PLATINUM ASIA FUND

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PERFORMANCE

Asian stock markets continued their impressive march higher appreciating by 10.9% during the quarter, resulting in a total return for 2005 of 31.1%. A significant portion of these returns were the result of the A$ depreciation against Asian currencies, with the above returns reduced to 5.0% and 21.2% respectively when measured in local currency terms. In comparison, the Fund performance for the quarter was 9.6% and 40.6% for 2005.

The clear leader was the Korean market which was up 12% for the quarter and 53% for the year. Deeply out of favour 18 months ago, this market has continued to rebound as the issue of credit card bad debts recedes and strong auto and retail sales reflect a much improved economy. The market also stands apart in the region as having local investors as the prime marginal buyer of stocks, suggesting less reliance on global liquidity for support. India was the other strong performer rising 10.7% over the last three months and 42% for the year, where strong earnings growth continues to attract enthusiastic inflows from foreign investors. Hong Kong was the weakest market for the quarter (down 3%) as higher mortgage rates slowed the residential property market. Taiwan suffered further (down 1.3%) as bad debts on consumer loans continued to rise, impacting the banking sector.

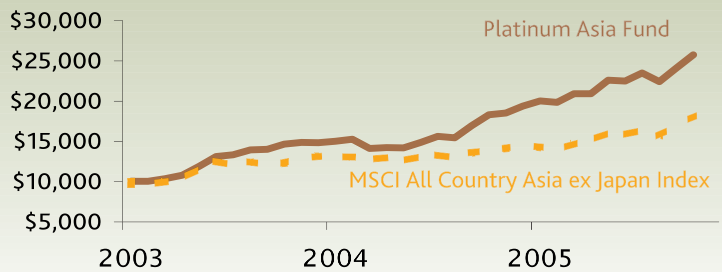
The best performers were primarily the Fund's Korean holdings with Seoul Broadcasting (TV broadcaster) one of the best (+77%) as the outlook brightened for the domestic economy. LG Electronics also

DISPOSITION OF ASSETS

REGION	DEC 2005	SEP 2005
CHINA (LISTED PRC)	7%	5%
CHINA (LISTED EX PRC)	12%	9%
HONG KONG	6%	6%
TAIWAN	7%	7%
GREATER CHINA TOTAL	32%	27%
INDIA	24%	30%
KOREA	23%	21%
INDONESIA	4%	1%
MALAYSIA	4%	2%
THAILAND	1%	1%
SINGAPORE	1%	1%
CASH	11%	17%
SHORTS	11%	12%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
3 MARCH 2003 TO 31 DECEMBER 2005



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

performed well (+27%) on the back of strong new product releases in mobile phones and improving performance in its LCD business. Samsung Heavy (ship building) had another good quarter (+15%) on the securing of further orders. Elsewhere our portfolio of Chinese property developers had strong upward moves. Despite the move in the Indian market, our Indian stocks didn't add a great deal to the Fund's performance. Among the poor performers were our bank holdings which have lagged the market due to concerns about the impact of higher interest rates. We remain confident that the banks remain significantly undervalued and will continue to hold these positions. The other major drag on performance was our decision to hold our short position in the Indian Nifty Index which reduced the Fund performance for the quarter by approximately 1%.

CHANGES TO THE PORTFOLIO

The composition of the portfolio continues to change slowly with Indian stocks now accounting for 24%, down from 42% a year ago. This has mainly been achieved by allowing the Indian portfolio to be diluted as new Fund inflows have been put to work elsewhere. The main beneficiary of this has been the China component (including HK listings) which now represents 19% of the portfolio, where we have continued to build holdings in residential property developers, as well adding to our holding in ZTE Corp. Elsewhere, other major changes have been acquisitions of Indonesian paper producers and a Malaysian construction company.

COMMENTARY

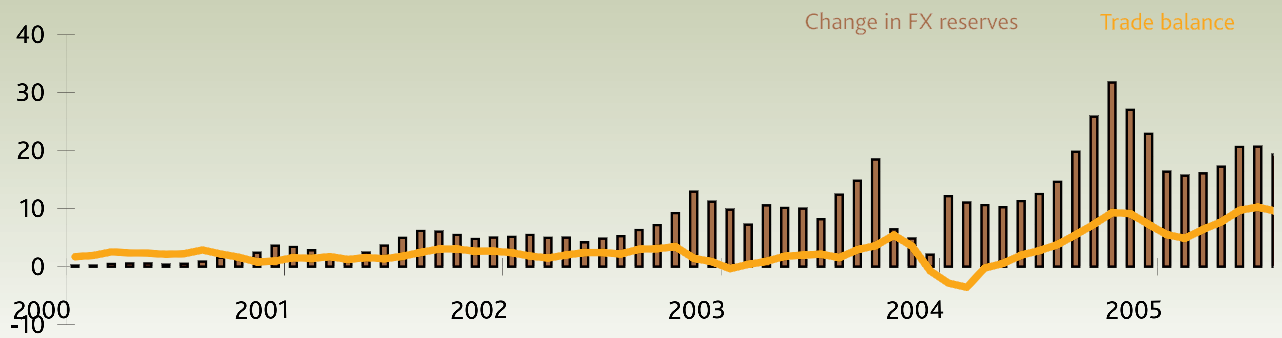
In our last quarterly report we focused on the change in the Chinese yuan exchange rate mechanism and the implications of a more flexible exchange rate system for China and the rest of the region. A flexible exchange rate mechanism has the potential to transform the Chinese economy away from its boom-bust cycle to a more stable growth pattern. Given the significance of this to the region, and especially the stock markets of the region, it is worth spending some more time considering the pressures on the Chinese policymakers to allow a stronger yuan.

