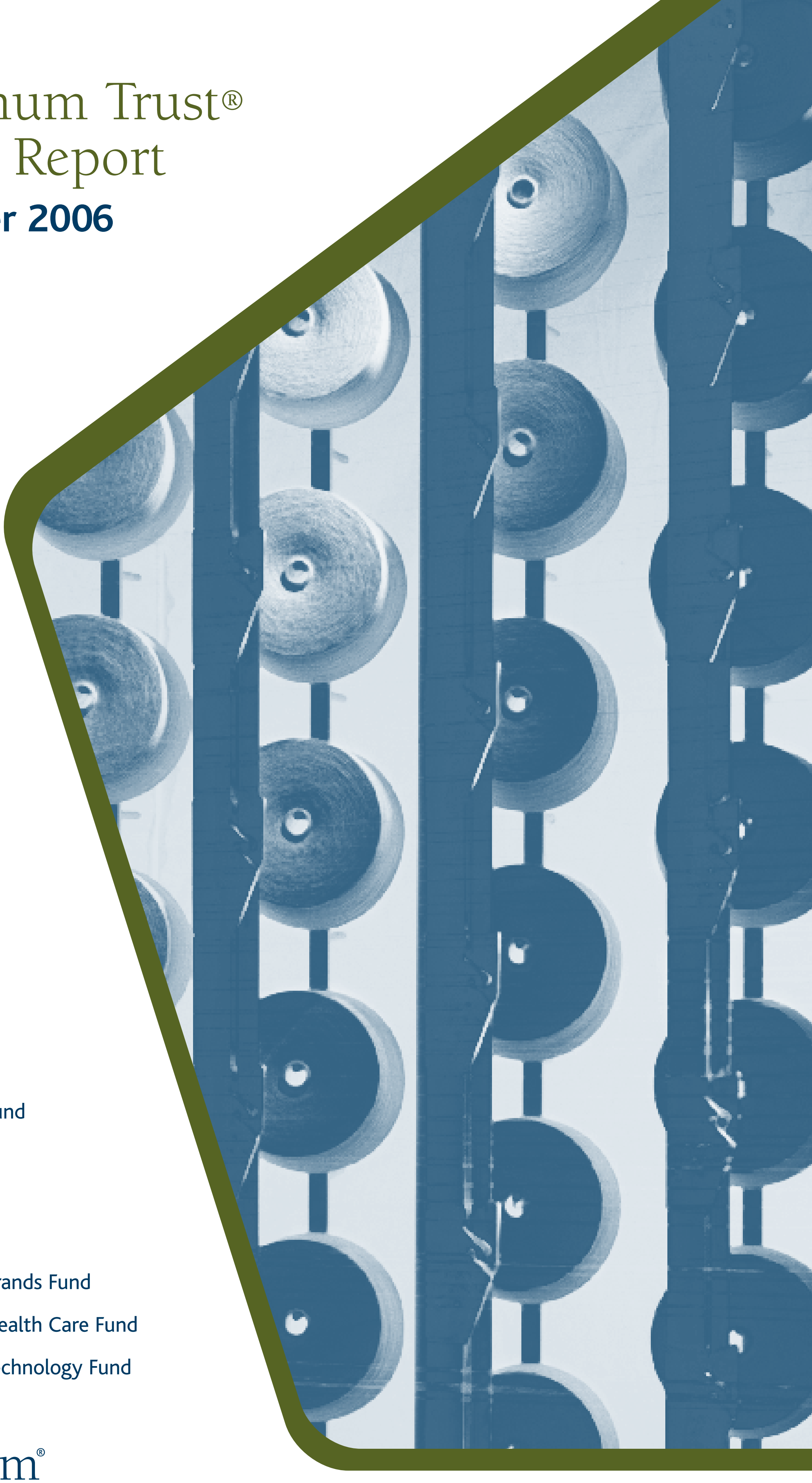
The Platinum Trust® Quarterly Report

30 September 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

Front cover photograph: Corbis.

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Experts ...
We recognise that our greatest untapped resource is our readers. If you are an industry expert, we would welcome your comments and ideas.
Do email us at:
commentary@platinum.com.au

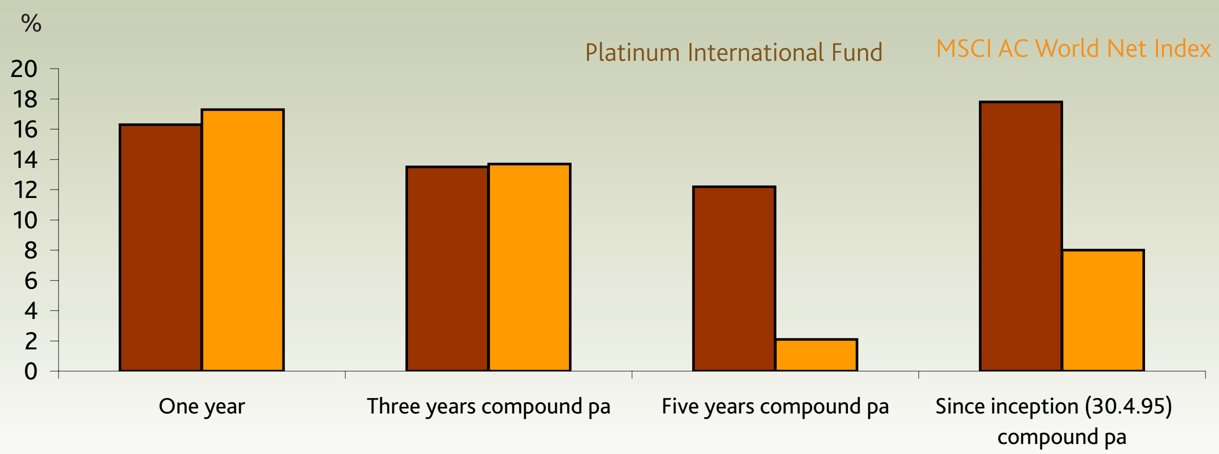
PERFORMANCE RETURNS TO 30 SEPTEMBER 2006

FUND	FUND SIZE	QUARTER	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	5 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA
INTERNATIONAL FUND	**$8,798m**	**2.4%**	**16.3%**	**15.2%**	**13.5%**	**12.2%**	**17.8%**
MSCI AC* WORLD INDEX		4.0%	17.3%	15.7%	13.7%	2.1%	8.0%
ASIA FUND	**$2,047m**	**6.4%**	**21.7%**	**35.3%**	**28.9%**	**-**	**34.1%**
MSCI AC ASIA EX JAPAN INDEX		6.7%	25.6%	24.5%	19.6%	-	22.4%
EUROPEAN FUND	**$318m**	**4.1%**	**22.1%**	**19.7%**	**18.3%**	**13.2%**	**16.9%**
MSCI AC EUROPE INDEX		5.0%	25.0%	21.8%	20.3%	5.8%	2.6%
JAPAN FUND	**$1,080m**	**-0.5%**	**10.4%**	**19.7%**	**18.2%**	**15.4%**	**23.3%**
MSCI JAPAN INDEX		-1.2%	15.8%	18.1%	13.1%	2.2%	3.4%
INTERNATIONAL BRANDS FUND	**$570m**	**3.5%**	**20.6%**	**27.9%**	**21.6%**	**19.2%**	**18.3%**
MSCI AC WORLD INDEX		4.0%	17.3%	15.7%	13.7%	2.1%	-1.8%
INTERNATIONAL HEALTH CARE FUND	**$29m**	**3.1%**	**16.9%**	**9.2%**	**-**	**-**	**6.7%**
MSCI AC WORLD HEALTH CARE INDEX		6.0%	13.0%	10.6%	-	-	10.3%
INTERNATIONAL TECHNOLOGY FUND	**$64m**	**3.1%**	**21.1%**	**13.4%**	**10.1%**	**10.0%**	**11.8%**
MSCI AC WORLD IT INDEX		6.3%	10.8%	9.9%	4.6%	-1.5%	-15.0%

*Morgan Stanley Capital International All Country

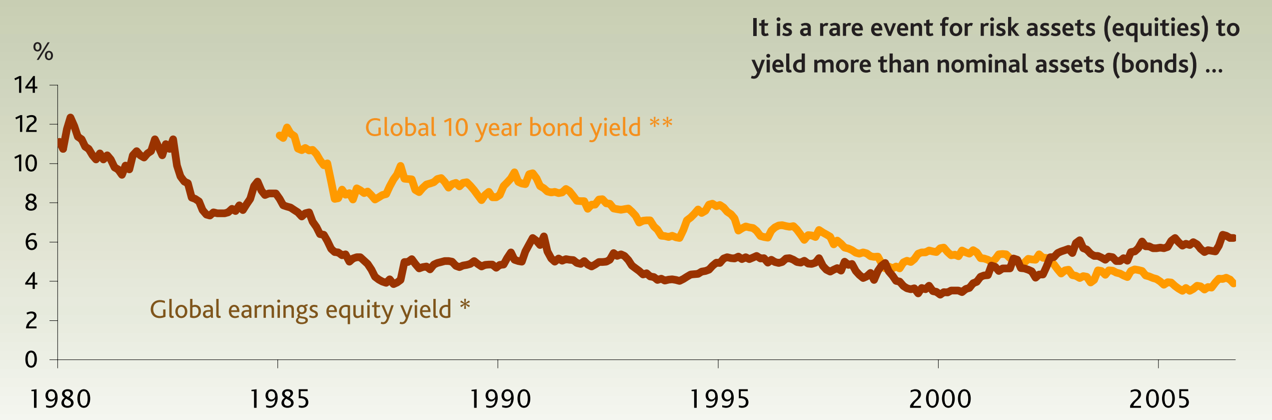
Source: Platinum and Factset. Refer to Note 1, page 42.

PLATINUM INTERNATIONAL FUND VERSUS MSCI WORLD INDEX TO 30 SEPTEMBER 2006



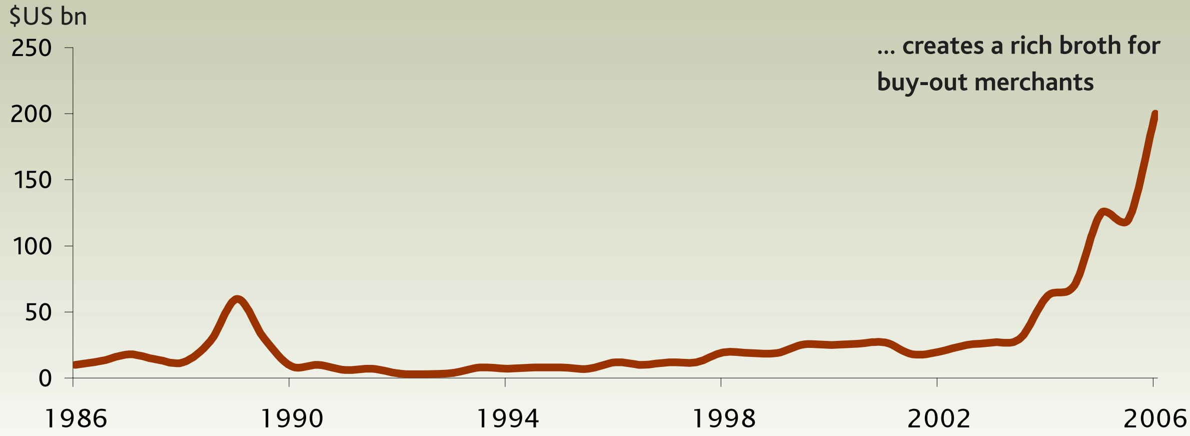
Source: Platinum and Factset. Refer to Note 1, page 42.

