Platinum Unhedged Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	MAR 2012	DEC 2011
North America	34%	35%
Japan	23%	24%
Asia and Other	17%	19%
Europe	16%	19%
Cash	10%	3%

Source: Platinum

Portfolio Position

Changes in the quarterly portfolio composition:

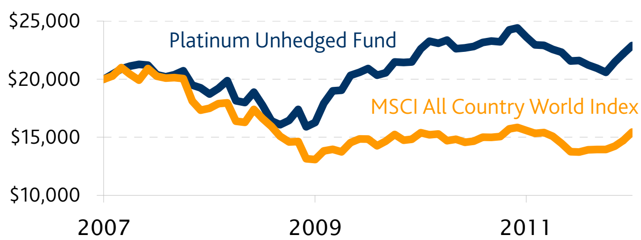
Sector Breakdown

SECTOR	MAR 2012	DEC 2011
Emerging Asia Consumption	16%	16%
Technology	15%	16%
Western Consumer	11%	9%
Western Financials	8%	6%
Energy	8%	9%
Healthcare	7%	7%
Japanese Reflation	7%	10%
Gold	6%	8%
Mobile Data	4%	7%
Capital Equipment	4%	4%
Materials	3%	3%
Other	1%	2%
Gross Long	90%	97%

Source: Platinum

Value of $20,000 Invested Over Five Years

31 March 2007 to 31 March 2012



Source: Platinum and MSCI. Refer to Note 2, page 5.

Performance and Changes to the Portfolio

Over the last 12 months, the Fund fell by 3.1%, underperforming the MSCI All Country World Index (A$) benchmark by 2.2%, and over the past quarter, the Fund rose 11.2%, outperforming the benchmark by 0.5%.

Over the past 18 months we have found it tough to perform in a market driven by macro concerns reflected by very low dispersion in P/E valuations and individual stock returns. The former means that there are fewer obvious valuation anomalies which as a stock picker we would typically seek to exploit; the latter that the market is behaving as one rather than as a collection of individual stock stories. The good news is that the dispersion of returns has started to pick-up, that is, the individual company investment cases are gaining attention rather than a banal discussion of risk 'on' and 'off'. As for stock picking, P/E convergence in itself is interesting as one is afforded the opportunity to buy exceptional companies (e.g. Microsoft, Johnson and Johnson) at below the overall market multiple.

For the quarter, the key contributors were generally the more cyclical names (Western World banks/consumer cyclical, technology and commodity related names) reversing some of the poor performance of the previous quarter.

In terms of new investments, we added Sina, the leading Chinese internet portal that three years ago launched a Twitter-like social networking service that has since grown to 300 million subscribers (available on 20 times current underlying earnings which are yet to reflect this new business opportunity) and Toyota Motor (see the current Japan Fund quarterly report) as this global behemoth shows real signs of regaining its past lustre and until recently, was available at sub-book value. These acquisitions were funded by sales of some of our more defensive holdings, including Vodafone, as following a period of solid outperformance, the general sell-off provided more attractive alternatives for our capital. We generally refocused the portfolio on our best ideas consciously reducing the tail of small holdings that had grown over the past 12 months.

Commentary and Outlook

We think few would now dispute that the Federal Reserve and European Central Bank (ECB) are actively (and Bank of Japan (BOJ) passively) facilitating deleveraging by a policy of holding down bond yields such that the nominal economic growth rate is held higher than the nominal funding rate (in effect, targeting mild inflation with some attendant currency deprecation). However, what matters most with any Central Bank monetary stimulus (especially after the zero point on policy rates is reached and the attendant liquidity trap risks are that much greater) is not the supply of credit, but whether there is any productive demand for credit. Typically the requirement for de-leveraging reflects a general abundance of productive capacity and, hence, the Central Bank stimulus (conveyed by record low real rates and asset purchases) just flows into 'bubble' activities such as lower bond yields and holdings of gold locked in Swiss Bank vaults. With some prescience that this might happen, we held a core 8% holding in gold stocks for most of the last five years. Frustratingly, this failed to capture much of the metal price move with the NY Stock Exchange Gold Stock Index way underperforming the move in the metal price.

We understand why readers may not think the current mood of optimism will last given the backdrop of well articulated concerns: ongoing Western private sector deleveraging, sustainability of Western fiscal stimulus, longer-term effects of Federal Reserve and ECB money 'printing', Chinese political and economic transition away from State-Owned Enterprises led investment towards private consumption, lack of currency realignments between East and West, risk of protectionism etc.

