Platinum International Brands Fund

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Disposition of Assets

REGION	SEP 2013	JUN 2013
Europe	35%	32%
Asia and Other	29%	29%
North America	9%	8%
Latin America	7%	7%
Japan	5%	6%
Africa	2%	2%
Cash	13%	16%
Shorts	7%	5%

Source: Platinum

Performance and Changes to the Portfolio

(compound pa, to 30 September 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	8%	34%	13%	15%	13%
MSCI AC World Index	6%	31%	12%	4%	-1%

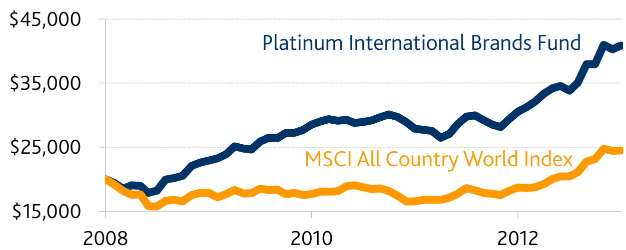
Source: Platinum and MSCI. Refer to Note 1, page 4.

The Fund's performance over the past year at 33.8% and 7.8% for the quarter was ahead of the MSCI World Index. Whilst always preferring to comment on performance in the context of the Fund's investment timeframes (3 to 5 years), the last quarterly report had commented on the Fund's six month performance being below the market. The six month performance of the Fund at 21% this quarter end has improved to now be slightly ahead of the market index.

Whilst any period of underperformance can raise questions, it is worth noting that this Fund will, from time to time, have periods of underperformance. There are several factors that can influence this, including the overall market conditions and more specifically which areas of the market are currently at

Value of $20,000 Invested Over Five Years

30 September 2008 to 30 September 2013



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

the top of the performance tables and whether the Fund has sufficient weighting. The Fund has, over the years, been able to mitigate (or enjoy!) the various hotspots of equity fashion through its global and somewhat diverse range of holdings.

Significantly more relevant though are the individual performances of the Fund's holdings and the relatively low turnover, with positions built and held over a period of years rather than months. In the past six months, the Fund has been more active in repositioning the Fund which has resulted, for the moment, in an increase in the number of holdings.

As noted in the last report, the Fund had been increasing its interest in on-line retail, specifically to the leading European on-line fashion retailer Zalando. The Fund continued to build positions in Callaway Golf and Puma, both initiated in the prior quarter. The Fund sold out of Adidas as the stock reached all-time highs, having held that investment for several years. A short position was initiated to provide some partial protection on any significant volatility in the technology stocks.

Enterprise Inns, the UK pub company, is the standout contributor to both the quarter and annual performance as the market continues to build confidence that this company can restructure its pub estate whilst reducing the debt burden. There remains considerable value to accrue to shareholders as this process continues over the next two to three years; a reasonable scenario suggesting the share price could still double from these levels. China Mengniu Dairy and BMW's Chinese partner Brilliance continue to contribute strongly.

Commentary

The market is clearly aware of the growth in on-line apparel and footwear sales as evidenced by the success of companies such as the UK listed ASOS. Currently capitalised at £4 billion for annual revenue of £770 million, with the last quarter's reported revenues growing at an enviable 47% (40% for the full year). Zalando has likewise seen stellar growth since its founding in 2008, reaching annual sales of €1.2 billion in 2012 and with first quarter 2013 growth reported at 74%.

There are some important differences between the two, not least of which is that ASOS is profitable. That is likely driven by a number of factors including the higher proportion of more profitable private label offered by ASOS and a lower product returns rate at around 30%. Zalando has been actively expanding, at a cost, into more countries building more logistics capacity and has a product return rate of around 50%.

