



Platinum International Fund

ARSN 089 528 307

Platinum Unhedged Fund

ARSN 123 939 471

Platinum Asia Fund

ARSN 104 043 110

Platinum European Fund

ARSN 089 528 594

Platinum Japan Fund

ARSN 089 528 825

Platinum International Brands Fund

ARSN 092 429 813

Platinum International Health Care Fund

ARSN 107 023 530

Platinum International Technology Fund

ARSN 092 429 555

The Platinum Trust® Quarterly Report

31 March 2007



Platinum®
ASSET MANAGEMENT

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Experts ...

We recognise that our greatest untapped resource is our readers. If you are an industry expert, we would welcome your comments and ideas.

Do email us at:

commentary@platinum.com.au

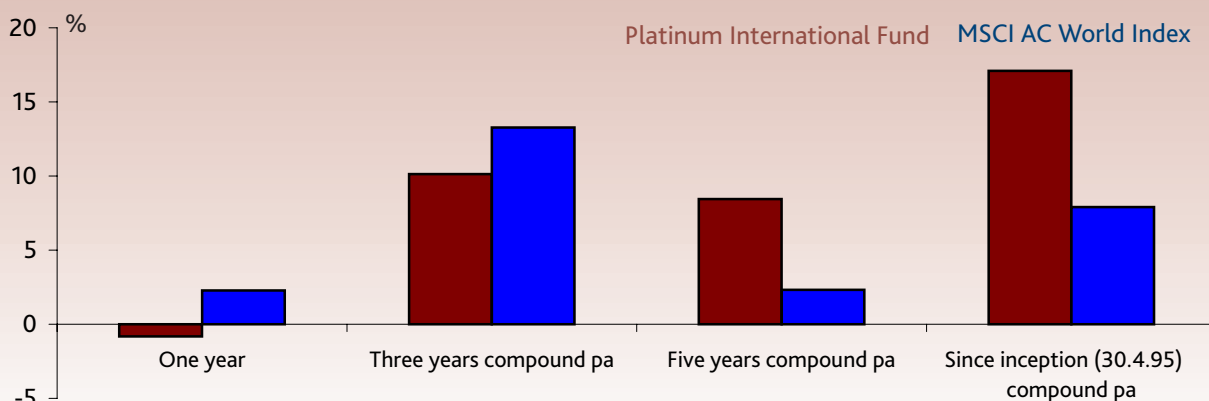
PERFORMANCE RETURNS TO 31 MARCH 2007

FUND	FUND SIZE	QUARTER	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	5 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA
INTERNATIONAL FUND	\$9,478m	0.6%	-0.8%	13.5%	10.1%	8.5%	17.1%
MSCI AC* WORLD INDEX		0.0%	2.3%	15.2%	13.3%	2.3%	7.9%
UNHEGED FUND	\$10m	0.3%	3.5%	20.7%	-	-	19.0%
MSCI AC WORLD INDEX		0.0%	2.3%	15.2%	-	-	14.8%
ASIA FUND	\$2,480m	3.3%	5.1%	25.0%	27.8%	-	32.3%
MSCI AC ASIA EX JAPAN INDEX		-1.5%	8.7%	24.9%	19.3%	-	21.6%
EUROPEAN FUND	\$382m	3.6%	10.4%	20.2%	17.3%	12.2%	17.0%
MSCI AC EUROPE INDEX		1.2%	10.4%	20.7%	20.0%	6.8%	3.3%
JAPAN FUND	\$1,044m	-0.4%	-9.9%	13.7%	12.2%	12.4%	21.5%
MSCI JAPAN INDEX		1.0%	-9.1%	16.4%	9.5%	4.9%	3.2%
INTERNATIONAL BRANDS FUND	\$687m	2.8%	3.3%	21.0%	22.3%	14.9%	17.8%
MSCI AC WORLD INDEX		0.0%	2.3%	15.2%	13.3%	2.3%	-1.3%
INTERNATIONAL HEALTH CARE FUND	\$26m	-0.9%	-8.9%	16.0%	4.9%	-	5.5%
MSCI AC WORLD HEALTH CARE INDEX		-1.4%	-4.7%	8.3%	7.0%	-	7.1%
INTERNATIONAL TECHNOLOGY FUND	\$67m	-1.5%	-1.8%	14.7%	6.4%	5.8%	11.3%
MSCI AC WORLD IT INDEX		-3.3%	-8.3%	8.8%	3.5%	-5.1%	-14.3%

*Morgan Stanley Capital International All Country

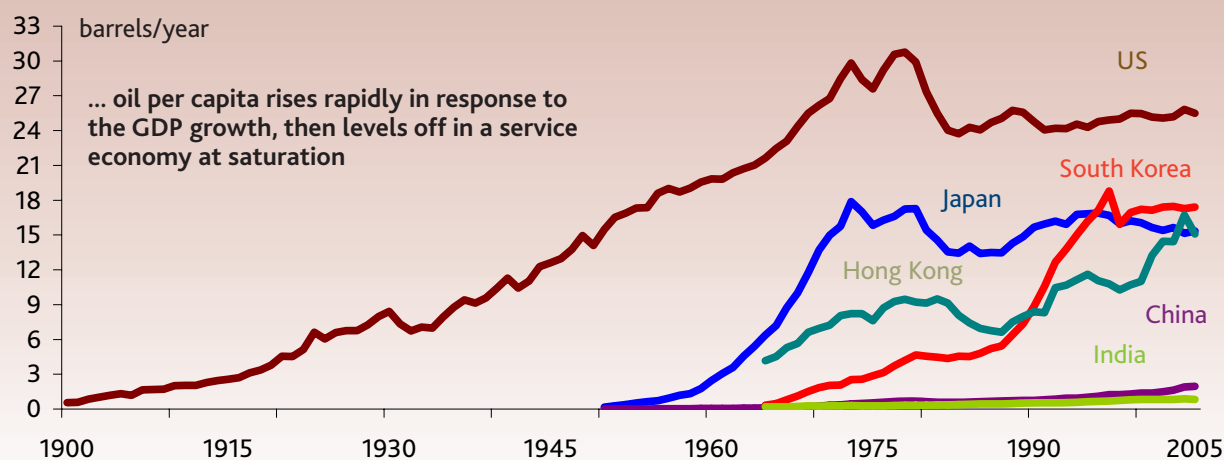
Source: Platinum and MSCI. Refer to Note 1, page 38.

PLATINUM INTERNATIONAL FUND VERSUS MSCI WORLD INDEX TO 31 MARCH 2007



Source: Platinum and MSCI. Refer to Note 1, page 38.

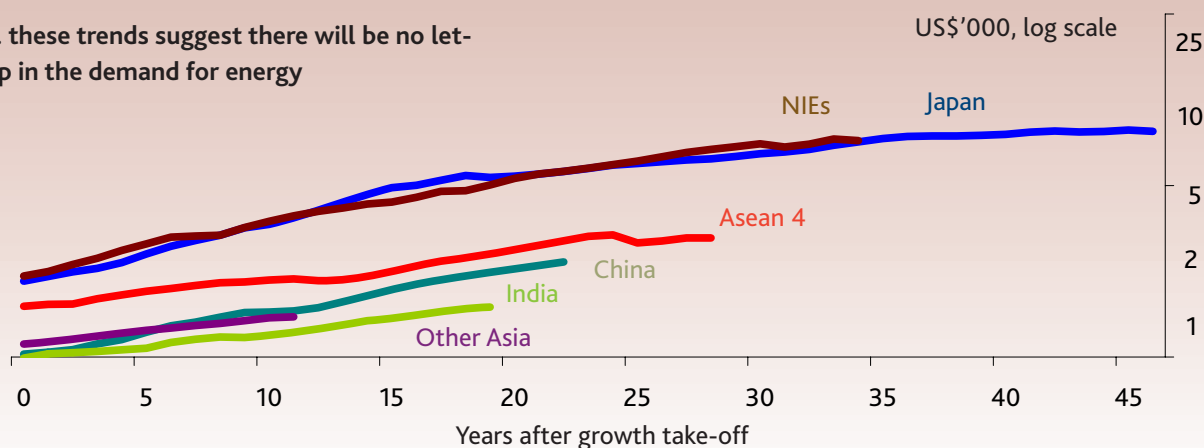
OIL CONSUMPTION PER CAPITA (BARRELS/YEAR)



Source: Barry Bannister, Strategist, Stifel Nicolaus, Engineering and Construction Report, March 2007

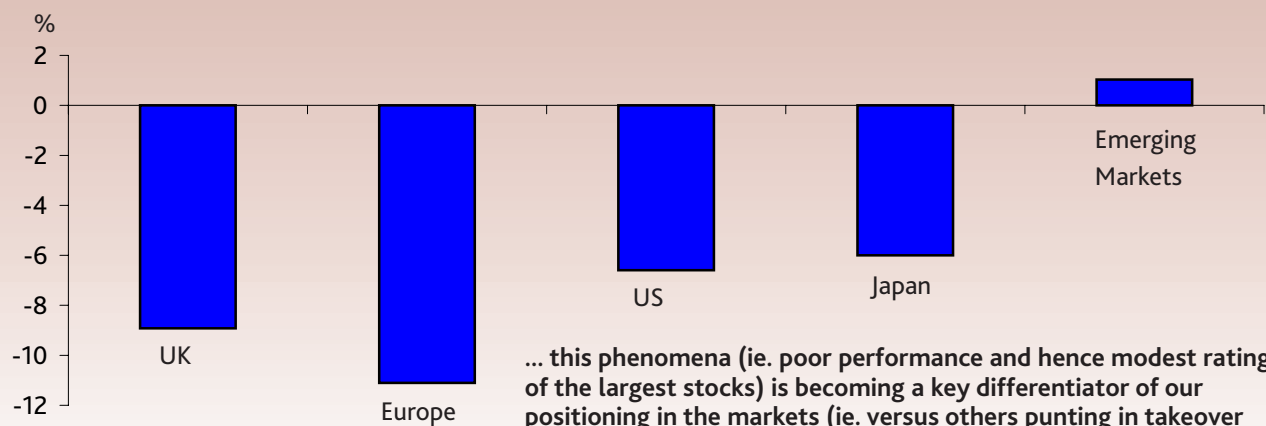
ASIA - SINCE GROWTH TAKEOFF

... these trends suggest there will be no let-up in the demand for energy



Source: IMF World Economic Outlook, September 2006

GLOBAL MEGA-TRAPS: AVERAGE RELATIVE PERFORMANCE OF LARGEST 10 INDEX CONSTITUENTS (past 6 mths)



Source: Citigroup

PLATINUM INTERNATIONAL FUND



Kerr Neilson
Managing Director

PERFORMANCE

Induced by further government measures to cool the lusty domestic economy, the head-long charge in the Chinese “A” share market faltered badly at the end of February. This then triggered a de-risking exercise by active funds and we saw the yen abruptly change direction and strengthen by 2.5%. As is so often the case, the whiff of uncertainty then alerted participants to other risks and in this case it was the rising defaults in the US sub-prime residential mortgage market. This gave reason for them to reduce their market exposure. The yen rose a little further as borrowers of this cheap funding reduced their positions. The impact was smaller than we had anticipated, seemingly being accompanied by the Japanese themselves placing less money abroad. Of interest, Japanese portfolio outflows have dropped significantly over recent months and are now being exceeded by foreign buying of Japanese assets. Offsetting this though are the mysterious “other” outflows; largely short-term loans to foreigners - the “carry trade” to exploit the large interest rate differential (though exposing the borrowers to exchange rate risk).

For most of March the markets were listless and investors tried to assess both the peripheral fall-out in Asia and the effect of tighter conditions in the derivatives market and its impact on the US consumer. On balance, the attraction of earning yields being above most borrowing costs convinced participants that the **global leveraged buy-out game was still intact**.

