Platinum International Brands Fund

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Portfolio Manager

Performance

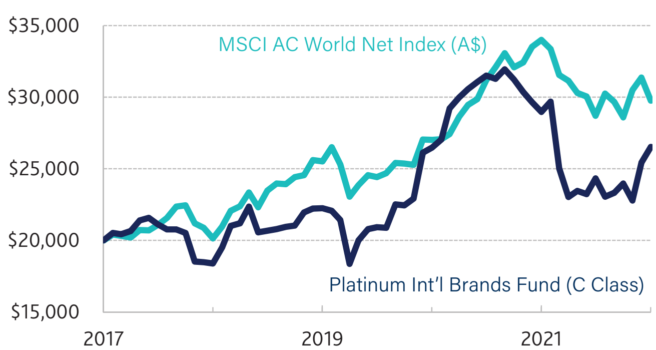
(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	11%	-8%	6%	6%	12%
MSCI AC World Index^	4%	-12%	5%	8%	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 December 2017 to 31 December 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.

A dramatic rally in Chinese stocks from their intra-quarter lows helped the Fund (C Class) deliver a pleasing 10.7% return over the quarter.[1]

The stocks rallied as deeply negative investor sentiment on China's government leadership and economic policies began to reverse as the likelihood of a near-term exit from zero-COVID policies increased. The solid quarter-end performance result, however, understates the extent of the rebound following a very rocky start through the end of October, as the Fund fell 6% due to increasing investor fears around China's economy, even as global markets rose almost 7%, boosted by strong performance in the US and Europe. From its intra-quarter lows, the Fund rose 16.7%.

Despite the strength in global markets, our short book provided a positive contribution, assisted by the continued dismal performance of speculative former high-flyers. Of the ten stocks in which the Fund held positions that registered the largest declines in price during the quarter, eight were short positions for the Fund. This was a particularly pleasing result and contributed solidly to the Fund's overall returns.

Finally, the Fund benefited from our relatively large yen exposure and action taken in October to shift some US dollar (USD) exposure back into the Australian dollar. The USD reversed dramatically over the quarter, falling against all major currencies from considerably overbought levels. The yen was particularly strong as the Bank of Japan signalled it may be moving toward the end of its ultra-easy monetary policy via its action to increase the target yield range for the 10-year Japan Government Bond. While the strength of the AUD and the global nature of the Fund meant that currency provided a slight negative contribution overall, our active currency management mitigated this significantly.

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.

The major market debate amongst investors in consumer stocks is to what extent the strength of the US consumer can persist in the face of the rapid rise in interest rates and the negative wealth effect of falling house prices and declining bond and stock prices. The job market continues to be strong, with buoyant wage increases and labour shortages in many areas. That said, housing starts, known as a bellwether for employment, have rolled over and appear likely to show continued deterioration in light of much-decreased affordability due to the much-increased payments now required on new mortgages. Conversely, the fall in the price of oil and other commodities has provided a cushion for consumer spending as wallets are less burdened by spending on necessities. Nevertheless, the US personal savings rate fell to a record monthly low of 2.2% of gross domestic product in October as many households draw down on pandemic-era excess savings,[2] and credit card debt has surged to record levels, more than reversing the decline during COVID.[3]

We can observe areas of weakness where the impact of the withdrawal of pandemic stimulus and a reversal of the stay-at-home spending trends has seen retail sales and margins begin a reversion to pre-pandemic levels. This is especially visible in categories such as furniture and homewares, casual apparel, and jewellery. That said, areas like home improvement, luxury goods, travel, and sporting goods continue to demonstrate somewhat surprising strength.

Of course, "strength" is a nebulous term in an environment where the inflation rate in many categories has reached well into the double digits. If a retailer of such categories is reporting, say, 5% growth in like-for-like sales, a result most retailers would have been very happy with before the pandemic, then it is actually experiencing a more than 5% decline in the volume of products sold per store. This is not, in most cases, a recipe for a healthy business longer term. For the moment, however, investors seem most focused on the ability of companies to effectively pass on pricing to consumers, as can be seen in the relatively strong performance of consumer staples stocks that have pushed through large price increases. With the recent decline in input costs likely to flow through into smaller price increases going forward, it will be interesting to see how the market reacts to slowing sales "growth", even as margins may expand.

2 https://fred.stlouisfed.org/series/PSAVERT

3 https://fred.stlouisfed.org/series/CCLACBW027SBOG

In contrast to the US, the Chinese consumer was not previously buoyed by large stimulus payments, has been locked down and thus constrained in the ability to spend, and is now experiencing a loosening of monetary conditions – the opposite of the dynamic in the West. The exit from the zero-COVID policy restrictions, should, once the current wave of infections subsides, unleash pent-up demand across many categories – especially services such as travel and leisure. Many relevant stocks have now moved upward in anticipation of a recovery, but remain at depressed levels well below pre-COVID trading and are certainly not incorporating expectations for a wave of new spending.

