PLATINUM INTERNATIONAL FUND

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Managing Director

PERFORMANCE

Our performance over the 12 months has been below par. Analysis of the key components reveals that currencies and the weightings of the disposition of the Fund's assets were the culprits.

In each of the principal geographic areas performance in native currencies has been average to good. There were two exceptions, however, the US where we underperformed a flattish market by about 2% and developing Asia where our Indian and Korean holdings outperformed the region by a massive margin. This is where relative weightings play a part. Approximately a third of the Fund's assets were deployed in each of Europe and Japan, which respectively rose by about 13% and fell by about 2%. In North America we had about 15% invested long and in India and Korea some 12% on average. Short selling of stocks and indices in positive markets was costly, sapping performance by about 3%, but shorting in a rising market is the cost of insurance. The outcome in native currencies was acceptable but as the unit price is calculated in A$, which in aggregate rose as shown in the table to the right, the A$ return was negative at 1.7% for the year and -1.9% for the quarter.

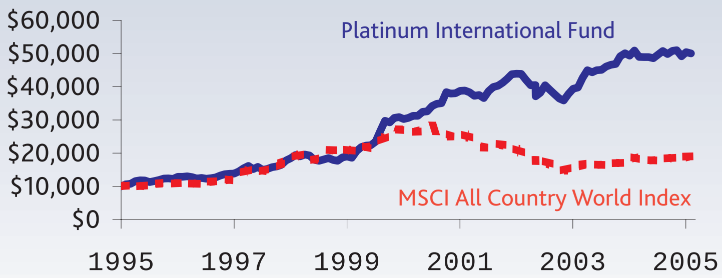
That it would have been better to have more exposure to India and Korea is evident but in view of the relative size of these markets that was, unfortunately, not realistic. The high exposure to Japan, which was the weakest large market, was in keeping with our contrarian bias. Moreover, it was supported by both our mechanistic and qualitative work which suggests that Japan was and remains the most attractive of the large equity markets.

MSCI WORLD INDEX INDUSTRY BREAKDOWN (LOCAL)

SECTOR PERFORMANCE	QUARTER	1 YEAR
ENERGY	6.2%	33.9%
UTILITIES	7.9%	26.9%
MATERIALS	-3.4%	12.1%
FINANCIALS	3.1%	9.7%
TELECOMMUNICATIONS	0.7%	8.9%
INDUSTRIALS	-0.9%	8.6%
HEALTH CARE	5.9%	6.0%
CONSUMER DISCRETIONARY	0.1%	4.3%
CONSUMER STAPLES	0.6%	4.0%
INFORMATION TECHNOLOGY	2.6%	-3.6%

Source: Bloomberg

VALUE OF $10,000 INVESTED SINCE INCEPTION
1 MAY 1995 TO 30 JUNE 2005



Source: Platinum and Factset. Refer to Note 2, page 7.

Not hedging back into A$ from yen and euro was indubitably our largest error. This decision was tinged by concerns of national foreign borrowings which remains a problem. Our principal hedge was out of the US$ into the A$, though this position was relatively modest and was reduced as the A$ rose.

CURRENCY CHANGE VERSUS $A	YEAR TO 30 JUNE 2005
SOUTH KOREAN WON	2.4%
CANADIAN DOLLAR	-0.2%
TAIWAN DOLLAR	-2.0%
SINGAPORE DOLLAR	-6.6%
EURO	-9.0%
BRITISH POUND	-9.7%
JAPANESE YEN	-10.0%
SWISS FRANC	-10.6%

Source: Bloomberg

Taking a deeper look into the stocks held is helpful. Here we find that shares held in information technology (IT) companies such as Infineon, Alcatel, Maxtor, Sun Microsystems, Foundry and NEC, all incurred large losses, as did telco holdings such as NTT and NTT DoCoMo. Big winners were mainly in the energy sector such as Royal Dutch (Shell), Mitsubishi Corp and JGC.

This pattern largely corresponds with the MSCI global industry performance, see table below left, which shows that energy and materials led the field, accompanied by interest sensitives like utilities. The laggards were IT and consumer staples.

