Platinum
ASSET MANAGEMENT

Platinum Investment Bond™ - Platinum Asia Fund

APIR Code: LIF7284AU

Quarterly Investment Manager's Report

31 March 2022

Platinum
ASSET MANAGEMENT

Investment Update

Platinum Investment Bond - Platinum Asia Fund (PIBPAF)

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Performance

(compound p.a.+ to to 31 March 2022)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund*	-11.2%	-16.5%	6.1%	8.4%	13.1%
MSCI AC Asia ex J Index^	-10.9%	-13.4%	3.2%	7.1%	9.2%

+ Excluding quarterly returns.

* The returns shown are for the Platinum Asia Fund C Class (launched on 4 March 2003). It is one of the investment options available for investors in the Platinum Investment Bond, which was launched on 23 March 2021. Investors in the Platinum Investment Bond will not have experienced the returns prior to 23 March 2021 and the historical data is provided for information purposes only.

^ Index returns are those of the MSCI All Country Asia ex 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 11.

In Brief:

- China Overseas Land & Investments, China Resources Land, Jardine Cycle & Carriage, and Mobile World Investment provided a positive contribution to performance over the quarter.
- Key detractors included our Chinese holdings Tencent, JD.com. ZTO Express, Kingsoft, Weichai Power and Midea.
- We rotated money out of some of the better-performing assets in China, redeploying the capital into areas experiencing more indiscriminate selling (JD.com, Tencent and Trip.com).
- We added to our small holding in Longping High-Tech Agriculture and initiated a new position in online grocery delivery company Dingdong.
- While many Asian countries appear to be facing slightly more challenging short-term economic conditions, as inflation and supply chain disruptions bite, commensurately low valuations can be found, and the long-term opportunity for the region remains enticing.

The Platinum Investment Bond ("Bond") is an investment bond issued by Lifeplan Australia Friendly Society Limited ABN 78 087 649 492 AFSL 237989. Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 ("Platinum"), is the responsible entity of the Platinum Asia Fund ("PAF"), an underlying investment option of the Bond. Please refer to page 11 for further disclosures.

The following is the 31 March 2022 Quarterly Investment Manager's Report prepared for PAF by its Portfolio Managers. Please note that in this report, the "Fund" refers to PAF and portfolio details, such as portfolio disposition, top 10 holdings and currency exposure, pertain to PAF's portfolio. Please be aware that PIBPAF and PAF (C Class - standard fee option) have different fee structures and therefore different returns. PIBPAF's returns may also vary from PAF's performance fee class (P Class) returns due to different cash holdings as well as gains and losses arising as a result of PIBPAF's market making activities.

This commentary relates to the underlying fund, the Platinum Asia Fund.[1]

The Chinese and Korean markets were particularly weak during the quarter, while Indian and South East Asian markets fared better. The sell-off in Korean shares happened alongside weakness in the Nasdaq and US growth sectors through January, as inflationary concerns rose and investors started to discount the potential impact of multiple interest rate rises. The weakness in Chinese assets was quite a separate event, particularly noticeable through the first half of March, following geopolitical questions arising out of Russia's invasion of Ukraine, and exacerbated by comments from the US Securities and Exchange Commission (SEC) relating to the ongoing delisting process of Chinese companies from US stock exchanges.

Turning to the portfolio, there was a positive contribution from **China Overseas Land & Investments** (+27%) and **China Resources Land** (+11%), two of our Chinese property developer holdings. These companies benefited from a targeted relaxation in government policies to help boost end demand, as well as loosened restrictions for better-capitalised developers. While the drama surrounding Evergrande and other more indebted developers has not completely passed, it appears there is a bifurcation whereby more conservative operators (such as those that we own) are increasingly viewed through a more favourable lens by the market and by regulators.

