Platinum International Brands Fund

Simon Trevett Portfolio Manager

Disposition of Assets

REGION	JUN 2016	MAR 2016
Asia	28%	29%
Europe	23%	23%
Japan	10%	9%
Latin America	10%	11%
North America	9%	12%
Russia	2%	2%
Africa	1%	1%
Cash	17%	13%
Shorts	-3%	-3%

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

Performance and Changes to the Portfolio

(compound pa, to 30 June 2016)

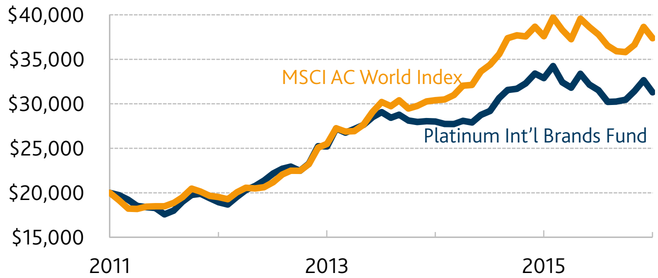
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	3%	-5%	7%	9%	12%
MSCI AC World Index	4%	-1%	14%	13%	2%

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

The Fund's performance for the quarter, whilst positive at 2.8%, was impacted by the market turmoil late in June. For further commentary on the UK referendum and its implications, readers are encouraged to refer to the 'Brexit Commentary' in the Platinum Journal on our website. In respect of the European holdings of the Brands Fund, many will ultimately benefit from the currency falls through the impact on both inbound tourism and their international earnings. Other than the speed of the reaction, it's not surprising that in the days following the UK vote there have been numerous reports of a surge in enquiries and bookings to the UK from both American and Chinese tourists.

Value of $20,000 Invested Over Five Years

30 June 2011 to 30 June 2016



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

Additions to the Fund in the quarter include **Stada Arzneimittel AG** and **Lixil Group**. Our last quarterly report referred to the Fund initiating an investment in the area of consumer healthcare and over-the-counter (OTC) pharmaceutical products. The investment discussed, but not disclosed, was in the German-listed **Stada**. The company has rather quickly performed ahead of expectations as changes to its management and board as well as the involvement of activist shareholders highlighted the potential for improvement. Stada's core business has been in the generic drug industry. However, given price pressures and global consolidation, the company chose to increase its focus on the less regulated and higher margin branded consumer and OTC business. The branded product range favours strong local brands such as the cough and cold products Covonia (UK) and sunscreen Ladival (Germany), amongst others.

Over the quarter we continued to add to our position in **Lixil**, a Japanese building materials and housing equipment manufacturer. Some readers may be familiar with a few of Lixil's products such as the Grohe faucets. Lixil acquired many home improvement companies under the tenure of its previous CEO. A change of CEO and subsequent changes across the management team, including reductions in compensation, signal a strong intent to rationalise operations and gain control over a group that expanded quickly and without the requisite integration. Recent declines in Lixil's share price provided the opportunity to build a position in the knowledge that it will undoubtedly take some time for the investment case to unfold.

