PLATINUM ASSET MANAGEMENT

The Platinum Trust Quarterly Report

31 December 2003

Incorporating the:

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

Contents

Dec. 03

PERFORMANCE RETURNS TO 31 DECEMBER 2003

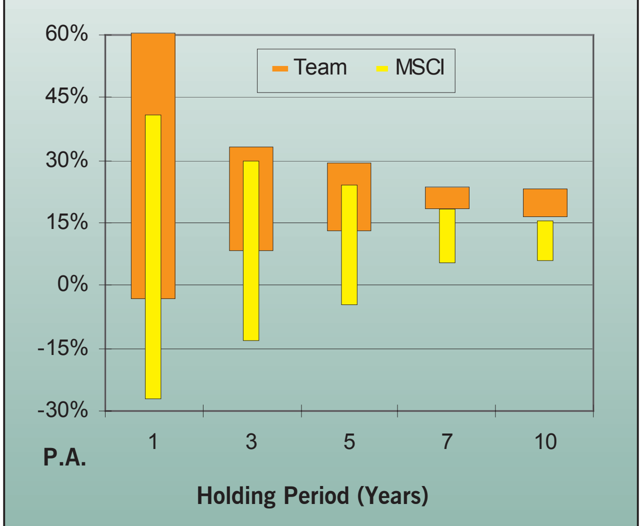
Fund	Fund Size	Quarter	1 year	2 years (comp. pa)	3 years (comp. pa)	5 years (comp. pa)	Since Inception (comp. pa)
International Fund MSCI * World Index	**$3,751mn**	**3.94%** 2.65%	**17.91%** -0.52%	**6.93%** -14.88%	**9.55%** -13.19%	**20.00%** -4.77%	**19.25%** 6.25%
Asia Fund MSCI Asia ex Japan Index	**$126mn**	**9.98%** 2.08%			(launched March 2003)		**46.68%** 22.18%
European Fund MSCI European Index	**$125mn**	**5.37%** 8.13%	**22.48%** 3.54%	**4.28%** -12.35%	**4.83%** -12.58%	**21.27%** -4.78%	**16.38%** -3.90%
Japan Fund MSCI Japan Index	**$118mn**	**1.25%** -2.64%	**23.38%** 1.57%	**10.53%** -8.98%	**6.92%** -14.06%	**23.24%** -4.05%	**25.20%** -2.18%
International Brands Fund MSCI World Index	**$95mn**	**2.25%** 2.65%	**15.21%** -0.52%	**11.19%** -14.88%	**14.63%** -13.19%		**15.02%** -13.15%
International Technology Fund MSCI World Technology Index	**$52mn**	**4.31%** 0.71%	**32.70%** 10.35%	**2.76%** -22.36%	**8.01%** -25.38%		**13.77%** -31.58%

* Morgan Stanley Capital International

Source: MSCI and Platinum

Refer to Note 1, page 29

THE TEAM'S PERFORMANCE RANGES, DEC 1986 – DEC 2003



Source: BT, Platinum

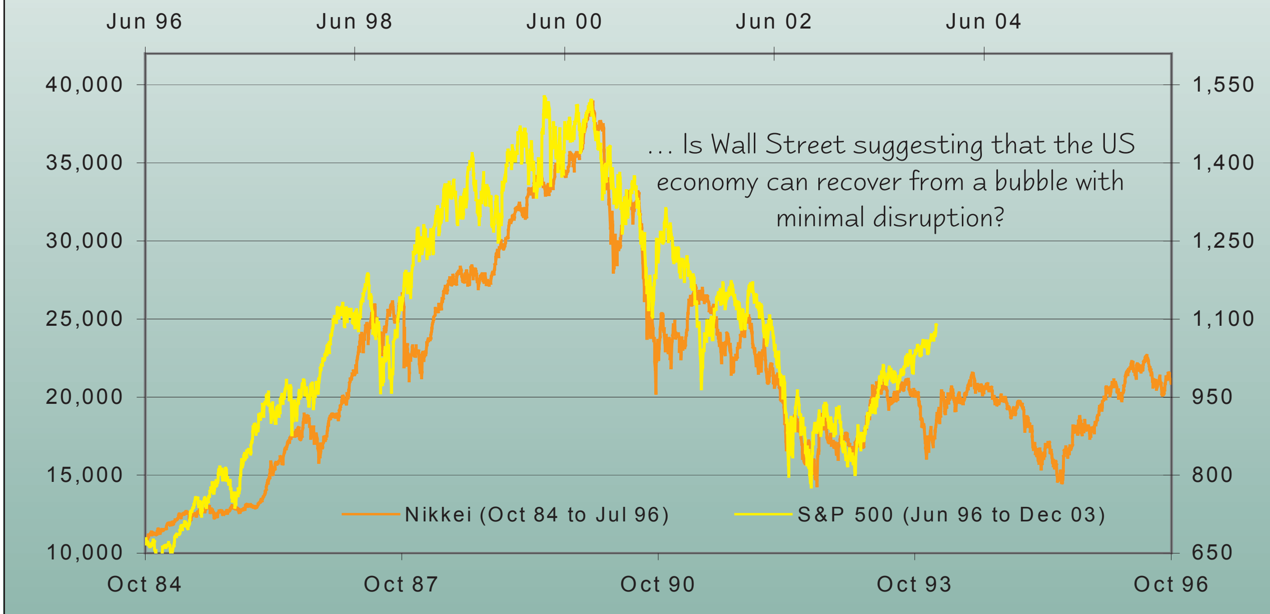
Using data that links the Platinum team's performance through time we can highlight the range of outcomes over a seventeen-year period. The resulting bars identify the variability of historic returns depending on the length of the holding period.

For example; the best performance for a single calendar year was 60.6% and the worst –3.6% while the MSCI's best was 41.1% and the worst –27.1%. As the holding period lengthens so the **variability** of returns lessen. So, a person who held our 'fund' for, say, seven or more years benefits from a lower magnitude of variability.

In plain English, the bumps in the unit price in the very near term always feel uncomfortable, but seen against the longer journey of investing, they become less perceptible.

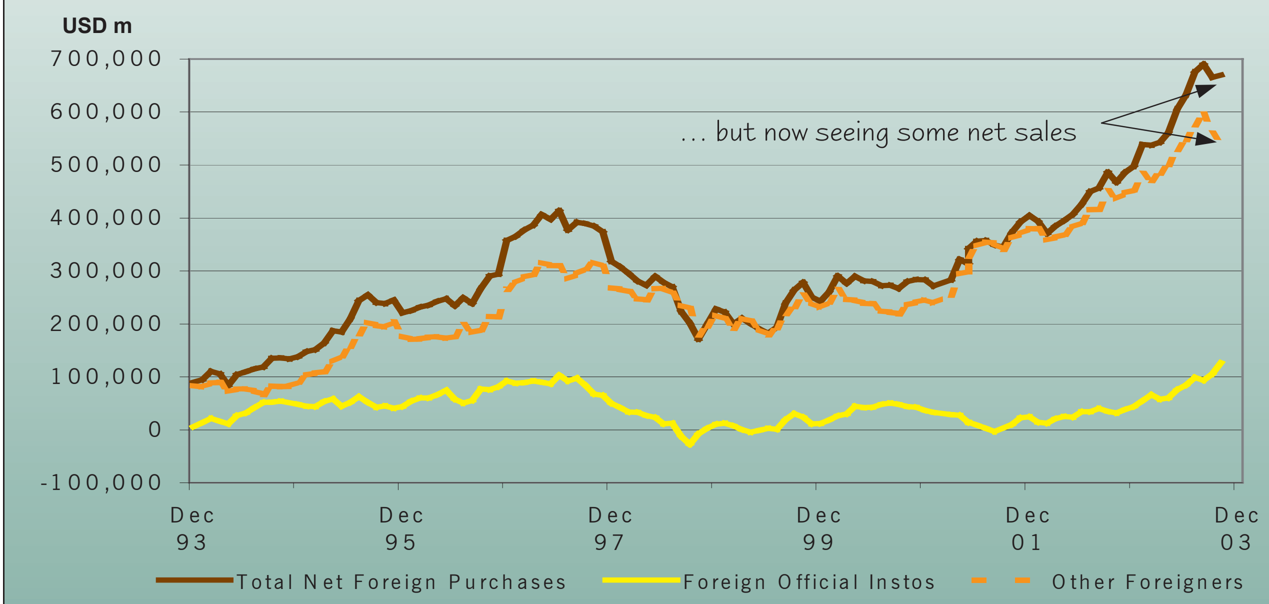
Do remember, we are showing the past and not the future!!

1996 – 2003 S&P 500 INDEX VS 1984 – 1996 NIKKEI 225 INDEX



Source: NDR, Bloomberg

ROLLING 1 YR NET FOREIGN PURCHASES OF US BONDS – CUMULATIVE (GOVT, FEDERAL AGENCY & CORP. DEBT)



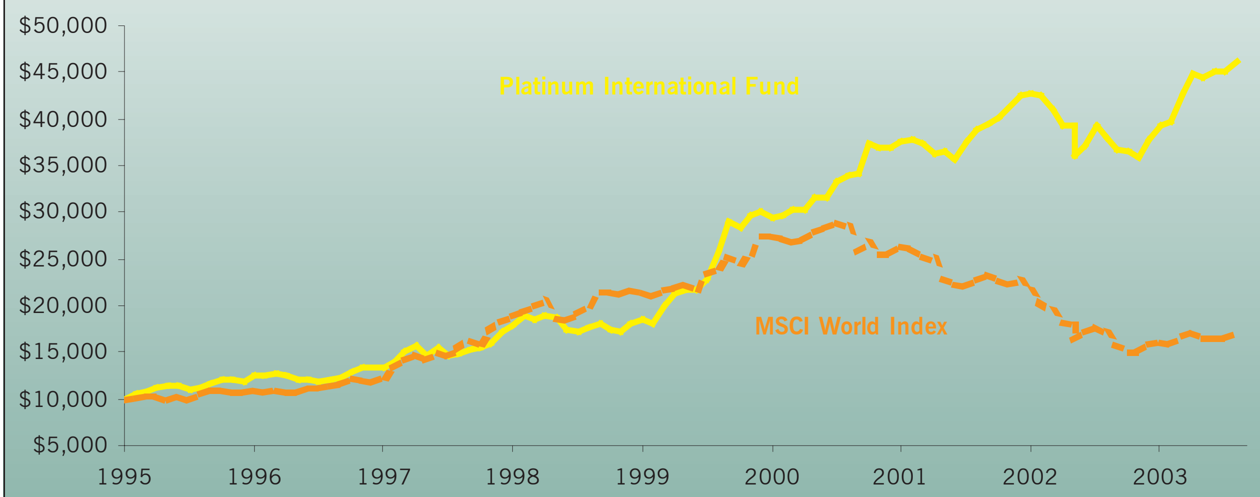
Source: US Treasury

Platinum International Fund

Performance

REDEMPTION PRICE: $1.7450

VALUE OF $10,000 INVESTED SINCE INCEPTION (1 MAY 1995 – 31 DECEMBER 2003)



Source: Platinum and MSCI

Refer to Note 2, page 29

All stock markets have been buoyant but the extent of the moves has been dependent upon the base currency. The A$ for example, rose by nearly 50% since its low versus the US$. The pro-cyclical risk appetite of investors became clear after fears of war and SARS subsided at the end of March. Emerging markets in Latin America and Asia leapt with extremes like Brazil rising by over 97% in local currency and 142% in US$ terms. The overall MSCI was up by 33.1% for the year in US$ terms, though actually down in A$ by 0.5%. For the last quarter, the respective numbers were 14.3% and 2.7%.

