Platinum®
WORLD PORTFOLIOS PLC

Quarterly Investment Manager's Report

Platinum World Portfolios - International Fund

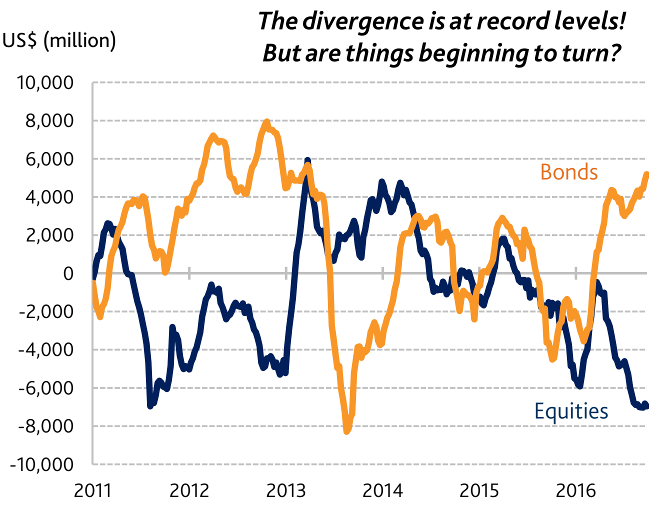
Platinum World Portfolios - Asia Fund

Platinum World Portfolios - Japan Fund

30 September 2016

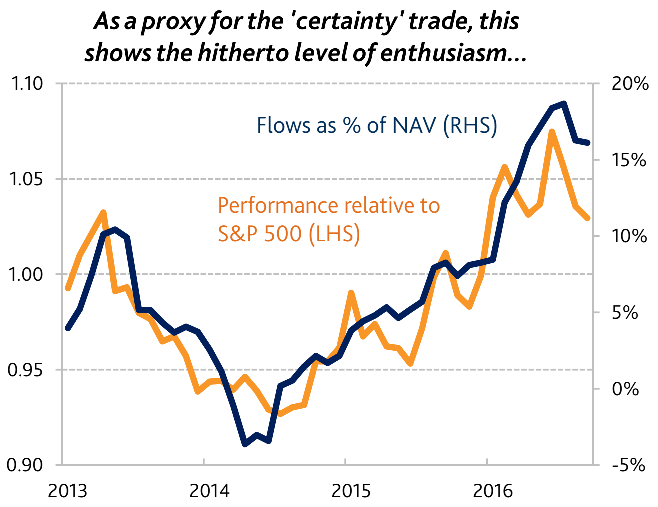
Market Panorama

Bond vs. Equity Inflows from US Mutual Funds (3 month average)



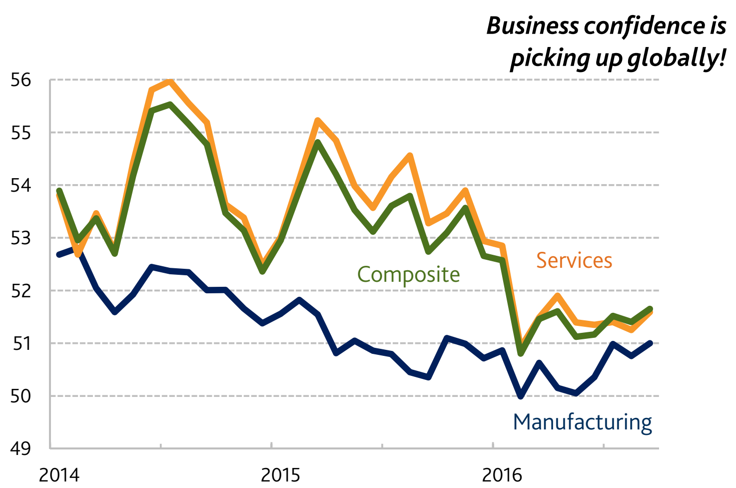
Source: ICI, Bloomberg

iShares US Minimum Volatility ETF Flows & Performance



Source: FactSet

JPMorgan Global Composite PMI*



Source: FactSet

* A PMI or Purchasing Managers' Index is an indicator of the current economic and business conditions, derived from monthly surveys of private sector companies.

Platinum World Portfolios - International Fund

Kerr Neilson Portfolio Manager

Performance

(compound pa, to 30 September 2016)

	QUARTER	6 MONTHS	SINCE INCEPTION
PWP Int'l Fund (Class D USD)	7.3%	6.9%	1.9%
PWP Int'l Fund (Class A USD)	7.3%	—	5.3%
PWP Int'l Fund (Class G GBP)	10.1%	—	18.0%
PWP Int'l Fund (Class H GBP)	—	—	5.4%
MSCI AC World Net Index	5.3%	6.3%	6.3%

Source: Platinum and MSCI. Refer to note 1.

The undercurrent in markets for this quarter was the persistent sign that the Chinese economy is responding to the government's initiatives of deficit spending and easy money. This gave impetus to the Emerging Markets (EM) in general, which were further assured by Mrs Yellen's speech at the Jackson Hole symposium in July and subsequently in September, confirming an accommodative Fed and her tendency to let the markets lead. Deferral of tightening is seen as beneficial to EM which are regarded as riskier than the traditional large markets on account of their dependence on foreign investors at the margin, resulting in higher yields and lower valued shares in aggregate. It was also a good quarter for cyclical companies with strong moves in commodities, partly caused by tighter controls over Chinese producers of iron ore and coking coal. Copper, which is often regarded as the barometer of economic health, is however still meandering at low levels.

The developed markets moved sideways with a conspicuous absence of volatility. This was in part due to the selling of options by investors trying to earn what is perceived as low risk income (e.g. selling out-of-the-money calls or out-of-the-money puts in the belief that they are unlikely to be exercised). Investors though are still cautious, with mutual funds being well cashed up at around 5.5% and the defensive names, which we describe as 'certainty trades', still a crowd pleaser.

