QUARTERLY REPORT
30 SEPTEMBER 2016

Platinum®
ASSET MANAGEMENT

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

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

Contents

Performance Returns to 30 September 2016

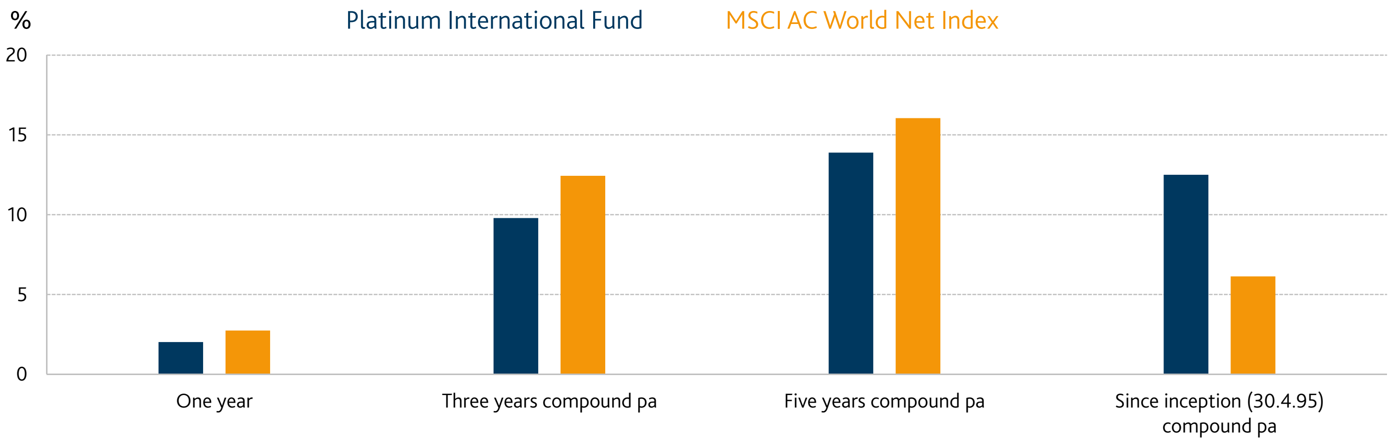
FUND	PORTFOLIO VALUE	QUARTER	1 YEAR	2 YEARS *COMPOUND PA*	3 YEARS *COMPOUND PA*	5 YEARS *COMPOUND PA*	SINCE INCEPTION *COMPOUND PA*
International Fund	$10,319m	6.1%	2.0%	7.4%	9.8%	13.9%	12.5%
MSCI AC* World Net Index		2.5%	2.7%	9.3%	12.4%	16.0%	6.1%
Unhedged Fund	$229m	8.7%	3.4%	6.5%	9.7%	13.8%	10.4%
MSCI AC World Net Index		2.5%	2.7%	9.3%	12.4%	16.0%	5.9%
Asia Fund	$4,450m	6.4%	3.8%	7.0%	11.8%	13.3%	14.9%
MSCI AC Asia ex Japan Net Index		7.2%	7.2%	8.2%	10.6%	12.1%	9.8%
European Fund	$415m	4.8%	-5.7%	7.4%	7.0%	14.8%	11.2%
MSCI AC Europe Net Index		2.5%	-5.8%	2.8%	5.8%	12.2%	2.0%
Japan Fund	$591m	9.3%	4.9%	18.3%	17.3%	21.4%	14.9%
MSCI Japan Net Index		5.7%	2.9%	12.0%	10.5%	12.6%	2.0%
International Brands Fund	$953m	5.3%	3.6%	8.3%	6.6%	12.2%	12.2%
MSCI AC World Net Index		2.5%	2.7%	9.3%	12.4%	16.0%	1.7%
International Health Care Fund	$181m	7.0%	1.5%	15.8%	16.0%	19.5%	9.2%
MSCI AC Wld Health Care Net Index		-2.6%	-3.4%	11.1%	18.1%	22.1%	8.5%
International Technology Fund	$83m	7.0%	2.8%	8.1%	11.1%	13.6%	8.8%
MSCI AC World IT Net Index		10.4%	12.8%	17.8%	22.3%	21.7%	-1.7%

*Morgan Stanley Capital International All Country

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

Platinum International Fund versus MSCI AC World Net Index

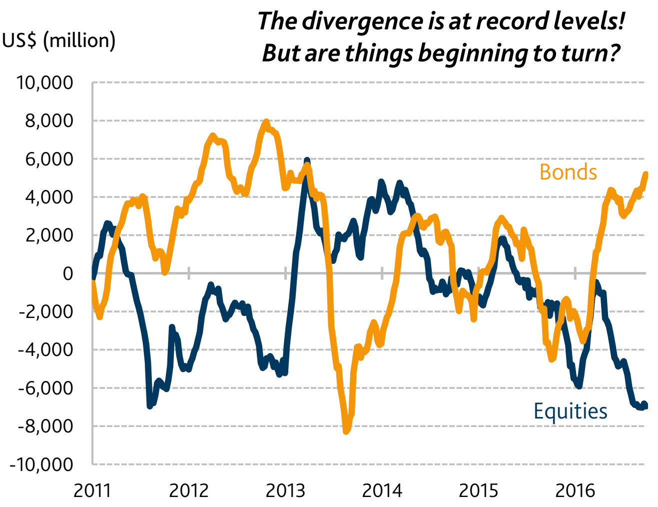
To 30 September 2016



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

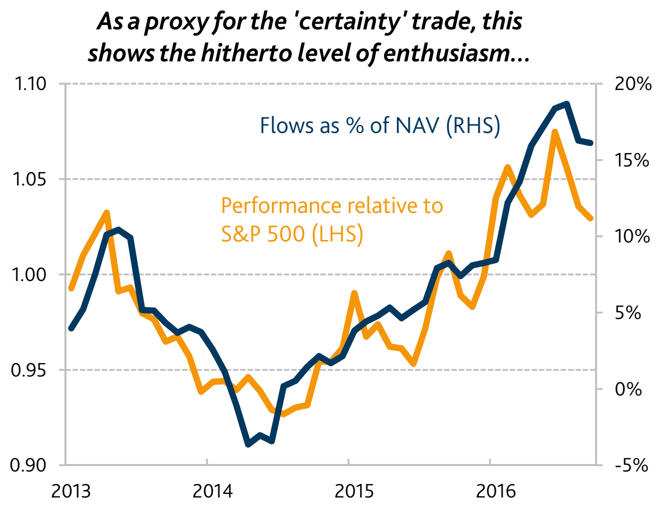
Market Panorama

Bond vs. Equity Inflows from US Mutual Funds (3 month average)



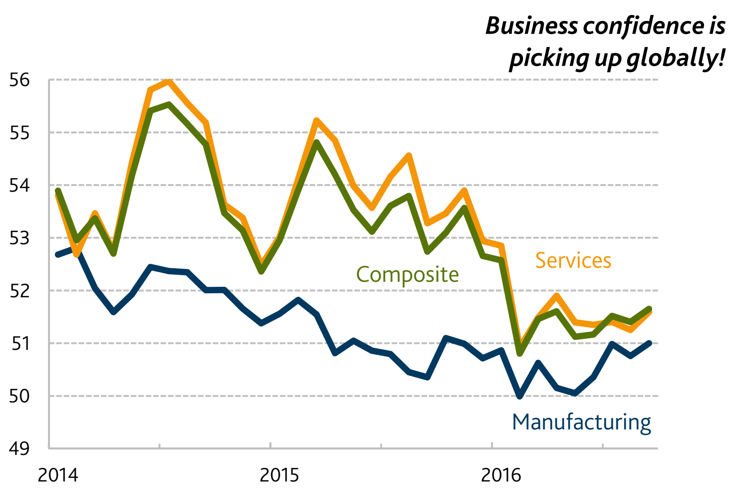
Source: ICI, Bloomberg

iShares US Minimum Volatility ETF Flows & Performance



Source: FactSet

JPMorgan Global Composite PMI*



Source: FactSet

* A PMI or Purchasing Managers' Index is an indicator of the current economic and business conditions, derived from monthly surveys of private sector companies.

A Snapshot

Platinum International Fund

- The quarter was marked by a persistent sign that the Chinese economy is responding to government deficit spending and easy money. This gave impetus to emerging markets in general as well as the cyclicals, with strong moves in commodities.
- The Fund's positioning is paying off and we are starting to see strong performance. We used the powerful run of some of our Chinese Internet holdings to realise profits, trimming Tencent and Sina, but used periodic sell-offs to add to other positions.
- The developed markets meanwhile moved sideways with a conspicuous absence of volatility. There are mixed signals on the US economy while Europe and Japan look more positive than the press suggests, with prices having stabilised.
- There has been a widening divergence between rising flows into bonds and outflows from equities over the last 12 months. However, the past quarter saw an evident change of heart by investors with a willingness to leave the 'certainty trades' and to look further afield. We sense a move towards real or inflation assets and away from financial/safety assets, like bonds.

Platinum Unhedged Fund

- Global markets rebounded from the lows following the Brexit vote, partly driven by better than expected economic performance in the UK, Europe and China.
- Major contributors to our rapid recovery following post-Brexit losses include our holdings in banks, China, Japan and US tech companies. The recent reporting season provided evidence that the thesis around many of our investments is playing out.
- While it is still premature to ring the warning bell, given we are now entering the eighth year of economic expansion in the US and starting valuations for US stocks are high, we are watching employment trends very closely.
- Notwithstanding our caution on the US (hence our close to 10% cash level), we are still finding good opportunities to invest, with many of our ideas coming from Japan and Hong Kong, markets that clearly stand out as cheap relative to their history.

Platinum Asia Fund

- The quarter saw broad-based economic stabilisation in China. Government deficit spending and a recovering property market boosted construction activity and consequently commodity prices. Excess capacity closure and restructuring of state-owned enterprises are underway, while bad debts are being gradually cleaned up. Industries like healthcare are reforming to improve corporate transparency and consumer protection, in order to ensure sustainable growth.
- Reform is gathering pace in India, with its historic GST legislation finally getting through the Parliament. With inflation having moderated significantly (down to 5%), the new Reserve Bank monetary policy committee decided to cut interest rates.
- We are positive about India's economic prospects given the country's ongoing reform and the potential for a cyclical recovery. However, given the market's recent high enthusiasm, short-term setbacks are possible if there are disappointments.
- ASEAN governments are pushing ahead with infrastructure investments, which bode well for these economies' future growth.

Platinum European Fund

- European shares have recovered most of the ground lost since the Brexit vote, with the UK being one of the strongest of major European markets, helped by a weak Pound. For all the crisis upon crisis, European institutions are proving to be resilient.
- Europe's economy is in fact growing faster than America's. Growth is both broad-based and 'high quality' as it is being achieved concurrently with falling imbalances and indebtedness, hence the economy is better able to withstand shocks.
- Nevertheless, investor sentiment towards the region remains negative, which creates opportunities for disciplined investors.
- Deutsche Bank is presently embroiled in numerous legal proceedings and could potentially face vast sums of fines and settlement costs. However, there is no reasonable chance that these will cause a loss to the bank's depositors or clients, though it is possible that shareholders and holders of hybrid instruments may end up taking a hit.

Platinum Japan Fund

- Significant contributors to the Fund's performance include some larger holdings in the games industry (Nintendo and a group of companies associated with it, e.g. DeNA, MegaChips, Minebea) and a range of low valuation stocks.
- Japan's commitment to long-term fundamental scientific research is reflected in its pharmaceutical industry's past success and current undertakings. However, in general, it was hard to identify new investment opportunities for a number of reasons.
- Rather than seeking to reduce interest rates indirectly through large scale purchase of JGBs, the Bank of Japan will now effectively set rates along the yield curve until inflation rises sustainably above its 2% target, as well as increase its purchase of ETFs listed on the Japanese stock market. The outlook is for an extended period of negative real interest rates in Japan.
- Many may be surprised to see that the Japanese equity markets are at roughly the same level today as they were in January. Most market participants are weary and disinterested after nine months of directionless trading. We continue to expect reasonable equity returns based on a portfolio of high-quality, cheap stocks with attractive medium term prospects.

Platinum International Brands Fund

- With an underlying focus on consumer behaviours and a search for faster growing consumer markets, our process of individual stock selection has consistently resulted in an unusual portfolio of companies across multiple geographies (including both 'emerging markets proper' and commonly overlooked countries like Vietnam and Mexico), quite unrelated to any index.
- The performance of the Fund is built on a long-term investment horizon. A review of the past ten year period shows that the Fund has fared well over this longer time frame, compared to both the US S&P Index and the MSCI Emerging Markets Index.
- We are increasingly questioning the longevity of the extraordinary performance of the US market and the disparity between their operational performance and their valuations. Sentiment towards emerging markets has improved and the performance of the Fund has benefited accordingly.

Platinum International Health Care Fund

- Our decision over the past six months to increase our exposure to small and mid-cap biotechs, rather than adding more established large cap names, has contributed significantly to our performance.
- Consolidation within the sector is a major theme and we have seen some activity. Immuno-oncology remains a focus not only for drug developers, but also for tool companies offering products that help characterise the tumour and its environment in detail. This is a new era for oncology, offering many opportunities beyond the approved PD-1 and PD-L1 inhibitors.
- While years ago it was enough to have a great drug that gained approval, today it is increasingly important for drug developers to establish themselves commercially, which is challenging for small biotechs. Those with a commercial product along with respectable sales infrastructure are in high demand (Ariad +85%, Seattle Genetics +34%).
- Smaller biotechs have gotten a little bit ahead of themselves in terms of valuation, so we will remain disciplined and trim our positions at times. However, biotechs remain the life blood of the industry and we will continue to add new ideas to the Fund.

Platinum International Technology Fund

- Technology was the strongest performing sector over the quarter, driven by mega-cap stocks like Apple and Facebook as well as strengths across semiconductor companies.
- Apple's stock performed well following positive early feedback from the iPhone 7 launch. More importantly, many of the new or improved features in the iPhone 7 have a positive impact on the Fund's other holdings that are strategically positioned in the iPhone supply chain (e.g. Samsung Electronics, Micron Technology, SK Hynix, Intel, Skyworks, Cirrus Logic, MegaChips).
- After the sector's recent strong performance, we are inclined to expect a slower pace of appreciation for the rest of the year. Global demand for consumer electronics and IT spending remains at reasonable levels, but is by no means exceptional.

Platinum International Fund

Kerr Neilson Portfolio Manager

Andrew Clifford Portfolio Manager

Performance

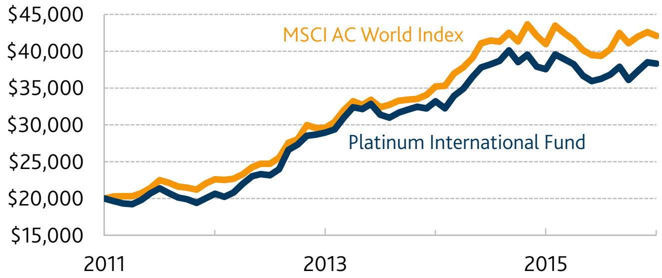
(compound pa, to 30 September 2016)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund	6%	2%	10%	14%	13%
MSCI AC World Index	2%	3%	12%	16%	6%

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

Value of $20,000 Invested Over Five Years

30 September 2011 to 30 September 2016



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

Disposition of Assets

REGION	SEP 2016	JUN 2016	SEP 2015
Asia	34%	31%	32%
North America	24%	23%	21%
Europe	20%	21%	23%
Japan	13%	11%	9%
Australia	1%	1%	1%
Russia	1%	1%	1%
Cash	7%	12%	13%
Shorts	-15%	-13%	-12%

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

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics	Korea	IT	4.1%
Alphabet Inc	USA	IT	2.9%
Tencent Holdings	China Ex PRC	IT	2.6%
AstraZeneca Plc	UK	Health Care	2.4%
PICC Property & Casualty Co	China Ex PRC	Financials	2.2%
PayPal Holdings	USA	IT	2.2%
Inpex Corporation	Japan	Energy	2.1%
Cisco Systems Inc	USA	IT	2.1%
Sanofi SA	France	Health Care	2.0%
Intesa Sanpaolo SpA	Italy	Financials	2.0%

Source: Platinum. Refer to note 4, page 44.

