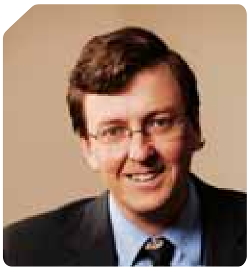
PLATINUM ASIA FUND



Andrew Clifford
Portfolio Manager

PERFORMANCE

PERFORMANCE (compound pa, to 31 December 2006)	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PLATINUM ASIA FUND	6%	18%	29%	27%	34%
MSCI AC ASIA EX JAPAN	10%	24%	28%	22%	24%

Source: Platinum and Factset. Refer to Note 1, page 46.

It was an extraordinary quarter for Chinese stocks with the Shanghai "A" market up over 50% and the Hong Kong "H" market up 45%[1]. While the Chinese "A" shares have been steadily making ground over the last 18 months, having previously been one of the world's worst performing markets, this quarter's performance would suggest that the country's massive trade and capital account surplus have finally created liquidity conditions conducive to a good bull market. Efforts to hold back property prices, the major alternative asset class for domestic investors, have possibly helped funnel funds back towards stocks as well. Foreign investors have bought up the "H" share market in sympathy, particularly as it represents one of the few ways of playing the ongoing appreciation in the Chinese yuan. Other strong performers for the quarter were Indonesia, the Philippines, and Singapore, all up in excess of 16%. The major laggard was Thailand which was down 1% for the quarter after the Bank of Thailand imposed capital controls.

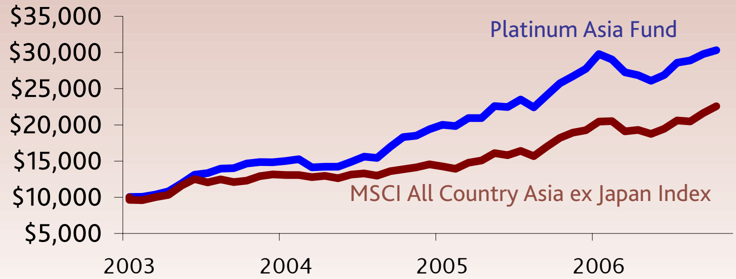
[1] The "A" share market in China is primarily a domestic market only, although foreign investors now have some limited access, while the "H" share market in Hong Kong is open to foreign investors but not mainland investors.

DISPOSITION OF ASSETS

REGION	DEC 2006	SEP 2006
CHINA (LISTED EX PRC)	5%	5%
HONG KONG	8%	7%
CHINA (LISTED PRC)	19%	22%
TAIWAN	6%	4%
GREATER CHINA TOTAL	38%	38%
KOREA	15%	18%
INDIA	15%	15%
MALAYSIA	7%	6%
THAILAND	5%	5%
SINGAPORE	2%	2%
INDONESIA	3%	3%
CASH	15%	13%
SHORTS	15%	9%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
3 MARCH 2003 TO 31 DECEMBER 2006



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

The major contributors to performance were the Fund's Chinese holdings with China Vanke (property developer), Anhui Conch Cement, Zhengzhou Yutong Bus (“A” share listed bus manufacturer) and China Telecom all appreciating in excess of 50% for the quarter. The underperformance of the Fund during the quarter can be attributed primarily to short positions in share indices across the region.

CHANGES TO THE PORTFOLIO

With a number of holdings reaching full valuations there were a significant number of changes made to the portfolio. China Mobile, Anhui Conch Cement and Shanghai Real Estate were amongst holdings disposed of. New holdings include Hutchison Whampoa, the Hong Kong conglomerate that includes the world's largest container terminal operator and the "3" mobile phone business with operations across the globe, including the UK, Italy, HK, and Australia. Taiwan Semiconductor, the leading semiconductor foundry, was also added to the portfolio, along with Reliance Energy (Indian power utility) and New World China (PRC property developer).