CURRENCY

As noted previously our currency management of late has been defective. The position at present is as follows:

MAJOR CURRENCY EXPOSURES	JUN 2005
JAPANESE YEN	39%
EUROPE - EURO	21%
AUSTRALIAN DOLLAR	15%
US DOLLAR	7%
SOUTH KOREAN WON	6%
EUROPE - OTHER (Swiss franc, British pounds, Norwegian krone)	4%

Source: Platinum

Should the A$ weakness seen since the beginning of July persist, we may hedge back into it, even though our earlier concerns have not been assuaged.

SHORTING

We have been gradually reducing our shorts on some of the US regional banks and financials as they appear to have reduced their interest rate carry trades and hence their financial risk. The hottest game in town is now housing and we are completing our review for potential shorts.

CHANGES TO THE PORTFOLIO

DISPOSITION OF ASSETS		
REGION	JUN 2005	MAR 2005
JAPAN	31%	28%
WESTERN EUROPE	29%	29%
NORTH AMERICA	17%	17%
EMERGING MARKETS	12%	13%
AUSTRALIA	0%	0%
CASH	11%	13%
SHORTS	30%	28%

Source: Platinum

The more significant changes to the portfolio during the quarter were to increase our holdings in Citizen Watch, Nintendo, Canon, NTPC (power generator in India) and Infineon (DRAM and other semiconductors). At the same time we took advantage of strong energy prices to trim Royal Dutch (Shell), and sold TransOcean (oil rig owner) and Reliance Industries (as the family squabble regarding control was resolved). We are almost out of Merck (liquid crystal supplies and drugs) and we declared defeat to our theory that a boom in hard drives would benefit Maxtor.

Later in the report we refer to a group of Japanese companies that are conspicuous for having grown profits through this past 14 years of economic sloth and/or display abnormal profitability and consequently are cash rich. Nintendo, Canon and Citizen fall into this group although in each case there is a cloud shadowing their immediate prospects.

In the case of Canon, margins are at historically high levels and there is evidence that digital camera sales growth is slowing, while in some parts of the copier and printer market, competition is intensifying. These doubts, together with the company's failure to match ASML in current generation steppers, is causing the share to trade at historically low valuations. On the positive side, one can argue that this is not the first time there have been issues with delayed product releases, while among other things the impending boom in low cost colour printers, a market that Canon dominates, will provide plenty of margin protection.

The concerns weighing on Nintendo relate to the size and supposed superior technical sophistication of Sony and Microsoft in the provision of platforms for video games. Without engaging in all the esoteria of this massive industry, which in revenues exceeds the movie market! we have concluded that among the game platform suppliers, Nintendo is fully competitive. It is, however, targeting a younger segment of the market. Its Game Cube sales

BREAKDOWN OF FUND'S LONG INVESTMENTS BY INDUSTRY			
CATEGORIES	EXAMPLES OF STOCKS	JUN 2005	MAR 2005
CYCLICALS/MANUFACTURING	TOYOTA MOTOR, SCHINDLER, SIEMENS, LINDE, OCE	29%	27%
FINANCIALS	CREDIT AGRICOLE, MITSUBISHI TOKYO FINANCIAL, MITSUI SUMITOMO INSURANCE	13%	15%
TECHNOLOGY/HARDWARE	AGERE, INFINEON TECH, SAMSUNG, AMD, SUN MICROSYSTEMS	11%	8%
RETAIL/SERVICES/LOGISTICS	CARREFOUR, DEUTSCHE POST, HORNBACH, MITSUBISHI CORP	9%	7%
CONSUMER BRANDS	HENKEL, ADIDAS SALOMON, LOTTE	7%	6%
SOFTWARE/MEDIA	SEOUL BROADCASTING, NEWSCORP	6%	6%
GOLD AND OTHER RESOURCES	SHELL, BARRICK GOLD, NEWMONT MINING, NORANDA	5%	6%
TELECOMS	ALCATEL, NTT DOCOMO	5%	5%
MEDICAL	TAKEDA, SCHERING, MERCK KGAA, GLAXOSMITHKLINE	4%	7%

Source: Platinum

have trailed off in anticipation of the forthcoming "Revolution", but the release of product will not be late. We suspect that it will have all the relevant features sought by its target market and the only issue outstanding is the speed at which it can produce game software (content). In the meantime, sales of its portable dual screen device are doing well and there could be some game surprises.