In a floating exchange rate regime such as in Australia, the price of the currency simply moves until the buyers and sellers are in equilibrium. Theoretically if the country is running a trade surplus, there will be an excess of "natural" buyers of the currency who will push the currency to a level where owners of the currency will sell, generating an offsetting capital outflow. In the real world the process is much more frantic as capital flows typically far outweigh the natural trade flows and thus tend to be the predominant factor in setting the price of the currency. Nevertheless the basic principle applies that all the flows offset one another and the central bank need not participate in the market.[1]

However, in a fixed exchange rate regime, the central bank plays the role of balancing the flows in and out of the currency, buying or selling at the fixed rate as required. When there are more buyers than sellers, the central bank ends up creating "new money" and accumulating foreign reserves, which is exactly the situation the People's Bank of China (PBOC) finds itself in today. The chart over shows that foreign exchange reserves are building at the moment at a rate of approximately $US20 billion per month far in excess of the typical trade surplus each month of $US10 billion. Part of this difference is accounted

1 In reality of course, central banks are active participants in their exchange rate market, but usually in the context of smoothing the more extreme fluctuations.

PRC - Change in FX reserves versus Trade Balance (3 month moving average)



Source: CLSA and CEIC, UBS estimates

for by foreign direct investment (FDI) of approximately $US5 billion per month. The balancing $5 billion will primarily be the result of speculative capital flows that are finding their way into China, either legitimately or otherwise.

One legitimate channel that has developed for foreigners to gain exposure to the yuan is the non-deliverable forward (NDF) currency market. In this market the buyer of a NDF will make a profit if the exchange rate at the time of maturity is above the forward price at the time of purchase and conversely a loss, if it is below. In a conventional forward currency contract the deal is concluded by the actual delivery of the currency purchased, but as foreigners cannot (legally) take delivery of the yuan (or for that matter provide delivery), the contract must simply be closed out by exchange of the profit or loss. In the NDF market, it is simply a case of different offshore players making "bets" with one another on the direction of the yuan. At the moment, the 12 month NDF in the yuan is trading at approximately 4% above the spot level, meaning that a buyer of such a contract will break-even on a 4% appreciation of the yuan spot rate over the next 12 months. If the 12 month NDF price moves too far away from the spot price, for a market participant that is able to hold yuan (legitimately or otherwise) there is an opportunity for a risk-free profit by buying the yuan at today's (low) spot price and selling at the (high) forward price. By this mechanism, if foreigners push the NDF price of the yuan higher, ultimately they cause other players to actually buy the yuan!

The problem for the PBOC, as stated earlier, is the other side of the accumulation of foreign exchange reserves is that it is having to create (or some would say print) an equal amount of new yuan. Although the PBOC can take some actions in the money market to reduce the amount of new yuan entering the system, this printing of money is ultimately inflationary. And given the disparities in wealth across Chinese society, inflation more than anything else has the potential to cause social unrest. The various actions of the government over the last two years to slow the economy, and in particular the property market, suggest there can be little question that the spectre of inflation causes authorities much angst. The simplest policy solution is to allow the yuan to appreciate.

Interestingly while the PBOC face the problem of dealing with these vast flows, the government is in fact opening up further legitimate channels of capital flows into the country. Since 1 December 2003, foreign investors have been able to apply for status as a "Qualifying Foreign Investment Institution" (QFII) which allows them to purchase Chinese "A" shares which had previously only been available to domestic investors. Currently QFII's hold quota to invest up to $US5 billion in domestic securities and it has been announced that a further $US5 billion in quota will be awarded in 2006. Although these QFII quota are small by comparison with the overall accumulation of FX reserves by the PBOC, the decision to increase the quota is hardly the action of a central bank determined to keep a lid on the currency. Other recent technical changes that involve foreign investment banks in setting the daily spot rate for the yuan appear to be the readying for the day of a more active market in the currency!

Otherwise, a notable feature of the Asian markets during the last quarter has been the enthusiastic reception of investors to the record level of new stock offerings which totalled $US17.6 billion for the quarter and an impressive $US37.3 billion for the year. In the face of such considerable supply the markets have performed extraordinarily well.

Our observation would be that pricing of issues has been quite generous (to the seller) with notable transactions being in the relatively new asset class of REITS (real estate investment trusts ie. property trusts) where the thirst for dividend yield has created enormous interest. Investment banks are up to their usual trickery with some of these issues by leveraging assets to improve the apparent yield, which in some cases is further improved via the provision of subsidised debt. Although the transactions to which we refer are still small in value, the enormous subscriptions they have attracted in the face of such obvious financial chicanery is interesting, especially as exposure to the type of assets involved can be easily achieved via the large and liquid listed property investment companies.

Clearly there are significant amounts of liquidity washing around in global financial markets, and usually this should make one wary about future returns. However, we continue to find interesting businesses to buy at good prices through the region, so remain optimistic about returns over the medium term.

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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