GLOBAL EQUITY EARNINGS YIELD AND BOND YIELD



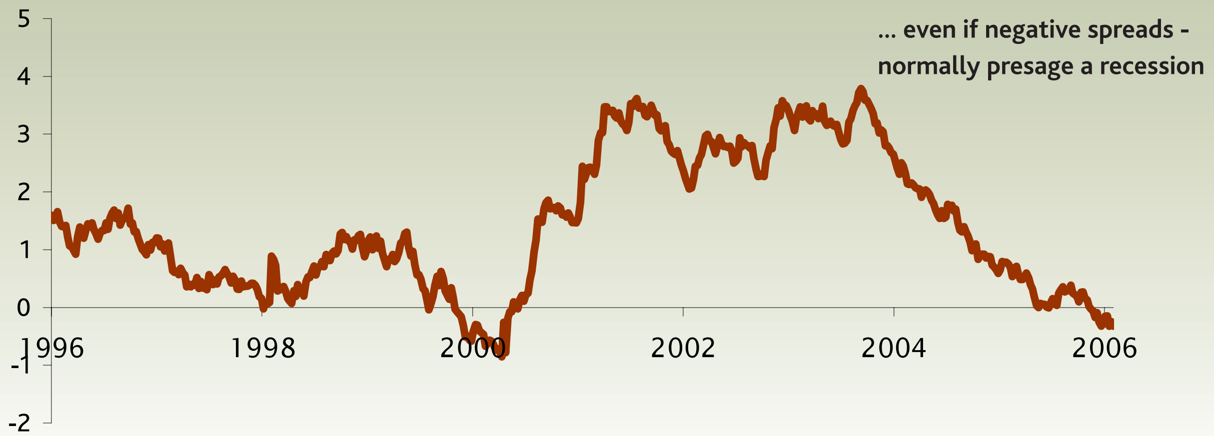
* Trailing yield (Datastream global market) ** Salomons 10yr plus
Source: Morgan Stanley

GLOBAL LEVERAGE BUYOUT LOAN ISSUANCE (excludes recaps, bilateral loans and private placements)



Source: Morgan Stanley, Dealogic

US 10 YEAR AND 90 DAY BOND YIELD SPREADS



Source: FactSet

PLATINUM INTERNATIONAL FUND

Kerr Neilson
Managing Director

PERFORMANCE

It has been a most testing and almost contradictory quarter. Early on, the words were all about the action of the Federal Reserve Board and whether they would increase rates further as statistics flew by regarding the pace of the US economy. Evidence of a sharp slowing in the property market sealed the argument, bond yields started to fall emphasising the inverted yield spread (that normally presages a recession) and then began the discussion about the inherent strength of demand in the US. It should be recorded that evidence of slowdown in the US was provided in most economic variables, except for consumer sentiment and retail demand. However, about this time the price of oil and gas also changed trend; oil from a high of $78 per barrel, bringing the promise of a lower tax on the consumer and so began the recovery in equities worldwide from around mid-July, punctuated by the $US32bn leveraged buyout of HCA.

More recently the hatching of several very large takeovers and private equity transactions have added conviction to this enthusiasm and markets have kept rolling upwards. The discussion has now moved on to the nature of the slow-down and whether the US will have a "soft or hard landing". At present the weakening oil price is favouring the former.

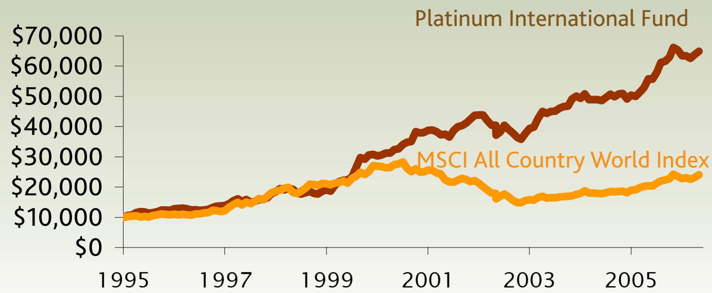
The outcome for the MSCI has been a rise of 4% for the quarter and 17.3% for the last 12 months. Most of the larger markets have herded around these figures with the exception of Japan which was conspicuously weak in the quarter at -1.2% but 15.8% for the year.

MSCI WORLD INDEX INDUSTRY PERFORMANCE (AUD)

SECTOR	QUARTER	1 YEAR
ENERGY	-4%	5%
MATERIALS	-1%	25%
INDUSTRIALS	1%	19%
CONSUMER DISCRETIONARY	4%	15%
HEALTH CARE	6%	13%
CONSUMER STAPLES	6%	17%
FINANCIALS	6%	26%
INFORMATION TECHNOLOGY	6%	11%
UTILITIES	8%	22%
TELECOMMUNICATIONS	9%	15%

Source: Factset

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



Source: Platinum and Factset. Refer to Note 2, page 42.

As was to be expected, the emerging markets sold off the most but have also been the strongest to recover. The Fund's performance over this period was respectively 2.4% and 16.3%: somewhat trailing the markets but not all bad given the Fund's net market exposure of around 50-60%.

The high level of momentum activity in markets is clearly demonstrated by the accompanying industry group analysis. Note the poor showing of energy and materials in the last three months while former discards are back in favour.

CURRENCY

Some interesting theories have been hatched about the persistent weakness of the Japanese yen. However, for the moment we are content with the argument that it is the borrowing currency of choice and until there are signs of a more aggressive stance on Japanese rates, the yen will tend to remain subdued. In the absence of any other input though, we are disinclined to reduce our exposure given the strengthening we are now seeing in the Chinese currency. The A$ was virtually unchanged against the US$ point-to-point for the three months but gained 3.6% versus the weak yen. There have been no changes to our currency posture.

CHANGES TO THE PORTFOLIO

DISPOSITION OF ASSETS

REGION	SEP 2006	JUN 2006
NORTH AMERICA	**26%**	**22%**
JAPAN *	**25%**	**25%**
WESTERN EUROPE	**24%**	**24%**
EMERGING MARKETS	**13%**	**13%**
CASH	**12%**	**16%**
SHORTS	**35%**	**32%**

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

Source: Platinum

We were relatively inactive over the quarter, completing the sale of Daiwa House, Sharp and Mitsubishi Chemical in Japan, and some small holdings in India. The principal purchases were Cisco, eBay, and Singapore Airlines.

Just as our investments in Ericsson and Alcatel reflect the belief that there is a long cycle ahead in the supply of cell telecom systems, so we see a great need for continuing expenditure on internet infrastructure. Moreover the existing copper wire based backbone of the telcos seems unlikely to be a long-term solution with the emergence of optical switching and the like. The rapid adoption of video exacerbates the need for greater bandwidth. By way of illustration, a one minute clip of video uses approximately 20 times the amount of capacity as the same time of voice traffic. However, Cisco can stand on its own investment merits without this tailwind. Here is a company which experienced a 50% net profit collapse at the end of the dot com boom, only to bounce back two years later to produce new record profits and by 2005 to have achieved net profits some 46% ahead of those at the peak of the bubble. This highlights the convergence of the telco and internet protocols and Cisco's leading position in the network operating system. No longer is the company subservient to the traditional telco equipment vendors!

BREAKDOWN OF FUND'S LONG INVESTMENTS BY INDUSTRY

CATEGORIES	EXAMPLES OF STOCKS	SEP 2006	JUN 2006
CYCLICALS/MANUFACTURING	TOYOTA INDUSTRIES, SCHINDLER, SIEMENS, INTERNATIONAL PAPER	**30%**	**27%**
FINANCIALS	CREDIT AGRICOLE, SUMITOMO MITSUI INSURANCE, SAMSUNG FIRE & MARINE	**15%**	**14%**
TECHNOLOGY/HARDWARE	INFINEON TECH, SAMSUNG, SUN MICROSYSTEMS	**9%**	**7%**
RETAIL/SERVICES/LOGISTICS	HORNBACH, CARREFOUR	**7%**	**7%**
SOFTWARE/MEDIA	LIBERTY MEDIA	**7%**	**7%**
CONSUMER BRANDS	HENKEL, BEIERSDORF, PERNOD RICARD	**6%**	**7%**
TELECOMS	ALCATEL, SK TELECOM, ERICSSON	**6%**	**6%**
GOLD AND OTHER RESOURCES	SHELL, BARRICK GOLD, NEWMONT MINING	**5%**	**6%**
MEDICAL	PFIZER, MERCK & CO	**3%**	**3%**

Source: Platinum

Though we regard it as having a marketing culture, its sheer size relative to its principal competitors and its commitment to R&D, at 13.5% of sales, means that it outspends the combined effort of the next three players (excluding Alcatel). At times the market seems to tire of the highly promotional nature of the company's communications but the moves it has made with Scientific-Atlanta and a stream of small but interesting acquisitions suggests that it can maintain its pattern of very high profitability and growth.

eBay is another high growth company but one the market fears is facing a declining growth rate. The issue here is the rate at which it is acquiring new users. This rate of change has been falling and is presently around 10%. At the same time there has been a proliferation of suppliers who often clog the site with fixed price common merchandise of limited appeal. It is for this reason that the company has been putting up its usage charges much to the commercial merchants chagrin. They now account for 30% of goods transacted on eBay.

We felt that the halving of the share price over the last two years was unduly harsh treatment for a company that attracts 80 million active (and 200 million registered) users thereby creating an almost unprecedented network effect. While the strongholds in the US, Germany and the UK may indeed be slowing, it seems too early to count out the company's growing support in France, Italy, China, etc.

It is not a business without risks such as on-line fraud and counterfeit goods but the user feedback mechanism has proven effective to date.

Longer-term, the acquisitions of PayPal and Skype offer novel solutions in an age of technological flux and could become significant in their own right. Their downside seems controllable in terms of rolling deficits.

Singapore Airlines is a much more linear story. This is a perfectly respectable company that has historically grown at a market-type rate of 6% pa yet because of the high oil price was selling at one of its lowest valuations ever. Yes, there is some new and perhaps carelessly funded competition on its long routes from some Persian Gulf carriers, but equally the growing opportunities in China and India are at least a compensating factor. Moreover, the deferred delivery of the Airbus 380 will tighten supply in the near term. For those of us who use long sector flights regularly, there is no doubt about the quality of the service (in all its respects). This is in no small part due to having the youngest fleet in the air - an average of five years old. It is our experience that buying a company like this when it is selling at close to book value tends to give a pretty attractive return once the near term issues subside.

COMMENTARY

In the past we have often highlighted the importance of themes and screens in our investment process and now is an ideal opportunity to describe the process in anticipation of an event. The big themes we are presently playing are paper; data and mobility and the concomitant capital spending cycle; the relative value of quality (mostly big capitalisation) companies versus their lower quality competitors; and the good prospects for agricultural prices.

Paper, however, is our biggest and most cyclically exposed bet. From an emotional view point, it feels very uncomfortable to have around 8% of the portfolio in an industry that in North America has experienced about 14 consecutive quarters of losses. Moreover, the demand for the commodity is notorious for its economic sensitivity and some of the indicators suggest we are on the cusp of the down-leg of an economic cycle! Further, the sector is coloured by the evident decline in western and particularly American newspaper readership due to the challenge of the internet and diminishing readership among the young. Worse still, the industry habitually adds to capacity at the margin which ensures sub-optimal returns.

This time around it has been in Latin America that capacity has been added. Here fast growing, high yielding hardwood species and other favourable factors ensure a 10 to 15% cost advantage over the average northern hemisphere integrated mill.

So how can we turn this sow's ear into a gossamer purse? Firstly we need to establish some of the facts. Historically the global use of paper has grown at around 3% pa, with the lower income countries tending in recent years to accelerate their use of paper to around 4.5% pa while wealthy countries are seeing usage rise by around 0.5% a year[1]. Yes, the realignment of currencies and untapped fibre potential has favoured Latin America recently and resulted in additional low cost capacity of pulp and paper. However, over the last 15 years only about **10 million tons of net new pulping capacity has been commissioned, yet over this period the demand for paper has risen by some 100 million tons. The shortfall has been met with recycled material.**

There has been a veritable boom in the building of de-inking plants as the pressure on land fills and action by green-minded municipalities has seen the recycling rate of paper rise to about 55%[2]. While the integrated mills (which require an investment of about $2 in plant for each $1 of sales they generate) have been struggling, closing or consolidating, the scrap-based mills have been enjoying a bonanza. Cheap scrap (old newspapers - ONP, or old corrugated containers - OCC)[3] and relatively light investment in plant have spawned mills near their principal markets, while the traditional integrated producers have faced losses and high transport costs.

