Platinum® ASSET MANAGEMENT

Quarterly Report

30 September 2014

Platinum International Fund
Platinum Unhedged Fund
Platinum Asia Fund
Platinum European Fund
Platinum Japan Fund
Platinum International Brands Fund
Platinum International Health Care Fund
Platinum International Technology Fund

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

Contents

Performance Returns to 30 September 2014

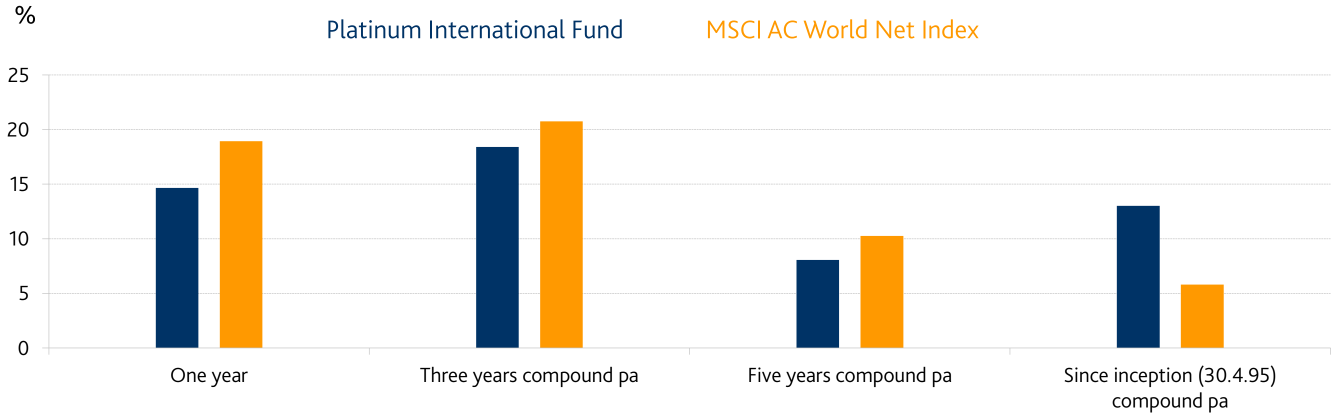
FUND	PORTFOLIO VALUE	QUARTER	1 YEAR	2 YEARS *COMPOUND PA*	3 YEARS *COMPOUND PA*	5 YEARS *COMPOUND PA*	SINCE INCEPTION *COMPOUND PA*
International Fund	$10,153m	3.6%	14.6%	26.8%	18.4%	8.1%	13.0%
MSCI AC* World Net Index		5.4%	19.0%	24.8%	20.8%	10.3%	5.8%
Unhedged Fund	$323m	3.1%	16.2%	27.2%	18.9%	11.7%	11.2%
MSCI AC World Net Index		5.4%	19.0%	24.8%	20.8%	10.3%	5.2%
Asia Fund	$4,883m	8.1%	21.9%	23.1%	17.7%	8.8%	16.4%
MSCI AC Asia ex Japan Net Index		6.1%	15.7%	16.4%	14.8%	7.0%	10.1.%
European Fund	$286m	-1.9%	6.3%	21.2%	20.0%	11.5%	11.7%
MSCI AC Europe Net Index		0.1%	12.1%	23.9%	19.0%	6.8%	1.9%
Japan Fund	$447m	5.9%	15.5%	39.8%	23.5%	11.8%	14.4%
MSCI Japan Net Index		5.4%	7.5%	25.4%	13.0%	5.6%	0.8%
International Brands Fund	$1,232m	0.2%	3.4%	17.6%	14.9%	13.1%	12.7%
MSCI AC World Net Index		5.4%	19.0%	24.8%	20.8%	10.3%	0.7%
International Health Care Fund	$104m	5.3%	16.3%	25.2%	22.1%	16.3%	8.1%
MSCI AC Wld Health Care Net Index		11.7%	33.5%	36.6%	30.0%	17.4%	8.1%
International Technology Fund	$64m	4.3%	17.4%	25.4%	17.5%	8.2%	8.9%
MSCI AC World IT Net Index		10.3%	31.8%	27.7%	24.3%	13.4%	-4.2%

*Morgan Stanley Capital International All Country

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

Platinum International Fund Versus MSCI AC World Net Index

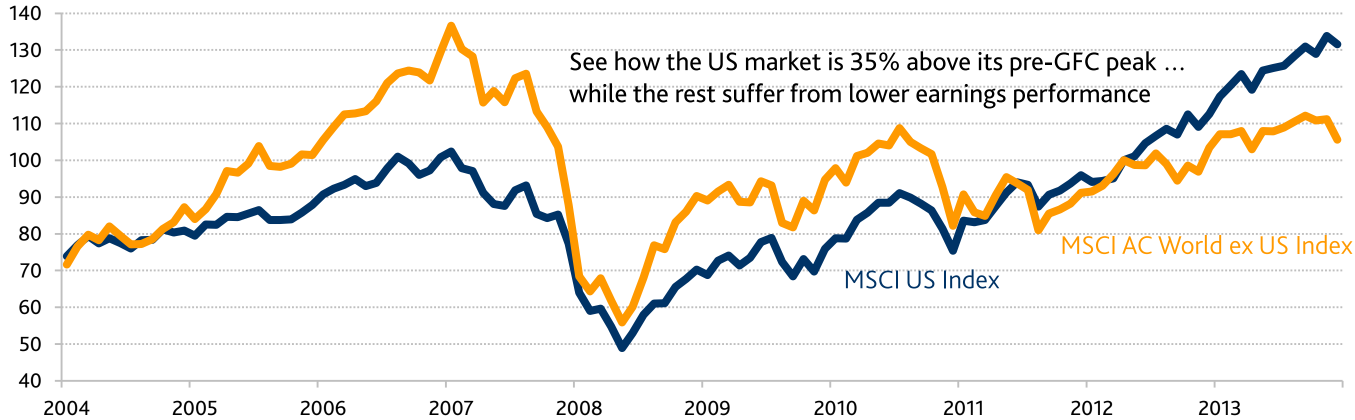
To 30 September 2014



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

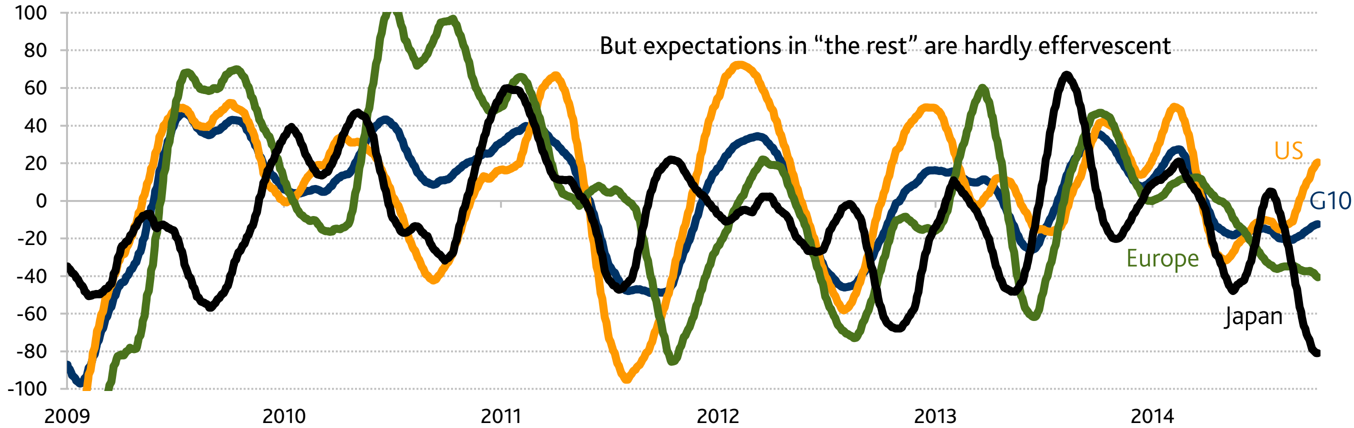
Market Panorama

MSCI US Index versus MSCI All Country World ex US Index



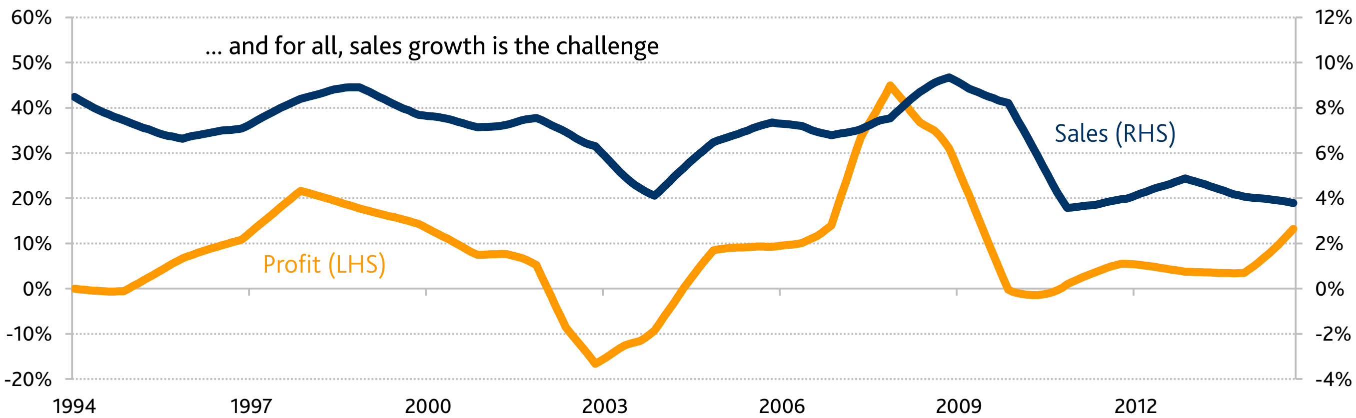
Source: Factset

Citigroup Economic Surprise Indices (3 month moving average)



Source: Factset

North America - 5 Year Compound Annual Growth Rate Sales versus Profit



Source: Factset

Platinum International Fund

Kerr Neilson Portfolio Manager

Disposition of Assets

REGION	SEP 2014	JUN 2014
Asia	25%	23%
North America	23%	27%
Europe	22%	24%
Japan	13%	14%
Russia	2%	3%
Australia	1%	1%
South America	1%	1%
Cash	13%	7%
Shorts	14%	12%

Source: Platinum. Refer to Note 3, page 40.

Performance

(compound pa, to 30 September 2014)

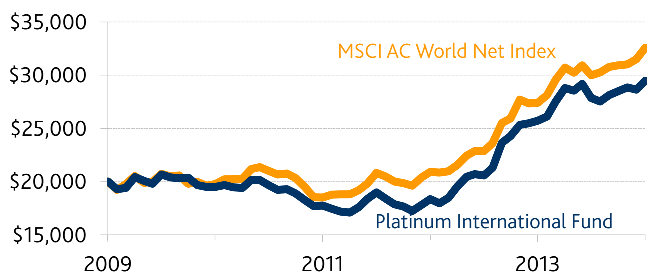
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund	4%	15%	18%	8%	13%
MSCI AC World Index	5%	19%	21%	10%	6%

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

It has been an interesting period in world markets this last nine months. Starting out strongly in January, the first hiccup occurred in late February/March in response to China growth scares. Investors started rotating out of the then market leaders, very highly-priced biotech and Internet commerce plays, into older tech stocks and some of the emerging markets. This retreat by strong market leaders tends to be a warning of changing market dynamics. At the same time, the high risk, high yielding bonds also started to weaken. There followed a recovery through to mid-year when again talk of higher rates and concerns about the Federal Reserve getting too complacent (falling behind the yield curve with appropriate rate intervention) led to another loss of momentum in the western markets. This was countered by an awakening of the Asian markets, particularly China, India

Value of $20,000 Invested Over Five Years

30 September 2009 to 30 September 2014



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

and Japan. India rose on account of the perceived favourable election outcome; China because of diminishing concerns about its growth prospects and the opening of the local market to foreign investment. Japan rose on account of the weaker Yen and for having squeezed past the rise in the consumption tax.

By the end of the third quarter, momentum was again fading as the markets were besieged by the uncertainties in the Middle East and Ukrainian border region, the threat of deflation and soggy growth in the Eurozone, and further rotation out of the high yield bond markets on the prospect of rising rates in the US. One could also observe the beginning of doubts forming about the consequences of an ultra-strong US dollar.

This concern also washed across the sector indices with those sectors with perceived dependable earnings growth being favoured over the more cyclical areas.

For Australian investors who are long the underlying currencies, the weakening of some stock markets was masked by the depreciation of the Australian dollar by around 6.5%. Overall the US was up 9% (in Australian dollars), Europe was flat and Asia variously up by 6 to 8%.

We may appear to be clod-footed as we underweight the huge US component of the MSCI World Index in favour of those markets and companies that are being under-represented. Do recall that the US now represents 49% of this benchmark index even though it produces less than 20% of global output. For all the ingenuity of Silicon Valley, we doubt that the US will provide 49% of the best investments in the world over the next 15 years.

