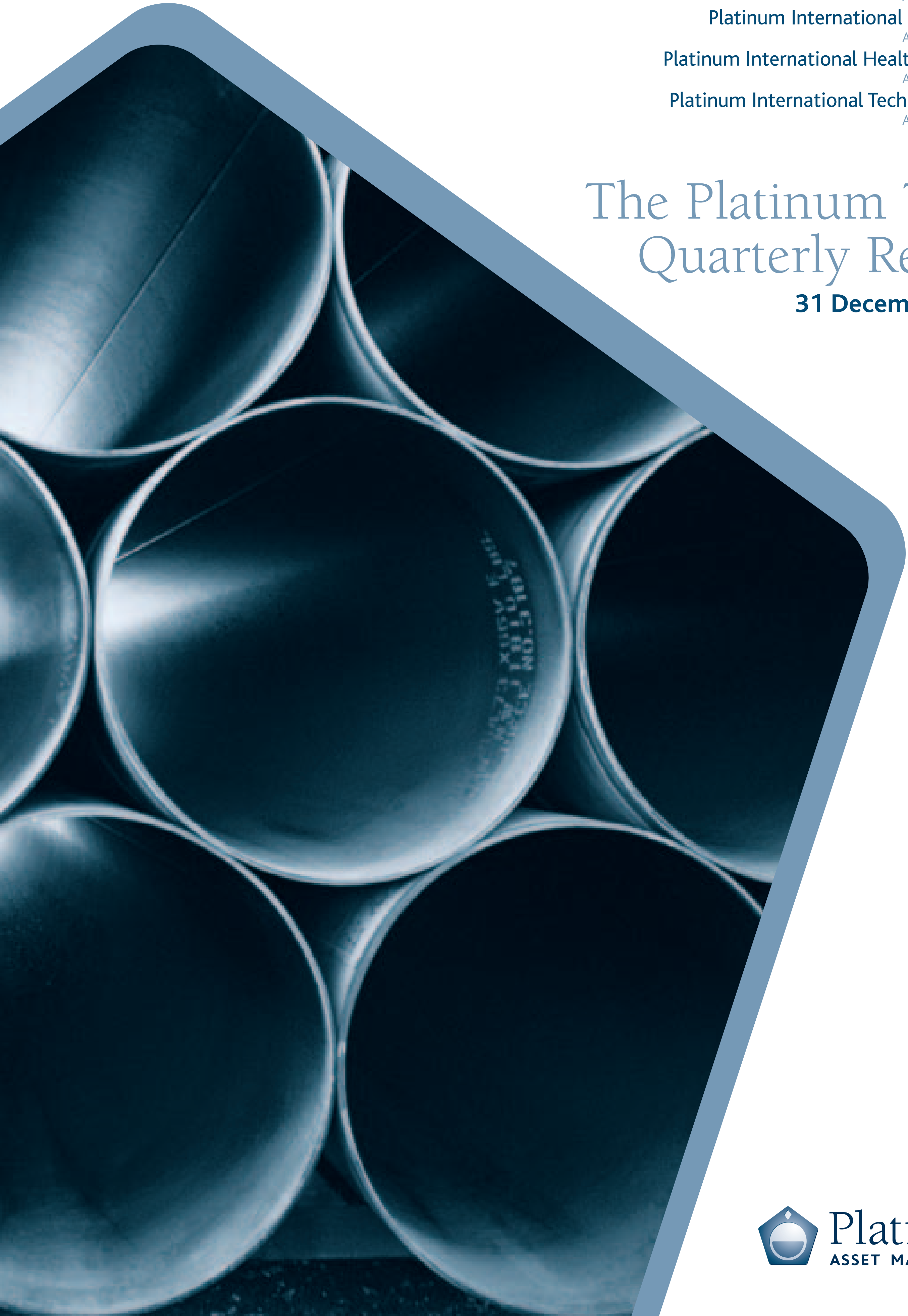
Platinum International Fund
ARSN 089 528 307
Platinum Asia Fund
ARSN 104 043 110
Platinum European Fund
ARSN 089 528 594
Platinum Japan Fund
ARSN 089 528 825
Platinum International Brands Fund
ARSN 092 429 813
Platinum International Health Care Fund
ARSN 107 023 530
Platinum International Technology Fund
ARSN 092 429 555

The Platinum Trust Quarterly Report

31 December 2004



Platinum
ASSET MANAGEMENT

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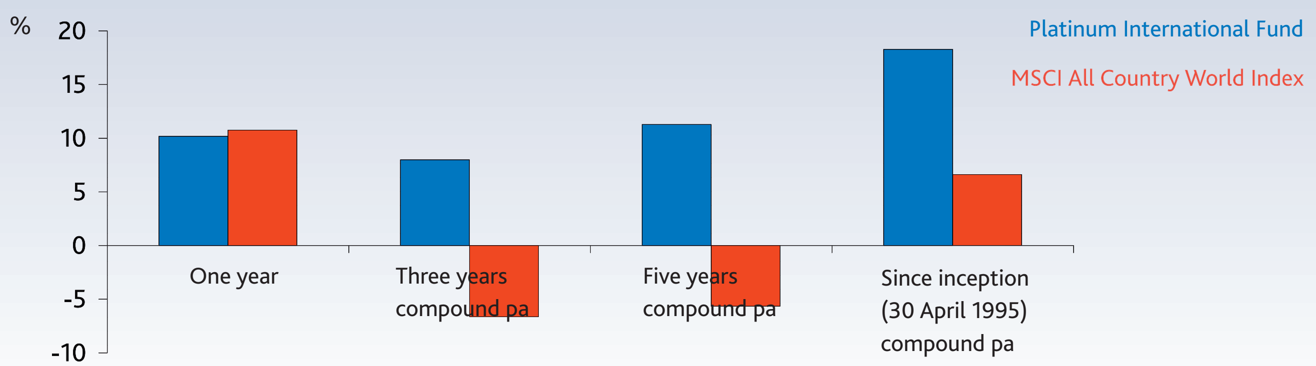
PERFORMANCE RETURNS TO 31 DECEMBER 2004

FUND	FUND SIZE	QUARTER	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	5 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA
INTERNATIONAL FUND	**$5,684m**	**3.8%**	**10.2%**	**14.0%**	**8.0%**	**11.3%**	**18.3%**
MSCI AC* WORLD INDEX		3.7%	10.8%	5.3%	-6.6%	-5.7%	6.6%
ASIA FUND	**$386m**	**17.2%**	**24.8%**	**-**	**-**	**-**	**39.1%**
MSCI AC ASIA EX JAPAN INDEX		4.4%	12.8%				19.6%
EUROPEAN FUND	**$176m**	**7.1%**	**17.5%**	**19.9%**	**8.5%**	**15.4%**	**16.5%**
MSCI AC EUROPE INDEX		7.1%	16.4%	9.9%	-3.5%	-3.5%	-1.7%
JAPAN FUND	**$217m**	**2.3%**	**16.5%**	**19.8%**	**12.5%**	**6.1%**	**23.8%**
MSCI JAPAN INDEX		4.5%	11.4%	6.4%	-2.7%	-9.8%	-0.2%
INTERNATIONAL BRANDS FUND	**$131m**	**10.6%**	**18.8%**	**17.0%**	**13.7%**	**–**	**15.8%**
MSCI AC WORLD INDEX		3.7%	10.8%	5.3%	-6.6%		-7.8%
INTERNATIONAL HEALTH CARE FUND	**$8m**	**3.1%**	**1.9%**	**(LAUNCHED NOVEMBER 2003)**			**4.5%**
MSCI AC WORLD HEALTH CARE INDEX		-1.7%	1.9%				7.1%
INTERNATIONAL TECHNOLOGY FUND	**$59m**	**5.2%**	**4.6%**	**17.8%**	**3.4%**	**–**	**11.7%**
MSCI AC WORLD IT INDEX		4.8%	-1.1%	4.6%	-14.7%		-22.5%

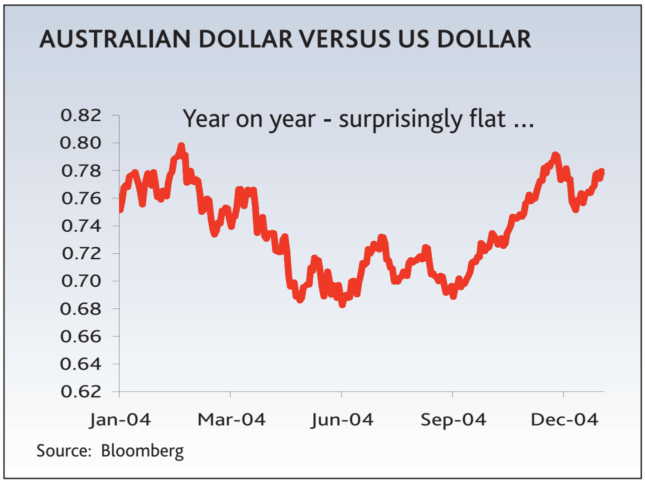
*Morgan Stanley Capital International All Country

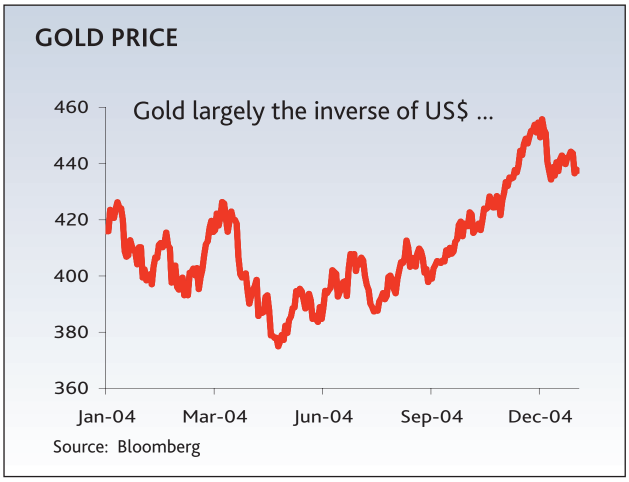
Source: Platinum and Factset. Refer to Note 1, page 39.

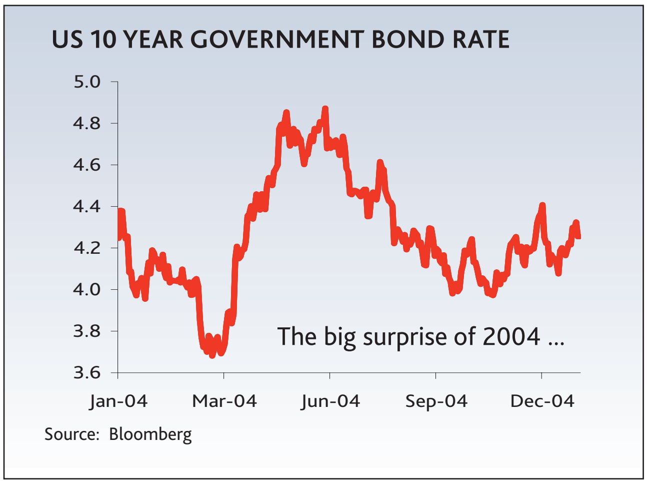
PLATINUM INTERNATIONAL FUND VERSUS MSCI WORLD INDEX TO 31 DECEMBER 2004

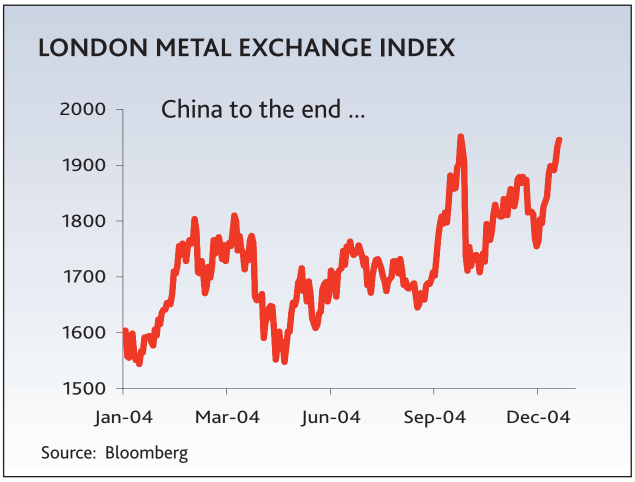


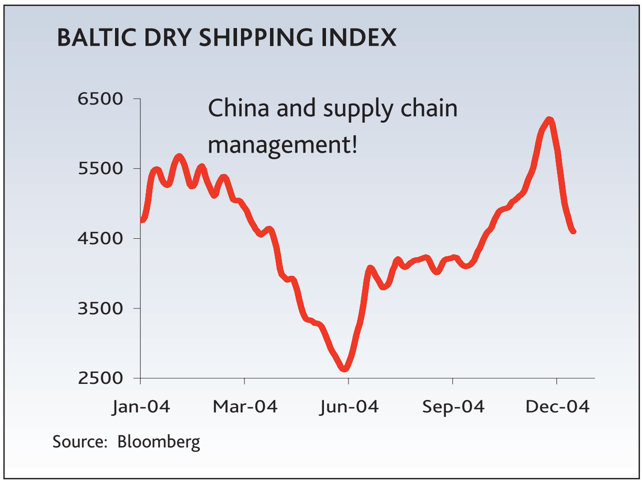
Source: Platinum and Factset. Refer to Note 1, page 39.

