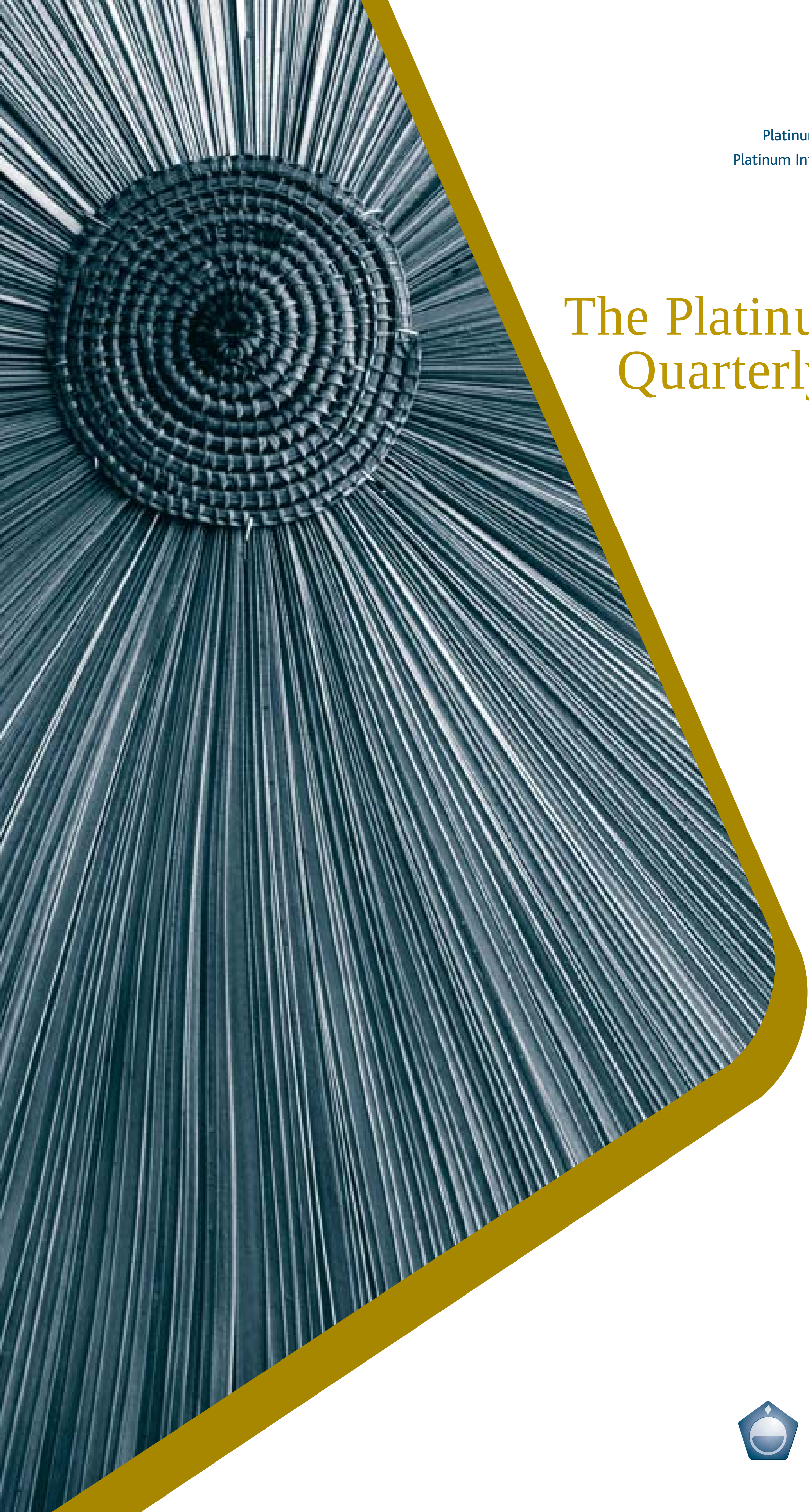
Platinum International Fund
Platinum Asia Fund
Platinum European Fund
Platinum Japan Fund
Platinum International Brands Fund
Platinum International Technology Fund



The Platinum Trust Quarterly Report

30 JUNE 2004

Platinum
ASSET MANAGEMENT

CONTENTS

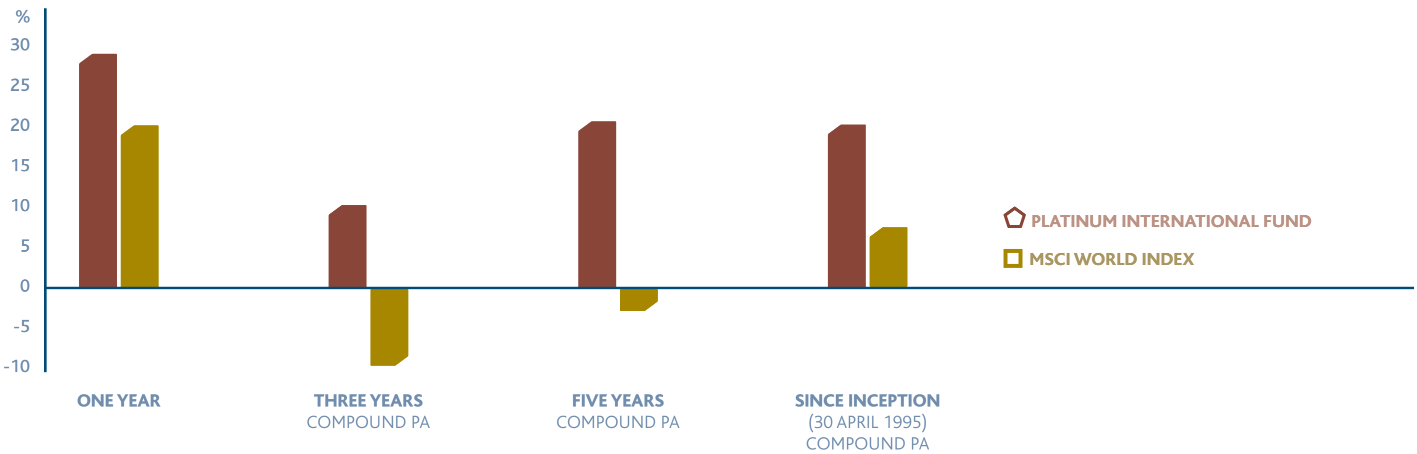
PERFORMANCE RETURNS TO 30 JUNE 2004

FUND	FUND SIZE	QUARTER	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	5 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA
INTERNATIONAL FUND	**$4,878m**	**3.5%**	**27.9%**	**9.9%**	**9.9%**	**19.8%**	**19.4%**
MSCI* WORLD INDEX		10.6%	19.4%	-1.2%	-9.2%	-2.7%	7.2%
ASIA FUND	**$223m**	**-5.2%**	**31.6%**		**(LAUNCHED MARCH 2003)**		**30.4%**
MSCI ASIA EX JAPAN INDEX		-0.8%	25.5%				21.0%
EUROPEAN FUND	**$164m**	**9.1%**	**34.5%**	**12.5%**	**10.1%**	**24.9%**	**17.8%**
MSCI EUROPEAN INDEX		11.9%	24.1%	-0.8%	-6.2%	-0.7%	-1.8%
JAPAN FUND	**$193m**	**5.2%**	**45.2%**	**15.2%**	**10.3%**	**17.2%**	**26.4%**
MSCI JAPAN INDEX		5.4%	40.8%	0.3%	-8.8%	-2.7%	1.0%
INTERNATIONAL BRANDS FUND	**$112m**	**8.9%**	**27.0%**	**8.3%**	**13.7%**	**–**	**15.9%**
MSCI WORLD INDEX		10.6%	19.4%	-1.2%	-9.2%		-9.2%
INTERNATIONAL TECHNOLOGY FUND	**$64m**	**2.8%**	**35.8%**	**16.9%**	**3.6%**	**–**	**15.0%**
MSCI WORLD TECHNOLOGY INDEX		9.4%	21.9%	2.4%	-15.8%		-26.9%

* Morgan Stanley Capital International

Source: Platinum and Factset. Refer to Note 1, page 27.

PLATINUM INTERNATIONAL FUND vs MSCI WORLD INDEX TO 30 JUNE 2004

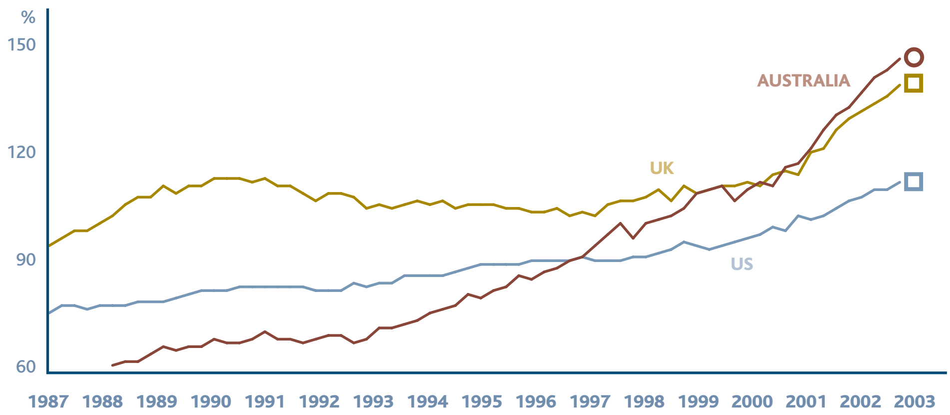


Source: Platinum and Factset. Refer to Note 1, page 27.

MARKET PANORAMA

HOUSEHOLD DEBT AS % OF DISPOSABLE INCOME

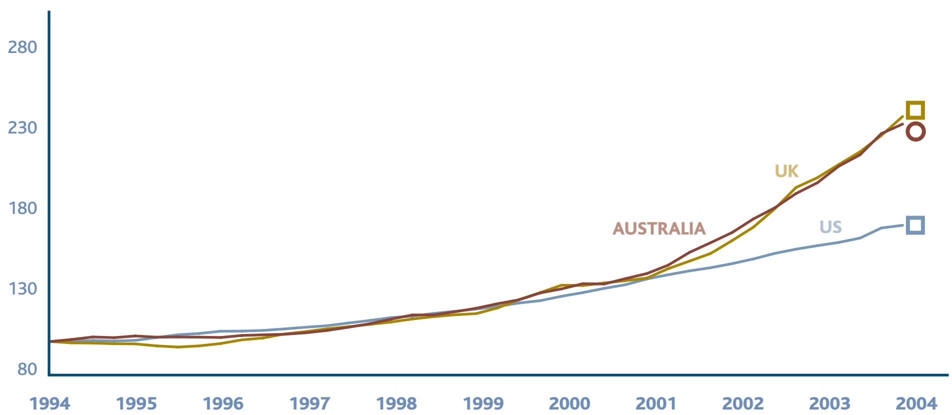
Easy credit is a precondition for asset price bubbles



Source: Federal Reserve, UK Office for National Statistics, Reserve Bank of Australia

