Platinum Global Transition Fund

(Quoted Managed Hedge Fund)

ARSN 658 996 251 | ASX Code: PGTX

Quarterly Investment Manager's Report

31 December 2023

Platinum
GLOBAL TRANSITION FUND
(QUOTED MANAGED HEDGE FUND)

Platinum
ASSET MANAGEMENT

Investment Update

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

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Overview

- The Fund benefited from our holding in paper and pulp, uranium and semiconductors. The economics of the energy transition means momentum moves from segment to segment and an active investment approach is valuable. We continue to find attractive opportunities.
- Copper supply is now looking tight as miners dealt with a challenging 2023 marked by both broader operational and mine-by-mine issues. With demand holding up well – copper is a crucial transition mineral – current copper producers will benefit from higher prices. We are interested in miners that can organically grow production with low execution risk and/or improve their cost positions through operational improvements. We have exposure to a number of these companies through our holdings in **Metals Acquisition Corp**, **Freeport McMoran**, **Ero Copper** and **Capstone Copper**.
- EV demand is weakening in the US and Europe, and we reduced our holdings in Korean battery makers in response. Auto companies like Ford and GM are adjusting their EV production strategies.

Performance

compound p.a.*, to 31 December 2023

	QUARTER	1YR	SINCE INCEPTION
PGTX	-2.2%	6.5%	3.9%

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 -2.2% for the quarter with strong contributions from our holdings in **ASML** (+22%), **Ardagh Metal Packaging** (+22%), packaging company **Ball Corp** (+15%) and the **Sprott Physical Uranium Trust** (+21%).

However, the performance of these securities was offset by weakness in **CATL** (-19%), Chinese battery maker, and **Nine Dragons** (-12%), the world's largest paper manufacturing group. During the quarter, a number of our short positions rallied and we reduced exposure where appropriate.

Changes to the Portfolio

We added to a number of existing positions in copper, utilities, pulp and paper and uranium. We also initiated a new position in **Ero Copper**, a Canadian listed copper/gold miner with operations in Brazil. It is currently completing the construction of a new mine that will deliver a significant increase in copper production by 2025.

We trimmed some of our semiconductor exposure, exiting holdings in **NXP Semiconductors** and **STMicroelectronics** and reducing our holdings in **Infineon** and **Microchip Technologies**. We sold out of **Carlisle Companies Inc**, **Siemens**, **Bayer** and **Nittetsu Mining** during the quarter.

Commentary

There has recently been a number of positive developments for the copper market outlook, with supply issues helping to tighten the market. We have also seen a number of negative developments around near-term Electric Vehicle (EV) demand in the US.

Copper – supply issues tightening the market

Copper is a key enabler of the carbon transition and its consumption is increasing as the world invests to electrify areas such as transport and build out renewable power generation. EV production, EV charging, solar and wind power generation are all driving copper demand.

A number of challenges hit 2023 copper production and affected production expectations over the next several years. These include technical mine issues, the slow ramp up of new mines and issues around the 'social license' to operate. The cost to build new mines has also been increasing and recent cost over-runs means the mining industry needs confidence in sustainably high prices before major projects get the go ahead – particularly for larger greenfield projects.

One of the many copper miners that is facing production difficulties is diversified miner **Anglo American**. Anglo provided an operational update in December where it announced significant downgrades to its copper production guidance, cutting 180kt – 210kt from 2024 guidance and 150kt – 180kt from its 2025 guidance. The company faced a number of operational challenges in Chile: lower grades and ore hardness at the Los Bronces mine and operational issues at the El Soldado mine. Its Quellaveco mine in Peru needs a revised mine plan to navigate a geotechnical fault.

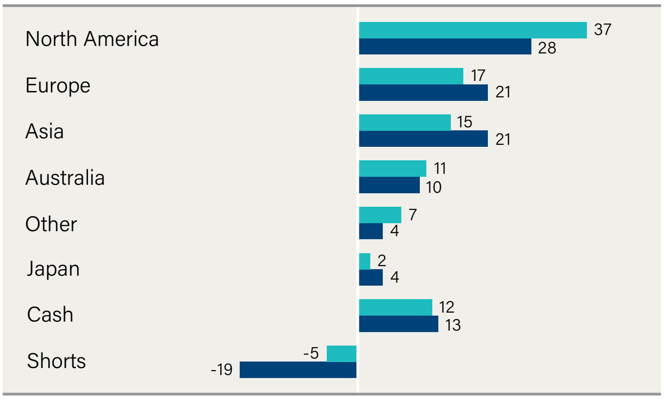
License issues

First Quantum, a Canadian listed copper miner faced a social (and legal) license issue in Panama. It had invested US$10bn in construction of the Cobre Panama mine and associated infrastructure, located 120km west of Panama City.

