MLC-Platinum Global Fund

QUARTERLY INVESTMENT MANAGER'S REPORT

Performance

Fund Size: $631.6m	Last quarter	Last 12 months	5 years (compound pa)	Since inception (compound pa)
MLC-Platinum Global Fund	6.2%	10.3%	7.5%	10.2%
MSCI All Country World Net Index (A$)	13.2%	26.5%	12.8%	8.0%

Fund returns are after fees and expenses and assume the reinvestment of distributions. Portfolio inception date: 30 June 1994.
Source: MLC Investments Limited and Platinum Investment Management Limited for Fund returns, and FactSet Research Systems for MSCI index returns.
Past performance is not indicative of future performance. The value of an investment may rise or fall with changes in the market.

From a geographic perspective we saw good returns from our US (+19%) and Japanese positions (+7%), while our holdings in China (around 2%) and Europe (3%) were more muted.

In terms of positions, our holdings in companies that benefit from *investment* in artificial intelligence did well, with **TSMC** (+30%) and **Micron** (+38%) up strongly. US technology giants **Meta** (up 37%) and **Alphabet** (+8%) recorded healthy gains over the quarter.

Our travel holdings continued to perform. **Trip.com**, which owns leading online travel agencies in both the Chinese and Indian markets, rose around 25%, while European aircraft giant **Airbus** and low-cost Indian airline, **Interglobe** both rose around 20%.

The main detractors over the quarter were UK wealth manager **St James' Place** (-32%) and Finnish pulp producer **UPM** (-9%). UPM's problem is temporary (a timing delay on the full ramp up of their new pulp mill in Uruguay).

St James' Place has more enduring issues. The company, which was initially hit due to the need to lower its fee schedule, has announced that they had not adequately documented the provision of advice for some 2% of their customers since 2018, with fees to be refunded. While we are encouraged by the proactive approach the company is taking to righting this (for example, a full review of all records, actively reaching out to customers), it is a problem that will take some years to resolve. We are happy to take a long-term view on holding this stock.

Commentary – AI and its use cases

We are often asked to share our thinking about AI as an investment theme and about the investments we hold in the space.

Like the personal computer, AI looks to be a classic multipurpose technology that will touch and even transform many industries. Its use cases can be viewed across two tracks:

- Companies operating at huge scale (such as Meta, Google and Amazon) are seeing high value use cases in advertising targeting and content creation – whether that be text, image, video, speech or coding.
- The use cases in the consumer or broader enterprise space are far less clear, with most still in experimentation phase.

Investment history tells us that these type of technology advances are often a double edge sword. Fortunes can be made investing in the long-term winners, but picking those winners – especially in the early stages – is very difficult.[1]

Our approach is not to make bold forecasts about the potential size of the AI market or about who the ultimate winners from this technology revolution will be.

Instead we invest in reasonably-valued businesses who will perform very well if AI spending/applications continue to grow but who all have strong non-AI businesses that will underpin their performance should the AI theme take longer to play out.

1 See "Engines that move Markets" by Alasdair Nairn. It's key lesson: the ultimate losers from new technology are far easier to predict than the actual winners.

Taiwan Semiconductor Manufacturing Company

TSMC is the world's best independent semiconductor foundry. The difficulty and cost of producing leading edge semiconductors has seen most of the industry switch to the 'fabless' model, with giants like Nvidia, Apple and AMD designing their chips, while outsourcing the manufacturing to TSMC. TSMC has three major advantages over their competitors Intel and Samsung:

- A process node lead – in simple terms TSMC has a miniaturisation advantage that means they produce chips with a price/performance/energy consumption advantage.
- A three decade ecosystem – TSMC customers have standardised around TSMC's production techniques.
- Independence – TSMC does not compete with its customers.

These advantages show up in TSMC's financial results, with the company routinely making 40% operating margins and post-tax returns on capital of 35%. The rise of AI represents a large new growth market for TSMC — whatever the winning technology.

Broadcom

Broadcom is high quality semiconductor and enterprise infrastructure software provider. The jewel in Broadcom's crown is its dominant position in networking and custom AI chips.

In *networking* there is a clear scaling relationship with AI models. The larger the dataset they are trained on, the better the capability. With the latest models trained on datasets of many trillions of parameters, it is no longer practical to do this on a single server with multiple GPUs. Instead it requires thousands of servers to be networked together, so the training can be spread across them in a synchronous manner.

This need for efficient networking is a key bottleneck for AI servers and Broadcom has the leading solution via their Tomahawk networking chips.

As the size and complexity of AI training models increase, we are starting to see the largest companies in the industry custom design chips for that singular purpose. Broadcom is a key player here.

Broadcom's biggest customer is Google. It produces their tensor processing unit chips and that will likely generate circa $5 billion of revenue this year. Broadcom is also working on custom AI chips for Microsoft and Meta. It's likely Amazon will follow.

Over the past year Broadcom's AI related revenue has risen four-fold. It is set to account for roughly 30% of their sales in 2024.

The memory manufacturers – Samsung and Micron

The common thread across AI model training is 'more' – huge datasets, huge computation power, huge energy consumption. Naturally there is an equally huge imperative to make these inputs more efficient.

'High bandwidth memory' (HBM) is a relatively new form of memory that achieves these goals, with the memory directly stacked on the AI processor chip. In addition to a significant higher price point, the amount of capacity required to produce HBM is 2-3x that of regular DRAM. This capacity being diverted to producing HBM has significantly tightened the supply/demand balance of the DRAM industry. The fact this is happening at the same time DRAM demand from traditional sources (PCs, phones etc) is bouncing back could produce some excellent profit outcomes for **Samsung** and Micron.

