Platinum International Brands Fund

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Overview

- The Brands Fund delivered a plus 10% return for the quarter despite being overweight Europe and China in the midst of a US rally. Stock selection was paramount with brands like **Amer Sports**, **Puma**, **Birkenstock** and **Trip.com** all doing well.
- During the December quarter many of our key holdings not only produced strong earnings but were able to demonstrate better returns on capital. The portfolio is focused around high-quality companies whose strong brands add a defensive element to the portfolio.
- We remain underweight in US equities given the high valuation multiples in that market and the uncertainty around the potential impact of President Trump's economic policies.

Performance

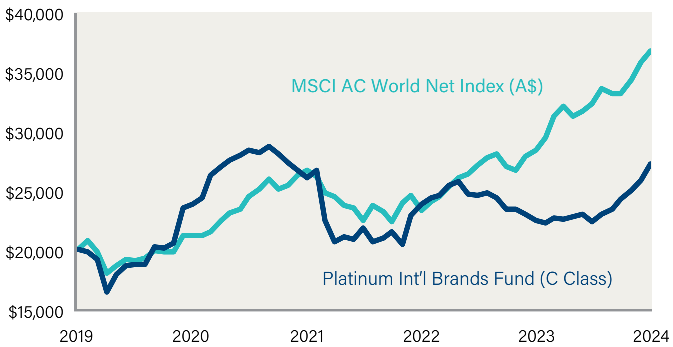
compound p.a.+, to 31 December 2024

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	12%	21%	1%	6%	11%
MSCI AC World Index^	11%	29%	11%	13%	6%

+ 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

31 December 2019 to 31 December 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 11.8% over the quarter in AUD terms.

US equities continue to lead global markets higher with the re-election of Donald Trump fuelling the rally. Investors are anticipating less onerous regulation and lower taxes under a second Trump presidency. Consequently, the stocks of domestically-focussed US companies performed especially well. This broader rally was a change from prior quarters where the market was primarily propelled by a handful of large technology companies.

European indexes struggled as investors grappled with concerns around highly effective Chinese competition and an increasingly protectionist and isolationist America that threatens to leave Europe geopolitically and economically vulnerable. The times call for strong leadership yet this is notably absent as France and Germany wrestle with domestic political instability.

Having rallied sharply in September, Chinese markets consolidated their gains. Investors are still waiting for the Chinese leadership to match their rhetoric with a decisive fiscal stimulus program. The measures announced so far go some way to addressing the ructions in the property market and in local government financing, however they are not likely to provide the reacceleration in economic growth the market is looking for. Nevertheless, investors remain hopeful of more decisive action in 2025.

Stock selection drives performance

Our portfolio performed surprisingly well this quarter even though market conditions were not conducive. We were overweight both Europe and China during a US-led rally and the resulting depreciation of the Euro did not benefit our European holdings as we had expected. Rather, our strong performance derived directly from the *individual* companies we own, the majority of which continue to report healthy fundamentals and respectable growth. As these businesses thrive we expect our portfolio to do the same.

Notable contributors to our performance include **Amer Sport** which was up over 70%, footwear giant **Puma** (+18%), leather sandal-maker **Birkenstock** (up over 20%) and **Trip.com**. Trip is the leading online travel agent in China and its price was up 100% during 2024.

Notable detractors include animal health leader **Zoetis** (down around 16% in the quarter) and youth clothing retailer **JD Sports** (down over 35%).

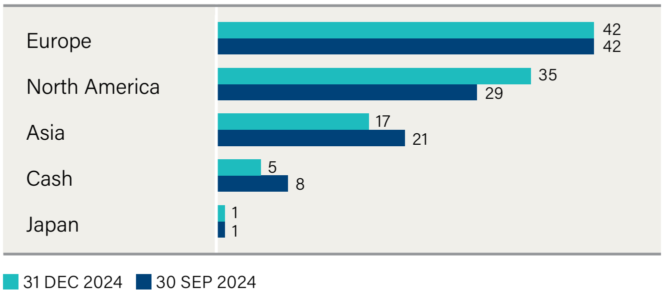
Commentary – strong results from key holdings

In our March 2024 Quarterly Report, we explained our strategy for managing the portfolio. These changes are now largely complete. We are encouraged by the strong relative performance of our portfolio during the short-lived market sell-off in August. Equally, the portfolio performed remarkably well in the current quarter despite our apprehension about US equity valuations and our skew to consumer-facing businesses that could be vulnerable to trade frictions.

The main change we made to the portfolio was to establish a position in **e.l.f. Beauty**. This leading US cosmetics business is enjoying very strong growth thanks to innovative products, affordable pricing and extremely skilful marketing. US retailers are embracing the brand and allocating it more shelf-space while the company is expanding into skincare and kicking off an international expansion campaign.

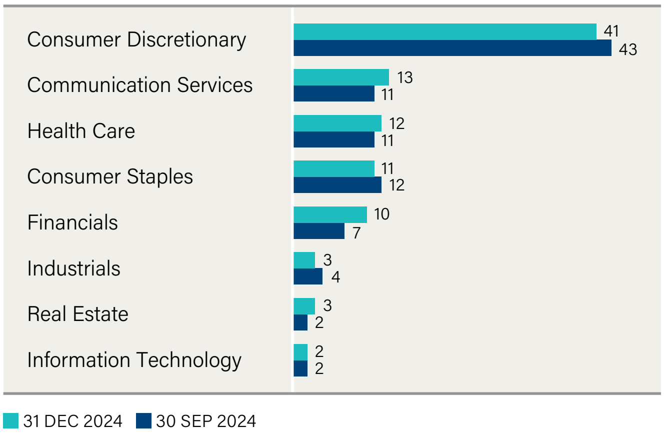
Many of our larger holdings reported strong results during the quarter.

