PLATINUM INTERNATIONAL BRANDS FUND

Simon Trevett Portfolio Manager

Over twelve months the Platinum International Brands Fund has achieved a performance of 27% compared with the MSCI World Index of 19.4%. For the quarter the Fund rose 8.9% compared with that of the MSCI World Index of 10.6%.

During the quarter, there were no particular standout performances or patterns across our holdings. Our stocks in Europe and Japan generally performed well, whereas our positions in India mostly detracted from performance with that market declining alongside others in the Asian region. Our short positions in the US market detracted a little, with these stocks fairly stable across the quarter.

There continues to be consternation in the general and financial press about the propensity of the 'US consumer' to continue to spend at a rate which keeps the US economy growing.
That, together with discussions on interest rate rises, the oil price, housing market 'bubbles', employment (or the possible lack of) and the US election provides for a relatively, although not unusually, cluttered context.

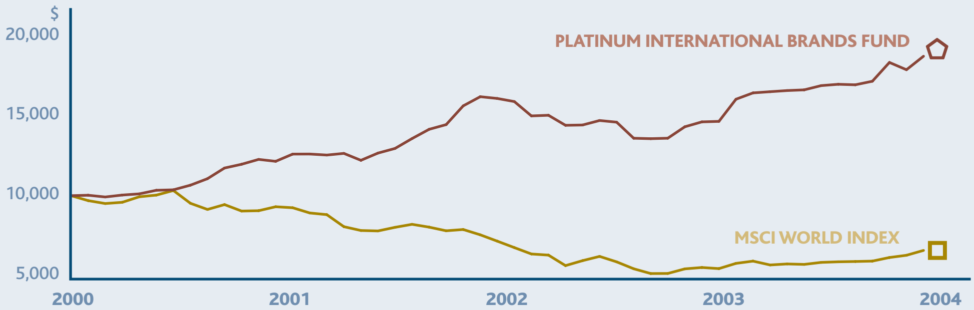
We are not finding this a particularly uplifting time for branded goods companies, or even more broadly defined consumer product companies. Many of the European companies with which we speak continue to harbour ambitions to become structurally larger in the US market, whilst almost in the same breath expounding the benefits of the strongly growing Asian region, few speak glowingly of their home markets. Meanwhile, many of the US companies are particularly focused on their international operations. We have seen some minor acquisitions during the quarter, particularly amongst the beer companies heading for China. Our expectation is that the weaker companies will continue to seek out revenue growth through acquisition, albeit we might also cheekily suggest that many are finding their costs (commodities, energy and some labour) are increasing faster than they anticipated, and are tempted to turn to acquisitions to extract those all important profit supporting 'synergies'.

DISPOSITION OF ASSETS

REGION	JUN 2004	MAR 2004
EUROPE	**40%**	**42%**
OTHER ASIA (INC. KOREA)	**22%**	**25%**
JAPAN	**16%**	**22%**
US	**3%**	**3%**
CASH AND OTHER	**19%**	**8%**
SHORTS	**11%**	**12%**
NET INVESTED	**70%**	**80%**

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION 18 MAY 2000 TO 30 JUNE 2004



Source: Platinum and Factset. Refer to Note 2.

Against this generalised backdrop we are not finding valuations particularly compelling, either for us or for the acquirers. In addition, many of the global icon brand name companies are dealing with a rapidly changing world that is disproportionately adding to the complexity of their businesses. Examples, perhaps obvious but nonetheless no less easy to manage, are companies that are having to fundamentally address the structure of their product offerings, such as Coke which is redefining itself (with concomitant management changes) as a 'beverage company' that tackles water, juice, sports drinks etc, in all, 400 brands across 200 countries. Likewise, McDonald's is struggling to reposition their super-sized menu and image against the backdrop of rising media and political coverage of the obesity epidemic. Can you now obtain value from McDonald's without being forced to consume chips and coke?

There are many examples of companies undergoing structural changes, some arguably very successfully such as Procter and Gamble with now greater emphasis on 'health and well being' and some less successful and still finding their way, an example perhaps being Unilever. Equally challenging though, for the majority of consumer and especially branded goods companies, is the complexity of generating demand for their product, what we used to call advertising, but which now goes under a variety of synonyms through an increasingly fragmented variety of mediums.

CHANGES TO THE PORTFOLIO

We highlighted in our last report that the UK retail market had seen an increase in takeover activity, both real and speculated given the depressed valuations of many of the smaller, often troubled, "high street" names. Indeed, a takeover bid for our WH Smith holding emerged during the quarter and we decided to sell the shares into this enthusiasm. Since then, the trustees of their Pension Fund have indicated that the 'ongoing arrangement' of funding the pension deficit over a decade would not be available to the (highly leveraged) purchasers of the business. This appears to be an eminently sensible and prudent decision by the trustees and a timely reminder that many companies are using their pensioners as a de facto source of credit to an extent that is not always readily determined or automatically renewable by acquirers.

The portfolio has remained relatively stable with minor changes to existing positions and a couple of additions. An interesting addition is Oriflame Cosmetics, an international cosmetics company founded in Sweden in 1967 – 'Natural Swedish Cosmetics from friend to friend". Oriflame operates through a direct selling team of more than 1.5 million 'sales consultants' in 55 countries (the list had us reaching for our atlas) including the Republics of the former Soviet Union, Eastern and Central Europe as well as Asia, Latin America and the more traditional markets of Western Europe. Since 1990 Oriflame has entered more than 35 markets. With some 80+% exposure to emerging markets, some fierce competition, the complexities of currency and the task of balancing the investment necessary to support potentially exciting growth, this is not a story without challenges but one that we will enjoy following.