Commercial operations began in 2019. However, the original terms of the mine concession were challenged and a new concession agreement was negotiated and approved into law by the Panama Government in October 2023.

Widespread protests saw the Panamanian Supreme Court revisit the concession and rule it unconstitutional in November. The mine was subsequently shut down in December. Cobre Panama was expected to produce 370kt of copper in 2023, and this production has now exited the market. First Quantum is appealing the decision via international arbitration, however the timing of a restart (if any) remains very uncertain.

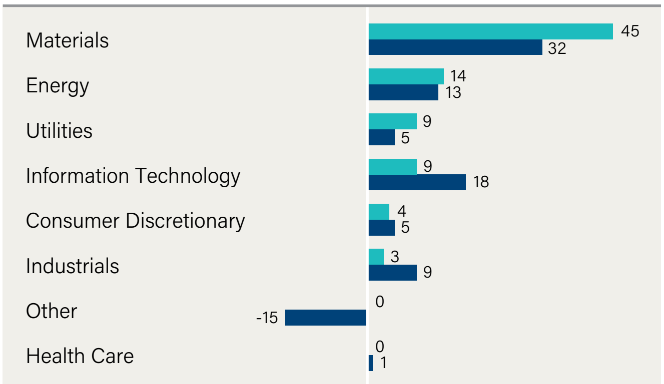
Disposition of Assets %



31 DEC 2023 30 SEP 2023

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

Net Sector Exposures %



31 DEC 2023 30 SEP 2023

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Sprott Physical Uranium Trust	Canada	Materials	5.7%
AGL Energy Ltd	Australia	Utilities	4.5%
Ball Corp	US	Materials	4.4%
Cameco Corp	Canada	Energy	4.4%
NAC Kazatomprom JSC	Kazakhstan	Energy	4.0%
Crown Holdings Inc	US	Materials	4.0%
Taiwan Semiconductor	Taiwan	Info Technology	4.0%
ASML Holding NV	Netherlands	Info Technology	3.7%
Metals Acquisition Corp	Australia	Materials	3.5%
UPM-Kymmene OYJ	Finland	Materials	3.1%

As at 31 December 2023. See note 4, page 7.
Source: Platinum Investment Management Limited.

Meanwhile in Chile, **Codelco**, the state-run copper miner, has been struggling to maintain copper output for a number of years. While in 2021 it produced ~1.7Mtpa of copper, this has fallen to an expected maximum of 1.35Mt in 2023. The company has been struggling against rising costs and the significant capex requirements to maintain and restore production. There has also been a significant increase in debt through this investment process.

Outside of these examples, we have seen many other smaller production cuts from a number of other copper miners. The upshot? While 2024 was previously expected to see a small copper market surplus we are now swinging towards a balanced market – or potentially a deficit market. This is despite a number of new projects that have come online and have been ramping up recently.

These mine supply disruptions and supply downgrades are occurring against a backdrop of very low inventories in China (they are down over 50% YoY and at decade lows). On the demand side, the International Copper Study Group estimated global apparent copper demand growth at +4% through the end of October 2023. Demand in China is growing at +9.5%, more than offsetting ex-China demand that fell by 3%.

Capital inflation in growth projects is another issue the industry has been grappling with. Perhaps the starkest example recently has been Teck Resources' QB2 copper project. The project was expected to cost $5.2bn when sanctioned in 2019. The current guidance is for the project to cost at least $8.6bn. While some of this increase was due to Covid-related impacts, some due to scope changes, and some due to execution, the reality is that the copper price required to support development of large-scale projects is significantly higher than it was only five years ago. This will make the major project developers very cautious around sanctioning new capacity. Many potential projects are being re-evaluated with updated construction estimates.

This improving outlook for the copper market means that current copper producers will benefit from higher prices. We are especially interested in miners that can organically grow production without significant project execution risk and/or those that can improve cost positions through operational improvements. We have exposure to a number of these companies through our holdings in Metals Acquisition Corp, Freeport McMoran, Ero Copper and Capstone Copper.

Batteries – moderation in near term US growth outlook

In our September quarter commentary, we mentioned that we had reduced our holdings in the Korean battery producers given heightened near-term earnings uncertainty. During 4Q23 we saw further evidence of this risk emerge from both General Motors and Ford as the pace of EV adoption, in the US in particular, looks to be slowing significantly to levels well below expectations.

At its 3Q23 result, GM announced it would modify its EV ramp strategy to deal with demand issues and walked back some of its nearer term targets. It's shelving a goal of producing 400k EVs between 2022 and 1H24. Instead it's moving to a more agile approach, adjusting EV production to meet demand.

As part of this agile approach, it will:

- run production facilities that can flex between ICE and EV cars
- "re-time" at least US$1.5bn in capital spend
- delay the planned launches of its Equinox, Silverado and GMC Sierra EVs by several months.

