PLATINUM JAPAN FUND

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PERFORMANCE

There was little movement in either the Japanese stock market or the Fund price over the quarter. The strength of the rebound of the US$ was a little surprising to us, as was the rise in the Korean stock market of around 4%. This market has traditionally shown a negative correlation with oil prices. A positive sign is the emergence of greater interest among domestic investors that seems to be driving that market.

Better performers for the Fund were generally in the mid cap technical space with names like Nissan Chemical and Hitachi Metals forging ahead, whilst on the downside the TV broadcasters gave up M&A related gains from the previous quarter.

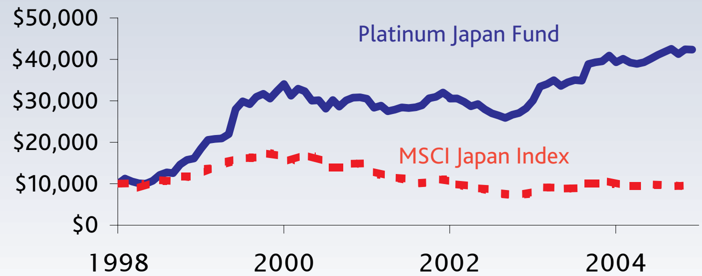
Performance ($A)	Platinum Japan Fund	MSCI Japan
Quarter	-0.5%	-2.1%
Year	3.5%	-10.0%
Since Inception (7 years)	22.9% pa	-0.7% pa

Source: Platinum and Factset. Refer to Note 2, page 36.

DISPOSITION OF ASSETS		
REGION	JUN 2005	MAR 2005
JAPAN	72%	74%
KOREA	15%	14%
CASH	13%	12%
SHORTS	0%	7%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 JULY 1998 TO 30 JUNE 2005



Source: Platinum and Factset. Refer to Note 2, page 5.

CHANGES TO THE PORTFOLIO

There was little change in the overall positioning of the portfolio apart from the closing of 7% of the Fund held in short positions. This was done opportunistically as the market suffered its mid quarter ills only to see a rebound by period end. There were some large changes to the stocks held in the Fund with the theme being to cutback on cyclical exposure in favour of higher quality (market share and profitability), cash generative, international companies. New additions to the portfolio included Fanuc, Dainippon Printing and Canon. These purchases were financed by sales of Tokuyama, NGK Insulator and Sumitomo Corp, all of which have been very successful investments but at least in the case of the first two are stretching valuations.

COMMENTARY

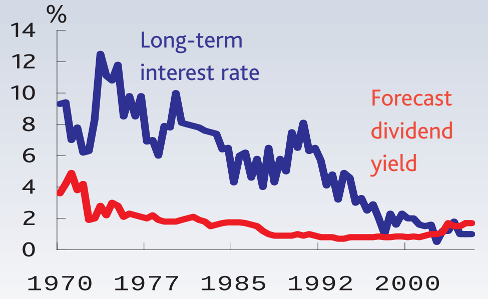
Hunger for yield and the rise of shareholder activism - support for share prices?

In our December 2004 quarterly we touched upon the rise of Japanese REITs (Real Estate Investment Trusts) and how it was being driven by the search amongst domestic investors for sources of yield. We also touched upon M&A and how a new class of investor was agitating for change at companies. It is clear that both of these tendencies remain well in place. At the risk of saying this too often; Japan is the most dysfunctional economy in the world as measured by the differential between the cost of money and the yield on real assets such as shares and property. Investors have a very strong incentive to take the risk of borrowing in order to go long real assets, yet to date, apart from REITs, there has been relatively little interest in houses and shares.

Part of the problem for shares has been the historical predilection of companies to retain capital in order to avoid the irritation of having to work with the over-bearing banks when seeking funds for expansion. Holding large amounts of cash or tying-up money in cross-holdings was seen as a bulwark against undesirable interference in the affairs of companies as they sought global prominence. In this environment individual investors were highly sceptical of shares, and hence regarded them as instruments of speculation rather than investments. However, this is changing dramatically as the economic incentives shift in favour of higher returns from shares.

1) One has to go back to the 1950s to identify a period when the yield on government long term bonds fell below that earned from company dividends, but this is precisely what has happened in Japan. Although the response has been rather mild to date, it is clear that a more mature class of investor is reacting to this "price signal" by moving toward dividend yield funds sold through investment trusts. Korea is perhaps a leading indicator in this regard.

