Platinum
CAPITAL LIMITED

19 July 2023

The Manager
ASX Market Announcements
Australian Securities Exchange Limited
Sydney NSW 2000

Quarterly Investment Manager's Report

The 30 June 2023 quarterly investment manager's report is attached to this announcement. For more information in relation to Platinum Capital Limited please refer to the website at

https://www.platinum.com.au/Our-Products/All-Products/Platinum-Capital-Limited

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Platinum Capital® Limited

ABN 51 063 975 431

Quarterly Investment Manager's Report

30 June 2023

Platinum®
CAPITAL LIMITED

Investment Update

by Andrew Clifford, Clay Smolinski and Nik Dvornak, Portfolio Managers

Performance

(compound p.a.* to 30 June 2023)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Capital Limited	-0.7%	12.7%	9.4%	4.8%	11.1%
MSCI AC World Index^	6.8%	20.4%	12.2%	10.4%	7.6%

PMC's returns are calculated using PMC's pre-tax net tangible asset (NTA) backing per share as released to the ASX monthly. PMC's returns are calculated after the deduction of fees and expenses, have been adjusted for taxes paid and any capital flows, and assume the reinvestment of dividends. **PMC's returns are not calculated using PMC's share price.**

Portfolio inception date: 29 June 1994.

* Excluding quarterly returns.

^ Index returns are those of the MSCI All Country World Net Index in AUD. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for PMC's returns; FactSet Research Systems for MSCI Index returns. See note 1, page 11.

Net Tangible Assets

The following net tangible asset backing per share (NTA) figures of Platinum Capital Limited (PMC) are, respectively, before and after provision for tax on both realised and unrealised income and capital gains.

	PRE-TAX NTA	POST-TAX NTA
31 March 2023	$1.5673	$1.5335
30 April 2023	$1.5760	$1.5428
31 May 2023	$1.5564	$1.5306
30 June 2023	$1.5503	$1.5271

Source: Platinum Investment Management Limited.

In Brief:

- The extraordinary bounce in the technology sector, a very weak Chinese market and cautious portfolio positioning were the primary reasons for PMC's underperformance over the quarter.
- Positive contributors included InterGlobe Aviation, Itochu and TransUnion. Key detractors were Chinese holdings ZTO Express, Tencent and Weichai Power.
- New holdings included CATL, the global leader in electric vehicle batteries, Baxter International, a US medical equipment provider, and RH, the owner of Restoration Hardware.
- While we would not be surprised to see a significant setback in markets as the impact of higher interest rates flows through to earnings, we are not overly focused on such predictions.
- We believe the best approach is not to get caught up in the short term and instead focus on likely outcomes in different sectors over the next five years and beyond.
- We continue to search for companies that will benefit from the decarbonisation of the global economy, diversification of supply chains and reshoring of production, ongoing higher levels of interest rates, and a recovering China.

PMC returned -0.7% for the quarter compared with the market's return of 6.8%. Over the year, PMC returned 12.7% compared with the market's return of 20.4%.[1]

Three main factors led to the portfolio underperforming the market over the past quarter:

- The recovery in markets this year has been led by an extraordinary bounce in the technology sector, up 40% in the first six months of the year and 13% for the quarter.[2]
- China's stock markets performed poorly over the quarter due to concerns about the subdued nature of the country's economic rebound and ongoing political tensions with the US. As a result, the portfolio's holdings in Chinese companies reduced returns by 1.5%.
- The portfolio's positioning remained cautious, with an average net invested position of 71% and an average short position of 15%. Our short positions detracted 2.5% from performance over the quarter.

While this is a disappointing outcome in the short term, we remain of the view that the popular growth stocks that have driven the market this quarter remain unattractive and are best avoided, and better returns can be found in out-of-favour areas such as China. We will expand on this later in the report.

The largest contributors to performance included low-cost Indian airline **InterGlobe Aviation** (+37%), Japanese trading house **Itochu** (+32%) and US credit bureau **TransUnion** (+26%). Our semiconductor holdings also provided a positive contribution to performance (**Samsung Electronics** +13%, **Microchip Technology** +7%).

