PLATINUM JAPAN FUND

Jacob Mitchell
Portfolio Manager

PORTFOLIO POSITION

Some of the themes/large positions contained in the current portfolio include (position prior quarter):

Domestic related 49% (47%), including:

- 13% (12%) Defensive (transport, food, telecommunications, services)

- 12% (15%) Real estate, retail

- 12% (9%) Financials

- 7% (7%) Construction

Export related 37% (45%):

- 12% (19%) Technology (including specialty materials) and machine tools

- 7% (7%) Autos

- 7% (5%) Global energy and infrastructure capital equipment

- 6% (6%) Commodity producers

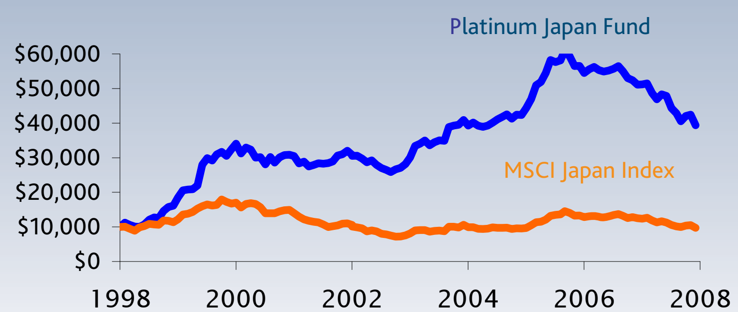
- 5% (8%) Chemical/process

DISPOSITION OF ASSETS

REGION	JUN 2008	MAR 2008
JAPAN	83%	88%
KOREA	4%	4%
CASH	13%	8%
SHORTS	13%	6%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 JULY 1998 TO 30 JUNE 2008



Source: Platinum and MSCI. Refer to Note 2, page 4.

PERFORMANCE AND CHANGES TO THE PORTFOLIO

Over the past 12 months the Fund fell 23%, in line with the fall in the MSCI Japan Index (A$) benchmark and over the past quarter the Fund fell 3%, roughly in line with the benchmark. As an active manager with the ability to hedge, we are disappointed with the lack of returns for investors.

Global markets bounced from the beginning of the quarter as the US Federal Reserve provided an explicit guarantee to Bear Stearns averting a complete market melt-down. However, the bounce was short lived as high energy prices kept the focus on emerging market inflation and declining US/UK housing prices kept the focus on developed world credit/consumption concerns.

In the last quarterly report we put forward our view that Japanese equities (and property) had the potential to outperform as consumers remained relatively ungeared and investment preferences, driven by rising inflationary expectations, had the potential to change for the better ie. away from deposits and bonds, towards equities and property – in sharp contrast to most other markets. This view seemed to gain some currency over the quarter and, as a consequence, Japan outperformed global markets. However, over 12 months and longer, it remains an underperformer. In Japanese yen terms, the Index finished the quarter up 9% but down 2% in Australian dollar terms.

The key positive contributors to the quarter were our Korean Index/stock shorts, Japanese Government bond short and some of our energy/global capital equipment longs (eg. JGC). The key negatives were our technology and financial holdings.

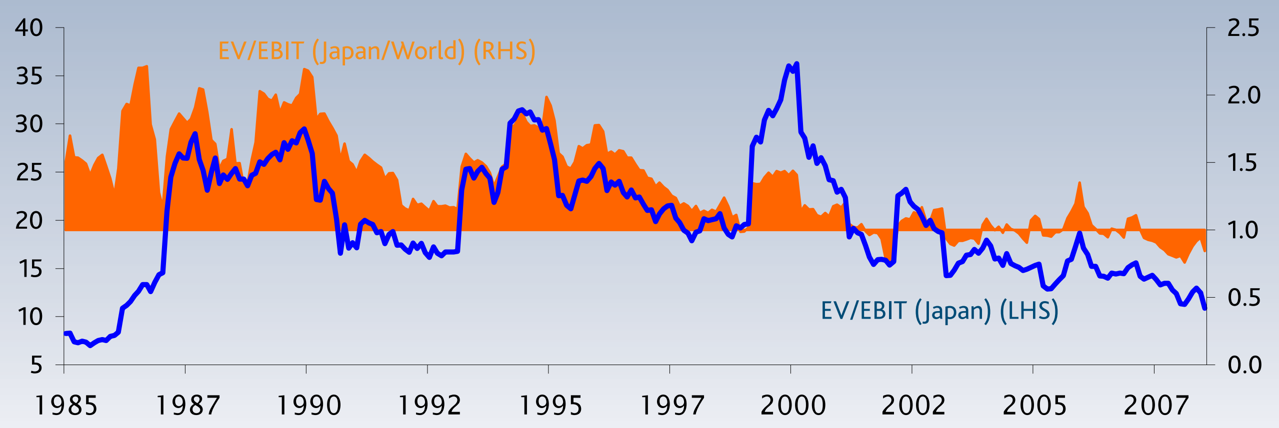
Over the quarter we made the following changes to the portfolio:

- We reduced gross equity exposure from 92% to 87% and net exposure from 86% to 74%, largely via the initiation of a 10% Kospi short (Korean Index) in early June. In hindsight, we should have been more aggressive on the short side.

- We reduced technology exposure from 19% to 12% in response to the worsening Western world consumption outlook.

- We increased our Japanese mega bank holdings from 2% to 7% – the investment rationale is detailed over.

ENTERPRISE VALUE/EARNINGS BEFORE INTEREST AND TAX (JAPAN AND JAPAN/WORLD)



Source:: Factset

- Our decision to cut the yen exposure to 83% last quarter proved correct, as true to form the yen depreciated as global markets rebounded, although we would have picked up more performance in AUD or USD, rather than from other Asian currencies. Thinking the global equity rebound was temporary, we started to increase yen exposure in early June and ended the quarter at 92%. There has been some change of pattern in the behaviour of the AUD, as it remained strong relative to Asian currencies even as risk aversion increased in the last weeks of June. In previous market sell-offs, the AUD has weakened as the carry trade (one of the many leveraged trades) was unwound. This time round, with energy prices rising in the face of the equity sell-off, the AUD held firm, much to our frustration. I think this is a temporary phenomenon and that the AUD will eventually reflect the deterioration of asset/credit quality within the local economy.

- We closed our 10% short on the Japanese Government Bond future having picked up just over half of the move in yields from 1.3% to 1.8%. If global markets overly discount the risk of Western world debt deflation, we may re-initiate this short as we believe the primary cycle remains inflationary as Western central bankers (whether they admit it or not) fear asset price deflation more than goods and services inflation, and hence, will keep monetary policy too loose, for too long.

COMMENTARY

Our investment in the Japanese mega-banks (Mitsubishi Tokyo Financial and Sumitomo Mitsui Financial) may seem a tad reckless given the current global credit melt-down. Our simple case for these banks is that as inflation returns, the profitability of these businesses will be transformed. Japanese banks have been horribly unprofitable for a long period of time, with ROEs of around 5%, compared to 15-20% in other markets. Low returns are a function of a deflationary interest rate environment and weak domestic loan demand. The banks have survived on net interest margins of less than 1% compared to the +2% available in most other major banking markets. The major positive of all this is that the Japanese Banks have balance sheets that are close to fully funded by deposits, rather than fickle wholesale markets, that is, the reverse of the large US, European and Australian institutions. In the current credit rationed environment, this makes for a much lower risk proposition. Further, there are a number of promising signs that these banks can grow earnings:

- Inflation is returning to Japan and we expect this to feed into net interest rate margins over time. There are already signs that this is happening with the recent pick-up in Japanese Government Bond yields and a large shift in inflation expectations over the last year. It is worth noting that Japan has very large external deficits in both food and energy (but given a strong external account, the capacity to pay for both).

- With other developed-country banks now capital constrained and forced to tighten lending standards to deal with rising credit costs, Japanese banks face less competition in overseas markets.

As counter intuitive as it may seem, we think these stocks are some of best “inflation” plays currently on offer.

OUTLOOK

Even though we think Japan remains “relatively” attractive, we think it will be difficult to make absolute returns whilst Western markets remain in the grip of the worst banking crisis since the Great Depression. The counter argument to such reactive depression is that by certain measures, the last time Japanese equities were this cheap was the mid-eighties. This means markets will remain volatile, as the bulls look at “apparent” valuations and the bears look at the deteriorating news flow. We continue to have a bias to the long side, whilst looking for tactical short opportunities.

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 Unhedged Fund:
Inception 31 January 2005, 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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