PLATINUM UNHEDGED FUND

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Portfolio Manager

PORTFOLIO POSITION

Some of the themes/large positions contained in the current portfolio include (position prior quarter):

15% (13%) Japanese domestic (banks, property, construction, etc); Japan is one of the few developed economies where consumers remain relatively un-geared and investment preferences, driven by rising inflationary expectations, can change for the better ie. away from deposits and bonds, towards equities and property.

14% (11%) Technology, Health Care and other once proud "growth" stocks.

13% (14%) Asia ex-Japan/Hong Kong domestic related companies, including Thailand, Korea, Taiwan and Malaysia.

9% (12%) Pulp and Paper, key neglected part of the commodities complex.

9% (10%) Energy and "Green" Technology – a long duration theme.

7% (6%) Gold, a laggard metal and inflation hedge.

7% (4%) Hong Kong listings, largely China consumption exposures (eg. property and retail).

6% (8%) Global Infrastructure/Energy capex related – a combination of the BRIC's (Brazil, Russia, India and China) emerging requirements and the need to "renew" key parts of Western public infrastructure.

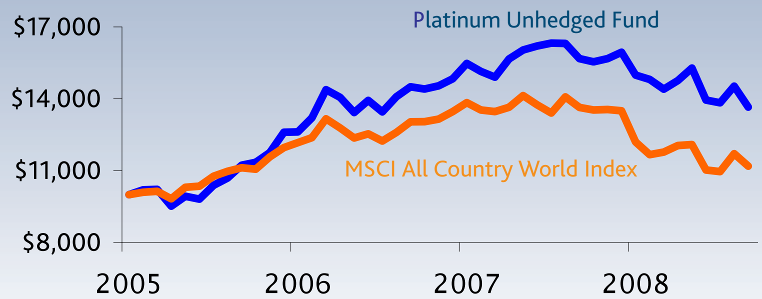
4% (3%) European domestic.

DISPOSITION OF ASSETS

REGION	SEP 2008	JUN 2008
NORTH AMERICA	30%	31%
ASIA AND OTHER	27%	25%
JAPAN	21%	20%
EUROPE	14%	14%
CASH	8%	10%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
31 JANUARY 2005 TO 30 SEPTEMBER 2008



Source: Platinum and MSCI. Refer to Note 2, page 36.

PERFORMANCE AND CHANGES TO THE PORTFOLIO

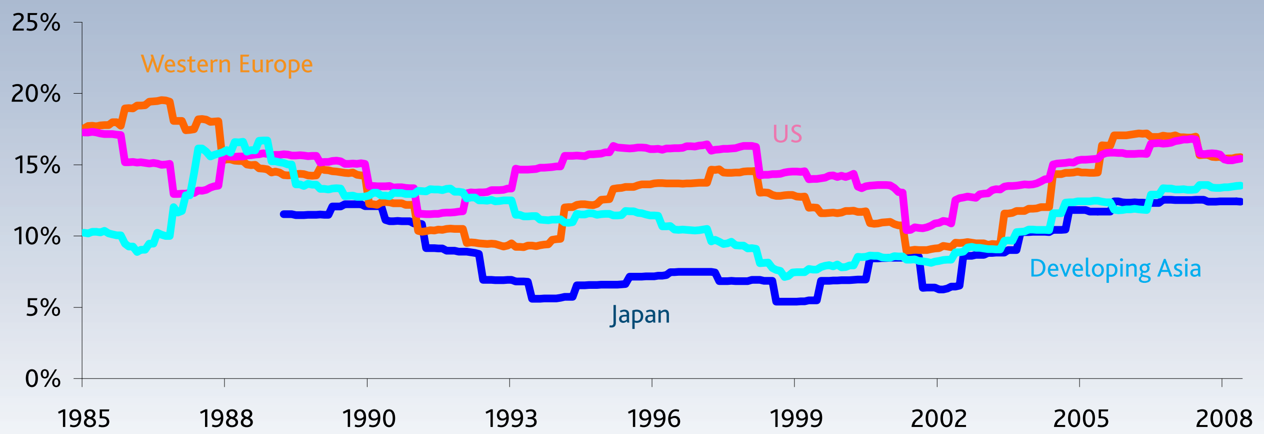
Over the last 12 months the Fund fell 12.9%, outperforming the MSCI All Country World Index (A$) benchmark by 5% and over the past quarter the Fund fell 2%, underperforming the benchmark by 3.6%. The positions that cost the Fund the most during the quarter were our Asia ex-Japan, energy and capex related holdings; the key contributors were our Japanese domestic holdings and health care holdings. Bombardier, having reached our short-term price target, was sold. Our view, expressed last quarter, that the Euro would fall against the US dollar as the credit crisis migrated to Europe, has proven correct, hence our preference for European exporters over domestics worked relatively well. However, the performance of our Asia ex-Japan holdings, concentrated in domestic names, has not proven to be the safe haven we had intended. We have been adding to these names at lower levels though we have kept our cash holding close to the mandated maximum of 10%.