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

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

MSCI WORLD INDEX – INDUSTRY BREAKDOWN (US$)

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

Source: MSCI

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

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

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

Changes to the Portfolio

DISPOSITION OF ASSETS

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

Source: Platinum

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

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

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

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

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

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

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

Currency

As the quarter progressed we reduced our hedge into the A$ in favour of Yen and Euros. We continue to have close to zero US$ exposure, though we are mindful of the fact that it has virtually no supporters.

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

Categories	Examples of Stocks	Dec 2003	Sep 2003
Cyclicals/Manufacturing	Schindler, Siemens, Bayer, Linde, Océ	22%	26%
Financials	Nordea, Munich Re, Alleanza	13%	13%
Gold and Other	Shell, Barrick Gold, Newmont Mining, Gold Fields	11%	8%
Technology/Hardware	Agere, Infineon Tech, Samsung, AMD	9%	6%
Medical	Yamanouchi, Takeda, Schering, Novartis, Merck KGaA	8%	8%
Consumer Brands	Henkel, Citizen Watch, Adidas Salomon, Lotte	7%	5%
Software/Media	Sky Perfect Communications, Seoul Broadcasting	6%	8%
Retail/Services/Logistics	Veolia Environ., Deutsche Post, Hornbach	5%	4%
Telecoms	Hellenic Telecom, Ericsson, NTT	4%	5%

Source: Platinum

Shorting

We added cautiously to our existing positions and introduced shorts on very highly priced tech names such as Intel and PMC Sierra.

Commentary

As one reads earlier pieces one has written to follow the arguments of the time and to help to plot a course over the middle distance, it is very apparent that one is constantly bombarded with false signals that mislead. It is therefore hardly surprising that some of the great investors pay such scant regard to so-called macro inputs. In this past year we have had unusually large helpings of disasters including disease (SARS), war (Iraq), famine (Africa), earthquake (Iran) and a pattern of weird weather. On the economic front, we have witnessed trade disputes verging on protectionism and seen the financial system endure remarkable stress as the burden of excessive leverage is shared around. Yet, for all this the markets have celebrated an excellent twelve months, with equities soaring ahead, bonds being remarkably resilient and property booming in most places. There has of course, been one casualty which also happens to be the world's reserve currency, the US Dollar. This is a serious matter for it tells us that some of the fundamental issues, that were adversely affecting share markets when prices were variously 20% to 50% below present levels just 9 to 12 months ago, have still not been resolved.

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

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

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

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

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

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

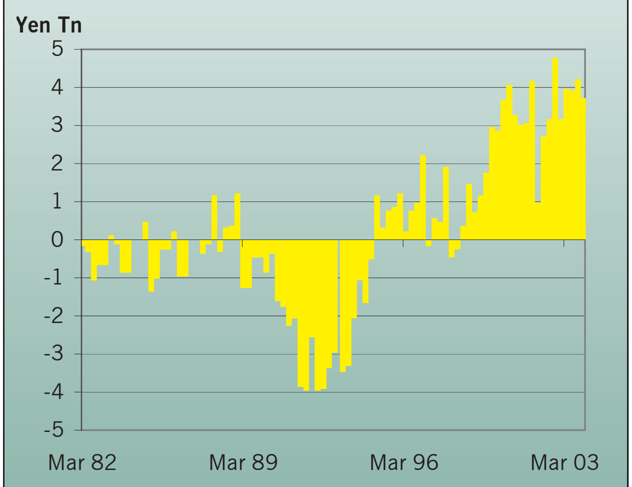
The rest of the Pacific Basin is flourishing with countries having worked through their financial problems and now seeing good export growth accompanied by a promising recovery in domestic demand. India, which we so love, could be a surprise in 2004 and perhaps outpacing China with a growth rate in excess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

The economy that troubles most is Japan.

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

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

JAPANESE FREE CASH FLOW AT RECORD LEVELS



Source: Goldman Sachs

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

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

Conclusion

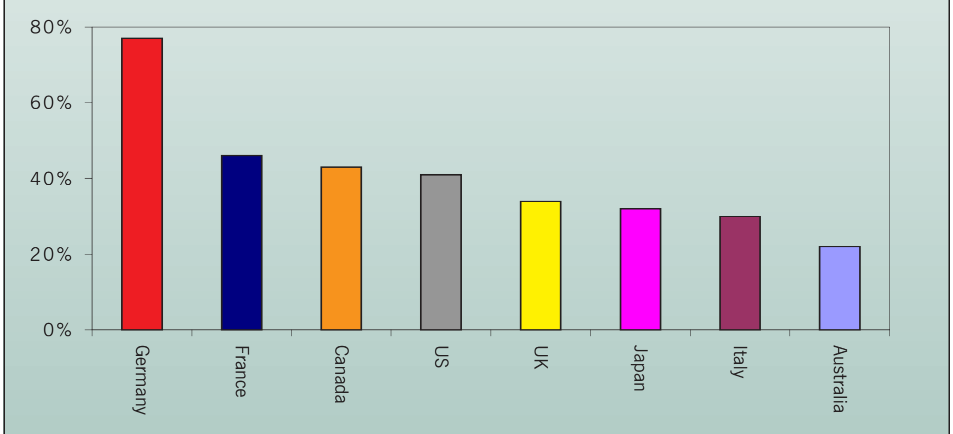
We believe that there should be at least a temporary consolidation in share prices. The pro-cyclical bias of new money entering the markets suggests a growing belief that the weaker US$ is helping to alleviate the imbalances.

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

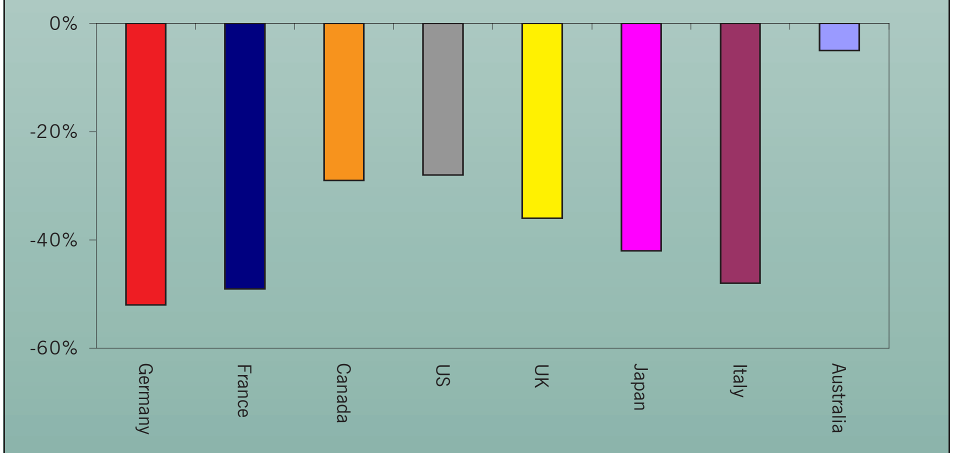
<u>Kerr Neilson</u>

<u>Managing Director</u>

EQUITY MARKET INCREASE FROM LOWS (US$ terms)



… BUT EQUITY MARKET DECLINE FROM ALL TIME PEAK



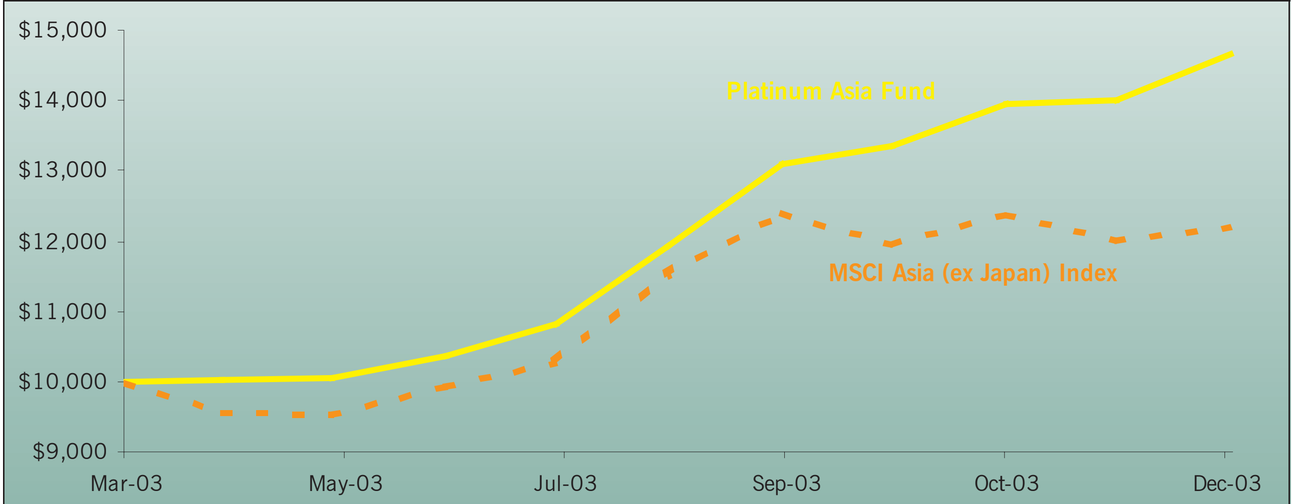
Source: Bridgewater

Platinum Asia Fund

Performance

REDEMPTION PRICE: $1.4536

VALUE OF $10,000 INVESTED SINCE INCEPTION (3 MARCH 2003 – 31 DECEMBER 2003)



Source: Platinum and MSCI Refer to Note 2, page 29

The Asian markets continued to perform well during the December quarter rising 14% in local currency terms (but only 2% in Australian Dollar terms due to the strong appreciation of the Aussie dollar). The better performing markets included the China 'H' shares[1] where the Resource stocks led the market higher on the back of strong commodity prices. Elsewhere India and Thailand continued to perform well as earnings and economic growth continued to exceed expectations.

The Fund appreciated by 10% for the quarter with the major contribution to returns coming from the Fund's Indian holdings. CESC and Tata Power (Indian electricity generators and distributors), Jaiprakash (Indian construction contractor), and Travelsky (Chinese travel reservation system) were amongst the best performers. The main detractor from performance was the rising Australian Dollar. The Fund's exposure to the Australian Dollar through the quarter ranged from 11% to 35% which offset some of the adverse impact. Small short positions on the Indian and Hong Kong stock market indices also held back the Fund's performance.

DISPOSITION OF ASSETS

Region	Dec 2003	Sep 2003
India	46%	42%
Hong Kong	5%	8%
Indonesia	7%	7%
Korea	9%	7%
Thailand	6%	4%
Malaysia	2%	4%
Singapore	2%	1%
China	13%	4%
Cash	10%	23%
Short	6%	17%

Source: Platinum

[1] H shares are shares of Chinese State companies listed in Hong Kong.

Portfolio

New additions to the portfolio include Jingwei Textile Machinery, China's leading provider of spinning machinery for natural yarns. Jingwei is well placed to benefit from the current capital spending cycle by the textile sector in China as it prepares for full removal of the quota system for textiles and apparel trade, as well as the ongoing upgrading of the textile industry's aging capital base.

