PLATINUM JAPAN FUND

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Portfolio Manager

PERFORMANCE

International markets were soft during the quarter as the implications of tighter monetary policies in all major global regions started to weigh on growth expectations. Japan was no exception to this with the index and the Platinum Japan Fund both declining by about 8% in $A terms over the quarter. Individual stock declines were broadly spread and typical of a general market correction.

CHANGES TO THE PORTFOLIO

The overall positioning of the Fund remained fairly static. However, as the market declined to near the 14,000 level on the Nikkei we initiated a tactical long position through the futures. Hence our net invested position rose at quarter end to 85%.

Major changes to stock positions:

Stocks bought: Mitsui & Co, Kawasaki Heavy, McDonald's Japan, Uny.

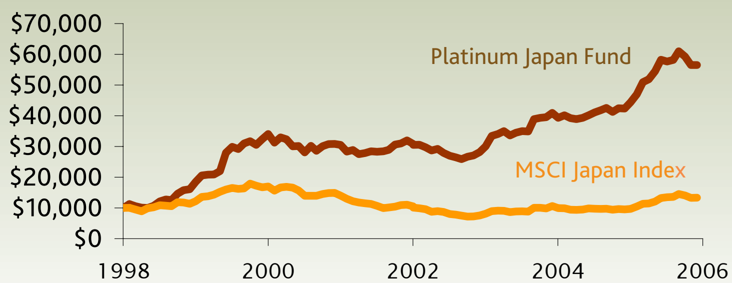
Stocks sold: Kyocera, Taisei, Ushio, Hyundai Heavy.

DISPOSITION OF ASSETS

REGION	JUN 2006	MAR 2006
JAPAN	72%	75%
KOREA	17%	18%
CASH	11%	7%
NET SHORTS	4%	19%

Source: Platinum

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



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

COMMENTARY

Japanese monetary tightening; a bad thing?

It really depends on the stance of the Bank of Japan (BoJ) as regards inflation and growth levels and how the situation develops going forward. Our base case remains that the BoJ will take a relatively cautious approach given its past history. We also believe that the end of monetary tightening in Japan is a neutral to positive event as Japanese consumers are large savers. Much has been made of the huge withdrawal of central bank surpluses in the money market, however, from our limited understanding of the issue it seems that most of that money was merely on-lent at virtually zero spread. Hence the impact is more psychological, although, it may have some implication for the yen (possibly strengthen - although interesting that it has as yet had no impact!) and so-called carry trades. On the carry trades it must be remembered that despite all of the talk about unwinding the incentive to engage in this activity it has actually increased with the moves in US rates! More importantly for growth, the banking system is fixed and banks are eager to lend. This has been the missing factor for monetary policy transmission in the past and should be a much more relevant factor for growth than whether rates are 0.25% or 0.5%.

The return of a more socialist Japan?

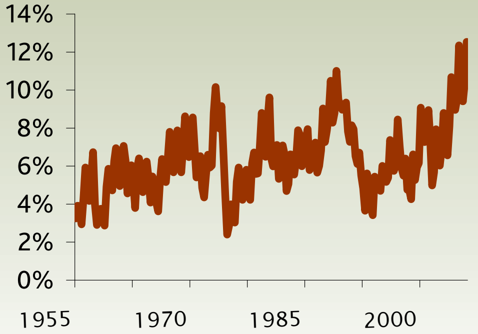
Following on from the Livedoor incident last quarter, the Japanese market has continued to be buffeted by further revelations of corporate misdeeds and indications by regulators of a tougher stance on "profiteering" in such industries as retail and banking. Some commentators have started to raise the prospect, in concert with the imminent departure of Koizumi, that this represents a return to some form of old style socialist Japan and that we should be concerned about corporate profit growth as a result. Our view is that whilst these events are interesting news they will have no real impact on the stock market as a whole. The reality is that we are in a globalised world and the Japanese are really no different in their aspirations for a better life, albeit with greater concerns about inequality. The lifetime employment contract was clearly broken in the Asian crisis and the reality of China as a competitor makes it unlikely we will see a reversal. In addition, the populace seems to be still very much behind the general thrust of the Koizumi administration even after its relatively long reign.

The Japanese market - going domestic!

