Platinum Unhedged Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	SEP 2011	JUN 2011
North America	33%	33%
Japan	26%	26%
Europe	18%	13%
Asia and Other	18%	21%
Cash	5%	7%

Source: Platinum

Portfolio Position

Changes in the quarterly portfolio composition:

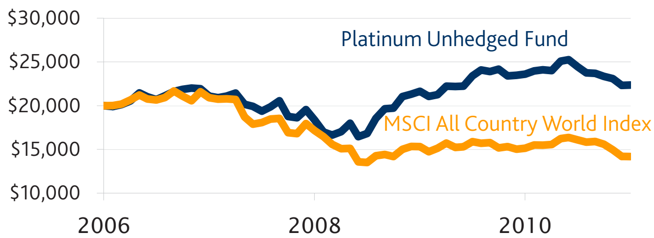
Sector Breakdown

SECTOR	SEP 2011	JUN 2011
Technology	16%	14%
Emerging Asia Consumption	16%	16%
Japanese Domestic	12%	12%
Consumer Cyclical	12%	11%
Gold	9%	7%
Mobile Data	7%	5%
Healthcare	6%	10%
Energy	6%	7%
Capital Equipment	5%	4%
Materials	4%	6%
Consumer Defensive	1%	0%
Other	1%	1%
Gross Long	95%	93%

Source: Platinum

Value of $20,000 Invested Over Five Years

30 September 2006 to 30 September 2011



Source: Platinum and MSCI. Refer to Note 2, page 3.

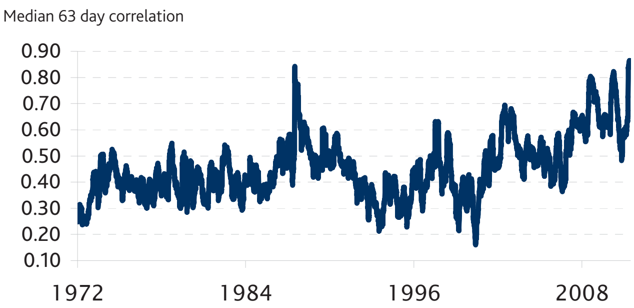
Performance and Changes to the Portfolio

Over the last 12 months the Fund fell 5.3%, outperforming the MSCI All Country World Index (A$) benchmark by 1%, and over the past quarter the Fund fell 4.3%, outperforming the benchmark by 4.7%.

We have regularly discussed with readers our prognosis that without serious realignment of currencies between the hyper-competitive but inflationary East and the indebted West, that an unnecessary Eastern tightening would threaten an orderly deleveraging in the West. Clearly, the process of exposing the weakest links is now in full swing, with European banking and sovereign concerns firmly in the cross-hairs. Whilst we can use the excuse of macro-driven volatility and high stock price correlations (see chart below), we are somewhat disappointed that we have not made up more ground on the market. As stock pickers, we carry a degree of loyalty to our individual holdings that can sometimes cloud a more ruthless approach to a rapidly changing environment.

The relative outperformance for the quarter was assisted by low exposure to Europe (13% at quarter start), the key underperforming developed world market, down 15% and high exposure to Japan (26% at quarter start), the key outperforming developed world market, up 3%.

Median Correlation of S&P500 Stocks to the S&P Index



Source: Ned Davis Research Inc

Attribution wise, consumer cyclicals (both Western and emerging markets) and commodity cyclicals were key areas of weakness, offset by more defensive areas e.g. mobile data, Japanese domestics and gold stocks. The quarter felt eerily similar to September 2008 when the key pre-requisites for capital preservation were:

1. extremely certain un-geared cash annuities such as telecoms, healthcare or consumer non-durable; or
2. stocks that were completely off the international investor's radar i.e. Japanese domestics.

We used the latest round of macro-nerves to add stocks that generally fell into one of three categories:

1. Stocks where based on team feedback from recent trips/meetings, our confidence in the arbitrage had risen e.g. AMD and Stillwater.
2. Beneficiaries of a potentially weaker Euro that are tied into global investment themes with a bias towards Asia e.g. BMW, Pernod and TNT.
3. Beneficiaries of potentially higher European inflation as the European Central Bank (ECB) is forced by Europe's lack of fiscal integration (but with market enforced austerity) to set super loose monetary policy based on saving the weakest member. Whilst the ECB won't explicitly target a weaker Euro, it may use inflation targeting as an excuse to monetise government debt. However, this will only happen once the ECB's Germanic antecedents weaken and/or the markets force this response.

