Platinum Global Fund (Long Only)

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Portfolio Manager

Overview

- The breadth of the portfolio was a strength this quarter with the Fund's top performers coming from a range of industries and locations. These include a Chinese e-commerce platform, an Austrian Bank and low-cost airlines from India and Hungary. Fund investors also benefited from a recovery in our semiconductor names.
- In 2023 global economies rumbled on without being unduly disconcerted by rising rates and tighter lending standards. Sharemarket returns were therefore stronger than we expected and our cautious approach cost us performance. We believe the exuberance evident at the end of December might expose the market to added risk as the new year unfolds.
- We invested more capital in European beverage giant **Heineken**. Our investment case rests on the strength of its brands, its exposure to fast-growing emerging markets and the potential for operational improvement in the business.

Performance

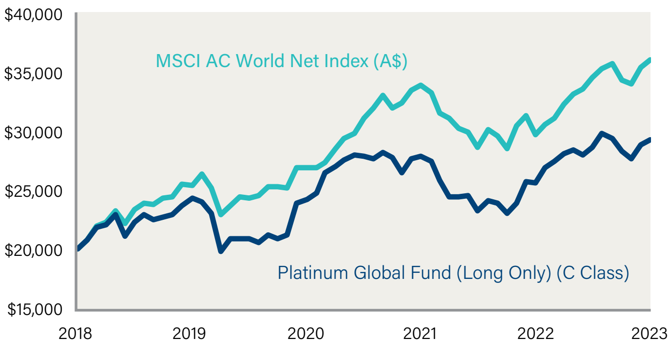
compound p.a.+, to 31 December 2023

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Global Fund (Long Only)*	3%	14%	6%	8%	10%
MSCI AC World Index^	5%	21%	10%	12%	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 5. Numerical figures have been subject to rounding.

Value of $20,000 invested over five years

31 December 2018 to 31 December 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 5.

The return of the Fund over the quarter was 3%, and over the calendar year the Fund's value rose 14%.

The strongest contributors to performance were varied in terms of industries, with the most notable contributors including Chinese ecommerce platform **PDD** (+45%), **Raiffeisen Bank** (+40%) and our emerging market low-cost airlines **Interglobe** (+24%) and **Wizz Air** (+15%).

There was also broad strength across a number of our semiconductor names: **Micron** (+25%), **Infineon** (+20%) and **Samsung Electronics** (+14%).

After a difficult couple of years, semiconductor company shares are turning up on recovering demand for core chips for PCs and mobile phones but also on the increased demand for the high-end chips required for AI-focused technologies.

A Chinese e-commerce success story

While PDD's Chinese business continues to grow strongly (revenue grew 94% in the last quarter), its strong price performance was driven by evidence its international expansion strategy (via its Temu brand) is succeeding.

From a standing start last year, Temu generated roughly 19bn RMB of revenue last quarter and is likely to do well over 130bn RMB of revenue in 2024. This is very impressive given the revenue base of PDD's entire business was 130bn RMB in 2022. Importantly PDD is achieving this growth while also growing profits, with the company posting a 60% increase in Earnings Before Interest and Tax last quarter.

In terms of detractors, the most notable holdings were financial advice firm **St James Place** (-18%) and Chinese express parcel giant **ZTO Express** (-12%). The common thread to these falls was around pricing. St James's share price fell after they lowered the pricing schedule for their advice services. Meanwhile ZTO came under pressure after comments that their weaker competitors had begun to irrationally lower parcel prices in a bid to win market share.

Commentary

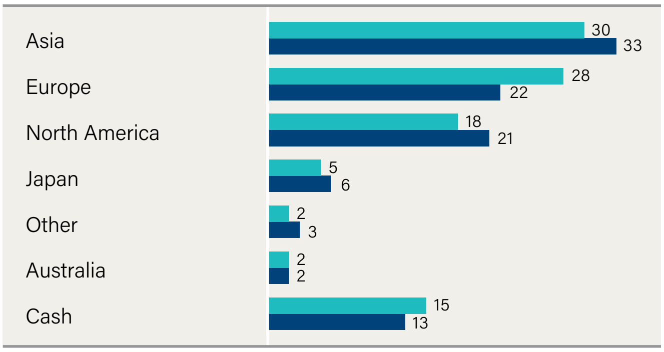
Over the quarter we increased our exposure to the global beverage sector by taking positions in the beer giant **Heineken**.

Heineken is the world's second largest brewer, with the highest share of 'premium' beer volume (at 40%) and a regional exposure of 50/50 in emerging/developed markets.

While this regional/premium exposure has allowed Heineken to grow faster than peers, the major shortcoming of Heineken is its profitability. It is considerably less profitable than the likes of AB InBev and Carlsberg.

