

# Platinum International Brands Fund



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Portfolio Manager

## Disposition of Assets

REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
Asia	35%	38%	28%
Europe	17%	19%	23%
North America	15%	16%	9%
Japan	9%	10%	10%
Latin America	5%	5%	10%
Russia	2%	3%	2%
Africa	<1%	<1%	1%
Cash	16%	9%	17%
Shorts	-10%	-9%	-3%

Source: Platinum. Refer to note 3, page 3.

## Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Asahi Group Holdings Ltd	Japan	Consumer Stap	3.7%
Callaway Golf Co	USA	Consumer Disc	3.7%
Pernod Ricard SA	France	Consumer Stap	3.1%
Jiangsu Yanghe Brewery	China	Consumer Stap	3.1%
Hanesbrands Inc	USA	Consumer Disc	3.1%
Anta Sports	China Ex PRC	Consumer Disc	2.9%
Grendene SA	Brazil	Consumer Disc	2.8%
Ain Holdings Inc	Japan	Consumer Stap	2.8%
Coca-Cola	USA	Consumer Stap	2.8%
LVMH	France	Consumer Disc	2.7%

As at 30 June 2017. Source: Platinum. Refer to note 4, page 3.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit <https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds>.

## Performance

(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	10%	28%	13%	16%	13%
MSCI AC World Index	4%	15%	12%	17%	2%

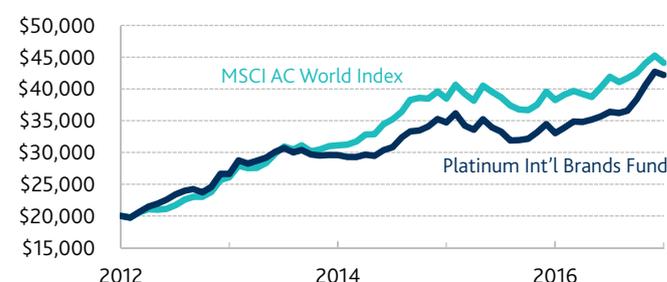
Source: Platinum and MSCI Inc. Refer to note 1, page 3.

The Fund performed strongly during the quarter, returning +10.1%, versus +3.7% for the Fund's benchmark (MSCI All Country World Net Index) and +3.5% for both the Consumer Discretionary and the Consumer Staples portions of the MSCI. Over the past 12 months, the Fund has delivered a return of +27.7%, versus the benchmark return of +15.3%.

There were a number of contributors to the performance in the quarter, but if one is to isolate thematic drivers, the clear standouts are the strength of the Chinese consumer as the economy continues to rebalance away from savings and investment-driven growth, as well as the ongoing shift online of retail sales and media spend.

## Value of \$20,000 Invested Over Five Years

30 June 2012 to 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 3.

Top performing positions that benefit from both themes include recent additions to the portfolio Sina (+28%) and Alibaba (+12.5% from purchase in early June). Alibaba owns the dominant e-commerce platforms Taobao and Tmall in China, while Sina owns China's second-largest social media platform Weibo. Chinese whitegoods manufacturers Gree Electric and Qingdao Haier continued their strong run, delivering local-currency performance of +30% and +24% in the quarter respectively.

Gucci-owner Kering and luggage-maker Samsonite continued their strong string of results, boosted by Chinese demand, and delivered appreciation for the quarter of +23% and +15%. Wynn Resorts was also a strong performer (+17%), driven by a continued recovery in gaming revenue in Macau, and Anta Sports (+20%) recovered from a sell-off post a capital raising in March. The top performer for the quarter was hotel-owner/operator Mandarin Oriental (+54%), which stock price rose sharply after the company announced it may sell one of its properties in Hong Kong. The property could be worth the equivalent of the company's entire market capitalisation at the time of the announcement.

The Fund also benefited from short positions in the stock of several secularly challenged retail and packaged food companies that together added 0.4% to the overall return for the quarter in addition to providing a useful hedge to what is a generally expensive market environment.

Detractors from performance included Faberge-owner Gemfields (-38%) as ongoing bad results led to a takeover offer from the controlling shareholder at unattractive terms for minority investors. Sberbank was weak during the quarter as investors worried about the impact of the oil price decline on Russia's economy, exacerbated by an unfavourable court decision in a dispute with Transneft over a derivative contract. Other weak performers included new addition Schibsted, embattled UK real-estate agency Foxtons, Chinese dairy firm Mengniu, and Vietnamese conglomerate Masan Group.

