PLATINUM ASIA FUND

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Portfolio Manager

PERFORMANCE

PERFORMANCE (compound pa, to 30 June 2006)

	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PLATINUM ASIA FUND	**-10%**	**28%**	**37%**	**35%**	**35%**
MSCI AC ASIA EX JAPAN	**-6%**	**28%**	**22%**	**23%**	**22%**

Source: Platinum and Factset. Refer to Note 1, page 44.

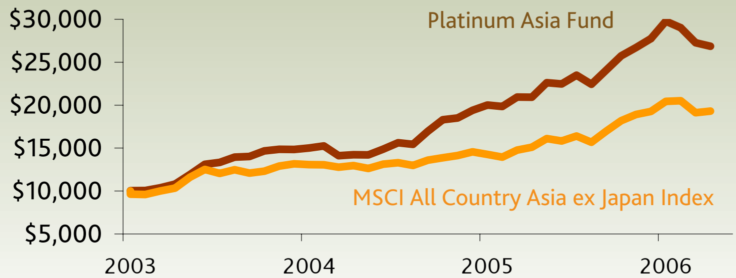
The Asian markets performed poorly during the June quarter as fears rose regarding the direction of global interest rates. In the main part, the strongest performers of the last year were the weakest this quarter with India leading the way (down 8.8%). India more than any other market in the region faces the prospect of higher local interest rates as inflation is accelerating domestically and the current account deficit continues to build. The exception to the rule was Thailand which continued its poor run (down 7.5%) after the major opposition party boycotted a snap election (called in an attempt to sideline accusations of conflicts of interest for the Prime Minister regarding a major business transaction). This has subsequently left the country in political turmoil that will continue for some months to come. The one market that moved against the trend was the Chinese A share market (up 28.8%) where good earnings growth and low valuations seem to have finally attracted local investors. Of course, this is the one market where foreign investors play only a minor role due to regulatory restrictions.

DISPOSITION OF ASSETS

REGION	JUN 2006	MAR 2006
CHINA (LISTED EX PRC)	**12%**	**12%**
HONG KONG	**11%**	**8%**
CHINA (LISTED PRC)	**8%**	**10%**
TAIWAN	**5%**	**5%**
GREATER CHINA TOTAL	36%	35%
KOREA	**19%**	**18%**
INDIA	**13%**	**19%**
MALAYSIA	**6%**	**5%**
THAILAND	**4%**	**1%**
INDONESIA	**3%**	**4%**
CASH	**19%**	**18%**
SHORTS	**8%**	**9%**

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
3 MARCH 2003 TO 30 JUNE 2006



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

The Fund's performance during the quarter was disappointing given the level of cash and index shorts that the Fund held throughout the period. The poorest performers within the portfolio were the companies that had previously been amongst its best, most notably the holdings in Chinese property developers that were sold off in reaction to new measures announced to limit speculation in the property market. Although, with hindsight, it would have been prudent to reduce exposure to this sector in light of its previously strong performance, it is our view that these investments represent good value at current levels and our inclination is to add to rather than reduce our holdings in these companies.

CHANGES TO THE PORTFOLIO

New companies acquired this quarter include PRC automakers Denway Motors and Dongfeng Motors Group. Both companies operate joint ventures with foreign automakers; Denway with Honda, and Dongfeng with Honda, Nissan, and Peugeot. Xiamen International Ports, another addition to the China portfolio, is the major container terminal operator in Fujian province (adjacent to Taiwan). Elsewhere, the Fund acquired Bangkok Bank, the leading banking franchise in Thailand. Disposals across the Indian portfolio continued with major reduction in our holdings in ITC and United Breweries.

The Fund at quarter end continued to hold significant cash holdings in anticipation of better buying opportunities ahead.

COMMENTARY

The setback in Asian markets this quarter was the first significant sell-off the region has experienced since the corresponding quarter in 2004. The catalyst for the sell-off was much the same as it was two years ago; fears of rising global interest rates cutting off the supply of cheap money that has fuelled stock markets, together with renewed measures by the central bank in China to slow bank lending. In addition, this time around the Reserve Bank of India is also in the process of raising rates. You may recall last time the sell-off in India was exacerbated by a surprise election result.

At the lows reached during the quarter, Asian markets had been sold down by more than 19% from the highs reached during April. Given the extraordinary run in the markets in the preceding three years (up nearly 2.5 times) the sell-off can hardly rank as surprising. However, the events do highlight a major risk for investors in Asia, which is that although fundamentals of the region's economies may be on a sound footing, buying of these stock markets by foreigners has been encouraged by cheap and plentiful finance at home.

This can perhaps be illustrated by way of example of ITC Limited, an Indian tobacco and consumer goods business. Over the three years to March 2006, ITC grew their profits by over 70%, or an average annual rate of around 20% pa. Over the same period, buoyed by the enthusiastic buying of foreign and domestic investors, ITC's stock price appreciated more than four fold, increasing the valuation of the company from 11 times past year's earnings to 30 times. What is the likely impact of higher interest rates in the US and elsewhere on ITC's business? One would expect there to be only a trivial, if any, impact at all.

