

Platinum International Fund
Platinum Global Fund (Long Only)
Platinum Asia Fund
Platinum European Fund
Platinum Japan Fund
Platinum International Brands Fund
Platinum International Health Care Fund
Platinum International Technology Fund

Quarterly Report

31 MARCH
2023



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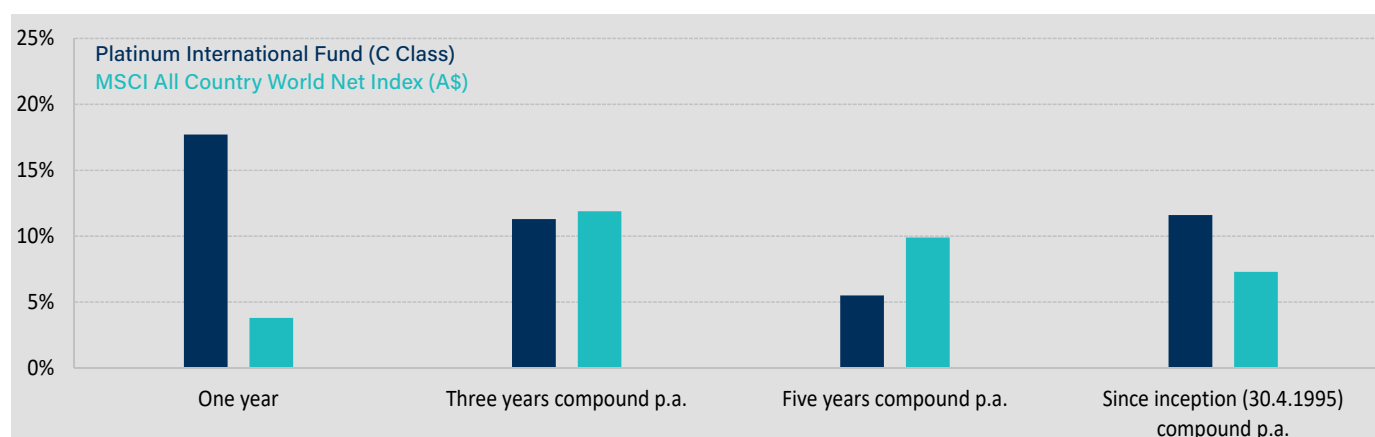
Performance Returns to 31 March 2023

| FUND (C CLASS – STANDARD FEE OPTION) (P CLASS – PERFORMANCE FEE OPTION) | PORTFOLIO VALUE A\$ MIL | QUARTER | 1 YEAR | 2 YEARS COMPOUND P.A. | 3 YEARS COMPOUND P.A. | 5 YEARS COMPOUND P.A. | SINCE INCEPTION COMPOUND P.A. | INCEPTION DATE |
|---|-------------------------------|--------------|--------------|-----------------------------|-----------------------------|-----------------------------|-------------------------------------|--------------------|
| Platinum International Fund (C Class) | 6,858.3 | 5.4% | 17.7% | 4.8% | 11.3% | 5.5% | 11.6% | 30 Apr 1995 |
| Platinum International Fund (P Class) | 28.1 | 5.5% | 18.0% | 5.1% | 11.6% | 5.8% | 7.3% | 3 Jul 2017 |
| MSCI All Country World Net Index (A\$) | | 8.7% | 3.8% | 6.3% | 11.9% | 9.9% | 7.3% | 30 Apr 1995 |
| Platinum Global Fund (Long Only) (C Class) | 180.5 | 9.7% | 14.6% | 1.9% | 12.2% | 4.9% | 10.0% | 28 Jan 2005 |
| Platinum Global Fund (Long Only) (P Class) | 6.8 | 9.8% | 14.9% | 2.2% | 12.5% | 5.2% | 7.0% | 3 Jul 2017 |
| MSCI All Country World Net Index (A\$) | | 8.7% | 3.8% | 6.3% | 11.9% | 9.9% | 7.8% | 28 Jan 2005 |
| Platinum Asia Fund (C Class) | 2,700.8 | 4.4% | 6.7% | -5.6% | 6.1% | 4.8% | 12.7% | 4 Mar 2003 |
| Platinum Asia Fund (P Class) | 10.8 | 4.5% | 7.0% | -5.3% | 6.0% | 4.8% | 7.0% | 3 Jul 2017 |
| MSCI All Country Asia ex Japan Net Index (A\$) | | 5.6% | 2.1% | -6.0% | 3.8% | 2.8% | 8.8% | 4 Mar 2003 |
| Platinum European Fund (C Class) | 374.4 | 10.2% | 15.0% | 5.0% | 12.1% | 3.0% | 10.5% | 30 Jun 1998 |
| Platinum European Fund (P Class) | 4.1 | 10.3% | 15.3% | 5.2% | 12.3% | 3.4% | 5.5% | 3 Jul 2017 |
| MSCI All Country Europe Net Index (A\$) | | 11.8% | 13.7% | 8.0% | 10.7% | 6.6% | 3.7% | 30 Jun 1998 |
| Platinum Japan Fund (C Class) | 488.9 | 6.9% | 7.0% | 2.7% | 5.8% | 3.5% | 12.7% | 30 Jun 1998 |
| Platinum Japan Fund (P Class) | 3.4 | 7.0% | 7.3% | 2.9% | 6.0% | 3.7% | 5.6% | 3 Jul 2017 |
| MSCI Japan Net Index (A\$) | | 7.5% | 6.3% | 0.4% | 4.2% | 4.1% | 3.2% | 30 Jun 1998 |
| Platinum International Brands Fund (C Class) | 485.9 | 6.6% | 22.8% | -2.9% | 15.5% | 6.5% | 11.7% | 18 May 2000 |
| Platinum International Brands Fund (P Class) | 2.3 | 6.7% | 23.1% | -2.5% | 15.7% | 6.8% | 8.4% | 3 Jul 2017 |
| MSCI All Country World Net Index (A\$) | | 8.7% | 3.8% | 6.3% | 11.9% | 9.9% | 4.3% | 18 May 2000 |
| Platinum International Health Care Fund (C Class) | 415.9 | -2.6% | 0.7% | -12.2% | 1.7% | 6.7% | 8.9% | 10 Nov 2003 |
| Platinum International Health Care Fund (P Class) | 10.0 | -2.5% | 1.0% | -11.9% | 1.0% | 6.3% | 6.8% | 3 Jul 2017 |
| MSCI All Country World Health Care Net Index (A\$) | | -0.5% | 7.5% | 10.8% | 8.7% | 12.4% | 9.5% | 10 Nov 2003 |
| Platinum International Technology Fund (C Class) | 134.0 | 13.2% | 2.9% | -1.8% | 9.8% | 8.8% | 9.4% | 18 May 2000 |
| Platinum International Technology Fund (P Class) | 3.4 | 13.3% | 3.1% | -1.6% | 10.1% | 9.1% | 9.8% | 3 Jul 2017 |
| MSCI All Country World IT Net Index (A\$) | | 21.9% | 3.7% | 8.7% | 17.7% | 18.8% | 4.2% | 18 May 2000 |

Fund returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for Fund returns and FactSet Research Systems for MSCI index returns. See note 1, page 44.

Platinum International Fund vs. MSCI All Country World Net Index (A\$)

to 31 March 2023



Fund returns are after fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for fund returns and FactSet Research Systems for MSCI index returns. See note 1, page 44.

In Brief

Platinum International Fund

- Market returns were similar across regions over the quarter in local currency terms, however, there were significant divergences by sector, as investors responded to the failures of Silicon Valley Bank and Credit Suisse by seeking out perceived safe havens in growth stocks and selling economically sensitive sectors.
- Key contributors to the Fund's performance included travel-related investments (Wizz Air, Booking Holdings), as the travel sector continued its post-COVID boom, and semiconductors (Microchip, Infineon Technologies, Micron), which benefited from commentary that the current downturn in the cycle may be coming to an end.
- The Fund's net invested position increased from 63% to 70% over the quarter, reflecting a reduction in both cash and short positions. The focus of the short portfolio continues to be on companies that have weak earnings outlooks as interest rates start to impact the growth outlook. On the long side, we added to our existing holdings in financials (Allfunds, St. James's Place). We also added a new position in TransUnion, a US provider of consumer credit ratings and other data services.
- Over the last 12 months, we have experienced the sharpest rise in interest rates in the US in over four decades, along with quantitative tightening, followed now by a banking crisis that will further tighten the availability of credit. As events unfold, the idea that US corporate earnings will remain resilient looks increasingly unrealistic, and the probability of further significant falls in US stock indices is high.
- The best approach during such times is to not get caught up in the short term and instead focus on likely outcomes in different sectors and economies over the next five years and beyond. Companies that will benefit from the decarbonisation of the global economy, the diversification of supply chains and reshoring of production, higher interest rates, and a resurgent China are some of the themes that we will continue to focus on in our search for opportunities.

Platinum Global Fund (Long Only)

- The largest pockets of performance came from our investments in travel (Wizz Air, Booking Holdings, Trip.com, Airbus), semiconductors (Infineon Technologies, Micron, Microchip, NXP Semiconductors) and China (Tencent, Weichai Power).
- As fears over the gas crisis have subsided, our European positions have experienced strong gains, and we used this strength to raise funds and sell out of our positions in BMW, Informa and Booking Holdings and reduce our positions in European banks Erste and Intesa Sanpaolo. We also trimmed our positions in ZTO Express and Tencent. We applied the proceeds to increasing our investments in Allfunds and St. James's Place and building a new position in TransUnion.
- There are reasons for caution in the current economic environment, but we want to use this uncertainty to our advantage. This market environment is well suited to our investment style, and if we can continue to rotate the portfolio into companies where the extremes are already discounted along with building positions in companies where earnings can be higher in three to five years' time, good returns should follow.

Platinum Asia Fund

- China was a strong contributor to performance, with Tencent, Trip.com, H World Group, ZTO Express and Weichai Power benefiting from the reopening of the economy and the relaxing of regulatory pressures. Our semiconductor holdings were also strong contributors, as market participants appear to be positioning for industry conditions to improve later this year.
- During the quarter, we reduced our exposure to some of the stronger-performing stocks (Trip.com, H World Group, Yum China, Tencent, Alibaba) and added to other opportunities across the region, such as Thai property developer Supalai, Vietnamese electronics and grocery retailer Mobile World Investment and Indonesian paints company Avia Avian.
- Our net exposure has reduced modestly during the past quarter, driven more by increases in our short positions than any paucity of long ideas. We continue to search broadly for new investment opportunities as part of the constant process of portfolio renewal, and the fact that we are continuing to find ideas at a steady cadence reflects the general premise that the region remains prospective.

Platinum European Fund

- European markets continued to perform strongly over the quarter, as markets factored in slightly less negative business and consumer confidence. Financials, particularly European banks, had a very strong January and February but gave back some of their gains in March, following the bankruptcy of Silicon Valley Bank and Credit Suisse's forced merger with UBS.
- Booking Holdings, Wizz Air, ASML and Bayer were key contributors to the Fund's performance. We took advantage of the strong market rally in January and February and trimmed a number of positions in travel and banks and started a new position in the venerable London Stock Exchange Group.
- We continue to remain wary of further market weakness. A continued decline in Eurozone banks' willingness to make loans, coupled with a significant slowdown in the US, could result in a tricky environment to navigate. However, uncertain environments offer attractive opportunities, both on the long and short side.

Platinum Japan Fund

- The rise in the Japanese market was primarily driven by a rebound in growth stocks, particularly in technology-related areas. Contributors to the Fund's performance included semiconductor equipment maker Tokyo Electron, silicon wafer producer Sumco, and memory chip makers SK Hynix and Samsung Electronics. Precision manufacturer MinebeaMitsumi also provided a strong contribution. New holdings over the quarter included Digital Garage and MS&AD Insurance.
- Low valuations and a tailwind of rising buybacks and dividends, driven by the government and activists pushing to improve profitability, make it relatively easy to envision a golden period for the Japanese market going forward. Of course, Japan would not be immune from a US-led global downturn, but the economy is seeing a somewhat independent boost from corporate investment in the reshoring of production and wages that have begun to grow. Meanwhile, interest rates remain low and the currency appears to have stabilised, which reduces imported inflation. The Fund is thus positioned quite bullishly so as to benefit from these dynamics.

Platinum International Brands Fund

- Strength in some of our larger US and European positions mostly offset weakness in our Chinese holdings and short positions over the quarter. Key contributors to performance included Meta Platforms, Basic-Fit, Pandora, SMCP and BMW.
- We initiated a new position in Japanese e-commerce player Digital Garage, added to our position in Asahi, and took advantage of share price weakness in Mobile World Investment, Meituan and JD.com to add to our positions.
- We remain cautiously positioned, particularly where the US consumer is concerned and in relation to stocks that are likely to suffer in a higher interest rate environment. That said, we continue to be constructive about the reopening opportunity in China. While many investors are waiting for meaningful improvements to emerge in the economic and other data, we have been willing to take positions based on first-principles thinking, bolstered by the observed experience elsewhere.

Platinum International Health Care Fund

- The global healthcare sector had the worst start to the year in 30 years relative to the S&P 500 index. Pharma companies held up relatively better, reflecting their attraction as safe havens. Takeda, Sanofi, Bayer and Neuren Pharmaceuticals provided a positive contribution to the Fund's performance, as did US biotech Albireo Pharma.
- We added to various investments that, despite their good progress, continue to see an ongoing lack of investor interest, such as Exscientia, Icosavax, Omega Therapeutics and Zealand Pharma.
- The Silicon Valley Bank collapse has been a setback for the biotech sector, with funding now an issue and a buyer's strike happening again. We will be paying close attention to clinical data as well as approval decisions for several of our holdings.

Platinum International Technology Fund

- Technology was one of the strongest-performing sectors in the quarter, likely due to expectations that the US Federal Reserve may stop increasing interest rates sooner than initially thought. Meta Platforms, Microchip, Taiwan Semiconductor Manufacturing, Micron Technology and Infineon Technologies were key contributors to the Fund's performance.
- In the short term, we believe the market will likely remain volatile. Our 83% net invested position reflects our optimism that, in this potentially volatile environment, we will likely have plenty of opportunities to deploy capital and invest in interesting businesses over the coming 12 months. We will continue to look for opportunities in areas of structural change that are underappreciated by the market and are out of favour.

Macro Overview: The 'Out of Favour' and Areas of Significant Change Offer Opportunity

by Andrew Clifford, Co-Chief Investment Officer

CEO and Co-CIO Andrew Clifford sat down with Head of Investment Specialists Dean McLelland in late March to share his thoughts on the stability of the global banking system, interest rates, the state of play in Europe and China's reopening - and what they all mean for the markets in 2023 and Platinum's portfolios. An edited transcript of the conversation is below.*

DM: Banks were the biggest news during the quarter and while many people have heard of Credit Suisse, Silicon Valley Bank in the US was probably not a household name until quite recently. How are you thinking about the stability of the financial system and the likely economic impacts?

AC: I'd like to start by revisiting what we've been saying about the investment environment that we're in. Interest rates have been going up for a year now, and the US Federal Reserve (Fed) has been unwinding its quantitative easing, so this is a completely different investment environment from the one that we've been in for the last decade.

When you have tight monetary policy, this is when financial accidents occur, and Silicon Valley Bank (SVB) and Credit Suisse are not the first of those. We have to remember that last year there was a big scare around UK pension funds, which was thankfully averted, and there was also the collapse of the crypto exchanges. Ultimately, when money is tight, whether that's through higher interest rates or less availability of credit, that's when things become exposed. That's what occurred with SVB, and it reflects the way the US banking system operates.

I think the important thing to take away from this is that people are worried about whether there are going to be further bank collapses and how this will flow through to the economy. While SVB's depositors have been rescued, we can't confidently say that the problems in the US banking sector have been resolved. However, the US is experienced in handling bank failures, they have lots of small bank collapses all the time, and the formula they've rolled out for SVB is a standard approach.

However, even if we do move beyond this, it has made the tight money situation even worse. Regional banks in the US have made lots of investments in 30-year fixed interest securities at 1.5% or 2%, and now their cost of money, which they pay on much shorter time frames, has risen substantially and is much higher than that, so they're losing money on an ongoing basis. When banks are in this situation, whether they survive it or not, and I think they will largely survive it, they will be even more restrictive in their lending. We're already seeing that in the loan surveys from the regional banks in the US. Regional banks are a really important part of business lending; they represent more than half of commercial real estate loans, and they play a large part in small business lending. The outcome of the collapse of SVB reinforces the very difficult environment the economy and markets are in.

* 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 March 2023.

DM: Do you think central banks will reverse course and start cutting rates from here?

AC: This current banking crisis is predominantly a US phenomenon, and the Fed is in a really difficult position. While there are plenty of signs that inflation is peaking and that the economy is on the cusp of slowing down, it hasn't actually happened yet. The labour market is still strong, wages continue to grow quickly and used car prices, which was a crazy market through COVID where used cars became incredibly expensive, then the prices rolled over, are now rising again. I think that the difficulty here is if the Fed cuts rates in response to the banking crisis but inflation doesn't settle down, all sorts of unexpected consequences can play out, like yields on 30-year or 10-year bonds rising rather than falling. Ultimately, when we are thinking about the investment environment, even if rates do peak at current levels and central banks start to cut, that difficulty in obtaining credit is going to be with us for some time. It takes 12-18 months for rate increases to flow through to the economy, and it's only been a year since the first interest rate increase. We still have all the rate increases over the course of 2022 and the first quarter of this year to really take effect. Yes, central banks may reverse course but I'm not sure that will bring the economy or investors any immediate joy.

DM: Moving to Europe, Credit Suisse aside, perhaps the financial system appears more resilient than what we see in the US and perhaps here in Australia as well, but there is still a war going on, and the energy crisis, while it wasn't as bad as many feared, certainly hasn't been resolved. How are you thinking about Europe?

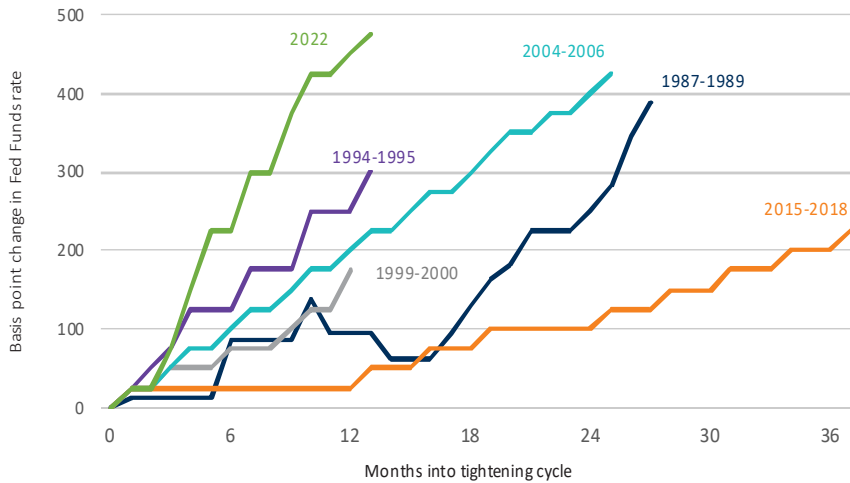
AC: The banking systems in Europe and elsewhere are different to the US, with the latter dominated by fixed 30-year mortgages. By and large, most other countries are dominated by variable-rate mortgages, even if they're fixed for two or three years. This means the banking systems elsewhere, and certainly in Europe, don't take on that interest rate risk. The transmission mechanism will therefore be different because it will be the homeowners with a mortgage and businesses that have borrowed money who will be hurt rather than in the US, where it's the banks that will pay the price for taking that risk. The potentially worrying thing is if there is a significant downturn, where the banks will be hurt elsewhere in the world as borrowers start to struggle to pay off their loans. I think the remarkable thing about Europe is that we've had a war there for over a year now and a huge increase in energy prices at the start of 2022, but yet that economy has remained incredibly robust. There has been no major pickup in unemployment, and economic growth is still positive, even though some industries that rely on gas have had to close down. There was a bit of luck involved, with large parts of the northern

hemisphere experiencing a warmer-than-normal winter and China's economy being very slow, which allowed Europe to source alternative gas much more easily than expected. Europeans have responded to the higher energy prices by cutting consumption. At the moment, gas storage is filling up very quickly, so we're partway through resolving that, but we are also in the hands of the weather. In summary, despite what they experienced with soaring energy prices early in 2022, the economy still managed to perform remarkably well.

