Platinum International Brands Fund

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Disposition of Assets

REGION	JUN 2012	MAR 2012
Europe	33%	36%
Asia and Other	23%	25%
North America	8%	8%
Japan	7%	7%
Latin America	6%	5%
Cash	23%	19%
Shorts	6%	7%

Source: Platinum

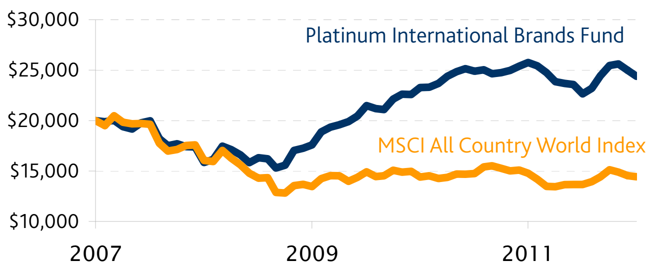
Performance and Changes to the Portfolio

The Brands Fund fell 4.2% in the quarter and 5.3% over the past 12 months. By comparison, the MSCI World Index declined 4.6% in the quarter and 2.3% for the year.

The Fund's investments in the major markets of the Asian region; Hong Kong, India and China, contributed losses, partially offset by positive returns from the Fund's smaller positions in the minor markets of the Philippines, Indonesia, Pakistan and Thailand. In particular, the Fund has benefited from strong performance from investments such as BigC in Thailand and Unilever in Pakistan.

Value of $20,000 Invested Over Five Years

30 June 2007 to 30 June 2012



Source: Platinum and MSCI. Refer to Note 2, page 4.

Elsewhere in the developing markets, Fomento Economico Mexicano SA (FEMSA) with their highly successful convenience store operation has been a good contributor, as have Almarai in Saudi Arabia and Exito in Colombia.

In Europe, the Fund experienced a divergence of performance with investments in the UK and France having performed well, albeit detracted from positions in Italy and to some extent Germany. The investments in Remy Cointreau and Pernod Ricard continue to provide positive returns with growth from their international markets overcoming difficulties in their home markets.

In the US, the Fund's holdings contributed positively and in hindsight had been given insufficient weight. Recently, however, there have been warning signs that the robust performance of some of the market's most favoured consumer stocks are not as assured as valuations may suggest.

The Fund has a relatively high level of cash at around 23% and a short position of 6%. This relatively defensive position continues to be reflective of the uncertainty surrounding the influence on the markets, and consumers, by relatively few key politicians and bureaucrats.

The previous quarterly report highlighted the addition of Calbee, a Japanese snack foods market leader. This stock has worked rather well for the Fund in the short-term. Debenhams, the UK high street department store, proved to be a timely addition, as has the initiation of a holding in the media company Time Warner. Time Warner owns a number of networks including CNN, TNT and HBO amongst others, as well as Warner Bros Studios and magazine titles such as People, Sports Illustrated and Time.

On the tourism theme, the Fund added a position in the premium hotel chain, Mandarin Oriental International. They endured some setbacks with floods and earthquakes offset by an ongoing demand for premium rooms in major centres such as Paris and London. Their current portfolio and the pipeline in development, appear underappreciated by the financial markets, at least by comparison to the rising rates customers are willing to pay for premium locations and luxury offerings.

Commentary

Understandably, investors have sought certainty; accompanied wherever possible with some earnings growth, for which they have been willing to pay a relatively higher price. Conventional wisdom dictated that the major international consumer companies were ideal candidates and indeed, over the past few years, this has generally been the case. Companies such as Colgate or Nestlé have served investors extraordinarily well.

Recently, there have been noticeable disappointments to this thesis. Avon, Kellogg, Campbell Soup and others have been notable exceptions to the assertion that these are the stocks for difficult conditions.

Increasingly, investors are being disappointed by companies that they held to be reliable and predictable. Recent announcements by Procter and Gamble (P&G), Danone, Yum Brands, Nike and others have brought into question the robustness of earnings growth and the price investors should be willing to pay.

P&G remains a formidable company and yet years of carefully managing their consumers up the product and price ladder has left them vulnerable to competitors. P&G have highlighted several categories where they have used innovation to increase the spending by consumers. Razors, where the price has been built through multi-blade or battery assisted offerings from the humble twin blade. Laundry detergents, nappies, household products have all been developed to the point where once profligate consumers are questioning whether the utility of the innovation is worth the price premium.

