The Platinum Trust®
Quarterly Report

31 December 2010

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

Platinum International Fund
ARSN 089 528 307

Platinum Unhedged Fund
ARSN 123 939 471

Platinum Asia Fund
ARSN 104 043 110

Platinum European Fund
ARSN 089 528 594

Platinum Japan Fund
ARSN 089 528 825

Platinum International Brands Fund
ARSN 092 429 813

Platinum International Health Care Fund
ARSN 107 023 530

Platinum International Technology Fund
ARSN 092 429 555

Platinum® ASSET MANAGEMENT

Contents

Performance Returns to 31 December 2010

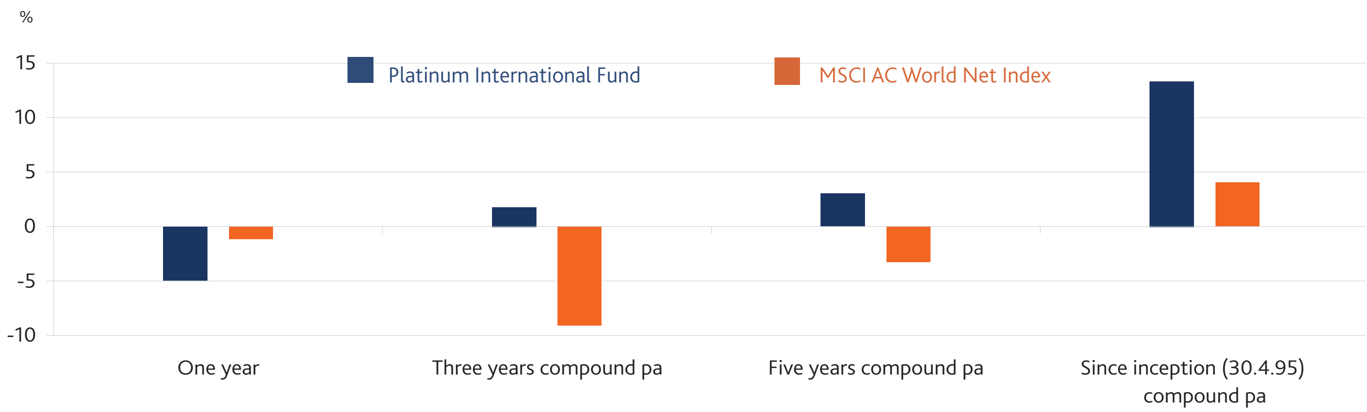
FUND	PORTFOLIO VALUE	QUARTER	1 YEAR	2 YEARS *COMPOUND PA*	3 YEARS *COMPOUND PA*	5 YEARS *COMPOUND PA*	SINCE INCEPTION *COMPOUND PA*
International Fund	**$9,197m**	**-0.5%**	**-4.9%**	**6.7%**	**1.8%**	**3.0%**	**13.3%**
MSCI AC* World Net Index		2.7%	-1.1%	1.6%	-9.1%	-3.3%	4.1%
Unhedged Fund	**$135m**	**1.7%**	**8.1%**	**18.8%**	**3.8%**	**6.9%**	**10.3%**
MSCI AC World Net Index		2.7%	-1.1%	1.6%	-9.1%	-3.3%	0.2%
Asia Fund	**$3,805m**	**-3.8%**	**4.4%**	**21.0%**	**1.1%**	**9.8%**	**19.8%**
MSCI AC Asia ex Japan Net Index		0.8%	4.9%	18.3%	-5.7%	5.6%	11.7%
European Fund	**$160m**	**3.6%**	**9.1%**	**18.2%**	**1.6%**	**4.8%**	**11.5%**
MSCI AC Europe Net Index		-1.1%	-8.3%	-1.1%	-13.6%	-3.8%	-1.1%
Japan Fund	**$403m**	**7.4%**	**2.2%**	**5.6%**	**1.0%**	**-3.3%**	**13.6%**
MSCI Japan Net Index		5.9%	1.3%	-8.7%	-9.4%	-8.8%	-1.4%
International Brands Fund	**$571m**	**2.1%**	**15.9%**	**23.6%**	**7.6%**	**7.6%**	**13.6%**
MSCI AC World Net Index		2.7%	-1.1%	1.6%	-9.1%	-3.3%	-3.4%
International Health Care Fund	**$19m**	**3.0%**	**6.7%**	**7.2%**	**-1.1%**	**1.4%**	**2.2%**
MSCI AC World Health Care Net Index		-2.4%	-9.7%	-8.6%	-6.1%	-4.5%	-0.1%
International Technology Fund	**$41m**	**0.5%**	**-3.4%**	**12.5%**	**2.6%**	**3.4%**	**7.9%**
MSCI AC World IT Net Index		5.0%	-2.3%	9.4%	-5.8%	-2.8%	-10.6%

* 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

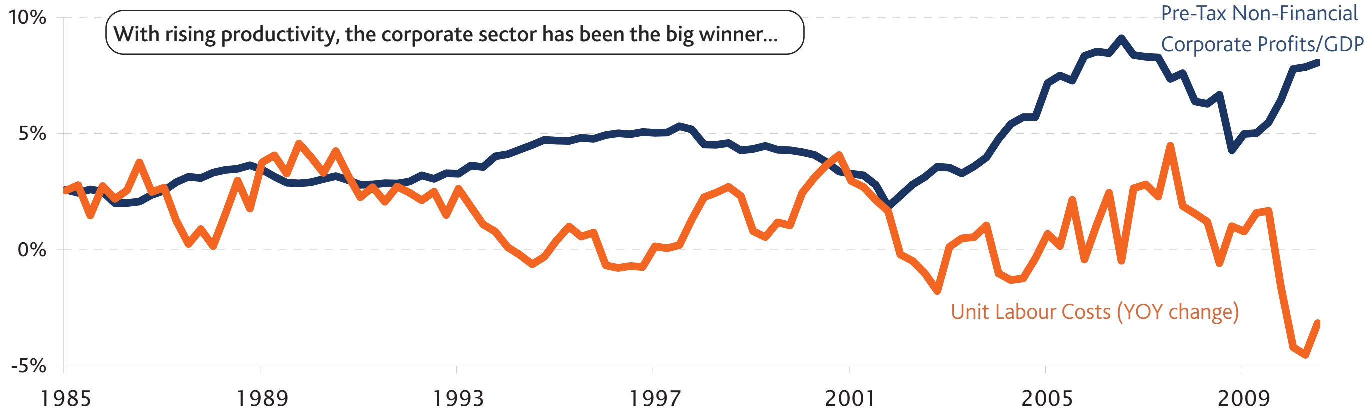
To 31 December 2010



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

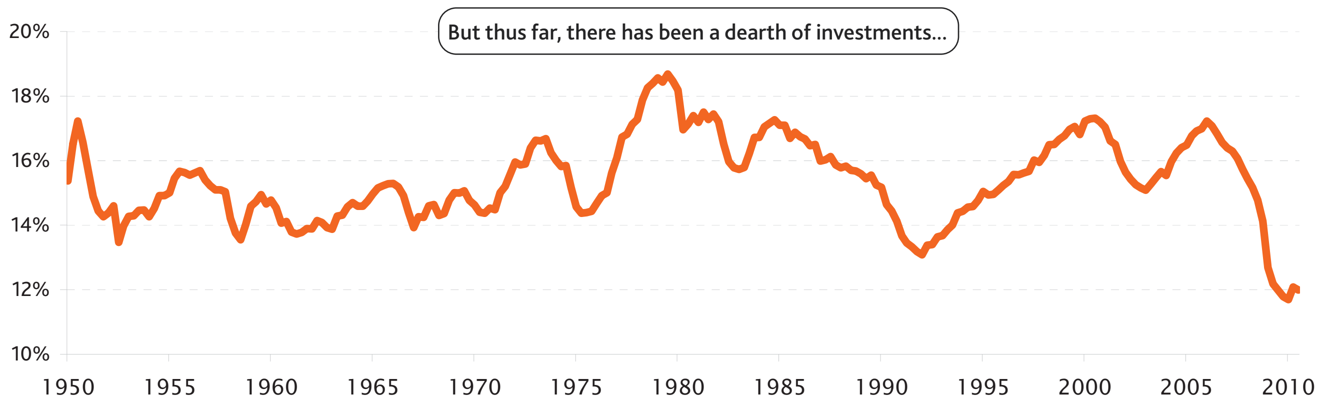
Market Panorama

US Corporate Profits to GDP versus Labor Costs



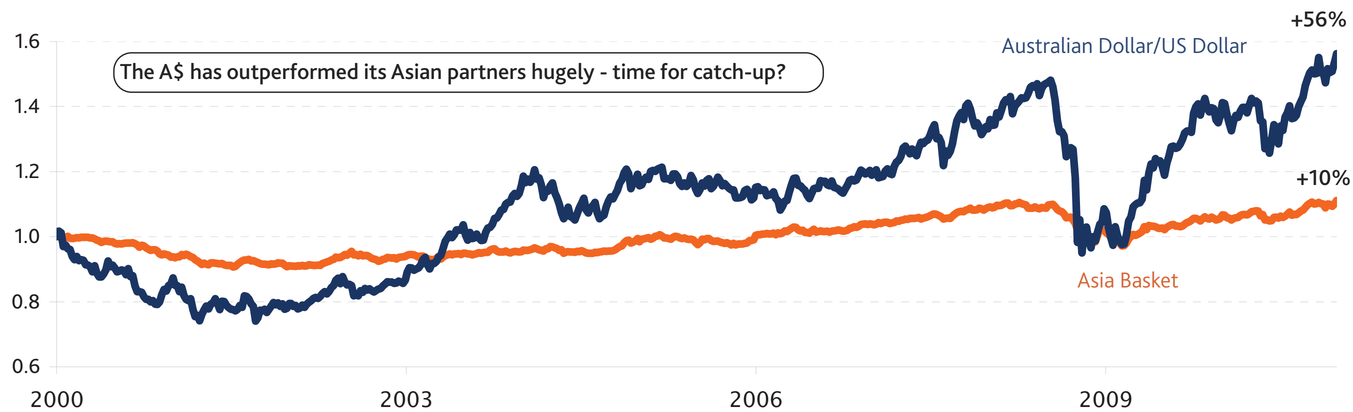
Source: Ned Davis Research

US Fixed Investments to GDP



Source: Ned Davis Research

Performance of the Australian Dollar versus Asian Currency Basket



Source: Bloomberg

Platinum International Fund

Kerr Neilson Portfolio Manager

Disposition of Assets

REGION	DEC 2010	SEP 2010
Europe	27%	27%
North America	24%	23%
Asia and Other	21%	22%
Japan	20%	16%
Cash	8%	12%
Shorts	15%	18%

Source: Platinum

MSCI World Index Sector Performance (AUD)

SECTOR	QUARTER	1 YEAR
Materials	10%	7%
Energy	9%	-2%
Information Technology	5%	-2%
Industrials	5%	9%
Consumer Discretionary	4%	10%
Financials	0%	-7%
Consumer Staples	-1%	0%
Telecommunications	-2%	-2%
Healthcare	-2%	-10%
Utilities	-4%	-12%

Source: MSCI

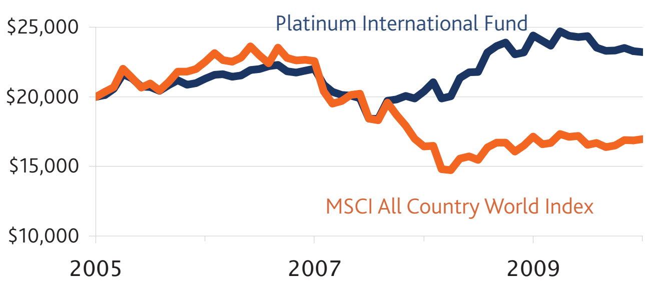
Performance

The markets continued their run that started in August, ignoring the festering issues around the Euro and deleveraging. This shift in mood coincided with the Federal Reserve Chairman, Mr Bernanke, pronouncements about quantitative easing, with the market taking the cue as it had following the pattern of earlier Fed bail outs (1994 and 2001). In this instance the Chinese were also adding liquidity on account of unsterilised intervention to hamper the rise of the Chinese Renminbi.

The intervention didn't go entirely to script as the US treasury bonds weakened significantly despite the Fed creating money to exchange for existing government liabilities. The US 10 year government bond rose in yield from 2.4% in early October to 3.5% by year end. Worse still, the TIPS (treasury inflation protected securities/government bonds) suggested that the deterioration in bond prices was being influenced by inflationary concerns as they moved upwards, meaning a higher real cost of borrowing to the Exchequer. At the same time, tight supply conditions and fickle weather led to heightened speculation in the commodity markets with surges in grains, industrial commodities like cotton and rubber, while oil trundled higher to close above $90 a barrel at year end.

Value of $20,000 Invested Over Five Years

31 December 2005 to 31 December 2010



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

Currencies have also been seen as an extension of this bet on strong commodity prices and hence growth. With the shakiness of the Euro and the seemingly imperturbable progress of the developing countries, the currencies of Brazil, Canada and Australia continued to climb. Having looked quite robust in the opening weeks of the quarter, the currencies of Asia quickly lost momentum when it became clear that the Chinese had no intention of allowing the Renminbi to succumb to the full forces of the market.

