Platinum International Brands Fund

Simon Trevett Portfolio Manager

Disposition of Assets

REGION	MAR 2010	DEC 2009
Europe	38%	39%
Asia and Other	30%	30%
Japan	9%	8%
South America	6%	6%
North America	6%	5%
Cash	11%	12%
Shorts	7%	9%

Source: Platinum

Performance

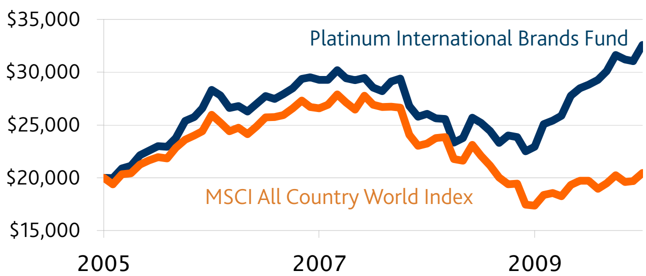
The returns for this quarter from the Brands Fund might be considered somewhat pedestrian at 3% in comparison to the twelve month number of 42%. Clearly the last twelve months are flattered by the base of March 2009, a notable low point in the markets. Notwithstanding, the Brands Fund has performed ahead of the benchmark MSCI through the recent turmoil with a relative outperformance of 24% for the past year and 12% compound pa over three years.

The Fund's Japanese stocks contributed to the quarter's returns with Nintendo the highlight, up 40% after being neglected by the market for most of the past year. Interest in the stock was trigged by announcement of a 3D version, without the need for glasses, of their highly successful handheld DS unit.

Also up strongly in the quarter was Estée Lauder on their continuing migration from a family run company with below industry profitability to a more dynamic and growing global concern. The stock has recovered all the lost ground from the lows a year ago and has moved beyond to the highest point since listing in 1995. The Fund remains invested despite the stock price appreciation, in the belief that the depth of opportunities is yet to be fully realised.

Value of $20,000 Invested Over Five Years

31 March 2005 to 31 March 2010



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

Twelve months ago the headlines were very much concerned with unemployment, financial crisis and recession. This was the background and context for our investment planning and decisions. Estée Lauder with its large exposure to US department stores, was not the sort of investment in the face of such adverse headlines that captured investors' imaginations. Similarly, in March 2009, the Fund's quarterly report highlighted Thai beverage company Serm Suk, the Philippines Pepsi Company and Luk Fook the Chinese Jeweller. These latter three stocks have appreciated between 120% and 250% since then. Such robust performance was not envisioned at the time, reflected in the small positions we held, thus exemplifying the difficulty of being influenced by the concerns of the moment.

The Fund is subject to the overall direction of the markets at any given point, yet within the consumer branded goods universe there will always be brands at different stages of their life cycle. The adverse circumstances of a year ago provided good opportunity for the Fund to add to positions in companies that had the potential to improve their performance despite the adverse conditions. Henkel was a good example and has done well for the Fund.

Detracting from the Fund's performance over both the quarter and the year has been the appreciation of the Australian dollar.

During the quarter the Fund divested some relatively small positions including Genting and Carrefour and introduced PepsiCo and Femsa (Fomento Economico Mexicano S.A.B.). Femsa sold its Cerveza beer division to Heineken for a 20% stake in Heineken whilst retaining its market-leading convenience store operation and the Coke bottling franchise. Following the recent activity by Pepsi and Coke to buy back their bottling companies, Femsa is now Coke's largest bottler outside the US and one of the fastest growing.

Commentary

We recently met with the CEO and Chairman of Colgate and although we have immense respect for this very well-managed company and its reliable delivery of outstanding financial metrics, we were not able to discern a compelling investment proposition given the valuation. In many respects their plan for the foreseeable future is an extension and continuation of that which has served them so well to date.

A two day show by Pepsi management gave a very different impression and a sense of the energy needed to adapt to a changing environment. Pepsi is a company dissatisfied with the status quo and evidently prepared to set ambitious objectives in the way they think about their business. As is usually the case, there is a component of necessity to address past mistakes and weak positions that would otherwise unduly hinder the company over many years. Despite that, there is undeniable enthusiasm in the company to rethink the way it interacts with everyone from farmers, employees, retailers and consumers to the wider community.

Pepsi has spent much of the past decade *working towards* their objectives and, however necessary or successful that has been, it is likely to be insufficient if the organisation is to become the world's leading food and beverage company.

