Quarterly Report

30 September 2015

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

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

Contents

Performance Returns to 30 September 2015

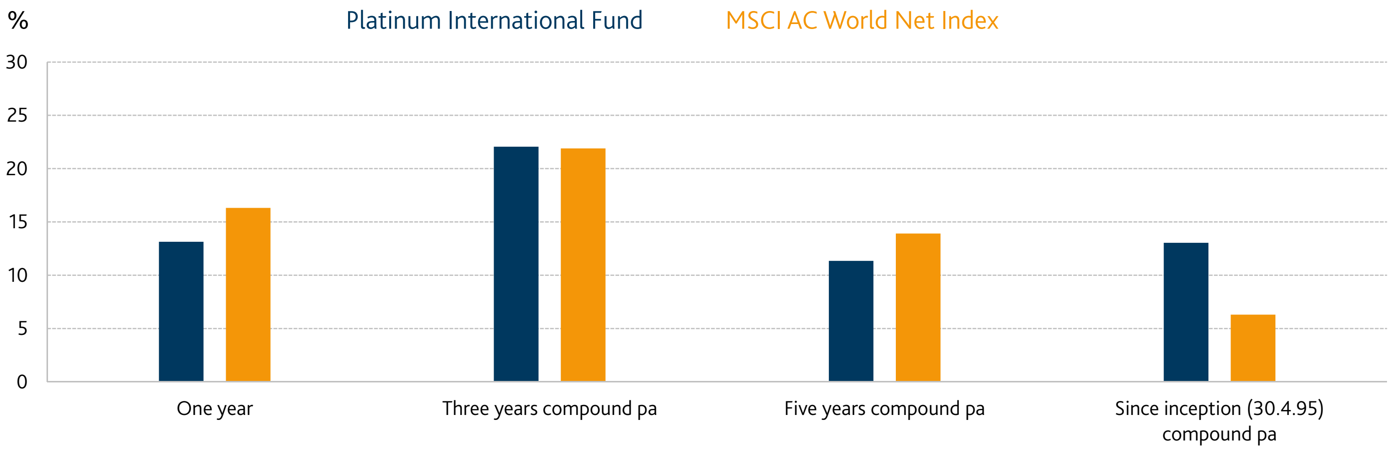
FUND	PORTFOLIO VALUE	QUARTER	1 YEAR	2 YEARS *COMPOUND PA*	3 YEARS *COMPOUND PA*	5 YEARS *COMPOUND PA*	SINCE INCEPTION *COMPOUND PA*
International Fund	$11,004m	-2.5%	13.1%	13.9%	22.1%	11.3%	13.0%
MSCI AC* World Net Index		-0.9%	16.3%	17.6%	21.9%	13.9%	6.3%
Unhedged Fund	$369m	-5.3%	9.7%	12.9%	21.1%	11.8%	11.1%
MSCI AC World Net Index		-0.9%	16.3%	17.6%	21.9%	13.9%	6.2%
Asia Fund	$5,071m	-8.1%	10.4%	16.0%	18.7%	8.3%	15.9%
MSCI AC Asia ex Japan Net Index		-9.2%	9.2%	12.4%	13.9%	7.1%	10.0%
European Fund	$470m	3.9%	22.2%	14.0%	21.5%	14.6%	12.3%
MSCI AC Europe Net Index		-0.3%	12.0%	12.1%	19.8%	10.6%	2.5%
Japan Fund	$621m	0.1%	33.3%	24.1%	37.6%	21.1%	15.5%
MSCI Japan Net Index		-3.5%	21.8%	14.5%	24.2%	11.9%	1.9%
International Brands Fund	$1,172m	-3.3%	13.3%	8.2%	16.1%	10.9%	12.8%
MSCI AC World Net Index		-0.9%	16.3%	17.6%	21.9%	13.9%	1.6%
International Health Care Fund	$177m	3.9%	32.2%	24.0%	27.5%	22.0%	9.9%
MSCI AC Wld Health Care Net Index		-0.8%	27.6%	30.5%	33.6%	23.9%	9.6%
International Technology Fund	$81m	-1.6%	13.6%	15.5%	21.4%	11.6%	9.2%
MSCI AC World IT Net Index		2.2%	23.1%	27.4%	26.2%	18.5%	-2.6%

*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

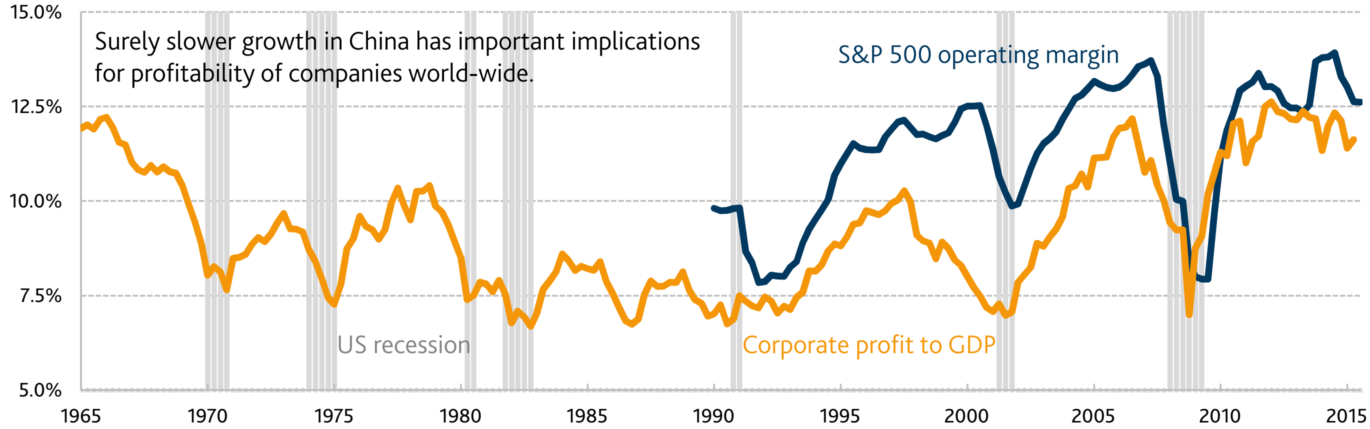
To 30 September 2015



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

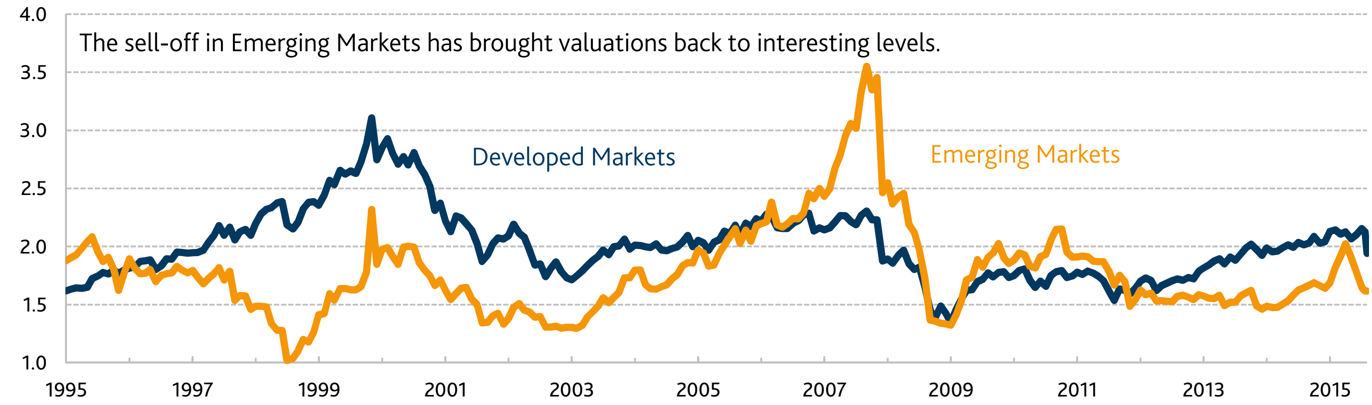
Market Panorama

US Corporate Profits to GDP



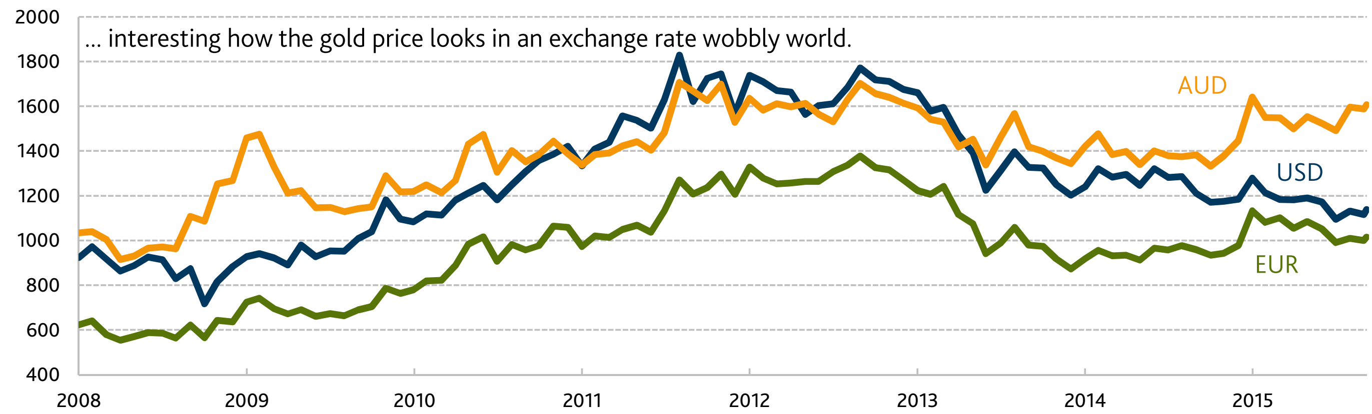
Source: Bloomberg, Minack

Enterprise Value / Capital Employed (Ex Financials)



Source: Factset

Gold Price per Ounce



Source: Factset

A Snapshot

Platinum International Fund

- The widespread sell-down in global stock markets was triggered in no small part by concerns over China's slowing economy, the confusion created by its oscillating currency policies and the aftermath of its excess (unproductive) credit since 2008.
- Concerns over policy errors led us to reduce several of the Fund's Chinese positions (Ping An Insurance, China Life, Gree) while the divergence of stock prices within related industries gave some interesting opportunities to swap holdings.
- With world trade barely growing in volume terms, there is pressure on prices as firms intensify their hunt for foreign sales opportunities to take care of surplus capacity, but the pricing pressure appears to be bringing the long-standing trend of rising profits that accrue to capital to an inflexion point.
- We cannot know if markets have reached a bottom, but do know that they are no longer presuming the best of outcomes. We are pleased with the buying opportunities and feel confident that the portfolio is well balanced for the months ahead.

Platinum Unhedged Fund

- With around 20% of the Fund's assets invested in China since December 2014, the recent sharp rise and fall of the Chinese stock market has had a large effect on the volatility of the Fund's performance.
- The recession in the heavy industrial side of China's economy and worries over debt are leading some investors to label the whole Chinese market as 'uninvestible'. This, however, gives us an opportunity to buy quality companies at low prices.
- The common thread to the Fund's Chinese holdings is that they tend to serve the consumer/service industries, their growth is linked to fairly certain trends, they have strong balance sheets, and their valuations are 30-70% cheaper than global peers.
- The Fund added to technology, consumer and business service companies (Baidu, Jiangsu Yanghe) and banks that are either recovering (Lloyds) or can grow long-term (ICICI) while keeping low exposure to the industrial, auto and materials sectors.

Platinum Asia Fund

- Markets across Asia fell amid weak Chinese economic data, falling commodity prices and the prospect of US interest rate rise.
- While China's new service industries are not yet able to fully offset the slowdown in its old economies, consumption-related metrics (e.g. e-commerce gross merchandise volume, 4G network subscription rate) continue to show growth.
- India's sustained high inflation rate has come down from 10%+ to below 4%, allowing interest rates to lower, while weak commodity prices are enabling the government to fast-track reform and kickstart much needed infrastructure projects.
- The Fund took advantage of low valuations to buy companies with strong market positions and growth (China Resources Gas, Heilan Home, Tencent, PC Jeweller) while selling positions that have reached our estimate of fair value (China Vanke, IDFC).
- We entered hedges against the Chinese Renminbi as further depreciation is expected with more stimulatory policy.

Platinum European Fund

- The remarkable degree of complacency previously exhibited by investors, as reflected in the overvaluations of European equities in the face of lurking risks over the past few quarters, is now evaporating.
- The Fund's large cash position at the start of the quarter provided a degree of protection as stock prices fell and allowed us to buy a number of companies (Richemont, Lloyds, ING, Novartis, Sanofi) after the European index had sold off over 10%.
- We continue to expect weak economic growth in Europe with low inflation and supportive monetary policy. There are also new risks emerging that threaten the economic, social and political order of Europe.
- The Fund has minimal exposure to energy, materials and industrials – sectors most affected by China's economic slowdown, but is well positioned to seize the new opportunities that will arise as perfectly decent companies suffer collateral damage.

Platinum Japan Fund

- Portfolio changes since late last year have shifted the disposition of the Fund's assets and risks, resulting in a higher cash level (34%), lower overall portfolio exposure, and currency exposure predominantly to the Yen.
- Inbound tourist numbers more than doubled from a year ago as the weak Yen makes Japan an increasingly attractive destination. But export growth is falling short of the pace expected given the magnitude of the currency depreciation.
- Reform continues across Japan, both facilitated by the government and acted out in everyday business by free market participants. But some companies have been slow to wake up to change and there continue to be hidden inefficiencies.
- Despite the attractive Japanese internal corporate and asset allocation dynamics, global news represent a severe short- and medium-term headwind for equity markets. The Fund's 30%+ cash level allows for opportunistic buys amid likely volatility.

