PLATINUM ASIA FUND

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PERFORMANCE

PERFORMANCE (compound pa, to 31 March 2007)	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PLATINUM ASIA FUND	3%	5%	25%	28%	32%
MSCI AC ASIA EX JAPAN	-2%	9%	25%	19%	22%

Source: Platinum and MSCI. Refer to Note 1, page 38.

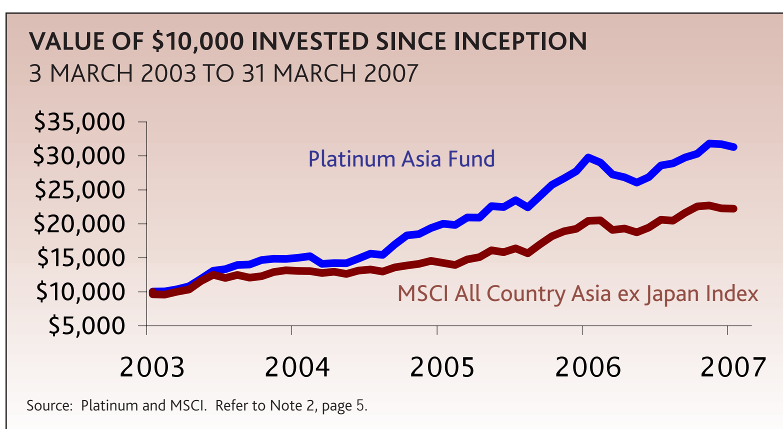
The Asian markets' steady advance came to an end this quarter primarily due to fears of lower global growth as a result of ructions in the US sub-prime mortgage market. In the background but probably of more importance was the ongoing tightening of monetary policy in China and India which added to these concerns. Interestingly, the best performing market was once again the Chinese "A" shares (where the predominant player is domestic investors) increasing by 15% while the Hong Kong "H" shares (Chinese companies listed in Hong Kong and where the predominant players are foreign investors) were amongst the worst. This highlights once again that China's closed capital account can result in the domestic stock market following a significantly different path to Chinese stocks listed elsewhere, and the fact that Asian stock markets continue to be susceptible to global liquidity conditions above and beyond the individual merits of each market or stock.

The Fund's best performers for the quarter were not surprisingly the Chinese holdings, in particular the "A" share companies. Major contributors to performance included Daqin Railway (China "A" share railway, up 65%), Shanghai International Airport (China "A" share, up 35%) and Gome Electrical (Chinese household appliance retailer, up 45%). Also contributing nicely to performance was the short position

DISPOSITION OF ASSETS		
REGION	MAR 2007	DEC 2006
CHINA (LISTED EX PRC)	5%	5%
HONG KONG	8%	8%
CHINA (LISTED PRC)	17%	19%
TAIWAN	5%	6%
GREATER CHINA TOTAL	35%	38%
KOREA	14%	15%
INDIA	12%	15%
MALAYSIA	8%	7%
THAILAND	8%	5%
SINGAPORE	2%	2%
INDONESIA	3%	3%
CASH	18%	15%
SHORTS	12%	15%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
3 MARCH 2003 TO 31 MARCH 2007



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

on the Hong Kong "H" share index. The Fund's Malaysian holdings also performed well with the highlights being Gamuda (construction and toll road operator, up 62%) on the back of an improving order book and Genting (casino operator) where strong earnings and growing optimism about their new Singapore casino licence helped the stock higher. On the other side of the ledger, the poor performers were the Indian Bank holdings which fell as a result of higher interest rates and increases in the reserve requirements imposed by the Reserve Bank of India.

CHANGES TO THE PORTFOLIO

New holdings for the portfolio included Kasikornbank, a leading bank in Thailand. The Fund also added to its holding in Bangkok Bank, one of its major competitors. Doldrums in the Thai economy have allowed us to purchase these two strong banking franchises at very attractive valuations. Another addition to the portfolio, China Eastern, is a well positioned domestic airline in China operating out of Shanghai. Should the current negotiations by Singapore Airlines to take a stake in the business and allow management control to succeed, a significant improvement in operationals could result, to the benefit of the share price.

China Vanke and Beijing Capital Land, two of the fund's Chinese property developers were sold after reaching full valuations. The sell-down in United Breweries (India) was also completed.

COMMENTARY

The major headline event during the quarter was the 10% one day fall in the China "A" share market after comments by an official suggested that the market was developing into a bubble and the investors should be wary. However, the real story for the period was the ongoing tightening of monetary policy in China and India, as well as concerns arising from the collapse of the sub-prime mortgage market in the US. Interestingly, after the China "A" market was attributed as a factor in the sell-off of global markets, it not only recovered the losses of that one day but appreciated a further 10% to new highs.

Chinese policy makers continue to struggle with their concerns over the pace of growth and the potential problem of inflation. The trade surplus continues to grow at a rapid pace with the first two months of the year resulting in a 2207% increase from the same period last year to a staggering US$40 billion. While orthodox economics would suggest that allowing the exchange rate to appreciate would reduce the inflationary pressures of these surpluses, authorities have been unwilling to let this occur as quickly as perhaps required. During the quarter the Chinese yuan appreciated a mere 1% against the US dollar, representing an appreciation of only 6.6% since the more flexible exchange rate approach was introduced in mid-2005. This leaves higher interest rates and reserve requirements[1] for the banking system as the only tools to moderate growth. During the quarter, interest rates were raised a further 0.27% (to raise the one year lending rate of 6.39%) and reserve requirements for the banks were once again raised.