HOUSE PRICE INDEX

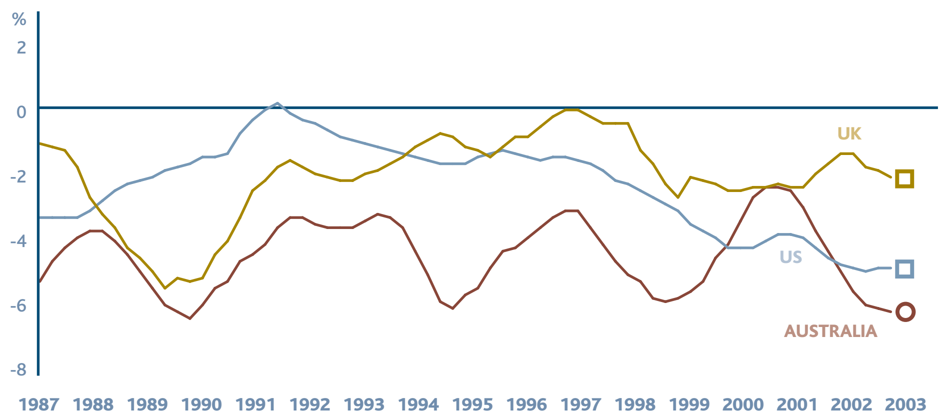
Financial innovations have reinforced the prevailing trend



Source: US OFHEO, Halifax, Datastream

CURRENT ACCOUNT BALANCE PERCENT OF GDP

... equity withdrawal from housing can turn up in strange places



Source: Citigroup

PLATINUM INTERNATIONAL FUND

Kerr Neilson Managing Director

Share markets lost momentum in the June quarter as doubts crept into investors' minds. The emerging markets of Asia and Latin America mostly declined, by between 1% and 14%, while markets in Europe and America ranged between zero and +8%. The Yukos affair hurt sentiment towards Russia badly with that market selling off by 20%. The wash-up from all this was an advance by the Morgan Stanley World Index of 1.6% when measured in local currency. For the year, this index is up 21%. However, the rebound of the US$ in the quarter saw the A$ fall from $0.76 to $0.70 and this translated into a gain by the World index of 10.6% in A$ terms. The annual figure was 19.4%. Our emphasis on Asia, which has tended to be weak recently, worked against us. Hence we underperformed during the quarter, returning 3.5%, though the short term dip is not apparent in the year's return of 27.9%.

As one would expect in a year of recovery, the cyclical industries way out-performed the defensives. Health care and telecommunications, the two laggards, have additional problems of their own. The pharmaceutical giants are suffering from patent expiries, disappointing drug pipelines and the latent threat to prescription prices, while telecoms are threatened by the internet.

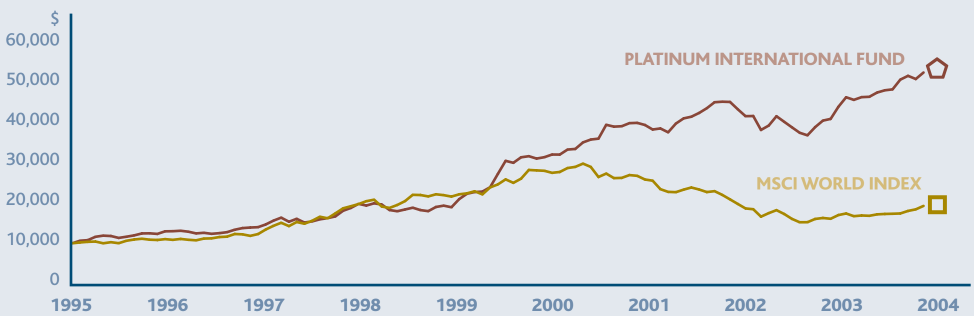
A conspicuous development has been the massive out-performance of small capitalisation companies versus large caps in the last three and a half years. Valuation differentials have reversed with larger companies now typically being on lower valuations than small companies. More recently there has also been a widening of the valuation gap between "high beta" and "low beta" stocks. Having had some benefit from this trend since 2000, we have been adjusting our position in the expectation of a reversal of this pattern.

MSCI WORLD INDEX INDUSTRY BREAKDOWN (A$)

SECTORS	QUARTER	1 YEAR
MATERIALS	9.2%	29.4%
INDUSTRIALS	13.8%	26.5%
INFORMATION TECHNOLOGY	9.4%	21.9%
ENERGY	15.9%	21.4%
CONSUMER DISCRETIONARY	10.0%	19.7%
FINANCIALS	6.6%	18.2%
CONSUMER STAPLES	10.9%	15.4%
UTILITIES	8.7%	12.4%
HEALTH CARE	12.6%	5.4%
TELECOMMUNICATIONS	5.8%	5.0%

Source: Bloomberg

VALUE OF $10,000 INVESTED SINCE INCEPTION 1 MAY 1995 TO 30 JUNE 2004



Source: Platinum and Factset. Refer to Note 2, page 27.

CURRENCY

We sense that the highly lop-sided position that many investors had against the US$ has been squared. This, together with our longer term concerns, has caused us to exit the US currency again in favour of the Yen and Euro. We added to the hedge into A$, which is now around 29%, but are ambivalent as to its prospects versus the Euro and believe it will be slightly weaker than the Yen.

CHANGES TO THE PORTFOLIO

It has been a relatively inactive period with our tending to bolster existing and recent acquisitions. In Japan this included adding to the Toyota group of companies at the expense of the likes of Nippon Yusen K.K., Mitsubishi Heavy Industries and Citizen Watch. The latter has been very strong on profit performance and the appeal of its electronic components subsidiary. We switched out of Yamanouchi Pharmaceutical to add to the position of its rival, Takeda Chemical. The valuation gap had become too great on account of the market's excitement with Yamanouchi's near term prospects, seemingly ignoring Japan's largest drug company's potential.

One new position was Sumitomo Mitsui Financial Group. Along with Mitsubishi Tokyo Financial (which we own) we see it taking advantage of the much weakened position of the banking sector and exploiting the advantages it has to expand as a more diversified provider of services to the consumer.

In the US, we have added to Agere and Agilent and have shuffled the biotechs, after losing Tularik to a bid from Amgen.

In Europe the most significant new purchase is Alcatel. This traditional provider of telephone switchgear and other electrical engineering services has morphed into a more streamlined company to focus on *next-generation* communication. By this is meant high speed internet access, Voice over Internet Protocol (VoIP), satellite and mobile communication, as well as converting traditional copper wired networks to function as fully digital systems. These complex solutions go by acronyms like DSLAM (digital subscriber line access multiplexing) or FTTH /FTTN (fibre to the home or to the node). Technical developments are advancing so fast that solutions which were hitherto regarded as compromises are proving more than adequate. So now we find that DSLAMs are allowing the telecoms to continue to use their installed paired copper wires to deliver full video, high speed

DISPOSITION OF ASSETS

REGION	JUN 2004	MAR 2004
WESTERN EUROPE	**31%**	**28%**
JAPAN	**28%**	**31%**
NORTH AMERICA	**13%**	**11%**
EMERGING MARKETS (INCL. KOREA)	**12%**	**15%**
AUSTRALIA	**2%**	**2%**
CASH	**14%**	**13%**
SHORTS	**30%**	**29%**

Source: Platinum

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

CATEGORIES	EXAMPLES OF STOCK	JUN 2004	MAR 2004
CYCLICALS/MANUFACTURING	TOYOTA MOTOR, SCHINDLER, SIEMENS, LINDE, OCÉ	**21%**	**22%**
FINANCIALS	CREDIT AGRICOLE, MITSUBISHI TOKYO FINANCIAL, MITSUI SUMITOMO INSURANCE, NORDEA	**15%**	**16%**
TECHNOLOGY/HARDWARE	AGERE, INFINEON TECH, SAMSUNG, AMD, SUN MICROSYSYTEMS, NEC	**9%**	**9%**
MEDICAL	TAKEDA, SCHERING, NOVARTIS, MERCK KGaA, GLAXOSMITHKLINE	**8%**	**8%**
GOLD AND OTHER	SHELL, BARRICK GOLD, NEWMONT MINING, GOLD FIELDS, NORANDA	**7%**	**7%**
RETAIL/SERVICES/LOGISTICS	VEOLIA ENVIRON, DEUTSCHE POST, HORNBACH, MITSUBISHI CORP	**7%**	**7%**
CONSUMER BRANDS	HENKEL, ADIDAS SALOMON, LOTTE	**7%**	**7%**
SOFTWARE/MEDIA	SKY PERFECT COMMS, SEOUL BROADCASTING, NEWSCORP	**6%**	**7%**
TELECOMS	ALCATEL, ERICSSON, NTT DOCOMO	**6%**	**4%**

Source: Platinum

data and voice to the home. (FTTH is a much more elegant solution, giving remarkable bandwidth with the added attraction of low maintenance costs, though installation involves relatively high initial outlays).

Much as the large telecoms would love to wind back the clock, the internet has permanently changed the structure of their business. **They have no choice but to invest** to protect their existing relationships. Cable TV operators and satellite transmission are eroding their position while the regulatory environment has deteriorated and often forces them to give new competitors access to their networks (eg. pre-selection of carrier).

Alcatel is well placed for this telecom-centric investment boom. Having dominated the global market in traditional closed circuit switching, it has an excellent understanding of the telecoms needs in a digital convergent world. Moreover, it has developed the necessary *kit* (software and hardware) to meet their needs. It is also able to help large corporations move to VoIP by virtue of being a global leader in this arena. The company is behind others in third generation mobile technology, but that may be compensated in due course by its leading position in optical networking. This division has seen sales more than halve since the glory days but metro DWDM (dense wavelength division multiplexing) is improving and prospects are brightening. Traditionally Alcatel has had a lower rating than its peers like Ericsson (which we also own), but this valuation gap now looks excessive.

COMMENTARY

The downward revision of the US GDP numbers for the first quarter, together with some disappointing releases and company announcements, should be treated with caution as until now most of the indicators suggested the lure of cheap money was working its magic to induce a solid expansion of that economy. One explanation may be that householders are responding to **pressure on real wages** from the delayed impact of higher costs, notably fuel, and the expiry of the tax refunds.

We subscribe, however, to the view that employment will gradually rise in synchrony with the expansionary trend and that this will allow real wages to grow. The recovery has now been in effect for around 2.5 years and it would be a very odd cycle indeed for it to abate on its own. It is too early to conclude that a significant shift in consumer behaviour has taken place. We have not been able to detect signs of debt aversion yet. However, the Federal Reserve Board's suppression of real interest rates ameliorated the downturn and has created some distortions in our view. Yes, the Fed has now moved the short term cost of money up one notch to 1.25%, as was widely anticipated, having waited more than twice as long as normal to start the rising rate cycle. The peculiar part of the **puzzle is the behaviour** of the longer end of the interest rate curve. Without clear evidence of foreign government intervention or other extraneous events, the yields on the **long bonds** have been edging down for some while now. This indicates perhaps that we are back to the earlier debate about inflation versus deflation.

Contrary to the popular view that inflation is a regular cyclical phenomenon, it can be shown that there have been long periods of economic history when prices have been stable to flat. In his excellent book, *The Great Wave**, David Hackett Fischer identifies four episodes of great waves of inflation since the middle ages followed by **protracted periods of price stability.** These coincided with the Renaissance, the Enlightenment and much of the 1800s. This latter episode is particularly interesting for it was a period which included civil wars, mass population growth and migration, and, indeed, the discovery and production of significant amounts of gold. Prices were flat for some 80 years. They spiked around times of war but then fell back to earlier levels. What is more, this price stability seems to have been evident across continents. In each of these periods of price stability, Fischer identifies that real wages rose, **returns on capital diminished** (rents on land and bond yields) and importantly, inequalities narrowed after a noticeable lag. (This in itself led to significant improvements to the crime rate and a drop in moral turpitude in general).

