PLATINUM EUROPEAN FUND

Toby Harrop
Portfolio Manager

PERFORMANCE

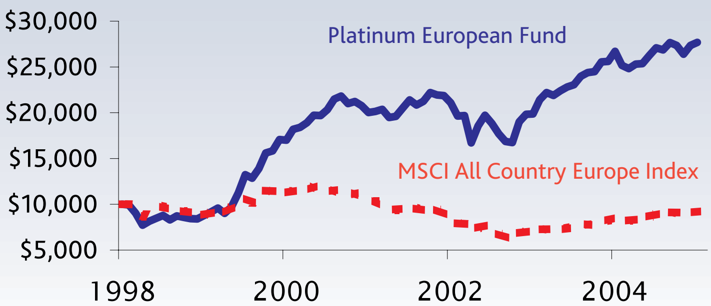
European stock markets advanced 6.5% in aggregate over the three months; the Scandinavian bourses sparkled, with Finland +10%, Denmark +9%, Norway +8% and Sweden +7%. Nokia (+16%, with a market weighting of nearly 40%) and paper/mining equipment maker Metso (+30%) led Finland; there is seemingly a bubble in Denmark; Norway is about oil; and Ericsson (+26%) drove the Swedish market. The large markets were solid: UK, France and Germany up 4% to 6%. Italy was unchanged over the quarter.

By industry, telecom equipment stood out (+16% over the period), while the advance was broad so that tobacco and real estate (+13%), beverages and energy (+11%) and water and computer software (+10%) all performed well - the pattern is not obvious! Paper was down 7% - reasonable volume and price developments were offset by the 6-8 week shutdown (strike then lockout) of the Finnish industry. Steel, down 10%, reflected market concerns over increasing exports from China.

In the three months to 30 June 2005, European currencies fell sharply against the US$ (euro -7%, Swiss franc -7%, Sterling -5%, and even the oil-supported Norwegian krone -3%), while the A$ was only modestly weaker against the US$. This meant that the MSCI Europe measured in A$ surrendered almost its entire local currency gain, to finish +0.7% for the quarter.

The Platinum European Fund, which was +1.3% for the quarter, suffered the same difficulty: some good stock performances were undermined by poor currency positioning (basically unhedged). With Ericsson (+26%), Metso (+30%), and French laboratory testing company Eurofins (+25% for the quarter) all among the five largest positions in the Fund, this performance outcome is tiresome indeed. Shorts were mixed but not significant over the quarter, while the 70%

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 JULY 1998 TO 30 JUNE 2005



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

or so net invested position was clearly too cautious in hindsight.

COMMENTARY

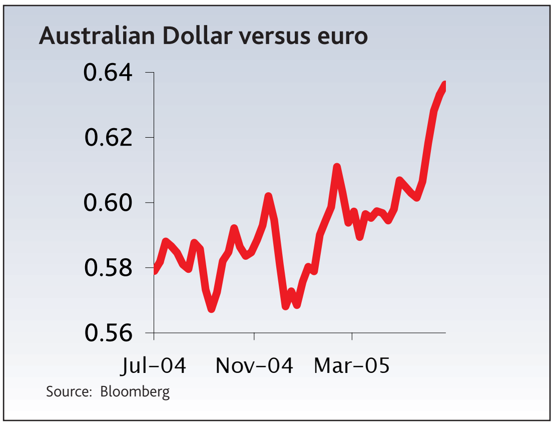
The euro, referenda and GDP growth

Markets supposedly discount the obvious, the known, the suspected, and even the speculated. Before the late May French referendum on the proposed European constitution, the surveys and opinion polls pointed decisively to a "non!" outcome. The euro was trading at $US1.26. The voters delivered exactly as the surveys suggested, and yet the currency sold off, and with limited rebounds has lost seven "big figures" in the five weeks since. Today it sits at $US1.19, looking miserable, and has reversed the entire move which started at $US1.20 a year ago and peaked at $US1.37 in December 2004. Are these recent currency movements about the outcome of the French (and Dutch) referenda? Or about the longer term implications of those votes? Or do the upward directions of global stock markets suggest another explanation?