Our Chinese holdings were among the key detractors from performance, including express delivery operator **ZTO Express** (-12%), **Tencent** (-14%) and diesel-engine producer **Weichai Power** (-9%).

Changes to the Portfolio

A new holding in the portfolio over the quarter was Chinese company **Contemporary Amperex Technology Co. Limited** (CATL), which has recently emerged as the global leader in electric vehicle (EV) batteries.[3] The company has experienced a sixfold increase in revenues over the last two

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum Capital Limited report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

2 Nasdaq-100 Technology Sector Index, local currency. Source: FactSet Research Systems.

3 Source: https://www.bloomberg.com/news/articles/2023-01-04/china-s-catl-extends-lead-as-world-s-top-ev-battery-maker

Disposition of Assets

REGION	30 JUN 2023	31 MAR 2023
Asia	30%	27%
Europe	25%	26%
North America	20%	19%
Japan	9%	8%
Australia	3%	2%
Other	3%	2%
Cash	11%	17%
Shorts	-16%	-13%

See note 2, page 11. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 JUN 2023	31 MAR 2023
Industrials	17%	19%
Financials	15%	16%
Information Technology	12%	9%
Materials	8%	8%
Energy	6%	8%
Consumer Discretionary	5%	5%
Health Care	4%	4%
Communication Services	4%	3%
Real Estate	2%	2%
Utilities	0%	0%
Consumer Staples	0%	0%
Other	0%	-2%
TOTAL NET EXPOSURE	73%	70%

See note 3, page 11. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Microchip Technology Inc	US	Info Technology	3.7%
ZTO Express Cayman Inc	China	Industrials	3.7%
MinebeaMitsumi Co Ltd	Japan	Industrials	3.5%
Samsung Electronics Co Ltd	South Korea	Info Technology	3.1%
InterGlobe Aviation Ltd	India	Industrials	2.8%
Ping An Insurance Group	China	Financials	2.6%
Allfunds Group Plc	UK	Financials	2.6%
Airbus SE	France	Industrials	2.4%
UPM-Kymmene OYJ	Finland	Materials	2.4%
Suzano SA	Brazil	Materials	2.3%

As at 30 June 2023. See note 4, page 11.
Source: Platinum Investment Management Limited.

For further details of PMC's invested positions, including country and industry breakdowns and currency exposure, updated monthly, please visit www.platinumcapital.com.au.

years as the sale of EVs in China has exploded.[4] A differentiating factor for CATL relative to its Korean and Japanese competitors is that it has continued to develop LFP (lithium, iron and phosphate) chemistry for its EV batteries, which had historically been seen as uncompetitive due to its lower energy density (meaning a shorter driving range for the EV) despite the lower cost. CATL has substantially reduced the gap with the NCM (lithium, nickel, cobalt and manganese) chemistry favoured by competitors, such that LFP is now a genuine alternative. Endorsing this is Ford's announcement that they will use CATL's LFP chemistry in an expansion of their battery manufacturing capacity in the US, while Tesla is already using CATL's LFP batteries in its shorter-range EVs. While last year, Chinese sales of EVs increased by 82% from 3.4 million to 6.2 million,[5] there have been concerns that sales will fall heavily as government subsidies are reduced. This has seen CATL's stock price fall over 40% from its highs, providing an attractive entry point for the portfolio.

Other new holdings in the portfolio included **Baxter International**, a US medical equipment provider that has seen its stock price under pressure for a number of reasons, including a poorly timed acquisition and problems passing on cost increases. Our view is that the long-term profitability of the core business remains intact, and this setback provides an ideal entry point. **RH**, the owner of Restoration Hardware, has revolutionised the way high-end furniture and homewares are sold in the US. Furniture sales have collapsed post the pandemic spending boom by households, as has RH's stock price, which again provided an attractive buying opportunity for the portfolio.

We added to our existing positions in **Alphabet** and **Taiwan Semiconductor Manufacturing**, both of which we believe are long-term beneficiaries of developments in artificial intelligence (AI), but were trading at reasonable valuations due to cyclical slowdowns in their respective businesses.

