# Platinum Japan Fund

**Scott Gilchrist** Portfolio Manager

## Quarterly Haiku

Yen weakens, stocks lift.

Kuroda's Bonds fix, Abe up!

OPEC watches, wait.

## Disposition of Assets

| REGION | DEC 2014 | SEP 2014 |
|---|---|---|
| Japan | 81% | 86% |
| Korea | 8% | 8% |
| Cash | 11% | 6% |
| Shorts | 3% | 9% |

The Fund has an 11% short position in Japanese Government Bonds.

Source: Platinum. Refer to Note 3, page 8.

## Portfolio Position

### Sector Breakdown

| SECTOR | DEC 2014 |
|---|---|
| JAPANESE INTERNATIONAL FOCUS | 40% |
| Electronics (Panasonic, Ibiden) | 17% |
| Autos (Toyota, Sumitomo Electric) | 7% |
| LCD Glass | 6% |
| Industrials (Tokyo Steel, Mitsubishi Heavy Industries) | 6% |
| Resources (Sumitomo Metal Mining) | 4% |
| JAPANESE DOMESTIC FOCUS | 41% |
| Internet (DeNA, NTT) | 13% |
| Consumer (Pola Orbis, Asahi) | 9% |
| Health Care (Mitsubishi Tanabe) | 9% |
| Financials (Mitsubishi UFJ) | 8% |
| Property | 2% |
| KOREA | 8% |
| Electronics (Samsung Electronics) | 3% |
| Financials (KB Financial) | 3% |
| Domestic | 2% |
| GROSS LONG | 89% |
| SHORTS | -3% |
| Topix Real Estate | -3% |

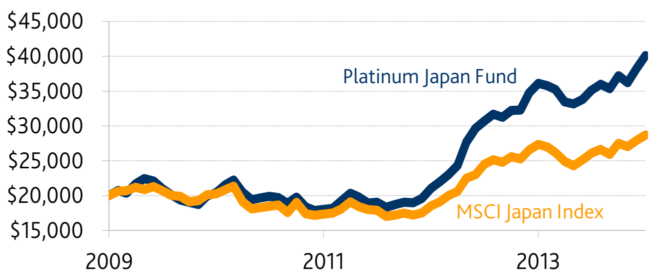
### Currency Position

| | |
|---|---|
| US dollar | 56% |
| Japanese yen | 36% |
| Korean won | 9% |
| Australian dollar | -1% |

Source: Platinum

### Value of $20,000 Invested Over Five Years

*31 December 2009 to 31 December 2014*




Source: Platinum and MSCI. Refer to Note 2, page 8.

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

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

## Performance

**(compound pa, to 31 December 2014)**

| | QUARTER | 1YR | 3YRS | 5YRS | SINCE INCEPTION |
|---|---|---|---|---|---|
| Platinum Japan Fund | 8% | 11% | 31% | 15% | 15% |
| MSCI Japan Index | 4% | 5% | 18% | 7% | 1% |

Source: Platinum and MSCI. Refer to Note 1, page 8.

Portfolio performance for the quarter was positive (+7.8%) due to the strong performance from some of our more idiosyncratic domestic-focused holdings (**AIN Pharmaciez**, **Next**, **Xebio**, **Avex**, **DyDo Drinco**) and some of the larger positions (**Tokyo Steel**, **Asahi Group**, **Sumitomo Metal Mining**, **Toyota Industries**, **Toyota Motors**, **Pola Orbis** and **Samsung Electronics**). The Fund's limited exposure to energy and raw materials was a contributor to overall returns. Korean domestic companies and some Japanese exporters detracted from performance. Certainly, the currency positioning out of the Yen and into the US dollar (56% of assets) was a large contributor. The 36% exposure to the Yen did not detract significantly from returns as the Australian dollar weakened somewhat in line with the Japanese yen. The Australian dollar weakened against the Korean won, a slight benefit to performance. The Japanese Government Bond (JGB) short position was not a significant detractor despite the sharp fall in bond yields.

