Platinum Unhedged Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	MAR 2011	DEC 2010
North America	31%	29%
Japan	28%	30%
Asia and Other	18%	23%
Europe	14%	13%
Cash	9%	5%

Source: Platinum

Portfolio Position

Changes in the quarterly portfolio composition:

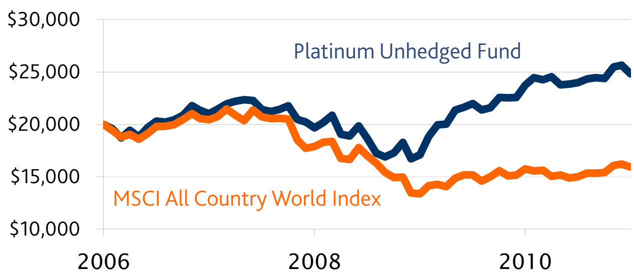
Sector Breakdown

SECTOR	MAR 2011	DEC 2010
Commodity	15%	7%
Emerging Asia Consumption	14%	18%
Consumer Cyclical	13%	9%
Japanese Domestic	11%	14%
Technology	10%	12%
Healthcare	9%	6%
Gold	9%	11%
Mobile Data	5%	9%
Capital Equipment	3%	5%
Other	2%	4%
Gross Long	91%	95%

Source: Platinum

Value of $20,000 Invested Over Five Years

31 March 2006 to 31 March 2011



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

Performance and Changes to the Portfolio

Over the last 12 months the Fund rose 4.5%, outperforming the MSCI All Country World Index (AUD) benchmark by 3.2% and over the past quarter the Fund rose 1.8%, underperforming the benchmark by 1.7%. Given the 30% exposure the Fund had to Japan pre the earthquake, the result could have been worse. Our Japanese holdings in aggregate were down 0.8% in Australian dollar terms versus a market down 5.8% i.e. the Japanese market underperformed the global benchmark by 9.3%.

Whilst the Fund has marginally outperformed over the last year, over the last nine months it has been tracking just below what has been a relatively buoyant global market. The Developed World Index continued last quarter's outperformance over the Emerging Market Index.

On the back of the teams recent work, we added some new investments, including:

- Gilead Sciences (see the Platinum International Healthcare Fund December 2010 Quarterly Report for a full explanation of the investment case).
- Buzzi Unicem (see the current Platinum European Fund Quarterly Report on page 16).
- Nexen (see the current Platinum International Fund Quarterly Report on page 4).
- Showa Shell Sekiyu (see below).

The last two stocks account for the majority of the increase in the commodity exposure. We adjudged that these new ideas were more attractive than some of our existing investments. Sold investments included stocks that had run ahead of themselves rather than being overtly expensive and included Henderson Land, Kubota and Nitto Denko. Also in early March, as the Topix Index approached 1,000 for the third time in three years, we felt it timely to take profits on some of our Japanese domestic holdings and the majority of this 3% reduction was completed pre the quake. Whilst over the quarter there was a small decline in our Japan exposure from 30% to 28%, our exposure to exporters rose from 16% to 17%. We think this appropriate given the Yen has now likely entered a phase of structural weakness.

Whilst all these changes may imply a degree of hyperactivity on the part of the portfolio manager, we should point out that the Fund has received inflows that have necessitated a more active re-ranking of the opportunity set – and we wish to maintain a tight portfolio (our stock count increased slightly from 63 to 65).

Specifically, on our purchase of Showa Shell Sekiyu, this is Shell and Aramco's Japanese refinery asset and the repository of Shell's global solar technology (which started serious development over 15 years ago). The company recently took us through their detailed targets for the thin film solar business which is in the process of ramping production at a new 1GW plant. If these targets are met, they will have built a business that can produce panels at a relatively small cost disadvantage to the current industry leader, First Solar. The company's roadmap is to have 3GW of thin-film production by 2015 with the next two plants built outside Japan. At 1.3x book, PE 11x (with global refinery margins expanding and the Japanese industry having undergone capacity reduction), we think we are getting the solar business for free. Clearly the bet we are taking is not without technology risk, however, we think this is warranted given the potential upside return. The stock has performed in the short-term much better than we expected as the events at Fukushima have put the focus back on solar as truly a "green" alternative energy.