The developing confidence in the growth outlook found expression in the cyclical components of share markets. Those sectors with defensive qualities lagged by a large margin, even declining in the case of utilities and healthcare - see table on page four.

The surprise to some may be the way the developed markets gained momentum in the last quarter at the expense of the strong economic performers of India, Brazil and China. Time and again, one is reminded that when all are clamouring, the upside potential has often been fully expressed!

For the year as a whole, the MSCI World Index fell by 1.1% when expressed in A$ but was much stronger in their home currencies. The Index rose 2.7% (in A$) for the quarter. By contrast, the performance of the Platinum International Fund was disappointing; caution being the main culprit. Firstly, this approach led us to avoid the Australian dollar, which we still do as we regard it as a call option on growth, and secondly, the short positions are expensive insurance in a rising market (see sections on 'Currencies' and 'Shorting' for further detail). Importantly, several of our largest holdings (what some would classify as 'blue chips') have reported sound earnings growth yet the market has de-rated them as it chased those with more leverage to the recovery. These holdings are now trading well-below the rating of the market average despite superior track records.

The Fund lost 4.9% for the year after losing 0.5% for the quarter. Over two years and longer (see performance table on page two), our performance is well-ahead but we are conscious that investors look to the short-term for corroboration about the proficiency of their manager.

Currencies

We reversed our position on the Asian currencies back into the US dollar when it became apparent that the Chinese were determined to restrain the appreciation of the Renminbi. We also cut exposure to the Euro and ended the quarter with the following exposures:

US dollar 31%, European currencies 26%, Asian currencies ex the Hong Kong dollar 14%, Australian dollar 13%, Canadian dollar 7%, Hong Kong dollar 6% and Japanese yen 3%.

It is not as though we particularly favour the US dollar but in the short-term, evidence of the US economy recovering will provide support. (Incidentally, concerns about fiat money is the principal reason for our holding gold shares).

Shorting

In a market characterised by low dispersion, good and bad rising in tandem, the shorts proved costly. The overall position has remained at around 15% but the composition has shifted. We have introduced shorts on market indices for India and Hong Kong while cutting some of the positions in industrials.

A group of investor sentiment indicators we follow are at extreme levels of optimism. Though recent developments have turned out better than one would have imagined six months ago, it behoves us to run some defensive strategies to cater for disappointment. We would hope to trade around any retracements.

Changes to the Portfolio

Full valuations after strong rises caused us to remove eBay Inc, Qualcomm and Canon while we reduced holdings in other powerful performers such as Ping An Insurance, BMW, Siemens and Infineon Technology to make way for new names and to top-up laggards. We also trimmed our Chinese exposure on concerns about interest rate tightening, and reduced Johnson & Johnson and Merck because of some temporary product issues and delays in earnings improvements.

The bigger purchases include Shin-Etsu Chemical, Inpex, Shanda Interactive, AMD and some rare metal miners:

Shin-Etsu, described in detail later, highlights the nuances of our analysis.

Inpex might be classified as a cheaply priced call option on energy prices as it creeps closer to exploiting two large resources; the Ichthys wet gas deposit off Australia's North West coast and the Abadi offshore field in Indonesia. It became very cheap after it tackled the market with a rights issue to fund the Ichthys project.

Shanda Interactive is a Nasdaq-listed portal and game publisher operating in China. It has grown strongly and the market is concerned about its ageing gaming portfolio and whether the new portal model it is pioneering will work. Over half the capitalisation is in cash, implying a low-teen valuation in a fast growing yet still nascent market.

We have owned **AMD** before and believe that with the launch in mid-2011 of new chipsets including an integrated logic/graphic chipset for PCs and laptops, it stands to gain share from Intel.

We have also invested about 1.5% of the Fund in a select group of rare metal miners; molybdenum, tungsten, tin and palladium. These are very low tonnage markets, essential in sophisticated industrial processes and with the exception of palladium, are dominated by Chinese producers.

Platinum International Fund - Top 15 Stocks

STOCK	INDUSTRY	DEC 2010
Shin-Etsu Chemical	Chemicals	2.5%
Cisco	Communications Equip	2.4%
Samsung Electronics	Semiconductor Equip	2.4%
Royal Dutch Shell	Oil and Gas	2.3%
Bangkok Bank	Banks	2.3%
International Paper	Paper and Forest Products	2.1%
Microsoft Corp	Software	2.1%
Siemens AG	Misc. Manufacturing	2.0%
Johnson & Johnson	Health Equip/Services	2.0%
Henkel AG	Household Products	2.0%
BMW	Autos	1.8%
Denso Corp	Auto Components	1.7%
Sanofi-Aventis	Pharmaceuticals	1.7%
Bank of America	Banks	1.6%
Allianz AG	Insurance	1.6%

Source: Platinum

Commentary

It is curious how negatives come to the forefront when there is uncertainty. Over the years, investors' funds have had exposure to so-called 'unattractive' markets like Thailand, Brazil, Peru and India. This was at a time when each was seen as a no-go area and certainly perceived to have no investment merit. Times change as do opportunities – but the immutable fact of investing is that *great investments* are all about buying at the right price.

The no-go zone today is Japan. The market, as a whole, is very cheap by almost all measures though readers will be quick to remind us of the perils of a shrinking population, fiscal disorder, deflation and so forth. However, rather than bore you with macro economic diversions, it is evident that there are many companies that do grow regardless of their home market. A case in point is **Shin-Etsu Chemical** which is based in Japan yet runs a global business. In the 1990s, profits grew by 9% pa compound and this accelerated to 14% pa from 2000 to 2008. (Over this period the Japanese economy has grown by about 1% pa).

At its heart, Shin-Etsu is a chemical company active in the fields of organic and inorganic chemicals, principally polyvinyl chloride (PVC); electronic materials, predominantly semiconductor silicon wafers; and functional materials such as high purity synthetic quartz, rare earth magnets and liquid fluoro-elastomers. Driving growth has been a high commitment to innovation and the broadening of the company's product portfolio. This was accompanied by massive spending on physical plant amounting to ¥1.384 trillion in the last 10 years (approximately US$12.6 billion) yet because of its use of accelerated depreciation and having earned solid profits, the company was able to build-up its cash/investment balances alongside this strong growth. In other words, it was not "buying business" and hence has grown its market share profitably and without the need to resort to outside funding. Even during the global financial crisis, the company continued to make profits, albeit down 55% from the March 2008 peak year. Yes, there are some chemical companies that have done as well but do they trade close to book value with 25% of that lying around as cash?

The most profitable division is that which supplies silicon substrates and materials to the chip making industry. Starting from mining the silica in Australia to the production of silicon metal, to growing defect-free single crystals that are then sawn into 300mm wafers for further enhancement. It is now the dominant global supplier, meeting about one third of worldwide demand of some 3.5 million wafers per month[1] from production bases in Japan, Malaysia, the US, Britain and Taiwan. It has won similar leading positions in the principal materials needed for the subsequent *lithography* process of semi-conductor manufacture (photo-resist films for both krypton and argon fluoride laser exposures, photo-mask blanks and pellicles).

Shin-Etsu is also the **world's largest and lowest cost producer of PVC** - some 3.8 million tonnes pa, two thirds of which are produced in the US. One might conclude that Shin-Etsu is simply a commodity producer – defined as one that has no ability to differentiate its products or processes from those of competitors and consequently must accept a standardised price. This is partly correct but it has carefully chosen its locations and developed products and processes that give it a competitive edge. This is borne out by its return on investment (typically 12 to 15%) and a research and development budget of some US$360 million pa.

In the US for example, gas prices trade well-below the global average and we believe this gives Shin-Etsu a competitive edge of about 20% against the torment of most manufacturers; Chinese competitors – who combined, account for about one third of world capacity.[2] Further, the company has been aggressively integrating backwards into VCM which is enhancing its competitiveness.[3]

More recently it has built the leading position in **rare earth magnets** with all their attendant attractions of energy savings in applications such as air conditioner motors and now, the potentially huge market of electric cars. This could be enormous as auto companies seek solutions for thrifty electric motors to drive tomorrow's urban vehicles. A gain in the energy efficiency of the motor translates directly into a car's travelling range. At present, Shin-Etsu's rare earth magnets are running Toyota's Prius hybrid cars. (Hybrid sales accounted for 11% of all car sales in Japan in 2010; Honda expects them to approach the high teens in 2011).

On account of the company directing its research thematically, it continues to show an ability to identify emerging areas of potential growth such as the rare earth super magnets noted above, materials used for encapsulating light emitting diodes (LED's) – silicone moulding materials, lenses and reflectors. It is strong in other silicone products such as liquid elastomers used as a heat cured flexible moulding or sealant in autos, aircraft and electronics.

With all these claimed virtues, **why then is the market pricing the shares so cheaply;** close to half of its historic valuation relative to sales, trend profits and book value? There has been an evident loss of sex appeal for semiconductor wafer manufacturers, supported by oversupply, with 300mm wafer prices down by 45% since 2008.[4] There are also short-term issues such as the strength of the Yen, the weak housing market in America and Europe adversely affecting PVC demand, yet prices are close to their 2008 peak!

1 For all the progress made with line-shrink in semiconductor chip circuits, it may surprise some to find that the demand for wafers in terms of millions of cm^2 has faithfully risen in tandem with growth in physical chip demand. The 20 year growth has been about 8% pa according to Siltronic.

2 The majority of Chinese production (80%) is via coal through a calcium carbide process (limestone + coking coal). Further coal is guzzled to produce Vinyl Chloride Monomer (VCM) using a mercury catalyst. Overall, we estimate 8,000 Kwh of energy is needed to produce one tonne of PVC via this route while producing PVC using ethylene, sourced from natural gas, is far more energy efficient, producing a superior PVC and in terms of materials alone (excluding pollution) costs at least one fifth less. This is equivalent to US$250 per tonne for a product that sells for $1,200-1,400 pt. We see Chinese coal prices likely to continue to rise steeply!

3 The PVC division has become much deeper as a result of the integration backwards into the production of chlorine (applying electrolysis to salt) and VCM. Output of this intermediary will have doubled by 2011 to 1.6 mt reducing Shin-Etsu's dependence on Dow Chemical – to become about 60% self-sufficient. As a by-product, it will have 530/-t of additional caustic soda to sell. The price of caustic soda in the US has risen from about $100 pt in mid-2009 to over $400 pt now.

4 The 300mm wafer price averaged around ¥15,000 from 2000 to 2006, and peaked at ¥18,000 in 2007/8. Since 2009 it has traded around ¥10,000. Even at this price Shin-Etsu should see a recovery in profits because of the fall in depreciation from ¥100 billion (FY 3/08) to about ¥25 billion this year. We see wafer profits quadrupling from ¥22 billion earned in FY 3/10 by March 2012.

We see most of these factors as transient. We have not been able to identify a case where the company's competitive position has actually deteriorated nor is there any evidence that it has been losing its competitive edge to newcomers, substitutes, market decay etc. We believe the exact opposite; seeing it gaining share, and inherent profitability and building know-how in emerging giant applications. Our explanation is that the market is still somewhat uncertain about the short-term end-market demand and is probably too cautious about longer term profit recovery. Foreigners already own close to 40% of the company's issued shares, and as most protest, why buy a Japanese-based investment!

As we have noted repeatedly in the past, there is a predilection for market participants to elute to bright and shiny objects and by so doing, overlook wonderful opportunities that are far superior yet lack immediate appeal. If Shin-Etsu continues to follow its historic pattern of innovation and steady internally-funded growth, we will earn handsome returns. If on the other hand, there is a change in investor perceptions and the excitement rises about the general application of LED lighting, super magnets in electric powered cars, the move to 450mm wafers and improved conditions in housing markets and growing substitution of PVC for aluminium window frames or the like, the shares will provide an investment bonanza.

Shin-Etsu is the Fund's largest holding.

Turning back to the general outlook, it was interesting to observe at year end how the markets, other than the A share market in China, brushed off that country's problems with inflation. Some take comfort from the recent retracement of vegetable prices but we suspect the issue is chronic. The country has been growing at breakneck speed for 30 years, capital flows are difficult to control and there is a booming trade in non-bank finance. This is no longer a simple command economy yet the centre, immobilised partially by the impending change of the guard, is trying to use directives to bring back order. The recent hike in the bank rate is way overdue but it looks as though lending controls are going to be the tool of choice. Presumably investors believe slower growth in China and/or a twilight of lower growth and some inflation and Renminbi appreciation is beneficial to other markets and assumes that the spigot of Chinese credit controls will act like a perfect moderator.

Outlook

Evidence of recovery has improved since we last wrote but equally pressures of inflation have become more pronounced in the developing countries. Almost free funding is finding its way into aggressive bets on commodity prices and this is washing into the real economy.

