Platinum® ASSET MANAGEMENT

Quarterly Report

30 June 2015

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

Contents

Performance Returns to 30 June 2015

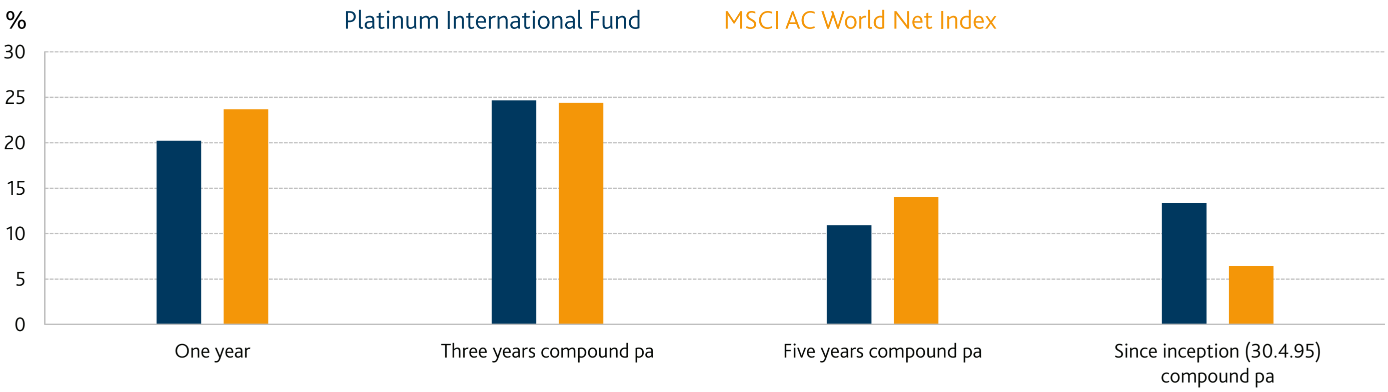
FUND	PORTFOLIO VALUE (POST 30 JUNE CASH DISTRIBUTION)	QUARTER	1 YEAR	2 YEARS *COMPOUND PA*	3 YEARS *COMPOUND PA*	5 YEARS *COMPOUND PA*	SINCE INCEPTION *COMPOUND PA*
International Fund	$11,004m	0.8%	20.2%	18.8%	24.7%	10.9%	13.4%
MSCI AC* World Net Index		-0.3%	23.7%	21.4%	24.4%	14.1%	6.4%
Unhedged Fund	$388m	2.9%	19.5%	20.8%	25.6%	12.5%	11.9%
MSCI AC World Net Index		-0.3%	23.7%	21.4%	24.4%	14.1%	6.5%
Asia Fund	$5,515m	-1.3%	29.9%	23.5%	25.1%	11.6%	17.0%
MSCI AC Asia ex Japan Net Index		-0.1%	27.5%	20.0%	20.6%	9.5%	11.1%
European Fund	$413m	2.9%	15.5%	17.0%	21.6%	14.9%	12.3%
MSCI AC Europe Net Index		-0.1%	12.5%	18.3%	22.8%	11.5%	2.5%
Japan Fund	$600m	3.4%	41.0%	27.1%	37.5%	18.7%	15.7%
MSCI Japan Net Index		2.5%	33.0%	19.0%	24.7%	10.9%	2.1%
International Brands Fund	$1,209m	3.8%	17.4%	14.2%	20.2%	12.7%	13.3%
MSCI AC World Net Index		-0.3%	23.7%	21.4%	24.4%	14.1%	1.7%
International Health Care Fund	$157m	0.9%	34.0%	26.8%	29.4%	20.7%	9.8%
MSCI AC Wld Health Care Net Index		0.8%	43.7%	33.8%	36.4%	23.0%	9.9%
International Technology Fund	$76m	1.0%	20.4%	21.0%	22.8%	11.7%	9.4%
MSCI AC World IT Net Index		-1.5%	32.8%	29.9%	27.4%	17.3%	-2.8%

*Morgan Stanley Capital International All Country

Source: Platinum and MSCI. Refer to Note 1, page 44.

Platinum International Fund versus MSCI AC World Net Index

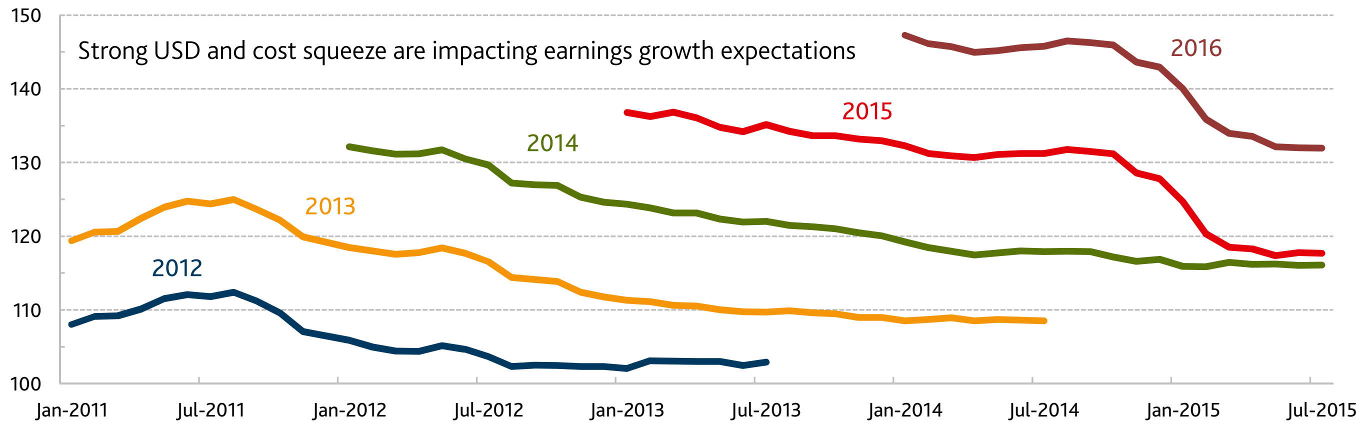
To 30 June 2015



Source: Platinum and MSCI. Refer to Note 1, page 44.

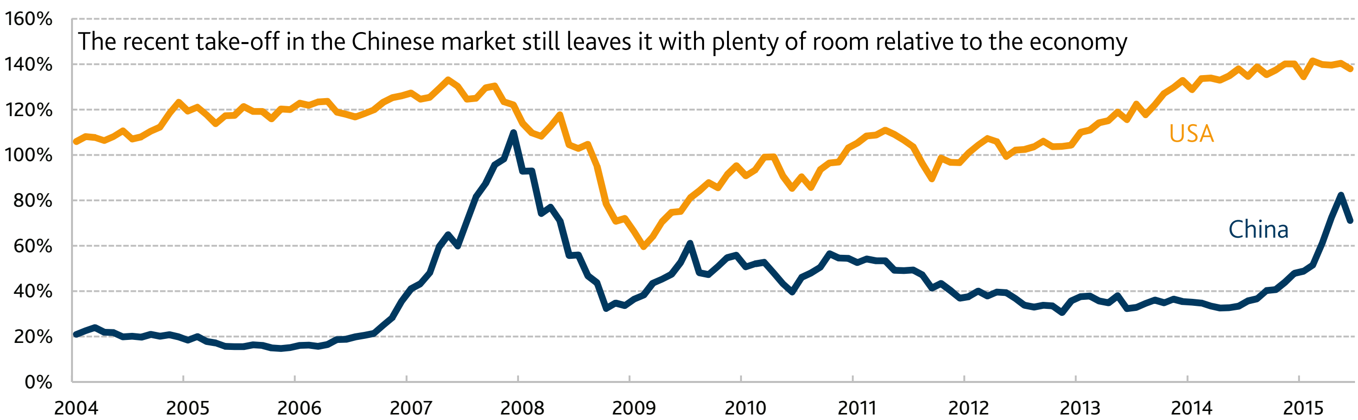
Market Panorama

S&P 500 Consensus EPS Estimates



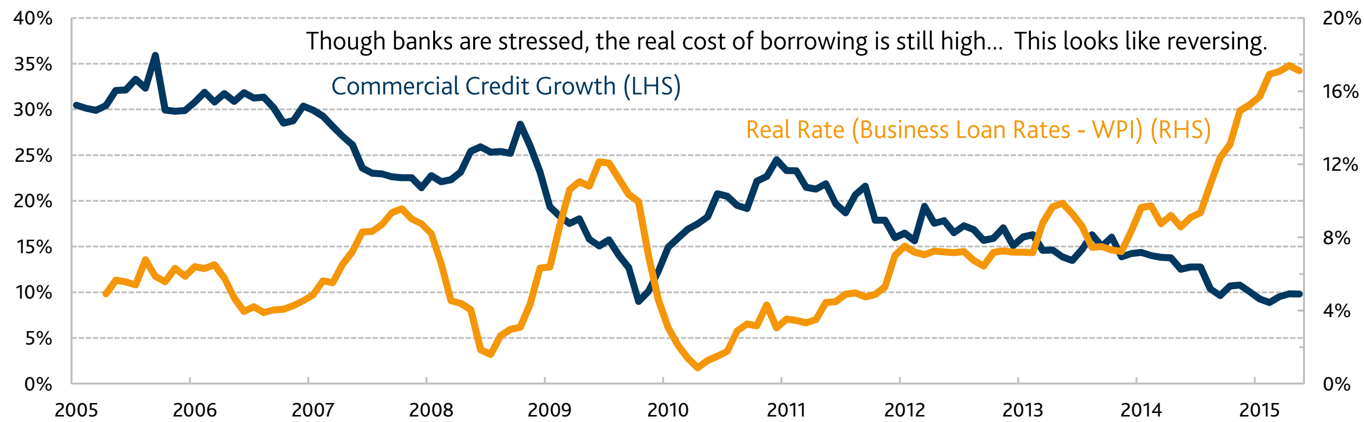
Source: Minack Advisors

China versus USA - Market Capitalisation as a Percentage of GDP



Source: International Monetary Fund (IMF) and Bloomberg

Indian Credit Growth and Real Rates



Source: Bloomberg, the Reserve Bank of India, Indian Banks' Association, and the Press Information Bureau of India

A Snapshot

Platinum International Fund

- Europe is on a broadening recovery track, as evidenced by a surge in the current account surplus across the continent and improvements in economically sensitive indicators like retail sales and unemployment trends. Greece remains the exception.
- The US market, having been at the vanguard of recovery, seems to be losing some of its vigour even as there is broader cyclical confirmation of growth. Lack of compelling valuations and stalling earnings growth (exchange rates being a big factor) are being offset by an M&A cycle, supported by buybacks, resulting in a tight range trading and very low volatility.
- The Fund took a position in Indian company Reliance Industries, one of the world's largest refiners and processors of hydrocarbons, which is also embarking on a bold expansion into the country's under-served telecommunications market.
- We have placed our faith in the opportunities of Asia, with Japan achieving strong profit growth, an expectation that there will be a turn-up in profitability among Indian companies as the economy begins to expand, and China with its deep reforms and ongoing transformation into a more service-oriented economy.

Platinum Unhedged Fund

- We trimmed our health care holdings and deployed some of the funds raised to increase our holdings in the Eastern European banks and the areas of neglect in the Chinese market.
- Peer-to-peer (P2P) online lending platforms, led by Lending Club, have been very successful at targeting high yield niches such as loans to refinance credit card debts. However, we think they will be facing a long and hard road to expand into more mainstream lending categories and "transform the banking industry".
- The Korean market is looking attractive for its extremely cheap valuation, on both absolute and relative bases, while India remains promising owing to its strong reform agenda which, if successful, can have a truly transformational effect.

Platinum Asia Fund

- While volatility in the Chinese stock markets dominated headlines this quarter, the country's significant reform measures pressed ahead. The Central Bank's bail-out of local government debts, relaxed monetary policies, capital account liberalisation, and signs of improvement in the residential property market are the real contributors to the underlying strength of the market and positive prospects of the economy.
- The sharp decline in the China A-share market in late June reflected the exececssive exuberance among domestic retail investors which was particularly concentrated on the speculative, overvalued "new economy" sectors of the market.
- The Fund's holdings, principally in (1) undervalued, best-in-class A-share companies with structural growth stories, (2) Hong Kong-listed stocks with strong positions in China, and (3) US-listed Chinese Internet stocks, performed strongly and remain well positioned.
- We remain optimistic that India's reforms will bear fruit over time, notwithstanding the recent fall in its market owing to temporary sluggish economic numbers and delays in the passing of government reform bills.

Platinum European Fund

- Notwithstanding the usual Emerging Market concerns, we are attracted to Eastern Europe by its robust structural growth prospects and the process of EU accession that lies at the heart of it, which provide the region with some unique advantages among developing economies.
- We continue to hold a favourable view on Erste Bank, one of the Fund's largest holdings, as there are multiple growth avenues open to it and compressed interest margins are expected to expand as rates begin to normalise.
- In an increasingly complacent and expensive market, the Fund's relatively large cash balance not only will protect us in a market correction, but will also give us the capacity to capitalise on any opportunities that such a correction brings.

Platinum Japan Fund

- We continued to freshen the portfolio, adding a diverse group of companies with reasonable medium-term prospects (which have been sold off for short-term reasons) and smaller companies with cheap valuations and robust core operating businesses.
- Our trip to Japan during the quarter presented us with a reinvigorated Japanese auto industry that is thrusting towards a future full of unprecedented technological changes as well as brutal competition.
- The latest trend in collaborative robots or "co-bots" is opening up entirely new markets and Japanese companies have an edge in sophisticated mechatronics, software and motion control.
- There are valuation anomalies in the Japanese stock market relative to other global asset markets, in particular, P/B and P/E ratios are anomalous due to lower return on equity and assets. If the gap narrows through ongoing improvements to Japanese corporate behaviour and renewed competitiveness through a weaker Yen, this presents a large valuation re-rating opportunity.

Platinum International Brands Fund

- The Fund took profit from a number of its long-held stocks, including Henkel (first bought in 2006 and has been a strong contributor), United Spirits, and United Breweries (up some thirtyfold during its time within the Fund).
- Our keen interest in the impact of growing numbers of tourists and their propensity to buy cosmetics led us to revisit our work on a number of cosmetics companies and we added Shiseido to the portfolio, encouraged by early evidence of change to a meritocracy and the well thought-through plans of the relatively new CEO from outside the industry.
- The Fund's increased cash position provides it with the flexibility to be opportunisitic in the event of increased headline driven market volatility. However, there should be some caution expressed that not only are many of the developed world consumer companies at record valuation levels, but that this may persist for longer than expected.

