The Platinum Trust® Quarterly Report

30 June 2006

Platinum International Fund
ARSN 089 528 307

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

Platinum® ASSET MANAGEMENT

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<u>Experts ...</u>

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

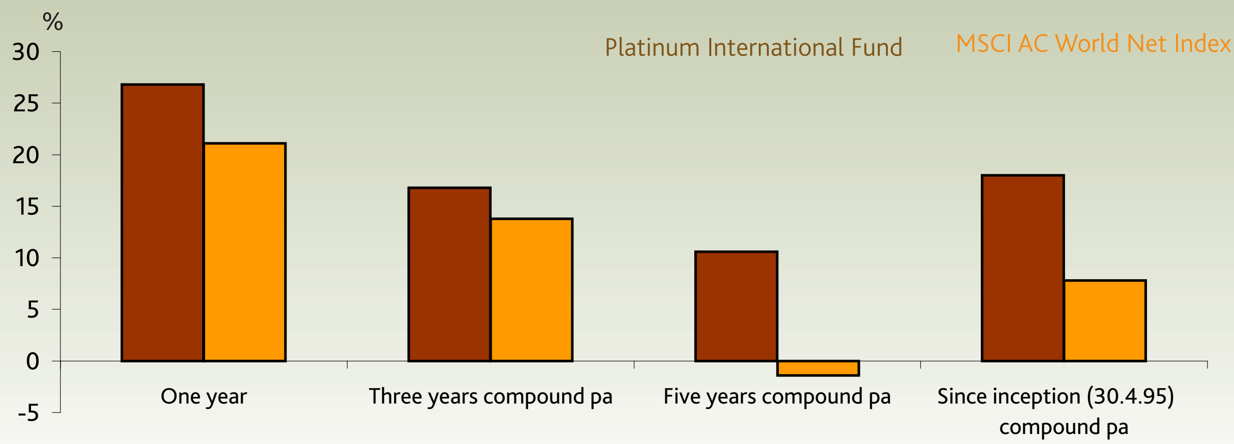
PERFORMANCE RETURNS TO 30 JUNE 2006

FUND	FUND SIZE	QUARTER	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	5 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA
INTERNATIONAL FUND	**$8,553m**	**-4.2%**	**26.7%**	**11.6%**	**16.8%**	**10.6%**	**18.0%**
MSCI AC* WORLD INDEX		-4.8%	21.1%	10.9%	13.8%	-1.4%	7.8%
ASIA FUND	**$1,835m**	**-9.8%**	**28.3%**	**37.4%**	**35.4%**	**-**	**34.6%**
MSCI AC ASIA EX JAPAN INDEX		-5.6%	28.0%	22.0%	23.1%	-	21.9%
EUROPEAN FUND	**$303m**	**-2.7%**	**25.8%**	**14.2%**	**20.6%**	**11.7%**	**16.9%**
MSCI AC EUROPE INDEX		-1.8%	28.7%	17.4%	19.6%	2.7%	2.1%
JAPAN FUND	**$1,067m**	**-7.3%**	**33.5%**	**17.5%**	**26.1%**	**13.1%**	**24.2%**
MSCI JAPAN INDEX		-8.4%	39.4%	12.0%	20.9%	-1.0%	3.6%
INTERNATIONAL BRANDS FUND	**$527m**	**-5.4%**	**26.8%**	**24.0%**	**25.0%**	**17.7%**	**18.5%**
MSCI AC WORLD INDEX		-4.8%	21.1%	10.9%	13.8%	-1.4%	-2.6%
INTERNATIONAL HEALTH CARE FUND	**$20m**	**-11.1%**	**23.4%**	**4.5%**	**-**	**-**	**6.1%**
MSCI AC WORLD HEALTH CARE INDEX		-5.3%	10.4%	3.9%	-	-	9.0%
INTERNATIONAL TECHNOLOGY FUND	**$60m**	**-6.8%**	**30.6%**	**5.5%**	**14.7%**	**4.3%**	**11.8%**
MSCI AC WORLD IT INDEX		-11.8%	10.5%	-0.9%	6.4%	-9.5%	-16.4%

*Morgan Stanley Capital International All Country

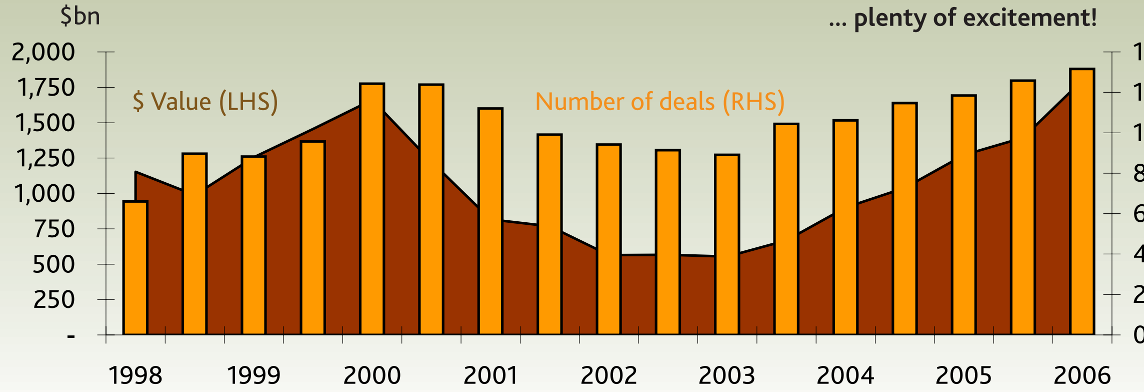
Source: Platinum and Factset. Refer to Note 1, page 44.

PLATINUM INTERNATIONAL FUND VERSUS MSCI WORLD INDEX TO 30 JUNE 2006



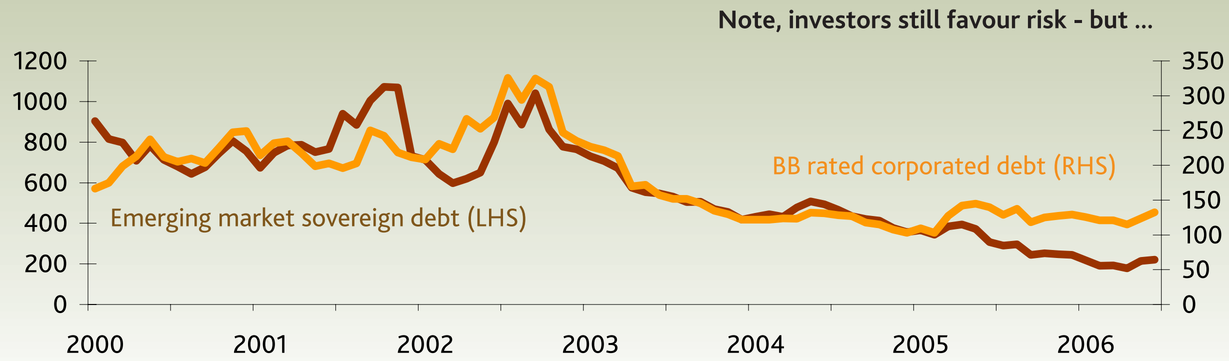
Source: Platinum and Factset. Refer to Note 1, page 44.

GLOBAL MERGER AND ACQUISITION VOLUMES



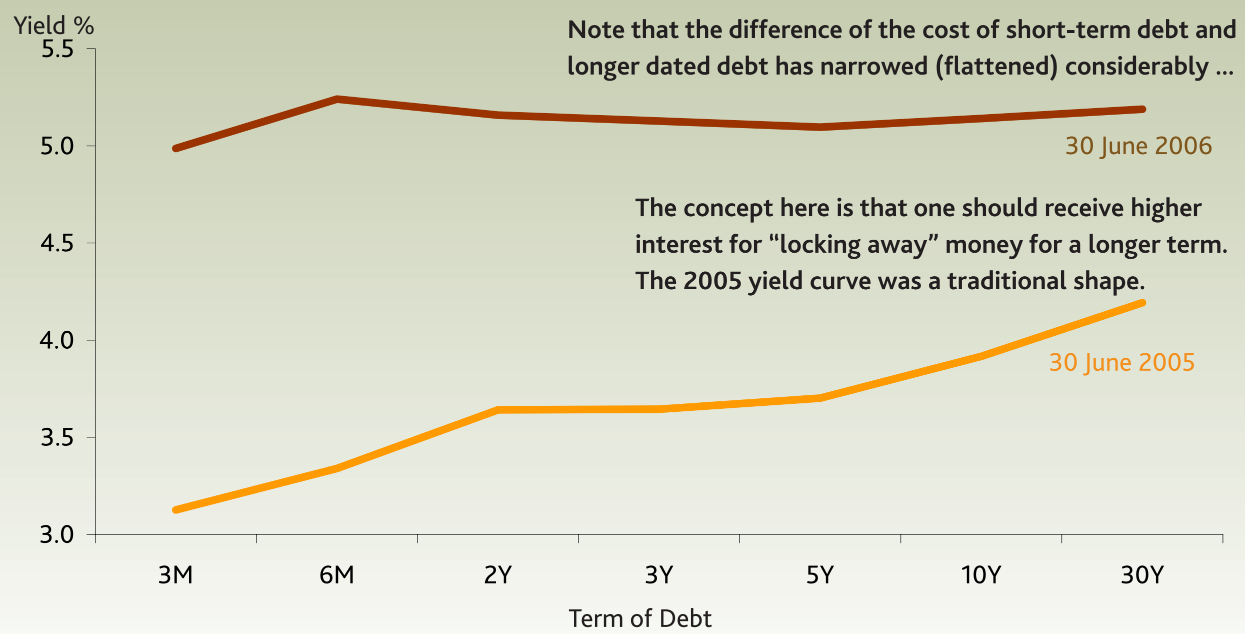
Source: Bloomberg

LEVEL OF RATES IN EXCESS OF US TREASURY BOND YIELDS REQUIRED BY INVESTORS



Source: Bloomberg and CSFB

US YIELD CURVE - COST OF MONEY OVER TIME



Source: Bloomberg and JP Morgan

PLATINUM INTERNATIONAL FUND

Kerr Neilson
Managing Director

PERFORMANCE

An enervating quarter for sure, with fear rearing its crumpled face and allowing imaginations to run riot over what was, could be or should be. The most punished markets in the sell-off were those that had ascended the swiftest, with the plodders exhibiting their practised nonchalance. Fortunately we had become concerned about the uninhibited enthusiasm for the higher risk emerging markets and had reduced holdings and introduced shorts against both the Indian and Korean indices. To our disappointment, the US small cap index and the Russell 2000 index sold off sedately and hence our shorting of these gave us somewhat less protection than we had hoped.

As you will be aware, we have been puzzled by the historically rare experience of the lesser quality and smaller companies being priced at large premiums to their historic ratings and being expensive against large, superior companies. We surmise that the end of the bull-run will be punctuated by small, illiquid companies significantly under-performing the large capitalisation stocks. Notwithstanding our handicap in the shorting stakes, which has suppressed our annual return, the Fund gained 26.7% for the year after a negative quarter of 4.2%. By way of reference, the MSCI rose by 21.1% over the last 12 months and fell by 4.8% in the last three months.

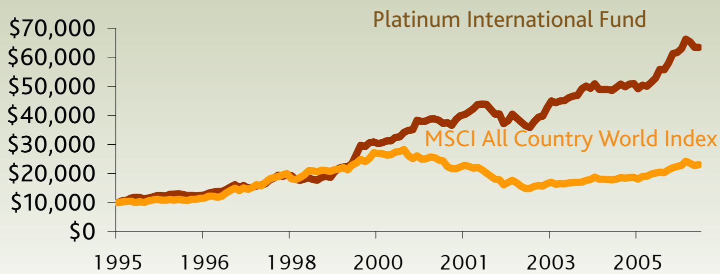
Areas of activity that are sensitive to growth remained investors' favourites, namely, materials, energy, and industrials. Out-of-favour segments were health care, information technology and telecoms. Not surprisingly, it is in these areas that we are now finding the more interesting prospects.

MSCI WORLD INDEX INDUSTRY PERFORMANCE (AUD)

SECTOR	QUARTER	1 YEAR
MATERIALS	-3%	45%
ENERGY	-1%	31%
INDUSTRIALS	-5%	27%
FINANCIALS	-5%	26%
UTILITIES	1%	21%
CONSUMER STAPLES	-1%	17%
CONSUMER DISCRETIONARY	-6%	15%
TELECOMMUNICATIONS	-3%	11%
INFORMATION TECHNOLOGY	-12%	11%
HEALTH CARE	-5%	10%

Source: Factset

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 MAY 1995 TO 30 JUNE 2006



Source: Platinum and Factset. Refer to Note 2, page 44.

CURRENCY

The quarter was characterised by US$ weakness but also accompanied by a sell-off of several emerging market currencies as questions of growth and risk became prevalent. Given the degree of indebtedness of the US, it is interesting that the US$ did not exhibit more strength as these concerns grew and as money was channelled home. Our position was left unchanged, with very little exposure to the US$.

SHORTING

We did some reasonable work in closing some of our emerging market shorts close to the bottom of the decline. However, as alluded to earlier, we were disappointed at the persistent commitment of investors to the smaller stocks in Wall Street. From top to bottom these declined by about 14% where, for example, the S&P 500 index fell by 8%. The only positive observation we can make on a 12 month view regarding short selling, is that at least our instincts (and work) have been right in identifying the weakest market. Compared to other developed markets, the US has risen the least, generally by one quarter to one half of the rises seen in say the UK, Europe or Japan.

