Platinum Global Transition Fund (Quoted Managed Hedge Fund)

ARSN 658 996 251 | ASX Code: PGTX

Quarterly Investment Manager's Report

30 September 2023

Platinum
GLOBAL TRANSITION FUND
(QUOTED MANAGED HEDGE FUND)

Platinum
ASSET MANAGEMENT

Investment Update

Platinum Global Transition Fund (Quoted Managed Hedge Fund) (PGTX)

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Overview

- The Fund benefited from good performance from its uranium holdings. NAC Kazatomprom (+86%), Sprott Physical Uranium Trust (+38%) and Cameco (+30%). These stocks rallied off tightness in the uranium market and improved pricing.
- In our view, the carbon transition is a multi-decade investment opportunity but that opportunity will not be linear across all subsectors. Current conditions, including higher interest rates, input cost inflation and technical issues are challenging for some subsectors – such as offshore wind – where the Fund has no direct exposure. Other areas, such as nuclear, are enjoying an improved outlook.
- We remain positive about the investment opportunities available in certain segments of the transition landscape and continue to find attractive opportunities.

Performance

compound p.a.*, to 30 September 2023

	QUARTER	1YR	SINCE INCEPTION
PGTX	1.2%	10.0%	6.5%

Returns are after fees and costs, before tax, and assuming reinvestment of distributions. Inception date: 1 July 2022 (Note. The Fund began investing on 1 July 2022 but was launched to investors on 15 February 2023).
Source: Platinum Investment Management Limited. Historical performance is not a reliable indicator of future performance.
See note 1, page 7.
* Excluding quarterly returns.

The Fund returned 1.2% for the quarter[1], with the largest contributors being our uranium holdings. NAC Kazatomprom (+86%), Sprott Physical Uranium Trust (+38%) and Cameco (+30%). These stocks rallied on uranium market tightness and improved pricing through the quarter (for more on uranium, see the Commentary below). Other contributors included our pulp and paper holdings, with UPM-Kymmene +19% and Suzano +21%. Korean battery holdings LG Chem (-26%) and Samsung SDI (-24%) were the main detractors from performance, with margin pressures and worsening sentiment around EV adoption weighing on the sector. The Fund also saw weak performance from our semiconductor and semiconductor equipment holdings ASML (-16%), Taiwan Semiconductor (-9%) and Microchip Technologies (-12%).

Changes to the Portfolio

During the quarter we entered new positions in Neste Corporation (renewable fuels), Paladin Energy (uranium), Carlisle Companies (building products), Nutrien (fertilisers), Stora Enso Oyj (renewable packaging), STMicroelectronics (semiconductors) and Ardagh Metal Packaging (aluminium cans).

We also made additions to a number of existing holdings, most notably to our uranium positions, pulp and paper producers and automotive suppliers.

Soitec was exited during the period, with a number of other holdings including Siemens, Kingspan, and Suzano being trimmed after recent strong performance. We also reduced our holdings in Korean battery producers given heightened near-term earnings uncertainty.

Commentary

The recent advance in uranium pricing is best characterised as the intersection between a persistent, and widening supply deficit and shifting fuel-buyer psychology that is increasingly focusing on security of supply. We appear to have finally reached an inflection point in the uranium market which could push prices above market expectations.

Where did we come from?

The near-15 years since the last uranium cycle peak has been slow and painful for uranium producers. The commodity has seen sustained low prices and utilities have shown a lack of willingness to contract for meaningful volumes over meaningful timeframes.

In the early 2010s demand fell due to the progressive post-Fukushima retirement of Japan's entire nuclear fleet as well as reactor decommissioning and anti-nuclear sentiment in much of Europe. Primary demand fell by nearly 20% in the two years to 2012. Indeed, in 2022, primary demand was still below the 2010 level.