Platinum International Health Care Fund

- While governments may see generic drug companies as agents of cost control, the generics themselves are profit maximisers - confident of maintaining 55%-65% gross margins despite increasing supply and competition.
- Teva Pharmaceutical Industries has been pursuing Mylan NV, which is in turn pursuing Perrigo Co. The new round of proposed mergers indicates a certain concern that scale (and cost-cutting potential) may be important considerations in coming years.
- Axovant Sciences' US$2-3 billion valuation, backed by only one key asset - an experimental Alzheimer's drug candidate that it had purchased for an upfront payment of US$5 million, demonstrates how late it is getting in the boom cycle of biotechs.
- With this sort of excess in mind, we are holding over a quarter of the Fund in cash, awaiting opportunities in the inevitble hangover from such a wild party.

Platinum International Technology Fund

- Our holdings in several US- or Hong Kong-listed Chinese telecom, Internet and e-commerce stocks appreciated strongly as investors recognised the attractive valuation gap between these stocks and their Western peers and founders sought share buybacks and privatisation (with the idea of re-listing at a higher valuation on the Chinese A-share market).
- 2015 is on track to be a very strong year for M&A, with the Technology sector reporting the highest number of deals (4,074). While some deals are consummated at high prices, there are points of difference compared to the Tech bubble 15 years ago.
- Many data and estimates point to a growth slowdown in key consumer electronics end-markets. However, technological innovation in electronics continues and the trend towards an "Internet of Things" is inexorable.
- The semiconductor industry may be entering a more mature phase, with 8.3% p.a. in revenue growth expected for industrial applications and 6% for automotive, while consumer applications are estimated to grow by a mere 2% p.a. in 2014-2018.

Platinum International Fund

Kerr Neilson Portfolio Manager

Andrew Clifford Portfolio Manager

Performance

(compound pa, to 30 June 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund	1%	20%	25%	11%	13%
MSCI AC World Index	0%	24%	24%	14%	6%

Source: Platinum and MSCI. Refer to Note 1, page 44.

There have been moments of high excitement within the last three months. Perhaps volatility in the bond markets takes first place with a final precipitous drop in interest rates, led by the German Bunds, and followed by an equally harrowing bounce with the 10-Year Bund yield moving through a 0.8% range. The cause of this change in sentiment has been the shift of perceptions away from deflationary fears to the evidence that indeed Europe is on a broadening recovery track with Greece being the one exception.

The realisation of Europe's recovery, greatly assisted by the relative weakness of the Euro versus the US dollar, drove earlier investment flows into Europe, but this was disrupted late in the quarter as Greece took an uncompromising line in negotiations with its lenders. At the time of going to press, there is a tense standoff post the "No" referendum outcome with the ball back in Greece's court to provide a resolution.

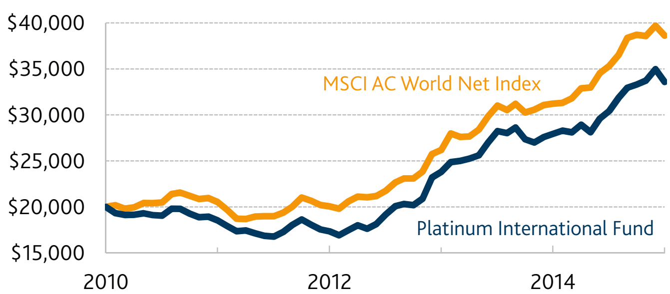
Disposition of Assets

REGION	JUN 2015	MAR 2015
Asia	37%	35%
North America	20%	23%
Europe	20%	22%
Japan	11%	11%
Russia	1%	1%
Australia	1%	1%
Cash	10%	7%
Shorts	8%	7%

Source: Platinum. Refer to Note 3, page 44.

Value of $20,000 Invested Over Five Years

30 June 2010 to 30 June 2015



Source: Platinum and MSCI. Refer to Note 2, page 44.

The Chinese domestic A-share market continued its run with perceived government sponsorship. A strong reform agenda, accommodating monetary policies, an IPO allocation model that favours small investors and the potential inclusion of China A-shares in the MSCI global indices created an exhilarating concoction that drove crazy valuations in the Rmb6 trillion small-cap ChiNext sub-index of the Shenzhen Stock Exchange. The A-share market is by comparison relatively calm. Having already doubled in less than a year, one would expect at least a pause to refresh.

The penny has dropped among investors that Japan has, after all, embraced change and that it has probably seen the end of a trend of chronically weak consumer prices (aka deflation). The changes that these pages have tediously laboured over for several years are starting to bear fruit and, most importantly, earnings revisions are progressively adjusting higher to reveal the true competitiveness of companies at the current value of the Yen.

Progress of the US economy is discussed later but, having been in the vanguard of recovery, it seems that the market is losing some of its vigour even as there is broader cyclical confirmation of growth. Lack of compelling valuations and stalling earnings growth (exchange rates being a big factor) are being offset by a mergers and acquisitions cycle, supported by buybacks, to result in a tight range trading and very low volatility. Importantly, firms are tending to use the current low cost of borrowing to **replace** equity.

High levels of debt in the West will continue to retard growth prospects in those regions which, together with ample supplies of commodities, are keeping pressure on the prices thereof. Some commodity-rich emerging markets remain out of favour. A combination of slow growth, a strong US dollar, specific political or geo-political problems and large current account deficits have contributed to lacklustre market performance.

As the accompanying tables reveal, there has been some broadening of interest to hitherto dull sectors while defensives may be losing their charm for investors.

The MSCI AC World Index (A$) achieved -0.3% for the quarter and 23.7% for the 12 months to 30 June.

The Fund is gradually showing the benefits of seeing the world through different eyes and achieved 0.8% for the quarter and 20.2% for the last 12 months.

Currency

The portfolio remains heavily hedged back into US dollars (70%, including 10% in Hong Kong dollars), with 14% in European currencies, including the Norwegian krone and Swiss francs. There is virtually no exposure to the Japanese yen and very little to the Australian dollar.

MSCI World Index Regional Performance (AUD)

REGION	QUARTER	1 YEAR
Developed Markets	**0%**	**25%**
Emerging Markets	**0%**	**17%**
United States	**0%**	**31%**
Europe	**0%**	**13%**
Germany	-6%	11%
France	0%	11%
United Kingdom	2%	13%
Japan	**3%**	**33%**
Asia ex Japan	**0%**	**28%**
Korea	-4%	5%
China	5%	53%
Hong Kong	5%	38%
India	-4%	27%
Australia	-7%	5%

Source: MSCI

MSCI World Index Sector Performance (AUD)

SECTOR	QUARTER	1 YEAR
Telecommunication Services	2%	23%
Financials	1%	25%
Health Care	1%	44%
Consumer Discretionary	0%	33%
Consumer Staples	-1%	26%
Energy	-1%	-9%
Materials	-1%	9%
Information Technology	-2%	33%
Industrials	-2%	21%
Utilities	-3%	12%

Source: MSCI

Shorting

Biotechs strike us as epitomising the effects of Fed-derived cheap funding. We have consequently taken out a short position in a Biotech ETF. The other positions are principally shorts on the S&P Index.

Changes to the Portfolio

Small residual positions continue to be sold alongside the strongly performing pharmaceutical companies like Sanofi and Novartis. We completed our exit from the short-lived hope for the aluminium sector with a smaller profit than last quarter, and exited Oracle and Bharti Airtel to make way for new holdings. These include **Reliance Industries**, **LIXIL Group**, **Fujitsu** and **JSR Corp**.

The bull market in India has completely eluded **Reliance Industries**. Being one of the world's largest refiners and processors of hydrocarbons (into fuel, textile yarns and plastics) is hardly considered "sexy" in today's service-led markets. Hurting sentiment has been the lack of profit growth in the last four years after a stunning fivefold rise in profits in the first 10 years of this century. The company is now in the midst of a new investment cycle where it is upgrading its petrochemical capacity and launching into new fields.

The activity at its Jamnagar refining complex, the world's biggest, processing 67.9 million tonnes of crude a year, involves the introduction of a *petcoke gasifier* and an *offgas cracker*. These are gigantic undertakings with over 100,000 construction workers presently on site. Their returns will be somewhat **compromised by the present low oil price** but will nevertheless produce 10-15% on new investment. There are other transient implications regarding the current low cost of naphtha on the expansion of the petrochemical complex (+65% in capacity). However, these are unlikely to damage this entity's ability to earn, on its expanded asset base, its traditional RoCE of around 15% because of the entire complex's scale, feed versatility, remarkable operating KPIs and dominant supply position to a fast expanding local customer base.

The more challenging conundrum is to **appraise the company's bold entry into telecommunications**. Investor sentiment is already weak because of Reliance's expensive foray into shale gas exploration in the US and disappointing levels of production from its Indian offshore KG-D6 gas field. They question the company's ability as a newcomer to break into a crowded market and point to the problems that Hutchison faced in similar circumstances. We tend to take the other side of the argument and **point to the opportunity**, and the fact that few companies in India have standing and free cash flow of US$6 billion a year to force their entry.

To spare readers all the intricate detail about the ownership and use of spectrum, the ability to deliver voice over LTE and the willingness of users to pay for handsets and data, we can **truncate the argument to that of need**. With only 2.5 land lines per head of population in India versus 20 in China[1], wireless allows a leapfrogging of technology. As it happens, dense mobile networks need laid optic fibre connections to base stations and Reliance, through its telco start-up, Reliance Jio Infocomm Limited, has already laid 250,000 km of optic fibre with plans to double that over the next three years. While the market frets about the losses that will be incurred, we suspect that the usage of digital may be underestimated. Cisco predicts that by 2018 mobile traffic per connected device in India will increase to 1.1 GB per month from 60 MB in 2013[2]. If Mukesh Ambani has his way, there will not be an Indian user who is unaware of the broader offering he has in mind for Jio. They are doubling their hosting capacity to one million square feet with the plan to offer *Jio Drive* (video-on-demand with hundreds of channels and news) and *Jio Chat*, a powerful app that integrates voice, video, conferencing, file sharing as well as introducing digitised payments. Existing fibre already has capacity to connect 100 million broadband customers end-to-end as well as 20 million fibre-to-the-home customers.

This is indeed a bold dream involving an investment thus far of US$14 billion and potential losses of around US$1.8 billion in the first full year of operation in 2016. However, even with this burden, we can see Reliance's P/E down to 13x by March 2018[3]. This may appear to be of limited appeal for some, but in a market where some consumer companies sell on a P/E of

1 The **trajectory** of wireless data usage in China versus the US is remarkably similar, with current monthly usage in the US running at about 1.8 GB versus 117 MB in China.

2 The number put forward by Cisco may be ambitious on account of the much lower level of disposable income per head in India – at US$1,500, it is about one quarter of that of China. The intriguing notion though is that with quality broadband, Indian rural (and urban) users may well be persuaded to use mobile devices to consume Reliance's entertainment, news and other networking apps.

3 We believe telco losses will continue past this date, but the returns from the new investment in Reliance's traditional business plus the roll-out of petrol stations, 400 already, and general retail, which is already a US$3 billion turnover business, will see the company's EPS progressively rise.

30x, we are happy to take an initial stake with the hope of being able to raise our position on probable setbacks in what will be seen subsequently as a company representing a 'call option' on India.

The Japanese companies, **LIXIL Group** (manufacturer and distributor of housing subcomponents from bathroom and kitchen plumbing to windows and sidings), **Fujitsu** (supplier of principally IT integration solutions as well as IT hardware) and **JSR Corp** (supplier of microchip coatings, photo-resists and synthetic rubbers) all share misapprehension in their share prices owing to transient factors. Each has a leading position in its field, generates good returns on capital and faces a period of rising demand. Space constraints limit our ability to fully explore their cases. We shall perhaps unfurl them in coming months.

Commentary

We have mentioned in the past the surprising **search for certainty** among fund managers and the consequent emphasis on global brand companies and the like. This has been accompanied by systematic selling of equities in favour of bonds and alternative investments such as private equity. The phenomenon both troubles and baffles us as we think it is tantamount to driving with one's eyes on the rear view window. The expressed concerns relate to the slowing in China, and Asia in general, and the supposed weak recovery in the West.

We often need to remind ourselves that the **US economy** is well **into its sixth year of recovery**, the nation's wealth, as expressed in the valuation of equities, is 35% above those levels prevailing before the Lehman Brothers' bust, employment is approaching the normal inflection point where wages tend to break above the current subdued level of 2.8% year-on-year, and the mortgage cycle may well be on the cusp of expansion.

Let's dwell for a moment on the **US labour market**. It is correct that globalisation has penalised the average working person in the West and in real terms wages have barely kept pace with inflation, and, net of rising tax bands, they have probably lagged behind. However, closer scrutiny of the US labour market shows that **new jobs available (openings)** are both outrunning and **now exceeding the speed at which workers are being hired**. This is corroborated further by the number of days taken to fill vacancies, which is the slowest in 15 years (it is taking longer to fill these roles). The health of the labour market is also manifested in the willingness of workers to trade jobs. Starting from a low in 2009, this ratio of voluntary job switching is approaching the strong levels seen in 2005-06. Moreover, the number of people who are out of the workforce but looking for jobs, combined with the number of unemployed, are now at a smaller proportion to the number of available jobs. Compared to some 10 such people for each job opening in 2009, this ratio is now below three. Lastly, the rise in the yield curve is telling us that fixed interest investors are girding themselves for higher rates. **Far from fearing a rise in the federal funds rate, which has been suppressed at 0.1% for six years, we are fearful of the Federal Reserve Bank losing credibility as it loiters with indecision.**

In Europe we can point to the surge in the **current account surplus** across the continent and economically sensitive indicators like retail sales, unemployment trends and the like which have, on balance, much improved over the last 18 months.

Turning to Asia which has seen slowing growth, it is our view that **both India and China are about to turn**. India for reasons enunciated before (clear leadership, deregulation and falling interest rates) and China on account of the loosening of credit and the improving lending capacity of the large banks. The reserves that Chinese banks are required to hold with the Central Bank, the so-called reserve requirements ratio (RRR), has started to drop, and we can see why the Central Bank will progressively free the banks from such onerous requirements which presently immobilise nearly a fifth of the banks' lending capacity. Secondly, some months back, the People's Bank of China (PBoC), the country's Central Bank, started to guide down the short-term cost of borrowing to help with the transition of China's economy away from its high dependency on investment towards greater reliance on the consumer. This is showing up in what seems to be a bottoming in the property market and continued buoyancy in the labour market with wages running well ahead of general prices at around 10% per annum.

