Platinum International Brands Fund

Nik Dvornak
Portfolio Manager

Overview

- The September quarter was a turbulent one, featuring a reshaping of the US presidential race, a sharp sell-off in equity markets and rate cuts that eased market concerns. Our portfolio weathered this somewhat discordant period well.
- The outlook for the global consumer – and international brands – remains favourable. However, much depends on the vitality of the US consumer which is showing some signs of fatigue, following a period of significant price hikes. Conversely, tight monetary settings are now starting to ease with the US, European and Chinese central banks all cutting interest rates this quarter. A recovery in Chinese demand as a result of the recent stimulus package add further positive impetus to global brands.

Performance

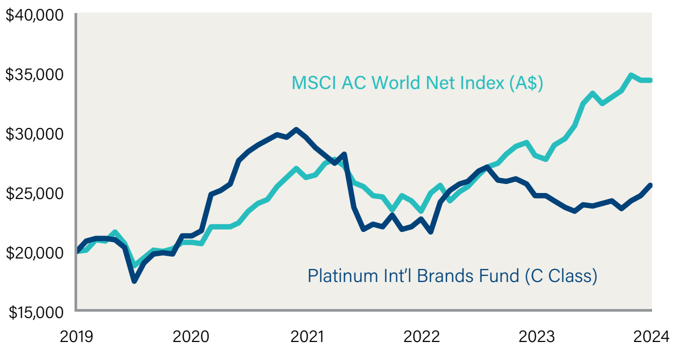
compound p.a.+, to 30 September 2024

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	9%	4%	-5%	5%	11%
MSCI AC World Index^	3%	23%	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 September 2019 to 30 September 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 8.7% over the quarter in AUD terms.

US stocks continued to lead global equity markets higher this quarter but there was turbulence below the surface. The tech rally, spearheaded by companies perceived to be winners from the Artificial Intelligence (AI) boom, came to an abrupt halt in early July. A poor showing by President Biden in the first presidential debate triggered a rotation to more cyclical and domestically-focused businesses. Investors believe these businesses will benefit from the lower taxes, less regulation and higher tariffs envisaged under another Trump presidency.

In early August we witnessed a sharp sell-off in equity markets as weaker than expected July US labour market data and an interest rate hike by the Bank of Japan rattled investors. More reassuring US labour market data for August along with a 50-basis point interest rate cut by the US Federal Reserve helped settle nerves and the US market returned to its highs by the end of September.

While European and Japanese markets have yet to fully recover, both the Euro and Yen have appreciated significantly against the US Dollar during the quarter so these markets performed better than a superficial glance would suggest.

While interest rate rises seem to have significantly reduced inflation, it remains above the level targeted by most central banks. Investors are preoccupied with the question of whether monetary authorities can engineer a 'soft landing' or whether tight monetary conditions will tip the economy into recession before inflation can be tamed. With the Chinese domestic economy weak and European industry grappling with poor competitiveness, the US consumer is still the mainstay of global growth.

Yet the US labour market is now not as strong as it was. This is best reflected by wage growth which is running at around 4.4% p.a. and slowing. It was 6.0% p.a. a year ago. During the quarter many consumer-oriented businesses reported either marginally weaker demand or tempered their near-term outlook. Given the highly favourable starting point, a moderation in US consumer spending seems inevitable. The question is how severe this moderation will be.

Our portfolio weathered this somewhat discordant period well. We outperformed strongly during the equity market pull-back in early August which indicates that our efforts to improve the defensive characteristics of our holdings has borne fruit. It is also encouraging that the companies in the portfolio continued to perform well as markets staged their recovery.

Notable contributors to our performance include Chinese technology/e-commerce firms **Meituan** and **JD.com** – both up over 50%. We also saw good performance from UK consumer health company, **Haleon** (up over 20%), social network owner **Meta Platforms** (+13%), animal health business **Zoetis** (+13%) and fast-fashion pioneer and Zara-owner, **Inditex** (up around 15%).

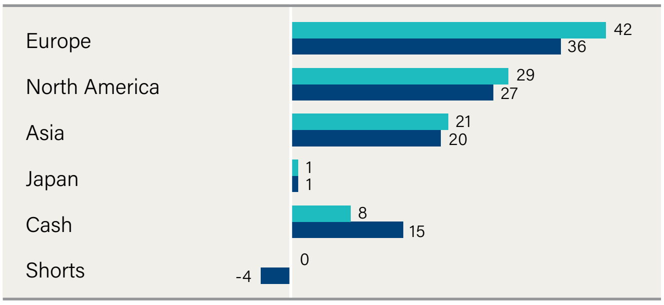
Notable detractors include global brewer, **Heineken** (-11%).

Commentary – a resilient core

In our March 2024 Quarterly Report, we explained our strategy for managing the portfolio. The portfolio will comprise a core element of established, dominant and growing global brands. This will be complemented by peripheral element comprising a collection of opportunistic investment ideas including turnarounds, disruptors and emerging brands. This restructure is now largely complete.

We used the market turbulence in August to add to our holdings of Amazon and Meta and to add some new positions. One example is **Sony**, the maker of the PlayStation game console and owner of large content libraries through Sony Pictures and Sony Music.

