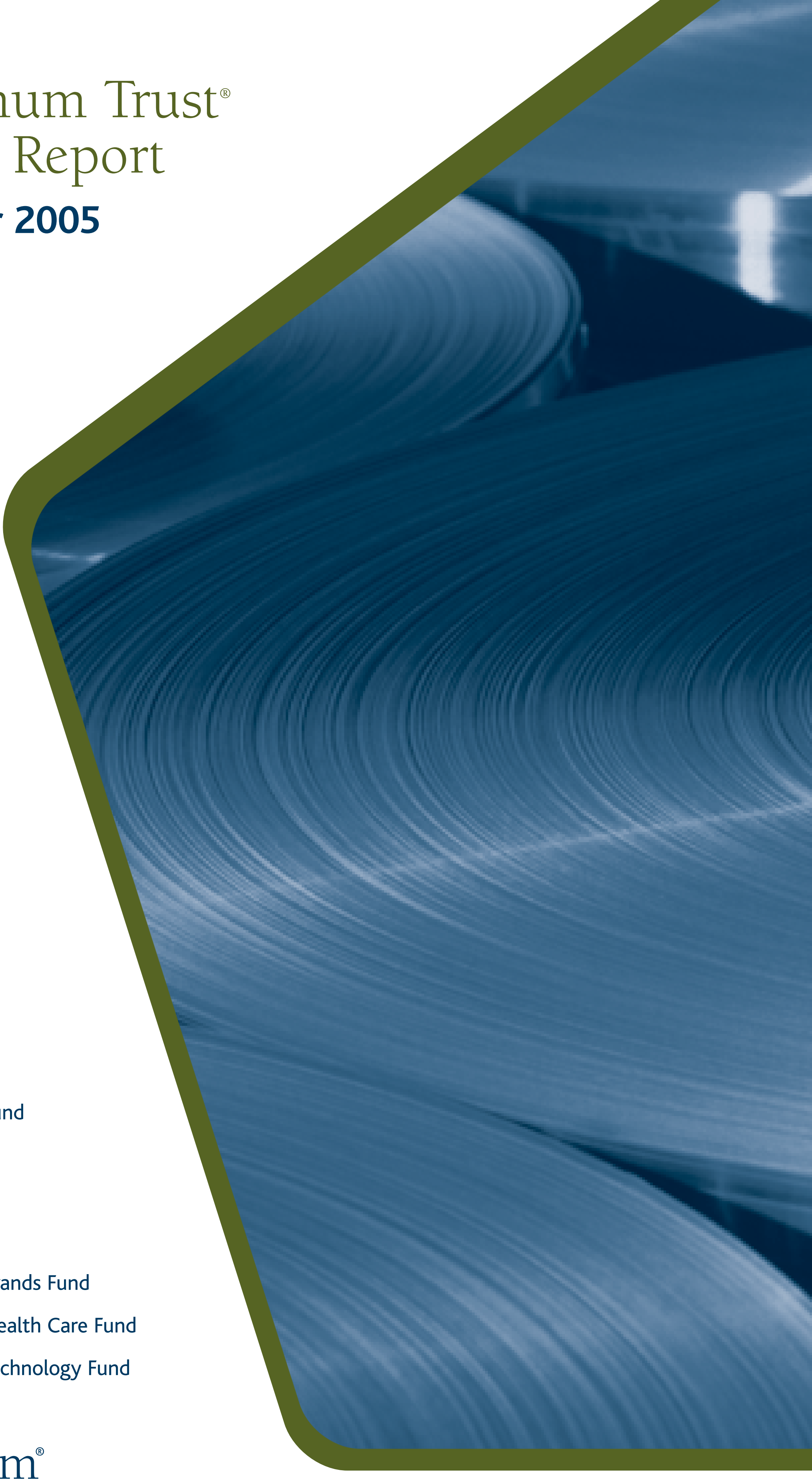
The Platinum Trust® Quarterly Report

31 December 2005



Platinum International Fund
ARSN 089 528 307

Platinum Asia Fund
ARSN 104 043 110

Platinum European Fund
ARSN 089 528 594

Platinum Japan Fund
ARSN 089 528 825

Platinum International Brands Fund
ARSN 092 429 813

Platinum International Health Care Fund
ARSN 107 023 530

Platinum International Technology Fund
ARSN 092 429 555

Platinum® ASSET MANAGEMENT

Front cover photograph: Corbis

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Experts ...

We recognise that our greatest untapped resource is our readers. As an industry expert, we would welcome your comments and ideas.

Do email us at:
commentary@platinum.com.au

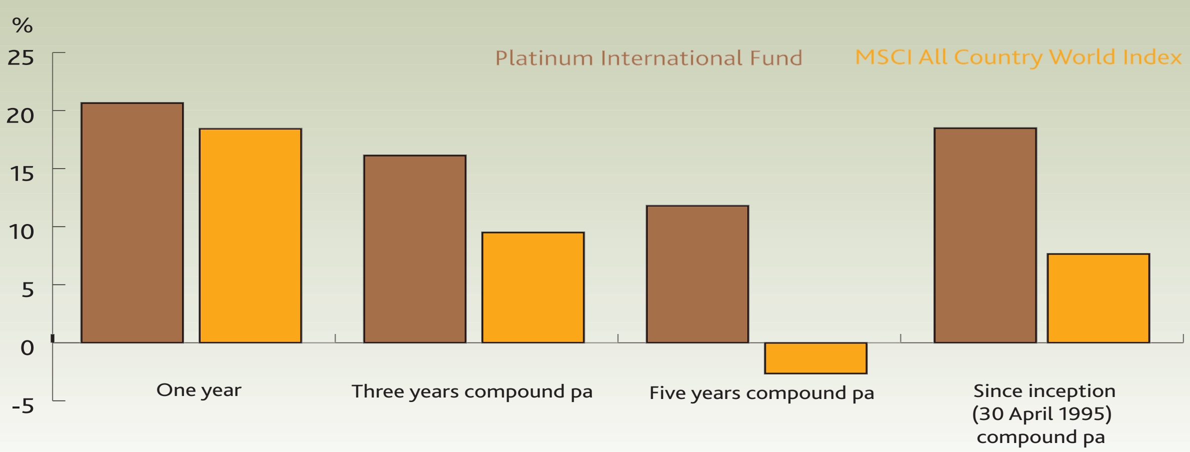
PERFORMANCE RETURNS TO 31 DECEMBER 2005

FUND	FUND SIZE	QUARTER	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	5 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA
INTERNATIONAL FUND	**$7,485m**	**9.7%**	**20.7%**	**15.3%**	**16.1%**	**11.8%**	**18.5%**
MSCI AC* WORLD INDEX		7.6%	18.4%	14.5%	9.5%	-2.6%	7.7%
ASIA FUND	**$1,218m**	**9.6%**	**40.6%**	**32.4%**	**-**	**-**	**39.7%**
MSCI AC ASIA EX JAPAN INDEX		10.9%	31.1%	21.6%			23.5%
EUROPEAN FUND	**$232m**	**3.4%**	**13.3%**	**15.4%**	**17.7%**	**8.9%**	**16.1%**
MSCI AC EUROPE INDEX		6.2%	17.8%	17.1%	12.5%	-1.6%	0.7%
JAPAN FUND	**$811m**	**14.3%**	**45.1%**	**29.9%**	**27.7%**	**15.6%**	**26.4%**
MSCI JAPAN INDEX		16.4%	34.1%	22.2%	14.9%	-1.1%	3.8%
INTERNATIONAL BRANDS FUND	**$367m**	**10.4%**	**35.4%**	**26.8%**	**22.8%**	**19.4%**	**19.1%**
MSCI AC WORLD INDEX		7.6%	18.4%	14.5%	9.5%	-2.6%	-3.6%
INTERNATIONAL HEALTH CARE FUND	**$15m**	**5.6%**	**4.4%**	**3.1%**	**-**	**-**	**4.1%**
MSCI AC WORLD HEALTH CARE INDEX		6.1%	16.9%	9.1%	-	-	10.9%
INTERNATIONAL TECHNOLOGY FUND	**$51m**	**12.2%**	**13.3%**	**8.9%**	**16.3%**	**8.4%**	**12.0%**
MSCI AC WORLD IT INDEX		9.8%	14.2%	6.3%	7.7%	-11.2%	-17.0%

*Morgan Stanley Capital International All Country

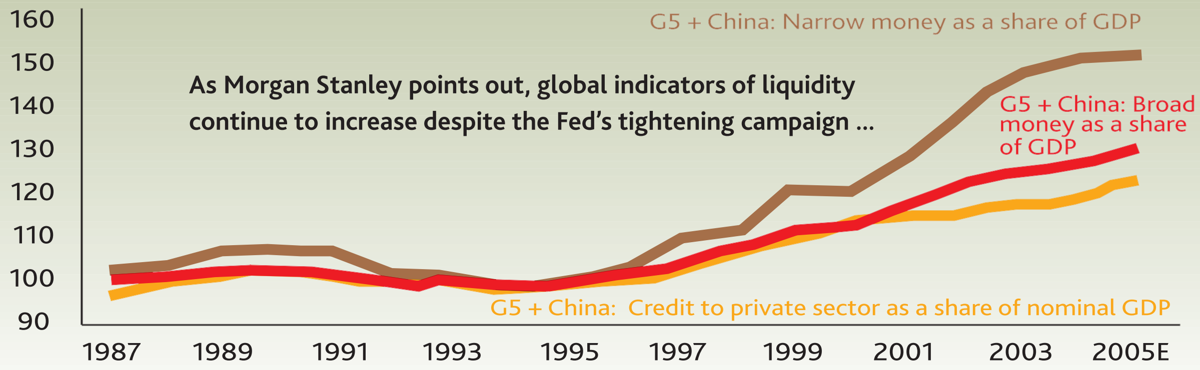
Source: Platinum and Factset. Refer to Note 1, page 40.

PLATINUM INTERNATIONAL FUND VERSUS MSCI WORLD INDEX TO 31 DECEMBER 2005



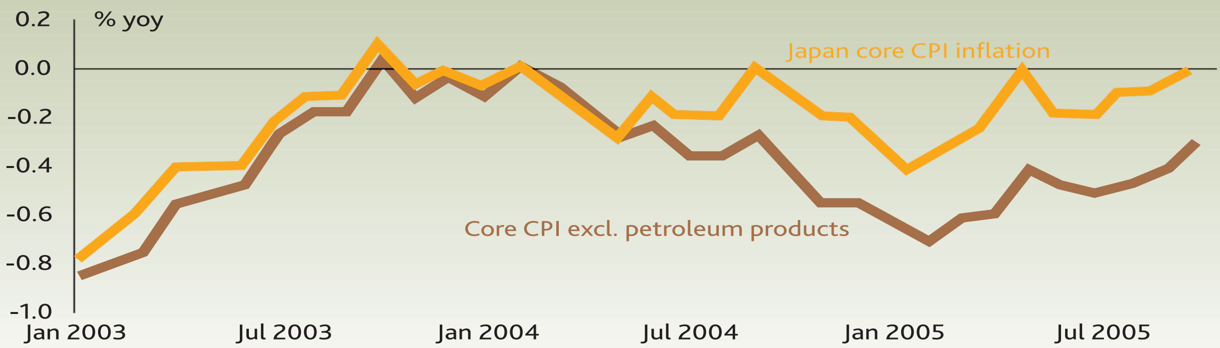
Source: Platinum and Factset. Refer to Note 1, page 40.

GLOBAL LIQUIDITY



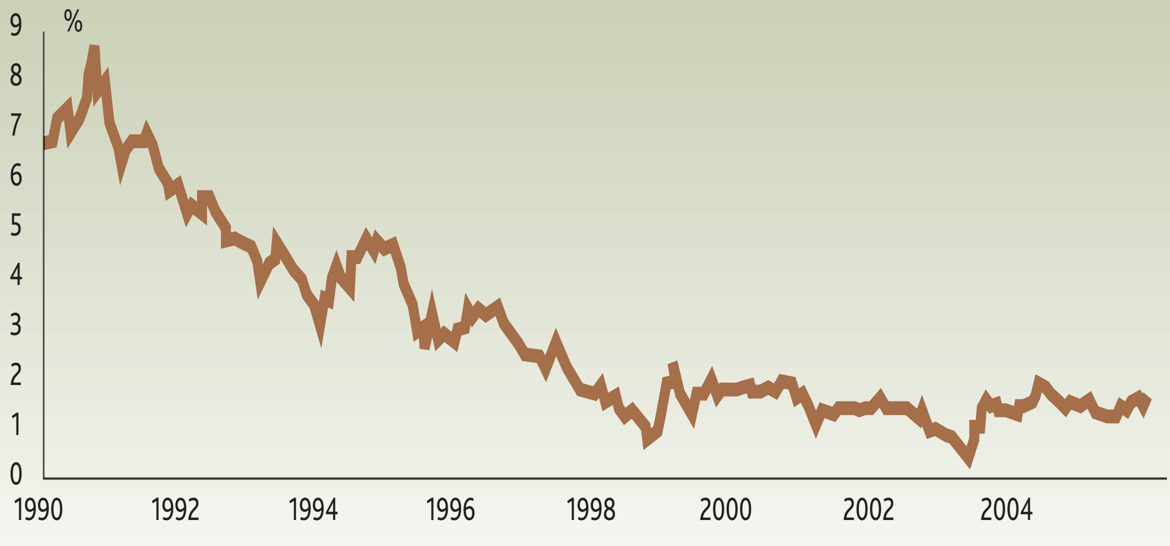
Source: Joachim Fels, Morgan Stanley Global Fixed Income

JAPAN CORE CPI AND CORE CPI EXCLUDING PETROLEUM PRODUCTS



Source: CEIC Data, CLSA Asia-Pacific Markets

10 YEAR JAPANESE GOVERNMENT BOND YIELD



Source: Bloomberg

PLATINUM INTERNATIONAL FUND

Kerr Neilson
Managing Director

PERFORMANCE

As the year progressed, the pace of the Fund's appreciation quickened. Performance in the first half was marred by one third of the Fund being committed to Japan, a market which declined slightly until June. At that time we commented that, "both our mechanistic and qualitative work suggests that Japan is and remains the most attractive of the large equity markets". Fortunately, our thorough methodology has paid off but it stands as a warning to those of our investors who would prefer to play with the in-crowd of momentum managers. Please do assess whether Platinum offers the sort of management style that you feel comfortable with over the long term. We would be astonished if there were not periods of underperformance in the future as a consequence of our contrarian approach to investing.