ZTE Telecom is a Chinese supplier of telecom equipment that is benefiting from the roll-out of low cost wireless local loop networks in China.

In India there have been a number of changes with the Fund having sold its positions in Container Corp (containerised rail transport), Bharat Electronics (defence electronics) and Jindal Steel as these stocks had surpassed target prices.

The major new holding in the Indian portfolio is Reliance Industries - a conglomerate with interests in petrochemicals, oil and gas, telecommunications, and electricity.

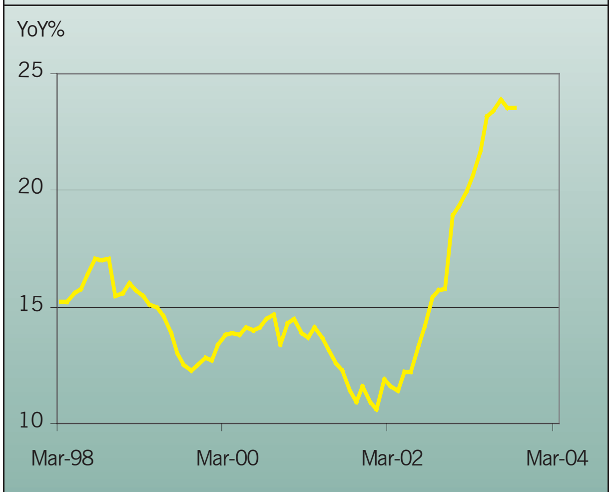
Outlook

China has been a focal point for global markets during the last quarter with its voracious appetite for resources fuelling a bull market in a wide range of commodities. The growth has been such that many commentators on China are now concerned about the sustainability of the investment boom as inflation has reached six year highs and credit continues to expand at a rapid rate. Meanwhile protectionist sentiment continues to rise in the US with authorities pressing the Chinese to revalue the Renminbi and the application of anti-dumping tariffs and quotas to a small number of Chinese imports. Despite these concerns foreign investors have continued to chase up the share prices of Chinese companies, with the Hong Kong Index of 'H' shares up 56% this quarter. Although inclined to be cautious from a short term perspective as stock prices have indeed had an extraordinary run, we would be sanguine with regards to the longer term prospects for China and Chinese stocks.

As a result of strong capital expenditure, annual growth in bank lending has picked up from around 11% in early 2002 to above 20% throughout 2003.

Assessing whether such credit growth is excessive and indicative of speculative excesses is somewhat problematic. Although at face value this may appear to be a high number, it was several years of credit growth at these levels that led to the Asian crisis of the mid 1990s. Indeed with the introduction of private property rights in China (see our September 2003 quarterly report) one year of strong loan growth seems far from excessive. These are not scientific assessments but those still worried about rampant bank lending in China should reflect on credit growth numbers in Australia with housing lending slowing to 20% annual growth!

CHINESE BANK LOAN ANNUAL GROWTH %



Source: CEIC

Much of the concern relates to the hectic pace of investment in new capacity in industries such as cement, steel, automobiles, textiles, and property.

In the last quarterly report we discussed the cement industry where 200m tonnes per annum of capacity are to be added over the next three to four years compared with the existing output of approximately 650m tonnes pa. Although this is indeed a gargantuan increase, it will largely replace existing small inefficient plants based on old wet kiln processes.

In textiles there has been a progressive dismantling of the quota system that limited China's ability to expand in this market. In 2002 China's exports to the US in apparel categories that were removed from the quota system increased between 200% to 700%. In 2005, the remaining 50% of the apparel market will be removed from the quota system providing another opportunity for growth in textile exports. As such there would appear to be a reasonably sound basis for the strong capital spending by textile and apparel producers. In autos, capacity is set to more than double over the next three years to approximately 5.6 million vehicles pa., a number that is not out of line with recent growth in vehicle sales.

Another sign usually associated with speculative excesses is rampant asset price inflation. Yet despite strong lending to the real estate sector, residential property prices in the three major cities remain subdued.

Interestingly the Shanghai stock market (the market in which locals can participate) is up only 8.5% this year. (That the Chinese 'H' shares which foreigners can buy are up 125% may well suggest that the speculative excesses are elsewhere!). The latest CPI figures do show a 3.2% increase over the last year, the highest increase in over six years, but the major contributor to this rise has been higher grain prices due to the worst drought seen in parts of the country for 40 years.

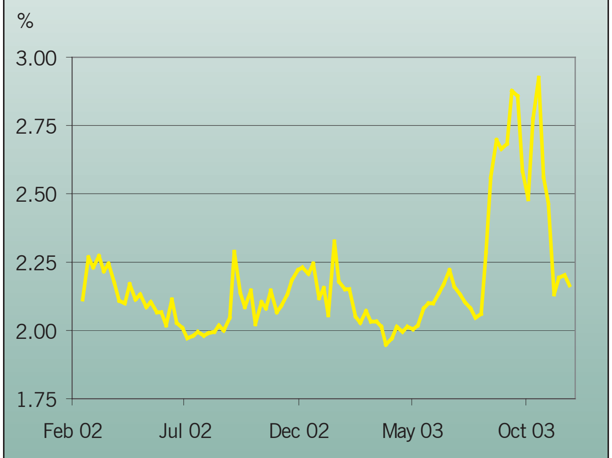
As mentioned earlier, China is having a major impact on the global commodity markets but even here the effect may well be overstated. The country is experiencing significant infrastructure bottlenecks which has resulted in coal shortages in the South and subsequent restrictions on exports of coal from the North. Anecdotal evidence would suggest commodity buyers in China are building inventories to avoid potential shortages.

Nevertheless, the People's Bank of China has been taking measures to cool the economy through increasing the reserve requirements of the banking system and other qualitative measure to slow loan growth. Although many are cynical about the ability of such measures to have an impact, it would appear that the pace of the growth in imports and bank lending has slackened in the last quarter. Indeed the inter-bank interest rate in China has fallen back in recent weeks.

As such we would not be surprised to see a pull back in the 'H' shares of the Chinese Resource companies that have led the rally along with some set back in expectations for growth in the Chinese economy in the early part of next year.

However, this should be seen in the context of an investment boom in the economy that has some way to run. A final note of caution on growing US protectionism needs to be made. To date the actual measures taken against Chinese imports are

CHINESE INTER-BANK RATE



Source: CEIC

relatively insignificant with regard to the value of goods involved and indeed the actions should be seen as part of the 2004 US electioneering process, yet the rising tide of protectionism from the West remains a key risk for the China story.

In India, the benefits of a decade of deregulation and economic reform have been strongly evident in 2003 with the country experiencing one of its strongest periods of economic growth. The combination of lower prices and the availability of cheap financing is stimulating demand for a broad array of businesses. For example, in 1999 the mobile phone business was thrown open to free competition at a time when the country had approximately two million mobile phone subscribers. Subsequently, call charges have fallen by over 80% and in 2003 mobile subscribers increased by 17m to end the year at 31m. More importantly there are signs of a general pick up in business investment with truck sales up more than 30% this year.

During the quarter an important development was the result of State elections which saw the governing party at the Federal level, the BJP, win office in a number of the larger States. The significance is that economic progress has rewarded the BJP with a strong result at the polls, fortifying their resolve to press ahead with reform. (The one exception was in Delhi where the reformist Congress party government was returned to power). Despite significant progress since the end of the "self-reliance" era in 1991, there are many critical areas where further reform is still required. Complex labour laws have meant that India, despite very competitive wages, has struggled to compete with China in areas such as textiles and contract manufacturing. The removal of the quota system for textiles and apparel represents a major opportunity for India but further reform of labour laws is required if this is to be fully exploited. The opportunity for the country was further highlighted by Wal-Mart's announcement that they were scouting for Indian suppliers in order to diversify their sourcing away from their heavy reliance on China.

Meanwhile the Indian stock market had an extraordinary quarter rising over 33%. Despite this large move, the valuations of the Fund's holdings remain attractive due to strong growth in profits and the very deep value that the Indian market presented earlier in the year. However given the gradient of the rise in many share prices, it would not surprise if the market was to pull back in the early stages of 2004.

Andrew Clifford

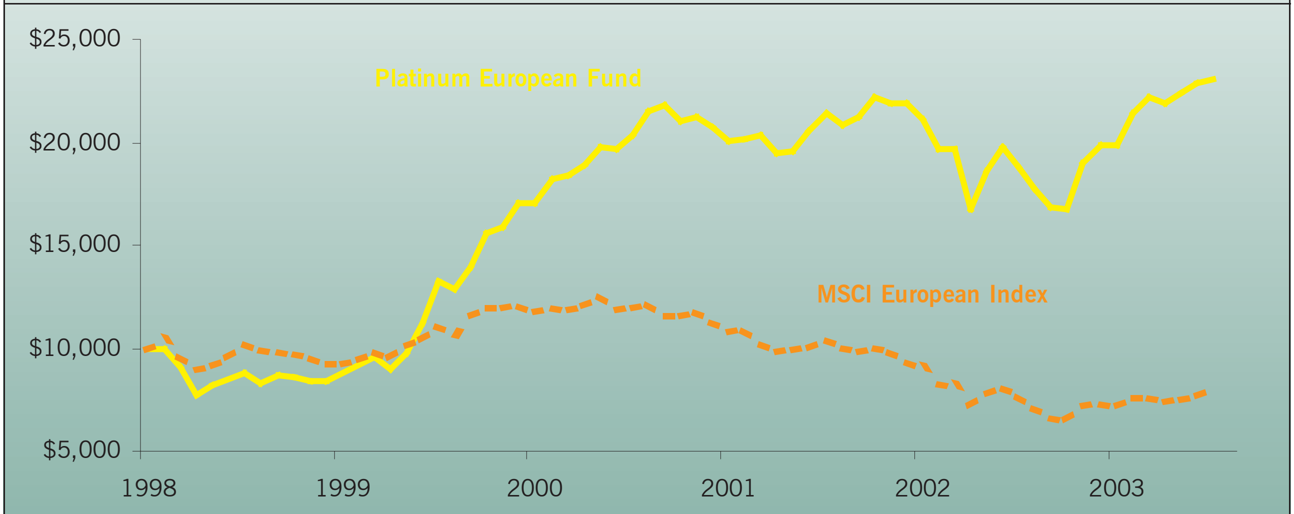
Portfolio Manager

Platinum European Fund

Performance

REDEMPTION PRICE: $1.7248

VALUE OF $10,000 INVESTED SINCE INCEPTION (1 JULY 1998 – 31 DECEMBER 2003)



Source: Platinum and MSCI

Refer to Note 2, page 29

Markets higher with manufacturers leading a broad advance, despite strong euro

European stock markets moved up 11% in the quarter as enthusiasm for stronger economic growth overcame concerns about the impact of stronger European currencies (against the US$ and by extension against many low labour cost countries). The strongest sectors were Steel (+28%), Manufacturing (+18%) and Machinery (+17%), and the participation of Computer Hardware/Software (+17%), Media (+13%), and even Tobacco (+14%) indicates the breadth of the advance. The Australian Dollar was 3% stronger vs the euro, so that the MSCI Europe index return measured in A$ was 8% for the quarter. Over the calendar year, the index was 3.5% higher (with its 17% local currency gain all but erased by the A$ strengthening over the period).