Now clearly we are addressing decades rather than the more intimate time horizons our clients favour. However, we have long believed that the early **1980s witnessed the taming of inflation** in developed countries and that we may experience a similar pattern seen in the 19th century. Behavioural psychology can explain the unwillingness of investors to believe in this new paradigm. This is particularly so when historically the benefits of financial leverage have so helped borrowers. As many clients will know, we strongly believe the **property boom** in the US, Australia, the UK etc is a **direct consequence of tax and interest rate distortions**, combined with a latent trust in the "inflation bail-out". Globalisation, with its facilitation of the free movement of goods, capital and technology, is clearly lubricating the arbitrage of labour costs between East and West. The unpopular dislocation it implies can however be expected to result in periodic temptations towards protectionism. Further, we are not suggesting all prices will be flat, on the contrary we suspect that **many commodities will reach new higher clearing levels** as a consequence of expanded markets. These may, however, be off-set by continued pressure on the prices of traded manufactured goods.

A digression to suggest that there may be an outcome different to that of recent decades. We favour the view that **the burden of debt will ultimately squash the growth trajectory** and that the pump priming need not necessarily cause widespread inflation. In this instance, US short term interest rates which are a full 1.75% below the base line of the 1994 trough, may not rise as far as might be expected. Currency instability is likely to play an important part of the adjustment process.

Turning to other markets, notably those of Asia. The curious phenomenon has been the absence of follow-through buying by domestic investors. Back in the halcyon days of the 1990s "Tiger economies", domestic investors exhibited furious enthusiasm for their share markets. Valuations were high, PEs typically in the high 20s to 30s, and there was no interest in discussing inscrutable subjects such as the marginal return on factor inputs etc. Now that these economies are growing again and financial rectitude has returned at both the national and company level, and compliance is stronger, it seems that foreigners are the only interested players. The scars of the 1998 IMF crisis do not seem to have healed.

Who will then take up the running from the foreigners? This may be necessary if the traditional pattern is followed and foreigners continue to exit their positions. Between late January and April of this year, foreign funds have been transferring their attention away from markets like China, India, Korea and Thailand to Japan. In some cases this is having an impact on their foreign exchange reserves and causing their domestic rates to rise. Once investment fund flows stabilise it will be interesting to see whether exchange rates take away some of the pressure that would otherwise be exerted by higher interest rates alone. This might indeed alleviate some of the pressure on the US dollar.

Some observers are cautious in the aftermath of the Indian election and the formation of a new coalition government under the Congress party. Our interpretation is that the decline of the stock market reflects the inevitable cooling off after a very strong run. The compromises that the new coalition may be forced to accept are in our view no more worrying than the dangerous Hindu nationalist card that the BJP periodically play. The economy is continuing to grow healthily and under Prime Minister Manmohan Singh it seems that reform is still fully on the agenda.

It is too early to assess the degree to which the credit freeze will impact China. Inflation, particularly in basic foods, is rampant (some grain prices are up over 30% on last year) and the official CPI is trending upward with May prices being 4.4% higher than last year. Early reports on the sale of cars and heavy construction machinery suggest a sharp contraction of demand (20% and 60% respectively). However, the less visible markers, such as the loss of revenue to the Provincial authorities from the cessation of land sales and news on the sale of the stock of new housing, has still to surface. At this stage we are inclined to believe that a manageable slowing will be achieved from what was evidently an unsustainable and disorientating pace. Here we are relying on the sheer excitement of the new order to carry the economy over this adjustment phase.

An issue that we feel receives less emphasis than it should is the country's impending water crisis**. Industrialisation and a higher protein diet is placing an unsustainable burden on available water supplies. Domestic planners are increasingly concerned about the faltering flow of the Yellow River. This is showing a worsening trend and failing to even reach the coastal province of Shandong for extended periods of the year. In addition, the depletion of aquifers is evident with the water table of the North China plain falling precipitously. (This area accounts for 40% of the nation's grain harvest, which itself is 75% dependant on irrigation). There are schemes to divert some 40 billion cubic metres of water a year from the Yangtze but these flows are relatively insignificant in terms of the increasing needs caused by rapid urbanisation and industrialisation. More efficient usage will be essential (and the statistics show the country to be way in excess of world standards in terms of tonnes of water used per tonne of steel or paper produced) but the longer term implications for employment and agricultural prices is of world significance.

As China continues to grow, albeit at a less hectic pace, its neighbouring suppliers like Japan and Korea will enjoy the slip stream. These economies are anyway gaining momentum and we see no reason to revise our optimistic view regarding their prospects. As is the case in Europe, rather than having specific macro economic views, it is the quality of the companies and their prospects that drives our portfolio construction. On account of the changes of investment fashion, invariably there will be industries and individual companies that become neglected.

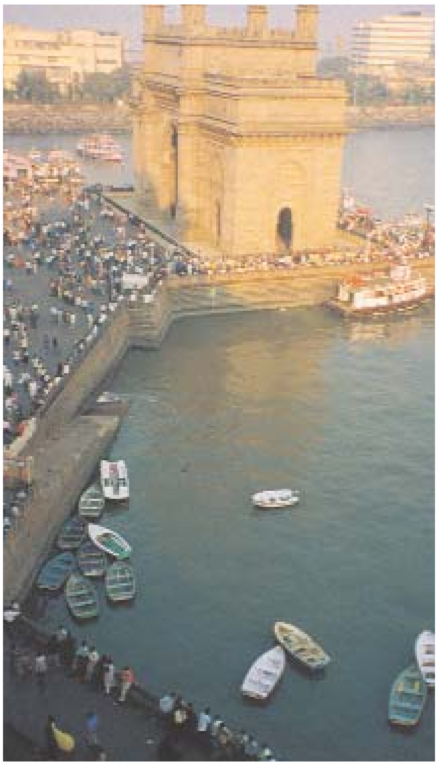
* *The Great Wave, David Hackett Fischer, 1996,Oxford University Press*

** *For further information, please see World Watch Magazine, July/August 1998 issue, Worldwatch Institute*

CONCLUSION

World growth seems to be broadening but inflation is rising and consumers' real incomes are under pressure. As is common, analysts' forecasts are getting well ahead of themselves and are likely to lead to specific disappointments. We believe the peak of earnings momentum has been crested which, together with a tightening of liquidity, caused by resources being diverted to real activity, will limit broad market advances. Asia, seems behind in this evolution and hence may be more prospective.

Kerr Neilson Managing Director

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2

3

1: Champs Elysées takes on many shapes

2: Company meetings in the tropics can be fun

3: Don't underrate Japanese chic

PLATINUM ASIA FUND

Andrew Clifford Portfolio Manager

In May, the People's Bank of China ordered that Chinese banks stop lending to certain industries that it believed were overheating. This measure, along with other policy changes in China, led to concerns about a slowdown in that country's growth and a subsequent sell-off in regional markets. Adding to the woes was a surprise election result in India which saw the strongly pro-reform BJP government removed and a sharp set-back for Indian stocks. Besides the heavy falls in Chinese (down 8%) and Indian (down 12%) stocks, markets that have benefited from the China story such as Korea (down 14%) and Taiwan (down 10%) also fell heavily. Peripheral markets such as Thailand (up 3%), Indonesia (up 5%), and the Philippines (up 13%) were the better performers.

The MSCI Asia Ex Japan Index fell by 8% over the quarter, but due to the depreciation of the Australian dollar, the fall in the index was reduced to 0.8% in Australian dollar terms.
By comparison the Fund fell by 5.2% with the major losses incurred by the Fund's Indian stock holdings, particularly the bank holdings which have suffered from rising bond yields and concerns that the government will direct banks to increase subsidised loans to the agricultural sector. Short positions in the Indian and Chinese H share indices reduced the portfolio losses by more than 50%. Amongst the portfolio's better performers were DC Chemical (Korea, specialty chemicals), China Mobile (PRC, Mobile phone network), and Central Pattana (Thai, shopping centres). Over the last 12 months the Fund returned 31.6% while the MSCI Asia Ex Japan index (in $A) returned 25.5%.

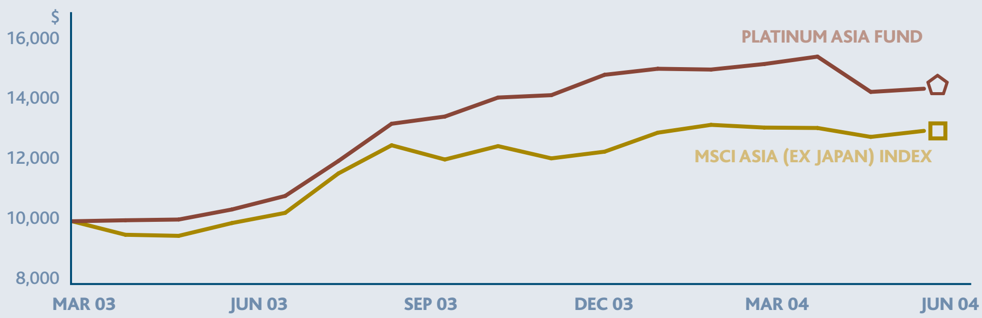
DISPOSITION OF ASSETS

REGION	JUN 2004	MAR 2004
CHINA	**3%**	**4%**
HONG KONG – CHINA H SHARES *	**8%**	**8%**
HONG KONG	**2%**	**2%**
TAIWAN	**13%**	**12%**
GREATER CHINA TOTAL	26%	26%
INDIA	**30%**	**36%**
KOREA	**13%**	**13%**
INDONESIA	**4%**	**5%**
THAILAND	**4%**	**4%**
SINGAPORE	**3%**	**3%**
MALAYSIA	**1%**	**1%**
CASH	**19%**	**12%**
SHORT	**1%**	**14%**

Source: Platinum

* H Shares are shares of Chinese State Companies listed in HK

VALUE OF $10,000 INVESTED SINCE INCEPTION 3 MARCH 2003 TO 30 JUNE 2004



Source: Platinum and Factset. Refer to Note 2, page 27.

CHANGES TO THE PORTFOLIO

After the sharp falls experienced by the Indian and Chinese stocks during May, the Fund bought back its short positions in stock index futures in these markets, thus removing the downside protection these represented. The Fund also took advantage of the fall in prices to add to many of its current holdings, in particular in the Indian banking stocks and Taiwanese stockbrokers. New stocks included a Chinese (Hong Kong listed) gas utility and a Taiwanese packaging business with a fast growing Chinese subsidiary.

At quarter end, the weighted historic average price-earnings ratio for the portfolio was 11 times. With many of our holdings expected to increase their earnings in excess of 15% pa in the coming three to five years, this is a very attractive valuation. Thus it is likely that the high cash holdings in the portfolio at June 30 will fall over the course of the next quarter.

OUTLOOK

The major focus of the Asian markets during the quarter was an additional round of policy measures implemented by the Chinese government aimed at slowing investment in certain sectors of the economy. In essence the measures put in place by the central bank have potentially increased the cost of borrowing, tightened the availability of bank loans generally, and placed a moratorium on lending to projects in industries that have seen very high levels of investment, such as steel, cement, automobiles, aluminium, and property. Bans on new sales of land by regional governments have also cut an important funding source for infrastructure projects.