Our relatively low weighting in US stocks and the progressive build-up of cash and shorts has tended to act as a drag on our performance; the Fund averaged about 78% exposure for the quarter. For the moment this is causing us to underperform the MSCI World Index though we are achieving respectable returns of 3.6% and 14.6% for the last three and 12 months respectively. We believe our stance will pay off shortly.

Change to the Portfolio

Over the last nine months we have radically changed both the regional and industry exposure of the Fund. This was, as ever, motivated by the migration of relative prices and hence opportunities.

Since January the Fund has cut its exposure to North America and Europe by 4% and 3% respectively to a combined figure of 45%, while funds deployed in Asia (including Japan) stands at 38%. Cash has risen to 13% from 8% and the shorts have risen to 14% (mainly against US indices, the German DAX Index and Hong Kong Index).

MSCI World Index Regional Performance (AUD)

REGION	QUARTER	1 YEAR
India	10%	47%
China	9%	12%
United States	**9%**	**27%**
Asia ex Japan	**6%**	**16%**
Developed Markets	**6%**	**20%**
Japan	**5%**	**8%**
Hong Kong	5%	13%
Emerging Markets	**4%**	**12%**
United Kingdom	1%	13%
Europe	**0%**	**12%**
Korea	0%	7%
Australia	-1%	6%
France	-1%	9%
Germany	-4%	9%

Source: MSCI

MSCI World Index Sector Performance (AUD)

SECTOR	QUARTER	1 YEAR
Health Care	12%	34%
Information Technology	10%	32%
Telecommunication Services	7%	17%
Financials	6%	16%
Consumer Staples	5%	16%
Consumer Discretionary	4%	13%
Industrials	4%	15%
Utilities	3%	20%
Materials	0%	9%
Energy	-2%	16%

Source: MSCI

While US companies have clearly been the most effective in achieving earnings growth post the GFC, helped by a growing economy and very cheap money, this relative outperformance may now face greater challenges. Even in the June quarter, companies were generally finding sales growth more challenging while earnings continued to thrust higher. This retardant may become more pronounced as the US dollar climbs, which in itself is an implicit tightening, that will be at the expense of the competitiveness of US companies. However, this is not upper most in our minds. What is more relevant is the potential of profit growth elsewhere and the prices we are being asked to pay to participate. By our reckoning, the companies we have been acquiring offer superior value on a risk adjusted medium term basis.

Where companies have done all one could have asked of them in terms of fair and open disclosure, and matched this with a near faultless execution of their strategies, it is always difficult to bring oneself to sell. We have nevertheless done so by exiting great performers like **Henkel**, **Roche**, **Bayer AG** and **Naver** to make way for companies with less favoured valuations. We also sold out of a recent acquisition, **LinkedIn,** after its quick upward burst, reduced **eBay**, **Pernod Ricard** and **Bangkok Bank**, exited **Bank of America**, **Jacobs Engineering**, **Marvell**, **Trulia**, **Rohm**, and cut **Hindalco** and **Baidu** after strong runs.

Last quarter we described our enthusiasm for some of the **Chinese general and life insurers**, to which we have continued to add. We have also been buying the white spirit companies in China and added to our existing holdings in Korea and introduced Korea Electric Power.

Following the crackdown on corruption and the lavish lifestyles of the ruling elite, there has been a huge shift in the price and patterns of consumption of the traditional Chinese firewater, *Baijiu*. This is an inappropriate description for the leading brand **Kweichow Moutai,** which only sells product that has been matured for at least three years and is in fact a highly prized drink among *aficionados*. What attracts us most is its great pedigree, remarkable brand strength and unparalleled profitability.

Putting substance to these claims one can observe that even as sales to officials have been severely curtailed, improved availability has seen the general public fully absorbing available supply. Selling at Rmb 900 (approximately US$160) per 500ml bottle (53% proof), the company is able to earn a TAXED margin of 50% on sales. Return on assets is more modest on account of large stock holdings. Aged stocks have been growing ahead of sales which bodes well for future premium pricing and gives head room for continuing growth. Some market observers are concerned about a repeat of the last down-cycle but we believe the circumstances that the industry now faces are very different to those that prevailed during the Asian crises of 1999.

Korea Electric Power (KEPCO) is a very different story of a regulated utility that has been deprived of earning its entitled return on assets. Changes are afoot both within the company and among the bureaucracy that suggest this can change. Most importantly, as the company rebalances its power load back in-house with nuclear and coal, and uses less expensive gas fired IPP sourced capacity, profits will lift. In addition, there have been hints that the regulator is prepared to countenance greater pricing flexibility on account of official concerns about the indebtedness of government-owned entities. This is connected to the awareness of the need for change lest Korea further follows in the footsteps of Japan.

After the significant changes we have made to the portfolio, what are we broadly exposed to?

Portfolio Exposure

REGION	EXPOSURE
China financials (insurers - no banks)	4%
China consumer (jewellery, drinks, China Mobile)	3%
China Internet (Tencent, Baidu, Sina)	5%
China Sub-Total	**12%**
Korea (Samsung Electronics, KB Financial, KEPCO)	6%
India (financials and infrastructure)	3%
Japan (exporters / domestics: 70%/30%)	13%
North American metals / resources (Alcoa, Allegheny Technologies, Canadian Oil Sands)	11%
North American investment (Baker Hughes, Foster Wheeler, KBR)	5%
Western Hemisphere technology (Intel, Ericsson, Ciena, Microsoft)	8%
Western Hemisphere Internet (Google, eBay, Schibsted, Yandex)	7%
European consumer / drug companies	14%
European banks	4%
Other (Brazil, Malaysia, Thailand)	4%
Total	87%

Source: Platinum

Though somewhat arbitrary, we would reckon that about 25% to 30% of the portfolio is in cyclical companies (being mainly metals, investment and Japanese exporters). In a world of suppressed interest rates, **long duration assets have particular appeal** and this endorses many of the other holdings within the portfolio. Our net invested position is 73%. We have raised cash levels to 13%.

Shorting

The short positions have been raised to 14%.

Currency

The US dollar (including the Hong Kong dollar) is our principal currency hedge at 60%. We have virtually no Australian dollar or Japanese yen.

Commentary

It is likely that the threat of rising rates in the US creates a **negative feed-back loop via a stronger US dollar.** In the last quarter the marker of the US dollar, the DXY index, rose by 8% which was matched by a similar setback in the Russell 2000 Index. Risk has been taken-off with hedging activity increased. From here individual stock picking is likely to become even more important with the underlying trend no longer being so helpful. Rates, at the short end, seem likely to be raised ever so gradually in the US on account of insipid growth and the fact that the **Central Banks of Europe, Japan, China and India are, if anything, still going the other way!**

As noted above our focus on Asia is driven by **valuations** and the fact that there is **reform** taking place that should, in time, release further growth potential. It is noticeable that the **Chinese authorities** were trying to deflate the property market gradually with modifications to purchase restrictions and the like. Transaction volumes in the primary market have fallen by some 20% (though prices in the big four cities have barely weakened), while in the second and third tier cities, solid discounts are on offer. Thus far the fallout from the property market has been mild and reported non-performing loans are still very low, albeit on a rising trend. It is in areas such as construction machinery that one is seeing evident stress with members of our investment team reporting meeting some very sad dealers during their September field trip.

The exciting development is the opening up a reciprocal market between Hong Kong and Shanghai (the so-called 'through train'). This will initially involve the allocation of a quota which will allow foreign investors to purchase shares on the Shanghai Exchange and likewise for Chinese mainlanders to acquire shares listed in Hong Kong. Essentially this is the **beginning of an opening up of the capital account of China** and will give investors the greater choice of the A share market on the mainland. Where there are dual listings, typically mainland shares trade at a significant discount to those in Hong Kong.

One has read some concerns about the follow-through of reforms subsequent to India's Prime Minister Modi's assumption of power. We are getting much more positive feedback about a business-like cultural shift that has been imposed on the ministries in Delhi. For example, objections among ministries are required to be voiced within 15 working days or may face forfeiture; a Central Government expenditure management committee was established in August charged with reducing waste at the centre; the Agricultural support system is under review; prices and tariffs are being reviewed and petty impositions on the citizenry such as notarisation of identity is being eliminated to reduce rent-seeking at the street level.

Most encouraging to long-standing observers of India is Modi's declaration in Washington at the end of September that the **State 'has no business of being in business'.** This is profound rejection of the opposition Congress party's long standing approach of intervention and subsidy.

There are, however, many sticking points. Most important of all is the **magnitude of the work load on a very narrow group of decision makers surrounding Modi.** There is also heavy wrangling ahead to try to implement a general sales tax and to gradually wind-back subsidies on food and energy. There is then the necessity of dealing with the re-auctioning of the coal blocks and the allocation of gas to tens of gigawatts of stranded electrical generation capacity.

We have written often about the **gradual shift in corporate culture in Japan** and are seeing similar changes taking place in Korea. On balance the business environment in Asia is at least as positive as we can observe in the Western hemisphere and we find the valuations more compelling.

Outlook

That there will be some volatility in markets seems likely but the hunt for duration in a world facing low inflation and growth against a back drop of very cheap money, suggests that real assets (shares) will continue to attract investors. The portfolio management challenge will be to achieve the correct balance between predictable earnings growth and the low valuation being placed on companies with less certain outlooks.

Platinum Unhedged Fund

Clay Smolinski Portfolio Manager

Disposition of Assets

REGION	SEP 2014	JUN 2014
North America	24%	28%
Europe	23%	20%
Asia	22%	18%
Japan	18%	22%
Australia	3%	3%
Russia	1%	2%
Africa	1%	1%
South America	1%	1%
Cash	7%	5%

Source: Platinum. Refer to Note 3, page 40.

Performance

(compound pa, to 30 September 2014)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund	3%	16%	19%	12%	11%
MSCI AC World Index	5%	19%	21%	10%	5%

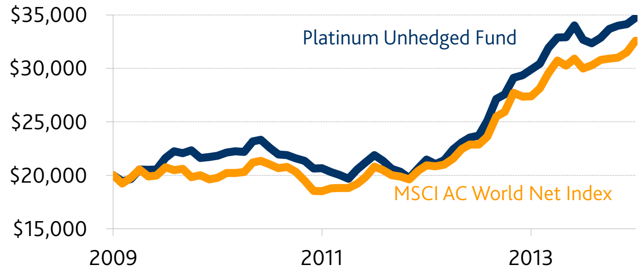
Source: Platinum and MSCI. Refer to Note 1, page 40.

Over the quarter the performance of the Fund was 3.1% versus 5.4% for the MSCI World Index. The performance for the nine months year-to-date is 5.6% versus 6% for the Index.

The standout performers for the quarter were our holdings in the Asia, in particular China and Korea. The larger contributors included **PICC** (+23%) and **Baidu** (+21%) in China, and **KB Financial** (+16%) and **CJ Express** (+34%) in Korea.

Value of $20,000 Invested Over Five Years

30 September 2009 to 30 September 2014



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

Changes to the Portfolio and Commentary

Having recently taken over the Fund from Jacob Mitchell, it is worthwhile highlighting some of the changes made to the Fund's holdings over the past three months.

As mentioned in recent quarterlies, we are finding a lot of attractive investment ideas in China and we have increased our weighting to this market. New additions to the Fund or companies where we have significantly increased our holdings include:

PICC – PICC is one of China's big three property and casualty insurers. It has a dominant position in auto insurance and is well-placed to expand into other lines such as home and contents. The company is currently growing at mid-teen rates and there is scope for this growth to continue for many years to come. Growth will be driven by increased car ownership (China has 6 cars per 100 people versus 60 for Korea) and greater acceptance of non-auto lines in China (home and contents insurance accounts for 5% of premiums in China versus 25% in the West).

In addition to the market growth, PICC will benefit from a number of internal improvements which will support future profitability. A new chairman appointed in 2009 is a 20 year insurance veteran (rather than a political appointment) and has clearly emphasised profitability rather than chasing market share. Also the company has recently upgraded its IT systems which allows it to centrally underwrite and price policies, as well as grow the number of policies they sell direct (via phone or Internet rather than an agent).

At the time of our buying, PICC traded on 10x P/E, making a 24% return on equity (RoE) and paying a 5% dividend. At this valuation PICC is one of the more compelling investments we can find in global financials and is now the largest holding within the Fund.

Kweichow Moutai - Moutai make Baijiu, a Chinese white spirit made predominately from sorghum. Moutai is the *premium national brand* in the space, with a retail price approaching US$160 a bottle. It enjoys a fabled history that includes everything from being Mao's choice of liquor to serve to heads of state, to having a formulation so pure that it won't leave you with a hangover!