The Platinum European Fund advanced 5.4% over the period, as good performances from various German holdings (eg retailers, Adidas, Merck, Heidelberg Cement), French water utility Veolia, and Danish trucker DSV were offset by the lower share prices of our "technology" investments - Infineon (semiconductors) and Medion (PCs). Our partial hedge into the Australian dollar afforded some offset to the rising currency. Over the year the Fund returned 22.5%, 19.0% ahead of the index.

The illusion of stability in the West

In the Western world, globalisation – by its downward impetus on the traditional (misleading) measures of inflation – allows irresponsible domestic political strategies to succeed. Where in decades past the inflationary consequences of debt funded consumption and property bubbles would generate an offsetting interest rate response, today in many countries rates are not moving up, and where the monetary authority has raised rates (eg Australia) politicians loudly compromise the central bank's supposed "independence". It is common sense that where debt fuelled consumption (US, Australia etc) threatens the future of the financial system, then interest rates should rise to reduce the damage. Inflations – whether in commodity prices, property, other assets, wages, or manufactured goods - are damaging because "illusory" price signals cause the mis-allocation of resources. The currently popular measure of inflation (the CPI – over-influenced by the falling prices of many manufactured goods) suggests no immediate problem. But this should not be used as a fig-leaf to ignore reality. And the fact that higher interest rates would necessitate less wanton behaviour by many people in no way rescinds the economic logic; the reality is it encourages politicians to overlook their responsibility to the future and to pander to the indebted consumer.

Independent central banks, whose own politics it suits to encourage perceptions of their omnipotence, give the illusion of respectability to what is likely an economic calamity in the making. "Consumerism" (seemingly insatiable buying, despite growing evidence that more possessions don't really please the individual and certainly not as much as they expect) should either collapse under its own emptiness, or be forced to shrink by the economic problems it has caused.

Thus the future may well see some of the following:

- The benefits of the independence of central banks will be questioned.
- The "wizard of Oz" trick of policy control will be revealed as the illusion it is (relative to the influence of international product, labour and capital markets).
- The paradox of all large economies wanting a "weak" currency will persist.
- "Globalisation" as it is currently unfolding will attract increasing domestic opposition, eventually leading the same self-serving politicians to respond (thus in fact increasing their power as the declining relevance of nation states relative to international companies reverses). The response will be dressed up under all sorts of guises, but will revolve around restricting trade, and reversing the loss of Western world jobs.
- Global growth will probably slow, but profits for many firms may well be higher, steadier, and more predictable.

It is with these sort of concerns in mind that we continue to search for sensible investments; in addition to the promising opportunities in Japan (and Asia more generally), we sense that much of continental Europe offers a more reliable environment than the "Anglo-Saxon" countries.

October company meetings in Europe – oil, transport, optical industry

We had meetings with 27 companies in Europe in late October visiting Germany, The Netherlands, France and England. With our expectation for continuing high oil prices in the coming years, we visited several European oil majors, and also the "oil services" companies who work for them. Transport is an obvious theme with the continuing transplantation of manufacturing away from rich countries (and hence the need to move ever higher volumes of goods around). We have several investments along this theme and saw some of those companies as well as some competitors. The optical (ie corrective eyeglasses) retail and manufacturing industry is another interesting area for investment.

The oil majors, with the exception of Total of France, tend to be rather like second-rate mining operations in that they have generally failed to replenish their reserves and thus face ever greater exploration expense to maintain production. The oil giants tend to be exposed to the declining North American and North Sea fields. By contrast Total finds itself, helped by national champion status (it was allowed to buy Elf Aquitaine), in a strong position, with a good spread of activity from Russia to the deep water fields off the West African coast. Reserves are high and growing; production is increasing. This is well understood by observers, but the stock is not so far from being an interesting investment (largely because many stock market participants seem to regard oil declining below US$20 as likely and sustainable – we disagree).

The actual oil service companies in Europe – from contractors like Technip, Saipem, and IHC Caland to seismic leader Geophysique – tend to be less profitable and carry more project risk than the powerful American players such as Schlumberger, Halliburton etc. This is not least due to the mature nature of the North American fields (production peaked thirty years ago) and thus the high degree of sophistication needed to maintain production. While some of these Europeans we visited are interesting plays on the increasing importance of deep-water fields, for example, their project (rather than technology) emphasis and implicit balance sheet risk discourages us from paying more than very modest multiples for the shares.

In the last couple of years the Fund has enjoyed strong returns from transport companies such as DSV (Denmark) and Stinnes of Germany (since taken over by Deutsche Bahn). In addition, as we mentioned last quarter, we are building a position in transport giant Deutsche Post (which operates through DHL and Danzas). We were late to play the container shipping angle in the secretive AP-Moeller/Maersk group, but have a position in one of its best competitors, Hapag Lloyd, via our holding in TUI of Germany. On our recent trip we visited Nedlloyd, TUI, Deutsche Post (again) and another small trucker based in Paris. Overall it seems clear that where the trucking operations are providing a reliable, useful service to (loyal) customers, and thus pricing it for the service it confers rather than at its marginal cost, then profitability is good and quite steady. Eventually Deutsche Post should be able to exploit its scale and it will be a feared competitor even for focused trucking companies. On the container shipping side, for the first time in a while rates are quite high and the scheduled new capacity is unlikely to keep pace with demand growth. (The fact that major Korean shipyards are booked out with urgent demands for oil/gas tankers and bulk carriers as well means that this situation should persist for a while yet). Thus the companies are enjoying good and growing profitability, the unsuccessful attempts to collude through "conferences" etc in the last decade notwithstanding.

Our interest in eye glasses began with the slumping share price of German retailer Fielmann. This was a *short-sighted* stock market response to the German health care reform, which removes subsidies on corrective lenses from January 2004 (thus while the stores have been over-run with business in the last few months, the stock market anticipated a collapse in business and hence weak profits in the first part of 2004). Wider investigation of suppliers such as Essilor (France) and other retailers like Grandvision (also based in France) ensued and we saw all these companies on our recent trip. The area is of interest, both in a retail and manufacturing sense, as technical improvements (progressive lenses, polycarbonate rather than glass materials, and protective coatings) increase the usefulness and price, and quicken the replacement cycle of glasses generally. This all conspires to increase sales and profits in the industry, so that share price set-backs are immediately worth investigating.

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

Categories	Examples of Stocks	Dec 2003	Sep 2003
Miscellaneous Services	Deutsche Post, SGS Surveillance	17%	18%
Retail	Hornbach, Douglas	12%	11%
Capital Goods	Océ, Schindler, Siemens	11%	15%
Pharmaceutical/Biotechnology	Novozymes, Novartis	11%	10%
Chemicals/Materials	Linde, Merck KGaA	11%	8%
Tech/Media	Ericsson, Infineon Tech	8%	7%
Consumer	Adidas, Henkel	8%	7%
Financials	Credit Agricole, Alleanza	7%	9%

Source: Platinum

Outlook – better profitability prospects discounted, supply plentiful, reforms encouraging

A year ago we wrote that the contradiction of the so-called stability pact (governments forced into contractionary fiscal policy during a recession) and the confusion in Germany (illustrated at the time by Chancellor Schroeder's announcement of six new taxes in a few weeks) meant that crisis point had been reached and thus change was inevitable. It is a relief to be able to write, a year later, that the stability pact has been overridden, and that the German government has come to a deal (with the opposition who control the upper house of the parliament) which begins serious labour market and welfare reform. This news, combined with some tax cuts, has been welcomed by the market and should also bolster the steadily improving business and consumer confidence.

With this slight tailwind largely offset by the depredations of the ever cheapening US$, however, valuations look fair rather than cheap. We note the continuing issuance of new equity by companies – both by those needing to refinance, and by opportunists taking advantage of good prices. On the other hand, more companies are starting to buy each other, and the prices paid are generally pretty high. Among the largest in recent months was General Electric continuing its expansion in the medical arena (we described twelve months ago its acquisition of anaesthesia monitoring specialist Instrumentarium of Finland) when it acquired Amersham (UK). This company, which emerged from the British government's nuclear research activities (in fact it was the Thatcher government's first privatisation, in 1982) grew steadily and in 1997 made the large acquisitions of Nycomed (x-ray contrast media) of Norway and the very interesting biotechnology unit from Pharmacia as the Swedish company changed hands. The most obvious link with GE is the X-Ray, CT and MRI scanning hardware that the American giant sells; the other areas of Amersham also show considerable promise. At an earnings multiple in excess of 30 times, however, GE is paying a full price.

In recent months the changes to the portfolio have tended to involve scaling back a few investments where price increases have made the holdings larger than required – notably inspection/testing giant ***SGS*** of Switzerland (where the re-energizing of the company under a new CEO has combined with excitement over their expanding role in testing and verifying Asian production for Western markets) and ***Merck*** of Germany (whose first major cancer-fighting biologic has received approval in Switzerland, and whose LCD chemical mixtures are selling as fast as they can make them to supply the LCD screen boom). New holdings we have added in the quarter include ***Schering*** of Germany and specialty chemical maker ***Ciba*** of Switzerland. The Platinum European Fund is currently 84% long and 9% short for a net exposure of 75% in European equities.

A year ago we also noted that the A$ was at its cheapest since flotation against the Swiss franc (and obviously against the four year old euro), and hence our maintenance of a 60% hedged position into the A$. Over the year, the A$, apart from its rapid rise vs the weak US$, has also improved by up to 15% vs the Europeans. With this increase the A$ is at the average level of the last 10 years vs the Europeans, and with the debt threats alluded to above facing Australia, we have cut the position back to 30% A$ and 70% exposed to various European currencies (excluding the Pound Sterling).

Toby Harrop

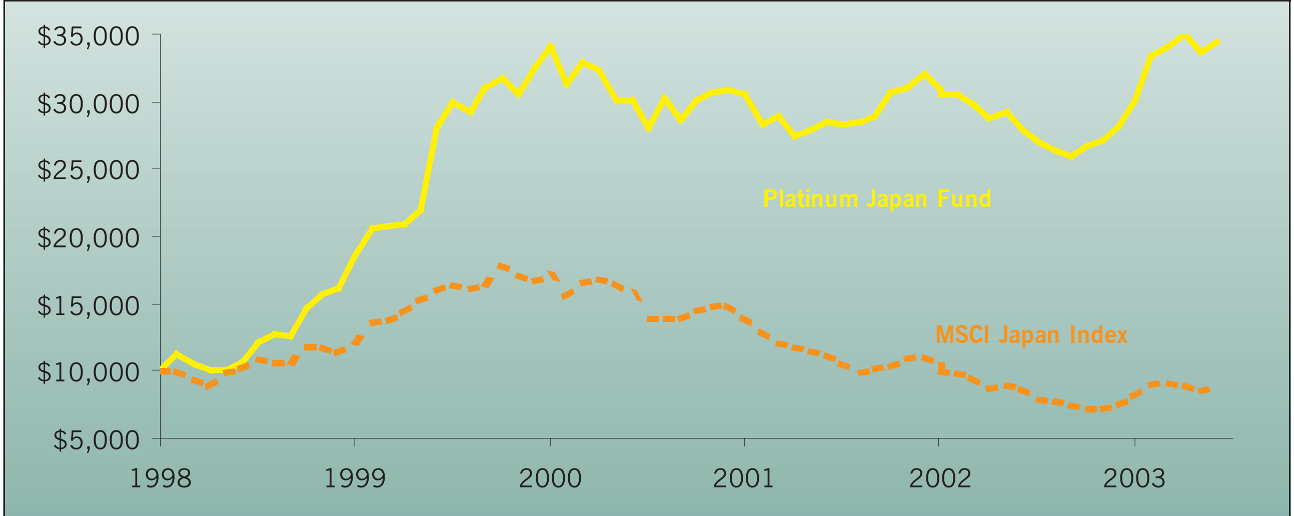
Portfolio Manager

Platinum Japan Fund

Performance

REDEMPTION PRICE: $1.7812

VALUE OF $10,000 INVESTED SINCE INCEPTION (1 JULY 1998 – 31 DECEMBER 2003)



Source: Platinum and MSCI

Refer to Note 2, page 29

The Japanese stock market was volatile over the quarter but ended essentially unchanged in local currency terms. Stronger world markets failed to have an impact on Japan as the market digested the strong foreign buying seen in the previous quarter. Concerns regarding a stronger Yen and the ongoing structural issues of the banking system and the fiscal deficit had a negative impact on sentiment. In $A terms the MSCI Japan index fell by 2.6% over the quarter as the $A rose strongly against both the $US and the Yen. The Fund rose a modest 1.3% in $A terms as our currency hedge from Yen back into $A helped and within the market there was a move back to higher quality stocks which benefited our portfolio.