DM: With the Chinese economy reopening and the market recovering remarkably at the end of last year, China has been largely out of the spotlight in the first quarter of this year. How are you seeing the Chinese economy and market at the moment?

AC: There were a lot of negatives that lined up against China in recent years. First of all, there were a number of economic reforms that caused significant uncertainty in the business community. Some people will talk about the crackdown on the technology sector, but it was really a regulatory reform of that sector. We also saw policy mistakes in trying to control property prices that led to the property market crashing. There were the COVID lockdowns, and of course, the US was also imposing sanctions and tariffs on the country. So, it's been a very difficult environment, and from there, we only have one way to go. The easiest one to tackle was the end of the lockdowns, and data on people's mobility shows a return to normal levels. Overseas travel hasn't returned to pre-COVID levels, as there are apparently shortages in approving visas, but all of the reopening activities that we've seen elsewhere are starting to happen in China.

Financing has been provided to the property sector to ensure developments get completed, and we have seen a strong rebound in property sales in the larger cities - not back to the levels they were, but a very substantial bounce from the bottom, and there has even been a slight uptick in property prices. That all bodes well for the economy. Some shorter-term observations are that consumer spending is not yet experiencing the same bounce back in ferocity that we saw in other places after they reopened from COVID lockdowns, so it would seem there's still some degree of caution amongst consumers at the moment, but I think that is simply a question of time. Lastly, the government has signalled very clearly that their work on regulatory reform around e-commerce is now complete, so we expect confidence to start to build. After a period of absence, Jack Ma recently returned to China, and symbolically, I think that's a very positive development for the business community. There was also the announcement about Alibaba splitting up its business into six different units.

Fig. 1: US Interest Rate Tightening Cycles

Source: Evercore ISI Research.

DM: So, there has been a lot of improvement in economic fundamentals, but it still feels like the sentiment towards investing in China has not rebounded in the same way, would that be fair?

AC: I think that's right. It's very clear that people are still cautious about China. You can't go from many commentators calling this market uninvestable to a bull market, so undoubtedly, there's a lot of caution, and I think the pattern of coming out of any bear market is that it takes time before the concerns that drove share prices lower are peeled away. I would expect that as we go through the year and we see companies reporting better sales and profits, people will gradually come back to the market, and ultimately, what will bring people back is if China has a good year this year. I have no doubt that those who were calling it uninvestable will, by and large, return and invest in that market.

DM: There are a lot of different economic and geopolitical concerns still at play, can you bring them together in terms of your outlook for major markets?

AC: What's been interesting in the last couple of quarters is the relatively poor performance of the US market; meanwhile, many European markets are not far from their all-time highs, and China has had a very good bounce off the bottom. The question that is debated on the front pages in the US is whether the bear market has finished. While we've had a good bounce from the lows of 2022, I believe it's likely there is more downside to come. This has been the biggest increase in interest rates we have experienced in the last 40-odd years, and it's the fastest increase in interest rates we've seen by a very long way (see Fig. 1). The reason I would be worried about the general level of the US market

is that interest rates have a very clear relationship with corporate earnings, and when we have rate increases like these, corporate earnings will be very weak, and invariably, that leads to a weak US stock market. Whereas I think China is in a completely different cycle, and Europe, again, is in its own cycle. Having said that, I think that for investors to overly focus on the headline levels of markets really misses the point. There are huge divergences within countries and sectors, and there are companies or industries that have already been sold down heavily, and that's where opportunities lie. While I do think there's more to go in this bear market, I continue to see 2023 as a year of opportunity for investors.

DM: Where are you seeing these opportunities?

AC: We focus our search for opportunities in two key areas. One area is in those companies, industries and countries that are out of favour, where investors' cognitive biases tend to lead them to be too focused on recent events. The other set of opportunities is where there's a lot of change going on, whether it's regulatory, technological or in the competitive environment. There are some really big changes going on in the world today, most notably that the global economy needs to undergo a massive investment cycle to decarbonise, and that is presenting a huge array of opportunities. The opportunity set here is much broader than many people think. Electric cars, wind turbines, solar panels and wind farms are often what most people think of, but really, there's a huge number of companies that will benefit, for example, companies that make semiconductors for electric vehicles or solar panels. There will be opportunities in commodities in a range of areas, and again, people think of lithium and copper, but something like pulp, traditionally just used to make paper, is going to be needed

to replace plastics, and there are some really interesting activities that come out of making pulp that present opportunities from decarbonisation.¹

Since COVID, there have been concerns about the reliance on China and the desire for companies to reshore their production or diversify their production bases. That gives rise to opportunities in a lot of different ways, such as relocating those factories to developed markets, which will need high levels of automation on account of the higher labour costs, so companies that provide that sort of equipment stand to benefit. In the developing markets, countries like Thailand and Vietnam are already benefiting from the huge move of production to their shores, creating investment opportunities.

There is also China, which we've already discussed at length; it is still deeply unloved but also fits into this idea of change. China is a leader in so many areas around leading-edge technology. The whole decarbonisation effort will heavily rely on China.

¹ Portfolio manager Jodie Bannan discusses how wood pulp is being used to produce sustainable packaging alternatives to plastic and also lower CO2-emitting biofuels and bioplastics in this short video: <https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Investing-for-Net-Zero>

Finally, the shift in interest rates will have long-term impacts on particular types of businesses or companies that go beyond just the first-order effect. Banks that have strong deposit franchises, for example, should do much better in a higher interest rate environment because previously they were gaining no benefit from their deposit franchises, while insurance companies will get better returns on the investment of their floats (the money they hold onto from the time customers pay their insurance premium until they make an insurance claim). Alternatively, in areas where there is significant competition from start-ups, a lot of venture capital money will be withdrawn, and these start-ups are going to have to become profitable. In the banking sector, lots of neobanks (online banks with no physical branch networks) are falling by the wayside, and e-commerce businesses now need to break even. They're not going to get more money for many ventures. Many will fail, and those who are left standing will potentially have won the land grab and developed very valuable businesses.

In summary, while it's easy to get caught up in the doom and gloom printed in the headlines, there are a lot of opportunities for investors in this market, and that is what we are focusing on.

MSCI Regional Index Net Returns to 31.3.2023 (USD)

| REGION | QUARTER | 1 YEAR |
|-------------------|---------|--------|
| All Country World | 7.3% | -7.4% |
| Developed Markets | 7.7% | -7.0% |
| Emerging Markets | 4.0% | -10.7% |
| United States | 7.6% | -8.9% |
| Europe | 10.4% | 1.4% |
| Germany | 14.7% | 2.2% |
| France | 14.6% | 8.8% |
| United Kingdom | 6.1% | -0.8% |
| Italy | 14.7% | 9.1% |
| Spain | 15.7% | 11.9% |
| Japan | 6.2% | -5.2% |
| Asia ex-Japan | 4.3% | -8.9% |
| China | 4.7% | -4.7% |
| Hong Kong | -2.4% | -5.3% |
| Korea | 9.6% | -14.4% |
| India | -6.4% | -12.2% |
| Australia | 2.8% | -9.2% |
| Brazil | -3.2% | -18.7% |

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 31.3.2023 (USD)

| SECTOR | QUARTER | 1 YEAR |
|------------------------|---------|--------|
| Information Technology | 20.4% | -7.5% |
| Communication Services | 17.2% | -15.5% |
| Consumer Discretionary | 14.2% | -12.1% |
| Industrials | 6.7% | -1.3% |
| Materials | 5.3% | -9.4% |
| Consumer Staples | 3.4% | 0.6% |
| Real Estate | 0.5% | -19.8% |
| Utilities | -0.7% | -6.4% |
| Financials | -1.5% | -10.8% |
| Health Care | -1.7% | -4.1% |
| Energy | -3.1% | 6.5% |

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.

Vietnam: A Beneficiary of Foreign Investment, Urbanisation and a Growing Middle Class

by Jack Cao, Senior Investment Analyst

Members of Platinum’s Asia team recently travelled to Vietnam, visiting companies that we already own and scouting for potential new investments. Immediately as we disembarked, we could sense the energy and buzz on the ground. Our insights and key takeaways are below.

Having closely witnessed China’s growth over the past two decades, we see a strikingly similar story developing in Vietnam today, namely, its structural growth is underpinned by:

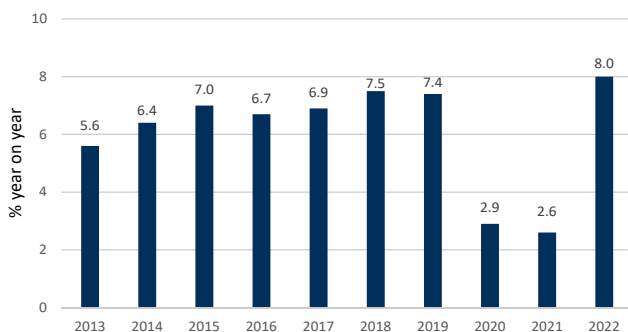
- Rising foreign direct investment (FDI)
- Increasing urbanisation driving demand for infrastructure and real estate
- A growing middle class.

An attractive destination for foreign investment

Vietnam has experienced phenomenal economic growth, growing at an average annual pace of 6% over the past decade.¹ The country has benefited from growing FDI as multinational corporations (MNCs) looked for new production bases in the region to offset the rising cost of conducting business in China after the double-digit percentage increase in the cost of labour there over the past decade.

¹ Source: CLSA, CEIC.

Fig. 1: Vietnam real GDP Growth (% Year on Year)



Source: CSLA, CEIC.

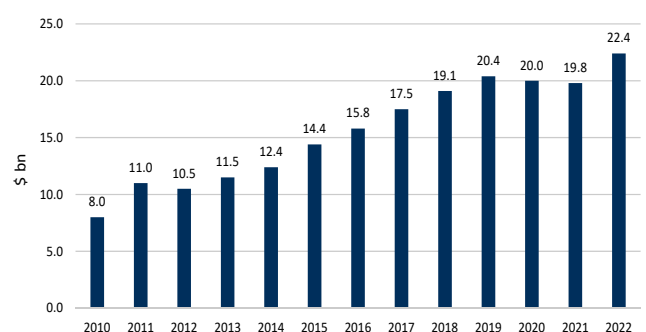
While we don’t believe that MNCs will pull out of China in any significant way, there is growing acceptance of the China-plus-one strategy as a viable sourcing approach. Vietnam stands out over its regional peers in several regards, namely:

- Significantly lower cost of labour (see Fig. 3 on the following page)
- Geographic proximity to China allows it to tap into the Chinese supply chain
- An abundant supply of a young and well-educated labour force. The working population (aged between 15 and 64) accounts for 70% of Vietnam’s total population, and the national literacy rate is 95%.²

While workforce productivity will take time to reach levels comparable to China, we heard anecdotes of employers’ high regard for the work ethics of local employees.

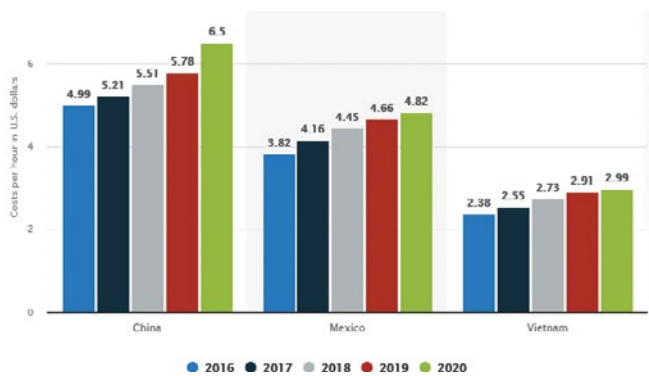
² Source: JP Morgan, National Statistics Office, 2019.

Fig. 2: A relentless rise of FDI in Vietnam (US\$ bn)



Source: Dragon Capital.

Fig. 3: Vietnam’s labour costs are half that of China’s
 Manufacturing labour costs per hour for China, Vietnam, and Mexico from 2016 to 2020 (US\$)



Source: Statista.

The signing of multiple trade agreements in recent years,³ together with rising trade frictions between the US and China, should further propel Vietnam as a preferred location for manufacturing.

While the pace of growing exports in the headline numbers is to be marvelled, rising from US\$114 billion to US\$365 billion over the past decade,⁴ the composition of Vietnam’s exports by products shows a clear shift from a decade ago, with electronics and components becoming more prominent than textiles and footwear and representing 45% of total exports.⁵ Lured by the monetary incentives offered by the Vietnamese government in the form of tax concessions, large Korean conglomerates set up their operations in droves, pledging to invest US\$15 billion in new plants, including US\$6 billion from Samsung and LG Electronics. As these giants established their bases, their upstream component makers followed them into Vietnam, often with plants located nearby.

3 These include Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), EU Vietnam FTA and Regional Comprehensive Economic Partnership.

4 Source: Bloomberg.

5 Source: Credit Suisse, GSO, 2022.

In an industrial park in Bac Ninh Province, 50 kilometres from Hanoi, we saw rows of neatly laid out industrial properties that have been taken up by well-known electronics makers, including Apple’s principal assembler Foxconn and smartphone acoustic component maker Goertek (see Fig. 4).

The industrial park operator told us that it takes 3-5 years to get one industrial property up and running. The process is fairly cumbersome. A feasibility study needs to be submitted, farmers who currently occupy the land need to be compensated, a 50-year land lease agreement with the government needs to be entered into, and a land use certificate needs to be issued, followed by a sublease to industrial tenants. The government has recently tightened requirements on industrial property operators; hence, the review process has become more stringent. Given such an involved process, we are of the view that investing in local companies that are well versed in navigating the red tape, is a sensible investment strategy.

Urbanisation is driving infrastructure and housing

The rising urbanisation rate, together with household formation, is driving new demand for infrastructure and housing. Our guide informed us that the entire country has only 600 kilometres of highways (400 kilometres in the north and 200 kilometres in the south) for a population of 95 million, with over 15 million people residing in the two major metropolises of Ho Chi Minh City and Hanoi, and an annual rural to urban migration of 1.5 million people.⁶ Further, there are 500,000 new households formed through marriages each year.⁷ It is our view that the housing market is at a relatively nascent stage of development, and consequently, the affordability ratio is comparatively good. A two-bedroom, mid-end apartment with 80 square metres of floor space in Ho Chi Minh City and Hanoi can be purchased for

6 Source: JP Morgan, 2019.

7 Source: Statista.

Fig. 4: Well-known electronics makers are setting up base in Hanoi



Source: Platinum Investment Management Limited.

US\$150,000. For couples in the top 15-20% income bracket earning a combined income of US\$23,000, that's around six-and-a-half times their household income. Rental yields are running at an attractive 4.5-5% in Hanoi and 4-4.5% in Ho Chi Minh City.⁸

The new Ocean Park mega property development located 40 minutes from downtown Hanoi, is still in a nascent stage. Our commute over the expressway passed through sparsely populated farmland on the eastern side of the Red River. We sensed an ongoing reluctance among most residents to commit to that type of daily commute, with most buyers opting to use their new purchase as their second home. The project comes with extensive amenities, including a man-made beach (locals call it a salt lake), an outdoor gym area, a mega retail mall, an international school, and a university that are operated by the developer's related entities. The scale of the project reflects the ambitions of the developer as well as the realisation that there is a significant cost advantage from extensive land banking and a phased launch of projects due to the general upward trajectory of land prices.

There are issues within the property sector that the government is trying to resolve, which is currently in the eye of the storm. Due to the slow project approval process by local governments since the introduction of anti-corruption laws in 2016, developers have prioritised the sale of premium projects while neglecting the mass segment where the bulk of demand lies, thereby creating a demand/supply mismatch. Moreover, there's the problem of these so-called "developers", who are merely speculating on the value of their prime land plots without actually engaging in any real development. These land premiums are often funded through bond issuance and marketed to retail investors based on yield enhancement, without the underlying development project delivering any cashflows to fund bond interest payments. The recent arrest of a high-profile developer, along with changes to bond issuance rules, shows the government is serious about remedying these undesirable behaviours. With the overall housing construction sector contributing less than 4% to national GDP, we don't believe that the housing sector is overextended or that it poses a persistent drag on the economy. We have avoided investing in Vietnam's property sector to date, not because we have doubts about its long-term potential but rather due to the issues surrounding developers and the sourcing of land banks.

⁸ Source: BofA, 2023.

The rise of the middle class

One of the exciting domestic stories is the rise of the middle class in Vietnam. There are 24 million people who fit the global definition of the middle class, representing roughly 25% of the population.⁹ According to McKinsey & Company, less than 10% of Vietnam's population were members of the middle class in 2000, and by 2030, this figure is expected to be close to 75%.¹⁰ With the growing FDI, there is a progressive shift in the workforce away from the agricultural sector to higher-paying manufacturing and IT outsourcing jobs.¹¹ This, in turn, is driving improvements in the standard of living, with rising ownership of household appliances and electronic devices. As we've seen in other neighbouring countries, the emergence of a growing middle-class population tends to coincide with the transformation of the retail sector, from unorganised locally-owned stores to branded retail chains. Private enterprises, flush with funding from capital markets and seeking to replicate the well-worn playbook from other markets, are turbo-charging the build-out of modern trade. Armed with more sophisticated merchandising, marketing and site selection, along with an improved overall shopper experience, it is easy to see why investors are betting on the inevitability of this channel shift. Mobile World Investment (a holding in our Asia ex-Japan strategy) is a company that exemplifies this retail format transformation. Mobile World has close to 50% market share in consumer electronics and mobile phones and has built a strong footprint in grocery retail.¹² One insight we heard on the ground was that urban mall visitation is currently hindered by the lack of transport infrastructure, with the metro railway yet to be completed. As two-wheeler scooters are the dominant form of private transportation, urban consumers still prefer street stores for their ease of vehicle access, but this is expected to change once the new railway is completed.

Vietnam has a relatively young demographic, with around half of its population aged 30 or below.¹³ This has been conducive to the rapid adoption of mobile payments and e-commerce, similar to what we saw in China over the last decade. We visited an e-commerce retailer's logistic operations. The warehouse manager is an ex-pat who had previously worked at multiple global express delivery companies, and he saw a lot of opportunities to improve efficiency through greater standardisation. Speed of delivery is increasingly a differentiator, and e-commerce operators

⁹ Source: Credit Suisse, BCG, 2017.

