PLATINUM UNHEDGED FUND

Jacob Mitchell
Portfolio Manager

PORTFOLIO POSITION

Some of the themes/large positions contained in the current portfolio include:

- 14% Pulp and Paper, key neglected part of the commodities complex (International Paper).
- 13% Technology, Health Care and other once proud "growth" stocks (Ericsson, Pfizer).
- 12% Energy, Agriculture and "Green" Technology (Royal Dutch Shell), a long duration theme.
- 10% Japanese domestic (construction companies, banks, transport); after a 14 year bear market, the Japanese property market is showing some signs of life.
- 11% Asia ex-Japan/China, largest exposure Thailand; key neglected Asian market (Bangkok Bank).
- 9% Global infrastructure capex related (Bombardier, Yokogawa) – combination of the BRICs* emerging infrastructure requirements and the need to "renew" key parts of Western social infrastructure.
- 9% Hong Kong Chinese listings, likely to be re-rated as Chinese domestic liquidity overflows.
- 7% European advertising spend recovery and other domestic exposures (Publicis, TV Companies).
- 5% Gold, a laggard metal, inflation and US dollar hedge (Barrick Gold).

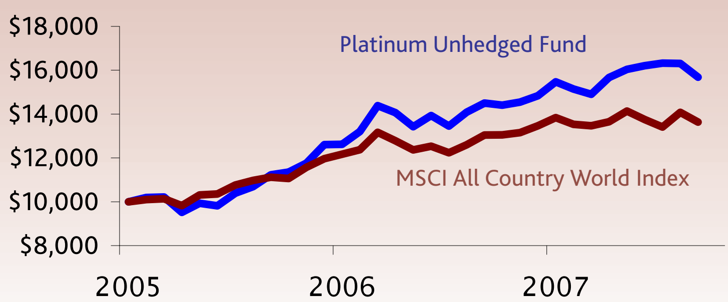
* Brazilian, Russian, Indian and Chinese markets

DISPOSITION OF ASSETS

REGION	SEP 2007	JUN 2007
NORTH AMERICA	28%	32%
ASIA AND OTHER	26%	22%
JAPAN	19%	21%
EUROPE	13%	13%
AUSTRALIA	4%	2%
CASH	10%	10%

Source: Platinum and MSCI

VALUE OF $10,000 INVESTED SINCE INCEPTION
31 JANUARY 2005 TO 30 SEPTEMBER 2007



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

PERFORMANCE AND CHANGES TO THE PORTFOLIO

Over the past 12 months the Fund returned 5.4% versus 4.6% for the MSCI All Countries World Index (A$). Over the past quarter the Fund underperformed the benchmark by 2.7%. The three areas that contributed to the underperformance were our large pulp and paper bet, European old media and Japanese domestic stocks. Our winners were largely confined to the onward march of our Hong Kong stocks and a bounce in the gold stocks (seen as protection against a falling US dollar).

We have maintained our exposure to pulp and paper at 14% by adding to our positions at lower prices. As the Japanese domestic recovery continues to prove illusive, our exposure to this area has continued to dilute from 13% to 10% over the quarter, and total exposure to Japan fell from 21% to 19%. As Jim Simpson has detailed in the Platinum Japan Fund quarterly report (page 23), when looking for reasons for why strong export performance and a strengthening property market has NOT flowed through to domestic consumption growth, a severe contraction in government spending seems to be the culprit. We have marginally increased our exposure to Hong Kong listings (combination of performance and building larger positions in Bank of China and Henderson Land).

