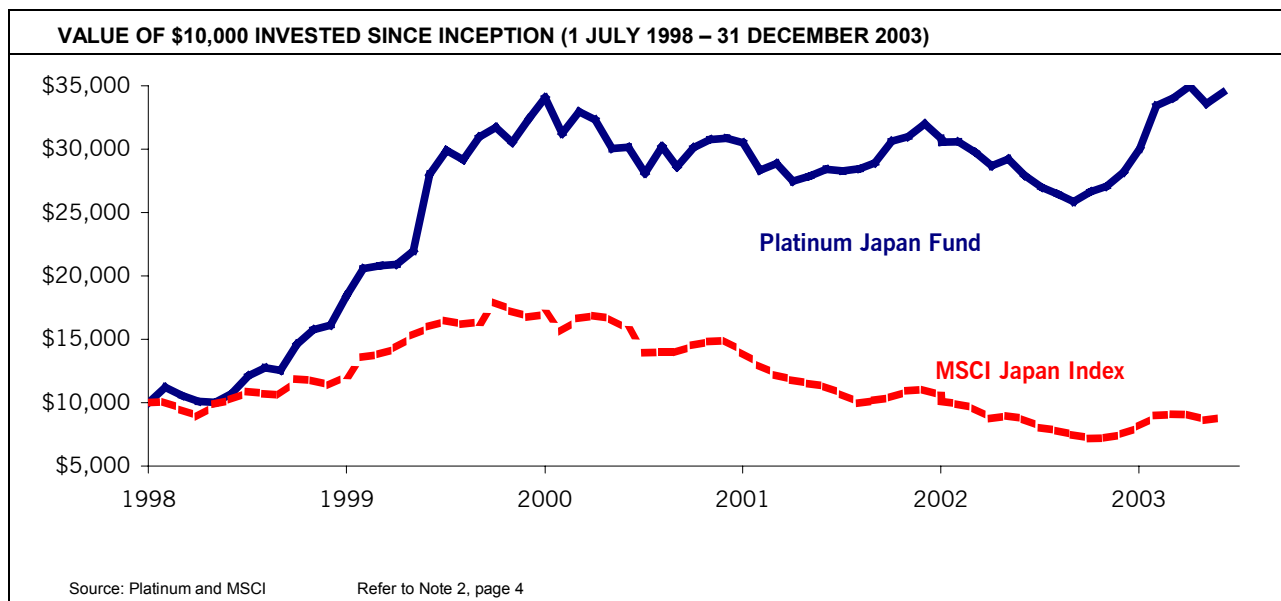


Platinum Japan Fund

Performance

REDEMPTION PRICE: \$1.7812



(As at 31/12/03)	Fund Size	Quarter	1 year	2 years (comp. pa)	3 years (comp. pa)	5 years (comp. pa)	Since Inception (comp. pa)
Japan Fund	\$118mn	1.25%	23.38%	10.53%	6.92%	23.24%	25.20%
MSCI* Japan Index		-2.64%	1.57%	-8.98%	-14.06%	-4.05%	-2.18%

* Morgan Stanley Capital International Source: MSCI and Platinum Refer to Note 1, page 4



The Japanese stock market was volatile over the quarter but ended essentially unchanged in local currency terms. Stronger world markets failed to have an impact on Japan as the market digested the strong foreign buying seen in the previous quarter. Concerns regarding a stronger yen and the ongoing structural

issues of the banking system and the fiscal deficit had a negative impact on sentiment. In \$A terms the MSCI Japan index fell by -2.6% over the quarter as the \$A rose strongly against both the \$US and the yen. The Fund rose a modest 1.3% in \$A terms as our currency hedge from yen back into \$A helped and within the market there was a move back to higher quality stocks which benefited our portfolio.

Changes to the Portfolio

There were large changes to the portfolio this quarter with both an increase in the net invested position and switches among a large number of stocks. Toward the end of the quarter with global markets moving ahead and Japan languishing it was decided to deploy some of our cash holdings. As a consequence our net invested position rose to 78% at quarter end from 63% previously. New stocks added to the portfolio included Ajinomoto, Yamanouchi, Fuji Photo Film and Rinnai. Stocks removed from the portfolio included Toys "R" Us, Hankyu, NTT and NYK. The focus of the changes was to shift funds into higher quality companies that have been

DISPOSITION OF ASSETS		
Region	Dec 2003	Sep 2003
Japan	76%	62%
Korea	10%	10%
Cash	14%	28%
Short Derivatives	-13%	-14%
Long Derivatives	5%	5%
Net Derivatives	-8%	-9%
Net Invested	78%	63%

Source: Platinum

neglected in the recent market strength which has favoured highly cyclical stocks. An example of such a stock is Fuji Photo Film. The market has fretted about the decline of the traditional film and paper business in favour of digital cameras and home photo printers. However the traditional business now accounts for less than 25% of profits and the

company is seeing profit growth in such areas as digital products (cameras and components), LCD films and in its China copier business. It seems to us that the market has become overly pessimistic on Fuji's prospects at exactly the point where the transition to digital has largely taken place.