On the other side of the ledger, we sold out of several holdings, including **General Electric** (aerospace engine manufacturer), **LGI Homes** (housing construction) and **Informa** (publishing, business intelligence and exhibitions), and trimmed a number of others, such as **Micron Technology** (semiconductor manufacturer), **Intesa Sanpaolo** (European bank) and **LG Chem** (EV battery maker), that had experienced strong share price gains in recent months. The net effect of the transactions was a reduction in the portfolio's cash holdings from 17% to 11%. Over the period, short positions were increased from 13% to 16%, resulting in a slight increase in net exposure to 73% at quarter end.

4 Source: CATL company report.

5 Source: https://www.statista.com/statistics/1236625/electric-vehicle-global-sales-by-region/

Commentary

The US stock market continued its strong recovery from last year's lows during the quarter as inflationary pressures receded and investors anticipated the end of rising interest rates. Investors have returned to the growth stocks that led the last bull market, with a particular focus on many large technology stocks that are perceived to be beneficiaries of an anticipated boom in AI.

With many commentators labelling the rally in US stocks as the beginning of the next bull market, we remain extremely wary of the ebullience in some sectors. In past economic cycles, it has taken 18 months or more for the impact of higher interest rates to flow through to the economy and company earnings, and it's only been 15 months since the first interest rate increase in the US. The availability of credit remains tight on numerous measures, and money supply growth remains negative. While the US economy remains robust overall for the moment, many industries are struggling post the pandemic boom in demand for consumer goods. There are also early signs of a softer employment market, with initial unemployment claims on the rise.

Meanwhile, investors' expectations of a US recession have faded as stock prices moved higher. While hopes are pinned on the potential for interest rate cuts to send the markets higher, it is worth remembering that in the last 40 years, it was only after the peak in interest rates was reached that the bear market started in earnest. It can be argued that the current economic backdrop is very different from past cycles, most notably with higher levels of inflation, but it is hard to see why that should make things different this time.

The emergence of AI tools such as ChatGPT has captured the interest of many. When NVIDIA, whose semiconductors are used in developing AI models, announced it expected an extraordinary lift in next quarter's revenue of over 50%, this created a frenzy amongst investors searching for AI opportunities.[6]

While we are in firm agreement with those who see the extraordinary potential in AI (for more details, please see the interviews with portfolio managers Cameron Robertson and Dr Bianca Ogden on our website[7]), current investor enthusiasm for the theme, together with the valuations of the favoured names, leads us to be wary about the opportunity, at least in the obvious plays such as NVIDIA. It is interesting that many investors, having been badly hurt by the bursting of the growth stock bubble of 2020-21, are so willing to line up for another round of speculation. Having

6 Source: https://NVIDIAnews.NVIDIA.com/news/NVIDIA-announces-financial-results-for-first-quarter-fiscal-2024

7 https://www.platinum.com.au/Insights-Tools/The-Journal/Finding-Value-in-the-Much-Hyped-AI-Space

said that, during the tech wreck bear market of 2000-01, there were rallies of 40% and more in the Nasdaq as true believers searched for opportunities before the market continued its decline.

Chinese stock prices, having initially rallied strongly at the end of 2022 and early 2023, have subsequently faded away, with some of the more out-of-favour sectors, such as e-commerce, returning to the lows set last October after the announcement of the new Chinese Communist Party (CCP) Politburo. As a result, investor sentiment has returned to very pessimistic levels. At Platinum, our view is that the best opportunities in markets are found in those areas where investors are fearful, and as such, China is clearly a "potential" opportunity. We believe potential because we do need to assess the fears and concerns of the market and determine whether investors are over-emphasising recent events.

Undoubtedly, China's economic recovery has been subdued. After an initial surge in a wide range of economic indicators post-lockdown, there has since been a retracement. In the property market, various measures of apartment sales showed a strong recovery, then returned to the lows reached during the 2022 lockdowns. Export markets are also weak, as the COVID-19-inspired global boom in manufactured goods continues to recede. While the government continues to put in place stimulatory measures, they remain measured, with the reticence likely driven by a desire not to repeat the mistake of 2008-09 when government stimulus resulted in rapid growth in debt and an overbuild of capacity in a wide range of industries. Both business and consumer confidence remain low.

