Platinum International Brands Fund

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Disposition of Assets

REGION	DEC 2016	SEP 2016	DEC 2015
Asia	29%	31%	31%
Europe	29%	27%	28%
Latin America	11%	11%	8%
Japan	11%	11%	7%
North America	9%	12%	12%
Russia	2%	2%	2%
Africa	1%	1%	1%
Cash	8%	5%	11%
Shorts	-5%	-4%	-3%

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

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
LVMH	France	Consumer Disc	3.4%
Tiffany & Co	USA	Consumer Disc	3.3%
Anta Sports Products	China Ex PRC	Consumer Disc	3.2%
Pernod Ricard SA	France	Consumer Stap	2.9%
Lixil Group Corporation	Japan	Industrial	2.9%
Jiangsu Yanghe Brewery	China	Consumer Stap	2.9%
Godrej Consumer Products	India	Consumer Stap	2.7%
Callaway Golf Co	USA	Consumer Disc	2.6%
Casino Guichard Perrachon	France	Consumer Stap	2.5%
Vietnam Dairy	Vietnam	Consumer Stap	2.5%

Source: Platinum. Refer to note 4, page 4.

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 and Changes to the Portfolio

(compound pa, to 31 December 2016)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	5%	9%	6%	14%	12%
MSCI AC World Index	7%	8%	11%	17%	2%

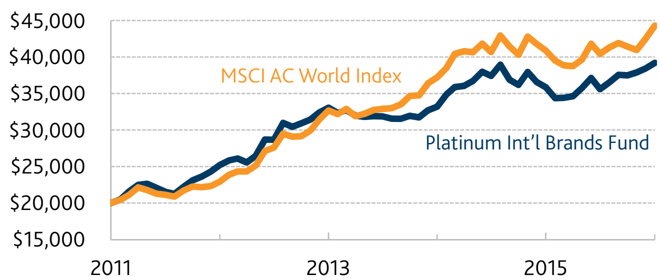
Source: Platinum and MSCI. Refer to note 1, page 4.

For the calendar year, the Fund provided a return of 9.4% compared to the 8.4% recorded by the benchmark MSCI AC World Index ($A). That return also compares favourably to two other indices of relevance, the MSCI World Indices for Consumer Discretionary and Consumer Staples, which showed returns of 3.4% and 2.0% respectively.

We have highlighted in our reports and commentary throughout the year the need to be cautious with the so-called 'defensives' or 'bond proxies'. The Fund's three-year relative performance continues to reflect the lack of exposure to those stocks and particularly the US market in 2014.

Value of $20,000 Invested Over Five Years

31 December 2011 to 31 December 2016



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

In the quarter the Fund achieved a return of 4.6% which, on an absolute basis or compared with cash rates, might be considered an acceptable return. On a relative basis compared to the benchmark return of 6.9%, the Fund fell short as the benchmark benefited from the strength in sectors where the Fund can have little to no representation, including Financials, Energy and Materials. There were two notable events in the quarter that had an impact on the Fund: the US election and the Indian government's withdrawal of Rs500 and Rs1000 denominated notes from circulation (approximately equivalent to A$10 and A$20). Two of the Fund's stocks detracted from performance due to these events: FEMSA in Mexico and Titan in India.

Notable changes to the Fund include the sale of **Time Warner** as the stock rose following the bid from AT&T and an exit from our positions in **Brilliance**, the Chinese associate of BMW and Canon. The Fund held a small position in the Zimbabwean beer company **Delta Corp** which rose some 50% in the quarter following the purchase of its largest shareholder, SABMiller, by Anheuser-Busch InBev. We took the opportunity to sell into this strength.

Strong performances in the quarter came from the luxury goods companies LVMH (+20%) and Kering (+19%) as the market had become overly pessimistic on their prospects. LVMH commented that they were encouraged by the underlying trends with their American and Chinese customers. Similarly, Kering has posted some outstanding numbers on the repositioning of its Gucci brand whilst Puma, which is majority owned by Kering, has started to show the benefits of its restructuring and repositioning strategies. The Fund also owns a position directly in Puma.

Commentary

There has been much written in the press about the difficulties and objectives of the demonetisation in India. The Fund has three investments in India which together amount to 5% of the portfolio. Most impacted was the jeweller, **Titan**, with their Tanishq brand. The company started the quarter with a strong uplift in sales – nearly 40% – through the October month of festive and wedding season. On the day the government announced the demonetisation, the company saw a surge in the number of customers attempting to exchange their old or 'unaccounted for' cash notes for gold and jewellery.