We are constantly reminded by investors about the excessive lending by banks in China. Indeed, we can point to examples in other countries where unbridled credit growth led to sharp rises in loan defaults. We believe this is happening in China. But here is the interesting surprise.

When we look at the residential property market, the recovery in sales activity and the stabilisation of prices in the larger east-coastal cities suggest that **the damage will not come to the banks from the hitherto super-hot housing sector**. What we find is that housing prices in the secondary market (used properties) in the top 5 to 10 cities have fallen variously by 2-7% and, more importantly, the *sales volume (proportion)* of used homes have risen and now accounts for between 35-45% of all housing transactions. The fine point is that volumes of second-hand properties have increased and such is the strength of demand that **the market is clearing on relatively modest price falls** from *their supposed peak levels of one or two years ago*. This gives us confidence that the **collateral value of houses in the large cities**, which account for some 40% of overall transaction volume and which are often used by small traders and the like to secure business loans, are rock solid. In any case, residential loan-to-value ratios across the country are under 50%!

The dangerous area has been lending to shopping mall builders or highly speculative borrowers who have been careless in the small developing cities or over-supplied industries. This will be an area of oversupply for several years. That building activity will play a smaller role in contributing to growth in China is without doubt. This will keep pressure on the building supply chain. Notably, cement and steel and capacity closures are likely to come at some cost to their lenders.

The banks have so far revealed conspicuously low provisions for non-performing loans at under 1.5%. This can be partly explained by technical factors: the base effect, onerous capital provisioning rules and, importantly, the use of interbank entrusted payments and "investments" which are disclosed separately on bank balance sheets. **The real area of concern is the activities of the unlisted banks.** According to work by UBS, these institutions, which are many and varied, account for 38% of the total banking sector's assets, or US$11 trillion! **It is likely to be here that the carnage will be revealed with substantial write-downs and where capital deficiencies will emerge.** This is likely to come at some cost to the listed banks and we would be **surprised if the system experiences non-performers of less than, say, 6-7% of loans** as the new consumption-led model for the economy emerges. Apart from the deregulation measures noted above, the Chinese central government is effectively underwriting the quality of outstanding borrowings at the municipal government level by initiating an Rmb2 trillion swap that enables local governments to refinance their funding vehicles (LGFVs). There is a cost to the banks in terms of lower spreads, but to the benefit of their capital adequacy.

Outlook

As noted above, it is not tightening we fear, though several Central Banks have admittedly needed to retreat from such moves as their currencies immediately strengthened. For the other immediate fear, that of the impasse with Greece, we believe that harsh reality will force both sides to compromise with resolution still distant.

A more pressing underlying concern is that for the first time since the Global Financial Crisis (GFC), the earnings forecasts for the S&P 500 Index are being revised downwards. This may be a passing phase, but sales growth has indeed been anaemic. The currency is reducing the contribution of foreign earnings and, if we are correct about wages continuing to outrun productivity, the pressure on profits will mount.

More broadly, we are seeing evidence that there is more latitude for stock-picking after several years of trending and converging valuations. As emphasised in the last quarterly report, we have placed our faith in the opportunities of Asia with countries such as Japan achieving strong profit growth. We sense there will be a turn-up in profitability among Indian companies as the economy begins to expand. The case for our Chinese holdings rests on the reform agenda and the opportunities the economy now offers with services contributing a greater share of activity than traditional manufacturing. We feel the current sell-off is a necessary adjustment after such a strong move. A liquidation wash-out should offer a good buying opportunity.

The remaining 40% of the portfolio – in the Western hemisphere – relies on each company's valuations and specific growth prospects. Conditions in the Eurozone are now very different - with low contagion prospects.

Platinum Unhedged Fund

Clay Smolinski Portfolio Manager

Disposition of Assets

REGION	JUN 2015	MAR 2015
Asia	36%	31%
Europe	24%	25%
North America	20%	24%
Japan	11%	10%
Russia	2%	2%
Australia	1%	2%
Africa	1%	1%
South America	1%	1%
Cash	4%	4%

Source: Platinum. Refer to Note 3, page 44.

Performance

(compound pa, to 30 June 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund	3%	19%	26%	12%	12%
MSCI AC World Index	0%	24%	24%	14%	6%

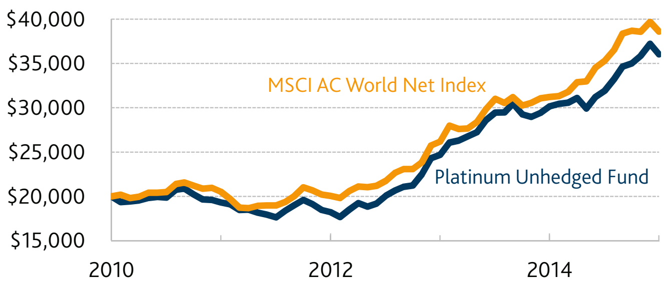
Source: Platinum and MSCI. Refer to Note 1, page 44.

The quarter end proved eventful. After a very strong start to the year, the Chinese market gave back much of its gains, falling 20% from its peak in mid-June, with the bulk of the selling driven by retail investors in the more speculative areas of the market. Despite this pull-back, China and Hong Kong remained the best performing markets globally over the quarter, rising 14% and 5% (local terms) respectively.

The prospect of a Greek exit from the Eurozone led European markets down, with the German (-9%), French (-5%) and Spanish (-7%) indices all in the negative.

Value of $20,000 Invested Over Five Years

30 June 2010 to 30 June 2015



Source: Platinum and MSCI. Refer to Note 2, page 44.

In the commodity space the price of WTI Crude increased 20% to US$60 a barrel, based on evidence that production rates out of the major US shale oil regions had begun to decline in May. If this decline persists, it should provide continued support to the oil price and a tailwind to our oil related holdings discussed in the last quarterly report.

Similar to the overall markets, the major individual contributors and detractors for the Fund over the quarter tended to be our Chinese and European stocks respectively. Notable contributors included spirits producers **Kweichow Moutai** (+31%) and **Jiangsu Yanghe** (+19%), while white-good manufacturer **Gree Electric** rose +46%. In Europe, we saw share price falls in our holdings of pharmaceutical producer **AstraZeneca** (-15%), telecommunications equipment manufacturer **Ericsson** (-21%) and luxury good house **Kering** (-12%).

Overall, the Fund returned 2.9% for the quarter, with the MSCI AC World Index (A$) returning -0.3%.

Changes to the Portfolio

Despite strong market performance in China, we are still finding areas of neglect to rotate into and over the quarter the Fund added to its holdings in jewellery retailer **Chow Tai Fook** and online video entertainment site **YY.com**.

We also used the broad weakness in emerging markets to increase our holdings in the Eastern European banks. For a more detailed review of the opportunity here, please see Nik Dvornak's write-up for the Platinum European Fund.

These additions were partly funded by our health care holdings, as we sold out of German diagnostics company **Qiagen** and trimmed our holdings in pharmaceutical producers **AstraZeneca** and **Sanofi**. We also completely exited our holding in US software giant **Oracle**.

Commentary

Regular readers of the financial press would have no doubt come across many articles discussing the rise of the 'sharing economy'. The simple concept underpinning this movement revolves around using technology to better utilise and monetise our personal assets, with the two most successful examples being Uber (to utilise your car) and Airbnb (to rent out your primary home for short stays). Originating in the US market, use of both platforms has quickly gone global and has reached a point where they are now truly disrupting the taxi and lodging industries.

The latest variation of this theme has been the rise of the online 'peer-to-peer' (P2P) lending platforms targeting the banks. Our interest in this space is on many fronts. Firstly, given the size of the global banking market, any true disruption would be an enormous business opportunity. We also own a number of banks in the portfolio and are hence interested to keep abreast of how business may change. So when the world's largest P2P lender, **Lending Club**, listed with a mission statement to 'transform the banking industry' it was time to take a closer look.

The story goes that the motivation for starting Lending Club was a letter that founder Renaud Laplanche received from his bank showing he was earning 1% on his deposits but paying 20% interest on his credit card. It is this scenario that the P2P lenders attack. Rather than leave your excess cash in the bank, **the P2P platforms give individual investors the tools they need to enter the lending business themselves**.

To enable this, P2P platforms perform a number of different roles. They:

1. Spend on marketing to attract borrowers to the site.
2. Perform a credit check and **rate the borrower** based on how likely he or she is to repay. This rating will determine the interest rate the borrower will have to pay: a better rating, a lower rate. As any defaults are worn by the investors who have made the loan, it is important this rating is accurate and investors **trust it**.
3. Offer software and data that allow lenders to filter through the borrowers seeking loans and lend to the ones they find attractive. In the case of Lending Club, each loan is broken down into increments of US$25 (e.g. a US$1,000 loan would be made up of 40 US$25 notes). This allows lenders to diversify across a wide number of borrowers, even if they have a small sum to invest.
4. Provide a low cost technology platform that facilitates the transfer of funds to borrowers and the collection and delivery of principal and interest repayments to the lenders.

For this service Lending Club takes a fee of roughly 5% of the total original loan amount over the life of the loan.

Lending Club and the other P2P platforms have been very successful at targeting high yield lending niches, with 80% of the loans made on Lending Club used to refinance credit card debt. This niche is ideal for P2P as it is a simple loan product (3 year, fixed rate, straight line repayment) that can easily be sold online. There is also a lot of yield to be shared. The borrower paying 20% on his credit cards can refinance at 16% which, after paying Lending Club 5% and taking out 5% for expected defaults, still leaves the lender a 6% yield. This is a big difference vis-à-vis the average US high interest savings account paying depositors less than 1%!

So from this base will P2P expand into more mainstream lending categories and 'transform the banking industry'? We think it will be a long and hard road. Large consumer lending categories like mortgages and auto lending are more complicated products, with flexibility around paying floating or fixed rates, features such as offset accounts and interest only periods, and the ability to repossess the asset on default. Hence they are less suited to a low touch online approach and naturally rely far more on face-to-face distribution (in the branch or auto dealership).

These lending categories are also more competitive and carry much lower interest rates. There is simply less fat for the P2P platforms to attack and the low cost deposit franchises held by the banks are more of an advantage.

In summary, while we expect that P2P lenders will expand from their base of credit card refinancing, they will be likely confined to other small high yield areas such as micro Small-and-Medium Enterprise (SME) loans. In terms of the wider effect on the industry, we view the P2P platforms in the same vein as the pure online banks like ING Direct. Their cost advantage and lack of legacy baggage allows them to go after certain profitable products which are uncomfortable rather than impossible for the traditional banks to match. They are an evolution with some advantages, rather than a revolution that displaces the incumbents.

Outlook

In terms of future new ideas, the Indian and Korean markets look promising.

As Joseph mentioned in last quarter's report on the Platinum Asia Fund, the Indian economy is going through a period of immense reform which, if successful, can have a truly transformational effect. After initial enthusiasm, the stock market has had a good sell-off in response to perceived delays to some of Prime Minister Modi's plans, providing us with a nice entry point into some of our favoured companies.

The interest in Korea is valuation driven. After a strong market performance in the US, Europe and China, the Korean market now looks extremely cheap, on both absolute and relative bases.

Platinum Asia Fund

Joseph Lai Portfolio Manager

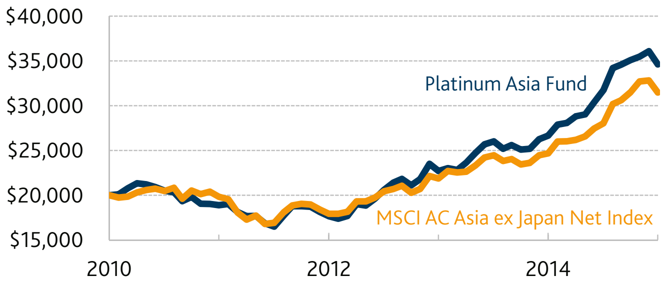
Disposition of Assets

REGION	JUN 2015	MAR 2015
China (Listed Ex PRC)	27%	22%
China (Listed PRC)	11%	15%
Hong Kong	3%	3%
Taiwan	1%	1%
Greater China Total	**42%**	**41%**
India	15%	19%
Korea	11%	12%
Philippines	5%	6%
Thailand	5%	6%
Malaysia	2%	3%
Vietnam	2%	2%
Singapore	1%	2%
Indonesia	0%	1%
Cash	17%	8%

Source: Platinum. Refer to Note 3, page 44.

Value of $20,000 Invested Over Five Years

30 June 2010 to 30 June 2015



Source: Platinum and MSCI. Refer to Note 2, page 44.

Performance

(compound pa, to 30 June 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund	-1%	30%	25%	12%	17%
MSCI AC Asia ex Jp Index	0%	28%	21%	9%	11%

Source: Platinum and MSCI. Refer to Note 1, page 44.

The MSCI AC Asia ex Japan Index was up 1% in local currency for the quarter, as concerns over Greece and the Chinese stock market contributed to the weakness. The Australian dollar movement resulted in the Index in AUD finishing the quarter flat.

Despite the volatility with Chinese stocks, both the domestic A-share market and the Hong Kong H-share market ended the quarter decent performers, rising 14% and 5% respectively. These markets soared quickly as the People's Bank of China (PBoC) bailed out troublesome local government debts and loosened monetary policies while the residential property market also showed signs of improvements. Concerns over diminished likelihood of further near-term easing by the PBoC and margin lending triggered a sell-off in the A-share market late in the quarter. The PBoC reacted decisively with cuts to both interest rates and banks' reserve requirement ratio, renewing its effort to put a floor on the stock market and to rejuvenate the real economy. The US-listed Chinese stocks (typically in the form of American Depository Receipts or ADRs) enjoyed notable price appreciation as the significant discount from the A-shares narrowed as a result of privatisations and corporate actions.

The Indian market was down 1% for the quarter. Delays in the passing of government reform bills disappointed the market. Performances of other markets in the region were relatively muted. The weakest performing market was Indonesia, which the Fund has minimal exposure to, being down 11% for the quarter as the country was confronted with a slowing economy from the tail-end of the mining boom, a current account deficit and a depreciating Rupiah.

As expected, the Fund's Chinese ADRs were contributors to performance: **Youku Tudou** (the YouTube of China) was up 96%, **Sina** (a key Internet portal and the Twitter of China) was up 67%, **SouFun** (the country's dominant online real estate portal) was up 40%, and **YY.com** (a popular social networking and entertainment platform) was up 27%. Other China-exposed shares also performed well: **Nine Dragons Paper** and **Lee & Man Paper** (containerboard manufacturers) were up 40% and 32% respectively, **China Lodging Group** (a budget hotel chain) was up 24%, while **Kweichow Moutai** and **Jiangsu Yanghe** (Chinese liquor companies) were up 31% and 19% respectively. The key detractors were the Indian financials.

