PLATINUM ASIA FUND

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PERFORMANCE

Asian stock markets continued their strong run in rising 8.7% for the quarter, extending the advance to 23.4% in the last 12 months. By comparison the Fund was up 12.3% for the quarter and 50.4% for the year.

Ongoing strong earnings growth saw India yet again at the forefront of the charge, together with Korea where continued signs of improvement in the domestic economy helped push stocks higher. Both markets were up around 20% for the quarter (local currency). Chinese stocks were also strong, registering returns in the order of 13%. Indonesia was the poorest performer, where concerns over the impact of oil subsidies on the government budget resulted in a fall in the rupiah and a 2% decline in the market. Taiwan continues to lag (down 2%) with concerns over rising bad debts in the personal loan sector causing parallels to be drawn with the credit driven recession from which Korea in now emerging.

With these moves it is not surprising that the best performers were predominantly among our Indian and Korean holdings. Of note were the moves in our Korean shipbuilders (Samsung Heavy up 61% and Hyundai Heavy up 49%) on the back of new orders. Other good performers included McDowell (Indian liquor) up 63%, National Thermal Power (Indian electricity generator) up 27%, and China Mobile (mobile phone operator) up 31%. The biggest drag on the Fund was its short position in the Indian Nifty index, offsetting some of the strong performance from the Indian holdings.

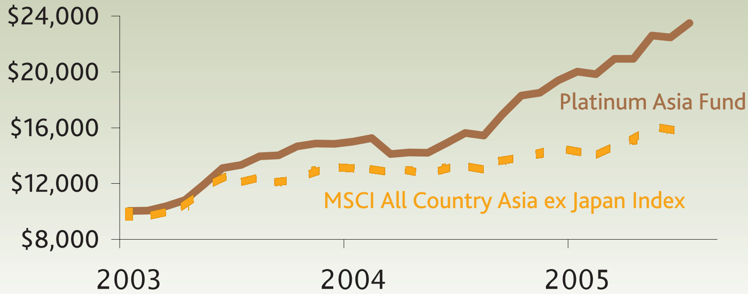
DISPOSITION OF ASSETS

REGION	SEP 2005	JUN 2005
CHINA	5%	1%
HONG KONG – CHINA H SHARES*	9%	6%
HONG KONG	6%	6%
TAIWAN	7%	8%
GREATER CHINA TOTAL	27%	21%
INDIA	30%	31%
KOREA	21%	18%
MALAYSIA	2%	1%
INDONESIA	1%	2%
THAILAND	1%	1%
SINGAPORE	1%	1%
CASH	17%	25%
SHORTS	12%	4%

Source: Platinum

* H Shares are shares of Chinese State Companies listed in HK

VALUE OF $10,000 INVESTED SINCE INCEPTION
3 MARCH 2003 TO 30 SEPTEMBER 2005



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

CHANGES TO THE PORTFOLIO

A number of stocks in India were sold during the quarter as they reached target prices, including Reliance Industries (petrochemicals), Gammon (construction), and Ceat (tyres). New holdings include a number of property developers in China where recent government measures to slow the property market have pushed down transaction volumes and stock prices. Our assessment is that these setbacks are temporary and that the residential property market will continue to perform strongly. Another new holding is BenQ, a Taiwanese designer and manufacturer of flat panel displays and other electronic goods. The company has acquired the mobile phone division of Siemens at a very attractive price, providing it with a platform from which to become a major player in the handset market.

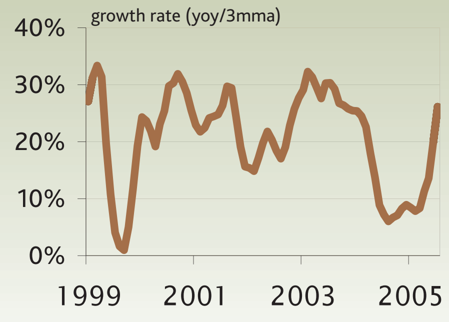
The short position in the India Nifty index was increased to a level of 12% during September. As noted elsewhere, this decision has held back the Fund's performance; the Indian market is clearly no longer the undiscovered story it was over two years ago at the time of the Fund's inception. Although the Fund's various Indian holdings remain attractive investments, we believe it is prudent to remove some of the market risk via short-selling the index after such a strong upward thrust.

COMMENTARY

What is particularly impressive about the Asian markets' performance this quarter was that it occurred in the face of yet another step-up in the oil price. The traditional logic that as net energy importers these economies should be particularly sensitive to such changes does not seem to apply for the moment. This can best be explained by the high level of national savings across the region which act as a buffer against higher fuel prices. Current account surpluses are falling but they are still in surplus! Nevertheless, if energy prices continue to move higher, ultimately economic growth will start to be affected. From the Fund's point of view, the country where this is most likely to be an issue is India, where forecasts for the current account see it moving to a deficit in the order of 2% of GDP from a similar sized surplus only two years ago.

