MLC-Platinum Global Fund

QUARTERLY INVESTMENT MANAGER'S REPORT

Performance

Fund Size: $587.7m	Last quarter	Last 12 months	5 years (compound pa)	Since inception (compound pa)
MLC-Platinum Global Fund	0.0%	6.5%	6.7%	10.0%
MSCI All Country World Net Index (A$)	2.6%	22.6%	11.6%	8.0%

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 is up over 6% over the past year.

The strongest contributors were our Chinese holdings, with the trigger being new measures by the government to stabilise the property market and boost the economy. The gains were broad, with the standout contributors being e-commerce player **JD.com** (up nearly 60%), insurer **Ping An** (+40%) and technology giant **Tencent** (+15%).

The other areas of strength were more nuanced. Our holdings in companies that benefit from falling interest rates performed well, with solid gains from **TransUnion** (+40%), **St James Place** (35%) and **Intercontinental Exchange** (15%). Elsewhere, global freight forwarder **DSV** rose +25%, both on the release of solid operating results and confirmation of their deal to buy German rival DB Schenker.

The performance detractors were our Japanese holdings and semiconductor companies.

The Japanese market is currently highly correlated to moves in the Yen. When the Yen rises we see a rotation into domestically focused companies and an outsized falls in exporters (Yen strength implies an impact on overseas earnings and at least a conceptual loss of competitiveness). This dynamic can be seen in the Fund's exporters such as **Toyota Industries** (-20%) and **Minebea Mitsui** (-14%). By contrast, domestic construction company, **Taisei** was up around 5% for the quarter.

Our semiconductor holdings were a mixed bag. We saw gains in **Broadcom** (+5%) and pullbacks in names such as **Microchip** (-12%). **Samsung** was our single largest detractor (-24%). While Samsung has historically been the clear technology leader in memory, there is a perception that the company has fallen behind peers. While there is a narrowing of the gap between the three players due to rising manufacturing complexity, we nevertheless believe Samsung's scale offers them cost leadership in a commodity market. Samsung was late to the high bandwidth memory used in AI, but the company is working hard with key customers and in time they should gain share.

Commentary – China finally commits

The most important event during the quarter was the combined statements from the Politburo and the People's Bank of China aimed at drawing a line under the property market and lifting the economy out of its slump. The breadth and tone of the announcements were notably more aggressive ('reverse the decline in the housing market', 'increase the force of fiscal policies', 'we must face up to the difficulties') and in a surprise move they explicitly called out support for the domestic equity market, encouraging investment. This has triggered a swift rally in Chinese stocks, with the mainland A-share index rising 25% in five days from the first announcement on September 23rd.

The context for the large rally is the following. Since the reversal of the zero Covid policy in January 2023 (and when it became obvious the Chinese economy would not recover on its own steam) the government has taken a very gradual approach to stimulus, preferring a series of small moves to support the property market and economic activity. None have been large enough to arrest decline. This unwillingness to 'go big' was increasingly interpreted by investors as the government being blind to the problems, leading to a loss of faith.

Readers who were investing through the GFC and Euro sovereign crisis may recognise this pattern. It is similar to what happened while the US Treasury and European Central Bank hemmed and hawed before they took large policy moves to end their respective crises.[1]

Once the magnitude of the policy turn was recognised, investors immediately flooded back in, driving very attractive gains over the next year.

Does the new found policy commitment signal this is the turning point for Chinese equities? We can't know, but given the new policy direction has been endorsed by Xi and the authorities' credibility is on the line, there is a high chance of follow through.

What's more important for our investors is that due to that loss of investor faith, we were able to buy China's high quality, blue-chip growth companies valued at low teens or single digit P/Es, while their operational performance in both sales and profit growth strengthened even despite the tough economic backdrop. Given these valuations and the fact that the entire market was down 50% from its peak, if there is a *sustained* improvement in sentiment towards Chinese equities, there is scope for considerable upside from here.