Some of our holdings through South East Asia also did relatively well during the quarter. **Jardine Cycle & Carriage** (+22%) saw its shares rise as investors scrambled to find companies set to benefit from Indonesia's increasingly attractive macroeconomic backdrop. Meanwhile, the Vietnamese retail group, **Mobile World Investment Corp** (+7%), also saw its share price rise late in the quarter after providing a better-than-expected operational update.

On the negative side of the ledger, our Chinese holdings were key detractors from performance. **Tencent** (-16%), **JD.com** (-15%), **ZTO Express** (-11%), **Alibaba** (-6%) and **Kingsoft** (-27%) were amongst the weakest performers, all selling off sharply on the geopolitical issues and/or US regulatory issues mentioned above. While many managed to recover some of their losses late in the quarter on reassuring comments from Vice-Premier Liu He (see Commentary below), they still closed lower over the period.

There were also a handful of other disparate – primarily Chinese – holdings, which saw their share prices decline during the quarter. Fears in the market around the potential for a period of weaker end demand, or broad-based

1 References to returns and performance contributions (excluding individual stock returns) in this PIBPAF report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

Disposition of Assets of PAF

REGION	31 MAR 2022	31 DEC 2021	31 MAR 2021
China	44%	45%	42%
South Korea	10%	10%	11%
India	10%	11%	5%
Taiwan	6%	6%	6%
Vietnam	6%	6%	3%
Hong Kong	4%	6%	8%
Philippines	2%	2%	1%
Macao	1%	1%	1%
Singapore	1%	1%	2%
Thailand	0%	0%	2%
Cash	14%	12%	19%
Shorts	-6%	-1%	-8%

See note 2, page 11. Numbers have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures of PAF

SECTOR	31 MAR 2022	31 DEC 2021	31 MAR 2021
Consumer Discretionary	18%	18%	17%
Information Technology	15%	16%	18%
Financials	13%	14%	13%
Industrials	12%	13%	12%
Real Estate	11%	10%	9%
Communication Services	4%	4%	2%
Consumer Staples	3%	3%	2%
Materials	3%	3%	3%
Health Care	1%	1%	1%
Energy	0%	0%	0%
Other	0%	4%	-5%
TOTAL NET EXPOSURE	80%	87%	73%

See note 3, page 11. Numbers have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings of PAF

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	5.9%
Samsung Electronics Co	South Korea	Info Technology	5.0%
Vietnam Ent Investments	Vietnam	Other	4.5%
InterGlobe Aviation Ltd	India	Industrials	4.1%
Tencent Holdings Ltd	China	Comm Services	3.9%
Ping An Insurance Group	China	Financials	3.7%
ZTO Express Cayman Inc	China	Industrials	3.5%
SK Hynix Inc	South Korea	Info Technology	3.4%
Alibaba Group Holding	China	Cons Discretionary	3.1%
China Resources Land Ltd	China	Real Estate	3.1%

As at 31 March 2022. See note 4, page 11.
Source: Platinum Investment Management Limited.

geopolitical concerns, tended to be the primary culprits for these share price moves. Whitegoods, air conditioning, and robotics company, **Midea Group** (-23%), sold off partially in response to concerns around end-market demand, as well as scepticism around some of their expansion and diversification plans. Truck engine manufacturer, **Weichai Power** (-19%), saw its share price marked down in response to a cyclically softening truck market, as well as signs their hydrogen fuel cell efforts may not yield the results more optimistic investors may have been hoping for.

While none of our small Chinese health and medicine-related holdings had a significant individual impact on the portfolio's overall performance, collectively, they were weak during the quarter and detracted from results. These companies' share prices declined due to a global sell-off in the biotech sector and related concerns around funding models for some of these players, as well as lingering concerns around the regulatory environment specific to companies operating in China. Examples of holdings in this bucket included **CStone Pharmaceuticals** (-39%) and **AK Medical** (-29%).

In terms of shorts, the results were mixed. Index shorts on the Hong Kong and Chinese A-share markets were initiated during the quarter to help protect the portfolio during the sell-off and modestly cushioned the portfolio. Our shorts in the optically more expensive Indian market were less productive, however, generating modest losses.

