Platinum Unhedged Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	SEP 2013	JUN 2013
North America	30%	34%
Japan	21%	26%
Europe	21%	23%
Asia	17%	11%
South America	2%	0%
Australia	2%	1%
Africa	1%	1%
Cash	6%	4%

Source: Platinum

Portfolio Position

Changes in the quarterly portfolio composition:

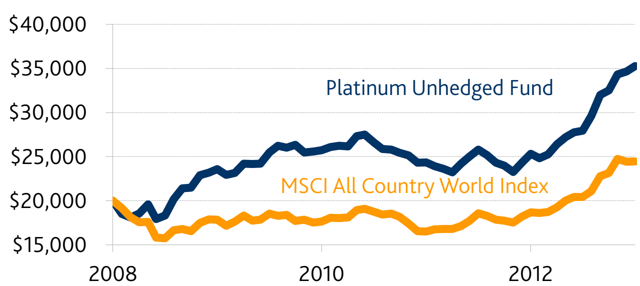
Sector Breakdown

SECTOR	SEP 2013	JUN 2013
Consumer Globalisation (brands, retail etc)	12%	17%
Technology (software & components)	11%	14%
Mobile Internet Services	10%	5%
Healthcare	9%	11%
Mobile Internet Enablers	8%	11%
Emerging World Consumer	8%	5%
Emergine World Financials	7%	4%
Japanese Revitalisation	5%	6%
Alternative Energy	5%	2%
US Capital Spending Renaissance	5%	5%
Gold	5%	4%
Western Financials	5%	8%
Energy and Materials	4%	4%
Gross Long	94%	96%

Source: Platinum

Value of $20,000 Invested Over Five Years

30 September 2008 to 30 September 2013



Source: Platinum and MSCI. Refer to Note 2, page 6.

We took the opportunity during the quarter to break-out "Alternative Energy" as recent additions make this more meaningful and for similar reasons we also split "Internet Ubiquity" into "Mobile Internet Enablers" and "Services" and separated "Financials" out from "Emerging World Consumer"; hopefully this adds to investors overall understanding of the portfolio's position.

Some of the major investment themes expressed in the Fund, include:

- Post-patent cliff pharmaceuticals and personalised medicine.
- Consumer globalisation – Western brands, retailers and service providers positioned for global growth.
- Explosive growth in mobile data based services and consumption in both the developed and emerging world.
- Emerging world home grown consumer brands/retailers and recovering property related companies in India and Brazil.
- Japanese revitalization driven by a broad consensus on the need for change.
- Capital equipment suppliers to the solar cell industry, a secular growth industry undergoing a cyclical recovery.
- US capital spending renaissance driven by a globally competitive supply of natural gas.
- Gold - a hedge against a self-reinforcing cycle of competitive Quantitative Easing (QE) from the three large developed world currency blocks (US, EU and Japan) where the narrative morphs from necessary monetary easing to government debt monetisation and competitive exchange rate devaluation.

Performance

(compound pa, to 30 September 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Unhedged Fund	8%	39%	11%	12%	11%
MSCI AC World Index	6%	31%	12%	4%	4%

Source: Platinum and MSCI. Refer to Note 1, page 6.

The Fund's recent performance was driven broadly with the areas of disappointment limited to technology stocks, though our energy and Japanese revitalisation stocks also lagged. The stand out contributors to performance included solar industry equipment suppliers (Meyer Burger +64%) and Chinese Internet stocks (e.g. Baidu +64% and Sina +45%).

Regular readers know that we mistimed our entry to the solar stocks in the second half of 2011. We under-estimated the time for excess capacity to clear and didn't anticipate the outbreak of trade conflict between China and the US/Europe that resulted in steep anti-dumping duties for Chinese producers. We continued our work as the industry downturn worsened and investors who attended the 2012 Platinum Investor Forum's may recall that a key part of our investment case was the simple observation that in a growing number of regions, starting with those with plentiful sunlight and expensive electricity, solar power was cost competitive with grid power. To the surprise of the industry naysayers, this improving competitiveness is resulting in 25-35% demand growth in 2013 to 35-40 GW despite a sharp contraction in Germany and Italy as subsidies were reduced. Whereas historically the industry was typically anchored by European demand, there is now a far healthier balance of Asia, Europe and the Americas as demand outside of Western Europe grew 90% in 2013. In fact, in some parts of the supply chain, capacity utilisation is reaching levels that justify capacity expansion. The industry downturn was so deep that the surviving capital equipment suppliers such as Meyer Burger now face fewer competitors and are well-placed to capitalise on the current upswing. The good news is that early in the quarter we decided to increase our exposure and this, followed by a solid rebound in the stocks, has resulted in a much larger weighting.