Given Moutai's prestige, consuming it was a must when negotiating business deals or trying to win the favour of local bureaucrats. Hence the conclusion, in theory, that demand for Moutai would plummet under the current corruption crackdown in China. While the ***retail*** price of a bottle of Moutai has fallen from $300 at the peak in 2012 to $160 today, the ***wholesale*** price at which Moutai sells to its distributors has actually ***risen*** from $110 to $130 (i.e. it was the distributors that were making out like bandits during the peak, not Moutai). In addition, while the government channel is certainly consuming less, the middle class is responding to the lower retail price and are actually consuming more! The net result is the company has continued to grow sales and earnings throughout the crackdown period.

Given Moutai's heritage, its place as a luxury item in the minds of Chinese consumers should be enduring and it has plenty of scope to grow with the Chinese economy. Moutai has a market cap of $30 billion, with net profits of $2.7 billion and a full $5 billion of net cash on the balance sheet. At this valuation (11x P/E) Moutai trades at roughly half the price of global peers, and we continue to add to our position, with the Fund having just under 3% invested in the Chinese Baijiu makers.

China Mobile – At the time of purchase China Mobile was one of the world's cheapest mobile telecommunication stocks, trading at an enterprise value to cash flow multiple of 4x. The company was relatively disadvantaged compared to its competitors during the shift from 2G to 3G. A drawback was the regulator wishing to support the competitors in order to foster competition. The second obstacle was that China Mobile was forced to support the Chinese developed 'Time Division (TD)' network standard, rather than the more globally-accepted 'Frequency Division (FD)' standard. At that time, China Mobile's 3G TD network was inferior and only supported a limited number of handsets. This resulted in China Mobile losing its premium customers to the competitors who were operating FD networks. With the current shift to 4G the tables have been turned. It is now China Mobile who has the fastest, gold plated network and early subscriber trends show that the premium customers are returning.

Weichai Power – Weichai is China's dominant producer of heavy duty diesel (HDD) truck engines. In the context of autos, the design and production of HDD engines is a good business as the purchase consideration includes reliability and running costs rather than just price. In the short-term, the company does have some cyclical exposure. In the longer term, however, Weichai will benefit both from underlying market growth and customers upgrading to more technically advanced engines. With Weichai trading on sub 9x mid-cycle earnings, the stock is simply too cheap.

Outside of China we have taken sizeable new positions in **Carnival Cruise Lines** and **Erste Bank**, whilst significantly increasing our holdings of **KB Financial** and **Meyer Burger**.

In terms of sales we have made roughly 15 changes across the portfolio. The biggest of these include the full exits of our Japanese financials **MUFJ** and **SBI Holdings** largely to fund the ideas listed above. Sticking with Japan we also exited **Nippon Electric Glass**, **JSR Corp** and **Dena**.

In the US we sold of out **Johnson & Johnson**, **Jacobs Engineering** and **LinkedIn**. LinkedIn was a case where the stock price appreciated much faster than expected, strongly bouncing from our average entry price of $155 per share. We decided to take profits since user engagement was much weaker than we had hoped. However, with the stock price touching $230 in recent weeks, we sold a little too early.

Outlook

With an eye on the valuations of each global market, we currently feel the Asian markets (in particular China and Korea) offer better prospects to make money relative to the US or Europe. Investors should continue to expect a gradual reweighting of the portfolio towards this region.

Platinum Asia Fund

Andrew Clifford Portfolio Manager

Joseph Lai Portfolio Manager

Disposition of Assets

REGION	SEP 2014	JUN 2014
China (Listed Ex PRC)	23%	24%
China (Listed PRC)	9%	6%
Hong Kong	2%	2%
Taiwan	1%	1%
Greater China Total	**35%**	**33%**
India	17%	20%
Korea	15%	15%
Thailand	7%	9%
Phillipines	7%	6%
Malaysia	4%	4%
Singapore	3%	4%
Vietnam	2%	2%
Indonesia	2%	2%
Cash	8%	5%
Shorts	5%	0%

Source: Platinum. Refer to Note 3, page 40.

Performance

(compound pa, to 30 September 2014)

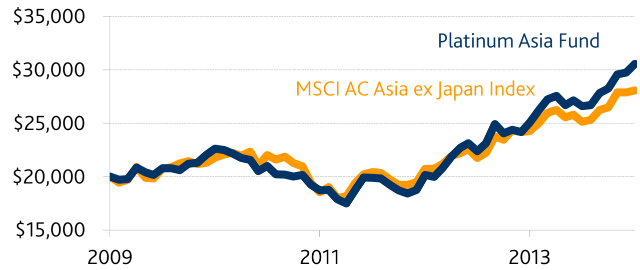
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund	8%	22%	18%	9%	16%
MSCI AC Asia Jp Index	6%	16%	15%	7%	10%

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

Asian stock markets return was flat over the quarter. The depreciation of the Australian dollar added returns to the local investors. Stock market performance was muted for most markets amidst concerns that the US Federal Reserve tightening may reduce liquidity. The Chinese stock market was the exception. The Shanghai A Share Composite Index saw an outstanding 15% gain as expectations of policy loosening grew.

Value of $20,000 Invested Over Five Years

30 September 2009 to 30 September 2014



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

The Fund outperformed the market by 2% over the period with strong performances from many of the Fund's larger holdings. Chinese stocks were strong, PICC (P&C Insurer) up 20%, SAIC (Volkswagen and GM JV) up 16% and Weichai Power (truck engine maker) up 16%. Korean stocks reversed their underperformance and added to returns this quarter as prospects for a cyclical recovery improved. Prime examples were our retail and financial companies, Hyundai Department Store, Korea Invest and GS Retail. Stocks that detracted from performance were the smaller Chinese Internet names (Youku and Soufun) and Indian conglomerates (Jaiprakash and Unitech).

Changes to the Portfolio

The portfolio's net invested position decreased from 95% to 87%. Cash was raised from strong performers and deployed to more prospective opportunities in China and Korea. Key funding sources were strong performers in Indian stocks (United Spirits, ICICI Bank and Adani Ports), Thailand stocks (Bangkok Bank and Kasikornbank) and Chinese Internet names (Baidu and Tencent).

The Fund added to Chinese A share names, including Weichai Power (major truck engine maker climbing the technology ladder), Kweichow Moutai (premier spirits brand in China) and the life insurers. These are 'best-in-class' operators with enviable brand positioning, available for what we believe to be tantalisingly attractive valuations. We also added Shinhan Financial, a premier commercial bank in Korea that is levered to economic recovery.

A 5% short position on the Hong Kong's Hang Seng Index was started to hedge against downside risk emanating from a potential escalation of political tension in the territory.

Commentary

In previous reports, we have written about China's shift from *investment* to *consumption*, the intensifying corruption crackdown and the focus on the *quality* rather than *quantity* of economic development. During the quarter, we visited Weifang, Jinan, Wuhan, Shanghai and Hong Kong, meeting with companies, many of which are in the construction sector. What we found generally supports our current thinking.

As expected, construction remains weak. Conversations with construction machinery dealers suggest that sales and utilisation rate of machines are low, readymix concrete processors are seeing decelerating growth and construction companies report a slowdown in activities. All these observations are relatively well-known and relatively uninteresting from our perspective.

A more remarkable and insightful observation is that adjustments *are* gradually occurring. Losses are being taken and smaller uncompetitive players in the construction machinery space have exited. The result is that competition in the sector has become more rational. Instead of offering attractive but uneconomic vendor financing terms to win business, companies are adopting better business practises and improving product offerings to compete.

The nature of the game is changing and many astute domestic companies are investing in product development and technology acquisitions to meet higher efficiency and environmental benchmarks. Weichai Power, a heavy duty truck engine maker in the portfolio, acquired Linde hydraulics for its world-class complex hydraulics system. Sinotruk, another holding in the Fund and a truck manufacturer, has formed joint ventures to source superior engine technologies to produce the next generation of more fuel efficient and low emission vehicles in China. Sany Heavy, a leader in construction equipment, acquired the German-based Putzmeister, a global technology and market leader in concrete pump equipment, which has the distinction of setting a world record delivering cement to a height of 606 metres for the construction of the iconic Burj Dubai skyscraper!

Further, the ongoing graft crackdown is reducing distortion in business dealings, enabling companies to compete on a level playing field. The anti-corruption effort is showing no signs of fading, as the number of officials investigated exceeded 25,000 in first half this year, up 14% from last year. In fact, the campaign has been so fiercely pursued that the emphasis is shifting to institutionalising processes to *prevent* self-enrichment.

The weak property market in China has aroused significant concerns of late for investors. However, it is increasingly apparent that the authorities are eager to actively support the market. Implementation of stringent home purchase policies over a year ago triggered a 15% fall in property transaction volumes. Empty apartment blocks are not uncommon. Over the quarter, 42 out of 46 cities with home purchase restrictions have removed the limits on the number of properties individuals may own. Also the PBOC (China's Central Bank) has relaxed major macro-prudential measures on the property sector. While unlikely to lead to another property boom, the government's intention is clear.

Another country not shying away from stimulatory policies is South Korea. The country has been a victim of a strong Korean won which dampened corporate profits for exporters and a weak property market that dented the retail appetite.

Property prices are evidently rising as sales volume expands. The low cost of a mortgage vis-à-vis rental yield is adding extra incentive to purchase. Our investments in Hyundai Development (property developer) and Korean banks are beneficiaries.

The government is proposing a series of stimulatory and reform policies to boost a stagnant economy and weaken the Won, and there are plans to force companies to raise these dividend payments to bolster consumer spending power. Korean stocks currently offer on average a paltry 1% dividend yield, representing a tiny fraction of their inherent free cash flows.

We also visited Vietnam during the quarter and continue to be excited about the prospects of this relatively populous (90 million) and low-income (GDP/head US$1,500) country.

Vietnam joined the World Trade Organisation (WTO) in 2007, strengthening its integration with the globalised economy. The initial period post WTO entry was tumultuous. Initial enthusiasm, (followed by government stimulus spending after the GFC) brought forth a period of torrid credit growth (>50%) leading to serious inflationary outcome (>20%). In 2011, interest rates were hiked (>20%) which tempered the excesses but the economy was left dealing with the aftermath of the credit binge. The country is healing, and credit growth and the inflation rate have tapered to sustainable levels. Lending rates have fallen back and the property and auto markets have picked up!

Cheap labour and low electricity cost (40% power is hydro) afford Vietnam many advantages over its regional neighbours. The government is continuing to invest in basic infrastructure to enable industrialisation. The banking system is gradually lending to the small to medium sized businesses. Export growth is strong at 10%, bettering most of its regional peers. Foreign investments and remittances from Vietnamese diaspora are running at a healthy pace, particularly meaningful for a budding economy. Economic development will provide structural tailwinds for our Vietnamese holdings and rising consumer incomes are driving new consumption patterns that will lead to new and interesting investment opportunities. Vietnam is certainly one of the countries we are keeping a close eye on!

Outlook

With China and India's reform efforts continuing and loosening of policies elsewhere in the region, prospects for Asian stock markets should remain positive.

However, one shouldn't expect smooth sailing. Reform in both China and India is critical for the ongoing development of these economies. While progress thus far looks promising, much still needs to be done. Of course, disruptions can come from the developed world, which remains heavily indebted and growth challenged.

Valuation is a good predictor of returns. Valuation of the Fund's holdings remains attractive and we continue to find attractive opportunities. We remain optimistic that the Fund will continue to make good returns in the medium term.

Platinum European Fund

Clay Smolinski Portfolio Manager

Nik Dvornak Portfolio Manager

Disposition of Assets

REGION	SEP 2014	JUN 2014
Germany	22%	23%
UK	22%	21%
France	8%	8%
Italy	7%	6%
Russia	5%	5%
Switzerland	4%	2%
US *	3%	4%
Austria	3%	3%
Spain	2%	3%
Netherlands	2%	1%
Sweden	1%	1%
Turkey	1%	1%
Belgium	1%	1%
Cash	19%	21%
Shorts	1%	2%

*Stocks listed in the US but predominent business is conducted in Europe

Source: Platinum. Refer to Note 3, page 40.

Performance

(compound pa, to 30 September 2014)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund	-2%	6%	20%	12%	12%
MSCI AC Europe Index	0%	12%	19%	7%	2%

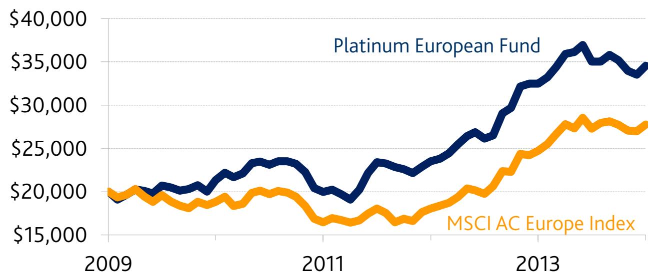
Source: Platinum and MSCI. Refer to Note 1, page 40.

After two years of strong gains, European markets have largely tracked sideways in 2014, with the major German, French and UK indices all being flat to slightly down year-to-date.

This performance when translated to Australian dollars has resulted in the European Index being roughly flat over the last nine months. Unfortunately, the performance of the Fund has been weaker, returning -3.9% over the same period.