A more optimistic view would put greater weight on rapid Chinese wage growth and the US exploitation of low cost natural gas resources (discussed over) as a form of rebalancing that may over time reduce some of the 'tail' risk associated with the weak US trade and fiscal position. This opening up of productive US investment opportunities (again, discussed in more detail over) may indicate we have entered a phase of the cycle where real bond yields start to rise as growth transitions from a dependence on monetary/fiscal stimulus to investment.

Investors are poorly positioned for a rise in US real yields on two accounts:

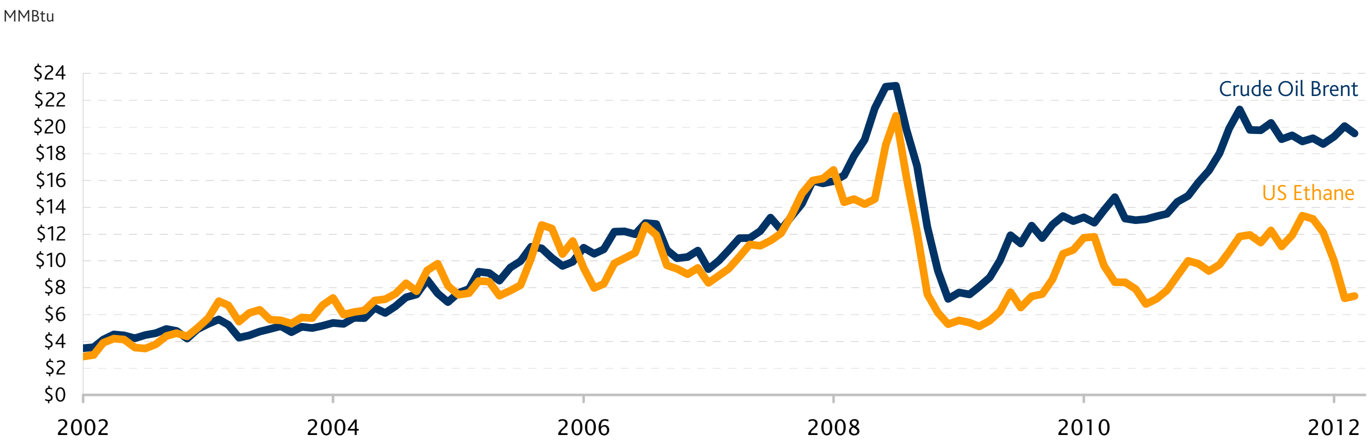
1. Retail investors have switched a large part of their equity exposure into bonds (and rising yields equal falling bond prices).
2. Rising US real yields would attract investors back to the much maligned US dollar (and out of gold). We are not suggesting a major reversal in gold, just a period of consolidation (but as for our gold stocks, they are too cheap to sell and the main game has not yet arrived i.e. broad based inflation).

We have many stocks in the portfolio that are geared to a US, or more broadly, Western led recovery in investment spending, though the following discussion relates specifically to those exposed to the US energy and chemical sectors.

We invested in the US based engineering and construction firms (e.g. KBR and Foster Wheeler) when valuations started to reflect a very poor industry prognosis. There were some signs of light as the US was progressively becoming a low cost producer of natural gas with some interesting implications for industrial investment in that country. The context around this has been the technological breakthroughs associated with directional drilling and fracking of the large onshore shale stratas to release tight gas. The consequent land grab and expansion in production (US shale gas went from 2% of US gross domestic supply in 2005 to 25% today) was such that in the short-term, the price of US natural gas that has averaged $6 over most of the past ten years has fallen to just over $2 per MMBtu. This compares with the current Asian Liquefied Natural Gas (LNG) price (using Japan import price as the proxy) of $17. The long-term relationship is plotted on the third chart on page 3 and whilst in the short-term the Japan import price has risen due to the post-Fukushima replacement of nuclear generation with gas fired turbines, it is noteworthy that the real break in the relationship dates back to late 2008 i.e. the US natural gas price advantage is moving into its fourth year, and hence, the discussion has moved from a cyclical to a structural advantage.