An example would be the development of a new flavour for their crisps. The "old way" would have been flavour development, market research, trial or test markets, advertising to tell the consumer about it, store promotions to get visibility and then measurement of trial and repeat metrics. Instead, Walkers, Pepsi's UK snackfood company, asked the consumers for flavour ideas and then to vote for one to be produced. They received 1.2 million responses, with Builders Breakfast winning out over Cajun Squirrel and Onion Bahji. By apparently giving up "control" of their product and involving the consumer, Walkers were able to get much closer to understanding and communicating with their consumers who then also eagerly anticipated the product's availability. Notable was the positive impact on existing product sales.

Engaging with consumers with experiences and ideas, and collaborating through digital interaction, is evolving and slowly replacing the "tell them" mechanism of print and media advertising. A relatively new technology called 'Augmented Reality' is also providing a means to allow greater interaction between the consumer and product advertising.

Pepsi isn't the only one using this technology; however, they have had some success and will be expanding the concept in conjunction with their World Cup promotions.

The idea that Pepsi could be the largest fruit and veg company in Europe does not readily spring to mind. Yet it is this integration of product offering between food and beverages that Pepsi hopes to exploit. Historically, the casual observer would associate Pepsi with a can of soft drink and a bag of crisps.

Pepsi, however, have a much broader interpretation of both beverages (juice, water, tea, dairy) and snacks (crisps, dips, biscuits, cereal bars). They also see the extension as providing products for health and nutrition as well as fun. Acquisitions, joint ventures and alliances are bringing together these ranges of products to facilitate an integrated offer to the consumer.

Challenging the existing thinking to build long-term advantage is evident throughout this organisation and encouragingly, it is being done from a position of strength as opposed to the more usual (and often imposed upon) need for a restructuring. Even Pepsi's search for overhead or indirect cost savings is being tackled by an alliance with another large consumer company as opposed to the more traditional outsourcing or cost cutting techniques.

Few consumer goods organisations are sufficiently prepared or have the capability to tackle the full gamut of headline issues that will inevitably impact every aspect of their organisation. Pepsi appears to be one that does and still offers a valuation that is cheaper than it has been for many years.

Outlook

The Fund's companies have been reporting good earnings and are generally cautiously optimistic of that continuing, albeit with various provisos about ongoing employment growth. In the majority of cases valuations are reflecting the commentary and are less compelling but not unreasonable.

Within that observation, the markets appear to have fully recognised the growth available for consumer companies from the younger and more vibrant populations of the world. The enthusiasm for emerging market exposure is resulting in some relative neglect in the mature markets and providing the Fund with some interesting areas to explore.

The Pepsi CEO recently stated "Somebody has got to pay for the sins of the past few years from the economic meltdown... I think the world is going to be pretty different". The Brands Fund is sympathetic to these sentiments and concurs with the idea that investments will also need to have something "pretty different" to be of interest.

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 historical 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).

   The inception dates for each Fund are as follows:
   Platinum International Fund: 1 May 1995
   Platinum Unhedged Fund: 31 January 2005
   Platinum Asia Fund: 3 March 2003
   Platinum European Fund: 1 July 1998
   Platinum Japan Fund: 1 July 1998
   Platinum International Brands Fund: 18 May 2000
   Platinum International Health Care Fund: 10 November 2003
   Platinum International Technology Fund: 18 May 2000

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 31 March 2005 to 31 March 2010 relative to their Index (in A$) as per below:
   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
   (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.

Disclaimer

This publication has been prepared by Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 trading as Platinum Asset Management (Platinum®). It contains general information only and is not intended to provide any person with financial advice or take into account any person's (or class of persons') investment objectives, financial situation or needs. Before making any investment decision you need to consider (with your financial adviser) whether the information is suitable in the circumstances.

Platinum is the responsible entity and issuer of units in the Platinum Trust Funds® (the Funds). You should consider the PDS in deciding whether to acquire, or continue to hold, units in the Funds. You can obtain a copy from Platinum's website, www.platinum.com.au, or by phoning 1300 726 700 (within Australia), 02 9255 7500, or 0800 700 726 (within New Zealand), or by emailing to invest@platinum.com.au.

No company in the Platinum Group® guarantees the performance of any of the Funds, the repayment of capital, or the payment of income. The Platinum Group means Platinum Asset Management Limited ABN 13 050 064 287 and all of its subsidiaries and associated entities (including Platinum).

MSCI Inc Disclaimer

Neither MSCI Inc nor any other party involved in or related to compiling, computing or creating the Index data (contained in this Quarterly Report) makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI Inc, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the Index data is permitted without express written consent of MSCI Inc.