Signs of change are evident: so dire is the financial plight of many mills that closures or planned shut-downs now entail more capacity than that which is being commissioned; prices of most grades are starting to reflect the higher cost of energy as mills are operating at close to peak levels and are thus passing on cost increases; demand is strong and in a world of ultra-enthusiasm about the China economic miracle, **paper together with grains, are the only commodities that fail to be mentioned**[4].

Importantly, as societies enjoy higher standards of living so their propensity to consume paper grows disproportionately. Of equal importance is the observation that both China and India are fibre

1 The declining segment is newsprint but with few exceptions, finer grades are growing, while packaging grades are galloping. "Developed world" total paper use is around 250kg per head pa while China uses 40kgs and India 10kgs per capita pa.

2 There is a wide range of experiences here with the likes of Japan and the Nordic countries already achieving 70% recycling rate.

3 There are many grades of paper with old newsprint for example being available at $US125 per ton while newsprint sells at around $US600 pt.

4 China is now the world's third largest producer at 55mt pa of all grades. Demand is seemingly rising by no less than 5 to 6mt pa. Global output is around 350mt pa.

poor (bagasse or dry pulp notwithstanding) and although the level of global paper recycling is still shy of its potential of say 70%, this may only be reached with higher price inducements.

It will be interesting to see how this story unfolds. The bulk of our position, some 5.5%, is in companies that are currently profitable and provide useful dividends even at current depressed paper prices, with the spice being provided by pure pulp makers and some integrated newsprint producers. In this manner we are **attempting to control the timing risk of this theme yet still reap the benefits of the prospective tightening of the merchant pulp market** if the theme plays out as we expect (and now hope!). If indeed the rate of global activity slows considerably, there is the risk of this theme being deferred but there are several finer points that may yet surprise and support the paper companies.

OUTLOOK

We have written often about abundant liquidity, but who would have thought that two and a half years after short-term rates had begun their ascent the yield of long dated bonds generally would be lower than then? Further, as earnings growth has been robust worldwide, equities earning yields exceed those of bonds - a rare event indeed (see chart on page 3). With this in mind it is hardly surprising that the most voracious agents of the capital system would seek opportunity in the risk spread. What will interrupt this behaviour we cannot identify. What we are certain of is that the economic cycle has not been banished for good!

PLATINUM ASIA FUND

Andrew Clifford
Portfolio Manager

PERFORMANCE

PERFORMANCE (compound pa, to 30 September 2006)	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PLATINUM ASIA FUND	6%	22%	35%	29%	34%
MSCI AC ASIA EX JAPAN	7%	26%	25%	20%	22%

Source: Platinum and Factset. Refer to Note 1, page 42.

With Asian markets continuing their recovery from the lows of June, it was last quarter's poor performers that became this quarter's best as investors returned to their favourite stocks and markets. India, Indonesia, and the Philippines were the outstanding performers rising in the order of 17% for the quarter. Thailand was the major exception to the rule continuing to lag other markets as companies' earnings struggled in the face of poor economic growth and political uncertainties, capped off by the military coup in September. The Fund's performance, while in line with the market for the quarter, is somewhat disappointing in the context of the underperformance in the June quarter. In hindsight the main error was a too cautious approach in committing cash reserves to the market during the sell-off.

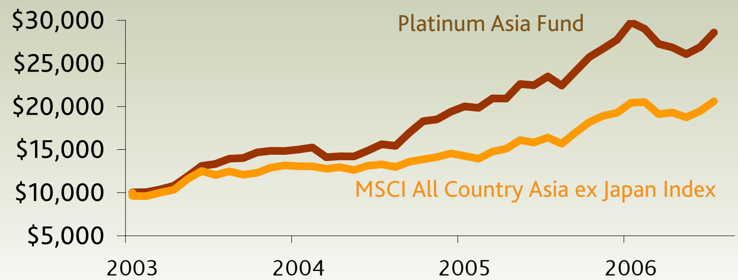
Within the portfolio the major contributors to performance were the Indian holdings, particularly the banks that recovered from oversold levels. Also, a number of our Chinese holdings, in particular China Mobile and the property developers performed well as investors sought avenues to benefit from the expected appreciation of the Chinese yuan.

DISPOSITION OF ASSETS

REGION	SEP 2006	JUN 2006
CHINA (LISTED EX PRC)	12%	12%
HONG KONG	14%	11%
CHINA (LISTED PRC)	8%	8%
TAIWAN	4%	5%
GREATER CHINA TOTAL	38%	36%
KOREA	18%	19%
INDIA	15%	13%
MALAYSIA	6%	6%
THAILAND	5%	4%
SINGAPORE	2%	0%
INDONESIA	3%	3%
CASH	13%	19%
SHORTS	9%	8%

Source: Platinum

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



Source: Platinum and Factset. Refer to Note 2, page 42.

CHANGES TO THE PORTFOLIO

Singapore Airlines is a new holding for the portfolio. While the business has been growing rapidly with regional air traffic buoyed by China and India, profits have been held back by high oil prices, providing an opportunity to acquire the company at an attractive price. Another new holding is China Paradise, the second largest electrical and household goods retailer in the PRC, which has been engaged in a price war with their largest competitor Gome, another of the Fund's investments. A decision by both companies to merge should see a return to a more profitable environment. Otherwise, the lower prices on offer during the quarter were used to add to existing holdings in PICC (PRC general insurer), Dongfeng Auto (PRC auto manufacturer), Bangkok Bank (Thai bank), and Shanghai Forte (PRC property developer). In addition, the sell-down in a number of holdings that have served the Fund well were completed, including Peacemark (PRC manufacturer and retailer of watches), Xinao Gas (PRC gas utility), and VSNL (Indian Telecom).

COMMENTARY

Receding fears of rising US interest rates and a lower oil price helped Asian stock markets continue their recovery from the sell-off in the previous quarter. A further positive was the continued strength of the Chinese yuan which appreciated 1.1% against the US dollar over the quarter, and it now stands at a level almost 5% above where it stood in mid-2005. Although these moves pale into insignificance when compared with the daily fluctuations of freely floating currencies, it represents steady progress toward a more flexible exchange rate for the yuan. Ultimately this will allow the People's Bank of China to use interest rates as a mechanism for managing economic growth and inflation, potentially reducing the extremes in economic cycles and reducing the risk of investing in the country[1].

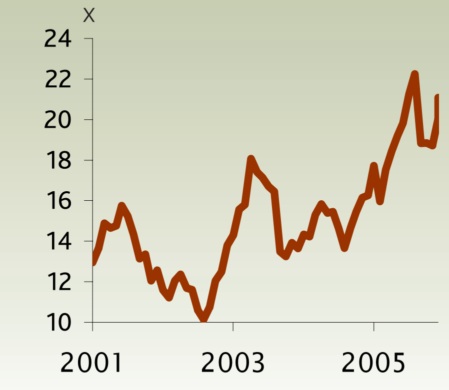
The apparent broad acceptance of the military coup in Thailand suggests the economic impact of the action may well be limited. Indeed the economy had already been struggling as a result of high energy prices and high interest rates and may well see a major benefit from a reversal in both these variables. The limited impact on the stock market (down only 2% in the two weeks after the coup) highlights the benefit of investing in a market that is already heavily out of favour with investors. Although one cannot know how smoothly the country will travel under its caretaker government, the combination of poor economic performance and political uncertainty over the last 12 months has indeed provided a number of interesting opportunities for the Fund.

[1] For further discussion on the benefits of a more flexible exchange rate for China, please see our September 2005 and December 2005 reports at http://www.platinum.com.au/arc-paf.htm.

Bangkok Bank is the country's largest bank with over 20% of the nation's deposits. Like all banks around the region it suffered badly during the Asian crisis with defaults on over 45% of its then loan book, a situation that left the bank struggling for the last nine years. Today only a small percentage of these non-performing loans are yet to be provided for and the bank has made major reforms in the way its business is operated. A healthy economic environment is all that is required to see the bank enter a period of sustained earnings growth. The stock trades at a 30% premium to its book value, a very attractive price for a bank with such a strong customer base.

At the other end of the spectrum, the Indian market has become well and truly entrenched as investor's favourite in the region. Earnings growth has been tremendous, running at over 20% pa during the last three years, but the valuation of Indian stocks has also expanded dramatically with the Bombay Sensex index now trading at 21 times earnings compared with a mere 10 times in early 2003.

Indian Market (Price Earnings Multiples)



Source: CLSA

A common view is that while India's economic prospects are no less promising than China's, its leading companies are often better positioned and have stronger management than its Chinese counterparts. Although we wouldn't particularly disagree with this proposition, the question is how much do you wish to pay for this "higher quality"? (Equally we remind readers that it wasn't too long ago when we were extremely enthusiastic and faced a barrage of negative comment about Indian bureaucracy, corruption and doubts about their bookkeeping!)

Tata Motors is the leading supplier of trucks in India and has successfully entered the car market with vehicles of their own design. Dongfeng Auto has a sizable truck business in China and has joint ventures with Honda, Peugeot, and Nissan, selling passenger vehicles. Despite both companies operating in markets that have tremendous long-term growth prospects, the market holds Tata in much higher esteem. The major difference is that competitive pressures in China have been much greater, resulting in relatively muted earnings growth in recent years. But the basic laws of economics would suggest that the combination of strong growth prospects and high profitability in the Indian market will see a similar pattern evolve. So when we look at the valuation of these companies, we are currently paying 12 times earnings for Dongfeng, profits earned in a tough competitive environment, while we pay 16 times for Tata who will almost certainly face more difficult conditions at some point in the near future. Although this is a gross simplification of the issues involved for either business, it is representative of the opportunities we see in the two markets today. Many of the Chinese companies that the Fund holds today are struggling with an intense level of competition that is depressing earnings in the short-term and thus providing attractive entry prices into what are otherwise interestingly positioned businesses. We much prefer these imperfect companies as investments to their well-owned and highly valued Indian peers.

The one exception to the above has been the banking sector. Over the last year there have been a number of eagerly sought after initial share offerings in large Chinese banks that, including the current issue of ICBC Bank, will have raised over $US40 billion dollars. The weak link in the case for China has long been the banks which have accumulated vast amounts of bad loans over the past 15 years. Undoubtedly there has been a major improvement in the lending practices of Chinese banks in recent years and the bad loans of the past have been separated out and are not part of these new listed entities. Nevertheless one would have thought that investors would have had some reservations about the quality of these banks as investments, and yet the market has typically priced these entities at three times book value and higher. The Fund has held a number of Indian banks over the past three years and although one might hold similar concerns over their ability to lend prudently, the market has refused to pay-up and values these banks currently between 1 to 1.5 times book value. This anomaly is even more interesting in light of the fact that the use of credit in India is far less than China (relative to GDP) which suggests that the growth prospects for Indian banks may well be superior.

As we continue to find interestingly valued stocks across much of the region one must remain reasonably optimistic with regard to future returns. The one note of caution is that measures taken by the People's Bank of China such as increasing rates and reserve requirements for the banking system (which acts to slow lending), together with a stronger yuan, should be taken as an indication that there is a desire to slow the growth of this economy. To date, these measures are probably inconsequential when the growth rate of the economy is considered, but this does not mean they will remain so. Tighter monetary policy in both China and India could well change investor's perceptions about these markets at some point. As always, there also remains the unanswered question about the potential impact of a slowing US consumer.