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
Galderma Group AG	Switzerland	Health Care	5.3%
Amazon.com Inc	US	Cons Discretionary	4.6%
Meta Platforms Inc	US	Comm Services	4.2%
Pandora A/S	Denmark	Cons Discretionary	4.1%
Industria de Diseno Textil	Spain	Cons Discretionary	4.0%
Haleon PLC	US	Consumer Staples	4.0%
Amer Sports Inc	Finland	Cons Discretionary	3.9%
Alphabet Inc	US	Comm Services	3.7%
St James Place PLC	UK	Financials	3.6%
Zoetis Inc	US	Health Care	3.6%

As at 31 December 2024. See note 5, page 5.
Source: Platinum Investment Management Limited.

Swiss-based **Galderma** is our largest single holding. This newly public company was formerly a skincare joint venture between Nestle and L'Oreal. The twin engines of this business are injectable aesthetics and skincare. Both segments continue to grow at double-digit rates in stark contrast to the weakening demand in the broader beauty and skincare sectors. Their third segment, pharmaceuticals, has largely tracked sideways. However, their newly patented eczema drug, Nemolizumab, has performed well in clinical trials, was approved by the FDA and is set to hit the market early in 2025. The company spent USD 250m developing Nemolizumab in 2024 alone. As this drug begins to generate sales this headwind will become a huge tailwind to earnings and a third growth engine for the business.

Amer Sport continues to grow rapidly. The business grew sales 17% pa in the latest quarter driven by strong growth in their West Canada mountaineering brand, Arc'teryx. We believe Arc'teryx sales are growing in excess of 30% pa and generating very high margins which allows the company to fund further brand expansion and deploy surplus capital to support other brands, notably Salomon and Wilson. The stock has performed well and the company took advantage of a high stock price to raise additional capital. They used this capital to pay down debt incurred during its privatisation a few years ago. This leaves Amer on a much more solid financial footing.

Birkenstock is another business that continues to deliver. Sales grew 21% over the past year. This performance is even more remarkable because the company sits squarely in the crosshairs of a trade war – their shoes are made in Germany and the US is their largest market. The fact is that consumers love their Birkenstocks and continue to buy them so we suspect tariffs will do little to dent demand. A classic pair cost around USD 150, demonstrating their pricing power. All this despite the hard work of Turkish and Vietnamese counterfeiters and the availability of much cheaper lookalike products on Amazon. Birkenstock perfectly illustrates the intangible power of a brand; it creates differentiation and introduces emotion into consumer decision making. Simply, consumers don't just want sandals, they want Birkenstocks.

As is inevitably the case, some of our companies disappointed during the quarter.

Zoetis is the global leader in animal medicine. The company is the leading innovator in this industry, particularly in cat and dog treatments. Zoetis' underlying business is thriving, with profits up 14% over the past year and with the launch of some competing products unable to dent their momentum. Their next leg of growth should come from an innovative treatment for Osteoarthritis in cats and dogs, a disease where there have been few effective treatment options. This new drug has some rare side effects that the FDA is monitoring and so may require adjusted labelling. This drug has been available in the UK, EU and Switzerland for around two years and continues to sell well despite a similar label adjustment. However, Zoetis isn't cheap so investors are skittish when it comes to potential obstacles. We have confidence in this business and are keen to add to our position on pullbacks.

JD Sports is a UK-based footwear/sports fashion retailer with a strong and growing position in the US market. They tend to have large stores that can showcase a broad selection of brands and are popular with younger consumers. Our assessment is that JD's current troubles are collateral damage from turmoil at Nike. Given Nike's historic market dominance, JD is highly dependent on the Beaverton brand. However, Nike was tardy in innovation and product development under its previous management team and is now aggressively clearing stock to make room for a massive product innovation cycle that will flow through to stores in 2025 and 2026. If Nike succeeds in recapturing the imagination of consumers it would bode well for JD long term. However, it does entail a significant amount of near-term pain as they work through 'stale' stock.

Outlook

Two key themes are dominating investment debates.

1. Can the US stock market maintain valuation multiples that look very stretched by historic standards?
2. What are the economic consequences of Team Trump's policies? While these range from geopolitics to healthcare, the market is focusing on whether immigration restrictions and aggressive tariffs trigger another outbreak of inflation and result in further monetary tightening.

These two themes encompass the main risks to the investment market outlook in 2025.

Otherwise the outlook for the global consumer remains favourable, albeit the US continues to play an outsize role in underwriting that outlook. However, based on insights from the companies we own, European and Chinese consumer spending remains robust, if somewhat more restrained than in America. This is underpinned by tight labour markets and respectable real wage growth. Europe and China also appear to have significant latitude for monetary loosening and fiscal stimulus. The US has less room to manoeuvre.

We are satisfied with the positioning of our portfolio. During the current quarter most of our large holdings produced strong earnings growth and improved returns on capital. We tend to own high-quality companies with strong brands and growing businesses. This provides a defensive element to the portfolio. Moreover, we are underweight US equities, reflecting our caution on the high valuation multiples in that market.

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.

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