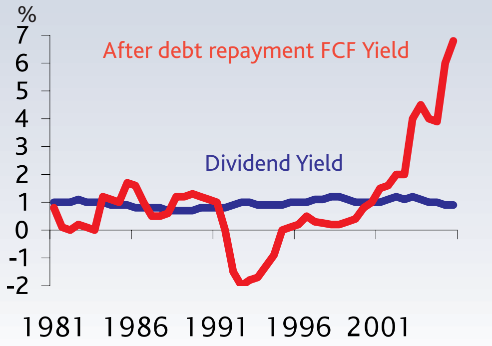
Japanese Forecast Dividend Yield and Interest Rates



Source: UBS

2) Companies for their part are seeing massive free cash flow generation from surging corporate profits and are being compelled in many instances by a changing shareholder base to distribute some of these funds to their investors. This action is significantly influenced by fears of hostile M&A activity with the only enduring response being to find ways to raise ones share price.

Japanese Dividend Yield vs After-Debt Repayment Free Cash Flow Yield



Source: UBS

3) There is much one-eyed criticism of poison pill defences with little, if any, consideration given to the scale of such measures in other markets such as the USA or Continental Europe via intricate voting structures. However, this has not necessarily been to the long term detriment of shareholders.

4) There have also been regulatory moves at many levels which are improving the environment. The commercial code is being changed to make the regular payment of dividends possible. The taxation system is being adjusted to give dividends preferential tax treatment and international tax treaties have been negotiated to allow profits to be repatriated free of withholding tax.

The upshot of these moves is to further underwrite the level of the Japanese stock market. It is clear to us that any further major moves upward in Japan are going to have to come from domestic investor's actions given how underweight they are in their own market. Any moves that encourage greater investor participation in the market are likely to provide extra support. Indeed it is hard to see who the natural sellers of the Japanese market are.

Japan Post Privatisation

The seemingly inevitable privatisation of Japan Post is likely to have profound implications for the flow of investor's funds in Japan. For those with a greater interest in the subject, a recent piece written by Rob Zielinski of CLSA Japan goes into quite some detail.

Japan Post - Key Statistics

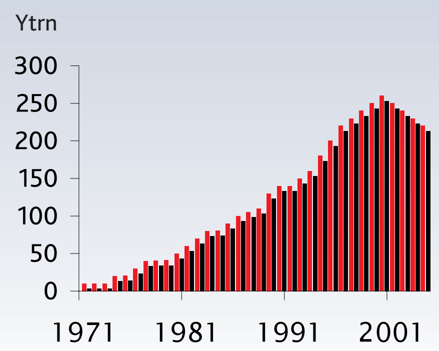
- 24,700 branches
- 261,000 employees
- World's second largest mail company (25 billion annual deliveries)
- World's largest deposit taking institution ($US2.1 trillion in deposits)
- World's largest life insurer ($US1.13 trillion in assets)

What is important here is not the mail business but the sheer scale of the financial institution. Through its network of regional offices it efficiently sucks up the savings of regional Japan, accounting for 23% of total system deposits (not much less than the total of the major city banks!). However, it has no lending capabilities and merely acts as a funnel for these savings into government loans and general account spending, through the JGB market. Via an elaborate web of mutual support of the LDP, the agricultural lobby and the "post office", there is at its worst, the foundation of the largest political slush fund in the world!!

The determination of Koizumi to privatise Japan Post is very odd for a politician as it virtually guarantees less influence for the government. This probably owes much to his personal history of running up against the bureaucrats and those in his own party when Minister for Posts. It also is owed to his reformist credentials and economic rationalist leanings as seen in his appointment of Takenaka as finance minister. By privatising, Koizumi will effectively remove the advantages that Japan Post has had which have included government guarantees and exemptions from reserve requirements, deposit insurance and taxation. This should continue to encourage the steady flow of funds out of Japan Post (see below) which is already happening as long term fixed deposits mature and due to its lack of innovative product alternatives.

Some commentators are concerned that a rapid withdrawal of funds from Japan Post could trigger a run on the Japanese bond market. However, the decline of Japan Post is likely to be a 10 year event as privatisation will also allow it to offer more competitive products. Nonetheless it is clear that many more investors will have their eyes opened to alternative investments which is likely to mean the equity market is well supported. Additionally with the shrinkage of government that comes with the decline of Japan Post, it may be that the private sector can more than compensate for the loss of growth as natural competitive juices begin to flow more freely. This reshuffling of the competitive deck could unleash a frenzy of financial product innovation that will confound old-timers.

Postal Savings Deposits Outstanding



Source: CLSA

NOTES

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

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

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

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

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

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

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

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

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

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

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

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Before making any investment decision you need to consider (with your financial adviser) your particular investment needs, objectives and financial circumstances. You should consider the PDS in deciding whether to acquire, or continue to hold, units in the Funds.

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