Platinum
WORLD PORTFOLIOS PLC

Platinum World Portfolios Japan Fund

Quarterly Investment Manager's Report

31 March 2016

Platinum World Portfolios - Japan Fund

Scott Gilchrist Portfolio Manager

Disposition of Fund Assets

REGION	MAR 2016	DEC 2015
Japan	77%	58%
Korea	0%	2%
Cash	23%	40%
Shorts	-2%	0%

Source: Platinum. Refer to note 2.

Sector Breakdown

SECTOR	MAR 2016
JAPANESE INTERNATIONAL FOCUS	35%
Electronics (Canon, Nitto Denko, Ushio)	21%
Industrials (JSR)	6%
Autos (Toyota, Nissan, Sumitomo Electric)	5%
Energy (Inpex, JAPEX)	3%
JAPANESE DOMESTIC FOCUS	42%
Internet (NTT DoCoMo, Recruit, Rakuten, Nexon)	20%
Financials (Mitsubishi UFJ)	10%
Health Care (Mitsubishi Tanabe, Ain)	6%
Consumer	3%
Property	3%
GROSS LONG	77%

Currency Position

Japanese yen	78%
US dollar	22%

Source: Platinum

Performance

(compound pa, to 31 March 2016)

	QUARTER	SINCE INCEPTION
PWP - Japan Fund (Class D)	-2%	-1%
PWP - Japan Fund (Class A)	N/A	0%
MSCI Japan Net Index	-7%	-6%

Source: Platinum and MSCI. Refer to note 1.

Portfolio performance for the quarter was helped by cash holdings and a small short position which partially offset market weakness. Strength in domestic and consumer holdings was offset by broad weakness across financials and industrials. Yen strength against the US dollar led to weak performance of exporters.

Changes to the Portfolio

The portfolio is predominantly invested in Yen based Japanese equities with a sizeable cash holding and a small short position. As individual stocks have become cheaper over recent months, the Fund has opportunistically become more fully invested with a view to a medium to long term investment horizon.

Commentary

Over the last few weeks we visited 50 companies based in Tokyo, Osaka, Kyoto, Kobe and regional Japan across a broad range of industries. Most importantly, a number of new, high quality investment opportunities were identified, often with valuations near 20 year lows. This series of visits also reinforced the opportunity set within many existing holdings. While overall Japanese stock market indices are approaching historical low points in their valuation spectrum, there are many parts of the market where valuations are at the levels generally seen towards the end of long bear markets. It has been almost 30 years since the Nikkei peaked at around 40,000, more than double today's price.

Valuation

Valuation dispersion has been a characteristic of the Japanese stock market for a few years now. It has continued to widen. Investors have been willing to pay high prices for the seeming certainty of earnings available from consumer goods, medical devices, pharmaceutical and cosmetic companies. The structural growth of Internet businesses and other disruptive business models has also warranted a valuation premium. On the other side of the divide, companies with exposure to Chinese and Emerging Market industrial growth, such as raw materials producers and capital goods suppliers, have been de-rated to historically low valuations. Similarly, automobile assemblers, mega banks and electronics components seem somewhat neglected.

The Nikkei stock index is currently trading slightly above book value. This is not far above the lows of the last 50 years. There are many logical and sensible reasons for this. The weak Yen of the last few years led to foreign exchange gains on overseas assets and also increased earnings, but nevertheless the majority of book value is now solid and based on realistic operational and cashflow expectations. The mal-investment of previous decades is now a much smaller component of corporate behavior. With the Yen strengthening rapidly, both earnings and book value will be reduced. Nevertheless, even in a low growth world, the current environment presents many interesting investment opportunities at low valuations.

Corporate Governance

Our visits reinforced the assessment that large parts of Japanese corporate behavior had become out of touch with reality. A former attendee at board meetings of a large Japanese company recalled that until five years ago the majority of the meeting was a discussion of their golf games. A senior employee at a trading house described the capital allocation discussions from the 1980s and 1990s where zero consideration was given to the balance sheet or cashflow. He was delighted that current management is now focused on metrics such as free cashflow after many years of prompting from many departments.

Japanese corporate governance has been improving for many years. The recent well publicized problems at Toshiba and Asahi Kasei highlight the lingering problems at many levels in corporate Japan. However, this behavior is now in the minority. The recent upheaval at Seven & I is perhaps a marker of a broad turning point. There are sure to be ongoing problems as competition from Korea, China, India, Silicon Valley and ASEAN illustrates natural advantages, but all regions face the waves of globalization and the rise of Asia. Management mistakes are evident across all geographies. Some Japanese management teams remain unwilling to adapt, and want to emphasize long-term investment horizons without accepting the rapidly evolving external environment. There is significant investment potential when retrograde holdouts adjust to reality.