The term 'unaccounted for' relates to the cash economy and is a target for the government with announcements and actions regarding tax amnesties, audits and physical searches by the tax office. Predictably, sales then slowed from the following day as Titan enforced the requirement for identification or electronic payment. The company commented that sales recovered to the usual rate within a few weeks albeit the growth rate is not as strong as it was prior to the demonetisation announcement.

Titan is India's largest specialty retailer with over 1300 stores and significant opportunities to expand that number in 'Middle India'. Middle India is a reference to the 400 towns and cities with populations in the range of 100 thousand to one million which, combined, are home to over 100 million Indians. Commentary from the Indian consumer companies and retailers often make the distinction between 'Urban' and 'Rural' with the former typically denoting the mega cities. There is often little commentary or distinct recognition of 'Middle India', unlike, say, China where there is extensive coverage on the second, third or fourth tier cities.

Titan is also India's leading watchmaker and the fifth largest watch producer in the world. Their 'Sonata' brand is India's market leading watch brand with developments currently underway to infuse some 'smart' elements into traditional designs rather than developing a smart watch. A nascent division is 'Titan eyeplus', with over 400 stores and already India's market leader in optical retail, including prescription eye tests. This division, though only a small part of the company at present, is showing growth rates reflective of the scale of the unmet need for corrective eyewear. There are some interesting developments, such as an online eye test which, whilst not a replacement for an optometrist, could be sufficient to encourage customers to find a store.

Titan is arguably in a very good position to see a longer-term benefit from both the demonetisation event and the pending goods and services tax (GST) changes along with tightening regulations on gold purity and hallmarks. Some 60% of Titan's customers already purchase with a debit or credit card, and of the 40% making cash purchases the company estimates that 60% of them were already being made with the Permanent Account Number (PAN) ID card issued by the Indian Income Tax Department.

Many independent jewellery stores rely on suppliers, small workshops that make the jewellery or supply cut and polished gems who operate almost entirely on a cash basis and most likely without paying tax. A combination of tightening regulations and enforcement of identification for cash purchases, purity marking requirements (Titan already enforces the purity standards with hallmarking), tax office enquiries, and the current shortage of 'usable cash' in the cash

Tanishq wedding collection. Source: Titan

economy will likely see many of these competitor stores close. Some of the better or more established operators may seek to join Titan as a franchisee. Titan management expect between 10% and 30% of the smaller independent stores to close following the demonetisation and increased tax office scrutiny, and for the decline in the independents to continue with the roll-out of a national GST.

There is no doubt that this has been a difficult period as the government targets a range of issues around the cash economy, counterfeit notes and a very low tax intake. Although the quarter was difficult for Titan, we expect to see continued market share gains as the government attempts to bring the cash economy into the tax net. Undoubtedly, some sales will be lost to the industry as they may never return with the restrictions on 'unaccounted for' cash. Offsetting these near-term pressures is the opportunity for the largest and best-represented jeweller nationally to gain market share from the 50% or so independent outlets, more colloquially referred to as the 'unorganised sector'.

The introduction of a GST may have the effect of bringing forward purchases while underlying demand in the long-term should remain robust. It's difficult to imagine an Indian wedding where the bride is not adorned with jewels.

Outlook

Twelve months ago, predictions that the Bovespa exchange of Brazil or the Micex (Moscow Exchange) would likely be the best performing market of 2016 might not have received much attention, or might even have been resisted with a host of rational arguments against such a wayward possibility. Nonetheless, they topped the performance tables for 2016. The outlook provided in our Quarterly Report a year ago (see December 2015 issue) suggested that the Fund was weighted towards the emerging markets consumer sector by virtue of its stock picking and the opportunity for more robust growth rates with those companies. We would remind investors that the Fund's portfolio is constructed from individual stock selections, rather than based on a top-down allocation to regions or markets. We see signs of good underlying growth in many of our companies and remain optimistic in our outlook.

Platinum has a long-standing policy of awarding fund management responsibility to talented and capable members of the Investment Team in order to develop talent within the team.
As a continuation of this policy, consumer sector analyst, James Halse, has been given responsibility to manage up to $100 million of the Platinum International Brands Fund.

Notes

1. 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. You should be aware that historical performance is not a reliable indicator of future performance. Due to the volatility in the 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$20,000 invested in the relevant Fund over the specified five year period relative to the relevant benchmark index (in A$) as per below (the "Index"):

   - 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 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. Regional exposures (i.e. the positions listed other than "cash" and "shorts") represent any and all physical holdings, long derivatives (stock and index), and fixed income securities as a percentage of net asset value.

4. The table shows the relevant Fund's top ten long stock positions as a percentage of net asset value as at 31 December 2016. Long derivative exposures are included. However, short derivative exposures are not.

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