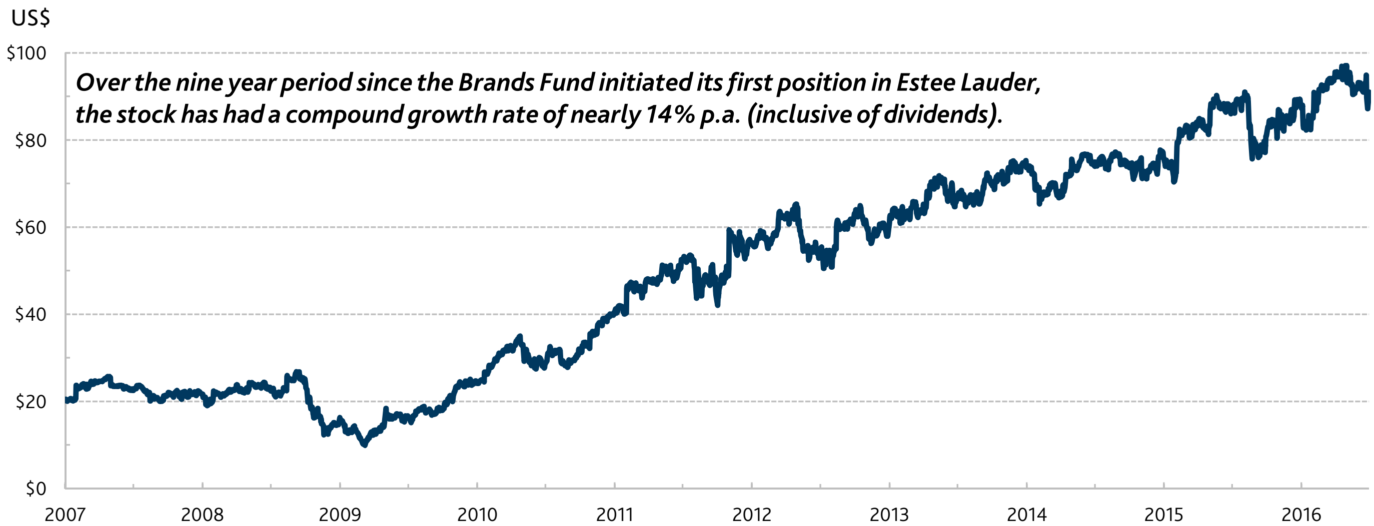
The Fund has continued to sell or trim several holdings as the prospect of politically induced volatility increases alongside concerns around the persistence of low growth rates. For many of the iconic consumer companies this is also set against a backdrop of near peak valuations.

Commentary

The concerns of low growth, major swings in currency and limited opportunity to raise prices in a world with little inflation is a growing refrain by senior management. It is perhaps also behind the changes that we are noting in the ranks of some companies that have failed to live up to their longer term plans. The Swiss giant **Nestle** recently announced its appointment of a new CEO who is not only an outsider to the Nestle group, but also to the industry, as is Nestle's new CFO who joined last year from a pharmaceutical company. One suspects that some difficult decisions are waiting to be made which might be better achieved with external appointments devoid of the accumulated influences and pressures. In recent years, Nestle has consistently failed to meet its revenue growth targets and continues to lose market share in several businesses, although that may not be readily discernible from a cursory inspection of the share price. That Nestle has not made an external CEO appointment since 1922 perhaps underscores the challenges even the best of companies are now facing.

Estee Lauder has been a long time holding of the Fund and we've enjoyed following the evolution of the company from

Estee Lauder Share Price



Source: Bloomberg

what was essentially a family run company – with margins below the cosmetics industry's average – to one of the leading global cosmetic companies with some of the world's best known brands today. Estee's brand M.A.C has been especially noteworthy with a compound growth in excess of 20% p.a. over more than 20 years since Estee first acquired control of the brand in 1994. As a case study in brand management, it has been exemplary.

Although we continue to believe that Estee has many opportunities ahead, and we will continue to follow new initiatives such as the launch of Estee Edit with Kendall Jenner in Sephora, there are a number of challenges that cause us to reconsider whether we can reasonably expect the same multi-fold increase in our investment that we enjoyed over the past decade. A declining interest by consumers in the US and the UK in visiting shopping malls and department stores is further exacerbated by the widening product range of online retailers such as Amazon and its very effective Prime membership. The company has also been facing increased competition in the lucrative travel retail and duty free market, particularly by Korean companies for the Chinese travellers, as well as the challenge that's been evident for some time in bringing younger users to the Estee and Clinique brands in the face of rising interest in local and natural brands and products. We don't doubt Estee's ability to meet the challenges, however, at the current valuation we would prefer to seek other opportunities.