On currencies, we maintained fairly neutral positioning compared to our underlying assets. As such, there was a headwind to Australian dollar (AUD) reported performance resulting from the AUD's strength observed through late February and March coincident with strong commodity prices.

Changes to the Portfolio

With the market volatility during the quarter, we were a little more active in the portfolio than usual. As Chinese assets were sold down in March we rotated money out of some of the better-performing assets in that market, redeploying the capital into areas experiencing more indiscriminate selling, without increasing our overall capital committed to the country.

As a broad generalisation, the well-capitalised Chinese property developers and financial companies held up better than the broader market. This led us to reduce our positions in holdings like **AIA**, **China Resources Land**, **China Overseas Land & Investments** and **China Merchants Bank**, so that we could redeploy some of that money into more prospective opportunities. During the quarter, we also exited our position in sportswear and fashion house **Li Ning**, and reduced our holdings in the industrial strain wave gear manufacturer **Leader Harmonious Drive**, on the basis that their valuations had reached levels that were no longer as attractive.

By contrast, areas of the Chinese market, particularly those which had previously been popular with international investors, such as e-commerce and internet companies, came under intense selling pressure, as mentioned earlier. To take advantage of this, we added to our holdings in companies like **JD.com**, **Tencent** and **Trip.com**. We also continued to add to our small holding in **Longping High-Tech Agriculture** that operates in the Chinese agricultural sector, as its share price pulled back to levels we were initially buying at last year, while the evidence pointing towards the potential for that company to make large market share gains in the coming years has kept coming.

We also continued to introduce new holdings to the Fund throughout the quarter. For example, we initiated a position in a family-run paints and waterproofing business, which has a dominant and growing position in their local market in South East Asia. This is a company with strong brands and unparalleled local distribution, exhibiting great profitability and with a long runway to expand, as they take share within a growing market. The company's shares were marked down prior to our purchase, as investors worried about a lack of visibility around the shorter-term demand environment, presenting us with the opportunity to establish an initial position at what we believe was an attractive price. We also acquired a small position in Chinese grocery delivery company **Dingdong**, whose shares had fallen precipitously in the months prior to our purchase, as the company went from market darling to pariah, despite emerging positive signs around the business' economics. And in the Philippines, we established a new holding in a company that operates in a more prosaic industry, which caught our attention simply because of how cheap it appeared relative to our estimate of earnings and dividends over the next few years.

In India, we trimmed our holdings in vehicle manufacturer **Maruti Suzuki** when the share price ran up during the quarter, simply reflecting our view on the valuation. Having doubled our exposure to India from March to December last year, it is a market we continue to scour for opportunities, but valuations in recent months have made finding well-priced, interesting opportunities more challenging, and as such, we have found ourselves once again reluctantly reducing our exposure.

Commentary

The major market events discussed in recent quarterly reports are starting to feel a touch repetitive. While the details change, China has remained consistently controversial as an investment destination, and has seemingly managed to fall even more out of favour with investors as the months pass. Most recently, China's ambiguous stance with respect to Russia's invasion of Ukraine appears to be making developed countries increasingly uneasy, prompting reassessments around trade and investment relationships. This sentiment spilled over to negatively impact the stock market.

While there are experts better versed in the geopolitics driving these situations than us, our simple observation would be that China's North Star for the past three decades has been economic development and improvement in living standards for the populace. So much so, that these are sometimes viewed as the foundations upon which the government draws its legitimacy. If that remains their primary focus, as a country with deep international trade relationships and a strong export sector, then we believe the market's concerns are likely to prove exaggerated and the current fairly substantial discount that we think is priced into the country's assets should somewhat reverse.