The undercurrent in markets for this quarter was the persistent sign that the Chinese economy is responding to the government's initiatives of deficit spending and easy money. This gave impetus to the Emerging Markets (EM) in general, which were further assured by Mrs Yellen's speech at the Jackson Hole symposium in July and subsequently in September, confirming an accommodative Fed and her tendency to let the markets lead. Deferral of tightening is seen as beneficial to EM which are regarded as riskier than the traditional large markets on account of their dependence on foreign investors at the margin, resulting in higher yields and lower valued shares in aggregate. It was also a good quarter for cyclical companies with strong moves in commodities, partly caused by tighter controls over Chinese producers of iron ore and coking coal. Copper, which is often regarded as the barometer of economic health, is however still meandering at low levels.

The developed markets moved sideways with a conspicuous absence of volatility. This was in part due to the selling of options by investors trying to earn what is perceived as low risk income (e.g. selling out-of-the-money calls or out-of-the-money puts in the belief that they are unlikely to be exercised). Investors though are still cautious, with mutual funds being well cashed up at around 5.5% and the defensive names, which we describe as 'certainty trades', still a crowd pleaser.

The positioning of the Fund is paying off and we are starting to see strong performance. Contributors ranked in terms of dollar gains for the portfolio include Sina (China's leading twittering and news portal), Tencent (China's dominant social network and gaming platform), Lixil (Japanese producer of building products), Samsung Electronics, Rakuten (Japanese e-commerce and finance firm), Qiagen (medical diagnostics), KB Financial and IDFC Bank, most of which were up by around 20% with outliers like Sina and IDFC Bank up by 51% and 77% respectively. The detractors of significance were Sanofi, Casino Guichard (retail), Eni (petroleum), Ericsson and Jiangsu Yanghe (Chinese liquor maker), but the strong performers outperformed the weak by 2.5 to 1, giving the Fund a satisfactory return of 6.1% for the last three months. Against the Index we are still slightly trailing in the 12 month return (2.0% versus 2.7%), but are well ahead for the quarter (6.1% versus 2.5%).

Changes to the Portfolio

We used the powerful run of some of our Chinese Internet names to realise profits, trimming **Sina** and **Tencent** as well as exiting **CK Hutchison Holdings** and selling down **China Mobile**. However, overall weightings to China increased slightly because of price appreciation and additions early in the quarter to **Ping An Insurance Group**, **PICC** and **Anta**

MSCI World Index Regional Performance (AUD)

REGION	QUARTER	1 YEAR
Developed Markets	**2%**	**2%**
Emerging Markets	**6%**	**7%**
United States	**1%**	**5%**
Europe	**3%**	**-6%**
Germany	7%	0%
France	3%	-5%
United Kingdom	1%	-7%
Japan	**6%**	**3%**
Asia ex Japan	**7%**	**7%**
China	11%	4%
Hong Kong	9%	9%
India	3%	-3%
Korea	8%	11%
Australia	5%	12%

Source: MSCI

MSCI World Index Sector Performance (AUD)

SECTOR	QUARTER	1 YEAR
Information Technology	10%	13%
Materials	7%	14%
Financials	4%	-5%
Consumer Discretionary	4%	-2%
Industrials	3%	7%
Energy	-1%	8%
Health Care	-3%	-3%
Consumer Staples	-3%	5%
Telecommunication Services	-4%	3%
Utilities	-6%	2%

Source: MSCI

Sports. Other positions exited included **Allegheny Technologies**, **Ibiden**, **Suncor Energy**, **Sberbank**, **Mitsubishi Tanabe Pharma** and a reduction in **Daiichi Sankyo** (Japanese pharmaceutical company). Of these, Allegheny and Ibiden proved poor investments with their failures to bring big new projects to the market at the level of profitability we had anticipated or hoped; a lesson that in times of weak pricing and slow growth, one is punished for not building in a sufficient margin for error. We juggled around our **gold ETF** to good effect and also used periodic sell-offs to add to the likes of **Kering** (luxury fashion), **Nintendo** (electronic games) and **Wynn Resorts** (casinos), and re-introduced two small positions in neglected cyclicals, **Norilsk Nickel** and **Sumitomo Metal Mining Co** (gold and Nickel).

The interesting company that is new to the portfolio is **58.com**. This is a relatively young Internet company in China that specialises in **online classifieds for second-hand residential properties, rental properties, and blue-collar jobs**. They also provide other classifieds services, an online "yellow pages" directory that advertises diverse services like on-site manicure, house cleaning, furniture removal, wedding photography, etc. across over 30 cities in China. This also helps to drive traffic to the principal website. However, the dominant verticals where the company clearly has market leadership are secondary real estate and jobs. This position came out of a merger with a former competitor, Ganji, and the integration of a much smaller but promising property site, Anjuke.

Helping matters was the tactical error by the former leading property web portal, SouFun, which chose to compete against its customers by establishing its own estate agency sales force. Its count of agent subscribers has fallen from 250,000 at the peak to approximately 170,000 while 58.com has seen agents flocking to its now enlarged site with more than 550,000 monthly subscribers. SouFun's number and diversity of listings have likewise contracted (though it still has traction in new dwellings) and 58.com is already achieving three times the peak revenues SouFun earned in 2014.

There are quirks in the Chinese market that set it apart from the western model, but essentially **listings are free and agents pay a monthly membership fee** of varying amounts to list properties on their books. They can each list up to 40 properties on behalf of sellers and may pay additional sums for **priority placements and real time bidding** for different time slots or customer search characteristics. The crinkles relate to the fact that *properties can be listed multiple times* because sellers *seldom grant exclusivity*. Full description of a property and *exact addresses are rare* and there are cases of *false listings* to induce buyers to make contact with an agent. Because the *buyer pays* the commission on sales, typically 2% to 2.5%, allegiances are tentative and this limits the portal's pricing power. Even so, this is a nascent, though fast growing, market in China with only 2 million second-hand properties changing ownership each year, compared to the new builds of some 9 to 10 million a year. To cement its position with agents, 58.com is working assiduously to *improve its algorithms to identify prospective buyers that best match* both the agent's location and addressable stock of properties. While pleased with the progress they have made, the work ahead and the need for greater discipline of listings lead the management to be more optimistic about their **jobs business** than their property service.

Here we have a willingness by over 300,000 advertisers, **mainly small businesses, to pay a membership fee of some US$600 per year to find candidates for job openings**. Alternatively, subscribers can bid for a fixed number of candidates (either to interview or to view their CVs). One can expect this river of recruiters to keep rising as larger numbers of employers turn to electronic media from traditional placards or signs outside physical premises. There are some 10 million small companies in China! This part of the market is **distinct from the white-collar segment** where 58.com's offering, ChinaHR.com, is a distant third to the category leader, 51job.com, followed by Zhaopin (majority owned by Australian company Seek).

In its helter skelter push for growth, the company is following several other leads like **used-goods trading (zhuanzhuan.com)** with integrated search, review and payment functions in a closed-loop mobile app. At the end of last year, it was seeing five million users per day and experienced hundreds of thousands of new listings each day. There is also a new auto site, after the company hived off its used-car site Guazi (keeping 40%) which dominates the consumer-to-consumer (or C2C) second-hand car market which now comprises some 9.5 million vehicles a year.

These initiatives, and the costs around consolidating its position in the property market where its market share in new and secondary combined may be 16%, makes profit forecasting problematic. The benefits of sharing infrastructure should, however, allow costs to trail well behind the growth in revenues that seem likely to achieve 30% p.a. for a few years. Once established, these types of businesses can generate EBIT margins of 20% or more. There are clearly reservations about execution, given the corpses of many failed verticals of this nature. With a market capitalisation of around US$6 billion or 4.5 times its likely revenues for

December 2016, it may not seem inordinately cheap, but consider the valuations of similar businesses elsewhere: Zillow, which is a pure online real estate portal in the US, has a market cap of US$6 billion, while Rightmove, the UK equivalent, has a market cap of US$5 billion. In Australia, REA Group, the owner of realestate.com.au, has a market cap of US$5.5 billion, while that of Autotrader is similar. These companies are engaged in one of the several verticals that 58.com occupies, and are placed in relatively small markets. 58.com has elements of each of these businesses in a vast country where the secondary real and personal property markets are only beginning to grow! Tencent is the largest shareholder with a 22.9% holding.

Shorting

We raised the short position, principally through buying the now cheap puts on the US market and an Emerging Markets ETF ahead of the likely turbulent political timetable set for the fourth quarter. The individual shorts are still to pay off though positions in consumer staples are gradually falling away. The delta adjusted exposure[1] of our total short positions is close to 15%.

Currency

We remain hedged out of the Chinese yuan to protect our Chinese holdings against further Yuan depreciation, have raised our position on the Euro to 15%, on the basis of increasing confidence in growth, and raised the holding in the Norwegian krone to 8.6% as a proxy on oil and the general improvement in commodity pricing. We find it a preferable long to the Australian dollar which suffers from a chronic current account deficit, even as the terms of trade are improving. Our hedging back into the AUD remains at 16%.

CURRENCY	SEP 2016	JUN 2016	SEP 2015
US dollar (USD)	32%	44%	77%
Australian dollar (AUD)	16%	16%	2%
Euro (EUR)	15%	13%	5%
Hong Kong dollar (HKD)	12%	11%	7%
Norwegian krone (NOK)	9%	4%	4%
Indian rupee (INR)	6%	6%	6%
Chinese yuan (CNY)	-3%	-3%	-7%
Chinese yuan Offshore (CNH)	-6%	-6%	-7%

Source: Platinum

1 Delta adjusted exposure is used where options are employed. Delta is a theoretical measure of the sensitivity of the option price to a change in the price of the underlying asset (usually expressed as a percentage).

Commentary

It is very difficult to give sensible commentary on the state of the markets at present. The great stores of wealth reflected in the US, European and Japanese markets have been trading sideways for the last three months, while the excitement has moved to the Emerging Markets, which have been strong. Volatility is at record low levels, partly on account of some investors choosing to use derivative markets to enhance their yield and also on account of the late summer trading lull.

Figures tracking flows reveal that there have been net redemptions out of equities in the US, Europe and Japan, even though some money has switched into ETFs and Emerging Markets.

There has been a conspicuous yawning divergence between rising flows into bonds, up some US$157 billion over the last 12 months and some US$140 billion out of equities. Strangely, cash balances have also contracted and some of this can be traced into commodity funds.

The prospect of several elections/referenda and high apparent valuations may be part of the reason for the markets' stalemate or because of some yet-to-be-discovered broader threat. Indeed the S&P Index as a whole is trading well above its long-term average which is around 16 times GAAP[2] earnings, versus the current rating for 2016 earnings of around 22 times. In addition, profits have now declined for three successive quarters (US *domestic* profits off by 10.8% from the 2014 peak) and on occasions similar occurrences had presaged an economic downturn. It is too early to say, but the savings rate has been dropping to around 4%, suggesting a loss of a buffer for consumers. There has also been a break in the traditional link between strong net wealth growth, which is at new record levels, and real spending. Household earnings are increasing and, importantly, the lower earners in society are benefiting from rising minimum wages. In the year 2015, the bottom 20% saw income growth of 6.7% while the population as a whole experienced income growth of 5.2%. Also encouraging is that after a prolonged stagnating eight month period to the end of August 2016, temporary employment broke to new highs in September.

There are of course a handful of differences regarding this protracted recovery from earlier ones: high household debt, low nominal growth, weak productivity – even though one suspects it is being under-recorded by dint of new technologies. The question is though, why individuals should

2 Generally Accepted Accounting Principles.

suddenly become more cautious. Age alone does not necessarily cause economic expansion to come to a halt.

Offsetting this is the present low threat of rising inflation and its associated party-spoiler, strongly rising interest rates. In any case, companies are more intent on reducing their share count than investing in much new capacity with share buybacks running at some US$60 billion a month which, together with dividends, mean that listed companies distributed over 100% of their attributable profits in the first half of 2016 against a longer term tendency of 80%. There are other positives like housing starts trailing household formation, consumer confidence at multi-year highs and in line with pre-Lehman levels, bank credit is rising and of course, it is very cheap!

Europe and Japan also look more positive than the popular press would have you believe, with prices having stabilised and now arguably rising (producer prices in both regions have turned higher). Consumers are getting on with their lives as evidenced by the OECD's leading global indicator turning positive. The great hope is for higher government spending to offset the private sector's caution, the so-called fiscal response. This seems more prospective in the US than in Europe and has indeed been very evident in China where the government has clearly augmented its monetary ease with a rise in deficit spending from last year's 3% to perhaps over 5% this year, and much to the relief of all, is seeing a clear response with accelerating growth. Europe will be likely very late to this increased deficit spending game because of the huge differences in the region's economic credentials and a distrust of members' reliability to hold the deficit line. Japan has recently announced a policy shift from targeting the acquisition of a fixed amount of bonds in Yen terms to one of targeting an interest rate level for the 10 year bond, with this rate set at zero.

The trouble in all cases is that with debt being so high in developed markets, the efficacy of low rates is muted in terms of spurring capital expenditure and **may even have the perverse effect of driving citizens to raise their savings** because of the now miserable returns on their savings and the stark realisation that their retirement accounts look rather meagre. Think of those 45% of *American families* who have ***no*** private provision for retirement whatsoever. If one looks at the pyramid of age cohorts of the US population, one sees that there are some 20 million men and women in each of the 5-year age cohorts from 45 years to 65 years, suggesting perhaps that close to half of these 60 to 80 million people may be glumly cogitating the deprivation of depending on US state pensions in the relatively near future. None of this leads one to see consumer spending being particularly robust! We can expect a fiscal response (as we noted last quarter), but with governments having already been the back stop for private debt, they are now typically 70% more indebted than before the Lehman crisis, and this will play on minds.

Outlook

While there are cross-currents to obscure one's view, one should not become unduly focused on the US and the outcome of its election. The economic recovery in China, continuing strong growth in most of Asia and ongoing improvements in Europe are most encouraging. There has been an evident change of heart by investors with a willingness to leave the 'certainty trades', and to look further afield. We sense there is **a move afoot towards real or inflation assets and away from financial/safety assets, like bonds**. Dispersion between the best and the worst performers is starting to widen. We are very comfortable with our positioning for the coming months.