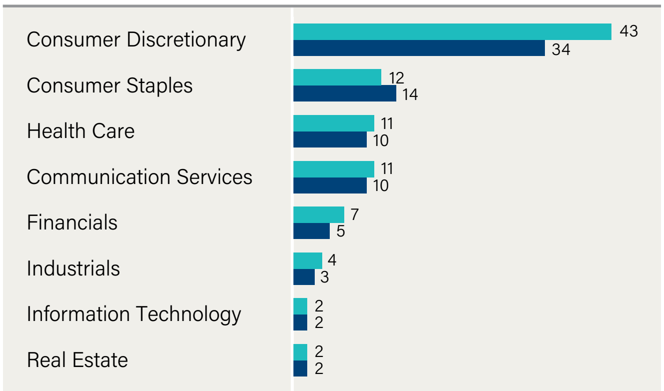
Disposition of Assets %



30 SEP 2024 30 JUN 2024

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

Net Sector Exposures %



30 SEP 2024 30 JUN 2024

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Haleon PLC	US	Consumer Staples	4.4%
Galderma Group AG	Switzerland	Health Care	4.3%
Industria de Diseno Textil	Spain	Cons Discretionary	4.3%
Meta Platforms Inc	US	Comm Services	4.1%
Zoetis Inc	US	Health Care	4.0%
Alphabet Inc	US	Comm Services	3.9%
Amazon.com Inc	US	Cons Discretionary	3.9%
Meituan Dianping	China	Cons Discretionary	3.7%
Visa Inc	US	Financials	3.6%
Beiersdorf AG	Germany	Consumer Staples	3.5%

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

Another new addition is **Birkenstock**. This German leather sandal maker with a 250-year heritage is spreading its wings, successfully expanding its product range, geographic presence and brand appeal.

Many of our larger holdings reported strong results during the quarter.

Haleon reported 3.5% p.a. organic sales growth for the first half of 2024. Importantly, that sales growth was helped by better unit volumes, which had contracted for almost a year. We prefer to see a healthy balance between price and volume growth and are encouraged by this development. The company also did a good job controlling costs, achieving an impressive 11% increase in operating profit. That's attractive for a very stable business on 18x earnings.

Meta reported revenue and operating income growth of 23% p.a. Meta is utilising AI to improve the quality of recommendations, leading to better engagement and ad monetisation on its networks including Facebook, Instagram and Reels. The stock trades on 26x earnings which we find attractive given the company's growth rate and profitability and the opportunity to build and distribute AI products to its large global user base.

Zoetis reported 11% p.a. sales growth and 18% p.a. income growth, driven by their pet medicine segment. The company continues to successfully defend its established franchises, Simparica Trio in Parasiticides and Apoquel in Dermatology, from competition while their effort to pioneer an osteoarthritis franchise based on their key drug, Librela, continues to gain traction in the US market. While the company appears highly valued on 30x earnings, it is able to deploy incremental capital at incredibly high returns. We believe this could make it a highly attractive investment in years to come.

Heineken – beer goes flat

We also had a couple of holdings whose results were not well received.

Heineken reported organic sales growth of 3.4%, well short of expectations. Their growth was heavily reliant on price increases with unit volumes contracting, a further source of disappointment. We suspect the negative stock price reaction is a symptom of over-enthusiastic investor expectations and remain cautiously optimistic that volume growth will return. At 16x earnings with strong brands and access to growing emerging markets, Heineken adds a defensive element to our portfolio but is a position that could surprise meaningfully to the upside if they get their house in order.

Beiersdorf (down 1%) disappointed the markets but continued to enjoy strong growth for their key Nivea brand, which grew sales 11% p.a. The source of disappointment was slower growth at their Derma brands, Eucerin and Aquaphor, which grew sales only 8% p.a. These brands had been growing at a blistering pace for some time and the Derma segment is poised to become a powerful and sorely needed second pillar for the business. Some slowdown in Derma was to be expected given the slowing growth in the beauty and skincare industry overall but the market fears there is more to come. While the valuation is demanding at 27x PE we feel it is justified by the pipeline of innovative products they are starting to roll out.

Outlook

The outlook for the global consumer – and international brands – remains favourable. However, much depends on the vitality of the US consumer. Many US companies now report signs of consumer fatigue, following a period of significant price hikes. The savings pools accumulated during COVID have been run down and the softer labour market is tempering consumer enthusiasm to spend. This caution initially applied to lower-income consumers but now seems to be broadening out. Companies with strong consumer appeal continue to report good growth, but the rising tide is no longer lifting all boats.

However, tight monetary settings are now starting to ease with the US, European and Chinese central banks all cutting interest rates this quarter. This will help at the margin, particularly in Europe where most mortgages have variable rates. Europe has also run a more conservative fiscal policy and has room to manoeuvre in this regard. In China consumer spending is depressed, but there is potential for a powerful recovery if policy makers can restore confidence.

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 event of an economic downturn or unexpected shocks. We also retain a healthy cash position to seize any opportunities that arise as a result.

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

This publication has been prepared by Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management (Platinum®). Platinum is the responsible entity and issuer of units in the Platinum International Brands Fund (the "Fund"). This publication contains general information only and is not intended to provide any person with financial 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 Platinum Trust® Product Disclosure Statement (including any Supplement(s) thereto) ("PDS") and consider your particular investment objectives, financial situation and needs before making any investment decision to invest in (or divest from) the Fund. The Fund's target market determination is available at www.platinum.com.au/invest-now. You can obtain a copy of the current PDS from Platinum's website, www.platinum.com.au or by phoning 1300 726 700 (within Australia), 0800 700 726 (within New Zealand) or +61 2 9255 7500, or by emailing to invest@platinum.com.au. You should also obtain professional advice before making an investment decision. Neither Platinum nor any company in the Platinum Group®, including any of their directors, officers or employees (collectively, "Platinum Persons"), guarantee the performance of the Fund, 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.

MSCI 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).