Our base case remains that the Chinese economy will steadily gain momentum in the months ahead. Clearing the backlog of sold but unfinished apartments, for which funding has been made available, is likely to result in a recovery in this important sector of the economy.[8] It is also worth noting that for all the negative reports about the Chinese economy, underneath the surface, the country's private sector has continued to build leading positions in a range of industries at the centre of the global energy transition. China has established leading positions in electric vehicles (EVs), including battery technology and battery materials, solar panels and the supporting supply chain, and wind turbines.[9] The country is also the largest market for these industries, reflecting the pace of investment in decarbonising the global economy. For more detail, please read this quarter's 'Macro Overview'. Finally, the Chinese government, having been relatively subdued in its stimulatory measures over the last three years and with inflation non-existent, still has room to take further action.

Outside of the tepid economic environment in China, political risk around Taiwan remains at the forefront of investors' minds. We can observe that if investors are genuinely concerned about this risk, the way they are acting on it by avoiding Chinese and Taiwanese stocks displays an extraordinary bias. For example, Apple is highly dependent on Taiwan as the source of semiconductors for its products, 95% of its products are assembled in China, and China accounts for approximately 20% of the company's profits.[10] The company has plans to diversify its supply chain, however, it will carry significant China risk for a long time to come. We could provide a long list of large Western companies that are reliant on China in multiple ways, and yet there is little evidence of investors marking down their stock prices for the risk this represents.

We expect the US will continue in its attempts to contain China's rise and investors should be cognisant of how that can potentially impact share prices. However, the interdependence between the US and China will be a limiting factor in the US' ability to act, whether that is the US economy's reliance on China for the supply of critical inputs or as an end market for US goods and services. It is reflected in the oddity that while there are weekly announcements around restrictions on the supply of critical technologies to China, there are also visits by various US envoys to China in order to repair the deteriorating relationship.

Outlook

As we have noted in past reports, there continue to be significant divergences in stock price performance and valuations across different sectors and countries. The result is that many companies continue to trade at high valuations, while others trade at levels consistent with difficult economic and market conditions. The opportunity for us here is similar to that at the start of 2022, which is to avoid (or short) the former while buying the latter.

While we would not be surprised to see a significant setback in markets as the impact of higher interest rates flows through to earnings, we are not overly focused on such predictions. We believe the best approach is not to get caught up in the short term and instead focus on likely outcomes in different sectors over the next five years and beyond. As such, we continue to focus our search for opportunities amongst companies that will benefit from the decarbonisation of the global economy, diversification of supply chains and reshoring of production, ongoing higher levels of interest rates, and a recovering China.

8 For more on the Chinese property market, see: https://www.platinum.com.au/Insights-Tools/The-Journal/Chinese-Property-Market-Anti-Bubble

9 Source: International Energy Agency, Bloomberg.

10 Source: FactSet Research Systems.

Macro Overview: Lots of Excitement in Markets, But Price Always Matters

by Andrew Clifford, Co-Chief Investment Officer

2023 is certainly not playing out as expected in the markets. CEO and Co-CIO Andrew Clifford sat down with investment specialist Henry Polkinghorne in late June to share his thoughts on the extraordinary rally in AI stocks, interest rates, China's lacklustre reopening, why this time might be different for Japan, and the state of play in Europe - and what they all mean for the markets and Platinum's portfolios for the second half of 2023. An edited transcript of the conversation is below.*

HP: Andrew, it's been an extraordinary year so far in markets, especially in the US, where little has played out as expected, with a huge rally in the S&P 500 and an even bigger rally in the Nasdaq. Are we in the early stages of a new bull market?

AC: I suspect not. When you look at the roadmap, particularly around interest rates, we have had one of the sharpest and largest interest rate tightening cycles in 40-50 years, which only started 15 months ago. The rule of thumb is that it takes 18 to 24 months for it to significantly impact the economy. The yield curve inverted around eight months ago, and again, there is typically an 18-month delay for the impact to be felt. There was a lot of momentum in the economy, and I think we will see how the economy is tested in the months ahead as the impact of tighter monetary conditions flows through. When talking about the broad market, though, the focus is really on earnings; there are very clear relationships between interest rates, earnings and markets. Some people are declaring the 20% rise in the S&P from its lows in October last year as the new bull market as if there's something magical about that number. However, if you go back to the tech wreck of 2000-2001, we saw the Nasdaq rally 40%-50% before markets moved substantially lower. You'll find similarly strong rallies during the global financial crisis (GFC) bear market, so I would remain cautious. The other thing about this rally is that it's been very narrowly focused on artificial intelligence (AI) stories. While AI is very exciting, ultimately, the stocks that are leading the rally, like NVIDIA, were very enthusiastically valued before this started, and are even more so today. For the moment, I would say that the jury's still out on whether this is the beginning of a great new share market run.