The main detractors were **Vista Land** (weaker than expected property pre-sales), **Kasikornbank** (concerns over slowdown in Thailand), **Samsung Electronics** (disappointment over smartphone sales) and **Jardine Matheson** (exposure to Indonesia).

Changes to the Portfolio

The Fund's Chinese currency short position was closed given that a major devaluation of the Renminbi was becoming less likely as the property market recovered and the authorities desire for the Renminbi to be accepted as a reserve currency by the International Monetary Fund. We will continue to assess this situation closely.

We sold out of positions that have reached our estimation of fair value: **Yonghui Superstores** (China A-shares), **SAIC** (China A-shares), **Maruti Suzuki** (India), **Adani Enterprises** (India) and **JG Summit** (Philippines). Funds raised were deployed into the more prospective ideas.

We started positions in **Hang Lung Properties** and **Joy City Property**. These companies develop and operate shopping centres located in key retail locations of major Chinese cities. They house global brands such as the likes of Zara and Apple and enjoy blistering traffic on a daily basis. With the structural rise of income among China's middle class, rents are set to rise significantly from their current low levels. These companies' valuations are tantalisingly attractive, trading at significant discounts to their inherent value.

We have also initiated a position in **Reliance Industries**. This is a world class refinery and petrochemical operator based in India and it is embarking on an ambitious expansion into the country's under-served telecommunications market (see the Platinum International Fund report for detail).

The Fund maintained minimal exposure to Australian dollars.

Commentary

We returned from our research trips to Asia, satisfied that key reform steps continued to be taken in both China and India. While for both countries economic weaknesses are yet to be turned around by loosening policies, the authorities still have ample room to provide stimulus.

Relaxation of investment capital flow (capital account liberalisation) out of China was the most notable reform that took place over the quarter. While China engages in trillions of US dollars' worth of trade a year, investment-related capital flow has traditionally been tightly controlled. Buying and selling the Renminbi for investment purpose is still not a straightforward process.

As one of the biggest economies in the world, the opening of China's capital account was long overdue. From our perspective, it is important to be aware that as the Chinese Renminbi moves towards full convertibility, it will lead to interesting investment implications.

For China, the benefit of freer capital flow is that it opens up channels both for domestic investors to diversify their savings and for domestic borrowers to access foreign funding. Diversifying their savings pool into international investments can reduce concentration risk and potentially improve returns. Conversely, foreign capital can enter China to provide additional sources of capital for domestic Chinese borrowers. China will be attractive for global bond and equity investors as it offers investment grade bond yields and economic growth superior to that of most other major economies.

As more capital is allowed to flow more freely, the potential impact of the vast pool of domestic savings in the banking system (which amount to approximately US$20 trillion) on global asset prices cannot be underestimated. The Hong Kong-Shanghai Stock Connect program (which allows investors in one market to invest in the other through brokers in the home market) has been illustrative. Daily trading volume in the Hong Kong market rose fivefold from US$5 billion a day to US$25 billion, with many Hong Kong-listed Chinese securities repriced almost instantaneously to mirror Shanghai prices! Chinese investment flow is expected to be further liberalised via programs such as the Qualified Domestic Institutional Investor 2 program which will allow part of the country's vast savings to be deployed beyond Hong Kong and into the rest of the world. As this occurs, our investments in the attractively valued US-listed Chinese Internet companies are proving to be key beneficiaries.

These links have greatly improved the likelihood of the domestic China A-share market to be included into the important MSCI global indices. MSCI inclusion will attract foreign capital into the domestic stock market, potentially lifting valuations in a market that is currently dominated by domestic investors.

Greater integration with the global financial system, however, comes with some risk. Global market volatility will be directly transmitted through to the domestic market and surges of hot money inflows and outflows can lead to financial instability. To mitigate these risks, the authorities in China are adopting a sequenced approach to liberalisation and are focusing on the development of more robust systems to regulate the financial sector.

As China joins the global financial system, the country's interest rate will become more market determined. Over the past 10 years, it was good enough for banks to lend money mainly to State related entities at relatively low interest rates while paying artificially low deposit rates to consumers with savings in the banks. While the distortion of savers subsidising corporates was obvious and unsustainable over the longer term, it was perhaps tolerable as construction and infrastructure investment was what was needed to drive economic development at the time.

Now that the country needs to shift its focus to consumption and the private sector, market-based interest rate is key. This will lift interest income for the savers as a one percentage point increase in deposit rates can lift spending power by US$200 billion! It will be a boon to the private sector, for many private companies will see bank funding opened to them for the first time. Further, a market based lending rate will encourage funds to be allocated to the right projects at the right cost.

Progress has been made on this front over recent years as bank lending rates have more or less been liberalised. A nascent corporate bond market is developing rapidly and the notorious shadow banking sector is gaining greater degrees of transparency and regulation. While most Chinese banks have lent predominantly to State owned or linked entities, few have experience lending to the private sector. Financial institutions that have built a customer base in the private sector and accumulated relevant experience and know-how will do very well in the new Chinese economic landscape.

The ongoing Chinese public pension fund (PPF) reform also made important advances during the quarter. The authorities released draft legislation in late June, proposing to roll over some Rmb3 trillion (US$485 billion) in provincial public pension funds into investable assets. Commentators anticipate a fast-tracked roll-out of this reform, which is expected to bring Rmb1 trillion to the National Council for Social Security Fund (NCSSF) within the first six months of implementation, with offshore mandates to materialise within 24 months. This landmark reform will accelerate the marketisation of China's public pension assets, with the underdeveloped private pension industry next in focus.

After a prolonged bear market where the domestic A-share market declined on average 15% a year from its 2007 peak, reforms are starting to deliver results. China's coastal areas transformed into modern tertiary industry hubs while more inland cities became industrialised; many of the distortions present in the economy were removed and public sector companies receded while private sector entrepreneurship was unleashed, significantly improving the allocation of resources.

The rapidity of the Chinese share market surge since the fourth quarter last year was a function of two key factors: an extremely cheap starting valuation (we were able to buy stocks on 2-3x free cash flow) and the huge amount of domestic savings in the banking system (around US$20 trillion) relative to a tiny domestic stock market free float (around US$3 trillion).

However, the significant A-share market decline reflected the excessive exuberance among domestic investors which was particularly concentrated on certain sectors of the market. At its peak in early June, the ChiNext Index (the Chinese equivalent of NASDAQ) was up 170% from the start of the year and was trading on a P/E of 130x. Those technology-related and "new-economy" companies that were trading on exorbitant valuations naturally bore the brunt of the damage. Other parts of the market did not escape unscathed, but the outcome of the correction was that the overall market (and the blue-chip stocks in particular) has become attractively priced (the Shanghai Composite Index is now on 15x P/E).

As you would have read over and over in this publication, price is paramount. We are relatively agnostic about which market a company happens to be listed in, preferring to focus instead on the absolute valuations of the living and breathing businesses that we invest in. We have reduced exposures to the A-share stocks when valuation became full and avoided the overly exuberant part of the market. The Fund has instead chosen to invest in attractively valued companies with solid fundamentals which we believe are impeccably positioned in the emergence of this modern and vast economy and are relatively well positioned even in the event of a macro slowdown.

Specifically, the Fund's exposure to China can be approximately divided into three prospective areas:

1. Undervalued China A-shares with structural growth stories – these are best-in-class companies that in many cases trade at a discount to their Hong Kong-listed counterparts or global peers, with long runways of growth ahead of them. Key themes include:
    a. Chinese insurance companies which are seeing their policy premium soar as locals, with increasing wealth, start to buy more insurance products for their growing needs. With increasing government policy support and improved productivity in their sales force, these companies are able to generate additional revenue through cross selling more policies to existing customers. They are being priced at substantial discounts to developed market peers despite much lower insurance penetration in China and a faster growth rate.
    b. Household electrical appliance companies with dominant positions in already consolidated markets – these companies have built up their brands through decades of progress in production know-how and have extensive distribution networks across China that are difficult for competitors to replicate. They are set to benefit from the property cycle recovery that is currently underway and their valuations are undemanding with P/E ratio at around 10x and excess cash on their balance sheets.
    c. Chinese premium liquor companies that are set for a sales inflection point after a multi-year stagnation as a result of the anti-corruption crackdown. With increasing wealth of the middle-class, growing private consumption is beginning to offset the decline in government-related spending. These premium liquor companies with irreplaceable histories and traditions are being priced at a P/E in the mid-teens with visible growth.
2. Hong Kong-listed stocks with strong positions in China – some examples are China Mobile (a dominant telco with an 80% incremental 4G subscriber share on a 7x free cash flow), PICC (a dominant auto insurer on a 13x P/E), and Tencent (the Facebook of China is starting to ramp up its own news feed-like advertising on mobile phones).
3. US-listed Chinese Internet stocks – these are very strong Internet businesses, many of which are growing revenues at around 50% a year as they grow their users and step up monetisation. Valuations are extremely attractive, especially relative to the domestic A-share valuations in the same industry. Steps to open the capital account have resulted in increasing recognition of their merits.

The structural reforms currently being undertaken in China will be transformational, as there are an unprecedented number of aspirational consumers who will demand a host of new goods and services in three to five years' time. Coupled with the stabilisation of the property market (transaction volumes of new properties are up 30-50% from a year ago – see the Platinum International Fund report for detail), these reforms make Chinese equities prospective beneficiaries. The PBoC's program to bail out local government debts to the tune of Rmb2 trillion has significantly reduced risks in the banking system. Real interest rate and reserve requirements (at 30% of China's GDP), which are at or near record levels relative to both their own history and global peers, have ample room to be further relaxed. This transformation is the rebalancing the world has been waiting for and the outcome will be that of an immensely more sustainable, environmental and equitable society.

Outlook

China and India are structurally reforming to improve their longer term outcomes, but one cannot expect a linear trajectory given the inherent difficulties involved.

In India, while economic numbers remain sluggish and reforms take time to bear fruit, it is likely that transformative changes will continue to take place. In China, while the domestic A-share market correction was not entirely unexpected, valuation has become even more attractive as a result. Not only have reform efforts picked up momentum, but the important property market also appeared to have found a more stable footing.

Market weakness is starting to present us with longer term opportunities. As always, we are vigilantly assessing their potential. Starting valuation is a good predictor of investment returns, and we remain optimistic about finding prospective opportunities that are attractively valued on an absolute basis to deploy the Fund's capital, while avoiding the frothy segments of the market.

We are mindful of the rising short-term volatility in the A-share market owing to increasing usage of margin loans by Chinese retail investors and will continue to actively manage our exposure.

Platinum European Fund

Clay Smolinski Portfolio Manager

Nik Dvornak Portfolio Manager

Disposition of Assets

REGION	JUN 2015	MAR 2015
UK	19%	19%
Germany	18%	20%
Spain	6%	7%
France	6%	8%
Italy	5%	7%
Austria	5%	3%
Russia	4%	3%
Switzerland	4%	3%
US *	3%	3%
Hungary	2%	0%
Norway	2%	2%
Netherlands	1%	2%
Turkey	1%	1%
Sweden	1%	1%
Cash	23%	21%
Shorts	1%	1%

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

Source: Platinum. Refer to Note 3, page 44.

Performance

(compound pa, to 30 June 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund	3%	15%	22%	15%	12%
MSCI AC Europe Index	0%	12%	23%	12%	3%

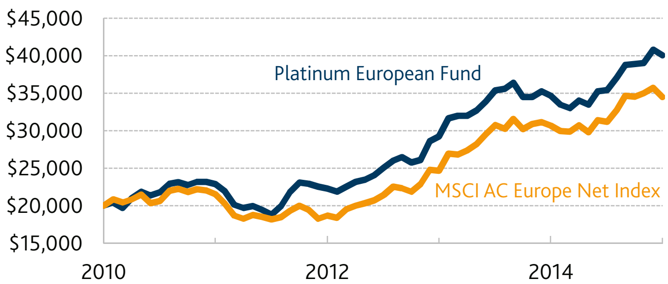
Source: Platinum and MSCI. Refer to Note 1, page 44.

Supported by better economic data and plentiful liquidity, Western European equities ended the quarter flat, following an extraordinarily strong first quarter. An element of sector rotation was evident, with Banks being the best performing sector while Insurance, Healthcare and Industrials lagged. Russia was the best performing market with the widely anticipated recession proving less severe than feared.

The European Central Bank's (ECB) pledge to buy large quantities of government bonds, coupled with the purported 'shortage' of these bonds, made the downward trajectory of

Value of $20,000 Invested Over Five Years

30 June 2010 to 30 June 2015



Source: Platinum and MSCI. Refer to Note 2, page 44.

bond yields seem inexorable. As often happens, it proved to be anything but. The yields on the 10-Year German Bund **quadrupled** from 0.2% to 0.8%. Nor were peripheral markets spared, with the 10-year yield on Portuguese debt doubling to 3.0%. These violent moves in bond yields provide a timely reminder of the fallacy of chasing the crowd.

The Euro appreciated 6% against the US dollar, responding to weak economic data from the US which contrasted with early signs of recovery in the Eurozone. We have a 24% position in the US dollar and are retaining it in the belief that the recent economic weakness in the US will prove transitory.

The ongoing 'will they, won't they' Greek default saga continues to dominate headlines. This is distracting attention from neighbouring Turkey where the electorate emphatically rejected the trend to authoritarian rule and cronyism by stripping the Justice and Development Party (AKP) of its decade-long parliamentary majority. The result was taken negatively by financial markets, fearful of a return to an era of unwieldy and unstable coalition governments. Yet, it also holds the prospect of a return to a more liberal political system where the rule of law is paramount and those in power are subjected to appropriate checks and balances. Time will tell what this means for the economy, but it might not be all bad.

Changes to the Portfolio and Commentary

Emerging Markets are out of favour globally. Corruption, poor governance, misallocation of resources and the difficulty of enacting reform are typical concerns. Eastern Europe is no exception. The region is also plagued by a more assertive Russia and investors fretting that these small, illiquid markets are not the ideal place to be in with a Greek default threatening to upset the financial and political order in Europe.

Despite these concerns, approximately 7.5% of the Fund's capital is invested in Eastern Europe. What appeals to us is the robust structural growth story and the process of European Union (EU) accession that lies at the heart of it. There are three legs to it.

First, incomes are lower than in Western Europe, despite the region having a highly educated labour force. As these economies meld into the common market, this labour cost difference will be arbitraged away, either because production shifts east or because labour migrates west. The result: higher incomes for Eastern Europeans.