Changes to the Portfolio

In addition to adding to our solar stocks we also increased our weighting in Internet stocks generally (adding Baidu and eBay, see the current Platinum International Fund quarterly report). The Chinese Internet's have experienced a stunning reversal in sentiment as only six months ago the discussion was dominated by the delisting threat posed by US regulators over access to audit working papers rather than operating performances which continued to impress (Baidu posting 39% revenue growth). Further, the impending listing of Alibaba (China's largest e-auction and e-mall operator) has further focused investor minds on the potential for industry consolidation around three major conglomerates which all have one large area of dominance to Fund diversification: Baidu (search, recently acquired mobile app store 91 Wireless), Tencent (gaming and social networking, acquired a strategic interest in third ranking search engine Sogou) and Alibaba (e-commerce, acquired strategic interest in Sina's Weibo Twitter-like service). Some might suggest that such rampart corporate activity as indicative of irrational exuberance, however, given the relative immaturity of the Internet advertising market[1] and e-commerce markets, we still see plenty of run-way for growth and valuations generally still make sense.

Following a thorough examination of the stock specific and the macro factors at play, we built a large position in Intesa Sanpaolo SpA, Italy's largest bank with 20% market share. Simplistically, the company expanded credit more slowly than the system, is well-provisioned and capitalised, and is not without growth options. Popolari banks account for 30% of system assets and are generally in weak positions as co-operative member shareholding structures (i.e. one man, one vote) have resulted in lending based on self-interest or political ideology and by necessity dependence on State/ECB assistance (first Italian government injections and then the ECB's long-term refinancing operation). Further, the Bank of Italy has become increasingly vocal regarding the need for Popolari reform, using the threat of early repayment of aid, amongst other things, to motivate these banks to shrink their way back to health; conversely Intesa and the other two large private sector banks stand to win an increasing share of new lending.

Now the Italian macro could hardly be described as attractive with unemployment of 12%, up from 8% prior to mid-2011 and 6% in 2009 and private credit contracting at a rate of 2%. However, in terms of signs of healing the current account has returned to surplus and the government is also running a primary surplus. Whilst historically Italy's politicians have shown little interest in governance, even on this front, the recent actions of Berlusconi's own party rejecting his move to topple the minority government would seem to imply some belated realisation of the need for improved standards.

As we noted last quarter, the retrenchment in emerging markets was starting to present opportunities for the Fund and based on some timely recommendations from the team, we were able to take advantage of distress type valuations to add exposure in three areas: financials (e.g. PICC and KB Financial), Indian infrastructure related stocks (see Platinum Asia Fund quarterly report) and Brazilian home builders (e.g. PDG Realty).

The share prices of PDG Realty and peers have typically fallen some 80% over the past three years, victims of an almost inevitable bust that followed a wild land-grab initiated by the industry's first time access to capital in a country with significant pent-up housing demand. However, the bust has more to do with a loss of operational control than significant over-supply of housing and price declines. The decision to buy into the company at some 50% discount to book value was based on two major assessments:

- New management (1Q 2012) were executing on a credible plan to right-size the business, shrinking the number of projects under construction by reducing activity in regional and hyper competitive low-cost markets to increase focus on the key home mid-market in Rio and Sao Paulo.
- An industry-wide reduction in supply; for example, in 2011 PDG Realty launched 40k units and by 2012 this had fallen to 6k.

We think all going to plan, PDG Realty is capable of lifting its sustainable return on capital to some 10%, which, whilst hardly stellar, would be equivalent to earnings per share of some R66 and a very low three times multiple of our entry

[1] Internet advertising represents only 18% of total advertising spend (ZenithOptimedia), but time spent on the Internet represents 57% of media consumption (www.eMarketer.com).

level share price. The key risk to our turnaround scenario would be higher rates that crimp housing demand, but with total mortgage debt to GDP of only 6%, we think this risk is manageable.

We funded these purchases by selling stocks that had reached valuation targets including Bank of America (at nine times underlying earnings versus six times for Intesa Sanpaolo SpA), TNT (combination of a solid rebound in the share price and a view that the secular challenges TNT faces are worsening) and following solid performance, a reduction in the size of our holdings in Cisco and Vodafone (having received an attractive offer from Verizon Communications for its half share of Verizon Wireless). We also consolidated our Japanese portfolio down to fewer names by removing a tail of smaller positions.