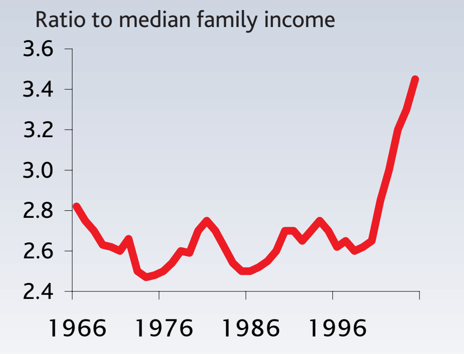
The share price of Citizen Watch was recently punished when it announced a buy-in of its listed subsidiaries. The increase in shares outstanding implied by this was treated by the market as a take-over defensive tactic in an environment that has become unduly sensitive to such machinations. We did not accept this interpretation.

COMMENTARY

As we pull out the retrospectascope® to examine our errors, we see that for the last year or so, the best single decision would have been to bank entirely on interest sensitive plays around the world. This would have meant buying direct beneficiaries like utilities, toll road operators and REITs (Real Estate Investment Trusts) and indirect beneficiaries such as retailers and housing developers. As is mostly the case when applying the scope, we would not have credited at the time that a run-away oil price and strong commodity prices could be compatible with this *ex post* outcome. Far from damaging expenditure the oil price rise was accompanied by aggressive recycling of trade surpluses back into the debt markets and by an accommodative Federal reserve in the US, which raised short rates only tentatively. The contrasting behaviour of the various Central Banks thus contributed to the **hunt for yield** and may explain the strange downward rating of quality companies that has been evident for some time now.

The US housing boom, which is now getting front page treatment from many high quality magazines, is, we believe, a late-stage phenomena. US equities have been disappointing and with interest rates at such low levels as to discourage saving, it is easy for speculators to exaggerate the case for housing. Participants in the property merry-go round in the Netherlands, the UK and Australia have joined in the fun. Americans have, however, been particularly active in treating their homes as some sort of wondrous (and tax affective) ATM for cashing out their rising "equity". With this in mind, and taking account of the post-liminary lifting of interest rates in the US, we suspect the dire warnings being trumpeted about the property market are too early but will nevertheless end in the same deflating manner that we are witnessing elsewhere. The behaviour of the shares of house builders could anticipate this change in trend. (That price falls are less evident in the super luxury category is totally consistent with the widening wealth disparity and the flow-on effect of the vogue for financial engineering.)

US House Prices



Source: Goldman Sachs, Dep't of Commerce, Freddie Mac, Nat'l Asscn of Realtors

At the same time as Anglo-Saxon societies are enjoying their autumn harvest, the Chinese have been deploying over 40% of their economy on fixed investment which is over twice that employed in so-called developed countries. This has already led to very low levels of profit on the mainland in certain industries and may drag down foreign company profits as surpluses appear on international markets (eg. steel, aluminium and even cars). More interesting, though, is China's desire to secure long term supplies eg. Unical for $US18.5 billion in cash, and to move up the supply chain to control distribution and to own brands eg. IBM's PC business. Depending on the level of this activity, **this could have interesting implications as recycled current account surpluses are applied to real assets rather than nominal obligations such as US treasuries**. Either way, there are important political implications.

CHINA AND US RESOURCES

MNS OF TONS	CHINA 2005E	US 2003A
COAL PRODUCTION	2,077	1,083
ALUMINIUM PRODUCTION	7.4	5.7
COPPER CONSUMPTION	3.6	2.5
CEMENT PRODUCTION	1,148	112
STEEL PRODUCTION CAPACITY	340	110
OIL CONSUMPTION	306	1,042
ELECTRICITY GENERATION CAPACITY (GW)	506	751

Source: China Building Materials Association, Antaike, CSFB, ML, IEA, MS, Cemex

Over-investment, official policy intervention, diminishing profitability and some tightening in the labour market, portend a **gradual slowing of China's growth rate** over the next eighteen months. As an interesting aside to the spreading wealth effect in China, there are now apparently 100 million internet users - largely by way of internet cafés/booths. This is having intriguing implications for information dissemination across this vast market, most noticeably, the labour market. We hear that one of the reasons labour is conspicuously tight in specific industries is that rural workers are using on-line access to search for information regarding conditions and pay when seeking employment. Improved transparency is also facilitating a fairer treatment of the rural population who can visit official sites to check on taxes and entitlements.