The announcement of these measures in late April and early May resulted in much debate as to whether they would result in a hard or soft landing or for that matter any landing at all! During May we spent two weeks visiting companies in China, Hong Kong, and Taiwan, with a focus on companies with mainland businesses. It was clear from our discussions with companies in the targeted industries that new funds would not be forthcoming from the Chinese banks and although the banks had not yet used their new flexibility to raise lending rates, this was expected to occur as the year progressed. There is little doubt that these measures will slow investment in these industries.

This may be a positive for some participants. A cement company that has already invested in new capacity may well benefit if its competitors are held back due to a shortage of funds, whereas suppliers of capital equipment to the cement industry will undoubtedly see their orders cut.
In certain areas the impact is already being felt. In May, auto sales were down 20% from April as banks stopped approval of auto loans. In an industry where capacity is expected to double between the end of last year and 2006, the impact on profits should be severe. Elsewhere, Japanese and Korean construction equipment companies have seen a dramatic downturn in orders from China. The statistics also show a slowdown in lending growth by banks to below 20% pa from 25% pa toward the end of 2003.

But the general question of the impact on the broader Chinese economy is difficult to answer. Official statistics place gross investment at over 40% of China's economy, and even though these numbers likely overstate the reality, it is nevertheless the case that investment has been the driving force behind the country's economic growth in recent years. It is estimated that the targeted industries account for around 10% of China's output. For an economy that has been growing at rates in excess of 10% pa (compared with the official rate of 8% or so), one could probably argue that impact will be relatively muted.

An alternative view of China proposed by some commentators is somewhat more bearish than our own. Their position is that China has been through an extraordinary investment boom and the measures taken to slow the economy could precipitate a major bust. Further, the need to use such crude policy measures such as credit rationing highlights the weakness that a dysfunctional banking system represents to the Chinese economy. The short version of our rebuttal is that while the current account remains in surplus we would remain relatively comfortable that the economy is far from crisis. On the question of the banking system, it indeed remains the weak link. However it is the recognition by the central bank that the banking system is not yet assessing credit risk effectively and it is safer and faster to direct lending than leaving it in the hands of incompetent or corrupt loan officers. While such an approach maybe an anathema for many free market economists, it appeals to us as a pragmatic solution in an imperfect world.

The uncertainty introduced by the austerity measures has seen investors enthusiastically selling Chinese stocks having only at the end of last year embraced the certainty that China's growth would be never-ending. The China H share index fell by over 20% from the high reached in January. It remains the case that investing in high growth sectors (whether a country or an industry) exposes one to much greater volatility than more mature areas. The set back in China shares, although not well anticipated, should not be of particular surprise to investors. And indeed this setback has provided the opportunity for the Fund to invest in a number of Chinese businesses at much improved prices. As the austerity measures flow through the system, this should continue to provide opportunities to add further to our portfolio of Chinese businesses at attractive prices.

The other event of note during the quarter was the Indian election where the reformist BJP coalition government lost power in a contest they were expected to win. In hindsight, the economic prosperity brought by the BJP's reforms had not been spread evenly between urban and rural areas, and thus the popular support for the government that was assumed was simply not there. Concerns about the new government, together with the ongoing sell off in regional markets, saw the Indian market fall 20% in two trading days.

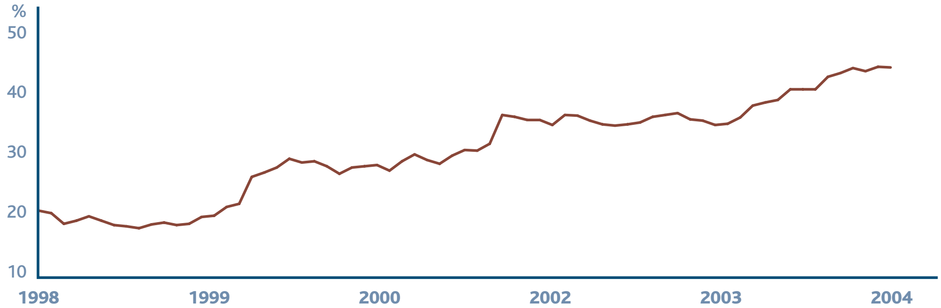
The reform process began in India in 1991 when the Congress government of the day had their hand forced by a current account crisis. Subsequently, the pace of reform has been more a function of the strength of the governing coalition's majority rather than ideological differences between BJP and Congress led governments. In this regard the new Congress led coalition is clearly weaker than the outgoing government due to its dependence on the votes of the Communist and Marxist parties. On a positive note, the new government has already made the difficult decision to increase retail energy prices to reflect higher oil prices. On the other hand, there is a move to enforce the rules regarding so-called policy loans that the banks must extend to the agricultural sector.

Although the new government has stated its intention to continue the reform process, only time will tell of its determination to follow through. One positive of the new government is the end of the BJP's promotion of Hindu nationalism which had the potential for major conflict between the Hindu and Muslim population. Our view remains relatively sanguine on India. The departing government had achieved much in opening the economy and whether further progress is made in the reform process, capital expenditure should continue to build and drive the economy. In the meantime the sell off in the stock market has allowed the Fund to acquire stocks at very attractive prices.

The weakness of regional stock markets, together with the strong earnings growth of recent times has left the markets trading at highly attractive valuations. The one concern is the lack of willingness by local investors to buy their own markets, with trading in most markets having been dominated by foreigners over the last year or so. This is a phenomenon at its most extreme in Korea where foreigners now hold over 40% of the market. We are not aware of any good explanations of local reticence to invest and the high participation by foreign investors would generally be seen as a contrary indicator and argue against strong future performance by these markets. Nevertheless the combination of low valuations and likely strong earnings growth makes these markets highly appealing. However, strong bull markets are unlikely to return without the local investors. In the meantime, we should experience appreciation at least in line with earnings growth of the Fund's holdings.

Andrew Clifford Portfolio Manager

FOREIGN OWNERSHIP OF KOREAN STOCK MARKET



Source: CLSA

PLATINUM EUROPEAN FUND

Toby Harrop Portfolio Manager

EUROPEAN MARKETS MARGINALLY HIGHER; LITTLE CONSISTENCY IN THE PATTERN OF STOCK MOVES

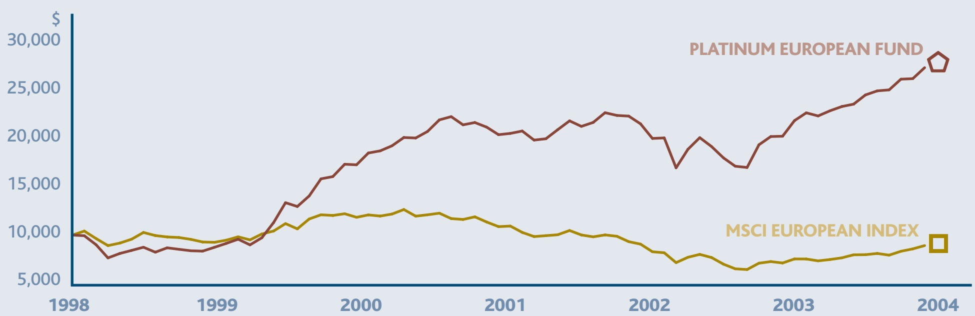
European stock markets were marginally higher over the three months to 30 June: a gain of about 3% was the end result after limited action for the overall market en route. Notably there was little pattern observable in the stock movements as investors continue to ponder the relative strategic merits of the defensive, cyclical and technology parts of the market in the light of still-mixed economic (and interest rate) signals. Geographically, Germany's DAX was 5% stronger, France and Italy were +3%, the UK +2%, Switzerland was unchanged for the quarter while Finland was down 13% – mostly due to Nokia.

Cyclicals such as auto parts (+15%, including Continental +24%) and autos (+11%, helped by Fiat +23%) were strong, but so was the classic "defensive" area of health care (+12%, with good performances from the German pharmaceuticals). On the weak side, only telecom equipment (-16%) stood out, and a lot of that performance was due to Nokia falling 29%, as investors (at last!) began to question the sustainability of the company's extraordinary hand-set profitability.

The MSCI European index expressed in Australian dollars advanced a handsome 12% over the quarter, as the Australian dollar fell sharply against most currencies. For the year to June 2004 the index was 24% higher.

The Platinum European Fund was 9% higher for the three months, as good performances from pharmaceutical companies (Merck +29%, Schering +25%, and Lundbeck +14%) were offset by losses on our Yukos position, losses on our DAX short, and the unfavourable effect of the hedge into Australian dollars. The Fund was up 34% for the year to June 2004.

VALUE OF $10,000 INVESTED SINCE INCEPTION 1 JULY 1998 TO 30 JUNE 2004



Source: Platinum and Factset. Refer to Note 2, page 27.

MAGNIFICENT MONSIEUR MARCHIONNE (A TWO-EDGED SWORD)

One of the investments which has served the Fund well is the Swiss-based inspection and certification group SGS (or SGS Surveillance). This is a company we have looked at for over a decade, perennially expecting the expansion of world trade, and the ever-greater requirements for testing, inspection and certification, to unleash this sprawling conglomerate's great potential. Unfortunately, through the 1990s, potential it remained, as the old guard (owners and management) argued over strategy, and the group became bureaucratic and failed to harness its scale. In Italy meanwhile, the so-called Agnelli holding companies, aside from controlling car-maker FIAT, were investing in various other industries, usually fairly astutely. It was thus of considerable interest to us that they built a large investment in SGS, and when (in early 2002) they installed as CEO the highly regarded M. Sergio Marchionne (who had risen to prominence through aluminium group Alusuisse and risen further running the specialty chemical maker Lonza), we reckoned that SGS had the leader it needed to realise its promise. We bought a good position for the Fund, and visited the company in Geneva at the next opportunity. It is worth noting as an aside that the Lonza share-price suffered upon M. Marchionne's departure (although to be accurate the pharmaceutical outsourcing business of Lonza has become more difficult than foreseen).

Over 2002 and 2003, M. Marchionne's plans and their implementation at SGS became clear to the stock market; meanwhile the rapid growth of Chinese production for export provided high profile growth opportunities (eg. consumer goods must be inspected and tested in China, to meet quality and safety standards for western markets – and WalMart et al employ companies like SGS to do it). SGS thus became a favoured share, doubling in price. We reduced the position when it became really stretched, but recognised that it was still a very interesting investment as the earnings were moving up sharply (from low levels).

Thus, in May, when the core of the Agnelli empire – FIAT itself – made the call for salvation, it was somewhat of a shock and disappointment that M. Marchionne accepted the job as FIAT chief, and inevitably SGS saw its share price hit on the news. Was the hero of the piece indicating that he had done all he could for SGS? Were we wrong to think that the organisation could still improve its operations, harness its scale, and grow in a growing market? Worse still, why would he want to accept the poisoned chalice of running a sub-scale mass market regional car company with Italian labour union difficulties and the Japanese juggernauts seemingly unstoppable in taking market share in Europe? Without being glib, it is no secret that M. Marchionne is a (very capable) fellow in a big hurry, that in fact the Agnelli clan are effectively his boss, that improving FIAT (from a deeply indebted, strategically challenged position) would be as heroic as it will be difficult, and that in reality there is a half acceptable escape route which is a complex put option arrangement to sell FIAT to GM. Perhaps the Agnelli merely need someone from outside Turin to pull the trigger and exit the car industry. Moreover, the Agnelli family remain the largest shareholders in SGS, Marchionne is staying as vice-chairman of the company, and he has appointed an SGS veteran – chosen because he knows the group thoroughly but also because he is the most enthusiastic proponent of M.Marchionne's “new SGS” management approach – as his replacement. By late June the shares were CHF50 below their CHF700 price before the management change, and over CHF100 below where we were reducing the position late in 2003 at the peak of the market hype for the story. At CHF655 we have been buying again, and are impatient to meet the new CEO.