MSCI World Index Regional Performance (USD)

REGION	QUARTER	1 YEAR
Developed Markets	**5%**	**11%**
Emerging Markets	**9%**	**17%**
United States	**4%**	**14%**
Europe	**5%**	**3%**
Germany	10%	9%
France	6%	4%
United Kingdom	4%	2%
Japan	**9%**	**12%**
Asia ex Japan	**10%**	**17%**
China	14%	13%
Hong Kong	12%	19%
India	6%	6%
Korea	11%	21%
Australia	8%	22%

Source: MSCI

MSCI World Index Sector Performance (USD)

SECTOR	QUARTER	1 YEAR
Energy	2%	18%
Health Care	0%	5%
Utilities	-3%	11%
Consumer Staples	0%	14%
Materials	10%	24%
Telecommunication Services	-2%	12%
Industrials	6%	17%
Information Technology	14%	23%
Financials	7%	4%
Consumer Discretionary	6%	7%

Source: MSCI

The positioning of the Fund is paying off and we are starting to see strong performance. Contributors ranked in terms of dollar gains for the portfolio include Sina (China's leading twittering and news portal), Tencent (China's dominant social network and gaming platform), Lixil (Japanese producer of building products), Samsung Electronics, Rakuten (Japanese e-commerce and finance firm), Qiagen (medical diagnostics), KB Financial and IDFC Bank, most of which were up by around 20% with outliers like Sina and IDFC Bank up by 51% and 77% respectively. The detractors of significance were Sanofi, Casino Guichard (retail), Eni (petroleum), Ericsson and Jiangsu Yanghe (Chinese liquor maker), but the strong performers outperformed the weak by some 2.5 to 1, giving the Fund a satisfactory return of 7.3% (Class D, USD) for the last three months. Against the Index we are still slightly trailing in the calendar-year-to-date return (2.9% versus 6.6%), but are well ahead for the quarter (7.3% versus 5.3%).

Changes to the Portfolio

We used the powerful run of some of our Chinese Internet names to realise profits, trimming **Sina** and **Tencent** as well as exiting **CK Hutchison Holdings** and **China Mobile**. However, overall weightings to China increased because of price appreciation and additions early in the quarter to **Ping An Insurance Group**, **PICC** and **Anta Sports**. Other positions exited include **Mitsubishi Tanabe Pharma**. We juggled around our **gold ETF** to good effect and also used periodic sell-offs to add to the likes of **Nintendo** (electronic games) and **Wynn Resorts** (casinos), and re-introduced two small positions in neglected cyclicals, **Norilsk Nickel** and **Sumitomo Metal Mining Co** (gold and Nickel).

The interesting company that is new to the portfolio is **58.com**. This is a relatively young Internet company in China that specialises in **online classifieds for second-hand residential properties, rental properties, and blue-collar jobs**. They also provide other classifieds services, an online "yellow pages" directory that advertises diverse services like on-site manicure, house cleaning, furniture removal, wedding photography, etc. across over 30 cities in China. This also helps to drive traffic to the principal website. However, the dominant verticals where the company clearly has market leadership are secondary real estate and jobs. This position came out of a merger with a former competitor, Ganji, and the integration of a much smaller but promising property site, Anjuke.

Disposition of Fund Assets

REGION	SEP 2016	JUN 2016
Asia	30%	24%
Europe	21%	21%
North America	19%	18%
Japan	13%	9%
Australia	1%	<1%
Russia	<1%	<1%
Cash	16%	28%
Shorts	-2%	-2%

Source: Platinum. Refer to note 2.

Helping matters was the tactical error by the former leading property web portal, SouFun, which chose to compete against its customers by establishing its own estate agency sales force. Its count of agent subscribers has fallen from 250,000 at the peak to approximately 170,000 while 58.com has seen agents flocking to its now enlarged site with more than 550,000 monthly subscribers. SouFun's number and diversity of listings have likewise contracted (though it still has traction in new dwellings) and 58.com is already achieving three times the peak revenues SouFun earned in 2014.

There are quirks in the Chinese market that set it apart from the western model, but essentially **listings are free and agents pay a monthly membership fee** of varying amounts to list properties on their books. They can each list up to 40 properties on behalf of sellers and may pay additional sums for **priority placements and real time bidding** for different time slots or customer search characteristics. The crinkles relate to the fact that *properties can be listed multiple times* because sellers *seldom grant exclusivity*. Full description of a property and *exact addresses are rare* and there are cases of *false listings* to induce buyers to make contact with an agent. Because the *buyer pays* the commission on sales, typically 2% to 2.5%, allegiances are tentative and this limits the portal's pricing power. Even so, this is a nascent, though fast growing, market in China with only 2 million second-hand properties changing ownership each year, compared to the new builds of some 9 to 10 million a year. To cement its position with agents, 58.com is working assiduously to *improve its algorithms to identify prospective buyers that best match* both the agent's location and addressable stock of properties. While pleased with the progress they have made, the work ahead and the need for greater discipline of listings lead the management to be more optimistic about their **jobs business** than their property service.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics	Korea	IT	4.3%
Alphabet Inc	USA	IT	3.0%
Tencent Holdings	China Ex PRC	IT	2.9%
Inpex Corporation	Japan	Energy	2.4%
AstraZeneca Plc	UK	Health Care	2.3%
Sanofi SA	France	Health Care	2.3%
Eni SpA	Italy	Energy	2.3%
Rakuten Inc	Japan	Consumer Disc	2.2%
PayPal Holdings	USA	IT	2.0%
Intesa Sanpaolo SpA	Italy	Financials	2.0%

Source: Platinum. Refer to note 3.

Here we have a willingness by over 300,000 advertisers, **mainly small businesses, to pay a membership fee of some US$600 per year to find candidates for job openings**. Alternatively, subscribers can bid for a fixed number of candidates (either to interview or to view their CVs). One can expect this river of recruiters to keep rising as larger numbers of employers turn to electronic media from traditional placards or signs outside physical premises. There are some 10 million small companies in China! This part of the market is **distinct from the white-collar segment** where 58.com's offering, ChinaHR.com, is a distant third to the category leader, 51job.com, followed by Zhaopin (majority owned by Australian company Seek).

In its helter skelter push for growth, the company is following several other leads like **used-goods trading (zhuanzhuan.com)** with integrated search, review and payment functions in a closed-loop mobile app. At the end of last year, it was seeing five million users per day and experienced hundreds of thousands of new listings each day. There is also a new auto site, after the company hived off its used-car site Guazi (keeping 40%) which dominates the consumer-to-consumer (or C2C) second-hand car market which now comprises some 9.5 million vehicles a year.