## Changes to the Portfolio

The Fund's position in **Inpex** was sold towards the end of the quarter. The key concern with the Inpex investment case related to the underlying construction risks at Ichthys, their major LNG and condensate project. Initial signs of problems started filtering over the wires, which, together with previous hints of problems and the weakening oil price, were confirmatory. As a reminder, Inpex is a government organ which is building one of the ten largest projects in the history of the engineering industry (US$34 billion) with size-max components such as the 800 km underwater pipeline and two floating behemoths (a Central Processing Facility and a Floating Production Storage Offloading (FPSO) unit). If Shell were building the project, with their superb management systems and century of history, there would still be concerns, but Inpex has never built and operated a large project, let alone one of this scale. Further complicating the project is the reversal of partner roles, with Total moving from operator of the Bontang LNG plant to junior partner on Ichthys. The French/Japanese friction has led to high staff turnover. In case you might think that such projects are just a matter of patience, the tenfold cost overrun and the recent further two-year delay to the Kashagan mega-project in Kazakhstan is salient. In projects of this type, series logic applies to the weakest link in the chain. These risks are awkward to price.

One of the key attractions of the Fund's investment in **Otsuka** was their strong balance sheet which made the valuation attractive despite their upcoming patent cliffs. Their acquisition of US-based Avanir Pharmaceuticals for US$3.5 billion in early December reduced their significant liquidity in half. Some estimates put the acquisition metrics at 10x estimated peak sales (5+ years hence) for a relatively early stage drug pipeline. The timing seems unfortunate as euphoric valuation metrics indicate that the health care bull market is mature at best. Otsuka's history is one of long-term internal development and organic growth, in complete contrast with this recent action. The deal may be indicative of corporate drift or perhaps they were also responding to Japan's already high health care spending at 10% of GDP, with only 20% of drugs being generic, implying future pressure on domestic ethical drug suppliers. A 40 year old camphor tree stands outside the Otsuka Pharmaceutical Drug Research Institute, planted when the facility was built. They now seem to be buying fertiliser.

The **Nikkei short position** was removed to counterbalance the sale of Inpex and Otsuka.

We have owned **Mitsubishi Tanabe** since early 2013 and gradually added to the position. Large Japanese pharmaceutical stocks are priced at discounts to their global peers due to the perception, often deserved, of relatively thin drug development pipelines and weak management unwilling to address surplus domestic headcount. The company's lack of performance on domestic cost controls and concerns regarding inevitable biologic competition for *Remicade*, an arthritis drug representing roughly US$700 million of US$3.4 billion in Japan-centric sales, have kept investors on the sidelines. At our last meeting with the company, management belatedly presented a plan to cut domestic costs by some US$100 million over two years (consolidation of manufacturing and headquarter sites, 7% of selling, general and administrative expenses (SGA)) and encouragingly these cuts are now showing up in results. Further, a marketing tie-up for *Invokana* in Japan with Daiichi Sankyo to present a larger and more effective sales force for a crowded domestic diabetes market represents a clear desire to minimise selling costs. Mitsubishi Tanabe has had excellent pipeline success with *Gilenya*, a multiple-sclerosis drug licensed globally to Novartis, and, more recently, *Invokana*, a diabetes drug licensed globally to Johnson & Johnson. *Gilenya* and *Invokana* royalties should conservatively grow to represent some US$600 million in EBIT within a few years and arguably underwrite the current enterprise value of some US$7.5 billion. The US$3.4 billion in Japan-centric sales that earn around US$400 million represent an upside to the valuation as do further interesting pipeline assets such as an Alzheimer's drug in phase three trials in-licensed from EnVivo in 2009.

## Commentary

Dislocations defined the last three months for many key aspects of the Japanese financial system. The Yen weakened, the oil price plunged and Japanese bond prices elevated rapidly towards an asymptote. In contrast, Abe's government was re-elected with a maintained mandate as expected.