COMMENTARY

oriflame

The Oriflame Cosmetics company's story accentuates one of the most effective tools in marketing a product; word of mouth. Whether by direct selling, or through positioning at the entrance to a retail store with the use of 'sales consultants', cosmetic companies work to maintain this individual and personal link that they have with the consumer.

Brand companies from food to electronics are facing a more challenging task with the concept of segmentation. The segmentation of markets and consumers was something that marketing executives would enthusiastically discuss, as new-found dimensions allowed for range extensions or 'new varieties' and incremental growth. As segmentation has moved to fragmentation, the previously espoused benefits seem to be ever harder to capture. A marketing executive now faces a far more complex decision of how to allocate his advertising budget across many more options; no longer are there just a limited number of free-to-air TV stations, a few radio stations and some print media. Now we have the internet, a plethora of electronic devices and a range of communication media capable of carrying advertising, from bus stops to sky writing.

Of course, many of the underlying principles of marketing haven't changed but we highlight the increasing complexity and perhaps ineffectiveness of much of the expenditure. Technological developments are increasingly encouraging consumers to choose individually what, when and how they are entertained. DVDs, internet, 'on-demand' movies, movie downloads (TiVo) to name but a few are making it much harder for the marketer to broadly and consistently distribute their messages, especially as we are all adept with the fast forward button. We were once captive audiences, for example, school children could be relied upon to watch TV after school and be effectively encouraged to 'pester the gatekeeper' (mum most often), for 'that particular snack', right now! Now kids have so many more electronic choices to entertain them let alone not wanting to be distracted from their 'electronic game' for even a moment.

A quick look at the newest media – the internet, highlights some fundamental difficulties for branded goods manufacturers. That most effective form of brand building, word of mouth, prima facie should be replicable on the internet through the many varieties of chat boards, meeting places and emails. A closer analysis highlights some of the complexities. This new variety of marketing has a new term; 'viral marketing'; the spread of information and hopefully recommendations both on and off the web. Can we really build trust and brand loyalty using a mechanism termed 'viral' on a medium that is inherently anonymous? Perhaps or is it just product sales we are chasing? We have a dilemma though that consumers are becoming increasingly sensitive to privacy concerns, particularly the tracking of their interests on the web whilst at the same time demanding personalised products or at least products pertaining to their 'group or tribe'.

Leaving aside the issues of which medium consumers chose and their control over when they watch their favourite programming, there are still the emerging demands for personalised products and tailored communication. One particular group in the US, the Latino market, is the subject of increasing attention by some of the largest consumer product companies, from hair care to beer. Media spending on Latino networks hit a record in 2003 to support the development of 'new' products and messages designed for this group. Embedded in this personalisation is perhaps the fragmentation or even potential alienation of the umbrella brand as the consistency of the message is diluted and the integrity stretched.

We are not experts in the detailed dynamics of consumer product or brand marketing, however, we strongly suspect that the complexity, fragmentation and demands to maintain incremental growth are being felt throughout organisations from the chief of marketing through to product managers. We don't doubt the utility of strong regional or ethnic brands, just the added complexity and cannibalisation that inevitably occurs somewhere in the system and the consequences to returns when they are opportunistically targeted for an incremental revenue dollar.

Many companies have been, almost desperately, trying to reduce the complexity and range of offerings within their businesses. This added dimension of communication has confounded the rationalisation process and the search for efficiency. Hopefully though, it is also revitalising the debate within companies over the difference between a 'brand' and 'a product that's trying to avoid being a commodity'. A debate that we believe is intrinsically linked to and determinant of a company's prospects.

OUTLOOK

We remain cautious of the US companies, notwithstanding the remarkable, almost unbelievable earnings performance many of them are achieving. The impact of currency, commodity and energy prices remains challenging for a majority of the companies regardless of their domicile. Increasingly we are noting that companies are attempting to increase prices ahead of the published CPI. Many of the valuations leave us uninspired and in our search for neglect we suspect that we will find greater opportunities in Europe than the US.

Simon Trevett Portfolio Manager

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 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, investment returns can be negative (particularly in the short-term).

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

   Platinum International Fund:
   Inception 1 May 1995, MSCI World Accumulation
   Net Return Index in A$

   Platinum Asia Fund:
   Inception 3 March 2003, MSCI Asia Free ex Japan
   Net Return Index in A$

   Platinum European Fund:
   Inception 1 July 1998, MSCI Europe Accumulation
   Net Return Index in A$

   Platinum Japan Fund:
   Inception 1 July 1998, MSCI Japan Accumulation
   Net Return Index in A$

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

   Platinum International Technology Fund:
   Inception 18 May 2000, MSCI Global Technology index in A$

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.

Platinum Asset Management Limited ABN 25 063 565 006 AFSL 221935 as trustee for the Platinum Asset Management Trust (**Platinum**) is the responsible entity and issuer of the Platinum Trust Funds (**the Funds**).

The Platinum Trust Product Disclosure Statement No. 5 (**PDS**), is the current offer document for the Funds. You can obtain a copy of the PDS from Platinum's web site, **www.platinum.com.au**, or by contacting Investor Services on 1300 726 700 (*Australian investors only*), 02 9255 7500 or 0800 700 726 (*New Zealand investors only*) or via invest@platinum.com.au.

Before making any investment decision you need to consider (with your financial adviser) your particular investment needs, objectives and financial circumstances. You should consider the PDS in deciding whether to acquire, or continue to hold, units in the Funds.