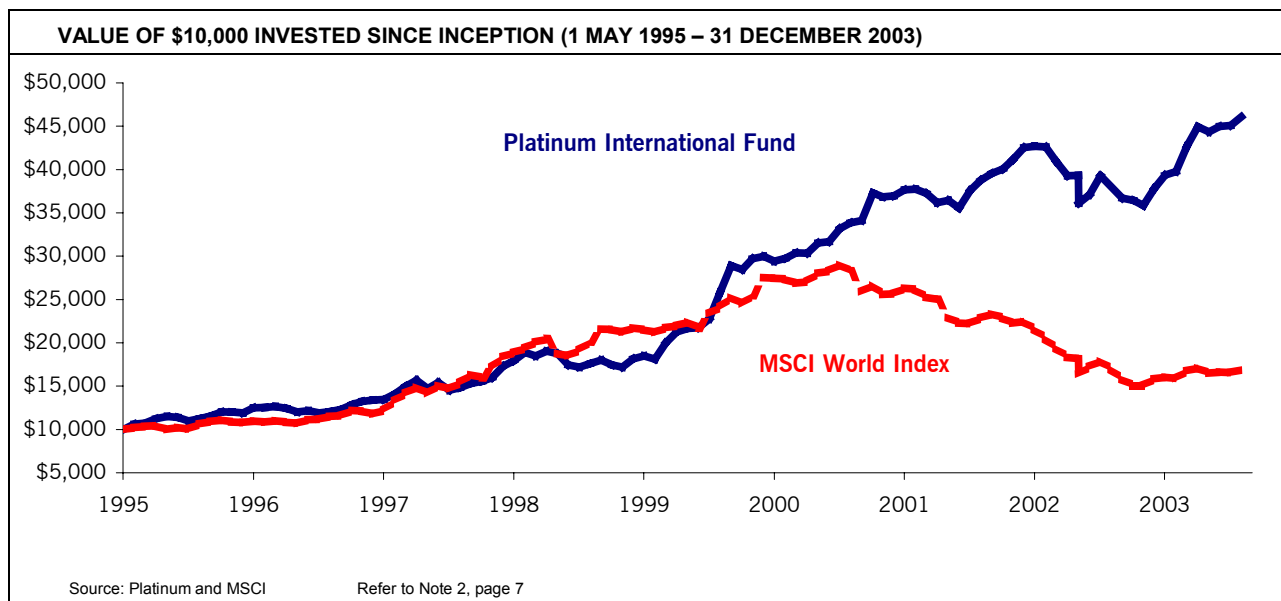


Platinum International Fund

Performance

REDEMPTION PRICE: \$1.7450



(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)
International Fund	\$3,751mn	3.94%	17.91%	6.93%	9.55%	20.00%	19.25%
MSCI* World Index		2.65%	-0.52%	-14.88%	-13.19%	-4.77%	6.25%

* Morgan Stanley Capital International Source: MSCI and Platinum Refer to Note 1, page 7



All stock markets have been buoyant but the extent of the moves has been dependent upon the base currency. The A\$ for example, rose by nearly 50% since its low versus the US\$. The pro-cyclical risk appetite of investors became clear after fears of war and

SARS subsided at the end of March. Emerging markets in Latin America and Asia leapt with extremes like Brazil rising by over 97% in local currency and 142% in US\$ terms. The overall MSCI was up by 33.1% for the year in US\$ terms, though actually down in A\$ by 0.5%. For the last quarter, the respective numbers were 14.3% and 2.7%.

The adjacent table shows the performance of the MSCI by industry categorisation. The figures are expressed in US\$ to remove the flattening effect that would result if expressed in the strong A\$. Staples, Health Care and Utilities were regarded as uninteresting as investors went careering after areas like Telecommunications and Industrials. Also the lure of Chinese-led consumption of raw materials boosted both the mining component of the Materials category and Energy.

The Fund did reasonably well for the quarter rising by 3.9% and for the year it rose by 17.9%. We partially ameliorated the adverse consequences of a rising Australian Dollar through our currency positioning.