### Currency and Monetary Policy

The defining event of the quarter was Bank of Japan (BOJ) Governor Kuroda's announcement on 31 October of an increased program of quantitative and qualitative easing (QQE). This expanded government debt monetisation program took the market by surprise and provided the initial trigger for currency weakness. Kuroda's commentary around the easing reinforced its open-ended nature and his firm commitment to a sustained 2% inflation target which seems unobtainable for the moment. While the BOJ Policy Board may not be unified behind Kuroda (five in favour, four against the decision, voting along political lines), it seems that Kuroda's path is backed by broad swathes of senior leaders in the nation's key institutions. This extremely proactive approach to inflation targeting is similar in intent to the US Federal Reserve's behaviour of the last few years and is in stark contrast to the reactive efforts of the European Central Bank (ECB) and Asian Central Banks such as the Bank of Korea.

Coincident with Kuroda's announcement (two hour delay), the US$1.2 trillion Government Pension Investment Fund's (GPIF) new portfolio target weights surprised the market with their aggressive weighting towards domestic equities (+13%) and foreign assets (+17%) to the detriment of domestic fixed income and cash (-30%). Their JGB holdings will seemingly be sold to the BOJ. The intended outcome of the two announcements was higher stock markets and a lower currency. Market participants responded accordingly. We would not be surprised to see other asset allocation adjustments across the system, particularly at Japan Post.

A large scale "financial experiment" is underway in Japan, one that likely has global implications. The expanded BOJ bond purchase program is 80 trillion yen per annum. Currently, the government fiscal deficit is roughly 40 trillion yen per annum, so all new issuance is being monetised with additional purchases equivalent to 8% of GDP per annum. This program is reducing the outstanding stock of JGBs available to the financial system at a rate of roughly 8% per annum. Consequently, it is no surprise to see short-term bond yields surge into negative territory as the Central Bank is in the process of cornering the market and setting the price. In a global context, Japan's money printing efforts are the most extreme. The obvious intended consequence of this is a weak currency. The second and third order effects of their multi-decade monetisation efforts and the recent acceleration are yet to be seen.

Over the quarter, the Yen weakened from 110 to 120 against the US dollar, reflecting broad based dollar strength. The Yen weakness continued the trend in place since late 2012. Over the last two years (roughly Governor Kuroda's term in office), the Yen has depreciated 54% against the global reserve currency and its currency bloc. The Yen has now fully reversed the strength seen over 2008-2012 and in nominal terms is now roughly in line with where it traded over the period of 1988-2007. By some analyses, it has now reached fair value on a purchasing power parity basis after three decades well above this calculation.

The current period is perhaps most reminiscent of 1995, the year of the Kobe earthquake, when the Yen traded up to 80 before weakening to 150 with significant volatility. The other similarity between now and 1995 is the lack of independence of the BOJ. At that time, the BOJ reported to the Finance Ministry, an arrangement which ended in 1998. Kuroda is the first "outsider" to run the Central Bank since then, and seems to be returning the institution to its former role as a pliable government instrument. Perhaps there has been widespread reading of *Lords of Finance: The Bankers Who Broke the World*, a book on the history of central banking in the 1930s which came to the conclusion that the best approach in a recession was to "devalue hard and devalue early". It appears as though one and a half decades of conservative Japanese central banking has ended and markets will continue to be surprised by Governor Kuroda's unconventional measures. The similarity with 1995 will end if parts of the large Japanese financial system (US$35 trillion of assets) make a lemming-like move through a small door. After a few decades of deflation, it is not surprising that Japanese households have more than 53% of their assets in cash equivalents. Amongst the younger cohorts who have only ever known falling price environments, cash holdings are higher, well above 70%. It will be intriguing to monitor their behaviour as the Yen falls, especially if there is a hint of a return of domestic inflation.

Domestic unemployment rates are approaching the lowest level in over a decade. In 2014, there were one million births recorded in Japan, 20% lower than the 1.27 million deaths. There have been sporadic reports of labour shortages, particularly in unappealing jobs. However, Credit Suisse estimates the overall output gap at 1.5% with significant under-utilisation in certain sectors of the economy. While bond rates are at the lowest level in a generation, it seems that this is not a good reflection of activity in the real economy, but is directionally correct.

