Platinum Unhedged Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	JUN 2010	MAR 2010
North America	30%	28%
Asia and Other	24%	23%
Japan	22%	26%
Europe	13%	14%
Australia	1%	1%
Cash	10%	8%

Source: Platinum

Portfolio Position

Changes in annual portfolio composition:

Sector Breakdown

SECTOR	JUN 2010	JUN 2009
BRICs* Consumption	17%	24%
Defensive	16%	7%
Japanese Domestic	12%	11%
Technology	12%	7%
Consumer Cyclical	10%	12%
Gold	10%	7%
Commodity	5%	9%
Capital Equipment	4%	6%
Alternative Energy	2%	4%
Other	2%	3%
Gross Long	90%	90%

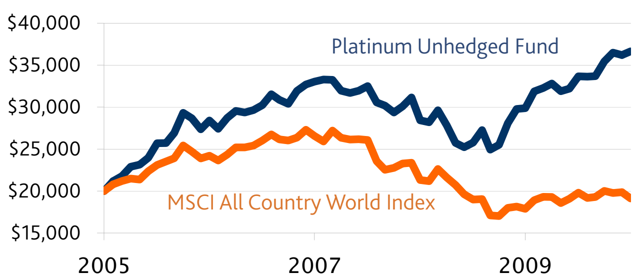
* Brazil, Russia, India and China

Source: Platinum

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

Value of $20,000 Invested Over Five Years

30 June 2005 to 30 June 2010



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

Performance and Changes to the Portfolio

Over the last 12 months the Fund rose 22.7%, outperforming the MSCI All Country World Index (A$) benchmark by 15.7% and over the past quarter the Fund rose 3.3%, outperforming the benchmark by 7.8%.

Looking at the sector breakdown table, investors will note over the last 12 months we have been quite aggressive in our repositioning of the Fund away from the more cyclical parts of the market. As many of our "BRIC" consumption and commodity type stocks hit their price targets (in many cases much earlier than we expected) they have been sold and replaced by investments in areas where we were seeing good value: high quality technology, large-cap pharmaceuticals and high sustainable dividend yield stocks (telecommunications, services, technology, et al).

The quarter ended with many of the imbalances that we have previously alluded to in the spotlight. However, we were a little surprised by how quickly the Greek (or more broadly Club Med) sovereign crisis (which is really a European banking crisis) manifested in Euro weakness – we had held some hope, that the Japanese yen would be weakest of the big three currencies (US dollar, Euro, Yen). Fortunately, with Europe by far the weakest region for equity returns for the quarter (measured after currency effects), more by accident than design, the Fund's quite low exposure here has minimised the collateral damage. Further, we continue to maintain a zero exposure to both European and US banks as the Japanese experience has taught us the pointlessness of such investments in a deflation prone environment.

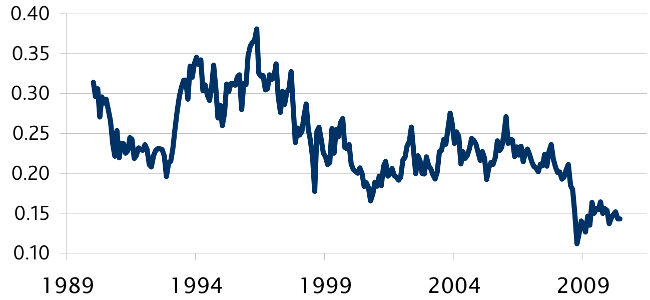
Whilst all of our broad themes outperformed the benchmark, our macro bet in gold dominated performance. The "BRIC" consumption stocks were next in line eg. Soho China and Ramayana, followed by Japanese domestic plays eg. Obic. Not surprisingly, given the growing fear of the sustainability of the Western world recovery and a policy induced Chinese property slowdown, our worst performers were to be found in the consumer cyclical area eg. Microsoft and Electronic Arts.

