PLATINUM ASIA FUND

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Portfolio Manager

PERFORMANCE

PERFORMANCE (compound pa, to 31 March 2006)

	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PLATINUM ASIA FUND	16%	49%	41%	44%	43%
MSCI AC ASIA EX JAPAN	12%	43%	25%	29%	26%

Source: Platinum and Factset. Refer to Note 1, page 40.

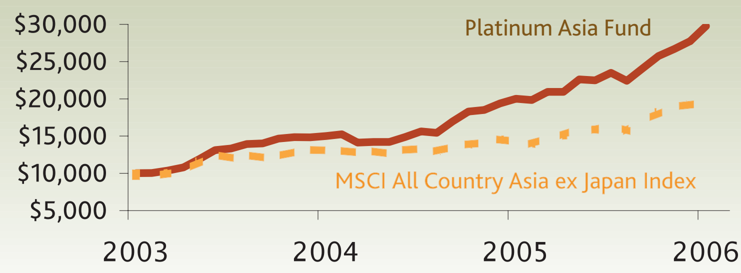
It was another extraordinary quarter for Asian stock markets, with the leading market once again being India, up another 19% this quarter and almost 70% over the last 12 months. Strong earnings growth at Indian companies continues to attract investors and quell any concerns one might (perhaps should) have for rising local interest rates and the higher valuations that are now on offer. The Fund's holdings in Indian brewers and liquor companies were once again amongst the best performers. The other area of strength was Chinese consumer related companies, and although this may not be particularly apparent in broader stock market indices, it certainly was in the Fund's portfolio where holdings in Chinese property developers and retailers were very strong performers, a number of them moving up in excess of 50% during the last three months. The poor performers included the Taiwanese market yet again (up 1%) as the banking system has been hit by a further blow out in credit card write-offs, and Korea (down 1%) whose market has paused after leading the way in 2005.

DISPOSITION OF ASSETS

REGION	MAR 2006	DEC 2005
CHINA (LISTED EX PRC)	12%	12%
CHINA (LISTED PRC)	10%	7%
HONG KONG	8%	6%
TAIWAN	5%	7%
GREATER CHINA TOTAL	35%	32%
INDIA	19%	24%
KOREA	18%	23%
MALAYSIA	5%	4%
INDONESIA	4%	4%
THAILAND	1%	1%
SINGAPORE	0%	1%
CASH	18%	11%
SHORTS	9%	11%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
3 MARCH 2003 TO 31 MARCH 2006



Source: Platinum and Factset. Refer to Note 2, page 5.

CHANGES TO THE PORTFOLIO

We continue to sell down our Indian holdings as they reach full valuations and as such the exposure to that market continues to fall. We continue to hold a short index position against our Indian stocks, and although this has detracted from the Fund's performance, continue to believe it is prudent to retain this protection in what has become a very hot market. Elsewhere we continue to find new companies to buy in China, primarily in consumer related areas and have let the cash holdings build over the quarter.

COMMENTARY

In February we spent a week travelling through China visiting companies based in a number of so-called "second tier" cities. Our trip took us to Shenyang in the old industrial heartland of communist China in the north east; Suzhou a major manufacturing centre just a 90 minute drive west from Shanghai; Ningbo, a major port city south of Shanghai; and to Changsha and Chengdu in the west. Although the economic vibrancy of these cities is somewhat varied by reputation and physical appearance, with Suzhou and Ningbo at one end of the spectrum, having developed as major centres of manufacturing, Shenyang at the other end struggles as a result of closure of state owned enterprises. Similarities are, however, more evident than the differences. In each city our travels took us along modern four or six lane freeways, past modern residential housing developments, and through modern airport terminals designed with capacity decades ahead of current needs.

