have always wanted to visit, whilst a surprising number are making a return visit as Tristan, we are told, is one of those places that captures the mind based on its isolation, challenge of actually getting there, its rugged natural beauty, and its friendly inhabitants of which more later. Avid collectors of passport stamps, too, are completing their collection with one of the most difficult to obtain.

The Governor of St Helena, who also has responsibilities for the islands of Tristan and Ascension (several days north of St Helena), is on board and hoping to make his first landing on Tristan to meet his newly appointed expat Administrator, members of the Island's Council, and of course its people. Previous Governors have sometimes completed their term of office without ever having landed.

Leaving Table Mountain safely behind we head WSW and settle in to life on board. We quickly gain our sea legs and fortunately (for one marriage at least) the sea calms and we are blessed with good conditions throughout our voyage. We pass no other vessel as we are off the main shipping routes. Sited mid-way between South America and southern Africa and in the 'roaring forties', Tristan's fortunes were decimated

Edinburgh of the Seven Seas from the RMS St Helena as sailing ships enjoying the free ride were replaced by the steamship which did not need reliable winds, and fresh food and water mid-journey. The population fell and the island became non-viable. In the Second World War the island became a secret weather and radio station, and the army introduced currency as an adjunct to the barter system used since settlement. A weekly newspaper was published priced at one penny or four potatoes. Fortunately, Tristan's economic prospects have changed and we are told that the islanders are now self-supporting, relying on the British Government only for capital expenditure.

Our route to Tristan takes us first to one of Tristan's closest neighbours, the uninhabited (except for a handful of South African weather station staff stationed here for a year at a time) Gough Island, 400kms to the south. A far flung part of Britain claimed only in 1938, this World Heritage Site was largely unexplored till 1955 when a group of young Oxbridge postgraduates raised funds in the afterglow of the conquest of Everest to complete a survey of its flora and fauna. One of them, Michael Swales, is a fellow passenger and he entertains us all with an illustrated talk of the expedition.

A day after our circumnavigation of Gough we arrive at Tristan. The morning is calm and sunny, and the top of the volcano is cloudless, an event even the locals find worthy of comment as Tristan is the first land mass to face weather that has travelled unimpeded across several thousand kilometres. Tristan is a near perfect circle of land 11kms across, with steep cliffs and angular peaks, and a small area of flat land on which lies its capital, Edinburgh of the Seven Seas, the only community of the island. We discover that Tristan has its own British postcode to avoid confusion with that 'other' Edinburgh, its own British telephone dialling code, and BBC1 and ITV1 live from the UK via satellite. The island operates to UK time being close to the Greenwich Meridian. Subject to weather conditions mail arrives with the island's supply ship every two months or so and the only other regulars are a fishing vessel and the Gough relief ship. There are very few passenger berths on these ships and as these provide the only scheduled way on or off the island preference is given to those requiring medical treatment in Cape Town, islanders visiting family members, and expats including some working on scientific research projects.

Relishing our chance to disembark after a week at sea, the low swell allows use of the gangplank from which two strong islanders lift us into a rubber ducky before whisking us off to

Lava rock walls guard the islanders' graves while the RMS lies at anchor

Calshot Harbour for immigration formalities (and that rare entry visa) supervised by the only policeman for several thousand kilometres. My wife is relieved that the sea is calm as she is not looking forward to the alternative of being winched down the side of the ship in a harness – assuming the Captain deems it safe for any of us to land. We meet our hosts, Anne and Joseph Green. There are only eight family names on Tristan and the Green family are descendants of one of the first settlers, a Dutch sailor (Gruen). There's no hotel accommodation on Tristan and not all of the RMS' passengers can be accommodated in homestays. We are fortunate, particularly as we learn that Anne is a former Chief Islander (the first woman to hold that position) and Head of the local school. Joseph tells us he is retired now but busies himself with multiple roles and duties typical of those living in isolated places.

We settle into a neat, single storey, volcanic stone cottage at the foot of the mountain not far from the lava flow at the foot of the mountain, and begin to explore. It doesn't take too long. We visit the Post Office and drop our postcards in the bright red Royal Mail pillar box. Postage stamps are one of the main exports of Tristan and there are several commemorative issues to buy along with a variety of local handicrafts most intriguing of which are pairs of knitted striped woollen socks - the number of stripes traditionally illustrative of the level of 'interest' in the suitor to whom they are presented. The islanders are not used to visitors (it is November and we are the first passenger ship of the year) and we rather swamp them. But they are friendly and welcoming and have

The settlement viewed from the 1961 volcanic cone

organised a busy programme of events for us all. Tristan uses British currency and many of the passengers buy stamps at half the price of UK postage for their Christmas cards which will also carry a rare postmark.

