Platinum International Brands Fund

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Disposition of Assets

REGION	DEC 2015	SEP 2015
Asia	31%	31%
Europe	28%	28%
North America	12%	11%
Latin America	8%	7%
Japan	7%	7%
Russia	2%	1%
Africa	1%	2%
Cash	11%	13%
Shorts	-3%	-2%

Source: Platinum. Refer to Note 3, page 4.

Performance and Changes to the Portfolio

(compound pa, to 31 December 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund	-1%	8%	12%	10%	12%
MSCI AC World Index	1%	10%	21%	14%	2%

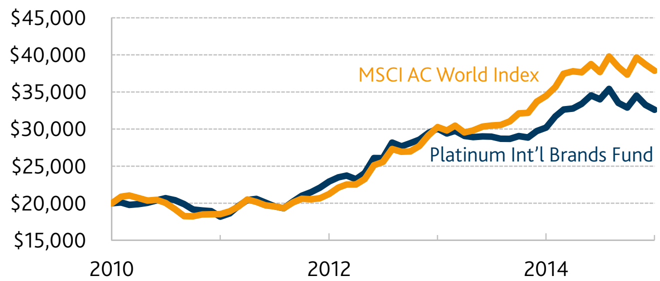
Source: Platinum and MSCI. Refer to Note 1, page 4.

Throughout the year the Fund maintained a significant exposure to consumers in the emerging markets with approximately 40-45% of the Fund invested directly in those markets, including some 30% in the so-called "BRIC" countries (Brazil, Russia, India, China). The MSCI EM (Emerging Markets) total return index in AUD for the year ***declined*** by 4.3% and, whilst this isn't the usual comparator against which the Brands Fund is measured, it does provide some context for the Fund's performance.

The Fund returned 8% for the year, compared to the MSCI AC World Index at 10%.

Value of $20,000 Invested Over Five Years

31 December 2010 to 31 December 2015



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

The range of share price movements across the Fund's investments – from declines of 20% to gains of over 40% – is in part a testament to the increased volatility in the markets and the distortions and influence of central bankers and politicians. To the extent that the macro and market factors impact the Fund, as opposed to company specific events, it's clear that the market's exit from emerging markets weighed on the Fund's performance.

Despite their exposure to Russia and a deteriorating Brazil, **Renault** bounced back strongly in the quarter with the share price rising over 40%, having fallen by a similar amount in the prior quarter. It is movements such as these that test one's conviction as we attempt to balance our understanding of the company and our perception of its value against the market's swings in its appetite for companies with exposure to the emerging markets and/or relatively high debt levels.

The Fund sold its investment in **Qunar**, an online travel company, and has been cautiously adding to the **Casino** group of companies.

Commentary

Renault India's launch of the ***Kwid*** is the first product to be designed and built in India with 98% local content from the Renault-Nissan Alliance under the new common manufacturing platform. This is an entry level hatchback with an SUV-like design in the under Rs4 lakh price range (A$5,500 – A$8,000). It garnered an impressive rush of orders for 25,000 units in the first two weeks, which then progressed over the next few weeks to some 75,000 units and a six month waiting list. To put that in context, the two competitors combined – the *Alto* from Maruti Suzuki and the *Eon* from Hyundai – sell at about half that rate. Renault is increasing production to meet the demand and is further encouraged by the 250,000 people that have downloaded the *Kwid* app which incidentally is proving to be an effective virtual showroom. As a new product (and hence with incrementally increasing new sales), it's proving significant enough, when added to the recovery in the small car segment in Europe, notably France and especially Spain (up over 20% in 2015), to offset the declines Renault has suffered in Russia, Brazil and China.