To be clear, we are not being apologists for China's ambiguity on Ukraine, but we would point to India's similarly underwhelming response to Russia's invasion – and the fact that rather than being a lightning rod for international censure, as what happened with China, in India's case this was instead greeted with a flurry of diplomatic missions to try and woo the country over. Meanwhile, the press barely mentions it. Certainly, we would not want to draw particularly strong parallels between the position of these two countries, but the stark difference in treatment and response we believe does highlight a degree of inconsistency, which is reflecting some level of temporary emotional predisposition that Westerners, in particular, currently have towards these two countries – and those emotional leanings can similarly be observed in market prices.

While many events take place across the region in any given quarter that impact markets, there are two others pertinent to China that are worth mentioning.

Firstly, in early March, the US Securities and Exchange Commission (SEC) started listing companies in breach of the 2020 Holding Foreign Companies Accountable Act (HFCAA). Essentially, this is just the latest step in the process of delisting Chinese firms from US exchanges, if the US regulator's demands around oversight of auditing of US-listed Chinese companies accounts are not met. This event had been well telegraphed and should not have come as a surprise to anyone. However, judging from the market's reaction, some investors clearly were caught unawares. The market's reaction was particularly negative in the subsequent days and led to a speech by China's Vice-Premier Liu He essentially saying that the Chinese government had taken note of the market's concerns and would work to operate in a manner that shows greater consideration and support for stock markets on a number of levels. This speech provided significant short-term reassurance to the market and sparked a short sharp rally, helping to reverse some of the losses. Also, it is perhaps important to clarify at this junction that a number of our US-listed Chinese company holdings are not materially affected by this, as they also have Hong Kong listings which can be used. However, we do have a small exposure (<5% of the Fund) to companies that could be more impacted. For those that could be more affected, generally they have been preparing back-up plans, and by and large, we do not expect our portfolio to be at any great risk from this issue.

The final point with respect to China worth mentioning is their ongoing commitment to zero-COVID policies, which with the Omicron variant is proving increasingly difficult and costly to maintain. Lockdowns are ongoing across multiple cities. We've been through this a number of times now, but it nevertheless still causes some degree of supply chain disruption, both locally and in international supply chains.

Turning to the other countries in the region, during the quarter, it was notable that **India's** current ruling party, the Bharatiya Janata Party (BJP), won the Uttar Pradesh state elections. Many commentators saw this as a strong signal that the party has regained its popularity after rolling back some agricultural reforms, and as such, are expecting they could secure a third federal term featuring a reacceleration of reforms and privatisations in the country.

South Korea also held their presidential elections during the quarter. It was a tight race, with a right-wing candidate winning the position. From a market perspective, he is expected to pass better minority protections for investors in Korean companies, which can be particularly important around takeovers, and these are widely expected to be positive for the majority of shareholders. In terms of broader policy, there is a general perception this candidate should be relatively business friendly, but realistically, one of the more notable features of the new president's approach is his aggressive brand of politics where he is expected to take a more confrontational stance towards North Korea and China, while pursuing closer relationships with the US and Japan.

Of course, many interesting things have been happening within the companies in our portfolio over the past three months as well. However, with the region's markets experiencing such large macro-driven moves, we felt it appropriate to discuss those in more detail this time. Hopefully, next quarter we can spend more time sharing details around some of our portfolio companies, as company and industry analysis continues to be where we spend the majority of our time and effort.

Outlook

While many Asian countries appear to be facing slightly more challenging short-term economic conditions, as inflation and supply chain disruptions bite, commensurately low valuations can be found, and the long-term opportunity for the region remains enticing. As such, we continue to believe the setup for longer-term investors remains attractive, and despite (or perhaps even because of) weaker markets in recent months, are increasingly enthusiastic about the return prospects for the portfolio.

Macro Overview: Navigating Through Complex Times

by Andrew Clifford, Co-Chief Investment Officer

In late March, CEO and co-CIO Andrew Clifford sat down with Investment Specialist Julian McCormack to discuss the quarter's dramatic world events and what they mean for inflation, interest rates and markets. An edited transcript of the conversation is below.*

JM: Andrew, after starting the new year on a strong note, financials, industrials and materials, essentially cyclical stocks, reset lower in February on fears around the Russia-Ukraine conflict, what are your thoughts on a 3-5-year view?