PLATINUM EUROPEAN FUND

Toby Harrop
Portfolio Manager

PERFORMANCE

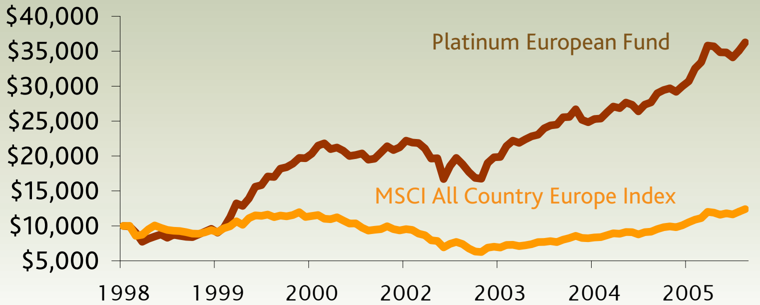
Broad advance; mixed leadership

After the gentle reversal of the three-year bull market in May/June, European shares resumed the climb in the latest quarter. Strong sectors were an odd mixture of real estate, utilities, food retailers, and paper/forest products, as accommodating interest rates combined with investors' fear of slowing economic growth supported the "defensive" parts of the market. At the same time, though, there was little further selling in the perceived "cyclical" stocks; and (surprisingly) the small and mid-cap sectors of the market were not noticeably weak.

Overall the MSCI Europe index advanced 6%, led by various Spanish property companies, and with many takeover targets featuring on the winners' list. A slight recovery in the A$ left the MSCI Europe up 5% in A$ for the quarter.

The Platinum European Fund advanced 4%, helped mainly by some strong performances in the mid-cap (!) stocks. In addition, holdings in Carrefour, Henkel and the paper companies advanced as mentioned above. The Fund was around 70-73% net invested over the period.

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



Source: Platinum and Factset. Refer to Note 2, page 42.

BREAKDOWN OF FUND'S LONG INVESTMENTS BY INDUSTRY			
CATEGORIES	EXAMPLES OF STOCKS	SEP 2006	JUN 2006
TECH/MEDIA	INFINEON, ALCATEL, ERICSSON	**20%**	**20%**
CHEMICALS/MATERIALS	NORSKE SKOG, UPM, SHELL	**19%**	**18%**
CAPITAL GOODS	SIEMENS, RIETER, METSO	**18%**	**17%**
CONSUMER/RETAIL	HENKEL, HORNBACH, DOUGLAS	**13%**	**18%**
FINANCIALS	CREDIT AGRICOLE	**6%**	**4%**
PHARMACEUTICAL/BIOTECHNOLOGY	NOVOZYMES, SCHERING	**4%**	**4%**
MISCELLANEOUS SERVICES	GfK	**3%**	**5%**

Source: Platinum

COMMENTARY

The $64bn question ...

Have stock markets reached dangerous levels, and which signals should be used to indicate extremes? It will be obvious after the fact, of course, but on the way to market peaks it is difficult to know which warnings to heed … As we contemplate the quarter at the end of September 2006, a week of "signals" (if that's what they are) certainly suggests that in the endless contest between fear and greed, the only apparent fear for many is the fear of missing out.

As we write, German utility E.ON (a large power generator which, aside from having a daft name dating from the internet bubble days, has generally been sensible, and is run by a CEO whose track record is strong), has just increased its bid for Spanish peer Endesa by nearly 40%, to euro 37 bn (BILLION! about A$64bn). And they will pay 100% cash. E.ON has been trying to buy Endesa for months, and is being challenged by various other players, yet has become so determined to win the prize that it has increased its bid by nearly half. What must we think? That a large, "regulated return" utility in Spain has somehow been such a hidden, misunderstood gem that E.ON's (increased) bid makes sense? Or that even a sensible CEO from a sober German utility has become so carried away as to signal a peak in the M&A froth? Or that cash is indeed such "trash", so certain to decline in value relative to (inflation protected) profit streams, that it is prudent to exchange a vast pile of (borrowed) cash in favour of such streams?

Earlier in the week our erstwhile friends at Merck (Germany, again … hmmm) announced they had paid euro 11bn to buy a Swiss "biotech" called Serono (famous for its owner's success in the America's Cup boat race). So? We don't own the stock anymore but have several reservations: 1. Merck has hitherto been characterised by a high level of internal conviction about its own research (which has led to one of the great German business successes of recent times, namely its LCD chemical mixtures for LCD TV and computer screens), while its external deals led by the scientists have been modest and clever; 2. two of the gentlemen who have guided that behaviour for twenty years departed - without any real explanation - in the last 12 months; 3. Merck then made a hostile bid for Schering (of Berlin) earlier this year but was trumped by Bayer; 4. Merck hired a famous merger/integration "expert" as CFO; 5. they paid a high-looking price (euro 11bn) for Serono, a company which has been "for sale" for several years; 6. in the official press release, the sailor/owner/vendor of Serono kindly praised the combined entity thus created - but will take every cent of his euro 7bn (he owned about 70% of publicly listed Serono) off the table: he does not like the combination so much that he will keep any ownership; and 7. and most of all, Merck's "due diligence" (ie. investigation of the prize they were contemplating) was apparently minimal - which is a lot to take on trust given

Serono's clumsy deal making and frequent failures in recent years. Again - maybe there is another more uplifting explanation to fit this series of events, but it looks simply like a panicked deal. And note that it was one of three "family" deals in the German pharmaceutical sector this week - we will spare you details of the others, suffice to say that the slogan "scale", and the apparently limitless available funding, are combining irresistibly!

Clearly, companies have recovered from the fright of 2002/03, when corporate debt markets were so bearish, that, you may recall, Swedish telecom equipment giant Ericsson was forced into a ridiculous (in hindsight - but also at the time: we bought a lot of stock) equity issue. What a contrast in 2006, then, when E.ON expects to borrow the full euro 37bn, and at an interest rate only modestly above government funding costs. Endesa is, after all, rate-of-return regulated, so what's the risk? Well the nature of the Spanish regulation is interesting in that the system earns a regulated rate of return on its assets at the transmission level. This means that any given operator has the incentive to operate efficiently, but that if all players do so then no super-normal profits are made. In addition, Endesa owns some nuclear capacity in France - which makes it a neat play on the high fuel (ie. gas, coal, oil) prices causing French nuclear to be very profitable at the moment. However, this is hardly a secret, nor is it a protected part of the company's profitability. Endesa is not much of a risk, but on euro 37bn not much risk is required to make wafer thin corporate spreads seem careless.

So the scale of these borrowings - Merck has already announced the terms of its euro 11bn debt placement - and the blasé presumption that the funding part of the deal is a "given" (the difficulty is in beating off the competing buyers!) suggest that a crescendo is nigh. And we are reminded that the extraordinary feature of the financial markets landscape in recent years is the *availability of credit* to governments, to individuals, and to companies, and without discernable (or at least, the traditional) macro-economic consequences such as uncontrolled inflation. It is a mystery, and for the moment the only obvious conclusion is that the low-risk profits have largely been made.

We have mentioned the impact of private equity funds in recent quarterly reports, and there is no let up in activity from them. The only new point to make is that where the serious private equity players were worried two years ago about overpayment by irrational newcomers, the private equity horde has now fully embraced the idea of deal-making as opposed to investment. That is, price is no longer the main issue, so much as deal structure, "refinance-ability" and the speed of resale. To be clear: private equity operators are not superior managers, they are simply more aggressive financiers. In a world awash with cheap credit, it is natural that the principal marginal influence on stock markets is an ***agent who simply brings indebtedness*** to the only not-yet-indebted sector (governments and individuals already being generally highly geared). "Private equity" appears to be a fully expressed feature of stock markets.

Hedge funds have surprised many by their poor returns, and also by their undifferentiated performance (they did not shine in the May/June sell-off, and they seem to herd in similar stocks). Arguably more surprising still, is that a single fund can lose 80-90% of its money in one trade on US natural gas futures, without apparent consequences for its banks, or for credit markets generally. Clearly for these losses to be possible, though, a lot of risk is being run.

But not, seemingly, by traditional investors. As mentioned, the "defensive" areas of food retail, water utilities, etc have had a good few months, and it does seem that good old mutual funds and insurance companies are the ones who remember the dark days of the millennium's infancy. Does this defensive positioning mean that the markets will rise further, climbing the "wall of worry"? Perhaps, but one of the troubling aspects for us is that a broad range of stocks seem well priced or fully priced - the markets do not seem to be offering value in significant areas at all. These conditions are consistent with the behaviour of private equity players, who have resorted to buying businesses such as semiconductor manufacturers (eg. Philips semiconductor, Freescale Semiconductor) - these are hardly steady cash generating companies which can be leveraged and easily resold.

Finally, it has become clear that with banks all over the world consistently reporting vast "trading" profits (and even paying the "traders" large bonuses as if to imply brainpower is behind the profits), that either a huge amount of treasury (ie. balance sheet) risk is being taken, and/or that banks have collectively found a way to "sell volatility". Real trading profits come and go depending on luck, good ideas, and market opportunities. For the banks from Sydney to New York to be reporting such consistent profits suggests that "trading profits" is a euphemism, and that therefore risks are being run that will become clear only when interest rates and/or volatility move higher. The apparent calm and safety of the (bond, stock and currency) markets, despite frolicking oil prices, unprecedented speculation, and much unsettling military and political news leaves us anything but calm!

PORTFOLIO CHANGES

Sold a few defensives, added to several positions

Through the quarter we took the chance to sell some of the defensives in the portfolio such as TNT (which is the Dutch Post office and the eponymous courier/transport business), UK spirits giant Diageo, and l'Oreal. These, along with the French TV companies (TF1 and M6) had become expensive in our eyes. We added another name to the portfolio of paper stocks, Finnish group Stora Enso, and we doubled our position in oil refiner Neste when that stock followed the oil price sharply lower. In smaller stocks, we added significantly to market researcher GfK, railway signalling company Ansaldo, and the German financial advisory group MLP.

Overall this has left the portfolio 83% long, and 11% short (mostly German Dax index futures, as well as two Spanish banks) to be 72% net long European stocks. 39% of the currency exposure is to the (seemingly cheap) A$, with the remainder in euros (38%) and the other peripheral currencies of Europe.

PLATINUM JAPAN FUND

Jim Simpson
Portfolio Manager

PERFORMANCE

The Japanese market moved little over the quarter but this masked a shift in the constituents of the market whereby commodity related, machinery and financial stocks fell, whilst real estate and currency sensitive stocks rose. This internal market action was consistent with global stock market moves to discount an economic soft landing.

Perhaps the two most interesting features of the quarter's performance were:

1. a tendency for the Asian markets to outperform Japan with money shifting toward China related investments;

2. marked continued underperformance of the yen which fell by 3% against the $US over the quarter.

The movement in the yen deserves most attention as it is contrary to our prevailing positive view on the currency. It would appear that the market continues to search for higher yielding alternatives, especially with the prospect of slowing growth, and this is not helping the yen despite strong Japanese economic growth. However, it is our feeling that eventually the domestic recovery in Japan will be recognised by the market, especially if the BOJ continues to raise rates, and that the yen should rise. The recent appreciation of the Chinese currency is also likely to lend support to the yen.

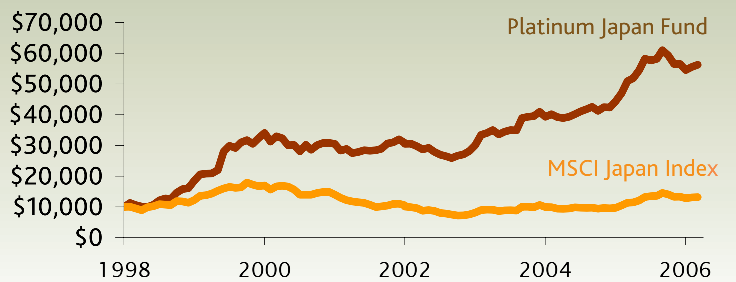
For the quarter, the Fund fell by 0.5% as against a 1.2% fall in the MSCI Japan. For the year ending 30 September 2006, the Fund returned 10.4% against an MSCI of 15.8%.

DISPOSITION OF ASSETS

REGION	SEP 2006	JUN 2006
JAPAN	70%	72%
KOREA	17%	17%
CASH	13%	11%
NET SHORTS	3%	4%

Source: Platinum

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



Source: Platinum and Factset. Refer to Note 2, page 42.

CHANGES TO THE PORTFOLIO

Major Purchases: Aeon, Furukawa Electric, Yamato Transport, Dainippon Printing.