These initiatives, and the costs around consolidating its position in the property market where its market share in new and secondary combined may be 16%, makes profit forecasting problematic. The benefits of sharing infrastructure should, however, allow costs to trail well behind the growth in revenues that seem likely to achieve 30% p.a. for a few years. Once established, these types of businesses can generate EBIT margins of 20% or more. There are clearly reservations about execution, given the corpses of many failed verticals of this nature. With a market capitalisation of around US$6 billion or 4.5 times its likely revenues for December 2016, it may not seem inordinately cheap, but consider the valuations of similar businesses elsewhere: Zillow, which is a pure online real estate portal in the US, has a market cap of US$6 billion, while Rightmove, the UK equivalent, has a market cap of US$5 billion. In Australia, REA Group, the owner of realestate.com.au, has a market cap of US$5.5 billion, while that of Autotrader is similar. These companies are engaged in one of the several verticals that 58.com occupies, and are placed in relatively small markets. 58.com has elements of each of these businesses in a vast country where the secondary real and personal property markets are only beginning to grow! Tencent is the largest shareholder with a 22.9% holding.

Currency

We remain hedged out of the Chinese yuan to protect our Chinese holdings against further Yuan depreciation, have raised our position on the Euro to 20% on the basis of increasing confidence in growth, and raised the holding in the Norwegian krone to 10% as a proxy on oil and the general improvement in commodity pricing. We also increased our position on the Australian dollar to 7% on the basis of improved commodity pricing.

CURRENCY	SEP 2016	JUN 2016
US dollar (USD)	36%	62%
Euro (EUR)	20%	14%
Hong Kong dollar (HKD)	12%	8%
Norwegian krone (NOK)	10%	2%
Australian dollar (AUD)	7%	<1%
Indian rupee (INR)	5%	5%
British pound (GBP)	4%	4%
Japanese yen (JPY)	2%	2%
Chinese yuan (CNY)	-1%	-1%
Chinese yuan offshore (CNH)	-5%	-5%

Source: Platinum

Shorting

We raised the short positions in US consumer staples while overall short exposure remains at a similar level to June end.

Commentary

It is very difficult to give sensible commentary on the state of the markets at present. The great stores of wealth reflected in the US, European and Japanese markets have been trading sideways for the last three months, while the excitement has moved to the Emerging Markets, which have been strong. Volatility is at record low levels, partly on account of some investors choosing to use derivative markets to enhance their yield and also on account of the late summer trading lull.

Figures tracking flows reveal that there have been net redemptions out of equities in the US, Europe and Japan, even though some money has switched into ETFs and Emerging Markets.

There has been a conspicuous yawning divergence between rising flows into bonds, up some US$157 billion over the last 12 months and some US$140 billion out of equities. Strangely, cash balances have also contracted and some of this can be traced into commodity funds.

The prospect of several elections/referenda and high apparent valuations may be part of the reason for the markets' stalemate or because of some yet-to-be-discovered broader threat. Indeed the S&P Index as a whole is trading well above its long-term average which is around 16 times GAAP[1] earnings, versus the current rating for 2016 earnings of around 22 times. In addition, profits have now declined for three successive quarters (US *domestic* profits off by 10.8% from the 2014 peak) and on occasions similar occurrences had presaged an economic downturn. It is too early to say, but the savings rate has been dropping to around 4%, suggesting a loss of a buffer for consumers. There has also been a break in the traditional link between strong net wealth growth, which is at new record levels, and real spending. Household earnings are increasing and, importantly, the lower earners in society are benefiting from rising minimum wages. In the year 2015, the bottom 20% saw income growth of 6.7% while the population as a whole experienced income growth of 5.2%. Also encouraging is that after a prolonged stagnating eight month period to the end of August 2016, temporary employment broke to new highs in September.

There are of course a handful of differences regarding this protracted recovery from earlier ones: high household debt, low nominal growth, weak productivity – even though one suspects it is being under-recorded by dint of new technologies. The question is though, why individuals should suddenly become more cautious. Age alone does not necessarily cause economic expansion to come to a halt.

Offsetting this is the present low threat of rising inflation and its associated party-spoiler, strongly rising interest rates. In any case, companies are more intent on reducing their share count than investing in much new capacity with share buybacks running at some US$60 billion a month which, together with dividends, mean that listed companies distributed over 100% of their attributable profits in the first half of 2016 against a longer term tendency of 80%. There are other positives like housing starts trailing household formation, consumer confidence at multi-year highs and in line with pre-Lehman levels, bank credit is rising and of course, it is very cheap!

Europe and Japan also look more positive than the popular press would have you believe, with prices having stabilised and now arguably rising (producer prices in both regions have turned higher). Consumers are getting on with their lives as evidenced by the OECD's leading global indicator turning positive. The great hope is for higher government spending to offset the private sector's caution, the so-called fiscal response. This seems more prospective in the US than in Europe and has indeed been very evident in China where the government has clearly augmented its monetary ease with a rise in deficit spending from last year's 3% to perhaps over 5% this year, and much to the relief of all, is seeing a clear response with accelerating growth. Europe will be likely very late to this increased deficit spending game because of the huge differences in the region's economic credentials and a distrust of members' reliability to hold the deficit line. Japan has recently announced a policy shift from targeting the acquisition of a fixed amount of bonds in Yen terms to one of targeting an interest rate level for the 10 year bond, with this rate set at zero.

The trouble in all cases is that with debt being so high in developed markets, the efficacy of low rates is muted in terms of spurring capital expenditure and **may even have the perverse effect of driving citizens to raise their savings** because of the now miserable returns on their savings and the stark realisation that their retirement accounts look rather meagre. Think of those 45% of *American families* who have ***no*** private provision for retirement whatsoever. If one looks at the pyramid of age cohorts of the US population, one sees that there are some 20 million men and women in each of the 5-year age cohorts from 45 years to 65 years, suggesting perhaps that close to half of these 60 to 80 million people may be glumly cogitating the deprivation of depending on US

1 Generally Accepted Accounting Principles.

state pensions in the relatively near future. None of this leads one to see consumer spending being particularly robust! We can expect a fiscal response (as we noted last quarter), but with governments having already been the back stop for private debt, they are now typically 70% more indebted than before the Lehman crisis, and this will play on minds.