CHANGES TO THE PORTFOLIO

DISPOSITION OF ASSETS

REGION	JUN 2006	MAR 2006
JAPAN *	**25%**	**29%**
WESTERN EUROPE	**24%**	**25%**
NORTH AMERICA	**22%**	**22%**
EMERGING MARKETS	**13%**	**14%**
AUSTRALIA	**0%**	**1%**
CASH	**16%**	**9%**
SHORTS	**32%**	**33%**

* The Fund also has a 10% short position in Japanese Gov't Bonds

Source: Platinum

Early in the quarter we sold down/out of some long held positions such as Novozymes, Douglas and Metso in Europe; Engineers India and ITC in India; and Lotte Confectionery and Kangwon Land in Korea. In Japan we exited the last of Canon, Nintendo and Dai Nippon Printing, and reduced the housing holdings Sekisui, Daiwa House and JS Group.

As the sell-off steepened we were able to re-establish holdings in economically sensitive companies like JGC (hydrocarbon and petro-chemical plant builder), Yokogawa Electric (automation controls and IC testing equipment) as well as adding to NEC, Hitachi and Mitsubishi Heavy Industries. These stocks were down by 20% or more as were Alcatel and Ericsson in Europe to which we also added. Given the prospect of the return of pricing power now that the Japanese economy is growing consistently, we have introduced food manufacturers such as Yamazaki Bakery, McDonald's and Ajinomoto whom we believe will produce earning surprises after years of disappointment.

The two significant new additions in North America are Bombardier and El Paso Corp. The former is an interesting amalgam of transportation businesses which has been built by the entrepreneurial founding family from its origin in snowmobiles. Following a path of clever acquisitions, Bombardier has built world leading

BREAKDOWN OF FUND'S LONG INVESTMENTS BY INDUSTRY

CATEGORIES	EXAMPLES OF STOCKS	JUN 2006	MAR 2006
CYCLICALS/MANUFACTURING	TOYOTA INDUSTRIES, SCHINDLER, SIEMENS, INTERNATIONAL PAPER	**27%**	**31%**
FINANCIALS	CREDIT AGRICOLE, SUMITOMO MITSUI INSURANCE, SAMSUNG FIRE & MARINE	**14%**	**15%**
TECHNOLOGY/HARDWARE	INFINEON TECH, SAMSUNG, SUN MICROSYSTEMS	**7%**	**11%**
RETAIL/SERVICES/LOGISTICS	HORNBACH, CARREFOUR	**7%**	**8%**
CONSUMER BRANDS	HENKEL, BEIERSDORF, PERNOD RICARD	**7%**	**7%**
SOFTWARE/MEDIA	NEWS CORP, LIBERTY MEDIA	**7%**	**6%**
GOLD AND OTHER RESOURCES	SHELL, BARRICK GOLD, NEWMONT MINING	**6%**	**5%**
TELECOMS	ALCATEL, SK TELECOM, ERICSSON	**6%**	**5%**
MEDICAL	PFIZER, MERCK & CO	**3%**	**3%**

Source: Platinum

positions in rail, and regional and business aircraft. There have unfortunately been missteps which resulted in a precarious balance sheet and a fall from grace as the once-loved Canadian national champion. Our observation is that the company has rectified its finances and is now being too narrowly classified as a regional Jet manufacturer just as the rail business is about to benefit from both its internal restructuring and renewed investment in rail transport (because of energy costs, pollution and congestion).

El Paso (energy transmission and production) is a similar fallen favourite, having been too close to its Houston neighbour, Enron. The value of its pipeline business is undiminished and now that they have addressed their gas field development strategy, the company is well positioned for continuing tight energy markets.

COMMENTARY

The complacency we alluded to last quarter received a jolt in May as market participants paid greater attention to the rising cost of money and to the actions of the Bank of Japan in rapidly reducing the availability of reserves to that country's banking system. Some may interpret this as merely a passing stock market stumble and take comfort from the many positive features of the current economic landscape.

These features include the broader base of world economic growth; the widespread acceptance of the capitalist model; record levels of corporate profits world-wide; valuations that are compatible with prevailing circumstances and specific investment opportunities that seem to offer growth over the horizon.

We accept these confirmatory observations but do believe the easy drift of the current is now giving way to more turbulence. As usual we prefer to take the less agreeable path and seek out the origin of this contentment.

While all eyes appear to be on the Federal Reserve Board, it is evident that the actions of the Bank of Japan (BoJ) and the ECB are quite as important. The trend of interest rates is unequivocally upward and the rampant escalation of the value of real assets seems to us to be in the process of arrest. Since the 1990s the world has experienced almost consecutive (sequential) episodes of monetary infusion that were designed to cope with the earlier problems (eg. the Japanese asset bubble, the excessive foreign debt owed by Asian countries in the late '90s, the unravelling of the tech boom in 2000 etc). Unlike in earlier times, this force-feeding of money did not result in general inflation initially, partly because of the melting demand in Asia and the former Soviet Union (exacerbated by massive "de-stocking"). This was then followed by the extraordinary supply shock of cheap and plentiful manufactured goods from the likes of China (which for a while looked like a deflationary pulse). These counter forces have now gone. In its place we are seeing the "unmasked" demand for raw materials as former laggards, India, Brazil and Russia et al, helped by foreign investment, experience greater material prosperity as indeed does the rest of the world.

The expression of these injections (of cheap money) was evident in boisterous property markets as well as the hitherto falling risk rating attached to emerging markets. As property has lost its allure, the chase has headed after private equity funds and cunningly sculptured financial structures. These developments fit snugly into the dichotomous world which sees one group consuming excessively and another saving. In general, the savers are willing to hold sovereign-like debt while the consumers rejoice in spicier opportunities. Specifically this can be observed in the massive build-up of derivative activity and the intercession of investment banks to cater to both sides of this SEE-SAW: so-named because one side cannot be satisfied without the other facing elevated risk.

Splicing and dicing is the name of the game. Against seemingly secure income streams that State entities happen to be privatising[1], investment banks have been able to create listed vehicles that cater to all spectrums of the debt market as well as the risk-driven private equity investor. Through the debt markets, they can create a cascade of credit and duration risk[2], that can ensure the solvency of the entity but not without compromising the income security of the equity holders. These entities (REITS, listed infrastructure funds etc) have still to be *stress-tested* because to date they have seen nothing but stable economic conditions and declining interest rates. The reverse can indeed coincide!

This may not trouble you much but consider the balance sheets of six of the top eight investment banks[3]. These show balance sheet footings of some $US3.7 trillion, of which over half are long exotic and short plain vanilla debt. Guessing at the investment banking component for Citigroup and JP Morgan, the top eight may have banking assets approaching $US5 trillion. By way of context this compares with the non-financial debt in the US of $US26 trillion - perhaps 40% of the world total. And recall, in their pure form these are banks without natural deposits and hence are highly vulnerable to the vicissitudes of the price and availability of money (credit). Moreover, in terms of their investment banking attributed equity bases, this presents gearing of over 30 times - not a large margin for error!

Some may dismiss this all as financial evolution and innovation. However, it is the wide-spread nature of this opportunistic activity which should ring alarm bells. Private equity funds have grown exponentially and together with hedge funds may now control assets in excess of $US1.8 trillion. Originally developed to provide finance to risky start-ups and to facilitate management buy-outs, private equity has taken on a world of its own and it is now common for some to off-load investments to yet other private equity funds

[1] This again coincides with the current fashion of "consume today, save whenever?" and passing the burden onto future generations rather than taking the politically adverse decision of raising taxes.

[2] Luxembourg is much favoured in these opaque structures as it is renowned for facilitating really exotic splicing and dicing whereas the US favours the debtor. The amount of intellectual effort expended on what is the financial equivalent of recombinant engineering is breathtaking but ultimately the risk can only be shifted, not expunged.

[3] Goldman Sachs, Morgan Stanley, Lehman, Merrills, Bear Stearns, Barcap.

instead of listing them in open markets: even hedge funds are said to be buying into private equity funds! In other instances natural buyers of long duration assets such as pension funds are at times being outbid by investment bank-led structured entities whose only apparent distinction is their affinity for higher debt leverage (and other people's money - OPM) to the extent that interest payments have been known to be twice that of the operation's gross takings. These activities, together with the frenzied levels of corporate merger and acquisitions (M&A - see the graph on page 3), trumpet a highly mature bull market. If you believe that these are usual financial gambits, we assure you, we are unlikely to sate your cravings for risk!

Should American growth falter, as seems likely from rising cost of funds and the impending resetting of rates on adjustable rate mortgages[4], we believe that global growth can still be satisfactory. Importantly in Asia, the consumer's use of debt is far from alarming. While India has benefited from a consumer credit driven expansion, that process is yet to begin in China and may take up the running as investment perhaps plays a lesser role. The sophisticated exporters of the region; Japan, Korea and Taiwan all look set for further growth even in the face of the deteriorating trend of export prices. Strangely, these have been dropping even in the face of relatively strong volume off-take. This augurs poorly for the exporters' profitability but their domestic economies look healthy.

More generally, we continue to be encouraged by the attractive valuation of <u>quality companies</u> versus their lesser rivals. While this progressive de-rating of quality may portend the general reversion of profits to the mean, it nevertheless <u>offers interesting opportunities on an individual stock basis</u>. Some of our themes such as agriculture and paper may be early in their gestation but we believe they will prove highly prospective. The risk lies in the timing.

CONCLUSION

In a general sense the risks in markets weigh slightly heavier on us than the opportunities. The recent sell-off reflects the rising cost of capital and the reappraisal of risk. We believe this is a change of trend. However, at this stage it is <u>too early to say that inflation will rise to levels that damage the valuation of equities</u>. Hence, at present we are unclear whether the deflationary burden of excessive debt (by way of higher interest rates impinging on consumption in the Anglo-Saxon countries) will outweigh the upward pressure on prices caused by tight supply and continuing strong growth elsewhere. Either way, in the next few months recorded inflation should reveal the pent-up cost increases of raw materials.

The portfolio is well diversified and we are finding new prospects that will grow under most circumstances and yet are attractively priced. Our subliminal fear is a further general de-rating of risk assets.

[4] According to the Mortgage Bankers Association of America, ARMS now represent 25% of the more than $US8.5 trillion in outstanding loans.

PLATINUM ASIA FUND

Andrew Clifford
Portfolio Manager

PERFORMANCE

PERFORMANCE (compound pa, to 30 June 2006)

	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PLATINUM ASIA FUND	-10%	28%	37%	35%	35%
MSCI AC ASIA EX JAPAN	-6%	28%	22%	23%	22%

Source: Platinum and Factset. Refer to Note 1, page 44.

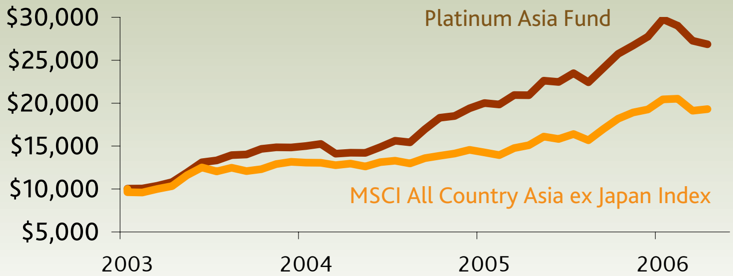
The Asian markets performed poorly during the June quarter as fears rose regarding the direction of global interest rates. In the main part, the strongest performers of the last year were the weakest this quarter with India leading the way (down 8.8%). India more than any other market in the region faces the prospect of higher local interest rates as inflation is accelerating domestically and the current account deficit continues to build. The exception to the rule was Thailand which continued its poor run (down 7.5%) after the major opposition party boycotted a snap election (called in an attempt to sideline accusations of conflicts of interest for the Prime Minister regarding a major business transaction). This has subsequently left the country in political turmoil that will continue for some months to come. The one market that moved against the trend was the Chinese A share market (up 28.8%) where good earnings growth and low valuations seem to have finally attracted local investors. Of course, this is the one market where foreign investors play only a minor role due to regulatory restrictions.

DISPOSITION OF ASSETS

REGION	JUN 2006	MAR 2006
CHINA (LISTED EX PRC)	12%	12%
HONG KONG	11%	8%
CHINA (LISTED PRC)	8%	10%
TAIWAN	5%	5%
GREATER CHINA TOTAL	36%	35%
KOREA	19%	18%
INDIA	13%	19%
MALAYSIA	6%	5%
THAILAND	4%	1%
INDONESIA	3%	4%
CASH	19%	18%
SHORTS	8%	9%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
3 MARCH 2003 TO 30 JUNE 2006



Source: Platinum and Factset. Refer to Note 2, page 44.

The Fund's performance during the quarter was disappointing given the level of cash and index shorts that the Fund held throughout the period. The poorest performers within the portfolio were the companies that had previously been amongst its best, most notably the holdings in Chinese property developers that were sold off in reaction to new measures announced to limit speculation in the property market. Although, with hindsight, it would have been prudent to reduce exposure to this sector in light of its previously strong performance, it is our view that these investments represent good value at current levels and our inclination is to add to rather than reduce our holdings in these companies.

