



## **Investment Update**

Platinum Investment Bond - Platinum International Fund (PIBPIF)



**Ted Alexander**Portfolio Manager

#### Overview

- After an early sell off, markets bounced back on the pause in new US tariff policies. In this
  environment, technology stocks did well and our holding in companies like **Broadcom** and
  TSMC outperformed.
- Views on nuclear energy are shifting as AI drives even higher demand for low-emission energy.
   Our holding in Canada's Cameco was a big winner from this trend in the June quarter.

#### **Performance**

Please refer to <a href="https://www.australianunity.com.au/wealth/">www.australianunity.com.au/wealth/</a> <a href="platinum">platinum</a> for the latest performance information.

## This commentary relates to the underlying fund, the Platinum International Fund (PIF).

In April there was a sharp negative response to President Trump's 'Liberation Day' tariff announcements. By quarter end though, markets came back strongly as it became clear US trade policy was still up for negotiation.

We saw good performance from US tech holdings like **Micron Technology** (+38%), **Broadcom** (up over 60%), **Lam Research** (+30%) and from Asian tech giant **TSMC** (up 12%).

Energy stocks **Valaris** (US) and **Cameco** (see below) were significant contributors and our financial holdings – **Allfunds** (+22%) from the UK and **Shinhan Financial** (+27%) from South Korea – also did well.

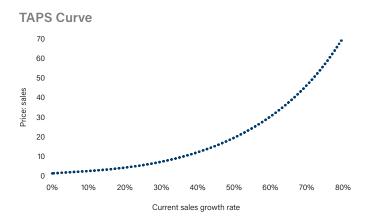
Our weakest position was **Wizz Air**, a low-cost airline focused on Eastern and Central Europe. We examine this position in detail below.

### Commentary – how to value AI stocks?

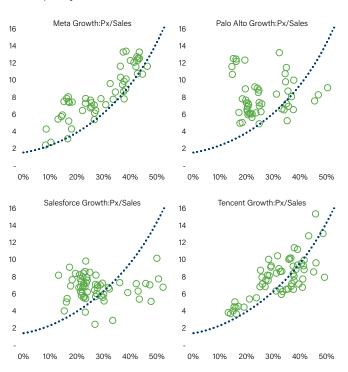
Al stocks are like many high-growth, disruptive companies. You expect high sales growth, with significant reinvestment in R&D and marketing, and so no dividends or buybacks.

This means no profits or free cash flow on the horizon, so it's difficult to value the stock via price to earnings or discounted cash flow measures – the standard tools for fundamental investors.

For these stocks, we more commonly see valuations using price to sales. This is more of a heuristic than a robust approach but without profits or free cash flow, it may be worth applying best practice valuation science to this price to sales measure to derive a theoretical adjusted price to sales valuation model (TAPS). The TAPS curve helps us derive a reasonable model of a company's value by comparing the growth rate of a stock to its theoretical price to sales.



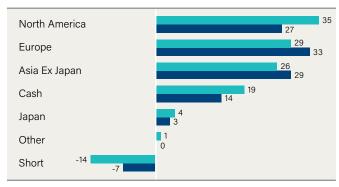
As you can see, the TAPS curve is convex, or exponential, as for these types of stocks, high growth is assumed to compound in the future. We can see below how some high growth stocks historically looked against the TAPS curve. We're not expecting a perfect fit, but a relationship which holds pretty well.



The final step is to compare AI stocks' current valuation with the TAPS curve. AI stocks are not particularly different from previous high growth stocks and there's no reason to exclude them as an investment theme on valuation alone.

However, the primary concern is that many AI-themed stocks have quite low growth, more like 20% than the 30%+ that you'd hope to see from a true disruptor. It may be that growth expectations are too low. In some of these stocks, the disruptive AI component is part of a slower growing business.

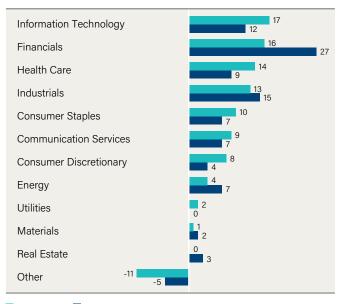
## Disposition of Assets %



■ 30 JUN 2025 ■ 31 MAR 2025

See note 1, page 7. Numerical figures have been subject to rounding. Source: Platinum Investment Management Limited.

