Platinum Unhedged Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	MAR 2010	DEC 2009
North America	28%	27%
Japan	26%	24%
Asia and Other	23%	24%
Europe	14%	15%
Australia	1%	2%
Cash	8%	8%

Source: Platinum

Portfolio Position

Changes in quarterly portfolio composition:

Sector Breakdown

SECTOR	MAR 2010	DEC 2009
BRICs* Consumption	15%	16%
Japanese Domestic	15%	10%
Technology	13%	11%
Consumer Cyclical	13%	14%
Defensive	12%	13%
Gold	8%	8%
Commodity	6%	7%
Capital Equipment	5%	5%
Alternative Energy	3%	6%
Other	2%	2%
Gross Long	92%	92%

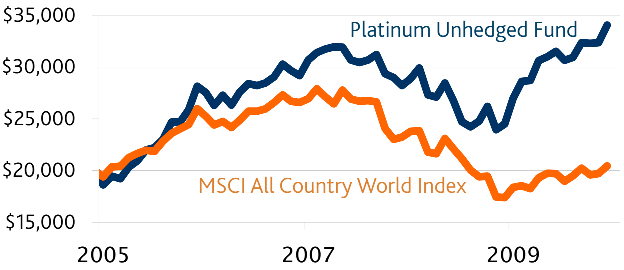
* Brazil, Russia, India and China

Source: Platinum

We have used the term "Consumer Cyclical" in a very broad sense; it includes financials, transport, services etc and similarly "Defensives" includes pharmaceutical, telecommunications, utilities etc.

Value of $20,000 Invested Over Five Years

31 March 2005 to 31 March 2010



Source: Platinum and MSCI. Refer to Note 2, page 4.

Performance and Changes to the Portfolio

Over the last 12 months the Fund rose 39%, outperforming the MSCI All Country World Index (AUD) benchmark by 21.3% and over the past quarter the Fund rose 5.3%, outperforming the benchmark by 4.2%. Fund performance has benefited from our late 2009 move to take profits in emerging markets and reorient the portfolio towards Western markets. Conceptually, we took the view that if the rebound in the emerging market economies was as strong as their stock markets were discounting, then greater returns would be found in beaten down US and Japanese stocks that were still to participate in the recent euphoria. We continue to think that many of the most undervalued so-called "BRIC" (Brazil, Russia, India and China) plays are to be found in Western markets (and many are technology related stocks). At least for the quarter, this re-position has worked, with Japan and the US, two of the major markets to post positive quarterly returns (measured in AUD).

Whilst some of the mid-cap stars from the second half of 2009 continued to perform, it was a very satisfying quarter in the sense that a broad selection of stocks and themes contributed to performance, including:

- Pulp stocks eg. Canfor Pulp continued its stellar run on the back of Chinese demand.
- US Financials, MGIC Investment Corp and Fifth Third Bancorp.
- One of our pharmaceutical companies, OSI, was subject to a takeover bid and is currently trading 90% above the price we paid – see the Platinum International Health Care Fund report on page 23 for more commentary.
- Our Japanese "value" stocks including Yamato Holdings and Itochu Techno-Solutions.

As it became clearer that the Japanese economy was rebounding more strongly than prevailing low expectations might indicate, we continued adding domestics including Obic (enterprise resource planning software for small businesses), Yamato Holdings (the UPS of Japan) and T&D Holdings (Life Insurance - see the Platinum Japan Fund report on page 17); we also added a position in US semiconductor production equipment company, Applied Materials, and LCD panel maker, LG Display. These positions were funded by selling stocks that had either reached price targets or suffered from waning conviction levels including Fifth Third Bancorp, Polaris and Kureha.

Looking at the portfolio composition as it stands today our two most active bets are a large position in Japanese domestics and global technology stocks (a combination of component and capital equipment companies).

We continue to think that the Japanese equity market represents an interesting opportunity as monetary policy may actually loosen as many other markets have or will begin to tighten.

