PLATINUM ASIA FUND

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Portfolio Manager

PERFORMANCE

PERFORMANCE (compound pa, to 30 September 2006)	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PLATINUM ASIA FUND	6%	22%	35%	29%	34%
MSCI AC ASIA EX JAPAN	7%	26%	25%	20%	22%

Source: Platinum and Factset. Refer to Note 1, page 42.

With Asian markets continuing their recovery from the lows of June, it was last quarter's poor performers that became this quarter's best as investors returned to their favourite stocks and markets. India, Indonesia, and the Philippines were the outstanding performers rising in the order of 17% for the quarter. Thailand was the major exception to the rule continuing to lag other markets as companies' earnings struggled in the face of poor economic growth and political uncertainties, capped off by the military coup in September. The Fund's performance, while in line with the market for the quarter, is somewhat disappointing in the context of the underperformance in the June quarter. In hindsight the main error was a too cautious approach in committing cash reserves to the market during the sell-off.

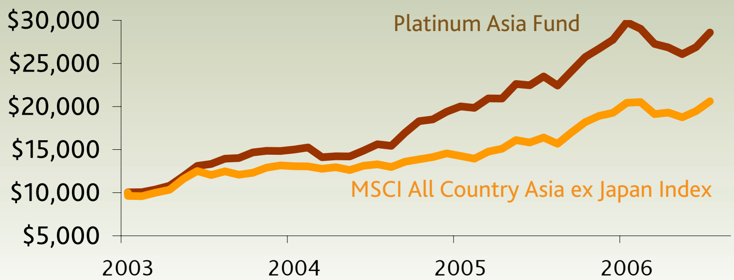
Within the portfolio the major contributors to performance were the Indian holdings, particularly the banks that recovered from oversold levels. Also, a number of our Chinese holdings, in particular China Mobile and the property developers performed well as investors sought avenues to benefit from the expected appreciation of the Chinese yuan.

DISPOSITION OF ASSETS

REGION	SEP 2006	JUN 2006
CHINA (LISTED EX PRC)	12%	12%
HONG KONG	14%	11%
CHINA (LISTED PRC)	8%	8%
TAIWAN	4%	5%
GREATER CHINA TOTAL	38%	36%
KOREA	18%	19%
INDIA	15%	13%
MALAYSIA	6%	6%
THAILAND	5%	4%
SINGAPORE	2%	0%
INDONESIA	3%	3%
CASH	13%	19%
SHORTS	9%	8%

Source: Platinum

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



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

CHANGES TO THE PORTFOLIO

Singapore Airlines is a new holding for the portfolio. While the business has been growing rapidly with regional air traffic buoyed by China and India, profits have been held back by high oil prices, providing an opportunity to acquire the company at an attractive price. Another new holding is China Paradise, the second largest electrical and household goods retailer in the PRC, which has been engaged in a price war with their largest competitor Gome, another of the Fund's investments. A decision by both companies to merge should see a return to a more profitable environment. Otherwise, the lower prices on offer during the quarter were used to add to existing holdings in PICC (PRC general insurer), Dongfeng Auto (PRC auto manufacturer), Bangkok Bank (Thai bank), and Shanghai Forte (PRC property developer). In addition, the sell-down in a number of holdings that have served the Fund well were completed, including Peacemark (PRC manufacturer and retailer of watches), Xinao Gas (PRC gas utility), and VSNL (Indian Telecom).

COMMENTARY

Receding fears of rising US interest rates and a lower oil price helped Asian stock markets continue their recovery from the sell-off in the previous quarter. A further positive was the continued strength of the Chinese yuan which appreciated 1.1% against the US dollar over the quarter, and it now stands at a level almost 5% above where it stood in mid-2005. Although these moves pale into insignificance when compared with the daily fluctuations of freely floating currencies, it represents steady progress toward a more flexible exchange rate for the yuan. Ultimately this will allow the People's Bank of China to use interest rates as a mechanism for managing economic growth and inflation, potentially reducing the extremes in economic cycles and reducing the risk of investing in the country[1].

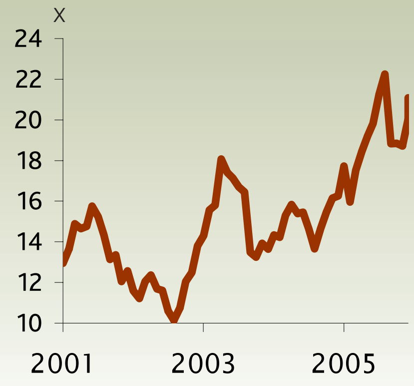
The apparent broad acceptance of the military coup in Thailand suggests the economic impact of the action may well be limited. Indeed the economy had already been struggling as a result of high energy prices and high interest rates and may well see a major benefit from a reversal in both these variables. The limited impact on the stock market (down only 2% in the two weeks after the coup) highlights the benefit of investing in a market that is already heavily out of favour with investors. Although one cannot know how smoothly the country will travel under its caretaker government, the combination of poor economic performance and political uncertainty over the last 12 months has indeed provided a number of interesting opportunities for the Fund.