COMMENTARY

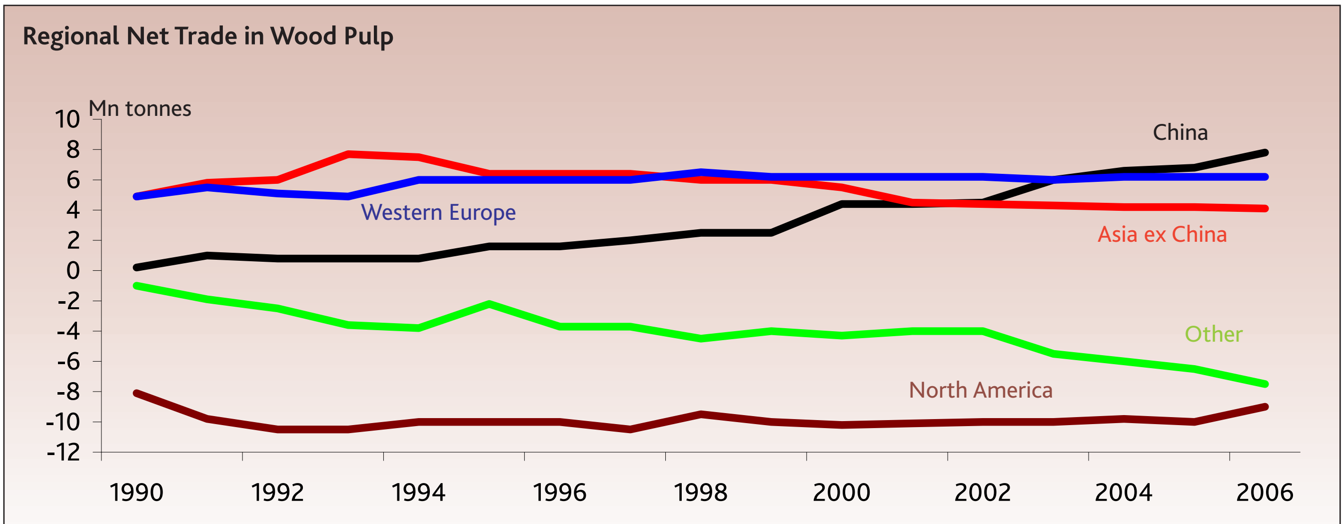
Pulp, paper (and container board) continue to be one of the few commodity areas where the BRICS insatiable demand is yet to show up in any major improvement in commodity pricing or producer profits. Kerr wrote in detail regarding this investment in the September 2006 Platinum International Fund quarterly report and noted the cyclical economic risk embedded in the position. Unfortunately, this concern has now been realised as the sector underperformed during the recent bout of market volatility (perceived sensitivity to a Western world economic slow-down). In stark contrast, proven China plays such as the metals stocks eg. BHP Billiton, have rebounded to new highs. When a position is not working, it pays to reflect, which sometimes means accepting that the market is right and cutting; other times, one is better served by ignoring the current consensus and remaining committed. In the case of pulp and paper, we have decided on the latter course of action. Given the size of the position and the underperformance, it's worth updating some of the rationale behind the investment.

By way of background, over the past ten years global paper and containerboard demand has grown at around 3% pa. The major grades are newsprint, containerboard, tissue and writing/printing papers. The first three grades can all include a large component of recovered paper (recycling) as fibre input, whereas writing and printing papers are dependent on wood pulp (for whiteness, the lignin needs to be removed by a chemical bleaching process). Current annual world paper production of 375 million tonnes consumes approximately 180 million tonnes of wood based pulp, 140 million tonnes of recovered fibre and 55 million tonnes of non-wood pulp/chemical and fillers. Wood pulp capacity has grown over the past ten years at a very low 1.5% pa as increases in recycling recovery rates, largely the collection of old containerboard (OCC) from supermarkets and old newspapers (ONP) from households grew at around 3.5% pa, to support total paper demand growth of 3% pa.

Asia (ex Japan) is now the world's largest paper consuming region, 28% of total (up from 13% in 1990), with North America the next largest at 28% (down from 35% in 1990). Over the last five years, China has accounted for nearly 50% of the growth in world paper and board capacity. Almost all the capacity China has added is recycled fibre-based; China has barely invested in wood pulp capacity as it does not have much of a local forestry industry. Instead, China has transformed itself into the largest global importer of recycled fibre (OCC and ONP) and wood pulp. North America and Europe are the major sources of the recycled fibre, whilst most of China's hardwood pulp requirement is sourced from Indonesia and Latam; softwood pulps are harder to source.