MSCI WORLD INDEX – INDUSTRY BREAKDOWN (US\$)

Sectors	Quarter	1 Year
Materials	22.8%	35.9%
Energy	17.4%	22.9%
Telecommunications	16.4%	22.8%
Financials	14.9%	35.5%
Industrials	14.7%	35.9%
Consumer Discretionary	14.4%	35.7%
Information Technology	12.1%	47.7%
Utilities	11.9%	23.9%
Health Care	10.1%	18.0%
Consumer Staples	10.1%	14.7%

Source: MSCI

Our stock selection was sound and we gradually migrated our positions as value became fully expressed in several holdings.

Our shorting activity cost us money, but in view of the environment, this is not surprising.

In fact the relatively low cost suggests that the bias of the shorts was sensible with US financials being market laggards. Unfortunately the same can't be said of our self-classified earnings-manipulators.

Changes to the Portfolio

DISPOSITION OF ASSETS		
Region	Dec 2003	Sep 2003
Western Europe	31%	30%
Japan	26%	26%
North America	12%	12%
Emerging Markets (incl. Korea)	14%	14%
Australia	1%	1%
Cash	16%	17%
Shorts	26%	29%

Source: Platinum

The overall geographic weightings have not changed much but the underlying emphasis has shifted. We used the recent weakness in the energy sector to build positions in oil stocks such as Shell, Suncor and Yukos. While some believe that the oil price will slide once Iraq's production is up to full capacity, we take a more cautious view and suggest that the often quoted base price for crude of US\$16 is too low. All our work points to production disappointments and most companies failing to replenish their reserves.

Suncor offers an interesting alternative on account of it extracting oil from the oil sands of Alberta. It fully covers its costs at around US\$16 per barrel and produces huge cash flows at higher prices. Shell has now been relegated to "has been" status which we find intriguing given the company's pioneering work in liquefied natural gas (LNG) and its plans to exploit its considerable reserves. It is also at the beginning of the development of a 140,000 barrel per day gas to liquids project in Qatar.

The feud between the Kremlin and management of Yukos has severely dented its share price and offers us opportunistic exposure to some significant Russian fields. The risks are difficult to assess on account of the political content of the dispute. Quite apart from tax fines there is the prospect of some

licence forfeiture.

We have sold our successful investment in Inco (nickel) and have built in its place a holding in Noranda. This Canadian-based mining house has a chequered history which has discouraged some but attracts us on account of its resulting valuation, change of emphasis and exposure to base metals including unfashionable zinc.

In Japan we exited Matsushita Electric Industries and reduced NTT to acquire interests in Ajinomoto, Fuji Photo and OKI Electric. Building off a base of a strong domestic branded foods business, Ajinomoto is now the dominant player in global feed-use amino acids. Growth in these feed supplements is being accelerated by pollution and disease considerations in intensive farming regions like Europe and by cost considerations in emerging markets. In the very short term the rise in the price of Soya beans has a large impact on the price of Lysine for which Ajinomoto is the leading supplier in terms of both cost and volumes, with a 35% world market share. This company is a quiet achiever whose share price has languished, even as it has gradually built a stranglehold in its key areas of operation.

Fuji Photo we have owned before but now, as its share price is back to levels first seen in 1986 on fears of the demise of silver halide film, we are showing renewed interest. We like its growing business in industrial films, electronic components (CCDs and camera modules) and 75% ownership of Fuji Xerox (the copier/ printer maker with sales of US\$10 bn). Film now accounts for only 15% of its business.

OKI Electric is a less certain play. This company was close to bankruptcy which resulted in a remarkable 29% personnel slimming exercise and refocus. To some extent by good luck it now finds itself with interesting positions in Voice over IP, logic ICs, an ATM upgrade cycle, and the resurgence in PHS (an ultra low-cost mobile phone system) because of its deployment in developing countries.

Currency

As the quarter progressed we reduced our hedge into the A\$ in favour of Yen and Euros. We continue to

have close to zero US\$ exposure, though we are mindful of the fact that it has virtually no supporters.

