Platinum International Brands Fund

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Disposition of Assets

REGION	JUN 2014	MAR 2014
Europe	30%	34%
Asia and Other	26%	26%
North America	9%	10%
Latin America	7%	7%
Japan	5%	5%
Russia	3%	3%
Africa	2%	2%
Cash	18%	13%
Shorts	6%	6%

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

Performance and Changes to the Portfolio

(compound pa, to 30 June 2014)

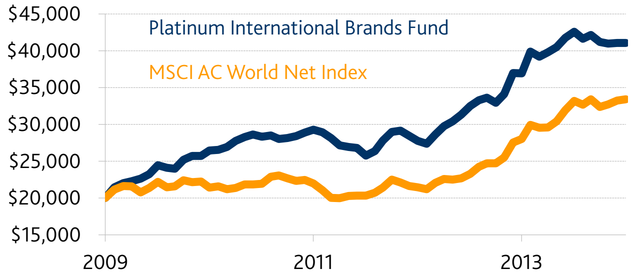
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	0%	11%	12%	15%	13%
MSCI AC World Index	3%	19%	15%	11%	0%

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

The Fund's short positions and a relatively higher exposure to emerging markets were the key detractors from the quarter's performance. India's Nifty Index, one of the world's best-performing markets, has risen 13% over the period on optimism surrounding the change in government. Although there is much that can be done by this new government, with good cause for long-term enthusiasm, the Fund has taken a more cautious view and maintained the short position. In Germany, the cost of maintaining the short position was not recovered by the performance of the underlying holdings.

Value of $20,000 Invested Over Five Years

30 June 2009 to 30 June 2014



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

There were mixed outcomes in the quarter across the stocks; the UK stocks tending to detract from performance as interest rates start to rise, while patches of positive performance showed through in some of the weaker emerging markets. On a distinctly more positive note, the more recent additions to the Fund in the jewellery sector such as Tiffany and Gemfields, both showed signs of early and encouraging performance. The Fund has confidence that this theme will endure for a number of years and has continued to add to these holdings as well as to the leading Chinese jeweller, Chow Tai Fook. Likewise, previous reports have noted the Fund's interest in tourism and those investments have also shown good short-term performance.

Commentary

The financial market's commentary on the state of the Chinese consumer and their willingness to lift consumption has not been encouraging over the past year, especially in the more indulgent and luxury categories. Clearly much of this has been linked to the anti-corruption purge and restrictions on largesse being pursued by the central administration. The more positive commentary from some of the Fund's investments might therefore initially appear at odds or contradictory to the somewhat negative perceptions of the economy.

Chow Tai Fook reported revenue and profit growth of over 30% for the past year with an even higher growth in mainland China. We certainly wouldn't expect that to continue unabated, although it does serve to illustrate the potential in a market that's currently considered suppressed or subdued and certainly out-of-favour with the investment community.

Chow Tai Fook continues to add to their store base of more than 2000 outlets at the rate of about 10% a year and we would expect an increase above that in the overall revenue of the company. Perhaps more encouraging is the growth in gem-set jewellery, at potentially much higher margins and in particular the development of diamond jewellery. It was therefore encouraging to see Chow Tai Fook acquire the US diamond jeweller " Heart of Fire" and hence the opportunity to more quickly develop their focus on higher value diamond products, especially the premium bridal collections. Our discussions with various diamond miners across the world have been encouraging and confirm that the Chinese consumer clearly has the potential to overwhelm a limited supply in the years to come.

Readers may chose to dismiss the Chow Tai Fook commentary as perhaps an isolated example and not particularly representative of the underlying dynamics of the Chinese consumer economy. It may not be intuitive given the overall economic commentary, however, the Fund is finding a number of opportunities and examples of healthy growth at prices that seem to reflect the investment community's apparent disinterest.

The Fund has continued with its investment in BMW and also in their Chinese JV partner Brilliance. This may not have seemed such a wise choice with reports that wealthier consumers are suffering from greater government scrutiny, weaker property markets, credit restrictions and new car licence restrictions in the major cities. Nonetheless, the Chinese car market has continued to grow in excess of 10% pa, faster than the economy and within that, the luxury car makers have significantly outperformed the domestic producers.

Might this be explained by the ability of the luxury German producers to utilise their balance sheet? In an environment where credit has been increasingly difficult to obtain, they have extended credit to their dealer network to stock the showrooms and incentivised the sales staff to offer credit to prospective customers. The local producers and dealer networks are less able to do this without the benefit of strong (offshore) balance sheets, having mostly relied upon the Chinese banks and financial system.

A young employed male consumer might be faced with some interesting choices. Is he to save for longer to contend with the daunting prices of apartments or instead consider the purchase of a vehicle in his attempts to distinguish himself as he contends with the difficulties of being outnumbered in the pursuit of a partner?

If he were to look at one of the local brands then most likely he would be required to fund the entire purchase price in cash. Alternatively, his cash could be used for a deposit on a BMW with credit obtained at zero interest. BMW dealers are reporting between 50 and 70% of sales made on credit, and a year-to-date increase in sales of over 25%. Perhaps it's not so difficult to imagine that despite the headlines there is still a growing and vibrant consumer economy with enormous opportunity. We trust our exemplar young man also retained sufficient funds for a diamond ring!

As regular readers would know, there's always been an inherent reluctance on our part to add commentary to the major press topics of the day. So to pose a question such as "Who is the greatest footballer of all time?" might appear out of place. We are grateful to Mr John Clemmow of Barclays for posing just that question and found his commentary to be not only timely but also especially relevant to the current positioning of the Fund. With his permission we would highlight a couple of key points.

The answer it seems depends on your age! As does your answer to many similar questions about your 'favourites'; movies, authors, film stars. Many would likely agree that their preference in music is quite different from that of their parents and hopefully their teenagers! In psychology terms, Mr Clemmow explains there's something called "reminiscence bump" and it's the reason your favourites are often from your youth. It's when your mind is at its most efficient and the creation of memories the strongest. The magic number appears to be 17! That's the age when the strongest impressions were made on you. If you were born between 1966 and 1975 the researchers found that Maradona was favoured, whereas Pele was the favourite for those born between 1946 and 1955.

Is this really just about reliving impressionable teenage memories? The world's population of adolescents and youth is at an all time high! The advertising and consumer goods industry understand very well the future benefits to be reaped from building those strong associations and identification with particular products and brands. Building the trust, perceptions and memories, adapting to and reinforcing each generation's identity is the underpinning of the successful companies. It's applicable not just to those brands associated with aspirational 'success' but also the everyday local brands that a generation grows up with; it is the equivalent Vegemite and Coke of the current youthful generation across the globe that we seek as investments for the future. It is also the reason, along with price, that the Fund has a significant interest in the youthful emerging and developing economies.

Outlook

The Fund has continued to add to positions in emerging markets as volatility and falling share prices provide longer term opportunity. On a shorter term basis there are encouraging signs of interest in some markets and investments that have more recently subdued the Fund's performance.

As noted in the commentary, the Fund's Chinese consumer-related investments have started to perform well. There's good reason to be encouraged about the changes underway in India, the Fund's Russian and Brazilian holdings are recovering, while Europe, with some of the Fund's larger investments, continues to repair and rebuild their economies.

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$20,000 invested in the relevant Fund over five years from 30 June 2009 to 30 June 2014 relative to their Index (in A$) 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.

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

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