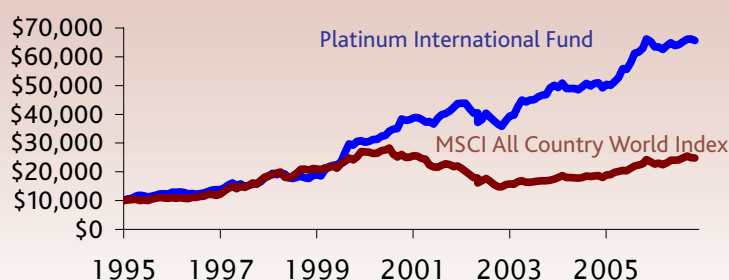
MSCI WORLD INDEX COUNTRY PERFORMANCE (AUD)

REGION	QUARTER	1 YEAR
AUSTRALIA	7%	19%
GERMANY	4%	13%
BRAZIL	4%	12%
FRANCE	0%	8%
KOREA	0%	-3%
JAPAN	1%	-9%
UK	1%	10%
US	-2%	-2%
HONG KONG	-2%	8%
INDIA	-6%	6%

Source: MSCI

VALUE OF \$10,000 INVESTED SINCE INCEPTION

1 MAY 1995 TO 31 MARCH 2007



Source: Platinum and MSCI. Refer to Note 2, page 38.

Looking at market returns, for Australian investors the dollar's rise over the last 12 months from 71.5 cents to above 80.9 cents (up 13% versus the US dollar) has taxed returns while over the last year, the MSCI is almost unchanged. For the quarter the Index has been flat. Shorting assisted the Fund this quarter and it rose by 0.6% while lagging the Index for the year at -0.8%.

CURRENCY

As mentioned earlier, the Australian dollar has been one of the important currencies to own as it, together with other commodity-related currencies, has been climbing systematically. It seems, however, that the yen has had its weak spell (and has been a costly currency to hold) and though it has no yield support, we suspect there is an underlying shift in sentiment taking place. We believe it will gradually strengthen as the Asian block steadily appreciates. We added to our hedging back into the Australian dollar, eliminating exposure to the US dollar.

SHORTING

This gave us some positive returns over the quarter, but again we were a little disappointed at the meagreness of the reward from the likes of US mortgage insurers and US financials. Likewise, even though we have closed our housing shorts several months back, the freefall in housing sales clearances and weaker prices seem to have been treated by the market with scant regard.

DISPOSITION OF ASSETS		
REGION	MAR 2007	DEC 2006
JAPAN *	26%	26%
NORTH AMERICA	25%	23%
WESTERN EUROPE	20%	21%
EMERGING MARKETS	17%	17%
CASH	12%	13%
SHORTS	32%	35%
* The Fund also has a 4% short position in Japanese Gov't Bonds		
Source: Platinum		

CHANGES TO THE PORTFOLIO

As the quarter progressed we continued to consolidate our holdings into favoured stocks. We sold out of El Paso, Agco and Union Pacific, each having made a contribution and in the case of the last two, a substantial return. We cut back on the long held position in Carrefour as it ran strongly on speculation of "monetising" its 20 billion euro property portfolio and finally exited Alcatel which has failed to meet our expectations. Sadly, the company faces a prolonged integration effort as it merges with Lucent and in the meantime, its fierce competitors such as Cisco can forge ahead without these distractions. The loss on Alcatel was some 15% on purchase cost and more in terms of foregone opportunity.

The mid-quarter sell-off allowed us to introduce **Microsoft** and **Aeon**. They both fit the theme of quality at barely more than market valuation. Microsoft is presently being characterised as mature, having a blurred vision of the internet and being potentially vulnerable to depredations by Google. That the company will grow more slowly than in the past, we do not doubt, but careful appraisal of each separate income stream reveals a unique buying opportunity of one of the world's more interesting companies.

The revenues from the founding operating system division, now called "Vista", are rock solid. Sales will gradually grow as it finds its way onto most new PCs and laptops. On discounted cash flow models this monopoly alone accounts for much of

the company's capitalisation. The real gem though is the **strength of the company's distribution network** and the demand generated for the so-called Server and Tools division. This business supports applications and is finding even wider demand from smaller businesses seeking packaged solutions for their IT needs. There are other areas that are sleepers such as the loss-making games and entertainment division and the software behind mobility. All this, together with the attempt by Ray Ozzie to reorientate the business away from its (admittedly well-entrenched) monopolistic mentality, suggests that the market is doubting the ability of this **champion of bundling** to succeed.

Aeon is Japan's largest supermarket operator, and also the country's leading owner and developer of large scale shopping malls. Despite a very difficult consumer market over the past 15 years, Aeon has a strong record of expansion and has increased earnings per share by 11% pa. Our interest stems from the recent acquisition of a stake in Daiei which will raise its share of the Japanese grocery market to 10%, and allow it to exercise superior buying power through the use of its centralised distribution network. In a world that dreams of REITs we are intrigued that the company is given so little credit for its property portfolio.

COMMENTARY

Some of the concerns that we have raised in recent reports, regarding easy money and the hunger for risk, took form in late February with failures in the US residential mortgage market. The subsequent sell-off of shares globally was relatively mild, though sharp, and acted as a reminder to market participants that **linear extrapolation has its dangers**. As there has been thorough coverage of the subject¹, suffice it to say that securitisation funding does not remove the credit risk but simply reallocates it, often to people who have little control of the underlying assets. Part of the subsequent market volatility presumably reflected the general call by financial institutions to tighten portfolio specifications and credit controls. Concerns about credit losses and the detrimental effect of adjustable rate mortgage (ARM) resets, and foreclosures on lower-end properties have perhaps some way to unfurl. However, the chatter from the street is at present focused on the bigger picture of the day, namely globalisation and the recycling of 'surplus' savings.

Adherents to this **new paradigm** believe that the world has achieved that highly desirable state where the **developing world's surpluses neatly accommodate the developed world's insatiable consumers**. At the same time, new producers supply an abundance of tradeable goods (facilitated by the free movement of capital and know-how, plus seamless logistics) to remove the traditional inflationary bottleneck of labour, that so stunted economic growth in the 1970s and later. The changing composition of developed

¹ Of the entire US residential mortgage market of \$9.7 trillion, sub-prime constitutes approximately \$1.2 trillion. By value, about 5% of US mortgages are delinquent while some 14% (and rising) of sub-prime mortgages are delinquent. Reasonable estimates are that cumulative defaults on the 2006 sub-prime mortgages are around 20%. Suppose 20% of 2006 sub-prime mortgages default and the severity of those defaults is say, 30% then the total credit losses would be about 6% of the pool - \$35-40 billion. This compares with the US financial industries' annual pre-tax profits of around US\$430 billions.

economies also seems to have flattened the economic cycle. For the moment, these observations are evident though highly dependent on the willingness of those nations with savings to place them where needed. A less plausible notion of the new paradigm is that **Central banks have developed such a cunning understanding of all the moving parts** of a modern economy as to be able to guide them with intricate precision!

At present, the disregard for risk and the belief that easy funding will persist has virtually **eliminated the distinction in valuations between quality and junk**. This careless view will not persist forever and hence offers us the opportunity to **accumulate great companies that are on valuations almost in line with the market in general**². Here we define quality as those businesses with an achievement record that sets them apart, often enjoying dominance of their industries globally and with the prospect to grow in any but the worst circumstances. Their balance sheets are invariably free of debt (on account of their superior profitability) and incremental growth can be achieved and still cast off free cash flow. The paradox is that one can acquire these companies on such relatively attractive terms³ even though they are in some cases below peak profitability and may benefit from home currency weakness. One explanation is that they tend to be too large to be “privatised” and secondly, some of these companies are perhaps being disgorged as American-based funds choose to increase their foreign holdings. Interestingly these shares are in most cases on free cash flow yields for 2007 that exceed those of US long treasuries; so does their progressive de-rating portend a deflationary future, or alternatively is our analysis plain wrong?!

² An important observation is that the PE of the US market itself, say 15.5 times, understates the broader level of valuations on account of the heavy weighting of the financial sector that is typically trading on 10 or 11 times forward earnings.

³ By measures such as cost to sales or PEs, they are towards the lower end of their 15 year range.

The first four companies that fit this mould are **Cisco, Microsoft, Ericsson and Samsung**. Each has clear dominance of its place in today's electronic highway and market place (the mobile Internet) and while one can take issue with aspects of each of their businesses, in general they are hard to fault. One exercise we do is to project the likely free cash flow for the next three years and net this off (together with current net cash holdings) against the current capitalisation to arrive at the entity's 2009 price earnings ratio (PE). On this basis, three of them are on forward PEs of less than 10 times.

Apart from the **information technology** sector where we have deployed about 15% of the Fund, we have **similar exposure to industrials and materials**. In the case of industrials it is companies like **Siemens, Bombardier, Mitsubishi Heavy Industries, Yokogawa Electric and JGC** each of which is trading at well-below peak profitability and yet serves markets that face a growing backlog of under-investment, be it public sector transport or neglected services such as power generation or new endeavours such as alternative energy. Exposure to materials reflects our two themes of tightening agricultural commodity supplies, and the growing capacity constraints in pulp (and paper). **Mosaic** is the world's second largest potash producer and a

PLATINUM AND MSCI WORLD INDEX INDUSTRY WEIGHTINGS

INDUSTRY	PLATINUM	MSCI
INDUSTRIALS	15%	9%
MATERIALS	15%	9%
INFORMATION TECHNOLOGY	15%	7%
FINANCIALS	15%	25%
CONSUMER DISCRETIONARY	10%	8%
CONSUMER STAPLES	9%	8%
HEALTH CARE	6%	7%
TELECOMMUNICATIONS	5%	6%
SERVICES AND MEDIA	5%	6%
ENERGY	3%	10%
UTILITIES	3%	6%

Source: Platinum and MSCI

major supplier of general fertilisers. Apart from the near-term pressures exerted by the bio fuel subsidies, we see longer-term pressures which will also benefit **Ajinomoto**, the world's leading producer of l-cysteine, an amino acid feed supplement. Our strongly held view that the market is underestimating the impact of China and India on the demand for pulp is gradually gaining acceptance with spot pulp prices having risen by 30% in US dollars in the last year. The other component in materials is the 3% in major **gold producers**. These have been hibernating as the mines have failed to meet production forecasts and costs are running much higher than anticipated. Perversely this strengthens our resolve!

As the table on page 7 reveals, the areas where we are clearly under represented against the world's top 5,000 companies are financials, energy and utilities. It should be emphasised here that our 'weightings' are a consequence of individual stock-picking combined with themes, rather than a macro overview. It so happens that we are not able to find many financials that interest us relative to other opportunities. Those that do are mostly in Japan which is on the cusp of a reflationary pulse with the increase of land and property prices now migrating to the provinces and into residential accommodation. It is remarkable that after 14 years of deflation, that some find it so difficult to visage observable trends in a positive light!

In energy our exposure is to **Royal Dutch Shell**, and **Areva**, the world's leading integrated nuclear producer (from mining yellowcake through to plant building and fuel recycling). Shell is a gift we believe on a PE of less than 9 times, a 4.5% dividend yield and is showing all the signs of contrition for its fleeting dalliance with corporate pretence.

You may query the relatively high commitment to those areas which can peter out in the latter stages of an economic boom. We would share the same reservations but point to the individual holdings and the fact that this cycle has been characterised by surprisingly weak investment in basic infrastructure, particularly in the West. In addition, we are very comfortable with the growth prospects and valuations of our more defensive holdings.

OUTLOOK

The de-risking episode that was recently witnessed, following the mortgage problems in the States will have left a scar on perceptions of derivatives and of the reliability of some funding sources, with adverse consequences for housing and leverage buyout (LBO) financing. Global growth remains solid with Asia continuing to grow the fastest and with the gilt coming off some Western economies. Most forecasts expect company earnings to slow into single digits in the developed markets, but the systematic de-rating of the larger companies suggests this is well anticipated.