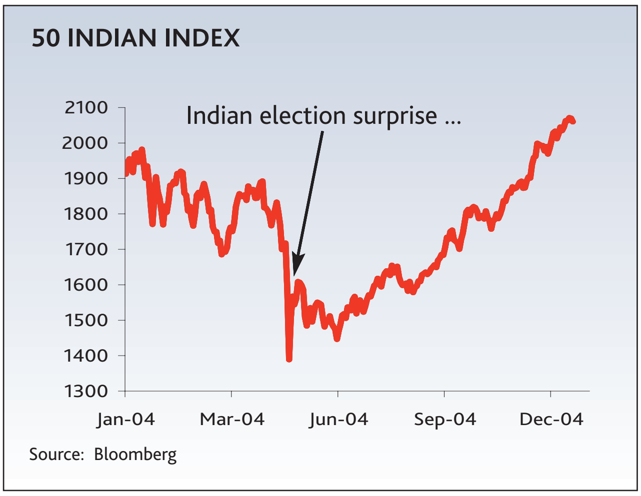

AUSTRALIAN DOLLAR VERSUS US DOLLAR
Year on year - surprisingly flat ...
0.82
0.80
0.78
0.76
0.74
0.72
0.70
0.68
0.66
0.64
0.62
Jan-04
Mar-04
Jun-04
Sep-04
Dec-04
Source: Bloomberg


GOLD PRICE
Gold largely the inverse of US$ ...
460
440
420
400
380
360
Jan-04
Mar-04
Jun-04
Sep-04
Dec-04
Source: Bloomberg


US 10 YEAR GOVERNMENT BOND RATE
5.0
4.8
4.6
4.4
4.2
4.0
3.8
3.6
The big surprise of 2004 ...
Jan-04
Mar-04
Jun-04
Sep-04
Dec-04
Source: Bloomberg


LONDON METAL EXCHANGE INDEX
China to the end ...
2000
1900
1800
1700
1600
1500
Jan-04
Mar-04
Jun-04
Sep-04
Dec-04
Source: Bloomberg


BALTIC DRY SHIPPING INDEX
China and supply chain management!
6500
5500
4500
3500
2500
Jan-04
Mar-04
Jun-04
Sep-04
Dec-04
Source: Bloomberg


50 INDIAN INDEX
Indian election surprise ...
2100
2000
1900
1800
1700
1600
1500
1400
1300
Jan-04
Mar-04
Jun-04
Sep-04
Dec-04
Source: Bloomberg

PLATINUM INTERNATIONAL FUND

Kerr Neilson
Managing Director

PERFORMANCE

All stock markets produced strong rises in the December quarter despite a rough start with oil prices threatening to rise towards US$60 per barrel. Confidence grew as the quarter progressed and fund managers reduced their hitherto underinvested positions. Currency movements played a large part in determining the magnitude of the gains with the A$ rising against the US$ by some 8%, being flat against the yen and falling in value against the euro by 2%.

The rise in the appetite for risk was apparent from the out-performance of emerging markets with those in South America and the Middle East gaining more than 20% in their home currencies, followed closely by Asia ex-Japan. Developed markets generally rose by single figures with the Bloomberg Europe 500 gaining 6%, the Japanese Topix up 4% and the S&P 500 rising 9%. Converting all this into A$, saw the MSCI rise by 3.7% for the quarter.

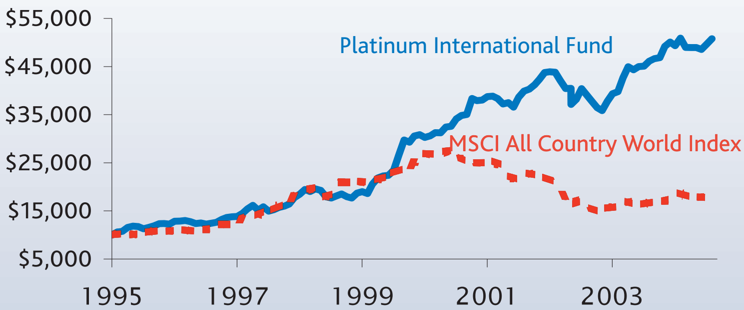
The Fund gained 3.8% for the quarter, capping off a flat second half to 2004, and achieved a rise of 10.2% for the year. Examining the year as a whole, it is apparent that our stock selection in terms of long positions was good with large exposure to emerging markets like India and Korea adding zip to our core of excellent European and Japanese holdings. The currency positioning also made a small contribution. Unravelling our underlying strong showing was the negative impact of our short positions that reduced the annual return to slightly less than that of the MSCI, which rose by 10.8% for the year.

MSCI WORLD INDEX INDUSTRY BREAKDOWN (US$)

SECTORS	QUARTER	1 YEAR
TELECOMMUNICATIONS	16.1%	16.3%
UTILITIES	13.8%	23.9%
FINANCIALS	13.7%	15.5%
CONSUMER DISCRETIONARY	13.7%	14.0%
INFORMATION TECHNOLOGY	13.3%	2.4%
INDUSTRIALS	11.8%	17.9%
MATERIALS	11.4%	17.9%
CONSUMER STAPLES	11.4%	10.4%
ENERGY	6.5%	25.0%
HEALTH CARE	6.2%	4.7%

Source: Bloomberg

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 MAY 1995 TO 31 DECEMBER 2004



Source: Platinum and Factset. Refer to Note 2, page 39.

A revealing picture for the quarter is shown in the Industry breakdown table (shown in US$ to remove the impact of the strong A$). In contrast to the September quarter, where the table was dominated by falls, every industry rose. Differing factors were at work, with corporates beginning to spend some of their built-up cash reserves through takeovers especially in telecoms, utilities and IT. Bringing up the rear were health care (damaging drug revelations) and energy (losing some gloss with the retracing oil price).

SHORTING

This has been a painful experience, particularly in the last quarter. Our successes have been small and our losses large. We admittedly derived some smoothing of performance, particularly in July, but overall the exercise cost us over 4% for the year. Careful examination of our behaviour and stock selection shows that the damage was largely the work of three specific stock shorts. The price behaviour of these lamentable three in the opening days of 2005 suggests that our negative assessment may still prove correct. Why endure this pain you may ask? Essentially we are attempting to partially guard against loss in an environment where liquidity is wallpapering over some serious cracks.

Our principal shorts relate to interest rate/derivative risk and to this end we have underestimated the slowness of interest rate rises, the controlled decline of the US$ and the remarkable support for bonds by traditional investors and Governments, who were pursuing mercantilist policies. Has anything changed? Well, US interest rates are creeping up and perhaps there are signs of a weakening demand for US bonds. However, on account of the fall in the cost of puts prior to years' end (the sky being "perfect blue") and the timing problems we have had with specific shorts, we have introduced put options to augment our short sales.

CURRENCY

A bearish stance towards the US$ was the prominent market view in the final quarter of 2004. This type of consensus tends to rattle us. Should the US administration pay more heed to international concerns regarding the twin deficits, it is possible for the currency to rally. Fundamentally we still favour the Japanese yen and European currencies but have adjusted our position to own some US$ for now. We have been surprised by the relative softness of the yen against the euro and are positioned for this to change. The A$ hedge has been held steady.

CHANGES TO THE PORTFOLIO

DISPOSITION OF ASSETS

REGION	DEC 2004	SEP 2004
WESTERN EUROPE	30%	29%
JAPAN	28%	27%
NORTH AMERICA	17%	14%
EMERGING MARKETS (INCL KOREA)	15%	14%
AUSTRALIA	0%	2%
CASH	10%	14%
SHORTS	26%	30%

Source: Platinum

Transaction levels were relatively subdued as we were mainly adding to existing holdings such as Credit Agricole, Carrefour, Liberty Media, News Corp, Mosaic, Norske Skog, and Reliance Industries.

In Japan we shifted the emphasis more towards domestically orientated companies, adding to home builders, financials and television broadcasters. These companies are on depressed valuations that reflect the prevailing pessimistic view about domestic demand. A closer look at these companies' profit histories reveals remarkable resilience through the last twelve years of slough.

An area that has become conspicuously unfashionable is pharmaceuticals. Drug stocks have suffered a major de-rating as the implications of the side effects of so-called Cox-2 inhibitors has damaged the prospects of Pfizer and Merck Inc. Having assessed the longer term implications of these problems and the general concerns regarding viable pipelines and the regulatory environment, we have chosen to add both companies to the portfolio. At current price levels the market is implying that longer term growth prospects have fallen considerably and also that risks have risen markedly.

At the same time we have been adding to our biotech holdings to emphasise those companies that will help support drug discovery and diagnostics. On account of its relative strength and no fundamental improvement of its relative merits, we sold Novartis and used the proceeds to buy the above companies and to add to GlaxoSmithKline.

COMMENTARY

An important principal of economics and finance is that an abundance of capital ultimately diminishes profits: conversely, shortages provide the fuel for future profits. Yet here is the paradox in the markets today. Liquidity is so abundant that it is promoting convergence of returns as investors search high and low trying to identify the next big idea. Markets which were formerly uncorrelated, now behave as if they are closely related. For example, the amount of extra yield that was traditionally required from B rated corporate bonds has shrunk in synchrony with the lower implied volatility of various share indexes. At the same time, Euro and US bonds have become correlated as have emerging market bonds. This is significant as it was the **uncorrelated behaviour** of various traded assets that was the **foundation of the hedge fund movement**. If most assets become correlated, what are hedge managers supposed to hedge?

The **aberrant effect of cheap money is also evident in the anxious desire for risk**. The range of examples is wide, starting with the markets' apparent nonchalance regarding the

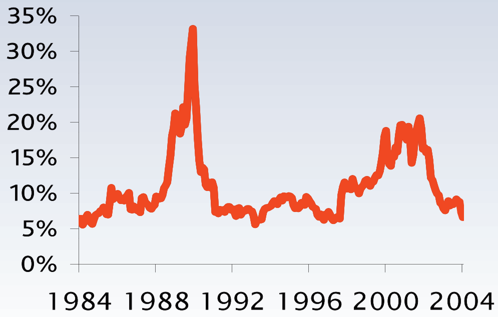
BREAKDOWN OF FUND'S LONG INVESTMENT BY INDUSTRY (% OF ASSETS)

CATEGORIES	EXAMPLES OF STOCK	DEC 2004	SEP 2004
CYCLICALS/MANUFACTURING	TOYOTA MOTOR, SCHINDLER, SIEMENS, LINDE, OCE	**28%**	**25%**
FINANCIALS	CREDIT AGRICOLE, MITSUBISHI TOKYO FINANCIAL, MITSUI SUMITOMO INSURANCE	**16%**	**15%**
CONSUMER BRANDS	HENKEL, ADIDAS SALOMON, LOTTE	**8%**	**6%**
TECHNOLOGY/HARDWARE	AGERE, INFINEON TECH, SAMSUNG, AMD, SUN MICROSYSTEMS	**8%**	**8%**
MEDICAL	TAKEDA, SCHERING, MERCK KGaA, GLAXOSMITHKLINE	**8%**	**8%**
RETAIL/SERVICES/LOGISTICS	CARREFOUR, DEUTSCHE POST, HORNBACH, MITSUBISHI CORP	**6%**	**7%**
GOLD AND OTHER RESOURCES	SHELL, BARRICK GOLD, NEWMONT MINING, NORANDA	**6%**	**7%**
SOFTWARE/MEDIA	SEOUL BROADCASTING, NEWSCORP	**6%**	**6%**
TELECOMS	ALCATEL, NTT DOCOMO	**4%**	**4%**

Source: Platinum

virtual confiscation of Yukos assets. Though the stock price was hammered, the effect on the broader Russian index and other dubious markets was relatively slight. Closer to home, the revelation of a probable breach of US SEC accounting rules and consequent departure of the top two executives (on extremely generous severance terms) from the world's largest hedge fund, Fannie Mae, barely made the headlines. This is no trifling matter. The revealed capital short-fall of over $9 billion has wide implications, not least for the availability of mortgage finance in the US and significant effects on derivative markets, yet the share is now trading above pre-revelation levels. There are lesser examples of typical excess such as the China Aviation Oil futures gamble that cost US$550 million compared to its net assets of US$140 million at the start of 2004. Best of all, however, has been the reopening of the triple C or lower rated bond market. Traditionally, one third of loans raised by these "walking-dead" default within a year, yet so ravenous are investors that apparently the extra yield of only about 6% is worth the bet!

TRIPLE C BORROWING MARGIN (spread over 5 year US treasury yield)

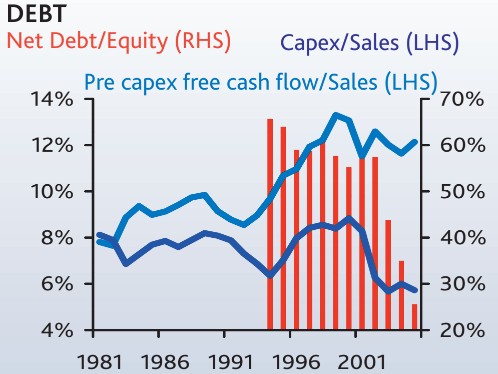


Source: Bloomberg, Citibank

In case you have missed some of the above, do **take note of the competition that has re-entered the private equity market**. Data compiled by Bloomberg show that buyout firms like Blackstone, Warburg Pincus and Carlyle have spent a record US$180 billion on deals in 2004, way outpacing the global IPO raisings estimated at US$128 billion. Like the hedge fund industry, this was formerly the domain of wealthy families but success has attracted many new players, most notably less affluent investors and perhaps less experienced equity specialists. Returns have fallen as bidders compete in an ever more crowded pool. Several private players can make no sense of prevailing prices and are suspending their activity while those operating with OPM (other peoples' money) are snatching at every morsel. Some are even doing a fine trade in taking listed companies private, sheltering them for long enough to enhance their indebtedness and little else, and within 12 months offering them to the public again at a considerably higher gross price. No logical explanation seems necessary for the "now listed; now delisted; now listed again" trick in the IPO offer documents! For the moment though, some may dismiss these examples as merely the observations of a sour deprecator.

