



Platinum Asset Management[®]

Brochure

Form ADV Part 2A

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This brochure provides information about the qualifications and business practices of Platinum Asset Management. If you have any questions about the contents of this brochure, please contact us at +612 9255 7500 or invest@platinum.com.au. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Platinum Asset Management is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Since this is the first time Platinum Asset Management is required to provide this brochure to you, a summary of material changes is not required. In the future, we will summarize material changes that are made to this brochure since our last annual update.

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Advisory Business

Platinum Investment Management Limited, trading as Platinum Asset Management ("Platinum") is one of Australia's leading investment managers specialising in international equities.

Our central endeavour is to achieve absolute returns over the long term for our investors by investing in undervalued listed (and unlisted) investments around the world. This is complemented by quarterly communication, which attempts to keep investors abreast of our perspective and portfolio positioning.

As at 31 January 2012, Platinum manages some USD850 million of investors' monies. All assets are managed on a discretionary basis.

Platinum is owned by Platinum Asset Management Limited (ABN 13 050 064 287), a company listed on the Australian Securities Exchange. The majority of issued shares are held by staff (and related parties).

Platinum Asset Pty Ltd is the Australian private holding company of Platinum Investment Management Limited. Platinum Asset Pty Ltd is a dormant company with no operating activity.

Our investment management services can be tailored to meet the needs of our clients or prospective clients.

Platinum exercises investment discretion over its Client Portfolios subject to the specific restrictions in the investment management agreements (e.g. restrictions around the type of securities that can be held in a portfolio or counterparties that can be used for security transactions) so long as they are clear and not overly burdensome or restrictive.

Fees and Compensation

Compensation for Advisory Services

Platinum generates the majority of its revenues from Client Portfolios (individually managed accounts) from two different types of fees:

- Management Fee – calculated based upon the current market value of a Client Portfolio at the time of calculation (which may be daily, monthly or quarterly).
- Performance Fee – a fee that is calculated at the end of each financial year (30 June) or on the anniversary of the investment management agreement and is based upon a Client Portfolio's investment return over and above a specified benchmark. Should the actual performance be lower than the applicable benchmark, then no performance fee would be payable from the Client Portfolio for the relevant year.

Each Client Portfolio has differing fees and terms as determined by the investment management agreement. These fees are negotiated at the time the investment management agreement is established.

Payment of Fees

Management fees are generally invoiced and payable either monthly or quarterly in arrears. Most Client Portfolios provide a calculation of the fee payable to Platinum and this is checked for reasonableness to Platinum's own records.

Client Portfolios are invoiced for fees incurred and Platinum does not deduct fees directly from client assets.

Other Types of Fees and Expenses

All Client Portfolio accounts incur brokerage and other transaction costs which are charged directly against client assets, where applicable.

Brokerage costs are discussed further on page 14 of this Brochure.

Payment of Fees in Advance

Platinum does not invoice clients in advance for management fees.

Compensation for the Sale of Securities or Other Investment Products

Neither Platinum nor its employees receive commissions or service fees for the sale of securities or other investment products that may be recommended or chosen for a Client Portfolio.

Performance-Based Fees and Side-By-Side Management

Performance-based compensation is defined as compensation based on a share of capital gains upon, or the capital appreciation of, the assets or any portion of the assets of a client. Platinum and its investment personnel, manage both Client Portfolios that are charged a performance-based compensation and accounts that are charged an asset-based fee (which is a non-performance based fee).

Under Section 205(a)(1) of the Investment Advisers Act, an investment adviser generally may not enter into an advisory contract if the contract provides for the adviser to be compensated based on capital gains or capital appreciation in the Client's Portfolio (i.e. a performance fee). Rule 205-3 of the Advisers Act provides a conditional exemption from the general prohibition on performance fees for certain clients who are financially sophisticated, or who have the resources to obtain sophisticated financial advice. Platinum complies with the exemptions under Rule 205-3 and clients entering into an investment mandate meet the definition of a "qualified client".

Accordingly, performance fees are received from Client Portfolios. They are assessed in arrears on an annual basis (calendar year, financial year or on anniversary of the investment management agreement).

Conflicts of interest

Platinum's Portfolio Managers, who are paid in respect of performance of their portfolios, may have incentives to take higher investment risks than the Client Portfolio desires.