The portfolio is positioned in companies that are generally operating well below their peak earnings capacity and yet face an environment that should favour sales growth and are on valuations that are sound. We believe this and the shorts we are running on highly valued small stock indices, REITs and emerging markets will protect investors in what we believe to be the later stages of the economic cycle.

PLATINUM UNHEDGED FUND



Jacob Mitchell
Portfolio Manager

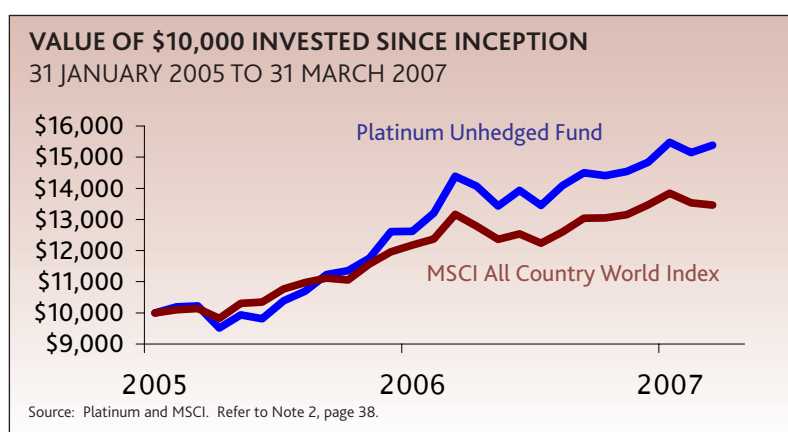
INTRODUCTION

The Platinum Unhedged Fund has the following mandate:

- a concentrated portfolio, no more than 50 stocks;
- no hedging of equity or currency exposure; and
- at least 90% invested in stocks.

The mandate is clearly different to the Platinum International Fund, a Fund that can both hedge equity and currency exposure, can run much lower overall net stock market exposure and hold more stocks.

Stock selection for the Platinum Unhedged Fund portfolio, whilst naturally following Platinum's tried and true preference for neglect, will be far more cognisant of stock specific currency exposure than the Platinum International Fund. This is best illustrated by way of a real life example. Platinum holds the view that the US dollar will continue to weaken against most Asian currencies as the rebalancing of trade flows takes place. By implication, we are interested in owning, at the right valuation, neglected export related stocks in the US that will benefit from this lower dollar, from pulp and paper through to technology stocks. (Please understand, the weak currency would be one part of the investment case for owning these stocks, rather than the sole reason). Now the Platinum International Fund's mandate, allows the portfolio manager to own these stocks, without any exposure to the US dollar (hedged out via a currency forward). The



Platinum Unhedged Fund's mandate does not afford this option, accordingly, the Fund will only own these stocks if we think the equity return will be enough to offset any return lost to US dollar weakness. As it happens, this is exactly what we do think and the Platinum Unhedged Fund currently has an 8% investment in US pulp and paper stocks. We have a strong view that we are at the beginning of a long period of sustained pricing power for pulp producers and that the US companies are best positioned globally to capitalise on this.

Whilst the same analyst team generates research ideas for both the Platinum International Fund and the Platinum Unhedged Fund, the lack of hedging in the latter Fund will mean portfolio construction could be quite different.

PORTFOLIO POSITION

Some of the themes/large positions contained in the current portfolio include:

- 14% Pulp and Paper, key neglected part of the commodities complex (International Paper, Stora Enso, et al);
- 10% Energy and Agriculture (Royal Dutch Shell, Areva, Mosaic);-
- 10% Japanese property related; showing signs of life after a 14 year bear market (construction companies and banks);
- 9% Technology; focus on large cap tech (Ericsson, Samsung Electronics, Sharp and Microsoft);
- 8% Japanese consumption related (Fuji Television Network, Yamato Holdings, Dai Nippon Printing);
- 7% Gold, a laggard metal, inflation and US dollar hedge (Barrick Gold, Newmont Mining);

- 5% Western countries public infrastructure renewal (Bombardier, Siemens, also via the Japanese construction companies and energy contractors included above; broadly defined, total exposure more like 12%);
- 4% Thailand related; key neglected Asian market (Bangkok Bank).

The residual third of the portfolio is less thematic and more stock specific in nature – the larger positions include Hutchison Whampoa, Publicis Group and Pfizer.

You will see from the table below that our stock selection results in a final country/regional exposure that is quite different to the composition of the MSCI All Countries World Net Index. By comparison we are strongly over-weight in Asian equities, with relatively less preference for US and European equities. We would not make too big a deal about this, other than to say that we focus on constructing a portfolio based on the best available ideas, rather than getting caught up in macro economic prognostications.

PLATINUM AND MSCI WORLD INDEX REGIONAL WEIGHTINGS		
REGION	PLATINUM	MSCI
NORTH AMERICA	30%	48%
JAPAN	24%	10%
EUROPE	22%	30%
ASIA AND OTHER	15%	10%
AUSTRALIA	0%	2%

Source: Platinum and MSCI

PLATINUM ASIA FUND



Andrew Clifford
Portfolio Manager

PERFORMANCE

PERFORMANCE (compound pa, to 31 March 2007)

	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PLATINUM ASIA FUND	3%	5%	25%	28%	32%
MSCI AC ASIA EX JAPAN	-2%	9%	25%	19%	22%

Source: Platinum and MSCI. Refer to Note 1, page 38.

The Asian markets' steady advance came to an end this quarter primarily due to fears of lower global growth as a result of ructions in the US sub-prime mortgage market. In the background but probably of more importance was the ongoing tightening of monetary policy in China and India which added to these concerns. Interestingly, the best performing market was once again the Chinese "A" shares (where the predominant player is domestic investors) increasing by 15% while the Hong Kong "H" shares (Chinese companies listed in Hong Kong and where the predominant players are foreign investors) were amongst the worst. This highlights once again that China's closed capital account can result in the domestic stock market following a significantly different path to Chinese stocks listed elsewhere, and the fact that Asian stock markets continue to be susceptible to global liquidity conditions above and beyond the individual merits of each market or stock.

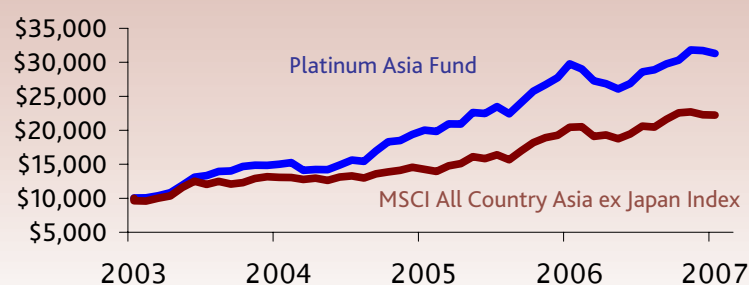
The Fund's best performers for the quarter were not surprisingly the Chinese holdings, in particular the "A" share companies. Major contributors to performance included Daqin Railway (China "A" share railway, up 65%), Shanghai International Airport (China "A" share, up 35%) and Gome Electrical (Chinese household appliance retailer, up 45%). Also contributing nicely to performance was the short position

DISPOSITION OF ASSETS

REGION	MAR 2007	DEC 2006
CHINA (LISTED EX PRC)	5%	5%
HONG KONG	8%	8%
CHINA (LISTED PRC)	17%	19%
TAIWAN	5%	6%
GREATER CHINA TOTAL	35%	38%
KOREA	14%	15%
INDIA	12%	15%
MALAYSIA	8%	7%
THAILAND	8%	5%
SINGAPORE	2%	2%
INDONESIA	3%	3%
CASH	18%	15%
SHORTS	12%	15%

Source: Platinum

VALUE OF \$10,000 INVESTED SINCE INCEPTION 3 MARCH 2003 TO 31 MARCH 2007



Source: Platinum and MSCI. Refer to Note 2, page 38.

on the Hong Kong “H” share index. The Fund’s Malaysian holdings also performed well with the highlights being Gamuda (construction and toll road operator, up 62%) on the back of an improving order book and Genting (casino operator) where strong earnings and growing optimism about their new Singapore casino licence helped the stock higher. On the other side of the ledger, the poor performers were the Indian Bank holdings which fell as a result of higher interest rates and increases in the reserve requirements imposed by the Reserve Bank of India.

CHANGES TO THE PORTFOLIO

New holdings for the portfolio included Kasikornbank, a leading bank in Thailand. The Fund also added to its holding in Bangkok Bank, one of its major competitors. Doldrums in the Thai economy have allowed us to purchase these two strong banking franchises at very attractive valuations. Another addition to the portfolio, China Eastern, is a well positioned domestic airline in China operating out of Shanghai. Should the current negotiations by Singapore Airlines to take a stake in the business and allow management control to succeed, a significant improvement in operations could result, to the benefit of the share price.

China Vanke and Beijing Capital Land, two of the fund’s Chinese property developers were sold after reaching full valuations. The sell-down in United Breweries (India) was also completed.

COMMENTARY

The major headline event during the quarter was the 10% one day fall in the China “A” share market after comments by an official suggested that the market was developing into a bubble and the investors should be wary. However, the real story for the period was the ongoing tightening of monetary policy in China and India, as well as concerns arising from the collapse of the sub-prime mortgage market in the US. Interestingly, after the China “A” market was attributed as a factor in the sell-off of global markets, it not only recovered the losses of that one day but appreciated a further 10% to new highs.

Chinese policy makers continue to struggle with their concerns over the pace of growth and the potential problem of inflation. The trade surplus continues to grow at a rapid pace with the first two months of the year resulting in a 2207% increase from the same period last year to a staggering US\$40 billion. While orthodox economics would suggest that allowing the exchange rate to appreciate would reduce the inflationary pressures of these surpluses, authorities have been unwilling to let this occur as quickly as perhaps required. During the quarter the Chinese yuan appreciated a mere 1% against the US dollar, representing an appreciation of only 6.6% since the more flexible exchange rate approach was introduced in mid-2005. This leaves higher interest rates and reserve requirements¹ for the banking system as the only tools to moderate growth. During the quarter, interest rates were raised a further 0.27% (to raise the one year lending rate of 6.39%) and reserve requirements for the banks were once again raised.

In total, interest rates have been increased by less than 1% since mid-2004, an amount unlikely to have a dramatic impact on growth, and while the

¹ Increasing the reserve requirements of the banking system is a tool used by the central banks to limit the ability of banks to lend. The effectiveness will be a function of whether banks are currently limited by existing reserve requirements.

increases in reserve requirements for banks may have been more significant (from 6% of assets to 10% since mid-2004), the existing excess reserves have meant the impact from these changes has been limited to date. What are investors to make of all this? Simply, one must be cognisant that inflationary pressures in China are on the rise, to which the more ebullient property and share markets are testament, and with this goes an increasing level of risk. Undoubtedly, one should expect ongoing policy measures aimed at curbing inflation and the jitters that will develop in markets as a result. However, it still seems premature to be considering the end of the current boom in China unless one wishes to add to the equation a major slowdown in global growth.

Although the situation is somewhat different in India, where the current account has been showing a deteriorating trend and is currently in deficit, inflationary pressures have also been evident with the current inflation rate running at over 6% pa. The Reserve Bank of India (RBI) increased interest rates a further 0.25% during the quarter bringing the “repo rate” to 7.5%, up 1% on a year ago and 3% higher than three years ago. In addition, RBI has made four adjustments to the banking systems reserve requirements since late December. Although it is difficult to assess the impact of the rate hikes to date, one must assume if inflationary pressures continue to expand then further tightening of monetary policy should be expected. Our suspicion is that given India does not have the magnitude of liquidity inflows of the scale of China, courtesy of that country’s trade surplus and foreign direct investment, it may well be more susceptible to the impact of rising rates.