Outlook

While there are cross-currents to obscure one's view, one should not become unduly focused on the US and the outcome of its election. The economic recovery in China, continuing strong growth in most of Asia and ongoing improvements in Europe are most encouraging. There has been an evident change of heart by investors with a willingness to leave the 'certainty trades', and to look further afield. We sense there is **a move afoot towards real or inflation assets and away from financial/safety assets, like bonds**. Dispersion between the best and the worst performers is starting to widen. We are very comfortable with our positioning for the coming months.

Platinum World Portfolios - Asia Fund

Joseph Lai Portfolio Manager

Performance

(compound pa, to 30 September 2016)

	QUARTER	6 MONTHS	SINCE INCEPTION
PWP Asia Fund (Class D USD)	9.5%	10.4%	9.2%
MSCI AC Asia ex Jp Net Index	10.1%	10.6%	12.7%

Source: Platinum and MSCI. Refer to note 1.

The Fund was up 9.5% for the quarter. Performance was led by Chinese stocks listed outside mainland China, with Hong Kong listed H-shares up 10%, while the mainland A-shares were less buoyant, up about 3%. Improving economic data suggests that the country's multi-year economic slow-down is beginning to bottom out, drastically reducing the risk of any imminent financial system collapse. India continued its strength from the previous quarter, up 4% on significant economic reforms and a fall in inflation, leading to interest rate cuts. The one-day sell-off at quarter-end over a minor skirmish with Pakistan detracted from returns temporarily, which have since more than recovered. ASEAN markets were mixed due to domestic political factors, despite a further delay in US interest rate hikes.

Our Chinese holdings were strong performers, including Sina (majority owner of Weibo, China's equivalent of Twitter and Instagram combined, up 51%), Anta Sports (a leading domestic sportswear brand, up 36%), Alibaba (the dominant e-commerce marketplace, up 33%), and Tencent (the Facebook of China, up 21%). Our Korean holdings also performed well, with SK Hynix (memory chip producer) up 24% and Samsung Electronics up 12%. In India, our private sector banking positions did well, with IDFC Bank up 77% and Yes Bank up 13%. The drag on relative performance came from the Fund's Philippines holdings, with Ayala Land and Vista Land both remaining flat for the quarter.

Changes to the Portfolio

The Fund's total invested level reduced somewhat from June end. Economic prospects for the region remain bright, but certain regional markets have done particularly well, possibly reflecting too much enthusiasm too soon.

We raised some cash from the sale of stocks that have reached our assessment of fair value (CK Hutchison and Advanced Semiconductor Engineering), and deployed some of the cash raised into new positions exposed to the interesting and burgeoning themes in the region.

Yutong Bus is a dominant bus manufacturer in China with excellent management and an impeccable track record. It is also gaining significant experience in the rapidly growing category of electrically powered buses. The company is well positioned to become a global leader in electric buses as China ramps up its efforts to broaden its electric vehicle ecosystem.

BBMG is a leading Chinese cement company with a 70% market share in the region comprising Beijing, Tianjin and Hebei. This economic cluster is being developed into a vast world-class manufacturing and business hub of northern

Disposition of Fund Assets

REGION	SEP 2016	JUN 2016
China (Listed Ex PRC)	29%	24%
China (Listed PRC)	9%	7%
Hong Kong	3%	3%
Taiwan	2%	4%
India	18%	23%
Korea	9%	9%
Thailand	7%	7%
Philippines	5%	5%
Vietnam	2%	2%
Malaysia	1%	0%
Singapore	0%	3%
Cash	15%	13%

Source: Platinum. Refer to note 2.

China, covering about 217,000 km^2, more than 100 million people and an economic output in excess of US$1 trillion! Cement prices had been depressed over the last few years, but improving demand has already lifted prices by more than 20% so far this year, and profitability is expected to improve significantly. Trading at a substantial discount to its net asset value makes this investment tantalisingly attractive.

Other additions to the portfolio include **Genting Berhad** and **Wynn Macau**, which own unique gaming properties in various Asian regions. The declining gaming volumes over the past few years provided us with an opportunity to acquire these positions. What attracted us to these companies is that we are on the cusp of a sustainable recovery, supported by the continued growth of Chinese outbound tourism and the development of Macau into a diverse entertainment hub.

Commentary

China

The recent quarter saw further evidence of broad-based economic stabilisation in China, with the obvious beneficiaries being the commodity complex. Investors in commodity stocks would have noticed that thermal coal prices moved up from around US$50/ton earlier in the year to more than US$70/ton. Coking coal, which is used for manufacturing steel, saw even more dramatic rises, with prices more than doubling from three months ago.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Alibaba Group	China Ex PRC	IT	3.6%
Samsung Electronics	Korea	IT	3.6%
Kasikornbank PCL	Thailand	Financials	3.4%
Ayala Land Inc	Philippines	Financials	3.2%
Jardine Matheson Holdings	Hong Kong	Industrials	2.8%
Tencent Holdings Ltd	China Ex PRC	IT	2.6%
Yes Bank Ltd	India	Financials	2.5%
China Resources Gas Group	China Ex PRC	Utilities	2.5%
Baidu.com	China Ex PRC	IT	2.5%
Ping An Insurance Group	China	Consumer Stap	2.4%

Source: Platinum. Refer to note 3.

Coal mine closures in China provided support for prices. China's coal industry has a closure target of 6% for 2016, more than half of which has already been achieved, surpassing last year's full year closure.

Apart from benefiting from supply closures, prices are further supported by a pick-up in industrial activity. In recent months, we have seen unequivocal signs of improvement. Electricity generation rose 8% for the month of August, having stagnated for most of the year. Growth in rail freight volume also turned positive in the same month, indicating greater economic activity. Excavator sales were up 50% this quarter, after many years of doldrums. Heavy truck sales were up strongly. Car sales are powering ahead, having grown 15% year-on-year in the first eight months of this year. Air conditioner sales, which had slumped with much unsold inventory in the last two years, are also picking up. The Fund's positions in Weichai Power (heavy truck maker), Qingdao Haier (white goods manufacturer) and China Resources Gas (downstream gas distributor) are set to benefit from these trends.

