PLATINUM ASIA FUND

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Portfolio Manager

PERFORMANCE

PERFORMANCE (compound pa, to 30 September 2007)	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PLATINUM ASIA FUND	6%	32%	27%	34%	34%
MSCI AC ASIA EX JAPAN	14%	36%	31%	28%	25%

Source: Platinum and Factset. Refer to Note 1, page 5.

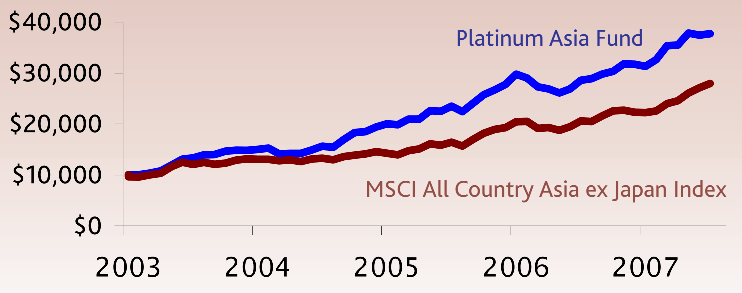
After stumbling mid-quarter in response to various global concerns about fixed interest markets, Asian stocks turned around in an extraordinary fashion in response to global central banks injections of liquidity into banking systems and the US Federal Reserves interest rate cut. Leading the way was the Hong Kong market (up 25%) where due to the Hong Kong Dollar peg to the US dollar, the impact of the liquidity injections and interest rate cut were felt immediately. Within the Hong Kong market it was the China H share companies that experienced the greatest moves (up 42%). Other markets of note were India (up 16%) and Korea (up 12%). The strong Australian dollar reduced returns for Australian investors by 4.3% over the period.

DISPOSITION OF ASSETS

REGION	SEP 2007	JUN 2007
CHINA (LISTED EX PRC)	27%	24%
HONG KONG	5%	7%
CHINA (LISTED PRC)	5%	4%
TAIWAN	5%	4%
GREATER CHINA TOTAL	42%	39%
INDIA	13%	14%
KOREA	12%	15%
THAILAND	8%	9%
MALAYSIA	6%	6%
INDONESIA	3%	3%
SINGAPORE	2%	2%
CASH	14%	12%
SHORTS	11%	8%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
3 MARCH 2003 TO 30 SEPTEMBER 2007



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

The underperformance of the Fund during the quarter can be almost entirely attributed to the cautious positioning of the portfolio through short index positions in China H shares, India, and Korea. Our concerns that disruptions to fixed interest markets and potentially lower US growth (and thus exports for the region) would impact markets negatively were in hindsight clearly misplaced. Additionally, the Funds had only a small exposure to the strong Australian dollar during the quarter. Otherwise, many of the portfolio's holdings performed strongly, led by China Eastern (airline, up over 100%), after Singapore Airlines acquired a stake in the company. Other strong performers included Reliance Energy (Indian power utility, up 96%) Shanghai Forte (PRC property developer, up 40%) and Gome Electrical (appliance retailer, up 27%).

CHANGES TO THE PORTFOLIO

A number of new holdings were introduced to the portfolio during the quarter. Sinopac is a Taiwanese bank that through an acquisition of a competitor with a strong branch network in Taipei, has a good opportunity to develop its wealth management business, and this could well transform the profitability of the company. In addition, it has a strong SME client base whose China operations it has been unable to service. The inevitable, but long awaited, formalisation of cross straits relations with China represents a major opportunity for many of the Taiwanese banks. With an election due next January, a new government would undoubtedly result in an improved relationship between Taiwan and China. Other additions to the portfolio include Bank of China, one of the big four banks in China; Far Eastone, a Taiwanese mobile phone operator; and Lotte Shopping, a major Korean retailer.

Positions in PICC (Chinese Insurer), Baidu (Chinese internet search), Samsung Corp (Korean holding company), and NTPC (Indian power producer) were sold during the quarter, after each of these stocks significantly exceeded our target prices. Having increased the short index positions early in the quarter these were subsequently reduced with all China H share index positions closed. Remaining shorts are on the Indian "Nifty" index and the Korean market.

COMMENTARY

Asian markets, after selling off mid-quarter due to global concerns about losses in mortgages and tightening of liquidity in interbank money markets, rebounded impressively with major regional markets taking out new highs. The rapid recovery of the markets can perhaps be best explained by the significant injections of funds into money markets by the world's central banks finding their way into the region's equity markets. Although the transmission mechanism by which this occurs is not well understood (at least by this analyst) it would appear to be the case that when there is excess liquidity in money markets, it will ultimately result in inflating asset prices. As always, the inflation will be most felt in those assets that have the strongest "fundamental" story and undoubtedly China today is at the top of this list.

Exacerbating the situation in Hong Kong is the exchange rate mechanism which pegs the Hong Kong dollar to the US dollar and thus monetary conditions in US dollar markets are for the main part directly transferred to Hong Kong dollar markets. The easy money conditions that have been created by the central banks were further enhanced by the interest rate cut made by the US Federal Reserve in mid-September, which again immediately impacts Hong Kong rates. These global developments have come at a time when Chinese authorities, in an attempt to dampen inflationary pressures in their own markets, have been providing new means for Chinese domestic investors to invest in the Hong Kong market.