Indeed this investment in infrastructure, much of which occurred post the Asian crisis in the late 1990s, has been one of the driving forces of growth in China. Often sceptics will point to this "over investment" as wasteful and inefficient and indicative that China's true growth rate is overstated. However, without this investment, it is hard to see how the manufacturing zones around cities we visited would have opened up. To give one a picture of how substantial the expansion has been, while the old city of Suzhou is quoted as having a population of slightly over one million people, we were quoted a figure for greater Suzhou of over nine million. Whether this figure is correct or not (more credible estimates are 6 to 7 million people) is anyone's guess, but in at least three of the cities we visited, we were able to leave the old city centre and drive in one direction on modern freeways for at least an hour and still be within the new industrial zones that have taken over the surrounding farm land. What is more, these industrial zones are typically well planned and with trees planted along the roadside it is more Canberra than industrial revolution.

Often the impression from outside of the country is of a boom engulfing the Yangtze and Pearl River deltas and other parts of the coastal region, but a visitor to Chengdu (estimated population 10 million) in Sichuan province, 1,600 kilometres to the west and not far from the foothills of the Himalayas, will find no less, at least perceptibly, a frenetic pace of development than on the coast. The importance of the infrastructure was highlighted by our visit to Intel's new plant in Chengdu where personal computer "chip sets" go through the final stages of assembly and testing. This is a highly automated process where the labour cost advantage of China is not relevant. For Intel, the requirement was that they be located near the customer base (over 80% of personal computers are assembled in the PRC) and the cheap industrial land (and undoubtedly for a company such as Intel some incentives from the local government), together with a good supply of labour, made Chengdu an ideal location. But without the investment in infrastructure this would not have been possible, and it well and truly explains why foreign direct investment in China continues to run at eight times the level seen in India where infrastructure is poor and democracy remains a significant impediment to its improvement.

One of the key issues highlighted by our visits is the tightening of the labour market. Particularly in areas such as Suzhou and Ningbo, skilled employees with three or more years experience are scarce, and are demanding salary increases of 30 to 50% to move jobs. Although the situation is not as severe in Chengdu or Shenyang, it is likely that the effect of tight markets in the coastal areas like say Suzhou, will be transmitted across the country given labour's mobility and access to pricing information via internet job searches. For unskilled factory floor workers, the typical annual growth rate in wages appears to be around the 10% mark. Even though productivity of workers will improve as their experience grows, it would seem that the unit cost of producing in China is at last on the rise.

Given the lack of pricing power of most manufacturing businesses, the obvious conclusion, as we have discussed in previous reports, is that profits continue to be under pressure. Some commentators conclude that investment and thus economic growth will slow, but our problem with this point of view is that China's costs are so low that even if they were to rise at a few percent annually, it would be sometime before China was no longer competitive. Of course places such as Vietnam that also have large low cost labour forces will benefit as companies seek out alternatives, but even Vietnam with a population of 82 million, is only equal in size to Sichuan province! It would seem that it is only a matter of time before these cost increases start to filter through to end product prices in developed economies.

More importantly though for investors in the Asia Fund is that the strong growth in wages that are now being experienced in China should add momentum to private consumption. One obvious outlet for such new-found wealth is the residential property market where there is much discussion amongst foreign commentators about whether this market is in a speculative bubble. As we have observed in previous reports, outside of Shanghai property prices have typically tracked in line with household incomes, and total mortgage balances outstanding in the last two years have grown in line with or below GDP. This is far from consistent with an irrationally exuberant market!

Of course, one might question the quality of data we are relying on in China, but our meeting with China Vanke (one of the country's largest developers and a holding of the Fund) at one of their Chengdu developments revealed that apartments were currently selling at RMB3,700 per m^2, a price that had barely moved in the previous six months, with the typical sized apartment from 80 to 120 m^2 (up to 200 m^2 for those wanting a little more space). This equates to a selling price of approximately $A50,000 to $A75,000 [1]. According to the developer, the typical buyer of the 80 m^2, two bedroom apartment, would be a professional couple with household income of RMB200,000 or $A35,000, thus the purchase price represents approximately two years after-tax income. Little wonder mortgage balances aren't growing quickly. The household income figure looks way too high, although from other sources a figure of half this would not be inconceivable. There still remains considerable risk in the property development game in China as it does elsewhere, with the vagaries of location, interest rates, and economic growth all still playing a role, however, very simply, this does not appear to a market that is a long way ahead of sustainable levels [2].