Changes to the Portfolio

There were large changes to the portfolio this quarter with both an increase in the net invested position and switches among a large number of stocks. Toward the end of the quarter with global markets moving ahead and Japan languishing it was decided to deploy some of our cash holdings. As a consequence our net invested position rose to 78% at quarter end from 63% previously. New stocks added to the portfolio included Ajinomoto, Yamanouchi, Fuji Photo Film and Rinnai. Stocks removed from the portfolio included Toys "R" Us, Hankyu, NTT and NYK. The focus of the changes was to shift funds into higher quality companies that have been neglected in the recent market strength which has favoured highly cyclical stocks. An example of such a stock is Fuji Photo Film. The market has fretted about the decline of the traditional film and paper business in favour of digital cameras and home photo printers. However, the traditional business now

DISPOSITION OF ASSETS

Region	Dec 2003	Sep 2003
Japan	76%	62%
Korea	10%	10%
Cash	14%	28%
Short Derivatives	-13%	-14%
Long Derivatives	5%	5%
Net Derivatives	-8%	-9%
Net Invested	78%	63%

Source: Platinum

accounts for less than 25% of profits and the company is seeing profit growth in such areas as digital products (cameras and components), LCD films and in its China copier business. It seems to us that the market has become overly pessimistic on Fuji's prospects at exactly the point where the transition to digital has largely taken place.

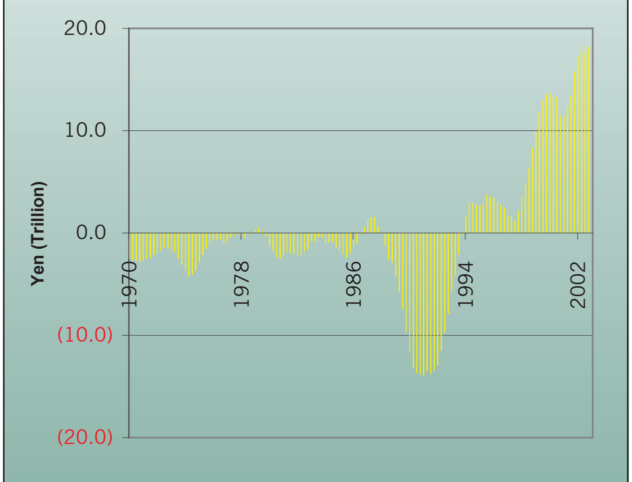
Commentary

Japan Trip

We recently completed a week of company and analyst visits in Japan and returned with the essentially unchanged view that the market remains interesting from a stock selection perspective. In terms of the economic direction the picture is more clouded and interestingly, despite the generally upbeat feeling on the streets of Tokyo, the locally based commentators were frequently quite bearish about prospects for the economy. They see the current cyclical upturn as no different to the two other upturns (95/96, 99/00) which have occurred over the past decade. The bottom line of their argument is that there have been no significant structural changes in the economy and hence when global demand for exports wanes the economy will be back where it started. It is hard to argue with them but it is also true that such feelings are bound to predominate after such an extended downturn. Indeed, normally this kind of feedback would make us more bullish on the market if it were not for the fact that foreign investors appear to have taken a much more bullish position as is evident in their buying 7 trillion yen of stock this year and their generally overweight positions. The counter point that needs to be made is that a large part of the flow has come from hedge funds who rather treat Japan as an emerging market, and hence essentially have a similar view to the local commentators ie that it is a purely cyclical recovery. It is possible that more buying could emerge from global pension funds if the economic advance proves to be more sustainable.

The feedback from our company meetings was in stark contrast to the mood of the commentators. There was a much more bullish tone, probably driven by the good profit growth currently being generated on the back of restructuring and strong export growth as well as the huge cash flow surpluses that have built up. Indeed the annual corporate cash flow surplus has risen to historical highs of 3.6% of GDP (see chart). We have talked many times before about the positive changes we see happening in corporate Japan and our meetings confirmed that the trend is entrenched. This is very important because it is the innate strengths of the corporates which tend to drive economic activity. Given the surpluses behind them, the breaking free of historical ties and the current cycle of product innovation - corporates will continue to be the main driver of economic activity.

CORPORATE SECTOR GROSS CASH FLOW ANNUAL RATE

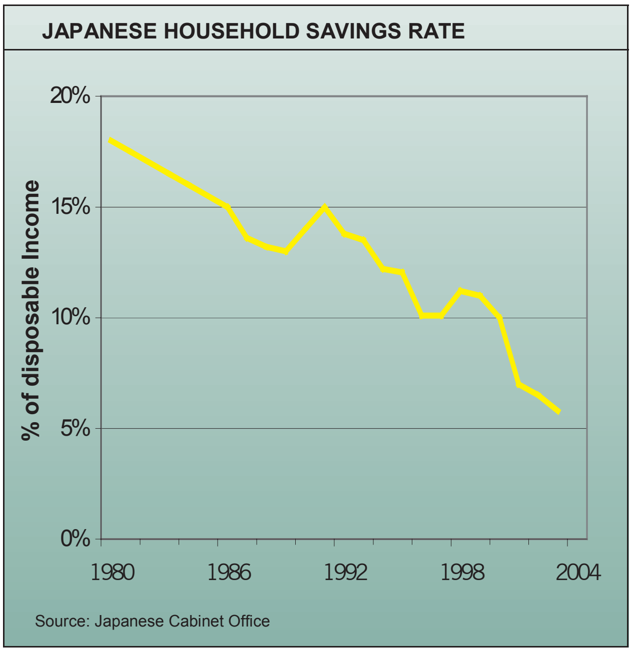


Source: MoF

The current debate over fiscal policy provides an interesting illustration of the opposing views on the economy. Currently Japan runs a primary fiscal deficit of 6.5% of GDP and has a government debt to GDP ratio of 160%. In order to merely stabilise the Debt/GDP ratio the government would need to run a surplus of about 3% of GDP (assuming no pickup in nominal growth) which would require a 9% of GDP swing in government spending. Whilst we were in Japan, and with the election out of the way, the government has started talking again about addressing this problem. They seem to be starting off gently with proposed removals of tax breaks next year of around 3 trillion yen (0.6% of GDP) and a plan to hike pension contributions progressively over the next 15 years which would provide a cut of around 1.6% of GDP. The concern of the bears is that this is hardly enough and we will need to see further measures such as a raising of the consumption tax (potentially from 5% to 14%) and continuous cuts in public works (outlined in Sept 03 quarterly) and that this will mean strong headwinds for the economy. The very harsh impact on the economy from the last (modest) increase in the consumption tax is still fresh in people's minds!

On the other side of the argument it is important to remember that fiscal policy is essentially a counter weight provided for a weak private sector. If the private sector rebound is strong enough then the fiscal adjustment can be absorbed although growth will be stunted. As we mentioned, the corporate sector seems to have entered a very interesting phase seemingly throwing off the baggage of the past. The large surpluses being generated stand a good chance of being recycled into increased capital spending as the age of the capital stock has increased considerably. In terms of the household sector, whilst they have been under pressure from wage cuts their spending has been quite robust. This is a result of the savings ratio continuing to decline quite sharply - even down to US type levels. This has come from the need to maintain spending levels and, with the ageing of the consumer, it is likely for this trend to continue (see chart).

The feeling we get is that, whilst economic growth will be slowed, an excessive emphasis on the fiscal balance is not necessarily healthy when you account for the other positive changes that are going on.



We would also highlight that it is interesting how this is seen as a major problem for Japan whilst the ballooning US fiscal deficit is ignored by that stock market! The Japanese stock market would be positively surprised if the private sector recovery is robust and sustainable. This could also have consequences for the banking sector (positive) and the government bond market (negative) which we have discussed previously.

Outlook

Our basic view of Japan remains unchanged. It remains a promising market for careful stock selection with valuations at attractive levels on both international comparisons and against local interest rates. However, in the short term, the market has discounted quite an optimistic view of recovery with strong gains in lower quality cyclical stocks and the market remains somewhat vulnerable to a slowdown of international growth perceptions. In addition, despite the strong backdrop of corporate profitability, the Bank of Japan seems to have become more complacent when one looks at recent sterilisation of currency intervention. Once again it is becoming more important to appraise stocks based on their medium term growth potential.

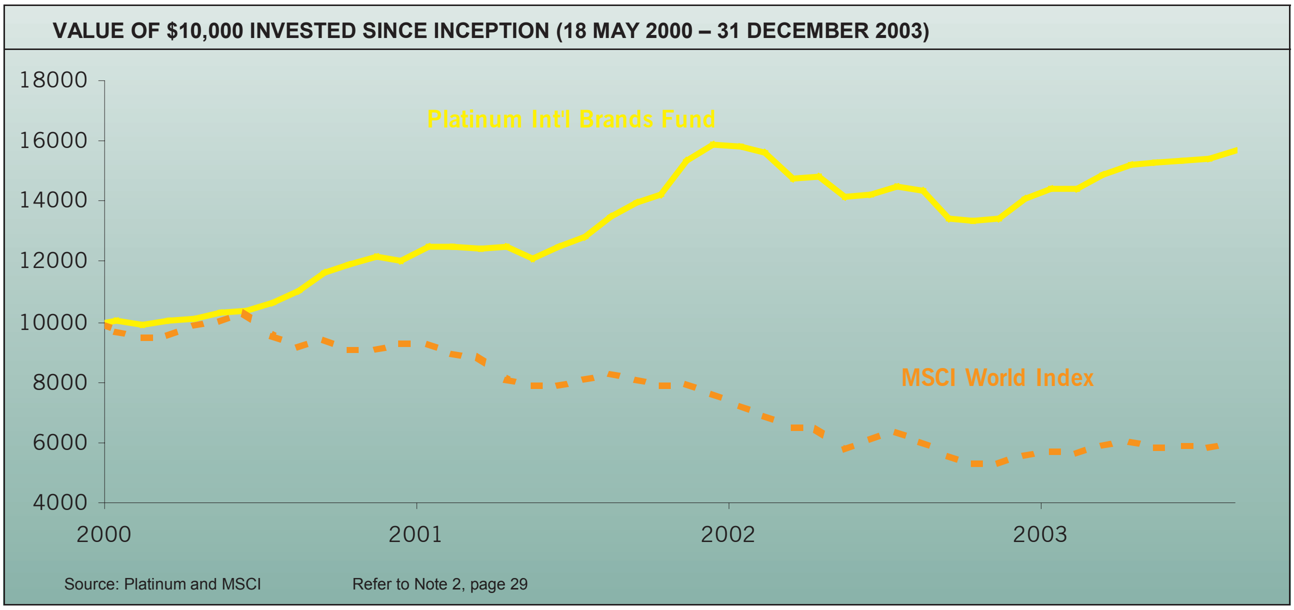
Jim Simpson

Portfolio Manager

Platinum International Brands Fund

Performance

REDEMPTION PRICE: $1.4288



Following on from last quarter's strong performance (+12.3%), the Platinum International Brands Fund's performance this quarter was a more subdued 2.3%. The Fund lagged the MSCI World Index (2.7%) but was ahead of our proprietary index of branded goods (+0.1%).

