PLATINUM JAPAN FUND

Jim Simpson
Portfolio Manager

PERFORMANCE

The quarter was characterised by substantial weakness in the US$ which fell by approximately 7% against both the Japanese yen and A$ and 10% against the Korean won. This translated into a choppy environment for Japanese equities as investors absorbed the impact of the currency moves and fretted about continuous declines in the OECD leading indicators, traditionally a good leading indicator for Japan's economy. Korea was a surprisingly good performer considering the amount of negative press about the poor state of its economy. It seems investors are being attracted by very low valuations and hopes for a better year in 2005.

The MSCI Japan index rose by 4.5% in $A terms over the quarter ahead of the Platinum Japan Fund which rose by 2.3%. The currency moves had little impact on relative performance as the Fund held very few US$. The portfolio benefited from its holdings in Japanese banks and property stocks but was held back by the decline in auto stocks which had been good performers previously. Our Korean holdings also helped performance, although Samsung Corporation declined rather sharply.

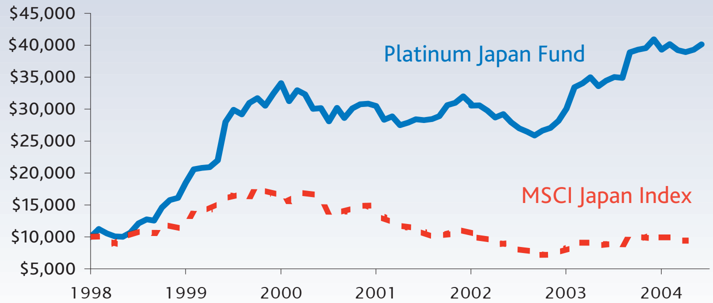
For the year to 31 December 2004 the Platinum Japan Fund rose by 16.5% versus the MSCI Japan index of 11.4%. For the three years to the same date the Fund rose by 12.5% pa compared with an MSCI Japan index decline of 2.7% pa.

DISPOSITION OF ASSETS

REGION	DEC 2004	SEP 2004
JAPAN	74%	69%
KOREA	13%	13%
CASH	13%	18%
NET INVESTED	87%	82%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 JULY 1998 TO 31 DECEMBER 2004



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

CHANGES TO THE PORTFOLIO

There were no substantial changes to the portfolio during the period. Stock selection during the quarter reflected a continuing bias toward Japanese domestic reflation names at the expense of export and defensive stocks.

Increased Positions: Major Japanese banks and non-life insurers.

New Positions: Tokyu Corporation and Tokyu Land; Korean Shipbuilders.

Deleted Positions: NTT Docomo; Takeda Pharmaceutical.

COMMENTARY

Japanese Property

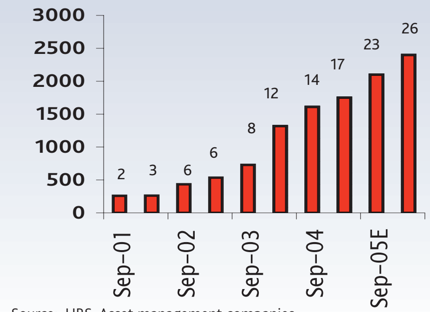
The first signs of a bottom in Japanese property prices are emerging in the form of surging transaction volumes and rising prices for high quality locations in Tokyo. If the recovery spreads to non-prime and regional locations the impact throughout the wider economy could be profound. With Japanese property prices having fallen to internationally comparable levels, and being very cheap when compared to domestic long term interest rates, there is little reason to believe that the same beneficial cycle seen in the Anglo Saxon economies should bypass Japan. An improvement in the property market would do wonders for consumer confidence as well as improving the fiscal situation of governments and promoting corporate restructuring.

The case for the turnaround of the property market is bolstered significantly by the emergence of strong buying from relatively new investor groupings. On the foreign side the global investment banks are leading the way in arranging property investment funds for their wealthy clients. They are very clearly seeking to arbitrage the differential between long term funding costs of below 2% and sustainable rental yields of around 5%. Indeed it is hard for us to adequately communicate the frenzied action that is taking place amongst foreigners in Japan's property market which is seen as one of the most attractive international asset classes in an expensive world. The recent landmark deal which saw Mitsubishi group sell its Shinagawa headquarters to a Morgan Stanley fund for approximately US$1.5 billion (well above market expectations at a 4% cap rate) perhaps best illustrates the process. Furthermore, it is not just foreigners who are making the running with domestic REITs (Real Estate Investment Trusts) and pension funds also very keen to secure high yields in a country where short term interest rates are 0%. The principal sellers are still troubled corporations and banks through NPL (non-performing loans) work-outs with some evidence that supply is tightening.