CHANGES TO THE PORTFOLIO

New companies acquired this quarter include PRC automakers Denway Motors and Dongfeng Motors Group. Both companies operate joint ventures with foreign automakers; Denway with Honda, and Dongfeng with Honda, Nissan, and Peugeot. Xiamen International Ports, another addition to the China portfolio, is the major container terminal operator in Fujian province (adjacent to Taiwan). Elsewhere, the Fund acquired Bangkok Bank, the leading banking franchise in Thailand. Disposals across the Indian portfolio continued with major reduction in our holdings in ITC and United Breweries.

The Fund at quarter end continued to hold significant cash holdings in anticipation of better buying opportunities ahead.

COMMENTARY

The setback in Asian markets this quarter was the first significant sell-off the region has experienced since the corresponding quarter in 2004. The catalyst for the sell-off was much the same as it was two years ago; fears of rising global interest rates cutting off the supply of cheap money that has fuelled stock markets, together with renewed measures by the central bank in China to slow bank lending. In addition, this time around the Reserve Bank of India is also in the process of raising rates. You may recall last time the sell-off in India was exacerbated by a surprise election result.

At the lows reached during the quarter, Asian markets had been sold down by more than 19% from the highs reached during April. Given the extraordinary run in the markets in the preceding three years (up nearly 2.5 times) the sell-off can hardly rank as surprising. However, the events do highlight a major risk for investors in Asia, which is that although fundamentals of the region's economies may be on a sound footing, buying of these stock markets by foreigners has been encouraged by cheap and plentiful finance at home.

This can perhaps be illustrated by way of example of ITC Limited, an Indian tobacco and consumer goods business. Over the three years to March 2006, ITC grew their profits by over 70%, or an average annual rate of around 20% pa. Over the same period, buoyed by the enthusiastic buying of foreign and domestic investors, ITC's stock price appreciated more than four fold, increasing the valuation of the company from 11 times past year's earnings to 30 times. What is the likely impact of higher interest rates in the US and elsewhere on ITC's business? One would expect there to be only a trivial, if any, impact at all.

The problem with an investment in ITC doesn't lie with the company but its shareholders, who with rising interest rates are at best looking at higher interest rates on cash, compared with the starting earnings yield of ITC of approximately 3%[1], and at worst are concerned about the cost of loans taken out to finance the investment. During the last quarter, at its low, ITC's stock price had fallen a third from the high set earlier in the year. The interesting period for comparison is the three years leading up to March 2003, when ITC's profits also grew by 70%, but the stock price fell by 20%. The difference between that period and the latest three year period is that it was characterised by rising global interest rates! Notably, at the start of this period ITC's stock traded at 19 times earnings and ended at 11 times.

All good bull markets are a result of a good story (in this case the economic development of China and India and the benefits that flow to the rest of the region) and cheap money. It would appear that one of these ingredients is being diluted or removed altogether so the recent returns of the Asian markets may not be so easily reproduced in future. The question then becomes how well placed are China and India to continue growing and although this can never be definitively answered, we see no obvious impediment at the moment.

Again the main risk is external and if the US consumer patterns were to undergo a major slowdown in response to higher rates, then given the Asian region's high and increasing exposure to US exports (see table), it is hard to imagine there not being at least a short term setback in regional economic growth.

GROSS EXPORTS AS A % OF GDP IN 1997 AND 2005

REGION	1997	2005
CHINA	**20%**	**34%**
INDIA[1]	**13%**	**21%**
HONG KONG	**161%**	**254%**
INDONESIA	**28%**	**34%**
MALAYSIA	**93%**	**123%**
PHILIPPINES	**49%**	**46%**
SINGAPORE	**76%**	**107%**
TAIWAN	**47%**	**63%**
THAILAND	**48%**	**74%**
KOREA	**32%**	**42%**
JAPAN	**11%**	**14%**

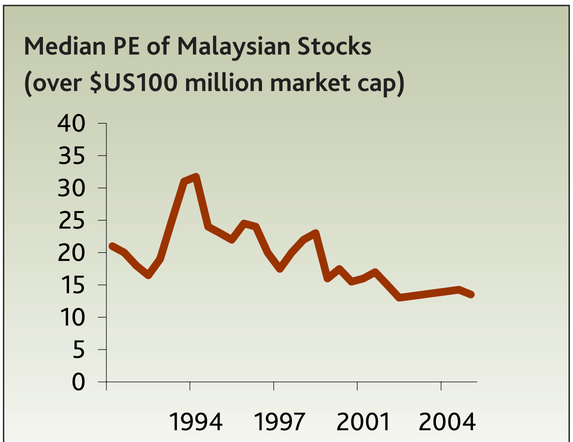
[1] Fiscal Year.

Source: CEIC, CLSA Asia-Pacific Markets

The simplest protection in such an environment is to invest in assets where valuations at least provide a reasonable chance of earning a good return. This is at the heart of Platinum's approach to investing and in recent quarters has led us to focus on two of the regions poorer performing markets, Thailand and Malaysia.

These two countries, having set the pace in the early '90s with economic growth rates in the order of 8-10% annually, have subsequent to the Asian crisis, struggled to return to their glory days and currently trundle along at growth rates of a mere 4-5% pa. The explanations usually forwarded by economists are varied and complex but at the heart of the problem is the emergence of China and India as alternative locations for businesses seeking low-cost labour. Of course the appeal of the Chinese and Indian domestic markets makes competing for investment even more problematic. The chart over page demonstrates how a lack of interest in the Malaysian market has resulted in a gradual decline in price-earnings ratios through time.

[1] For each $1 invested in ITC, a PE of 30 implies you receive underlying earnings of 3.3 cents. Expressed as the inverse, you receive 3.3 cents of earnings for your investment of $1 or an earnings yield of 3.3%.



Source: Bloomberg

Yet these countries are far from being economic backwaters. Both are part of ASEAN Free Trade Area (AFTA), a market that encompasses a population of almost 600 million people. Thailand has seen a significant investment by foreign automakers in pursuit of this market. Both countries have significant tourism industries that will benefit from the increasing flow of tourists out of China and India. In addition, Malaysia and Thailand both have substantial natural resources, particularly in oil and gas, which will see them benefit from the ongoing boom in commodities.

In recent months our search through these markets has revealed some particularly interesting opportunities, with recent purchases including toll roads, airports, and a water utility. We believe these assets will show volume growth of a few per cent annually through time and will enjoy some ability to increase prices. In addition, most of these assets have completed major capital expenditure projects and thus cash flows are being utilised to reduce debt. Typically we are purchasing these assets on earnings yields of 8% or better. Compare this with many of the much loved Australian infrastructure assets where there is little in the way of earnings or cash flow and increased borrowings are used to pay dividend out of capital!

The appealing valuations of the companies we are finding across much of the region, particularly with the lower stock prices that are now on offer, tempers the pessimism we would otherwise hold in the face of rising interest rates.

Nevertheless, the markets are now most likely facing a headwind, the strength of which will be a function of how resilient US consumers are to higher interest rates. In the meantime, we see no particular reason to doubt that China and India will continue to grow strongly, and with them the rest of Asia, even if exports face a weaker growth trajectory.

PLATINUM EUROPEAN FUND

Toby Harrop
Portfolio Manager

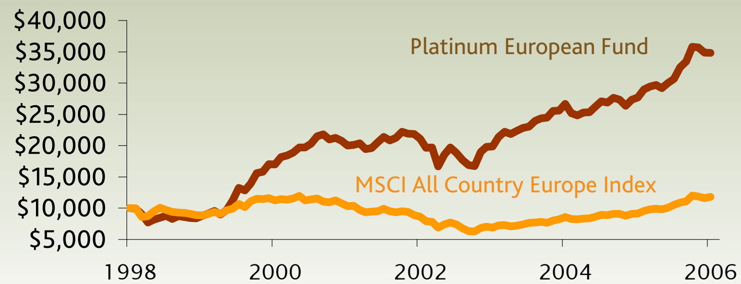
PERFORMANCE

After six months of frothy, risk-affine activity, European markets followed the rest of the world in the set-back of May and early June. Overall we were impressed at the resilience on the continent, considering the over-enthusiasm evident by March/April. As we write the markets continue a "relief rally", but the acute sensitivity to the Federal Reserve Board utterances evidences the vulnerability of risk assets to the steady increase in the cost of money. The reluctance of European market participants to leave the M&A party, the surprising hand-wringing in response to the modest recent declines, and the chorus of strategists preaching "buy the dip" all suggest that the coming months may see further selling.

From its peak in early May to its recent low in mid-June, the German DAX index declined 15%, though over the full quarter the loss was under 5%. As we have noted before, the DAX tends to be among the most volatile of the large markets, so the overall 4.8% fall is gentle indeed. Overall the European markets fell 3%, and the weaker A$ versus the euro et al resulted in an A$ MSCI result for the quarter of -2%; for the 12 months the MSCI Europe was up 19% locally, and 29% in A$.

The Fund performed poorly in the quarter, down 3%. Surprising weakness was seen in the Fund's large capitalisation "technology" holdings: Alcatel (-22%), and Ericsson (-20%) proved costly over the period. The "surprise" stems from the fact that these stocks had by and large seen modest share price performance in recent times, are clearly "large" capitalisation stocks (we continue to believe the

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 JULY 1998 TO 30 JUNE 2006



Source: Platinum and Factset. Refer to Note 2, page 44.

BREAKDOWN OF FUND'S LONG INVESTMENTS BY INDUSTRY			
CATEGORIES	EXAMPLES OF STOCKS	JUN 2006	MAR 2006
TECH/MEDIA	INFINEON, ALCATEL, ERICSSON	**20%**	**23%**
CHEMICALS/MATERIALS	NORSKE SKOG, UPM, SHELL	**18%**	**17%**
CONSUMER/RETAIL	HENKEL, HORNBACH, DOUGLAS	**18%**	**17%**
CAPITAL GOODS	SIEMENS, RIETER, METSO	**17%**	**19%**
MISCELLANEOUS SERVICES	TNT	**5%**	**4%**
PHARMACEUTICAL/BIOTECHNOLOGY	NOVOZYMES, SCHERING	**4%**	**6%**
FINANCIALS	CREDIT AGRICOLE	**4%**	**4%**

Source: Platinum

overvaluation is in the smaller stocks), and have decent business performance and prospects. In addition, the Fund has 7% invested in the paper sector, and the poor performance of this area (at -13% among the weakest industry groups in Europe) is a good example of neglect not necessarily helping - or even offering protection - in the short-term. Over time, however, this "odd man out" of the commodity boom should provide a decent return. Finally, German pay-TV company Premiere continued to decline after the (December 2005) loss of domestic football rights. The stock market price assumes the business is almost worthless without the German soccer - this seems an exaggeration. Otherwise the short positions on the German DAX index, as well as on selected Spanish and German banks provided some protection to the general market sell off in May/June. DAX shorts were reduced by a third near the lows of mid-June. Our 30% positioning in the A$ was unhelpful. For the 12 months the Fund returned 26%.

COMMENTARY

Company visits - Germany, UK, Italy and France

Before the evidently attention-grabbing soccer contest got underway in Germany, we visited that country, Italy, Paris and London seeing 40 companies in late May/early June. The themes we were pursuing included railways, media and health care technology; in general larger companies were favoured over the small.

One surprising message was that the geographic breadth of demand as well as profitability are such that many historically "cyclical" companies would like to believe that stable conditions are now the norm. "The cycle is no longer" claimed several executives who cannot believe their luck. Without wanting to discard the reasoning behind this (usually false) hope, we would observe that such sentiment is consistent with an already realised profitability uplift, rather than likely to precede such a step change. For this reason the current European market valuation level of 12-14 times (price to earnings) is less appealing than it would have been over the last decade. That is, with profits at an all time high (versus GDP, say) there is less room for improvement than otherwise!

Siemens, Philips

With this in mind, those companies with strong business positions and yet unsatisfactory profitability stand out as potentially interesting candidates. We had meetings with both Philips (medical division - one of the "big three" beside GE and Siemens), and with the recently appointed CEO of Siemens itself. Philips is a company which has historically had considerable research and development success, but has not always managed to exploit its breakthroughs commercially. Siemens can also be characterised as an innovative workshop, but one whose products are often "over-engineered", and where general overmanning has meant that the commercial surplus is enjoyed by staff rather than shareholders.

Philips has a curiously successful consumer products division (ie. in addition to the ongoing success of Philips lighting - another shared feature with Siemens), while outside Osram, Siemens tends to struggle with consumer businesses: the mobile handsets division ("given" to a now struggling Taiwanese company) is the most recent example. The question of whether these innovation-led companies can ever make really big profits is unclear. Consider Siemens' annual R&D expense, at euro €5.1 billion (nearly $A9 billion!) which is considerably more than its pre-tax income. However, instead of lamenting that their "competition" are not-for-profit university researchers and government agencies, both companies are altering their mix of businesses to position themselves in fewer - and seemingly more profitable - areas.

As we have mentioned in past reports, Siemens has made a lot of progress over the last decade under Dr von Pierer (who is now chairman of the board); the new CEO, Dr Kleinfeld appears to be accelerating the pace of change. In recent weeks the company has pushed its problematic telecom networks business into a joint venture with Nokia (please refer to Alex's Technology Fund report for a discussion of industry consolidation in this area), while buying two big diagnostics businesses in the medical area. These two medical purchases alone cost nearly €euro 6 billion, and are at valuations that we find hard to stomach on first glance. However, Siemens makes the case that the speed and global reach benefits of "paying up" outweigh the cost savings of their traditional home-made, time consuming, labour intensive approach. Very clearly Siemens' expansion is now focused on the three areas of energy, medical, and automation. These are three vast industries, but a more targeted approach than the ***eleven*** existing divisions have enjoyed hitherto.