¹⁰ Source: <https://www.mckinsey.com/featured-insights/future-of-asia/the-new-faces-of-the-vietnamese-consumer>

¹¹ Source: JP Morgan, 2019.

¹² Source: Mobile World Investment. For more on Mobile World, see this short video: <https://www.platinum.com.au/Insights-Tools/The-Journal/Impressive-Opportunities-Abound-Across-Asia>

¹³ Source: JP Morgan, National Statistics Office, 2022.

have had to build out in-house logistic capabilities to adequately compete. They operate many local warehouses under a 'hub and spoke' model close to consumers to increase delivery speed and reduce the costs of delivery. This also proved helpful during COVID-19, when there were movement restrictions across different regions. The main challenge is that with consumers demanding faster deliveries, the cost of warehousing close to the city is getting more expensive, forcing operators to move outwards from the centres.

Dominant consumer franchises also provide an attractive investment opportunity in Vietnam, such as in the dairy industry, where there is plenty of scope to 'premiumise' product offerings as consumers become wealthier. We have exposure to this growing sector via VinaMilk (formerly Vietnam Dairy Products Joint Stock Company). VinaMilk is the dominant dairy producer in Vietnam, and we visited their packaging plant located on the outskirts of Ho Chi Minh City. We were impressed with its operations on our visit; the plant appears to be well managed, with stringent quality controls on raw materials conducted at multiple points and the use of advanced machinery imported from Switzerland, and packaging lines are well automated with minimal human presence.

Market and Regulatory Observations

There is much optimism among the local brokerage community that Vietnam is slated for an upgrade from a frontier market to an emerging market over the coming two years. Two broad issues still need to be resolved, namely, the lifting of the foreign ownership limit and the establishment of a central counterparty system to allow trading without deposit requirements.

We met with senior monetary policymakers at the State Bank of Vietnam (SBV). SBV has adopted an inflation-targeting regime since 2011, following a period of high inflation in 2008-09 that saw headline inflation exceed 20%. As the US Federal Reserve increased policy rates in 2022, SBV followed suit and also increased rates by 1% in September 2022 to 5% and another 1% to the current rate of 6% in October,¹⁴ as it prioritised curbing inflation over promoting growth. This looked slightly conservative to us given that the local inflation rate of 3.1% was far from alarming and below the SVB's own 4% inflation target.¹⁵ We suspect SBV's decision primarily reflects its desire to protect the currency, given that it was intervening in the currency market by selling its foreign exchange reserves. The subsequent 0.5% cut in the policy rate in early April, reflects a shift in priority towards supporting growth.

¹⁴Source: <https://tradingeconomics.com/vietnam/interest-rate>

¹⁵Source: <https://www.gso.gov.vn/en/homepage/>

On the political front, despite the ruling party being communist, the governance system tends to be socialist. In our view, the government is pragmatic and willing to make decisions that are in the best interests of the population without being burdened by ideology. The government demonstrated administrative competency during the pandemic, where it was able to quickly bring COVID-19 under control, secure early access to vaccines, open up its borders and normalise the economy in 2022.

The recent corruption crackdown, which reached the top echelons of the Vietnamese government, unnerved many foreign investors. This, along with a crackdown on bond market activities, were the key drivers behind the 40% retracement in the local stock market in 2022. One would think that if the motivation of this campaign is strictly aimed at rooting out corruption within the party, that would be positive for boosting the confidence of foreign investors.

Summary

Our trip to Vietnam confirmed the importance of on-the-ground visits: local contacts and face-to-face company meetings and site tours are invaluable, especially given that Vietnam is still an under-researched market. Its growing economy, burgeoning middle class and rising urbanisation rates, which are creating infrastructure and housing investment, place it on a remarkably similar growth path to that of China's, albeit on a much smaller scale given the population differences. Its attractiveness as a destination for foreign investment, particularly from companies seeking to reshore and diversify their manufacturing bases away from China, provides further support for the investment case. We are excited about the companies we have invested in that are tapping into these growth themes, and we will continue to explore further opportunities in this fast-growing, rapidly changing economy.



Source: Platinum Investment Management Limited.

Platinum International Fund



Andrew Clifford
Portfolio Manager



Clay Smolinski
Portfolio Manager



Nik Dvornak
Portfolio Manager

Performance

(compound p.a.+, to 31 March 2023)

| | QUARTER | 1YR | 3YRS | 5YRS | SINCE INCEPTION |
|----------------------|---------|-----|------|------|-----------------|
| Platinum Int'l Fund* | 5% | 18% | 11% | 6% | 12% |
| MSCI AC World Index^ | 9% | 4% | 12% | 10% | 7% |

* Excluding quarterly returns.

* C Class – standard fee option. Inception date: 30 April 1995.

After fees and costs, before tax, and assuming reinvestment of distributions.

^ Index returns are those of the MSCI All Country World Net Index in AUD.

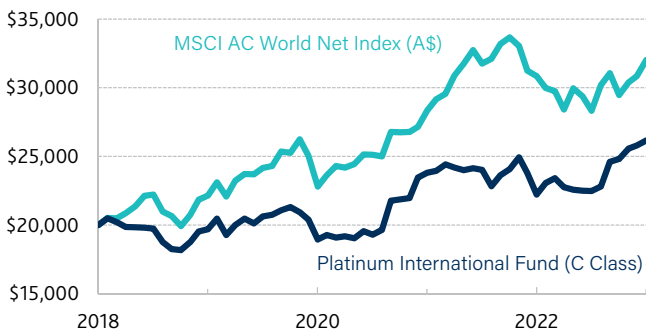
Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance.

See note 1, page 44. Numerical figures have been subject to rounding.

Value of \$20,000 Invested Over Five Years

31 March 2018 to 31 March 2023



After fees and costs, before tax, and assuming reinvestment of distributions.

Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited, FactSet Research Systems.

See notes 1 & 2, page 44.

The Fund (C Class) returned 17.7% for the year, a 13.9% outperformance of the market, which returned 3.8%.¹

The Fund's long portfolio performed well, returning 10.7% (for an overall contribution to performance of 8.4%), which was supplemented by a strong 8.8% contribution from our short positions.² The year was characterised by the deflating of the speculative bubble in growth stocks and illustrates the benefit of Platinum's investment approach of seeking out opportunities in areas that are 'out of favour' with investors and avoiding the 'much-loved' investment ideas of the day. We believe the past year represents a strong start to the Fund's performance in the current bear market in global equities.

The Fund returned 5.4% for the quarter, compared with the market's return of 8.7%. Market returns in local currency terms were similar across regions, with Europe up 8.5%, North America up 7.4% and Japan up 7.1%, with Asia ex-Japan being the exception, up only 4.5%.³ However, there were significant divergences by sector, as investors responded to the failures of Silicon Valley Bank and Credit Suisse by seeking out perceived safe havens in growth stocks and selling economically sensitive sectors. Information Technology was up 20.3% while Energy fell 3.5%. Those sectors in the eye of the storm also performed poorly, with Financials down 1.8% and Real Estate up 0.5%.

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

2 Contribution numbers are based on the total return of individual positions and are gross as they do not take into account the Fund's fees and costs (other than brokerage).

3 MSCI AC Europe, MSCI North America, MSCI Japan and MSCI Asia ex-Japan, respectively, in local currency. Source: MSCI.

Within our portfolio, key contributors to performance included travel-related investments **Wizz Air** (+56% over the quarter) and **Booking Holdings** (+32%), as the travel sector continued its post-COVID boom. Semiconductor stocks **Microchip Technology** (+19%), **Infineon Technologies** (+33%) and **Micron Technology** (+21%) were also strong contributors, benefiting from commentary from various management teams that the current downturn in the cycle may be coming to an end and conditions could progressively improve throughout the rest of the year. Precision components supplier **MinebeaMitsumi** (+27%) was another strong performer, gaining on indications demand may have bottomed in several of its businesses.

Key detractors included global insurance player **Beazley** (-12%), weakening after releasing disappointing results, **Allfunds** (-7%), weakening on general concerns in the financials sector, and commodities (**Glencore** -14%, **UPM-Kymmene** -11%, **Schlumberger** -8%), falling on growth concerns. Short positions in aggregate reduced performance for the quarter by 1.8%.

Changes to the Portfolio

The Fund's net invested position increased from 63% to 70% over the quarter.

Falling share prices in the financial sector provided an opportunity to add to existing holdings **Allfunds** (European investment fund platform), **St. James's Place** (UK wealth manager) and **Intercontinental Exchange** (financial exchanges and data services). We initiated a new position in **TransUnion**, a US provider of consumer credit ratings and other data services. TransUnion had been sold off on concerns that the collapse in US mortgage applications, as a result of higher interest rates, would impact their earnings in the short term, providing an opportunity to acquire shares in this high-quality growth company at an attractive price.

Early in the quarter, we trimmed positions in our European banks **Erste**, **Raiffeisen Bank International** and **Intesa Sanpaolo** after strong share price gains in recent months. Similarly, we substantially reduced our position in online travel agent **Booking Holdings**. We also exited our position in **BMW** due to a combination of strong stock price performance and rising concerns over the increasingly competitive nature of the electric vehicle market in China. The net result was that the Fund's cash position fell from 20% to 16% over the quarter.

The focus of the short portfolio continues to be on companies that have weak earnings outlooks as interest rates start to impact the growth outlook. We continued to reduce our short positions on the growth stocks that have already fallen heavily over the last year. In aggregate, short positions were reduced from 17% to 14% over the quarter.

Disposition of Assets

| REGION | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|---------------|-------------|-------------|-------------|
| Asia | 27% | 27% | 25% |
| Europe | 26% | 26% | 23% |
| North America | 19% | 16% | 22% |
| Japan | 8% | 8% | 13% |
| Australia | 2% | 2% | 5% |
| Other | 2% | 2% | 3% |
| Cash | 16% | 20% | 10% |
| Shorts | -14% | -17% | -28% |

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

| SECTOR | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|------------------------|-------------|-------------|-------------|
| Industrials | 19% | 16% | 18% |
| Financials | 16% | 14% | 13% |
| Information Technology | 9% | 4% | 6% |
| Materials | 8% | 9% | 16% |
| Energy | 8% | 6% | 4% |
| Consumer Discretionary | 5% | 8% | 7% |
| Health Care | 4% | 4% | 6% |
| Communication Services | 3% | 3% | 4% |
| Real Estate | 2% | 3% | 3% |
| Consumer Staples | 0% | 0% | 1% |
| Other | -2% | -4% | -16% |
| TOTAL NET EXPOSURE | 70% | 63% | 62% |

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

| COMPANY | COUNTRY | INDUSTRY | WEIGHT |
|----------------------------|-------------|-----------------|--------|
| ZTO Express Cayman Inc | China | Industrials | 3.9% |
| MinebeaMitsumi Co Ltd | Japan | Industrials | 3.3% |
| Microchip Technology Inc | US | Info Technology | 3.2% |
| Ping An Insurance Group | China | Financials | 2.7% |
| UPM-Kymmene OYJ | Finland | Materials | 2.6% |
| Allfunds Group Plc | UK | Financials | 2.6% |
| Samsung Electronics Co Ltd | South Korea | Info Technology | 2.3% |
| Weichai Power Co Ltd | China | Industrials | 2.3% |
| LG Chem Ltd | South Korea | Materials | 2.3% |
| Airbus SE | France | Industrials | 2.1% |

As at 31 March 2023. See note 5, page 44.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit <https://www.platinum.com.au/our-products/pif>

Commentary

In recent quarters, we have stressed how the investment environment has fundamentally changed from that of the prior decade. The period from the global financial crisis (GFC) until early 2022 was marked by easy monetary policy and low interest rates, initially with quantitative easing and then the extraordinary fiscal and monetary policy response to the COVID pandemic. The cumulative effects of these policies have been the primary cause behind the sharp increase in inflation experienced across much of the global economy. The current interest rate tightening cycle that began in March 2022 has been dramatic, most notably in the US, where official interest rates have risen from virtually zero to close to 5% in the space of a year.⁴ This is the most rapid increase in rates versus prior tightening cycles in the last 40 years (see the Macro Overview for further details). The monetary environment has changed from being a tailwind for economic growth and markets to a very strong headwind.

The failures of Silicon Valley Bank and Credit Suisse are a symptom of this environment. It should be remembered that these events come on the back of other recent financial accidents, such as the forced liquidation of assets by UK pension funds last October as a result of losses in leveraged bond portfolios and the collapse of cryptocurrency exchanges such as FTX. For the moment, banking regulators, by guaranteeing deposits, have calmed the situation both in the US and Switzerland. While there are lingering doubts about whether we will see further bank runs in the US, it is quite possible that the worst may be over. However, this does not mean there are no further ramifications for investors as a result of these events.

At the centre of the failure of Silicon Valley Bank and the broader troubles that have been faced by second-tier banks in the US in recent weeks are losses on bond and mortgage portfolios that resulted from the rise in interest rates. While these losses impacted bank capital, they did not cause Silicon Valley Bank to become insolvent. Rather, it was the loss of confidence of depositors, due to the weakened balance sheet, that resulted in a run on the bank and its ultimate demise. As such, the guarantee on deposits is an effective short-term solution. This doesn't solve the problem for the remaining banks that have accumulated losses in their bond and mortgage portfolios, reducing their capital base and thus their ability and willingness to make new loans at a time when banks were already becoming increasingly cautious.

It's important to note that these second-tier banks in the US are important lenders to small and medium-sized businesses, accounting for 28% of bank lending to this sector, and similarly to commercial real estate, providing 67% of bank lending.⁵ This reduction in the availability of new loans is likely to exacerbate the impact of higher interest rates at a time when corporate defaults are rising at an alarming pace. The precariousness of the situation is why many are now predicting that the US Federal Reserve (Fed) will stop raising interest rates and start cutting rates before the end of this year. Given that there are also signs that inflation has peaked, this is not an unreasonable conclusion to draw. The one dilemma the Fed faces at this time, though, is that the US economy remains quite robust. While we noted last quarter that employee layoff announcements had picked up sharply, employment markets remain tight, with people readily finding new jobs, and annual wage growth, while softening, remains historically strong, growing by 7.3% for the twelve months to February 2023.⁶ There remains the risk that a significant cut in interest rates too early could reignite inflationary forces.

There have been concerns about possible contagion from the US to other banking systems, with the failure of Credit Suisse emphasising these concerns. While higher rates may yet impact other banking systems, the transmission mechanism will be different. In the US, residential mortgages are primarily done on a fixed-rate basis for 30 years, which means when rates go up, the lender loses out. In banking systems in other countries, where variable-rate (or short-term fixed-rate) mortgages are standard, it is the borrower that suffers when rates rise. Ultimately, that may result in banks incurring higher credit costs if increasing numbers of households are unable to service their mortgages. For the moment, there is little evidence of this in markets such as Europe or Australia, but of course, one cannot discount that it may yet happen in time. As for Credit Suisse, it was simply an accident-prone institution that was vulnerable to a bank run in a time of significant uncertainty. It is worth mentioning that none of the Platinum funds hold any US banks or Credit Suisse.

Europe's economy has been remarkably resilient in the face of numerous negative factors. Interest rates have risen sharply in response to inflation, as we have seen elsewhere. The war in Ukraine has severely impacted consumer and business confidence, not to mention the disruption to energy and other commodity markets. Yet the European economy still grew in real terms over the course of 2022 by 3.5%, and likewise, employment grew by 1.2%.⁷ This has occurred in a period where rapidly escalating energy prices

⁴ Federal Funds Effective Rate. Source: Federal Reserve Bank of St. Louis.

⁵ Source: BofA.

⁶ Source: <https://tradingeconomics.com/united-states/wage-growth>

⁷ Source: FactSet Research Systems.

in the first half of 2022 resulted in an outright loss of competitiveness for European industries, with energy-intensive sectors such as petrochemicals and fertilisers experiencing significant capacity closures. Offsetting this set of unfortunate circumstances was that energy prices only remained elevated for a relatively short period, with key markets returning to levels before the Ukraine war, partly as a result of the good fortune of a warmer-than-normal winter and a sluggish Chinese economy reducing overall energy demand. While the outcomes in Europe have been surprisingly good, there remains a degree of uncertainty. Firstly, history would suggest there is a significant lag between interest rate increases and their impact on activity, in which case we are yet to see the full impact of last year's interest rate rises. Further, it is far from clear that Europe has fully resolved its energy supply issues, particularly as there is a significant degree of good fortune in escaping the worst-case scenarios in the second half of last year.

In China, the country has moved beyond the damaging economic effects of last year's COVID lockdowns in a similar fashion to the rest of the world, with indicators of mobility suggesting life is returning to normal. Most importantly, there has been a pickup in sales of residential apartments in the major cities, suggesting that the government's move to ensure adequate funding for property developers to complete projects has resulted in a lift in confidence in the sector. We would expect the economy to continue to build momentum as the year unfolds. With respect to tensions between the US and China, it is worth noting the announcement from Ford that for its new electric vehicle plant, it will be using battery technology provided by the Chinese company Contemporary Amperex Technology Co. Limited (CATL), while there are reports that Tesla will also sign a deal with the company. The Ford deal has been signed even though it could potentially exclude the company from US subsidies. CATL is the global leader in providing electric vehicle batteries, having mastered making batteries using a lower-cost lithium iron phosphate (LFP)

Fig. 1: US Market Bounces Despite Bank Crisis

Local currency

| COUNTRY | INDEX | % CHANGE 9 MAR 2023 TO 31 MAR 2023 |
|-----------|---------------------|---------------------------------------|
| USA | S&P 500 | 4.9% |
| USA | Nasdaq Composite | 7.8% |
| Europe | STOXX Europe 600 | -0.5% |
| Japan | Nikkei 225 | -2.0% |
| China | SSE Composite Index | -0.1% |
| Australia | S&P/ASX 200 | -1.8% |

Source: FactSet Research Systems.

chemistry. This is mentioned simply to note that while the war of words continues between the US and China, the reality is that the economies of the West and China are highly interdependent.

Outlook

Since the collapse in the stock price of Silicon Valley Bank on 9 March, it is interesting that the US market has rallied 5% in local currency terms while other major stock markets have generally weakened (see Fig. 1). The strong short-term performance in the US is generally attributed to the increased likelihood of earlier-than-expected interest rate cuts. While cuts are probably closer than we had thought, this is probably not a good explanation for the market's reaction. After the last two speculative stock market bubbles that ended in 2001 (the tech wreck) and 2008 (the GFC), the first interest rate cuts presaged a collapse in US corporate earnings and the stock market. As already noted, given that over the last 12 months we have experienced the sharpest rise in rates in the US in over four decades, along with quantitative tightening, followed now by a banking crisis that will further tighten the availability of credit, to suggest that the market is celebrating future rate cuts that will usher in the beginning of a new economic cycle does not seem credible.

The answer is partly found by looking at sector performance within the US market. The market has been led higher by a select group of technology stocks (many of the old favourites of the bull market, such as the FANGs, Microsoft and Nvidia) and consumer staples (up 4.7% since 9 March), while interest-rate sensitive stocks that tend to benefit from falling interest rates, such as financials (down 3.6%) were sold off. This is a stock market that is factoring in a much more uncertain future. This is consistent with the softer performance of markets outside of the US, as they are typically more sensitive to economic growth.