As highlighted above, Chinese stocks topped the performance list for the Fund's holdings during the quarter. High-end funeral and burial services provider **Fu Shou Yuan International** rallied 55% from depressed levels, casino operator **Melco International Development** gained 39%, and online travel agent **Trip.com** rose 26%. These companies have all suffered from pandemic control measures.

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
Asia	39%	37%	45%
North America	18%	19%	11%
Europe	17%	10%	22%
Japan	13%	16%	15%
Other	0%	0%	1%
Cash	12%	18%	5%
Shorts	-27%	-29%	-21%

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

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Consumer Discretionary	37%	30%	41%
Communication Services	10%	13%	12%
Consumer Staples	9%	7%	12%
Industrials	3%	2%	2%
Financials	2%	3%	7%
Information Technology	-1%	-2%	0%
Real Estate	0%	0%	1%
TOTAL NET EXPOSURE	61%	53%	74%

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

US low-cost gym operator **Planet Fitness** (+37%) and Danish jeweller **Pandora** (+36%) bounced on solid results. UK discount retailer **B&M European Value Retail** rose 32% from our first entry point during the quarter, as it reported continued market share gains and was further supported by a general rally in UK stocks, while **Raiffeisen Bank International** (+26%) continued its run of strong operating performance.

Vietnamese retailer **Mobile World Investment** (-33%) was the largest detractor from performance in response to weakening results as their Vietnamese factory worker customers suffer from lower earnings as a result of production cuts due to lower export orders. European low-cost gym operator **Basic-Fit** (-21%) continued its decline as it faced pressure from increased electricity prices, and Facebook-owner **Meta Platforms** (-11%) was weighed down by concerns about weakness in the advertising market.

Changes to the Portfolio

The final quarter of the year was productive from an idea generation standpoint, with a number of new holdings added to the Fund. These included positions in over-the-counter (OTC) pharmaceutical manufacturer **Haleon**, sportswear brand **Puma**, UK discount retailer **B&M** (mentioned above), and dating app leader **Match Group**.

Haleon is a recent listing, with the corporation being the result of the merger of the OTC/consumer businesses of GSK, Pfizer and Novartis. The company owns brands ranging from Panadol painkillers to Sensodyne toothpaste, which operate in attractive categories and generate strong profitability. We expect the company to deliver modest growth and strong cash flow, which will enable it to rapidly pay down its large debt load. Our expectation was for the stock to rerate upward as the market became more familiar with the story and the strength of its pricing-driven top line and as debt levels became less of a concern for investors. This seems to be playing out so far, with the stock rallying nicely from our initial purchase.

Both Puma and B&M were acquired at depressed levels as the market fretted about near-term headwinds. We see positive futures ahead for both of these solid and well-run businesses.

Tinder and Hinge owner Match Group's stock collapsed more than 75% from the heady valuation levels experienced by fast-growing technology stocks in 2021, as growth slowed and several product development initiatives failed. A new CEO is being sought for Tinder, but several initiatives from the refreshed Tinder "C-suite" of senior executives appear likely to reaccelerate growth and more than justify the current valuation.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Prosus NV	China	Consumer Disc	4.9%
Meta Platforms Inc	US	Comm Services	4.6%
Nien Made Enterprise Co Ltd	Taiwan	Consumer Disc	3.6%
JD.com Inc	China	Consumer Disc	3.4%
Lixil Group Corp	Japan	Industrials	3.1%
Planet Fitness Inc	US	Consumer Disc	3.1%
Fu Shou Yuan International	China	Consumer Disc	3.1%
Haleon PLC	US	Consumer Staples	3.0%
Basic-Fit NV	Netherlands	Consumer Disc	3.0%
Bayerische Motoren Werke	Germany	Consumer Disc	2.9%

As at 31 December 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.

Outlook

We remain very cautious on the financial health of consumers in the US and Europe, as we expect these markets to enter painful recessions as a result of the dramatic tightening in monetary and fiscal conditions. Meanwhile, China appears poised for an economic rebound as it emerges from multiple years of tight financial conditions and pandemic-related restrictions. This could unleash a wave of spending that is far from being priced-in to Chinese consumer stocks.

As evidenced by the additions to the portfolio during the quarter, we continue to uncover attractive opportunities in areas suffering from temporary setbacks and depressed sentiment. So, while we maintain a relatively low net invested position, we are cautiously optimistic as to the outlook for the Fund.

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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