Platinum International Brands Fund

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Disposition of Assets

REGION	SEP 2011	JUN 2011
Europe	31%	34%
Asia and Other	26%	26%
North America	8%	8%
Japan	6%	6%
Latin America	5%	5%
Cash	24%	21%
Shorts	4%	6%

Source: Platinum

Performance and Changes to the Portfolio

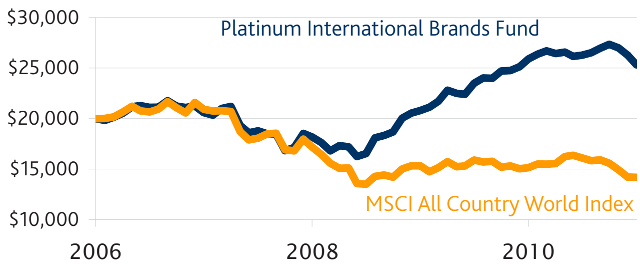
The Brands Fund declined by 7.4% for the quarter compared with the 9% fall in the MSCI All Country World Index. On a 12 month basis the Fund is now also showing a decline of 2.2% albeit somewhat ahead of the MSCI World Index decline of 6.4%.

Notable in the quarter was the increased volatility and towards the end of the quarter a more indiscriminate approach by the market to selling stocks. This rush to sell seemingly based on heightened concerns that every major region of the world would now be constrained by a global recession.

In the last quarterly report it was noted that the Fund had been too early in positioning for increased volatility ahead of an expected loss of confidence in the face of the woeful global macro economic headlines. A somewhat early view to increase the Fund's cash position perhaps also led to an

Value of $20,000 Invested Over Five Years

30 September 2006 to 30 September 2011



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

increased, albeit implied, optimism around the resilience of some of the Fund's holdings. Nonetheless, as discussed below, the commentary from the corporate management teams and the continued delivery of robust results are at odds with the volatile and at times precipitous treatment of some of the Fund's holdings.

The Fund had previously benefited from holding stocks perceived as defensive together with a relatively higher cash position. Given the more indiscriminate selling by the markets, even those companies have been significantly marked down. At quarter end it would have been more effective to hold higher short interest positions rather than cash, whereas earlier in the quarter a higher cash position was proving more effective. The Fund will remain positioned with relatively higher cash levels and engage opportunistically in buying stocks that are discounting extreme outcomes.

The Fund has been selective in its activity during the quarter, mostly selling from some of the better performing stocks and adding where the volatility presented opportunities. It is only towards the end of the quarter that buying opportunities have been more prevalent.

Commentary

The contradiction and challenge for the Fund is to balance the understanding that the macro economic conditions are far more difficult and complex than have been seen for some decades, against the commentary from corporate management, that prima facie, is far less dramatic. The resolution of the economic backdrop would appear to be, for the moment, in the hands of a relatively small number of politicians. A more immediate consequence of which is markets that are highly sensitised to the headlines and reactive to politician's comments.

Against the backdrop of unfathomable macro economic challenges and associated headlines there have been disparate, and at times surprising, responses by the consumers. For example, light vehicle sales in the US have grown by 10.4% in 2011, with September sales continuing to track that at 9.9% above last year. Within that, BMW brand sales posted a gain of 19.3% for the month with the company posting an increase of 14.1% for the year.

Clearly with a drop of 30% in the share price of BMW over the quarter, the market has been concerned about things other than the rate of sales in the US. The obvious question might be the dependence on profitability from China and adverse headlines about discounting in that market. The headlines on discounting are true *and* misleading. Much the case with many headlines in the financial markets that seek to exaggerate, or rather exasperate, the emotional state of market participants.

The volume profit earner for the company is the 3 series which is undergoing a model change. The discounting is reflective of planned stock clearance ahead of the new model and we were advised of it when visiting the Chinese dealers more than a month ago. More relevant perhaps, is that the discounting does not directly impact BMW since it is the 5 series and 7 series that are imported to China and not the 3 series which is locally produced and accounted for by the joint venture partner.