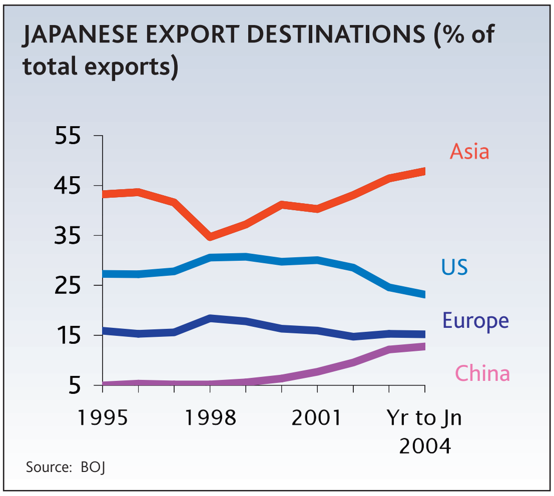
Easy money has, however, had a highly beneficial effect on corporate profitability and balance sheets. Companies have engaged in massive refinancing exercises and, unlike householders, have generally reduced their financial leverage thereby reducing the risk to shareholders. Also enterprise profits are at record levels in the principal markets or back to peak levels in the case of Japan.

"WORLD" FREE CASH FLOW/SALES & NET DEBT



Source: UBS

Yes, the rate of change of activity is tending to slow in the major industrialised economies but India, China and much of Asia continue to grow. Their **dependence on traditional markets is diminishing** as inter-regional trade whirls around the Middle Kingdom; see the accompanying graphs.



As a relatively closed economy gradually weaning itself off central planning, **India has responded relatively slowly to globalisation**. This was apparent at the Twentieth annual Indian Economic Summit held in Delhi in December. In earlier times, politicians expected to be treated with gratitude for their munificence, but this is changing. Delegates have become impatient with the endless ruminating over issues that were defined at earlier summits and they now want action in the form of less government interference and more devolution of power. The old Nehru/Gandhi centralist model of self-sufficiency and anti-materialism is no longer acceptable. Though it has been a long time coming we concur with the Finance Minister's view that the country is about to enter a sustained period of economic growth rivalled only by China. Aiding this process is the probable increase in foreign direct investment which is presently running at one tenth of the level to China. The biggest hindrance will be the **potential loss of patronage** but no one has missed the significance of the recent election surprise. The Congress party is paying close attention to alleviating the plight of the rural poor and has now accepted that the nation's interests are best served by **wealth creation rather than wealth distribution**.

While the Indian economy has chugged along at around 6% pa, China has achieved the remarkable distinction of **increasing its industrial production by more than 13% per year** since 1993. Such has been the supply of surplus labour that real earnings of the typical factory worker barely changed in the 1990s but since 2000, real wages have accelerated. (These figures are rubbery on account of the statistics which segregate migrant incomes from those earned by residents: under the *hukou* system migrants still face penalties such as denial of free medical treatment and access to schooling for their children in several major cities. For further information on this refer to the article overleaf). This is being accompanied by tentative indications that there is a lessening desire on the part of rural dwellers to migrate to the tough and tedious jobs that once attracted them in droves. The income gap between the wealthy coastal provinces and the hinterland is still large but government measures and higher agricultural prices are playing a part. Perhaps, too, skill disparities are an issue. As labour typically accounts for about 10% of inputs in manufacturing, the impact of this change in the bargaining power of labour will take time to be expressed but it may signal the **end of the deflationary pulse from China**.

This same pulse has helped companies in the developed world to hold onto **a record share of GNP in all major industrialised countries**. This has come from outsourcing production to low cost regions and perhaps delayed passing through of these price benefits. However, enthusiasts be warned that research by the likes of Bridgewater show a strong inclination for economic forces to cause a reversion to the mean. For the moment though we believe these large surpluses will encourage companies to invest in productivity enhancing plant, engage in more industry consolidations and perhaps raise dividend pay-outs.

There are other promising signs of change in important economies like France and Germany, with a combined population of some 145 million. The mandated 35 hour week in France is now being eased though not abolished while in Germany opinion formers like Robert Bosch, Opel and Siemens are driving through deals with the IG Metal union for longer working hours for no extra wage. This gradual change of perspective reflects the recognition of globalisation, with extra impetus being given by competition from the new Eastern European members of the EU.

In Japan we expect record corporate cash flows to be directed at capital spending. A point that should be emphasised is that the yen, while stronger against the US$, has been relatively weak versus the euro. It is from this economic block that it faces its principal competition in elaborate and sophisticated machinery. As companies gradually share some of their surpluses with labour through the biannual bonus system, we can envisage domestic demand being stronger than some presently believe. We also see this reviving one of the few moribund property markets in the developed world. As has been noted before, land prices are edging upwards and the housing market is showing promise.

CONCLUSION

Cheap money is clouding the economic scene. Traditionally, government and business are the user of savings and these are provided by households. In the US today the opposite applies. Business, which needs savings to invest and grow, is the provider of funds, while the consumer and government are the users. **This is an upside-down world.** Should US inflation become more troublesome and if too little heed is paid by the Bush administration to the twin deficits, the delicate balance may become unsettled.

At the individual share level, company earnings in general are losing momentum though still growing and valuations range from acceptable to high, on admittedly above average levels of profitability.

The strongest growth prospects appear to reside in the emerging markets (globalisation beneficiaries) but equally, these markets tend to be the most sensitive to volatility in the developed markets. It is for these reasons that we have maintained short positions in selected stocks and indices.

CHINA'S DIVERGING LABOUR MARKETS

一國兩勞市

The 1950s saw China's government introduce a household registration (*hukou*) system and other measures to restrict movement around the country and enable better government control of an expanding population. This policy has created a bifurcation in China's labour market, proving to be particularly relevant today.

Reforms to the hukou system have occurred, but only in a piecemeal fashion over the last decade or so, and are by no means complete.

Without a valid hukou, an individual and his/her family are precluded from receiving the usual of health services and education locally. Until 2002, migrants were also subject to hefty fees on 'temporary residency' and 'birth control' by their local authorities. Minimum wage legislation was introduced in 1994s Labour Law, but the government has generally failed to ensure the large pool of unskilled and poorly educated migrant workers benefit from such provisions.

China is trying to increase employment opportunities throughout the country, but the fact is, almost all new jobs, particularly over the last decade, have appeared in urban areas. Still, the urban rate of registered (hukou-holder) unemployment has risen, from 2.5-3% during the 1990s, to 4-5.5% at end-2002 [1], on the back of job losses in the government sector. (At least 25 million SOE and collective employees were laid off during 1998-2002.) This points to a reason for continuing to limit free movement of the population to cities, where greater numbers of unemployed figure as a major worry among government and party officials. (The number of protests across China has been growing significantly in recent years.)

The hukou system only began undergoing gradual changes during the mid-1990s. In 1997, non-locals could apply for registration in "some small towns and cities", provided they could show stable employment or ownership of a local abode - something difficult for the bulk of migrant workers! After three years, only half a million people had applied for hukou registration in small urban areas [2]. 2001-02 saw more significant reforms: local registration became a possibility in 20,000 smaller towns and cities. The aim is to still restrict migration to the main metropolitan centres: opportunities in these cities are the main magnets to China's desperates, both in terms of employment chances and coverage by social services.

Mid-2004 reportedly saw a substantial decrease in the number of rural residents willing to uproot themselves and move to cities. In addition to the problem of rights without a local hukou - low wages, poor working conditions, payment of fees, no entitlements to health care or education, and other negative discrimination - better returns for agricultural output in more rural areas and higher inflation in the cities are cited as the reasons for this new phenomenon of a 'labour shortage'. A lesser point again raises the issue of freedoms: couples in urban areas are generally required to adhere to the one-child policy, while this policy is applied less stringently in many rural areas.

The hukou system-induced polarisation of China's workers has seen the entitled urban workers enjoy double-digit growth in official wage rates in most Chinese provinces and sectors over the last two decades, as per figures from China's Ministry of Labour and Social Services for hukou-holding workers. The significantly lower rates paid to migrant labour are much less publicised. [3]

The recent sudden jumps of ten percent or more in wage levels which have been upsetting Hong Kong entrepreneurs and others with their main factories located in southern China's Canton province and other coastal provinces - though reportedly relating to no more than 10-15% of total costs - refers to their migrant labour workforce, which they have been happily exploiting, given the cheapness of this resource, relative to officially-reported wage levels. While Shenzhen - the city right across the border from Hong Kong - boasted the highest average wage level in mainland China for 2003, at Y30,307, many single female migrant workers tolerate conditions for a few cents an hour of pay, which enables some contribution to the family back home compared to being an unemployed mouth to feed. (In 2003, Beijing workers earned an average of Y25,312; Shanghai's average was Y27,304; all of Canton province averaged Y19,986 - far lower than Shenzhen's record.)

Reports suggest that China's rural population - about 60% [4] of the total nation - still includes a labour surplus of 150 million, while SOEs could lose ten million or so to other employers (to raise state-sector labour productivity levels nearer those in the private sector).

Of China's estimated 750 million-strong labour force [5], about 480 million are officially rural residents, of whom, while estimates vary, 80-150 million have chosen to work in urban areas as migrant workers. The official urban workforce is 270 million.

In the traditionally communist mainland, supply and demand forces are now proving very relevant to both of China's labour markets. On the demand side, restructuring of many SOE and other employers' remuneration packages has affected the comparability of monetary wage levels over recent years, as higher wages substitute for lodging, education and health care provisions. On the supply side, the abundance of tertiary graduates has limited such individuals' bargaining power, and more newcomers are placing emphasis on non-wage considerations: long-term opportunities in terms of training and reputation of both the industry and firm they might join. On the other hand, the high labour turnover of many factories reflects the increasingly choosy attitudes of even the most common of workers, including those from rural areas, who will soon opt for better working conditions at another plant in need of labour. This trend has filtered through to middle and higher levels of management for such manufacturing layouts. Quality managers with decent experience in running operations are proving harder to find, now attracting higher valuations in their segment of the labour market.

Overall, in the interests of both efficient resource allocation and improving the human rights and living conditions of the general populace, many encourage the Chinese government to do away with barriers to population movement and remove restrictions on rural-to-urban migration. However, the balance between the pace of economic development and maintaining social cohesion remains precarious in China, where disparity among the haves and have-nots continues to grow, worrying authorities about the prospect of greater concentrations of underemployed and underpaid individuals in urban locations. Though upward pressure on wages is feeding through to the far reaches of the migrant workforce, discrimination based on the hukou will ensure two distinct labour markets continue to exist in China for a time yet.

Charles Evans

1 Total urban unemployment is likely to be 5.5% or higher.
2 As with much of the sourced information in this article, this figure comes from "China's Labor Market Performances and Challenges", by Ray Brooks and Tao Ran, 2004.
3 The discrepancy between principle and practice exists clearly: the 1994 Labour Law is designed to apply to all people; but migrant workers are often subject to harassment by local authorities, including police, for falling outside the technically legal framework of the hukou system, especially when failing to pay required fees while looking for work. Far less do these poor souls find themselves entitled to anything like a fair go, as deemed by distantly-decreed central government legislation.
4 China's rural population was about 80% of the national total in 1980, around the time Deng Xiao-Ping's economic reforms started being introduced.
5 Other estimates of the 15-64 year-old population suggest 930 million people are of 'working age'.

PLATINUM ASIA FUND

Andrew Clifford
Portfolio Manager

PERFORMANCE

It was a strong quarter for Asian markets with share prices appreciating by over 7% (MSCI Asia ex Japan). Notably, this performance was achieved by many of the markets during a rare period of currency strength against the US$. The Korean won appreciated by almost 10% against the US$, while the Taiwan Dollar, the Indian rupee and the Thai baht moved up in the order of 5-6%. Asian central banks have long pursued a policy of stabilising their exchange rates versus the US$ and perhaps of more relevance in recent years, the Chinese yuan. Typically such exchange rate strength would be associated with a deteriorating export performance and thus a weaker outlook for profits.

The Fund returned 17.2% for the quarter compared with 4.4% for the MSCI Asia ex Japan Index in A$ terms. (Despite the strength of regional currencies, the A$ was stronger still thereby reducing these markets' returns in A$ terms.)

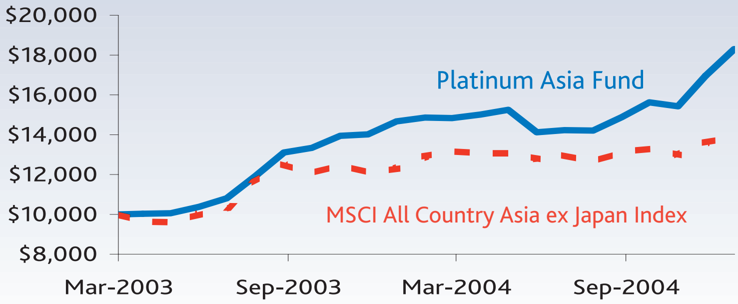
DISPOSITION OF ASSETS

REGION	DEC 2004	SEP 2004
CHINA	2%	3%
HONG KONG – CHINA H SHARES *	5%	7%
HONG KONG	10%	5%
TAIWAN	9%	12%
GREATER CHINA TOTAL	26%	27%
INDIA	42%	36%
KOREA	14%	17%
INDONESIA	3%	4%
THAILAND	2%	3%
MALAYSIA	2%	1%
SINGAPORE	1%	3%
CASH	10%	9%
SHORTS	9%	0%

Source: Platinum

* H Shares are shares of Chinese State Companies listed in Hong Kong

VALUE OF $10,000 INVESTED SINCE INCEPTION
3 MARCH 2003 TO 31 DECEMBER 2004



Source: Platinum and Factset. Refer to Note 2, page 39.