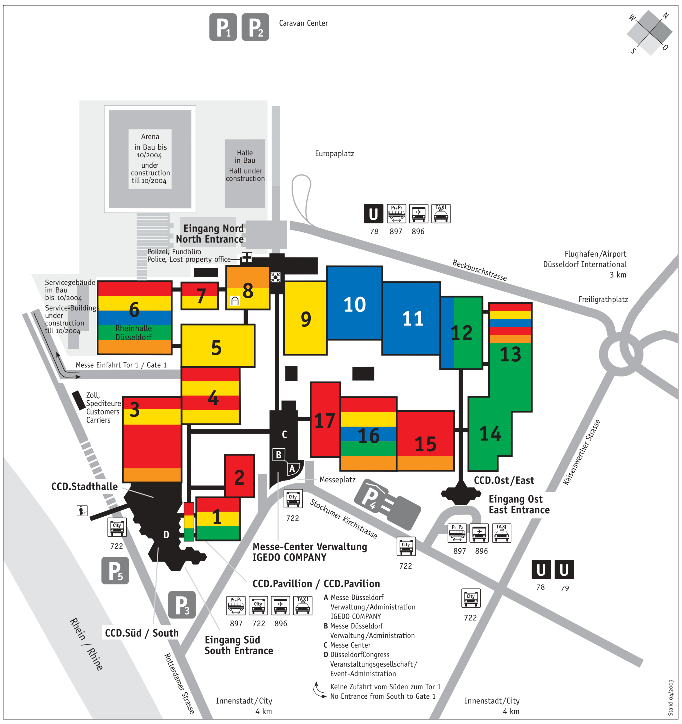
YUKOS, PAPER COMPANIES INVESTING (?) IN RUSSIA, PRINTING MACHINERY TRADE FAIR

The Russian oil giant Yukos has been a poor performer for the Fund. We invested 1% of the Fund in the stock late in 2003, and the share price was down by about 30% as of 30 June (and still falling). The difficulty, as has been exhaustively reported, is that the company's chairman and largest shareholder, Mikhail Khodorkovsky, failed to respect the understanding that Russia's billionaire "oligarchs" could only keep their ill-gotten assets if they stayed out of politics. After 8-9 months in custody Khodorkovsky has presumably grasped the idea, but as the ongoing court case is revealing, there is a real chance that President Putin demonstrates the strength of his desire for less interference in politics by removing assets (perhaps all the assets) from Yukos itself, rather than merely relieving Khodorkovsky of his shareholding. If in fact the company is left with its oil fields then the stock is worth a multiple of the current price; if not, then…

On a trip to Europe in April, we included a visit to Helsinki to see parts of the paper industry, and one of the interesting issues relates to the supply of timber from Russia. Actual paper making capacity in Russia is small – there is a million tonnes or so of newsprint (capacity), but little in uncoated grades and next to nothing in coated papers. The country has plenty of trees, but limited/old pulping capacity; the government is reluctant to lose control of resources, and obviously wants to encourage downstream processing (pulp/paper making) for employment, economic growth etc. Recently the Russian parliament almost passed laws allowing outsiders (like the giant Finnish paper companies) to buy forest land; instead they allowed timber-cutting rights to foreigners, but no long term lease or ownership arrangement. Meanwhile, the Russians have been tinkering with the taxes and tariffs on unprocessed timber to push the price up to a level that becomes unattractive to the Scandinavians – unless of course they would like to invest in a pulp mill in Russia?! (ie. pulp exports would not attract such taxes). Today a world-scale (say 800,000 tonne capacity) chemical pulp mill would cost perhaps Eu1bn to install, so it is not surprising that the Finnish companies are squirming with worry about investing in Russia – the Yukos affair cannot be very comforting.

Our company meeting tours through Europe have at their core two or three industries on which we are focusing. On April's trip, paper was one such area, a second – coincidentally – was the printing machinery business. Industry trade shows are a valuable part of our research process; having all the competitors in one location, allowing a series of formal meetings with company executives as well as informal access to technicians and salesmen, allows us to cut through to the key issues pretty effectively. In early April, we attended the opening day of the "drupa" fair in Dusseldorf. This trade fair is a once-in-four-years extravaganza for the printing industry, where the focus is the new machinery from the (mostly) German and Japanese giants. Although we knew to expect a large scale event, an exhibition the size of seventeen football stadiums is both daunting and logistically awkward! These are after all large machines, with one of the big German companies requiring two entire halls (ie. stadia) to show their wares, spending an outlandish Eu40mn+ on the 10 day event. We have been looking for investment opportunities in this area for some years, all the while conscious that the "convergence" of analogue and digital printing is likely to be destructive of profitability for many players and beneficial to few. However the scale of the change – eventually high quality, high speed printing plants handling variable data, fully digitally (like a simple office printer!) rather than all the plate setting of the traditional analogue machines – is such that share prices have been dramatically unstable, thus offering investment opportunities. Our conclusion remains – the usual drupa surge of orders notwithstanding – that in general we are still in the midst of disruptive technological change for the industry, so that our conviction on company profitability is modest (at best). An instructive meeting with a large commercial printer in London was a hard-edged reality check after the dreams and excitement on show in Dusseldorf.

THE DRUPA PRINT FAIR



During the quarter we sold the last of German optical retailer Fielmann, where last year's panic over the removal of government subsidies on corrective lenses allowed us to buy a good company, at a modest valuation (when the share was around Eu30). By April, when the stock was nearly 50% higher, however, we decided that the PE multiple of over 20 times was less interesting in the light of the current dull earnings prospects (the subsidy-removal impact is real for a year or so). The stock has gone on to Eu50 – to our chagrin! – but at this price it is getting expensive. Also in the retail area we ended our brief but enjoyable shareholding of UK newsagency chain WH Smith, when a "financial buyer" announced their intention to bid – subject to due diligence – at about 40% above the prevailing share price. The stock moved most of the way to the expected bid price and we sold our position into the market (fortunately, as it turned out, because the planned takeover subsequently became complicated by issues around the company's pension fund liabilities, and the stock lost much of the bid premium).

Also we sold our British Gas holding (the stock had run up well and the story was widely told), and we sold industrial gases group BOC, where the panic over the company's possible asbestos liability (which gave us our entry point last year) had faded away (as had the discount in the share price). The position in Merck continued to be scaled back into the strong performance of the share.

In April we were surprised at the strong share price of Deutsche Bank, in response to scarcely believable rumours that US giant Citigroup would buy the German icon. We thus sold short Deutsche Bank shares and closed after the fading fantasy lowered the stock price.

We added to several existing positions, notably SGS, Deutsche Post, Credit Agricole, Medion and Siemens. We introduced four new positions to the Fund – one of which was a company we met on our recent trip, the others in previous trips. Finally, we added to the A$ hedge when the Aussie was around Eu58c in May (a bit early as it transpired), so that at the end of June the Fund was 33% exposed to the Australian dollar, 45% to the Euro, and the remainder to Swiss francs, Danish and Swedish crowns etc. The Fund has zero exposure to the pound sterling.

At the end of June (post-distribution), the Platinum European Fund was 81% long, and 10% short for a net exposure of 71% to European equities.

This position reflects an enthusiasm for the larger holdings in the portfolio, tempered by a caution that the market, overall, lacks significant areas of undervaluation. Usually – though unfortunately not always – such a situation is a warning that the broad advance has run its course; it would be a considerable surprise if the next twelve months sees such strong share markets as the last twelve.

Toby Harrop Portfolio Manager

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

CATEGORIES	EXAMPLES OF STOCK	JUN 2004	MAR 2004
PHARMACEUTICAL/BIOTECHNOLOGY	NOVOZYMES, NOVARTIS	**14%**	**14%**
MISCELLANEOUS SERVICES	DEUTSCHE POST, SGS SURVEILLANCE	**13%**	**15%**
CHEMICALS/MATERIALS	LINDE, MERCK KGaA	**13%**	**12%**
CAPITAL GOODS	OCÉ, SCHINDLER, SIEMENS	**12%**	**7%**
FINANCIALS	CREDIT AGRICOLE, NORDEA	**9%**	**5%**
TECH/MEDIA	ERICSSON, INFINEON TECH	**8%**	**11%**
CONSUMER	ADIDAS, HENKEL	**7%**	**9%**
RETAIL	HORNBACH, DOUGLAS	**5%**	**9%**

Source: Platinum

PLATINUM JAPAN FUND

Jim Simpson Portfolio Manager

PERFORMANCE

The Fund experienced rather choppy trading conditions during the quarter. The tightening of lending conditions in China was the dominant theme in Asian markets, which adversely impacted Korea which fell by 14%. On the other hand Japan was surprisingly strong, rising by 1% as investors were encouraged by further signs that domestic activity is returning. The Fund rose by 5.2% in A$ terms over the quarter, essentially in line with the MSCI Japan index return of 5.4%, but this mainly reflected a substantial depreciation of the A$ against all major currencies. The A$ was particularly hurt by rising concerns over Chinese growth and its potential impact on resource prices. In Korea our larger stocks such as Seoul Broadcasting did poorly but some of our smaller names did very well. In Japan it was a mixed bag with financial and technology companies hurting the portfolio but auto stocks such as Toyota doing well.

Over the year to 30 June the Fund rose by 45.2% in A$ terms outstripping the MSCI Japan index which rose by 40.8%. Over the six years since inception, the Fund rose by 26.4% compound pa against the index which was essentially unchanged at 1%.

CHANGES TO THE PORTFOLIO

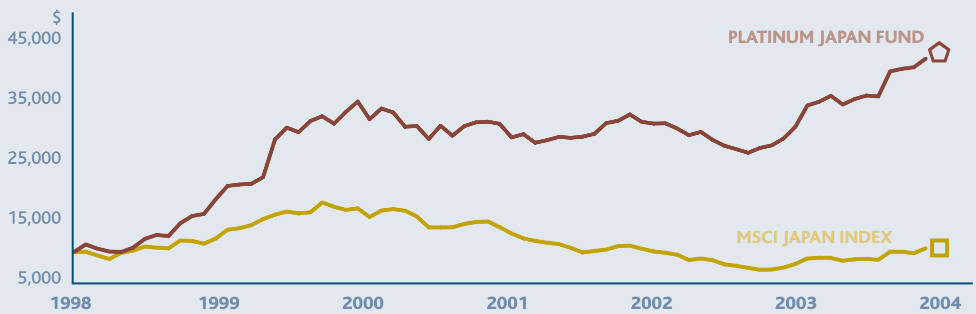
The major change this quarter was to raise cash holdings from 18% to 32% of the portfolio. This reflects a more cautious view of markets after the stunning gains of the past year. Some of the major holdings sold included Canon, Ajinomoto, Oki Electric and Credit Saison. There were some new additions to the portfolio including Nintendo, Toyota, Nippon Oil and Nippon Television. Nintendo is an old favourite of ours with large cash holdings and is seemingly gaining some initiative back from Sony as that company struggles with the direction of its business model. We reduced our positions in Korea as we became more concerned with the impact of a Chinese slowdown on its exports. Currency and hedging positions were largely unchanged from the previous quarter.

