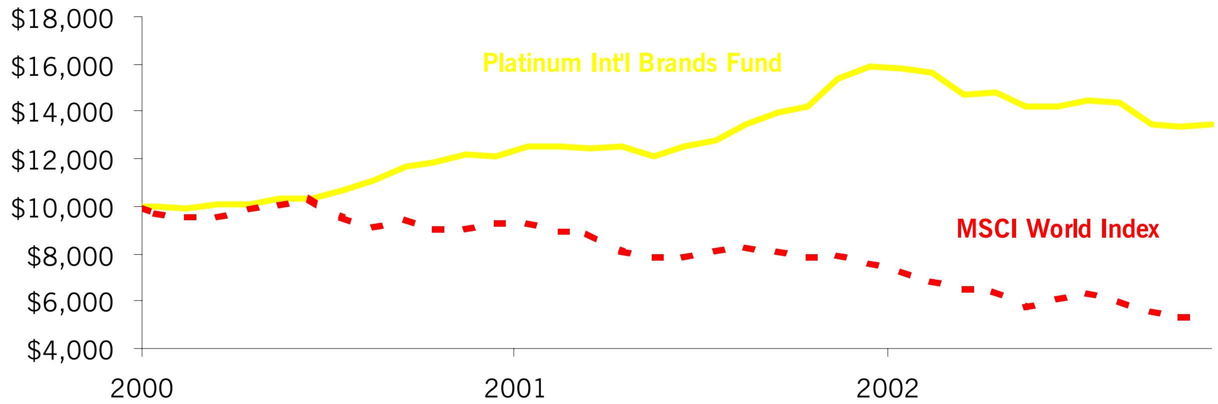
Platinum International Brands Fund

Performance

REDEMPTION PRICE: $1.2246

VALUE OF $10,000 INVESTED SINCE INCEPTION (18 MAY 2000 - 31 MARCH 2003)



Source: Platinum and MSCI

The International Brands Fund fell in value by 6.7% in the quarter against a backdrop of falling markets. The MSCI World Index fell by 11.5% in the quarter, whilst our proprietary index of branded goods fell by 12.6%.

As illustrated by our proprietary index, the fall in value was widespread across the consumer stocks. Our proprietary index of branded goods stocks tracks nearly 100 companies, of these only eight showed a positive return on the quarter, whilst nearly 40% of the stocks showed a decline of more than 20%.

At the bottom of the performance table tended to be the retailers with Royal Ahold losing over 70% of their value as accounting frauds surfaced and highlighted the desperate debt position of this company. The Brands Fund did not hold this stock albeit we do hold some retailers such as Metro of Germany and WH Smith (UK newsagent) which declined over the quarter.

On a positive note our position in Wella performed well as speculation mounted that both Henkel and Procter & Gamble (P&G) were vying for ownership of this business. Our Clarins investment has also benefited, as it becomes clear that the major multinationals, Unilever, P&G and L'Oreal will continue to focus on improving their competitive positions in the cosmetics sector through acquiring leading brands. We held short positions in L'Oreal and P&G, which added a little to performance.

With the exception of Citizen Watch our positions in Japan also lost value over the quarter.

Changes to the Portfolio

We have been active in our short positions however the overall level of short positions has fallen over the quarter. We would note that whilst this has assisted in the Fund's performance it is insufficient to offset the overall decline in investment performance.

We have only added two new names to the portfolio this quarter, Samsung Electronics (Korea) and Sony Corporation (Japan). In Europe, we added to our Nestlé position whilst reducing our Michelin investment and selling our Six Continents holdings.

We have no US stocks in the portfolio and continue to see opportunities to sell short the major US branded goods companies. Although valuations have been falling we believe they still do not reflect the deteriorating economics of their businesses. More on this follows.

DISPOSITION OF ASSETS

Region	Mar 2003	Dec 2002
Europe	47%	55%
Japan	23%	20%
Other Asia (incl. Korea)	9%	7%
US	0%	0%
Cash and Other	22%	18%
Shorts	15%	23%
Net Invested	63%	59%

Source: Platinum

Commentary

We have mentioned before, our concerns that the final customers for our Branded Consumer companies are facing more difficult times. Driven by the high levels of consumer indebtedness (mortgages, car loans and credit card debt), the rise in unemployment levels and the loss of job prospects as companies defer investment in new facilities. We have also previously explored and commented that consumers have reacted to the changing environment with changing patterns of expenditure, such as substituting for cheaper products, shopping at discount retailers or redirecting spend from international holidays to things closer to home. Companies have reacted with discounting, promotional activity and expanding product ranges tagged with "new" or "improved" in an attempt to keep the consumer moving along.