The high rainfall ensures the greenness of the island and in a (relatively) sheltered area three miles out of town lie the Potato Patches where each islander has a marked out area to grow the staple diet before imported foodstuffs became available. All land on Tristan is communally owned. Many plots contain huts which allow for storage and respite from the changeable weather and provide a vacation home for two weeks annual summer holidays. A small bus operates to a regular, but infrequent timetable and we admire the remote British bus stop. We decide to walk back to town, meeting little traffic as there is nowhere much to go and plenty of time to get there. We are passed by some fellow passengers who, to their great disappointment, have failed to conquer the highest point of the island, the local guides believing the low cloud that has blown in has made it too dangerous to continue. The next day is perfect but the RMS is due to leave and another Tristan visit would be the only way for them.

Locals and visitors are invited by the Governor to the Prince Philip Hall (which is next to the only pub, The Albatross Bar) to celebrate the 50th anniversary of the return to Tristan by the islanders. The Governor presents, on behalf of Queen Elizabeth, MBEs to two islanders including Joseph Green and the midwife, and an honorary MBE to the Belgian captain of the MV Edinburgh who with islanders helped save the crew of a ship that smashed into neighbouring Nightingale Island in the dark. Earlier a commemorative plaque is unveiled by the Governor, and we enjoy a programme of singing and dancing put on for him by the 29 children (ranging from 3-16 years) of the only school, St Mary's. Local and expat teachers are employed and we are told the standard is good, with those pupils completing their education overseas performing particularly well.

We make the steep climb to the summit of a small volcanic cone, the cause of the evacuation, at the very edge of town. In spots distinctly warm to the touch, it looks relatively innocuous now but we can clearly see the solidified lava flows extending towards the islanders' cottages (fortunately only one was destroyed) and down to the sea, completely smothering the fish factory which has been rebuilt near the harbour. We read accounts of the trembling and heaving ground and of the decision to abandon the island because there is nowhere to escape to should the eruptions continue. Noted for its rare birds, we seek the island's most famous, the Rock Hopper Penguin with its spiky bright yellow eyebrows, but unfortunately there are none to be seen. We will have to come back.

The other major export is the 'crawfish' or rock lobster 'from the cleanest cold waters in the world', and whilst the men catch 160 tonnes each year on infrequent 'fishing days' (declared when weather conditions are deemed safe), the ladies expertly process them to the highest standard of presentation required by the Japanese consumer. Our hosts cook their own catch for us and the following day provide crawfish sandwiches. Exports to Europe are anticipated, but first European Union standards for food handling must be satisfied and inspectors are far distant. Other islanders are employed in public administration and services. Electric street lights are being installed during our visit and single lane roads surveyed to assess ability to survive frequent severe storms and flooding. Snow falls only on the mountain tops.

Regrettably the Tristan Island versus RMS football match is cancelled. The 'home' team we are told has little match practice – occasionally a Royal Navy ship will pay a courtesy visit en route to or from the Falklands and provide some competition. We are warned the home team is good, although its 'away' record is completely untested.

As Tristan disappears we reflect on our brief visit to this beautiful and remote outpost populated by loyal British citizens. Circling uninhabited Nightingale and Inaccessible islands we turn north and toward the heavily populated island of St Helena (over 4,000) five days and 2,400 kms away.

Part 2 on St Helena will appear in the 30 June 2014 quarterly report.

RE Stokes
PT Funds investor

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 0.64%. 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 Japan Fund is 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 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.

Purchasing Managers' Index (PMI)
An indicator of the economic health of the manufacturing sector. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

Return on Equity (RoE)
Measures the rate of return on the ownership interest (shareholders' equity). It measures a firm's efficiency at generating profits from every unit of shareholders' equity. It indicates how well a company uses investment funds to generate earnings growth.