DISPOSITION OF ASSETS

REGION	JUN 2004	MAR 2004
JAPAN	58%	68%
KOREA	10%	14%
CASH	32%	18%
SHORT DERIVATIVES	-5%	-7%
LONG DERIVATIVES	5%	5%
NET DERIVATIVES	0%	-2%
NET INVESTED	68%	80%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION 1 JULY 1998 TO 30 JUNE 2004



Source: Platinum and FactSet. Refer to Note 2, page 27.

We recently reviewed Hitachi, a sprawling Japanese conglomerate with US$76 billion in sales and over 300,000 group employees. Much of the present interest in Japanese equities from international investors is predicated on the belief that corporate Japan has changed its attitude toward profitability and rewarding shareholders. Sadly, our findings at Hitachi suggest that this is a company where the substance of change does not confirm the wider enthusiasm about Japan! Whilst it is wrong to say that nothing is changing at Hitachi, the pace of change is less than that required by the realities of its businesses and suggests shareholder wealth may continue to be destroyed. Our review revealed the following:

- Whilst Hitachi has slimmed its board of directors and introduced independent operating companies it has only recently introduced a strategy committee to coordinate actions between the various divisions. This is well behind many of its peers which have acted on this some years ago.
- Few businesses have been exited and only 10% of employees have lost jobs over the past three years (mainly natural attrition). Whilst the company seems to have decided to exit the capital intensive semiconductor joint ventures such as Renasas and Elpida, nothing has been done with these joint ventures some years after their creation. Meanwhile companies such as Samsung Electronics continue to grow stronger.
- The company is a melange of diverse businesses lacking in any significant scale (see sales breakdown table). Although they are now talking about scale, they recently paid too much for the hard disk drive business of IBM and risk overpaying for auto parts businesses at the top of the auto cycle.

Hitachi is a powerful reminder that one needs to be selective in the Japanese equity market. The reality is that it has too much breadth and is number one or two in very few of the product categories in which it operates. In addition they are changing this situation at a pace slower than that required to become truly competitive. Comparisons with IBM, which has shed 30% of employees and most of its heavy duty businesses, and NEC which starts from a much slimmer product line and is moving more quickly, leave one decidedly jaded on the position of Hitachi. The only relative investment merit is the low valuation. This should not be wholly ignored because it is possible Hitachi experiences a *mea culpa*, but until then it seems like hard work for the company to make headway.

The economic recovery in Japan is delivering some quite nice surprises to corporate earnings as companies that have pared their costs, see stability in prices and volume growth feed straight through into profits. This is likely to be a fairly robust trend when we consider the period over which Japan's economy has been depressed as companies are likely to be restrained in adding new costs as a result. Indeed profits may receive a further boost from a fall in pension costs as the rise in equity markets and long term interest rates reduce the burden of future retirement costs. A good illustration of this impact is provided by Mitsubishi Corporation, one of the companies featured previously in our quarterly.

The table below shows that both a sharp rise in plan assets (due to rising equity prices) and a modest fall in the pension benefit (due to rising discount rates) significantly reduces the unfunded plan status and the attendant amortisation costs related to this unfunding. Indeed total pension expense is forecast to fall by 42% (¥45bn to ¥26bn) and this will result in a 15% rise in total Mitsubishi profits all else being equal. This is significant. This type of benefit could be repeated across a wide section of corporate Japan which may create some interesting opportunities. On a wider level a similar positive impact will be seen on the life insurance companies where rising long term rates take the

HITACHI SALES BREAKDOWN	
POWER AND INDUSTRIAL SYSTEMS	**23%**
IT SYSTEMS	**22%**
ELECTRONIC DEVICES	**13%**
MATERIALS AND COMPONENTS	**13%**
LOGISTICS	**12%**
CONSUMER PRODUCTS (Hitachi still makes TVs and washing machines!)	**12%**
FINANCE	**5%**

Source: Hitachi

MITSUBISHI CORPORATION PENSION PLAN SUMMARY

(¥BN)	MAR 03	MAR 04	MAR 05 EST
PENSION BENEFIT OBLIGATION	**528**	**465**	**479**
PLAN ASSETS	**310**	**401**	**410**
FUNDED STATUS	**-218**	**-64**	**-69**
UNRECOGNISED LOSS	**303**	**124**	**114**
DISCOUNT RATE	**2.0%**	**2.9%**	**2.9%**
EXPECTED ROA	**3.1%**	**2.2%**	**2.2%**
SERVICE COSTS	**18**	**21**	**16**
AMORTISATION	**13**	**23**	**8**
TOTAL PENSION COST	**35**	**45**	**26**

Source: Mitsubishi Corporation

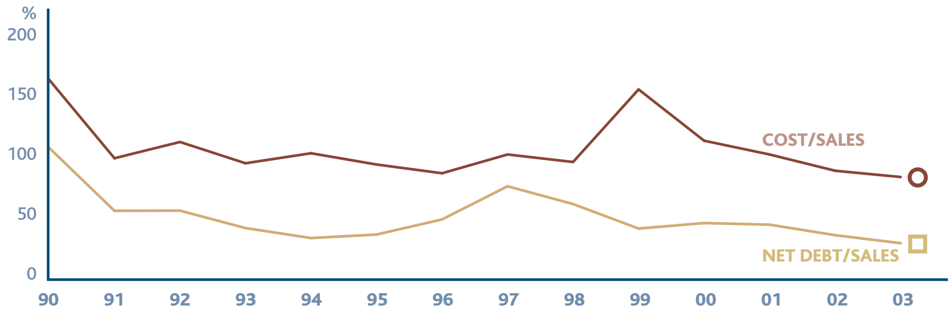
pressure off them to sell equities as they become solvent again. This should dramatically help demand for equities as this group of investors have been large sellers of the market for many years now.

The Korean equity market continues to struggle with a sluggish domestic economy and more recently the likelihood of a loss of impetus from Chinese exports. On the domestic scene the main issue is the enormous debt overhang created from a huge cycle in credit card debt accumulated during 2001/02 as the government tried to stimulate the economy and bring more transactions into the fiscal net. This has resulted in the curious situation that 70% of consumer spending in Korea is now on credit cards versus 20% in the US! The bottom line is that Korea is at odds with most other Asian economies which are seeing domestic cycle upturns with attendant consumer debt accumulation. Despite the short term problems Korea remains one of the cheapest equity markets in the world, especially when you consider the size of the economy. We recently reviewed some data which supports the view that top Korean companies have dramatically improved both their profitability and financial position yet are valued close to their cheapest valuations of all time. The two charts below, which summate data for the top 12 corporates by market cap (ex banks) and which account for 50% of total market capitalisation, illustrate our point. What we can see is that post the Asian crisis of 1997/98 Korean corporates have become much more sensitive to the risks of debt and have curbed excessive capex, resulting in rising profits and falling debt levels. However, valuations are now at all time lows despite the companies being in much better shape than they have ever been before.

The advent of policy tightening this quarter in both the United States and China is likely to cool down global equity markets, especially in light of the huge gains made over the past year. However we remain convinced that Japanese equities are quite well placed in this environment as policy tightening is likely to be delayed in Japan as the authorities adopt a cautious view in light of past difficulties to sustain recoveries. Corporate profits are also likely to be very supportive of the market. We feel that the portfolio is well positioned in some well priced, exciting growth stories and expect that the Japanese market can do well over the balance of 2004.

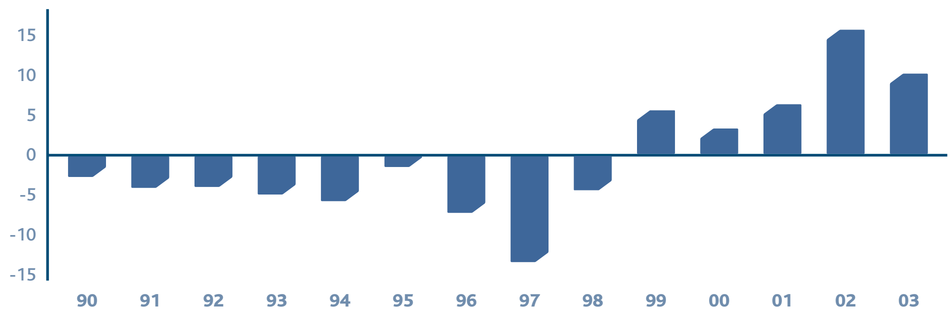
Jim Simpson Portfolio Manager

KOREAN CORPORATE VALUATIONS



Source: Factset

KOREAN CORPORATE FREE CASHFLOW KRW TRN



Source: Factset

PLATINUM INTERNATIONAL BRANDS FUND

Simon Trevett Portfolio Manager

Over twelve months the Platinum International Brands Fund has achieved a performance of 27% compared with the MSCI World Index of 19.4%. For the quarter the Fund rose 8.9% compared with that of the MSCI World Index of 10.6%.

During the quarter, there were no particular standout performances or patterns across our holdings. Our stocks in Europe and Japan generally performed well, whereas our positions in India mostly detracted from performance with that market declining alongside others in the Asian region. Our short positions in the US market detracted a little, with these stocks fairly stable across the quarter.

There continues to be consternation in the general and financial press about the propensity of the 'US consumer' to continue to spend at a rate which keeps the US economy growing.
That, together with discussions on interest rate rises, the oil price, housing market 'bubbles', employment (or the possible lack of) and the US election provides for a relatively, although not unusually, cluttered context.

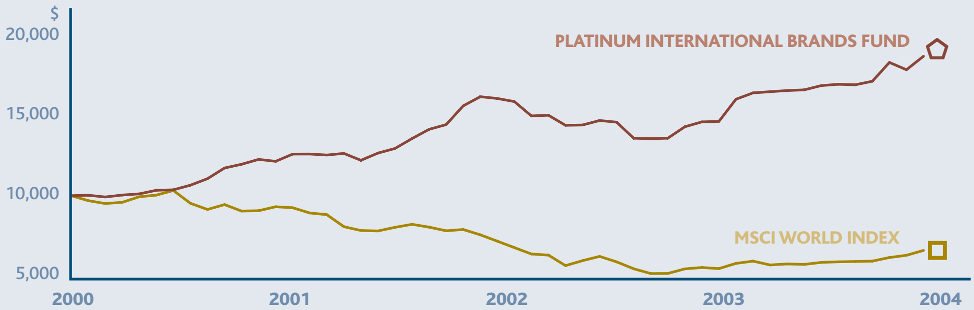
We are not finding this a particularly uplifting time for branded goods companies, or even more broadly defined consumer product companies. Many of the European companies with which we speak continue to harbour ambitions to become structurally larger in the US market, whilst almost in the same breath expounding the benefits of the strongly growing Asian region, few speak glowingly of their home markets. Meanwhile, many of the US companies are particularly focused on their international operations. We have seen some minor acquisitions during the quarter, particularly amongst the beer companies heading for China. Our expectation is that the weaker companies will continue to seek out revenue growth through acquisition, albeit we might also cheekily suggest that many are finding their costs (commodities, energy and some labour) are increasing faster than they anticipated, and are tempted to turn to acquisitions to extract those all important profit supporting 'synergies'.