Recently we have heard a wide range of excuses from the companies, especially retailers. The winter weather has been harsh, petrol prices are at record levels impacting on trips to the Mall, Easter is on a different weekend and so forth. We are also beginning to hear comment that consumers are staying home to keep up with world events on the TV. No doubt over the next few quarters we will hear some more imaginative excuses to do with the events in the Middle East or the impact on tourism of the latest flu virus. Nonetheless, behind the excuses we are also seeing corporate management reassess their prospects with a growing trend in avoiding forecasts and earnings guidance and perhaps some realism creeping into the outlook and comments. Selective representation still persists though.

At a recent US industry conference of branded consumer companies, analysts were disappointed with the lack of excitement and enthusiasm from corporate management. No doubt the promotional and marketing "fizz" has been toned down but there is still precious little honesty or completeness to the information presented. Highlighted were companies such as Kellogg where the CEO commented that they were a simple and dependable business, which is perhaps an improvement on past hype. We're not sure that the business is either simple or dependable and wonder where the commentary is on flat demand, increasing competition and the complexities of the acquired Keebler biscuit business. We're not particularly singling out Kellogg as unusual perpetrators of this style of communication other than as an example.

As corporate management reassesses the prospects of maintaining the corporate growth rate and rising costs of competing, they once again look to acquisitions. During the quarter we have seen a number of acquisitions, such as Procter & Gamble buying Wella (of Germany) and Energizer acquiring the Schick business to compete with Gillette in razors as well as batteries.

P&G assessed their capacity to compete in Europe, their need to drive growth in their hair care business and determined that they should buy their way into Europe. Recall also that they paid a significant price for the Clairol business in 2001 and have yet to meet the promises on growth used to justify that price. The Wella business is attractive to P&G for much the same reasons that attracted us. Over a century of investment in research and development that had yielded superior products (particularly in colouring and styling) and a professional salon distribution business, second only to L'Oreal. But wait, there's more. P&G can also see opportunities to "fix" some other issues, such as gaining distribution in the professional hair care market for Clairol, assuming of course that the professional salon workers and their clients accept the decision to use Clairol. Meanwhile, L'Oreal has also highlighted their ambitions in the US retail hair care market and the Wella styling and colouring products allow P&G to expand their core shampoo and conditioner range to better line up against L'Oreal. If we add up the market share ambitions for the US market of P&G, Unilever and L'Oreal we see the opportunity for some exceptional competitive dynamics. Our suspicion is that the consumer will be the winner in the short term.

There are always bright spots to be found. We are currently reviewing the luxury goods companies, particularly the accessories and watch companies, many of which have fallen in valuation as the international tourism industry has suffered. It is interesting to note that in the rankings of the Swiss watch industry exports of two years ago, China didn't rate a mention in the top thirty countries. Last November, China ranked eighteenth and last month ninth, clearly a combination of strong growth from that region and falling demand elsewhere in the world. These rankings also fail to capture the growth that companies like Swatch are enjoying by having manufacturing facilities located within China. We will continue to develop our understanding of these opportunities whilst also looking for interesting valuation opportunities as these stocks are impacted by the negative headlines.

Outlook

We don't believe that the prospects for branded consumer companies are going to show any meaningful improvement in the near term. Over the past few quarters we have built on a growing list of concerns that impact on the willingness and capacity of the consumer to continue to spend at levels that might support the wishful thinking of many corporate managers. We have also found in the majority of cases that valuations are still too high for us to consider them compelling investments. Accordingly, we take the view that company management are still adjusting to the harsh realities of difficult conditions and will continue to lower expectations for earnings growth. It's not about managing expectations though we are more interested in understanding that the resource allocation decisions being made by management make some sense.

Perhaps we will see some interesting opportunities as investors question the perceived reliability of earnings and the price they are willing to pay for companies operating in increasingly competitive markets.

We find valuations are more attractive in Europe and Japan than the United States, however we are acutely aware of the need to be opportunistic and nimble in all the markets.

Simon Trevett
Portfolio Manager