This risk is mitigated by:

- Platinum's Investment Methodology is applied to derive prospects for investment - this includes peer review of investment choices i.e. Platinum's own personnel review potential investments of Portfolio Managers (who are compensated on a performance-basis) to investigate the merits of the case and the achievements that are expected from the company being proposed.
- Portfolio Managers are required to comply with company policies and compliance frameworks. This includes mandate monitoring (ensuring that trades and a Client Portfolio's invested position are consistent with its individual mandate).

Types of Clients

Platinum's clients comprise both direct and indirect investors.

Direct investors include individuals, corporations, partnerships, superannuation funds, trusts and estates.

Indirect investors are those that invest through an intermediary administration platform (Investor Directed Portfolio Services, Wrap or Public Offer Superfund).

The minimum initial investment into a Platinum Trust Fund is AUD20,000 or NZD25,000.

For Client Portfolios (individually managed accounts) generally there is a minimum initial investment of AUD400 million.

Platinum may depart from these general requirements depending on the location of the client, prospective additions to assets or because of a desire to have an association with a specific client.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

In essence, Platinum seeks a broad range of investments whose businesses and growth prospects are being inappropriately valued by the market. To do this, Platinum employs a team of specialist analysts who take a global perspective and apply screening and intensive research to pinpoint outstanding opportunities.

Platinum uses various devices to make sense of the universe of stocks available around the world. These include software screening which allows for the selection of companies based on very specific criteria ("screens") across a databank of several thousand companies. Platinum is able to delve deeply into cross-comparative studies of companies around the world, thereby drawing up short-lists for more intense study. In setting these screens, Platinum may build on a hypothesis regarding social, political, or economic change. For example, the screen may seek to identify industry groups that are currently out of favour with investors.

Great store is placed on the cross-pollination of ideas and the view that increasingly more weight should be applied to the global context of a company's operations than purely regional considerations.

Generation of themes and ideas is eclectic in nature. Apart from applying numeric skills, there is a constant input from observations of the changing social and political landscape. By locating all research efforts in one place and yet operating under global mandates, Platinum is able to facilitate the free-flow of information between analysts with different geographic and industry responsibilities. While physical distance from principal markets may be seen as an impediment, Platinum believes that distance has the great advantage of acting as a filter and has a calming influence in making objective assessments. Even so, analysts are required to travel extensively to visit prospective investments, their competitors and suppliers.

Once a company has been identified as a potential investment opportunity, it is investigated by the analyst who will call on the resources available to Platinum. These may include material from the company itself and its competitors, reports from stockbroking analysts and industry material. In reality, this information is available to all serious participants but it is the interpretative methodology and skill that really counts. The work concludes with a detailed report being written. This is then subjected to the scrutiny of team members who meet to vigorously investigate the merits of the case. The purpose of these meetings is to expose areas of concern and potential flaws rather than to achieve a consensus. The final decision lies not with a committee but solely between the promoter of the idea and the relevant Portfolio Manager.

The investment review will highlight very specifically the achievements that are expected from the company being proposed. These vary considerably depending on the style of company involved but among other things would include sales and earnings targets. Failure to meet these targets would raise concern, and notwithstanding the price action, could result in the shares being sold. It is Platinum's experience that when targets are met or exceeded, the share price tends to overshoot expectations. Flexibility in selling may allow for the market's tendency to overreact.

The process of assembling a Portfolio from individual companies, that have above average qualities but which are having temporary setbacks, should produce as a by-product a Portfolio with below-average risk characteristics.

As a consequence of Platinum's investment methodology, each Portfolio will be built up from a series of individual stock selections rather than from a pre-determined asset allocation. Investment weightings will vary considerably from benchmarks such as the MSCI.

Investing in securities involves a risk of loss that clients should be prepared to bear. These risks are described in more detail below.

Investment Strategy

Platinum's investment strategy is to:

- adopt a bottom-up stock selection methodology, through which long term capital growth is sought by investing in undervalued securities around the world;
- seek absolute returns and not returns relative to any index;
- invest excess funds in cash when undervalued stocks cannot be found; and
- actively manage currency.

Derivatives (including short equity swaps and futures) are utilized for risk management purposes and to take opportunities to increase returns.