Value of $20,000 Invested Over Five Years

30 September 2009 to 30 September 2014



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

Changes to the Portfolio

Over the quarter we made sizeable additions to our holdings in solar equipment manufacturer **Meyer Burger**, market research provider **GFK**, cruise operator **Carnival** and payments network **QIWI**.

We are still finding value in the European banking sector and have taken a new position in on-line banking leader **ING**, along with increasing our holdings in **Erste Bank** and **Intesa Sanpaolo**.

Commentary

After a long period of outperformance, the Fund has lagged the Index over the last 12 months and it is worth illustrating why this has been the case.

The underperformance is largely attributable to two factors. The first was the decision to maintain a relatively low net invested position of 75-80% (via a high cash balance) during 2013. The second factor is that starting in March this year we have had four large positions go against us in succession. Overall the cash balance in 2013 (-1%) and the aforementioned stocks (-4%) largely gets us to a -5.8% differential between the Fund and the Index over the last 12 months.

The decision to reduce exposure in 2013 was in response to a large rally in European stock markets which meant valuations had become far less attractive by that time. In light of this, we felt positioning the portfolio in a more conservative manner was sensible. With the benefit of hindsight, however, this move was made six months too early.

The bigger issue for the last nine months has been more stock specific. We have had four positions, namely **Sberbank** of Russia, **Erste Bank** (Austria and Eastern Europe), **Enterprise Inns** (UK pubs) and **Adidas**, with each position roughly costing the Fund -1% each.

The falls in price at **Sberbank** and Erste Bank are largely to do with timing. Sberbank and the entire Russian stock market have been sold down post Russia's incursion into Ukraine. Given the strong desire of the US and European Union (EU) to avoid military action, the conflict does look like it is progressing towards peaceful resolution rather than full scale military intervention. We would point out that Sberbank is an institution that is designed to withstand economic shocks such as these with the bank surviving the Cold War, the 1998 Russian sovereign default and more recently, the GFC.

Trading on 4x P/E and 0.8x of book there is still clear value to be had.

Erste Bank has fallen after announcing higher than expected loan losses in its Romanian and Hungarian divisions which pushed out the timing of the profit recovery of the bank. The attraction of Erste is its highly profitable banking operations in the Czech Republic, Slovakia and Romania. These are interesting 'emerging markets' due to their commitment to join the European Union, with Slovakia already fully converted to the Euro currency. The real benefit is the wide ranging institutional reforms that EU entry requires these countries to undertake (a trait lacking in many other emerging markets), which builds the foundations for sustainable economic growth for years to come.

The above reforms, combined with the fact that Erste's main Eastern European markets have low levels of debt outstanding, a large labour cost differential versus Western Europe and the need for infrastructure build-out means these are one of the few European banking markets that can post strong growth over the next decade. As this growth comes through, Erste is unlikely to remain at a valuation of 7x earnings and 0.8x book. We have been adding to our holdings at the recent lows.

Enterprise Inns and Adidas are examples of longer term holdings that have performed very well for the Fund but have recently given back some of their gains. **Enterprise Inns** is a real estate business, owning 5,000 pubs across the UK. The estate carried a lot of debt and the business came under pressure as the spike in unemployment post the GFC hit revenues. The last five years has been a process of paying down debt (which has fallen from £3.8 billion to £2.4 billion) and reshaping the estate via selling the weaker performing pubs. With the bulk of the workout complete, pub revenues have started growing again and management can now spend more of their time and cash flow on operational improvements to the business.

While recent results confirm the business is heading in the right direction, the stock still carries high leverage and is susceptible to periodic pull backs, especially on any fears about the economic health of the UK consumer. The recent -25% fall was driven by worry over higher UK interest rates and the strong pound. Overall, with revenue trends improving and the stock trading at 0.5x of net asset value and 6x P/E, we are happy to hold.

Finally **Adidas** was the only position where we have decided to reduce the holding post the fall in price. While the company has been hit by some external factors (exposure to Russia, a slump in the golf market, adverse FX moves) there is evidence of internal problems as well. In recent years Adidas has been outplayed by main competitor Nike both in product and with the success of rolling out their own direct retail. Nike is now increasingly making inroads into European football where Adidas has long had the upper hand. Adidas is choosing to defend itself by throwing more dollars at marketing. Actions like their recent decision to pay Manchester United a record €94 million pa for sponsorship (when Real Madrid are only receiving €38 million pa), does not instil confidence in their position nor does it convince us of a quick recovery to profit.

Outlook

The table below shows the annual returns of the Fund. For the five years up to 2013, the returns profile has been favourable. When we have outperformed we have done so by a wide margin and when we have underperformed it has been by a relatively modest amount. While a comparison of the Fund's performance to the Index will always be made, the important point to highlight is that **we pay no attention to the Index when constructing the portfolio**. As a result the portfolio tends to look very different to the Index. Just as there have been periods where returns are very good, it is also inevitable that there will be times where returns lag.

The Fund is guided by a process of investing in neglected stocks, with the ultimate goal of delivering a sensible return for investors. This includes positioning the portfolio more aggressively when there are many great ideas on offer but also having an eye on protecting investors capital when markets become stretched. Historically, this process of seeking neglect when applied over longer time frames has delivered good returns for investors.

Valuations in Europe are fair, the economy is slowly recovering and both are supported by very low interest rates. The initial excitement around the pace of the economic recovery is starting to wane and further increases in stock prices need to be driven by earnings growth. This means much more volatility within the market, with companies who disappoint on the earnings being heavily sold down. In this context we still feel it is sensible to maintain a decent cash balance, both for the protection it offers and the flexibility it gives to take advantage of this volatility.

Fund Annual Returns (calendar year, %)

REGION	2009	2010	2011	2012	2013	YTD 2014
Platinum European Fund	28.0	9.1	-13.6	33.3	41.0	-3.9
MSCI All Country Europe Net Index	6.6	-8.3	-11.8	17.9	43.5	-0.2
Outperformance	21.4	17.4	*-1.8*	15.4	*-2.5*	*-3.7*

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

Platinum Japan Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	SEP 2014	JUN 2014
Japan	86%	90%
Korea	8%	7%
Cash	6%	3%
Shorts	9%	5%

The Fund has a 12% short position in Japanese Government Bonds.

Source: Platinum. Refer to Note 3, page 40.

Portfolio Position

Changes in the quarterly long portfolio composition:

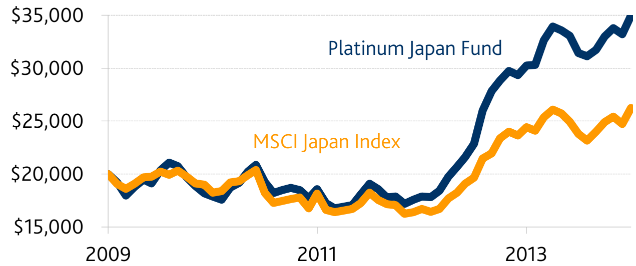
Sector Breakdown

SECTOR	SEP 2014	JUN 2014
DOMESTIC	45%	50%
Financials	13%	12%
Consumer and Retail	10%	13%
Healthcare	8%	9%
Services	8%	7%
Telco and Utilities	4%	6%
Property and Construction	2%	3%
EXPORT	49%	47%
Tech/Capital Equipment	18%	19%
Durables	16%	17%
Commodities	15%	11%
Gross Long	94%	97%

Source: Platinum

Value of $20,000 Invested Over Five Years

30 September 2009 to 30 September 2014



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

Whilst we build the portfolio one idea at a time, prominent themes within the Fund include:

- Cheap exporters with leading global positions – Toyota.
- Corporate revitalisation – Panasonic.
- Potential policy change beneficiaries - KB Financial.
- Internet 2.0 and service sector growth opportunities – NTT.
- Emergent energy management opportunities – Rohm.
- Specific neglected cyclical stocks - Sumitomo Metal Mining, Asahi Glass.

Performance

(compound pa, to 30 September 2014)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund	6%	16%	23%	12%	14%
MSCI AC Japan Index	5%	8%	13%	6%	1%

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

Assisted by a weaker Yen, the Japanese market awoke from a 12 month slumber rising 5.8% in local currency terms and breaking to a new six year high. However, the sad news for investors fully exposed to the Yen i.e. most Japanese households, the market actually fell 2.3% in US dollar terms.

Outperformers included some of our automotive electrification/electronics suppliers, stocks including Rohm, Sumitomo Electric and Hitachi Chemical. A combination of greater adoption of electronic control and sensing throughout the automobile, and growing penetration of hybrid and EV drive-trains is driving demand for components such as electric motors, batteries, inverters, advanced cabling and power semi-conductors. But this is more than just a demand story, the model specific nature and high performance requirements of the automotive original equipment manufacturer is leading to better margins; for companies such as Rohm, that historically supplied into the hypercompetitive consumer electronics market, this is a welcome change.

Underperformers were concentrated in two areas:

1. Broadly across domestic service and consumer related areas where Yen weakness focused investor's minds on the potential cost of the Bank of Japan (BOJ's) reflationary policies i.e. a haircut to national wealth and purchasing power.
2. Commodity stocks, for example, Sumitomo Metal Mining and Nippon Electric Glass gave up some of their prior quarter gains.

Changes to the Portfolio

As investors can see from the table on page 17 and for the reasons discussed in the commentary below, we reduced our exposure to the domestic part of the market. In a nutshell, weaker retailers and the like are suffering margin pressure, the result of rising part-time service sector wage costs, imported product costs and customers suffering real income pressure. Hence, we have sold domestic stocks that have reached targets (retailer PAL) and also divested positions where the original case had weakened (Aeon, Hitachi Transport and other smaller service and property related companies).

At the same time our exposure to commodity related names increased via investments in Tokyo Steel, Nippon Electric Glass (NEG, LCD glass) and more recently, Asahi Glass (Asian and European float glass and LCD glass). For the sake of brevity, we will focus on the LCD glass aspect of these investments, a business with high technological barriers to entry and a consolidated industry where the top three players account for 95% of capacity (Corning 50%, Asahi Glass 25% and NEG 20%).

TFT-LCDs (Thin-Film-Transistor Liquid Crystal Display) dominate the flat panel display market (TVs, monitors, notebook PCs and tablets). A key input in the manufacture of TFT-LCD panels is the two sheets of display glass that act as a sandwich holding the liquid crystals in place with the rear panel also acting as substrate on which the TFT's are etched.

LCD glass is distinguished by a couple of key properties to maintain picture quality; it must be:

- Extremely smooth and of uniform thickness (standard is now around 0.5mm).
- Free of charge-carrying particles that could migrate into the thin-film-transistor (TFT) structure.

As a consequence, the glass must be alkali-free which significantly increases the temperature required for the process. Melting tanks, refining channels and stirring cells must be capable of withstanding temperatures of up to 1,650ºC, hence, the hottest parts of the tanks must be platinum coated. Corning and NEG use the fusion process where molten glass is fed into a trough called an "isopipe", overfilling until the glass flows evenly over both sides. It then re-joins, or fuses, at the bottom, where it is drawn down in a continuous flat sheet which is then cooled in a way that prevents warping and cut into panels in one continuous high-speed process. Technological barriers to entry have been built-up based on the ongoing requirement to make ever purer glass, at ever thinner dimensions and ever greater speed. Accordingly, despite their best efforts and billions of dollars of investment, Schott, Saint Gobain and most recently LG Chemical have all failed to break in.

As a result of these characteristics, the industry has experienced periods of high profitability. For instance, NEG's return on capital employed (RoCE) peaked at 30% in 2008 despite ASP declining at roughly 15% pa over the past ten years. In the early years, the reduction in selling price was necessary to drive customer adoption. This was facilitated by substantial cost reductions from improved technology, efficiency and more recently, thinning of the glass.

In a perfect storm, cost reductions have stalled in recent years whilst glass selling price declines have accelerated due to discounting by the Japanese and also due to the weaker Yen. LCD glass is priced in Yen, whereas TV's are priced in US dollars, hence the 40% Yen depreciation of the past two years has led to LCD glass prices falling much faster than LCD panel/TV prices. Hence, the glass content as a proportion of the overall panel cost has fallen from 12% back in 2010 to a record low 7% today. By way of reference, a 42 inch TV contains 1m^2 of glass costing around \$20. As a result, NEG and Asahi's profitability and share prices have declined significantly since the 2008 peak (NEG's RoCE fell to 4%). Stocks are trading at over 30% discounts to invested capital and 4-5x historical peak profits.

The market seems keen to extrapolate the industry's near-term malaise; in contrast we see the pre-conditions for rebalancing back towards a more rational pricing environment falling into place. Since Corning gained full control of its Samsung joint venture, ALL players have a stated commitment to capacity discipline whilst glass demand continues to grow at 5-7% pa driven by emerging market demand, replacement demand and increasing screen size. Accordingly, industry "end-to-end" utilisation should come close to the maximum effective level in the next 12-18 months. Whilst we can't identify the exact trigger for industry recovery, we still have some faith in the operation of the market economy and given how depressed valuations are, we are willing to be patient.