### **Net Sector Exposures %**



30 JUN 2025 31 MAR 2025

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

### **Top 10 Holdings**

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	5.4%
Alphabet Inc	US	Comm Services	4.4%
Novartis AG	Switzerland	Health Care	3.3%
UBS Group AG	Switzerland	Financials	3.1%
Unilever Plc	UK	Consumer Staples	3.0%
Mowi ASA	Norway	Consumer Staples	2.7%
Shinhan Financial Grp Co	South Korea	Financials	2.7%
Rogers Communications	Canada	Comm Services	2.5%
Orsted	Denmark	Utilities	2.4%
Cameco Corp	Canada	Energy	2.4%

As at 30 June 2025. See note 3, page 7.

Source: Platinum Investment Management Limited.

Palantir, for example trades on 82x times sales, but revenue growth in 2024 was 29% and forecasts for 2025 and 2026 are 36% and 29%, not the explosive growth assumed for this valuation from the TAPS model. At the other end, Coreweave is only on 15x sales, yet sales are forecast to grow 100% each of the next two years. The TAPS model would suggest this valuation is too low. The reason for the difference is that Palantir already makes 21% profit margins, but Coreweave makes a loss and is highly unlikely to achieve similar margins in the medium term. The TAPS model helps us account for these differences and we run an extension in-house to give us more insight.

#### **TAPS AI Curve**



Obviously, Platinum isn't abandoning rational fair price modelling or fundamental deep-dive analysis for AI stocks. The key to any investment decision is understanding the business model, then forecasting growth and future cash flows as part of a robust valuation. The Platinum approach to AI has been to play the major enablers in semiconductors and large language models as the best early way to benefit. As the industry develops and new winners emerge, we will be looking where to focus next. The TAPS curve provides crucial valuation context.

#### China's Great Trade War

Over 20% of the Fund is invested in Greater China so we're watching how China deals with a volatile trade environment.

China matched all the additional tariffs imposed by the US up to 125% and imposed strict export controls on critical minerals in response to the US restrictions on advanced chips. On 12 May, the two sides agreed to suspend all additional tariffs. They met for talks which established a broad framework without a solid agreement.

Many economies have attempted to placate the US by agreeing to smaller tariffs. China is "resorting to confrontation to prevent confrontation and using talks to secure peace." They can take this approach because they are in a stronger economic position and have more diversified export destinations than during the last major trade dispute in 2018.

Separately, Chinese retail sales were up 6% in May and consumer confidence is improving. Export growth has been resilient, with the decline in US trade more than offset by exports to other regions.

China's trade strategy has been reasonably successful and we hope further negotiations reduce the negative impact on both economies.

### Cameco – a new energy

Cameco is a Canadian uranium miner (up nearly 70% this quarter). Cameco's operations span much of the nuclear fuel cycle and reactor technology. We took a position two years ago believing the uranium price was incongruent with the new investment needed to satiate future demand. The uranium market had been capital starved for over a decade, as excess secondary supply and existing inventory meant there was a supply overhang.

Renewed enthusiasm for nuclear energy, both as a low-carbon baseload power source and because of new demand from data centres/artificial intelligence has revived the sector.

Cameco can thrive in this changing marketplace. Its joint venture with Westinghouse provides exposure to reactor newbuilds. It is benefiting from a tight fuel cycle thanks to Russia/Ukraine. Historically, customers in the uranium space suffer from FOMO on supply and pay less attention to price. All these forces can drive Cameco outperformance and we maintain our buy position

#### Wizz Air

Wizz Air is a stock we didn't get right – the stock fell 25% this quarter. We invested in Wizz given its potential as a low-cost Eastern European airline with a strong growth runway – expanding into under-served regions that were increasingly prosperous and integrated.

Over the past two years, Wizz had to ground around 20% of their fleet due to manufacturing defects in their Pratt and Whitney engines. According to management, the business should have normalised over the past two to three quarters as more planes returned to the sky. This should have reduced business inefficiency and cut unit costs.

However, in their FY25 results the company further delayed this normalisation, guiding to another year of cost pressures. The business may well recover and the stock could easily double, but it no longer meets our quality requirements and the risk/reward ratio is no longer positive. We sold down the position in June.

#### **Fund Outlook**

The Fund offers a diversified exposure to international stock markets, using short positions to defend capital in case of crisis. Our role in client portfolios is to offer access to investments beyond US mega cap tech stocks and we provide substantial exposures to Europe, Asia and China. We also offer exposure to investment opportunities in value segments in consumer, healthcare, telecoms and industrials.

We believe there is an elevated chance of a crisis in US stock markets. In the short-term they face the expiration of the tariff pause and simmering Middle East conflict. Longer-term the interplay of rising debt and restrictions on central bank independence could push up inflation in a slowing economy.

Our analysts have identified opportunities to profit from value in stock markets outside the best-known themes, augmented by protective shorts and cash management. We believe this represents the best balance of risk and return in current markets.