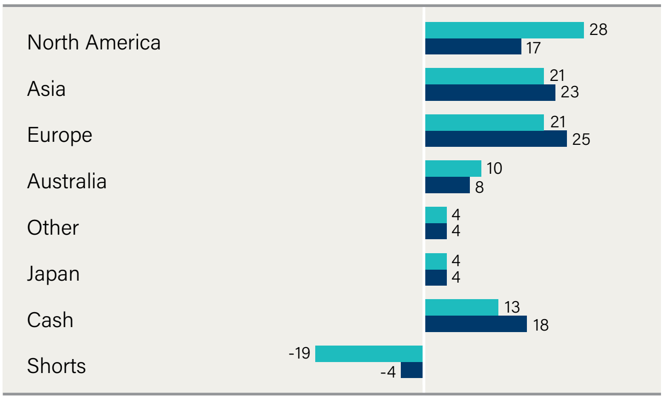
Meanwhile, new supply increased markedly, most notably through the ramp-up of low-cost production from Kazakhstan. This led to a prolonged surplus in supply, driven by higher production, demand destruction and inventory redistribution (among other secondary sources including uranium enrichment availability).

For utility buyers, this was a period in which supply was both plentiful and cheap, with prices falling briefly below US$20/lb (they peaked just over US$130/lb in 2007). In addition, low interest rates and spot market availability created incentives for traders to push material into the medium-term market ("carry trade"), which further reduced the imperative for utilities to sign up to long-term contracts with producers.

Ultimately producers were forced to put mines into care and maintenance, with the most dramatic cuts to production being felt in 2017 and 2018 as Cameco and Kazatomprom both idled portions of production. These low prices also served to disincentivise investment in advancing both greenfield and even brownfield capacity.

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

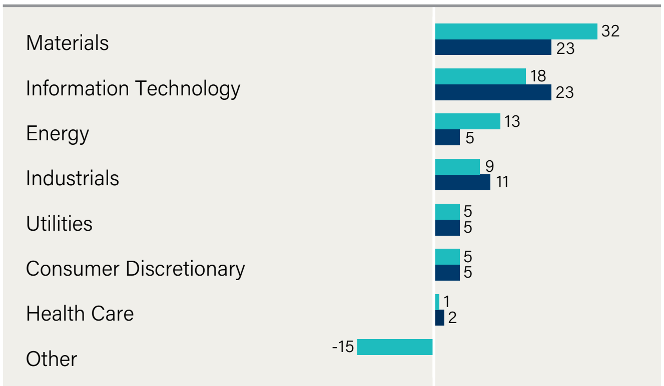
Disposition of Assets %



30 SEP 2023 30 JUN 2023

See note 2, page 7. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



30 SEP 2023 30 JUN 2023

See note 3, page 7. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Sprott Physical Uranium Trust	Canada	Materials	4.8%
AGL Energy Ltd	Australia	Utilities	4.5%
NAC Kazatomprom JSC	Kazakhstan	Energy	4.3%
Cameco Corp	Canada	Energy	4.2%
UPM-Kymmene OYJ	Finland	Materials	4.0%
Taiwan Semiconductor	Taiwan	Info Technology	3.5%
Contemporary Amperex Tech	China	Industrials	3.4%
Crown Holdings Inc	US	Materials	3.3%
Nine Dragons Paper Holdings	Hong Kong	Materials	3.2%
Infineon Technologies AG	Germany	Info Technology	3.2%

As at 30 September 2023. See note 4, page 7.
Source: Platinum Investment Management Limited.

Where are we now?

Curtailments in mine production and increasing demand driven by reactor life extensions and Japanese reactor restarts have seen a uranium market deficit emerging over the last several years. Notably, this is the first sustained and persistent period of deficit in the history of the market, with past deficits comfortably met by large commercial inventories and secondary supply sources.

