Platinum Japan Fund

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Portfolio Manager

Overview

- The quarter started well as a lower house election win for the new Prime Minister Sanae Takaichi seemed likely to lock in reformist, pro-growth policies. However, the conflict in the Middle East hit Japan – a fuel importer – particularly hard.
- The Iran war dominated short-term market commentary but the threat that AI poses to software businesses was also a key theme for markets. As a result investors sought out so-called HALO stocks – those with essential, physical infrastructure unlikely to be disrupted by AI. Across industries like auto, shipbuilding, chemicals, defence and more, Japan boasts a strong bench of these shares.
- We continue to position the portfolio in industrial stocks in the robotics, automation and defence sectors. These are likely to be boosted by the re-industrialisation of the US, a process started by President Trump's tariff policies and likely to be further strengthened by recent supply shocks and geopolitical instability.

Performance

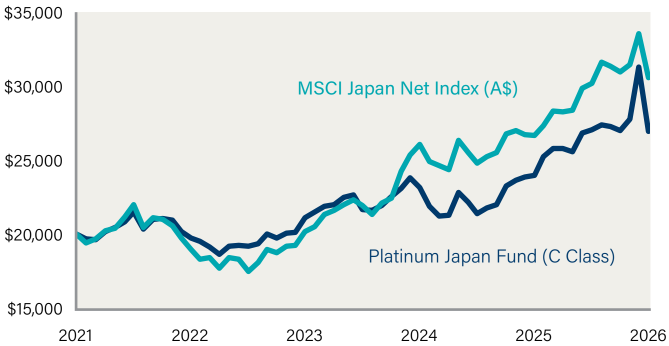
compound p.a.+, to 31 March 2026

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund*	0%	12%	9%	6%	12%
MSCI Japan Index^	-1%	15%	15%	9%	4%

+ Excludes quarterly performance.
* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI Japan 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 March 2021 to 31 March 2026



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 was flat during the quarter, slightly ahead of the 1% fall in the index. It was, however, an eventful and volatile quarter.

Our portfolio of stocks delivered robust performance in January and February, particularly after the Takaichi-led government saw a resounding victory in the lower house election in early February. However this positive surge was unwound during March following the start of conflict in the Gulf. Higher oil prices saw the Japanese equity market come under significant selling pressure.

Top contributors for the quarter were **Toho Titanium**, which rose on the news that its parent company, JX Advanced Metals, intends to fully acquire it. Over the March quarter, Toho's share price rose 77%.

Kioxia Holdings' share price rose 82% over the quarter thanks to strong demand for the company's NAND memory products. NAND memory is used for high-density, low-cost storage in solid state drives, smartphones and datacentre storage.

Mitsubishi Estate, Japan's pre-eminent real estate developer, rose 13% during the quarter. Despite the expectation of higher interest rates, traditionally viewed as negative for the property sector, the fundamental industry trends such as prices, rent hikes and vacancy rates remain favourable.

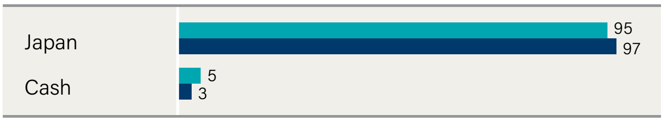
MHI (Mitsubishi Heavy Industries) is a major Japanese industrial company involved in ship and aircraft manufacture, defence and space and in energy systems including gas, steam and nuclear. It's a classic HALO stock – Hard Assets, Low Obsolescence – and is benefiting from multiple earnings drivers. These include higher defense spending by the Japanese government. They also benefit from the re-opening of Japan's nuclear power plant fleet and from demand for gas turbines.

Amongst the stocks that detracted from performance this quarter were consumer electronics powerhouse **Sony**. The company's share price suffered over concerns that higher memory prices would squeeze margins. Memory chips are a key component of many major Sony products, including PlayStation5.

Rakuten a major provider of payments systems, digital content and online marketplaces sometimes dubbed "the Amazon of Japan" fell on lingering concerns about strong competition in the mobile telecommunications segment.

FANUC a key portfolio position – also fell on cyclical slowdown concerns. However, we believe the company will be a beneficiary of long-term changes in the global manufacturing sector, especially the re-industrialisation in the United States where Japanese firms are likely to be a key player.

