

Platinum International Brands Fund



Simon Trevett Portfolio Manager

Disposition of Assets

REGION	JUN 2013	MAR 2013
Europe	32%	32%
Asia and Other	29%	27%
North America	8%	7%
Latin America	7%	7%
Japan	6%	3%
Africa	2%	2%
Cash	16%	22%
Shorts	5%	5%

Source: Platinum

Performance and Changes to the Portfolio (compound pa, to 30 June 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	12%	33%	12%	15%	13%
MSCI AC World Index	13%	31%	9%	3%	-1%

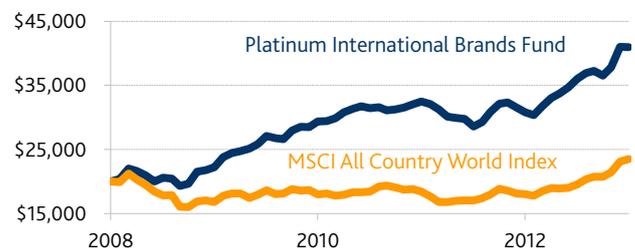
Source: Platinum and MSCI. Refer to Note 1, page 4.

The Fund's performance over the past year at 33% was achieved with a relatively low net invested position and with little exposure to major markets such as Japan and the US. The past two quarters were mostly impacted by the relatively underinvested position with the Fund's six month performance of 14% constrained, as compared to the 20% of the MSCI World Index.

The higher cash position has served to partially protect the Fund from the market volatility and to enable the Fund to act, on occasion, opportunistically in acquiring new positions. This past quarter has seen some significant market moves with the Fund more active than has been the case for the past couple of years.

Value of \$20,000 Invested Over Five Years

30 June 2008 to 30 June 2013



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

Notably, earlier in the quarter the Fund sold or reduced some long standing investments and more recently has been more active in acquiring positions in several companies new to the Fund.

Investments such as SABMiller were sold; bought in 2007 and with the share price having increased almost three fold it was opportune to evaluate the investment against some alternative ideas. Other holdings divested included Big C Supercenter, Davide Campari-Milano, Vodafone and Hong Leong Bank.

There have also been opportunities provided by the markets to increase the holdings in some existing investments such as Tata Global Beverages (India), Almacenes Exito (Colombia) and China Mengniu Dairy, amongst others.

Clearly much of the Fund's performance in the quarter was underpinned by the fall in the Australian dollar, albeit this was offset somewhat by the Fund's exposure to the similarly weak Indian rupee and Brazilian real. The Fund held an approximate ten per cent exposure to the Australian dollar through the quarter. The most notable stock performance was achieved by China Mengniu Dairy with good progress being made to secure their position as the industry leader including recent efforts to lift their participation in the apparently insatiable thirst for high quality and above all safe, infant formula.

Commentary

As described in the previous quarterly report, the Fund has pursued a variety of themes, however, the demanding question is, as always, to determine where and at what price. Notwithstanding the concerns surrounding the rate at which China may grow, and the impact on their many trading partners, there are nonetheless corporate management teams that are ecstatic at the many growth opportunities available within China and related markets.

Even whilst negotiating the apparently dire effects of cut backs in excessive lavishness from Chinese entertaining budgets, we continue to hear from corporate management of examples of surprising demand and ongoing strength for premium luxury products. A number of the Fund's investments have declined in value as a result of the pessimism surrounding lower growth rates, however, there still remains an underlying strength in consumption.

The Fund has been adding to existing investments in China/Hong-Kong as the market has, and continues, to fall.

There are various studies that project strength in consumer spending, especially in emerging markets over the next decade, as unprecedented numbers of (young) consumers start to earn sufficient income to make spending decisions beyond survival needs. It is not always clear that the best investment for the Fund will be directly into the emerging markets and there are always opportunities to successfully invest indirectly.

Pernod Ricard, for instance, are making good inroads into Africa; Jameson's volume has grown tenfold in Kenya in the past year as Nairobi approaches 4 million in population and development abounds. Nigeria, with 170 million inhabitants, and projected to become the third most populous country behind India and China, is yet to discover and deplete the cellars of Pernod. One can only imagine the impact of even a small fraction of Africa's developing populations acquiring a taste for premium aged products from the French and Scottish cellars.

The patterns of consumption that we might usually expect are being accelerated as mobile technology facilitates a rapid emergence of sophisticated consumption. Mobile cash systems, online fashion and internet shopping means many of the well-educated, employed and demanding young consumers no longer have to wait for the arrival of shopping malls or boutique outlets. They want it now!

The Fund's recent investment focus has been to gain exposure into online fashion, both in Europe and following the rapid adoption of smartphones, into emerging markets. Online fashion is, perhaps surprisingly, exhibiting tremendous growth in mature and difficult markets such as Europe and as yet still only commands a small share of the retail universe. The Fund has started to invest in one of Europe's fastest growing companies and a leader in fashion eCommerce.

McKinsey refer to the current period as the "greatest growth boom in history". They identify \$10/day as the earnings threshold above which people can begin to make consumption choices. In 1990, they calculate that meant about a billion consumers in the world. By 2010 that had more than doubled to 2.4 billion and by 2025 there could be more than four billion consumers. They are therefore projecting that consumer companies, over the next decade, could gain access

to an additional two billion consumers. The addition of more than twice the entire global market in 1990! Clearly the ramifications and flow-on effects across all the consumer markets will be immense. There are many hurdles and challenges to be overcome, however, the analysis does lend credibility and support to the enthusiasm seen from some of our management teams.

The Fund is not limited to pursuing certain themes such as the growth in tourism or emerging market geographies and inevitably will always be attracted to companies with brands, that despite having a strong heritage and consumer awareness, have been somewhat neglected or mismanaged. Often a change in the management team is required to reinvigorate the brand with the consumer and to ultimately gain the attention of the financial markets.

The Fund has initiated investments in two such companies, one in Europe and the other in the US. In both cases these are extraordinarily well-known leisure industry brands where new management teams, with proven and impressive records, have been recruited to revive the brand after years of apparent neglect. The companies have little or no debt so the management can focus entirely on operational improvements without also having to deal with any financial distress. Descriptions of each and the progress being made will be expanded upon in future reports.

Outlook

The Fund is likely to continue to find opportunities in the developing markets of India and Latin America and at better valuations than some of the mature Western market companies. The net invested position of the Fund will likely continue to increase as new positions in a number of investments are still being built. We also expect there to be sufficient volatility and perhaps further retracement in some markets to allow for some opportunistic accumulation in our holdings.

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 2008 to 30 June 2013 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.

3. Long invested position represents the exposure of physical holdings and long stock derivatives. The net invested position represents the exposure of physical holdings and both long and short derivatives.

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