The accompanying table gives a hint of the opportunities offered by markets during the year. Conspicuous were the companies of the emerging markets which enjoyed both strong earnings growth and a further re-rating, hence the remarkable returns. Among the developed markets, Japan led, followed by the Europeans, and the US brought up the rear with a return barely matching the cash rate. For your interest, the table shows the 12 month and three month performance in native currencies, US$, as well as A$ to highlight the importance of currency movements this past year.

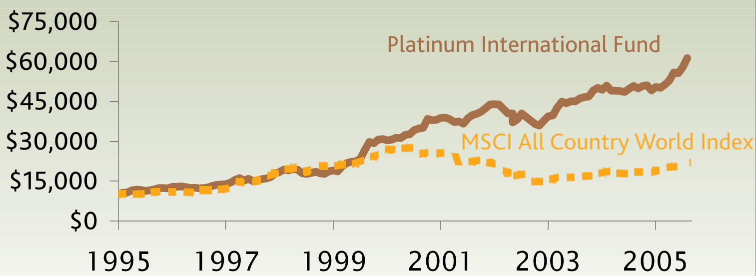
It is no surprise that energy and materials once again led the markets in terms of industry categorisation. The outliers were utilities which have benefited from low interest rates and consumer discretionary, perhaps anticipating a less robust consumer. It is interesting to note how energy and utilities went off the boil in the fourth quarter.

MSCI WORLD INDEX INDUSTRY PERFORMANCE (AUD)

SECTOR	1 YEAR	QUARTER
ENERGY	40%	-2%
MATERIALS	29%	12%
UTILITIES	22%	2%
INDUSTRIALS	20%	11%
FINANCIALS	20%	12%
HEALTH CARE	17%	6%
CONSUMER STAPLES	14%	5%
INFORMATION TECHNOLOGY	14%	10%
CONSUMER DISCRETIONARY	9%	8%
TELECOMMUNICATIONS	1%	0%

Source: Factset

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 MAY 1995 TO 31 DECEMBER 2005



Source: Platinum and Factset. Refer to Note 2, page 40.

MSCI WORLD INDEX COUNTRY PERFORMANCE (NATIVE, USD AND AUD)

COUNTRY	NATIVE	USD	AUD	NATIVE	USD	AUD
		1 YEAR			QUARTER	
KOREA	53%	57%	68%	12%	15%	20%
JAPAN	45%	26%	34%	17%	12%	16%
INDIA	42%	38%	47%	11%	8%	13%
BRAZIL	38%	56%	67%	7%	1%	6%
GERMANY	27%	10%	18%	7%	4%	9%
FRANCE	27%	10%	17%	3%	1%	5%
AUSTRALIA	24%	16%	24%	3%	-1%	3%
UK	20%	7%	15%	3%	0%	4%
HONG KONG	8%	8%	16%	-3%	-3%	1%
US	5%	5%	12%	2%	2%	6%

Source: Factset

Against these various opportunities, there were areas where we could have done better, most notably in currencies but overall our returns were acceptable. The Fund outperformed the MSCI index by 2% over both the year and the quarter, earning 20.7% and 9.7% respectively.

CURRENCY

At this time last year we fretted about the one-sided view the market had against the US$ and chose to tentatively own some. However, as has happened in the past when there is a conflict between a strategic view and a tactical view, we tend to make rather limp concessions in favour of tactical arguments. This has been costly, made all the more so by our misreading of the attraction of the yen being used as a source of cheap funding for asset speculation. The consequence was that we were positioned about 160 degrees out of sync.

By the fourth quarter, the change in the tempo of the currency markets suggested a diffident swing in sentiment against the almost certain bet of borrowing cheaply in euros and yen. The yen clawed back some 3% against the US$, and given our view that the outlook for world growth is relatively benign, we hedged some yen into Australian dollars.

At present, we are ambivalent about exchange rates, mostly holding the underlying assets in their native currencies. To the extent we hold US$ investments or cash, these are hedged into Australian dollars. In this instance we are suggesting that the benefits that the US$ derives from its reserve currency status approximately matches the benefit that the A$ derives from the current commodity boom. In neither case is an argument being made against the fact that both nations are living beyond their means. This position will remain under close scrutiny.

SHORTING

By late October, we had reduced our short positions as the markets sagged under the uncertainty of galloping oil prices and concerns about avian flu. As the quarter progressed we gradually reinstated positions and at quarter's end short sold Nikkei index futures with the view that the Japanese market was tending to run ahead of itself. We also introduced a short on Japanese Government Bonds (JGBs) earlier in December in anticipation of the gradual return to orthodox monetary policy.

CHANGES TO THE PORTFOLIO

DISPOSITION OF ASSETS

REGION	DEC 2005	SEP 2005
JAPAN *	33%	32%
WESTERN EUROPE	24%	26%
NORTH AMERICA	19%	17%
EMERGING MARKETS	14%	14%
CASH	10%	11%
SHORTS	34%	34%

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

Source: Platinum

In this period we continued the pattern of disposals seen in the third quarter. Namely, selling down across the board in India, and completing the sale of Seoul Broadcasting, Daewoo International and Samsung Securities in Korea; Linde, Deutsche Post, Alleanza Assicurazioni in Europe; and Fuji Electric, NSK, IHI, Credit Saison, and Aiful in Japan. New sales were initiated to reduce our holdings in the Toyota group of companies and to exit Falconbridge.

Fortune favoured us regarding Falconbridge. After Brascan sold its remaining 20% to Xstrata there was the risk of the latter gaining creeping control without fully paying shareholders for the extremely interesting mineral assets of the group. Fortunately the CEO, who was truly concerned about all shareholders, adroitly engineered a merger with Inco which saw the share price lift from $C24 to $C34 a share.

As mentioned last quarter, many sales do not necessarily reflect the full value of the companies but as they had each appreciated considerably since our entry, they were no longer compelling *investments*. Take Toyota Motor for example. We think it is indisputably the world's leading auto manufacturer, however, it has nearly doubled in price in 22 months, and regular readers will know that the now publicised problems at both Ford and GM were among the issues we considered when buying the shares at the outset. With these problems now clear to all, it is not the time to give them undue emphasis. We strongly believe Toyota will be the largest auto company soon and probably remain the most profitable. However, our job entails appraising the relative merits of great companies and great investments: the difference residing in price!

Purchases included adding to the Japanese regional banks, which we believe are incredibly cheap against all comers if one believes that interest rates will rise in Japan as an inevitable consequence of economic normality. We also bought a holding in Livedoor, a stockbroker-come-Internet portal. Additions were made to the paper and packaging manufacturers; to the fallen angels of the drug world, Merck and Pfizer; and to longer held positions such as Henkel (packaged consumer goods and industrial solutions),

BREAKDOWN OF FUND'S LONG INVESTMENTS BY INDUSTRY

CATEGORIES	EXAMPLES OF STOCKS	DEC 2005	SEP 2005
CYCLICALS/MANUFACTURING	TOYOTA INDUSTRIES, SCHINDLER, SIEMENS, HHI, INTERNATIONAL PAPER	29%	29%
FINANCIALS	CREDIT AGRICOLE, SUMITOMO MITSUI INSURANCE, SAMSUNG FIRE & MARINE	16%	15%
TECHNOLOGY/HARDWARE	AGERE, INFINEON TECH, SAMSUNG, AMD, SUN MICROSYSTEMS	11%	10%
RETAIL/SERVICES/LOGISTICS	HORNBACH, CARREFOUR, MITSUBISHI CORP	9%	9%
SOFTWARE/MEDIA	NEWS CORP, LIBERTY MEDIA, PREMIERE AG	6%	5%
CONSUMER BRANDS	HENKEL, LOTTE, BEIERSDORF	5%	5%
GOLD AND OTHER RESOURCES	SHELL, BARRICK GOLD, NEWMONT MINING	5%	7%
TELECOMS	ALCATEL, SK TELECOM, ERICSSON	5%	5%
MEDICAL	SCHERING, GLAXOSMITHKLINE, PFIZER, MERCK & CO	4%	4%

Source: Platinum

Carrefour (the world's second largest retailer) and Credit Agricole (France's leading financial intermediary).

The road is never paved with gold, however. A recent purchase of Germany's pay-TV operator Premiere AG, before the outcome of the bidding for the broadcast rights for the *Bundesliga* domestic football contest, saw the share price collapse on the announcement of their having been outbid by a cable rival. The shares have recovered somewhat but it will be interesting to see how they try to solve their dilemma for programming content. They are not without choices we believe.

COMMENTARY

It is seldom pretty to look back at the **supposed certainties** of 12 months earlier. The current "certainties" seem to be that the world will grow at a reasonable pace (with the hitherto leaders slowing and the laggards gaining pace), that inflation will remain subdued, and that short term interest rates are consequently not likely to lift much. This leaves investors extremely comfortable as indicated by the published bull to bear ratios and the low implied price of option volatility. "Certainties" have the knack of reducing one's critical faculties and we are no exception.

We do know, however, that much of the **present propitious mood is the direct result of a concerted central bank bail-out**. There is easy money everywhere with real short term interest rates varying between slightly negative, as in Asia, to barely positive in the euro area and up to 2% elsewhere. Even in the popularly declared sick economy of Europe, this has induced loan growth of over 9% year-on-year. We therefore continue to favour the case for a world of more balanced growth, assisted by Asia generating greater internal and inter-regional growth (note our comments in the September quarterly). In the meantime there is a crescendo of real asset speculation.

At the end of 2002 the high yield debt ("junk bond") markets were illiquid and very unfashionable in the aftermath of Enron, Worldcom, and other disasters. As the US (and global) economies reflated, what was previously thought of as speculative debt became less speculative, allowing many companies to refinance. High yield debt was the best performing asset class in 2003 and 2004.

With performance came floods of money seeking "junk bonds" – and the interest rate differential between junk and government bonds shrunk to very low levels. High risk endeavours that would usually have to pay substantial interest rates could borrow at trifling spreads over low yielding treasuries. Money was cheap and available.

If highly speculative adventures can be financed cheaply they probably will be, and in much of the world they are being pursued on a grand scale. So-called ***private equity is the metamorphosis of the earlier fashion of leveraged buyouts (LBO)***.

The private equity funds, which have attracted huge flows, try to take advantage of the difference in returns expected by the equity market and the junk bond market. If the assets purchased generate a higher gross cash flow (pre-tax) than currently low yielding junk bonds, an LBO can be made to work. Moreover, any business improvement belongs to the equity holders but the downside belongs disproportionately to the bond holders.

Some of the recent deals have been breathtaking. For example, the sale of the PanAmSat satellite data business owned by DirecTV (and controlled by Rupert Murdoch's News Corp). News Corp sold the business to leveraged buyers for $4.3 billion, $3.75 billion of which was borrowed. The new owners only put up $550 million. Months later PanAmSat borrowed a further $250 million which was used to pay "dividends" to the equity investors, reducing their contribution to $300 million. A few months later they floated the company and $200 million of the proceeds were used to pay a second dividend to the equity investors, reducing their equity contribution to

$100 million. After the listing the initial shareholders held almost half of the company when, out of the blue, a bidder emerged to offer shareholders over $3 billion. Needless to say, the new purchasers are financed yet again with junk bonds. Presumably Mr Murdoch, in a public auction, did not deliberately leave several billion dollars on the table!

The fact is that there is a round-about of hedge and private equity funds (that have mobilised savings from a sometimes unsophisticated public) to invest in all manner of asset classes that is reflexive by nature. ***Each buys from the other and ultimately relies on the public markets to provide the escape route.*** This hatch was diminutive in late 2002!

Nowhere is this activity more pronounced than in Australia where unsustainable "earnings" are being manufactured, levered and sold to the public in listed vehicles. Investors would be wise to compare declared earnings against gross revenues. In some instances they may discover that "earnings" exceed cash revenues (gross cash-in-the-door!!). These fantastic gymnastics are achieved by so-called "mark to model" revaluations, and dividends paid in part from "refinancing" gains.

The purchasers involved in these LBOs are often not the natural owners. They derive their income mainly from being paid a share of profits when the investment is on-sold. ***These assets are purchased to flick.*** However, to date, the assets have been easy to flick because there has almost always been another private equity fund or public market willing to buy them. The most common deals we see these days are no longer public to private transactions but transactions between private equity firms, generating each time another round of activity-inducing fees to managers, junk bond salesman and investment bankers.