Importantly, we can still find a large number of companies that offer investment merit and we have been adding to these stocks. Our top 15 stocks, as outlined on page six, show the diversity in sectors. We are comfortable with these holdings regardless of the environment 2011 may bring. Defensive companies are well-represented and are notably cheap. However, we have also been adding new names which have substantial earnings leverage that should add to the Fund's momentum this year.

Platinum Unhedged Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	DEC 2010	SEP 2010
Japan	30%	20%
North America	29%	29%
Asia and Other	23%	27%
Europe	13%	15%
Cash	5%	9%

Source: Platinum

Portfolio Position

Changes in annual portfolio composition:

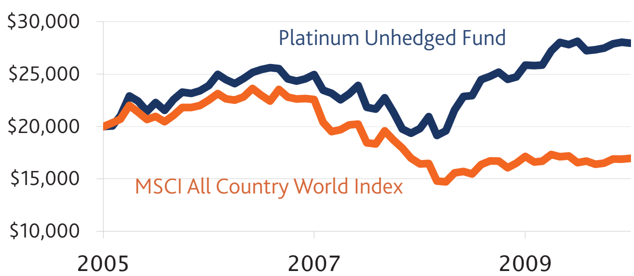
Sector Breakdown

SECTOR	DEC 2010	DEC 2009
Emerging Asia Consumption	18%	16%
Japanese Domestic	14%	10%
Technology	12%	11%
Gold	9%	8%
Consumer Cyclical	9%	14%
Mobile Data	9%	6%
Commodity	9%	8%
Healthcare	6%	8%
Capital Equipment	5%	7%
Other	4%	4%
Gross Long	95%	92%

Source: Platinum

Value of $20,000 Invested Over Five Years

31 December 2005 to 31 December 2010



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

Performance and Changes to the Portfolio

Over the last 12 months the Fund rose 8.1%, outperforming the MSCI World Index (A$) benchmark by 9.2%, and over the past quarter the Fund rose 1.7%, underperforming the benchmark by 1%.

Whilst the Fund has solidly outperformed over the last year (and since inception), over the last six months it has been tracking below what has been a relatively buoyant global market. It was a quarter in which the global stock market decisively broke-out of its 12 month trading range but what has potentially flummoxed many investors, including ourselves, is that the breakout was led by the developed, rather than emerging markets.

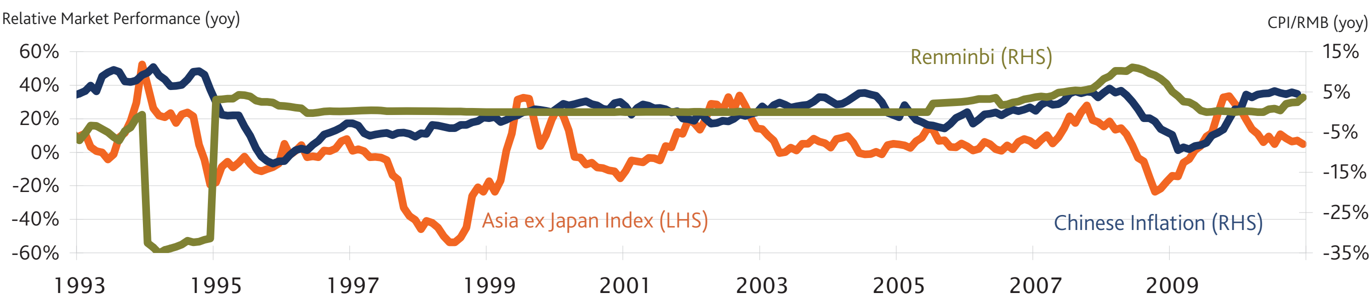
The stage seemed set for an emerging market asset bubble to form and almost on cue, in early October the Chinese A share market (shares listed in China) took-off. However, there was one problem; the Chinese authorities had not yet bought into the idea and acted to fully sterilise the external account and drain surplus liquidity from the system. In previous cycles, the Renminbi appreciation has played a key part of a phased tightening process and Chinese equities have typically outperformed during this phase. Unfortunately, this time around, we seem to have fast forwarded straight to the inflation phase which is typically bad for Chinese, Asia ex Japan and emerging market equities generally (see chart below).

Accordingly, the performance attribution of the Fund was generally reversed from that of the previous quarter with our emerging Asia interest rate sensitives (e.g. Asian property stocks) underperforming Western cyclicals (e.g. capital equipment, commodities and technology stocks).

As we explain in the Platinum International and Japan Fund quarterly reports, due to the extreme undervaluation of some of our favourite Japanese stocks, we found it hard to resist adding exposure to a couple of previously owned names, JGC Corp and JSR Corp, and to existing positions in Mitsubishi UFJ Financial, T&D Holdings and Shin-Etsu. We also added positions in Bank of America and Vodafone Group (see the Platinum International and Platinum European Fund September 2010 quarterly reports for our rationale). This was mostly funded by reductions to our Asia ex Japan consumption stocks and healthcare stocks (we sold Merck as it had reached our price target).

Within our emerging Asia consumption stocks, on relative valuation grounds we reduced exposure to some of the winners (i.e. Guangzhou Automobile, Henderson Land and Soho China) and added to our online gaming stocks (Sohu.com, Giant Interactive and Shanda Interactive). Many would suggest the apparent cheapness of these stocks reflects the risks associated with a hit-driven business model. However, priced on ex-cash PEs of between 6-10 times, we view them as inexpensive calls on rapid growth in consumption spending. In China, a 'hit' MMORPG (Massively Multi-player Online Role-Playing Game) will typically gain one million active users. When you compare this to the biggest

Chinese Inflation and the Renminbi versus Relative Market Performance



Source: Factset

global MMORPG, *World of Warcraft* with 15 million users, we do not find it difficult to foresee growth in the user base at least in line with the rapid growth in Chinese internet adoption. We also see value in their platforms as launch-pads for Western content i.e. Japanese developer Square Enix has teamed up with Shanda Interactive to distribute a Chinese version of *Final Fantasy*. In the case of Sohu.com, over a third of profits are derived from advertising revenues sourced from its portal site, the eighth most trafficked site in China, a business that should grow rapidly inline with rising internet advertising penetration.

Our total stock count was getting a little too high and hence we sold out of a few small positions typically in preference for a larger position in a stock providing a similar exposure but on more attractive terms (e.g. we sold KBR Inc and Transocean, and bought JGC Corp); the total long stock count fell from 67 to 63.

Commentary and Outlook

There is growing evidence that Chinese monetary policy is being conducted as a key part of political policy without the pretence of Central Bank independence. This means continued reliance on a relatively fixed exchange rate, liquidity and administrative controls to moderate inflationary pressures and income policy to drive-up the consumption share of GDP. However, as the West's experience with such policies in the 1970s attests, there is a real risk of inflationary expectations becoming embedded; this is not a policy that can be found in the Federal Reserves' 'How to Manual on Asset Bubbles'. Accordingly, the significant correction in the Chinese A share market in the face of what were relatively benign tightening measures would suggest that inflationary pressures are building faster than authorities had anticipated and that some form of catch-up is required. Though it seems inevitable that further Renminbi appreciation will occur, the question of timing remains. Much of the internal Chinese debate is emotively focused on the negatives of such a policy with Japan used as exhibit A for why a strong currency policy is a long-term negative. (However, last time we looked, Japan's per capita affluence was somewhat higher than most other countries, save the few that are either private banking city states or mine camps).

As the West discovered in the 1980s, floating exchange rates, interest rate tools and Central Bank independence proved far more effective at managing inflationary expectations (referring to the cost of living rather than asset prices) than administrative controls. However, it could also be argued that much of the post-1983 decline in Western inflation rates related to exogenous factors, including:

- Structural decline in commodity prices due to the large capacity build-out that occurred in response to the period of elevated prices (e.g. for oil, the development of the North Sea and Alaskan resources).
- 1991 collapse of the Soviet Union and the freeing-up of resources that followed.
- An unusually high technology based productivity dividend.
- Deleveraging of the Japanese economy post-1989.
- Implosion of emerging market consumption demand following the 1997 Asian currency crisis.
- The entry of China's cheap labour into the global trading system.
- The deflationary impact of the internet including the facilitation of price comparison and more efficient distribution models.

Today we struggle to identify where the next great deflationary pulse will come from. Whilst the obvious source would be a simple deleveraging of the Western economies in a similar manner to Japan, all three of the major Western Central Banks are either actively or passively fighting this process via quantitative easing policies targeting lower exchanges rates/higher inflation. One could make the case that China's seeming insatiable demand for resources is rapidly transforming the country into a source of cost push inflation rather than manufactured goods deflation; further Chinese policy is now actively encouraging rapid growth in wages. We will continue to monitor the situation closely as rising global inflationary expectations would lead to a major reshuffling of currency, bond, stock, sector and geographic preferences.

Platinum Asia Fund

Andrew Clifford Portfolio Manager

Disposition of Assets

REGION	DEC 2010	SEP 2010
China (Listed PRC)	6%	8%
China (Listed Ex PRC)	18%	18%
Hong Kong	3%	4%
Taiwan	6%	6%
Greater China total	**33%**	**36%**
Korea	18%	17%
India	11%	11%
Thailand	9%	11%
Malaysia	5%	6%
Singapore	5%	5%
Philippines	3%	3%
Indonesia	2%	3%
Vietnam	1%	1%
US/Canada	1%	0%
Cash	12%	7%
Shorts	9%	8%

Source: Platinum

Performance

Performance (compound pa, to 31 December 2010)

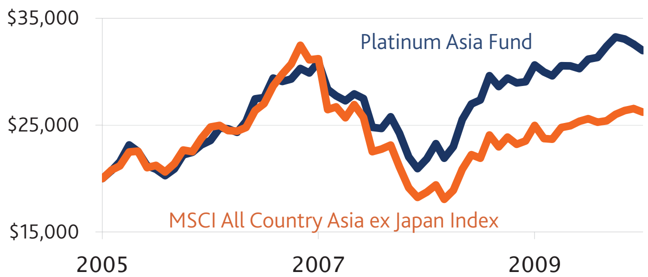
	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund	-4%	4%	1%	10%	20%
MSCI AC Asia ex Jp Index	1%	5%	-6%	6%	12%

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

Asian stock markets had another bright quarter rising a little over 5% though this was reduced to only 0.8% due to an appreciating Australian dollar. The strongest regional markets were Korea (+9.5%) and Taiwan (+8.9%), both beneficiaries of improvement in the performance of the US economy as well as ongoing growth in China. The weakest markets were India (flat) where rising interest rates were a drag on the market and the China H shares (+2.3%) which were held back by concerns over rising inflationary pressures in China.

Value of $20,000 Invested Over Five Years

31 December 2005 to 31 December 2010



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

Over the quarter, the Fund underperformed the market by almost 5%, offsetting the benefit of an equally good performance in the prior quarter. The Fund saw good returns from its holdings in a number of its Korean finance holdings including KB Financial Group (bank, +22%), Korean Investments (broker, +27%) and Dongbu Insurance (+27%), as the Korean domestic economy continued to perform well. Major exporters such as Samsung Electronics (+22%) and Taiwan Semiconductor (+15%) were also good contributors to performance. The main detractors were Guangzhou Auto (-20%) and our Indian property stocks, Housing Development and Unitech, both falling 25% over the quarter. The Fund's minimal exposure to the Australian dollar has meant the benefit of rising Asian stock prices over the last six months has been lost due to our appreciating currency.

Changes to the Portfolio

The main change has been to decrease the net invested position of the portfolio from 85% at the start of the quarter to 79%. This was achieved by increasing the cash position of the Fund through the sale of a number of our smaller holdings that performed well. Included in these sales were Sohu (Chinese internet portal) which had performed strongly since its initial purchase the prior quarter. Also sold was the holding in Ping An Insurance H shares, though an investment is still held in the A shares of that company. The short positions were also increased but more importantly refocused on China (primarily the H share index in Hong Kong) where we expect there to be weakness as policy is tightened in China as a response to rising inflationary pressures.

New additions to the portfolio included **China Mobile** where there have been promising developments with its local 3G technology that should see it able to stem its recent market share losses. **Franshion Properties** is a Chinese property developer and investor that to our eye appears significantly undervalued. **Manila Water** has a concession to operate part of Manila's water supplies that allows it to earn a real return of 9% on its investment. Considerable ongoing capital expenditures required to modernise the city's water and sewerage system should see the company grow its earnings for some time to come. The Fund also took advantage of weakness in **Unitech** (Indian property developer) to add substantially to this position.

Commentary

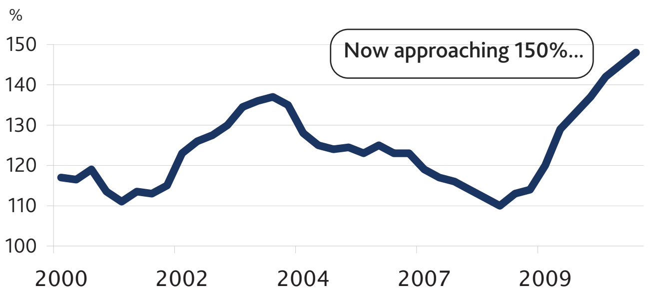
We return yet again to the topic of inflation in China, a subject that has been at the centre of a number of our past reports. Although we would prefer not to bore readers with a return to the familiar ground, it is in our view the issue for Asian stock markets in the year ahead.