The development of the REIT market in Japan has been hugely successful with US$16 billion under management three years after their legal sanction, with further strong growth likely. At this stage the primary buyers of the REITs have been domestic financial institutions such as the regional banks and pension funds who are finding they can achieve a 2% improvement in returns over JGBs (Japanese Government Bonds) and at the same time achieve asset diversification. The key point to understand is that not only does the development of REITs help to stabilise property prices but it also brings enormous benefits to how funds circulate within the Japanese economy. Without a mechanism by which investors could readily access the high yields on offer from property assets, the property market was effectively frozen for longer than it should have been. This had adverse consequences throughout the financial system. However, this is reversing quickly, with the enormous demand for REITs causing them to trade at 50% premiums to their NAVs. We therefore expect to see more listings as promoters seek to capitalise on the demand and at the same time see a broadening of the offering into residential, hotel, retail and non-prime commercial areas.

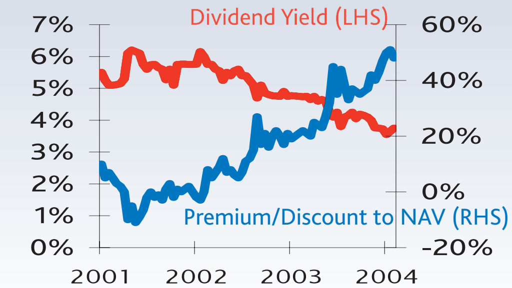
As equity investors, we tend to observe the property market from a distance whilst recognising that on account of its size it has enormous power to impact confidence. In Japan it is particularly pertinent given the historical obsession with property prices and the decade-long home equity compression from falling prices. Confidence in Japan is likely to be highly correlated with property prices at this point in its economic cycle and we will be keenly watching for further large scale transactions; REIT listings; and the premium to NAV (net asset value) of the REITs, for guidance. In terms of our portfolio, the premium valuation placed on the REITs serves to highlight the potential for hidden value in holders of property assets such as the big developers, housing and

JAPANESE REIT MARKET SIZE AND ESTIMATES (mkt cap, Ybn)



Source: UBS, Asset management companies

JAPANESE REIT DIVIDEND YIELD AND PREMIUM/DISCOUNT TO NAV



Source: UBS, Asset management companies, Datastream

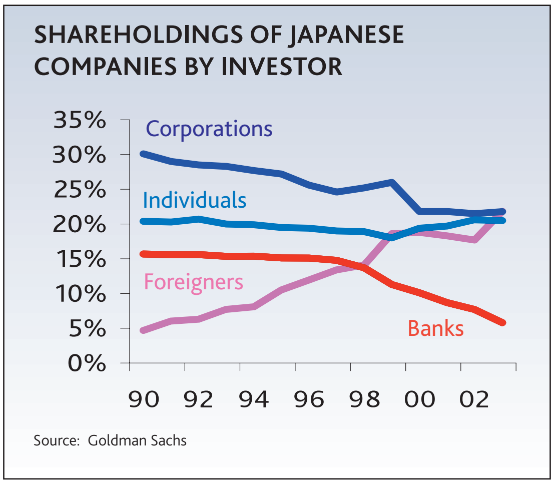
railway companies. We are exploring opportunities in these areas. The large banks are also obvious beneficiaries of the moves underway in the property market.

