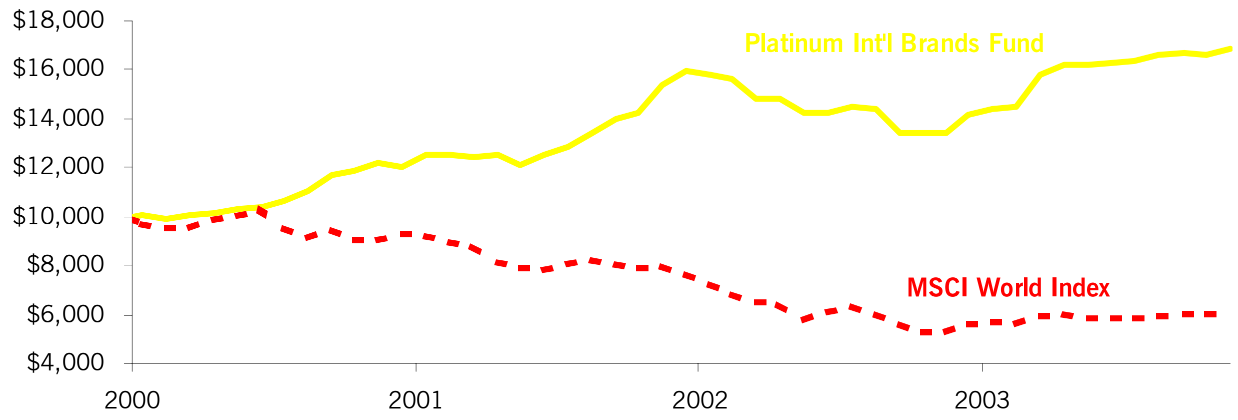
Platinum International Brands Fund

Performance

REDEMPTION PRICE: $1.4513

VALUE OF $10,000 INVESTED SINCE INCEPTION (18 MAY 2000 – 31 MARCH 2004)



Source: Platinum and FactSet Refer to Note 2

Over twelve months the Platinum International Brands Fund has achieved a performance of 25.4% compared with the MSCI World Index of 13.9%. For the quarter the Fund rose 1.6% compared with that of the MSCI World Index of 1.3%. Whilst the performance has been impeded by the losses from our short positions in the US, it was nonetheless a relatively difficult quarter for consumer stocks. Many of the concerns we have previously expressed weigh on the performance of the stocks; concerns of commodity price rises, significant currency movements, heavily indebted consumers, together with valuations that are anticipating continued robust spending patterns.

In our Outlook comments last quarter we noted the risks to the Fund of the high level of global liquidity and the possibility that investors would 'chase performance', possibly giving rise to some sharp share price movements especially in the developing markets. That together with the currency swings was not an environment that we thought would particularly favour the stocks in the Fund over the short term. Our long positions in Europe generally performed strongly despite the adverse effects of currency movements on their financial results. Offsetting the European performance, we suffered a setback across most of our Indian positions and took the opportunity to continue to build our positions in that market. In Japan, our stocks made little headway with the exception of Sky Perfect (+25%) whose relatively volatile performance we have mentioned over the past two quarterly reports. Otherwise, our position in Samsung Electronics of Korea performed strongly, up 27%.

Changes to the Portfolio

In Europe, a strong appreciation in the share price of the lens and spectacle retailer Fielmann AG (introduced in our September 2003 quarterly) saw us reduce our investment. We also took advantage, opportunistically, of a strong performance in shares of Adidas Salomon AG to marginally reduce that position. Last quarter we wrote about Beiersdorf AG, and we subsequently took advantage of the continuing corporate manoeuvrings through a share buy back program to a sell a small portion of our position at a premium.

The only addition to the portfolio in the western markets has been Pernod Ricard, the French based Wine and Spirits company, perhaps best known for its brands, Chivas Regal, The Glenlivet, Seagrams Gin, Martell, and Jacobs Creek amongst others.

DISPOSITION OF ASSETS

Region	Mar 2004	Dec 2003
Europe	42%	49%
Other Asia (incl. Korea)	25%	20%
Japan	22%	19%
US	3%	2%
Cash and Other	8%	10%
Shorts	12%	13%
Net Invested	80%	77%

Source: Platinum

Pernod Ricard was created in 1975 via the combining of two family businesses, Pernod and Ricard. The company today remains family controlled with an unusually high degree of decentralised management.

The transforming event was the acquisition of the Seagram spirits business in 2001, which left the company heavily indebted and with a long 'to-do' list on the acquired brands. We believe that they have

made substantial progress whilst a review of the brands suggests plenty of potential to continue to develop the business internationally. There is no doubt the company has some significant tasks ahead and there is always the potential that further merger or acquisition in the sector either directly or indirectly impacts Pernod Ricard, however on balance we suspect that they have more opportunities than concerns.

Our weighting to the Asian markets (including Japan) has increased appreciably in the quarter from 39% to 47% of the Fund. In Japan, we have added Toyota Motor Co to the portfolio (more on this company in the Platinum Japan Fund commentary). Although the Fund's weighting in India has remained at a little less than 14%, we were adding new positions to the Fund and both adding to and reducing some of the existing investments. Given the volatility in that market it is likely that we will continue to be far more active in our investments by comparison with our other positions.

Elsewhere across Asia, we have added a supermarket retailer in Thailand, a cosmetics company in Taiwan and a consumer electronics company also in Taiwan.