HP: AI is now being thought of as a "winner takes most" environment and the large incumbents have the advantage of huge barriers to entry. Do you feel that's justifying investors' reasons to hold these stocks, or do you think they're concerned about a possible recession and prefer pristine balance sheet-type businesses rather than the more cyclical businesses?

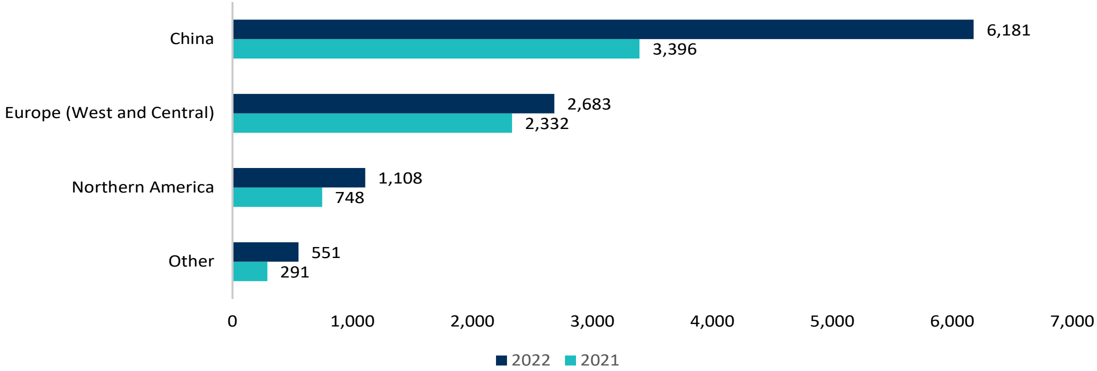
AC: When you look at the AI landscape, NVIDIA is clearly a big winner, but you also have to remember that the AI story has been around for a long time, and it was one of the reasons the stock was already owned by investors. The rally in AI stocks has been quite extraordinary, and there were a couple of reasons for that. ChatGPT, an AI chatbot, came into the public arena in November 2022, and it grew to 100 million users faster than we've seen any other platform do before.[1] Twenty years ago, it took Facebook five years to reach that number. It's quite a remarkable tool when you use it. On top of that, we had NVIDIA's announcement in May

1 Source: UBS.

* The full interview is available in audio format on The Journal page of our website https://www.platinum.com.au/Insights-Tools/The-Journal
Interview was recorded on 29 June 2023.

Fig. 1: China dominates electric vehicle sales

Plug-in electric vehicle sales worldwide: 2021 and 2022 by main market (in 1,000s)



Source: Statista.

that they're going to increase their sales from US$7 billion in the first quarter of fiscal 2024 to US$11 billion in the second quarter,[2] and this was a company whose earnings were under quite significant pressure at the time they made that announcement, but there's a long game to be had here. When you look at other possibilities, companies like Microsoft and Google are mentioned. I think Google is very clearly the AI leader, but to a large extent, the question is really about the revenues that it can generate. I think also the advertising-driven players, such as Facebook and Google, are looking and behaving much more like cyclical businesses than this steady growth story, so we're layering on a little bit of excitement for AI. That's probably justified in the case of Alphabet/Google and maybe Microsoft, but a lot of other companies where this is occurring look fairly spurious to me.

HP: We've had numerous bank failures in the US, and the market seems to have taken that very much in its stride. Where do you see the path of interest rates and tightening potential moving forward?