The controlling Heineken family has charged the (relatively) new CEO Dolf van den Brink with the task of addressing this difference. Some of their strategic moves include reducing their brand count and directing more ad spend towards their true focus brands. They'll also seek to consolidate the number of breweries they operate, particularly in Europe where some sites are underutilised from a capacity standpoint.

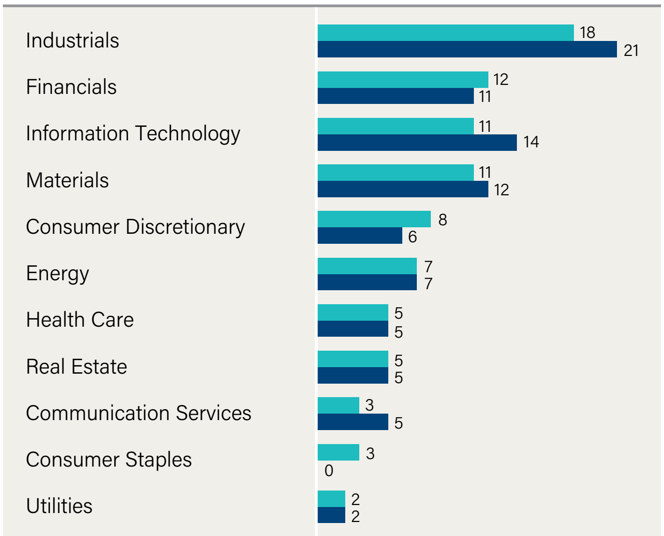
Disposition of Assets %



31 DEC 2023 30 SEP 2023

See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



31 DEC 2023 30 SEP 2023

See note 4, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co Ltd	South Korea	Info Technology	5.1%
UBS Group AG	Switzerland	Financials	3.3%
Wizz Air Holdings Plc	Italy	Industrials	3.3%
UPM-Kymmene OYJ	Finland	Materials	3.1%
Allfunds Group Plc	UK	Financials	3.1%
ZTO Express Cayman Inc	China	Industrials	2.8%
Trip.com Group Ltd	China	Cons Discretionary	2.8%
AK Medical Holdings Ltd	China	Health Care	2.6%
Minebea Co Ltd	Japan	Industrials	2.4%
Sprott Physical Uranium Trust	Canada	Materials	2.3%

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

From a cyclical point of view, beer-makers look interesting. Covid was a net negative for the brewers, given the closing of bars and clubs and prohibitions on outdoor events. Beer companies also suffered from a considerable rise in the prices of barley, aluminium, glass and energy. As these input costs start to fall, Heineken's profitability will be boosted.

During the quarter we also started a position in global aluminium can manufacturer **Ball Corp** and fast growing sports fashion retailer **JD sports**. We used the October sell-off to increase our positions in **TransUnion**, **Baxter**, **Wizz Air** and **Sands China**.

To partly fund these positions, we exited our holdings in US building materials player **Carlisle**, auto semiconductor manufacturer **NXP Semi** and luxury furniture retailer **RH**. We also trimmed our holdings in **Microchip**, **Interglobe** and paper/pulp producers **UPM** and **Suzano**.

Outlook

When thinking about the market's outlook we seek to understand the general macro investment environment, the state of investor sentiment and the scope of opportunities on offer.

On macro, through 2023 we were concerned about the effect tighter financial conditions (in the form of higher rates, and tighter lending standards) would have on economic activity, company earnings and stock prices.

To date this concern has not played out and our more cautious positioning has dampened returns. The Western economies – and particularly the US – have proven far more resilient to higher rates than expected (i.e. rates at current levels are less restrictive than thought). Right now, the leading indicators around employment and wages do not paint a picture of recession. Hence the best way to describe the current economic picture is neutral.

The aspect that *has* changed is market sentiment. For most of 2023 many investors shared our concerns. Today the consensus is very much moving towards the positive camp, with the view that rates will fall alongside falling inflation and that this will extend the positive economic cycle. This exuberance adds risk and any evidence that runs contra to this thesis would likely bring a fair amount of downside action in markets.

Finally, on the opportunities, many of the sectors that drove the markets' rise this year are back to full valuations, however there are also several sectors that have materially de-rated. In essence we are looking for businesses with three aspects:

- Modest starting valuation multiples that have the potential to be higher in the future.
- Specific or structural reasons why the business will have higher profits in three years.
- Evidence that the company is mispriced, and clear reasons why investor sentiment around that company can improve in the future.

On these metrics we are continuing to find opportunities. Some of the company examples we have talked about in our past few quarterlies certainly meet these criteria:

- UBS (banking and funds management)
- TransUnion (data)
- AGL (energy)
- Allfunds (funds management).

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 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. 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 net MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash") 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. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through derivative transactions.
4. The table shows the Fund's exposures to the relevant sectors through its long securities positions and long 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".
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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