Platinum International Brands Fund

- The Fund has outperformed both the developed and emerging market indices over the longer term, but has been lagging the developed market indices recently with the portfolio positioned approximately equally between developed and emerging markets, along with a cash position of around 20%.
- The Fund has been adding cautiously to the French supermarket retailer Casino along with its Latin American subsidiaries, as we expect to see a near-term price recovery as its debt, credit rating and dividend cover concerns abate.
- In a world struggling with the prospect of low growth, we remain convinced that the prestige beauty market will continue to provide the leading participants with attractive growth possibilities.
- The Fund's net invested position will likely continue to increase as we take advantage of the lower prices on offer while the shorts in some of the Fund's positions that have been subject to market selling could perform strongly in the short-term.

Platinum International Health Care Fund

- A concoction of consolidation in the health insurance sector, ever higher valuations for biotechs, and political debates on drug pricing led to widespread selling over the quarter without company specific issues.
- The Fund has not been immune to the decline notwithstanding that we had been cautious on the US for some time and preferred European companies, maintained a significant cash position, and shorted the US biotechs.
- Oncology is leading the way in computation assisted medicine, and we see exciting opportunities in a future where big data will be used to guide diagnosis, develop personalised treatment plans, monitor treatment, prevent diseases and save money.
- We remain focused on our themes and making sure we understand the competitiveness of products, which is key in today's world. Many new biotechs are well resourced, and we should see acquisitions to continue.

Platinum International Technology Fund

- Asian and smaller technology stocks underperformed the larger US tech companies this quarter. However, our Chinese Internet, e-commerce and telecom stocks remain undervalued relative to Western peers despite their growth prospects.
- We added PayPal for its potential to pursue new opportunities and strengthen its already solid growth trajectory over the medium-term after its spin-off from eBay, and took profit from Safaricom as valuation has become less attractive.
- Feedback from recent management meetings was in general cautious about short-term outlook, particularly for consumer electronics. However, we continue to find interesting investments in the telecom and semiconductors industries driven by favourable long-term structural trends.
- We are cautious and selective about our exposure to highly cyclical sectors like semiconductors while remaining optimistic about the potential for secular growth in our Chinese telecom, Internet, e-commerce and wireless equipment businesses.

Platinum International Fund

Kerr Neilson Portfolio Manager

Andrew Clifford Portfolio Manager

Performance

(compound pa, to 30 September 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund	-3%	13%	22%	11%	13%
MSCI AC World Index	-1%	16%	22%	14%	6%

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

Rather like a successful TV series, Game of Thrones comes to mind, stock markets keep churning through the same motions, yet in the excitement of the moment, every episode seems unique. In the last three months the tempo seemed to speed up with a procession of new actors.

Starting in June, the **bubble burst in the margin-assisted hysteria of the Chinese stock markets**. In its eagerness to use equity markets to assist in the refinancing of the state-owned enterprises (SOEs), the 'regulators' intervened with some profoundly silly tactics that allowed the canny to escape at the cost of those directed to support the market. As usual, this tended to drag out the adjustment in levels rather than arresting a natural clearing at lower prices.

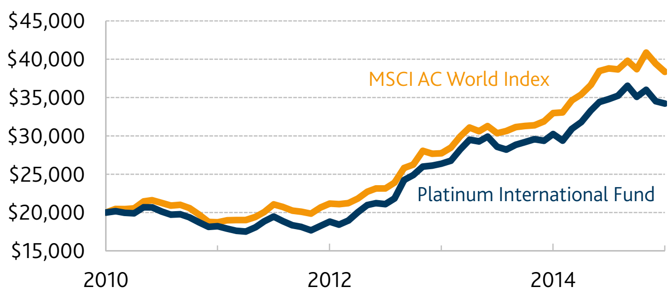
Disposition of Assets

REGION	SEP 2015	JUN 2015
Asia	32%	37%
Europe	23%	20%
North America	21%	20%
Japan	9%	11%
Russia	1%	1%
Australia	1%	1%
Cash	13%	10%
Shorts	-12%	-8%

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

Value of $20,000 Invested Over Five Years

30 September 2010 to 30 September 2015



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

The People's Bank of China (PBoC) nearly trumped this error when it notified the foreign exchange markets of a **change of policy in managing the price of the Renminbi** to more accurately reflect market forces. The relatively small devaluation and subsequent intervention confused most participants, particularly in the light of falling exchange reserves. **Capital flight** is evident, partly facilitated by the gradual opening of the country's capital account. This was significant to the extent that the market had come to believe that the role of strong currency was equally shared between the US dollar and the Renminbi and that without this linkage, there is a danger of China embarking on a competitive exchange rate-driven export push, to create further downward pressure on traded goods prices. All the while the economic indicators have flashed warnings of the difficulties facing the Chinese economy as it **transitions from investment to consumption** and services – a process made no easier by the **intensification of the anti-graft campaign and evidence of tightening credit conditions**.

The prospect of much lower growth emanating from China translated into **weak commodity prices and washed across the emerging markets**. Those that had done least with economic reforms (Brazil, Turkey and Russia) felt the full brunt of this wash-out, but Asia in general felt the chill from its powerful neighbour, and share prices have tumbled.

The developed markets were not immune to this unfolding scene, with the added drama of the **Greek election and subsequent debt bail-out**, and the **refugee influx** as a consequence of the turmoil in the Middle East. In the US, the realisation spread as to the effect of weaker world growth with manufacturing companies selling off hard and some announcements of down-sizing. There was also evidence of **money leaving equities** as crowded trades, such as biotechs, unwound at extremely high valuations. In addition, the loss of foreign exchange reserves by central banks in the Middle East and other commodity-dependent countries saw redemptions of bond and equity holdings, adding to the selling pressure. As the quarter came to a close, the US Federal Reserve chose to defer raising interest rates and there was fallout from the Volkswagen emissions test trickery and Glencore's high leverage in a commodity-glutted world. The summary of this three-month drama is shown in the tables below.

With our large exposure to Asia, we have suffered from this repricing, though we did raise cash earlier in the quarter and also augmented our short positions. Even so, the low exposure to the strongest market, the US, has taken its toll on our relative performance. Compared to the returns from the MSCI AC World Index (A$) of 16.3% for 12 months and -0.9% for three months, the Fund has lagged at respectively 13.1% and -2.5%.

MSCI World Index Regional Performance (AUD)

REGION	QUARTER	1 YEAR
Developed Markets	**0%**	**18%**
Emerging Markets	**-10%**	**1%**
United States	**2%**	**23%**
Europe	**0%**	**12%**
Germany	-2%	13%
France	2%	15%
United Kingdom	-2%	10%
Japan	**-3%**	**22%**
Asia ex Japan	**-9%**	**9%**
China	-15%	18%
Hong Kong	-8%	21%
Korea	-3%	2%
India	2%	17%
Australia	-7%	-2%

Source: MSCI

MSCI World Index Sector Performance (AUD)

SECTOR	QUARTER	1 YEAR
Utilities	7%	17%
Consumer Staples	7%	28%
Information Technology	2%	23%
Consumer Discretionary	2%	30%
Health Care	-1%	28%
Industrials	-1%	15%
Telecommunication Services	-1%	14%
Financials	-3%	15%
Energy	-11%	-18%
Materials	-12%	-5%

Source: MSCI

Currency

Our exposure to the US dollar has risen as we entered hedges against the Chinese Renminbi. However, we have increased our position in Euros and have partly removed hedges on the Yen. In summary, the key exposures are as follows:

CURRENCY	SEP 2015
US dollar (USD)	77%
Hong Kong dollar (HKD)	7%
Indian rupee (INR)	6%
Euro (EUR)	5%
Norwegian krone (NOK)	4%
Japanese yen (JPY)	3%
Pound sterling (GBP)	3%
Swedish krona (SEK)	2%
Australian dollar (AUD)	2%
Swiss franc (CHF)	2%
Korean won (KRW)	2%
Canadian dollar (CAD)	1%
Chinese Renminbi Offshore (CNH)	-7%
Chinese Renminbi (CNY)	-7%

Source: Platinum

Shorting

We came and went on shorting the German DAX and the Nikkei Index of Japan through the quarter and ended with a position of shorting the S&P 500, the Russell 2000 and the Nikkei with respectively -6%, -3% and -2%.

Changes to the Portfolio

Concerns regarding policy errors (bungling of stock and foreign exchange market interventions) caused us to reduce several of our Chinese positions and to sell most of **Ping An Insurance**, **China Life** and **Gree**. At low valuations this is always difficult, but given the cross currents within the Chinese market, it is believed to be prudent. We were also active in Japan where a gush of hot foreign buying caused us to reduce **Mitsubishi Heavy Industries** and remove **Hitachi** early in the quarter, notwithstanding their reform credentials. We also sold **Denso**, a long-standing and highly profitable holding at good prices, as the auto market seems over-owned. Likewise, we cut **Toyota Industries** after a strong run while selling **Fujitsu** at a loss. The latter is further behind the reform curve than we had understood and more down-sizing is required.

The divergence of stock prices within related industries gave some interesting opportunities to swap holdings: we re-introduced **Oracle** and added opportunistically to **Ericsson** in exchange for some **Intel**, **Cisco** and most of the holding in **Ciena**; added **Roche** and **Fresenius** and more to **AstraZeneca** at the expense of **Novartis**, **Qiagen** and **Daiichi Sankyo**; and added to **Corning** while cutting **Asahi Glass** which had run ahead of itself on good results. Among the Internet names we initiated a position in **PayPal** and added to **Tencent** after its recent fall.

Lloyds Banking Group has been languishing for the last two years as it has acknowledged and paid the price (with some £13 billion set aside) for mis-selling certain payment protection insurance (PPI) products. This is a company we bought in the dark days following the Global Financial Crisis (GFC) and subsequently sold on a re-rating. But its time may have come again as all its operating ratios have returned to that of a prosperous, well-financed and significant financial intermediary[1]. The concerns now are whether it can grow much and where the business will go from here. These are indeed real issues as historically banks have a tendency to 'diworsify' when they run out of growth. We acknowledge this as an issue as indeed is the threat of the UK leaving the European Union.

However, the British economy is growing, lending is rising and, importantly, non-performing assets keep shrinking. There is a **very high likelihood** that Lloyds will earn 9 pence a share in the years ahead and management has been very clear that much of this will be paid out as dividends. Banks are particularly susceptible to inflation and if indeed it remains low, a leading bank, representing some 20% of the system, yielding say 8% on our entry price of under 75 pence, will attract a horde of new owners now that Lloyds has begun to pay dividends and the UK Government's holding is all but sold back into private hands.

1 Risk weighted tier 1 equity 13.3% (7.6% at 12/2011). Loan to deposit ratio 109% (135% at 12/2011). Loan to value of mortgage book 46% (56.4% at 12/2012). Impaired loan ratio 2.7% (10.1% at 12/2011). Net interest margin targeting 2.6% for 2015. Best in class cost to income ratio of 48% (versus competitors at 56% to 67%). Return on equity 16.2% (9.7% at 12/2013). Active digital users 11 million, with 6 million on mobiles (compared to 6.8 million in total in 12/2010).

Commentary

Having side-stepped earlier challenges so adroitly, it has come as a surprise how poorly the Chinese Government has dealt with the stock market wash-out (and indeed the rampaging margin lending that preceded it) and the realignment of the Renminbi. The *schadenfreude* displayed by some commentators should be examined against the proportion of world growth that has emanated from China since the Lehman melt-down – nearly 60%.

As time passes, it will become clearer as to the effect of the officially sponsored doubling of bank credit that occurred from 2009 to 2011 in response to the threat that 20 to 30 million 'migrant workers' might lose their jobs. In retrospect, we may believe that there was an over-shoot of growth that tricked commodity producers and investors into believing that the growth trajectory of China was steeper and longer than was plausible. By way of illustration, in 2008 China produced 502 million tonnes (mt) of steel, five times more than the USA. We in Australia celebrated this as the entrée to the feast that would follow, as indeed it did with a new record being achieved in 2014 at 823 mt. Had it grown from this 502 mt base by, say, 6% (its average rate of growth in the late 1990s) and a level that would have represented about twice the world's economic growth rate, production would now be of the order of 712 mt. This figure incidentally broadly corresponds with current domestic consumption with a surplus of some 100 mt now flooding out of China as direct exports.

The same pattern of over-abundance occurred across many industries: cement, glass, heavy trucks and earth moving equipment. In most cases, China had reached the exalted position of being responsible for manufacturing almost half of the world's output of these products. Consolidation and restructuring of ownership and capacity seems inevitable as losses, by the least efficient, mount.

Apart from the drag this will impose on Chinese growth, there are also implications for the banking sector. From a starting point of US$9 trillion of assets controlled by the banks at the end of 2008, this figure is likely to pass US$30 trillion (CNY192 trillion) by year end! Autonomous Research has tried to assess the degree of over-lending by comparing the historic increase of GDP associated with a measure of credit growth. Their calculations suggest that the **excess (unproductive) credit granted from 2008 to 2015 was in the order of CNY73 trillion (US$11.4 trillion)**. When they then compare the experiences of other countries that have experienced credit boom and busts[2], they conclude that banks could incur losses of 45% of their share of *excess credit granted* to non-government and central SOEs. This translates into possible losses of CNY24 trillion (US$4 trillion) for the banks and nonbanks, or 14% of total 2015 outstanding credit, in an US$11 trillion economy!