Second, the EU will fund massive investments to modernise infrastructure in accession countries. The investment spending itself will drive economic growth, but it will also pay ongoing dividends. Better infrastructure *physically* enables integration into the common market, makes these countries more appealing destinations for foreign investment and improves labour productivity.

Finally, the accession process allows these countries to 'import' strong, independent civil institutions to uphold the rule of law, facilitate effective civil administration and protect society from those in power. Building strong institutions is possibly the single greatest challenge for developing economies and the process is almost invariably thwarted by vested interests. Eastern Europe is different, because institution building is the bedrock of the accession process and the EU provides an influential outside force to nurture the process and guide it along. *This is unique to Eastern Europe* and is an indispensable advantage in the development process.

The region comprises a diverse mix of countries which started the accession process at different times and are at different stages of development. The more developed ones have incomes at 70-80% of the EU average and rank favourably on measures of institutional effectiveness: ease of doing business, contract enforcement, corruption prevention, etc. The less developed ones have incomes at 30-50% the EU average and rank much less favourably on these measures.

One common thread is that debt levels are low across the region. Government debt sits at around half the EU average while private sector debt is extremely low – mortgage debt is typically 10-20% of GDP, for example. While significant economic imbalances were present across the region before 2008, these have been corrected through recession, deleveraging and currency devaluation, not deferred by bailout.

Russia's increasingly abrasive attitude also has a silver lining. The people of Eastern Europe now plainly see what the alternative to joining Europe is. This will surely cement their resolve to stay the course and bear the pain that reform entails. On the other hand, Western Europeans can now fully appreciate what all their money and effort is buying: strong, stable states between themselves and Russia. The Eastern European 'story' remains intact, perhaps more so than ever.

Erste Bank, one of our largest holdings, is an Austrian bank that derives half of its income and most of its growth from Eastern Europe where its principal markets are the Czech Republic, Slovakia, Hungary and Romania. It is either the market leader or a close second in these markets. Its borrowers have low debt burdens. The bank is well funded by local deposits. Industry concentration is high. Government involvement is low. And competitors are typically other big European banks.

There are a number of growth avenues open to Erste. Its Hungarian and Romanian businesses are losing money as a fierce credit cycle works its way through these economies. With this cycle now over, both operations will return to profit. Erste also has plenty of room to grow lending as economic growth picks up, because its customers have so little debt. Fee generating services like financial planning, investment management and insurance are relatively underdeveloped and demand for them will grow as incomes rise. Finally, interest margins are compressed by low interest rates and will expand as rates begin to normalise.

The bank is in a strong financial position. Having written off almost 9% of its loans since 2008, it has effectively stripped the weakest borrowers from its books while still boasting a healthy 11% Core Tier 1 capital ratio.

We paid book value or around 8 times normalised earnings for this bank. By way of contrast, Australian banks trade at almost double this valuation, have significantly less capital, have largely exhausted their growth avenues and haven't experienced a credit cycle in two decades.

Outlook

We continue to find interesting investment opportunities. These mostly replace existing investments when valuations reach levels at which we feel compelled to sell. As a consequence, our cash balance remains high at around 23%.

A large cash balance will not only protect us in a market correction, but will also give us the capacity to capitalise on any opportunities that such a correction brings. The cost of this protection is that we can expect to underperform when equity prices are appreciating strongly, as they have done in recent quarters. With the market becoming increasingly complacent and valuations pushing ever higher, we think prudence is warranted.

Platinum Japan Fund

Scott Gilchrist Portfolio Manager

Quarterly Haiku

Nikkei taps Ceiling

Corporate Governance, Reform!

Yen pops down, bonds weak

Disposition of Assets

REGION	JUN 2015	MAR 2015
Japan*	87%	88%
Korea	6%	6%
Cash	7%	6%

* The Fund also has a 4% short position in Japanese Government Bonds.

Source: Platinum. Refer to Note 3, page 44.

Portfolio Position

Sector Breakdown

SECTOR	JUN 2015
JAPANESE INTERNATIONAL FOCUS	45%
Electronics (Canon, Panasonic)	23%
Autos (Toyota, Sumitomo Electric)	12%
Industrials (Tokyo Steel, Mitsubishi Heavy Industries)	9%
Resources (Sumitomo Metal Mining)	1%
JAPANESE DOMESTIC FOCUS	42%
Internet (DeNA, NTT, Recruit)	12%
Consumer (Pola Orbis, Asahi)	9%
Health Care (Mitsubishi Tanabe, Daiichi Sankyo)	8%
Financials (Mitsubishi UFJ)	10%
Property	3%
KOREA	6%
Electronics (Samsung Electronics)	3%
Financials (KB Financial)	2%
Domestic	1%
GROSS LONG	93%

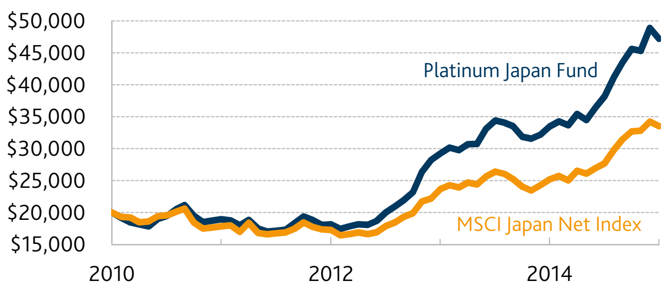
Currency Position

US dollar	42%
Japanese yen	47%
Korean won	6%
Australian dollar	5%

Source: Platinum

Value of $20,000 Invested Over Five Years

30 June 2010 to 30 June 2015



Source: Platinum and MSCI. Refer to Note 2, page 44.

Some of the key themes in the portfolio, in addition to the individual stock ideas around which the portfolio is built:

- Globally competitive exporters – **Toyota**, **Canon**, **Nissan**.
- Electronics and components – **Samsung**, **Ibiden**.
- Corporate revitalisation – **Panasonic**, **Mitsubishi Tanabe**, **Mitsubishi Group**.
- Internet – **NTT**, **DeNA**, **Recruit**.
- Alternative energy – **Rohm**, **Sumitomo Electric**, **Denso**, **Hitachi Chemical**.
- Cheap, neglected cyclical stocks – **Sumitomo Metal Mining**, **Asahi Glass**.
- Domestic consumption – **Pola Orbis**, **Asahi**.

Performance

(compound pa, to 30 June 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund	3%	41%	38%	19%	16%
MSCI Japan Index	2%	33%	25%	11%	2%

Source: Platinum and MSCI. Refer to Note 1, page 44.

Portfolio performance was positive for the quarter (+3%), assisted by a diverse group of the Fund's larger positions (**Daiichi Sankyo**, **Pola Orbis**, **Mitsubishi UFJ**, **Sumitomo Mitsui Financial Group**, **Nippon Telegraph and Telephone**, and **Panasonic**). More recent additions such as **Shiseido** and **Sintokogio** were also contributors, as were the Fund's holdings in the Internet sector. The core Korean holdings detracted from overall returns while some recent smaller additions were positive. The Fund was effectively fully invested during the quarter. The Yen weakened against the Australian dollar while the Won was flat over the quarter. The Yen weakened slightly against the US dollar for the quarter, a small positive for the Fund.

Changes to the Portfolio

Recognising that some parts of the portfolio are somewhat mature, two groups of new holdings were added during the last couple of quarters. The first group includes a diverse collection of companies with reasonable medium-term prospects which have been sold off for short-term reasons. The second group is a portfolio of smaller companies where the valuations are very cheap and the core operating businesses appear robust. These positions were added after screening and filtering through hundreds of opportunities. Among the larger positions, some were trimmed due to strong performance.

Commentary

The Singularity is Approaching

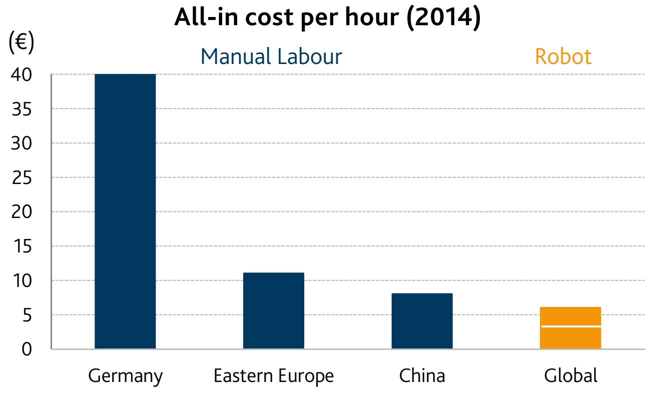
In the ongoing debate between the global inflation and global deflation camps, the topics of interest ebb and wane. "Peak oil" and "Peak everything" approach and recede. Chinese labour cost increases are offset by productivity and improved product quality. The billions of underemployed across India, ASEAN, Africa and Latin America push quickly upwards against long standing economic barriers as mobile Internet penetrates the deepest mountain valleys and darkest war zones. Global debt is either a topic which presages a return to the depths of global depression, or a mere distraction which can be easily waved away with package after package of quantitative easing. Bernanke's helicopter is on standby. Meanwhile, Silicon Valley and the hackers of the world are focused on optimising the utilisation of tens of trillion dollars of existing hard assets using networks such as Airbnb and Uber as well as hundreds of other guerrilla attacks on the incumbents.

During the quarter, we spent a week in Tokyo, Yokohama, Nagoya, Osaka and Kyoto visiting a range of automobile manufacturers, parts suppliers, component suppliers and associated industries. Along the route, we attended an important auto exhibition where hundreds of global companies exhibited their wares. Many among you would have been delighted to see the innovations in mechanical, materials and electrical engineering that are ramping production or coming out of the labs – new carbon fibres, efficient internal combustion engines, better batteries, beautifully simple gearboxes, aluminium wire harnesses, virtual reality goggles, robots and sensors. The highlight was to see a GTR engine adorned with a signature – each internal combustion engine for Godzilla is handmade by expert technicians. The Nissan Leaf, the world leading electric vehicle (EV), sat efficiently and patiently nearby. Nissan recently celebrated the sale of 250,000 Leaves, roughly half of the cumulative western EV production base, yet a minor contribution to global transportation and a negligible threat to OPEC for the foreseeable future. Siemens only showcased their software capability. In a nearby city, the fourth generation Prius is about to enter production. Fuji Heavy Industries (Subaru) reminded us what can happen when a special set of circumstances coincide. Yamaha reminded us of the myopic dystopia still present in the nooks and crannies of Japan – to paraphrase: “everything is on the strategy menu, except perhaps a plane”. Many suppliers were hopeful that the Chinese consumer had become discerning enough to appreciate high end Japanese manufactured or designed components, likely a further respite from the relentless, low cost and flexible Chinese industrial production juggernaut. The focus of the week was autonomous driving which is exemplified by the upcoming Toyota transition to install driver assistance systems across almost their entire product range. The Japanese auto industry appears reinvigorated and thrusting towards an uncertain future full of brutal competition and unprecedented technological changes as highlighted by Marchionne and Musk.

Rio Tinto has implemented Japanese technology in their autonomous truck fleet operation, each giant hauling 400 tonnes of iron ore from pit to plant in the Pilbara. They lag the Russians whose prodigious government spending paid for truck fleets excavating deep diamond kimberlites in Eastern Siberia with not a human below ground level. Many container ports are now full of self-driving vehicles utilising technology similar to that implemented in the two kilometre long, driverless iron ore trains of Western Australia. The whispers from New York and California are that Apple, Google and many others are looking to imitate Tesla’s success with new products founded on software, batteries and sensors – big mobile phones on wheels – rather than the century old internal combustion engine and mechanical drivetrain. The above trends will require more cameras as used in Subaru’s Eyesight (Sony recently achieved auto grade certification for their CMOS sensor), more ultrasound sensors for assisted parking, more complex wire harnesses and fast efficient algorithms such as those provided by Mobileye to process the complex world of street level chaos into real and concrete actions for the industrially hardened brake, steering and safety systems required by increasingly stringent regulations. The utopia of a global fleet of billions of completely autonomous vehicles available on demand for private transport, however, is still many decades away as there remain a multitude of practical barriers to overcome.

The prospect of even more efficient human transport systems is perhaps exceeded by the inevitable robotic revolution. Over the history of the modern robot industry, some 2.5 million robots have been manufactured, of which 1.6 million are mainly automobile manufacturing assistants and still in operation. The great majority of these robots have been installed in five countries: China, South Korea, Japan, the US and Germany. As robots have matured, new industries have opened up, with the auto sector now accounting for only 40% of total annual demand of around 300,000 units per year. The latest trend is collaborative robots or “co-bots” – new sensors and software have improved safety, thus robots can be brought out from behind the cage and into close interaction with their human masters. This opens up entirely new markets and could further increase robots to much larger percentages of the global manufacturing workforce. From the current 2,500 units, it is possible that demand for these lower cost yet tireless helpers could grow to 150,000 units in 2020 at an estimated average selling price of US$21,000. While distribution networks and after sale services are key, the sophisticated mechatronics, software and motion control are where Japanese companies excel. Like the ever falling cost of solar, the robotic revolution could cap global wages for any except those with sophisticated skills and knowledge, although as Moore’s Law iterates, perhaps these areas of the economy are also under threat from technology.

Robots all-in cost of €3-6 per hour compares favourably to labour costs across the globe



Source: Volkswagen and Barclays Research

ABB’s YuMi co-bot launched in April 2015

Source: ABB

Market Valuation

There has been extensive analysis and documentation highlighting the key valuation anomalies of the Japanese stock market relative to many other global asset markets. In particular, the metrics of price-to-book and price-to-sales are anomalous due to lower return on equity and assets across the thousands of Japanese listed entities. This obviously presents a large valuation re-rating opportunity if this gap narrows through further improvements to Japanese corporate behaviour and refreshed competitiveness through a weaker Yen.

Following our week of auto company visits, we spent a week in Tokyo visiting companies in the portfolio and some new prospects. In total, across the two weeks we spent in Japan, we visited almost half the companies in the portfolio. One observation from these visits is the wide range of Japanese corporate quality – we met many companies who are the equal or better of their peers in the rest of the world. However, we also met many companies that have been hidden from the winds of change and show no signs of wanting to move with the flow of Corporate Governance Reform (the new non-compulsory Code was implemented this quarter) and the new index, JPX-Nikkei 400, which focuses on financial return metrics. This obviously provides many restructuring opportunities, where the valuation currently reflects the less than exciting past.

