Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

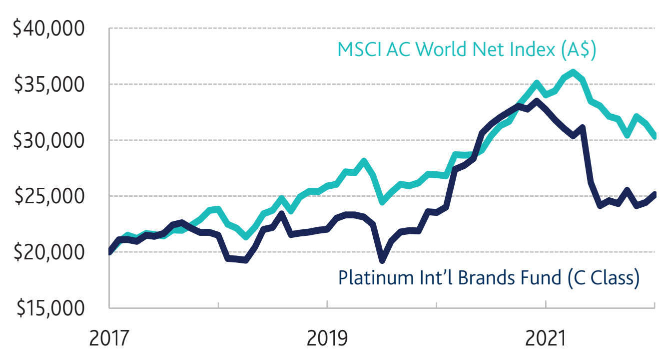
(compound p.a.+, to 30 September 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	-2%	-23%	4%	5%	11%
MSCI AC World Index^	0%	-11%	5%	9%	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

30 September 2017 to 30 September 2022



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.

It was a quarter of two halves for global equity markets, with a wild intra-quarter ride that resulted in a round-trip roughly back to where we started. The Fund (C Class) returned -1.5%.[1]

Stocks rallied strongly through to mid-August, led by many of the weakest performers from the June quarter. Through this period, the Fund gave up all of the positive relative performance it had enjoyed in the three months to June, largely due to losses in our Chinese stock holdings and our short positions in strongly rebounding US consumer discretionary stocks. In the second half of the quarter, our view of the rally being a brief positioning-driven event proved correct, as the market sold off through to the end of the quarter on further strong US inflation prints and another hawkish rate increase by the US Federal Reserve (Fed).

The rapid increase in interest rates has caused market turmoil, leading central banks, such as the Bank of Japan and the Bank of England, to intervene in the currency and government bond markets, respectively, to ensure orderly pricing. Rising interest rates in the second half of the quarter benefited our short positions, both in relation to "bond-proxy" consumer staples and economically sensitive consumer discretionary stocks. Soaring European energy prices compounded this effect, leaving consumers in that region with less in their pockets to spend on daily needs, let alone splurge on occasional wants. Indeed, investment bank Jefferies estimates income available for discretionary expenditure in the UK could fall 6%, even with increased government subsidies for household energy bills.[2]

It is little wonder then, that UK consumer confidence reached all-time lows in September.[3] Other major European economies are faring little better, with German consumer confidence also plumbing new depths, and French consumer sentiment near its worst levels.[4] France should be somewhat better off than neighbouring countries due to the large weight of nuclear generation in its energy mix. However, barring reforms to the European Union (EU) electricity market, the price to consumers is set by the cost of the

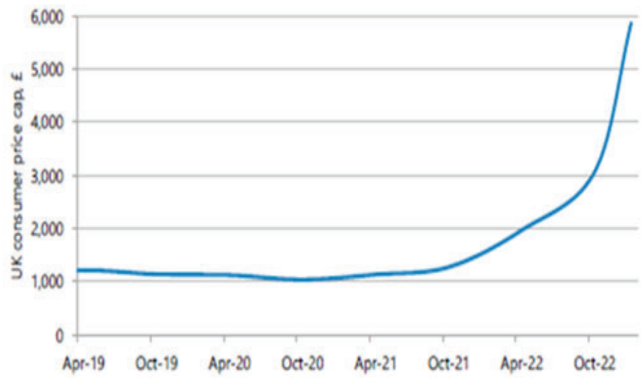
1 References to returns and performance contributions (excluding individual stock returns) in this Platinum International Brands Fund report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

2 Source Jefferies, 6 September 2022.

3 Source: GfK UK Consumer Confidence Indicator.

4 Source: GfK Consumer Confidence surveys for Germany and France.

Fig. 1: Average UK Household Energy Bill:
Forecast to jump to c. £6000 from early 2023



Source: OFGEM, Jefferies.

marginal unit of generation, which is (Russian) gas-fired. Falling consumer confidence is reflected in changing spending patterns, with consumers downtrading to private label brands in grocery stores, shopping more at discount supermarkets, and pulling back on "delayable" spending.[5]

While US consumer confidence has recovered somewhat from the record lows reached in June following declining gasoline prices, the situation is similar to that in Europe, if less severe. Lower-income consumers are especially impacted by the rise in the cost of necessities, resulting in delayed or foregone discretionary spending. Compounding this is the withdrawal of stimulus spending and an inventory glut occasioned by retailers extrapolating pandemic and stimulus-affected demand trends, as well as early/over-ordering in response to supply chain disruptions. We saw further weak results and downgrades to profit expectations from industry stalwarts Walmart (-7% from announcing its earnings to quarter end) and Target (-14% from results to quarter end), but even long-time growth favourites such as Nike have taken a hit from the necessity of discounting to clear overstocked apparel. The used car market, which had experienced dramatic price inflation, is now in a deep recession as rising interest rates and high prices have caused an affordability crisis. This has negatively impacted leading dealers such as Carvana (-10% in the quarter) and Carmax (-27% in the quarter).

Fund performance was boosted by our position in social media platform **Twitter** (+22% from acquisition to quarter end). We acquired a 3.2% position in July, at an average of US$36.08 per share, after the stock sold off heavily following Elon Musk's announcement that he was terminating the agreed acquisition at US$54.20 per share. Our reasoning was that the agreement was about as favourable to Twitter as it could be, with Musk having waived due diligence. Also, Delaware courts have historically looked very unfavourably on buyers wishing to find loopholes in order to terminate for convenience. The stock appreciated with the progressive release of court rulings on preliminary issues that heavily favoured Twitter's view of matters, and has since spiked further (to US$52 at the time of writing) post quarter end, as Musk announced his intention to complete the transaction as agreed – perhaps in order to avoid the pecuniary cost and reputational fallout of an all-but-inevitable court defeat.