Starting in mid-September food prices in China began increasing at an alarming rate pushing the rate of food inflation back over the 10% level for the first time since 2008. Although it is difficult to judge the significance of any given level of inflation, the anecdotal evidence from our contacts in China suggested that the drain on household budgets was not insignificant. Supporting this were the moves by various local governments to put in place food price controls and regulations against hoarding. Stories of school students trashing their school canteen in response to price increases also suggested that the on-ground experience was perhaps greater than suggested by the headline statistic.

Most commentators remain unconcerned about inflation in China. They would argue that food prices are a function of external factors such as weather (indeed this appeared to be behind the rise in vegetable prices, which are now falling back) and that the vast supply of low cost labour means the prospect of food inflation morphing into broader price pressure via wages is unlikely. While typically they would agree with our proposition that an undervalued exchange rate will lead to inflation, the expectation (and hope) is that this will reveal itself in the price of assets such as property (which of course it has) and stocks (which in the case of China's domestic stock markets hasn't been so easily observed). The People's Bank of China (PBOC) seems to share a similarly relaxed position having made only some minor adjustments to interest rates and banking reserve requirements while most focus has to date been on administrative measures regarding lending to the property sector.

There are a number of developments that cause us to be far more concerned. Most importantly, as revealed by *Fitch* in their report on China's banking system, there has been a significant disintermediation of the banking system over the last year. The result is that growth in credit is occurring at much higher rates than had generally been understood or intended by the PBOC. Simply, there is more fuel being thrown on the fire when the reverse is required. Meanwhile wage increases would appear to be accelerating and although

China - Credit as a % of GDP



Source: Wigram Capital Advisors and CEIC

annual increases of the order of 20% are not yet out of line with history, the recent rate of increase suggest they soon will be. Indeed our meetings with companies operating in China suggest wage increases of up to 50% are not unusual. Finally, many of the controls Chinese authorities have used in the past appear to be breaking down. Loan quotas for the banking system no longer appear relevant and in the property market individuals have learnt to ignore measures aimed at pushing prices down. Indeed some measures such as price controls tend to make the situation worse with producers resorting to various tactics such as hoarding.

Ultimately though, the Western notion that food price inflation is not relevant for policy makers is wrong. Food makes up a significant part of household budgets and thus prices are politically sensitive. The last two occasions in 2004 and 2007 when food prices moved up, action was taken to cool the economy, primarily through increasing interest rates and a tightening of the banks ability to lend. Unless inflationary pressures dissipate (and we can't see why they will given the rate of lending growth in the last year), we would expect no difference this time. Although bankers may have been able to skirt the lending quotas to date, once action is deemed necessary we would expect lenders, which are primarily still government controlled, to be brought back into line. Our long held hope that the Chinese authorities would allow a stronger Yuan exchange rate to mitigate inflation seems an unlikely prospect at this stage and even if pursued would probably make little difference.

Outlook

We would expect that initially the domestic Chinese stock market (A share market) to be the weakest of the regional markets in a period of rising inflation as the prices anticipate the potential for a tightening of policy. Indeed this has been the pattern in the past two inflationary episodes of the last decade when the A shares have entered bear markets while the rest of the world continued to enthuse about the prospects for China's growth.

Across the range of Chinese companies there is likely to be highly divergent performances depending on their ability to pass on labour cost increases. Indeed one might expect that state controlled entities will be reluctant to (or be directed not to) increase prices and profitability will suffer as a result. Many of the larger H share companies will fit this category and as a result we expect the Hong Kong H share market to be a relatively poor performer.

If China is forced into more extreme action to slow down growth then this will have negative implications for all of the regional stock markets, commodity markets and commodity plays such as the Australian dollar. However, the building inflationary pressures that we expect, may well in the initial stages, bring forward activity and exaggerate China's growth prospects which will most likely be greeted with enthusiasm by the usual suspects.

Until there is a clear change in China's outlook we would expect a continuation of the trends of the last three or so months with China's markets weak and the rest of the region outperforming. There are numerous other factors that may yet come into play such as the effects of policies including US quantitative easing but for the moment this remains our base case. The difficulty as a stock picker is that we continue to find the best value across the region primarily within Chinese stocks. Our approach has been to continue to buy those companies whose valuations we find most appealing and to try and reduce the Fund's market exposure through short sales of the H share index and other instruments.

Platinum European Fund

Clay Smolinski Portfolio Manager

Disposition of Assets

REGION	DEC 2010	SEP 2010
Australia	1%	0%
Belgium	3%	3%
Finland	3%	4%
France	25%	25%
Germany	42%	41%
Italy	2%	2%
Netherlands	1%	2%
Sweden	2%	3%
Switzerland	1%	4%
UK	11%	11%
US	2%	1%
Cash	7%	4%
Shorts	4%	6%

Source: Platinum

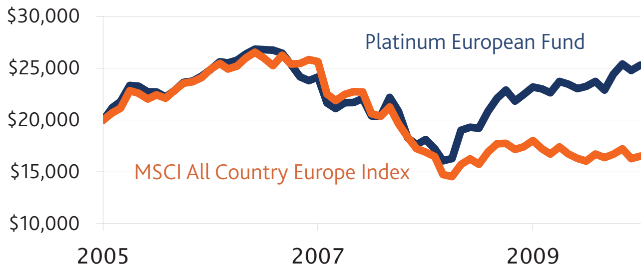
Performance

Outside of the periphery (Spanish IBEX -5%, Italian MIB -2%) European markets in general continued their upward march since September; the UK and French markets appreciating 6% and 3% respectively, with Germany being the clear standout, up 11% for the quarter.

The outperformance of the German market continues when measured over the year, the DAX returning +15% well-ahead of the FTSE (UK +9%), CAC (France -3%), MIB (Italy -13%) and IBEX (Spain -17%). The fruits of a decade of work to restore German corporate competitiveness (which are getting a steroid shot in the form of a weak Euro and low interest rates) are now flowing down to the broader consumer. The unemployment rate (even when accounting for short time workers which allows companies to put workers on reduced schedules rather than lay them off) is fast approaching pre-crisis levels and we are seeing real growth in German wages for the first time in 10 years. This dynamic is breathing life into the long stagnant German retail and construction sectors, and investors have been keen to play the theme with the domestic consumption plays (DIY retailer Hornbach (+25%), food and electronics retailer Metro (+17%) and TV broadcaster Prosieben (+25%)) doing well over the quarter.

Value of $20,000 Invested Over Five Years

31 December 2005 to 31 December 2010



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

Elsewhere strong performance for the quarter was all about the cyclicals. Auto stocks were up across the board as their profitability continued to surprise analysts (Volkswagon +31%, Fiat +36%), the share prices of European specialty and commodity chemical producers continued to reach record highs (Lanxess +47%, BASF +30%) and the capital good stocks were again strong, especially those directly linked with spending in the mining sector (Atlas Copco +30%, Metso +25%).

Conversely the weak areas of the market were a replay of the trends seen throughout the year, utilities (electricity prices remain low, a product of low gas prices and generation overcapacity), banks (fears over regulation/sovereign risk on top of broadly dull credit demand), pharma (patent cliffs mixed with investor boredom) and telcos (shrinking fixed line revenues) all doing very little.

In local currency, the MSCI Europe Index was up 5% for the quarter, however, with the $A appreciating 4-8% against the European currencies over the period, the Index return when measured in $A was a more modest -1.1%. The Platinum European Fund returned 3.6% over the quarter.

Over the calendar year the European Fund was up 9.1% outperforming the MSCI Europe Net Index which returned -8.3% over the same period.

Changes to the Portfolio

Outside of two promising real estate/infrastructure investments which we detail later in the report, new additions over the quarter included German diagnostics leader **Qiagen** which we entered at an excellent price after the stock sold off on concerns over slower growth in the US; oil giant **Royal Dutch Shell** who is set to harvest the cash flow from the past five years of heavy investment and French distiller **Pernod Ricard**. The funding for these new purchases came from the full exit of Dutch vaccine producer **Crucell** and Swiss pharmaceutical player **Novartis**. We also trimmed a number of our more cyclical holdings after strong performance.

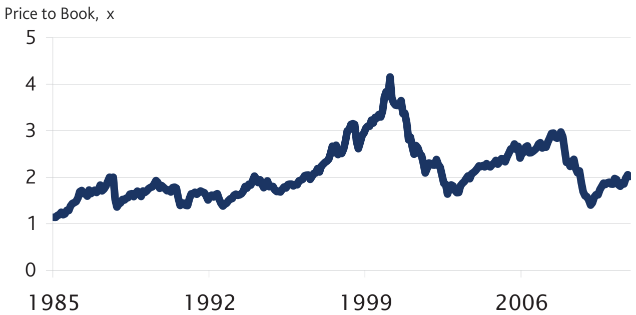
On the currency front, with an eye on the prospect of further tightening in China and the speculative froth around commodities prices, we further reduced our modest hedge into the Australian dollar by 10%. The majority currency position of the Fund now stands at 50% Euro, 14% Australian dollar, 12% British pound, 11% US dollar and 8% Norwegian kroner.

Commentary

December marks the period where the crystal ball gazing of the brokerage community goes into overdrive as each house produces their forecast on the outlook for 2011. As investors, we are primarily interested in what is the likely return we can make from markets in 2011 and what companies/industries hold the most promise. We can make a good start to these predictions by answering two simple questions: Firstly, are European markets still attractively priced and secondly, how are investors positioned?

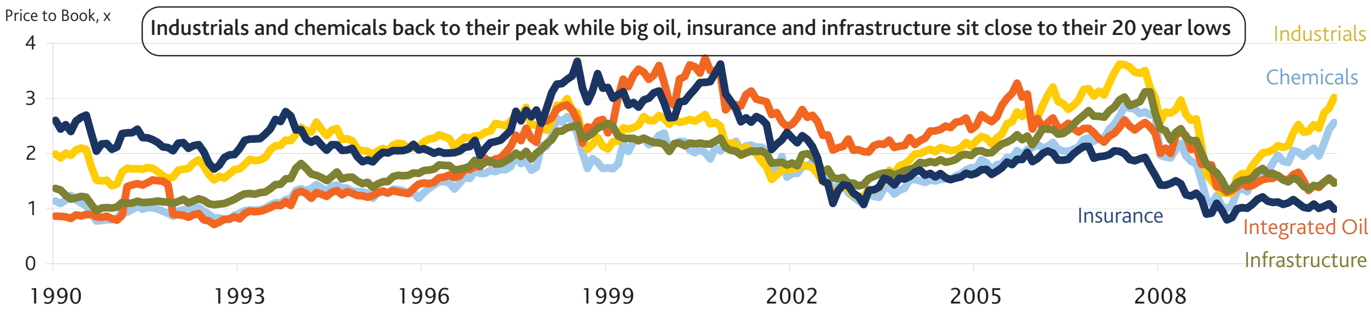
On valuation, the MSCI Europe Index is trading on a current PE of 12 times which is expected to fall to below 11 times in 2011, a reasonably modest starting point given the long-term average PE of markets is 14-15 times. On a price to book valuation, Europe is now trading at roughly two times book, a similar valuation to when Europe was last exiting a recession in 2003 and below its 20 year average of 2.3 times and the 2007 peak of three times. Overall valuations in aggregate are not pointing to markets being over-extended.

Europe - Price to Book



Source: Factset

European Sector - Price to Book



Source: Factset

Looking beneath the index, the picture is less sanguine. Valuations in Europe are increasingly clustering at opposite poles and investors are still heavily positioned in the stocks perceived to offer growth or cyclical recovery. The poster child of this enthusiasm for growth are the European industrials and chemicals who have rebounded to their 2007 valuation peaks while sectors like insurance and infrastructure sit at 20 year lows. Overall our market PE of 12 times is a combination of the higher quality or growth businesses priced at 17-20 times whilst the comparatively dull media/retail/insurance/utilities/bank/pharma stocks all sit at valuations of 10 times or lower… a far less comfortable starting point!

As alluded to in the opening salvo, many of these unloved industries are cheap for good reason; a structurally declining fixed line telco or postal service is an unattractive investment unless extremely cheap and even then, only as a short-term trade. However, for others the headwinds are far more transient and one area we have been finding opportunities are the traditional 'hard asset' stocks (utilities, infrastructure and real estate etc).

A change in expectations around inflation would be a trigger for investors to revisit these companies as whether it be via high leverage with fixed cost debt or revenues with some linkage to inflation, the common thread to these businesses is that they are given a helping hand in inflationary environments. Whilst the level of commentary is building, the spectre of rising inflation is not really being priced into these stocks. This is interesting given we have ongoing money printing in the US, roaring commodity prices, building wage inflation in China and a one size fits all monetary policy in Europe which for the benefit of the periphery will remain too lax for Germany. Of course the nature and the immanency of the inflationary pulses in each economy will differ (i.e. China is currently experiencing strong wage and food inflation, where Germany is at risk of higher inflation especially if there is a pick-up in domestic credit growth) and we would highlight our recent investments are ones where rising inflation would provide a welcome free kick rather than being the crux of the investment case.

