Platinum International Brands Fund

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Disposition of Assets

REGION	JUN 2011	MAR 2011
Europe	34%	35%
Asia and Other	26%	24%
North America	8%	8%
Japan	6%	6%
Latin America	5%	5%
Cash	21%	22%
Shorts	6%	7%

Source: Platinum

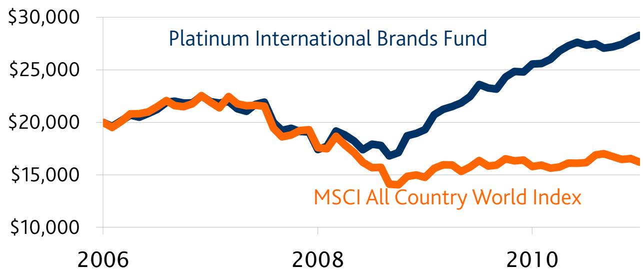
Performance and Changes to the Portfolio

The Brand's Fund achieved a return of 10.7% for the year comparing favourably against the MSCI World Index gain of 2.7%. In the quarter, the Fund produced a return of 4% whereas the MSCI World Index recorded a decline of 3.2%.

Detracting from the Fund's short-term performance has been the relatively high level of cash held by the Fund over the past six months. In hindsight this would have been better deployed in some of the Fund's existing investments. Mulberry has been an outstanding investment for the Fund, however, that should not overshadow the gains made by larger capitalisation stocks such as BMW or Estée Lauder which have appreciated by 75% and 85% respectively over the past year. If there is a pattern to where the returns have been made it can perhaps be expressed as from those businesses that have had the greater exposure to the demand for luxury or premium products from the emerging markets.

Value of $20,000 Invested Over Five Years

30 June 2006 to 30 June 2011



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

The three year performance of the Brands Fund at 17.6% compound pa is significantly ahead of the MSCI World Index which declined by 2.7% pa over that period, a relative outperformance of 20% pa.

The Fund has remained cautiously positioned with both short positions and a high cash balance in the belief that there would be some volatility in the markets and some opportunities amidst the nervousness around the macro economic challenges facing the world. The Fund was somewhat too early in this positioning especially in the light of the robust profit reports from companies. Nonetheless the macro economic pressure points and headlines are beginning to take their toll and provide some more interesting buying prospects.

Commentary

The recently released Hong Kong government statistics reveal retail sales have grown 23% in the first five months of this year. Within that, sales of jewellery and watches are up 46%. The Federation of the Swiss Watch Industry corroborate the enthusiasm for watches with the five months sales (in Swiss Francs) to China up 41% and to Hong Kong up 24%. These are astounding numbers considering that they follow on from the strong growth of the previous year. In 2010, Asia accounted for more than half the value for sales of Swiss watches at CHF8.5 billion with growth of 34% and clear evidence that it is the more expensive watches that are in demand.

Similarly, the Cognac Industry is reporting sales to East Asia for the three months to May up 24% and the higher quality Cognac growing 36% year-on-year. Luxury cars such as BMW are also continuing to enjoy robust sales growth with factories reducing the length of the summer production break and negotiating extra shifts. Anecdotes suggest that European consumers have very long waiting times if they order a new BMW X3 and are unlikely to take delivery this year.

In hindsight, it is perhaps not all that surprising that the Fund has had limited opportunity to add to investments. Even the management of these companies have rarely seen such sustained and relentless demand and against the backdrop of widespread negative financial and macro economic headlines. Although the commentary and statistics highlight the extraordinary scale of the Asian markets, the demand for premium products in Germany and the US is also relatively strong and putting further pressure on the factories.

Not all consumer companies are fortunate enough to be so well-positioned. Many have large businesses in difficult Western markets or may have underestimated the potential in the emerging markets. It is likely that we will see an increase in merger and acquisitions as companies address a number of strategic issues. Many Western companies have strong balance sheets, low borrowing costs, high cash generation but offset by low growth domestic businesses and perhaps an historic under-representation in the higher growth markets.

Meanwhile, from the other perspective there are highly successful companies in the emerging markets that are growing strongly, generating significant cash and perhaps lack the brand equity and distribution to be successful in the Western markets.

It is not altogether certain that it is the exclusive domain of the large western branded consumer companies to be the acquirer. Increasingly well-known brands are being bought by Chinese, Indian, or Brazilian companies. Ford sold the Swedish brand Volvo to a Chinese company and Jaguar to the Indian company Tata. Recently Lenovo, a Chinese company that had previously bought the IBM PC business, bought Medion the German electronics and PC maker.

Chinese premier Wen Jiabao began his recent three-day trip to Britain visiting the MG car plant in Longbridge, owned by the Shanghai Automotive Industry Corporation, to celebrate the first new MG produced in Britain in 16 years. That may be a little misleading considering that the majority of the vehicle is manufactured in China and shipped to the UK for assembly. It is nonetheless an interesting pilot scheme in acclimatising western buyers to Chinese made vehicles.

There has been precedent for the seemingly impregnable fortresses of the Western brand companies to be breached by relatively unknown companies. Anheuser Busch, "King of Beers", fell to a hostile takeover from Inbev, which itself was created through a series of mergers that originated in Brazil. The CEO and many of the senior management of what is now one of the largest consumer companies in the world, hail from the Brazilian origins of this company.

Carrefour, one of the world's largest retailers, has recently been in the press with an approach to restructure their Brazilian operations via a merger with a competitor to create a national champion. There are many hurdles to this proceeding, not least of which is that Carrefour's arch competitor in France, Casino, owns a large stake in one of the Brazilian companies. Carrefour has had a difficult period with its own operations in France together with the added complexity of pressures and differences between the management, the board, shareholders, employees and unions.

Perhaps in their enthusiasm to divert attention away from the challenges in the home markets, the willingness of Carrefour to embrace the approach of their Brazilian competitor overlooks the possibility that, like Anheuser Busch, they too may find themselves succumbing to what may today seem unimaginable.

Outlook

The Fund has a number of investments in companies that have desirable brands that may eventually be subject to takeover offers. By no means is that a selection criterion for our initial investments but rather an outcome of having companies that have successfully managed their brands and market positions to the point of being attractive to other industry participants.

Mulberry is likely a good example where a relatively unknown brand at the time of our initial investment, must now be on the radar of the larger luxury goods companies. We have previously written about the Fund's investment in the leading Chinese confectioner Hsu Fu Chi, so it comes as no surprise that they are currently in discussion with Nestlé.

It is likely that we will see more merger or acquisition activity which may serve to remind that despite the adverse headlines across the world, valuations are not unreasonable and there continues to be some quite robust areas of growth. That the source of growth in consumer spend is evidently in the emerging markets is well understood by both corporate management and investors. The Fund is therefore more likely to find value in companies that are being overlooked due to their under representation in the faster growing markets or where they may be viewed as attractive distribution partners in the mature markets.

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: 30 April 1995
   Platinum Unhedged Fund: 31 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

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 30 June 2006 to 30 June 2011 relative to their Index (in A$) 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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