As events unfold, the idea that US corporate earnings will remain resilient looks increasingly unrealistic, and the probability of further significant falls in US stock indices is high. However, investors are not generally well served by focusing on such predictions. The best approach at such times is to not get caught up in the short term and instead focus on likely outcomes in different sectors and economies over the next five years and beyond, and be ready to take advantage of opportunities presented by the markets. Companies that will benefit from the decarbonisation of the global economy, the diversification of supply chains and reshoring of production, higher interest rates, and a resurgent China are some of the themes that we will continue to focus on in our search for opportunities.

Platinum Global Fund (Long Only)



Clay Smolinski
Portfolio Manager

Performance

(compound p.a.+, to 31 March 2023)

| | QUARTER | 1YR | 3YRS | 5YRS | SINCE INCEPTION |
|-----------------------------------|---------|-----|------|------|-----------------|
| Platinum Global Fund (Long Only)* | 10% | 15% | 12% | 5% | 10% |
| MSCI AC World Index^ | 9% | 4% | 12% | 10% | 8% |

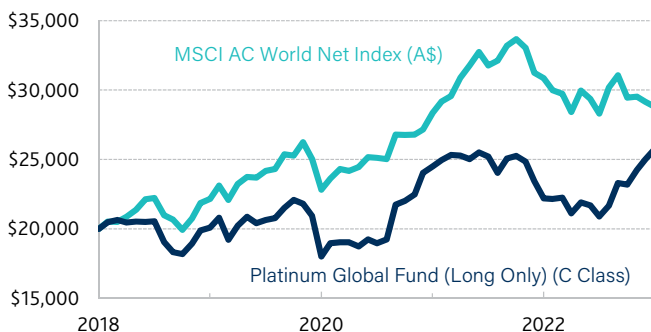
* Excludes quarterly returns

* C Class – standard fee option. Inception date: 28 January 2005. After fees and costs, before tax, and assuming reinvestment of distributions.

^ Index returns are those of the MSCI All Country World Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems. Historical performance is not a reliable indicator of future performance. See note 1, page 44. Numerical figures have been subject to rounding.

Value of \$20,000 Invested Over Five Years

31 March 2018 to 31 March 2023



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 9.7% over the quarter.¹

While contributors to performance were quite broad, the largest pockets came from our investments in:

- Travel** – European ultra-low-cost airline **Wizz Air** was our largest contributor, with its share price rising 56% over the quarter as air travel demand and ticket pricing continued to rise post-COVID. Gains were also seen in our positions in **Booking Holdings** (+32%), **Trip.com** (+10%) and **Airbus** (+11%).
- Semiconductors** – The main fear that investors have around the semiconductor industry is the current downturn in the cycle as demand for consumer goods (PCs, mobile phones, appliances) has fallen away post the COVID spending boom. Recent results indicate the current downturn may be coming to an end, and demand in auto and industrial semiconductors remains strong (driven by content growth from electrification and driver-assistance systems). In response, our investments in **Infineon Technologies** (+33%), **Micron Technology** (+21%), **Microchip Technology** (+19%) and **NXP Semiconductors** (+8% since our first entry point during the quarter) all rose.
- China** – As we mentioned last quarter, Chinese stocks had increasingly been seen as ‘untouchable’ due to geopolitical concerns; the fear of loss took over and investors fled, resulting in heavy discounting in stock prices in the process. As confidence in the economic recovery builds following the end of the zero-COVID policy and Chinese companies begin to report stronger results and outlooks, this fear is subsiding, and investors are increasingly returning to this market. This combination saw gains across a number of our Chinese holdings, in particular, **Tencent** (+22%) and **Weichai Power** (+20%).

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

Detractors over the quarter were fairly modest and were concentrated in our commodity holdings namely **UPM-Kymmene** (-11%), **Equinor** (-9% since our first entry point during the quarter) and **Schlumberger** (-8%). The weakness reflected a rapid repricing in response to the US bank crisis, led by the collapse of Silicon Valley Bank in mid-March, with the expectation that this would reduce banks' willingness to lend and increase the chance of a broad economic contraction.

Commentary and Changes to the Portfolio

A key pillar of our investment approach is the importance of using investor sentiment as a guide to the level of mispricing in stocks. Often, the best opportunities to buy are when investors are intensely focused on the prospect of a problem rather than when the problem has actually occurred, as markets are adept at fully pricing in negative events well ahead of their happening.

A recent example of this forward discounting dynamic is the US homebuilding stocks. The US homebuilding industry is currently in recession with the highest mortgage rates since 2007, but the stock prices of the homebuilders are generally 30-50% higher than where they bottomed in June 2022.² The initial panic about the prospect of higher rates and a housing recession created the opportunity to buy, but by the time the housing recession that everyone was so worried about had begun, emotions had calmed and investors were already looking forward to mortgage rates being cut and a recovery!

In this regard, we continue to rotate the portfolio as we look to take advantage of these new areas of intense feelings and sell down where the investment case has played out.

Last year, Europe was a region surrounded by intense concern as investors worried about the prospects of Russia cutting off access to gas and what that would mean for corporates and the economy alike. Much like the US homebuilding example, many European stocks bottomed before the gas was cut off, and we used this fear to build positions across a number of European stocks, including the **European banks, Wizz Air, Infineon Technologies and Airbus**.

² Source: Federal Reserve Bank of St. Louis, FactSet Research Systems, respectively

Disposition of Assets

| REGION | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|---------------|-------------|-------------|-------------|
| Asia | 31% | 30% | 27% |
| Europe | 30% | 32% | 26% |
| North America | 20% | 19% | 26% |
| Japan | 6% | 6% | 10% |
| Australia | 2% | 0% | 4% |
| Other | 1% | 1% | 1% |
| Cash | 11% | 12% | 5% |

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

| SECTOR | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|------------------------|-------------|-------------|-------------|
| Industrials | 25% | 22% | 21% |
| Financials | 14% | 14% | 14% |
| Information Technology | 13% | 13% | 15% |
| Energy | 11% | 10% | 5% |
| Materials | 8% | 9% | 18% |
| Consumer Discretionary | 6% | 7% | 6% |
| Health Care | 5% | 6% | 2% |
| Communication Services | 5% | 6% | 7% |
| Real Estate | 2% | 2% | 4% |
| Utilities | 1% | 0% | 0% |
| Consumer Staples | 0% | 0% | 2% |
| TOTAL NET EXPOSURE | 89% | 88% | 95% |

See note 4, page 44. 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 | 4.3% |
| Weichai Power Co Ltd | China | Industrials | 3.9% |
| ZTO Express Cayman Inc | China | Industrials | 3.9% |
| AK Medical Holdings Ltd | China | Health Care | 3.8% |
| MinebeaMitsumi Co Ltd | Japan | Industrials | 3.7% |
| Tencent Holdings Ltd | China | Comm Services | 3.6% |
| Wizz Air Holdings Plc | Switzerland | Industrials | 3.5% |
| UPM-Kymmene OYJ | Finland | Materials | 3.4% |
| Trip.com Group Ltd | China | Cons Discretionary | 3.0% |
| Samsung Electronics Co Ltd | South Korea | Info Technology | 2.9% |

As at 31 March 2023. See note 5, page 44.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit <http://www.platinum.com.au/our-products/pgflo>

As the fears over the gas crisis have subsided, our European positions have experienced strong gains, and we used this strength to raise funds, selling out of our positions in **BMW**, **Informa** and **Booking Holdings** and reducing our positions in European banks **Erste** and **Intesa Sanpaolo**. We also trimmed our positions in **ZTO Express** and **Tencent**, effectively selling the additional shares we acquired during the lows back in October.

We have applied the proceeds to investments in a selection of financial services businesses. These included increasing our positions in **Allfunds** and **St. James's Place** and building a new position in **TransUnion**.

While they are all different businesses, the commonality between Allfunds and St. James's Place is their revenue is determined by the value of their assets under management (AUM). With the value of equity markets having fallen, combined with one of the largest falls in the value of fixed income securities in history, both firms' AUM, earnings and investor sentiment have been suppressed.

TransUnion is one of the big three global credit bureaus (alongside Equifax and Experian) that collects credit payment data (e.g. whether a borrower repaid their car loan or defaulted) and packages it into software that helps banks and other lenders make decisions on who they will lend to and at what price. From the initial base of credit data, each company has moved into new areas where data can assist with high-value decisions, namely income verification (Equifax), user ID and fraud (TransUnion), and targeted marketing (Experian).

TransUnion's stock price has halved on fears about a fall in the issuance of new credit and uncertainty around its deal to buy fellow data firm Neustar. As rates have risen, mortgage applications have collapsed, and while this dampens revenue growth in the short term, the impact is ultimately transitory. The market's scepticism around Neustar is due to its exposure to targeted marketing, which is an area that Experian has consistently struggled with. We have a more optimistic view. Neustar's expertise is in user identification, and our background work indicates this data can be more valuable in a post-Apple IDFA (identifier for advertisers) world and has a complementary fit with TransUnion's existing ID and fraud products.

Stepping back, the core competency of these firms is the collection, cataloguing, analysis and ultimately, the building of useful decision tools on large data sets. As the world moves online and increasingly important transactions are done remotely rather than face-to-face (e.g. getting a loan, qualifying for social security payments), we have seen the user cases for TransUnion and its data vendor peers consistently expand. We expect this trend to continue and see the price we paid as a good entry point.

Outlook

There is a persistent contradiction in the role that macroeconomics should have in decision making. That contradiction is the fact that, the majority of the time, macroeconomics is of minor importance and shouldn't feature heavily in your decision making, BUT there are certain times when macroeconomics matters a great deal and completely dictates stock prices in the short/medium term.

The question is, then, when do we pay attention? History shows the times when macroeconomics 'matters' are when there is a significant change in the cost and availability of credit, with the global financial crisis, the European sovereign crisis and the Chinese shadow banking reform in 2018 following this pattern. The situation today fits the bill, as we have seen a repricing of interest rates globally, and the recent problems in the US banking system should produce a period of much tighter lending standards. Our initial reaction to these developing events is one of caution.

That said, the theme of this quarterly report has been the market's ability to forward discount events, and when it comes to the role of macroeconomics, we also need to remain open to the possibility that the market may have already priced in a recession and the prospect of lower corporate earnings. The recent lows in October saw both the US and European markets fall 24% from their peaks, and after adjusting for inflation, this represents a fall in the real value of closer to 35%, which is fairly substantial in a historical context.

Overall, on the macro front, in principle, there are reasons for caution, but we want to use this uncertainty to our advantage. This market environment is well suited to our investment style, and if we can continue to maintain a mix of rotating the portfolio into companies where the extremes are already discounted along with building positions in companies where earnings can be higher in three to five years' time, good returns should follow.

Platinum Asia Fund



Andrew Clifford
Portfolio Manager



Cameron Robertson
Portfolio Manager



Kirit Hira
Portfolio Manager

Performance

(compound p.a.+ , to 31 March 2023)

| | QUARTER | 1YR | 3YRS | 5YRS | SINCE INCEPTION |
|---------------------------|---------|-----|------|------|-----------------|
| Platinum Asia Fund* | 4% | 7% | 6% | 5% | 13% |
| MSCI AC Asia ex Jp Index^ | 6% | 2% | 4% | 3% | 9% |

* Excludes quarterly returns

* C Class – standard fee option. Inception date: 4 March 2003.

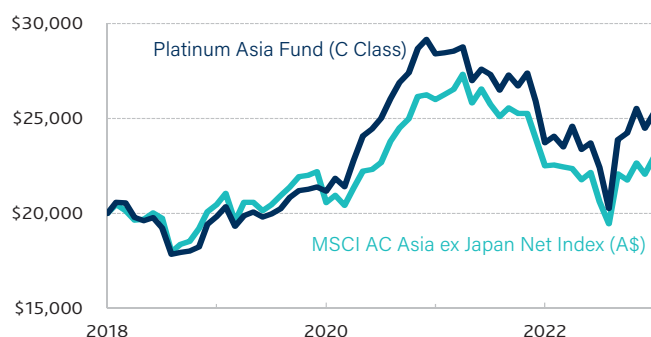
After fees and costs, before tax, and assuming reinvestment of distributions.

^ Index returns are those of the MSCI All Country Asia ex Japan Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance. See note 1, page 44. Numerical figures have been subject to rounding.

Value of \$20,000 Invested Over Five Years

31 March 2018 to 31 March 2023



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 44.

The Fund (C Class) returned 4.4% for the quarter.¹

Korea and China stood out as the best-performing markets during the quarter, while the rest of the region was largely weak, with India, Thailand and Malaysia all selling off.

At the start of the quarter, China's reopening was firmly in focus, leading to a continued sharp appreciation in stock prices, particularly in travel and service-exposed areas of the market. As the quarter wore on, enthusiasm was tempered a little. The economic recovery, while clearly coming through, is occurring at a measured pace. There have also been some fears that as growth comes back, competitive intensity in certain areas, like e-commerce, may also see a corresponding increase. All this led to some paring of gains as the quarter progressed, but overall, China was a strong contributor.

Larger holdings, like **Tencent** (+22%), **Trip.com** (+10%), **H World Group** (+15%), **ZTO Express** (+6%) and **Weichai Power** (+20%) saw their shares appreciate in line with the reopening of that economy and the relaxing of regulatory pressures. Office software and computer game company **Kingsoft** (+48%) also rose rapidly towards the end of the quarter, as it was caught up in the market's enthusiasm around the potential for incorporating large language models, like chatGPT, into its product suite. **Alibaba** (+16%) gained after announcing it will break up into six different business units, five of which are already slated for initial public offerings (IPOs) in Hong Kong.

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

Despite the generally strong backdrop, some Chinese holdings declined. For example, **JD.com** (-22%) fell as fears around the competitive intensity in the domestic e-commerce market increased. Grocery delivery company **Dingdong** (-10%) delivered what we considered a fairly encouraging earnings release during the quarter, showing an impressive turnaround in profitability. Nevertheless, Dingdong's shares subsequently sold off, seemingly around competition fears and a question over how consumers' eating and shopping behaviours may change with lockdowns now behind them. Paper and packaging company **Nine Dragons Paper** (-17%) and **China Merchants Bank** (-8%) also declined during the quarter.

The strength of the Korean market was driven more by company- and industry-specific factors than any broader narrative for the overall market.

Our holdings in the large semiconductor companies across the region, including **Samsung Electronics** (+16%), **Taiwan Semiconductor Manufacturing** (+19%) and **SK Hynix** (+18%) benefited as market participants appear to be positioning for industry conditions to improve later this year. **LG Chem** (+19%) fared well, with the share price rising on increasing enthusiasm around the company's growth opportunities in North America with their battery business as well as an improving outlook for their chemicals business. Our small holding in **HPSP** (+87%), a recently listed company with a global monopoly in high-pressure hydrogen annealing equipment used in cutting-edge semiconductor production, performed well during the quarter as investors cottoned on to the strength of its position.

As mentioned, the Indian market had a weaker quarter, dragging some of our Indian holdings down. Sentiment towards the broad Indian market was shaken during the quarter by the publication of a high-profile short-seller's report, which focused on the business practices of a heavily indebted large Indian business conglomerate (that we had no exposure to). The challenges seen in the US banking system with Silicon Valley Bank and Signature Bank also clouded the earnings outlook for large Indian IT outsourcing firms that receive a significant amount of their work from the US banking sector. Finally, we saw signs of weakness in rural consumption trends in India, which impacted sentiment towards the listed Indian consumer goods companies. Looking at our portfolio, property developer **Macrotech Developers** (-15%) and airline **InterGlobe Aviation** (-5%) both sold off along with the broader market.

Our short positions in aggregate were modest positive contributors to the Fund's returns. The currencies were generally unhedged, providing a small tailwind to the reported Australian dollar performance.

Disposition of Assets

| REGION | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|-------------|-------------|-------------|-------------|
| China | 49% | 52% | 44% |
| South Korea | 13% | 11% | 10% |
| India | 7% | 8% | 10% |
| Taiwan | 6% | 5% | 6% |
| Vietnam | 6% | 6% | 6% |
| Hong Kong | 4% | 4% | 4% |
| Philippines | 2% | 3% | 2% |
| Macao | 2% | 2% | 1% |
| Singapore | 1% | 1% | 1% |
| Thailand | 1% | 1% | 0% |
| Indonesia | 1% | 1% | 0% |
| Cash | 7% | 6% | 14% |
| Shorts | -5% | -1% | -6% |

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

| SECTOR | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|------------------------|-------------|-------------|-------------|
| Consumer Discretionary | 19% | 20% | 18% |
| Industrials | 14% | 14% | 12% |
| Information Technology | 14% | 13% | 15% |
| Real Estate | 13% | 14% | 13% |
| Financials | 11% | 11% | 10% |
| Materials | 5% | 5% | 3% |
| Consumer Staples | 4% | 4% | 3% |
| Communication Services | 4% | 4% | 4% |
| Health Care | 1% | 1% | 1% |
| Other | 0% | 4% | 0% |
| Energy | 0% | 0% | 0% |
| TOTAL NET EXPOSURE | 87% | 92% | 80% |

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Changes to the Portfolio

During the quarter, we reduced our exposure to some of the stronger-performing stocks in the Fund. For example, we sold down Chinese travel website **Trip.com**, hotel chain operator **H World Group**, fast food chain **Yum China** (exited), artificial intelligence (AI)-hyped software and gaming company **Kingsoft**, and large Chinese internet companies **Tencent** and **Alibaba**.

The proceeds were redeployed into other opportunities across the region.

We added to our position in **Supalai**. This is a well-run Thai property developer that is focused on serving the mid-market. We believe it has a healthy competitive position stemming from its strong procurement capabilities. The Thai property market has been running at a relatively stable level for a number of years and could be set to benefit from the return of international travellers. Meanwhile, the business is trading at what we believe to be an attractive valuation, exhibits good governance and has a nice dividend yield.

We also increased our exposure to Vietnamese electronics and grocery retailer **Mobile World Investment**, Indonesian paints company **Avia Avian** and Chinese utilities billing software company **Longshine Technology**.

In terms of new holdings, we received shares in Chinese food delivery, travel and services platform, **Meituan**, as **Tencent** continues its portfolio optimisation process and distributes shares in its investee companies to Tencent shareholders. Perhaps more importantly, however, as it pertains to our investment in Tencent, we view this as a mixed blessing. Distributing Tencent's investment holdings should help investors fully realise the value of those assets, but it's also important to acknowledge these actions partially reflect the fact it has become much more difficult under the current regulatory environment for Tencent to leverage its mobile ecosystem to continue supporting the deployment of capital into investees at high rates of return. That said, Tencent management has proven themselves to be very capable capital allocators, even in overseas markets where they couldn't rely on the support from their platform, so we remain optimistic they will continue to build value for shareholders on this front.

We also initiated small positions in Chinese e-commerce company **PDD** and a South East Asian company that operates in the pharmaceutical and supplements markets.