As is often the case, there can be surprising, albeit company specific, outcomes that can emerge from behind a veritable wall of bad economic news and woeful headlines. In the case of Brazil, there is no shortage of negativity and eminently sensible reasons to avoid all and any thought of investing: the worst recession in a century, more high profile arrests from the Petrobras corruption investigation, protests for the impeachment of the President, resignation of the Finance Minister, high inflation, rising interest rates, increasing unemployment, and a commodity-dependent export-driven economy competing in a world of low growth. The list could go on and on and yet the country has just posted record trade surpluses and holds significant foreign currency reserves that provide some buffer to the concerns of the debt markets.

Hypermarcas, the Brazilian consumer company selling beauty products, diapers and over-the-counter pharmacy products such as sunscreens, condoms, and medicine for cough and flu and a range of aches, pains and minor ailments, has been one of the Fund's top performing stocks in the year with an increase in share price of more than 30%. The company has built leading market shares through continuous acquisitions and, although they have done an impressive job operationally to streamline and consolidate the sales and manufacturing capabilities, has struggled under the burden of expensive debt.

The pending acquisition of the company's cosmetics business by the US beauty company Coty for around US$1 billion will effectively clear the company's debt and, given the tax position of Hypermarcas, there will be no cash tax payment by the company. It was widely understood that Hypermarcas' diapers business was for sale and that was recently confirmed by the company with the change in accounting method to that of a discontinued business. A buyer has not yet been announced.

The New Kwid

Source: Renault

It was therefore a little surprising that the cosmetics business was sold, although the price Coty offered could certainly be considered an offer too good to refuse. Why would Coty be so keen to purchase this business, given the appalling prognosis for the Brazilian economy, for a generous price and at a time when they have the significant acquisition of the P&G beauty business underway? Perhaps the close management links of Coty with the UK's Reckitt Benckiser provide a clue? The pharmaceuticals industry has been buying and selling consumer health care businesses at valuations significantly higher than the imminently debt free Hypermarcas, currently listed at US$3.3 billion with a leading position in a growing and significant market. There are also various regulatory and market factors that suggest it would be far easier to buy than to build a position in the Brazilian health care market.

The Brands Fund has held Hypermarcas for a number of years and the commentary is not to suggest that the reasoning was to be acquired, but merely to highlight that despite the headlines and dire predictions there can be some with longer horizons and strategic capabilities that will see through the current circumstances.

In a similar vein, the markets have turned against the complexities, debt and emerging market exposure of the Casino group of companies. The Fund has been increasing its investment in **Almacenes Exito**, the Colombian subsidiary of Casino and now part owner with management control of the Brazilian subsidiary. There's no doubt that the complexities of the group can be overwhelming and the debt burden both complex and ostensibly too high. Indeed there's little agreement amongst the analysts as to the actual numbers. Despite the obvious and lengthy list of reasons to currently avoid such investments without a second thought, the opportunity to buy what will become recognised as South America's largest retailer with multiple formats across all income levels for a depressed valuation is attractive to the Fund. The planned partial listing of the real estate assets may also highlight the underlying asset values.

Outlook

The Fund's positioning towards emerging market consumers is in effect the outcome of our stock selection process rather than an asset allocation decision. The weighting of the Fund is therefore an indication that we are tending to find opportunities more interesting in the emerging markets where valuations can, at times, be significantly more attractive and where there's the prospect of some stronger underlying growth. By comparison, the low growth and relatively high valuation of many of the world's leading brand companies intuitively offers a somewhat less compelling starting point. That's not to say the Fund has no interest there. We do in fact enthusiastically maintain positions in many of the iconic brands of the world, such as LVMH, Tiffany, Coke and Estee Lauder, amongst others, where there is good reason to pay the current prices on offer. In this market environment, especially given some of the more extreme price moves, the Fund will necessarily be somewhat opportunistic to capture examples such as those described above.

Notes

1. The investment returns are calculated using the relevant 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: 28 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

   (NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist.)

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 31 December 2010 to 31 December 2015 relative to its benchmark index (in A$) 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

   The investment returns are calculated using the relevant 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 benchmark 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. Invested position represents the exposure of physical holdings and long stock derivatives.

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