Philips, similarly, has made several large acquisitions in the medical area in recent years, and has now joined Siemens and GE in the big league of medical imaging hardware suppliers such as X-ray, MRI/CT, etc. As it standardises its product offering and exploits its scale in this area, Philips has a reasonable expectation of improving profitability toward the GE standard. Meanwhile, in its desire to move away from so-called "cyclical" areas, the company will sell its semiconductor division later this year.

We remain concerned that Philips is a little more prone to fashion in its strategy than the long-term focused Siemens, but its market positions and lowly valuation justify a small position (1.5% of the Fund). Regular readers will not be surprised that our position in Siemens is nearly three times that at 4.3%.

Rail

The railway industry looks set for strong demand this next decade or two (Siemens is among the leaders!!) as congestion in cities, both in the rich and developing world, require new/expanded metro and regional passenger rail systems, while fuel prices and clogged roads suggest freight upgrades are also a priority. Due to non-participation by the Americans, it is very much a European and Japanese business in the rolling stock, systems, switching and safety area. And because standards, accreditation etc - not to mention promotion of national champions! - dictate contract awards as much as the actual product, it is more or less a European business (eg. the Chinese adoption of the European standard requires the Japanese to partner with Europeans to be in the running at all).

Alstom of France, Siemens and (Bombardier-owned) Adtranz of Germany are the integrated players; in addition a number of interesting component, signalling and safety systems businesses are listed around Europe. Specifically, the signalling/safety area looks most appealing to us, both valuation-wise and as the best play on railway spending without becoming involved in the civil contracting aspect of the business. We have been buying shares in one of these since meeting the management.

Other investment ideas

Elsewhere we found a very interesting prospect in the UK, where once again a London stock market-listed company has suffered appalling English management. This robust business has been damaged but not ruined, and a year ago those people were replaced by foreigners. The newcomers have dared to cease pandering to the short-term whims of The City, and have invested in the operations to satisfy the customers - and ultimately the shareholders - instead. With the shares near ten year lows, we have gingerly started buying.

And finally, we have made progress on a project discussed in the December 2005 report, namely to find a reasonably priced way to play the considerable opportunities available in the German savings industry.

OUTLOOK - STOCKS VERSUS STOCK MARKETS

Four or five new ideas (admittedly generated over months, not the fortnight of meetings!) indicates that we <u>are</u> finding undervalued shares to invest some of the Fund's cash. Indeed as we look at the stocks in the Fund, we see some good prospects over the coming years. Our concerns are over general market behaviour and sentiment - and as mentioned, the high absolute levels of profit - which still suggest that the "easy money" has been made. The German stock market did, after all, bottom below 2,200 on the DAX in March 2003, so that by its highs in May this year it had nearly ***tripled*** in three years. Other market indices have not been quite that dramatic, but many small and middle-sized companies all across Europe have enjoyed spectacular moves.

At the same time the bloated coffers of private equity funds, as well as the behaviour of several companies (eg. in the utility area and indeed in the steel area) replicating the leveraged-buy-out model, can hardly be associated with once-in-a-decade buying opportunities! Mass market European car companies - businesses which over time have struggled to make more than 3-5% operating profits on sales - now have widespread market following in their ambition to "save" (and keep) billions of euros in cost reductions. Thus they plan operating margins up around 9%, and this at a time when Toyota is just getting serious in Europe, and Hyundai is close behind. This apparent belief in the sustainability of "western prices, eastern costs" is one which makes us nervous of market levels.

The Platinum European Fund, as at 30 June 2006, is 86% long, and 13% short for a net 73% exposure to shares; the currency is around 32% in A$, 46% euro and the balance in Swiss francs, Scandinavian currencies and the Pound Sterling.

PLATINUM JAPAN FUND

Jim Simpson
Portfolio Manager

PERFORMANCE

International markets were soft during the quarter as the implications of tighter monetary policies in all major global regions started to weigh on growth expectations. Japan was no exception to this with the index and the Platinum Japan Fund both declining by about 8% in $A terms over the quarter. Individual stock declines were broadly spread and typical of a general market correction.

CHANGES TO THE PORTFOLIO

The overall positioning of the Fund remained fairly static. However, as the market declined to near the 14,000 level on the Nikkei we initiated a tactical long position through the futures. Hence our net invested position rose at quarter end to 85%.

Major changes to stock positions:

Stocks bought: Mitsui & Co, Kawasaki Heavy, McDonald's Japan, Uny.

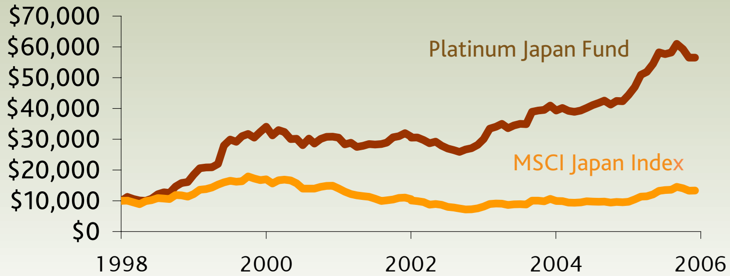
Stocks sold: Kyocera, Taisei, Ushio, Hyundai Heavy.

DISPOSITION OF ASSETS

REGION	JUN 2006	MAR 2006
JAPAN	72%	75%
KOREA	17%	18%
CASH	11%	7%
NET SHORTS	4%	19%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 JULY 1998 TO 30 JUNE 2006



Source: Platinum and Factset. Refer to Note 2, page 44.

COMMENTARY

Japanese monetary tightening; a bad thing?

It really depends on the stance of the Bank of Japan (BoJ) as regards inflation and growth levels and how the situation develops going forward. Our base case remains that the BoJ will take a relatively cautious approach given its past history. We also believe that the end of monetary tightening in Japan is a neutral to positive event as Japanese consumers are large savers. Much has been made of the huge withdrawal of central bank surpluses in the money market, however, from our limited understanding of the issue it seems that most of that money was merely on-lent at virtually zero spread. Hence the impact is more psychological, although, it may have some implication for the yen (possibly strengthen - although interesting that it has as yet had no impact!) and so-called carry trades. On the carry trades it must be remembered that despite all of the talk about unwinding the incentive to engage in this activity it has actually increased with the moves in US rates! More importantly for growth, the banking system is fixed and banks are eager to lend. This has been the missing factor for monetary policy transmission in the past and should be a much more relevant factor for growth than whether rates are 0.25% or 0.5%.

The return of a more socialist Japan?

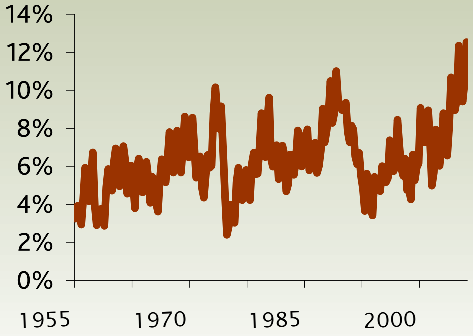
Following on from the Livedoor incident last quarter, the Japanese market has continued to be buffeted by further revelations of corporate misdeeds and indications by regulators of a tougher stance on "profiteering" in such industries as retail and banking. Some commentators have started to raise the prospect, in concert with the imminent departure of Koizumi, that this represents a return to some form of old style socialist Japan and that we should be concerned about corporate profit growth as a result. Our view is that whilst these events are interesting news they will have no real impact on the stock market as a whole. The reality is that we are in a globalised world and the Japanese are really no different in their aspirations for a better life, albeit with greater concerns about inequality. The lifetime employment contract was clearly broken in the Asian crisis and the reality of China as a competitor makes it unlikely we will see a reversal. In addition, the populace seems to be still very much behind the general thrust of the Koizumi administration even after its relatively long reign.

The Japanese market - going domestic!

We have been increasingly shifting the portfolio toward stocks geared into the Japanese domestic economy. Our feeling is that on the one hand global growth momentum and overall corporate profits are near their peaks, whilst on the other, wages and prices seem to be picking up as the employment market tightens. Consequently we may be about to see a major transition in the driver of the economy from the external account to consumer spending with implications for profits and stock selection. It will be more important than ever to be a stock picker in the Japanese market going forward!

Similar to most countries, Japanese corporate profits are at record levels. This has been led largely by the export sector which has seen robust growth since the bottom in 2002. However, there are some signs of stress in this sector with the most recent profit growth numbers slowing sharply to 6% yoy as a result of the squeeze on the terms of trade via higher input prices (commodity prices). We would seem to have reached a more vulnerable point where manufacturers need to pass on higher costs yet central banks have become acutely focused on this possibility and are steadily raising rates. If export volumes slow as a result of monetary tightening then export profits could fall sharply.

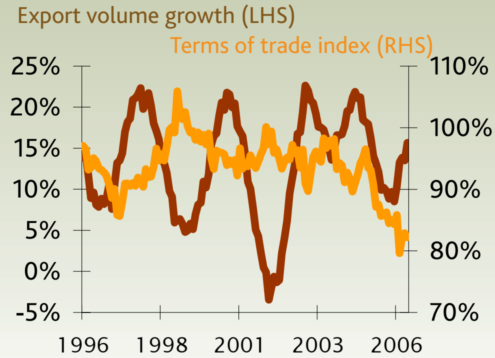
Japanese Corporate Profits (pre-tax as a % of GDP)



Source: MOF Corporate Survey

Clearly any harm done by central banks to export growth will have a negative backflow onto the Japanese economy. However, the economy is now in better shape to withstand the inevitable transition with support from an improving employment situation, higher wages as corporate profits are recycled, easing price competition and greater bank lending from a more solvent base. Despite the outperformance of exports during the past decade they remain at about 12% of GNP! The recently released Tankan survey of business confidence would seem to be supportive of our position with both domestic capex revised up sharply and non-manufacturer confidence surprising on the upside.

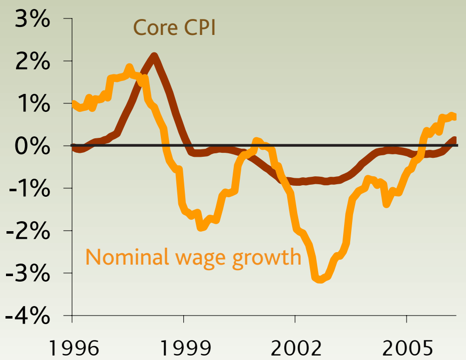
Japanese Export Volumes and Terms of Trade



Source: Ministry of Finance

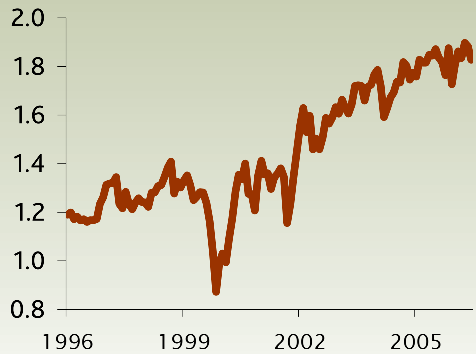
The market does not seem to have placed much of a bet on our scenario judging by the performance of global earners versus domestics. This performance seems to have reflected historical profit growth and suggests complacency about the potential for a shift. If we look at the profit margins of many Japanese retailers and food companies, we see operating margins in the 1-3% range. Small increases in real prices are likely to have very large impacts on profits. The same would apply to financial institutions which have seen ongoing interest margin compression due to low rates.

Japanese Nominal Wage Growth and Core CPI



Source: Ministry of Internal Affairs and Communications

Global Earners Outperform Domestic Earners



Source: Bloomberg

OUTLOOK

In essence we remain concerned about rising interest rates around the world, however, this is likely to be a relatively good thing for Japan. We believe that recognition by investors of the ongoing global economic rebalancing is near which could culminate in big changes within sector allocation and a strengthening of the yen. It is hard to envisage a natural seller of the Japanese equity markets as money leaves the risk-free asset in search of higher returns.

THE PLATINUM INVESTMENT PROCESS

A blueprint of Platinum's Investment Process is overleaf.

An animated version of the investment process will be available on Platinum's website (www.platinum.com.au) at the end of July.