As a consequence, over the quarter our total exposure to European equities has risen from 13% to 18% with most of this increase occurring late in the quarter. Our top-down valuation models show that both European and Japanese equities at their recent lows were priced within 15% and 8% of their late 2009 lows i.e. 1.15 times and 0.84 times book, respectively.

To fund these purchases we have sold some winners; Pfizer, Ariad and Electronic Arts where valuations no longer offered the same level of comfort relative to other opportunities. Further, early in the quarter we made a tactical call to reduce risk and sold Allianz (directly exposed to European sovereign concerns) and some of our Chinese internet gaming stocks (Giant and Shanda Interactive).

Commentary and Outlook

As Andrew details in the Asia Fund report, the sell-through on China's property building splurge has slowed rapidly and implies a systemically dangerous level of inventory build. If the numbers are correct, then China's leaders, by persisting with administrative controls on the property sector, are now risking a hard landing.

Likewise, as Clay details in the European Fund report, Europe needs to achieve some form of fiscal unity if efforts to bail-out individual sovereigns and banks are to have any lasting benefit. However, the political wrangling that this requires means that the handling of the crisis remains reactionary rather than constructive. Given the uncertainty this creates, the euro zone's growth potential is threatened as households and businesses start to economise, hence, our investments here are biased towards global themes.

A potentially much weaker Euro will have a directly negative impact on the US and Japanese export-based recoveries, in fact, Japan is already very close to losing its trade surplus for the first time since 1980.

We found it interesting that Federal Reserve Chairman Bernanke's latest Congressional testimony frankly acknowledged the limitations of Fed policy and placed China's lack of currency reform firmly on the agenda, claiming it was blocking a more normal global recovery. This may reflect an important shift in the Washington consensus that until now has been firmly against picking a currency fight with China. After all, high US corporate profit share is partially underpinned by the outsourcing opportunity that China and emerging markets broadly represents i.e. there is no more powerful bargaining chip with labour than the threat to offshore jobs.

A problem with the modern outsourced manufacturing model is that the hollowing-out process does have a natural limitation based on a national strategic requirement for local technology, sourcing, skills, and maintaining a minimal level of worker prosperity required for social cohesion. One has a sense that the outsourcing phenomenon may be close to at least a short-term zenith when one of the world's largest companies, Apple, is essentially a consumer durable design shop. The laws of comparative advantage may still be in play i.e. Californians are good at dreaming up new concepts (and have intellectual property laws that make this worthwhile), and Asian countries provide the low cost, skilled workforce required to make them. We actually think it has more to do with the direct policies of Asian Central Banks to discourage domestic consumption in favour of undervalued exchange rates and exports, or, flipping this on its head, the Western world's unwillingness to embrace austerity and balance sheet repair.

There is a rarely acknowledged though growing threat to ongoing growth in global trade – in a word, protectionism; typically the card played in desperation when national governments run out of policy options and the risk of upsetting the status quo runs secondary to appeasing the voters. Chinese authorities need to aggressively open their domestic market to foreign companies if a potential global drift towards wealth destroying protectionism is to be avoided. When we discuss these issues with global companies attempting to do business in China, they typically focus less on the exchange rate and more on just the uneven nature of the playing field when competing locally i.e. lack of access to government contracts and intellectual property right protection.

The list of Western Central Banks that are actively promoting some form of Quantitative Easing (QE) has grown to include: the US, Great Britain, Switzerland and Japan (though mild). The distortion this creates seems to be most keenly expressed in the price of energy which is what makes the policy so counterproductive. Western monetary policies stoke commodity speculation which tax consumers, especially the consumers with the lowest per capita incomes i.e. the emerging market consumer that is meant to be leading the great rebalancing. Investors need to consider this as a core input to their investment positioning.

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$20,000 invested in the relevant Fund over five years from 30 September 2006 to 30 September 2011 relative to their Index (in A$) 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.