Platinum International Brands Fund

Simon Trevett Portfolio Manager

Disposition of Assets

REGION	DEC 2011	SEP 2011
Europe	32%	31%
Asia and Other	24%	26%
North America	9%	8%
Japan	6%	6%
Latin America	5%	5%
Cash	24%	24%
Shorts	6%	4%

Source: Platinum

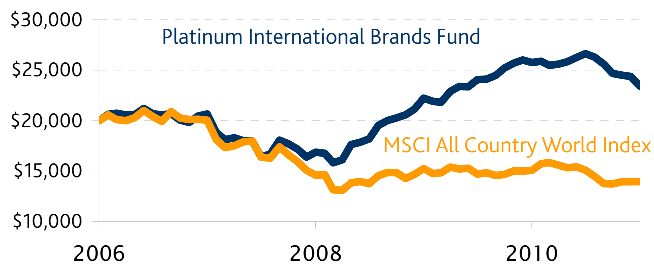
Performance and Changes to the Portfolio

The Brands Fund declined by 5.1% in the quarter compared to a rise of 1.6% in the MSCI World Index, most of this underperformance occurring in the last month.

On a 12 month basis the Fund declined by 9.1% which has not differentiated it from the falls in MSCI World Index, down 7.4%. Whilst the quarterly and annual performance of the Fund is disappointing, there remains a higher degree of conviction in the Fund's investments than may be apparent from these short-term figures. Two stocks were notable contributors to the underperformance in the last month; United Spirits and China Mengniu Dairy with the Fund adding to both at the lower prices.

Value of $20,000 Invested Over Five Years

31 December 2006 to 31 December 2011



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

The range of outcomes in the quarter for the Fund's investments continues to be reflective of the volatile markets with individual gains and losses in the order of 30%. Estée Lauder was up nearly 30% on the quarter whereas several of the Fund's Indian investments were down in excess of 30%.

In Europe, the performance of the Fund's larger investments was better than might have been expected given the woeful and sensational headlines surrounding Europe's financial demise. Pernod Ricard up 15%, Henkel up 10% and despite a slew of negative press reports, BMW ended the quarter about in-line. BMW's in-line performance belies a much wider trading range as the stock responded to negative media mostly to do with slowing luxury vehicle sales and rising discounts in China.

The Fund has been taking the opportunity to add to those investments where the price moves appear to be exaggerated by extraneous or transitory factors. The relatively high cash position has provided some buffer to the volatility, however, perhaps more importantly, it allows the Fund to be selectively opportunistic and accumulate the holdings over periods of market weakness without the need to sell other investments. Several of the Fund's European holdings were increased including Italian listed investments Piaggio and Tods. Following on from the successful reintroduction of the Vespa to Vietnam, Piaggio are now looking to expand to the Indonesian and Indian scooter markets.

Commentary

As with the example of BMW, there remains the contradiction that companies continue to report strong activity whilst the forward looking financial markets prefer to discount a severe slowdown or in many cases, a period of no growth or even contraction. Over the holiday break, BMW, along with the other German manufacturers, reduced their factory shutdowns to one week to meet ongoing demand and manage around their 110% factory utilisation.

The latest data on Swiss watch exports for November to Hong Kong showed year-on-year growth of 37% compared to 18% in October, 45% in September and 18% in August. The numbers for export directly to China were stronger with November at 57% and October at 67%. Similarly, the Scotch and Cognac industries are also reporting that 2011 looks like it will have been a record sales year. So much so that the pressure on aged inventory and potential shortages is leading to significant price increases aimed at dampening demand. Price increases of 20% for the luxury Cognacs have provided some welcome relief on the growth by volume while supporting profitability.

The boom in luxury good sales to China will, by definition, have to slow from the stellar growth rates. Nonetheless, many companies will continue to find the enormity of the opportunity compelling with potentially 10-15% growth enviable compared with their Western markets. The question for investors is what price to pay for companies with access to this growth or to what extent are the companies merely offsetting the declines in their mature markets at greater risk and for no net gain for the shareholder? Clearly, in many cases the management teams are acting rationally, however, it is not always clear that as investors we need to participate while they reposition their companies.

Russia, once the hot topic of conversation, now barely rates more than a mention by the companies or investors. Oil price, politics and the severe decline of the Rouble at the end of 2008 have dampened investor enthusiasm. We recently asked some of our European companies about their experience with consumers in Russia and received surprisingly enthusiastic comments. The March presidential election remains a concern, notwithstanding some pre-election handouts. Consumer spending continues to be relatively strong with household expenditure reportedly stronger even than the robust GDP growth. Relatively low levels of consumer debt and rising incomes are attractive dynamics for many branded consumer companies.

Adidas reported nine month sales in Russia up 23% and continuing enthusiasm to expand their retail presence. Pernod Ricard and Oriflame, both of which have had a challenging time in Russia, enthusiastically discuss the growth and potential for their Russian business. In the case of Adidas, they are also enthusiastic about the recoveries in both their US and China businesses and point to a busy year in Europe with major sporting events.

India has fallen from investor's radar with good reason in many cases. Many of the Fund's investments in India have lost significant value this year and are now at prices where the Fund is again buying. India's per capita income is rising and with a young population, the more recognised listed consumer companies have mostly reflected this in their valuations. The Fund has been adding to a local jewellery company; the sheer number of potential weddings along with demand for gold jewellery, make this an interesting option at a price of only two times earnings along with a dividend. India will likely remain a difficult investment market in 2012 with significant challenges ahead for the economy, yet despite these concerns may still provide the Fund with some attractively priced companies.

Outlook

It would be unrealistic to expect China alone to support the ongoing growth of industries from spirits to fashion accessories to luxury cars, although given the macro economic focus of many media commentators one could be forgiven for concluding that the world's prospects for *any* growth in the near term is almost entirely dependent on China, particularly the Chinese consumer.

So whilst the headlines and the markets reflect on the dire predicament of the global economy there remain pockets of opportunity, some less visible than others, but nonetheless available at reasonable prices to the Fund. The expectations of outsized growth, more recently driven by the Chinese consumer enjoying the excesses of conspicuous consumption and previously by the credit addicted Western consumer, may, however, need to be somewhat recalibrated.

The Fund is finding opportunities, notably in Europe, albeit the dampening overlay of declining markets and at times somewhat indiscriminate volatility has ensured a rather cautious approach by the Fund to applying cash to new investments.

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$20,000 invested in the relevant Fund over five years from 31 December 2006 to 31 December 2011 relative to their Index (in A$) 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.