Platinum Global Fund (Long Only)

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Portfolio Manager

Performance

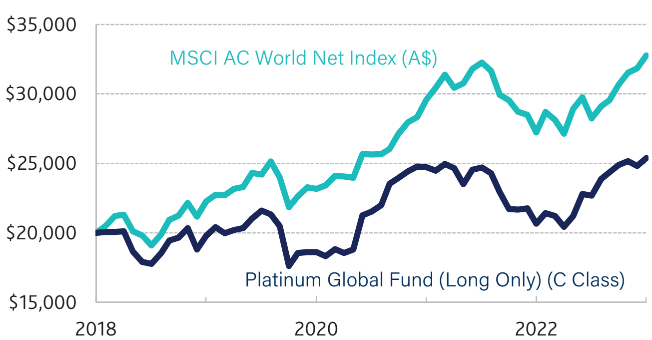
(compound p.a.+, to 30 June 2023)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Global Fund (Long Only)*	2%	23%	11%	5%	10%
MSCI AC World Index^	7%	20%	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 4. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

30 June 2018 to 30 June 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 4.

The Fund (C Class) returned 2.0% for the quarter.[1]

In terms of major positions, notable contributors to performance included Indian low-cost air carrier **InterGlobe Aviation** (+37%), Australian energy utility **AGL Energy** (+34%), social media giant **Meta Platforms** (+35%) and US luxury furniture retailer **RH** (+32% from our first entry point during the quarter).

With regards to InterGlobe Aviation, the investment case is playing out. With its competition largely eliminated post-COVID, we are now seeing price discipline return to the Indian airfare market, which can drive very large increases in profitability. The move in Meta was driven by the continued change in perception around the company, going from being secularly challenged by TikTok and a loss of advertising effectiveness to now successfully solving these problems. Finally, RH is a rare story of a retailer successfully moving upmarket with a unique founder and a mentality of experimentation. The stock fell 65% post the COVID sugar rush of goods spending, giving us a good entry for the long term, and the stock has started to rise as the market is beginning to look through the weakness in the luxury housing market.[2]

The main detractors from performance were our Chinese positions, with every holding except PICC giving up ground. Four of our top five detractors were Chinese stocks (**AK Medical** -26%, **Tencent** -14%, **ZTO Express** -12% and **Weichai Power** -9%).

AK Medical is China's largest domestic manufacturer of orthopaedic products (mainly hip and knee). It has been the most R&D-focused of the domestic players, building a 20% market share and being the first to gain approvals for a number of its 3D-printed/more innovative implants.[3] Its share price fall during the quarter looks to have been influenced by the founders pledging 3.5% of their shareholding as collateral for a loan (not an uncommon transaction in Asia), after which they will still own roughly

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.

2 For more on RH and the US luxury furniture market, see: https://www.platinum.com.au/Insights-Tools/The-Journal/Boom-Bust-Disruption-in-the-Furniture-Industry

3 Source: Company reports, Bloomberg. For more details on AK Medical and the investment opportunity we believe it presents, see: https://www.platinum.com.au/Insights-Tools/The-Journal/The-Times-are-Changing

48% of the company. Outside of this, the incremental news is positive, with early indications the second round of volume-based procurement (centralised buying for the Chinese medical system) will be a net positive for AK and they could achieve a net price increase.

The other stock price falls were driven by macroeconomic factors, namely disappointment over the pace of recovery in the Chinese economy post its reopening. Outside of the Chinese positions, there was reasonably broad strength, with the only other falls of note being pulp and biochemicals player **UPM-Kymmene** (-12%) and financial products sales/ administration platform **Allfunds** (-8%).

Commentary and Changes to the Portfolio

A theme in a number of our recent purchases over the quarter has been looking for companies that have already had their recession and are in a position to grow earnings over the next couple of years, even if there is a more difficult economic environment.

An example of this is US healthcare company **Baxter International**. While Baxter has a broad portfolio of medical products, the business essentially has two major areas of focus: delivery of medical fluids (infusion pumps and medications via intravenous and peritoneal dialysis) and patient monitoring (smart beds, diagnostic equipment used by general practitioners, etc.).

As we all know, the global economy has just experienced a large inflationary impulse, with most businesses able to pass on the higher labour/logistics/input costs to customers. But what if a company is contractually unable to do so? This was the position Baxter found itself in, with a meaningful amount of its US revenue sold through multi-year contracts with large group-buying organisations, where pricing can only be changed upon contract renewal. This hurdle to passing on cost inflation, together with semiconductor shortages limiting the ability to meet demand, saw Baxter's earnings fall considerably over the past two years and its stock price halve.