In the US tracked channels, P&G's prices exceed their branded competitors by an average of more than 40% and higher in categories such as laundry. Compared to private label products P&G is, on average, some 80% more expensive. These price umbrellas haven't deterred P&G from continuing to enhance their revenue with yet more price increases. In just the last year, P&G added an incremental $3.5 billion from price increases. Acknowledging that there is need to address the difficult and competitive circumstances, P&G have allocated $200 million to reduce prices. That's a mere $200 million from the additional $3.5 billion consumers parted with last year! We remain sceptical.

It is quite a different matter to use price to ration a resource that is hard to replicate, such as aged Cognac, where it's near impossible for new competitors to source product laid down over decades and the creation of a new competitive brand is a remote possibility.

Yoghurt though is an entirely different proposition. Danone has built an impressive international yoghurt business with attractive growth and margins. This has not gone unnoticed, with Pepsi and General Mills making acquisitions to build their dairy capabilities. Surprisingly though, it hasn't been a powerful multi-national that has exposed the corporate complacency of the yoghurt segment. All it took was an individual with an idea.

Three years ago Greek Yoghurt made up just 3% of the $6 billion US yoghurt market, now it's approaching 30%. Turkish immigrant Mr Ulukaya, with his Greek Yoghurt brand Chobani, is credited with the success of this segment, and that is without the benefit of a major multi-nationals prowess in marketing or distribution. Chobani retains more than half this market compared to market shares of 15% for Danone and 5% for General Mills. Kraft discontinued their Athenos branded product earlier this year.

Danone has slowly reshaped their business, disposing of beer, biscuits and others to focus on dairy, water and baby food. Unsuccessful forays into India and China result in the majority of their earnings continuing from Europe and within that, relatively more exposed to Southern Europe. The difficulties and history of managing their Spanish operation have been well-known for many years. Danone's recent announcement that they wouldn't meet their profit expectations ascribed part of the shortfall to difficulties in Spain. Revelations that the US and Spanish yoghurt markets, their core business, surprised them, certainly doesn't build confidence in the predictability of their earnings.

The belief in earnings growth from consumer multi-nationals appears intact with analysts and market participants isolating each shortfall as specific only to that company. We remain concerned that years of marginal innovation, packaging changes to disguise price rises and a relentless focus on expanding margins, have left many of these companies unduly exposed to competition for today's more value conscious consumers.

Outlook

The strong balance sheets and low borrowing costs of the market leaders will likely be utilised to generate some growth through acquisition. Funding, valuations and recalcitrant boards are less of an obstacle than they have been for some time.

Some will seek to use opportunities to strengthen existing product or geographic portfolios whilst others will be more urgently seeking new ways to diversify away from challenging home markets. To some extent this will underpin valuations and although the Fund does not invest to have the position acquired, there are nonetheless some attractive candidates in the portfolio.

The Fund has had some success with growing regional brands in developing markets and will continue to evaluate these against the alternatives in the mature markets. Recently the additions to the Fund have been in the developed markets and this may continue in the short-term, along with a relatively high cash balance.

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 historical 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).

   The inception dates for each Fund are as follows:
   Platinum International Fund: 30 April 1995
   Platinum Unhedged Fund: 31 January 2005
   Platinum Asia Fund: 4 March 2003
   Platinum European Fund: 30 June 1998
   Platinum Japan Fund: 30 June 1998
   Platinum International Brands Fund: 18 May 2000
   Platinum International Health Care Fund: 10 November 2003
   Platinum International Technology Fund: 18 May 2000

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 30 June 2007 to 30 June 2012 relative to their Index (in A$) as per below:
   Platinum International Fund - MSCI All Country World Net Index
   Platinum Unhedged Fund - MSCI All Country World Net Index
   Platinum Asia Fund - MSCI All Country Asia ex Japan Net Index
   Platinum European Fund - MSCI All Country Europe Net Index
   Platinum Japan Fund - MSCI Japan Net Index
   Platinum International Brands Fund - MSCI All Country World Net Index
   Platinum International Health Care Fund - MSCI All Country World Health Care Net Index
   Platinum International Technology Fund - MSCI All Country World Information Technology Net 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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