The secondary supply sources that were available during the last primary deficit period (early 1990s through early 2010s) have been largely exhausted. Inventory draws and the introduction of physical uranium vehicles, namely the Sprott Physical Uranium Trust (SPUT), are one major factor. The bifurcation of the uranium market in response to the Russian invasion of Ukraine is another. Both have contributed to a lack of available secondary supply to support the primary uranium market deficit.

The SPUT is a listed vehicle that has been buying and storing physical pounds of uranium. The introduction of SPUT (and its predecessor) has resulted in ~62mlbs of U_3O_8 being sequestered in this trust. This has cleared much of the mobile inventory and reduced spot market availability, which has in turn reduced the ability of utilities to meet short-term unfilled requirements and put pressure on the price for near-term deliveries.

Russia and Ukraine

Russia has historically had significant market share in uranium enrichment and its invasion of Ukraine has pushed many European (and other global) utilities to seek alternative suppliers. This has reduced the enrichment overcapacity we have historically experienced. This excess capacity previously allowed us to extract more enriched product from the same quantity of physical uranium (via a process known as underfeeding). The trend is now reversing and could result in more than 20mlbs of additional uranium demand assuming all Western requirements move away from Russia.

We are also seeing increasing demand from nuclear build outs in China and a re-acceptance of nuclear in the West. This change in sentiment is seeing the reversal of closure plans, extensions of reactor life and early-stage small modular reactor development.

Balancing the supply deficit requires increased production from both major producers and smaller developers with both brownfield projects and, importantly, new greenfield mine supply required. Until recently, prices have remained insufficient to even incentivise the restart of brownfield projects, let alone the scale of new mine development and exploration required to meet this expanding uranium deficit. Separately, the long lead time to new development also means that it is unlikely that meaningful greenfield supply will become available before the late 2020s at the absolutely earliest. More likely, it will occur in the early 2030s.

What does this mean for fuel buyers?

We are at the stage of the cycle where the historical expectation of readily available, cheap material is slowly and begrudgingly replaced with scarcity, buyer fear and higher pricing. Utilities have increasingly begun to sign long-term contracts for uranium at increasingly higher prices, with 118mlbs of contracting occurring industry-wide by August this year. This puts us on track to be near replacement rate contracting, with the year-to-date level in August being greater than the full-year contracting we've experienced for over a decade. The urgency in contracting was anticipated as utilities historically follow supply security fears upstream, with the fuel fabrication, enrichment and conversion markets already seeing strength following Russia's invasion of Ukraine.

Utilities are highly price insensitive buyers, with a US$20/lb move in the uranium price equivalent to an ~$1/MWh increase in fuel cost for the reactor (meaningless in the context of continued operations and relative to the capital cost of the facilities). This means that pricing is dictated much more by buyer psychology than fundamentals. During the last cycle we saw the uranium price increasing by near 7x due to supply fears around Cameco's mine issues – even in a market that was in surplus.

The possibility of very high prices should not be discounted in the context of a highly opaque market driven by the psychology of highly price-insensitive buyers.

Outlook

The carbon transition is a multi-decade investment opportunity, although the pace of the transition – and the investment opportunity – will not be linear across all subsectors.

Nearer term, we see higher interest rates, input cost inflation and technical issues driving continued challenging business conditions for a number of these subsectors. This is currently observable in offshore wind for example, where the Fund has no direct exposure.

Other areas, such as nuclear, are experiencing improved outlooks and sentiment shifts. This pairs with cyclical recoveries beginning to occur in other areas such as pulp and paper producers who are much less exposed to macro drivers of weakness. We remain positive about the investment opportunities available in certain segments of the transition landscape and continue to find attractive opportunities.

Highlights from The Journal

Visit www.platinum.com.au/Our-Products/All-Products/PGTX-Quoted-Managed to find a repository of information about the Platinum Global Transition Fund (Quoted Managed Hedge Fund) (PGTX) including:

- NAV history and intra-day iNAV
- Dividend history and the Dividend Reinvestment Plan
- ASX releases and financial statements
- Monthly updates on performance, portfolio positioning and top 10 holdings.