Commentary

It is encouraging to see many of the headwinds that have been present in China over the past couple of years now dissipating. The country has fully reopened from its COVID lockdowns, and we are seeing consumers and businesses take advantage of this. Domestic travel has picked up dramatically; for example, Macau has seen visitations increase by 122% in the first two months of the year compared to the same period last year.² Retail sales are also back to growth, rising 3.5% in January and February after showing a slight 0.2% decline last year.³

The property sector, which had been a headwind to the Chinese economy over the past 18 months, is showing signs of stabilisation and possibly even the first glimmers of returning to growth. After a hiatus, the government is once again making it easier for the surviving developers to access fresh capital, complete projects and get back to growth. The People's Bank of China (PBOC) has also taken a fairly nuanced approach to stabilising the market, with tailored policy settings in place for different parts of the country. One example of the PBOC's recent adjustments is to allow local markets to lower rates if their property prices have seen steady declines.⁴ This means, for example, that at the current point in time, a first-time homebuyer could access funding at interest rates as much as 1% lower if they wanted to purchase a home in Wuxi, where prices have recently been declining, than if they were buying a home just 50 kilometres further east, in the relatively more buoyant property market of Shanghai. As a result of policies like these and others, which help to restore confidence in the market, new house prices across the 70 largest cities in the country actually saw a slight increase in January for the first time in a year, and volumes in the secondary market are starting to pick up as well.

A third aspect that impacted investor confidence towards the Chinese market in recent years was the regulatory environment. After a series of regulatory actions, such as targeting anti-monopolistic behaviour among large e-commerce and internet companies and opening the "walled garden" ecosystems these firms had developed, it appears the required adjustments in business strategy and

² Source: <https://www.dsec.gov.mo/ts/#/step2/KeyIndicator/en-US/27>

³ Source: <https://www.scmp.com/economy/china-economy/article/3215009/china-tourism-domestic-flights-surpass-pre-pandemic-levels-and-international-bookings-soar>

⁴ See <http://www.pbc.gov.cn/en/3688110/3688172/4756445/4763787/index.html>

operations are now largely complete. These actions have, in some instances, helped level the playing field, resulting in relative winners and losers emerging from the shake-up. With the industry now in a steadier state, we are seeing commercial activity once again picking up, as evidenced by a range of things, including the resumption of computer game launches and fintech companies re-engaging with plans to conduct an initial public offering (IPO).

In recent months and quarters, we have received many questions from clients about our exposure to China. With the Chinese market having been so out of favour in recent times, we had steadily built up a very meaningful position. To be clear, we still remain optimistic about the outlook for this country and the market. That said, as the Chinese economy, company earnings and sentiment have started to improve, share prices have correspondingly begun to adjust upwards. Meanwhile, in other countries across the region, stocks have generally been a little weaker in recent months. As a result, the relative value on offer is, at the margin, shifting a little, and we have gradually been adjusting our portfolio to reflect the changing opportunity set.

We've spoken previously about the improvements in the South Korean market with respect to protections for minority investors and how we expect this to be a slow and steady tailwind to asset pricing in that market over the coming years. In the shorter term, however, the Korean market tends to be pushed around based on market sentiment towards the more cyclical end markets for the country's major exporters. Over the past year, the country's semiconductor sector (Samsung and SK Hynix) has experienced a decline in end demand, with a concerted downturn across global mobile phone sales, PC and laptop sales, and demand from cloud computing and hyperscale operators. In the face of this weakness, the industry has behaved remarkably well, reducing planned investment in new capacity. However, reductions in planned capacity take time to tighten the supply-demand balance, and so we saw inventory build throughout the supply chain. While end demand still remains uncertain, we are hearing early positive commentary emerging around customer and channel inventories starting to clear. The industry has also been dragged into the US-China trade war and strategic competition, further complicating matters. The positive from this is that these actions have reduced the threat of any new Chinese entrants, but they have also put a question mark on the longer-term future of these Korean companies' facilities located within China. So, the industry may continue down a rocky path for a little while yet, but whenever global demand does recover, industry profitability could return with a vengeance.

Outlook

As always, picking the future direction of markets is a challenging exercise. That said, the backdrop for investors to make money investing in the Asia region over at least the medium term seems promising. Unlike many stock markets around the world, Asia shouldn't face the same degree of headwinds from rising rates or the withdrawal of liquidity left over from prior quantitative easing exercises. Markets across the region are, by and large, trading on reasonable valuations, and it is not hard to find growth opportunities for companies and industries in these rapidly advancing economies.

Our net exposure has reduced modestly during the past quarter, driven more by increases in our short positions than any paucity of long ideas. We continue to search broadly for new investment opportunities as part of the constant process of portfolio renewal, and the fact that we are continuing to find ideas at a steady cadence reflects the general premise that the region remains prospective.

Top 10 Holdings

| COMPANY | COUNTRY | INDUSTRY | WEIGHT |
|--------------------------|-------------|-----------------|--------|
| Taiwan Semiconductor | Taiwan | Info Technology | 5.6% |
| ZTO Express Cayman Inc | China | Industrials | 5.1% |
| Samsung Electronics Co | South Korea | Info Technology | 4.8% |
| Ping An Insurance Group | China | Financials | 4.3% |
| Vietnam Enterprise Inv | Vietnam | Other | 4.2% |
| Tencent Holdings Ltd | China | Comm Services | 4.0% |
| InterGlobe Aviation Ltd | India | Industrials | 4.0% |
| China Resources Land Ltd | China | Real Estate | 3.4% |
| SK Hynix Inc | South Korea | Info Technology | 3.2% |
| Weichai Power Co Ltd | China | Industrials | 3.1% |

As at 31 March 2023. See note 5, page 44.

Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit <https://www.platinum.com.au/our-products/paf>

Platinum European Fund



Adrian Cotiga
Portfolio Manager



Nik Dvornak
Portfolio Manager

Performance

(compound p.a.+ , to 31 March 2023)

| | QUARTER | 1YR | 3YRS | 5YRS | SINCE INCEPTION |
|-----------------------------------|---------|-----|------|------|-----------------|
| Platinum European Fund* | 10% | 15% | 12% | 3% | 10% |
| MSCI AC Europe Index [^] | 12% | 14% | 11% | 7% | 4% |

* Excludes quarterly returns.

* C Class – standard fee option. Inception date: 30 June 1998.

After fees and costs, before tax, and assuming reinvestment of distributions.

[^] Index returns are those of the MSCI All Country Europe Net Index in AUD.

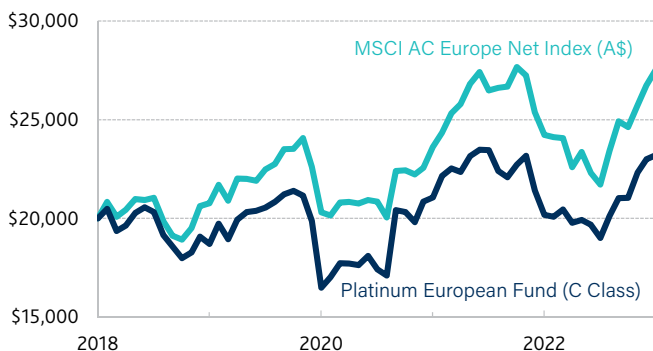
Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance.

See note 1, page 44. Numerical figures have been subject to rounding.

Value of \$20,000 Invested Over Five Years

31 March 2018 to 31 March 2023



After fees and costs, before tax, and assuming reinvestment of distributions.

Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited, FactSet Research Systems.

See notes 1 & 2, page 44.

The Fund (C Class) finished the quarter on a strong note, rising 10.2% over the period.¹

European markets continued to perform strongly, led by the Consumer Discretionary, Industrials and Information Technology sectors, as markets factored in slightly less negative business and consumer confidence. Financials, particularly European banks, had a very strong January and February but gave back some of their gains in March, following the bankruptcy of Silicon Valley Bank in the US and Credit Suisse's forced merger with UBS.

Credit Suisse (not held in any of the Platinum funds) has had many highly publicised missteps in the last couple of years, but accelerating deposit outflows and counterparties curtailing risk required the Swiss bank supervisor and the Swiss National Bank (SNB) to orchestrate the merger to stabilise the bank and restore trust in the broader banking system. The cost of maintaining financial stability was borne not only by equity holders in Credit Suisse, which lost almost 90% of its value, but also by bondholders and Swiss taxpayers.² While this is the first merger between two globally systemically important banks since the global financial crisis, thus carrying a significant execution risk, it will limit the spread of financial contagion.

On the other hand, the troubles of the US regional banks, such as Silicon Valley Bank and Signature Bank (see the Platinum International Fund report for further details), are more likely to have a significant impact on economic activity. Even before these events, there had already been a tightening in lending standards, both in the US and Europe. Smaller US banks could adopt even more conservative lending standards in order to preserve liquidity, and these smaller banks, with less than US\$250 billion in assets, account for a significant part of US commercial and industrial lending, residential real estate lending, commercial real estate lending and consumer lending.

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

² The Swiss Financial Market Supervisory Authority (FINMA) has determined that Credit Suisse's Additional Tier 1 Capital of ~CHF 16 billion will be written off to zero.

The main contributors to the Fund's quarterly return were **Booking Holdings** (+32%), **Wizz Air** (+56%), **ASML** (+24%) and **Bayer** (+21%). Online travel agency Booking Holdings delivered better-than-expected revenue growth on the back of strong prices paid for hotel rooms sold. The company provided a bright outlook for the rest of the year, as travel demand post-COVID remains healthy. Similarly, Wizz Air rallied on continuing strong travel demand. ASML gained on anticipation that semiconductor capital expenditure will recover next year. Bayer rose on hopes of an activist-driven breakup, as well as the appointment of a new CEO who was previously the CEO of Roche Pharma and is well-known to investors for being pragmatic.

Of the major positions, the weaker performers were global insurance player **Beazley** (-12%), which had a disappointing set of results, and **Barclays** (-8%), which was impacted by the turmoil in the banking sector.

Changes to the Portfolio

We took advantage of the strong market rally in January and February and trimmed a number of positions in travel (**Booking Holdings** and **Wizz Air**) and banks (**Raiffeisen Bank International**, **Bank of Ireland**, **Komerční banka**). We also exited a number of stocks that came close to our fair value estimates (**Prosus**, **Vidrala** and **Verallia**).

Disposition of Assets

| REGION | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|--------------------------|-------------|-------------|-------------|
| United Kingdom | 27% | 24% | 25% |
| Germany | 8% | 7% | 8% |
| Switzerland | 8% | 7% | 8% |
| Romania | 8% | 8% | 7% |
| France | 7% | 6% | 9% |
| Netherlands | 6% | 5% | 4% |
| Ireland | 5% | 5% | 5% |
| United States of America | 4% | 5% | 4% |
| Austria | 3% | 6% | 3% |
| Spain | 3% | 3% | 3% |
| Norway | 2% | 0% | 1% |
| Australia | 2% | 2% | 1% |
| Finland | 2% | 2% | 2% |
| Czech Republic | 1% | 2% | 2% |
| Italy | 1% | 2% | 3% |
| Sweden | 1% | 1% | 0% |
| Belgium | 0% | 1% | 0% |
| China | 0% | 3% | 3% |
| Cash | 11% | 11% | 10% |
| Shorts | -26% | -25% | -16% |

See note 3, page 44. Numerical figures have been subject to rounding. Source: Platinum Investment Management Limited.

During the quarter, we started a new position in the venerable **London Stock Exchange Group** (LSEG), which traces its roots back to Jonathan's Coffee House in 1698, where John Castaing published a list of currency, stock and commodity prices. Over the last 300 years, the business has transformed itself many times, responding to numerous technological and social changes. Following its acquisition of Refinitiv in January 2021, a business twice its size, LSEG has become a £40 billion global financial market infrastructure and data group. Today, LSEG is in the middle of yet another significant transformation of its business as it integrates Refinitiv and transitions its technology to the cloud.

Following the Refinitiv acquisition, LSEG is predominantly a financial data business (representing ~50% of LSEG's revenue). This business has the broadest and deepest global data sets of any vendor (for example, Bloomberg has 35 million instruments with data aggregated from 330 exchanges, while Refinitiv has 80 million instruments from 500 exchanges).³ The remaining business can be categorised into four buckets. It owns:

- The dominant foreign exchange trading venue (FXall)
- The leading fixed income electronic marketplace (Tradeweb)
- The largest global OTC interest rate derivative clearinghouse (LCH)⁴
- An index business entrenched in financial market infrastructure (similar to S&P Global and MSCI), which houses the FTSE and Russell equity indices, global bond indices and WM/Refinitiv benchmarks, for foreign exchange.

³ Source: Bloomberg and LSEG, respectively.

⁴ Source: <https://www.lch.com/services/swapclear>

Net Sector Exposures

| SECTOR | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|------------------------|-------------|-------------|-------------|
| Financials | 30% | 32% | 29% |
| Industrials | 16% | 13% | 17% |
| Consumer Discretionary | 9% | 13% | 15% |
| Health Care | 7% | 7% | 6% |
| Communication Services | 6% | 6% | 7% |
| Information Technology | 6% | 5% | 0% |
| Energy | 4% | 2% | 3% |
| Materials | 4% | 5% | 2% |
| Real Estate | 2% | 2% | 2% |
| Consumer Staples | 2% | 2% | 1% |
| Other | -22% | -22% | -8% |
| TOTAL NET EXPOSURE | 63% | 64% | 73% |

See note 4, page 44. Numerical figures have been subject to rounding. Source: Platinum Investment Management Limited.

Although not optically cheap, we believe LSEG is mispriced because the change in the business has introduced execution and growth uncertainty, as well as long-term optionality, which is difficult to quantify. The combined business has increased recurring revenue from ~40% prior to the acquisition to 70%.⁵

The financial services data industry is a US\$30 billion market that has had a growth rate of 4-5% p.a. over the last 10 years.⁶ This headline industry growth number masks an underlying shift in data consumption away from desktops/terminals and towards distribution via alternative channels. LSEG is well positioned for this shift through enterprise data solutions, where it holds a dominant market share in real-time data and distribution and an increasing market share in price and reference data. LSEG has considerable competitive advantages, including higher-quality (i.e. cleansed) and more comprehensive data compared to its peers and better distribution technology. Large customers find it difficult to change data providers, as there are high switching costs due to deep integration with the customer's proprietary applications.

There are good reasons to be sceptical regarding LSEG's ability to successfully integrate the two businesses and achieve revenue and cost guidance: historical underinvestment in Refinitiv prior to the acquisition, the scale of the acquisition and LSEG's management's lack of track record in acquiring turnaround stories. So far, management seems focused on addressing the underlying issues: underinvestment, a weak terminal business and an ineffective sales force.

Furthermore, LSEG offers some optionality from the change in interest rate regime as well as from its partnership with Microsoft. Recently, LSEG and Microsoft entered into a partnership agreement, which resulted in Microsoft purchasing a ~4% equity stake and LSEG moving its data infrastructure to Microsoft's cloud environment.⁷ Some of the products, such as the terminal business and data and analytics workflow solutions, will become interoperable with Microsoft applications. This could potentially provide LSEG with cross-selling opportunities to Microsoft's Teams user base.

LSEG's future growth is a combination of increasing demand for data, the creation of new data sets, particularly by integrating existing assets, as well as price increases. If LSEG is successful in transitioning to a data business and multi-asset class execution platform, it will likely grow revenues at a steady 5-7% p.a., which combined with

margin expansion could deliver 8-10% earnings per share (EPS) growth. In such a scenario, the market is likely to re-rate the stock in line with other data providers.

Outlook

The trajectory of inflation and interest rates remains highly uncertain. Although the European Central Bank (ECB) continued its tightening process, raising interest rates by an additional 1% to 3.5% during the quarter, Europe hasn't managed to tame inflation yet. It doesn't help that the Eurozone has a hot labour market, with unemployment at a record low of 6.6%.⁸ Recently, Germany suffered a 24-hour strike called by two service sector unions demanding a pay rise of 10.5%. There is still a risk that inflation will become entrenched while creating more social unrest. On the other hand, there is a fair chance that a potential recession could cool both inflation and wage pressures much quicker than expected.

Our net invested position of 63% remains below the Fund's historical average, with 26% in shorts and 11% in cash. We continue to remain wary of further market weakness. A continued decline in Eurozone banks' willingness to make loans, coupled with a significant slowdown in the US, could result in a tricky environment to navigate. A tightening in credit conditions typically results in a recession. However, uncertain environments offer attractive opportunities, both on the long side and the short side.

⁸ Source: FactSet Research Systems.

Top 10 Holdings

| COMPANY | COUNTRY | INDUSTRY | WEIGHT |
|------------------------|-------------|--------------------|--------|
| Beazley PLC | UK | Financials | 4.5% |
| Fondul Proprietatea SA | Romania | Financials | 4.4% |
| Airbus SE | France | Industrials | 4.3% |
| Informa PLC | UK | Comm Services | 4.2% |
| Bayer AG | Germany | Health Care | 3.9% |
| ASML Holding NV | Netherlands | InfoTechnology | 3.8% |
| Ryanair Holdings PLC | Ireland | Industrials | 3.7% |
| Banca Transilvania SA | Romania | Financials | 3.4% |
| St. James's Place PLC | UK | Financials | 3.2% |
| Booking Holdings Inc | US | Cons Discretionary | 3.2% |

As at 31 March 2023. See note 5, page 44.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit <https://www.platinum.com.au/our-products/pef>

⁵ Source: <https://www.lseg.com/en/investor-relations/financial-results/2022-preliminary-results>

⁶ Source: Estimated by Goldman Sachs Global Investment Research.

⁷ Source: <https://www.lseg.com/en/media-centre/press-releases/2022/lseg-and-microsoft-launch-strategic-partnership>

Platinum Japan Fund



James Halse
Portfolio Manager

Performance

(compound p.a.+ , to 31 March 2023)

| | QUARTER | 1YR | 3YRS | 5YRS | SINCE INCEPTION |
|-------------------------------|---------|-----|------|------|-----------------|
| Platinum Japan Fund* | 7% | 7% | 6% | 3% | 13% |
| MSCI Japan Index [^] | 8% | 6% | 4% | 4% | 3% |

* Excludes quarterly performance.

* C Class – standard fee option. Inception date: 30 June 1998.

After fees and costs, before tax, and assuming reinvestment of distributions.

[^] Index returns are those of the MSCI Japan Net Index in AUD.

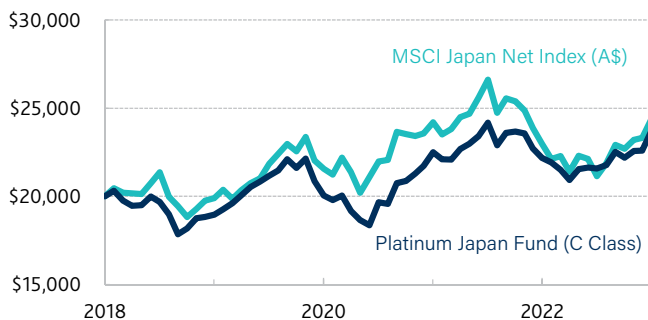
Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance.

See note 1, page 44. Numerical figures have been subject to rounding.

Value of \$20,000 Invested Over Five Years

31 March 2018 to 31 March 2023



After fees and costs, before tax, and assuming reinvestment of distributions.

Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited, FactSet Research Systems.

See notes 1 & 2, page 44.