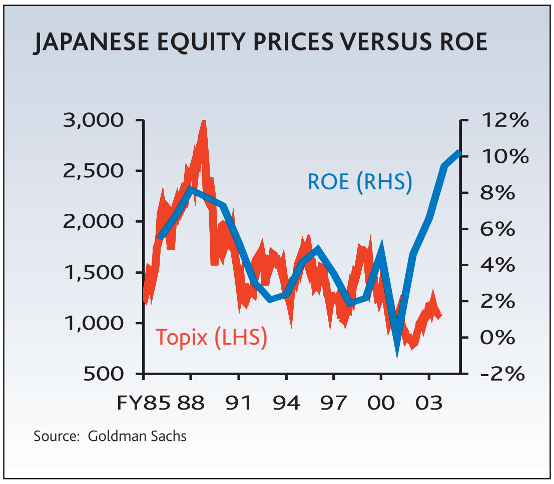
Shareholder Activism

Similar to the dramatic changes taking place in Japanese property, the equity markets in Japan and Korea are being transformed by rising shareholder activism. The long standing system of companies securing management control via cross-holding arrangements with financial institutions and affiliated companies is breaking down in favour of a shareholder base more focused on near term returns. This observation is amplified by a recent Nikkei survey of the 139 leading firms in Japan which showed 70% of them feel threatened by foreign takeover bids. We believe this trend is going to have enormous consequences for the equity markets especially as so called “value traps” are no longer protected by cross-holdings. This will inevitably attract investors keen to arbitrage the differential as so prominently highlighted by the many buyout funds that have sprung up in Japan over the past few years. In this environment it is less likely that companies will be able to hang onto their cash and will be forced to raise dividends or buyback stock to appease shareholders.

On balance we expect rising shareholder activism to be positive for equity markets as it will improve capital allocation in these economies. However the shareholder value mantra is not an unmitigated positive and can be taken too far by institutions that really only have their own interests at stake. We expect that there will be periodic backlashes against the process by local interests who intepret this as an abuse of national interests by opportunistic foreign investors. Korea is very topical in this regard as pressure from foreign investors has reached the highest corporate levels and engendered a fierce reaction in the national press. The recent attempt by foreign investors to influence the actions of the Samsung Group via its historical parent company Samsung Corporation merits attention. Essentially one large foreign investor purchased a 5% stake in Samsung Corporation and attempted to involve other investors in pressuring the company to realise value by selling its investment in Samsung Electronics. This action failed as the Samsung Group rejected the advances and moved to secure control of the company by increasing its cross-holding links! Subsequently the investor has departed having secured a profit after the stock price rose due to purchases by the Samsung Group. Whilst the cross-holding increase is somewhat retrograde, we have fundamental reservations about this approach. Not only does selling so quickly send the message of short term opportunism, but it devalues the notion that outsiders have anything valuable to impart to serious company management. It is not as if the Samsung Group has been a poor manager of assets over time, indeed the opposite is clearly the case. Unless there is a clear abuse of power it would be better to engage in long term discussion and leave them to get on with running the business.

In Japan, at last count, there were at least 13 managers dedicated to this kind of corporate arbitrage activity. However to date they have attracted somewhat less national coverage due to the smaller targets they have chosen. Perhaps the most prominent has been Steel Partners which launched its assaults on the cash rich companies Yushiro Chemical and Satoh one year ago. One manager described this at the time as a bomb going off in corporate Japan. Looking back at what has been achieved by this action it is very interesting. The companies raised dividends by between 10-15 fold and their stock prices are 70% above the levels prevailing before the action was taken! The obvious spill-over impact to other cash rich companies has also been readily apparent. Leaving aside the headline grabbing fears that foreigners are coming to take over corporate Japan, the broader reality is that value is coming into focus in Japan and we would expect to see larger Japanese companies begin to come under pressure. This will be aided by the recent changes to the corporate law in Japan which allows the use of share swaps for domestic and foreign take-overs. Some changes will be needed to the tax law to properly facilitate this however. Our portfolio continues to be biased toward those companies with cash or other hidden assets which we believe will receive greater attention.





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.

Platinum Asset Management Limited ABN 25 063 565 006 AFSL 221935 as trustee for the Platinum Asset Management Trust (Platinum) is the responsible entity and issuer of the Platinum Trust Funds (the Funds). The Platinum Trust Product Disclosure Statement No. 5 (PDS), is the current offer document for the Funds. You can obtain a copy of the PDS from Platinum's web site, www.platinum.com.au, or by contacting Investor Services on 1300 726 700 (Australian investors only), 02 9255 7500 or 0800 700 726 (New Zealand investors only) or via invest@platinum.com.au.

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.

DISCLAIMER: The information in this Quarterly Report is not intended to provide advice. It has not been prepared taking into account any particular investor's or class of investor's investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Platinum does not guarantee the repayment of capital, the payment of income or the performance of the Funds.