One such addition is UK pub owner **Enterprise Inns**, a company readers of the Brands Fund quarterly reports will already be familiar with. The owner of 7,100 tenanted pubs, the business is one of a real estate owner who collects a rent but also participates in the trading profit of the tenant (through tied alcohol sales) and hence there is a large day to day operational element in selecting and supporting your publicans. The business has struggled under a huge debt load, product of a land grab which left it with too many weak pubs (and publicans) just as the headwinds of smoking bans and recession hit. The last 18 months have seen underperforming pubs sold, weaker tenants replaced and debt terms and costs restructured. Profits have stabilised and with the bulk of the fires now extinguished, management can now get back to the real business of improving the trading at their pubs. Annual rent increases are indexed to UK retail price inflation which is currently running at 5% and this together with some modest growth in beer revenue will put us on track for solid profit growth. The level of gearing ensures this is an investment not without risk, however, given we are paying a low single digit multiple of earnings and a mere 0.3 times book value the risks are largely priced and the upside, should events progress to plan, will be quite dramatic.

Elsewhere we have been building a position in a fine transport infrastructure asset that is operating well below its intended capacity. Revenue and traffic levels have historically disappointed, regulated charges were set at uncompetitive levels and the company was forced to rely on a single poor performing third party operator to complete its freight service. The catalyst for an improvement is the recent deregulation of both the companies operating parameters and its industry participants. Fixed tariffs have been lowered and new operators can now enter the industry to challenge the old guard. This will not only open up new freight and traffic catchment areas, but more importantly will allow management to setup their own freight logistics service, side stepping some third party operators and giving them control over delivery times and reliability.

Establishing new routes and attracting new customers will take time so the improvements in operations will be felt over years rather than months. However, the fixed cost nature of the business will ensure incremental revenues largely fall to the bottom line as profit, whilst the long concession life allows profits to be reliably forecasted (and valued) many years into the future. The combination of the above means that even modest improvements in traffic and revenue will have a disproportionately large effect on the share price.

Outlook

The need for Ireland to call on the European Central Bank (ECB) for help has intensified the scrutiny on the plight of the Spanish. The past success and current problems of the two countries stem from similar issues. With the benefit of low interest rates after entry into the Euro, both experienced a credit boom that made them the tigers of Europe, with fast economic growth and rising employment attracting flocks of migrant workers to their shores. The credit boom eventually led to a construction and real estate bubble, and it is the subsequent housing bust and the desire to support their banks that is putting government finances in jeopardy, rather than wild overspending in the past[1].

[1] Both the Spanish and Irish governments had been de-gearing since the mid-nineties. From 1996 to 2007, both governments kept their total debt load fairly stable, while their economies grew massively. Spanish government debt as a percentage of GDP dropped from 67% in 1996 to 36% in 2007. Ireland's debt dropping from 73% of GDP in 1996 to 25% in 2007.

Given the similarities, is it inevitable that the Spanish follow the Irish in calling on the ECB for support? Not quite, the banking sectors have their differences. Firstly, 50% of the Spanish banking sector is controlled by Santander and BBVA, whom unlike the Irish banks have diversified businesses with highly prized and profitable operations outside of Spain (Santander – Brazil/UK, BBVA – Mexico/Turkey). These overseas assets not only provide profit to recapitalise losses in Spain, but the appeal of these divisions to investors have allowed Santander and BBVA to continue to raise equity from the market. In the event of further big write downs of Spanish loans, it is not obvious the government would need to bail these two out. Secondly, even if we simulate Irish style loan losses on the total Spanish loan book, the cost of full recapitalisation would be approximately €300 billion. Netting off the value of the equity portfolios held by the regional savings banks (conservatively valued at €150 billion) would see government debt rise to roughly €800 billion (80% of GDP) post recapitalisation. Not a comfortable number but below Italy and on par with France who have debt to GDP ratios of 115% and 80% respectively.

While a banking-led sovereign crisis is not inevitable in Spain, realistically in the short-term this may not matter. The bond market is looking for a stable recovery to GDP growth but the country still has high unemployment and a government trying to cut spending, none of which will promote economic stability in the short-term. In this context, near term setbacks are more likely than not and with the markets skittish, we are mindful borrowing costs could blow out at the first sign of weaker than expected GDP numbers. All up, common sense dictates that any Spanish investments need a decent margin of safety and with the Spanish market now 40% below its 2007 peak we are further researching some opportunities were the risks look to be more than adequately reflected in the price.

On a broader scope, for the moment the prospect of a continued recovery in the US is outweighing concerns over inflation pressures in Asia. The growth divergence between Europe's north and south is set to continue and while this idea is not lost on the market, large macro shifts in profit leadership tend to run for some time. The key, as ever, is paying the right price and we are comforted in the outlook for the portfolio by the fact that we are still finding a steady flow of new ideas for the Fund.

Platinum Japan Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	DEC 2010	SEP 2010
Japan	98%	88%
Korea	5%	7%
Cash	-3%*	5%
Shorts	15%	14%

The Fund also has a 10% short position in Japanese Government Bonds.

* Of Japan's 98% long exposure, 5% relates to call option positions where the capital at risk is 0.6%. Without this position, cash would show at 2%.

Source: Platinum

Portfolio Position

Changes in annual portfolio composition:

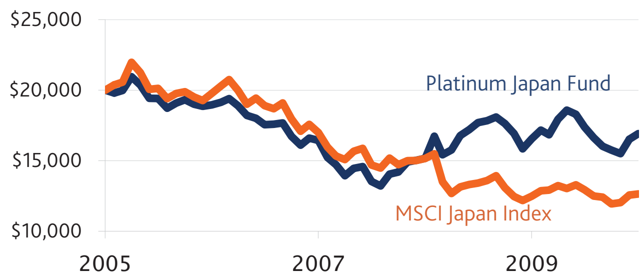
Sector Breakdown

SECTOR	DEC 2010	DEC 2009
DOMESTIC	54%	47%
Financials	19%	11%
Retail and Services	14%	13%
Telco, IT and Internet	13%	14%
Real Estate and Construction	8%	9%
EXPORT	49%	46%
Tech/Capital Equipment	17%	19%
Commodities	13%	9%
Autos and Machinery	11%	8%
Alternative Energy	8%	10%
Gross Long	103%	93%

Source: Platinum

Value of $20,000 Invested Over Five Years

31 December 2005 to 31 December 2010



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

Performance

Over the past 12 months the Fund rose 2.2%, outperforming the MSCI Japan Net Index (A$) benchmark by 0.9%, and over the past quarter the Fund rose 7.4%, outperforming the benchmark by 1.5%. For the quarter the benchmark rose 5.9% in A$ terms and 8.9% in Yen terms.

Chinese inflation surprises and monetary tightening triggered a rotation out of the emerging markets into developed markets with Japanese equities experiencing a "relief" style rally. As we highlighted last quarter, the strength of retail flows into emerging markets (close to new record highs) suggested a correction was overdue. Asset allocators must now consider whether the recent emerging world underperformance is just a temporary setback or the beginning of a longer term trend. At the very least, it has provided valuation-insensitive momentum investors some pause for thought.

In contrast to last quarter's highly correlated and indiscriminate liquidation of Japanese equities, the current quarter offered a somewhat healthier environment with signs of life from key laggard sectors (e.g. energy, chemicals, property and financials) and also the midcap market. Similarly, in regard to quarterly performance attribution, some of our long dormant exposures in the above areas sprung to life but our shorts, as we were too pre-emptive, cost just under 1% in performance.

In terms of the attribution over the past 12 months, being less than fully exposed to the Yen cost approximately 3.8%, stock and index shorts cost 1.9%, the Japanese Government Bonds (JGB) short cost 0.3% and we made 8.2% on our longs. With significant exposure to the Taiwanese dollar, South Korean won and US dollar (in aggregate 43%), which each respectively depreciated by 11%, 4% and 13% against the Yen, our currency positioning away from the Yen remains the biggest drag on the portfolio. The Yen and Australian dollar remain the über currencies in a world bereft of strong currencies.

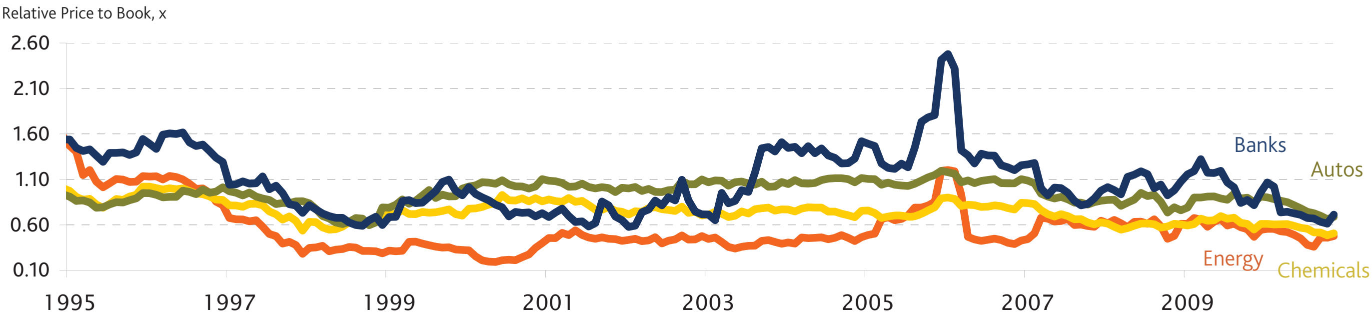
However, we remain convinced that the Yen's strength is <u>not</u> sustainable. Japan (as with most of Asia) has suffered a terms of trade shock relative to commodity exporters such as Australia and also continental economies like the US and Western Europe. Japan's inflation relative to its trading partners has not been sufficiently low to offset the terms of trade shock i.e. there is a point where rising commodity prices may erode the much vaunted trade surplus. The parlous state of Japan's government finances means the currency would be highly vulnerable to any decline in Japan's external surplus.

Changes to the Portfolio

Long Positions

Whilst we think the Japanese stock market is generally undervalued, there are four areas where the undervaluation has been too extreme for us to ignore and during the quarter we added exposure: Financials (see over), Chemicals (JSR Corp and Shin-Etsu), Energy (JGC Corp and Inpex Inc), and Autos. The chart below compares these Japanese sector valuations against their global counterparts. Whilst there is no shortage of value traps, there are some extremely high quality

Japan versus Global Sector - Relative Price to Book



Source: Factset

companies that are simply mispriced. Shin-Etsu Chemical is a great example and the detailed rationale behind our investment (our fourth largest holding) can be found in the current Platinum International Fund quarterly report on page four.

Accordingly, we increased our total long exposure from 95% to 103%. Investors would be aware that under the Fund mandate, there is a no-leverage condition and hence, we have used a combination of long swaps and call options to facilitate these purchases (note the Fund mandate allows for a total gross exposure of 150% and we are unlikely to go even close to this limit). Specifically, over the quarter we increased our effective holding in Mitsubishi UFJ Financial from 3.5% to 6.8% and T&D Holdings from 2.1% to 3.1%.

We now have 15% of the Fund exposed to Japanese banks and life insurance companies. Our enthusiasm here is that we believe inflation will one day return to Japan and will go a long-way to improving the core profitability of these institutions. To understand more fully, we refer investors to the June 2008 Platinum Japan Fund quarterly report (http://www.platinum.com.au/images/pjfqtr_0608.pdf). Whilst it is some time since our first investment and our thesis is yet to play-out, during the quarter we decided to increase our exposure at even cheaper valuations as we think the inflationary pulse that has been unleashed by the Chinese credit bonanza is starting to leach into the rest of the world. We take a closer look at Chinese inflation in the current Platinum Unhedged and Asia Funds quarterly reports on pages nine and 12 respectively.

Short Positions

No significant changes.

Currencies

In keeping with our view that the Yen is overvalued, we cut our exposure from 45% to 39%. We also reduced our South Korean won position from 29% to 15% (with the Chinese refusing to allow the Renminbi to appreciate, the rationale for owning Asian currencies is somewhat weakened). Consequently, our US dollar holding increased from 8% to 23%.

Commentary and Outlook

As we noted in the last quarterly, in early October the Bank of Japan (BOJ) also created some excitement by announcing an additional asset buying program worth up to ¥5 trillion (or 1% of GDP or a 4% expansion) of the BOJ's balance sheet. Importantly, it will target assets other than JGBs, a necessary first step to ultimately adopting an inflation targeting regime that focuses on restoring a yield curve and risk appetite. Whilst relatively immaterial, this policy is a step in the right direction as it will be very difficult to bring the fiscal deficit under control and reduce the Japanese Government's mountain of debt without some inflation. However, without more direct political pressure, the BOJ will remain inherently reactionary, delivering what it perceives to be the minimum amount of financial easing required to maintain the status quo.