During the quarter we added positions including China Life, Cisco, Qualcomm and International Paper. We funded these positions by fully exiting certain stocks that had reached price targets or suffered waning conviction levels including: Micron Technology, Veeco Instruments, Nikon, Daiwa Securities, OSI Pharmaceuticals (subject to a successful takeover bid) and Canfor Pulp (preference for a large paper/containerboard player to a niche pulp producer, hence, our acquisition of International Paper).

Looking at the portfolio composition as it stands today, our four most active bets are a large position in Japanese domestics, global technology stocks, large-cap pharmaceutical stocks and gold stocks. The rationale behind our Japanese domestic and technology holdings has been well-covered in previous quarterlies and the rationale for holding pharmaceutical stocks is well covered in this Platinum International Fund Quarterly Report (for further background see Bianca Elzinger's September 2009 Platinum Health Care Fund Quarterly Report). Given the recent outperformance of our gold stocks, we thought it timely to remind investors of our basic rationale for holding these stocks.

The Platinum Unhedged Fund has held a 7-10% position in gold (and Platinum) stocks since early 2007. Over this time, the large cap positions, Barrick and Newmont, have performed roughly in-line with equity markets, though providing some downside protection when asset markets have been most dysfunctional (mid-2008) and again just recently. Given the out-performance of the metal relative to most other assets, we are somewhat disappointed that we haven't made more money here. The key reason for underperformance of the gold equities (using the Philadelphia Gold & Silver Index) relative to the metal (see chart over - close to a 27 year extreme) is due to the accumulation of the metal by investors who do not want equity market risk (Gold Metal Exchange Traded Fund intake on a trailing 12 month basis represents 17.8% of metal demand, up from 4.4% in 2005). Other contributing factors would include high starting PEs (ie. in 2007 the forward gold equity PEs were in excess of 30x), legacy hedging and rising production costs.

Philadelphia Gold & Silver Index Relative to Gold Price



Source: Bloomberg

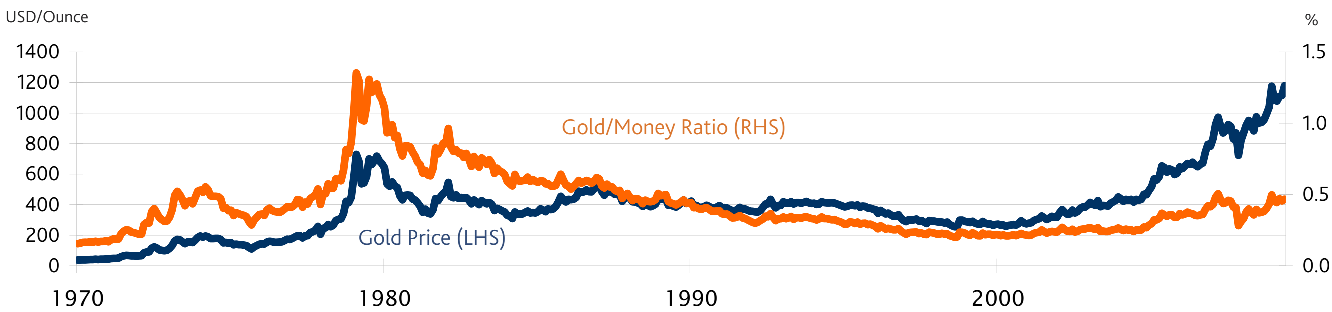
So the question is - now that the forward PEs are around 15x, is it timely to own gold stocks? To answer that question, one needs an appreciation of the factors driving the gold price. Whilst gold has traditionally behaved as a hedge against a weak US dollar, it is now behaving as a hedge against general financial asset risk and growth in the monetary base. There is no easy way to measure this relationship. We have calculated a global proxy for money based on a US narrow money series and a proxy of the value of above ground gold metal going back to 1969. Since 1970 the ratio of Gold Stock/Money Stock has averaged 0.42%, it hit a high of 1.31% in 1980 and is currently at 0.47% (see chart below). The point to note is that the ratio is the same level as the recent June 2008 peak, even though the gold price is 27% higher, as the money stock has also grown by 27% over two years – the gold price is just keeping up with monetary base growth.