A number of the stocks that had strong runs in the last quarter suffered some modest pullbacks; for example, Sky Perfect Communications fell 7% in the quarter after an exceptionally strong 64% in the prior quarter. Overall our long positions performed positively. They were offset by losses contributed by our short positions and the strong A$.

We have previously described our thinking regarding the perilous state of the US consumer's balance sheet and the rising costs for companies competing in that market. As we write, there are regular press and analyst reports speculating on the strength of the Christmas shopping season and the impact of influences such as the weather, discounting strategies and the rising costs of commodities and energy. We believe that at these valuations there is little room for disappointment and have maintained our short positions despite the continued upward drift in valuations and seemingly ubiquitous optimism in the ability of the consumer to continue to spend relentlessly.

DISPOSITION OF ASSETS

Region	Dec 2003	Sep 2003
Europe	49%	49%
Japan	19%	20%
Other Asia (incl. Korea)	20%	10%
US	2%	3%
Cash	10%	18%
Shorts	13%	16%
Net Invested	77%	66%

Source: Platinum

Stand out performances from two of the Funds top five holdings, Citizen Watch (+18%) and Adidas (+20%) were supported by strong gains in our investments in Indonesia and India. Wolford, having run up 52% in the prior quarter, continued to appreciate strongly and we took the opportunity to sell our position into this strength.

Changes to the Portfolio

In Europe, we added to our position in WH Smith Ltd, the UK high street retailer and established a new position in Beiersdorf. Vigilant readers may recall that we owned this stock briefly a year ago and sold our position during the excitement of the speculation of a takeover by Proctor and Gamble.

In Japan, we have made modest changes to the portfolio with the addition of Fuji Photo Film and Ajinomoto while selling out of our position in Toshiba. Overall though the weighting of the Fund in Japan has been consistent at about 20%.

Our weighting to Asia, specifically India, has increased appreciably as we have built on our positions in some of their leading branded goods companies. Our investment in India has increased from less than 5% of the Fund to approaching 15% and will remain an area of focus for the Fund.

Commentary

In our last report, we commented that we had started to invest in a number of local branded goods companies in India. The usual list of multinationals has been present in India for many years, diligently building brand awareness and developing mass marketing techniques with varying degrees of success as they grappled with the diversity of the population (geographic, economic and social standing). Nonetheless they have been gradually developing the strong foundations of brand recognition and value while building distribution infrastructures. Unilever started shipping crates of Sunlight Soap in the summer of 1888 embossed with “Made in England by Lever Brothers”, formed Lever Brothers India Limited in 1933 and finally Hindustan Lever Limited in 1956. Despite Hindustan Lever being the largest and most developed branded goods company in India, we have found more compelling investment ideas amongst the local brand names. Amongst others in the portfolio, investments such as ITC (Indian Tobacco Corporation) and Asian Paints are good examples to showcase.

Asian Paints is by far India’s largest paint company and is emerging as a leading international manufacturer, ranking in the top ten global decorative paint companies. The international operations, which have grown to be 20% of total sales, have been built through acquisitions such as Berger International giving the company the right to use that brand name in over 70 countries.

Four Indians founded the company in 1942 at a time when the Indian paint industry was concentrated in urban areas and dominated by British manufacturers. As a fledgling operation competing with the British, the company turned to the unloved rural market, building a distribution system that could handle the low order volumes and high refill cycles over a significant geographic spread. This built loyalty with the Asian Paint dealers, allowing them to survive and flourish through times of typically very tight credit. Gaining confidence, the company pioneered the use of mass-market advertising of paints to build their urban share, achieving market leadership in 1967 and are placed today at more than twice the size of any other paint company in India. The drive of the founders has not been diluted by the success of the company; state of the art manufacturing techniques and a strong focus on R&D are central to meeting the opportunities for further success both domestically and internationally.

ITC (Indian Tobacco Corporation) is the leading Indian cigarette company with a 76% market share driven by strong brands. ITC has a very defensible market position, India having similar advertising and health warning standards as the Western world make it essentially impossible for a competitor to use widespread media to launch and build a competitive brand. Further, in India 45% of cigarette consumption (by volume) is based in the rural regions (600,000 villages that account for 60% or 600mn of India’s population), and 75% of all cigarettes are sold as single sticks via small kiosks. Again, the ability to build a distribution system that can supply small quantities over a thinly spread population base that is poorly served with transport infrastructure is key to the success of the company and difficult to replicate.

The Indian cigarette market is comparatively small, the Indians spend less than half that of the Chinese on tobacco consumption and of that, half the Indian consumption is in “bidis” – the hand rolled market that retails for around one tenth of the cost of an ITC cigarette. The "bidis" market is currently untaxed providing a significant price advantage, clearly any move by the government to extend taxes to the "bidis" would provide a significant opportunity for ITC.

The company is progressively investing the strong cigarette cash flows into lower return activities such as rural commodity distribution/marketing, paperboard/packaging, hotels, retail and consumer food products. Investors have generally viewed this negatively - we have adopted a more benign view as most of these activities are now paying their own way and some are not without merit.

The best example is ITC's e-choupal (meaning meeting place) initiative. An e-choupal kiosk contains an internet enabled computer located at the village market that provides the local farmer live local, national and international prices for key crops. As always, market information has value and providing the farmers with the means to directly monitor crop prices should also facilitate a fairer outcome. In return for providing this, ITC is able to gain preferential access to the marketing of these crops for national and export markets. This may represent the beginning of a major upgrade to India's crop handling infrastructure with benefits to both growers and consumers.

We think that all these factors combine to make ITC an interesting investment with very good leverage to an improvement in rural prospects following the recent good monsoon.

NIVEA

Moving to Europe we have taken a position in Beiersdorf, perhaps better known for their Nivea brand. Toby Harrop wrote in our March quarterly report of the distress in the German financial markets which in itself gave rise to several opportunities for us. Allianz, the large German insurer, owned 44 percent of Beiersdorf and made the (clearly distressed) decision to part with an investment that it has held since 1937 and had acquired from part of the founding family. The Tchibo group, a private family company known for their "Tchibo retail outlets" held 30% of Beiersdorf and as we described last year, Proctor and Gamble was circling. On the sidelines was Henkel, who made no secret of their interest in the company. The Claussen family, with links back to the founders held 10%.

As a reluctant seller, Allianz was seeking E160 to E180 per share, significantly higher than the market price and we suspect a price designed to test the proclivity of Proctor and Gamble to pay outstanding prices for businesses that can progress their ambitions. Relevant to the final outcome was the resolve of the German corporate world to resist US acquisition ambitions, something that should not be underestimated. Meanwhile, the Tchibo group was engaged in their own internal family disputes about the control and management of their own company and in any case had insufficient funds to complete the deal with Allianz.

We had all the ingredients for a terrific story of family and corporate intrigue. As it turned out, the Tchibo group sorted themselves out, brought in an experienced CEO and pulled together a plan that satisfied Allianz at E130 per share. Tchibo now own 49% of Beiersdorf. A group of investors in Hamburg, (including the local government) has taken a 13% stake in the company while Beiersdorf has agreed to buy 7% of its own shares from Allianz. Allianz was left with a 3.6% stake. Deterring foreign predators is one thing, but families getting on with each other is another and just recently the Claussen family has exercised a pre-agreement with Allianz to sell them a 4% stake in Beiersdorf for E130, taking Allianz' stake back up to 7%.

The share price fell to less than E100 during this period when it became clear that the opportunity to sell shares at the price that they were changing hands amongst the owners would not be extended to the public. The backdrop of difficult trading conditions in Germany hasn't helped. We took this opportunity to build our position despite the stock's valuation being still somewhat expensive on the current valuation metrics.

Whilst an interesting story of takeover dynamics, more important to us is the quality of the Beiersdorf business and the opportunities ahead for Nivea and the other nine consumer brands. Founded in the 1880s and with a 120 year history of brand development, Nivea is the second largest personal care brand in global sales behind L'Oreal of Paris.

More impressive perhaps is the sustained growth rate (compound annual growth of 12-14% over 10 and 15 years), driven by product innovation and geographic expansion. Beiersdorf has a long heritage of successful international trading with their first venture into America in the 1890s. It is this matrix of brands, product categories (such as the extensions into bath & shower products and Nivea for Men) as well as geographic opportunity that underpins the growth opportunities. This gives us confidence that their market leading positions in Europe can be successfully extended globally.

Outlook

The Fund has a 39% exposure to Asia including Japan and, as we noted in our last report, the global opportunities beyond the more obvious chart topping US icons are currently more interesting to us. It is likely though that we could see greater volatility in the Fund over the shorter periods of quarterly reporting. As the high levels of global liquidity chase and react to near term news, we will get some sharp movements, especially in the mercurial Indian market. Significant currency movements may well continue to characterise the reported earnings of our companies and more directly the performance of the Fund.

Simon Trevett

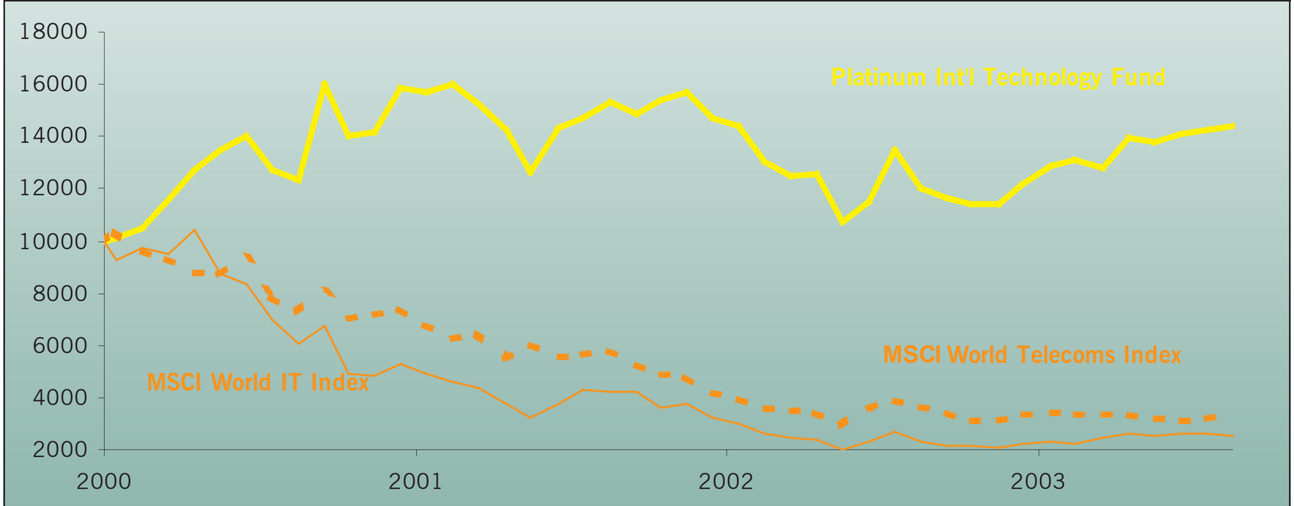
Portfolio Manager

Platinum International Technology Fund

Performance

REDEMPTION PRICE: $0.9375

VALUE OF $10,000 INVESTED SINCE INCEPTION (18 MAY 2000 – 31 DECEMBER 2003)



Source: Platinum and MSCI Refer to Note 2, page 29

The Fund rose 4.3% during the quarter while the MSCI World Information Technology Index (A$) rose 0.7% and the MSCI Telecommunications (A$) Index was up 4.6%. The Fund is up 32.7% for the year, outperforming the MSCI IT Index (+10.4%) and the MSCI Telecommunications Index (–8.3%).