Improving construction activity has come about as a result of deficit (3% of GDP) spending and a recovery of the property market. In our previous quarterly reports we have discussed at length the underlying health and durability of a large portion of the Chinese property market. Our view is that the health and outlook of China's property market are region-dependent. The economically prosperous cities are populated by productive workers who are typically big savers. With mortgage lending still meaningfully under-represented in the banking system (some 21%, compared to, for instance, 63% in Australia), financing for the purchase of properties can continue for some time.

The number of unsold apartments, as measured by sellable gross floor area relative to average monthly sales, has fallen to nine months for the 35 leading Chinese cities, the lowest level since 2011. Housing starts turned positive year-on-year in the first half of this year after two years of contraction.

Lack of demand is clearly not a problem. The current official mortgage rate of 4.9% can be further reduced, if needed. In cities with a robust economy, demand has in fact proven excessive, leading to the reinstatement of buying restrictions which typically result in a reduction in transaction volume. Curbs on speculative demand will stay, but a drastic mortgage tightening at this point is unlikely.

While one may be tempted to extrapolate the condition of the property market to a boom in commodities, we would caution against it. The base is big. Property construction may well stabilise, but is unlikely to grow significantly. Fiscal stimulus can be expanded, but the constraint is inflation further afield.

A steady expansion is perhaps the preferred solution, biding time for the authorities to tackle the difficult structural problems facing the Chinese economy, such as carving the bad debts out of the banking system and transitioning the economy from construction-linked industries with excess supply (e.g. steel mills, cement plants) to one that is more dominated by consumer and service related sectors.

The crux of China's bad debt problem relates to the structure of its economic system in which state-owned banks have generously funded state-owned enterprises (SOEs). While the most vibrant parts of the economy are driven by private enterprise (Internet, retail, IT), the old economy (building materials, mining) still has a preponderance of state ownership. Bank funding fuelled the build-out of excess capacity, so much so that product prices were depressed. Yet, the loss-making "zombie" SOEs were kept alive with more funding, as attempts to close them down were hindered by the fear of causing mass unemployment.

The good news is that **bankruptcies and restructuring of SOEs have started**. This is significant, because in recent years, SOEs are seen as being backed by the state and therefore cannot be allowed to default. Default allows bad debt to be written off from the banking system and for excess capacity to be closed down. Examples of restructuring underway include the bankruptcy of Dongbei Steel, China's largest specialty steel company, after it defaulted on US$6 billion of debt, the restructuring of Sinosteel which has US$10 billion of debt, and the proposed merger of the loss-making Wuhan Iron & Steel with Baosteel, China's largest steel maker.

In the meantime, the banking sector is also undergoing repair. Bad debt is gradually being written off or sold to asset management companies. Some local banks are being bailed out by the bigger regional banks or by private investors.

The thrust of the SOE reform is to encourage these companies to focus more on profitability and less on market share. State-owned companies are starting to report improving profits with better management over profligate spending and investment. This will enhance the health of the banking system.

Undoubtedly, SOE reform, capacity closure and cleaning up the banking system are necessarily painful measures from multiple perspectives. It is no small undertaking and will take time. What is encouraging perhaps is that this is far from the first time that China has had to deal with such problems.

Former Chinese Premier Zhu Rong Ji was faced with almost exactly the same challenges in the late 1990s. The Chinese economy was smaller than it is today, but the magnitude of the problems was greater as China's economic institutions were less robust with SOEs representing a far greater portion of the economy. Zhu dealt with state-owned banks' huge bad debt problems, closed unprofitable SOEs, let go of 40 million workers who had thought of their SOE jobs as "iron rice bowls" for life! Indeed, pundits domestic and abroad attributed China's miraculous decade-long boom since the turn of the century to the bitter medicine taken a few years prior.

Under the bonnet of macroeconomic reform, sweeping reforms are taking place across a swathe of industries (the stock market, the insurance industry, wealth management products, the Internet sector, and healthcare). Generally speaking, the aim is to put in **frameworks to ensure the sustainable growth of these sectors by improving corporate transparency, reducing rent-seeking behaviour and increasing consumer protection**.

The rapidly growing healthcare sector, for instance, has made remarkable improvements in industry practices as a result of regulatory efforts over the last two years. The mentality of drug companies and distributors is changing fast to better fit in with the country's "new normal".

The widespread practice of drug over-prescription is a result of hospitals' reliance on drug sales as a key source of funding (45%) and generous kickbacks by pharmaceutical companies to doctors. This is changing as funding from government subsidies and service fees is being lifted. There is also a pilot program running in 200 cities that removes hospitals' ability to charge a 15% mark-up on drugs, thus reducing the incentive to over-prescribe medication.

China's Food and Drug Administration is cracking down on inefficacious drugs that may not have gone through proper clinical testing. Not only are new drug applications subject to a stricter review process, pharmaceutical companies are also required to re-submit bioequivalence data for drugs already on the market! Some estimates suggest that up to 30% of drugs sold in China have questionable efficacy and these are being phased out.

India

Significant reform measures are gathering pace in India. Inflation is now under control. Coal India is producing more coal than it can sell. Power distributors are being recapitalised and proper incentives are being put in place to curb under-pricing and theft. Gas power plants, which had been unable to secure economically viable gas sources and watched investments worth billions of dollars lie idle, are in operation again. State-owned banks that had been plagued by bad debts linked to failed projects are in the process of repairing their balance sheets. Private sector banks are returning to participate in the funding of new projects. At 128%, the non-financial debt-to-GDP ratio is low and has not changed for more than half a decade. In the next 12 to 18 months, we will potentially see the beginning of a recovery in private capital expenditure, which has fallen by some 70% from its 2011 peak!

The most notable progress over the quarter was the passing of the Goods and Services Tax (GST) legislation by both houses of the Indian Parliament. The GST legislation was thought to be almost impossible to get through Parliament, as it involved extensive negotiations amongst India's fragmented political parties on both federal and state levels. **The longer term benefits of the GST reform should not be underestimated.** It will improve productivity by providing for a nationally uniform tax system for the trading of goods and services and significantly reducing the cumbersome and complicated taxes and duties levied by India's 29 states and seven territories. A widened tax base and simpler compliance processes will also improve tax collection which can be used to fund much-needed infrastructure.

Even though India is benefiting from the low oil price environment and its current account deficit is at a 10 year low, the country is not growing at its full potential. Areas that signalled some improvement early in the year, such as commercial vehicle sales, have now moderated. However, other areas are showing signs of growth: domestic air travel, sales of private vehicles, motorcycles and scooters. India's consumer confidence index is currently the second highest in the world, which is encouraging even though it is probably more telling about the limited growth in other countries.