Elsewhere in the portfolio we built substantial positions in Korean bank **Shinhan Financial** and Danish freight forwarder **DSV**.

The interest in Shinhan resulted from the Government's 'value up' program, which is similar to the corporate reform push in Japan. Unlike many other Korean firms, the big two banks (Shinhan and KB Financial) have long sought to increase shareholder returns, but were prevented by the regulator, who preferred the banks to constantly hold more capital for a 'rainy day'. This had the dual effect of lowering Returns on Equity and ironically, leading the banks to enter marginal business lines to do something with all the excess capital they were forced to hold.

This situation has now been flipped under value-up, with the banks encouraged to increase shareholder returns and close their discount to book value. Shinhan has upped its payout ratio to 50% and plans to buy back a considerable portion of its shares. That should be very favourable for shareholders given the stock trades at only 6x earnings and 0.6x of book respectively.

DSV – experts think logistics

Freight forwarders are effectively brokers of logistical capacity (air/sea/truck), however as supply chains have become more complex, more corporates are outsourcing their logistics function to companies like Danish freight forwarder DSV. DSV has been an incredible success over the past 20 years, skilfully buying competitors, improving the acquired operations and thus increasing its scale advantage when negotiating with shippers.

We could see multiple reasons why DSV stock was mispriced and perception could improve. Firstly, there was intense investor debate about DSV's sustainable earnings power and disbelief in management's claims that it was structurally thanks to the Panalpina acquisition. Our own work supported management's view. Second, if DSV's bid to buy DB Schenker was successful it would give them another lever of growth. Third the desire for corporates to diversify portions of their supply chain away from China is adding complexity and that creates more steps for DSV to perform.

Since our investment, DSV's results have provided more comfort on the question of long run earnings power and their bid to buy DB Schenker was successful, pushing the shares 30% higher.

To fund these investments, we sold out of Japanese trading house Itochu and trimmed some of our travel holdings, namely Chinese online travel agency **Trip.com** and Indian low cost carrier **Interglobe**. We also trimmed our holdings in Broadcom, **TSMC** and **Micron** after strong price rises.

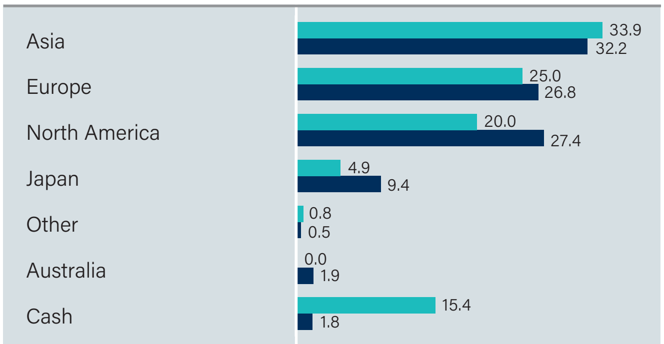
Outlook

The Fund is well positioned for a return of investor interest in Chinese stocks. If the policy measures drive an economic recovery, upside could come both from an increase in earnings (which are depressed due to the recession) and from a re-rating of valuation multiples. We need to keep in mind that any recovery will take time to unfold, with inevitable moments of doubt along the way.

The US market is at the other end of the spectrum. Both earnings and the economy have been strong, but there are signs of emerging weakness in the labour market and in consumption by low-income cohorts. The US Federal Reserve has cut rates, but just as interest rates act with a time lag on the way up, they act with lag on the way down. It remains to be seen if the cracks in the labour market intensify – and what that portends for the overall economy and US markets.

1 In the GFC this was the move to fully recapitalise the banking system. The effective end to the EU sovereign crisis was Draghi's 'whatever it takes' speech, committing the ECB to prevent peripheral countries defaulting.