BREAKDOWN OF FUND'S LONG INVESTMENTS BY INDUSTRY (% of assets)

Categories	Examples of Stocks	Dec 2003	Sep 2003
Cyclicals/Manufacturing	Schindler, Siemens, Bayer, Linde, Océ	22%	22%
Financials	Nordea, Munich Re, Alleanza	13%	13%
Technology/Hardware	Agere, Infineon Tech, Samsung, AMD	9%	11%
Gold and Other	Shell, Barrick Gold, Newmont Mining, Gold Fields	8%	6%
Medical	Yamanouchi, Takeda, Schering, Novartis, Merck KGaA	8%	8%
Consumer Brands	Henkel, Citizen Watch, Adidas Salomon, Lotte	7%	4%
Software/Media	Sky Perfect Communications, Seoul Broadcasting	7%	7%
Retail/Services/Logistics	Veolia Environ., Deutsche Post, Hornbach	7%	6%
Telecoms	Hellenic Telecom, Ericsson, NTT	3%	6%

Source: Platinum

Shorting

We added cautiously to our existing positions and introduced shorts on very highly priced tech names

such as Intel and PMC Sierra.

Commentary

As one reads earlier pieces one has written to follow the arguments of the time and to help to plot a course over the middle distance, it is very apparent that one is constantly bombarded with false signals that mislead. It is therefore hardly surprising that some of the great investors pay such scant regard to so-called macro inputs. In this past year we have had unusually large helpings of disasters including disease (SARS), war (Iraq), famine (Africa), earthquake (Iran) and a pattern of weird weather. On the economic front, we have witnessed trade disputes verging on protectionism and seen the financial system endure remarkable stress as the burden of excessive leverage is shared around. Yet, for all this the markets have celebrated an excellent twelve months, with equities soaring ahead, bonds being remarkably resilient and property booming in most places. There has of course, been one casualty which also happens to be the world's reserve currency, the US Dollar. This is a serious matter for it tells us that some of the fundamental issues, that

were adversely affecting share markets when prices were variously 20% to 50% below present levels just 9 to 12 months ago, have still not been resolved.

It is true that the low cost of borrowing money and perhaps the belief that it will stay thus, has contributed to a greater willingness among investors to take risks and hence provide a window for a major refinancing cycle.

The performance of emerging markets and the pricing of derivatives demonstrate this increased appetite for risk. The pricing of volatility has fallen by 40% over the year. Over the last twelve months companies have moved with alacrity to consolidate their finances by placing convertibles and new issues amounting to some US\$600 bn world-wide. At the same time the strong have bought back some US\$400 bn of their shares and retired US\$280 bn of debt. These figures compare with the market capitalisation of the MSCI of US\$18 trillion.

Tight control over hiring and wages together with much reduced capital spending and take-over activity has bolstered corporate free cash flows. For several years up to the peak year of 2000, the global corporate flow of funds had been in deficit. In that year the aggregate for listed non-financial companies in the US, Japan and Western Europe was around US\$400 billion. This has now completely turned around with these companies now generating a surplus of some US\$280 billion.

The significant positive surprise that received little attention in advance and which contributed to world growth was China. The flood of low-cost consumer goods has contributed to low inflation in general while at the same time bolstered the export of sophisticated capital equipment by the Japanese and Europeans.

Another positive has been the unusual willingness of foreigners to buy more of an asset as its price keeps falling, the US\$, even though it is apparent that this dollar-cost-averaging exercise may not be a great bet. (Purchases by the Asian central banks in the last 12 months look to have cost them a theoretical loss of some US\$50 billion versus the Euro!). The US Fed has assisted by anchoring short rates at 1.00%, thereby providing a seemingly low risk interest rate arbitrage which for the moment is keeping a cap on the long end of the yield curve. We have written in the past about this quasi subsidy provided by developing countries as they pursue mercantilist policies. Even so we were intrigued by reports of the visit of the CEO of Fannie Mae - The Federal National Mortgage Association - to Tokyo in November where he emphasised the strong Asian demand for its products - here he was referring to the company's debt instruments!