COMMENTARY

The star performer amongst Asian markets during 2006 has been the Vietnamese stock market where the Ho Chi Minh stock index appreciated by over 150%. While the Fund currently has no direct investments in Vietnam, it is worth contemplating the progress Vietnam has made in reforming its economy in recent years as it will quite likely form a permanent part of the investment universe in the region.

In many respects the changes that have taken place in Vietnam mirror those that occurred in China during its transformation to a market economy. The *equitisation* (Vietnamese terminology for privatisation) of state owned entities (SOEs) started on an experimental basis in the early 90s. The process involves incorporating the SOE and a subsequent sale to the public, with 30% of the stock reserved at a heavily discounted price for the management and employees. In some cases the government has sold out completely, while in others it has retained controlling stakes. By the late 90s, the process was accelerated with over 3,000 SOEs, accounting for approximately 10% of SOE invested capital, "equitised" by the end of 2005. Laws passed this year require all remaining SOEs to be privatised over the next four years.

Although the privatisation process was a vital part of the Chinese reforms, the real driver of China's growth has been the extraordinary success of the private sector, to the extent that the private sector today accounts for over 60% of China's GDP. (After all, telling a government department it now has shareholders and has to make profits usually won't make for the most inspiring of companies, at least not overnight.) In centrally planned economies such as Vietnam or China before their respective reforms, there was always an underground private economy that provided services which the SOE behemoths failed to fill. Although such activity may have been well hidden, once the government opened the door to private enterprise many rushed in to fill the void.

In China, the move to opening up the private sector started with the "household responsibility" system for farming in the early 80s and progressed further with the creation of township and village enterprises in the late 80s. The success of the private sector gained even more impetus in 1992 with Deng Xiaoping's famous exhortation "To be rich is glorious". Perhaps this explicit encouragement of the pursuit of profit by the nation's senior statesman represented the removal of the last barrier to the rising flood of private enterprise. The establishment of Vietnam's "Enterprise Law" in 2000 appears to have heralded a similar period of private enterprise expansion with the number of private companies having expanded from less than 100 to over 200,000.

Hand-in-hand with the expansion of the private sector has been a rapid growth in foreign direct investment (FDI). As much as $US7 billion is expected to flow into the country this year up from $2 billion five years ago, which places Vietnam second only to China in FDI relative to GDP. With the wages of manufacturing workers in China starting to accelerate, Vietnam has become the new destination for low cost manufacturing. A population of over 82 million, of which 50% are less than 25 years old, and a literacy rate of over 95%, makes Vietnam a highly desirable location to establish manufacturing operations. Unskilled labour can be found by foreign firms for $US60 per month (local employers will pay substantially less) compared with the $US150 per month now being paid in major manufacturing centres in China.

However, it should be noted that Vietnam is equal in population only to the largest of China's 26 provinces, so the competitive impact on China's own growth will be limited. Other sources of foreign income include tourism with foreign arrivals now over two million a year and inward remittances from expatriate Vietnamese estimated to be at levels similar to that received by the Philippines. With Vietnam's entrance to the WTO in early 2007 now confirmed, the country will undoubtedly receive a further boost in FDI and trade.

The result of the reforms has been that GDP has grown at a rate of over 7% pa since 2000, again second only to China in the region. Perhaps more illustrative of the country's progress are the 17 million mobile phone subscribers, up from six million in mid-2005, which represents a similar level of market penetration as in Indonesia. The existence of 21 million motorbikes on the road, along with the appearance of Mercedes and BMWs on the streets in recent times, provides another view of Vietnam's recently found prosperity. Along with the stock market, the property market has also been hot with the market reportedly up tenfold since 1998. Prime residential property prices in Hanoi and Ho Chi Minh City are approximately $US200 per square foot which places it at similar levels to Shanghai.