Stock markets were especially strong in Indonesia (up 20%) as the election of Susilo Bambang Yudhoyono buoyed optimism for economic reform, and India (up 17%) where strong earnings growth continued to push stock prices higher. Major contributors to the Fund's performance included United Breweries (India's largest brewer and owner of the delicious! "Kingfisher" brand), which increased 240% as Scottish and Newcastle acquired a major stake in the company. The Fund's other Indian beer and liquor companies also saw a substantial re-rating during the period with Shaw Wallace (beer and spirits) up 56% and McDowell & Co (spirits) up 78%. Indian banks were also strong performers as demand for credit remained firm, with Union Bank and Canara Bank moving up 46% and 30% respectively. Outside of India, Regal Hotels (Hong Kong & Macau hotels) performed well (up 58%) as occupancies and room rates continued to rise.

There were few poor performers in the portfolio although the Fund's Taiwanese holdings were generally dull and small losses were incurred on short index positions in Hong Kong and India.

CHANGES TO THE PORTFOLIO

Fong's Industries (Hong Kong), a leading maker of textile dyeing equipment, was added to the portfolio. The company will benefit as textile makers across the region continue to increase capital spending to take advantage of the removal of textile quotas at the end of 2004. We added to the Fund's existing holding in Jingwei Textile Machinery, which should similarly benefit. Other new positions include Peace Mark (Hong Kong), the world's largest manufacturer of watches, which has acquired a number of watch distributors in the PRC. A number of new holdings have been added to the Indian portfolio which now accounts for 42% of the Fund. The Fund has sold out of holdings in Tata Power (Indian power generator/distributor) and Sembcorp Logistics to make way for more interesting holdings.

COMMENTARY

In December we attended the Twentieth Indian Economic Summit, a meeting of Indian business leaders, senior members of the Indian government, representatives of multi-nationals and other bodies such as the World Bank. Our meetings over the three days of the Summit left us with the clear message that the fifteen years of economic reform has released enormous energy within the business community, which had been held back by the old socialist policies. There is great optimism that India has entered a virtuous cycle of investment and domestic growth. Importantly, it is generally accepted among politicians that capitalism provides the best option to relieve the poverty suffered by a large portion of the country's one billion people. The focus has shifted to growing the size of the pie rather than how it is to be divided.

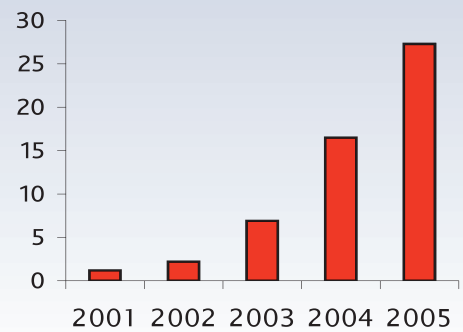
The large business groups have now made the mental adjustment from looking to government for handouts and special deals, to operating in a market environment. The information technology sector, which barely existed a decade ago, now accounts for over US$13 billion of exports and as a new industry stands as the "shining light" of what can be done in India when business is unencumbered by government interference. Besides the well known story of pharmaceutical exports, auto components represent another fast growing export sector.

Industries that have remained stagnant for years are now changing. The brewing business in India has a very poor record of profitability over a long period of time, with archaic regulations governing distribution and a tax system that hurts not only the brewers, but also results in a low tax take for the State governments. United Breweries (one of the Fund's holdings) has finalised a deal that will see Scottish and

Newcastle initially take a 20% stake in the company and potentially purchase up to a further 20%. These transactions will take place at a price that represents more than a 450% premium over the Fund's initial purchase price. The transaction not only provides funding for investment in additional production facilities but also clearly signals an intention to extract a reasonable level of profitability from the business. If the company is successful in earning profits commensurate with that achieved by leading brewers elsewhere, then Scottish and Newcastle has made a great investment. (Please see the Platinum International Brands Fund report this quarter for more on the Indian Beer and Liquor industry.)

Elsewhere, companies are rapidly rolling out modern retail concepts such as department stores, supermarkets, and hypermarkets across the country. Hand-in-hand with the modernisation of retail is the development of large scale shopping malls. At the end of 2003 India had 25 malls covering 6.9 million square feet; it is expected that 220 malls will cover 40 million square feet by the end of 2006. Five years ago, little, if any, such modern retail space existed.

INDIAN MALL DEVELOPMENT(mn sq ft)



Source: B&K Research, Images Retail

Meanwhile China stands as an example to India of what can be achieved. Foreign direct investment into India in 2004 was estimated at US$5 billion versus US$60 billion in China. The relative levels of investment in these two economies can be seen in the consumption of cement with India using a mere 120 million tonnes annually compared with China's 550 million tonnes. Weak infrastructure and lower productivity are the key differences between India and China in economic terms. However, as the government continues to privatise the airports and ports, higher levels of foreign capital can begin to narrow the productivity gap.

We heard of several large projects that were on hold on account of bureaucratic obstruction. Conscious of these problems, the government of Manmohan Singh has announced a special body to act as a facilitator for large projects. Made up of three distinguished business leaders, this Investment Commission is expected to reduce approval friction. At this stage its workings are still vague, but some form of secretariat is envisaged to liaise with all departments concerned to streamline investment approvals.

Finally, one critical issue that has to be addressed by government if there is to be longevity to the current boom is the delivery of basic services to India's vast population. The combined tax base of all levels of government is estimated at only 10% of official GDP, the percentage being even lower if you include estimates of the unrecorded black economy. Further, revenue collection is biased towards the centre and away from state and local governments who are responsible for delivery of basic services such as health care, education, local roads, and water and sewerage. Despite the numerous subsidies that are available to the poor, the confusion and leakage that occurs through the chain of command is lamentable. For example, there are 700 million ration cards distributed each year to ensure that no one goes hungry, yet one cannot qualify for a card without a fixed address. This leaves some 200 million in most need, without support, and many others who do not need it with undeserved benefits. Elsewhere, farm owners, who are in some regions very well off, get free electricity and other subsidies which are unnecessary, yet are equally burdened with various controls over the movement and pricing of food products.

It is our view that the government is likely to introduce a broad based consumption tax in the budget in March 2005. Such a move to broaden the tax base should be viewed as a major positive (although the stock market may see it otherwise in the short term). This should allow funds to be channelled to local and state governments for the upgrading of basic services. Distributing the benefits of economic growth widely will be critical for broad support of the reform process.

The Indian stock market is up almost 130% since it began its rise in April 2003. Readers might typically expect cautionary words from us after a performance of such magnitude. However, at the outset the market represented extraordinary value as price-earnings multiples were low and earnings were depressed. Although the market has undergone a significant re-rating, it remains far from expensive, especially when considering the explosive earnings growth of 30% and more from many of the larger companies. Meanwhile we continue to find new ideas to refresh the portfolio as some of our current holdings reach their potential. Thus we remain comfortable with the Fund's large position in India. In the short term the greatest risk remains foreign investment flows into India which have been large, and (as experienced in May 2004 when US bond rates increased) a rush for the exit by foreigners can see the market fall significantly. It can no longer be said that the Indian story is undiscovered.

Elsewhere in the region the news out of China has improved throughout the quarter with growth in bank lending indicating a return to capital spending. Whether the sharp tightening in bank lending that was experienced earlier in 2004 will reveal surprises as we move through 2005 is hard to know. It is worth noting that car sales have stopped falling and prices in major residential property markets continue to move up. The quarter has been marked by continual speculation about a revaluation of the Chinese yuan, and even about moves to a more flexible exchange rate mechanism. We would see such a move as a positive for China as it would encourage domestic consumption and thus cut down the economy's reliance on investment and the export sector to drive growth. Although it is hard to know when the authorities will make such a move, they would appear to be preparing the ground with further liberalisations of bank lending rates and further minor changes to the rules regarding foreign exchange convertibility.

Meanwhile there have been a number of bells ringing that suggest one should continue to treat China with some caution. In December, China Aviation Oil (a Singaporean listed offshoot of a state owned enterprise) went into bankruptcy having lost US$550 million speculating on oil futures. This came less than a month after raising US$115 million from foreign investors. Fifteen senior executives of Skyworth Digital were arrested for allegedly misappropriating US$7 million. The company is listed in Hong Kong and is China's largest manufacturer of TVs. And Sichuan Changhong Electric announced they would make losses as their US sales agent Apex Digital had defaulted on payments of almost US$500 million. Apex Digital is well-known as a supplier of $30 DVD players to Wal-Mart. Although incidents such as these do not particularly predict a downturn in China, they are indicative that there is a pretty good party going on. It is most likely we will see similar announcements of corporate failure and malfeasance throughout 2005.

PLATINUM EUROPEAN FUND

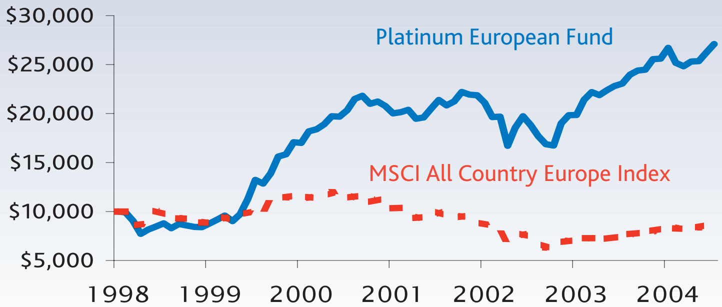
Toby Harrop
Portfolio Manager

PERFORMANCE

European stock markets moved broadly higher in the last quarter of calendar 2004, by 6% in aggregate. Only a dozen companies (among the largest 500) had meaningful share price declines (11%-26% down), while about 100 saw share price rises of 15% and more. Notably strong areas were the UK pub stocks (up nearly 40%) where consolidation appears to be offsetting the lack of volume growth, while Greece (+20%) and Spain (+13%) were the best of the individual markets. Telecoms performed well, as did transport (again). The A$ moved down 1-2% against most European currencies, leaving the MSCI Europe measured in A$ +7% for the quarter, and +16% for the whole of 2004.

The Platinum European Fund was +7% for the quarter, and +17% for the year - trivially different from the performance of the market. This similar outcome is surprising (and frustrating!) given the totally different compositions of the Fund and the European market. The Fund, for example, has been typically around 80% invested and 7% short through the year (66%-75% net invested), while the "market" is by definition 100% invested. Second, the Platinum European Fund has tended to have 33-35% invested in Germany, and about zero in the UK; the MSCI is 10% Germany and 35% UK! Finally, we have had 20-36% exposure to the A$, and no pounds Sterling, while the MSCI Europe obviously has no A$ and is over one third exposed to Sterling. Perhaps - despite all this - the undifferentiated outcome is coincidence, but it is interesting that it has occurred in a year when the measured performance of "good" versus "bad" stocks has shown unusually low variance, and when the actual range of "high" versus

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 JULY 1998 TO 31 DECEMBER 2004



Source: Platinum and Factset. Refer to Note 2, page 39.

"low" P/E ratio stocks is becoming so narrow that the categories are merging. We suspect this phenomena is linked to the generally high level of liquidity around the world (though the failure of this "excess liquidity" to show up in reported inflation rates makes this effect awkward to analyse).

The year's 12% gain for the European markets (in local currencies - the 16% A$ performance is helped by the fall of the A$ against European currencies over the year) was a better outcome than we anticipated 12 months ago, when we commented that with the benefits of anticipated labour market reforms being "largely offset by the depredations of the ever cheapening US$, ... valuations look fair … rather than cheap". The main surprise over the year, as mentioned en route, has been the improvement in aggregate profitability of European companies, the steadily strengthening euro notwithstanding. Aggregate profit growth for 2004 versus 2003 has probably been about 16%, leaving markets slightly cheaper at the end of the year than at the start, measured by simple price to earnings ratios. A helpful secondary factor has been the reduction of debt, and the rearrangement of actual debt, as the generosity of the corporate bond market has been used to refinance (ie. lengthen maturities at modest interest rates) many companies' balance sheets.

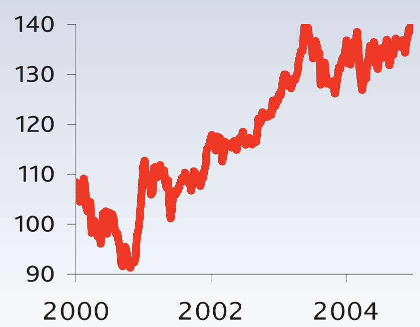
COMMENTARY

Euro-yen perhaps the real story in currency markets - is a reversal nigh?

While much attention has been focussed on the "weak US$", the flip side is the relative strength of the other traded currencies around the world. Non-Japan Asian countries - most controversially China - tend to manage their currencies to be steady (or in some cases modestly strengthening) against the US$. Japanese authorities no doubt had their Asian competitors in mind as they undertook currency intervention (buying US$, selling yen) on an unprecedented scale in 2004. This interference slowed the yen's rise against the US$. The "commodity currencies" (A$, Canadian dollar, South African rand) have ebbed and flowed with perceptions of Chinese economic growth, but overall have been generally steady against the yen, stronger than the US$, and weaker than the Europeans.

Interestingly, while the currencies of the non-EU Europeans were strong versus the euro in 2001/02, even they have fallen by the wayside as the euro itself has - improbably given the region's low GDP growth - surged relentlessly higher against all comers. For many European companies the key exchange rate is that between Europe and Asia, especially Japan. As the chart below shows, the euro has appreciated dramatically - and persistently - against the yen to give the Japanese competitors a considerable advantage. 40% in four years is a problem for German machinery and robotics companies, for example, competing with Japanese players for the big new orders in China, India and elsewhere.