Major Sales: Nippon Oil, Seven & I Holdings, Hitachi, NEC.

Generally we have been adding larger stocks which are out of favour for fairly transient reasons yet have solid business franchises, the prospect of some growth and good historical financial performance. Yamato Transport is perhaps the most interesting in this regard as it is being unfairly discounted for the potential impact of greater competition from Japan Post. Yet the reality is that Japan Post is a long way from having a comparable parcel delivery network to Yamato Transport, let alone a culture which is performance driven.

COMMENTARY

As the table of major market returns below highlights, Japan has been a conspicuous underperformer this year much to the frustration of investors and fund managers alike! With the benefit of hindsight we believe a number of factors have combined to suppress the market:

1. Japan outperformed significantly in 2005 and so, in a way, 2006 seems to be the year in which we cast-off the late arriving bulls. Having followed Japan for some time we would highlight its propensity for rather erratic year-to-year price action.

2. Classic mid-cycle correction where the ultra loose monetary policy is giving way to Bank of Japan (BOJ) rate rises.

3. Somewhat uniquely to Japan, hedge funds have been badly burnt in the small stocks. The Livedoor phenomena is perhaps the most obvious example of this.

4. Uncertainty with the political transition.

5. Concerns over world growth - with Japan more exposed than most.

However, we would submit that nothing mentioned above is at this stage terminal to our essentially optimistic view and that in due course Japan should resume its correlation with major markets. Please also note from the table that over three years, Japan has been quite a decent market.

MAJOR MARKET RETURNS (US$, % change to 30.9.06)

	YEAR TO DATE	3 YR
JAPAN	0.1%	16.4%
US	8.5%	12.3%
UK	9.1%	17.2%
GERMANY	11.0%	22.6%

Source: Platinum and Factset. Refer to Note 1, page 42.

The one element that has perhaps become a little more unpredictable is the political outlook. In most situations we see politics as a sideshow which tends to gain more mileage as an issue in the papers than in investment markets. However, in the case of Japan, we are going through an interesting transition from ultra-popular and seemingly very successful operator in Koizumi, to the relatively unknown Abe. There is a risk that the momentum for progress in Japan loses its way as the agenda for the leadership changes. That is not to say that corporates won't make their own decisions and remain the drivers of the economy but rather that it would appear that Abe is going to be more interested in what China and North Korea are doing than the economy. It is our feeling that rather than resting on its achievements to date in turning the economy around, Japan has to embrace the next stage of its economic transition which deals with the demographic problem and public debt. A policy platform to promote public sector reform and privatise state assets would appear to be called for but at this stage is not forthcoming. In this environment it is hard to see how the transition would be good for the market. Abe's recent appointments to the cabinet also hint in this direction with a return to the old guard of factional politics and a shift of power back to the bureaucrats. In the end it may not matter for the market and whilst we voice concern, we would like to reserve judgement as politicians the world over tend to be unpredictable beasts! However, the initial signs are bad.

OUTLOOK

Our view of Japan has become a little more cautious. Whilst the arbitrage between low interest rates and returns on risk assets continues to be very supportive of speculative activity, especially in the property market, the political transition may disappoint the "this time it's different brigade". In combination with a slowdown in global growth which would hit Japanese exports quite hard, it is possible to imagine a cap being put on the market. With higher apparent PE ratios, the Japanese story needs ongoing good news and greater attention of corporates to cash returns than has been the case in the past. Good stock selection is likely to remain important.

THE PLATINUM INVESTMENT PROCESS

A blueprint of Platinum's Investment Process is overleaf.

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

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

SUBJECT

The Platinum Investment Process

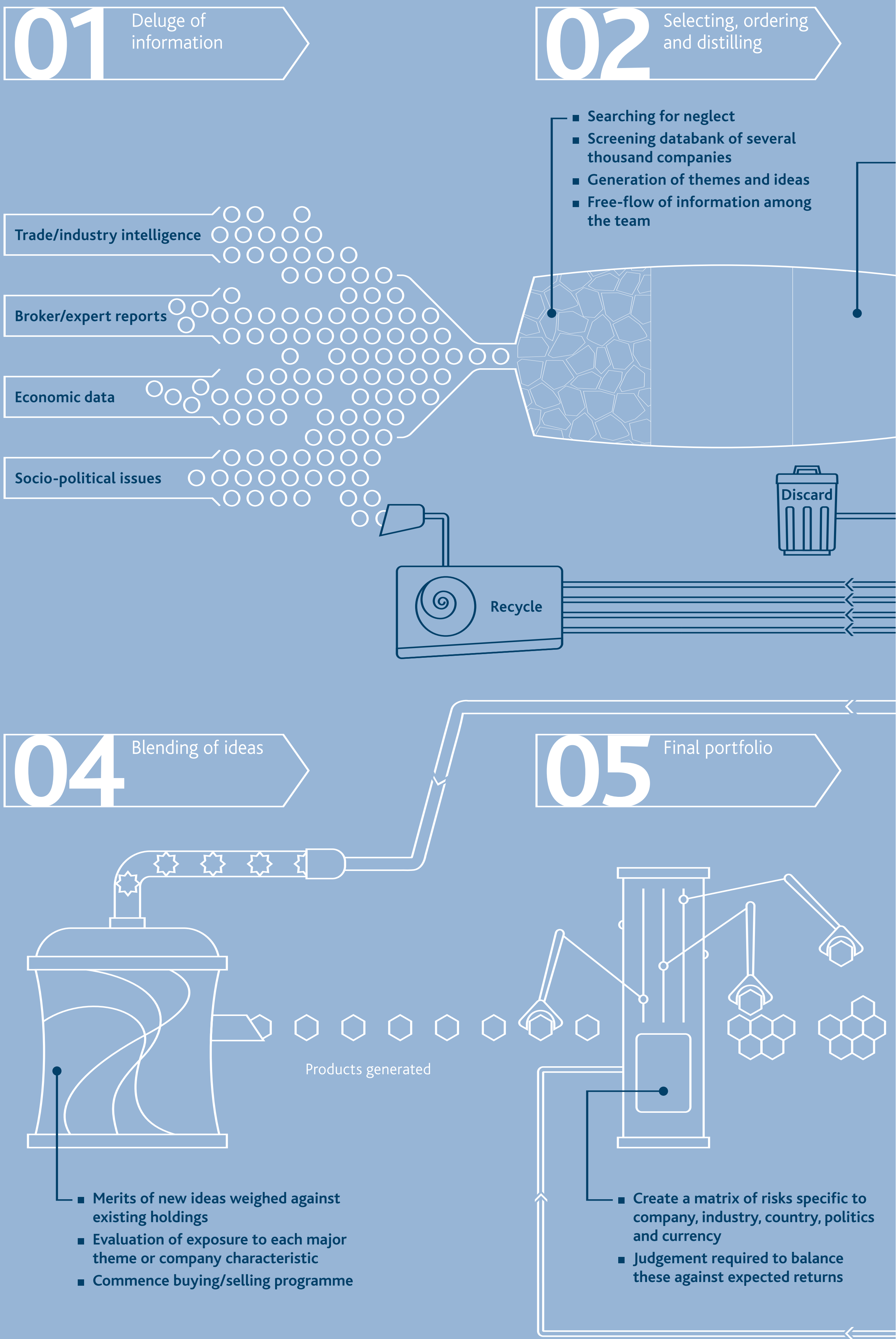
URL

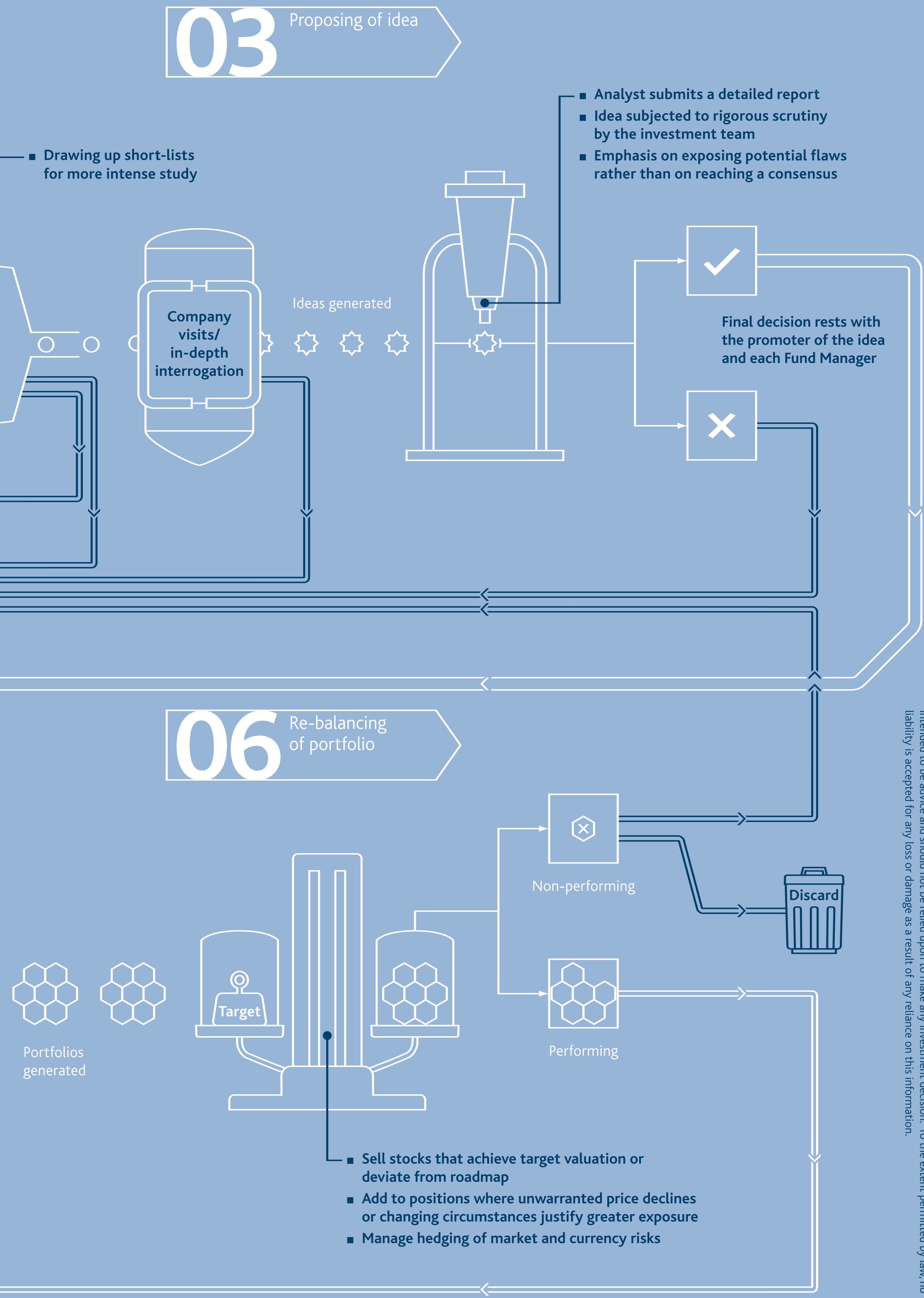
www.platinum.com.au

SCALE

Human

Platinum® ASSET MANAGEMENT




03
Proposing of idea
Drawing up short-lists for more intense study
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
Company visits/ in-depth interrogation
Ideas generated
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

The Fund achieved a return of 3.5% in the quarter slightly behind that of the MSCI World Index of 4%. Over a twelve month period the Fund has achieved a return of 20.6% compared with the MSCI of 17.3%.

The movement in the currencies, particularly that of the A$/yen rate, detracted from our performance. The stocks performed significantly more strongly in their native currencies than is evident from the overall performance of the Fund. A review of the quarterly price movements of our investments highlights a performance ranging from that of our Indian spirits company McDowell & Co, up 50% in the quarter, to a decline of 5-10% in our more recent investments. It is not unusual given our investment process for there to be modest declines in the share price of new investments and we will generally take advantage of the situation to build the position. The majority of our investments performed ahead of that shown by the overall performance of the Fund.