The question remains as to whether the current Chinese inflation cycle is powerful enough to lift Japanese inflationary expectations and ultimately drive domestic Japanese investors out of cash and back into more inflation protected assets like stocks and property. To remind investors, the Japanese household holds financial assets of US$15 trillion, equivalent to three times GDP and currently only 3.5% of this is directly invested in the Japanese stock market. The capitalisation of the Japanese stock market is US$4 trillion – every 1% allocation of household assets towards equities is equivalent to buying 4.5% of the entire Japanese stock market i.e. a small change in domestic investor risk preference could have a significant impact on the market. The magnitude of shift in the allocation of household assets towards equities is not available in most other countries or stock markets as it reflects the historically high savings rate that Asia has supported relative to large parts of the Western World (US, Australia and most of Europe).

Whether we are close to the mark on our macro prognostications for Japan is not really the point. What we are most excited by is just how cheap the stocks we own are; that is, how attractive their prospects are relative to valuation.

Platinum International Brands Fund

Simon Trevett Portfolio Manager

Disposition of Assets

REGION	DEC 2010	SEP 2010
Europe	36%	36%
Asia and Other	27%	34%
North America	7%	6%
South America	6%	6%
Japan	7%	5%
Cash	17%	13%
Shorts	7%	7%

Source: Platinum

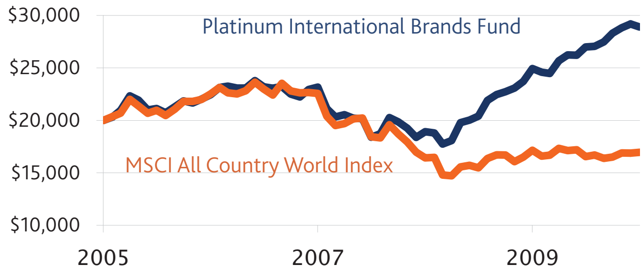
Performance and Changes to the Portfolio

The Brands Fund returned 2.1% for the quarter, marginally behind the MSCI World Index at 2.7%. The continued strength of the Australian dollar detracted from performance and particularly the strengthening against a weaker Euro. Many of our larger European investments have a high export or international presence which we believe should contribute strongly in the forthcoming earnings reports.

Twelve month performance of the Brands Fund continues to be robust at 16%. By comparison, the MSCI World Index reported a decline of 1% despite the good recovery in most equity markets throughout the year. Over three years, a return of 7.6% pa compound has the Fund ahead of its 2007 peak by just over 20%, whereas the MSCI World Index reflects a nearly 30% decline over the same period.

Value of $20,000 Invested Over Five Years

31 December 2005 to 31 December 2010



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

The Fund's Indian holdings declined in the quarter, as did the majority of the Fund's investments across the smaller Asian markets including in the Philippines, Indonesia, Singapore and Malaysia. In Europe, the Fund's larger investments in BMW, Pernod and Henkel continued to contribute well.

Noteworthy in the quarter was the performance of Mulberry (handbags), which more than doubled as both their products and the company are increasingly being discovered. On the negative side, Square Enix, a Japanese creator of computer games, declined 25% on disappointments arising on the timing and quality of major title launches.

During the quarter, the Fund closed its short position in Reckitt Benckiser, sold the holding of Serm Suk for considerable more than we were offered by Pepsi and also took the opportunity to reduce various holdings that have performed well this year. The Fund has started to build some new holdings, however, the net effect on the quarter, together with inflows, has been an increase in the cash position.

Commentary

There has been a somewhat predictable pattern of commentary from many consumer companies over the past year; notably around the growth being obtained from China and parts of Asia and for those with substantial businesses in the mature markets, the progress made on containing or reducing operating costs. The interesting observation may be just how strong or unexpected that growth has been and when applied to a reduced cost base, just how much profit can be generated?

To use an example that we have discussed in previous reports, BMW was just as concerned as many others to take a cautious view of the world, to take various accounting provisions against a deteriorating environment and to contain or reduce costs as quickly of possible. The speed at which they, and all their suppliers, have had to adapt from managing factory shutdowns to then being overrun with orders has left both analysts and management rapidly trying to adjust to an improbable outcome.

Although, on the evidence of the share price movement, it would appear that the market has assimilated this turn of events, we suspect that the improvement in profitability may be even more impressive than the growth in the monthly sales. Certainly the monthly sales numbers by vehicle are closely watched and modelled, however, not many, including within the management team, have experienced such sustained demand as China has produced. BMW kept their factories running over the Christmas period foregoing the more usual shutdown for holidays and maintenance. As an aside and perhaps paradoxically, a slowing in demand from China may be a welcomed opportunity to relieve some excess pressure in the supply chain.

Similarly for other segments, notably in luxury goods, fashion and jewellery, the demand has been relentless with companies enjoying an ability to command premium prices and foregoing discount sales. An alternate expression of this observation is that underlying valuations may not have moved up as much as has been implied by the share price moves and that we may yet see some remarkable profit results delivered in the forthcoming earnings reports.

Not all companies have been well-placed to participate, with many either not having built the appropriate capabilities or perhaps have been overwhelmed with difficulties in the mature markets. Similarly within the portfolio of the Brands Fund there have been outcomes that have improbably exceeded expectations or disappointingly failed to make the anticipated progress. Both outcomes are closely scrutinised and our holdings are readily adjusted if needed, however, in most cases we remain confident that the underlying profitability is likely to have been better than anticipated.

The underlying tenet of the Brands Fund is to benefit from the higher returns that accrue to the owners of well-managed Brands. More specifically, the introduction of an emotive component to a consumer's decision process generally results in a higher price. The Brands Fund has clearly benefited from this as the generation of wealth in China is celebrated by an overt show of success with luxury brands from Cognac to Rolls Royce.

Rolls Royce sold 1,002 vehicles worldwide in 2009, down from the record set in 2008 of 1,212. For the 11 months to November, an outstanding 2,282 vehicles have been delivered of which more than 500 have gone to China. Considering the price these vehicles command and the ensuing profitability, the purchase by BMW of the rights to the brand for a mere £45 million in 1998, looks to have been exceptionally astute.

It is not exclusively the domain of luxury goods where high returns and strong growth can be achieved. The Brands Fund has also pursued opportunities where extraordinarily youthful populations are making progress up the earnings scale. Sometimes from extremely low levels and where aspiration products may be considered merely basic necessities for many in developed markets; shoes, personal care and household products.

The Fund has a number of investments in companies with well-known brands in markets that may be considered difficult or challenging such as Saudi Arabia, Pakistan or Zimbabwe. Consistent traits across the Fund's investments are well-recognised brands, youthful populations with rising incomes, reasonable valuations and a closely involved parent company or partner. Although individually each of these investments may be relatively small, they nonetheless might provide the potential for some unusually interesting and rewarding outcomes over the longer term.

Outlook

The global imbalances are still the topic of much discussion and speculation and perhaps more importantly give rise to the potential for some sharp moves and increased volatility in the equity markets. The Fund has increased its cash position throughout the quarter in anticipation of more interesting opportunities developing in the new year.

Whilst the Fund will continue to be opportunistic with investments in emerging markets, there are increasingly attractive ideas and valuations forthcoming in the larger companies of the Western markets. By comparison, the valuations of some of the well-known Brands companies listed in Europe or even the US are a fraction of those on offer in parts of Asia, despite the fact that many have substantial and growing business in the same markets.

Platinum International Health Care Fund

Bianca Elzinger Portfolio Manager

Disposition of Assets

REGION	DEC 2010	SEP 2010
North America	43%	39%
Europe	33%	35%
Japan	3%	2%
South America	2%	1%
Asia	1%	0%
Cash	18%	23%
Shorts	1%	1%

Source: Platinum

Performance and Changes to the Portfolio

The Platinum International Health Care Fund rose 6.7% for the year while the MSCI World Health Care Index was down 9.7%. For the quarter, the Fund increased 3% while the Index declined by 2.4%.

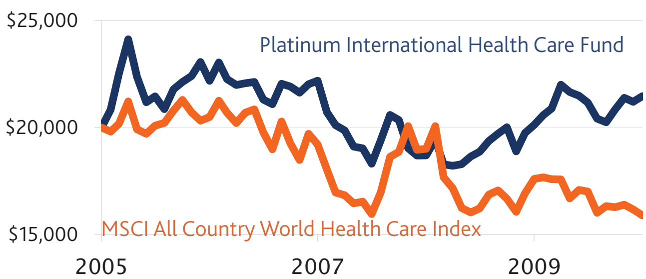
Our biotech holdings lead the good performance of the Fund. Most notably, Caliper Life Sciences, Ariad, Medivir and Incyte all have doubled in value for the year.

Drug developers favour Caliper's imaging technology as it allows them to monitor in real-time the activity of new drugs in animals. This accelerates development time lines and allows early decision making.

Boston-based Ariad has demonstrated how valuable good medicinal chemistry expertise can be. Ariad has, in rapid time, developed a new blood cancer drug called Ponatinib. The drug works well in leukemia patients that have become resistant to the current standard of care. Ponatinib has now been fast tracked and could be approved as early as 2012.

Value of $20,000 Invested Over Five Years

31 December 2005 to 31 December 2010



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

Incyte, a company we wrote about 12 months ago has ticked all the boxes this year. The company secured Novartis as a partner and is now preparing for the launch of its first drug in late 2011.

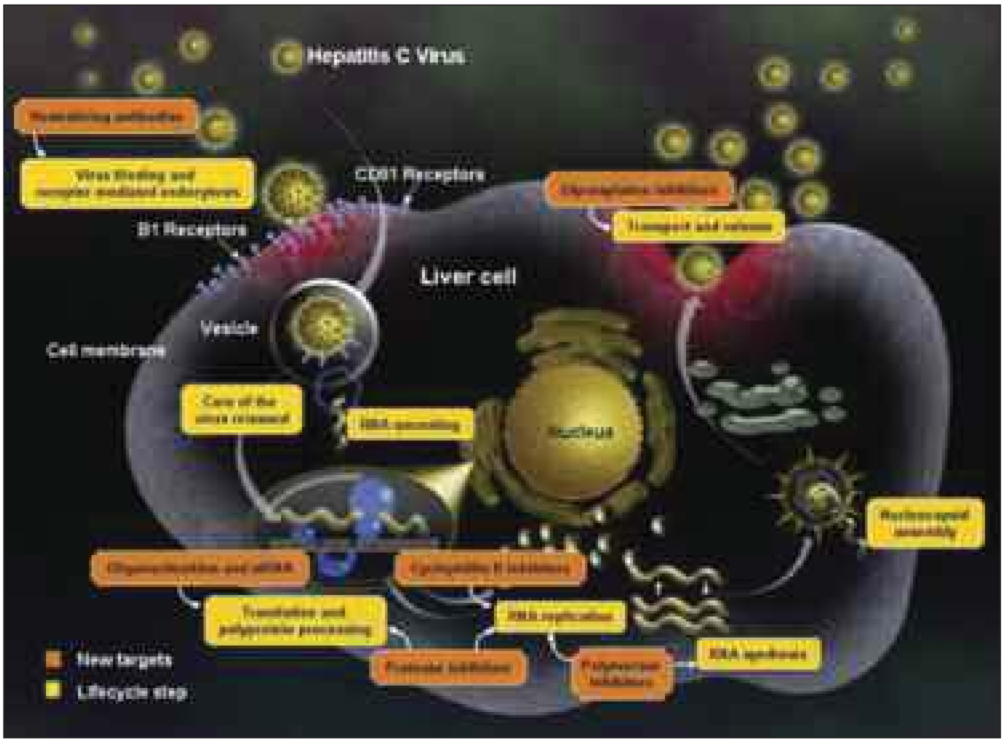
Pharma in general continues to trade sideways. This is in no way due to lack of progress. Dividends continue to rise, new drugs that do make a difference are gaining approval and acquisitions are also plentiful. Change does not come fast and it is just a matter of time for these myriad of changes to come to fruition.

During the quarter we started to reduce our position in Crucell as the company is in the process of being acquired by Johnson & Johnson. We also trimmed holdings that have done very well such as Caliper and Incyte. We used the money to add to companies that have lagged but have good growth prospects such as Brazilian diagnostic provider Fleury and US biotech Immunogen.

Commentary

Treatment of Hepatitis C infections will change in 2011. This is a significant event as for the first time drugs will be available that directly target the Hepatitis C Virus (HCV). Over time, these new drugs will replace the nasty regime of Interferon/Ribavirin treatment and will ultimately cure an HCV infection in more people, more rapidly.

This new wave of drugs attack the Hepatitis C Virus directly preventing the virus from completing its life cycle. However, each drug on its own encounters obstacles as the virus, over time, finds a new way to survive. This means different classes of drugs have to be combined to attack the virus from different angles (see picture below). To us this means several companies will be able to succeed and combination drugs will be essential.



Source: "Future Directions in Therapeutic Options" by David R. Nelson, MD

Several years ago we made HCV one of our themes and set out to find relevant investment opportunities. US biotech Vertex was the first one. This company has been developing the first HCV protease inhibitor together with Johnson & Johnson (JNJ has ex US/Japan rights). Both companies are currently preparing for launch in 2011. We invested in Vertex in 2004 but exited once the valuation became too high and Vertex featured in every major news magazine in the US.

