

PLATINUM JAPAN FUND



Jim Simpson
Portfolio Manager

PERFORMANCE

The Fund rose by a modest 5% in \$A terms this quarter against a market return of 10%. Absolute returns were flattered by the weak \$A which fell 2.5% against the yen. Comparative returns were negatively impacted by our Livedoor holding and a weak Korean market. The one year return of the Fund was 43% in \$A terms as compared with 49% for the MSCI Japan Index.

Livedoor

Many readers will be aware of the arrest of Takafumi Horie, the colourful founder of Livedoor, on allegations of securities law violations and its consequent impact on the value of the group companies. This event had a cost impact of -1.9% on the Fund. We have taken the unusual step of outlining this impact in response to some investor's enquiries but remind investors that rarely do we highlight the major successes in our portfolio. Indeed, this is the nature of a well-diversified portfolio where even the near destruction of one stock has relatively little impact on the overall picture.

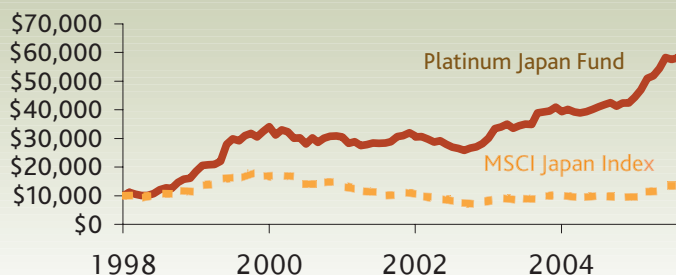
DISPOSITION OF ASSETS

REGION	MAR 2006	DEC 2005
JAPAN	75%	74%
KOREA	18%	17%
CASH	7%	9%
SHORTS	19%	19%

Source: Platinum

VALUE OF \$10,000 INVESTED SINCE INCEPTION

1 JULY 1998 TO 31 MARCH 2006



Source: Platinum and Factset. Refer to Note 2, page 4.

Looking through the retrospectascope® we would make a number of comments about the Livedoor situation:

1. This event is unlikely to have a detrimental impact on the market as a whole unless the authorities unleash similar tactics upon other entrepreneurial companies such as Softbank. Perhaps the action taken against Livedoor will serve as an adequate warning to others.
2. Our initial appraisal of the investment value of Livedoor was that of the 400 yen share price (our average cost), about 200 yen was net cash and the remaining premium represented a very cheap multiple for internet earnings streams (approximately 10x PE). If we were to critically appraise our decision we clearly did not pay enough attention to the distaste with which the establishment in Japan regarded Horie's attempted takeover of Fuji TV and his running against the high profile Kamei (old guard and former police minister) in the general election. This combined with a great reliance on Horie for the "value" in the internet assets left us exposed to the bolt-from-the-blue which transpired.
3. Although the charges are serious it seems pretty clear that the types of offences are in the grey area and many Japanese companies would be guilty of padding profits and talking up their stock. Rather it is pretty clear that the establishment have chosen to turn on Horie as payback for his upstart ways. Indeed nothing detrimental about the value of the underlying operating businesses has been revealed.

We have taken the decision to sell out of our remaining position in Livedoor as the company is going to be delisted and we wish to ensure that investor's tax losses are made available.

CHANGES TO THE PORTFOLIO

The overall positioning of the Fund remained fairly static. On the currency front we raised our exposure to the yen by 10% of the Fund at the expense of the \$A.

Major changes to stock positions:

Stocks bought:

Mitsubishi Heavy, JR West, Hitachi

Stocks sold:

Mitsubishi Securities, Toshiba, Sumitomo Mitsui Financial Group

COMMENTARY

Japanese market - the way forward

With the slowing of the frenetic rise in the Japanese market it is a good time to outline our scenario for the market going forward. We believe the market is only midway through its current bull phase and barring a sharp downturn globally, has the potential for good gains. A Nikkei level over 20,000 is not improbable. As we pointed out in our last quarterly and consistent with our hedging position, a lot of enthusiasm for the market had been expressed in prices already. But if we look at the economic cycle it would seem there is a lot more to come. Our view is that it is hard to believe that we could see a recovery from 15 years of recession which would be over within one or two years. Rather we see additional impetus to the economy coming from the recycling of corporate profits into capex and higher wages. Coincident with this, the ending of deflation will provide another powerful boost to the cycle with areas such as the financial economy and property market kicking into gear. These forces can energise the economic cycle for some time to come.

Within the stock market we believe the easy gains have been made. From here on it will be more important to look for areas of relatively stronger earnings growth as benefits from the improving economic cycle are somewhat dulled by rising rates and employee wages. We think that the market sectors that have led earnings to date such as in the commodity cyclical and early-cycle capex areas will lose momentum. Rather, we are more disposed toward areas such as the financials which will see much greater volumes of activity and also benefit from stronger lending margins. Heavy industrial companies are also interesting as they tend to gain more from a broader improvement in the economy and are starting to see the benefit from the retirement of older, less productive employees.

Of course, the theme for the overall Platinum Trust quarterly report is China, and there are few places where this will be more important than in Japan. We think it is important to cast one's mind not just to Japan as a discrete, investable entity but rather think of north Asia as an integrated region including Korea, China, Taiwan and Japan. When you do this it's much easier to recognise the benefits that Japan will derive through a market for their very high tech goods as well as a source of cheap labour and impetus for structural change. Consumer goods companies such as Toyota, Sony and Shiseido should do well as will the Koreans such as Samsung and LG Electronics.

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

(Note. 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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