Platinum Unhedged Fund

Clay Smolinski Portfolio Manager

Disposition of Assets

REGION	SEP 2016	JUN 2016	SEP 2015
North America	29%	29%	24%
Asia	27%	28%	31%
Europe	22%	24%	26%
Japan	9%	8%	10%
Russia	3%	3%	2%
Cash	10%	8%	6%

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

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Carnival Corporation	USA	Consumer Disc	3.2%
Applus Services SA	Spain	Industrials	3.2%
PayPal Holdings Inc	USA	IT	3.2%
Lixil Group	Japan	Industrials	3.2%
PICC Property & Casualty Co	China Ex PRC	Financials	3.2%
IHS Markit Ltd	USA	Industrials	3.1%
Level 3 Communications	USA	Telecom	3.0%
Cisco Systems Inc	USA	IT	3.0%
Raiffeisen Bank International	Austria	Financials	2.9%
Alphabet Inc C Class	USA	IT	2.9%

Source: Platinum. Refer to note 4, page 44.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Performance

(compound pa, to 30 September 2016)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund	9%	3%	10%	14%	10%
MSCI AC World Index	2%	3%	12%	16%	6%

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

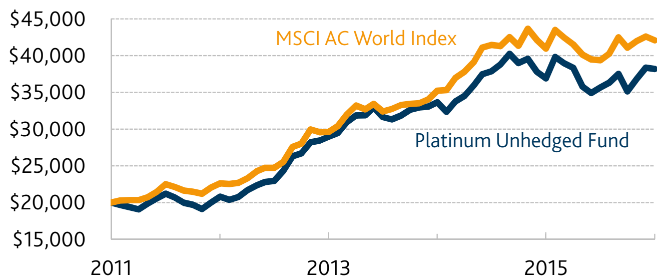
In the September quarter global markets rebounded from the lows following the British exit vote in late June. Measured in local currencies, the strongest moves were seen in the Asian region, led by Hong Kong (+12%) and Japan (+7%), followed by Europe (+6%) and the US (+4%).

Part of this rebound has been driven by better than expected economic performance in the UK, Europe and China.

The market had predicted that the UK would enter a sharp recession after the Brexit vote, and that this would have a knock-on effect in the Eurozone. While it is early days, lead indicators such as credit card spending, retail sales and job

Value of $20,000 Invested Over Five Years

30 September 2011 to 30 September 2016



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

creation in Britain have held up very well, and the situation is similar in Europe. For now, the cushion of the weaker Pound and lower interest rates has offset the hit to business confidence.

The other area of surprise to many is the strength in the Chinese economy. Retail sales continue to grow at 10% per annum, house prices across the 100 largest cities are up 13%, and wage growth is 3%. The improvement is also reflected in the heavy side of the economy, with electricity consumption (+9%), rail freight carried (+1% after three years of decline) and heavy duty truck orders (+30%) all starting to grow again. This does not paint a picture of an economy in recession, and highlights the disconnect between the negative perception around China and the actual levels of underlying activity which remain solid.

Over the past quarter the Fund returned +8.7% versus 2.5% for the Index. The rapid recovery of the losses felt after the Brexit vote has been a welcome outcome, and the recent half-year corporate reporting season provided evidence that the thesis around many of our holdings is playing out. The major contributors to this quarter's performance are:

- **Banks** – As the panic around Brexit has calmed, the majority of our bank holdings have risen between 20% and 40% from the lows. As we mentioned in our last Quarterly Report, we were adding to our bank holdings during the heavy falls and this has been a profitable move.
- **China** – The stand-outs were our holdings in Sina (majority owner Weibo, the Twitter of China) and Weichai Power (maker of heavy duty truck engines). Sina's share price rose 51% after showing great progress in the monetisation of its Weibo social media platform. Weichai rose 31% on the aforementioned rebound in heavy duty truck orders in China.
- **Japan** – We saw strong price moves in Lixil (24%), Panasonic (20%) and Rohm (29%). As detailed in the June Quarterly Report, the size of the sell-off in each name post Brexit had seemed excessive, and better than expected results provided the catalyst for the rebound.
- **US Tech** – The big gainer during the quarter was our holding in eBay which rose 39%. This was in response to evidence that management's efforts to improve the shopping experience on the core eBay marketplace (via better cataloguing and presentation of the millions of listings) were gaining traction.

For the nine months year-to–date, the Fund returned -0.4% versus the Index at 1.3%.

Commentary and Changes to the Portfolio

The major new addition to the portfolio over the quarter was **China Resources Gas (CRG)**. CRG is a 'city gas' distributor, meaning that they own the last mile gas pipelines that connect a city's residential and industrial customers to its upstream gas supply networks.

CRG's primary function is to lay pipe to connect new customers and sell gas. The gas sales are done on a pass-through basis, with the dollar margin allowed to be earned by CRG fixed by the local regulator. As the pass-through mechanism removes much of the commodity price risk, the primary growth driver for CRG is increased gas consumption and the ability to expand the network to connect new customers.

On the prospects for increased gas consumption, natural gas currently accounts for 6% of China's energy consumption, significantly lower than the 24% world average. Shifting to piped natural gas is in the interest of most stakeholders. It is cheaper, safer and more convenient for residential and commercial customers than bottled LPG, and given China's air pollution problems, there is an environmental push to promote 'coal to gas' conversions in the industrial sector. With ample domestic gas supply and new gas purchase deals with Russia, the government has made it clear it wants to increase the use of gas in its energy mix over the long term, and city gas networks are key partners in making this happen.

In addition to the solid demand outlook, there is also considerable scope for CRG to expand its networks. City gas pipelines are a natural monopoly, and once an operator gets density in a district it gains a cost advantage in connecting up neighbouring towns. This ability to expand the networks provides a long runway of growth, with CRG having only connected 45% of the potential customers in its natural catchment areas today. Also, CRG has been successful in winning the bulk of the new tenders to pipe major cities, with their recent wins in Qingdao and Dalian bringing them an additional customer base of six million people.

The concerns that gave us the opportunity to build a position in the company revolved around regulation and headwinds to gas consumption volumes. On regulation, the concern arose from changes to the dollar margin that CRG would be allowed to earn on gas supplied to different types of customers. This has since been resolved without issue, in keeping with the regulators' long-term record of very fair treatment of the city gas operators. On volumes, the fears were about the slowdown in the Chinese economy and the effect this would have on industrial gas demand, and the fact that the collapse in the oil price has made gas more expensive at the margin for some users (prompting some switch back). Whilst having an effect in the short-term, on a longer term basis this should represent a mere blip on the gas demand story.

CRG's business is growing at roughly 15%, and the combination of consumption and connection growth should allow it to continue at this pace for some time. The company has little debt and the management team is committed to returning excess free cash flow to shareholders, having upped this year's interim dividend by 50%. Purchased at a starting valuation of 15x earnings, CRG looks a very reasonable investment, especially when compared to other 'growth utilities' worldwide.

Outlook

One gets the sense that investors are still fairly pessimistic when considering investments outside of the US. This is interesting when we look at the performance of the respective economies year to date. The data from China has been much stronger than expected, the recovery in Europe has remained on track, whilst it is actually the US where signs of weakness have started to emerge.

What is weaker in the US? From a high level view, US nominal GDP growth has now fallen to 2.5%, slower than Europe, and well below the 4% average seen for the last five years. More importantly, alongside this some of the leading indicators around US employment are softening.

Over the past 40 years the number of temporary employees ('temps') employed in the US workforce has been a remarkably accurate lead indicator of contractions in the US economy. By their nature, companies use temps to handle excess workload, and in the expansion phase you tend to see consistent growth in the number of temps employed. However, in a slowdown, temps are the first to be cut, and in past recessions temp employment has first slowed to zero growth and then started contracting six months ahead of cuts in the number of permanent employees.

The absolute number of temps employed in the US has been flat for nine months. These trends are echoed by the major listed staffing companies (Manpower, Adecco, Randstad, and Robert Half) which have seen the growth in their US operations slow dramatically and start to turn negative. With September's temp employment data looking a little stronger, it is still premature to ring the warning bell. But given we are now entering the eighth year of economic expansion in the US (i.e. by historical comparison, this cycle is long in the tooth) and starting valuations for US stocks are high, we are watching employment trends *very closely*.

Notwithstanding our caution on the US (which explains our decision to hold cash close to the Fund's 10% cap), we are still finding good opportunities to invest, with many of our incremental ideas coming from Japan and Hong Kong, markets that clearly stand out as cheap relative to their history.

Platinum Asia Fund

Joseph Lai Portfolio Manager

Performance

(compound pa, to 30 September 2016)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund	6%	4%	12%	13%	15%
MSCI AC Asia ex Jp Index	7%	7%	11%	12%	10%

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

The Fund was up 6.4% for the quarter. Performance was led by Chinese stocks listed outside mainland China, with Hong Kong listed H-shares up 10%, while the mainland A-shares were less buoyant, up about 3%. Improving economic data suggests that the country's multi-year economic slow-down is beginning to bottom out, drastically reducing the risk of any imminent financial system collapse. India continued its strength from the previous quarter, up 4% on significant economic reforms and a fall in inflation, leading to interest rate cuts. The one-day sell-off at quarter-end over a minor skirmish with Pakistan detracted from returns temporarily, which have since more than recovered. ASEAN markets were mixed due to domestic political factors, despite a further delay in US interest rate hikes.

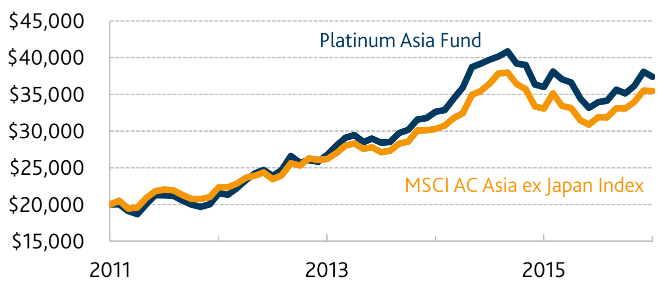
Disposition of Assets

REGION	SEP 2016	JUN 2016	SEP 2015
China (Listed Ex PRC)	30%	25%	29%
China (Listed PRC)	9%	7%	5%
Hong Kong	3%	3%	3%
Taiwan	2%	4%	2%
India	18%	20%	19%
Korea	9%	10%	11%
Thailand	6%	6%	6%
Philippines	5%	5%	4%
Vietnam	3%	3%	2%
Malaysia	1%	0%	2%
Singapore	<1%	3%	2%
Cash	14%	14%	15%

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

Value of $20,000 Invested Over Five Years

30 September 2011 to 30 September 2016



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

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Alibaba Group	China Ex PRC	IT	3.6%
Samsung Electronics	Korea	IT	3.6%
Kasikornbank PCL	Thailand	Financials	3.5%
Ayala Land Inc	Philippines	Financials	3.4%
Tencent Holdings Ltd	China Ex PRC	IT	2.6%
Jardine Matheson Holdings	Hong Kong	Industrials	2.6%
China Resources Gas Group	China Ex PRC	Utilities	2.5%
Ping An Insurance Group	China	Financials	2.5%
SK Hynix Inc	Korea	IT	2.5%
JD.com Inc	China Ex PRC	Consumer Disc	2.4%

Source: Platinum. Refer to note 4, page 44.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Our Chinese holdings were strong performers, including Sina (majority owner of Weibo, China's equivalent of Twitter and Instagram combined, up 51%), Anta Sports (a leading domestic sportswear brand, up 36%), Alibaba (the dominant e-commerce marketplace, up 33%), and Tencent (the Facebook of China, up 21%). Our Korean holdings also performed well, with SK Hynix (memory chip producer) up 24% and Samsung Electronics up 12%. In India, our private sector banking and gas positions did well, with IDFC Bank up 77%, Yes Bank up 13% and Indraprastha Gas up 24%. The drag on relative performance came from the Fund's Philippines holdings, with Ayala Land and Vista Land both remaining flat for the quarter.

Changes to the Portfolio

The Fund's total invested level remained at around 86% at the end of the quarter. Economic prospects for the region remain bright, but certain regional markets have done particularly well, possibly reflecting too much enthusiasm too soon.

We raised some cash from the sale of stocks that have reached our assessment of fair value (CK Hutchison, Advanced Semiconductor Engineering and Indraprastha Gas), and deployed some of the cash raised into new positions exposed to the interesting and burgeoning themes in the region.

Yutong Bus is a dominant bus manufacturer in China with excellent management and an impeccable track record. It is also gaining significant experience in the rapidly growing category of electrically powered buses. The company is well positioned to become a global leader in electric buses as China ramps up its efforts to broaden its electric vehicle ecosystem.

BBMG is a leading Chinese cement company with a 70% market share in the region comprising Beijing, Tianjin and Hebei. This economic cluster is being developed into a vast world-class manufacturing and business hub of northern China, covering about 217,000 km^2, more than 100 million people and an economic output in excess of US$1 trillion! Cement prices had been depressed over the last few years, but improving demand has already lifted prices by more than 20% so far this year, and profitability is expected to improve significantly. Trading at a substantial discount to its net asset value makes this investment tantalisingly attractive.

Other additions to the portfolio include **Genting Berhad** and **Wynn Macau**, which own unique gaming properties in various Asian regions. The declining gaming volumes over the past few years provided us with an opportunity to acquire these positions. What attracted us to these companies is that we are on the cusp of a sustainable recovery, supported by the continued growth of Chinese outbound tourism and the development of Macau into a diverse entertainment hub.

Commentary

China

The recent quarter saw further evidence of broad-based economic stabilisation in China, with the obvious beneficiaries being the commodity complex. Investors in commodity stocks would have noticed that thermal coal prices moved up from around US$50/ton earlier in the year to more than US$70/ton. Coking coal, which is used for manufacturing steel, saw even more dramatic rises, with prices more than doubling from three months ago.

Coal mine closures in China provided support for prices. China's coal industry has a closure target of 6% for 2016, more than half of which has already been achieved, surpassing last year's full year closure.

Apart from benefiting from supply closures, prices are further supported by a pick-up in industrial activity. In recent months, we have seen unequivocal signs of improvement. Electricity generation rose 8% for the month of August, having stagnated for most of the year. Growth in rail freight volume also turned positive in the same month, indicating greater economic activity. Excavator sales were up 50% this quarter, after many years of doldrums. Heavy truck sales were up strongly. Car sales are powering ahead, having grown 15% year-on-year in the first eight months of this year. Air conditioner sales, which had slumped with much unsold inventory in the last two years, are also picking up. The Fund's positions in Weichai Power (heavy truck maker), Qingdao Haier (white goods manufacturer) and China Resources Gas (downstream gas distributor) are set to benefit from these trends.

Improving construction activity has come about as a result of deficit (3% of GDP) spending and a recovery of the property market. In our previous quarterly reports we have discussed at length the underlying health and durability of a large portion of the Chinese property market. Our view is that the health and outlook of China's property market are region-dependent. The economically prosperous cities are populated by productive workers who are typically big savers. With mortgage lending still meaningfully under-represented in the banking system (some 21%, compared to 63% in Australia), financing for the purchase of properties can continue for some time.

The number of unsold apartments, as measured by sellable gross floor area relative to average monthly sales, has fallen to nine months for the 35 leading Chinese cities, the lowest level since 2011. Housing starts turned positive year-on-year in the first half of this year after two years of contraction.

Lack of demand is clearly not a problem. The current official mortgage rate of 4.9% can be further reduced, if needed. In cities with a robust economy, demand has in fact proven excessive, leading to the reinstatement of buying restrictions which typically result in a reduction in transaction volume. Curbs on speculative demand will stay, but a drastic mortgage tightening at this point is unlikely.

While one may be tempted to extrapolate the condition of the property market to a boom in commodities, we would caution against it. The base is big. Property construction may well stabilise, but is unlikely to grow significantly. Fiscal stimulus can be expanded, but the constraint is inflation further afield.