In 2005 we continued on our HCV path and travelled to a tiny place outside Stockholm to meet with Medivir, a small unknown biotech. We were impressed by the scientific diligence of this small company. Medivir was rapidly developing the second generation HCV protease inhibitor as well as other classes of anti-HCV drugs. Interestingly, Johnson & Johnson also made the trip to Sweden and is today Medivir's global HCV partner. Medivir's drug has the advantage of being given once a day as opposed to the Vertex drug which needs to be taken every eight hours. Patient compliance as we know from HIV treatment is crucial to keep the virus at bay and prevent the development of resistance. Medivir continues to be part of the Fund.

This quarter we added another HCV contender to the portfolio: US biotech Gilead. This company has made its mark by combining different classes of anti-HIV drugs. This made life much easier for HIV patients as the 30 pills a day regime became one or two pills a day. Today about 70% of HIV patients globally take Gilead's drugs.

Virology is Gilead's strength and Tamiflu, the anti-flu drug, is another successful drug that came out of the Gilead labs. Roche obtained a global licence and pays royalties to Gilead.

Gilead had its fair share of setbacks. The company's conservative research and development approach is often at odds with the market which is overly worried about patent expirations starting in 2015 and simply wants Gilead to bolster their business with a quick acquisition. Gilead favours a slower pace and prefers smaller deals.

In terms of pipeline, Gilead is developing new HIV drugs with new approvals expected this year. This should allow the company to defend its position in HIV.

Leaving HIV aside, the more interesting aspect is Gilead's HCV pipeline. In 2004 we visited Gilead and the company was preparing to add HCV assets to its portfolio. Investor relations were reluctant to talk about it and we were worried that the company was missing out on a good opportunity. Far from it, today Gilead has accumulated a large arsenal of different classes of anti-HCV drugs and it is most likely that a combination pill will emerge.

At the current historic low valuation we are paying for cash flow from the HIV franchise, with only limited contribution from newly launched drugs while we get the HCV franchise for free. Gilead will continue to generate cash and has ample cash on its balance sheet.

Outlook

In 2011, the 'big, dreaded' patent cliff will arrive (by 2015 about US$80 billion of drug sales will no longer be protected by patents). First up, Pfizer's Lipitor, a drug that generates US$5.3 billion in US sales will lose patent protection in late 2011. This will be followed by Sanofi-Aventis/BMS Plavix in 2012 (sales of US$6.6 billion). Once the patent expirations have occurred the market will have far less to worry about and this gnawing fear will finally dissipate. The companies have been preparing for these events for some time and the market has already de-rated big pharma from their traditionally high ratings. Their typical ratings are now between eight and 11 times versus a market average company on 12 to 14 times.

The medtech industry is also undergoing a reinvention process, albeit at a slower pace. Valuations have declined and we are looking closely to buy quality companies at good prices as the market in some instances is overly negative about the lack of patients visiting doctors in the US or about pricing power in Asian markets.

Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	DEC 2010	SEP 2010
Asia	27%	28%
North America	25%	27%
Europe	17%	18%
Japan	8%	8%
Cash	23%	19%
Shorts	0%	0%

Source: Platinum

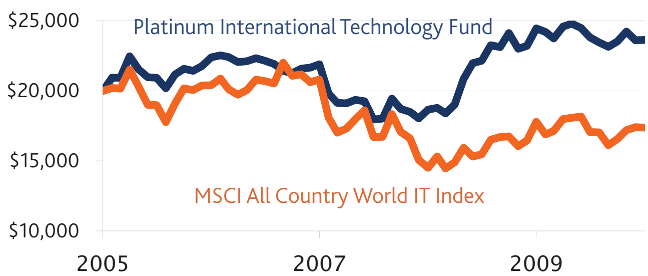
Performance and Changes to the Portfolio

The Fund's value increased by 0.5% during the quarter, less than the increase of 5% for the MSCI World Information Technology (A$) Index for the same period. Over 12 months, the Fund is down 3.4%, while the Index declined 2.3%.

During the quarter, the Fund has lagged largely due to underperformance of some North American (Cisco Systems, Amdocs and Brocade Communication Systems) and Chinese holdings (China Mobile). On the positive side, we had very good performance from some Asian holdings (AAC Acoustic, Samsung Electronics and Taiwan Semiconductors); US technology leaders (eBay, Google, Apple and Microsoft); and the German semiconductor turnaround story (Infineon Technologies). Our relatively large cash position, 20% on average during the quarter, has also detracted from performance.

Value of $20,000 Invested Over Five Years

31 December 2005 to 31 December 2010



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

Among the major changes in the portfolio, we have reduced our exposure to Infineon (+48% appreciation in the quarter), AAC Acoustic (+28%), eBay (+20%), Samsung Electronic (+19%) and Google (+17%). Our decision to partly sell was largely driven by valuation considerations and medium-term headwinds in some specific areas. The long-term thesis for these names remains valid but we prefer to keep extra cash on hand to be able to buy more should a correction occur.

We have added to our telecom holdings in Asia (KT Corp and Chunghwa Telecom) and introduced Vodafone in Europe and China Mobile in China (more below). We believe these names give us very good exposure to the exciting theme of mobile data while trading at sensible valuations and offering very attractive dividend yields.

Commentary and Outlook

The market continues to favour growth and momentum versus value. This is illustrated by the outperformance over the last six months of the MSCI Global Growth Index (+26%) versus the MSCI Global Value Index in US dollar (+21%).

Investors love for momentum stocks in technology has reappeared across many regions. In the US, the market is in love with the likes of Saleforce.com, a pioneer in the field of customer relationship management software offered from the "cloud" (i.e. available from the internet as opposed to installed onto your PC). This "pure play" on the cloud sells a relatively small US$1.5 billion of software by subscriptions a year, has been growing its revenues at 26% year-on-year and yet it has a market capitalisation of US$18 billion and trades at an astonishing 186 times current year earnings! Similarly Netflix, a US based movies streaming platform which has to negotiate internet distribution rights from original content owners (i.e. it is not in control of its costs), is trading at 63 times current year earnings.

Another example of momentum fever was evident in the large number of Chinese Initial Primary Offers (IPOs) listing on Nasdaq. More than 40 Chinese stocks became listed in the US in 2010 (around 25% of total IPOs). Of these, a good portion were technology stocks selling like hot cakes with investors piling in to grab a slice of the action. Youku.com, whose name means "excellent and cool" in Chinese, was up 160% on its first day of listing. The company is often labelled as the YouTube/Netflix of China, has a US$3 billion market capitalisation and is valued at 45 times projected annual sales although it has not made any profit yet. To remember such exuberant market listings debuts we have to go back to 2005 when Baidu, the leading Chinese internet search engine, more than quadrupled on its first day of trading on Nasdaq.

While it would be tempting to short sell some of these stocks based solely on their valuation irrationality, you could have done so at any time in the last six months and lost a lot of money as these new momentum champs have climbed up to new highs. We suspect, that while the Federal Reserve and other Central Banks continue to inject liquidity into the system to revive the economy, and openly target the stock market (as mentioned by Ben Bernanke in a Washington Post op-ed piece: "higher stock prices will boost consumer wealth and help increase confidence, which can also spur spending"), we will have to live with a "liquidity-driven market". We think the market has witnessed this before: in 1999-2000 and in 2006-07. In both these periods, the Fed kept interest rates at very low levels for longer than appropriate and it probably contributed to igniting the internet and housing bubbles.

In this context, we try to concentrate our efforts on valuation fundamentals and look for investment opportunities among those stocks unfairly penalised or neglected by investors chasing momentum. Two companies falling into this category are the recently added China Mobile and Perfect World.

China Mobile is the leading mobile phone operator in China with the world's largest mobile network and mobile subscriber base (almost 600 million users). It commands a 67% market share in a country where mobile services are still relatively under-utilised in a global context.

More recently, investors have worried that China Mobile is losing ground to competition (namely China Unicom and China Telecom) but if our reading of the national competition policies is correct, these worries should be short-lived. In what is probably a unique arrangement in the global telecom landscape, the Chinese Regulator a few years ago decided to concentrate the market around three national mobile networks and they proceeded to shape the industry, dictating which technology each operator should adopt. Unluckily for China Mobile it was designated as the adopter of the home-grown TD-SCDMA (Time Division Synchronous Code Division Multiple Access - should you ask…) developed in China as an attempt to be independent of Western technologies. The results for China Mobile have been less than stellar with the inferior quality technology and lack of adequate handsets a cause for frustration among users trying to adopt mobile internet.

Fast forward to 2011 and the telecommunication industry is already preparing for the move to the next technology upgrade (4G) in its quest to deliver faster speed to data hungry mobile subscribers (think how the proliferation of iPhones, iPads etc will soon take its toll on networks' capacity). This time, luckily for China Mobile, the Chinese are likely to adopt a world-class competitive technology (TD-LTE, or Time Division Long Term Evolution) which is simply a variation of the soon to be adopted LTE global standard.

We believe that once the market realises the benefits of China Mobile transitioning to LTE (much higher data throughput, lower cost of operation, better handset based on a global standard) it will re-rate the stock, which is currently trading at a very modest 11 times PE for 2011.

Perfect World is a leading Chinese developer and publisher of on-line games in which a very large number of players interact with one another within a virtual world. This genre of games is also known as MMORPG (Massively Multi-player Online Role-Playing Game): they are hosted by the company's servers, players can reach hundreds of thousands and the game evolves even when players are away from it. Perfect World uses an item-based micro-transaction revenue model under which players can play the games for free, but they are charged for character customisation or purchases of in-game items such as convenience items, clothing, accessories and pets. The company distributes physical and virtual prepaid game cards to players in China through a variety of channels, consisting primarily of a network of 35 third-party distributors but also through its own website.

While China's on-line gaming industry is fairly commoditised, we believe it is still a long-term play on the increase of internet adoption and consumer spending. With low internet and on-line game penetration, China is still at the early stages of development and potential growth also exists for export markets.

Source: Zxmania

While there are many game publishers in China, Perfect World has a few advantages compared to its competitors:

- A very productive research and development (R&D), and design team capable of producing three to four titles a year; a rate unheard of in China.
- A strong track record in turning its self-developed games into successes.
- A well-balanced and diversified portfolio across six-seven major existing titles which reduces its dependence from single hits. Its leading and most popular 3D game in China, Zhu-Xian, accounts for only 30% of its sales.

More recently the market has penalised the company following delays in its game releases and deterioration in operating margins due to higher R&D and acquisition costs. We believe that with one of the best release pipelines for 2011, they will be re-rated soon. We have decided to buy this company considering the very attractive valuation of 8 times PE and 20% buy-out for 2011 thanks to its solid free cash flow generation and cash position.

While we are aware of the potential risks of a sharp deceleration in economic growth in China, as explained in the Asia Fund quarterly report, we believe that mobile communication and internet adoption in that country are still far from having reached full potential. Companies like China Mobile and Perfect World sit at the convergence point between consumers' aspirations and technology developments, and they will be major beneficiaries of this secular growth trend.

Source: Zxmania

Glossary

Fiat Currency
A currency issued by a government that is not backed by reserves of physical commodities but has been declared by the government as legal tender. Most national currencies today are fiat currencies including the US dollar, the Euro and the Australian dollar.

Japanese Government Bond (JGB)
A bond issued to investors by the Japanese Government, denominated in Japanese yen. Currently JGBs (10 year) offer a yield of 1.2%.
Bond prices have an inverse relationship to bond yields. This means that falling bond prices denote rising yields and vice versa. If the economic outlook in Japan begins to improve and long-term interest rates rise in Japan, JGB prices will fall. By short selling JGBs, the Platinum Trust Funds are positioned to benefit from an improvement in the Japanese economy.

MSCI Indices
Varying indices compiled by Morgan Stanley Capital International (eg. World, Asia, Healthcare etc) that are designed to measure equity market performance across different regions and industries.
Platinum does not structure its investment portfolios relative to a benchmark, however, the MSCI indices are used as a reference to determine how each Fund is performing in relation to the total market in which it invests.

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

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

Short Selling or Shorting
A transaction by which an investor is able to generate profit from a fall in the price of a particular company or market index. To generate such a profit an investor borrows securities and sells them, then when the price has fallen, the investor repurchases the securities at a lower price and returns them to the lender.
Platinum utilises short selling of stocks and indices for risk management (that is, to protect a Fund's Portfolio from either being invested or uninvested) and to take opportunities to increase returns.
Short selling is not undertaken for the Platinum Unhedged Fund.