SUBJECT

The Platinum Investment Process

URL

www.platinum.com.au

SCALE

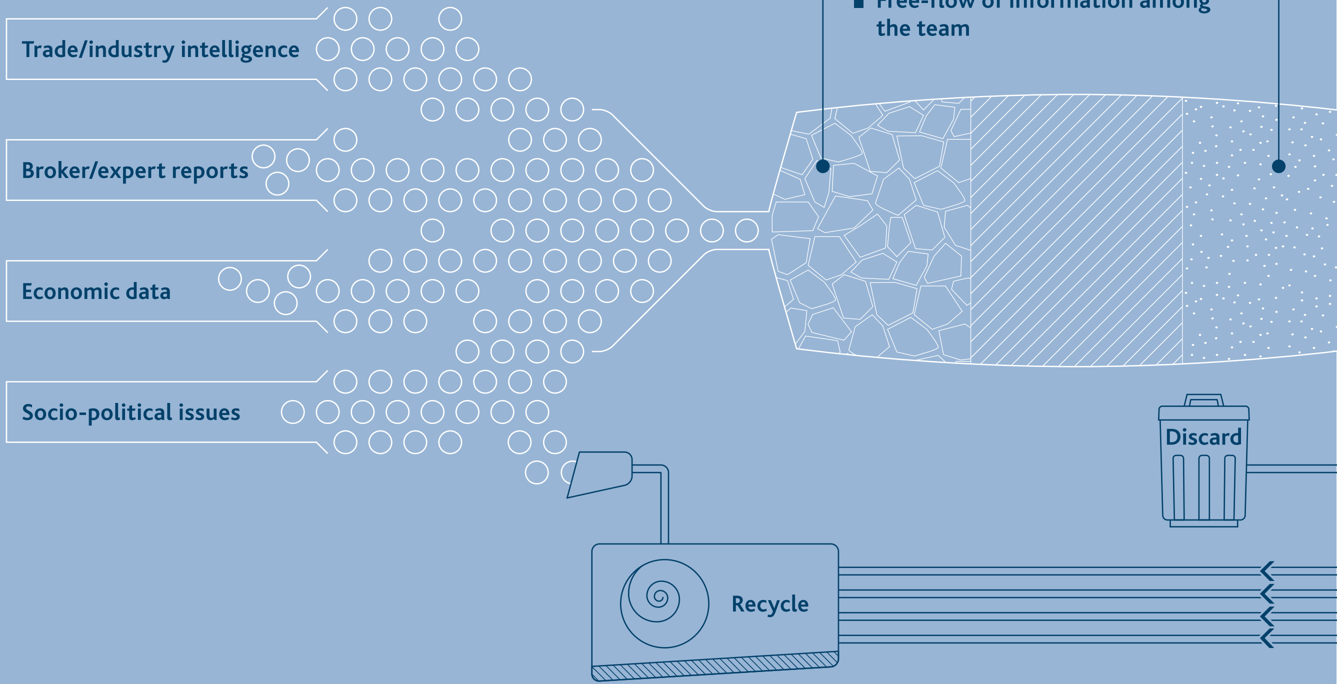
Human

Platinum® ASSET MANAGEMENT

01 Deluge of information

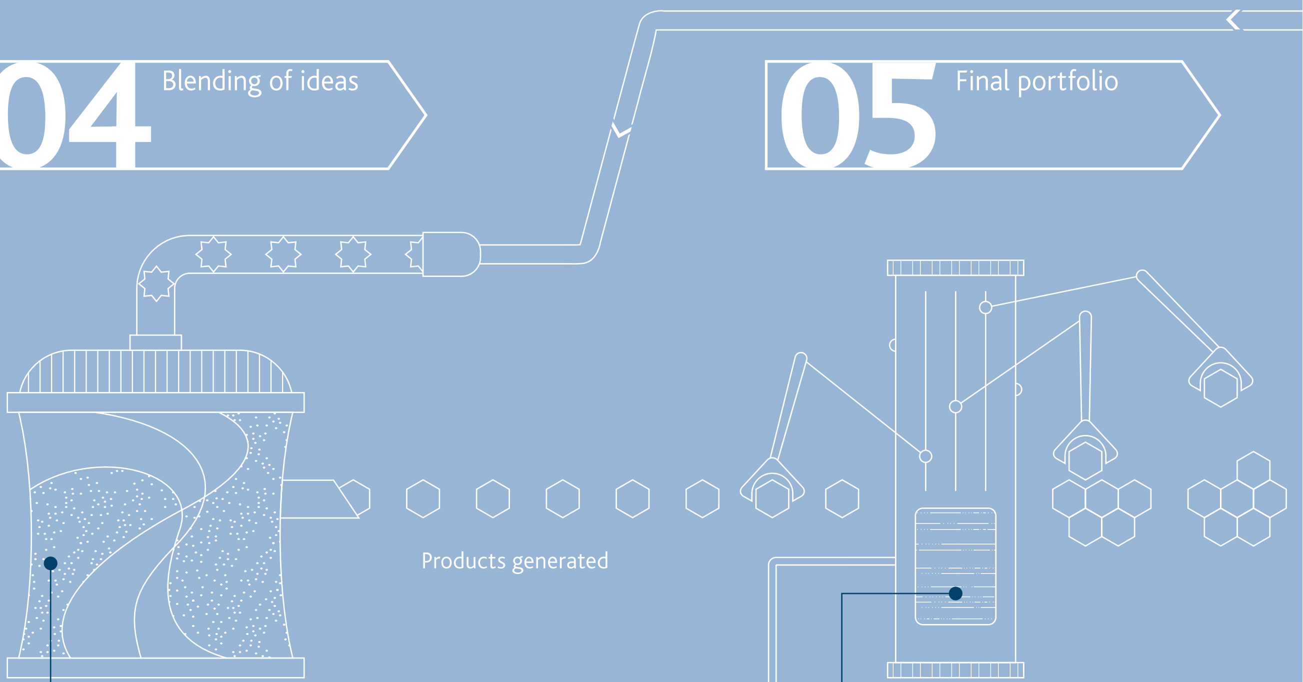
02 Selecting, ordering and distilling

- Searching for neglect
- Screening databank of several thousand companies
- Generation of themes and ideas
- Free-flow of information among the team



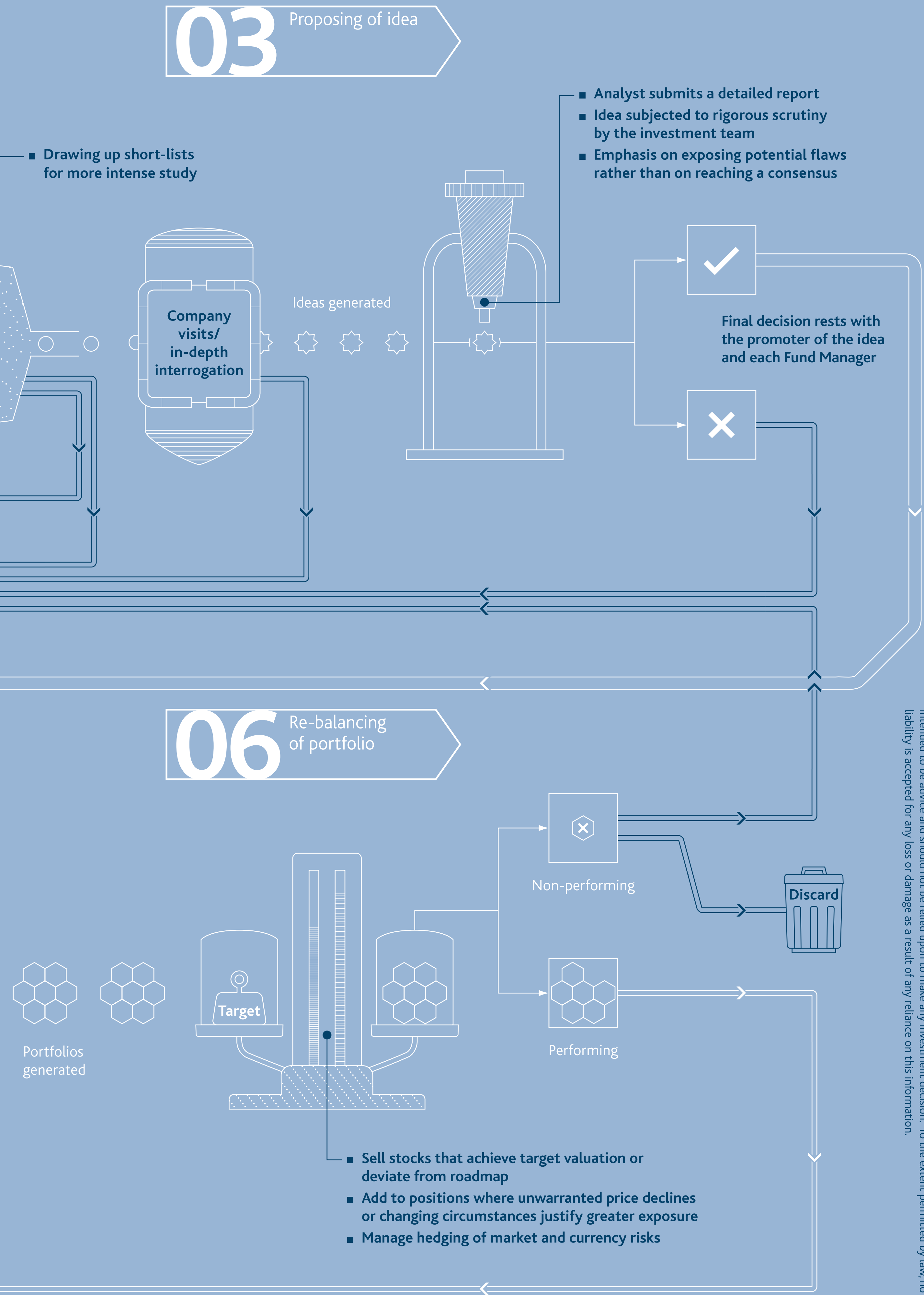
04 Blending of ideas

05 Final portfolio



- Merits of new ideas weighed against existing holdings
- Evaluation of exposure to each major theme or company characteristic
- Commence buying/selling programme

- Create a matrix of risks specific to company, industry, country, politics and currency
- Judgement required to balance these against expected returns


03 Proposing of idea
Drawing up short-lists for more intense study
Company visits/ in-depth interrogation
Ideas generated
Analyst submits a detailed report
Idea subjected to rigorous scrutiny by the investment team
Emphasis on exposing potential flaws rather than on reaching a consensus
Final decision rests with the promoter of the idea and each Fund Manager
06 Re-balancing of portfolio
Non-performing
Discard
Target
Portfolios generated
Performing
Sell stocks that achieve target valuation or deviate from roadmap
Add to positions where unwarranted price declines or changing circumstances justify greater exposure
Manage hedging of market and currency risks

PLATINUM INTERNATIONAL BRANDS FUND

Simon Trevett
Portfolio Manager

PERFORMANCE AND CHANGES TO THE PORTFOLIO

The Fund was not immune from the broad market declines and fell 5% in the quarter. For the year the Fund has achieved a return of 27%. The MSCI World index returned -5% and 21% for the quarter and year respectively. Rather than focus on the returns of the past year or two and perhaps harbour expectations of these becoming the norm, we would encourage investors to consider them in the light of the returns achieved over a much longer time frame.

Only a handful of stocks, mostly European based, showed a positive return in the quarter with the majority of our investments showing declines of between 5 and 15%. Our Indian investments, a small proportion of the Fund, showed the greatest declines. These weak performances have been partially mitigated by the Fund's short position, especially on the Indian market index, the Nifty. Notably, the Fund has been increasing the level of cash held from 17% at the beginning of the year to the current 28%. Whilst providing a useful buffer in declining markets it also positions the Fund to take advantage of opportunities presented during periods of undue weakness in the markets.

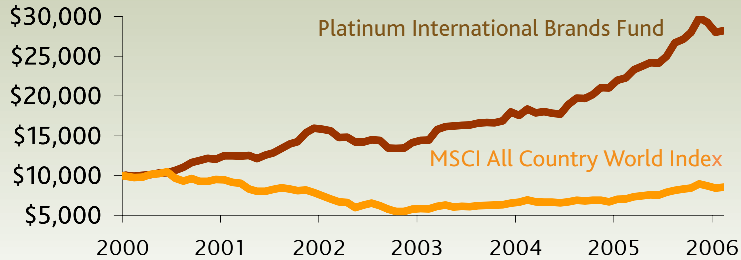
We have sold our investment in Nintendo which partially contributed to the reduction in the Fund's weighting towards Japan. Although we have added a little to our existing investments in Japan, the Fund has been more active in Europe with 37% of the Fund now invested there, up from 27% a year ago.

DISPOSITION OF ASSETS

REGION	JUN 2006	MAR 2006
EUROPE	37%	34%
OTHER ASIA (INCL KOREA)	16%	23%
JAPAN	15%	18%
NORTH AMERICA	4%	5%
CASH	28%	20%
SHORTS	2%	4%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
18 MAY 2000 TO 30 JUNE 2006



Source: Platinum and Factset. Refer to Note 2, page 44.

We returned to Adidas during the quarter. We had previously been shareholders for many years and sold following their acquisition of Reebok last year and our concerns as to the motive and consequences of such a move. This is discussed further in the commentary below.

We have also introduced Singapore Airlines to the Fund, one of the world's leading airlines and certainly one of the most recognised airline brands. In an industry which struggles to make a return on capital and has seen many failures, Singapore Airlines has shown a consistent and superior return. Yet due to a raft of concerns, many of which we believe are transitory, its valuation is below that of the global airline sector. We have also observed more generally that higher quality companies are being inconsistently valued compared to far lesser quality businesses; this may be an attractive starting point for our investment into a quality company with a long track record of sound decisions and innovation.

COMMENTARY

Long standing investors in the Brands Fund may recall that Adidas-Salomon was one of the first investments of the Fund to be written about with the September 2000 Quarterly Report commentary supported by a terrific chart of the stock based in Deutschmarks (the link can be found at: http://www.platinum.com.au/images/pibfqtr02.pdf)! It's a good example of our process at work. The stock price reflected the neglect of the brand and was overly discounting any potential for a new management team to revise the performance of the brand and the company's fortune.

We patiently held on for many years and made good returns until the acquisition of Reebok, a move that caused us to question our confidence in the strategy of the company and our understanding as to where we were headed. Why the focus on the US when so many other opportunities abound to build the Adidas brand? Did it signal a lack of confidence in the brand or were the ambitions of Nike in Europe more of a threat than we had appreciated? Would the management team disproportionately weight their attentions to the US, at the expense of other opportunities? We continue to harbour our concerns that Reebok will prove to be a greater distraction than is being contemplated.