There is still room for significant upside in both gold metal and equities if macro-economic factors (eg. a jobless recovery in the US) pressure Western governments to declare war on deflation by unleashing a further round of central bank purchases of financial assets (and ultimately monetisation of government deficits) aimed at currency devaluation. Central Banks may attempt to combat a fall in demand for credit (and a declining credit multiplier) with a significant increase in base money. The short-term risk for gold is the growing global discussion regarding the need for fiscal austerity – whilst this may suit the purposes of countries with external surpluses (China, Germany and Japan) it would spell a deflationary disaster for countries that are trying to decrease debt/GDP ratios via nominal depreciation of their debt. However, with the US unemployment rate close to 10%, we think it will be very difficult for US politicians to seriously embrace fiscal austerity.

Outlook

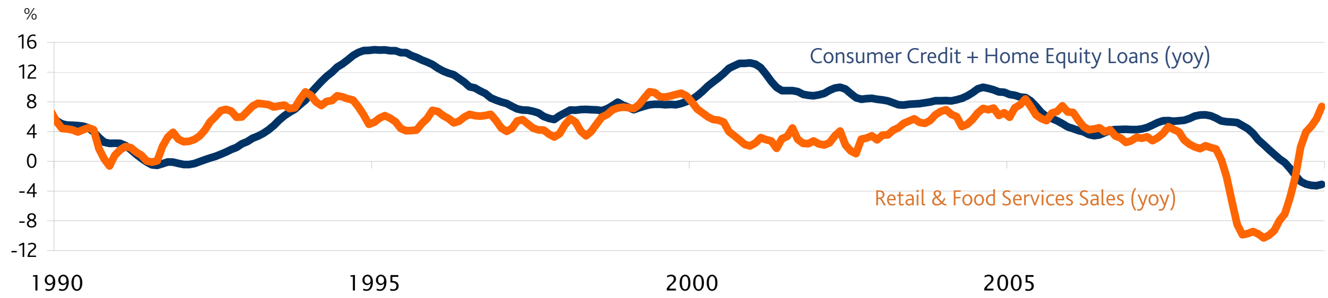
We have repeatedly voiced our concerns regarding the current cycle eg. the sustainability of fiscal stimulus, the implication of banking assets gradually piling up on the European Central Banks (ECB) and Federal Reserve's balance-sheets; and as the quarter progressed some of those concerns impacted the market. See exhibit A (see chart over) for why one should be wary of the US rebound. There is a disconnect between solid retail sales growth and consumer credit growth (very weak) ie. in the past these have been unsurprisingly highly correlated – not anymore, which leads us to believe that much of the current spending is underpinned by the Federal Government's fiscal stimulus transfer payments. When the fiscal stimulus

Money Stock versus Gold Stock (Global)



Source: MF Global, RBC Capital Markets, Bloomberg, World Gold Council, US Geological Survey

US Debt Financed Consumption versus Retail Sales



Source: Ned Davis Research

starts to wear off in 2011, the muddle-through outcome for the US would involve some sort of rebound in construction/capital equipment spending ie. combined residential and non-residential investment to GDP is at at a multi-decade low.

The positives to be taken away for the quarter would include:

- The restart of the Yuan revaluation process provides the Chinese an inflation management alternative to the heavy handed "administrative" clamp-down approach and begins a much needed global demand rebalancing process.
- Non-bank corporates globally are generally well capitalised.
- The correction in share prices is seeing value re-emerge.

We would expect markets to remain volatile until Chinese authorities ease-back on the residential property market clamp-down. The catalyst for this will be benign inflation data. Ironically, the worse the Western hemisphere economic data looks, the more likely the Chinese are to start easing policy. We will be looking to gradually reposition the Fund to take advantage of such an easing as its likelihood grows.

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$20,000 invested in the relevant Fund over five years from 30 June 2005 to 30 June 2010 relative to their Index (in A$) 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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