In total, interest rates have been increased by less than 1% since mid-2004, an amount unlikely to have a dramatic impact on growth, and while the

[1] Increasing the reserve requirements of the banking system is a tool used by the central banks to limit the ability of banks to lend. The effectiveness will be a function of whether banks are currently limited by existing reserve requirements.

increases in reserve requirements for banks may have been more significant (from 6% of assets to 10% since mid-2004), the existing excess reserves have meant the impact from these changes has been limited to date. What are investors to make of all this? Simply, one must be cognisant that inflationary pressures in China are on the rise, to which the more ebullient property and share markets are testament, and with this goes an increasing level of risk. Undoubtedly, one should expect ongoing policy measures aimed at curbing inflation and the jitters that will develop in markets as a result. However, it still seems premature to be considering the end of the current boom in China unless one wishes to add to the equation a major slowdown in global growth.

Although the situation is somewhat different in India, where the current account has been showing a deteriorating trend and is currently in deficit, inflationary pressures have also been evident with the current inflation rate running at over 6% pa. The Reserve Bank of India (RBI) increased interest rates a further 0.25% during the quarter bringing the "repo rate" to 7.5%, up 1% on a year ago and 3% higher than three years ago. In addition, RBI has made four adjustments to the banking systems reserve requirements since late December. Although it is difficult to assess the impact of the rate hikes to date, one must assume if inflationary pressures continue to expand then further tightening of monetary policy should be expected. Our suspicion is that given India does not have the magnitude of liquidity inflows of the scale of China, courtesy of that country's trade surplus and foreign direct investment, it may well be more susceptible to the impact of rising rates.

Despite these potential headwinds, our view of the region remains positive in the longer-term as a result of the value we are finding in individual stocks. In a phenomenon we are observing across global markets, a number of high quality companies are trading at valuations that have not often been available. A prime example of this is Taiwan Semiconductor (TSMC), the dominant player in the semiconductor foundry market. As a foundry, TSMC manufacture semiconductors on behalf of its customers who have designed them but typically don't have the scale or know-how to manufacture the chips themselves (a modern fabrication line requires an investment in the order of $2-3 billion). Also, larger chip companies use TSMC to provide additional manufacturing capacity when theirs is fully utilised. As there are numerous companies with semiconductor manufacturing expertise, one would naturally expect this business to provide meagre commodity-like returns through time. However, the company has for many years maintained a technological edge over its competitors and has earned returns on capital well in excess of 20% while growing sales at more than 25% pa over the last ten years. The trend towards outsourcing of manufacturing by semiconductor companies along with the natural growth in the semiconductor market, makes it difficult to see why this will not continue to be the case for some time to come, even with the rise of new competitors.

TSMC can be acquired today at 15 times estimated earnings for 2007, which one could easily conclude will continue to grow at rates of 15% to 20% for some time. Compared with many of the exciting growth stocks in the region that are trading at much higher multiples, with far less certainty in their outlook, it is hard to see why TSMC isn't the more attractive option.

A similar story can be written for Samsung Electronics, which dominates the market for memory chips (both DRAM and flash memory) and flat panel displays as well as having commanding positions in the market for mobile phone handsets and consumer electronics. Samsung has grown its profits at over 20% pa over the last decade, and although operating in quite cyclical markets, it is again hard to see why this will not continue for some time, and yet the stock trades at a multiple of 11 times prospective earnings.

Hutchison Whampoa has a global container terminal business with significant earnings coming from its Hong Kong and Chinese ports. In this case Hutchison's significant investment in the 3G mobile phone business "3" (which operates in

numerous markets, the most important of which are Italy and the UK), has significant start-up losses that are offsetting the growth seen at the container terminals and other businesses. Although the “3” business continues to make good progress and we expect it to develop into a valuable asset for the group, if the investment were written off, it would leave the balance of Hutchison’s businesses trading at approximately 15 times earnings, a level way below prices typically being paid for prime infrastructure assets.

Although some would argue these companies are facing various headwinds in their businesses that will prevent them performing in the shorter-term, understanding precisely when this will change is not a simple task. A good example of this in recent times has been the Fund’s various holdings in Malaysia. In the June 2006 quarter report, we noted that due to the relatively poor economic environment in Thailand and Malaysia we had been able to find a number of interesting opportunities. Subsequently, the market has clearly revised its assessment of Malaysia’s outlook and pushed the market and a number of our holdings significantly higher. Gamuda, a construction company with interests in a number of toll roads has appreciated over 130% since, as the company has won a number of significant construction contracts as well as experiencing positive developments regarding traffic volumes on its toll roads. Although such development could not have been perfectly foreseen, they should hardly be considered surprising.

Meanwhile, the Thai stock market continues to lag behind the region with the military coup of last September and various missteps by the caretaker government having taken its toll on consumer and business confidence. New elections are promised by year end which may well pave the way for a more positive outlook. The other market that has been suffering over the last year has been Korea where the domestic economy remains sluggish. Both these markets continue to provide us interesting new investments.

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 Unhedged Fund:
Inception 31 January 2005, 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

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

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

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The Platinum Trust Product Disclosure Statement No. 7 (PDS), is the current offer document for the Funds. You can obtain a copy of the PDS from Platinum's website, www.platinum.com.au, or by contacting Investor Services on 1300 726 700 (Australian investors only), 02 9255 7500 or 0800 700 726 (New Zealand investors only) or via invest@platinum.com.au.

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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