Risk of Loss

A client can lose money on the investments held in its Portfolio or the Client Portfolio can underperform the market for many reasons including:

- *Market risk*: the risk of adverse market movements on the value of a Client Portfolio's assets; share markets can be volatile.
- *Liquidity risk*: Platinum may not be able to purchase or sell a security in a timely manner or at desired prices because of inadequate depth in the market.
- *Operations risk*: Deficiencies in the effectiveness and accuracy of information systems or internal controls may result in material losses. This risk is associated with human error, system failures, inadequate procedures and internal management controls.
- *Management risk*: Performance depends on the expertise and investment decisions of Platinum. Past performance is not necessarily indicative of future performance.
- *Economic risk*: There are many economic factors that can affect the value of a share investment, including inflation, interest rates, employment and consumer demand internationally and in Australia.
- *Issuer risk*: Share prices are dependent upon the financial circumstances of the companies in which the shares are purchased, their profits, earnings and cash flow.
- *Credit risk*: Companies in which shares are acquired by a Client Portfolio may become insolvent or file for bankruptcy. Countries may become insolvent or bankrupt. Counterparties (i.e. any party we contract with) may become insolvent or bankrupt. The investments of a client may be affected by the credit worthiness and practices, stability, liquidity and integrity of global banking and financial systems.
- *Currency risk*: A Client Portfolio is exposed to foreign exchange risk arising from buying, selling and holding investments denominated in foreign currency.
- *Business risk*: The return on a share investment may also be affected by the quality of company management, the general health of the sector(s) in which it operates and government policy.
- *Emerging markets risk*: Securities of emerging markets, be they listed or unlisted, have their own special risk profiles including sovereign, market, currency, regulatory, legal, liquidity, solvency and credit risks.

- *Derivative risk:* A Client Portfolio may include futures, options, swaps and other Derivatives which could amplify or moderate the effect of market movements.
- *Performance fee risk:* It could be argued that a performance fee may encourage behaviour in Platinum which adds to the risks i.e. Portfolio Managers who are paid in respect of performance of their portfolios, may have incentives to take higher investment risks than the Client Portfolio desires.

Given Platinum's investment methodology, a Client Portfolio's return may differ significantly from investment industry benchmarks such as indices issued by MSCI Inc.

Disciplinary Information

Not Applicable.

Other Financial Industry Activities and Affiliations

Material Relationships with Related Financial Industry Firms

Platinum is Trustee/Responsible Entity and issuer of units in The Platinum Trust Funds ("Funds"). The Funds are registered with the Australian Securities and Investments Commission as managed investment schemes and are available for investment. Registration with the Australian Securities and Investments Commission does not imply a certain level of skill or training.

Investors in the Funds pay an investment cost of 1.44% per annum of the Fund's net asset value, payable monthly. In addition, there is an administration cost of up to 0.10% per annum of the Fund's net asset value, payable monthly.

A limited number of investors in the Funds pay lower investment costs of between 0.64% - 0.79% per annum with an investment performance fee calculated at up to 16.50% per annum of the amount by which the Fund's return (after all costs and GST) exceeds its hurdle return. In addition, there is an administration cost of up to 0.10% per annum of the Fund's net asset value, payable monthly.

All such costs/fees are disclosed in the current Funds' Product Disclosure Statement.

Platinum is also the investment manager to Platinum Capital Limited. Platinum Capital Limited is an investment company listed on the Australian Securities Exchange and is open to investors who wish to purchase shares in the same way as one might buy shares in any listed company. Platinum, as investment manager, receives a monthly management fee for investment services provided in accordance with the investment management agreement. This Agreement provides for a management fee payable monthly and calculated at 1.5% per annum of the Portfolio Value of Platinum Capital Limited. A performance fee is payable at 10% of the amount by which the Portfolio's annual performance exceeds the return achieved by the MSCI plus 5% (MSCI is the Morgan Stanley Capital International All Country World Net Index in AUD). Where the Portfolio's annual performance is less than the MSCI, the amount of the underperformance is aggregated, carried forward and deducted from the annual performance in the subsequent year before calculating any performance fee for that year. The aggregate of the underperformance is carried forward until a performance fee becomes payable. Platinum is eligible to receive a lump sum termination fee of 1.5%, calculated on the value of the Portfolio on the first day of the month in which termination is effective. The fee is not payable if the termination results from the default or insolvency of Platinum. Additionally, a performance fee is payable for the period from the last calculation of the performance fee to the date of termination.

Platinum does not believe that these arrangements would create any material conflict of interest with Platinum clients.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Platinum has in place a Code of Ethics applicable to all applicable Platinum staff: Platinum's Business Rules of Conduct ("BROC"). The BROC communicates the appropriate standards of behaviour, provides a framework for the workplace, and informs staff of their responsibilities with respect to legal compliance, confidentiality and privacy, conflicts of interest, personal trading and operational processes.