A further illustration of the Japanese market valuation opportunity is the hundreds of smaller companies with valuations reminiscent of the bear market lows seen in global equity markets over the centuries. A recent quantitative screen on China that is focused on valuation, financial strength and duration identified one company. The same screen identified 116 companies in Japan, half of the world total. It is not unusual to find companies in Japan with cash levels approaching their current market valuation in addition to a strong operating business which can be purchased for single digit price to earnings multiples. Many of these "Galapagos Companies" have low liquidity, too low for the Platinum Japan Fund. It would not be unreasonable for a portfolio of these gems to generate very strong returns over the next five years. It would be very surprising to see the current Japanese equity market revaluation end without a bull market in these stocks.

Outlook

Japanese stock markets have risen to levels which in some cases were seen more than a decade ago. Nevertheless, valuations are still reasonable, reflecting the 25 year bear market post the 1980s' bubble. Corporate governance is continuing the reform trend of the last decade, despite persistent examples of retrograde behaviour. Further, the focus on balance sheet returns is broadening and, if it keeps up, then valuations could re-rate to the level of other developed world markets. The weak Yen is an ongoing stimulus for the economy, initially through export oriented entities and then the flow-on to the domestic economy. If bond yields rise further, it could lead domestic institutions to temporarily reverse their equity flows of recent years, perhaps offering a buying opportunity for long-term buyers of high quality Japanese assets.

A Historical Note

On our recent trip, we were privileged to spend a few weekend hours in Tokyo's Shinjuku Gyoen which is on a par with Kew, Hyde Park, Central Park, Versailles and other great gardens of the world. Entrance fee: 200 Yen (roughly two dollars).

Shinjuku Gyoen (新宿御苑) is one of Tokyo's largest and most popular parks. Located just a short walk from hectic Shinjuku Station, the park's spacious lawns, meandering walking paths and tranquil scenery provide a relaxing escape from the busy urban centre around it. In spring Shinjuku Gyoen becomes one of the best places in the city to see cherry blossoms.

Shinjuku Gyoen originated during the Edo Period (1603-1867) as the Tokyo residence of the feudal lord, Kiyonari Naito. With the passing of the Tokugawa Period, the lands became part of the Imperial Household Agency. In 1872, in order to promote modern agriculture in Japan, the government established Naito Shinjuku Experimental Station in the area of 58.3 ha. Later it was converted into a botanical garden before being transferred to the Imperial Family in 1903 which used it for recreation and the entertainment of guests. Hayato Fukuba, who became the chairman of Shinjuku Imperial Garden in 1898, asked Henri Martine, a professor at the Versailles horticultural school, to remodel Shinjuku Botanical Garden into a landscape garden. Although it was a pity that the blueprints of that time were burned in an air raid in 1945, it appears that the garden was built to the plan of Martine. Shinjuku Gyoen National Garden was completed in May 1906 with an opening ceremony which included the attendance of the Emperor Meiji. The park was almost completely destroyed during World War II, but was eventually rebuilt and reopened in 1949 as a public park.

Platinum International Brands Fund

Simon Trevett Portfolio Manager

Disposition of Assets

REGION	JUN 2015	MAR 2015
Asia	28%	33%
Europe	26%	30%
North America	10%	11%
Latin America	7%	7%
Japan	6%	4%
Africa	2%	2%
Russia	1%	1%
Cash	20%	12%
Shorts	4%	4%

Source: Platinum. Refer to Note 3, page 44.

Performance and Changes to the Portfolio

(compound pa, to 30 June 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	4%	17%	20%	13%	13%
MSCI AC World Index	0%	24%	24%	14%	2%

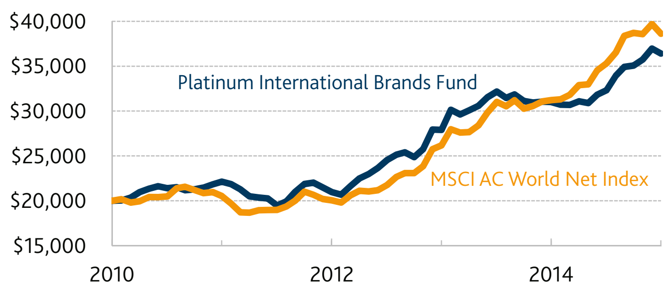
Source: Platinum and MSCI. Refer to Note 1, page 44.

The Fund's activity and performance in the past quarter have been consistent with the comments made in the last quarterly report. The performance of the Fund, at 13% for the six months year to date, is ahead of both the longer term results of the Fund and the MSCI benchmark (9%), despite a reduction in the net invested position.

A number of the Fund's European holdings contributed, particularly the UK holdings, including **Debenhams** and **Enterprise Inns**. In contrast to the ongoing headlines of a weak and deteriorating economy in Brazil and a stock market that is clearly out of favour with international investors, **Hypermarcas** has gained more than 35% this year.

Value of $20,000 Invested Over Five Years

30 June 2010 to 30 June 2015



Source: Platinum and MSCI. Refer to Note 2, page 44.

Continuing from the prior quarter, a number of long held stocks have been sold. **Henkel**, first bought for the Fund in 2006, has been a strong contributor ahead of the Fund's overall performance. Similarly, the Indian alcohol companies, **United Spirits** and **United Breweries Ltd**, the latter known for its Kingfisher beer, have seen multiple increases in their share prices while owned by the Fund. Indeed, United Breweries was up some thirtyfold during its time within the Fund.

Other holdings that have been sold include relatively more recent additions such as **Youku Tudou** and the Snow beer company, **China Resources Enterprises**, following a generous offer by the parent company to effectively split the company by purchasing all the retail, property and other businesses. This arrangement to leave only the beer business listed was further supported by an offer to buy shares from investors at a price some 50% above the quoted price before the offer.

As a consequence of the Fund's predominant selling activity, the cash weight has risen from 10% at the start of the year to 20% at the quarter end before a 9% outflow for the annual distribution.

Commentary

At the time we purchased **Henkel** (German consumer goods group and owner of brands such as Schwarzkopf and Purex), the concerns of the day were centred on an operating margin that had stubbornly refused to expand to apparently eminently achievable levels by comparison with peers. This being despite initiatives heralded with marketing slogans and management determination led many observers to question whether Henkel might ever effectively compete with the majors such as Unilever or P&G. A change of CEO from outside the industry added further to the doubts at the time.

The performance of Henkel operationally and the resultant impact on the share price has been exemplary and provided the Fund with a core holding for many years whose performance exceeded even our, admittedly modest, expectations. Indeed, the uplift in margin has been beyond even the most optimistic speculation at the time and yet, in hindsight, perhaps this shouldn't have been the case given the ample, in hindsight, evidence to the contrary.

Similarly, when the Fund first purchased **Estee Lauder** the operating margins were inconsistent with the strength of the brands and the opportunities available. Much of the debate around this highlighted the exposure of the company's two main brands to challenging situations facing the US department stores. An external appointment to the CEO role brought a more corporate focus and a much needed modernisation program across areas such as information technology, and research and development. Again, this has been a multi-year contributor to the Fund's performance as the operating margins closed the gap with peers. Estee Lauder remains a core holding of the Fund as we remain encouraged by the international opportunities still available.

The Fund's keen interest in the impact of growing numbers of tourists and their propensity to buy cosmetics has been well flagged in previous reports. So it is perhaps of little surprise that we have revisited our work on a number of cosmetics companies.

It is often difficult to put aside more than a decade of entrenched disappointment and frustration to consider new evidence of underlying change, especially where it is yet to be reflected in, or rather, more conveniently confirmed by, the results. It is all too often easier to dismiss the early signs of change with overwhelming evidence of past failures that are even more difficult to refute when tagged as underlying corporate cultural inertia that won't easily be overcome. Add to the mix a couple of evidently significant and intractable structural cost and distribution problems and the potential investment case can easily be assigned to the too hard file or, worse, rejected on out-dated past experience.

Having been guilty to some degree of much of the above, the addition of **Shiseido** to the portfolio has arguably been tardy. Nonetheless, Shiseido's operating margins cannot by any stretch of the imagination be considered comparable across peers in the international cosmetics industry. Therein lies the opportunity as it takes an extraordinary effort on the part of a great many to take a 75% gross margin (sales less the cost of the product) down to a 4% operating margin, further compounded by an underinvestment in both research and marketing.

The relatively new CEO, recruited from outside the company and the cosmetics industry, has laid out a well thought-through plan. Although the presentation of which was also external, its detail was clearly intended for an internal audience. We are encouraged by the intent and also the early evidence of change to a meritocracy and improvements in the flow of information for more appropriate decision making.

Changes of the magnitude that Shiseido needs to undertake to overcome past inertia are immensely challenging and not to be underestimated. We are cognisant of the risks and that despite the boundless energy of the CEO there needs to be an organisational adoption of the imperatives, not merely for improved profitability for shareholders, but to provide the company and its many employees with a more dynamic and competitive future.

Year on year doubling of the number of visitors from China, along with a devalued Yen supporting visitors from across Asia, should provide Shiseido with some useful flexibility both operationally and financially whilst it undertakes its refurbishment. It does, without doubt, help enormously that 'made in Japan' cosmetics are high on the big spending tourists' shopping list.

Outlook

The Fund's increased cash position provides it with the flexibility to be opportunistic in the event of increased headline driven market volatility. There is, as is usually the case, a number of high profile topics over which the market can fret or react. Whilst the possibility of increased volatility and headline concern has previously provided the Fund with ample opportunity, there should be some caution expressed that many of the developed world consumer companies are not only at record valuation levels but that this may persist for longer than expected.

Platinum International Health Care Fund

Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	JUN 2015	MAR 2015
Europe	33%	35%
North America	27%	29%
Japan	5%	5%
Asia	2%	2%
Australia	1%	1%
Cash	32%	28%
Shorts	1%	1%

Source: Platinum. Refer to Note 3, page 44.

Performance and Changes to the Portfolio

(compound pa, to 30 June 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund	1%	34%	29%	21%	10%
MSCI AC World HC Index	1%	44%	36%	23%	10%

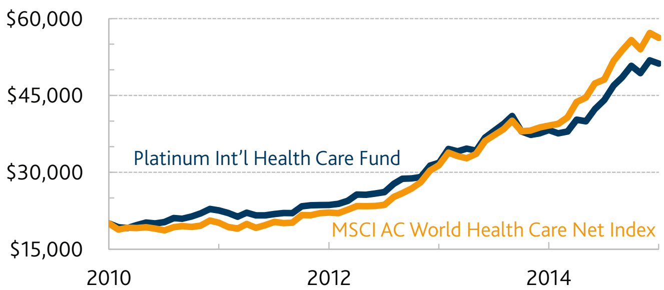
Source: Platinum and MSCI. Refer to Note 1, page 44.

Health care shares performed well again this quarter, led by US biotechs (+14%), notwithstanding shaky bond markets and despite Greece's plight undermining European markets.

Standout performances among the large stocks for the quarter included Gilead (+16%) and Mylan (+13%, please see discussion below), while GlaxoSmithKline (-17%) was once again a notable laggard. For the Fund, our largest Japanese holding, **Daiichi Sankyo** (+17%) traded well following the end of its poorly executed Indian generics venture, and the Chinese regional pharmacy business **Jintian Pharma** (+41%) ran up following good results and we trimmed the position in mid-June. **AstraZeneca** was down (-15%) with side effects stalling one of the pipeline products. Beyond that, several moves of plus or minus 20% among our smaller biotech

Value of $20,000 Invested Over Five Years

30 June 2010 to 30 June 2015



Source: Platinum and MSCI. Refer to Note 2, page 44.

positions might reflect the increasing volatility in the sector as fear and greed – mostly greed – grow.

The Fund was up 1% for the quarter (and 34% for the 12 months to 30 June), while the MSCI AC Health Care Index (A$) also edged ahead 1% over three months (and leapt 44% for the year).

Commentary

Generic drug makers are interesting in their own right as well as being important to mitigate run-away health care spending in most countries. In recent years, there have been long delays at the US Food and Drug Administration (FDA) in approving generic versions of off-patent drugs. This hinders the smaller generic firms, but for those with already-approved generics on the market, product prices are much more stable with, say, two competitors than they would be with eight or more. Reforms to the assessment and approval process mean that the authorities are now making good progress in addressing the 3,000(!) cases awaiting their attention. But this probably means that after a few fat years of generous pricing, the established generic players can see things becoming more difficult in the 2017-20 timeframe. Notwithstanding their protestations that they would love the FDA to speed things up, a new round of proposed mergers indicates a certain concern that scale (and cost-cutting potential) may be important considerations in the coming years.

On that note we can report that the largest holding in the Fund, **Teva Pharmaceutical Industries Ltd**, has been for a few months now actively pursuing another very large generics concern, Mylan NV, which is in turn pursuing (the not insignificant) Perrigo Co. Mylan seemingly doesn't want to be bought, while Teva doesn't want Mylan to buy Perrigo (not least because that would make Teva's proposal too costly and/or problematic regarding anti-trust). Usually, Hollywood plots aside, almost all corporate deals are "agreed" rather than hostile, and so the apparent stalemate will most likely be resolved when one party offers to pay enough to bring the other quietly to the altar. Of course, if Teva pays too much, then we as shareholders will be giving most of the benefit of the deal to Mylan's owners, but in fact a likely compromise should allow the spoils to be shared among the parties.

The earlier reference to the good pricing environment of recent years highlights the difficulty for the system: while the government may see the generic companies as agents of cost control, the generics themselves are profit maximisers, and it is a measure of the (perhaps excessive) prices of branded (i.e. on-patent) pharmaceuticals to see quite how profitable their "rip-off" imitators are. At a recent generics conference discussing the likely increase in approvals of competing drugs, the generic companies were confident that despite increasing supply they expected "to maintain 55%-65% gross margins". For context, that is **10-20 percentage points higher** than what mighty Nike earns with its near dominance of the sneakers market – and Nike has to actually develop its own product!

Elsewhere in the industry, the annual American Society of Clinical Oncology (ASCO) meeting in Chicago once again focused on the exciting developments in the immuno-oncology area. Among many presentations and discussions, one interesting conclusion that seemed to be drawn was that more subtle, segmented, diagnostics-based approaches should in time overcome the lead that Bristol-Myers seemed to have established with its first-to-market, broad applicability strategy. This outcome, together with the need for combining multiple therapies to treat the myriad cancer types, means that Merck, AstraZeneca, and especially Roche may be more favourably placed than investors presumed 6-12 months ago.