AC: These things are hard to predict. We've been saying for quite a while that we will get to the end of this rate cycle, and inflation is clearly easing off. What I'd be looking for is what might upset that story rather than the well-accepted view that there won't be many more rate hikes from here. What worries me is the way government spending is ratcheting back up. It pulled back slightly after the pandemic, but nowhere near trend levels and tax receipts are now falling, in line with weakness in earnings, down around 10% year on year.[3] So, we have a situation in the US where the tightening efforts by the Federal Reserve (Fed) are being offset by government spending, and that is a concern. It leads me to the conclusion that while rates may peak at current levels, I don't think we will get any huge relief in terms of rate cuts.

HP: Shifting to China, clearly its reopening has not met expectations. Is the Chinese economy tracking as badly as the media is reporting?

AC: I think the reopening has been disappointing, largely reflecting business and consumer confidence not returning as they did in the West. The property market is still challenged. While the government has provided enough funding to allow uncompleted developments to be completed, buyers have not returned in an enthusiastic fashion to the property market. What I would say, though, is that there are a lot of really interesting things going on in China underneath the surface that are not being particularly picked up by the media. The US government has set aside US$500 billion in new spending and tax breaks under the Inflation Reduction Act of 2022 (IRA), with the majority (US$400 billion) going towards climate change-type investments.[4] But when you look at who's leading the world in that area, it's China. Last year, China sold 6.2 million electric vehicles, compared with 2.7 million in Europe and 1.1 million in the US (see Fig. 1).[5] Interestingly, China became the second-largest exporter of motor vehicles last year, and in the first quarter of this year, it was the largest exporter of motor vehicles.[6] This is another example of China taking on a very mature industry where it was never expected to play outside of its borders. It exported around 3.5 million cars last year, which is about 5% of the car market outside of China, and it has momentum. I think that's going to become a

2 Source: https://nvidianews.nvidia.com/news/nvidia-announces-financial-results-for-first-quarter-fiscal-2024

3 Source: Federal Reserve Bank of St. Louis.

4 Source: https://www.mckinsey.com/industries/public-sector/our-insights/the-inflation-reduction-act-heres-whats-in-it

5 Source: Statista.

6 Source: https://www.marketresearchfuture.com/news/china-is-the-largest-exporter-of-cars-in-2023

tough market for the marginal players. In solar panels, eight out of ten are made in China, and five of those eight are installed in China.[7] In wind turbines, China represents around 65% of the market.[8] In terms of batteries, China's Contemporary Amperex Technology Co. Limited (CATL) is the clear global leader in batteries, surpassing the Korean and Japanese companies.[9] CATL's revenues were up sixfold in two years.[10] These examples highlight that just in one area of this very dynamic economy, there are some really exciting things going on, presenting some interesting opportunities for investors.

HP: If China is leading the charge on the electrification and decarbonisation of the world, which is expected to be one of, if not the biggest, infrastructure spending programs globally ever, what is holding investors back?

AC: There are clearly multiple concerns about China. There have been issues in the property sector and concerns around the regulatory environment, which have caused difficulties for many companies that foreigners are invested in. However, foremost is the political environment that's on the front page of the newspapers every day, but I don't think investors are looking at this in an even-handed way. We hear that China Is uninvestable and there remain concerns around a potential invasion of Taiwan, which in our view seems a very unlikely event given the importance of Taiwan to China. When I say the markets are being uneven about it, let's look at a stock like Apple. It is reliant on Taiwan for the manufacture of most of its semiconductor content; it relies on China for the assembly of its products; and China accounts for 20% of its earnings.[11] This is a company that has a very significant China risk. Today, Apple is reaching new highs on a daily basis. That says to me that no one's really worrying about the potential invasion of Taiwan when they're buying Apple. The same thing can be seen for the other great market favourite of the moment, NVIDIA, which again relies on Taiwan for the supply of its leading-edge chips. I'm not saying that the risks are not real; the US will likely continue to attempt to contain China. However, the economic reality is that the world is heavily reliant on China in so many critical areas. You can see that in the other dialogue that goes on, with envoys from various countries regularly sent to try and mend the relationship with China, while on the other hand, announcements are made each day restricting China's access to US technology.

HP: There has been a lot of regulatory change in China, particularly in the technology, education and property sectors. Do you think that's finished?