DISPOSITION OF ASSETS

REGION	JUN 2004	MAR 2004
EUROPE	40%	42%
OTHER ASIA (INC. KOREA)	22%	25%
JAPAN	16%	22%
US	3%	3%
CASH AND OTHER	19%	8%
SHORTS	11%	12%
NET INVESTED	70%	80%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION 18 MAY 2000 TO 30 JUNE 2004



Source: Platinum and Factset. Refer to Note 2, page 27.

Against this generalised backdrop we are not finding valuations particularly compelling, either for us or for the acquirers. In addition, many of the global icon brand name companies are dealing with a rapidly changing world that is disproportionately adding to the complexity of their businesses. Examples, perhaps obvious but nonetheless no less easy to manage, are companies that are having to fundamentally address the structure of their product offerings, such as Coke which is redefining itself (with concomitant management changes) as a 'beverage company' that tackles water, juice, sports drinks etc, in all, 400 brands across 200 countries. Likewise, McDonald's is struggling to reposition their super-sized menu and image against the backdrop of rising media and political coverage of the obesity epidemic. Can you now obtain value from McDonald's without being forced to consume chips and coke?

There are many examples of companies undergoing structural changes, some arguably very successfully such as Procter and Gamble with now greater emphasis on 'health and well being' and some less successful and still finding their way, an example perhaps being Unilever. Equally challenging though, for the majority of consumer and especially branded goods companies, is the complexity of generating demand for their product, what we used to call advertising, but which now goes under a variety of synonyms through an increasingly fragmented variety of mediums.

CHANGES TO THE PORTFOLIO

We highlighted in our last report that the UK retail market had seen an increase in takeover activity, both real and speculated given the depressed valuations of many of the smaller, often troubled, "high street" names. Indeed, a takeover bid for our WH Smith holding emerged during the quarter and we decided to sell the shares into this enthusiasm. Since then, the trustees of their Pension Fund have indicated that the 'ongoing arrangement' of funding the pension deficit over a decade would not be available to the (highly leveraged) purchasers of the business. This appears to be an eminently sensible and prudent decision by the trustees and a timely reminder that many companies are using their pensioners as a de facto source of credit to an extent that is not always readily determined or automatically renewable by acquirers.

The portfolio has remained relatively stable with minor changes to existing positions and a couple of additions. An interesting addition is Oriflame Cosmetics, an international cosmetics company founded in Sweden in 1967 – 'Natural Swedish Cosmetics from friend to friend". Oriflame operates through a direct selling team of more than 1.5 million 'sales consultants' in 55 countries (the list had us reaching for our atlas) including the Republics of the former Soviet Union, Eastern and Central Europe as well as Asia, Latin America and the more traditional markets of Western Europe. Since 1990 Oriflame has entered more than 35 markets. With some 80+% exposure to emerging markets, some fierce competition, the complexities of currency and the task of balancing the investment necessary to support potentially exciting growth, this is not a story without challenges but one that we will enjoy following.

COMMENTARY

oriflame

The Oriflame Cosmetics company's story accentuates one of the most effective tools in marketing a product; word of mouth. Whether by direct selling, or through positioning at the entrance to a retail store with the use of 'sales consultants', cosmetic companies work to maintain this individual and personal link that they have with the consumer.

Brand companies from food to electronics are facing a more challenging task with the concept of segmentation. The segmentation of markets and consumers was something that marketing executives would enthusiastically discuss, as new-found dimensions allowed for range extensions or 'new varieties' and incremental growth. As segmentation has moved to fragmentation, the previously espoused benefits seem to be ever harder to capture. A marketing executive now faces a far more complex decision of how to allocate his advertising budget across many more options; no longer are there just a limited number of free-to-air TV stations, a few radio stations and some print media. Now we have the internet, a plethora of electronic devices and a range of communication media capable of carrying advertising, from bus stops to sky writing.

Of course, many of the underlying principles of marketing haven't changed but we highlight the increasing complexity and perhaps ineffectiveness of much of the expenditure. Technological developments are increasingly encouraging consumers to choose individually what, when and how they are entertained. DVDs, internet, 'on-demand' movies, movie downloads (TiVo) to name but a few are making it much harder for the marketer to broadly and consistently distribute their messages, especially as we are all adept with the fast forward button. We were once captive audiences, for example, school children could be relied upon to watch TV after school and be effectively encouraged to 'pester the gatekeeper' (mum most often), for 'that particular snack', right now! Now kids have so many more electronic choices to entertain them let alone not wanting to be distracted from their 'electronic game' for even a moment.

A quick look at the newest media – the internet, highlights some fundamental difficulties for branded goods manufacturers. That most effective form of brand building, word of mouth, prima facie should be replicable on the internet through the many varieties of chat boards, meeting places and emails. A closer analysis highlights some of the complexities. This new variety of marketing has a new term; 'viral marketing'; the spread of information and hopefully recommendations both on and off the web. Can we really build trust and brand loyalty using a mechanism termed 'viral' on a medium that is inherently anonymous? Perhaps or is it just product sales we are chasing? We have a dilemma though that consumers are becoming increasingly sensitive to privacy concerns, particularly the tracking of their interests on the web whilst at the same time demanding personalised products or at least products pertaining to their 'group or tribe'.

Leaving aside the issues of which medium consumers chose and their control over when they watch their favourite programming, there are still the emerging demands for personalised products and tailored communication. One particular group in the US, the Latino market, is the subject of increasing attention by some of the largest consumer product companies, from hair care to beer. Media spending on Latino networks hit a record in 2003 to support the development of 'new' products and messages designed for this group. Embedded in this personalisation is perhaps the fragmentation or even potential alienation of the umbrella brand as the consistency of the message is diluted and the integrity stretched.

We are not experts in the detailed dynamics of consumer product or brand marketing, however, we strongly suspect that the complexity, fragmentation and demands to maintain incremental growth are being felt throughout organisations from the chief of marketing through to product managers. We don't doubt the utility of strong regional or ethnic brands, just the added complexity and cannibalisation that inevitably occurs somewhere in the system and the consequences to returns when they are opportunistically targeted for an incremental revenue dollar.

Many companies have been, almost desperately, trying to reduce the complexity and range of offerings within their businesses. This added dimension of communication has confounded the rationalisation process and the search for efficiency. Hopefully though, it is also revitalising the debate within companies over the difference between a 'brand' and 'a product that's trying to avoid being a commodity'. A debate that we believe is intrinsically linked to and determinant of a company's prospects.

OUTLOOK

We remain cautious of the US companies, notwithstanding the remarkable, almost unbelievable earnings performance many of them are achieving. The impact of currency, commodity and energy prices remains challenging for a majority of the companies regardless of their domicile. Increasingly we are noting that companies are attempting to increase prices ahead of the published CPI. Many of the valuations leave us uninspired and in our search for neglect we suspect that we will find greater opportunities in Europe than the US.

Simon Trevett Portfolio Manager

PLATINUM INTERNATIONAL TECHNOLOGY FUND

Alex Barbi Portfolio Manager

PERFORMANCE

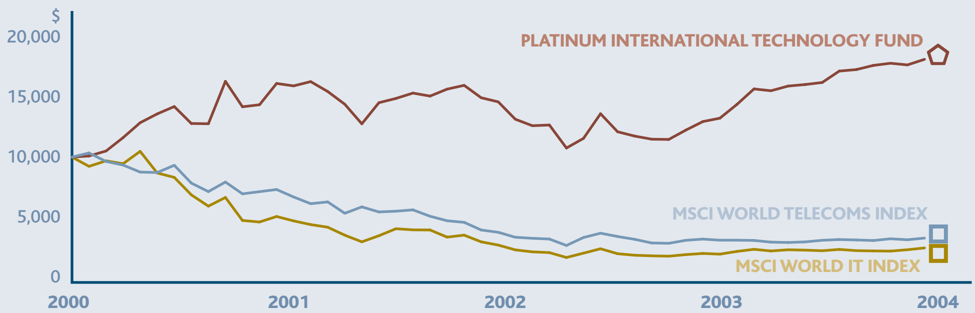
The Fund's performance during the quarter was +2.8 %. The MSCI World Information Technology Index (A$) was +9.4% and the MSCI Telecommunications (A$) Index was +5.8%. For the year to 30 June 2004, the Fund is up 35.8 %, outperforming the MSCI IT Index (+21.9%) and the MSCI Telecommunications Index (+5%). Major contributors to the Fund's performance for the quarter were Zarlink (communication semiconductors +16%) and Parametric Technology (software +11%). This was offset by a negative performance of our Korean, Indian and Chinese holdings, suffering from a widespread decline in Asian markets. Our short positions in selected stocks and Nasdaq had a neutral impact. Our 14% exposure to the Australian dollar and the relatively low exposure to the US dollar (which performed strongly against most currencies) also contributed to our less than satisfactory performance for the quarter.

CHANGES TO THE PORTFOLIO

During the quarter, our exposure to Japan and the rest of Asia remained unchanged at 38% of the Fund's total assets, while we invested in selected North American and European stocks at what we considered attractive entry prices.

The Fund has re-established a position in Agere Systems. Agere was originally the semiconductor division within Lucent (itself the former manufacturing division of AT&T and home to the famous Bell Labs). In March 2001, following a financial restructuring at parent company Lucent, Agere was separated as an independent entity. The early period of independence was tough as it coincided with the start of a prolonged crisis in the telecommunications industry: Agere's technological depth did not help while its customer's markets collapsed. The company went through a painful restructuring and has gradually achieved a more balanced cost structure. Interestingly, its expertise is now highly valued because equipment vendors have sharply pared back their internal engineering teams and they increasingly rely on specialist suppliers.

VALUE OF $10,000 INVESTED SINCE INCEPTION 18 MAY 2000 TO 30 JUNE 2004



Source: Platinum and Factset. Refer to Note 2, page 27.

CHANGES TO THE PORTFOLIO continued

The core expertise of Agere lies in signal processing semiconductors. Imagine how difficult it is to pick up a "nano-scale" magnetic charge from a 3.5" disc spinning at 10,000 revolutions/minute! Agere is one of the two leaders in this field. Think further of the complexities of processing millions of data packets travelling at the speed of light. Agere has a market share of 50% in these highly specialised chips. More importantly, Agere's chips are used in applications – such as hard-disc drives for personal video recorders, data-enabled (GPRS) mobile phones and 3G wireless base stations – that we believe will offer interesting growth opportunities in the coming years.

COMMENTARY

A year ago we wrote about the hostile takeover launched by Oracle for rival Peoplesoft, suggesting it might signal the starting point for an industry-wide consolidation process. Twelve months later, the Oracle-Peoplesoft merger has yet to be consummated: the deal still has to receive approval from the US Department of Justice, which is investigating the potential risk of diminishing competition within the software industry should the transaction go through.

The reports and testimonies of the corresponding anti-trust trial have given us an interesting insight into the volatile dynamics of the software industry.