You can find a range of thought-provoking articles and videos on our website in **The Journal** under **Insights & Tools**. You can listen to our Quarterly Report podcast or watch the videos of our brief market updates.

AUDIO

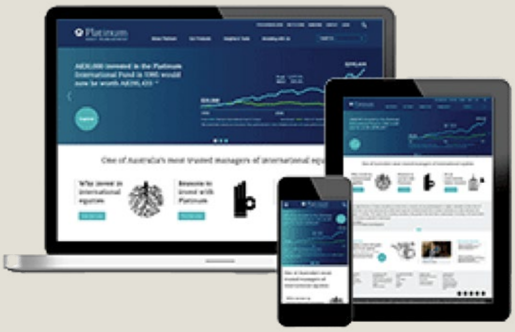
Macro Overview: A Cautious Approach is Warranted, But Opportunities Still Prevail.[1]

In late September, Platinum CEO and Co-CIO Andrew Clifford sat down with investment analyst Julian McCormack to discuss global markets. Andrew discussed the need for caution in the US, why Japan is now an attractive investment destination and some incredible growth opportunities in China – particularly in the delivery, travel and auto sectors. Meanwhile, while concerns linger about a possible economic recession, we're focusing on attractively valued companies that may have already had their recession.

VIDEO

Platinum's Back on the Road.[2]

Our investment team is back on the road, meeting with companies and visiting factories, tech hubs, luxury stores and science labs, to name a few, all over the world, from India to Norway, in search of new investment opportunities. Key insights from the most recent trips are captured in this short video.



ARTICLE

How Japan Regained Its Mojo.[3]

The Japanese stock market is booming in 2023. So, what has changed, and more importantly, is this rally sustainable? James Halse explains how Japan has regained its mojo.

VIDEO

Energy Utilities Leading Disruption in Carbon Transition.[4]

The energy utilities sector is facing enormous challenges over the coming decades as we undertake the carbon transition. Change, fear, and investors' perceptions and valuations of energy utility stocks are all attractive reasons for Platinum to invest in this space. Liam Farlow and Ben Robinson discuss the challenges and opportunities, drilling down into one relatively recent addition to our portfolios, AGL Energy.

VIDEO

Funds in Focus Webinar Series 2.[5]

During the quarter, Platinum held the second series of its 2023 Funds in Focus adviser webinars. This series featured James Halse and Leon Rapp on the Platinum Japan Fund, Andrew Clifford and Kirit Hira on the Platinum Asia Fund, and Andrew Clifford, Clay Smolinski and Nik Dvornak on the Platinum International Fund. The presenters provided key investment insights and updates on their respective fund's portfolio positioning, key stocks and drivers of recent performance.

1 www.platinum.com.au/insights-tools/the-journal
2 www.platinum.com.au/insights-tools/the-journal/platinums-back-on-the-road
3 www.platinum.com.au/insights-tools/the-journal/how-japan-regained-its-mojo
4 www.platinum.com.au/insights-tools/the-journal/energy-utilities-leading-disruption-in-carbon-transition
5 www.platinum.com.au/insights-tools/the-journal

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).

"PGTX" refers to the Platinum Global Transition Fund (Quoted Managed Hedge Fund) (ARSN 658 996 251, ASX Code: PGTX).

Risk warning: By investing in companies involved in manufacturing or resource extraction, PGTX will not by its nature be a low carbon emissions portfolio relative to the broader listed global equity market and may have investments in companies that currently have material fossil fuels businesses.

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. PGTX's returns are calculated by Platinum using PGTX's net asset value unit price (i.e. excluding the buy/sell spread) and represent the combined income and capital returns over the specified period. PGTX's returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. 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 PGTX's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows PGTX'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 PGTX's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through long derivative transactions.
3. The table shows PGTX's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".
4. The table shows PGTX'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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