Platinum Investment Bond™ - Platinum International Fund

Quarterly Investment Manager's Report

30 June 2024

Platinum ASSET MANAGEMENT

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Investment Update

Platinum Investment Bond - Platinum International Fund (PIBPIF)

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Overview

- After a short period where the sources of market returns appeared to be broadening out, the tech sector returned to dominance. In AUD, the global technology index rose 9% this quarter. Eight of the remaining 10 sectors fell.
- Our AI-related holdings did well with **TSMC** and **Broadcom** up around 20%. There are clear signs that AI-related functionality will be the new method of differentiation in the smartphone space and this is a positive for our DRAM[1] holdings.
- Performance was affected by falls in our French holdings due to election uncertainty. More importantly, efforts to 'fix' Chinese property have yet to fully take hold. We believe that stabilisation of the property market, when it comes, could be highly beneficial for our portfolio. We also think some key holdings 'left-behind' by the market's big tech focus have plenty of room for growth and potential for strong returns.

1 Dynamic Random Access Memory – a type of memory used in PCs and smartphones.

The Platinum Investment Bond ("Bond") is an investment bond issued by Lifeplan Australia Friendly Society Limited ABN 78 087 649 492 AFSL 237989. Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 ("Platinum"), is the responsible entity of the Platinum International Fund ("PIF"), an underlying investment option of the Bond. Please refer to page 7 for further disclosures.

The following is the 30 June 2024 Quarterly Investment Manager's Report prepared for PIF by its Portfolio Managers. Please note that in this report, the "Fund" refers to PIF and portfolio details, such as portfolio disposition and top 10 holdings, pertain to PIF's portfolio. Please be aware that PIBPIF and PIF (C Class - standard fee option) have different fee structures and therefore different returns.

Performance

Please refer to www.australianunity.com.au/wealth/platinum for the latest performance information.

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

In the March quarter we saw hints that markets were starting to broaden out. These were reversed this quarter with technology stocks again blitzing all other sectors. Measured in Australian dollars, the global technology index rose 9%. Eight of the remaining 10 sectors posted declines.

This narrow market leadership can be seen in the MSCI All Countries Equal Weighted Index[2] (-3%), MSCI Value Index (-3%) and MSCI US Equal Weighted Index (-5%). While they all fell over the quarter, the MSCI AC Growth Index rose nearly 4%.

Standout performers during the quarter were some of our holdings in China and companies that benefit from investment in artificial intelligence (AI).

Gains in our Chinese positions such as **Tencent** and **China Overseas Land** (both up over 20%) were driven by a combination of strong results and early signs of support for the property market.

The major property development in April was new Politburo language emphasising the need to clear unsold housing inventory and a social housing plan, where the government buys excess inventory and rents it out as low-cost housing. This triggered a broad rally in April, however the gains were given back as the sums dedicated to this plan (300 billion Renminbi) were not large enough to draw a line under the sector.

Our AI-related companies enjoyed several positive developments over the quarter. **TSMC** announced it would raise the price of leading-edge nodes used to make AI chips, with major customer **Nvidia** taking the unusual step of publicly agreeing that TSMC's prices did not reflect the value they are providing! Elsewhere Apple highlighted the next competitive battleground for smartphones will be integration of AI functionality, unveiling a range of new tools to be offered in the iPhone 16. This boosted our DRAM producers, given new phones would likely need 10-12GB of RAM to handle AI tasks. TSMC (+25), **Broadcom** and **Alphabet** (both up around 20%) all performed strongly.

Our French listed positions, **LVMH** (down around 14%) and **Kering** (down around 5%) pulled back on the political instability following the European Parliament elections.

Our largest detractor was fund administration platform **Allfunds**. It was the subject of takeover speculation, with **Euronext**, Swiss exchange **SIX** and others announcing their interest. In late April the board and majority shareholder **Hellman & Friedman** called off sale talks, saying the bids did not adequately value the company. This saw short-term investors leave and the stock fell 21%.

Commentary – Time for the cat to spring?

During the quarter we added sportswear brand **PUMA** to our portfolio. The German company, founded in 1948, is the third largest sportswear brand globally, holding a 3% market share behind **Nike** (16% share) and **Adidas** (8%). PUMA can't go toe to toe with the big two on endorsements,[3] so need to pick their opportunities and play on consumers' desire for something different.

One key advantage for PUMA when it comes to competing with other smaller sports brands is its heritage across a number of sports. Its football boots were worn by Pele and Maradona, sprinters Tommie Smith and John Carlos wore PUMAs during their Black Panther salute at the 1968 Olympics and PUMA's low-cut basketball shoe worn by Walt Frazier became a staple of break-dance, hip hop and skate culture in the 1980s.