The weak Yen is starting to show in the services sector. For example, tourist numbers to Japan have been rising consistently for the last few years and there are reports of capacity constraints in some tourist channels. Attractions such as Tokyo Disneyland and Huis Ten Bosch in Nagasaki, a mock Dutch village complete with tulips and windmills, are seeing increased attendance. It seems likely that inbound tourist numbers will continue to increase further, though we are struggling to find suitable investment opportunities.

Export volumes have been slower to pick up than generally expected as demand is moderate and Japanese corporates have moved many factories to lower labour cost countries over the last two decades. This process accelerated through the recent period of Yen strength and has become a significant percentage of controlled manufacturing. The labour cost arbitrage between the developed and the developing world remains wide, despite the passing of two decades since the conclusion in 1994 of the Uruguay round of the General Agreement on Tariffs and Trade. The manufacturers that have maintained their Japanese production base will need to decide how to allocate their increased profitability between shareholders and employees. Trade as a percentage of Japanese GDP in 2013 was 32% (exports 15%, imports 17%, according to the European Commission (EC)), much of which is component imports for subsequent re-export as completed goods. South Korea is currently running a large trade surplus based on their engineering skill and new products. China is now the world's largest trading nation at US$4.2 trillion, or 10% of world trade, of which one-third is reprocessing of imported components into completed exports. This is the first time that China has held this pre-eminent position since the Qing Dynasty (1644-1911). China's trade as a percentage of global trade has tripled from 4% to 12% since 2000 and is up sixfold from 1990 when their contribution was 2%. The current Chinese leadership remembers when they could not gather enough hard currency to buy an airplane ticket to the USA. By comparison to China's annual exports of US$2.2 trillion, the USA is at US$1.6 trillion, Germany US$1.4 trillion, Japan US$0.7 trillion and the Netherlands US$0.7 trillion. Energy is roughly one-third of Japan's imports in 2013 at US$280 billion per annum.

**Energy Dependence / Fossil Fuels**

The market had come to believe that the Organisation of the Petroleum Exporting Countries (OPEC) would continue to manage seaborne oil prices in the elevated range of US$100 and US$120 per barrel seen in 2011. In combination with the ongoing and persistent threat of political and thus production disruption across the Middle East, financial markets positioned for further price rises consistent with the prior decade. The lack of price volatility led to "tight oil fracking" becoming the largest component of the North American high yield bond market and resulted in surging North American liquids production on a wave of inappropriate debt. Commodity prices are renowned for their volatility! OPEC decided to sit idly on the sidelines while surging Bakken /

Eagle Ford / Permian production and a concurrent global economic soft patch caused a minor oil market oversupply. This resulted in Brent prices looking for a hard floor as the lop-sided financial positioning was rapidly reversed. Brent oil prices fell 40% during the quarter, accelerating from the previous quarter's 15% decline. Prices have now dropped from US$130 per barrel four years ago to US$57 per barrel today. Bowser prices are now at the same level, or perhaps even lower, than a decade ago, and worries of queues have evaporated.

Most seem to concur that lower commodity prices are positive for the global economy. Asia is a key potential beneficiary as the continent's population of 4.5 billion is highly dependent on energy and raw material imports. If this interpretation is the correct one, then Japan will benefit disproportionately as it is amongst the largest importers of oil, coal and LNG on both an absolute and a relative basis. Japanese energy self-sufficiency is only 10% of consumption. The Fukushima disaster exacerbated this global dependence. It is now almost four years since the 9.0 magnitude earthquake off the coast of Sendai, north of Tokyo, and no restarts have occurred following the final shutdown in late 2013. There is a lot of talk about restarting the nukes, but the pace has been glacial, with continual and repeated delays. Most estimates are that at least half of the reactor fleet will never restart due to a combination of siting on active faults, reactor age and local opposition. In November 2014, the Governor of Kagoshima Prefecture and the local legislature approved the restart of two reactors owned by Kyushu Electric Power at Sendai following re-certification of the facilities. Subsequently, there have been some further small delays to the Sendai restart, but these two units will probably produce their first electrons in 2015.