We have been increasingly shifting the portfolio toward stocks geared into the Japanese domestic economy. Our feeling is that on the one hand global growth momentum and overall corporate profits are near their peaks, whilst on the other, wages and prices seem to be picking up as the employment market tightens. Consequently we may be about to see a major transition in the driver of the economy from the external account to consumer spending with implications for profits and stock selection. It will be more important than ever to be a stock picker in the Japanese market going forward!

Similar to most countries, Japanese corporate profits are at record levels. This has been led largely by the export sector which has seen robust growth since the bottom in 2002. However, there are some signs of stress in this sector with the most recent profit growth numbers slowing sharply to 6% yoy as a result of the squeeze on the terms of trade via higher input prices (commodity prices). We would seem to have reached a more vulnerable point where manufacturers need to pass on higher costs yet central banks have become acutely focused on this possibility and are steadily raising rates. If export volumes slow as a result of monetary tightening then export profits could fall sharply.

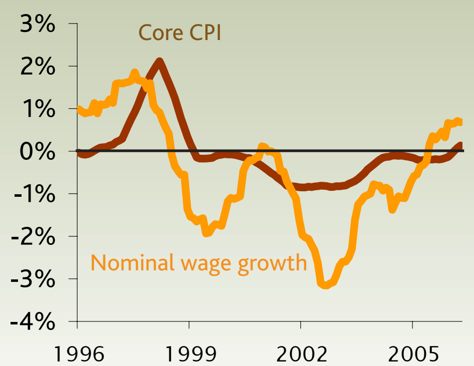
Japanese Corporate Profits (pre-tax as a % of GDP)



Source: MOF Corporate Survey

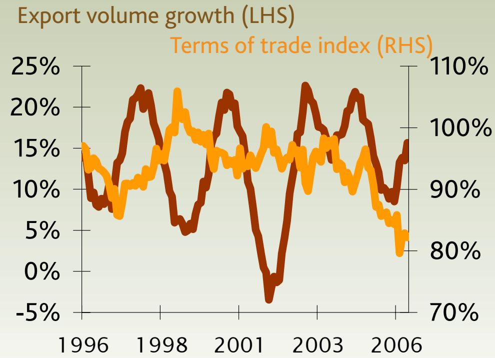
Clearly any harm done by central banks to export growth will have a negative backflow onto the Japanese economy. However, the economy is now in better shape to withstand the inevitable transition with support from an improving employment situation, higher wages as corporate profits are recycled, easing price competition and greater bank lending from a more solvent base. Despite the outperformance of exports during the past decade they remain at about 12% of GNP! The recently released Tankan survey of business confidence would seem to be supportive of our position with both domestic capex revised up sharply and non-manufacturer confidence surprising on the upside.

Japanese Nominal Wage Growth and Core CPI



Source: Ministry of Internal Affairs and Communications

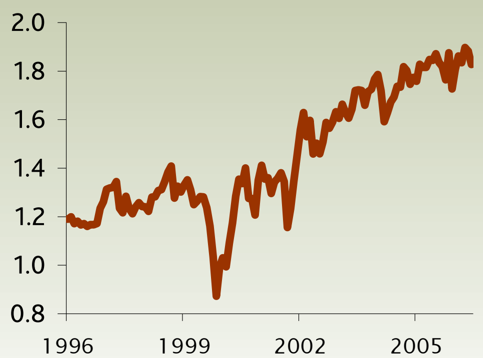
Japanese Export Volumes and Terms of Trade



Source: Ministry of Finance

The market does not seem to have placed much of a bet on our scenario judging by the performance of global earners versus domestics. This performance seems to have reflected historical profit growth and suggests complacency about the potential for a shift. If we look at the profit margins of many Japanese retailers and food companies, we see operating margins in the 1-3% range. Small increases in real prices are likely to have very large impacts on profits. The same would apply to financial institutions which have seen ongoing interest margin compression due to low rates.

Global Earners Outperform Domestic Earners



Source: Bloomberg

OUTLOOK

In essence we remain concerned about rising interest rates around the world, however, this is likely to be a relatively good thing for Japan. We believe that recognition by investors of the ongoing global economic rebalancing is near which could culminate in big changes within sector allocation and a strengthening of the yen. It is hard to envisage a natural seller of the Japanese equity markets as money leaves the risk-free asset in search of higher returns.

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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