A steady expansion is perhaps the preferred solution, biding time for the authorities to tackle the difficult structural problems facing the Chinese economy, such as carving the bad debts out of the banking system and transitioning the economy from construction-linked industries with excess supply (e.g. steel mills, cement plants) to one that is more dominated by consumer and service related sectors.

The crux of China's bad debt problem relates to the structure of its economic system in which state-owned banks have generously funded state-owned enterprises (SOEs). While the most vibrant parts of the economy are driven by private enterprise (Internet, retail, IT), the old economy (building materials, mining) still has a preponderance of state ownership. Bank funding fuelled the build-out of excess capacity, so much so that product prices were depressed. Yet, the loss-making "zombie" SOEs were kept alive with more funding, as attempts to close them down were hindered by the fear of causing mass unemployment.

The good news is that **bankruptcies and restructuring of SOEs have started**. This is significant, because in recent years, SOEs are seen as being backed by the state and therefore cannot be allowed to default. Default allows bad debt to be written off from the banking system and for excess capacity to be closed down. Examples of restructuring underway include the bankruptcy of Dongbei Steel, China's largest specialty steel company, after it defaulted on US$6 billion of debt, the restructuring of Sinosteel which has US$10 billion of debt, and the proposed merger of the loss-making Wuhan Iron & Steel with Baosteel, China's largest steel maker.

In the meantime, the banking sector is also undergoing repair. Bad debt is gradually being written off or sold to asset management companies. Some local banks are being bailed out by the bigger regional banks or by private investors.

The thrust of the SOE reform is to encourage these companies to focus more on profitability and less on market share. State-owned companies are starting to report improving profits with better management over profligate spending and investment. This will enhance the health of the banking system.

Undoubtedly, SOE reform, capacity closure and cleaning up the banking system are necessarily painful measures from multiple perspectives. It is no small undertaking and will take time. What is encouraging perhaps is that this is far from the first time that China has had to deal with such problems.

Former Chinese Premier Zhu Rong Ji was faced with almost exactly the same challenges in the late 1990s. The Chinese economy was smaller than it is today, but the magnitude of the problems was greater as China's economic institutions were less robust with SOEs representing a far greater portion of the economy. Zhu dealt with state-owned banks' huge bad debt problems, closed unprofitable SOEs, let go of 40 million workers who had thought of their SOE jobs as "iron rice bowls" for life! Indeed, pundits domestic and abroad attributed China's miraculous decade-long boom since the turn of the century to the bitter medicine taken a few years prior.

Under the bonnet of macroeconomic reform, sweeping reforms are taking place across a swathe of industries (the stock market, the insurance industry, wealth management products, the Internet sector, and healthcare). Generally speaking, the aim is to put in **frameworks to ensure the sustainable growth of these sectors by improving corporate transparency, reducing rent-seeking behaviour and increasing consumer protection**.

The rapidly growing healthcare sector, for instance, has made remarkable improvements in industry practices as a result of regulatory efforts over the last two years. The mentality of drug companies and distributors is changing fast to better fit in with the country's "new normal".

The widespread practice of drug over-subscription is a result of hospitals' reliance on drug sales as a key source of funding

(45%) and generous kickbacks by pharmaceutical companies to doctors. This is changing as funding from government subsidies and service fees is being lifted. There is also a pilot program running in 200 cities that removes hospitals' ability to charge a 15% mark-up on drugs, thus reducing the incentive to over-prescribe medication.

China's Food and Drug Administration is cracking down on inefficacious drugs that may not have gone through proper clinical testing. Not only are new drug applications subject to a stricter review process, pharmaceutical companies are also required to re-submit bioequivalence data for drugs already on the market! Some estimates suggest that up to 30% of drugs sold in China have questionable efficacy and these are being phased out.

India

Significant reform measures are gathering pace in India. Inflation is now under control. Coal India is producing more coal than it can sell. Power distributors are being recapitalised and proper incentives are being put in place to curb under-pricing and theft. Gas power plants, which had been unable to secure economically viable gas sources and watched investments worth billions of dollars lie idle, are in operation again. State-owned banks that had been plagued by bad debts linked to failed projects are in the process of repairing their balance sheets. Private sector banks are returning to participate in the funding of new projects. At 128%, the non-financial debt-to-GDP ratio is low and has not changed for more than half a decade. In the next 12 to 18 months, we will potentially see the beginning of a recovery in private capital expenditure, which has fallen by some 70% from its 2011 peak!

The most notable progress over the quarter was the passing of the Goods and Services Tax (GST) legislation by both houses of the Indian Parliament. The GST legislation was thought to be almost impossible to get through Parliament, as it involved extensive negotiations amongst India's fragmented political parties on both federal and state levels. **The longer term benefits of the GST reform should not be underestimated.** It will improve productivity by providing for a nationally uniform tax system for the trading of goods and services and significantly reducing the cumbersome and complicated taxes and duties levied by India's 29 states and seven territories. A widened tax base and simpler compliance processes will also improve tax collection which can be used to fund much-needed infrastructure.

Even though India is benefiting from the low oil price environment and its current account deficit is at a 10 year low, the country is not growing at its full potential. Areas that signalled some improvement early in the year, such as commercial vehicle sales, have now moderated. However, other areas are showing signs of growth: domestic air travel, sales of private vehicles, motorcycles and scooters. India's consumer confidence index is currently the second highest in the world, which is encouraging even though it is probably more telling about the limited growth in other countries.

Another bright spot is road construction, both in terms of project completion as well as allocation of new projects. The National Highways Authority of India (NHAI) has a very ambitious target for new project awards for financial year 2017: 15,000 km. Even if only 70% of the target is achieved, it will be impressive progress. Land compensation has risen significantly, so land acquisition is no longer an obstacle. Also, the government is very supportive of introducing alternatives ways of funding road development. Recently, IRB Infrastructure Developers, one of the Fund's holdings, announced its plan to launch India's first infrastructure investment trust to unlock the value from six of its projects.

At the beginning of September, Dr. Urjit Patel, who had been the Deputy Governor of the Reserve Bank of India (RBI) for three years, was appointed RBI Governor. The government demonstrated continuity by appointing someone with great credentials from within the RBI. Dr Patel led the committee overseeing the RBI's monetary policy framework, has a doctorate from Yale University and has served at the International Monetary Fund. The newly appointed six-member monetary policy committee met for the first time at the start of October and voted unanimously for a 0.25% rate cut. Responsible monetary policies have moderated inflation significantly (down to 5%), now allowing headroom for further rate cuts which should be welcomed by the market.

Financials in particular should benefit. IDFC Limited is a non-bank financial company and has had a banking licence granted to its spun-off entity IDFC Bank in 2015. IDFC has a strong two-decade track-record and the upside is significant for new entrants to India's under-penetrated and state-bank-dominated banking market. The last banks to be granted licences were YES Bank and Kotak Mahindra Bank in the mid-2000s, and they grew as much as 1,500% over the following decade.

ASEAN

The past few months saw no shortage of infrastructure spending in ASEAN countries. Unlike their historical pattern of fits and starts, we sense that this time is different. This is significant, as infrastructure consists of productive assets that can dramatically lift income for developing countries. Good quality roads, railways, bridges and tunnels can make a difference between whether goods can be transported from one place to another and therefore whether business enterprises are viable.

In the Philippines, the new President is pushing forward much-delayed infrastructure programs with much more rigour than his predecessors. The government has announced 12 public-private-partnership (PPP) projects in varying stages of preparation, worth close to US$6 billion in total. Nine other infrastructure projects (airports, transport hubs, hospitals) worth more than US$3 billion were approved within President Duterte's first 100 days in office! Elsewhere the country's economic boom has continued, with the latest indicator of economic activity (the Nikkei Manufacturing PMI[1]) printing 57.5 in September, a record high, and economic growth well above 6%.

In Indonesia, the toll road connection between its capital Jakarta and Surabaya, its second largest city, is expected to be completed by 2019. This much-delayed mega project was initiated back in 1988, but most of the development only took place in the last two years after President Jokowi came to power! Since then, the completed distance has doubled to 315 km, nearly half of the planned final length of 757 km. In order to fund more infrastructure projects, the Indonesian government is running a tax amnesty program to encourage wealthy Indonesians to repatriate their hitherto untaxed offshore savings back into the country.

In Thailand, the recent referendum backing a new constitution paves the way for a win by the current government in the 2017 general election. With its power affirmed, the government is in a good position to focus more on realising the country's 12th National Economic and Social Development Plan. The Plan is targeting 5% annualised GDP growth, driven by a 10% annual expansion in public investment and 7.5% in private investment. Early indications are promising. The government put three mass-transit lines up for tender in July and resolved a dispute over operator selection for another extension project. Winning bids are expected to be announced by the end of the year, with construction to start by mid-2017.

1 The manufacturing PMI (or Purchasing Managers' Index) is an indicator of the economic health of the manufacturing sector, derived from monthly surveys of private sector companies.

Outlook

Outlook is improving across the Asian region, given the progress made on reform and delivery of much needed infrastructure investments. The direction is positive, though there is no way of predicting the exact path that markets will take.

The Chinese authorities are committed to fixing up the system to deliver more steady and balanced growth. It is encouraging that over the last 40 years China has demonstrated time and time again its capacity to deal with bad debt, reform the system, and remove excess capacity in challenged industries to deliver a positive outcome.

India's economy is still small relative to China's, so the bull case for the Indian market is perhaps easier to grasp. We are positive about the country's economic prospects given its ongoing reform and the potential for a cyclical recovery. However, given the market's recent enthusiasm for the country, short-term setbacks are possible if there are disappointments.

We remain optimistic over prospective returns from our companies, as stock prices remain inexpensive in the context of their growth trajectories. We continue to find interesting companies to add to the portfolio.

Platinum European Fund

Clay Smolinski Portfolio Manager

Nik Dvornak Portfolio Manager

Performance

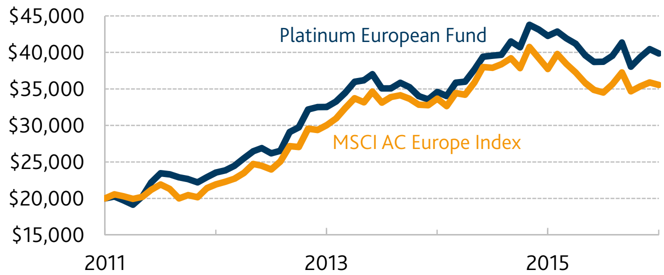
(compound pa, to 30 September 2016)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund	5%	-6%	7%	15%	11%
MSCI AC Europe Index	3%	-6%	6%	12%	2%

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

Value of $20,000 Invested Over Five Years

30 September 2011 to 30 September 2016



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

Disposition of Assets

REGION	SEP 2016	JUN 2016	SEP 2015
Germany	24%	21%	16%
UK	18%	15%	22%
Austria	9%	6%	5%
Italy	7%	7%	5%
France	6%	6%	5%
Spain	5%	6%	6%
US *	4%	4%	4%
Russia	4%	4%	3%
Netherlands	3%	2%	1%
Hungary	3%	2%	2%
Switzerland	2%	2%	5%
Norway	2%	2%	2%
Sweden	1%	1%	1%
Turkey	0%	0%	1%
Cash	12%	22%	22%
Shorts	-2%	-1%	0%

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

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

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Raiffeisen Bank International	Austria	Financials	4.7%
IHS Markit Ltd	USA	Industrials	4.4%
Carnival Plc	UK	Consumer Disc	4.2%
GfK SE	Germany	Consumer Disc	4.1%
Erste Group Bank	Austria	Financials	3.9%
Applus Services SA	Spain	Industrials	3.3%
Intesa Sanpaolo SpA	Italy	Financials	3.1%
Sartorius AG	Germany	Health Care	3.0%
OTP Bank Plc	Hungary	Financials	2.9%
ING Groep NV	Netherlands	Financials	2.9%

Source: Platinum. Refer to note 4, page 44.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

European shares have now recovered most of the ground lost since Britain's vote to leave the European Union (EU) on 23 June 2016. The UK (+7% over the quarter, in local currency) was one of the strongest of the major European markets, helped by a weak British pound which boosted export stocks. Italy (+1%) was the weakest of the major markets, reflecting concerns over the upcoming referendum and the solvency of the Banca Monte dei Paschi di Siena.

The Platinum European Fund returned 4.8% for the quarter and -5.7% for the year (in Australian dollar terms). This compares to 2.5% and -5.8%, respectively, for our benchmark.

Our bank holdings made the largest positive contribution to the Fund's performance, led by **Erste Bank**, up 30% this quarter. Detracting from our performance were our healthcare stocks which are experiencing price pressure in the US and market research company, **GfK**, whose turnaround is proving trickier than anticipated.

Commentary

Deutsche Bank's balance sheet is nearly three times the size of Lehman Brothers' and one and a half times the size of Australia's annual economic output. Will Deutsche Bank fail? Will the German government bail it out? And what are the implications for the financial system, Europe and the global economy, if they don't? (See Appendix on page 22.)

Such are the imponderables with which European investors are currently being bombarded. A few weeks ago all the focus was on Banca Monte dei Paschi. Before that, Brexit, Greece, sovereign debt, youth unemployment, migration, populism, Russian revanchism, you name it. This litany of angst contributes to the perception that Europe's recovery from the Global Financial Crisis is constantly being derailed, in contrast to the experience across the Atlantic.

Thus, investor sentiment towards Europe remains decidedly negative. It is perfectly natural that investors should feel fatigued and be wondering whether it is all just too hard and whether they should focus their efforts on 'easier' regions like the US or Asia.

Such emotions create opportunities for disciplined investors. Consider for a moment that, for all the weeping and gnashing of teeth, Europe hasn't come apart at the seams as was widely predicted. Greece is still a member of the Euro currency bloc. The fiscal position of Spain, Ireland, Portugal and Italy (and indeed Greece!) is being repaired. Britain has elected to leave the EU without triggering a recession. Most European banks are in sound financial health. European structures have certainly been tested. And they're proving to be surprisingly resilient.

And then there's the economy. We suspect some readers will be surprised to learn that **Europe's economy is actually growing faster than America's**. You would certainly not think it from the headlines and prevailing 'expert' commentary. Economic data is the closest thing we have to objective facts. Given the negativity of sentiment, we think it may be helpful to walk through these.

Gross Domestic Product (GDP) is the most widely used measure of the size of an economy. On an inflation-adjusted basis, European GDP (+1.8%) is growing significantly faster than US GDP (+1.3%). Indeed, European GDP growth is pretty much in line with its 20-year average (+1.7%). Were it not for the extraordinary quantum of stimulus being applied, you could even describe the situation as 'normal'.

GDP GROWTH (INFLATION-ADJUSTED)	EU-28	USA
2016Q2 compared to 2015Q2	1.8%	1.3%
Average 1996-2015	1.7%	2.4%

Source: FactSet

Furthermore, the data tells us that Europe's growth is broad-based with consumption (+2.1%) and investment (+1.9%) both contributing nicely. Households are confident enough to spend (retail sales +3.6%, car sales +10.4%) and borrow again (household borrowing +1.9%). Corporate lending is flat (-0.1%), but this is deceptive. It is actually strong in core economies like Germany and France, but is dragged down by debt repayment in more indebted economies like Spain. This is actually quite healthy.