Acclaimed as the "biggest media event ever", the World Cup has proven to be an enormous success for the brand Adidas. Just consider for a moment the perspective from the vantage point of the players, a sea of chanting spectators indistinguishable other than as a uniformed crowd. A record three million jerseys were sold by Adidas, more than twice that achieved for the 2002 Cup! The supporters have responded well to the media imagery and faithfully conformed to the face painting and requirement to wear their team uniform. It's fascinating for us to watch the herd behaviour, the desire to follow the crowd and the joy that comes with the momentum of successive wins. Adidas has sold over 15 million of the World Cup soccer balls worldwide, again more than twice the previous six million record of the 2002 World Cup.

This trend by the spectators to adopt the team colours is significantly more pronounced than at previous events, evidenced by the substantial uplift in Adidas sales. We would doubt that either the players or the fans would consider, even for a moment, the logistical support that must be in place to deliver such a substantial increase in volumes, at short notice, across a supply chain that extends to Asia. Look for the Adidas stripes on the Australian cricket team this summer!

It is of some concern though that Nike recently commented that wage rises in Asia are starting to become noticeable and impact margins.

One of World Cup soccer's long standing sponsors, Coca-Cola Inc has been noticeably quieter than Adidas about their relative success at the games. Having been sponsors since 1978 they have optimistically renewed the agreement until 2022. We suspect that Coca-Cola Inc will look quite different at that time. We sold our investment in Coca-Cola in 2002 and since then the share price has declined by a further 20% as the structural weaknesses of 'the coke system' have been exposed.

Coca-Cola Enterprises (CCE) is the largest of the Coca-Cola bottlers and sells more than 20% of the worldwide volumes, covering 75% of the US, Canada and parts of Europe. A new CEO joined in May and has since publicly articulated a number of the concerns that we identified when we sold our investment.

The consumer trend is clearly away from the traditional carbonated soft drinks (csd) and towards healthier options; water, juice and the sports drinks. Surprisingly and most concerning for Coke, it is the core "teenager" group that have been noticeably reducing their consumption and, for some years now, have been migrating towards sports and energy drinks. A combination of health concerns, image and parental control are at work.

Consumers switching out of soft drinks are more than twice as likely to switch to bottled water as to a diet version. This trend has been evident for many years. In response, Coke's emphasis appears to have been on stemming the decline, through flavour and diet launches, rather than embracing the future.

Probably causing some discomfort to Coke, the new CEO of this major bottler has communicated an intention to fill the gaps in his product portfolio and that this may be from suppliers other than Coke Inc. Also that the highly prized and conserved direct distribution system may also be supplemented with other systems, perhaps a reference to the current demands by WalMart for warehouse, rather than direct to store, delivery of Coke's Powerade sports drink. The thought of warehouse delivery is an anathema for Coke, and its system of (in)dependent bottlers, as it relinquishes access to and control of the product at the store shelf. Coke is unlikely to withstand the pressures of WalMart and will have to contend with the lawsuits from the balance of their US bottler network.

The CEO also astutely observes that the relationship with Coke has been challenging and that the focus should rather be on the consumer and not on fighting with each other. There is clearly a degree of corporate manoeuvring taken in his position. Consistent with our prior observations, Coke has abused the bottler system and this must be redressed before the real task of meeting the desires of consumers can be properly tackled. We suspect Coke will ultimately need to buy back its bottlers in order to capture the growing economics of distributing a wider range of products. This will not be kind to the Return on Equity for Coke's shareholders.

It's not just that their major bottler has publicly exposed the flaws; Coke Inc is struggling with a number of inherent conflicts. "Exclusive" customers such as McDonald's need to compete with competitors including Starbucks, and are placing further demands on Coke for a wider range of (healthier) products. We are not convinced that the introduction of Coca-Cola Blak (a mixture of Coke and Coffee) to McDonald's is anything other than Coke Inc. continuing to focus on lost Coke sales rather than meeting a growing consumer demand for alternative beverages.

We are not suggesting that Coca-Cola Inc or the Coke brand won't be relevant in 2022, merely that "Coke" still has many challenges to overcome and at a valuation that continues to reflect a belief in the current Coke system. We would prefer for now to be observers rather than participants despite the halving of the share price from its peak in the late ‘90s.

OUTLOOK

Many consumer based companies have been through years of restructuring with a focus on meeting increases in earnings per share through cost cutting. The impact of higher commodity costs and some wage inflation have further intensified their activities. In the short-term the market has tended to reward these performances, enjoying the defensiveness of apparently predictable earnings growth. We have preferred to hold a cash position and would rather direct our attention to companies with clear growth prospects and a balanced approach to their business. Currently our attention is directed towards domestic Japan and more generally opportunities across Asia. Are consumer branded businesses still attractive to own? We believe so and would point to the price paid ($16.6 billion) by Johnson & Johnson to purchase Pfizer's consumer unit, predominantly the Listerine brand.

PLATINUM INTERNATIONAL HEALTH CARE FUND

Simon Trevett
Portfolio Manager

PERFORMANCE

The market became more cautious, avoiding risk being the prevailing attitude of the last quarter, leaving biotech companies quite vulnerable. In contrast, the management of the big pharmaceutical companies seems to have found some confidence and reconnected with investors. Several positive presentations at industry conferences, along with a number of new drug approvals, suggest that these companies should not be neglected.

The Health Care Fund's performance last quarter also reflects this change of sentiment declining 11% for the quarter. For the year, the Fund achieved a return of 23.4% compared to 10.4% for the MSCI World Health Care Index.

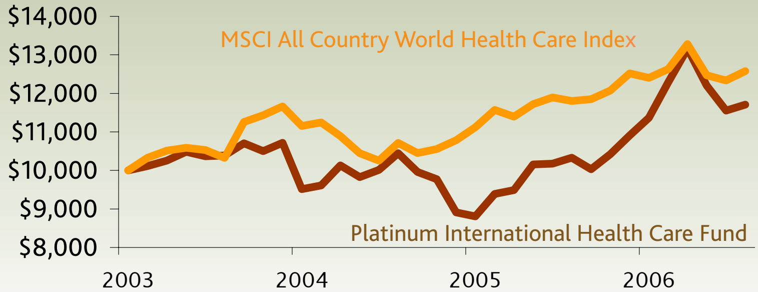
Concerns abound over the changing health care landscape, particularly pricing pressures and emerging competition for the higher priced novel treatments. Although the topic of the price of drugs and devices has been thoroughly debated, and possibly reflected in the performance of the stocks, concern over competitive challenges to lucrative newly developed products is just emerging. It is interesting to watch the diverse and imaginative responses by the large companies. Pfizer highlights a war chest of $17 billion, Sanofi-Aventis focuses on research appointing the former head of R&D as its CEO, Johnson & Johnson sees opportunity in buying Pfizer's consumer business and Novartis expands, through acquisitions, in their generic and vaccine businesses.

DISPOSITION OF ASSETS

REGION	JUN 2006	MAR 2006
NORTH AMERICA	58%	58%
EUROPE	26%	21%
JAPAN	9%	7%
OTHER ASIA (INCL KOREA)	3%	3%
CASH	4%	11%
SHORTS	0%	0%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
10 NOVEMBER 2003 TO 30 JUNE 2006



Source: Platinum and Factset. Refer to Note 2, page 44.

Some of the tools and equipment companies look to consolidate, while others continue their focused strategy in their respective specialised markets. The molecular diagnostic field continues to gain interest with "Medical System" companies such as GE and Siemens expanding their offering through recent acquisitions.

On the drug side, competition for the first generation of "targeted therapies" is becoming a reality and is exacerbating concerns over the ability to maintain seemingly outrageously high prices as well as a monopoly in the market. In a recent presentation, Roche defended the price of its cancer drug, Avastin, on the basis that it is a small part of the total overall cost of the health care system in treating cancer. That may be so, however, patients find it unaffordable.

Also in the quarter a number of new drugs showed promise in late stage trials while others received approval in the US. Many companies are working on drugs with similar, albeit new mechanisms, and consequently the main priority is to find a differentiating factor during development. Clinical development skills play an essential role in the process, something the smaller biotech companies quite often lack and investors overlook. Some recent delays at regulators have again highlighted the importance of these particular skills and the long-term benefit of spending that extra money during development. This long-term thinking tends not to be valued by the market whilst the money is being spent.

In diabetes, both Merck and Novartis showed positive results for a new class of drugs and a regulatory decision for both drugs is expected later in the year. Merck, in particular was able to tick off additional achievements on its list with two vaccines gaining approval in the US. Good news in oncology was also presented this quarter, again big pharmaceutical being able to take centre stage. Interestingly, in the EU regulators seem a little faster, approving a new anti-obesity pill and allowing a generic version of a biological drug onto the market (US followed quickly thereafter).

CHANGES TO THE PORTFOLIO

As we discussed in our last report, valuations had become a little high. Paying close attention to the need for cash reserves and a balanced pipeline we decided to part with some smaller investments while we added to some of our big pharmaceutical and tool companies. Areas of interest for us in diagnostics and imaging saw some additions to the portfolio.

We were also sensitive to some of our emerging tools and technologies companies becoming increasingly loved by investors. Although we feel that the technologies are perfectly fine, current valuations anticipate flawless progress without acknowledging that these companies still have many challenges ahead of them as they mature.

COMMENTARY

Prevention, early detection and diseases management are all concepts with the potential to have an impact, not only on health care in general, but also on the ever increasing costs. Vaccines are being developed that may prevent the recurrence of cancer lesions and thus prevent further surgery; new combination drugs or drug-coated devices are being tested that decrease the risk of heart attack and "diagnostics" are seeing a large amount of activity.

Although prevention of diseases would be ideal, the more pragmatic approach is in exploiting new detection methods and using our "molecular" knowledge of a disease to help diagnose as well as tailor and monitor treatment more precisely. This advanced diagnostic approach is currently at an early stage: consequently standards, as well as guidelines, are still lacking; regulatory agencies themselves are in "education mode" and companies are reluctant to show a clear commitment. Some even remain on the sidelines and simply monitor the progress. For us, this dynamic is ideal and allows us to gather information, visit companies and try to gain an understanding of the different components and parts of molecular medicine. There is sample preparation to consider, automation, what technology to use and how best to visualise a molecular event in a patient.

However, a "red thread" is slowly emerging, measurable diagnostic indicators (eg. biomarkers) will play an important role in both the pathology lab and at the imaging facility. In previous quarters we have mentioned this theme as part of drug discovery and drug development. A scientist in a lab is not very different to a physician diagnosing a patient; both are looking for particular proteins or genetic changes that are associated with a particular disease, disease stage or drug response. The aim is to detect and amend the aberrant changes using a drug or technology. Thus a lot of ground work defining the biomarkers has already been accomplished in the drug development labs whilst looking for new drugs. Now we are at a more advanced stage and it is up to the companies with "diagnostic" infrastructure or the ones providing the respective "marker" detection technology to bring it closer to the doctor and patient.

Companies ranging from pharmaceutical to device, imaging and even insurance, all see the potential of using these markers. However, implementing the idea and establishing it as part of the "diagnostic" universe is still challenging. Although encouraging these developments, when it comes to approvals for commercialisation, regulators still require solid validation data showing a better diagnostic value compared to the current standard techniques. Selecting the appropriate technologies requires careful assessment and ethical issues need to be considered. In general there is no easy path and complexity prevails.

Looking at the broader picture shows two parts, one being "in-vitro" and the other "in-vivo"; meaning one is looking at a sample taken from a patient and analysed in a test tube for the presence of markers, while the other visualises changes in the patient using imaging techniques. Each has its own dynamics, for in vitro, detection sample preparation plays an essential role as does "multiplexing" (simultaneous reactions in one reaction tube). For in vivo "imaging", biomarkers assisting CT, MRI and PET scans are at an exploratory stage, while digitisation and combining the different imaging platforms play a more important role.

However, both areas are becoming more specific as the knowledge base continues to expand as do the number of data points being generated by each technology. Just as important will be the integration of all the knowledge and different platforms to ultimately offer the health care provider a comprehensive "diagnostic picture".

Recent acquisitions have centred on the biomarkers, imaging as well as combining different technology platforms. Life Science tool companies, who already assist the bench scientist in deciphering disease on the molecular level, see a transition from "bench to bedside" as a natural development to their business strategy. These companies will increasingly form alliances with Medical Institutes and hospitals. Many are still specialised and focus on key steps in the process such as one particular technology or sample preparation.

The best example of a Molecular Diagnostic is probably the way an HIV infection is detected and treated. First the viral load is determined in the patient's blood by quantitatively detecting parts of the viral genome, and then certain areas of the genome are sequenced and checked for mutations. At the same time a marker, indicating the state of the immune system, is checked and following all these tests the doctor will decide what cocktail of drugs will be prescribed. Later on, treatment progress is monitored by checking the change in viral load and the development of resistance to the drugs perhaps necessitating a change in the drug cocktail.

In oncology, gene-expression signatures of tumours are being used to stage the disease and assist in choosing treatment options. As part of clinical trials testing cholesterol-lowering drugs, new imaging methods are being used to measure the amount of artery clogging prior to and after having received the drug. The number of examples is increasing quite quickly and companies are expanding their clinical and regulatory development capabilities as they seek to commercialise these developments.

Overall this represents a very scientific approach to diagnostics but a theme we believe holds significant promise with Molecular Diagnostics becoming an important component of health care systems whilst offering investors many opportunities beyond the most visible "testing" companies.

