Platinum International Brands Fund

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Overview

- Overall market returns were dominated by AI and technology. Indeed, **Nvidia**, **Apple** and **Microsoft** drove more than 90% of the growth in the S&P 500 index in the second quarter.
- European consumer spending is slowly recovering from the inflation and energy-price shock of the past few years. We are already seeing this reflected in the performance of some our Europe-centric brand businesses that have achieved strong sales growth, including **Inditex** and **Beiersdorf**. A rate-cutting cycle could add strength to this trend.
- Whilst the Fund can't invest in the AI-focused technology companies who serve other businesses, investors benefited from our picks in the consumer internet space such as **Google** and **Amazon**.

Performance

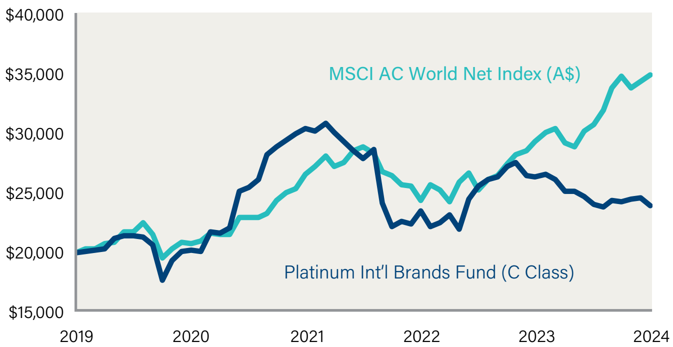
compound p.a.+, to 30 June 2024

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	-1%	-9%	-8%	4%	10%
MSCI AC World Index^	0%	19%	10%	12%	5%

+ 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 5. Numerical figures have been subject to rounding.

Value of $20,000 invested over five years

30 June 2019 to 30 June 2024



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 5.

The Fund returned -1% over the quarter in AUD terms.

Our performance was initially strong, benefitting from a sharp rally in Chinese equities, where we retain a reduced, but nevertheless significant, position. However, as the quarter progressed, Chinese markets ceded many of their early gains while European markets pulled back on concerns around the French parliamentary election. This cost us in both absolute and relative terms given our significant exposure to China and Europe. We maintained a relatively low exposure to the US equity market.

While US equities have been comparatively strong, they have been driven by an extremely narrow set of stocks. While the tech-heavy NASDAQ index appreciated 46%, broader indexes like the Russell 2000 or the equal-weighted S&P 500 index, which are more representative, fell 3% and 5% respectively.

The US rally was concentrated in beneficiaries of the Artificial Intelligence (AI) investment cycle. The Financial Times recently pointed out that three stocks – **Nvidia**, **Apple** and **Microsoft** – drove more than 90% of the growth in the S&P 500 index in the second quarter. Nvidia alone accounted for more than 30% of the S&P 500's advance year-to-date. These stocks mostly fall outside the remit of the Platinum International Brands Fund.

Chinese consumer sentiment remains weak and the recovery lacklustre. There is increased anecdotal evidence this weakness is spreading to higher-end luxury brands and that discounting is picking up. Meanwhile European consumer activity is recovering, having been battered by the pickup in global inflation and the energy price shock following Russia's invasion of Ukraine. This is largely reflected in the underlying performance of our stocks in those regions.

The US consumer remains the mainstay of the post-COVID economic recovery. However, chinks are beginning to appear in their armour. The macroeconomic data remains highly favourable but is deteriorating at the margins. Vacancy and Quit[1] rates are falling. Growth in Average Weekly Earnings is slowing. Estimates of excess savings accumulated during the COVID-related lockdowns continue to fall. Moreover, leading consumer companies are now starting to disappoint the high expectations the market has of them.

The table below shows the share price performance of seven leading US consumer businesses during the quarter. These companies serve a wide range of end-markets. These are large hits for companies of this calibre. This data suggests the high tide that was lifting all boats is now ebbing.