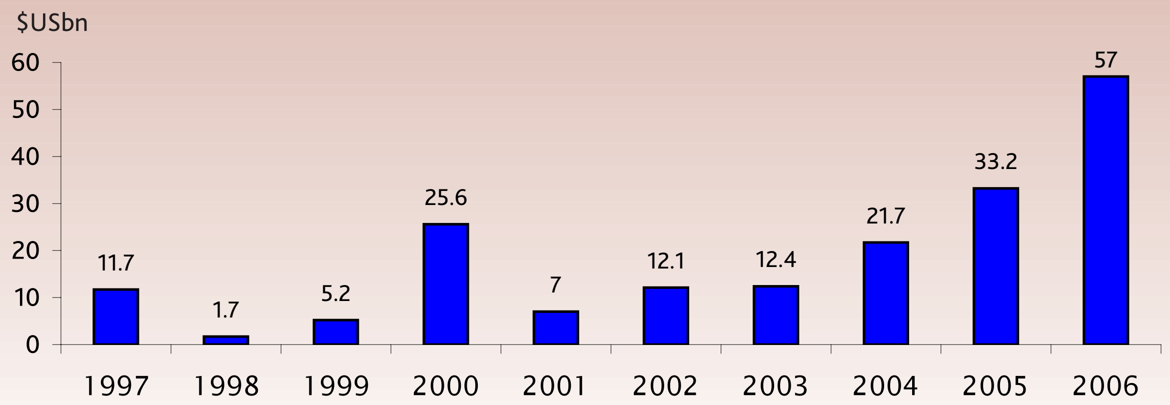
The stock market is tiny with a market capitalisation in the order of $US10 billion. Exact figures are hard to come by because of the existence of a large over-the-counter market in privatised SOEs. This is separate from the formal stock exchange which is expanding quickly as a result of the acceleration of privatisations. Hopefully this will give us an opportunity to participate in the transformation of the country. In the meantime, trade volumes are pitiful with the largest listed company capitalised at $US1.7 billion with trading virtually by appointment. Currently the Fund does have an indirect exposure through Thai property developer, Amata Group.

Elsewhere, the event of note during the quarter was the imposition of capital controls by the Bank of Thailand in an attempt to reduce the global liquidity that had been washing into the Thai market and driving up the value of the baht. The measures were immediately effective, sending the Thai Stock Market into a sell off that saw it fall 14% in a single day. Once the rules were clarified for stock market investors, the market regained half its losses, but foreign investors' confidence in the country had been significantly damaged. Subsequently there have been accusations of incompetence and inexperience in the caretaker government and its administrators Many commentators hold the view that capital inflows could have been reduced through interest rate cuts that were otherwise necessary to give a boost to the sluggish performance of the Thai economy.

It is worth reflecting on why the Bank of Thailand (BOT) would take such draconian action when there was little evidence of speculative excesses in Thailand. Perhaps their experience of the mid-90s when global liquidity flowed into and then out of Thailand and resulted in a currency crisis? The subsequent recession saw half of the banking system's loan portfolio default which surely made them sensitive to the damage that indiscriminate portfolio flows can do to the real economy. Although the BOT's actions may remain an isolated incident, it is also possible they portend further disturbances to markets as authorities try to deal with the ramifications of global liquidity flows.

Otherwise we could report much as we did last quarter that ongoing confidence about lower global interest rates, steady-to-lower energy costs, and the ongoing strength of the Chinese yuan against the US dollar continue to help Asian stock markets move higher. The strong markets have allowed companies to continue to raise funds from the market, with nearly $US60 billion raised by initial public offerings this year. ICBC, a Chinese state owned bank, was the highlight of the new issues with the $US21.6 billion issue attracting over $US1 trillion in applications. Although such an abundance of new supply is often an indicator of a market top, the positive is that in direct contrast to the developed markets where the private equity buyout phenomenon is gearing up corporate balance sheets, Asian companies are moving to strengthen their financial position.

Initial Public Offerings (IPO) in Asia ex Japan



Source: Merrill Lynch

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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