Platinum International Brands Fund

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Disposition of Assets

REGION	JUN 2010	MAR 2010
Europe	36%	38%
Asia and Other	34%	30%
Japan	9%	9%
North America	7%	6%
South America	5%	6%
Cash	9%	11%
Shorts	9%	7%

Source: Platinum

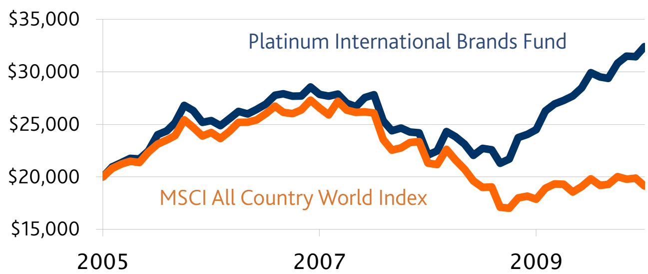
Performance

The Brands Fund passed the ten year mark this quarter which for a few score of unusually patient investors has also meant a reading marathon of 40 of these reports. More pertinent perhaps is that the Fund has achieved a compound return of 13.5% pa over that lengthy time and against a backdrop where the MSCI World Index, the Fund's yardstick, *declined* by a compound 3.8% pa. A more tangible expression for those original investors, assuming reinvestment of distributions, is that they have seen their investment grow more than 3½ fold.

The influence of instant communication, and an overwhelming abundance of seemingly essential information, has contributed to a ubiquitous concentration on much shorter time periods by which to assess performance. Yet in the world of consumer brands, the higher returns derived from the enduring strength of a successful brand are developed over much longer time frames, where even a decade can be a proportionally minor segment of a brand's history.

Value of $20,000 Invested Over Five Years

30 June 2005 to 30 June 2010



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

Nonetheless shorter term performance has seen the Fund achieve a return of 32% for the past twelve months, a relative outperformance of 25% against the MSCI World Index increase of 7%. In the quarter, the Fund returned a positive 5% in contrast to a decline of 4% by the MSCI World Index.

There have been strong performances by many of the Fund's holdings over the past year and quarter, partially undermined by the currency moves. The Fund's relatively large weighting towards Europe, more than a third of the Fund, has been heavily impacted by the decline of the Euro. Underlying this, however, when measured in Euros, many of our European holdings have performed relatively well.

In the past quarter, minor changes only have been required to maintain portfolio settings appropriate for the market conditions.

Commentary

The challenges of difficult consumer markets are pervasive, as are concerns that there is an almost overwhelming requirement to raise taxes, or at least reduce supportive transfers in many of the larger markets for Brands companies. It is against concerns such as these, along with a plethora of negative headlines, that investing in anticipation of ongoing conspicuous consumption can be challenging.

It may perhaps be surprising therefore to note that BMW has been unable to keep up with demand for their new 5 series, with waiting lists of 3-4 months in all markets. The Manheim Used Vehicle Index in the US has recovered to record levels as the dealer inventory of all brands has declined to a 35 year low. This has two constructive outcomes for BMW; their sales of used vehicles coming off lease are realising higher profits especially considering the substantial provisions taken last year and secondly, a stronger used car market has enabled a significant reduction in new car discounts.

A weaker Euro is assisting exports from Germany with incremental demand from China straining current capacity. It is likely to be into 2011 before BMW is able to fully meet demand for its new range. The incremental profit on demand from China is noticeably disproportionate to the existing business and apparently somewhat unexpected by the management team. They are hiring 5000 workers and increasing factory utilisation over their summer break.

Although the surge in demand and profitability from China may prove fickle, it is a useful fillip while the benefits of the new product range filter through. Some 70% of components in the 5 series are common with the new 7 series and in part, it is this underlying improvement in profitability from the work of the past few years that we are yet to see.

None of this has been lost on the market with BMW shares up nearly 20% in the quarter. BMW remains one of the top holdings of the Fund even though market concern about the duration or reliability of current demand is likely to become more prominent, and weigh on the share price in the near term.

We are clearly not the only ones looking for neglected or compelling opportunities. PepsiCo Inc attempted to take advantage of the adverse headlines in Thailand and made an offer for their bottler Serm Suk, a holding in the Fund that we enthusiastically described more than twelve months ago. The Board, CEO and major shareholders considered the offer inadequate and as Pepsi failed to attract sufficient acceptances, the bid failed.

Notwithstanding a four-fold appreciation in the share price since our purchase, we also viewed the price offered by Pepsi as somewhat opportunistic and not adequately reflective of Serm Suk's potential.

Serm Suk's shares have continued to trade above Pepsi's now withdrawn offer price. We are not concerned whether Pepsi makes another offer, sooner or later or even at all, but rather look forward to the continued good progress of the company. Pepsi retain their existing 41% shareholding.

PepsiCo is not unusual in having a strong balance sheet, good cash flow and a poor growth outlook in their home market. No doubt their business development or acquisition department is working long hours. It has been noticeably quiet, especially from such serial acquirers as Procter and Gamble, so we anticipate more examples coming to light from the large multinationals seeking greater access to growing markets, and by the most expeditious means.

Outlook

At the risk of appearing contradictory or obtuse, the outlook is both encouraging and disheartening. There are many opportunities and no shortage of ideas to pursue, for companies and for us as investors. Similarly, company management seem both encouraged by current results and yet also cautious and apprehensive of what is yet to unfold.

This apparent contradiction might be resolved by framing the discussion in respect of the time frames needed to reposition their businesses into growing markets. For example, the relocation of factories to the Asian region has often been presented and discussed in the context of cost management whereas increasingly we are presented with the idea that it is to service growing local demand. That is also a rather convenient rationalisation in the face of rising wage demands.

Emerging market investments have performed extraordinarily well for the Fund and whilst not denouncing their underlying and enduring consumer trends, the valuations are now more reflective and anticipatory of ongoing success.

Accordingly, our focus is currently directed towards the ability of companies that we know well, mostly in the developed markets, to achieve their plans with a degree of self sufficiency and from valuations much lower than those on offer in the emerging markets.

It will remain a challenge both for investors and company management teams, to wrestle with the price of growth in emerging markets and to balance that against the disheartening challenges of mature markets. In the near term the Fund remains cautious, weighing the balance between optimistically embracing company specific opportunities whilst harbouring worrying concerns that the economic backdrop is fragile and well-able to induce conditions that will assuredly undermine the most creative and certain of ideas.

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$20,000 invested in the relevant Fund over five years from 30 June 2005 to 30 June 2010 relative to their Index (in A$) 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.

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