Over the years we have alluded to our scepticism about the likely peaceful sustainability of monetary union without meaningful political union. The very idea of common exchange rates and interest rates, with uncoordinated - and worse, pro-cyclically constrained - fiscal policy has seemed an interim solution at best. We have had much sympathy for the idea of an effective European power bloc as a counterweight to the US and China, but reservations over the manoeuvrings of Paris in seeking disproportionate French influence over her neighbours. Ignoring wider global implications, it has generally seemed to us that a continent of individual countries with policy flexibility (fiscal, monetary, exchange rate etc) was the preferable model. Once the euro mechanism came into being, however, we have tended to presume that the path toward greater integration (by which we mean a more powerful - and demonstrably representative - European Parliament replacing the opaque procedures of the European Commission, and thus a functioning supranational government to parallel the Europe-wide monetary mechanism) was logical - though not inevitable!

Thus perhaps the referenda outcome should be seen in the reflexive context of the *fact* of rejection leading to a loss of momentum and legitimacy in the process of integration. Without this forward momentum you have instead the contradictions of the system exposed, with no obvious or nearby path to redemption. It is worth mentioning that the various trade imbalances (principally the north Asian trade surpluses) exacerbated the move up of the euro against the US$ (which was up 60% over the first four years of the century), as several Asian central banks diversified their reserves from US$ into euros. It is difficult to know how much of these discretionary (?) euro holdings have been sold, or whether more may be sold if the euro falls further …

Our more immediate concern is the A$/euro cross exchange rate, and the 10% move up which has occurred in the last year, especially in May/June 2005. The A$ has many forces bearing on it: it is heavily traded (in the sense that speculative trade overwhelms "real" flows), it is (via the reality of the terms of trade) seen as a proxy for global growth (especially when that growth is resource intensive), and yet it is threatened by a large current account deficit, and an even larger net foreign indebtedness. These latter two factors have discouraged us from holding much of the currency in preference to European FX exposure. However, market perceptions of Chinese and US growth have overwhelmed the negative case for the A$ against the Europeans, and thus in the last twelve months (and especially the last month) the Fund has suffered the rising A$/€uro cross rate. Stock markets generally have confirmed the argument that GDP growth is good (or good enough - and certainly better than some have speculated over the last year).



May/June Europe company visits - good corporate profits despite local economies

We had ten days of company meetings in Europe during the quarter, including technology companies in Cambridge, media businesses and retailers in Paris, and the Helsinki-based pulp and paper companies. We also had a few days in central and northern Germany, which to drive through, even at autobahn speed, is a dazzling springtime green. Business, from a profitability angle, is good in Europe, though domestic sales growth is sluggish and the outlook dull. Both these trends are probably intensified since our visit late in 2004; the weaker currency over that interval permits the apparent contradiction.

We are finding some opportunities in the television companies in Europe, where stock prices have been lacklustre as investors worry about a weak advertising market, media fragmentation (ie. the impact of the internet and "lost" TV viewers), television audience fragmentation as pay TV penetration increases, and as new delivery mechanisms (digital terrestrial TV, TV over ADSL etc) tempt viewers. But some of these worries are exaggerated in our view, and unchanged stock prices over six or even ten years are worthy of investigation. Without falling for the false pattern trap, the experience of the US free to air TV industry is noteworthy. Over the last quarter century, <u>audience share</u> of the three traditional TV channels (ABC, CBS, NBC) has declined roughly from 90% to 35% (as the choice expanded to over 100 cable channels, as well as new generalist entrants such as Fox). And over that period, those three traditional channels have seen their <u>advertising revenue</u> ***grow*** at 4% pa. The point is that advertisers of soap flakes or cars still prefer to advertise to the mass audience on a small number of channels, rather than try to pick among dozens of special groups.

An interesting fillip in France should be advertising liberalisation, which allows retailers to advertise on TV from 2007 (hitherto they have been banned, and retailers comprise around 20% of TV advertising in other countries). That there is very little available advertising space on the main French channels suggests the impact should be on price and thus on TV station profitability fairly immediately. More complicated to understand is the potential impact on the UK's BSkyB of EU proposals that exclusive provision of football coverage be disallowed. This potentially alters the "must have" status, or maybe the pricing power of this (seemingly expensive) service. And just as with the Australian equivalent, pay TV in the UK has grown to virtual ubiquity during a prolonged economic boom, the ending of which may strain such a A$1,000/year expense.