So with these surprises behind us, we warily look to the future. The general picture is one of good news. The consumer-led recovery in the G-7 is now spreading to include higher investment spending and restocking. Though job growth eludes most Western countries, help from tax cuts is expected to bolster demand by 0.3 to 0.5% of GDP. General prices seem stable and the standard view is that short rates need not rise for several months. Yes, the big marginal driver, China, may face slower growth on account of central bank directives regarding speculative loans, and rising food prices could reduce the spending capacity of urban dwellers. However, this helps the farmers and besides, we are talking about a slowing not a reversal of growth.

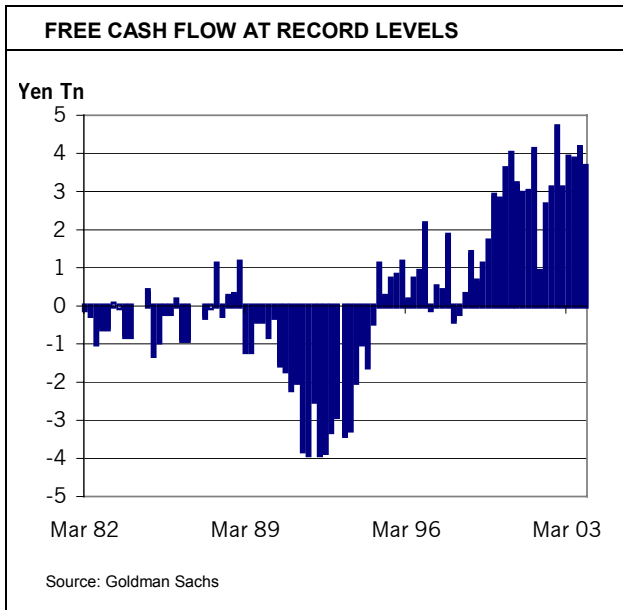
The rest of the Pacific Basin is flourishing with countries having worked through their financial problems and now seeing good export growth accompanied by a promising recovery in domestic demand. India, which we so love, could be a surprise in 2004 and perhaps outpace China with a growth rate in excess of 8%. The monsoon has been excellent and it is probable that a strong investment cycle will ensue. We also believe the economy is on the cusp of a consumer boom fuelled by credit. The banks are well financed and grossly under lent. This magnitude of activity will put the current account under some pressure but Foreign Direct Investment and other flows seem likely to sustain or even raise foreign reserves to new records.

The economy that troubles most is Japan.

Commentators fret about the sustainability of the recovery which they see as China-assisted and worry about the banking system's ability to lend. Having just spent time in Tokyo we are inclined to take a hopeful view. Though loans in aggregate are still declining, it is a fact that the stronger banks are starting to make fresh loans to smaller companies and are increasing mortgage loans. The repayment of loans by the larger enterprises is masking this. Some regional banks may struggle but we feel the leaders are well past the worst. Overall the banking system has written off or provided for nearly 25% of all loans made, which in turn represents 100 trillion yen or 20% of GDP. Prices are stabilising and new loan growth will be an important contributor to this.

There are several points that we believe get less coverage than they should. Firstly, the economy has already experienced 12 consecutive quarters of consumption growth. Secondly, the overall financial surplus of corporate Japan has never been higher. For the last six years this has been mounting as firms trimmed their outgoings including capex.

This in turn has led to an erosion of manufacturing capacity to the extent that there has been a net shrinkage. This should provide an important impetus to sustaining the recovery as long-deferred expenditure now kicks in. This point also underlines our experience in company meetings. We discern a gradual shift in emphasis with managements recognising that technology alone cannot protect their future. The old communist-like emphasis on the workers is being modified (assisted by the threat of low cost labour competition caused by globalisation) to accommodate greater reward for shareholders.



Does the buoyant global economic outlook mean that stock markets take off to the great beyond? We doubt it. As we have noted above, the degree of stress in the global financial system is captured by the weakness of the US\$. The idea of rates being held at 1.00% and the economy growing by 4% are incompatible. Investors have already built in much of the good news featured above. Cyclical beneficiaries have led stock prices and earnings expectations have been adjusted accordingly. We can still compile a sizeable list of companies that we believe will be profitable investments but even these will wilt in the face of negative surprises.