AC: I think it's worth returning to where we were before the invasion of Ukraine and COVID really took hold in China. We were in a situation where we were clearly coming out of the pandemic, countries were reopening, there had been a huge amount of fiscal stimulus across the world and economies were looking in great shape. We also had an extraordinary rise in inflation to levels we haven't seen in 40 years, and with that, there was the realisation that interest rates were going to rise, and by a quite a lot. That environment was going to be very positive for financials, industrials, materials, travel stocks, and the like. Indeed, towards the end of last year and the first few weeks of the new year, they were doing very well. On the flipside, it was also an environment that was going to be very challenging for the stocks that had driven markets for the last three years, particularly the last two, the growth stocks or 'quality compounders' as they are often referred to. Indeed, some of the big favourite names like Facebook or Meta Platforms as it's now called, Netflix and other excitable growth names experienced some significant setbacks. These are the types of stocks that trade on 20, 30, 50 times sales and have serious valuation implications in a higher interest rate environment. I would add that when it comes to bull markets, there are two things that happen: there's a great story; and the story gets better in people's minds as the prices reinforce it. The story is correct, but when rates suddenly start rising and stock prices stumble, people start looking more closely. A stock such as Facebook, for example, has gone from being an unsurpassed media giant for digital advertising, to a company really struggling in terms of competition and changes in its environment. Netflix, likewise, has been through similar challenges. So, as people start paying more attention to these stocks, we start to get a very different stock market environment.

JM: Interestingly, people have returned to those kinds of exposures, the quality compounders, in recent weeks, driving astounding performance in stocks like Tesla, Microsoft and Apple. What do you make of that?

AC: To me, it seems to be a reflex action for investors that's been driven into them over recent years. We have talked a lot over the past five years about how people were 'forced' into equities. They didn't really want to leave the safety of their bank deposits but had no other option in order to get returns. They wanted to invest in something they felt comfortable with, that was 'safe'. And that's certainly what the quality compounders and the Microsofts of the world appear to offer. We have gone from a period where investors were probably gaining confidence, there was an economic recovery underway and yes, interest rates were going to rise, but it wasn't the end of the world, to now facing a war on the Continent. There are also questions about China's role in the Russia-Ukraine conflict and the implications of that, as well as concerns about the strength of the Chinese economy,

*The full interview is available in audio format on The Journal page of our website https://www.platinum.com.au/Insights-Tools/The-Journal

which continues to struggle. The huge increase in uncertainty sees the "let's go back to safety" playbook come out yet again. While it doesn't surprise me, what I do find extraordinary this time, is that people actually want to return to these stocks, despite rates now rising. We always tend to focus on the US, but central banks across the world have been raising rates for a while. In the US, I follow the 2-year Treasury yield as an indicator of future rates and it's up around 150 basis points just this year (see Fig. 1). Investors wanting to go back to assets where the value won't be realised for many years out, so there's a discount effect,[1] is pretty bold in my view, especially when the US Federal Reserve (Fed) has reiterated they will be increasing rates. It's worth noting that following the invasion of Ukraine, European lead indicators, such as consumer confidence and business confidence, now look dismal and the economy is most likely going to have a very strong, short disruption at the least. China too is facing a difficult period because of COVID. In contrast, the US economy, for the moment, doesn't look to be skipping a beat, and in fact, taken in isolation, the worry there is that rates may go up much further than many expect.

Fig. 1: US 2-Year Treasury Yields

Source: Bloomberg as at 31 March 2022.

JM: It's interesting in that context, maybe you could reflect on the process of going from extreme bullishness to bearishness, using past market cycles in terms of timing?