While one can envisage interest rates coming down and the amount of reserves held by banks (the so-called reserve requirement ratio) also dropping from the current level of 18%, the environment of deteriorating credit will likely

2 Excess credit and loss experience across countries

	Credit/GDP			Excess credit			
Country	Start	End	Change	% Credit lent in boom	% Total credit	o/w banks' share	Bank losses as % of banks' excess credit
Mexico, 88-94	14%	38%	24pp	49%	34%	28pp	77%
Norway, 85-90	114%	134%	20pp	42%	16%	7p	70%
Korea, 92-98	126%	166%	40pp	41%	24%	20pp	*50%
Sweden, 85-90	119%	175%	56pp	42%	24%	18pp	34%
US, 00-07	168%	207%	39pp	58%	25%	8pp	31%
Japan, 85-97	181%	240%	60pp	45%	24%	11pp	67%
Greece, 00-08	54%	118%	64pp	81%	59%	55pp	**44%
Spain, 02-07	118%	207%	89pp	75%	50%	40pp	33%
Ireland, 00-07	137%	222%	85pp	78%	50%	38pp	52%
Portugal, 96-07	104%	193%	89pp	83%	60%	45pp	24%
Thailand, 89-97	59%	174%	114pp	81%	70%	66pp	*32%
Average				**60%**	**40%**	**31pp**	**47%**

Source: Bank for International Settlements, International Monetary Fund, bank financial statements, local regulators, Autonomous Research.
* Figures represent total financial institution losses as a share of total excess credit.
** Revised up from 27% in July 2015.

impede the willingness of banks to expand credit. There are other options open to the Chinese Government, but the lesson from Japan was that 'extend and pretend' is not the answer.

With world trade barely growing in volume terms, there is pressure on prices as firms **intensify their hunt for foreign sales opportunities to take care of their surplus capacity**. Does this now bring the long-standing trend of **rising profits that accrue to capital to an inflexion point**? Having long obsessed about this – too early as usual – we suspect this is now in the offing, slow growth globally being an important contributor to pressure on prices and hence profits.

None of this is very helpful at a stock-picking level other than to caution one to build in greater variances for those businesses exposed to recent investment binges. At the country level, there is the cross-play of the disruption of the Internet and e-commerce, and in the case of China, the extra dimension of a country re-aligning its economy away from fixed investment towards services and the consumer. In an environment of low inflation where incomes are rising, the prospects for consumer-focused companies are still favourable. The art is to correctly price each individual opportunity.

Outlook

As the quarter came to a close, one could observe the concerns emanating from the realisation that China was no longer the reliable growth locomotive it once was. However, share prices have adjusted fiercely in the case of cyclicals and the emerging markets. There have been massive outflows from emerging markets since July, around US$45 billion, of which about 40% came out of Hong Kong and China. We cannot know whether they have reached a bottom, but we do know that the markets are no longer presuming the best of outcomes and the fierceness of the sell-off of highly cyclical stocks and commodities world-wide **looks very much like capitulation of a bear trend**.

We are pleased with the buying opportunities the sell-off has given us and feel confident that the portfolio is well balanced for the months ahead. (Subsequent to month end, we have reduced the shorts further.)

Platinum Unhedged Fund

Clay Smolinski Portfolio Manager

Disposition of Assets

REGION	SEP 2015	JUN 2015
Asia	31%	36%
Europe	26%	24%
North America	24%	20%
Japan	10%	11%
Russia	2%	2%
Australia	<1%	1%
South America	<1%	1%
Africa	0%	1%
Cash	6%	4%

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

Performance

(compound pa, to 30 September 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund	-5%	10%	21%	12%	11%
MSCI AC World Index	-1%	16%	22%	14%	6%

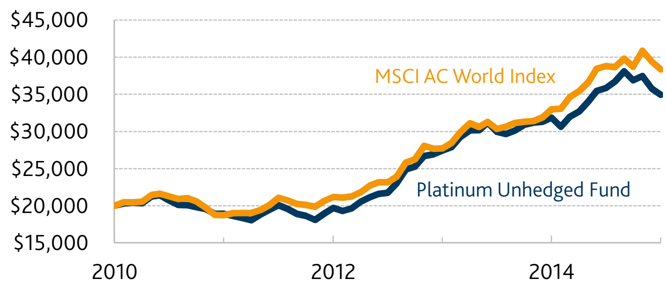
Source: Platinum and MSCI. Refer to Note 1, page 40.

Over the past three months we have witnessed a widespread sell-down in global stock markets, with the US market falling -9%, Europe -12% and Japan -16%. The emerging markets took the largest hit with the MSCI Emerging Markets Index down -18% (in USD terms) and the Chinese market -23%. The Australian dollar continued to weaken against the major currency pairs, falling -8%, -10% and -11% versus the USD, Euro and Yen respectively.

The seed of doubt that triggered the sell-off in the developed markets was the decision by the People's Bank of China

Value of $20,000 Invested Over Five Years

30 September 2010 to 30 September 2015



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

(PBoC) to slightly devalue the Chinese Renminbi (CNY) against the USD. While the fall in the CNY has been a mere 2.5%, investors feared the PBoC would devalue the currency much further in the future, improving China's export competitiveness at the expense of the rest of the world. This has increased fears that the Chinese economy is weaker than expected, and markets are worried about the knock-on effects dampening economic growth in the US, the European Union (EU) and Japan.

Since December 2014 the Fund has had around 20% of its assets invested in China and the recent sharp rise and fall of the Chinese stock market has had a large effect on the volatility of the Fund's performance. From the beginning of January, the Chinese market rose 50% to its peak in mid-June, and then fell -42% over the next two months. The price movements in our Chinese holdings were a large factor in why the Fund returned +12.9% in the first six months of the year, but is down -5.3% in the last quarter. Of the -5.3%, our Chinese positions represented -4.4%, explaining the difference to the MSCI AC World Index which was down -0.9% over the same period.

Over the nine months year to date the Fund has returned +6.9%, compared to +8.3% for the Index, and over the 12 month period the returns have been +9.7% versus +16.3%.

The performance over the past year has been disappointing, and our stocks with cyclical/commodity exposure (namely **Canadian Oil Sands**, **Weichai Power**, **PDG Realty & Stillwater Mining**) have detracted from the Fund's return by roughly -6%. Also, as outlined in our December 2014 quarterly report, the Fund has been positioned very differently to the Index. Particularly in regards to the exposure to the US market, the Fund has roughly 23% of its assets in the US, compared to the Index with 53%. The strength of the US market and, in particular, the US dollar (USD +25% against the AUD, +12% against the Yen, and +9% against the Euro over the last 12 months) has created a large headwind to our relative performance that our stock-picking has not been able to offset.

Changes to the Portfolio

We used the sell-off in markets to add to a number of our positions. In China, we added to our holdings in spirits maker **Jiangsu Yanghe**, Internet search engine **Baidu**, life and P&C insurance company **China Pacific**, and truck engine maker **Weichai Power**. We decided to concentrate our Chinese holdings in the stocks with the best growth and valuation outlook and partly funded these additions via selling out of our positions in property developer **China Vanke** and railway network **Daqin Rail**.

Remaining in Asia, we added to leading Indian Bank **ICICI** and the Japanese bathroom and kitchenware manufacturer **Lixil Group**. In the western markets, we added **Lloyds Banking Group** in the UK, oil and gas inspection company **Applus Services**, telecom equipment manufacturer **Ericsson**, online retail website **eBay**, and the online payment platform **PayPal**.

We added one new position over the quarter – **Compagnie Financière Richemont**. Richemont owns a number of famous luxury jewellery and watch brands, including *Cartier*, *Van Cleef & Arpels* and *IWC*. The attraction of Richemont is the growing trend of consumers buying 'branded' jewellery in the mid-range and high-end categories. This is interesting given that there are only a handful of 'true brands' in this segment, and through *Cartier* and *Van Cleef* Richemont holds two of the strongest names in the industry. This consumer shift and limited competition is driving 10% per annum growth in Richemont's jewellery division, whilst earning handsome profits. Adjusting the market capitalisation for the €5.6 billion of cash on the balance sheet, we are paying 15x earnings, a decent price for a unique and high quality business. (For more detail on the Richemont case, please see the Platinum European Fund report in this issue.)

In terms of the major sales in the portfolio, we sold out our entire holdings of **Pernod Ricard**, luxury house **Kering** and Indian bank **IDFC**, all three having been solid performers for the Fund over time.

Commentary

With all the uncertainty over the Chinese economy, it is worthy to review what we own in China and why.

The data shows that clearly the 'heavy' side of the Chinese economy is shrinking whilst the more service-orientated or 'consumer' side of the economy is doing much better. While it never feels comfortable owning businesses in a country going through a down cycle, **it is important to remember that recessions do not touch all industries equally**. In an economy as large and diverse as China's, there are plenty of sectors that will do just fine.

As a result of the recession in the heavy industrial side of the economy and the worries over debt, investors are choosing to label the whole Chinese market as 'uninvestable'. This is giving us a lot of opportunity to pick our spots and buy companies at low valuations that can still grow going forward.

An example is our 4.8% holding in two Chinese liquor stocks, **Kweichow Moutai** and **Jiangsu Yanghe**. The long-term picture for both is that they are well positioned beverage companies in a large consumer market where incomes can still grow significantly over time. Both companies are highly profitable, debt-free and have significant cash on the balance sheet (US$4.4 billion for Moutai and US$700 million for Yanghe).

What initially attracted us to these stocks was that the industry had already gone through a wash-out in 2013-2014. The corruption crackdown targeted at extravagance in the government sector saw premium liquor volumes fall 30%, and prices collapsed. Post the price fall, the regular consumer has responded by drinking more, the businesses have stabilised and are now growing again at a rate of roughly 10% per annum.

Adjusting the market capitalisation for the cash holdings, we are paying 13.5x for Moutai and 15x for Yanghe today. How does that compare to other opportunities in the spirits sector internationally? Brown-Forman (best known for its Jack Daniels brand), one of the fastest growing companies in the sector, is currently growing at a similar 10% rate. However, on a debt adjusted P/E Brown-Forman is priced at 31x, over double the price! At the other end of the spectrum, Diageo (Smirnoff, Johnnie Walker) is one of the cheaper spirits names at a debt adjusted P/E of 23x, but the business as a whole is not growing. Overall, on an absolute and relative basis, Moutai and Yanghe look pretty attractive to us.

Are these risky positions? We can get hurt as investors by paying too high a price for a company, by business risk of something going wrong which we did not anticipate, or via a company having too much debt when something does go wrong. With Moutai and Yanghe our risk is reduced by the starting low valuation, the fact the unsustainable part of their customer base has already fallen away, and by both companies being flush with cash. China is perceived to be 'risky', but we would argue these stocks are actually at the lower end of the risk spectrum even if we compare internationally!

Overall, while the case for each of our Chinese holdings has its own nuances, they share a common thread:

1) They tend to serve the consumer or service industry.
2) Their growth is linked to fairly certain trends (like the adoption of 4G data plans for China Mobile, or the increase in the take-up of auto insurance for PICC).
3) They have extremely strong balance sheets (China Mobile has US$73 billion in cash!).
4) Their valuations are around 30-70% cheaper than similar businesses in developed markets.

Outlook

The maxim to remember in investing is that the starting price you pay is the single biggest determinant on what your future return will be. Given that prices today are 10-25% cheaper than they were two months ago, we are much more optimistic about the level of future returns and the quality of ideas on offer.

The Fund is mostly positioned in companies involved in technology, consumer or business service sectors as well as banks that are either recovering and will pay large dividends (Lloyds and Intesa) or can grow long-term (ICICI and Erste). We have limited exposure to the industrial, auto or materials sectors. Our only substantial commodity exposure is to oil where we have roughly 8% invested in companies that will do well in a situation of rising oil prices.

Platinum Asia Fund

Joseph Lai Portfolio Manager

Disposition of Assets

REGION	SEP 2015	JUN 2015
China (Listed Ex PRC)	29%	27%
China (Listed PRC)	5%	11%
Hong Kong	3%	3%
Taiwan	2%	1%
Greater China Total	**39%**	**42%**
India	19%	15%
Korea	11%	11%
Thailand	6%	5%
Philippines	4%	5%
Vietnam	2%	2%
Singapore	2%	1%
Malaysia	2%	2%
Cash	15%	17%

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

Performance

(compound pa, to 30 September 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund	-8%	10%	19%	8%	16%
MSCI AC Asia ex Jp Index	-9%	9%	14%	7%	10%

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

In local currency terms, Asian markets were down -14% for the quarter. Depreciation of the Australian dollar eased the declines for local investors, and the MSCI AC Asia Ex Japan Index was down -9% for the quarter in AUD terms.

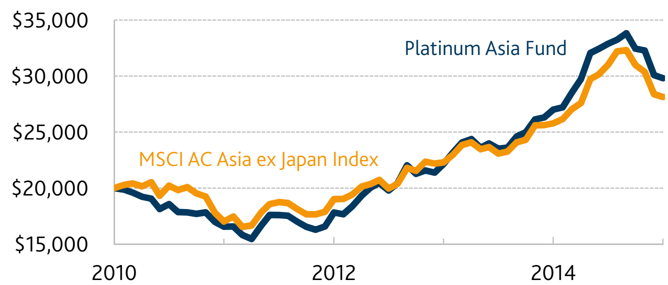
Markets in the Asian region were weak. The Chinese domestic A-share market was down -29% and the Hong Kong H-share market was down -21%. The Indian market saw better performance, but was still down -5%. ASEAN markets were not spared, with Indonesia down -14% (and its currency down -9% against the USD) and Malaysia down -5% (and its currency down -14%). The Fund maintained minimal exposure to Indonesia and Malaysia and a relatively big exposure to India.

Although outperforming the Index by 1.1%, the Fund's return for the quarter was down -8%, giving back some of the gains enjoyed in the preceding 12 months. With virtually no exposure to the Australian dollar, the Fund's performance benefited from the fall in the Australian dollar.

The Chinese share market descended from its dizzying heights as the country reported weak economic data. Elsewhere in the region markets were caught up in weakening commodity prices and the prospect of rising US interest rates.