Outlook

A cash holding of 30% might seem perverse in the face of a robust bull market in biotechs, and indeed may be a source of surprise or frustration to some unitholders. We emphasise that this cash position should **not** be seen as a vote against the prospects of the industry – indeed, ongoing scientific advances and the public and private willingness to pay for better treatments suggest continued profitable growth. Nor are we trying to "time" the market in the sense of being inactive or defeatist – several interesting opportunities have been acted upon this quarter. Instead, the cash holding has built up simply because there are relatively few compelling investments to be made at the moment. We measure this in hard numbers. For example, the average upfront payment by big pharma companies to biotechs to license their drugs was US$59 million per drug in 2014, **73% more** than in 2013, and valuations paid by venture capitalists, private equity and the stock market are commensurately higher.

Without putting undue weight on anecdotes, the behaviour of the protagonists – both investors and companies in the sector – indicates how late it is getting in the boom cycle. In one notable deal, Alexion paid US$8.4 billion for Synageva, a company with no revenue and one drug awaiting regulatory approval in a "rare disease" – a designation familiar to Alexion which owns the world's single most expensive medication – Soliris, priced at over US$500,000 per patient per year. Presumably, Alexion paid a 130% premium, despite the absence of any obvious competitors, for a company whose share price had already increased fivefold since listing in 2011, specifically because it plans a similar pricing strategy for Synageva's drug.

Perhaps more astonishing still is the story which came to a head in mid-June when Axovant Sciences was listed on the New York Stock Exchange at a US$2 billion valuation, only to go over US$3 billion by lunchtime on the first day of trading. This would merely be a successful, well-received IPO were it not for the fact that the company consists only of an experimental Alzheimer's drug candidate sold to it by the beleaguered GlaxoSmithKline seven months earlier for just US$5 million upfront. Some reports suggest Glaxo had sent the chemical through a dozen clinical trials (Alzheimer's is among the most intractable of diseases when it comes to trialling *tolerable* medications), and yet still sold it for a modest sum. Aside from Glaxo's embarrassment, perhaps the real story here (given that limited additional work has been carried out on the "drug" in the past few months) is how unrealistic the biotech valuations have become on the stock market.

It is with this sort of excess in mind that we are holding over a quarter of the Fund in cash, awaiting opportunities in the inevitable hangover from such a wild party.

The portfolio manager of the Fund, Bianca Ogden, is currently on maternity leave.
Kerr Neilson is the portfolio manager in Bianca's absence.

Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	JUN 2015	MAR 2015
Asia and Other	28%	28%
North America	26%	30%
Europe	15%	12%
Japan	9%	9%
Russia	2%	1%
Africa	2%	2%
Cash	18%	18%
Shorts	3%	3%

Source: Platinum. Refer to Note 3, page 44.

Performance

(compound pa, to 30 June 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	1%	20%	23%	12%	9%
MSCI AC World IT Index	-2%	33%	27%	17%	-3%

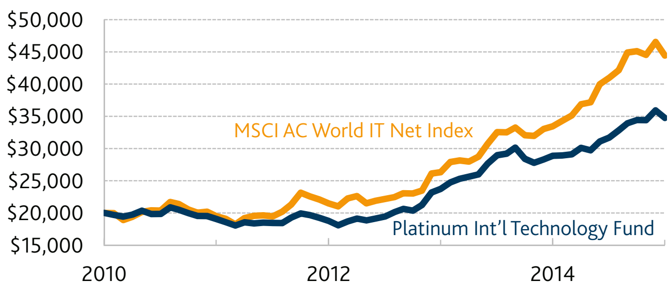
Source: Platinum and MSCI. Refer to Note 1, page 44.

During the quarter the Fund was up 1% while the MSCI AC World Information Technology Index (A$) was down 2%. For the six months year to June the Fund's return was 10%, compared to 8% for the Index.

Smaller capitalisation holdings outperformed larger companies this quarter and contributed positively to performance for the period. Some of the stronger performers were our Hong Kong-listed and US-listed Chinese companies (H-shares and American Depository Receipts or ADRs, respectively), such as **Youku Tudou** (+96%), **Sina** (+67%), **SouFun** (+40%) and **ZTE** (+33%) (see the Platinum Asia Fund report for detail).

Value of $20,000 Invested Over Five Years

30 June 2010 to 30 June 2015



Source: Platinum and MSCI. Refer to Note 2, page 44.

As mentioned in our previous reports, the Fund's investment philosophy is based on portfolio construction independent from the global benchmark, and our recent high exposure to Chinese and other Asian stocks in particular may result in its performance diverging from that of the Index.

We have been holders of several Chinese telecom, Internet and e-commerce stocks on the basis of their relative undervaluation compared to Western peers and their potential for secular growth. We were glad to see some of these holdings appreciate strongly this quarter as other investors also recognised the attractive valuation gap and the potential for further upside. So firm was the recognition that in some cases even the promoters themselves have started buying back shares in the companies they had listed only few years ago. Similarly, some undervalued companies are also being privatised by founders at a modest premium to market valuation, with the idea of re-listing them at a much higher valuation on the Chinese A-share market.

Changes to the Portfolio

In India we exited our position in **Bharti Airtel** as we believe that competition in wireless services will intensify once Reliance Jio Infocomm launches its new 4G network, with a serious possibility of them also entering into an alliance with existing or other new players.

In Europe we reduced the Fund's exposure to **ADVA Optical Networking** after the stock surged to more expensive valuation levels, and we added to our **Ericsson** position after a 16% stock price correction since April. This gave us the opportunity to increase our holding in a company which we consider to be the best positioned leader in next generation wireless networks.

Altera, a semiconductor company specialised in Programmable Logic Devices, was taken over by Intel for a pleasing 46% premium to the entry price we first paid less than a year ago.

As we expect interest rate normalisation to happen first in the US, and with no signs of impending monetary tightening in Australia, the Fund's exposure to the Australian dollar remains low (7%). Major currency exposures as at 30 June include the US dollar 57%, the Hong Kong dollar 11% and the Euro 10%. The Fund's exposure to Japanese stocks remains close to fully hedged into US dollars.

Commentary

2015 is on track to be a very strong year for mergers and acquisitions (M&A). So far this year, according to Dealogic, total global M&A transactions reached US$2.19 trillion, an increase of 31% on 2014 and the second highest level after the first half of 2007. While Technology was only the third busiest sector after Health Care, and Oil and Gas, it reported the highest number of deals with 4,074 transactions. Within Technology the semiconductor industry was the busiest.

NXP Semiconductors acquired Freescale Semiconductor to create a US$40 billion leader in industrial and automotive components. Altera was taken over by Intel for US$17 billion to further entrench its dominance in data centre. Broadcom was acquired by Avago for US$37 billion to achieve higher penetration in the market for connectivity components (Wi-Fi etc.).

Some commentators pointed to this renewed enthusiasm for M&A at relatively high prices/valuations as a sign of a new Tech bubble in the making. In fact, when JDS Uniphase combined with SDL in a US$41 billion merger in 2000 the NASDAQ bubble had just started deflating (JDS Uniphase now has a market valuation of only US$3 billion).

While these deals are admittedly consummated at high prices, there are some differences compared to 15 years ago.

Firstly, in 2000 global M&A volume was a huge 10% of total global market capitalisation while in 2014 the ratio was a more moderate 5%. Secondly, about half of the acquisitions were completed by issuing new stocks at a time when the NASDAQ Composite Forward P/E ratio was a hefty 40 times and the 10-Year Treasury Notes were yielding just under 7% – corporates were more inclined to issue equity than borrowing cash. Today, instead, debt seems more attractive, with the same P/E ratio at 20 times and the 10-Year Treasury Notes at 2.4%. That obviously does not justify paying crazy prices for dubious businesses while leveraging the balance sheet to levels which may be less than optimal once interest rates start reverting.

So why are all these deals happening right now?

It is interesting to observe that this flurry of activity is developing at a critical point in the consumer electronics cycle. Many data and estimates point in the direction of a growth slowdown and maturity reached by many key consumer electronics end-markets. For example, after years of double digit growth, global smartphone revenues are expected to grow by only 1% this year and to slightly decline in 2016[1]. Similarly, PC revenues are expected to decline by 7% this year and by 3% in the next, while tablets revenue growth also seems to have reversed (-8% in 2014 and -6% in 2015)[2].

While Emerging Markets are left with plenty of people in need of their first smartphone, the richest countries are almost approaching saturation level, and they will follow more moderate upgrade/replacement cycles rather than the boom of the past eight years (the first iPhone was introduced in 2007).

In light of this trend, the semiconductor industry is likely to enter a period of more subdued growth. Some analysts even suggest that the traditional multi-year supply-based cycles brought on by (often irrational) capacity additions mis-timed demand cycles, and that generating big revenue swings on a yearly basis may become a thing of the past. This may also explain why many players are taking over sub-scale rivals or companies with interesting products to complement their existing portfolios. Consolidation in some cases may well be the logical solution to a more difficult environment.

That of course does not mean the end of innovation in electronics, as surely some new and more complex devices and applications will be invented, requiring more complex, powerful and efficient semiconductors. Phones and computing devices also require continuous integration of components previously designed and assembled separately, to reduce production costs and meet the requirements of cheaper and more commoditised end products. We may end up only upgrading our smartphones, but these may well become thinner, larger, lighter, or have very different screens, more efficient batteries and many more new functions. Let's think for example about the number of sensors included in a modern smartphone. The Samsung Galaxy S launched in 2010 had three sensors embedded in it (accelerometer, proximity sensor and compass). The Galaxy S5 released in 2014 has ten sensors! In addition to the original three, Samsung added sensors to capture gesture, heart rate, ambient light, a barometer, a 3-axis gyroscope, a finger-print sensor and another one to detect if the cover is open or closed!

1 Source: IDC.

2 Source: Gartner.

Furthermore, the trend towards collection of data and connectivity is not limited to personal phones, but is expanding to new devices such as "wearables" (smart watches, fitness bands, activity monitors) and home appliances (think about the concept of "smart-home" where thermostats, TVs, air-conditioning units, alarms, etc. all become connected and remotely monitored and controlled). Think also to industrial or agricultural applications (managing the logistics of containers, pallets, supply chains, farming machinery, utility grids, etc.) or the increased semiconductor content in motor vehicles with the idea of assisted and self-driving cars now gradually becoming a reality.

It is not so fanciful to imagine a proliferation of applications and smart end-points which ultimately will build what is known as the "Internet of Things" (IoT) – the development of the Internet in which everyday objects have network connectivity, allowing them to send and receive data.

The numbers are mind-boggling. In their Visual Network Index forecasts Cisco Systems predicts that globally there will be 11.5 billion mobile devices and connections by 2019, up from 7.4 billion in 2014. A large part of these (3.2 billion) will be Machine-to-Machine (M2M) connections.

Outlook

While the semiconductor industry may enter a more mature phase, according to Gartner, revenue growth expected for the semiconductor end-markets in the period from 2014 to 2018 will see industrial applications grow by a solid 8.3% per annum, followed by automotive at a respectable 6% per annum. In contrast, consumer applications will only grow by 2% per annum.

Looking at semiconductors by type, the strongest growth will be in non-optical sensors (+10.9%), followed by non-volatile memory (NAND) (+9.5%) and optoelectronics (+8.5%).

The Fund has already identified and invested in some of the areas described above through a few highly specialised, small market capitalisation stocks. Moreover, some of our largest companies are also investing heavily in the same interesting areas. More specifically, they will benefit from the strong growth expected in NAND (**Samsung** and **Intel**) and in the gradual but ubiquitous deployment of the Internet of Things (**Cisco**, **Samsung** and **Intel**).

Village View - Change in a Chinese Village One Year On

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30 June 2015

CRR's visit to a Sichuan village for the third year in a row reveals a flurry of new infrastructure projects that locals believe were prompted by the Party's anti-corruption campaign. Village living standards continue improving, along with rural amenities. To better take care of their children and family, female migrant workers continue to trickle back home.

Benefits of the anti-corruption campaign.

Villagers believe the national anti-corruption campaign's reach into their county has prompted a flurry of infrastructure projects that visibly improved life in the rural area. These include a new bridge and irrigation ditches newly lined with cement to reduce water loss and make crop land irrigation more effective. And villagers no longer have to contribute funds to the paving of side roads that lead to their homes. All a result of official altruism? No, say the villagers, the new infrastructure and no fees are driven by cadres fearful that past misdeeds will be exposed by Beijing's anti-graft campaign.

Higher living standards.

Auto ownership continues to rise in the village, as village incomes grow, car prices fall and more roads are built. Households earning more money are also upgrading their purchases across a range of products from shampoos to cell phones. But improved living standards also raise costs and stress levels for the villagers.

Urbanisation – the future village?

In a pilot program at a nearby village in the same township, farmers who return their land to the village collective can get an urban "hukou". Under the same program they can join the urban pension plan. Basic services are improving: the village switched from individual household wells to tap water a few years ago, and is in discussion of getting a natural gas line to help with cooking. About 40% of the village's farmland is consolidated to an average size of about 1 hectare and residents expect this trend to continue.

Staying at home more.

Continuing a trend seen in recent years, dozens of women who used to work in the cities have opted to return to the village. In most cases, their husbands still work in the cities, while the women take care of children and the elderly at home. With the relaxation of the one-child policy, willingness to have a second baby is strong.

Benefits of the anti-corruption campaign

Last year the villagers were gleeful spectators of the Party's anti-corruption campaign, entertained by the sight of senior county officials being toppled. Now, after visits by Party discipline inspection teams to the county where the village is located, they are beneficiaries of multiple infrastructure projects that have made both farming and life in this rural area much easier.

Among the projects the residents are most happy about is a bridge connecting Xiushui township, where Wuxing village is located, with nearby Yingxin township. Villagers in these areas often need to travel between the two areas – some live in one village and work at a factory in another township, while others have relatives in the nearby township. But when the

Map of the area

Source: Baidu Map, CRR

river rises in the summer residents have to make a 10 km detour to get to the other side. The new bridge completed in the spring makes it easy for residents to travel between the two places. Village irrigation networks were lined with cement last year to prevent leakage, making the crop irrigation process more effective and far less wasteful. In addition side roads are being paved at no cost to the families living by the road. In the past that kind of work always meant a levy for the farmers who might benefit from the road.

New infrastructure projects - bridges

Source: CRR

The villagers are convinced that funding for these projects came from village leaders coughing up previously embezzled money. Although they can't prove this, locals point out that after the major 2008 earthquake in the area, the central government allocated a lot of money to infrastructure and building/repair but the work didn't last very long. Their suspicion is that, under threat of being investigated, fearful local officials are finally implementing work that was supposed to be done years ago. "The cadres are scared," says one villager.