PUMA pushed too far into fashion in the mid-2000s and lost some performance credibility. This ultimately saw a reset in 2013. Since then PUMA's strategy has been to reinvest in performance sport by sport, with credibility there giving them the right to succeed in the lifestyle/fashion side of the business (which is the larger market for all sports brands). The strategy has been a success, with PUMA rebuilding strength in sports (most noticeably soccer) and increasing its market share every year since 2017. They also smartly rebuilt their 'cred' in the lifestyle market, partnering with musical/cultural influencers such as Rihanna, Jay Z and Dua Lipa.

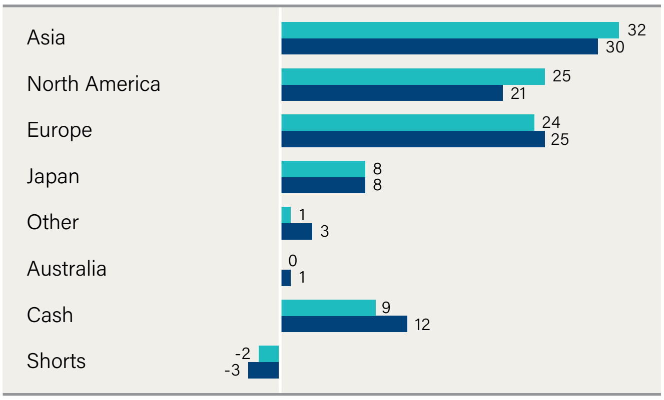
Why PUMA, why now?

Like many consumer goods categories, sportswear went through a boom-bust cycle during Covid, with the entire industry suffering from excess inventory, leading to discounting and lower sales while stock cleared. This adjustment has largely run its course, with inventory at PUMA and peers now close to historical norms.

2 Which measures market performance based on equal weightings for each share rather than by the relative size of each holding in the index.

3 Nike spends roughly $11bn pa on endorsements, Adidas $6.5bn, PUMA $2bn.

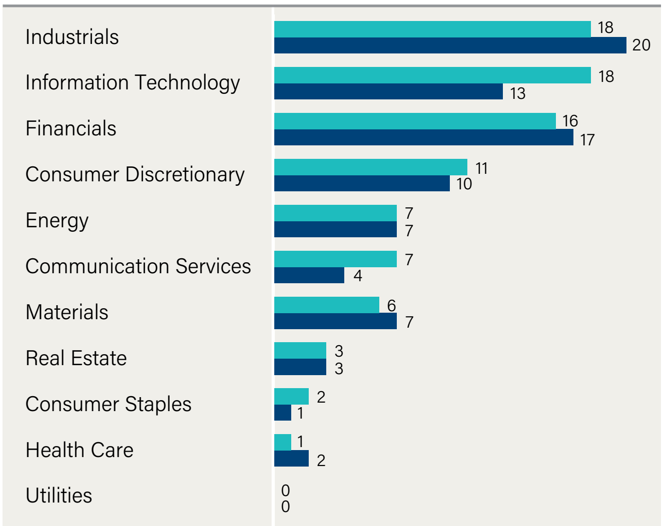
Disposition of Assets %



30 JUN 2024 31 MAR 2024

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

Net Sector Exposures %



30 JUN 2024 31 MAR 2024

See note 2, page 7. 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	4.6%
Taiwan Semiconductor	Taiwan	Info Technology	4.5%
ZTO Express Cayman Inc	China	Industrials	4.2%
Alphabet Inc	US	Comm Services	3.8%
UBS Group AG	Switzerland	Financials	3.3%
Tencent Holdings Ltd	China	Comm Services	3.1%
UPM-Kymmene OYJ	Finland	Materials	3.1%
Allfunds Group Plc	UK	Financials	3.0%
Micron Technology Inc	US	Info Technology	2.8%
InterGlobe Aviation Ltd	India	Industrials	2.7%

As at 30 June 2024. See note 3, page 7.
Source: Platinum Investment Management Limited.

Recently both Adidas and Nike were prioritising their direct-to-consumer sales channels, cutting off some of their smaller wholesale partners, thus giving PUMA and others 'white space' to grow into. With Adidas and Nike now looking to refocus on their wholesale partners, the question is what effect this has on PUMA. Overall, the key to keeping shelf space is having a product that sells and as long as PUMA's product is popular, gains should be held.

PUMA's share price has halved from its 2021 high, with its valuation now attractive both vs its history and peers. PUMA's financial results are now turning up and lead marketing indicators such as Google Trends are showing improvement. Its direct to consumer division is growing nicely and this tends to correlate to higher future sales to wholesale customers. Our research suggests this is an opportune time to take a stake.