AC: It's always interesting to reflect on some of the timeframes involved. If you go back to 2008 for instance, and from recollection, it was around February when the Bear Stearns issue arose, there had been problems in the mortgage market leading up to that, but yet it wasn't until August that things really came to a head. In more ancient history, I was recently reviewing the end of the Japanese bull market in December 1989. Japanese government bond yields had risen sharply that year, from around 5% to 8%,[2] so it took a while for the market to crack, but then it certainly did happen. The lesson here is, it can just take time. I think it's worth talking about the other side of the equation too, the stocks that are out of favour, where valuations are back to crisis levels. While we don't know what the next three or six months will look like for companies such as BMW or Eastern European bank Erste Bank, two very high-quality businesses in our view, they are trading at levels last seen in the depths of the COVID sell-off or the 2009 sell-off in terms of their valuations and the strength of their underlying businesses.

JM: I am reminded of the common refrain that as everything goes down all at once anyway, we might as well hold the current winners. Does it matter what you own?

AC: Well, if you look at history, there's one great exception to that, which was the end of the tech boom in 2000 and 2001. As tech stocks sold off, all of the out-of-favour companies back then, the 'old world' companies like spirits businesses and consumer staples that were trading on discounted valuations of around 11 or 12 times earnings, were actually rising. The sell-off in 2008/09 was indeed a case of everything going down at the same time. However, the better-valued stocks tend to not go down quite as much and recover much earlier.

Reflecting on last year, certainly there was some good buying to be done in a Microsoft or Facebook in March, however, there were much better buying opportunities in copper stocks, like Freeport-McMoRan or First Quantum Minerals, which were up 50% and 80% respectively over the year to the end of March 2022.[3] At the end of the day, you have to get through the cycle to see how it all unfolds, but when we're buying a stock like BMW at 60% of its book value and there's a shortage of cars that will take two or three years to resolve, I think that's great long-term investing in the very traditional sense and not punting stock prices.

1 Growth companies tend to rely on earnings in the more distant future. When valuing a company, future earnings are discounted back to a present value using a required rate of return, which is related to bond yields. As bond yields rise, the discounting process leads to a lower value in today's dollars, for the same level of future earnings.

2 Source: FactSet Research Systems.

3 Source: FactSet Research Systems.

JM: Changing tack slightly, the other great area of focus for investors is China. We've seen an extraordinary response in perhaps some of the more speculative areas of the Chinese market following comments from Chinese Vice-Premier Liu He. Do you have any comments on that?

AC: Firstly, I would like to make an overall comment here, because there are a lot of fears about China, particularly its relationship with Russia. Clearly, China wants to play a very independent role, rather than a more neutral role. We need to remember that the US sanctions against Huawei effectively destroyed one of the greatest private companies of the world, so China naturally has genuine reasons to be fearful of the West and their role here. However, China's success is a product of being part of the global system. Their wealth and livelihood are a function of being part of that system, so to my mind, the likelihood that they will endanger that, is very low. I think that the worst fears are extreme here.

Now, clearly, the reforms of last year have hurt their economy, which they are well aware of, and COVID is now another blow for them. They need to get the economy going again, which explains why Vice-Premier Liu He, in a speech in mid-March, vowed to support economic growth and the capital markets, with notable mentions of the real estate and technology sectors, which have been impacted by regulatory crackdowns. There were also stimulatory measures announced, including tax cuts worth a percent or two of GDP.