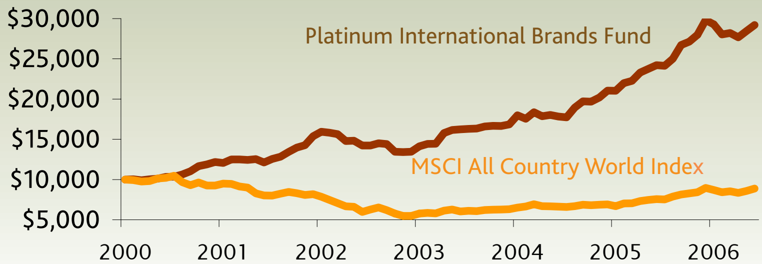
The price moves of several of our European investments warrant a mention with Henkel up more than 20%, along with Lindt & Spruengli and Credit Agricole showing similar gains. Singapore Airlines introduced to the Fund in the June quarter was not far behind with a gain of more than 15%.

DISPOSITION OF ASSETS

REGION	SEP 2006	JUN 2006
EUROPE	34%	37%
JAPAN	20%	15%
OTHER ASIA (INCL KOREA)	19%	16%
NORTH AMERICA	9%	4%
CASH	18%	28%
SHORTS	4%	2%

Source: Platinum

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



Source: Platinum and Factset. Refer to Note 2, page 42.

CHANGES TO THE PORTFOLIO

At the end of the June quarter the level of cash held by the Fund had risen to 28% and had been a useful buffer in declining markets. We also commented that it enabled us to take advantage of any interesting opportunities that might be presented. We have been adding to the investments of the Fund during the quarter and as a consequence the cash position has declined to 18%.

PT Gudang Garam, was the leading Indonesian tobacco company, however, the purchase of competitor Sampoerna by Philip Morris, together with increasing taxes on cigarettes, has seen their market position eroded. We have sold the stock.

PT Ramayana operates an expanding network of department stores across Indonesia providing a range of fashion, toys, household items, foods and everyday products to what they describe as the middle-lower income sectors. This looks to be a well-run business at an attractive price, with interesting opportunities to further expand their store network as they move out of the major cities. We have started to buy the shares.

Our investment in the Asian region has increased from 31% to 39% of the Fund, the majority of that driven by an increase in the level of investment in Japan. We have been adding to our existing investments in Japan and as mentioned in the last report, have been looking at some domestic opportunities in that country. We have added Uny Co. a regional retailer of clothes, household and food products. Uny is the fourth largest retailer in Japan by sales but the 14th largest in market capitalisation - a ratio which appeals to us. With a strong position in the relatively prosperous Nagoya region, the company is well-placed to benefit from a recovery in Japanese consumer confidence engendered by the improving employment conditions.

There is also a notable increase in the proportion of our investment in the US, up from 4% to 9% of the Fund with new investments in eBay and Yahoo!. We have previously observed that the markets have been pursuing the smaller stocks and that this has provided some opportunities to invest in some of the larger and better known companies at reasonable valuations.

eBay started as an online market place for small collectible items such as Beanie Babies where avid collectors were poorly served by traditional means of trading. In a little over 10 years, eBay has grown to become one of the largest communities and online markets on the internet with close to 200 million registered users. In 2005, the eBay platform handled over $40bn worth of transactions! In essence, eBay brings buyers and sellers together and charges commission of as much as 10%. Interestingly, eBay has grown to become a global phenomenon and derives close to half of its sales from international markets. A key to the success of eBay has been to build mechanisms for enhancing trust in the system, such as the adoption of the rating system and enhancements to the payment systems.

The online advertising market is a natural beneficiary of the shift to spending more time on the internet. The global online advertising market is forecast to grow from $24bn in 2005 to $55bn in 2010. Yahoo! has become one of the most popular destinations on the internet, consistently ranking in the top three in surveys. It is estimated that around half of all internet users (as many as 500mn) will visit Yahoo! at some time, positioning Yahoo! to benefit from the increasing imperative to advertise on the internet. As developments in the capacity and distribution of broadband continue, we believe that Yahoo! is at least as well placed as its competitors to expand into new and hopefully exciting opportunities such as online video and music distribution and social networking or community sites.

Each year Interbrand publishes a ranking of the Best Global Brands, a listing that is avidly followed by the CEO's of many of the listed consumer companies. We are always keen to review the list and consider the changing patterns and fortunes of many well known brands. It may surprise some to know that eBay ranks just behind Gucci on this year's list and Yahoo! is ranked next to l'Oreal and Heinz. eBay achieved the third highest gains in the rankings this year.

In Europe, the Fund initiated an investment in Ericsson at what we believe is a very attractive entry price. Concerns about Ericsson' short-term profitability created a temporary decline in its stock price and we jumped at the opportunity to buy the world leader in wireless telecommunications at record low earnings multiples (13x 2006 forecasts). A period of temporary slowdown in Western Europe and US telecom equipment markets, and strong expansion in emerging markets such as India, Brazil and China had the effect of changing the sales mix towards lower margins. Investors are worried about short-term margin deterioration but they seem to limit their horizon to the next quarter or so, failing to recognise the potential of the Ericsson story. The new customers of China, India and Brazil will eventually become the loyal customers for the higher margin capacity upgrades of the next decade! Notwithstanding a leading 26% global market share in wireless equipment (base stations and radio access systems), a broadband products range strengthened by the Marconi acquisition and a joint venture with Sony in mobile handsets which has gone from loss-making number six a few years ago to profitable number three in the world, Ericsson is priced as a mature company with not much growth ahead!

COMMENTARY

Are there really 43 hours in the day? Yahoo! and OMD (a worldwide media company) completed a US survey that showed respondents listed on average a total of 43 hours of activities, including sleeping, working, commuting and technology, or media associated activities such as watching television, using the internet or listening to music. Whilst many may feel like they are actually completing 43 hour days, there are obviously substantial overlaps in the activities. The purpose of the survey was to try and gain an insight into these overlapping activities. Perhaps also an obvious conclusion is the pervasiveness of technology and the degree of reliance placed upon facilitating family communication through email and messaging.

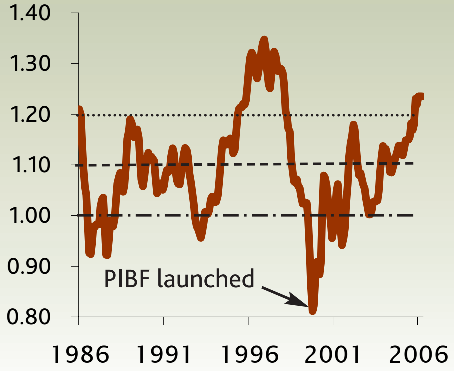
Families are also reporting that they are increasingly adopting the internet for use beyond the basic functional research or look-up facilities, to usage that is broader and more integrated with the family such as storing and sharing photos. The further the technology becomes integrated into family life the higher the dependency, and the greater the degree of trust that is placed in the providers of technology and services. Does that allow for the development of brands with implicit promises of quality and trust in the product or service for which a premium price can be obtained? Alex regularly describes in the Platinum International Technology Fund report the progress of technology companies as they move from being suppliers of equipment to enablers of services influencing and responding to changing consumer behaviour.

It also raises a recurring difficult question: how much more can consumers spend adopting new or improved technologies? How many more electronic toys do we need in each house or per person? We continue to underestimate the desire and capacity to consume and have regularly raised closely linked concerns about the degree of indebtedness of the consumer, and the propensity to spend, particularly in those countries that have enjoyed an excess of consumption funded by the boom in house prices.

The Yahoo!/OMD research also showed that it isn't just the US or the Western world that has enthusiastically embraced technology. For example, the US actually lags many other countries in mobile phone usage; Asia has led in the adoption of the MP3 players (for listening to music) and in China, the survey reported more than twice the proportion of respondents who watch video online.

Whilst concerning ourselves about the longevity of the boom in consumption and where it manifests, we have also been keeping a wary watch on valuations. As depicted in the attached chart, the consumer group of companies has increased in relative value, as measured by the price paid for earnings (P/E), to a point that looks unattractive.

US Consumer Packaged Goods Sector Relative PE



Source: FactSet, Bernstein Analysis

We acknowledge the weakness inherent in a single valuation metric based on earnings at a time when the group has faced rising commodity and energy costs that have compressed earnings growth and margins. It is also worthy of note that the balance sheets have been improved through this period of massive liquidity and low interest rates.

Generally, we would observe that companies have had some success at raising prices using their rising input costs as justification. As the published measure of inflation continues to increase they may well argue for further price increases. Should there be any sustained declines in energy and commodity prices, such as we are currently witnessing, then we might expect to see some surprising profit performances.

Nonetheless, we continue to be wary of the valuations of many of the companies and suspect that the tendencies of the management teams will be to utilise their relatively high valuations for acquisitions. Any windfall gains in profitability will most likely be directed to increasing advertising and product development in an attempt to improve the growth of revenues at a time when consumers may be flagging in their capacity to increase their consumption.

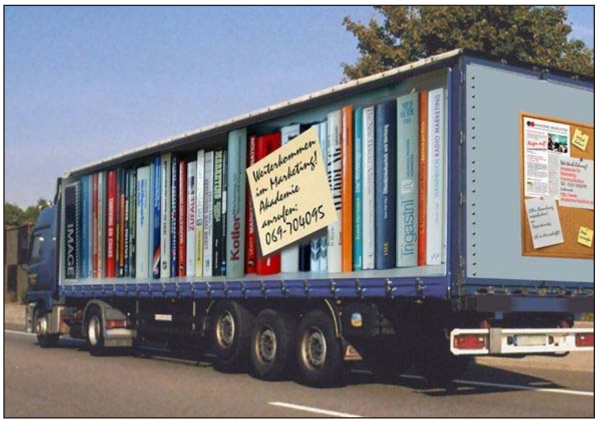
OUTLOOK

Although we have raised the concern over the relative valuation of consumer goods companies, particularly those perceived as 'defensive' by the market, there are still many attractive businesses to own. The abundance of capital and the support of private equity groups continue to underpin the valuations of businesses that generate reliable cash flows. In the short-term, this does not appear to be changing. The reach of private equity, whilst seemingly unlimited, is still biased towards the smaller companies potentially leaving opportunities and areas of neglect in the larger companies.

We continue to have an interest in companies that can develop opportunities with the emerging consumers of Asia. It is fascinating to observe the different approaches and at times the inherent contradictions, as companies react to both the different demands of operating in Asia and their attempts not to replicate their past errors in the Western markets. Too often we find companies that we decide not to invest in due to the poor position of their Western business even though their Asian business might be progressing exceptionally well.

German Truck Art

Advertising has no limits!



PLATINUM INTERNATIONAL HEALTH CARE FUND

Simon Trevett
Portfolio Manager

PERFORMANCE

Over the last quarter the Platinum International Health Care Fund increased 3.1% compared to 6% for the MSCI Health Care Index.

While big pharmaceutical has gained attention this quarter, biotech companies have been avoided by investors, unless new drug approvals or growth of the marketed portfolio was very clear.

At Pfizer, the senior management team saw changes with the CEO as well as the Head of Human Health departing. The new management team will have more R&D expertise while the General Counsel was promoted to CEO. Investors reacted positively even though these adjustments to management still have to prove themselves. It is also important to note that the company can now fully concentrate on its business as internal succession speculations have now been resolved.

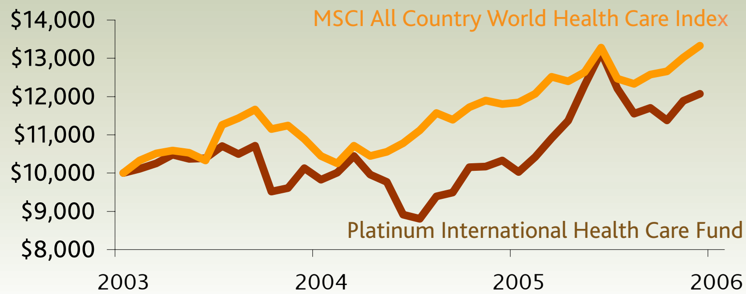
In Germany, within a single week the pharmaceutical landscape saw a number of changes with family-run companies taking centre stage. Two companies changed hands and are now headquartered outside the country, while another added Swiss biotechnology capabilities, paying the founding family a high price to exit. The newly combined companies have a lot of work ahead of them and in some cases the rationale is not as clear with some families exiting or reducing their pharmaceutical focus while others were happy to add to theirs. It will be interesting to see how these stories unfold.

