PLATINUM INTERNATIONAL BRANDS FUND

Simon Trevett
Portfolio Manager

PERFORMANCE

The Fund declined in value by 4.7% in the quarter and with few exceptions, the majority of the Fund's stocks posted declines in their native currencies. The strengthening of the Yen contributed to a positive performance in some of the Fund's Japanese stocks. The Fund's benchmark, the MSCI All Country World Index (A$), declined by 12% in the quarter.

Over twelve months, the Fund has fallen by 18% compared to the decline in the MSCI World Index of 27%; a relative outperformance achieved in the last six months with the Fund returning a positive 3% compared to a decline of 11% in the Index.

Over the longer term, the Fund has performed strongly with a seven year compound return of 9% compared to a compound annual decline of 3% in the MSCI World Index. During the quarter, the Fund increased its Australian dollar exposure from circa 6% to nearly 27%.

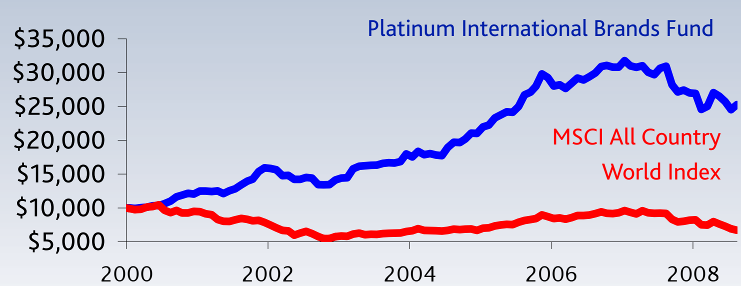
The short position has been increased from a negligible 1% at the end of September to 11% with the addition of short positions in a number of food and household product companies. These sectors have been relatively strong performers as investors sought the perceived reliability of sustained earnings. How sustainable are these earnings and at what valuation?

DISPOSITION OF ASSETS

REGION	DEC 2008	SEP 2008
EUROPE	37%	39%
ASIA	22%	22%
JAPAN	15%	13%
NORTH AMERICA	6%	6%
SOUTH AMERICA	2%	3%
CASH	18%	17%
SHORTS	11%	1%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
18 MAY 2000 TO 31 DECEMBER 2008



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

The Fund continues to have opportunities to buy at valuations significantly below book value and where cash on the balance sheet comprises up to half the market value. This is especially true in Japan.

Opportunistic additions have been made to investments such as Pepsi-Cola Philippines with an apparent price to earnings below 5x, a dividend yield above 10% and net cash on the balance sheet. Other additions include Ebay and Nintendo. The Fund sold its investments in Toyota Motor Corp and German retailer Douglas Holding, however, as noted above the most significant change to the Fund has been the increased short position.

COMMENTARY

In the past ten years the results for Reckitt Benckiser have been impressive with net earnings growing at 15% pa driven by a stable of well-known brands. Brands including Finish, Harpic, Mortein, Nurofen, Dettol and Airwick amongst others. The business claims that circa 40% of its revenues are now generated from products launched in the past three years. Whilst this has kept the product development and marketing teams busy, it raises a question as to whether the consumer will continue to embrace products only recently adopted. Especially as this product success is facilitated by the higher margins and prices willing to be paid by consumers.

Through the early 1980s, this company, along with many consumer product companies, was making an operating margin of close to 10%. It is now a record 23%. Are these margins to be sustained? Or is the seeming disparity between R&D and media spend (1.5% versus 12% of sales respectively), together with the high proportion of recently introduced products, a warning sign?

<u>The momentum of the business has been built on marketing product news to attract consumers to higher value, higher margin products.</u> The key is to appreciate that actual <u>product innovation is of lesser relevance in this strategy than concepts built around convenience</u> at much higher margins. Will the consumer be willing to support the higher margins for convenience? Might more serious competition emerge now that growth and higher margins are scarcer?

In Reckitt's UK home market the Finish dishwasher product has been a huge success. The product was developed from a base tab through Dual Layer, Powerball, 3 in 1, 4 in 1, 5 in 1, All in One, Max in One, and Quantum tab. Having been taken up this product path in just over 10 years for a threefold increase in price per wash from 10p to 30p, perhaps consumers might just wonder if they know why their dishwashing powder needed so much innovation and perhaps why they might be paying two, three or four times the price of the store brand product. Considering also that the absolute value of a box of product is a high ticket item in the shopping trolley.

Are consumers really going to listen to the advertising message about the convenience of an automated insecticide dispenser for their lounge room as they attempt to pay down credit cards and mortgages?

It is not just that there may be earnings slowdowns or that the rate of growth is unsustainable but that corporate management has developed a reliance or dependency on these excess margins to deliver growth into new geographies or categories. In the case of Reckitt, it has been into pharmaceuticals and over the counter remedies. Procter & Gamble was similarly attracted to the high margins of pharmaceuticals although it now seems to deemphasise that business, having understood that techniques such as fast product roll out and product line extensions are not so readily achieved in highly regulated markets.

Pressures are emerging as retailers react to companies like Reckitt that have achieved *negative working capital*; they pay their suppliers on 110 days but collect from the retailers on 45 days. In the past, multiple product ranges and continuous product changes have benefited the supermarkets through the fees for product introductions and promotions, along with the excitement of suppliers advertising a variety of new products. Now, aside from changing their payment terms, the larger supermarkets are resisting price increases and starting to challenge prolific product introductions as discounters such as Aldi make inroads with tighter ranges and lower prices.

Reckitts is not alone in facing the challenges of adapting to a more difficult environment but they have perhaps been one of the most successful in converting product news to industry high margins for which investors have been willing to pay a relatively high valuation.

OUTLOOK

Valuation metrics may look tempting especially where companies with relatively strong balance sheets and market share positions take advantage of weakened competitors. However, we remain wary of those companies where the strategy of the past decade, often very successful, might now be revamped. P&G is an example.

At the start of 2000 the stock halved after announcing a surprisingly large restructuring, with a commensurately large charge. The stock is now at a relative valuation multiple that is well above the ten year average despite growing concerns about retailers and consumers lowering their inventory levels, private label growth, input and selling price pressures along with a host of other well documented headwinds. Significant acquisitions along the way of Clairol, Wella and Gillette and the building of a health care business supported the decade long turnaround. Where to now? That the CFO since 1998 is retiring (at age 57) might also suggest a new plan with new leadership is being developed for the next decade.

There are opportunities for the Fund to invest in superior companies with an unambiguous sense of purpose and an enviable antecedence at valuations that will prove attractive in the longer term. In the short-term the economic uncertainties and woeful headlines will throw up opportunities for both investing and short selling.

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.

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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.

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