Most important of all, unemployment is 8.6% and falling steadily. It's true that there remains a wide disparity between countries, with unemployment being very low in Germany (4.3%) and very high in Spain (20.1%), for example. The silver lining, however, is that it is falling almost universally across all 28 EU member states and it is falling fastest in those countries where it is highest.

% CHANGE FROM A YEAR AGO (INFLATION-ADJUSTED)	JUN 2016
GDP	1.8%
Private consumption	2.1%
Investment	1.9%
Non-food retail sales (excluding cards and fuel)	3.6%
Vehicle sales	10.4%
Private sector loans	1.0%
Household	1.9%
Corporate	-0.1%

UNEMPLOYMENT RATE	%
2016Q2	8.6%
2015Q2	9.6%

Source: FactSet; Eurostat.

In summary, the European economy is recovering. Growth is broad-based. The pace is respectable. And disparities are closing. It's true that the pace is slower than what we grew accustomed to before the Global Financial Crisis. But this is true for most economies. And more importantly, the growth we are seeing today is arguably higher quality growth because it is being achieved concurrently with falling, rather than rising, imbalances and indebtedness. Put differently, the economy is not just getting bigger, but is also better able to withstand shocks.

Changes to the Portfolio

We were astonished by the way that our Italian and Austrian banks were treated in the aftermath of the British referendum on EU membership. These stocks fell to levels that were simply incongruent with the commercial reality that the underlying businesses faced, driven by what we suspect was a panicked reassessment of the political risk that was always there, but was brought into sharp relief by Brexit. We added significantly to our positions in **Intesa**, **Mediobanca**, **Raiffeisen**, **Erste** and **ING** during the sell-off.

Cooler heads soon prevailed and by the end of August the Euro Stoxx Banks Index had recovered to just shy of its pre-Brexit level. Following this rally, we trimmed positions in **Intesa** and **Lloyds**.

We are satisfied with our overall exposure to banks which currently accounts for 25% of our capital, but we do not want to increase it beyond this point. Our bank holdings remain roughly evenly split between Western European banks and those active primarily in the Emerging Markets of Eastern Europe.

It is important to draw this distinction because, while in the short-term these positions may be correlated, over the medium term, valuations will reflect the evolution of each investment case. And this differs markedly between our Eastern and Western European banks. Our Eastern European banks are growth stocks that should also experience a cyclical rebound in profitability. Our Western European banks are income stocks that are unlikely to grow and may face declining profitability, but will pay high dividends which we expect will more than compensate for this.

Outlook

While markets have digested the Brexit shock and recovered much of the ground lost, investor sentiment towards the region remains negative. Such sentiment stands in contrast to the economic data which paints a picture of steady, if not spectacular, recovery. The headlines continue to focus on a handful of problem banks which drive market volatility while, in reality, most European banks are in good financial health and are now supervised to a common high standard by the European Central Bank rather than their more politically attuned national regulators.

The combination of a supportive economic backdrop and investor disillusionment makes it easier to find good investments. The shortcoming is valuation, which remains frustratingly high in many segments of the market. However, we continue to find attractive investments in the handful of segments that remain reasonably valued, including Banking, Insurance, Energy and Industrial Services.

Appendix

Why Deutsche Bank is no Hindenburg

Banks fail because they are 1) illiquid, 2) insolvent, or 3) both.

Deutsche Bank does not have a liquidity problem. They hold EUR200 billion of highly liquid assets (12.5% of the balance sheet) which are enough to withstand a serious bank run. But ultimately it doesn't matter, because the European Central Bank (ECB) can and will provide unlimited liquidity support to the bank, if needed.

The solvency question is more nuanced. Normally banks become insolvent because they can't recover money from borrowers or counterparties; they don't have as many assets as they thought. But the value of Deutsche Bank's assets isn't being questioned. Rather, it's the value of their liabilities that has the market in a spin.

According to its latest disclosure Deutsche Bank faces 14 sets of legal actions. These are contingent liabilities because Deutsche only has to pay if it loses a case. Both the probability of losing those cases and the amount they would have to pay are unknown today. Deutsche makes an estimate and has set aside EUR5.5 billion for these contingencies. It recently emerged that the US Department of Justice (DOJ) has offered to settle the largest of these actions for EUR13 billion.

Of the EUR5.5 billion Deutsche has provisioned for these contingent liabilities, EUR3.5 billion is thought to be ear-marked for this particular case. This leaves Deutsche Bank EUR9 billion short. It also raises the question of whether the EUR2 billion of reserves set aside for the remaining 13 cases is sufficient or if more will be needed.

Answers are not forthcoming, most likely because they are unknowable. Remember, this is a proposed settlement, not a penalty awarded by a court. And the DOJ has a history of 'high-balling' and then negotiating down. For example, Goldman Sachs was hit with a similar figure and ultimately settled for US$5 billion. EUR9 billion is therefore a worst case scenario.

Against this EUR9 billion claim and 13 other outstanding cases, Deutsche Bank has EUR120 billion of loss-absorbing capital and, under basic assumptions, around EUR4 billion in annual earnings. There is simply no reasonable chance that these litigation costs will cause a loss to the bank's depositors, clients or counterparties, let alone trigger a systemic crisis.

It is possible, however, that shareholders and the holders of some equity-like instruments may end up taking a hit. This relates to a second problem. While Deutsche meets its capital requirements today, the required level of capital will ratchet up each year until 2019; it's a moving target. By the end of 2019 the bank will need EUR49 billion of capital, and it currently has EUR43.5 billion. This leaves a EUR5.5 billion shortfall that has to be progressively closed over three-and-a-half years.

With EUR4 billion of annual earnings, this would not be a problem. But if they also need another EUR9 billion to settle with the DOJ, then it becomes a very close call (they would need to earn EUR4.1 billion each year: (EUR5.5 billion + 9.0 billion) / 3.5 years).

There are a lot of moving parts. They may end up settling for well under EUR13 billion with the DOJ. But equally, earnings are volatile in this business and may end up being significantly lower than EUR4 billion. There is little in the way of a margin of safety, particularly where fear-driven clients choose to close accounts or cut relationships because of bad press.

However, this is reflected in the stock price. The shares are currently trading at roughly a **75% discount to book value**. This indicates that the market is pricing in a reasonably high likelihood of a dilutive capital raising.

Holders of some hybrid instruments are at risk if the bank's capital falls below a certain trigger level, which would trigger the automatic conversion of these bonds into equity. This seems unlikely under current circumstances as it is hard to see how the issues described above would erode capital so much as to trigger a conversion. However, they are now vulnerable should the bank experience a second or third unexpected shock.

Platinum does not currently own Deutsche Bank in any of its portfolios.

Platinum Japan Fund

Scott Gilchrist Portfolio Manager

Disposition of Assets

REGION	SEP 2016	JUN 2016	SEP 2015
Japan	92%	88%	61%
Korea	0%	0%	5%
Cash	8%	12%	34%
Shorts	0%	-1%	-6%

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

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
DeNA	Japan	IT	4.2%
Nintendo	Japan	IT	3.8%
Ushio	Japan	Industrials	3.4%
NTT	Japan	Telecom	3.3%
JSR Corporation	Japan	Materials	3.2%
Sumitomo Mitsui Financial	Japan	Financials	3.2%
Mitsubishi UFJ Financial	Japan	Financials	3.2%
NTT DoCoMo	Japan	Telecom	3.0%
Inpex Corporation	Japan	Energy	3.0%
Ibiden	Japan	IT	2.9%

Source: Platinum. Refer to note 4, page 44.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Portfolio Position

Sector Breakdown

SECTOR	SEP 2016
JAPANESE INTERNATIONAL FOCUS	46%
Electronics	23%
Industrials	11%
Autos	6%
Energy	6%
JAPANESE DOMESTIC FOCUS	46%
Internet	23%
Financials	11%
Health Care	5%
Property	4%
Consumer	3%
GROSS LONG	92%

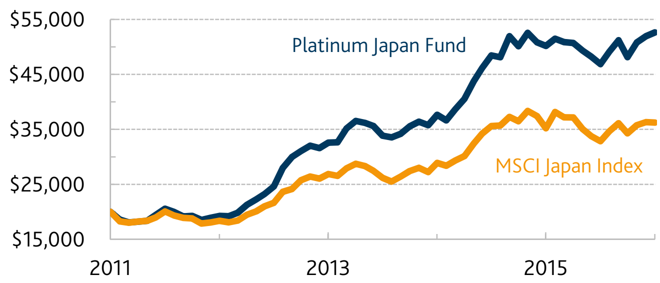
Currency Position

Japanese yen	72%
US dollar	16%
Australian dollar	12%

Source: Platinum

Value of $20,000 Invested Over Five Years

30 September 2011 to 30 September 2016



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

Performance

(compound pa, to 30 September 2016)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund	9%	5%	17%	21%	15%
MSCI Japan Index	6%	3%	10%	13%	2%

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

Portfolio performance for the quarter was positive with a significant contribution from stock selection, especially some larger holdings in the games industry plus a range of low valuation stocks. Early in the quarter, the Japanese stock market moved back towards the top end of its recent trading range, adding to performance. Short positions were a minor positive for performance. The relevant currencies were roughly flat for the quarter.

Changes to the Portfolio

The portfolio remains fully invested in Japanese equities. During the quarter, some defensive holdings were trimmed. A range of low valuation and cyclical stocks were purchased. In sum, this resulted in a smaller cash position. The short equity positions were closed. Exposure to the Japanese yen was reduced by purchasing both Australian dollars and US dollars.

Commentary

Nintendo

Platinum has followed Nintendo's progress for many years and through a few cycles. Currently, the Fund has a large investment in a group of companies associated with Nintendo, including DeNA, MegaChips and Minebea. Recent performance of this group has been positive as the mobile game Pokemon Go became a major hit and the launch event for Apple's iPhone 7 included both Nintendo's Creative Director, Miyamoto, and the CEO of Niantic, the developer of Pokemon Go. After a long period of opacity, Nintendo's actions are speaking clearly as they adapt their industry-leading Entertainment Properties to the two key smartphone operating systems, Apple and Android. This could potentially lead to a positive cycle of reinforcement as past and new gamers engage with Mario, Pokemon and Zelda feeding through to a console cycle. The market is bipolar in its assessment of Nintendo, which is understandable given the lack of clarity on key aspects of the investment case and the lack of details on upcoming games and hardware launches.

Japanese Pharma

We recently spent a week in Tokyo, mainly on a pharmaceutical tour with a group of global investors visiting the leading ethical drug, generic drug and medical device companies. In the last five years, Japanese scientists have won three Nobel Prizes in Medicine, reflecting the country's commitment to long term fundamental science. This is reflected in the Japanese pharmaceutical industry's past success and current undertakings. However, in general, it was hard to identify new investment opportunities for a few reasons. The headline issue is the lack of growth in the domestic market as long listed drugs face increasing price pressure from generics. Somewhat surprisingly for a developed market, new innovative drugs also face price cuts if they are successful. The nation's overall drug budget is likely to fall slightly over the next decade according to GlaxoSmithKline (GSK), despite an ageing society. Secondly, the valuations across the sector reflect the somewhat defensive nature of the pharmaceutical industry for which investors are willing to pay a premium. Thirdly, the innovation is currently occurring outside the incumbents who are thus forced into a string of expensive acquisitions to maintain their position. They seem reluctant to admit that their past success is perhaps not repeatable. Companies with new drugs trade at large premiums to both their peers and the overall market.

Japan undoubtedly has a strong ongoing position as a global centre for innovation in robotics, novel compounds, and drug development. One unanswered puzzle is Japan's lack of success in the area of biologic drugs despite a high level of research spending. Recent changes to the development and approval process, highlighted by the Health Ministry's "Strategy of SAKIGAKE" (or Strategy of Pioneering), will likely change this. Japan's regulatory approach to stem cell leads the global industry and could be a major new industry for the country.

M3 is a Japanese software company that has developed an innovative communication platform for dissemination of drug efficacy and safety information to doctors that is extremely successful in Japan and is now spreading around the world. This channel will eventually lead to improved sales efficiency, but structural rigidity means that Japanese medical representative numbers remain static despite their loss of relative effectiveness. M3's massive future revenue opportunity plus their geographical and new business ambitions are reflected in the current valuation at the high end of market multiples.

Sosei is a Japanese drug development company which Platinum funded during its early phases of corporate development last decade. Revisiting the company after some time, it was intriguing to see the latest developments. The current CEO, Peter Bains, is ex-GSK and recently was CEO of Syngene when it listed in Mumbai. While the core of Sosei is Japanese, it seems as though they have looked worldwide for talent rather than restricting themselves to the local market. Over the last decade, Sosei has purchased a series of drug discovery companies including Arakis, Activus, Jitsubo and Heptares. The first products are now on the market: Seebri and Ultibro, developed in collaboration with Novartis and Vectura (a holding in the Platinum International Health Care Fund). These provide a small but very useful royalty stream for Sosei. However, it is the last of these acquisitions that seems the most promising. Heptares was founded in Cambridge seven years ago and the early years consisted of two industry and academic veterans doing basic science in a demountable shed on the outskirts of the city where Francis Crick and James Watson delineated the structure of DNA. Malcolm Weir and Fiona Marshall founded Heptares and have subsequently built a team and a pipeline of prospective drugs which looks both substantial and tantalising. Their key breakthrough was stabilisation of key molecules called G Protein-coupled receptors, located on the outsides of human cells. These receptors have been targeted by over 40% of current pharmaceuticals, yet only roughly one quarter of potential targets has been addressed. Once the stable proteins are isolated, they are crystallised, imaged in a 600 metres-in-diameter synchrotron x-ray beam facility, and their structure analysed by supercomputers, then drugs are designed to interact with the specific receptors while not interfering with other pathways. Each step in the above process is not trivial and the successful identification of each opportunity requires both luck and brilliance. The wider industry seems to have recognised the opportunity for structure-based drug design and development based on this approach and recent collaborations coming with hard cash include Allergan, AstraZeneca, Teva, Pfizer, Medimmune and MorphoSys. Peter Bains and his team scoured acquisition targets all over the world and rejected fifty others before purchasing Heptares. The initial purchase price of US$400 million has already paid for itself. The current valuation of Sosei reflects a reasonable amount of success despite the early stage of their efforts.

Diamond Light Source, the synchrotron x-ray beam facility located in the County of Oxfordshire, England

Source: www.diamond.ac.uk

Eisai is a drug discovery company that has been managed by the Naito family since it was founded in 1941. They have had an international presence since the 1970s and a global footprint since the 1990s. Their research laboratories are located in Japan, the USA and the UK and have led a series of novel drug developments. Currently the company is passing through a performance trough but their science and management appear as strong as ever and the pipeline has potential. The key focus of the moment is their work on Alzheimer's Disease where they have three compounds in clinical trials – internally developed compounds E2609 and BAN2401 plus a Biogen compound Aducanumab BIIB037, licensed from a Swiss company, Neurimmune. All three drugs are being developed through an agreement with Biogen, and the success of just one would fundamentally change the outlook for Eisai.

While the Fund does not currently own M3, Sosei or Eisai, we find these companies interesting not only in their own respective ways, but also as being indicative of the prospects for Japan's broader biotech sector.