EURO/YEN EXCHANGE RATE



Source: Bloomberg

Curiously, the official commentary in Europe has focused on the "weak US$" part of the equation (and tended to accept that the desperate financial position of the US precludes a reversal), rather than the "strong euro" part. When acknowledging it at all, the European

Central Bank has described euro strength as a helpful offset to the risks of (oil-induced) inflation in Europe (a redundant concern, one would have thought, given the scarcity of pricing power in most industries - and also of labour).

While we tend to doubt that the US$ will be much stronger against the euro any time soon, we are wary of assuming that euro-yen (euro-Asia generally) will continue to appreciate, and regard the current level of Y140/euro as pretty stretched. In fact the prospect of a reversal looks to be sufficiently probable that the European semiconductor companies, for example, may be interesting this next year or two after a tough run against the Koreans and Japanese. European consumer products companies - especially at the luxury end - could well benefit from a weaker euro (versus Asian currencies), as Asian purchasing power increases for German sports cars, French handbags etc.

Company meetings in Europe - currency, employees, and profitability

On a company visit trip through Germany, Switzerland, Paris etc in early December, we were struck by the lack of despair about the strong currency (in stark contrast to the last peak in the Deutsche mark, in 1995, where company meetings routinely included a plaintive lament - by the executives - about the horror of a strong currency). A few things could be concluded about today's near silence on the currency. The US trade position and consumer debt addiction is regarded with disgust but hopeless acceptance in Europe, so to the extent that Europeans are looking at US$-euro, they see a persistent trend, and little point arguing against it. And as they gaze eastward, the company executives are pragmatic about Asian mercantilism, so that in many cases the external competitiveness shock of the currency is being used to hasten internal company reform and reorganisation.

Company by company, the German labour market reform continues. While Siemens and other giants make the news with their more-hours-for-no-more-pay deals, we saw several smaller manufacturers who are all successfully concluding similar arrangements. Not only are weekly hours increased to around 41, but flexible working hour "accounts" are being used, so that for instance a production schedule is made available to employees for the coming weeks: they see that they will be busy one week but quiet in another, and can work an extra couple of hours each day in the busy week, in return for a day off in the quiet week. Wage costs unchanged, but labour capacity optimised to manufacturing volume - a far better situation than people working paid overtime one week only to be at work but idle the next. Another study shows that the number of staff away sick in 2004 shrank to the lowest level since 1970 - pragmatism triumphs over rorts when a few hundred million newcomers enter the labour market.

Increasingly companies are sending high volume, simple parts of the manufacturing process out to Eastern Europe (and further east), while doing short run products, and complex parts, as well as final assembly, in Germany itself. Thus semi-finished goods come into the manufacturing process from other countries: a German Economic Institute study suggests that over 40% of German exports are today manufactured abroad, compared with 27% in 1991. It is noteworthy that this same (industry-funded) body reckons the EU accession countries - Poland, Hungry et al - will add significantly to German GDP in 2005 and 2006 - a contrast to some fears that the Eastern Europeans will damage the economy by taking German jobs.

These labour reforms, combined with the good sales levels implied by the strong global economy, have resulted in the high (relative to history) profitability of European companies in aggregate. In the end it is perhaps this that explains the muted complaints about the strength of the euro. Even so, we were intrigued when visiting a specialty chemical plant, in

Switzerland, to find out that it was the "most profitable" plant of the company (who have 50 or so facilities around the world). Given the high level of automation ("capital is cheap in Switzerland, labour is very expensive" proclaimed our guides), one suspects that this "highest profitability" is profit relative to sales, rather than profit relative to capital employed, but it is noteworthy nonetheless.

OUTLOOK

Extended "economic cycle", valuations probably fair

Corporate profitability and cash generation is strong, and a cycle of capital expenditure for capacity expansion seems probable. It is hard to see how western world labour will manage to claw back a significant part of corporate profitability in the near term, so industrial GDP may outpace consumption for a time, and profits could remain at these high levels. With this in mind, and especially if a significant reversal in euro/yen takes some pressure of prices, the stocks we hold in Europe look promising. The aspect we find troubling (and the basic reason for our 18% cash holding at 31 December) is the widespread optimism for stocks among fund managers and individual investors. This complacent consensus, especially when accompanied by company executives selling stock (currently at the high levels of 2000 in the US), often precedes a set back.

The Platinum European Fund was 6% short for a net exposure of 75% to European shares at the end of December 2004. The currency exposure was hedged 20% back into the A$, and we had no exposure to the pound Sterling. We are sufficiently concerned about the extent of market long positions in the euro that we may switch some of our 59% euro exposure to peripheral European currencies such as the Norwegian krone (and/or increase the A$ hedge again).

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

CATEGORIES	EXAMPLES OF STOCK	DEC 2004	SEP 2004
CONSUMER/RETAIL	ADIDAS, HENKEL, HORNBACH, DOUGLAS	**16%**	**13%**
CHEMICALS/MATERIALS	LINDE, MERCK KGaA	**15%**	**12%**
CAPITAL GOODS	OCE, SCHINDLER, SIEMENS	**14%**	**11%**
MISCELLANEOUS SERVICES	DEUTSCHE POST, SGS SURVEILLANCE	**12%**	**12%**
PHARMACEUTICAL/BIOTECHNOLOGY	NOVOZYMES, GLAXOSMITHKLINE	**11%**	**13%**
FINANCIALS	CREDIT AGRICOLE, NORDEA	**8%**	**8%**
TECH/MEDIA	INFINEON TECH	**6%**	**7%**

Source: Platinum

PLATINUM JAPAN FUND

Jim Simpson
Portfolio Manager

PERFORMANCE

The quarter was characterised by substantial weakness in the US$ which fell by approximately 7% against both the Japanese yen and A$ and 10% against the Korean won. This translated into a choppy environment for Japanese equities as investors absorbed the impact of the currency moves and fretted about continuous declines in the OECD leading indicators, traditionally a good leading indicator for Japan's economy. Korea was a surprisingly good performer considering the amount of negative press about the poor state of its economy. It seems investors are being attracted by very low valuations and hopes for a better year in 2005.

The MSCI Japan index rose by 4.5% in $A terms over the quarter ahead of the Platinum Japan Fund which rose by 2.3%. The currency moves had little impact on relative performance as the Fund held very few US$. The portfolio benefited from its holdings in Japanese banks and property stocks but was held back by the decline in auto stocks which had been good performers previously. Our Korean holdings also helped performance, although Samsung Corporation declined rather sharply.

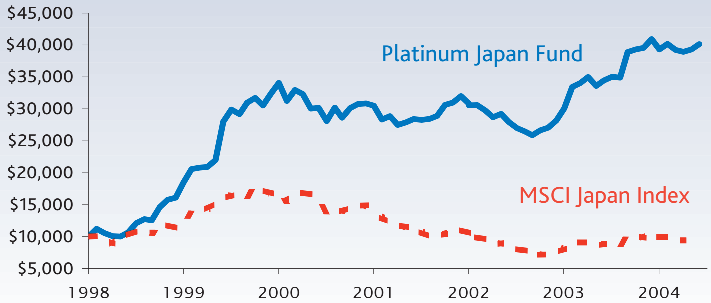
For the year to 31 December 2004 the Platinum Japan Fund rose by 16.5% versus the MSCI Japan index of 11.4%. For the three years to the same date the Fund rose by 12.5% pa compared with an MSCI Japan index decline of 2.7% pa.

DISPOSITION OF ASSETS

REGION	DEC 2004	SEP 2004
JAPAN	74%	69%
KOREA	13%	13%
CASH	13%	18%
NET INVESTED	87%	82%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 JULY 1998 TO 31 DECEMBER 2004



Source: Platinum and Factset. Refer to Note 2, page 39.

CHANGES TO THE PORTFOLIO

There were no substantial changes to the portfolio during the period. Stock selection during the quarter reflected a continuing bias toward Japanese domestic reflation names at the expense of export and defensive stocks.

Increased Positions: Major Japanese banks and non-life insurers.

New Positions: Tokyu Corporation and Tokyu Land; Korean Shipbuilders.

Deleted Positions: NTT Docomo; Takeda Pharmaceutical.

COMMENTARY

Japanese Property

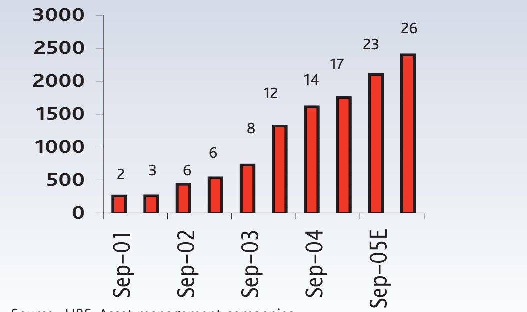
The first signs of a bottom in Japanese property prices are emerging in the form of surging transaction volumes and rising prices for high quality locations in Tokyo. If the recovery spreads to non-prime and regional locations the impact throughout the wider economy could be profound. With Japanese property prices having fallen to internationally comparable levels, and being very cheap when compared to domestic long term interest rates, there is little reason to believe that the same beneficial cycle seen in the Anglo Saxon economies should bypass Japan. An improvement in the property market would do wonders for consumer confidence as well as improving the fiscal situation of governments and promoting corporate restructuring.

The case for the turnaround of the property market is bolstered significantly by the emergence of strong buying from relatively new investor groupings. On the foreign side the global investment banks are leading the way in arranging property investment funds for their wealthy clients. They are very clearly seeking to arbitrage the differential between long term funding costs of below 2% and sustainable rental yields of around 5%. Indeed it is hard for us to adequately communicate the frenzied action that is taking place amongst foreigners in Japan's property market which is seen as one of the most attractive international asset classes in an expensive world. The recent landmark deal which saw Mitsubishi group sell its Shinagawa headquarters to a Morgan Stanley fund for approximately US$1.5 billion (well above market expectations at a 4% cap rate) perhaps best illustrates the process. Furthermore, it is not just foreigners who are making the running with domestic REITs (Real Estate Investment Trusts) and pension funds also very keen to secure high yields in a country where short term interest rates are 0%. The principal sellers are still troubled corporations and banks through NPL (non-performing loans) work-outs with some evidence that supply is tightening.

The development of the REIT market in Japan has been hugely successful with US$16 billion under management three years after their legal sanction, with further strong growth likely. At this stage the primary buyers of the REITs have been domestic financial institutions such as the regional banks and pension funds who are finding they can achieve a 2% improvement in returns over JGBs (Japanese Government Bonds) and at the same time achieve asset diversification. The key point to understand is that not only does the development of REITs help to stabilise property prices but it also brings enormous benefits to how funds circulate within the Japanese economy. Without a mechanism by which investors could readily access the high yields on offer from property assets, the property market was effectively frozen for longer than it should have been. This had adverse consequences throughout the financial system. However, this is reversing quickly, with the enormous demand for REITs causing them to trade at 50% premiums to their NAVs. We therefore expect to see more listings as promoters seek to capitalise on the demand and at the same time see a broadening of the offering into residential, hotel, retail and non-prime commercial areas.

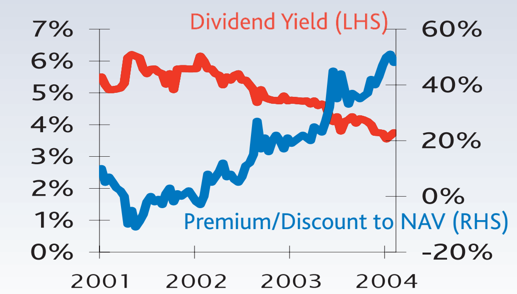
As equity investors, we tend to observe the property market from a distance whilst recognising that on account of its size it has enormous power to impact confidence. In Japan it is particularly pertinent given the historical obsession with property prices and the decade-long home equity compression from falling prices. Confidence in Japan is likely to be highly correlated with property prices at this point in its economic cycle and we will be keenly watching for further large scale transactions; REIT listings; and the premium to NAV (net asset value) of the REITs, for guidance. In terms of our portfolio, the premium valuation placed on the REITs serves to highlight the potential for hidden value in holders of property assets such as the big developers, housing and railway companies. We are exploring opportunities in these areas. The large banks are also obvious beneficiaries of the moves underway in the property market.

JAPANESE REIT MARKET SIZE AND ESTIMATES (mkt cap, Ybn)



Source: UBS, Asset management companies

JAPANESE REIT DIVIDEND YIELD AND PREMIUM/DISCOUNT TO NAV



Source: UBS, Asset management companies, Datastream

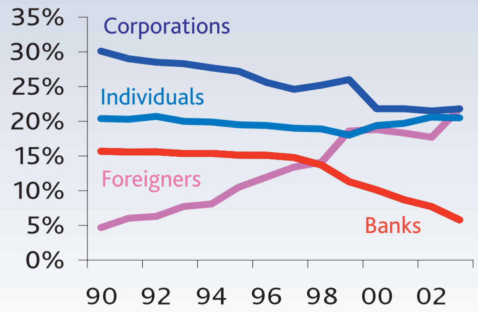
Shareholder Activism

Similar to the dramatic changes taking place in Japanese property, the equity markets in Japan and Korea are being transformed by rising shareholder activism. The long standing system of companies securing management control via cross-holding arrangements with financial institutions and affiliated companies is breaking down in favour of a shareholder base more focused on near term returns. This observation is amplified by a recent Nikkei survey of the 139 leading firms in Japan which showed 70% of them feel threatened by foreign takeover bids. We believe this trend is going to have enormous consequences for the equity markets especially as so called “value traps” are no longer protected by cross-holdings. This will inevitably attract investors keen to arbitrage the differential as so prominently highlighted by the many buyout funds that have sprung up in Japan over the past few years. In this environment it is less likely that companies will be able to hang onto their cash and will be forced to raise dividends or buyback stock to appease shareholders.

