Platinum Global Transition Fund

(Quoted Managed Hedge Fund)

ARSN 658 996 251 | ASX Code: PGTX

Quarterly Investment Manager's Report

31 March 2024

Platinum
GLOBAL TRANSITION FUND
(QUOTED MANAGED HEDGE FUND)

Platinum
ASSET MANAGEMENT

Investment Update

Platinum Global Transition Fund (Quoted Managed Hedge Fund) (PGTX)

Clay Smolinski
Portfolio Manager

Overview

- The Fund's semiconductor holdings, **ASML** and **Taiwan Semiconductor Manufacturing**, were both up around 30%. The largest capital cycle today is the hyperscale computing requirement needed to train artificial intelligence models and these companies are beneficiaries of that trend. Given the additional power consumption this massive investment in server infrastructure will consume, it's likely companies in the electricity infrastructure space will also benefit – until, of course, the almost inevitable overbuild.
- The uranium price retreated toward the end of the quarter but is still up over 70% this year as energy companies sought to lock in sources of reliable low-carbon power. We trimmed our position in uranium stocks following some good gains.

Clay Smolinski became Portfolio Manager of the Platinum Global Transition Fund on 19 March 2024. He is also Portfolio Manager of Platinum's global strategies.

Performance

compound p.a.*, to 31 March 2024

	QUARTER	1YR	SINCE INCEPTION
PGTX	7.9%	7.5%	7.9%

Returns are after fees and costs, before tax, and assuming reinvestment of distributions. Inception date: 1 July 2022 (Note. The Fund began investing on 1 July 2022 but was launched to investors on 15 February 2023).
Source: Platinum Investment Management Limited. Historical performance is not a reliable indicator of future performance.
See note 1, page 7.
* Excluding quarterly returns.

The Fund returned 8% for the quarter and 7.5% over the past year.

The strongest areas of contribution included our semiconductor holdings, **ASML** and **Taiwan Semiconductor Manufacturing**, which were both up around 30%. Our position in companies involved in carbon-free energy – such as uranium player Paladin (up 39%) – also did well.

In last quarter's report we discussed the potential upside for well-managed copper companies. This quarter our copper holdings did well with Capstone up over 33% and Ero Copper up around 25%.

Markets were broadly strong so the performance detractors for the quarter were relatively modest. The largest was aluminium beverage can producer Crown Holdings, which fell 14%. This was driven by weakness in Crown's lesser-known divisions (food and aerosol can manufacturing), while the aluminium beverage can division continued to perform well. Elsewhere, Finnish pulp producer UPM fell 9% after announcing a timing delay on the full ramp up of their new pulp mill in Uruguay.

Even though markets in general were strong, our short positions also provided a modest boost to returns.

Changes to the Portfolio

The Fund opened a position in **Novonesis**, a biosolutions business created by the recent merger of Novozymes and Chr Hansen.

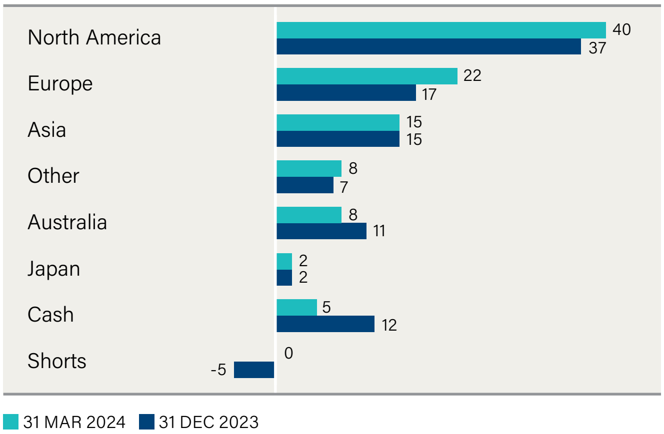
Novozymes is the global leader in the manufacture and distribution of industrial enzymes and micro-organisms (it has around a 50% market share in this segment), which are predominantly used in laundry chemicals, agriculture, food/food processing and increasingly in bioenergy. The acquisition of Chr Hansen (a leading producer of bacteria cultures) should help to lift organic growth, reduce earnings volatility and enable the newly merged business to benefit from increased scale and the combination of R&D efforts.