Overall, our exposure to companies who benefit from AI – but are not solely reliant on it – is roughly 14% of the portfolio.

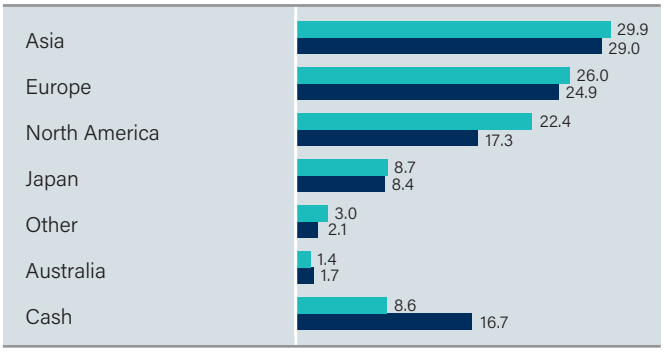
Outlook

When we scan the global economy we see many leading indicators now pointing upwards. The unemployment numbers in the US and Europe are low, consumer and business activity in Japan is on the up. There are some welcome indicators of economic improvement in China (both consumer spending and manufacturing PMIs have edged up).

Today investor sentiment is quite positive, though the major geopolitical issues have not gone away (Ukraine, Taiwan, Gaza).

Concerns of recession have faded and in some pockets of the market speculation has returned in full force (particularly in crypto coins and in retail favourites like Super Micro). That said, we are still finding plenty of valuation dispersion and company specific mispricings to take advantage of. Market gains are starting to broaden out and that bodes well for future returns from the portfolio — which is well-diversified across the US, Asia and Europe.

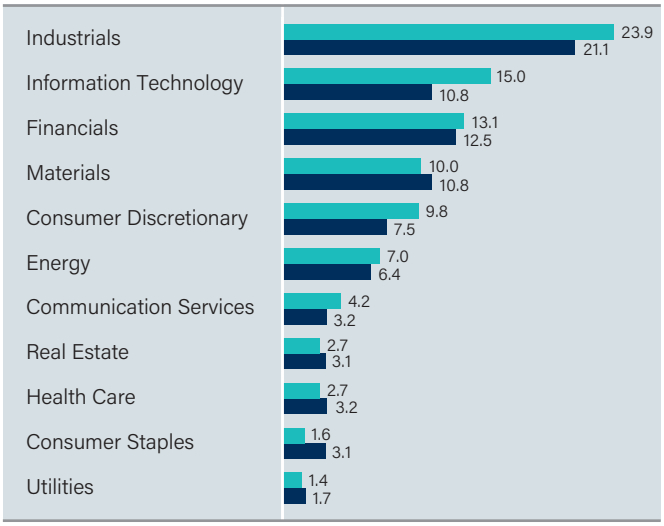
Disposition of Assets (Net Invested Positions) %^



31 MAR 2024 31 DEC 2023

^ 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.
Source: Platinum Investment Management Limited.

Net Sector Exposures %^



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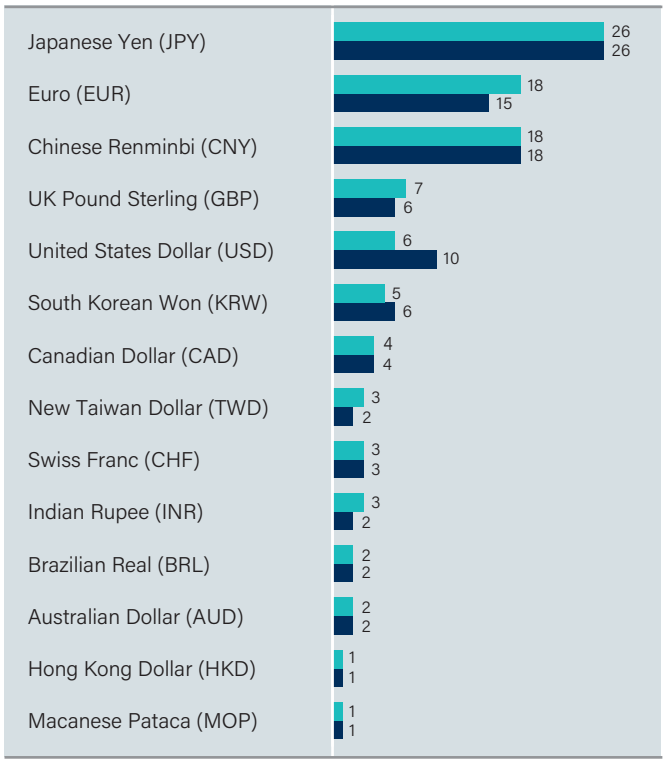
^ The table shows the Fund's net exposures to the relevant sectors through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other". Numerical figures are subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings^

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co Ltd	South Korea	Info Technology	4.9%
ZTO Express Cayman Inc	China	Industrials	4.2%
Itochu Corp	Japan	Industrials	3.7%
Taiwan Semiconductor	Taiwan	Info Technology	3.5%
Trip.com Group Ltd	China	Cons Discretionary	3.4%
UBS Group AG	Switzerland	Financials	3.3%
Broadcom Inc	US	Info Technology	3.1%
UPM-Kymmene OYJ	Finland	Materials	3.0%
Allfunds Group Plc	UK	Financials	2.9%
TransUnion	US	Industrials	2.8%

^ As at 31 March 2024. 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. Numerical figures are subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Net Currency Exposures^



31 MAR 2024 31 DEC 2023

^ The table shows the Fund's net exposures to the relevant currencies through its long securities positions, cash at bank, cash payables and receivables, currency forwards and long securities/index derivative positions, as a percentage of its portfolio market value.
Source: Platinum Investment Management Limited.

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