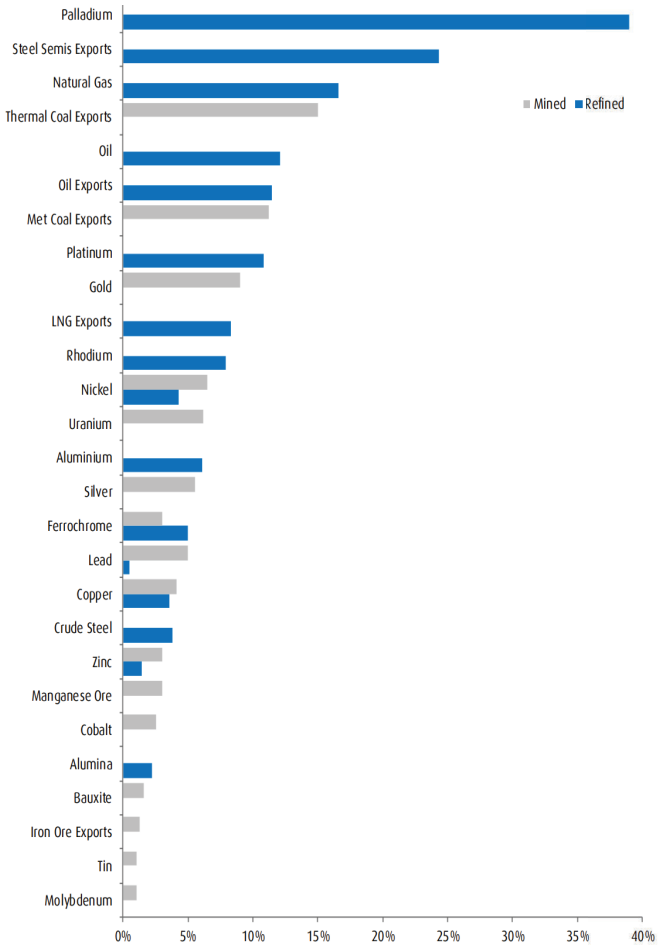
There are also a lot of concerns around Chinese American depository receipts (ADRs), with the US regulator, the Securities and Exchange Commission, looking at potentially delisting some Chinese companies from US stock exchanges. However, that is a sideshow really, because companies are just relisting in Hong Kong. Interestingly though, China has changed their position and is taking a highly conciliatory stance, trying to appease the US.

Back to your question regarding the market reaction, Chinese stocks were very cheap to start with, they were in a big bear market already, and then we had that extraordinary sell-off that only lasted for a couple of days. A bounce on the back of the positive statements was to be expected, but I think there is still some pretty interesting value in that market today.

JM: Apart from the human suffering from events in Ukraine, there are other real-world economic implications globally, can you touch on some of those?

AC: One major repercussion from the Russia-Ukraine conflict is obviously energy prices - not just oil, but also gas and thermal coal. These markets were already incredibly tight and while it's impossible to predict how the war will unfold from here, short of a regime change, Russia will most likely remain a pariah state. On that basis, it's reasonable to expect

Fig. 2: Percentage of Global Supply Sourced from Russia



Source: USGS, BMO Capital Markets.

elevated energy prices to continue. Another area that has been impacted is food prices and associated input costs, like fertilisers. Ukraine and Russia are huge suppliers of grains, notably wheat, but also fertilisers (potash). Our discussions with people in those markets indicate this is a very significant disruption, particularly in fertilisers, which is not going to be easily resolved. There are obviously humanitarian consequences of higher food prices in very poor countries. In terms of market implications, energy and food are the biggest components of household budgets, particularly for low-income earners in the West. This has a real impact on not just the average consumer but also businesses selling to those consumers. There are lots of swings and roundabouts, you can't ever assume that just because you are selling to lower-income households that you lose out, you might be able to increase prices, consumers may still buy your product, but then save elsewhere. However, there are going to be implications and it creates a very complex environment for investors.

JM: Obviously, it's different this time, but how would you compare and contrast that setup to how you were seeing the markets in 1999 and 2000?

AC: There's much greater complexity in the economic environment this time. Like the current situation, certainly in 1999/2000 we had interest rates going up and there were extraordinary valuations in some sectors, while a part of the market that had been left behind looked very attractive. But let's remember that in 2000, it was all about Y2K, which caused people to misread the situation. There was considerable demand for IT, which turned out to be driven by this artificial deadline for everyone to revamp their systems. This time, to some extent, I think we have the same possibility, with huge demand for physical goods. We have the potential now that everyone is misreading demand for say, homewares or other goods that have been in great demand. In the IT area, the amount of money available for start-ups is extraordinary. You can see on the front page of the financial papers every day about someone raising another US$100 million on a billion-dollar valuation - and they've barely even got started and that US$100 million goes into a lot of IT services. For some of those much-loved software companies, sales aren't actually on trend, they're way above trend. In our view, it's very likely that we're going to have ongoing disappointments over the next year or so, particularly in those companies that are trading at incredibly stretched valuations.