Another obvious beneficiary of strong personal income growth is the retail sector. On our trip we included a number of stops at various stores, including a newly opened Wal-Mart in Changsha. The store was located in a mall owned and operated by CapitalLand of Singapore and was not such a different experience from wandering into a Westfield in Australia. On entering the top level of the store where the usual range of apparel,

[1] On top of this, the buyer would spend another 15% fitting out the apartment as they come without wall or floor coverings, kitchen or bathroom, and taps or light fittings!

[2] And of course one shouldn't mix this up with the risk of owning shares in Chinese property developers, which over the last six months have experienced moves of 100% and more!

homewares, and household goods were on sale, there was a reasonable level of shopping activity but nothing extraordinary. However, this changed completely when we moved down one level to the food section. Here, the range of fresh fruit and vegetables, live fish, frogs, and turtles, was in massive demand, despite selling at a small premium to the traditional wet markets. The reason for the popularity of the offering is that the large, organised retailers bring a guarantee of quality and authenticity to the product, whether that is a brand name product or fresh vegetables. This was highlighted by a recent tragedy where a manufacturer of baby formula was providing a product that lacked appropriate nutritional content and a number of children died as a result. The infrastructure of shopping malls is being built across the country and retail is quickly becoming organised on a large scale, creating an environment that will be highly competitive. Nevertheless, retailers who do a good job should prosper in this environment.

One final point should be made about the Chinese consumer and that is the incredible disparities in incomes. While the factory worker clears $A150 or so a month, as the property developers understand, there are many who are clearing a great deal more. Nowhere is this more apparent than in retail where the prices marked on branded products, whether they be Sony TVs, Adidas tracksuits, or Olympic souvenirs, are close to levels seen in Australia for the same product. One of the starkest examples in our travels was the nightclubs in Chengdu, filled to the brim on a Thursday evening, where the price for a glass of scotch was $US5. And yes, we're pretty clear that wasn't a special price for the foreigners!

What continues to surprise one in China is how when one sector appears to be overheated and due for an adjustment, another will come up to take its place. Two years ago there were grave concerns about the level of investment in power generation. This has translated into a booming market for coal which in turn is the destination of choice for new investment. In the same way, there has been much concern about over investment in manufacturing leading to profitless prosperity, but this is driving increases in wages, which have the potential to make consumption the key driver of growth. We cannot see what will cause the country to slow. However this will not necessarily translate directly to stock market returns, particularly after the run of the last six months.

NOTES

1. The investment returns are calculated using the Fund's unit price and represent the combined income and capital return for the specific period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. You should be aware that past performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Funds and other risk factors associated with investing, investment returns can be negative (particularly in the short-term).

2. The investment returns depicted in the graphs are cumulative on A$10,000 invested in the relevant Fund since inception relative to their Index (in A$) as per below:

Platinum International Fund:
Inception 1 May 1995, MSCI All Country World Net Index

Platinum Asia Fund:
Inception 3 March 2003, MSCI All Country Asia ex Japan Net Index

Platinum European Fund:
Inception 1 July 1998, MSCI All Country Europe Net Index

Platinum Japan Fund:
Inception 1 July 1998, MSCI Japan Net Index

Platinum International Brands Fund:
Inception 18 May 2000, MSCI All Country World Net Index

Platinum International Health Care Fund:
Inception 10 November 2003, MSCI All Country World Health Care Net Index

Platinum International Technology Fund:
Inception 18 May 2000, MSCI All Country World Information Technology Index

(Note. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist).

The investment returns are calculated using the Fund's unit price. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax and assume the reinvestment of distributions. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably to the make-up of the Index. The Index is provided as a reference only.

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Before making any investment decision you need to consider (with your financial adviser) your particular investment needs, objectives and financial circumstances. You should consider the PDS in deciding whether to acquire, or continue to hold, units in the Funds.

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