Value of $20,000 Invested Over Five Years

30 September 2010 to 30 September 2015



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

Economies with weak fundamentals, characterised by current and capital account deficits and negative flows, were particularly vulnerable, with adjustments occurring in both stock market valuations and their respective currencies.

Changes to the Portfolio

Earlier in the quarter, the Fund's invested position was reduced to ride out market volatilities. The bulk of the Fund's China A-share exposures were swapped into the Hong Kong market, where practicable, as Hong Kong listings' discount to their A-share counterparts opened up. Positions that have reached our estimate of fair value were also sold (China Vanke, Brilliance China Automotive, IDFC, United Spirits).

Towards the end of the quarter, we took advantage of stock price weakness and added to companies with strong market positions and growth. Given the low growth environment we are confronted with globally, companies that are able to grow earnings look particularly compelling. Net exposure settled at around 85%, leaving some room to further upgrade holdings when opportunities emerge.

We initiated a position in **China Resources Gas**, a major downstream gas distributor with interests in 213 urban gas monopolies across China. Natural gas consumption is growing rapidly in China as the country shifts to a cleaner energy mix. Given the relatively small proportion of households connected to town gas networks at present, the company is expected to continue to see significant growth ahead.

The Fund also added **Heilan Home**, a fast expanding retailer of men's fashion that offers quality, fashionable and value-for-money apparel coupled with impeccable in-store customer service that is unique among competitors. It is growing sales at more than 50% by rolling out its proven and successful formula across cities in China.

We have put on a hedge against the Renminbi as further depreciation of the Chinese currency is expected with more stimulatory policy.

Commentary

It was an eventful quarter which started with declines in the exalted China A-share market, followed by mild depreciation of the Chinese Renminbi against the US dollar and jitters around the prospect of interest rate rise out of the US.

The 3% depreciation of the Renminbi in itself was a non-event. The Chinese currency had been one of the strongest currencies in the world since the GFC, having appreciated 30-45% against its major trading partners (e.g. Europe and Australia, and in the case of Japan, more than 50%) over the last five years, in stark contrast to the Japanese yen and the Euro. The prospect of the US Federal Reserve lifting interest rates puts further pressure on weakening the still-strong currency while defending the Renminbi has had a draining effect on China's foreign reserves.

Given China's sizable foreign reserves (some US$3.5 trillion), it does not lack the ability to defend against the depreciating pressure on the Renminbi for a considerable while. The issue is more that defending the currency against devaluation may turn out to be a policy mistake as it is incompatible with the easing of monetary conditions. Lowering interest rates will almost certainly put downward pressure on the currency. It will prove very difficult to simultaneously cut rates and defend against currency depreciation.

A stopgap solution perhaps is to tighten up on the ability of private citizens to move money out of the country, thereby reducing the depreciation pressure, potentially allowing the country to stimulate its economy without drastically depleting its foreign reserves. Evidently, the regulators have placed more stringent limits on the amount citizens can withdraw from ATMs overseas through the UnionPay system (China's version of a Visa/MasterCard network), and anecdotally, moving money out of China has already become more difficult and costly. This may have a side effect, which is yet to be seen, on Chinese investment activities in offshore markets (property markets, for instance).

During the quarter, we were presented again with evidence of weak economic numbers out of China. The numbers typically relate to a slow-down in secondary industries, such as power generation and the Manufacturing Purchasing Managers' Index (PMI). The Services PMI, however, has shown continuing strength, demonstrating that an economic rebalancing from manufacturing to the services industry is indeed taking place.

New starts in residential property have declined by 15-20% a year for the last two years as authorities tightened the overheated property market. This year's number of residential new starts is back near the level last seen in 2009! Associated construction machinery sales and land sales have declined in greater magnitude.

The interesting point is that a great deal of adjustment has been made, and the surprising outcome is the stability of the economy outside of the construction sector. The Chinese economy is complex and dynamic, with new industries growing and the old stagnating.

The employment picture looks stable, with wages still growing at 5-10% a year. New industries and jobs are being created to offset declines in manufacturing jobs. Consumption-related metrics are still growing, though a slowdown on the margin is starting to emerge. Internet/e-commerce gross merchandise volume (GMV) is growing at more than 40% year-on-year while China's 4G smartphone network is adding a staggering 20 million subscribers a month, enabling a host of new Internet-based companies to flourish. The chart below showing holiday spending figures from the October "Golden Week" suggests that consumption demand remains robust.

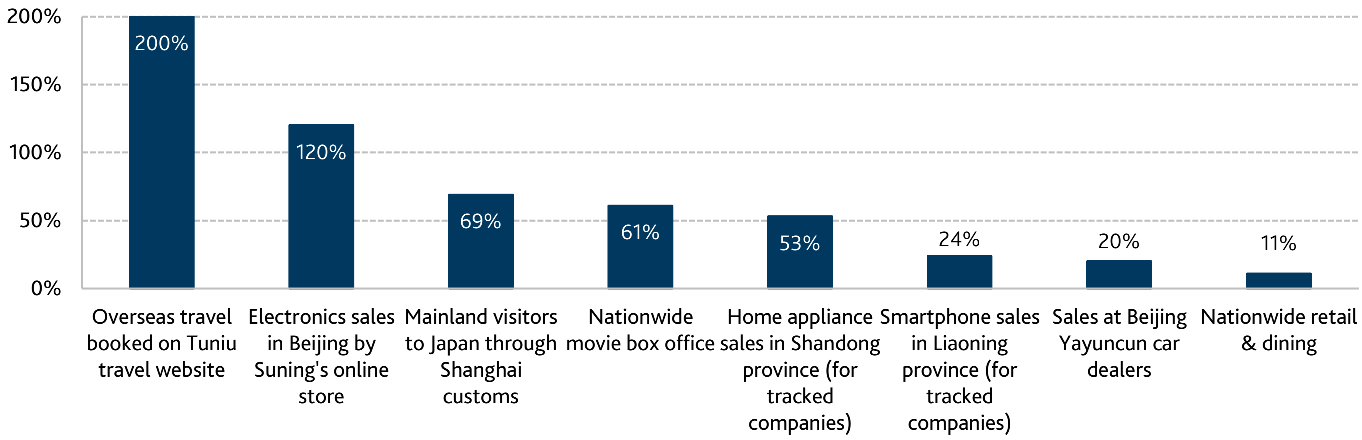
Nonetheless, as these new industries are still small in comparison to traditional secondary industries, they are not yet able to completely offset the slowdown of the old economies. Signs of slowdown are beginning to show up in job losses while the government seeks to stimulate the economy via tax cuts on autos and by reducing the down-payment requirement in property purchase. More stimulatory policies are expected. The aim of the authorities is to stabilise traditional industries and provide time for economic reforms to lift the quality and pace of growth for China's new economy.

High margin lending levels, touted as the culprit of the A-share sell-off, have come down significantly – to a manageable level (from a record high of RMB2.3 trillion to less than RMB1 trillion currently). Valuations of H-shares and A-shares are very attractive – both near historical lows, factoring in a great deal of market concerns. In this environment, opportunities exist for stock pickers to acquire growing businesses with impeccable positions at attractive prices. The Fund owns the following positions:

- **China Mobile** is the dominant mobile network operator in China. It has invested tens of billions of dollars to gold-plate its 4G data network, and Chinese mobile users are flocking to sign up – with 20 million subscribers each month, consuming four to five times more data, and paying 60% more a month for the benefits! Among China Mobile's subscriber base of more than 800 million, only 200 million are currently on the 4G network, meaning that most of the other three-quarters are expected to switch over in the next two to three years. Trading on 7x free cash flow, its earnings will grow as its 4G user base expands.
- As the leading social-network technology company in China, **Tencent** is in a prime position to benefit from the country's mobile data explosion. Its mobile messaging app, WeChat, has 600 million monthly active users and this app alone accounts for half of total mobile Internet time spent by the Chinese population. Around WeChat, Tencent has developed an impregnable ecosystem that transforms the smartphone into a gateway for social activities, media consumption and e-commerce. Whilst Tencent's stock may not appear optically cheap at 27x earnings, many of WeChat's services and functions are at

China's Golden Week Consumption Trend

1-7 October 2015 (year-on-year growth)



Source: China Ministry of Commerce, Tuniu Travel, Suning, Shanghai Tourism Administration, Goldman Sachs.

a very nascent phase of monetisation with ramp-up in advertising and payments on the horizon.

- **JD.com** is China's second largest e-commerce platform. Considered by some to be the "Amazon of China", JD.com offers unparalleled same-day delivery service in many cities and guarantees the authenticity of its merchandise. In the last year alone, JD.com grew its number of customers by 50 million. Goods sold through its web platform jumped 82% from a year ago to around US$19 billion a quarter! With only 100 million customers, opportunity for growth is immense. The company is only valued at 0.5x GMV – forecast value of goods estimated to be sold through its platform in 2016. The current market turmoil presented an opportunity to invest in this rapidly growing consumer franchise in China.
- **PICC** is the biggest auto insurer in China, which is the biggest car market in the world, adding 25 million new passenger cars a year to its fleet (China has 6 cars per 100 people, compared to 60 for Korea). PICC is a state-owned company that is focused on profitability rather than market share, and it has IT systems to segment its vast customer base to price policies more effectively and to sell via the low cost Internet channel. Non-auto lines, such as home and contents insurance accounts, are a vast opportunity still nascent in China, accounting for merely 5% of premiums (compared to approximately 25% in developed countries). Valuation is attractive, trading on 11x earnings and making a 21% return on equity.

Outside of China, India presents interesting opportunities. India has kept a relatively high interest rate policy to control inflation, which has been a perennial problem for the country's economy. Inflation rate is now well under control, having come down from levels of 10%+, which the country had grown used to, to less than 4%. A net consumer of commodities rather than a net producer, India benefits from falling commodity prices. A US$10 fall in oil price reduces its trade deficit by around US$10 billion, not an insignificant 0.45% of the country's economic output! Lower commodity prices are enabling the Indian Government to cut subsidies at a quicker pace and deploy the savings to infrastructure projects which are gaining momentum. Better policies under the current government have already led to a significant pick-up in coal production, a key fuel previously in short supply for the important power sector.

- **NTPC** is a state-owned power generator which accounts for 16% of India's total installed capacity and 25% of all its power generation. Reform-led improvements to the power sector supply chain will directly improve NTPC's profitability. NTPC's regulated capital base is set to grow by 75% by 2019, earning at least 15% return on equity. At 1x net asset value, the stock is attractively priced.
- **PC Jeweller** is one of the fastest growing wedding jewellery retailers in India with 54 showrooms across 45 cities and 17 states and adding 15 large format shops this year. With more than 10 million weddings every year in India and 47% of its population below 25 years of age, the company, with its superior product offering and authenticity, has potential for growth in a fragmented market currently dominated by mum-and-pop operators. The valuation is undemanding – at 12x earnings – if the company successfully executes its expansion strategy.

Outlook

The road of economic restructuring is rarely a smooth one. It will take time for reforms to come to fruition, and policy mistakes can occur along the way. Our view is that the direction taken by policymakers in the region is generally positive and, notwithstanding moderation in economic growth, Asia will still enjoy a superior rate of growth than the rest of the world.

The Chinese leadership continues to implement reformative measures to reduce economic distortions which have led to resource misallocation and to steer the nation onto a more sustainable path. The journey has been turbulent thus far, challenged by the need to balance many difficult considerations. However, this also presents the stock market with opportunities for superior growth in the long run.

The Indian reform story is ongoing, with key bills for land acquisition and the goods and services tax pending passage through its parliament. Interest rate cuts and increased government spending can help kick-start a build-out of the infrastructure the country sorely needs.

With these observations in mind, we are confident that the Fund is well positioned to reap the rewards as the companies we have invested in will almost invariably grow in scale and profitability in the next three to five years. We also continue to find new interesting companies with strong growth prospects at extremely attractive valuations. As such opportunities present themselves, we will add them to the Fund's holdings.

Platinum European Fund

Clay Smolinski Portfolio Manager

Nik Dvornak Portfolio Manager

Performance and Commentary

(compound pa, to 30 September 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund	4%	22%	22%	15%	12%
MSCI AC Europe Index	0%	12%	20%	11%	2%

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

The last three months have certainly been eventful. The quarter began with a referendum in Greece which saw the people overwhelmingly reject their creditors' bailout conditions, at the urging of Prime Minister Alexis Tsipras. Having won a powerful mandate to reject these conditions, Mr Tsipras proceeded to do the exact opposite, wasting no time *accepting* the Troika's demands and their money! Greece stayed in the Euro. The can was kicked down the road. And another crisis averted, for the time being.

Disposition of Assets

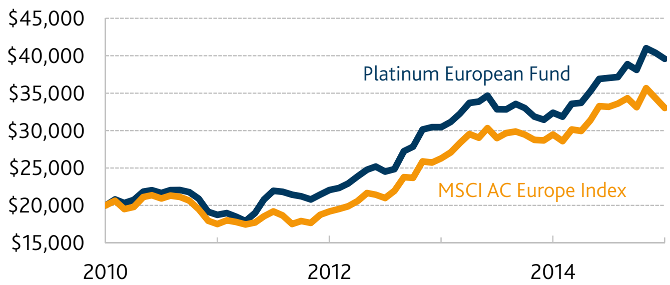
REGION	SEP 2015	JUN 2015
UK	22%	19%
Germany	16%	18%
Spain	6%	6%
Switzerland	5%	4%
Austria	5%	5%
Italy	5%	5%
France	5%	6%
US *	4%	3%
Russia	3%	4%
Hungary	2%	2%
Norway	2%	2%
Netherlands	1%	1%
Sweden	1%	1%
Turkey	1%	1%
Cash	22%	23%
Shorts	0%	-1%

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

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

Value of $20,000 Invested Over Five Years

30 September 2010 to 30 September 2015



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

The reprieve was short-lived. As the quarter progressed, a growing chorus of companies reported weaker conditions in China. Over the past few quarters, we have been very much surprised to see European equity valuations ascend to ever greater extremes, despite the lurking risks. Investors seemed fixated on central bank monetary manipulation and exhibited a remarkable degree of complacency around the global economic outlook and the Chinese economy to which it is inextricably tethered. This complacency is now evaporating.

