PLATINUM INTERNATIONAL BRANDS FUND

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PERFORMANCE

The Fund appreciated by 8% in the quarter, recovering much of the loss of the previous three months. By comparison the MSCI World Index appreciated only 1.5%. Over twelve months the Fund has fallen in value by 11.7% and whilst this loss in value is disappointing, it compares favourably to the MSCI World Index loss of 18%. The Fund continues to have a very different disposition to that of the Index with very little exposure to financial, energy and resource stocks.

Currency has also played a role. The appreciation of the Australian dollar from a low point seven years ago has been commented on regularly in these quarterly reports as having negatively impacted performance. Notwithstanding this headwind, the Platinum International Brands Fund has returned 11.8% pa over this period compared with a decline of 0.7% pa in the MSCI World Index.

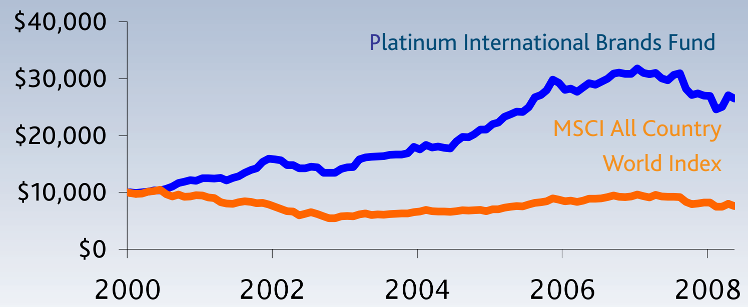
Despite the past impact on performance, the Fund's net exposure to the Australian dollar was kept low. A net exposure of circa 6% to the Australian dollar at the start of the quarter has underpinned the recent performance. Whilst it is difficult to find examples of stocks appreciating in the quarter, a number of investments that *declined* in their native currency provided *positive* returns to the Fund.

DISPOSITION OF ASSETS

REGION	SEP 2008	JUN 2008
EUROPE	39%	38%
ASIA	22%	21%
JAPAN	13%	12%
NORTH AMERICA	6%	7%
SOUTH AMERICA	3%	2%
CASH	17%	20%
SHORTS	1%	10%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
18 MAY 2000 TO 30 SEPTEMBER 2008



Source: Platinum and MSCI. Refer to Note 2, page 36.

With the occasional exception, the contribution from companies in Japan, Asia and Europe was negative in local currency. Estee Lauder appreciated in the quarter in its native currency, as did the Fund's Italian investments; Tod's, Campari and Piaggio.

The markets have continued to be concerned with the consumer's capacity to spend on luxury or discretionary items, favouring instead the providers of staples. Accordingly, the shares of companies such as Kellogg, General Mills, Campbells (Soup) and other well known consumer staples have generally fared well. The management of these companies continue to be optimistic, highlighting the benefit of falling commodity prices and a growing preference for eating at home.

For those investors who are restricted by Index concerns, the apparent security of the consumer staple stocks has proved comforting and indeed relatively rewarding. However, the relative as well as absolute valuation is becoming increasingly indefensible; accordingly the Fund initiated a short position in Proctor and Gamble.

COMMENTARY

The contamination of the milk supply in China provided an opportunity to buy the market leading company, China Mengnui Dairy Co, at a much reduced price. The impact on the earnings of the company in the near term will be significant, however, our experience of these types of incidents is that, if properly managed, the company can rebound somewhat more quickly than the headlines might suggest.

A product recall, not unheard of in many well known consumer companies, is perhaps a rather drastic example of a how a stock might quickly lose two thirds of its value. More generally and perhaps more indiscriminately than we might like, companies that we know well are being offered at tempting prices. How to evaluate these opportunities prospectively with an appropriate degree of circumspection on future earnings is the more interesting question.

Stocks are being offered with apparently no regard for decades of consistent performance or even the current balance sheet, with valuations increasingly below book value. The strength of the brand, which often is not considered on the balance sheet, can underpin earnings over the longer term and provide a degree of confidence.

This tension over prospective earnings is evident not only in the revised pricing of stocks but also explicitly in the meetings between analysts and corporate management. There have been two particular areas in our focus: the robustness of growth in emerging markets and the impact on sales of price increases.

In this first area, management teams continue to espouse enthusiasm and report little sign of slowdown in their emerging market businesses. Compared with the household balance sheets of Western consumers, we would share some of their optimism albeit with a healthy degree of scepticism as to when they will start to report a slower growth achieved at a higher cost.

Regarding the second area of focus, in the enthusiasm of expansionary times the successful maxim was more for more. This was interpreted in different ways but generally manifested in a shift to

higher priced products. *Trading up, Affordable Luxury, Premium Product, Masstige (prestige for the masses) etc.* However, as the pressure intensifies to maintain past rates of sales and earnings growth, various bad practices start to reappear, especially the brand damaging practice of offering *less for more*.

Now, branded goods companies are clearly adept at marketing. We have also observed and written regularly about the astuteness of consumers to see through brand damaging activities, especially when being charged more for less. When in all earnestness senior management describe the success of initiatives such as "price pack architecture" as an indication of 'pricing power' we are instinctively concerned about earnings projections. When management defend the resultant loss of volume as a positive outcome, we are even more circumspect.

Our attempts to understand this propaganda lead us to conclude that it is essentially jargon for subterfuge; similar to increasing the facing (front dimensions of the packaging visible on shelf) whilst reducing the contents. Likewise, changes to bottle sizes may be relatively easy for consumers to detect; more insidious though are reductions in (expensive) active ingredients that impact product performance and lead to more damaging consequences for the brand and corporate earnings. Vigilance in the supermarket aisles for investors and consumers alike will become increasingly necessary.

These antics are not new and whilst they may appear to support near-term earnings, they can invariably lead to longer term difficulties. We are finding opportunities to take short positions in those companies that might best be described as having an undue focus on short-term earnings.

OUTLOOK

Expansionary management teams have been thwarted by the difficulties of raising debt or issuing equity. Prudent management teams who were not tempted by *strategic urgency* to compete with the now absent financial buyers of assets, find themselves with strong balance sheets and a growing list of opportunities. Having the patience to manage their businesses over generations, rather than financial quarters, might seem like an indulgence. It may also seem to be a rather irreverent observation on our part, but we will continue to scrutinise these companies carefully and watch to see welcome signposts emerge to validate our judgements.

The volatility in the markets and the ongoing headline concerns will provide opportunities to acquire leading branded goods companies at some compelling valuations. Rising unemployment, curtailed credit and falling asset prices might suggest an extended contraction in earnings to be the most probable outcome for many companies. Indeed, we would even question whether the reality of such difficult conditions is yet fully reflected. Within this maelstrom there will be companies with superior market positions that take advantage of the weakness of competitors and of the strength of their brands to improve their relative standing. The Fund will likewise continue to take those opportunities to invest in superior companies at attractive prices.