An important element of this is the willingness of junk bond holders to hold ever-riskier debt. In this they have some support because the default rate on the junk debt issued in this cycle has been very low, helped by a benign economy and self reinforcing optimism (reflexivity).

As interest rates have risen in America, the heat in the private equity market has moved to Europe where interest rates remain very low. This is also tending to drive-up the price of listed shares in Europe. Further, excess liquidity generated by the Bank of Japan is doing its share of work, finding expression in carry trades which make funds available globally to fuel the fire.

Yes, this does all sound familiar. In the 1980s, Michael Milken, through clever marketing and force of personality, convinced investors to hold *portfolios* of junk debt which were supposed to lessen risk. Some should have known better. He funded many highly speculative ventures some of which worked (being a great help to both Rupert Murdoch and Ted Turner) and many of which failed (for example Bond Corporation). In the end there were many losers (including life insurance companies that lost billions of dollars and failed): Milken had rearranged the financial landscape of America. His firm took enough fees to pay him over half a billion dollars in 1987. He went to prison too. It ended in tears for some, and great success for others. That is how this current wave of cheap money and leveraged transactions may also end.

CONCLUSION

In general we are in agreement with the widely-held optimism but the rampant speculation noted above does fill us with foreboding. Over the next 12 months one can expect periodic panics about growth, a fair degree of currency turbulence and perhaps a greater margin for error being applied to riskier assets. With this in mind we have been gradually shifting the portfolio away from highly successful areas to those which are less fashionable. Some of these new ideas carry timing risk but could be highly prospective. We are maintaining hedges on several markets and shares.

PLATINUM ASIA FUND

Andrew Clifford
Portfolio Manager

PERFORMANCE

Asian stock markets continued their impressive march higher appreciating by 10.9% during the quarter, resulting in a total return for 2005 of 31.1%. A significant portion of these returns were the result of the A$ depreciation against Asian currencies, with the above returns reduced to 5.0% and 21.2% respectively when measured in local currency terms. In comparison, the Fund performance for the quarter was 9.6% and 40.6% for 2005.

The clear leader was the Korean market which was up 12% for the quarter and 53% for the year. Deeply out of favour 18 months ago, this market has continued to rebound as the issue of credit card bad debts recedes and strong auto and retail sales reflect a much improved economy. The market also stands apart in the region as having local investors as the prime marginal buyer of stocks, suggesting less reliance on global liquidity for support. India was the other strong performer rising 10.7% over the last three months and 42% for the year, where strong earnings growth continues to attract enthusiastic inflows from foreign investors. Hong Kong was the weakest market for the quarter (down 3%) as higher mortgage rates slowed the residential property market. Taiwan suffered further (down 1.3%) as bad debts on consumer loans continued to rise, impacting the banking sector.

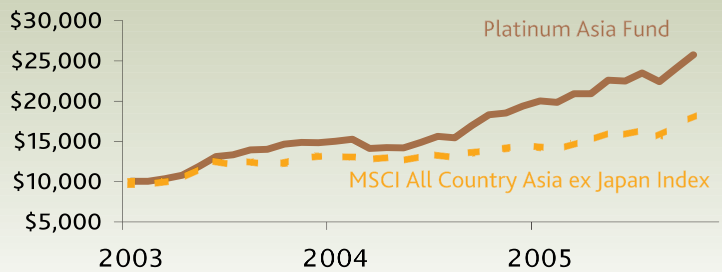
The best performers were primarily the Fund's Korean holdings with Seoul Broadcasting (TV broadcaster) one of the best (+77%) as the outlook brightened for the domestic economy. LG Electronics also

DISPOSITION OF ASSETS

REGION	DEC 2005	SEP 2005
CHINA (LISTED PRC)	7%	5%
CHINA (LISTED EX PRC)	12%	9%
HONG KONG	6%	6%
TAIWAN	7%	7%
GREATER CHINA TOTAL	32%	27%
INDIA	24%	30%
KOREA	23%	21%
INDONESIA	4%	1%
MALAYSIA	4%	2%
THAILAND	1%	1%
SINGAPORE	1%	1%
CASH	11%	17%
SHORTS	11%	12%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
3 MARCH 2003 TO 31 DECEMBER 2005



Source: Platinum and Factset. Refer to Note 2, page 40.

performed well (+27%) on the back of strong new product releases in mobile phones and improving performance in its LCD business. Samsung Heavy (ship building) had another good quarter (+15%) on the securing of further orders. Elsewhere our portfolio of Chinese property developers had strong upward moves. Despite the move in the Indian market, our Indian stocks didn't add a great deal to the Fund's performance. Among the poor performers were our bank holdings which have lagged the market due to concerns about the impact of higher interest rates. We remain confident that the banks remain significantly undervalued and will continue to hold these positions. The other major drag on performance was our decision to hold our short position in the Indian Nifty Index which reduced the Fund performance for the quarter by approximately 1%.

CHANGES TO THE PORTFOLIO

The composition of the portfolio continues to change slowly with Indian stocks now accounting for 24%, down from 42% a year ago. This has mainly been achieved by allowing the Indian portfolio to be diluted as new Fund inflows have been put to work elsewhere. The main beneficiary of this has been the China component (including HK listings) which now represents 19% of the portfolio, where we have continued to build holdings in residential property developers, as well adding to our holding in ZTE Corp. Elsewhere, other major changes have been acquisitions of Indonesian paper producers and a Malaysian construction company.

COMMENTARY

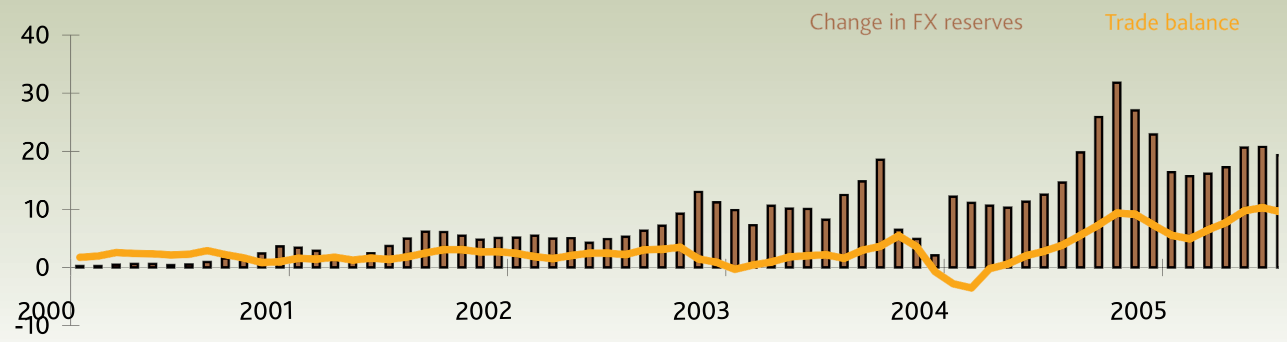
In our last quarterly report we focused on the change in the Chinese yuan exchange rate mechanism and the implications of a more flexible exchange rate system for China and the rest of the region. A flexible exchange rate mechanism has the potential to transform the Chinese economy away from its boom-bust cycle to a more stable growth pattern. Given the significance of this to the region, and especially the stock markets of the region, it is worth spending some more time considering the pressures on the Chinese policymakers to allow a stronger yuan.

In a floating exchange rate regime such as in Australia, the price of the currency simply moves until the buyers and sellers are in equilibrium. Theoretically if the country is running a trade surplus, there will be an excess of "natural" buyers of the currency who will push the currency to a level where owners of the currency will sell, generating an offsetting capital outflow. In the real world the process is much more frantic as capital flows typically far outweigh the natural trade flows and thus tend to be the predominant factor in setting the price of the currency. Nevertheless the basic principle applies that all the flows offset one another and the central bank need not participate in the market.[1]

However, in a fixed exchange rate regime, the central bank plays the role of balancing the flows in and out of the currency, buying or selling at the fixed rate as required. When there are more buyers than sellers, the central bank ends up creating "new money" and accumulating foreign reserves, which is exactly the situation the People's Bank of China (PBOC) finds itself in today. The chart over shows that foreign exchange reserves are building at the moment at a rate of approximately $US20 billion per month far in excess of the typical trade surplus each month of $US10 billion. Part of this difference is accounted

[1] In reality of course, central banks are active participants in their exchange rate market, but usually in the context of smoothing the more extreme fluctuations.

PRC - Change in FX reserves versus Trade Balance (3 month moving average)



Source: CLSA and CEIC, UBS estimates

for by foreign direct investment (FDI) of approximately $US5 billion per month. The balancing $5 billion will primarily be the result of speculative capital flows that are finding their way into China, either legitimately or otherwise.

One legitimate channel that has developed for foreigners to gain exposure to the yuan is the non-deliverable forward (NDF) currency market. In this market the buyer of a NDF will make a profit if the exchange rate at the time of maturity is above the forward price at the time of purchase and conversely a loss, if it is below. In a conventional forward currency contract the deal is concluded by the actual delivery of the currency purchased, but as foreigners cannot (legally) take delivery of the yuan (or for that matter provide delivery), the contract must simply be closed out by exchange of the profit or loss. In the NDF market, it is simply a case of different offshore players making "bets" with one another on the direction of the yuan. At the moment, the 12 month NDF in the yuan is trading at approximately 4% above the spot level, meaning that a buyer of such a contract will break-even on a 4% appreciation of the yuan spot rate over the next 12 months. If the 12 month NDF price moves too far away from the spot price, for a market participant that is able to hold yuan (legitimately or otherwise) there is an opportunity for a risk-free profit by buying the yuan at today's (low) spot price and selling at the (high) forward price. By this mechanism, if foreigners push the NDF price of the yuan higher, ultimately they cause other players to actually buy the yuan!

The problem for the PBOC, as stated earlier, is the other side of the accumulation of foreign exchange reserves is that it is having to create (or some would say print) an equal amount of new yuan. Although the PBOC can take some actions in the money market to reduce the amount of new yuan entering the system, this printing of money is ultimately inflationary. And given the disparities in wealth across Chinese society, inflation more than anything else has the potential to cause social unrest. The various actions of the government over the last two years to slow the economy, and in particular the property market, suggest there can be little question that the spectre of inflation causes authorities much angst. The simplest policy solution is to allow the yuan to appreciate.

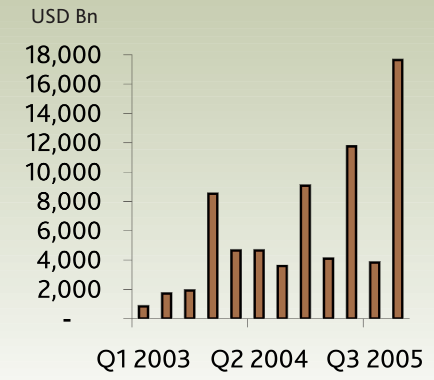
Interestingly while the PBOC face the problem of dealing with these vast flows, the government is in fact opening up further legitimate channels of capital flows into the country. Since 1 December 2003, foreign investors have been able to apply for status as a "Qualifying Foreign Investment Institution" (QFII) which allows them to purchase Chinese "A" shares which had previously only been available to domestic investors. Currently QFII's hold quota to invest up to $US5 billion in domestic securities and it has been announced that a further $US5 billion in quota will be awarded in 2006. Although these QFII quota are small by comparison with the overall accumulation of FX reserves by the PBOC, the decision to increase the quota is hardly the action of a central bank determined to keep a lid on the currency. Other recent technical changes that involve foreign investment banks in setting the daily spot rate for the yuan appear to be the readying for the day of a more active market in the currency!

Otherwise, a notable feature of the Asian markets during the last quarter has been the enthusiastic reception of investors to the record level of new stock offerings which totalled $US17.6 billion for the quarter and an impressive $US37.3 billion for the year. In the face of such considerable supply the markets have performed extraordinarily well.

Our observation would be that pricing of issues has been quite generous (to the seller) with notable transactions being in the relatively new asset class of REITS (real estate investment trusts ie. property trusts) where the thirst for dividend yield has created enormous interest. Investment banks are up to their usual trickery with some of these issues by leveraging assets to improve the apparent yield, which in some cases is further improved via the provision of subsidised debt. Although the transactions to which we refer are still small in value, the enormous subscriptions they have attracted in the face of such obvious financial chicanery is interesting, especially as exposure to the type of assets involved can be easily achieved via the large and liquid listed property investment companies.

Clearly there are significant amounts of liquidity washing around in global financial markets, and usually this should make one wary about future returns. However, we continue to find interesting businesses to buy at good prices through the region, so remain optimistic about returns over the medium term.

Asian Stock Public Offerings



Source: CLSA

PLATINUM EUROPEAN FUND

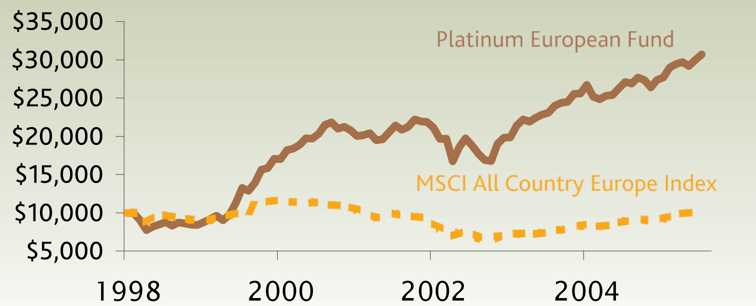
Toby Harrop
Portfolio Manager

PERFORMANCE

Performance of the Fund in the latest quarter was disappointing, as the broad strength of European markets proved hard to match. The so-called "global non-collapsing (for the moment) Ponzi scheme" – describing negative real interest rates, and asset prices which are justified against the "cost"(lessness) of money rather than against the reality of business (and other) risks – is evident in European markets. Indeed if private equity deal volume is the relevant measure, then Europe is currently the main "beneficiary" of the scheme!