OUTLOOK

The third quarter historically tends to have a “quieter" feel as there is a lull in the scientific and medical conference schedule. However, given the number of new drug approvals (eg. Merck's cancer vaccine Gardasil) and product launches (such as the multiple sclerosis drug Tysabri), even a "quiet" period can prove to be illustrative as we monitor the trends and themes for their longer term implications.

We also have the launch of generic versions of the popular cholesterol-lowering drug Zocor. This will be carefully scrutinised by the market for its impact on competitor drugs, especially Pfizer's Lipitor, as well as the progress of the next generation of cholesterol management drugs.

We would also expect to see increasing licensing and acquisition activity that may add life to the biotech sector. Business development teams are ever more present and it is interesting for us to compare their valuation of pipeline projects and companies with our perceptions of value.

Bianca Elzinger

PLATINUM INTERNATIONAL TECHNOLOGY FUND

Alex Barbi
Portfolio Manager

PERFORMANCE

During the quarter the Fund declined by 6.8%, a small setback after the strong gains recorded in the first three quarters of the year. The performance over one year is a positive 30.6%. By comparison, the MSCI World Information Technology Index (in A$) was down 11.8 % for the quarter and up 10.5 % for the year.

In a generally negative market, some of our large technology stocks have been particularly badly punished by widespread selling (Ericsson -20%, Alcatel -22%, Microsoft -15%). The market climate has been negatively affected by rising interest rates globally and an increase in the equity risk premium. Investors have been raising doubts about short-term earnings progression. In the sell-off, investors seem to have negatively treated both good and bad quality companies, and we now find many stocks approaching interesting valuations.

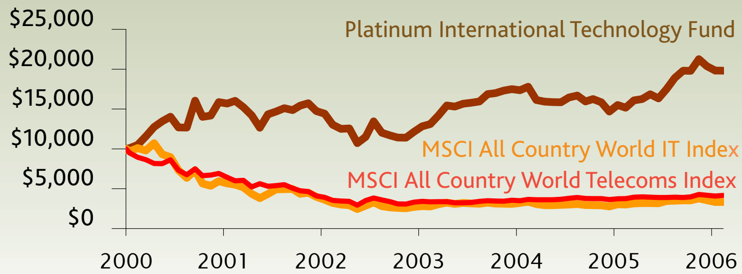
On the positive side, newly added Oracle reported good results and was up 5%. Small Japanese company, Hamamatsu Photonics, went from strength to strength with an impressive +7% in the context of a very weak Japanese market.

DISPOSITION OF ASSETS

REGION	JUN 2006	MAR 2006
OTHER ASIA (INCL KOREA)	22%	29%
JAPAN	16%	20%
NORTH AMERICA	14%	19%
EUROPE	12%	12%
CASH	36%	20%
SHORTS	0%	5%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
18 MAY 2000 TO 30 JUNE 2006



Source: Platinum and Factset. Refer to Note 2, page 44.

CHANGES TO THE PORTFOLIO

During the quarter we initiated some short positions in a group of highly valued optical components stocks, on the assumption that their valuations were excessive. Their prompt decline served the Fund well with shorts contributing a positive 1.5% to performance. We closed the short positions after the stock prices reached their targets.

Early in the quarter we also trimmed many of the Fund's holdings where valuations had become more stretched, and this process has resulted in raising the Fund's total cash position to 36%.

After weakness, valuations of some of our favourite names are now becoming more attractive, and we have started reinvesting the Fund's cash to add to our positions, confident in recovery where there are positive long-term stories.

COMMENTARY

Telecom consolidation trends

The last six months have witnessed an acceleration in the ongoing consolidation process within the telecommunication industry. Recent events appear to be the latest chapters of a process originated a few years ago.

In the US, SBC Communication (now renamed AT&T), is gradually emerging as the largest telecom operator in the world, from its original roots in America's mid-west. First SBC established Cingular (a nationwide wireless network) in joint-venture with rival BellSouth, to provide mobile services in the relatively under-penetrated US market. Then it acquired long-distance leviathan AT&T to achieve true national (and international) coverage. Lately it took-over smaller rival BellSouth to gain full control of the Cingular joint-venture and become a national integrated telecom provider.

AT&T was not alone. In fact, its moves have closely followed rival Verizon, which has built a nationwide cellular network, and expanded into business services through its recent acquisition of former internet glory, MCI-Worldcom.

Similarly in Europe, telecom carriers are repurchasing previously floated/partially separated business: France Telecom has merged with its mobile subsidiary Orange and Deutsche Telecom has reabsorbed its internet subsidiary T-Online.

Major drivers of this flurry of activity have largely been competitive forces, deregulation and technological change. The ability of telecom operators to compete against each other and the emergence of Internet Protocol (IP) as the unifying language for a multitude of telecom devices are creating a totally new landscape.

Many telecom carriers are offering new or complementary services to their customers. Fixed-line voice companies are offering wireless voice, internet broadband and video services. Wireless voice companies are offering wireless broadband. Cable companies are offering fixed-line voice, internet and wireless voice. The boundaries are blurring.

Operators are increasingly aiming at offering triple (voice + data + video) or even quadruple (the same + wireless) "plays" to their customer's base. Converged services are increasingly the focal point of every operator.

Media companies are watching these developments with interest and (sometimes) apprehension. Delivery of media content is rapidly developing into a myriad of channels. Some telecom operators are acquiring media companies. Others are co-operating with them. Moreover, the proliferation of fast and reliable internet connections, together with new devices that facilitate easy recording of TV programs, movies and music from the internet, are fostering the emergence of a totally new phenomenon: independent websites, often with little or minimal control from the original content providers, distributing videos across the internet for free. Have a look at website *Youtube.com*, a repository of videos created by thousands of individuals with the intention of sharing their respective artistic efforts.

Video is becoming ubiquitous and even mobile phone operators have started offering TV broadcasts over their networks. However, it is not economically advantageous to use the newly deployed 3G technologies for video broadcasting: it is an inefficient use of limited network capacity to use mobile phone network to transmit a multicast service.

Therefore alternative solutions have been developed. In Korea, telecom operators transmit video over a technology called Digital Media Broadcasting (DMB), relying on satellite communications. In the US, Verizon Wireless will roll out mobile-TV services using a technology called MediaFlo developed by Qualcomm. At the same time wireless-tower operator Crown Castle International is building a rival TV broadcasting network using a competing technology called Direct Video Broadcast - Handheld (DVB-H).

In Europe, Vodafone Italia and Telecom Italia are using the same DVB-H technology in co-operation with national TV broadcaster Mediaset which invested €uro 250 million to build a dedicated network. Hutchison Italy's 3 is also using DVB-H but it has chosen a different approach: building a competing network at a cost of euro €220 million with the intention of creating and distributing its own content.

The widening range of communication and media choices is suggesting that users will increasingly be attracted by mobile solutions. This does not mean that we will suddenly stop watching TV sitting on our couch, but we will be able to have nearly universal access to our favourite programs. Moreover, we will probably interact more with the devices, possibly using our phones or remote controllers to buy services, search for information etc.

The creation of large and integrated carriers is having an impact on their principal suppliers: telecom equipment vendors. The scale of some telecom operators is becoming so daunting that equipment vendors risk finding themselves on the wrong side of the bargaining table. AT&T alone has become the largest telecom equipment spender in the world with a budget of around $US20 billion for 2006.

After the recession hit equipment manufacturers in 2000-2002, most of them focused on those specialised areas where they had a competitive advantage, or where the market had good short-term prospects. So, for example, Ericsson devoted most of its efforts to mobile networks, Alcatel to broadband access, Nokia to mobile phones and Cisco to routers/switches. For a few years the idea of convergence among disparate technologies remained a long-term target but not a short-term priority. The most successful vendor equipment players had become highly specialised in relatively narrow areas.

Today, with IP becoming the common underlying language of future generation networks, vendors of equipment are increasingly facing the dilemma of remaining "pure-play" specialists in a narrow area, or growing by developing/acquiring new skills in neighbouring sectors. Moreover, the emergence of competition from Asia (from the likes of Huawei and ZTE of China, and Samsung of Korea), is likely to increase competitive pressure on industry margins.

In the first six months of 2006, three major transactions occurred among communications vendors:

1. a proposed merger between Alcatel and Lucent,

2. a joint-venture between Nokia of Finland and Siemens of Germany to combine their respective network equipment divisions, and

3. the acquisition of Scientific Atlanta by Cisco Systems in the US.

All these companies had as a common target the strengthening of their respective product portfolios in order to improve their strategic positions in the fast changing telecom arena.

French based Alcatel, the global leader in broadband access, had previously tried to merge with US based Lucent. However, only after a long restructuring period which left the Americans without the necessary scale to remain competitive, did the two eventually agree on a marriage. The combination will create the largest equipment vendor in the world, with $US16 billion of sales and an unparalleled range of technologies with leadership in areas like optical networking (23% market share, or more than twice that of the second, troubled, player Nortel), and DSL (36% market share versus Huawei's 21%) and with a strong know-how in the nascent area of IP convergence.

Siemens was originally founded in 1847 as a telecom equipment manufacturer and has progressed to achieve excellence in disparate areas of engineering and technology thanks to its focus on long-term R&D. After nearly 160 years, management realised that Siemens Telecom could no longer independently compete with current market conditions. Highly dependent on domestic telecom operator Deutsche Telekom, and with a cost structure burdened by excessive labour costs, it was only a matter of time before a suitable candidate would agree on a combination. The Finnish (Nokia) will manage the combined entity from Helsinki and will combine their strengths in mobile networks with Siemens products in

switching and fixed-line networks. While not an easy task, the strategy is coherent, targeting the convergence of mobile and fixed telecommunications, and creates the third largest telecom vendor in the world behind Alcatel/Lucent and Ericsson.

Cisco Systems acquired cable-TV equipment manufacturer Scientific Atlanta with similar intentions. Already dominant with its telecom routers and switches, Cisco identified the equipment for cable TV operators as a very interesting growth area. With transition to digital and High Definition TV, and the provision of triple/quadruple play services, cable operators will have to invest more in their systems to increase available bandwidth so that everybody in the household will have access to TV, broadband and telephone calls.

In particular Scientific Atlanta's know-how in IP-TV (a digital service television technology distributed using Internet Protocol, generally using fiber optic cables) will enable cable operators to offer two-way services for users to individually select TV programs at any time.

OUTLOOK

Technology stocks are likely to face some head-winds for the rest of the year, including a delayed adoption of the new Microsoft Vista software amongst signs of temporary oversupply of flat panel TVs and mobile handsets.

On the positive side, our long-term view about the telecom capital expenditure cycle has not changed and we believe that leaders in this area will reap the benefits of the upward trend.

While a slowdown in consumer demand in the US remains the key risk for technology stocks, we now find valuations in the sector increasingly attractive, and we start to see many potential investment opportunities for the portfolio.

RUSSIA

During June, my wife and I spent two weeks travelling around Eastern Europe. The itinerary was not particularly adventurous, taking in standard tourist destinations such as Dresden, Prague, Budapest, Moscow, and St Petersburg. Having spent a large part of the last 18 years following developments in China and India, I was eager to see for myself another of the new emerging economic giants, or so called "BRICs" (Brazil, Russia, India, and China) that have so entranced investors in recent times. Although one shouldn't jump to conclusions, particularly with my limited understanding of the country, and acknowledging that we were on holiday, I'm still pretty clear that we should from here on only refer to the "BIC's".

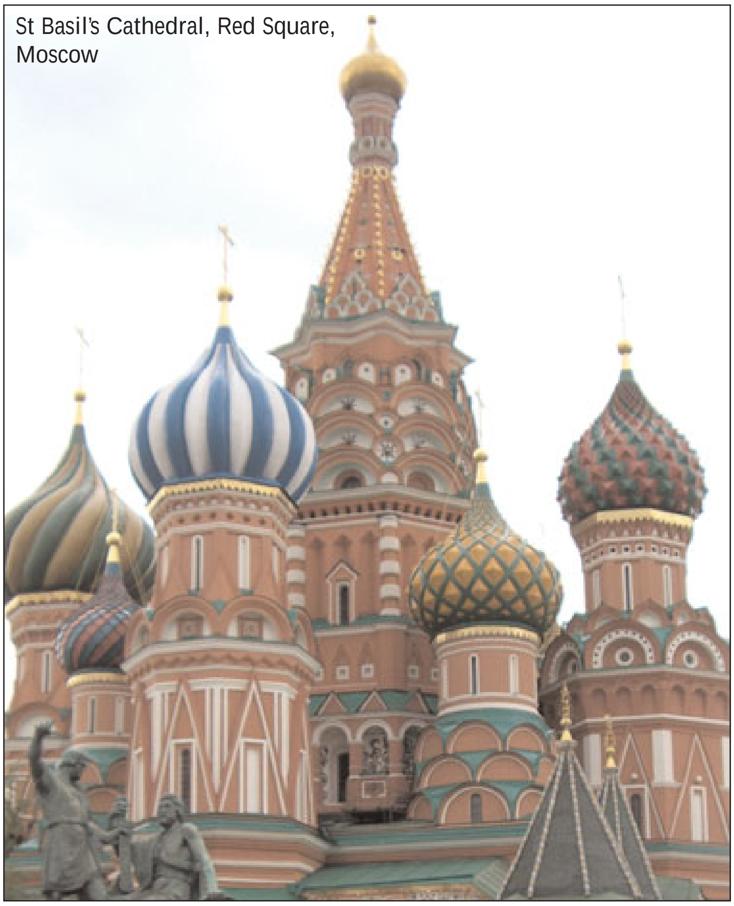
On arriving at Moscow airport (a rather unassuming Soviet-era bomb shelter), we headed for immigration clearance only to find a sole officer on duty to process the entire plane. Not the first time I've seen this in my travels but certainly the thoroughness with which this officer processed each traveller was a testament to Russian steadfastness. Having been at the back of the plane, and now the back of the line, this certainly gave me plenty of time to decipher the arrivals card that was only available in Russian. The Cyrillic alphabet meant this was a worthwhile challenge, one I failed to complete fully in the hour and a half available. This effort was all to no avail for when our turn arrived, the officer showed little sympathy for my work-in-process and seemed not to care whether it was complete or not - at least our bags were awaiting us on the other side.

