

# PLATINUM INTERNATIONAL BRANDS FUND



Simon Trevett  
Portfolio Manager

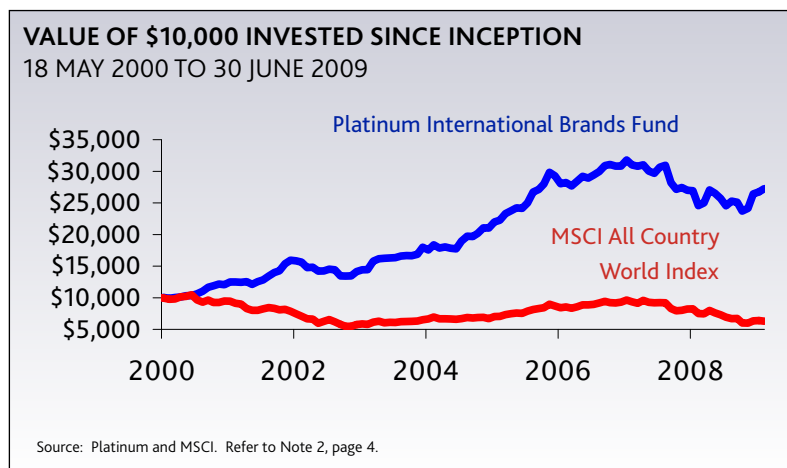
## PERFORMANCE

The Brands Fund achieved a positive return of 11% for the year contrasting the decline in the benchmark MSCI of 16%, a relative outperformance of 27%. The Fund benefitted from stocks either in or exposed to the emerging markets such as India, Brazil and Indonesia. European stocks were decidedly mixed with declines from the French and German stocks offset by gains from the Fund's Italian holdings.

The strengthening of the Japanese yen over the year provided the Fund with gains from holding the currency, however, in Yen terms the Fund's investments in Japan were relatively poor performers. In the most recent quarter the strengthening of the A\$ dampened the Fund's performance as did maintaining the short positions in the rising markets.

DISPOSITION OF ASSETS		
REGION	JUN 2009	MAR 2009
EUROPE	36%	34%
ASIA	23%	22%
JAPAN	10%	10%
NORTH AMERICA	5%	6%
SOUTH AMERICA	5%	4%
CASH	21%	24%
SHORTS	7%	7%

Source: Platinum



## COMMENTARY

---

In describing the recent investment themes of the Brands Fund, it's useful to make the distinction between the background macro factors at play and the *prima facie* contradiction with the individual investments of the Fund. The Fund's quarterly commentary has previously highlighted concerns regarding the profligate consumers of developed markets, their indebtedness and the risk to spending habits with rising costs and unemployment.

As well, the ongoing adverse headlines perhaps reinforce the perception that investing in consumer companies is at best challenging, if not altogether unwise. On the ground, however, the opportunity to find neglected stocks has been significantly enhanced by the headlines as the pessimism permeates markets with discounted valuations.

As an example, during this last quarter, the Fund invested in a world leading company represented in over 90 countries and with more than 20,000 employees. Their products meet an essential need and yet are found in the full range of outlets from specialist stores to iconic and exclusive outlets. The products are also represented and advertised by some of the world's leading models and designers including those from unrelated fields. A recent launch of a range was endorsed by the award winning architect Ms Zaha Hadid.

The world's most successful model of recent times has, for several years, promoted her own product range with the company. Even the rather intriguing advertising with her depicted in a water dress has failed to capture the attention of the financial markets. It likely also failed to keep the focus on the product.

More importantly, the company has been growing profitably for some years at mid-teen rates and reasonably expects to continue this performance. Indeed, the company started this year with revenue up 15% on increased margins. A strong cash flow, net cash on the balance sheet equivalent to one third of the market capitalisation and a dividend yield of more than 5% add to the attraction of a price earnings multiple of six times.

By way of contrast, Henkel is well-known to brokers and market participants yet can be considered equally neglected. We have followed the fortunes of Henkel through the many and significant changes to the scope of the business, such as the acquisition of the Dial corporation in the US. Success with key products, Schwarzkopf and Loctite, has been testimony to the depth of the organisation but there has also been the underlying frustration of shareholders as the many programs and plans have failed to unlock the financial potential of this organisation.

Falling sales in the adhesives business, uncertainty over the strength of the balance sheet, timing of acquisitions and disposals, changes to senior management ranks and *another* cost reduction program have compounded the cautious assessment of investors.

On closer inspection we are enthused with the recent course of events and have been adding to the Fund's investment. We recognise the pattern of changes instigated by the CEO and his personal commitment, energy and accountability for leading a renewed focus on operational changes within the business. Success will only really ensue if this can transcend the organisation with a degree of infectious urgency.

As always we must guard against our own sense of optimism and confidence as we monitor the progress and seek confirmation of operational improvements. The financial scorecards will lag and although some patience with the stock may be required there are already signs of good progress for the keen observer.

## OUTLOOK

---

The past quarter has seen a strong performance by the markets from low points, especially from the emerging markets. Despite this, the Fund has maintained its short positions and a high cash balance, partly in anticipation of the year end distribution. The rising unemployment in Western economies is of concern and will likely become more topical in company results announcements over the next several quarters. A degree of caution is warranted.

Companies have impressed with recent results ahead of subdued expectations, often generated by cost reductions, falls in commodity prices and price increases offsetting declining volume. The challenge of revenue growth should become more apparent with companies highlighting disparate regional and product performances, even within their own business.

The Fund's focus is on identifying neglected companies with the potential for sustained growth from consumers in emerging markets whilst also being opportunistic in mature markets where renowned companies with strong businesses and cash flows are occasionally offered at unusually compelling valuations.

## 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.

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 trading as Platinum Asset Management (Platinum) is the responsible entity and issuer of the Platinum Trust Funds (the Funds).

The Platinum Trust Product Disclosure Statement No. 8 (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](http://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](mailto: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.

© Platinum Asset Management 2009. All Rights Reserved.  
Platinum is a member of the Platinum Group of companies.

**MSCI Inc Disclaimer:** Neither MSCI Inc nor any other party involved in or related to compiling, computing or creating the Index data (contained in this Quarterly Report) makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI Inc, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the Index data is permitted without express written consent of MSCI Inc.