While merger arbitrage is not our usual investment strategy, where there is an agreed transaction in a stock within our Fund's mandate and there is a wide spread to the deal price, the risk/reward trade-off can be very enticing. Regular readers may remember that we successfully followed a similar strategy with regard to the dislocation during the height of the pandemic in the stock price of Tiffany in the context of LVMH's agreed bid for the company. However, we are very selective, for example, we have not taken a position regarding the current Activision-Blizzard/Microsoft transaction due to the uncertainty around obtaining competition authority approvals - particularly in the UK and Europe.

5 Source: Jefferies, September 6 2022.

Disposition of Assets

REGION	30 SEP 2022	30 JUN 2022	30 SEP 2021
Asia	37%	50%	42%
North America	19%	16%	12%
Japan	16%	17%	13%
Europe	10%	10%	25%
Cash	18%	6%	7%
Shorts	-29%	-43%	-14%

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

Net Sector Exposures

SECTOR	30 SEP 2022	30 JUN 2022	30 SEP 2021
Consumer Discretionary	30%	56%	41%
Communication Services	13%	10%	12%
Consumer Staples	7%	14%	15%
Financials	3%	2%	7%
Industrials	2%	4%	3%
Real Estate	0%	0%	1%
Information Technology	-2%	0%	0%
Other	0%	-35%	0%
TOTAL NET EXPOSURE	53%	52%	78%

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

Bucking the trend of discretionary retail pain, Canadian womenswear player **Aritzia** rose 30% in the quarter, recovering from a dramatic sell-off in the first six months of the year. The company delivered strong sales and earnings, boosted by an ongoing revival in office wear and going-out occasion wear. Rising interest rates benefited **Raiffeisen Bank's** lending margins at the same time as the likelihood of finding a buyer for its Russian business appeared to increase. This combination, along with solid credit growth in core markets, sent the stock up 18% in the quarter.

Detractors from performance included our Chinese stocks across the board, as fears remain around the impact of economic issues stemming from the property market and ongoing zero-COVID policies. Digital platforms **Meta Platforms** and **Alphabet** fell -16% and -12%, respectively, on concerns around falling advertising budgets. Jeweller **Pandora** (-20%) declined on weaker discretionary spending. Our short positions detracted 0.6% from performance.

Changes to the Portfolio

We took the opportunity of the brief market rally to exit our remaining position in **Carvana** in July, realising significantly better pricing than what prevailed at the start and end of the quarter. While Carvana has generated significant contributions to the Fund's performance over time, the recent experience has been very poor, as the macro issues for the used car market were compounded by missteps in internal systems and logistics planning, exacerbated by a high degree of operating leverage in the model.

We also exited our remaining holdings in e-commerce platform **Alibaba** as market share losses have persisted in a weak retail environment, and in fast-casual restaurant franchisor **Wingstop** as the stock appreciated beyond our target price.

We substantially trimmed our positions in Chinese online travel agent **Trip.com**, fast-food restaurant owner **Yum China**, and food delivery platform **Meituan**, following solid rallies.

New positions included **Twitter** and a small position in **Netflix**. Netflix has fallen 70% from its 2021 peak as the company disappointed on user growth and was thus unable to sustain a premium valuation. We see the business as one of the ultimate winners in a space that has seen intense competition, with prospects of competition lessening going forward, as well as an opportunity for improved monetisation from the introduction of an ad-supported pricing tier.

Outlook

The outlook for consumer stocks generally is rather bleak. Consumer staples are seeing volumes fall in response to aggressive price increases, exacerbated by consumers trading down to private-label products. Consumer discretionary earnings face a hangover from a pandemic-induced pull-forward in demand, compounded in many cases by currently elevated margins and sales that are yet to revert, or are in the process of reverting, to pre-pandemic levels. At the same time, consumer spending capacity is being crimped by the surging cost of living and interest rate increases. It is in this context that we are maintaining a relatively low net market exposure, with selected short positions based around the likely impact on stock prices of ongoing inflation, higher interest rates, falling real demand, increased competitive intensity, and margin and valuation reversion.

With that general outlook in mind, however, we are seeing great value emerge in many areas. Key examples are the major digital platforms such as Meta, Alphabet, and Netflix, and many Chinese stocks, which will likely prove to have been trading at bargain levels when the country ultimately exits from its zero-COVID policy. While cognisant of the ongoing risks to market performance, our long positions are now more attractively valued than they have been in the last 18 months, a dynamic from which we would expect the Fund to benefit from going forward.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Prosus NV	China	Cons Discretionary	4.4%
Twitter Inc	US	Comm Services	4.1%
Meta Platforms Inc	US	Comm Services	3.8%
Pigeon Corp	Japan	Consumer Staples	3.2%
Yum China Holdings Inc	China	Cons Discretionary	3.2%
Nien Made Enterprise Co	Taiwan	Cons Discretionary	3.1%
Lixil Group Corp	Japan	Industrials	2.9%
Bayerische Motoren Werke	Germany	Cons Discretionary	2.8%
Trip.com Group Ltd	China	Cons Discretionary	2.7%
Melco Intl Development	Hong Kong	Cons Discretionary	2.6%

As at 30 September 2022. 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. With effect from 31 May 2020, country classifications for securities were updated to reflect Bloomberg's "country of risk" designations and the changes were backdated to prior periods. "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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