Compounding the market's woes, Europe's largest automaker, Volkswagen (VW), admitted to using 'defeat devices' to essentially *cheat* in regulatory emissions tests. VW's stock ended the quarter 51% lower. Other European automakers were not spared, falling 22-33% as investors fretted that this might be an industry-wide practice and that the bad publicity might hasten the demise of diesel engine technology, which these companies have invested so heavily in.

European equities ended the quarter down -7% in local currency. Global cyclicals fared worst: Autos -29%, Materials -17%, Energy -12% and Process Industries -14%. The more defensive sectors held up best: Property +1%, Staples -1% and Health Care -4%.

The Fund returned +3.9% for the quarter and +22.2% for the year, in Australian dollar terms. This compares to -0.3% and +12.0%, respectively, for our benchmark. We entered the quarter with a large cash holding (23%) which protected us as stock prices fell. We also had minimal exposure to the worst affected sectors. While the Fund owns BMW and Daimler, these positions were reduced earlier in the year and did not do much damage to our performance. Our biggest detractors were companies exposed to the Energy sector (**Applus Services**), companies with operations in Emerging Markets and large positions where the investment story has encountered the inevitable bump in the road (**GFK**, **Lloyds**). The biggest contributors to our performance were large holdings where the investment story is playing out (**Markit**, **Carnival**, **Sartorius**).

Changes to the Portfolio

The Fund started the quarter with a large cash position, reflecting the difficulties we had finding suitable investment candidates in an environment of high valuations and low risk aversion. By late August the European index had sold off over 10% and we began buying a number of companies.

Roughly half of the investments we made were new positions, the largest of which was luxury conglomerate **Compagnie Financière Richemont**. Richemont's earnings are roughly evenly split between jewellery and watches. Strong demand from Chinese customers has played no small part in the volume growth and pricing power that luxury goods vendors like Richemont have enjoyed in the last decade. Investors are now fretting about what the corruption crackdown and economic slowdown in China will mean for future watch sales.

While we have sympathy for these concerns, our view is that Richemont will meet the challenge better than most, thanks to its strong brands and unmatched retail distribution network. We expect their watch sales to decay very slowly, if at all, while their multi-billion dollar cash pile leaves them well-placed to buy any heritage-rich Swiss watchmakers that may decide to exit what will surely become a much tougher business.

What really excites us, however, is their jewellery business. We don't know if shiny stones can truly win the hearts of fair ladies. But it is clear that many believe this to be the case. And these hopeful and wealthy romantics are showing an ever-greater proclivity for branded jewellery. Establishing a jewellery brand is surprisingly difficult, not least because your wealthy clientele is well aware of the commodity cost of the item. But, while rare, jewellery brands do exist and they are taking share from unbranded jewellery.

Richemont's strongest jewellery brand, *Cartier*, was the jeweller of choice for European royalty since the 1840s and was famously described by King Edward VII as the 'jeweller of kings and the king of jewellers'. This kind of heritage and endorsement cannot be manufactured or bought, no matter how good your ad agency is. It is this heritage that allows *Cartier* to charge a significant premium over other jewellers without denting demand for its wares (quite the opposite in fact!). We are encouraged that Richemont's jewellery business continues to grow strongly despite the ructions in China and sub-par economic growth in the developed world. We are paying 17x earnings, which we see as a fair price for a good business with a supportive tailwind and plenty of optionality.

The other half of the money we invested during the quarter was channelled into existing positions. Of this, around a quarter was invested in Health Care stocks (**Novartis**, **Sanofi**), a quarter in Banks (**Lloyds**, **ING**) and the balance in a broad range of companies which have either been sold down for stock specific reasons, dumped in the general flight to safety or been caught up in the negative sentiment around China and the Volkswagen scandal.

Health Care companies are not obviously cheap relative to past valuations, but the underlying earnings power of these companies is far superior today. In the past, earnings were vulnerable as many companies had neglected to invest in a pipeline of new drugs to replace the earnings generated by drugs facing patent expiry. This challenge has now largely been met as pipelines have been replenished through a combination of increased spending on research and development and cash transfers to biotech shareholders.

The story is more nuanced, however. Not only have the drug pipelines been replenished, but the quality of these new drug candidates is very high, in terms of uniqueness, innovativeness and effectiveness. Further, biologics now feature heavily in pipelines. Biologics are much less susceptible to competition from generics, meaning the earnings they generate should have much greater longevity. As in any presidential election cycle, some political heat is being directed at drug companies. However, it is hard to argue against the idea that years of expensive and truly innovative research that save people's lives should be rewarded. We think paying 15-17x earnings represents a fair price for high quality businesses whose earnings will prove resilient in a weakening economic cycle.

Outlook

We continue to expect weak economic growth in Europe with low inflation and supportive monetary policy. There continue to be domestic risks. While the risk of a Scottish secession has fizzled and a Greek default delayed, new risks are threatening the economic, social and political order in Europe. Pro-independence parties in Catalonia now control the regional government and intend to push for independence from Spain. Further down the track, we face a high-severity British referendum on EU membership. Finally, one cannot help but wonder how Europe will meet the challenge of first accommodating and then integrating the flood of refugees pouring in from the south and east and what repercussions this will have.

While an economic slowdown in China is materialising, it is worth bearing in mind that economic cycles are normal and their effects are uneven. While there are clear excesses in certain sectors, the staggering progress that China has achieved over the last three decades is very much real. A large new middle class has emerged. The average Chinese household today is immeasurably better equipped in terms of education, capital and infrastructure to compete in the global economy. This underwrites their purchasing power. **And this is not about to reverse.** Companies that benefited from the build-out of the industrial base and infrastructure may suffer weaker sales and earnings in the years ahead. But those that correctly identify and best serve the needs of this huge new middle class will prosper.

Reflecting this, the Fund is positioned with minimal exposure to Energy, Materials, Industrials, Autos, Process Industries and Hardware sectors. We also retain a large cash balance of around 22% which will be gradually invested as opportunities present themselves, albeit with a high degree of selectivity.

Our outlook is much more optimistic than it has been in the last few quarters. While scientific innovation, social progress and human endeavour all play a role, **nothing creates investment opportunities quite as quickly and effectively as falling stock prices**. In the last few weeks we have found a number of attractive investment ideas. As the market comes to terms with what is happening in China, many more are likely to arise as perfectly decent companies suffer collateral damage. We are well positioned to seize them.

Platinum Japan Fund

Scott Gilchrist Portfolio Manager

Quarterly Haiku

Arrows miss Target

Quiver reloads, Election

Nikkei forebodes ill

Portfolio Position

Sector Breakdown

SECTOR	SEP 2015
JAPANESE INTERNATIONAL FOCUS	29%
Electronics (Canon, Panasonic)	19%
Autos (Toyota, Nissan, Sumitomo Electric)	6%
Industrials (JSR)	4%
JAPANESE DOMESTIC FOCUS	32%
Internet (DeNA, NTT, Recruit)	11%
Consumer (Asahi)	5%
Health Care (Mitsubishi Tanabe, Daichii Sankyo)	5%
Financials (Mitsubishi UFJ)	9%
Property	2%
KOREA	5%
Electronics (Samsung Electronics)	3%
Financials (KB Financial)	2%
GROSS LONG	66%

Disposition of Assets

REGION	SEP 2015	JUN 2015
Japan	61%	*87%
Korea	5%	6%
Cash	34%	7%
Shorts	-6%	0%

* The Fund had a 4% short position in Japanese Government Bonds as at 30 June 2015.

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

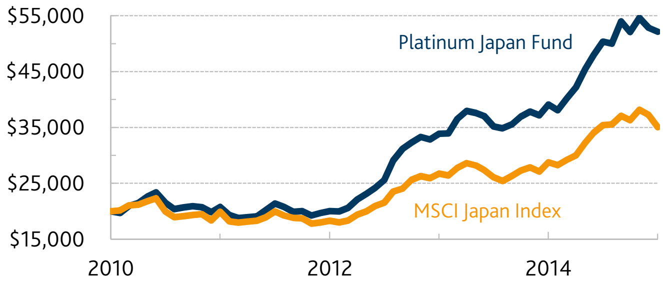
Currency Position

Japanese yen	89%
Korean won	5%
US dollar	4%
Australian dollar	2%

Source: Platinum

Value of $20,000 Invested Over Five Years

30 September 2010 to 30 September 2015



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

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

- Globally competitive exporters – **Toyota**, **Canon, Nissan, JSR**.
- Electronics and components – **Samsung**, **Ibiden**.
- Corporate revitalisation – **Panasonic**, **Mitsubishi Tanabe**, **Mitsubishi Group**.
- Internet – **NTT**, **DeNA**, **Recruit**.
- Alternative energy – **Rohm**, **Sumitomo Electric**, **Denso**, **Hitachi Chemical**.
- Domestic consumption – **Asahi**.

Performance

(compound pa, to 30 September 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund	0%	33%	38%	21%	15%
MSCI Japan Index	-3%	22%	24%	12%	2%

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

Portfolio performance for the quarter was positive (+0.1%) despite equity market weakness. The strength of some larger holdings (Shiseido, Next, Mitsubishi Tanabe, Asahi, NTT, Recruit) offset drops in export focused companies. The combination of AUD weakness and Yen strength partially offset the widespread weakness across the Japanese equity market. Cash holdings and short positions (Nikkei, Tokyo Steel, Daikin) protected the portfolio. Won weakness and USD currency hedging were slight detractors.

Changes to the Portfolio

The changes to the portfolio during the quarter, in combination with the changes reported in the last three quarters, have shifted the disposition of the Fund's assets and risks. Listing the changes in the most recent quarter: (1) the last of the Japanese Government Bond (JGB) short position was removed, (2) the short Yen and long Won currency positions were removed, (3) holdings in exporters were reduced, (4) holdings which were approaching full value were sold, (5) short positions were initiated, and (6) residual exposure to resources was removed. There are three major consequences of the cumulative changes made since late last year: (1) cash levels have increased to around 30%, (2) overall portfolio exposure has been reduced, and (3) the Fund is predominantly exposed to the Yen.

Commentary

During the quarter, we spent two weeks in Tokyo and Kyoto visiting companies in the portfolio and new opportunities. In total, we met almost 90 companies. As usual, it was a mix, with a smattering of world class competitors plus some laggards and the full range in between.

Inbound Tourism

Inbound tourism continues to be a major theme with 1.5 million tourists arriving in Japan every month, up more than 100% over the year. The weak Yen has made Japan an attractive destination for the mainland Chinese who now account for almost one third of arrivals into Japan and are the biggest spenders. Colloquially, their behaviour is *bakugai* or "explosive shopping". Buying empty suitcases at the main strip in Ginza, the Chinese tourists go home with everything from staples to discretionary items. Queues form in Matsumoto KiYoshi drug stores around Tokyo where purchases over JPY5,000 (A$53) of consumables are tax free. Kao face masks, Shiseido sunscreens and Unicharm nappies are just some examples of the high quality daily products the Chinese have been taking back home, although recent anecdotes of lower spending levels seem to have coincided with the launch and rapid growth of direct online sales from Japan into China. The experience from Korea's inbound tourism boom reminds us that these trends are cyclical within an overall growth phase. Unforeseen events will lead to significant setbacks.

Busloads of tourists buy inexpensive fast fashion at Fast Retailing Co's Uniqlo and discounted lifestyle goods at Don Quijote. Do be prepared for a unique experience at DonQi while they monitor store profitability by the minute, and do search for the roller-coaster atop their store in the centre of town. Laox, owned by Suning, the Chinese retailer, seems to specialise in something called "hostage shopping", although recently some customers have refused to leave the bus as they can see on their smartphone that prices are much cheaper just down the road. In the department stores, tourists wait to be advised by Chinese speaking beauty consultants so they can be shown the best in skincare and the latest in this season's colour palette. Demand has been so great that whole floors are being remodelled to suit the different cultural norms while maintaining the shopping experience expected by long-term local customers. Japanese branded, 'Made in Japan' cosmetics such as Shiseido's high-end Clé de Peau Beauté and Pola Orbis' Bio Active skincare and cosmetics are some examples of popular brands on the shopping list. Duty free makes up more than 30% of sales at some major department stores in popular tourist destinations such as Ginza's Isetan Mitsukoshi.