Despite these potential headwinds, our view of the region remains positive in the longer-term as a result of the value we are finding in individual stocks. In a phenomenon we are observing across global markets, a number of high quality companies are trading at valuations that have not often been available. A prime example of this is Taiwan Semiconductor (TSMC), the dominant player in the semiconductor foundry market. As a foundry, TSMC manufacture semiconductors on

behalf of its customers who have designed them but typically don’t have the scale or know-how to manufacture the chips themselves (a modern fabrication line requires an investment in the order of \$2-3 billion). Also, larger chip companies use TSMC to provide additional manufacturing capacity when theirs is fully utilised. As there are numerous companies with semiconductor manufacturing expertise, one would naturally expect this business to provide meagre commodity-like returns through time. However, the company has for many years maintained a technological edge over its competitors and has earned returns on capital well in excess of 20% while growing sales at more than 25% pa over the last ten years. The trend towards outsourcing of manufacturing by semiconductor companies along with the natural growth in the semiconductor market, makes it difficult to see why this will not continue to be the case for some time to come, even with the rise of new competitors.

TSMC can be acquired today at 15 times estimated earnings for 2007, which one could easily conclude will continue to grow at rates of 15% to 20% for some time. Compared with many of the exciting growth stocks in the region that are trading at much higher multiples, with far less certainty in their outlook, it is hard to see why TSMC isn’t the more attractive option.

A similar story can be written for Samsung Electronics, which dominates the market for memory chips (both DRAM and flash memory) and flat panel displays as well as having commanding positions in the market for mobile phone handsets and consumer electronics. Samsung has grown its profits at over 20% pa over the last decade, and although operating in quite cyclical markets, it is again hard to see why this will not continue for some time, and yet the stock trades at a multiple of 11 times prospective earnings.

Hutchison Whampoa has a global container terminal business with significant earnings coming from its Hong Kong and Chinese ports. In this case Hutchison’s significant investment in the 3G mobile phone business “3” (which operates in

numerous markets, the most important of which are Italy and the UK), has significant start-up losses that are offsetting the growth seen at the container terminals and other businesses. Although the “3” business continues to make good progress and we expect it to develop into a valuable asset for the group, if the investment were written off, it would leave the balance of Hutchison’s businesses trading at approximately 15 times earnings, a level way below prices typically being paid for prime infrastructure assets.

Although some would argue these companies are facing various headwinds in their businesses that will prevent them performing in the shorter-term, understanding precisely when this will change is not a simple task. A good example of this in recent times has been the Fund’s various holdings in Malaysia. In the June 2006 quarter report, we noted that due to the relatively poor economic environment in Thailand and Malaysia we had been able to find a number of interesting opportunities. Subsequently, the market has

clearly revised its assessment of Malaysia’s outlook and pushed the market and a number of our holdings significantly higher. Gamuda, a construction company with interests in a number of toll roads has appreciated over 130% since, as the company has won a number of significant construction contracts as well as experiencing positive developments regarding traffic volumes on its toll roads. Although such development could not have been perfectly foreseen, they should hardly be considered surprising.

Meanwhile, the Thai stock market continues to lag behind the region with the military coup of last September and various missteps by the caretaker government having taken its toll on consumer and business confidence. New elections are promised by year end which may well pave the way for a more positive outlook. The other market that has been suffering over the last year has been Korea where the domestic economy remains sluggish. Both these markets continue to provide us interesting new investments.

PLATINUM EUROPEAN FUND



Toby Harrop
Portfolio Manager

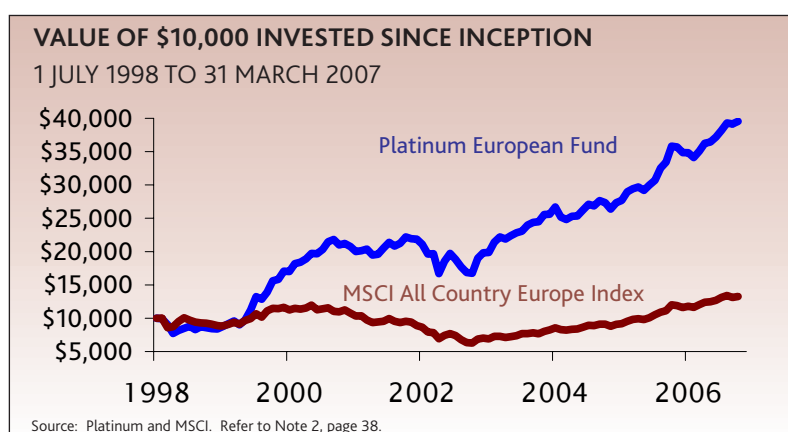
PERFORMANCE

Marginal headway amidst swirling conditions

European markets exhibited considerable variability in the last few months, with the continuing rally at the start of the year swiftly reversed in late February, before a wary resumption in the last few weeks left markets marginally ahead for the quarter. Predictably, small stocks and cyclicals/basic materials bore the brunt of the setback (they had, after all led the charge); more surprisingly perhaps many of these areas participated in the March recovery – often a change of leadership is evident at such times.

For the quarter overall, strong areas of the market were autos (+17%, with Porsche continuing to increase its stake in VW, and Daimler (Mercedes) receiving strong bid indications in the planned sale of its problematic Chrysler division), auto parts (+13%) and food retail (+12% reflecting activity on Carrefour's share register, as well as bid speculation over Sainsbury of the UK). Computer software (-8%, including SAP -17%) was the only sector to record a notable decline for the period. Overall European markets were +2.5% for the quarter, a stronger Australian dollar versus the European currencies gave an MSCI A\$ return of +1.2% for the quarter.

The Platinum European Fund progressed 3.6% for the three months to 31 March 2007, with good performances from several “mid-sized” (up to euro 2bn market capitalisation) German companies in the portfolio: TV group Premiere (+28%), DIY retailer Hornbach (+27%), and financial advisory group MLP (+25%). The Fund has about 2.5% in each of these stocks as we write. Those good performances were partly offset by losses in Alcatel (-19%) which is a small (sub 1%) position today. By implication, a lot of the portfolio was little changed over the quarter (although this end result masks some turbulence en route!).



COMMENTARY

Europe company meetings: TV, advertising and the power of the sun

We had fifty meetings in Europe over the last two weeks of March, focusing on several areas including businesses in the television/advertising/market research area, and also in the photovoltaic (solar power) industry. In general, economic conditions in Europe seem roughly as we have intimated in recent quarters: gathering evidence of consumer growth and confidence in Germany, while France is better than the commentators suggest, the habitual pre-election introspection notwithstanding! The UK remains subdued, although the slightly alarming inflation data does seem to be a coincidence of energy prices and exchange rate effects which should moderate in the coming months. A nice surprise was Italy, where domestic conditions seem okay despite the calamitous loss of competitiveness in recent years.

Also, as we have suggested for some time, while overall stock market conditions are at a worrying level of speculative excitement, we are still finding a number of prospective investments in selected areas of the market.

Before readers panic that we have abandoned our **neglect** approach to stock analysis, please note that the visits to the **solar companies**, an area of feverish stock market excitement, were aimed at readying ourselves for the inevitable periods of weakness and disillusion that will come in this promising but still subsidy-dependent (and thus vulnerable) industry. In addition, we have a couple of ideas *around* the solar companies which are not participating in the share price action, and these needed to be assessed (one of these has been added to the Fund in recent days).

Solar. The overall task facing the solar industry is to develop the product to the point where it is competitive without subsidy against current forms of electricity. While it is clear that the true costs of coal-sourced electricity are greater (possibly calamitously greater) than today's market price, it

is equally clear that solar will remain marginal until it can compete unsubsidised with fossil fuels. Until then only subsidy or individual preference (for those willing to ignore the extra cost) supports the solar industry.

But in the case of Germany, whose government effectively decided to industrialise the solar research effort, what a subsidy! In recent years, a system of high “feed-in tariffs” (ie. guaranteed high prices for solar electricity fed into the grid) has ensured that demand far exceeds supply for solar panels. In fact the system quickly developed to the stage where installation companies merely needed a farmer's signature to install a system (on part of the farm or on the shed roof) with a guaranteed rate of return over 15-20 years: time was/is of the essence, as the feed-in tariff automatically declines for panels installed as each year passes. Indeed such is the scale of uptake, that the government may increase to -10% from -5% the annual decline of the feed-in tariff. Note that for example the 2005 installations, however, get the 2005 feed-in price for the duration of the contract, so that there is no risk to those already installed.

This system, though, has had several interesting effects: 1) It has elevated not-terribly-sunny Germany above also-not-that-sunny Japan to the top of the solar electricity generation league – arguably a perverse outcome. 2) It has made Germany home to four of the top six or eight companies in the industry: by exploiting the “learning-is-in-the-doing” truism, this industry policy has been a remarkable success: there are literally thousands of jobs in the German solar industry today. 3) The declining tariff regime (not to mention the need to offset the silicon price) cleverly requires the industry to lower its costs constantly to stay “competitive” with other electricity sources. In this regard the solar industry reckons it is running at a 17% “learning curve” effect (ie. each doubling of output decreases costs by 17%). In addition to that, costs decline further with the scale economies of greater volume. These measures show how effectively the German government has short-circuited (!) the

development time of the industry by telescoping the volume and network learning effect. There is now feverish competition for engineers etc in the industry.

However, the rush caused by the (declining) subsidy system has meant that demand has exceeded supply, and the key bottleneck has been in the availability of “solar-grade” (ie. extremely pure, if not quite semi-conductor purity) silicon. Thus the big money has been made in the “upstream” (silicon) part of a complex production process, and also by those further along the chain who were lucky/clever enough to have locked in silicon supply at reasonable prices (like euro 40-50/kg – the spot price today is over euro 200/kg). This bottleneck has in turn accelerated the pace of development of less silicon-intensive techniques, for example the logically appealing “thin film” technologies including amorphous silicon on glass (ie. by deposition). By comparison the standard technique of “growing” silicon blocks and then slicing them into ever thinner wafers wastes a lot of silicon in the cutting.

However, the crucial metric of energy efficiency (% of received sunlight converted to electricity) is at around 17% for “traditional” wafer production (28-29% is apparently the theoretical maximum), far above the thin film techniques which are currently stuck below 10%. Of course the key is the cost of a solar panel *relative* to its efficiency, and a cheap lower efficiency solution is perfectly okay for a farmer's paddock, while an urban roof requires high efficiency panels given the space constraint. Other developments include breakthroughs in (relatively abundant) metallurgical silicon (once considerably purified), so that perhaps a 50-50 mix of metallurgical and solar grade silicon may ease the supply constraint – the catch at the moment is the energy intensity of the purification process of the metallurgical grade material!

The holy grail, as the industry currently sees it, is to halve the electricity generation cost of solar power from today's euro 25cents/kWh (assuming 1,800 hours of sun pa), to euro 12cents/kWh, at which point it is competitive with retail electricity

prices. Note that one of the advantages of solar power is that the retail power price (not the wholesale price) is the relevant benchmark: producing energy where it is used removes the need for the costs/losses/maintenance etc of transmission and distribution networks.

From an investment perspective, it became clear as we met the various players in Norway and across Germany, that the unavailability of silicon had led several of the wafer, cell and module makers to panic and sign 10-year fixed price supply deals with the (relatively powerful) silicon companies, including 30%+ down payments to secure the contracts! The cell/module companies have in turn tried to sign balancing output agreements with their customers, but it is clear where the power lies (and the downstream customers may not honour the contracts if prices are much lower in five years' time).