The companies mentioned in this report – Estee, Stada, Lixil and Nestle – amongst many others, have used acquisitions as a key contributor to their long-term growth. As pressures continue to mount, not only through the lack of pricing power in a low inflation, low growth environment, but also through rapid changes in their distribution channels and geographic sources of growth, brand companies that have designed their operations around lengthy supply chains that involve distributors, wholesalers and retailers are finding the impact of e-commerce websites, which eliminate such layers, a growing challenge to their profitability.

Not only do e-commerce companies often operate with low inventory, but they are also continually looking for ways to reduce delivery time to consumers and hence requiring suppliers to improve the responsiveness of their supply systems. Even the 'in-house' e-commerce offerings of the incumbent companies must react to similar dynamics to be effective. The opening-up of a predominantly lower margin distribution channel is, without a doubt, going to continue to be disruptive to the current majority, be they department stores or the manufacturers; price discovery, fragmenting of market share as new products more easily find online 'shelf space' and, for many of the existing participants, a slow and costly prospect of adapting their operations. It is also worth noting that despite a benign backdrop for input costs and extensive cost reduction programs, many were struggling to show more than mediocre profit growth before recognising the need to adapt to the changing landscape.

One might conclude that there's a despondency brewing around these disruptive forces. Far from it! We are encouraged by the growing realisation by management teams that a more positive and innovative approach is required, whether that is in product or packaging design or a new approach to manufacturing, such as that being tested by Adidas with their robotic SpeedFactory.

Outlook

It is likely that we will see an increase in acquisitions and divestments as companies increasingly react to the political, economic and operational uncertainty that has undermined their long-term growth targets. In some cases, such as Nestle and P&G, it may continue to be decisions around which categories to compete in and hence will involve both divestments as well as acquisitions. Others, such as the recent bid by Henkel for Sun Products to become the number two in the North American laundry market, or the launch of a bid by Mondelez for the US confectionery company Hershey, are more clearly aligned with gaining market share and reducing costs in their core businesses. The recent market declines and increased volatility, including in the currency markets, should provide corporate management teams with some interesting opportunities to acquire assets at lower prices. Similarly, the Fund is also seeing an improving outlook with more options appearing than has recently been the case.

Platinum has a long-standing policy of awarding fund management responsibility to talented and capable members of the Investment Team in order to develop talent within the team. As a continuation of this policy, consumer sector analysts, Ian Carmichael and James Halse, have each been given responsibility to manage up to $100 million of the Platinum International Brands Fund.

Notes

1. The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified 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 in the 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$20,000 invested in the relevant Fund over five years from 30 June 2011 to 30 June 2016 relative to the relevant benchmark index (in A$) as per below (the "Index"):
   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 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.

Disclaimer

This publication has been prepared by Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 trading as Platinum Asset Management (Platinum®). Platinum is the responsible entity and issuer of units in the Platinum Trust® Funds (the "Funds"). This publication contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons') investment objectives, financial situation or particular needs, and should not be used as the basis for making investment, financial or other decisions.

You should read the entire Product Disclosure Statement for the Platinum Trust® Funds ("PDS") and consider your particular investment objectives, financial situation and needs prior to making any investment decision to invest (or divest) in a Fund. You should also obtain professional advice prior to making an investment decision. You can obtain a copy of the current PDS from Platinum's website, www.platinum.com.au or by phoning 1300 726 700 (within Australia), 02 9255 7500 or 0800 700 726 (within New Zealand), or by emailing to invest@platinum.com.au.

No company or director in the Platinum Group® guarantees the performance of any of the Funds, the repayment of capital, or the payment of income. To the extent permitted by law, no liability is accepted by any company in the Platinum Group or their directors for any loss or damage as a result of any reliance on this information. The Platinum Group means Platinum Asset Management Limited ABN 13 050 064 287 and all of its subsidiaries and associated entities (including Platinum).

Some numerical figures in this publication have been subject to rounding adjustments.

MSCI Inc Disclaimer

Neither MSCI Inc nor any other party involved in or related to compiling, computing or creating the Index data (contained in this Quarterly Report) makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI Inc, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the Index data is permitted without express written consent of MSCI Inc.