Shorts and Currency

Whilst our equity hedges detracted from performance, this was more than made up for by our currency hedges as the Yen fell just under 8% against the US dollar. We increased the total equity market hedge from 2% to 9% by adding to the Nikkei short.

As it becomes more evident that the fast money shorts associated with the 2013 Yen depreciation had been washed out by 12 months of sideways volatility, we started rebuilding the Fund's shorts in the currency. The other headwind to a weaker Yen was the potential for a worse than expected growth scare from China. However, given how negative expectations for most things Chinese had been reset, we took a view that the risk of a safe-haven Yen rally was much diminished. Further, the fundamental logic for hedging out much of the Fund's Yen exposure hadn't changed and the pre-conditions for the next leg-down in the currency were falling into place - that, is:

- BOJ balance sheet expansion continuing at a rapid rate relative to the Federal Reserve's tapering and the European Central Bank's (ECB) dithering.
- A relatively weak Japanese economy with the consumption tax hike and general inflation weighing on consumer demand.
- A relative weak export/import replacement and domestic investment response to the initial 30% Yen depreciation. Even before the GFC, Japanese corporates were investing heavily offshore, and post-crisis, the combination of a strong Yen and Tohoku Earthquake-Fukushima disruption, left Japanese corporates in no mood to increase domestic exposure.

- The ongoing shut-down of the nuclear reactor fleet adding some $40 billion pa or 0.7% of GDP to Japan's energy import bill and 30% higher power price forcing intensive industries to relocate outside Japan, for example, NEG relocating LCD glass operations to China and South Korea.

Commentary and Outlook

Enough time has passed since the advent of "Abenomics" to justify a mid-term report card. Clearly the wins from a market perspective have been the reversal of a BOJ strong currency policy and subsequent relief rally in Japanese reflation and export sensitive equities. On the direction of future monetary policy, we expect Kuroda and Abe's "grand bargain" to result in additional BOJ stimulus in return for the Liberal Democratic Party's (LDP) implementation of the scheduled October 2015 consumption tax hike from 8% to 10%. Additional measures would likely involve more exchange traded fund purchases and a clarification of the open-ended nature of the current program.

Out of all the major economies, Japan's money printing efforts are the most extreme and whilst it is difficult to normalise the impact of last April's consumption tax hike, both realised inflation and future inflationary expectations seem to be rising. Clearly, the "tail-risk" associated with the BOJ's "reflationary" policy would be a larger than expected currency devaluation, after-all, the BOJ is buying around 85% of the annual net issuance of Japanese government bonds and expanding its balance sheet at an annual rate equivalent to around 13% of GDP. If the Japanese household in true group-think like fashion wakes-up one day slighting spooked by this reality, the domestic move out of Yen assets could be interesting. Paradoxically, individual Japanese equities that represent a true inflation hedge or a call on foreign assets should do reasonably well, at least in local currency terms (and we're hedging out a lot of the local currency exposure).

It's this "tail-risk" that should have the Abe administration fully focused on productivity-related reforms and whilst the sound bites and atmospherics remain encouraging, there's been distinct lack of progress on key issues such as:

- Agricultural reform and a Transpacific Partnership trade deal, though this isn't just a Japanese issue.
- Facilitation of a more flexible and dynamic full-time workforce via employment law reform.
- Linked to this, polices designed to encourage Japanese companies to merge and deal with fixed cost duplication and recycle redundant full time labour into more productive roles.

The slow pace of labour reforms is leading to the paradoxical outcome of Japan suffering labour shortages AND poor income growth. The labour shortages are occurring generally in the more lowly skilled/paid service sector as part-time workers seek higher paying full time roles as the economy recovers, whilst more highly skilled/paid full time workers don't seem to have sufficient bargaining power to drive real wage growth, an issue in common with other major developed world economies.

Where the administration has made some progress is in the area of corporate accountability. These reforms include:

- Modernisation of Government Pension Investment Fund's (GPIF) asset allocation and governance policies.
- Promotion of the JPX-Nikkei 400 return on equity (RoE) based index.
- Launch of the Japanese Stewardship Code covering institutional investor engagement with investee companies.

Of these reforms, GPIF's now seemingly inexorable move to decrease exposure to domestic bonds by approximately 20% (and allocate towards domestic equities and foreign bonds) is clearly the most relevant in the short-term for the Japanese stock market and currency.

We have discussed the positive aspects of the JPX-Nikkei 400 Index in previous quarterlies; the weak part of this initiative is that 60% of the quantitative factors are size based, with RoE a secondary consideration. Clearly the JPX-Nikkei 400 sponsors were pressured to set the bar low enough for most major large-capitalisation companies to make the cut including some companies with extremely poor profitability records. Inclusion won't make an ounce of difference to the good companies as shareholder focus is part of their DNA rather than their "balanced scorecard". However, for the bottom quartile of performers we think the threat of index exclusion at quarterly recalculation time will lead to better shareholder outcomes - don't underestimate the sense of shame that such an exclusion may trigger.

The more esoteric Japanese Stewardship Code draws heavily on the "comply-or-explain" regime adopted in the UK and obligates institutional shareholders to engage with their investee companies by challenging them on anything that could threaten long-term value. The GPIF quickly signed-up to the code in April prompting a further 130 institutions to follow suit. However, whilst the UK Code requires institutional investors to ultimately act in "*concert*" to resolve conflict with a recalcitrant board, the Japanese requirement has been watered down to "*individually*" reach a "*common understanding*" with the board. This represents another missed opportunity by the regulators to lend teeth to the RoE campaign by compelling Japanese institutions to use their collective voting power to remove a recalcitrant board. Notwithstanding, the very fact that these issues are now part of the official narrative is a massive improvement on the once typical, blank stare approach to shareholder issues.

Regardless of the hit-and-miss nature of many "third arrow" polices, we are generally encouraged by Japanese corporates' greater focus on profitability and shareholder returns. Company buybacks are rising and based on announcements year-to-date, should be up 43% on last year and almost double that of 2012. Further, most Japanese Prime Ministers of the past twenty odd years have experienced a predictable and rapid decline in popularity within months of their election – the two exceptions are Junichiro Koizumi (2001-06 and fifth longest serving) and Shinzō Abe's in his second and current term. Notably, both of these PM's were elected with a strong mandate for change. It would seem Abe still has sufficient political capital to push through third arrow reforms if he chooses to spend it this way. In the meantime, valuations within our portfolio are still reasonably attractive and any serious reforms would represent upside to our base case.

Platinum International Brands Fund

Simon Trevett Portfolio Manager

Disposition of Assets

REGION	SEP 2014	JUN 2014
Europe	30%	30%
Asia and Other	29%	26%
North America	10%	9%
Latin America	8%	7%
Japan	6%	5%
Russia	2%	3%
Africa	2%	2%
Cash	13%	18%
Shorts	6%	6%

Source: Platinum. Refer to Note 3, page 40.

Performance and Changes to the Portfolio

(compound pa, to 30 September 2014)

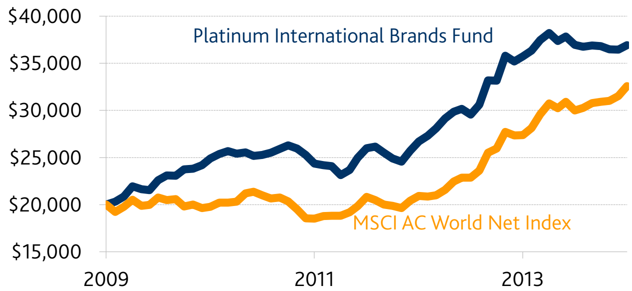
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	0%	3%	15%	13%	13%
MSCI AC World Index	5%	19%	21%	10%	1%

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

The Fund's performance for the past quarter and indeed for the year-to-date is clearly disappointing in comparison to the market indices and strong historical performance. A chart of the Fund's quarterly returns is shown on page 23 to help put the recent performance into broader context. The underperformance arises from a combination of factors including having maintained a lower net invested position of around 80% in a strongly rising market, in part achieved through index short positions such as the German DAX. The Fund remains concerned about the distortions and imbalances in the markets and particularly by the impact of a strengthening US dollar on the developing markets, along with the market's relatively narrow enthusiasm for large US companies and Chinese Internet stocks. Neither of these have been leading areas of investment for the Fund.

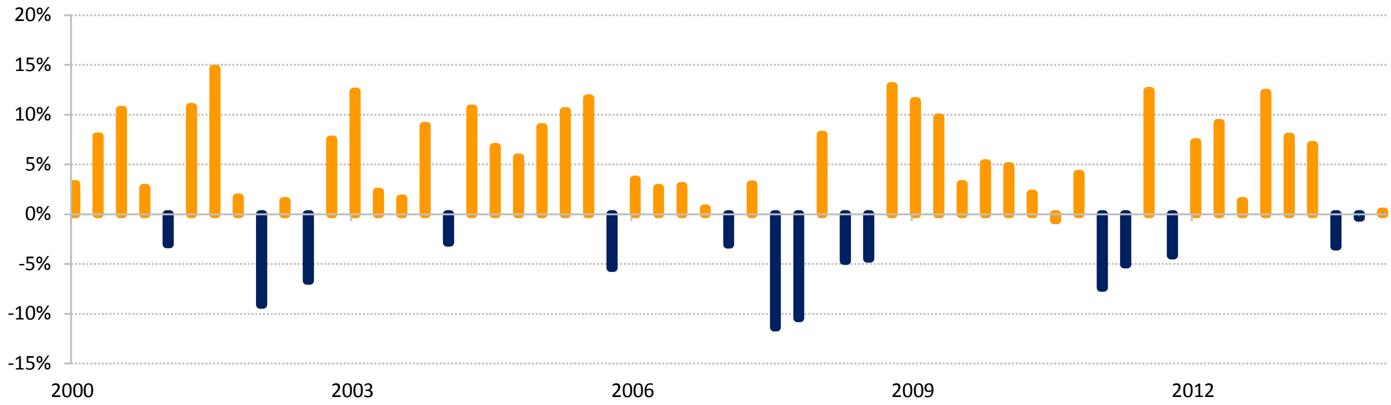
Value of $20,000 Invested Over Five Years

30 September 2009 to 30 September 2014



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

Fund Quarterly Performance Since Inception (2000 - 2014)



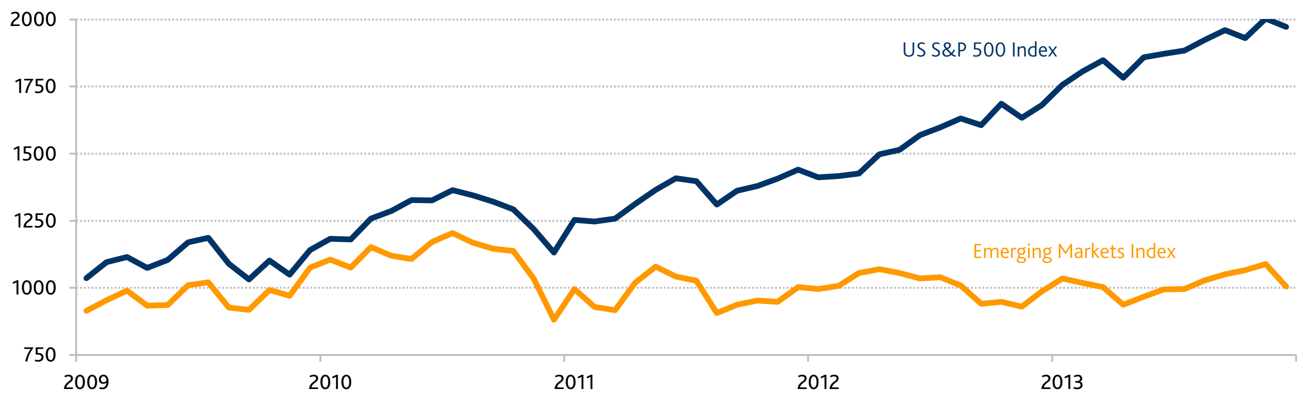
Source: Platinum

Globally, consumer related stocks have not been favoured especially those associated with developing markets facing elections or suffering various degrees of civil unrest or external disruption. Disruptions to the normal flow of tourists due to health scares (Ebola) or the tragic loss of two Malaysian Air flights have for the moment impacted the Fund's tourist related stocks.

Notwithstanding the poor backdrop, the Fund has continued to find new opportunities. A review of the recent additions to the Fund is encouraging, especially where the focus has been on finding or adding to investments closely linked to the growing middle class in developing markets. The Fund has continued to resist the temptation to rotate to the perceived safety of the US market, preferring to find positions in the developing markets with stronger underlying growth for comparable valuation metrics albeit with the likelihood of increased volatility. The chart below of the US S&P 500 Index and the MSCI Emerging (developing) Market Index dramatically illustrates the performance gap that has opened up and the more recent deterioration in the emerging markets.

The Fund has reduced its Australian dollar exposure to a minimum.