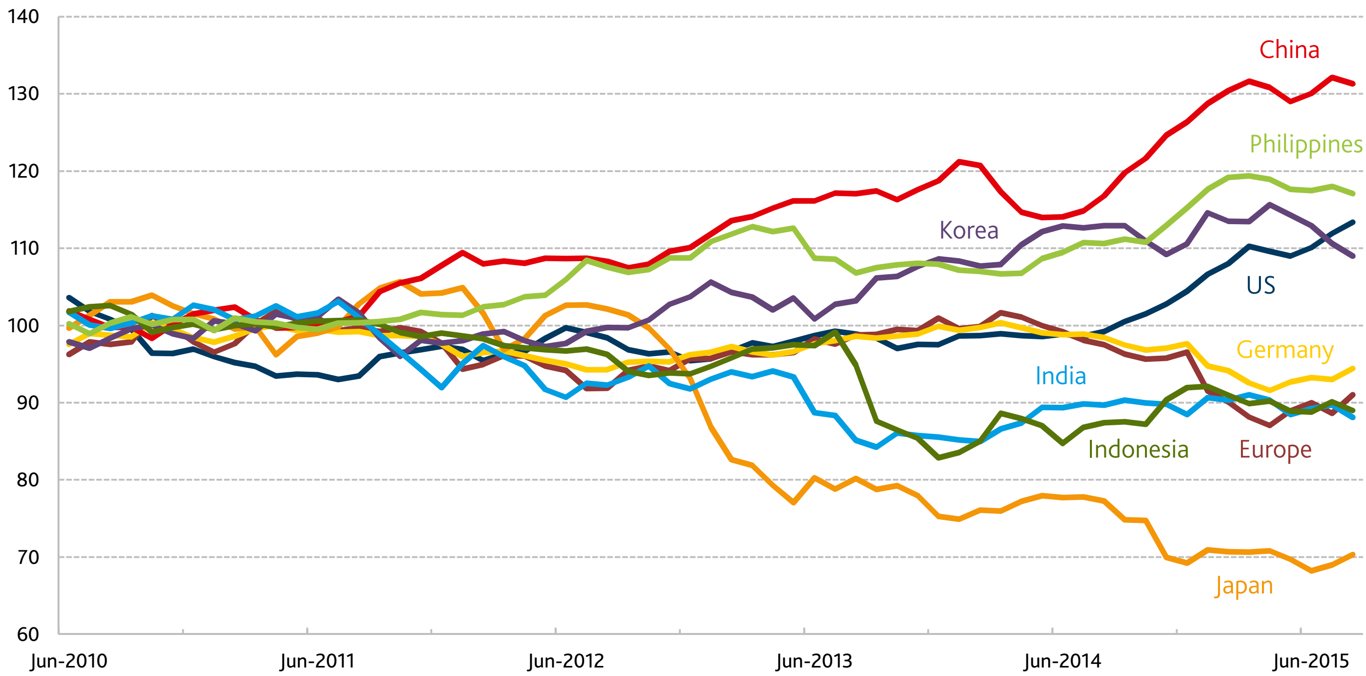
In electronics, Zojirushi rice cookers and Toto electronic toilets are in high demand. Laox, Bic Camera and Yamada Denki all offer tax free sales in their central urban stores. And it's not only Tokyo; tourists pack the heritage town of Kyoto, where hotels are often fully booked. While the kimono dressed ladies enjoy cuddling foreign babies, they seem tired of the endless requests for photos by pushy foreigners.

It seems we are only at the early stages of the inbound growth trajectory. Prime Minister Shinzo Abe set a goal of 20 million visitors per annum by 2020, which is likely to be reached as early as this year at the current pace of growth. Last year only 2% of mainland Chinese outbound tourists chose Japan as their destination, but this year it could surpass 5%. Abe sees tourism as a key driver of economic growth, calling for faster immigration and customs procedures and encouraging tourism in regional areas too. Moreover, the Japanese Government has introduced visa waivers for ASEAN countries despite previous bad experiences with such, and has eased multiple entry visa requirements for Chinese visitors. To overcome infrastructure bottlenecks, the Japanese Government is looking to increase landing slots at Tokyo's two major airports, Narita and Haneda, before the 2020 Tokyo Olympics. New hotels are also under development in the Tokyo area. Yokoso Japan!

Currency

It is arguable that the only significant outcome of Abenomics was a weak currency. And what a success! Please glance at the accompanying chart. The Yen has been the weakest real currency over the last few years, both relative to its Asian peers and globally. There are many obvious and subtle effects of this. Locals have rediscovered their interest in domestic holidays with overall Shinkansen passenger numbers growing at 4% per annum. Foreign tourist arrivals are clearly growing exponentially. Domestic competitiveness has assisted the recent conclusion of the Trans-Pacific Partnership, likely lowering tariffs and modifying interaction between the 12 partners comprising 40% of global GDP and a third of global exports. However, there are also some unexpected outcomes of a weak Yen. Auto exports are not yet growing and, in fact, are still falling despite spare capacity in many factories which are perhaps only capable of producing uncompetitive models.

Bank for International Settlements (BIS) Real Effective Exchange Rates



Source: BIS

Overall, exports are not growing anywhere near the pace expected given the magnitude of the depreciation. Retail analysts talk of a domestic recession which is papered over by inbound tourist spending. The weak Yen has driven up import prices for key consumables, thereby reducing the spending power of the majority of the population, reinforcing thrift and causing problems for Abe at the polls, just when he was pushing military measures through the National Diet and looking towards the next election. Noisy protests ensued.

The key influence of the weak currency for the Fund has been on corporate profitability, as illustrated by the attached table. In cyclical industries, it is often a mistake to pay low multiples of peak earnings. The current market valuation is summarised below. Most financial metrics and valuation multiples are at decade highs.

Current Market Valuations

P/E	P/B	P/S	EV/Sales	Dividend Yield	Net Margin	RoE
17	1.6	0.9	1.2	1.6%	5%	9%

Source: Bloomberg

Nikkei EPS and Currency

	2008	2009	2010	2011	2012
EPS	361	226	627	500	588
USD:Yen	100	90	85	80	80
	2013	2014	2015E	2016E	2017E
EPS	963	1149	1298E	1437E	1552E
USD:Yen	95	100	120E	120E	120E

Source: Factset

A New Quiver

Reform continues across the whole country, both facilitated by the government and acted out in everyday business by free market participants. The obstinacy of Japanese companies that continue to defend weak market positions, rather than allowing consolidation, leads to a hyper competitive environment in many industries. This is exacerbated by spare capacity across most sectors, including retail, transport, drinks, housing, telephony, etc. There are also hidden inefficiencies such as heavily manned container ports, over serviced restaurants, large contingents at corporate receptions, and masses of retail assistants. It is well known that the Yakuza carry business cards and have pension plans. We ate a lovely, cheap sushi dinner at a well-regarded restaurant with 12 seats, attended by six employees. Australian ports are now human-free zones, while Japanese unions impede innovation, resulting in manning levels in Japanese ports remaining as they have been for decades. We visited a company which is in the process of tripling their production capacity with six people managing robots and complex automation relative to the 200 able bodies in the existing factory. Unfortunately, the slow pace of change in many parts of the economy has worked against the interest of the nation as what seemed like thoughtful and considerate decisions led to backward thinking and a retreat from reality. The results are now being seen in companies like Toshiba and Fujitsu. It is rather surprising that many companies, even some of the better ones, are only now waking up to the wider world outside their own archipelago. They will be surprised to find that the world has moved on and left them behind in many areas. "Why do you own a golf equipment business as it doesn't seem to fit with your core activities?" "We play a lot of golf and we like to test the products." In a similarly discordant version of the world, coins and banknotes will apparently play an increasing role in society despite the seemingly inexorable trend towards digital payments and e-money. Japan remains a net exporter of cement; domestic demand for their "high quality" product has fallen 50% from the peak.

JR Central has initiated construction of their US$100+ billion project to build a new train line between Osaka and Tokyo. Recent trials of the magnetic levitation train set have reached speeds of 600 km/h following four decades of research and development. The route is direct, thereby negating the tsunami risk on the current circuitous route along the seaside. The existing Nozomi Shinkansen takes about 2.5 hours to travel the Tokyo-Osaka route while the new train will take 67 minutes… in 2047! The first section to Nagoya will be opened in 2028, after more than 200 kilometres of tunnels are bored. JR Central is using cashflow from their existing Shinkansen routes, borrowings from the major Japanese banks plus construction contractor vendor financing to avoid government assistance. When interest rates approach zero, the value of long-dated projects doesn't require the intricate calculations of a discounted cashflow, merely a summation of a future century of cash generation. Most global markets are not yet well acquainted with this simple maths.

Towards the end of the quarter, Abe and Kuroda declared that Abenomics had been successful and announced three new arrows: (1) raise nominal GDP by 20% by 2020 to JPY600 trillion, (2) raise the national fertility rate from 1.4 to 1.8, and (3) enhanced social security focused on the elderly. The original three arrows were fiscal stimulus, monetary easing and structural reforms. It's almost certain that the original key target of 2% inflation won't be achieved. The Bank of Japan's (BOJ) balance sheet remains large as a percentage of GDP at well over US$3 trillion in total assets, up 32% in the last 12 months. This implies that the BOJ has a gearing level of more than 100 to one, but standard financial metrics are almost certainly not applicable in this situation. As a reminder, the Japanese Government has JPY1,209 trillion of outstanding debt which is equivalent to 242% of GDP, including JPY783 trillion of JGBs, JPY152 trillion of T-bills and JPY161 trillion of other loans. The BOJ's holdings of JPY309 trillion of JGBs are offset by cash deposits from the broad banking system of roughly US$2 trillion, thus the newly minted digital currency has not actually entered the financial system. Recent machinery orders have been negative for the last three months, the first time this has occurred since early 2009. At the current and likely rate of purchase, the BOJ will own all available JGBs within a few years. The rest of the world also faces its own debt dilemma; the problems that led to the 2007 Financial Crisis have not been properly dealt with. It is somewhat surprising that global debt levels and overall gearing, including derivatives, are currently above previous peaks. While house prices in deleveraging economies have been coming down, this has not occurred in many regions, especially those where domestic credit remained expansionary. Emerging market domestic bank credit to GDP is now higher than G4 levels in late 2008, according to the BIS.

Outlook

The news flow from around the globe is certainly not encouraging: Caterpillar is implementing another major restructuring, a Chinese coal mine fired 100,000 staff, copper demand is weak, deflation is spreading, Chinese manufacturers are ramping their global ambitions, global sovereign bond defaults are at record levels, bond spreads are rising, corporate profits are weakening, margin debt is falling, and emerging markets are described in terms akin to a crisis. While each specific item might be a new revelation, they are generally consistent with the direction of the last year, albeit accelerating recently. In totality, they represent a severe short- and medium-term headwind for equity markets. The market had been clinging to the hope that the trend would stabilise and reverse, but that now seems forlorn. Market participants are hardly unaware of this outlook, as seen by large short positions in major markets. It appears as though trust in the ability of Central Bankers across the globe is being lost. Sentiment has dropped to very low levels. Despite the very attractive Japanese internal corporate and asset allocation dynamics, it's inconceivable that the deteriorating external environment won't be felt across the nation. Against this backdrop, the Fund's 30%+ cash position allows for opportunistic purchases amid likely volatility. In the event of a more benign outcome, the cost of this insurance would be a period of relative underperformance.

L0-Series (L-Zero) Trial Linear Shinkansen

Source: PIXTA

A Historical Note from *Inside Hosoo, the 327-Year-Old Textiles Mill Supplying Chanel and Dior*

This story will have been seen by some, but it is worth repeating as a reminder of the longer timeframes and family ownership structures found in Japan.

The Nishijin textile district in the north of Kyoto was established over 1200 years ago. Today, the relatively compact area covers only a few blocks just northwest of the city's busy Imadegawa-Horikawa intersection. Located down a nondescript side road stands one of the oldest enterprises in the city: Hosoo, a textiles mill that has been passed down through twelve generations of its founding family. Today, the mill is run by director Masataka Hosoo, 37, who is accompanied to work most days by his 86-year-old grandmother. In the showroom, a framed photograph of her receiving a hug from Pharrell Williams hangs next to an image of her and Caroline Kennedy. Such is Hosoo's cultural significance to Kyoto that touring celebrities, politicians and ambassadors are often brought to visit.

The mill was founded in 1688, when it was kept busy weaving traditional kimonos for Shogun warriors and samurai from the elite Tokugawa clan. Nowadays, the kimono business still exists, but it is nothing compared to what it once was, says Masataka Hosoo. "The market for traditional kimonos has diminished by 90 percent," he says frankly.

Fabrics made by Hosoo Mill

Source: Business of Fashion

Fabrics made by Hosoo Mill

Source: Business of Fashion

*"We work directly with our clients, no distributors," says Masataka, acknowledging that the pair's straightforward business approach is unusual for most Japanese mills, but incredibly attractive for overseas clients seeking easy communication. Many of these clients are global luxury brands, who purchase high-end fabrics for their store interiors, a lucrative business for Hosoo. Indeed, the mill has woven speciality textiles for the likes of **Louis Vuitton**, **Christian Dior**, and **Chanel**. "We have probably worked on 40 to 50 Chanel stores and, for Dior, we have made fabrics for 19 interiors," explains Masataka. The mill provides textiles directly to fashion designers as well. Their fabrics appeared on the runway at Paris Fashion week in Japanese designer Mihara Yasuhiro's A/W12 and A/W13 menswear collections. The Italian designer Luisa Cevese also featured Hosoo's work in her creations, when she inventively repurposed their cast-off selvedge edges.*

Hosoo's textile production is a time consuming process, with many stages. "There are maybe twenty process leading up to the finished fabric," explains Benito Cachinero, "which means there will be twenty master craftsmen involved along the way."

-- by Tilly Macalister-Smith
Extracted from Business of Fashion

Platinum International Brands Fund

Simon Trevett Portfolio Manager

Disposition of Assets

REGION	SEP 2015	JUN 2015
Asia	31%	28%
Europe	28%	26%
North America	11%	10%
Latin America	7%	7%
Japan	7%	6%
Africa	2%	2%
Russia	1%	1%
Cash	13%	20%
Shorts	-2%	-4%

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

Performance and Changes to the Portfolio

(compound pa, to 30 September 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	-3%	13%	16%	11%	13%
MSCI AC World Index	-1%	16%	22%	14%	2%

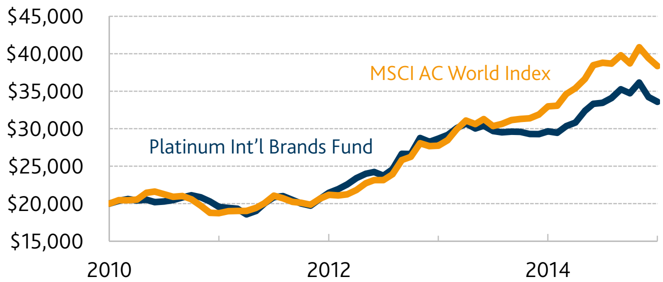
Source: Platinum and MSCI. Refer to Note 1, page 40.