Abenomics and BOJ Revisited

Abenomics commenced in late 2012, thus there has been much reflection on the success or otherwise of Prime Minister Abe's namesake policy following the recent renewal of his political mandate. It seems rather early for such an assessment when the plan is long term and the proponent's energy and desire is undaunted. Similarly, the Governor of the Bank of Japan (BOJ), Haruhiko Kuroda's energy levels seem undiminished. His key speech in early 2013 talked of "unconventional policy" "for as long as necessary". The practical effect of Kuroda's activities was to reduce interest rates across the yield curve indirectly through large scale purchases of Japanese Government Bonds (JGBs). Recently, he renewed his commitment to further policy action for an extended duration. A brief summary of his latest policy is that the BOJ will now effectively set interest rates along the curve until inflation rises sustainably above their 2% target. They also increased their purchase of ETFs listed on the Japanese stock market. The outlook is for an extended period of negative real interest rates in Japan.

Commodities and OPEC

The term "commodity super-cycle" was coined a decade ago as the building crescendo of Chinese industrialisation pushed the global raw material supply chains to their limits and scarcity pricing prevailed. Current market conditions are at the opposite end of the spectrum with pervasive oversupply and pricing constrained at the lower bound by falling cost curves. Valuations across the energy, agricultural, mining, shipping and other basic industries reflect the somewhat dire backdrop of oversupplied markets, ongoing capacity addition and the lack of a major source of demand. Clearly the above description is well understood by the various industries, but generally the supply side is fragmented and disorderly and thus unable to respond. There are a few exceptions to this. One example has been nickel where the Indonesian sovereign banned raw ore exports, thereby putting the Philippines in the position of prime marginal supplier to the Chinese nickel processing industry. Recent actions by the newly elected Philippine government appear to be following the Indonesian example and the large nickel stockpile overhang could perhaps drop quickly after allowing for seasonal shipments. In the case of coal, both thermal for power generation and coking for steel making, Beijing imposed a 276 day per annum operating regime on the country's massive production base. Coking coal prices have doubled from the trough. There are a few other scattered examples of supply side cohesion, however, the most important one is OPEC's recent change of stance. The oil market is well into the process of rebalancing, and any further management of supply by the key seaborne suppliers while demand continues to grow will be influential despite the positive outlook for North American shale oil production. Recent global oil discovery rates are at sixty year lows and the spare production buffer is approaching the lowest level on record.

Outlook

Recent months have seen a frenzy of central bank analysis. Every utterance of the Bank of Japan, the European Central Bank, the US Federal Reserve, etc. received detailed scrutiny and dissection. It seemed like an endless loop of questions such as "does Quantitative Easing work?", "is tapering imminent?", "are the hawks or doves ascendant?"… It reminds one of a statement made by Alan Greenspan, who served as the Chairman of the US Federal Reserve for almost twenty years: "Since becoming a central banker, I have learned to mumble with great incoherence. If I seem unduly clear to you, you must have misunderstood what I said". Certainly, attempts at deciphering the many convoluted messages from the developed world's financial centres have been a major distraction for the markets, which have seemingly lost some focus on the economic backdrop, corporate valuation and underlying business performance. The imminent election in the US has caused additional turbulence. Looking back to the market gyrations earlier in the year, it is quite unexpected that the Japanese equity markets are today at roughly the same level as they were in January, nine months ago. The sense garnered from our recent trip to Japan is that most market participants are weary and disinterested after nine months of directionless trading. This seems like a decent backdrop for a continuation of the outlook described last quarter: reasonable equity returns based on a portfolio of high-quality, cheap stocks with attractive medium term prospects.

Platinum International Brands Fund

Simon Trevett Portfolio Manager

Disposition of Assets

REGION	SEP 2016	JUN 2016	SEP 2015
Asia	31%	28%	31%
Europe	27%	23%	28%
North America	12%	9%	11%
Japan	11%	10%	7%
Latin America	11%	10%	7%
Russia	2%	2%	1%
Africa	1%	1%	2%
Cash	5%	17%	13%
Shorts	-4%	-3%	-2%

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

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
LVMH	France	Consumer Disc	3.1%
Callaway Golf Co	USA	Consumer Disc	3.1%
Pernod Richard SA	France	Consumer Stap	3.0%
Vietnam Dairy	Vietnam	Consumer Stap	3.0%
Anta Sports Products	China Ex PRC	Consumer Disc	3.0%
Tiffany & Co	USA	Consumer Disc	2.9%
Godrej Consumer Products	India	Consumer Stap	2.7%
Jiangsu Yanghe Brewery	China	Consumer Stap	2.7%
Lixil Group	Japan	Industrial	2.6%
FEMSA	Mexico	Consumer Stap	2.5%

Source: Platinum. Refer to note 4, page 44.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Performance and Changes to the Portfolio

(compound pa, to 30 September 2016)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	5%	4%	7%	12%	12%
MSCI AC World Index	2%	3%	12%	16%	2%

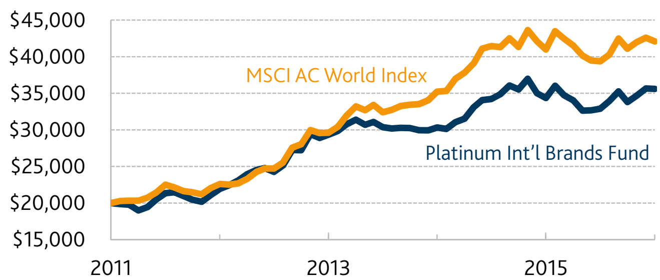
Source: Platinum and MSCI. Refer to note 1, page 44.

The Fund produced a return of 5.3% for the quarter which, together with the prior quarter, delivered an 8.2% return for the past six months, ahead of the MSCI AC World Index at 6.9%. Six months is not a particularly useful time period to observe or comment upon, but for the fact that it encompasses the market turmoil induced by the UK vote to leave the European Union at the end of the last quarter.

For the calendar year to date the Fund is up 4.6% compared to the 1.3% reported by the Fund's benchmark MSCI AC World Index. The MSCI Emerging Markets Index fell to a three-year low in January of this year as market participants voiced concerns over the fragility of global growth, the lack of strength in commodity prices (emerging markets generally being exporters and dependent on taking the prices on offer) and whether or not the US would raise rates and the impact that may have on the emerging markets. Since then the emerging markets have continued to recover with the MSCI EM Index up some 20% from the low in January.

Value of $20,000 Invested Over Five Years

30 September 2011 to 30 September 2016



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

New investments to the Fund this quarter include the UK listed hardware retailer **Kingfisher**, the leading Chinese producer of air conditioners and household appliances, **Gree Electric Appliances** and the casino resort operator **Wynn Resorts**.

A notable contribution to the Fund's performance in this past quarter came from **Nintendo** as the Pokemon Go craze rolled out across the world. Nintendo has been a long time holding of the Fund and held in the belief that there was inherent and under-utilised value in their library of characters and the strong, albeit lapsed in many cases, connection with past generations. Admittedly we held no great insight into how this value may be realised and, from an investor perspective, were often frustrated with their hardware offerings and a seemingly insular or obstinate approach in light of the progression of smartphones and mobile devices. We revisited the investment case recently and once again remain frustrated with the lack of information available on both the economics and the user characteristics. What we can observe though is that the 'in-app' purchases in the location-based mobile game Pokemon Go were both significant enough to gain the attention of the 'app store' owners, particularly Apple, and that a sizeable amount of the spending was being made by businesses to attract players to visit their physical premises in the hunt for virtual Pokemons. Thus the source of revenue is very different from past patterns with the involvement of small businesses paying to attract visitors. Nintendo has other significant character families (Mario, Donkey Kong, Zelda) that may yet find a way of connecting with both lapsed and new generations as Nintendo learns how to exploit the technological advancements in mobile devices and augmented reality games, and as early signs suggest, possibly even bring users back to their consoles.

Commentary

The structure of the Fund has been consistent over many years with an underlying focus on the behaviours of consumers and how best to achieve an investment outcome given any particular theme. At times we sought to achieve this by gaining access to the faster growing emerging or developing consumer markets through western multinationals, while at other times by directly investing in regional companies listed in the emerging markets. Occasionally the Fund has pursued both approaches on the same theme, owning both the multinational and the regional competitor. Pernod, with a significant whisky business in India whilst also investing in the leading local producer United Spirits (subsequently bought by Diageo), is one such example.

These quarterly reports, by their very nature of being produced at short intervals, have naturally tended to focus on the recent performance and changes in the Fund. In considering the content for this report it became clear that the usual pattern of near term reporting might at times fail to provide the reader with an adequate perspective and fall short in highlighting the characteristics of the Fund and how it is placed in the context of markets distorted by the unprecedented influence of central bankers.

The underpinning of the Fund, as we have discussed and illustrated over the years, is built around consumer emotions influencing purchase decisions and the role branding plays to extract a higher return on that emotion. Factors such as trust, reliability, recognition, aspiration, reward and so forth that influence the emotive content of the decision can be applied to different degrees to products ranging from necessities through to luxuries. We have also often commented that the opportunity cost to a low income family of spending their scarce resource on the 'wrong' product is high. Even the most utilitarian necessities can be priced for a better margin if the consumer perceives value and a lower risk of the consequences of a poor decision.

With that underpinning and a search for growth, it should be no surprise that the Fund is invested across multiple geographies as opportunities and themes are evaluated on their merits on a company by company basis. That has led to the Fund being invested across many largely overlooked countries including, for example, Vietnam, Colombia, Mexico, alongside those more commonly associated with emerging markets, such as China, India, Russia and Brazil where the Fund also holds investments. The Fund has consistently held around 40-45% of investments directly in emerging markets along with the indirect exposure through investing in developed market-listed multinationals that may also have significant interests outside of their home market.

The ten-year chart (see page 30) provides some perspective on how the Fund has fared over a longer time frame compared to the US S&P index and the EM index given this approach of seeking out the opportunities without regard to benchmark pressures. Some astute readers might be keen to observe that this approach 'failed' to match the markets through 2014 and particularly in the latter half of that year as 'the place to be' was clearly the US and within that the so-called 'Consumer Staples'. The Fund's relative underperformance on a three-year basis is attributable to that period and to the Fund's lack of investment in these defensive 'bond proxies' as they have been termed. Readers may note on the chart the uplift in the EM index during 2016 and also question whether the gains of the last three to five years in the US can continue over the next five years.

The above discussion may suggest that the Fund is best described by its allocation to regions. That is not the intent and is done merely to illustrate the outcome of the stock selection process and to highlight how the Fund has been positioned quite differently through time compared to its benchmark which is weighted 90% to developed markets.

The key and most important characteristics of this Fund are, first and foremost, the stock by stock selection which has consistently resulted in an unusual portfolio of companies quite unrelated to any index, and secondly the time frames over which the Fund's better investments are held. In the June 2016 Quarterly Report we showed the performance of Estee Lauder over the many years it was held by the Fund. This quarter we include three charts of current investments all with slightly different characteristics to once again illustrate that the performance of the Fund is built on holding investments over years, not quarters, and that there may well be periods, some quite lengthy, where it can be quite dull.

Investors in the Fund will be familiar with **Vietnam Dairy** as a key contributor to the Fund's performance. Indeed, over 10 years the total return on the investment has been 27% per annum, an outstanding record and yet also subject to quite lengthy periods where the return wasn't attractive.

Godrej Consumer Products has been a more recent addition to the Fund (2014) and whilst we were clearly a bit late to that investment, it nonetheless has doubled since we added it. Godrej sells a range of consumer products across the personal care and household product categories: hair care and colouring, deodorants, soaps and insecticides, amongst others. When faced with the prospect of malaria or dengue fever from mosquitoes (especially post the monsoon season) and without a robust public health system, anti-bacterial handwash quickly becomes a purchase that ranks above many others to protect the family, even in low income areas. Godrej is the market leader in India and the second largest in Indonesia.

Fomento Economico Mexicano, SAB de CV (more commonly known as **FEMSA**) was purchased in 2010 with the initial years showing strong gains. More recently performance has been flat and the Fund has been adding to the position on the basis that this company is arguably the world's best convenience store operator, is continuing to roll out a new store every eight hours and is now starting to consolidate the pharmacy industry through acquisitions in Mexico and Chile.

Vietnam Dairy Stock Price (in VND)

Source: Bloomberg

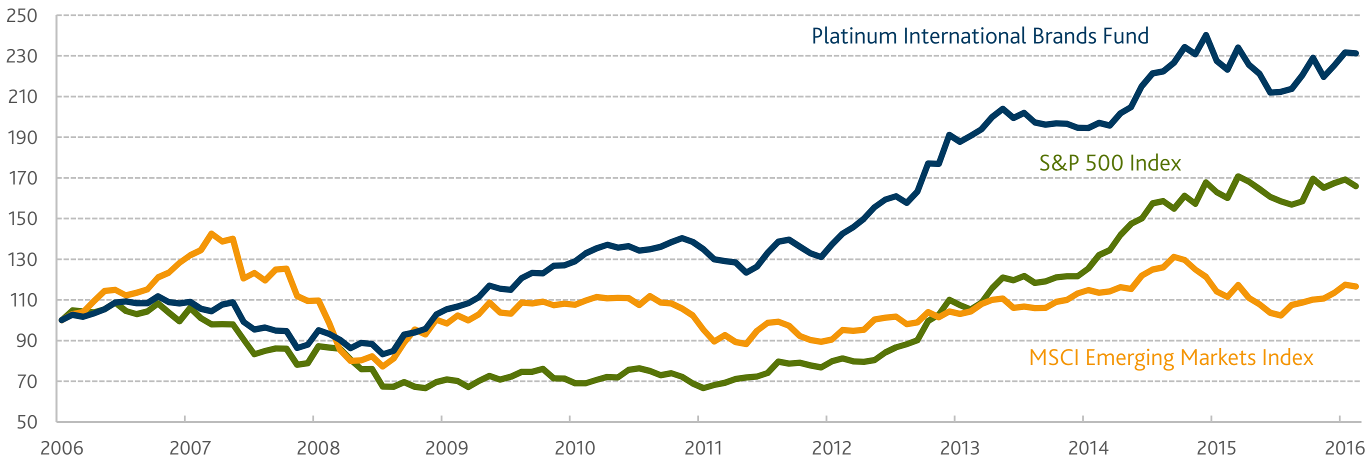
Godrej Consumer Products Limited Stock Price (in INR)

Source: FactSet

FEMSA American Depositary Receipt Price (in USD)

Source: FactSet

Platinum International Brands Fund vs. S&P 500 Index vs. MSCI Emerging Markets Index



All are total returns in AU$. Source: Platinum; MSCI; S&P; FactSet.

Outlook

We are increasingly questioning the longevity of the extraordinary performance of the US market relative to the rest of the world, particularly those stocks that are perceived as safe or dependable (such as the consumer staples) and the disparity between their operational performance and their valuations (as shown in the first Market Panorama chart on page 3 of the June 2016 Quarterly Report). That is not to say that this situation cannot continue for some time, given the ongoing debate on the robustness of the US economy. However, in respect of the Brands Fund we would highlight that the sentiment towards the emerging markets has improved and the performance of the Fund has benefited accordingly. We suspect that the higher growth rates being achieved by some of our companies in these emerging markets will ultimately support the longer term returns of the Fund. In the short term, the influence and decisions of central bankers, as evidenced in the cost of money (low cash rates) may well continue to dominate the markets. Even so, we are encouraged to see some divergence in the markets and a broadening of interest.

Platinum has a long-standing policy of awarding fund management responsibility to talented and capable members of the Investment Team in order to develop talent within the team. As a continuation of this policy, consumer sector analysts, Ian Carmichael and James Halse, have each been given responsibility to manage up to $100 million of the Platinum International Brands Fund.