Certainly luxury car sales are showing signs of slowing in China. Another somewhat misleading statement? Sales continue to grow, there are waiting lists, the run rate is significantly higher than any sensible forecast that was made at the start of the year, however, the rate of growth has changed. Year-to-date, the premium segment is 40% up on last year. It may not finish the year at that rate of growth, however, even with a noticeable slowdown it is difficult to reconcile with the valuation of the company. We forecast BMW cash earnings before tax to be less than two times the enterprise value of the firm even allowing for a drop in earnings.

We monitor closely the sales of luxury goods from Hong Kong. The numbers have continued to be extraordinarily strong, although more importantly the commentary from management has been somewhat optimistic. The previous quarterly report described the astounding strength of Swiss watch sales to China, bearing in mind the strength of the Swiss franc. Sales have accelerated from the 41% for the first five months of the year to be up 47% to the end of July and up 44% in August! Anecdotes of queues outside shops in September and October continue despite the rain.

Yet the share prices of our holdings in Hong Kong watch and jewellery retailers have declined by more than 40% in the quarter. Ongoing robust trading suggests that these companies will continue to report strong earnings growth for a while yet and with the share market offering these stocks to us at earnings multiples of 5-10 times, along with dividends, we are starting to see some attractive buying opportunities.

Not all companies are enjoying ongoing robust growth. In particular, the large well-known US brand companies are increasingly finding their large domestic market to be a drag on their results. Recent reports from companies such as YUM! brands (KFC, Pizza Hut etc) highlight the difficulties in the US, whilst enjoying continued growth and opportunity in the developing markets. Kraft is taking a more radical approach having decided to become two companies, splitting off the faster growing international confectionary and snack company. Fortune Brands has similarly decided to shed the more difficult businesses and focus on spirits, renaming themselves Beam Inc.

High on the gossip and speculation list is now Pepsi, which clearly has a significant opportunity to split their business into Frito Lay and a beverages business, notwithstanding the intense focus on the "Power of One" campaigns designed to extract the benefits of having both businesses work together. We are not convinced that Pepsi is ready to initiate such a move despite the financial markets clamouring for access to developing markets and higher growth product sets without the drag of a mature low-growth US business.

It is during these difficult times that the better managed companies that were well-prepared showcase their strength. At a recent meeting with the CEO of one such company we discussed numerous examples where they are taking market share from weaker participants now that conditions have become more demanding. Recessions, or at least more difficult conditions, have generally been useful in redistributing market share back to the stronger participants.

Many of these stronger participants have strengthened their balance sheets and are now finding themselves in a preferred position to borrow funds. The debt markets are willing providers to these companies and at rates that are minimal by comparison to the returns being generated, and in any case, significantly less than over recent decades.

Consistent with the obvious repositioning of companies towards growing markets, together with exceptionally cheap funding, it is no surprise to see increasing speculation on mergers and acquisitions. The Fund owns SABMiller which has recently been the subject of increasing speculation that they would fit well with Anheuser-Busch Inbev (ABI).

Many of the arguments put forward are logically based on the benefits and good fit surrounding such a merger.

Less discussed though is the outcome in China and the Snow Beer joint venture that SABMiller has with China Resources Enterprise. North America and Europe combined account for 40% of global beer volumes compared to China's 28% with China now larger than each of them. However, on a profit basis China generates 1/15th the profit of those markets. Perhaps the question for ABI is really about addressing being less than half the size of the Snow joint venture in China and having a competitor that is rapidly building operational expertise in what's set to become the most important opportunity for profit growth in the global beer market.

Outlook

There is no doubt that there will be immense challenges faced by the companies in various markets. Interestingly though, this may not be as straightforward as the headlines or catch phrases may suggest. There will likely be greater surprises along the way that defy the literal interpretation of the economic headlines.

Ongoing volatility will provide opportunities especially now that valuations and stock prices have been set at lower levels. The Fund is well-placed with its relatively high cash balance to participate opportunistically.

The Fund has a greater breadth than might be initially perceived. Direct and indirect exposure to growing markets and product categories, developing and emerging markets, whilst selectively maintaining an exposure to the most profitable, albeit slower growth, 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$20,000 invested in the relevant Fund over five years from 30 September 2006 to 30 September 2011 relative to their Index (in A$) 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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