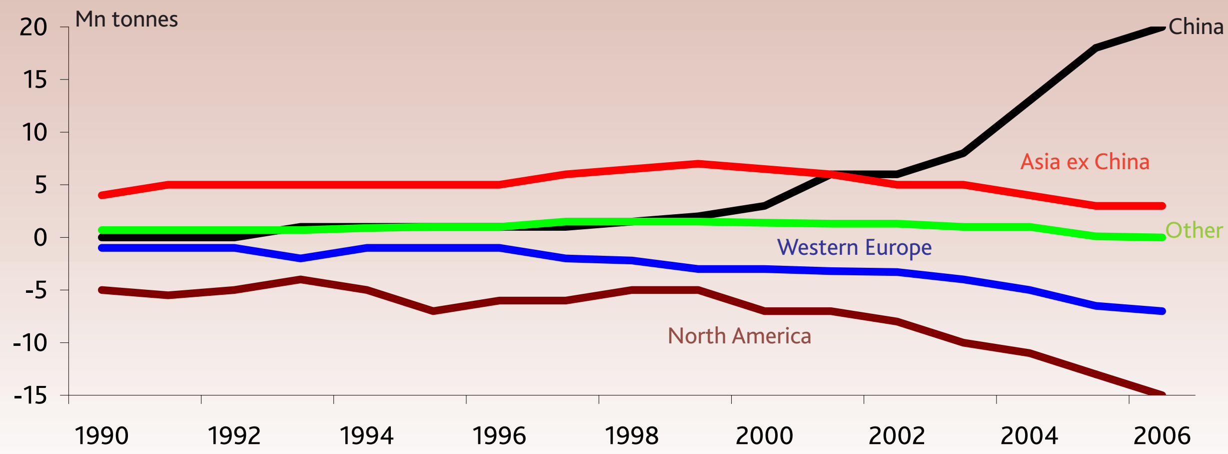
The continued upwards drift of OCC and ONP prices in the West suggests that we are approaching the limits of cost "effective" paper recovery. To put this in context, historically US recycled fibre containerboard plants have had a significant cost advantage over similar wood pulp plants. Most of this advantage was linked to the much lower capital costs, low energy prices and readily available, cheap recycled fibre. This is no longer the case. In fact, in some regions, **wood pulp containerboard can now be produced at lower all in cost than recycled based containerboard**.

With China now the driving force behind global recycled fibre prices (and increasingly wood pulp prices), we think we are not that far from an inflexion point, where long suffering wood pulp producers start to benefit from **much higher prices**. During the quarter another two major Canadian wood pulp producers moved closer to bankruptcy, struggling to remain viable in the face of a strengthening Canadian dollar. Whilst we wait for the pulp and paper "super cycle" to emerge, our bets remain largely concentrated in well capitalised, low cost producers that should benefit from any capacity reduction. We remain committed to the position and note that it was not that long ago that the global steel industry was also littered with bankruptcies.



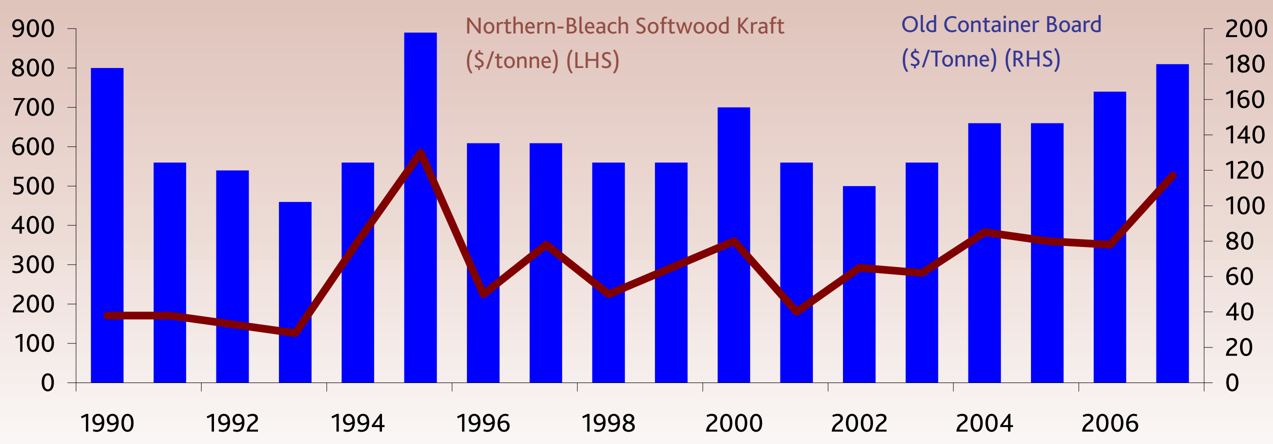
Source: RISI and Merrill Lynch

Regional Net Trade in Recovered Paper



Source: RISI and Merrill Lynch

Price of Wood Pulp and Recovered Paper



Source: RISI and Merrill Lynch

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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The Platinum Trust Product Disclosure Statement No. 7 (PDS), is the current offer document for the Funds. You can obtain a copy of the PDS from Platinum's website, 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.

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