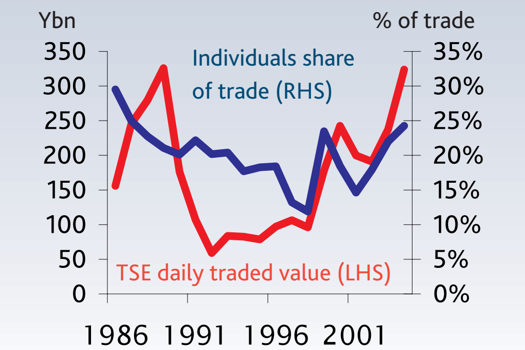
As to the other emerging giant, India, the outlook stays very positive. On the political front it is encouraging that the Federal Parliament passed legislation to promote the establishment of Special Economic Zones through tax incentives. Sadly, the left wing faction obstructed the clause concerning labour law modification but to combat this difficulty, the progressive States are delegating administrative powers to development commissioners. We suspect that the success of the prosperous reform-minded States will gradually ripple across to their more recalcitrant neighbours. Foreign investment is still modest at around $4 billion pa (a trivial 7% of flows into China) and we believe the economy is still in the **early years of a credit-funded consumer boom**. Bank credit between 1992 and 1999 hovered between 18% and 22% of GNP and is now on an upward trend at 34%. This is still an extremely modest level compared with its Asian neighbours of typically 80% and as high as 130% in China.

Some of our investors have trouble understanding **our love affair with Japanese companies**. They point to the sluggish economy and to share valuations the same or slightly lower than the US and generally higher than in Europe. Our response is that this frames the question too narrowly; insufficient weight is being given to the emphasis that quality Japanese companies place on strategic positioning, their commitment to product development and their remarkable profitability. This latter point is often masked by the high cash balances some companies have gathered, on which they obviously earn a pittance. We believe this "balance sheet inefficiency", is a hang-over from earlier, highly-regulated times which will progressively be corrected.

Even before the new threat of corporate raiders in Japan and with cross-holdings having been significantly reduced, companies had begun to specify higher dividend payout ratios, typically 30% of earnings, and have been cautiously engaging in share buy-backs. We believe this gives a category of "superior Japanese company" an unusually strong underpinning. Not only are they typically yielding twice as much as JGBs (Government bonds), but if their cash and investment holdings are netted off from their stock market values, they are on PEs varying, typically, between 8 and 15. This may not satisfy the sceptics except for the fact that in this last 14 years of low economic growth and falling output prices this group of companies has achieved earnings growth of 6 to 7% a year in terms of yen, a relatively strong currency.

With evidence of returning confidence among Japanese investors, as demonstrated by rising share trading volume by individual investors, the enthusiasm for REITs, high dividend funds and foreign investment funds, we can see the time when these companies will be more highly valued so as to reflect their intrinsic worth and their superior business economics.

Tokyo Stock Exchange Daily Traded Value



Source: Tokyo Stock Exchange

In Europe we are pursuing our usual share-targeting approach. Even during the last few years of dull growth good companies have exploited market opportunities in Eastern Europe and elsewhere and their share prices have reflected this. The general outlook remains murky but profitability across the board is at record levels and restructuring remains the focus. The issue now for Europe relates to the precise role of the European parliament. Will the new roadmap persist with the French vision of integration or will a more federalist model be chosen?

OUTLOOK

Company profits are at historically high levels and further advances are already reflected in current share prices. Valuations are reasonable rather than low, and medium term growth is uncertain. We are watching with interest the behaviour of UK consumers to give us some hint of the delayed effects of higher interest rates. We are also monitoring the gold price in currencies other than the US$ and observe that it is beginning to break upwards after many years of relative neglect. This at a time when there are many bond aficionados perhaps believing inflation is vanquished ... we wonder!

In terms of the companies that the Fund owns, we are generally confident that their earnings prospects are intact and should the US$ remain where it is against the yen and euro, earnings may pleasantly surprise. This would give several sullen and indolent holdings a positive jolt.

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.

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