First we learnt that soon after the Oracle bid for Peoplesoft had been announced, Microsoft secretly approached SAP (the European based global leader in Enterprise Applications Software) to discuss a full-scale merger. The proposal was eventually aborted and Microsoft agreed to a more limited technical collaboration. If this merger had gone through, it could have transformed Microsoft into a dominant player in the market for managing payroll, human resources and other financial transactions by large enterprises, with huge implications for the overall level of competition in the industry. Microsoft also briefly considered taking a minority stake in Peoplesoft to block Oracle's bid. "Thinking about this Peoplesoft bid by Oracle made me wonder if we should approach them and suggest a minority investment to bolster their independence in return for a modest platform commitment", Microsoft Chairman Bill Gates e-mailed his CEO Steve Ballmer, the day after Oracle announced its Peoplesoft bid. (This reflects Microsoft's fears that Oracle would convince Peoplesoft clients – mostly using Microsoft database software – to move to Oracle's products; hence the need to counter-attack).

Microsoft was also worried about IBM... "Regardless of the outcome, the dynamics of the industry have changed", Microsoft executive Cindy Bates e-mailed to Ballmer and Gates last June. "We should think proactively in determining our fate, as no doubt the folks in Armonk (IBM) are doing." (Microsoft feared that IBM- another database competitor - could target SAP customers or bid for SAP itself).

We also discovered that over the last year, sales executives from both Oracle and Peoplesoft have been ready to heavily discount (in some instances, up to 95%!) the "recommended price" for their

DISPOSITION OF ASSETS

REGION	JUN 2004	MAR 2004
NORTH AMERICA	29%	18%
JAPAN	20%	19%
OTHER ASIA (INCL. KOREA)	18%	19%
EUROPE	15%	11%
CASH AND OTHER	18%	33%
SHORTS	5%	15%
NET INVESTED	77%	52%

Source: Platinum

BREAKDOWN BY INDUSTRY

REGION	JUN 2004	MAR 2004
TELECOM EQUIPMENT AND SUPPLIERS	27%	18%
SEMICONDUCTORS	18%	15%
ELECTRONIC COMPONENTS	12%	14%
SOFTWARE	11%	7%
OTHER	14%	13%

Source: Platinum

software products' licences. Rather than losing an established account or missing a sale to a new client, software companies have been prepared to sell their products at a fraction of the price they used to charge during the internet boom.

Thirdly, Oracle's CEO admitted that he had considered at least nine potential software companies as possible targets in the past year, and that he is still interested in acquisitions in the areas of Business Information, Applications Software and Middleware Supply Chain, even if the Peoplesoft merger is blocked.

We cannot predict how the Oracle-Peoplesoft trial will be resolved, but in the meantime we note that consolidation is happening nonetheless. More than 400 software company mergers/acquisitions took place during the first six months of 2004. Admittedly, many of these deals were among small players, but this is the fastest pace of software acquisitions since the hey-day of 2000. We suspect larger deals will follow, and we believe that larger players (Microsoft, SAP, IBM etc) will end up concentrating the market down to a size for their own benefit, and the currently depressed profit levels in the industry will finally improve.

INTERNET PROTOCOL (IP) TELECOM NETWORKS

Two quarters ago, we wrote about the implications of Voice over Internet Protocol (Voice over IP or VoIP), and our investment in Zarlink Semiconductor. Since then, we have seen confirmation of trends emerging in various new technologies and signs that the long awaited recovery in the telecommunications equipment market is finally happening.

In the US, during the quarter ending 31 March 2004, the Regional Bell Operating Companies (RBOCs) added a record 1.2 million Digital Subscribers Lines (DSL) to their internet services, while another 1.2 million subscribers were added by competing cable operators offering cable broadband. The total population of the US with broadband access has now reached 27 million! A similar enthusiasm is recorded in Asia, where China added 2.8 million DSL services in the same period, and it now has the largest DSL population in the world with 14 million subscribers! The total world DSL population has reached 73 million, and continues to grow at a rapid pace (+14% from the previous quarter).

Popularity of DSL services is increasing, both in developed countries and emerging markets, thanks to the ubiquity of the plain old telephone system. Copper wires traditionally used for voice calls are now being utilised to deliver access to the internet at increasingly higher speed (up to 2 Megabits per second!). Technological advances in signal compression and bandwidth utilisation now permit the network to deliver full video over DSL in combination with voice calls and high-speed internet access.

The increasing availability of broadband services across the globe is proving to be a powerful catalyst for the widespread diffusion of VoIP. The transition to IP-based telecom networks has also been accelerated by competitive threats that new service providers are posing to large incumbent telecom operators.

In the US, a start-up company called Vonage has been offering unlimited local and long-distance calls within North America for $30 a month (subscribers must have a broadband connection and a telephone adapter, which Vonage is otherwise happy to provide at a discounted price of $30). Phone calls from the US to the UK are charged at US3 cents a minute.

Phone calls offered through VoIP are less expensive, because the conversation is broken up into discrete coded packages and then sent over the internet to be reassembled in sequence at the destination. In this way some of the access charges which typically accrue with traditional telephone companies are avoided. While still early days (Vonage has roughly 150,000 customers), a number of "imitators" are popping up everywhere: cable TV operators (using their digital broadband connections), internet service providers and long-distance companies.

This has recently prompted large telcos like British Telecom in the UK and SBC Communications in the US, to announce multi-billion dollar multi-year plans to upgrade their infrastructure networks to IP and fibre optics technology, in response to rising concerns that customers will be poached by the competition. For the above reasons it is our view that we have finally entered the initial phase of the long-awaited recovery in telecom-related capital expenditure.

Alex Barbi Portfolio Manager

What is VoIP/Internet Voice?

VoIP allows you to make telephone calls using a computer, over a data network like the internet. VoIP converts the voice signal from your telephone into a digital signal that travels over the internet then converts it back at the other end so you can speak to anyone with a regular phone number. When placing a VoIP call using a phone with an adapter, you'll hear a dial tone and dial just as you always have. VoIP may also allow you to make a call directly from a computer using a conventional telephone or a microphone.

How can I place a VoIP call?

Depending on the service, one way to place a VoIP call is to pick up your phone and dial the desired number, using an adapter that connects to your existing high-speed internet connection. The call goes through your local telephone company to a VoIP provider. The phone call goes over the internet to the called party's local telephone company for the completion of the call. Another way is to utilise a microphone headset plugged into your computer. The dialled number is placed using the keyboard and is routed through your cable or DSL modem.

What kind of equipment do I need?

A broadband (high speed internet) connection is required. This can be through a cable modem, or high speed services such as DSL or a local area network. You can hook up an inexpensive microphone to your computer and send your voice through a cable modem or connect a phone directly to a telephone adapter.

If I have Internet Voice service, who can I call?

Depending upon your service, you might be limited only to other subscribers to the service, or you may be able to call any phone number, anywhere in the world. The call can be made to a local number, a mobile phone, to a long distance number, or an international number. You may even utilise the service to speak with more than one person at a time. The person you are calling does not need any special equipment, just a phone.

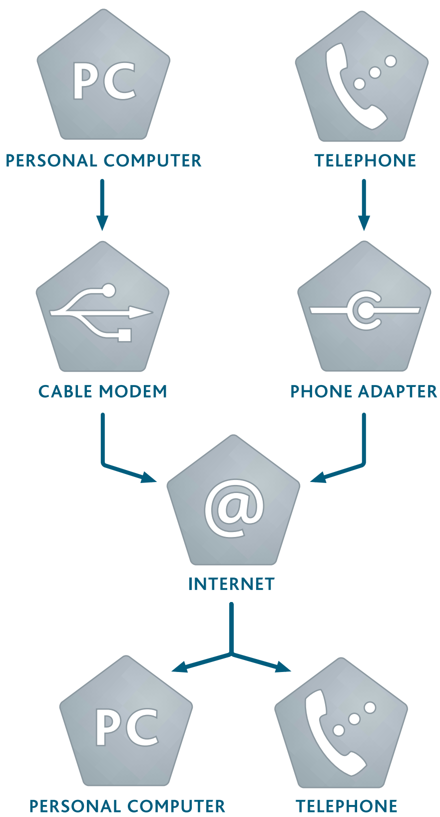
You may be able to use your VoIP service wherever you travel as long as you have a high speed internet connection available. In that case it would work the same as from your home or business.

What are some advantages of Internet Voice?

Because Internet Voice is digital, it may offer features and services that are not available with a traditional phone. If you have a broadband internet connection, you need not maintain and pay the additional cost for a line just to make telephone calls.

With many Internet Voice plans you can talk for as long as you want with any person in the world (the requirement is that the other person has an internet connection). You can also talk with many people at the same time without any additional cost.

Source: US Federal Communications Commission



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 World Accumulation
   Net Return Index in A$

   Platinum Asia Fund:
   Inception 3 March 2003, MSCI Asia Free ex Japan
   Net Return Index in A$

   Platinum European Fund:
   Inception 1 July 1998, MSCI Europe Accumulation
   Net Return Index in A$

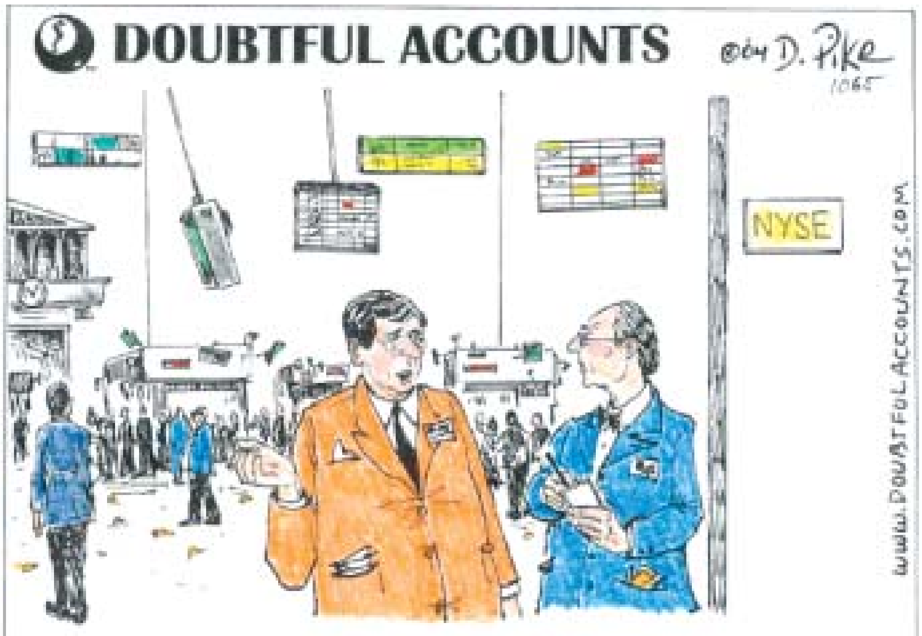
   Platinum Japan Fund:
   Inception 1 July 1998, MSCI Japan Accumulation
   Net Return Index in A$

   Platinum International Brands Fund:
   Inception 18 May 2000, MSCI World Accumulation
   Net Return Index in A$

   Platinum International Technology Fund:
   Inception 18 May 2000, MSCI Global Technology index in A$

   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.

Funny thing about oil, it's needed least where you find it.



Why join a gym? I spend seven hours a day pushing my luck down here.

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$12.8 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 World Index*, and considerably more than interest rates on cash.

Platinum
ASSET MANAGEMENT

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* Refer page 2.

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