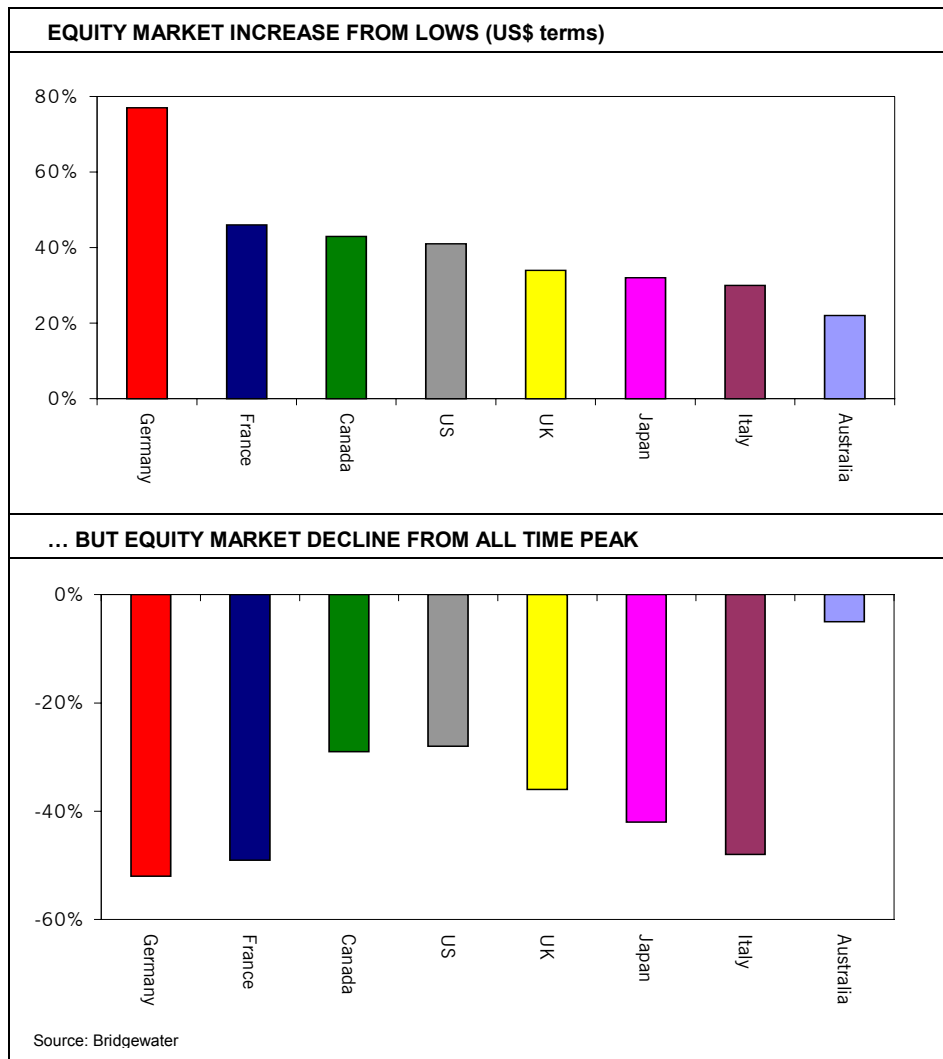
Conclusion

We believe that there should be at least a temporary consolidation in share prices. The pro-cyclical bias of new money entering the markets suggests a growing belief that the weaker US\$, is helping to alleviate the imbalances.

The underlying trend within virtually all stock markets appears still to be upwards. Cheap money, a broad improvement in real activity and the consequent boost to confidence is causing investors to lose sight of their earlier fears. Confidence ebbs and flows, interest rates rise as well as fall.

Kerr Neilson

Managing Director



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 International Fund:

Inception 1 May 1995, MSCI World 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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