On balance we expect rising shareholder activism to be positive for equity markets as it will improve capital allocation in these economies. However the shareholder value mantra is not an unmitigated positive and can be taken too far by institutions that really only have their own interests at stake. We expect that there will be periodic backlashes against the process by local interests who intepret this as an abuse of national interests by opportunistic foreign investors. Korea is very topical in this regard as pressure from foreign investors has reached the highest corporate levels and engendered a fierce reaction in the national press. The recent attempt by foreign investors to influence the actions of the Samsung Group via its historical parent company Samsung Corporation merits attention. Essentially one large foreign investor purchased a 5% stake in Samsung Corporation and attempted to involve other investors in pressuring the company to realise value by selling its investment in Samsung Electronics. This action failed as the Samsung Group rejected the advances and moved to secure control of the company by increasing its cross-holding links! Subsequently the investor has departed having secured a profit after the stock price rose due to purchases by the Samsung Group. Whilst the cross-holding increase is somewhat retrograde, we have fundamental reservations about this approach. Not only does selling so quickly send the message of short term opportunism, but it devalues the notion that outsiders have anything valuable to impart to serious company management. It is not as if the Samsung Group has been a poor manager of assets over time, indeed the opposite is clearly the case. Unless there is a clear abuse of power it would be better to engage in long term discussion and leave them to get on with running the business.

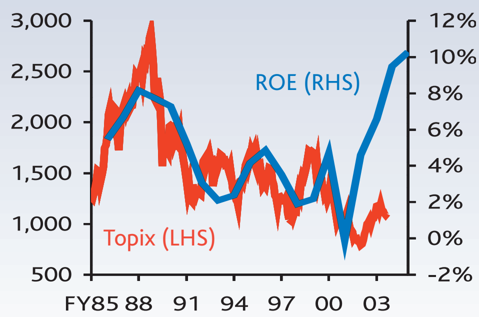
In Japan, at last count, there were at least 13 managers dedicated to this kind of corporate arbitrage activity. However to date they have attracted somewhat less national coverage due to the smaller targets they have chosen. Perhaps the most prominent has been Steel Partners which launched its assaults on the cash rich companies Yushiro Chemical and Satoh one year ago. One manager described this at the time as a bomb going off in corporate Japan. Looking back at what has been achieved by this action it is very interesting. The companies raised dividends by between 10-15 fold and their stock prices are 70% above the levels prevailing before the action was taken! The obvious spill-over impact to other cash rich companies has also been readily apparent. Leaving aside the headline grabbing fears that foreigners are coming to take over corporate Japan, the broader reality is that value is coming into focus in Japan and we would expect to see larger Japanese companies begin to come under pressure. This will be aided by the recent changes to the corporate law in Japan which allows the use of share swaps for domestic and foreign take-overs. Some changes will be needed to the tax law to properly facilitate this however. Our portfolio continues to be biased toward those companies with cash or other hidden assets which we believe will receive greater attention.

SHAREHOLDINGS OF JAPANESE COMPANIES BY INVESTOR



Source: Goldman Sachs

JAPANESE EQUITY PRICES VERSUS ROE



Source: Goldman Sachs

PLATINUM INTERNATIONAL BRANDS FUND

Simon Trevett
Portfolio Manager

PERFORMANCE

Following on from last quarter's rather mixed performance, the Platinum International Brands Fund performed strongly this quarter with the Fund up 10.6%, ahead of the MSCI World Index (+3.7%). Over twelve months the Fund has provided a return of 18.8%.

This quarter the Fund's performance has benefited significantly from our holdings in India, particularly our investments in the alcoholic beverage sector, more on this below. Our holdings in Europe also showed good performance with returns in the 5-15% range from some of our long held investments such as Adidas, Henkel, Beiersdorf and Campari, albeit we had commented that some of these stocks were particularly weak the prior quarter. Our US investments performed well with our recently acquired Liberty Media increasing in value by more than 20%, although our investments in Japan were fairly mixed and didn't particularly contribute to the overall performance.

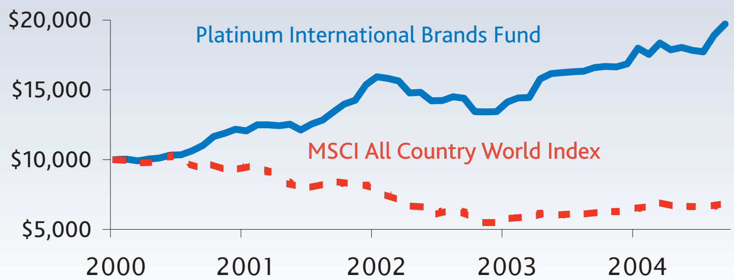
Our short position has not assisted our performance and has been reduced to 8% from 12%.

DISPOSITION OF ASSETS

REGION	DEC 2004	SEP 2004
EUROPE	38%	39%
OTHER ASIA (INCL KOREA)	32%	24%
JAPAN	12%	19%
NORTH AMERICA	4%	4%
CASH	14%	14%
SHORTS	8%	12%
NET INVESTED	78%	74%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
18 MAY 2000 TO 31 DECEMBER 2004



Source: Platinum and Facset. Refer to Note 2, page 39.

CHANGES TO THE PORTFOLIO

The most significant change to the portfolio has been an increase in our investment in Indian companies, from less than 15% a year ago to currently approaching 23% of the Fund. In part this has been achieved through the strong performance of some of our investments along with our enthusiastic addition of several new names to the Fund including Apollo Tyres (India's number two tyre manufacturer) and Britannia Industries (India's largest biscuit company) to name just two.

Our weighting towards Japan has decreased through the quarter from 19% to just less than 12% as we sold down a number of positions including Sky Perfect, Citizen Watch and Fuji Photo.

In the Eastern markets, Asia, including Japan, our overall weighting has stayed relatively consistent at around 40%. Whilst this proportional split has not materially changed we do not have any ideal weighting in mind; the apparent shift highlighted above, reducing the investment in Japan and increasing that in India, is only reflective of our assessment of the opportunities on a stock-by-stock basis. It is possible that we will continue to increase our investment in Indian companies and that the weighting there will increase without a commensurate decrease in our other Asian holdings.

We have also been adding to some of our European companies, notably the cosmetic companies such as Beiersdorf which was particularly weak at the beginning of the quarter. The stock had declined quite significantly in the third quarter and has subsequently climbed back to recover the lost ground. We also started a new position with L'Oreal which was subsequently added to following a visit to the company during the quarter.

L'Oreal appears to be a good example of where a short term distraction, together with increased competitive activity, has served to depress the stock to a multi-year low. Many are concerned as to whether this leading branded goods company can maintain its attractive historic growth rates given their failure to meet aspirational market expectations over the past couple of years. There remains the distraction of determining the impact on the company's reported results, especially the quoted P/E, following the merger of the two leading French pharmaceutical companies Sanofi Synthelabo and Aventis, in which L'Oreal owned a major stake (19.6%) of Sanofi Synthelabo. There is no doubt that competition is intense, and that some markets within Europe are especially difficult. However, we believe that an overly intense focus on short term quarterly results will miss the longer term brand and market building capabilities of this company, which continue to be supported by research and marketing budgets that are amongst the highest in the industry and backed by an exceptionally strong balance sheet.

COMMENTARY

Indian consumers apparently consume around 90 million cases pa of branded spirits (growing at around 10% pa) and an estimated 130-230 million cases of untaxed "country liquor" (cheap moonshine), making it one of the largest national liquor markets in the world by volume, although as might be expected it can be rather difficult to obtain reliable data when a significant part of the market is illicit. Beer consumption has been growing at an average rate of 9% pa over the last 5 years, the market at 6.8 million hectolitres and per capita consumption level of 0.7 litres is still extremely small by both developed (Australia at 90 litres per capita) and developing world (China at 19 litres per capita) standards.

Whisky accounts for over 60% of the branded spirits market, and the "browns" account for more than 90%. The typical branded mass market whisky sells at around US$6/litre, and 70% of this is paid away as tax. Beer sells at an average retail price of around US$1.50/litre and similar to branded spirits, 70% is paid away as tax. Hence, "country liquor" at around $2/litre can look extremely appealing to those looking for outright affordability or possibly even the best ratio of price to effect! (a litre of illicit liquor contains 300ml of alcohol compared with a mere 50ml from the equivalent litre of beer).

With such entrenched competition from the untaxed "country liquor" segment, the listed branded spirit companies have struggled to make a return, the beer industry has struggled to reach critical mass and, until recently, these companies were ignored by the stock market. Apart from the competitive issues, uncertainty regarding the development of the tax system and the ongoing need for improvements to the distribution systems has also been of concern to investors, as has the lack of capital investment in factories.

Even though both branded spirits and beer are currently taxed out of the reach of many, both industries are experiencing strong growth driven by a booming economy and favourable demographics; almost 70% of the population (over 700 million people) is under the age of 35 and many are experiencing rapid increases in their disposable income.

We have held investments in Shaw Wallace, McDowell and United Breweries (whose share price has increased more than threefold for us). United Breweries which holds 50% market share of the beer market with the leading beer brand Kingfisher, has appreciated significantly with the announcement of the joint venture with UK brewer Scottish and Newcastle. Shaw Wallace is the second largest branded spirits company and also has a joint venture with international brewer SAB Miller giving them a 40% share of the beer market. McDowell, a leading competitor in the spirits market has a 26% market share. While the recent excitement in these stocks has been driven by the interest of the foreign brewers, we believe that the more important operating gains and subsequent financial returns are yet to come.

The incumbent companies, with the resources and experience of their international partners are well placed to directly influence the future of the market. Maintaining or enhancing alcohol advertising restrictions is a competitive advantage for those with already well known brands and can seriously handicap potential new entrants, as an example. Perhaps far more important is the potential for changes to the taxation system, where local lobbying can have an impact.

The likely introduction of a federally administered value added tax (VAT) to replace state based sales taxes potentially eases the burden on the branded liquor industry. In making the branded segment more competitive relative to the untaxed segment, the government benefits from growing the total tax take, even as the overall rate of tax falls, with the added political benefit of this being an excellent public policy outcome.

Additionally, changing the tax base for the liquor industry from total beverage volume to just the alcohol content is inherently beneficial for the listed companies. From a social policy perspective, this is an easy reform to justify with the obvious benefit of discouraging consumption of health damaging high alcohol content beverages thereby encouraging the consumption of beer over hard liquor, with the cheaply priced illicit segment having the most to lose.

Given some basic reform of the taxation system that lowers the retail price of beer from US$1.50/litre (this is close to the price paid in the West) to a price closer to the US$0.60/litre paid in China should, we believe, see tremendous growth eventuate in the beer market. Further support will come from the development of the retail market, the bars and restaurants, and also distribution systems, including a widespread adoption of refrigeration.

OUTLOOK

We believe that the opportunities for our investments in India to provide exceptional returns over the longer term are very well supported, albeit we must highlight that in any particular quarter there may be some increased variability in the performance of the Fund. As discussed, the Fund has increased its exposure to this emerging market and may continue to do so, thereby increasing the impact of any potential correction along the way or volatility that such emerging markets can at times exhibit.

We are also encouraged to continue to look for opportunities in the cosmetic and alcoholic beverage sectors, particularly the European companies where their specific brand and geographic mix of business offers some encouraging growth prospects.

PLATINUM INTERNATIONAL HEALTH CARE FUND

Simon Trevett
Portfolio Manager

PERFORMANCE

It was an eventful quarter with influences on many of our holdings ranging from the US election through to the many newspaper headlines on drug safety, mostly triggered by the withdrawal of the popularly prescribed pain drug 'Vioxx' by Merck Inc. In the lead up to the US election, issues such as the price of drugs, rising health care costs as a proportion of GDP, and the potential threat of allowing drugs to be sourced from subsidised or price controlled markets (reimportation), added to an already high degree of uncertainty as to the future earnings potential of the major pharmaceutical companies.

As it has turned out, the US election result is most likely a minor positive for the industry. In the near term the US government does not look as though it will seek aggressive pricing constraints on the industry nor does the issue of reimportation of drugs seem to be making any progress, with recent government reports suggesting that the risks outweigh the benefits. They also make the point that the natural progression of drugs moving from patent protected to generic availability will provide a more relevant reduction in pricing.

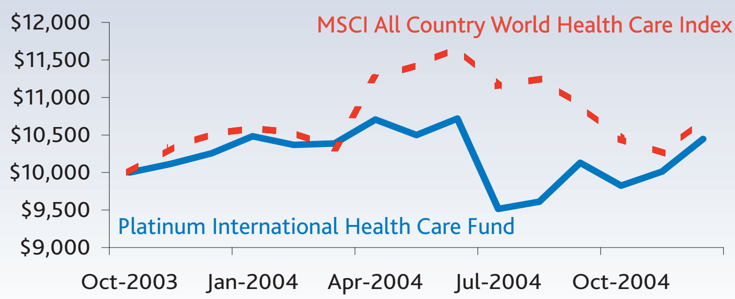
However, there is no doubt that the pressures remain on the industry to find new treatment options which are efficacious, safe and cost effective. How this unfolds will be debated endlessly and subject to as many extraneous influences as relevant ones. We are encouraged that there does seem to be sufficient moving parts to the debate to ensure opaqueness as to the potential of the industry, thereby providing some interesting investment opportunities. This can be illustrated with a look at the current pricing of the major participants' shares.