DISPOSITION OF ASSETS

REGION	SEP 2006	JUN 2006
NORTH AMERICA	47%	58%
EUROPE	24%	26%
JAPAN	6%	9%
OTHER ASIA (INCL KOREA)	3%	3%
CASH	20%	4%
SHORTS	1%	0%

Source: Platinum

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



Source: Platinum and Factset. Refer to Note 2, page 42.

While corporate changes at bigger companies gained attention, a number of our smaller biotech holdings also attracted interest; mostly due to positive drug results, promising late stage assets and the progression of pipeline products into late stage testing. The current regulatory environment is asking for very solid development programs; a dynamic we have been careful to include when analysing companies.

The cardiovascular device sector has also been discussed widely this quarter as some investors realise that the perception of "strong growth guaranteed" may no longer be true because of safety and competitive issues. Development of new technology is only slowly emerging with a number of small companies showing some interesting signs. As is the case with drug developers, licensing and alliances may also become part of the strategy at device companies.

CHANGES TO THE PORTFOLIO

Being vigilant and remaining true to the concept of out-of-favour opportunities, we reassessed the big pharmaceutical companies and added to several positions. We feel that market concerns are too focused on specific individual drugs, thus failing to recognise the adjustments that have been made in recent years. R&D engines are running hot, licensing teams are as active as they have ever been and the achievements of marketing teams within the existing portfolios highlights the resilience of these companies.

Acquisitions are part of the biotech sector and one of our small Canadian biotechs is about to be bought by a US-based biotech. The main interest is the company's "stem cell mobiliser" currently in late-stage testing. The drug looks promising for patients with blood cancer who require transplantations of these particular cells.

As part of a manufacturing theme, we added to a company that has expertise and technology to produce so-called "biological drugs", a class of drugs that we feel will become integral to future treatment options.

COMMENTARY

Despite continuous criticism of lack of innovation among drug developers, a number of drugs with new mechanisms of action are approaching approval or have recently become available (eg. the HPV vaccine). In addition, there is a growing preference to balance the "old-style chemical" (small molecule) pipeline with "biologics". This more modern class of drugs is at the centre of today's biotechnology industry and is now being embraced by big pharmaceutical companies who are even trying to change their image to be "seen as biotechs". This development does offer a number of opportunities as we explain below.

Biologics are proteins and can be as simple as insulin or as complex as an antibody. These molecules mimic a "natural" mechanism and have the advantage of being more specific to a target. However, a major challenge is the manufacturing process of these rather complex molecules. Typically, biologics are made by exploiting the "production machinery" of living organisms such as bacteria, yeast or human cells. The respective organism, preferably derived from humans, is genetically changed to allow the synthesis of the desired product. In recent years a lot of time has been spent to develop effective production machinery to deliver respectable yields, as well as a fully-human product.

The process starts with finding the solutions and supplements in which the organism can grow optimally, then a purification and filtration stage is required to make sure enough product will be recovered and all impurities and potential pathogens are removed. Although these production systems have been used for some time in the lab, scaling the process for commercial purposes has been a learning process requiring a close relationship with suppliers for each part along the chain.

Most important is to monitor the "health" and output of the living organism making sure the end-product complies with safety standards as well as offering the desired characteristics.

Compared to the manufacturing of small molecules where a machine is the producer; biologic manufacturing is more temperamental, any change to the process can have an impact on the end-product, making regulators very cautious and forcing them to ask for new "human validation tests".

Despite this complexity, companies are attracted to biologics for various reasons, one being the strong patent positions as the manufacturing process, along with the living organism itself, are part of the patent application. Overall the process of making them has advanced significantly with standards and process analysis tools becoming readily available. It seems biomanufacturing has matured and when looking at the biologics development pipeline it becomes apparent that next generation biologics have begun to emerge, offering superior product characteristics (eg. better delivery, higher specificity, fewer side effects).

Taking these refinements into account, the development and manufacturing chain for biologics is an interesting theme. The industry seems to have moved from simply expanding capacity, to carefully assessing each part of the production chain. Outsourcing, sharing with other companies, and contract manufacturing services, have become serious options as their activities have become more sophisticated.

In summary, predictions in 2000 that worldwide demand for biologics would exceed capacity at least twofold by 2005 have not been realised. The reality is that the process itself has advanced and companies are assessing each part of the manufacturing chain rather than rushing to build new facilities. Costs are being looked at carefully and suppliers are offering superior products as well as readily disposable consumables.

The biologics theme requires a measure of vision and patience with process.

OUTLOOK

In coming months the focus will shift to conferences and the financial performance of companies, in particular big pharmaceutical. The impact of the first quarter of generic Zocor will be watched carefully and speculation about the future of Pfizer's Lipitor will be plentiful.

Balancing good and bad cholesterol will also be a leading topic of discussion at an annual gathering of cardiologists later in the year. As we highlighted previously, lowering cholesterol is one way to attack atherosclerotic build-up, however, the better approach appears to be to also increase good cholesterol. Again big pharmaceutical will have some stories to tell.

As has happened in the past the US regulatory agency may also try and boost its approval rates this year. Several products are awaiting decisions, some with new mechanisms for action by companies who hope to add new disease franchises.

We are also interested in the growth rate of a number of device companies and rumours about consolidation. The latter activity, along with licensing, has emerged as a central part to today's health care industry and we suspect will continue to do so with price tags seemingly rising.

Bianca Elzinger

PLATINUM INTERNATIONAL TECHNOLOGY FUND

Alex Barbi
Portfolio Manager

PERFORMANCE

During the quarter the Fund rose 3.1% compared to an increase of 6.3% in the MSCI World Information Technology Index (in A$ terms) and a 8.9% increase in the MSCI Telecommunications Index (A$). The "tech-heavy" Nasdaq Composite Index rose 4% (in US$) or 3.4% in A$ terms.

Over the last twelve months the Fund rose by 21.1%, outperforming both the IT Index (+10.8%) and the Telecom Index (+15.0%).

The Fund had another solid quarter with strong 20% plus performance from our large capitalisation US stocks such as Oracle, Microsoft, Sun Microsystems and Cisco. A good recovery in our Chinese holdings, China Mobile and ZTE, also added to performance.

On the negative side we had a minor setback as our Japanese holdings collectively detracted from the Fund's performance. Additionally, the Fund was negatively impacted by a weakening of the Japanese yen against the Australian dollar (-3.7%).

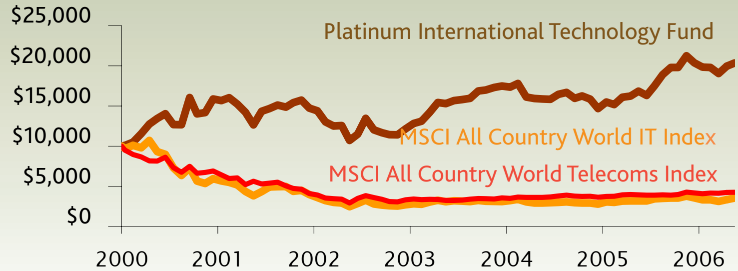
At the time of writing, the financial press is celebrating the Dow Jones Industrial Average eventually reaching all time highs (put it differently, it took the DJIA more than six and a half years to recover the level reached on 14 January 2000). While we tend to view these euphoric moments with detachment, wary of putting too much significance on a 30 stock index, we note that the Nasdaq Index is still 55.5% below its all time high recorded on 10 March 2000. For comparative purposes the Platinum International Technology Fund is cumulatively up 104% since its inception on 18 May 2000.

DISPOSITION OF ASSETS

REGION	SEP 2006	JUN 2006
NORTH AMERICA	24%	14%
OTHER ASIA (INCL KOREA)	23%	22%
JAPAN	17%	16%
EUROPE	14%	12%
CASH	22%	36%
SHORTS	3%	0%

Source: Platinum

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



Source: Platinum and Factset. Refer to Note 2, page 42.

CHANGES TO THE PORTFOLIO

As we indicated in our June quarterly report, we had started reinvesting the Fund's cash and its total liquid position is now down to 22% compared to the high 36% level reached at June end. Our exposure to North American equity is now at 24%, the highest since September 2005, reflecting our assessment that valuations and growth prospects in some US tech stocks are now more attractive.

COMMENTARY

Technology Leveraged Buyouts (LBOs)

While we have previously commented on LBOs (see Kerr's Platinum International Fund report in December 2005), we think it is worth reviewing some of this quarter's deals as the "Private Equity Fever" is reaching unprecedented levels.

What is a LBO?

A leveraged buyout is a debt-financed transaction generally used to take a company from the public market back to the private domain. Over the last few years, LBOs have been mostly arranged by private equity firms, specialised in investing with the participation of existing management teams to maintain business continuity and to achieve superior performance driven by executive incentive schemes. These acquisitions are generally executed with a large level of debt relative to equity and for this reason they tend to incur high interest expenses (high-yield or junk bonds). Private equity firms make a profit by "extracting value" from their prey. That means cost cutting, selling assets, divesting divisions and ultimately recovering (and multiplying) their initial investments by either selling to another firm, paying out large dividends or re-listing the company again.

Historically LBOs have targeted stable businesses, with predictable sales and cash flows. (Stability of free cash flow is the prerequisite of a sustainable debt repayment plan.) Until last month, the largest LBO in history was the $31.3bn takeover of RJR Nabisco by Kohlberg, Kravis, Roberts and Co (KKR), the most prominent LBO firm of the last few decades. In fact RJR Nabisco was the textbook target for an LBO, with relatively predictable businesses (food and tobacco) and slow but solid sales and cash flow growth.

This quarter the private equity frenzy reached new peaks. In July the RJR Nabisco historic record was topped by the KKR (again) $32bn takeover of Health Care Of America (HCA), a hospital and health care services group. A few weeks later KKR decided to acquire a 80% stake in Philips semiconductors division for $3.4bn in cash. In September, Freescale Semiconductor, the former Motorola's semiconductor business, was acquired for $17.6bn in the largest technology LBO of all time led by the Blackstone Group.

Freescale Semiconductor is the ninth-largest semiconductor company globally. It provides embedded processing and connectivity products to the automotive, networking, wireless communications, and industrial markets. Freescale had no debt on its balance sheet when the bidders spotted it as a potential target. As part of the deal, Freescale will borrow up to $10.5bn! We can easily predict some of this newly raised money will be quickly channelled into the pockets of its new private shareholders in the form of one-off dividends.

What is going on? Why suddenly is there an appetite for highly leveraged acquisitions of technology companies with their highly cyclical and often money losing businesses? Technology, almost by its nature, requires heavy R&D expenditure and onerous capex. How can a management team focused on cost cutting and short-term debt repayment deliver long-term results in such a competitive industry?

It would be foolhardy for us to dismiss the various private equity transactions in the semiconductor industry as pure financial engineering, but finance plays an important part. Surely financial market conditions are facilitating the party. Borrowing spreads for high-yield funding are currently at around 200 basis points (bps) above investment grade, down from 300 bps in 2003. Compare this abundance of capital with the equivalent rates of the mid-80s when deals were done at 350-600 bps spreads.

As Analog Devices chief executive Jerald Fishman suggested in an interview with online magazine EETimes.com, while going private has its benefits in managing a company, it's not necessarily a panacea. *"Your boss changes,"* Fishman said. *"In one sense it's public stockholders (and quarterly earnings targets). On the other end, it's private equity guys. It's easier in that you are out of the spotlight. On the other hand, you have a pile of debt you have to pay back every month. You never control your own destiny"*.