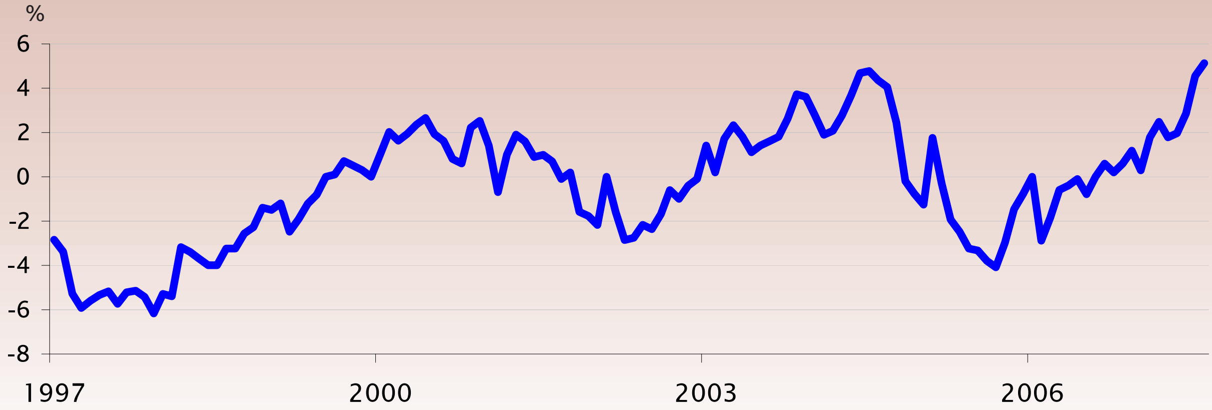
In addition to the QDII (qualifying domestic institutional investor) program that was discussed in the June quarterly report, a further program was announced that will allow individual investors to directly invest in Hong Kong listed stocks. Although this created much discussion, the reality of the QDII program became much more apparent during the quarter when the first two QDII mutual funds were launched by local fund managers, raising US$6.5 billion and US$8 billion respectively. In each case the funds were raised on the day of opening. Although the amount of funds that can be invested in Hong Kong will be limited by quota (the amount of which is yet unknown), the experience of the initial fund raisings show no lack of appetite for offshore assets by Chinese investors. To further add to the excitement, the end of September saw the launch of the Chinese Investment Corp, a government entity that will invest initially up to US$200 billion of China's foreign exchange reserves in offshore markets.

So how does this wave of liquidity play out for regional markets? A similar situation occurred in late 1999 as the central banks added liquidity to the money markets ahead of "Y2K" in preparation for any problems that might occur if computer systems couldn't handle dates of the new millennium. This money found its way to the best story of the day which was technology stocks, whose upward move accelerated in the last months of 1999, eventually peaking in April the following year. Eventually a series of interest rate rises, through the course of 2000, brought the bull market to an end.

For the moment the move to cut interest rates in the US means that this is unlikely to be an immediate problem for the current bull run in Chinese stocks. One possible hurdle the market is likely to face is ongoing tightening of monetary policy in China, which to date has involved interest rate hikes (1.7% increase in lending rate over the last 18 months) and increases in reserve requirements for banks (which attempt to limit their ability to lend). The ability to raise interest rates is now limited further by the cut in US interest rates, unless they wish to allow a faster appreciation of the Chinese yuan. In fact the depreciation of the US dollar is a setback for the PBOC's policy as the yuan, while continuing its slow appreciation against the US dollar, is in fact depreciating against most major currencies, providing a boost to the export sector. Although it is far from clear what measure Chinese authorities might take, while inflation remains a concern (see chart below) one should expect further actions aimed at moderating growth.

Alternatively, signs that the US is entering a recession as a result of the downturn in the housing market could be cause for concern.

Chinese CPI



Source: Factset

However, this may only encourage further easing of monetary policy in the US, potentially creating further impetus to the markets. It is most likely a question of the severity of such a downturn, and although there are some signs of a slower US consumer, it is far from cataclysmic for the moment. Otherwise it is hard to see what will stop the current bull market. Ultimately valuations will be so excessive as to bring a deluge of new issues, but not yet.

While such an environment holds the possibility that the exciting ride of recent weeks continues, it is without doubt a **high risk environment**. This is perhaps best highlighted by examining the performance of one of the leading stocks in the current rally. PICC is the leading general insurer in China having started out as a government monopoly. The Fund acquired a position in the company during mid-2006 at prices between HK$2.50 and $3.00. The company was facing a severe pricing environment as a result of many new entrants into the business and was suffering major losses in market share. At the high-end of our purchase price, the stock was trading at two times book value, which at the time didn't seem a gift, but we thought a reasonable buy as their large market position provided them with a significant operating cost advantage and that in time the severe price competition would recede and market share losses would stabilise. Subsequent to our purchases the stock price took off, but not for the reasons that we had anticipated, as the underwriting side of the business has continued to deteriorate. What had changed though were the returns on the company's investment portfolio due to China's rampant stock market. The Fund sold the last of its stock in PICC at just under HK$9 in July this year. Today the stock trades just below $16, a price that values the company at over 40 times this year's earnings and almost seven times book value, an enthusiastic level for an insurer that continues to face serious price pressures and ongoing loss of market share. But if the Chinese stock market continues its rise, PICC's earnings should follow!

So how do we manage the portfolio in these circumstances? Stocks that move well beyond reasonable valuations will be sold and to the extent that stocks trading at reasonable value can be identified, these will be acquired and held. The explosive nature of the moves in markets, however, mean that managing for downside risk becomes difficult and rather than taking short positions in index futures to achieve this, it is more likely that cash positions will be built-up gradually if the rally continues as it has. It is quite likely that the performance of the Fund will lag the index in these circumstances, but the ultimate goal is to capture permanently the returns this developing "bubble" may have to offer.

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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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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