Strong areas of the market for the quarter were insurance (+14%), industrial products (+13%) and travel/leisure (+13%). Meanwhile energy (-7%), and autos (-6%) were weaker. In native currencies, the European markets added 3.5% for the three months to December, and with the A$ a little softer against the euro et al, the MSCI Europe A$ return was 6%. The Platinum European Fund returned 3% for the quarter.

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 JULY 1998 TO 31 DECEMBER 2005



Source: Platinum and Factset. Refer to Note 2, page 40.

CHANGES TO THE PORTFOLIO

The major adjustments to the portfolio included the near doubling of the "financials" exposure (to 7%), with a good performance of our major bank holding (Credit Agricole in France) as well as a new investment in a German financial advisory business. We also added two new TV companies (of which more below), and sold the last of our position in transport company Deutsche Post, as we were unwilling to take the risk of their latest, expensive, distracting acquisition.

Notable performances in the portfolio have come from organic-LED display technology company Cambridge Display (+29% for the quarter), from the Dutch mail/(international) courier business TNT (+28%), and from the Dutch semiconductor manufacturing equipment vendor ASML (+24%). Frustratingly, part of this was offset by a 40%-in-a-day decline for the share price of German pay-TV business Premiere (please refer below).

The Fund's currency exposure has changed little over the quarter, with roughly a quarter held in Australian dollars and the remainder in European currencies. Notably, with five shareholdings in the UK, the Fund now has a 6% exposure to the pound sterling. In total the Platinum European Fund had 50 holdings at the end of 2005.

COMMENTARY

Italy (and the challenges of monetary union)

Italian politics is regarded locally as a soap opera; the fact that the country's richest man and most powerful media proprietor is also prime minister has made the episodes of recent years more sinister, but the plot remains comically unlikely, and scandal is of course ever present. The post-war treaty required considerable independence (from government) for the Italian Central Bank – this worked quite well for long periods; indeed the Bank had an excellent reputation and many good people over the years. However, the situation backfired recently in the slowness of the removal of an unfit governor (only the committee appointed by the governor could vote him out!). Fazio seemed to have perverted policy over the ownership of a commercial bank for the benefit of his own family. The ensuing shenanigans in the bank made it look like an arm of government, but finally Fazio was removed, and a promising looking choice made to replace him for a fixed four year term.

However, this circus, as well as other ravages of the Berlusconi years, are distracting attention from another difficulty facing Italy, namely the reality of its membership of the euro currency mechanism. It is noteworthy that the German representative on

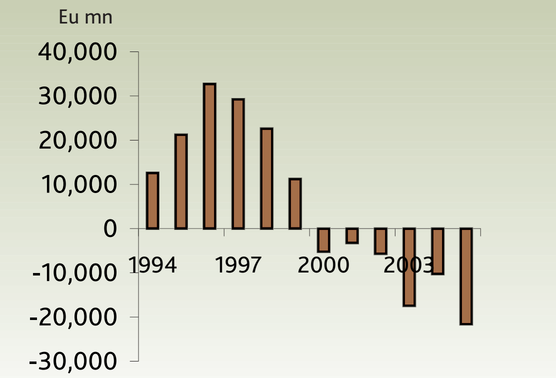
BREAKDOWN OF FUND'S LONG INVESTMENTS BY INDUSTRY

CATEGORIES	EXAMPLES OF STOCKS	DEC 2005	SEP 2005
CAPITAL GOODS	SIEMENS, RIETER, METSO	21%	22%
TECH/MEDIA	INFINEON, ALCATEL, ERICSSON	20%	18%
CHEMICALS/MATERIALS	NORSKE SKOG, UPM, SHELL	16%	14%
CONSUMER/RETAIL	HENKEL, HORNBACH, DOUGLAS	11%	10%
PHARMACEUTICAL/BIOTECHNOLOGY	NOVOZYMES, GLAXOSMITHKLINE	10%	10%
MISCELLANEOUS SERVICES	TNT, L'OREAL	10%	6%
FINANCIALS	CREDIT AGRICOLE	7%	4%

Source: Platinum

the European Central Bank board has recently pointed out that Germany will not tolerate high inflation to accommodate other members of the monetary union. This is aimed squarely at Italy, where the deterioration of its trade position – starting from a favourably competitive position due to the weak euro entry price of the Italian lira – illustrates the consequences of years of higher inflation relative to Germany (which has endured domestic wage stagnation/decline to retain its position as the world's largest exporter in the face of the **unfavourable** conversion price of Deutsche marks into euros).

Italy's current account 1994 - 2005



Source: Bank of Italy

The trouble is one we have mentioned over the years: in a monetary union without a political union, it is inevitable that monetary policy will eventually become highly inappropriate to some part(s) of the union, and without other balancing (fiscal) offsets, this situation could lead to instability of the union itself. Further, it is unlikely that policy will be set at the appropriate level for the most profligate, politically indefensible member of the union. Thus the German warning: Italy must go through a very uncomfortable deflationary period, rather than Germany inflating to "rescue" Italy – the alternative is an Italian exit from the euro and a competitiveness adjustment via currency depreciation.

Italian government bonds have very little risk premium in them to account for the possibility of leaving (or being ejected from) the euro – clearly markets do not yet see a crisis as imminent. But interest rate rises in Europe (even from very low levels) inevitably raise sovereign financial risks for Italy. This mechanism – or risk to the mechanism – is exactly the reason that makes us disinclined to hold a full exposure to the euro …

Television in France and Germany

7% of the Fund is invested in European TV companies; mostly in France. The three companies held by the Fund had mixed fortunes in (late) 2005; the coming few years should be interesting.

Unlike the situation in some southern hemisphere island-continents, the political process in Europe – Italy aside! – seems to prevent politicians supporting oligopolistic market structures in free-to-air (advertising funded) television. This means that in addition to concern that the Internet reduces television "consumption", many European TV incumbents are suffering the arrival of new TV channels. Digital Terrestrial TV (DTT), which has the effect of reducing the spectrum required to transmit TV signals from conventional towers, has allowed many new entrants. In addition, in countries such as France where the ADSL cable is of sufficiently high speed, telephone companies are bundling telephony and TV offerings to compete for customers, again giving simple access to many new TV channels.

These behavioural and technological changes, as well as a tough economy (Germany) and specific issues reducing advertising spending by branded goods companies (France), have conspired to deny European TV stocks participation in the broad bull market of the past 30 months.

While these concerns, as well as the steady encroachment of pay-TV, are not to be ignored, the stock market seems to be fixated on the problems while ignoring a couple of positive points. (1) Market leading (by audience share) free-to-air companies enjoy a vastly disproportionate share of total TV advertising revenues simply because the "efficiency" given by the largest audience allows premium pricing for advertising slots. This reality is little changed by new channel fragmentation: it is hard to see how a channel with 1-2% audience share is useful to companies advertising soap or cars. (2) Free-to-air TV viewers remain the most favourable, "passive" consumers of media (perhaps equal to radio listeners): pay-TV customers are worryingly active and expert in choosing their viewing; Internet users are positively <u>controlling</u> the flow coming across their screen. It's much better to have a "sitting back", passive victim to receive advertising messages - indeed, it often seems to us that the only missing ingredient for free-TV is engaging (interesting/funny/breathtaking/episodic etc) advertising. Perhaps this will come …

Also, in France, regulations have prohibited retailers (supermarkets etc) from advertising ***at all*** on TV. This situation ceases in one year (ie. January 2007), and with Carrefour and others desperate to improve their image in the minds of French shoppers, we see no reason why the TV advertising market in France should not resemble other western countries where retailers are among the largest advertisers. With this in mind, we have 5% of the Fund in TF1 and M6, the two leading French TV companies, where we expect large uplifts in 2007 earnings, and market anticipation of same.

In Germany, the arrival of DTT technology/licences is a moot point in a market where households have for some time received 30-40 channels or more. This situation, and the fact that the Kirch empire went bankrupt partly due to losses in pay-TV, has meant that the market received the March 2005 listing of Premiere AG with little enthusiasm.

In fact, though, the same logic applies: very small audience shares give even smaller advertising shares and thus limited programming budgets. It follows that a market – in a rich country such as Germany – for pay-TV exists regardless of whether there are three or 30 free-to-air channels. A part of the population (and 4-6 million is sufficient) will pay for content that free-to-air stations cannot carry (eg. many channels of sport, movies etc). So while the stock market worried that pay-TV "could not work" in Germany, we were cautiously optimistic; the low valuation led us to a 3% position in the stock even though we expected a sizeable price rise in the December auction of the TV rights for the German football league. In a Christmas-wrecking outcome for many, though, the league awarded a three year, one billion euro contract to an "unknown" little cable owner (with no pay-TV customers). Quite where they will find that billion euros is not obvious … Anyway, the stock market reflected the general shock at this outcome, and Premiere's shares instantly fell by two-fifths. We bought some more stock (partly on the basis that there is much more to the offer than local football, but also assuming a sub-licensing deal of some sort is likely) and the share price has recovered a little since. The Fund has 2% in Premiere.

OUTLOOK (OR "LOOKOUT!"?)

It is of some concern to us that we struggle to be as optimistic as "the market" about most European stocks. Clearly earnings have improved structurally in Europe (profitability is at all time highs despite anaemic economic growth). And hopefully European economies will be stronger in 2006 than in 2005. But these factors are widely acknowledged, and it is hard to escape the conclusion that equity prices have for some time been driven by the debt bubble (via private equity funds). Thus companies are priced as financial instruments rather than risky enterprises, and that may be fine as long as it lasts, but it makes for lean pickings in our search for low risk investments.

The Fund was 84% net invested at the end of 2005 (95% long, 11% short – almost all of which in German DAX futures); this ratio is more likely to decline than rise in the near term.

PLATINUM JAPAN FUND

Jim Simpson
Portfolio Manager

PERFORMANCE

The strong performance for the September quarter continued in the current quarter resulting in cumulative returns of 40% in US$ terms in Korea, and 32% in Japan over the six month period. The renewed vigour of global growth leading to strong export performances in the major Asian economies, as well as the receding fears about high oil prices, were the driving forces. A note of caution is now warranted with the six month returns of both markets near the top of historical returns for similar periods.

In Japan, the market was led by property related shares which rose by 50% in the quarter, whilst financial shares took a breather. The rumour of a very large transaction in the property market at 3% cap rates was the catalyst for further gains. There was also interest in the laggard large cap technology companies such as Toshiba and Hitachi whilst oil stocks such as Nippon Oil suffered. Our investment in Livedoor also paid off as the retail investor re-entered the market driving Internet-related stocks higher.

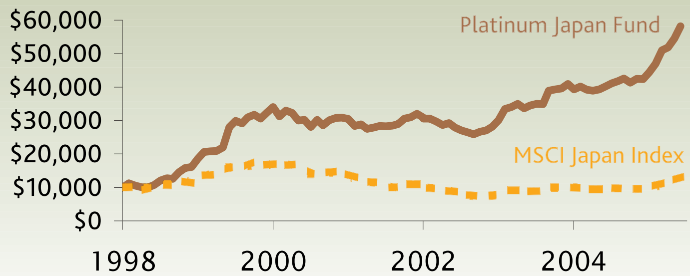
For the quarter the Fund rose by 14% in A$ versus an index gain of 16%. The comparison over the six month period was 37% and 39% respectively. Although lagging slightly in the most recent quarter, this is on the whole a relatively good performance considering our bias toward being more conservative as markets show enthusiasm.

DISPOSITION OF ASSETS

REGION	DEC 2005	SEP 2005
JAPAN	74%	70%
KOREA	17%	15%
CASH	9%	15%
SHORTS	19%	2%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 JULY 1998 TO 31 DECEMBER 2005



Source: Platinum and Factset. Refer to Note 2, page 40.

CHANGES TO THE PORTFOLIO

Throughout most of the quarter we held our overall position and participated in the run-up. At quarter end we became more cautious on the Japanese market in light of its 45% return for the year and observing that it is about 3-4% away from strong long term resistance. Additionally, the "obvious value" in the market has all but evaporated making the prospect of a more difficult 2006 likely. Having said that we still believe that Japan is one of the most prospective markets and good value can still be found on a stock-by-stock basis. The basis for a convincing break above this resistance will inevitably be found in the financial and heavy-electrical shares. We are positioned to benefit from this group's second wind.

Major changes to stock positions:

Stocks bought: Hitachi, NEC, TDK, Kyocera, Namco Bandai.

Stocks sold: Mitsui & Co, Aisin Seiki, Tokyu Corp, Sharp, Hana Financial.

