Platinum International Brands Fund

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Portfolio Manager

Overview

- The Fund benefited from holdings in Chinese tech stocks such as **Tencent** and **JD.com**. The Chinese government appears to have softened its approach to tech entrepreneurs and the sector was also boosted by the early success of DeepSeek.
- The US consumer stayed out of the shops and online marketplaces in the March quarter as political turmoil, higher taxes and lower government spending affected confidence. The US consumer has been the mainstay of global demand since Covid and weakness there played through into the Fund.
- A significant number of the Fund's holdings reported strong operational performance and good prospects but suffered share price falls as confidence weakened.

Performance

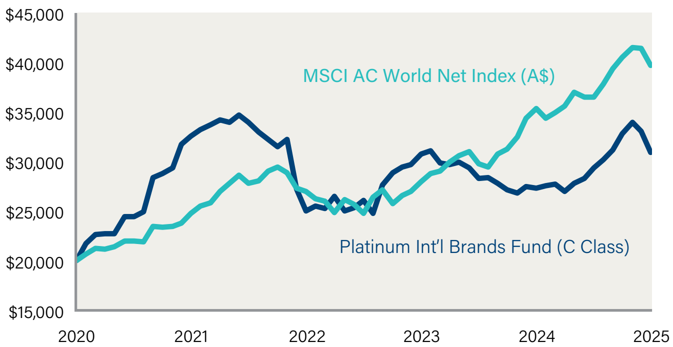
compound p.a.+, to 31 March 2025

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	-6%	13%	7%	9%	11%
MSCI AC World Index^	-2%	12%	14%	15%	5%

+ 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 5. Numerical figures have been subject to rounding.

Value of $20,000 invested over five years

31 March 2020 to 31 March 2025



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 Fund returned -5.9% over the quarter in AUD terms.

US equity markets ended the quarter sharply lower, underperforming most international markets. Throughout the quarter there were reports of softer demand by US consumers – the mainstay of global growth post-COVID. The prevailing narrative is that fiscal tightening – through both higher consumption taxes (including tariffs) and government spending cuts – is to blame. These concerns are amplified by the absence of cogent policy from the Trump Administration. The firestorm of policy tweets and lack of any roadmap is undermining investor confidence. As a result, we have seen rotation to defensive sectors like Consumer Staples, Utilities, Energy and Healthcare within US equities.

In Europe, the response to seeing the geopolitical order turned on its head has shifted from disbelief to pragmatism. This is best seen in Germany which has recanted its obstinate commitment to pacifism and fiscal discipline and passed a massive infrastructure and defence spending package. With other nations expected to follow, investors embraced European equities in Q1. The major beneficiaries were Defence, Industrial, Material and Bank stocks.

Hong Kong was Asia's standout performer, fuelled by two major developments. First, the apparent political rehabilitation of Alibaba-founder Jack Ma indicates a thawing of the government's attitude to the private technology sector. Second, the impressive performance of DeepSeek alleviated concerns around China's limitations in computing power and AI development. Technology stocks drove the market higher.

The consumer takes a hit

Our Fund seeks to invest in dominant global businesses with strong brands and sustainable competitive advantages. This results in a skew to consumer-facing businesses and a geographic exposure that largely mirrors the global economy, with the US the single largest end-market.

While there is significant variation, on average our holdings generate 40% of their sales in North America, 30% in Europe and 30% in Asia. The current sell-off is being driven by concerns over US consumer spending. We're in the eye of the storm and our performance reflects this.

While we underperformed our benchmark MSCI World Index, our performance was similar to the MSCI World Quality Index. We highlight this to explain our performance, not to excuse it.

Notable contributors to our performance include Chinese tech companies like **Tencent** (+19%) and **JD.com** (+18%), defensives like Swiss-multinational **Nestlé** (+19%) and UK financial advice network **St. James's Place** (+12%).

Detractors include German sandal-maker **Birkenstock** (-19%), Google-owner **Alphabet** (-18%), silver jewellery maker **Pandora** (-19%) and sportwear retailer **JD sports** (-29%).

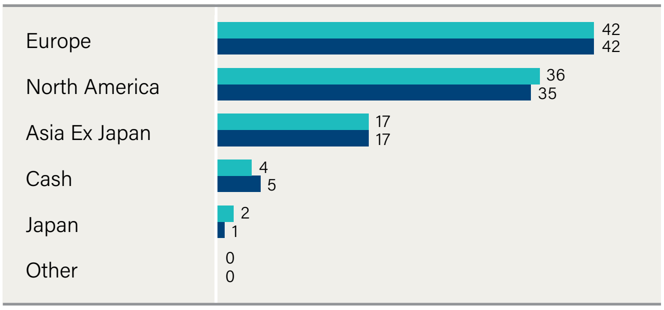
Commentary – the essentials of strategy

"If you chase two rabbits, you will catch neither"
– Russian proverb.

An effective strategy needs a single goal and a clearly defined process for achieving it. Our goal is to generate good long-term returns for our investors. Our process is to construct a portfolio of high-quality businesses with strong brands and sustainable competitive advantages while paying fair prices.