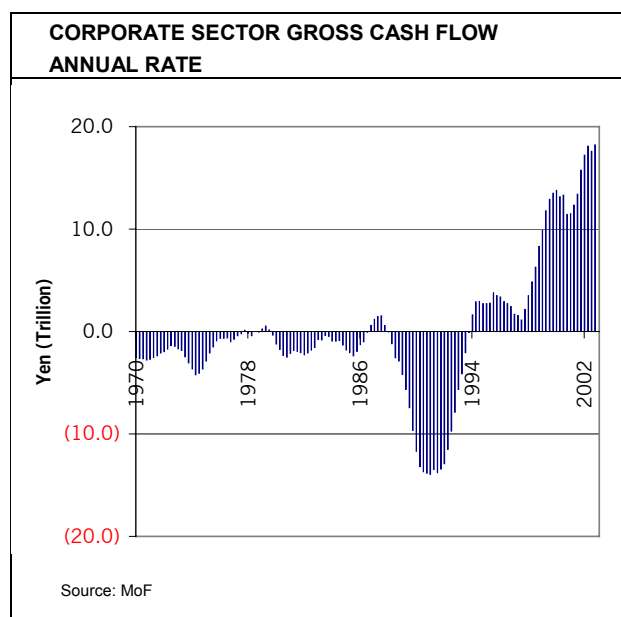
Commentary

Japan Trip

We recently completed a week of company and analyst visits in Japan and returned with the essentially unchanged view that the market remains interesting from a stock selection perspective. In terms of the economic direction the picture is more clouded and interestingly, despite the generally upbeat feeling on the streets of Tokyo, the locally based commentators were frequently quite bearish about prospects for the economy. They see the current cyclical upturn as no different to the two other upturns (95/96, 99/00) which have occurred over the past decade. The bottom line of their argument is that there have been no significant structural changes in the economy and hence when global demand for exports wanes the economy will be back where it started. It is hard to argue with them but it is also true that such feelings are bound to predominate after such an extended downturn. Indeed, normally this kind of feedback would make us more bullish on the market if it were not for the fact that foreign investors appear to have taken a much more bullish position as is evident in their buying 7 trillion yen of stock this year and their generally overweight positions. The counter point that needs to be made is that a large part of the flow has come from hedge funds who rather treat Japan as an emerging market, and hence essentially have a similar view to the local commentators ie that it is a purely cyclical recovery. It is possible that more buying could emerge from global pension funds if the economic advance proves to be more sustainable.

The feedback from our company meetings was in stark contrast to the mood of the commentators. There was a much more bullish tone, probably driven by the good profit growth currently being generated on the back of restructuring and strong export growth as well as the huge cash flow surpluses that have built up. Indeed the annual corporate cash flow surplus has risen to historical highs of 3.6% of GDP (see chart). We have talked many times before about the positive changes we see

happening in corporate Japan and our meetings confirmed that the trend is entrenched. This is very important because it is the innate strengths of the corporates which tend to drive economic activity. Given the surpluses behind them, the breaking free of historical ties and the current cycle of product innovation - corporates will continue to be the main driver of economic activity.



The current debate over fiscal policy provides an interesting illustration of the opposing views on the economy. Currently Japan runs a primary fiscal deficit of 6.5% of GDP and has a government debt to GDP ratio of 160%. In order to merely stabilise the Debt/GDP ratio the government would need to run a surplus of about 3% of GDP (assuming no pickup in nominal growth) which would require a 9% of GDP swing in government spending. Whilst we were in Japan, and with the election out of the way, the government has started talking again about addressing this problem. They seem to be starting off gently with proposed removals of tax breaks next year of around 3 trillion yen (0.6% of GDP) and a