US S&P 500 Index and MSCI Emerging Markets Index (2009-2014)



Source: Factset

Commentary

The Fund's underlying premise has always been the association a person's purchasing decision has with the opportunity to influence that decision via the emotive attributes of branding and hence extract a price premium for the brand owner. In other words, there is always a cost associated with an emotive purchase and the Fund's objective is to identify and buy those companies that are successfully branding to achieve higher returns. The difficulty therefore is to minimise our own buying emotions whilst at the same time being enthusiastic about the prospects and ensuring that we enter the investment at an appropriate price.

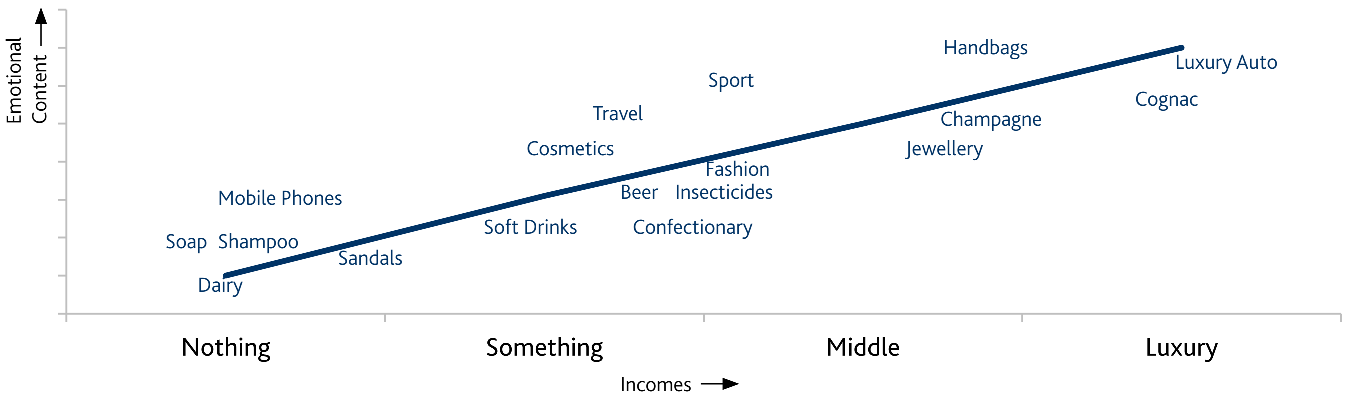
One way is to consider the opportunity set from an alternative perspective. Rather than starting from the classification or nomenclature of the financial markets; consumer-defensives, cyclicals, developed versus emerging, large-small cap etc with the associated inference about the current or next favoured area.

Instead, the chart below considers a continuum of purchase decisions related to rising incomes and is perhaps more representative of the underlying thinking of the Fund. Another observation on this representation is that as incomes rise from subsistence living to a very small amount of income, the focus is often on improving the circumstances of the family or community with purchases of soap or perhaps a first pair of shoes for the kids. As incomes move progressively higher and beyond the low-middle income levels so does the aspirational engagement in self-indulgent purchases.

The Fund has performed well over the past years with a bias towards the luxury and self-indulgent products. Recently the Fund has been migrating down the continuum with investments more tightly focused on the middle and lower income groups. An overlay of the Fund's investments on the same continuum chart would show the Fund well-represented along the spectrum with the newer additions concentrated in the low-middle incomes. The categories chosen for illustrative purposes are somewhat representative of the Fund's holdings and no doubt readers can contemplate many other progressions as incomes rise such as school fees or health-related expenditure.

An example might be the Fund's recent addition of Anta Sports Products, the leading local Chinese sportswear company. Its ambition and positioning is not to directly tackle Nike or Adidas but to be the leading company in the lower price points. Similar to many other consumer categories in China, the sportswear companies overstocked in their exuberance to stake their claim on their position in the market, including Adidas and Nike. All these companies, including the major brands, have spent the past several years eliminating inventory, repositioning stores and installing better management systems. There's a variety of 'excuses' as to the cause in each segment, however, from luxury goods through to a low cost pair of sneakers, the patterns are remarkably similar as the companies sort out their supply chains and retail offers. Compounding this is the need for many of them to urgently address their on-line offers as the rise of Alibaba amongst others, offer new competitors a faster option on gaining distribution.

The Consumption Continuum



Source: Platinum

There are encouraging signs and commentary across many of the segments that much of the difficult repositioning has been done and we are starting to see some more consistent underlying growth. Anta was not exempt, the need to redress its inventory and distribution systems along with a requirement for better management control. It does appear to have emerged from this ahead of competitors and is therefore better positioned to pursue opportunities in e-commerce along with their roll-out of the Fila brand in China. We would be disappointed if Anta was not able to achieve at least a consistent high teen growth rate in the near term.

Another example of an industry needing to spend some time removing the excesses of inventory and price gouging is the local Chinese Baijiu market. After being in decline for the past three years there appears to be some stability and tentative signs of growth. That said, we can't be as confident in the short-term as there is a need for this industry to continue to consolidate and reposition itself. Accordingly, the Fund has slowly built an investment in the China listed (A shares) of Jiangsu Yanghe Brewery with their positioning in the mid to lower price category.

Also worthy of comment this quarter is the acceleration in a number of well-known trends and some of the surprises that have not been well anticipated by many management teams or the finance markets. On-line retail continues its inexorable rise and even a cursory review of Nike's recent quarterly results surprised many with a 30%+ growth in their European business and a 70%+ growth in their e-commerce sales. Zalando, the leading European on-line fashion retailer has in five years achieved revenues that took the renowned European fashion company H&M (Hennez & Mauritz) more than 50 years. Zalando is now one of Nike's leading European outlets and clearly raises the question of how many other US branded apparel purveyors might find the Zalando platform more effective than a traditional wholesaler given the difficulties of building websites country-by-country tailored to local languages and preferences.

In the UK and indeed in many markets, the more aggressive discount retailers, along with the range and price visibility that on-line shoppers now enjoy, have dramatically increased the pressure on the incumbent supermarkets. Aldi recently announced their UK turnover for 2013 reached a record high of £5.2 billion up from £3.9 billion with operating profits up more than 50%! Those metrics suggest there wouldn't appear to be a problem with them continuing to put pressure on the major supermarkets and further contributing to the ongoing deflationary pressures in that market or even across Europe.

Outlook

As noted in the commentary, the Fund continues to find opportunities, currently in the out-of-favour developing markets, although some of the recent price moves in Europe are also attracting our attention. The distortions and increasing volatility in the markets, along with difficult or dramatic headlines of civil unrest or the unnerving effects of potential changes in governments through elections, referendums or even insurgent uprisings, is currently undermining performance in a number of the Fund's existing holdings. Nonetheless there remains a degree of confidence in the underlying trends and growth inherent in the Fund's investments even though there is little clarity or enthusiasm in the unpredictability of short term performance.

Platinum International Health Care Fund

Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	SEP 2014	JUN 2014
Europe	49%	46%
North America	29%	25%
Japan	5%	6%
Australia	1%	1%
South America	1%	1%
Cash	15%	21%
Shorts	1%	0%

Source: Platinum. Refer to Note 3, page 40.

Performance and Changes to the Portfolio

(compound pa, to 30 September 2014)

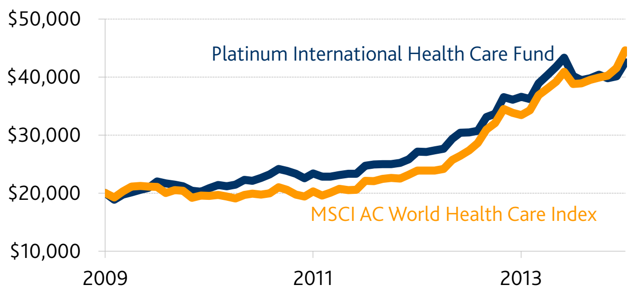
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund	5%	16%	22%	16%	8%
MSCI AC World HC Index	12%	33%	30%	17%	8%

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

US biotechs continue their almost unabated rise. Large biotechs such as Gilead make up large positions of the Index and dominate its performance. While the Fund has held Gilead in the past and currently holds other US biotechs, the Fund is a lot more diversified and our positions are less extreme. Taken together with our cash position and, until recently, the resilience of the Australian dollar, the performance of the Fund has been held back.

Value of $20,000 Invested Over Five Years

30 September 2009 to 30 September 2014



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

Nonetheless, we do struggle to make sense of US valuations and remain selective, staying away from companies we feel are already priced for perfection. Take Gilead; the company continues to remain a market favourite (advanced over 28% this quarter and over 60% for the year). We have a lot of respect for the company and likely picked it early as the Hepatitis C virus (HCV) winner. However, Gilead is now valued at $161 billion, with $25 billion in revenue this year, half of which is from its HCV drug. Given the leverage, 70%+ of sales will translate into operating profit. Expectations are for this leverage to continue and to further improve. We struggle to find a company that has maintained such operating margins for several years. To us this scenario is far too optimistic, given more intense pricing pressures, competitive HCV drug launches and generics to Gilead's HIV drugs. This quarter we added a biotech index short.

We see AstraZeneca as a much better proposition. AstraZeneca is valued at $90 billion with a lot of opportunities ahead (regardless of Pfizer's overtures). Its late stage pipeline has doubled over the past 18 months, its respiratory franchise has been nicely strengthened via sensible and reasonably priced deals; Brilinta AstraZeneca's anti-platelet drug is indeed making progress in the US and the diabetes product portfolio is now ready to grow. No doubt patent expirations will have a short-term effect on earnings but AstraZeneca has a whole new product cycle (from not just one product) ahead of it. Similarly, Sanofi a company that is finally getting some recognition for its pipeline as it also embarks on its new cycle. This quarter we added to both holdings.

This is what we do; we look for opportunities that often have suffered temporary setbacks or have to re-adjust themselves. This has taken us to Europe. Here, several of our biotech holdings did well for the year; UCB, BTG, Actelion all advanced 60-80%. The US has been weaker for us as the market's mantra has been to support proven winners rather than neglect.

During the quarter we started to trim our Shire Pharma holding in anticipation of the Abbvie/Shire acquisition. This was a cash/share deal, partly motivated by tax benefits but also to gain access to Shire's products and pipeline. At this stage we are not yet convinced that Abbvie is a good investment opportunity. We added the German-US dialysis provider Fresenius Medical Care (FMC) to our portfolio. While FMC was a longstanding favourite not long ago, reimbursement changes have made life more difficult. This is now more or less behind us and we believe that FMC is taking the necessary steps to adjust to the new norm. Furthermore, there will also be changes to the cost of dialysis drugs that are still not as well-understood by the market.

Commentary

Japanese pharmaceutical companies are going through similar issues as their global peers experienced several years ago, although Japanese companies are unable to execute aggressive restructuring at home. The home market is tough with regular price cuts, slow sales growth and a lot more generics than ever before which makes life challenging. Add the expiration of overseas patents and things look pretty bleak. The Fund owns a number of Japanese pharmaceutical companies, with Astellas being an example of how best to achieve a turnaround. Daiichi Sankyo on the other hand is the clear example of how not to restructure. That said, the company now has a second chance and given its low valuation cannot be ignored. Changes in Japan started off in earnest with consolidation among Japanese pharmaceutical companies, followed by acquisitions overseas, licensing deals and some internal pipeline successes. Astellas has been smart on all fronts, while Daiichi Sankyo got some of it spectacularly wrong, although other efforts are still to pay off. Looking back, Astellas' efforts at the time were not clear cut and it is with hindsight that this company has morphed into a much more western-style pharmaceutical company.

In 2009 the company entered a licensing deal with Medivation for a new prostate cancer drug. Subsequently, Astellas paid a lot of money for OSI Pharma, a deal that made us happy as we were OSI shareholders, though in general, raised eyebrows. OSI's lung cancer drug was already partnered with Roche (who would have been the natural contender) and so all that Astellas got was co-promotion rights in the US and royalty payments from Roche elsewhere in the world. In the end, however, Astellas won a US oncology sales force and a very valuable cash flow cushion at times of patent problems.

Conversely, the Medivation alliance, has been a lot more powerful since Xtandi (prostate cancer drug) emerged as a real drug. We are now seeing profit growth return and it is time to reassess what will be the next pillar. Again, Astellas has been a smart deal maker, it has in-licensed a number of drugs (e.g. from Fibrogen), it has set up a joint venture with Amgen that provides access to Amgen's pipeline (e.g. PCSK9 antibody for lowering cholestrol) and it has also out-licensed drugs (e.g. JAK inhibitor for inflammatory disease to Johnson & Johnson). Astellas has been working hard and its valuation is relatively inexpensive at 2.6x enterprise value/sales, about 20x earnings and with a growing balance sheet of about $3.6 billion in cash.