The performance of the Fund at +9% for the year to date is slightly ahead of the MSCI AC World Index (+8% in AUD terms). An apparently consistent and unremarkable performance other than for noting that this has been achieved with a net invested position of about 80%, of which approximately half is invested in companies listed in emerging markets.

Over the longer term the Fund has outperformed both the developed and emerging market indices, more recently though, with the portfolio positioned approximately equally

Value of $20,000 Invested Over Five Years

30 September 2010 to 30 September 2015



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

between developed and emerging market listings, along with the cash position, the Fund has been unable to match the strength of the developed markets indices.

Clearly, investors have been prepared to pay a premium for the perceived lower risk of a recovering US market whilst relentlessly selling their emerging market investments. The short positions in some emerging market stocks also increased, at times quite dramatically over recent months.

It is during such times when there has apparently been an exodus driven by an overwhelming consensus of opinion that the underlying operational fundamentals of specific companies can be temporarily set aside by the market. The Fund has been adding cautiously to the French supermarket retailer **Casino**, along with its Latin American subsidiaries.

During the quarter the Fund switched its position in **Pepsi** to **Coca-Cola**, triggered in part by ongoing evidence that Coca-Cola is starting to address some core challenges. They are potentially in the early stages of addressing years of underperformance whilst explicitly acknowledging that changing consumption patterns and adverse media on sugar and obesity require a more accommodating strategy.

More 'portion control', that is smaller pack sizes at higher prices, could have an unanticipated positive impact on their profitability. Coca-Cola would appear to be a long way behind the broader consumer goods industry in this thinking, having relentlessly pursued volume increases.

Commentary

Casino, the French retail group along with its Latin American subsidiaries has seen its price fall dramatically, almost halving over the past year. There have been several high profile concerns, not only the recession and increasingly dire economics in Brazil, but the level of debt, associated credit rating, complexity of the group and ability to continue to pay a dividend that yields in excess of 6%. The complexity of the shareholding structure of the group, with its high level of minority interest (external shareholders) in the subsidiaries, has increasingly given rise to concerns about the parent company's access to the cash flow necessary to service the debt and dividend payments.

Several of these concerns have recently been commented on by the CEO and CFO, giving rise to a reassessment by analysts on the relative weighting to apply to each of the headline worries. It is perhaps due to the very complexity of the group and the apparent acute relevance and urgency of each of the concerns voiced by the market that the past record and actions of this management team were afforded insufficient consideration.

The immediate concerns of a downgrade of the credit rating to below investment grade giving rise to an increase in the cost of debt exacerbated concerns on their ability to continue to pay an attractive dividend. A reorganising of shareholding in Latin America will see €1.7 billion return to France, and reduced capex in France along with the benefit of several years of repositioning their domestic retail formats should ensure that the French operations can cover their cash requirements, including servicing the dividend. Beyond that, there remain several opportunities to sell assets should there be a need to further protect the credit rating. In the foreseeable future, the dividend is therefore much less exposed to the currency movements of the emerging market subsidiaries. A recent review by S&P has confirmed the credit rating with a stable outlook along with positive comments on the resilience of the Brazilian operation.

The management team has therefore been able to provide some reassurance on the more immediate concerns of the market. However, there remains the question of why invest when much of the prospects of the group are closely tied to the performance of their Latin American subsidiaries. Notwithstanding the concerns of the market, Casino is one of the highest cash generative retailers and has an attractive growth rate supported by the operations in regions currently being eschewed.

Recessions can challenge weaker participants and provide opportunities for market share increases and acquisitions by those with the capacity to manage for the longer term. Brazil is a large market, 100 million consumers with only three major competitors and a large independent market that will further struggle as the government continues to enforce regulatory compliance and tax collection.

We also note that the management team has indicated a willingness to simplify the group structure, albeit this could be entirely unpredictable in form and timing from an external perspective. We would, however, expect to see a near term recovery in the share price as the debt, credit rating and dividend cover concerns abate.

In a world struggling with the prospect of low growth, we remain convinced that the prestige beauty market will continue to provide the leading participants with attractive growth possibilities. Sephora's stores, staffed independently of the cosmetics companies and arranged by category (unlike the department stores), have proven successful with the younger generations seeking a higher emphasis on learning. This bodes well for their expansion in China where they plan to open 20-30 stores per year and expand their reach from around 60 cities to perhaps 150.

This success of Sephora with the younger generation has not gone unnoticed by Estee Lauder as they attempt to engage the ‘Millennials’ (those born between 1980 and early 2000s) with their heritage brands Estee and Clinique. M.A.C has been a phenomenal success for the company. However, as this demographic is expected to transform many aspects of the interaction (social media, online purchasing), it is crucial that they also engage these consumers with the heritage brands. To that end, Sephora will play a role as will the introduction of Kendall Jenner as a new spokes-model. At 19 years old, with 15 million Instagram followers and in demand by leading fashion brands, she’s well placed to introduce the Estee brand to a new generation.

In the meantime though, Estee notes that by 2017 the “Ageless Consumer” – those aged over 50 years – will represent more than half of the US’ population and control 70% of the nation’s disposable income. The company is clearly excited by the significance of this opportunity whilst also expecting that emerging markets will nearly double from 14% of the business to 25% over the next decade.

Outlook

The Fund’s net invested position has increased over the course of the past quarter and will likely continue as the Fund takes advantage of some much lower prices on offer, especially in the emerging markets. It is likely that as we have seen more recently, some of the Fund’s positions that have been subject to market selling and with high short interests could perform quite strongly in the short-term.

Platinum International Health Care Fund

Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	SEP 2015	JUN 2015
Europe	36%	33%
North America	25%	27%
Japan	3%	5%
Asia	3%	2%
Australia	1%	1%
Cash	32%	32%
Shorts	-1%	-1%

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

Performance

(compound pa, to 30 September 2015)

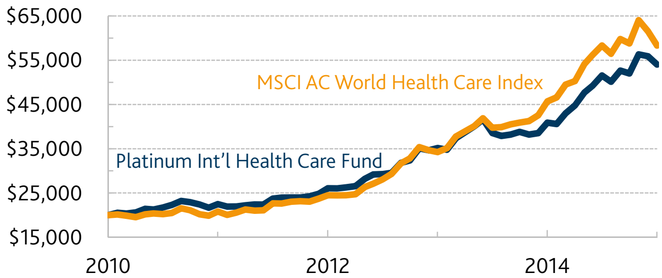
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund	4%	32%	27%	22%	10%
MSCI AC World HC Index	-1%	28%	34%	24%	10%

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

This quarter was a reminder that health care in the US is a political battlefield. Drug pricing in particular remains an easy target. It is indeed a worthwhile target, but it is also a complex one that should not be looked at in isolation as it is only 10% of overall health care cost. However, combine the pricing debate with continued consolidation in the health care sector along with high valuations of biotech companies and things will start to become scary. In the past quarter, that was exactly what happened. We saw consolidation in the health insurance sector, we saw valuations continue to go higher for biotechs, and we had Hillary Clinton starting her health care campaign. This all led to widespread selling without company specific issues.

Value of $20,000 Invested Over Five Years

30 September 2010 to 30 September 2015



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

We had been cautious on the US for some time and have preferred European companies. We also maintained a significant cash position and shorted the US biotechs. Nevertheless, the Fund has not been immune to the decline.

For the quarter, new drug approvals continued at a steady pace with Novartis' heart failure drug now available and Sanofi/Regeneron's cholesterol lowering injection also coming to market for a limited patient group.

Sartorius, the German biomanufacturing supplier in the portfolio has continued to do very well. The company benefits from the increasing number of biologic drugs in pipelines and has firmly entrenched itself globally with more and more customers. In biotech, Ipsen and Lundbeck, two companies that had and still have to restructure, are making good progress, which was reflected in their recent results. In the US, Incyte has remained strong, mostly due to its pipeline assets being recognised. Caught up in the sell-off has been BioMarin. This company has been a strong performer for the year, but to us it has not run out of excitement. BioMarin has a very full pipeline and a good track record in getting its drug approved. The one thing that has yet to materialise is a profit, but we have no doubt that is soon to happen.

Commentary

Digital information will change the way we practise medicine. Big data will be used to guide diagnosis, develop a personalised treatment plan, monitor treatment, and in time prevent diseases and save money. Oncology is leading the way today with other diseases to follow suit using molecular information to guide physicians.

Cancer is an ideal disease for "omics" medicine as the number of genetic alterations is an ever growing list. No longer is a cancer diagnosed by its location, these days it is all about what mutation drives this uncontrolled growth. Drug developers and more and more physicians use multiple data sources to understand a tumour. Medical imaging details the size and location of the tumour as well as illustrates the activity (or non-activity) of a drug while a tumour biopsy drills deeper into the molecular make-up of the tumour, thus telling us what cells are involved and what mutations are present, and allowing us to analyse the tumour micro environment and the genetic profile of the patient. Taken together, imaging and biopsy give us a comprehensive dataset and allow what is known as "precision medicine". This all sounds rather straightforward, but in reality it is a complex web of data that needs to be deciphered and presented in a readable way.

The tools used to obtain molecular data have advanced rapidly in recent years. Next Generation Sequencing (NGS) in particular has made big strides and will have a significant influence on how we practise medicine in the next decade. While it took 13 years, 23 labs and US$3 billion to complete the Human Genome Project in 2001, today, sequencing equipment sequences a genome in hours for about US$1000. This has made NGS suitable for routine clinical life. However, the bottleneck now is the analytical/interpretational process that starts once the sequencer has finished. As some say, the sequencer is only as good as its software. A sequencer has a peculiar way of working. It does not read the whole genome in one line, but makes copies of many fragments (so-called "reads") of the genome which subsequently have to be mapped to the genome and assembled in the correct way. It is like making copies of a book, then shredding each copy with a different shredder and subsequently putting it all back together correctly. There is a vast ecosystem of mapping and assembling software available, but in order to use NGS routinely in clinical practice, standardisation has to happen – something that is ongoing.

Moving along the data analysis workflow, the next step is to make sense of the now mapped and assembled dataset. Somehow it has to be translated into a diagnosis and linked to patient. This means understanding what signalling pathways are misfiring, what drugs are available for that particular tumour profile and that particular patient. This process relies heavily on databases and algorithms that require continuous updating. Again, there are many choices available to the user and standardisation is in its infancy.

As one can see, while sequencing has become pretty quick, the "dry bench" analysis remains very complex. Routine analysis and interpretation of this vast amount of digital data and linking it to medical imaging, patient medical history as well as to the wider population (and other patients) is an enormous task. It requires not only significant computer power but also, more importantly, multidisciplinary teams of clinical and biological bioinformaticians, computational biologists, molecular pathologists, programmers, statisticians, biologists as well as physicians.

To us, these are very exciting times. We are at the very early stages of computation assisted medicine. Most pathologists or physicians are not trained to use the computational analysis tools required to manage such large datasets produced by NGS, let alone make sense of it. However, we are seeing companies that are paving the way and we feel that some of them have hit the nail on the head and are well set up for the coming years. It is an exciting theme that follows what has happened in the lab. There we used to focus on one gene/mutation at a time; today we have the tools to study biological process in a parallel fashion and computational tools are now stepping up to the challenge.

Outlook

There is more caution in biotech today and the pricing debate in the US will always be a feature. We remain focused on our themes and making sure we understand the competitiveness of products, something that is key in today's world. Innovation has been very steady in the sector. Many new biotechs are well resourced, and we should see acquisitions to continue.

Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	SEP 2015	JUN 2015
North America	30%	26%
Asia and Other	29%	28%
Europe	15%	15%
Japan	8%	9%
Russia	1%	2%
Africa	0%	2%
Cash	17%	18%
Shorts	0%	-3%

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

Performance

(compound pa, to 30 September 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	-2%	14%	21%	12%	9%
MSCI AC World IT Index	2%	23%	26%	19%	-3%

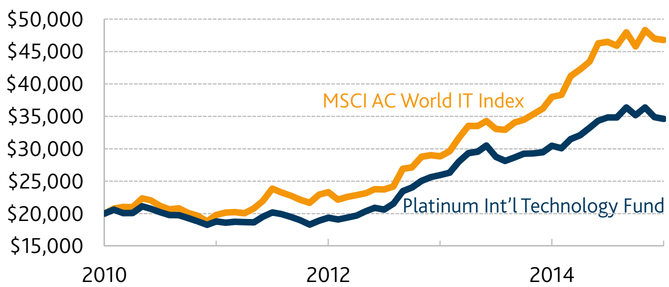
Source: Platinum and MSCI. Refer to Note 1, page 40.

During the quarter the Fund returned -1.6% while the MSCI AC World Information Technology Index (A$) was up +2.2%. For the 12 month period to September, the Fund's return was +13.6%, compared to +23.1% for the Index.

Asian and smaller technology stocks underperformed the larger US tech companies this quarter and contributed negatively to performance for the period. In the context of a -5% performance for Nasdaq 100 over the quarter, our holdings in Google (+18%) and Intel (flat) performed relatively well. Some of the weakest performers in the Fund were Chinese companies that are listed in Hong Kong or in the US as American Depository Receipts (ADRs) which were caught up in a partial reversal of the strong performance recorded in

Value of $20,000 Invested Over Five Years

30 September 2010 to 30 September 2015



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

the June quarter: Youku Tudou (+96% in Q2 and -28% in Q3), Sina (+67% in Q2 and -25% in Q3), SouFun (+40% in Q2 and -22% in Q3).

As the Fund's portfolio is constructed from the bottom up through individual stock selection independent from the benchmark index, divergence in performance is to be expected. Our high exposure to Chinese and other Asian stocks has been the chief cause of recent relative underperformance. However, we maintain the view that our Chinese telecom, Internet and e-commerce stocks are undervalued relative to Western peers and have solid potential for secular growth. We reviewed some of our positions during the recent market correction and took the opportunity to add to some of our holdings where valuations were most attractive.