Commentary and Outlook

We completed two trips for the quarter; China and Japan. Whilst the current contrasts were palpable, one cannot help but think that China's current development is just a large scale version of what all the North Asian economies have done; mercantilism morphing into a construction/infrastructure boom, but finding it difficult to quite reach a truly well-balanced economy. In China we started in Guangzhou, travelling north to the industrial heartland city of Changsha, then due west to the Central Government controlled administrative city of Chongqing and finishing in Chengdu. The goal of the trip was to gain a better understanding of how the recent investment splurge had been spent and given that the Western corridor was allocated a disproportionate share of this splurge, this is where we focused the trip. For our sins, we also forced ourselves to attend a China "policy" conference.

In short, the urban/transport infrastructure is world class i.e. it makes most Western cities look decidedly run-down and there were no obvious bottlenecks. In fact, there is growing evidence of an over-build; the Chinese version of Japanese bridges to nowhere comes to mind (or possibly as residents of a city short on infrastructure, we are just easily impressed, and do not get the 'vision' thing). The banks we visited are clearly being directed to lend to provincial government infrastructure projects and not necessarily because they make commercial sense.

The impression from our meetings with Chinese corporates was the further we moved inland, the more brazen the ambition became – growth, growth and more growth. However, there was also an obvious thirst for better production technology as both labour costs and higher customer demands begin to take effect.

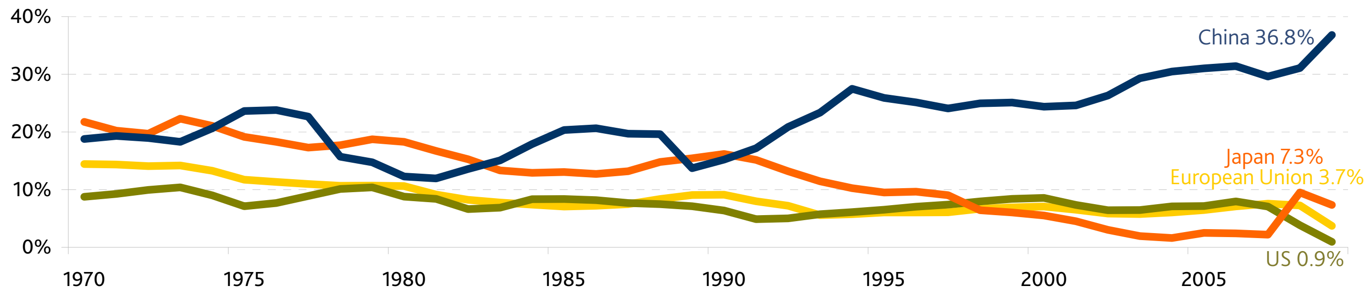
At the policy conference there was recognition that China needs to change its export-focused model. This is probably due to a combination of: firstly, a realisation that they have grown too big, and secondly, the now obvious structural weakness of the US. However, as the old model worked so well for so long, there is a reluctance to turn their back on it (e.g. any attempt to discuss the exchange rate was a non-starter but they were very happy to discuss the need for the US to balance its budget). The old formula 'feels safe' and while they know they need to change something, they are unclear on what and how to engineer this change. One thing they are very clear on is that the process will be closely managed; the "locals" have tremendous faith in the wisdom of government officials and a distrust of the market mechanism (and the "Global Financial Crisis" reinforced this).

This confusion on what and how to change came through in various agenda items: income disparity, land shortages, need for a cheap rental market in housing, agricultural reform, tax reform, move to a research and development based economy. In each case, the discussion was not so much about finding a market solution as creating a 'culprit' and having the government come to the rescue e.g. property developers on issues of land shortage and the lack of a rental market. There was frustration from some of the audience with one participant saying publically that these same officials had been coming to this conference for years talking about reform in these same areas with little progress.

Discussion of the Federal Reserve's Quantitative Easing 2 (QE2) also received a lot of airtime. Our sense was that the Chinese feel they are at a point where they have to make a difficult transition and are trying to muddle through it with minimal disruption. In this context they see QE2 as a sinister move designed to hit them when they are vulnerable. The idea that QE2 could actually create jobs in the US is laughable to them (they are not half bad at identifying flaws in the policies of others). From the American commentators at the conference, there was little questioning of whether QE2 was necessary or would create jobs. Instead it was defended on the grounds that it is domestic policy and thus noone else's business; a patriotic defence rather than an economic one (raising taxes to balance the budget was not an option).

At some point, unless the two super powers find some mutually beneficial accommodation, it will be difficult for Western world households and governments to de-lever without further hollowing-out of their economies (see the Net Investment to GDP chart below).

Net Investment to GDP



Source: Factset

Notes

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

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

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 31 March 2006 to 31 March 2011 relative to their Index (in A$) 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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