During the quarter, the Fund invested in **Hexagon**, a Swedish provider of industrial technology that predominantly services the automotive, aerospace, manufacturing and construction markets.

Many of Hexagon's capital goods peers have benefited from recent strength in markets. Hexagon has lagged its counterparts due to some weakness in its core markets, the perception that the business is financially complex and the overhang of some corporate governance issues brought to light last year.

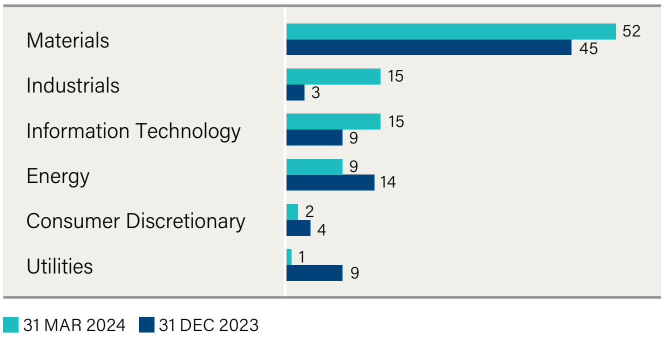
As a result, Hexagon is trading at a discount to companies such as Schneider Electric. This is a reversal of the premium valuation it commanded for over a decade. As the corporate governance overhang dissipates following some important changes, we think the market will begin to acknowledge Hexagon as a company that adds real value to its customers and is a key beneficiary of the reshoring – and digitisation – of US and European manufacturing.

Disposition of Assets %



See note 2, page 7. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



See note 3, page 7. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	4.8%
Ball Corp	US	Materials	4.6%
ASML Holding NV	Netherlands	Info Technology	4.6%
Sprott Physical Uranium Trust	Canada	Materials	4.4%
Core & Main Inc	US	Industrials	4.3%
Capstone Copper Corp	Canada	Materials	4.0%
Freeport-McMoRan Inc	US	Materials	4.0%
ERO Copper Corp	Brazil	Materials	3.8%
Metals Acquisition Corp	Australia	Materials	3.5%
Contemporary Amperex	China	Industrials	3.4%

As at 31 March 2024. See note 4, page 7.
Source: Platinum Investment Management Limited.

Commentary

A pipeline of opportunities

Atkore is a US manufacturer we added to the portfolio this quarter. It makes electrical conduits, fittings, pipe and associated structural products. Atkore predominantly targets the US construction market and especially non-residential projects.

One of the attractions of the business is that the market structure in the niche electrical product markets is quite favourable. Atkore is usually the #1 or #2 supplier and the market is diffused, with many regional and family-owned businesses and limited involvement from major national competitors.

This means there are attractive M&A opportunities for Atkore and, unlike some roll-up opportunities in other sectors, the importance of brand reliability means competing on the acquisition price alone is challenging.

Atkore's earning have moderated after the boost they received from supply-chain disruptions through 2022 and part of 2023. However Atkore throws off a lot of cash, needs little capital of its own and therefore can use its healthy free cash flow to:

a) Invest organically in key growth areas such as solar torque tubes and high-density polyethylene.

b) M&A – buying up family-owned businesses at a premium to its cost of capital.

c) Share buybacks – Atkore has completed over US$900m in share repurchases since late 2021. The company has indicated that excess free cash flow will continue to be returned to investors unless there are highly attractive M&A opportunities.

All these factors should continue to support outsized returns. The company is taking market share, organically and inorganically and there is little focused competition. It is reducing its share count along the way and thus providing better returns to existing investors.

Uranium glow

As we have discussed in other quarterlies, the market for uranium is now bouncing back.[1] This follows a decade-long period where investors in the sector had to deal with excess supply, low prices and generally negative sentiment around nuclear power.

During this period, uranium business suffered a double hit. While demand was dragged down by the factors outlined above, new sources of low-cost supply – especially from Kazakhstan – pushed down prices. As a result, energy suppliers could easily meet their needs by buying uranium on the spot market rather than signing long-term supply contracts. The uranium price fell briefly below US$20/lb. Many uranium mines became uneconomic and were placed into 'care and maintenance'. That led to a dramatic fall in mined production.