Changes to the Portfolio

We added to **ZTE**, a leading Chinese telecom equipment vendor whose progress we have been following for more than a decade. Chinese wireless telecom operators have recently embarked on a multi-year plan to upgrade their networks to next generation technology (4G or LTE) and ZTE, thanks also to its leading domestic supplier status, is bound to benefit further from this period of robust telecom capital expenditure.

Following the split of eBay into two separate companies, eBay Inc., the leading online marketplace, and PayPal Inc., the network payment operator, we decided to increase our position in **PayPal**. We think investors are under-appreciating its long-term potential in a market that is still in its infancy but is expanding and growing at a very healthy pace. Despite the emergence of multiple online/offline competing and complementary payment solutions developed by software companies, financial institutions, telecom operators and handset makers, all aiming to remove friction from the act of paying, PayPal continues to grow its strong network of 170 million loyal users and 10 million merchants globally. Thanks to recent acquisitions and the separation from parent company eBay, PayPal is now better placed to pursue new opportunities (remittances, in-app applications, credit, etc.) and strengthen its already solid growth trajectory over the medium-term.

We exited our position in **Safaricom** after almost tripling our money since the initial investment in early 2013. We believe the valuation has become less attractive in light of the company's reduced growth rate and regulatory uncertainties in Kenya.

With no sign of impending monetary tightening in Australia (if anything, the opposite may occur) and China continuing its shift away from resource-intense infrastructure building and towards growing domestic consumption, the Fund remains minimally exposed to the Australian dollar. Major currency exposures as at 30 September include the US dollar (67%), the Hong Kong dollar (14%) and the Euro (9%). Our exposure to Japanese stocks remains almost fully hedged into US dollars, and we initiated a -10% short position on the Chinese Yuan to hedge our exposure to Chinese stocks.

Commentary

We recently completed a series of company visits in the US and the feedback received from management meetings was in general cautious about short-term outlook. That was true particularly of semiconductor companies exposed to a slowdown in demand for PCs and smartphones. Despite the lukewarm outlook, we found interesting investment opportunities in the telecommunications and semiconductors industries driven by favourable long-term structural trends.

Level 3 Communications

Terms such as 'the cloud' make it easy to forget that the Internet relies on a very real network of cables laid in trenches or dragged across ocean floors, carrying information from data centres around the world to your computer (or local mobile tower). Historically, this infrastructure was owned by incumbent telecommunications providers, with vast copper networks that were built over decades. But now, with the explosion in data from services such as YouTube and Netflix, cloud storage, Software as a Service (SaaS), and so forth, the old copper networks are struggling to keep up. Upgrading these networks is neither easy nor cheap. While some incumbent telecom providers have invested in their networks, others are focused on mobile or securing content as well as paying dividends rather than investing in their wireline business. This has left gaps in the market which newer firms such as Level 3 Communications are stepping into, building their own fibre networks and slowly taking share of wallet away from incumbent telecom providers.

The first steps of building a network and challenging an incumbent are often the hardest. Over time though, the network becomes denser and the cost of adding new users declines, so the economics of the business improve. Thankfully, prior investors have done the hard work for us, and after more than a decade of losses the business is now profitable, has a competent management team in place, is firmly cash generative, and is showing good earnings growth. More than US$45 billion was spent on constructing an asset base that includes 200,000 route miles of fibre optic cable forming one of the most important Internet backbone networks in the world and connecting to over 40,000 buildings. Memories of the prior struggles continue to weigh on investors' minds, however, allowing us to acquire an ownership stake at a 40% discount to construction costs, on top of which there is hidden value in prior losses which provide a tax shield to future earnings. With a substantial network now in place and cash rolling in, management is able to reinvest earnings into the business at high rates of return and give any excess cash back to shareholders. We believe all this bodes well for the company and we initiated a position in the Fund.

SanDisk

SanDisk is one of the four major NAND producers and was historically the leader in NAND flash memory technologies with its joint venture partner Toshiba. NAND flash memory is a type of non-volatile data storage technology commonly found in a diverse range of applications such as USB memory thumb drives, SD cards in digital cameras, mobile phones and solid state drives (SSD) for laptops. Non-volatile memory, as opposed to volatile memory like DRAM, has the advantage of retaining data when the power to the device is turned off.

As the cost-per-bit continues to fall, the use of NAND in SSD is proliferating in PCs as well as in enterprise and cloud servers. SSD offer vastly superior performance in speed, reliability, energy consumption and form factor over existing spinning disk technologies of the conventional hard disk drive. Storage capacities in smartphones are also growing rapidly, partially offset by the decline in removable media like USB drives and SD cards. On the supply side, we should see growth constrained in the next couple of years as the industry transitions from planar to 3D NAND[1], which is expected to provide smaller bit increase per dollar spent in additional capacity. With supply-demand tightening in the next couple of years, SanDisk should benefit from firm support in NAND prices.

The company is also a potential acquisition target. Hard disk drive manufacturers like Western Digital that are looking to diversify away from their declining spinning disk storage business might find SanDisk attractive. DRAM manufacturers like SK Hynix, who are lagging in NAND technologies, might also find SanDisk potentially a good fit. Chinese technology companies that have publicly declared semiconductors a strategic industry may as well find that acquiring a stake in an existing player is going to be easier and cheaper than spending billions of dollars in R&D trying to develop their own IP in-house.

The stock has suffered temporary setbacks in the past year due to missing product qualifications for key customers, but these issues have now gradually been addressed. The stock is currently trading below the replacement value of its capacity, at a P/E of 10-11x of its long-term earning potential. We initiated a position in the Fund as we find the stock attractive, given its limited downside compared with the strategic value of its assets.

Outlook

The 2016 outlook for consumer electronics (smartphones and PCs in particular) remains weak, and the possibility of less robust growth in the broader industrial and automotive sectors globally makes us reluctant to seek high exposure to highly cyclical sectors like semiconductors and semiconductor equipment. We remain selectively invested in some semiconductor companies where we like the specific business itself or the positive competitive dynamics or where we can profit from technology disruptions.

The highest allocation of the Fund's money is invested in Internet, e-commerce, wireless operators and related equipment, as we believe that, particularly in China, the long-term potential of the structural growth story is not yet fully reflected in prices and valuations.

1 Historically, the NAND industry has achieved improvement in density and performance by shrinking the size of NAND cells. We are, however, hitting the limit imposed by the laws of physics in how much further shrinking can be used. The NAND industry is trying to circumvent this by stacking the cells vertically in layers. This is analogous to building skyscrapers rather than single storey buildings to house more people. View the following video for more details: https://youtu.be/PPke0KV_E68.

Glossary

Dividend Yield

A ratio that indicates how much a company pays out in dividends each year relative to its share price (adjusted for any share splits).

Earnings Per Share (EPS)

An indicator of a company's profitability, EPS equals to profit, net of tax and dividends to preferred shareholders, divided by the total number of ordinary shares outstanding. In the US, companies report basic earnings per share (which does not include stock options, warrants and convertibles) and fully diluted earnings per share (which does).

Enterprise Value (EV) / Capital Employed

A measure of a company's total market value, EV equals to a company's market capitalisation plus net debt, minority interest and preferred equity, minus cash. Capital employed is the value of the assets that contribute to a company's ability to generate revenue and is calculated as total assets less current liabilities. The EV/Capital ratio represents the market's assessment of the value of a company's operating assets as a percentage of the book value of the capital invested in these assets.

Enterprise Value (EV) / Sales

A ratio that compares the enterprise value of the company to its sales. EV/Sales is seen as more accurate than P/S, as P/S uses market capitalisation which does not take into account as well as EV does the amount of debt a company has.

Free Cash Flow (FCF)

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

Gross Domestic Product (GDP)

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

MSCI Indices

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

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

Net Margin

The ratio of net profits to revenue for a company or business segment, the net margin is typically expressed as a percentage that shows how much of each dollar earned by the company is translated into profits.

Price to Book Ratio (P/B)

The ratio of a company's current share price to its book value (total assets minus total liabilities and intangible assets). The P/B is 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.

Price to Sales Ratio (P/S)

The ratio that compares a company's current share price to its revenue. The P/S is an indicator of the value placed on each dollar of a company's sales and is typically calculated by dividing the company's market capitalisation by its total sales over a 12 month period.

Return on Equity (RoE)

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

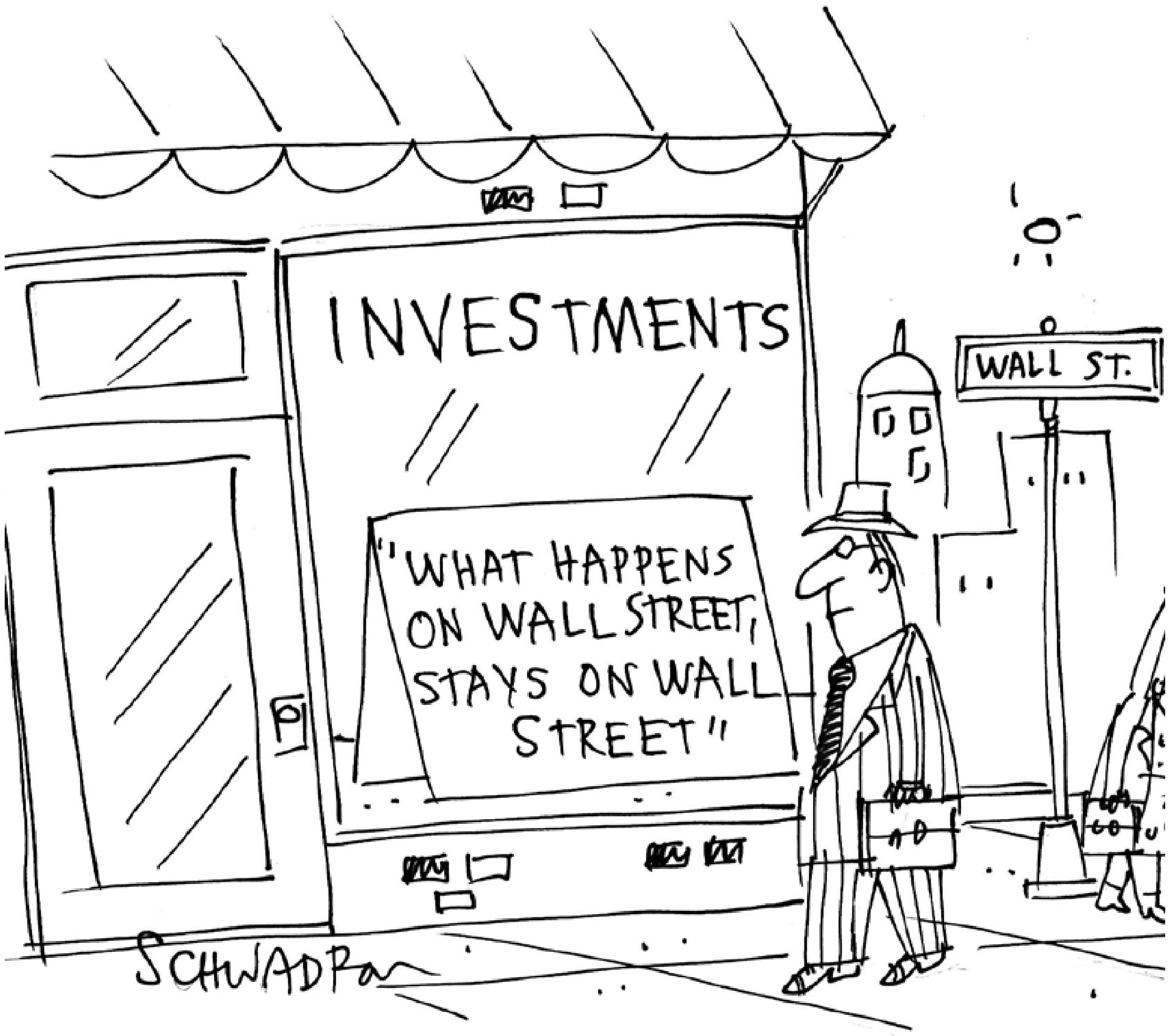
Short Selling or Shorting

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

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

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

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

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

   The inception dates for each Fund are as follows:
   Platinum International Fund: 30 April 1995
   Platinum Unhedged Fund: 28 January 2005
   Platinum Asia Fund: 4 March 2003
   Platinum European Fund: 30 June 1998
   Platinum Japan Fund: 30 June 1998
   Platinum International Brands Fund: 18 May 2000
   Platinum International Health Care Fund: 10 November 2003
   Platinum International Technology Fund: 18 May 2000

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

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

   Platinum International Fund - MSCI All Country World Net Index
   Platinum Unhedged Fund - MSCI All Country World Net Index
   Platinum Asia Fund - MSCI All Country Asia ex Japan Net Index
   Platinum European Fund - MSCI All Country Europe Net Index
   Platinum Japan Fund - MSCI Japan Net Index
   Platinum International Brands Fund - MSCI All Country World Net Index
   Platinum International Health Care Fund - MSCI All Country World Health Care Net Index
   Platinum International Technology Fund - MSCI All Country World Information Technology Net Index

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

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

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

The firm was founded in February 1994 by a group of professionals who had built an enviable reputation. The investment team has grown steadily and PAM now manages around $27 billion, with approximately 12% of this coming from overseas investors. The Company was listed on the ASX in May 2007 and staff remain the majority shareholders.

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

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1300 726 700

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New Zealand only

Or visit us at our office

Level 8, 7 Macquarie Place, Sydney

* Please refer to page 2.

Level 8, 7 Macquarie Place
Sydney NSW 2000

GPO Box 2724
Sydney NSW 2001

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

FACSIMILE
02 9254 5590

EMAIL
invest@platinum.com.au

WEBSITE
www.platinum.com.au

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