(Soon after the Freescale deal, Analog Devices was quickly identified by the stockbroking community as a potential LBO target, with its "reasonable" $10bn market capitalisation and a $2.2bn net cash position).

In fact Fishman also believes that: *"When you start looking at $3-4bn to put up a fab (factory) and you look at the companies who can put up the scale in the US to be able to absorb that kind of investment - which in five years turns mostly obsolete - it's a very short list. As more chip makers go private, the pressure to reduce costs and leverage a world-class foundry infrastructure will mount"*.

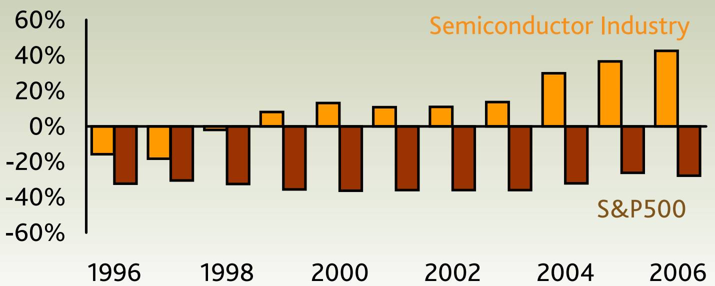
In fact the semiconductor industry is undergoing a profound transformation.

On one hand the rate of growth is slowing down somewhat and on the other, its cash generation is tremendous. The balance sheets of semiconductor manufacturers have dramatically changed over the last decade and many companies are now seriously overcapitalised (see chart below where Total Capital = Net Debt + Shareholders Equity + Minorities).

Cutting-edge fabs cost a lot of money and break-even points are generally achieved for a level of sales twice the capital cost. Moreover there are not that many large new market opportunities available. For companies like Freescale or Philips Semiconductor, without strong positions in specific markets, the dilemma is - to invest or not to invest?

This is a difficult question to answer but it was probably what attracted the "clever" private equity buyers most. Under new ownership, these companies will likely formalise the difficult decision and scale back their investments in cutting edge manufacturing capacity/expertise.

Net Cash as a % of Total Capital:
Semiconductor Industry versus S&P500



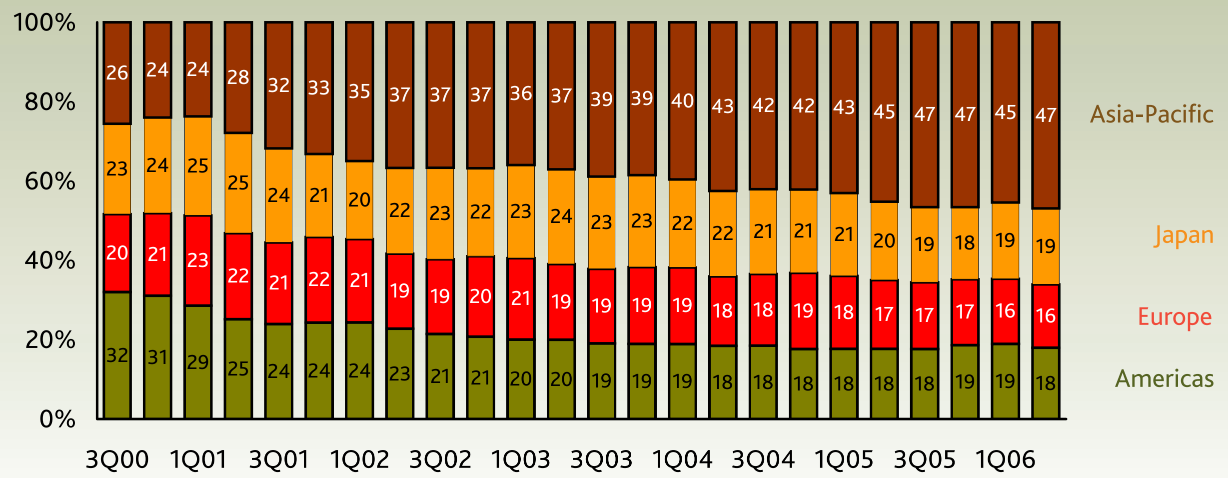
Source: World Semiconductor Trade Securities (WSTS) and Bernstein estimates and analysis

Instead, they will outsource the hereto sacred internal manufacturing know-how to the external foundries (sub-contractors) such as TSMC and United Microelectronics in Taiwan. In addition, they will manage the existing fabs conservatively, maintaining and tuning them to specialise in trailing edge products. The benefits of the new model will be evident in higher free cash flow generation and a less cyclical business.

On paper, the new strategy looks attractive; however these companies will face big challenges ahead. In the semiconductor industry, chips are designed and customised to each manufacturer's proprietary recipe. Naturally, having control of both chip design and manufacturing allows chip makers to differentiate their products to a much greater extent. This flexibility will be lost under the new business model. Their new chips will also be less cost competitive because the "outsourced fabs" of TSMC and United Microelectronics will insist on earning their fair share of the pie. Instead, the new "fabless" companies will only be able to differentiate based on their innovative/clever designs and relationships with their customers. Imagine the difficulties involved in transforming the way of thinking of these old line semiconductor makers who were once proud of their manufacturing heritage and expertise?

Longer-term, we can probably think of this shift to "asset light" manufacturing model as another version of the outsourcing strategies adopted in the industries of other Western countries. One effect will be the increasing importance of Asian companies in the semiconductor industry, especially Taiwan. Another will be the emergence of a small group of "surviving" large chip makers (such as Intel, Samsung and Texas Instruments) with the advantage of huge scale and R&D budgets able to squeeze the remaining small players.

Semiconductor Industry Composition of Revenue by Geography



Source: World Semiconductor Trade Securities (WSTS) and Bernstein estimates and analysis

OUTLOOK

While we have long been cautious about the stretched finances of US consumers, we think that a more accommodating monetary policy (lower interest rates) and a lower gasoline price (courtesy of the oil price sharp correction) could prevent the US economy from falling apart. At the same time, demand from Asian consumers remains generally healthy.

Valuations of large capitalisation technology stocks are not demanding and we are happy to hold many of those companies where growth prospects are attractive enough. Many signals indicate a period of good prospective returns from technology stocks in the medium term, with the only potential hurdle the risk of consumer's apathy in the USA.

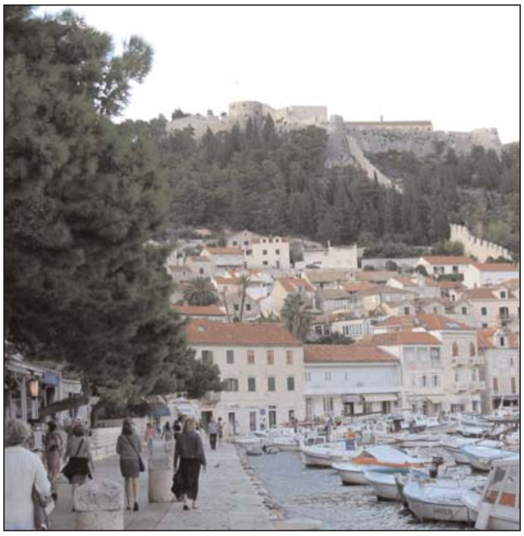
While competition in many technology areas remains fierce, factors like consolidation among telecom equipment makers, increase in IT corporate spending and renewed interest from private investors for technology investments, will likely maintain a favourable environment for the sector.

THE DALMATIAN COAST IN EARLY AUTUMN

Sitting in the airport in Vienna, we met a most engaging fellow. He was Czech, solidly built and with mischievous twinkly eyes. It transpired that he sold body-parts, the confession of which was accompanied by several flicks of a serpentine tongue and a wink for the benefit of my wife. Among the many things we learned was that the more chaotic the country, preferably at war, the better was his business of selling prosthetics - once peace came he assured us with authority that business went to hell. The opposite applies to the tourist industry. Croatia, and presumably the other remnants that were once Yugoslavia, is still suffering from the war tag that deters visitors even though open hostilities ceased more than 12 years ago. This is the opportunity.

The trickle is developing into full flood as foreigners pass around the word about this marvelous place. Evidence of its significance on the trading routes pre-dating Grecian times can be found, though the most dominant remaining influence is that of the Venetian Republic-1205 onwards. Skilful and copious use of the local limestone has allowed structures to survive intermittent earthquakes and the onslaught of invaders. This relatively small coastal strip and accompanying stony hilly, barren islands have in turn been visited, and sometimes settled by Illyrians, Celts, Greeks, Romans, Slavs, Croats, Venetians, Hungarians, Turks and even briefly, by the French.

Getting around is not too much of a problem, we kept bumping into two crowds, one doing an island-by-island bicycle ride using a rather dilapidated old steamer - with vertical stem tenaciously secured by rivets-pre 1960 technology. The other group were divers, who no doubt being able to inspect the hull of their vessel, had chosen a slightly more recent version of the same. For those preferring the comfort of a car, the government ferries keep up a fairly reliable timetable to service of the outlying islands (weather permitting - and it can really blow in the Adriatic sea).



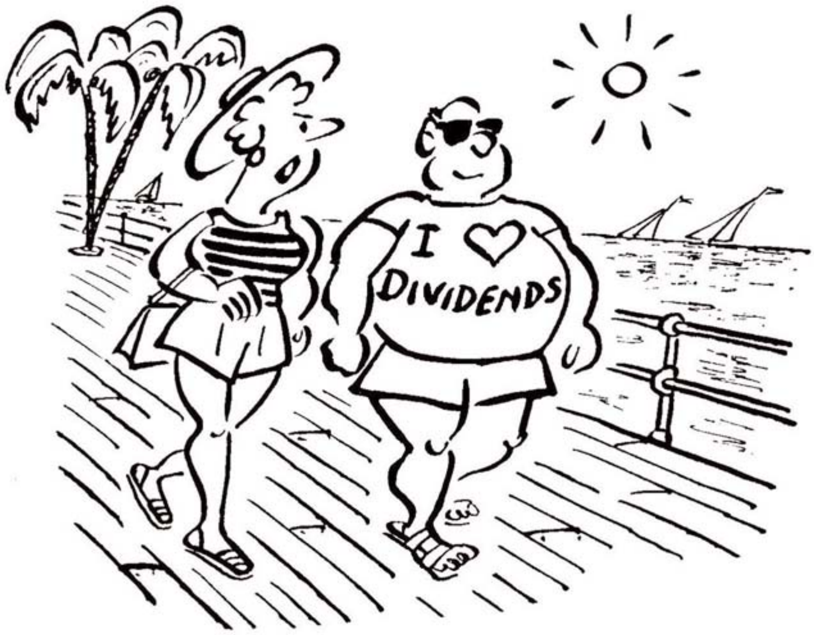
For us, this was a water holiday with lots of swimming and exploring these medieval towns. The main arterial roads we used seemed fine as one passed hard-won olive groves and vineyards that tumble down in terraces almost to the water's edge. It struck us that the terraces were as much a product of erosion-control as a means of exposing slithers of red soil among these stone and rock infested slopes - like spotting the bubbled crust fighting its way past the cheese on a dull pizza. If you have a passion for bursting gooey maroon figs, may I suggest you monitor your input-output balance. My new toy, Canon naturally, has tried to capture the astonishing clarity and colour of the surrounding Adriatic sea.

The *musts* are Trogir, Vis (the island was out of bounds until 1989 having been Tito's HQ), Korcula Hvar and Starigrad, and of course the indomitable Dubrovnik. Sadly, the fascinating patina of very old roofing tiles that I so enjoyed during my first visit was mostly lost to aggressive shelling in 1991/92 but the UN and EU have generously funded the rebuilding of this remarkable city.

Most travellers rave about Prague for its unspoiled medieval qualities yet here in Croatia there are many such hidden gems.

Kerr Neilson
September 2006

"She knows nothing about love, but she's out-performed the market every year for the past ten years."



"Can't you ever relax?"

"Very good! But when is he going to get around to the dividend?"

"I knew the drug would have a side effect. He fainted when I told him how much it would cost to manufacture."

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), 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.

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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