Platinum International Brands Fund

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Portfolio Manager

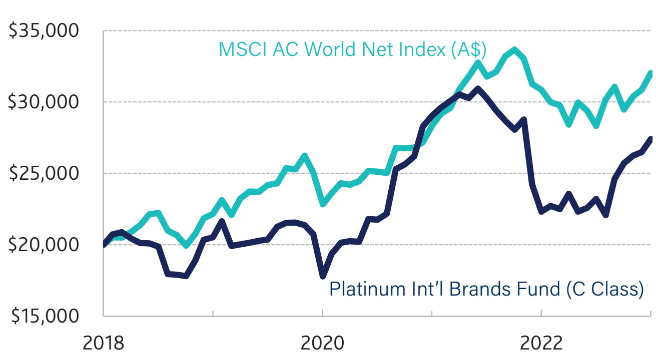
Performance

(compound p.a.+, to 31 March 2023)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	7%	23%	16%	6%	12%
MSCI AC World Index^	9%	4%	12%	10%	4%

+ 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 4. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years
31 March 2018 to 31 March 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) delivered a solid 6.6% return for the quarter, lagging the broader market indices due to very defensive positioning (average net long exposure of 60% during the quarter).[1]

Over the year, the Fund gained 22.8%, which is considerably better than the general market. Of course, this performance was in part a rebound from a very weak prior year, but the three-year return of 15.5% p.a. is also quite satisfactory.

Interestingly, the first week of the quarter generated approximately 75% of the Fund's total return, as the rally in our Chinese holdings continued. This dynamic then reversed with rising geopolitical tensions leading to a steady sell-off in China through most of the rest of the quarter, reinforced by weaker-than-hoped-for economic data as post-lockdown activity was impacted by a major wave of COVID infections.

The weakness in our Chinese holdings and the headwind from our short positions (-2.8% contribution to performance) were mostly offset by strength in some of our larger US and European positions. In particular, social media giant **Meta Platforms** rose 76% in the quarter as management demonstrated a firm commitment to reining in expenditures to shore up profitability. Leading low-cost European gym chain **Basic-Fit** rose 48% as market concerns around a potential need to raise capital proved unfounded, helped by European energy prices falling from extreme levels, thus improving the overall consumer demand outlook. This general improvement in sentiment in Europe also buoyed our positions in jeweller **Pandora** (+34%), apparel brand owner **SMCP** (+26%), car manufacturer **BMW** (+21%) and discount general merchandise retailer **B&M European Value Retail** (+17%).

Major detractors from performance included Chinese e-commerce player **JD.com** (-22%) and food delivery network **Meituan** (-18%), both falling on fears of increased competition from Bytedance-owned Douyin (China's TikTok). Leading Vietnamese electronics retail chain **Mobile World Investment** fell 10% as a post-pandemic pullback in

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

sales magnified the impact of general economic weakness stemming from falling export orders, coupled with issues in the property and banking sectors.

Significant pockets of weakness are emerging across the US consumer landscape, particularly in the results of businesses that serve primarily lower-income consumers and especially in housing-related categories such as home furnishings. This is an area where we have established short positions with the view that the pandemic-era spending boom would reverse and, thus, inflated sales and margins would overshoot on the downside. We have had some success with this approach, but where we have been surprised is in the persistence of spending strength amongst higher-income consumers and in categories such as sporting goods, even as housing market weakness spreads and layoffs in the tech sector persist. It may take a more general recession, perhaps triggered by the contraction in credit now apparent as a result of uninsured deposits fleeing regional banks, to prompt a return to pre-pandemic volumes and margin levels for these until-now more-fortunately positioned businesses. We have experienced losses across several short positions as a result of persistent strength in spending but continue to expect mean reversion in profitability going forward.

Changes to the Portfolio

During the quarter, we added a new position in Japanese e-commerce player **Digital Garage**. The key asset owned by the company is a stake in listed online product comparison site Kakaku.com, but it also has other interesting businesses in payments and holdings of venture capital assets. The stock trades at a significant discount to key comparables due to a conglomerate structure and lack of historical focus on shareholder returns. An activist has become involved and is pushing the company to unlock latent value. We see the prospect of strong returns if even moderate success is achieved in this respect.

We added to our position in brewer **Asahi Group** as signs of internal change emerged with a non-Japanese manager appointed to an executive position while underlying business improvements continued. Conversely, we took advantage of weakness in the prices of **Mobile World Investment**, **Meituan** and **JD.com** to add to our positions.

We exited our position in dating app business **Match Group** for a small loss, as new data points contradicted our investment thesis. In contrast, we recorded a strong profit (+63% from average entry in April-May 2021) on the sale of our holding in Chinese infant formula company **Yashili**, as the stock price approached the value of the bid from its majority owner, dairy company China Mengniu Dairy.

Strength in **Meta**, **Basic-Fit**, major Tencent shareholder **Prosus** (+12%) and theme park owner **Six Flags Entertainment** (+15%) led to us trimming the positions substantially to reflect the changed risk/reward balance. We also reduced our holding in **BMW** following strong performance but also due to concerns about the rising challenge in its key profit centre, China, from domestic electric vehicle players. The valuation remains compelling at 0.7x book value and less than 7x earnings while offering an 8% dividend yield, however, earnings may face pressure going forward.

Outlook

Overall, we remain cautiously positioned, particularly where the US consumer is concerned and in relation to stocks that are likely to suffer in a higher interest rate environment. That said, we continue to be constructive about the reopening opportunity in China. While many investors are waiting on the sidelines for meaningful improvements to emerge in the economic and other data, we have been willing to take positions based on first-principles thinking, bolstered by the observed experience elsewhere.