COMMENTARY

Some of us may have fond memories of first Pong (1972) and the Atari games from the late 1970s and early '80s. In the thirty years since these simple (though at the time groundbreaking) games appeared, the computer game industry has grown into an industry that rivals the movie industry in sheer size, with budgets for some games on par with Hollywood films. Despite this phenomenal growth, some argue that the game market has matured. In most developed markets, those people who will play games already do so and in markets such as Japan, with fewer and fewer children born each year, the target audience for computer games is actually shrinking. The total market for game consoles in Japan is estimated to have shrunk 20% between the original PlayStation generation and the PlayStation 2. Despite this, we believe that there are opportunities.

History

The computer game industry to date can be roughly broken into three ten-year phases. Theft of ideas and little heed paid for intellectual property (arguably common in any nascent industry) in the beginning would shape the business practices of industry participants for many years.

The first phase was the heady start-up period from the mid-1970s to the early '80s and was ignited by the release of Pong by Atari. Pong was also the industry's first theft. Nolan Bushnell, Atari's founder, actually borrowed the idea from Magnavox, who had developed a prototype thinking such a device would help sell televisions. As time went by, Atari also struggled with counterfeit consoles and its strategy to minimise losses was to keep all game development in-house (by comparison, today less than 15% of Sony's PlayStation games are made by Sony) and keep programmers almost under lock and key. Eventually, however, many of these programmers "escaped", starting-up competing console companies or some of the first third-party software producers.

The end of the first and the start of the second era of the game industry came in 1983 as a price war between console and home computer makers sent many companies broke and gave Nintendo the opportunity to swoop in, hot on the heels of its successful arcade games, to dominate the market for the next ten years. Nintendo was much more receptive of third-party developers but they were somewhat heavy-handed in their control – game developers were limited in the number of titles they could release in a year and all titles had to pass Nintendo's rigorous quality controls.

In the early 1990s, Nintendo was working with Sony to develop a console that used CD-ROMs as the storage media but after the two couldn't agree on royalty payments, Sony went on to use the results of this joint development to create the first PlayStation, released in 1994. Because Sony had very little internal game development ability, they had no choice but to throw open the gates to third party developers, which turned the industry on its head. With very few restrictions, lower royalty payments and very cheap media (CDs versus Nintendo's ROM cartridges) developers abandoned Nintendo in droves. This signalled the end of Nintendo's glory days and the start of the third era – Sony's reign.

Sony went on to solidify its position with the PlayStation 2, a technically superior console that beat its competitors to market by almost two years and capitalised on the rising popularity of DVDs to sell units. Now ten years since the release of the first PlayStation, if history is any indication it may be about time for another shake-up. It also happens to coincide with the release of a new round of consoles, with Microsoft's Xbox360 released late in 2005 and both Sony and Nintendo consoles due in 2006. It promises to be an interesting time as Sony, Microsoft and Nintendo go head-to-head again.

The fourth era – on-line gaming and rediscovery of casual gamers

Supporting the mature market observation, we are seeing consolidation among participating companies. For example, Square Soft and Enix, two of Japan's pre-eminent game developers merged in 2002, more recently acquiring another game developer, Taito, the creator of Space Invaders. Sega merged with what is essentially a slot-machine maker and this year, Bandai (of Tamagotchi fame) merged with Namco, the creators of Pac-man.

There is, however, an argument that while there are still opportunities for growth, an ever-escalating quest for more visually realistic and immersive games is alienating casual gamers. Also the burgeoning cost of developing such games, with the associated financial risk, is encouraging the recent rash of mergers. The cost of game development has ballooned too – Square Enix's flagship game, Final Fantasy, is estimated to now cost close to $50 million to produce. The average cost of game development has doubled in recent years to $5 million per title.

A good allegory to this rising complexity would be to look at the evolution of the game controllers. For example, the first Nintendo console, the NES, released in 1983 had a four-way direction controller and just two buttons. The PlayStation 2 now has, in addition to the four-way controller, ten buttons (with cryptic symbols instead of letters) and two analogue joysticks.

Will it be a repeat of the last generation of consoles where Sony dominated and the industry painted itself further into a corner with increasingly difficult games, or will we see a renaissance of sorts with real attempts made at recapturing demographics beyond teenage boys and young men? Sony and Microsoft seem to be taking the first path – battling it out on pure technical superiority of their hardware in an attempt to produce the most visually impressive, realistic games. On the other hand, in a somewhat ironic move for a company that built its success on hardware superiority, Nintendo, is advocating a shift in emphasis away from pure performance and is betting that people are ready for a return to games that are accessible to all and fun.

All three players are making very big bets. The costs incurred by Sony and Microsoft in developing their new leading-edge platforms are huge and both seem set on making losses of as high as $200 for each console, simply to avoid undue sticker shock by the consumer. Nintendo's path carries less financial risk, but by introducing a completely new controller and not being as aggressive in terms of performance, they risk marginalising themselves into irrelevance if their product is seen as inferior. This would further exacerbate the problems Nintendo would have in convincing third party developers to produce games for their platform, with unattractive consequences for their market share.

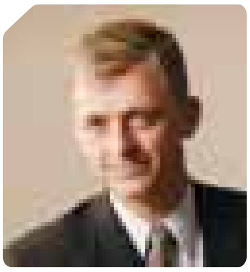
A further issue facing console makers relates to the approach they adopt to encompassing on-line gaming. While on-line gaming popularity has been largely limited to PCs and a small subset of games, the penetration of broadband and also wireless Internet access in homes means that on-line games will be an important part of the next generation of game consoles. (Very few people have phone lines located conveniently close to their TVs, making it difficult to get consoles connected). A good on-line presence is also a necessity if they are to have any success in large untapped markets such as China, where consumers have already had a taste of addictive on-line games through Internet cafes.

We believe that the most successful companies will be those that have rich game franchises and strong development abilities. For these reasons, we especially like Nintendo and Square Enix. Despite being labelled a "has-been", we feel that Nintendo has learnt from the errors that cost it its leadership ten years ago. Nintendo is positioning itself away from the battle between Sony and Microsoft but remains very strong in its core market and is making innovative attempts to expand its user base. Its deliberate, if not overly cautious approach, to on-line games is also proving successful. Similarly, Square Enix has a number of enduring best selling titles and is one company that realised the importance of on-line games and mobile gaming early on. Its biggest risk may be its close ties to Sony, but as it has shown in the past, it has no qualms about supporting competing platforms and has in fact bolstered cross-platform development abilities.

CONCLUSION

Bulls thunder on, returning many of the comments you would have read on these pages over several quarters. We are still able to identify some wonderful opportunities and hence remain optimistic.

PLATINUM INTERNATIONAL BRANDS FUND



Simon Trevett
Portfolio Manager

PERFORMANCE

The Fund achieved a return of 10.4% for the quarter, contributing to a return of 35.4% for the year. By comparison the MSCI World Index returned 7.6% and 18.4% for the quarter and year respectively.

The Fund has continued to benefit from its exposure to the Asian markets, particularly Japan and Korea with approximately one third of the Fund invested in those two markets. Notably, our investments into the regional banks have performed exceptionally well in the quarter, with returns in the range of 15 to 25%.

LG Electronics of Korea stands out as a significant contributor to the returns for the quarter. In the previous quarterly report we highlighted LG Electronics as one of the largest positions in the Fund and expounded upon the business opportunities created by this company in the appliance division. Clearly the stock has benefited from a strong tailwind with the rise in the Korean stock market. We are, however, maintaining a significant investment based on our perception of the broader prospects of this company. Especially as they continue to build the brand with new products across all divisions; mobile telephones, household appliances and TVs.

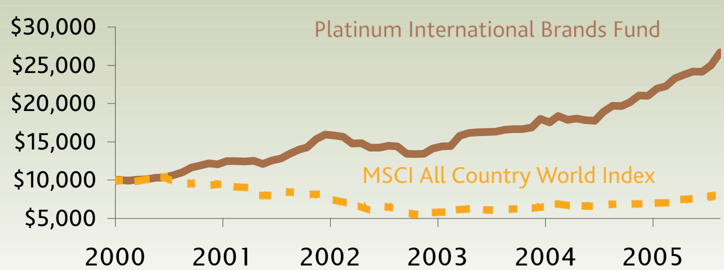
We have also commented previously on the extraordinary opportunity that investing in India provided and the benefit to the Fund of having that exposure. In this quarter, the contribution to performance continued with our investment in Bata India (footwear) showing an outstanding gain along with several of our other investments in that country. Our European investments have been rather mixed, with good returns from Henkel and Credit Agricole and somewhat more restrained showings across the rest of the portfolio.

DISPOSITION OF ASSETS

REGION	DEC 2005	SEP 2005
EUROPE	28%	24%
OTHER ASIA (INCL KOREA)	26%	26%
JAPAN	24%	20%
NORTH AMERICA	5%	6%
CASH	17%	24%
SHORTS	8%	11%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
18 MAY 2000 TO 31 DECEMBER 2005



Source: Platinum and Factset. Refer to Note 2, page 40.

Detracting from the short term performance have been our US stocks such as Estée Lauder along with some of our more recent investments in Japan and Europe.

CHANGES TO THE PORTFOLIO

The changes to the portfolio have resulted in the Fund's investment in Japan and Europe increasing and a reduction in India; we sold our holding in Titan Industries (watches and jewellery) after a seven fold rise. In Japan, we have been adding to the portfolio with the addition of two more companies, Nagano Bank and Mitsui Sumitomo Insurance.

In Europe, we have made several investments lifting the weighting of the Fund in that region by 4% to 28%. Two of these *new* investments are in companies that we have followed for many years:

L'Oreal, whose share price declined to a point that we found attractive given their geographic opportunities and financial flexibility. The valuation, at a long term low point, reflects concerns regarding the recent below trend results and the change in CEO. It may well take some time for the results to rebound and for the market to gain confidence in the new leadership. Nonetheless, we will be content to be patient and follow the development of both existing and new opportunities for this company.

Davide Campari, a company that we have previously invested in over the years was added back into the portfolio. The company has been busy acquiring both brands and distribution rights as the major acquisitions across the industry, such as Pernod acquiring Allied Domecq, trigger regulatory enforced disposals. The global spirits market continues to offer some intriguing possibilities for development, both for brands and regional distribution, and we have been building our investments in this area. We have also added Remy Cointreau, where a change of management may address the chronically underperforming champagne business, whilst also expanding on the potential of the two namesake brands.

COMMENTARY

What are we to think when a major beer brewer that's currently engaged in what's arguably the fiercest and most threatening marketing battle in their corporate history launches a product into the spirits market?

It is certainly possible to dismiss the launch of '*Jekyll and Hyde*' by Anheuser Busch as experimental or a minor irrelevant distraction and the chances are that this product may well quietly disappear from the shelves in the near future. Especially as the company are themselves shy to highlight their new subsidiary.

Jekyll is "60-proof, scarlet-red product with a wild berry flavour" and Hyde is "80-proof, black in colour" and "a little liquorice tasting". The black floats on the red although it is apparently possible to drink them separately.

Does Anheuser view the US beer industry as challenging and less attractive? Over the last three years Anheuser has been battling the determined competition of SABMiller with both companies predominantly using promotional discounts in an attempt to increase or regain market share. More simply this has been a ferocious, if somewhat sporadic, price war. The key observation is that a reduction in prices has proven, yet again, that although market share points can be incrementally 'traded', underlying patterns of consumption are not influenced by price alone.

Consumer preferences in the US appears to have been changing, certainly their purchasing of greater quantities of wine and spirits at the expense of the beer market is evident. The brewers have clearly been concerned that their price reductions for beer have not resulted in increased consumption; the expected volume lift to offset the cost of discounting has not materialised.

So is Anheuser tacitly acknowledging that their dominance of the broader alcoholic beverage market is also under more serious threat than a mere market share tiff with SABMiller? Perhaps their systemic abuse of the consumer through sustained price gouging, both explicit and implicit in the product, restricting choice through the buying of small boutique breweries and converting the output to 'sameness', whilst also presiding over a steady deterioration in branding and media standards, has created a fertile opportunity for a worthy alternative.

These disgruntled thoughts were certainly evident at a recent industry meeting, particularly amongst Anheuser's 'exclusive' distributors along with some cutting criticism about the relative decline in profitability of these family-based businesses. Those distributors that are not exclusive to Anheuser have enjoyed more success through growth in their other product ranges, such as wine and spirits.

Perhaps of greater concern for this closed-system of beer distribution is the potential for major changes to the archaic and parochial regulations covering the sale of alcohol in the US. The current (three tier) system requires individual store retailers to purchase alcohol from a distributor within the state. The wine industry has had some limited success at the state level in being able to deliver across state borders, although this is still the exception. The three tier system (supplier, distributor, retailer) is intact with many examples of archaic regulations regarding distribution and pricing that are mostly directed against the wine and spirits industry. The current system prohibits quantity discounts and deliveries to retailers' central warehouses and imposes a mandatory distributor mark-up. Many of these laws and regulations date from the Prohibition era.

Nothing is inevitable or necessarily predictable with legislative change, however, such a ridiculous system does look to be under pressure. There are now more proponents of change with greater influence than at any time in recent history. Diageo has emerged with a quarter of the US spirit market and as an international company has sufficient resources and experience in other markets to compete with the beer industry at federal lobbying.

Other interested parties are the national retailers. Historic dominance in the US by regional or local supermarkets diminished the incentive to challenge the national alcohol distribution system. Now WalMart, with less than 1% of their revenue from alcohol, are desperately keen to secure new sources of growth in their business. Diageo is working with WalMart to lift sales from alcohol five fold over the next five years. Costco, WalMart's key competitor, has been given leave to take a case before the Supreme Court challenging for the right to source directly from suppliers.