Commentary

We have now reported for two consecutive quarters that our short positions in the US market have detracted from our performance. So why do we persist? The headline results of many of the US consumer companies have looked compellingly strong and the share prices have tended to drift up accordingly. When we look just a little deeper we find that, in many cases, the US domestic businesses are under significant pressure but favourable currency translation of overseas operations are flattering their reported earnings. Their domestic operations, even if showing revenue growth, are starting to experience lower volumes at a time when the 'cost cutting' exercises have already yielded the majority of the benefits.

Even over a short time period such as the March quarter, companies appear to have reassessed their thinking (and communication with the share market) about the adverse impact of higher commodity prices. Continued rises in raw materials and packaging costs come at a time when companies have been concerned that the consumer may be reluctant to maintain, *let alone increase*, their spending patterns. Likewise, increases in fuel and energy costs affect those with high distribution costs as well as effectively working as an additional tax on the consumer.

We are seeing that companies are starting to take price increases or at least signal their intention to do so. It is too early to tell whether competitive dynamics or the robustness of consumer spending will allow for a full recovery of commodity-related cost increases through pricing, we suspect not. Against that backdrop and at the current valuations, together with some stock specific issues, we continue to hold our short positions.

In an attempt to deal with many of the issues raised above, branded goods companies are continuing their quest to broaden their international operations. Expansion into Asia and particularly China is often highlighted with the caveats that the time frames are lengthy and the starting point often representing a negligible proportion of the current organisation. That's not to deny the potential, however more immediate and proportional impacts are achieved through acquisition of established businesses in Europe or the US.

We have seen the acquisition by Henkel of The Dial Corporation of Arizona (soaps, laundry detergents and other consumer products) as Henkel looks to build their branded business internationally. We would note that apart from providing Henkel with more 'geographic balance' it provides them with a useful mechanism to bring competition to a major competitor. Procter and Gamble have been aggressive competitors in the German laundry market and Henkel will now have the opportunity to threaten P&G on their own patch. Last quarter we wrote of the battle for ownership of Beiersdorf AG and prior to that about the acquisition of Wella.

With current valuations, and the stresses on profits emerging from commodities, currencies, competitive dynamics and some weakness in consumer spending, we expect to continue to see significant acquisitions in both Europe and the US.

Our visits to and investments in India have focused on identifying companies that will benefit from the likely significant rise in discretionary spending by the burgeoning middle and upper income groups. Last quarter, in his review of the Platinum Asia Fund, Andrew Clifford outlined the benefits of a decade of deregulation and economic reform in India. He noted the lift in business investment as a consequence of cheap financing. We have seen that excitement in the stock market mainly in those companies directly benefiting from low interest rates, that is, manufacturers and suppliers of consumer durables such as motorcycles, autos and mobile phones.

There does however appear to be relatively little focus on, or thought given, as to how the growing wealth and prosperity of those benefiting from rising incomes will be applied. We believe the spending patterns of this group, predominantly the growing 'middle income group' will increasingly mirror those in the West, implying significant increases in spending on leisure and consumption especially in the areas of travel, alcohol and entertainment. These sectors are poorly represented in the overall Indian stock market as the companies are generally small and, for a multitude of reasons, out of favour. We have made some selective investments focused specifically on alcohol and jewellery retailing.

What do we mean by the "middle income group"? Indian demographic studies tend to be so broad in their approach as to be near useless in application. The consensus tends to an estimate of 40 million *households*, or 20% of the population. The definition of the minimum household income for inclusion into this category is US$2,500 pa with the average for the group perhaps around US$7,500 pa.

What is perhaps more meaningful is to try and illustrate the growth in aggregate income. As an example, the IT services industry is growing at approximately 40% pa and now accounts for around US$14 billion in export income and employs one million workers. An Indian based programmer with a post graduate qualification and three years experience earns approximately US$6-10,000 pa. An Indian based project leader earns around US$20,000 pa.

Clearly, this example is highly selective and IT services are only a part of India's service exports and economic development. Another significant example would be the development of India's generic pharmaceutical industry. So how meaningful are the expansion of these industries and the growth of incomes in the context of consumption in India? By comparison a semi-skilled factory worker might earn around $1,000 pa, giving our programmer or project manager a many-fold purchasing advantage. This has clearly been further compounded by the growth of these industries. Predicting consumer behaviour is fraught with hazards, however the significant growth in incomes at both the individual and aggregate level does suggest that spending on leisure and consumption will exhibit robust trends.

Outlook

The prospect of an increase in the speculation and discussions surrounding the potential for, and timing of, a rise in interest rates (particularly in the US) will inevitably lead to debate about the robustness of consumer spending. Volatility in the currency markets, continuing steep rises in the price of commodities and the shenanigans inherent in an election year (in the US) provides a backdrop that should make the next few quarters challenging for branded goods stocks across all markets. Nonetheless, we retain confidence in our companies and continue to see some interesting opportunities develop for those that are investing in their international, and particularly Asian based, operations.

Simon Trevett
Portfolio Manager

Notes

1. The returns represent the combined income and capital return for the specified period. They have been calculated using withdrawal prices, after taking into account management fees (excluding any performance fees), pre-tax, and assuming reinvestment of distributions. The returns shown represent past returns of the Fund only. 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, returns can be negative (particularly in the short-term).

2. The investment returns depicted in the graphs are cumulative on A$10,000 invested in the Funds since inception and relative to their Index (in A$) as per below:

   Platinum International Brands Fund:
   Inception 18 May 2000, MSCI World Accumulation Net Return Index in A$

   The investment return in the Funds is calculated using withdrawal prices, after taking into account management fees (excluding performance fees), pre-tax and assuming 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.