With interest rates likely to move higher, I think the long duration stocks, the quality compounders, are going to be, at best, very low-returning investments. We feel there's just far better value in a whole range of other stocks that we've already touched on - the industrials, materials and banks and so on.

MSCI Regional Index Net Returns to 31.3.2022 (USD)

REGION	QUARTER	1 YEAR
All Country World	**-5.4%**	**7.3%**
Developed Markets	**-5.2%**	**10.1%**
Emerging Markets	**-7.0%**	**-11.4%**
United States	**-5.3%**	**13.6%**
Europe	**-9.6%**	**1.1%**
Germany	-12.9%	-12.0%
France	-8.7%	4.5%
United Kingdom	1.8%	13.6%
Italy	-10.0%	-2.7%
Spain	-4.1%	-3.7%
Japan	**-6.6%**	**-6.5%**
Asia ex-Japan	**-8.0%**	**-14.6%**
China	-14.2%	-32.5%
Hong Kong	-1.8%	-12.0%
Korea	-9.6%	-18.5%
India	-1.9%	17.9%
Australia	7.3%	13.5%
Brazil	35.9%	24.7%

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

MSCI All Country World Sector Index Net Returns to 31.3.2022 (USD)

SECTOR	QUARTER	1 YEAR
Energy	21.2%	40.0%
Materials	2.8%	10.9%
Utilities	1.2%	10.7%
Financials	-0.4%	11.1%
Health Care	-3.8%	12.6%
Consumer Staples	-4.0%	7.5%
Real Estate	-5.5%	9.5%
Industrials	-6.0%	1.5%
Information Technology	-10.3%	12.3%
Communication Services	-10.6%	-7.4%
Consumer Discretionary	-11.3%	-5.5%

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

The Journal

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- Announcements.

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If you find yourself short on time to read our in-depth **reports** and articles, check out our brief market updates in **video** format, or have a listen to our **audio podcasts**.

Recent highlights include:

- **2022 Investor Presentation: Beware the Crowd – Why Having a Differentiated Approach is Critical to Investing.**[1] CEO and co-CIO Andrew Clifford and portfolio manager Nik Dvornak provide a market update and explain why a focus on capital preservation and a differentiated approach are important in volatile markets. Investment specialist Jan van der Schalk also outlines how we continue to approach ESG and how ESG and investment returns are long-term bedfellows.
- **Video – Readying for a Market Leadership Change.**[2] Every bubble has two main ingredients: a great idea and easy money. With inflation now at 30-year highs and rates rising, the bubble is unravelling and market leadership is changing. Co-CIO Clay Smolinski talks with investment specialist Dean McLelland on who will be next decade's winners.
- **Video – Entrepreneurial Spirit Thriving in Asia.**[3] Drawing on his extensive experience in analysing and investing in evolving businesses in the tech sector, co-portfolio manager for our Asia ex-Japan strategy, Cameron Robertson is finding plenty of "not-so-familiar" investment opportunities, with Chinese online grocery retailer Dingdong, a great example.
- **Article – The Beautiful Game.**[4] Our co-founder, Kerr Neilson provides his thoughts on the current market dynamics. A thoughtful and insightful read, as always.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/2022-Investor-Presentation

2 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Readying-for-a-Market-Leadership-Change

3 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Entrepreneurial-Spirit-Thriving-in-Asia

4 https://www.platinum.com.au/Insights-Tools/The-Journal/The-Beautiful-Game

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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.

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3. The table shows PAF'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".
4. The table shows PAF'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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