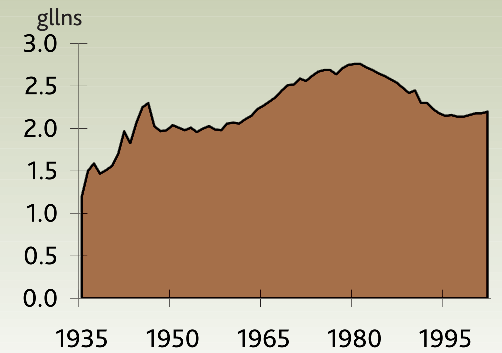
The Federal Trade Commission has reported that the current three tier system imposes on the wine and spirits industry *the most expensive distribution system of any packaged-goods industry by far*. They also observed that the regulatory concerns of tax collection and temperance could be met by other means and concluded that the current system was *an abuse of the regulatory process to protect concentrated economic interests*.

It may ensue that other domestic lobby groups hold sway over the mounting pressure to ease some of the legal impediments to a more open system, however, the US is conspicuous by international comparisons. The European Union has already requested liberalisation of the US distribution system and is linking the discussion to trade agreements. There have also been suggestions that the World Trade Organisation reviews the system for protectionism.

Statistics on the US market are difficult to interpret given the significant distortions in that market. Overall though there does appear to be a meaningful opportunity for increased consumption on a broad basis if moves to eliminate some of the restrictive trade practices are successful. Per capita consumption of 'spirits' are not very different from the levels of the 1950s and are well below their peak of the late 1970s or early '80s. Again, with caution on the reliability of the statistics, a small 6% of the US adult population account for half of US alcohol consumption.

We might surmise that this could provide abundant opportunity for the leading spirit brands to exploit their strong brands from a relatively low consumption base.

US Alcohol Consumption 1935 - 2002 (total per capita)



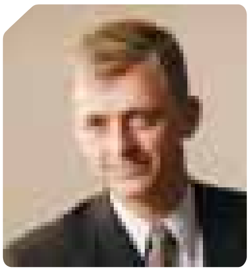
Source: www.niaaa.nih.gov

OUTLOOK

There are several investment themes underpinning the portfolio where further research has yielded company specific opportunities. We are encouraged that there is still potential in the current investments and in the underlying themes to find new ideas.

The portfolio has produced some exceptional returns over the past year and we would caution investors not to harbour excessive expectations based on the most recent performance. The emerging markets of the East would still appear to offer the strongest growth prospects and, notwithstanding the US focused commentary, we will continue to seek opportunities to participate either directly or indirectly. Although our spirits' and cosmetic companies are predominantly European listed, many have increasingly important Asian operations.

PLATINUM INTERNATIONAL HEALTH CARE FUND



Simon Trevett
Portfolio Manager

PERFORMANCE

The Platinum International Health Care Fund experienced a busy quarter, achieving a return of 5.6% compared to the MSCI World Health Care Index of 6.1%.

A mixture of activity, including legal decisions, progress of pipeline products, new drug approvals as well as a myriad of acquisitions and licensing alliances contributed to the excitement.

Overall, the focus of the quarter was on larger well-known biotechs, with the major pharmaceutical companies making only slow progress. However, several events during the quarter indicated that companies such as Pfizer and Merck are still able to conjure up the odd surprise against a backdrop of negative sentiment. Pfizer, being in a strong financial position, increased its dividends and successfully defended its US Lipitor patents against a challenge by the Indian-based generic producer, Ranbaxy.

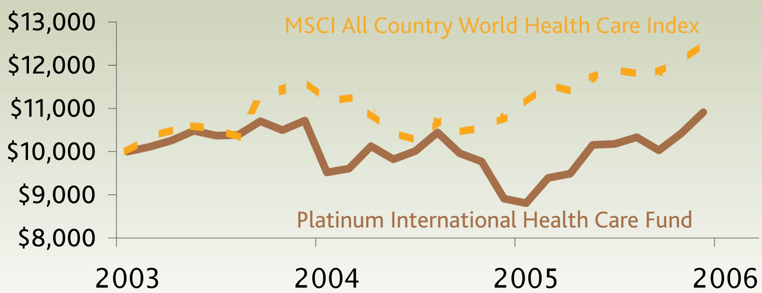
Lipitor, prescribed for lowering cholesterol, generated around $US12 billion in sales in 2005 of which more than $7 billion was in the US alone. Successfully defending these patents (through to 2011) provides the company with significant financial flexibility. With the patent challenge resolved, Pfizer will continue to focus on the progress of its drugs through development and the regulatory agencies. We also anticipate, in keeping with antecedence that the company will be enthusiastically reviewing their in-licensing and acquisition pipeline.

DISPOSITION OF ASSETS

REGION	DEC 2005	SEP 2005
NORTH AMERICA	57%	57%
EUROPE	23%	25%
JAPAN	8%	4%
OTHER ASIA (INCL KOREA)	2%	2%
CASH	10%	12%
SHORTS	0%	1%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
10 NOVEMBER 2003 TO 31 DECEMBER 2005



Source: Platinum and Factset. Refer to Note 2, page 40.

At Merck, developing drugs still remains a priority. The annual R&D day in December offered some surprises with drugs in late-stage development and promising messages that the company is actively addressing the challenges to come. Across the industry, many annual company meetings showed encouraging signs that R&D engines are productive and in-licensing opportunities can blossom. Even a hint of pride can be noticed as each company highlights its individual approach and progress towards emerging from the doom and gloom of the last couple of years.

A significant part of the strategy of the larger companies consists of licensing and acquisition of new drugs as well as technology. Evidence of both was obvious during the quarter with some of our companies successfully out-licensing compounds still in development while one of our investments, Abgenix, was acquired by Amgen. Both companies have been partners for some time developing Abgenix's lead human monoclonal antibody Panitumamab for colorectal cancer.

Finally, throughout the quarter, US regulators assessed several new drugs, including inhaled insulin, vaccines for infectious diseases, targeted therapies for arthritis and cancer. Some received approval, others are awaiting a response over the next few weeks.

CHANGES TO THE PORTFOLIO

Abgenix, one of our largest positions has been acquired by Amgen. A sensible decision as Amgen not only gains access to an important drug; the purchase also included manufacturing capacity as well as a *transgenic* mouse capable of producing *human* monoclonal antibodies. We have visited Abgenix on several occasions over the years and even had some fun meeting the mice! More relevant though, Amgen has now purchased two companies that we held as significant investments for a number of years, giving us a good insight into Amgen's potential pipeline.

Besides this forced divestment, we are following our theme of translational and experimental medicine and increasing some of our investments in tool and technology providers. We also added a new position in a Life Science tools and services supplier. This particular company has actively focused on expanding into the commercial pharmaceutical and biotechnology market, becoming less dependent on government R&D budgets. In addition the company is advancing in the area of biomarkers with some leading hospitals.

With the market's focus on large, well-known biotech companies we were able to investigate some much unloved drug developers, offering us new opportunities. Some have been a victim of short term thinking by investors whereas others have had a setback of a compound in early development with a market valuation now assuming limited or no success longer term.

COMMENTARY

Low productivity, attrition rates, genomics, proteomics, health economics, safety, biotech have all been part of this year's R&D days. A year ago it was safety and more or less early-stage drug candidates; today it is definitely the progress of the pipeline and the long term perspective. Pipelines are being filled on an ongoing basis, investment into new technologies is maintained and the regulatory and economical challenges are being addressed.

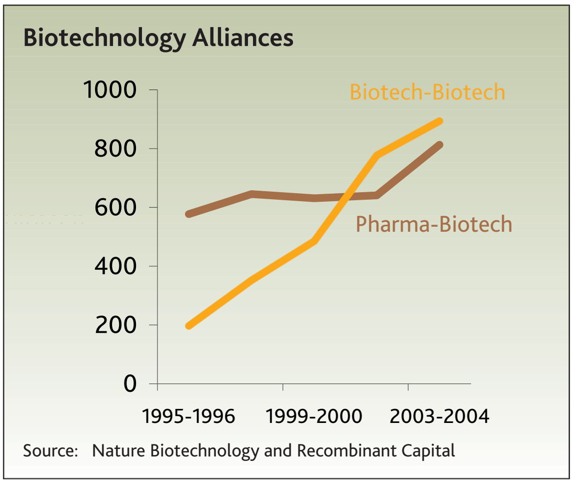
No longer is the physician the most important customer, the patient along with the payers (Pharmacy Benefit Managers, Formulary managers) are taking centre stage requiring companies to add a competitive "twist" to drug development. Outcome studies, such as a reasonable impact on survival when compared to current treatments, are becoming central to the potential of new drugs. Past practice has seen drugs approved with placebo comparatives and little or no benefit over existing treatments. There may well be a commercial role for 'fast follower' drugs; however, we are more encouraged by the emerging focus on producing products that are compelling to all the participants in the health care chain. We have been pleased to see the development of compounds stopped, even in late stage testing, for reason of competitive inadequacy.

This year's presentations along with the type of drugs that are being newly approved by regulators and the subtle changes in how the R&D budget is being applied highlight to us some of the achievements being made.

A major emerging theme is long term thinking and *quality* rather than *quantity*. Drug developers invest strongly in time and technology to understand the underlying biology of a disease as well as to verify a drug's mechanism of action early in development. While previous R&D spending had gradually shifted towards clinical development (~60% of total R&D spend in the late 1990s) at the expense of discovery research, the allocation of money in recent years has been more balanced between the two. In particular, early stage human testing is aligning more closely with drug discovery with the aim of making more educated yes/no decisions early on in development.

The "business development" component is an increasingly crucial long term consideration. **While in the 1970s 'big pharma companies' generated over 75% of drugs in-house, today it is about 40%.** Licensing drugs in the late stages of development has been preferred, presenting an expeditious solution to the barren pipelines and large sales forces. However, there are indications that early to mid-stage products will become more important, providing the opportunity to influence the development path of a drug and ensuring that R&D operations can continue and remain competitive.

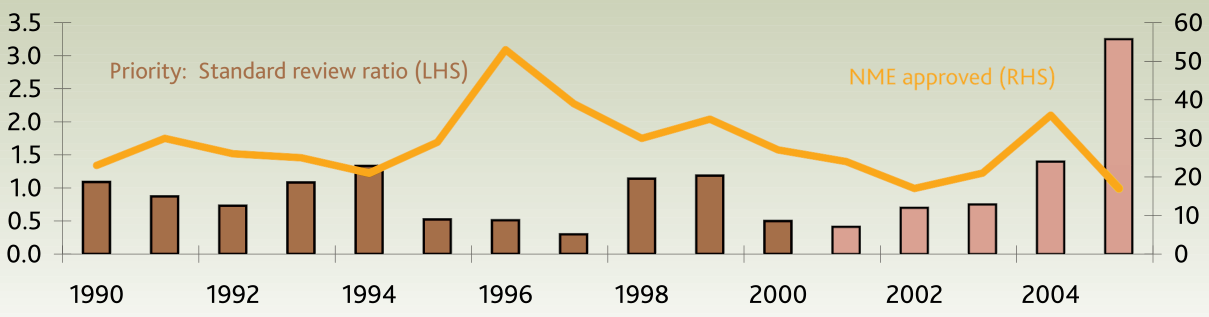
Interestingly another trend worth keeping in mind is that the biotechnology industry is growing in size, knowledge and products. The industry is clearly showing signs of emerging from the loss-making experimental years with many more companies starting to see their focus migrate from the lab to commercialising their products and technology. As a consequence deals between biotech peers are also rising as is the cost of entering these deals.



The number of alliances between biotechnology companies has grown more strongly than between biotech and pharmaceutical companies.

To add perspective to these observations, the past model of biotech acting as an engine of innovation and 'big pharma' providing financing, development and regulatory skills, is changing as is the "do-it-alone" mentality. Today healthy competition along with strong relationships between the two is emerging. These dynamic changes are apparent in the industry; exploring the complex networks of companies adds to the overall understanding and is often underestimated. The important long term question, however, is whether it will result in increased productivity and development of better and safer drugs. Without being too optimistic, the FDA's assessment of "priority review" for New Molecular Entities continues to be encouraging; indicating that at least in the eyes of the FDA the quality is improving.

New Molecular Entities



Source: FDA

OUTLOOK

Pipelines have advanced to an important stage (proof-of-concept studies or beyond) with a myriad of data anticipated in the next two years. Commercially, competition is anticipated for the "1st generation" of targeted cancer drugs that are already on the market and the dynamics of this progress will be important to monitor.

Several drugs with some safety worries attached are awaiting regulatory decisions, the outcome of which will provide guidance for the industry. Also closely watched will be the drug pricing debate in the US, especially with the start of the Medicare Drug Benefit scheme.

Overall there are exciting times to come with 'big pharma' more confidently showing their individual approaches to product renewal and the biotechnology industry clearly pleased with their emerging maturity. Whilst we have focused the commentary on drug developers, we are also active in evaluating investment opportunities in other areas of health care such as service providers, medical devices and hospitals.

Simon Trevett and Bianca Elzinger

PLATINUM INTERNATIONAL TECHNOLOGY FUND

Alex Barbi
Portfolio Manager

PERFORMANCE

During the quarter the Fund rose 12.2% compared to an increase of 9.8% in the MSCI World Information Technology Index and a 0.2 % increase in the MSCI Telecommunications Index (in A$ terms). Within the technology arena, software stocks were down 1.1%, reflecting stagnation of the software corporate market. The best performing sector was Internet stocks (+8.7%) thanks to strong growth in ecommerce and Internet advertising.