Another bright spot is road construction, both in terms of project completion as well as allocation of new projects. The National Highways Authority of India (NHAI) has a very ambitious target for new project awards for financial year 2017: 15,000 km. Even if only 70% of the target is achieved, it will be impressive progress. Land compensation has risen significantly, so land acquisition is no longer an obstacle. Also, the government is very supportive of introducing alternatives ways of funding road development. Recently, IRB Infrastructure Developers, one of the Fund's holdings, announced its plan to launch India's first infrastructure investment trust to unlock the value from six of its projects.

At the beginning of September, Dr. Urjit Patel, who had been the Deputy Governor of the Reserve Bank of India (RBI) for three years, was appointed RBI Governor. The government demonstrated continuity by appointing someone with great credentials from within the RBI. Dr Patel led the committee overseeing the RBI's monetary policy framework, has a doctorate from Yale University and has served at the International Monetary Fund. The newly appointed six-member monetary policy committee met for the first time at the start of October and voted unanimously for a 0.25% rate cut. Responsible monetary policies have moderated inflation significantly (down to 5%), now allowing headroom for further rate cuts which should be welcomed by the market.

Financials in particular should benefit. IDFC Limited is a non-bank financial company and has had a banking licence granted to its spun-off entity IDFC Bank in 2015. IDFC has a strong two-decade track-record and the upside is significant for new entrants to India's under-penetrated and state-bank-dominated banking market. The last banks to be granted licences were YES Bank and Kotak Mahindra Bank in the mid-2000s, and they grew as much as 1,500% over the following decade.

ASEAN

The past few months saw no shortage of infrastructure spending in ASEAN countries. Unlike their historical pattern of fits and starts, we sense that this time is different. This is significant, as infrastructure consists of productive assets that can dramatically lift income for developing countries. Good quality roads, railways, bridges and tunnels can make a difference between whether goods can be transported from one place to another and therefore whether business enterprises are viable.

In the Philippines, the new President is pushing forward much-delayed infrastructure programs with much more rigour than his predecessors. The government has announced 12 public-private-partnership (PPP) projects in varying stages of preparation, worth close to US$6 billion in total. Nine other infrastructure projects (airports, transport hubs, hospitals) worth more than US$3 billion were approved within President Duterte's first 100 days in office! Elsewhere the country's economic boom has continued, with the latest indicator of economic activity (the Nikkei Manufacturing PMI) printing 57.5 in September, a record high, and economic growth well above 6%.

In Indonesia, the toll road connection between its capital Jakarta and Surabaya, its second largest city, is expected to be completed by 2019. This much-delayed mega project was initiated back in 1988, but most of the development only took place in the last two years after President Jokowi came to power! Since then, the completed distance has doubled to 315 km, nearly half of the planned final length of 757 km. In order to fund more infrastructure projects, the Indonesian government is running a tax amnesty program to encourage wealthy Indonesians to repatriate their hitherto untaxed offshore savings back into the country.

In Thailand, the recent referendum backing a new constitution paves the way for a win by the current government in the 2017 general election. With its power affirmed, the government is in a good position to focus more on realising the country's 12th National Economic and Social Development Plan. The Plan is targeting 5% annualised GDP growth, driven by a 10% annual expansion in public investment and 7.5% in private investment. Early indications are promising. The government put three mass-transit lines up for tender in July and resolved a dispute over operator selection for another extension project. Winning bids are expected to be announced by the end of the year, with construction to start by mid-2017.

Outlook

Outlook is improving across the Asian region, given the progress made on reform and delivery of much needed infrastructure investments. The direction is positive, though there is no way of predicting the exact path that markets will take.

The Chinese authorities are committed to fixing up the system to deliver more steady and balanced growth. It is encouraging that over the last 40 years China has demonstrated time and time again its capacity to deal with bad debt, reform the system, and remove excess capacity in challenged industries to deliver a positive outcome.

India's economy is still small relative to China's, so the bull case for the Indian market is perhaps easier to grasp. We are positive about the country's economic prospects given its ongoing reform and the potential for a cyclical recovery. However, given the market's recent enthusiasm for the country, short-term setbacks are possible if there are disappointments.

We remain optimistic over prospective returns from our companies, as stock prices remain inexpensive in the context of their growth trajectories. We continue to find interesting companies to add to the portfolio.

Platinum World Portfolios - Japan Fund

Scott Gilchrist Portfolio Manager

Disposition of Fund Assets

REGION	SEP 2016	JUN 2016
Japan	91%	88%
Cash	9%	12%
Shorts	0%	-1%

Source: Platinum. Refer to note 2.

Sector Breakdown

SECTOR	SEP 2016	JUN 2016
JAPANESE INTERNATIONAL FOCUS	46%	43%
Electronics	23%	24%
Industrials	11%	8%
Autos	6%	7%
Energy	6%	4%
JAPANESE DOMESTIC FOCUS	45%	45%
Internet	23%	22%
Financials	10%	11%
Health Care	5%	5%
Property	5%	4%
Consumer	2%	3%
GROSS LONG	91%	88%

Currency Position

Japanese yen	73%	88%
US dollar	27%	12%

Source: Platinum

Performance

(compound pa, to 30 September 2016)

	QUARTER	6 MONTHS	SINCE INCEPTION
PWP Japan Fund (Class D USD)	11.6%	11.7%	10.6%
PWP Japan Fund (Class A USD)	11.3%	11.7%	11.6%
MSCI Japan Net Index	8.6%	9.7%	3.1%

Source: Platinum and MSCI. Refer to note 1.

Portfolio performance for the quarter was positive with a significant contribution from stock selection, especially some larger holdings in the games industry plus a range of low valuation stocks. Early in the quarter, the Japanese stock market moved back towards the top end of its recent trading range, adding to performance. Short positions were a minor positive for performance. The relevant currencies were roughly flat for the quarter.