The problem with an investment in ITC doesn't lie with the company but its shareholders, who with rising interest rates are at best looking at higher interest rates on cash, compared with the starting earnings yield of ITC of approximately 3%[1], and at worst are concerned about the cost of loans taken out to finance the investment. During the last quarter, at its low, ITC's stock price had fallen a third from the high set earlier in the year. The interesting period for comparison is the three years leading up to March 2003, when ITC's profits also grew by 70%, but the stock price fell by 20%. The difference between that period and the latest three year period is that it was characterised by rising global interest rates! Notably, at the start of this period ITC's stock traded at 19 times earnings and ended at 11 times.

All good bull markets are a result of a good story (in this case the economic development of China and India and the benefits that flow to the rest of the region) and cheap money. It would appear that one of these ingredients is being diluted or removed altogether so the recent returns of the Asian markets may not be so easily reproduced in future. The question then becomes how well placed are China and India to continue growing and although this can never be definitively answered, we see no obvious impediment at the moment.

Again the main risk is external and if the US consumer patterns were to undergo a major slowdown in response to higher rates, then given the Asian region's high and increasing exposure to US exports (see table), it is hard to imagine there not being at least a short term setback in regional economic growth.

GROSS EXPORTS AS A % OF GDP IN 1997 AND 2005

REGION	1997	2005
CHINA	20%	34%
INDIA[1]	13%	21%
HONG KONG	161%	254%
INDONESIA	28%	34%
MALAYSIA	93%	123%
PHILIPPINES	49%	46%
SINGAPORE	76%	107%
TAIWAN	47%	63%
THAILAND	48%	74%
KOREA	32%	42%
JAPAN	11%	14%

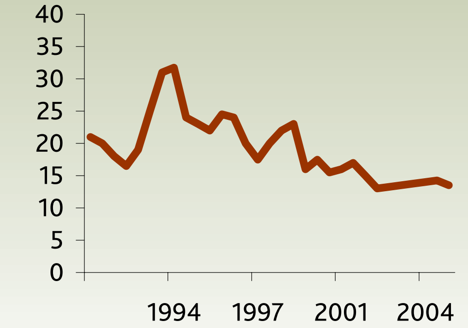
[1] Fiscal Year.

Source: CEIC, CLSA Asia-Pacific Markets

The simplest protection in such an environment is to invest in assets where valuations at least provide a reasonable chance of earning a good return. This is at the heart of Platinum's approach to investing and in recent quarters has led us to focus on two of the regions poorer performing markets, Thailand and Malaysia.

These two countries, having set the pace in the early '90s with economic growth rates in the order of 8-10% annually, have subsequent to the Asian crisis, struggled to return to their glory days and currently trundle along at growth rates of a mere 4-5% pa. The explanations usually forwarded by economists are varied and complex but at the heart of the problem is the emergence of China and India as alternative locations for businesses seeking low-cost labour. Of course the appeal of the Chinese and Indian domestic markets makes competing for investment even more problematic. The chart over page demonstrates how a lack of interest in the Malaysian market has resulted in a gradual decline in price-earnings ratios through time.

[1] For each $1 invested in ITC, a PE of 30 implies you receive underlying earnings of 3.3 cents. Expressed as the inverse, you receive 3.3 cents of earnings for your investment of $1 or an earnings yield of 3.3%.



Source: Bloomberg

Yet these countries are far from being economic backwaters. Both are part of ASEAN Free Trade Area (AFTA), a market that encompasses a population of almost 600 million people. Thailand has seen a significant investment by foreign automakers in pursuit of this market. Both countries have significant tourism industries that will benefit from the increasing flow of tourists out of China and India. In addition, Malaysia and Thailand both have substantial natural resources, particularly in oil and gas, which will see them benefit from the ongoing boom in commodities.

In recent months our search through these markets has revealed some particularly interesting opportunities, with recent purchases including toll roads, airports, and a water utility. We believe these assets will show volume growth of a few per cent annually through time and will enjoy some ability to increase prices. In addition, most of these assets have completed major capital expenditure projects and thus cash flows are being utilised to reduce debt. Typically we are purchasing these assets on earnings yields of 8% or better. Compare this with many of the much loved Australian infrastructure assets where there is little in the way of earnings or cash flow and increased borrowings are used to pay dividend out of capital!

The appealing valuations of the companies we are finding across much of the region, particularly with the lower stock prices that are now on offer, tempers the pessimism we would otherwise hold in the face of rising interest rates.

Nevertheless, the markets are now most likely facing a headwind, the strength of which will be a function of how resilient US consumers are to higher interest rates. In the meantime, we see no particular reason to doubt that China and India will continue to grow strongly, and with them the rest of Asia, even if exports face a weaker growth trajectory.

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

(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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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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