Over the last twelve months the Fund rose by 13.3% compared to an increase of 14.2% in the IT index and 0.9% in the Telecom index. The tech-heavy Nasdaq Composite Index rose 1.1% in US$ and 8.4% in A$ terms. Since inception in May 2000, the Fund has returned 12% compound pa, against a decline of 17% pa in the IT Index.

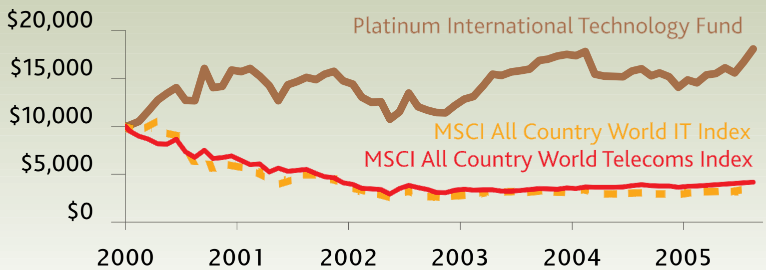
The Fund's strong quarter was partly thanks to some of our "historic" holdings eg. Ushio (light technology), Zarlink (semiconductors), ZTE (telecom equipment) and Agere (semiconductors) and partly thanks to recent purchases eg. LG Electronics (telephone equipment and flat panel displays), Toshiba (flash memories and electronic components) and Cambridge Display Technology (Organic Light Emitting Diodes). Additionally, the weakening of the A$ against the US$ (-4.7%) and Japanese yen (-1.4%) added to the Fund's performance.

DISPOSITION OF ASSETS

REGION	DEC 2005	SEP 2005
OTHER ASIA (INCL KOREA)	30%	30%
JAPAN	23%	18%
NORTH AMERICA	18%	23%
EUROPE	12%	17%
CASH	17%	12%
SHORTS	4%	0%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
18 MAY 2000 TO 31 DECEMBER 2005



Source: Platinum and Factset. Refer to Note 2, page 40.

CHANGES TO THE PORTFOLIO

The portfolio's exposure to Asian markets is around 53% (of which 23% is in Japan, 14% in Greater China, and 10% in India) reflecting our view that this part of the world presents more interesting investment opportunities. During the quarter we introduced a new position in Suntech Power Holdings, the largest China-based solar energy company active in the production of photovoltaic ("PV") cells and modules.

In the US we increased our position in Sun Microsystems, after what we believe is a turning point in the competitive position of its newly launched products. Sun's new systems include microprocessors with as many as eight CPU (central processing units) cores delivering up to three times the performance of competing products!

We reduced our exposure to Foundry Networks which appreciated to close to our target levels.

COMMENTARY

Green energy … hot stocks

The steep increase in the oil price (from $US30 to $US60 per barrel over the last two years) has reminded us how dependent modern economies are on this finite energy source. It also brought to investors' attention, for the first time since the oil crisis of the 1970s, the possibility that renewable energies could provide a viable (and profitable) alternative to fossil-fuel sources. Stocks of companies active in solar power and other renewable energies have been among the best performers during this period of higher oil prices. Thus far, most of the successes recorded in the fields of solar and wind power applications have been made possible by favourable legislation (subsidies) adopted by countries such as Germany, Spain and Japan. Now, other countries and states such as China, California, New Jersey and Nevada are committing substantial resources to developing and implementing renewable energy programs.

According to Solarbuzz, the global PV market, as measured by annual installations, has grown from 254 MW in 2000 to 927 MW in 2004. In value terms, the market has grown from $US2 billion in 2000 to $US8.2 billion in 2005 and is forecast to reach $US10 billion by 2006 and $US19 billion by 2010. While the sum may seem large, it is still a drop in the ocean - global installed solar cell capacity is estimated to be 4GW, or less than 0.1% of all global electricity capacity! Growth rates are, however, very attractive: solar capacity has grown at 40% per year for the last 10 years and should continue to do so. Growth will continue, partly supported by government subsidies, but as producers improve manufacturing processes and achieve economies of scale, solar will be an increasingly viable alternative.

As a relatively recent player in the industry, China-based Suntech Power has achieved remarkable profitability levels even when compared to established major players in Japan or in Western countries: its 18% operating margin is nearly twice that of global leader Sharp. Suntech's competitive advantage lies in the ability to manufacture high-conversion efficiency products on a large scale and at a low cost. Interestingly enough, Suntech's founders and major shareholders were part of a core group of scientists and researchers working at the Centre for Photovoltaic Engineering at the University of New South Wales. A case of Aussie know-how exported to China!

How does it work?

A photovoltaic cell converts light (photo) into electricity (voltaic). The problem is that when the sunlight strikes the cell, only a portion of it is absorbed by the material (generally semiconductors made of silicon). Most of the R&D efforts in this industry are in fact devoted to increasing conversion efficiency (ie. to improve the quantity of light converted into electricity.)

PV cell manufacturing is still a relatively manual process with only a few steps automated thus far. Silicon wafers (similar to those used in the electronic industry) have to be first cleaned by ultrasound, then chemically treated to reduce the PV cells reflection of sunlight. Then a specific impurity is introduced in the silicon wafer to form an electrical field within the PV cell. This process is called "doping" (one side is doped with phosphorous and charged positively, the other is doped with boron and charged negatively.) Electrical isolation is next achieved by separating the front and back surfaces at the edges. At that stage an anti-reflecting coating is applied on the front surface to enhance absorption of sunlight. Ultimately metal contacts (electrodes) are screen-printed on both surfaces and connected through an electrode firing process in a conveyor belt furnace.

Suntech believes that its patented processes for the treatment of multicrystalline silicon improves silicon quality and hence conversion efficiency.

Another critical factor in the solar cell manufacturing process is access to high purity silicon supplies. Silicon wafers are the most important raw materials for making PV cells, with monocrystalline and multicrystalline silicon wafers the most commonly used. In this regard Suntech has entered a long term agreement with German supplier Deutsche Solar AG and it also has majority control of a joint-venture with a major silicon wafer supplier in China. Moreover, being one of the few companies able to produce PV cells with both mono and multicrystalline silicon, gives Suntech extra flexibility in raw material procurement, an advantage in periods of silicon supply shortages.

Telecom consolidation and new Internet strategies

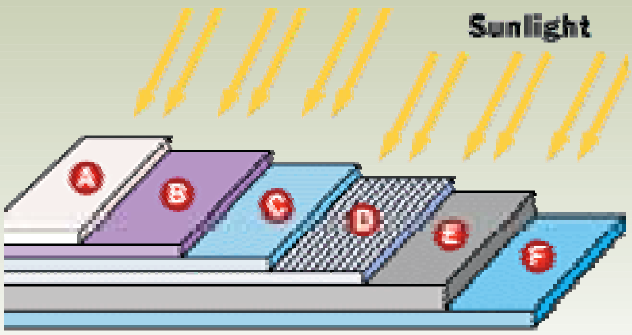
According to research firm Dealogic, in 2005 the value of mergers and acquisitions in telecommunications and technology increased dramatically to $552 billion or +43% on 2004. Private equity and leveraged buyouts were partly to thank for this boom (see Kerr Neilson's Platinum International Fund report) and the number and nature of the deals this quarter indicate a continuation of the trend we described in our latest September report.

Telecommunications:

- Telefonica of Spain announced the acquisition for US$31.5 billion of O2, the second largest mobile operator in the UK. The hefty price paid by the Spanish to enter the ultra-competitive British market suggests to us that European incumbents are trying to overcome "lack of growth" in their domestic fields by expanding overseas.

- In the US, two large deals were finalised with SBC taking over a shrinking AT&T for $US16 billion, and Verizon merging with MCI (the surviving entity of bankrupt Worldcom) in a transaction worth $US8.4 billion.

Basic structure of a generic silicon PV cell



A = Glass cover
B = Anti-reflective coating
C = Contact grid
D = N-type silicon
E = P-type silicon
F = Back contact

Source: www.solarnavigator.net

It is interesting that at a time when revenue growth in the sector is stalling, major players are inclined towards consolidation. The emergence of new technologies like VoIP and high-speed Internet is forcing the weakest players to succumb, while competition extends from simple voice services, to high speed Internet, video etc ...

Telecommunication equipment:

- Telstra announced a very ambitious capital expenditure plan, aimed at delivering broadband over fibre optic networks to the majority of Australian households (we were particularly pleased with the announcement that Alcatel, one of our holdings, will receive the lion's share of the A$3.5 billion contract.)

- Deutsche Telekom announced a similar plan to build optical fibre networks to its subscribers in 50 German cities.

- Cisco Systems announced the $US6.9 billion acquisition of Scientific Atlanta, a leading US manufacturer of television set-top boxes and broadband systems for the cable TV industry. Largely excluded from the market for high speed DSL (Digital Subscriber Line) and optic fibre connections with US giant telephone operators, Cisco has decided to increase its focus on the attractive cable TV sector.

We remain positive about the capital expenditure cycle in telecommunication equipment, in particular wireless and broadband technology.

Internet:

- In 2005, on-line advertising spending has grown another 25% to $US12 billion and the exploding on-line market is becoming too important to be ignored. In this context, Time Warner decided to sell a 5% stake in subsidiary AOL to Google for $US1 billion after prolonged negotiations with Microsoft failed.

Microsoft sees Google as a dangerous competitor in a scenario where software could be downloaded on-line for free and Internet users could find an alternative to Windows's near-monopoly of the desktop's software. The threat is so real that Bill Gates has issued a memo to all his employees (the previous one was ten years ago and focused on the Internet Tidal Wave). Gates highlighted that the software industry is moving towards a services model and away from a license-based packaged one. Microsoft had better adapt or suffer enormously!

OUTLOOK

We believe that during the second half of 2006 the launch of the new Microsoft Windows (code-named Vista) will gradually stimulate a capital expenditure upgrade cycle in PCs which should have a positive impact on the whole components supply chain (memories, hard disk drives, graphic chips, screens). Until then, technology stocks are more likely to be driven by macro-economic factors such as monetary policy and consumer sentiment in the US.

The increase in adoption of digital TVs, replacement of mobile phones and PCs, and general demand for "mobility" products (notebook, handsets and MP3 players) will remain the key drivers for technology stocks in 2006.

Relatively strong balance sheets of large telecom and technology companies will also maintain healthy conditions for IT corporate spending.

"IT MAY SEEM WE'RE SINKING DEEPER INTO DEBT, BUT REALLY WE'RE JUST EXPERIENCING A QUARTER OF NEGATIVE GROWTH."

"THE DOWNSIDE OF INVESTING IN THIS STOCK IS IT MIGHT GO DOWN. THE UPSIDE IS IT MIGHT GO UP."

A VISITORS' VIEW OF THE NORTHERN TERRITORY …

The middle of July … driving northwards and passing through the scenic eastern Kimberley hill country, our first stop was at Parry's Creek near Wyndham, our second visit. A peaceful and quiet campground on the bank of a bird-rich billabong, with the bonus of a small outdoor restaurant dishing up first class food. Walking is pleasant here along the billabong and amongst ghost gums, so after a meander we perched ourselves in the shade and waited for things to happen. Our first sighting of a pheasant coucal, a non-parasitic, ground-dwelling cuckoo and at night, large black flying foxes were flying amongst the large trees fringing the billabong. We had seen no obvious fruits, so we are not sure what was drawing them to the area. When things are going well, there is generally some little gremlin waiting to leap out of the shrubbery! After thousands of kilometres on Australian roads and tracks, and not a single puncture, the Celt brilliantly moving the Cruiser a couple of metres into the shade ripped the side wall of one of the tyres on an inconveniently placed fiendishly sharp rock! A good excuse to drink more wine after such labour.

Now began the drift to the east, entering Northern Territory after purchasing a new tyre and shopping (here you carry two spares as distances between garages can be formidable). At the state boundary large roadside signs greet one warning of the dire penalties for carrying fruit, vegetables and honey across borders. Fruit flies, fungal spores and viruses have great respect for official borders as you all well know and can only be transported in/or on your over-ripe bananas, breadcrumb spattered honey pot …

Before crossing the state boundary and close to the town of Kunnanura we encountered a large shallow, reed-fringed billabong with large flocks of the majestic brolga crane, and close to town two big mobs of red-tailed black cockatoos. Within Northern Territory and shortly before our overnight stop at the tiny settlement of Timber Creek we had our first sight of a large saltwater crocodile hauled out on a mud bank in the Victoria River. From that point there was absolutely no temptation to swim! Here we added blue-faced honey-eater to our list and encountered several agile wallabies on the edge of camp, so we spent some time watching their antics.

Onwards towards Darwin and two tired individuals peddling their bicycles, weighed down with camping gear! It seems that peddling your way around Australia now has the same karma as the once near obligatory trip to Nepal during the flower-child era. We passed several such peddle-weary folk and all looked positively miserable about the experience. Quite understandable, so why do they do it?

We settled into pleasant accommodation at a place called Berry Springs, just south of Darwin, to be close to the NT Wildlife Park, run by the territory conservation authority and home to a wide range of birds, mammals and reptiles of the Top End. It has some very pleasant bush walks and a natural billabong that attracts much birdlife, including a few new species for us. The night house is excellent and one of the best we have visited, including some of those in Europe's top zoos. In the afternoon we headed off to sample the delights of the Litchfield pub, right next to the rodeo grounds. The beer and cider were good but the décor very Australian - formica, chrome and characterless.