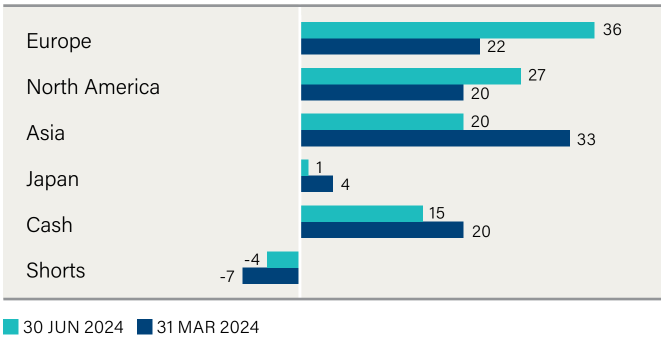
COMPANY	3 MONTH SHARE PRICE PERFORMANCE
McDonald's	-10%
Home Depot	-10%
Dollar General	-15%
Nike	-20%
Lululemon	-24%
Ulta Beauty	-26%
Walgreens	-44%

Source: Platinum

Our best performing holdings this quarter were our consumer internet companies, most notably **Google** and **Amazon**. Large language models were considered to be a potential threat to Google's core search business but accelerating growth in this business has thrust this concern aside.

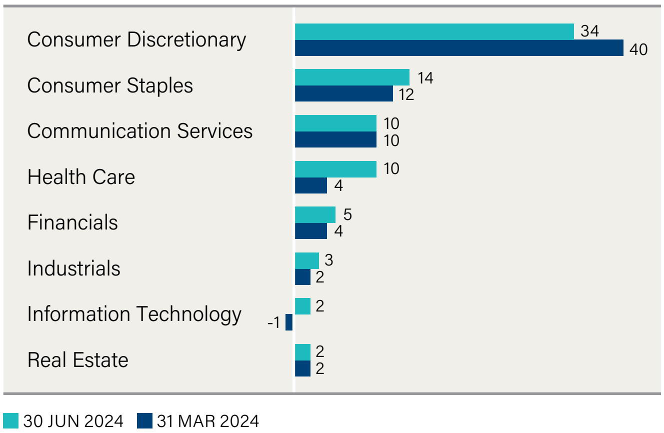
1 The rate at which workers voluntarily leave jobs, often seen as an indicator of confidence in the job market.

Disposition of Assets %



See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



See note 4, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alphabet Inc	US	Comm Services	4.6%
Galderma Group AG	Switzerland	Health Care	3.8%
Haleon PLC	US	Consumer Staples	3.6%
Industria de Diseno Textil	Spain	Cons Discretionary	3.5%
Zoetis Inc	US	Health Care	3.5%
Heineken NV	Netherlands	Consumer Staples	3.4%
Amazon.com Inc	US	Cons Discretionary	3.4%
Beiersdorf AG	Germany	Consumer Staples	3.4%
Visa Inc	US	Financials	3.3%
Meta Platforms Inc	US	Comm Services	3.1%

As at 30 June 2024. See note 5, page 5.
Source: Platinum Investment Management Limited.

Amazon benefitted from an apparent inflection in the growth rate of Amazon Web Services which had been decelerating in prior quarters. The other big contributors were our Chinese consumer internet companies which continue to grow well and are increasingly paying out profits to investors.

Performance detractors tended to be driven by stock-specific factors. **MAP Aktif**, an Indonesian sporting goods retailer, sold off on fears that the tighter monetary policy aimed at supporting the exchange rate would crimp consumer spending. **Costar**, the leading US commercial real estate portal, is yet to make inroads into the residential market quickly enough to satisfy investors. **Sands China**, a Macao casino operator, fell in response to stalling Macao visitor numbers

Commentary – geographically diversified, dominant brands

In our March 2024 Quarterly Report we explained our portfolio strategy:

- a core of established, dominant and growing global brands
- complemented by a collection of opportunistic investment ideas including turnarounds, disruptors and emerging brands.

A sense of the changes made can be gleaned from the table on the following page. Here we contrast our ten largest holdings as of February 2024 and June 2024. For our current holdings, we list some of their key brands. The tables show that we are indeed reorienting the portfolio to established, dominant, growing global brands. The tables also highlight the changed geographic exposure pattern of our large holdings.