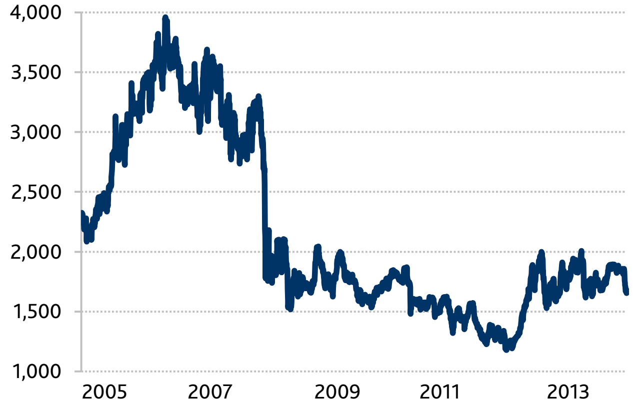
At the other end of the spectrum is Daiichi Sankyo which still has its patent expiration to come and a poor record with acquisitions. Finally this year, Daiichi Sankyo closed the Ranbaxy chapter thanks to Sun Pharma taking over Ranbaxy. Daiichi Sankyo will keep a 9% holding in Sun, worth about $2.6 billion or 23% of its market value. Now the company is without distraction and can fully concentrate on the launch of its oral anticoagulant early next year. The drug should be able to compete given its dosing and efficacy data.

There is no doubt Daiichi Sankyo has not been as deal savvy as Astellas. It added a US biotech with a Roche partnered drug (Plexxikon which developed the BRAF inhibitor Zelboraf for melanoma) in 2011. Zelboraf has been okay for Daiichi Sankyo but Plexxikon's pipeline progress has been slow. Most recently, Daiichi Sankyo announced the purchase of additional oncology assets (Ambit acquisition). The lead drug is the most selective FLT3 inhibitor around. It was once partnered with Astellas so Japanese analysts are dismissive, while haematologists are actually excited about the drug. We know that pharmaceutical companies can get it wrong though. This drug is aimed at Acute myeloid leukaemia exhibiting certain FLT3 mutations (very aggressive blood cancer with no new treatments approved for a decade). The price was reasonable and Ambit complements Plexxikon. Unlike Astellas, Daiichi Sankyo is not an easy story but this is also reflected in the price at less than 1x sales (taking into account the Sun stake). We don't expect this company will grow again (10 year charts below).

Outlook

The healthcare landscape is in transition. Deals are announced almost every couple of weeks. At times the deal-making surge has become so frenzied, the rush to seize assets has led to shoddy due diligence. Cash is cheap so the temptation is great. This can change quickly and we remain cautious. We also think that the pricing debate will get more intense. Generics keep prices somewhat in check for small molecule therapies, but at present there is no such retardant in biologics. In a couple of years' time, the majority of approved drugs will be biologics and there has to be some mechanism to force some price restraint.

Daiichi Sankyo Price Chart (Yen, 2005-2014)



Source: Factset

Astellas Pharma Price Chart (Yen, 2004-2014)

Source: Factset

Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	SEP 2014	JUN 2014
Asia and Other	27%	29%
North America	22%	24%
Europe	16%	18%
Japan	10%	13%
Russia	2%	3%
Africa	2%	2%
Cash	21%	11%
Shorts	3%	3%

Source: Platinum. Refer to Note 3, page 40.

Performance and Changes to the Portfolio

(compound pa, to 30 September 2014)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	4%	17%	18%	8%	9%
MSCI AC World IT Index	10%	32%	24%	13%	-4%

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

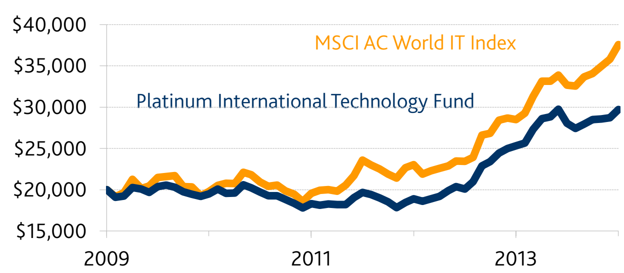
During the quarter the Fund was up by 4.3% and the MSCI World Information Technology Index (A$) was up by 10.3%. For the year to September, the Fund's return was 17.4% compared to 31.8% for the Index, with the net invested position at 76%.

Among the Fund's best performers and major contributors: semiconductor stocks (Skyworks +21%, Intel +13%) and semiconductor equipment (ASML Holding +14%) and Indian mobile operator Bharti (+21%).

On the negative side and contributing to underperformance were some of our largest positions (Samsung Electronics -11%, Google virtually flat) and declines in Chinese Internet stocks (Youku -24%, Sohu -13%) and Russian search engine Yandex (-20%).

Value of $20,000 Invested Over Five Years

30 September 2009 to 30 September 2014



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

Currencies contributed to performance with the Australian dollar down 7% against the US dollar and 4% against the Korean won.

During the quarter we exited our position in Intel and we kept reducing our strong performing semiconductors (Skyworks, Avago, NXP Semiconductors) and NTT in Japan.

We added to Ciena (optical networking) and Vodafone (telecoms) as recent price declines presented us with attractive entry levels.

Commentary

The major event during the quarter was Apple's launch of multiple products and services.

As the iPhone 6 and iPhone 6 Plus (larger screen format) were welcomed with eager anticipation by the usual queues of overnight campers outside Apple stores, the masses also cheered the arrival of the long awaited "Apple Watch" (an elegant combination of smart technology and fashion accessory). Despite some initial embarrassment (phones bending at the edges, buggy software updates etc), we are reasonably confident that these new devices will follow in the footsteps of their predecessors and sell well.

The most interesting announcement, however, was the launch of "**Apple Pay**", which will place Apple right in the middle of the booming digital/mobile payments ecosystem. Our readers may remember that when we reviewed Apple's iBeacons (refer to the Platinum International Technology Fund September 2013 quarterly report), we also anticipated that:

"With the credit card details of hundreds of millions of iTunes/ App Store customers on file and a newly integrated fingerprint reader in the iPhone(5s) there is evidence Apple is working on a strategy to enable people to make off-line payments with just a touch of their finger on their own device".

The only missing link at that time was the absence on the iPhone 5s of the contactless technology (Near Field Communication or NFC chip) required to exchange data between the phone and the Point of Sale (POS) terminal at the merchant location. With the inclusion of the NFC chip (manufactured by NXP semiconductors, another holding of the Fund) the new iPhone 6 becomes effectively a very user-friendly alternative to using a credit card at NFC-enabled POS terminals.

How does it work? First you type (or take a photo of) your credit card numbers and store it in your phone. Then you don't even need to open an app on the phone or activate the display. To pay you just need to hold the iPhone near the contactless reader with your finger on the Touch ID. A subtle vibration and beep will notify you of the completed transaction.

When a purchase is made, the iPhone wirelessly transmits a one-time code (a secure digital "token") along with encrypted customer data, but importantly **not your credit card details**. Apple claims it is more secure than swiping a traditional credit card.

Apple is not breaking the Visa/Mastercard grip on payment processing but simply loading up your credit/debit card details into the phone which can then be used in place of the card at NFC-enabled POS terminals. A lot of the security improvements address the uniquely American reticence to abandoning magnetic strips for chips/NFC cards. For an Australian already using Paywave/Paypass, the additional security is provided by Touch ID. An added benefit, in the event that you lose your phone, is that payments can be suspended through "Find my iPhone" (in a browser) and the cards won't have to be replaced. Combined with the Apple Watch, this could be the inflection point for mobile payments to finally take-off.

Apple has also announced that it will let application developers integrate Apple Pay with a myriad of existing apps. Rather than enter your card details into every shopping app on your phone (with attendant risks should say Uber or Starbucks ever get hacked), payment becomes a simple tap on the Touch ID sensor. That should increase the percentage of completed purchases on mobile devices (which are today a fraction of that on PCs).

How much is Apple going to profit from this? On average around 15 cents for every 100 dollar purchase. Banks and card issuers are happy to share some of the revenues as they welcome the extra security (reducing the cost of fraud) and they do not see Apple threatening their current central role of payments networks… yet. But with innovation in this space rapidly evolving, we would expect financial institutions to accelerate their investments in this area to avoid being held hostage to a single dominant partner.

Apple Pay's success is by no means certain given that users until now have been happy to use their plastic credit cards. Clearly, previous attempts like Google Wallet have failed. Apple Pay has, however, a few advantages: firstly the convenience and security is significantly better; secondly they have lined up the support of some large retailers, which give them credibility and encourage fence-sitters to test it out;

and thirdly, many people already have a credit card on file through iTunes making it easy to use the service.

At this stage Apple Pay is being introduced only for iPhones, while the vast majority of smartphones and PCs run on Windows and Android. So it is unlikely that Apple will totally dominate this market. Moreover, even the most optimistic scenarios suggest that this new business will only be marginal to Apple's revenues, now approaching the US$200 billion mark. Apple entered this industry specifically to promote user loyalty and ensure consumers will keep upgrading their iPhones, Apple Watches etc over time. To some extent Apple Pay could be seen as analogous to what Apple did with iTunes and digital music. But the final outcome is not going to be a monopoly because other strong players have the incentive to promote alternatives.

Samsung, Google, PayPal and even Facebook will not sit there and watch this market fall into Apple's hands. They will definitely have to offer alternative solutions soon.

PayPal (owned by eBay) has also ventured into physical (off-line) payments but despite its leadership in on-line payments, it has not had much success so far. This is partly due to its solutions still lacking the immediate interaction of the NFC-enabled POS terminal. However, for the reasons listed above, Apple Pay will probably be the catalyst that accelerates mobile payments industry growth and there is nothing that technically prevents PayPal, Samsung or Google from launching similar solutions.

Changing the way you pay

Source: http://www.macworld.com/article/2690757/apple-pay-on-its-way-with-rumored-oct-20-drop-date.html

Perhaps not coincidentally, only a few weeks after the Apple Pay launch, eBay announced the spin-off of the PayPal business into a separately listed entity. eBay's management eventually realised that Apple Pay was a turning point for the industry and setting PayPal free would improve its chances to compete and develop into a much bigger business. Without the eBay hat, PayPal will have less conflict of interests to prevent it from entering into alliances and partnerships with multiple e-commerce and technology giants (think Alibaba, Google etc). However, the market is still sceptical about PayPal's chances of success and eBay's valuation remains very attractive.

The Fund holds position in both Apple and eBay.

Outlook

Overall global economic growth is not showing particularly encouraging signs of improvement, with emerging markets growing below their potential, China facing a transition from an investment-based to a more consumer-based economy and Europe still mired in the difficulties as the Southern countries struggle with structural reforms and the Euro straightjacket. The only area showing decent growth has been the US, partly helped by low cost of energy and signs of consumer resilience.

With the Federal Reserve less than a month away from concluding its Quantitative Easing experiment and the market bracing for the possibility of higher interest rates, the stock markets are increasingly more nervous.

On the other hand, inflation expectations in the US are turning lower again (partly due to strong US dollar and weaker oil prices) and that would upset the consensus script, with the risk of monetary authorities tightening too early. Some caution is required.

Stocks valuations have re-rated over the last 12 months and in particular, the US corporates are generating tonnes of cash. According to Markit, S&P 500 dividends this year are expected to grow to $373 billion (+10.7%) with technology stocks accounting for the largest share of it at $51 billion (+9% yoy). That should provide support to many reasonably valued large capitalisation names.

China trip - Spring 2014

Wuzhen! How could this water town abutting the Grand Canal, which extends for over 1,700 kilometres, linking the Yellow to the Yangtze River, ever have been a war zone. An eastern-version of Venice with its canals and wonderful old brick-built, tile-roofed houses sitting snuggly among the willows and creeping wisteria, it exudes a sense of timeless tranquility. The granite-bedded streets weave past shop-house fronts with their delicate wooden window freezes masking deep layered structures with their reception room followed by courtyards retreating. Once paper-backed now glass-paned, the overhanging windows allow tearoom guests to gaze out over the canals and observe the boatmen performing their rhythmic push-turn and pull-motion that nudges their stub-nosed craft swaying gently forward. Surely more serene than unconsciousness, a paradise of sorts enhanced with the ever so faint olfactory tingle of the midday meal and the occasional murmur of visitors.

Apart from imbibing the peace, there are a variety of museums that display subjects such as the practice of foot binding. Here you will find an extensive explanation of the practice over the ages together with an exquisite collection of embroidered shoes to fit the perfect three inch golden lotus. The Bed Museum, with its display of the Chinese enclosed sleeping arrangements with their superb wood carvings, is also notable and for fun, there are rice wine distilleries, the indigo factory, the money changers shop and lots more.

What is so telling is that when one crosses to the eastern (Dong) side of town, which was not evacuated and redone in 2004, there is a totally different feel. It's alive and boisterous with traders pushing their wares and street venders imploring one to try some unknown delicacy (the most challenging seemingly, stinky tofu). Overall the experience is revealing - humanity brings to life but also reappoints!