Changes to the Portfolio

The portfolio remains fully invested in Japanese equities. During the quarter, some defensive holdings were trimmed. A range of low valuation and cyclical stocks were purchased. In sum, this resulted in a smaller cash position. The short equity positions were closed. Exposure to the Japanese yen was reduced by purchasing US dollars.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Nintendo	Japan	IT	3.8%
DeNA	Japan	IT	3.5%
Ushio	Japan	Industrials	3.2%
JSR Corporation	Japan	Materials	3.0%
Inpex Corporation	Japan	Energy	3.0%
NTT	Japan	Telecom	2.9%
JAPEX	Japan	Energy	2.9%
NTT DoCoMo	Japan	Telecom	2.9%
Sumitomo Mitsui Financial	Japan	Financials	2.8%
Mitsubishi UFJ Financial	Japan	Financials	2.8%

Source: Platinum. Refer to note 3.

Commentary

Nintendo

Platinum has followed Nintendo's progress for many years and through a few cycles. Currently, the Fund has a large investment in a group of companies associated with Nintendo, including DeNA, MegaChips and Minebea. Recent performance of this group has been positive as the mobile game Pokemon Go became a major hit and the launch event for Apple's iPhone 7 included both Nintendo's Creative Director, Miyamoto, and the CEO of Niantic, the developer of Pokemon Go. After a long period of opacity, Nintendo's actions are speaking clearly as they adapt their industry-leading Entertainment Properties to the two key smartphone operating systems, Apple and Android. This could potentially lead to a positive cycle of reinforcement as past and new gamers engage with Mario, Pokemon and Zelda feeding through to a console cycle. The market is bipolar in its assessment of Nintendo, which is understandable given the lack of clarity on key aspects of the investment case and the lack of details on upcoming games and hardware launches.

Japanese Pharma

We recently spent a week in Tokyo, mainly on a pharmaceutical tour with a group of global investors visiting the leading ethical drug, generic drug and medical device companies. In the last five years, Japanese scientists have won three Nobel Prizes in Medicine, reflecting the country's commitment to long term fundamental science. This is reflected in the Japanese pharmaceutical industry's past success and current undertakings. However, in general, it was hard to identify new investment opportunities for a few reasons. The headline issue is the lack of growth in the domestic market as long listed drugs face increasing price pressure from generics. Somewhat surprisingly for a developed market, new innovative drugs also face price cuts if they are successful. The nation's overall drug budget is likely to fall slightly over the next decade according to GlaxoSmithKline (GSK), despite an ageing society. Secondly, the valuations across the sector reflect the somewhat defensive nature of the pharmaceutical industry for which investors are willing to pay a premium. Thirdly, the innovation is currently occurring outside the incumbents who are thus forced into a string of expensive acquisitions to maintain their position. They seem reluctant to admit that their past success is perhaps not repeatable. Companies with new drugs trade at large premiums to both their peers and the overall market.

Japan undoubtedly has a strong ongoing position as a global centre for innovation in robotics, novel compounds, and drug development. One unanswered puzzle is Japan's lack of success in the area of biologic drugs despite a high level of research spending. Recent changes to the development and approval process, highlighted by the Health Ministry's "Strategy of SAKIGAKE" (or Strategy of Pioneering), will likely change this. Japan's regulatory approach to stem cell leads the global industry and could be a major new industry for the country.

M3 is a Japanese software company that has developed an innovative communication platform for dissemination of drug efficacy and safety information to doctors that is extremely successful in Japan and is now spreading around the world. This channel will eventually lead to improved sales efficiency, but structural rigidity means that Japanese medical representative numbers remain static despite their loss of relative effectiveness. M3's massive future revenue opportunity plus their geographical and new business ambitions are reflected in the current valuation at the high end of market multiples.

Sosei is a Japanese drug development company which Platinum funded during its early phases of corporate development last decade. Revisiting the company after some time, it was intriguing to see the latest developments. The current CEO, Peter Bains, is ex-GSK and recently was CEO of Syngene when it listed in Mumbai. While the core of Sosei is Japanese, it seems as though they have looked worldwide for talent rather than restricting themselves to the local market. Over the last decade, Sosei has purchased a series of drug discovery companies including Arakis, Activus, Jitsubo and Heptares. The first products are now on the market: Seebri and Ultibro, developed in collaboration with Novartis and Vectura. These provide a small but very useful royalty stream for Sosei. However, it is the last of these acquisitions that seems the most promising.

Heptares was founded in Cambridge seven years ago and the early years consisted of two industry and academic veterans doing basic science in a demountable shed on the outskirts of the city where Francis Crick and James Watson delineated the structure of DNA. Malcolm Weir and Fiona Marshall founded Heptares and have subsequently built a team and a pipeline of prospective drugs which looks both substantial and tantalising. Their key breakthrough was stabilisation of key molecules called G Protein-coupled receptors, located on the outsides of human cells. These receptors have been targeted by over 40% of current pharmaceuticals, yet only roughly one quarter of potential targets has been addressed. Once the

Diamond Light Source, the synchrotron x-ray beam facility located in the County of Oxfordshire, England

Source: www.diamond.ac.uk

stable proteins are isolated, they are crystallised, imaged in a 600 metres-in-diameter synchrotron x-ray beam facility, and their structure analysed by supercomputers, then drugs are designed to interact with the specific receptors while not interfering with other pathways. Each step in the above process is not trivial and the successful identification of each opportunity requires both luck and brilliance. The wider industry seems to have recognised the opportunity for structure-based drug design and development based on this approach and recent collaborations coming with hard cash include Allergan, AstraZeneca, Teva, Pfizer, Medimmune and MorphoSys. Peter Bains and his team scoured acquisition targets all over the world and rejected fifty others before purchasing Heptares. The initial purchase price of US$400 million has already paid for itself. The current valuation of Sosei reflects a reasonable amount of success despite the early stage of their efforts.

Eisai is a drug discovery company that has been managed by the Naito family since it was founded in 1941. They have had an international presence since the 1970s and a global footprint since the 1990s. Their research laboratories are located in Japan, the USA and the UK and have led a series of novel drug developments. Currently the company is passing through a performance trough but their science and management appear as strong as ever and the pipeline has potential. The key focus of the moment is their work on Alzheimer's Disease where they have three compounds in clinical trials – internally developed compounds E2609 and BAN2401 plus a Biogen compound Aducanumab BIIB037, licensed from a Swiss company, Neurimmune. All three drugs are being developed through an agreement with Biogen, and the success of just one would fundamentally change the outlook for Eisai.