In addition to PUMA, we initiated positions in US food manufacturer **Lamb Weston**, radio frequency semiconductor specialist **Skyworks** and Danish freight forwarder **DSV**. We also rotated some of our DRAM holdings, selling out of semiconductor stock **SK hynix** and switching funds into **Samsung Electronics** given the widening valuation difference between the two.

To fund these positions, we exited our holdings in Chinese truck engine manufacturer **Weichai Power**, German power semiconductor expert **Infineon**, and social networking giant **Meta**.

Outlook

In November last year we reduced our short book and upped our net invested position. It was clear higher interest rates were not slowing activity.

Eight months on, there are now signs of slowing economic growth. The US labour market is cooling, with traditional leading indicators – initial unemployment claims and the number of temporary workers employed – both weakening. There is also clear evidence that consumer spending is contracting – especially amongst lower income cohorts. We're not hearing alarm bells yet, but it bears watching.

Two key factors for future Fund performance

We believe that increasing stability in the Chinese property market could be a large potential positive catalyst for *all* our Chinese holdings. The trend here is encouraging – but slow. While the market would prefer a single 'big bang stimulus' to frequent announcements of incremental policy support, it's clear the property market is now a political issue and if the current measures are not enough, more will come.

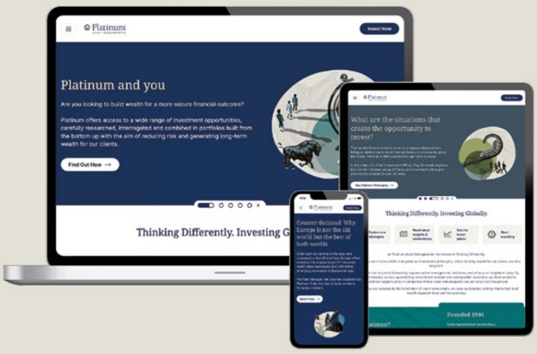
The other notable feature of the market is the narrow clustering into big tech. Many clients and advisers ask us: Why not own all these businesses? Over the past six months we have revisited all the mega cap technology stocks. We felt **Alphabet** was priced attractively in our favour (and we maintain a large holding), Meta was fine and **Amazon** was interesting if we factor in a large improvement to their core retail business. For the balance of the Magnificent Seven, each time we ran scenarios with generous assumptions we could get to no better than a market return (circa 8% pa) for these stocks. We don't believe these stocks are crazily priced, it's more that when viewed against a global opportunity set, the risk/reward equation is unappealing.

The flipside to an intense focus on a small group of US technology stocks is the *opportunity in companies the market has left behind*. Portfolio holdings such as PUMA, TSMC, **UBS** and **Transunion** had modest valuation multiples on purchase, there were clear reasons why they were mispriced and there was a strong case to expect they would deliver returns well ahead of the market. A portfolio of these types of ideas, diversified across many industries and countries should serve investors well. With the eyes of the investing world aimed at one place, now is a good time to be positioned differently.

Highlights from The Journal

Visit www.platinum.com.au/platinum-investment-bonds to access information about the Platinum Investment Bond - Platinum International Fund including:

- Weekly unit prices
- Monthly updates on performance, portfolio positioning and top 10 holdings
- Announcements.



Want to know what's happening to equity markets and individual stocks – and get more in-depth insight into Platinum's investment strategies? There's a range of articles and videos in **The Journal** section of our website.

ARTICLE

Why Japan's challenges are good news for investors[1]

With a shrinking population, stagnant workforce, falling currency and geopolitical uncertainties, Japan has its share of challenges. But Japan's response to those challenges is making life better for investors.

VIDEO

Geopolitics and investing in 2024[2]

Co-CIO Andrew Clifford discusses what he believes is the biggest geopolitical issue of our times. Then talks about the complexity of investing decisions in times of change – and why that change creates opportunity as well as risk.

ARTICLE

Not your stock-standard stock exchange[3]

The London Stock Exchange Group is built on a fabled past, the latest trading technology and a killer business model. In this video/article we dive into all these elements and into our investment case for the stock.

VIDEO

Heineken: refreshing the parts[4]

Heineken's newish CEO is cutting costs and lifting productivity at the Dutch giant. But there's plenty of other reasons to invest in the world's second biggest brewer – as Platinum's Andrew Baud explains.

1 www.platinum.com.au/the-journal/japan-has-problems-that's-good-news-for-investors
2 www.platinum.com.au/the-journal/shifting-tectonic-plates-geopolitics-and-investing-in-2024
3 www.platinum.com.au/the-journal/not-your-stock-standard-stock-exchange
4 www.platinum.com.au/the-journal/heineken-refreshing-the-parts

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.
2. 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".
3. 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.

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