This officiousness continued as one is required to register with the Ministry of Immigration within 72 hours of arrival, something the hotel will typically take care of. As in many countries there is a legal requirement to carry identification, but it is particularly stressed in Russia where we were told police do regular ID checks. Being obedient types we followed orders, but were stunned to see how often the police stopped stray pedestrians to inspect their papers. Locals were the usual victims but even we were pulled out of a queue to have our passports and visas inspected. Fortunately, all was in order!

Why make such a fuss about all this? Well, if such a simple undertaking as entering the country is made so difficult, how much harder will a complex transaction such as establishing a new business venture be? Am I making a mountain out of a molehill? The experience I've described above is not much worse than being processed through the delightful San Francisco International Airport and that hasn't stopped the US from making some progress over the years. However, this Russian experience was just the entrée. Tales of inefficiency and bureaucracy abound, but perhaps of more interest is what I was (reliably) told by our local guide about the workings of the property market in St Petersburg.

Asked how easy it was to buy an apartment in the city we were informed it was easy and difficult at the same time. I'm not sure what the easy part was, but the difficult part was that having

St Basil's Cathedral, Red Square, Moscow




Shopping Centre, Moscow


View of Red Square, Moscow


Winter Palace, St Petersburg

identified a place that was for sale and you wished to buy, you needed to pay in cash. When I asked about the availability of mortgages, our guide could see I had misunderstood. By cash he meant that you turned up to complete the transaction with a bag of money. My first reaction was this reflected an improbable lack of trust in the system (the banking system and basic property rights) but in hindsight I think it reflects just the lack of a system. Property rights are one of the most fundamental building blocks of the capitalist system and work done by the likes of Hernando de Soto, show how levels of sophistication in this sphere provide a complete window into the efficacy of the entire economy. A major contributor to China's current boom was the establishment of private ownership of residential property rights in 1999.

Now you have your property, which by the way will set you back more than A$5,000 per square metre (nearly twice the going price for a luxury apartment in Shanghai) you have some interesting issues to deal with. What you own is the space within the walls of your apartment, much in the way you would in a body corporate situation in Australia. The problem is that the outside of the walls are still the property of the government. Indeed you pay a small tax to cover maintenance, in a way a type of body corporate fee, but it is pooled with the rest of the city, so if you want some work done, get in line, which always tends to be long in Russia.

Another extraordinary part of the Russian experience is how expensive things are. At our first meal, which was a late lunch (post our immigration experience), a simple (and as it appeared), minute bowl of pumpkin soup cost $15. Although we knew we were being taken to the cleaners, we were too tired to make a fuss, and so accepted our fate. But things didn't get better. This was common wherever we ate and indeed there was no distinction between the fare offered and prices paid by tourists or locals. There were no other tourists in sight, and indeed we may have been in the right/wrong neighbourhood, but prices were uniformly extraordinary. The ultimate was an "Argentinean" restaurant into which we stumbled at the end of a long day of sightseeing. It seemed quite flash with most of the clientele dropped off from BMW 7 series or Mercedes S autos by drivers who appeared to double as bodyguards as suggested by their subsequent vigilance as they waited patiently for their merry cargo inside. We were enjoying the spectacle until I opened the menu and saw the prices that induced an incoherent gurgle. When we both ordered a glass of the same Chilean red ($20 each) our waiter suggested a half bottle of the same wine at $150. That didn't seem to add up and while it was a very nice glass of wine, the price didn't seem quite right. Ultimately the meal was one of the highlights of the trip and I can report that I had one of the best steaks ($50) I've ever had!

Still, there was the gnawing sense that we were being taken advantage of. I was therefore interested to see on my return that Moscow had been proclaimed the most expensive city in the world. But what is one to make of these prices? Even if we were eating in the best restaurants

St Petersburg

St Petersburg

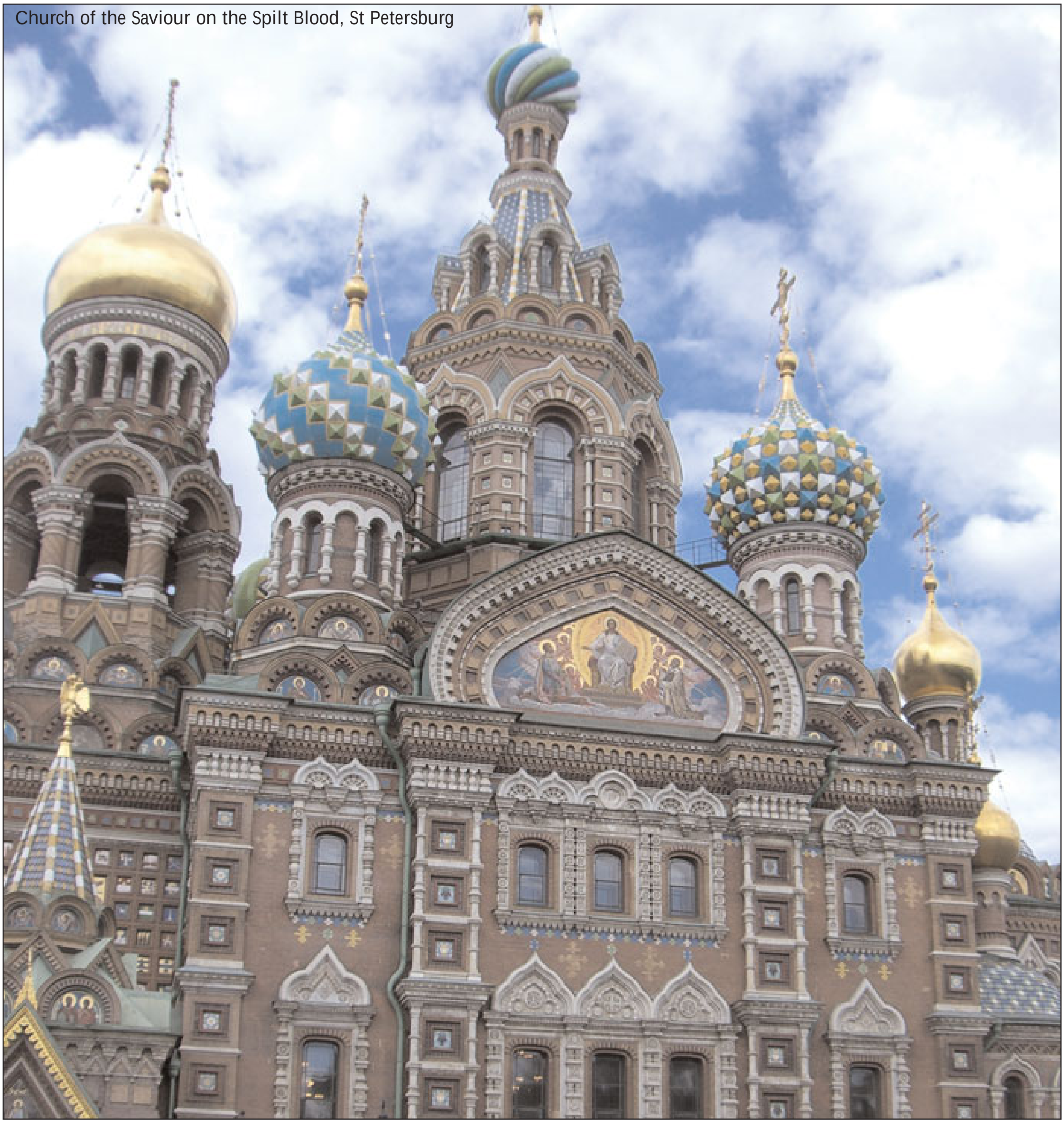
(which we weren't by any means on most occasions) and the prices reflect income levels of the elite, they were still way out of kilter with what the most expensive restaurants charge in Sydney, or New York for that matter. It was not just the meals that were expensive and even where there were special prices for foreigners, such as at museums or the ballet, local prices were also conspicuously high. Ultimately the cost of delivering these services shouldn't vary that much from place to place other than the labour costs and taxes, and yet the explanation doesn't seem to lie here. It remains a mystery to me, but again it suggests something about the place isn't working as it should.

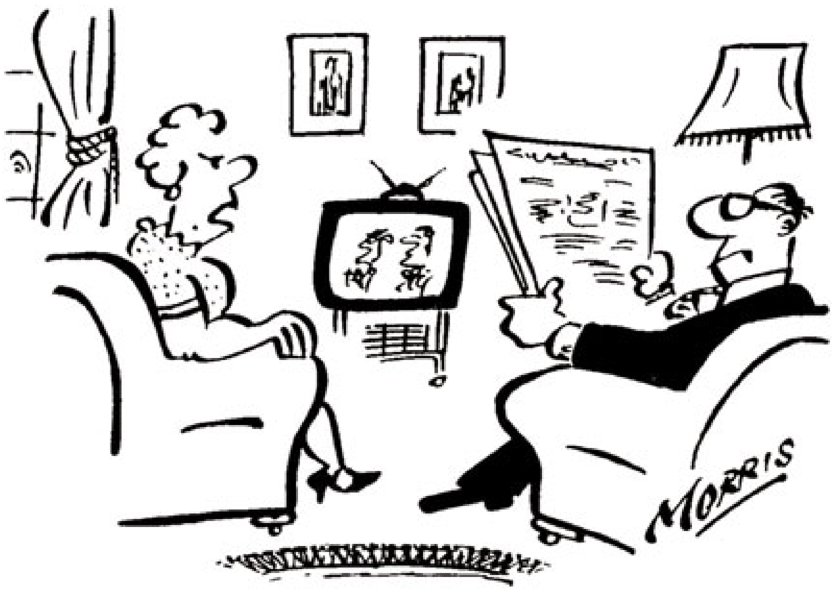
There is no doubt that the Russian economy is booming, one need only look at the exports of countries such as Korea and Japan to Russia to see that. Clearly the driver of the boom is the country's resource base, but when one looks around, it is hard to see the trickle-down effect of this prosperity. (Perhaps one needs to travel to Geneva or London to experience this.) Moreover, the Russian billionaires typically seem to have come upon their wealth through acquiring some interesting State assets at very peculiar prices while by and large their Chinese counterpart have started from scratch. Given the resource base of the country, it would be foolhardy to write it off in an economic sense, especially when the changes that need to be made are probably quite obvious, though perhaps slow in coming. Currently President Putin has very strong public approval and any move to create a capitalist framework for the country would hardly be unpopular. From what I could see this doesn't appear to be happening and the communists remain firmly in charge!

Should one visit the place? The highlights were the Armory and Diamond Fund in the Kremlin in Moscow, which has an impressive display of extravagance of the Czars. Amongst the collection are a number of remarkable Faberge eggs, fantastic silverware, and an incredible array of jewels and diamonds. When one considers this was only a fraction of the royal family's wealth (the rest having been flogged-off or stolen by good party officials), it is hardly surprising things ended badly for them. Then again, perhaps not that much has changed since the revolution. Other sites of note are St Basil's Cathedral on Red Square which indeed lives up to its reputation as a stunning piece of architecture, and one can't leave Moscow without the bizarre experience of a visit to Lenin in his mausoleum. St Petersburg is a lovely, well-planned and executed city; the Winter Palace and the collections of the Hermitage are the highlights. We were fortunate to get the last two tickets to a performance of Swan Lake, which was most enjoyable even for this ballet novice. If this is your fare, I'd suggest you book your tickets before you leave.

Andrew Clifford

Church of the Saviour on the Spilt Blood, St Petersburg





"You're annoyed aren't you that I made more at bingo last year than you did on the stock market."

"Good. Now take the reward money and invest it. Something long-term, like,15 to 20 years."

"'As dusk approached, equities drifted down gently to lower slopes' - your degree in English is showing, Benson."

NOTES

1. The investment returns are calculated using the Fund's unit price and represent the combined income and capital return for the specific period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. You should be aware that past performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Funds and other risk factors associated with investing, investment returns can be negative (particularly in the short-term).

2. The investment returns depicted in the graphs are cumulative on A$10,000 invested in the relevant Fund since inception relative to their Index (in A$) as per below:

Platinum International Fund:
Inception 1 May 1995, MSCI All Country World Net Index

Platinum Asia Fund:
Inception 3 March 2003, MSCI All Country Asia ex Japan Net Index

Platinum European Fund:
Inception 1 July 1998, MSCI All Country Europe Net Index

Platinum Japan Fund:
Inception 1 July 1998, MSCI Japan Net Index

Platinum International Brands Fund:
Inception 18 May 2000, MSCI All Country World Net Index

Platinum International Health Care Fund:
Inception 10 November 2003, MSCI All Country World Health Care Net Index

Platinum International Technology Fund:
Inception 18 May 2000, MSCI All Country World Information Technology Index

(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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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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Front cover photograph: Corbis.

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$20 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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* Please refer to page 2.

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