Looking forward, the picture should improve for Baxter. The majority of its contracts come up for renewal over the next two years (which should allow some cost recovery), component shortages and input cost pressure will likely ease, and sales revenue should be boosted by the approval of its new large-volume infusion pump and new range of smart beds. The Baxter story is not perfect; the company has given itself a full plate, planning to spin off its renal division and reorganise its manufacturing footprint in order to do so. These changes can always bring unforeseen problems, but overall, we feel the risk-reward looks favourable for a mid-sized position in the Fund.

Disposition of Assets

REGION	30 JUN 2023	31 MAR 2023	30 JUN 2022
Asia	34%	31%	25%
Europe	29%	30%	23%
North America	22%	20%	19%
Japan	5%	6%	6%
Other	3%	1%	1%
Australia	3%	2%	3%
Cash	6%	11%	22%

See note 3, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 JUN 2023	31 MAR 2023	30 JUN 2022
Industrials	25%	25%	21%
Information Technology	16%	13%	12%
Financials	14%	14%	11%
Materials	9%	8%	13%
Energy	8%	11%	5%
Health Care	6%	5%	3%
Consumer Discretionary	6%	6%	5%
Communication Services	5%	5%	5%
Real Estate	2%	2%	2%
Utilities	2%	1%	0%
Consumer Staples	0%	0%	1%
TOTAL NET EXPOSURE	94%	89%	78%

See note 4, page 4. 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	5.0%
Microchip Technology Inc	US	Info Technology	4.8%
MinebeaMitsumi Co Ltd	Japan	Industrials	3.8%
Weichai Power Co Ltd	China	Industrials	3.7%
ZTO Express Cayman Inc	China	Industrials	3.5%
Wizz Air Holdings Plc	Switzerland	Industrials	3.4%
Tencent Holdings Ltd	China	Comm Services	3.2%
InterGlobe Aviation Ltd	India	Industrials	3.2%
UPM-Kymmene OYJ	Finland	Materials	3.2%
AK Medical Holdings Ltd	China	Health Care	3.0%

As at 30 June 2023. See note 5, page 4.
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

In a similar vein, we continued to build a position in Australian utility **AGL Energy.** AGL has had an eventful past two years that saw its share price fall from $15 to $5. Events included an activist campaign and board/management changes led by Grok/Brookfield. On top of that, AGL's earnings were temporarily depressed, a product of lower electricity prices under the new direct market offer pricing system and the fact that AGL had to buy expensive electricity in the spot market due to unforeseen outages at its power plants.

Over the next two years, we believe these issues should reverse as the price AGL will receive for electricity under the pricing system increases and plant reliability is restored. The new management team at AGL is attuned to the realities of Australia's energy transition away from coal, and by controlling 40% of east coast electricity generation it is in a good position to lead it. The recent capital markets day held by AGL affirmed the more positive outlook, and the stock has provided us with strong immediate returns.

In terms of other new positions, we added Japanese construction firm **Taisei** and Japanese packaging company **Toyo Seikan**. Both companies have a large percentage of their market capitalisation in cash and excess assets/securities and are reacting to the shareholder reform push driven by the Japanese Ministry of Finance.[4]

To fund these positions, we sold out of building products manufacturer **Lixil**, reduced our position in European bank **Intesa Sanpaolo**, and have nearly exited our position in Chinese insurer **PICC**. We also heavily reduced our positions in energy production, selling out of **Suncor Energy** and **Equinor** and halving our position in **Shell**.

4 Please see our feature article by portfolio manager James Halse, *How Japan Regained Its Mojo*, in the Platinum Trust Funds June 2023 Quarterly Report for more background on the impact that regulatory reform and the increased focus on corporate governance are having on the Japanese equity market.

Outlook

Of the four largest global markets by size, Europe and Japan have powered through their 2021 highs, the US market has recovered to within 5% of its high, and China remains down 30-50%, depending if you look at the A-share index or the Hong Kong-listed mainland names.

In relation to the US and Europe, it's clear investors had begun to price in a recession in mid-2022, and as that has not come to pass, they have re-entered the market, pushing up stock prices. Japan is a special case, with the market boosted by the weak yen and the corporate reaction to the shareholder reform plan. China is a mirror image, with investors returning on expectations of a massive economic recovery post the end of the zero-COVID policy, only to lose enthusiasm as the pace of recovery has been weaker than hoped.

Where to now? The economy and stock markets are large, complex systems; forecasting errors will always be high, and you can only work with probabilities. We are likely nearing the end of the interest rate tightening cycle in the US. While it's difficult to predict the timing and duration of interest rate tightening cycles, one thing we do know with any degree of accuracy is the end state, namely that eventually higher rates lead to a contraction in activity, falling profits and higher unemployment.

Against this backdrop, we need to "move forward with caution", and continue to buy mispriced opportunities as they arise.

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.

Disclaimers

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