Platinum International Health Care Fund

Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	SEP 2016	JUN 2016	SEP 2015
Europe	41%	42%	36%
North America	39%	32%	25%
Australia	3%	1%	1%
Japan	3%	3%	3%
Asia	0%	0%	3%
Cash	14%	22%	32%
Shorts	<1%	<1%	-1%

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

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
AstraZeneca Plc	UK	Health Equip & Services	4.1%
Sanofi SA	France	Pharmaceuticals	4.0%
Ipsen SA	France	Pharmaceuticals	3.2%
Qiagen NV	Germany	Health Equip & Services	3.1%
Roche Holding AG	Switzerland	Pharmaceuticals	2.9%
Johnson & Johnson	USA	Pharmaceuticals	2.6%
Gilead Sciences Inc	USA	Biotechnology	2.4%
PerkinElmer Inc	USA	Health Equip & Services	2.2%
Foundation Medicine	USA	Health Equip & Services	2.1%
Aerie Pharmaceutical	USA	Pharmaceuticals	2.1%

Source: Platinum. Refer to note 4, page 44.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Performance and Changes to the Portfolio

(compound pa, to 30 September 2016)

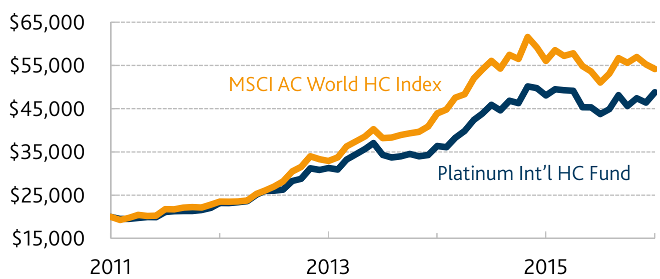
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund	7%	2%	16%	20%	9%
MSCI AC World HC Index	-3%	-3%	18%	22%	9%

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

Our decision over the past six months to increase our exposure to small and mid cap biotechs, rather than adding more established large cap names, has contributed significantly to our performance. The past three years have seen many new biotech listings which reminded us of the years following the genome excitement in 2000. That was the right time to refresh the portfolio with new seeds and that is exactly what we have done (and continue to do): adding to existing holdings in companies that are making great progress in establishing themselves commercially, while also adding at good valuations new companies with interesting technology and assets that have shown promising results.

Value of $20,000 Invested Over Five Years

30 September 2011 to 30 September 2016



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

These types of companies are the lifeblood of the industry and innovation today is as strong as it has ever been (please see our recent Regional Roadshow presentation – The Future of Healthcare on our website), thus offering great opportunities to get involved over the coming years. Consolidation within the sector is a major theme and we have seen some activity, albeit mostly driven by one company: Allergan. Immuno-oncology remains a focus not only for drug developers, but also for tool companies offering products that help characterise the tumour and its environment in detail. This is a new era for oncology, offering many opportunities beyond the approved PD-1 and PD-L1 inhibitors.[1]

We had data for Bristol-Myers' Opdivo and Merck's Keytruda, two PD-1 inhibitors being tested for front-line treatment of lung cancer (the Fund holds a small position in Merck). Merck is focused on tumours expressing high levels of the biomarker PD-L1, while Bristol-Myers tested its drug on a wider range of expression levels. Keytruda succeeded, whereas Opdivo did not. This is a good example for why precision medicine is paramount. Knowing your "cancer" will be ever more important, and so we have been adding to companies that do just that – providing the tools for analysing tumour micro-environment.

Sanofi continues to struggle and was significantly outbid by Pfizer which was prepared to pay over 30% more for Medivation. Furthermore, Pfizer was happy to pay the full price upfront rather than use a contingent value right to allow for future milestone payments once the pipeline progresses. It clearly showed that there are some deep pockets around and that companies are not afraid to use their cash.

While it is a loss to Sanofi, we do support their more disciplined approach and expect deals in the future. For Sanofi the focus has returned to its Lantus franchise in the US. Here, competitive bidding for formulary positions at pharmacy benefit managers (PBMs) is fierce,[2] and the degree of uncertainty high. The diabetes landscape in the US has changed significantly and commercial acumen is now almost more important than the drug itself. Sanofi's earnings will remain under pressure, but current valuation accounts for that.

Some of our biotech holdings have been particularly strong. Companies with a commercial product along with respectable sales infrastructure are in high demand. Ariad (up 85% for the quarter) and Seattle Genetics (up 34% for the quarter) both fall into that group and for both companies pipeline assets are progressing as well.

We also had a positive data read from the late stage testing for Aerie Pharmaceuticals' glaucoma drops, setting the company for partnership discussions as well as getting ready for product launch. Aerie's stock price jumped 114% over the quarter.

Danish biotech Lundbeck on the other hand reported phase 3 trial failure for its Alzheimer's drug (stock was down 13% for the quarter). While this is disappointing, our investment case for Lundbeck was based on the launch of its schizophrenia and depression drugs along with a focus on changing the company's cost structure. This is happening as planned.

Commentary

While years ago it was enough to have a great drug that gained approval, today this is just the "middle of the game", as Michael Rosenblatt (ex-Chief Medical Officer of Merck) recently said in an interview. Drug development has changed significantly over the past ten years. Companies now not only have to convince physicians that the drug has value, but also have to make sure that payers and patients are on board. To achieve that, commercial thinking has to be applied at the pre-clinical stage. This means input is required from manufacturing and marketing experts as well as reimbursement specialists (and here one has to consider different jurisdictions) and late stage clinical development scientists.

This is a big ask for a small biotech that has to manage a very tight budget. Consequently, we believe that a biotech that has managed to establish itself commercially deserves respect.

Ariad is such a company, and we have held it in the Fund for some time. Along the way we trimmed and added, but overall we believed in the bones of the company. This company has experienced the ups and downs of being a biotech and has come out on the other side. Often these are the companies with stamina.

1 Programmed cell death protein 1, also known as PD-1, is a cell surface receptor that functions as a "brake", down-regulating the immune system. Its ligand or binding partner in crime is PD-L1.

2 PBMs are third party administrators of prescription drug programs in the US. They are primarily responsible for developing and maintaining the formulary (i.e. a list of drugs approved for prescription under health plans administered by that PBM), contracting with pharmacies, negotiating discounts and rebates with drug manufacturers, and processing and paying prescription drug claims.

Not only has Ariad built a US and EU commercial framework, it also had to deal with a temporary suspension of its only marketed product. Today the company is back on track, the “issue” drug back on the market and its pipeline progressing towards approval. It has not been an easy journey and some management changes were necessary, but the company never changed its core scientific focus. Its key scientist has been with the company for over 20 years.

Ariad is based in Cambridge, Massachusetts and focuses on particular enzymes called kinases. These kinases do not function properly in cancer cells, often due to genetic mutations. Many drug developers have worked on these enzymes, but over time these kinases mutate again and become resistant to the drug. This is when Ariad’s R&D expertise comes in with its rationally-designed drugs. Ariad makes sure that its drugs hit the right “mutation” spot of the kinase and as a consequence allow for a deeper response.

Ponatinib was Ariad’s first drug which gained approval in December 2012 for chronic myeloid leukaemia (CML) patients who are intolerant or resistant to available therapies due to a particular genetic mutation. Ariad had big plans for the drug, looking to expand its indication to treat newly diagnosed CML patients and hoping to show that Ponatinib is better than available therapies for these patients. Clinical trials were set up with the commercial setting in mind, with the drug being compared to the gold standard Gleevec. However, side effects (thrombotic events) derailed those plans and the drug was temporarily withdrawn in the US in October 2013 (but not in the EU). Not only was this a significant setback for a small company, it also demanded a lot of difficult decision-making, extensive documentation and a forward strategy. Patients that were doing well on the drug were devastated and needed to continue taking the drug. Ariad managed all that and the drug returned to the market two months later.

Today, issues relating to the side effects of Ponatinib are well understood and doctors know how to use the drug. It is a powerful drug, even at low dosage. The thrombotic events appear to be more prevalent in patients with a predisposition, thus careful risk assessment of the patient is now standard. Ponatinib does have a future and Ariad’s persistence should pay off with the drug moving into the second-line setting (trials are currently underway).

But Ariad is not only about Ponatinib. Its scientists have also worked hard on drug resistance in lung cancer. Brigatinib (an ALK inhibitor) is awaiting approval for ALK+ lung cancer patients who are resistant to available therapy. Brigatinib is also being studied in front-line ALK+ lung cancer treatment as compared to available therapy. Brigatinib is another powerful drug that is showing signs of being able to tackle brain metastasis more efficiently. Finally, there is AP32788 coming through for a different subset of lung cancer patients.

This company is back on its feet and indeed in much better shape. Recently, it sold its EU operations to Incyte who also licensed Ponatinib for EU territories, giving Ariad a royalty stream. This has added to Ariad’s balance sheet which helps to put the company in good stead for the Brigatinib launch next year.

Ariad is a US$2.8 billion company with annual sales of about US$210 million and US$25 million in royalties from next year. This purely reflects the sale of Ponatinib in late line treatment of CML patients and some sales in later lines of ALK+ lung cancer therapy. There is a lot more to come and in today’s world of companies looking for commercial assets, Ariad will not be unnoticed. While we have trimmed our position given the recent strong share price performance, we remain invested in Ariad as it is a company that has all the ingredients to become a real success.

Outlook

Smaller biotechs have gotten a little bit ahead of themselves in terms of valuation, so we will remain disciplined and trim our positions at times. However, biotechs remain the life blood of the industry and we will continue to add new ideas to the Fund. Allergy is an area we are exploring, as is robotics in surgery.

The pricing debate will continue, but we believe that increased scrutiny on other participants and stakeholders of the system will spread the heat from drug developers.

Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	SEP 2016	JUN 2016	SEP 2015
North America	37%	32%	30%
Asia and Other	25%	28%	29%
Europe	13%	13%	15%
Japan	10%	7%	8%
Russia	1%	3%	1%
Cash	14%	17%	17%
Shorts	-2%	-3%	0%

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

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics	Korea	IT	5.2%
Apple Inc	USA	IT	4.0%
JD.com Inc	China Ex PRC	Consumer Disc	3.6%
Alphabet Inc	USA	IT	3.6%
Tencent Holdings	China Ex PRC	IT	3.1%
PayPal Holdings	USA	IT	3.0%
Oracle Corporation	USA	IT	3.0%
China Mobile Ltd	China Ex PRC	Telecom	2.8%
Nielsen Holdings Plc	USA	Industrials	2.8%
Skyworks Solutions	USA	IT	2.6%

Source: Platinum. Refer to note 4, page 44.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds.

Performance

(compound pa, to 30 September 2016)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	7%	3%	11%	14%	9%
MSCI AC World IT Index	10%	13%	22%	22%	-2%

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

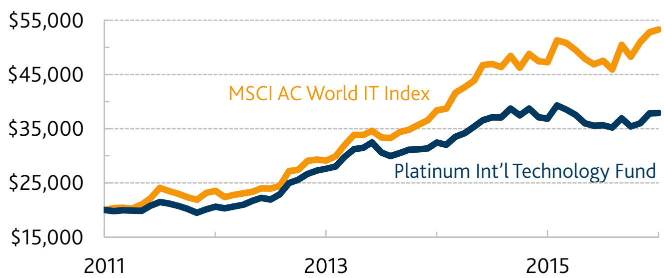
The Fund was up 7% this quarter while the MSCI AC World Information Technology Index (A$) was up 10.4%. For the 12 months to 30 September, the Fund returned 2.8%, compared to 12.8% for the Index.

The quarter saw a strong recovery in major market indices from the weaker levels at June-end (partly depressed by the Brexit referendum shock result). Technology was the best performing sector (up 13% in local currencies), driven by mega-cap stocks, with Apple, Alphabet, Amazon and Facebook all surging between 12% and 18%. The S&P 500 Semiconductors and Semiconductor Equipment Index was also up 18%.

Among the Fund's holdings, however, stocks with a smaller capitalisation were in general outperforming the larger names. Our best performers (in local currencies) during the quarter were Japanese semiconductor makers MegaChips (+83%) and Rohm (+32%), Chinese optical fibre manufacturer Yangtze Optical Fibre and Cable (+50%), audio semiconductor specialist Cirrus Logic (+37%) as well as memory semiconductor makers Micron Technology (+29%) and SK Hynix (+24%).

Value of $20,000 Invested Over Five Years

30 September 2011 to 30 September 2016



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

Among performance detractors was Samsung SDI (-11%) which was identified as the battery maker responsible for the explosions reported in the newly released Samsung Galaxy Note 7 devices. International media group Schibsted declined by -6% as revenue growth unexpectedly decelerated in their online classifieds business in Spain. Level 3 Communications was down -10%, similarly due to expectations of decelerating revenue growth.

While we are disappointed by the detractors' performance, we are confident that the causes for which are of a temporary nature. We therefore have not changed our investment thesis on these companies which retain their competitive advantages in their respective fields and, we believe, are well placed to benefit from long-term growth opportunities.

As at 30 September, the Fund's major exposure by geography includes North America (37%), China and Taiwan (together 18%), Europe (13%), Japan (10%), and South Korea (8%). The Fund's total net invested position is at 86%.

Changes to the Portfolio

During the quarter we exited our position in Russian search engine provider **Yandex** following its recent strong performance. The stock more than doubled from its depressed levels in 2015 and we became less comfortable with its valuation.

We also completely divested of our holdings in **Anritsu** as the original investment thesis did not play out as expected. The Japanese telecom equipment testing company has seen revenues stagnating and profits shrinking due to a combination of factors: slower volume growth in smartphone sales, higher R&D costs not immediately recoverable through new product launches, and lower competitiveness due to the strong Yen. Unfortunately, due the nature of its product portfolio, Anritsu is also unlikely to benefit from investments in early stage 5G testing and measurement, and so we decided to exit.

We re-introduced a position in Japanese semiconductor maker **Rohm** after its valuation became too attractive to be ignored (price-to-book value is 0.7 times and the company's cash position equals 70% of its market capitalisation)! The company had suffered a sharp de-rating as profits in the current financial year are likely to reflect the negative impact of the strong Yen as well as elevated depreciation expenses. However, we are confident about Rohm's decision to invest more in power management, sensors and analogue solutions for the automotive industry at a time when this industry is experiencing accelerated adoption of new technologies such as electric powertrain and Advanced Driver Assistance Systems (ADAS).

We built a position in **Infinera**, a manufacturer of high capacity optical transmission equipment based on large scale photonic integration which is used mostly for long-haul data communication networks. After issuing disappointing guidance for the second half of 2016, the stock was heavily sold down and valuation came close to historical low levels (EV/Sales = 1x). We believe this slowdown is only temporary and we think the company has new long-term growth opportunities in the metropolitan optical network and data centre interconnect markets, thanks to its unique integrated technology.

In Canada we invested in **Constellation Software Inc (CSI)**. Still led by its original founder, over the last 20 years the company has grown from zero to generating almost C$3 billion in annual revenue by consolidating a large number of small software companies. Following a rigorous acquisition philosophy driven by high hurdle rates and a de-centralised business model, CSI has become a leading player in the software market for many industry verticals. Some analysts have appropriately called CSI the "Berkshire Hathaway" of software companies for its similarities with Warren Buffet's decentralised management style and outstanding returns.