The point of all this is that under a scenario, for example, of oil prices falling back to \$40/bbl, and the internet-bubble-esque enthusiasm for renewable energy plays leaving the stock markets, we will see dramatic declines in solar company share prices (today they are extravagant multiples of handsome profits), just as we saw a few years ago with the wind power companies. We now have a reasonable idea of which companies to invest in given the chance, because of course the development of the technology will be ongoing and eventually it will be viable (at least in sunny countries that care about emissions!).

IV. We saw leading free-to-air TV companies in the UK, France and Italy. These companies continue to be penalised in the stock market by investor concerns over audience fragmentation, delivery technology changes, and losses of viewers and advertising revenues to the Internet. While each of these concerns is well-founded, they all ignore the principle that leading channels remain the single best way to reach a broad audience, and indeed retain an advertising price premium over smaller TV stations. This premium exists for the simple reason that with effective ad viewing of 4-7 times (for a given advertisement), there is little point in continually “hitting” the same tightly

defined but small audience (say 1 or 2% of viewers) on a highly specific new theme channel, while a broad channel with 30% audience share gives far more efficient spread.

More interesting perhaps is that in a world of record corporate profitability, vigorous brand competition and solid consumer spending, there has been limited evidence of an advertising “cycle” in western Europe. While this may reflect the concerns over the medium outlined above, it at least provides comfort that this “cyclical” industry is not stretched like many of the capital goods and materials sectors.

We have nearly 10% of the Fund invested in media companies in Europe, and a further 6% in advertising and market research businesses.

Prospects and positioning

As repeatedly stated, the uncritical enthusiasm for acquisitions leaves us with nagging worries over the broad market. However, in building and managing a portfolio “stock by stock”, it is clear that we are still finding reasonably priced investments in Europe, so that for the moment hope remains ascendant over despair.

We are excited to see the spreading consumer strength in Germany: our long held DIY (hardware) retail operator in Germany, Hornbach, reported strong sales through the usually dull winter months, and our main concern is that Germany has many world beating exporters listed on the stock market, but not so many ways to play the domestic consumer recovery.

Elsewhere, the “technology” shares such as Ericsson, and now perhaps SAP, look modestly priced given their market positions and growth prospects in the coming years. While the definition is inevitably blurred, the Fund has 10-12% in the technology area as we write. Please note also that Ericsson and SAP are a subset of a wider phenomenon currently prevailing: the very largest companies (by market capitalisation) are now clearly the worst performers – worldwide, and especially in Europe (refer chart on page 3). This situation is highly appealing to us as we look for investments away from the mainstream takeover speculation zone (say up to euro 20bn market capitalisation), and indeed with investments also in Siemens, Carrefour, Vivendi etc the portfolio has been steadily tilted toward these modestly rated giants.

The currency exposures are little changed in recent months: 36% of the Fund is exposed to the Australian dollar (which is slowly gaining against the Europeans), while the exposure to the euro is 50%, and the remainder is in the Scandinavian currencies and the Pound Sterling (for the first time in quite a while the Fund holds no Swiss stocks!). Including (predominantly German DAX Index future) shorts, and put options, the Platinum European Fund was 68% net invested at the end of March 2007.

BREAKDOWN OF FUND'S LONG INVESTMENTS BY INDUSTRY

CATEGORIES	EXAMPLES OF STOCKS	MAR 2007	DEC 2006
TECH/MEDIA	INFINEON, ERICSSON	24%	26%
CHEMICALS/MATERIALS	UPM, SHELL	17%	18%
CAPITAL GOODS	SIEMENS, RIETER, METSO	15%	17%
CONSUMER/RETAIL	HENKEL, HORNACH, CARREFOUR	16%	14%
FINANCIALS	CREDIT AGRICOLE	5%	5%
PHARMACEUTICAL/BIOTECHNOLOGY	NOVOZYMES, EUROFINIS	3%	4%
MISCELLANEOUS SERVICES	GFK	4%	2%

Source: Platinum

THE PLATINUM INVESTMENT PROCESS

A blueprint of Platinum's Investment Process is overleaf.

An animated version of the investment process can be viewed on Platinum's website at the following link:

http://www.platinum.com.au/invest_diagram.htm

PLATINUM JAPAN FUND



Jim Simpson
Portfolio Manager

PERFORMANCE

Performance continued to be lacklustre in a difficult market environment with the Platinum Japan Fund down by 0.4% in A\$ terms over the quarter compared to a rise in the MSCI Japan Index of 1%. Over the past year the Fund is also lagging the Index, falling by 9.9% compared to a 9.1% fall in the Index. Essentially, we have positioned ourselves for a broad recovery in the domestic economy which has not eventuated. As a consequence, the yen has been weak and exporters have prospered. Meanwhile, our financials position has dragged on performance whilst defensive yield plays have soared. Investors should note the continuing high level of influence of the currency markets on returns which we remarked on last quarter. This quarter's extreme volatility in both the Australian dollar/yen cross rate and the Nikkei index have produced a fairly flat Australian dollar unit price for the Fund, which has masked the reality of a very turbulent underlying stock market performance!

CHANGES TO THE PORTFOLIO

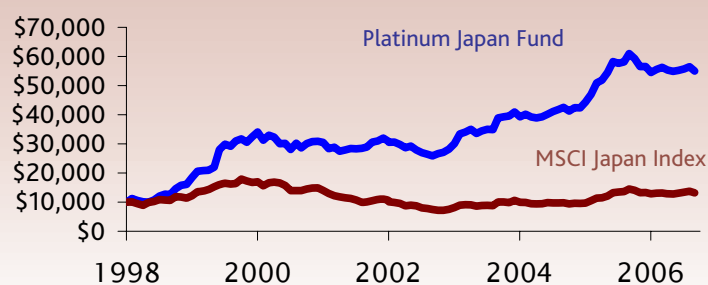
The most significant change to the portfolio this quarter was the reduction in our Korean equity weighting. In our view, Japanese stocks represent significantly better value than Korean equities at this point in their respective economic cycles. Obviously, the weakness of the yen versus the won is a major benefit for Japanese manufactures. More importantly, Japan is much earlier in the domestic asset reflation cycle, with potential for the virtuous cycle of a stronger property market to flow through the economy. This contrasts with Korea where the property cycle seems under increasing threat from determined government and central bank efforts to slow it down.

DISPOSITION OF ASSETS

REGION	MAR 2007	DEC 2006
JAPAN	87%	70%
KOREA	6%	17%
CASH	7%	13%
NET SHORTS	0%	8%

Source: Platinum

VALUE OF \$10,000 INVESTED SINCE INCEPTION 1 JULY 1998 TO 31 MARCH 2007



Source: Platinum and MSCI. Refer to Note 2, page 38.

Purchases of Japanese stocks with the funds released from Korea were biased toward property related areas and included Nomura Real Estate and Kajima, as well as related beneficiaries such as Sumitomo Mitsui Bank and Tokyo Gas. We also added to our Sony position and initiated new positions in Rohm and Marubeni. Sony appears to have gained some traction across its business lines and the games business appears far from the disaster that the market had been predicting. The interesting point to note is that notwithstanding the slow take-up of PS3, Sony's overall sales of hardware and software (including PS2 and PSP) have held up surprisingly well despite the success of Nintendo! This is a testimony to the Sony brand and bodes well for PS3 sales when retail sales prices come down later this year and the Nintendo novelty factor wears off.

COMMENTARY

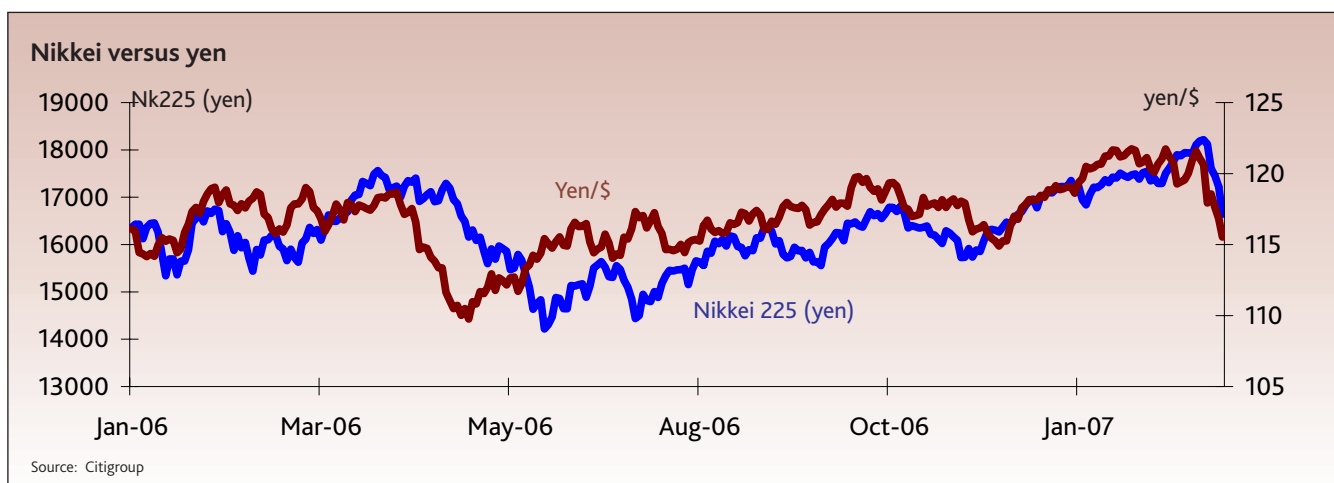
"The yen 'carry trade' – missing the point?"

Let's put the yen "carry trade" into some perspective. The "carry trade" is most commonly associated with hedge fund activity with the idea being that large sums of money have been borrowed in yen and used to purchase assets overseas. The overall size of the trade is highly opaque and whilst very few own up to having done so, it is likely to be true that large sums of money have been borrowed and invested in this way. Life is given to the trade by the reality of the huge differentials in interest rates between Japan and other major countries **AND the presumption that the yen will not rise!** This last point is important as it suggests that the yen "carry trade" is merely a symptom of a much bigger problem which is the accumulation of the US dollar by Asian central banks. What must be realised is that the Asian central banks are effectively the single biggest owners of the "carry trade" in the form of their huge foreign reserves. Soaring global equity markets in recent times have disguised the reality that the world has massive imbalances which need to be dealt with. The real question is how and

when Asian countries move away from their mercantilist policies and abandon the US dollar peg, and what are the flow-through effects to global growth? A subsidiary question is the vulnerability of places where the "carry trade" assets have been hiding, be it US mortgages or emerging market equities?



The recent sell-off in global markets gives us some hint of where the funds have been going as it was sparked by concerns over speculation levels in emerging markets such as China. The movement was clearly exacerbated by the reality of the massive global imbalances and the fears in the market place about its unwinding. Hence the sharp movement in the yen being so closely correlated with global market moves suggesting it is the source of a large part of the liquidity driving markets. Perhaps, the most disappointing feature of the moves was that the Japanese market provided no insulation with the Nikkei falling more sharply than most markets. This would seem to reflect a fear of a double whammy; the tightening impact of higher rates (the Bank of Japan recently raised interest rates) and higher currency. Indeed, over the past year, the Nikkei has moved more or less in line with the yen which would indicate to us a total lack of interest in the market which is increasingly seen as dominated by these macro forces.