The impact of the anti-corruption campaign is not just felt in this small Sichuan village. Annually, since the 18th Party Congress in 2012, China's central Government's No. 1 document has mentioned the need to fight corruption in rural areas. In the southern Guangdong province, for example, more than 7,600 village officials and Party members in rural areas have been investigated or punished in the period between January 2014 and May 2015, according to official reports.

"Many people don't want to become village leaders now," says one resident of Wuxing. "In the past, only people with good connections could become village leaders."

New infrastructure projects - side roads

Source: CRR

Higher living standard

Auto penetration continues to rise in the village, because residents' income has been increasing, car prices have been falling and more roads are being paved. Now an estimated 15% of the households own a car, compared with 10% last year and 2-3% just a few years back. Most of them buy cars in the price range of Rmb70,000 to Rmb100,000. Favoured brands include the Great Wall Havel SUV, Chang'An SUVs and sedans, Hafei Lobo and Nissan.

Villagers use a dealership in the township to buy a car. Because many find it difficult and/or expensive to get loans via regular channels, as many as 70% of the buyers make an informal borrowing arrangement with the auto dealer enabling them to pay in instalments directly to him over a couple of years.

Xiushui Township, which is about 10 minutes away from the village by motorcycle. Villagers send their children here for school and buy personal care/household products from the supermarkets here. In the centre is a store that carries Hisense white goods.

Source: CRR

Growing income also means upgrades in the villagers' purchases. For example, Sassoon (P&G) and L'Oreal are gaining popularity for their shampoos these days, while a few years ago, the commonly used brands were the cheaper Pantene (P&G), Head & Shoulders (P&G) and Clear (Unilever). Nieche, a brand that produces cheap cell phones that sell at a few hundred RMB a piece, shut down its store in the township recently as locals increasingly switch to Samsung, Lenovo and Huawei. Many are now willing to spend Rmb1,000 on their phones. Most of them are still on China Mobile's 2G network.

A variety of products on promotion outside of a township supermarket

Source: CRR

Note: Laundry detergent brands include OMO (Unilever), Tide (P&G), as well as the domestic Liby (Guangdong-based), Diao and Super (Zhejiang-based Nice Group), Haotaitai (Hebei-based Nalixin), Shuangmao (Sichuan-based Lanfeng Group). Soft drinks are mostly Huiyuan.

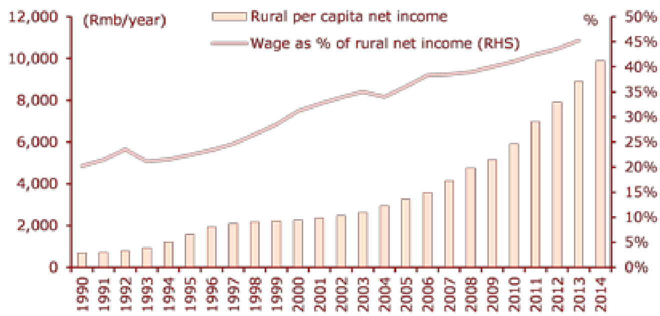
Sassoon gains popularity as villagers upgrade their personal care products

Source: CRR

Fewer than 10% of the villagers shop online. Those that do are mostly between the ages of 20 and 40, and buy things from shoes to cell phones, and personal care products to packaged foods. They have to go to the nearby township to pick up their parcels. SF Express, ZTO Express, STO Express, YTO Express and YUNDA all have stores there; last year only a couple of the companies had a store there. The increase in logistics outlets suggests the way is being paved for a sharp pickup in the use of online commerce. Delivery time is shorter than before. Now it takes as little as 2 days for products ordered online to reach the township, compared with 3-4 days last year.

But having a higher living standard brings with it worries, too. For example, with more roads being built and more cars on the road, the traffic is becoming a nuisance. Villagers whose houses are close to the roads worry about their children being hit by a car. They are also concerned about air and water pollution as more and more new factories are being built. As their lives improve, they feel more stress: yes, they do earn more, but they end up spending more on nicer things. "Once you are used to nice things, you can't go back to shabby things," they say. Celebrating the Chinese New Year and visiting relatives and friends can easily cost a household a few thousand RMB or even up to Rmb10k.

National data on rural income



Source: NBS, CRR

Urbanisation – the future village?

This year, nearby Xinmin Village, also in Xiushui township, has launched a pilot program to encourage villagers to join the urban pension plan. Those who are willing to give up their land and pay the social security bureau a lump sum of Rmb38,400 can get an urban household registration, or "hukou" (located at Xiushui township), and be a part of the urban pension plan. Those who don't want to give up their land can pay more - Rmb58,300 - to join the scheme. The urban pension plan pays out Rmb600-700 each month, about ten times the rural pension payment of Rmb60/month. Therefore, the option of paying a lump sum or even giving up their land seems attractive to elderly people who are no longer able to farm their own land. Villagers who are old enough (men 60 and older and women 50 and older) can get their monthly payments just a couple of months after joining. These payments are not inflation linked but the expectation is the government will raise them once in several years.

The young people in the village, however, are generally not interested in the scheme. They especially don't want to give up their land and rural hukou. "This place is only going to get more and more developed down the road, with more factories being built, says one villager, "so the land is only going to be worth more money." In fact, in the past two years, villagers who have a new baby are told at the township police station that their babies can have urban hukous. But few are interested.

In terms of utilities, things continue to improve. Recently, villagers got notice that there will be a natural gas line coming here. Each household has to pay Rmb4,800 for it upfront, but once they're connected, they'll be able to turn on the natural gas to cook or heat water for a shower. In 2013 the village got tap water, so that all villagers could drink treated water.

The villagers believe that in the future, there will be more consolidation of land, villagers will work for money, either by working on other people's land or in factories, and that there will be more standardised property developments in the villages.

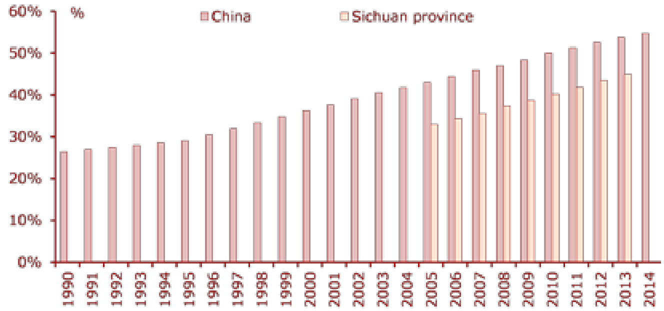
The pace of land consolidation in the area is accelerating. This photo shows part of a 26 ha (66 acre) commercial holding in a neighbouring village - very large by local standards - which is growing vegetables for supply to a pickle factory in Chengdu.

Source: CRR

This year, about 40% of the farmland is consolidated, compared with half of that last year. The larger tracts of land are used to grow more profitable vegetables and some grains. Land right ownership registration took place over the past year, where government authorities used small planes to fly over and measure each household's land.

The social health insurance lowered its reimbursement level in the village slightly this year. At the same time, the government issued certificates for villagers with disabilities this year, which make them eligible for Rmb40-50 in subsidy each month.

Rising urbanisation rate



Source: NBS, CRR

Staying at home more

Wuxing is seeing more villagers returning from the cities they worked in and staying at home. They are mostly women. Many of them live in households that are better off and have paid off their debts for home repairs after the 2008 earthquake. So instead of staying in the cities and earning more money, these women decide to stay home to take care of their children and the elderly. In general, their husbands continue to work in the cities.

A villager who returned to Beijing for work after the Chinese New Year recalled feeling bad, when her son asked her to stay in the village with him. She told her son that she has to work, so that she can buy toys and snacks for him. She also said that she hasn't celebrated her daughter's birthday with her for several years and lamented on the loss of time with her family for work in the cities.

Some women from the village are staying behind to have a second child. With the relaxation of the country's one-child policy last year, some of the villagers became eligible to have a second child because one of the spouses grew up as an only child. Sichuan is one of only two provinces in China (the other being Jiangsu) where the one-child policy is implemented across the province. In rural areas elsewhere, villagers are often allowed to have more than one child. Willingness to have a second child is high here, now that many young people don't have to pay a fine. An estimated 40% of the couples in their 20s and 30s are willing to have a second child. The remainder don't want to have more children because of the cost and time it takes to raise a child.

An County in numbers (2014)

GDP (Rmb billion)	10.2
GDP per capita (Rmb)	26,502
FAI (Rmb billion)	9.3
Fiscal revenue (Rmb billion)	1.4
Total population (Persons)	447,744
Rural residents (Persons)	371,007
Urban residents (Persons)	76,737
Urban per capita disposable income (Rmb)	23,089
Rural per capita net income (Rmb)	10,901
Number of primary schools	30
Number of middle schools	17

Source: NBS branch in An County

David Murphy
david.murphy@clsa.com

Xiao Zhang
xiao.zhang@clsa.com

Glossary

<u>Earnings Per Share (EPS)</u>

A measure of a company's profitability, EPS is calculated by profit (net of tax and dividends to preferred shareholders) divided by the number of outstanding ordinary shares or common stock the company has on issue.

<u>Free Cash Flow (FCF)</u>

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

<u>Gross Domestic Product (GDP)</u>

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.

<u>Japanese Government Bond (JGB)</u>

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

<u>MSCI Indices</u>

Varying indices compiled by Morgan Stanley Capital International (e.g. World, Asia, Health Care, etc) that are designed to measure equity market performance across different regions and industries.

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

<u>Price to Book Ratio (P/B)</u>

The ratio of a company's current share price to its current book value. Book value is the sum of a company's total assets minus its total liabilities and intangible assets. The P/B is used as an indicator of the value of a company by comparing its share price to the amount of the company's assets that each share is entitled to.

<u>Price to Earnings Ratio (P/E)</u>

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.

<u>Quantitative Easing (QE)</u>

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

<u>Return on Capital Employed (RoCE)</u>

A measure of a company's profitability and the efficiency with which its capital is employed. RoCE is calculated as Earnings Before Interest and Tax (EBIT) divided by Capital Employed, where "Capital Employed" represents the sum of shareholders' equity and long-term debt liabilities. The higher a company's RoCE ratio, the more efficient its use of capital.

<u>Return on Equity (RoE)</u>

A measure of the rate of return on 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.

<u>Short Selling or Shorting</u>

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

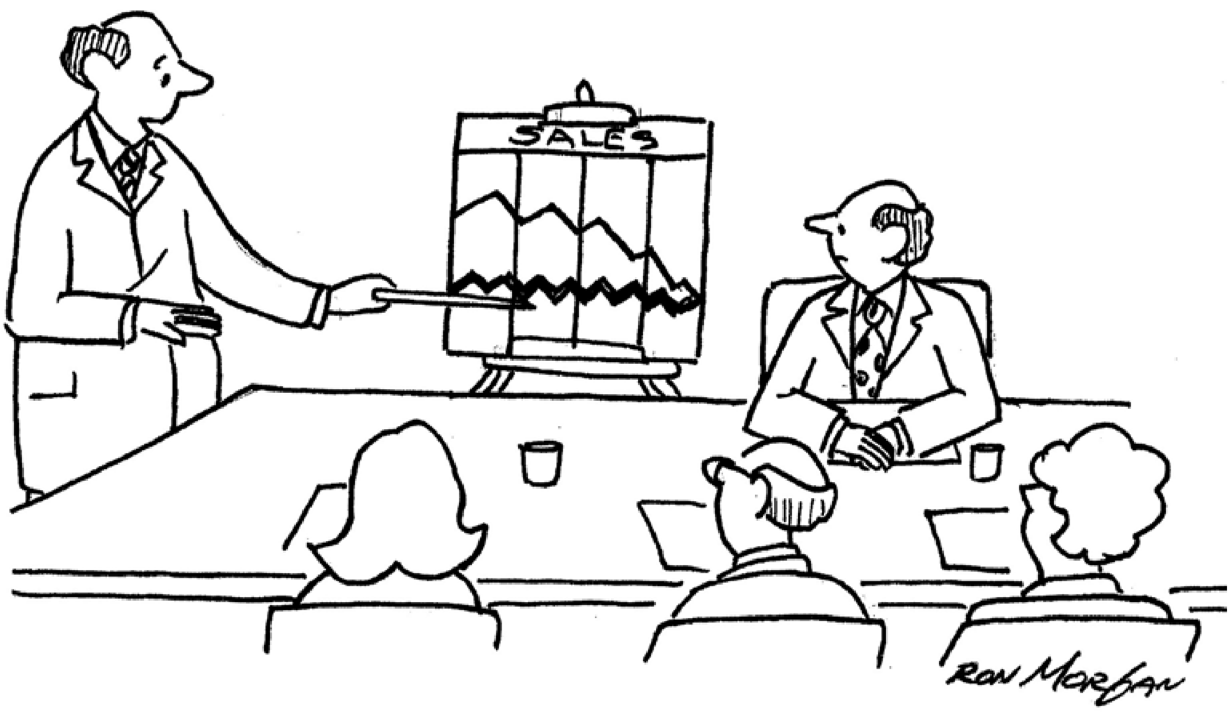
Platinum utilises short selling of stocks and indices for risk management (that is, to protect a Fund's portfolio from either being invested or uninvested) and to take opportunities to increase returns. Short selling is not undertaken for the Platinum Unhedged Fund.

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.

"AND THIS IS OUR RESEARCH DEPARTMENT..."

"Okay, what if we go outside - will it still be insider trading then?"



"We hope to calm investors by adding a catchy bass line."

Notes

1. The investment returns are calculated using the relevant 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: 28 January 2005
   Platinum Asia Fund: 4 March 2003
   Platinum European Fund: 30 June 1998
   Platinum Japan Fund: 30 June 1998
   Platinum International Brands Fund: 18 May 2000
   Platinum International Health Care Fund: 10 November 2003
   Platinum International Technology Fund: 18 May 2000

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

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 30 June 2010 to 30 June 2015 relative to its benchmark index (in A$) 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

   The investment returns are calculated using the relevant 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 benchmark 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. Invested position represents the exposure of physical holdings and long stock derivatives.

Disclaimer

MSCI Inc Disclaimer

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 $27 billion, with approximately 12% 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

Monday to Friday, 8.30am – 6.00pm AEST

1300 726 700

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New Zealand only

Or visit us at our office

Level 8, 7 Macquarie Place, Sydney

* Please refer to page 2.

Level 8, 7 Macquarie Place
Sydney NSW 2000

GPO Box 2724
Sydney NSW 2001

TELEPHONE
1300 726 700 or 02 9255 7500
0800 700 726 (New Zealand only)

FACSIMILE
02 9254 5590

EMAIL
invest@platinum.com.au

WEBSITE
www.platinum.com.au

Platinum® ASSET MANAGEMENT