Commentary

The most important event of the quarter from our perspective was the long-awaited iPhone 7 launch by **Apple**. As you may remember, we rebuilt a 3.5% position in the stock earlier this year (refer to our March 2016 Quarterly Report) in anticipation of a reasonably good level of consumer demand for the new model after the lukewarm market reception to the iPhone 6S. Our expectations were not particularly high, but we had assumed that the natural "ageing" of the previous models' installed base (iPhones 6, 5, etc.) would eventually re-start the upgrade cycle, and we were also attracted by Apple's valuation at the time.

As mentioned above, Apple's stock has performed well this quarter, partly on the basis of positive early feedback from the iPhone 7 launch. The handset itself is not revolutionary, with its design being almost identical to the previous iPhone 6 model, but Apple has introduced some improvements and interesting new features. More importantly, many of these new or improved features in the iPhone 7 have a positive impact on some of the Fund's other holdings that are strategically positioned in the iPhone supply chain.

First of all, the device is now water resistant. The iPhone 7 Plus model also has dual 12-megapixel cameras, enabling users to capture better depth-of-field effects and much better optical zoom without quality reduction. The new iPhone 7 also includes minimum 32 GB NAND memory storage (all the way up to 128 GB and 256 GB for the most expensive models), compared to the previous 16/64/128 GB configuration. Bigger memory is not only welcomed by users who are increasingly addicted to more downloads and are storing more photos, chats, music and data on their smartphones than ever, but it is also good news for the supply/demand dynamics of the memory industry in general. The Fund's holdings in **Samsung Electronics**, **Micron Technology** and **SK Hynix** are all expected to benefit.

The LTE baseband radio processor in the iPhone 7 was also upgraded from earlier models and should improve 4G speed by up to 50% (at least theoretically, from 300 Mbit per second to 450 Mbit/s). The good news is that the chip design and manufacturing was assigned to **Intel** (one of the Fund's holdings) in what became their first high-profile win for a flagship smartphone. Hopefully more contracts will follow.

A tear-down analysis of the iPhone 7/7 Plus has confirmed that **Skyworks** (another holding in the Fund) remains the supplier for a good number of the Radio Frequency components in the new handsets and has probably increased its dollar content by around 10% from the previous model.

Another area where the iPhone 7 has created some buzz is the audio/voice technology adopted. Apple decided to eliminate the 3.5 mm audio port (the headphone jack) and replaced it with the lightning port already used for battery charging. It also introduced stereo-speakers and (optional) wireless headphones ("AirPods"). However, if you do not want to trade up for these fancy new AirPods, you can still use your old headphones, thanks to a free adapter that comes with the new handset.

Two of our holdings in particular benefited nicely from these newly introduced audio-voice features.

Cirrus Logic (refer to our June 2016 Quarterly Report) is supplying a number of audio components (amplifiers, adapters, smart audio-codec, etc.) and has an estimated 70% content increase compared to iPhone 6/6S.

Japanese chip maker **MegaChips** is benefiting instead from becoming the exclusive supplier of a Micro Electro Mechanical System (MEMS) timing device in the iPhone 7/7 Plus which replaces the traditional quartz-based one (this device is essentially a clock that keeps the phone's components synchronised).

Outlook

After the strong performance recorded by the technology sector and, in particular, semiconductor stocks this quarter, we are inclined to expect a slower pace of appreciation for the rest of the year.

Global demand for consumer electronics and IT spending remains at reasonable levels, but is by no means exceptional. Monetary policy may become slightly more restrictive in the US (at least temporarily). Valuations are creeping up to less comfortable levels. And finally, political uncertainties in Europe and the US may create the perfect excuse for some level of market correction. All of the above leads us to believe that a more defensive disposition of the Fund's assets is warranted in the short term.

Glossary

Dividend Yield

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

Earnings Before Interest and Tax (EBIT)

A measure of a company's profitability, EBIT is all profits before deducting interest payments and income tax expenses. It is calculated as revenue minus cost of goods sold and operating expenses.

Earnings Per Share (EPS)

An indicator of a company's profitability, EPS equals to profit, net of tax and dividends to preferred shareholders, divided by the total number of ordinary shares outstanding.

Enterprise Value (EV)

A measure of a company's total market value, EV equals to a company's market capitalisation plus net debt, minority interest and preferred equity, minus cash and cash equivalents.

Enterprise Value (EV) / Sales

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

Gross Domestic Product (GDP)

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

MSCI Indices

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

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

Price to Book Ratio (P/B)

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

Price to Earnings Ratio (P/E)

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

Price to Sales Ratio (P/S)

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

Return on Equity (RoE)

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

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.

Short Selling or Shorting

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

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

The Sand Pilot of Morecambe Bay

Those flying along the M6 motorway northwards before turning towards the southern and western mountains of the English Lake District will likely give little or no thought to it, but the route crossing the sands of Morecambe Bay, which has existed since well before the sixteenth century when the first official guide was appointed by the Crown, is the shorter and more peaceful, if not less risky, alternative.

Morecambe Bay, tucked under The Lakes, is the second largest bay in the UK and that country's greatest area of intertidal sands and mudflats. Crossing it on foot and living to tell the tale requires the services of the Queen's Guide to the Sands, Cedric Robinson MBE, an amiable and fit 83 year old, one of a long line of sand pilots charged with safely ferrying walkers across an area that has claimed many lives over the centuries – and which continues to do so.

No walk of Camino de Santiago proportions, this is a much more reasonable eight miles (depending on the tides and quicksand), is accomplished in about three and half hours, and saved travellers of yore many days and miles of arduous trekking in the times before modern roads. It's flat and can be attempted by young and old able to walk that distance without a stop.

Today's scheduled 'crossing' is a mixed group of about 600 – a charity walk for the Morecambe Bay Hospitals, one of which is the birth place of your grateful scribe. Several walkers are members of staff so prompt medical attention is assured – fortunately no one today will have cause to avail themselves of their expertise.

We gather first at Arnside, a small village where the River Kent having flowed south through Kendal hits the high tides of the Irish Sea. It's home to a phenomenon known as the Arnside Bore, a tidal wave of such speed that the local council has installed a public siren to warn of its coming. It's just one factor that Cedric has to account for in agreeing to host crossings as it reaches nine knots and can't be out run.

The promenade at Arnside overlooking the Bay at full tide

The steady rain has slowed to a persistent drizzle and we set off in the hope of the sun breaking through later in the morning which at times it will. There's a great buzz of excitement. The first mile or so is straightforward and takes us along the side of the estuary below Arnside Knott, a prominent hill which on a clear day provides superb views over the whole of the Bay. There's no sign of Cedric, his helpers having taken us to this point. We turn slightly inland, cross a caravan park of startled early morning residents, and return to the water's edge to wait. We're advised our leader has been delayed. Cedric lives on the opposite side of the Bay at Kents Bank, and crosses to meet his walkers ensuring that the quicksands and tidal channels haven't shifted overnight as they are prone to do. There's much shuffling of anticipatory legs and feet are released from footwear – a barefoot crossing is preferred by most and fortunately the water is surprisingly warm in early June.

The view across the Bay to Kents Bank from Arnside Knott

We search the mist in the general direction of where we should be heading. However the direct route of four miles to the north will lead us to disaster. A slowly moving and zigzagging dot appears further to the west. The whispers start: is it him? It is and after a further 15 minutes he arrives, not riding a white horse, but rather his tractor, the preferred mode of transport for the modern day sand pilot.

Cedric, who clearly has 'rock star' status amongst many in the group, has been variously described as 'the Sandman' and 'the Pied Piper' (we trust he will return us to our families at the end of the walk). He greets us and without much fanfare quickly sets off. There's no time to waste as the route is timed to fit within the tide's constraints. He's a fast walker (faster than many of us) and we are in safe hands – he's been guiding travellers across the Sands since 1963. Each crossing is planned months ahead and, if it's safe, he's out the day before marking the route to be taken next day.

The route is marked by 'brobs', cut branches of laurel which are forced into the sand with a crowbar. The sand quickly closes around them, sealing them into position, and the marked path can withstand the next couple of tides before being naturally disposed of. The route, we hope, will avoid the quicksands which over the centuries are known to have swallowed several vehicles ranging from horse drawn to the more modern 4WDs driven by the unknowing. We take heart that Cedric's tractor looks old and, like Cedric himself, it is clearly a survivor of multiple crossings. Fitted to its rear is a rather hard-looking bench which is available to those of us who look like they won't quite make it without assistance.

The "brob" (laurel branch marker)

Cedric's other tools of his craft include a whistle to bring straying walkers into line – he's not afraid to use it either – and a walking stick. No compass or GPS that I can see, although no doubt there is a multiple of mobile phones available to call out the rescue authority. I ponder how they'd cope with rescuing 600 plus several dogs and I anticipate that non-swimmers will get priority.

We are now about an hour into what has been described by one as 'like crossing a wet Sahara'. It's still drizzling but above there are fleeting glimpses of a beautiful clear blue sky. To the north should be the mountains of the Lake District, but we fail to see them, and to the west Barrow-in-Furness and beyond that the Isle of Man. It is suggested that the first guides were in fact monks from Furness and Cartmel Abbeys, but the records go back only to 1501. Westward and below the Bay lies the UK's second largest natural gas field, and equally invisible behind us is a distant Blackpool Tower.

Our feet cross firm wet corrugated sand but soon we are brought to a halt. We are well stretched out now and Cedric demands we close up to traverse the deep channel containing the River Kent. Cedric marshals us between his carefully positioned two brobs and at the command of his whistle we set off as one into what we are told and trust is only knee deep water. There's a loud whoosh of moving water – fortunately not the tide – from 1200 feet moving in unison. The dogs start to swim and some smaller children are lifted on to parental shoulders or held more tightly. Those of a lesser height begin to wonder. This is the most dangerous part of the route, but as it hasn't rained for several weeks, unusually, the flow is subdued, and our fears are unfounded, although the water is noticeably colder. After ten minutes or so of wading we are all safely across (Cedric looks back to check) and we commence the long walk towards dry land and Kents Bank railway station, the end of our walk. The last mile or so is through the glutinous, smelly, and slippery snaking channels of the salt marsh. Wet feet are reinserted within boots and runners as the grass can be sharp. Spattered with mud and through the intermittent drizzle we can identify terra firma. There's not much further to go.

Wading across the wet Sahara

The Hospitals' PR staff have heard I've come from Sydney to take the journey. Curious, they interview me mid-crossing and I tell them the story of my early childhood in nearby Bolton-le-Sands before later heading off to London and Sydney. Our UK holiday has been timed to coincide and I am pleased to help the Hospitals' fundraising effort.

Crocodile-like again we reach the railway station's platform tired but happy. Cedric has gone ahead in his tractor and is now busy signing copies of his book. He has to earn a living somehow. As Queen's Guide he is entitled to the grand sum of GBP15 per annum although a cottage is also provided rent-free. He has spent his whole life on the Bay, clearly relishes his role, and he's delighted to share with everyone his love of this ancient route and the surrounding countryside.

A certificate and the odour of sulphur, which lingers on our clothing and footwear even after several machine washes, is a reminder of each individual's achievement.

Richard E Stokes
Platinum Trust Funds investor
June 2016

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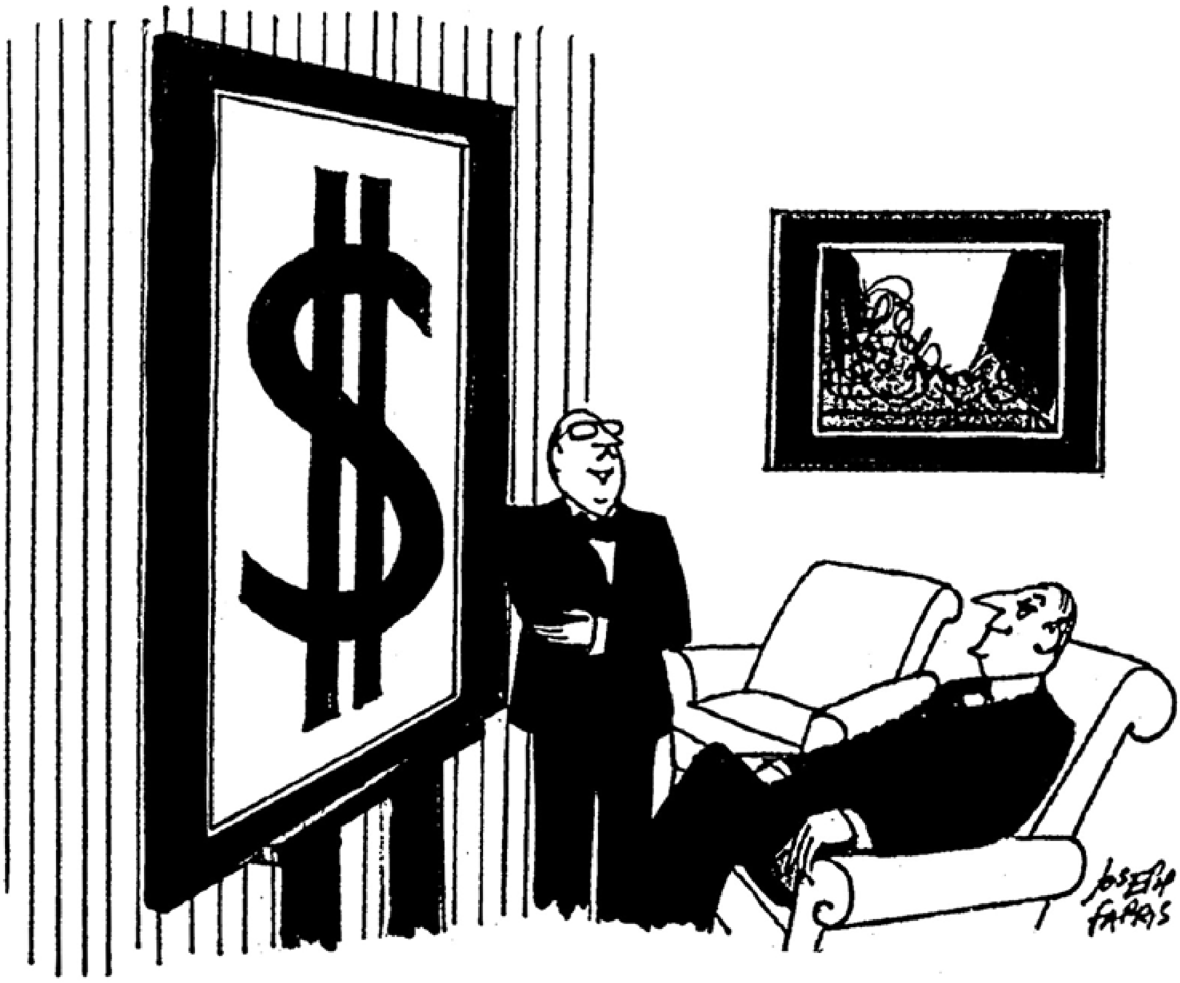
"When it comes to investing, I'm not bullish or bearish...
I'm chickenish."



"I highly recommend this painting if you're interested in art as an investment."

“We have three confirmations, the crystal ball, the magic 8-ball and the coin flip, all say to buy.”

Notes

1. The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified 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 in the 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$20,000 invested in the relevant Fund over the specified five year period relative to the relevant benchmark index (in A$) as per below (the "Index"):

   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 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. Regional exposures (i.e. the positions listed other than "cash" and "shorts") represent any and all physical holdings, long derivatives (stock and index), and fixed income securities.
4. The table shows the relevant Fund's top ten long stock positions. Long derivative exposures are included. However, short derivative exposures are not.

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