Commentary and Outlook

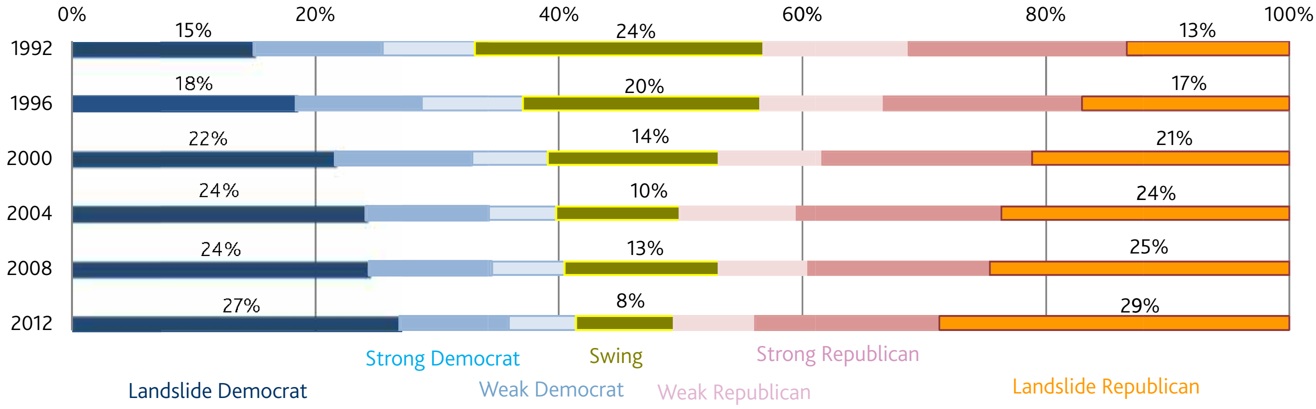
In terms of news-flow, the decision for the second and third largest global semi-conductor production equipment (SPE) companies, Applied Materials (AMAT) and Tokyo Electron (TEL, one of the Fund's smaller holdings), to merge provides more evidence of Japan's reawakening. The consolidation within both companies customer bases where Intel, Samsung and TSMC now represent over 60% of industry orders, underpins the industrial logic for the merger. However, as the manufacturer of some of the most complex industrial equipment ever designed and one of the crown jewels of Japanese manufacturing, to accept the role of junior partner in this merger represents a significant loss of face for TEL management (but a necessary step for shareholder value creation).

The tapering discussion kept emerging markets under pressure for most of the quarter, especially those with current account deficits, on fear of a rise in the cost of US dollar funding. The generic headlines around this issue implied that these countries were vulnerable to a 1998 style currency crisis misled to the extent that many still have foreign exchange reserves as they have only recently started to run deficits and have limited exposure to foreign currency denominated debt. However, there is a growing inflation problem in countries like India and Indonesia, and, hence real potential for tighter monetary policy to continue beyond the current relief rally.

As we finalise the quarterly report, markets have once again entered a macro-driven risk-off phase as the US debt ceiling looms large. In contrast with the Westminster System, the US doesn't have a mechanism to guarantee the resolution of a budget impasse when the government of the day does not control the Congress. The only observation we would make is that whilst the principal of mutual assured destruction would imply that the Democrats and Republicans reach a deal that avoids a US sovereign default, the make-up of the Congress has never been more polarised. US statistician-come-political-commentator Nate Silver, has performed some interesting historical analysis comparing the presidential vote in each congressional district to the national outcome (see chart below). For instance in 1992, 24% of the House of Representatives membership were elected from what might be called "swing" districts: those in which the presidential vote outcome (either for or against) was within 5% of the national result versus only 8% of such districts in the 2012 election. Conversely, the number of landslide districts (either for or against) — those in which the presidential vote outcome deviated by at least 20% from the national result — has roughly doubled to 56% of the total (of these, 27% were Democrats (given a Democractic President was elected, they obviously voted in favour) and 29% were Republicans (obviously against).

So if you're trying to make sense of the US Federal Government shut-down and debt ceiling negotiations, keep in mind that most members of the US House of Representatives now come from hyper-partisan districts where they face little threat of losing their seat to the other party, hence, increasingly there is little incentive for members on either side of politics to seek compromise. Notwithstanding, an eleventh hour deal is likely, the pattern of taking this down to the wire with such regularity represents a headwind for longer-term confidence building.

Composition of US House of Representatives



Source: Nate Silver, FiveThirtyEight, http://fivethirtyeight.blogs.nytimes.com/2012/12/27/as-swing-districts-dwindle-can-a-divided-house-stand/?_r=0

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$20,000 invested in the relevant Fund over five years from 30 September 2008 to 30 September 2013 relative to their Index (in A$) 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.

3. Long invested position represents the exposure of physical holdings and long stock derivatives. The net invested position represents the exposure of physical holdings and both long and short derivatives.

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