Major contributors to the Fund's performance for the quarter were i2 Technologies (Enterprise Software) (+31%), Sun Microsystems (Hardware and Software) (+35%) and Nvidia (Graphic Semiconductors) (+45%). This was offset by the flat performance of our Japanese and Korean holdings and by our short positions which detracted from the performance. Our currency positioning offset some of the adverse impact from the rising Australian Dollar.

Changes to the Portfolio

We reduced our positions in Marconi, Bharat Electronics and Spirent following their strong performance and towards the end of the quarter we slightly increased our short positions in the NASDAQ and Semiconductor Indices. Our net invested position at the end of the quarter was 61%.

DISPOSITION OF ASSETS

Region	Dec 2003	Sep 2003
North America	26%	23%
Other Asia (incl. Korea)	17%	17%
Japan	16%	17%
Europe	17%	20%
Cash	24%	23%
Shorts	15%	15%
Net Invested	61%	62%

Source: Platinum

In the quarter we initiated an investment in Zarlink Semiconductor, a Canadian semiconductor vendor specialising in the communication equipment market. Since the "Internet bubble" burst in 2000, Zarlink has been operating under stress with sales collapsing by more than 50% over the following two years. Several restructuring measures were adopted, employees were laid off and the former CEO was replaced with a veteran from National Semiconductor. After nearly three years of a lacklustre telecommunication equipment market, Wall Street does not find Zarlink a particularly attractive investment.

BREAKDOWN BY INDUSTRY

Categories	Dec 2003	Sep 2003
Telecom Equipment & Suppliers	21%	25%
Semiconductors	18%	14%
Software	17%	11%
Electronic Components	11%	9%
Other	9%	18%

Source: Platinum

Our primary investment case is based on the dramatic change impacting the worldwide telecommunication industry. Within five to ten years, the majority of telephone calls will no longer be carried on the traditional circuit-based telecommunication infrastructure. Instead, a traditional voice call will be digitised and converted into numerous little data packets. Unlike the traditional infrastructure, where each voice call requires its own dedicated closed circuit, data packets are transported over the public Internet network. These data packets are reassembled at their destination before being converted back into voice signals. This new technology (Voice over Internet Protocol or VoIP) offers telecommunication operators significant cost savings.

The biggest technological challenge of VoIP is how to guarantee the quality of service. Because data packets are transported over the public Internet network, there is no guarantee that they will all arrive at the destination in time and in the right order. As a result, the quality of voice calls sometimes deteriorates. Because of its heritage, Zarlink has been grappling with the problem of how to deliver perfect voice quality for nearly 30 years, its engineering team having accumulated significant know-how in the area.

Not only does Zarlink have the technology (key components for switches and handsets), it also has the necessary customer relationships. Unlike a PC, which is replaced every two to three years, a telephone operator typically expects its equipment to work for years and years. It is not uncommon to find equipment still in service after 20 years. As a result, the equipment vendors will only rely on suppliers they trust. Zarlink established relationships with several of the industry leaders and a particularly strong one with Cisco, a recognised leader in VoIP equipment. About two years ago, Zarlink specifically linked with Cisco to design a new component for their VoIP equipment.

At present, Zarlink's key clients are beta testing their new VoIP solutions just as new providers of VoIP services are rapidly emerging in the US. While Zarlink is still completing its restructuring plan, we believe the new strong management team will guide the company through the present downturn. Having witnessed the successful transformation and strengthening of National Semiconductor's analog chip business over the past few years (National Semiconductor was a core holding of the Fund until we sold it recently due to valuation concerns) we are optimistic about Zarlink's ability to succeed.

We believe that telecommunication operators will soon increase their capital expenditure on VoIP and that Zarlink stands to benefit once worldwide VoIP deployment accelerates.

The migration from legacy circuit-switched telephone systems to packet-switched systems is only a matter of when, not if. Every country will adopt these new technologies at a different pace and generally the more competitive the telecom market, the faster this transition will occur (in this respect we believe Australia is likely to lag in the process, due to the extremely powerful role played by Telstra).

Countries with lower rates of telephone penetration are more likely to embrace VoIP faster than countries where incumbent telephone operators have a vested interest in maintaining the status quo. For this reason we are looking with interest at Asian markets (notably China and India) as promising markets for vendors of VoIP equipment.

Commentary

Among the themes occurring during the quarter we would like to highlight the following: the 'digitalisation' of consumer electronics and the emergence of Voice over Internet Protocol (VoIP) as an alternative technology to deliver telephone calls.

This Christmas season in the United States has seen the triumph of the digital consumer. The market has been literally flooded with new electronic appliances. Traditional analog electronic products such as cameras, Cathode Ray Tube (CRT) TVs and Video Cassette Recorders (VCRs) are gradually being replaced by digital still cameras, High Definition TVs and DVD players/recorders. Admittedly it's still early days in the transition, and most consumers cannot yet afford flat panel TVs priced at a multiple of traditional CRT TVs. This transition however is likely to accelerate and it will be largely driven by the proliferation of digital content (DVD, video games, digital television, High Definition TV etc.). In the US alone, already 1,000 of the 1,600 terrestrial TV stations are in digital format, and the progressive migration will further stimulate distribution of digital content and adoption of new electronic appliances. Similarly, the ability to take pictures with a digital camera or to download music from the Internet, and send it to friends or store it in a PC, is increasing consumers' appetite for more electronic gadgets.


Picture 1: LCD TV

An increasing number of IT companies are rushing to present themselves as consumer tech plays, and trying to gain market share in new areas of business. Hewlett Packard (best known for its printers and computer systems) has presented more than 150 consumer-oriented products from scanners to digital cameras. Motorola (wireless handsets and telecom infrastructure) announced the launch of flat panel TVs (interestingly Motorola did actually stop manufacturing TVs around 30 years ago). Equally enthusiastic was Dell's announcement that they intend to pursue new opportunities in home entertainment: Liquid Crystal Display (LCD) TVs, Digital Juke Boxes and an online music store; not to mention Apple Computer which is now selling more iPods (portable digital music players) than Macintosh computers. Gateway, a PC retailer famous for the cows in its advertising, is also turning its attention to consumer electronics and offering large screen TVs and computers doubling as media centres.


Picture 2: Digital Juke Box

We think this extract from a recent Fortune article illustrates the depth of this transition: *"Sean Debow .... the Asia Pacific technology strategist for investment bank UBS, travels each year to Taipei from his base in Hong Kong for the Computex trade show. It's a predictable event where the big PC makers have long gone to shop for items like motherboards, which are the guts of computers. This year Debow felt disoriented. As he wandered the floor, he had an uncanny feeling he was walking in circles—he kept passing the booths of Taiwanese companies showing working prototypes of digital still cameras. It wasn't until Debow stared up at the changing row numbers that he realized he wasn't going crazy; he was seeing the ghost of Christmas future. Row after row of vendors—67 from Taiwan alone—were selling similar camera designs just waiting for a company to pick up and slap its brand on."...Adam Lashinsky, Fortune.*


Picture 3: Media Centre

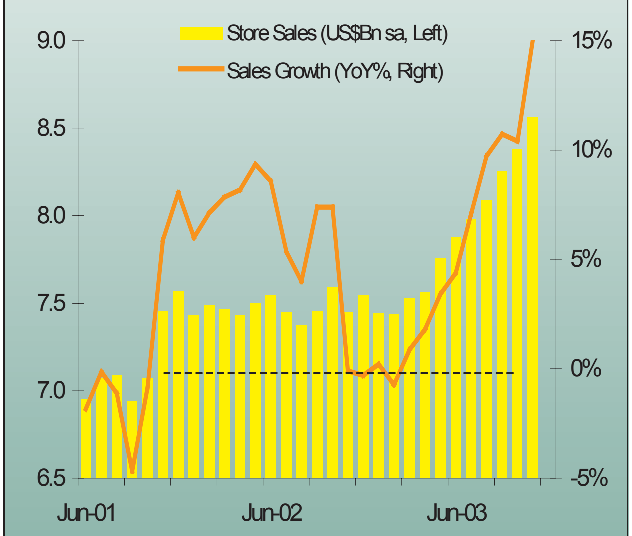
67 Taiwanese companies ready to offer digital camera designs to Wal-Mart or any other large buyer with distribution/marketing clout!! What happened to the technological lead, the design strength and the manufacturing finesse of the great brands we know? Has the digital age with its CAD/CAM (Computer Aided Design/Computer Aided Manufacturing) tools narrowed the gap to the extent that first to market barely matters?

Why is nearly every computer maker/retailer trying to step into consumer electronics? The two main reasons are the attractiveness of higher margins in consumer electronics relative to traditional PCs, and the digital revolution.


Picture 4: $50 Digital Camera

Retailers selling TVs and consumer electronics today make much higher gross margins (30-35%) compared to those selling only computers (15%). On the other hand PC makers/assemblers, with their very efficient manufacturing and logistic processes, have long ago gone through a process of commoditisation and margin reduction. Sony's gross margin at more than 25% is well above Dell's 17% and Michael Dell is open about the many opportunities. A critical hurdle for Dell could be their own direct selling strategy, based on bypassing the shopping mall; the difficult task will be convincing consumers to buy a TV or DVD without first experiencing the sound or the quality of images etc. On their side, Dell has extremely efficient supply chain management and their global sourcing capabilities.

US APPLIANCE AND COMPUTER STORE SALES



Source: Merrill Lynch

With media content turning into digital bits, devices used to play content are increasingly resembling PCs. Rather than proprietary systems, they use standardised platforms of chipsets and off-the shelf components often freely available on the merchant market. An example is the DVD player: unlike VCRs, which are assembled with dozens of mechanical parts, modern DVD players are mostly assembled with standard semiconductors and few key components. The DVD player market is virtually open to any company willing to enter: in the US the largest market share (15%) in DVD players is held by Apex Digital, a Californian company set up by two Chinese immigrants formerly involved in scrap-metal recycling. They set up factories in China in 1998 and they now sell mostly through Wal-Mart and Circuit City.

