Platinum International Brands Fund

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Disposition of Assets

REGION	DEC 2013	SEP 2013
Europe	35%	35%
Asia and Other	26%	29%
North America	9%	9%
Latin America	7%	7%
Japan	5%	5%
Africa	2%	2%
Cash	16%	13%
Shorts	8%	7%

Source: Platinum

Performance and Changes to the Portfolio

(compound pa, to 31 December 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	7%	31%	15%	18%	14%
MSCI AC World Index	12%	43%	15%	9%	0%

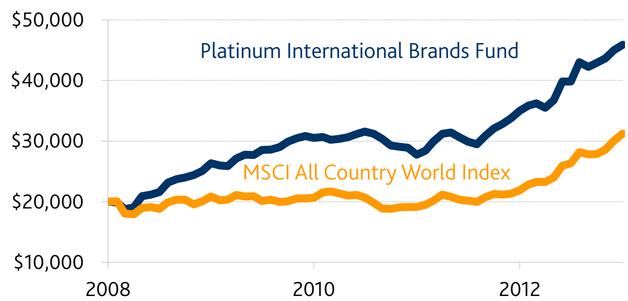
Source: Platinum and MSCI. Refer to Note 1, page 4.

The Fund has returned investors 7% for the quarter, 31% for the year and a five year return of 18% compound pa, whilst continuing to maintain a relatively defensive position with a net invested position of 76%. Some index short positions were added given the extraordinarily low volatility being priced and the opportunity to provide the Fund with some relatively cheap insurance against record setting markets that have shown their biggest annual rise in decades.

The Fund's relatively low net invested position, together with low exposure to both technology stocks and the Japanese market resulted in the Fund underperforming the MSCI World Index which rose 43% for the year. The Fund's low level of exposure to the Australian dollar contributed to absolute performance albeit any Australian dollar exposure detracted from relative performance.

Value of $20,000 Invested Over Five Years

31 December 2008 to 31 December 2013



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

Swedish holding company Investment AB Kinnevik, driven by their stake in the German internet retailer Zalando, contributed most to the quarter's performance, reflective of the market's current focus on technology and particularly internet related stocks. Similarly, Safaricom, the Kenyan mobile phone operator and provider of mobile cash system MPesa, was up ~30% in the quarter.

European holdings were mixed; the Fund's smaller positions performing well such as Folli Follie up ~20%, with the larger holdings detracting on continuing concerns about the Chinese aversion to conspicuous consumption. Notably, the desire for luxury brands by Chinese tourists continues to remain strong.

The previous quarterly report noted an increase in the number of holdings as the Fund repositioned. The Fund sold out of nine investments this quarter for a variety of reasons. Some had performed well such as Sotheby's or Baidu, and some long held positions, whilst providing a positive return, haven't matched expectations or have failed to meet the investment case.

The Fund continues to favour the existing themes of tourism and emerging market consumers, particularly where there is an expanding middle class and evidence of pent-up demand with rising incomes or improved access to products. It remains difficult to appreciate the scale of demand as perhaps a billion new consumers start spending over the next decades, whether that is a first purchase of a packaged consumer product or the acquisition of some luxury products as evidence of an improving lifestyle. The rebalancing of the growing Chinese economy towards consumption will likely be as underestimated as it was for the scale of infrastructure building. Africa, Latin America, India and South East Asia are similarly enormous markets where many brands are still in their infancy.

Commentary

Fabergé is a brand that many readers would associate with cosmetics, particularly Brut cologne. Some might recall the Fabergé name in association with the fabulous jewelled eggs made for Russian Tsars. The House of Fabergé had become Russia's largest and most prestigious jewellery maker producing many more items than the famed Easter eggs, until the Bolshevik revolution.

The House of Fabergé was 'nationalised' and the family fled to Switzerland. It wasn't until after the wars, in 1950 that they learnt their name had been registered and used to sell cosmetics. Having insufficient funds to sustain a legal battle they settled out of court for $25,000, allowing the name to be used for cosmetics. In 1989, Unilever acquired Fabergé Inc for $1.5 billion, which at the time also included Elizabeth Arden cosmetics, previously bought by Fabergé from the pharmaceutical company Eli Lilly for $700 million. Unilever sold Elizabeth Arden for $225 million in 2001 and also subsequently removed the Fabergé name from all its remaining products. More recently in 2007 Unilever divested all rights associated with the Fabergé name for less than $50 million to an investment company.

Clearly not one of Unilever's more successful ventures, although royalties on sales over the decades would have been far more rewarding than the earlier settlement received by the family! Was Unilever's failure to exploit the brand due to their own failings or is Fabergé really ultimately better associated with its Russian heritage as a jewellery brand rather than a cosmetic?