Disposition of Assets

REGION	31 MAR 2023	31 DEC 2022	31 MAR 2022
Asia	37%	39%	43%
Japan	18%	13%	17%
North America	17%	18%	10%
Europe	16%	17%	19%
Other	0%	0%	2%
Cash	12%	12%	8%
Shorts	-29%	-27%	-15%

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

Net Sector Exposures

SECTOR	31 MAR 2023	31 DEC 2022	31 MAR 2022
Consumer Discretionary	32%	37%	49%
Consumer Staples	14%	9%	11%
Communication Services	9%	10%	11%
Industrials	3%	3%	3%
Information Technology	2%	-1%	-1%
Financials	2%	2%	3%
Other	-4%	0%	0%
Real Estate	0%	0%	1%
TOTAL NET EXPOSURE	59%	61%	76%

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

Despite an end to mandatory lockdowns and a waning COVID wave, we are yet to return to pre-pandemic levels of activity in areas such as travel and tourism, particularly international travel to and from China, but the recovery has started. Online travel agent Trip.com recently commented that international flight capacity is currently at 15%-20% of pre-COVID levels, but they expect a recovery to 80-90% by the end of 2023. Domestic air travel volumes in January and February 2023 have already returned to 80% of pre-COVID levels, and domestic hotel revenue per average room night has recovered to 2019 levels.[2] Likewise, gaming mecca Macau saw February 2023 visitation at only 45% of 2019 levels, but this was an increase of 143% compared with 2022.[3]

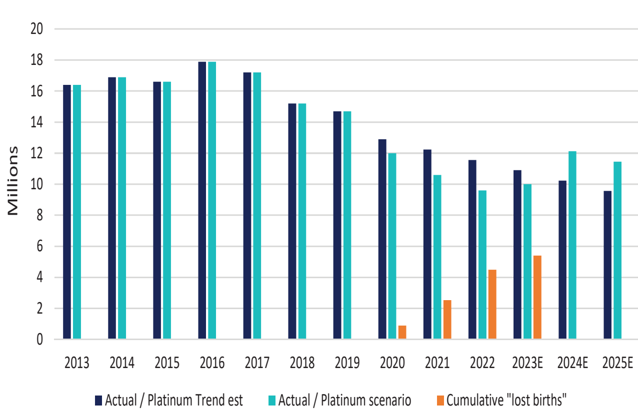
The uncertainty of life and restrictions on movement and gathering during the pandemic period led people to also delay life events, ranging from marriage and beginning families to interring the ashes of deceased loved ones. The birth rate, already in decline, collapsed well below trend (see Fig. 1), which severely curtailed demand for products such as infant formula and baby bottles.

While some births that would have occurred absent the pandemic may be lost forever, we do expect a recovery in birth rates to above-trend levels in the near term, as couples who deferred beginning families due to the uncertainty of the pandemic period take the plunge into parenthood. This should then drive a recovery in demand for baby-related products over a multi-year period.

2 Source: Fourth-quarter 2022 earnings call.

3 Source: https://www.moodiedavittreport.com/macaus-strong-tourism-recovery-continues-in-february/

Fig. 1: A Recovery in China's Birth Rate is Expected



Note: The chart assumes trend of births 2014 to pre-pandemic conceptions (estimate of nine months of 2020 plus three months of 2019) would have continued, and 70% of the "lost" births are regained over 2024 and 2025.

Source: National Bureau of Statistics of China, Platinum Investment Management Limited.

Moving to the other end of life's journey, sales of cemetery burial plots are suppressed due to the inability to gather for memorials (cemetery owner Fu Shou Yuan reported comparable cemetery burial plot sales volumes down 14% year on year in the fourth quarter of 2022). As the subject matter in this instance is one of the two certainties of life, one can be reasonably assured that this result is not due to a decrease in underlying demand, yet Fu Shou Yuan stock trades as though this is a permanent state of affairs, on 14x this year's expected earnings,[4] while the US comparable Service Corporation trades on 20x, despite considerably less growth runway given its already substantial market share and consolidation of the industry in the US.

Like Fu Shou Yuan, and despite the prospects for recovery, the stock prices of many businesses exposed to these trends remain well below pre-pandemic levels and attractively valued in any reasonable recovery scenario. This state of affairs persists notwithstanding the reality in many cases of improved cost bases and/or operational footprints.

In the Fund, we have exposure to each of the areas that we expect will benefit from reopening mentioned above through investments in **Trip.com**, Macau casino operator **Melco International**, leading baby bottle brand **Pigeon**, an attractively valued leading infant formula brand owner, and **Fu Shou Yuan**. Additionally, we have a position in KFC restaurant owner **Yum China**, which should see store visitation recover on a much-enlarged store base as people return to normal patterns of behaviour.

We continue to seek out undervalued companies but are now finding fewer opportunities in Western markets following the recent rally. This is reflected in our overall positioning, with significant short positions in the West and a strong Asia weighting in our long exposures.

4 Source: FactSet Research Systems consensus estimate.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Meta Platforms Inc	US	Comm Services	4.7%
Prosus NV	China	Cons Discretionary	4.5%
Nien Made Enterprise Co	Taiwan	Cons Discretionary	3.9%
Asahi Group Holdings Ltd	Japan	Consumer Staples	3.5%
Lixil Group Corp	Japan	Industrials	3.3%
Haleon PLC	US	Consumer Staples	3.0%
JD.com Inc	China	Cons Discretionary	2.9%
Fu Shou Yuan International	China	Cons Discretionary	2.9%
Basic-Fit NV	Netherlands	Cons Discretionary	2.8%
Alphabet Inc	US	Comm Services	2.7%

As at 31 March 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 https://www.platinum.com.au/our-products/pibf

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.

Disclaimers

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