DISPOSITION OF ASSETS

REGION	DEC 2004	SEP 2004
NORTH AMERICA	59%	58%
EUROPE	22%	26%
JAPAN	1%	2%
OTHER ASIA (INCL KOREA)	2%	2%
CASH	16%	12%
SHORTS	0%	0%
NET INVESTED	84%	88%

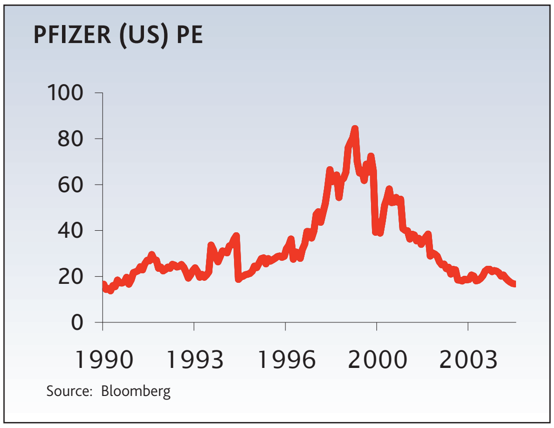
Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
10 NOVEMBER 2003 TO 31 DECEMBER 2004



Source: Platinum and Factset. Refer to Note 2, page 39.

Using Pfizer, the largest pharmaceutical company as an example, we can see how the pricing of the stock has fallen dramatically from its heyday valuation with a trailing P/E of over 80 to currently less than a quarter of that.



Similarly, across the industry we are seeing valuations that have fallen to levels that imply both historically low growth rates and a much higher risk profile. There is no doubt that both are valid concerns and that the stocks are reacting accordingly, however with sentiment towards the sector also apparently at a low ebb we suspect that much of the industry's woes are already reflected in the current share prices. Many of the valuation metrics, including cash flow measures and dividend yield, portray a similar story. There seems to be little credit being attributed to the research pipelines of the industry, partly because of the early development status of many of the more interesting drugs and partly due to the increased risk of developing drugs that need to meet higher hurdles; more precise in their function and with a superior safety profile.

The portfolio achieved a return of 3.1% for the quarter compared to the MSCI World Health Care Index of -1.7%. Within that we saw volatility particularly in our biotechnology holdings with performances ranging from -30% to +80% driven at times by apparently minor news or rumour in a market that seemed prone to some exaggerated movements.

CHANGES TO THE PORTFOLIO

This quarter we travelled to the West Coast of the US and Canada, following which we added several biotechnology companies to the portfolio as well as adding to some existing holdings. We also sold three of our investments following what we assessed to be a change of circumstances at the respective companies. The structure of the Fund has not changed significantly except perhaps for a modest increase in weighting in Canada based on the addition of some new investments. We have also been adding to our positions in Merck and Pfizer.

COMMENTARY

The sudden withdrawal of Merck's drug Vioxx shocked many, from patients through to the industry regulators. Since that date, at the end of September, much has been written in the press as we moved from sensational reporting to more thoughtful commentary. Those in possession of a retrospectrascope have had much to say about their foresight on the issues. Nonetheless the episode has brought to the fore many inherent concerns within the industry and portrayed in stark relief the absurdity of many of the conflicts of interests.

By way of a brief background for those fortunate enough not to be familiar with the drugs involved, a new class of drugs (so called Cox-2 inhibitors) was developed for the relief of pain and associated inflammation, particularly in patients with rheumatoid arthritis and osteoarthritis. The class was promoted to offer pain relief while lacking the harmful effects on the gastrointestinal systems (ulcers and bleeding) that patients can suffer when taking the older medications. Given that many patients suffer from these debilitating diseases and alternative therapies were and still are limited, this new class of drugs saw rapid adoption to become multi-billion dollar products. The leading two drugs were Vioxx from Merck and Celebrex from Pfizer. In the past quarter both drugs, Vioxx more so than Celebrex, have been associated with an adverse effect on the cardiovascular system, potentially resulting in heart attack or stroke. These events have raised questions about having potentially harmful drugs on the market and highlighted more generally many of the issues faced by companies and regulatory agencies when developing and assessing new drugs.

There are many competing interests at play when determining the future of any drug; the risk/reward profile from the patients' perspective in taking any treatment needs to be weighed, the commercial conflicts inherent in a drug company's desire to deliver financial results, the purpose and capabilities of the FDA to make appropriately balanced decisions whilst being funded in part by the industry, and not least the impact of an opportunistic legal system.

Also at play is the state of technology that allows researchers to gain more detailed understanding about the mechanism of a drug. We are still at a very early stage in being able to understand from a biology or chemistry perspective exactly how these drugs interact with the complexity and variability within each of us; in particular what are the positive effects (efficacy) and the potentially negative ones (side effects) of a drug. Clinical trials are essentially only statistical samples, providing the drug companies and the regulators with a less than perfect set of data on which to determine a drug's approved uses and restrictions.

As companies identify additional disease indications for already approved drugs thereby extending the drug's patented lifespan, more and more data is accumulated which may result in surprises. This commercial desire to extend the uses of Vioxx and Celebrex into additional indications (prevention of colon polyps that leads to cancer) saw new additional clinical trials being performed that revealed the increased risk of cardiovascular events. In Merck's case, the new scientific data and the potential size of the commercial risk (litigation), relative to the company's size, resulted in an immediate withdrawal of the drug from the market. Many write that Merck's reaction was also the result of prior suspicions and their knowledge from earlier trials that the drug did have such a risk profile. The courts may shed some further light on this over the years. We have studied the significant changes underway at Merck and have been increasing our investment based on an assessment of their potential to develop their pipeline whilst being able to manage the litigation risks.

Pfizer's Celebrex has not shown the same degree of risk as Merck's Vioxx and the scientific rationale for this differential safety profile is a matter of some debate. Chemically the molecules differ and there is a possibility that their affinity to the drug target (Cox-2) also varies. Whether it is a matter of degree (sufficiently high dose over sufficient time) before we see the same outcomes remains to be seen. In the meantime, Celebrex remains on the market albeit with lower sales, as we await the many deliberations as to this drug's future. Also worthy of comment is that Pfizer's size perhaps affords more options when making their decisions; whilst they currently defend the utility and safety of their drug they also have the capacity, more so than Merck, of absorbing any financial consequences of litigation.

As science progresses both in biologic understanding and in the tools and techniques available to scientists we should ultimately be able to better match a drug with an individual's personal profile, which might have allowed those that benefited greatly from Vioxx to have continued with their treatment. More likely, in our view, is that we will see compounds that are better designed with more knowledge of how they work along with an ability to identify those patients who will achieve the best outcome. It is unrealistic though to expect that drugs will have no penalty. It will always be a subjective risk reward assessment that will be performed balancing the many competing factors from medical to economic.

This particular issue of drug safety in approved drugs is not an isolated event and we have seen the reaction by other pharmaceutical companies to remind, highlight and reinforce the adverse effects of a number of drugs currently on the market. Cynically we could view this as an exercise in managing the legal system. We have yet to see obvious changes at the FDA or in the regulatory processes around the world but the assumption must be that greater emphasis on patient safety will eventually lead to an increase in the costs of developing drugs, especially those where the benefits are perhaps marginal. Whether we have seen the pendulum swing far enough against the drug companies is unknown, likely more adverse press on the side effects of significant drugs will ensue before we start seeing some interest in highlighting the benefits conferred and the potential for science and medicine to address the increasingly unmet needs of many current and prospective patients.

OUTLOOK

We are encouraged to add to our invested position believing that particularly the valuations of the large pharmaceutical companies and the adverse market sentiment support this, albeit we are cognisant (especially in the US) that perhaps relative performance may be better than absolute and that the market may need some extraneous encouragement before embracing the sector again.

The next quarter promises to be just as eventful as we head towards one of the most significant meetings of the year for the biotechnology companies. We would also expect to see a number of trial results impact our holdings and the level of deals (collaborations, licensing, mergers and acquisitions) across the industry looks set to continue. In this past quarter, Johnson & Johnson made a US$25 billion takeover bid for Guidant (a medical device company providing stents and pacemakers) and over the course of the next year we expect to see the full range of acquisitions across the industry.

The biotechnology companies will continue to benefit (as should their shareholders) from the maturing of their development programs and the continued hunger by the large companies to feed their pipelines as the next big wave of marketed drugs move off patent. We will continue to seek investment ideas that play to this theme. We are also encouraged to continue to pursue the theme of personalised medicine, by way of the tools that may assist in predicting a patients' response to a drug or those tools and services used in the research and development processes.

Simon Trevett and Bianca Elzinger

PLATINUM INTERNATIONAL TECHNOLOGY FUND

Alex Barbi
Portfolio Manager

PERFORMANCE

The Fund rose 5.2% during the quarter, with most of the tech sector recovering from the sharp decline of the previous quarter. Among the best performers during the quarter globally were PC & hardware (+17%), and semiconductor equipments (+13%), while in the US, software stocks rose on average by 23%.

For the year to 31 December 2004, the Fund rose 4.6%, outperforming the MSCI IT Index (-1.1% in A$ terms), but it lagged the MSCI Telecommunications Index (+12 % in A$) as investors took refuge in more defensive telecom operators stocks. The broader Nasdaq Composite Index was up 4.8 % in A$ terms.

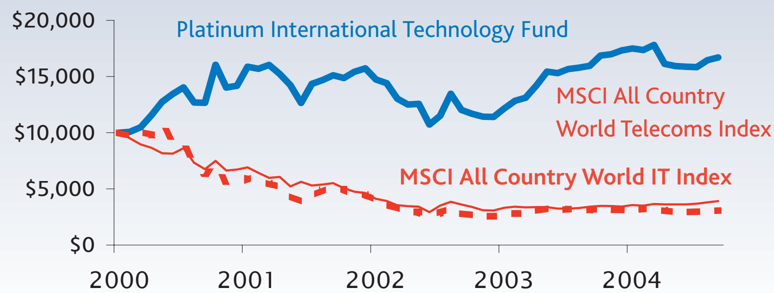
Major contributors to the Fund's performance for the quarter were Advanced Micro Devices (semiconductors +71%), Ramco Systems (software +62%), and Foundry Networks (data networking +38%). This was offset by the flat performance of our Japanese holdings and by the negative contribution of our short positions. During the quarter, we reduced our US$ exposure and hedged into A$ and yen.

DISPOSITION OF ASSETS

REGION	DEC 2004	SEP 2004
OTHER ASIA (INCL KOREA)	26%	22%
NORTH AMERICA	22%	24%
JAPAN	19%	18%
EUROPE	13%	10%
CASH	20%	26%
SHORTS	5%	15%
NET INVESTED	75%	59%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
18 MAY 2000 TO 31 DECEMBER 2004



Source: Platinum and Factset. Refer to Note 2, page 39.

CHANGES TO THE PORTFOLIO

We closed our short position on the Nasdaq after the US election results, and removed some short positions as the oil price started receding from a peak of $55 to the current low $40s. We considered these two factors as impacting positively - at least temporarily - on US consumer confidence and investor sentiment.

We re-established a position in Ericsson, after reviewing our forecasts for capital expenditure in the wireless industry. We believe that telecom operators will start accelerating expenditure on infrastructure once greater segments of the population start adopting next-generation mobile services (known as 3G services).

While emerging competition from new Asian players has started to appear in Europe, we believe that Ericsson's global leadership in wireless infrastructure will grant it a very strong competitive advantage in this growing market.

We also introduced a new position in Hong Kong-listed Hutchison Telecommunications International (HTI). Majority-owned by conglomerate Hutchison Whampoa, HTI is an attractively valued telecom group with interests in mobile businesses in India, Thailand, Hong Kong and Israel. We consider India a market with high potential for sustainable growth in mobile communications, and HTI as an attractive way to invest in this theme.

Our net invested position at the end of the quarter stood at 75%.

COMMENTARY AND OUTLOOK

In the last quarter of 2004, increasing certainty over the US election outcome along with the declining price of oil partly contributed to renewed investor confidence in the stock market. Tech stocks enthusiastically participated in the recovery, sometimes ignoring the negative news flow which suggested a slowdown in final demand, or the danger of excessive inventories in the system.

A particularly strong performance was recorded by internet stocks, with recently listed Google rising 132% above the $85 price set for its Initial Public Offering, while "veteran" internet stocks like Ebay and Yahoo also recorded solid price increases. Valuations for some of these names are back at sky-high levels: Ebay reached a price-earnings (P/E) ratio of 96 times 2004 earnings, and Yahoo was trading at 110 times 2004 (earnings). Google's market capitalisation is a robust $53 billion with a P/E ratio of 77 times and price-to-sales ratio of 18 times. To some extent, we recognise some of the same euphoric characteristics that were evident in late 1999: high valuations, a high number of IPOs and secondary offers, and insiders' sales reaching levels unseen since 2000. The only difference between 1999 and now is that five years ago the majority of internet companies were finding bids at ridiculous levels, seemingly regardless of the viability of their business model or their future profitability. Today, the internet "survivors" are very profitable, with established successful business models, and their markets enjoying enviable growth rates. For example, during the ever important pre-Christmas sale season, the US saw online sales up 25-30% year-on-year and internet advertising enjoying a remarkable 35% year-on-year growth rate.

A more subdued tone has characterised the semiconductor and semiconductor equipment sectors. For the year 2004, the Philadelphia Semiconductor Index (SOX), representing US semiconductor companies, was down 15% and is only part of the way to recovering from its September lows. During the first part of 2004, most PC and electronics goods assemblers rushed to accumulate components (memory chips, flat panels, hard disk drives etc) on the assumption of accelerating demand for their products. Unfortunately, slowdowns in several end-markets, including mobile phones in China, enterprise computer hardware and networking kits in the US, were among factors contributing to a generalised inventory correction.

Looking at 2005, we think that the greatest risk for technology stocks lies with the US consumer ability to maintain current levels of spending. The pace of growth may slow down more if unemployment and interest rates start heading in the wrong direction.