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

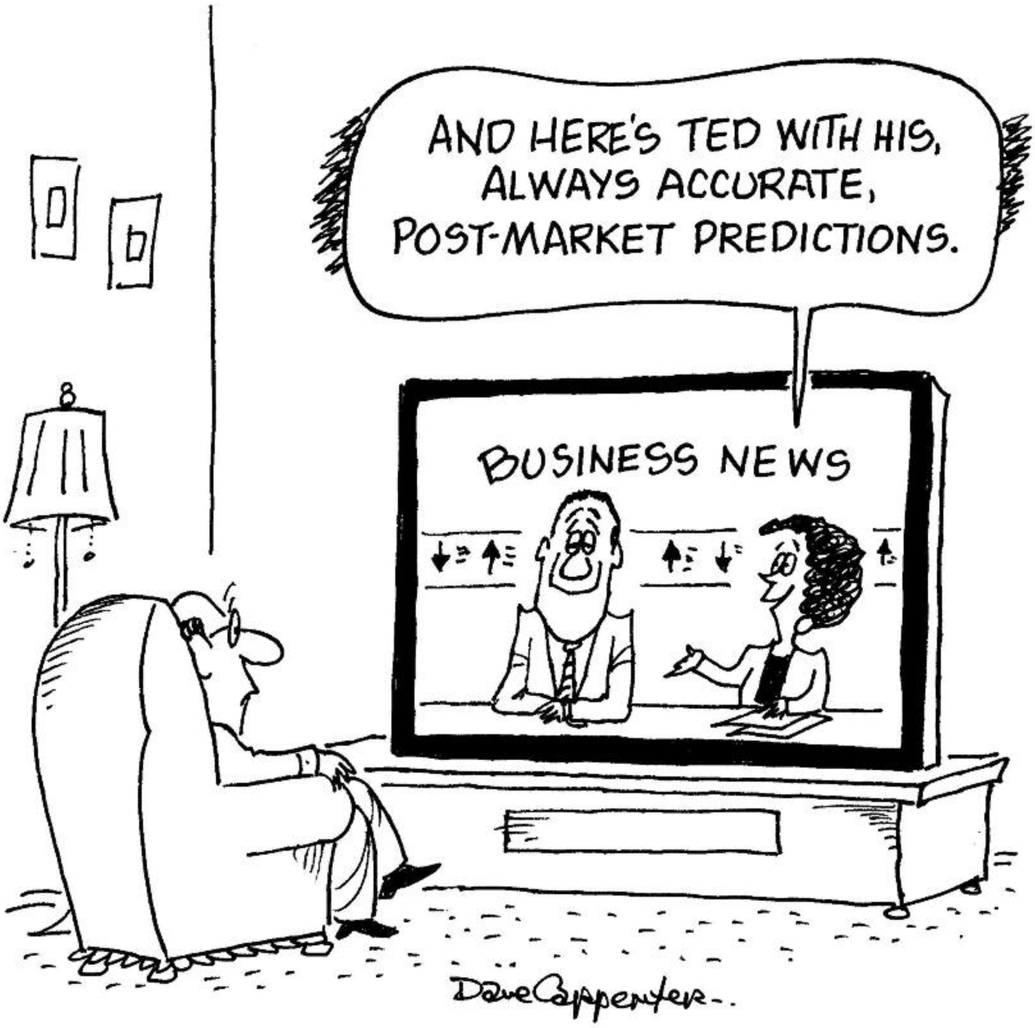
Please visit our website at:

www.platinum.com.au

We have a section titled 'The Journal' providing in-depth commentaries on stocks, views and insights, and the fundamentals of investing.

From early May, estimations (updated weekly) for the forthcoming Platinum Trust Funds' 30 June distribution will also be available on our website.

"What I'm challenging this group to do, then, is to redirect our shared passion for the idea of making money into actually making money!"


AND HERE'S TED WITH HIS,
ALWAYS ACCURATE,
POST-MARKET PREDICTIONS.
BUSINESS NEWS
Dave Carpenter

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$20,000 invested in the relevant Fund over five years from 31 March 2009 to 31 March 2014 relative to their Index (in A$) 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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No company in the Platinum Group® guarantees the performance of any of the Funds, the repayment of capital, or the payment of income. The Platinum Group means Platinum Asset Management Limited ABN 13 050 064 287 and all of its subsidiaries and associated entities (including Platinum).

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Platinum®
ASSET MANAGEMENT

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 $23 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 more than twice those of the MSCI All Country World Index* and considerably more than interest rates on cash.

Investor services numbers

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* Please refer to page 2.

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