[1] For further discussion on the benefits of a more flexible exchange rate for China, please see our September 2005 and December 2005 reports at http://www.platinum.com.au/arc-paf.htm.

Bangkok Bank is the country's largest bank with over 20% of the nation's deposits. Like all banks around the region it suffered badly during the Asian crisis with defaults on over 45% of its then loan book, a situation that left the bank struggling for the last nine years. Today only a small percentage of these non-performing loans are yet to be provided for and the bank has made major reforms in the way its business is operated. A healthy economic environment is all that is required to see the bank enter a period of sustained earnings growth. The stock trades at a 30% premium to its book value, a very attractive price for a bank with such a strong customer base.

At the other end of the spectrum, the Indian market has become well and truly entrenched as investor's favourite in the region. Earnings growth has been tremendous, running at over 20% pa during the last three years, but the valuation of Indian stocks has also expanded dramatically with the Bombay Sensex index now trading at 21 times earnings compared with a mere 10 times in early 2003.

Indian Market (Price Earnings Multiples)



Source: CLSA

A common view is that while India's economic prospects are no less promising than China's, its leading companies are often better positioned and have stronger management than its Chinese counterparts. Although we wouldn't particularly disagree with this proposition, the question is how much do you wish to pay for this "higher quality"? (Equally we remind readers that it wasn't too long ago when we were extremely enthusiastic and faced a barrage of negative comment about Indian bureaucracy, corruption and doubts about their bookkeeping!)

Tata Motors is the leading supplier of trucks in India and has successfully entered the car market with vehicles of their own design. Dongfeng Auto has a sizable truck business in China and has joint ventures with Honda, Peugeot, and Nissan, selling passenger vehicles. Despite both companies operating in markets that have tremendous long-term growth prospects, the market holds Tata in much higher esteem. The major difference is that competitive pressures in China have been much greater, resulting in relatively muted earnings growth in recent years. But the basic laws of economics would suggest that the combination of strong growth prospects and high profitability in the Indian market will see a similar pattern evolve. So when we look at the valuation of these companies, we are currently paying 12 times earnings for Dongfeng, profits earned in a tough competitive environment, while we pay 16 times for Tata who will almost certainly face more difficult conditions at some point in the near future. Although this is a gross simplification of the issues involved for either business, it is representative of the opportunities we see in the two markets today. Many of the Chinese companies that the Fund holds today are struggling with an intense level of competition that is depressing earnings in the short-term and thus providing attractive entry prices into what are otherwise interestingly positioned businesses. We much prefer these imperfect companies as investments to their well-owned and highly valued Indian peers.

The one exception to the above has been the banking sector. Over the last year there have been a number of eagerly sought after initial share offerings in large Chinese banks that, including the current issue of ICBC Bank, will have raised over $US40 billion dollars. The weak link in the case for China has long been the banks which have accumulated vast amounts of bad loans over the past 15 years. Undoubtedly there has been a major improvement in the lending practices of Chinese banks in recent years and the bad loans of the past have been separated out and are not part of these new listed entities. Nevertheless one would have thought that investors would have had some reservations about the quality of these banks as investments, and yet the market has typically priced these entities at three times book value and higher. The Fund has held a number of Indian banks over the past three years and although one might hold similar concerns over their ability to lend prudently, the market has refused to pay-up and values these banks currently between 1 to 1.5 times book value. This anomaly is even more interesting in light of the fact that the use of credit in India is far less than China (relative to GDP) which suggests that the growth prospects for Indian banks may well be superior.

As we continue to find interestingly valued stocks across much of the region one must remain reasonably optimistic with regard to future returns. The one note of caution is that measures taken by the People's Bank of China such as increasing rates and reserve requirements for the banking system (which acts to slow lending), together with a stronger yuan, should be taken as an indication that there is a desire to slow the growth of this economy. To date, these measures are probably inconsequential when the growth rate of the economy is considered, but this does not mean they will remain so. Tighter monetary policy in both China and India could well change investor's perceptions about these markets at some point. As always, there also remains the unanswered question about the potential impact of a slowing US consumer.

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), 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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