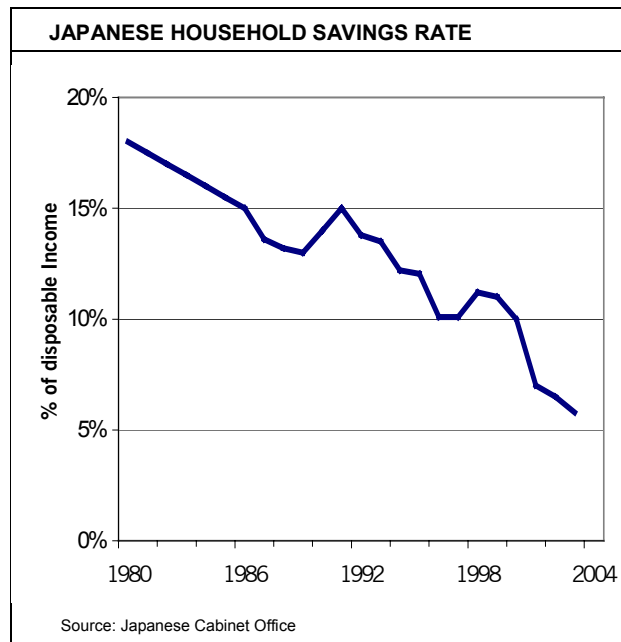
plan to hike pension contributions progressively over the next 15 years which would provide a cut of around 1.6% of GDP. The concern of the bears is that this is hardly enough and we will need to see further measures such as a raising of the consumption tax (potentially from 5% to 14%) and continuous cuts in public works (outlined in Sept 03 quarterly) and that this will mean strong headwinds for the economy. The very harsh impact on the economy from the last (modest) increase in the consumption tax is still fresh in people's minds!

On the other side of the argument it is important to remember that fiscal policy is essentially a counter weight provided for a weak private sector. If the private sector rebound is strong enough then the fiscal adjustment can be absorbed although growth will be stunted. As we mentioned, the corporate sector seems to have entered a very interesting phase seemingly throwing off the baggage of the past. The large surpluses being generated stand a good chance of being recycled into increased capital spending as the age of the capital stock has increased considerably. In terms of the household sector, whilst they have been under pressure from wage cuts their spending has been quite robust. This is a result of the savings ratio continuing to decline quite sharply - even down to US type levels. This has come from the need to maintain spending levels and, with the ageing of the consumer, it is likely for this trend to continue (see chart).

The feeling we get is that, whilst economic growth will be slowed, an excessive emphasis on the fiscal

balance is not necessarily healthy when you account for the other positive changes that are going on.

We would also highlight that it is interesting how this is seen as a major problem for Japan whilst the



ballooning US fiscal deficit is ignored by that stock market! The Japanese stock market would be positively surprised if the private sector recovery is robust and sustainable. This could also have consequences for the banking sector (positive) and the government bond market (negative) which we have discussed previously.

Outlook

Our basic view of Japan remains unchanged. It remains a promising market for careful stock selection with valuations at attractive levels on both international comparisons and against local interest rates. However, in the short term, the market has discounted quite an optimistic view of recovery with strong gains in lower quality cyclical stocks and the market remains somewhat vulnerable to a slowdown

of international growth perceptions. In addition, despite the strong backdrop of corporate profitability, the Bank of Japan seems to have become more complacent when one looks at recent sterilisation of currency intervention. Once again it is becoming more important to appraise stocks based on their medium term growth potential.

Jim Simpson
Portfolio Manager

Notes

1. The returns represent the combined income and capital return for the specified period. They have been calculated using withdrawal prices, after taking into account management fees (excluding any performance fees), pre-tax, and assuming reinvestment of distributions. The returns shown represent past returns of the Fund only. 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, returns can be negative (particularly in the short-term).
2. The investment returns depicted in the graphs are cumulative based on A\$10,000 invested in the Funds since inception and relative to their Index (in A\$) as per below:

Platinum Japan Fund:

Inception 1 July 1998, MSCI Japan Accumulation Net Return Index in A\$

The investment return in the Funds is calculated using withdrawal prices, after taking into account management fees (excluding performance fees), pre-tax and assuming 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 4 (PDS), *for Australian investors*, and The Platinum Trust Investment Statement No 8 (IS), *for New Zealand investors*, provides details about the Funds. You can obtain a copy of the PDS or IS from Platinum's web site, www.platinum.com.au, or by phoning our Investor Services staff on 1 300 726 700 (*Australian investors only*) or 02 9255 7500.

Before making any investment decision you need to consider (with your securities adviser) your particular investment needs, objectives and financial circumstances. You should refer to the PDS or IS (whichever applicable) when deciding to acquire, or continue to hold, units in the Funds.

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