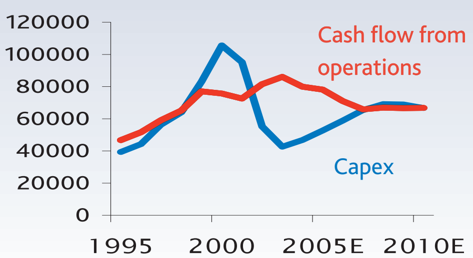
In the medium term though, we agree with commentators suggesting that the consumer electronics industry is somewhat similar to that of discount airlines: cheap prices will ultimately trigger big increases in demand - for goods like LCD TVs, digital video recorders or video mobile phones. Historically, consumers have demonstrated a propensity to buy "unnecessary" consumer goods once they are affordable enough (ten years ago, very few people would have forecast China to have 330 million mobile subscribers by now - more than any other country on earth!)

A new wave of capital expenditure in Telecommunications

Telecommunication services is an asset-intensive, high-fixed cost business with very low marginal costs and, since the early 1990s, also an increasingly competitive industry. Similar to railroads, airlines or utilities, it is a cyclical industry and is subject to the same capacity induced boom-to-bust cycle over time.

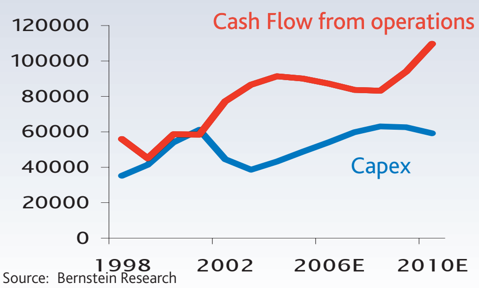
After the excesses of the internet boom of 1999-2000 and the subsequent decline in telecommunications investment which lasted until 2003 (see the following charts), the forces of cash-flow, industry competition, pent-up demand for new applications and cost-effective technology came back into play. Capital spending in telecommunications has been recovering, with a strong bias towards investing in mobile network capacity/upgrades.

NORTH AMERICAN CARRIER CAPEX VERSUS CASH FLOW FROM OPERATIONS FORECAST ($mn)



Source: Bernstein Research

EUROPEAN CARRIER CAPEX VERSUS CASH FLOW FROM OPERATIONS FORECAST ($mn)



Source: Bernstein Research

In Europe, the need for wireless infrastructure is going to be the main driver behind renewed capital spending. In the UK and Italy, the aggressive marketing tactics of new market entrant Hutchison's 3 (offering highly subsidised handsets and cheap voice tariffs) have already been creating strong demand for new third generation ("3G") handsets.

With current GSM/GPRS networks (114 kilobits-per-second speed), it takes as much as ten seconds to download a photo, four minutes to download a song, and fifteen minutes to download a video-clip. Initial deployments of 3G networks allow ten times' faster connections. With High Speed Downlink Packet Access (HSDPA), an evolution of 3G to be released within the next two years, speed will reach 8-10 megabits per second. Imagine how easy it will be for teenagers to download music videos or watch TV on their phones!

Even more importantly, incumbent mobile operators like Vodafone, TIM and Telstra, who have so far resisted responding to Hutchison's marketing moves/strategy, are now facing the reality of losing subscribers unless they start offering similar 3G services. Spending on infrastructure is going to be part of their defensive strategy and a "network effect" similar to that triggered by early internet adopters will ultimately force them to add capacity and/or upgrade their networks.

What will be the new killer applications? We cannot know yet, but similarly ten years ago we would not have imagined that SMS (text messaging) would become the successful application it is now. Ultimately, ease of use and affordability will determine the success of new applications.

The success of iPod may be a case in point. Apple's MP3 music player and its iTunes software to download music from the internet has succeeded in an industry otherwise under threat from piracy, and considered to be on the brink of virtual extinction.

This has drawn the attention of handset manufacturers and telecom operators. In fact most of the basic components needed for an MP3 player (audio interface, power amplifier and headphone jack) are already built into a mobile phone. Adding memory capacity in the form of a mini-hard disk drive or flash memory module is the only major step required to enable a phone to become an MP3 player. Motorola has partnered with Apple to use iTunes software in a line of digital music phones to be launched in 2005. Similarly, Samsung and LG expect to launch music phones in the US during the next few months.

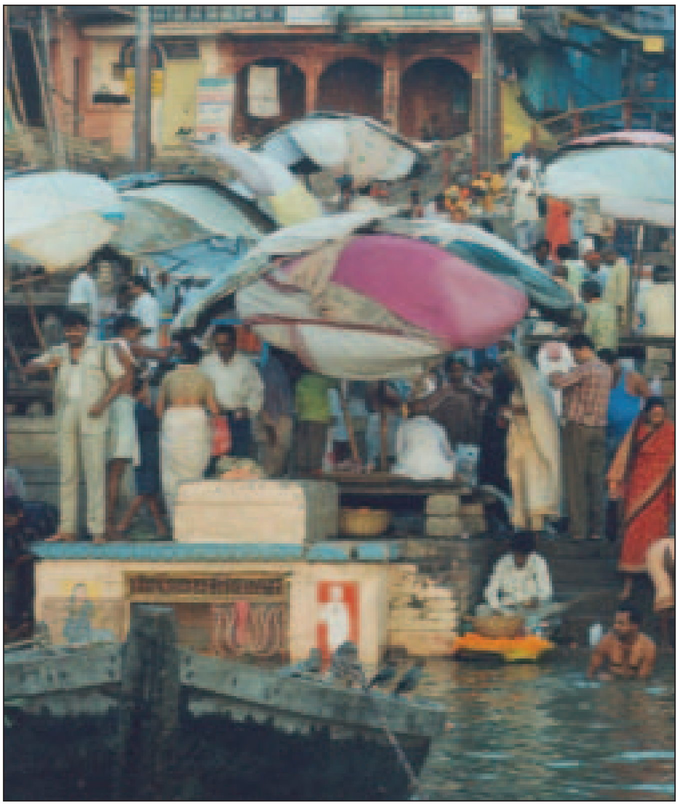
In the US, local phone companies are under fierce attack from many directions: mobile operators offering services at increasingly lower tariffs; cable companies offering Voice-over-IP (VoIP) phone services, broadband internet access and video on demand; wi-fi hotspots popping up in major towns and cities and offering wireless internet connections … rank among the new industry hazards. During the last two years, the four largest US local telecom operators have lost 10 of an original 156 million traditional land lines. The intensity of competition is such that they are considering selling their less profitable lines and concentrate their investments in mobile technology or new fibre-optic networks. Whether competition comes from the air or from the pay-TV set-top-box, telecom operators will have to spend to survive. Both Verizon and SBC Communications have announced multi-billion dollar plans to link the bulk of their users to high-speed fibre networks.

Emerging markets are also participating in this telecom revolution with gusto. In China, more than 20% of the population uses mobile phones (up from 4% at the end of 1999). In India, there are now 47 million wireless users (corresponding to a market penetration rate of 4%) compared to 1.5 million just five years ago! The Indian wireless market has three key characteristics indicative of a profitable industry: the absence of handset subsidies, a large proportion of pre-pay users removing risks associated with credit collection, and low capital expenditure requirements thanks to the maturity of the technology deployed (mostly first-generation GSM). The downside risk is that the five or six operators in the country engage in the damaging practices of pricing wars.

The forecast growth in traffic within telecom networks, their increased complexity and ability to deliver voice, data and video simultaneously and efficiently, will force telecom operators to spend money.

Perhaps the most important transformation facing telecom equipment vendors in the next few years is the migration of telecom service operators to a Next-Generation Core Network architecture. In previous reports, we spoke about VoIP and its impact on the cost of making phone calls and the risks/opportunities associated with this technology for telecom service providers. Similar challenges for equipment vendors are just around the corner.

A new Internet Protocol network architecture called IP Multimedia Subsystem (or IMS) has recently been defined by the 3G Partnership Project and the Internet Engineering Task Force, the two key standard-setting organisations in their respective areas (3G mobile and the internet). The new IMS networks will have to support user applications which comply with standardised interfaces regardless of the device used to access the networks. That means that in the near future, an IMS-compliant network will be able to deliver a landline voice call, a video stream or a 3G mobile call originating from a copper telephone line, a fibre-optic cable or a wireless radio. In this context, hardware will increasingly become more standardised, while software for network management, security, tracking subscribers, usage and billing will become important points of differentiation. Only those operators and vendors able to adapt to this slow but inevitable change will profit from the transition.



HONEYMOON IN INDIA

We have often expressed our interest in India as a source of investment opportunity. However, in their holiday time several staff have recently sampled India as a tourist destination - I say "sampled" because when you arrive in India you sense the vastness and diversity of this country, which is exciting and in some ways overwhelming - majestic palaces with beggars at the gates; religious diversity (Hindu majority, a large Muslim minority, not to mention significant Sikh, Christian, Buddhist, Jain, and Parsi populations); geographic diversity (from the Himalayas in the north; deserts and river plains in the central regions; and fertile farmland in the south); and the sheer sensory overload of one billion people going about their daily business - the honking horns, smells of spices, crowds, all exuding a chaotic energy.

Why write about India as a tourist destination? For the main part, it may add some impressionistic detail to our writings on Indian investments. As a secondary benefit, you may just be interested in a holiday there yourself.

My wife and I spent two weeks in central India on a small group tour, which traced for the most part a popular tourist route - New Delhi, Varanasi (holy city of the Ganges), Agra (location of the Taj Mahal) and Jaipur (the "pink city" of Rajasthan, famous for beautiful palaces, jewellery and textiles), with a detour to a few small villages off the tourist track. We were outside the main business cities for most of the trip, so our experiences would not represent that of the growing "middle class" India seen in parts of Bangalore and other business centres.

A highlight of our trip was the holy city of Varanasi on the river Ganges, one of the oldest continually inhabited cities in the world, and a pilgrimage destination for millions of Hindus. At dawn we took a gondola down the river - as we made our way downstream, looking across to the shoreline hundreds of pilgrims descended the stone stairs ("ghats") from the ancient temples and palaces towering over the river-banks, and bathed in their brightly coloured robes and saris - a ritual believed to wash away one's sins. From a distance, columns of smoke from funeral pyres were also visible - many pilgrims make their way to Varanasi to spend their last days by the river - it is believed that to pass away here liberates one from the cycle of reincarnation and delivers one to heavenly bliss. Varanasi is also renowned for beautiful hand-made silk scarves and fabrics - a trip to a recommended silk weaver outside town proved a worthwhile expedition for those in our group who admire textiles, notwithstanding the 45 minute bumpy cycle rickshaw ride to the shop over potholed roads!

While India is in the midst of building a historic modern tollway linking four major cities (the "golden quadrilateral" connecting Mumbai, New Delhi, Calcutta and Bangalore), which should provide a significant boost to these business centres, evidence of infrastructure modernisation in the areas we visited was not immediately obvious. Traffic tends towards the left, but otherwise is chaotic - smaller vehicles give way to bigger, buses rule the road, until two buses meet head-on and then it's a game of chicken (we were in a mini-bus). Presence of carts, tractors (many carrying 10-15 passengers!) cycle-rickshaws and the like tend to disrupt the traffic, with all traffic stopping when cows wander. Thrill-seekers will love the ride, while others may need to close their eyes. One of our drivers explained jokingly the secret to being a good driver - "good horn, good brakes, good luck". Actually, we saw relatively few accidents, so the system seems to work. By contrast, train travel was relatively relaxing - the train ride from Jaipur to Delhi was particularly pleasant, with delicious freshly cooked meals served by friendly attendants every half hour (we disembarked in New Delhi very well fed!).

An interesting part of the trip was a visit to the rural areas and villages off the tourist track. Driving through the back-roads of the countryside gives one a sense of India's enormous population - no matter how far we were from a village, it seemed we never travelled more than a few hundred metres without passing people in some activity (eg. rock breaking by hand, weaving, herding livestock, making fuel bricks out of buffalo manure, hand scything of crops). In some rural areas conditions are particularly difficult (eg. Rajasthan has seen the failure of the monsoon three years in a row), and work can be scarce. It's not uncommon for day labourers to get up around 5am, pack a tiffin (home cooked lunch), and ride by push-bike to the closest town to gather on a particular corner by 7am, where the fortunate ones will be selected as basic labour, but are only guaranteed one day's work for 50 to 150 rupees a day (A$1.50-4.50) - the unfortunate ones return home to try again tomorrow.

Our trip through the rural areas coincided with the colourful Hindu festival of Divali - driving through the town centres, the streets were festooned with brightly painted banners, while shop-fronts proudly displayed carefully constructed rainbow-coloured pyramids of sweets. Divali celebrates several important events in Hindu texts, including the marriage of Lakshmi (goddess of wealth and prosperity), and the return of Lord Rama (exemplar of chivalry and virtue) from exile. Families spend time together during the festival, traditionally lighting rows of lamps in the home, while many give gifts of sweets and let off/detonate (very loud!) firecrackers in the streets.

Notwithstanding all this colour and excitement, our group still managed to be a source of interest to locals when we arrived in town - walking through the streets, we quickly attracted a throng of curious bystanders. As always in India, cricket is a major topic of conversation, and many were keen to enter into a debate over the relative merits of the Indian and Australian cricket teams. The local children in particular were fascinated by the sight of foreigners - as we would leave a village, typically a large crowd of laughing kids would run after our mini-bus waving and smiling.

India is a rewarding holiday destination. Those interested in unique and vibrant cultures, exotic foods and historical architecture will find many delights on the road, while the people are friendly. As additional attractions, the rich colours of the country are a photographer's paradise, while those interested in textiles or jewellery (and shopping for them) will not be disappointed. India is increasingly recognised for its rapidly growing economy, and has long been popular for backpacking style holidays, but we would expect a growing interest in India as a major tourist destination.

Simon Felton

NOTES

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

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

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

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

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

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

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

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

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

(nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist).

The investment returns are calculated using the Fund's unit price. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax and assume the reinvestment of distributions. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably to the make-up of the Index. The Index is provided as a reference only.

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