The drive west past Hangzhou is very flat and exhibits that remarkable phenomenon of modern China, the concerted and dense planting of a great variety of trees along highways. Before long we are into the foothills of the mountains. As one passes these undulating settlements, for they are more like random placements of buildings of some density rather than thoroughly planned neat little olde villages, one is astounded at the size of the individual homes. No modest single level square boxes here but large two or three storey, wide fronted deep structures. Mulberry trees (silk) and tea is the cash crop but one wonders how the inhabitants are all gainfully employed. We noticed few cars, nor spotted any farm implements and the arterial road we travelled bore no evidence of heavy traffic. The roadside stops are still government-owned and work well if a little stilted with a nostalgic taint of the central plan of old.

Wuzhen

On to the mountains. The Huangshan (yellow mountains) are truly magnificent with their soaring peaks occasionally given a horizontal dimension by some gnarled old pine tree that has tenaciously wedged itself into a crevice on some improbable sheer face. The exercise of walking these mountains has been tamed by meticulous paths that allow one to see the full extravaganza in standard footwear. Some of the climbs can be narrow and literally breath-taking but it's well worth the effort. There are some long and narrow stair passages cut into the host rock that can be addressed only in single file and one could picture how a stumble could lead to a ten pin cascade. It is these tight passages that cause one to wonder what it's like in peak season as the crowds, even in the early spring, were gargantuan. Discouragingly, as the season builds so do the crowds -battalions of day trippers are guided around by their slightly weathered megaphone-toting leaders, staccato interludes would be fine except there seemed to be a nagging need for each perfectly peaceful peak or rock to be attributed some human or animal attribute for it to be fully appreciated! Worse, just as one is settling back into peaceful contemplation, another gaggle would arrive.

Some very flash hotels have been built for overnight stays, sunrise viewing etc. Remarkably, we were told that even the earth-moving machinery (dismantled) was carried up the five kilometre path to build these facilities. I could barely believe it except for seeing the porters with their time-honoured bamboo yokes carrying unimaginable burdens. One fellow was carrying 58 kilograms of rolled steel rebar on each side. For this limb-bending ordeal he collected one Rmb a kilogram (about US$20 per day). For those with problems or a need to show their wealth there are wicker palanquins whose bearers somehow manage to climb the steeper parts of the route.

Before leaving the mountains we experienced an unusual spa that was attached to our tired hotel managed by the Worst Eastern! Here one could experience mineral springs that infused one with remedies for ailments of a wide range. The highlight was the spring with nibbling fish. One sits in bath-warm water as tiny brown fish massed and pecked at one's legs and arms supposedly removing dead skin. Sounds vulgar you say, see how you feel as these little devils tickle you to death!

Before flying back to Shanghai, we visited some ancient walled villages to get a sense of post-Ming Dynasty (1366-1644) rural settlements. The surprise was the contrast in the wealth of members of these relatively tightly knit and small communities. The larger homes were a favourite

Huangshan

target during the Cultural Revolution. The thought of the destruction wreaked upon these delightful, yet remarkably standardised homes, set a Roman-born member of our party into contemplation about what had been lost during those chaotic revolutionary days of malicious destruction. Wonderful things are still being made and in particular there is a smooth black stone that is worked into shapes varying from teapots, resembling animals or plants, to calligraphy ink platforms of considerable variety and interest.

Xishuangbanna in the south west of Yunnan province is a very different experience. It's tropical and lies beside the Mekong River. One is no longer in Han territory yet can see the huge strides that have been made on account of the Central Government's efforts to "modernise" the more distant territories. Formerly part of the Nanzhao empire of the Bia people, it is famous for its Pu'er tea and exudes a frontier vitality (close to Burma/Laos). We were hosted by an unusual Swiss who had bought this site overlooking the Mekong and gone about recovering the old wooden houses favoured by the local Dai minority and reclaiming the land from the rubber trees by replanting with some 300 indigenous species. Sadly, he subsequently collected a high rise developer to his rear and a water-borne poogie parlour to his front on the Mekong below. This was frequented by visitors from the big eastern cities who are apparently enthralled by the cross-dressers from over the border. No harm in that except at critical moments the drums would beat to induce a level of hysteria necessary to make the evening a memorable experience.

Carrying bamboo yokes

There is a spectacular garden supervised by the Chinese Academy of Sciences an hour's drive from the city with the opportunity to see great botanical diversity and a natural forest. This is rare as there have been several cyclical rubber planting booms to the extent that now as one flies over, all one sees are circular rows of identical foliage that spirals up the heights - all being rubber plantations. On high ground, we visited the oldest known tea tree in China, claimed to have yielded for 800 years. The tree itself looked somewhat time-worn but the good bit was the captivating walk through rubber trees and some surviving natural forest.

Moving north we flew to Dali (altitude 2,000 metres from 600 metres above sea level) an important way station in the days of the horse-tea trade, and then motored on to Lijiang. Both are fascinating places with their own charm. The provincial government has done well to recreate a sense of the old towns but the flood of tourists and the attraction of these destinations to the "cool set" from places like Beijing and Shanghai attenuates the intensity of the experience. We would wander around, stop off for yet another spectacular meal, drinking mostly beer and then proceed cautiously for more visual titillation. There was much walking and viewing which seemed to embolden the team's certitude as to finding that perfect Chinese wine to accompany the evenings culinary extravaganza. Try as one might to grace the company with logic, they were indefatigable in their quest! We rational members of the team with a sound understanding of probability theory settled for brown rice wine. This can be a totally satisfying drink, bearing likeness to a dry sherry or occasionally a thin port but for our wine-swilling-donkeys, to steal a phrase from that other indomitable Australian, there was no surrender. So bad did their cravings become that they resorted to elevated prices in the belief that this would ensure a pleasing outcome: disappointment was palpable. For all these setbacks, not once was anyone disappointed with our meals; they were wonder-full and agreeably quickly served.

Onward and upwards we drove. Now in high country at the same altitude as Lhasa at 3,400 metres, we approached the mystical Shangri-La. The old town had recently had a mysterious fire so we were contented to see alternative attractions like the tree and Yak studded landscape. Here it is poor and spare. Rainfall is low and the air dry and thin. While interesting, the remote deprivation of the wooded countryside left some of us unsettled. Beware too that unless you have a constitution of a Yeti, it is recommended that you travel with your own survival rations. A night of authentic Yak milk, yak butter tea and barely-butter paste (bread) is a testing encounter, yet it sustains the locals year-in, year-out.

When in Dali, we had stayed in one of the horse-tea staging inns in Shaxi village and to think that over the centuries, Pu'er tea had been carried from our starting place in lower Yunnan to these desolate highlands. Three months of carrying 60 to 90 kilograms of compressed tea on one's back rising by 3,000 metres, sleeping rough and presumably thinly nourished is a harsh and indelible reminder of hardiness born of necessity.

We had seen some extraordinary sites over the two weeks that cannot be adequately described. The beauty of the Huangshan; the power of nature, Tiger Leaping George on the Yangtze River; the serenity of age-old settlements; the grand ambition of man at the remote Buddhist grottos with extraordinarily beautiful 8th-9th century carvings at Stone Bell Temple (Shibao Shan); the calcium springs in the Tibetan highlands. The freedom and joy of walking, climbing and cycling and the ever certain prospect of a delicious meal, dilute beer for some and the wild imaginings of others in their quest for a drinkable local grape wine!

Kerr Neilson

May 2014

Huangshan


请勿在湖边沼泽
地行走，以免陷落
Do not walk along the
swamp that cause
you easily fall.

Glossary

Enterprise Value (EV)
An economic measure reflecting the market value of a whole business. It is a sum of claims of all the security holders: debtholders, preferred shareholders, minority shareholders, common equity holders, and others.

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

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

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

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

Price to Earnings Ratio (P/E)
The ratio of a company's current share price to its per share earnings. The P/E is used as an indicator of the value of a company by comparing its share price to the amount of per-share earnings the company generates.

Quantitative Easing (QE)
A monetary policy used by Central Banks to increase the supply of money by increasing the excess reserves of the banking system.

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

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

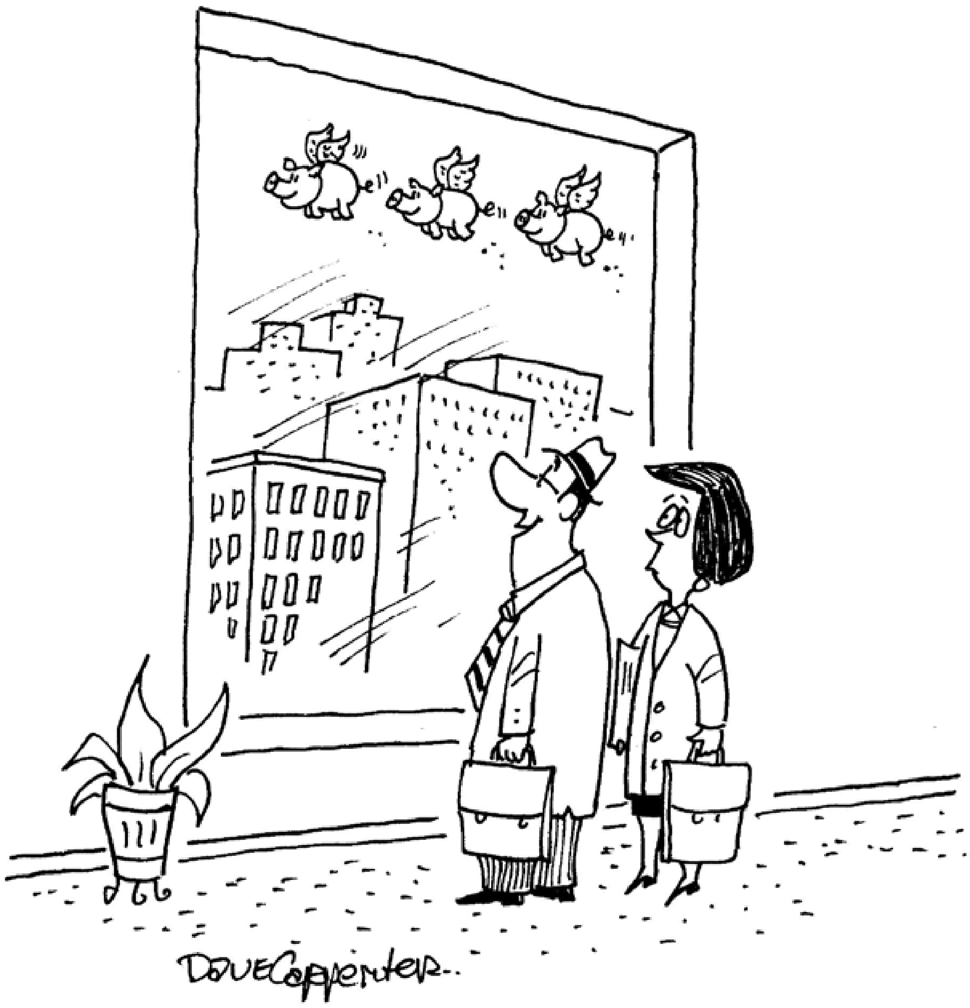
Short Selling or Shorting
A transaction by which an investor is able to generate profit from a fall in the price of a particular company or market index. To generate such a profit an investor borrows securities and sells them, then when the price has fallen, the investor repurchases the securities at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

Platinum utilises short selling of stocks and indices for risk management (that is, to protect a Fund's Portfolio from either being invested or uninvested) and to take opportunities to increase returns.

Short selling is not undertaken for the Platinum Unhedged Fund.

Please visit our website at:
www.platinum.com.au

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



"You know, that new investment strategy just might work."

"For a minimal fee, we can download more predictability."

Notes

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

   The inception dates for each Fund are as follows:
   Platinum International Fund: 30 April 1995
   Platinum Unhedged Fund: 31 January 2005
   Platinum Asia Fund: 4 March 2003
   Platinum European Fund: 30 June 1998
   Platinum Japan Fund: 30 June 1998
   Platinum International Brands Fund: 18 May 2000
   Platinum International Health Care Fund: 10 November 2003
   Platinum International Technology Fund: 18 May 2000

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 30 September 2009 to 30 September 2014 relative to their Index (in A$) as per below:
   Platinum International Fund - MSCI All Country World Net Index
   Platinum Unhedged Fund - MSCI All Country World Net Index
   Platinum Asia Fund - MSCI All Country Asia ex Japan Net Index
   Platinum European Fund - MSCI All Country Europe Net Index
   Platinum Japan Fund - MSCI Japan Net Index
   Platinum International Brands Fund - MSCI All Country World Net Index
   Platinum International Health Care Fund - MSCI All Country World Health Care Net Index
   Platinum International Technology Fund - MSCI All Country World Information Technology Net Index
   (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist).

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

3. Invested position represents the exposure of physical holdings and long stock derivatives.

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Platinum®
ASSET MANAGEMENT

Platinum Asset Management is a Sydney-based manager specialising in international equities. The investment team uses a thematic stock-picking approach that concentrates on identifying out-of-favour stocks with the objective of achieving superior returns for our clients. We pay no heed to recognised indices. We aim to protect against loss and will hedge stocks, indices and currencies in our endeavours to do so.

The firm was founded in February 1994 by a group of professionals who had built an enviable reputation. The investment team has grown steadily and PAM now manages around $24 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.

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