Japan is the largest global importer of LNG (4.5 trillion cubic feet or 70 million tonnes per annum, 37% of the global market), the second largest importer of seaborne coal (200 million tonnes per annum) and the third largest importer of crude oil (4.6 million barrels per day), in total about 0.5 billion tonnes of oil equivalent energy. At its peak, Japan's energy import cost was roughly US$280 billion per annum or roughly 5% of its GDP, of which two-thirds of the dollars were spent on oil. Japan produces 1,000 terawatt-hours of electricity per annum with only 9% from renewables and 16% from oil. This oil consumption will reduce as the nukes restart and increased LNG and coal fired power generation comes online. The recent drop in oil price has been offset somewhat by the weakness in the Yen. Nevertheless, it reduces Japan's import bill by 1-2% of GDP.

At current oil prices, the global oil industry is loss-making at the margin and capex is being cut rapidly. Oil well decline rates are high, especially across the half of global production that is more than four decades old, and the impact will be seen, not just in national (Iran, Venezuela, etc) and corporate bankruptcies, but also in much reduced expectations for future oil and gas production growth.

**Interest Rates**

**Sovereign Ten Year Bond Yields at 31 December 2014**

| | |
|---|---|
| Brazil | 4.10% |
| China | 3.64% |
| Australia | 2.70% |
| Korea | 2.63% |
| USA | 2.25% |
| UK | 1.80% |
| Germany | 0.54% |
| Japan | 0.33% |
| Switzerland | 0.30% |

Source: Bloomberg

**Japanese Government Bond Yields at 31 December 2014**

| | |
|---|---|
| 1 year | -0.19% |
| 2 year | -0.22% |
| 5 year | 0.03% |
| 10 year | 0.33% |
| 30 year | 1.23% |

Source: Bloomberg

As tabled above, JGB yields are now negative below five year duration. During the quarter, the yield on the 10 year JGB dropped from 0.5% to 0.33%, an acceleration of the weakness seen in prior quarters. Yields are now well-below the downward spike seen in early 2003. Market commentators from some core investment firms now forecast negative yields all the way along the curve past 10 year duration. Needless to say, this is a somewhat unique situation in recent global financial history. Memories of the 1970s' inflation and the more recent Venezuelan and Zimbabwean hyper-inflation occupy core brain storage of many current global investors.

### Politics

With Abe's Liberal Democratic Party (LDP) Coalition only roughly halfway through its maximum four year term, the logic behind going to the polls early seems to have been twofold:

- the Opposition was weak and disorganised, and
- Abe could deflect criticisms of Abenomics by blaming the Opposition's previous decisions for recent poor economic data and weak real incomes.

In the final count in late December, Abe was re-elected with a similar majority on the back of the lowest voter turnout for many decades (53.3%) which perhaps reflects widespread apathy with the political system (or maybe just deep snow). Abe's LDP Coalition won 69% of the seats with less than half of the overall vote.

Abe's return to political leadership seemingly gives him a strong mandate and we will be watching to see how far he can implement his "Three Arrows" without the need for aggressive nationalistic and military posturing. There is a lot of discussion about micro reforms, but the tendency in Japan is towards continuity and consistency. Change will continue to be slow, but is likely to be in the right direction after two and a half decades of economic stagnation – the Federal Reserve Bank of St Louis calculates that Japan's nominal GDP is still below 1995 levels. One recent news story from Osaka is illustrative. The 1615 Battle of Domyoji was fought between samurai warlords of the Tokugawa and Toyotomi forces as part of the siege of Osaka. Some historians say the battle marked the end of the Sengoku (warring states) period. A monument was recently erected to commemorate the battle. In attendance were three male descendants of the warlords who shook hands in reconciliation and called for peace. It was the first such meeting in 400 years. Indeed, some things have not changed since that time, with female participation in the upper echelons of Japanese government and corporates below that of Saudi Arabia, itself hardly a bastion of progressiveness. Japan has started the process towards restarting military equipment exports after a multi-decade hiatus.