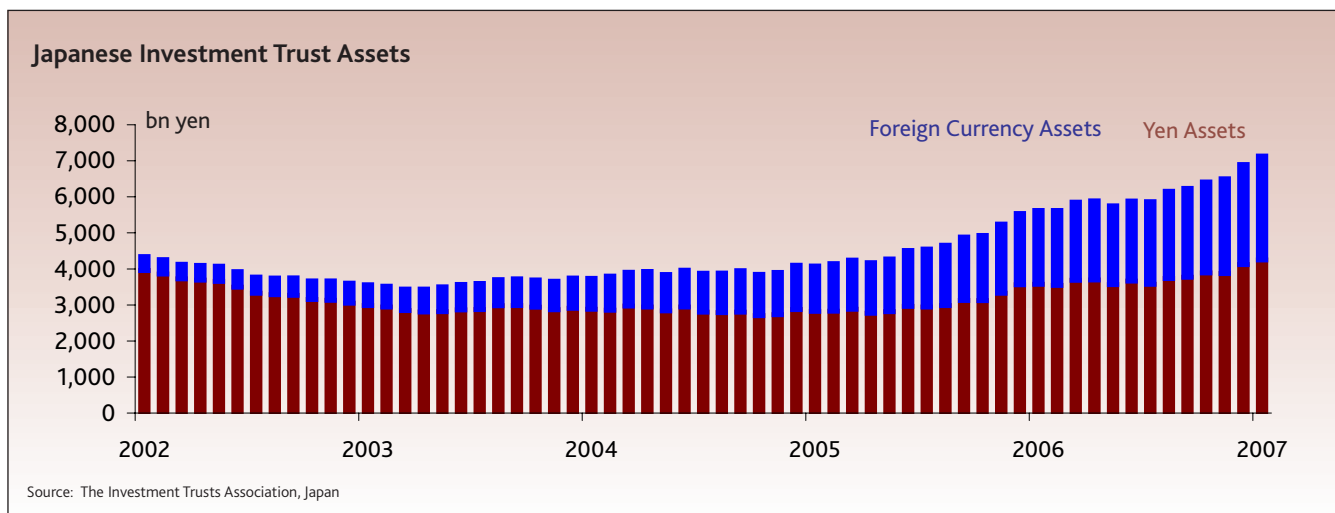
Where does this discussion lead us?

The issue is not one of just a simple discussion of which hedge funds will be caught short in a move up in the yen, but rather recognising that the imbalances in the global economy have been inexorably building and that this is likely to be destabilising to economic activity at some point. Whilst there has not been intervention by the Ministry of Finance (MOF) recently, its holdings of US dollars continue to accumulate interest. In the meantime, the domestic investor base has taken to the hunt for yield overseas with alacrity underwritten by the MOF position and the belief in a weak currency. What happens if this belief reverses? The current rumblings in markets may be a sign of what is possible if this happens. The missing link in such a reversal is no doubt a stronger domestic story in Japan, driven by consumer spending and leading to rising inflation. Sadly, the recent data gives no cause for optimism on this score, with inflation once again falling back. Indeed, the nightmare for Japan may be both a deflation scare and a strong currency which is likely to shake confidence. For now, it is possible if the yen follows the pattern of 2006 for it to go to about 112 or 110 to the US dollar, at which point, the question of whether Japan would buy more US dollars would arise. Clearly the strength of the economy at that time will be crucial which makes the trend in inflation all the more interesting. It is hard to believe that Japan

and Asian countries generally will quickly drop their mercantilist policies in which case the yen may sell-off again as it did in 2006. With the Chinese battling surging inflows and US sub-prime problems suggesting US appetite for more debt is unlikely, surely the day is closer when the Asian currencies are forced higher.

A narrow stock market

With so little to excite the stock market recently, it is important to note the continued narrowing of the market's rise around dividend yield plays. To us this is merely an extension of the search for yield that has been going on in foreign currency bonds and the local property market, and which is now making its way into the local equity market at the edges. Flows into dividend yield funds in Japan have been good and yields on listed Real Estate Investment Trusts (REITs) have been pushed down remarkably to the 2% level! This has then spilled over into traditional yield plays such as power companies and even the low PE steel stocks which in some cases have risen by 80% in three months! The bullish hope would be that yields on the so-called yield stocks now merely equate with that of ordinary industrial companies which have much greater scope to increase payout ratios. If these companies decided to be more proactive after witnessing the upward movement in other stocks based on yield, we could get a broadening of the market. This would complete the missing link in the Japanese equity



market which has been the lack of recycling of corporate cash flows through to the investor base and the economy.

As for the Japanese property market, we appear to have seen the peak in the price appreciation of central locations with a gradual spreading to regional locations likely. However, it would appear to us that there is considerable scope for a large rise in transaction volumes of everything from housing (including second hand) to old office buildings and industrial plants as investors from as far afield as Australia arrive in droves. In this liquidity driven environment, the beneficiaries should be the remaining large owners of latent landholdings who can sell into the general enthusiasm. We would generally not be buying REITs although apartment REITs strike us as being interesting. Holders of land include railway, utility and warehouse companies. It is also likely that Japanese property remains a safe haven if deflation rears its head again and a stronger currency shouldn't diminish the story either.

OUTLOOK

We remain positive on the companies we own in Japan, but concede that the risk of macro disruption and liquidity withdrawal have risen, which could undo the good potential we see in them. The re-emergence of the deflation word in Japan is also likely to do the rounds, adding to the pressures on both the authorities and market participants. We think the yen remains mildly undervalued at these levels and remain weighted toward domestic positions with an emphasis on property related and financial sectors, with smaller positions in retail and industrial plays. Clear under weights are technology, telecom and commodity related plays. For now, the market remains hostage to the movements of the yen and perhaps it is likely to remain so until the imbalances are addressed.

PLATINUM INTERNATIONAL BRANDS FUND



Simon Trevett
Portfolio Manager

PERFORMANCE AND CHANGES TO THE PORTFOLIO

The markets proved quite challenging with a sharp decline towards the end of February followed by a partial recovery and increased volatility. Against this backdrop the Fund was relatively stable and returned 2.8% in the quarter compared to the MSCI World Index return of 0%.

We have previously commented on the negative impact of the appreciation of the Australian dollar on our returns. That trend continued in this quarter particularly in the last month, detracting from the performance of our investments in their local currencies.

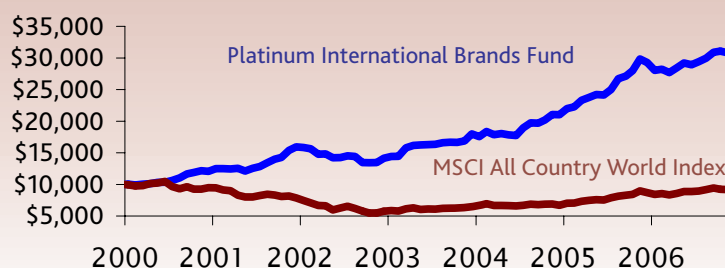
Perhaps a little surprisingly, some of the best performing stocks in the Fund were in the emerging markets. Our investment in India's United Breweries increased by close to 50% in the quarter whilst our, admittedly small, position in Vietnam Dairies produced a similar return. Investments in Japan, such as Citizen Watch and Sony, contributed gains in excess of 20% in the quarter together with some of our long-held companies, Lindt and Spruengli, and Clarins increasing in value by more than 10%. Clarins, which holds an attractive position in the cosmetics market, became the focus of increased takeover speculation following the death of the founder.

DISPOSITION OF ASSETS

REGION	MAR 2007	DEC 2006
EUROPE	32%	33%
JAPAN	25%	23%
OTHER ASIA (INCL KOREA)	21%	20%
NORTH AMERICA	7%	5%
CASH	15%	19%
SHORTS	9%	9%

Source: Platinum

VALUE OF \$10,000 INVESTED SINCE INCEPTION 18 MAY 2000 TO 31 MARCH 2007



Source: Platinum and MSCI. Refer to Note 2, page 38.

At the end of the last quarter, the Fund introduced a short position against the French CAC Index, to protect the significant 15% of the Fund invested in stocks domiciled in that country. This short position proved useful in contributing to the stability of the Fund, albeit for no net gain.

At the other end of the spectrum, some of our small positions across Asia lost value, such as BenQ in Taiwan. None of the investments that declined in value were particularly large holdings and in the case of our minor positions in India, were partially protected by our short position on the Indian Nifty index.

The Fund opportunistically increased its investment in several of the Japanese and Asian companies such as Singapore Airlines and Bangkok Bank. A more substantial addition was made to Sharp, to become the largest position of the Fund.

Sharp has emerged as a leading LCD TV company under the leadership of the outgoing President and although the incoming President inherits a strong position, there are nonetheless some challenges. Concerns such as a slow down in US consumer expenditure, perhaps a strengthening yen that would weaken export earnings, falling TV prices and some manufacturing concerns have led to a dull stock performance and a valuation that is at a relative low. Against this potentially quite miserable outlook the management team express confidence in their technology advances and the cost competitiveness of their products.

We have also added Microsoft to the Fund. There is a lot of noise and chatter regarding the products, especially the new “Vista” operating system and with product launches from Sony and Nintendo, the performance of the gaming system Xbox is also brought into question. Nonetheless, when the valuation of this company (adjusting for its massive cash hoard) is compared with its long-term record, we question whether there isn’t a degree of neglect.

COMMENTARY

Many companies’ communication departments have done an excellent job in setting forth the tremendous potential of their nascent emerging market operations. In their enthusiasm to highlight the progress of their newest arena of growth, more often than not China, the focus on the majority of their business has been reduced to incremental comments on cost management and movements in commodity prices. There has generally been an insufficiency or complacency in presenting the challenges and opportunities for maintaining a healthy growth in the core revenue drivers of the business.

For some companies the temporary relief from scrutiny has proven to be short lived as long-standing inefficiencies have been closely examined by a variety of market participants, ranging from activist hedge funds to well-funded private equity firms.

The sleepy habits of iconic names such as Heinz have been thrust into the media through the appearance of an activist shareholder on the register, with management reluctantly discovering that really, they did have the capacity to urgently reduce costs and reconsider their product portfolio. We are somewhat sceptical of Heinz’s recent protestations that they are much more of a healthy foods company than people perceive and despite devoting much of their investor presentation time to “health and wellness” and “emerging markets” we continue to believe that the progress of the core business in mature markets is the key issue. The current valuation reflects the enthusiasm for short-term earnings per share, increases derived through cost cutting and share buybacks with perhaps insufficient weighting on the difficulties of creating long-term revenue growth. But then perhaps we underestimate a new found attractiveness for engaging in “industry consolidation” and reducing the influence of meddlesome minority shareholders.

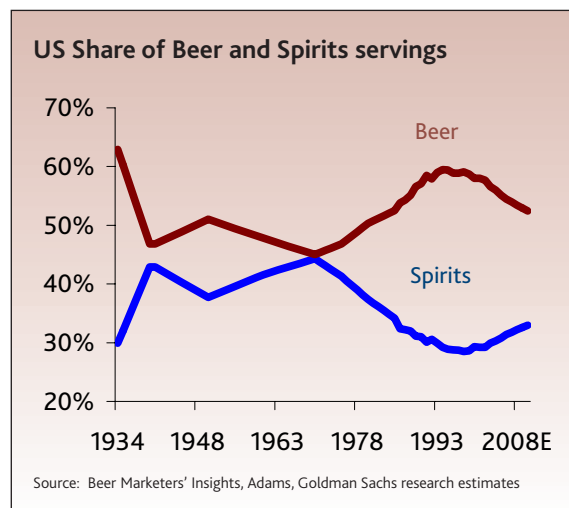
Such thoughts may be near the forefront of the management at Cadbury Schweppes. The appearance on their shareholder register of the

same activist hedge fund has seen a rather hasty recognition by management for the need to address long outstanding shareholder questions. In this case, the question as to why they maintained ownership of the US and Australian soft drinks business despite having sold the European business to private equity firms in 2005.

They protest that they were already considering this and that the plans were in place, except perhaps for the part about discussing the options with their shareholders. Analysts are also now able to “see” that a robust bid for the beverages business from private equity, together with an interest in “industry consolidation” amongst the confectionary companies, could leave shareholders some 50% better off with their investment; a consequence of a catalytic 3% position by a hedge fund. The confectionary business does have some interesting opportunities for both revenue growth and some significant margin enhancement and we will monitor this with interest. In the meantime, our investment in Lindt and Spruengli has proven to be significantly more rewarding.