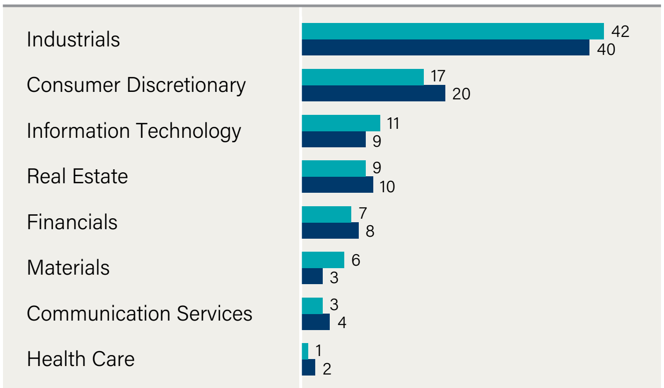
Disposition of Assets %



31 MAR 2026 31 DEC 2025

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

Net Sector Exposures %



31 MAR 2026 31 DEC 2025

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Mitsubishi Electric Corp	Japan	Industrials	6.6%
Mitsubishi Estate Co Ltd	Japan	Real Estate	6.0%
Taisei Corp	Japan	Industrials	5.9%
Toho Titanium Co Ltd	Japan	Materials	5.8%
FANUC Corp	Japan	Industrials	4.9%
Mitsubishi Heavy Industries	Japan	Industrials	4.5%
Toyota Motor Corp	Japan	Cons Discretionary	4.2%
Daifuku Co Ltd	Japan	Industrials	3.9%
Sony Group Corp	Japan	Cons Discretionary	3.8%
Mitsubishi UFJ Financial	Japan	Financials	3.8%

As at 31 March 2026. See note 5, page 5.
Source: Platinum Investment Management Limited.

Portfolio additions

During the quarter we added two new positions which we believe are attractively priced and present a strong fundamental outlook.

The first is **Fujikura**, a leading global supplier of optical fiber and optical equipment widely used in AI datacenters. Heavy electricity demands mean AI datacenters are looking for improved energy efficiency, not just performance. To address this, an upcoming generational shift in AI chip packaging technology is progressing with Nvidia moving from copper separate to CPO (co-packaged optics) in its next generation of chips. This is likely to add further growth to an already booming market for Fujikura's products.

The second major addition is **NEC**, one of Japan's best-known electronics conglomerates. NEC software is utilised across many important applications in key industries such as defense, finance and telecoms. The stock has underperformed along with the software sector globally over concerns that AI will be a threat to their revenue base over the longer term.

In our view, NEC is more protected than most software firms. Given the mission critical nature of their software, we think AI is likely complementary to their product offerings and recent disruption concerns are likely misplaced. This gave us an opportunity to initiate a position at attractive valuations.

Outlook

Middle East developments now dominate near-term market sentiment. Given the high reliance on imported fossil fuels, Japan is viewed as vulnerable and highly exposed to supply chain disruptions and higher energy prices. Japan sees about 96% of its crude oil needs shipped from the Middle East. A further 11% of LNG needs come from that region.

Japan is well prepared however, with ample strategic and private sector reserves equivalent to 240 days of supply, a portion of which has already been released. As we go to print, Prime Minister Sanae Takaichi confirmed that Japan had locked in oil supplies till early 2027 thanks to a likely fourfold increase in imports from the US and to shipments from the Middle East that do not need to transit the Strait of Hormuz.

However, there are also other important petroleum products from the Middle East, such as naphtha (used for petrochemicals) which are affected. We have already seen announcements that some of Japan's catalytic crackers – the machinery that converts heavy hydrocarbons into petrol, diesel and other valuable products – were being shut due to shortages.

Prudently, Japan has historically relied on geographic diversification for its energy needs. Yet higher hydrocarbon prices are negative for near-term economic growth. Their inflationary impacts are also unavoidable, but unlikely to derail Japan's economic growth.

Rebuilding resilience

We think the long-term outcome of these geopolitical developments will be a redoubling of Japan's efforts to build further economic resiliency against external shocks, particularly by prioritising nuclear energy generation. Japan's nuclear industry was effectively shut down after an earthquake and tsunami triggered an accident at the Fukushima Daiichi nuclear plant in 2011. Subsequent scrutiny over the safety of Japan's nuclear plants slowed the pace of reopening, keeping Japan's reliance on imported fossil fuels high. However, safety reviews have eased local opposition to restarts and as plants are restarted the pressure on energy costs has eased.

We expect the Takaichi government to announce further details on the 17 strategic sectors as part of a strategy to build national resilience. This is a comprehensive plan building and upgrading Japan's infrastructure, bolstering defense spending, securing resource supply chains and raising competitiveness in key technologies such as AI, robotics and semiconductors. One of the key points noted is how Japan's growth rate has been held back by low investment. The government is looking to encourage Japanese corporations to deploy excess cash into productivity-enhancing investments. We would expect further support in the form of public-private initiatives as well as tax policies designed to raise capex levels at corporate Japan. These could have beneficial flow-on effects for economic growth.

Notes

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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. [The gross MSCI index was used prior to 31/12/98]. 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 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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