### Corporate Rejuvenation

There has been real progress towards corporate reform over the last decades in Japan. However, there are still many recalcitrant managements as exemplified by large and unproductive corporate cash holdings (Otsuka) and country-wide webs of cross-shareholdings (Mitsubishi Keiretsu). It must be a topic of heated debate amongst the Japanese elite that their country, which is so critical to the global electronics industry, now finds the Apple iPhone as the top selling domestic smartphone. A Korean software product, Line, is the dominant messaging app in Japan. After a decade of discussion about restructuring, Sony recently sold their PC business, the first real sign of tangible change, which unsurprisingly occurred after Mr Stringer's departure. Sony's SGA as a percentage of sales is many points higher than any global comparison. Shiseido's long-awaited revitalisation seems more chat than dynamism despite the arrival of an external CEO from Coca-Cola. Aeon's corporate behaviour appears to be about empire building rather than fundamentally changing the convoluted distribution networks it has in place across the country. Meanwhile they are missing the transformation underway as retail moves online and nimble innovators take market share.

While Japanese corporates continue to move forward together with legislative, tax and labour reforms, the rest of the world and the business environment is moving faster and at times seems to be accelerating. Smartphones; robots; cheap, fast Internet and virtually frictionless transportation to any part of the globe, in addition to the continual flow of new sources of low cost labour coming to the global market, are creating an environment where flexibility, excellence and dynamism is overly rewarded.

### Korea

Korean restructuring, especially at the Samsung Group, has gathered pace. Partly this is due to upcoming generational changes at Samsung Electronics, but it is also a reflection of the difficult environment facing many of the Group's companies as end-markets remain oversupplied and Chinese competition is strengthening. The Yen has weakened 40% against the Won from the bottom. Many Samsung Group entities are trading at the value of their investment portfolios, with little value attributed to their large operating businesses.

## Outlook

Japanese equity markets, particularly in local currency terms, have clearly become more expensive over the last few years with the rise in the broad indices. However, there are still cheap, reasonable quality stocks to be unearthed in addition to the many opportunities for corporate revitalisation and export growth. Japanese valuations are below their international comparisons and are not expensive in aggregate absolute terms. Some parts of the market, particularly consumer companies, are expensive.

In summary, we can still find enough undervalued securities to assemble an attractive portfolio in the current global economic backdrop. The Fund's cash holdings allow opportunistic purchases if the initial enthusiasm for the Abe/Kuroda/GPIF game plan wanes. Over time, it is likely that the Fund will move to very limited, or perhaps zero, holdings of the Japanese yen. As always, we remain mindful that the global financial system imbalances and the ineffectiveness of monetary easing might be reflected in lower equity values if there is a lack of Central Bank or fundamental economic impetus. In contrast, we are closely monitoring the domestic portfolio reallocation underway in Japan. It was a tumultuous three months – Yen, oil, bond yields! It seems likely that the longer-term implications have not yet been fully digested by the global investment community.

## A Historical Note from Stephen Turnbull's *Osaka 1615: The Last Battle of the Samurai*

*"The Osaka campaign – or rather campaigns, because it consisted of two distinct winter and summer operations – holds a unique place in Japanese history. The battle of Tennoji in 1615 (immediately following the Battle of Domyoji), with which the fighting at Osaka concluded, was to be the last occasion in which two armies of samurai would engage one another in a pitched battle. It also saw the final appearance on the field of war of Tokugawa Ieyasu, whose victory at Osaka secured his family's hegemony for the next two and half centuries. But the Osaka Campaign was also notable for a number of firsts. Because the fall of Osaka Castle was publicized by means of a woodblock-printed broadsheet, the campaign became the first event in Japanese history to be reported in anything resembling a newspaper. It was also the first major occurrence in Japan to be described in the English language – this was through the reports and letters prepared by the East India Company from its trading post in Japan. It was entirely appropriate that they should do so, because artillery supplied by the East India Company played a decisive role in the fall of the castle when it was used in the first long range bombardment in Japanese history."*

Scott Gilchrist was appointed portfolio manager of the Platinum Japan Fund during the quarter.
Scott has worked for Platinum for over 10 years in the resources and industrial sectors.

## Notes

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

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

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

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 31 December 2009 to 31 December 2014 relative to its benchmark Index (in A$) as per below:

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

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

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

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