Platinum International Brands Fund

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Disposition of Assets

REGION	JUN 2015	MAR 2015
Asia	28%	33%
Europe	26%	30%
North America	10%	11%
Latin America	7%	7%
Japan	6%	4%
Africa	2%	2%
Russia	1%	1%
Cash	20%	12%
Shorts	4%	4%

Source: Platinum. Refer to Note 3, page 4.

Performance and Changes to the Portfolio

(compound pa, to 30 June 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	4%	17%	20%	13%	13%
MSCI AC World Index	0%	24%	24%	14%	2%

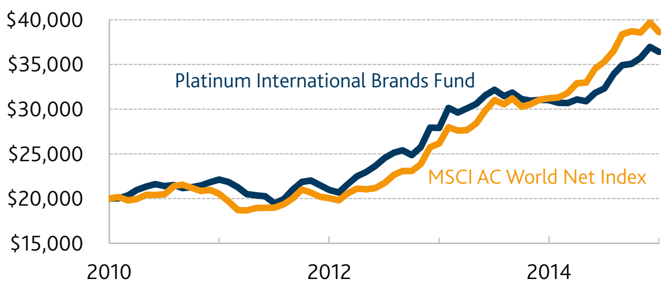
Source: Platinum and MSCI. Refer to Note 1, page 4.

The Fund's activity and performance in the past quarter have been consistent with the comments made in the last quarterly report. The performance of the Fund, at 13% for the six months year to date, is ahead of both the longer term results of the Fund and the MSCI benchmark (9%), despite a reduction in the net invested position.

A number of the Fund's European holdings contributed, particularly the UK holdings, including **Debenhams** and **Enterprise Inns**. In contrast to the ongoing headlines of a weak and deteriorating economy in Brazil and a stock market that is clearly out of favour with international investors, **Hypermarcas** has gained more than 35% this year.

Value of $20,000 Invested Over Five Years

30 June 2010 to 30 June 2015



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

Continuing from the prior quarter, a number of long held stocks have been sold. **Henkel**, first bought for the Fund in 2006, has been a strong contributor ahead of the Fund's overall performance. Similarly, the Indian alcohol companies, **United Spirits** and **United Breweries Ltd**, the latter known for its Kingfisher beer, have seen multiple increases in their share prices while owned by the Fund. Indeed, United Breweries was up some thirtyfold during its time within the Fund.

Other holdings that have been sold include relatively more recent additions such as **Youku Tudou** and the Snow beer company, **China Resources Enterprises**, following a generous offer by the parent company to effectively split the company by purchasing all the retail, property and other businesses. This arrangement to leave only the beer business listed was further supported by an offer to buy shares from investors at a price some 50% above the quoted price before the offer.

As a consequence of the Fund's predominant selling activity, the cash weight has risen from 10% at the start of the year to 20% at the quarter end before a 9% outflow for the annual distribution.

Commentary

At the time we purchased **Henkel** (German consumer goods group and owner of brands such as Schwarzkopf and Purex), the concerns of the day were centred on an operating margin that had stubbornly refused to expand to apparently eminently achievable levels by comparison with peers. This being despite initiatives heralded with marketing slogans and management determination led many observers to question whether Henkel might ever effectively compete with the majors such as Unilever or P&G. A change of CEO from outside the industry added further to the doubts at the time.

The performance of Henkel operationally and the resultant impact on the share price has been exemplary and provided the Fund with a core holding for many years whose performance exceeded even our, admittedly modest, expectations. Indeed, the uplift in margin has been beyond even the most optimistic speculation at the time and yet, in hindsight, perhaps this shouldn't have been the case given the ample, in hindsight, evidence to the contrary.

Similarly, when the Fund first purchased **Estee Lauder** the operating margins were inconsistent with the strength of the brands and the opportunities available. Much of the debate around this highlighted the exposure of the company's two main brands to challenging situations facing the US department stores. An external appointment to the CEO role brought a more corporate focus and a much needed modernisation program across areas such as information technology, and research and development. Again, this has been a multi-year contributor to the Fund's performance as the operating margins closed the gap with peers. Estee Lauder remains a core holding of the Fund as we remain encouraged by the international opportunities still available.

The Fund's keen interest in the impact of growing numbers of tourists and their propensity to buy cosmetics has been well flagged in previous reports. So it is perhaps of little surprise that we have revisited our work on a number of cosmetics companies.

It is often difficult to put aside more than a decade of entrenched disappointment and frustration to consider new evidence of underlying change, especially where it is yet to be reflected in, or rather, more conveniently confirmed by, the results. It is all too often easier to dismiss the early signs of change with overwhelming evidence of past failures that are even more difficult to refute when tagged as underlying corporate cultural inertia that won't easily be overcome. Add to the mix a couple of evidently significant and intractable structural cost and distribution problems and the potential investment case can easily be assigned to the too hard file or, worse, rejected on out-dated past experience.

Having been guilty to some degree of much of the above, the addition of **Shiseido** to the portfolio has arguably been tardy. Nonetheless, Shiseido's operating margins cannot by any stretch of the imagination be considered comparable across peers in the international cosmetics industry. Therein lies the opportunity as it takes an extraordinary effort on the part of a great many to take a 75% gross margin (sales less the cost of the product) down to a 4% operating margin, further compounded by an underinvestment in both research and marketing.

The relatively new CEO, recruited from outside the company and the cosmetics industry, has laid out a well thought-through plan. Although the presentation of which was also external, its detail was clearly intended for an internal audience. We are encouraged by the intent and also the early evidence of change to a meritocracy and improvements in the flow of information for more appropriate decision making.

Changes of the magnitude that Shiseido needs to undertake to overcome past inertia are immensely challenging and not to be underestimated. We are cognisant of the risks and that despite the boundless energy of the CEO there needs to be an organisational adoption of the imperatives, not merely for improved profitability for shareholders, but to provide the company and its many employees with a more dynamic and competitive future.

Year on year doubling of the number of visitors from China, along with a devalued Yen supporting visitors from across Asia, should provide Shiseido with some useful flexibility both operationally and financially whilst it undertakes its refurbishment. It does, without doubt, help enormously that 'made in Japan' cosmetics are high on the big spending tourists' shopping list.

Outlook

The Fund's increased cash position provides it with the flexibility to be opportunistic in the event of increased headline driven market volatility. There is, as is usually the case, a number of high profile topics over which the market can fret or react. Whilst the possibility of increased volatility and headline concern has previously provided the Fund with ample opportunity, there should be some caution expressed that many of the developed world consumer companies are not only at record valuation levels but that this may persist for longer than expected.

Notes

1. The investment returns are calculated using the relevant 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: 28 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

   (NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist.)

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 30 June 2010 to 30 June 2015 relative to its benchmark index (in A$) 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

   The investment returns are calculated using the relevant 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 benchmark 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. Invested position represents the exposure of physical holdings and long stock derivatives.

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