While the Fund does not currently own M3, Sosei or Eisai, we find these companies interesting not only in their own respective ways, but also as being indicative of the prospects for Japan's broader biotech sector. These represent excellent examples of the types of companies we would look to invest in if and when valuations become sufficiently attractive.

Abenomics and BOJ Revisited

Abenomics commenced in late 2012, thus there has been much reflection on the success or otherwise of Prime Minister Abe's namesake policy following the recent renewal of his political mandate. It seems rather early for such an assessment when the plan is long term and the proponent's energy and desire is undaunted. Similarly, the Governor of the Bank of Japan (BOJ), Haruhiko Kuroda's energy levels seem undiminished. His key speech in early 2013 talked of "unconventional policy" "for as long as necessary". The practical effect of Kuroda's activities was to reduce interest rates across the yield curve indirectly through large scale purchases of Japanese Government Bonds (JGBs). Recently, he renewed his commitment to further policy action for an extended duration. A brief summary of his latest policy is that the BOJ will now effectively set interest rates along the curve until inflation rises sustainably above their 2% target. They also increased their purchase of ETFs listed on the Japanese stock market. The outlook is for an extended period of negative real interest rates in Japan.

Commodities and OPEC

The term "commodity super-cycle" was coined a decade ago as the building crescendo of Chinese industrialisation pushed the global raw material supply chains to their limits and scarcity pricing prevailed. Current market conditions are at the opposite end of the spectrum with pervasive oversupply and pricing constrained at the lower bound by falling cost curves. Valuations across the energy, agricultural, mining, shipping and other basic industries reflect the somewhat dire backdrop of oversupplied markets, ongoing capacity addition and the lack of a major source of demand. Clearly the above description is well understood by the various industries, but generally the supply side is fragmented and disorderly and thus unable to respond. There are a few exceptions to this. One example has been nickel where the Indonesian sovereign banned raw ore exports, thereby putting the Philippines in the position of prime marginal supplier to the Chinese nickel processing industry. Recent actions by the newly elected Philippine government appear to be following the Indonesian example and the large nickel stockpile overhang could perhaps drop quickly after allowing for seasonal shipments. In the case of coal, both thermal for power generation and coking for steel making, Beijing imposed a 276 day per annum operating regime on the country's massive production base. Coking coal prices have doubled from the trough. There are a few other scattered examples of supply side cohesion, however, the most important one is OPEC's recent change of stance. The oil market is well into the process of rebalancing, and any further management of supply by the key seaborne suppliers while demand continues to grow will be influential despite the positive outlook for North American shale oil production. Recent global oil discovery rates are at sixty year lows and the spare production buffer is approaching the lowest level on record.

Outlook

Recent months have seen a frenzy of central bank analysis. Every utterance of the Bank of Japan, the European Central Bank, the US Federal Reserve, etc. received detailed scrutiny and dissection. It seemed like an endless loop of questions such as "does Quantitative Easing work?", "is tapering imminent?", "are the hawks or doves ascendant?"… It reminds one of a statement made by Alan Greenspan, who served as the Chairman of the US Federal Reserve for almost twenty years: "Since becoming a central banker, I have learned to mumble with great incoherence. If I seem unduly clear to you, you must have misunderstood what I said". Certainly, attempts at deciphering the many convoluted messages from the developed world's financial centres have been a major distraction for the markets, which have seemingly lost some focus on the economic backdrop, corporate valuation and underlying business performance. The imminent election in the US has caused additional turbulence. Looking back to the market gyrations earlier in the year, it is quite unexpected that the Japanese equity markets are today at roughly the same level as they were in January, nine months ago. The sense garnered from our recent trip to Japan is that most market participants are weary and disinterested after nine months of directionless trading. This seems like a decent backdrop for a continuation of the outlook described last quarter: reasonable equity returns based on a portfolio of high-quality, cheap stocks with attractive medium term prospects.

Disclaimers

Notes

1. The Fund's total returns are calculated using its net asset value attributable to the relevant share class (where applicable) and represent its combined income and capital returns for the specified period. The Fund's total returns are pre-tax and are net of fees and expenses (excluding investment performance fees, if any). 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 in the underlying assets of the Fund and other risks associated with investing, investment returns can be negative (particularly in the short-term).

   The index represented is, as the corresponding benchmark for the relevant Fund, as follows (each the "Index", as the context requires):
   - Platinum World Portfolios - International Fund — MSCI All Country World Net Index (US$)
   - Platinum World Portfolios - Asia Fund — MSCI All Country Asia ex Japan Net Index (US$)
   - Platinum World Portfolios - Japan Fund — MSCI Japan Net Index (US$)

   Index data has been sourced from MSCI Inc. Index returns include dividends but, unlike the Fund's returns, do not reflect fees or expenses. It should be noted that the Investment Manager does not invest by reference to the weightings of the Index. Underlying assets of the Fund are chosen through the Investment Manager's individual stock selection process and, as a result, holdings vary considerably to the make-up of the Index. Index returns are provided as a reference only.

   The portfolio inception dates for each active share class of the relevant Fund are as follows:
   - Platinum World Portfolios - International Fund:
     Class D USD (Accumulating) (ISIN: IE00BYRGQZ50): 16 November 2015
     Class A USD (Accumulating) (ISIN: IE00BYRGQX37): 27 April 2016
     Class G GBP (Accumulating) (ISIN: IE00BYRGR290): 27 April 2016
     Class H GBP (Accumulating) (ISIN: IE00BYRGR308): 4 August 2016
   - Platinum World Portfolios - Asia Fund:
     Class D USD (Accumulating) (ISIN: IE00BYRGRD06): 16 November 2015
   - Platinum World Portfolios - Japan Fund:
     Class D USD (Accumulating) (ISIN: IE00BYRGRJ67): 16 November 2015
     Class A USD (Accumulating) (ISIN: IE00BYRGRF20): 11 January 2016

   The inception date for the purpose of calculating the returns of the Index, as contained in this publication, is taken to be the inception date of Class D of the Fund, being 16 November 2015.
2. Regional exposures (i.e. the positions listed other than "cash" and "shorts") represent any and all physical holdings, long derivatives (stock and index), and fixed income securities.
3. The table shows the Fund's top ten long stock positions. Long derivative exposures are included. However, short derivative exposures are not.

MSCI Inc Disclaimer

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