PLATINUM JAPAN FUND

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PERFORMANCE

The Japanese market moved little over the quarter but this masked a shift in the constituents of the market whereby commodity related, machinery and financial stocks fell, whilst real estate and currency sensitive stocks rose. This internal market action was consistent with global stock market moves to discount an economic soft landing.

Perhaps the two most interesting features of the quarter's performance were:

1. a tendency for the Asian markets to outperform Japan with money shifting toward China related investments;

2. marked continued underperformance of the yen which fell by 3% against the $US over the quarter.

The movement in the yen deserves most attention as it is contrary to our prevailing positive view on the currency. It would appear that the market continues to search for higher yielding alternatives, especially with the prospect of slowing growth, and this is not helping the yen despite strong Japanese economic growth. However, it is our feeling that eventually the domestic recovery in Japan will be recognised by the market, especially if the BOJ continues to raise rates, and that the yen should rise. The recent appreciation of the Chinese currency is also likely to lend support to the yen.

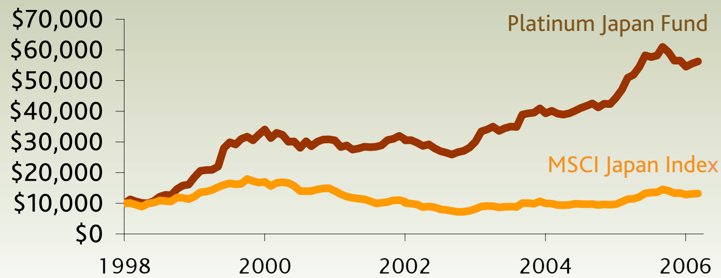
For the quarter, the Fund fell by 0.5% as against a 1.2% fall in the MSCI Japan. For the year ending 30 September 2006, the Fund returned 10.4% against an MSCI of 15.8%.

DISPOSITION OF ASSETS

REGION	SEP 2006	JUN 2006
JAPAN	70%	72%
KOREA	17%	17%
CASH	13%	11%
NET SHORTS	3%	4%

Source: Platinum

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



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

CHANGES TO THE PORTFOLIO

Major Purchases: Aeon, Furukawa Electric, Yamato Transport, Dainippon Printing.

Major Sales: Nippon Oil, Seven & I Holdings, Hitachi, NEC.

Generally we have been adding larger stocks which are out of favour for fairly transient reasons yet have solid business franchises, the prospect of some growth and good historical financial performance. Yamato Transport is perhaps the most interesting in this regard as it is being unfairly discounted for the potential impact of greater competition from Japan Post. Yet the reality is that Japan Post is a long way from having a comparable parcel delivery network to Yamato Transport, let alone a culture which is performance driven.

COMMENTARY

As the table of major market returns below highlights, Japan has been a conspicuous underperformer this year much to the frustration of investors and fund managers alike! With the benefit of hindsight we believe a number of factors have combined to suppress the market:

1. Japan outperformed significantly in 2005 and so, in a way, 2006 seems to be the year in which we cast-off the late arriving bulls. Having followed Japan for some time we would highlight its propensity for rather erratic year-to-year price action.

2. Classic mid-cycle correction where the ultra loose monetary policy is giving way to Bank of Japan (BOJ) rate rises.

3. Somewhat uniquely to Japan, hedge funds have been badly burnt in the small stocks. The Livedoor phenomena is perhaps the most obvious example of this.

4. Uncertainty with the political transition.

5. Concerns over world growth - with Japan more exposed than most.

However, we would submit that nothing mentioned above is at this stage terminal to our essentially optimistic view and that in due course Japan should resume its correlation with major markets. Please also note from the table that over three years, Japan has been quite a decent market.

MAJOR MARKET RETURNS (US$, % change to 30.9.06)

	YEAR TO DATE	3 YR
JAPAN	**0.1%**	**16.4%**
US	**8.5%**	**12.3%**
UK	**9.1%**	**17.2%**
GERMANY	**11.0%**	**22.6%**

Source: Platinum and Factset.

The one element that has perhaps become a little more unpredictable is the political outlook. In most situations we see politics as a sideshow which tends to gain more mileage as an issue in the papers than in investment markets. However, in the case of Japan, we are going through an interesting transition from ultra-popular and seemingly very successful operator in Koizumi, to the relatively unknown Abe. There is a risk that the momentum for progress in Japan loses its way as the agenda for the leadership changes. That is not to say that corporates won't make their own decisions and remain the drivers of the economy but rather that it would appear that Abe is going to be more interested in what China and North Korea are doing than the economy. It is our feeling that rather than resting on its achievements to date in turning the economy around, Japan has to embrace the next stage of its economic transition which deals with the demographic problem and public debt. A policy platform to promote public sector reform and privatise state assets would appear to be called for but at this stage is not forthcoming. In this environment it is hard to see how the transition would be good for the market. Abe's recent appointments to the cabinet also hint in this direction with a return to the old guard of factional politics and a shift of power back to the bureaucrats. In the end it may not matter for the market and whilst we voice concern, we would like to reserve judgement as politicians the world over tend to be unpredictable beasts! However, the initial signs are bad.

OUTLOOK

Our view of Japan has become a little more cautious. Whilst the arbitrage between low interest rates and returns on risk assets continues to be very supportive of speculative activity, especially in the property market, the political transition may disappoint the "this time it's different brigade". In combination with a slowdown in global growth which would hit Japanese exports quite hard, it is possible to imagine a cap being put on the market. With higher apparent PE ratios, the Japanese story needs ongoing good news and greater attention of corporates to cash returns than has been the case in the past. Good stock selection is likely to remain important.

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), 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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