Growth

Jonathan Wilmot of Credit Suisse has recently compared the current global economic environment to the aftermath of the Great Recession of the 1890s and the Great Depression of the 1930s. All three periods are characterized by low levels of global growth. One sobering outcome of our recent meetings was the lack of significant new products across the IT hardware industry with PCs, smartphones, tablets, and TVs reaching saturation in the developed world and traversing a lull in the developing world. Similarly, it's hard to see high growth rates from the auto industry, power generation, housing, commodities or developed markets in general. Against this seemingly somber backdrop there are many opportunities where new products and lower costs are leading to change. Some examples are organic light-emitting diode (OLED) screens and new camera modules for mobile phones, automated driving for cars and trucks, new chemicals for the IT industry, biologic pharmaceuticals, robotics and automation, e-commerce and ASEAN/India. Canon's Tokki division which sells the US$100+ million encapsulation and evaporation lines to Samsung for their OLED panels is fully booked for the next three years. Robotic and automation investments across Asia and the developed world are seeing two to tenfold productivity improvements while overall installation costs decrease 10%+ per annum. Recruit's Indeed website and Rakuten's Ebates website are growing rapidly with attractive economics. Interestingly, Mr Wilmot's overall conclusion from his analysis of prior post-crisis periods is that a further major economic upheaval is unlikely, although it is very path dependent, with pre-emptive central bank tightening being the major risk. Cyclical risk remains.

Japanese Economy

The Japanese yen has recently strengthened against the US dollar from 124 to 108. At its low point, the Yen was at historically low levels according to a wide range of measures. Current strength is a headwind for exports and the related consumer spending. It will also slow the rapid growth of inbound tourism seen in recent years which was the result of relaxed visa requirements.

Recent meetings highlighted the strength in Japanese employment, albeit from low levels. We noted a lovely grass slope behind a corporate headquarters being trimmed by four men with scissors and it has been a while since a petrol station attendant hurried out to fill our tank as we experienced in Hokkaido. Japan remains a country with under-utilized capacity, both physical and intellectual. Japanese housing stock is estimated at roughly 60 million units, of which 10 million do not meet current earthquake regulations. As in most parts of the developed world, there is an infrastructure renewal backlog across the archipelago. Many industrial plants built decades ago now need upgrading with modern safety and control systems.

Outlook

The recent strength of the Yen presents a headwind to both earnings and sentiment. Nevertheless, the range and valuation of high quality investment opportunities at multi-decade low valuations presented by the recent sell-off allows the construction of a portfolio with attractive characteristics for medium to long term investors.

PLATINUM WORLD PORTFOLIOS PUBLIC LIMITED COMPANY

An umbrella fund with segregated liability between sub-funds
Company Registration Number: 546481

BOARD OF DIRECTORS

Stephen Menzies (Australian)
Tony Mc Poland
Kevin Molony

REGISTERED OFFICE

Arthur Cox Building
Earlsfort Terrace
Dublin 2
Ireland

WEBSITE

www.platinumworldportfolios.ie

INVESTMENT MANAGER

PLATINUM INVESTMENT MANAGEMENT LIMITED

Level 8, 7 Macquarie Place
Sydney NSW 2000
Australia

GPO Box 2724
Sydney NSW 2001
Australia

TELEPHONE

+61 1300 726 700
+61 2 9255 7500

EMAIL

invest@platinum.com.au

Platinum WORLD PORTFOLIOS PLC

Platinum® ASSET MANAGEMENT

Disclaimers

This publication was prepared by Platinum Investment Management Limited (ABN 25 063 565 006) (AFSL 221935) trading as Platinum Asset Management (Platinum®) as the Investment Manager for, and on behalf of, Platinum World Portfolios PLC (the "Company"), an open-ended investment company with variable capital incorporated with limited liability in Ireland with registered number 546481 and established as an umbrella fund with segregated liability between sub-funds pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended. Platinum World Portfolios - Japan Fund (the "Fund") is a sub-fund of the Company. The Prospectus and the Key Investor Information Documents ("KIIDs") for the Fund as well as other information about the Company and the Investment Manager are available at www.platinumworldportfolios.ie.

The information presented in this publication is for general information only and does not take into account any particular investor's or class of investors' investment objectives, financial situation or needs. This publication does not, and is not intended to, constitute advice on which you should rely. You should seek financial and other professional advice before taking, or refraining from taking, any action on the basis of the information provided in this publication. To the extent permitted by law, no liability is accepted for any loss or damage incurred as a result of any reliance on this information. Neither the Company nor the Investment Manager guarantees the repayment of capital, payment of income or the Fund's performance.

This publication does not, and is not intended to, constitute an offer or a solicitation to subscribe for, redeem or convert shares in the Fund in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Some numerical figures in this publication have been subject to rounding adjustments.

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 Fund's returns are historical only. Past performance is not a reliable indicator of future performance and no warranty can be given or is given for future performance of the Fund. Owing to the volatility of the underlying assets of the Fund and other risks associated with investing, investment returns can be negative (particularly in the short-term). Investment returns and share prices fluctuate with market conditions, and investors may have a gain or loss when shares are sold. Fund performance changes over time and the return as of the time of your access to the information presented herein may be significantly lower than the historical returns stated above. The index represented is the MSCI Japan Net Index (US$) (the "Index"). 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 weighting 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. The Index is provided as a reference only.

   The inception date for Class D of the Fund is 16 November 2015. The inception date for Class A of the Fund is 11 January 2016. The inception date for the purpose of calculating Index returns, as contained in this publication, is taken to be the inception date of Class D of the Fund.

2. Invested position represents the exposure of physical holdings and long stock derivatives.

MSCI Inc Disclaimer

Neither MSCI Inc nor any other party involved in or related to compiling, computing or creating the Index data (contained in this publication) makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI Inc, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the Index data is permitted without express written consent of MSCI Inc.