A copy of the BROC is available on Platinum's website.

Interest in Client Transactions

Under Platinum's BROC, Platinum staff may personally invest in the same securities as are bought and sold for clients. However, Platinum staff are required to pre-clear personal securities trades in these securities to provide reasonable assurance that the interest of our clients are placed ahead of the interests of staff.

Platinum's Chief Compliance Officer regularly reviews reports of personal securities transactions to determine compliance with the BROC.

Personal Trading

Personal trading by Platinum staff is subject to the restrictions and procedures described in the BROC. In summary, the BROC requires Platinum staff to pre-clear all personal trades, unless specifically exempted. Subject to certain exemptions, Platinum prohibits short term trading i.e. buying and selling the same security within a 30 day period. Shares of Platinum Asset Management Limited (ticker PTM) and Platinum Capital Limited (ticker PMC) are subject to a minimum 6 month holding period. In addition, Platinum staff are required to ensure broker trade confirmations are delivered independently to Platinum's compliance department.

Staff are required to pre-clear all personal trades electronically within an in-house system. The system records all trading information to form the basis of transaction (and holdings) registers that are certified as accurate and complete by staff on a quarterly basis.

Staff personal trading is monitored by Platinum's compliance department.

Brokerage Practices

Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions and Determining the Reasonableness of their Compensation

Platinum considers the appropriate selection of broker-dealers in effecting portfolio transactions as pivotal to achieving best execution for its clients. Platinum, in considering its best execution obligations to its clients, considers many qualitative factors and takes all reasonable steps to obtain the “best possible result” for our clients.

In addition to placing and executing orders through traditional broker-dealers, Platinum utilises electronic trading platforms, i.e. electronic communications networks (ECNs), to seek best execution. ECNs and passive liquidity seeking tools (crossing networks) may be used to (i) anonymously execute large block orders without impacting the public quote of a security (preserving anonymity) (ii) minimise both implicit and explicit execution costs (iii) obtain liquidity at current market price.

Factors used to select broker-dealers/counterparties (including electronic trading platforms) to execute transactions include, but are not limited to, Platinum’s knowledge of the negotiated commission rates; the nature of the security being traded; the size and type of the transaction; the broker’s speed and access to the relevant markets; investment research provided by the broker-dealer/counterparty; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; ability to maintain confidentiality of the client’s trading program; the execution, clearance, and settlement capabilities as well as the reputation and perceived operational/financial soundness of the broker-dealer/counterparty; our knowledge of actual or apparent operational problems of any brokers-dealer/counterparty; the broker-dealer/counterparty’s historical transaction and execution service; and the reasonableness of spreads or commissions.

Commission rates charged by the broker/dealers are generally standard based on security and country. From time to time, depending on the nature and size of the transaction, Platinum may negotiate lower commissions on a case by case basis.

“Soft Dollar”/Brokerage Commissions Practices

Platinum receives proprietary research services from broker/dealers in connection with brokerage relationships, but does not have any written or unwritten commitments with brokers to allocate brokerage in return for such research services. Platinum also receives third-party research from brokers and has in place Commission Sharing Arrangements with a few brokers whereby we direct client brokerage commissions to the third party research providers through the executing broker/dealer.

Platinum believes that research and brokerage services provided by brokers and their ability to achieve quality execution are important to our clients. Therefore, brokers selected by Platinum may be paid commissions for effecting transactions for our clients in excess of the amounts other brokers would have charged if we determine in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those brokers. All research services knowingly acquired in connection with a broker relationship are required to constitute eligible research for purposes of Section 28(e) of the Securities Exchange Act of 1934.

The use of client brokerage commission payments to obtain research gives Platinum a benefit because we do not have to produce or pay for that research. Therefore, Platinum may have

an incentive to select a broker/dealer based on Platinum's interest in receiving research rather than what is in the best interest of our clients. Research received from third parties supplements our own research and forms an integral part of the investment decision making process. Platinum believes that research and brokerage services provided by broker/dealers and their ability to achieve quality execution assist Platinum in meeting its responsibilities to all clients.

Research services received by Platinum from broker/dealers includes but is not limited to: company research reports and analysis; reports regarding the economy and economic conditions within which companies operate; industry specific information; statistical information and databases; legal, compliance, tax and accounting interpretations; credit and risk measurements and analysis; and the provision of opportunities to meet with company executives.