Traditional retailers would likely consider a 50% product return rate something of a disaster! It is interesting to note that the behaviour patterns of on-line consumers are very different by nationality. Germans are much more likely to buy multiple items and return the unwanted ones; the company is even able to track this behavioural difference in the Germanic regions of Switzerland compared to those of more Italian or French influence. Return rate in itself is only a partially useful measure, with profitability more dependent on the ability of the company's logistic systems to efficiently handle the flow. Importantly, Zalando notes that in Germany, with the highest return rate, they are already operating at break-even.

The Fund has been able to accumulate an interest in Zalando at a valuation of around twice revenues compared with ASOS which the market currently prices at circa four times.

So does this imply that traditional retailers are unlikely to be a good investment as they cede share to the on-line market? Certainly those that don't embrace the changes in technology and buying habits of consumers may fall by the wayside. But is that really much different from past cycles where the evidence of once mighty stores is now only a heritage listed building turned over for alternate uses? The difference today is perhaps the speed of change and exponential escalation in difficulty to catch up once left behind.

The Fund's interest in multi-channel retailers has been highlighted over past reports with the UK retailer Debenhams one of the Fund's larger positions. Debenhams recently reported their on-line sales grew at 46% representing 13% of total sales. On-line visits increased to 240 million and sales from mobile devices, including tablets, up over 200%. This rate of growth is consistent with the on-line market and reflective of consumers increasingly integrating mobile technology into their daily activities and lifestyle.

It isn't just about keeping up, modernising or stemming the loss of share to the on-line participants. It is also about adapting, learning and exploiting the advantages of having stores, offering exclusive brands and building the loyalty of existing customers for a more profitable outcome.

Debenhams multi-channel customers are worth 1.7 times their average store-only customer and 2.4 times their average on-line only customer. Debenhams, as a multi-channel retailer, is at a fraction of the valuation of the on-line participants.

There is much to be learnt and the speed of transition difficult as perhaps more than ever before it is the consumer that is setting the pace. Implicitly they are determining the ranking and importance of a multitude of factors not least of which is the impatience of demanding what they want, when they want it and increasingly where they want it e.g. same day delivery to the office or home for an immediate use. The Fund has a number of other holdings where the importance and success of the on-line channel is being understood and we will continue to learn and adapt our investment positions along with our companies.

Many readers are undoubtedly familiar with Callaway's golf products and the company founded by the charismatic Ely Callaway. Since last speaking to this company, well over a decade ago, the market value has fallen to a fraction of its peak as profitability disappeared along with significant market share. A multi-year decline in the rounds of golf being played added to their woes, further compounded by an aggressive and successful competitor in TaylorMade.

So it was with interest that we followed the changes in senior management at Callaway over the past year and their initial moves to refocus this company on what should always have been their core business of producing innovative, high performance golf clubs that are well-marketed. There is little argument that Callaway neglected and drifted from this central proposition over the years.

The challenge is somewhat more difficult now than it might have been given that TaylorMade (Adidas) and Nike are both formidable competitors with deep pockets. Nonetheless there are some positives such as recruiting experienced senior management from the competitors and a more buoyant Japanese market. Golf becomes an Olympic sport at the Rio 2016 games which should stimulate further interest in the sport, especially in the Asian markets where golf is currently gaining in popularity. Japan is Callaway's largest market outside the US so the awarding of the 2020 games to Tokyo may well assist long before we reach that date.

Given the paucity of golfing skills amongst Platinum's fund managers, any insightful and entertaining observations from those more talented and skilled amongst the readers would be most welcome (invest@platinum.com.au).

Outlook

The Fund continues to find opportunities to pursue its current themes such as the ongoing growth in tourism or the developing consumer markets of India and Latin America. The net invested position of the Fund will likely continue to increase as positions in a number of the more recent investments are still being built.

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$20,000 invested in the relevant Fund over five years from 30 September 2008 to 30 September 2013 relative to their Index (in A$) 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. Long invested position represents the exposure of physical holdings and long stock derivatives. The net invested position represents the exposure of physical holdings and both long and short derivatives.

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