The Fund (C Class) delivered a solid 6.9% return during the quarter, boosted by general strength in the Japanese equity market.¹

The rise in the broader market was primarily driven by a rebound in growth stocks, particularly in technology-related areas. Meanwhile, financials reversed much of their gains from the December quarter as the issues in the US banking system stoked recession fears and led to downward pressure on rates globally. This reduced pressure on the yen and thus makes it less likely the Bank of Japan will be forced to abandon its controversial yield curve control policy, which in turn reduced hopes of Japanese banks being able to invest their low-cost deposits at higher rates of return.

The issues in the US likely also caused investors to turn their eyes to the asset side of the balance sheets of Japanese financial institutions and to note their large holdings of low-yielding government bonds. The danger here is that should rates rise, the market value of these holdings will fall. These assets are not required to be marked-to-market unless sold, but if depositors withdraw funds in large enough numbers, capital positions can begin to look precarious as assets are sold to meet withdrawals, thus crystallising losses and stimulating more withdrawals and a disastrous feedback loop; exactly what happened with Silicon Valley Bank (SVB). This outcome seems much less likely in the Japanese context as the deposit base is diversified, whereas SVB's clients were typically loss-making, venture capital-funded corporates, which had account balances that were rapidly declining as the normal source of replenishment, the venture-funding market, had dried up. Nevertheless, the change in investor perceptions of this risk factor sent financials stocks, particularly regional bank stocks, lower. The Fund had minimal exposure to this area, so was only slightly affected.

Strong contributors to the Fund's performance in the quarter included semiconductor equipment maker **Tokyo Electron** (+24% in the quarter) and silicon wafer producer **Sumco** (+13%), as well as memory chip makers **SK Hynix** (+18%) and **Samsung Electronics** (+16%). These stocks all rebounded in line with the broader technology sector.

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

Semiconductor stocks also bounced following commentary from various management teams suggesting that the bottom of the current downturn in the cycle may occur in the first half of 2023. Additionally, our large position in precision manufacturer **MinebeaMitsumi** rose 27% from depressed levels on indications demand may have bottomed in several of its businesses, and two of our small-cap Korean holdings performed strongly. **Doosan Bobcat** (+26%) gained on continued strong demand for its

Disposition of Assets

| REGION | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|-------------|-------------|-------------|-------------|
| Japan | 84% | 83% | 68% |
| South Korea | 9% | 9% | 7% |
| Cash | 7% | 9% | 24% |
| Shorts | -7% | -6% | -4% |

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

| SECTOR | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|------------------------|-------------|-------------|-------------|
| Information Technology | 28% | 27% | 17% |
| Industrials | 22% | 19% | 19% |
| Materials | 18% | 19% | 13% |
| Consumer Staples | 8% | 6% | 6% |
| Consumer Discretionary | 4% | 6% | 6% |
| Communication Services | 3% | 4% | 6% |
| Health Care | 3% | 3% | 2% |
| Financials | 2% | 0% | 2% |
| Real Estate | -3% | 0% | 0% |
| TOTAL NET EXPOSURE | 85% | 85% | 72% |

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

| COMPANY | COUNTRY | INDUSTRY | WEIGHT |
|-----------------------|-------------|------------------|--------|
| Toyo Seikan Group | Japan | Materials | 8.0% |
| Fuji Soft Inc | Japan | Info Technology | 4.8% |
| MinebeaMitsumi Co Ltd | Japan | Industrials | 4.6% |
| Fujitec Co Ltd | Japan | Industrials | 4.2% |
| Pigeon Corp | Japan | Consumer Staples | 4.0% |
| DTS Corp | Japan | Info Technology | 3.9% |
| Lixil Group Corp | Japan | Industrials | 3.3% |
| Oyo Corp | Japan | Industrials | 3.2% |
| SHIFT Inc | Japan | Info Technology | 2.9% |
| Doosan Bobcat Inc | South Korea | Industrials | 2.8% |

As at 31 March 2023. See note 5, page 44.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit <https://www.platinum.com.au/our-products/pjf>

small excavators in North America, and semiconductor equipment maker **HPSP** (+87%) became a local favourite after parallels were drawn to industry leader ASML by certain local commentators.

Detractors from performance included **Toho Titanium** (-21%), which declined due to investor concerns over its ability to pass on input cost increases to customers, and software as a service (SaaS) provider **Henнге K.K.** (-21%), which sold off as its earnings fell by more than the market expected. The stock remains interesting as a small but growing player in digital security with a significant opportunity to increase its pricing. Baby bottle maker **Pigeon** fell 5% after providing a weak near-term outlook as birth numbers in China continue to be impacted by pandemic effects. Coating machine manufacturer **Hirano Tecseed** fell 10% as earnings weakened because of input cost increases. Our short positions detracted 0.7% from performance.

Changes to the Portfolio

We added new holdings in **Digital Garage** and **MS&AD Insurance** in the quarter. Digital Garage holds a portfolio of assets that include a large stake in online price comparison site Kakaku.com and also owns one of Japan's leading payment processing businesses. It is well-placed to continue benefiting from an ongoing shift to cashless payments and is attractively valued. MS&AD is an attractively valued and conservatively run insurer that has significantly overprovisioned for potential future natural catastrophe losses despite having reduced much of its risk via reinsurance arrangements. This causes its valuation to be even further understated.

Additionally, we took advantage of price weakness to add to our positions in IT services firm **DTS**, seismic consultant **Oyo** and software testing firm **SHIFT**, while trimming several stronger performers, including personal hygiene brand owner **Unicharm**, **Fujitec**, **Samsung**, **MinebeaMitsumi** and **Tokyo Electron**.

We exited our holding in power semiconductor manufacturer **Rohm** as we feared significant destruction of shareholder value as a result of the use of its cash balance to potentially join a private equity-led syndicate to take conglomerate Toshiba private. While a merger with Toshiba's chip business would make a lot of strategic sense for Rohm, the use of its sizeable cash balance to assume a role as a minority owner of a conglomerate would be far from optimal. We await further details of how this may play out. We also exited our holding in paper manufacturer **Hokuetsu** (+29% from our first purchase in May 2021 to our final sale price) following solid relative performance and what we viewed as a peak in its relative cost advantage versus competitors.

Commentary

A big story in Japanese markets during the quarter was the move by the Tokyo Stock Exchange (TSE) to attempt to push companies to focus more on their cost of capital and stock prices via a ‘name and shame’ approach. This culminated at the end of the quarter with a (non-mandatory) request that companies trading below 1x price-to-book (P/B) should publish detailed plans as soon as possible on how they expect to achieve a 1x level or better and to continue updating those plans each year.

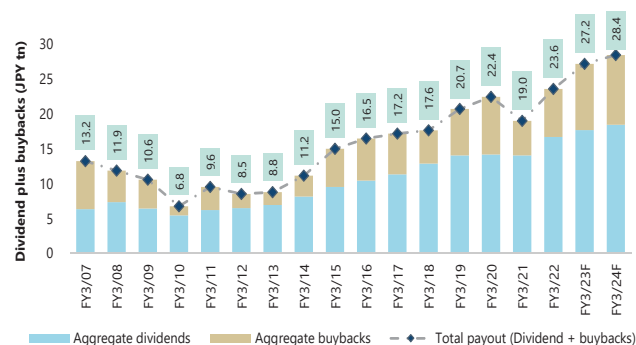
The TSE’s move appeared to already have had some effects even prior to their request being officially made, with Citizen Watch citing it as a core reason for announcing a buyback of 25% of its outstanding shares, causing its stock to jump 27% over the next two trading days.² The TSE’s pronouncements, along with the disclosure of a ~5% stake by an activist investor, may also have had an impact on Dai Nippon Printing’s decision to announce a buyback of ¥300 billion (A\$3.4 billion) of stock over three years, amounting to around a third of its total market value. This buyback is planned to be partially funded by the sale of a large portion of its ¥400 billion in cross-shareholdings in other Japanese-listed companies.³

It appears likely that cash distributions from Japanese corporations will continue to increase from current record levels, spurred by growing shareholder activism amid the ongoing push by the TSE, Financial Services Authority, and Ministry of Economy, Trade and Industry for corporates to improve their profitability. In turn, this should drive an improvement in stock performance for two main reasons. The first reason is that a company buying back stock priced at levels below 1x P/B actually increases its book value per share as a result of the transaction. The second is that a reduction in excess cash holdings leads to an improvement in return on equity (ROE), which tends to increase the valuations at which stocks trade.

2 Source: https://www.citizen.co.jp/cms/cwc/global/files/FY22_3QPse.pdf

3 Source: https://www.global.dnp/news/detail/20168984_4126.html

Fig. 1: Topix - Aggregate Dividend and Buybacks Trend Since FY3/07



Source: FactSet Research Systems, Bloomberg, Jefferies.

Therefore, we could see a double-whammy effect of buybacks driving a solid increase in book value per share, coupled with a market trading at a higher average P/B ratio. Indeed, Jefferies estimates⁴ that if the MSCI Japan’s ROE increases to 13% from its current 10% level, the P/B ratio of the index could increase by 50%, to 1.9x (see Fig. 2), which would drive stocks upward well in excess of any underlying earnings growth.

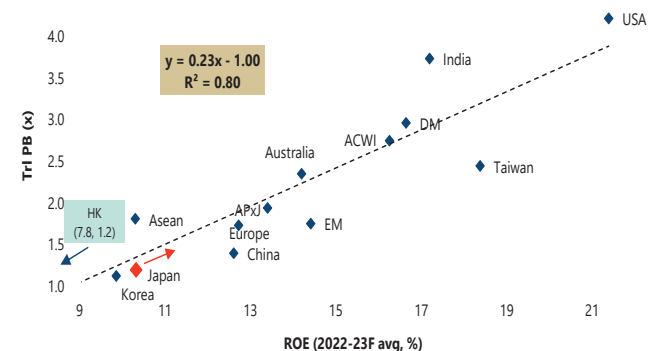
Regular readers may recall that the Fund has a large weighting to companies where there is an opportunity to enhance shareholder value via improvements in governance and capital allocation. During the quarter, one of our large holdings, Fujitec, saw major changes to its board of directors following an extraordinary meeting called by an activist to propose new independent director candidates. Following the partial success of the activist’s slate, the company removed its unelected chairman and another existing director resigned, indicating the activist achieved a broader victory than initially suspected. Fujitec returned 10% for the quarter and has appreciated 40% from our initial purchase in May 2021.

Outlook

We see the outlook for Japanese stocks as very positive. With a starting point of low valuations and a tailwind of rising buybacks and dividends driven by the government and activists pushing to improve profitability, it is relatively easy to envision a golden period for the market going forward. Of course, Japan would not be immune from a US-led global downturn, but the economy is seeing a somewhat independent boost from corporate investment in the reshoring of production and wages that have begun to grow. Meanwhile, interest rates remain low and the currency appears to have stabilised, which reduces imported inflation. The Fund is thus positioned quite bullish so as to benefit from these dynamics.

4 Source: *Quantamentals, Japan Microstrategy: TSE Reform Beneficiaries*, 23 March 2023, Jefferies.

Fig. 2: MSCI Global Regions and Markets (including finance) – ROE versus P/B



Source: Jefferies, FactSet Research Systems, Bloomberg.

Platinum International Brands Fund



James Halse
Portfolio Manager

Performance

(compound p.a.+ , to 31 March 2023)

| | QUARTER | 1YR | 3YRS | 5YRS | SINCE INCEPTION |
|----------------------------------|---------|-----|------|------|-----------------|
| Platinum Int'l Brands Fund* | 7% | 23% | 16% | 6% | 12% |
| MSCI AC World Index [^] | 9% | 4% | 12% | 10% | 4% |

* Excludes quarterly returns.

* C Class – standard fee option. Inception date: 18 May 2000.

After fees and costs, before tax, and assuming reinvestment of distributions.

[^] Index returns are those of the MSCI All Country World Net Index in AUD.

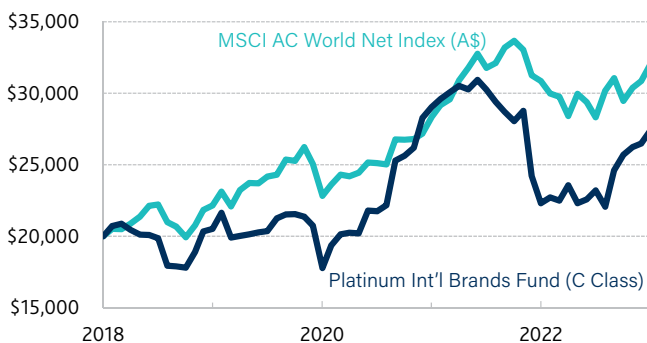
Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance.

See note 1, page 44. Numerical figures have been subject to rounding.

Value of \$20,000 Invested Over Five Years

31 March 2018 to 31 March 2023



After fees and costs, before tax, and assuming reinvestment of distributions.

Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited, FactSet Research Systems.

See notes 1 & 2, page 44.

The Fund (C Class) delivered a solid 6.6% return for the quarter, lagging the broader market indices due to very defensive positioning (average net long exposure of 60% during the quarter).¹

Over the year, the Fund gained 22.8%, which is considerably better than the general market. Of course, this performance was in part a rebound from a very weak prior year, but the three-year return of 15.5% p.a. is also quite satisfactory.

Interestingly, the first week of the quarter generated approximately 75% of the Fund's total return, as the rally in our Chinese holdings continued. This dynamic then reversed with rising geopolitical tensions leading to a steady sell-off in China through most of the rest of the quarter, reinforced by weaker-than-hoped-for economic data as post-lockdown activity was impacted by a major wave of COVID infections.

The weakness in our Chinese holdings and the headwind from our short positions (-2.8% contribution to performance) were mostly offset by strength in some of our larger US and European positions. In particular, social media giant **Meta Platforms** rose 76% in the quarter as management demonstrated a firm commitment to reining in expenditures to shore up profitability. Leading low-cost European gym chain **Basic-Fit** rose 48% as market concerns around a potential need to raise capital proved unfounded, helped by European energy prices falling from extreme levels, thus improving the overall consumer demand outlook. This general improvement in sentiment in Europe also buoyed our positions in jeweller **Pandora** (+34%), apparel brand owner **SMCP** (+26%), car manufacturer **BMW** (+21%) and discount general merchandise retailer **B&M European Value Retail** (+17%).

Major detractors from performance included Chinese e-commerce player **JD.com** (-22%) and food delivery network **Meituan** (-18%), both falling on fears of increased competition from Bytedance-owned Douyin (China's TikTok). Leading Vietnamese electronics retail chain **Mobile World Investment** fell 10% as a post-pandemic pullback in

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

sales magnified the impact of general economic weakness stemming from falling export orders, coupled with issues in the property and banking sectors.

Significant pockets of weakness are emerging across the US consumer landscape, particularly in the results of businesses that serve primarily lower-income consumers and especially in housing-related categories such as home furnishings. This is an area where we have established short positions with the view that the pandemic-era spending boom would reverse and, thus, inflated sales and margins would overshoot on the downside. We have had some success with this approach, but where we have been surprised is in the persistence of spending strength amongst higher-income consumers and in categories such as sporting goods, even as housing market weakness spreads and layoffs in the tech sector persist. It may take a more general recession, perhaps triggered by the contraction in credit now apparent as a result of uninsured deposits fleeing regional banks, to prompt a return to pre-pandemic volumes and margin levels for these until-now more-fortunately positioned businesses. We have experienced losses across several short positions as a result of persistent strength in spending but continue to expect mean reversion in profitability going forward.

Changes to the Portfolio

During the quarter, we added a new position in Japanese e-commerce player **Digital Garage**. The key asset owned by the company is a stake in listed online product comparison site Kakaku.com, but it also has other interesting businesses in payments and holdings of venture capital assets. The stock trades at a significant discount to key comparables due to a conglomerate structure and lack of historical focus on shareholder returns. An activist has become involved and is pushing the company to unlock latent value. We see the prospect of strong returns if even moderate success is achieved in this respect.

We added to our position in brewer **Asahi Group** as signs of internal change emerged with a non-Japanese manager appointed to an executive position while underlying business improvements continued. Conversely, we took advantage of weakness in the prices of **Mobile World Investment, Meituan** and **JD.com** to add to our positions.

We exited our position in dating app business **Match Group** for a small loss, as new data points contradicted our investment thesis. In contrast, we recorded a strong profit (+63% from average entry in April-May 2021) on the sale of our holding in Chinese infant formula company **Yashili**, as the stock price approached the value of the bid from its majority owner, dairy company China Mengniu Dairy.

Strength in **Meta, Basic-Fit**, major Tencent shareholder **Prosus** (+12%) and theme park owner **Six Flags Entertainment** (+15%) led to us trimming the positions substantially to reflect the changed risk/reward balance. We also reduced our holding in **BMW** following strong performance but also due to concerns about the rising challenge in its key profit centre, China, from domestic electric vehicle players. The valuation remains compelling at 0.7x book value and less than 7x earnings while offering an 8% dividend yield, however, earnings may face pressure going forward.

Outlook

Overall, we remain cautiously positioned, particularly where the US consumer is concerned and in relation to stocks that are likely to suffer in a higher interest rate environment. That said, we continue to be constructive about the reopening opportunity in China. While many investors are waiting on the sidelines for meaningful improvements to emerge in the economic and other data, we have been willing to take positions based on first-principles thinking, bolstered by the observed experience elsewhere.

Disposition of Assets

| REGION | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|---------------|-------------|-------------|-------------|
| Asia | 37% | 39% | 43% |
| Japan | 18% | 13% | 17% |
| North America | 17% | 18% | 10% |
| Europe | 16% | 17% | 19% |
| Other | 0% | 0% | 2% |
| Cash | 12% | 12% | 8% |
| Shorts | -29% | -27% | -15% |

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

| SECTOR | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|------------------------|-------------|-------------|-------------|
| Consumer Discretionary | 32% | 37% | 49% |
| Consumer Staples | 14% | 9% | 11% |
| Communication Services | 9% | 10% | 11% |
| Industrials | 3% | 3% | 3% |
| Information Technology | 2% | -1% | -1% |
| Financials | 2% | 2% | 3% |
| Other | -4% | 0% | 0% |
| Real Estate | 0% | 0% | 1% |
| TOTAL NET EXPOSURE | 59% | 61% | 76% |

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Despite an end to mandatory lockdowns and a waning COVID wave, we are yet to return to pre-pandemic levels of activity in areas such as travel and tourism, particularly international travel to and from China, but the recovery has started. Online travel agent Trip.com recently commented that international flight capacity is currently at 15%-20% of pre-COVID levels, but they expect a recovery to 80-90% by the end of 2023. Domestic air travel volumes in January and February 2023 have already returned to 80% of pre-COVID levels, and domestic hotel revenue per average room night has recovered to 2019 levels.² Likewise, gaming mecca Macau saw February 2023 visitation at only 45% of 2019 levels, but this was an increase of 143% compared with 2022.³

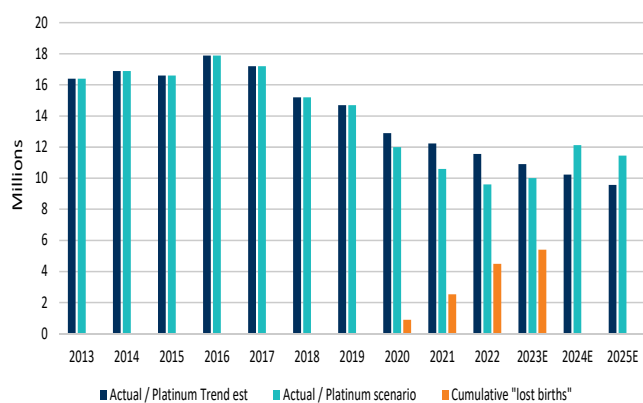
The uncertainty of life and restrictions on movement and gathering during the pandemic period led people to also delay life events, ranging from marriage and beginning families to interring the ashes of deceased loved ones. The birth rate, already in decline, collapsed well below trend (see Fig. 1), which severely curtailed demand for products such as infant formula and baby bottles.