Platinum does not assign a specific dollar value to the research services received or execution services rendered or allocate the relative costs or benefits of those services among its clients.

Platinum does not receive client referrals from any broker/dealers nor does it have any directed broker arrangements with any Clients.

Aggregation of Orders and Security Allocation for Client Portfolios

Trade Allocation Policy

The Portfolio Manager determines the buy/sell needs of the Client and provides instructions to the Trader via Platinum's proprietary trading system. The Trader is responsible for executing the trade in accordance with the Portfolio Manager's instructions and for ensuring the trades are executed in accordance with Platinum's Best Execution Policy.

Generally, available orders for the same security are aggregated or blocked and executed in the market place as a single transaction or series of transactions. Platinum's Trade Allocation Policy has been designed to provide reasonable assurance that allocation decisions are made on a fair and equitable basis.

The allocation of the order volume across participating Portfolios is based on the proportional ratio of the outstanding amounts of the participating initial orders. Aggregated transactions across participating Client Portfolios, including partially filled orders, are allocated on a pro-rata basis against the original order volume except in circumstances where an allocation would result in a trade being uneconomical or would incur an unnecessarily high cost for that client. Only broker/dealers and counterparties on Platinum's Approved List may be utilised by the Trader.

Whilst investment decisions for like-mandates will be undertaken with similar investment objectives in mind, Platinum does not employ automated allocation or re-weighting processes to "equalise" positions across like-mandates (*like say, an index fund would*).

Platinum will also not execute a small allocation to a Client Portfolio just to bring its portfolio up to some preferred level.

It is Platinum's view that like-mandates (with like investment objectives, requirements and restrictions) will achieve a similar investment position over the long term.

Review of Accounts

On a daily basis, the responsible Portfolio Manager reviews a Client Portfolio's invested position (including securities held, currency exposure, regional exposure, long/short position) together with trades placed for the Portfolio on the previous day.

Pre and post trade compliance monitoring ensures that a Portfolio's invested position remains consistent with the terms of its investment mandate.

Clients may be provided with monthly or quarterly written reports detailing Portfolio exposure and performance information.

Client Referrals and Other Compensation

Platinum does not compensate any person or entity for referring clients to Platinum.

Custody

Platinum's individually managed accounts select their own custodians to hold the cash and securities in their accounts. Platinum does not provide custody services.

Individually managed accounts receive monthly valuation statements from Platinum. Clients will also receive account statements from their custodian and clients should carefully review these statements against those provided by Platinum.

Investment Discretion

Platinum exercises investment discretion over its Client Portfolios subject to the specific restrictions in the investment management agreements (e.g. restrictions around the type of securities that can be held in a portfolio or counterparties that can be used for security transactions). Platinum is generally authorised to make the following decisions:

- the securities to buy and sell;
- quantity of securities to buy and sell; and
- broker / counterparty through which securities will be transacted.

The extent of investment discretion and any limitations are set out in the investment management agreements signed by Platinum and the client.

Voting Client Securities

Clients who do not delegate proxy voting authority to Platinum

For clients that have not delegated proxy voting responsibility to Platinum, we have no involvement in the voting process.

Clients who delegate proxy voting authority to Platinum

Platinum is advised of proxies by its custodians or by the company. Whilst voting decisions are made on a case by case basis, in general, Platinum chooses to abstain from voting on company formalities (e.g. the re-election of directors) unless participation is in the interests of our Clients. Platinum will, however, vote on significant matters where the exercising of voting rights is in the best interests of our Clients.

The relevant Portfolio Manager is responsible for ensuring that company resolutions are reviewed and an appropriate recommendation given to operations staff. Operations staff is then responsible for instructing the relevant custodian of the proxy voting instruction (where applicable).

Platinum has a limited number of individually managed accounts and therefore the potential for conflicts of interest is minimised. However, Platinum is still sensitive to conflicts of interest that may arise in the proxy decision making process. Any conflicts would be assessed by senior management including members of the risk management committee and be resolved in the best interests of the client.

Separate account clients can obtain a copy of Platinum's proxy voting policy and information about how Platinum voted proxies related to securities held in a client's account on request by calling +61 2 9255 7500.

Financial information

Not applicable. Platinum does not require or solicit prepayment of any fees from clients.

Platinum has never been the subject of any bankruptcy petition.