In highlighting these two companies it would be a simplification to assume that the interest of hedge funds, private equity and wealthy individuals/activists is only piqued when considering under-performing companies. There are a number of examples of significant and competently run companies being suggested as attractive targets, such as Clarins and Adidas. Similarly the move by Pernod to ensure that they have a sufficiently large pact amongst friendly shareholders is further evidence of a more general concern amongst the management teams that they may be exposed to unwelcome scrutiny or changes in ownership.

It is also worth highlighting that despite the near-term excitement and distraction of the corporate shenanigans highlighted above, there are nonetheless some underlying themes that continue to drive solid performance in our companies. The chart over highlights a theme that is well represented in the Fund and perhaps illustrates the potential for longevity in some investment ideas.



The presence of such a seemingly powerful underlying theme does not in itself guarantee good investment returns. A review in the quarter of Brown-Forman, known for their Jack Daniels brand, revealed a company at a higher valuation than its European counterparts and with decelerating growth in the lead brand. We also prefer the exposure to the Asian markets that our existing investments provide.

OUTLOOK

We maintain our long standing caution in respect of the dependence of many companies on a prodigal US consumer. An increasingly apprehensive consumer may become more evident as the year progresses. In many cases the robust growth of consumerism in Asia is already confidently reflected in the valuations of many companies and is unlikely to provide sufficient offset should there be a pullback in spending patterns in the US. We have commented recently that the valuations of many of the broader consumer goods companies are relatively high and that remains the case. We are finding some opportunities and neglect in the largest of companies as the market continues to prefer to focus on the potential for outsized growth and possible acquisition amongst smaller companies.

PLATINUM INTERNATIONAL HEALTH CARE FUND



Simon Trevett
Portfolio Manager



Bianca Elzinger
Investment Analyst

DISPOSITION OF ASSETS

REGION	MAR 2007	DEC 2006
NORTH AMERICA	60%	56%
EUROPE	24%	24%
JAPAN	7%	6%
OTHER ASIA (INCL KOREA)	2%	2%
SOUTH AMERICA	1%	0%
CASH	6%	12%
SHORTS	1%	1%

Source: Platinum

PERFORMANCE

The biotech sector in particular experienced a difficult quarter as investors' aversion to risk increased and both Amgen and Genentech faced tighter restrictions from regulators as well as concerns about their maturing products.

For our pharmaceutical holdings, the quarter offered both positive as well as negative developments. New HIV drugs are approaching the market quite quickly, while regulators have delayed the approval of Novartis' new diabetes drug.

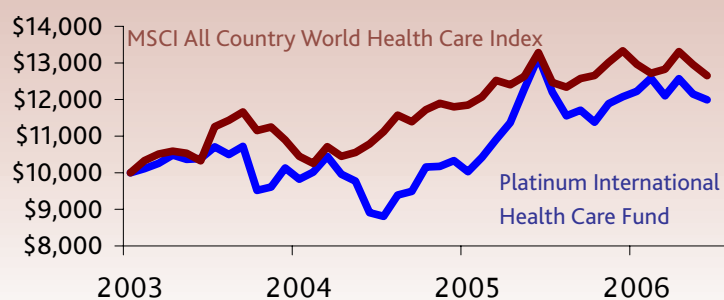
Corporate activity and rumours were also plentiful, particularly in the pharmaceutical and diagnostic sector. GE appears to be following Siemens' lead in gaining access to the *in vitro* diagnostic market by buying Abbott's diagnostic division. At the same time established diagnostic companies continue to add new technology, purchasing smaller players with limited distribution and positively influencing valuations of some of our holdings.

There has been no shortage of activity in the health care sector this quarter and many companies are finding themselves in a state of transition, products are maturing and new portfolios are being accumulated. Simple financial valuations do not fully capture the assets that many companies have gathered, unfortunately resulting in uncertainty and short-term volatility.

The Platinum International Health Care Fund was down 0.9% this quarter, while the MSCI Health Care Index was down 1.4%.

VALUE OF \$10,000 INVESTED SINCE INCEPTION

10 NOVEMBER 2003 TO 31 MARCH 2007



Source: Platinum and MSCI. Refer to Note 2, page 38.

CHANGES TO THE PORTFOLIO

Refocusing on its scientific strength, building a pipeline and introducing new drugs has been part of our Merck case. This story has been unfolding nicely over time with the valuation having reached a level that we feel accounts for this achievement. We sold our position and feel we can add more value elsewhere. A number of companies with exceptional long-term track records are being considered as their valuations represent interesting opportunities.

Exposure to some of our themes, including early detection of diseases and the area of biological therapeutics was increased this quarter; we introduced two new ideas to the portfolio, one supplying tools to make biological drugs, and the other is building its capability to take part in the emergence of biosimilars.

COMMENTARY

Amid the noise and turmoil that represents the short-term focus of many market participants, it is valuable to remind oneself that the activities of companies to find ways of treating or managing diseases continues everyday. The scientists in the laboratories do not abandon their work simply because of a change in near-term market impulses. Everyone is very familiar with the long development time lines (12 to 13 years) from finding a new compound to receiving regulatory approval in the industry. There are also the challenges along the way.

With these thoughts in mind it is now a matter of looking at how companies have overcome hurdles in the past and in what way management has prepared the company in anticipation of challenges they will almost inevitably face.

Historical events as well as the long-term picture quite often slip the mind of investors and many become intensely focused on current dilemmas. Thus, when looking at a company as an

investment opportunity it is good practice to step back. Interestingly, the most recent annual report from Johnson & Johnson (JNJ) did exactly that. While the existence of challenges was acknowledged, the company offered a picture of the opportunities they have accumulated over the years. It was a refreshing read compared to other reports which incessantly describe the problems of the industry.

Developments at the large profitable biotechs further emphasise that “financial valuations” only tell a small part of the story. Several of these successful companies are currently trading at historical low valuations and at a quick glance look like enticing opportunities. Unfortunately, a closer look reveals some of these companies may have not ordered their affairs to manage the unfolding environment and at the same time expand geographically. Quite often these companies rely on a small number of very profitable products with little competition as yet. As signs of slowing growth and competing products emerge, these warnings are initially being dismissed by the market even though it is the start of a significant change for the company itself. In their haste to join the ranks of big pharmaceuticals many biotechs can be criticised for their failure to develop a steady flow of follow-on products.

While these companies have built over time a very impressive franchise, the next phase of growth is still in the making and perhaps the difficulties along the way are underestimated by these companies. To make a balanced assessment of the company one needs to take into account these transitional and hidden issues.

Similarly, for small companies it is one thing to have a great technology platform but to assess the evolution to the next stage is problematical. Success lies in maintaining continuous clinical development as well as assembling a sales and marketing infrastructure. One device company that has caught our eye has spent a lot of effort forming solid alliances with well-positioned, large companies and in making sure the products are supported by solid clinical development. Delays

did occur along the way causing disagreement and doubt among investors. However, to us this careful and diligent approach of introducing a novel technology tends to work better over time than taking shortcuts as a competitor has done.

It may seem unnecessarily painstaking to keep looking at all the facts of a company but quite often the conclusion arrived at is in contrast to the short-term consensus. The time lines of this industry require particular patience.

OUTLOOK

Despite multiple miserable headlines there is a lot of activity in this sector. By looking beyond the most obvious choices and taking into consideration the company's long-term ability as well as the financial valuation, some interesting, quality companies can be identified.

Overall, there is a general view that health care companies are moving closer together as a way of overcoming challenges. When looking at device and drug companies the deal activity remains very steady. Consequently, to disregard a company simply because the current pipeline is empty or unexciting can cause one to undervalue their other strengths or options, such as securing rights to products or technologies. These external activities and alliance networks of companies have become an essential part of their business and will expand further in coming years.

PLATINUM INTERNATIONAL TECHNOLOGY FUND



Alex Barbi
Portfolio Manager

PERFORMANCE AND CHANGES TO THE PORTFOLIO

During the quarter the Fund declined by 1.5% compared to a decline of 1.9% in the MSCI World Information Technology Index (in A\$ terms).

Currencies had a slightly negative impact on the Fund performance with the Australian dollar stronger against the US dollar, the euro and the yen.

Major purchases: Corning, Oracle

Major sales: Alpine Electronics, Sun Microsystems

We introduced a position in Corning, as we believe that the company has a number of very interesting businesses in strong growth areas. In particular, its leadership in specialty glass substrate for active matrix LCD displays, makes it a clear beneficiary of consumer demand for large flat panel TVs. Corning is also a leader in optical fibre manufacturing, a sector with high prospective growth, thanks to renewed capital expenditure plans of telecom operators in the area of broadband and IPTV. Lastly, Corning through its joint-venture with Dow Chemical, is the world's leading producer of polycrystalline silicon used in the manufacturing of solar cells.

We exited the position in Alpine Electronics after reaching our valuation target and the stock's strong performance. Moreover, signs that competition in the car navigation systems is increasing made the investment potentially less attractive.

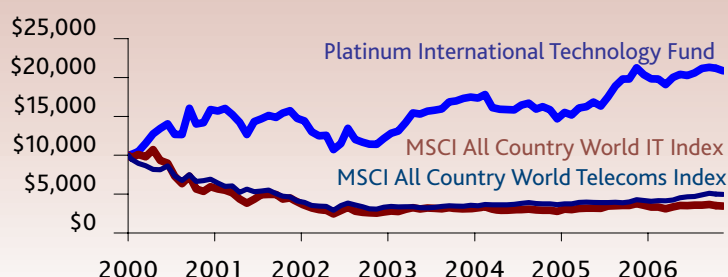
We also exited Sun Microsystems after a long association with the name, following a strong performance (+50% from last July) and considering the risks of a slowing market for IT hardware in general and servers in particular.

DISPOSITION OF ASSETS

REGION	MAR 2007	DEC 2006
OTHER ASIA (INCL KOREA)	25%	28%
NORTH AMERICA	24%	20%
JAPAN	17%	16%
EUROPE	15%	16%
CASH	19%	20%
SHORTS	5%	5%

Source: Platinum

VALUE OF \$10,000 INVESTED SINCE INCEPTION 18 MAY 2000 TO 31 MARCH 2007



Source: Platinum and MSCI. Refer to Note 2, page 38.

COMMENTARY

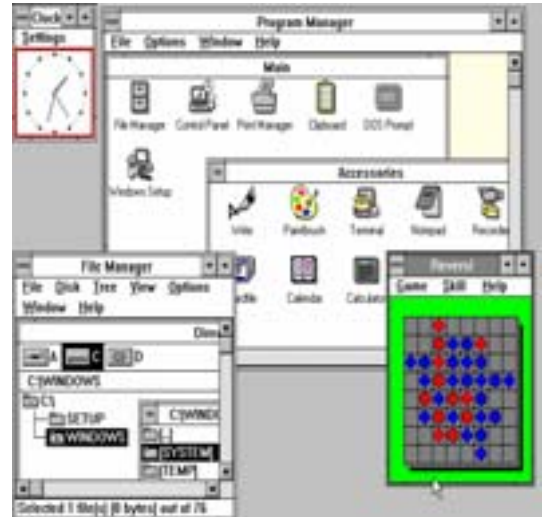
The main event in the quarter was the long awaited launch of Microsoft's new operating system, Windows "Vista". "Vista" went on sale to the public at the end of January, after a delay of several months, which raised questions about Microsoft's ability to execute. What made this launch even more important is the fact that Windows' previous version (XP) had been released nearly six years ago in October 2001. Microsoft had never before waited so long upgrading Windows (the average in the past being two to three years between upgrades).