And then things changed

In the early 2020s the supply/demand dynamic changed – and changed dramatically. The uranium price made two great leaps. From $US30/pound to $US50/pound in 2021 and then from $US50 to $US100/lb in 2023.

These surges were driven by a number of factors.

- New uranium 'trusts' – which buy physical uranium – removed some uranium inventory from the system.
- There was a resurgence in demand for nuclear power – especially in China. Meanwhile, the Japanese were reopening some reactors, there were life extensions for ageing nuclear plants around the world and the development of small modular reactors added to uranium demand.
- The Russian invasion of Ukraine put further strain on an already underprepared nuclear value chain.

Underpinning all these factors is the increasing realisation that nuclear power can provide reliable baseline power with carbon dioxide emissions on par with renewables. As a result of this market shift the Fund added to its position in uranium, though we have recently trimmed some of our holdings on the back of their recent strong performance.

Market Outlook

A key feature of the energy transition is that much of it requires an *industrial* solution. As a result there will be ongoing but distinct capital cycles in the sector.

The largest capital cycle today is the hyperscale computing requirement needed to train artificial intelligence models. This can be seen in the direct sales of the semiconductor suppliers, but has also broadened out to the electricity infrastructure market, given the additional power consumption this server infrastructure will consume. Much like electric vehicle batteries, the key is to correctly assess the true demand requirements and not overstay for the inevitable overbuild!

More broadly, economic growth around the world remains healthy, with employment and wage trends in the US and Europe still reasonably strong. While industrial capex is always very sector specific, this environment should be broadly supportive.

1 For more on the uranium opportunity see our article: Fear of Running Out

Highlights from The Journal

Visit www.platinum.com.au/active-etfs/pgtx to find a repository of information about the Platinum Global Transition Fund (Quoted Managed Hedge Fund) (PGTX) including:

- NAV history and intra-day iNAV
- Dividend history and the Dividend Reinvestment Plan
- ASX releases and financial statements
- Monthly updates on performance, portfolio positioning and top 10 holdings.

You can find a range of thought-provoking articles and videos on our website in **The Journal** under **Insights & Tools**.

VIDEO

The lure of large numbers[1]

Cars, beer, the global semiconductor market. Sometimes it pays to play in really big ponds. In this video our team look at some high-quality businesses doing just that – and at the opportunity that offers investors.

ARTICLE

Fear of Running Out[2]

After a long period of weakness, demand for uranium is on the up. In this article we look at the forces driving that demand and at some companies likely to benefit.

ARTICLE

Toyota: How the hybrid engine regeared the investment case[3]

How should car companies manage the EV megatrend? Toyota took their own path and it looks like it's paying off for their investors.

ARTICLE

China: Why stay the course?[4]

Since Covid, the Chinese sharemarket has been left behind by other regions – especially the US. Investment Specialist, Olivia Salmon looks at what went wrong in China and at the longer-term outlook for this severely beaten-down market.

1 www.platinum.com.au/the-journal/video-the-lure-of-large-numbers
2 www.platinum.com.au/the-journal/fear-of-running-out
3 www.platinum.com.au/the-journal/toyota-how-the-hybrid-engine-regeared-the-investment-case
4 www.platinum.com.au/the-journal/china-why-stay-the-course

Notes: Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006 AFSL 221935).

"PGTX" refers to the Platinum Global Transition Fund (Quoted Managed Hedge Fund) (ARSN 658 996 251, ASX Code: PGTX).

Risk warning: By investing in companies involved in manufacturing or resource extraction, PGTX will not by its nature be a low carbon emissions portfolio relative to the broader listed global equity market and may have investments in companies that currently have material fossil fuels businesses.

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. PGTX's returns are calculated by Platinum using PGTX's net asset value unit price (i.e. excluding the buy/sell spread) and represent the combined income and capital returns over the specified period. PGTX's returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The investment returns shown are historical and no warranty is given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in PGTX's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows PGTX's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. Country classifications for securities reflect Bloomberg's "country of risk" designations. "Shorts" show PGTX's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through long derivative transactions.
3. The table shows PGTX's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".
4. The table shows PGTX's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

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