As for the decision to add to our technology holdings, readers of previous quarterlies will appreciate our positive view. In a nut shell, a growth cycle has been reignited by product innovation (LED, 3D TV's, smart-phones, etc), BRIC demand (China recently surpassed the US as the world's largest LCD TV market) and upgrade cycles. Further, industries such as DRAM entered a downturn prior to the onset of the 2008 credit crunch, hence, capital spending has been rationed and capacity utilisation is now high; the perfect scenario for profitability.

Specifically on Applied Materials, the world's largest supplier of semiconductor production equipment, due to the need for ongoing manufacturing innovation (to make smaller, faster, more efficient chips) we remain hopeful that this remains a lucrative, albeit cyclical, business. Applied has also distinguished itself by extending its core skills to become a leading supplier of equipment to the solar industry. Applied brings core chemical processing expertise to a hitherto low technology environment to allow its customers to make differentiated, high efficiency, solar panels. We are investing now, as the semiconductor equipment business is poised for recovery and the solar business represents an exciting long-term growth opportunity.

For readers who may be concerned that we are getting a little carried away with the technology cycle (ie. how does this reconcile with the obvious need for Western World consumer de-leveraging?), our only riposte is that the stocks we are buying are quite cheap, eg. at purchase, LG Display was priced at just over 1x book and a PE of 7x.

Outlook

Whilst Obama's health care reforms may have been passed only in a very watered down version, any move to control the national health care bill at 18% of GDP and close to double the OECD average would appear, at least to an outsider, common sense. Moreover, it should allow the governing party to focus on a more pressing issue, job creation. Much of 2010's $350 billion in US Government stimulus (dropping to $170 billion in 2011) will be accounted for by tax cuts and appropriations to shore up the finances of state and municipal governments – it doesn't involve much direct infrastructure investment. We suspect, with mission accomplished on health care, Obama will now launch a much more politically appealing rebuild America campaign focused on energy and public infrastructure. Whilst it isn't clear exactly where the money comes from, one imagines there will be an ongoing reordering of US expenditure priorities. We will be looking for opportunities.

At global level, we seem to have transitioned from a world that was unbalanced, led by an over-levered Western consumer, to one that is unbalanced, led by an explosion of Chinese credit. So-called "rebalancing" as we once envisaged, has not occurred, and the question is, who cares?

We think China's size in the global economy and the sheer size of its trade surplus mean that some appreciation of the Renminbi is required to placate Western political constituencies, especially given the political capital expended on the great Wall Street bailout. A jobless recovery in the US will strengthen the position of the protectionist lobby. Much recent commentary has focused on the impending mid-April deadline for the US decision on whether to label China a currency manipulator, a precursor to potential trade sanctions. Taking the Chinese side of the argument, one could see a case for accusing the US of being an interest rate manipulator ie. why didn't the Federal Reserve allow asset prices to find a natural level, and adopt similar austerity measures to those that the US influenced IMF forced upon many countries during the 1998 Asian Currency Crisis?

Clearly this is a difficult and emotive issue and by casting it in Sino-US terms, commentators may be thinking too narrowly. Over the past 12 months major competitors to Chinese manufacturers in places such as India, Indonesia, Thailand and Korea have seen their currencies appreciate between 10% and 15% against the Renminbi – they are gradually losing competitiveness, and by intervening to prevent appreciation, risk higher inflation. It is not by accident that India has brought more World Trade Organisation anti-dumping cases against the Chinese than any other country.

Whilst we cannot know the path ahead, given the politics involved, we should expect a bumpy ride. South Korea will use the upcoming June meeting of the G20 in Seoul to assist each side to see the benefits of compromise (call it enlightened self-interest or the economic version of Mutually Assured Destruction, MAD) and this remains our base case scenario.

Notes

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

   The inception dates for each Fund are as follows:
   Platinum International Fund: 1 May 1995
   Platinum Unhedged Fund: 31 January 2005
   Platinum Asia Fund: 3 March 2003
   Platinum European Fund: 1 July 1998
   Platinum Japan Fund: 1 July 1998
   Platinum International Brands Fund: 18 May 2000
   Platinum International Health Care Fund: 10 November 2003
   Platinum International Technology Fund: 18 May 2000

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

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

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