As part of its more flexible EV strategy, GM is planning to launch the next generation of its lower cost Chevy Bolt EV, an acknowledgement that EV costs need to come down further to drive continued adoption. GM says it is still committed to bringing on its joint-venture battery plants (with LG Energy Solutions and Samsung). It may however slow its EV transition spending further if needed.

The EV slowdown is not just a GM problem. In November, Ford announced that it was scaling back plans for its US$3.5bn battery plant in Michigan as US consumers were shifting to EVs more slowly than expected. While it will still go ahead with the facility, its capacity has been scaled down by ~43% to 20GW, and capex reduced from US$3.5bn to US$2bn. This plant had been the focus of a lot of scrutiny, as Ford had been attempting to partner with Chinese battery maker CATL to use its LFP battery technology at the facility and there has been significant political pushback in the US.

The transition to EVs is clearly not going to be a smooth one. Vehicle manufacturers will need to develop more affordable EVs, plug in hybrids are likely to play a key role and government incentives will be required. However, with further tightening of fleet emissions standards coming in the years ahead, vehicle manufacturers will continue to work at the challenge of fleet electrification.

Outlook

Calendar 2023 saw a number of severe headwinds for certain areas of the energy transition market, with share price falls in segments such as wind, solar and batteries. However, there were also attractive returns generated in uranium, pulp & paper and semiconductors. There will be distinct capital cycles in different element of the energy transition.[1] We're positive about the opportunity set and continue to find attractive opportunities for investment.

1 For more on capital cycles in the energy transition – and what they mean for investors – see Why investing in the energy transition is not just about renewables (www.platinum.com.au/insights-tools/the-journal/why-investing-in-the-energy-transition-is-not-just-about-renewables).

Highlights from The Journal

Visit www.platinum.com.au/Our-Products/All-Products/PGTX-Quoted-Managed 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**.

ARTICLE

Why investing in the energy transition is not just about renewables.[1]

The energy transition designed to decarbonise the world is well underway but it's becoming increasingly clear success is about much more than renewable energy. We talked to two Platinum Portfolio Managers to see how they think the transition will really work – and what that could mean or investors.

ARTICLE

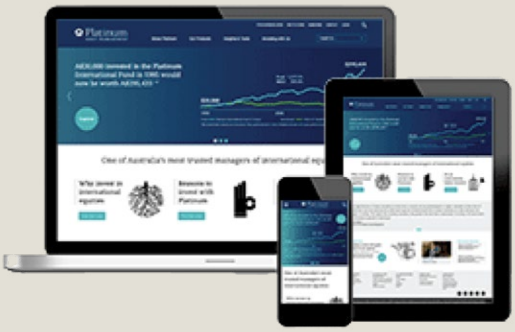
Japan's reform. New dawn or same old story?[2]

We've been investing in Japan for 25 years and think corporate governance reform could unleash a whole lot of value hidden inside some of Japan's biggest companies. In this article our experts report on their talk with the regulators who are driving the reform – and the companies that will change because of them.

VIDEO

Funds in Focus: Platinum European Fund.[3]

In the video webinar, Nik Dvornak, Co-Portfolio Manager for the Platinum European Fund, talks about big company turnarounds, the Central European consumer and the investment upsides of investing in powerful networks (like stock exchanges).



VIDEO

Funds in Focus: Platinum International Technology Fund.[4]

Jimmy Su, Portfolio manager for the Platinum International Technology Fund looks past the headlines about the "Magnificent 7" to examine some key misconceptions about generative AI and the next leg of growth for streaming services like Netflix and Amazon. He also provides an update on the Fund's portfolio.

AUDIO

Macro Overview: A Cautious Approach is Warranted, But Opportunities Still Prevail.[5]

In late September 2023, Platinum Co-CIO Andrew Clifford sat down with investment analyst Julian McCormack to discuss why Japan is now an attractive investment destination and assess some opportunities in China - particularly in the delivery, travel and auto sectors.

VIDEO

Finding Opportunities Where Others Fear to Tread.[6]

In this video, Platinum's Co-CIO, Clay Smolinski, discusses why it's hard to get macroeconomic predictions correct and how Platinum *leverages* the uncertainties inherent in macroeconomic forecasting to find mispricings that allow us to buy into valuable companies cheaply.

1 www.platinum.com.au/insights-tools/the-journal/why-investing-in-the-energy-transition-is-not-just-about-renewables
2 www.platinum.com.au/insights-tools/the-journal/japans-reform-new-dawn-or-same-old-story
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5 www.platinum.com.au/insights-tools/the-journal/macro-overview-a-cautious-approach-is-warranted-but-opportunities-still-prevail
6 www.platinum.com.au/insights-tools/the-journal/video-finding-opportunities-where-others-fear-to-t

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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