While some births that would have occurred absent the pandemic may be lost forever, we do expect a recovery in birth rates to above-trend levels in the near term, as couples who deferred beginning families due to the uncertainty of the pandemic period take the plunge into parenthood. This should then drive a recovery in demand for baby-related products over a multi-year period.

² Source: Fourth-quarter 2022 earnings call.

³ Source: <https://www.moodiedavittreport.com/macau-strong-tourism-recovery-continues-in-february/>

Fig. 1: A Recovery in China's Birth Rate is Expected



Note: The chart assumes trend of births 2014 to pre-pandemic conceptions (estimate of nine months of 2020 plus three months of 2019) would have continued, and 70% of the "lost" births are regained over 2024 and 2025.

Source: National Bureau of Statistics of China, Platinum Investment Management Limited.

Moving to the other end of life's journey, sales of cemetery burial plots are suppressed due to the inability to gather for memorials (cemetery owner Fu Shou Yuan reported comparable cemetery burial plot sales volumes down 14% year on year in the fourth quarter of 2022). As the subject matter in this instance is one of the two certainties of life, one can be reasonably assured that this result is not due to a decrease in underlying demand, yet Fu Shou Yuan stock trades as though this is a permanent state of affairs, on 14x this year's expected earnings,⁴ while the US comparable Service Corporation trades on 20x, despite considerably less growth runway given its already substantial market share and consolidation of the industry in the US.

Like Fu Shou Yuan, and despite the prospects for recovery, the stock prices of many businesses exposed to these trends remain well below pre-pandemic levels and attractively valued in any reasonable recovery scenario. This state of affairs persists notwithstanding the reality in many cases of improved cost bases and/or operational footprints.

In the Fund, we have exposure to each of the areas that we expect will benefit from reopening mentioned above through investments in **Trip.com**, Macau casino operator **Melco International**, leading baby bottle brand **Pigeon**, an attractively valued leading infant formula brand owner, and **Fu Shou Yuan**. Additionally, we have a position in KFC restaurant owner **Yum China**, which should see store visitation recover on a much-enlarged store base as people return to normal patterns of behaviour.

We continue to seek out undervalued companies but are now finding fewer opportunities in Western markets following the recent rally. This is reflected in our overall positioning, with significant short positions in the West and a strong Asia weighting in our long exposures.

⁴ Source: FactSet Research Systems consensus estimate.

Top 10 Holdings

| COMPANY | COUNTRY | INDUSTRY | WEIGHT |
|----------------------------|-------------|--------------------|--------|
| Meta Platforms Inc | US | Comm Services | 4.7% |
| Prosus NV | China | Cons Discretionary | 4.5% |
| Nien Made Enterprise Co | Taiwan | Cons Discretionary | 3.9% |
| Asahi Group Holdings Ltd | Japan | Consumer Staples | 3.5% |
| Lixil Group Corp | Japan | Industrials | 3.3% |
| Haleon PLC | US | Consumer Staples | 3.0% |
| JD.com Inc | China | Cons Discretionary | 2.9% |
| Fu Shou Yuan International | China | Cons Discretionary | 2.9% |
| Basic-Fit NV | Netherlands | Cons Discretionary | 2.8% |
| Alphabet Inc | US | Comm Services | 2.7% |

As at 31 March 2023. See note 5, page 44.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit <https://www.platinum.com.au/our-products/pibf>

Platinum International Health Care Fund



Dr Bianca Ogden
Portfolio Manager

Performance

(compound p.a.+ , to 31 March 2023)

| | QUARTER | 1YR | 3YRS | 5YRS | SINCE INCEPTION |
|-------------------------|---------|-----|------|------|-----------------|
| Platinum Int'l HC Fund* | -3% | 1% | 2% | 7% | 9% |
| MSCI AC World HC Index^ | 0% | 8% | 9% | 12% | 9% |

* Excludes quarterly returns.

* C Class – standard fee option. Inception date: 10 November 2003.

After fees and costs, before tax, and assuming reinvestment of distributions.

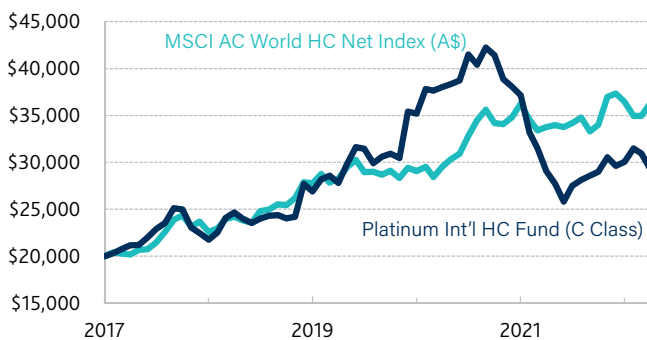
^ Index returns are those of the MSCI All Country World Health Care Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance.

See note 1, page 44. Numerical figures have been subject to rounding.

Value of \$20,000 Invested Over Five Years

31 March 2018 to 31 March 2023



After fees and costs, before tax, and assuming reinvestment of distributions.

Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited, FactSet Research Systems.

See notes 1 & 2, page 44.

The Fund (C Class) returned -2.6% for the quarter.¹

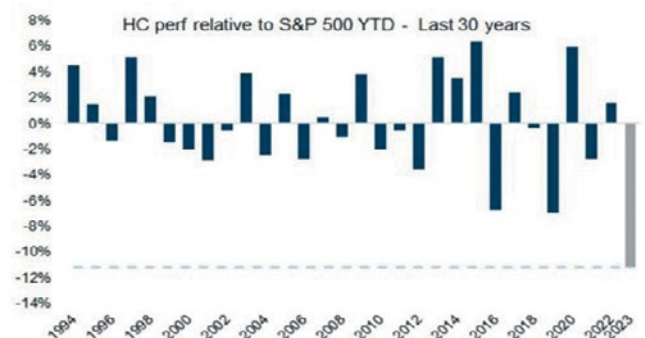
The global healthcare sector had the worst start to the year in 30 years relative to the S&P 500 index (see Fig. 1).

The Platinum International Health Care Fund primarily invests in companies that develop new therapies, devices or diagnostic approaches. The Fund also focuses on companies that enable such innovations to take place, such as next-generation tools used by scientists. For the past 18 months or so, these subsectors of healthcare have been abandoned by generalist investors due to the changing interest rate environment. Many companies in this subsector are unprofitable and depend on external capital, which is now more difficult to come by. In the past six months, we have witnessed a glimpse of a recovery, but the collapse of Silicon Valley Bank, which has been a crucial provider of funding to many start-ups in this space, has again put a dampener on the recovery. In all honesty, the biotech sector is currently priced as if it is going out of business.

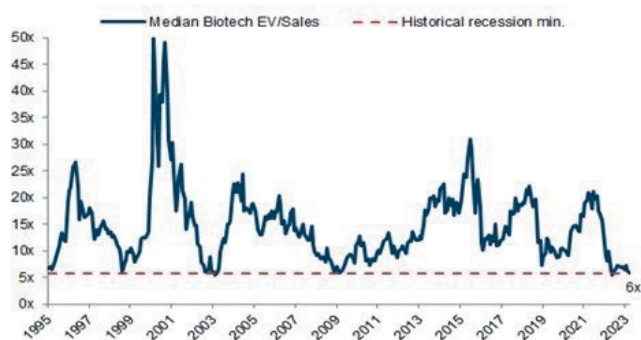
A recent chart from Goldman Sachs highlights the fact that valuations of biotech companies are currently at rock-bottom levels (see Fig. 2 on the following page). These levels have historically coincided with recessions and, most importantly, have marked key inflection points for the sector.

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

Fig. 1: Healthcare Performance Relative to S&P 500 Calendar Year to Date (US\$)



Source: Goldman Sachs Global Investment Research, FactSet Research Systems.

Fig. 2: Biotech Enterprise Value (EV)/Sales

Source: Goldman Sachs Global Investment Research, FactSet Research Systems.

For further context for Australian investors, the SPDR S&P Biotech ETF (XBI), an index that largely comprises non-profitable biotechs, returned -4.9% in Australian dollar terms for the 12 months to March and -7.0% for the quarter. The Fund returned 1% for the year and -2.6% for the quarter.

Pharmaceutical (pharma) companies have held up relatively better, reflecting their attraction as safe havens. The pharma companies that we own focus on retooling, including **Takeda Pharmaceutical** and **Sanofi**. Both companies are making good progress and have provided a positive contribution to the Fund's performance over the quarter, rising 6% and 12%, respectively. A special mention goes to Sanofi, which received new drug approvals and promising data in chronic obstructive pulmonary disease (COPD) for its key anti-inflammatory antibody, Dupixent.

Other contributors to performance over the quarter included US biotech **Albireo Pharma** (+103%), which was acquired by French biopharmaceutical company Ipsen over the quarter. Albireo's focus is on bile-acid modulators to treat rare liver conditions and complements Ipsen's rare disease portfolio. **Bayer** (+21%) rallied after further chatter on a potential breakup and the appointment of Bill Anderson as the new CEO. Bill was previously the CEO of Roche Pharma and is considered to be a very pragmatic manager. This is yet another member of the Roche alumni taking on the task of reforming a company with a drug discovery engine problem. **Neuren Pharmaceuticals** (+70%) rallied strongly after receiving approval in the US for trofinetide, a medication used to treat Rett syndrome.

Key detractors included **Esperion Therapeutics** (-74%) as the presentation of the CLEAR Outcomes trial for NEXLETOL, a drug designed to lower cholesterol and the risk of cardiovascular events, disappointed on some endpoints. In addition, Daichi Sankyo, Esperion's European partner also believes that the data does not justify milestone payments. **Redx Pharma** (-52%) was another significant underperformer, with the stock weakening following its unsuccessful reverse merger with a US biotech.

Changes to the Portfolio

We added to various investments that, despite their good progress, continue to see an ongoing lack of investor interest. One such example is **Exscientia**; it announced two new pipeline assets moving into the clinic during the quarter, but its valuation is again back below an enterprise value of US\$50 million, as many investors are waiting for clinical data. We added to our position as we see a productive drug discovery engine in the making. We also added to **Icosavax**, **Omega Therapeutics** and **Zealand Pharma**. At the same time, we trimmed some of our holdings, which had a great start to the year, including **Albireo Pharma** (exited), **Takeda**, **Zai Lab** and **Neuren**.

Disposition of Assets

| REGION | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|---------------|-------------|-------------|-------------|
| North America | 44% | 47% | 44% |
| Europe | 24% | 23% | 22% |
| Australia | 16% | 14% | 13% |
| Japan | 4% | 4% | 5% |
| Asia | 3% | 4% | 3% |
| Other | 1% | 1% | 1% |
| Cash | 8% | 7% | 12% |
| Shorts | 0% | -5% | -3% |

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

| SECTOR | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|--------------------------------|-------------|-------------|-------------|
| Biotechnology | 56% | 53% | 49% |
| Pharmaceuticals | 26% | 27% | 26% |
| Life Sciences Tools & Services | 7% | 7% | 8% |
| Other | 2% | 1% | 2% |
| TOTAL NET EXPOSURE | 92% | 88% | 86% |

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

| COMPANY | COUNTRY | INDUSTRY | WEIGHT |
|---------------------------|-----------|---------------------|--------|
| SpeedX Pty Ltd | Australia | Biotechnology | 7.8% |
| Bayer AG | Germany | Pharmaceuticals | 4.0% |
| Sanofi SA | US | Pharmaceuticals | 4.0% |
| Takeda Pharmaceutical Co | Japan | Pharmaceuticals | 3.9% |
| Telix Pharmaceuticals Ltd | Australia | Biotechnology | 3.6% |
| UCB SA | Belgium | Pharmaceuticals | 2.8% |
| Exscientia Plc | UK | Biotechnology | 2.7% |
| Gilead Sciences Inc | US | Biotechnology | 2.4% |
| Quanterix Corp | US | Life Sciences Tools | 2.3% |
| Galapagos NV | Belgium | Biotechnology | 2.2% |

As at 31 March 2023. See note 5, page 44.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit <https://www.platinum.com.au/our-products/pihcf>

Commentary

Pharma companies are sitting on very healthy balance sheets, but so far, they have not deployed very much of it. Life for pharma companies is not going to get any easier, given that a patent cliff is approaching towards the end of this decade and price pressure is set to intensify as a result of the Inflation Reduction Act provisioning for Medicare to negotiate certain prescription drugs starting in 2026. Mergers and acquisitions (M&A) are inevitable given that the competitive dynamics of the industry have changed significantly over the past two decades. Today, a market monopoly for a new mechanism of action drug is no longer a given; peers, as well as biotech companies, are fast followers, continuously adding pressure. Hence, the days of being able to take your time and tinker with a new R&D project are behind us; today, the need to increase R&D efficiency is paramount.

Product portfolio concentration is also an issue for pharma companies, with often one product contributing significantly to sales. Fig. 3 summarises the concentration of the top product as a percentage of sales at pharma companies.

Merck stands out, with Keytruda (sales of US\$21 billion in 2022) accounting for more than half of its pharma sales. While Keytruda is approved for many cancer indications, it is still striking to see how concentrated Merck's product portfolio has become. Merck's pipeline does have some interesting assets coming through, such as sotatercept for pulmonary hypertension (obtained via its acquisition of Acceleron, which was held in the Fund at the time), an oral peptide inhibitor of PCSK9, a key enzyme that regulates cholesterol (UCB, a holding in the Fund, will receive royalties for this product upon approval), as well as personalised cancer vaccines from Moderna, but overall, diversification is paramount for Merck. Not that long ago, Merck was seen as a contender to buy antibody biotech

Fig. 3: Top Product as a % of Pharma Sales (2022)

| COMPANY | % OF PHARMA SALES* | BRAND NAME | MECHANISM OF ACTION | DISEASE INDICATION | PHARMA SALES % OF OVERALL BUSINESS SALES |
|-------------|--------------------|--------------|---------------------|------------------------|--|
| Merck | 54.9 | Keytruda | anti-PD1 | Oncology | 71% |
| Abbvie | 36.6 | Humira | anti-TNF | Inflammatory disease | 100% |
| Sanofi | 27.0 | Dupixent | anti-IL4/13 | Inflammatory disease | 71% |
| Eli Lilly | 26.1 | Trulicity | GLP-1 agonist | Metabolic disease | 100% |
| BMJ | 25.5 | Eliquis | anti-Fxa | Cardiovascular disease | 100% |
| GSK | 24.2 | Dolutegravir | Integrase Inhibitor | HIV infection | 73% |
| JNJ | 19.3 | Stelara | anti-IL12/23 | Inflammatory disease | 65% after spin-off of consumer division |
| Pfizer | 17.7 | Eliquis | anti-Fxa | Cardiovascular disease | 85% |
| AstraZeneca | 13.5 | Tagrisso | anti-EGFR | Lung cancer | 100% |
| Roche | 13.3 | Ocrevus | anti-CD20 | Multiple Sclerosis | 70% |
| Novartis | 11.6 | Cosentyx | anti-IL17A | Inflammatory disease | 100% following spin-off of Sandoz division |

Source: Company reports, Platinum Investment Management Limited.

*Pharma sales are defined as pure pharma, excluding vaccine, consumer and animal health sales. For Merck and Pfizer, COVID-related sales are also excluded.

Seagen, however, during the quarter, Pfizer was the successful bidder, acquiring Seagen for US\$40 billion (2023E sales of US\$2.2 billion). Pfizer estimates the acquisition will generate US\$10 billion in sales by 2030.²

Keytruda's US patent expires in 2028, with Merck working on a subcutaneous injectable version as well as coformulations with other immuno-oncology pipeline products. The company will see cash accumulate on its balance sheet leading into 2028; hence, we are likely to see more acquisitions.

Today, pharma companies need to focus on externally sourced R&D just as much as their internal R&D projects. Their venture capital arms will play a key role in helping to engage with the biotech industry, as will the alumni networks of these large companies. Biotechs are the innovators in the healthcare sector, a fact that was further highlighted in the recent IQVIA Institute report, *Global Trends in R&D 2023*. The data shows that emerging biopharma companies³ are the ones that "are responsible for two-thirds of the R&D pipeline".⁴

Outlook

Many investors in the healthcare sector are trying to figure out where to hide, and during the March quarter, the defensive nature of healthcare did not really play out. M&A is not a fix; it is part of life in this sector. The Silicon Valley Bank collapse was unhelpful and has put the biotech sector back to square one, with funding becoming an issue and a buyer's strike happening again. We will be paying close attention to clinical data as well as approval decisions for several of our holdings.

² Source: <https://www.pfizer.com/news/press-release/press-release-detail/pfizer-invests-43-billion-battle-cancer>

³ Companies that spend less than US\$200 million a year on R&D and have less than US\$500 million in sales.

⁴ Source: <https://www.iqvia.com/insights/the-iqvia-institute/reports/global-trends-in-r-and-d-2023>

Platinum International Technology Fund



Performance

(compound p.a.+ , to 31 March 2023)

| | QUARTER | 1YR | 3YRS | 5YRS | SINCE INCEPTION |
|-------------------------------------|---------|-----|------|------|-----------------|
| Platinum Int'l Tech Fund* | 13% | 3% | 10% | 9% | 9% |
| MSCI AC World IT Index [^] | 22% | 4% | 18% | 19% | 4% |

* Excludes quarterly returns.

* C Class – standard fee option. Inception date: 18 May 2000.

After fees and costs, before tax, and assuming reinvestment of distributions.

[^] Index returns are those of the MSCI All Country World IT Net Index in AUD.

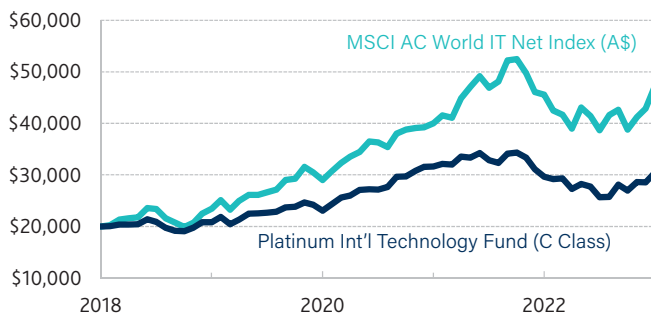
Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance.

See note 1, page 44. Numerical figures have been subject to rounding.

Value of \$20,000 Invested Over Five Years

31 March 2018 to 31 March 2023



After fees and costs, before tax, and assuming reinvestment of distributions.

Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited, FactSet Research Systems.

See notes 1 & 2, page 44.

The Fund (C Class) returned 13.2% for the quarter.¹

Technology was one of the strongest-performing sectors in the quarter. At the macro level, the strong performance is likely explained by expectations that the US Federal Reserve (Fed) may stop increasing interest rates sooner than initially thought due to slowing wage growth, easing inflation and banks tightening their lending standards post the Silicon Valley Bank collapse. At a stock level, companies that reported during the first quarter were broadly in line with expectations or better than feared.

