Platinum Unhedged Fund

Clay Smolinski Portfolio Manager

Disposition of Assets

REGION	SEP 2014	JUN 2014
North America	24%	28%
Europe	23%	20%
Asia	22%	18%
Japan	18%	22%
Australia	3%	3%
Russia	1%	2%
Africa	1%	1%
South America	1%	1%
Cash	7%	5%

Source: Platinum. Refer to Note 3, page 4.

Performance

(compound pa, to 30 September 2014)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Unhedged Fund	3%	16%	19%	12%	11%
MSCI AC World Index	5%	19%	21%	10%	5%

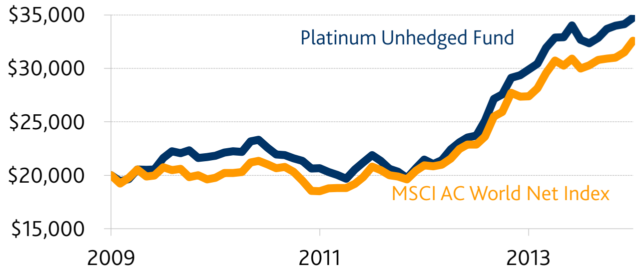
Source: Platinum and MSCI. Refer to Note 1, page 4.

Over the quarter the performance of the Fund was 3.1% versus 5.4% for the MSCI World Index. The performance for the nine months year-to-date is 5.6% versus 6% for the Index.

The standout performers for the quarter were our holdings in the Asia, in particular China and Korea. The larger contributors included **PICC** (+23%) and **Baidu** (+21%) in China, and **KB Financial** (+16%) and **CJ Express** (+34%) in Korea.

Value of $20,000 Invested Over Five Years

30 September 2009 to 30 September 2014



Source: Platinum and MSCI. Refer to Note 2, page 4.

Changes to the Portfolio and Commentary

Having recently taken over the Fund from Jacob Mitchell, it is worthwhile highlighting some of the changes made to the Fund's holdings over the past three months.

As mentioned in recent quarterlies, we are finding a lot of attractive investment ideas in China and we have increased our weighting to this market. New additions to the Fund or companies where we have significantly increased our holdings include:

PICC – PICC is one of China's big three property and casualty insurers. It has a dominant position in auto insurance and is well-placed to expand into other lines such as home and contents. The company is currently growing at mid-teen rates and there is scope for this growth to continue for many years to come. Growth will be driven by increased car ownership (China has 6 cars per 100 people versus 60 for Korea) and greater acceptance of non-auto lines in China (home and contents insurance accounts for 5% of premiums in China versus 25% in the West).

In addition to the market growth, PICC will benefit from a number of internal improvements which will support future profitability. A new chairman appointed in 2009 is a 20 year insurance veteran (rather than a political appointment) and has clearly emphasised profitability rather than chasing market share. Also the company has recently upgraded its IT systems which allows it to centrally underwrite and price policies, as well as grow the number of policies they sell direct (via phone or Internet rather than an agent).

At the time of our buying, PICC traded on 10x P/E, making a 24% return on equity (RoE) and paying a 5% dividend. At this valuation PICC is one of the more compelling investments we can find in global financials and is now the largest holding within the Fund.

Kweichow Moutai - Moutai make Baijiu, a Chinese white spirit made predominately from sorghum. Moutai is the *premium national brand* in the space, with a retail price approaching US$160 a bottle. It enjoys a fabled history that includes everything from being Mao's choice of liquor to serve to heads of state, to having a formulation so pure that it won't leave you with a hangover!

Given Moutai's prestige, consuming it was a must when negotiating business deals or trying to win the favour of local bureaucrats. Hence the conclusion, in theory, that demand for Moutai would plummet under the current corruption crackdown in China. While the *retail* price of a bottle of Moutai has fallen from $300 at the peak in 2012 to $160 today, the *wholesale* price at which Moutai sells to its distributors has actually *risen* from $110 to $130 (i.e. it was the distributors that were making out like bandits during the peak, not Moutai). In addition, while the government channel is certainly consuming less, the middle class is responding to the lower retail price and are actually consuming more! The net result is the company has continued to grow sales and earnings throughout the crackdown period.

Given Moutai's heritage, its place as a luxury item in the minds of Chinese consumers should be enduring and it has plenty of scope to grow with the Chinese economy. Moutai has a market cap of $30 billion, with net profits of $2.7 billion and a full $5 billion of net cash on the balance sheet. At this valuation (11x P/E) Moutai trades at roughly half the price of global peers, and we continue to add to our position, with the Fund having just under 3% invested in the Chinese Baijiu makers.

China Mobile – At the time of purchase China Mobile was one of the world's cheapest mobile telecommunication stocks, trading at an enterprise value to cash flow multiple of 4x. The company was relatively disadvantaged compared to its competitors during the shift from 2G to 3G. A drawback was the regulator wishing to support the competitors in order to foster competition. The second obstacle was that China Mobile was forced to support the Chinese developed 'Time Division (TD)' network standard, rather than the more globally-accepted 'Frequency Division (FD)' standard. At that time, China Mobile's 3G TD network was inferior and only supported a limited number of handsets. This resulted in China Mobile losing its premium customers to the competitors who were operating FD networks. With the current shift to 4G the tables have been turned. It is now China Mobile who has the fastest, gold plated network and early subscriber trends show that the premium customers are returning.

Weichai Power – Weichai is China's dominant producer of heavy duty diesel (HDD) truck engines. In the context of autos, the design and production of HDD engines is a good business as the purchase consideration includes reliability and running costs rather than just price. In the short-term, the company does have some cyclical exposure. In the longer term, however, Weichai will benefit both from underlying market growth and customers upgrading to more technically advanced engines. With Weichai trading on sub 9x mid-cycle earnings, the stock is simply too cheap.

Outside of China we have taken sizeable new positions in **Carnival Cruise Lines** and **Erste Bank**, whilst significantly increasing our holdings of **KB Financial** and **Meyer Burger**.

In terms of sales we have made roughly 15 changes across the portfolio. The biggest of these include the full exits of our Japanese financials **MUFJ** and **SBI Holdings** largely to fund the ideas listed above. Sticking with Japan we also exited **Nippon Electric Glass**, **JSR Corp** and **Dena**.

In the US we sold of out **Johnson & Johnson**, **Jacobs Engineering** and **LinkedIn**. LinkedIn was a case where the stock price appreciated much faster than expected, strongly bouncing from our average entry price of $155 per share. We decided to take profits since user engagement was much weaker than we had hoped. However, with the stock price touching $230 in recent weeks, we sold a little too early.

Outlook

With an eye on the valuations of each global market, we currently feel the Asian markets (in particular China and Korea) offer better prospects to make money relative to the US or Europe. Investors should continue to expect a gradual reweighting of the portfolio towards this region.

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$20,000 invested in the relevant Fund over five years from 30 September 2009 to 30 September 2014 relative to their Index (in A$) 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. Invested position represents the exposure of physical holdings and long stock derivatives.

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