Then to Darwin where we had to do a few things, including booking our February flight back to South Africa, and after a mix of eating (camel, kangaroo, water buffalo and crocodile), and a bit of a wander around the sights, concluded this was one of the nicest cities we had visited. We concluded that the tropical winter climate, and finding a good bookshop were significant influences in our making that decision!

Kakadu is Australia's largest national park and at 20,000km^2 equivalent to South Africa's Kruger National Park. We have mixed feelings about the place, in that we managed to find mainly quiet and simple campsites but one has the impression that in some ways tourism has already spun out of control. Most seem to come to Kakadu for the rock art scattered through the sandstone country, executed by the ancestors of the Aboriginals that live in settlements within the park. Feral pigs are literally everywhere and little seems to be ongoing to at least limit their numbers, the same applies to feral cats. Dingos there are aplenty and that's fine (although it shouldn't be forgotten that they are exotics), but packs of dogs also roam in parts and almost certainly hunt on their own account.

The seemingly unstoppable cane toad, introduced to Queensland from the Americas, has now spread throughout the park and beyond. Its skin secretions are highly toxic and local predators are paying the price. The cat-like, northern quoll, common just five years ago is now on the verge of extinction here, for the simple reason it sees the toad as legitimate prey. At least one species of monitor lizard, and one python are also believed to be now virtually extinct in the park and surrounds for the same reason. Young crocodiles have been poisoned and even one 3.5 metre saltwater crocodile with a cane toad in its gut succumbed. Control of the toads at this stage seems a non-starter, although denied, there is strong evidence that it has already spread to the Kimberley's of north Western Australia.

Our first camp near the South Alligator was within hailing distance of restaurant and draught beer – so how could we resist, after an afternoon of photographing and filming agile wallabies! One major plus for us in Kakadu is the great number of walking trails of varying length that one can do at one's own pace and unaccompanied. At this time of year at the height of the Big Dry, tourists reach their highest densities, but most only clutter the shortest and easiest walks. So if you are prepared to walk a bit further you can avoid much of the madding crowd. It never ceased to amaze us that those folk we did encounter saw nothing smaller than a black-necked stork. The fascinating green tree ants, numerous honey-eaters and the few lizards that were around received nary a glance. The digging activity of a Gould's Monitor lizard on the bank of the South Alligator River (no alligators but large numbers of saltwater crocs, generally known as salties) did elicit interest from one other couple but the inshore activities of feeding shoals of top-eye mullet did not.

Because there is mining going on in the east of the park (we sometimes wondered about the national park status, not to mention the World Heritage Site designation), the town of Jabiru (the local name for the black-necked stork) has shops, banks, and garages but most importantly for us a colony of the large black flying foxes. They roost in the trees around the town's swimming pool and apparently have done so for many years.

Our camp on the East Alligator River was a haven for flying foxes at night feeding on the numerous eucalyptus blossoms, and during the day the sulphur-crested cockatoos took over. Close by we had earlier seen these handsome parrots feeding on Grevillea flower heads – neatly nipping them off at the stem and then holding them in one foot whilst gently extracting nectar. The areas around these trees were soon littered with discarded orange blossoms. A visit to the Ubiri Rock north of the camp was more for the views over the vast East Alligator floodplains than the rock art but the hordes of tour groups soon drove us from the heights, good view or not. Along the river walk we saw plenty of big salties but in the monsoon forest fringing it two bird specials gave us good views, yellow-footed scrub fowl and the rainbow pitta. The second night flying foxes resumed their foraging and we picked out two ring-tailed possums in the torchlight and a northern brown bandicoot rat scuttled around the fringe of our camp. Apart from agile wallabies and antilopine wallaroos, mammals do not feature strongly in Kakadu viewing but we did get glimpses of short-eared rock wallabies and a black wallaroo.

Near our camp the Cahill Drift allows vehicles to cross in and out of eastern Arnhem Land (if you have been approved by the Aboriginal council) – that is at low tide only as its proximity to the mangrove fringed coast results in a fairly massive tidal rise and fall. To our surprise, despite lots of very obvious saltwater crocs and big warning signs about them, people fished off the causeway at low tide but still with the water flowing. We tried a couple more bush camps as we moved southwards through the park. And it is the only point where one can take a boat into the billabongs and on the South Alligator … switching off from the hordes around us we did our tourist thing. It was well worth it as we photographed and filmed a lot, had superb views of salties, jabiru and many other birds, including great flocks of plumed whistling ducks flying to the night feeding grounds.

Next morning on the edge of camp a large sounder of pitch-black, rather hairy feral pigs were disporting, ranging from tiny piglets to a very large boar. Everywhere one moves in the park there is evidence of their digging, wallowing and foraging. Along with the cane toad, the pig is the major threat to the habitats and wildlife of Kakadu.

Our last camp in the park was at Maguk, pleasant and close to a stream. Most tourists come here to swim in a pool about 2km upstream, make a lot of noise and then leave. We sit quietly and watch a shoal of large black bream and then the real highlight in lower streams, archer fish. These piscine hunters have taken the art of spitting to survival levels. They cruise the waters under the banks, observe an insect on a leaf up to two metres from the water, and with an accurate stream of water forced through the mouth knock the wee beastie into the water and devour it. Barramundi Creek and its associated billabongs are important nurseries for a number of fish species, including barramundi and saratoga, and we couldn't help wondering what effect the sun lotions and deodorants washed off human bodies upstream was having on water quality. This is one of the few natural waters where it is safe to swim, or so they say as just downstream was a set crocodile trap!

The last morning a final walk along Barramundi Creek and we were treated to an auditory treat, with several pairs of blue-winged kookaburras confirming their territorial boundaries. Much sign of brumbies, another exotic that seems to be widespread in Kakadu.

Now we were moving south along the Stuart Highway. Not too far south we headed eastwards along the Roper Highway towards the western side of the Gulf of Carpentaria. Do not be fooled, highway as we have found in Australia may be gravel, or if you are lucky a single tarred strip, not always two or more lanes. The Roper is not particularly well maintained and tar edges often several centimetres above gravel verges so one has to be wary of tearing tyres apart. At Roper Bar we filled up with fuel as options become more limited, and lunched on pies.

Heading into the still unproclaimed (in Oz we have learned this usually means that the geologists have still not finished their fossicking!) Limmen National Park, we found a really great bush camp to ourselves on the bank of the Towns River. At sunset the kookaburras excelled themselves with their chorus. Next morning we saw saltwater and Johnstone's crocodiles, and to our surprise our first rising river fog! But this soon cleared to another fine, tropical winter's day. Also a couple of agile wallabies came down to drink, warily watching the water for movement. We have decided that should we ever choose to live in Australia it would have to be up in the far tropical north.

Continuing south through Limmen we passed a billabong close to the road, with three dingos drinking and rolling in the mud, as well as a pair of brolgas and a jabiru. Then a real highlight, our first true blue brumbies, or wild horses. Next camp at Butterfly Spring, a natural seep against a rock wall that attracts many birds and a dawn chorus that went on pretty much throughout the day. Sulphur-crested cockatoos there were aplenty, three red-tailed black cockatoos, red-winged parrots and a black falcon unsuccessfully trying to hunt over the pool. We spent the afternoon reading down at the pool and in the evening chatted to a retired geologist and his wife. He had prospected throughout the Top End but was disillusioned with the burgeoning and seemingly uncontrolled way tourism was developing.

Then a bit of civilisation!!!! Well, sort of. The historic Barkeley Homestead, located appropriately on the Barkeley Tableland – mainly dead flat natural grasslands, has accommodation, a good restaurant AND a talking white-tailed deer head. This is kitsch in the extreme but when it starts singing classic C&W and wagging its head from side to side … It is a huge cattle station with musters involving thousands of head and up to 30 road trains at a time hauling them off to the ports for export. The meal was good, as was the bed.

Then we headed for our last bush camp in the Davenport Range National Park, over a rough 90km track through overgrazed ranch land. We were now back in Spinifex grass country. We pitched camp at Whistleduck, along a dry creek bed, and the temperature fell to the point that we do not like. So, early to bed. In the morning we walked along the creek to two waterholes but nothing much about.

Then the haul down the Stuart Highway to Alice Springs, a town that is now almost totally reliant on tourism. Seemingly every second shop is peddling "genuine" Aboriginal art, the ultimate didgeridoo, or the supreme cultural tour! Nevertheless there are a couple of good eating houses, the best being Overlander Steakhouse – touristy but the kangaroo, crocodile, smoked emu and steaks were first class and substantial portions.

We made a day trip to Simpson Gap in the MacDonnel Range specifically to film and photograph the black-footed rock wallabies that live there. Also took a nice walk up Cassia Hill which gives a good view of part of the ranges and surrounding plains. We spent a couple of interesting hours with these handsome macropods. Also a day trip to the Palm Valley in Finke Gorge National Park. A pretty rough track takes you in but is well worth it. These red cabbage palms and the MacDonnel cycads on the south facing cliffs are relicts of a very much better watered “Red Centre” and although the tourists head down the gorge, few venture along the cliff path so we had that to ourselves. A surprise was the large numbers of white Cyprus trees, indicators of a much more temperate climate growing on the higher slopes of the range.

We allocated four days to drive the 1,000km through the Tanami Desert back to Halls Creek. The first 200km was on tar, which ends at the Tilmouth Roadhouse, where we decided to overnight, even though early in the day. Why not? Really nice oasis and cold beer! One note of interest – a bunch of “geriatric” off-road bikers on a rally rolled up just for lunch, filled up and were off. The bikes were in fine fettle but the guys had seen better days, limping, bent back … One chap got down on his back to check something under his bike engine and then struggled like a tortoise to get back on his feet. Would have made a good short video.

The hype about the Tanami Desert track was overblown, in most part reasonable gravel, some corrugations, but nowhere a tiny sandy track as it is billed in some tour guides. We decided to push the 700km to Wolfe Meteor Crater and set up camp for the last two nights which left us just a short run into Halls Creek on Sunday. Although through Australian eyes the Tanami is a desert, in fact it is not but a well-vegetated semi-desert, with relatively dense cover of Spinifex grass and mulga (Acacia) woodland. The good rains that fell here just before we left Halls Creek for NT, left their mark with abundant greenery and a fair smattering of flowers.

We saw feral camels and plenty of red kangaroos. Refuelled at Rabbit Flat roadhouse, billed as the most isolated fuel stop in Australia – the price per litre tells it all! Anyway, the proprietor, Brian who has been here since 1961, is obviously starved for conversation and has some very strong views. Most we agreed with, but his belief that the invasion of Iraq was justified we did not! Nevertheless, an interesting half an hour in the middle of nowhere!

Our camp at the meteorite impact site – much to our horror – was settled by our bunch of geriatric bikers plus a helicopter … but not too bad and the next day we had the area to ourselves.

We are now back in Halls Creek or Hells Crack to the more enlightened, and girding our loins to hammer through to December. Weekends will see us away in the bush on Sophie Downs cattle station, courtesy of the owner to help us retain our sanity.

Chris and Tilde Stuart

Chris and Tilde Stuart are the founders of the African Carnivore Research Programme and, more recently, the African-Arabian Wildlife Research Centre. They are involved in various research programmes dealing with carnivores and other vertebrates of Africa and the Arabian Peninsula, and contribute widely to both scientific journals and popular magazines.

Tilde was educated in Iran and Austria, receiving a doctorate in medicine from the University of Innsbruck. Chris was educated in England and South Africa, and obtained an M.Sc from the University of Natal. As a member of the international conservation body, the IUCN, he serves in three specialist groups dealing with cats, mustelids and viverrids, and the reintroduction of animals into the wild.

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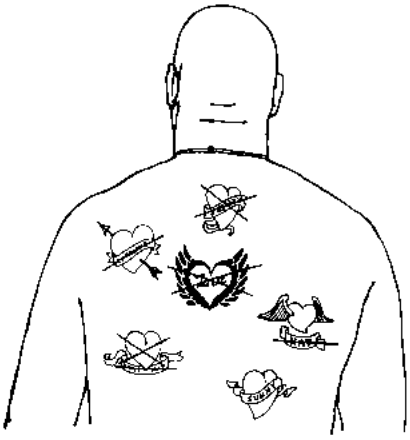

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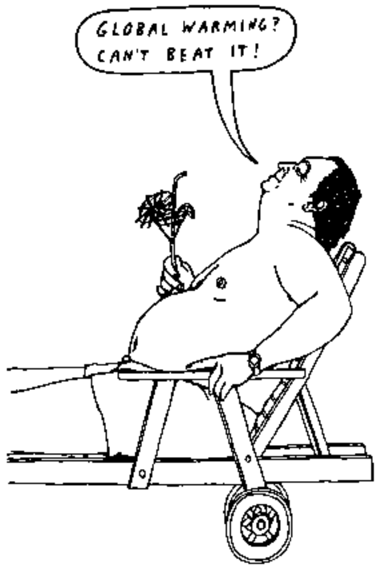

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2. The investment returns depicted in the graphs are cumulative on A$10,000 invested in the relevant Fund since inception relative to their Index (in A$) as per below:

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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Since inception, the Platinum International Fund has achieved returns of well over twice those of the MSCI All Country World Index* and considerably more than interest rates on cash.

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