We plan to outline the investment case for many of these companies in future reports. However, there are two companies on this list that may be less familiar to readers, namely **Galderma** and **Zoetis**.

Galderma is a newly-listed company. It was originally a dermatological business with US roots before becoming a jointly-owned subsidiary of **Nestle** and **L'Oreal** in the early 1980s. Nestle ultimately took control before selling to **EQT**, a private equity firm, which ultimately took the company public in March 2024.

FEBRUARY 2024	
TOP 10 POSITIONS	COUNTRY
Ezaki Glico	Japan
Meituan Dianping	China
Prosus	China
Fu Shou Yuan	China
Trip.com	China
JD.com	China
Digital Garage	Japan
China Feihe	China
Basic-Fit	Netherlands
Nien Made	Taiwan

JUNE 2024		
TOP 10 POSITIONS	COUNTRY	KEY BRANDS
Alphabet	USA	Google, Youtube
Galderma	Switzerland	Dysport, Cetaphil
Haleon	UK	Sensodyne, Panadol, Voltarin
Zoetis	USA	Simparica Trio, Apoquel
Inditex	Spain	Zara
Amazon	USA	Amazon.com
Heineken	Netherlands	Heineken
Beiersdorf	Germany	Nivea, Eucerin
Visa	USA	Visa
MetaPlatforms	USA	Facebook, Instagram, Whatsapp

Source: Platinum

Galderma has strong brands in the field of aesthetic medicine. These include their Botulinum toxin brand, Dysport, which is second only to Allergan's Botox. They also own strong brands in fillers and biostimulators such as Restylane, used in lip enhancements. Readers less inclined to cosmetic surgery may nevertheless be familiar with their skincare products, sold under the Cetaphil brand, which are stocked by pharmacies throughout Australia.

Zoetis was Pfizer's animal health business before becoming an independent company in 2013. Today, it is the leading animal health business globally – and by quite some margin. Zoetis tends to focus on developing medicines for companion animals like cats and dogs. Their brands may be unfamiliar to Australians because their business skews to the US market. Their Simparica Trio product is the second largest parasiticide brand globally behind Boehringer Ingelheim's Frontline/Nexguard. They also produce products like Apoquel and Librela which, respectively, dominate the market for the treatment of dermatological conditions and osteoarthritis pain in companion animals.

Outlook

In our view, the outlook for the global consumer is broadly favourable but somewhat mixed depending on geography.

Chinese consumer spending has been depressed for some time. There are promising pockets, such as a recovery in travel demand. However, we are also getting reports of incremental weakness, including in luxury goods where demand is soft and discounting more widespread.

The one, perhaps paradoxical, silver lining is that investor confidence now seems even more depressed than consumer confidence. This is creating some very attractive investment opportunities.

In Europe, consumers are slowly recovering from the 2022-23 inflation and energy-price shock. A number of our Europe-centric companies are reporting strong sales growth, including Inditex and Beiersdorf. Importantly, inflation continues to fall in the Euro Area. This is supportive of real income growth with wage growth of 5.3% running well ahead of inflation at 2.6%. Further support should come from looser monetary policy, with the European Central Bank and Swiss Central Bank already cutting interest rates and the Bank of England expected to follow shortly.

The US consumer continues to fly high. Fixed-rate mortgages,[2] high fiscal spending and a tight labour market are all contributing to this resilience. However, cracks are starting to appear with a growing number of consumer companies experiencing a deterioration in the operating environment. While investors may have low expectations in China and Europe, this is not the case in the US and that makes US equities vulnerable to any slowdown. We retain a significant underweight to US companies but expect fading investor optimism to ultimately present some opportunities to add to our US holdings.

We are satisfied with the current positioning of our portfolio. At its core lies a collection of high-quality companies that should be relatively resilient in the case of an economic downturn or unexpected shocks. We hold a meaningful portion of our portfolio in cash, awaiting an opportunity to deploy it on more favourable terms, particularly in the US.

2 Fixed-rate mortgages can, for a time, limit the effect of rising rates on mortgage borrowers

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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