Semiconductors were the standout performers during the quarter (+28%)² as commentary from various management teams suggested that the first half of 2023 is likely to mark the bottom of the downturn and conditions could progressively improve throughout the rest of the year. The basket of unprofitable tech companies also benefited from lower interest rate expectations, rallying 15% in the quarter.³

Artificial intelligence (AI) was the “hot” theme during the quarter, after Microsoft drew attention to the capabilities and potential of ChatGPT. **Microsoft** (held in the Fund) and Nvidia were up 20% and 90%, respectively.⁴

The Fund’s long positions performed well due to our relatively high exposure to semiconductors, with key contributors including **Microchip Technology** (+19%), **Taiwan Semiconductor Manufacturing** (+19%) and **Micron Technology** (+21%). Power semiconductor **Infineon Technologies** (+33%) was also a strong performer in this category, the company reported its first-quarter results in February and preannounced strong second-quarter results in March. Profit results continue to be stronger than expected, as the auto and industrials end-markets remain resilient.⁵ **Meta Platforms** (+76%) was our top individual stock contributor. The narrative shifted after the company announced job cuts, there was evidence that Reels is getting traction and the market priced in the

1 References to fund returns and performance contributions (excluding individual stock returns) in this Platinum International Technology Fund report are in AUD terms. Individual stock and index returns (excluding the MSCI AC World IT Index) are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

2 iShares Semiconductor ETF.

3 Morgan Stanley Unprofitable Tech Index. Source: Bloomberg.

4 Source: <https://www.theverge.com/2023/1/4/23538552/microsoft-bing-chatgpt-search-google-competition>

5 For more details on Infineon, see our video: <https://www.platinum.com.au/Insights-Tools/The-Journal/Power-Semiconductors-Powering-Our-Lives>

increasing likelihood that competitor TikTok may be banned in the US. **Booking Holdings** (+32%) delivered better-than-expected revenue growth on the back of strong prices paid for hotel rooms sold.

Our short positions on individual stocks, index hedges and cash were the main detractors from performance. On the long side, **JD.com** (-22%) underperformed after reporting weaker-than-expected fourth-quarter results.

Changes to the Portfolio

During the quarter, we added to our holdings in **Google** amid concerns that the search business will be disrupted by ChatGPT. Ultimately, we don't believe that large language models (LLMs) will be as disruptive to the core "Search" business as the market thinks. If the scenario plays out, we believe it's likely that Google can maintain its dominant position given that Bard, Google's own conversational AI, is competitive vs. ChatGPT and Google has dominance in distribution through Chrome and Android and in the ad tech stack. We also added to **Netflix** during the quarter. The stock traded lower in late February as short-term data showed that the password-sharing crackdown in various test markets like Canada resulted in what, in hindsight, was a temporary spike in cancellations. We took the opportunity to top up our position on share price weakness.

We initiated a new position in **NXP Semiconductors**. Over the next decade, we believe that semiconductor content per car will increase significantly as cars "get smarter" through digitisation and increased penetration of advanced driver-assistance systems (ADAS), wireless connectivity and safety features. NXP should be well positioned for this as one of the leading auto semiconductor suppliers. Its valuation is not demanding, trading on a price-to-earnings multiple of ~14x.

We exited **Rohm** during the quarter. We are concerned about the company joining a consortium to acquire the industrial conglomerate Toshiba. Not only will the acquisition likely be dilutive to shareholder returns, we believe that it will take management's focus away from winning market share in power semiconductors, an area we believe has huge potential over the next decade.

We also exited **Match.com** during the quarter. Last quarter's results show that Tinder continues to lose appeal to female and gen Z users, and the company will need to do more on the product front to address this. Our initial expectations that monetisation of the dating app could improve are likely premature. We also trimmed **Booking Holdings, Analog Devices** and **Ciena** following strong share price performance.

At the end of the quarter, the Fund was 83% net invested, with 11% in cash and 6% in shorts.

Disposition of Assets

| REGION | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|---------------|-------------|-------------|-------------|
| North America | 45% | 43% | 43% |
| Asia | 29% | 29% | 25% |
| Europe | 13% | 12% | 11% |
| Japan | 2% | 6% | 6% |
| Cash | 11% | 11% | 15% |
| Shorts | -6% | -14% | -7% |

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

| SECTOR | 31 MAR 2023 | 31 DEC 2022 | 31 MAR 2022 |
|------------------------|-------------|-------------|-------------|
| Information Technology | 58% | 57% | 51% |
| Communication Services | 13% | 11% | 17% |
| Consumer Discretionary | 8% | 11% | 9% |
| Industrials | 3% | 3% | 4% |
| Financials | 2% | 2% | 1% |
| Health Care | 1% | 0% | 0% |
| Other | -1% | -8% | -3% |
| TOTAL NET EXPOSURE | 83% | 75% | 78% |

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

| COMPANY | COUNTRY | INDUSTRY | WEIGHT |
|--------------------------|-------------|-----------------|--------|
| Infineon Technologies AG | Germany | Info Technology | 4.8% |
| Meta Platforms Inc | US | Comm Services | 4.7% |
| Samsung Electronics Co | South Korea | Info Technology | 4.5% |
| Microchip Technology Inc | US | Info Technology | 4.5% |
| Taiwan Semiconductor | Taiwan | Info Technology | 4.4% |
| SK Hynix Inc | South Korea | Info Technology | 4.3% |
| Alphabet Inc | US | Comm Services | 4.2% |
| Ciena Corp | US | Info Technology | 4.1% |
| Micron Technology Inc | US | Info Technology | 3.7% |
| Samsung SDI Co Ltd | South Korea | Info Technology | 3.1% |

As at 31 March 2023. See note 5, page 44.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit <https://www.platinum.com.au/our-products/pitf>

Commentary

We increased our position in France-based semi wafer manufacturer **Soitec** across several of our strategies. The majority of Soitec's revenue comes from making specialised silicon-on-insulator (SOI) wafers, which are used by customers to make certain key components in radio frequency front-end modules (RF-FEM) in smartphones. SOI wafers replaced silicon wafers as the industry standard in these components due to their better performance, heat dissipation and power consumption characteristics. Substitution risk is low, as the contribution to the bill of materials (BOM) is small (~50 cents per phone), yet it is mission critical to performance. Pricing competition is benign as Soitec holds patents on the proprietary slicing and stacking processes ("SmartCut") required to make SOIs and licenses out the technology to competitors. As a result, Soitec reported earnings before interest and tax (EBIT) margins of between 17%-20% over the last five years.⁶

There are several opportunities for Soitec to grow wafer content within smartphones over the next five years. As 5G penetration continues to increase, demand for SOI wafers will also increase given that the content per 5G phone can be up to 100% higher compared with a 4G phone. This reflects the increase in components and antennas needed to support the higher number of frequencies, faster data speeds and increase in carrier aggregation combinations. Furthermore, Soitec is also growing content in other parts of the smartphone, including making specialised wafers for filters, power amps, envelope trackers and Wi-Fi.

We are also excited about the potential application of Soitec's manufacturing process to silicon carbide (SmartCut SiCs). Silicon carbide wafers are used to make power chips for inverters and onboard chargers in electric vehicles (EVs). The material is expensive and hard to make, and demand is currently running well ahead of supply. If SmartCut SiC proves to be successful, Soitec will be able to make up to 10 SiC wafers from one high-quality wafer, thereby addressing the supply shortfall. Whilst still in the early stages of commercialisation, the announcement by STMicroelectronics (the number one SiC power chip maker) in December 2022 that they are looking to qualify SmartCut SiCs, gives us some confidence in the technology.⁷

⁶ Source: FactSet Research Systems.

⁷ Source: <https://newsroom.st.com/media-center/press-item.html/c3139.html>

We like the asymmetry in Soitec. In a scenario where SmartCut SiC is successful, the technology will be a significant value and growth driver over the next decade as EV penetration continues to increase. In a scenario where SmartCut SiC fails, Soitec can still maintain its dominant position and decent growth profile in smartphones. The stock is trading on a price-to-earnings multiple of 21x.⁸

Outlook

In the short term, we believe the market will likely remain volatile as investors continue to speculate on the Fed's future interest rate moves and whether (and when) the US economy will go into recession. Our 83% net invested position reflects our optimism that, in this potentially volatile environment, we will likely have plenty of opportunities to deploy capital and invest in interesting businesses over the coming 12 months.

We will continue to look for opportunities in areas of structural change that are underappreciated by the market and are out of favour. Examples of the former include the decarbonisation theme, factory automation and structural changes in the way business-to-consumer businesses will advertise to consumers in the future. With regard to the latter, given the collapse of unprofitable software companies over the last 18 months, we are sifting through the wreckage and looking for companies with good products, mission-critical applications, and where management has outlined a credible path to profitability. Within this, we are careful to avoid companies with structurally unprofitable businesses. The Fed increasing rates less aggressively is not an antidote for bad business models and poor unit economics.

⁸ Source: FactSet Research Systems.

Glossary

Dividend yield

A ratio that indicates how much a company pays out in dividends each year relative to its share price.

Earnings yield

A company's earnings per share over a 12-month period divided by its share price and expressed as a percentage, the earnings yield is the reciprocal of the price-to-earnings (P/E) ratio and is a measure of the rate of return on an equity investment.

Earnings before interest and tax (EBIT)

A measure of a company's profitability, EBIT is all profits before deducting interest payments and income tax expenses. It is calculated as revenue minus cost of goods sold and operating expenses.

Price-to-book ratio (P/B)

The ratio of a company's current share price to its book value (total assets minus intangible assets and liabilities). It is an indicator of the value of a company by comparing its share price to the amount of the company's assets that each share is entitled to.

Price-to-earnings ratio (P/E)

The ratio of a company's current share price to its per-share earnings, P/E is used as an indicator of the value of a company by comparing its share price to the amount of per-share earnings the company generates. A high P/E ratio suggests that the company's share price is expensive relative to the company's profits, which usually implies that investors are expecting the company's future profits to grow quickly.

Return on equity (RoE)

RoE is a measure of a company's profitability and the efficiency with which it generates earnings from every unit of the funds that shareholders have invested in it. It is calculated as profit (or net income after taxes) divided by shareholders' equity.

Purchasing Managers' Index (PMI)

An indicator of the economic health of the manufacturing sector. It is derived from monthly surveys of purchasing executives at private sector companies and is based on five major indicators: new orders, inventory levels, production, supplier deliveries and employment environment. A reading of greater than 50 indicates expansion of the manufacturing sector when compared to the previous month, while a reading of under 50 represents a contraction.

Quantitative easing (QE)

A monetary policy used by central banks to increase the supply of money by buying government bonds (and, to a lesser extent, other assets such as corporate bonds and shares) from the market. The intended outcome is to lower the yield on those assets, increase the total money supply in the financial system, and encourage more lending by banks and thus greater economic activity. Central banks use QE to stimulate the economy when interest rates are already at or close to zero.

Shorting

Short-selling or "shorting" is a transaction aimed at generating a profit from a fall in the price of a particular security, index, commodity or other asset. To enter into a short sale, an investor sells securities that are borrowed from another. To close the position, the investor needs to buy back the same number of the same securities and return them to the lender. If the price of the securities has fallen at the time of the repurchase, the investor has made a profit. Conversely, if the price of the securities has risen at the time of the repurchase, the investor has incurred a loss.

Yield

Yield refers to the income generated from an investment (such as interest from cash deposits, dividends from a shareholding, or rent from property), usually expressed as an annual percentage rate based on the cost of the investment (known as cost yield) or its market price (known as current yield). For bonds, the yield is the same as the coupon rate (assuming the bond is purchased at par or is trading at par). Any increase or decrease of the yield relative to the coupon rate is approximately inversely proportional to any change in the bond price (yields fall as prices rise, and vice-versa).

Yield curve

A yield curve plots the interest rates (or yields) of comparable debt instruments with different maturities. Starting on the left with the yields of shorter-term instruments, the curve typically slopes upwards to the right, reflecting investors' desire to be compensated for the uncertainty associated with locking their money away for longer periods of time. An inverted yield curve occurs when longer-term debt instruments have a lower yield than shorter-term debt instruments, reflecting expectations of weaker economic conditions – and hence lower interest rates – in the future.

The Journal

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If you find yourself short on time to read our in-depth **reports** and **articles**, have a listen to our Quarterly Reports in **audio podcasts** or watch brief market updates in **video** format.

Recent highlights include:



- 2023 Investor Presentation: Thinking Differently - What the Market has Overlooked and how 2023 is the Year of Opportunities.**¹ A video of Platinum's recent 2023 investor and adviser presentation is now available for viewing. Co-CIO Andrew Clifford provides an update on Platinum's performance and positioning, and our panel of portfolio managers Nik Dvornak, Cameron Robertson and Jodie Bannan discuss four key opportunities Platinum is investing in.
- Article - Why Today's Headwinds Have Accelerated a Multi-Generational Shift.**² The energy transition is rapidly accelerating. Portfolio managers Jodie Bannan and Liam Farlow outline why the opportunity is too good to ignore and compelling investments they are currently seeing.
- Video - Impressive Opportunities Abound Across Asia.**³ The Chinese equity market has bounced strongly in recent months, and while we continue to find plenty of investment opportunities there, we are also discovering other exciting companies to invest in across the region. Portfolio managers Kirit Hira and Cameron Robertson discuss two such companies they visited during recent research trips to Vietnam and South Korea - Mobile World Investment and Coway.
- Video - A Reality Check for Tech?**⁴ After two years of excess and bubble-like valuations, the tech sector suffered a significant setback in 2022. While valuations are looking more attractive, will we finally see a return to investors valuing tech companies based on the strength of their business models and long-term potential earnings power rather than hype? Portfolio managers Alex Barbi and Jimmy Su share their insights and where Platinum is finding opportunities in tech.
- Article - Off-Price but On-Trend: Discount Retailers Taking Market Share.**⁵ The reversal of pandemic spending trends was a common challenge for retailers planning inventory throughout 2022. Off-Price (discount) retailers can benefit from this inventory miscalculation, and they appear to have the advantage in 2023, as investment analyst Joshua Pettman explains.
- Article - Sportswear: Fashionable On and Off the Field.**⁶ The trend towards casualisation, athleisure, health and wellness, and hybrid working has spurred strong growth in the sportswear industry over the last decade. But it's not just a comfortable fashion choice, the sportswear sector also offers some interesting investment opportunities, as investment analyst James Foreman explains.

1 <https://www.platinum.com.au/Insights-Tools/The-Journal/2023-Investor-Presentation>

2 <https://www.platinum.com.au/Insights-Tools/The-Journal/Why-Today-s-Headwinds-Have-Accelerated-a-Multi-Gen>

3 <https://www.platinum.com.au/Insights-Tools/The-Journal/Impressive-Opportunities-Abound-Across-Asia>

4 <https://www.platinum.com.au/Insights-Tools/The-Journal/A-Reality-Check-for-Tech>

5 <https://www.platinum.com.au/Insights-Tools/The-Journal/Off-price-but-On-Trend-Discount-Retailers>

6 <https://www.platinum.com.au/Insights-Tools/The-Journal/Sportswear-Fashionable-On-and-Off-the-Field>

30 June Distributions

From early May, estimates for the forthcoming 30 June distributions by the Platinum Trust Funds will be made available online (and updated weekly) at:

www.platinum.com.au/About-Platinum/Company-News

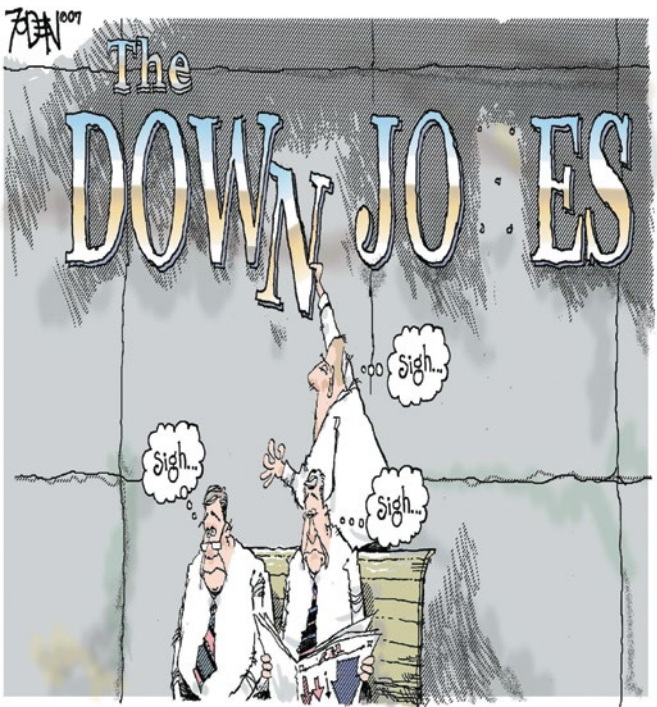
As a reminder, we also have a 'fixed cash distribution' option for the annual 30 June distribution. This is offered alongside the existing option of reinvesting your distribution in additional units or receiving cash. The concept allows investors to select a fixed 4% cash distribution with the purpose of providing investors with a more certain cash flow outcome. More information on this option is available at:*

www.platinum.com.au/fixedcashdistribution

**If the distribution amount is less than 4%, units will be redeemed to make up the shortfall. If the distribution amount is greater than 4%, the excess distribution amount will be reinvested in additional units.*

Some Light Relief





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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).

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. Fund returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class of the Fund and represent the combined income and capital returns over the specified period. Fund returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. Where applicable, 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, the Fund'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 the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The investment returns depicted in the graph are cumulative on A\$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows the Fund'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 the Fund'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.
4. The table shows the Fund'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".
The Platinum Global Fund (Long Only) does not undertake any short-selling of stocks or indices. As a result, its net sector exposures through its securities positions and securities/index derivatives positions are its sector exposures through its long securities and long securities/index derivatives positions.
5. The table shows the Fund'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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About us

Investor services numbers

Monday to Friday, 8.30am – 6.00pm AEST

1300 726 700

0800 700 726 New Zealand only

Or visit us at our office

Level 8, 7 Macquarie Place, Sydney

Platinum Asset Management is a Sydney-based manager specialising in international equities. The investment team uses a thematic stock-picking approach that concentrates on identifying out-of-favour stocks with the objective of achieving superior returns for our clients. We pay no heed to recognised indices. We aim to protect against loss and will hedge stocks, indices and currencies in our endeavours to do so.

The firm was founded in February 1994 by a group of professionals who had built an enviable reputation. The investment team has grown steadily and Platinum now manages around A\$19 billion. Platinum's ultimate holding company, Platinum Asset Management Limited (ASX code: PTM), listed on the ASX in May 2007.

Since inception, the Platinum International Fund has achieved superior returns to those of the MSCI AC World Net Index (A\$)* and considerably more than interest rates on cash.

* Please refer to page 2.



Level 8, 7 Macquarie Place
Sydney NSW 2000

GPO Box 2724
Sydney NSW 2001

Telephone

1300 726 700 or +61 2 9255 7500
0800 700 726 (New Zealand only)

Facsimile

+61 2 9254 5590

Email

invest@platinum.com.au

Website

www.platinum.com.au