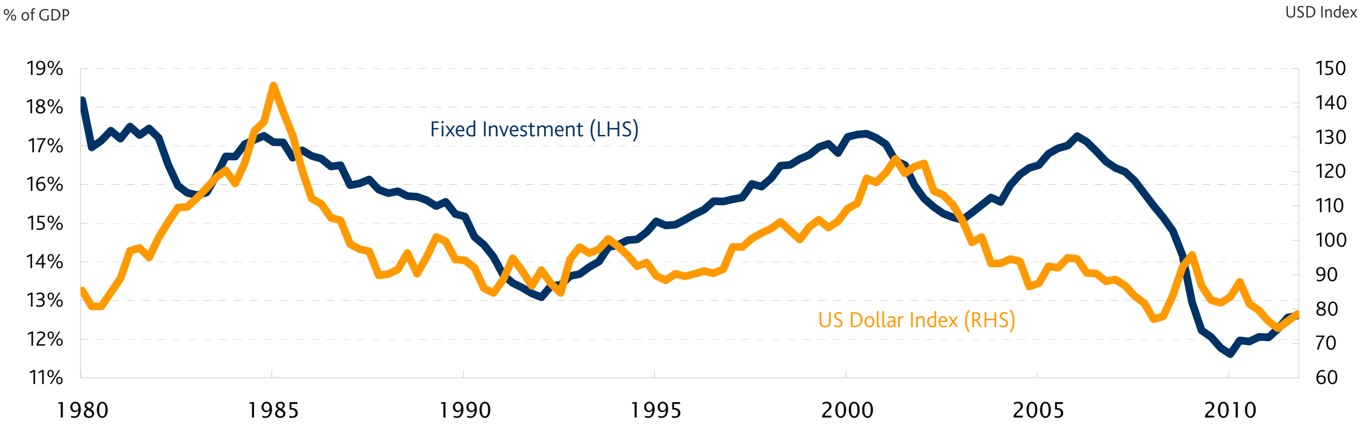
The US natural gas price is set by North American supply-demand dynamics due to the size of the market and lack of LNG liquefaction export facilities (i.e. until recently the US was seen as a potential importer of LNG). Whilst the US natural gas price is currently below the market clearing cost of production and production cuts will ensue, the longer-term price should still be capped below $6 per MMBtu. But even at this price some interesting investment opportunities are opening up that would previously have been considered laughable. Take the example of ethylene, the most common basic chemical used in many plastics, where 60% of global capacity is fed by naphtha and much of the residual by ethane extracted from natural gas. In terms of feedstock prices, US ethane has never been cheaper relative to naphtha (Brent oil price used as a naphtha proxy, see chart below). Given naphtha is linked to a global price, that is oil, and US ethane a US domestic natural gas price, this could represent a sustainable advantage. Complexity arises in that the naphtha cracking process delivers more valuable by-products than

Brent Crude Oil versus US Ethane



Source: Factset

US Fixed Investment to GDP versus US Dollar Index



Source: Ned Davis Research Inc

ethane, however, after allowing for this, our internal calculations suggest that US ethane fed ethylene production is now two times more profitable than naphtha based production with the cash pay-back on a new ethane cracker being close to four years. Not surprisingly, North American industry plans to increase capacity by some 20% by 2017.

But the opportunities in ethylene are only one part of a broader story. Cheap natural gas is a real bonus for many other energy intensive industries that have previously been considered of only marginal viability in the US including oil refining and steel making. Other areas of real potential include the use of natural gas (LNG or LPG) as a transport fuel in substitution of diesel, in distributed commercial/industrial power applications in substitution of grid electricity, and as base load electricity generation in substitution of higher cost Appalachian coal.

In summary, we are potentially on the cusp of a reasonable North American petro-chemical and coal/oil substitution-based investment cycle and our companies are well-positioned to benefit from this as designers and builders of ethylene and gas separation plants, LNG liquefaction and receiving terminals, refineries and the like. Whilst active market observers will suggest that this is not necessarily a new story and we would agree that the more obvious stock market beneficiaries have been discovered, many of the second order effects are yet to be reflected in stock/asset prices. For those that are secular-US dollars bears, please note US investment led cycles have at times coincided with a stronger US dollar (see chart above); the housing led cycle that peaked in late 2006 was the notable exception.

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$20,000 invested in the relevant Fund over five years from 31 March 2007 to 31 March 2012 relative to their Index (in A$) 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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