AC: There's obviously been a lot of regulatory change in industries that foreigners have been exposed to. It's been a long pattern over the last decade for China to reform and regulate, and I don't think there's anything particularly untoward; the possibility of reform is something that investors need to be aware of. I think in areas such as e-commerce, which have seen big changes, particularly anti-monopoly provisions, I suspect most of that is done. However, you would expect China to continue to reform and regulate.

HP: Japan seems to be the flavour of the month. There's been quite a lot of talk about reform and corporate governance over the last decade, is now the time for Japan?

AC: The walls seem to be breaking down now in Japan. It has been a decade of talk about corporate governance, but really what we're talking about in Japan are companies with extraordinary valuations. Stocks are priced this way because investors don't have access to the underlying earnings in the form of dividends or buybacks. Instead, they get invested, often in very marginal projects. However, we are now really seeing a great deal of success from investors in terms of changing boards that are not responsive. There have been many steps along this journey, but most recently, the Tokyo Stock Exchange said in a 'name and shame' approach that companies that are trading below book value, which is a little under half of the market, are expected to have a plan of how to get their stock price above book value.[12] It's a very awkward way of saying, how are you going to get your return on equity? How are you going to actually make money for your shareholders? Companies that don't have plans or don't have adequate plans are going to be highlighted. We're definitely seeing change there now. We're certainly engaging with the companies that we own, and the responses are different. They're clearly being communicated to boards, and we are seeing board members voted out, even in extreme cases where the proxy advisors have sided with the company. We've had a big run-up in Japanese stocks, and while these things don't always go in a straight line, in terms of the opportunity with corporate reform in Japan over the next three to five years, I'd say there's still a significant way to go there.

7 Source: https://www.iea.org/news/the-world-needs-more-diverse-solar-panel-supply-chains-to-ensure-a-secure-transition-to-net-zero-emissions

8 Source: https://www.iea.org/reports/wind-electricity

9 Source: https://www.bloomberg.com/news/articles/2023-01-04/china-s-catl-extends-lead-as-world-s-top-ev-battery-maker

10 Source: CATL company report.

11 Source: FactSet Research Systems.

12 Source: https://www.cnbc.com/2023/06/13/investing-is-japan-inc-finally-serious-about-corporate-governance-.html

HP: Europe had a great year last year, and there's just been a failed Russian coup. What are your views on Europe?

AC: I think Europe is similar, if not slightly further advanced, to the US in terms of its economic activity, which is clearly weak. Germany has had two consecutive quarters of negative GDP growth, which is technically a recession. However, the stock market has been strong. Again, it's this same narrowness in the market, with a small number of stocks holding the market up while the broader market is responding to weaker earnings. There have been plenty of stocks over the last year in Europe that have come back into our price range, so that makes it very firmly an opportunity set, but it probably has a little way to play out yet.

HP: Any closing remarks?

AC: The key point I would like to reiterate is the divergence that is occurring across markets, not just in the US but also in Europe and the way that China is being left out. There are huge opportunity sets here for us to play in. We will remain completely focused on the value of what we're buying. Meanwhile, I think what we're seeing with the stocks that are leading the market is an echo of the speculative bubble we've just lived through. It's not to deny the excitement of some of the stories in the companies that are doing well, but it's what we said throughout 2020 and 2021, and that is that price does matter. Maybe some of the companies will live up to these extraordinary valuations, but it's unlikely all of them will, and we've just recently had a pretty good lesson on what can happen if you ignore the question of valuation.

MSCI Regional Index
Net Returns to 30.6.2023 (USD)

REGION	QUARTER	1 YEAR
All Country World	**6.2%**	**16.5%**
Developed Markets	**6.8%**	**18.5%**
Emerging Markets	**0.9%**	**1.7%**
United States	**8.6%**	**19.0%**
Europe	**2.9%**	**22.0%**
Germany	2.8%	28.4%
France	3.2%	31.7%
United Kingdom	2.2%	13.2%
Italy	8.2%	43.4%
Spain	5.6%	29.0%
Japan	**6.4%**	**18.1%**
Asia ex-Japan	**-1.3%**	**-1.1%**
China	-9.7%	-16.8%
Hong Kong	-5.0%	-9.0%
Korea	4.4%	13.0%
India	12.2%	14.2%
Australia	0.3%	11.2%
Brazil	**20.7%**	**29.8%**