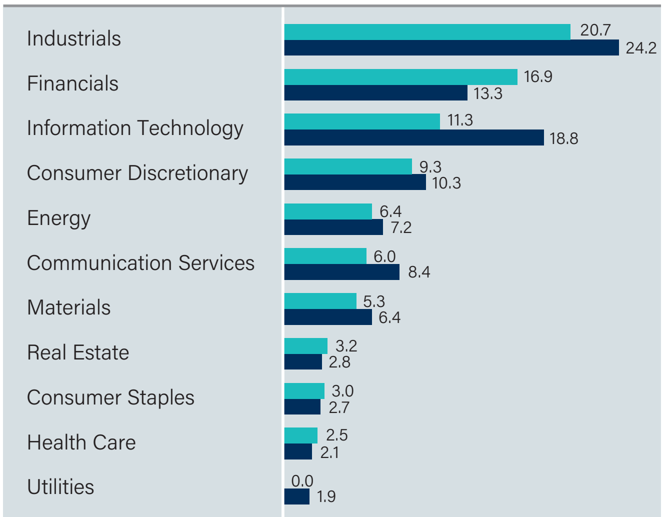
Disposition of Assets (Net Invested Positions) %^



30 SEP 2024 30 JUN 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.

Net Sector Exposures %^



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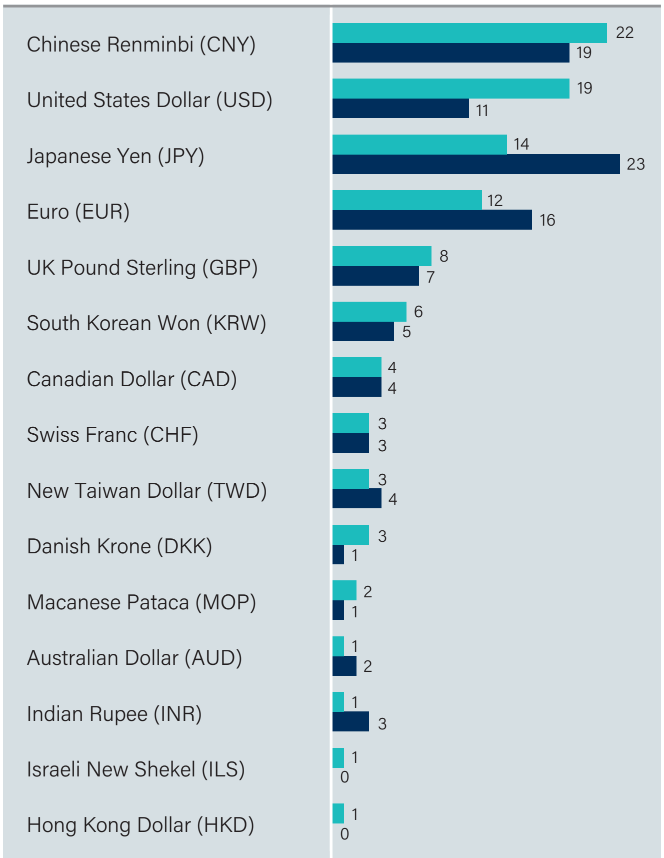
^ The table shows the Fund's net exposures to the relevant sectors through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other". Numerical figures are subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings^

COMPANY	COUNTRY	INDUSTRY	WEIGHT
ZTO Express Cayman Inc	China	Industrials	5.0%
TransUnion	US	Industrials	3.8%
Samsung Electronics Co Ltd	South Korea	Info Technology	3.7%
Tencent Holdings Ltd	China	Comm Services	3.6%
UBS Group AG	Switzerland	Financials	3.3%
Taiwan Semiconductor	Taiwan	Info Technology	2.9%
Minebea Co Ltd	Japan	Industrials	2.6%
DSV A/S	Denmark	Industrials	2.6%
JD.com Inc	China	Cons Discretionary	2.6%
Allfunds Group Plc	UK	Financials	2.5%

^ As at 30 September 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 Currency Exposures^



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^ 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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