## Changes to the Portfolio

The repositioning of the portfolio continued during the quarter, with several more legacy positions exited as the review of all of the Fund's positions was largely completed. Stocks sold include Swedish investment company **Kinnevik** as its valuation appears to accurately reflect the market values of its portfolio investments, the vast majority of which are publicly listed. Indian jeweller **Titan Industries** was exited after the stock rallied 75% from its demonetisation-driven lows of November 2016, with the valuation now at eye-watering levels with a P/E of 47x consensus earnings. The position in British pub-owner **EI Group** was also closed

following a rebound in the stock price. An apparently attractive single-digit P/E must be adjusted for what in practice is an ongoing requirement to bear responsibility for capital expenditure that should be the obligation of pub tenants, which makes the valuation much less appealing.

Strong performance from several other stocks saw their valuations become less attractive, thus warranting trimming the Fund's exposure. Jewellers **Chow Tai Fook** and **Luk Fook** fell into this category, having rallied strongly this year on a recovery in consumption in Greater China, as did the whitegoods producers **Gree Electric** and **Qingdao Haier**. The position in Indian soap and insecticide producer **Godrej Consumer Products** was also trimmed as its valuation better reflected its growth potential.

New additions to the portfolio primarily increase the Fund's exposure to the ongoing transition of retail and media consumption to the digital world. Positions were added in Norwegian media company **Schibsted**, a global leader in online classifieds verticals (real estate, cars, jobs, general classifieds), and **Alibaba**, China's e-commerce leader which has great potential given that it still monetises its platform's turnover at far lower rates than comparable players such as Amazon and has a significantly more attractive valuation. On the short side, positions were added in two large packaged food producers that are under pressure from shifts in consumer trends, influenced in no small measure by the rise of digital media and e-commerce.

## Outlook

In the context of a global market that is expensive relative to its history, the Fund should be well-positioned for continued relative and absolute performance given its exposure to companies with higher-quality businesses, significantly better growth outlooks, and more attractive valuations than the average. Major disruption driven by e-commerce and digital media is ongoing, and continues to provide opportunities for the Fund to profit both on the long and short sides of the ledger, while the Chinese consumer is in rude health and will likely continue to drive growth for major brands exposed to tourism, luxury, and the ongoing upgrading of Chinese demand.

While we would caution investors not to expect continued returns as strong as those of the past year, we are nevertheless quietly confident that the current positioning of the Fund should preserve capital and generate satisfactory returns for investors going forward.

## Notes

- The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified 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. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Funds' underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

The Funds' inception dates 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

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

- The investment returns depicted in this graph are cumulative on A\$20,000 invested in the relevant Fund over the specified five year period relative to the relevant benchmark index as follows (the "Index"):
  - Platinum International Fund – MSCI All Country World Net Index (\$A)
  - Platinum Unhedged Fund – MSCI All Country World Net Index (\$A)
  - Platinum Asia Fund – MSCI All Country Asia ex Japan Net Index (\$A)
  - Platinum European Fund – MSCI All Country Europe Net Index (\$A)
  - Platinum Japan Fund – MSCI Japan Net Index (\$A)
  - Platinum International Brands Fund – MSCI All Country World Net Index (\$A)
  - Platinum International Health Care Fund – MSCI All Country World Health Care Net Index (\$A)
  - Platinum International Technology Fund – MSCI All Country World Information Technology Net Index (\$A)

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

The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified 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. Platinum does not invest by reference to the weighting of the Index. Underlying assets are chosen through Platinum's individual stock selection process and, as a result, the Fund's holdings may vary considerably to the make-up of the Index. The Index is provided as a reference only.

- Geographic exposures (i.e. the positions listed other than "cash" and "shorts") represent any and all of the Fund's exposure to company securities and long derivatives (stock and index) as a percentage of the Fund's net asset value (before annual cash distribution).
- The table shows the Fund's top ten long stock positions (including any company securities and long derivatives) as a percentage of the Fund's net asset value (before annual cash distribution).

- Sector breakdown represents the Fund's net exposure to any and all company securities and both long and short derivatives (stock and index) as a percentage of the Fund's net asset value (before annual cash distribution).
- The table shows the Fund's net currency exposures as a percentage of the Fund's net asset value (before annual cash distribution), taking into account any currency hedging.

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