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

MSCI All Country World Sector Index
Net Returns to 30.6.2023 (USD)

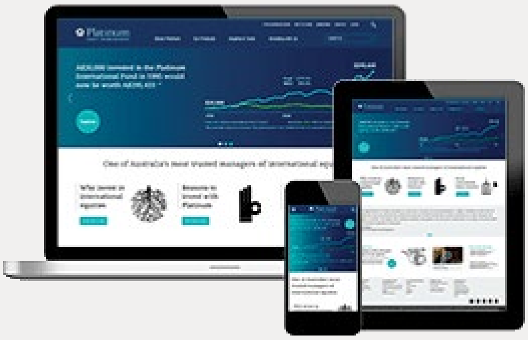
SECTOR	QUARTER	1 YEAR
Information Technology	13.7%	34.3%
Consumer Discretionary	8.2%	19.2%
Communication Services	7.1%	10.5%
Industrials	6.3%	25.2%
Financials	5.2%	11.5%
Health Care	2.3%	5.7%
Energy	0.8%	13.2%
Consumer Staples	0.3%	7.7%
Utilities	-0.1%	0.7%
Real Estate	-0.1%	-6.9%
Materials	-0.8%	12.1%

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

The Journal

Visit www.platinum.com.au/Our-Products/PMC to find a repository of information about Platinum Capital Limited (PMC) including:

- Performance and NTA history
- 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. For ad hoc commentary on the latest market trends and investment themes, look up **The Journal** under **Insights & Tools**. If you find yourself short on time to read our in-depth reports and articles, have a listen to our **audio podcasts** or watch brief market updates in **video** format.

Recent highlights include:

- **Article - The Times are Changing.**[1] The economic environment has changed significantly over the past 18 months. The historic bubble in tech and growth stocks has burst, and a recession in the US is probable. This calls for investors to adopt a different investment approach than what has worked in the recent past, as co-CIO Clay Smolinski explains.
- **Video – Three Lessons from the US Banking Crisis.**[2] Adrian Cotiga discusses the key drivers behind the US banking crisis, the three lessons to be learned and how Platinum is positioned in global financials. We continue to hold no exposure to US banks, preferring European financials, with three broad buckets capturing our interest.
- **Video – Finding Value in the Much-Hyped AI Space.**[3] AI has captured everyone's attention of late. While there has been a lot of hype around some of the players, there are also areas that are being overlooked, particularly in the healthcare sector. Cameron Robertson and Dr Bianca Ogden discuss areas they have invested in and ones to watch in this exciting area.
- **Video – Exciting Times for Japanese Equities.**[4] Japanese equities have rallied strongly recently. A visit by Warren Buffett to Japan seems to have inspired buyer interest, especially from foreign investors, but there's a lot more to the story, as James Halse explains.
- **Video - Markets in Denial About US Recession.**[5] The sharpest increase in US interest rates in 40 years, a shrinking money supply and bank failures are all causes for concern – but the markets don't seem to think so. Julian McCormack provides a succinct explanation of why he believes the US is heading for a deep recession and how Platinum is preparing for what we expect will be a difficult period ahead.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/The-Times-are-Changing
2 https://www.platinum.com.au/Insights-Tools/The-Journal/Three-Lessons-from-the-US-Banking-Crisis
3 https://www.platinum.com.au/Insights-Tools/The-Journal/Finding-Value-in-the-Much-Hyped-AI-Space
4 https://www.platinum.com.au/Insights-Tools/The-Journal/Exciting-Times-for-Japanese-Equities
5 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Markets-in-Denial-About-US-Recession

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). "PMC" refers to Platinum Capital Limited (ABN 51 063 975 431) (ASX code: PMC)

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. PMC's returns are calculated by Platinum using PMC's pre-tax net tangible asset (NTA) backing per share (as released to the ASX monthly). PMC's returns are calculated after the deduction of fees and expenses, have been adjusted for taxes paid and any capital flows, and assume the reinvestment of dividends. **PMC's returns have not been calculated using PMC's share price.**

   The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. The gross MSCI index was used prior to 31/12/98. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, PMC's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. 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 PMC'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 PMC'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 PMC'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 PMC'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 PMC'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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