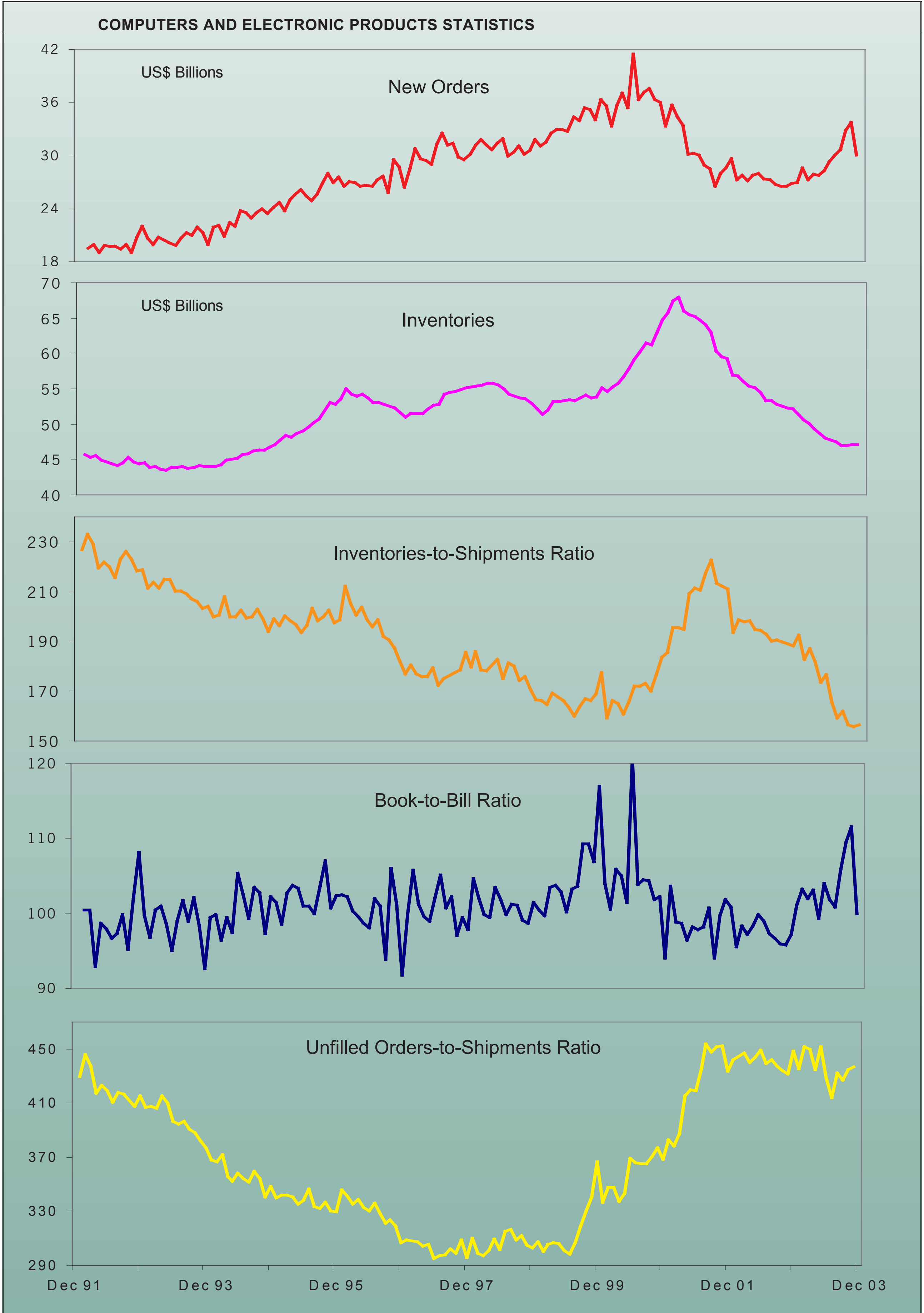
However traditional consumer electronics companies are not standing still. Sony recently launched its latest *Playstation* (PSX) combining into one single unit a DVD player/recorder, 250 GB hard disk drive, TV receiver, CD player and the "old" PS2 gaming platform. This converged device in fact contains the same core components found in a PC. By including a hard disk drive with up to 250 GB storage, Sony is effectively offering a device with roughly three times the "capacity" of the average PC on sale today.

Consumer electronics proved to be attractive even for giant Intel. The chipmaker recently announced a new technology called LCoS (Liquid Crystal on Silicon) which promises to dramatically reduce the cost of producing flat panel TVs and compete directly with Plasma Display. LCoS employs vast arrays of tiny electronic shutters that can alter the amount of reflected light, an approach that may allow companies to make big-screen TV sets using rear-projection technology that matches or exceeds the quality of flat-panel TVs at a much lower cost than plasma and conventional LCD.

The real beneficiaries of this trend ultimately will be some key component makers. Those companies investing heavily in R&D for key applications (eg. pick-up heads for hard disk drives, optical recording pick-ups or camera lenses etc.) should be able to command higher prices and good margins either by selling their products directly or by licensing the key technologies for a fee to an emerging crowd of assemblers. Innovation is gradually moving from the appliance maker to the component provider. Incidentally this trend is not dissimilar from what already happened in the automobile industry. Companies in Taiwan and China will also benefit by attracting Japanese DVD manufacturers in search of lower production costs.

Alex Barbi

Portfolio Manager


COMPUTERS AND ELECTRONIC PRODUCTS STATISTICS
US$ Billions
New Orders
42
36
30
24
18
US$ Billions
Inventories
70
65
60
55
50
45
40
Inventories-to-Shipments Ratio
230
210
190
170
150
Book-to-Bill Ratio
120
110
100
90
Unfilled Orders-to-Shipments Ratio
450
410
370
330
290
Dec 91
Dec 93
Dec 95
Dec 97
Dec 99
Dec 01
Dec 03

Source: NDR

Notes

1. The returns represent the combined income and capital return for the specified period. They have been calculated using withdrawal prices, after taking into account management fees (excluding any performance fees), pre-tax, and assuming reinvestment of distributions. The returns shown represent past returns of the Fund only. Past performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Funds and other risk factors associated with investing, returns can be negative (particularly in the short-term).

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

   Platinum International Fund:
   Inception 1 May 1995, MSCI World Accumulation Net Return Index in A$

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

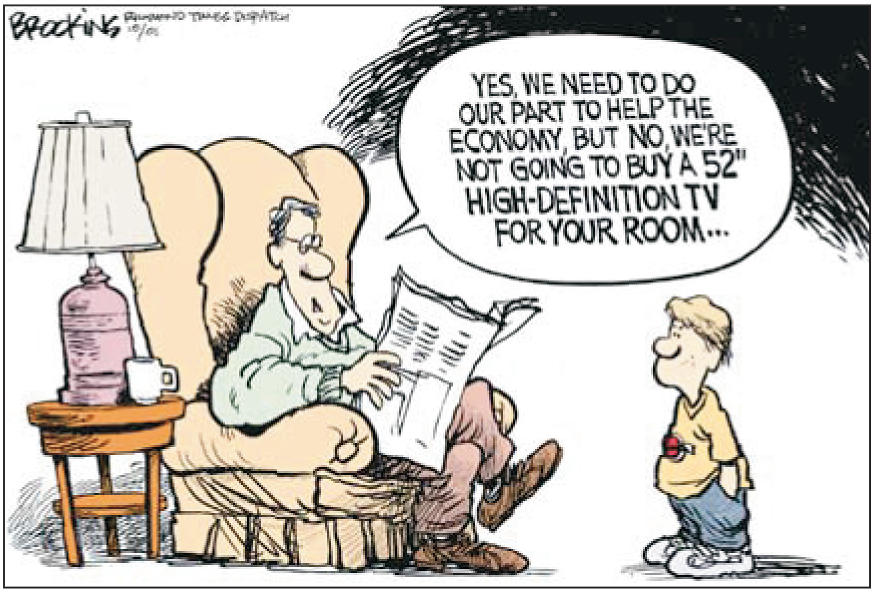
   Platinum European Fund:
   Inception 1 July 1998, MSCI Europe Accumulation Net Return Index in A$

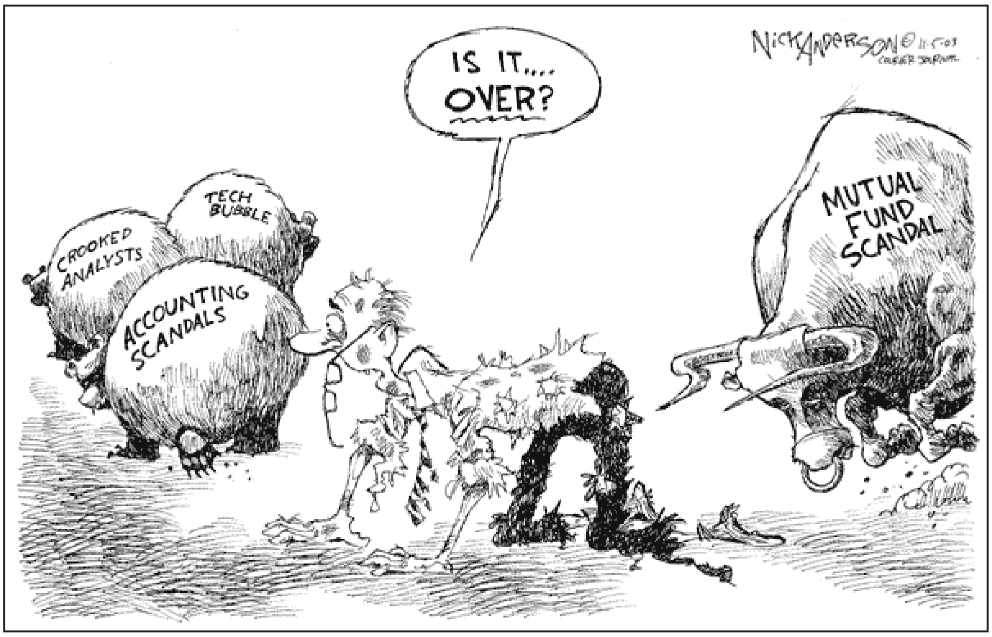
   Platinum Japan Fund:
   Inception 1 July 1998, MSCI Japan Accumulation Net Return Index in A$

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

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

   The investment return in the Funds is calculated using withdrawal prices, after taking into account management fees (excluding performance fees), pre-tax and assuming reinvestment of distributions. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably to the make-up of the Index. The Index is provided as a reference only.


BROOKING RICHMOND TIMES DISPATCH
YES, WE NEED TO DO OUR PART TO HELP THE ECONOMY, BUT NO, WE'RE NOT GOING TO BUY A 52" HIGH-DEFINITION TV FOR YOUR ROOM...


NICK ANDERSON
IS IT.... OVER?
CROOKED ANALYSTS
TECH BUBBLE
ACCOUNTING SCANDALS
MUTUAL FUND SCANDAL

Platinum Asset Management is a Sydney-based manager specialising in international equities. The investment team use a thematic stock-picking approach that concentrates on identifying out-of-favour stocks with the objective of achieving superior returns for our clients. We aim to protect against loss and will hedge both stocks and currencies. The emphasis of the organisation is on managing clients' money rather than gathering funds; we pay no inducements to financial advisers.

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$9.8 billion with over 20% of this coming from overseas investors. The staff is the principal owner of the company.

Platinum follows its time tested stock picking approach – which is index agnostic – together with risk control strategies (currency hedging and stock shorting). Since inception, the Platinum International Fund has achieved returns more than double that of the MSCI World Index

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