# Highlights from The Journal

Visit www.platinum.com.au/platinum-investment-bonds

to access information about the Platinum Investment Bond – Platinum International Fund including:

- Monthly updates on performance, portfolio positioning
- Announcements.

Weekly unit prices

and top 10 holdings

The Journal section of the Platinum website features articles and videos that help explain recent market moves, explore investing ideas and keep you up to date with our Funds. Here's some recent highlights.



# Scottie Scheffler and the 'happy amateur' investor<sup>1</sup>

What can investors learn from the distinction between amateur and professional sport?

VIDEC

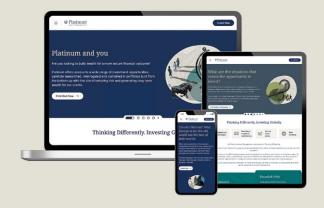
# From cheap trinkets to the DeepSeek moment<sup>2</sup>

DeepSeek is another symbol of Asia's capacity for change. But what does it mean for investors?

VIDEC

# Europe: why President Trump's tough love is a catalyst for change<sup>3</sup>

Europe is adapting to new geopolitical realities. Which companies could benefit?



ARTICI F

# Investment lessons with a pro – the front nine<sup>4</sup>

Douglas Isles draws on 18 years' experience to talk cliches, hype and the perils of past performance.

ARTICLE

# Lessons with an investment professional – nine more tips<sup>5</sup>

Douglas Isles returns with nine more investment tips – exploring the hidden dangers of a headline and the power of quality.

<sup>1</sup> www.platinum.com.au/the-journal/scottie-scheffler-and-'happy-amateur'-investors

<sup>2</sup> www.platinum.com.au/the-journal/from-cheap-trinkets-to-the-deepseek-moment

<sup>3 &</sup>lt;u>www.platinum.com.au/the-journal/europe-tough-love-and-a-catalyst-for-change</u>

 $<sup>{\</sup>color{blue} 4 \hspace{0.1cm} \underline{www.platinum.com.au/the-journal/investment-lessons-with-a-pro-the-front-nine} \\$ 

<sup>5 &</sup>lt;u>www.platinum.com.au/the-journal/lessons-with-an-investment-pro-the-back-nine</u>

**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).

The Platinum Investment Bond ("PIB") is an investment bond issued and administered by Lifeplan Australia Friendly Society Limited ABN 78 087 649 492 AFSL 237989. "PIBPIF" refers to the Platinum Investment Bond - Platinum International Fund (APIR code: LIF2561AU), one of the underlying investment options of the Platinum Investment Bond. "PIF" refers to the Platinum International Fund (ARSN 089 528 307), the underlying fund into which the PIBPIF invests.

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. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows PIF'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 PIF'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.
- The table shows PIF'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".
- The table shows PIF'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: This publication has been prepared by Platinum. Platinum is the responsible entity and investment manager of PIF, the underlying fund into which the PIBPIF invests. Neither Platinum nor any company in the Platinum Group, including any of their directors, officers or employees (collectively, "Platinum Persons"), guarantee the performance of PIF, the repayment of capital, or the payment of income. The Platinum Group means Platinum Asset Management Limited ABN 13 050 064 287 and all of its subsidiaries and associated entities (including Platinum). To the extent permitted by law, no liability is accepted by any Platinum Person for any loss or damage as a result of any reliance on this information. This publication reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by any Platinum Person as to their accuracy or reliability. This publication may contain forward-looking statements regarding Platinum's intent, beliefs or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. No Platinum Person undertakes any obligation to revise any such forward-looking statements to reflect events and circumstances after the date hereof.

This publication contains general information only and is not intended to provide any person with financial product advice. It does not take into account any person's (or class of persons') investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. You should read the entire product disclosure statement (including any supplement(s) thereto) for the Platinum Investment Bond ("PDS") and consider your particular investment objectives, financial situation and needs before making any investment decision to invest in (or divest from) the PIB. You should also obtain professional advice before making an investment decision. You can obtain a copy of the PDS from Australian Unity's website <a href="https://www.australianunity.com.au/platinum">www.australianunity.com.au/platinum</a>, or by contacting their Investor Services on 1800 670 638.

MSCI Inc Disclaimer: The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).



Level 8, 7 Macquarie Place Sydney NSW 2000

GPO Box 2724 Sydney NSW 2001

#### **Telephone**

1300 726 700 or +61 2 9255 7500 0800 700 726 (New Zealand only)

### **Facsimile**

+61 2 9254 5590

#### **Email**

invest@platinum.com.au

#### Website

www.platinum.com.au/platinum-investment-bonds