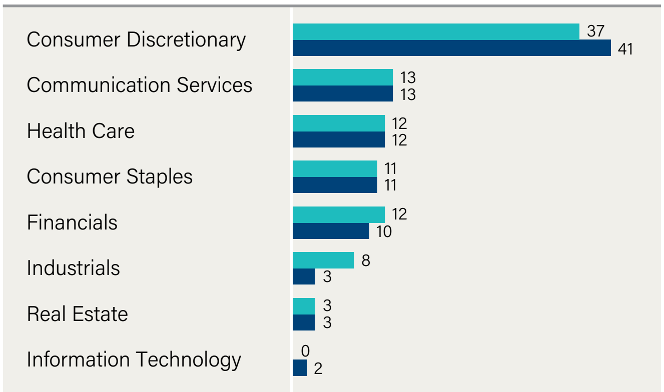
Our focus is long-term performance. We cannot always outperform the benchmark nor avoid share price falls – nor do we seek to. If we allow that temporary objective to distract us we will end up with an empty pot.

Disposition of Assets %



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

Net Sector Exposures %



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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Zoetis Inc	US	Health Care	4.2%
Industria de Diseno Texti	Spain	Cons Discretionary	4.1%
Galderma Group AG	Switzerland	Health Care	4.1%
Meta Platforms Inc	US	Comm Services	4.1%
Visa Inc	US	Financials	4.0%
St James's Place PLC	UK	Financials	4.0%
Amazon.com Inc	US	Cons Discretionary	4.0%
EssilorLuxottica SA	France	Health Care	3.7%
Haleon PLC	US	Consumer Staples	3.6%
Birkenstock Holding Plc	Luxembourg	Cons Discretionary	3.5%

As at 31 March 2025. See note 5, page 5.
Source: Platinum Investment Management Limited.

Share prices are driven by short-term sentiment but by fundamentals in the long term. Sentiment derives from human emotion and is erratic. Consequently, near-term share price falls cannot be consistently avoided. We want to own businesses that can generate an earnings stream that underpins the value of their shares in the long-term. We then put our faith in human greed to ensure that share prices ultimately reflect that value.

A slowdown in US consumer spending is a key risk for our Fund. However, it is important to remember that the market *anticipates* so some spending slowdown is already priced into our holdings. We cannot know how severe the slowdown will ultimately be but the further share prices fall, the more likely it is the market will overestimate its impact.

Careful review and considered decisions

When faced with turbulent markets and falling stock prices we yearn for decisive action. It is comforting because it gives one the illusion of control. However, these are the worst times to make bold decisions because our cognitive biases are in overdrive. It is far more difficult to sit tight and stay focused on the rabbit we are chasing. Yet we believe that is invariably the best course of action under these circumstances and it is precisely what we are doing.

This quarter we saw a remarkable pattern during earnings season. Our companies typically reported a strong end to 2024, with excellent sales growth and high profitability. On our conference calls most noted some softening in US demand as they moved into 2025 and most offered cautious guidance. The steep share price falls that followed are at odds with the actual performance of these businesses and their long-term prospects. This phenomenon is well illustrated by **Galderma**, a leading Swiss dermatology business and a major holding in our Fund.

Getting under the skin of Galderma

In 2024, Galderma grew sales by 10% and profits by 20%. Their key product, Dysport, continues to take market share from Botox. Indeed, Dysport grew 12% while Botox grew just 3%. Dysport is now half the size of Botox. Three years ago it was one-third the size. We believe they can continue to take share as they continue to innovate.

In other interesting news, Galderma's first new patented pharmaceutical product in many years was approved by the FDA and has been well received by US physicians. As set up costs fall away we expect eczema treatment Nemluvio to be meaningful profit driver in 2026 and beyond. Their skincare products continue to sell well despite fierce competition.

The only wrinkle in the result was softening demand for Fillers in the US. This was sufficient to see the stock price fall 25% over the subsequent three days, yet US Fillers account for just 10% of revenue. Secondly, their Fillers segment grew 7% in 2024 while key competitor, Juvederm, experienced a 12% fall. This highlights Galderma's capacity to grow and take market share even in difficult conditions.

Needless to say, the market is not assessing the long-term fundamental prospects of this business in a rational manner. We believe the share price move reflects general investor nervousness rather than the company's performance. Nor is Galderma unique. This pattern was repeated across our companies who reported in February and March.

We expect Galderma and our other companies to continue to post higher earnings and profitability in coming years, a potential US recession notwithstanding. For our part, we are focused squarely on the performance of the underlying businesses, not the short-term stock price. We are riding out the storm.

Outlook

Investors today are agonising over US consumer spending and a possible recession. There are other related concerns:

- Tariffs and trade wars.
- The persistence of inflation and elevated interest rates.
- Tectonic shifts in the geopolitical landscape.

This is all undermining investor confidence and, with risk appetite evaporating, markets are skittish.

In the longer-term, the debate centres on 'US exceptionalism'. Will we once again see US equities outperforming as was the case post the GFC and COVID? Or do we see a prolonged period of US underperformance like that after the Dot Com bubble blew?

This question is pertinent since US outperformance following the GFC has resulted in a tremendous concentration of capital in US financial markets. There is a real tension here. On the one hand, investors are worried about the severity of a US correction. Conversely, they are desperate not to miss out on the US outperformance they are conditioned to expect.

Perhaps surprisingly, this tension can be welcome – it can provide the opportunity to buy great companies at fair prices. While we are not immune to short-term volatility, we believe the businesses we own will continue to thrive and generate handsome returns for their owners.

It is easy to crave decisive action in turbulent times. Yet if one takes decisive action every time something happens, those actions morph into the flailing of a drowning man. This is the time for cold calculation not emotional overreaction. Sitting tight is less glamourous. But we are sitting tight, reviewing businesses' fundamentals and looking for opportunities.

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 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 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".
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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