The other overhang on Asian markets has been the concern over the rate of growth in the Chinese economy. (Please see our previous quarterly report for a discussion of this issue). However, toward the end of the quarter, data released showed a significant turnaround in Chinese construction activity. Together with better performance in the Korean and Japanese domestic economies, the region would appear to be becoming less reliant on US export demand to continue its strong growth.

Chinese Construction Index



Source: UBS

However, the most important event this quarter was one that probably had little short term impact on markets. On July 22, the People's Bank of China revalued the yuan exchange rate by 2% and announced that the exchange rate would be managed against a basket of currencies rather than the current system of a fixed rate against the US$. After much external political pressure which called for revaluations varying between 10% to 25%, based on differing views of the degree of yuan cheapness, the news was met with a yawn by many commentators. We disagree strongly with the notion that the change in the yuan exchange rate regime is a non-event! Without getting into the intricacies of the new mechanism, it suffices to note that China has now moved to a managed float of its currency. Although the initial revaluation has been small, the new regime potentially allows for much greater moves in the value of the yuan through time.

Why is this so important? Firstly, a fixed exchange rate regime can distort the price mechanism resulting in over- or under-investment in different segments of the economy. In China, the extreme undervaluation of the yuan has led to a major capital spending boom in export and import competing industries while domestic orientated business have lost out[1]. The vast and rapidly growing trade surplus is the outcome. This may well seem a desirable result but left to run its course, these surpluses will be ultimately recycled back into the economy and show up as price inflation of domestic activities which will negate the apparent advantage of having a cheap currency. (In other words, as the economy of China has become more diverse and complex, pressure in one part of the system inevitably transfers into another). In the usual scheme of these things, one can expect the adjustment to overshoot, resulting in an overvalued exchange rate at some stage and a current account crisis. This was in fact the basic formula for the Asian crisis of 1997-98. Simply, the fixed exchange rate mechanism will create a boom-bust economy which is precisely how we have viewed China to date.

In the circumstances China has found itself in in recent years, a rising currency would have ameliorated the strength of the investment cycle. Further, a flexible exchange rate regime allows greater independence for the central bank in setting monetary policy, thus providing a more effective policy tool to slow growth than the crude credit controls that have been resorted to over the last 18 months. And conversely in a less favourable environment, a falling exchange rate can ease the pain by creating an incentive to invest. There is probably no better example of this at work than Australia during the Asian crisis where a sharp depreciation of the A$ meant that the domestic economy travelled through that period relatively unscathed from the nasty shock to our terms of trade.

If greater flexibility in exchange rates is so desirable, why has China and much of Asia been so reluctant to embrace such a policy? Most would answer this by reference to the mercantilist approach of deliberating undervaluing currencies in order to gain an advantage in trade. Though in part true, it misses the critical factor that for such fixed rate mechanisms to hold, monetary and fiscal policies must remain disciplined, thus providing credibility to the currency as a store of value[2]. The combination of large trade surpluses and foreign investment inflows to China militate against the success of this mechanism. If one is seeking confirmation about the upward pressures now being exerted upon the yuan, consider the alacrity with which foreign banks such as Citibank and HSBC have sought equity stakes in the Chinese banks. These are not controlling stakes and presumably the management input will be minimal yet along with foreign share investors, these massive banks

[1] The loss of investment in domestic industry is in a relative sense only. It is not as if the development of domestic activities such as retail, consumer products, or property development has been slow!

[2] Somewhat ironic given the profligate monetary and fiscal policy of the country to whose currency the PBOC have pegged the yuan!

are happy to take a long term view on the currency and economy.

The investment implications of a more flexible exchange rate mechanism are numerous. Less extreme economic cycles should see lower volatility in company profits and thus reduce the risk of investing in China. Ultimately this may well result in a higher valuation being placed on Chinese assets. As the yuan is allowed to appreciate toward its underlying value, less investment in export orientated areas should free up funds for the domestic side of the economy. The most obvious beneficiary that we can identify is the residential property market, where despite a significant building boom in recent years, we believe it is far from over. Other areas of future investment will include infrastructure, particularly in the areas of water and clean(er) energy.

Outside of China, it is probable that the central banks of the region begin managing their exchange rates against the yuan rather than the US$. This gives rise to the idea of Asian decoupling - that Asian economies and markets begin to move independently of the prospects for the developed economies and instead are driven by trends in their own domestic demand! Of course it is yet to be seen whether the PBOC will allow the degree of flexibility in the exchange rate required to make a difference, and if they do, the changes that are discussed here will take place over a number of years rather than months. Nevertheless it is promising that the first steps have been taken.

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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The Platinum Trust Product Disclosure Statement No. 5 and its Supplementary (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.