These continue to be "interesting" times for long-only equity investors. We will attempt to protect investors' capital by remaining relatively defensive in our positioning ie. weighting in gold and some of the less loved Asian markets, and at the same time take advantage of extreme moves in stocks ie. buying select positions in extremely oversold cyclical names.

COMMENTARY

Regular readers of this quarterly should by now have a good understanding of the stocks we own and why we own them, namely, that the focus has been on our "bottom-up" stock picking. As we haven't added any significant new positions during the quarter, we decided to switch commentary to provide some insight to the type of "top-down" analysis that is performed as context to our stock picking. Given the recent large falls in all equity markets, this type of analysis is all the more pertinent. The story is best told by way of three charts. For the sake of simplicity, we have analysed a universe of potential industrial equity investments aggregated into four geographic groups: United States, developed Europe, Japan and developing Asia (Asia ex-Japan, South Korea and Taiwan). We've excluded financials only because they complicate measures of profitability when expressed in terms of

RETURN ON CAPITAL EMPLOYED



Source:: Factset

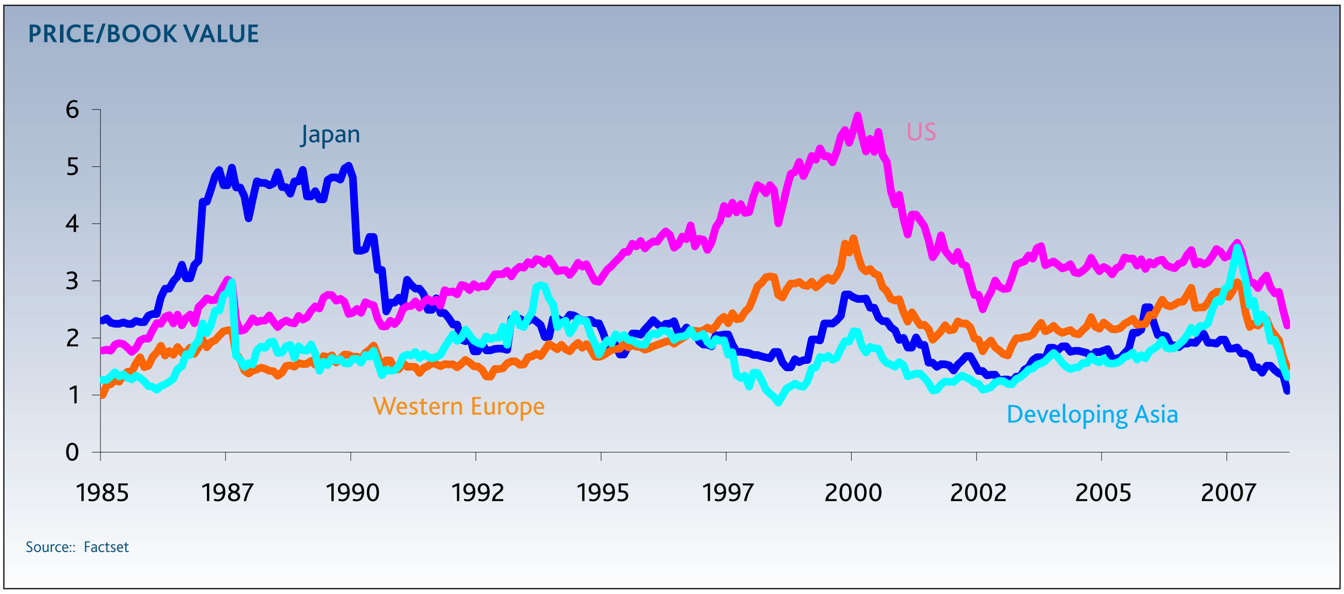
capital employed (prior to the distorting impact of leverage). We have measured three attributes:

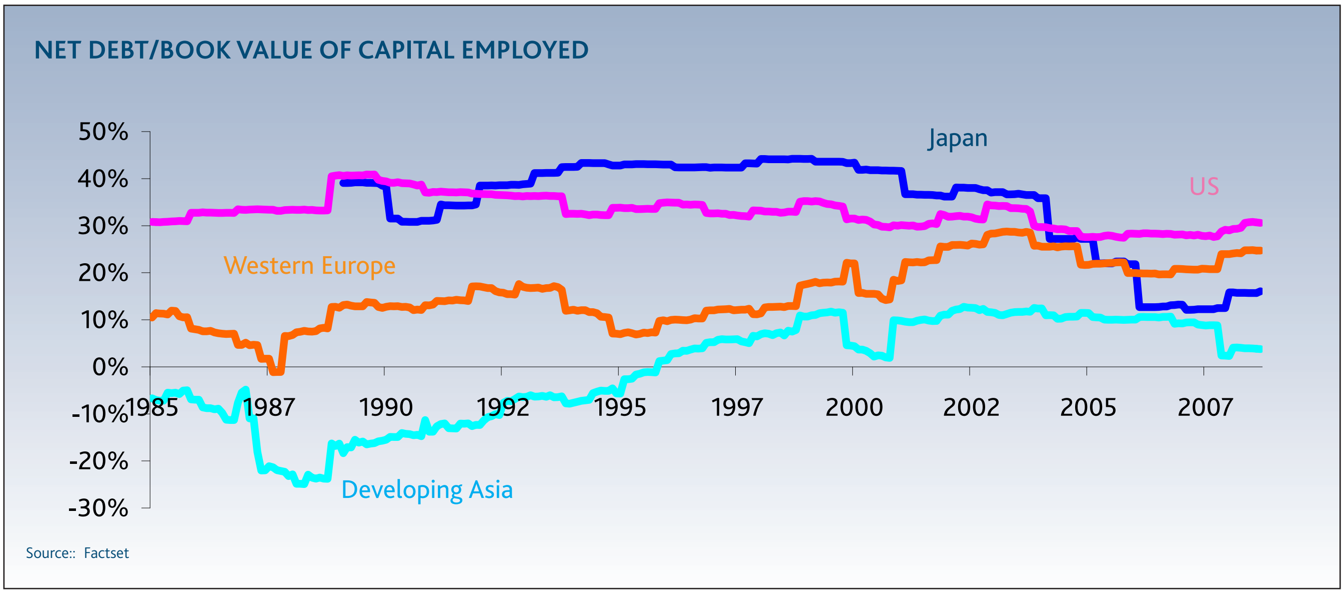
- Profitability
- Valuation
- Financial leverage

The "Return on Capital Employed" chart on page 10 shows that profitability is cyclically high and well correlated among the four markets. The other stand-out for us is that Japan has largely recovered from its period of poor profitability in the mid-1990s. For some time we have been expecting a downturn in profits and from these charts it's not hard to see why.

The next question is - how much are we paying for these profits? Many pundits focus on PE ratios. We think PEs suffer from the major problem of not adjusting for sustainable levels of profits, that is, low PEs become high PEs when profits fall. Our preference is to use the relationship between share prices and book values as book values will tend to be less volatile than profits through various economic cycles. Based on these measures, since 1985 (there's no magic to this starting point, its just the beginning of our data set), Japan, developing Asia and Europe are either very close to their low points or, in the case of Japan, taking out new lows ie. this is not the beginning of the bear market, and though it also may not be the end, we are starting to discount a one in twenty year type global economic recession. Now, clearly the recession may be worse than this. Our second conclusion is that, at 2.2x book, the US market still looks expensive relative to the other markets which are very close to book value. Here some adjustment needs to be made for share buybacks but importantly, in the last six years, this would apply equally to the Japanese data.

The final question is - how financially geared are the profits ie. how much debt is on the balance sheet? (This is a measure of non-financial corporate debt, as opposed to household debt). We are using a measure of net debt defined as gross debt less cash and passive investments as a proportion of book value capital employed. The two conclusions we draw from this are that the US remains relatively highly geared, and that Japan and developing Asia have, since 2000, paid down debt aggressively to quite low levels.





OUTLOOK

Our valuation work highlights that in Asia generally we are able to find companies at comparatively attractive valuations and that are generally less levered than their US and European counterparts. This is encouraging for our portfolio positioning as we are significantly over-weight the Asian region.