Given Microsoft's 90% market share of the global desktop market, a new product launch from the giant of Seattle has by definition huge consequences on the global IT chain. Research house IDC calculates that for every dollar that "Vista" earns for Microsoft, it will trigger a minimum expenditure of \$12 into the global economy. So if Microsoft sell \$10 billion of "Vista" software over the next 18 months, there will be a cascade of \$120 billion in revenues for other technology companies around the globe.

"Vista" will induce upgrades in hardware (consumers will be tempted to upgrade their old PCs or buy a new laptop) and will make adoption of more sophisticated, graphic intensive software easier (ie. 3D imaging, high resolution games etc). It will also have an impact on software applications. Some of you may remember when Windows 3.0 was launched in 1990 (see picture). Remember when those first little "icons" appeared on our PC screens? Or when we first started browsing through the Internet and Microsoft launched Internet Explorer with Windows 95? Similarly, we believe that "Vista" will foster the transformation of PCs into true multimedia devices.

One of the most attractive features of "Vista" is probably Windows Media Centre, an application designed to make your PC the home entertainment-hub.

Windows in 1990



Source: Wikipedia.org

Windows Vista in 2007



Source: Microsoft

If your PC has a TV tuner, you can use Windows Media Centre to record, watch and pause live television on your desktop or laptop. You can use the built-in television guide and a remote control, or you can surf through the channels with a mini-guide without interrupting your current program.

Moreover, throughout 2007, Microsoft plans to collaborate with manufacturers of DVD players, set top boxes and TVs to build integrated Media Centre "Extenders" in their devices. You will then be able to redirect all the digital entertainment stored on your PC across the home (up to five different TV sets!).

Surely the launch of “Vista” was not completely flawless. Early users have complained about Microsoft’s approach to copyright protection with its strict Digital Rights Management (DRM) software, targeting pirated content. Also as often happens with the launch of new software, not all the applications and devices developed by third party providers have worked smoothly from day one.

We do believe, however, that these and other issues will turn out to be minor ones and the full potential of the system will eventually be appreciated. In fact, in the first month from the retail launch, Windows “Vista” has already shipped 20 million units. Compared to Windows XP which shipped 17 million in the first two months from launch, it can definitely be considered a promising sign!

When discussing Microsoft, a lot of the emphasis is obviously on its dominant position on the desktop with Windows and Office. However, we often forget that increasingly large portions of their revenues are now being generated from areas like Servers and Tools (database software, Windows Server, Mail Server, collaboration Software etc making 26% of total sales) or new divisions like Business Applications, MSN.com, Home and Entertainment and Mobility etc (representing in total 20% of sales).

Microsoft is building these new businesses with an eye to the potential future software landscape. An environment where Software as a Service (also known as Service Oriented Architecture or SOA), may replace the traditional model of selling software upfront on a one-off perpetual licence. A new business model is envisaged based on “renting” the software application from an online provider, and paying for it by way of a monthly/yearly subscription.

Those readers who have been following our reports for a while may remember that in the past we commented on consolidation in the software industry (see June 2004 Platinum International Technology Fund report) arguing that it would be a slow, long and painful but inevitable process.

Nearly three years later things are starting to get clearer.

Oracle has marched forward with a series of acquisitions targeting the Enterprise Resource Planning domain, traditionally presided over by leader SAP. IBM has been aggressively acquiring companies in a bid to strengthen its software applications portfolio to eventually compete against SAP (traditionally an IBM partner). Microsoft is leveraging on its huge installed base to extend its penetration with additional applications and services and it is buying or developing new business in areas such as mobility and Internet search.

This trend is set to continue and in 2005, according to SAP, its market share of global enterprise software applications was 21%, followed by Oracle with 9% and Microsoft with 5%. This market, valued at more than \$15 billion in pure software licences, is still very fragmented; many corporate IT departments are still relying on a wide range of providers and on in-house developed software applications. The opportunity for the leading companies to gradually deepen their penetration of the global market gives them plenty of scope for further growth.

OUTLOOK

After a strong performance of technology stocks at the end of 2006, a seasonal slowdown in the early part of 2007 was to a certain extent expected. It was partly compounded by emerging uncertainties about the US consumer’s health.

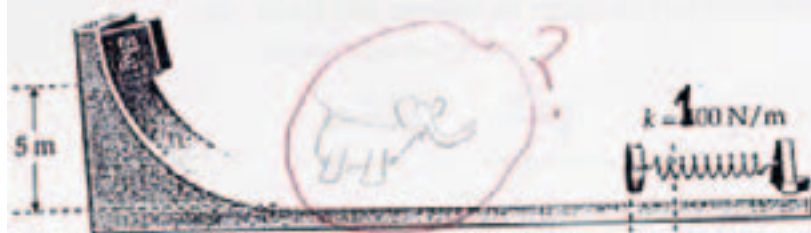
Technology stocks remain generally solidly positioned for a long-term secular growth, fostered by the “Digital revolution” and large capitalisation companies, in particular, are increasingly attractive in terms of valuation. We maintain our positive medium-term view but we keep a reasonable amount of cash to profit from any opportunity arising from any short-term correction.

for all mathematics geniuses ...

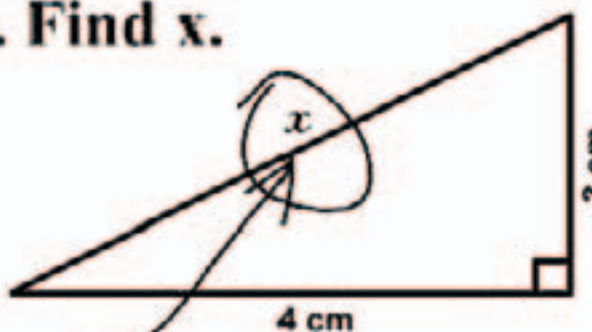
2. A 3-kg object is released from rest at a height of 5m on a curved frictionless ramp. At the foot of the ramp is a spring of force constant $k = 100 \text{ N/m}$. The object slides down the ramp and into the spring, compressing it a distance x before coming to rest.

10 (a) Find x .

5 (b) Does the object continue to move after it comes to rest? If yes, how high will it go up the slope before it comes to rest?



3. Find x .



Here it is

$$c = a + b + d$$

$$C = (7.5 \cdot (12 - 10)^2) + 3 \cdot 10 + 2 \cdot 3 \cdot (10 + 11)$$

$$C \cdot (T - T_0) = \log \frac{T_0}{T} + 36 + 6.64(11)^T$$

$$c = \left[\sqrt{\sum \alpha_i^2} + \frac{g[(x-x_i)^2 + (y-y_i)^2]}{(1+y^2)(1+z^2)} + g(x-y) \right]$$

$$c = \left[\int_0^1 \sum_{i=1}^n \frac{(1+x)^i (1+y)^{i-1}}{(1+x)^i (1+y)^i} dx \right] = \frac{[0+1]^2 + 1 + 32}{(1+4)^2 (1+2)^2} = \frac{33}{6^2 \cdot 3^2} = \frac{11}{36}$$

$$= \left[\int_{-\infty}^{\infty} \frac{(s+y_0) \Gamma_0 (p-\infty^0) \pi^{\frac{p-1}{2}}}{(s-y_0) \Gamma_0 (p+y_0) \Gamma} ds \right] \rightarrow \frac{\Gamma_0^2 (2+y_0)^2 \Gamma_0 (p-\infty^0) \pi^{\frac{p-1}{2}}}{\Gamma_0 (p) \Gamma_0 (p+y_0) \Gamma} = \frac{1}{\Gamma_0 (p) \Gamma_0 (p+y_0) \Gamma}$$

$$e^{-\int_0^x \frac{\sqrt{1+t^2} + (1-t^2) \cdot 2t}{(1+t^2)(1+t^2) \cdot \log t} dt} = \frac{2\sqrt{1+t^2} + (1-t^2) \cdot 2t}{(1+t^2)(1+t^2) \cdot \log t} = \frac{2\sqrt{1+t^2} + (1-t^2) \cdot 2t}{(1+t^2)^2 \cdot \log t}$$

$$c = \sqrt{\left[\sum_{i=1}^n a_i^2 \right] + \frac{a_1^2 (3n-1) + a_2^2 (3n-2) + \dots + a_n^2 (3n-n)}{(n)(n+1)} + 3a_n^2}$$

$$E \sqrt{\sum_{i=1}^n \sigma_i^2}$$

4b) Expanded

$$(a+b)^n$$

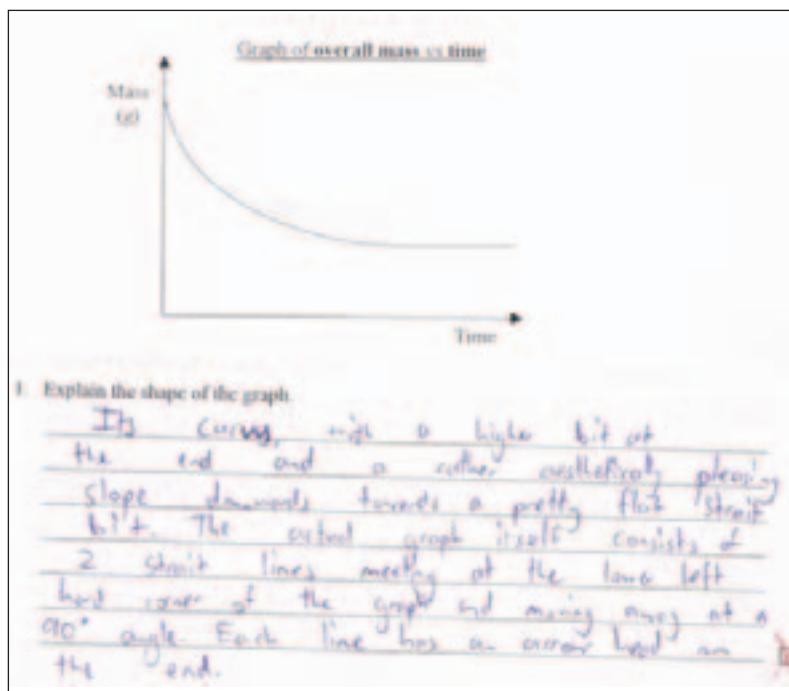
Very funny, Peter

$$= (a + b)^n$$

$$= (a + b)^n$$

$$= (a + b)^n$$

etc...



A proton approaches a long line of positive charge so that with it's initial trajectory it would intersect the line. The line has a uniform charge density of 5 nanoC/m. If the proton starts off with velocity 300 km/s a distance 1 km from the line charge, what is the distance of closest approach?
 Mass of proton = 1.67×10^{-27} kg
 $k = 8.99 \times 10^9$ Nm/C²
 Hint: find the field and potential that affect the proton.

Problem

Use calculus to find the identity of Batman.

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 Unhedged Fund:

Inception 31 January 2005, 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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The Platinum Trust Product Disclosure Statement No. 7 (PDS), is the current offer document for the Funds. You can obtain a copy of the PDS from Platinum's website, www.platinum.com.au, or by contacting Investor Services on 1300 726 700 (Australian investors only), 02 9255 7500 or 0800 700 726 (New Zealand investors only) or via invest@platinum.com.au.

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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Platinum Asset Management is a Sydney-based manager specialising in international equities. The investment team uses a thematic stock-picking approach that concentrates on identifying out-of-favour stocks with the objective of achieving superior returns for our clients. We pay no heed to recognised indices. We aim to protect against loss and will hedge stocks, indices and currencies in our endeavours to do so.

The firm was founded in February 1994 by a group of professionals who had built an enviable reputation while at Bankers Trust Australia. PAM currently manages around A\$22 billion with over 20% of this coming from overseas investors. The staff are the owners of the company. The emphasis of the organisation is on managing clients' money rather than gathering funds: we have no sales staff and pay no inducements to promoters of our funds.

Since inception, the Platinum International Fund has achieved returns of well over twice those of the MSCI All Country World Index* and considerably more than interest rates on cash.

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