Platinum International Brands Fund

Simon Trevett Portfolio Manager

Disposition of Assets

REGION	MAR 2015	DEC 2014
Asia and Other	33%	33%
Europe	30%	31%
North America	11%	11%
Latin America	7%	7%
Japan	4%	5%
Africa	2%	1%
Russia	1%	2%
Cash	12%	10%
Shorts	4%	5%

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

Performance and Changes to the Portfolio

(compound pa, to 31 March 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	9%	13%	17%	13%	13%
MSCI AC World Index	10%	28%	23%	13%	2%

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

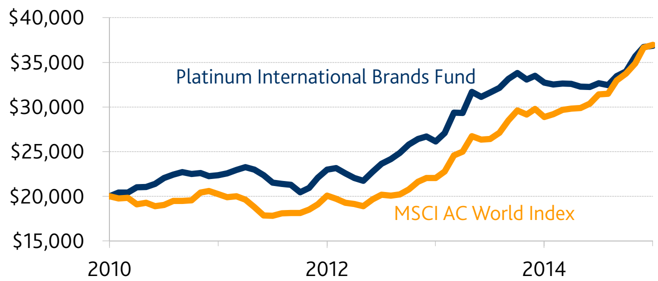
The improving performance of a number of the Fund's larger holdings continued with strong returns from the European investments. Notably, **Pernod**, **LVMH** and **Henkel** all produced gains of 20% with standout gains of more than 30% from **BMW** and the Portuguese retailer **Sonae**.

Offsetting those exceptionally strong gains have been declines in the Fund's Jewellery holdings. **Chow Tai Fook** sold down on the difficulties of Hong Kong protests and the dampening effect that had on upmarket tourists. The Fund added to holdings in both **Chow Tai Fook** and **Tiffany**.

A number of long-held positions have been reduced or sold. First introduced to the Fund in 2007, **BMW** shares were

Value of $20,000 Invested Over Five Years

31 March 2010 to 31 March 2015



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

bought in the low €40s following which the GFC-induced panic saw the opportunity to buy this company at under €20 per share. Although the Fund did find the offer to buy at a value less than the physical assets somewhat irresistible, we can't claim much credit for sensibly buying a great deal of the stock at that time, rather succumbing to the concerns of the day and as is often the case with hindsight, subsequently regretting the lack of conviction. Nonetheless, the performance of this company and the share price gains to above €110 have been exemplary, so with the current investor exuberance in Europe, particularly Germany, the Fund has taken the opportunity to sell.

Almarai, the Saudi dairy group, has performed well for the Fund and was sold in favour of increasing the weighting to Chinese consumers and the more attractive valuations found in that market.

The Australian dollar exposure of the Fund remains at a minimal level.

Commentary

The unnamed company referred to in the "Outlook" section of the prior quarterly report was **Renault**. The share price increased some 40% in the quarter and, although that's rather faster than we imagined, it's still a position we are confident to maintain. The projected uplift in factory utilisation given the launch of a number of new models, together with orders to manufacture for Nissan and Daimler, should underpin a significant lift in profitability. With the launch of new models into an environment of lower-for-longer interest rates, falling unemployment and with overall demand still below the levels of 2007, there's potential for the company to have a robust few years.

The investment in Renault and, as described in our previous quarterly report, **Piaggio**, together with a number of other holdings, are consistent with the Fund's investment renewal in Europe (outside of Germany).

Since 2012, China has supplied the world with the largest number of travellers, some 109 million in 2014, spending US$164 billion, with shopping and gaming making up the bulk of the spend. Yet only 5% of the population hold a passport. Is that a relevant statistic or one more likely to mislead through rampant extrapolation? Finding a consistent definition of "middle class" can be problematic, however, it's likely that it's closer to a third of the middle class that hold passports.

Projecting the potential for outbound tourists from China, by comparison with the US or Germany, without considering the many constraints, yields fantastic and unbelievable numbers. So how might we realistically determine the scope of those travelling overseas in the next few years?

The Chinese government is supportive of the tourist industry. As might be expected, their priorities are set in order of domestic (three billion trips by Chinese tourists within China), inbound tourists and outbound tourism. They aim to have tourism at 4.5% of GDP and to more than double domestic tourist receipts to US$900 million by 2020. There is clearly an appreciation of the importance of this industry in facilitating the growth of the service sector and the benefits of increasing employment without placing further undue demands on the import of resources.

The government has been supportive with its policy implementation, notably in enforcing a paid leave policy and in negotiating simplified visa requirements. Outbound tourism also appears to hold a place of some importance as a foreign policy tool. Perhaps it's not hard to contemplate that this could become an increasingly effective negotiating point when one considers the government anticipates and encourages a fourfold increase in outbound tourists over the next five years: some 400 million travellers! It's difficult to comprehend that scale or the speed at which this can happen. Those readers that can recall the impact of the Japanese tourists in the 1980s might consider that the number of Chinese tourists is currently close to passing the entire Japanese population.

That Hong Kong has been a shopping destination for the richer Chinese has been well understood. So the riots with accompanying anecdotes of empty shops have had an obvious detrimental effect. Beyond these headlines it's worth observing that Hong Kong had already become less affordable and considerably more expensive than other destinations including Seoul and more recently Japan, which has seen a major lift in tourists and their spending power.

If we were to consider just the purchase of cosmetics, with major brands readily available in all destinations, there's a fourfold increase in average spend by Chinese tourists in Korea compared to Hong Kong.

Whilst the bulk of travel is currently within Asia, the decline of the Euro has made Europe an increasingly attractive destination, admittedly at this stage for the more affluent or experienced traveller. The price gap for luxury items has once again expanded such that some companies are placing limits on the number of items that can be bought with ongoing anecdotes of tour buses feeding lengthy queues for cosmetics and luxury products.

The Fund holds a number of positions in cosmetics companies set to benefit from the surge in the travelling middle class intent on shopping.

The reader might easily conclude that all our investment roads lead to or from China and whilst we are enthused with the potential and the valuations on offer we continue to find opportunities in other parts of the world.

Grupo Exito is a leading retailer in Colombia. Colombia has a population of 48 million with some 55% under 29 years of age. The middle class is growing – 28% of the population, nearly double from a decade ago, and Colombia is increasingly recognised as an investible destination.

Grupo Exito has a leading market share at 42% of the formal retail market, more than twice the nearest competitor. The formal market accounts for just over half the retail market. As is with the experience in many countries including Australia, this presents an opportunity for multi-year growth. Reward cards, complementary businesses in travel, money transfers, insurance along with close to half of the company's US$4 billion market capitalisation in cash and property, imply an attractive valuation for a growing retailer.

Outlook

The themes within the Fund – tourism, the growth in the disposable income of young populations, the slow renewal in parts of Europe and a catch-up by some investments that have lagged the broader market – are encouraging. The Fund continues to find opportunity in regions outside of the US and Europe where valuations for the major consumer goods companies are increasingly looking expensive, even at low discount rates.

Notes

1. The investment returns are calculated using the relevant 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: 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$20,000 invested in the relevant Fund over five years from 31 March 2010 to 31 March 2015 relative to its benchmark index (in A$) 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

   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 benchmark 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. Invested position represents the exposure of physical holdings and long stock derivatives.

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