

MLC-Platinum Global Fund

QUARTERLY INVESTMENT MANAGER'S REPORT

Performance

Fund Size: \$602.1m	Last quarter	Last 12 months	5 years (compound pa)	Since inception (compound pa)
MLC-Platinum Global Fund	-0.7%	6.6%	7.0%	10.1%
MSCI All Country World Net Index (A\$)	0.5%	19.0%	11.9%	7.9%

Fund returns are after fees and expenses and assume the reinvestment of distributions. Portfolio inception date: 30 June 1994.

Source: MLC Investments Limited and Platinum Investment Management Limited for Fund returns, and FactSet Research Systems for MSCI index returns.

Past performance is not indicative of future performance. The value of an investment may rise or fall with changes in the market.

The Fund fell 0.7% over the quarter, while returning 6% over the financial year.

We have previously discussed the way market performance over the past year or more has been skewed by the returns from the Magnificent Seven technology stocks. In the March quarter we saw hints that markets were starting to broaden out. However, these were reversed this quarter with technology stocks again blitzing all other sectors. Measured in AUD, the global technology index rose 9%. Eight of the remaining 10 sectors posted declines.

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 initial 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 (300bn RMB) 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** (+21%), **Alphabet** (21%) all performed strongly.

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

Our largest detractor was fund administration platform **Allfunds**. In late April the board and majority shareholder **Hellman & Friedman** called off sale talks, saying the bids received did not adequately value the company. This saw short-term investors leave and the stock fell 21%.

Commentary – Performance and fashion

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,¹ 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.

¹ Nike spends roughly \$11bn pa on endorsements, Adidas \$6.5bn, PUMA \$2bn.

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.

The right time for PUMA?

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.

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 re-focus on their wholesale partners, the question is what effect this may have on PUMA. Overall the key to keeping shelf space is having a product that sells, and as long as PUMA's product line up 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**.

To help fund these positions, we exited our holdings in Chinese truck engine manufacturer **Weichai Power**.

Outlook

In November last year we upped our invested position. It was clear higher interest rates were not slowing economic activity.

Eight months on, there now are 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.

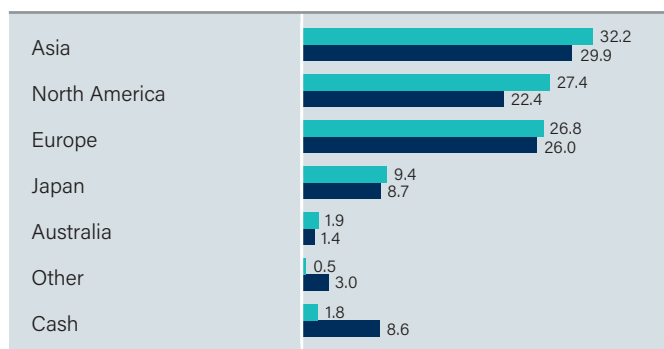
Two key factors for future Fund performance

We believe 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, 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.

Disposition of Assets (Net Invested Positions) %[^]



■ 30 JUN 2024 ■ 31 MAR 2024

[^] The geographic disposition of assets (i.e. other than "cash") 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.

Source: Platinum Investment Management Limited.

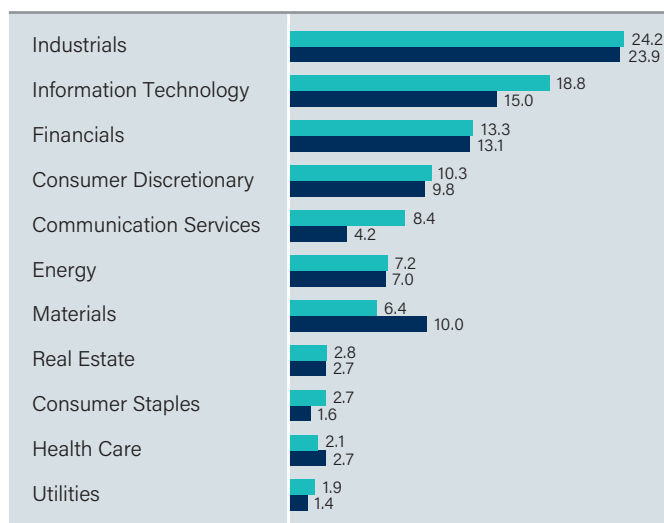
Top 10 Holdings[^]

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co Ltd	South Korea	Info Technology	4.9%
Taiwan Semiconductor	Taiwan	Info Technology	4.5%
Itochu Corp	Japan	Industrials	4.4%
ZTO Express Cayman Inc	China	Industrials	4.2%
Broadcom Inc	US	Info Technology	3.9%
Alphabet Inc	US	Comm Services	3.7%
UPM-Kymmene OYJ	Finland	Materials	3.2%
Trip.com Group Ltd	China	Cons Discretionary	3.2%
UBS Group AG	Switzerland	Financials	3.2%
Tencent Holdings Ltd	China	Comm Services	3.0%

[^] As at 30 June 2024. 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. Numerical figures are subject to rounding adjustments.

Source: Platinum Investment Management Limited.

Net Sector Exposures %[^]

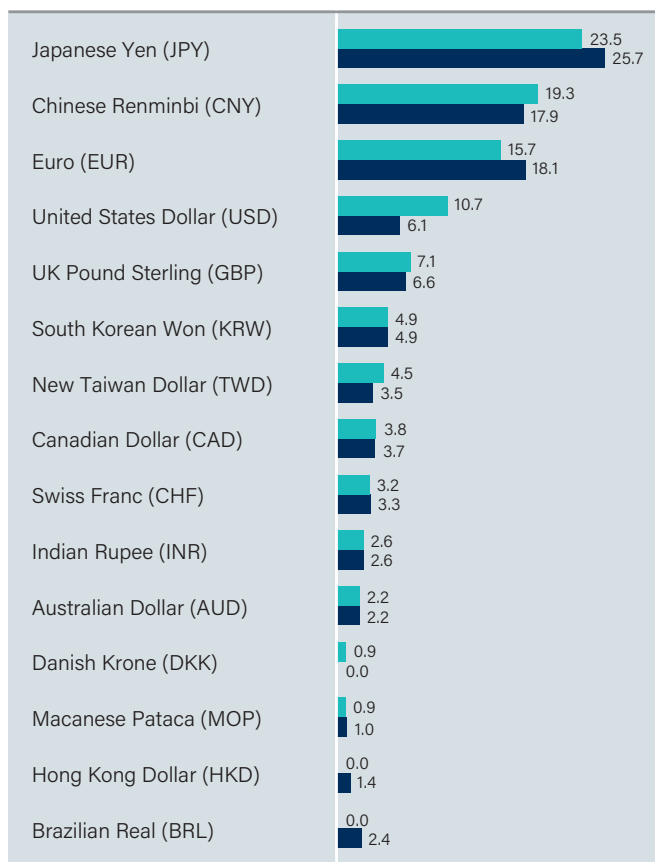


■ 30 JUN 2024 ■ 31 MAR 2024

[^] The table shows the Fund's net exposures to the relevant sectors through its long securities positions and long 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". Numerical figures are subject to rounding adjustments.

Source: Platinum Investment Management Limited.

Net Currency Exposures[^]



■ 30 JUN 2024 ■ 31 MAR 2024

[^] The table shows the Fund's net exposures to the relevant currencies through its long securities positions, cash at bank, cash payables and receivables, currency forwards and long securities/index derivative positions, as a percentage of its portfolio market value.

Source: Platinum Investment Management Limited.

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