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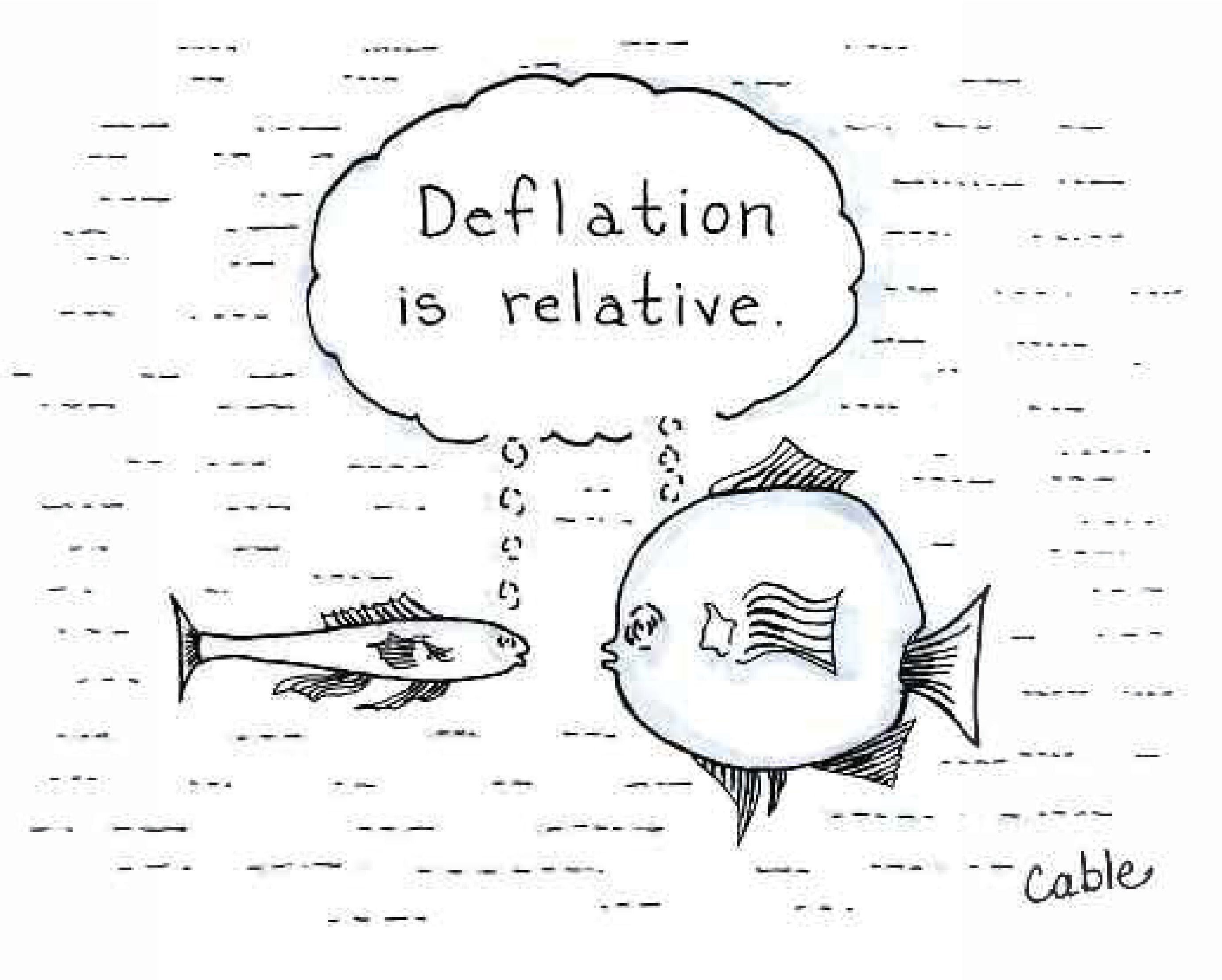
Deflation is relative.
Cable

"I was only a millionaire on paper,
but somehow it became real money when I lost it."

New York Marathon

On 7 November 2010, two Platinum employees, Dean Mclelland and Curtis Cifuentes participated in the New York City Marathon. Following is a summary of their shared and individual experiences in preparing for and participating in one of the world's great running events.

Why?

Why not? The New York marathon is the biggest in the world and is probably one of the most iconic marathon races as well. In 2010 it attracted its largest ever field of 45,350 runners from across the world spanning in age from 18 to 87 and ranging in ability from the fastest man to have run a 42.2km marathon (Ethiopian, Haile Gebrselassie in 2:03.59) to the persistent aspirant who crossed the finish line in position 45,103 after some 8.5+ hours of racing (amazingly only 247 competitors retired from the race).

DM: I had a goal to run a marathon before I turned 30. I'd done a few 10km races, Sydney's City to Surf and I even had a half-marathon under my belt from when I was 24. Unfortunately my marathon debut in Sydney (September 2009, a narrow 35 days before my 30th birthday) was a bit personally disappointing. The time was okay (4:19.09) but I struggled in the heat and there were parts of the race where I was reduced to walking which, in my mind, was failing as a 'runner'. Before I crossed the finish line I knew I'd have to run another. I sent an email around to eight friends and colleagues in early January 2010 asking who would be interested in running the New York Marathon in 2010... It seemed two others were keen to take up the challenge (but injury would later see that number drop to just one, Curtis).

By the time I touched down in New York I had the experience of two marathons under my belt, having run a much-improved race up on the Gold Coast in July 2010 (3:24.55) and I was pumped by the thought of racing 'alongside' (okay, I would be miles behind!) my running hero, Gebrselassie.

CC: The NY marathon would be my first - jumping in the deep end but what a backdrop for one's first marathon. Dean planted the idea and I was simply curious to see if I had the discipline to do the training and then both the mental and physical endurance to actually complete it. I thought all the training might even burn a bit of fat. (It did not.)

Training

CC: Until I started training seriously, the longest I had ever run was the 21.1km of a half marathon, which at the time felt like quite an achievement. Before long, that would feel like a short run. The broad aim of my training program was simply to get in fit enough condition to finish. Starting around July, I was running at least three times per week - typically two shorter, quicker runs during the week and a long run on the weekend. These weekend runs got progressively longer, working up from 14km and culminating in a 35km run three weeks before the race.

I managed to avoid any injury serious enough to be a setback to my training, but as the runs got longer and the days hotter, I learnt the hard way the importance of proper hydration. I also got sick of everything on my iPod. While the ability to run further and further distances was satisfying, what was unexpected was a much keener awareness of the subtle (and not so subtle) messages from one's own body. I think it is this knowledge that helps you get through the challenging parts of the race, confident that the pain won't get much worse. This can really only be gained by running the long distances and experiencing it first-hand.

DM: Unfortunately my legs were wrecked after the Gold Coast race and it took two months of rest, physio, acupuncture and one extremely uncomfortable anaesthetic needle to the groin to allow me to run comfortably again. That left only two months of training and no room for tapering (decreasing the training load in the few weeks prior to the event, so as to be fresh on race day). I was going to be somewhat under-prepared, but I put a lot of faith in my previous training base and my experience. Still, I shouldn't complain: fellow 2010 New York marathon runner, Edison Peña, had spent much of the two months prior to the race trapped 700 metres underground alongside 32 of his Chilean miner colleagues (Peña ended up finishing in 5:40.51 – an amazing achievement).

Arriving in New York

Getting around the city over the few days prior to the race gave a reality to the sheer distance of the run, which until then had just been a long line on a map. The course would have us visiting all five boroughs of New York: starting on Staten Island and then working north through Brooklyn, Queens, The Bronx and then turning around and finishing in Manhattan's famous Central Park.

Pre-race nerves

Prior marathon experience seemed to count for nothing here, as neither one of us slept more than about an hour the night before the race. The pre-race nerves were compounded by a little bit of jet lag as well as the concerns about missing the bus to the start line or having enough warm clothes for the frosty conditions. Alarms were set for about 3:30am but we would both be wide awake long before that. Even though the race start wasn't until 9:05am, we were on the 4:30am bus that would deliver us to the starting area at Staten Island by 6:00am.

Race Time!

The lack of sleep really didn't matter because we were wide-eyed when we arrived at Staten Island. There was a buzz from the tens of thousands of runners but perhaps more significantly: it was cold. There was a decent breeze blowing and if it wasn't 0°C, it was very close. We found a spot that got a bit of sun (when it finally came up) and managed to keep mostly warm until we shuffled to the start. By then, the nerves had mostly turned into excitement and it gave us our first chance to enjoy the moment. We wished one another good luck and then we were off. The first thing that greets you are the distant views of Manhattan from the Verrazano-Narrows Bridge, which are amazing, but in the back of your mind you know you've got to run there, which seems quite a daunting task.

One of the most amazing aspects of this race is the crowds of supporters: their boisterous cheers could bring a smile to your face and put an extra 5% in your stride, almost like having a constant light tailwind. If you saw an Australian flag in the crowd that was probably good for an extra 5%, albeit temporarily. The cheering crowds, the frequent road-side bands and the changing scenery all helped to distract you from the monotony of running. If you took the time to have a look around you could really feel the diversity among the five boroughs and enjoy the rich autumn colours of Central Park (which were almost drowned out by the bright orange ING outfits of the volunteers).

Even though we weren't running together we both felt things start to get tough at the exact same point on the course: at roughly the 24km mark you hit the Queensboro Bridge which brings you onto Manhattan Island. It is a long, mostly gentle hill (about 2km including ramps) which is completely inaccessible to spectators and the silence after 24km being boosted by the cheering crowds is quite jarring. Coincidentally, it was at this same point in the course that Haile Gebrselassie had earlier retired from the race. We can never claim to be stronger, fitter or more mentally tough than the greatest marathon runner of all time but, tongue in cheek, the results from that day will forever show that we both finished that race and Mr Gebrselassie did not!

Thankfully one of the toughest parts of the race is soon followed by one of the most uplifting as you come flying down the Queensboro Bridge ramp down onto First Avenue, complete with its ten-deep crowds cheering on either side. That feeling, however, is brief and as you head up First Avenue the crowds thin out and the tall buildings block much of the warming sun.

CC: The cold temperatures are great to run in but I found my hands and forearms aching and almost numb from the cold. It wasn't until about 35km, with the crowds growing again and the finish within reach, that my mood improved faster than my condition was deteriorating. I managed to pace myself well so it felt particularly satisfying to pass a few people over the last few kilometres and I even found enough energy to high-five some kids on the last corner about 400 metres before the finish.

DM: I enjoyed the final 400 metres and crossed the finish line with my arms in the air and three fingers held up: I had just finished my third marathon in 3:36.38. The feeling of crossing a marathon finish line is completely overwhelming. Practically every single one of my 600+ muscles was screaming at me, my calf muscles were solid like rocks and each step I took hurt considerably but at the same time I was so happy to be there: to have endured and to have conquered.

CC: And then it was over – in 4:04:20. I didn't particularly care about the time (although when I got to halfway in 2:01, I thought getting in under four hours would be an achievement for my first marathon) – I was just elated that I was actually able to do it.

Reflections

CC: Time seems to dull the memory of the pain felt during (and after) the race more than it dulls the feeling of achievement so while I can't say I've been bitten by the running bug, the concentration of emotions felt over the day were intoxicating. I think I coasted on the glow of finishing the marathon for about a week and probably bragged about it to anyone who would listen for about a month. (And here I am 'still' doing it.) While one marathon is hardly an exhaustive sample, I think I can confidently say that New York and its residents provide an unrivalled experience for all the runners.

I understand Dean is already researching our next marathon.

DM: Standing in Central Park after the finish, I wasn't sure whether New York would be the pinnacle and the end of my marathon 'career'. Writing now, I think I probably have two more marathons in me so perhaps Mr Gebrselassie will get his chance at a re-match one day soon. I'd comfortably say that running the New York Marathon is one of the highlights of my life to date. If you ever feel the urge to test yourself over 42.2km then I highly recommend a New York backdrop for your challenge. It is unlikely you'll find a larger field of athletes or a more enthusiastic crowd of supporters anywhere in the world to share your experience with.

You better believe it Curtis… Berlin Marathon? Boston Marathon? Antarctica Marathon? I'll send you an email with some details…

Notes

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

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

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 31 December 2005 to 31 December 2010 relative to their Index (in A$) as per below:
   Platinum International Fund - MSCI All Country World Net Index
   Platinum Unhedged Fund - MSCI All Country World Net Index
   Platinum Asia Fund - MSCI All Country Asia ex Japan Net Index
   Platinum European Fund - MSCI All Country Europe Net Index
   Platinum Japan Fund - MSCI Japan Net Index
   Platinum International Brands Fund - MSCI All Country World Net Index
   Platinum International Health Care Fund - MSCI All Country World Health Care Net Index
   Platinum International Technology Fund - MSCI All Country World Information Technology Net Index
   (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist).

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

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Platinum® ASSET MANAGEMENT

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

The firm was founded in February 1994 by a group of professionals who had built an enviable reputation. The investment team has grown steadily and PAM now manages around $18 billion, with approximately 11% of this coming from overseas investors. The Company was listed on the ASX in May 2007 and staff remain the majority shareholders.

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

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Level 8, 7 Macquarie Place, Sydney

* Please refer to page 2.

Level 8, 7 Macquarie Place
Sydney NSW 2000

GPO Box 2724
Sydney NSW 2001

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

FACSIMILE
02 9254 5590

EMAIL
invest@platinum.com.au

WEBSITE
www.platinum.com.au

Platinum® ASSET MANAGEMENT