Gemfields Plc merged with the investment company at the start of 2013, effectively acquiring the Fabergé brand for around £65 million. There is good reason for a miner and jewellery brand to be associated. Gemfields operates the world's largest emerald mine providing ~20% of global supply along with Ruby and Amethyst mines. Provenance and being able to certify not only where but also how the gems were extracted seems increasingly important to luxury consumers. Issues such as using heat to enhance the colour of gems or to synthetically produce diamonds, along with concerns of exploitation of the environment or the workforce is increasingly providing an opportunity for companies to brand both the gems (Argyle Pink Diamonds) and the jewellery (Cartier, Tiffany).

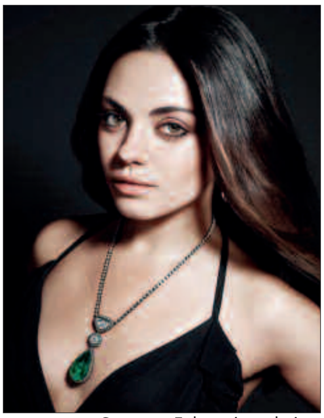
Perhaps more importantly is that jewellery is often presented with a story: an event, a family heirloom, where or when it was bought, an association with the design or gems (birthstones or colours). The jewellery store remains a retail destination and although the internet is used for research, the purchase often remains an emotive event and not easily substituted by on-line purchase or devoid of a 'story'. No doubt readers can associate some of their own family's jewellery with an event or interesting story.

Richemont, Swatch, Kering and LVMH have all identified the potential for branded jewellery to take a much larger share of the existing large and fragmented jewellery market. All have made sizeable acquisitions and investments in watches and jewellery such as LVMH paying €4 billion for Bulgari and previously TAG Heuer, Hublot, Chaumet and the DeBeers retail jewellery stores. Harry Winston, acquired by Swatch earlier this year for $1 billion, had paid $500 million for BHP's diamond mines.

Despite the many billions spent on acquisitions, these large luxury companies still only account for around 6% of the jewellery market. Bain estimate the global market at about €195 billion growing at 6% pa. The high end at €55 billion growing at 8% and within that high end 'branded' jewellery market at €11 billion growing over 10%. Highlighting an attractive ~€44 billion of 'high end' sales that are unbranded yet presumably to high net worth customers that have already frequented the major luxury houses for other products. The global watch industry is estimated at €35-40 billion so there is seemingly plenty of scope and interest for these houses to get just as excited about an equivalent jewellery market.

Gemfields have much to do to get Fabergé profitable and recognised so the investment is not without risk. The CEO of Fabergé, Katharina Flohr, was previously founding editor of Vogue Russia and prior to that the jewellery editor with Tatler. The family, Sarah and Tatiana Fabergé are working with her to rebuild the heritage, as Fabergé hasn't produced jewellery since the Bolsheviks put a stop to it, so there is plenty of archive work to do and access to the family is invaluable.

Mila Kunis and Fabergé jewellery



Source: Fabergé website

Actress Mila Kunis is the face of Fabergé and consistent with the current trends, needed to do her own review of the mines before agreeing to work with the company. The initial feedback on the marketing, the collections and the boutiques is positive, as are the records being set for gems sold at auction.

Although Gemfields doesn't mine diamonds, the pressure on the diamond jewellery market is clearly relevant. DeBeers "A Diamond is Forever" is arguably still the best known advertising slogan of the 20th century. A tag line started in an advert in 1947 showing honeymooners has successfully ensured that a diamond ring is forever part of the engagement ritual. It took two generations for America to adopt the ritual, Japan only one. There are currently 13 million weddings each year in China, with the use of diamond rings growing over 30% pa. At 30% penetration, China's still significantly below the 80% level of the US for diamond engagement rings.

The peak output of diamond mines occurred in 2005. In 2012, output was 30% below 2005 and looking ahead some 30% of existing diamond mines will be depleted in the next decade. No major discovery in the past two decades suggests supply is expected to reman tight and prices increase. Larger polished diamonds of more than one carat are increasingly scarce with supply or price exclusivity favouring their use in unique design pieces by the major luxury houses.

The Fund has added Gemfields Plc and the luxury company LVMH (Moët Hennessy - Louis Vuitton).

Outlook

The rebalancing of China's economy towards consumption is significant and will continue to create unprecedented opportunities for the Fund. Tourism, jewellery and cosmetics are strongly growing markets where the Fund continues to find ideas worthy of evaluating and investing. The Fund will, however, maintain its relative defensiveness despite indications that global equity markets remain primed to continue their record-breaking trends. Corrections along the way are inevitable. The market's strength, focus on technology companies and apparent disinterest in some high quality luxury companies, where valuations are becoming increasingly attractive, will continue to be used to reposition the Fund.

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$20,000 invested in the relevant Fund over five years from 31 December 2008 to 31 December 2013 relative to their Index (in A$) 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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