We arrived in Helsinki at an interesting time, as the paper mill strike-turned-lockout entered its third week. This massive industry is only marginally profitable at prevailing paper prices, and the various practices such as union enforced mid-summer and Christmas shutdowns (the machines take over a week to start up again) had become anachronistic. At the end of June the dispute was resolved, and while the mid-summer/Christmas closures are no longer, the more contentious question of outsourcing labour - certainly cleaning and security, and maybe even machinery maintenance - has not been (publicly at least) decided.

CHANGES TO THE PORTFOLIO AND OUTLOOK

During the quarter six new positions were added to the Platinum European Fund, four of whom we visited in May/June. These purchases were funded in part by the sale of our holdings in Veolia Environnement (ex Vivendi Environnement, nee Generale des Eaux), which has roughly doubled since our purchase in April 2003, so that it seems fairly priced for now. Also influencing us is that these utilities, as "bond proxies", are worryingly well-owned in Europe at the moment. We sold also the very interesting French holding company named Wendel, whose principal assets are the testing/inspection services company Bureau Veritas (BV) and a stake in "low voltage" business Legrand. Again, this has been a big stock, and one of the two listed competitors of BV, UK-based Intertek (a short position of the Fund) has started to struggle lately. We prematurely re-established the short position in Porsche which has (quite reasonably) responded positively to the stronger US$ against the euro, and (quite unreasonably) responded positively also to the expected announcement of a fourth product line: a family sedan! Finally, we added at good prices to some of our struggling electronics companies (eg. Infineon, Medion) and also (at a good price) to the no-longer-struggling Ericsson.

The valuation of European share markets, on known information and modest (though not cautious) economic assumptions is around 14 times expected 2005 earnings, which is appealing relative to history. Ownership of stocks, depending on the perspective, does not look too dangerous: Germans now own less than half of the DAX (ie. the largest thirty companies) - a terrible shame for the residents during a period in which German companies are exploiting for shareholders (and at lease partly at the expense of German employees) their strong market positions built up over decades (profits are currently high versus their history). With the sort of luck or good management that we had in Australia over the last 10-15 years, the upcoming German election (which Chancellor Schroeder has called early and seems all but certain to lose) will see a change of welfare/pension/retirement policy forcing Germans to own more of their increasingly valuable stock market-listed companies.

On the other hand as we all read regularly there are record numbers of so-called hedge funds in existence, and with private equity and other funds all competing for investment opportunities it is clear that markets are not at a low risk, low point! The Fund is currently holding about 21% cash, and has in addition 12% shorts. Thus net exposure, at 67%, is low relative to the position in recent years, reflecting our concern that we have plenty of satisfactory ideas, but comparatively few at really compelling valuations. Currency exposure is in line with the underlying assets: euros 63%, Sweden/Denmark/Norway 13%, Swiss francs 6%, pounds sterling 4%, and other (mostly A$) 14%.

BREAKDOWN OF FUND'S LONG INVESTMENTS BY INDUSTRY

CATEGORIES	EXAMPLES OF STOCKS	JUN 2005	MAR 2005
CAPTIAL GOODS	OCE, SCHINDLER, SIEMENS	17%	14%
TECH/MEDIA	INFINEON TECH, ALCATEL	15%	11%
CHEMICALS/MATERIALS	LINDE, MERCK KGaA	15%	15%
CONSUMER/RETAIL	ADIDAS, HENKEL, HORNBACH, DOUGLAS	14%	16%
PHARMACEUTICAL/BIOTECHNOLOGY	NOVOZYMES, GLAXOSMITHKLINE	9%	9%
FINANCIALS	CREDIT AGRICOLE, NORDEA	5%	7%
MISCELLANEOUS SERVICES	DEUTSCHE POST	4%	11%

Source: Platinum

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.